Payden&Rygel

Quarterly Portfolio Review

Florida Local Government Investment Trust

1st Quarter 2010

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April 2010

To Our Clients,

Having just completed the first quarter of a new year, investors are anxiously attempting to evaluate what may lie ahead in the financial markets. Most financial markets showed significant recovery in 2009 and many of these trends continued through the first quarter.

In evaluating investment strategies and asset allocation, we think it is key at this time to consider what are the most important factors that will influence markets over the coming year. We are in a fragile recovery that can be characterized by a low level of growth, the continuation of deleveraging, and a very high level of unemployment. The question being asked is what is the risk of a "double dip" in the immediate future? We believe it is low, but we are cognizant of the need for constant monitoring and having portfolios structured so there is the ability to change direction if the unexpected occurs. We want to assure our investors that diversification and liquidity in all portfolios is of prime importance.

During the coming months we will be looking very closely at the transition from government stimulus to private demand and how quickly this will occur. Debt levels remain high, as we all know, but the larger component of this debt is transfer payments, including unemployment insurance and other forms of aid. This situation of course brings up the issue, longer term, of inflation. Eventually there will be a rise in inflation, but currently in many areas there is deflation, and we do not expect a significant rise over the immediate future. This reflects the fragility of the current economy and the fact that it will take some time before consumer demand grows and there is any definitive trend in the reduction of unemployment numbers.

Against this background, we continue to believe there are attractive opportunities from an income standpoint in many of the credit markets, but again diversification and liquidity are key. Many companies have improved balance sheets over the past few years and have taken the opportunity to reduce costs by reorganizing work forces and focusing on economies of scale.

We are pleased to note that first quarter results have been on target. In the coming months we will continue to maintain the philosophy that has brought us successfully through the last couple of years by focusing on risk management and constraining "unrealistic" expectations.

All of us at Payden & Rygel extend to you and your family our best wishes for the spring season.

Warmest regards,

Joan A. Payden

President & CEO

Florida Local Government Investment Trust

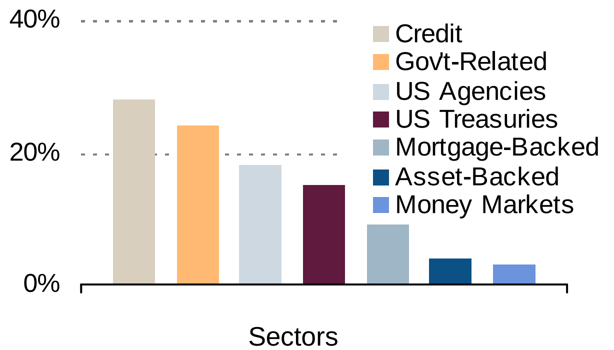
Portfolio Review – 1st Quarter 2010

Portfolio Characteristics

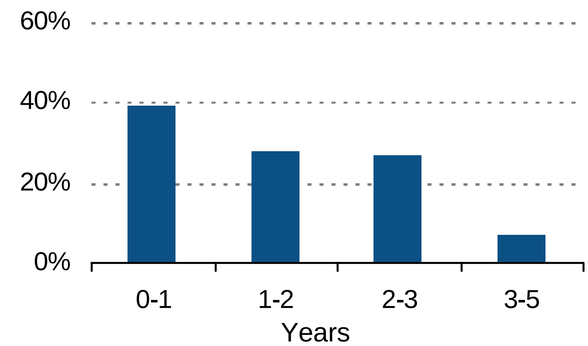
	3/31/10
Portfolio Market Value	$550.0 million
Average Credit Quality	AAA
Effective Duration	1.5 years
Average Maturity	2.1 years
SEC Yield*	1.36%
P&R Yield-to-Maturity*	1.2%

*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 3/31/10

	1st Qtr	Trailing 1 Yr	Trailing 5 Yrs	Trailing 10 Yrs	Since Inception (1/1/92)
FLGIT (gross)	**0.85%**	**4.34%**	**3.79%**	**4.40%**	**4.91%**
FLGIT NAV	**0.77%**	**4.04%**	**3.49%**	**4.10%**	**4.61%**
Benchmark*	0.70%	1.40%	4.23%	4.42%	4.53%

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

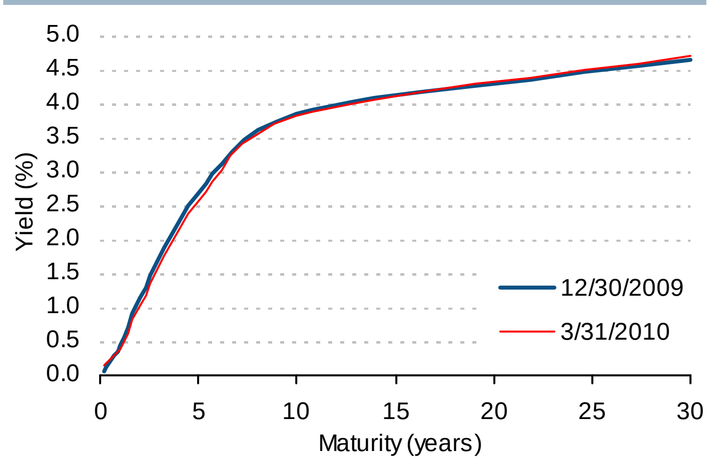
Low Duration Strategy Overview – 1st Quarter 2010

Economic data and market sentiment were mixed and interest rates declined as the quarter began. However, better than expected retail sales data, a solid Q4 GDP report of 5.6% and robust corporate profits helped reinforce the notion that a recovery was underway, pushing rates higher. The unemployment rate declined from 10.0% to 9.7% as monthly job losses slowed to 20,000 in January. Moreover, corporate profits increased 31% on a year-over-year basis, the biggest improvement since 1984.

Interest rates across the entire yield curve moved higher as the market reacted to continued economic improvement, a heavy supply calendar and cessation of the Treasury and agency buy back programs. As a result Treasuries were the worst performing sector. Emerging market securities and high-yield corporate debt performed well, as corporate yield premiums narrowed to levels not seen since 2007.

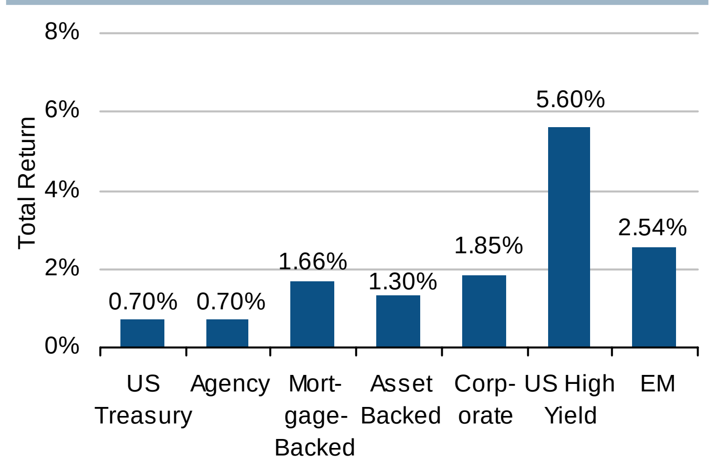
	Payden & Rygel View	Payden & Rygel Action	Portfolio Impact
Economic Environment	Policymakers will gradually unwind emergency programs and remain committed to supporting nascent economic growth. Interest rates will remain low and inflation subdued in the near-term, but the risk of rising rates is real.	Remained underweight duration, keeping liquid assets in Treasury bills.	**Neutral:** The short duration position modestly detracted from performance as rates declined. However, exposure to government guaranteed debt contributed positively toward portfolio performance.
Credit	Strong demand and improving fundamentals will continue to add stability to the credit market. Corporations will benefit from improved access to capital and stronger balance sheet positions.	We continued to increase the allocation to corporate debt.	**Positive:** Corporate credit performed well as profits were reported better than expected and investor's increased demand drove prices higher.
Structured-Securities	High quality auto asset-backed and mortgage-backed securities provide an attractive yield relative to Treasury and agency securities. Extension risk and prepayment variability may impact mortgage prices.	Maintained our weighting in auto asset-backed securities. Reduced mortgage pass through holdings and restructured positions to reduce extension risk.	**Positive:** Mortgage-backed securities performed well as mortgage rates reached all-time lows. The asset-backed sector continued to provide positive performance.

U.S. Treasury Yield Curve



Source: Bloomberg

Sector Total Return (1-3 Year Maturities)



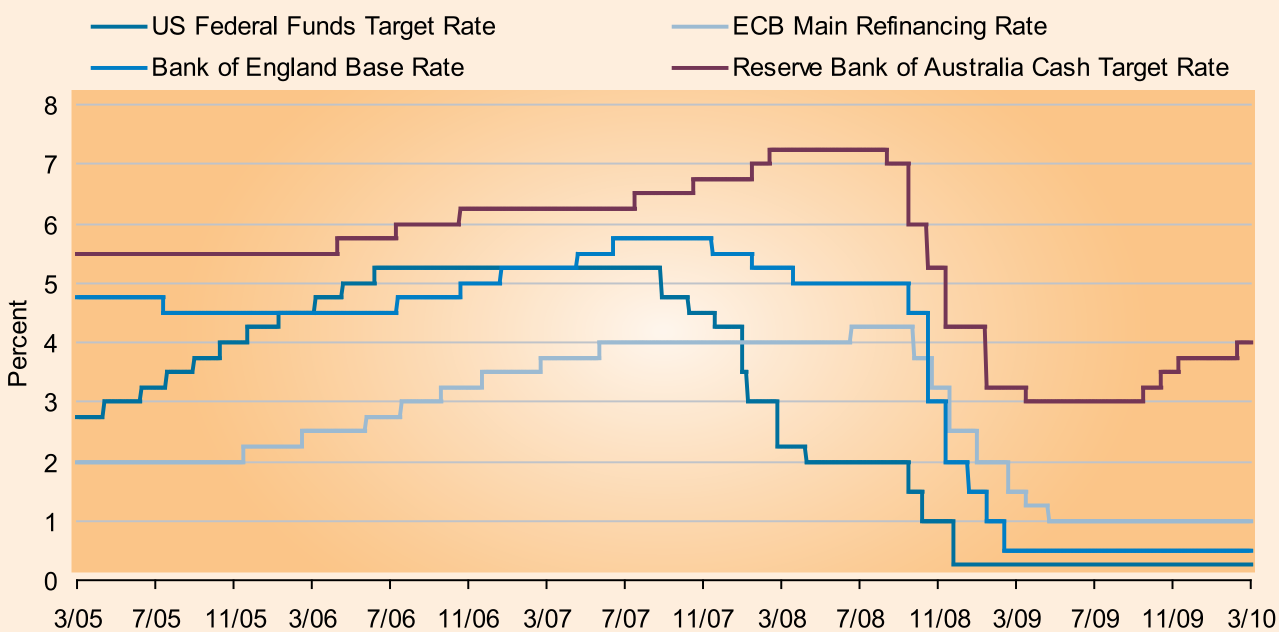
Quarter ended 3/31/10

Source: Merrill Lynch and Morgan Stanley

Global Central Banks to Make a Gradual Exit

Over the past few years, global central banks adopted an array of unconventional policy measures to ease financial conditions during one of the longest and deepest recessions since the 1930s. Today, with the global economy on the mend, the question of how and when to remove this ultra-easy monetary policy is taking center stage. The Federal Reserve and the European Central Bank (ECB) have already begun laying out their exit strategies, while the Bank of England (BoE) and Bank of Japan (BoJ) have yet to detail a framework for policy exit.

Most Central Banks Have Yet to Raise Policy Rates



Source: National Statistical Offices

The Fed and ECB to Make a Gradual Exit

The Fed has outlined five steps towards tighter monetary policy and developed two main tools, reverse repos and term deposits, to manage liquidity until it begins hiking the interest rate it pays on reserves and the federal funds rate. Although rate hikes seem unlikely until either late this year or early 2011, the Fed has already allowed the majority of its credit easing programs to expire as market confidence and functioning has improved.

ECB President Jean-Claude Trichet laid out four cornerstones to the ECB's exit strategy, implying that the bank will aim to maintain price stability, end term lending, and raise collateral requirements as the economy improves. The situation in Greece complicates the ECB's exit and increases the likelihood the policy rate will remain unchanged for most of 2010.

BoE and BoJ Exit Strategies Still Uncertain

BoE Governor Mervyn King announced in February 2010 that the bank's exit strategy will be based on "the inflation target, nothing else" and that a combination of increases in the bank rate and asset sales would be used to hit that target. However, the central bank has downplayed the recent rise in inflation, stating that the current level, which is above the bank's target range, is merely temporary.

While continuing deflation remains a primary concern in Japan, the central bank has exhausted most of its options and will likely leave policy unchanged unless the economy contracts or the government increases pressure to beat deflation. The BoJ already caved to government pressure in December, when it offered banks up to ¥10 trillion ($110.8 billion) of three-month funds at 0.1% interest.

Headlines From Around the Globe...

The People's Bank of China took its strongest step toward tightening monetary policy on February 12 by increasing its commercial lenders' reserve requirement ratio by 50 basis points to 16.5%. The measure was aimed at stopping the possible creation of an asset bubble and followed a comparable hike the prior month. China is one of the largest economies to begin retracting policies used to combat the global financial crisis.

The New York Times
February 12, 2010
"Tighter Curbs on Lending in China"

New Zealand Herald
March 2, 2010
"Cash-rate Rise Reflects Strong Economy"

The Reserve Bank of Australia increased its benchmark rate by 25 basis points to 4.0% at its March policy meeting. The central bank had paused its rate hikes after a series of increases at the end of 2009 due to disappointing retail sales data. However, the central bank indicated that the 3.7% growth in the fourth quarter indicated that the economic recovery had regained ground and "would warrant higher interest rates for the rest of the year."

Despite concerns about California's fiscal health following the $6 billion budget shortfall during fiscal year 2009, strong demand at recent bond sales indicates that investors expect the state will be able to pay down its debt as scheduled. California's fiscal stress may be easing, as revenues into the state's coffers over the last three months were above estimates and above levels of a year ago.

FINANCIAL TIMES
March 11, 2010
"California Bonds in Demand Despite Fiscal Woe"

THE WALL STREET JOURNAL.
March 2, 2010
"Hoenig Says Rate Rises Needed Sooner Rather Than Later"

Kansas City Fed Governor Thomas Hoenig created a stir at the Fed's January meeting by dissenting from the majority's decision to keep the language that economic conditions were likely to "warrant exceptionally low levels of the federal funds rate for an extended period." Mr. Hoenig said the phrasing reduced the central bank's flexibility, which could create future problems.

Former European Commission President Romano Prodi stated in March that the worst of Greece's financial crisis had passed. "For Greece, the problem is completely over," Prodi said in an interview. "I don't think there is any reason to think the euro system will collapse or will suffer greatly because of Greece." The Greek government has announced several spending cuts and tax increases this year in austerity measures totaling $6.5 billion.

Bloomberg
March 10, 2010
"Greek Crisis Is Over, Rest of Region Safe, Prodi Says"