

Payden & Rygel

QUARTERLY PORTFOLIO REVIEW

1st Quarter 2016

Day to Day Fund



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LETTER FROM THE CEO

April 2016

Dear Client,

During the first quarter, investors weathered a squall in the credit and equity markets and awaited clues on the path of U.S. interest rates in 2016. Unfortunately, the Federal Reserve was not definitive about the timing of future rate increases, but focused on weaker global economic growth, deflation risk, and financial market volatility during the quarter. We would like to articulate our stance and how we have managed your portfolio in this environment.

First, in terms of US economic data, we remain upbeat. With 632,000 jobs added during the first quarter and the unemployment rate now at 5%, wage growth is finally picking up. As a result of the strong job market, people who left the workforce are returning and finding employment. As far as inflation is concerned, core measures, which exclude volatile energy prices, are in the area of 2% year-over-year. Low inflation, yes. Deflation, no.

Second, fears of a recession sparked by the decline in oil prices sent equity prices swooning and credit spreads wider in the first half of Q1. We think one of the most important roles of an investment manager is to stay calm when presented with market volatility—especially if the market moves contrary to our longer term views. We did not flinch, and given our fundamental view on the economy, we remain constructive on areas of the credit and equity markets unduly punished by fears of a recession.

In the bond market, the ¼ of a percent increase of the US federal funds rate in December had no impact on long term interest rates. While we anticipate one or two increases in short-term interest rates during the remainder of 2016, we do not foresee significant increases in longer term rates in the year ahead. Non-energy corporate balance sheets continue to be decently healthy and, in general, earnings expectations are favorable.

What can derail this outlook? The geo-political situation is unpredictable. However, it is not practical to make investment decisions based on unpredictable events. As the history of the firm has shown, our emphasis on liquidity, diversification, and taking action when necessary has served us well.

My very best wishes for the coming months.



Joan A. Payden

President & CEO

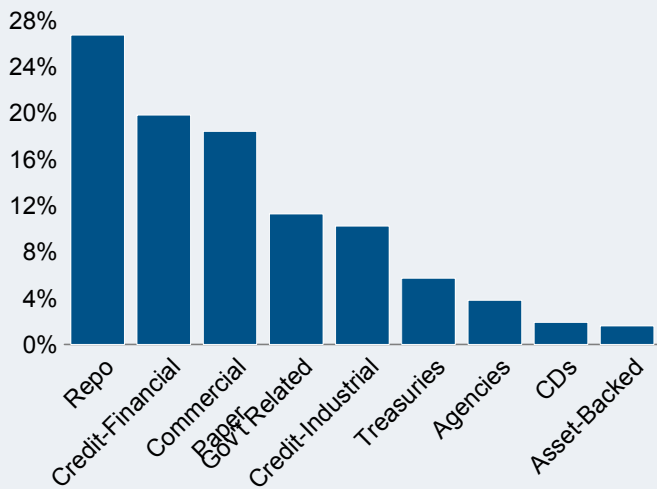
FLORIDA TRUST DAY TO DAY FUND

Portfolio Review and Market Update - 1st Quarter 2016

PORTFOLIO CHARACTERISTICS (As of 3/31/2016)

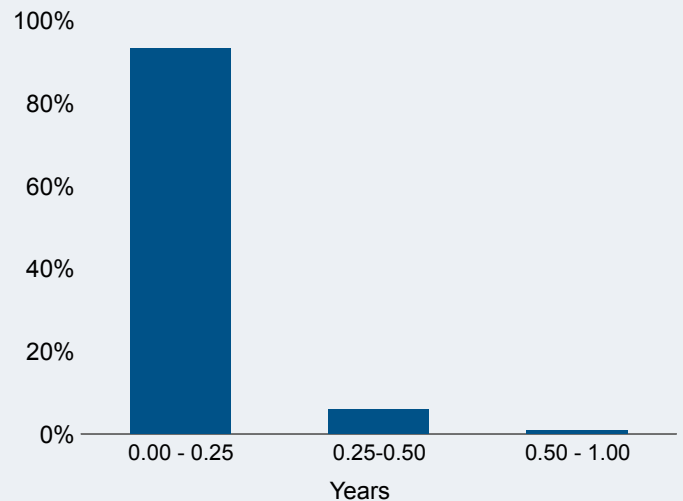
Portfolio Market Value	\$524.3 million
Weighted Average Credit Quality	AAA
Weighted Average Duration	0.08 years
Weighted Average Days to Maturity	30.9
SEC 30-Day Yield (net)	0.42%

SECTOR ALLOCATION



Government/Government-guaranteed: 48%

DURATION DISTRIBUTION



PORTFOLIO RETURNS - Periods Ending 3/31/2016

	1st Quarter	Trailing 1 Yr	Trailing 3 Yrs	Trailing 5 Yrs	Since Inception (1/13/09)
FLORIDA TRUST DAY TO DAY FUND (gross)	0.14%	0.32%	0.23%	0.24%	0.27%
FLORIDA TRUST DAY TO DAY FUND (net)	0.09%	0.21%	0.12%	0.13%	0.16%
3-month U.S. Treasury Bill	0.06%	0.08%	0.05%	0.06%	0.09%

Periods over one year annualized



MARKET THEMES

The first quarter of 2016 was extremely volatile, although the ending total return does not convey the turbulent ride. The first six weeks of the year highlighted worries over the fragile state of the global economy. Continued focus on a “hard landing” in China and falling commodity prices gave investors much to fret over. Government bonds rallied as investors sought protection from volatility, while credit spreads widened – a lot – and equities fell. In mid-February, however, stronger economic data out of the US and further action out of the European Central Bank and the Bank of Japan gave investors new hope. As oil prices stabilized and began to rise, earlier trends reversed. The quarter ended with government bonds selling off, credit spreads tightening, and equity markets rallying.

STRATEGY

- The portfolio holds a diversified mix of credit sectors for income generation.
- Corporate bond yield premiums remain attractive, and we expect to maintain our exposure through the purchase of bonds in the new issue market.

INTEREST RATES

- Yields on three-month and shorter maturity Treasury bills rose four basis points to end the quarter at 0.20%, while the yield curve flattened as the FOMC decided to hold the Federal Funds rate steady at 0.25%.
- In addition, the Federal Reserve expressed concern over the impact of international developments on domestic economic growth and lowered their 2016 interest rate forecast to two hikes (from three at the start of the year).

SECTORS

- Credit yield premiums were volatile but ended the quarter unchanged. The overweight to credit added to performance as did individual security selection within corporates.



MARKET PERSPECTIVE

Negative Interest Rate Policy (NIRP): In Theory and In Practice

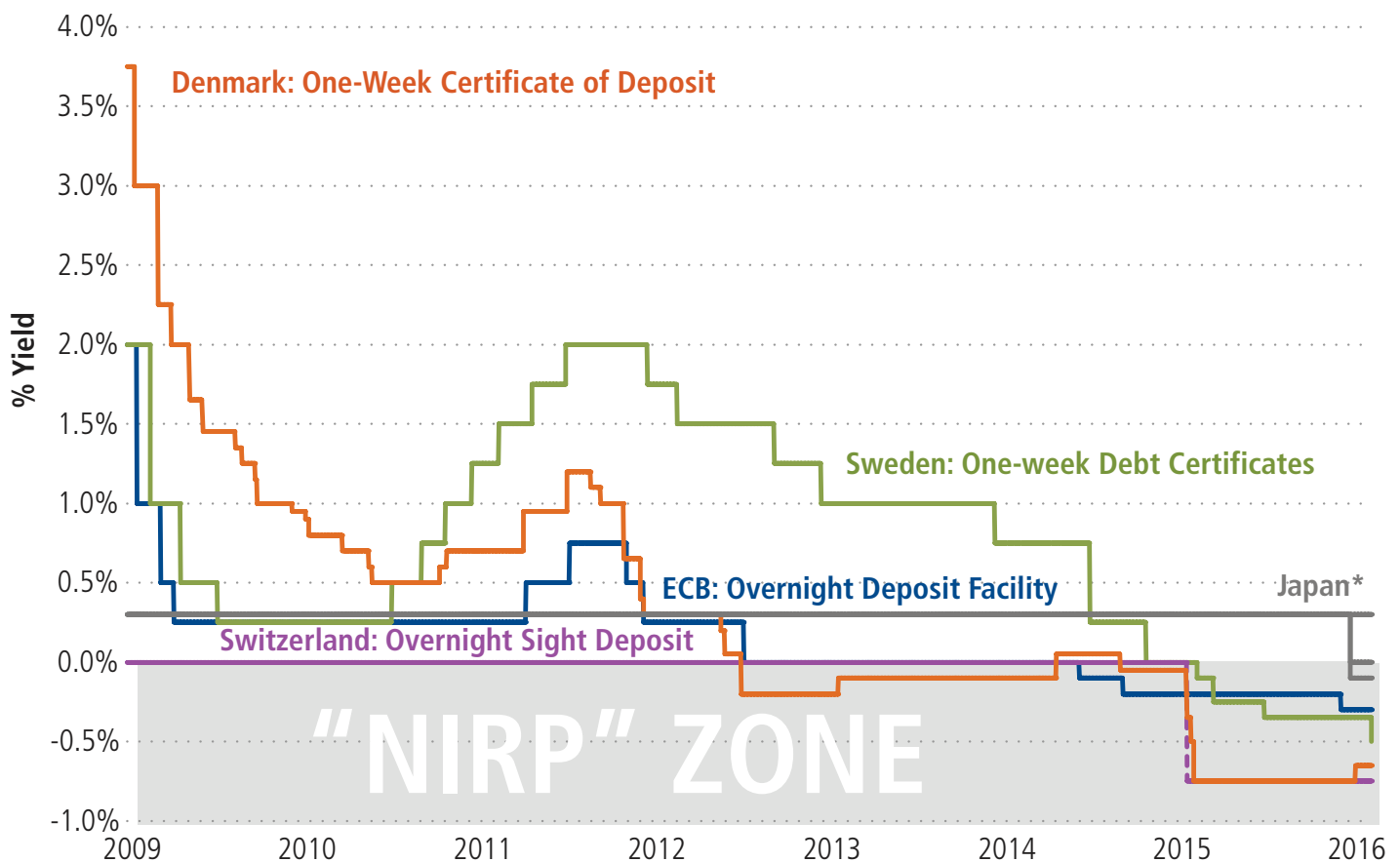
In the first quarter of 2016, the Bank of Japan (BoJ) joined the Swiss National Bank, the Swedish Riksbank, the Danish Nationalbank, and the European Central Bank (ECB) as members of the NIRP brigade—the elite club of central banks with negative interest rate policies (see chart below). While NIRP grabbed headlines during the quarter, it remains to be seen whether such policy initiatives will boost economic activity.

NIRP in theory and NIRP in practice are two very different things. In theory, NIRP is supposed to boost aggregate spending in two ways—imposing a cost to save and weakening the domestic currency. First, negative interest rates impose a cost on those who wish not to spend money. In Japan and the euro area, banks with deposits at the central bank are “taxed” a negative interest rate for holding reserves. However, the impact of these negative rates has been limited as household depositors (i.e. the “real economy”) still receive positive yields.

The second way NIRP supposedly stimulates spending is by weakening the currency, thereby making exporters’ products cheaper versus global competitors. Just as traditional interest rate policy suggests lower interest rates weaken a domestic currency, negative interest rates theoretically have a more exaggerated effect on exchange rates. Unfortunately, for both the BofJ and the ECB, the yen and the euro have strengthened versus the dollar since their respective banks joined the NIRP brigade.

The jury is still out on NIRP’s effectiveness in practice, but the first quarter of 2016 left investors wondering: are central banks out of ammunition?

Welcome to the NIRP Zone: Five Global Central Bank Policy Rates Are Below the Zero Lower Bound



Source: Bank for International Settlements, Bloomberg

*On January 29, 2016 the BoJ put in place a three tiered structure of rates, with one policy rate negative at -0.10%



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US DOMICILED MUTUAL FUNDS

CASH BALANCE

Payden/Kravitz Cash Balance Plan Fund

EQUITY

Equity Income Fund

GLOBAL FIXED INCOME

Emerging Markets Bond Fund

Emerging Markets Corporate Bond Fund

Emerging Markets Local Bond Fund

Global Fixed Income Fund

Global Low Duration Fund

TAX-EXEMPT FIXED INCOME

California Municipal Income Fund

US FIXED INCOME

Absolute Return Bond Fund

Cash Reserves Money Market Fund

Core Bond Fund

Corporate Bond Fund

Floating Rate Fund

GNMA Fund

High Income Fund

Limited Maturity Fund

Low Duration Fund

Strategic Income Fund

US Government Fund

DUBLIN DOMICILED UCITS FUNDS

EQUITY

World Equity Fund

FIXED INCOME

Absolute Return Bond Fund

Global Emerging Markets Bond Fund

Global Emerging Markets Corporate Bond Fund

Global Government Bond Index Fund

Global High Yield Bond Fund

Global Inflation-Linked Bond Fund

Global Bond Fund

Global Short Bond Fund

Sterling Corporate Bond Fund – Investment Grade

US Core Bond Fund

USD Low Duration Credit Fund

LIQUIDITY FUNDS

Euro Liquidity Fund

Sterling Reserve Fund

US Dollar Liquidity Fund

For more information about Payden & Rygel, contact us at a location listed below.

Payden & Rygel

LOS ANGELES

333 South Grand Avenue
Los Angeles, California 90071
213 625-1900

BOSTON

265 Franklin Street
Boston, Massachusetts 02110
617 807-1990

LONDON

1 Bartholmew Lane
London EC2N 2AX
United Kingdom
+ 44 (0) 20-7621-3000

PARIS

Representative Office
54, 56 Avenue Hoche
75008 Paris, France
+ 33-607-604-441