Payden&Rygel
QUARTERLY PORTFOLIO REVIEW

Florida Local Government Trust

1st Quarter 2021

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LETTER FROM THE CEO

April 2021

Dear Client,

Here we are again starting another quarter. Thankfully this time, there are positive forces that are beginning to support the reopening of the economy. Against this backdrop, the financial markets have stabilized. The equity market closed the quarter near record highs. Interest rates rose sharply, but for the "right" reason: the improving economic outlook.

The Federal Reserve is faced with a balancing act: acknowledging better economic data, including a strong March jobs report where the unemployment rate fell to 6%, while communicating that they will not assume a more aggressive stance towards inflation. We do not think the Fed will alter policy in the face of better economic data, as even with the favorable March jobs report, their maximum employment goal is still far off. We are therefore taking a somewhat more realistic approach and looking toward a sustained recovery in employment and growth for the balance of this year and into 2022 before anticipating the Fed to take any significant action. We are maintaining positions in sectors of the bond market where spreads are favorable. On the equity side, corporate profits in many areas support current price levels.

As you know, the one thing we are always watching for is any change in liquidity. We are in a position in your portfolios to act quickly if challenges arise and the situation deteriorates, but the trend in vaccinations leads us to be cautiously optimistic. Since our inception 37 years ago, we have maintained a consistent, collaborative culture that has enabled us to have the most successful year in our history for our clients and the firm. Thanks to this culture, we have adapted well to working remotely, and March marked the one-year anniversary of working from home. We hope you and your family are safe and well, and we will continue to keep you well informed over the next few months.

Warmest regards,

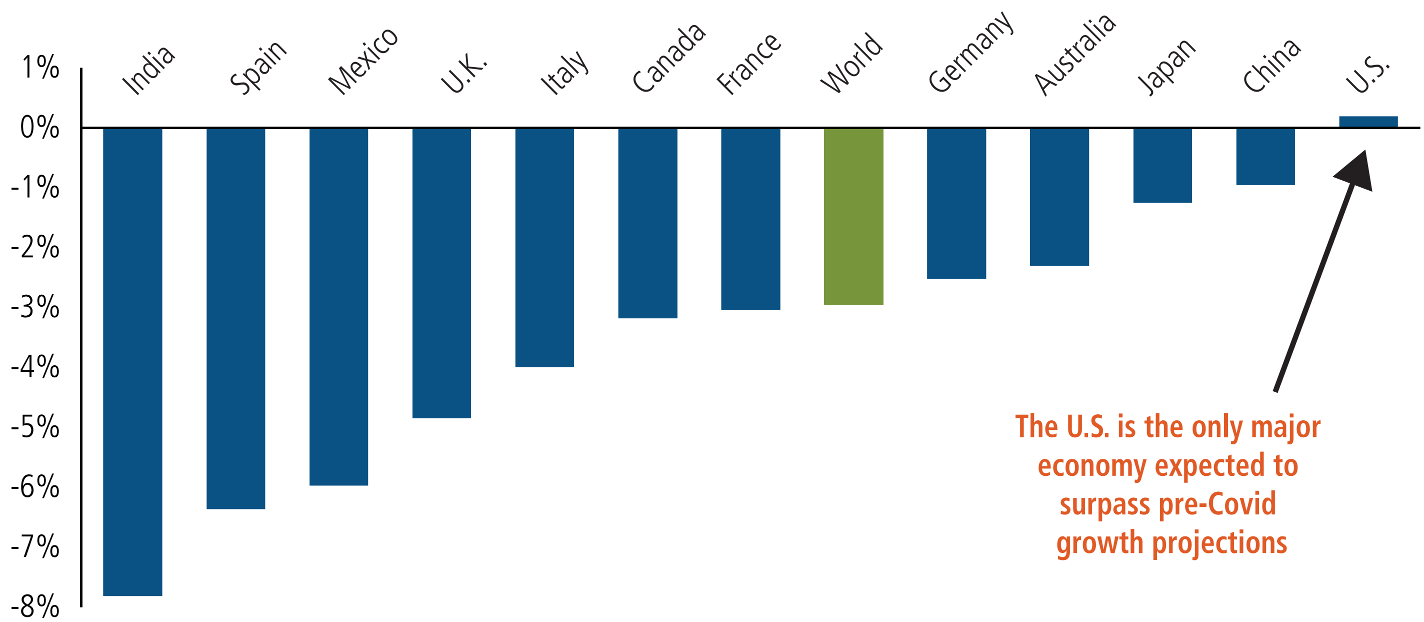
Joan A. Payden

President & CEO

ECONOMIC REVIEW AND OUTLOOK

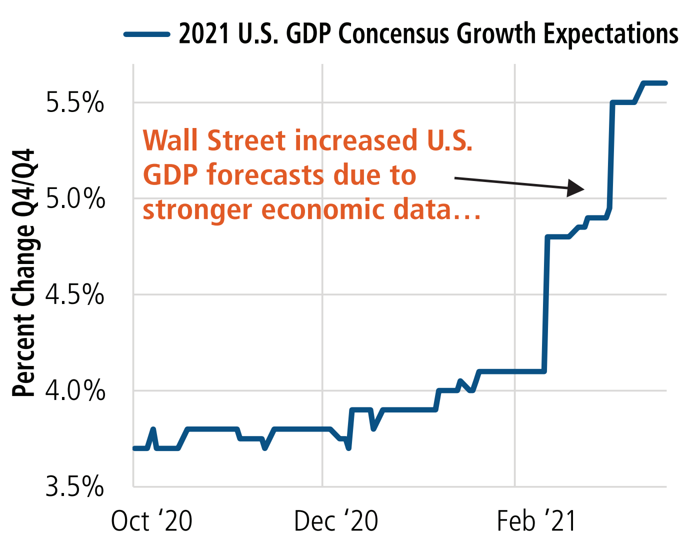
A year ago, the World Health Organization (WHO) declared SARS-CoV-2 a pandemic disease. A year later we're still far from restoring pre-Covid levels of economic output. Based on the Organisation for Economic Cooperation and Development's (OECD) projections, the U.S. is likely to be the only major economy to exceed pre-pandemic growth expectations in 2021 (see chart below). We project that a return to pre-Covid levels of output will happen somewhere around mid-year—a welcome and significant accomplishment. However, much of the rest of the developed world will still finish the year with significant shortfalls. Despite the optimistic outlook, we still expect easy monetary policy for some time to come.

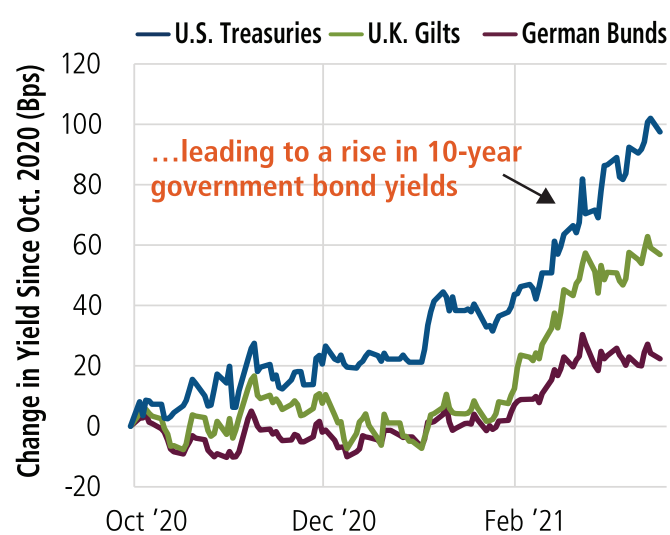
ECONOMIC GROWTH: SHORTFALL COMPARED TO PRE-PANDEMIC PROJECTIONS



Over the first quarter, market consensus partly caught up to our upbeat (7.4% GDP growth in 2021) expectations for US GDP growth. Better growth prospects, in turn, sent 10-year U.S. treasury yields to post-pandemic highs, which also pulled up global yields. But are higher rates a "bad" thing? No! In the words of Fed Chair Powell, "It's important to ask, 'why are rates moving up?' It's to do with expectations of a return to more normal levels, more mandate-consistent levels of inflation, higher growth, an opening of the economy; in a way, it's a statement of confidence on the part of markets." Longer-term interest rates have moved noticeably higher this year, but we think it happened for the "right" reasons.

U.S. GROWTH EXPECTATIONS VERSUS CHANGE IN GOVERNMENT BOND YIELDS





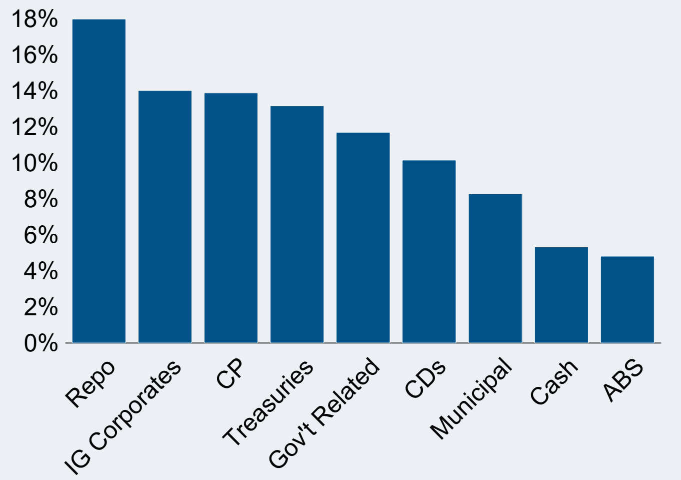
FLORIDA TRUST DAY TO DAY FUND

Portfolio Review and Market Update - 1st Quarter 2021

PORTFOLIO CHARACTERISTICS (As of 3/31/2021)

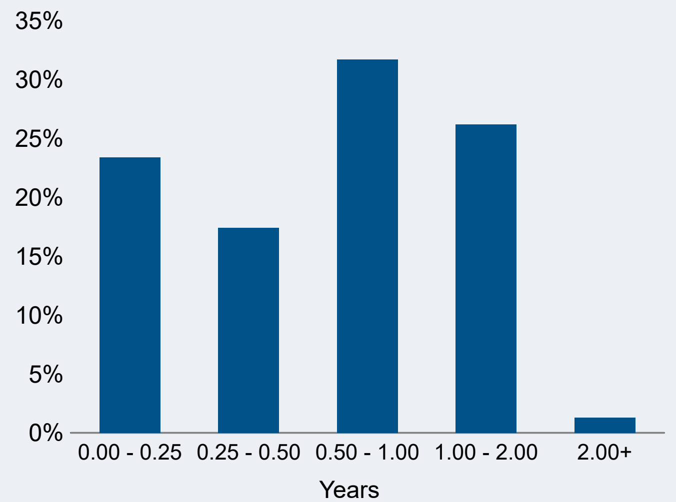
Portfolio Market Value	$1,141.7 million
Fitch Rating	AAA mmf
Days to Maturity	39 days
SEC 7-Day Yield (net)	0.03%

SECTOR ALLOCATION



Government/Government-guaranteed: 44%

DURATION DISTRIBUTION



PORTFOLIO RETURNS - Periods Ending 3/31/2021

	1st Quarter	Trailing 1 Yr	Trailing 5 Yr	Trailing 10 Yr	Since Inception (1/13/09)
FLORIDA TRUST DAY TO DAY FUND (gross)	**0.03%**	**0.45%**	**1.38%**	**0.81%**	**0.72%**
FLORIDA TRUST DAY TO DAY FUND (net)*	0.02%	0.27%	1.28%	0.70%	0.62%
ICE BofA US 3-Month Treasury Bill Index	0.02%	0.12%	1.19%	0.63%	0.55%

Periods over one year are annualized

**Represents income-only return from UMB.*

MARKET THEMES

Investor sentiment was largely positive in first quarter of 2021, as the world saw a slowdown in the rate of Covid-19 infections alongside one of the largest vaccine rollouts in history. The Biden Administration passed a $1.9 trillion pandemic relief package to bolster the economy, and reopening prospects improved. The potential for higher inflation associated with stronger economic growth prospects caused the U.S. Treasury yield curve to steepen dramatically. The Fed communicated that they believe cyclical price increases will be transitory and re-committed to an easy monetary policy. Despite a broad trend of tighter credit spreads, most major fixed income indices posted negative total returns for the quarter. Higher yielding, lower quality credits outperformed. We expect 2021 to be a strong year for global growth as economies recover from the Covid-19 pandemic.

STRATEGY

- The portfolio continues to hold a diversified mix of non-government sectors for income generation, combined with a liquidity focus using government and government-guaranteed securities. 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 reduced exposure to longer maturity securities that might be negatively impacted by a rise in interest rates.

INTEREST RATES

The FOMC reiterated its commitment to keeping the Fed Funds rate in the 0.00-0.25% range, 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.

- U.S. Treasury yields with maturities inside of one year fell over the quarter, with both the three-month and one-year yield down 4 basis points to 0.02% and 0.06%, respectively. The two-year yield increased 4 basis points to 0.16%.
- One-month LIBOR declined 3 basis points to 0.11% while three-month LIBOR fell 5 basis points to 0.19%.

SECTORS

Despite slightly wider yield premiums credit markets had a strong first quarter and outperformed Treasuries, as the prospect of front-end yields being held low by accommodative Fed policy had investors searching for high quality yield. Corporate and securitized sectors contributed positively to performance.

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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