

# Payden & Rygel

## QUARTERLY PORTFOLIO REVIEW

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### **Day to Day Report 1st Quarter 2023**



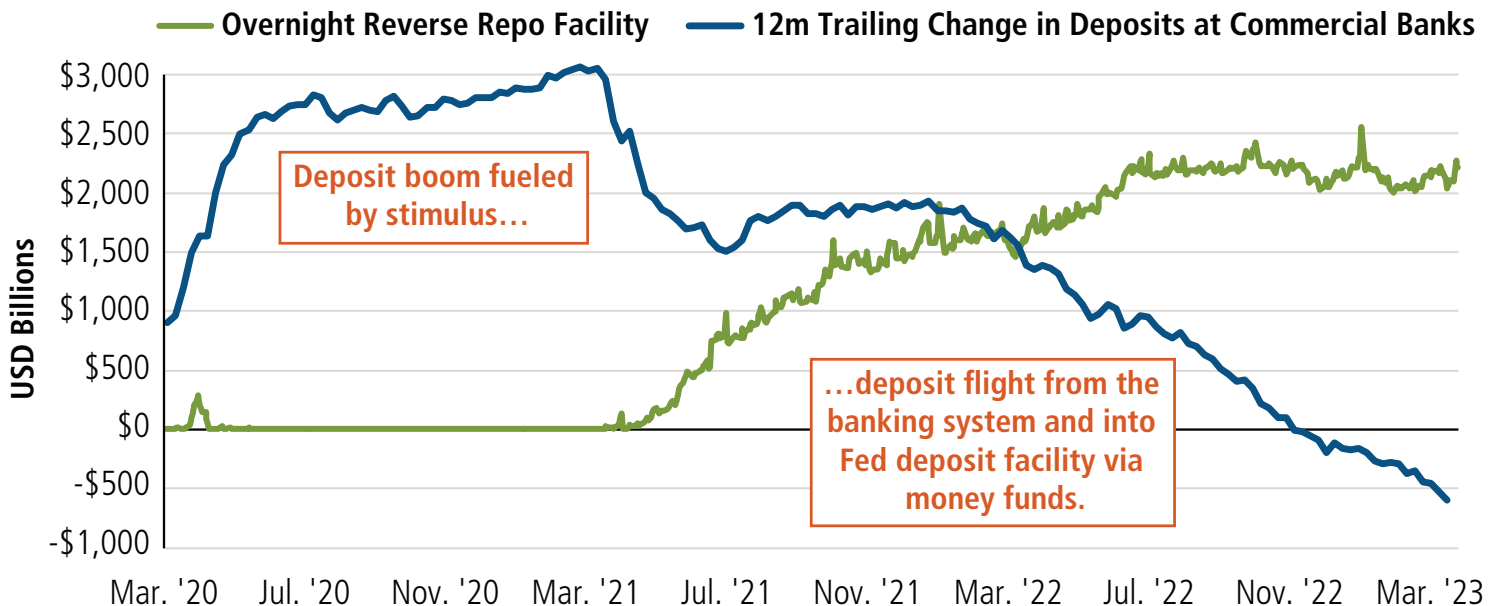
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*From the desk of Joan Payden:*

- » 2023 started on a positive note, as stocks and bonds recovered, inspired by China re-opening its economy after Covid and a resilient U.S. economy led by the stellar labor market data.
- » As a consequence, the U.S. central bank and its global peers continued to tighten monetary policy due to elevated inflation and a tight labor market during the first quarter.
- » However, a banking crisis—partly due to tighter financial conditions engendered by central banks—erupted during the quarter and upstaged many positive macro developments.
- » Unfortunately, despite the good news to start the year, banking crises typically have preceded slowdowns in economic growth, raising the probability of a recession. It is too soon to fully gauge the economic fallout from the bank failures seen in Q1, but small and medium-sized banks play a critical role in credit creation for the U.S. economy. As a result, we maintain a cautious stance with our client portfolios, focusing on higher quality holdings to help cushion against a potential recession in the next 12 months.

## DEPOSIT BOOM TURNED INTO A FLIGHT; THE DEPOSIT DRAWDOWN WILL CONTINUE TO STRESS BANKS



### MARKET THEMES FOR Q1

- » Interest rates fell, and the U.S. dollar weakened in the first quarter as investors interpreted the banking issues as signs that the Fed would soon pause its rate hikes and maybe even reverse course. Given how far inflation hovers above the central bank's target, we remain skeptical about rate cuts, though we acknowledge the end of hiking is approaching.
- » Risk markets, including equities, emerging markets debt, and high yield, were among the best-performing sectors for the quarter.

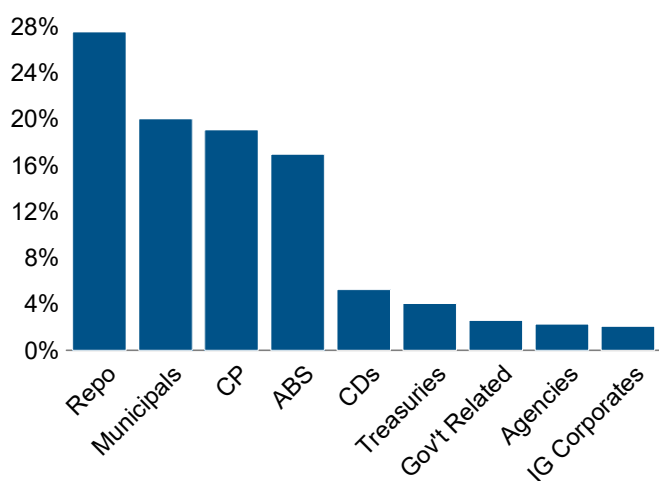
### OUTLOOK

- » We will remain cautious in Q2 as elevated inflation will keep monetary policy restrictive while the knock-on effects of the banking crisis have yet to be felt.
- » Since banking contractions usually precede recessions, recession risks will keep us neutral on duration and focused on portfolio quality.

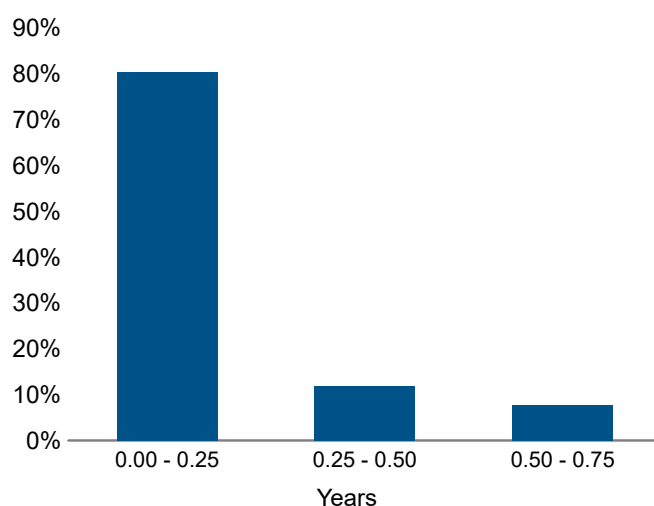
**PORTFOLIO CHARACTERISTICS (As of 3/31/2023)**

Portfolio Market Value	\$1,130.9 Million
Fitch Rating	AAA mmf
Days to Maturity	40 days
SEC 7-Day Yield (net)	4.82%

**SECTOR ALLOCATION**



**DURATION DISTRIBUTION**



Government/Government-guaranteed: 36%

**PORTFOLIO RETURNS - Periods Ending 3/31/2023**

	1st Quarter	Trailing 1 Yr	Trailing 3 Yr	Trailing 5 Yr	Trailing 10 Yr	Since Inception (1/13/09)
<b>FLORIDA TRUST DAY TO DAY FUND (gross)</b>	<b>1.16%</b>	<b>2.86%</b>	<b>1.13%</b>	<b>1.57%</b>	<b>1.05%</b>	<b>0.83%</b>
FLORIDA TRUST DAY TO DAY FUND (net)*	1.12%	2.74%	1.02%	1.47%	0.95%	0.73%
ICE BofA US 3-Month Treasury Bill Index	1.07%	2.50%	0.89%	1.41%	0.87%	0.65%

*Periods over one year are annualized*

*\*Net of fee return calculated by custodian UMB.*



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## **OUR STRATEGIES**

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### **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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