Payden&Rygel

Quarterly Portfolio Review

Florida Local Government Investment Trust

4th Quarter 2009

333 South Grand Avenue, Los Angeles, CA 90071
800 644-9328 | payden.com

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Payden & Rygel

January 2010

To Our Valued Clients,

As we begin 2010, investors are looking back over last year with a sigh of relief. The recovery was strong in almost all areas including investments that were previously characterized as volatile and risky.

We believe strongly that today we should be looking ahead, not back, in assessing asset allocation and focusing on those areas where there is opportunity. If one is to look back only to 2009, you get a distorted picture. You have to include the negative performance in 2007 and 2008 to get a picture that is much more complete.

With the strong recovery in many sectors last year, there is a tendency to "take profits" in order to preserve gains. This is where we believe a different approach will be more productive. Regardless of performance last year, we are looking ahead for the next twelve months to see where opportunities exist. We are characterizing opportunity by strong income trends, maintaining diversification and an emphasis on liquidity. In choosing those investments that appear to have a favorable outlook such as selected corporate bonds, sovereign debt and common stocks, we are very much aware of the sensitivity to when the stimulus package will no longer be a driving force in the economy.

As you know, we spend a great deal of time customizing individual portfolios for our clients according to their needs, risk tolerances and long term objectives. There is no one formula that fits all. This approach we believe will become more important in 2010 and, as your investment manager, we will continue to focus on your particular objectives and needs in formulating suitable investments. Whether it is a taxable or non-taxable portfolio, institutional or individual, this premise remains the same.

We look forward to close communications with you over the coming months and as always we are all here as a resource for you. Most importantly, my very best wishes to you, your associates and your families for a healthy and happy new year. We must never forget these are the most important things in life.

Warmest regards,

Joan A. Payden
President & CEO

Florida Local Government Investment Trust

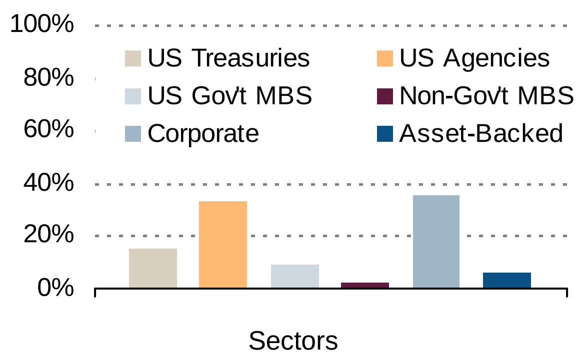
Portfolio Review – 4th Quarter 2009

Portfolio Characteristics

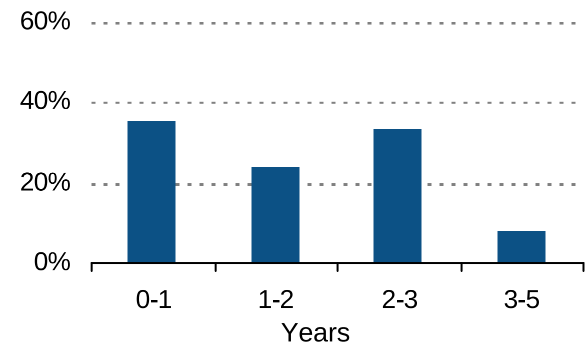
	12/31/09
Portfolio Market Value	$509.5 million
Average Credit Quality	AAA
Effective Duration	1.6 years
Average Maturity	2.1 years
SEC Yield*	1.56%
P&R Yield-to-Maturity*	1.3%

*P&R Yield-to-Maturity is at a point in time and gross of expenses; the SEC Yield is calculated by the Bank of New York over a 30-day period and net of expenses.

Sector Allocation



Duration Distribution



Portfolio Returns – Periods Ending 12/31/09

	4th Qtr	**Trailing 1 Yr**	**Trailing 5 Yrs**	**Trailing 10 Yrs**	**Since Inception (1/1/92)**
FLGIT (gross)	**0.42%**	**4.09%**	**3.58%**	**4.47%**	**4.93%**
FLGIT NAV	**0.35%**	**3.79%**	**3.28%**	**4.17%**	**4.63%**
Benchmark*	0.03%	0.78%	4.03%	4.53%	4.55%

Periods Over One Year Are Annualized

Merrill Lynch 1- to 3-year Tsy 2/00 to present; Money Market Index prior

Florida Local Government Investment Trust

Low Duration Strategy Overview – 4th Quarter 2009

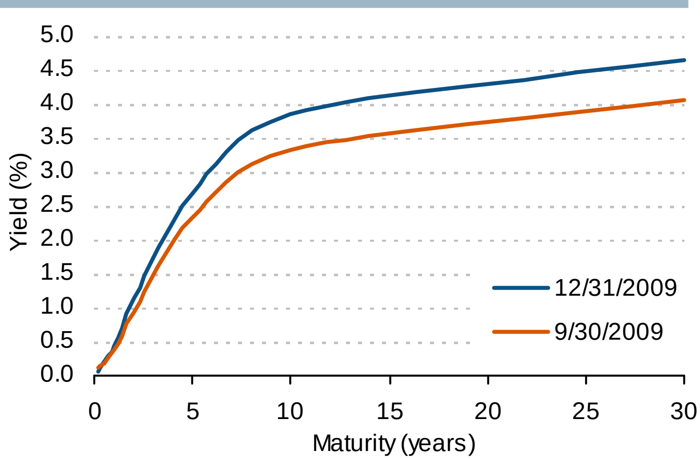
Throughout 2009 investors looked for definitive signs of continued market improvement or an indication of sustainable growth in the economy. The third quarter GDP report provided some reassurance as the economy experienced the first increase in real GDP (+2.2%) in more than a year. The employment report also showed positive prospects as the pace of job losses continued to slow. The economy shed just 188,000 jobs through the three months ending November 2009 compared with 523,000 jobs lost during the first seven months of the year.

The Federal Reserve completed its Treasury purchase program in October and simultaneously announced it will wind down purchases of agency mortgage-backed securities by March 2010. However, despite the recent improvements, the Fed remains committed to a low interest rate environment, leaving the target rate unchanged at 0.00% – 0.25%.

Lower quality securities continued to outperform higher quality bonds, as investor demand for yield drove prices higher.

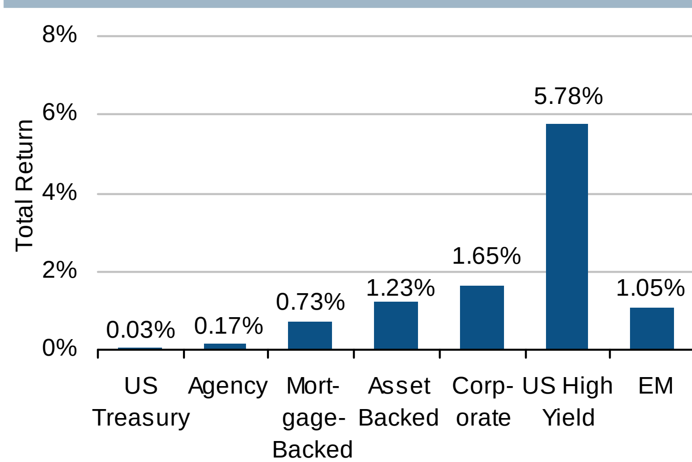
	Payden & Rygel View	Payden & Rygel Action	Portfolio Impact
Economic Environment	Policymakers remain committed to measures that promote economic stimulus. Interest rates have reached cyclical lows and inflation will not be a near-term problem. Select countries, specifically those that are commodity focused, will lead the global economic recovery.	Further reduced portfolio duration by selling Treasury and Agency securities. Increased exposure to dollar-denominated foreign debt.	**Positive:** Yields across the globe rose as investors relinquished risk-free assets for higher yielding securities. Select foreign debt performed very well during the quarter.
Credit	Strong demand and improved fundamentals will continue to add stability to the credit market. Corporations will benefit from improved access to capital and stronger balance sheet positions.	Continued to increase the allocation to corporate debt, adding to the financial sector within the corporate universe.	**Positive:** Corporate credit performed well as investors increased allocations in a search for yield, driving prices higher.
Structured-Product Securities	High quality asset-backed and mortgage-backed securities provide an attractive yield relative to Treasury and Agency securities.	Increased our exposure to agency mortgage-backed securities and TALF-eligible prime auto asset-backed securities, primarily through new issue.	**Positive:** Mortgage-backed securities performed well as mortgage rates reached all-time lows. Continued risk acceptance resulted in positive performance from the asset-backed sector.

U.S. Treasury Yield Curve



Source: Bloomberg

Sector Total Return (1-3 Year Maturities)



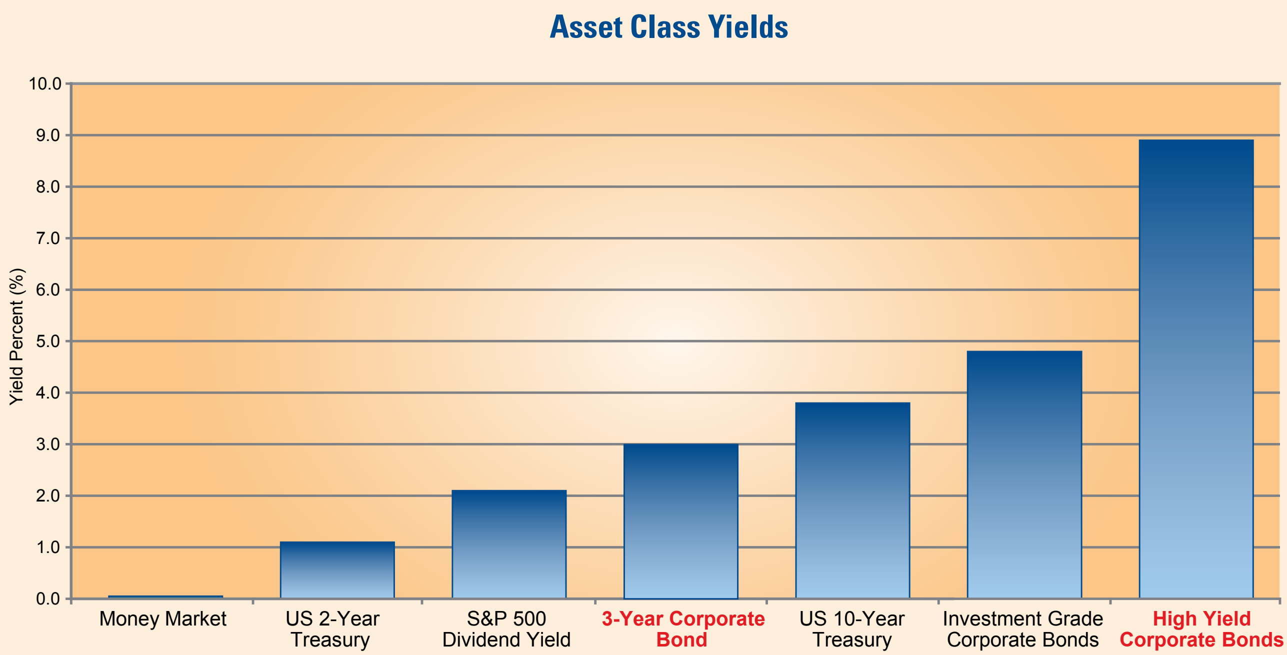
Quarter ended 12/31/09
Source: Merrill Lynch and Morgan Stanley

Opportunity Spotlight

Where Can You Find Income Today?

With the expectation that short-term interest rates will remain low through most of 2010, investors must look for creative ways to enhance portfolio returns. This environment makes an ***enhanced cash or low duration strategy*** attractive for several reasons:

- The yield pickup from extending out the yield curve can be significant and provide an outperformance cushion versus cash even if interest rates rise by as much as 100 basis points over the year.
- The continued demand for yield will provide support and enhance market liquidity.
- Corporate bonds continue to provide an attractive yield premium over government and government supported securities. A strengthening economic environment along with improved balance sheets should support corporate fundamentals.



Source: Bloomberg

The higher-quality end of the high yield corporate bond market is still generating income and yields that are well above their historical average and the envy of most other asset classes. Yields range from 8 -10%, which is a premium of 6.3% over Treasuries. This compares to a premium of 3.6% at the end of 2005 when markets were "normal", untainted by the market excesses and leverage of 2006 and 2007.

While high yield bonds have had one of their best years ever in 2009, historical experience during past economic recoveries suggests that the rally can continue. Additionally, high yield bonds tend to be less sensitive to increases in Treasury rates than other asset classes because of the combination of their higher coupons and the fact that interest rates only tend to rise when the economy is improving, which means better fundamentals for high yield.

Given our outlook for a gradual economic recovery with steadily declining default rates, high income-paying securities should produce stable income in 2010.

Headlines From Around the Globe...

FINANCIAL TIMES
October 23, 2009
"Emerging markets must take up the slack"

Emerging markets were among the first to recover from the 2008-09 global recession. These economies already represent 34% of world GDP at market prices and this share is expected to rise to more than 50% over the next decade. As a result, the G-20 meeting, which includes emerging as well as industrialized countries, is slowly replacing the G-7 meeting as the main global economic policy forum.

THE WALL STREET JOURNAL.
January 12, 2010
"Even in a Recovery, Some Jobs Won't Return"

The US economy has shed a total of 7.2 million jobs since December 2007. The good news is that leading indicators of the labor market suggest that the economy will begin generating jobs on a sustained basis sometime in early 2010.

International Herald Tribune
December 31, 2009
"With Greece teetering, the worst may not be over for Europe"

Fitch Ratings lowered Greece's sovereign credit rating from A- to BBB+, the lowest rating of any euro zone member. The move, which caused interest rates on Greek government bonds to rise, has put pressure on other countries in Europe to get their fiscal houses in order.

The New York Times
November 5, 2009
"Will the Yankees' Victory Favor Wall Street's Bulls?"

In the previous 22 World Series since 1936 in which the Yankees were victorious, the Standard & Poor's 500-stock index returned an average of 10% in the next year, according to the analysis by Richard Peterson, director of credit, markets and risk at Standard & Poor's. But when the Yankees lost the World Series, stocks fell an average of 13%.

O GLOBO
October 2, 2009
"Rio Wins 2016 Olympics in a First for South America"

Brazil will become the first country in South America to host the Olympics in 2016. Although Olympic host countries have seldom profited from the events, the Olympics have prompted expenditures on transportation and other infrastructure that tend to spur economic activity.