Payden&Rygel

LOS ANGELES | BOSTON | LONDON | MILAN

FIXED INCOME INVESTING FOR OPERATING ASSETS

Florida Trust Workshop

August 25, 2021

- A Few Facts
- Considerations for Investment of Short-Term Assets
- Portfolio Management Strategy
- The Market Today
- Investment Opportunities
- Sector Highlight: Structured Securities

A Few Facts

Your Speakers Today

Eric M. Hovey, CFA®
Senior Vice President

2006 – Joined Payden & Rygel

Lisa A. Redding
Vice President

2010 – Joined Payden & Rygel

Eric Hovey, CFA®, is a Senior Vice President and Senior Portfolio Manager at Payden & Rygel. He works with insurance companies, corporations and other institutions to address their unique investment circumstances. His time at the firm has included positions as a Senior Fixed-Income Strategist, Trader and Sector Analyst.

Prior to joining Payden & Rygel, Hovey worked at Merrill Lynch in Clayton, Missouri, where he was a member of an institutional fixed-income team.

Eric holds the Chartered Financial Analyst designation and Financial Industry Regulatory Authority series 7 and 66 licenses. Hovey is a member of the CFA® Society of North Carolina and the CFA® Institute.

He earned a BSBA in Finance and Accounting at Washington University in St. Louis and was awarded the 2002 Skandalaris Center of Entrepreneurial Studies Olin Cup.

Lisa Redding is a Vice President at Payden & Rygel. Based in the firm's Boston office, she works with portfolio managers to implement investment policy and strategy needs of institutional clients.

Prior to joining Payden & Rygel, Lisa was Research Coordinator at hedge fund Kaintuck Capital Management. She held various roles over seven years within research and trading, and headed the firm's marketing efforts. Prior to that Lisa worked within Ernst & Young LLP's tax practice, both domestically and abroad.

Lisa Redding holds the FINRA series 6 and 63 licenses. She earned a BS in Business Administration from American University in Washington, D.C. with concentrations in Finance and International Economics.

Payden: Firm Overview

OUR FIRM

ESTABLISHED IN 1983
Los Angeles-based, offices in Boston, London, Milan

OVER $145 BILLION AUM
A fully-resourced – yet flexible – firm

ONE GOVERNANCE CENTER
Clients have direct access to business owners

100% EMPLOYEE OWNED

OUR CULTURE

GLOBAL PERSPECTIVE ON INVESTING
Regardless of benchmark

COLLABORATIVE APPROACH
Sharing best ideas, constructive debate

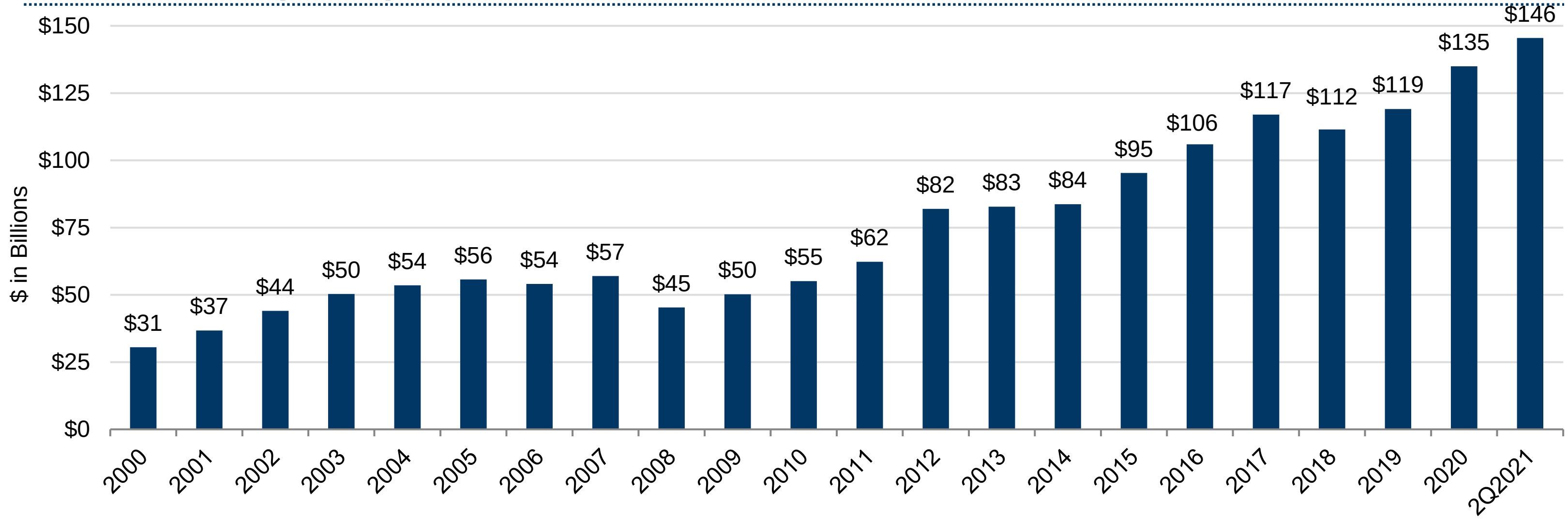
EXCEPTIONAL RETENTION
of talented people and clients

ALIGNMENT OF INTERESTS
Fully focused on our clients

OUR GLOBAL REACH

Payden & Rygel Assets Under Management Trends

Total Firm Assets (Billions)



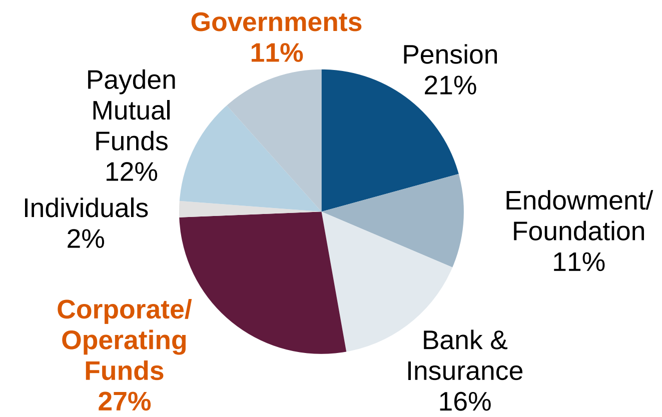
Assets Under Management, 2Q 2021

THIS IS WHAT WE DO!

- **Low Duration** **$36.9 bn**
- **Enhanced Cash** **$38.5 bn**
- Core Bond and Strategic Income $28.7 bn
- Global Fixed Income $10.8 bn
- Absolute Return Bond $14.2 bn
- Municipal $2.5 bn
- Equity $2.5 bn

Dedicated strategies and assets included above:

- Investment Grade Corporate $43.6 bn
- Securitized Debt $24.8 bn
- Emerging Market Debt $13.7 bn
- High Yield Corporate $6.6 bn



Our Collaborative Investment Process – A Competitive Advantage

How do we develop an outlook and themes?

Economists

Economic forecasts

Investment Policy Committee

Broad macro themes
Risk management oversight

Our team approach is rooted in a culture of collaboration with the singular focus of meeting the clients' objectives and delivering customized solutions.

Portfolio Strategy

Asset allocation decisions
Investment management oversight

Client Portfolio Management

Investment Professionals Dedicated to Client Service
Liaison between Client and Portfolio Strategy Group

Specialist Global Sector Teams

- Government
- Corporates
- ABS/MBS
- Sovereign

Portfolio Architecture

Portfolio monitoring
Oversight of risk constraints
Performance attribution

Financial Markets: What Happened Last Year and What Do We Expect in 2021

2020 Recap – Resilient U.S. Economy, Fed and Fiscal Policy

- Stock performance was strong but volatile
- Interest rates hit all-time lows, resulting in strong returns
- Non-Treasury sectors highly distressed in March due to liquidity concerns, but experienced full rebound by year-end

2021- Re-Opening Drives Growth, Monetary Policy Remains Accommodative…

- Bond yields will remain low, active management vital to success of bond strategy
- Equities likely to perform well on heels of economy reopening
- Economy resumes expansion; output will be boosted by additional stimulus and continued vaccine rollout

Events That Can Signal to Add or Reduce Portfolio Risk

- Change in market volatility driven by numerous potential factors
- Monetary policy change, becoming more or less accommodative
- Economic growth expands or moderates beyond central investor expectations
- Corporate earnings surprise differing from expectations, large corporate default
- Political turbulence and/or geopolitical factors
- Inflation surprise, higher or lower than expectations

Considerations for Investment of Short-Term Assets

Investing Cash Reserve Assets

Investment Objectives

- **SAFETY** - Primary objective is the protection of capital
- **LIQUIDITY** - Strategy to provide sufficient liquidity to meet cash flow requirements
- **INVESTMENT INCOME** - Maximize income & total return per quality, safety, liquidity constraints

Why Consider Tiering Operating Cash?

- **TIERING -** helps optimize meeting of liquidity needs while maximizing investment return
- **MATCH -** investment strategy and underlying maturities with cash flow requirements
  - OPERATING CASH -under 9 months
  - SHORT-TERM CASH RESERVES -9 months & longer
  - LONGER-TERM CASH RESERVES -24 months & longer

Conservative Investment Management

- **SELECT -** conservative strategy consistent with Florida State Statutes
- **PARTNER -** with experienced mangers having time tested risk management approach
- **PERFORMANCE -** is more than returns, it includes liquidity in all market environments

Risk Factors Inherent to Bonds

- Interest rate risk
- Yield curve risk
- Reinvestment risk
- Credit risk
- Liquidity risk
- Call and prepayment risk
- Volatility risk
- Inflation risk
- Event risk
- Sovereign risk

"You've obviously overestimated your risk tolerance."

Short Fixed Income Investment Philosophy

Superior results are attained through active management

- Identify market inefficiencies and mispriced sectors /securities offering superior risk adjusted return.
- Dynamic markets require dynamic account management.

Combination of both ‘top-down’ and ‘bottom-up’ approach

- Top-down market macro view for duration and sector decisions that yield optimal risk adjusted results.
- Bottom-up security selection optimizes macro themes and opportunities to enhance performance.

Diversification is essential to managing portfolio risk

- Cross-sector correlation analysis improves risk-adjusted performance across a range of market environments.
- Broad opportunity set provides multiple sources of excess return.

Forward looking approach to credit analysis with a global industry focus

- Extensive proprietary research along with strong dealer relationships.
- Direct management contact provides qualitative opinion in addition to quantitative assessment.

Bonds Provide Income and Potential for Capital Gains

Yield vs Total Return

- For most investors, the chief appeal of bonds is the **income return**, measured by the yield
- **Total return** is a more complete measure of the return from bonds, reflecting both the income return and price appreciation/depreciation over the holding period
- The search for yield should be balanced against the risks involved with holding bonds
  - The primary risks are deteriorating credit quality (or ultimately default) and higher market yields

$$\underbrace{\overbrace{\text{Income Earned}}^{\text{Money Market Fund Return}} + \text{Price Change}}_{\text{Low Duration Fund Return}} = \text{Total Return}$$

Tiering of Low Duration Investment Portfolios

Customized for relevant time horizon, return expectation and risk tolerance

Lower Expected Return
Less Volatility

Higher Expected Return
Higher Volatility

FL Trust Day to Day Fund

FL Trust Short Term Bond Fund

Tiers and Payden assets managed	Tier 1 "Cash Management" ~$20bn	Tier 2 "Enhanced Cash" ~$17bn	Tier 3 "Low Duration 1-3yr" ~$20bn	Tier 4 "Low Duration 1-5yr" ~$13bn
Investments	▪ Commercial Paper (CP) ▪ Certificates of Deposit (CDs) ▪ Governments/Agencies ▪ Corporates – IG Only	▪ CP and CDs ▪ Governments/Agencies ▪ Asset-Backeds ▪ Corporates	▪ Governments/Agencies ▪ Asset-Backeds ▪ Mortgages ▪ Corporates	▪ Governments/Agencies ▪ Asset-Backeds ▪ Mortgages ▪ Corporates
Average Quality	AA-	AA-	AA-	AA-
Average Portfolio Duration	1-6 months	6-18 months	1.5-3.0 years	2.0-3.5 years
Maturity Range	Overnight to 1 year	Overnight to 3 year	1-5 years	1-7 years
Sharpe Ratio	1.1	1.9	1.4	1.4
Alpha	+48bps	+66bps	+61bps	+100bps
Ex-Post Tracking Error	50bps	64bps	99bps	137bps

**10yr Sharpe Ratio, Alpha & Ex-Post Tracking Error for Payden Enhanced Cash Composite (benchmark 3m T-bill), Payden Enhanced Cash Long Composite (1yr Treasury), Low Duration 1-3yr Composite (1-3yrTreasury), and Low Duration Long Composite (1-5yr Treasury). As of 6/30/21*

Why Should Investors Consider a Short Bond Specialist?

Our active approach to cash management can enhance performance without compromising liquidity and stability

Front-end Yield Curve Technicals

- Flexible use of yield curve opportunities
- Pull-to-par characteristics of short maturity investments
- Active management captures mispricing

Additional Security Types

- Floating-rate securities used to manage interest rate duration
- Use of structured products like AAA-rated consumer ABS as a corporate bond diversifier

New Issue Marketplace

- Consistent participation captures selling concession
- Opportunities for reverse-inquiry issuance

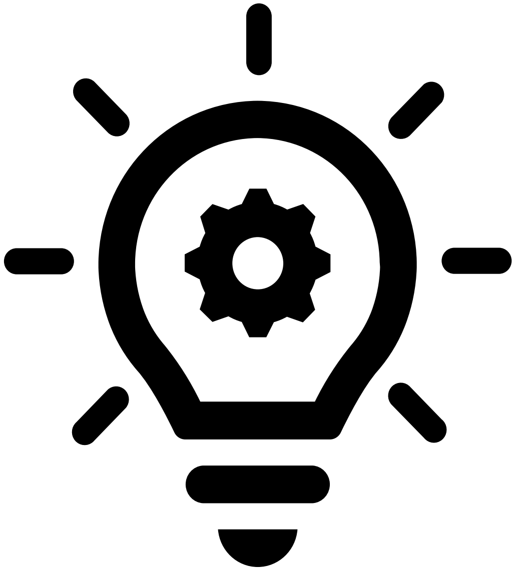
Segmented Investor Base

- Money market funds and non-traditional investors have different motivations for what they buy
- You benefit from other investor's restrictions (i.e. buying securities just past other buyers' limitations)

Liquidity

- Relative value analysis factors in liquidity: less liquid ≡ more compensation
- Front-end specialization leads to better broker relationships

Questions: Considerations for Investment of Short Assets



Portfolio Management Strategy

Macro Factor Inputs to Construction Process → Building Blocks

Step 1 — Portfolio Construction

- Incorporate Investment Policy Committee macro outlook into base foundation.
- Build final template sector allocations.
- Coordinate security selection with sector specialists and draw upon resources of dedicated traders.

Step 2 — Surveillance & Risk Management

- Daily Monitoring of portfolio adherence to template targets plus evaluation of risk measures.
- Relative value dynamics – Regular interaction with sector teams to convey our outlook.

Step 3 — Performance

- Analyze portfolio returns daily and monthly.
- Perform sensibility check.

Contributor Profile

Critical Input From Multiple Teams, but spearheaded by the Portfolio Strategy Group

Investment Policy Committee (20%)

- Broad macro themes
- Risk management oversight

Portfolio Strategy (50%)

- Final decision-making authority
- Manage overall account risk & positioning including duration sector allocation and security selection

Sector Analysts (20%)

- Fundamental Analysis
- Comprehensive Valuation Assessment
- Make recommendation for securities and sectors
- Monitor investments for news and changes

Traders (10%)

- Identify relative value opportunities
- Provide efficient execution of ideas
- Provide market insight
- Liquidity assessment

Percentages represent approximate decision-making input from each group

Customization of Guidelines Drives Return and Volatility of Each Portfolio

Sample of Payden's Enhanced Cash Separate Accounts

Performance Statistics (Trailing 5 Years)	Money Market Plus	Enhanced Cash	Enhanced Cash	Enhanced Cash Long	Enhanced Cash Plus
Return Series	1.68%	1.91%	2.05%	2.29%	2.52%
Standard Deviation	0.37	1.08	1.06	1.06	1.23
Information Ratio	1.22	0.61	0.50	0.50	0.60
Alpha	0.49	0.71	0.62	0.71	0.94
Characteristics (Current)					
Yield	0.29%	0.47%	0.36%	0.52%	0.69%
Duration	0.42	0.48	0.57	0.88	1.01
Spread Duration	0.55	1.02	0.72	1.15	1.36
Corp %	39%	38%	26%	39%	44%
BBB %	3%	9%	5%	9%	18%
MBS/ABS %	16%	31%	29%	39%	44%
Maximum Maturity per Security	3yr	3yr	3yr	5yr	5yr
Benchmark	3mo Bill	3mo Bill	6mo Bill	1yr Tsy	1yr Tsy
Notes	Single-A min	Daily Flows	More Aggressive	Max 15% BBB	Includes 4% HY

As of 12/31/20 Information ratio uses stated benchmark

Using Floaters to Balance Interest Rate Risk

Assumption: Overall average portfolio duration is limited to 1.0 and maximum corporate weighting is 50%.

Goal: Utilize steep Treasury curve, increase portfolio yield, maximize credit exposure, and stay within compliance limits.

Approach: Extend Treasury holding and include corporate floaters

Portfolio #1	Yield	Duration	Spread Duration	Weight
One Year Morgan Stanley Fixed	1.6	1.0	1.0	50%
One Year Treasury Fixed	1.0	1.0	0.0	50%
Total Portfolio	**1.3**	**1.0**	**0.5**	**100%**

Portfolio #2	Yield	Duration	Spread Duration	Weight
Five Year Morgan Stanley Floater	2.0	0.2	4.7	50%
Two Year Treasury Fixed	1.3	1.8	0.0	50%
Total Portfolio	**1.7**	**1.0**	**2.4**	**100%**

Utilizing the corporate floater allows for a higher yielding portfolio, but what's the catch…

…spread duration is longer, meaning more exposure to changes in credit spreads.

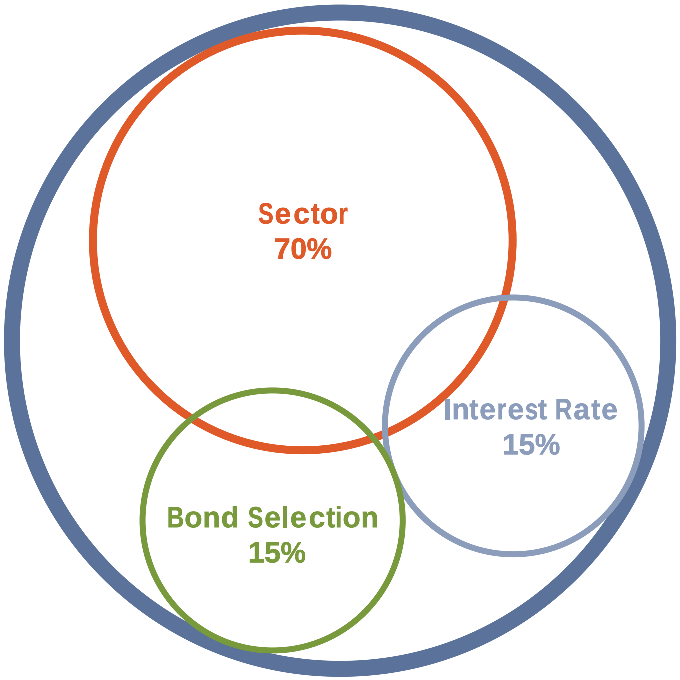
- Duration-focused guidelines do not restrict total credit exposure.
- Maturity limitations may overly restrict ability to control duration and maintain yield when using floaters.

Key Considerations for Portfolio Construction

Consideration	Description	What may be limited?
Guidelines	Set by regulators, state or federal law, or by internal investment committees and staff.	▪ Sectors – allowance and limitation ▪ Ratings – minimum and average portfolio ▪ Maturity/duration – security and portfolio level ▪ Loss limits – accounting based, or “comfort”
Risk Tolerance	Even if allowed by stated guidelines, understanding risk tolerance can inform investment decisions.	▪ High yield may not be prohibited, but an investor not willing to realize losses may want to avoid.
Style Drift	Willingness to deviate from a benchmark	▪ Out-of-benchmark investments acceptable? ▪ Deviation from passive indexing tolerance
Size of Entity	Registration laws limit investor types for certain securities	▪ Must be a Qualified Institutional Buyer to participate in 144a and/or REGS securities
Currency	Can open FX risk be taken, or even hedged risk?	▪ Also a question of settlements and regulations.

Expected Alpha Sources

Portfolio Alpha



- **Sector - 70%:** Multi-sector income focused portfolio including, MBS, Corporate, Emerging Market, Securitized bonds and Currency
  - Relative value analysis to identify sectors with spread compression potential and / or yield carry
  - Evaluate new segments of market sectors

- **Interest Rate- 15%:** Active management to express long term strategic views, while mindful of short-term dislocations to take of advantage of tactical opportunities
  - Range-bound market adds opportunity to trade tactically

- **Bond Selection - 15%:** Credit analysis – identify undervalued bonds
  - Rigorous bottom-up analysis
  - Aim to achieve better-than-market return
  - Emphasize conviction trades

Major Drivers of Risk and Return within a Portfolio

Decision	Total Return Impact During 2020	
Duration & Yield Curve	0 - 1 Year Treasury 1 - 3 Year Treasury	1.12% 3.10%
Sector Allocation	1 - 3 Year Treasury 1 - 3 Year IG Corporate	3.10% 4.16%
Security Selection	1 - 3 Year Industrial Corporate 1 - 3 Year Financial Corporate	3.92% 4.50%

Source: Bloomberg, ICE BofA indices total return

Risk Controls at Every Level

Intra-strategy Decision Layers

IPC – Pragmatic Oversight

- Approval for all new asset types
- Country/industry “no buy” lists
- Counterparty/derivatives limitations

Architecture Team – Portfolio Consistency

- Adherence to targets
- What if scenarios – outlier events
- Attribution analysis

Trading – Best Execution

- Dedicated traders who only execute
- Use a variety of brokers for different needs
- Monitoring accurate pricing/liquidity at all times

External Guidance

Client Portfolio Management

- Understand the spirit of the guidelines
  - Do not exploit gaps in the language
  - Review and recommend changes, as warranted
- Deep understanding of the Client’s needs and goals

Compliance

- Independent with final authority
- Pre trade and post trade analysis on client portfolios
- Rigorous employee personal trading policy

Independent Risk Management Team

- Independent of investment teams, reporting directly to the IPC & Managing Committee
- Use of proprietary and best-in-class 3rd party systems for generation and monitoring of risk dashboards
- Generation and maintenance of performance attribution reports
- Regular assessment of stress testing scenarios and risk sentiment

Stress Test Example

As of June 30, 2021

Scenario Analysis of Sample Portfolio – 6 mo Holding Period Returns (%)

Yield: 0.41% Duration:1.68 yr Spread Duration: 1.32 yr Average Quality: AA

	Corporate Credit Spreads:		
Interest Rate Shock	Unchanged	25 bps Tighter	25 bps Wider
Unchanged	30	43	22
Up 50 bps	-50	-40	-61
Up 100 bps	-135	-125	-145

	Risk	Responses
Structure	Adds reinvestment or extension risk.	▪ Stress test weighted average life assumptions & avoid extendible securities
Liquidity	Challenges in providing cash when needed at minimum cost.	▪ Analyze bid/ask relative to yield and expected holding period ▪ Esoteric structures do not provide the necessary liquidity
Execution	Transaction costs and inefficiencies reduce portfolio realized total return.	▪ Dedicated trading professionals ▪ Independent compliance team monitoring guidelines and limitations
Operational	Risk of failed trades, rogue trading, and compliance violations.	▪ Internal controls and compliance ▪ Separation of duties ▪ Errors and omissions insurance ▪ Disaster recovery planning

Performance Attribution Example – Contributors to Alpha

As of June 30, 2021

A diversified portfolio produces diversified contributors to alpha

in basis points	3Q20	4Q20	1Q21	2Q21	Total
Portfolio Performance	36	26	(6)	13	**69**
Benchmark Performance	10	5	(5)	(3)	**7**
Alpha	**26**	**21**	**(1)**	**16**	**62**
Duration & Curve	0	(2)	(17)	6	**(13)**
Sectors					
Gov't/Agy	1	1	0	1	**3**
Gov't Related	1	2	0	1	**4**
Municipals	1	0	1	0	**2**
Corporate IG - Financials	9	9	0	5	**23**
Corporate IG - Industrials	2	2	0	1	**5**
Corporate IG - Utilities	0	0	0	0	**0**
ABS	8	3	4	6	**21**
Non-Agy MBS	3	1	0	0	**4**
Agency MBS	0	4	11	(4)	**11**

Spread sectors drive out-performance of this portfolio over the year

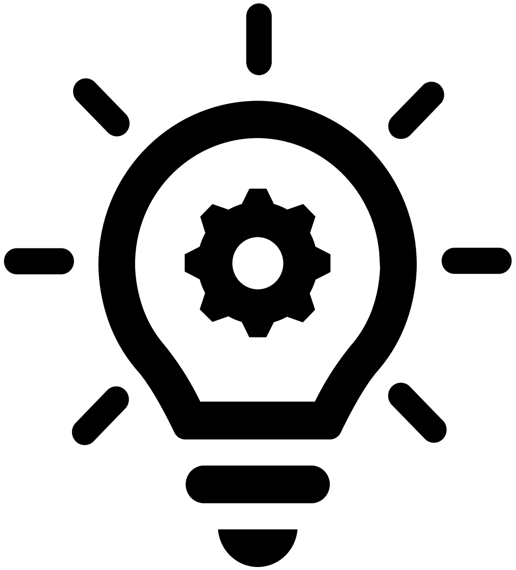
Monitor and Review

The work is never done.

The market and portfolios must be constantly reviewed.

- Have expected cash flows changed?
- Has the credit or economic environment changed?
- Have relative or absolute valuations changed?
- Has liquidity changed?

"I'm disappointed. If anyone should have seen the red flags, it's you."



The Market Today

It’s Annual Outlook Season Again…

Economic Summary: Rebound Continues

Economic Growth

- Exogenous shock of Covid different than a typical “cycle” (where recessions were endogenous). Goods spending surged due to lockdown and stimulus; services spending will continue to drive the recovery as the economy continues to reopen. Peak growth in Q2 in U.S. Global growth recovers in H2.

Unemployment

- There is a strong demand for labor, particularly in the service sector. While some frictions remain (mainly due to the virus), the labor market is much better off than post-2008. We should achieve sub-5% unemployment rate by year-end.

Inflation

- Inflation will remain elevated over the next few quarters; we rely on specific trend measures to sift through the noise and expect price pressures to moderate next year.

Central Banks & Markets

- Right or wrong, this Fed is different. Flexible inflation targeting and focus on “maximum employment” means tolerating inflation considered “transitory.” The Fed should begin tapering in late-2021 or early-2022, but rate hikes are far off. Accommodative monetary policy and strong economic growth bode well for markets.

2021 U.S. Macroeconomic Outlook: A Return To "Normal"?

The U.S. economy shrank by more than 10% in the first half of 2020 but began recovering in the second half of 2020. With the U.S. consumers' income boosted by another round of stimulus and improvements on the vaccine front, we expect continued strong GDP growth, lower unemployment, and higher inflation in 2021.

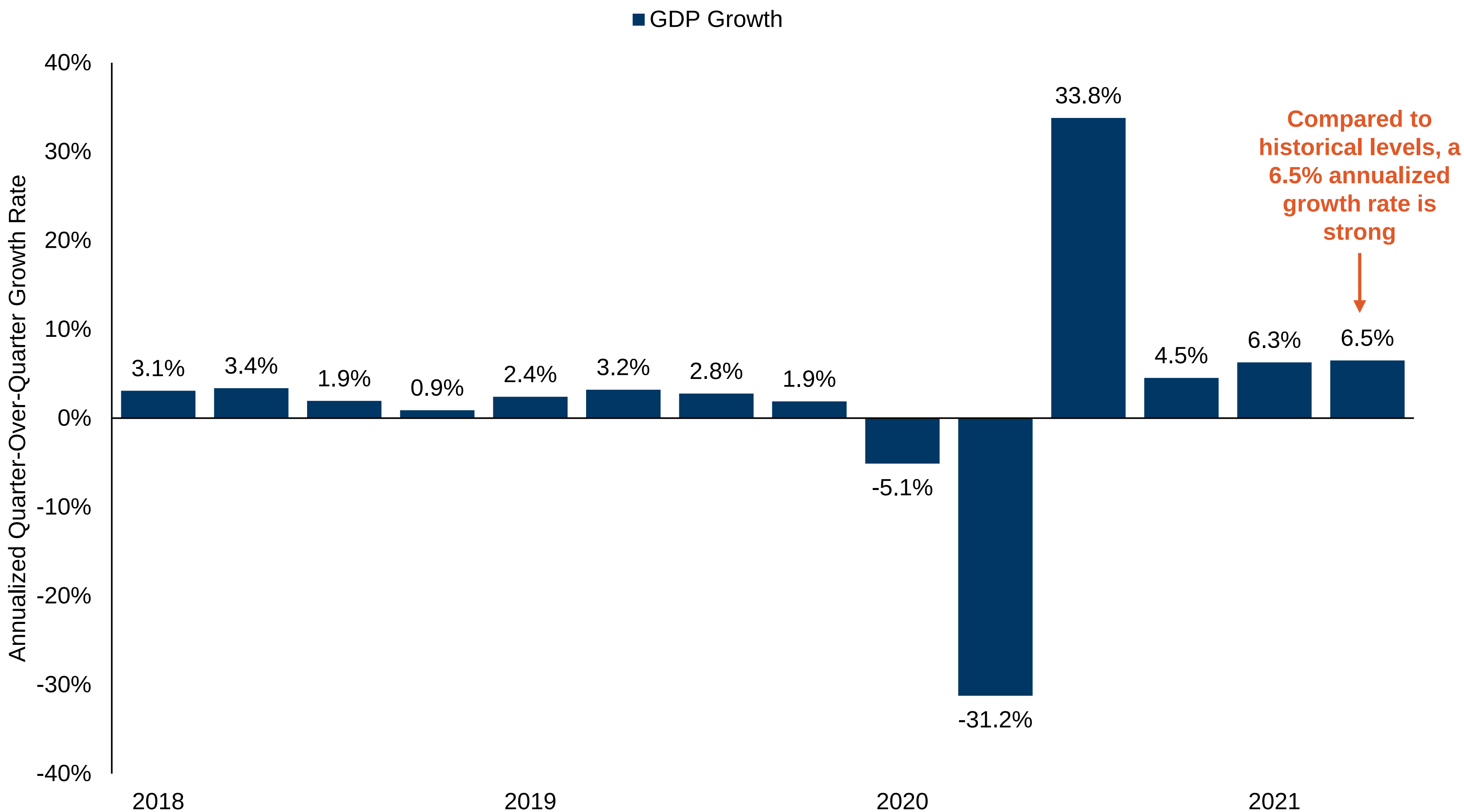
Indicators	Latest Reading	Payden 2021 Forecast	Bloomberg Consensus*	Median FOMC Projection
Economic Growth Q4/Q4 Real GDP % Change	**6.5%** (as of Q2 2021)	**6.2%**	**6.3%**	**7.0%**
		Economic output will be boosted by additional stimulus and continued vaccine rollout		
Labor Markets Unemployment Rate Level at Year End	**5.4%** (as of July)	**4.3%**	**4.8%**	**4.5%**
		The unemployment rate will decline even as labor force participation increases		
U.S. Inflation % Change Year-Over-Year by Year-End, Core PCE	**3.5%** (as of June)	**3.5%**	**3.4%**	**3.0%**
		Inflation will end the year far above the Fed's target, but the Fed will overlook "transitory" price increases		
Policy Rate (Fed Funds Rate)	**0.0-0.25%**	**0.0-0.25%**	**0.0-0.25%**	**0.0-0.25%**
		The Fed is "not even thinking about thinking about raising rates"		

Source: Bureau of Economic Analysis, Bureau of Labor Statistics, Payden Calculations

**Bloomberg surveys estimate quarterly averages*

Growth is Good

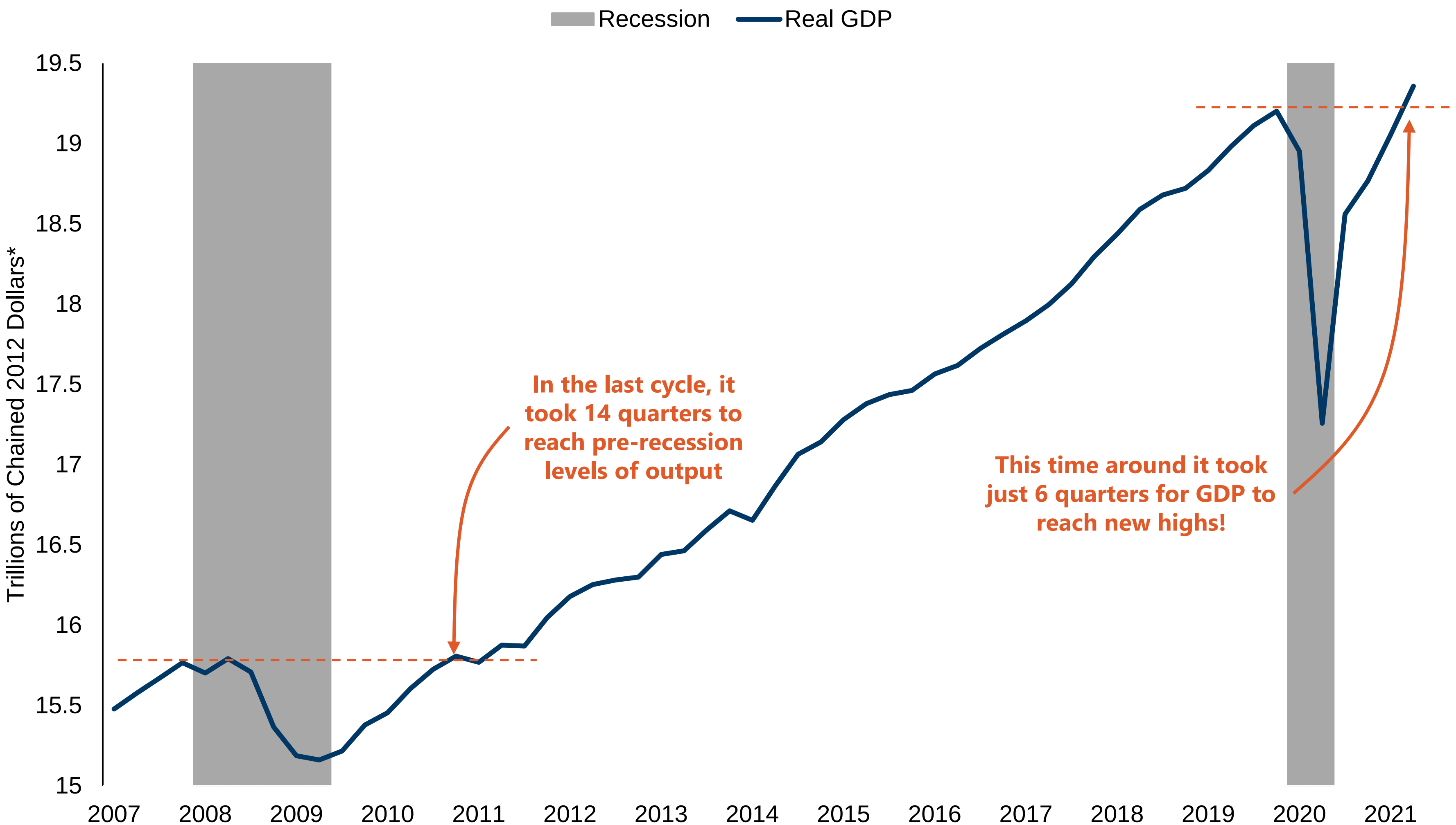
Real U.S. GDP Growth by Quarter



Source: U.S. Bureau of Economic Analysis

The “Recovery” Is Over, The “Expansion” Is Underway: The U.S. Economy Has Reached New All-Time Highs…

Real U.S. GDP

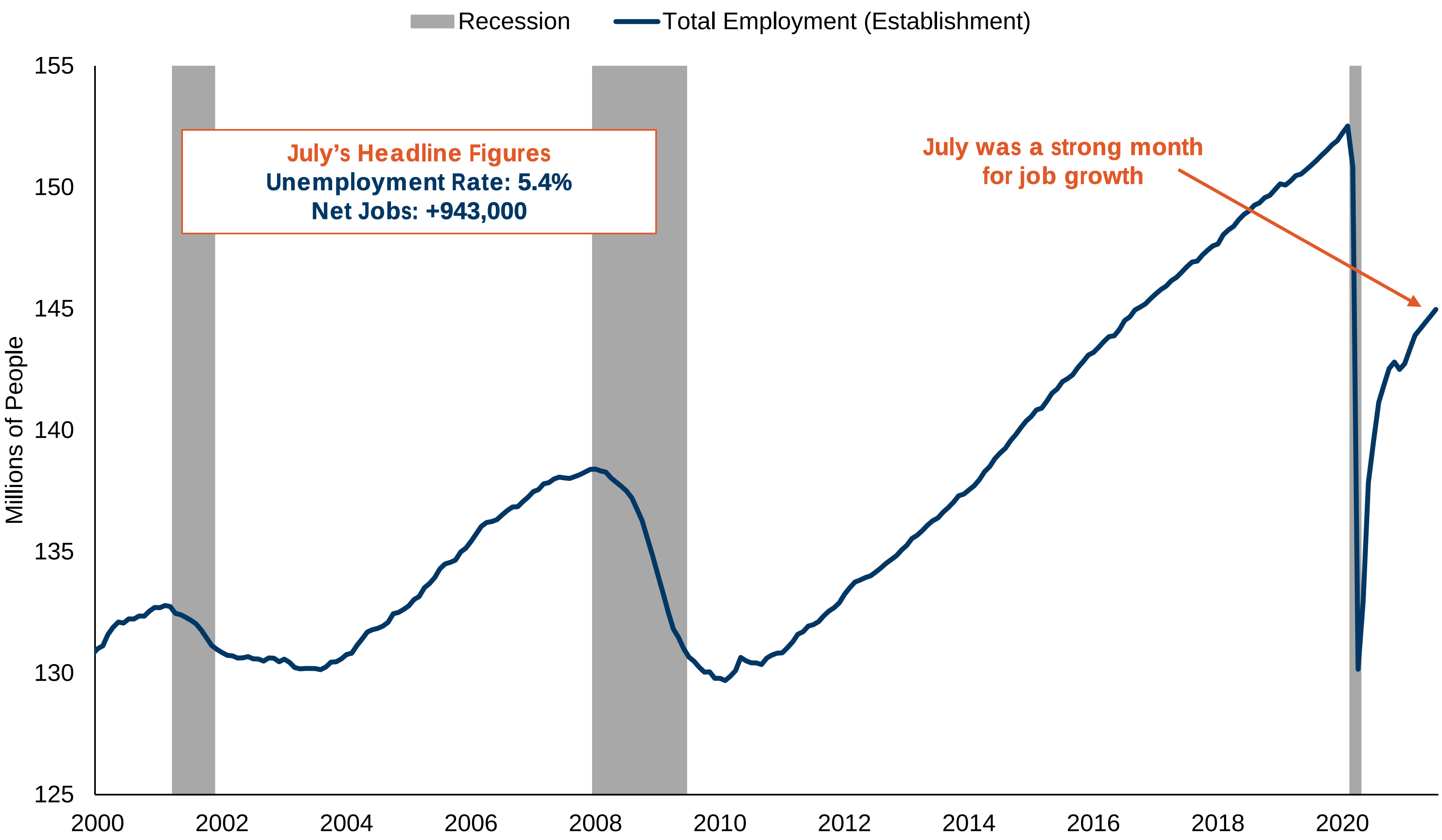


Source: U.S. Bureau of Economic Analysis

**Inflation adjusted*

Employment Moving In The Right Direction

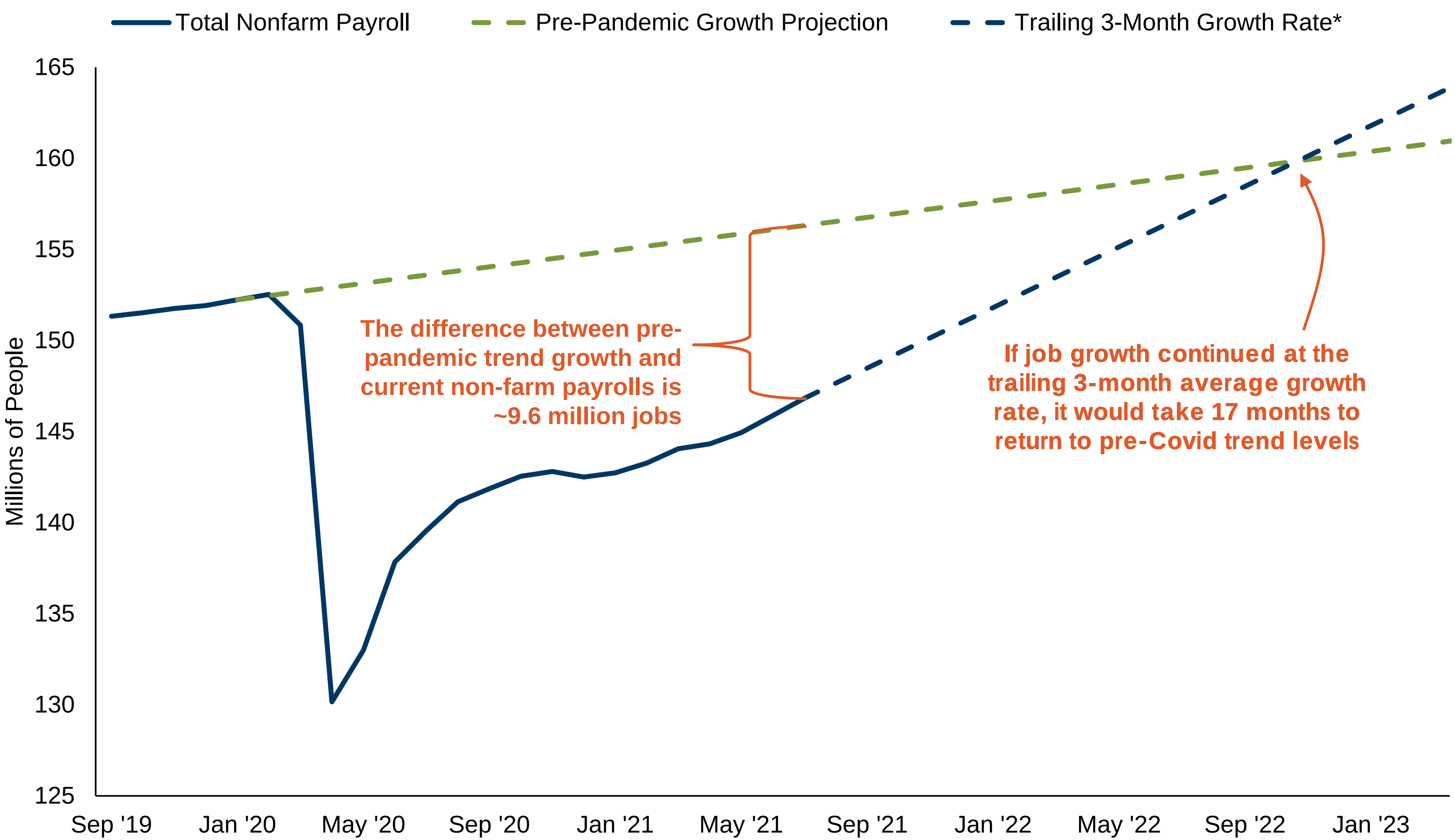
U.S. Employment Level Since 2000



Source: U.S. Bureau of Labor Statistics (BLS), NBER

...But The Labor Market Is Still Far From A Full Recovery

Total Nonfarm Employment Level and Projections

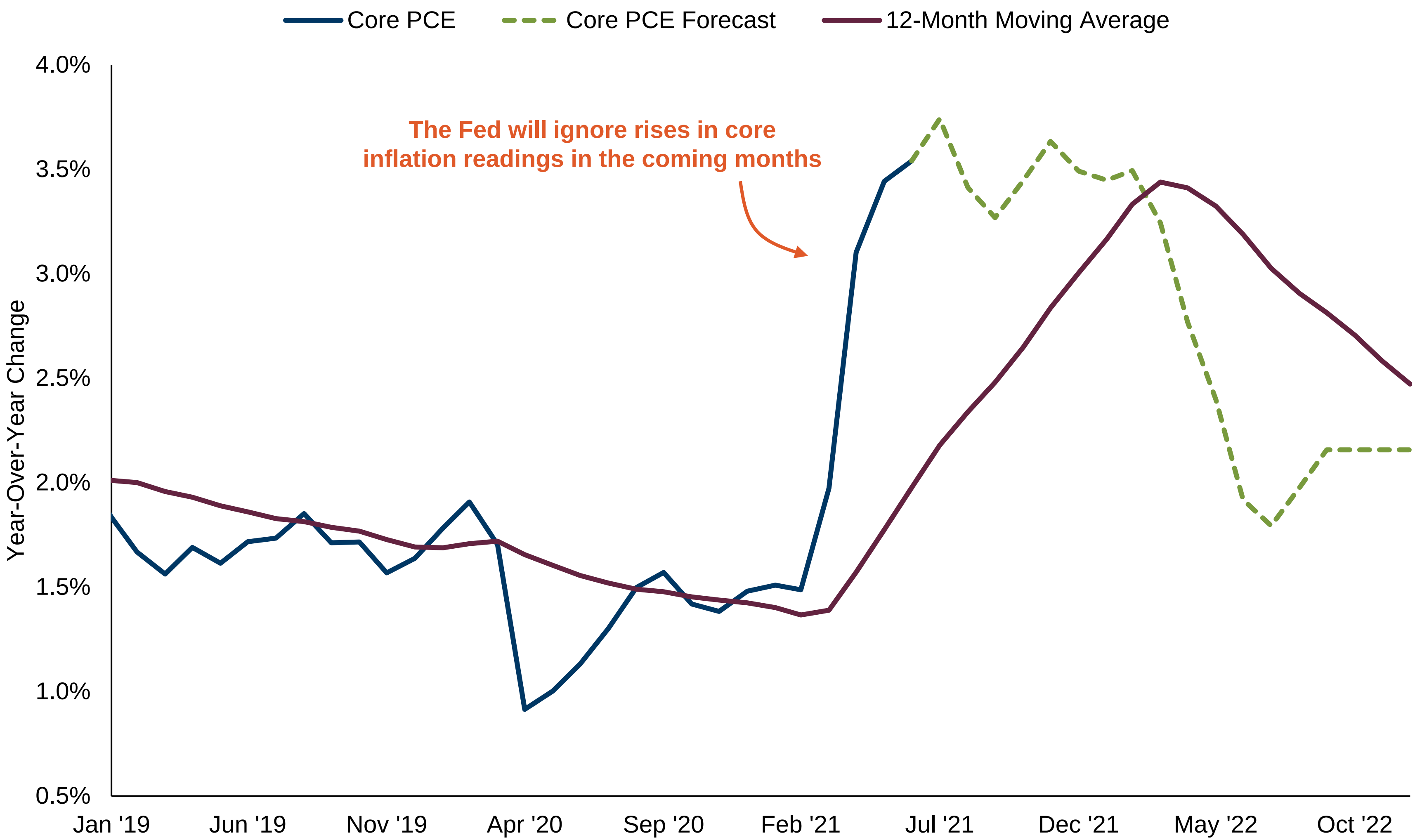


Source: U.S. Bureau of Labor Statistics

**implies 832,000 jobs added per month*

Inflation Is Likely To Stay Elevated Through The Summer Due To Base Effects And Bottlenecks From The Economic Reopening – "Transitory"

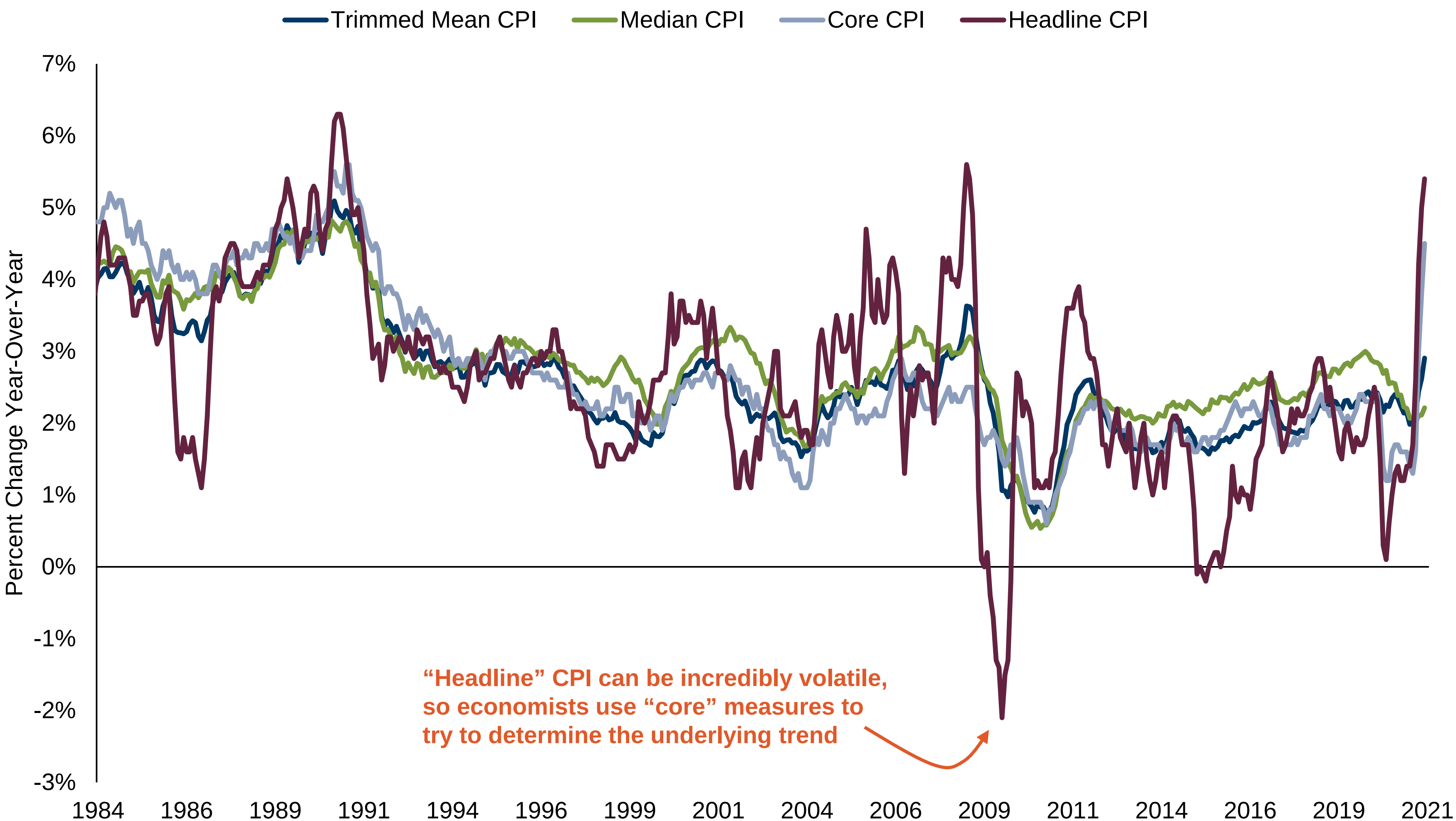
U.S. Inflation: Core PCE Forecast, Moving Average, and Target



Source: Bureau of Labor Statistics, Payden Economics

In Strange Economic Times, You Need The Right "Core" Measures of Inflation

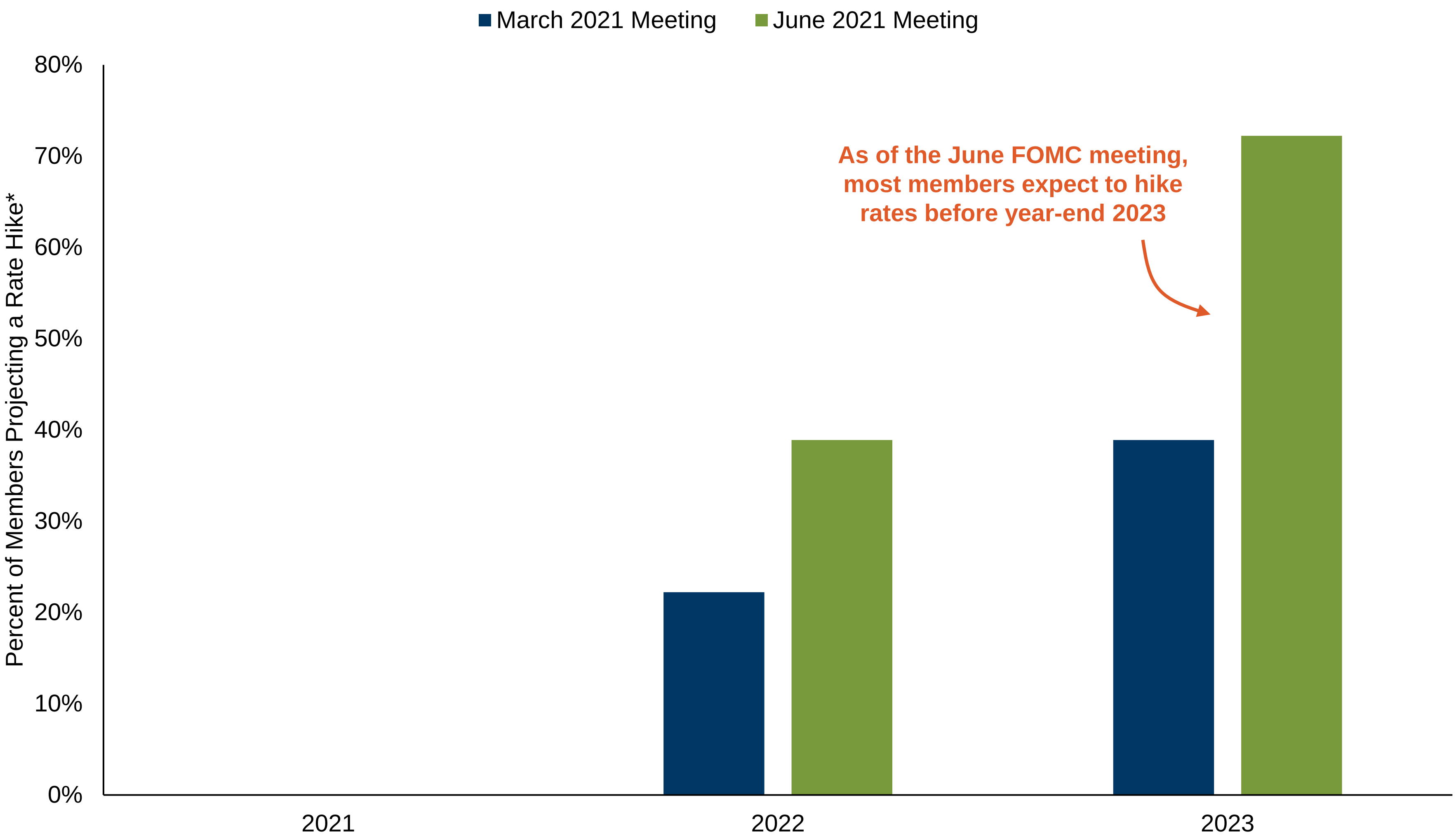
Core, Median, and Trimmed Mean CPI



Source: Bureau of Labor Statistics, Cleveland Fed

Fed Projections Reflect Recovery Optimism

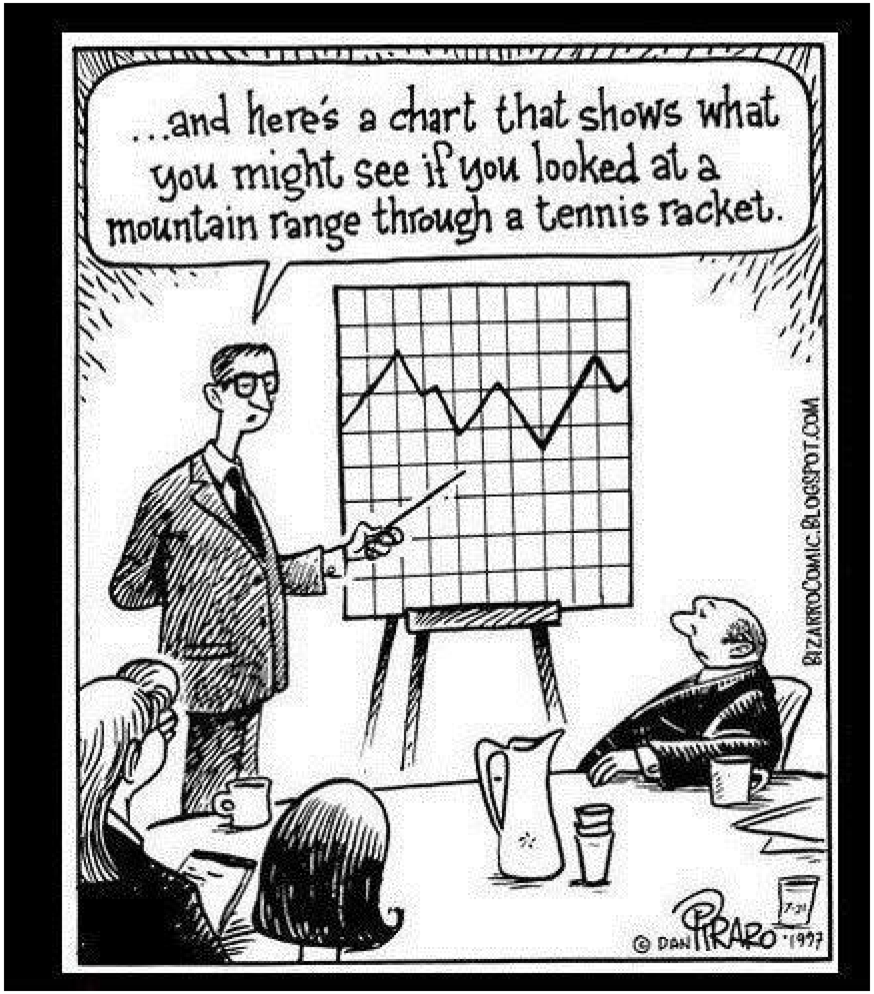
Summary of Economic Projections for Fed Funds Rate at Year End (2021-2023)



Source: The Federal Open Market Committee (FOMC)

**At least one rate hike by year-end*

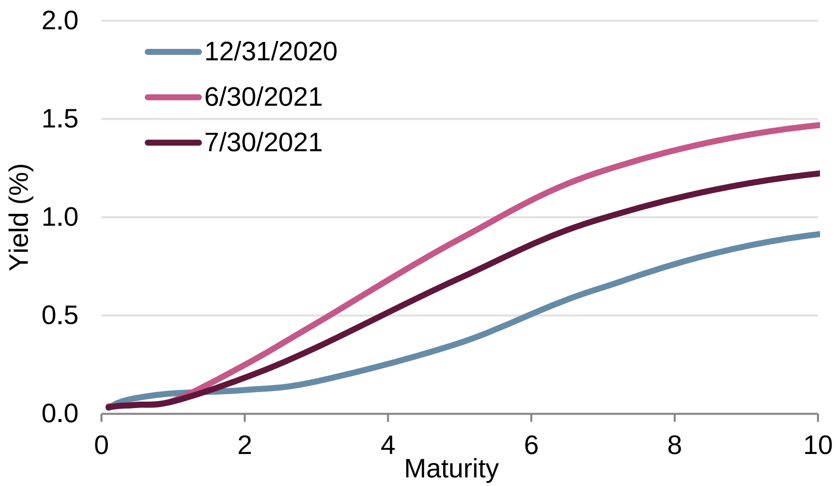
If You Can't Tell By Now, We Love Charts



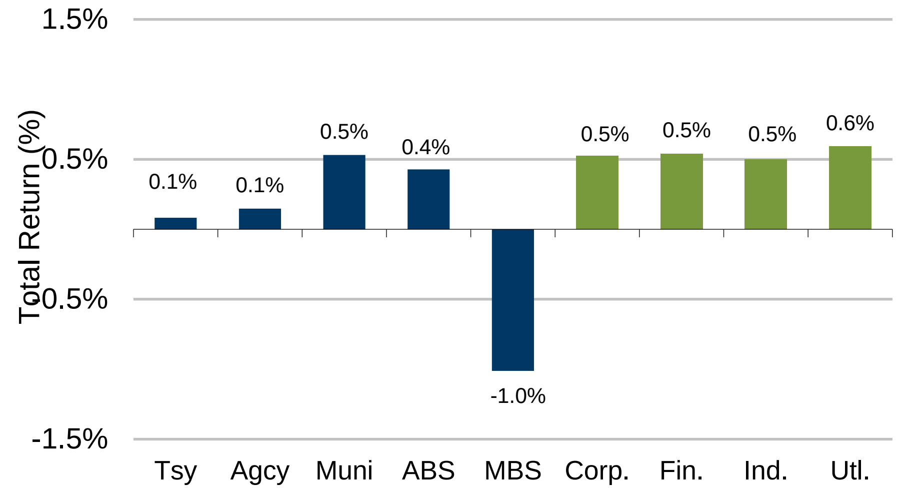
US Bond Market Environment

As of July 31, 2021

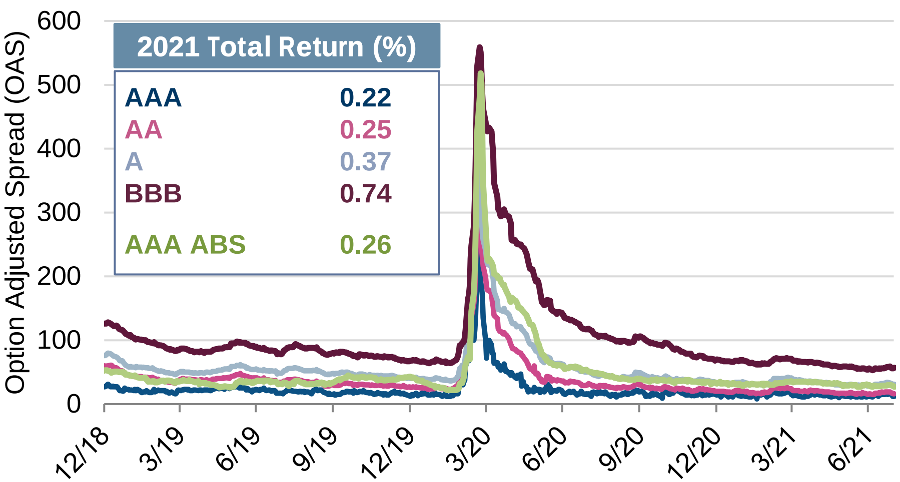
Short Treasury Yield Curve Flattened in July

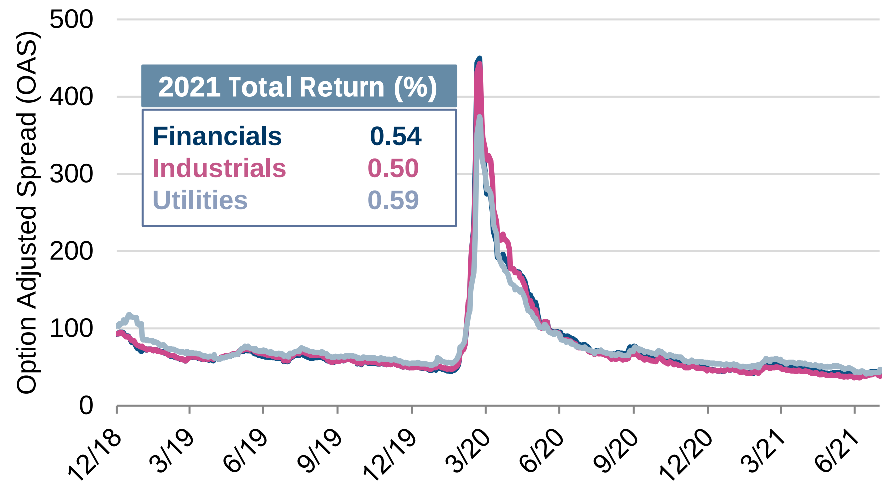


YTD Sector Total Return – 1-3 Year Maturity



Spreads Tightened YTD

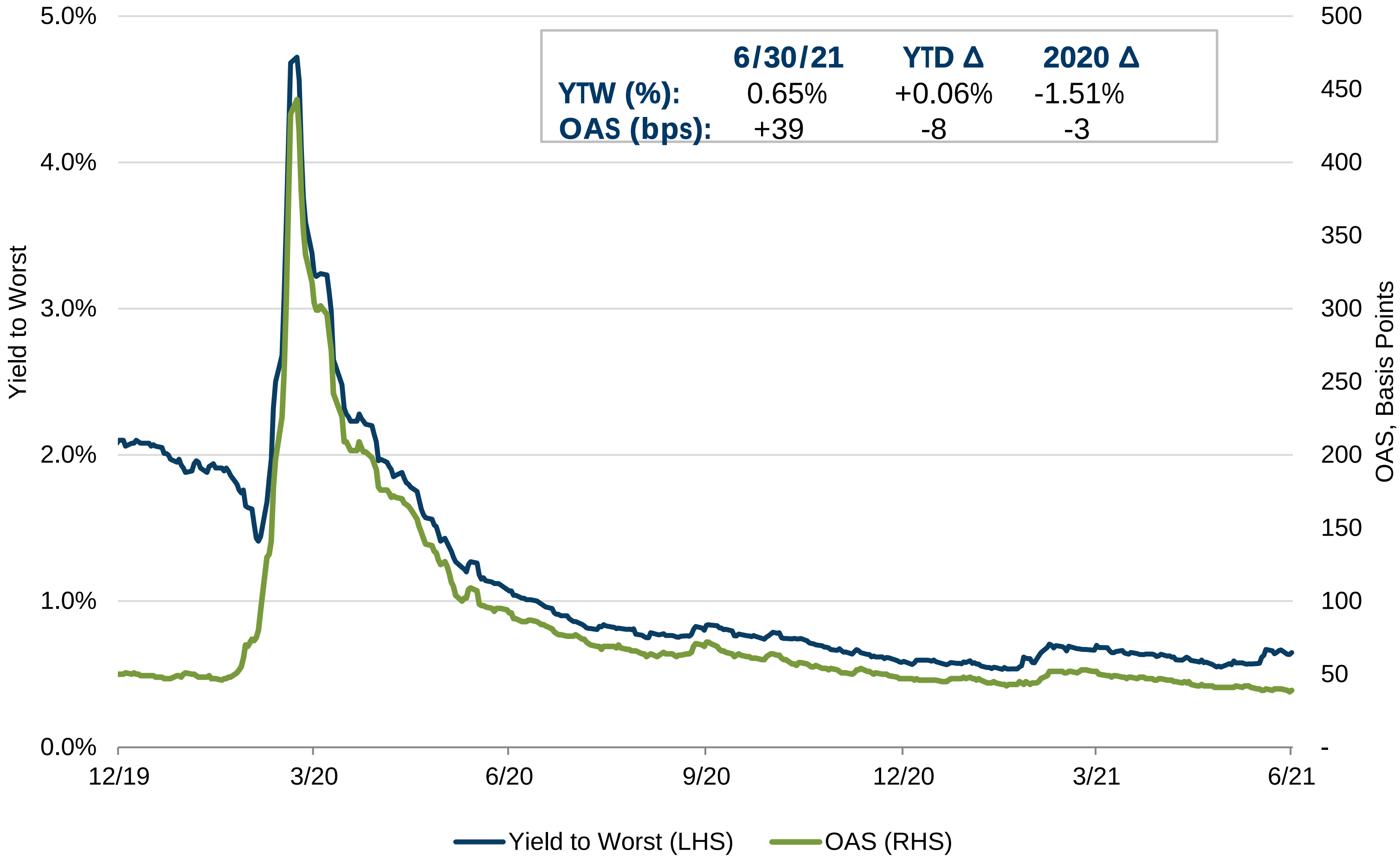




Source: ICE BofA 1-3 Year Indices

Corporate Yields Continue to Attract Investor Demand

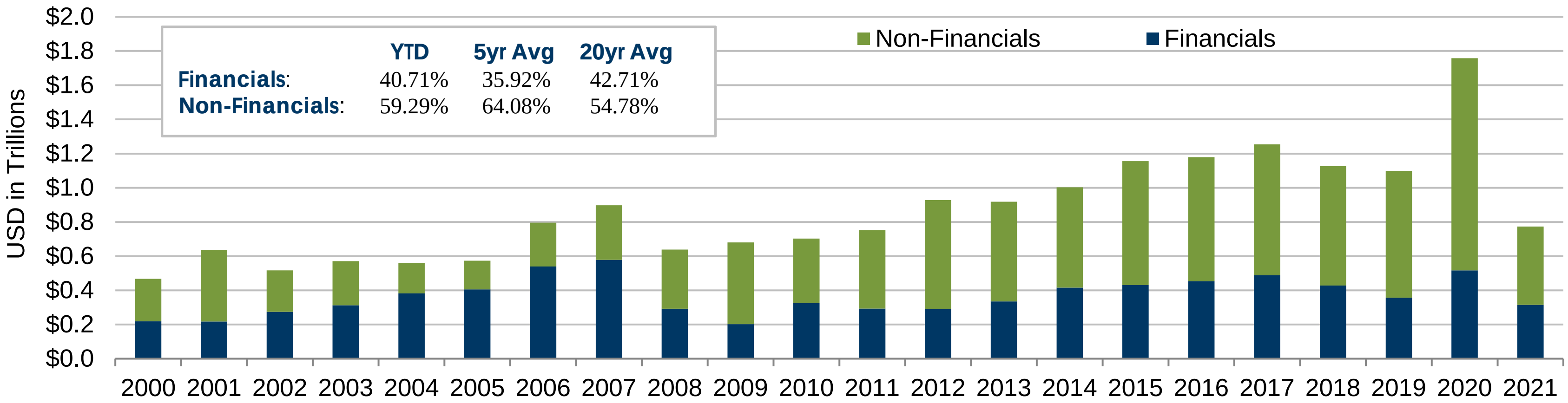
Despite the decline in yields and compression in spreads, short-term investment grade corporates still provide a healthy pickup over Treasuries in the short-term part of the curve.



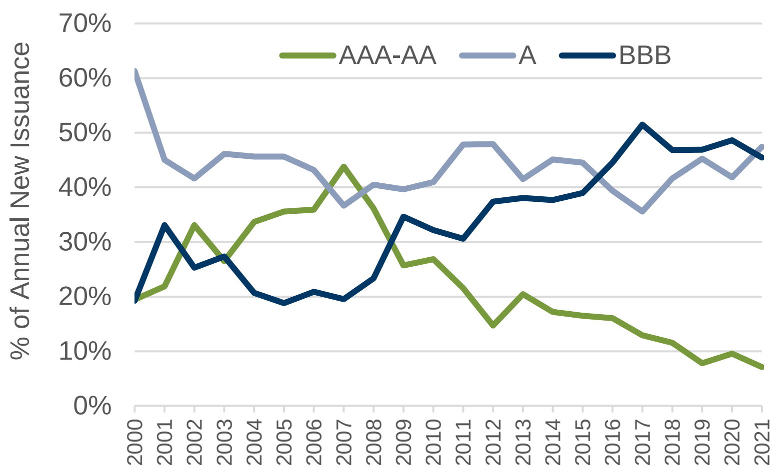
Source: Payden & Rygel, ICE BofA 1-3 Year US Corporate Index June 30, 2021

IG Corporate Supply: Expect Issuance To Remain Robust

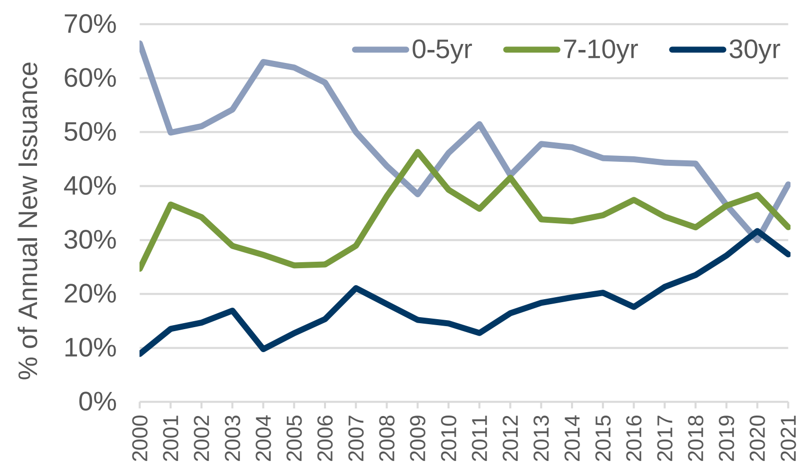
YTD Supply is $774B, 34% Below the Same Period in 2020, But Still ~20% Higher Than Other Recent Years



Supply by Rating:
BBB Issuance has Risen 20% in the Last Decade



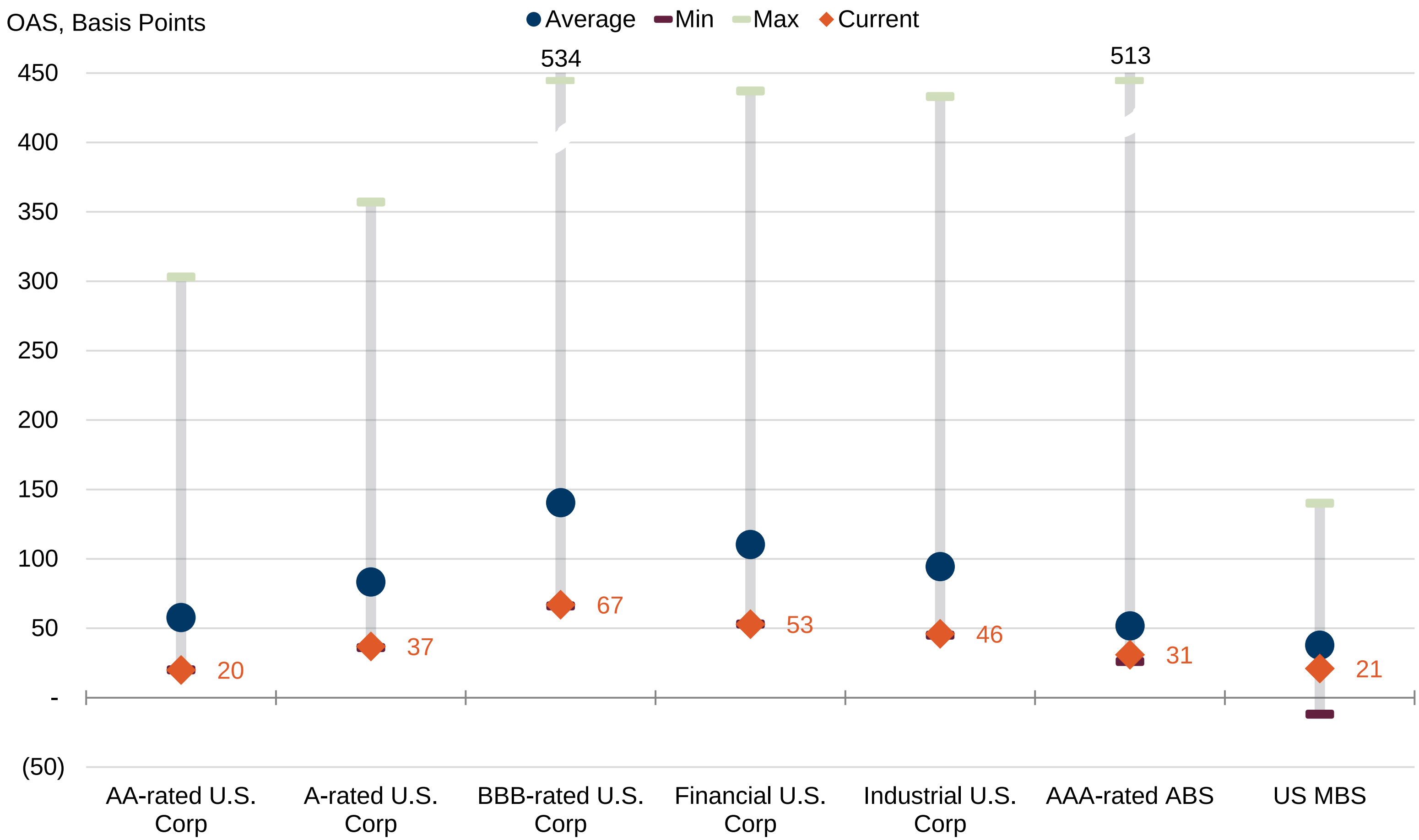
Supply by Maturity:
0-5yr Supply Ticking Higher as Rates Curve Steepens



Source: Payden & Rygel, J.P. Morgan Corporate Issuance as of June 30, 2021

Updated Risk Premium by Sector in Short Maturity Bonds

Risk premium by sector, or spreads over Treasuries, are indicated below and remain near their 10 yr. tights. For the quarter, we continued to see a compression across all sectors but RMBS.



△ in OAS Q1-Q2 2021	**-8**	**-11**	**-17**	**-15**	**-14**	**-6**	**+26**

Source: ICE BofA 1-5 Year Index data as of the June 30, 2021

While Yields Are Near Lows, Corporate Spreads Have Attractive Slope

Corporate OAS by Rating by Maturity (bps)

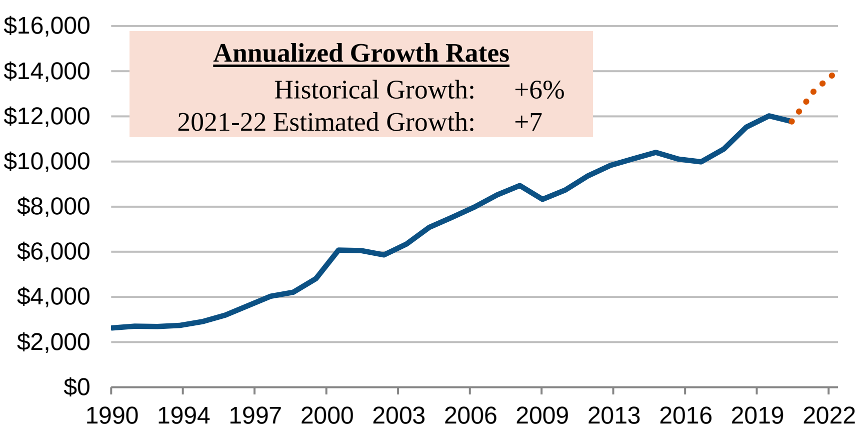
	1y	2y	3y	4y	5y
AA	16	8	9	19	20
A	20	14	17	29	31
BBB	40	37	41	55	58

Corporate Yield by Rating by Maturity (%)

	1y	2y	3y	4y	5y
AA	0.23	0.33	0.55	0.83	1.09
A	0.27	0.39	0.63	0.93	1.20
BBB	0.47	0.62	0.87	1.19	1.47

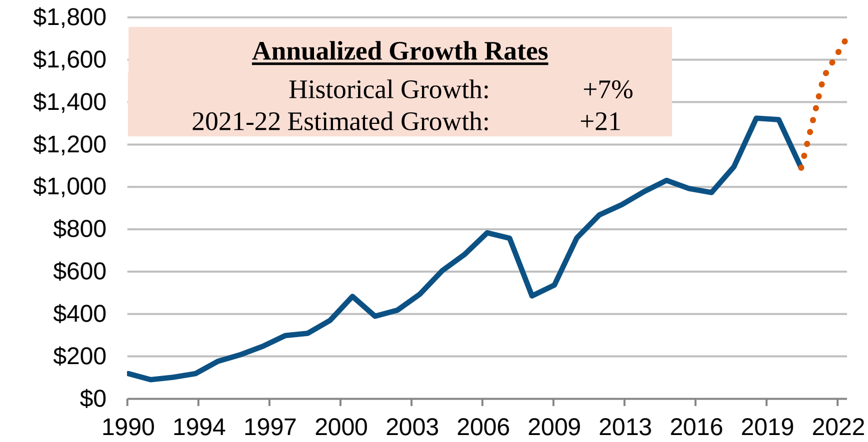
Source: US Corporate Yield Curve data as of June 30, 2021

Corporate Sales (in billions)



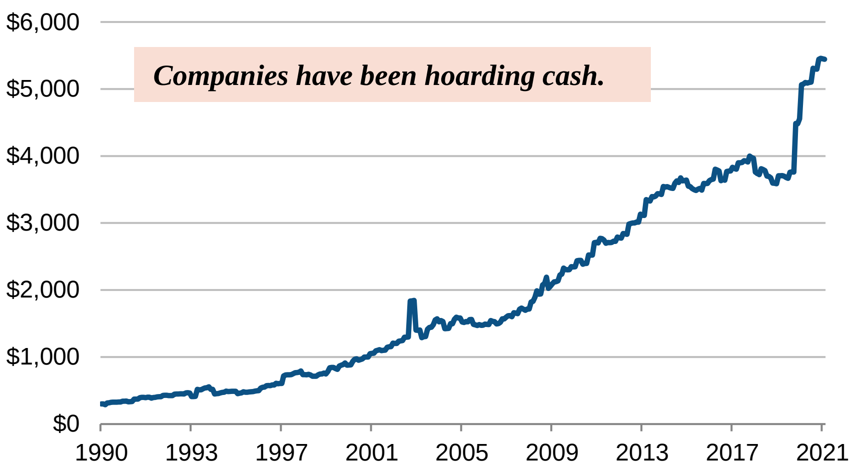
Source: Bloomberg

Corporate Profits (in billions)



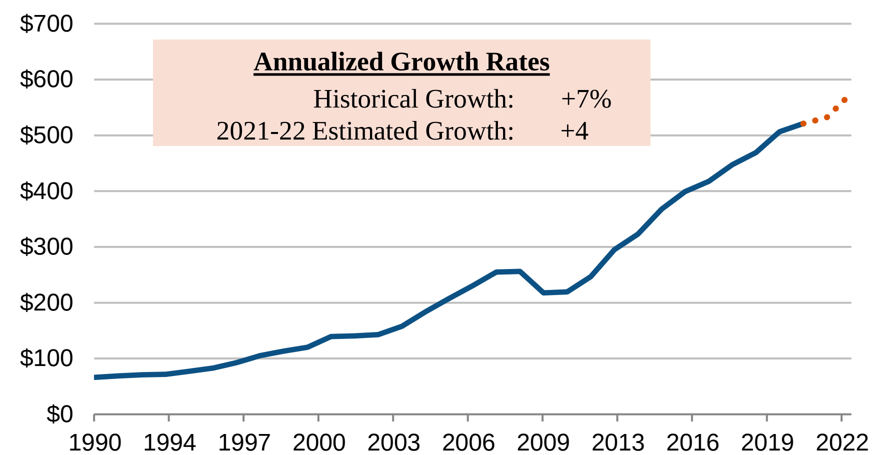
Source: Bloomberg

Corporate Cash (in billions)



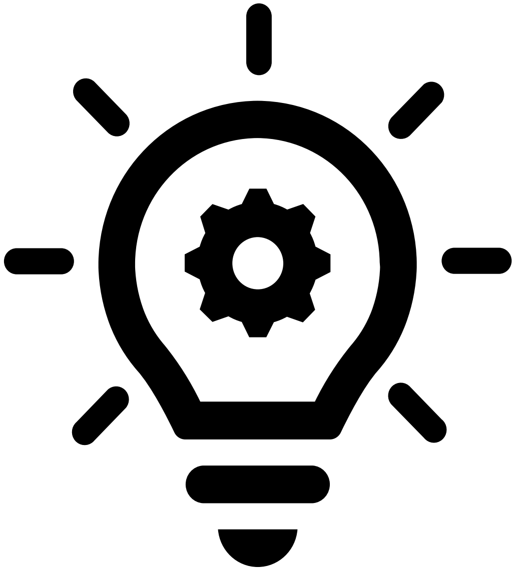
Source: Bloomberg

Dividends Paid (in billions)



Source: Bloomberg

Questions: Market and Economics

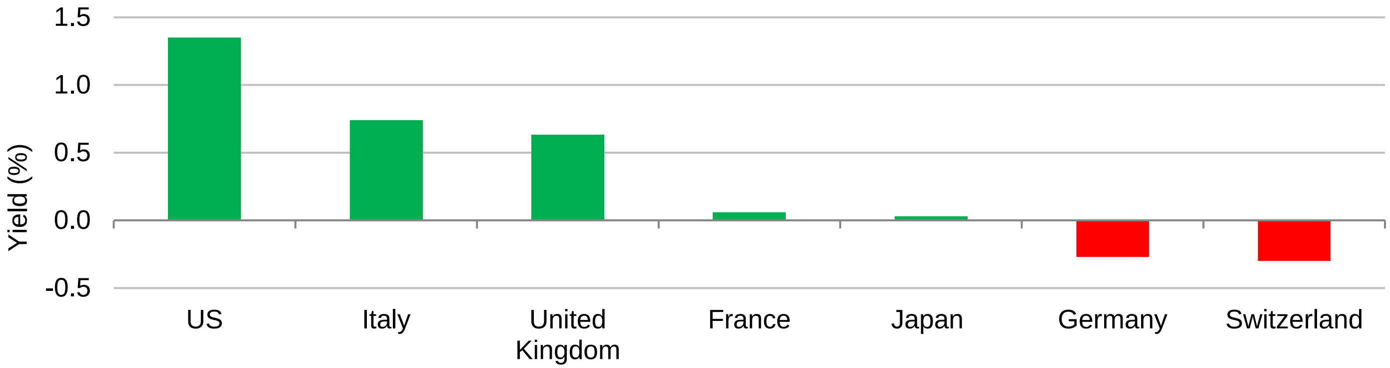


Investment Opportunities

U.S. Attractive Relative to Rates Elsewhere

Rates are low or negative across much of the developed world

Select 10-Year Government Rates



Source: Bloomberg, as of July 5, 2021

The Current Short-term Fixed Income Opportunity Set

- Yields continue to remain low as the Fed signals its intentions in keeping its policy rate near zero for the foreseeable future
- Relative pickup versus Treasuries remains meaningful despite the compression of credit risk premiums

Tenor	Treasury	Agency	Callable Agency	Supra (AAA)	CP (A-1)	CP (A-2)	LIBOR	Corp (A Ind)	Corp (A Fin)	Corp (BBB Ind)	Corp (BBB Fin)	ABS (Cards) (AAA)	ABS (Auto) (AAA)	Agency CMO	15 Yr. Fixed Rate Agency MBS	CLOs AAA	CRT	High Yield	EMD
3-month	0.04	0.04		0.06	0.1	0.17	0.13	0.16	0.19	0.33	0.45	0.13	0.13						
1-year	0.06	0.03		0.11			0.24	0.22	0.26	0.43	0.52	0.16	0.19	0.35					0.78
2-year	0.19	0.1	0.13	0.22				0.33	0.38	0.56	0.65	0.32	0.35	0.5		0.58	0.93	2.12	1.02
3-year	0.34	0.38	0.33	0.43				0.55	0.59	0.78	0.9	0.44	0.55	0.6				2.63	1.22
5-year	0.69	0.76	0.9	0.77				1.06	1.1	1.31	1.44	0.96		1.15	1.05		1.28	3.54	1.81

Source: Payden & Rygel. As of July 31, 2021. Figures in percent.

Outside of the Florida Funds' investment guidelines

Perspective on Duration, Credit, and Return Volatility

- Extending duration adds return potential.
- Adding credit improves risk adjusted return profile over time

Total Return (Monthly) 10 Years Ending 06/30/2021:	Money Market Index	1-Year Treasury	1-3 Treasury	1-3 Govt/Crdt	1-5 Treasury	1-5 Govt/Crdt	1-10 Govt/Credit	1-10 Aggregate	1-30 Aggregate
Yield-to-Maturity[1]:	0.01%	0.07%	0.25%	0.34%	0.40%	0.56%	0.92%	1.22%	1.50%
Duration[1]:	-	0.9 yrs	1.9 yrs	1.8 yrs	2.6 yrs	2.6 yrs	4.2 yrs	4.2 yrs	6.6 yrs
Maximum	0.20%	0.88%	1.37%	0.79%	1.71%	1.13%	1.77%	1.50%	2.59%
Minimum	0.00%	-0.16%	-0.40%	-0.41%	-0.92%	-0.93%	-1.73%	-1.72%	-2.37%
Average	0.05%	0.08%	0.10%	0.13%	0.13%	0.17%	0.23%	0.23%	0.28%
Std Deviation (monthly)[2]	0.22%	0.44%	0.88%	0.78%	1.42%	1.30%	2.18%	2.06%	3.01%
Std Deviation (quarterly)[2]	0.38%	0.65%	1.13%	0.92%	1.69%	1.41%	2.35%	2.25%	3.30%
# of Negative Rolling 12 Months	0	0	6	0	24	7	18	16	23
# of Negative Rolling Quarters	0	4	9	6	10	7	9	8	9
# of Negative Months	0	20	40	35	48	41	47	45	45
# of Negative Months in %	0%	17%	33%	29%	40%	34%	39%	38%	38%
Annualized Trailing Returns									
3 Year	1.19%	2.01%	2.68%	2.99%	3.26%	3.73%	4.70%	4.41%	5.34%
5 Year	1.06%	1.49%	1.60%	1.90%	1.76%	2.22%	2.63%	2.53%	3.03%
10 Year	0.56%	0.93%	1.20%	1.53%	1.59%	2.03%	2.76%	2.74%	3.39%
Sharpe Ratio (10 Year)	-	0.76	0.69	1.19	0.70	1.10	0.99	1.04	0.93

[1] *As of 06/30/2021*
[2] *Annualized*
Source: iMoneyNet, ICE BofA, and Bloomberg Barclays indices

Comparison: Money Market Fund and Short Bond Fund

	$1.00 NAV Money Market Fund	Short Bond Fund
Why Consider?	Investment solution for daily and very short term, frequent flow cash assets	Investment solution for reserve assets, not likely to be needed for 9 months or longer
Pros	▪ Certainty of current income ▪ Principal preservation (No unrealized loss at time of withdrawal if $1 NAV not "broken")	▪ Higher total return potential ▪ Lower reinvestment risk ▪ Liquidity readily available if unexpected need arises ▪ Bonds mature at par (assuming no default), erasing unrealized losses due to rise in market rates
Cons	▪ High reinvestment risk ▪ Lower total return potential	▪ Increased price variability / risk - Short term unrealized losses possible during periods of rising interest rates ▪ Slightly more credit risk

ICE BofA U.S. Indices - 12 Month Period Ending 6/30/2021			
12 Month Return Due To:	**3-Month Bill Index**	**1-3 y Treasury Index**	**1-3 Year AAA-A US Corp Index**
Price Return	0.10%	-1.46%	-1.52%
Income Return	0.00%*	1.53%	2.62%
Total Return	**0.10%**	**0.07%**	**1.10%**

**For discount instruments, income return is technically classified as price return for accounting purposes, but is known with certainty at time of purchase*

Sector Investment Themes – June 30, 2021

	Expectation	Response
US Interest Rates	▪ With potential for FOMC lift-off from zero in late 2022, expect further taper discussions and QE phase-out to begin over next 18 months. ▪ Continued pricing of an early liftoff and shallow trajectory, with the level and curvature of rates dependent on the expected future path of the policy rate.	▪ We have allowed duration to drift short, while maintaining a neutral to slightly overweight position at the long end of respective benchmarks, where carry and roll is attractive. ▪ We are underweight 1yr/2yr key rates in favor of FRN allocations and have been increasing longer dated FRNs in constrained accounts.
Money Markets	▪ Excess liquidity from monetary and fiscal support invested in high quality liquid assets continuing to depress short-term interest rates. ▪ Credit spreads remain narrow in short maturity securities. ▪ The 5bps bump in IOER and RRP will continue to serve as a soft floor for short-term investments.	▪ Diversify with floating rate money market securities for portfolio sensitivity to rising rates. ▪ We remain cautious in adding longer term interest rate exposure and have consequently increased two years and in holdings.
IG Corporate Debt	▪ Spreads continue to grind tighter to and through post-GFC tights given high degree of market liquidity. ▪ Fundamentals expected to improve as IG median leverage continues to decline from 2Q20 peaks and earnings strength continues. ▪ Continued elevation of supply amidst strong demand. ▪ Broader theme of inflation tolerance should continue to provide a backdrop broadly supportive for credit markets.	▪ We remain overweight and active in new issue and continue to rotate exposure. ▪ Utilized corporate issuance to optimize positioning and increased usage of floating rate issues to generate portfolio income without increasing duration. ▪ Investment grade markets offer value and support a full allocation to the sector.
Securitized	▪ Improving consumer balance sheets continue to support collateral performance. ▪ Structural protections allow for quality-adjusted relative value opportunities.	▪ We continue to be active in new issue and wider spread product such as CRT, CLO and CMBS which continue to perform and drive our carry. ▪ Utilized robust new issuance to optimize allocations and emphasize subsector diversification. ▪ Focus on top of the capital stack for value and liquidity.
Government related/Municipal	▪ Spreads remain compressed with limited supply. ▪ Continue to like and view municipals as a compliment to IG corporates with favorable risk and ratings-adjusted value.	▪ Selectively participate in new issues pending pricing. ▪ Trimming certain positions as spreads tighten.

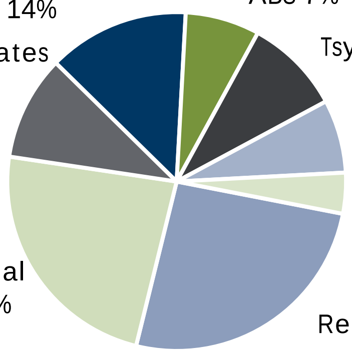
Florida Trust Day to Day Fund: $1 NAV Money Market Fund

As of July 31, 2021

Government Focused - Daily Liquidity - Stable NAV - Fitch Rating and Oversight

Portfolio Characteristics	
Portfolio Market Value	$954.9 million
Fitch Rating	AAA mmf
Days to Maturity	45 days
SEC 7 Day Yield (net)	0.02%

Sector Allocation (% of Portfolio Assets)



PORTFOLIO RETURNS

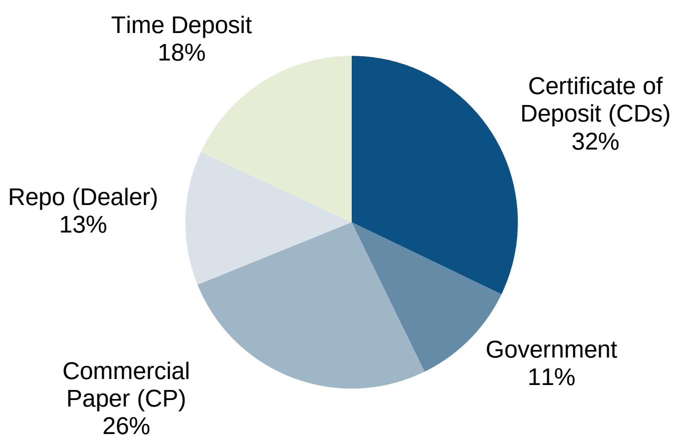
	Year-to-Date	Trailing 1 Year	Trailing 3 Years	Trailing 5 Years	Since Inc. (1/13/09)
Day to Day Total Return (gross)	0.09%	0.17%	1.41%	1.35%	0.71%
Day to Day Total Return (net)*	0.03%	0.10%	1.30%	1.25%	0.60%
ICE BofA 3 Month Treasury Bill	*0.03%*	*0.08%*	*1.29%*	*1.17%*	*0.53%*

Periods over one year annualized.
**Income-only return provided by custodian UMB*

Florida Day to Day Fund versus Prime Money Market Money Fund

Prime Money Market Fund

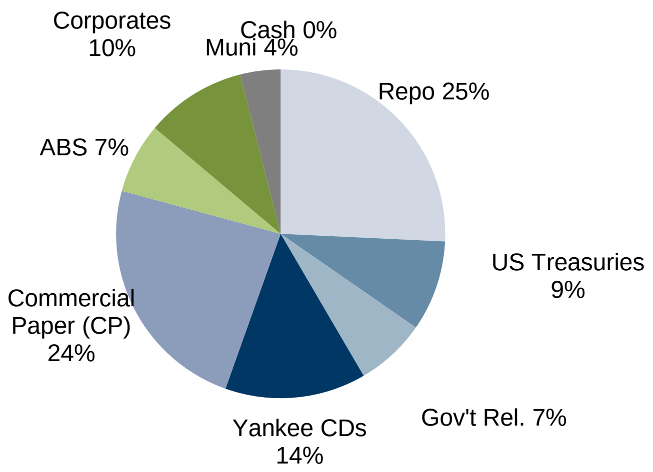
Gross Yield 0.06%, Net Yield -0.11%*, Duration 0.12 yr



Source: Crane Prime Institutional Money Market Index, Western Asset Institutional
**Actual yield net of fees, however, funds are waiving fees to cap yields at zero*

Day to Day Fund

Gross Yield 0.12%, Net Yield 0.02%*, Duration 0.15 yr



**SEC 7-Day Net Yield*

Advantages of Day-to-Day Fund Strategy

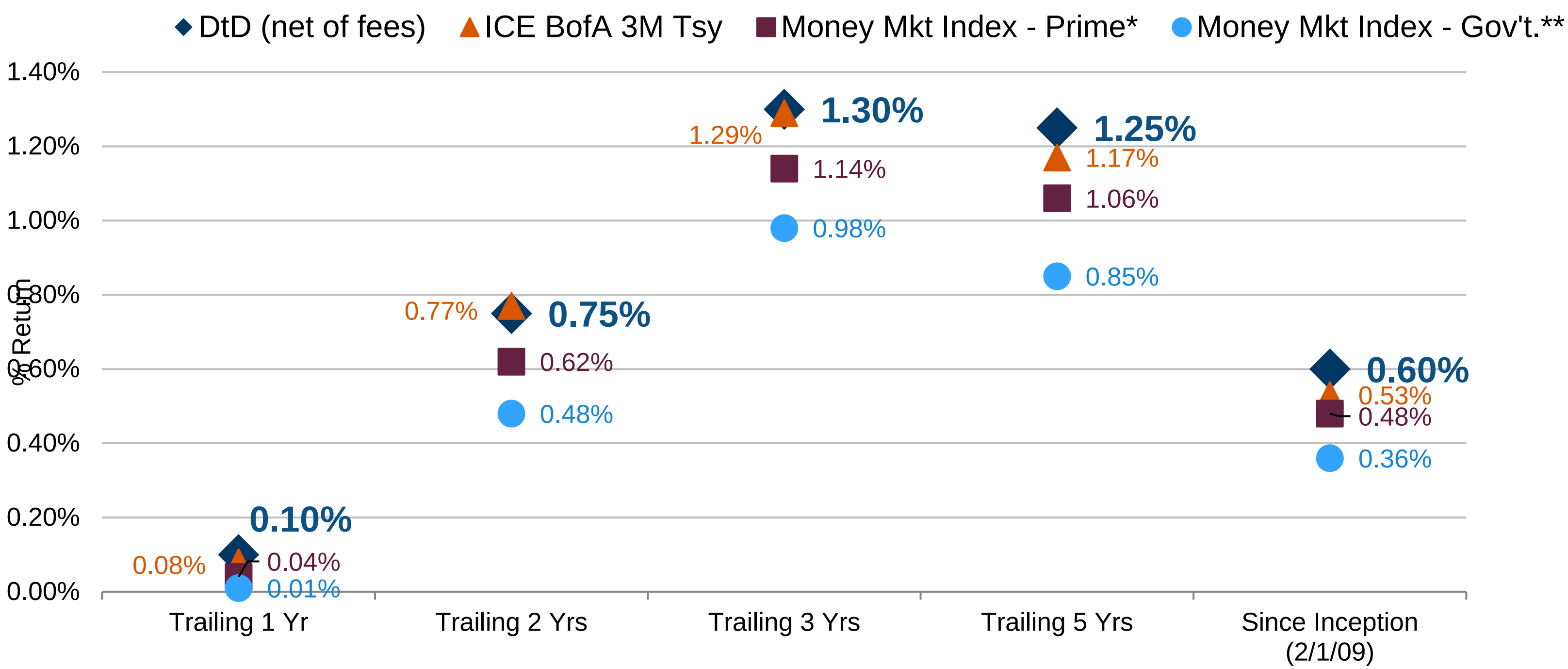
- Ability to buy modestly longer-dated maturities improves diversification with greater access to broad investment grade corporate and securitized markets
- Not a registered money market fund, no gates/fees, cash available to participants when needed
- No troublesome exposures, ABCP for example

As of 7/31/2021

Day to Day Fund: Outperforming Money Market Alternatives with Limited Downside

As of July 31, 2021

Florida Day to Day Fund Performance Comparison



Florida Trust Day to Day Fund					
# Negative Mos.	0	0	0	0	0
# Negative Qtrs.	0	0	0	0	0
Best Monthly Performance	0.02%	0.19%	0.22%	0.22%	0.22%
Worst Monthly Performance	0.002%	0.002%	0.002%	0.002%	0.002%

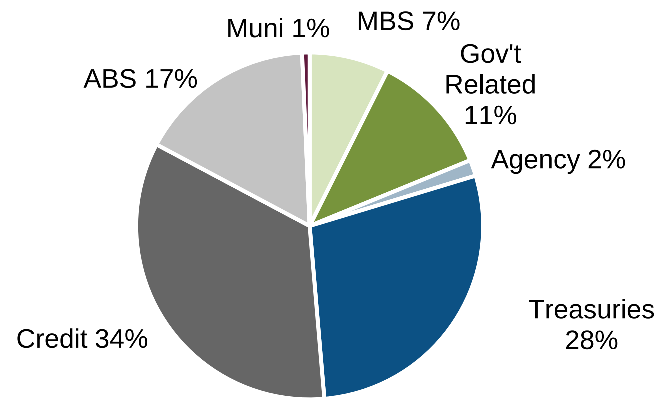
*iMoneyNet Taxable Money Fund Index – Prime
**iMoneyNet Taxable Money Fund Index – Government

Florida Trust Short-Term Bond Fund

As of July 31, 2021

Portfolio Characteristics	
Portfolio Market Value	$950.3 million
Fitch Rating	AAAf/S1
Duration	1.71 yrs
SEC 30 Day Yield (net)	0.29%

Sector Allocation (% of Portfolio Assets)

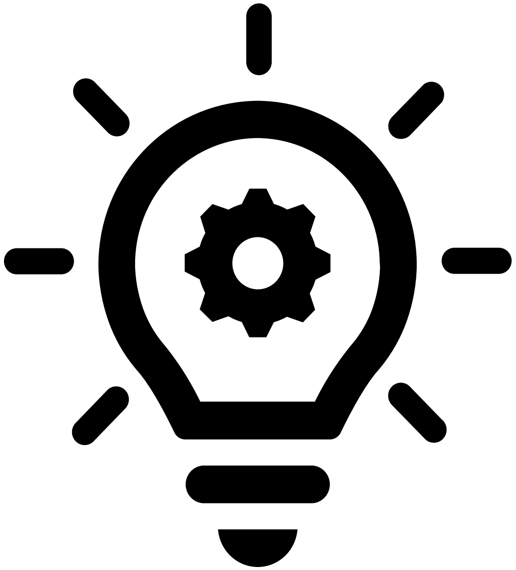


PORTFOLIO RETURNS

	Year-to-Date	Trailing 1 Year	Trailing 3 Years	Trailing 5 Years	Since Inc. (1/1/92)
Short-Term Bond Fund (gross)	0.22%	0.58%	3.06%	2.13%	3.72%
Short-Term Bond Fund (NAV)*	0.11%	0.35%	2.80%	1.86%	3.40%
*Benchmark***	*0.09%*	*0.14%*	*2.74%*	*1.64%*	*3.28%*

**Net Asset Value data provided by custodian UMB.*
***ICE BofA 1-3 Year Treasury Index 2/2000 to present; Money Market Index prior. Periods over one year annualized.*

Questions: Investment Opportunities



Sector Highlight:
Securitized Bonds

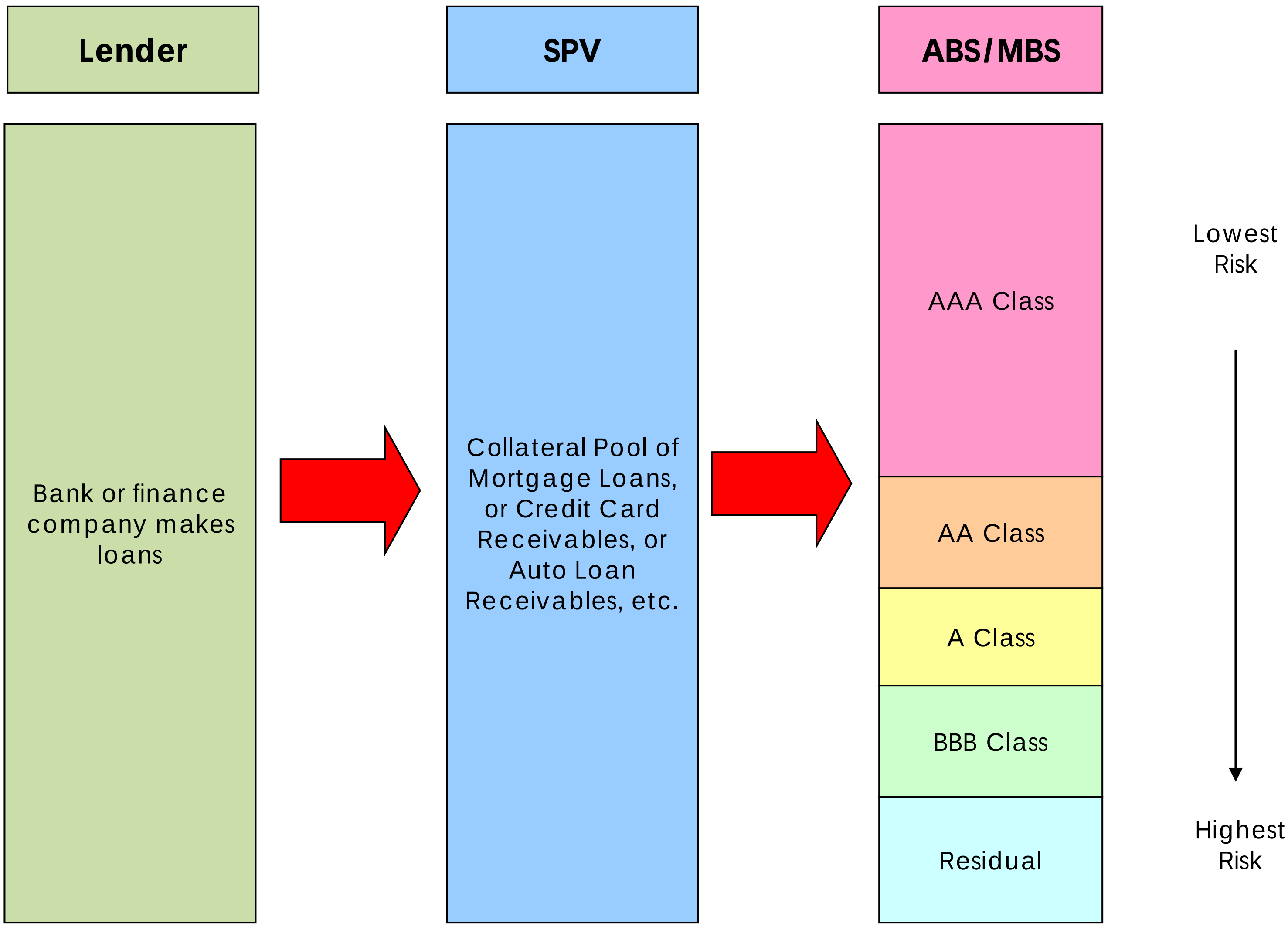
What is Securitization?

The process of pooling loans or bonds and using the cash flows to pay off an investor.

Benefits of securitization:

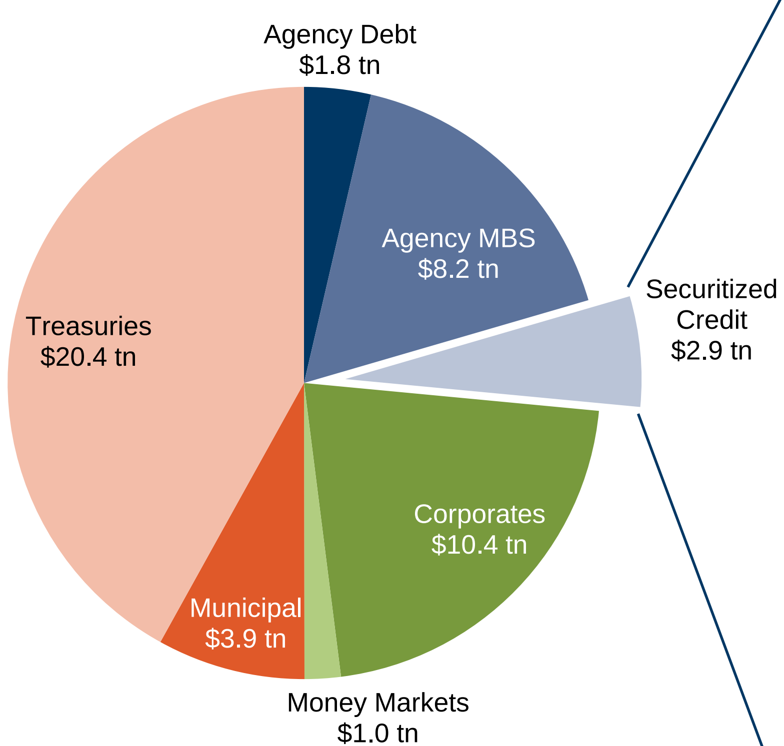
- Lowers cost of borrowing
    - Bank efficiency and investor involvement improves supply of funding
    - Bankruptcy remote SPV improves credit quality
- Higher risk adjusted returns for investors
    - Access to investments otherwise unattainable if only through banks
- Greater efficiency and profitability for the banking sector
    - Benefits of scale not achievable through in-house portfolio only

How are Securitizations Created?

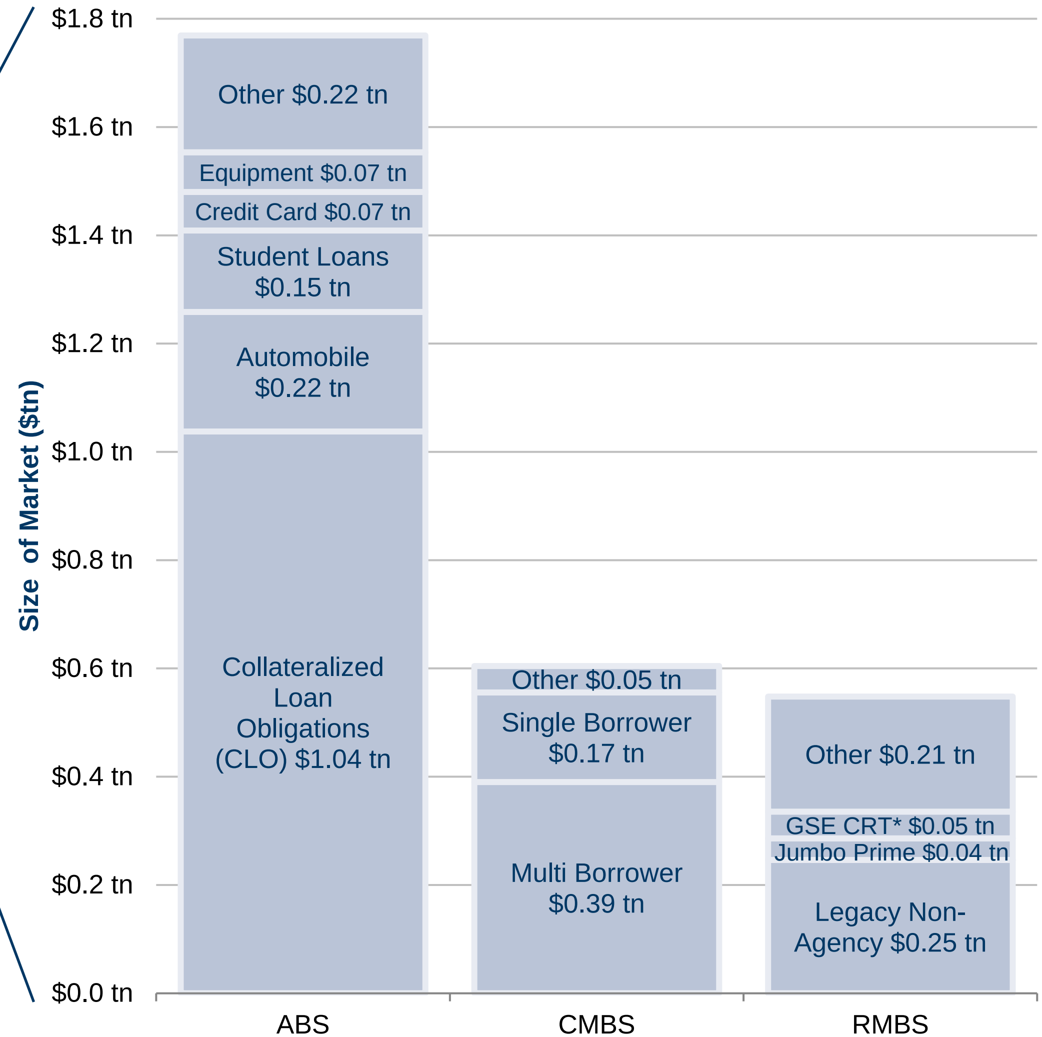


Securitized Bond Market Size

U.S. Fixed Income Market Size (2020)



Securitized Credit

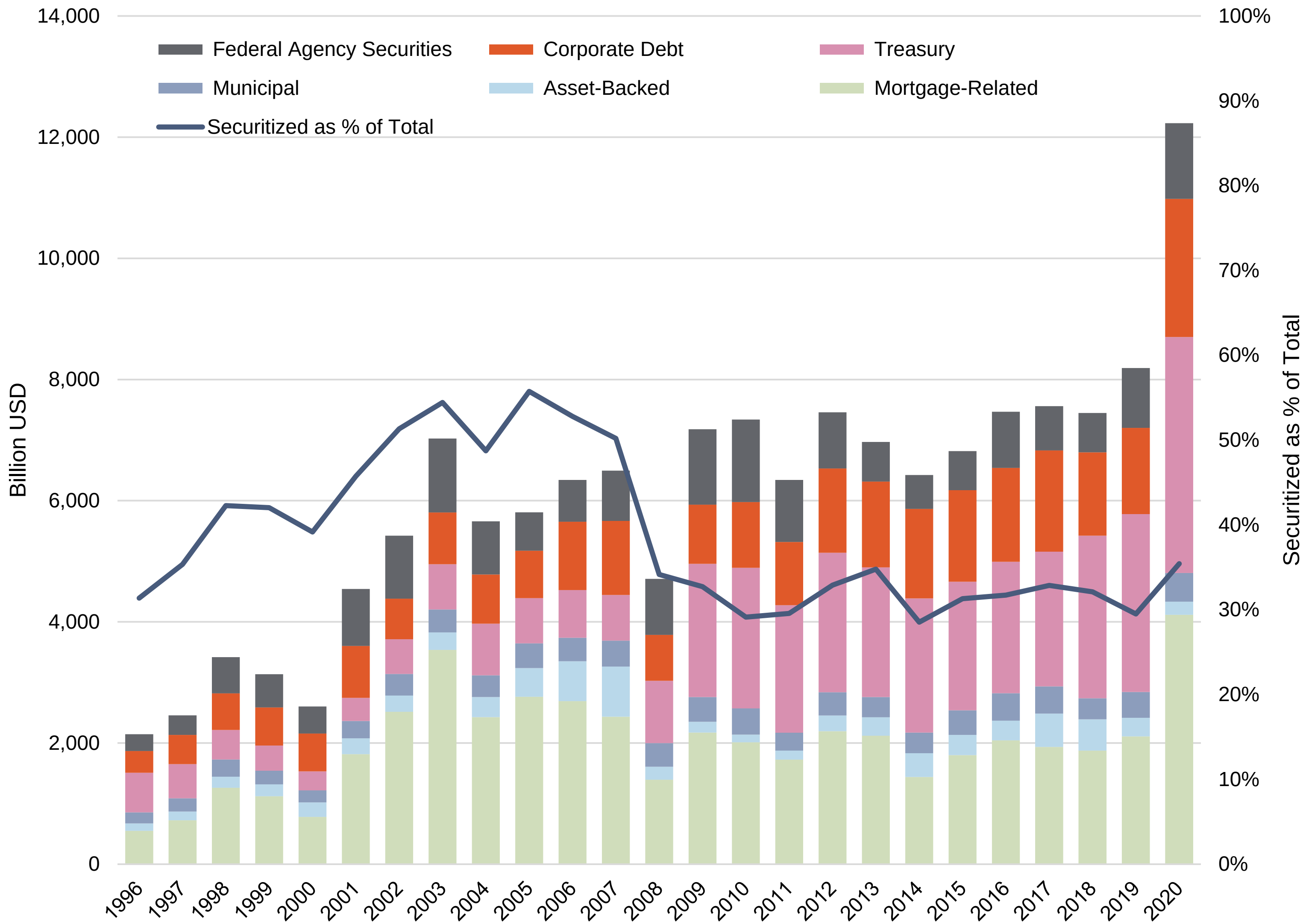


**Government Sponsored Enterprises Credit Risk Transfer*

Source Data: SIFMA, JPM

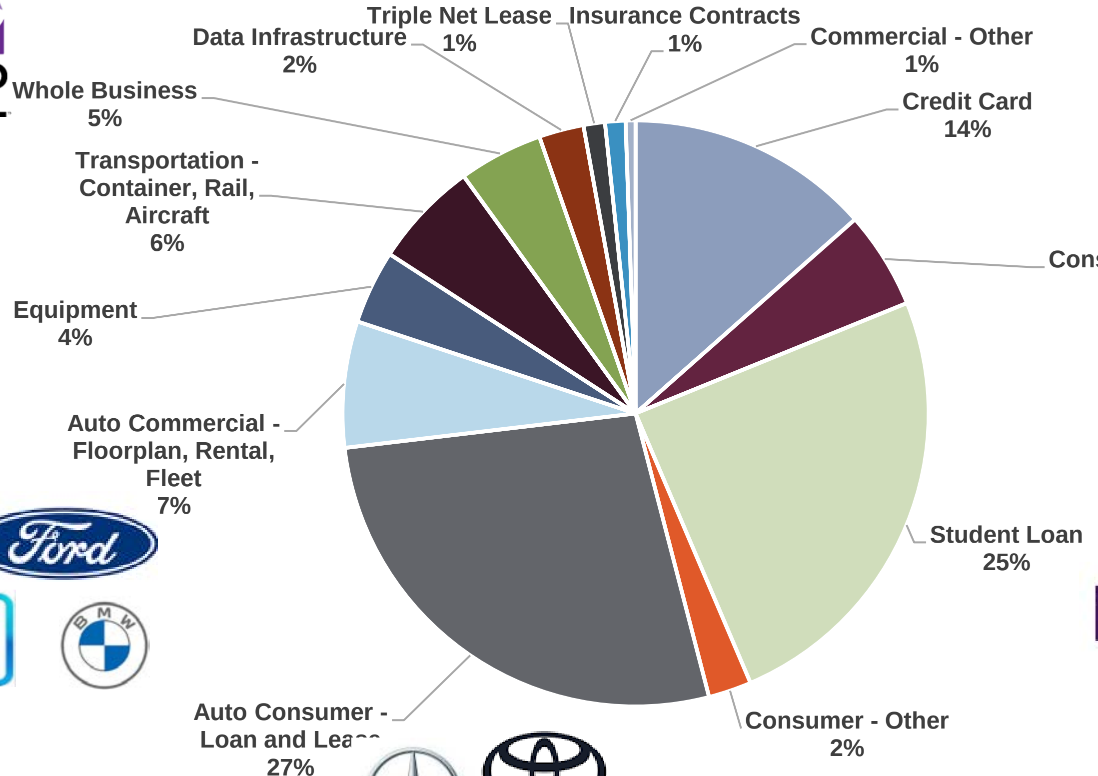
Securitization Constitutes 30% of the US Debt Capital Markets

U.S. Bond Market Issuance



ABS Sector Overview

ABS Market is ~$650bn Outstanding Debt



Source: Payden, Bloomberg, Intex, JPM as of Dec 2020

- The ABS market sprawls across many sectors and industries with varying definitions of what constitutes ABS.
- The $650bn in ABS in Payden indices captures >90% of the ABS market and represents the reliable portion of ABS supply.
- Consumer-related obligations comprise over 70% of the investable US ABS landscape.

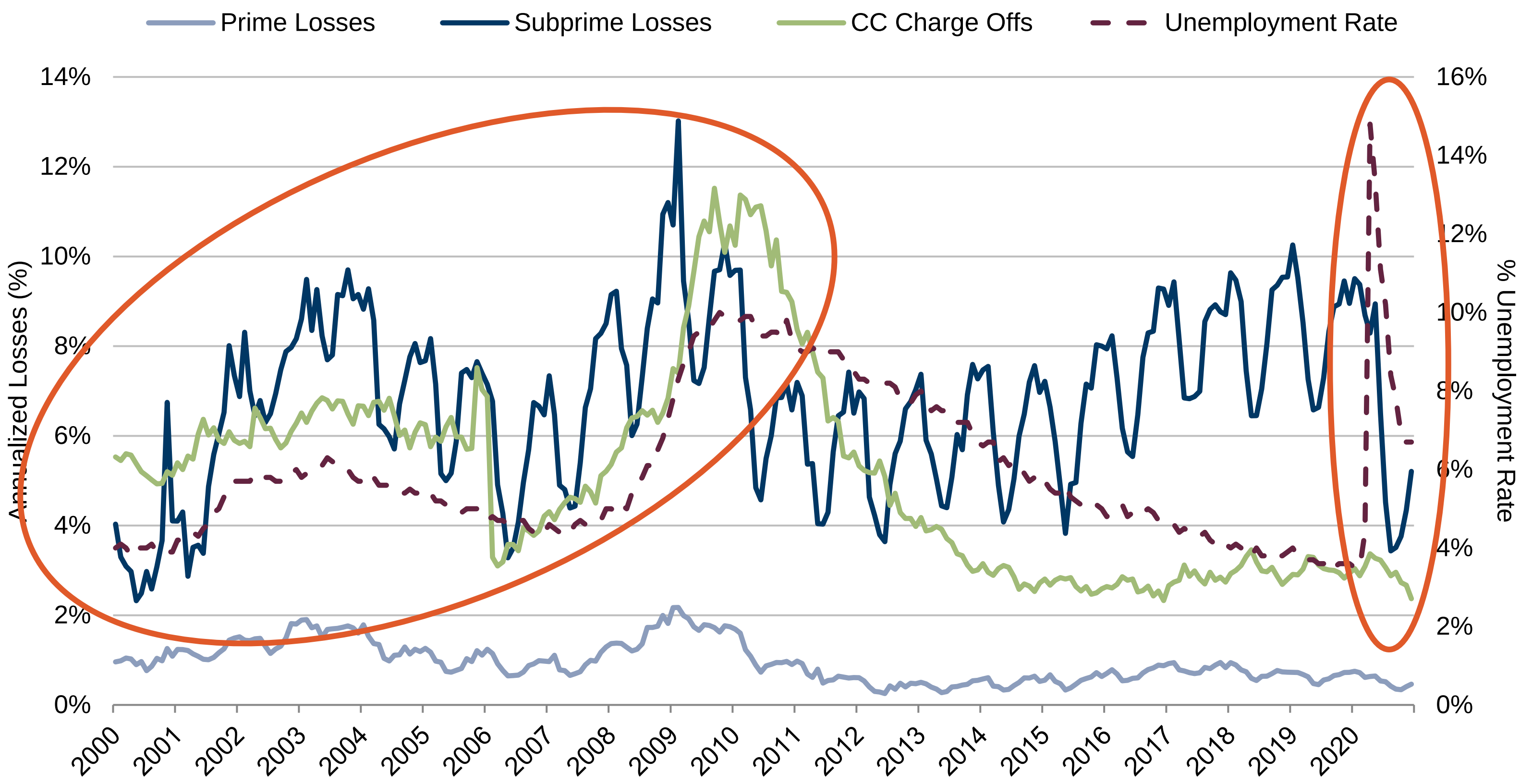
Securitized Credit Offers Value, But We Remain Highly Selective

Summary of Payden & Rygel's Securitized Credit Sector Views

Sector	What We Favor	What We Don't Like
Asset-Backed (ABS)	Select Issuer in Prime/Subprime Auto	Aircraft ABS, Rental Car
Agency MBS (RMBS)	Lower Coupon Bias in FNMA MBS	Higher Coupon Generic MBS
Residential MBS Credit (RMBS)	GSE Credit Risk Transfer	Non-qualified MBS, Non/Reperforming Pools
Commercial MBS (CMBS)	Multifamily, SFR, Industrial, & Office Single Asset Borrowers (SASB)	Conduit CMBS, Hotel & Retail SASB
Collateralized Loan Obligations (CLO)	AAA Broadly Syndicated CLOs	Deals with high exposure to stressed industries

Source: Payden & Rygel

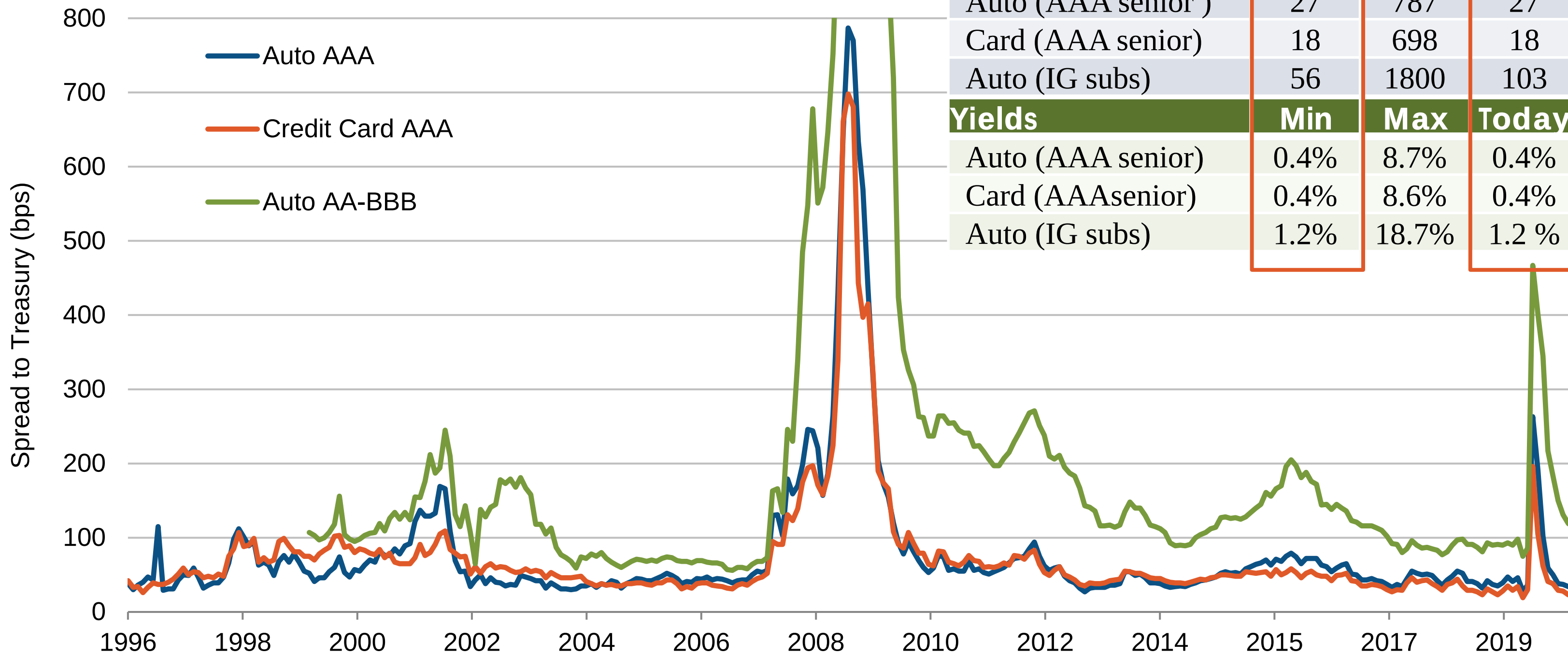
Consumer ABS Fundamentals Diverge from Macro Environment



- The unemployment rate historically has been the best indicator for US Consumer ABS fundamentals.
- Because of swift government stimulus and servicer accommodation, ABS fundamentals improved in 2020.

AAA Auto and Card ABS at Tightest Spreads in History

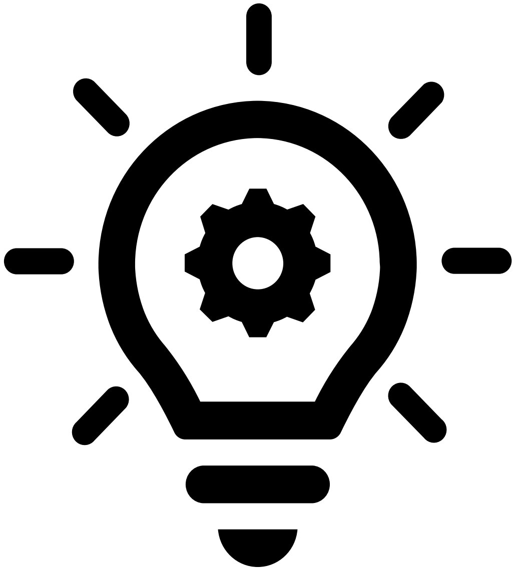
Spread to Treasury (bps)	Min	Max	Today
Auto (AAA senior)	27	787	27
Card (AAA senior)	18	698	18
Auto (IG subs)	56	1800	103
Yields	**Min**	**Max**	**Today**
Auto (AAA senior)	0.4%	8.7%	0.4%
Card (AAAsenior)	0.4%	8.6%	0.4%
Auto (IG subs)	1.2%	18.7%	1.2 %



Source: as of 12/31/20; ICE BofA Indices: R0U1, R0C1, since inception 1997; R0U2 since inception 2000

- AAA ABS bonds are trading at the lowest yield and spread to Treasuries since index inception.
- Subordinate auto spreads are still wide to the all-time tights seen December 2006- but yields today are at the all-time lows.
- Composition of auto indices has shifted over time to include more subprime ABS after growth in the sector post-GFC.

Questions: Securitized Bonds



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

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

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Collective Trusts ("CITs") – Customized Solutions

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

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