FLORIDA TRUST

Economic and Market Commentary – January 2026

In the U.S, the yield on the 2-year Treasury note rose five basis points ("bps") to 3.52%. The yield on the benchmark 10-year Treasury rose seven bps to 4.24%.adn the yield on the 30-year Treasury rose three bps to 4.87%.

January's U.S. data releases suggest solid growth in economic activity, a weak labor market, and moderating inflation. Estimates project the U.S. economy expanded at a 4.2% annualized rate in the fourth quarter of 2025, with private demand growth potentially registering a solid 2.5% rate. However, the labor market remains weak, with the three-month average pace of private job growth running at only 29,000. On the inflation front, while the year-over-year core Consumer Price Index (CPI) inflation rate remains flat at 2.6%, the three-month annualized pace cooled to 1.6% as of December.

The Federal Reserve left interest rates unchanged at its January meeting. Policymakers cited relatively balanced inflation and labor market risks to justify the rate decision. More specifically, the Fed believes that the labor market has stabilized since its December meeting. However, we are more concerned about downside risks to the labor market and less worried about upside risks to inflation. As a result, we believe further labor market weakness or ongoing disinflation will prompt the Fed to cut rates by 75 basis points in 2026, lowering the federal funds rate to 3%.

After a volatile public search, the President announced that he will nominate former Federal Reserve Governor Kevin Warsh as Fed Chair. While it remains to be seen which policy objectives Warsh will pursue, we emphasize that monetary policy decisions are made by a 12-person committee vote, on which Warsh only has one vote. As a result, we don't think Warsh's nomination will alter our interest rate expectations, threaten the Fed's independence, or fundamentally change how the Fed operates.

Short-Term Bond Fund ("STBF")

Short fixed income returns were positive across all sectors in January, continuing from a strong 2025, as ultra short-term yields increased while spreads tightened and strong interest income remained beneficial to return. The Treasury yield curve rose in the first month of the year, as the market digested Fed commentary for 2026 rate cut expectations and new economic data.

The STBF posted a +0.30% total return[1] for January, above the benchmark ICE BofA 1-3 Year US Treasury index, which returned 0.21%. Fiscal year-to-date, the STBF has returned +1.45% versus 1.33% 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 modestly long duration position. The STBF is poised to potentially outperform shorter, money market-like options as we believe the Fed likely to continue easing policy and lowering interest rates. We focus on optimizing curve exposure as the yield curve normalizes to an upward sloping curve and without a front-end inversion. An upward sloping curve allows opportunity for the fund to earn positive bond price performance in addition to the attractive income return offered by the STBF.

We have modestly extended duration to 0.2 years overweight, as we believe market participants are underpricing the magnitude of cuts to the Federal Funds Rate for 2026. We rotated older Treasury positions into more recent two- and three-year issues in addition to purchasing longer credit, as the new issue offerings in January were plentiful. Outside of U.S. Treasuries and government-related securities, we continue to focus on high quality credit including corporates, asset-backed securities, and mortgage-backed securities for the fund. Within credit sectors, we diversify in subsectors and typically hold small position sizes per issuer. January saw record issuance in investment-grade corporate bonds, the highest ever for that month. We are actively rotating shorter holdings into longer, where valuations prove worthy. Risk premiums (the additional yield above US Treasuries) remain close to historic lows. Markets have been buoyed by investor expectations for lower rates, alongside a resilient economic outlook. Securitized products also saw robust issuance across securitized subsectors (mortgages, consumer credit, and corporate loans), and all deals were readily absorbed as risk premiums moved closer towards their historical lows.

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, identical to

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

2025-year end. The liquidity of the fund is strong, with 33% of funds invested in Treasuries and government related securities. There were over $94 million in deposits in January.

Day to Day Fund ("DtD Fund")

The Florida Trust Day to Day Fund posted a total return of +0.32%[2] in January, compared to the benchmark ICE BofA Three-Month Treasury Index return of +0.29%. Fiscal-year-to- date, the fund returned +1.35% versus 1.26% for the benchmark. The net 7-day SEC yield of the Day to Day Fund was 3.75%, compared to 3.83% at 2025-year end. Comparable prime institutional government funds had an average yield of 3.42%[3] on 1/31. 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 corporates, 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 and consider names on a relative value basis. The fund holds a 25% allocation to floating rate notes, by nature do not count against day count restraints, allowing us additional flexibility in fixed instruments. The floating rate securities in the portfolio have an average yield of 3.8% and continue to be additive to performance, though we are now focused on fixed-rate instruments as we see increased relative value.

The fund remains highly liquid. The weighted-average maturity of the portfolio at month end was 49 days and 28% of the portfolio is invested in government or government guaranteed securities. The fund's market value declined nearly $102 million on cash flow activity in January. The DtD has sufficient liquidity to compensate. The fund is assigned Fitch rating agency's highest Money Market Fund Rating of AAA mmf.

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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*