Payden&Rygel

Quarterly Portfolio Review

Florida Local Government Trust

1st Quarter 2022

PAYDEN.COM
LOS ANGELES | BOSTON | LONDON | MILAN

LETTER FROM THE CEO

April 2022

Dear Client,

First, I am pleased to let you know that this marks the completion of our firm's 38th year since our inception in 1983. Our unique private ownership and collaborative culture remain steadfast. These two foundational elements ensure that our competition is external rather than internal, enabling us to put you, the client, at the center of our work.

During the past two years, our offices in Boston, London, Los Angeles, and Milan have been operating remotely during the pandemic, but we are very much looking forward to starting a new quarter with everyone back at their respective offices.

As we reflect on the past two years, there have been many unprecedented events. These events caused a monumental shift in the balance of supply and demand leading to rising inflation. As a result, headline inflation numbers, as measured by the Consumer Price Index (CPI), exceeded 7%, their fastest pace of growth in nearly 40 years.

The question we face now is, "How aggressive will the Federal Reserve's response be?" In March, the Federal Open Market Committee voted to hike the federal funds rate target range by 0.25% and signaled that more rate increases are coming this year. We expect the target rate to approach 2.5% by year-end.

During a period of rising interest rates and heightened risk, we have positioned portfolios cautiously. While first-quarter returns were impacted by the dramatic repricing of the U.S. Treasury curve, we expect less dramatic shifts moving forward, which will allow us to take advantage of higher interest rates.

Lastly, we want to recognize the millions who are suffering the tragic consequences of Russia's invasion of Ukraine. As a firm, we have partnered with the Ukrainian embassy to provide much-needed medical supplies. While our initial exposure to Russian investments was limited, we have implemented a firm-wide ban on any future investments in Russian sovereign bonds.

In closing, our best wishes for safety and health during this ongoing period of unexpected challenges that require creative solutions.

Warmest regards,

Joan A. Payden

President & CEO

ECONOMIC REVIEW AND OUTLOOK

Unprecedented Combination of Risks Remains...Perspective Helps

Plagued with **one unprecedented event after another,** investors are facing increased uncertainty. We find that **four key themes will be the primary drivers of markets** for the remainder of the year. We offer our take on these themes below.

MARKET MOVING HEADLINE

RECENT GEOPOLITICAL EVENTS HAVE BEEN TROUBLING

A New Geopolitical Era Comes with Warning Signs for Markets
— Barron's

CONTEXT

Russia and Ukraine, while only accounting for 3.4% of global output, are big players in the export of commodities (specifically wheat, oil, and certain metals) and the **conflict will compound supply chain issues.**

- The shock to energy prices will impact euro-area growth more negatively than U.S. growth.
- **Our perspective: Geopolitical events typically have a short-lived impact on markets.**

Event	Year	S&P 500 at Trough	Days to Recover to Pre-Shock Level
Covid-19	2020	-32.6%	197
Sep. 11, 2011	2001	-11.6%	31
Saudi Aramco Drone Strike	2019	-4.0%	41
Boston Marathon Bombing	2013	-3.0%	18
North Korea Missile Crisis	2017	-1.5%	36
U.S. Pulls Out of Afghanistan	2021	-0.1%	4
Fed Pivots and Russia Conflict with Ukraine Intensifies	2022 YTD	**-12.3%** On 3/08	**?** Down -3.1% as of 3/31

Source: LPL Financial, Bloomberg

MARKET MOVING HEADLINE

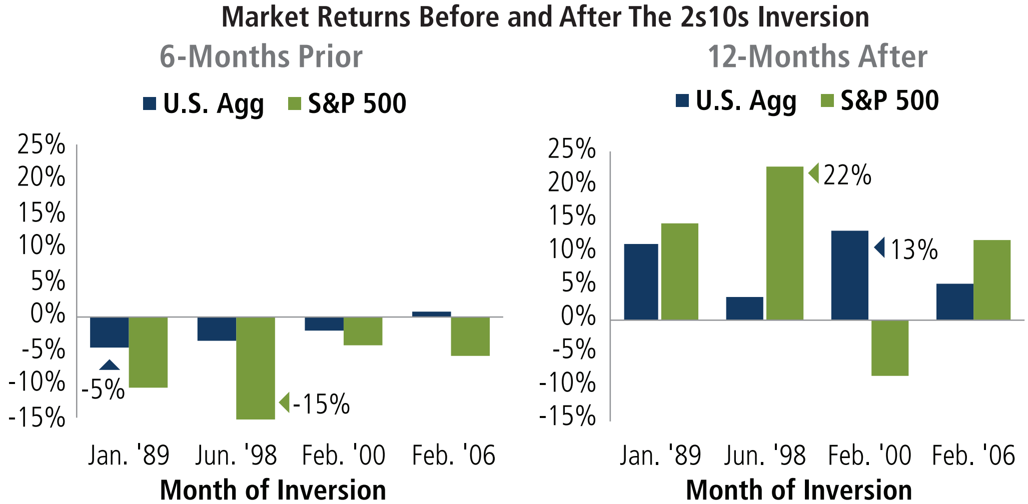
INVERTED YIELD CURVE RAISES RECESSION FEARS

The Yield Curve is 'Scaring the Bajeezus Out of Most Investors,' Strategist Says
— Yahoo! Finance

CONTEXT

- The two-year to ten-year(2s10s) yield curve has typically inverted before recessions, but the lags between inversion and recession are long and variable (11 months – 34 months), and there have been false alarms.
- The three-month to ten-year yield curve, a more indicative predictor of recessions, remains positive at 1.9%.
- Economic data from the labor market, consumer spending and housing does not yet raise recessionary alarm bells.
- **Our perspective: Even after inversion, market returns are often positive.**

Market Returns Before and After The 2s10s Inversion



Source: Bloomberg, S&P, Payden Calculations

MARKET MOVING HEADLINE

INFLATION REMAINS STUBBORNLY HIGH

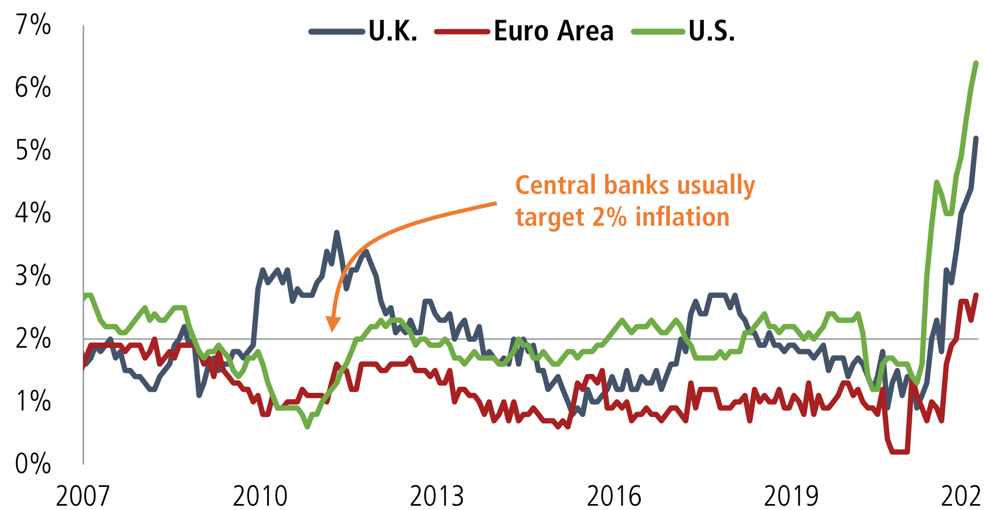
Bond Market Unsettled By Inflation Worries

— New York Times

CONTEXT

- Inflation has broadened and is less "transitory." However, high inflation numbers are still primarily driven by supply and demand mismatches and energy price shocks that will likely ease.
- **Our perspective: It will take time for inflation to move lower, and that is why central banks are raising interest rates.**

Core Inflation Readings in the Euro Area, the U.K., and the U.S.



Source: Bloomberg, Eurostat, U.K. Office for National Statistics, Bureau of Economic Analysis

MARKET MOVING HEADLINE

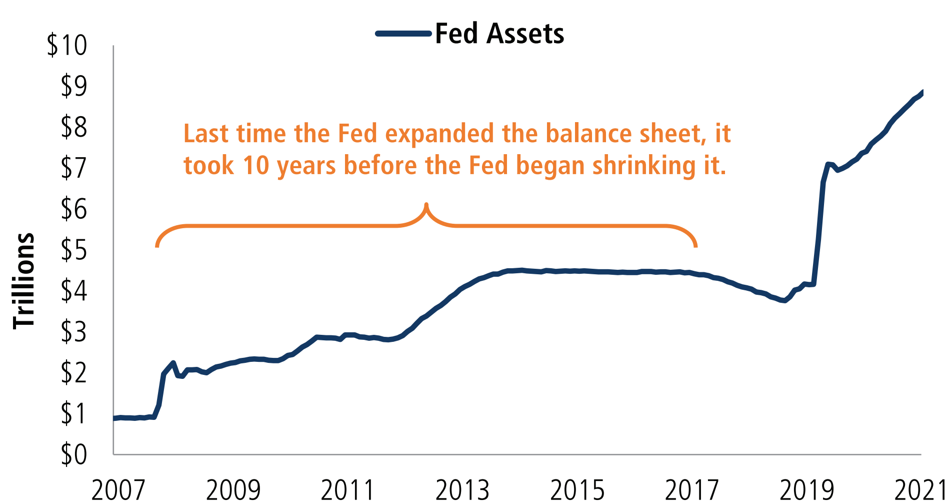
CENTRAL BANK BALANCE SHEET NORMALIZATION IMPACTS ARE UNKNOWN

What Happens to Money When the Fed Starts Shrinking its Balance Sheet?

— MarketWatch

CONTEXT

- The Federal Reserve's balance sheet doubled in size during the pandemic. Policymakers at the Fed would prefer a smaller balance sheet.
- **Our perspective: The Fed is unsure how quickly it can shrink the balance sheet and what the market impact will be. Policymakers will be very gradual and clearly communicate the pace and composition of their balance sheet unwind.**



Source: Federal Reserve

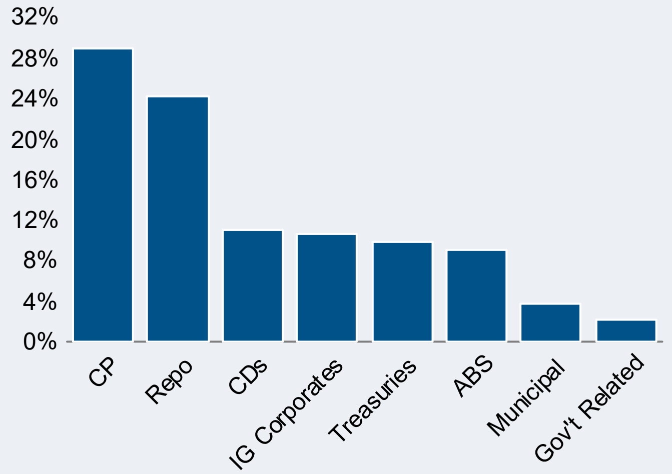
FLORIDA TRUST DAY TO DAY FUND

Portfolio Review and Market Update - 1st Quarter 2022

PORTFOLIO CHARACTERISTICS (As of 3/31/2022)

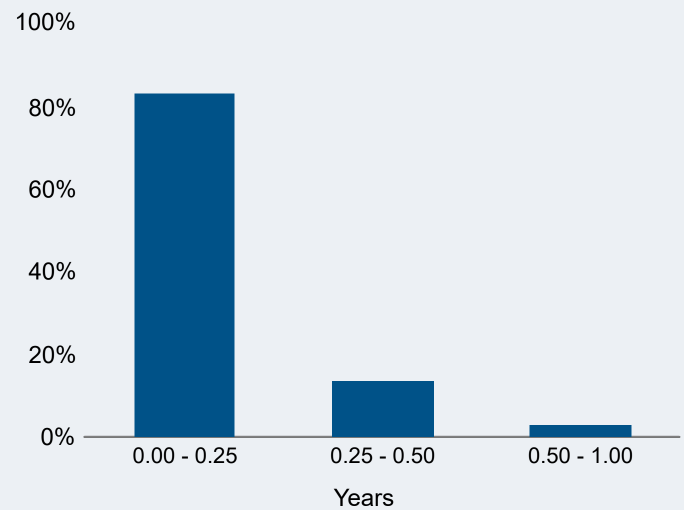
Portfolio Market Value	$971.3 million
Fitch Rating	AAA mmf
Days to Maturity	34 days
SEC 7-Day Yield (net)	0.35%

SECTOR ALLOCATION



Government/Government-guaranteed: 41%

DURATION DISTRIBUTION



PORTFOLIO RETURNS - Periods Ending 3/31/2022

	1st Quarter	Trailing 1 Yr	Trailing 5 Yr	Trailing 10 Yr	Since Inception (1/13/09)
FLORIDA TRUST DAY TO DAY FUND (gross)	**0.01%**	**0.11%**	**1.26%**	**0.80%**	**0.68%**
FLORIDA TRUST DAY TO DAY FUND (net)*	0.04%	0.07%	1.17%	0.70%	0.58%
ICE BofA US 3-Month Treasury Bill Index	0.04%	0.06%	1.13%	0.63%	0.51%

Periods over one year are annualized

**Represents income-only return from UMB. For Q1 the income-only return was higher than the Payden gross return, given price depreciation in portfolio holdings due to the sharp rise in rates.*

MARKET THEMES

Stock and bond markets had a challenging start to the year, as central bank activity and geopolitical events exacerbated market volatility and negatively impacted returns. Aggressive repricing of monetary policy expectations dominated fixed income markets, while the geopolitical climate deteriorated sharply with Russia's invasion of Ukraine, which also sent commodity prices higher. The U.S. labor market remained strong while inflation data showed that consumer prices continued to rise at a rapid rate, hitting 7.9% year-over-year - notably prior to any impact of the Russia/Ukraine conflict. In March, the Federal Reserve ended its asset purchase program, increased the target range for the Federal Funds rate by 0.25%, and shifted their median expectations for the future path of rate adjustments both higher and faster. The U.S. Treasury curve flattened, and then partially inverted, as the quarter ended with three-to-seven year yields higher than the ten-year yield of 2.34%. The lingering question for the market remains whether global central banks can navigate tighter policies to rein in inflation without choking off growth in the face of higher commodity prices and war in Europe.

STRATEGY

- Short-term investments continue to be in high demand, and opportunities for yield can be challenging to identify. We expect to remain active in purchases of corporate and asset-backed securities, while simultaneously maintaining ample liquidity levels. We maintain an emphasis on quality and diversification and continue to hold a broad mix of credit sectors to increase portfolio income.
- We utilized new issuance as an opportunity to optimize credit positioning and to take advantage of increased price concessions.
- We were reticent to add to higher-yielding, longer-maturity assets as we anticipated additional increases in short-term rates. As we reinvest maturities, higher market yields provide higher income opportunities.

INTEREST RATES

Short interest rates continued to move materially higher during the first quarter to reflect a more hawkish Fed outlook, resulting in negative returns. The Fed increased their 2022 median policy rate projection by 100 basis points to 1.875% at their March meeting, while various Fed members discussed the potential for hiking rates in 50 basis point increments, something they have not done in over twenty years. As short rates rose to reflect this more aggressive path of hikes, the yield curve flattened to reflect concerns around the ability of the current economic expansion to tolerate higher rates.

- The six-month Treasury bill rose 83 basis points (bps) to 1.01%, while the one-year yield closed at 1.60%, up 122 bps. Two and three-year yields increased 160 and 155 basis points to 2.33% and 2.51%, respectively.
- One-month LIBOR rose 35 bps to 0.45%, while three-month LIBOR was higher by 75 bps to 0.96%. The SOFR overnight rate finished the quarter at 0.29%. SOFR coupons will follow the pace of the Fed Funds rate and move higher as rate hikes are announced.

SECTORS

Credit spreads widened across most sectors during the quarter, detracting from performance Corporate spreads saw stability and recovery towards the end of the quarter, which gave some reprieve to negative price pressures. Securitized sectors underperformed.While returns remain modest due to low yields available in the market, the Fund continues to provide safety, income, and liquidity of investments of a stable, $1 NAV Fund. The SEC 7-Day Yield has increased 24 basis points from year end, and we expect levels to continue to recover as we move to a more normalized interest rate environment.

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