QUARTERLY PORTFOLIO REVIEW

Payden&Rygel

Florida Local Government Trust

Day to Day Fund

[2ND QUARTER 2025]

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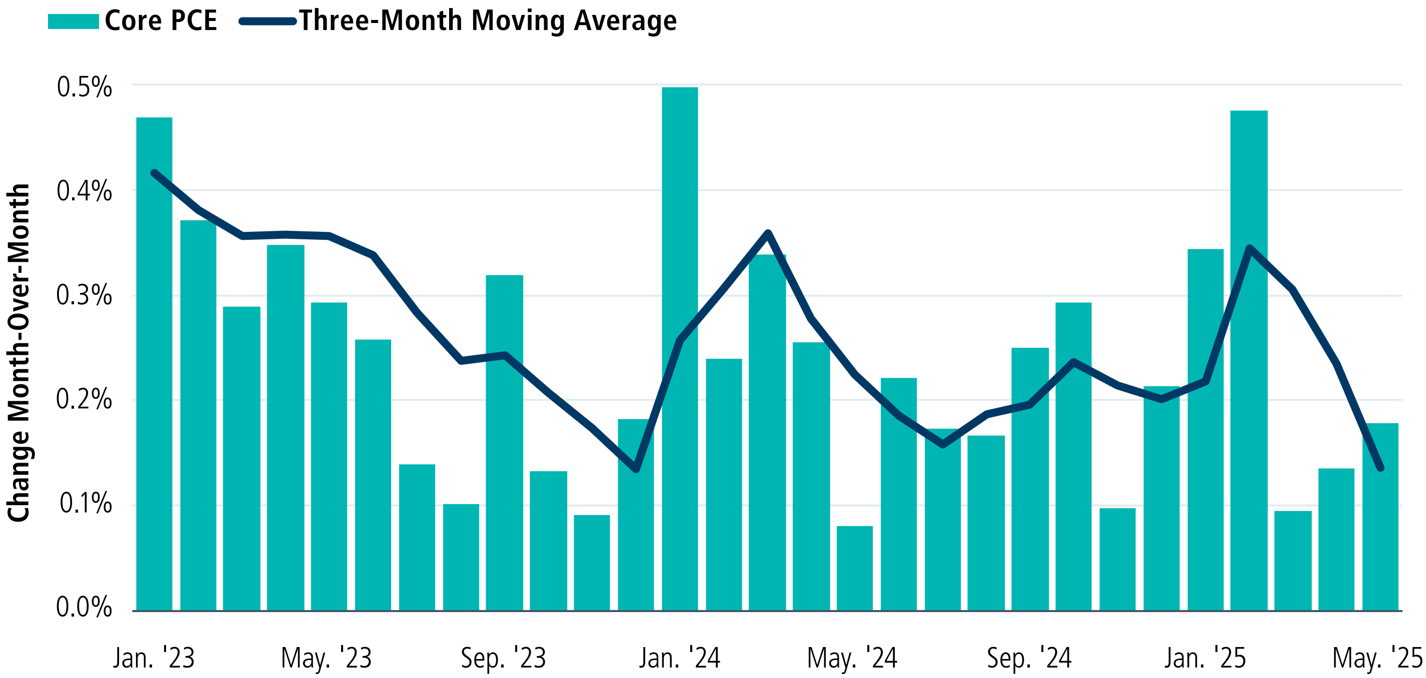
MARKET MEMO | FROM THE DESK OF JOAN PAYDEN

- **While headline GDP contracted in the first quarter of 2025** due to trade volatility, underlying drivers such as **personal spending and private business investments grew at a solid pace**.
- **Inflation continued to moderate**, with the three-month moving average of the monthly core personal consumption expenditures (PCE) price index registering 0.14% as of May, the softest pace in over a year. **The labor market has remained relatively healthy**, but modest signs of weakness have emerged, with a slight increase in the unemployment rate from 4.1% to 4.2%.
- **Globally, disinflation drove several central bank policy moves.** The RBA, ECB, and BoE reduced rates further as inflation cooled. On the other hand, **the BOJ and BoC, along with the Fed, held their policy rates steady in the second quarter, awaiting clarity on the effects of U.S. trade policy.**
- **Volatility in longer tenor Treasury yields was substantial during the quarter**, largely on the back of concerns surrounding U.S. trade and fiscal policies.

U.S. DISINFLATION PROGRESS RESUMED IN THE SECOND QUARTER OF 2025:

CORE PERSONAL CONSUMPTION EXPENDITURES (PCE) PRICE INDEX*

MONTHLY CORE PCE VERSUS THREE-MONTH MOVING AVERAGE



Source: Bureau of Economic Analysis

*Excluding food and energy

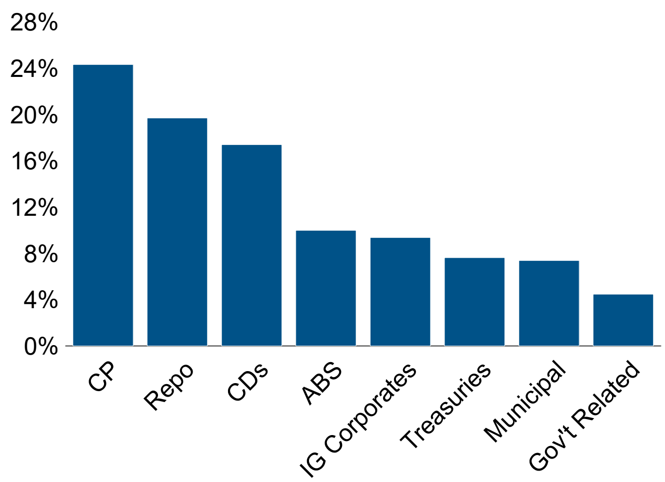
FLORIDA TRUST DAY TO DAY FUND

Portfolio Review and Market Update - 2nd Quarter 2025

1305

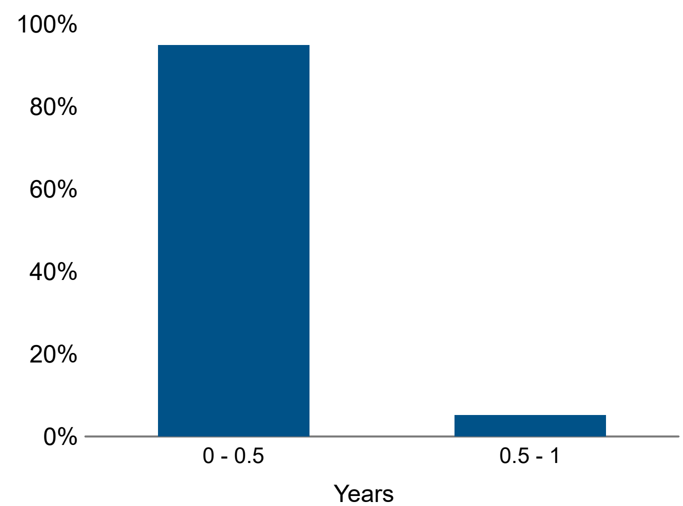
PORTFOLIO CHARACTERISTICS (As of 6/30/2025)	
Portfolio Market Value	$1,370.8 million
Fitch Rating	AAA mmf
Days to Maturity	17 days
SEC 7-Day Yield (net)	4.42%

SECTOR ALLOCATION



Government/Government-guaranteed: 28%

DURATION DISTRIBUTION



PORTFOLIO RETURNS - Periods Ending 6/30/2025

	2nd Quarter	2025 YTD	Trailing 1 Yr	Trailing 5 Yr	Trailing 10 Yr	Since Inception (1/13/09)
FLORIDA TRUST DAY TO DAY FUND (gross)	**1.15%**	**2.28%**	**4.99%**	**2.99%**	**2.20%**	**1.43%**
FLORIDA TRUST DAY TO DAY FUND (net)*	1.10%	2.21%	4.87%	2.90%	2.09%	1.33%
ICE BofA US 3-Month Treasury Bill Index	1.04%	2.07%	4.68%	2.76%	1.97%	1.24%

Periods over one year are annualized

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

SECTOR OUTLOOKS:

THOUGHTS FROM OUR STRATEGISTS

Market sentiment seesawed amid tariffs fits and starts and concerns of an economic slowdown. Though action will remain data-dependent, we anticipate the Fed will further ease monetary policy in the second half of the year, and perhaps more than the market currently expects.

Investment Grade Corporates:

CREDIT UNDERWRITING IN FOCUS

- Rates have been volatile in the face of uncertain policy shifts, after spiking wider post-Liberation Day, yet corporate spreads are relatively unchanged year-to-date. Attractive all-in yields continue to pique investor interest.
- Into the second half of 2025, we believe corporate fundamentals are on solid footing; however, we are closely watching for signs of deterioration or the impact of tariffs on gross margins.

High Yield and Loans:

COUPON CLIPPING AND POTENTIAL PRICE APPRECIATION

- Credit metrics remain sound as disciplined management teams have kept leverage in check and interest coverage ratios are strong.
- Yields north of 7% continue to attract investor attention, particularly given the solid fundamental backdrop.
- Bank loans have lagged high yield bonds this year, but underperformance was entirely attributable to lower rates. We remain highly selective with an eye on relative value opportunities.

Emerging Markets:

BIFURCATION CREATING UNIQUE OPPORTUNITIES

- In the wake of trade policy upheaval, EM economies are poised to bifurcate from increased protectionism.
- Recent US dollar weakness has proven a tailwind for EM assets, a phenomenon we believe could continue given the US dollar is still historically expensive. Lower inflation supports EM central banks' ability to further lower policy rates.
- We seek to overweight exposure to sovereign issuers presenting attractive income opportunities, as well as EM corporates that are positioned to benefit from shifting trade winds.

Securitized Sectors:

HIGH-QUALITY OPTIONS TO DIVERSIFY CREDIT EXPOSURE

- After widening in the wake of tariff announcements, securitized credit spreads largely retraced moving into the second half of the year.
- The mortgage complex offers attractive investment opportunities, particularly residential Non-QM and select new issue CMBS SASB.
- Agency MBS spreads remain attractive versus corporate credit and we anticipate rates stability to set the stage for mortgage basis compression.
- Limited new loan supply and robust demand continues to underpin pricing for quality CLO issues; we see compelling relative value opportunities in tier 1 managers and shorter deal structures.

Equities:

DIVIDEND INCOME OFFERING PORTFOLIO BALLAST

- The impact of tariffs on corporate earnings growth remains to be seen, though valuations have rebounded from the Liberation Day selloff.
- Given the uncertain outlook, we favor quality stocks of companies with robust cash flows and strong balance sheets.
- We remain focused on positioning the portfolio to capture a premium dividend yield with favorable long-term growth prospects, such as banks or AI-exposed names.

OVER 40 YEARS OF INSPIRING CONFIDENCE WITH AN UNWAVERING COMMITMENT TO OUR CLIENTS' NEEDS.

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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

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