



Payden & Rygel

Quarterly Portfolio Review

Florida Local Government Investment Trust

2nd Quarter 2011



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Los Angeles | Boston | London | Frankfurt

July 2011

Dear Clients,

It is mid-year and as the summer temperature rises, so do financial market worries. It is interesting that we found ourselves in a similar situation a year ago when the concern was about economic recovery in the US and the financial situation in peripheral European countries such as Greece and Ireland. This time the worries include the outcome of the US debt ceiling debate, Europe and the peripheral debt crisis, and unemployment.

Are there any lights at the end of the tunnel? I will pick one. In the US, there are almost two million more private sector workers employed today as compared to a year ago. Progress – even though it is slow. We also estimate that the US economy will grow between 2 and 3% over the next 12 months. While this is below the economy's long-term growth rate, it does not point to a new recession.

The disappointing news is that getting the US economy back on track will take much longer than anticipated and this causes an increasing fear of the unknown. For example, there are new regulations, political uncertainties regarding the debt ceiling stalemate and worries about the economic growth implications of a longer-term US fiscal plan. Yet, against this background, corporations are flush with cash, balance sheets are in good shape and prospects for inflation have diminished.

What we ask ourselves in managing your assets is this: what effect do these challenges have on a dollar-based investment portfolio? We are continuing to focus on diversification, both domestic and global. In the US we are taking advantage of the prospects for relatively strong corporate earnings. On the global front, many sovereign governments have their fiscal houses in order and provide an attractive environment for investment opportunities.

Let me close on a positive note that puts the world economy in long-term perspective. Nearly one-fourth of all goods and services ever produced in human history have been produced in the last decade alone. As this remarkable growth of trade and output continues worldwide, long-term prospects for the US and global economy are positive.

Best regards,

A handwritten signature in black ink, reading "Joan A. Payden". The signature is fluid and cursive, with the first name "Joan" and last name "Payden" clearly legible.

Joan A. Payden

President & CEO

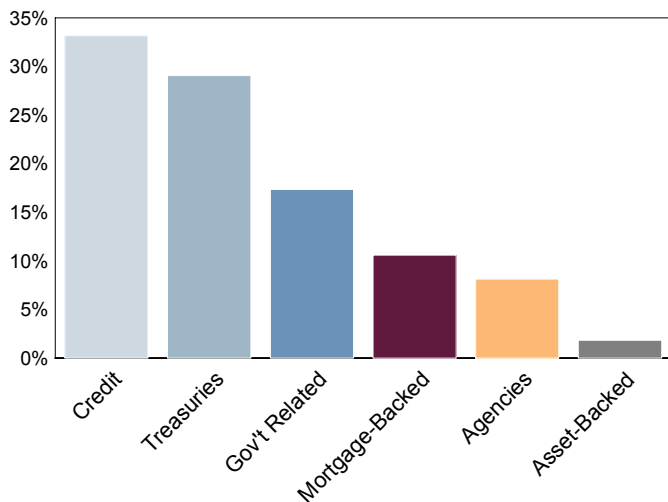
Portfolio Review - 2nd Quarter 2011

Portfolio Characteristics (6/30/2011)

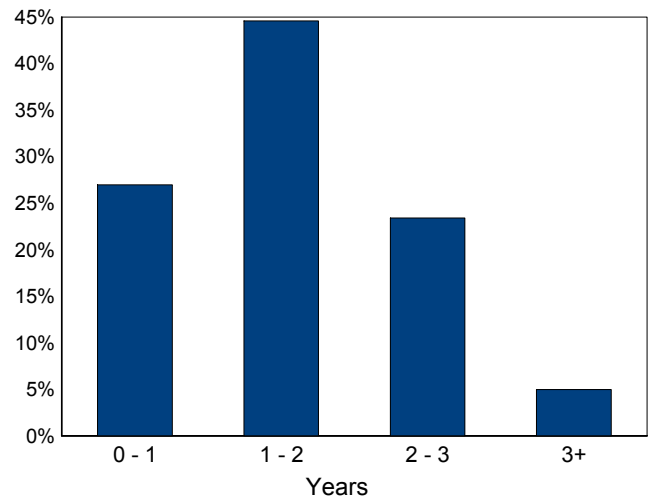
Portfolio Market Value	\$721.1 million
Weighted Average Credit Quality	AAA
Weighted Average Duration	1.5 years
Weighted Average Yield to Maturity	0.8%
SEC Yield*	0.7%

*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 6/30/2011

	2nd Quarter	Fiscal YTD (10/1/10)	Trailing 1 Yr	Trailing 5 Yrs	Since Inception (1/1/92)
FLGIT (gross)	0.74%	0.91%	1.98%	3.65%	4.73%
FLGIT NAV	0.66%	0.68%	1.68%	3.35%	4.43%
Benchmark*	0.86%	0.71%	1.34%	4.14%	4.37%

Periods over one year annualized

*Merrill Lynch 1-3-year Treasury Index 2/2000 to present; Money Market Index prior

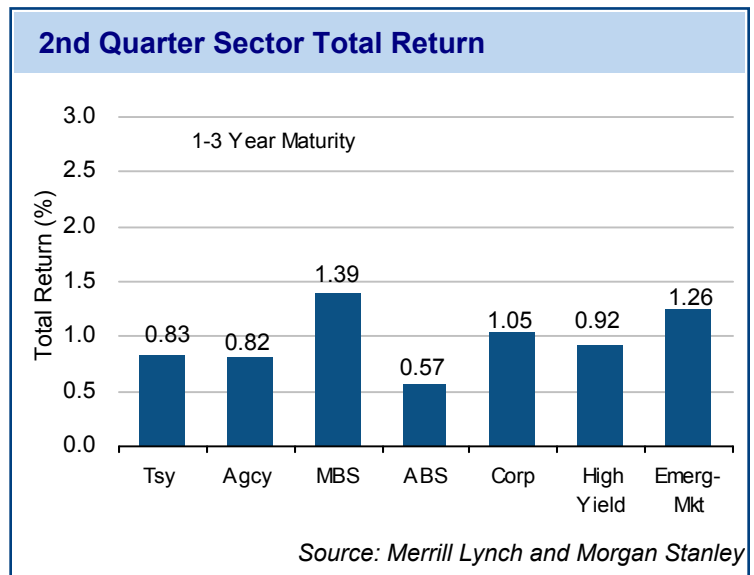
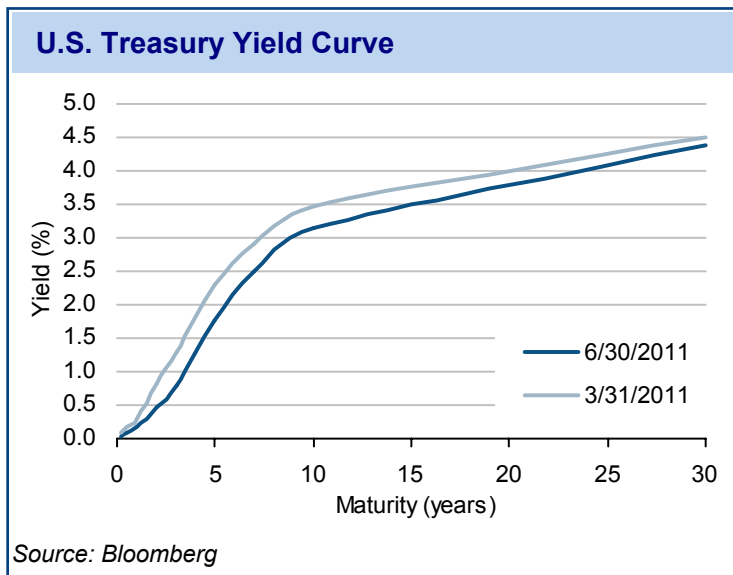


The Treasury market rallied on weaker than expected US economic reports and a heightened focus on safety as the Greek debt situation appeared to deteriorate and the potential impact on European banks became a concern. Investors focused their purchases in the intermediate maturity range, and the Treasury yield curve flattened. Two-year Treasury yields declined 36 basis points, while three- and five-year yields dropped by approximately 50 basis points.

Volatility persisted in the equity and commodity markets amidst global headwinds. Crude oil prices fell 11% for the quarter, gold prices rose 4%, and the S&P 500 index was flat. Investment-grade corporate debt maturing between one and three years outperformed Treasuries, despite modest credit spread widening in conjunction with weaker equity markets. High-yield corporate bonds and investment grade emerging market debt saw selling pressure during the quarter.

The third quarter will include the impact of the end of Quantitative Easing (QE2), the evolution of the debt and funding situation in Europe, and the eventual resolution of the domestic debt ceiling, all potentially market moving events.

	Payden & Rygel View	Payden & Rygel Action	Portfolio Impact
Economic Environment	Moderate economic growth accompanied by low inflation. Federal Reserve on hold and maintaining balance sheet at current size.	Maintained a defensive overall duration position while taking advantage of the slope of the yield curve.	Negative: Weaker economic data and a renewed flight to quality bid sent Treasury yields lower across the yield curve. Yield curve flattening offset some of this negative impact.
Credit	Strong corporate profits and continued demand for yield will support the short-term credit market.	Increased exposure to corporate debt with an emphasis on floating-rate notes for their attractive yield profile and limited interest rate risk.	Positive: Investment-grade corporate debt provided positive returns and outperformed US Treasuries and government-related debt.
Structured Securities	Mortgage- and asset-backed securities would continue to be a stable source of high quality income.	Increased exposure to floating-rate and fixed-rate government guaranteed mortgage-backed securities.	Positive: The sector provided positive total return due to the yield advantage versus other government securities.

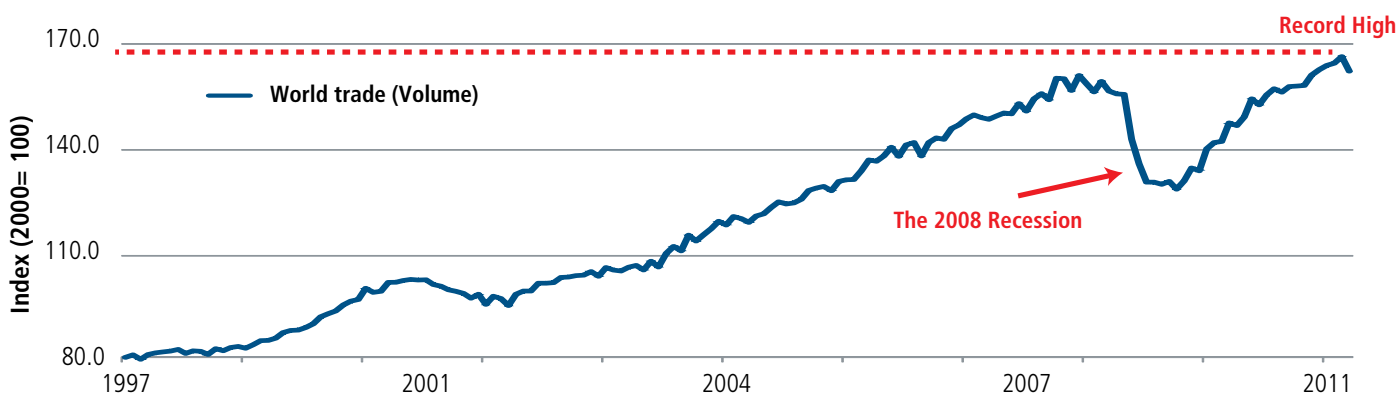


Economic Highlights

The World Economy Sputters, But Does Not Stall

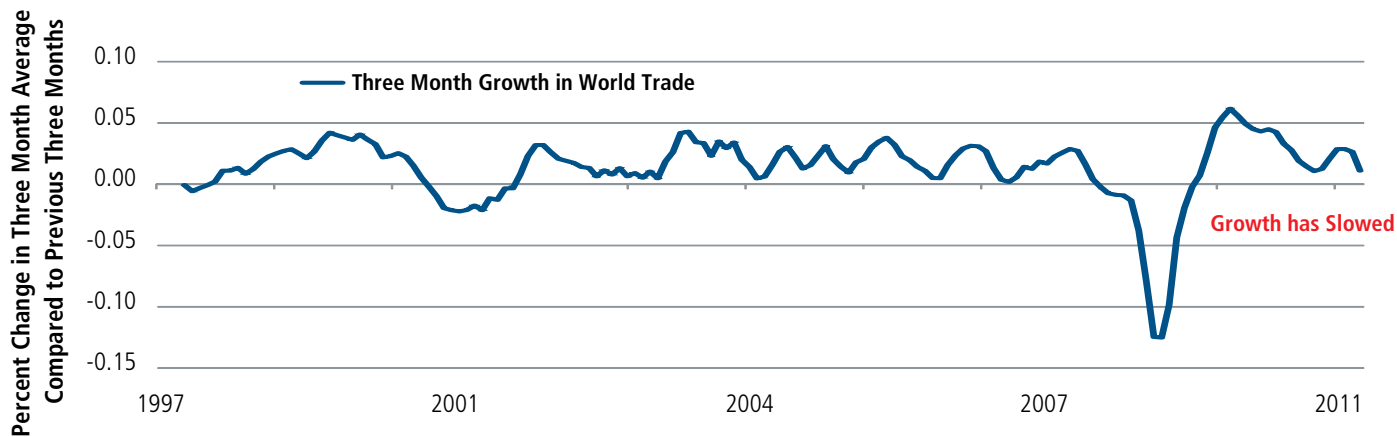
The world economy sputtered in the second quarter of 2011 but many of the reasons contributing to the slowdown should be temporary. The strong headwinds pushing against the global expansion included: higher energy prices, interest rate hikes by pro-active global central banks in an effort to cool strong emerging market growth, political unrest in the Middle East and Northern Africa and post-Japanese earthquake supply chain problems. The result? Both trade and industrial output slowed across the globe (Charts 1 and 2).

The Volume of World Trade Rose to All-Time Record High in Q1...



The largest declines in trade activity were focused in Africa and the Middle East, a consequence of civil and political unrest. Further, Japan's export activity plunged 7% in April in the aftermath of the earthquake and tsunami. Comparing the most recent three months to the previous three months, we can see that the growth momentum in trade activity slowed during the quarter.

...but Momentum Slowed in Q2.



In addition to trade activity, world industrial output also slowed in the second quarter. Industrial production was sluggish in the advanced economies and ticked down during the month of April in the emerging market economies. The good news is that although industrial output plunged 15% (month-to-month) in Japan during March it bounced back quickly, rising 1% in April.

This global economic slowdown was reflected in financial markets via a decline in commodity prices, volatile global stock market returns and, in general, lower advanced economy government bond yields. Is the slowdown permanent? Though risks to the outlook remain, with oil prices falling to near \$90/barrel by the end of the quarter and Japanese production coming back on line, at least some of the slowdown will prove to be a hiccup in world economic activity, not a more severe pullback.

Headlines From Around the Globe

FINANCIAL TIMES

**"Pressure on Greece"
May 9, 2011**

Concerns about Greece resurfaced in the second quarter as economic reforms stalled and talks of "restructuring" Greece's debt load emerged. The prospect of a restructuring sent shivers through the financial markets as analysts traced the link between peripheral sovereign debt holdings and the European banking system.

Twenty-eight member nations of the International Energy Agency (IEA) moved to release 60 million barrels of oil onto the world market in June. This occurred after several months of elevated oil prices, which sapped household incomes and heightened inflation worries around the globe.

THE WALL STREET JOURNAL

**"Higher Gas Prices
Drive Oil Decision"
June 24, 2011**

The Sydney Morning Herald

**"ECB Raises Rate"
April 8, 2011**

The European Central Bank (ECB) raised its key interest rate in April to 1.25%, the first rate rise in almost three years. Despite the unresolved peripheral debt crisis, the rate increase is aimed at taming euro area inflation, which at 2.7% year-over-year in May is above the ECB's price stability mandate for a 2% rate of inflation.

Inflation has become a top concern for investors and Chinese policymakers in 2011. The central bank continues to raise interest rates and reserve requirements in an attempt to restrain credit growth as the consumer price index (CPI) rose by almost 6% on a year-over-year basis in May, the highest rate in three years.

Bloomberg

**"China Inflation Is
Stabilizing, Will Ease,
Ex-PBOC Adviser
Says"
June 26, 2011**



**"Thousands Strike in
Britain as EU Debt
Crisis Festers"
June 30, 2011**

In a pattern seen across Europe, hundreds of thousands of protestors turned out in June to march against cuts to public pensions. Britain, like many advanced economies, is faced with solving a large budget deficit left in the wake of the financial crisis with few easy answers.