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Economic and Market Commentary – June 2025

In June, economic uncertainty continued to ease, following a peak in April. Financial markets across the board posted gains, from stocks to bonds, in both domestic and international markets. In particular, the U.S. equity market retraced its April drawdown and reached another all-time high in June. U.S. economic data released in June illustrated a resilient economy with solid job growth and moderating inflation. The yield on the 2-year Treasury note fell 18 basis points (“bps”)to 3.72%. The yield on the benchmark 10-year Treasury fell 17 bps to 4.23%. The yield on the 30-year Treasury fell 16 bps to 4.77%.

On the labor market side, the U.S. economy added 139,000 jobs in May, a healthy print, and further added 147,000 jobs in June. However, there are signs of weakness, as continuing unemployment insurance claims—which track the number of workers receiving unemployment benefits for more than a week—rose to a cycle high in June. On the inflation front, the three-month average of the monthly core personal consumption expenditures (PCE) price index registered 0.14% as of May, the softest rate in over a year. As Federal Reserve (Fed) Chair Jerome Powell remarked during his congressional testimony, if not for forecasted tariff-induced increases to core inflation in the coming months, the Fed would likely be reducing interest rates.

At its June meeting, the Fed kept the federal funds rate steady at 4.25-4.50%. The group’s June Summary of Economic Projections (SEP) showed that the median policymaker expects slower economic growth, and a slightly higher unemployment rate compared to their March projections, but much higher core inflation by December 2025 due to the impact of tariffs. As a result, the median policymaker still expects only two 25 basis point cuts by year-end. In our view, softer core inflation is still achievable by year-end, as a moderation in services prices could offset the rise in goods prices due to tariffs. As Chair Powell mentioned during his testimony to Congress, the Fed’s next move will likely be a cut, but the timing depends on the inflation data. Consequently, if inflation remains muted or the unemployment rate rises, we think the Fed may quickly return to cutting mode and reduce rates by more than what the bond market currently prices in.

Short-Term Bond Fund ("STBF")

Short fixed income returns were positive across all sectors in June and the second quarter of the year, as short-term yields decreased while spreads tightened moderately. The Treasury yield curve steepened over the quarter largely due to concern and debate around the "Big Beautiful Bill" which will increase spending and the US budget deficit. The STBF posted a +0.73% total return[1] for June, faring better than the benchmark ICE BofA 1-3 Year US Treasury index, which returned 0.60%. Fiscal year-to-date, the STBF has returned +3.21% versus 2.73% for the benchmark.

The STBF remains well-positioned as we continue to invest in a high-quality tilt and a diversified mix of credit, with ample liquidity, and a neutral duration position. The STBF is poised to potentially outperform shorter, money market-like options during 2025 as the Fed considers cutting interest rates. Markets are currently pricing in 2 to 3 rate cuts by year end, slightly lower than the end of the prior quarter but consistent with softening growth indicators and concerns about policy-induced demand destruction. As the yield curve normalizes, there is opportunity for positive bond price performance in addition to the attractive income return offered by the STBF.

Short corporate and securitized credit markets demonstrated relative resilience over the quarter given the elevated uncertainty around tariffs and geopolitical risks. While credit premiums widened in April in response to initial tariff announcements, they recovered to pre-tariff levels by mid-May. Investment-grade credit premiums ended the quarterly flat year-to-date and are about 10 bps from the 12-month lows. Similarly in the securitized market, AAA-rated asset-backed security spreads closed the quarter near historical tights.

The STBF's interest rate positioning is neutral compared to the 1-3 year Treasury benchmark. While the Fed remains cautious amid tariff uncertainty, we see a path for declining policy rates if

[1] *Net Asset Value calculated by custodian UMB. Net of fees.*

inflation stabilizes and growth moderates. Given that credit and liquidity premiums are near multi-year tights, we are selective in adding exposures.

The STBF is assigned Fitch rating agency's highest Fund Credit Quality Rating and Fund Market Risk Sensitivity Rating of AAAf/S1. The net 30-Day SEC Yield for the fund was 4.16% at month end, compared to 4.31% as of 2024-year end. The liquidity of the fund is strong, with 329% of funds invested in Treasuries and government related securities. There were no deposits or withdrawals to the STBF in June.

Day to Day Fund ("DtD Fund")

The Florida Trust Day to Day Fund posted a total return of +0.36% in June, compared to the benchmark ICE BofA Three-Month Treasury Index return of +0.33%. Fiscal year-to-date, the DtD Fund has returned +3.46% versus 3.27% for the benchmark. The net 7-day SEC yield of the Day to Day Fund was 4.42%, compared to 4.52% at 2024-year end. Comparable prime institutional government funds had an average yield of 4.04% on 6/30. The Fund continues to provide safety, income, and liquidity of investments in a stable, $1 NAV Fund.

The DtD Fund holds diversified credit exposure by investing in high-quality and liquid commercial paper ("CP"), Yankee CDs ("YCDs"), and money market tranches of ABS, and municipal variable rate demand notes ("VRDNs") as we search to maximize yield without adding volatility or sacrificing liquidity. While we look to maximize credit sector investments in the fund, we have kept the maturity profile shorter, as historically tight spreads do not compensate to merit a longer maturity in a $1 NAV fund. The fund holds a 40% allocation to floating rate notes - our outlook for potentially more rate cuts has not diminished our demand for these securities. Investors remain well compensated by additional yield to offset potentially lower rates in many highly rated sectors, especially if the Fed remains on hold and investors can reap high floating rate coupons for longer periods of time. The floating rate securities in the portfolio have an average yield of 4.6% and continue to be additive to performance.

The fund remains highly liquid; the weighted-average maturity of the portfolio is currently 17 days and 32% of the portfolio is invested in government or government guaranteed securities. The fund processed over $25 million in cash flows in June, ending with ~$24 million net inflows. The fund is assigned Fitch rating agency's highest Money Market Fund Rating of AAA mmf.