



Payden & Rygel

Quarterly Portfolio Review

Florida Local Government Investment Trust

4th Quarter 2011



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Los Angeles | Boston | London | Frankfurt

January 2012

Dear Client,

As we complete another calendar year, we all have the tendency to look back over the last twelve months and examine what has transpired. In reality, it is probably much more important to look ahead for the next twelve months and recognize the opportunities as well as the challenges and how we have positioned our financial lives.

Today, heightened concerns over the Eurozone bank solvency and worries of the possibility of the EMU being dissolved continue to dominate international markets. These concerns are manifested in higher bond rates in Europe, particularly France, Italy and Spain, with Germany being the exception where the rates on long term governments fell below 2%, very similar to the U.S. Treasury market.

Turning to the U.S., risks appear more balanced and the probability of a double-dip recession has been lessened over the last few months. Given this global dichotomy, we think it is very important for investors to realize that the prospect for growth in the U.S. is between 1½% to 2% with very little risk of inflation or interest rates spiking. These trends reflect basic structural changes in the financial fabric of the country rather than cyclical trends that will rebound. This situation does create some favorable opportunities for investors in the U.S. credit markets and the stock market as corporations have become much more efficient over the last one to two years, strengthening balance sheets and amassing more cash than we have seen in this century.

In summary, we believe the factors that will dominate the financial markets are first the continuation in the U.S. of low interest rates and secondly over time, lower unemployment as new jobs are created in areas that did not exist. In addition, the situation in Europe will continue to dominate the global scene. On the brighter side the one thing that investors should be cognizant of is that over 80% of economic activity is outside Europe. The growth and dominance of some of the emerging market economies has been dramatic and will continue. A positive result could very easily be significant consumer growth from these sources. The climate for positive intermediate opportunities in these markets will prevail.

We continue to believe the driving force in allocating resources to financial assets should be diversification globally and examining and concentrating on those areas that have strong fundamentals over the next two to three years. We believe that it is a favorable time to be investing if emphasis is placed upon strong fundamentals.

Our very best for health, happiness and prosperity in 2012 from all of us at Payden & Rygel.

A handwritten signature in black ink, appearing to read "Joan A. Payden". The signature is fluid and cursive, with the first name "Joan" and last name "Payden" clearly distinguishable.

Joan A. Payden

President & CEO

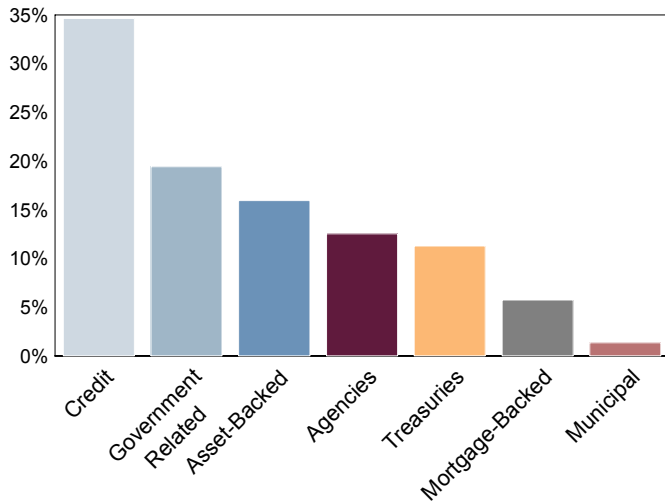
Portfolio Review - 4th Quarter 2011

Portfolio Characteristics (12/31/2011)

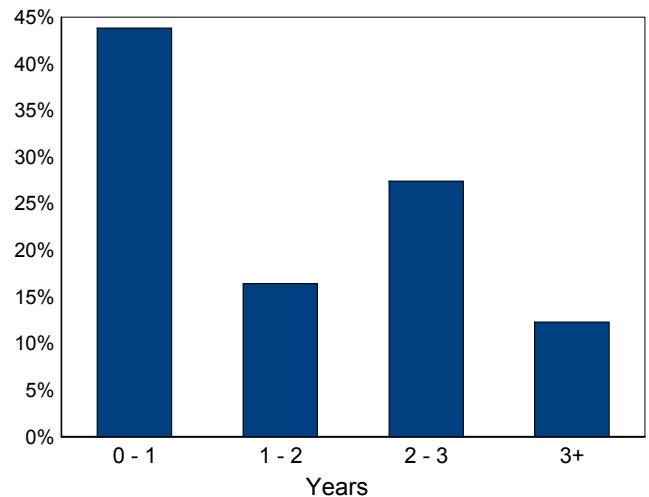
Portfolio Market Value	\$765.9 million
Weighted Average Credit Quality	AAA
Weighted Average Duration	1.8 years
Weighted Average Yield to Maturity	1.1%
SEC Yield*	1.0%

*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 12/31/2011

	4th Quarter	2011	Trailing 3 Yrs	Since Inception (1/1/92)
FLGIT (gross)	0.3%	1.6%	2.7%	4.6%
FLGIT NAV	0.2%	1.3%	2.4%	4.3%
Benchmark*	0.2%	1.6%	1.6%	4.3%

Periods over one year annualized

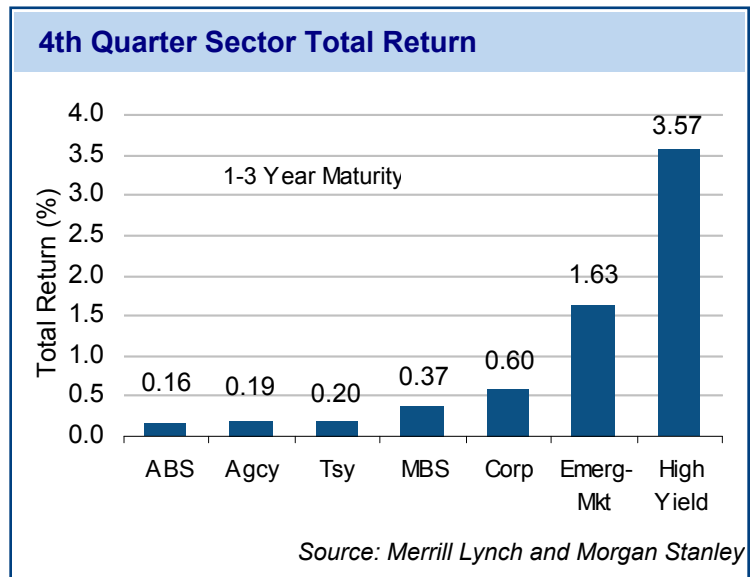
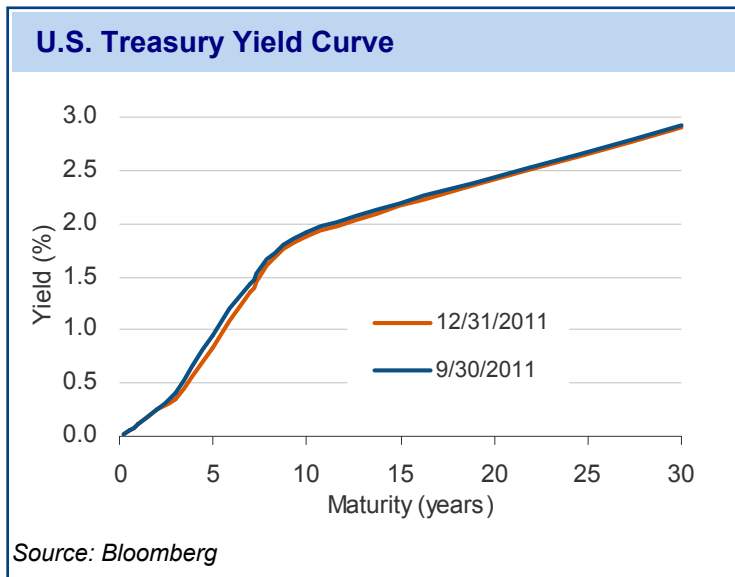
*Merrill Lynch 1-3-year Treasury Index 2/2000 to present; Money Market Index prior



Fourth quarter market activity was driven by the competing forces of resilient domestic economic data and instability in Europe. US manufacturing data continued to suggest modest economic expansion and the employment picture continued to slowly improve, while concerns intensified about the sovereign debt situation for Italy and Spain and the health of Eurozone banks. The ECB lowered its overnight rate by 0.50%, purchased Italian and Spanish sovereign debt and provided unlimited three-year funding to all European banks. These dramatic actions helped to stabilize markets by quarter end. Global equity prices moved higher and US Treasuries and German Bunds remained the bond market safe-havens. For the quarter the S&P 500 Index returned 11.8% and five-year US and German government bonds returned 1.3% and 2.2% respectively.

Renewed risk appetite drove outperformance in select spread sectors in the quarter. Investment-grade corporate bonds with 1- to 3-year maturities returned 0.60%, while emerging market and high-yield debt returned 1.6% and 3.6%, respectively. Agency mortgage-backed securities also outperformed Treasuries amidst continued government support and a benign prepayment environment.

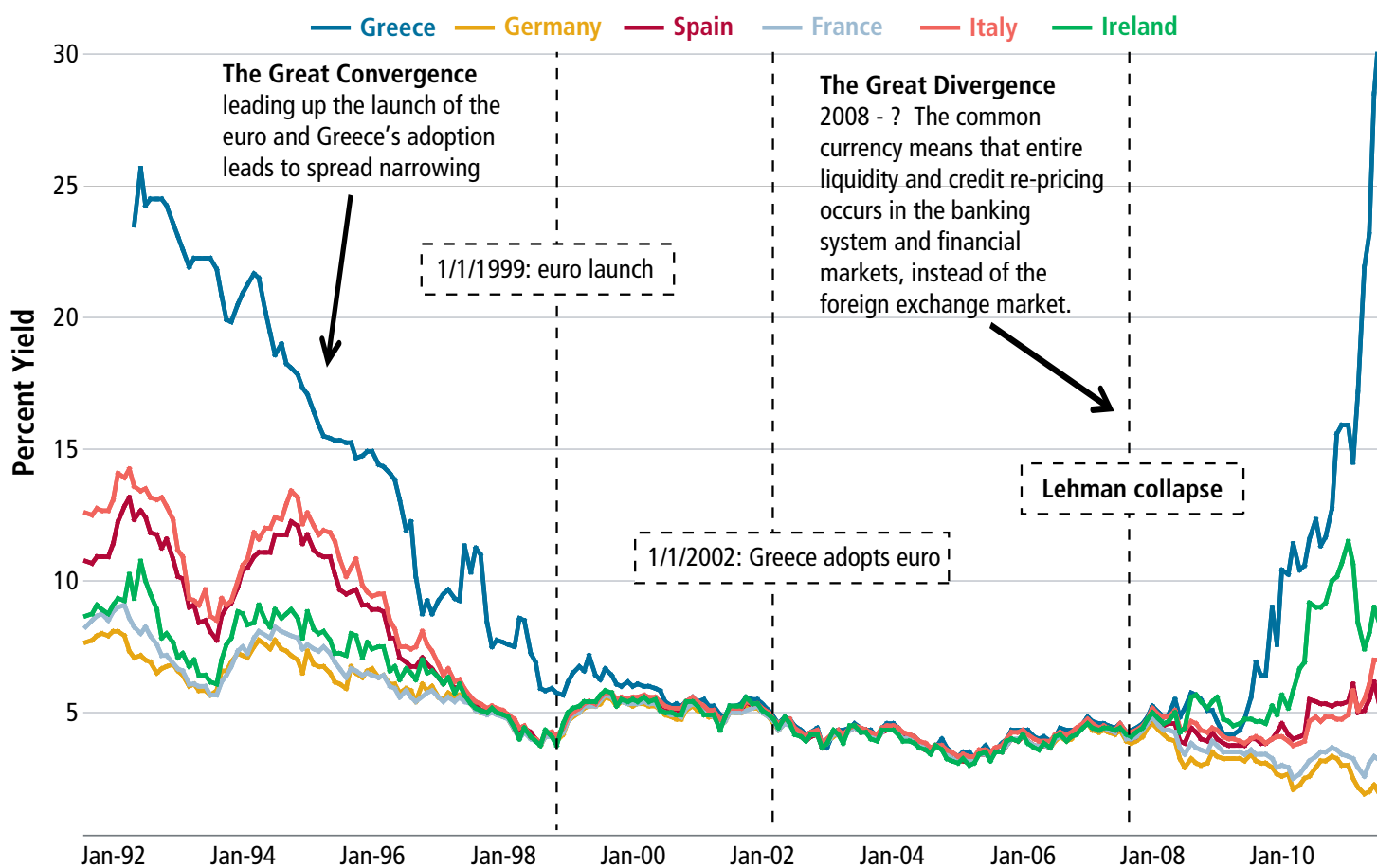
	Payden & Rygel View	Payden & Rygel Action	Portfolio Impact
Economic Environment	Moderate economic growth accompanied by low inflation. Federal Reserve on hold and possibly looking for additional methods of stimulus.	Maintained neutral to modestly long interest rate duration position to benefit from the steep yield curve and anchored front end rates.	Positive: Demand for the safety of US Treasuries resulted in positive performance as the yield curve flattened.
Credit	Fundamentals in non-financial corporate debentures remain positive.	Tactically increased exposure to domestic industrial names, while maintaining a neutral position in financial names.	Positive: Fixed-rate investment-grade corporate debt outperformed US Treasuries and government-related debt.
Mortgage- & Asset-backed Securities	Mortgage- and asset-backed securities continue to be a source of high-quality yield. The US Government will continue to provide support to agency mortgage-backed securities.	Maintained exposure to floating-rate and fixed-rate agency mortgage-backed securities, as well as AAA-rated asset-backed securities.	Positive: The sector provided positive total return due to yield and price appreciation.



The Most Important Chart of 2011

What began as a great and hopeful European convergence, lately stands as a defining divergence. One major consequence of the launch of the euro currency in 1999 was the rise in cross-border holdings of member state sovereign debt by financial and non-financial institutions alike. As a result, sovereign debt markets became more liquid and the differences in yield between, for example, a Greek government bond and a German government bond narrowed. This virtuous cycle of liquidity and easier credit only encouraged additional borrowing. The key turning point occurred in late 2009 as investors questioned whether all euro area bonds were created equal. At first, the questioning was confined to Greece, but by 2011 the crisis turned and intensified as all member states came under meticulous scrutiny by the market. With sovereign government bond yields violently diverging, 2011 was marked by summits and meetings where the ECB and European political leaders struggled to contain the problems. Global capital markets were at the mercy of headline events and this crisis became the defining event of the year.

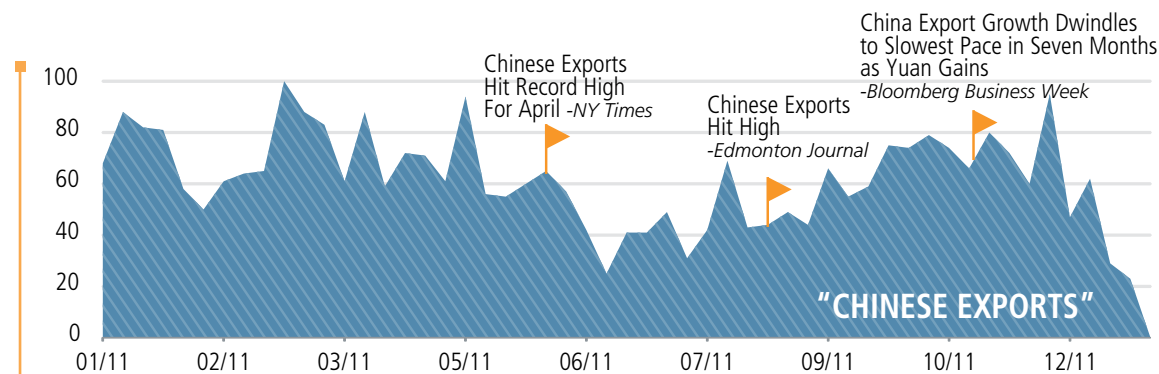
Benchmark 10-year Interest Rates



Source: Thomson Reuters

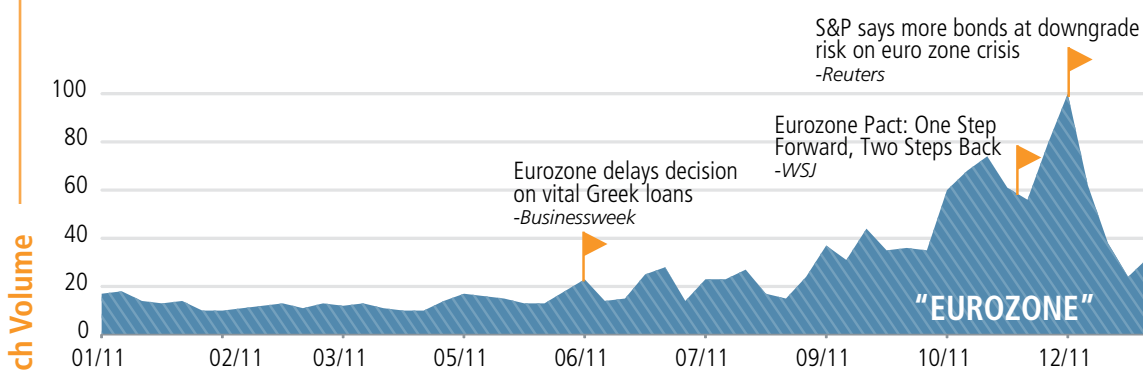
THE WORLD'S PULSE THROUGH WEB SEARCH TRENDS

Is it possible to peer into the minds of investors and the general public? No, but using Google Insights for Search we can take a peek into search trends this year. The charts below track search volume based on key search terms. Together and separately they tell a story of the market worries in the fourth quarter.



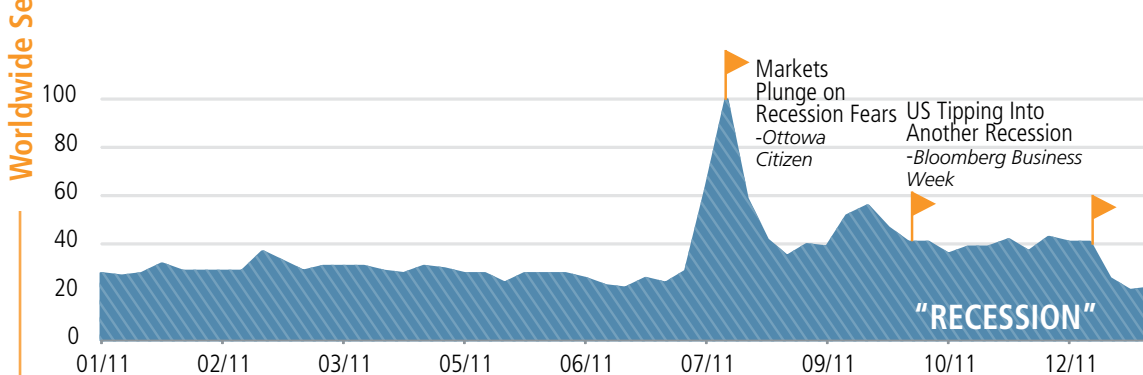
Search Terms "CHINESE EXPORTS"

China and Chinese economy objects of high concern throughout 2011



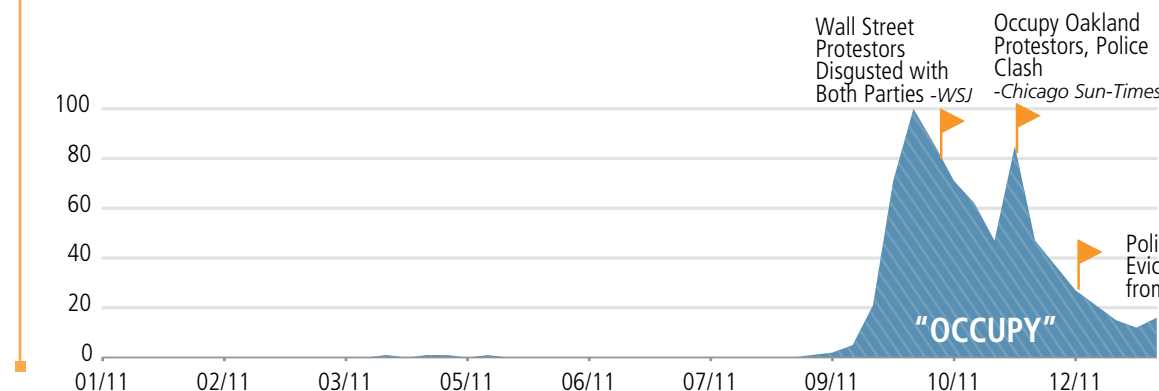
"EUROZONE"

Eurozone financial system woes re-emerge and accelerate



"RECESSION"

Recession fears abate moving into 2012



"OCCUPY"

Populist movements respond to troubled economy

Source: Google Trends