QUARTERLY PORTFOLIO REVIEW

Payden&Rygel

Florida Local Government Trust

Short Term Bond Fund

[3RD QUARTER 2026]

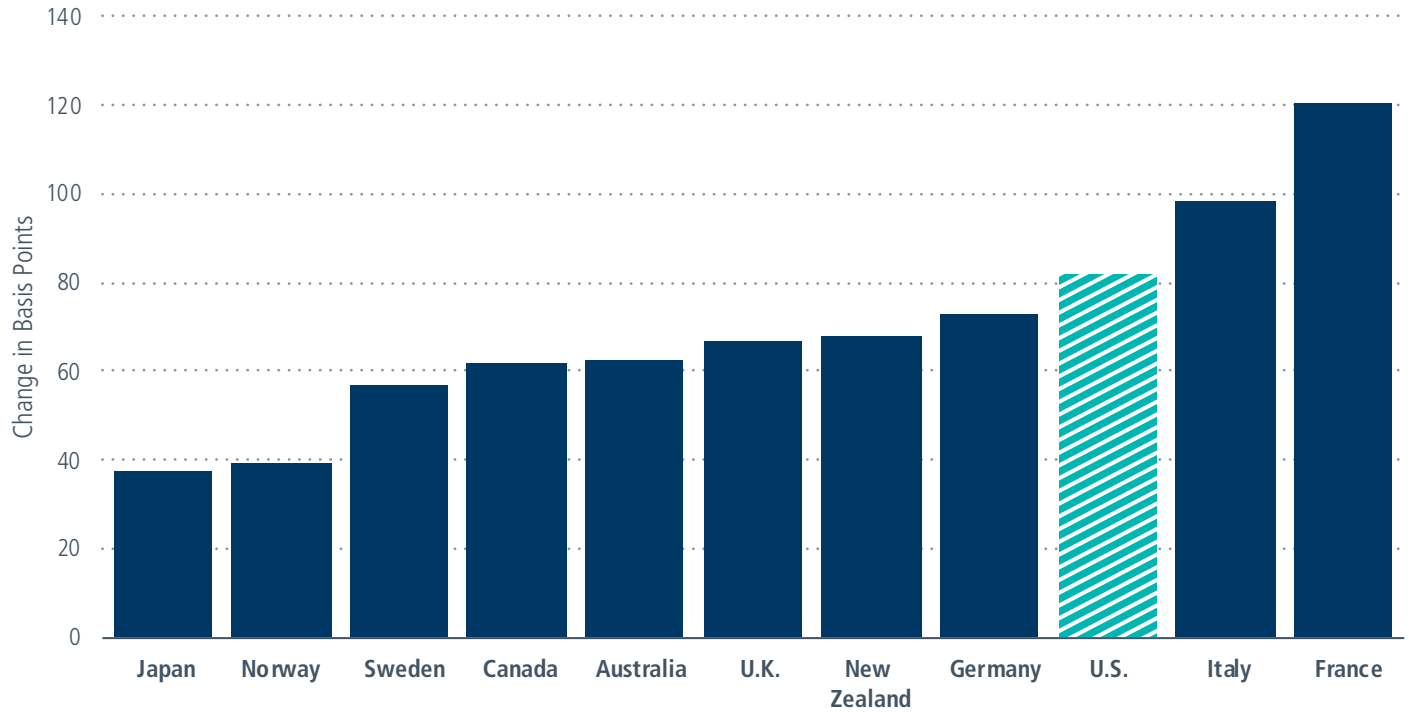
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MARKET MEMO

- The dominant theme this year has been higher interest rates across developed market economies. They are the result of central bank hawkishness, persistent inflation, stronger expectations for real economic growth, and a higher term premium.
- Core inflation has remained stubbornly above the Fed's 2% target, prompting the Fed to raise rates for the first time in over three years in September. Globally, the European Central Bank, Bank of Japan, and Reserve Bank of Australia also hiked rates amid inflation concerns.
- Meanwhile, U.S. growth remains remarkably resilient despite the energy price shock. Over the last four quarters technology spending accounted for 50% of U.S. private demand growth on average, the highest share since 2010. We also see early signs that the AI buildout is spreading to other economies beyond the U.S.
- The main driver of higher yields in 2026 is the term premium, which has been rising globally amid market concerns about elevated government deficits and a surge in long-term debt issuance to fund the AI buildout.

SOVEREIGN YIELDS HAVE RISEN ACROSS DEVELOPED MARKETS

CHANGE IN 10-YEAR GOVERNMENT BOND YIELDS IN Q3 2026



Sources: Bloomberg

Market Themes For Q3

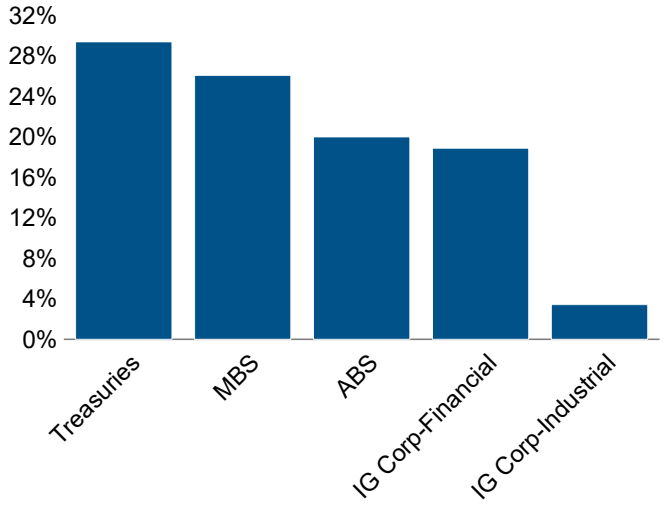
FLORIDA TRUST SHORT-TERM BOND FUND

Portfolio Review and Market Update - 3rd Quarter 2026

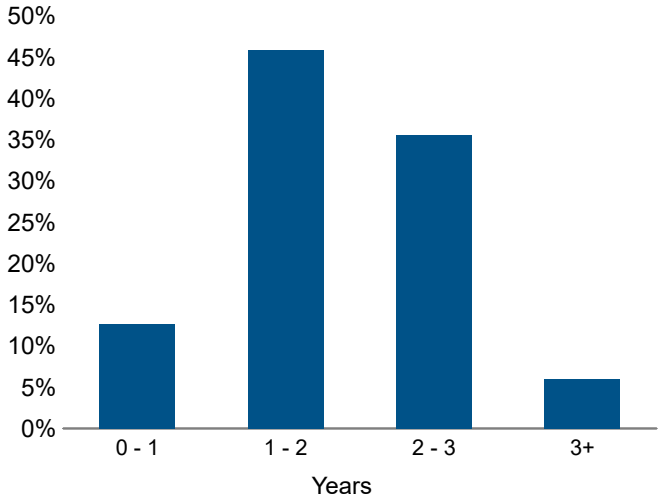
PORTFOLIO CHARACTERISTICS (As of 9/30/2026)

Portfolio Market Value	$790.0 million
Fitch Rating	AAAf/S2
Weighted Average Duration	1.82 years
SEC 30-Day Yield (net)	4.40%

SECTOR ALLOCATION



DURATION DISTRIBUTION



PORTFOLIO RETURNS - Periods Ending 9/30/2026

	3rd Quarter	2026 YTD	Trailing 1 Yr	Trailing 5 Yr	Trailing 10 Yr	Since Inception (1/1/92)
FLORIDA TRUST S-T BOND FUND (gross)	**-0.20%**	**0.79%**	**2.02%**	**2.86%**	**2.48%**	**3.58%**
FLORIDA TRUST S-T BOND FUND (NAV)*	-0.31%	0.59%	1.74%	2.57%	2.21%	3.26%
ICE BofA 1-3 Year US Treasury Index**	-0.13%	0.55%	1.67%	1.90%	1.77%	3.06%

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

Looking ahead, we expect the Fed to hike rates three more times over the next 12 months against a backdrop of robust growth driven by AI investment, sticky inflation of around 3%, and a continued elevated term premium. As a result, we see 10-year Treasury yields hovering above 5% over that time frame.

If the labor market remains resilient and inflation proves stickier than investors expect, the Fed could raise rates by more than current market pricing implies. Conversely, faster progress on inflation or cracks in the labor market could lead to rate cuts. In our view, the balance of risks tilts toward rates staying higher for longer.

While we remain cautious on too much duration, we continue to find opportunities for improving portfolio yields in this higher interest environment.

Investment Grade Corporates:

INVESTMENT GRADE CREDIT SPREADS REMAIN RESILIENT

Despite ongoing geopolitical tensions and heightened volatility in U.S. Treasury yields and oil prices, the impact on corporate bonds beyond rising rates has remained limited and corporate credit spreads traded within a relatively narrow range. From a fundamental perspective, investment-grade corporate issuers remain on very stable footing, in our view. Second-quarter earnings came in stronger than expected, with U.S. Global Systemically Important Banks (GSIBs) reporting record results and strong performance across a broad range of sectors.

High Yield and Loans:

WIDER SPREADS, SOLID FUNDAMENTALS

High yield bonds posted negative returns during the quarter, as performance was dampened by rising rates and wider credit spreads, particularly among lower-rated bonds. High yield issuers' earnings remain strong and corporate fundamentals remain solid, which should help contain default expectations. While we view all-in yields as compelling in the low 8% range, active management will remain critical.

Emerging Markets:

TOUGH QUARTER, COMPELLING EM VALUE

The third quarter was challenging for EM bonds, as the sharp rise in U.S. Treasury yields presented a significant headwind during the period. Year-to-date performance is more mixed, with low-quality EM bonds and local currency bonds outperforming. In our view, EM debt offers compelling value from both a yield and strategic diversification standpoint.

Securitized Bonds:

MIXED, STILL ATTRACTIVE

Mortgage-backed securities came under pressure as U.S. rates rose, leading to a revival of extension risk in the sector. Asset-backed bonds fared better, with the consumer still in relatively good nick and the AI buildout benefitting the asset class. Securitized bonds continue to offer attractive relative value versus corporate credit, providing both a yield advantage and diversification benefits. Caution in some areas of commercial real estate remains warranted.

Municipals:

MUNIS HAMMERED, FUNDAMENTALS INTACT

Q3 2026 will be remembered as one of the most punishing quarters on record for the municipal market. Catalysts for the decline included the Fed rate hike, record new issuance e exceeding $52 billion in September alone (a record for the month), sizable outflows (-$5.2B according to Bloomberg), and "bid-wanted" volume above $7 billion per day. The news is not all bad: State and local tax receipts and reserve balances remain healthy, and rating trends have been stable.

Equity Income:

GAINS AMID SECTOR DISPERSION

U.S. equities, as measured by the S&P 500 Index, advanced +2.3% during the third quarter, extending year-to-date gains driven by continued enthusiasm around artificial intelligence (AI). While headline returns remained positive, the quarter was marked by shifting market leadership and significant variation across sector performance amid rising interest rates, geopolitical uncertainty, and evolving monetary policy expectations. Sector performance was notably dispersed, with nearly a 30-percentage-point gap between the best and worst performers. Our 12-month outlook for U.S. equities remains constructive, with strong expected earnings growth (2026: +32%, 2027: +15%) and reasonable equity valuations supporting higher equity prices.

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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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