Payden&Rygel

QUARTERLY PORTFOLIO REVIEW

FLORIDA LOCAL GOVERNMENT INVESTMENT TRUST

4th Quarter 2016
Short Term Bond Fund

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LETTER FROM THE CEO

January 2017

Dear Client,

As we look back on the past year, we note that global financial markets repeatedly made the leap from uncertainty to certainty, each time as if they knew what would happen next. It reminds us of a quote from Sir Winston Churchill–"Fate holds terrible forfeits for those who gamble on certainties."

The outlook in January of 2016, and subsequent market movements, indicated a continuing trend toward lower interest rates and uncertainty over the actual growth of the US and other major global economies. These trends continued during the first half of this year, as global interest rates continued to fall sharply, with negative rates in Germany and Japan. In the US, the Federal Reserve Board continued to be cautious about lower inflation rates and therefore took no action on increasing the Federal Funds rate at that time.

Our view was slightly different, as our assessment of the US economy in the second quarter was positive. Wage growth seemed to be on track, and we were looking for higher inflation rates in the 2% to 2½% range. These trends forecasted an increase in the Federal Funds rate in the second half of the year.

The first surprise came with the Brexit vote and the subsequent assessments of what "might happen" over the near to intermediate term. The second surprise was the election of Donald Trump as the 45th President of the United States. It is difficult at this time to assess the impact of these events on the global economy, but one thing that we feel strongly about is diversification and liquidity in managing portfolios.

As 2017 begins, we remain positive on US economic and wage growth and we believe this will support a continued positive trend in corporate earnings across the board. We are anticipating a modest increase in short-term interest rates in line with the positive outlook for the US economy. Our approach globally is somewhat more cautious, and the uncertainties that exist will take at least 12 to 18 months to work themselves out.

Our very best wishes for health and happiness in 2017!

Sincerely,

Joan A. Payden

President & CEO

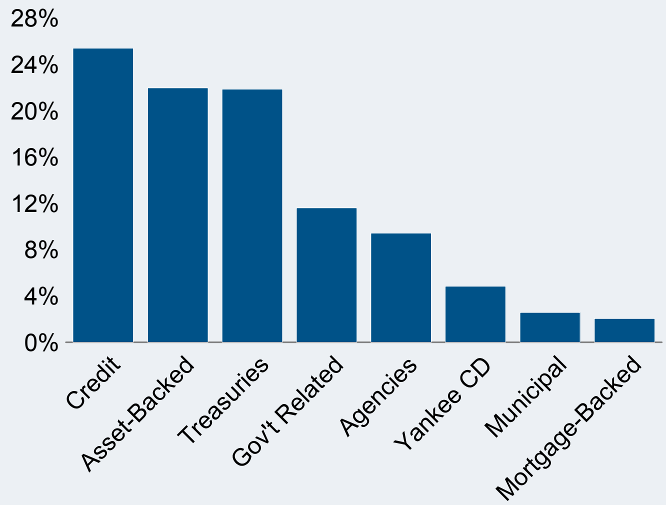
FLORIDA TRUST SHORT-TERM BOND FUND

Portfolio Review and Market Update - 4th Quarter 2016

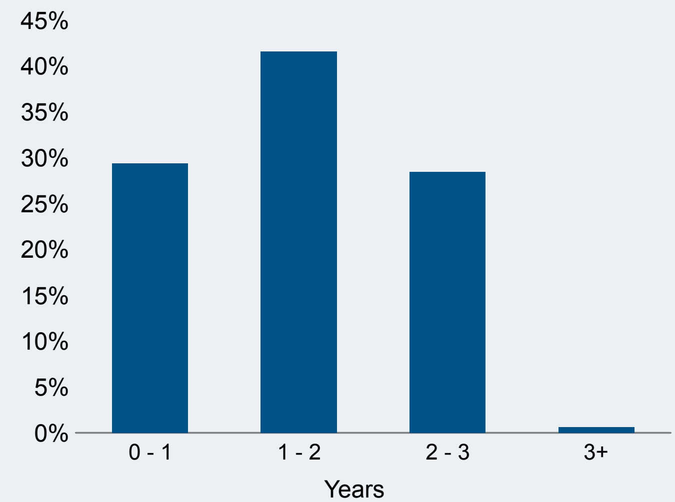
PORTFOLIO CHARACTERISTICS (As of 12/31/2016)

Portfolio Market Value	$967.2 million
Weighted Average Credit Quality	AAA
Weighted Average Duration	1.45 years
SEC 30-Day Yield (net)	1.12%

SECTOR ALLOCATION



DURATION DISTRIBUTION



PORTFOLIO RETURNS - Periods Ending 12/31/2016

	4th Quarter	2016	Trailing 3 Yrs	Trailing 5 Yrs	Since Inception (1/1/92)
SHORT-TERM BOND FUND (gross)	**-0.17%**	**1.36%**	**0.96%**	**1.17%**	**3.98%**
SHORT-TERM BOND FUND (NAV)	-0.21%	1.10%	0.72%	0.90%	3.64%
BAML 1-3 Year US Treasury Index*	-0.43%	0.88%	0.68%	0.57%	3.53%

Periods over one year annualized

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

MARKET THEMES

A year of surprises came to an end with the one thing everyone expected, a rate hike by the Federal Reserve. The election of Donald Trump and Republican control of both chambers of the US Congress led to increased inflation expectations amid prospects for fiscal stimulus under the new Administration. This drove interest rates and US equity prices higher. Credit-related securities posted positive excess returns as improving economic data and the prospect of lower corporate tax rates motivated investors to embrace risk despite rising interest rates.

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 maintained 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

- Treasury yields were significantly higher across all maturities with the two-year maturity rising 0.43% to end the year at 1.19%. The US Treasury curve steepened with the yield difference between one- and two-year maturities increasing to 0.38%.
- The portfolio’s defensive duration positioning was beneficial to performance as interest rates moved higher.
- Floating-rate credit and securitized holdings contributed to outperformance as prices moved minimally.

SECTORS

- The mix of fixed and floating-rate credit securities was additive to outperformance. Yield premiums between credit and government securities were unchanged.
- High-quality ABS continued to add positively to performance while providing reinvestment opportunities.
- The MBS allocation was modestly additive to performance as floating-rate exposure benefited from yields resetting at higher rates.

The Year in Review Through the Eyes of the Bond Market: A Tale of Two Halves

The tale of 2016 is really a tale of two halves. The government bond markets in the US, Germany, Japan and the UK tell the story best.

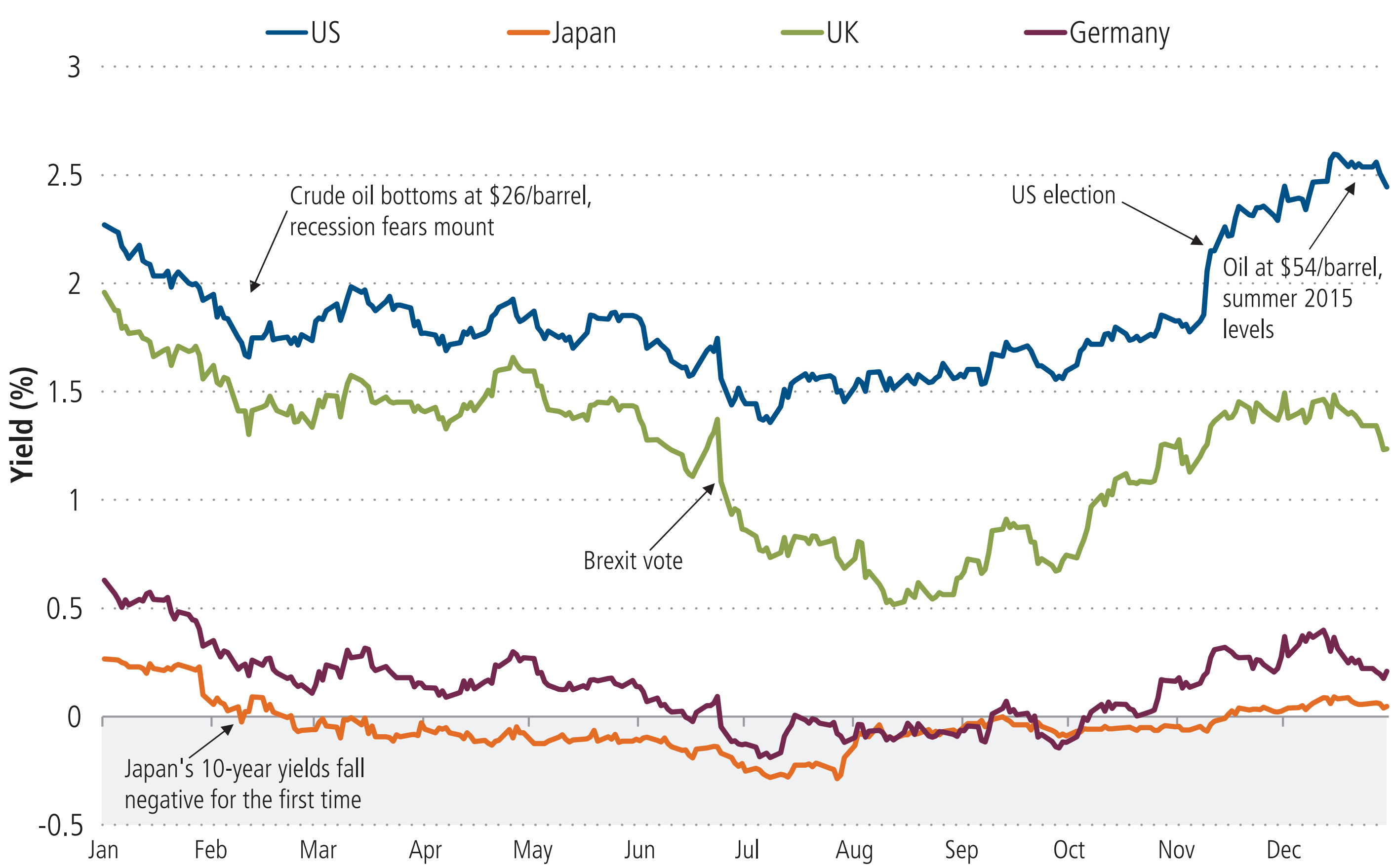
During the first half of the year, all four countries saw their government bond yields fall. After the price of crude oil fell to $26/barrel in February fears of a US and global recession took over. Falling oil prices also renewed fears of falling consumer prices (deflation). Central banks in Europe and Japan enacted additional quantitative easing and negative interest rate policy to combat low inflation, but bond yields fell further. The Japanese ten-year government bond yield dropped below zero in early 2016, and the German ten-year followed Japan's lead, moving negative during the summer.

But during the summer of 2016 interest rates pivoted. The shock Brexit vote seemed to be a key, cathartic moment for the year. While uncertainty originally moved yields lower, resilience in the UK calmed investor fears. After bottoming in early July, US Treasury yields rose steadily until late November as investors began anticipating a Federal Reserve interest rate hike. Yields then moved sharply higher with the election of Donald Trump as the next US President. The rest of the world's bond yields followed suit to varying degrees. By year-end, all bond yields had moved off their summer lows.

As monetary policy diverges, the most notable change is the differential between US and German yields. The ten-year yield differential is at the widest level since the fall of the Berlin Wall.

Ten-Year Government Bond Yields in 2016

Divergence between US, UK, European & Japanese yields reflect differences in growth and inflation trends



Sources: Bloomberg

OVER 30 YEARS OF INSPIRING CONFIDENCE WITH AN UNWAVERING COMMITMENT TO OUR CLIENTS' NEEDS.

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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

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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