Florida Trust Short Term Bond Fund ("STBF") Review as of October 31, 2022

Year-to-Date Economic and Market Recap

Year-to-date, historic inflation prints led to a rapid change in interest rate expectations and combined with rhetoric from the Federal Reserve ("Fed"), resulted in short-term interest rates moving up significantly (e.g., 6-month and 12-month Treasuries up 436 and 423 basis points ("bps"), respectively). The increase in yields has equated to negative performance for most fixed income year-to-date, among most other asset classes. Further exacerbating the negative returns were the historically low yields to start 2022 which were not sufficient to offset negative price performance.

The Federal Open Market Committee has aggressively hiked interest rates this year, raising its policy rate by 300 basis points (starting at zero), including the third consecutive 75 bps rate hike delivered at the September FOMC meeting. As of October month end, the median policymaker now expects a 4.25-4.75% Federal Funds Rate at the end of 2023 (we agree), meaning the Fed intends to hit its "terminal" policy rate and to keep rates high longer than most market participants expect (the Fed Funds futures market predicts interest rate cuts in Q3 2023). Fed Chair Powell even specified his view that "real" (inflation-adjusted) interest rates should be well into positive territory "across the yield curve" before the Fed's job is complete.

Positioning and Actions Taken in October

Given a still uncertain interest rate trajectory (disagreement between market and Fed terminal rate), we continue to maintain a lower duration profile in the STBF portfolio to help mitigate exposure to rising interest rates and market volatility. We believe maintaining conservatism, staying short duration, and allowing the income (i.e., yield) of the portfolio to be earned is the appropriate strategy in this environment. The duration (interest rate risk) of the STBF was 1.13 years as of 10/31, compared to 1.81 for the benchmark index. This defensive interest rate posture has helped in minimizing unrealized losses in the STBF. We maintain an emphasis on quality and diversification and continue to hold a broad mix of credit sectors to increase portfolio income. The portfolio remains highly liquid and devoid of any serious fundamental credit risk and continues to be rated AAAf/S1 by Fitch, most recently affirmed in August. The rating AAAf indicates the highest underlying credit quality; the S1 rating indicates a very low sensitivity top market risk.

October Performance

The STBF had a –0.09% gross return for October compared to the benchmark ICE BofA 1-3 Year US Treasury index of -0.10%. Comparable sector and index returns are shown below. Note that even an investment in a 2-year US Treasury bond has resulted in negative results in all periods. The net 30-Day SEC Yield for the Short-Term Bond Fund rose from 3.00% at the end of September to 3.68% by September month end.

US Short Sector and Index Returns	October	YTD
Treasury Bills (0-1 year)	0.13%	-0.03%
1 Year Treasury	0.06%	-1.71%
2 Year Treasury	-0.21%	-4.83%
1-3 Year Treasury*	-0.10%	-4.45%
1-3 Year Investment Grade Corporates	-0.20%	-4.84%
STBF (NAV return)	-0.15%	-3.43%

**Benchmark*
Source: Payden & Rygel and Bloomberg

Year to date, the Price Return of the STBF has overwhelmed the Income Return, due lower starting yields, and large increases in market yields over a short time.

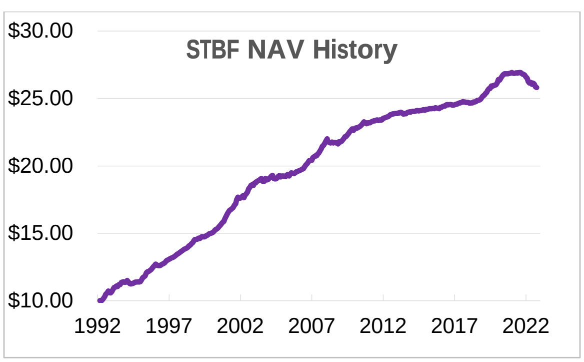
Price Change + Income earned = Total Return

Negative Price performance "cures" itself over time as Income return (i.e., yield) accumulates and offsets losses. Higher interest rates allow more income (i.e., yield) to be earned and reinvested in the portfolio at higher prevailing rates.

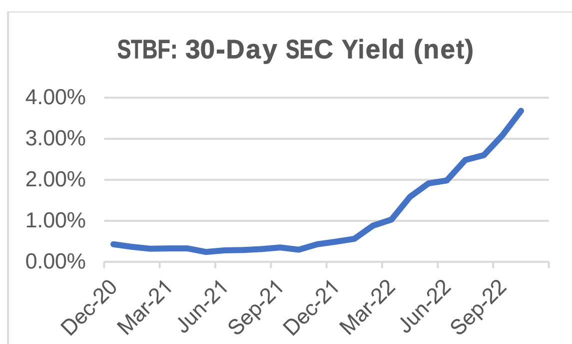
Looking Ahead

We do not expect the STBF to have positive performance results for the 2022 calendar year. Note these results reflect short-term unrealized losses, though if a participant withdraws funds prior to the "curing" process is complete, losses would be realized. Over longer time periods, the combination of income-earned and active total return management should result in returns outperforming the yield of the portfolio, 3.68% as of 10/31 (30-day net-yield), up from 0.49% at 2021 year-end.

The STBF is earning ~0.31% monthly in income, or over ten times the amount as of 9/30/2021, when income was less than 0.03% monthly with the 30-day SEC yield only 0.35%.



NAV increases over time; 2022 results reflect repricing of the interest rate market



Monthly income opportunity (i.e., yield) has increased significantly as US interest rates have risen YTD

Over longer time periods and under more normalized interest rate environments, the NAV is expected to rise, resulting in positive performance. The assets under management of the fund have remained consistent, at $762 million as of month end.