ESTABLISHED IN 1983
Los Angeles-based, offices in Boston, London, Milan

OVER $114 BILLION AUM
A fully-resourced – yet flexible – firm

ONE GOVERNANCE CENTER
Clients have direct access to business owners

100% EMPLOYEE OWNED
30 Shareholders, 25+ yrs avg tenure of senior leaders

GLOBAL PERSPECTIVE ON INVESTING
Regardless of benchmark

COLLABORATIVE APPROACH
Sharing best ideas, constructive debate

EXCEPTIONAL RETENTION
of talented people and clients

ALIGNMENT OF INTERESTS
Fully focused on our clients

OUR GLOBAL REACH
★ PAYDEN & RYGEL OFFICES

NORTH AMERICA
Fortune 100 Corporations
Pensions
Insurers
Non-Profits
Wealth Management
Public Entities

BERMUDA
Government Offices / Public Entities
Insurers

UNITED KINGDOM
8 FTSE 100 Clients
Pension Funds
Insurers
Wealth Management

NORDICS
Wealth Management
Family Offices

MIDDLE EAST
Central Bank
Sovereign Wealth

SWITZERLAND
Wealth Management

AFRICA
Insurers

SOUTH AFRICA
Wealth Management

JAPAN
Global Insurers

ASIA
Central Bank

AUSTRALIA
Superannuation Funds

EUROPE
United Nations Agencies
Pension Funds
Wealth Management
Insurers
Representative Global Client List

**Corporations**
- Alaska Air Group, Inc.
- Banque Internationale du Luxembourg
- The Boeing Company
- Cisco Systems, Inc.
- Clearstream Banking Luxembourg
- Facebook, Inc.
- Finogest – Unofi
- Northrop Grumman
- PG&E Corporation
- United Technologies

**Insurance**
- California Insurance Guarantee Association
- CalOptima
- Everest Re Group, Ltd.
- German Reconstruction Loan Corporation
- Guaranty Fund Management Services®
- L.A. Care Health Plan
- Lloyd’s of London (multiple syndicates)
- State of California Department of Insurance
- Texas P & C Guaranty Association

**Public Entities**
- Asian Central Bank
- City of Jacksonville
- City of Orlando
- Florida Local Government Investment Trust
- Kansas Public Employees
- L.A. Fire and Police
- Middle East Sovereign Wealth Fund
- Nevada Public Employees
- VicSuper
- Virginia Retirement System

**Health Care**
- Children’s Hospital Los Angeles
- Good Samaritan Hospital
- Kaiser Permanente
- Montefiore Medical Center
- New York-Presbyterian Hospital
- Tufts Health Plan

**Wealth Management**
- JPMorgan
- Novare Investments
- Pictet Wealth Management
- St. James’s Place Wealth Management
- UBS Wealth Management
- Family offices, businesses, foundations
- Charitable remainder trusts

**Education, Foundations, Non-Profits**
- AARP
- Emory University
- Georgia Tech
- Indiana University
- King’s College London
- SAUL Trustee Company
- The Pennsylvania State University
- The Texas A&M University System
- Trustees of Dartmouth College
- United Nations Agencies (multiple)
- University of Cincinnati
- University of Michigan
- University of Washington

**Jointly-Trusteed Plans / Unions**
- Building Service 32BJ Funds
- Intl. Association of Machinists
- Intl. Brotherhood of Electrical Workers (Nat’l)
- National Electrical Annuity Plan
- National Electrical Benefit Funds
- New York District Council of Carpenters
- Ohio Laborers’ District Council
- Producer-Writers Guild of America

*Representative sample of our clients, 1/18.*
Why Partner with Payden & Rygel?

Pioneer in the Active Management of Short Duration Portfolios

- Recognized leader in short fixed income management, working with numerous entities with relationships spanning over 20 years.
- Strength in development of customized mandates involving liquidity needs and unique guidelines considerations.
- $100+ billion in fixed income assets means deep resources and healthy bond allocations.

A Long History – of Team Tenure, Strong Returns, and Low Volatility

- Excellent risk-adjusted returns.
- 34 years – as a firm, and as a short bond manager.
- Firm leaders and Investment Policy Committee each average 23 years together – through Great Recession, Enron/Worldcom, Dot-com bubble, EM crises, and last hard Fed tightening cycle – longer than many firms’ histories.

Focus on Liquidity

- Liquidity is critical to maintaining flexibility.
- Emphasis on cash bonds.

Avoidance of Problem Securities and Sectors

- Superior low default record.
- No exposure to complex structured securities, such as SIVs, CDOs, etc.

Depth of Firm Resources

- Deep team of experienced investment professionals – covering all sectors.
- Strong operations and compliance teams with well tested controls.
- Global perspective through world-wide client base and multiple offices.
Low Duration Strategy Team

INVESTMENT POLICY COMMITTEE
- Sets Broad Investment Themes
- Risk Management Oversight

STRATEGY
Mary Beth Syal, CFA
Managing Principal

STRATEGY
Larry Manis, CFA
Senior Vice President

STRATEGY
Amy Marshall, CFA
Vice President

STRATEGY
Adam Congdon, CFA
Vice President

INVESTMENT POLICY COMMITTEE
- Sets Broad Investment Themes
- Risk Management Oversight

Integrated Internally Generated Research
- Corporate & Municipal: 23 professionals
- Securitized Product: 6 professionals
- Sovereign, Currency, & Economics: 17 professionals

Portfolio Implementation and Monitoring
- Portfolio Architecture: 4 professionals
- Risk Management: 5 professionals
- Trading: 22 professionals
- Independent Compliance: 8 professionals

Risk management is embedded throughout the process, with each decision layer incorporating best practices.
Considerations for Investment of Cash & Reserve Assets
Investment of Cash and Reserve Assets

Bonds Provide Income and the Potential for Capital Gains

Investment Objectives in Order of Priority

- **SAFETY** - Primary objective is the protection of capital
- **LIQUIDITY** - Strategy to provide sufficient liquidity to meet cash flow requirements
- **INVESTMENT INCOME** - Maximize income & total return per quality, safety, liquidity constraints

Why Consider Tiering of Operating Cash?

- **TIERING** - Helps optimize meeting of liquidity needs while maximizing investment return
- **MATCH** - Investment strategy and underlying maturities with cash flow requirements
  - **OPERATING CASH** - Under 9 months
  - **SHORT-TERM CASH RESERVES** - 9 months & longer
  - **LONGER-TERM CASH RESERVES** - 24 months & longer

Conservative Investment Management

- **SELECT** - Conservative strategy consistent with Florida State Statutes
- **PARTNER** - With experienced managers having time tested risk management approach
- **PERFORMANCE** - Is more than returns, it includes liquidity in all market environments
Investment of Cash and Reserve Assets

Bonds Provide Income and the Potential for Capital Gains

Key Considerations

- For most investors, the chief appeal of bonds is the income return, measured by the yield.
- The search for yield should be balanced against the risks involved with holding bonds.
- The primary risks are higher market yields and deteriorating credit quality.
- Total return is a more complete measure of the return from bonds, reflecting both the income return and price appreciation/depreciation over the holding period.

Money Market Fund Return

Income Earned + Price Change = Total Return

Low Duration Fund Return
Investment of Cash and Reserve Assets

**Bonds Provide Income and the Potential for Capital Gains**

**Cash Strategies**

- **Money market funds seek to preserve** the value of your investment at $1.00 per share, but it is possible to lose money by investing in these types of funds.

- Understand characteristics of fund and its underlying holdings, **key risk considerations**
  - Credit quality, credit risk, diversification of positions
  - Liquidity of fund, liquidity risk of security types
  - Weighted average maturity

- How much bank exposure? Concentration in one name? Security types such as ABCP (Asset Backed Commercial Paper) which can become illiquid during periods of market stress?

- NAV falling below $1 has occurred due to credit problems, illiquid securities

- **Compare 7-day SEC yield across different funds**
  - The 7-day yield = net income earned over a 7-day period / average units outstanding over the period / 7 times 365
  - Determine WHY some funds have a higher yield than others – often it is because more risk is being taken
  - Note that unlike other performance measures, the SEC yield does not include realized gains and losses from sales of securities.
Enhanced Cash / Low Duration Strategies

- Longer maturity profile offers higher return potential but introduces modest interest rate risk

- Higher income return or running yield typically available compared to a money-market fund

- Understand characteristics of fund, underlying holdings, key risk considerations
  - Maximum portfolio duration, maximum maturity allowed for each security
  - Average fund quality, minimum quality permitted for an individual security
  - Diversification requirements, by sector, name, security
  - Liquidity of fund and security types

- Compare total return performance with benchmark
  - Consider risk adjusted return, volatility of returns

Bonds Provide Income and the Potential for Capital Gains
An investment policy statement shall provide for appropriate diversification of the portfolio. Investments held should be diversified to control the risk of loss resulting from over concentration of assets in a specific maturity, issuer, instrument, dealer, fund or bank.
# Tiering of Short-Term Fixed Income Portfolios

Customized for relevant time horizon, return expectation and risk tolerance

<table>
<thead>
<tr>
<th>Lower Expected Return</th>
<th>Higher Expected Return</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less Volatility</td>
<td>Higher Volatility</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Investments</th>
<th>Tier 1 “Cash Management”</th>
<th>Tier 2 “Enhanced Cash”</th>
<th>Tier 3 “Low Duration 1-3yr”</th>
<th>Tier 4 “Low Duration 1-5yr”</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Commercial Paper (CP)</td>
<td>CP and CDs</td>
<td>Governments/Agencies</td>
<td>Governments/Agencies</td>
</tr>
<tr>
<td></td>
<td>Certificates of Deposit</td>
<td></td>
<td>Asset-Backeds</td>
<td>Asset-Backeds</td>
</tr>
<tr>
<td></td>
<td>(CDs)</td>
<td></td>
<td>Mortgages</td>
<td>Mortgages</td>
</tr>
<tr>
<td></td>
<td>Governments/Agencies</td>
<td></td>
<td>Corporates – IG Only</td>
<td>Corporates – IG Only</td>
</tr>
<tr>
<td></td>
<td>Corporates – IG Only</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Average Quality</th>
<th>AA</th>
<th>AA</th>
<th>AA-</th>
<th>AA-</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Average Portfolio Duration</th>
<th>1-6 months</th>
<th>6-18 months</th>
<th>1.5-3.0 years</th>
<th>1.5-3.0 years</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Maturity Range</th>
<th>Overnight to 1 year</th>
<th>Overnight to 3 year</th>
<th>1-5 years</th>
<th>1-7 years</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Expected Return over Money Markets</th>
<th>+25bps</th>
<th>+45bps</th>
<th>+60bps</th>
<th>+100bps</th>
</tr>
</thead>
</table>

Florida Trust Day to Day Fund  
Florida Trust Short Term Bond Fund  
(Straddles Enhanced Cash & Low Duration)
Short Fixed Income Investment Philosophy

**Superior results are attained through active management**

- Identify market inefficiencies and mispriced sectors /securities offering superior risk-adjusted return.
- Dynamic markets require dynamic account management.

**Combination of both ‘top-down’ and ‘bottom-up’ approach**

- Top-down market macro view for duration and sector decisions that yield optimal risk-adjusted results.
- Bottom-up security selection optimizes macro themes and opportunities to enhance performance.

**Diversification is essential to managing portfolio risk**

- Cross-sector correlation analysis improves risk-adjusted performance across a range of market environments.
- Broad opportunity set provides multiple sources of excess return.

**Forward looking approach to credit analysis with a global industry focus**

- Extensive proprietary research along with strong dealer relationships.
- Direct management contact provides qualitative opinion in addition to quantitative assessment.
Market Environment
We Detect the (Not So) Subtle Hint of a Rate Cut...

“I’m getting subtle hints of what the Fed might do.”
U.S. Treasury Yields Are Lower Across The Curve…

U.S. Treasury yields are now inverted in the front-end of the curve as the market has priced in future cuts by the Fed, rather than the central bank remaining on hold.

U.S. Treasury Yields Materially Lower

<table>
<thead>
<tr>
<th>Tenor</th>
<th>12/31/2018</th>
<th>8/31/2019</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>3-month</td>
<td>2.42</td>
<td>1.99</td>
<td>-0.43</td>
</tr>
<tr>
<td>6-month</td>
<td>2.51</td>
<td>1.89</td>
<td>-0.62</td>
</tr>
<tr>
<td>1-year</td>
<td>2.60</td>
<td>1.76</td>
<td>-0.84</td>
</tr>
<tr>
<td>2-year</td>
<td>2.50</td>
<td>1.50</td>
<td>-1.00</td>
</tr>
<tr>
<td>3-year</td>
<td>2.47</td>
<td>1.42</td>
<td>-1.05</td>
</tr>
<tr>
<td>5-year</td>
<td>2.49</td>
<td>1.39</td>
<td>-1.10</td>
</tr>
<tr>
<td>10-year</td>
<td>2.56</td>
<td>1.45</td>
<td>-1.11</td>
</tr>
<tr>
<td>30-year</td>
<td>2.66</td>
<td>1.50</td>
<td>-1.16</td>
</tr>
</tbody>
</table>
Negative Yielding Debt is Back to Historically High Levels

Countries with Negative Yielding Five Year Debt

Austria
Belgium
Bulgaria
Denmark
Finland
France
Germany
Ireland
Japan
Latvia
Netherlands
Portugal
Slovakia
Slovenia
Spain
Sweden
Switzerland

As of June 2019
Source: Bloomberg Barclays Global Aggregate Bond Index
What About Fed Policy? We Can’t Rule Out 1 or 2 More Cuts, But A Long Series Of Rate Cuts Still Seems Unlikely Given Our Economic Outlook

Path of the Federal Funds Rate (Payden versus FOMC versus “The Market”)

Sources: Bloomberg, Federal Reserve, Payden Economics
### Sector Total Return - 1-3 Year Maturity

<table>
<thead>
<tr>
<th>Sector</th>
<th>Index Yield</th>
<th>2019</th>
<th>1 Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Treasury</td>
<td>1.57%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Agency</td>
<td>1.72%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tax Exempt</td>
<td>1.21%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Taxable Muni</td>
<td>1.86%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>ABS</td>
<td>2.10%</td>
<td>6.0%</td>
<td>4.9%</td>
</tr>
<tr>
<td>MBS</td>
<td>1.63%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Corporate</td>
<td>2.27%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: ICE BofAML indices
Investment Opportunities & Portfolio Management Strategy
Comparison: Money Market Fund and Short Bond Fund

Which Choice is Right for Your Investment?

$1.00 NAV MONEY MARKET FUND

- Excellent investment solution for daily and very short term, frequent flow cash assets
- Desirable Features:
  - Certainty of current income
  - Principal preservation
- Less Desirable Features:
  - High reinvestment risk
  - Lower total return potential

SHORT BOND FUND

- Excellent investment solution for reserve assets, not likely to be needed for 9 months or longer
- Desirable Features:
  - Higher total return potential
  - Lower reinvestment risk
  - Liquidity readily available if unexpected need arises
- Less Desirable Features:
  - Increased price variability / risk
  - Slightly more credit risk
- REMEMBER: Bonds mature at par (assuming no default), erasing unrealized losses due to rise in market interest rates
Comparison: Income, Price and Total Return

Which Choice is Right for Your Investment?

$1.00 NAV MONEY MARKET FUND

- Certainty of income at time of purchase
- No unrealized loss at time of withdrawal if $1 NAV not “broken”

SHORT BOND FUND

- Short bond fund a longer strategy offering greater income and total return potential
- Short term unrealized losses possible during periods of rising interest rates
- BUT bonds mature at par (assuming no default), erasing unrealized losses due to rise in market rates
- A better choice for longer-term reserve assets given NAV variability

### ICE BofAML U.S. Indices - 12 Month Period Ending 6/30/2019

<table>
<thead>
<tr>
<th>12 Month Return Due To:</th>
<th>3-Month Bill Index</th>
<th>1-3 y Treasury Index</th>
<th>1-3 Year AAA-A US Corp Index</th>
</tr>
</thead>
<tbody>
<tr>
<td>Price Return</td>
<td>0%</td>
<td>1.74%</td>
<td>1.77%</td>
</tr>
<tr>
<td>Income Return</td>
<td>2.31%*</td>
<td>2.23%</td>
<td>3.07%</td>
</tr>
<tr>
<td>Total Return</td>
<td>2.31%</td>
<td>3.96%</td>
<td>4.84%</td>
</tr>
</tbody>
</table>

*For discount instruments, income return is technically classified as price return for accounting purposes, but is known with certainty at time of purchase

Source: ICE BofAML
## Perspective on Duration, Credit, and Return Volatility Using Index Data

- Extending duration adds yield and return potential
- Adding credit improves risk adjusted return profile, or Sharpe Ratio

<table>
<thead>
<tr>
<th>Total Return (Monthly) 10 Years Ending 06/30/2019:</th>
<th>iMoneyNet Money Market Index</th>
<th>ICE BofAML 1-Year Treasury</th>
<th>ICE BofAML 1-3 Treasury</th>
<th>ICE BofAML 1-3 Govt/ Crdt</th>
<th>ICEBofAML 1-5 Govt/ Crdt</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yield-to-Maturity¹:</td>
<td>2.10%</td>
<td>1.95%</td>
<td>1.81%</td>
<td>2.01%</td>
<td>2.04%</td>
</tr>
<tr>
<td>Duration¹:</td>
<td>-</td>
<td>0.9 yrs</td>
<td>1.8 yrs</td>
<td>1.8 yrs</td>
<td>2.6 yrs</td>
</tr>
<tr>
<td>Maximum</td>
<td>0.20%</td>
<td>0.36%</td>
<td>0.79%</td>
<td>0.81%</td>
<td>1.13%</td>
</tr>
<tr>
<td>Minimum</td>
<td>0.00%</td>
<td>-0.16%</td>
<td>-0.79%</td>
<td>-0.62%</td>
<td>-1.00%</td>
</tr>
<tr>
<td>Average</td>
<td>0.04%</td>
<td>0.07%</td>
<td>0.10%</td>
<td>0.14%</td>
<td>0.19%</td>
</tr>
<tr>
<td>Std Deviation (monthly)²</td>
<td>0.20%</td>
<td>0.31%</td>
<td>0.83%</td>
<td>0.83%</td>
<td>1.43%</td>
</tr>
<tr>
<td># of Negative Rolling 12 Months</td>
<td>0</td>
<td>0</td>
<td>6</td>
<td>0</td>
<td>7</td>
</tr>
<tr>
<td># of Negative Months</td>
<td>0</td>
<td>21</td>
<td>39</td>
<td>36</td>
<td>38</td>
</tr>
<tr>
<td># of Negative Months in %</td>
<td>0%</td>
<td>18%</td>
<td>33%</td>
<td>30%</td>
<td>32%</td>
</tr>
</tbody>
</table>

### Annualized Trailing Returns

<table>
<thead>
<tr>
<th></th>
<th>3 Year</th>
<th>5 Year</th>
<th>10 Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.29%</td>
<td>1.46%</td>
<td>1.29%</td>
<td>1.61%</td>
</tr>
<tr>
<td>0.81%</td>
<td>1.06%</td>
<td>1.21%</td>
<td>1.46%</td>
</tr>
<tr>
<td>0.43%</td>
<td>0.78%</td>
<td>1.20%</td>
<td>1.63%</td>
</tr>
</tbody>
</table>

Sharpe Ratio (10 Year): 1.02, 0.89, 1.41, 1.30

---

1 As of 6/30/2019. 2 Annualized.
As of August 31, 2019

Government Focused - Daily Liquidity – Stable NAV - Fitch Rating and Oversight

Investment Objective: This $1 NAV money market fund provides investors with liquidity, stable share price and as high a level of current income as is consistent with preservation of principal and liquidity.

Portfolio Characteristics: Average fund maturity will not exceed 60 days. Investments are focused on US Government securities (US Treasuries, agencies and repurchase agreements) as well as short-term corporates and commercial paper.

Portfolio Characteristics

| Portfolio Market Value       | $621.7 million |
| Fitch Rating                 | AAA mmf       |
| Days to Maturity             | 37 days       |
| SEC 7 Day Yield (net)        | 2.21%         |

PORTFOLIO RETURNS

<table>
<thead>
<tr>
<th></th>
<th>August 2019</th>
<th>YTD 2019</th>
<th>Trailing 1 Year</th>
<th>Trailing 3 Years</th>
<th>Trailing 5 Years</th>
<th>Since Inception (1/13/09)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Day to Day Total Return (gross)</td>
<td>0.20%</td>
<td>1.74%</td>
<td>2.54%</td>
<td>1.74%</td>
<td>1.18%</td>
<td>0.69%</td>
</tr>
<tr>
<td>Day to Day Total Return (net)</td>
<td>0.19%</td>
<td>1.66%</td>
<td>2.43%</td>
<td>1.63%</td>
<td>1.07%</td>
<td>0.59%</td>
</tr>
<tr>
<td>ICE BofAML 3 Month Treasury Bill</td>
<td>0.21%</td>
<td>1.63%</td>
<td>2.36%</td>
<td>1.50%</td>
<td>0.95%</td>
<td>0.50%</td>
</tr>
</tbody>
</table>

PERIODS OVER ONE YEAR ANNUALIZED.

Sector Allocation (% of Portfolio Assets)

Yankee CDs 8%
ABS 10%
Tsy/Agy 11%
Gov't Rel. 7%
Muni 2%
MBS 2%
Repo 21%

38% Govt/Govt Gntd
29% Floating Rate

Maturity Distribution (% of Portfolio Assets)

<table>
<thead>
<tr>
<th>Maturity (Days)</th>
<th>Percent (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overnight</td>
<td>10%</td>
</tr>
<tr>
<td>&lt;30</td>
<td>24%</td>
</tr>
<tr>
<td>31-90 Maturity</td>
<td>14%</td>
</tr>
<tr>
<td>90-180</td>
<td>21%</td>
</tr>
<tr>
<td>180+</td>
<td>30%</td>
</tr>
</tbody>
</table>
As of August 31, 2019

Attractive Relative Yield and Strong Total Return

Day to Day Fund Net 7-Day SEC Yield, Since Inception vs. Crane Money Fund Average Yield*

*Institutional (government) 7-day yields

FLORIDA TRUST DAY TO DAY FUND & INDEX RETURNS

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Portfolio (gross)</td>
<td>0.37%</td>
<td>0.28%</td>
<td>0.22%</td>
<td>0.33%</td>
<td>0.20%</td>
<td>0.18%</td>
<td>0.23%</td>
<td>0.65%</td>
<td>1.13%</td>
<td>2.09%</td>
<td>1.74%</td>
<td>2.35%</td>
</tr>
<tr>
<td>Portfolio (net)</td>
<td>0.29%</td>
<td>0.16%</td>
<td>0.12%</td>
<td>0.18%</td>
<td>0.09%</td>
<td>0.08%</td>
<td>0.14%</td>
<td>0.51%</td>
<td>1.04%</td>
<td>1.98%</td>
<td>1.66%</td>
<td>2.25%</td>
</tr>
<tr>
<td>ICE BofAML 3M US Tsy Bill</td>
<td>0.17%</td>
<td>0.13%</td>
<td>0.08%</td>
<td>0.08%</td>
<td>0.05%</td>
<td>0.04%</td>
<td>0.05%</td>
<td>0.33%</td>
<td>0.86%</td>
<td>1.87%</td>
<td>1.63%</td>
<td>2.20%</td>
</tr>
</tbody>
</table>

*Returns under one year are unannualized
Florida Trust Short Term Bond Fund

As of August 31, 2019

**Investment Objective:** Appropriate for investors seeking high average credit quality and potential for returns greater than cash alternatives, with some fluctuations in net asset value (NAV). Maintains safety of principal and maximizes available yield, balancing quality and diversification.

The Short-Term Bond Fund invests in securities with effective maturities of less than five years. The weighted average maturity of the portfolio is 2.0 years. Securities are all high quality, primarily AAA and AA-rated.

### PORTFOLIO RETURNS

<table>
<thead>
<tr>
<th></th>
<th>August 2019</th>
<th>YTD 2019</th>
<th>Trailing 1 Year</th>
<th>Trailing 3 Years</th>
<th>Trailing 5 Years</th>
<th>Since Inc. (1/1/92)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Short Term Bond Fund (gross)</td>
<td>0.83%</td>
<td>3.55%</td>
<td>4.63%</td>
<td>2.15%</td>
<td>1.73%</td>
<td>3.83%</td>
</tr>
<tr>
<td>Short Term Bond Fund (NAV)</td>
<td>0.79%</td>
<td>3.36%</td>
<td>4.36%</td>
<td>1.88%</td>
<td>1.47%</td>
<td>3.50%</td>
</tr>
<tr>
<td>Benchmark*</td>
<td>0.81%</td>
<td>3.14%</td>
<td>4.35%</td>
<td>1.60%</td>
<td>1.33%</td>
<td>3.38%</td>
</tr>
</tbody>
</table>

*ICE BofAML1-3 Year Treasury Index 2/2000 to present; Money Market Index prior. Periods over one year annualized.

### Duration Distribution (% of Portfolio Assets)

- 0-1 Years: 15%
- 1-2 Years: 44%
- 2-3 Years: 38%
- 3+ Years: 2%

### Sector Allocation (% of Portfolio Assets)

- Treasuries: 35%
- Agency: 3%
- MBS: 1%
- Gov’t Related: 18%
- Credit: 21%
- ABS: 22%
Longer Term Strategies Outperform Cash Over Time

As of August 31, 2019

**Change in 2-Year Treasury Yield from 12/31: -99 basis points**

**Short Term Bond Fund NAV vs. 2-Year Treasury Yield**

1994: overheating economy, inflation increasing
1998: Global Crisis - Russian Default - LTCM Collapse
2001: WTC Attacks - Recession/ Collapse of Enron
2004-2006: Housing market bubble
2008: Liquidity Crisis and bailouts
2008-2013: Quantitative Easing 1, 2, and 3
2015-2018 Fed interest rate normalization

**FLORIDA TRUST SHORT TERM BOND FUND & INDEX RETURNS**

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>S-T Bond Fund NAV</td>
<td>1.2%</td>
<td>3.8%</td>
<td>2.2%</td>
<td>1.3%</td>
<td>2.0%</td>
<td>0.4%</td>
<td>0.6%</td>
<td>0.5%</td>
<td>1.1%</td>
<td>0.9%</td>
<td>1.6%</td>
</tr>
<tr>
<td>Money Mkts (cash alt.)</td>
<td>2.6%</td>
<td>0.3%</td>
<td>0.1%</td>
<td>0.1%</td>
<td>0.1%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.3%</td>
<td>0.8%</td>
<td>1.8%</td>
</tr>
<tr>
<td>ICE BAML 3-M Tsy</td>
<td>2.1%</td>
<td>0.2%</td>
<td>0.1%</td>
<td>0.1%</td>
<td>0.1%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.3%</td>
<td>0.9%</td>
<td>1.9%</td>
</tr>
<tr>
<td>2-Year Treasury Note</td>
<td>7.4%</td>
<td>1.1%</td>
<td>2.3%</td>
<td>1.5%</td>
<td>0.3%</td>
<td>0.3%</td>
<td>0.7%</td>
<td>0.5%</td>
<td>0.7%</td>
<td>0.2%</td>
<td>1.5%</td>
</tr>
<tr>
<td>ICE BAML 1-3 Yr Tsy</td>
<td>6.6%</td>
<td>0.8%</td>
<td>2.4%</td>
<td>1.6%</td>
<td>0.4%</td>
<td>0.4%</td>
<td>0.6%</td>
<td>0.5%</td>
<td>0.9%</td>
<td>0.4%</td>
<td>1.6%</td>
</tr>
</tbody>
</table>

(Benchmark)
Economic Environment
Our Economic Outlook In 5 Bullets

- Is a recession likely in 2019? A key indicator based on the yield curve says the risk of a recession over the next 12 months is “high.” However, much of the weakness in the U.S. economy remains confined to the manufacturing sector. The services sector, which accounts for nearly 90% of U.S. economic output, remains resilient.

- We expect **2.2% GDP growth** in 2019—slower economic growth than in 2018 but still above “trend.” The “trade war” shaved about 0.5% from our topline growth figure, but the U.S. consumer remains resilient.

- Job growth should still be strong enough to push the *unemployment rate* to **3.5% from 3.7%** by the end of the year.

- We expect **core PCE inflation** to pick up from **1.6% to 1.8%** by year-end.

- **The Fed initiated a “mid-cycle adjustment to policy”** at the July FOMC meeting. **The Committee does not foresee a “long series of rate cuts.”** We can’t rule out one or two more rate cuts to “cushion” the U.S. economy from global risks, similar to what occurred in 1995 and 1998.
The U.S. Manufacturing Sector Is Not The Most Reliable Signal For A Recession

Manufacturing Purchasing Managers Index (PMI) and Non-Manufacturing Index (NMI)

Source: Institute for Supply Management, NBER, Payden Calculations
What Can We Expect From Economic Growth in 2019? Slower Than 2018 But ~2.2%

Real GDP - % Change Quarter-Over-Quarter Annualized

Q1 2019 GDP exceeded expectations despite the government shutdown.

Sources: Bureau of Economic Analysis
What About Job Growth? Job Growth Has Slowed But Remains Solid Considering We Are 10 Years Into The Economic Expansion

Monthly Nonfarm Payrolls - Thousands of Net New Jobs

Don’t believe +216k or +62k. The 3-month moving average is 156k while the 12-month moving average is 173k

Sources: Bureau of Labor Statistics
What About Unemployment? The Unemployment Rate Will Fall To 3.5% in 2019 Even With A Slower Pace Of Job Growth This Year

U-3 Unemployment Rate

Steady decline for many years

P&R 2019 Forecast 3.5%

Sources: Bureau of Labor Statistics

*Best smoothed trend for non-linear relationships which strips out outliers
What About Inflation? We Expect Inflation To Move Closer To 2% By The End Of 2019

Core PCE Inflation - % Change Year-Over-Year

Fed's 2% Target

P&G 2019 Forecast 1.8%

"Transitory" drop

Sources: Bureau of Economic Analysis

*Trend* - Best smoothed trend for non-linear relationships which strips out outliers
The Dallas Fed’s Trimmed Mean PCE Provides A Better Read On Inflation

Core PCE Versus Trimmed Mean PCE* Price Index

*Excludes the most volatile components of any given month

Sources: Dallas Fed, Bureau of Economic Analysis
Outlook Summary: Based On Our Economic Outlook, We Think The Fed Should Stay On Hold For Now. However, We Can’t Rule Out 1-2 More Cuts Due To Trade/Tariffs

### 2019 U.S. Economic Forecasts – Payden Economics Versus FOMC, Bloomberg Consensus, and 2018 Actual

<table>
<thead>
<tr>
<th>Economic Indicator</th>
<th>P&amp;R Forecast</th>
<th>Median FOMC Forecast From June Meeting</th>
<th>Bloomberg Consensus Forecast</th>
<th>2018 Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Economic Growth</strong></td>
<td>2.2%</td>
<td>2.1%</td>
<td>2.2%</td>
<td>2.9%</td>
</tr>
<tr>
<td>Q4/Q4 Real GDP % Change</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Unemployment Rate</strong></td>
<td>3.5%</td>
<td>3.6%</td>
<td>3.7%</td>
<td>3.9%</td>
</tr>
<tr>
<td>Level At Year End</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><em><em>Inflation (Core PCE</em>)</em>*</td>
<td>1.8%</td>
<td>1.8%</td>
<td>1.8%</td>
<td>1.9%</td>
</tr>
<tr>
<td>% Change Year-over-Year By Year End</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Policy Rate (Fed Funds Rate)</strong></td>
<td>2.00%</td>
<td>2.50%</td>
<td>1.65%**</td>
<td>2.50%</td>
</tr>
<tr>
<td>Upper Bound of Fed Funds Target Range</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Core PCE is the personal consumption expenditures price index excluding food and energy
**Market implied rate at year end using fed fund futures

Sources: Bloomberg Consensus, Payden Estimates, Bureau of Labor Statistics and Bureau of Economic Analysis

We can’t rule out another cut in the fall due to an escalation in trade/tariffs risk.
Elizabeth M. Westvold, CFA®, is a Principal at Payden & Rygel. Based in the Boston office, Beth serves as a Senior Client Portfolio Manager for U.S. institutional clients including public plans, corporations, universities and endowments and insurance companies.

Prior to joining Payden & Rygel, Beth was a managing director in BlackRock’s global client group for seven years, responsible for developing and maintaining relationships with institutional clients. Prior to 2005, she was a managing director and fixed income portfolio manager with State Street Research & Management Co. and earlier worked in fixed income strategies for Harvard Management Company.

A member of the CFA Boston Society, Beth holds the Chartered Financial Analyst designation. Beth is president and an investment committee member of the Trustees of Donations to the Episcopal Church. She earned an MBA from the Tuck School of Business at Dartmouth College and a BA, cum laude, in economics and biology from Middlebury College.

Lisa Redding is a Vice President at Payden & Rygel. Based in the firm’s Boston office, she works with portfolio managers to implement investment policy and strategy needs of institutional clients.

Prior to joining Payden & Rygel, Lisa was Research Coordinator at hedge fund Kaintuck Capital Management. She held various roles over seven years within research and trading, and headed the firm’s marketing efforts. Prior to that Lisa worked within Ernst & Young LLP’s tax practice, both domestically and abroad.

Lisa Redding holds the FINRA series 6 and 63 licenses. She earned a BS in Business Administration from American University in Washington, D.C. with concentrations in Finance and International Economics.