Payden&Rygel

Quarterly Portfolio Review

Florida Local Government Trust

4th Quarter 2020

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LETTER FROM THE CEO

January 2021

Dear Client,

A year ago, our letter focused on both the stock and bond markets' opportunities and risks. There was a positive tone but a degree of caution in our outlook, given that we were embarking on the eleventh year of a record-long economic cycle.

In a surprise to almost everyone, a virus, not a financial imbalance, brought the economic expansion to a halt. The Federal Reserve and other central banks' swift actions ensured only a brief financial market panic in March. Fiscal authorities also provided aid to businesses and households on an unprecedented scale. What happened in the ensuing nine months was amazing. Financial markets have more than fully recovered, and regions able to reopen saw sharp economic rebounds.

As we begin 2021, vaccine distribution is underway. Once the vaccine is more widely available, we expect areas of the economy that have suffered the greatest, like the service sector, to benefit the most. There will be some permanent changes in how investors worldwide assess lifestyles, etc., but we expect a robust recovery.

Putting all of these things together, the definition of "risk" has changed. Interest rates are likely to remain low for the foreseeable future even as the economy recovers, creating a very favorable backdrop for stocks and credit sectors in the bond market, including investment grade, high yield, and emerging market bonds.

As always, we emphasize portfolio liquidity and are in a position to make changes when warranted. We will keep in close contact and very much appreciate your confidence in us. Most importantly, please keep your family safe and healthy.

My very best wishes from all of us here for a happy new year.

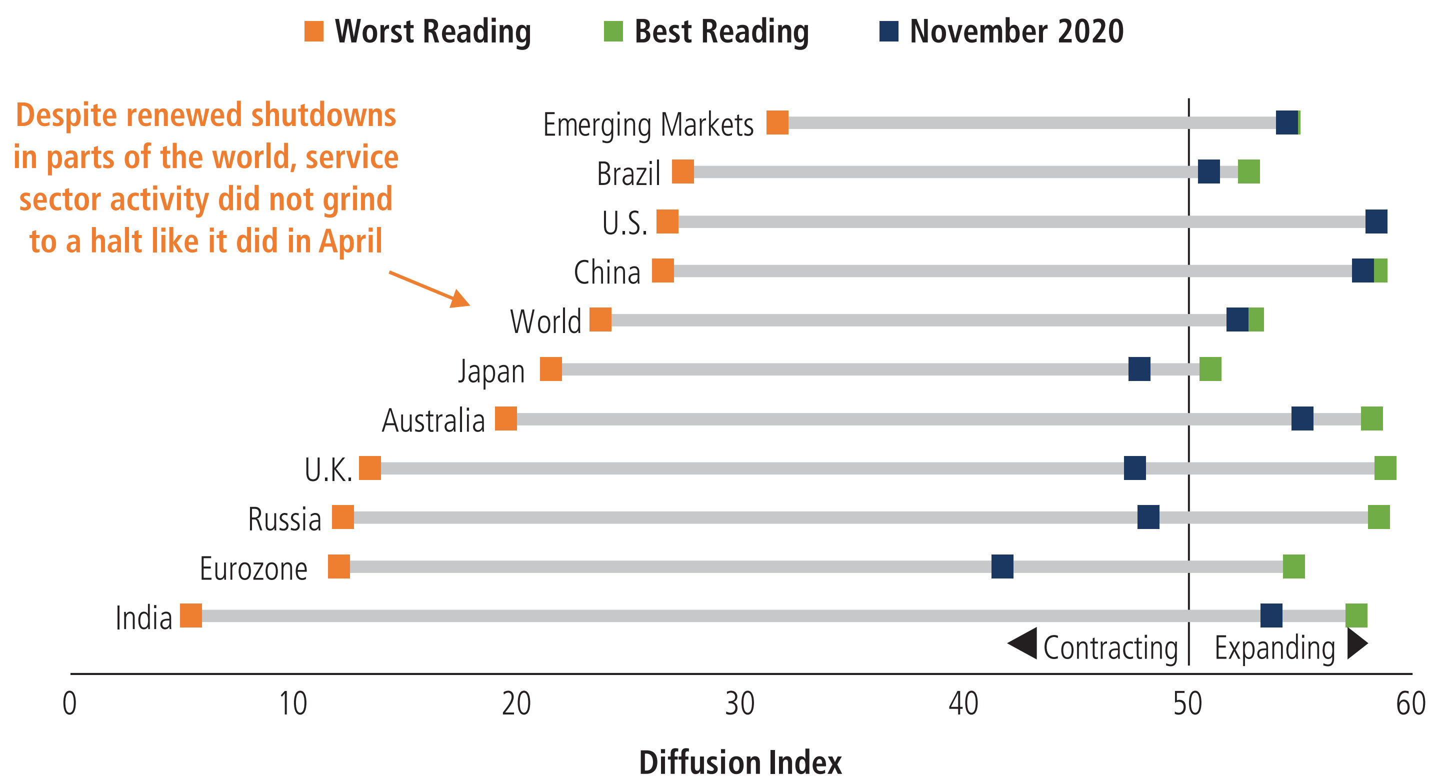
Joan A. Payden

President & CEO

Nine months into the pandemic that shook the globe, a number of vaccines have been approved for emergency use authorization and millions of people have received their first dose, yet cases continue their troubling ascent in the U.S. and Europe. Despite a strong recovery in the third quarter, the "winter surge" has led to increasingly severe lockdowns and threatens a double-dip in fourth quarter GDP data.

The global economy remained in expansionary territory as of November according to service sector Purchasing Managers' Index (PMI) readings, despite surging Covid-19 cases. In fact, China, the U.S. and many emerging market economies posted near-best readings in November. The service sector was particularly hard hit in April, due to the unique nature of the Covid-19 recession, but appears to be faring better during the "winter surge." With the first vaccines being deployed, the global economy is poised for a services-led recovery in 2021.

Range of Service Sector Purchasing Managers' Index Readings in 2020



Source: J.P. Morgan, IHS Markit

Given the speed of recovery in the Covid-19 recession compared to other recessions, economists have been forced to reconsider whether traditional theories still apply. Economists used to say that "unemployment rises like a rocket and falls like a feather." While the first part of the adage has held up (the U.S. unemployment rate peaked at 14.7% in April), the latter portion has not. Unemployment has already fallen to 6.7% — a faster recovery than even the most optimistic predicted. However, the headline figure is biased downward by a coincident rise in the number of people leaving the labor force. As the economy recovers and discouraged workers reenter the labor force, the unemployment rate may tick up slightly. Still, even with a winter stall, we predict a sub-5% unemployment rate by the end of 2021.

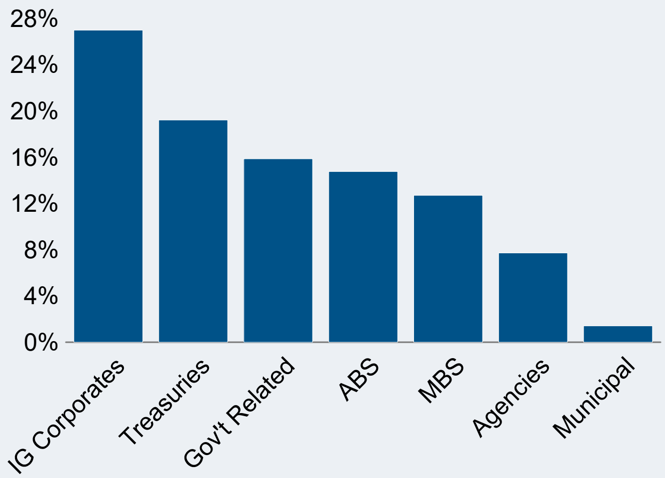
FLORIDA TRUST SHORT-TERM BOND FUND

Portfolio Review and Market Update - 4th Quarter 2020

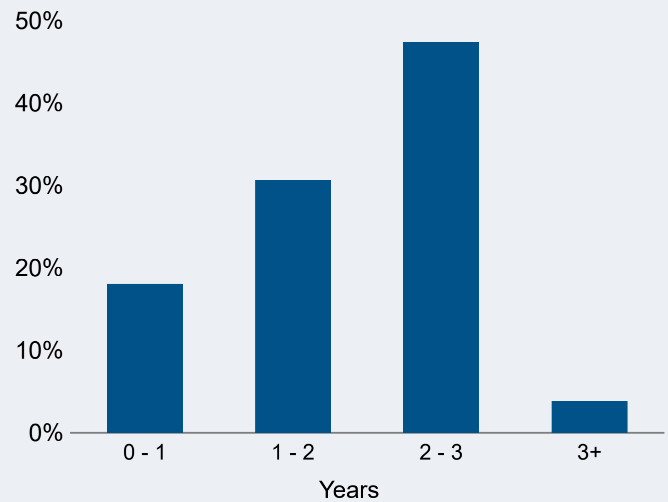
PORTFOLIO CHARACTERISTICS (As of 12/31/2020)

Portfolio Market Value	$887.6 million
Fitch Rating	AAAf/S1
Weighted Average Duration	1.90 years
SEC 30-Day Yield (net)	0.43%

SECTOR ALLOCATION



DURATION DISTRIBUTION



PORTFOLIO RETURNS - Periods Ending 12/31/2020

	4th Quarter	2020	Trailing 5 Yr	Trailing 10 Yr	Since Inception (1/1/92)
SHORT-TERM BOND FUND (gross)	**0.26%**	**3.58%**	**2.37%**	**1.79%**	**3.79%**
SHORT-TERM BOND FUND (NAV)*	0.19%	3.31%	2.10%	1.52%	3.46%
ICE BofA 1-3 Year US Treasury Index**	0.05%	3.10%	1.90%	1.30%	3.34%

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

The last quarter of 2020 was generally positive for fixed income credit, capping an unprecedented year. President-elect Joe Biden's victory, coupled with advanced vaccine progress, buoyed investor sentiment. Passage of a $2.3 trillion year-end spending bill and stimulus package, the second largest in U.S. history, and continued accommodative monetary policy globally, as well as the last-minute Brexit trade agreement between the U.K. and the EU, further supported the positive tone. This optimism was tempered, however, by a surge in Covid-19 cases with increased hospitalizations and a return to global restrictions on movement. Nevertheless, market volatility declined, and U.S. stocks reached record highs.

STRATEGY

- The portfolio continues to hold a diversified mix of non-government sectors for income generation. We continue to diversify our credit exposure through corporates, asset-backed securities (ABS) and mortgage-backed securities (MBS) to maintain different sources of high-quality income.
- We took advantage of attractive opportunities in corporate new issuance to add to and rotate our corporate exposure.
- We believe short-dated credit yields remain attractive relative to Treasuries.

INTEREST RATES

The Federal Reserve reiterated its commitment to keeping the Fed Funds rate in the 0.00-0.25% range, firmly pinning front-end rates near zero. Officials pledged to continue purchasing financial assets - $80 billion in U.S. Treasuries and $40 billion in agency MBS per month - until they see "substantial further progress" in employment and inflation objectives. They also extended emergency liquidity programs for commercial paper and other key financial markets through March 31 to maintain confidence and liquidity in financial markets.

- U.S. Treasury yields with maturities inside of two years fell slightly over the quarter, with the three-month bill down 0.03% to 0.06% and the two-year yield lower by 0.01% to 0.12%. Longer Treasury yields moved higher and the slope between two- and five-year maturities steepened 0.09% closing at 0.24%.
- LIBOR remained relatively stable. One-month LIBOR fell 0.01% to 0.14% while three-month LIBOR increased 0.01% to 0.24%.

SECTORS

Credit markets continued to perform strongly in the fourth quarter, as yields reached all-time lows. We anticipate volatility to remain relatively muted due to the Fed's commitment to its asset purchases, which are broadly supportive for credit markets. Corporate and securitized sectors contributed positively to performance.

- Short-dated corporate yield premiums narrowed by 30 basis points to close the year largely unchanged, driven tighter due to various factors such as bonds being tendered for liability management, Fed support and continued investor appetite for incremental yield over Treasuries.
- Asset-backed yield premiums continued to narrow and ended the year modestly tighter, with most of the move taking place in the fourth quarter.

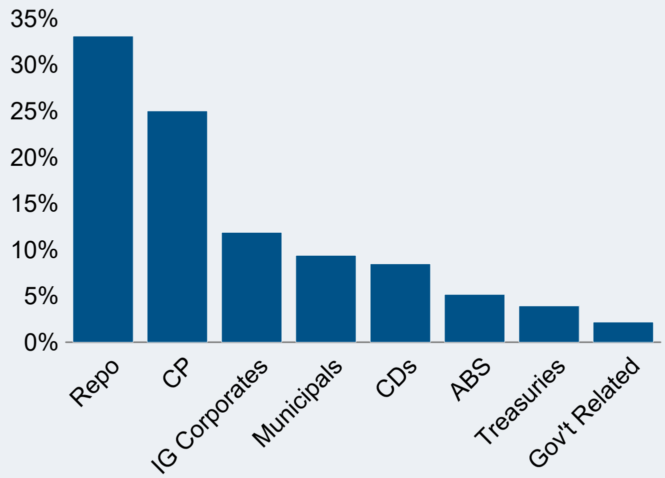
FLORIDA TRUST DAY TO DAY FUND

Portfolio Review and Market Update - 4th Quarter 2020

PORTFOLIO CHARACTERISTICS (As of 12/31/2020)

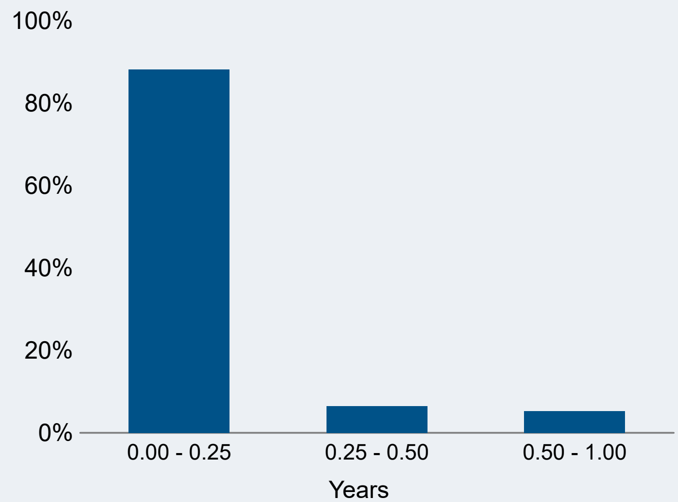
Portfolio Market Value	$1,148.0 million
Fitch Rating	AAA mmf
Days to Maturity	38 days
SEC 7-Day Yield (net)	0.10%

SECTOR ALLOCATION



Government/Government-guaranteed: 39%

DURATION DISTRIBUTION



PORTFOLIO RETURNS - Periods Ending 12/31/2020

	4th Quarter	2020	Trailing 5 Yr	Trailing 10 Yr	Since Inception (1/13/09)
FLORIDA TRUST DAY TO DAY FUND (gross)	**0.04%**	**0.75%**	**1.40%**	**0.82%**	**0.74%**
FLORIDA TRUST DAY TO DAY FUND (net)*	0.03%	0.64%	1.29%	0.71%	0.63%
ICE BofA US 3-Month Treasury Bill Index	0.03%	0.67%	1.20%	0.63%	0.56%

Periods over one year are annualized

**Represents income-only return from UMB.*

MARKET THEMES

The last quarter of 2020 was generally positive for fixed income credit, capping an unprecedented year. President-elect Joe Biden’s victory, coupled with advanced vaccine progress, buoyed investor sentiment. Passage of a $2.3 trillion year-end spending bill and stimulus package, the second largest in U.S. history, and continued accommodative monetary policy globally, as well as the last-minute Brexit trade agreement between the U.K. and the EU, further supported the positive tone. This optimism was tempered, however, by a surge in Covid-19 cases with increased hospitalizations and a return to global restrictions on movement. Nevertheless, market volatility declined, and U.S. stocks reached record highs.

STRATEGY

- The portfolio continues to hold a diversified mix of non-government sectors for income generation, complimenting an ample liquidity allocation of government and government-guaranteed securities to meet cash needs. We continue to diversify our credit exposure through corporates, asset-backed securities (ABS) and municipal bonds to maintain different sources of high-quality income.
- We took advantage of attractive opportunities in corporate new issuance to add to and rotate our corporate exposure.
- We believe short-dated credit yields remain attractive relative to Treasuries.

INTEREST RATES

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SECTORS

Credit markets continued to perform strongly in the fourth quarter, as yields reached all-time lows. We anticipate volatility will remain relatively muted due to the Fed’s commitment to asset purchases, which are broadly supportive for credit markets.

- Short-dated corporate yield premiums narrowed by 30 basis points to close the year largely unchanged, driven tighter due to various factors such as bonds being tendered for liability management, Fed support and continued investor appetite for incremental yield over Treasuries.
- Asset-backed yield premiums continued to narrow and ended the year modestly tighter, with most of the move taking place in the fourth quarter.
- Taxable municipals remained the best-performing fixed income asset class in 2020.

OVER 35 YEARS OF INSPIRING CONFIDENCE WITH AN UNWAVERING COMMITMENT TO OUR CLIENTS' NEEDS.

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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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