Economic and Market Commentary – July 2026

In the U.S, the yield on the 2-year Treasury rose 14 basis points (“bps”) to 4.29%. The yield on the benchmark 10-year Treasury rose 26 bps to 4.73% and the yield on the 30-year Treasury rose the most – to 5.27% bps 4.95%.

July economic data showed that the U.S. economy continued to expand at a solid pace, the labor market remained healthy, and inflation stayed above the Federal Reserve’s (Fed’s) 2% target. Underlying U.S. economic activity, as measured by real private domestic final purchases (PDFP), posted a remarkably healthy 2.6% year-over-year growth rate in June 2026 despite the oil shock. Artificial intelligence (AI)-related investments continue to drive the majority of growth, a trend we expect to persist over the next 12 months. Along with economic growth, job gains have averaged a healthy 111,000 per month over the three months through June, enough to push the unemployment rate down to 4.2%, its lowest level in 12 months. Solid job growth should keep the unemployment rate stable or even lower for the remainder of the year. Strong AI-driven demand has pushed personal consumption expenditures inflation steadily higher over the past year to 3.3% year-over-year, well above the Fed’s 2% target. In turn, inflation could remain elevated above the Fed’s target through the end of 2026.

The Federal Reserve (Fed) kept its policy rate unchanged in July, with three dissenters favoring a 25-basis-point hike instead. During the press conference, Fed Chair Kevin Warsh reaffirmed the Fed’s commitment to price stability but did little to explain the Fed’s inaction. However, we think the rest of the Federal Open Market Committee (FOMC)is becoming increasingly impatient with inflation remaining above target. For example, Governor Chris Waller, one of the most dovish members of the FOMC, has said that, with inflation above the Fed’s target for more than five years, he will need to "consider tightening monetary policy in the near term" if core inflation remains elevated. Meanwhile, Dallas Fed President Lorie Logan, who voted for a hike at the July meeting, said that “monetary policy is not restraining the economy,” and that “inflation will likely continue to trend above target” if the Fed keeps rates steady. In light of comments from various Fed members, we now expect the Fed to hike the federal funds rate by a total of 50 basis points before year-end to bring inflation back to the Fed’s 2% target.

Short-Term Bond Fund ("STBF")

Short fixed income returns were positive across almost all sectors in July and positive across all sectors YTD, as short-term yields moved asymmetrically amid rate volatility and inflation concerns. Spreads widened but strong interest income remained beneficial to returns. The STBF posted a +0.07% total return[1] for June, above the benchmark ICE BofA 1-3 Year US Treasury index, which returned 0.16%. Year-to-date, the STBF returned +0.98% and the benchmark +0.84%; fiscal year-to-date, the STBF has returned +2.13% versus 1.96% for the benchmark.

The STBF remains well positioned, supported by a high-quality bias, diversified credit exposure, ample liquidity, and a neutral to modestly long duration profile. The portfolio's strong income component, reflected in its 4.27% SEC yield as of July 31, should continue to support total returns, helping offset potential periods of price volatility over time. Outside of U.S. Treasuries and government-related securities, we remain focused on high-quality credit opportunities across corporate bonds, asset-backed securities, and mortgage-backed securities. We continue to evaluate inflation breakevens to inform yield curve positioning, selectively participate in attractive new issues, and rotate holdings as relative value opportunities emerge. Our overweight to spread sectors has continued to benefit performance, with both income generation and spread tightening contributing positively to returns. Securitized assets remain particularly compelling, as strong structural protections and attractive yield premiums relative to corporates provide opportunities for incremental income.

While we recognize the possibility that the next move in policy rates could be higher, we believe extending duration selectively remains attractive given today's elevated yields and the portfolio's strong income profile. Looking ahead, persistent above-target inflation remains the primary risk to our duration positioning, particularly if resilient economic activity delays the eventual easing cycle. Elevated front-end Treasury yields continue to provide an attractive entry point, with the 2-year Treasury offering a meaningful yield advantage over overnight money market rates. Duration positioning emphasizes rolldown and carry opportunities along the front-end of the yield curve.

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 4.27% as of 7/31, versus 3.87% 2025-year end. The liquidity of the fund is strong, with *27%* of funds invested in Treasuries and government related securities.

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[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 +0.32%[2] in July, compared to the benchmark ICE BofA Three-Month Treasury Index return of +0.33%. Year-to-date, the DtD returned +2.19% and the benchmark +2.08%; fiscal-year-to- date, the fund returned +3.25% versus3.07% for the benchmark. The net 7-day SEC yield of the Day to Day Fund was 3.76%, compared to 3.83% at 2025-year end. Comparable prime institutional government funds had an average yield of 3.42%[3] on 7/31. The Fund continues to provide safety, income, and liquidity of investments in a stable, $1 NAV Fund.

The DtD Fund maintains diversified exposure across high-quality, liquid credit sectors including corporate securities, commercial paper (“CP”), Yankee CDs (“YCDs”), and money market tranches of ABS, and municipal variable rate demand notes (“VRDNs”). Our objective is to maximize yield while preserving liquidity and minimizing volatility. We actively manage sector allocations and individual holdings within the fund, regularly evaluating opportunities based on relative value, risk-adjusted return potential, and liquidity considerations. This disciplined approach allows us to optimize exposure across short-duration credit sectors while maintaining the fund's conservative risk profile.

We continue to favor credit exposure where valuations remain attractive. Corporate and securitized markets have demonstrated resilience, supported by strong underlying fundamentals and sustained demand for high-quality income-producing assets. In addition, fund holds a 19% 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.

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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The fund remains highly liquid. The weighted-average maturity of the portfolio at month end was 47 days and 22% of the portfolio is invested in government or government guaranteed securities. The fund is assigned Fitch rating agency's highest Money Market Fund Rating of AAA mmf.