

METZLER/PAYDEN LLC

Form ADV Part 2A – Firm Brochure

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This Form ADV Part 2A brochure provides information about the qualifications and business practices of Metzler/Payden LLC. If you have any questions about the contents of this brochure, please contact us at (213) 625-1900. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Metzler/Payden LLC also is available on the SEC's website at www.adviserinfo.sec.gov.

Metzler/Payden LLC is an SEC-registered investment adviser. This registration does not imply a certain level of skill or training.

Item 2: Material Changes

There have been no material changes to this Form ADV 2A brochure since the last annual update on March 31, 2011

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Item 4: Advisory Business

Metzler/Payden LLC (“Metzler/Payden”) is an SEC-registered investment adviser that was founded in 1998. The firm is a Delaware limited liability company with its headquarters and sole office in Los Angeles, California. It is owned equally by Payden & Rygel, an SEC-registered investment adviser founded in 1983 that has over \$62 billion of assets under management, and MP&R Ventures, Inc., an affiliate of B. Metzler seel. Sohn & Co. Holding AG (“Metzler”) of Frankfurt, Germany, a major German financial institution that has over 49 billion euro of assets under management. Metzler/Payden’s primary business is providing fixed income and equity investment counsel to its clients.

Metzler/Payden has only a few employees. Instead, employees of Payden & Rygel and MP&R Ventures, Inc., or their respective affiliates, are made available to Metzler/Payden pursuant to a Service Agreement to perform various duties or functions related to Metzler/Payden’s investment management business. In accordance with SEC regulation and practice, such persons are deemed associated persons of Metzler/Payden. In addition, any such non-U.S. affiliates will appoint a U.S. agent for service of process and will provide the SEC with access to its records and personnel to the extent necessary for the SEC to monitor and police their conduct in connection with the services provided by their employees to Metzler/Payden relating to U.S. clients or in U.S. markets. From time to time Payden & Rygel or MP&R Ventures, Inc., or their respective affiliates, may also assign one or more employees to provide Metzler/Payden with clerical, administrative, marketing, or other such assistance. All such services are provided to Metzler/Payden pursuant to the Service Agreement or other written contracts negotiated on arms-length terms.

In providing its investment management services to its clients, Metzler/Payden tailors its advisory services to the individual needs of the client based on the investment guidelines agreed upon with each client. These guidelines may include restrictions on investing in certain securities or types of securities.

As of December 31, 2011, Payden/Kravitz managed \$1,475,000,000 of client assets, of which \$743,500,000 are managed on a discretionary basis and \$731,500,000 are managed on a non-discretionary basis.

Item 5: Fees and Compensation

The fees that Metzler/Payden charges for its investment management services are based on the market value of the assets under management. Fee schedules are expressed at an annual rate, but fees are billed monthly or quarterly, depending on the client’s preference, and are calculated in arrears. Metzler/Payden bills the client for fees incurred.

Clients will incur brokerage and other transaction charges. Please review Item 12 of this brochure on Brokerage Practices.

The fee schedules below are Metzler/Payden's standard fee rates for various types of accounts. However, fees are negotiable in certain circumstances. For example, certain clients pay fees based on historical fee schedules that are not offered to new clients. Further, since Metzler/Payden manages portfolios to meet specific client needs, fee schedules may be modified to reflect the specific nature of services provided to a particular client, and may include, for example, fixed fee arrangements, performance-based fee arrangement, different valuation dates or billing arrangements.

The following schedules provide details of the standard fees charged for various accounts:

- A. Global Fixed-Income Management
0.35 of 1% up to \$500 million
0.30 of 1% thereafter
- B. Global Equities Management
0.70 of 1% up to \$100 million
0.60 of 1% thereafter
- C. Global Balanced Management
0.50 of 1% up to \$300 million
0.40 of 1% thereafter

Item 6: Performance-Based Fees and Side-By-Side Management

This item is not applicable as Metzler/Payden does not currently charge performance-based fees for any account.

Item 7: Types of Clients

Metzler/Payden's client base is institutional in nature, including in particular banking institutions, charitable organizations and investment companies.

As indicated above under Item 5: Fees and Compensation, Metzler/Payden's fee schedules include minimum account sizes.

Item 8: Methods of Analysis, Investment Strategies and Risk of Loss

Metzler/Payden offers any particular client advisory services based on a (a) global fixed income strategy or (b) a European emerging markets strategy. In each case, however, Metzler/Payden will tailor the strategy to the individual requirements or restrictions of the particular client based on the investment guidelines agreed upon with each client.

Following the discussion of these strategies is a discussion of Metzler/Payden's investment process.

Global Fixed Income

Strategy. A typical basic global fixed income strategy includes a wide variety of debt securities, including (1) securities issued or guaranteed by the U.S. government or its agencies or foreign governments or their agencies, (2) debt securities issued by U.S. or foreign companies, (3) U.S. or foreign mortgage-backed and asset-backed securities, (4) municipal debt securities issued by states or local governmental organizations, (5) dividend-paying convertible stock, and (6) convertible bonds and preferred stock. Certain elements may be variable. For example, the securities may be payable in U.S. dollars or in one or more local currencies, in which the currency exposure may, or may not, be hedged to the U.S. dollar. In terms of maturity, individual securities may be of any maturity, or they may not exceed a specific maturity, if that is the client's requirement. Similar, there may be no limitation on the average maturity of the account's portfolio, or there may be a maximum average portfolio maturity, again depending on client requirements. Another variable is whether all of the securities must be investment-grade, or whether some proportion may be below investment-grade. Similarly, the portfolio could include emerging markets securities as well as developed market securities, again depending on the client's guidelines and restrictions.

Risk of Loss. There are risks in owning debt securities, and thus you could lose money owning these securities. For example, when interest rates rise, the market prices of the debt securities usually decline. When interest rates fall, the prices of the debt securities usually increase. Generally, the longer the average maturity of the portfolio, the greater will be the price fluctuation. Also, below investment-grade securities are more speculative than investment-grade securities and involve a greater risk of default and price fluctuation. In addition, though, there are risks in owning foreign securities. The performance of foreign securities can be adversely affected by the different political, regulatory and economic environments in countries where the securities are issued, and fluctuations in foreign currency exchange rates may also adversely affect the value of foreign securities. Finally, emerging markets tend to be more volatile than the U.S. market or foreign developed markets.

European Emerging Markets

Strategy. Under this strategy, Metzler/Payden invests most of the assets of the client portfolio in the equity securities of issuers, regardless of their level of capitalization, that are located in European emerging market countries, including but not limited to Hungary, the Czech Republic, Poland, the states of the former Yugoslavia, Bulgaria, Romania, Turkey, the Baltic countries, Russia and the former Soviet Republic countries located in Europe.

The strategy focuses on investing in the equity securities of companies that have the potential for above average long-term growth. The investment process includes a

proprietary quantitative bottom-up based model that screens and ranks stocks in a specific country based on such indicators as price/earnings ratio, earnings profile, price to book ratio, price to cash flow and dividend yield. Metzler/Payden then performs in-depth qualitative research on the top-ranked names. This may involve, among other things, on-site company visits, management interviews and valuation of corporate earnings estimates.

Metzler/Payden invests in securities that trade and pay dividends in euros and other foreign currencies. Under this strategy, Metzler/Payden may adjust its exposure to any particular currency, but is not required to do so. In making any such adjustment, Metzler/Payden will do so based on fundamental economic analysis, incorporating central bank studies and technical analysis.

Risk of Loss. Investing in equity securities poses certain risks, and thus you could lose money owning these securities. These risks include a sudden decline in a holding's share price or an overall decline in the stock market. In addition, the value of an investment in any such securities will fluctuate on a day-to-day basis with movements in the stock market, as well as in response to the activities of individual companies whose equity securities are in the portfolio.

Investing in foreign securities poses additional risks. The performance of foreign securities can be adversely affected by the different political, regulatory and economic environments in countries where the Fund invests, and fluctuations in foreign currency exchange rates may also adversely affect the value of foreign securities. In addition, emerging markets tend to be more volatile than the U.S. market or developed foreign markets.

Smaller companies typically have more limited product lines, markets and financial resources than larger companies, and their securities may trade less frequently and in more limited volume than those of larger, more mature companies. As a result, these securities may experience greater price fluctuation.

Metzler/Payden Investment Process. Scott Weiner and Frank Peter Martin serve as Co-Chief Investment Officers of Metzler/Payden. Mr. Weiner, a Director, is also a Managing Principal of Payden & Rygel, having joined the firm in 1993. Mr. Martin, a Director, is also Chief Investment Officer of Metzler's asset management subsidiary. He joined Metzler in 1999. Together, Mr. Weiner and Mr. Martin are responsible for defining the broad investment parameters applicable to each client's account. Different teams, composed of personnel made available by Payden & Rygel and MP&R Ventures, Inc., or their respective affiliates, pursuant to a Service Agreement, are responsible for the day-to-day management of each client account within those broad investment parameters.

The investment process is a team approach in which the Co-Chief Investment Officers receive input from two functions in formulating investment policy. The first function deals with investment strategy and is responsible for developing portfolio structures that

reflect both the macro mandates set by the Co-Chief Investment Officers and the securities available in the market. This function analyzes investment opportunities and strategies, and makes portfolio management decisions and applies them to the various client accounts.

The second function focuses on client-related issues in helping the Investment Policy Committee and the investment strategy group develop portfolio structures. Its goal is to identify and communicate a client's objectives/constraints, risk tolerances and time horizon to the investment strategy function. Together, the investment strategy and client service functions comprise the heart of the investment process implementing the policies established by the Co-Chief Investment Officers.

Implementation of investment policy is carried out by the trading function, which transacts with brokers across the globe. The trading desk is responsible for tracking dealers' inventories, competitive pricing and security selection. Most transactions are placed on a competitive basis to confirm "best execution".

The final step in this investment process is review and control. It is at this level that M/P personnel routinely check portfolios for adherence to guidelines, consistency of structure and return attribution. Although Metzler/Payden does not move portfolios in lock-step, portfolios with similar mandates will have similar portfolio structures and returns. Exceptions are quickly identified and subsequently reviewed by the Co-Chief Investment Officers.

Item 9: Disciplinary Information

Neither Metzler/Payden, nor any of its employees or associated persons, has had any criminal or civil actions brought against them.

Neither Metzler/Payden nor any of its employees or associated persons has had any administrative proceedings before the SEC, any other Federal regulatory agency, any state regulatory agency, or any foreign financial regulatory authority.

Finally, neither Metzler/Payden nor any of its employees or associated persons has had any proceedings before any self-regulatory organization.

Item 10: Other Financial Industry Activities and Affiliations

Metzler/Payden provides its investment management services and other related services directly, and under certain circumstances through one or more of the related persons discussed below.

Investment Adviser Affiliations

As indicated above, Payden & Rygel and MP&R Ventures, Inc. each owns 50% of Metzler/Payden. Payden & Rygel is an SEC-registered investment adviser.

As indicated above under Item 4, Metzler/Payden currently has only a few employees of its own. Thus, employees of Payden & Rygel and MP&R Ventures, Inc., or their respective affiliates, are made available to Metzler/Payden pursuant to a Service Agreement to perform various duties or functions related to Metzler/Payden's investment management business. In accordance with SEC regulation and practice, such persons are deemed associated persons of Metzler/Payden.

U.S. Mutual Funds and Offshore Funds

* **U.S. Mutual Funds** – The Payden & Rygel Investment Group ("Trust") is a Massachusetts business trust formed in 1992. It is a separate business entity with its own Board of Trustees, seventy percent of whom are independent Trustees. The Trust has hired Metzler/Payden to act as investment adviser for one of its series of funds, the Metzler/Payden European Emerging Markets Fund.

* **Offshore Funds** – The Metzler/Payden Global Funds plc ("Global Funds") is an Ireland-based offshore mutual fund complex. Global Funds has hired Metzler/Payden to act as investment adviser for one of its series of funds, the Metzler/Payden Global High Yield Bond Fund.

Potential Conflict of Interest

Metzler/Payden's use of the Metzler/Payden European Emerging Markets Fund or the Metzler/Payden Global High Yield Bond Fund in the investment strategies for a client who has a separately managed account may result in a conflict of interest in the following circumstance. In such a circumstance, Metzler/Payden could be receiving an advisory fee for the separately managed account in addition to the advisory fee it receives for managing the Metzler/Payden European Emerging Markets Fund or the Metzler/Payden Global High Yield Bond Fund that is an asset in the client account. To deal with this potential conflict of interest, when a portion of client assets from a separately managed account is invested in either of those Funds, Metzler/Payden does not charge a fee at the separately managed account level on the assets invested in those Funds. In addition, these clients are provided all relevant fee schedules and are advised that the investment management fees that Metzler/Payden receives as an investment adviser to either Fund may be higher than the investment management fees it receives at the separately managed account level.

Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

Metzler/Payden's Code of Ethics is designed to set the tone for the conduct and professionalism of the personnel who work on the firm's client accounts. The underlying principles of the Code of Ethics, as well as the Code's specific provisions are designed to emphasize Metzler/Payden's overarching fiduciary duty to its clients and the obligation of every person working on a client account to uphold that fundamental duty. The Metzler/Payden Code is modeled on the Code of Ethics of Payden & Rygel, one of its parent companies, and all preclearance and reporting procedures discussed below are handled through the Payden & Rygel on-line personal trading system.

On an annual basis, personnel certify that they read, understand and will comply with the Code of Ethics and other compliance-related policies. A copy of Metzler/Payden Code of Ethics will be provided to any client or prospective client upon request.

Neither Metzler/Payden, nor any employee or associated person working on client accounts, recommends to clients, or buys or sells for client accounts, securities in which the firm or such persons have a material financial interest. In fact, Metzler/Payden does not buy securities for its own account, and thus no potential conflict of interest exists at the firm level. At the same time, personal trading by employees or associated persons working on client accounts is allowed. However, Metzler/Payden carefully monitors and regulates 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 the personal trading of employees or associated persons working on client accounts to reduce the conflict of interest. And, even if an actual conflict of interest does not exist, Metzler/Payden's personal trading policy seeks to avoid perceived conflicts, as well.

The basic elements of the personal trading policy are as follows.

First, "personal trading" includes not only trading by any person working on client accounts, but trading by that person's spouse and children residing in the same household.

Second, it applies to any account over which the person or such family members have authority to direct trades.

Third, the Payden & Rygel on-line personal trading system maintains a restricted list of companies, the securities of which the firm is trading or considering trading for client accounts. Personal trading of those company's securities is restricted, even if there is no actual conflict of interest and only a potential or perceived conflict of interest.

Fourth, with the exception of certain types of securities identified in the personal trading policy, including for example, U.S. Government securities, certificates of deposit

or open-end mutual funds, all personal trades must be pre-approved, and once approval has been obtained, the trade must be completed within two business days. If the trade is executed without pre-approval or after the approval time has expired, the trade must be reversed, any profits disgorged, and any losses will be assumed by the person's personal account.

Fifth, all accounts subject to Metzler/Payden's personal trading policy are required to have their brokers or custodians send duplicate confirmations to Metzler/Payden's Chief Compliance Officer ("CCO"). Confirmations are matched with the pre-approval record.

Sixth, Metzler/Payden's Code of Ethics provides that upon joining Metzler/Payden, new employees are required to provide the CCO with an initial list of all reportable securities owned by the employee, the employee's spouse or any family member residing in the household. Annually thereafter, all employees are required to provide the CCO with a list of reportable securities owned by the employee, spouse or family members in the household.

Item 12: Brokerage Practices

For Metzler/Payden client accounts, associated persons from either Payden & Rygel or the Metzler Bank Group conduct all trading through their respective trading operations. Each trading operation considers a number of factors in selecting broker-dealers for Metzler/Payden client transactions and determining the reasonableness of their compensation, *e.g.*, commissions on equity transactions. Investment management for fixed income mandates are handled by Payden & Rygel associated persons. With respect to the broker-dealers selected to execute fixed income trades on a client's behalf, Payden & Rygel typically seeks competitive bids or offers, generally from up to three broker-dealers, although the number may vary depending on the nature of the security being traded. Payden & Rygel will then execute the trade with the broker-dealer that, in its judgment, will provide the "best execution" on that trade. In assessing "best execution," Payden & Rygel takes into account a number of factors. The choice of the broker-dealer is based not only on the price offered on the specific trade, but also on other considerations, including for example, the timeliness of the execution of the trade, the size of the trade order and the broker-dealer's ability to handle an order of that size, the breadth or thinness of the market in that particular security, the expertise, ability and experience of a particular broker-dealer to handle that particular transaction and the efficiency of post-trade operations.

Most transactions in fixed income securities are effected through broker-dealers on a "net" basis, *i.e.*, without commission. However, some fixed income transactions are effected on an agency basis through a broker-dealer to which a commission is paid. Transactions in equity securities are transacted through broker-dealers on a commission basis, and the selection of such broker-dealers involves basically the same considerations discussed above. Payden & Rygel's Best Execution Committee regularly evaluates commission charges and strives to execute transactions on a low commission basis.

consistent with "best execution." In addition, as a part of its deliberations, the Best Execution Committee considers all aspects of trading with broker-dealers and meets with all traders over the course of the year to review their trading and understanding of the firm's trading policies and procedures.

Research and Other Soft Dollar Benefits. Payden & Rygel does not receive any research or other products or services, other than execution, from any broker-dealer in connection with securities transactions for Metzler/Payden clients. Payden & Rygel does receive investment research publications and information, generally on an unsolicited basis, from a number of broker-dealers through which it effects client transactions, as well as from other broker-dealers through which it may rarely execute such transactions. Such publications and information generally are prepared internally by the broker-dealer that provides them. All such information received is used for the benefit of all Metzler/Payden clients. Moreover, Payden & Rygel's primary research source is its internal analysis process through face-to-face meetings with officials of the company issuing securities, review of SEC filings and other publications by the issuing company and the like. However, Payden & Rygel does not have any arrangement or understanding with any broker-dealer that, in exchange for the broker-dealer providing such research publications or internally prepared information, Payden & Rygel will execute transactions through that broker-dealer. In short, in selecting a broker-dealer for any Metzler/Payden client transaction, Payden & Rygel's focus is on obtaining "best execution" for the Metzler/Payden clients under the circumstances of that particular transaction. Any research provided by a broker-dealer executing the transaction is purely incidental.

Brokerage for Client Referrals. Metzler/Payden does not consider client referrals from broker-dealers when Payden & Rygel selects broker-dealers for Metzler/Payden client transactions.

Directed Brokerage. Metzler/Payden does not suggest that clients use particular broker-dealers. Further, no Metzler/Payden client has requested that Metzler/Payden direct trades to particular broker-dealers.

Aggregation of Purchases or Sales of Securities. Payden & Rygel routinely aggregates the purchase or sale of securities, including aggregations involving Metzler/Payden client accounts, for the following reasons. First, pricing of securities is better for all accounts in the trade for larger aggregated orders, or "round lot" orders, than for several smaller individual orders, or "odd lot" orders. Second, operationally, larger aggregated "round lot" orders are generally better executed from an operational perspective than several smaller individual "odd lot" orders. Third, Metzler/Payden clients also benefit from the decrease in potential dispersion of returns amongst accounts that might otherwise occur with several smaller individual "odd lot" orders.

Item 13: Review of Accounts

Account Reviews

Both the Portfolio Managers for the Metzler/Payden client accounts, and the Compliance Group periodically review the client accounts. The Portfolio Management Group usually assigns a Senior Portfolio Manager, as well as a second Portfolio Manager to each client account. The two individuals work closely together to monitor the client accounts assigned to them. In preparation for the monthly report to be sent to each client, the second Portfolio Manager conducts a review of each of the accounts assigned to that person in terms of portfolio characteristics, such as sector allocation, compliance with ratings and other relevant guidelines and the like. In addition, there may be more frequent periodic, *i.e.*, daily or weekly, reviews for a particular client account that may be the result, for example, of particular investment guideline requirements, for example. Then, on a quarterly basis, the two Portfolio Managers fully review each client account assigned to them in preparation for sending out the quarterly client reports. In each instance, they are looking for outliers in relation to a variety of measures described above.

Non-periodic reviews of client accounts occur following material deposits or withdrawals, or after purchasing or selling a position across a large number of client accounts. In particular, these reviews focus on assuring that an account's positions are correctly weighted post trade.

In addition, the Compliance Group conducts the following regular reviews with respect to investment guideline restrictions. Payden & Rygel's trading system conducts an automated compliance check at the time of any security transaction. If any warnings are received, the Compliance Group reviews those warnings on a daily basis, investigates as necessary, and if corrective action is necessary, works with the Portfolio Managers to take such action as soon as reasonably possible. Similarly, on a weekly basis, a separate automated compliance review is conducted looking at the account portfolio as a whole. Again, the Compliance Group reviews any warnings that are raised, investigates as necessary, and works with the Portfolio Managers to take any necessary corrective action as soon as reasonably possible.

Reporting to Clients

Clients receive a monthly report that provides a listing of all asset holdings and of the transactions that occurred during the month. The monthly report also includes data on investment performance. The purpose of the monthly report is to provide detailed accounting information on assets held, on changes in the value of the assets held, and on changes in the portfolio's asset holdings.

In addition, all clients receive a quarterly report providing information on the performance of the portfolio over the quarter. The quarterly report also provides a discussion of market conditions during the quarter, the strategies pursued, the firm's

investment outlook, and other information pertinent to the relationship. The purpose of the quarterly portfolio report is to provide the client with a broader overview of market conditions and the steps that Metzler/Payden took, or is contemplating taking, in fulfilling its portfolio management obligations. Some clients seek more frequent information. Through a computer link, clients may obtain a daily listing of assets and transactions. Other clients receive this information on a weekly basis, either through a computer link or by facsimile transmission.

Item 14: Client Referrals and Other Compensation

Neither Metzler/Payden, nor any of its associated persons, receives any economic benefit, sales awards or other prizes from any outside parties for providing investment advice to its clients.

Similarly, Metzler/Payden does not have any agreement with any third party for the solicitation of clients.

Item 15: Custody

Under no circumstances does Metzler/Payden ever have custody of client funds or securities. Every client retains an independent custodian who has custody of the client's funds or securities. Similarly, Metzler/Payden does not have the authority to debit fees directly from client accounts.

Clients do receive separate account statements from their custodians at least quarterly, and clients should review those statements carefully. In addition, Metzler/Payden sends quarterly reports to clients as described in Item 13, above, and clients should compare the quarterly statements they receive from their custodians to the quarterly reports they receive from Metzler/Payden.

Item 16: Investment Discretion

Metzler/Payden has discretionary authority over a portion of the accounts it manages for clients. For the remaining accounts, Metzler/Payden's authority is non-discretionary. Prior to assuming discretionary authority, the client is provided Metzler/Payden's current Form ADV Part 2A. In addition, the client and Metzler/Payden execute an Investment Advisory Agreement, pursuant to which the client grants Metzler/Payden discretionary investment management authority over the client's account. In addition, the investment guidelines for the client's account are made a part of the Investment Advisory Agreement. Pursuant to the terms of the investment guidelines for the account, the client may place restrictions on the account. Some of the most common restrictions relate to the type of securities permitted, for example, the investment guidelines may prohibit below investment grade securities, or may prohibit the use of derivatives, such as futures contracts.

Item 17: Voting Client Securities

Clients may provide Metzler/Payden the authority to vote client securities. As a result, Metzler/Payden has adopted a Proxy Voting Policy, which governs how it will generally vote client securities. At the same time, any client may always contact Metzler/Payden if the client wishes to direct the vote of a specific proposal for its account. That request, of course, will only apply to that client's account. If Metzler/Payden determines that the client request is in conflict with other clients' best interests, Metzler/Payden will vote the proposal in those clients' best interests.

Any client or prospective client may contact Metzler/Payden to obtain a copy of its proxy voting record and a copy of its Proxy Voting Policy.

The following is a summary of Metzler/Payden's Proxy Voting Policy.

Background. To the extent that a client has delegated to Metzler/Payden the authority to vote proxies relating to securities, Metzler/Payden expects to fulfill its fiduciary obligation to the 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 Metzler/Payden's interests. Metzler/Payden carefully considers all aspects of the issues presented by a proxy matter, and depending upon the particular client requirements, Metzler/Payden may vote differently for different clients on the same proxy issue.

General Proxy Voting Policies Followed by Metzler/Payden. Absent special client circumstances or specific client policies or instructions, Metzler/Payden will 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. Consideration may be given to the non-audit fees paid to the outside auditor.

- Vote for management endorsed director candidates, absent any special circumstances.

With respect to the wide variety of social and corporate responsibility issues that are presented, Metzler/Payden's general policy is to take a position in favor of policies that are designed to advance the economic value of the issuing company.

Conflicts of Interest. From time to time, Metzler/Payden may purchase for one client's portfolio securities that have been issued by another client. Metzler/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 Metzler/Payden.

To ensure that proxy votes are voted in a client's best interest and unaffected by any conflict of interest that may exist, Metzler/Payden will vote on a proxy question that presents a material conflict of interest between the interests of a client and the interests of Metzler/Payden as follows:

1. If one of Metzler/Payden's general proxy voting policies described above applies to the proxy issue in question, Metzler/Payden will vote the proxy in accordance with that policy. This assumes, of course, that the policy in question furthers the interests of the client and not of Metzler/Payden.
2. However, if the general proxy voting policy does not further the interests of the client, Metzler/Payden will then seek specific instructions from the client.

Item 18: Financial Information

Metzler/Payden does not require prepayment of investment management fees from clients.

Although Metzler/Payden does not require prepayment of investment management fees and does not take custody of client funds or securities, Metzler/Payden does have discretionary authority over client accounts. As a result, the SEC requires us to disclose any condition that is reasonably likely to impair the firm's ability to meet its contractual commitments to clients. Metzler/Payden does not know of any such condition.

Metzler/Payden has never been the subject of a bankruptcy petition.