FLORIDA TRUST

Economic and Market Commentary – June 2026

In the U.S, the yield on the 2-year Treasury rose 17 basis points ("bps") to 4.17%. The yield on the benchmark 10-year Treasury rose three bps to 4.47% and the yield on the 30-year Treasury fell two bps 4.95%.

June economic data showed that the U.S. labor market stabilized in May, while inflation remained well above the Federal Reserve's (Fed's) 2% target. Although investment in AI continues to drive U.S. domestic growth, it has not led to any large layoffs. In fact, employers added an average of 188,000 jobs per month over the past three months, the strongest hiring pace in over two years. Turning to prices, while inflation topped 4% in May, conflict de-escalation in the Middle East suggests that falling oil prices should reverse their previous impact on headline inflation. More importantly, the core personal consumption expenditures (PCE) price index, which excludes food and energy, increased to 3.4% year over year in May, the highest in nearly three years.

While the Federal Reserve (Fed) held rates steady at its June Federal Open Market Committee (FOMC) meeting, newly minted Fed Chair Kevin Warsh announced five task forces to recommend ways to improve the Fed's conduct of monetary policy. Meanwhile, the refreshed Summary of Economic Projections (SEP), also known as the "dot plot," suggests that half of the 18 FOMC participants expect to hold rates steady or cut rates by year-end, while the other half expect rate hikes, with one absent submission being Warsh. We still expect the Fed to hold the federal funds rate steady over the next 12 months rather than hike. What would change our view and potentially lead to interest rate hikes? We are closely monitoring three key factors: growing policymaker concern that the Fed has missed its 2% target for over five years; an acceleration in wage growth (which could make inflation pressures more persistent); or signs that medium-term market-based inflation expectations are becoming inconsistent with the Fed's target inflation rate.

Short-Term Bond Fund ("STBF")

Short fixed income returns were positive across all sectors in the second quarter and positive across all sectors YTD, as short-term yields increased amid rate volatility and inflation concerns, but spreads tightened, and strong interest income remained beneficial to return. The STBF posted a +0.16% total return[1] for June, above the benchmark ICE BofA 1-3 Year US Treasury index, which returned 0.06%. Year-to-date, the STBF returned +0.91% and the benchmark +0.68%; fiscal year-to-date, the STBF has returned +2.06% versus 1.80% 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 (4.13% SEC yield 6/30) 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 monitor break evens to inform curve positioning, participate in new issue, and rotate positions given relative value and changing credit views. Our overweight to credit continues to benefit the portfolio as income generation and spread tightening rive performance. Securitized products continue to add excess income opportunities, as structural protections remain strong and yield premiums remain attractive over corporates. We are now targeting a neutral duration position, reflecting our view that the next move in policy rates may be lower, but the timing is delayed into 2027.

The STBF is assigned Fitch rating agency's highest Fund Credit Quality Rating of AAAf 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 4.13% as of 6/30, versus 3.87% 2025-year end. The liquidity of the fund is strong, with 27% of funds invested in Treasuries and government related securities. There were no redemptions, and $2.2 million in deposits, during June.

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 +0.29%. Year-to-date, the DtD returned +1.87% and the benchmark +1.74%; fiscal-year-to- date, the fund returned +2.92% versus 2.73% 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 3.39%[3] on 6/30. The Fund continues to provide safety, income, and liquidity of investments in a stable, $1 NAV Fund.

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

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*

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. Currently we are looking to maximize credit allocations. 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 3.8% 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 48 days and 28% of the portfolio is invested in government or government guaranteed securities. Net cash flows on the month totaled approximately -$4.0 million. The fund is assigned Fitch rating agency's highest Money Market Fund Rating of AAA mmf.