

FLORIDA TRUST

Economic and Market Commentary – February 2026

In the U.S, the yield on the 2-year Treasury note fell 15 basis points (“bps”) to 3.37%. The yield on the benchmark 10-year Treasury fell 30 bps to 3.94% and the yield on the 30-year Treasury fell 26 bps to 4.61%.

In February, data showed that the U.S. economy grew at a solid pace, the labor market stayed weak, and inflation moderated. In 2025, the U.S. economy grew at a healthy 2.2% year-over-year rate despite trade policy disruptions and heightened uncertainty. With technology spending leading the way, we expect growth to remain on trend in 2026. Running counter to strong economic growth, net job creation in 2025 was near zero, a historically weak figure that usually results in a rising unemployment rate. What’s more, the breadth of job growth has narrowed, with healthcare and education accounting for the majority of private-sector employment gains. Turning to prices, the core Consumer Price Index (CPI) slowed to 2.5% year-over-year, the lowest level in nearly five years.

The January jobs report showed that the unemployment rate fell to 4.3%, allowing the Federal Reserve (Fed) to stay on hold in the near term. However, we remained more concerned than policymakers about the ongoing weakness in the labor market, given that job growth has slowed substantially in the last 12 months. Further, a weakening labor market will likely lead to slower wage growth and drive further disinflation in services prices. With tariff effects fading from goods prices, we think core inflation will moderate and approach the Fed’s 2% target by the end of 2026. As a result, we expect the Fed to be on hold in the near term but resume rate cuts in the summer as inflation cools, bringing the federal funds rate to a neutral 3% by year-end.

Short-Term Bond Fund (“STBF”)

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

The STBF posted a +0.60% total return¹ for February, above the benchmark ICE BofA 1-3 Year US Treasury index, which returned 0.53%. Fiscal year-to-date, the STBF has returned +2.06% versus 1.86% 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.

Headline duration positioning for the fund remains 0.1 to 0.2 years overweight, as we believe market participants are underpricing the magnitude of cuts to the Federal Funds Rate for 2026. We continued to rotate older Treasury positions into more recent two- and three-year credit issues. 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. Credit markets adopted a more cautious tone during the month. Despite the risk-off backdrop, issuance in both investment-grade corporate and securitized sectors remained robust, with new supply generally well absorbed. Investment-grade corporate bond yields above similar-maturity U.S. Treasuries rose modestly but remain near the lower end of their five- and ten-year historical ranges. High-quality securitized sectors exhibited similar characteristics. Our exposure remains focused on the most senior, highest-quality segments of the securitized market.

The STBF is assigned Fitch rating agency's highest Fund Credit Quality Rating and Fund Market Risk Sensitivity Rating of AAf/S1. The net 30-Day SEC Yield for the fund was 3.88% as of 2/28, versus 3.87% 2025-year end. The liquidity of the fund is strong, with 30% of funds invested in Treasuries and government related securities. There was a \$4.7 million in deposit in February, and no withdrawals from the fund.

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

Day to Day Fund (“DtD Fund”)

The Florida Trust Day to Day Fund posted a total return of +0.29%² in February, compared to the benchmark ICE BofA Three-Month Treasury Index return of +0.27%. Fiscal-year-to-date, the fund returned +1.65% versus 1.54% for the benchmark. The net 7-day SEC yield of the Day to Day Fund was 3.77%, compared to 3.83% at 2025-year end. Comparable prime institutional government funds had an average yield of 3.42%³ on 2/28. 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 22% 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 50 days and 32% of the portfolio is invested in government or government guaranteed securities. Net cash flows on the month totaled approximately -\$60 million. The fund is assigned Fitch rating agency’s highest Money Market Fund Rating of AAA mmf.

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

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