Payden&Rygel

QUARTERLY PORTFOLIO REVIEW

FLORIDA LOCAL GOVERNMENT INVESTMENT TRUST

1st Quarter 2016
Short Term Bond Fund

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LETTER FROM THE CEO

April 2016

Dear Client,

During the first quarter, investors weathered a squall in the credit and equity markets and awaited clues on the path of U.S. interest rates in 2016. Unfortunately, the Federal Reserve was not definitive about the timing of future rate increases, but focused on weaker global economic growth, deflation risk, and financial market volatility during the quarter. We would like to articulate our stance and how we have managed your portfolio in this environment.

First, in terms of US economic data, we remain upbeat. With 632,000 jobs added during the first quarter and the unemployment rate now at 5%, wage growth is finally picking up. As a result of the strong job market, people who left the workforce are returning and finding employment. As far as inflation is concerned, core measures, which exclude volatile energy prices, are in the area of 2% year-over-year. Low inflation, yes. Deflation, no.

Second, fears of a recession sparked by the decline in oil prices sent equity prices swooning and credit spreads wider in the first half of Q1. We think one of the most important roles of an investment manager is to stay calm when presented with market volatility–especially if the market moves contrary to our longer term views. We did not flinch, and given our fundamental view on the economy, we remain constructive on areas of the credit and equity markets unduly punished by fears of a recession.

In the bond market, the ¼ of a percent increase of the US federal funds rate in December had no impact on long term interest rates. While we anticipate one or two increases in short-term interest rates during the remainder of 2016, we do not foresee significant increases in longer term rates in the year ahead. Non-energy corporate balance sheets continue to be decently healthy and, in general, earnings expectations are favorable.

What can derail this outlook? The geo-political situation is unpredictable. However, it is not practical to make investment decisions based on unpredictable events. As the history of the firm has shown, our emphasis on liquidity, diversification, and taking action when necessary has served us well.

My very best wishes for the coming months.

Joan A. Payden

President & CEO

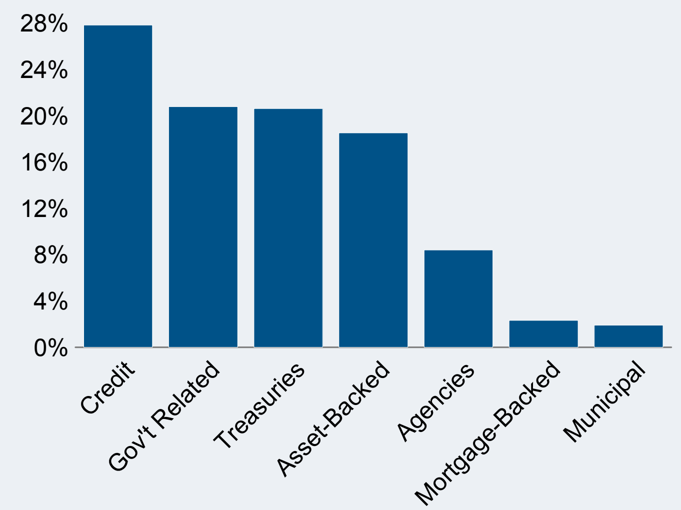
FLORIDA TRUST SHORT-TERM BOND FUND

Portfolio Review and Market Update - 1st Quarter 2016

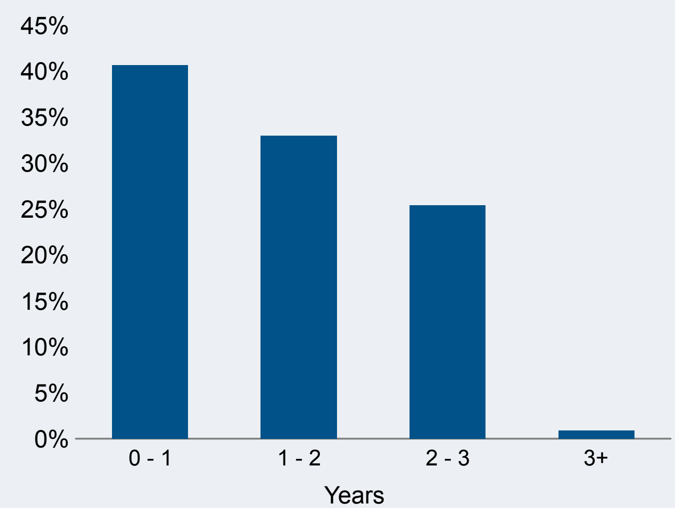
PORTFOLIO CHARACTERISTICS (As of 3/31/2016)

Portfolio Market Value	$999.4 million
Weighted Average Credit Quality	AAA
Weighted Average Duration	1.44 years
SEC 30-Day Yield (net)	0.93%

SECTOR ALLOCATION



DURATION DISTRIBUTION



PORTFOLIO RETURNS - Periods Ending 3/31/2016

	1st Quarter	Trailing 1 Yr	Trailing 3 Yrs	Trailing 5 Yrs	Trailing 10 Yrs	Since Inception (1/1/92)
SHORT-TERM BOND FUND (gross)	**0.77%**	**0.99%**	**0.90%**	**1.28%**	**2.47%**	**4.08%**
SHORT-TERM BOND FUND (NAV)	0.71%	0.75%	0.66%	1.03%	2.19%	3.74%
BAML 1-3 Year US Treasury Index*	0.90%	0.92%	0.77%	0.87%	2.47%	3.65%

Periods over one year annualized

** Taxable money market funds average prior to 02/2000.*

MARKET THEMES

The first quarter of 2016 was extremely volatile, although the ending total return does not convey the turbulent ride. The first six weeks of the year highlighted worries over the fragile state of the global economy. Continued focus on a "hard landing" in China and falling commodity prices gave investors much to fret over. Government bonds rallied as investors sought protection from volatility, while credit spreads widened – a lot – and equities fell. In mid-February, however, stronger economic data out of the US and further action out of the European Central Bank and the Bank of Japan gave investors new hope. As oil prices stabilized and began to rise, earlier trends reversed. The quarter ended with government bonds selling off, credit spreads tightening, and equity markets rallying.

STRATEGY

- The portfolio holds a diversified mix of credit sectors for income generation.
- Corporate bond yield premiums remain attractive, and we expect to maintain our exposure through the purchase of bonds in the new issue market.
- We maintain our allocation to high-quality asset-backed and mortgage-backed securities (ABS/MBS) with short duration profiles for their yield and diversification benefits.

INTEREST RATES

- Interest rates declined over the quarter, with the two year Treasury yield dropping 33 basis points from 1.05% to 0.72%. The US Treasury yield curve flattened, and the yield differential between two- and three-year maturities now stands at 13 basis points.
- The portfolio had positive returns from the rally in Treasury yields but modestly underperformed the index.
- Longer-maturity corporate holdings contributed positively due to their higher income and price appreciation from a flattening of the yield curve.

SECTORS

- Credit yield premiums were volatile but ended the quarter unchanged. The overweight to credit added to performance as did individual security selection within corporates.
- High-quality ABS spreads held steady and contributed positively to performance, benefiting from higher income returns.
- There was minimal impact from MBS this quarter as spreads were volatile but ended the period only slightly wider, offsetting the return from yield.

Negative Interest Rate Policy (NIRP): In Theory and In Practice

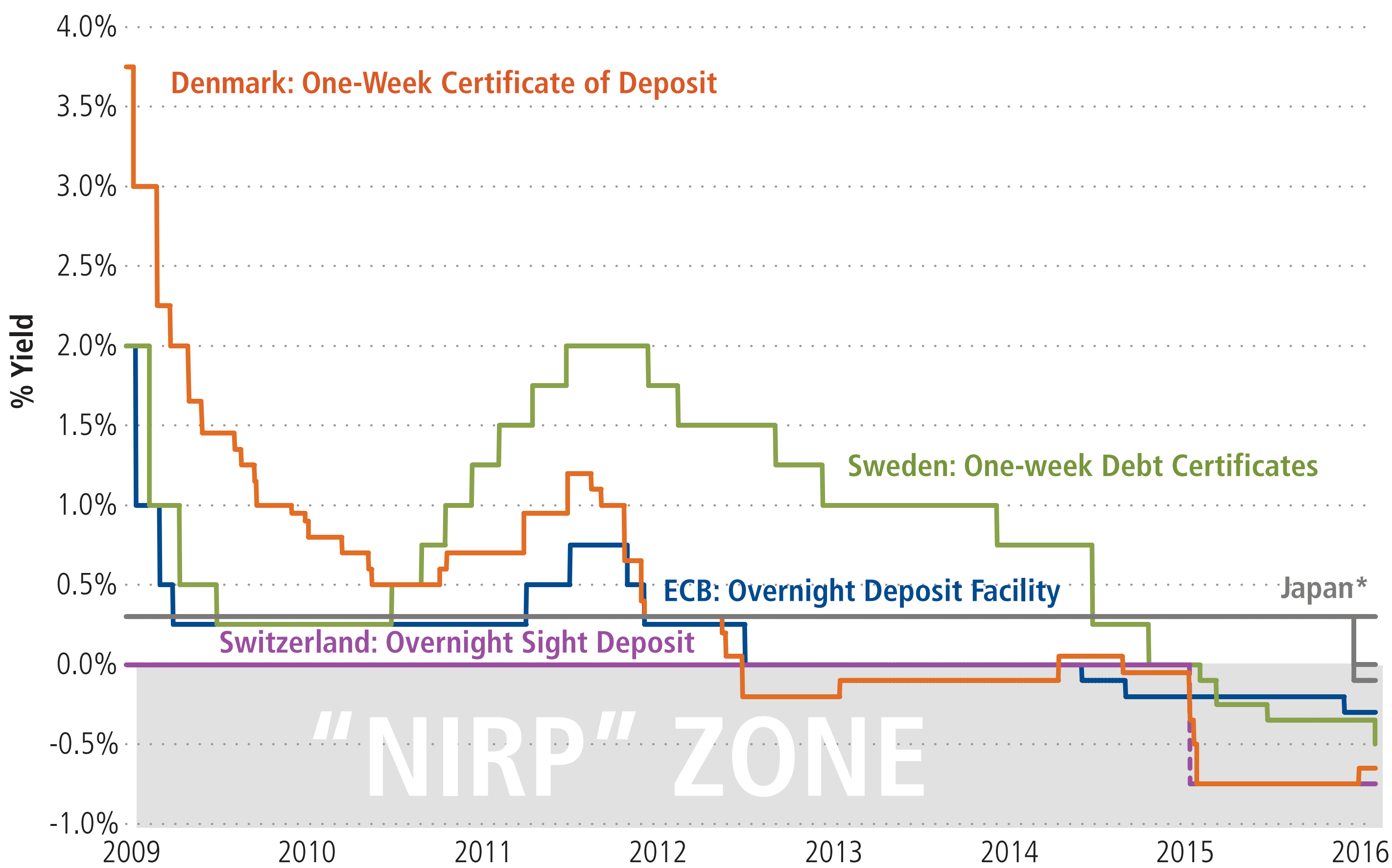
In the first quarter of 2016, the Bank of Japan (BoJ) joined the Swiss National Bank, the Swedish Riksbank, the Danish Nationalbank, and the European Central Bank (ECB) as members of the NIRP brigade–the elite club of central banks with negative interest rate policies (see chart below). While NIRP grabbed headlines during the quarter, it remains to be seen whether such policy initiatives will boost economic activity.

NIRP in theory and NIRP in practice are two very different things. In theory, NIRP is supposed to boost aggregate spending in two ways–imposing a cost to save and weakening the domestic currency. First, negative interest rates impose a cost on those who wish not to spend money. In Japan and the euro area, banks with deposits at the central bank are "taxed" a negative interest rate for holding reserves. However, the impact of these negative rates has been limited as household depositors (i.e. the "real economy") still receive positive yields.

The second way NIRP supposedly stimulates spending is by weakening the currency, thereby making exporters' products cheaper versus global competitors. Just as traditional interest rate policy suggests lower interest rates weaken a domestic currency, negative interest rates theoretically have a more exaggerated effect on exchange rates. Unfortunately, for both the BofJ and the ECB, the yen and the euro have strengthened versus the dollar since their respective banks joined the NIRP brigade.

The jury is still out on NIRP's effectiveness in practice, but the first quarter of 2016 left investors wondering: are central banks out of ammunition?

Welcome to the NIRP Zone: Five Global Central Bank Policy Rates Are Below the Zero Lower Bound



Source: Bank for International Settlements, Bloomberg

**On January 29, 2016 the BoJ put in place a three tiered structure of rates,with one policy rate negative at -0.10%*

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

US 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
US Government Fund

DUBLIN DOMICILED UCITS FUNDS

EQUITY
World Equity Fund

FIXED INCOME
Absolute Return 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 Bond Fund
Global Short Bond Fund
Sterling Corporate Bond Fund – Investment Grade
US Core Bond Fund
USD Low Duration Credit Fund

LIQUIDITY FUNDS
Euro Liquidity Fund
Sterling Reserve Fund
US Dollar Liquidity Fund

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