

DECEMBER 31, 2025

Investment Strategy

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

Fund Highlights

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

FUND DESCRIPTION

CLASS:	Investor
FUND INCEPTION:	Jan 03, 1995
TICKER:	PYUSX
CUSIP:	704329796
TOTAL NET ASSETS:	\$61.6 Million
INVESTMENT MINIMUM: ^B	\$5,000
IRA MINIMUM: ^B	\$2,000
DIVIDENDS PAID:	Monthly
DIVIDENDS (LAST 12 MOS):	\$0.355

FUND STATISTICS

EFFECTIVE DURATION: ^C	2.7 Years
AVERAGE MATURITY:	2.4 Years
30-DAY SEC YIELD: ^D	3.42%
30-DAY SEC YIELD: ^E (UNSUBSIDIZED)	3.15%

Performance^A

MONTHLY	YTD	1 YEAR	3 YEAR	5 YEAR	10 YEAR	SINCE INCEPTION (01-03-95)
PAYDEN U.S. GOVERNMENT FUND	5.92%	5.92%	4.41%	1.21%	1.68%	3.51%
ICE BOFA 1-5 YEAR U.S. TREASURY INDEX	5.74%	5.74%	4.48%	1.34%	1.83%	3.59%

EXPENSES

TOTAL FUND OPERATING EXPENSES:	0.66% ^F
WITH EXPENSE CAP:	0.43%

Calendar-Year Returns

2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
5.92%	3.40%	3.94%	-5.62%	-1.14%	4.54%	4.25%	0.48%	0.81%	0.78%

PORTFOLIO MANAGEMENT

	Years of Experience
Michael E. Salvay, CFA	41
Mary Beth Syal, CFA	40
Gary S. Greenberg, CFA	32
Timothy J. Crawmer, CFA	26

Quoted performance data represent past performance, which does not guarantee future results. Investment returns and principal value will fluctuate, so investors' shares, when sold, may be worth more or less than their original cost. For the most recent month-end performance, which may be higher or lower than that quoted, visit our website at payden.com or call 800 572-9336.

Role In Portfolio

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

Investment Manager

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

Headquarters: Los Angeles

Founded: 1983

Assets Under Management: \$167 billion
(as of 12/31/25)

Portfolio Characteristics & Market Commentary

DURATION ALLOCATION

0-1 yr	5%
1-3 yrs	67%
3-5 yrs	20%
5-7 yrs	8%

GOVT. SECTOR ALLOCATION

Treasury	49%
Agency Pass Through	23%
Agency CMBS	14%
Agency ARM	10%
Agency CMO	4%

U.S. GOVERNMENT OBLIGATIONS

Treasury	51%
FNMA	21%
FHLMC	19%
GNMA	3%
Other (SBIC, FHLB, SBA)	6%

Market

- » The Federal Reserve (Fed) cut rates for the third consecutive time since the summer, lowering the federal funds rate to a range of 3.50%-3.75%. This brings rates about 1.75% below their peak of 5.5% reached in July of 2023.
- » While the rate cut was widely expected by financial markets, the path for further cuts is less than certain. Recent economic data is still clouded by the government shutdown, making it harder for policymakers to assess economic conditions. Committee members were conflicted on whether to ease rates or leave them unchanged, but all agreed that there would be no interest rate hikes for the foreseeable future.
- » Most of the movement in rates over the past quarter resulted from a steepening of the yield curve, meaning rates on very short-term investments fell more than longer-term rates, with the bulk of the movement in money markets. Short-term rates dropped 30-50 basis points, with yields on investments maturing in less than six months falling to 3.6%. In contrast, longer-term rates were largely unchanged, with the 5-year U.S. Treasury ending the year at 3.73%, the same level as the end of the third quarter of 2025.
- » Markets are currently pricing in two to three rate cuts in 2026, down from expectations of three to four cuts before the Fed's December meeting. We anticipate more than two to three interest rate cuts as inflation continues to move closer to the Fed's 2.0% goal and the labor market shows signs of deterioration, including an increase in the unemployment rate from 4.4% to 4.6%.
- » The agency mortgage-backed sector performed well over the quarter, supported by declining market volatility and increased investor participation.

Outlook

- » We expect continued progress toward the Fed's 2.0% inflation target and remain concerned about the softening employment market.
- » We maintain an overweight position in agency mortgage-backed securities. A combination of lower interest rates and subdued market volatility should create a supportive environment for the mortgage sector to perform well. In addition, bank demand for mortgages is likely to increase as regulatory changes free up bank capital, enabling greater investment in the sector.
- » The Fund's duration is longer than its benchmark. We believe there is room for rates to fall further than what is reflected in the market's current pricing.

Payden Funds

FOOTNOTES

^A Returns less than one year are not annualized. ^B The minimum initial investment may be modified for certain financial intermediaries that submit trades on behalf of underlying investors. Payden Funds' distributor may lower or waive the minimum initial investment for certain categories of investors at their discretion. ^C Effective duration is a measure of the Fund's price sensitivity to changes in interest rates. ^D The 30-day SEC yield represents the dividends and interest earned for a 30-day period, annualized, and divided by the net asset values per share at the end of the period. The SEC yield is computed under a standardized formula which assumes all portfolio securities are held to maturity. This value may differ from the actual distribution rate of the fund. ^E Represents a 30-day SEC yield without adjusting for fee waivers or expense reimbursements. ^F Payden & Rygel ("Payden") has contractually agreed that, for so long as it is the investment adviser to the Fund, Total Annual Fund Operating Expenses After Fee Waiver or Expense Reimbursement will not exceed 0.60%. Please note that the 0.60% expense level does not include Acquired Fund Fees and Expenses, interest, taxes, and extraordinary expenses. Payden has contractually agreed to further waive its investment advisory fee or reimburse Fund expenses to the extent that the Total Annual Fund Operating Expenses After Further One-Year Fee Waiver or Expense Reimbursement exceed 0.43%. This agreement has a one-year term ending February 28, 2026. Please note that the 0.43% expense level does not include Acquired Fund Fees and Expenses, interest, taxes, and extraordinary expenses.

For more information and to obtain a prospectus or summary prospectus, visit payden.com or call 800 572-9336. Before investing, investors should carefully read and consider investment objectives, risks, charges, expenses and other important information about the Fund, which is contained in these documents. Interest Rate Risk: As with most funds that invest in debt securities, the income on and value of your shares in the Fund will fluctuate along with interest rates. When interest rates rise, the market prices of the debt securities the Fund owns usually decline. When interest rates fall, the prices of these securities usually increase. The Payden Funds are distributed through Payden & Rygel Distributors, member FINRA.