Payden&Rygel

QUARTERLY PORTFOLIO REVIEW

FLORIDA LOCAL GOVERNMENT INVESTMENT TRUST

2nd Quarter 2017
Short Term Bond Fund

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LETTER FROM THE CEO

July 2017

Dear Client,

As we enter the third quarter of 2017, equity markets are at or near all-time highs, and volatility measures are near all-time lows.

What are the concerns of investors today? First, with the continuing expansion of the business cycle in the U.S., Europe and the U.K., the question arises will there be a shock to the markets? The second question to consider is to what extent will interest rates rise in the U.S. and globally – how much and how soon?

These concerns have been mirrored in the financial markets over the past few months as yields globally have actually moved lower, and there has been somewhat more volatility in the equity markets. We do not think these cycles are over. We continue to look for positive economic growth in the U.S., and we are cautiously optimistic about moderate expansion in both Europe and the U.K.

An aspect of financial markets that we continue to believe investors don't focus enough on is the impact of globalization. "Globalization" is a very broad term, but we have seen a major shift in world GDP from the G7 countries to the developing markets. The latter now accounts for more than 50% of global output. Another component of this is that the growing issuance of sovereign and corporate debt in various currencies actually provides more opportunities for the investor on a global basis. Lastly, the growth of investable funds worldwide has expanded rapidly to over $110 trillion. What has not expanded as rapidly is the product to meet the demand.

Against this background, we look to take advantage of this larger opportunity set in managing your portfolio. The second half of the year will undoubtedly have some challenges and surprises, but as we always state, flexibility and liquidity are foremost in our minds.

Wishing you and your family a fun and relaxing summer.

Sincerely,

Joan A. Payden

President & CEO

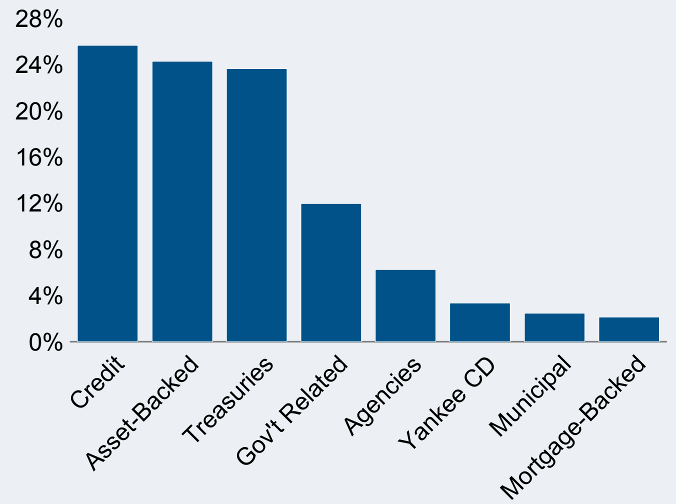
FLORIDA TRUST SHORT-TERM BOND FUND

Portfolio Review and Market Update - 2nd Quarter 2017

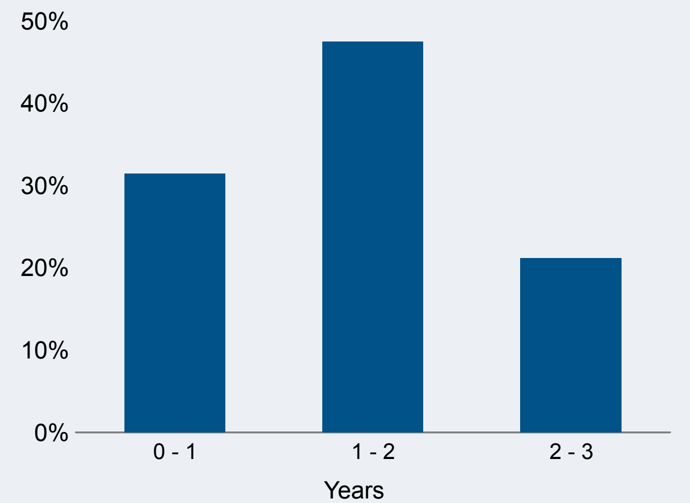
PORTFOLIO CHARACTERISTICS (As of 6/30/2017)

Portfolio Market Value	$1,033.3 million
Fund Ratings (S&P)	AAAf/S1
Weighted Average Duration	1.45 years
SEC 30-Day Yield (net)	1.27%

SECTOR ALLOCATION



DURATION DISTRIBUTION



PORTFOLIO RETURNS - Periods Ending 6/30/2017

	2nd Quarter	2017 YTD	Trailing 1 Yr	Trailing 3 Yr	Trailing 5 Yr	Since Inception (1/1/92)
SHORT-TERM BOND FUND (gross)	**0.40%**	**0.83%**	**0.80%**	**1.03%**	**1.07%**	**3.93%**
SHORT-TERM BOND FUND (NAV)	0.34%	0.69%	0.54%	0.78%	0.81%	3.60%
BAML 1-3 Year US Treasury Index*	0.18%	0.44%	-0.11%	0.69%	0.63%	3.48%

Periods over one year annualized

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

MARKET THEMES

Markets marched higher through most of the second quarter before taking a breather at the end of June. The Federal Reserve's fourth interest rate hike since its tightening cycle began was met with a yawn, but plans for winding down the balance sheet piqued market participants' interest. Inflation in the U.S. was benign, while unemployment dropped to 4.3%—the lowest rate since 2001, indicating a further strengthening of the economy. President Trump faced continued delays in implementing his plans for tax cuts, deregulation, and infrastructure spending. Prime Minister May's snap parliamentary election in the U.K. backfired on her, and her party lost seats in Parliament, which weakened her plans for a quick Brexit. Increases in European consumer confidence and business expectations helped the euro reach a 52-week high. ECB President Draghi declared at the end of June that 'deflationary forces' had been mitigated, spiking tapering fears and driving yields on European sovereign debt higher. Despite the bear market in oil, risk markets remained well-bid and had positive total returns.

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 have continued to participate selectively in high-quality asset-backed and mortgage-backed security (ABS/MBS) deals with short duration profiles.

INTEREST RATES

The Federal Open Market Committee raised the Fed Funds rate by 0.25% in June to a range of 1.00% - 1.25%.

- The U.S. Treasury curve flattened with the front-end moving higher while yields five years and longer were lower. The slope between three- and five-year maturities fell from 0.43% to 0.34%.
- As front-end yields rose, the defensive duration positioning enhanced performance. This was offset by the flattening of the Treasury curve.
- Credit and securitized holdings with floating-rate coupons added to performance as Libor continued to trend higher, increasing 15 basis points to 1.30% over the quarter.

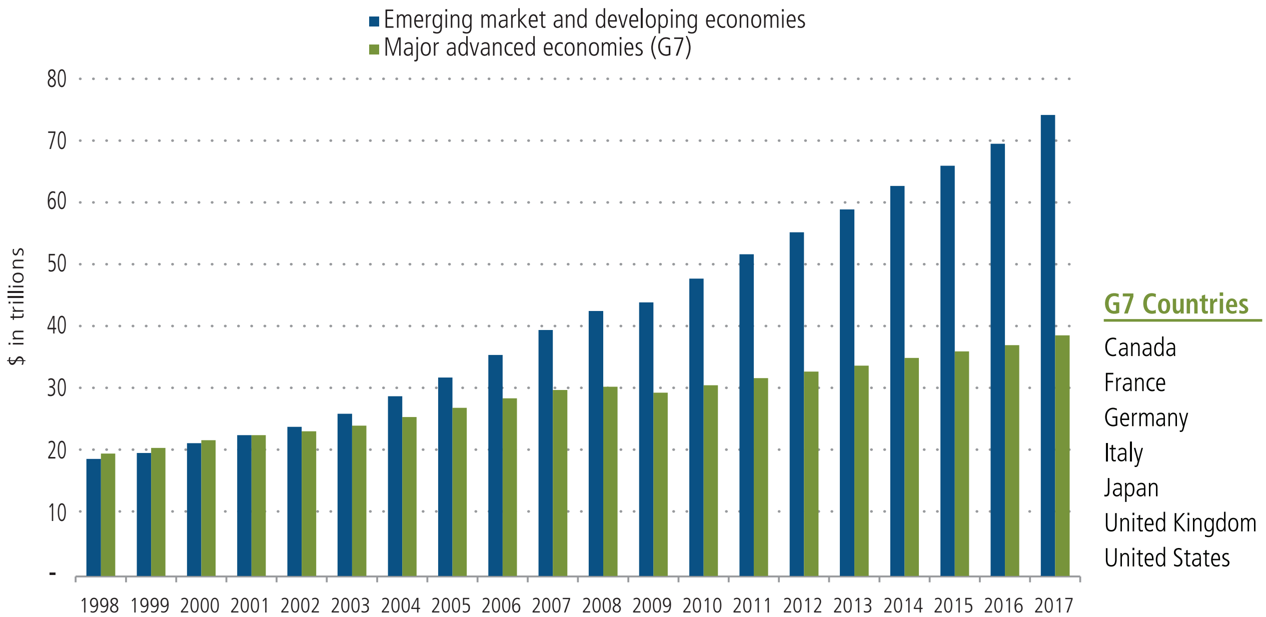
SECTORS

- The allocation to, and selection of, investment-grade corporate securities was additive to performance. Credit yield premiums fell as overall interest rates rose.
- High-quality ABS continued to contribute to performance while providing flexible reinvestment opportunities.
- The MBS allocation was additive to performance, as strong demand continues to outstrip supply.

MARKET PERSPECTIVE

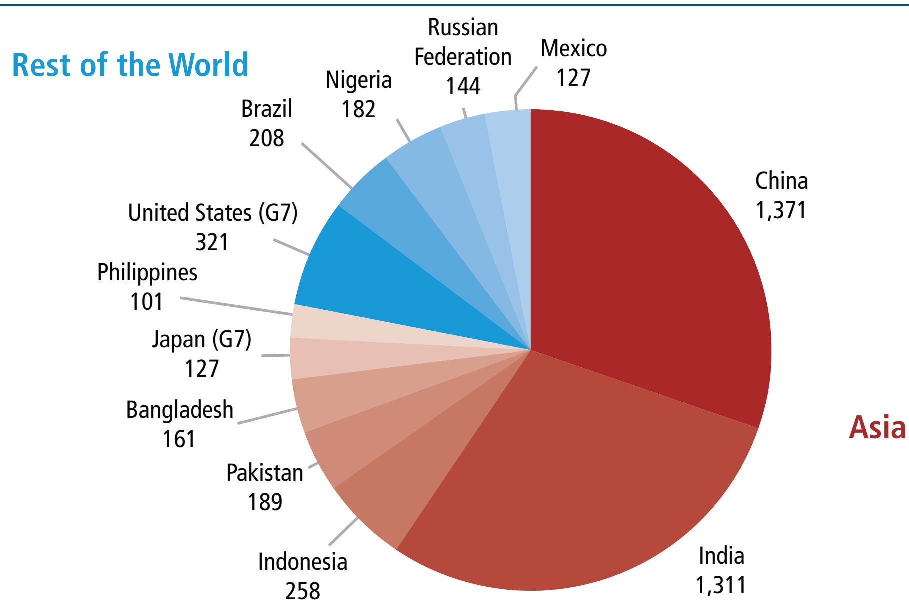
Historically, investor allocations to emerging markets have been much smaller than G7 countries. This made sense 20 years ago when developed markets were a larger share of global GDP and offered higher yields. Times have changed. Emerging market and developing economies now represent nearly two-thirds of world economic output. Investors should consider the role emerging markets play in their portfolio. An ever-changing composition of the global economy necessitates increasing allocations to global markets and leaving behind home country bias.

Emerging Market Countries Represent A Majority of Global Output



Source: WorldBank World GDP measured at purchaser prices

Asian Emerging Markets Represent the Majority of Countries with Populations Over 100 Million



Interesting Fact:
Over half the world's population, 3.8 billion people, lives in Asia.

Source: WorldBank, numbers in millions

U.S. 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

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
U.S. Core Bond Fund
USD Low Duration Credit Fund

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

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