Payden&Rygel

QUARTERLY PORTFOLIO REVIEW

FLORIDA LOCAL GOVERNMENT INVESTMENT TRUST

1st Quarter 2018

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LETTER FROM THE CEO

April 2018

The first quarter was a tale of two forces. On the one hand, the U.S. and global economic data continued to impress. The International Monetary Fund revised up its forecast for 2018 global growth by 0.2% to 3.9%, which would be the best global growth rate in nearly a decade. The U.S. added over 600,000 jobs during the first quarter—the best first quarter tally for job growth since Q1 2014.

On the other hand, financial markets stumbled. The S&P 500 fell ~0.8% and spreads on investment-grade debt widened 16 basis points.

How do we make sense of a world where markets diverge from fundamentals? Consider three things:

First, the two forces described above are not mutually exclusive. A surprisingly good economic backdrop has forced investors to rethink their views on interest rates. However, in a complex global financial system, you cannot recalibrate one market without ripple effects across others. The rates market repositioning cascaded through other markets. U.S. equities dipped, followed by global equities. Measures of volatility also jumped.

Second, the stock market is not the economy, so divergences between the two are not that unusual. We will become more concerned about financial market wobbles if/when the economic backdrop deteriorates. We will be watching the economic data carefully in Q2 for any hints that the wobbles we have seen in markets.

Third, we ask: what could derail the global expansion? Political risks are always present but nearly impossible for investors to consistently handicap. If financial conditions tighten more significantly, credit markets may be less forgiving to issuers, and the dollar could rise and impair global USD creditors' ability to repay dollar loans.

As investors, we cannot know the future, but must nevertheless prepare. Come what will, we remain keenly focused on diversification and liquidity. Our client portfolios are built to perform in good markets and bad, and we expect 2018 to be no different in that respect.

Sincerely,

Joan A. Payden

President & CEO

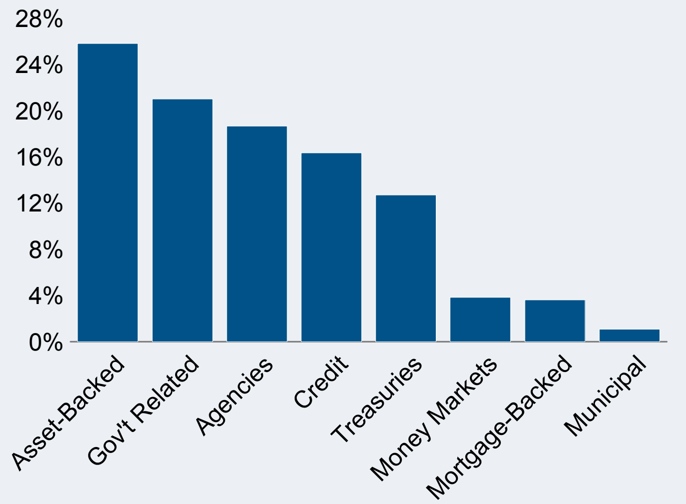
FLORIDA TRUST SHORT-TERM BOND FUND

Portfolio Review and Market Update - 1st Quarter 2018

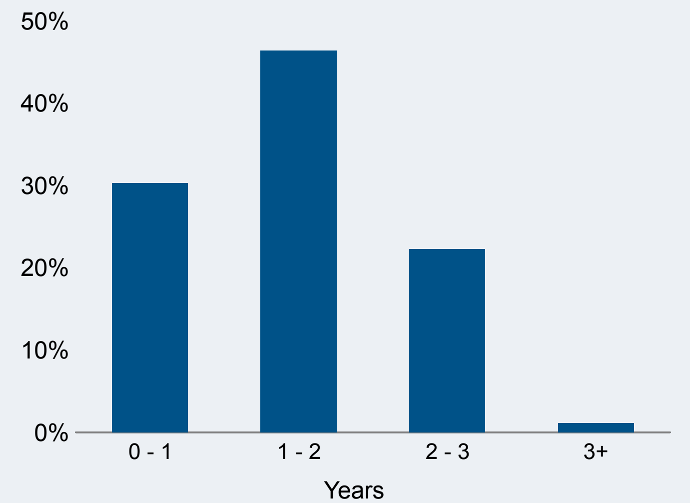
PORTFOLIO CHARACTERISTICS (As of 3/31/2018)

Portfolio Market Value	$1,016.9 million
Fund Ratings (Fitch)	AAAf/S1
Weighted Average Duration	1.50 years
SEC 30-Day Yield (net)	1.93%

SECTOR ALLOCATION



DURATION DISTRIBUTION



PORTFOLIO RETURNS - Periods Ending 3/31/2018

	1st Quarter	Trailing 1 Yr	Trailing 5 Yr	Trailing 10 Yr	Since Inception (1/1/92)
SHORT-TERM BOND FUND (gross)	**-0.06%**	**0.61%**	**0.86%**	**1.48%**	**3.82%**
SHORT-TERM BOND FUND (NAV)	-0.13%	0.37%	0.61%	1.23%	3.49%
ICE BofAML 1-3 Year US Treasury Index*	-0.13%	0.03%	0.51%	1.13%	3.37%

Periods over one year annualized

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

MARKET THEMES

The first quarter was accentuated by sustained positive economic support, yet volatility increased across capital markets. Strong global growth, which pushed risk assets higher in January, led to concerns by mid-quarter that inflationary pressures could resurface more quickly than expected. This caused market volatility, as equities fell from their highs and corporate spreads widened off of their tights. Jerome Powell took over as Fed chair and shifted to a more optimistic and hawkish policy tone, hiking at the March meeting, forecasting two more 25 basis point hikes in 2018, and increasing expectations for hikes in 2019 and beyond. Consequently, U.S. interest rates rose, driving front-end yields to levels not seen since 2008. As the U.S. moves away from a zero interest rate policy and companies adjust to tax reform, money markets have normalized. The passing of debt ceiling legislation allowed the U.S. Treasury to increase issuance to the largest net supply since 2010 with a front-end concentration. As a result, Treasury bill yields moved higher and short credit spreads widened, providing attractive yields and increased opportunities in short fixed income.

STRATEGY

- The portfolio holds a diversified mix of credit sectors for income generation.
- Corporate bond yield premiums widened over the quarter making shorter dated securities more attractive than they have been in years. We expect to be more active in secondary markets while participating in new issues when pricing is attractive.
- We continue to utilize floating-rate coupon bonds and maintain an underweight duration position in anticipation of higher front-end rates.

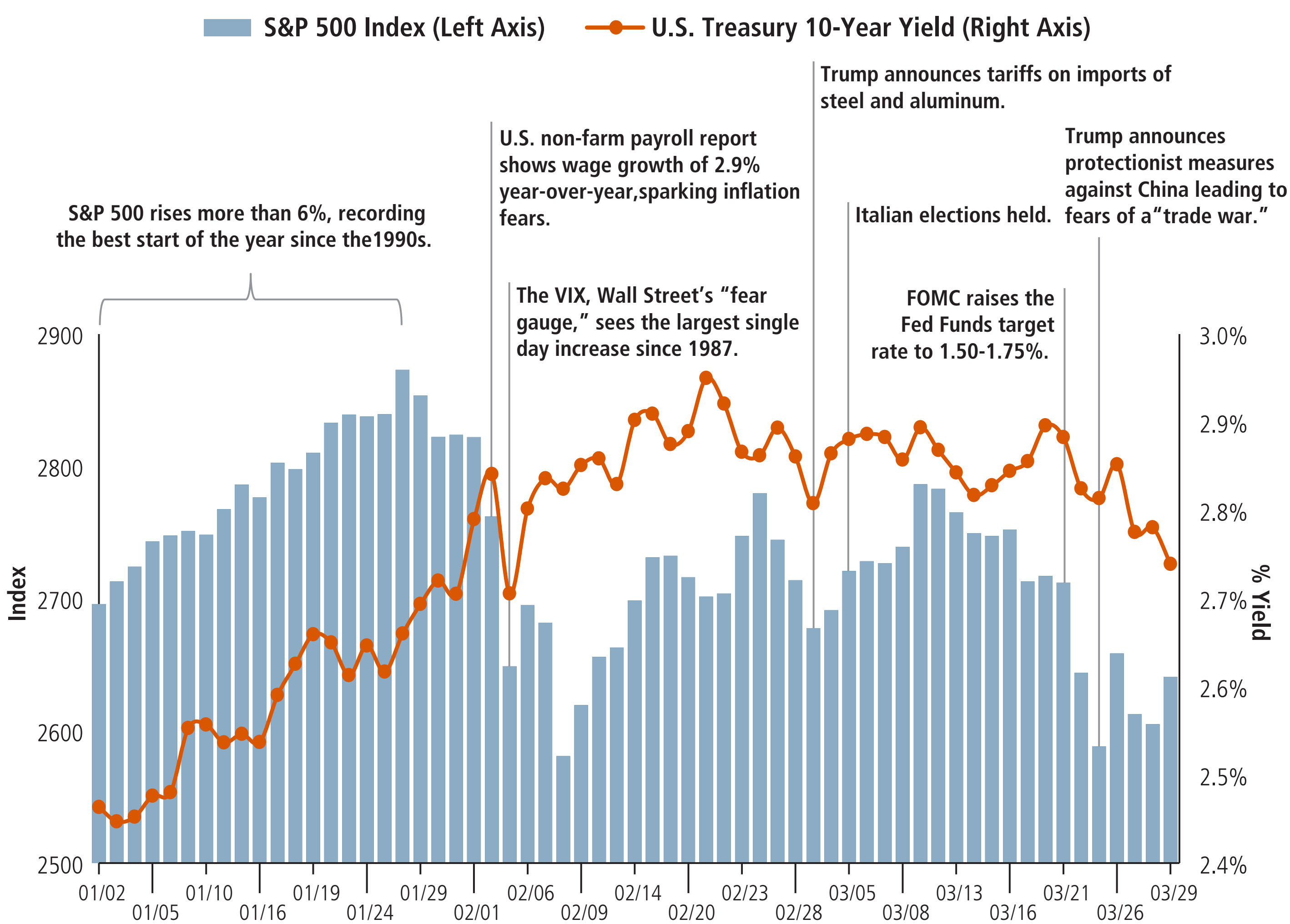
INTEREST RATES

- U.S. Treasury yields moved higher by 30 to 40 basis points across the front-end of the curve, with the two-year maturity rising 0.39% to 2.27%. The slope between two- and five-year maturities finished the quarter roughly unchanged after steepening by 0.15% through mid-February.
- Our underweight duration position was the main driver of performance over the quarter, as Treasury yields increased.
- Floating-rate positions contributed positively to performance as three-month LIBOR rose 0.62% to end the quarter at 2.31%.

SECTORS

- Corporate securities underperformed Treasuries as spreads widened, which detracted from performance.
- High-quality asset-backed securities outperformed corporates over the quarter while providing flexible reinvestment opportunities.

Key Macroeconomic Events and the Market Reaction for the First Quarter of 2018



Source: Standard and Poor's, Bank for International Settlements, Bloomberg

The first quarter looked poised to be a good one. The S&P 500 Index started 2018 on its hottest win streak since the late 1990s. The International Monetary Fund (IMF) revised up its forecast for 2018 global growth by 0.2% to 3.9%. The January U.S. labor market report showed stellar job and wage growth. And then the markets turned south and volatility spiked as the strong wage data sparked inflation fears. From there, the stock market and 10-year U.S. Treasury bounced up and down for the remainder of the quarter.

In the United States despite some financial market volatility, economic forecasts have generally improved for 2018. The quarter came to an end with Fed Chair Jerome Powell announcing the Federal Open Market Committee's (FOMC) decision to raise the Fed Funds rate to 1.50-1.75%—a move that was widely expected. The fact that the March move may have been the first of many this year is still underappreciated, at least by the bond market. Interest rates are rising, though more slowly at longer tenors, even as stocks hold their ground. If growth persists above trend, the unemployment rate falls further, and inflation heads higher over the next couple of years, the path of interest rates will be "steeper" than the market has in mind. What will next quarter's chart look like?

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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