How We View Absolute Return

The “Absolute Return” investing universe has represented a variety of investment objectives and approaches through time. Even today the term is used by both hedge funds, on one end of the spectrum, as well as ultra-safe, liquidity type funds, on the other. While the space has yet to be concretely defined, the development of our strategy began with a simple client request to manage a portfolio, untethered from traditional benchmarks, that would produce a reasonable level of return and protect their investment principal. With that objective in mind, the Payden Absolute Return Investing (PARI) approach has been refined over more than 8 years while adhering to the following core concepts:

**Produce Positive Returns**

staying true to the basic definition of “Absolute Return”, our strategy aims to produce positive returns with a performance hurdle of LIBOR + 2–3% over a rolling 3-year period.

**Protect Downside Risk**

before we consider the direction of markets or the value opportunities that are presented, our first responsibility is to protect an investor’s principal against the potential for loss. Risk management is paramount.

**Capture “Smart” Yield**

benefitting from more than 34 years in fixed income management, the foundation of our strategy is a low duration fixed income portfolio where risk premia from global interest rate curves and credit markets provide dependable and repeatable returns.

<table>
<thead>
<tr>
<th>Strategy Characteristics</th>
<th>Details</th>
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<tbody>
<tr>
<td>Return Objective</td>
<td>LIBOR + 2–3%</td>
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<td>Rating</td>
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<td>Track Record Length</td>
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<td>Strategy Assets</td>
<td>&gt; $4 billion</td>
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</table>
Contents

Introduction to Payden & Rygel

Principles

Process

Practice

Appendix
Introduction to Payden & Rygel
Payden & Rygel is one of the largest privately-owned global investment advisers. Founded in 1983, we are a leader in the active management of equity and fixed income portfolios, through domestic and international solutions. Advising the world’s leading institutions and individual investors, we provide strong performance and real-world strategy on the global economy and capital markets.
# Payden & Rygel is 100% Employee-Owned

<table>
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<tr>
<th>Shareholders</th>
<th>Title</th>
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<tbody>
<tr>
<td>Joan A. Payden, CFA*</td>
<td>President &amp; CEO</td>
<td>44 yrs</td>
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<tr>
<td>Brian W. Matthews, CFA*</td>
<td>CFO &amp; Managing Principal</td>
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<td>Bradley Hersh</td>
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* Investment Policy Committee
Payden & Rygel Assets Under Management Trends

**Total Firm Assets (Billions)**

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</table>

**Assets Under Management by Strategy, 3Q 2017**

- Low Duration: $42.0 bn
- Enhanced Cash: $30.4 bn
- Core Bond and Strategic Income: $16.7 bn
- Global Fixed Income: $6.5 bn
- Absolute Return Bond: $4.7 bn
- Municipal: $2.5 bn
- Equity: $2.7 bn

Dedicated strategies and assets included above:

- Investment Grade Corporate: $47.7 bn
- Securitized Debt: $12.5 bn
- Emerging Market Debt: $10.7 bn
- High Yield Corporate: $3.2 bn
Representative Global Client List

Corporations
- Alaska Air Group, Inc.
- American Airlines, Inc.
- Banque Internationale du Luxembourg
- Boeing
- Cisco Systems, Inc.
- Clearstream Banking Luxembourg
- Eli Lilly Company
- Facebook, Inc.
- Finogest – Unofi
- Navistar International Corporation
- Northrop Grumman
- PG&E Corporation
- United Technologies

Public Entities
- Asian Central Bank
- City of Westminster (London)
- Florida Local Government Investment Trust
- Kansas Public Employees
- L.A. Fire and Police
- Middle East Sovereign Wealth Fund
- Nevada Public Employees
- Silver Pensjonsforsikring Kulturdrift
- State of Connecticut Retirement Plans
- Swedish National Debt Office
- VicSuper
- Virginia Retirement System

Insurance
- California Insurance Guarantee Association
- CalOptima
- Carl Späengler KAG mbH
- Everest Re Group, Ltd.
- German Reconstruction Loan Corporation
- Guaranty Fund Management Services®
- L.A. Care Health Plan
- Lloyd’s of London (multiple syndicates)
- State of California Department of Insurance
- Texas P & C Guaranty Association

Health Care
- Children’s Hospital Los Angeles
- Good Samaritan Hospital
- Kaiser Permanente
- Montefiore Medical Center
- New York-Presbyterian Hospital
- Tufts Health Plan

Wealth Management
- JPMorgan
- Novare Investments
- Pictet Wealth Management
- St. James’s Place Wealth Management
- UBS Wealth Management
- Family offices, businesses, foundations
- Charitable remainder trusts

Education, Foundations, Non-Profits
- AARP
- Emory University
- Indiana University
- King’s College London
- Oxford University Endowment Management
- SAUL Trustee Company
- The Pennsylvania State University
- The Texas A&M University System
- Trustees of Dartmouth College
- United Nations Agencies (multiple)
- University of Michigan
- University of Washington

Jointly-Trusteed Plans / Unions
- American Fed. of Musicians and Employers
- Building Service 32BJ Funds
- Intl. Association of Machinists
- Intl. Brotherhood of Electrical Workers (Nat’l)
- National Electrical Annuity Plan
- National Electrical Benefit Funds
- New York District Council of Carpenters
- Ohio Laborers’ District Council
- Producer-Writers Guild of America

Representative sample of our clients, 8/17.
Principles
Payden Absolute Return Investing (PARI): Overview

“Best Ideas” Portfolio
Being unanchored from traditional benchmarks allows us the flexibility to search for attractively valued assets. The result is a "best ideas" portfolio that reflects the most promising risk-adjusted opportunities around the globe.

Responsive to Range of Outcomes
Payden & Rygel constructs strategies to perform under a variety of scenarios and not be overly dependent on a single economic thesis or risk type.

Fundamental Research
Research drives investment decisions. The deep and experienced team of analysts takes a practical approach by scrutinizing each entity and ranking them based on a list of criteria.

Risk Management
In contrast to most managers’ assumption of “normal” markets as a base case – we start with the exceptional, assume it is likely, determine a plan to deal with it and work our way back.

This Absolute Return strategy was developed in response to a series of client requests in 2008. However, our philosophy has been formulated and developed from our market experience over more than 34 years of firm existence.
A Balanced Approach

- PARI portfolios combine elements of opportunity and stability.
- The goal is to create a blend that is consistent with investor objectives and reach a risk equilibrium that will perform under a variety of potential economic scenarios and demonstrate less sensitivity to market directionality.
- Critical to this process is the close interaction between strategists, analysts, traders and risk management professionals to source and construct the most promising and appropriate portfolio of investments.
PARI Strategies Benefit from Firm-Wide Resources

Investment Policy Committee
10 member team of senior professionals (see table)

Economics Team
Jeffrey C. Cleveland
12 years at Payden
14 years industry experience

Global Rates Team
Nigel Jenkins*, ASIP
12 years at Payden
23 years industry experience

PARI Strategy Team
Brian W. Matthews, CFA, CFO, Mng Principal (32/36)*
Scott J. Weiner, Ph.D., Mng Principal (25/34)*
Brad Boyd, CFA, SVP, (16/18)

Currency Team
Nigel Jenkins*, ASIP
12 years at Payden
29 years industry experience

Investment Grade Credit Team
Natalie N. Trevithick, CFA
5 years at Payden
19 years industry experience

MBS/ABS Team
David P. Ballantine, CFA, CFP
27 years at Payden
33 years industry experience

High Yield Credit Team
Jordan Lopez
12 years at Payden
14 years industry experience

Emerging Markets Team
Kristin J. Ceva*, Ph.D., CFA
20 years at Payden
29 years industry experience

*Investment Policy Committee
Joan A. Payden, CFA
Brian W. Matthews, CFA
James P. Sarni, CFA
Mary Beth Syal, CFA
Scott J. Weiner, Ph.D.
Asha B. Joshi, CFA
Michael E. Salvay, CFA
Kristin J. Ceva, Ph.D., CFA
James T. Wong, CFA
Nigel Jenkins, ASIP
Absolute Return Strategy Components

- **Hedges**: Protection against extreme market conditions.
- **Tactical Trading**: Tactical positioning in rates, currencies and credits.
- **Core Income**: Multi-sector income focused portfolio including bonds, loans, securitized, etc…
Macro Assessment: Investment Policy Committee

Payden Investment Policy Committee (IPC)
A group of 10 senior investment professionals who guide the firm’s broad market views and maintain oversight of strategies.

Output
The role of the IPC is:
1. Formation of our broad-based and long-term view: economic growth, inflation, etc.
2. Ongoing review and determination of the firm’s broad risk-management parameters
3. Regular, comprehensive review of investment results for consistency with fundamental views.

Application
The IPC macro view serves as the starting point for sector decisions and the fundamental backdrop for guiding analysts, traders and strategists in their search for value.
Capturing Reliable Yield

- The foundation for Payden’s absolute return portfolios is a steady and reliable stream of income. The following are conducted to create a basket of securities consistent with this objective:
  - Financial statement analysis
  - Research visits
  - Fixed income perspective
  - In-house credit scoring
  - Relative value analysis

Adding Incremental Alpha

- Tactical trading is applied on a limited basis to capture gains from market directionality and inefficiencies.
- The concept of letting our “winners run” is part of our strategy in seeking positive alpha for PARI portfolios.

Credit Metrics

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<td>EBITDA Margin</td>
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Trade Summary (Sample)

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<td>AUD 3y - 10y Flattener Rates (3)</td>
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1 See appendix – Credit Analysis
2 See appendix – Credit Scoring
3 See appendix – Tactical Trading

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Risk Management: Measurement

Payden Considers Several Types Of Data Measurement To Better Ascertain Risk

<table>
<thead>
<tr>
<th>Measurement Type</th>
<th>Purpose</th>
<th>Metrics We Monitor</th>
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<td>Understanding the impact on the portfolio of a given market move.</td>
<td>% exposure Duration Spread Duration Convexity DTS</td>
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<tr>
<td><strong>Statistical Risk</strong>²</td>
<td>Understanding how the portfolio is <em>likely</em> to behave through time.</td>
<td>Beta Volatility Tracking Error VaR</td>
</tr>
<tr>
<td><strong>Stress Testing</strong>³</td>
<td>Understanding portfolio breaking points.</td>
<td>Deductive Testing (History) Inductive Testing (“What-if”)</td>
</tr>
</tbody>
</table>

¹See Appendix – Deterministic Risk Monitoring  
²See Appendix – Statistical Risk Model: Volatility, Tracking Error  
³See Appendix – Stress/Scenario Testing
Hedging for Downside Protection

### Rationale

1. Tail hedge on credit spread risk
2. Tail hedge on interest rate risk
3. Tail hedge on market volatility
4. Direct hedge on high yield holdings
5. Direct hedge on interest rate risk

### Instrument

- **1** Long VIX futures
- **2** Puts on TLT (20+ Year Treasury Bond ETF)
- **3** Puts on HYG (High Yield Corporate Bond ETF)
- **4** Puts on SPX (S&P 500)
- **5** CDX HY26
- **6** Short Bond futures

### Market Action

- **1** Following global instability and S&P’s downgrade of the US Treasury, world equities sold-off approximately 20% pushing volatility sharply higher.
- **2** Treasury volatility ramped up significantly during the “Taper Tantrum”.
- **3** High yield spreads sold off after touching the tightest spreads (350bps) since the Great Recession, but the retracement was short-lived.
- **4** China devalued the yuan, leading to a surge in volatility with the VIX breaking 40 and the S&P 500 falling over 10%.
- **5** Brexit led to a quick spike in volatility and widening of high yield credit spreads.
- **6** Market calm in the run-up to the US elections reversed with the surprise Trump victory. Risk assets initially sold-off followed by a meaningful rally. Yield curves shifted decidedly higher.

### Performance

- **1** +34 bps
- **2** +10 bps
- **3** -1 bp
- **4** +45 bps
- **5** +10 bps
- **6** +42 bps
Commitment to Systems and Technology

Proprietary systems:

Our internal systems allow us to manage and monitor portfolios to ensure consistency of strategy implementation and portfolio returns. Quantitative models are used for assessing and budgeting portfolio risk and complying with client guidelines.

Bloomberg Asset and Investment Manager (AIM):

AIM is used by the Trading Desk to record executed buy and sell transactions. Client guidelines are programmed into AIM and the system calculates account compliance based on the guidelines.

Barclays POINT:

POINT is used to stress test the portfolios and calculate and assess statistical measures such as tracking error, beta, correlations, and volatility. Each of our active strategies receives predetermined parameters to ensure no particular strategy/structure exceeds volatility expectations. Strategies are tiered by conviction and impact on the overall portfolio structure.

YieldBook:

A highly comprehensive system used for monitoring security level and portfolio level risk and exposures. We use YieldBook to stress test the portfolio against changes in a number of factors such as interest rates, yield curve shifts and twists, credit spreads, implied volatilities, liquidity, and flight-to-quality scenarios. It also provides a robust asset/liability matching tool.
Payden Absolute Return Fund Current Positioning – As of September 30, 2017

**Summary Data**

- No. of Issuers: 166
- Rating: BBB
- Rating: Ex-Legacy MBS: A
- Yield: 2.73%
- Interest Rate Duration: 1.42
- Credit Spread Duration: 3.22

**Sector**

- Emerging Markets: 8%
- IG Credit: 18%
- GSE Risk-Sharing: 3%
- High Beta IG: 4%
- High Yield: 2%
- Loans: 4%
- ABS/CLO: 6%
- Non-Agency MBS: 17%
- Government/Cash: 7%

**Rating**

- AAA: 25%
- AA: 5%
- A: 13%
- BBB: 26%
- <BBB Credit: 13%
- <BBB Securitized: 18%

**Duration**

- 0-3: 80%
- 3-5: 70%
- 5-10: 60%
- 10+: 50%
# Performance Results – As of September 30, 2017

## Historical Performance

<table>
<thead>
<tr>
<th>Trailing Periods</th>
<th>PARI*</th>
<th>Benchmark**</th>
<th>1M LIBOR</th>
<th>Alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Year</td>
<td>3.74%</td>
<td>0.65%</td>
<td>0.89%</td>
<td>3.09%</td>
</tr>
<tr>
<td>3 Year</td>
<td>3.03%</td>
<td>0.32%</td>
<td>0.48%</td>
<td>2.71%</td>
</tr>
<tr>
<td>5 Year</td>
<td>2.74%</td>
<td>0.22%</td>
<td>0.36%</td>
<td>2.52%</td>
</tr>
<tr>
<td>Inception (10/1/08)</td>
<td>3.78%</td>
<td>0.20%</td>
<td>0.41%</td>
<td>3.58%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Annual Periods</th>
<th>PARI*</th>
<th>Benchmark**</th>
<th>1M LIBOR</th>
<th>Alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td>YTD 2017</td>
<td>3.49%</td>
<td>0.57%</td>
<td>0.75%</td>
<td>2.92%</td>
</tr>
<tr>
<td>2016</td>
<td>4.45%</td>
<td>0.33%</td>
<td>0.48%</td>
<td>4.12%</td>
</tr>
<tr>
<td>2015</td>
<td>1.57%</td>
<td>0.05%</td>
<td>0.18%</td>
<td>1.52%</td>
</tr>
<tr>
<td>2014</td>
<td>2.32%</td>
<td>0.04%</td>
<td>0.16%</td>
<td>2.28%</td>
</tr>
<tr>
<td>2013</td>
<td>0.54%</td>
<td>0.07%</td>
<td>0.19%</td>
<td>0.47%</td>
</tr>
<tr>
<td>2012</td>
<td>7.85%</td>
<td>0.11%</td>
<td>0.25%</td>
<td>7.74%</td>
</tr>
<tr>
<td>2011</td>
<td>1.17%</td>
<td>0.10%</td>
<td>0.23%</td>
<td>1.07%</td>
</tr>
<tr>
<td>2010</td>
<td>5.93%</td>
<td>0.13%</td>
<td>0.28%</td>
<td>5.80%</td>
</tr>
<tr>
<td>2009</td>
<td>4.90%</td>
<td>0.21%</td>
<td>0.35%</td>
<td>4.69%</td>
</tr>
<tr>
<td>Oct – Dec 2008</td>
<td>1.97%</td>
<td>0.22%</td>
<td>0.85%</td>
<td>1.75%</td>
</tr>
</tbody>
</table>

*This series reflects the Payden Absolute Return US Dollar Composite.

**BofA Merrill Lynch 3-Month US Treasury Bill Index

## Ex-Post Risk Measurement

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Annualized Return</td>
<td>3.78%</td>
</tr>
<tr>
<td>Volatility</td>
<td>2.20%</td>
</tr>
<tr>
<td>Best 1-Year</td>
<td>8.48%</td>
</tr>
<tr>
<td>Worst 1-Year</td>
<td>-0.01%</td>
</tr>
<tr>
<td>Best 3-Month</td>
<td>3.50%</td>
</tr>
<tr>
<td>Worst 3-Month</td>
<td>-2.76%</td>
</tr>
<tr>
<td>Best 1-Month</td>
<td>1.83%</td>
</tr>
<tr>
<td>Worst 1-Month</td>
<td>-2.21%</td>
</tr>
<tr>
<td>Avg Downside (Month)</td>
<td>-0.59%</td>
</tr>
<tr>
<td>Downside Deviation (Month)</td>
<td>0.67%</td>
</tr>
<tr>
<td>Downside Deviation (Annualized)</td>
<td>2.32%</td>
</tr>
<tr>
<td>Sharpe Ratio(^1)</td>
<td>1.642</td>
</tr>
<tr>
<td>Sortino Ratio(^2)</td>
<td>1.551</td>
</tr>
<tr>
<td>% periods up</td>
<td>81%</td>
</tr>
<tr>
<td>% periods down</td>
<td>19%</td>
</tr>
<tr>
<td>Correlation w/ Global Bond Mkt</td>
<td>0.24</td>
</tr>
</tbody>
</table>

\(^1\)Sharpe ratio - A ratio developed to measure risk-adjusted performance. The Sharpe ratio is calculated by subtracting the risk-free rate - such as the return on government bills - from the rate of return for a portfolio and dividing the result by the standard deviation of the portfolio returns.

\(^2\)Sortino ratio - A variation of the Sharpe ratio, this ratio differentiates harmful volatility from general volatility by replacing standard deviation with downside deviation within the formula.
Performance History Through Time – As of September 30, 2017

PARI Composite vs. 1M LIBOR — 3 Year Rolling Return

PARI Composite — 1 Year Rolling Return
Historical Asset Allocation

- Agency MBS
- Government/Cash
- Securitized
- GSE Risk-Sharing
- Non-Agency MBS
- Leveraged Loans
- Emerging Market Debt
- Investment Grade Corporates
- High Yield Corporates

Percent (%)

Year:
Why Should the Boston Public Library Choose Payden for Absolute Return?

- Experienced Team with Excellent Long Term Track Record
- Deep Firm Resources Benefit the Strategy
- Special Emphasis on Risk Management Seeking to Mitigate Potential Downside
- Beneficial Size – Substantial AUM, But Still Nimble
- Portfolio Structured with Low Interest Rate Sensitivity
- Strategy has Reduced Correlations with Traditional Asset Classes
- Convenient Fund Vehicle with Attractive “Super Institutional” Share Class, Fee Capped at 0.55%
- Dedicated Client Service Team Based in Boston
Boston Public Library’s (BPL) Dedicated Team

**Investment Strategy (Los Angeles)**
- Develop Absolute Return Fund investment strategy consistent with firm views and guidelines
- Execute asset allocation decisions
- Oversee security selection and trading
- Provide for liquidity needs and requirements

**Client Portfolio Management (Boston)**
- Liaison between NEPC, BPL & strategy group
- Collaboration with NEPC and BPL as trusted partner and fiduciary
- Provide highest-quality client service, customized reporting to NEPC and BPL

- **Brian W. Matthews, CFA**
  Managing Principal and CFO, 1986
  Co-head of Absolute Return Strategy

- **Scott J. Weiner, PhD**
  Managing Principal, 1993
  Co-head of Absolute Return Strategy

- **Brad Boyd, CFA**
  Senior Vice President, 2002
  Senior Absolute Return Strategist

- **Justin G. Bullion, CFA**
  Managing Principal, 2010
  Head of Boston Office

- **Elizabeth Westvold, CFA**
  Senior Vice President, 2011
  Senior Client Portfolio Manager

- **Jeffrey W. Murphy**
  Associate Vice President, 2013
  Client Portfolio Manager

*Dates signify year joining Payden & Rygel*
### Deterministic Risk Monitoring Example: SAM System (proprietary)

#### Level 1 Level 2 MV (%) CTD 6mo 2yr 5yr 10yr 20yr 30yr

<table>
<thead>
<tr>
<th>Opportunity</th>
<th>Emerging Markets</th>
<th>MV (%)</th>
<th>0.14</th>
<th>0.00</th>
<th>0.03</th>
<th>0.07</th>
<th>0.04</th>
<th>0.00</th>
<th>0.00</th>
</tr>
</thead>
<tbody>
<tr>
<td>High Beta IG</td>
<td></td>
<td>7.44%</td>
<td>0.30</td>
<td>0.00</td>
<td>0.06</td>
<td>0.19</td>
<td>0.04</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>High Yield</td>
<td></td>
<td>5.49%</td>
<td>0.20</td>
<td>0.01</td>
<td>0.05</td>
<td>0.11</td>
<td>0.03</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Loans</td>
<td></td>
<td>14.23%</td>
<td>0.02</td>
<td>0.01</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Securitized +</td>
<td></td>
<td>21.25%</td>
<td>0.49</td>
<td>0.04</td>
<td>0.08</td>
<td>0.13</td>
<td>0.17</td>
<td>0.08</td>
<td>0.00</td>
</tr>
<tr>
<td>Stability</td>
<td>Cash</td>
<td>3.97%</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
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<tr>
<td></td>
<td>Government</td>
<td>1.44%</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
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<tr>
<td></td>
<td>IG Credit</td>
<td>27.80%</td>
<td>1.25</td>
<td>0.01</td>
<td>0.27</td>
<td>0.64</td>
<td>0.15</td>
<td>0.12</td>
<td>0.07</td>
</tr>
<tr>
<td></td>
<td>Securitized</td>
<td>15.15%</td>
<td>0.06</td>
<td>0.01</td>
<td>0.01</td>
<td>0.01</td>
<td>0.01</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td><strong>Grand Total</strong></td>
<td></td>
<td><strong>100.00%</strong></td>
<td><strong>1.81</strong></td>
<td><strong>0.08</strong></td>
<td><strong>0.45</strong></td>
<td><strong>0.86</strong></td>
<td><strong>0.37</strong></td>
<td><strong>0.06</strong></td>
<td><strong>0.00</strong></td>
</tr>
</tbody>
</table>

#### Level 2 Level 3 Description Coupon Maturity YTM OAS Price MV (%) CTD

<table>
<thead>
<tr>
<th>IG Credit</th>
<th>Banking</th>
<th>Bank of Montreal</th>
<th>1.450</th>
<th>4/9/2018</th>
<th>1.49%</th>
<th>51</th>
<th>99.88</th>
<th>0.49%</th>
<th>0.01</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Capital One Financial</td>
<td>2.450</td>
<td>4/24/2019</td>
<td>2.34%</td>
<td>104</td>
<td>100.43</td>
<td>0.50%</td>
<td>0.02</td>
<td></td>
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<tr>
<td></td>
<td>Commonwealth Bank of Australia</td>
<td>1.625</td>
<td>3/12/2018</td>
<td>1.58%</td>
<td>63</td>
<td>100.12</td>
<td>0.49%</td>
<td>0.01</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Compass Bank</td>
<td>2.750</td>
<td>9/29/2019</td>
<td>2.62%</td>
<td>120</td>
<td>100.55</td>
<td>0.17%</td>
<td>0.01</td>
<td></td>
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<tr>
<td></td>
<td>Credit Suisse NY</td>
<td>1.700</td>
<td>4/27/2018</td>
<td>1.85%</td>
<td>86</td>
<td>99.57</td>
<td>0.47%</td>
<td>0.01</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Fifth Third Bank</td>
<td>2.300</td>
<td>3/1/2019</td>
<td>2.20%</td>
<td>94</td>
<td>100.38</td>
<td>0.50%</td>
<td>0.02</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Goldman Sachs</td>
<td>2.550</td>
<td>10/23/2019</td>
<td>2.36%</td>
<td>94</td>
<td>100.78</td>
<td>0.79%</td>
<td>0.03</td>
<td></td>
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<tr>
<td></td>
<td>HSBC USA</td>
<td>1.700</td>
<td>3/5/2018</td>
<td>1.76%</td>
<td>82</td>
<td>99.83</td>
<td>0.36%</td>
<td>0.01</td>
<td></td>
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<tr>
<td></td>
<td>JP Morgan Chase</td>
<td>2.250</td>
<td>1/23/2020</td>
<td>2.39%</td>
<td>90</td>
<td>99.37</td>
<td>0.54%</td>
<td>0.02</td>
<td></td>
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<tr>
<td></td>
<td>Morgan Stanley</td>
<td>2.650</td>
<td>1/27/2020</td>
<td>2.48%</td>
<td>100</td>
<td>100.73</td>
<td>0.44%</td>
<td>0.02</td>
<td></td>
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<tr>
<td></td>
<td>National Australia Bank 144a</td>
<td>1.300</td>
<td>6/30/2017</td>
<td>1.22%</td>
<td>52</td>
<td>100.13</td>
<td>0.50%</td>
<td>0.01</td>
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<tr>
<td></td>
<td>Rabobank Netherlands</td>
<td>3.875</td>
<td>2/8/2022</td>
<td>2.83%</td>
<td>99</td>
<td>106.35</td>
<td>0.38%</td>
<td>0.02</td>
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<tr>
<td></td>
<td>UBS Stamford</td>
<td>1.800</td>
<td>3/26/2018</td>
<td>1.78%</td>
<td>82</td>
<td>100.05</td>
<td>0.34%</td>
<td>0.01</td>
<td></td>
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<tr>
<td></td>
<td>Wells Fargo</td>
<td>2.150</td>
<td>1/15/2019</td>
<td>1.93%</td>
<td>72</td>
<td>100.76</td>
<td>0.50%</td>
<td>0.02</td>
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<tr>
<td><strong>Banking Total</strong></td>
<td></td>
<td><strong>9.03%</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Communications</td>
<td>AT&amp;T</td>
<td>2.450</td>
<td>6/30/2020</td>
<td>2.63%</td>
<td>105</td>
<td>99.13</td>
<td>0.48%</td>
<td>0.02</td>
<td></td>
</tr>
<tr>
<td></td>
<td>CBS</td>
<td>5.750</td>
<td>4/15/2020</td>
<td>2.69%</td>
<td>119</td>
<td>113.90</td>
<td>0.49%</td>
<td>0.02</td>
<td></td>
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<tr>
<td></td>
<td>Time Warner</td>
<td>2.1</td>
<td>6/1/2019</td>
<td>2.22%</td>
<td>90</td>
<td>99.53</td>
<td>0.50%</td>
<td>0.02</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Time Warner Cable</td>
<td>6.750</td>
<td>7/1/2018</td>
<td>2.73%</td>
<td>169</td>
<td>111.84</td>
<td>0.47%</td>
<td>0.01</td>
<td></td>
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<tr>
<td><strong>Communications Total</strong></td>
<td></td>
<td><strong>1.93%</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Consumer Cyc</td>
<td>Autozone</td>
<td>2.5</td>
<td>4/15/2021</td>
<td>2.64%</td>
<td>91</td>
<td>99.23</td>
<td>0.33%</td>
<td>0.02</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Ford Motor Credit</td>
<td>3.984</td>
<td>6/15/2016</td>
<td>1.38%</td>
<td>108</td>
<td>102.70</td>
<td>0.49%</td>
<td>0.00</td>
<td></td>
</tr>
</tbody>
</table>
Decomposing risk factor exposures into isolated and correlated pieces to explain the benefit of diversification

### Key Risk Factors

<table>
<thead>
<tr>
<th>Risk Factor</th>
<th>Contribution to Correlated Volatility</th>
<th>Isolated Volatility</th>
</tr>
</thead>
<tbody>
<tr>
<td>Foreign Exchange</td>
<td>0.6</td>
<td>6.7</td>
</tr>
<tr>
<td>Curve</td>
<td>10.4</td>
<td>24.0</td>
</tr>
<tr>
<td>Swap Spreads</td>
<td>-0.4</td>
<td>6.9</td>
</tr>
<tr>
<td>Investment Grade Corps</td>
<td>1.4</td>
<td>9.4</td>
</tr>
<tr>
<td>High Yield Corps</td>
<td>-0.4</td>
<td>2.2</td>
</tr>
<tr>
<td>Emerging Markets</td>
<td>0.6</td>
<td>5.4</td>
</tr>
<tr>
<td>Securitized</td>
<td>12.8</td>
<td>23.3</td>
</tr>
<tr>
<td>Idiosyncratic</td>
<td>0.9</td>
<td>4.5</td>
</tr>
<tr>
<td>Credit Default</td>
<td>11.0</td>
<td>20.2</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>36.9</strong></td>
<td><strong>102.6</strong></td>
</tr>
</tbody>
</table>

**Diversification Benefit**
Stress/Scenario Analysis

Rate Shift – Estimated Total Return %

-6 -4 -2 0 2 4
Rates Fall Rates Fall Rates Rise Rates Rise Rates Rise
100bps 50bps 100bps 150bps 200bps

Curve Twist (2yr v 5yr Government) – Estimated Total Return %

-6 -4 -2 0 2 4
Steeper Steeper Flatter Flatter Flatter Flatter
100bps 50bps 100bps 150bps 200bps

Credit Spread Changes – Estimated Total Return %

-6 -4 -2 0 2 4
Spreads Tighter Spreads Tighter Spreads Wider Spreads Wider Spreads Wider
Tighter 50bps 100bps 150bps 200bps

Market Stress Scenarios (Barclays Point)

<table>
<thead>
<tr>
<th>Scenario Description</th>
<th>Instantaneous</th>
<th>1yr Horizon</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate Spreads +100%</td>
<td>-0.67%</td>
<td>2.66%</td>
</tr>
<tr>
<td>Gold Price +30%</td>
<td>0.51%</td>
<td>3.84%</td>
</tr>
<tr>
<td>VIX Index +100%</td>
<td>-0.09%</td>
<td>3.24%</td>
</tr>
<tr>
<td>Oil Price +30%</td>
<td>0.05%</td>
<td>3.38%</td>
</tr>
</tbody>
</table>
Risk Management: An Appreciation of Tail Risk

(Example from the S&P 500)

- Real market observations exhibit “fatter” and “longer” tails than what the bell curve implies.

Payden focuses on minimizing exposure to left tail risks while maintaining right tail exposure.

- Derivatives can play an important role in controlling these risks.

S&P 500 Daily Returns Beyond 3σ’s

- S&P 500 daily return losses > 3σ’s are 7x more frequent than bell curve implies.
- Extreme losses are 5x larger than implied.

Managing the tails

“Normal Distribution”

Reality

Minimize exposure to left tail

Maximize exposure to right tail

Payden focuses on minimizing exposure to left tail risks while maintaining right tail exposure.

Minimize exposure to left tail

Maximize exposure to right tail
Recent Position Examples

**Core Position:**
Mexichem (MXCHF) 4.875 09/19/22
(Baa3/BBB-/BBB+)
Yield: 3.3% Duration: 4.5
Position Size: 0.3%

**Description:**
Mexichem (MXCHF) is one of the largest global chemical companies with USD 5 billion of revenues and USD 6 billion market cap. Despite being domiciled in Mexico, 70% of Mexichem sales occur outside of Mexico including the US, Europe, Brazil and Colombia.

**Merits:**
- Mexichem is a high quality credit in Mexico that maintains relatively low leverage and generates the bulk of its revenue in the US.
- As a vertically integrated company, Mexichem is able to generate higher margins relative to its competitors as well as meaningful free cash flow.
- Recently, Mexichem acquired 80% of drip irrigation firm Netafim for USD 1.5 billion which should transform Mexichem’s irrigation business into a global leader.

**Core Position:**
Domino’s Pizza (DPABS) 2017-1A A2II (BBB+)
Yield: 3.1% Wtd. Avg. Life: 4.9
Position Size: 1.0%

**Description:**
Domino’s Pizza (DPABS) is a best in class operator in the growing fast food sector, and more specifically large pizza chain sub-channel. Domino’s has done well in capturing the strong value proposition that consumers are increasingly seeking in their dining preferences and is more digitally innovative than its peers. Recently, Domino’s offered a USD 2 billion Whole Business Securitization (WBS) deal to pay a substantial shareholder distribution.

**Merits:**
- Gain high quality exposure to a growing sector, Quick Service Restaurants (QSRs), and a growing sub-channel (large pizza chain operators).
- Significant growth across WBS post credit crisis, with expansion across number of issuers, type of investors, and deal sizes.
- Strong same store sales, low capital expenditures as a percent of sales which drives robust free cash flow, a highly franchised business model and strong equity performance.

**Tactical Position:**
Petroleos Mexicanos (PEMEX) 6.75 9/21/2047 (Baa3/BBB+/BBB+)
Spread Change: -15bps YAP: 6.9%
Position Size: 0.4% Duration: 13.0
Dates: 11 July 2017 to 12 July 2017

**Description:**
Petroleos Mexicanos (PEMEX) is Mexico’s national integrated oil company (100% government owned), and is involved in all parts of the oil and gas value chain. PEMEX also exports petroleum and basic petrochemical products, despite being a net importer of both. The company generated revenue totaling USD 58 billion in 2016. Total production volumes averaged approximately 2.6 million barrels a day in 2016, and oil comprised 85% of production. Roughly half of the oil produced by Pemex is exported.

**Merits:**
- PEMEX offered a USD 5 billion, well-telegraphed tap of their current 10- and 30-year USD-denominated bonds in the primary market.
- New issue spreads were offered ~40 basis points wider than where the bonds were trading on the previous day’s close.
- The ability to reference pricing on existing securities allowed enhanced transparency regarding the new issue concession. As such, we purchased both 10- and 30-year bonds, unwinding the positions the following day at a blended profit of ~2.5 points.
Sourcing Value: Tactical Trading Discipline

- Short-term/tactical trading is applied on a limited basis to capture gains from market anomalies and inefficiencies. Typically these are technically driven themes based on momentum, reversion to the mean, seasonal factors or other such techniques. Given their technical nature (not fundamentally based) and direction dependency – they are managed with tight controls and stops loss provisions.

- Single positions have a maximum downside risk budget of 5 basis points. They are immediately closed if downside limits are met.

- We set sell stops to protect the portfolios against the down side moves and take profit orders to capture gains.

- The concept of letting our “winners run” is part of our strategy in seeking positive alpha for PARI portfolios.

**Letting “Winners Run” with Downside Protection**

**FX Trade Example**

**Global Rates Spread Example**
Credit Scoring

Our analyst team assigns issuer scores using a 1 to 5 scale, with 5 being the highest. An issuer’s factor score is the weighted average of the three factor variables for fundamentals and three factor variables for valuation, rounded to the nearest tenth of a point.

<table>
<thead>
<tr>
<th>Rating Scale: 5 (high) to 1 (low)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Outlook</strong></td>
</tr>
<tr>
<td>Overall business outlook for the issuer along with industry fundamentals and risks for the next 6 months. Evaluation of growth trends in an industry, level of competition and barriers to entry. An issuer’s ability to compete is evaluated by looking at financial and operating performance.</td>
</tr>
<tr>
<td><strong>Management</strong></td>
</tr>
<tr>
<td>Assessment of management quality incorporating business strategies, financial policies, and management of company assets. This rating is independent of business outlook</td>
</tr>
<tr>
<td><strong>Event</strong></td>
</tr>
<tr>
<td>Quantifies the impact of unexpected business risk related to fundamental structure, operating prospects or strategy. Expectations for rating upgrades or downgrades are also considered.</td>
</tr>
<tr>
<td><strong>Relative Value</strong></td>
</tr>
<tr>
<td>Reflects issues value (spread or yield) relative to its industry peers and securities in other industries with similar ratings and maturity</td>
</tr>
<tr>
<td><strong>Spread Risk</strong></td>
</tr>
<tr>
<td>While a security can receive strong outlook and relative value scores, the spread risk variable measures the potential downside risk to the portfolio. Securities that have been historically volatile will receive lower scores to account for the price risk.</td>
</tr>
<tr>
<td><strong>Liquidity</strong></td>
</tr>
<tr>
<td>View on the tradability or liquidity of the various issues and issuers. Factors that will affect scoring include the issue’s size, the availability of multiple maturities for a single issuer and a market-based assessment of trading liquidity</td>
</tr>
</tbody>
</table>
Credit Analysis Example

Express Scripts Holding Company

Express Scripts Holding Company operates as a pharmacy benefit management (PBM) company in the United States, Canada, and Europe. The company operates through two segments: PBM and Other Business Operations. The company’s PBM segment’s products and services include clinical solutions to enhance health outcomes, specialized pharmacy care, home delivery pharmacy, specialty pharmacy, including the distribution of specialty pharmaceuticals that require specialized handling or packaging, and retail network pharmacy administration. It also provides benefit design consultation, drug utilization review and pharmacy formulary management, an array of Medicare, Medicaid, and health insurance marketplace; administration of a group managed care organization; and comprehensive drug information services. In addition, the company distributes specialty chemicals and medical supplies to providers, clinics, hospitals, and others. As of December 31, 2016, the company operated four automated dispensing home delivery pharmacies; one non-automated dispensing home delivery pharmacy; and one non-dispensing home delivery pharmacy. As a result, the company is aligned with pharmacy benefit managers for business continuity purposes, as well as several key ordering processing centers, patient contact centers, specialty drug pharmacies, and retail pharmacies.

Income Statement

<table>
<thead>
<tr>
<th>FY 2014</th>
<th>FY 2013</th>
<th>FY 2012</th>
<th>FY 2011</th>
<th>FY 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross Profit</td>
<td>$3,092.9</td>
<td>$3,057.4</td>
<td>$2,723.9</td>
<td>$2,569.5</td>
</tr>
<tr>
<td>Operating Income</td>
<td>$2,414.4</td>
<td>$2,181.2</td>
<td>$1,962.3</td>
<td>$1,935.5</td>
</tr>
<tr>
<td>EBITDA</td>
<td>$2,071.7</td>
<td>$2,028.2</td>
<td>$1,983.3</td>
<td>$1,945.4</td>
</tr>
<tr>
<td>Net Income</td>
<td>$1,976.0</td>
<td>$1,908.2</td>
<td>$1,847.1</td>
<td>$1,811.4</td>
</tr>
</tbody>
</table>

Ratios

- **Current Ratios**
  - Current Ratio: 1.18
  - Quick Ratio: 1.17
  - Acid Test Ratio: 0.96
  - Working Capital: $2,071.7
  - Cash Conversion Cycle: 27.3

- **Leverage Ratios**
  - Total Debt to Equity: 1.02
  - Total Debt to Capital: 50.89
  - Net Debt to EBITDA: 2.00

- **Efficiency Ratios**
  - Days Sales Outstanding: 25.3
  - Days Payable Outstanding: 43.9
  - Inventory Turnover: 54.6
  - Long-Term Debt to Total Capital: 54.89

- **Pension Information**
  - Total Pension Obligation: 160.6
  - Total Pension Assets: 124.2
  - Defined Benefit Total Cost: 1.8

Investment Considerations

- **Strengths**
  - The industry has grown at an annual growth rate of 5%, as health plan sponsors return to PBM for cost management.
  - The largest PBM, Express Scripts, uses its scale to leverage larger rebates, pharmacists, and customer networks.
  - PBM’s ability to manage costs may increase as health plans consolidate, and cost savings for plan sponsors and consumers.

- **Risks**
  - The PBM industry may continue to be supported by an aging population, higher rates of chronic disease, and increasing specialty spending and volumes due to expanded prescription drug coverage under the Affordable Care Act. Healthcare spending is expected to reach close to $20 trillion by 2023.
  - Express Scripts is poised to benefit from this macro-trend as the industry leader with 35% market share of the $230 billion PBM industry.
  - High customer retention rate of 90%, providing stability to earnings and cash flow. Uncertainty over the renewal of a large contract was removed when the Department of Defense awarded its TRICARE Pharmacy Program to Express Scripts with a seven-year contract worth $3.3 billion.
  - Management has a commitment to strong investment grade ratings and has a good track record of delivering pro-forma growth.
  - Express Scripts has strong liquidity with $2.2 billion in cash and $4.7 billion in LTM free cash flow. Credit metrics are also reasonable with net debt to EBITDA at 2.3x.

Source: Payden & Rygel, Capital IQ, Company Reports
Brian Matthews, CFA®, is a Managing Principal and the Chief Financial Officer at Payden & Rygel, and is a member of the firm’s managing committee. Matthews is a member of the firm’s Investment Policy Committee and serves as a Senior Portfolio Manager advising institutional clients, including corporations, pension funds, insurance companies and foundations and endowments. He is a director of Metzler/Payden LLC, the firm’s joint venture with Metzler Bank of Frankfurt, Germany. Matthews is also co-chairman of Payden/Kravitz LLC, a joint venture specialising in cash balance retirement plans.

Prior to joining Payden & Rygel, Matthews was an investment officer at Brown Brothers Harriman & Company in New York, where he was responsible for managing fixed-income portfolios and asset/liability management.

Matthews is a member of the CFA® Society of Los Angeles, the CFA® Institute and the Investment Counsel Association of America, Inc. He is past chairman of the board of directors for the Boy Scouts of America Los Angeles Area Council and serves on the board of directors for Oaks Christian School, St. Anne’s, Kids in Sports, and the board of visitors for Pepperdine University and is a board member of the Patron of the Arts in the Vatican Museums.

Brian Matthews holds the Chartered Financial Analyst® designation. He earned a BS in Economics at the University of Notre Dame.

Scott Weiner, PhD, is a Managing Principal at Payden & Rygel and a member of the firm’s managing committee. Weiner is also a member of the firm’s Investment Policy Committee which directs investment strategy and monitors the risk controls for the firm and its clients. As a frequent speaker at industry forums, he specialises in topics relating to asset allocation, risk management and international investing.

Prior to joining Payden & Rygel, Weiner was a senior strategy member of the investment arm of First Interstate. More previously, he was with Goldman Sachs in New York as one of the strategists in the 1980s developing expertise in the mortgage market.

Scott Weiner earned a PhD in Pharmaceutical Chemistry from the University of California, San Francisco focusing on theoretical macromolecular biophysical chemistry. He received an AB degree in Mathematics from Occidental College in Los Angeles.

Brad Boyd, CFA®, is a Senior Vice President and member of the management team for absolute return bond portfolios. In this capacity, he has helped to develop models and processes used for valuation and robust risk management. In addition, Brad sits on the P&R asset allocation group (PRAAM) which advises investors in multi-asset class portfolios. Previously, he assisted in the management of UK and European fixed income mandates from the firm’s London offices.

Prior to joining Payden & Rygel, Boyd worked on the bond-trading desk at Standish, Ayer & Wood in Boston.

He is a member of the CFA® Institute and the CFA® Society of Los Angeles and sits on various charitable finance and investment boards.

Boyd holds the Chartered Financial Analyst® designation. He received a BA degree in Finance from the University of Utah.
PARI Implementation & Monitoring

Eric Souders, CFA®
Vice President

2017 – Joined Payden & Rygel

Eric Souders, CFA®, is a Vice President and Strategist on the global unconstrained fixed income team with a focus on absolute return solutions. In this capacity, he is responsible for strategy implementation, risk management and performance attribution.

Prior to joining Payden & Rygel, Souders worked as a Portfolio Manager at Guggenheim Partners, focusing on multi-sector and structured product dedicated strategies. In addition, he worked as a Portfolio Manager at Blackrock, focusing on investment-grade corporate credit strategies. Previously, he worked at BNY Mellon in their Wealth Management division.

Eric Souders holds the Chartered Financial Analyst® designation, and is a member of the CFA® Society of Los Angeles and the CFA® Institute. He earned a BA in Business-Finance at California State University, Fullerton.

Madyson A. Cassidy
Portfolio Analyst

2014 – Joined Payden & Rygel

Madyson Cassidy is a Portfolio Analyst on the absolute return bond strategy team at Payden & Rygel. She focuses on implementation and risk monitoring within the strategy team. Prior to becoming a member of the absolute return group, Cassidy worked with Payden relationship managers to implement investment policy and strategy needs of institutional and private clients.

Prior to joining Payden & Rygel, Cassidy held internships at Western Asset Management and Community Bank where she worked with the investment support-swaps collateral team and analyzed customer information, respectively.

Madyson Cassidy is a member of the prestigious Phi Beta Kappa honor society. She graduated cum laude from Occidental College where she earned a BA, double majoring in Mathematics and Economics.
PARI Adjunct Sector Strategists

**Natalie N. Trevithick, CFA®**  
*Senior Vice President*  
2012 – Joined Payden & Rygel

Natalie Trevithick is a Senior Vice President and The Lead Strategist for Investment-Grade Corporates at Payden & Rygel. Trevithick is responsible for managing corporate bond portfolios across a breadth of fixed-income strategies, including low duration, core and core plus, global, emerging markets and absolute return. Her experience also encompasses the use of derivatives such as interest rate and credit default swaps to manage risk and to develop customized investment solutions for corporate bond portfolios.

Prior to joining Payden & Rygel, Trevithick spent six years at PIMCO in a similar capacity as a Senior Vice President and Portfolio Manager. Prior to that, she worked at Barclays Capital as a sell-side trader in New York.

Natalie Trevithick holds the Chartered Financial Analyst® designation. She earned an MBA from the McCombs School of Business at the University of Texas, Austin. Trevithick earned a Bachelor of Commerce degree at Queen’s University in Kingston, Ontario.

**Jeffrey M. Schwartz, CFA®**  
*Senior Vice President*  
2006 – Joined Payden & Rygel

Jeff Schwartz, CFA®, is a Senior Vice President and Senior Strategist at Payden & Rygel. As a member of the firm’s structured finance group, Schwartz looks for relative value opportunities in the global mortgage-backed and asset-backed markets.

Prior to joining Payden & Rygel, Schwartz was in corporate treasury for seven years as a Senior Portfolio Manager with Pfizer Inc. in Ireland and with Intel Corp. in California. Previously, he spent five years as a supply chain consultant with Accenture.

Schwartz is a member of the CFA® Institute and the CFA® Society of Los Angeles.

Jeff Schwartz holds the Chartered Financial Analyst® designation. He earned an MBA in finance from UCLA Anderson and earned a BS summa cum laude in Engineering Science from Cal Poly in San Luis Obispo, California.

**Alfred Giles III, CFA®**  
*Senior Vice President*  
2013 – Joined Payden & Rygel

Alfred Giles, CFA®, is a Senior Vice President and the head of corporate research at Payden & Rygel. He is responsible for managing the firm’s research process across investment grade, high yield, emerging markets, and equities. Giles is also the lead investment analyst focused on the media and telecommunications sector, responsible for evaluating and recommending investments across strategies and throughout the capital structure.

Prior to joining Payden & Rygel, Giles worked as a Credit Analyst at UBS Investment Bank where he was responsible for providing investment recommendations in the metals & mining, energy and power sectors to institutional investors. Previously, he was an investment banker at Credit Suisse and served in the US Army as a Captain.

Alfred Giles holds the Chartered Financial Analyst® designation and the Financial Industry Regulatory Authority series 7 and series 63 licenses. He earned an MBA with an emphasis in Finance and Business & Law from New York University’s Stern School of Business and a BS in Systems Engineering from the United States Military Academy in West Point, NY.

**Darren J. Capeloto**  
*Senior Vice President – Emerging Market Strategist*  
2001 – Joined Payden & Rygel

Darren Capeloto is a Senior Vice President, focused on emerging market strategy and trading. His areas of specialization include local markets in Latin America and Eastern Europe. In addition to his role as the primary trader for the firm’s emerging market debt strategies, he monitors local bond yield curves and currencies for directional and relative value opportunities.

Prior to joining Payden & Rygel, Capeloto worked as a Financial Analyst at William O’Neil and Company where he analyzed fundamental financial data of publicly traded corporations to be used in making buy/sell recommendations to institutional clients.

Darren Capeloto received an MBA from the Marshall School of Business at the University of Southern California and a BA in Political Science from the University of California, Los Angeles.
Justin G. Bullion, CFA®, is a Managing Principal at Payden & Rygel. He is responsible for the firm’s US east coast office in Boston. Bullion serves as a Senior Client Portfolio Manager for US and global institutional clients, regularly coordinating with the firm’s Los Angeles headquarters and non-US efforts.

Prior to joining Payden & Rygel, Bullion was a fixed income professional at Wellington Management Company, LLP, where he held roles in portfolio management, product management, and business management. He also previously spent time in various fixed income roles with Miller Anderson & Sherrerd LLP (now Morgan Stanley Investment Management) and Blackstone (now BlackRock) Financial Management.

Bullion is a member of the CFA Society Boston. He serves on the advisory boards of The Trust for Public Land (Massachusetts), UNCF New England, University of Pennsylvania Volleyball, and ARZU Studio Hope.

Justin Bullion holds the Chartered Financial Analyst® designation. He earned a BA in Sociology from the University of Pennsylvania.

Elizabeth M. Westvold, CFA®, is a senior vice president at Payden & Rygel. Based in the Boston office, Beth serves as a Senior Client Portfolio Manager for U.S. institutional clients including public plans, corporations, universities and endowments and insurance companies.

Prior to joining Payden & Rygel, Beth was a managing director in BlackRock’s global client group for seven years, responsible for developing and maintaining relationships with institutional clients. Prior to 2005, she was a managing director and fixed income portfolio manager with State Street Research & Management Co. and earlier worked in fixed income strategies for Harvard Management Company.

A member of the CFA Society Boston, Beth holds the Chartered Financial Analyst designation. Beth is president and an investment committee member of the Trustees of Donations to the Episcopal Church. She earned an MBA from the Tuck School of Business at Dartmouth College and a BA, cum laude, in economics and biology from Middlebury College.

Erinn King, CFA®, is a Principal at Payden & Rygel. Based in the firm’s Boston office, King is responsible for client relations and business development for East Coast and global clients. She also serves as a liaison to the firm’s London office and the Metzler/Payden joint-venture.

Prior to joining Payden & Rygel, King was a Vice President at Wellington Management Company, LLP, where she held roles in fixed-income portfolio communications and insurance relationship management. King also worked for Concordia Capital LLC prior to joining Wellington.

King is a director on the board for the CFA Society Boston, as well as chair of programs and education. She is also a trustee for Jose Mateo Ballet Theatre.

Erinn King holds the Chartered Financial Analyst® designation. She earned an MBA in Finance at Boston University and also holds a BFA and MFA in Dance from the University of Oklahoma.

Eric M. Hovey, CFA®, is a Senior Vice President and Senior Portfolio Manager at Payden & Rygel. He works with insurance companies, corporations and other institutions to address their unique investment circumstances. His time at the firm has included positions as a Senior Fixed-Income Strategist, Trader and Sector Analyst.

Prior to joining Payden & Rygel, Hovey worked at Merrill Lynch in Clayton, Missouri, where he was a member of an institutional fixed-income team.

Eric holds the Chartered Financial Analyst designation and Financial Industry Regulatory Authority series 7 and 66 licenses. Hovey is a member of the CFA® Society of North Carolina and the CFA® institute.

He earned a BSBA in Finance and Accounting at Washington University in St. Louis and was awarded the 2002 Skandalaris Center of Entrepreneurial Studies Olin Cup.
Biographies - Boston

Lisa A. Redding
Associate Vice President
2010 – Joined Payden & Rygel

Lisa Redding is an associate vice president at Payden & Rygel. Based in the firm’s Boston office, she works with portfolio managers to implement investment policy and strategy needs of institutional clients.

Prior to joining Payden & Rygel, Lisa was Research Coordinator at hedge fund Kaintuck Capital Management. She held various roles over seven years within research and trading, and headed the firm’s marketing efforts. Prior to that Lisa worked within Ernst & Young LLP’s tax practice, both domestically and abroad.

Lisa Redding holds the FINRA series 6 and 63 licenses. She earned a BS in Business Administration from American University in Washington, D.C. with concentrations in Finance and International Economics.

Jeffrey W. Murphy
Associate Vice President
2013 – Joined Payden & Rygel

Jeff Murphy is an associate vice president and portfolio analyst at Payden & Rygel. Based in the firm’s Boston office, he works with portfolio managers to implement investment policy and strategy needs of institutional clients.

Prior to joining Payden & Rygel, Murphy was a portfolio analyst and equity operations analyst at Loomis Sayles. He was responsible for supporting a number of institutional clients and wrote monthly and quarterly high yield commentary.

Jeffrey Murphy holds the FINRA series 6 and 63 licenses. Murphy earned a BS in Business Administration from Ithaca College with a double concentration in marketing and management.