Economic and Market Commentary – December 2025

The year ended supported by a risk-on sentiment fueled by ongoing optimism about economic growth and monetary policy. During December, the yield on the 2-year Treasury note fell two eight basis points ("bps") to 3.47%. The yield on the benchmark 10-year Treasury rose 16 bps to 4.17%. The yield on the 30-year Treasury rose eight bps to 4.84%.

Long-awaited government data released in December suggest accelerating economic growth, a weakening labor market, and moderating inflation. The U.S. economy expanded at an annualized quarterly rate of 4.3% in the third quarter, driven by resilient consumer spending and private investment in artificial intelligence (AI). Continued AI investment and real wage gains should sustain private sector growth into 2026 despite the recent government shutdown. In contrast, job growth has been weak, with the U.S. economy only adding 64,000 net new jobs in November, pushing the unemployment rate to a cycle-high of 4.6%. If job growth remains weak, the unemployment rate could rise further in 2026. On the inflation front, the year-over-year core consumer price index (CPI) moderated to 2.6%, the lowest print in four years. Core inflation may return to the Federal Reserve's (Fed's) 2% target in 2026, as cooling housing and non-housing services offset the one-time tariff-driven price increase.

As a result of moderating inflation and rising unemployment, the Fed lowered the target range of the federal funds rate by another 25 basis points (bps) at its December meeting, bringing the total rate reduction in 2025 to 75 bps. The decision was met with three dissents: two policymakers preferred no change in the policy rate, and one favored a 50 bp rate reduction. Policymakers preferring no cut did not see sufficient weakening in the labor market to justify reducing the federal funds rate while inflation remains above the Fed's 2% target. Looking ahead to 2026, policymakers' projections of future policy rates, dubbed the "dot plot," show a wide range of expectations, with the median participant penciling in only one 25-basis-point rate cut by year-end. If inflation continues to cool or the labor market weakens further, we expect the Fed to cut rates by an additional 75 bps in 2026, bringing the federal funds rate closer to our estimate of the neutral rate.

Short-Term Bond Fund ("STBF")

Short fixed income returns were positive across all sectors in the fourth quarter and December, finishing a strong year, as ultra short-term yields decreased while spreads widened. The Treasury yield curve steepened in the fourth quarter, as the market digested Fed rate cuts and further commentary for the 2026 outlook.

The STBF posted a +0.33% total return[1] for December, in line with the benchmark ICE BofA 1-3 Year US Treasury index, which returned 0.32%. For the fourth quarter, and fiscal-year-to- date, the fund returned +1.14% versus 1.12% for the benchmark. Calendar year-to-date, the STBF has returned +5.54% versus 5.10% 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 as the Fed looks to continue to ease policy and cut interest rates. We focus on optimizing curve exposure as the yield curve steepens and front-end rates fall. As the yield curve normalizes to an upward sloping curve and without a front-end inversion, there will be opportunity for the fund to earn positive bond price performance in addition to the attractive income return offered by the STBF.

Securitized and investment grade corporate markets ended the year on a strong note, with record issuance across both sectors. Risk premiums, the additional yield above Treasuries, remain narrow but steady over the quarter. Credit markets provided additional returns from contracting risk premiums and their additional yield above Treasuries. We expect continued strength as tailwinds from lower rates, a clearer outlook on tariffs, and a resilient economy provide support for risk assets. With valuations not overwhelmingly inexpensive, we remain selective. We keep duration positioned neutral to modestly long to the benchmark as softening employment and progress towards lower inflation should allow the Federal Reserve to cut rates more than current market pricing.

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 3.87% as of 12/31, compared to 4.31% as of 2024-year end. The liquidity of the fund is strong, with 30% of funds invested in Treasuries

[1] *Net Asset Value calculated by custodian UMB. Net of fees. Past performance does not predict future returns.*

and government related securities. There was a $9.9 million deposit in December, the only cash flow of the month.

Day to Day Fund ("DtD Fund")

The Florida Trust Day to Day Fund posted a total return of +0.33%[2] in December, compared to the benchmark ICE BofA Three-Month Treasury Index return of +0.35%. For the fourth quarter, and fiscal-year-to- date, the fund returned +1.03% versus 0.97% for the benchmark. Calendar year-to-date, the DtD Fund has returned +4.41% versus 4.18% for the benchmark. The net 7-day SEC yield of the Day to Day Fund was 3.83%, compared to 4.52% at 2024-year end. Comparable prime institutional government funds had an average yield of 3.50%[3] on 12/31. 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. We work to balance maximizing short-maturity credit sector investments in the fund; as a regular exercise we rotate positions considering risk and income. The fund holds a 28% 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 for floating -rates securities are backward-looking and will continue to reset at higher rates some period of time. The floating rate securities in the portfolio have an average yield of 3.9% and continue to be additive to performance, as well as by nature do not count against day count restraints, allowing us additional flexibility in fixed instruments.

The fund remains highly liquid. The weighted-average maturity of the portfolio at month end was 43 days and 31% of the portfolio is invested in government or government guaranteed securities. The fund gained

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2 *Net of fees returns provided custodian UMB. Past performance does not predict future returns.*

3 *Crane Money Fund Average Yield: Institutional (government) 7-day yield*

$319 million in net cash flows in December, processing over $1 billion in contributions and redemptions. Some monies are very short-term in nature and are expected to reverse flow within short periods, and the DtD has sufficient liquidity to compensate. The fund is assigned Fitch rating agency's highest Money Market Fund Rating of AAA mmf.