Payden&Rygel

QUARTERLY PORTFOLIO REVIEW

FLORIDA LOCAL GOVERNMENT INVESTMENT TRUST

4th Quarter 2017
Short Term Bond Fund

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LETTER FROM THE CEO

January 2018

Here we are once again at the start of a new year. Around the globe, 2017 was an eventful year, with elections to watch and new economic reforms to consider, and all the while markets maintained a positive tone.

Last January, when we wrote to you, we felt 2017 would see the clouds lifting from the global economy. Driven by a strong U.S. consumer, ongoing recovery in the euro area, and resilience in China and the UK, we expected global growth to accelerate from 3.1% in 2016 to nearly 3.5% in 2017. When the final results are tallied, we may well see growth rates above that!

As we look ahead to 2018, we continue to expect much of the same. Faster growth in output combined with higher inflation carries important implications for investors. The global growth backdrop argues for the continued outperformance of credit sectors (high yield and emerging markets), as well as modest increases in government bond yields. We expect more action from central banks as they adjust their monetary policy to the new, stronger global economy. However, before you worry too much about "higher interest rates," remember that the global pool of savings far exceeds the supply of liquid assets to purchase. We think this supply-demand mismatch will limit the extent of the rise of longer-term interest rates in the year ahead.

While we are optimistic for the year, we also maintain a firm commitment to practical investment management. With so many investors positive in their outlooks, we carefully watch for irrational behavior in the markets. We also monitor liquidity daily and, as always, ensure our clients' portfolios are well-diversified.

Finally, we hope that 2018 brings you and your family health and happiness.

Sincerely,

Joan A. Payden

President & CEO

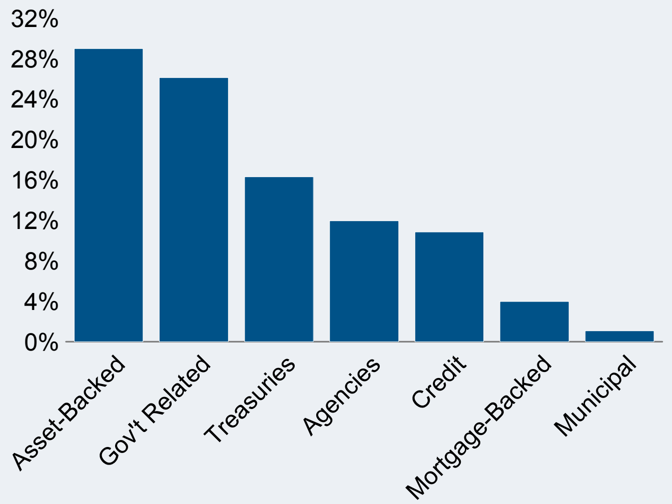
FLORIDA TRUST SHORT-TERM BOND FUND

Portfolio Review and Market Update - 4th Quarter 2017

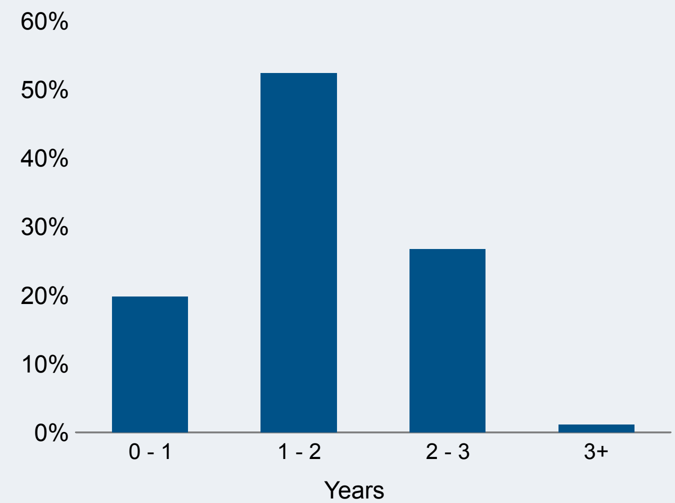
PORTFOLIO CHARACTERISTICS (As of 12/31/2017)

Portfolio Market Value	$1,023.6 million
Fund Ratings (S&P)	AAAf/S1
Weighted Average Duration	1.55 years
SEC 30-Day Yield (net)	1.66%

SECTOR ALLOCATION



DURATION DISTRIBUTION



PORTFOLIO RETURNS - Periods Ending 12/31/2017

	4th Quarter	2017	Trailing 5 Yr	Trailing 10 Yr	Since Inception (2/1/92)
SHORT-TERM BOND FUND (gross)	**-0.09%**	**1.10%**	**0.93%**	**1.64%**	**3.86%**
SHORT-TERM BOND FUND (NAV)	-0.12%	0.88%	0.69%	1.38%	3.53%
ICE BofAML 1-3 Year US Treasury Index*	-0.25%	0.42%	0.56%	1.44%	3.41%

Periods over one year annualized

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

MARKET THEMES

Persistent economic tailwinds prevailed in the fourth quarter as the unemployment and growth backdrop continued to improve around the globe. In addition, long awaited fiscal progress was made in the U.S. as the Trump administration and Congress delivered on tax reform legislation. These key ingredients resulted in a positive tone across risk assets, with equities continuing to set record highs and corporate risk premiums narrowing to post-crisis lows. With plenty of economic support, the Federal Reserve raised interest rates for the third time in 2017 driving the two-year Treasury yield to 1.88%, its highest level since 2008, while the 10-year finished the year little changed at 2.41%. Other central banks around the world followed suit, as the Bank of England and People's Bank of China hiked rates and the European Central Bank reiterated its intention to curtail asset purchases. Consequently, interest rates moved higher across the globe, but subdued volatility persisted as investors searched for yield.

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 and secondary markets.
- 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 marched higher across the front-end of the curve as two-year maturity rates rose 0.40% to 1.88%. However, the slope between two- and five-year maturities fell during 2017 to pre-financial crisis levels, ending at 32 basis points.
- The underweight duration position benefitted the portfolio given higher Treasury yields and added to relative performance.
- Floating-rate positions contributed positively to performance as three-month LIBOR rose 0.37% to end the quarter at 1.70%.

SECTORS

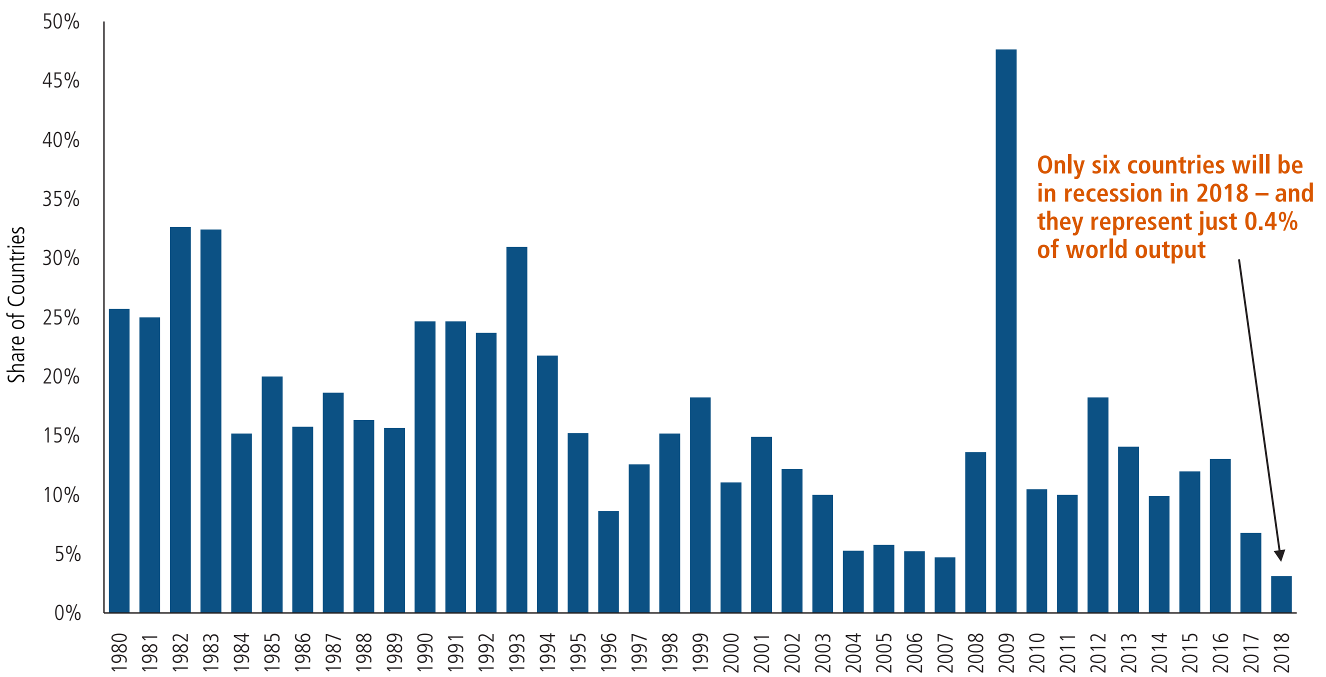
- The allocation and selection of corporate securities was the main driver of performance.
- High-quality asset-backed securities added to relative performance while providing flexible reinvestment opportunities.
- The mortgage-backed allocation also contributed to performance as demand for post-crisis MBS structures remained strong while supply lagged.

Get Ready for a Great 2018, the Fewest Countries in Recession on Record

A pick-up in global economic growth in 2017 proved to be the highlight of the year. The U.S., UK, eurozone, Canada and even Japan all surprised investors with accelerating GDP growth during the year. In turn, better growth translated into better earnings for corporations.

Looking into 2018, we think the economic backdrop looks even better. In fact, projections indicate we will see the fewest countries in recession going back to 1980 (see graph below). Global growth is not only picking up, but doing so across the board. As a result, we expect global credit and equity markets to continue to perform well and for global central banks to shift away from their extraordinarily easy monetary policies.

Percent of Countries with Negative Growth Rates



Source: IMF, Payden Calculations

What else can we learn from the data?

- In an average year, 16% of the countries in the world are in recession, compared to only 2% in 2018.
- China, India, the eurozone, and the U.S. accounted for 58% of global GDP growth in 2017.
- Despite being headline grabbers last year, the UK and Venezuela had a relatively small impact on growth. The UK added 0.04 percentage points of global GDP growth while Venezuela detracted 0.04 percentage points.
- The six countries with negative growth expectations are Venezuela and Puerto Rico (the only two with outstanding debt), three African nations – Equatorial Guinea, South Sudan, and Swaziland – and the third smallest country in the world, the Pacific Ocean island nation of Nauru with a population of 11,000.

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

EQUITY
Global Equity Income

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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