QUARTERLY PORTFOLIO REVIEW

Payden&Rygel

Florida Local Government Trust

Florida Trust Short Term Bond Fund

[3RD QUARTER 2024]

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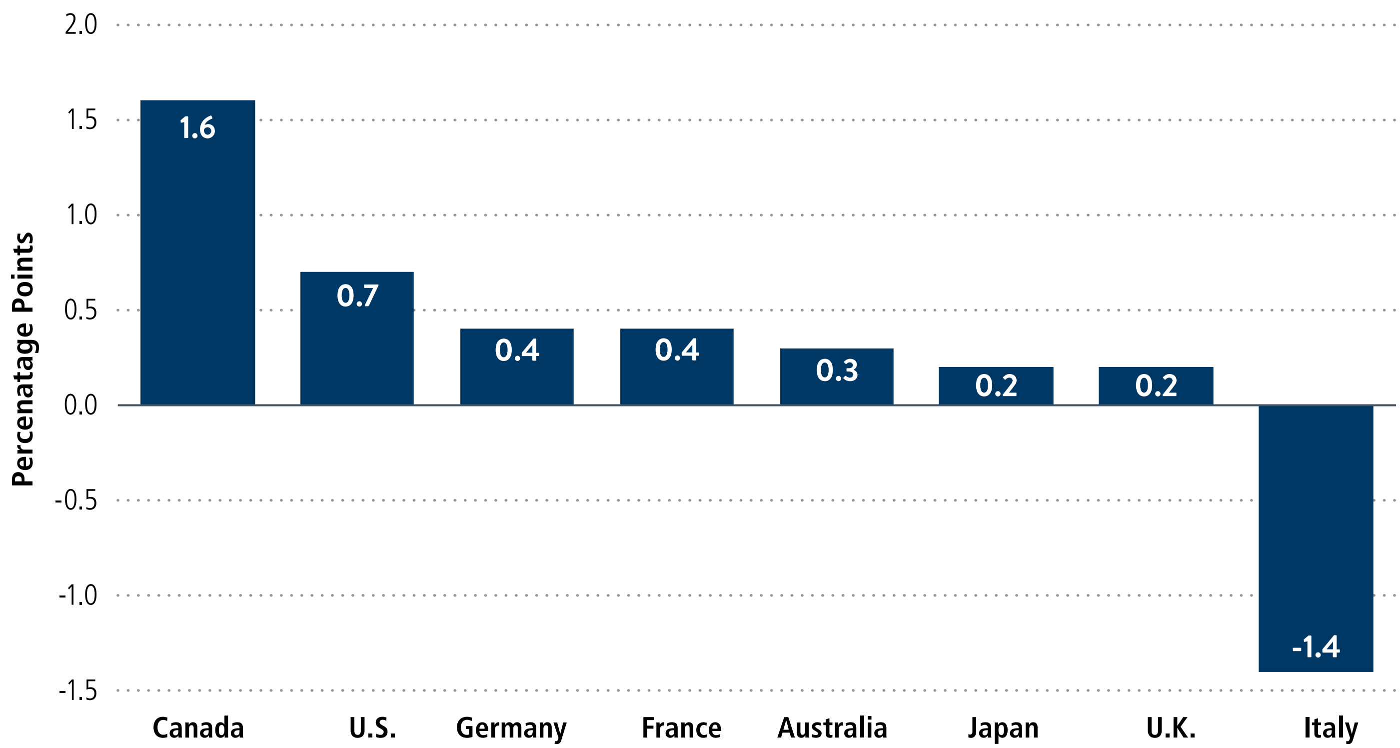
MARKET MEMO | FROM THE DESK OF JOAN PAYDEN

- In the third quarter of 2024, the U.S. labor market weakened while **inflation made solid progress toward the Fed's target.**
- Nonfarm payroll jobs growth deteriorated materially, with the three-month average pace slowing from 249,000 per month in May to 116,000 per month in August. Consequently, unemployment increased from 4% in May to 4.2% in August.
- Despite the slowdown in hiring, **we do not believe it portends an imminent recession**, as the unemployment rate increase could be driven by greater labor force participation.
- The core Personal Consumption Expenditures (PCE) Price Index increased at an average monthly rate of 0.17% in the third quarter. If the current monthly trend continues, **the year-over-year inflation rate could decelerate to 2% by early 2025.**
- Globally, central banks have begun easing. **The ECB, BoC, Fed, and BoE all reduced rates during the quarter, shifting their focus away from inflation and towards supporting labor markets and growth.** Conversely, the RBA and BoJ remain focused on combating inflation, with the RBA holding rates steady and the BoJ hiking rates.

WEAKENING LABOR MARKETS JUSTIFY RATE CUTS GLOBALLY

CHANGE IN THE UNEMPLOYMENT RATE* FOR MAJOR ECONOMIES SINCE DECEMBER 2022**



Source: National Statistics Agencies

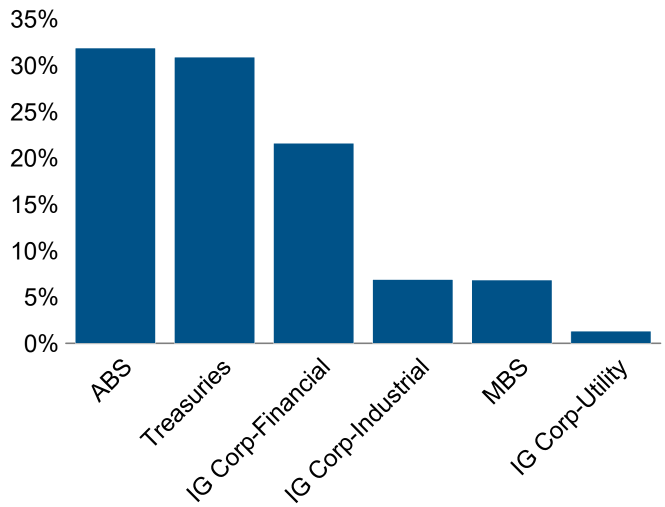
* As of July 2024 for Japan, UK, Italy, France and August 2024 for Canada, U.S., Australia

** Respective central banks' preferred unemployment measure

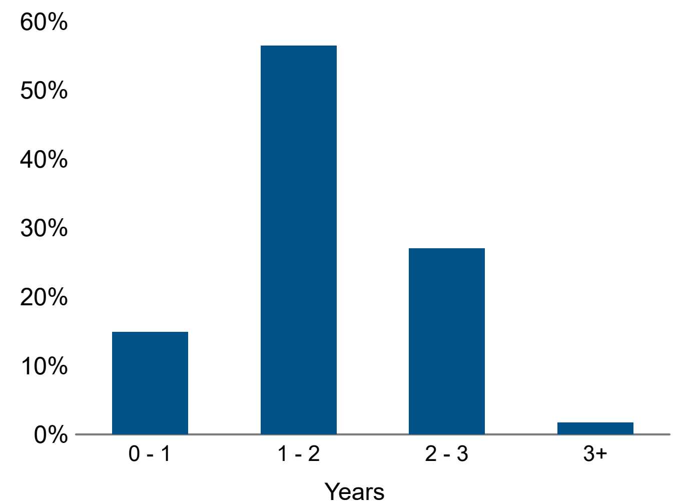
PORTFOLIO CHARACTERISTICS (As of 9/30/2024)

Portfolio Market Value	$630.1 million
Fitch Rating	AAAf/S1
Weighted Average Duration	1.60 years
SEC 30-Day Yield (net)	4.18%

SECTOR ALLOCATION



DURATION DISTRIBUTION



PORTFOLIO RETURNS - Periods Ending 9/30/2024

	3rd Quarter	2024 YTD	Trailing 1 Yr	Trailing 5 Yr	Trailing 10 Yr	Since Inception (1/1/92)
FLORIDA TRUST S-T BOND FUND (gross)	**2.78%**	**4.84%**	**7.55%**	**2.36%**	**2.04%**	**3.59%**
FLORIDA TRUST S-T BOND FUND (NAV)*	2.67%	4.59%	7.22%	2.07%	1.77%	3.27%
ICE BofA 1-3 Year US Treasury Index**	2.87%	4.15%	6.74%	1.51%	1.42%	3.08%

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.*

SECTOR OUTLOOKS:

THOUGHTS FROM OUR STRATEGISTS

Federal Reserve officials slashed the policy rate by 50 basis points at the September meeting and set the stage for further easing through the end of 2025. Softer labor market data and moderating inflation spurred the larger-than-expected cut, but we believe this first step towards a neutral policy stance reflects a "soft landing" rather than a more dire economic scenario. And for investors? Easier financial conditions should provide a positive backdrop for equities, credit, and economic growth.

Investment Grade Corporates:

ATTRACTIVE INCOME GENERATION

- All-in yields for investment grade corporate bonds are near 4.7% and continue to offer investors compelling risk-adjusted valuations.
- Recently, greater dispersion across winners and losers in credit performance has appeared. We are most constructive on technology, consumer non-cyclicals, and communications.
- Attractive income and incremental price appreciation from further rate cuts portend solid return potential for investment grade corporates in the medium term.

High Yield and Loans:

FOCUS ON EARNINGS GROWTH AND DISCIPLINED MANAGEMENT TEAMS

- Strong earnings have kept leverage at manageable levels.
- We favor financials and energy companies with management teams committed to paying down debt and generating robust free cash flow.
- After outperforming high yield cash bonds for much of 2024, bank loans lagged as front-end rates declined. We maintain a keen focus on security selection.

Emerging Markets:

STEADY ECONOMIC GROWTH AND NORMALIZING INFLATION PROVIDING CONSTRUCTIVE BACKDROP

- Private sector resilience has underpinned solid economic growth in many EM countries. With inflation coming under control, EM central banks should have room to continue cutting rates.
- We favor countries benefiting from secular tailwinds such as diversification of supply chains, demand for commodities, and positive demographic profiles.
- We maintain a keen eye on the potential for market volatility due to geopolitical or election risks, possible renewed inflationary pressures, or downside global growth outcomes.

Securitized Sectors:

RESILIENT CONSUMER SUPPORTING SECURITIZED CREDIT

- Pricing along consumer credit capital structures presents attractive value relative to short duration corporate alternatives.
- Data infrastructure opportunities within commercial ABS remain in focus given the positive fundamental backdrop that appears grounded in the medium term.
- Agency MBS spreads offer attractive valuations, and we anticipate improved technicals amid a pivot to easier monetary policy. Investor sentiment has improved within the CMBS market, but vigilance is warranted given differing fundamental pictures among various property types.

Equities:

STEADY CORPORATE EARNINGS AND LOWER RATES SUPPORTING EQUITY PRICES

- Corporate earnings have remained largely stable. With the Fed beginning a monetary easing cycle, equity valuations may be further supported by falling US yields.
- In a backdrop of moderating economic growth, we favor reasonably priced, high-quality risk assets from companies with sustainable cash flow profiles.
- As geopolitics may spark market volatility in the coming months, we favor stocks with robust and growing dividends providing portfolio ballast.

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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