Payden&Rygel

LOS ANGELES | BOSTON | LONDON | MILAN

2022 UK Stewardship Code Report

CONTENTS

INTRODUCTION

From our inception nearly 40 years ago, our emphasis on collaboration where competition is external rather than internal has allowed us to cultivate an inclusive culture where all voices are heard, respected, and where constructive debate is encouraged. At Payden & Rygel ("Payden") we believe this cultural feature, coupled with a focus on passion and commitment, enhances our stewardship and client relationships and allows us to attract the best talent, which supports improved investment results.

The following document sets out how as a firm, we have adhered to the UK Stewardship Code during the calendar year 2022. We demonstrate our stewardship through the spectrum of our activities including partnering with our clients, investment philosophy, investment monitoring, issuer engagement, collaboration with others in the industry, and our exercise of rights and responsibilities attached to our role as an asset manager.

As at 31/12/2022

ABOUT PAYDEN & RYGEL

Payden & Rygel ("Payden") is an SEC registered investment adviser headquartered in Los Angeles, with offices in Boston and subsidiaries in London (Payden & Rygel Global Limited) and Milan (Payden Global SIM SpA). We have chosen to apply to be a signatory to the UK Stewardship Code at the enterprise-wide level rather than focusing purely on our UK asset management activities. The offices and legal entities constituting Payden operate at both a local and global level to achieve a uniform and consistent approach to stewardship. We believe that this enterprise-wide approach to stewardship has the greatest impact on our investment philosophy and approach, ensuring consistency for our clients and other stakeholders.

Founded in 1983, we are a leader in the active management industry and are one of the largest privately held asset managers in the world. We invest assets on behalf of institutional investors primarily through highly customised investment strategies but also through a range of pooled funds domiciled in Ireland and the US. Advising the world's leading institutions and individual investors, we provide strong performance and real-world strategies on the global economy and capital markets.

For nearly four decades, our independence has enabled us to manage portfolios focused on our client's objectives. We believe that investment management is a personal service business, an important part of which leads to a philosophy of stewardship, developing close and meaningful relationships with our clients by providing an unparalleled level of service and problem solving.

LOS ANGELES

BOSTON

LONDON

MILAN

ACCOMPLISHMENTS & FUTURE GOALS

We accomplished a series of goals during 2022 and are committed to further developing our stewardship practices going forward. The following initiatives highlight our progress since our last stewardship report and our objectives for 2023.

- Finalised our Sustainable Finance Disclosure Regulation ("SFDR") policies applicable to our Article 8 Irish Funds (Principle 7)
- Launched our Payden Multi Asset Credit AIF
- Received our 2022 SOC 1 Type II (SSAE 18 and ISAE 3402) report which confirmed no audit exceptions (Principle 5)
- Finalised our Net Zero Asset Managers ("NZAM") Initiative commitment (Principle 4, 9)
- Successfully evolved our engagement process, launched our targeted engagement strategy and developed a workflow methodology to track and monitor engagements (Principle 9)
- Enhanced our parental leave policies with additional benefits, recognising the significant role that paid leave can play in supporting new parents (Principle 5)
- Increased our collaborative engagement activity and participated in CDP collaborative engagements (Principle 4, 10)
- Achieved our objective to join Climate Action 100+ and participated as a collaborative investor (Principle 4, 10)
- Achieved the objective to become an inaugural signatory to the CFA DEI Code (US & Canada) (Principle 2)
- Achieved CarbonNeutral® company certification for 2022 (Principle 4)
- Senior members across the firm participated in industry-wide associations, through committee membership, conferences and working groups (Principle 4, 10)
- Expanded our ESG dedicated resources with the newly created position of ESG Communications (Principle 2)
- Expanded our internal training programme for employees in response to evolving regulation and firm developments (Principle 2)

2023 OBJECTIVES:

- Celebrate 40 years of continued consistent stewardship of our client's assets and our ethos of collaboration, financial independence and customisation across all of our teams
- Advance on our climate commitments and disclosure and produce our inaugural TCFD report in June 2023 (Principle 4)
- Progress on our NZAM target announced in November 2022 using our targeted engagement methodology and approach (Principle 4, 9)
- Produce our first periodic and Principal Adverse Impact (PAI) reporting for our Article 8 Funds in line with Sustainable Finance Disclosure Regulation requirements (Principle 7)
- Review and improve our ESG reporting capabilities for clients (Principle 6)
- Continue our collaborative engagements with organisations such as Climate Action 100+ and CDP (Principle 10)
- Expand the compliance resources to support our stewardship activities

PRINCIPLE BY PRINCIPLE ANALYSIS

Below is our principle-by-principle analysis of our activities during 2022 demonstrating adherence to the UK Stewardship Code.

PURPOSE AND GOVERNANCE

PRINCIPLE 1: PURPOSE, STRATEGY AND CULTURE

Signatories' purpose, investment beliefs, strategy, and culture enable stewardship that creates long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.

OUR PURPOSE & STRATEGY

Payden was formed nearly 40 years ago by Joan Payden, former partner of an international investment firm, to capitalise on the globalisation and expansion of fixed income markets. Joan believed these two trends would drive the future success for fixed income investors. Investing her own savings in the business as a start-up; she had the vision to create fixed income tailored investment solutions focussed on each clients' specific needs. Payden has continued to manage portfolios globally with this vision ever since. We remain 100% privately held with ownership confined to active employees currently engaged in the managing of the firm and we maintain a culture focused on collaboration which emphasises teamwork. We view competition as external not internal, a value that is reflected in our compensation structure and remuneration which incentivizes internal cooperation. These core values have remained since our founding over 39 years ago:

Payden was built on 3 core tenets:

We provide a number of strategies worldwide to institutional investors. Strategies are customised based on each client's objectives, but fall into four broad categories: fixed income, equity, absolute return, and balanced. Strategies can be employed using customised segregated accounts, our Payden US mutual funds, US private vehicles such as CITs, or Irish-based UCITS funds and AIF. We look to identify areas of growth in serving different geographies as well as finding new solutions to investment challenges. Our approach has consistently focused on a fundamental principle - an investment portfolio should behave in a manner consistent with the client's objectives.

We believe the below are key defining features of our firm and that these are pivotal to our stewardship philosophy:

- **Independence**: Investment management is our only business and our sole source of revenue. As a privately held corporation, our interests are directly aligned with those of our clients and our independence and investment management sole focus helps us to avoid conflicts of interest.

- **Stability of Firm**: Our senior investment professionals have worked together for over two decades. This long tenure brings stability to our investment process, and discipline and experience to our risk controls. The eleven members of the firm's Investment Policy Committee (IPC) have an average of 22 years with the firm and over 30 years of investment management experience.

- **Experience**: We have overseen investment portfolios for various types of organisations since the firm's inception and are attentive to the unique investment objectives, constraints and stewardship concerns of our investors.

- **Client Service**: Addressing our client's needs in a timely and accurate fashion has been a hallmark of our firm since inception. We do not deviate from our mission of providing customised services that focus on each client's specific needs and objectives. Client relationships are led by senior, experienced, investment professionals, and our clients also benefit from proprietary, transparent on-line reporting capabilities. We utilise a team approach in the management of our portfolios and make our investment staff available to speak to the client.

- **Global Scope**: We have managed global fixed income assets since 1986. Our team of portfolio managers and sector, country and currency analysts have a global footprint. We have expanded our offices as our international client base has grown, and now have employees in London and Milan.

- **Consistent Investment Decision Making**: We use a hybrid approach in our investment process, with a top-down, macro focus for major strategy themes such as sector, country and duration decisions, combined with an analysis-based bottom-up approach for individual security selection.

- **Team Approach**: We utilise a team approach in the management of our portfolios, which utilises the collective wisdom of a highly qualified group of experienced professionals, and as such our clients are not dependent on the ideas of a single portfolio manager.

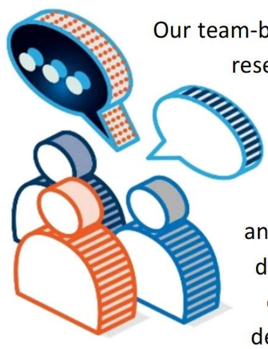
- **Fixed Income Specialist with Tailored Portfolios**: The majority of client assets under management are in fixed income strategies. Our philosophy around managing portfolios is that active management with appropriate risk controls will provide superior performance.

- **Risk Management Focused**: Rigorous risk management and control is integral to the ongoing management of client mandates. In recent years we have invested significantly in the development of our risk measurement and management systems which are at the heart of our investment processes.

A CULTURE OF COLLABORATION & CLIENT SERVICE

Our firm's culture can best be described as a collegial environment with a flat corporate structure that encourages close interaction among employees at all levels.

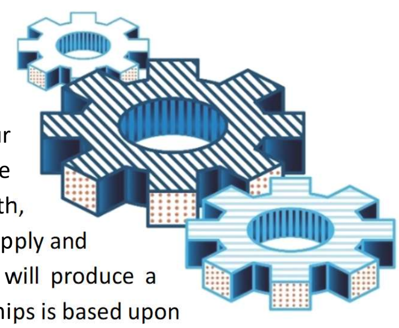
We believe that investment management is a personal service business, an important part of which leads to developing close and meaningful relationships with our clients. From an investment perspective, we believe in providing our clients with "no surprises". We offer customised solutions to meet specific client needs and objectives. This can, and often does, include non-standard benchmarks, widely varying investment guidelines and a range of performance objectives and risk tolerances.



Our team-based system allows our strategists to implement the best investment ideas from our research analysts across a variety of client portfolios. We organise our resources to gain economies of scale in the investment process.

The team-based system encourages the constant interaction of all employees with those who emanate our vision – our independent, senior management. Our active and accessible senior management remain integrally involved in client service and the day-to-day investment process, ensuring that we remain close to our end users - our clients, and that our clients benefit from our independent outlook and internally developed best ideas.

OUR INVESTMENT PHILOSOPHY



The cornerstone of our investment philosophy is that active management combined with a robust risk management process enhances long-term portfolio returns. Portfolios are managed with an emphasis on risk control that is consistent with clients' overall objectives and investment guidelines. Our portfolio strategies are developed according to our expectations for the macroeconomic environment. We evaluate factors, such as GDP growth, inflation, earnings growth, interest rates, Central Bank monetary policy and supply and demand dynamics to determine what portfolio instruments and structure will produce a superior performance outcome. Our ability to build long-term client relationships is based upon meeting client's expectations.

Our philosophy for capturing value is guided by our global macroeconomic fundamental analysis in addition to "bottom-up" security and stock selection. Value in markets is based on evaluating the direction of monetary policy, the strength and direction of the global economy, and fundamental company analysis. The process of analysis, beginning with the broad macroeconomic environment and filtering down through sectors of the market allows us to compare the expected returns from different asset classes, which in turn allows us to determine which areas we feel have the most value given our fundamental outlook. We consider the entire opportunity set to measure the performance, diversification, and liquidity benefits of each sector when developing these strategies. From there, we optimise our security selection through sector specialists that look to identify unique opportunities to enhance performance. A critical component of this investment process is risk management, which includes a strict sell discipline, issuer diversification criteria, evaluation of downside scenarios, and a focus on managing portfolios consistent with the client's objectives.

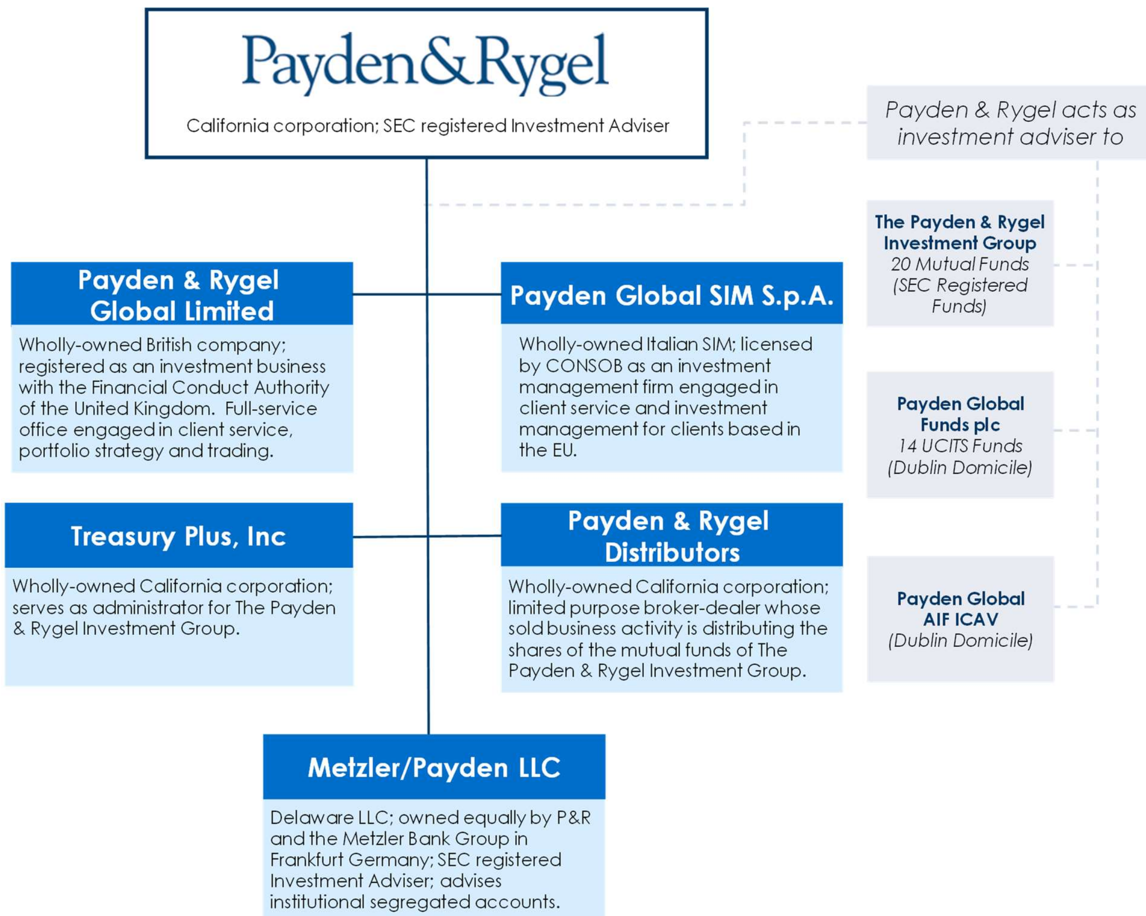
The extent to which we are effective in serving our clients and beneficiaries (Principle 6) is evidenced by the meaningful size of assets we retain, the continued interest in our strategies, inflows from new clients and the feedback we receive.

PRINCIPLE 2: GOVERNANCE, RESOURCES AND INCENTIVES

Signatories' governance, resources and incentives support stewardship.

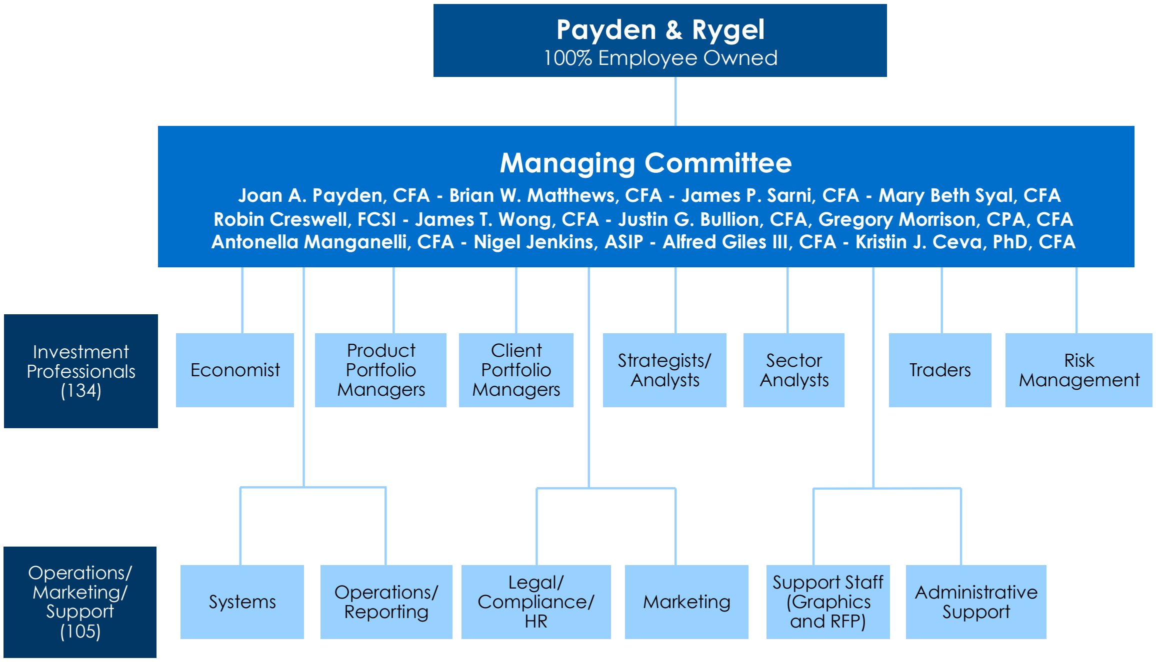
GROUP STRUCTURE

Payden is a California C-Corporation and 100% privately held by employee shareholders, all of whom perform senior management functions. With this ownership structure, our interests are aligned with our clients' interests. This independence enables us to avoid conflicts of interest and to offer stability of strategy as well as consistency of management and customised services to our clients.



As at 31/12/2022

FIRM WIDE RESOURCES



As at 31/12/2022

GOVERNANCE AND OVERSIGHT 2022

Managing Committee

34 Years average Experience | **23 Years average tenure** | **12 Members**

The Managing Committee is comprised of twelve senior professionals, all of whom are active in day-to-day management of the firm's activities. The Committee oversees the Firm's operations and monitors business and operational risks. Members of the Committee include the leaders of key areas, including investment strategy, research, client service, operations, technology, and risk, and the Committee coordinates closely with every functional area. Committee meetings are scheduled bi-weekly and more frequently as needed.

The Managing Committee made the strategic decision to embed stewardship considerations throughout the organisation rather than allocating responsibility for all matters to only the dedicated ESG team. We believe this makes best use of our collaborative culture to encourage shared responsibility and ensure alignment of the firm's stewardship activities across the firm. We believe having a flat corporate structure with reporting committees promotes transparency across the firm.

The following groups report directly to the managing committee and include memberships of key functions across the Firm.

Investment Policy Committee (IPC)
32 Years average Experience | **22 Years average tenure** | **11 Members**

The IPC, consisting of eleven of the most senior investment professionals at the firm, maintains oversight over all of the firm's strategies and is an integral part of our decision-making and risk management process. The role/output of the IPC is threefold: (1) formation of our broad-based and long-term view on macroeconomic factors such as interest rates, economic growth, inflation, political risk, etc.; (2) on-going review and determination of the firm's broad risk management parameters; and (3) regular, comprehensive review of investment results for consistency with both the letter and spirit of our fundamental views. Their role is to determine an overarching framework within which the specific strategies are undertaken. Members of the IPC are all senior managers of the firm, involved in the active management of portfolios and communicate daily with strategists, analysts, and traders. The IPC meets weekly and more frequently as needed. The investment policy meetings have a structured agenda which includes a detailed review of firm-wide strategies, and includes risk reports, portfolio positioning and characteristics profiles, and a market outlook.

ESG Committee
9 Members

The firm aims to ensure applicable consistency in our approach to stewardship across the firm and our product range through the global and group wide ESG Committee. Our ESG Committee is broad, diverse and represents the key functions of our business with members from the IPC, research, investment strategy, business development, legal/compliance and client service. This allows for the input of stewardship considerations into the firm's activities and our investment processes from multiple perspectives. The ESG Committee meets quarterly and more frequently, as needed.

ESG Compliance Sub-Committee
5 Members

The ESG Compliance Sub-Committee is responsible for the monitoring and testing of the firm's ESG Policies applicable to our Article 8 Funds range. The Managing Committee reviews and updates the ESG Policies at least annually and periodically, as appropriate, upon the advice of the ESG Committee and Compliance Group.

Diversity & Inclusion Committee
3 Members

With respect to efforts to increase the presence of unrepresented minorities and women in investment decision-making roles, we have taken the approach that considerations should be integrated at the business line level on a decentralised basis. All individuals making hiring decisions are charged with considering and including diversity as they build their teams. At a firm level this is coordinated and augmented senior members and owners of the firm, who lead the Diversity and Inclusion effort taking guidance from the firm's Managing Committee. The Diversity & Inclusion Committee meets weekly, and more often as needed. The Diversity & Inclusion Committee. undertook external training in 2022.

Proxy Voting Committee
3 Members

Payden's Proxy Voting Committee consists of three senior officers including the Chief Compliance Officer. For ballot items that are governed by our pre-determined voting template, our third-party vendor, Glass Lewis, executes votes in accordance with our requirements. For issues outside the scope of our voting template, Glass Lewis will provide research and advice that our Proxy Voting Committee will take into consideration when determining its voting decisions.

Business Continuity Committee
6 Members

The Business Continuity Plan was developed and is monitored by the Business Continuity Committee The Committee consists of senior managers, including the heads of the Trading, Portfolio and Trading Operations, Compliance and Information Technology departments and a Senior Compliance Officer. The Committee meets regularly to discuss any necessary updates to the Plan and coordinates on-going tests of the Boston location by a team of employees from various departments. The Committee also solicits feedback from personnel based on the on-going tests and promptly adjusts the Plan and the Boston office resources, as necessary.

Best Execution Committee
5 Members

The Committee meets quarterly to review trading activity reports and other data regarding trading costs and execution quality in all asset classes. The firm's objective is to achieve the best possible result for our clients on every trade, taking into consideration price, costs, execution speed, settlement, size and any other consideration relevant to the trade execution. The Best Execution Committee's oversight process is tested by the firm's SOC1 independent audit team.

Valuation Committee
4 Members

Payden has established the Committee to oversee the valuation of client assets. The Committee Chair is the Director and Manager of the trade desk and the Committee includes members of the compliance group, risk management team. The Committee is responsible for all aspects of Payden's General Valuation Guidelines Policy and oversees the day-to-day valuation activities for the firm. The Committee receives support from various individuals at the firm including, but not limited to, portfolio managers, strategist, and traders.

Liquidity Committee

The Liquidity Committee is chaired by the Head of Risk, and the committee members are senior members of the Compliance Group, the Head of Trading, and senior Directors of the Firm. The Liquidity Committee meets monthly and reviews firmwide liquidity risks.

Compliance Group

The compliance group is responsible for ensuring that the firm complies with all operational and regulatory requirements, that procedures are in place to ensure compliance with client guidelines, firm policies and procedures, and that these policies and procedures are being followed. Reflecting the importance of the compliance function and the need to be independent of the investment function, the Chief Compliance Officer reports directly to our firm's CEO and Managing Committee. The Managing Committee is committed to compliance and dedicates the necessary resources to ensure the compliance group has the resources it needs to perform its duties. In support of this, the Managing Committee has authorised expanding the compliance group in 2023.

Risk Management Team

Payden has a centralised risk management team. It is independent of the portfolio management group (and any portfolio management team within that group), the compliance group and the IPC, each of which also have risk management responsibilities. The risk management team members are investment professionals that work in conjunction with the compliance group in monitoring firm-wide risk parameters established by the risk management team and the IPC. The head of the risk management team is functionally and hierarchically segregated from the investment teams. The team meets formally twice weekly, and more often as needed.

STEWARDSHIP RESOURCES

Managing Committee

Oversees the management of our firm, including investment and long-term corporate strategic plans. The Committee comprises senior professionals, all of whom are active in the day-to-day management of the firm, and thus providing close supervision of all firm functions.

Payden's integration of ESG factors into its investment processes involves collaborative efforts by multiple Payden groups who play important roles in formulating and overseeing the ESG investment processes:

Investment Policy Committee

- Comprises senior members of the Research and Strategy teams.
- Maintains oversight over all strategies and is an integral part of the investment and risk management processes.
- Monitors the impact of ESG considerations and regulation on strategies.
- Oversees and manages the escalation of issues within the investment process.

ESG Committee

- Comprises members from Research, Strategy, Client Portfolio Management, and Compliance team.
- Acts as the hub for the coordination of ESG investment processes and for the dissemination of ESG-related information.
- Responsible for the day-to-day management of the ESG investment processes for the firm

Compliance

- Monitors compliance with client and regulatory guidelines through pre-and post-trade compliance
- Oversees and reviews the ESG Research and Strategy Frameworks
- Reports to the Managing Committee regarding the reasonable design and effective implementation of our ESG Investment Policy

Committees & Groups that inform our ESG & Stewardship activities

Independent Risk Team	ESG Compliance Sub-Committee	Diversity and Inclusion Committee	Best Execution Committee	Valuation Committee	Liquidity Risk Committee	Proxy Voting Committee	Business Continuity Committee	ESG Network

In 2022, we continued to build our resources through the recruitment of employees with significant contribution to make to our stewardship initiatives.

The Managing Committee membership was increased and broadened to represent a wider range of functions and expertise from across the firm. Alfred Giles III, CFA, Managing Director and Head of Corporate Research, Kristin Ceva, CFA, Managing Director and Head of Emerging Markets Debt joined the committee in 2022. Both Alfred and Kristin are members of the ESG Committee, strengthening our collaborative approach to stewardship considerations across the firm.

The IPC members were increased to 11, with the addition of Alfred Giles III, CFA, Managing Director, and Head of Corporate Research, Natalie Trevithick, CFA, Director and Head of Investment Grade Credit, Jeffrey Cleveland, Director and Chief Economist and Timothy Crawmer, CFA, Director and Strategist. Alfred, Natalie, and Timothy have leading strategist roles in the areas of global multi-sector, corporates, and credit research. Jeffrey, has a long history of advising the IPC, providing views on the US and global economy and the capital market implications. These additions expand the breadth and depth of investment expertise on the IPC. In addition, it is a purposeful decision to expand formal leadership opportunities to a broader set of team members.

Katy Smith, Vice President, transitioned internally after nine years at Payden joining our dedicated ESG team to focus on stewardship considerations and ESG Communications.

PERFORMANCE MANAGEMENT & REMUNERATION

Payden's remuneration plan is structured the same for all employees. We have an annual review process as part of which supervisors review each employee's work during the year versus specific expectations for that employee. Employee performance is measured on a broad basis. We believe that specific measures based on numerical investment performance can affect the collaborative nature of our structure (Principle 1). Among the most important determinants is one's individual contribution to the firm in terms of value added to the investment decision making process, impact on training and education of others within the team and client retention. More specifically, we look at things such as written presentation materials, research opinions/portfolio management insights and internal and external communication effectiveness.

Our remuneration policies are structured to ensure that they are consistent with the integration of sustainability risks, as contemplated pursuant to Article 5 of the Sustainable Finance Disclosure Regulation.

In this regard, the structure of remuneration of Payden is consistent with the following principles:

- promotion of sound and effective risk management with respect to sustainability risks;
- no encouragement of excessive risk-taking with respect to sustainability risks; and
- remuneration is not directly dependent on the performance of the investment services provided by Payden.

In addition to highly competitive base salaries, each employee may receive annual discretionary cash bonuses based on personal performance and corporate profitability.

We offer both internal and external training to new and existing employees. Our employees have access to a comprehensive selection of industry workshops, seminars, conferences, and certificate programs. We provide annual compliance training to all employees, which includes training on any new regulatory information relevant to the firm. To support wider stewardship efforts, in 2022, we began annual training targeted specifically at policies and procedures regarding advertising and marketing, as well as quarterly ESG training to address internal and external developments across the firm.

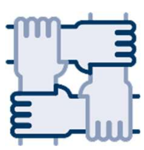
To promote industry standards, we sponsor staff through the CFA program, and certain staff members are CFA ESG accredited.

All statutory FINRA series and continuing education sessions are fully documented. Those who do not have designations like CFA or MBA from a highly rated institution are encouraged to meet these educational goals through the firm's tuition reimbursement plan. Currently, over 40% employees have the CFA designation or are working towards this.

COMMITMENT TO DIVERSITY & INCLUSION

As a firm, we believe an inclusive organisational culture fosters diversity, enhances our client relationships, and improves investment results. We are deeply committed to the further cultivation and preservation of an inclusive culture where minority voices are heard, respected, and where constructive debate is encouraged. Furthermore, we believe it is important to recognise our industry suffers from underrepresentation of various groups and we are committed to being part of solutions to close those gaps.

We are focusing on advancing our progress and participation in the following areas:



Culture of Inclusion

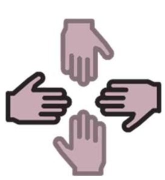
Engage the Payden Team to build on our existing collaborative culture and actively seek to identify and address any "blind spots"

Hiring, Retention, and Promotion Practices

Drive a deliberate effort to seek diverse pools of qualified candidates for both entry level and senior positions (race and ethnic origin, gender, sexual orientation, educational background, non-traditional careers, etc.); develop, retain, and promote diverse talent from within the firm

Philanthropy

Continue to cultivate the generous culture of the firm with a targeted focus on organisations and initiatives that will support inclusion and provide opportunities for underserved communities



Industry Involvement

Actively participate with industry groups to establish and adopt best practices to accelerate progress in creating greater inclusion and diversity

We are committed to equal opportunity employment. Payden maintains policies and practices which prohibit discrimination against qualified employees or applicants based on race, colour, religion, ancestry, national origin, sex, age, marital status, sexual orientation, physical or mental disability, or any other characteristic to the extent protected by law. This non-discrimination policy applies to all employment practices, including hiring, compensation, benefits, promotion, and training.

Payden is a majority women-owned firm. Beyond our CEO and other female shareholders, over half of Payden's current assets under management are managed in strategies with teams led by women. In addition, key business areas such as Low Duration, EMD, Corporate Bonds, Global Equities, High Yield, Corporate Research, Operations, Insurance and the Chief Compliance functions of our US and Irish funds are led by women and/or minorities. We define diversity more broadly than our leadership as a women-owned, women-led firm. In this broader definition, we include the representation of minority cultures and backgrounds. Approaching diversity in this way enables us to attract and retain individuals who demonstrate good judgment, bring different perspectives, and who approach investment decision making and problem-solving from different and unique standpoints. We believe that this team diversity is key in adding value to both our clients and the firm. We also believe it is critical to attracting diverse employees to our firm.

These firmwide efforts are ongoing, led by three senior members of the firm. This level of engagement and focus on diversity and inclusion at the senior-most levels of the firm is critical to its continued success and is a differentiating feature.

Although we acknowledge more work needs to be done to increase diversity within the financial service industry, we recognise this need and are taking steps to promote diversity within Payden and beyond

Our Diversity and Inclusion Mission Statement is available here

Diversity in Action: A sample of the diversity initiatives we supported during 2022:

PATHWAY DEVELOPMENT PROGRAM	▪ Offers direct mentorship to employees to help with their professional development ▪ Host regular 'lunch and learn' moderated panels to discuss relevant career topics both at a firm and industry level ▪ Continued to expand our formal mentorship program with additional cohorts in 2022
CRISTO REY NETWORK	▪ Career-focused US college preparatory education programme ▪ One of the first companies to enroll by supporting the 2002 LA school pilot sponsor ▪ LA and Boston offices offer work experience to underrepresented urban youth
UNCF	▪ US non-profit organisation supporting Black college students ▪ Pioneer partner in UNCF's Lighted Pathways Program (LPP), launched in 2021 ▪ One of the firm's Managing Directors is co-chair of their New England Advisory Council and co-creator of the LPP
GIRLS WHO INVEST (GWI)	▪ US non-profit focused on transforming the asset management industry by bringing more women into portfolio management and leadership roles ▪ In 2022 three Payden investment professionals served as ambassadors to GWI scholars in summer internships across the industry through the GWI program
MATHS4GIRLS	▪ Programme inspiring girls aged 11-14 to pursue maths as a subject to get access to careers in STEM and finance ▪ Employee volunteers act as role models providing mentoring, practical advice and participating in educational talks in partnership with local schools
SOCIAL MOBILITY FOUNDATION	▪ Charity seeking a practical improvement in social mobility for UK's young people where employee volunteers participate in Recruitment Success Service and student mentorship scheme
CFA INSTITUTE	▪ One of the firm's Managing Directors is part of the CFA Institute Diversity, Equity & Inclusion code working group. Payden was an inaugural signatory to the code launched in February 2022 ▪ The firm was in the first cohort to offer an extended internship to a CFA Diversity intern in our London office
NICSA	▪ Not-for-profit trade association striving to connect all facets of the global asset management industry to develop, share, implement, and advance leading practices ▪ Founding member of NICSA's Diversity Project North America, which was created to promote a diverse and inclusive asset management industry. ▪ One of the firm's Directors is co-chair of the Benchmarking Committee
LORD MAYORS APPEAL	▪ Champion and corporate sponsor to the Lord Mayor's initiative programmes: The Power of Inclusion, We Can Be, and City Giving Day ▪ Partnered with a local school to host 9 young women for the day to support We Can Be's aim for young women see the City as a viable career option. In addition, we hosted 2 students for a weeks' work experience ▪ Our Chief Compliance Officer spoke at the Lord Mayors Impact reception on the Power of Inclusion and we Can Be encouraging industry participation
GAIN	▪ GAIN aims to inspire young women to get into the industry through inspirational talks, career support and opportunities ▪ We hosted our first summer internship candidate through the programme in 2022

PRINCIPLE 3: CONFLICTS OF INTEREST

Signatories manage conflicts of interest to put the best interests of clients and beneficiaries first.

In recognition of the need for transparency in our policies and procedures supporting our stewardship, our Conflicts of Interest policy is available on our website.

We are an independent firm and investment management is our only business. As a privately held corporation where senior managers own 100% of the shares, our interests are aligned with our clients' interests. This independence thus goes hand-in-hand with our reputation and commitment to our clients. We closely guard our ability to avoid conflicts of interest and to offer our clients stability of strategy as well as consistency of management and customised services.

Our flat corporate structure enables us to maintain an environment and culture that encourages informal and close interaction among employees at all levels. We have achieved this by emphasising an "open door" policy and minimising corporate hierarchy. The simplicity of our channels encourages efficient and effective decision making, avoiding escalation through multiple committees. This direct access to our senior managers means they can be notified immediately in the event an issue or problem arises, and take the necessary steps to remedy the situation without unnecessary delay.

As a firm, we operate on a team-based approach rather than relying on a "star manager" system. Therefore, procedures will not be interrupted if an investment professional leaves the firm. This team approach also ensures that we (and therefore our clients) are not vulnerable to personnel changes and contributes to the consistency of the investment process.

We have conflicts of interest policies for each regulated entity in the enterprise, tailored for local requirements. These are reviewed annually by the relevant governance boards and conflicts of interest registers are maintained to the extent required by applicable law, requiring officers to declare any conflicts at the outset of any meeting.

Preserving the trust of our clients is a matter of singular importance to the management of the firm To this end, we seek to mitigate apparent and actual conflicts of interest. Our internal controls involve a combination of oversight by the managing directors of the firm, the use of technology, and separation of duties.

The firm's Code of Ethics provides policies and procedures dealing specifically with conflicts of interests surrounding investment management practices, such as insider trading, personal securities transactions, and other conflicts of interest related to the investment management process. The firm's compliance group plays an integral part in monitoring employee compliance with the Code of Ethics.

The Code of Ethics is reviewed in detail with all new employees, including in particular the provisions on conflicts of interest. At least once a year at the Annual Compliance Review that all employees are required to attend, and more frequently, if necessary, the conflicts of interest provisions of the Code are reviewed, and employees are required to confirm that they know of no conflicts of interest they may have. There have been no material breaches or violations in the policy to date.

Potential conflicts of interest, and how they are identified, monitored and addressed, are detailed below:

Performance-based fee accounts

Out of approximately 430 client relationships, Payden receives performance-based fees on less than ten client relationships. For performance-based fee accounts, the fee is generally calculated based on the account's performance that is in excess of the performance of the applicable benchmark for the account. In each case, the persons responsible for managing the account with the performance-based fee also manage accounts with Payden's standard asset-based fees. This can present a conflict of interest because, at least at first glance, there exists an incentive for the portfolio manager to favour the account for which Payden receives a performance-based fee.

We address this potential conflict in two ways. First, the firm's compliance group performs periodic reviews of trading activity for each account with performance-based fees versus trading activity for accounts with asset-based fees that have the same or a similar investment mandate as the account with performance-based fees. This is done to ensure that the accounts are being treated equitably in terms of security selection, trading of securities and the like. Second, the primary component of the compensation for each Payden employee, including portfolio managers, is the overall performance of the firm, together with the individual employee's overall contribution to that performance over all the accounts for which the employee has responsibility. This compensation structure is designed to provide portfolio managers the incentive to act in the best interests of all clients, regardless of the type of fee.

Participation/Interest in Client Transactions & Personal Trading

Neither Payden nor any of its employees recommend to clients, or buy or sell for client accounts, securities in which the firm or such employees have a material financial interest. In fact, we do not buy securities for our own account, and thus no potential conflict of interest exists at the firm level. At the same time, personal trading by employees is allowed. However, we carefully monitor and regulate that activity to ensure that the first fundamental principle of the firm's Code of Ethics – the duty at all times to place the interest of our clients first – is met. Thus, client accounts always take priority over an employee's personal trading to reduce the conflict of interest. And, even if an actual conflict of interest does not exist, our personal trading policy seeks to avoid perceived conflicts, as well.

Cross Trades

It should be noted that cross trades present an inherent conflict of interest because Payden represents the interests of both the selling account and the buying account in the same transaction. In addition, there is a risk that the price of a security bought or sold through a cross trade may not be as favourable as it might have been had the trade been executed in the open market.

To address these and other concerns associated with cross trades, Payden's policy generally requires that cross trades be affected at an independently determined "current market price" of the security, as determined by reference to independent third-party sources, and that we will execute cross trades only when such trades are in the best interests of both the buying account and the selling account. Under our policy, cross trades are not permitted in accounts that are subject to ERISA. Further, where a registered investment company participates in a cross trade, we will comply with procedures adopted pursuant to Rule 17a-7 under the Investment Company Act of 1940.

Mutual Funds & Separately Managed Accounts

Payden's use of the PaydenFunds or offshore funds described above in the investment strategies for its clients may result in a conflict of interest in the following circumstances involving its separately managed account clients. In implementing the investment mandate for a client who has a separately managed account, we may use mutual funds, including one or more of the PaydenFunds, to achieve maximum diversification in the client's portfolios.

When a portion of client assets from a separately managed account is invested in one or more of the PaydenFunds, we do not charge a fee at the separately managed account level on the assets invested in the PaydenFunds, except for certain daily "sweep" account investments in the Payden Cash Reserves Money Market Fund. However, these clients are provided all relevant fee schedules and are advised that the investment management fees that we receive as an investment adviser to the PaydenFunds may be higher than the investment management fees it receives from separately managed accounts.

From time to time, we may purchase for one client's portfolio securities that have been issued by another client. Payden does not have a policy against such investments because such a prohibition would unnecessarily limit investment opportunities. In that case, however, a conflict of interest may exist between the interests of the client for whose account the security was purchased and the interests of Payden.

Proxy Voting

To ensure that proxy votes are voted in a client's best interest, according to our fiduciary duty, and unaffected by any conflict of interest that may exist, we may abstain from voting on a proxy question that presents a material conflict of interest between the interests of a client and the interests of Payden. Votes on matters for which there is no conflict of interest, such as retention of auditors, will be voted according to our standard policy.

Our Proxy voting committee as described in Principles 2 and 12 include second line of defence staff to promote objectivity and due process in the exercise of voting rights.

Review of potential conflicts of interest during the period

During 2022, no conflicts of interest were identified. However, potential conflicts were reviewed during the oversight process and managed according to our policy. Any potential conflicts of interest were evaluated in accordance with the applicable internal policies and processes, including, where necessary, evaluation by the compliance group. These reviews led to the conclusion that there was no actual conflict as all possible conflicts had been successfully managed.

CONFLICTS OF INTEREST REVIEWED IN 2022

- Client accounts with similar strategies participating in the same new issue deal should all receive a pro-rata allocation based on market value with no preferential treatment given to one account over another due to performance-based fees, account size, or relationship. In 2022, the compliance group sampled trade allocation and looked to identify any accounts that did not receive a pro-rata allocation. There are many reasons why an account may not receive a pro-rata allocation such as guideline restrictions, pending flows, client directed trading black outs, etc. Whilst there were no issues identified in the reporting period, should an issue be identified, the compliance group will work with the portfolio manager to understand the circumstances that led to the issue and then take appropriate action, including disciplinary action if required.
- Payden Global Funds plc ran a selection process for new independent non-executive directors. This process of retirement and renewal of independent directors in our Irish UCITS funds is an important measure to prevent conflicts arising where independent directors risk losing objectivity over time. We were pleased to welcome Carol Mahon to the board of directors of Payden Global Funds plc in November 2022 with a further candidate in the selection process to be appointed during 2023.

PRINCIPLE 4: PROMOTING WELL -FUNCTIONING MARKETS

Signatories identify and respond to market-wide and systemic risks to promote a well-functioning financial system.

It is an important aspect of our stewardship to play an active role in the wider asset management community and to identify, monitor and respond to market-wide and systemic risks. Our risk management framework provides an overview of how we assess and mitigate these risks and the key teams involved are described below:

Investment Risk

Our Investment Policy Committee (IPC) (described in Principle 2), comprised of eleven senior investment professionals, serves as an oversight board to ensure that total firm risk is acceptable and that all investment strategies are behaving in a manner consistent with client guideline requirements and risk expectations. All members of the IPC are involved in the active management of portfolios and communicate daily with portfolio managers, strategists and traders. As described in Principle 2, we expanded the IPC 2022 to represent a broader range of functions and industry expertise. The addition of our Chief Economist recognises the importance of the macroeconomic view in our process and how macro strategy influences a broad range of decision making. The addition of our Head of Research provides a deeper view of credit fundamentals on the Committee and further broadens the IPC expertise beyond portfolio construction. Further, the addition of our Head of Investment Grade Credit provides additional insights into credit trends and opportunities.

As the firm's strategies have grown and capital market complexities have increased, in 2017 we established a centralised risk management team of investment professionals working in conjunction with the compliance group and IPC in monitoring firm-wide risk parameters established by both the risk management team and the IPC. The risk management team (Principle 2) reports directly to the Managing Committee of the firm, which is comprised of the CEO of Payden and eleven other of the firm's most senior members.

Liquidity

Liquidity policies are established by the IPC and implemented and monitored by each strategy team. Payden believes that liquidity is one of the most important elements of an investment portfolio to analyse and manage. To maintain liquidity, Payden typically limits positions to under 10% of any outstanding issue and on issue sizes that are a minimum of $250 million. We also seek to make sure that issues have multiple sell-side sponsorship so that we have multiple sources of liquidity. These factors weigh in on how much of the portfolio we are willing to commit to any one issue.

Operational Risk

Our Compliance Group reviews firm-wide operations as part of its ongoing compliance checks. Reflecting the importance of the compliance function, the Chief Compliance Officer reports directly to the Managing Committee and Payden's CEO. Firm wide operations include separation of duties, counterparty oversight, and conflicts of interest (Principle 3).

The firm's internal control structure has been designed to ensure the segregation of duties between functional areas, and there are no incompatible duties. The compliance group reviews firm-wide operations as part of its ongoing compliance procedures, focusing on the separation of duties within the firm. The Department is responsible for assuring that the firm complies with regulatory requirements, that procedures are in place to assure compliance, and that these procedures are being followed.

The compliance group maintains an approved counterparty list that is approved by the IPC. This list is programmed into our trading system to prevent trading with unauthorised counterparties. In addition, the IPC has set per counterparty exposure limits. Each week, the risk management team distributes a Counterparty Report to the IPC that highlights by type of transaction the amount of exposure to the largest counterparties.

The Head of Information Technology, Gregory Morrison, CFA, CPA, Managing Director, is also involved in the oversight of the firm's systems and risk control procedures. The firm maintains documented information technology policies and procedures, including those addressing the protection and security of our systems and data. Specific procedures include a combination of physical access controls (restricted access to the office environment and server rooms) and logical access controls (password requirements, lockout periods, firewall and virus/malicious code policies). Access controls are supplemented with ongoing reviews of system logs by the firm's security providers and in-house Network Administration group.

Our cybersecurity posture is independently tested with internal and external penetration tests, weekly third-party vulnerability assessments, and an annual SOC1 Type II audit report. In addition, two independent cyber-scoring providers grade the firm's cybersecurity stance. Bitsight Technologies rates Payden with a score of 780 ("Advanced"), near the top of the Finance industry range and Security Scorecard gives us their A grade, with 100 out of 100 in each of their 10 assessed cyber score factors.

Our departmental managers are responsible for ensuring that sufficient staffing and controls are in place to avoid operational errors and mitigate operational risk. The heads of functional areas meet regularly with the Managing Committee.

The reporting and settlements groups within operations manage reconciliation and trade settlement activities utilising systems developed by the information technology group to ensure these duties are conducted in a timely and accurate manner. The heads of trading operations and portfolio and fund operations are Directors of the firm, and they update the Managing Committee regularly on their departments' activities.

Legal/Business Risk

To ensure that it meets its fiduciary responsibilities as an investment adviser, the firm has in place policies and procedures covering, for example, conflicts of interest, confidentiality, dealing with material non-public information, personal securities trading, and the like. Each policy clearly describes required procedures and responsibilities as well as the types of testing and frequency for such tests. The amount and frequency is set using a risk-based approach where higher risk activities receive additional oversight. There are regular training programs for employees in these areas and a variety of monitoring processes to assure compliance with these policies and procedures.

A formal review of firm policies, procedures and risk controls is conducted annually. Additionally, changes to the firm's risk controls are made as the business and market environment changes.

Risk controls are discussed with the firm's auditors as part of the annual SSAE 18/ISAE 3402 audit. The firm's SSAE 18 / ISAE 3402 report covers internal controls related to the firm's portfolio operations, investment strategy and securities trading, portfolio management, compliance and information technology functions.

To ensure continued viable operations in the event of potential disasters, the firm has developed a formal business continuity/disaster recovery plan to ensure that critical functions continue in the event of a disaster. The Business Continuity Committee (Principle 2) meets regularly to discuss any necessary updates to the plan and coordinates on-going tests of the back-up location by a team of employees from various departments.

Industry Collaboration

We are members to a number of organisations that support that help inform our risk management approach. Senior Members of the firm, including our Chief Compliance Officers in the US and Europe and our Head of the Risk Management Team, are members of the Investment Company Institute (ICI Global). ICI's membership includes various fund types, representing nearly $40 trillion in assets. It is a leading association representing regulated investment funds. Its mission is to strengthen the foundations of the asset management industry for the ultimate benefit of the long-term individual investor. We contribute to and benefit from the pooling of best practice that takes place at ICI Global forums. We are a member of the Financial Services Information Sharing and Analysis Center (FS-ISAC), the only global cyber intelligence sharing community solely focused on financial services.

Our membership provides us access to an extensive library of vendor and process research, member panels, industry experts, and benchmarking surveys regarding information security strategies and solutions. Given the changing landscape in financial technology and investment and operations processes, our membership aids our ability to collaborate with peers and stay current on developments in the industry and peer best practices

Market Risk in Client Portfolio's

Stress testing is utilised to capture and quantify the potential impact of market-wide and systemic risk to a client's portfolio. Stress testing helps us to evaluate how the strategy will react to dramatically shifting market factors such as interest rates, credit spreads, inflation expectations, equity markets, commodities, etc. to ascertain potential downside.

We use a series of risk assessment software programs, both proprietary and third-party, which will allow us to stress test client portfolios as required for various levels of credit risk, redemptions, and interest rate changes. The models range from Value-at-Risk (VaR) to rigorous scenario analysis models. For example, we frequently perform scenario analysis on the impact on our portfolios of large interest rate shocks. We are able to modify the variables/assumptions of the stress test, such as size and time horizon of the interest rate or sector spread move, in addition to the shape of the yield curve and asset class beta. Our systems also have the capability to calculate the impact of historical stressed periods on our portfolio making our stress-testing process both backward and forward-looking scenarios which are typically run monthly

CLIMATE CHANGE

As acknowledged by many of the world's financial regulators, climate change poses a risk to long-term investment outcomes. With climate change being one of the greatest environmental challenges of our time, well-functioning markets will require a response to the challenges it presents.

We apply the central philosophy of stewardship to our own carbon footprint. At a group level, we achieved CarbonNeutral® company certification for the fourth year in 2022. On an annual basis, we calculate, and look to reduce and offset the carbon emissions associated with our business operations.

We have the following reduction measures in place:

- Investing in video conferencing and telecommunication services that enable communication to reduce travel.
- Focus on technology to replace paper reports. To the extent that paper reports are essential, we have a recycling program.
- Corporate subsidised public transportation for US based employees.
- Cycle to work scheme and loans for season train tickets for UK based employees.
- We choose to be headquartered in a LEED gold certified building that provides the following environmental policies:
  - Water use is benchmarked using the Energy Star Portfolio Manager tool.
  - Electrical use is benchmarked using the MACH Energy tool.

Our next objective is to publish our inaugural Taskforce Climate related Financial Disclosures (TCFD) report in June 2023. We have historically published information about our processes which are aligned with TCFD, our inaugural report will be more holistic in nature and enable us to disclose further details of how we evaluate climate information. Our report will be available on our website and will be in line with our commitment to the Net Zero Asset Manager's Initiative (Principle 9). and regulatory obligations We view this as an important action in improving our climate disclosures as a firm.

Participation in Industry Initiatives

We have continued our journey to understand the impact of climate change on financial markets and promote more meaningful disclosure practices among market participants (Principle's 9 & 10).

Net Zero Asset Managers Initiative ("NZAM"): We joined NZAM in July 2021 and had 12 months to submit our target and methodology.

Our initial target was accepted and announced in November 2022. We have committed to an initial target of 30% AUM for our in-scope assets, which includes corporate debt and equity issuers (Principle 9 for further details on our method and targets).

CDP: As investor signatories, we help promote industrial-scale environmental disclosure and engagement aligned with the TCFD and advance more transparent and meaningful disclosure on environmental issues (Principle 10).

Climate Action 100+: In 2022 we joined Climate Action 100+ to increase our industry affiliations and impact. We are committed to using engagement as a tool to improve disclosure. Collaborative engagements via this investor-led initiative seek to inform action on climate change by the world's largest corporate greenhouse gas emitters. We participated in our first collaborative engagement as part of the initiative as a collaborative investor (Principle 10).

In addition to our collaborative membership detailed in Principle 10, we will continue to evaluate other initiatives which align with our evaluation of potential market-wide risks and client interest.

Climate Change in our approach to investments and client offering

Climate change is a global concern that has the potential to drive economic transformation. As such, climate change metrics are included in our Research and Strategy frameworks and client reporting. In addition, as part of our customised approach to portfolios we partner with clients on their objectives, which include ways in which climate change and environmental objectives may be reflected in their portfolios (for more details, please see Principle 7)

SFDR Article 8 Funds Range: We have 13 Irish funds designated Article 8 pursuant to SFDR which promote the E/S characteristic of Climate Change Mitigation. Climate Change Mitigation is measured via greenhouse gas intensity data for corporate and sovereign holdings and the climate score of the underlying securities for the US securitised issues. The portfolio's greenhouse gas intensity is managed below a relevant comparable ESG universe which is representative of the broad portfolio allocation for the Fund. In addition, Climate Change Mitigation is promoted through the application of our ESG Investment Exclusion Policy. This policy, applicable to our Article 8 Funds, excludes issuers based on revenue thresholds and applies to the relevant conduct-based screens. The exclusions are for activities that could be deemed harmful to society or the environment. Environmental screens are related to companies with more than a determined percentage of revenue from various oil & gas or thermal coal activities.

Segregated Mandates, Article 6 Funds & other pooled vehicles: Where applicable, the inclusion of climate and environmental frameworks aid integration of ESG into investment processes and complement portfolio positioning. Our proprietary frameworks are informed by our ESG signatory commitments and include factors such as physical and transition risk and provide the ability to monitor metrics including GHG per GDP/per Capita, weighted average carbon intensity, and alignment with an SBTi target.

We use MSCI as our primary source of climate data, on client request, we can report on environmental indicators such as scope 1 and 2 emissions per millions of USD sales, or enterprise value in USDMM, Scope 1-3 Warming Potential °C and implied temperature rise to inform clients on the climate profile of their portfolios. In addition, we can work with clients on various portfolio-level carbon emissions screens and monitors to measure and improve a portfolio's carbon footprint.

The above is testimony to our processes concerning climate change; this is an area of rapidly developing initiatives and growth in the availability of tools to further add to our competence in this area. Payden is committed to assessing additional tools, data providers, investing in the resources as appropriate and evaluating additional memberships to ESG and climate related organisations to most effectively manage this aspect of stewardship going forward.

PRINCIPLE 5: REVIEW AND ASSURANCE

Signatories review their policies, assure their processes and asses the effectiveness of their activities.

The firm has a program of both internal and external assurance which has a bearing on stewardship.

INTERNAL ASSURANCE

We have a rolling programme to review and update our policies and procedures. This programme integrates stewardship considerations. The Managing Committee, (Principle 2), plays a major role in the direction and management of the firm, overseeing our investment, operational and stewardship activities. The IPC (Principle 2), is responsible for firm wide strategy oversight and investment risk management, ensuring that all investment strategies are behaving in a manner consistent with client expectations.

Our framework for controlling operational risks, within the supervision provided by the Managing Committee and IPC, includes the following groups and functions:

Our compliance group reviews firm-wide operations as part of its ongoing compliance checks. The firm's internal control structure has been designed to ensure segregation of duties between functional areas. Reflecting the importance of the compliance function, the Chief Compliance Officer reports directly to the Managing Committee and to Payden's CEO.

The Head of Information Technology is also involved in the oversight of the firm's systems and risk control procedures. The firm maintains documented information technology policies and procedures, which include policies surrounding data security. Specific procedures include a combination of physical access controls (restricted access to the office environment and server rooms) and logical access controls (password requirements, lockout periods, firewall and virus/malicious code policies). Access controls are supplemented with ongoing reviews of firewall and network logs by the firm's network administration group.

Our departmental managers are responsible for ensuring that sufficient staffing and controls are in place to avoid operational errors and to ensure consistency in the quality of information given to clients.

The reporting and settlements groups manage reconciliation, and trade settlement activities for portfolios and are heavily equipped with systems to ensure these duties are conducted in a timely and accurate manner.

To assure that it meets its fiduciary responsibilities as an investment adviser, the firm has in place policies and procedures covering, for example, conflicts of interest, confidentiality, dealing with material non-public information, personal securities trading, and the like. Each policy clearly describes required procedures and responsibilities as well as the types of testing and frequency for such tests. There are regular training programs for employees in these areas and a variety of monitoring processes to assure compliance with these policies and procedures. A formal review of firm policies, procedures and risk controls are conducted annually. Additionally, changes to the firm's risk controls are made as the business and market environment changes.

To assure continued viable operations in the event of potential disasters, the firm has developed a formal business continuity/disaster recovery plan to ensure that critical functions continue in the event of a disaster. A summary of the policy is available on our website.

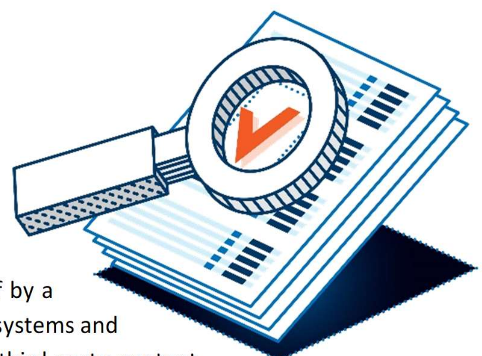
EXTERNAL ASSURANCE

During 2022, BDO USA LLP produced a System and Organisation Controls (SOC 1) Type 2 Report on Payden's description of its investment processing and reporting system and on the suitability of the design and operating effectiveness of controls. The report examined 16 control objectives relating to stewardship covering internal controls related to the firm's portfolio operations, investment strategy and securities trading, portfolio management, compliance, and information technology functions. The report had no adverse findings. In line with our culture of transparency, the report is available to clients upon request.

Our firm has chosen to be independently verified. Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. Verification does not ensure the accuracy of any specific composite presentation.

Payden Global Funds plc appointed KBA Consulting Management Limited as the management company for our Irish UCITS umbrella, Payden Global Funds plc and our Irish AIF, Payden Global AIF ICAV. An external management company for our funds adds additional dimensions of stewardship in the form of corporate governance, oversight, and risk management robustness for our Irish Funds. KBA perform both ad hoc and cyclical monitoring. In 2022 KBA and our Irish Legal Advisors for the Funds reviewed and provided outside counsel on our SFDR policies and reporting applicable to our Article 8 Funds which were created and adopted during the reporting period.

FAIR, BALANCED AND UNDERSTANDABLE



Our external client marketing, RFPs and documents are subject to a thorough approval process before distribution. The ESG Compliance Sub-Committee is charged with reviewing Stewardship related documentation to ensure it is clear, fair and not misleading. In addition, RFPs and DDQs need to be signed off by a senior member of the firm. In April 2022, we updated our internal systems and document library, and rolled out firm wide usage of Seismic, a third-party content management platform. Presentations and other marketing materials are centrally stored and accessible to employees. Employees have received comprehensive training on how to use the platform and procedures are in place to ensure that the most current approved materials are accessible thus achieving consistency and quality assurance in our client and product literature.

POLICY DEVELOPMENT

During 2022, we adopted and/or updated the following policies that each have a bearing on stewardship:

- **Advertising and Marketing by Investment Advisers**
  Sets out the ways in which Payden shall comply with Section 206 of the Investment Advisers Act and the provisions of Rule 206(4)-1 in preparing and distributing any advertisements as well as, in responses to requests for proposal, request for information and due diligence questionnaires. Marketing materials must be fair, accurate and cannot be fraudulent or misleading.

- **Parental Leave Policy**
  During the reporting period, we enhanced our parental leave policies with additional benefits, recognising the significant role paid leave can play in supporting new parents.

- **Global SIM S.p.A ESG Policy**
  Sets out the manner in which Payden Global SIM S.p.A. should integrate environmental, social and governance factors into the systems, controls and processes of the Firm

SFDR Article 8 Policy Development

Payden and affiliated companies has been appointed as investment manager/adviser to various EU domiciled collective investment schemes. Many of these investments are managed so that they can be designated as Article 8 financial products pursuant to the Sustainable Finance Disclosure Regulation (EU 2019/2088). Payden has further been appointed by certain clients under separately managed accounts to manage assets in accordance with SFDR Article 8. During 2022, we adopted the below Policies applicable to the management of such assets, and can also be applied, upon request, for clients wishing to voluntarily adopt and implement these ESG factors into their investment guidelines.

- **ESG Good Governance Policy**
  Sets out the way in which we evaluate and monitor potential and current investments for good governance practices. The framework forms the determination of those corporate issuers that demonstrate good governance practices and thus comprise the investable universe for the applicable funds.

- **ESG Investment Exclusion Policy**
  Sets out the way in which we apply exclusions in respect of certain investments on the basis of ESG factors. The restrictions and exclusions are for activities that could be deemed harmful to society or the environment and include both business-related and conduct-based exclusions.

- **Principal Adverse Impact Statement**
  Our statement describes the principal adverse impacts we identify and how they are considered in the investment process. We seek to manage and mitigate the risks connected with potential adverse impacts from our investments as outlined by SFDR regulation.

- **ESG Data Policy**
  Sets out the way in which we use data to evaluate and monitor ESG factors in the conduct of our investment management activities. The Policy serves as the framework for the selection, deselection, and quality control of third-party data providers in the ESG sphere.

- **ESG Engagement Policy**
  Pursuant to its commitment to its signatory status of the UK Stewardship Code and the Net Zero Asset Management initiative, the policy sets out how ESG engagement activity is applied to the investment process.

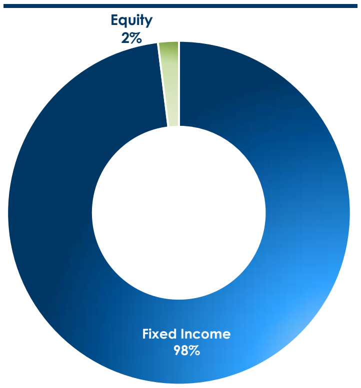
INVESTMENT APPROACH

PRINCIPLE 6: CLIENT AND BENEFICIARY NEEDS

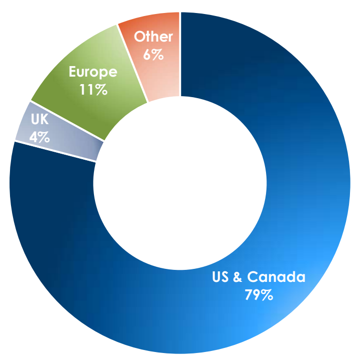
Signatories take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them.

Our client base as of 31st December 2022:

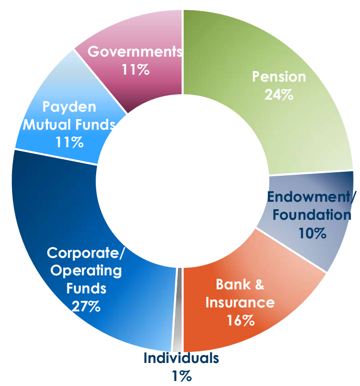
ASSET CLASS



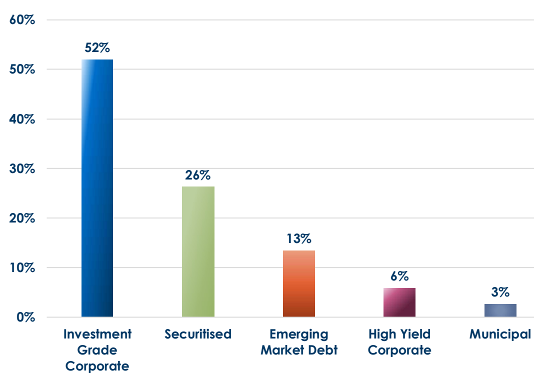
DOMICILE



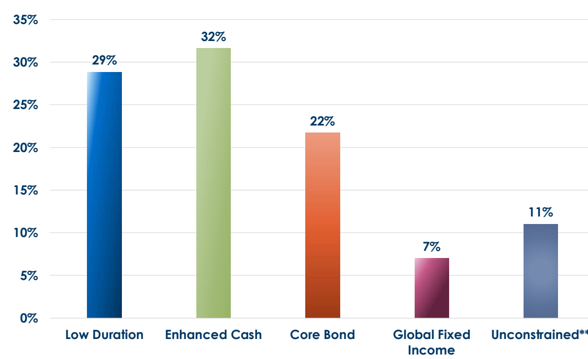
CLIENT TYPE



DEDICATED FIXED INCOME STRATEGIES*



MULTI-SECTOR FIXED INCOME STRATEGIES**



*Includes assets in multi-sector strategies

**Unconstrained includes Absolute Return Bond, Multi Asset Credit and strategic income Assets

Our philosophy for managing portfolios is that active management with appropriate risk controls will provide superior performance. We do this on a customised basis while bringing our long history of managing operating portfolios and their unique needs to the benefit of our clients.

We are a registered investment advisor under the US Investment Advisors Act of 1940 and will act in a fiduciary capacity as an investment advisor with full discretion to all clients. Our role and responsibility is to work with each client individually and our investment solutions are designed to fit the unique nature of our client's needs. The management of portfolios is a continual process, and it is our goal to ensure that the investment strategy remains materially consistent with the understood goals and objectives. For this reason, we do not stipulate a time frame for our investment horizon but work with each client to ascertain their overall investment objectives and their thoughts as to time commitments. Time horizons are often expressed in the assignments themselves. E.g., a true cash assignment denotes a need for short-term success, while a pension "LDI" mandate requires longer-term success which normally takes mid-stream volatility in stride.

To ensure we act in the best interests of our clients and fulfil our fiduciary responsibility, we maintain a comprehensive Code of Ethics, in accordance with relevant SEC rules and regulations. The Code of Ethics is designed to set the tone for the conduct and professionalism of our employees, officers, and directors. The principles which form the foundation of our Code of Ethics are designed to emphasise Payden 's overarching fiduciary duty to its clients and the obligation of every employee to uphold that duty:

1. The duty at all times to place the interest of our clients first.
2. The requirement that all personal securities transactions of every employee shall be conducted in such a manner as:

   (a) to be consistent with the Code of Ethics, and

   (b) to avoid any actual or potential conflict of interest, or any abuse of an employee's position of trust and responsibility.
3. The principle that no employee shall take inappropriate advantage of his or her position.
4. The fiduciary principle that information concerning the identity of security holdings and financial circumstances of clients is confidential; and
5. The principle that independence in the investment decision-making process is paramount.
6. Payden 's good reputation is dependent every day upon each employee conducting himself or herself in a manner deserving of the trust each client gives to the firm, and the employee's understanding that any breach of that trust can, and will, irreparably harm than good reputation.

Additionally, Payden subscribes to the CFA Institute Code of Ethics and Standards of Practice, which are included in our employee manual.

OUR CLIENT SERVICE MODEL

Client relationships should not be an "off the shelf" experience; we customise our approach to fit the unique nature of each of our relationships. Relationship management is led by senior investment professionals who are directly involved in the management of client portfolios.

Our role as an investment manager often extends into a consultative role; we have worked with several clients helping them navigate through a variety of market environments, achieve specific objectives beyond investment performance, and by providing guidance with their investment policies. We are pleased to be a responsive source and partner for their evolving needs, providing both long-term consistent investment strategies and, when appropriate, new solutions tailored to specific situations.

A key part of our stewardship is that each client relationship is led by two Client Portfolio Managers. They are the day-to-day contact and are responsible for ensuring that the mandate being delivered is fully consistent with client objectives.

The Client Portfolio Managers serve as advocates for the client and bring together all of Payden's resources to the client including the investment strategy, operations, ESG, reporting, compliance, and IT groups. The Client Portfolio Managers and investment strategy team work together to ensure that the ideas that are generated and researched are appropriate for each portfolio. The Client Portfolio Managers' goal is to help identify and communicate the client's objectives, constraints, risk tolerances, and time horizons to the investment strategy team. Because we believe that client issues are as important as market issues, the interchange between our Client Portfolio Managers and investment team is critical to our stewardship activity. A dedicated reporting analyst is assigned to each relationship to ensure timely and accurate reporting as well as implementing any customisation requested.

Client satisfaction is monitored and measured by the feedback that we receive from clients, as well as by our ability to meet client investment objectives and long-term goals. Addressing the needs of our clients in a timely and accurate fashion has been a hallmark of the stewardship activity of our firm since its inception.

Examples of ways in which we monitor, and measure client satisfaction are:

- The level of ongoing and open communication with clients
- The timely release of investment reports
- Customised investment reports meeting the specific needs of each of our clients
- The way in which we respond to changes in clients' objectives and needs
- The nature of our clients' comments, questions, and concerns

The objectives of our client service effort are essentially twofold:

- Ensure that our clients understand and are comfortable with the makeup of their portfolios at all times
- Construct and manage investment portfolios that consistently meet our clients' varied objectives

We have distinguished ourselves as a hands-on partner in the management of investment portfolios and welcome an active two-way relationship with full access to our investment professionals and ongoing strategy communication. We believe that one of the paramount tenets of a successful investment management/client relationship involves regular dialogue.

We achieve ongoing communication through several means:

Meetings

Our Client Portfolio Managers and other appropriate professionals are available to attend periodic client meetings to discuss the current economic environment, its implications for the existing portfolio, and portfolio performance.

Email/Telephone/Video Conference Calls

Strategist, traders, and portfolio managers are accessible to our clients for an in-depth discussion of our current analysis on the global economy via conference calls and email. Calls can be scheduled as needed to address issues between regular meetings.

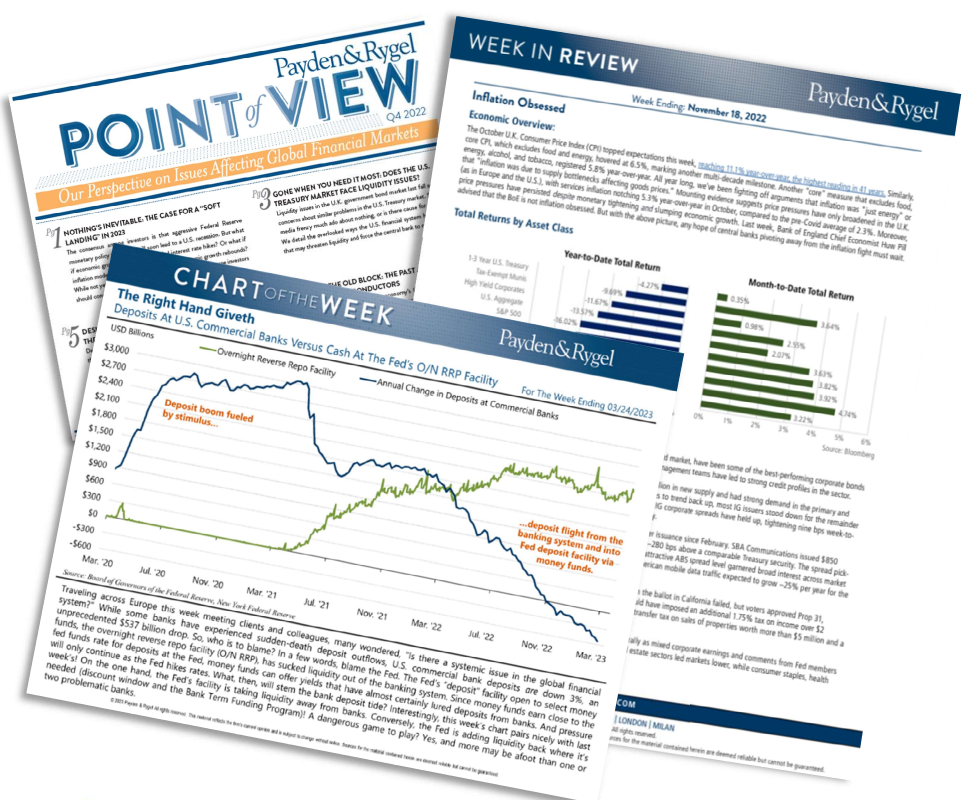
24/7 online access

Our clients have 24-hour continuous access to portfolios via the Internet through our secure on-line portfolio viewing system, Juneau. This on-line access functionality contains portfolio summary reports of market values, unrealised gains, and analytics as well as detailed reports of security holdings, transactions for the trailing three months, and calculations of realised gains and losses. The data is customisable; users can select only those fields that they are interested in viewing, and these settings are saved for future access.

Publications & Research

Payden is dedicated to comprehensive, independent research and does not rely on third-party sources for information. The firm's in-house analysts conduct objective research based on fundamental analysis, global research trips, and contact with corporate managers and market makers. In addition to publishing timely research on issues that affect the markets, the firm provides research publications on a weekly and quarterly basis.

Examples of our client communication are available on our [website:]



EDUCATIONAL RESOURCES

We work with clients in a number of ways to increase their knowledge about investing. As a full-service investment firm, we welcome the opportunity to serve as a sounding board on a wide range of financial issues.

In addition to periodic meetings, we are also available to clients:

- **Seminars and Training**: Senior portfolio managers, strategists, and IPC members are available to give seminars on issues including investment and strategy discussions, as well as reporting issues and accounting topics.
- **"On the Job" Training**: We invite clients to visit our offices where our professionals spend time with their staff, individually or in groups, discussing the markets.
- **IT and Compliance**: Our dedicated information technology and compliance professionals are available to provide an overview of our processes and industry best practices.
- **Customised Reporting**: Assistance in preparation of Committee and Board reports, including economic review, outlook and forecasts, and preparation of charts and analysis; assistance in writing up analysis of market events for reports to the Board; reconciliation with custodian on positions, performance, and risks; and assist in any necessary analyses (GASB, etc.) for annual reporting.

Specific examples of training for clients include:

- In-person seminars and webcasts tailored to their interests and concerns, ranging from 1-hour webcasts to all-day education seminars.
- Participation in clients' annual finance seminars.
- Economic and market updates, ranging from basic "Finance/Economics 101" level to advanced topics.
- Recommendations on investment policy; we review existing guidelines and suggest modifications.

Below we provide some examples of our client service model in action during the reporting period:

INSURANCE CLIENT RESPONSIBLE INVESTMENT POLICY

During 2022 we worked closely with a start-up insurance company to help formulate their responsible investment policy. We suggested practical ways to translate the organisation's responsible investment objective into tangible investment guidelines for the management of their premium and reserve portfolios. As part of this discussion, we took into consideration the regulatory environment they operate under. Since this is an organisation at an early stage of its development, particular emphasis was placed on making sure ESG restrictions were specific, palatable, and easily understandable for a broad range of stakeholders within the organisation. Furthermore, we started talking about more ambitious responsible investment policies adopted by some of their peers as possible next steps on their ESG journey.

CUSTOMISED REPORTING

We have and continue to see an increase in demand from our clients for customised ESG investment criteria in portfolios, ESG reporting requirements and a higher volume of stewardship focused RFPs and DDQ's. As a result, to support our clients especially against the backdrop of increased European regulation and as part of our business-as-usual due diligence we increased our MSCI data packages with the addition of the EU Sustainable Finance Package. The package includes Sustainable Finance Disclosure Regulation adverse impacts, EU taxonomy alignment data and metrics.

RESPONSE TO GEOPOLITICAL CONFLICT

The market faced uncertainty following Russia's invasion of Ukraine on February 24, 2022, the result of which kicked off historic policy actions and moves across global markets. The global coordination of sanctions imposed against Russia by multiple countries, along with Russian counter sanctions and capital controls created pressure in the commodities market which saw the Russian ruble reach an all-time low, gas prices spike to an all-time high and oil prices surge. Rising yields across developed markets in Q1 2022 along with Russia's invasion of Ukraine, were catalysts for poor returns. The Russia-Ukraine conflict brought scrutiny on countries within geographical proximity and led to market differentiation based on countries' varied exposure to higher commodity prices.

Whilst we had limited exposure to Russia due to our evaluation of geopolitical risk and governance issues; we held some underweight positions where Russia was included in the benchmark and, where allowed, held short positions on the ruble for specific portfolios, the evolving situation caused great concern among our global client base As a firm, we took a proactive approach to client communication to ease their concern. Our clients have direct access to our portfolio strategists and analysts as well as dedicated client portfolio managers.

We took a customised approach to our response with clients requiring different levels of information dependent on their exposure and impact on their portfolios. This included weekly calls with a multi-family office client who required help reassuring their clients via regular communication in response to the invasion. Where we had exposure to Russia, we worked with clients to implement sanctions, any additional client guided restrictions and divest from countries in the region.

PENSION FUNDS REPONSE TO LDI CRISIS

Towards the end of September 2022, the so called "Mini Budget" led to a rapid spike in interest rates and UK government bond yields. These very rapid moves caused turmoil for UK pension funds, the majority of which had Liability Driven Investment (LDI) arrangements in place.

Payden is not involved in LDI however, many of our pension fund clients work with us to help provide liquidity, stability and enhanced returns relative to their matching assets and collateral buffers.

As was widely reported at the time, LDI arrangements often used significant leverage and this magnified the impact of the interest rate shock. Rates had moved further and faster than was allowed for in financial models, leading to a scramble for liquidity.

As a fixed income manager, our role was to help clients meet their collateral calls and provide liquidity quickly and without question. As the crisis unfolded, there was significant risk of contagion. Our response was to engage with the advisers to our clients' assets, establish what each scheme needed and reflect that back quickly to the various investment strategy teams at Payden. The position changed day to day for a period of weeks but that three-way communication was critical to ensuring all clients received what they needed, when they asked for it, without having to impose gates on any of our funds, or delays in the dealing process.

The crisis was terminal for the then Chancellor and Prime Minister and with a new Chancellor in place, the market stabilised. Towards the end of 2022, we were pleased to see that several clients had begun to reinvest with us.

INSURANCE CLIENT RESPONSE TO ESG REGULATION

A Lloyds Syndicate insurance client invested in our UCITS fund contacted us regarding a regulatory requirement and the need to put together a responsible investment policy for the organisation. As they are invested in our funds, we are unable to customise their investments according to their new policy. However, we partnered with the client to assist them in deciding on the content of their policy by proving an overview of our approach to ESG investment considerations and examples of responsible investment policies formulated by other organisations that operate under the same regulations. We also made suggestions on specific language to be included in their policy based on the minimum regulatory requirements. We offered further guidance on how they might want to think about implementing robust ESG criteria, exclusions, and promotion into their segregated portfolios in the future.

PENSION FUND SFDR COMPLIANCE

A pension fund client enquired as to how we could support their mandate becoming Article 8 compliant under the Sustainable Finance Disclosure Regulation. Whilst being Article 8 compliant was not a legal requirement for the Pension Fund, the client displayed an interest in using the regulation as a model to improve the robustness of their ESG criteria and remain in line with current expectations in their jurisdiction of ESG integration. Payden has a long-term relationship with the client and has been managing this mandate for almost 10 years, as such, we have a comprehensive understanding of their investment objectives, values, and company beliefs. Over the years, we partnered with them on robust ESG exclusion criteria and a customised benchmark. One of the key elements was how to reflect the evolving ESG landscape, their values and maintain an opportunity set and universe to meet the performance objective set for the fund.

We provided the client with a very detailed overview of our approach to SFDR and the impact of its implementation on portfolios. We referred to other regulatory frameworks and international disclosure protocols to which we are signatories, which reinforce our commitment to transparency in ESG integration practices, but also serve as effective due diligence mechanisms. We presented a number of ideas that could be implemented in the portfolio to ensure compliance with the regulation. The discussions are ongoing as the client aims to put together a generally applicable approach for the other managers within their funds

PRINCIPLE 7: STEWARDSHIP, INVESTMENT AND ESG INTEGRATION

Signatories systematically integrate stewardship and investment, including material environmental, social and governance issues, and climate change, to fulfil their responsibilities.

Our investment philosophy (Principle 1) and process has not changed materially in recent years, but we have continued to evolve our process organically over time looking for opportunities for incremental improvements in our stewardship. Our approach remains consistent in that portfolios are managed with an emphasis on risk control and in a way that is consistent with clients' guidelines and specific investment objectives. Our portfolio strategies are developed according to our expectations for the macroeconomic environment. We employ a team approach, combining top-down investment decisions with bottom-up security selection.

ESG & STEWARDSHIP IN THE INVESTMENT PROCESS

As a firm, Payden recognises that many investors regard Environmental, Social and Governance criteria to be an important component in our investment processes. Payden integrates ESG, where appropriate, in accordance with client guidelines and with our status as a signatory to global bodies promoting responsible investment.

Our commitment to meeting the specific needs of each of our clients underpins our ESG principles:

Payden has a formal ESG Investment Policy set by our Managing Committee. Our ESG investment processes are dynamic. They are designed to be adaptive to changing market conditions, data coverage, developments in the global ESG landscape and broader sustainability analysis and therefore may change over time. Where relevant, ESG factors are identified, monitored, and managed using both quantitative and qualitative processes and frameworks.

Payden's integration of Stewardship efforts involve collaborative efforts, further described in Principle 2, by multiple groups:

Managing Committee: Responsible for approving and overseeing Payden's stewardship strategy, and has ultimate decision-making authority for our relevant stewardship related memberships, affiliations, and exclusion lists. The Managing Committee has delegated the management of the day-to-day ESG strategy to the ESG Committee.

ESG Committee: Includes members from our research, strategy and client portfolio management teams, as well as our compliance group which enables each team to integrate ESG factors into their process as applicable and in the context of their specific market expertise.

Compliance Group: Performs oversight of the ESG investment policy, reports to the Managing Committee regarding the reasonable design and effective implementation of the policy and monitors compliance with client and regulatory guidelines through pre-and post-trade compliance.

ESG Compliance Sub-Committee: The ESG Compliance Sub-Committee is responsible for the monitoring and testing of the policies applicable for our SFDR Article 8 Irish Funds.

Investment Policy Committee: Maintains oversight over all strategies and is an integral part of our investment and risk management processes. The IPC monitors the impact of ESG considerations and regulation such as SFDR on relevant strategies and oversees and manages the escalation of issues within the investment process.

While we coordinate stewardship at the firm level, the consideration of ESG factors in research and portfolio management differs across sectors and instruments. There are no regional distinctions in the way we implement our approach, and investment teams work collaboratively across our global mandates. ESG considerations are characterised in accordance with client guidelines, the availability and quality of supporting third-party data, and direct and collaborative engagement to promote better transparency and governance practices.

Research: Our research function applies a variety of ESG factors where relevant. Given our concentration in fixed income securities, our investment processes are organised according to sector specific factors rather than focusing on geographic or regional specifications. We utilise proprietary Research Frameworks which include ESG factors that correspond to major capital market issuer types:

- Developed Sovereign Framework: includes ESG factors such as GHG per GDP, income inequality and political stability
- Tax-Advantaged Framework: includes factors such as entity disclosure, project outcomes, sustainability reporting and certifications
- Securitised Framework: includes physical climate risk and climate scenario metrics, social impact and poverty factors
- Corporate Framework: includes ESG factors informed by global frameworks such as Sustainability Accounting Standards Board (SASB), and includes factors such as labour management, health and safety and carbon emissions.
- Emerging Market Country Framework: Includes a scorecard methodology which is based on a combination of macro-economic and ESG factors including emissions per capita and unemployment.

Portfolio Construction: Where applicable, proprietary strategy frameworks are used to monitor the integration of ESG investment processes. ESG metrics informed by our third party data providers are included to complement portfolio positioning relevant to clients' guidelines. The strategy frameworks are informed by our ESG signatory commitments and include factors such as physical and transition risk. They include portfolio level metrics such as GHG per GDP/per Capita, weighted average carbon intensity, percent alignment with an SBTI target, board diversity, board independence and exposure to severe controversies.

Our Research and Strategy Frameworks are developed in partnership with the research teams, individual strategy teams and the ESG Committee. They are informed by the firm's ESG initiatives, memberships and industry recommended practice and subject to approval by the ESG Committee and compliance Group.

INTEGRATION ACROSS OUR SEGREGATED MANDATES AND FUNDS

Part of our stewardship is avoiding unsustainable business practices and activities. The firm does not proactively invest in issues of securities by manufacturers of either tobacco and/or tobacco-related products, nor in private prison issuers.

Segregated Mandates, Article 6 Funds and other pooled funds

We evaluate numerous factors, which may include ESG, when evaluating potential performance. For separately managed accounts the importance of ESG factors are considered in the context of client guidelines. For portfolios which do not include any ESG criteria in the client guidelines and/or prospectus, ESG considerations relate to their potential impact on the investment performance of an issuer. ESG factors are incorporated into the overall investment process and in the context of the portfolio and markets.

INVESTMENT EXAMPLE: SOCIAL
EMERGING MARKET DEBT

Within the EMD Complex, a West African sovereign debt issuer scored poorly in 2022 due to higher economic pressure and greater political/social risks. From a macro perspective, the food/energy shock had a more meaningful effect than anticipated, making fiscal slippage more likely. Added to this were fundamental pressures ahead of an election cycle, resulting in an economic and social backdrop that might make it difficult for the government to make needed reforms or correct fiscal pressures. As the sovereign had scope to significantly underperform, if macro shocks were persistent and/or political risks materialised, positions in the issuer were exited.

For clients with specific ESG guidelines, we customise portfolios to reflect their ESG values and objectives:

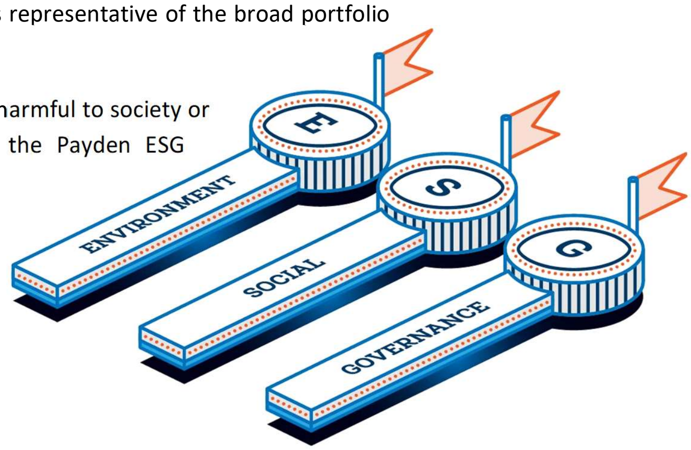
- **ESG Screening**: We work with clients to exclude investments with poor ESG factors or prioritise investments with positive ESG factors in certain countries, industries, and/or areas of practice relative to industry peers or specific ESG criteria.

- **ESG Promotion**: begins with an awareness and understanding of the ESG criteria that is important to our clients. Promotion entails identifying issuers with specific ESG factors and constructing portfolios with targeted ESG metrics. These may be absolute or relative to an appropriate reference index. This is implemented during portfolio construction. We pursue the most appropriate opportunities given the risk/reward profiles of various investment options and how they would fit in the context of the overall portfolio.

Payden Funds designated Article 8 pursuant to SFDR:

We manage 13 funds designated Article 8 pursuant to SFDR. These funds promote environmental and/or social characteristics. They include binding ESG criteria, the application of which reduces the investible universe and impacts portfolio construction and investment decision making. This binding criteria relates to:

- The goal of climate change mitigation is targeted through the application of carbon metrics and climate scores. Climate Change Mitigation is measured via greenhouse gas intensity data and the climate score of the underlying securities of the Fund. The Fund portfolio's greenhouse gas intensity is managed below that of a relevant comparable ESG Universe which is representative of the broad portfolio allocation of the Fund.
- Restrictions on activities that could be deemed harmful to society or the environment through the application of the Payden ESG Investment Exclusion Policy.
- Exclusion of companies that fail to demonstrate good governance through the application of the Payden ESG Good Governance Policy.



INVESTMENT EXAMPLE: ENVIRONMENTAL
SFDR ARTICLE 8 FUND

The strategy team evaluates an issuer's emissions relative to fundamentals, valuations and technicals in making portfolio construction decisions for the fund. During Q4 2022, the investment team made the decision to sell an integrated retail electricity and power generation company in light of the issuer's high emissions metrics. Our view of the company and valuations compared to the emissions profile overall did not warrant continuing to own the name. Furthermore, other investment opportunities with superior emissions and similar or better valuations existed.

INVESTMENT EXAMPLE: GOVERNANCE
SFDR ARTICLE 8 FUND

A high yield German automotive company came to the primary market with a Euro-denominated 5-year Sustainability Linked Bond. The company's investments are focused on the Auto sector, with stakes in multiple German automotive suppliers. Our credit analysts were constructive on the name based on fundamentals and relative value. Furthermore, this was the company's first sustainability-linked issue, with targets linked to emission reductions at its main operating entity. Whilst this was attractive opportunity for our fund, the issuer failed the first pillar, Disclosure, of the Good Governance assessment applicable for our SFDR Article 8 Funds. As all companies are required to follow good governance practices, this failed to meet our required ESG criteria and was not included in the fund.

INTEGRATION OF THIRD-PARTY DATA

Payden uses a combination of third party data and internal analysis in the implementation of ESG into our investment processes. Where Payden relies on third party data for this analysis it periodically evaluates the data and service providers. We use several third party providers for ESG data and analytics, which inform our research and strategy frameworks and aid our investment monitoring and reporting. Our third-party data providers are further described in Principle 8.

The ESG Committee meets with existing and potential data providers on topics such as evolving coverage, enhanced analytical capabilities and advancements in methodology. Furthermore, the ESG Committee provides an annual review of the data providers to the compliance group.

Third party data is utilised in our client reporting. We can report on environmental indicators such as scope 1 and 2 emissions per millions of USD sales, or enterprise value in USDMM, Scope 1-3 Warming Potential °C and implied temperature rise. Governance factors include, board independence, presence of accounting investigations and severe controversies and social factors such as, percentage of women on the board exposure to controversial weapons and firearms and adherence to international norms. Reporting frequency is tailored to client requirements. The use of data providers may evolve or be discontinued over time at Payden's discretion.

ENGAGEMENT

We believe ESG factors have the potential to impact the long-term financial performance of an issuer and the performance of its securities. We deem engagement on ESG topics to be a tool to understand how issuers intend to deal with these issues over time. In addition, we view engagement as an opportunity to learn about an issuer's response to evolving ESG considerations. We further elaborate on our engagement practices and approaches in Principle 9.

PRINCIPLE 8: MONITORING MANAGERS AND SERVICE PROVIDERS

Signatories monitor and hold to account managers and/or service providers.

In selecting and approving prospective third-party service providers, we have developed a framework as follows:

- Establish ultimate ownership and control of the entity
- Establish regulatory status and good standing
- Meet key individuals for interview
- Visit relevant premises where appropriate
- Request, receive and review recent financial statements
- Request and receive, where relevant, external third-party audit reports

For more complex services, we perform gap analysis of the services to be provided and we examine the structures and processes governing the service. The due diligence process also confirms in advance the proposed service level agreements and an agreed monitoring and review process.

The selection and due diligence process typically involves several senior members of the firm, including the relevant department heads. The results of the due diligence process are discussed with, and the decision is approved by, the firm's Managing Committee.

MONITORING & REVIEWS OF SERVICE PROVIDERS

We conduct management meetings with key service providers on up to a monthly basis with an agenda to discuss ongoing business service and any issues that arise. These meetings afford us the opportunity to address any service deficiencies in a timely, constructive, and proactive manner, treating our service providers as valued partners. We conduct annual due diligence on specific key third-party service providers. Reviews are tailored to the particular year's events and development but generally consist of a discussion of each provider's policies, procedures, and strategies for event recovery and discussions of tests of those plans. External audits and/or assessments of the providers' business continuity plans, processes, SOC1, SOC 2, or other applicable independent reports and other systems are also reviewed, when available.

We additionally monitor critical and high-risk vendors' cybersecurity stances using Bitsight Technologies. BitSight alerts us to significant changes in the cyber-risk posture of our providers, including new developments in compromised systems (e.g., botnet infections, spam propagation), diligence (e.g., open ports, patching cadence, configuration of DKIM records and TLS/SSL certificates), user behaviour (e.g., file sharing and exposed credentials), and public disclosures of security incidents or other disclosures.

Finally, we discuss the details of any disruption events that occurred since our last review, including the impact on services provided to the firm, lessons learned, and resulting remediation. In 2022, the need did not arise to terminate any key service provider relationships, but we have implemented several transitions of key service providers in recent years. One example was the transition of a sub-set of values-based screens from Sustainalytics to MSCI. This change enabled us to better manage to client specific ESG guidelines by integrating ongoing compliance and data management feeds with existing processes.

HOW WE WORK WITH OUR SERVICE PROVIDERS

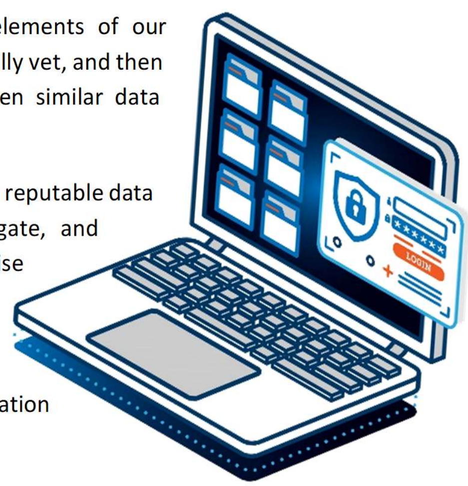
It is important to us that our service providers understand and share our approach to stewardship. We have appointed Brown Brothers Harriman Fund Administration Services (Ireland) and Brother Brothers Harriman Trustee Services (Ireland) Limited as administrator and depositary respectively of Payden's Irish domiciled funds. We maintain daily contact over fund service providers and monitor their activity in several ways, such as:

- Conducting frequent calls to discuss any open items, with attendance from the compliance group, as necessary.
- Receipt and review of frequent reporting, for example on potential money laundering activity, suspicious transactions, market timing and frequent trading.
- Review of all investor flows and correspondence.
- Canvassing feedback from the service provider's other clients, our legal advisers, independent directors and our auditors.

We monitor staffing continuity and operations upgrades through frequent service provider relationship management calls. These meetings afford us the opportunity to address any service deficiencies in a timely, constructive and proactive manner, treating service providers as valued partners in the provision of services.

DATA VENDORS

Like most asset managers, external data is useful for certain elements of our investment processes and client reporting. We have chosen to carefully vet, and then limit the number of inefficient and ineffective differences between similar data providers by different vendors.



For example, we are currently sourcing our ESG data from leading and reputable data providers who utilise industry best practices to confirm, aggregate, and normalise large and disparate global datasets. We prefer to utilise "hard" climate-related data (e.g., carbon intensity and emissions) where possible to avoid the subjective nature of third party "ESG scores". We use third-party providers to collect and integrate ESG data and analytics, alongside our traditional suite of financial information providers.

The following summarises the nature of the ESG research and metrics we source:

Data Provider	Research & Metrics
MSCI ESG Ratings	Environmental, social and governance indicators for sovereign and corporate issuers.
MSCI Net Zero Solutions	Temperature alignment, carbon emissions target, climate scenarios (transition and physical) and other climate related industry and security level indicators.
MSCI Screening	Business & product involvement screens, global sanctions, controversies and along climate risk indicators
MSCI EU Sustainable Finance	EU Taxonomy alignment and adverse impact metrics for SFDR regulation.
risQ Analytics	Physical risk and Value at Risk (VaR) indicators for local government and public enterprise issuers.
Level 11	Physical risk and Value at Risk (VaR) indicators for securitised structures and issuers.
Bloomberg New Energy Finance (BNEF)	Full reference of Green, Social & Sustainability labelled bond issuance.

The data and research provider industry is undergoing a period of rapid growth, transformation, and consolidation. To remain current with industry developments and analytics, our ESG Committee, sector and industry analysts and strategists frequently meet with new or specialised data providers and learn about emerging analytical and integration tools and datasets, which include ESG related information. Furthermore, we engage with our current providers on evolving coverage, enhanced analytical capabilities, and advancements in methodology.

ESG DATA PROVIDERS REVIEW

In 2022 we re-evaluated our data vendors and technology processes given both client demand for greater granularity of ESG factors and our additional signatory commitments. We conducted due diligence on seven data providers in 2022. The depth of our investigation into provider capabilities varied from sample reporting and data evaluation to multi-month trials to evaluate the breadth and depth of their capabilities. These were conducted as joint projects between the ESG and information technology teams at Payden. Together, we evaluated data and technology solutions from a variety of business options; from investigating the potential launch of an SFDR Article 9 fund to streamlining our TCFD reporting and easing the technology hurdles to better align ESG data with traditional financial metrics. We found that data coverage and related financial expense varied dramatically across vendors. Given that ESG data remains in the early stages, vendors are evaluating how to price their products according to market needs and requirements. We believe that ESG data and technology integration options will continue to improve as the market demands better transparency and implementation capabilities. We look to finalise our near-term data choices in 2023 but will continue to evaluate the rapidly changing data landscape.

ENGAGEMENT

PRINCIPLE 9: ENGAGEMENT

Signatories engage with issuers to maintain or enhance the value of assets.

Our research analysts engage with numerous corporate, sovereign, securitised and municipal issuers each year on a proactive basis. We engage through participation in industry conferences, roadshows and research trips, meeting with government policymakers and management teams. The majority of our engagement activity takes the form of in-person or virtual meetings, calls and written communication focused on direct engagement with issuers and collaborative engagement with our peers on stewardship related industry standards and practices. Our engagement method is determined by the nature of the engagement and what we believe is the most effective and appropriate for the desired outcome. We conduct engagements and seek a greater understanding of topics which are insufficiently explained or disclosed. The results of which may be incorporated into our broader assessment and ongoing monitoring of the issuer and provide the opportunity to raise potential areas to highlight and address with debt issuers.

Engagement topics addressed will vary from issuer to issuer and are affected by the geography and relevance of the topic. For example, with corporates our engagement topics can include overall business strategy, environmental, social and governance factors, risk and financial management, board composition, and remuneration, employee, relations, M&A/corporate finance activity, internal audit, transparency and quality of reporting.

Firm holdings are regularly monitored by our analysts. As part of their ongoing monitoring, analysts communicate any significant changes to strategy teams. Furthermore, our compliance group has processes in place to ensure adherence to client guidelines (e.g., prohibited countries/sectors/securities, quality restrictions, etc.). While investment issues are typically discussed and managed within the strategy team, if an issue requires escalation, it may be escalated to the IPC (Principle 2), which serves as an oversight board over the firm's strategies.

ESG AND ENGAGEMENT

We believe ESG factors can impact the long-term financial performance of an issuer and the performance of its securities. We deem engagement on ESG topics to be a tool for understanding how issuers intend to deal with these issues over time. In addition, we view engagement as an opportunity to learn about an issuer's response to the evolving ESG landscape.

During 2022 , we evolved our engagement process and differentiate our activities into two types, integrated and targeted

Integrated engagements look to incrementally understand dynamics where ESG topics and traditional key performance indicators overlap, and where this overlap can impact the performance of relevant securities over our typical investment horizon, which is over the near to medium term. Investment teams may use the information derived from integrated engagements as inputs along with a host of other qualitative and quantitative information to assess the overall attractiveness of the risk/return of an investment. We engage with issuers directly on ESG factors that may impact financial and operating performance. Our engagement may occur during the new issuance process, at industry conferences, roadshows, country research trips, or at individual meetings set up at our request.

Examples of integrated engagement efforts during the reporting period

Emerging Markets Debt: Central European Sovereign Governance	
Rationale	In September 2022, a member of our Emerging Market Debt (EMD) research team conducted a research trip to Central European countries. In one of these countries, they met with representatives from the National bank, Ministry of Finance and Debt Management Agency as well as the European Commission. They particularly queried progress towards satisfying the EU/EC's rule of Law concerns.
Overview	The Country's relationship with the EU has been tumultuous under the PM's multiple terms in office. The EU has particularly been concerned about issues relating to the rule of law and corruption specifically relating to public procurement for EU financed projects. It ultimately threatened the loss of major financing if its conditions continue to be unmet. During the meeting, the authorities expressed a strong willingness to address the deficiencies identified by the EC/EU. They pointed to specific legislation that was expected to pass through parliament in the coming weeks. It appeared to our analysts that the progress made so far should be sufficient to meet the EU's conditions.
Outcome & Next Steps	The engagement met our objectives and is ongoing. We see the country's technocrats as having a sufficient handle on the reform priorities needed to ensure compliance with EU standards, facilitating the receipt of much-needed EU funding. We engage with their policymakers regularly and will continue to inquire on reform progress to ensure that the proper reforms and legislation are in fact making progress.

Emerging Markets Debt: African Sovereign Social	
Rationale	In June 2022, a member of the EMD research team conducted a research trip to this country meeting a variety of local authorities, local banks, and foreign embassies. We enquired as to subsidy policies, given global food pressures, that could aggravate social dynamics
Overview	The Russia-Ukraine conflict has applied pressure to food and fuel prices; subsidies on these goods are a key drain of the country's fiscal resources. When asking the Ministry of Finance about plans to mitigate subsidy costs, they pointed us to 1) reprioritization of other expenses, to make room for higher subsidy spending; and 2) ongoing plans to shift from broad consumption subsidies to a targeted cash transfer program. We encouraged the second strategy, as a much more efficient use of resources. When we asked locals how authorities were responding to the social risks around food, we learned that during 2022 the government had tripled the number of military-run food distribution outlets (which sell meat, produce, bread, and more), to quell potential unrest.
Outcome & Next Steps	The engagement met our objectives and is ongoing. We see the country as facing a variety of challenges, making it more challenging for officials to deal with subsidy reforms. While the move towards a cash transfer system is picking up, which fits with our preferred policy, other facets of reform at a higher level (e.g., the central bank's approach to currency management and USD liquidity) are causing distortions such as high inflation and import restrictions that ultimately have made the economic situation more difficult for middle-to-lower income groups. We plan to continue engaging with the authorities but are advocating for the higher-level reforms to proceed expeditiously so that the micro-level reforms can then be implemented more easily.

Securitised: Commercial Financing Servicer for Equipment Lending Strategy, Financial and Reporting	
Rationale:	The company provides commercial finance services in the U.S. and issues ABS deals collateralised by equipment leases. It is a commercial leasing specialist covering a range of leasable equipment, such as copiers, commercial vehicles and construction equipment. Given the broad consumer impact of the various types of equipment, the company is in a prime position to address sustainability concerns of commercial businesses. The purpose and outcome of this integrated engagement were to inform our view of the deal and issuer as it relates to various topics.
Overview:	Our team evaluated various ESG factors during a deal roadshow with management. Our research teams find that engaging with issuers when they are looking to raise additional capital is an opportune moment to evaluate ESG factors given the open communication line to management. During the conversation, environmental and social topics were highlighted. The collateral backing the receivable deals is secured by small-ticket commercial equipment loans and leases as well as working capital loans. Given sustainability issues surrounding physical equipment, the company discussed efforts to ensure equipment is disposed of at the end of life in an environmentally sound way. This included the potential for raw materials to be returned to the supply chain for reuse. In addition, they will limit lending to businesses that deal in controversial industries, such as weapons manufacturing and tobacco.
Outcome & Next Steps:	Our engagement did not highlight any substantial sustainability risks to financial performance, but the ESG topics discussed informed our holistic view of the issuer. The company understands the need to address sustainability goals in-line with consumer and industry expectations. We do not hold this issuer broadly across portfolios, but we will continue to monitor performance. We take a positive view of their ability to influence the lifespan of their products and the impact on the community in which they operate. We believe this demonstrates a forward-looking and long-term view of sustainable initiatives.

Corporate: Paper Company Environment, GHG Emissions	
Rationale	A member of the credit research team held a call with management to better understand its sustainability linked note characteristics. Specifically, we wanted to understand the feasibility of the targets outlined for the reduction in absolute GHG emissions (Scope 1 and 2) by 2025. Moreover, we wanted to understand the implications of the associated implementation costs.
Overview	The Company described its two primary goals associated with the sustainability framework for the bond issuance. Namely, the reduction in absolute GHG emissions (Scope 1 and 2) by 2025 and reduction in industrial water usage by the same date. Management felt they were highly achievable goals within the timeframe outlined and that no coupon step-ups would be needed. They confirmed no significant capital expenditures would be required to implement the GHG emissions or water reduction targets.
Outcome & Next Steps	The engagement met our objectives, and no further action will be taken at this time.

Securitised: Non-Prime Consumer Lender Social	
Rationale	The Trust is backed by a pool of non-revolving, secured and unsecured, fixed-rate personal loans. The loans are typically used for debt consolidation, life events, auto loans or home projects. The trust had already committed to supporting underserved borrowers and to promoting financial inclusion, and our research team wanted to learn more about their program. The Social ABS programs identify loans with lower income, rural and underserved areas that they are already originating and place them in a Social Bond Trust. They have enough unencumbered assets to fulfil the Social ABS bond program without changing the collateral characteristics of the program.
Overview	Our team evaluated various ESG factors of the issuer during a deal roadshow with management. During the conversation, our team enquired about consumer and underwriting trends given the decline in banking access in many areas of the US. More than 40% of rural areas lost bank branches from 2012 to 2017, creating high transaction costs and increased inconvenience for basic financial services. Despite the challenges, the issuer's rural population is solid compared to the total population. The issuer's collateral profile shows loan balances around $1k lower, around $7k lower income, and slightly lower FICO scores. Nevertheless, collateral performance has been the same as the total population due to borrowers' ability to pay and strong underwriting analysis.
Outcome & Next Steps	Our engagement highlighted the issuers' ability to focus on underserved communities while maintaining strong underwriting. We view positively their ability to invest in local communities through personal service, providing clear loan terms to borrowers and an ability to look beyond traditional credit scores. We hold this issuer broadly across portfolios because given demonstrated disciplined underwriting and the sponsor's long track record in the unsecured consumer loan ABS sector.

Corporate: Cement Producer Environment, GHG Emissions	
Rationale	A member of the research team held a call with management to discuss the key sustainability projects they have been working on as well as what their longer-term goals were on this front.
Overview	The issuer plans to reduce CO_2 emissions by increasing their use of alternative fuels over time and implementing new carbon capture technology. This would result in an eventual full phase-out of coal in favour of cleaner alternative fuels. Additionally, the Company is planning a reduction in Nitrogen dioxide gases with Selective non-catalytic reduction installation at 80% of their US plants and indirect fuel firing systems at 50% of their plants.
Outcome & Next Steps	The engagement met our objectives, and no further action will be taken at this time.

Emerging Markets Debt: Southeast Asia Sovereign Environment	
Rationale	In April 2022, Payden hosted a delegation from a Southeast Asian country. The Ministry of Finance and Central Bank were represented in our Los Angeles office for a non-deal roadshow and engaged substantially on ESG. We specifically asked about their policy stance toward coal; they have extensive plans to expand the issuance of Sustainable Development Goals and Green financing, largely to promote the reduction of fossil fuel emissions.
Overview	On coal, the representatives pointed towards their recently passed carbon tax and their ongoing development of a platform to facilitate foreign investment in renewable energy. They explained some of the impediments to phasing out coal, including that coal plant project financing and power purchase agreements need to be paid for before existing capacity can be phased out, aside from the cost of replacement renewable power. There is no way for the country to simply phase out coal without an alternative replacement. The fiscal cost of the government taking on decarbonization alone would be very large. Nonetheless, they emphasised their commitment to being carbon neutral by or before 2060 and reinforced that their active policy is to facilitate a phase-out of coal.
Outcome & Next Steps	The engagement met our objectives and helped inform our assessment of the sovereign issuer and its country scorecard. The engagement is ongoing, and we plan to monitor investment and emissions data closely to ensure that this plan is being implemented according to pledged timelines and encourage acceleration when possible.

Targeted Engagements, launched in 2022, seek specific outcomes related to ESG objectives. These objectives align with initiatives we believe can support long-term value creation and protection, and which reflect the values of those on whose behalf we invest. The method and frequency of engagement are determined by several factors including our history of engagement with the issuer, the relevant issue, and the asset class. Engagements may be direct or collaborative in nature.

- Direct: Involve a member of our team communicating with an issuer to make them aware of our expectations for the trajectory of a specific ESG-related metric or practice. These engagements take place via several methods, which include, but are not limited to, written communication and company meetings.
- Collaborative: Occur when we partner with other participants in the marketplace that share our view on one or more desired ESG outcome. In those instances, we seek to influence financial industry participants towards greater disclosure and improved transparency of relevant ESG indicators. These can occur through coordinated written communications and coordinated meetings (Principle 10).

DETERMINING ENGAGEMENT PRIORITIES

Payden's ESG Committee is responsible for determining the priorities for targeted engagement themes. The ESG Committee seeks to ensure that we are efficiently utilising resources to align our efforts with enterprise-wide initiatives, regional specific ESG engagement requirements, and client specific requests. The determination of relevant factors for targeted engagements will vary by asset class and may be driven by a combination of inputs. Payden is selective in its engagement activity. Engagements are prioritised based on a variety of factors ranging from the size of our holding to the distance from a pre-defined target to a topical engagement on a specific subject. Where relevant, our approach is informed by global frameworks (Sustainability Accounting Standards Board (SASB) Engagement Guide, PRI ESG Engagement for Sovereign Debt Investor, etc.) or aligned with broader objectives.

Examples of enterprise-wide initiatives which are integrated into the targeted engagement process include:

Climate Change: Payden is committed to the goals of the Paris Agreement and is a member of the Net Zero Asset Managers Initiative. Climate change presents a long-term systematic risk and we engage with issuers via targeted topics related to climate change, pollution, and biodiversity.

TARGETED ENGAGEMENT

NET ZERO ASSET MANAGERS INITIATIVE

In scope assets: **30%** of assets under management, **corporate and equity issuers**

Our target % for engagement with issuers to align with a net zero pathway/1.5 degrees or lower by target years:

60% by 2025 | **90% by 2030** | **100% by 2040**

Our approach will use engagement with issuers as our primary lever to advocate for progress toward decarbonization goals. We intend to reach our net zero target through the implementation of an engagement strategy with issuers across holdings. Our centralised research function across all strategies enables us to scale our engagement approach to impact the maximum number of investee companies as well as impacting portfolios across our strategies. As a predominately fixed income manager we will participate in collective engagements to greater influence issuers. Our definition of aligned/aligning is based on data from legitimate third-party evaluators, for example, SBTi and Climate Action 100+, which we use to evaluate companies adhering to science-based standards.

Our net zero commitment assumes that governments will follow through on their own commitments to ensure the objectives of the Paris Agreement are met. Our business model is comprised mostly of customised, institutional, separately managed accounts where clients determine their investment objectives and parameters. Our ability to adjust client guidelines is dependent on client consent which includes adjusting portfolio positioning to meet climate objectives. Using engagement with in-scope issuers provides the ability to make a real-world impact without changing client investment management agreement’s.

Principal Adverse Impacts (PAIs): For our designated Article 8 Funds pursuant to SFDR we seek to manage the risks connected with PAIs from our investments in various ways, including engagement. We use the PAI topics as a framework for wider engagement as we have found the PAIs outlined in SFDR to be scalable across a variety of topics that are relevant to our client mandates.

Governance Practices: Payden's ESG Good Governance Policy is utilised where we have been appointed as investment manager/adviser to various EU domiciled collective investment schemes designated as Article 8 financial products pursuant to the SFDR This assessment considers good governance to be a standard of governance widely reflective of industry established norms.

MONITORING AND ESCALATION

Firm holdings are regularly monitored by our analysts. As part of their ongoing monitoring, as factors such as the political/social environment, climate related and corporate governance issues significantly change, analysts communicate these changes to the strategy teams concerned. We have a workflow methodology to track and monitor both integrated and targeted engagements. We catalogue our engagement activity via a third-party data aggregation tool and a proprietary tracking system. We provide a summary overview of our engagement activities to clients or clients' shareholders upon request. Whilst escalation opportunities within fixed income do not include proxy voting, there are various reasons why we may choose to escalate an engagement with an issuer. Examples include, but are not limited to, where an issuer has failed to respond to or address investor ESG concerns, failure to implement an agreed strategy, or a deterioration in standards (Principle 11).

Our approach to engagements tends to be customised and active. We strive for close interaction with our investee companies and look to engage on issues that may potentially affect a company's ability to deliver long-term value and sustainable performance for our clients.

Examples of Targeted engagement efforts during the reporting period:

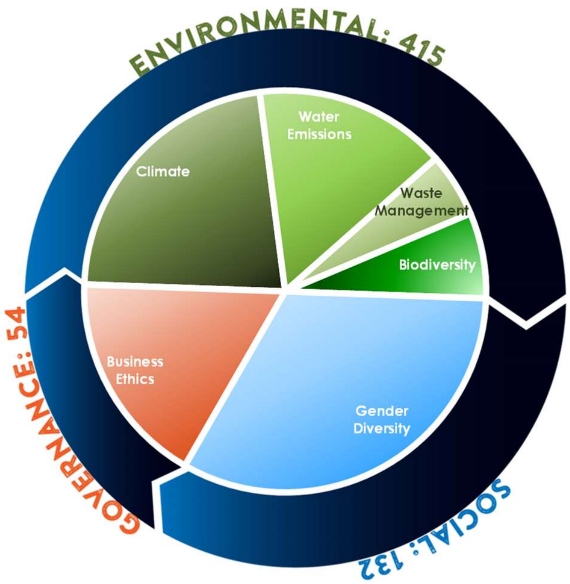
Corporate: Coffeehouse Company Environmental, Disclosure	
Rationale	We engaged the management to better understand the firm's broad ESG goals across multiple topics. This was our initial reach out to the firm and was led by our credit research team. The engagement was designed to allow for a baselining of expectation to support tracking a follow up as part of our targeted engagement strategy. launched in 2022. In addition, as signatories to the Net Zero Asset Managers Initiative, engagement is a primary lever to advocate for progress toward decarbonization goals.
Overview	They responded very quickly with a detailed response on their initiatives with regard to ESG issues. Explaining they have made a commitment to have Carbon Neutral Green Coffee and to conserve water usage in green coffee processing by 50%, both by 2030. They will work to meet 2030 target of carbon neutral green coffee, reducing greenhouse gas (GHG) emissions in coffee at its origin. They will compensate for any remaining emissions by decreasing carbon emissions in their supply chain, promoting and distributing climate-resistant tree varietals, and by protecting and restoring at-risk forests in key coffee landscapes. Their targets are public, and they will share their progress annually.
Outcome & Next Steps	The engagement met our objectives, and no further action will be taken at this time.

Corporate: Independent oil and gas company Environmental, Disclosure	
Rationale	We engaged management in Q2 2022 to better understand the firm's broad ESG goals across multiple topics. The engagement was designed to allow for a baselining of expectations to support subsequent performance. This was our initial reach out to the firm on specific ESG topics. The engagement was led by our credit research team.
Overview	Their investor relations team responded to our email in a timely manner and informed us to expect further enhanced disclosure more comparable with industry peers going forward. In addition, they are currently preparing their inaugural sustainability report. We view this as a positive step in their disclosure process.
Outcome & Next Steps	The next steps of the engagement will include conversations with management for updates regarding their plans to disclose relevant metrics and information about the company's longer-term plans to address carbon emissions.

Corporate: Computer Technology Company Social, Gender Diversity	
Rationale	We engaged management in Q2 2022, to better understand the firm's broad ESG goals across multiple topics. The engagement was again designed to allow for a baselining of expectations to support tracking a follow up and to enquire about disclosures and reporting on sustainability metrics. The engagement was led by our credit research team.
Overview	The company responded by describing its approach to gender equality as being about more than pay. With regards to compensation their view is that most discussions around pay gaps between male and female employees are biased and analysis can fail to consider compensation on a like-for-like basis. While the company does not publish gender pay statistics, they have processes in place to ensure there are no discriminatory effects in compensation and differences in pay may be based on performance, time in position.
Outcome & Next Steps	The engagement met our objectives, we will look to continue conversations with management for updates regarding their plans to disclose relevant metrics, and information about the company's longer-term plans to address gender diversity issues.

2022 ISSUER ENGAGEMENT SUMMARY

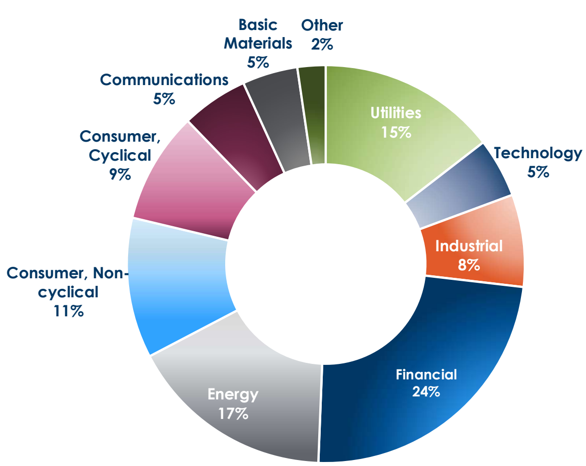
BY TOPIC



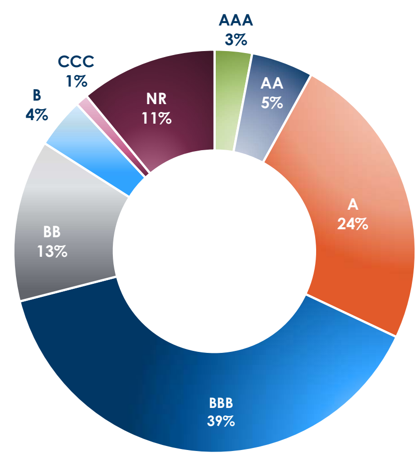
Climate	23%
Water Emissions	18%
Waste Management	13%
Biodiversity	15%
Gender Diversity	22%
Business Ethics	9%

600+ ENGAGEMENTS

BY SECTOR



BY RATING



PRINCIPLE 10: COLLABORATION

Signatories, where necessary, participate in collaborative engagement to influence issuers

We are committed to ongoing contributions to several responsible investment organisations, investor-led initiatives and industry thought leadership groups as we work to define and standardise coordinate stewardship practices. Beyond our signatory status to key responsible investing organisations and protocols, we actively contribute to industry working groups, collaborative engagement platforms, conferences, publication of best-practices, and expert panels.

PRI

Since 2013, Payden has been a signatory to the United Nations Principles for Responsible Investment (PRI). In 2022, our Head of ESG, Laura Lake, CFA, Senior Vice President participated as a panel speaker discussing asset allocation, portfolio returns and sustainability performance at the PRI in person and online conference.

Payden has been actively involved, as one of only 17 global members of the **PRI Sovereign Debt Advisory Committee** with Kristin Ceva, PhD, CFA, Managing Director, Head of Emerging Market Debt as our firm's representative. The Committee conducted extensive surveys among its participants and the outcome of this collaboration culminated in the publication of a guide focused specifically on sovereign ESG engagement, available here. We have continued to input into the working group throughout 2022, including supporting efforts to facilitate greater availability of sovereign ESG data. Payden contributed to workshop discussions on how sovereign bondholders' demand for data, analytics and broader information about climate change has outpaced supply from third-party providers and the extent to which data and service providers are meeting demand. The workshop discussion is available here.

We are members of the **PRI Sub-sovereign Debt Advisory Committee** and contributed to the development a framework for ESG integration in the municipal market. Through this work, investors, issuers, and other key stakeholders may arrive at more consistent and effective industry practices. In 2022 our firm's representative participated in a PRI podcast discussing thematic ESG investing in the US municipal bond market. The podcast, available here; explores how sustainability outcomes can be factored into municipal bond investment decisions, and what the role of labelled bonds is in this market.

CDP (formerly Carbon Disclosure Project)

Payden is an investor signatory to the CDP, which is a carbon disclosure framework and aggregator working with issuers (corporate, sovereign, municipal, etc.) around the world to publish and manage their carbon emissions, water security, and deforestation profiles. As investor signatories, this informs our engagement activity to promote environmental disclosure aligned with the TCFD and advance more transparent disclosure on environmental issues.

Our 2022 Investor campaign participation included

- Science based targets campaign,
- Municipal Disclosure Campaign
- Non-Discloser Campaign (Climate and Water).

CLIMATE ACTION 100+

As a participant in Climate Action 100+, Payden is committed to using engagement as a tool to drive disclosure. Collaborative engagements via this investor-led initiative seek to inform action on climate change by the world's largest corporate greenhouse gas emitters.

Emerging Markets Debt: Collaborative Engagement
Environmental, Climate

Payden has been participating as a collaborative investor with Climate Action 100+ in 2022. This Quasi Government entity is identified as a red flag issuer by MSCI due to controversies and as top 100 emitter by Climate Action 100+. The engagement focused on improving disclosures, methane emissions and business controversies. The latter directly influences portfolio construction as SFDR Article 8 funds are not able to invest in issuers with very severe controversies.

The initial outcome of our collaborative engagement is the entity has been working on improving its disclosure and some improvements have been made to the reports available on its website. They are willing to have regular meetings with Climate Action 100+ and engagement is ongoing.

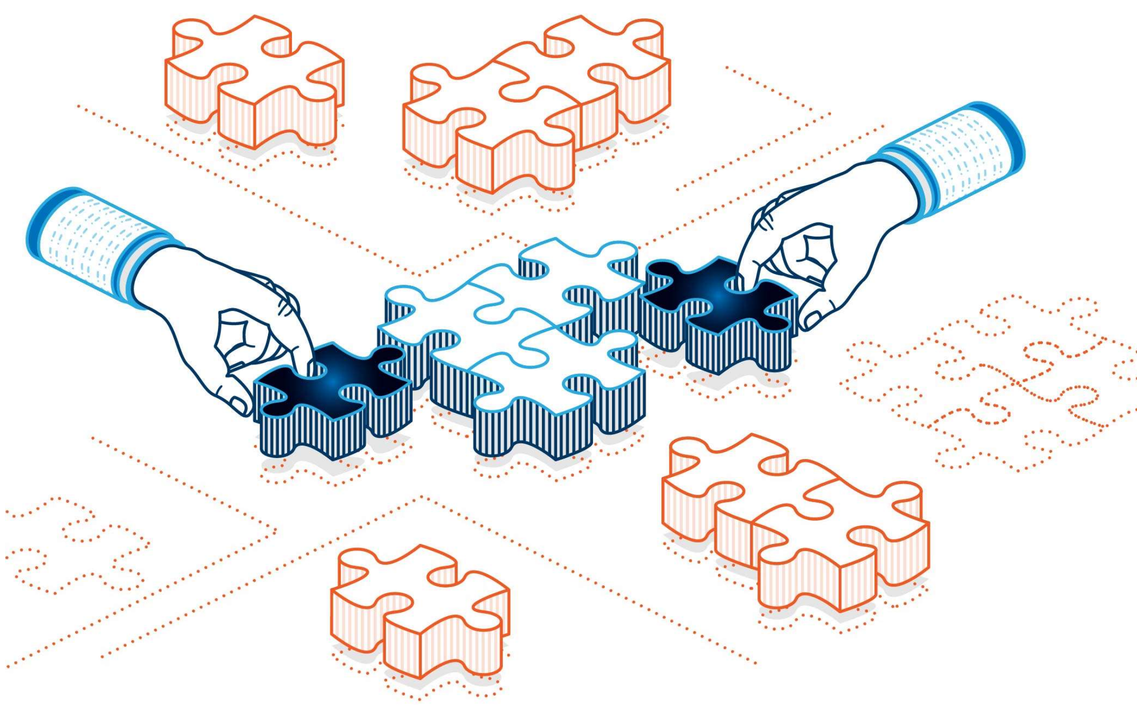
IFRS SUSTAINABILITY ALLIANCE

Since early 2017, we have been part of the IFRS Sustainability Alliance (formerly the SASB Alliance), a global membership programme for sustainability standards, integrated reporting and integrated thinking. The IFRS Sustainability Alliance combines the SASB Alliance and <IR> Business Network and share a belief in the benefits of a coherent and comprehensive system for corporate disclosure and a more integrated approach to the way organisations, plan and disclose their approach to value creation.

THE FORUM PER LA FINANZA SOSTENIBILE

We have been a member of the Forum per la Finanza Sostenibile since 2019. The membership includes financial operators and other organisations interested in the environmental and social impact of investments. They conduct research, working groups, and training activities with the aim of enhancing best practices and contributing to the analysis and dissemination of sustainable investments. As members, we inform and raise awareness in the financial community, the media and the general public about SRI finance through communication initiatives and attendance at conferences, seminars and cultural events

Through collaborative engagement and active participation in investor initiatives and industry thought leadership, we leverage our standing and influence on financial industry participants to encourage a greater commitment to disclosure, transparency, and improved practices for stewardship objectives.



PRINCIPLE 11: ESCALATION

Signatories, where necessary, escalate stewardship activities to influence issuers.

We are a predominately fixed income manager; as such escalation opportunities in engagements do not include proxy voting as in other asset classes. We seek to create multiple channels of communication in order to escalate our stewardship and employ a broad range of tools to ensure we act in accordance with our stewardship duties. The escalation of our engagement may take the form of direct and/or collaborative approaches which we employ to educate issuers on risks and opportunities and other matters of stewardship that are applicable across global jurisdictions.

For engagement on broad investment themes, the process begins with an initial analysis. Using a new issue as an example, our first point of contact is likely to be the underwriting syndicate. Once we have assessed the viability to proceed to the next stage of our analysis, we may have direct dialogue with the issuer. This is the initial phase before our investment, to assess the issuer on key areas such as governance, greater information for potential investment in ESG focused portfolios, and the direction of financial metrics. Where we see areas of concern or potential for improvement, we are able to voice these prior to making the investment decision. How our inquiries are treated at this point may inform the routes we use to gain additional information during our investment period.

For existing investments, our channels for engagement and escalation generally commence with the investor relations departments of issuers. If the response we receive warrants further inquiry we can request escalation within the issuer's organisation so that we can have direct contact with senior management or government officials.

ESCALATION

We have further developed our workflow methodology in line with our ESG Engagement policy, adopted in 2022, (Principle 9) to record engagement and any escalation activities. Our research and ESG teams catalogue our engagement activity, proprietary research analysis and updates via a third-party data aggregation tool. Engagement, and escalation of engagement where necessary, is one of our tools in our ongoing monitoring to assess continued investment.

Escalation of engagement activities is undertaken with clear expectations around acknowledgement and response. Each escalation point is treated on a case-by-case basis adapted to the particular circumstances. There are various reasons why we may choose to escalate an engagement with an issuer. Escalation of engagement will usually start with a process of improving and increasing our understanding of the company's position rather than seeking to advocate our own specific positions. The majority of our engagements are focused on information gathering. As such, a failure to respond to our request is recorded and tracked accordingly and; we expect responses to our enquiries to be delivered by companies in a timely manner. Examples of incidences that would indicate a need for escalation include, but are not limited to, where an issuer has failed to respond to or address investor inquiries, a failure to implement a stated strategy or a deterioration in standards.

Our escalation strategy is circumstance-specific. We focus our resources on a variety of factors, including the size of our holdings and the weight we attach to the issue. The next steps may include escalating the engagement to more senior investment personnel, for example, our Head of Research or Head of ESG, or initiating a collaborative engagement where relevant. An insufficient outcome of this escalation may inform investment decisions for clients targeting specific ESG criteria in their portfolios.

As engagement has become a growing element of client mandates; we have been evolving our engagement process and are further developing our formal escalation process based on client needs and feedback. We prioritise issues that will have a significant impact on security performance or our fiduciary duty to our clients.

The escalation avenues with a non-corporate issuer, such as a sovereign, are potentially more limited than the routes available in engagement with a company. Given the many stakeholders involved in government and the political process, even though we continue to express our views and exert influence, we cannot attribute political change to our own efforts alone and engagements may be a protracted process.

Escalations are case-by-case as we have clients from around the globe. We strive to exceed our client's expectations across the various elements of their mandate. Over the last few years, we have seen a growing divergence in how US and non-US clients define fiduciary responsibilities, with non-US clients taking a much broader view of what it means to be a fiduciary and formally incorporating ESG into their investment portfolios. Given our diverse client base and the rapid pace of ESG evolution, we have developed ESG tools that we can apply to client portfolios, where applicable. We can customise client portfolios to meet their financial and non-financial objectives, and seek to develop portfolio solutions that meet specific client needs through our partnership approach.

COLLABORATIVE APPROACH

Issues can be identified through our in-house analysis or through issues raised by our clients or other investors. As an active, primarily fixed income manager, most of our engagements with investee companies are one-to-one, but we do recognise the potential to collaborate with other investors to articulate issues to company management more effectively. We assess the benefits of this collaborative engagement on a case-by-case basis. It is our preference to seek to achieve our stewardship objectives privately and confidentially and through agreement with investee company management, thus building an effective relationship with management teams. We have found that constructive dialogue with management is more productive.

Below, we provide a sample set of examples of escalation and outcomes during 2022.

Integrated Engagement Escalation

Payden held notes issued by a privately held Canadian E&P in 2021 and 2022. During the course of 2022, our research analyst communicated with management indicating we believed the company had an appropriate capital allocation plan to support improving leverage, as well as ample liquidity following a series of sensibly sized acquisition. These transactions served to increase the asset diversity and scale of the business, consistent with ownership and management's prior track record.

In the summer of 2022, the company announced an all-cash acquisition that, in our view, was counter to the stated policy and prior track record of balanced M&A within the confines of low leverage and liquidity. Immediately following the acquisition, the analyst engaged directly with Investor Relations and communicated that we did not support the debt funded structure of the deal, given the pressure it would put on the company's cash flow, especially in varying oil price environments.

Following the call with Investor Relations, the analyst and Payden's Head of Corporate Research had direct discussions with the CEO and CFO reiterating our concerns and discussing alternative avenues of funding the deal for this company.

After engaging with management, we communicated to the ownership of the privately held company to express our concerns as well. Management and ownership listened to our concerns and engaged thoroughly, but within 2 weeks informed us that they intended to proceed with the deal. This position was deemed not a long-term hold for Payden accounts given the elevated financial risk from tightening liquidity and higher leverage inclusive of the increased risk of layering transactions that would subordinate our bonds.

Targeted Engagement Escalation

We engaged management at an American telecommunications company to better understand the firm's broad ESG goals across multiple topics. The engagement was designed to allow for a baselining of expectation to support tracking a follow up.

The engagement did not meet our objectives. Since engaging with the issuer, they have failed to respond to our enquiry and disclose the information we required. The lack of response has been recorded in our tracking system. The first stage of escalation is to follow up and contact the company again in 2023 to try and ascertain whether or not they plan to disclose metrics surrounding the focus of our engagement.

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Integrated Engagement Escalation

Payden analysts proactively engaged with a middle eastern sovereign central bank multiple times in 2022, on a research trip, in Washington D.C., and virtually. The focus of our multiple engagements was on allowing exchange rate flexibility to be the first line of defence against the balance of payments shocks facing the country.

To date, the authorities have been unwilling to allow an adjustment in the value of the currency to reflect macroeconomic fundamentals, which we believe has led to an unsustainable build-up of external vulnerabilities that will ultimately need to be addressed through further devaluation of the currency. As a result, we escalated the issue, and the engagement has factored into our view. The action we took was to not include exposure to securities denominated in the base currency of the country in EMD portfolios.

EXERCISING RIGHTS AND RESPONSIBILITIES

PRINCIPLE 12: EXERCISING RIGHTS AND RESPONSIBILITIES

Signatories actively exercise their rights and responsibilities.

EXERCISING VOTING RIGHTS AND RESPONSIBILITIES

The exercise of voting rights is an important component of stewardship and a demonstration of good corporate governance. We expect to fulfil our fiduciary obligation to our clients by monitoring events concerning investee companies and then voting the proxies in a manner that is consistent with the best interests of our clients. The exercise of these rights may enable us better to protect investor value and serves as a demonstration of our engagement. To that end, Payden has a Proxy Voting Committee described below to consider any issues related to proxy matters. We consider multiple aspects of the issues presented by a proxy matter, and, depending upon particular client requirements, we may vote differently for different clients on the same proxy issue.

We carefully consider each issue as it relates to a company, and work with Glass Lewis & Co.'s proxy research service, which provides additional, detailed information on issues to be voted upon.

PROXY VOTING COMMITTEE

Payden has created a Proxy Voting Committee consisting of senior employees and Managing Directors of the firm to consider any issues related to proxy matters, any one of whom can issue voting instructions on behalf of the Committee. In their absence, any member of the IPC (Principle 2) may issue voting instructions on behalf of the Proxy Voting Committee.

The Proxy Voting Committee established pursuant to the Proxy Voting Policy documents how it has voted with respect to the securities of each client.

The Proxy Voting Committee documents any material conflicts between its interests and those of one of our clients and how it resolved that conflict.

PROXY VOTING POLICY

In recognition of the need for transparency in our policies and procedures in supporting our stewardship, our Voting Policy is now available on our website here.

Application Of Guidelines: Clients routinely provide Payden with the authority to vote client securities. As a result, our Proxy Voting Policy governs how we will generally vote client securities. The Policy is applied to our listed equity holdings and individual funds do not set their own policies.

At the same time, any client may contact us if they wish to direct the vote of a specific proposal for their account. That request, of course, will only apply to that client's account. If we determine that the client's request is in conflict with other clients' best interests, we will vote on the proposal differently to best serve individual clients.

Any client or prospective client may contact us to obtain a copy of their proxy voting record and a copy of our Proxy Voting Policy.

PROXY VOTING POLICY SUMMARY

Background: To the extent that a client has delegated to Payden the authority to vote proxies relating to equity securities, we expect to fulfil our fiduciary obligation to our client by monitoring events concerning the issuer of the security and then voting the proxies in a manner that is consistent with the best interests of that client and that does not subordinate the client's interests to our interests. We carefully consider various aspects of the issues presented by a proxy matter, and depending upon the particular client requirements, we may vote differently for different clients on the same proxy issue.

General Proxy Voting Policy: Absent special client circumstances or specific client policies or instructions, we will generally vote as follows on the issues listed below:

- Vote for stock option plans and other incentive compensation plans that give both senior management and other employees an opportunity to share in the success of the issuer. However, consideration may be given to the amount of shareholder dilution
- Vote for programs that permit an issuer to repurchase its own stock.
- Vote for proposals that support board independence (e.g., declassification of directors, or requiring a majority of outside directors).
- Vote against management proposals to make takeovers more difficult (e.g., "poison pill" provisions, or supermajority votes).
- Vote for management proposals on the retention of outside auditors. However, consideration is given to the level of non-audit fees paid to the outside auditor.
- Vote for management-endorsed director candidates, unless there are specific circumstances that would indicate a "no" vote.

Conflicts of Interest: From time to time, we may purchase for one client's portfolio securities that have been issued by another client. We do not have a policy against such investments because such a prohibition would unnecessarily limit investment opportunities. In that case, however, a conflict of interest may exist between the interests of the client for whose account the security was purchased and the interests of Payden.

To ensure that proxy votes are voted in a client's best interest and unaffected by any conflict of interest that may exist, we may abstain from voting on a proxy question that presents a material conflict of interest between the interests of a client and the interests of Payden. Votes on matters for which there is no conflict of interest, such as retention of auditors, will be voted according to our standard policy.

ADDITIONAL PROXY VOTING PROCEDURES

Except in rare instances, abstention is not an acceptable position and votes will be cast either for or against all issues presented. If unusual or controversial issues are presented that are not covered by the general proxy voting policies described above, or if circumstances exist which suggest that it may be appropriate to vote against a general proxy voting policy, the Proxy Voting Committee shall determine the manner of voting the proxy in question.

Many countries have "proxy blocking" regulations, which prohibit the sale of shares from the date that the vote is filed until the shareholder meeting. A Fund would be unable to sell its shares if a negative news event occurred during this time, thus harming its investors. We reserve the right to decline to vote proxies for stocks affected by proxy blocking regulations.

For segregated accounts, we do not conduct securities lending on behalf of clients but can provide data in order to permit clients to instruct third parties. We believe this helps to mitigate conflicts of interest in this area. Securities lending is permitted in our pooled funds but was not conducted in our Irish domiciled funds during 2022.

For segregated mandates, clients have the option of directing voting. However, votes cast for our pooled vehicles are the responsibility of Payden in accordance with our Proxy Voting Policy.

Many proxy matters that are routinely presented year after year are non-controversial, such as the retention of a companies outside auditors within recommended time limits. On the other hand, over time the major controversies in voting proxies have related to corporate governance matters (e.g., changes in the state of incorporation and provisions on mergers and other corporate restructurings), anti-takeover provisions (e.g., staggered board terms, "poison pills" and supermajority provisions), stock option plans and other management compensation issues and social and corporate responsibility issues.

We carefully consider the issues presented by a proxy matter, and depending upon the particular client requirements, we may vote differently for different clients on the same proxy issue. For example, a union client may have specific policies on a particular proxy issue that may lead Payden to cast a "no" vote, while the policies of another client on that same issue may lead Payden to cast a "yes" vote.

In terms of seeking amendments to terms and conditions in indentures or contracts, our general approach is to raise these topics directly with the issuers, particularly in primary issuance. We evaluate the impact of an amendment on an issuer's credit profile as well as the compensation received from approving the amendment.

USE OF THIRD-PARTY PROXY ADVISERS

Default Recommendations: For ballot items that are routine, we have set parameters that are listed in a template used by Glass Lewis, our third-party proxy voting service provider. For ballot items that are governed by our pre-determined voting template, our third-party vendor, Glass Lewis, executes votes in accordance with the template.

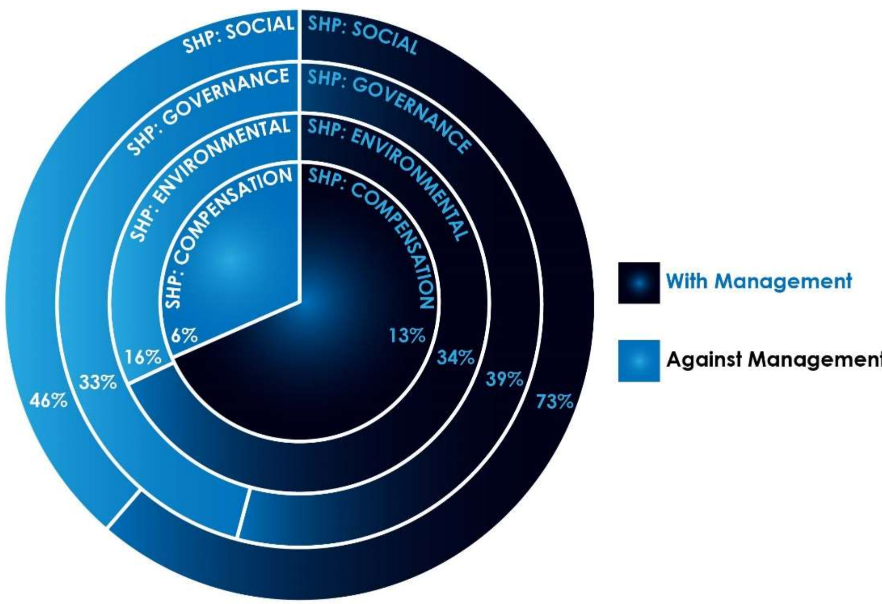
Significant Voting Events: For items that are more out of the ordinary, such as shareholder proposals, Glass Lewis will provide research and advice that our Proxy Voting Committee will take into consideration when determining its voting decisions. When evaluating proxy matters, the Committee will vote in a manner that is consistent with the best interest of the client and does not subordinate the client's interests to its own. We do not automatically vote with management; we leverage the expertise of Glass Lewis in evaluating whether any particular shareholder or bondholder voting entitlement would be regarded as significant and in escalating these matters for further analysis. Very broadly, matters that require a special majority/special resolution are not likely to be routine matters and thus are likely to be significant voting event. Similarly, shareholder circulars can also be an indicator that a matter should be regarded as significant.

Monitoring Voting Rights: Additionally, we engage Glass Lewis to provide services which include gathering all the ballots from the client custodians and making them available to us on their website which allows us to monitor ballots for our client holdings. We have created within the Glass Lewis system a notification process that will alert us when an unvoted ballot is approaching the voting deadline, thereby helping us ensure we are meeting our voting obligations.

VOTING RATIONALE

As described above, Glass Lewis will provide the voting rationale for the majority of our voting decisions. For more complex events, the decision will be discussed with the research analysts. There is a wide variety of social and corporate responsibility issues that are presented, and our general policy is to take a position in favour of policies that are designed to advance the economic value of the issuing company. We consider many aspects of the issues presented by a proxy matter, and depending upon the particular client requirements, we may vote differently for different clients on the same proxy issue. For example, a union client may have specific policies on a particular proxy issue that may lead Payden to cast a “no” vote, while the policies of another client on that same issue may lead Payden to cast a “yes” vote.

Below we provide a summary of our 2022 proxy voting activities in shareholder proposals and the broad ESG categories they touched on:



COMPLIANCE REVIEW OF VOTING

Prior to August 31 of each year, our Chief Compliance Officer:

- Reviews our voting record and confirms that a random sample of proxy questions were voted according to the approved policy.
- Reviews any material conflicts that have been documented and determine independently whether the conflict was resolved in favour of the client’s interests.

PROXY VOTING ACTIVITY

The following statistics detail the votes cast for the year ending June 30, 2022. The votes were cast according to our proxy policies and procedures.

- For the year a total of 627 ballots were received
- All ballots were voted on and consisted of 2,379 proposals
- We voted on 89% with management

The voting record for our US domiciled funds are publicly available, and filed with the SEC. We do not publicly share the voting records for segregated managed accounts, we only share the with the client concerned for confidentiality reasons.

Payden & Rygel's UK Stewardship Code Report 2022 for the reporting period 1st January to 31st December 2022 has been reviewed and approved by the Managing Committee, Payden's most senior governance committee. This report shall be published on the Payden website

The report is signed below on behalf of the Managing Committee by Robin Creswell, CEO, Payden & Rygel Global Limited & Managing Director, Payden & Rygel.

Robin Creswell

CEO, Payden & Rygel Global Limited &Managing Director, Payden & Rygel

28 April 2023

LOS ANGELES
333 South Grand Ave.
Los Angeles,
CA 90071
USA
Tel +1 213 625 1900

BOSTON
265 Franklin Street
Boston,
MA 02110
USA
Tel +1 617 807 1990

LONDON
1 Bartholomew Lane
London
EC2N 2AX
UK
Tel +44 20 7621 3000

MILAN
Corso Matteotti, 1
20121
Milan
Italy
Tel +39 02 7606 7111

WWW.PAYDEN.COM

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