Payden&Rygel

QUARTERLY PORTFOLIO REVIEW

FLORIDA LOCAL GOVERNMENT INVESTMENT TRUST

3rd Quarter 2018

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LETTER FROM THE CEO

October 2018

As we are now in the fourth quarter of the year, investors are focused on "what the future will bring." Will it be a continuation of the last 12 months? The future obviously won't resemble the past. However, there are some important trends today that we would like to explore in a positive vein.

The U.S. economy shows great strength. We think the business cycle is far from over. The consumer is strong and corporate balance sheets look healthy. Meanwhile, inflation is still under control.

The big question everyone is asking is: where are interest rates going? Higher interest rates are a good thing if they're rising for the right reasons. And we think the right reasons are driving both higher rates and higher equity prices: strong economic growth and corporate profits.

Further abroad, we see more challenges. Global economic growth has slowed somewhat this year, and higher interest rates and a stronger U.S. dollar may prove challenging for some economies. Brexit still looms, unfinished and uncertain, and European politics are as vexing as ever. Challenges and risks remain.

September was a reflective month for Payden & Rygel. We opened our doors 35 years ago on September 12, 1983. We've grown globally, opening an office in London 20 years ago, in September 1998. More recently we opened a new office in continental Europe in Milan. Despite the changes and expansion, our ownership, governance structure and culture remain the same—quite extraordinary.

My best wishes to you and your family for the coming holiday season.

Health and happiness,

Joan A. Payden

President & CEO

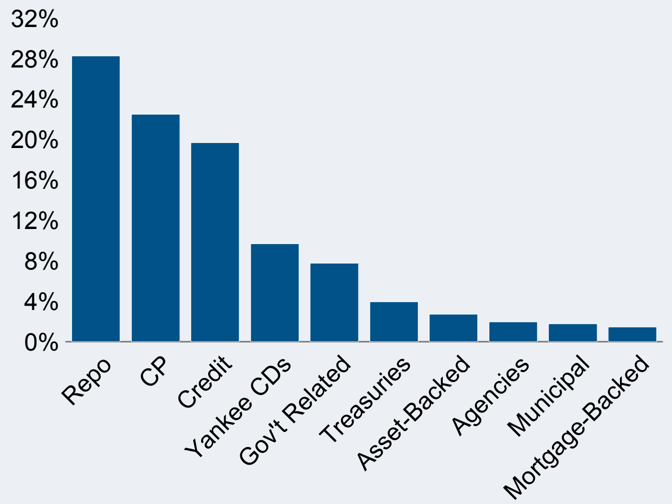
FLORIDA TRUST DAY TO DAY FUND

Portfolio Review and Market Update - 3rd Quarter 2018

PORTFOLIO CHARACTERISTICS (As of 9/30/2018)

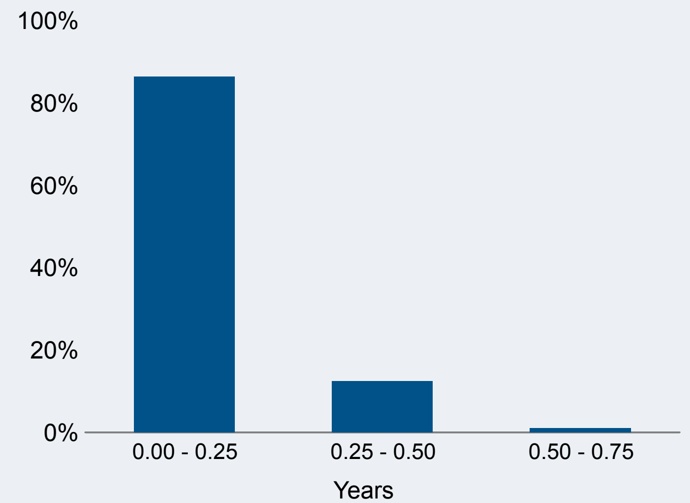
Portfolio Market Value	$633.0 million
Weighted Average Credit Quality (Fitch)	AAA mmf
Weighted Average Maturity	34 days
SEC 7-Day Yield (net)	2.20%

SECTOR ALLOCATION



Government/Government-guaranteed: 42%

DURATION DISTRIBUTION



PORTFOLIO RETURNS - Periods Ending 9/30/2018

	3rd Quarter	2018 YTD	Trailing 1 Yr	Trailing 3 Yr	Trailing 5 Yr	Since Inception (1/13/09)
FLORIDA TRUST DAY TO DAY FUND (gross)	**0.56%**	**1.48%**	**1.79%**	**1.10%**	**0.74%**	**0.52%**
FLORIDA TRUST DAY TO DAY FUND (net)	0.53%	1.39%	1.70%	0.99%	0.63%	0.41%
ICE BofAML 3-Month US Treasury Bill Index	0.49%	1.30%	1.59%	0.84%	0.52%	0.33%

Periods over one year are annual

MARKET THEMES

The third quarter was a tug-of-war between robust economic data and persistent geopolitical risk across the globe. The U.S. economy remained the anchor for global growth, with tailwinds coming from strong employment figures and corporate profits. Consequently, the Federal Reserve continued to raise interest rates, notching its eighth hike since the end of 2015. Headwinds outside the U.S. included volatility in emerging markets, overhang regarding Italian politics and the forthcoming departure of the UK from the euro zone. All in all, the tone across risk assets was broadly positive despite volatility in select sectors. Yields moved higher, but corporate credit risk premiums declined and equity prices increased globally. We believe the front end of the yield curve is the most attractive it has been in a decade as yields move up and provide higher total return potential and low return volatility.

STRATEGY

- The portfolio holds a 42% allocation to government and government-guaranteed securities, in addition to a diversified mix of credit sectors for income generation.
- Corporate and securitized bonds outperformed Treasuries over the quarter as yield premiums fell. We view short credit as attractive given strong fundamentals and yield levels that we have not seen since 2009.
- We remain active in both secondary and primary markets when pricing is supportive.
- We continue to utilize floating-rate coupon bonds across a range of sectors in anticipation of higher front-end rates driven by an active Fed.

INTEREST RATES

- U.S. Treasury yields moved higher by 25 to 36 basis points across the front-end of the curve, with three-month rates rising 0.28% to 2.20% and one-year yields up 0.25% to 2.36%.
- Additional carry from longer out-of-index positions was offset by negative price returns from the increase in Treasury yields.
- Floating-rate positions contributed positively to performance; however, both 1-month and 3-month LIBOR remained range-bound over most of the quarter, beginning to drift higher only in September.

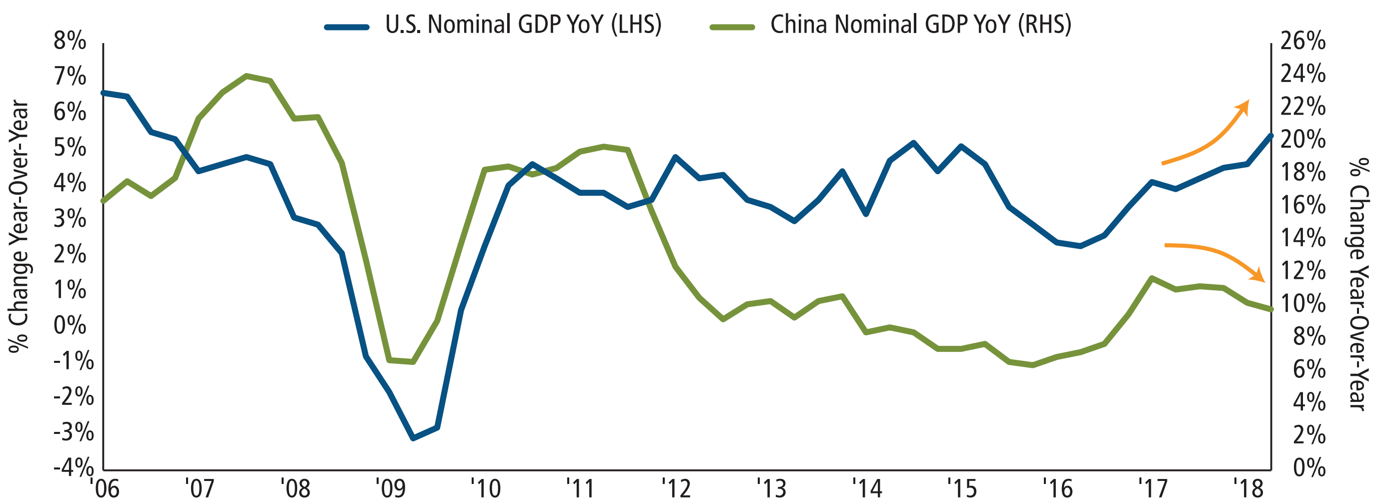
SECTORS

- Corporate securities outperformed Treasuries during the quarter, benefiting from spread compression and yield advantage.
- Commercial paper and Yankee CDs have attractive yields, benefiting from increased rates.
- High-quality structured securities outperformed Treasuries while providing diversification and flexible reinvestment opportunities.

MARKET PERSPECTIVE

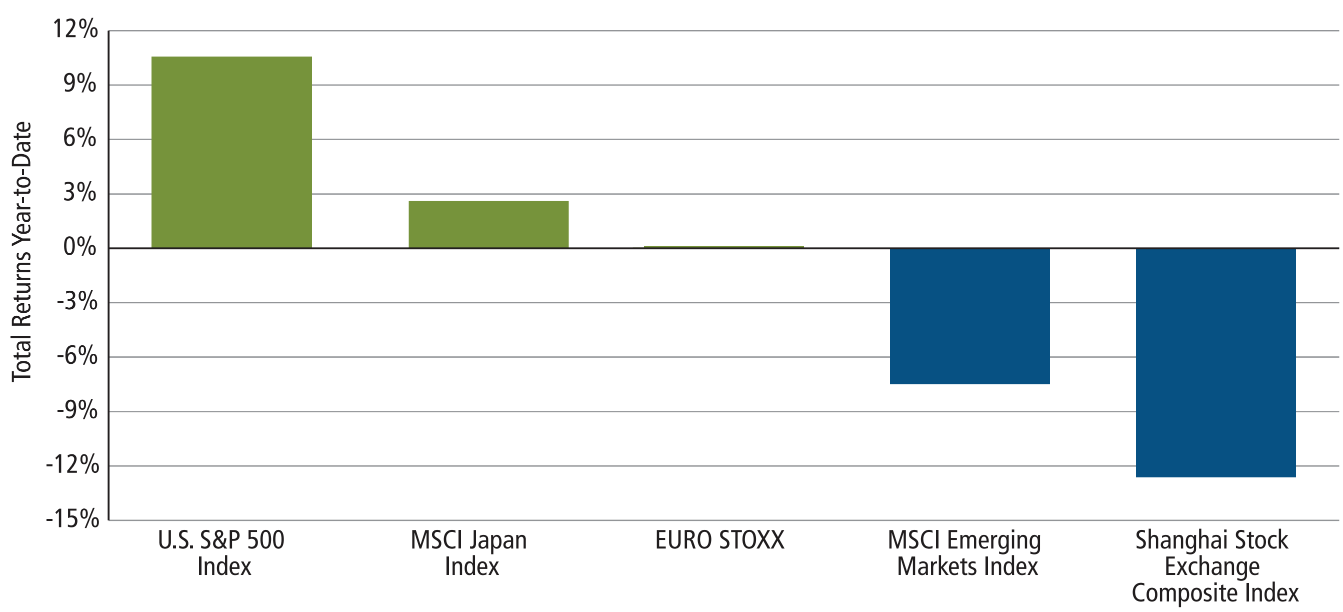
With three quarters of the year in the books, one theme has driven the global economy and financial markets in 2018: *divergence*. U.S. economic growth has accelerated in 2018, while Chinese growth has decelerated (see Chart 1). With the two largest economies in the world moving in different directions, ripple effects were felt around the world. Higher U.S. interest rates, justified by stronger U.S. economic growth, produced knock-on effects in emerging markets. Weaker economic activity out of China also exerted a drag on global activity, from the emerging world to European exports. As a result, the market implications of global divergence appeared most clearly in equity returns. While the U.S. has returned almost 10% year-to-date (see Chart 2), the rest of the world has registered declines (except for Japan). As the U.S. continues to grow above trend for the rest of the year, we will closely watch whether the global divergence theme continues.

Chart 1: Divergence in 2018 – U.S. Nominal GDP Growth Accelerates as China Slows



Source: Bureau of Economic Analysis, National Bureau of Statistics of China

Chart 2: Stock Returns Reflect The Divergence Theme – Major Index Total Returns Year-to-Date*



Source: Standard and Poor's, MSCI, STOXX, Shanghai Stock Exchange, Bloomberg
**As of 9/28/2018*

35 YEARS

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US DOMICILED MUTUAL FUNDS

CASH BALANCE
Payden/Kravitz Cash Balance Plan Fund

EQUITY
Equity Income Fund

GLOBAL FIXED INCOME
Emerging Markets Bond Fund
Emerging Markets Corporate Bond Fund
Emerging Markets Local Bond Fund
Global Fixed Income Fund
Global Low Duration Fund

TAX-EXEMPT FIXED INCOME
California Municipal Income Fund

U.S. FIXED INCOME
Absolute Return Bond Fund
Cash Reserves Money Market Fund
Core Bond Fund
Corporate Bond Fund
Floating Rate Fund
GNMA Fund
High Income Fund
Limited Maturity Fund
Low Duration Fund
Strategic Income Fund
U.S. Government Fund

DUBLIN DOMICILED UCITS FUNDS

EQUITY
Global Equity Income Fund
US Equity Income Fund

LIQUIDITY FUNDS
Euro Liquidity Fund
Sterling Reserve Fund
U.S. Dollar Liquidity Fund

FIXED INCOME
Absolute Return Bond Fund
Global Bond Fund
Global Emerging Markets Bond Fund
Global Emerging Markets Corporate Bond Fund
Global Government Bond Index Fund
Global High Yield Bond Fund
Global Inflation-Linked Bond Fund
Global Short Bond Fund
Sterling Corporate Bond Fund
U.S. Core Bond Fund
USD Low Duration Credit Fund

For more information about Payden & Rygel's funds, contact us at a location listed below.

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