

Payden & Rygel

QUARTERLY PORTFOLIO REVIEW

3rd Quarter 2011+ Short Term Bond Fund



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LETTER FROM THE CEO

April 2017

Dear Client,

Having completed the first quarter of 2017, it is interesting to note how things have changed from just a year ago. Looking back twelve months, there were major concerns over depressed commodity prices, a possible slowdown for China, as well as a weakness in the global manufacturing sector which could impact the U.S. economy. As a result of these concerns and predictions, stocks were down more than 10% during the first quarter of 2016 and there was a great deal of anxiety about the Fed increasing interest rates rapidly.

Things changed as investors took a more positive view and realized that the U.S. economy was on the right track, showing wage growth and future GDP targeting toward 2% to 2.5%, and the fact that the Fed would take a more realistic and practical approach toward rate hikes.

Fast forward to today and there are different concerns. A degree of uncertainty as to domestic and global policies has increased volatility in all markets. The political uncertainties focus around the pending elections in Europe. We will have to wait to see if the results in the Netherlands carry through to the French and German elections. We continue to focus on the U.S. and believe it is on track for moderate wage growth and increased economic activity. The recent increase of 25 basis points by the Fed on March 15th was actually received without any disruption in the marketplace.

The one thing we believe we can take from the past twelve months is that a certain degree of volatility will continue, and the most important focus should be diversification of portfolios and keeping an eye on liquidity. These characteristics are at the core of our strategies, and we will continue to focus on them.

For 34 years we have worked with our clients to find the best solutions in a changing global investment landscape. As the firm continues to grow, we seek attractive risk-adjusted return opportunities and remain in as strong a position today as ever.

My very best wishes,

Sincerely,

A handwritten signature in black ink, appearing to read "Joan A. Payden". The signature is fluid and cursive, with a large initial "J" and "A".

Joan A. Payden

President & CEO

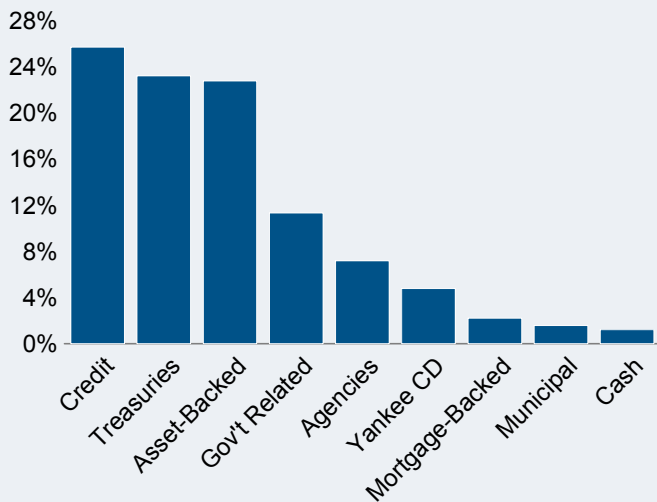
FLORIDA TRUST SHORT-TERM BOND FUND

Portfolio Review and Market Update - 1st Quarter 2017

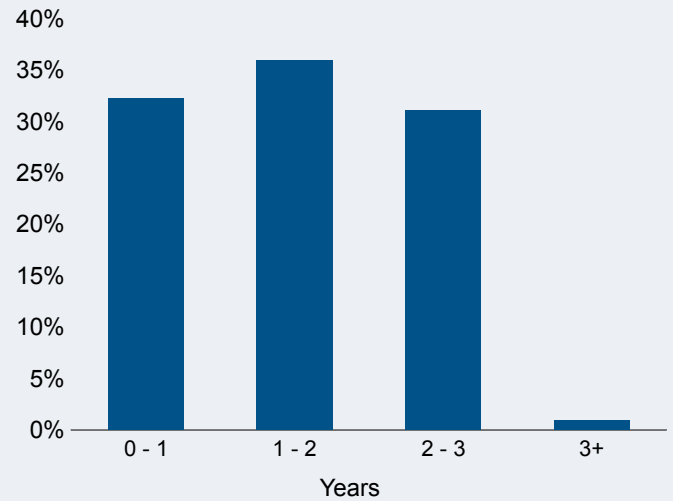
PORTFOLIO CHARACTERISTICS (As of 3/31/2017)

Portfolio Market Value	\$1,030.9 million
Fund Ratings (S&P)	AAAf/S1
Weighted Average Duration	1.53 years
SEC 30-Day Yield (net)	1.28%

SECTOR ALLOCATION



DURATION DISTRIBUTION



PORTFOLIO RETURNS - Periods Ending 3/31/2017

	1st Quarter	Trailing 1 Yr	Trailing 3 Yrs	Trailing 5 Yrs	Since Inception (1/1/92)
SHORT-TERM BOND FUND (gross)	0.43%	1.01%	1.02%	1.10%	3.95%
SHORT-TERM BOND FUND (NAV)	0.34%	0.73%	0.77%	0.84%	3.62%
BAML 1-3 Year US Treasury Index*	0.26%	0.25%	0.72%	0.64%	3.51%

Periods over one year annualized

* Taxable money market funds average prior to 02/2000.



MARKET THEMES

Politics moved front and center to start 2017. Donald Trump was inaugurated as the 45th President and quickly took action on deregulation, a controversial immigration ban and currency manipulators. The wave of positive market sentiment seen after his election began to falter as the failure to repeal the Affordable Care Act highlighted difficulties that lie ahead for the new president in delivering some of his promises, particularly those on tax reform. Anti-establishment parties in Europe took a hit as the Dutch election concluded with the defeat of the far right, anti-EU party, and focus has now turned to the French elections in April. In the UK, Prime Minister Theresa May triggered Article 50, officially starting the clock on Brexit.

Economic data in most major developed markets showed continued signs of improvement, and most central banks took a “wait-and-see” approach to see if the recovery in their respective economies would accelerate. Emerging markets also recovered, resulting in a much improved outlook for overall global growth. Accordingly, Federal Reserve chairwoman Janet Yellen took the opportunity to strike a more hawkish tone in her testimony to Congress in February, and the Fed hiked interest rates 0.25% at their March meeting, setting the overnight target policy interest rate corridor at 0.75-1.00%.

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.
- We have continued to participate selectively in high-quality asset-backed and mortgage-backed security deals (ABS/MBS) with short duration profiles.

INTEREST RATES

- Front end Treasury rates were higher with shorter maturities outpacing the longer end. Two-year maturity yields were higher by 0.06% to end the month at 1.25%, while the yield difference between one- and two-year maturities fell from 0.38% to 0.23%.
- The added performance relative to the index from the portfolio’s defensive duration posture was offset by the flattening bias along the yield curve.
- Floating-rate credit and securitized holdings were positive contributors to performance as the securities had minimal price impact from higher rates.

SECTORS

- The overweight allocation to credit securities was additive to outperformance. The yield difference between credit and government securities fell 0.13% during the quarter.
- High-quality ABS continued to add positively to performance while providing reinvestment opportunities.
- The MBS allocation was additive to performance as floating-rate exposure benefited from yields resetting at higher rates.



MARKET PERSPECTIVE

The global economy has changed immensely in recent decades. Where once developed economies accounted for nearly 60% of total global economic activity, by 2020, estimates from the International Monetary Fund suggest that emerging economies will account for more than 60% of global economic activity.

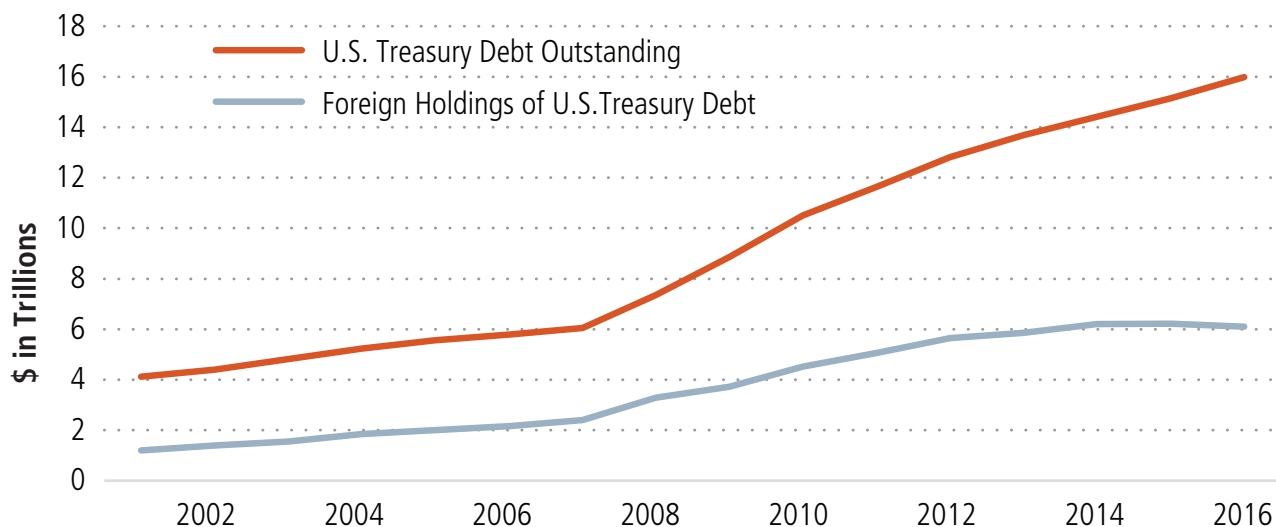
In U.S. fixed income markets, international investors play an increasingly important role. At the turn of the 21st century, foreign investors owned only \$1 trillion in U.S. corporate debt. Today, foreign investors hold more than \$3 trillion of U.S. corporate debt. While some might worry, the powerful demand for dollar-denominated U.S. corporate debt provides American companies with advantageous borrowing terms and lower interest costs.

The same is true for the U.S. government. Currently foreign investors own just under 40% of all U.S. Treasury debt. Do foreigners buy U.S. assets out of the goodness of their hearts? We doubt it. Foreigner investors hold large quantities of dollars which need to be invested. The desire for safety and liquidity feature prominently in the investment decisions made by these foreign central banks, retirement funds and corporations, therefore guiding their savings into high quality, liquid U.S. Treasury debt.

Total U.S. Corporate Debt



Total U.S. Treasury Debt





**OVER 30 YEARS OF INSPIRING
CONFIDENCE WITH AN
UNWAVERING COMMITMENT
TO OUR CLIENTS' NEEDS.**

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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