

PAYDEN/KRAVTIZ INVESTMENT ADVISERS LLC

Form ADV Part 2A - Firm Brochure

**333 South Grand Avenue, 32nd Floor
Los Angeles, CA 90071**

(213) 625-1900

Dated: March 31, 2017

This Form ADV Part 2A brochure provides information about the qualifications and business practices of Payden/Kravitz Investment Advisers 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 Payden/Kravitz Investment Advisers LLC also is available on the SEC's website at www.adviserinfo.sec.gov.

Payden/Kravitz Investment Advisers 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 Part 2A brochure since the last annual update on March 30, 2016.

Item 3: Table of Contents

	Page
Item 1: Cover Page	1
Item 2: Material Changes	2
Item 3: Table of Contents	3
Item 4: Advisory Business	4
Item 5: Fee and Compensation	5
Item 6: Performance-Based Fees and Side-by-Side Management	5
Item 7: Types of Clients	6
Item 8: Methods of Analysis, Investment Strategies and Risk of Loss	6
Item 9: Disciplinary Information	8
Item 10: Other Financial Industry Activities and Affiliations	8
Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading	9
Item 12: Brokerage Practices	11
Item 13: Review of Accounts	12
Item 14: Client Referrals and Other Compensation	13
Item 15: Custody	14
Item 16: Investment Discretion	14
Item 17: Voting Client Securities	14
Item 18: Financial Information	16

Item 4: Advisory Business

Payden/Kravitz Investment Advisers LLC ("Payden/Kravitz") is an SEC-registered investment adviser that was founded in 2008. 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 \$105 billion of assets under management, and Kravitz Investment Services, Inc., an SEC-registered investment adviser founded in 2005 that has approximately \$668 million of assets under management. Payden/Kravitz's primary business is providing fixed income and equity investment counsel to its clients.

Payden/Kravitz has no full-time employees of its own. Instead, employees of Payden & Rygel and Kravitz Investment Services, Inc., or their respective affiliates, are made available to Payden/Kravitz pursuant to a Service Agreement to perform various duties or functions related to Payden/Kravitz's investment management business. In accordance with SEC regulation and practice, such persons are deemed associated persons of Payden/Kravitz. From time to time Payden & Rygel or Kravitz Investment Services, Inc. or their respective affiliates, may also assign one or more employees to provide Payden/Kravitz with clerical, administrative, marketing, or other such assistance. All such services are provided to Payden/Kravitz pursuant to the Service Agreement or other written contracts negotiated on an arms-length basis.

Currently, Payden/Kravitz manages a strategy that is designed for cash balance pension plans. What are cash balance pension plans? Cash balance pension plans are defined benefit plans (*i.e.*, pension plans that provide specific benefits at retirement for each eligible participant) that define promised benefits in terms of stated account balances. A cash balance plan specifies the amount of contribution to be credited to each plan participant, and further provides that each plan participant's account will be credited with a specified rate of interest (the "interest credit"), which is not dependent on the plan's investment performance. However, by law, the interest credit cannot exceed a "market rate of return," and the market rate of return is determined by reference to the rate of return on one of several securities, or group of securities, identified by Internal Revenue Service regulation, which also provides how to calculate the market rate of return. At the beginning of each year, the plan calculates the market rate of return for the designated reference security or group of securities, and the interest credit for that calendar year is then set at a rate that does not exceed the referenced market rate of return. This then becomes the target rate of return for the plan's investments. All plan assets are invested together so that there are no individual investment choices by plan participants. Please see Item 8 of this brochure for further details on this strategy.

In providing its investment management services to its clients, Payden/Kravitz 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, 2016, Payden/Kravitz managed \$212,000,000 of client assets, all of which are managed on a discretionary basis.

Item 5: Fees and Compensation

The fees that Payden/Kravitz 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. Payden & Rygel 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 Payden/Kravitz's standard fee rates for various types of accounts. However, fees are negotiable in certain circumstances. For example, a client may pay fees based on historical fee schedules that are not offered to new clients. Further, since Payden/Kravitz 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:

Payden/Kravitz Cash Balance Fee Using Funds & ETFs (Minimum account size: \$5 million)

Annual Fee

- From \$0MM to \$5MM	0.80%
- Next \$10MM	0.60%
-- Next \$10MM	0.45%
-- Thereafter	0.25%

Payden/Kravitz Cash Balance Fee with Individual Securities (Minimum account size: \$50 million)

Annual Fee

- First \$100 Million	0.55%
- Thereafter	0.45%

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

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

Item 7: Types of Clients

Payden/Kravitz's client base is institutional in nature, including in particular pension and profit sharing plans and investment companies.

As indicated above under Item 5, Payden/Kravitz's fee schedules include minimum account sizes.

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

Currently, Payden/Kravitz manages an investment strategy that is designed for use by cash balance pension plans. It offers this strategy through separately managed accounts, as well as through the Payden/Kravitz Cash Balance Plan Fund that is a mutual fund of The Payden & Rygel Investment Group family of funds. Payden/Kravitz is the investment adviser to the fund.

Following the discussion of the strategy is a discussion of Payden/Kravitz's investment process.

Strategy. The strategy seeks to earn a total return, net of fees and expenses, which is equivalent to the interest crediting rate established by the Internal Revenue Service for cash balance pension plans using the 30-year U.S. Treasury Bond Yield. The strategy seeks to earn this rate each calendar year.

The strategy invests in a wide variety of debt instruments and income-producing securities, including for example (1) debt obligations issued or guaranteed by the U.S. Government and foreign governments; (2) debt securities, loans and commercial paper issued by U.S. and foreign companies; (3) municipal securities issued by state and local governments, territories and possessions of the United States tax; (4) dividend-paying convertible stock; (5) convertible bonds and preferred stock; and (6) real estate investment trusts. The debt securities may be payable in U.S. dollars, as well as foreign currencies, and Payd/Kravitz may hedge this foreign currency exposure to the U.S. dollar.

The strategy also includes investments in equity securities of publicly traded U.S. and foreign companies.

Finally, the strategy also may invest in derivative instruments, such as options contracts on individual stocks, indices or exchange-traded fund, futures contracts, currency forward contracts and swap agreements, principally to hedge market risk, but also to efficiently add specific sector, country, interest rate or style exposure.

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.

Investing in equity securities also poses certain risks. These include a sudden decline in a security's share price, or an overall decline in the stock market. The value of securities will fluctuate on a day-to-day basis with movements in the stock market, as well as in response to the activities of the individual companies whose shares you may own. In addition, there are risks in owning foreign securities as described above.

Payden/Kravitz Investment Process. Payden/Kravitz manages the investment and reinvestment of the assets of each separately managed account and reviews, supervises and administers all such investments according to the following investment process.

Brian W. Matthews and Scott J. Weiner serve as Co-Chief Investment Officers of Payden/Kravitz. Mr. Matthews, Chartered Financial Analyst, is a Managing Principal of Payden & Rygel, which he joined in 1986. He has 35 years experience in the investment management business. Mr. Weiner is a Managing Principal of Payden & Rygel, which he joined in 1993. He has 33 years experience in the investment management business. Together, Messrs. Matthews and Weiner are responsible for defining the broad investment parameters applicable to each client's account. Different teams, composed of personnel made available by, as appropriate, Payden & Rygel and Kravitz Investment Services, Inc. or their respective subsidiaries, 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 directives 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 Co-Chief Investment Officers 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 Payden & Rygel 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 personnel routinely check portfolios for adherence to guidelines, consistency of structure and return attribution. Although Payden/Kravitz 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 Payden/Kravitz, nor any of its associated persons, has had any criminal or civil actions brought against them.

Neither Payden/Kravitz nor any of its 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 brought against them.

Finally, neither Payden/Kravitz nor any of its associated persons has had any proceedings before any self-regulatory organization brought against them.

Item 10: Other Financial Industry Activities and Affiliations

Payden/Kravitz 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 Kravitz Investment Services, Inc. each owns 50% of Payden/Kravitz. Payden & Rygel and Kravitz Investment Services, Inc. are both SEC-registered investment advisers.

As indicated above under Item 4, Payden/Kravitz currently has no full-time employees of its own. Employees of Payden & Rygel and Kravitz Investment Services, Inc., or their respective affiliates, are made available to Payden/Kravitz pursuant to a Service Agreement to perform various duties or functions related to Payden/Kravitz's investment management business. In accordance with SEC regulation and practice, such persons are deemed associated persons of Payden/Kravitz.

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, sixty-six and two-thirds percent of whom are independent Trustees. The Trust has hired Payden/Kravitz to act as investment adviser for one of its series of funds, the Payden/Kravitz Cash Balance Plan Fund.

Potential Conflict of Interest

Payden/Kravitz's use of the Payden/Kravitz Cash Balance Plan 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 implementing the investment mandate for a client who has a separately managed account, Payden/Kravitz may use the Payden/Kravitz Cash Balance Plan Fund. In such a circumstance, Payden/Kravitz could be receiving an advisory fee for the separately managed account in addition to the advisory fee it receives for managing the Payden/Kravitz Cash Balance Plan 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 the Payden/Kravitz Cash Balance Plan Fund, Payden/Kravitz does not charge a fee at the separately managed account level on the assets invested in the Fund. In addition, these clients are provided all relevant fee schedules and are advised that the investment management fees that Payden/Kravitz receives as an investment adviser to the Payden/Kravitz Cash Balance Plan 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

Payden/Kravitz'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 Payden/Kravitz's overarching fiduciary duty to its clients and the obligation of every person working on a client account to uphold that fundamental duty. The Payden/Kravitz 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, associated persons certify that they read, understand and will comply with the Code of Ethics and other compliance-related policies. A copy of Payden/Kravitz's Code of Ethics will be provided to any client or prospective client upon request.

Neither Payden/Kravitz, nor any associated persons 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, Payden/Kravitz 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 personnel working on client accounts is allowed. However, Payden/Kravitz 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 persons working on client accounts to reduce the conflict of interest. And, even if an actual conflict of interest does not exist, Payden/Kravitz'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 Payden/Kravitz's personal trading policy are required to have their brokers or custodians send duplicate confirmations to Payden/Kravitz's Chief Compliance Officer ("CCO"). Confirmations are matched with the pre-approval record.

Sixth, Payden/Kravitz's Code of Ethics provides that upon joining Payden/Kravitz, 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 Payden/Kravitz client accounts, associated persons from its parent, Payden & Rygel conduct all trading through the trading operation of its parent, Payden & Rygel. Payden & Rygel considers a number of factors in selecting broker-dealers for Payden/Kravitz client transactions and determining the reasonableness of their compensation, *e.g.*, commissions on equity transactions. 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. With respect to arrangements for so-called "soft dollar" benefits, Payden & Rygel does not have any arrangement or understanding with any broker-dealer, and there should be no expectation by such broker-dealer, that Payden & Rygel will execute transactions through the broker-dealer in exchange for the broker-dealer providing research publications, internally prepared investment information or other similar "soft dollar" benefits. Payden & Rygel does receive such 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 never, or only rarely, execute such transactions. To the extent Payden & Rygel uses such broker-dealer supplied information, Payden & Rygel uses it for the benefit of all its clients. Most important, Payden & Rygel's primary research source is its internal analysis process, which includes face-to-face meetings with officials of the company issuing the securities, reviews of SEC filings and other publications and information by the issuing company and the like. In short, in selecting a broker-dealer for any transaction, Payden & Rygel's focus is on obtaining "best execution" for its clients under the circumstances of that particular transaction. Any research provided by a broker-dealer executing a particular transaction is purely incidental.

Brokerage for Client Referrals. Payden/Kravitz does not seek and does not consider client referrals from broker-dealers when associated persons from Payden & Rygel select broker-dealers for Payden/Kravitz client transactions.

Directed Brokerage. Payden/Kravitz does not recommend, request or require that clients use particular broker-dealers. Further, no Payden/Kravitz client has requested that Payden/Kravitz direct trades to particular broker-dealers.

Aggregation of Purchases or Sales of Securities. Associated persons from Payden & Rygel routinely aggregate the purchase or sale of securities, including aggregations involving Payden/Kravitz 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, Payden/Kravitz clients also benefit from the decrease in potential dispersion of returns amongst accounts that might otherwise occur with several smaller individual "odd lot" orders.

Allocation of Trades. Associated persons from Payden & Rygel may at times determine that certain securities will be suitable for acquisition by more than one account, including accounts managed by Payden/Kravitz. If that occurs, and Payden & Rygel is not able to acquire the desired aggregate amount of such securities on terms and conditions which Payden & Rygel deems advisable, Payden & Rygel will endeavor to allocate in good faith the limited amount of such securities acquired among the various accounts for which Payden & Rygel considers them to be suitable, including Payden/Kravitz accounts. Payden & Rygel may make such allocations among the accounts in any manner that it considers to be fair under the circumstances, including, but not limited to, allocations based on relative account sizes, the degree of risk involved in the securities acquired, and the extent to which a position in such securities is consistent with the investment policies and strategies of the various accounts involved.

Item 13: Review of Accounts

Account Reviews

Both the Portfolio Managers for the Payden/Kravitz accounts, and the Compliance Group periodically review 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. 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 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 Payden/Kravitz 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 Payden/Kravitz, 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, Payden/Kravitz does not have any agreement with any third party for the solicitation of clients.

Item 15: Custody

Under no circumstances does Payden/Kravitz 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, Payden/Kravitz 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, Payden/Kravitz sends quarterly reports to clients as described above in Item 13, and clients should compare the quarterly statements they receive from their custodians to the quarterly reports they receive from Payden/Kravitz.

Item 16: Investment Discretion

Payden/Kravitz has discretionary authority over the accounts it manages for clients. Prior to assuming discretionary authority, the client is provided Payden/Kravitz's current Form ADV Part 2A. In addition, the client and Payden/Kravitz execute an Investment Advisory Agreement, pursuant to which the client grants Payden/Kravitz discretionary investment management authority over the client's account. Further, 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. For example, a common restriction relates to the type of securities permitted. 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 Payden/Kravitz the authority to vote client securities. As a result, Payden/Kravitz has adopted a Proxy Voting Policy, which governs how it will generally vote client securities. At the same time, any client may always contact Payden/Kravitz 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 Payden/Kravitz determines that the client request is in conflict with other clients' best interests, Payden/Kravitz will vote the proposal in those other clients' best interests.

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

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

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

General Proxy Voting Policies Followed by Payden/Kravitz. Absent special client circumstances or specific client policies or instructions, Payden/Kravitz 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.

With respect to the wide variety of social and corporate responsibility issues that are presented, Payden/Kravitz'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, Payden/Kravitz may purchase for one client's portfolio securities that have been issued by another client. Payden/Kravitz 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/Kravitz.

To ensure that proxy votes are voted in a client's best interest and unaffected by any conflict of interest that may exist, Payden & Rygel 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 & Rygel. Votes for which there is no conflict of interest, retention of auditors for example, will be voted according to Payden & Rygel's standard policy.

Item 18: Financial Information

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

Although Payden/Kravitz does not require prepayment of investment management fees and does not take custody of client funds or securities, Payden/Kravitz 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. Payden/Kravitz does not know of any such condition.

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