Payden&Rygel

Quarterly Portfolio Review

Florida Local Government Trust

2nd Quarter 2020

What have we learned since my letter to you at the beginning of the pandemic? Three months ago, many of us thought it would be a temporary shutdown, and there was anxiousness about conducting business "at home." The results we believe have been quite extraordinary.

Our remote operations have worked smoothly and effectively, attributable to the collaborative culture established 37 years ago. Collaboration is not the norm in our industry, as competitiveness exists internally to a large degree. Having a collaborative culture in a meaningful way has been a massive plus in the management of your accounts.

As for financial markets, the Federal Reserve and other global central banks have taken bold, immediate action in flooding the markets with liquidity, and it has worked. As I sit here today, I see the S&P 500 has turned positive for the calendar year, again unexpected. Uncertainty about the path of the virus and the long-term economic implications remain, but central banks provide extraordinary support. As I mentioned, the markets provide some buying opportunities, and a certain amount of liquidity has allowed us to make changes.

One thing that has been surprising on a domestic and global basis is the amount of new business activity, such as changing mandates, that one might have thought would be minimized in this uncertain climate. New business opportunities are a positive note, and as a firm, we are benefitting. If you have any specific questions, I am always available. Most importantly, stay healthy and safe.

Warmest Regards,

Joan A. Payden

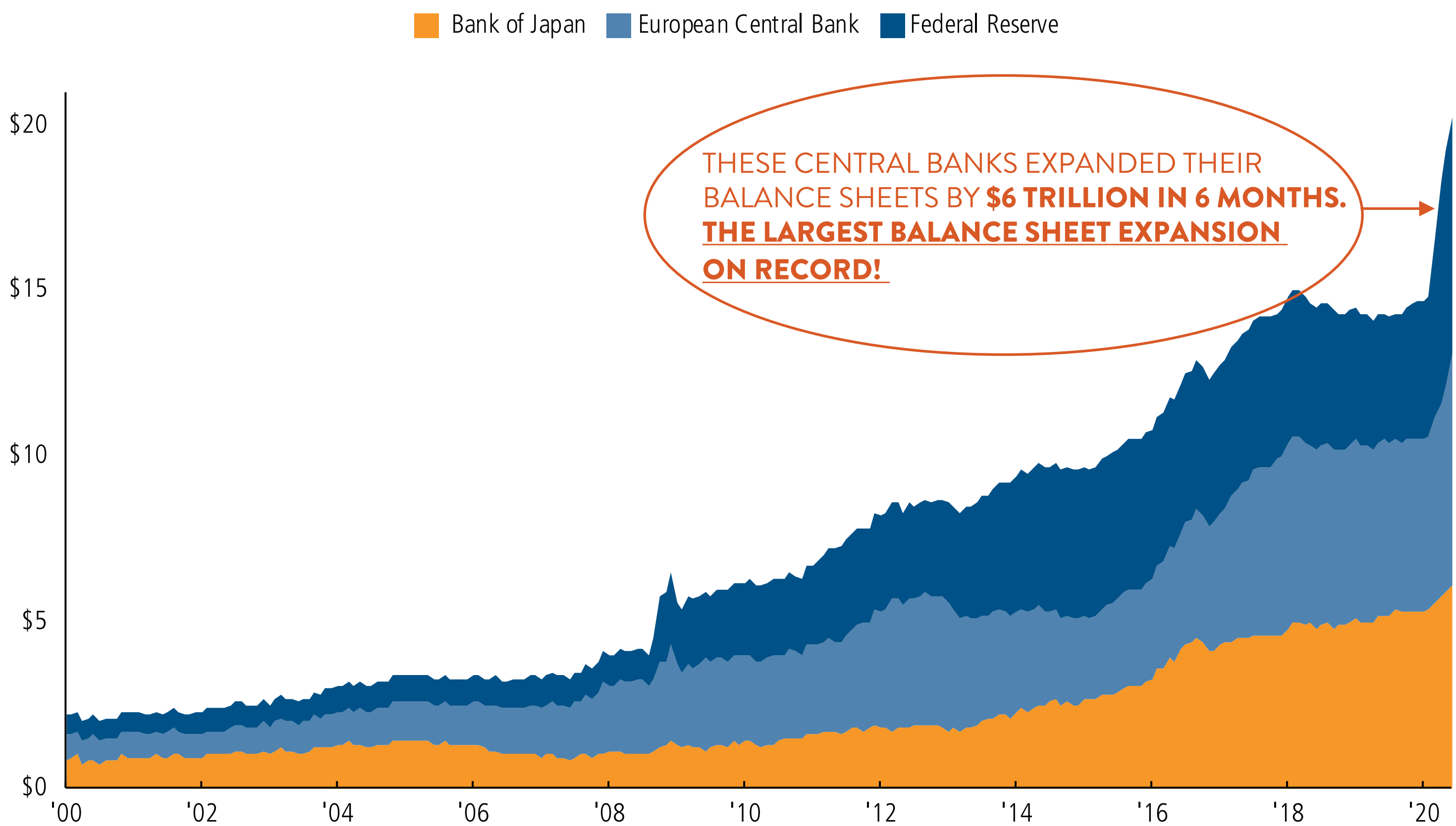
President & CEO

MARKET UPDATE

HIBERNATION OVER, BUT HOW ROBUST IS THE REBOUND?

The second quarter of 2020 was a story of two parts. On the one hand, the global economy experienced a synchronized shut down due to the pandemic but is now reopening. On the other hand, major central banks leaped into action as the pandemic shook the financial system (see chart).

BALANCE SHEET OF THE FED, ECB, AND BANK OF JAPAN



As measured by data on worldwide restaurant seatings, Germans have seized upon the chance to get out of the house for dinner as the global economy reopened. Other countries and regions, such as the U.K. and U.S., remain stuck at home, and restaurants are yet to reopen fully. Coincidentally, the countries seeing the fastest rebound in sit-down dining are also the ones that have made the most progress on combatting the virus. The optimist might point to the fact that the dark days of mid-March to early-May are over and we're unlikely to see the entire world shut down again. The pessimist would say that while a "recovery" is underway, rising cases in some regions mean we will see lockdowns again, keeping activity woefully short of a robust rebound. Taking both views into account, we think the worst is behind us, but "normal" is still a long way off. How then can financial markets do so well? Record central bank asset purchases have alleviated the financial panic and fostered easy monetary conditions around the world. Monetary measures should help the global economy as businesses reopen, and consumers emerge from stay-at-home orders, and maintain market calm.

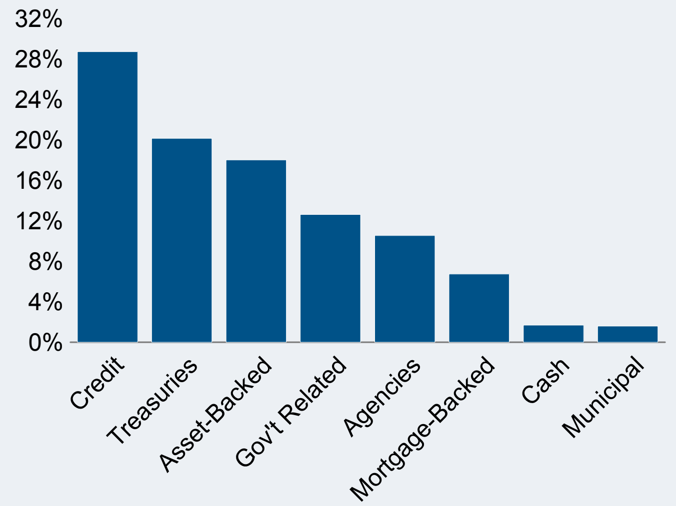
FLORIDA TRUST SHORT-TERM BOND FUND

Portfolio Review and Market Update - 2nd Quarter 2020

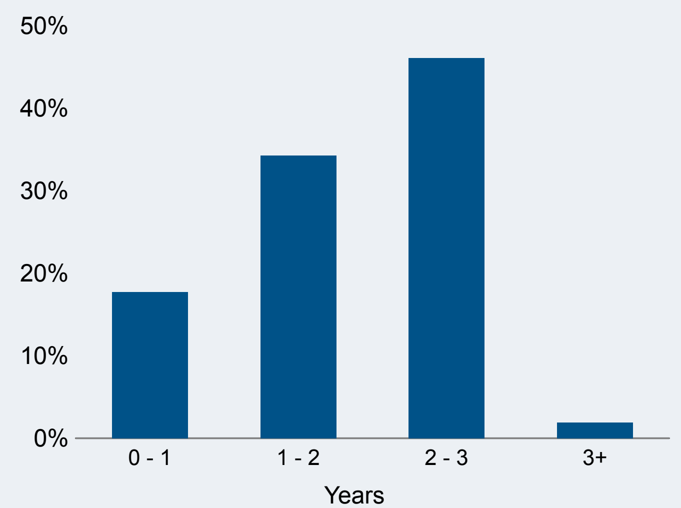
PORTFOLIO CHARACTERISTICS (As of 6/30/2020)

Portfolio Market Value	$839.0 million
Fitch Rating	AAAf/S1
Weighted Average Duration	1.87 years
SEC 30-Day Yield (net)	0.72%

SECTOR ALLOCATION



DURATION DISTRIBUTION



PORTFOLIO RETURNS - Periods Ending 6/30/2020

	2nd Quarter	2020 YTD	Trailing 1 Yr	Trailing 5 Yr	Trailing 10 Yr	Since Inception (1/1/92)
SHORT-TERM BOND FUND (gross)	**1.64%**	**2.94%**	**4.22%**	**2.26%**	**1.80%**	**3.83%**
SHORT-TERM BOND FUND (NAV)*	1.58%	2.81%	3.94%	1.99%	1.54%	3.51%
ICE BofA 1-3 Year US Treasury Index**	0.13%	2.94%	4.07%	1.84%	1.33%	3.40%

Periods over one year are annualized

**Net Asset Value data provided by custodian UMB.*
***Taxable money market funds average prior to 02/2000.*

MARKET THEMES

After the severe economic shock from COVID-19, market sentiment rebounded strongly in the second quarter driven by an unprecedented and coordinated monetary and fiscal response from central banks and governments globally. This stimulus, coupled with a stabilization in the growth rate of cases, led to a rally in risk assets. With countries easing their respective lockdown restrictions, worldwide GDP contractions observed in the first quarter reversed, as high-frequency data, including airline travel and restaurant bookings, showed nascent signs of a bottom in global economic data. However, a surge in positive cases in the U.S. in the final weeks of the quarter, a roll back of some reopening activity, and a sharp increase in social unrest brought unease to financial markets. Equity volatility increased modestly, and investors struggled to assess the impact of a potential second wave of COVID-19 cases. Fixed income markets reacted more benignly as central bank intervention helped to quell concerns.

STRATEGY

- The portfolio continues to hold a diversified mix of non-government sectors for income generation. We continue to utilize corporate bonds, asset-backed securities (ABS) and mortgage-backed securities (MBS) as diversified sources of high-quality income.
- We remain constructive on short-dated credit given attractive yields, lack of supply and solid fundamentals. The Federal Reserve's corporate purchase programs provide strong technical support.
- We took advantage of market dislocations to add high-quality securities, especially via new issue. We sold several higher beta positions into market strength and continue to look for opportunities to trim exposure.
- We targeted a market neutral duration positioning over the quarter.

INTEREST RATES

The Federal Reserve announced and began executing substantial open-market policies to help restore confidence and liquidity in financial markets. Rates in the front-end remain pinned near zero, a direct result of the Fed’s commitment to a zero Federal Funds rate policy.

- After falling sharply in March, short U.S. Treasury yields rose, with the two-year maturity rising by 0.10% to 0.15%. The slope between two- and five-year maturities finished the quarter at 0.15%.
- Despite our neutral headline duration, curve positioning contributed positively to performance.
- LIBOR experienced an unprecedented move due to massive spread tightening over the quarter coupled with record amounts of cash in the system and the government support programs. One-month LIBOR fell 0.83% to 0.16% and three-month LIBOR decreased 1.15% to 0.30%.

SECTORS

Credit markets, which experienced a historically poor first quarter, saw a significant bounce back in the second one due to Fed support. In particular, the Primary Market Corporate Credit Facility and Secondary Market Corporate Credit Facility helped support corporate bonds, while the reintroduction of the Term Asset-Backed Securities Loan Facility supported ABS. Spreads on front-end credit products moved significantly tighter and outperformed Treasuries, with corporate bonds leading.

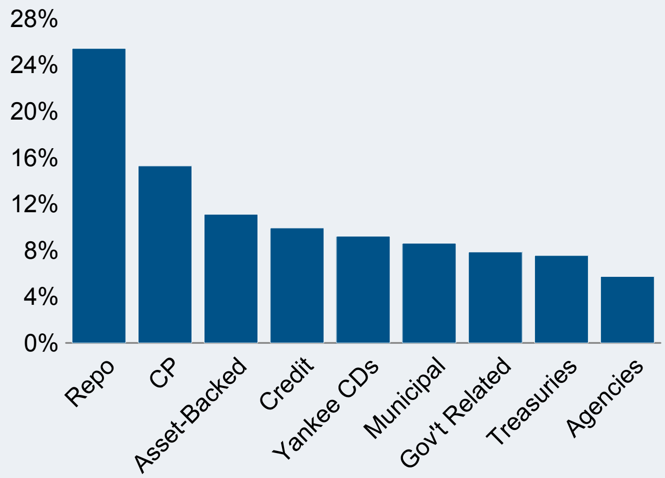
FLORIDA TRUST DAY TO DAY FUND

Portfolio Review and Market Update - 2nd Quarter 2020

PORTFOLIO CHARACTERISTICS (As of 6/30/2020)

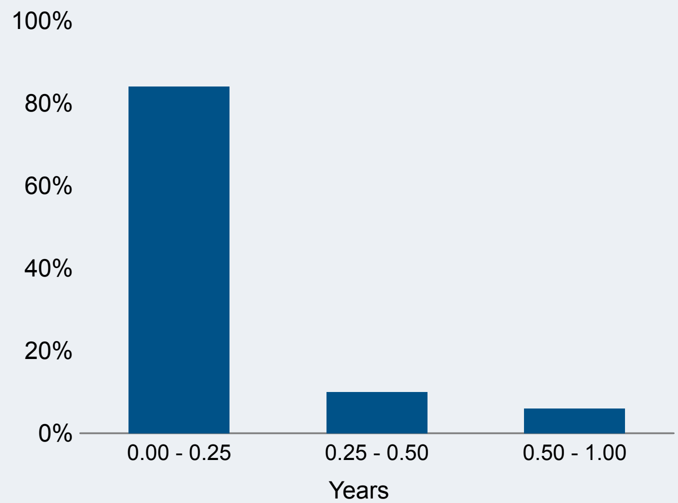
Portfolio Market Value	$928.9 million
Fitch Rating	AAA mmf
Weighted Average Maturity	39 days
SEC 7-Day Yield (net)	0.40%

SECTOR ALLOCATION



Government/Government-guaranteed: 46%

DURATION DISTRIBUTION



PORTFOLIO RETURNS - Periods Ending 6/30/2020

	2nd Quarter	2020 YTD	Trailing 1 Yr	Trailing 5 Yr	Trailing 10 Yr	Since Inception (1/13/09)
FLORIDA TRUST DAY TO DAY FUND (gross)	**0.31%**	**0.63%**	**1.73%**	**1.41%**	**0.82%**	**0.76%**
FLORIDA TRUST DAY TO DAY FUND (net)*	0.15%	0.54%	1.59%	1.29%	0.70%	0.65%
ICE BofA US 3-Month Treasury Bill Index	0.02%	0.60%	1.63%	1.19%	0.64%	0.58%

Periods over one year are annualized

**Represents income-only return from UMB.*

MARKET THEMES

After the severe economic shock from COVID-19, market sentiment rebounded strongly in the second quarter driven by an unprecedented and coordinated monetary and fiscal response from central banks and governments globally. This stimulus, coupled with a stabilization in the growth rate of cases, led to a rally in risk assets. With countries easing their respective lockdown restrictions, worldwide GDP contractions observed in the first quarter reversed, as high-frequency data, including airline travel and restaurant bookings, showed nascent signs of a bottom in global economic data. However, a surge in positive cases in the U.S. in the final weeks of the quarter, a roll back of some reopening activity, and a sharp increase in social unrest brought unease to financial markets. Equity volatility increased modestly, and investors struggled to assess the impact of a potential second wave of COVID-19 cases. Fixed income markets reacted more benignly as central bank intervention helped to quell concerns.

STRATEGY

- The portfolio continues to hold a diversified mix of non-government sectors for income generation. We continue to utilize corporates, asset-backed securities (ABS) and mortgage-backed securities (MBS) as diversified sources of high-quality income. Liquidity is achieved with 46% allocation to government and government-guaranteed securities.
- We remain constructive on short-dated credit given attractive yields, lack of supply and solid fundamentals. The Federal Reserve's corporate purchase programs provide strong technical support.
- Floating-rate bonds across a range of sectors remain an important allocation given their yield advantage.
- We took advantage of market dislocations to add high-quality securities, especially via new issue. We sold several higher beta positions into market strength and continue to look for opportunities to trim exposure.

INTEREST RATES

The Federal Reserve announced and began executing substantial open-market policies to help restore confidence and liquidity in financial markets. Rates in the front-end remain pinned near zero, a direct result of the Fed’s commitment to a zero Federal Funds rate policy.

- After falling sharply in March, short U.S. Treasury yields were generally higher, with the three-month bill up 0.05% to 0.14% and the six-month bill higher by 0.01% to 0.16%. The one-year yield fell 0.01% to 0.15%.
- LIBOR experienced an unprecedented move due to massive spread tightening over the quarter coupled with record amounts of cash in the system and the government support programs. One-month LIBOR fell 0.83% to 0.16% and three-month LIBOR decreased 1.15% to 0.30%.

SECTORS

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OUR STRATEGIES

Multi-Sector

Short Maturity Bonds

U.S. Core Bond

Absolute Return Fixed Income

Strategic Income

Global Fixed Income

Liability Driven Investing

Sector-Specific

Emerging Markets Debt

Government/Sovereign

High Yield Bonds & Loans

Inflation-Linked/TIPS

Investment Grade Corporate Bonds

Municipal Bonds (U.S.)

Securitized Bonds

Income-Focused Equities

Equity Income

Available in:
Separate Accounts – Mutual Funds (U.S. and UCITS)
Collective Trusts ("CITs") – Customized Solutions

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

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