

FLORIDA TRUST

Economic and Market Commentary – May 2026

In the U.S, the yield on the 2-year Treasury rose 13 basis points (“bps”) to 4.00%. The yield on the benchmark 10-year Treasury rose seven bps to 4.44% and the yield on the 30-year Treasury held steady 4.97%.

In May, we received data showing that the U.S. economy grew at a moderate pace, labor market stability persisted, and inflation remained elevated. Despite minor downward revisions to growth, tech investments continue to drive most of the growth in underlying economic activity, which expanded at a solid 2.5% year-over-year pace in the first quarter of 2026. In the labor market, net job growth averaged a historically low 48,000 jobs per month over the past three months through April, while the unemployment rate remained stable at 4.3%. On the inflation front, the core personal consumption expenditures (PCE) price index ticked up to 3.3% year-over-year in April, largely driven by rising prices for computer software and accessories as demand for AI and computer capacity continues to outstrip supply. Globally, the Reserve Bank of Australia raised interest rates by 25 basis points at its third consecutive meeting in response to rising inflation.

Federal Reserve officials seem to agree that the best plan is to hold the federal funds rate steady for the rest of 2026 with core inflation above target and the unemployment rate stable. Whether the next policy rate step is higher or lower will depend on the labor market and core inflation. If the labor market tightens and wage growth accelerates, or if medium- and long-term inflation expectations appear to be unanchoring, the Fed will hike at least once, if not more, to combat inflation. On the other hand, an unexpected rise in the unemployment rate and faster progress on disinflation would allow the Fed to resume rate cuts. We continue to think the next move is more likely a cut, as risks tilt to the downside for the labor market amid weak hiring and moderating income growth, which suggests that cooling services prices will eventually lead to further progress on core inflation. Looking ahead, the primary risk remains the evolution of the Middle East conflict. Persistently elevated energy prices could place additional upward pressure on inflation while weighing on consumer spending and economic growth. While we continue to expect that cooling income growth and slower job growth should eventually support further

disinflation, we acknowledge that resilient economic growth and a labor market that remains close to equilibrium could cause inflation to remain higher in the near term.

Short-Term Bond Fund (“STBF”)

Short fixed income returns were positive across all sectors in May and year-to-date as short-term yields increased amid rate volatility and inflation concerns, but spreads tightened and strong interest income remained beneficial to total return. The STBF posted a +0.12% total return¹ for May, inline with the benchmark ICE BofA 1-3 Year US Treasury index, which returned 0.12%. Year-to-date, the STBF returned +0.74% and the benchmark +0.62%; fiscal year-to-date, the STBF has returned +1.89% versus 1.74% 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 strong income component (3.96% SEC yield 5/31) should be additive to returns as any negative bond price performance will cure over time. Outside of U.S. Treasuries and government-related securities, we remain focused on high quality credit including corporates, asset-backed securities, and mortgage-backed securities for the fund. We continue to participate selectively in new issue deals and actively position duration based on breakeven analyses and our macroeconomic views. Credit markets remained resilient in May despite higher rates, and heavy issuance across both corporate and securitized sectors was met with strong investor demand. Risk premiums continued to recover from March and approached levels seen earlier in the year. Securitized products continue to add excess income opportunities, as structural protections remain strong and yield premiums remain attractive. We maintain a long duration position, reflecting our view that the next move in policy rates will be lower even if the timing is delayed. On the credit side, we remain constructive that a stable economy should prove supportive, selectively and incrementally adding exposure with a continued focus on optimizing carry while managing risk prudently.

The STBF is assigned Fitch rating agency’s highest Fund Credit Quality Rating of AA Af indicating the highest underlying credit quality, and Fund Market Risk Sensitivity Rating of S2, indicating a low sensitivity to market risk. The net 30-Day SEC Yield for the fund was 3.96% as of 5/31, versus 3.87% 2025-year end. The liquidity of the fund is strong, with 29% of funds invested in Treasuries and government related securities. There were \$6.5 million in net outflows in May.

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 +0.31%² in May, compared to the benchmark ICE BofA Three-Month Treasury Index return of +0.30%. Year-to-date, the DtD returned +1.56% and the benchmark +1.45%; fiscal-year-to-date, the fund returned +2.61% versus 2.44% for the benchmark. The net 7-day SEC yield of the Day to Day Fund was 3.69%, compared to 3.83% at 2025-year end. Comparable prime institutional government funds had an average yield of 3.35%³ on 5/31. 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 15% allocation to floating rate notes. By nature, these securities do not count against day count restraints within the fund, allowing us additional flexibility in utilizing fixed instruments when considering maximum maturity level. The floating rate securities in the portfolio have an average yield of 3.9% and continue to be additive to performance, though we are 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 47 days and 28% of the portfolio is invested in government or government guaranteed securities. Net cash flows on the month totaled approximately -\$66 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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