QUARTERLY PORTFOLIO REVIEW

Payden&Rygel

Florida Local Government Trust

Short Term Bond Fund

[2ND QUARTER 2026]

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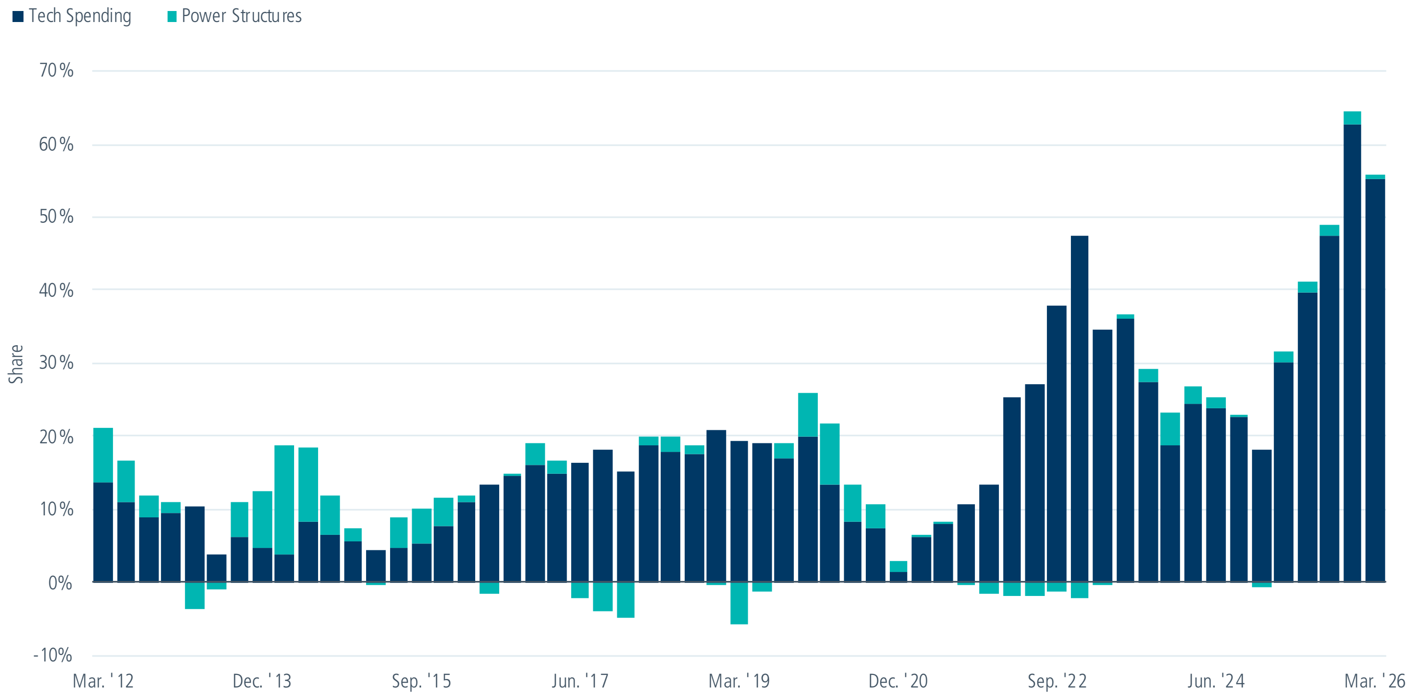
MARKET MEMO

- Two main themes drove global growth divergence in the second quarter of 2026: an oil shock that weighed unevenly on net energy importers, and a U.S.-centered AI investment boom.
- The AI boom drove more than half of the U.S. economy's 2.7% year-over-year GDP growth in Q1 2026, while keeping U.S. inflation sticky as elevated AI demand drives up computer-related prices.
- Meanwhile, the AI boom has yet to disrupt the U.S. labor market, with nonfarm payroll job growth recovering to a solid 111,000-job-per-month average pace in the second quarter.
- As a result, the Fed kept the federal funds rate stable at 3.75% during the second quarter. However, increasing inflation concerns from higher oil prices drove rates higher across the curve.
- Globally, central bank policy reactions also diverged. The European Central Bank (ECB), Bank of Japan (BoJ), and Reserve Bank of Australia (RBA) hiked amid inflation concerns, while the Bank of Canada (BoC) and Bank of England (BoE) held their policy rates steady.
- In financial markets, following risk-off sentiment in the first quarter of the year, equities rebounded sharply in the second quarter, and credit spreads narrowed back near multi-decade tights, with AI again as the driving theme.

TECH SPENDING CONTINUES TO DRIVE THE MAJORITY OF U.S. GROWTH

TECH'S SHARE OF U.S. ECONOMIC GROWTH*

4-QUARTER MOVING AVERAGE



Sources: Bureau of Economic Analysis, Census Bureau, Payden Calculations

**Tech = consumer spending and business investment on computer software, hardware, and tech-related infrastructure, as a share of total private domestic demand in GDP*

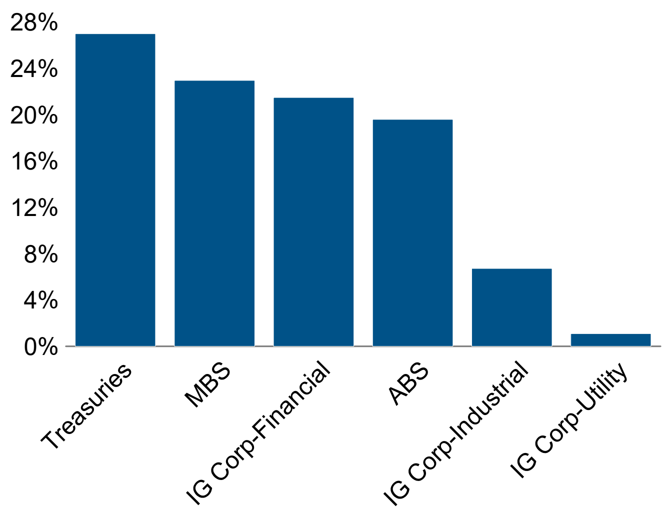
FLORIDA TRUST SHORT-TERM BOND FUND

Portfolio Review and Market Update - 2nd Quarter 2026

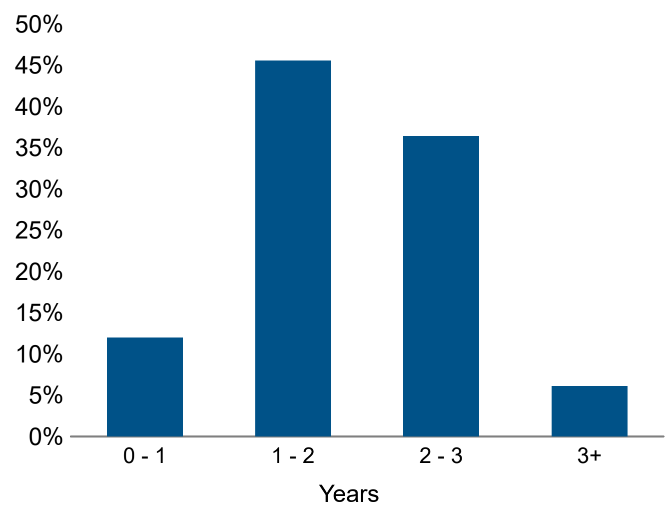
PORTFOLIO CHARACTERISTICS (As of 6/30/2026)

Portfolio Market Value	$815.2 million
Fitch Rating	AAAf/S2
Weighted Average Duration	1.90 years
SEC 30-Day Yield (net)	4.13%

SECTOR ALLOCATION



DURATION DISTRIBUTION



PORTFOLIO RETURNS - Periods Ending 6/30/2026

	2nd Quarter	2026 YTD	Trailing 1 Yr	Trailing 5 Yr	Trailing 10 Yr	Since Inception (1/1/92)
FLORIDA TRUST S-T BOND FUND (gross)	**0.61%**	**0.99%**	**3.63%**	**2.93%**	**2.51%**	**3.61%**
FLORIDA TRUST S-T BOND FUND (NAV)*	0.60%	0.91%	3.38%	2.65%	2.24%	3.29%
ICE BofA 1-3 Year US Treasury Index**	0.39%	0.68%	2.94%	1.94%	1.77%	3.09%

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

We expect the Fed to hold its policy rate steady over the next 12 months as the labor market remains stable and inflation remains above target. Globally, we expect dovish surprises as markets overprice rate hikes due to higher oil prices.

Current yields continue to present an attractive opportunity for long-term investors. While yields may remain elevated in the near term, they could gradually decline as inflation moderates, suggesting modestly longer duration positioning could be beneficial as well.

What would make us expect U.S. rate hikes? Growing policymaker angst over missing the 2% inflation target for five-plus years, accelerating wage growth, or rising market-based inflation expectations.

Investment Grade Corporates:

ATTRACTIVE ALL-IN YIELDS

Credit markets remained resilient during the second quarter, and we continue to see a constructive outlook for investment grade (IG) corporate bonds. With U.S. IG corporate yields above 5%, the asset class remains attractive, supported by solid corporate fundamentals and healthy investor demand. We continue to monitor rising capital expenditures and the potential for higher leverage as companies finance future investment via the debt markets.

High Yield and Loans:

FUNDAMENTALS REMAIN HEALTHY

High Yield bond issuers continue to report healthy earnings growth, which should help limit defaults. While some issuer-level risks remain, systemic risk appears low. We view all-in yields as attractive in the 7% range, but active management remains critical. Bank loans have greater exposure to technology, particularly software issuers, which may contribute to modestly higher volatility. Even so, issuer fundamentals remain resilient, and defaults are expected to stay below long-term averages.

Emerging Markets:

DIVERSIFICATION AND RESILIENCE

Renewed interest in diversification has been favorable for EM assets; investor flows and primary markets have demonstrated resilience to the current geopolitical volatility. Over the long term, structural forces continue to benefit EM debt, including stronger growth prospects relative to developed markets and a widening set of investment opportunities across nearly 90 countries spanning sovereign, corporate, and local-market bonds.

Securitized Bonds:

ATTRACTIVE RELATIVE VALUE

The investment backdrop remains constructive for securitized bonds, which continue to offer attractive relative value versus corporate credit, providing both a yield advantage and diversification benefit across a diverse set of collateral types. Expectations for stable interest rates, combined with a base case that avoids a broad economic downturn, should support consumer and real estate fundamentals.

Municipals:

LONGER MATURITY MUNIS ATTRACTIVE

Municipal bonds continue to offer attractive income opportunities, with yields remaining historically elevated. The steep yield curve provides compelling value in longer-dated tax-exempt bonds, while elevated issuance and periodic rate volatility should create opportunities to add value as municipal valuations become more attractive relative to Treasuries.

Equity Income:

CORPORATE EARNINGS DRIVE RETURNS

We remain constructive on the long-term outlook for U.S. equities, supported by resilient corporate earnings and continued investment in AI infrastructure. However, elevated valuations, persistent inflationary pressures, and monetary policy uncertainty may temper near-term returns. We continue to emphasize high-quality companies with durable cash flows while maintaining diversified exposure across sectors and secular themes—including AI infrastructure, banking, and pharmaceuticals—to capture long-term growth and help manage portfolio volatility.

OVER 40 YEARS OF INSPIRING CONFIDENCE WITH AN UNWAVERING COMMITMENT TO OUR CLIENTS' NEEDS.

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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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