QUARTERLY PORTFOLIO REVIEW

Payden&Rygel

Florida Local Government Trust

Short Term Bond Fund

[1ST QUARTER 2026]

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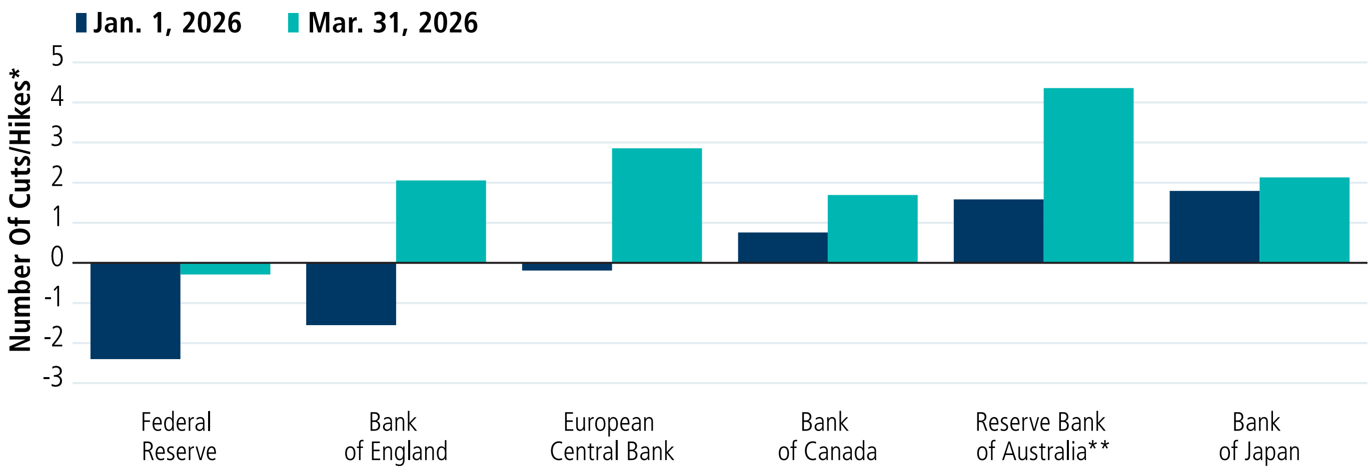
MARKET MEMO

- The conflict in Iran pushed up rates globally amid inflation fears in March. However, we think U.S. macroeconomic fundamentals pose little upside risk to inflation, with on-trend economic growth, a weak labor market, and cooling underlying inflation.
- The U.S. economy expanded at a moderate 2.1% in 2025, despite headwinds from tariffs and restrictive monetary policy. The U.S. labor market added 178,000 private jobs in March, bringing the 3-month average to 86,000 and pushing the unemployment rate down to 4.3%.
- Looking at prices, core personal consumption expenditures (PCE) inflation ticked up to 3.1% year-over-year in January, driven by lingering tariff-related price pressures and seasonal effects.
- Globally, the RBA hiked its policy rate in response to elevated inflation, while the Fed, ECB, BoE, BoC, and BoJ held their policy rates constant, awaiting the size and duration of oil price shocks from the conflict in Iran.

CENTRAL BANK RATE EXPECTATIONS HAVE RAPIDLY REPRICED FROM CUTS TO HIKES

POLICY RATE EXPECTATIONS

MARKET EXPECTATION OF TOTAL POLICY RATE CHANGE IN 2026



Source:Bloomberg

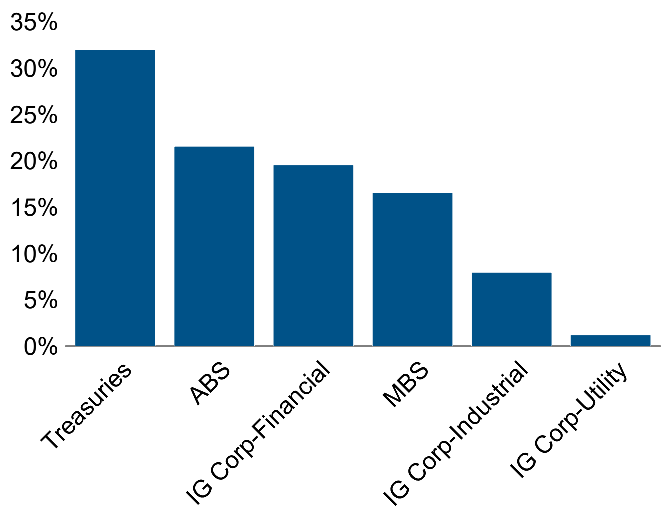
**Rate cuts and hikes are measured as 25 basis points changes in policy rates*
***The Reserve Bank of Australia has already hiked rates two times this year*

FLORIDA TRUST SHORT-TERM BOND FUND

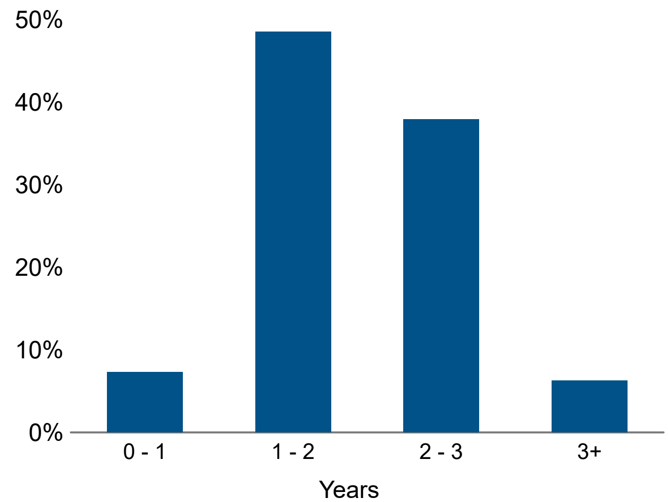
Portfolio Review and Market Update - 1st Quarter 2026

PORTFOLIO CHARACTERISTICS (As of 3/31/2026)	
Portfolio Market Value	$815.2 million
Fitch Rating	AAAf/S1
Weighted Average Duration	2.03 years
SEC 30-Day Yield (net)	3.82%

SECTOR ALLOCATION



DURATION DISTRIBUTION



PORTFOLIO RETURNS - Periods Ending 3/31/2026

	1st Quarter	Trailing 1 Yr	Trailing 3 Yr	Trailing 5 Yr	Trailing 10 Yr	Since Inception (1/1/92)
FLORIDA TRUST S-T BOND FUND (gross)	**0.37%**	**4.50%**	**5.07%**	**2.83%**	**2.51%**	**3.62%**
FLORIDA TRUST S-T BOND FUND (NAV)*	0.30%	4.24%	4.80%	2.55%	2.24%	3.30%
ICE BofA 1-3 Year US Treasury Index**	0.29%	3.75%	4.04%	1.86%	1.78%	3.10%

Periods over one year are annualized

**Net Asset Value data provided by custodian UMB. Net of fees.*

***Taxable money market funds average prior to 02/2000.*

Outlook

Somewhat of a continuation from 2025, we anticipate inflation approaching the Fed's 2% target by the second half of 2026, enabling further rate cuts as labor market softness persists. Technology-driven productivity gains should help offset recession risks, supporting credit performance even as capex-driven debt issuance rises.

Investment Grade Corporates:

"CASH ON THE SIDELINES" CONTINUES TO BE PUT TO WORK

Credit spreads weakened only marginally during the quarter, despite a record quarter for new supply of $645 billion. This included the largest single-day and second largest one-week issuance ever. Investors continue to see value in all-in corporate yields, despite relatively tight spreads, and are also more than happy to take-down all this AI-related new issuance.

High Yield and Loans:

STURDY FUNDAMENTALS DESPITE MACRO VOLATILITY

While high yield spreads widened in the quarter, issuers continue to report healthy earnings growth. This should support stability in a volatile macroeconomic environment, while yields north of 7% should help sustain demand for high-yield bonds. Underwriting is key, as idiosyncratic default risks persist in lower-rated bonds and bank loans, but systemic risk appears manageable.

Emerging Markets:

THE IRAN CONFLICT HAS TEMPORARILY INTERRUPTED THE POSITIVE MOMENTUM OF THE ASSET CLASS

Strong fundamentals, high real yields, robust external balances, and disciplined policymaking supported emerging markets in Q1. In the short term, the Iran conflict has spurred higher energy prices, causing local rates to rise, the US dollar to strengthen, and credit spreads to widen modestly. However, we'd expect the long-term trend of global portfolio diversification, which began in 2025, to resume, ultimately benefiting emerging markets.

Securitized Sectors:

RELATIVELY RESILIENT TO MACRO FACTORS THUS FAR

Primary securitized credit markets delivered $325 billion of supply, -2% versus prior year's pace. Spreads widened in March given unfolding geopolitical and macro risk, retracing a portion of the tightening witnessed earlier in the quarter. Looking forward, we anticipate primary markets to continue their current pace of activity and are mindful of credit curve repricing risk in the event of geopolitical conflict escalation and ensuing macro implications.

Municipals:

MODESTLY WEAKER, BUT COMPELLING YIELDS

After a solid start to the year, municipal bonds saw some headwinds heading into the end of the quarter, as new issue supply accelerated and reinvestment of cash hit seasonal lows. Tax-exempt yields in a "high 3%" context for intermediate duration are compelling for an asset class that remains high quality.

Equity Income:

QUALITY,STABILITY AND INCOME

U.S. equities have pulled back nearly 10% from January highs amid macro headwinds, despite continued strength in corporate earnings, creating more attractive entry points for high-quality companies with durable cashflows and strong balance sheets. A balanced approach emphasizing income, growth, and lower volatility can help navigate near-term uncertainty while remaining positioned for long-term returns.

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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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