

DECEMBER 31, 2025

**Investment Strategy**

The Payden GNMA Fund invests at least 80% of its assets in mortgage-backed securities that are guaranteed by the full faith and credit of the U.S. government. The Fund invests in a range of mortgage-backed security pools. The balance of the Fund's assets is invested in other obligations guaranteed by the U.S. government or its agencies.

**Fund Highlights**

- » Yields generally exceed intermediate-maturity U.S. Treasuries.
- » 100% invested in securities issued by the U.S. government or its agencies.
- » While share values will fluctuate as interest rates move up and down, there is no corporate credit risk associated with the portfolio's holdings.

**FUND DESCRIPTION**

CLASS:	Investor
FUND INCEPTION:	Aug 27, 1999
TICKER:	PYGNX
CUSIP:	704329473
TOTAL NET ASSETS:	\$85.6 Million
INVESTMENT MINIMUM: <sup>B</sup>	\$5,000
IRA MINIMUM: <sup>B</sup>	\$2,000
DIVIDENDS PAID:	Monthly
DIVIDENDS (LAST 12 MOS):	\$0.295

**FUND STATISTICS**

EFFECTIVE DURATION: <sup>C</sup>	5.5 Years
AVERAGE MATURITY:	6.3 Years
30-DAY SEC YIELD: <sup>D</sup>	3.87%
30-DAY SEC YIELD: <sup>E</sup> (UNSUBSIDIZED)	3.64%

**Performance<sup>A</sup>**

MONTHLY	YTD	1 YEAR	3 YEAR	5 YEAR	10 YEAR	SINCE INCEPTION (08-27-99)
PAYDEN GNMA FUND	7.52%	7.52%	4.25%	-0.55%	1.04%	3.68%
ICE BOFA U.S. GNMA MORTGAGE BACKED SECURITIES INDEX	7.84%	7.84%	4.76%	0.21%	1.54%	3.84%

**EXPENSES**

TOTAL FUND OPERATING EXPENSES:	0.67% <sup>F</sup>
WITH EXPENSE CAP:	0.45%

**Calendar-Year Returns**

2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
7.52%	0.82%	4.52%	-12.55%	-1.84%	4.26%	5.67%	0.38%	1.31%	1.78%

**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](http://payden.com) or call 800 572-9336.*

## Role In Portfolio

Appropriate for investors who seek higher yields and diversification through debt issued by the Government National Mortgage Association.

## 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

### GNMA COUPON ALLOCATION

2.0%	12%
2.5%	18%
3.0%	13%
3.5%	11%
4.0%	6%
4.5%	6%
5.0%	10%
5.5%	13%
6.0% and Above	11%

### DURATION ALLOCATION

0-1 yr	1%
1-3 yrs	22%
3-5 yrs	15%
5-7 yrs	51%
7-10 yrs	11%

## Market

- » The Ginnie Mae (GNMA) mortgage market performed well during the quarter. The asset class (and the Fund) generated positive total returns that outperformed U.S. Treasuries and corporate bonds. A mixed set of delayed economic releases following the U.S. government shutdown contributed to lower interest rate volatility and stable intermediate- and long-term bond yields.
- » The yield curve steepened as the Federal Reserve (Fed) delivered its third consecutive rate cut since the summer. The federal funds rate stands at 3.75%, 175 basis points below its 5.50% peak reached in July 2023. Market expectations for additional near-term rate cuts have diminished as the Fed awaits clearer evidence of inflation converging toward its long-term target or a more pronounced weakening in labor market conditions.
- » GNMA bond risk premiums compressed to their lowest levels since the onset of the 2022 rate-hiking cycle. Investor demand has increased as agency mortgage-backed securities offered attractive relative value versus competing fixed-income asset classes. Primary mortgage rates edged lower to 6.15%, a level that continues to expose higher-coupon GNMA bonds to elevated refinance risk.

## Outlook

- » We expect continued progress toward the Fed's 2.0% inflation target rate and remain attentive to signs of a softening employment market. We anticipate the Fed may deliver two to three additional rate cuts by year-end 2026, exceeding current market expectations.
- » We believe GNMA mortgage-backed securities are well-positioned to benefit from a lower volatility environment and potential monetary policy easing. GNMA bonds continue to offer attractive relative value compared to U.S. Treasuries, and in an uncertain economic environment, they provide a compelling alternative to corporate credit.
- » The Payden GNMA Fund is positioned with a longer duration than its benchmark, while underweighting the highest coupons to mitigate prepayment (call) risk. The Fund also holds allocations to adjustable-rate mortgages (ARM) and collateralized mortgage obligations (CMO) floating-rate bonds, which are likely to see increased demand from financial institutions. In addition, the Fund favors securities with stable prepayment behavior, such as seasoned, low loan balance, and manufactured housing (mobile home) pools.

## FOOTNOTES

<sup>A</sup> Returns less than one year are not annualized. <sup>B</sup> 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. <sup>C</sup> Effective duration is a measure of the Fund's price sensitivity to changes in interest rates. <sup>D</sup> 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. <sup>E</sup> Represents a 30-day SEC yield without adjusting for fee waivers or expense reimbursements. <sup>F</sup> 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 0.50%. Please note that the 0.50% 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 0.45%. This agreement has a one-year term ending February 28, 2026. Please note that the 0.45% 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](http://payden.com) or call 800 572-9336. Before investing, investors should carefully read and consider investment objectives, risks, charges, expenses and other important information about the Fund, which is 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.