Payden&Rygel

QUARTERLY PORTFOLIO REVIEW

FLORIDA LOCAL GOVERNMENT INVESTMENT TRUST

2nd Quarter 2016
Short Term Bond Fund

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LETTER FROM THE CEO

July 2016

Dear Client,

What have we learned from the events that transpired on the global stage during the quarter?

The negative, kneejerk stock market reaction to the June 23rd Brexit vote has been almost completely erased in just a few weeks. In terms of our clients' portfolios, within a very narrow range, we have seen little change in market valuation. This does not mean we are in any way minimizing the unknown longer term impact of the UK's decision to exit the European Union. Instead, we believe now is the time to reassess the definition of "risk" in financial markets and to rethink the specific needs and objectives of your portfolios. In particular, we would like to highlight two areas in the pursuit of income and returns: global diversification and asset class diversification.

First, the pursuit of long-term performance for many clients means an annual 7% return. Typically, the bonds employed in such a strategy depend heavily on the sovereign debt of the G4 countries, as well as corporate debt. Yet, in our view, we may be in a low interest rate environment for some time to come, with very modest global growth and low inflation. Over the near term, generating a 7% portfolio return, which includes G4 bonds, may be more fantasy than reality. What can clients do? Fortunately, emerging economies now comprise more than half of the world economy, providing plenty of options for investors. We urge clients to look beyond the US, UK, Japan, and Europe. Emerging markets bond issuance–whether in sovereign debt or corporate debt–has increased significantly, with attractive yields obtainable from high-quality credits, and many of these bonds performed very favorably in the past few weeks.

Second, to the extent possible given guideline restrictions and other considerations, we think clients could consider a dividend stock strategy as an income diversifier. The Payden Equity Income Fund has subscribed to this income strategy for the past six years. The emphasis on dividend growth has been a very positive factor in the favorable performance during this period.

We can't predict the fallout from global financial events. But what we can do is recognize the fundamental, structural changes to the global economy and financial markets and help our clients build portfolios based on the new reality.

My very best wishes for the summer,

Joan A. Payden

President & CEO

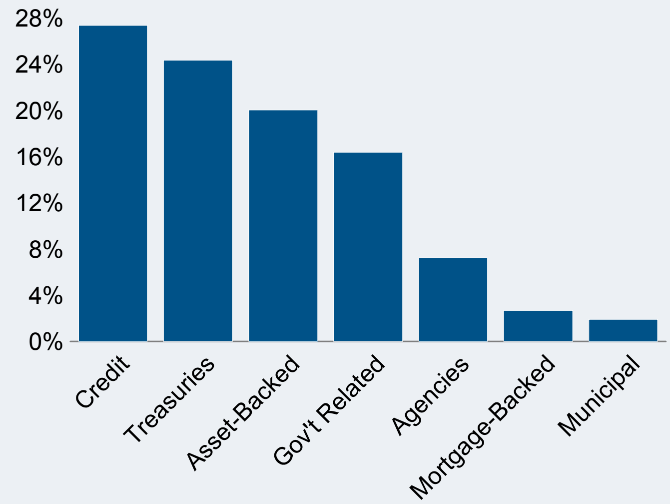
FLORIDA TRUST SHORT-TERM BOND FUND

Portfolio Review and Market Update - 2nd Quarter 2016

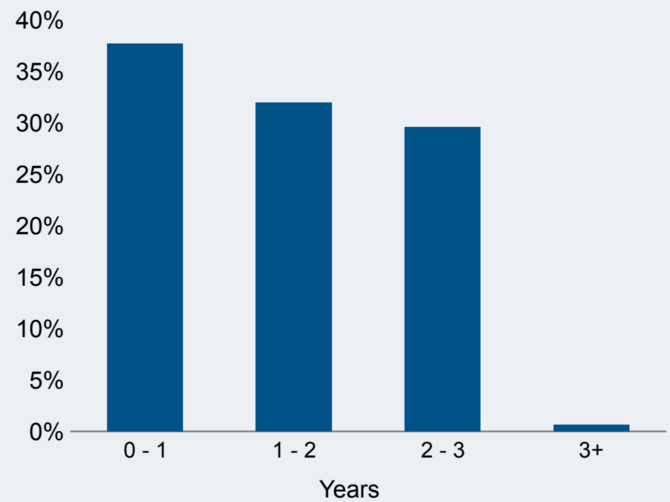
PORTFOLIO CHARACTERISTICS (As of 6/30/2016)

Portfolio Market Value	$1,001.1 million
Weighted Average Credit Quality	AAA
Weighted Average Duration	1.46 years
SEC 30-Day Yield (net)	0.84%

SECTOR ALLOCATION



DURATION DISTRIBUTION



PORTFOLIO RETURNS - Periods Ending 6/30/2016

	2nd Quarter	2016 YTD	Trailing 1 Yr	Trailing 3 Yrs	Trailing 5 Yrs	Since Inception (1/1/92)
SHORT-TERM BOND FUND (gross)	**0.61%**	**1.38%**	**1.46%**	**1.20%**	**1.26%**	**4.06%**
SHORT-TERM BOND FUND (NAV)	0.53%	1.25%	1.21%	0.96%	1.00%	3.72%
BAML 1-3 Year US Treasury Index*	0.53%	1.43%	1.31%	0.98%	0.81%	3.63%

Periods over one year annualized

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

MARKET THEMES

Global uncertainty continued in the second quarter of 2016, ending with the surprise decision of the British electorate to leave the European Union. The two months preceding the vote saw a re-establishment of risk sentiment following a turbulent first quarter. Fed officials sounded increasingly hawkish through the first half of the quarter as positive economic data diminished concerns about an imminent recession. However, the Fed's tone became decidedly more dovish after a weak May jobs report and increasing global concerns. The late June Brexit referendum in the UK created market volatility, and the unexpected "leave" outcome on June 24th caused a sharp repricing in financial markets. Global developed-market sovereign bond yields fell markedly, and risk assets sold off before reversing course. Despite the temporary spike in volatility, all spread sectors ended the quarter with 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.
- During the quarter, 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 fell, with the exception of the 3-month bill. Two- and three-year Treasury maturities ended the quarter at 0.58% and 0.69%, respectively. The Treasury curve between two- and three-year maturities flattened two basis points to 0.11%.
- The portfolio had positive returns from the movement in Treasury yields but our shorter duration stance relative to the index detracted from performance.
- Longer-maturity corporate holdings contributed positively as a result of narrower yield premiums and price appreciation.

SECTORS

- Asset allocation and name selection within the credit sector added to performance. The yield difference between credit and government securities continued to compress.
- High-quality ABS spreads tightened and contributed positively to performance.
- MBS securities increased portfolio returns, as spreads reversed most of the widening that occurred in the first quarter.

Brexit Drives Global Developed Government Bond Yields Lower

The second quarter of 2016 saved its most dramatic development for last: the UK's decision, by way of referendum, to exit the European Union after 43 years of membership.

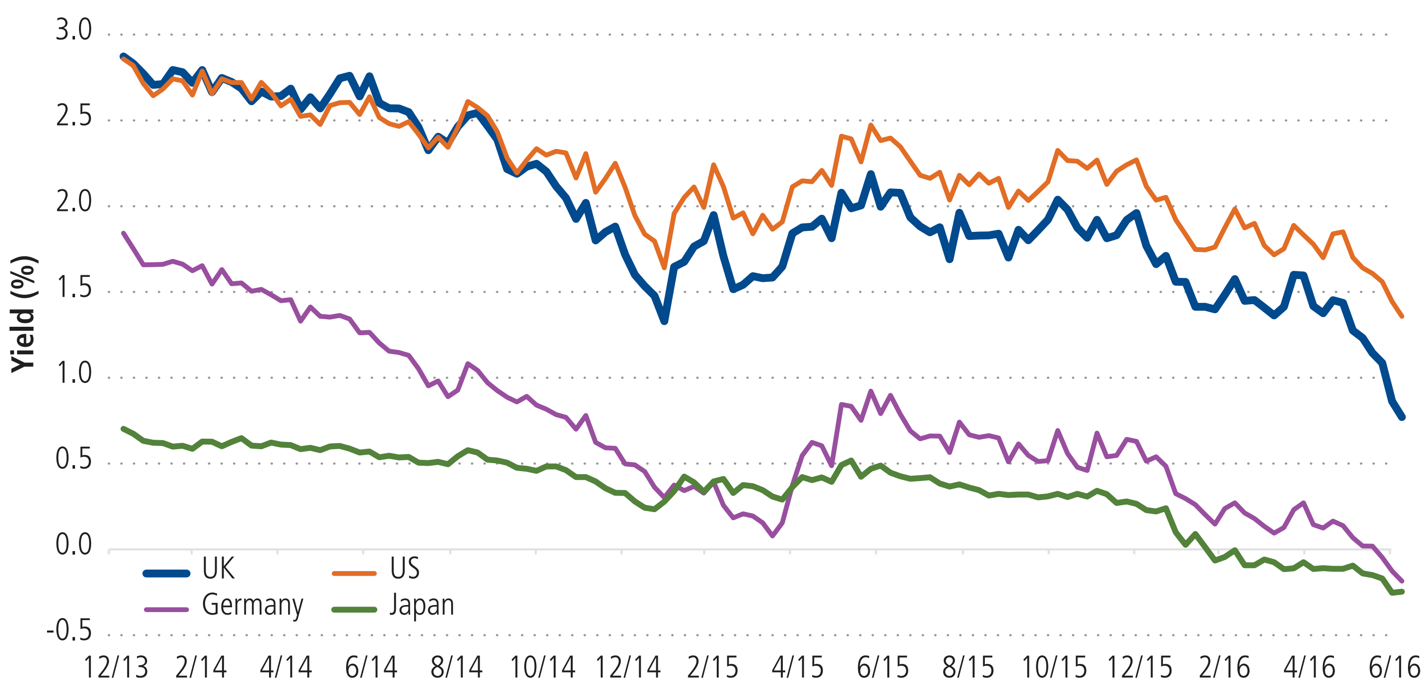
This was a largely unexpected outcome, and financial markets duly convulsed in the immediate aftermath, with weaker equities, wider credit spreads, lower government bond yields, and a weaker (Sterling) currency. Assets that are dependent on the UK domestic economy were the hardest hit. It seems probable that UK economic growth slows sharply over the balance of this year and into next, as political and economic uncertainty about the exit negotiations leads to a postponement or cancellation of spending decisions.

However, the market response has not been unruly. For example, the UK top 100 companies are now trading at levels above those on the morning prior to the referendum, aided by the persistence of a markedly weaker currency (by the end of the quarter, Sterling had fallen by over 7% versus the US dollar) and the likelihood that UK monetary policy will be eased further.

We will see over time what the consequences of the Brexit vote are for the global economy and financial markets. On the one hand, an optimist might point out that the UK is not so large on a global basis–the ninth largest single economy and less than 3% of global GDP on a PPP basis–and that market participants will adjust to any new reality. On the other hand, it is true to say that this seems like the biggest single reversal of the great post-war globalization trend. It could be a harbinger of further referenda in Europe and signals of a shift toward more populist policies globally. Time will tell.

What we can observe right now is that this is yet another development that puts downward pressure on already low government bond yields. Just look at the chart below, showing the inexorable yield decline since the aftermath of the 2013 so-called "taper tantrum." We think investors should avoid the idea that there is a "floor" below which yields cannot fall, and similarly, that this yield decline will necessarily reverse any time soon.

Global Developed Government Bond Yields: January 2014 to June 2016



Source: Bloomberg

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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For more information about the Payden Equity Income Fund and to obtain a prospectus or summary prospectus, visit payden.com or call 800 572-9336. Before investing, investors should carefully read and consider investment objectives, risks, charges, expenses and other important information about the funds, which is contained in these documents. The Paydenfunds are distributed by Payden & Rygel Distributors, member FINRA.