Payden&Rygel

Quarterly Portfolio Review

FLORIDA LOCAL GOVERNMENT INVESTMENT TRUST

3rd Quarter 2019

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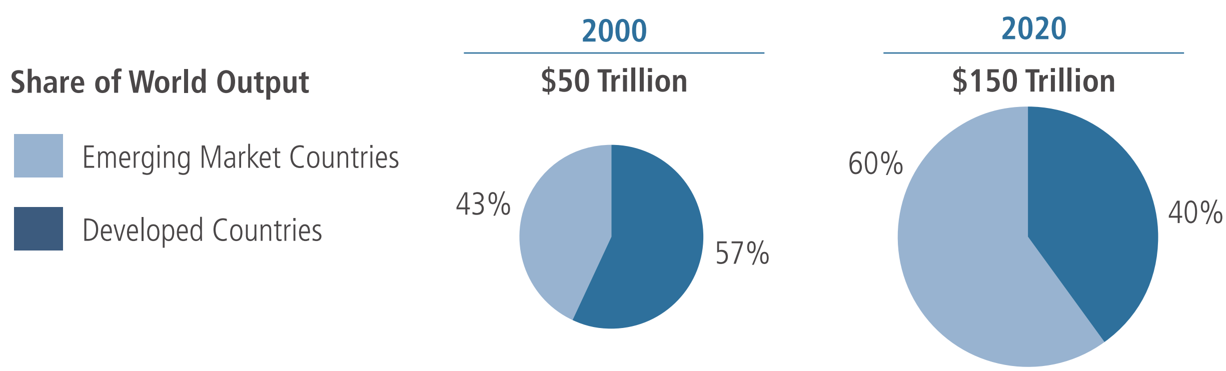
October 2019

As we begin the fourth quarter of 2019, two trends continue to dominate the global economy.

First, as we have mentioned many times, emerging market countries' share of global GDP has overtaken that of developed countries (as shown in the pie charts below). The continued growth of emerging markets has helped offset some of the recent weakness in developed markets, and expectations for global GDP growth in 2019 remain around 3%. With many central banks now shifting to easing mode, we wouldn't be surprised to see an improvement in economic activity in the near future.



Source: International Monetary Fund, World Economic Outlook

The second major trend is a continuation of low and negative interest rates worldwide. This is a phenomenon the magnitude of which we have never seen before. In fact, there is currently more than $15 trillion worth of negatively yielding debt.

Developed world central banks' accommodative monetary policy explains much of the trend, as they've become big buyers of "safe" assets in the last decade. Against this background, there has been a huge demand for income-producing investments, and we believe this low interest rate environment may continue for some time to come.

We are managing your portfolio while remaining conscious of the need for liquidity when the environment changes. We will certainly keep you apprised immediately of any changes we see in the future.

In the meantime, my very best wishes.

Joan A. Payden

President & CEO

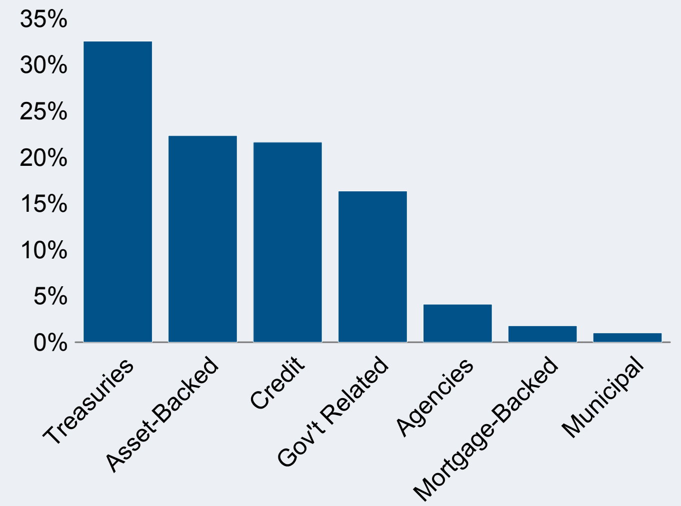
FLORIDA TRUST SHORT-TERM BOND FUND

Portfolio Review and Market Update - 3rd Quarter 2019

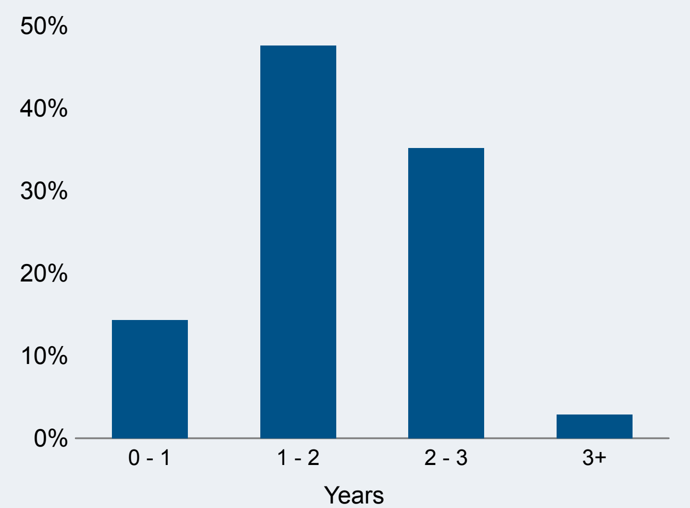
PORTFOLIO CHARACTERISTICS (As of 9/30/2019)

Portfolio Market Value	$827.2 million
Fund Ratings (Fitch)	AAAf/S1
Weighted Average Duration	1.92 years
SEC 30-Day Yield (net)	1.71%

SECTOR ALLOCATION



DURATION DISTRIBUTION



PORTFOLIO RETURNS - Periods Ending 9/30/2019

	3rd Quarter	2019 YTD	Trailing 1 Yr	Trailing 5 Yr	Trailing 10 Yr	Since Inception (1/1/92)
SHORT-TERM BOND FUND (gross)	**0.70%**	**3.45%**	**4.53%**	**1.72%**	**1.66%**	**3.81%**
SHORT-TERM BOND FUND (NAV)	0.64%	3.26%	4.25%	1.47%	1.40%	3.48%
ICE BofAML 1-3 Year US Treasury Index*	0.58%	3.03%	4.36%	1.32%	1.18%	3.36%

Periods over one year are annualized

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

MARKET THEMES

It was a bumpy third quarter with geopolitical headlines driving markets. The escalating U.S.-China trade war, conflicts in the Middle East, economic slowdown in Europe, and uncertainty around an impending Brexit outcome resulted in U.S. Treasury yields continuing to fall as the curve remained partly inverted. With negative interest rates in many foreign government bonds, questions continue about whether U.S. yields will follow. The Federal Open Market Committee cut rates twice, lowering the Fed Funds target range to 1.75% to 2.00%, and is divided on the future path of rates, indicating that future rate cuts would be data dependent. The Fed also intervened in money markets, injecting cash into the system to stabilize the overnight repo market. This easier monetary policy led to tighter credit spreads and positive performance for stocks and bonds over the quarter despite increased volatility.

STRATEGY

- The portfolio continues to hold a diversified mix of non-government sectors for income generation.
- We remain overweight and constructive on short-dated credit given attractive yields, lack of supply and solid fundamentals.
- We continue to diversify our credit exposure through corporates, ABS and MBS sectors, in order to maintain diversified sources of high-quality income.
- We extended portfolio duration through Treasury bond purchases.

INTEREST RATES

As the FOMC reduced its targeted range for the Fed Funds rate, yields continued to fall with two-year notes trading in a 50 basis point range (1.4% - 1.9%) during the quarter before closing at 1.6%. The U.S. yield curve remains mostly inverted, and the market continues to price in a modest amount of additional easing from the Fed.

- The one-year note fell from 1.93% to 1.76%, while the slope between two- and five-year maturities remained inverted over the quarter finishing at -0.08%.
- Exposure to the five-year part of the curve was beneficial, while being underinvested in short maturities detracted, leaving portfolio performance roughly flat from a curve and duration perspective.
- One-month LIBOR fell 38 basis points to 2.02% and three-month LIBOR decreased 23 basis points to 2.09%.

SECTORS

Corporate securities outperformed Treasuries, driven by both their income advantage and price performance. High-quality ABS also outperformed Treasuries but slightly underperformed corporates. We continued to reduce exposure to floating rate securities over the quarter.

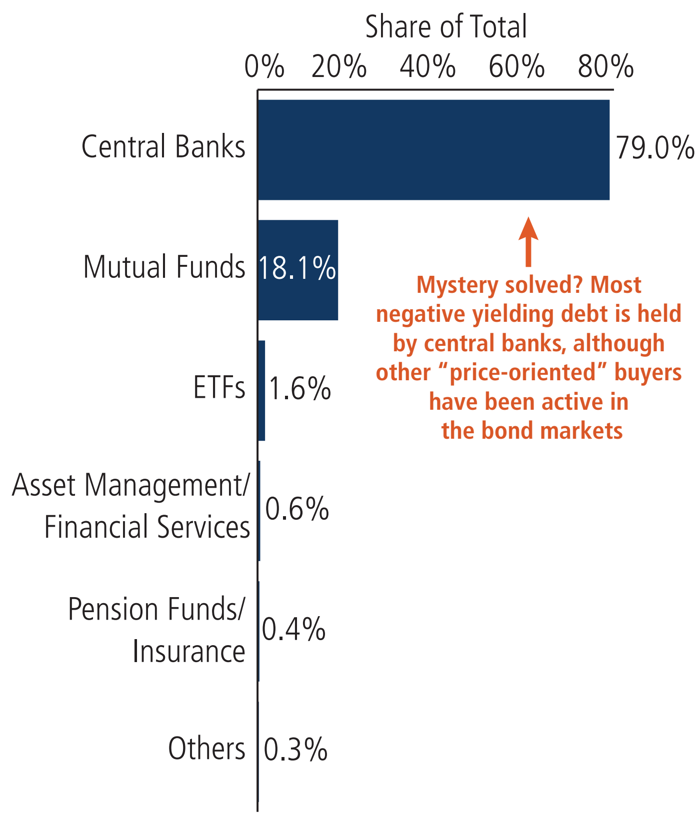
The Upside Down World of Negative Rates

During the third quarter of 2019, the market value of negative-yielding bonds surged to $17 *trillion*. What's behind the negative yield trend? Global central banks have moved to stimulate their respective economies by slashing short-term rates and purchasing longer-term bonds. The former move suggests rates will be low for longer and the latter move constrains the supply of available "safe" bonds for real investors. Both of these forces combined in Q3 to push interest rates lower.

Ever wonder who buys negative-yielding bonds? Wonder no longer. Global central banks hold almost 80% of the world's negative-yielding debt. Rather than buying purely for investment reasons, central banks seek to boost their domestic economies. Has it worked? In terms of macroeconomic outcomes, we conclude that it hasn't. Global growth remains lackluster, and inflation is below most central bank targets. Negative yields have forced investors into new investment areas like private debt, a murky, illiquid sector which has grown from $42 billion in 2000 to $767 billion in 2018. Negative yields have also driven investors to the U.S. bond market, where positive yields still exist across the curve. In conclusion, the global low yield backdrop looks set to persist well into 2020.

Negative Yielding Debt Outstanding

Who Owns Negative Yielding Debt?



Source: The Conference Board, Federal Reserve, NBER, Payden Calculations

OVER 35 YEARS OF INSPIRING CONFIDENCE WITH AN UNWAVERING COMMITMENT TO OUR CLIENTS' NEEDS.

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OUR STRATEGIES

Multi-Sector

Short Maturity Bonds

U.S. Core Bond

Absolute Return Fixed Income

Strategic Income

Global Fixed Income

Liability Driven Investing

Sector-Specific

Emerging Markets Debt

Government/Sovereign

High Yield Bonds & Loans

Inflation-Linked/TIPS

Investment Grade Corporate Bonds

Municipal Bonds (U.S.)

Securitized Bonds

Income-Focused Equities

Equity Income

Available in:
Separate Accounts – Mutual Funds (U.S. and UCITS)
Collective Trusts ("CITs") – Customized Solutions

For more information about Payden & Rygel's strategies, contact us at a location listed below.

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