

QUARTERLY PORTFOLIO REVIEW

Payden & Rygel

[2ND QUARTER 2024]

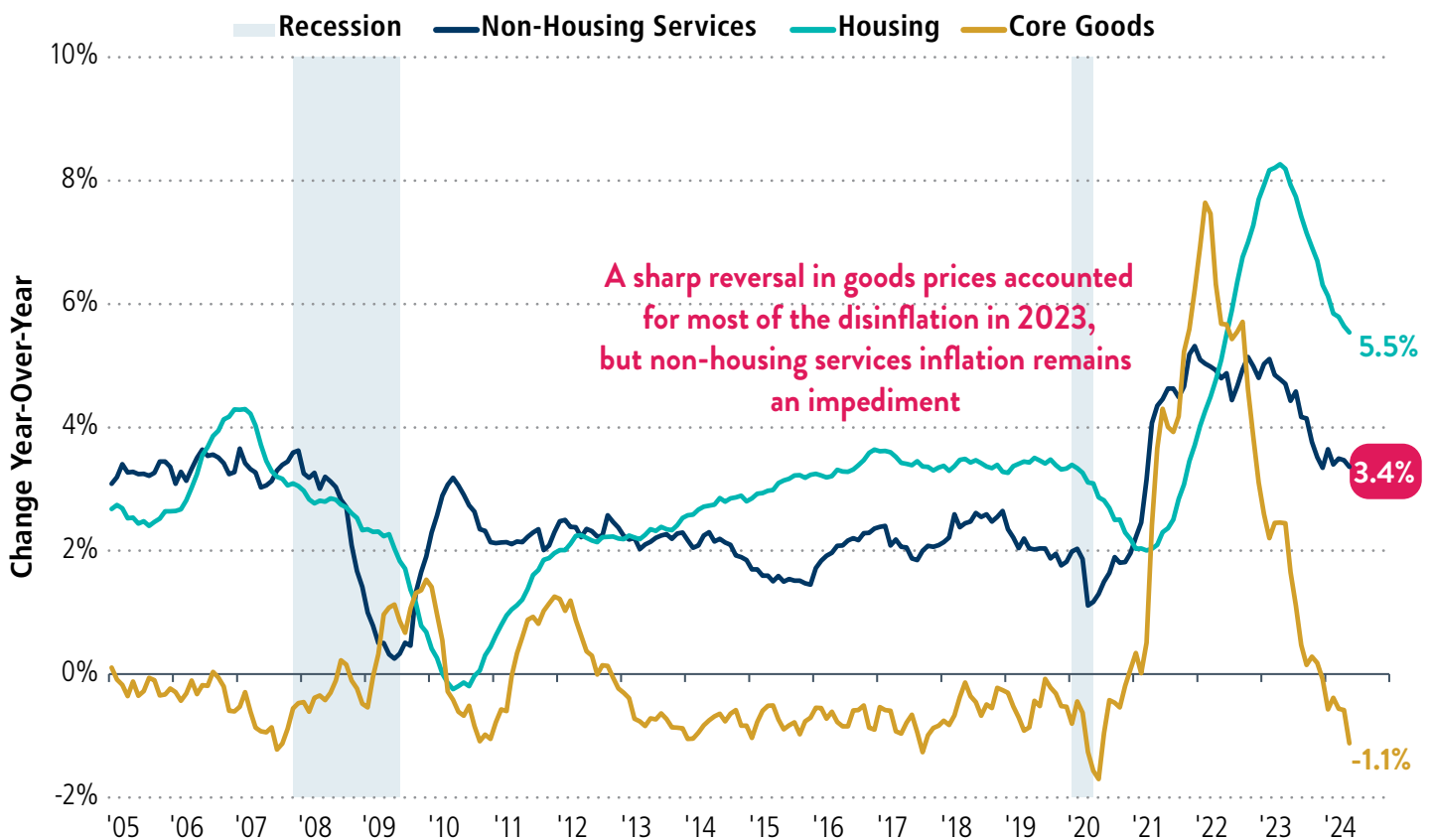
PAYDEN.COM
LOS ANGELES | BOSTON | LONDON | MILAN

MARKET MEMO | FROM THE DESK OF JOAN PAYDEN

Investors continue to assess the many crosscurrents in the global economy and capital markets.

- ▶ Although the **unemployment rate increased** to 4% in May, stellar payroll jobs growth at a three-month average pace of 249,000 per month indicates that the **U.S. labor market remains tight**.
- ▶ Meanwhile, **inflation made modest progress** in the second quarter. The core Personal Consumption Expenditures (PCE) Price Index increased at an average monthly rate of 0.23% from March to May. The year-over-year inflation reading slowed from 2.8% to 2.6% in May, but **unfavorable base effects could keep inflation readings near 3%**.
- ▶ The Fed communicated that the confidence to cut rates would necessitate **several months of target-consistent inflation readings**.
- ▶ Globally, the ECB and the BoC initiated their first rate cut in June as inflation returns to targets. Amid disparate inflation environments, **global policymakers have more room to diverge from the Fed**.

SERVICES PRICES REMAIN THE KEY BARRIER TO FURTHER PROGRESS ON INFLATION

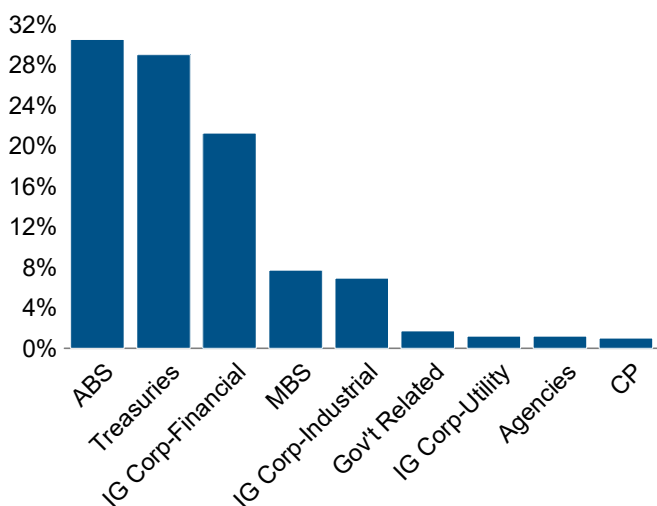


Source: Bureau of Economic Analysis

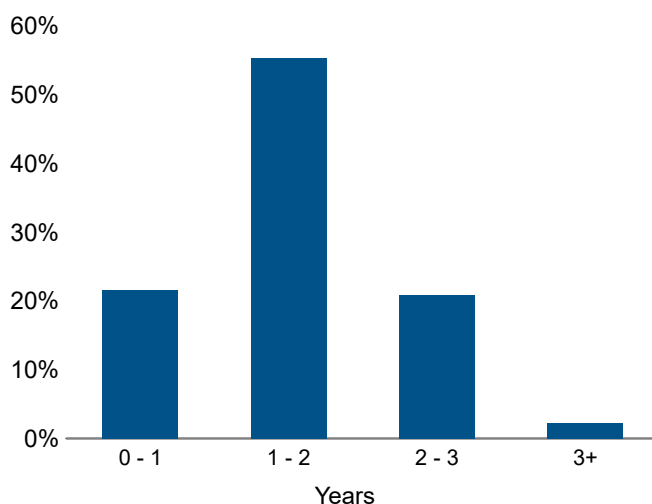
PORTFOLIO CHARACTERISTICS (As of 6/30/2024)

Portfolio Market Value	\$755.1 million
Fitch Rating	AAAf/S1
Weighted Average Duration	1.51 years
SEC 30-Day Yield (net)	4.67%

SECTOR ALLOCATION



DURATION DISTRIBUTION



PORTFOLIO RETURNS - Periods Ending 6/30/2024

	2nd Quarter	2024 YTD	Trailing 1 Yr	Trailing 5 Yr	Trailing 10 Yr	Since Inception (1/1/92)
FLORIDA TRUST S-T BOND FUND (gross)	1.13%	2.00%	5.82%	1.94%	1.76%	3.53%
FLORIDA TRUST S-T BOND FUND (NAV)*	1.05%	1.87%	5.58%	1.67%	1.50%	3.21%
ICE BofA 1-3 Year US Treasury Index**	0.94%	1.24%	4.53%	1.06%	1.13%	3.01%

Periods over one year are annualized

*Net Asset Value data provided by custodian UMB. Net of fees.

**Taxable money market funds average prior to 02/2000.

[Q2] SECTOR OUTLOOKS:

THOUGHTS FROM OUR STRATEGISTS

Though markets welcomed recent cooling inflation data, **we remain cautious as to whether that progress can be sustained.** Our GDP growth expectations remains strong, driven by the resilient labor market and a U.S. consumer that, while not perfect, remains fundamentally sound. Market pricing indicates two rate cuts by year-end versus our one.

Equities:

THINKING OUTSIDE THE MAGNIFICENT SEVEN

- » Fundamentals remain positive, but above-average valuations suggest return expectations in 2H24 may be more muted.
- » Lesser-known avenues to express the artificial intelligence theme in portfolios exist in select utilities, automation companies, data centers, and semiconductors.
- » In a concentrated market, active management emphasizing cash flow generation and balance sheet strength is crucial.

High Yield and Loans:

POSITIVE FUNDAMENTAL BACKDROP UNDERPINNING RETURN POTENTIAL

- » Robust growth prospects and earnings have allowed high yield companies to refinance and extend maturities, improving credit fundamentals.
- » Energy remains attractive, as high oil prices have allowed companies to generate significant free cash flow.
- » High coupons bolstered 1H24 performance for bank loans; we remain selective in lower quality issues.

Investment Grade Corporates :

ATTRACTIVE INCOME GENERATION

- » All-in yields near 5.5%, though below their recent peak, still deliver attractive income.
- » We like areas poised to benefit from the constructive macroeconomic outlook and trading at compelling valuations, such as BBB technology, autos, REITs, and insurance.
- » Risk-adjusted return prospects remain compelling given healthy coupons and potential price upside from possible rate cuts.

Emerging Markets:

FOCUS ON STRUCTURAL GROWTH

- » Economic activity has been resilient in EM countries, with stable growth, lower inflation, and solid external accounts.
- » We are most interested in countries benefiting from longer term secular growth trends, particularly in Latin America.
- » Within EM corporates, we have the highest conviction in companies generating consistent cash flows, operating in fiscally and economically resilient countries, and boasting robust competitive advantages.

Securitized Sectors:

RESILIENT CONSUMER SUPPORTING SECURITIZED CREDIT

- » Consumer ABS near-term collateral performance is expected to be within manageable ranges, with structures designed to delever bonds and mitigate against credit deterioration.
- » Digital infrastructure sectors within commercial ABS provide ample investment opportunities at attractive spreads.
- » Commercial CMBS requires a keen eye on deal selection.



**OVER 40 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

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

This material reflects the firm's current opinion and is subject to change without notice. Sources for the material contained herein are deemed reliable but cannot be guaranteed. This material is for illustrative purposes only and does not constitute investment advice or an offer to sell or buy any security. Past performance is no guarantee of future results.