Payden&Rygel

QUARTERLY PORTFOLIO REVIEW

FLORIDA LOCAL GOVERNMENT INVESTMENT TRUST

4th Quarter 2019

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LETTER FROM THE CEO

January 2020

Dear Client,

Payden & Rygel celebrated its 36th year of operation in 2019. While the global economy and financial markets have changed dramatically over that time, the culture, governance structure, and focus of Payden & Rygel remain unchanged. These key ingredients are crucial to the stability and protection of client funds and the production of our investment results.

As for financial markets in 2019, a wide array of asset classes enjoyed excellent returns, with everything from 1-3-year Treasuries to U.S. high yield corporate bonds to emerging market debt posting solid total returns. The U.S. economy remains resilient despite headwinds from tariffs and continues to defy the odds as the current business cycle clocks in at 126 months. We also think that the global economy is on the mend, after suffering for much of 2019 in the wake of tariffs and the Fed’s 2017-2018 rate hikes.

The year ahead will not be without risks, though. The Brexit saga rages on, and the 2020 U.S. Presidential election is fast approaching. Despite all this, we’re optimistic the global economy can continue to grow.

As for Payden & Rygel, we continue to offer a wide array of global strategies with an emphasis on fixed-income securities and income-generating equities. The range of strategies we provide reflects the growth and composition of the global financial markets as well as our growing, global client base. Over the past five years assets under management have grown from $95 billion to $120 billion, a testament to the trust placed in us by you, our clients. And for that, we thank you.

I wish you much health and happiness in 2020.

Joan A. Payden

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President & CEO

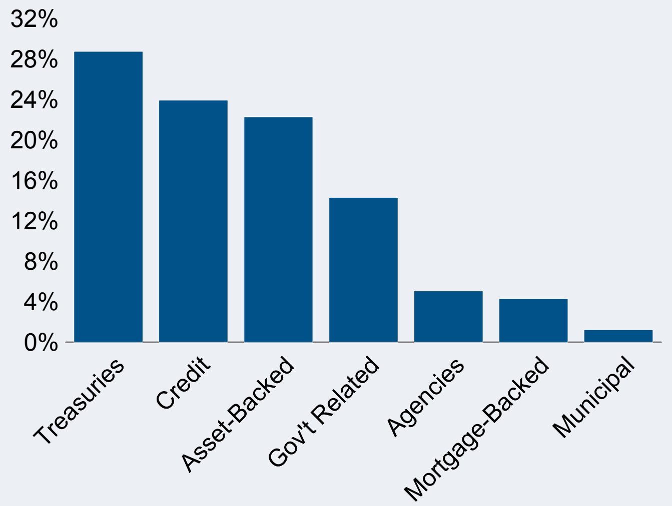
FLORIDA TRUST SHORT-TERM BOND FUND

Portfolio Review and Market Update - 4th Quarter 2019

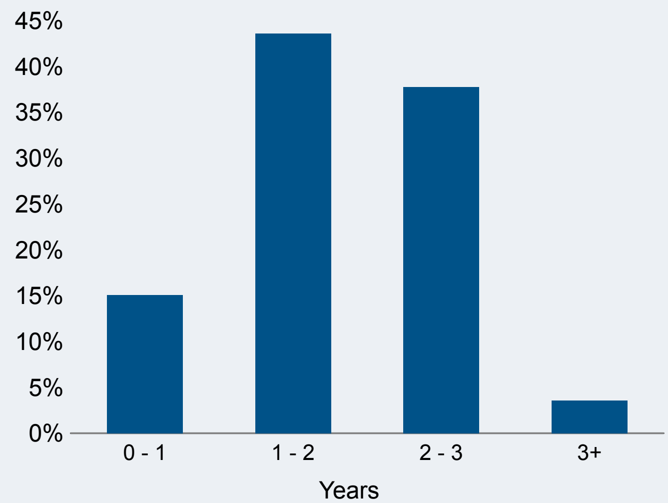
PORTFOLIO CHARACTERISTICS (As of 12/31/2019)

Portfolio Market Value	$802.7 million
Fund Rating (Fitch)	AAAf/S1
Weighted Average Duration	1.87 years
SEC 30-Day Yield (net)	1.80%

SECTOR ALLOCATION



DURATION DISTRIBUTION



PORTFOLIO RETURNS - Periods Ending 12/31/2019

	4th Quarter	2019	Trailing 5 Yr	Trailing 10 Yr	Since Inception (1/1/92)
SHORT-TERM BOND FUND (gross)	**0.54%**	**4.01%**	**1.80%**	**1.67%**	**3.80%**
SHORT-TERM BOND FUND (NAV)	0.46%	3.73%	1.54%	1.41%	3.47%
ICE BofA 1-3 Year US Treasury Index*	0.51%	3.55%	1.39%	1.22%	3.35%

Periods over one year are annualized

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

MARKET THEMES

The last quarter of the decade ended with positive returns across most asset classes, as investors flocked to risk assets buoyed by improving global data, easy monetary policy, and a Phase One trade deal between the U.S. and China. Global manufacturing PMI bottomed in July and rose four consecutive months through November, climbing back above 50 (signaling expansion) while labor markets remained resilient across the developed world. The Federal Reserve cut rates a third time (25 basis points to 1.50% - 1.75%) in October 2019 and injected cash into the short-term funding markets via repo operations and Treasury bill purchases to keep money market funding rates contained. Twenty-two of the world's top 37 central banks also cut rates in 2019. In the U.K., a strong Conservative Party election victory eased Brexit concerns and calmed markets. With all the encouraging news, stocks moved to all-time highs, interest rates rose, and corporate risk premiums narrowed. Subdued volatility persisted, as investors searched for yield. Looking ahead, geopolitical risks continue to be a prominent driver of market uncertainty.

STRATEGY

- The portfolio continues to hold a diversified mix of non-government sectors for income generation.
- We targeted a market neutral duration positioning over the quarter.
- We remain constructive on short-dated credit given attractive yields, lack of supply and solid fundamentals.
- We continue to diversify our credit exposure through corporates, asset-backed securities (ABS) and mortgage-backed securities (MBS) in order to maintain diversified sources of high-quality income.
- We maintained a modest exposure to floating rate securities over the quarter.

INTEREST RATES

The Federal Open Market Committee reduced its targeted range for the Fed Funds in October while projecting that rates would be unchanged in 2020. Three-month Treasuries fell 27 basis points (bps) to 1.54% and one-year maturities decreased 18 bps to 1.57% during the quarter.

- Short U.S. Treasury yields fell, with the two-year falling by 0.05% to 1.57% after trading in a 35-basis point range, while yields three-years and longer moved higher. The slope between two- and five-year maturities is no longer inverted, ending the quarter at +0.12%, having steepened 20 bps.
- Curve positioning modestly detracted from performance.
- One-month LIBOR fell 24 bps to 1.78% and three-month LIBOR decreased 18 bps to 1.91%.

SECTORS

- Corporate securities outperformed Treasuries, driven by both their income advantage and price performance.
- High-quality ABS also outperformed Treasuries, though they underperformed corporates.

The End of a Year, The End of a Decade – What's Ahead?

A wide range of asset classes posted strong total returns in calendar year 2019. The S&P 500 Index returned over 30%, while even short U.S. Treasuries tallied almost 4%. Strong returns are usually accompanied by the questions, "Is the best performance behind us?" or, "Is asset class XYZ in a bubble?" A few points are worth considering.

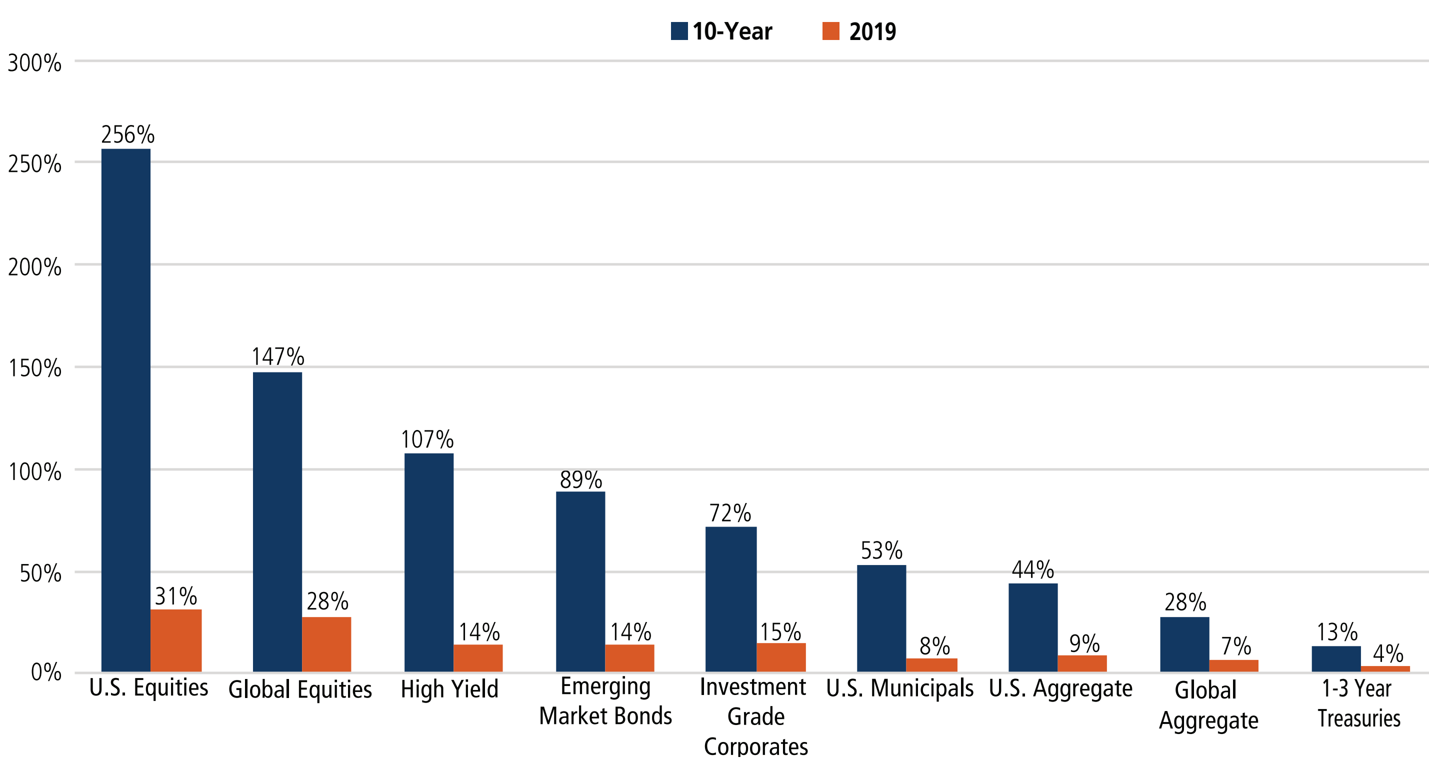
First, strong total returns for the year were a bit of an illusion. Stock prices tumbled and credit spreads widened in December 2018 as fears of tighter monetary policy and a U.S. recession spooked markets. At one point in December 2018, the S&P was down 20% from its cycle highs.

Fears proved unwarranted though, as the Fed pivoted dramatically in 2019, cutting interest rates three times. The U.S. continued to see moderate economic growth and a strong labor market despite tariff-related headwinds. In the end, a solid economic backdrop, coupled with easy monetary policy, soothed investor fears. The lower starting point for asset prices at the outset of 2019 flattered overall returns to cause them to appear larger.

Second, over the longer run, economic fundamentals typically drive earnings and interest rates, determining the fate of equity and credit markets. The 2010s marked the first decade in history in which a U.S. recession did not begin. Looking back at cumulative total returns for the decade as a whole, the S&P 500 total return index nearly tripled, while the high yield corporate index rose 100%.

In short, we don't expect to see a repeat of 2019's stellar returns in 2020, but we expect positive total returns across a range of asset classes as long as the economic fundamentals remain strong.

Cumulative Returns by Asset Class



Source: Bloomberg, 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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