

President's Perspective

CalTRUST Updates

The CalTRUST Board of Trustees held their Annual Meeting on April 15th in Sonoma County. Items of business considered at the meeting included updates from each of the business partners, a review of the current information statement and investment policy, the 2014-15 budget, contractual relationships, and the current economic environment.

With Money Market Reform slated to take effect October 2016, the Board had extensive discussion with our investment advisor, Wells Capital Management, to strategize on how to best address the needs of our public agencies. At the September board meeting, Wells will provide a recommendation for a government money market fund for the board to consider adding to the CalTRUST offerings.

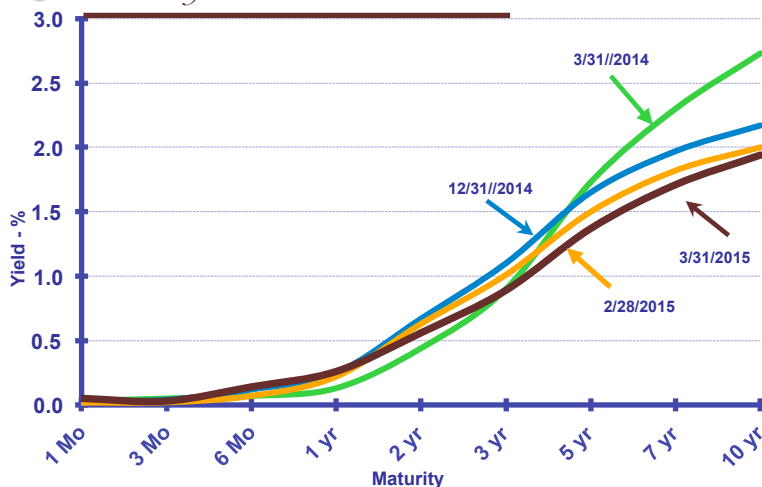
During their review of the Investment Policy, it was determined that an update is necessary to authorize Supranationals as they were added as an authorized investment under Government Code 53601, effective January 1, 2015. Changes to the Investment Policy must be approved by a majority of shares before taking effect. A draft of the proposed update will be circulated to participants next week for approval.

Upcoming notable CalTRUST meeting include the annual due diligence visit to our fund accountant, Nottingham, and a board visioning session. If you have any questions or concerns regarding the fund accounting process please contact Laura Labanieh at llabanieh@csacfinancecorp.org or 916.650.8186. A CalTRUST Visioning Session will be held in June so the Board of Trustees can have a strategic discussion on the future growth and opportunities for CalTRUST. If you have any items of interest that you would like the board to discuss at this session please contact me directly at 707.784.3419 or calomeli@solanocounty.com.

CalTRUST extends a warm welcome to our newest participants: the **Lake Hemet Municipal Water District, Rosamond CSD, City of Ojai, Palm Ranch Irrigation District, City of Delano, Oildale Mutual Water Company, North of the River Municipal Water District, CenCal Health Plan, and Gold Coast Health Plan.** The growth of CalTRUST continues to be a testament to the value of our products as we reached a new high watermark of over \$2.4 billion in assets this April.

*Chuck Lomeli, President of the
CalTRUST Board of Trustees
and Solano County Treasurer*
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Treasury Yield Curve



CalTRUST Heritage Money Fund

Avg Annual Total Return (March 31, 2015)	1-year	3-year	5-year	10-year	Since Inception
CalTRUST Heritage MMF	0.07%	0.09%	0.12%	1.67%	2.86%
Lipper Instit MMF Average	0.03%	0.04%	0.05%	1.52%	--

CalTRUST Portfolio Snapshot (March 31, 2015)

	CalTRUST Short-Term		LAIF	CalTRUST Medium-Term		Merrill 1-3 Year Gov't & Corp "A" or Better
	Total Return	Yield Return	Yield Return	Yield Return	Total Return	
Distribution Yield ¹	0.40%		0.27%		0.74%	N/A
Effective Duration	0.62		N/A		1.66	1.89
Avg Maturity (yrs)	1.32		0.54		1.98	1.94
Returns:²						
One Month	0.06%	0.04%	0.02%	0.06%	0.18%	0.22%
One Year	0.37%	0.40%	0.25%	0.74%	0.84%	1.09%
Three Year ³	0.41%	0.38%	0.28%	0.76%	0.72%	0.89%
Five Year ³	0.48%	0.45%	0.35%	0.98%	1.09%	1.27%
Since Inception ^{3,4}	1.96%	1.92%	1.87%	2.29%	2.41%	2.77%

1. CalTRUST Short- and Medium-Term and LAIF yields are net of fees. The Merrill Index is unmanaged, and does not reflect any deduction for administrative fees or expenses.
2. CalTRUST and LAIF returns are net of all investment advisor, administrative and program fees.
3. Annualized.
4. CalTRUST Short- and Medium-Term portfolios commenced operations February 13, 2005.

Financial Markets Update

Direction of Current Recovery May Well Hinge on Public & Private Investment Spending To Boost Productivity Growth

In his latest **Economic & Market Perspective** (link) WellsCap Chief Investment Strategist Jim Paulsen, looks at productivity growth as a pillar of solid economic growth and equity market performance. He notes that an important determinant of productivity growth, historically, has been public and private sector capital spending.

Since 2000, however, real US investment spending (both public and private) has fallen from about 18% above its historic trendline to about 18% below its trendline today. Indeed, public sector investment spending today as a percent of real GDP is near a 65 year low. Not surprisingly, Jim notes, US productivity growth has averaged only about 1.4% over the past ten years; and actually declined last year by about 0.4%.

The good news is that private sector investment spending has begun to tick up modestly -- so far largely offsetting the ongoing weakness in public capital spending. The even better news is that there is more than adequate potential for increased capital spending from both the public and private sectors.

If capital spending -- and hence, productivity growth -- remains anemic, the economic recovery and the stock market likely will show increasing signs of stress. On the other hand, if capital spending from the public and private sectors strengthens, there is still a good chance that we are only in the middle innings of this recovery.