Payden&Rygel

QUARTERLY PORTFOLIO REVIEW

Florida Local Government Trust

Short Term Bond Fund
3rd Quarter 2021

LETTER FROM THE CEO

September 2021

Dear Client,

As we approach another year-end, we want to take this opportunity to share with you how the firm, in this very challenging time, has maintained its ability to ensure the highest quality of service to our clients. September marked our 38th year in business, and the structure and focus of the firm have not changed. We continue to nurture a culture of collaboration where competition is external, not internal, allowing us to concentrate solely on the needs of our clients.

As a result of our collaborative structure, working from home during the pandemic has gone very well. Although we are anxious to get back to the office on a full-time basis, the health and safety of our employees is a top concern. We will continue to evaluate the situation and keep you well informed of the return-to-office schedule that is adopted.

Turning now to the U.S. and global economies, Delta variant disruptions have led to a slowdown in growth. For example, countries across the Asia-Pacific region reinstituted lockdown procedures to keep the virus at bay, hospitals in the U.S. were forced to ration care in some states, and the prices for input materials skyrocketed across the U.S. and Europe. Looking specifically at the U.S. there are two very important decisions that will need to be made before year-end. First, the debt ceiling will need to be lifted or suspended, and second, President Biden will have to decide whether to reappoint Jerome Powell to another term as chair of the Federal Reserve or to tap someone new. Against this backdrop, we want to assure you that your portfolio is positioned, if necessary, to have increased liquidity.

Again, we want to reiterate that, over the past 38 years, we have maintained a strong culture focused on teamwork and collaboration. This focus has allowed us to manage the firm and our business in a consistent manner, regardless of the market environment. Looking ahead, we continue to monitor the markets as new developments occur and we are always available to answer questions or concerns. Most importantly, our very best wishes for your health and safety in the coming months.

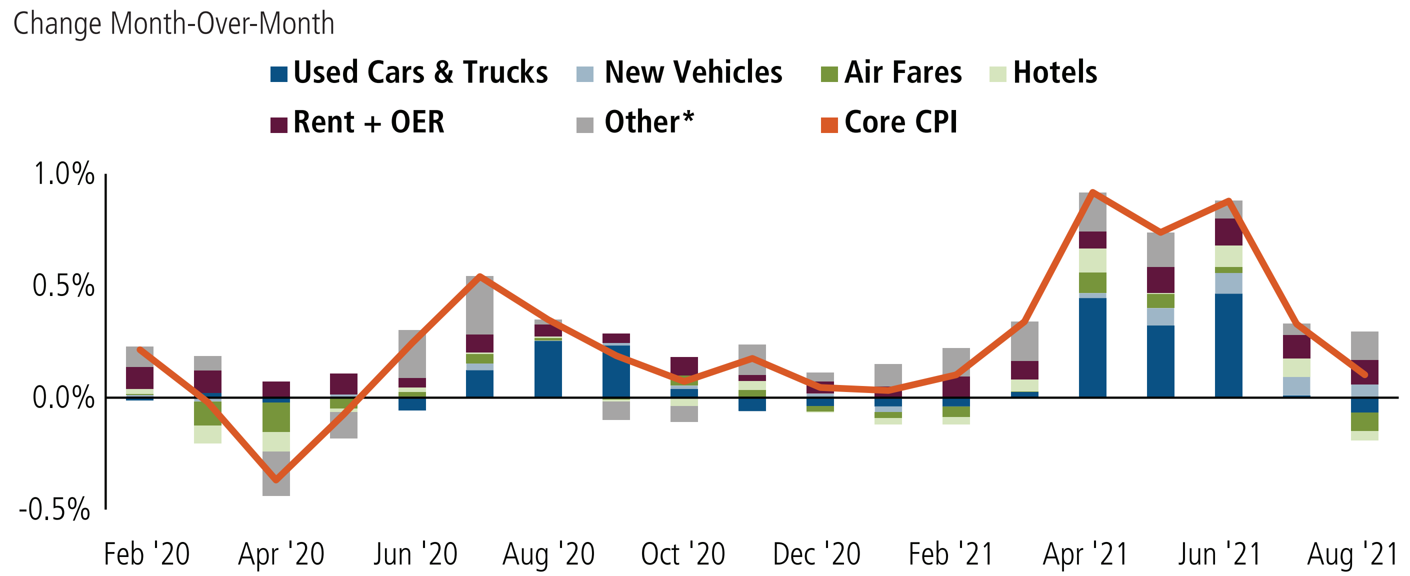
Warmest regards,

Joan A. Payden

President & CEO

GDP growth appeared to slow somewhat in the third quarter due to the Delta-driven resurgence in Covid-19 cases and supply chain issues, after reaching new highs in the second quarter. The slight pull-back in consumer activity also had an impact on consumer prices, leading to a deceleration in month-over-month and year-over-year readings in July and August. While inflation has appeared to have reached a near-term peak, it's possible price pressures could re-emerge as Delta fades and the labor market tightens. For example, home prices have shot up this year, and, while asset prices aren't included in CPI, rent and owner's equivalent rent (OER) constitute roughly 40% of the price index and both categories have recorded robust increases this year, as shown in the graph below.

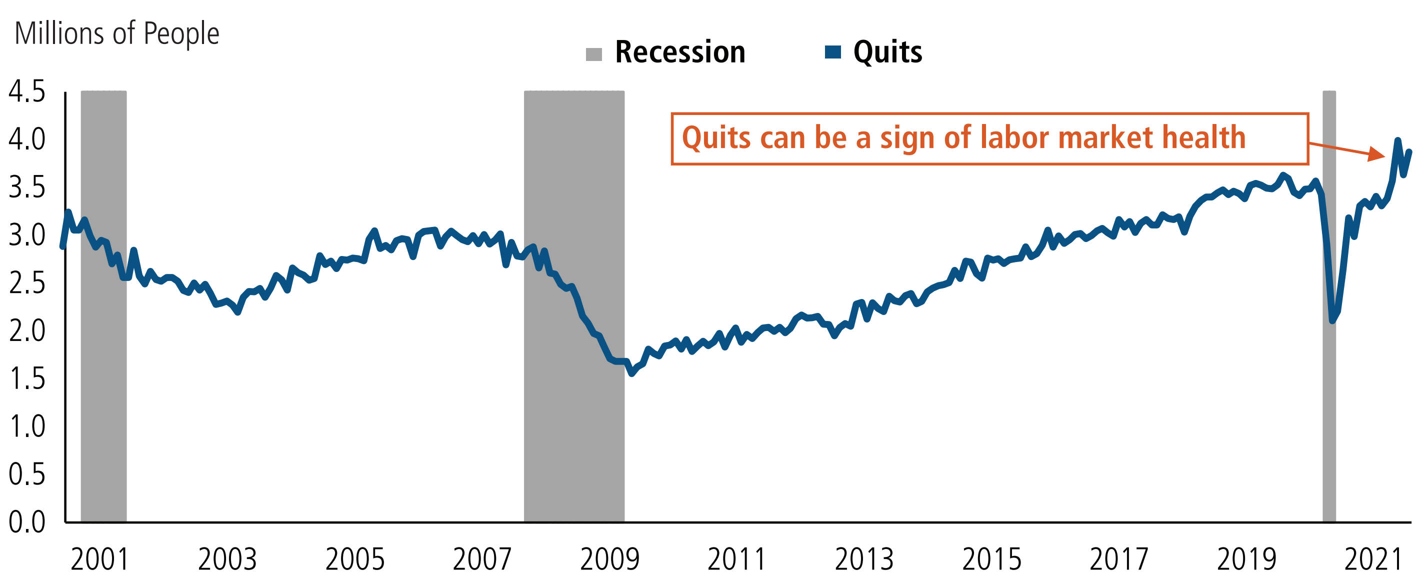
HIGH INFLATION READINGS HAVE BEEN DRIVEN BY A HANDFUL OF CATEGORIES



Source: U.S. Bureau of Labor Statistics **Contribution of all other categories not listed excluding food and energy*

The labor market was another hot topic in the third quarter as headlines warned of a "Great Resignation." While the number of people quitting reached a series high (see graph below) and some businesses are finding it difficult to hire enough people to keep up with blossoming consumer demand, there are still millions of Americans who remain unemployed. Despite strong job growth in July, the August jobs report surprised to the downside. The Federal Open Market Committee decided not to taper their asset purchases at the September meeting, but Chair Powell said that a taper announcement could come "as soon as the next meeting" if the economy progressed broadly as expected.

STRONG LABOR DEMAND HAS LED TO A RECORD NUMBER OF QUITS



Source: U.S. Bureau of Labor Statistics

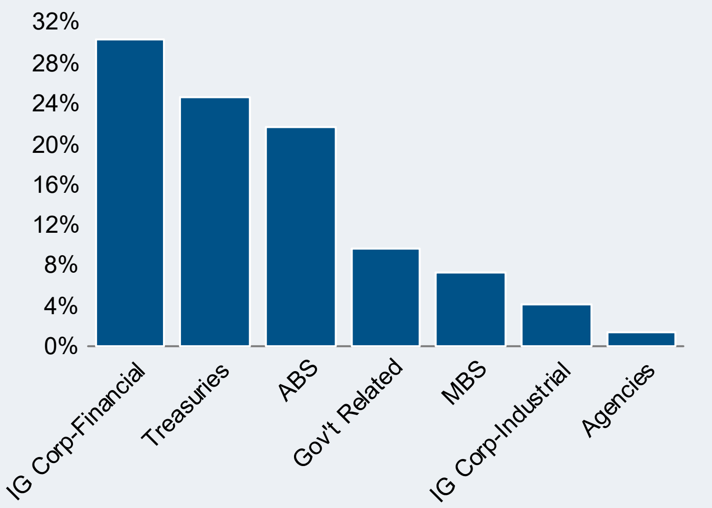
FLORIDA TRUST SHORT-TERM BOND FUND

Portfolio Review and Market Update - 3rd Quarter 2021

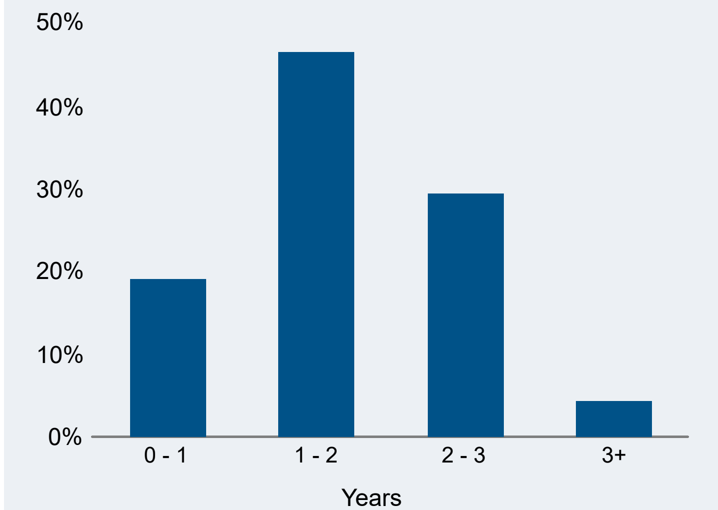
PORTFOLIO CHARACTERISTICS (As of 9/30/2021)

Portfolio Market Value	$945.3 million
Fitch Rating	AAAf/S1
Weighted Average Duration	1.70 years
SEC 30-Day Yield (net)	0.35%

SECTOR ALLOCATION



DURATION DISTRIBUTION



PORTFOLIO RETURNS - Periods Ending 9/30/2021

	3rd Quarter	2021 YTD	Trailing 1 Yr	Trailing 5 Yr	Trailing 10 Yr	Since Inception (1/1/92)
FLORIDA TRUST S-T BOND FUND (gross)	**0.12%**	**0.18%**	**0.44%**	**2.10%**	**1.67%**	**3.70%**
FLORIDA TRUST S-T BOND FUND (NAV)*	0.06%	0.02%	0.21%	1.84%	1.42%	3.37%
ICE BofA 1-3 Year US Treasury Index**	0.06%	-0.02%	0.03%	1.63%	1.16%	3.26%

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 third quarter of 2021 brought increased volatility across both equity and bond markets. On the macroeconomic front, a rapid rise in case counts from the Delta variant interrupted the strong recovery global economies had experienced in the first half of the year. In the U.S., the economy slowed, while inflation remained elevated, albeit driven by just a few particularly volatile sectors. In a somewhat surprising move at the September Federal Open Market Committee (FOMC) meeting, it was announced that a tapering of asset purchases could begin shortly. This news pushed U.S. Treasury yields modestly higher toward the end of the quarter. In commodity markets, crude oil and natural gas prices extended their rally, benefiting from rising global fuel consumption and supply chain disruptions.

STRATEGY

- We continue to emphasize a balance between credit diversification and quality using corporates, asset-backed securities (ABS) and mortgage-backed securities (MBS), to maintain various sources of high-quality income.
- We utilized corporate issuance to optimize positioning and increased floating rate securities to generate portfolio income without extending duration.
- We incorporated bonds with wider spreads such as Collateralized Loan Obligations (CLO) to build additional yield in the portfolio.
- The portfolio remained short duration relative to the benchmark as we positioned for higher interest rates.

INTEREST RATES

Interest rates moved higher and the curve steepened in the wake of the September FOMC meeting where participants signaled a more aggressive path of rate hikes. However, maturities less than one year and outside the debt ceiling range remain well anchored as excess liquidity in the market continues to keep downward pressure on money market rates.

- Short-end U.S. Treasury yields increased modestly over the quarter, with the two-year higher by five basis points to 0.28%. The slope between two- and five-year maturities steepened five basis points to finish the quarter at 69 basis points.
- One-month and three-month LIBOR yields declined slightly to 0.08% and 0.13%, respectively.
- Yield curve positioning detracted from performance, as longer-dated holdings underperformed as yields rose; however, a steep front-end curve provides attractive future total return potential.

SECTORS

We remain overweight credit, which was the largest contributor to returns for the quarter. While one-year to five-year U.S. corporate spreads were mildly wider and ABS spreads were slightly tighter, both posted positive total returns. Floating-rate sectors such as CLOs outperformed as rates rose and the yield curve steepened.

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

LOS ANGELES | BOSTON | LONDON | MILAN

PAYDEN.COM

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.

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 UK
+44 (0) 20-7621-3000

MILAN
Corso Matteotti, 1
20121 Milan, Italy
+39 02 76067111