FLORIDA TRUST

Economic and Market Commentary – August 2025

During August, U.S. economic data pointed to a weakening labor market and rising core inflation. The yield on the 2-year Treasury note fell 34 basis points ("bps") to 3.62%. The yield on the benchmark 10-year Treasury fell 14 bps to 4.23%. The yield on the 30-year Treasury rose three bps to 4.90%.

At the 48th annual Jackson Hole Economic Symposium, Federal Reserve (Fed) Chair Jerome Powell stated in his opening remarks that "the baseline outlook and the shifting balance of risks may warrant adjusting [the Fed's] policy," opening the door for rate cuts in September. We think there's a strong argument for the Fed to cut its policy rate. First, as Powell acknowledged in his speech, downside risks to employment are rising. The three-month average pace of job growth slowed to 35,000 jobs per month, much weaker than the 2024 monthly average of 130,000. A shrinking labor force, though, has kept the unemployment rate stable at 4.2% despite a slowdown in job growth. However, if hiring were to slow further or the labor force stabilizes, there is a clear risk that the unemployment rate would rise. Second, as a result of a weakening labor market, consumer spending, the main driver of growth in the U.S. economy, slowed from a 3% quarterly annualized pace in 2024 to roughly 1% in the first half of 2025. Third, we are less concerned than some policymakers about a tariff-driven reacceleration in inflation. Indeed, the core personal consumption expenditures (PCE) price index rose 0.3% month-over-month in July, pushing the year-over-year rate to 2.9%. In our view, though, a weakening labor market suggests continued moderation in services prices, which should help offset the rise in goods prices from tariffs and keep overall core inflation on a moderating trend. As a result, we still believe the appropriate policy path for rates is about 150 basis points lower by the end of 2026, with three cuts by the end of 2025.

Short-Term Bond Fund ("STBF")

Short fixed income returns were positive across all sectors in August as short-term yields decreased and spreads widened slightly. The Treasury yield curve moved in an asymmetrical steepening manner throughout August, as the market repriced interest rate cut quantity and timing. The STBF posted a

+0.090% total return[1] for August, in line with the benchmark ICE BofA 1-3 Year US Treasury index, which returned 0.86%. Fiscal year-to-date, the STBF has returned +4.20% versus 3.56% 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 to modestly long duration position. The STBF is poised to potentially outperform shorter, money market-like options for the remainder of 2025 as the Fed looks to ease policy and cut interest rates, and we can take advantage of yield curve opportunities as the curve is expected to return to a positive slope. As the yield curve normalizes there will be opportunity for positive bond price performance in addition to the attractive income return offered by the STBF.

Beyond Treasuries, credit markets remain strong. Risk premiums are near historical lows, and new issuance is robust. Investment-grade corporate issuance has reached $1.1 trillion year-to-date, on pace with 2024's record levels. Securitized markets show similar strength, with even niche areas like data center financing seeing strong demand and tight risk premiums. Given that credit and liquidity premiums are near multi-year tights, we are selective in adding exposure**.** Within corporates, we prefer relative value opportunities within sectors and curves, rather than directional risk. In securitized credit, we look to remain high quality and seek fixed rate deals to lock in higher coupons; opportunities in floating rate notes could soon be lower.

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 4.02% at month end, compared to 4.31% as of 2024-year end. The liquidity of the fund is strong, with 31% of funds invested in Treasuries and government related securities. There were $10 million in deposits and no redemptions in August.

Day to Day Fund ("DtD Fund")

The Florida Trust Day to Day Fund posted a total return of +0.38% in August, compared to the benchmark ICE BofA Three-Month Treasury Index return of +0.39%. Fiscal year-to-date, the DtD Fund has returned +4.23% versus 4.03% for the benchmark. The net 7-day SEC yield of the Day to Day Fund was 4.41%, compared to 4.52% at 2024-year end. Comparable prime institutional government funds had an average

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

yield of 4.01% on 8/31. 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 39% allocation to floating rate notes. Despite the outlook for a lower Fed Funds rates this year investors in short portfolios such as the DtD remain well compensated by additional yield to offset potentially lower rates in many highly rated sectors, especially as coupons are backward-looking and will continue to reset at higher rates for longer periods of time. The floating rate securities in the portfolio have an average yield of 4.5% and continue to be additive to performance.

The fund remains highly liquid; the weighted-average maturity of the portfolio is currently 23 days and 29% of the portfolio is invested in government or government guaranteed securities. The fund processed nearly $40 million in net withdrawals in August. The fund is assigned Fitch rating agency’s highest Money Market Fund Rating of AAA mmf.