FLORIDA TRUST

Economic and Market Commentary – October 2026

During October, yields reversed the massive increases in September. The yield on the 2-year Treasury fell 30 basis points ("bps") to 4.59%. The yield on the benchmark 10-year Treasury fell 35 bps to 4.93% and the yield on the 30-year Treasury fell 32 bps to 5.31%.

October data releases show the U.S. economy in an investment boom with low unemployment and sticky inflation. U.S. private demand, measured by private domestic final purchases, increased at a strong 4.9% quarterly annualized pace in the third quarter, the fastest since 2017, excluding the Covid-19 recovery period. Artificial intelligence continues to drive much of the growth, but consumer spending has also picked up, a sign the expansion is broadening beyond investment. The investment boom is also adding jobs in nonresidential construction, likely tied to the data center buildout. Overall, steady employment growth continues to keep downward pressure on the unemployment rate, which remained low at 4.2% in September. Meanwhile, core personal consumption expenditures inflation edged up to 3.1% year-over-year in September, driven by an acceleration in prices across both goods and services.

The Federal Reserve (Fed) kept rates unchanged in October while it waited for more economic data. However, economic data released a day after the decision suggest that at the current 3-month average pace, Core PCE may linger around 3% for the next 12 months, while growth accelerated above trend. As a result, we still expect the Fed to hike rates three more times over the next six months to rein in inflation. Further, after missing its 2% inflation target for almost six years, we think the Fed will need to see core inflation moderate below 2.5%year-over-year to be convinced inflation pressures have faded, which, in our base case, won't happen until 2028. In turn, after three additional rate hikes, we expect the Fed to keep rates higher through year-end 2027.

Short-Term Bond Fund ("STBF")

Short fixed income returns were positive across all sectors in October and positive across all sectors year-to-date, as short-term yields moved downward amid rate volatility and inflation concerns. Short credit spreads in the 1-3 sector widened and strong interest income remained beneficial to returns. The STBF

posted a +0.84% total return[1] for October, versus the benchmark ICE BofA 1-3 Year US Treasury index, which returned +0.92%. Calendar year-to-date, the STBF returned +1.44% and the benchmark +1.47%. Relative and long-term returns are strong, with STBF investment returns outperforming the 1-3 Year US Treasury benchmark over trailing periods one year and longer.

We believe the STBF remains well positioned, supported by a high-quality bias, diversified credit exposure, ample liquidity, and a neutral duration profile. Higher front-end yields have improved reinvestment opportunities and should enhance future income generation. The portfolio's 4.47% SEC yield as of October 31 provides a strong income cushion to help offset periods of market volatility.

We continue to invest broadly across high-quality credit sectors, including corporate bonds, asset-backed securities, and mortgage-backed securities, while selectively reducing exposure to areas of the residential mortgage market with greater extension risk. We remain active in evaluating inflation expectations, positioning along the yield curve, participating in attractive new issues, and rotating holdings as relative value opportunities emerge. With two-year Treasury yields still higher on the year, our strategy remains focused on limiting interest rate risk through a conservative duration profile and a meaningful allocation to floating-rate securities (19% of the portfolio). High-quality credit holdings continue to provide attractive income, helping to offset potential bond price weakness. We maintain neutral duration positioning relative to our benchmarks, benefiting from the additional yield created by the steep front end of the yield curve. We continue to participate broadly in credit markets while remaining selective toward AI-related issuers facing elevated supply pressure or headline risk, as well as more rate-sensitive areas of securitized credit, such as non-agency mortgage-backed securities.

Over the month, investment grade credit markets experienced slight weakening with the tech sector leading as participants questioned the ability to monetize the AI buildout. Other sectors continued to work through the impacts of higher U.S. Treasury rates, with the more rate sensitive sectors, such as CMBS, working through deals done with cap rates reflective from levels earlier in the year. The asset-backed securities market has had record issuance this year but recent issuance required additional yield spread to clear deals in the marketplace. Persistent inflation and a potentially more restrictive Fed path remain key risks to our positioning. Large AI-driven debt financing, along with the need to continuously finance the U.S. government's budget deficits, will also continue to challenge the market's ability to digest

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

supply. Additional risks remain from the Middle East conflict, where elevated oil prices could push inflation higher.

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 4.44% as of 10/31, versus 3.87% 2025-year end. The liquidity of the fund is strong, with 28% of funds invested in Treasuries and government related securities.

Day to Day Fund ("DtD Fund")

The Florida Trust Day to Day Fund posted a total return of +0.33%[2] in October, compared to the benchmark ICE BofA Three-Month Treasury Index return of +0.35%. Calendar year-to-date, the DtD returned +3.12% and the benchmark +3.01%. The net 7-day SEC yield of the Day to Day Fund was 3.94%, compared to 3.83% at 2025-year end. Comparable prime institutional government funds had an average yield of 3.74%[3] on 10/31. 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"), 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 demand for high-quality income-producing assets. In addition, the fund holds a 25% allocation to floating rate notes.

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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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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 4.1% 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 42 days and 18% 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.