QUARTERLY PORTFOLIO REVIEW

Payden&Rygel

Florida Local Government Trust

Short Term Bond Fund

[4TH QUARTER 2024]

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MARKET MEMO | FROM THE DESK OF JOAN PAYDEN

- Bucking the trend from earlier in the year, **nonfarm payroll jobs growth strengthened, with the three-month average pace increasing to 173,000 per month in November**. Consequently, the unemployment rate has remained constant at 4.2%.

- On the inflation front, the core personal consumption expenditures (PCE) price index increased at an average monthly rate of 0.19% in the fourth quarter, consistent with the Fed's target-implied monthly rate. **Continued inflation at the Fed's target rate will bring the inflation rate back to 2% in 2025.**

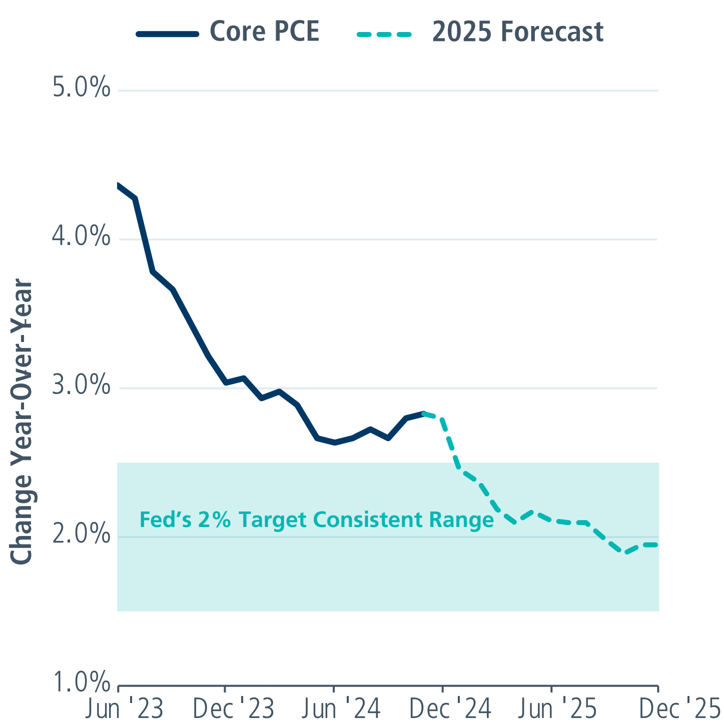
- From a global perspective, **central banks have reduced their policy rates**, with the ECB, BoC, Fed, and BoE all cutting rates during the quarter to support labor markets and growth. On the other hand, the RBA and BoJ continue to hold steady.

- Despite central banks easing policies, **global assets delivered flat to negative returns during the quarter, while U.S. equities were, once again, a positive outlier.**

WE EXPECT MODERATING INFLATION AND STEADY EMPLOYMENT:

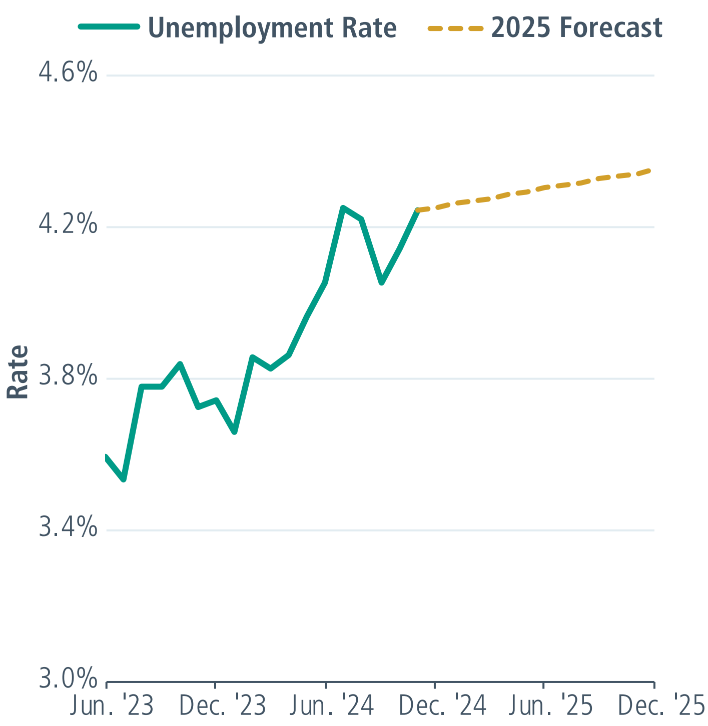
Core Personal Consumption Expenditures (PCE) Price Index

Forecast Assumes Core PCE Trend At The H2 2023 Monthly Rate



U-3 Unemployment Rate

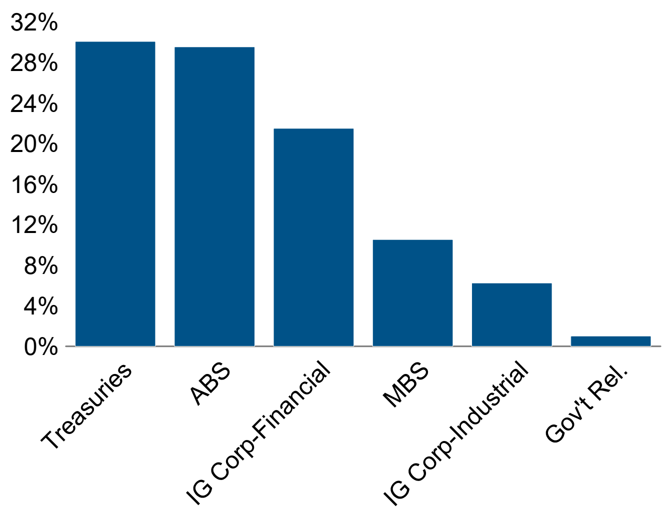
Forecast Assumes Job Growth Slows To 100,000 Per Month*



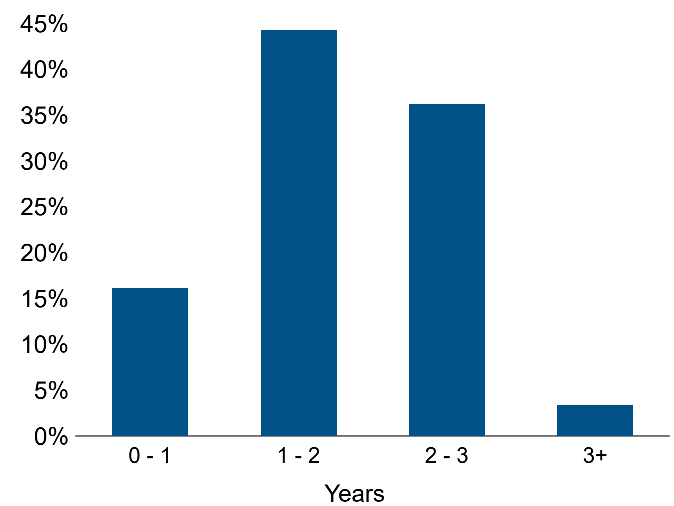
Source: Bureau of Economic Analysis, Bureau of Labor Statistics
*Assumes the labor force participation rate remains constant

PORTFOLIO CHARACTERISTICS (As of 12/31/2024)	
Portfolio Market Value	$554.1 million
Fitch Rating	AAAf/S1
Weighted Average Duration	1.78 years
SEC 30-Day Yield (net)	4.31%

SECTOR ALLOCATION



DURATION DISTRIBUTION



PORTFOLIO RETURNS - Periods Ending 12/31/2024

	4th Quarter	2024	Trailing 3 Yr	Trailing 5 Yr	Trailing 10 Yr	Since Inception (1/1/92)
FLORIDA TRUST S-T BOND FUND (gross)	**0.21%**	**5.06%**	**2.75%**	**2.29%**	**2.05%**	**3.57%**
FLORIDA TRUST S-T BOND FUND (NAV)*	0.19%	4.79%	2.47%	2.02%	1.78%	3.25%
ICE BofA 1-3 Year US Treasury Index**	-0.06%	4.08%	1.49%	1.40%	1.39%	3.05%

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

After achieving a “soft landing” in 2024, can trend-like growth persist into 2025? We think yes. We expect moderate GDP growth driven by a resilient consumer, a slightly higher but stabilized unemployment rate, and core inflation moderating faster towards the Fed’s 2% target. In such an environment, risk assets could perform well.

Investment Grade Corporates:

HEALTHY INCOME WHILE SEEKING RELATIVE VALUE

- Yields above 5% remain attractive and fundamentals, in aggregate, remain healthy. Earnings have shown improving trends, but we anticipate increased dispersion.
- Valuations are fair-to-rich, but the strong economic backdrop underpins our favorable view on the asset class. We are most interested in areas with compelling risk-adjusted relative value, such as in large global banks, utilities, and select technology names.

High Yield and Loans:

POSITIVE FUNDAMENTAL BACKDROP UNDERPINNING RETURN POTENTIAL

- Corporate issuers continue to deliver solid earnings growth, giving disciplined management teams the ability to improve their balance sheets and overall credit fundamentals.
- Oil prices have remained somewhat rangebound. We believe select exploration & production issuers present attractive relative value opportunities.
- Though Fed rate cuts may reduce yields on bank loans, they also increase cash flows to issuers via lower interest payments—a positive for fundamentals. Valuations in loans remain compelling.

Emerging Markets:

EMPHASIS ON SECULAR GROWTH PROSPECTS

- We expect many EM countries to begin the new year on stronger fundamental footing. Growth has been resilient, and inflation has trended to normal levels.
- Policy uncertainty surrounding the new US administration presents a near-term challenge. However, we anticipate differentiated outcomes for EM countries as trade dynamics shift.
- We maintain a keen eye on countries and corporates able to withstand the negative effects of protectionism and best positioned to weather policy responses going forward.

Securitized Sectors:

RESILIENT CONSUMER SUPPORTING SECURITIZED CREDIT

- Attractive all-in yields in consumer-facing ABS and relative value versus short duration corporate alternatives should be supportive for the sector. CLO market refinance activity remains elevated and met by strong investor demand.
- Non-qualified mortgage securitizations increased in 2024, providing a favorable supply technical and opportunity for investors to diversify within residential mortgage credit. We remain selective within the CMBS sector, focusing on senior bonds and specific property types.

Equities:

SEEKING DIVIDEND INCOME AMONGST LOFTY VALUATIONS

- Equity fundamentals remain intact as companies report solid earnings, but valuations have priced in a lot of relative optimism.
- The global growth environment justifies a sanguine sentiment for risk assets, but we remain selective. A dividend and quality-focused approach is favorable for achieving attractive total returns and limiting potential downside.

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

Payden&Rygel

LOS ANGELES
333 South Grand Avenue
Los Angeles, California 90071
213 625-1900

BOSTON
265 Franklin Street
Boston, Massachusetts 02110
617 807-1990

LONDON
1 Bartholmew Lane
London EC2N 2AX UK
+44 (0) 20-7621-3000

MILAN
Corso Matteotti, 1
20121 Milan, Italy
+39 02 76067111