

## Seasons Greetings to All From CalTRUST

### President's Perspective

#### CalTRUST 2014 Year in Review

As 2014 begins to wrap up we are able to look back fondly at the CalTRUST achievements this year. Our participation has continued to grow with over 15 new local agencies joining CalTRUST in 2014 and assets reaching a record high of almost \$2.2 Billion; a monumental achievement.

The strong and steady growth in CalTRUST assets is testimony to the program's flexibility, transparency and ease of use; and reflects local agencies' increasing recognition of CalTRUST's impressive track record of performance and reliability since its launch in February of 2005. Given the unparalleled quality of the CalTRUST team - from members of the Board of Trustees, to the Program Administration, Investment Advisory and Fund Accounting professionals - we look forward to many more milestones such as this in the future.

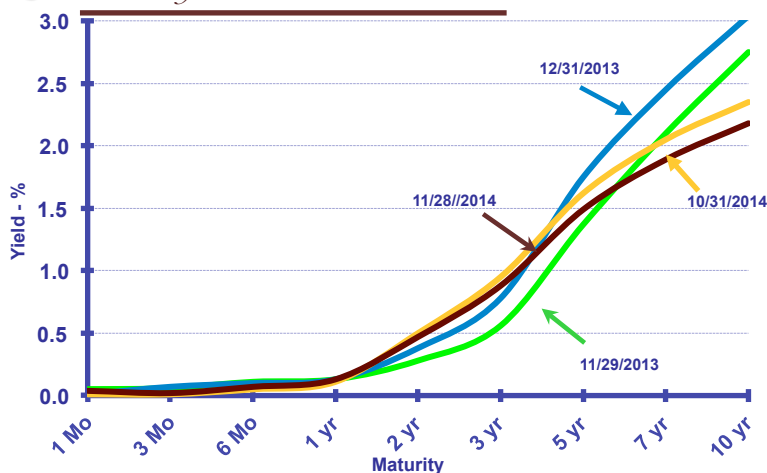
The CalTRUST Education Program had continued momentum this year with over 50 CalTRUST participants joining us for Economic Forecast and Investment Policy webinars. Archives of CalTRUST Education Programs have been catalogued on the CalTRUST website for your convenience! Additional education programming will be announced in early 2015. We would like to hear from you on what additional white papers, webinars, and special presentations would bring an added value to you and your organization. Please contact Laura Labanieh at llabanieh@csacfinancecorp.org with any ideas for future education pieces.

As CalTRUST continues to provide the best services for our participants the Board and staff continued to engage in many due diligence processes this year. Both fund accounting and investment advisor services were put out to bid and the process confirmed that CalTRUST has chosen top-notch partners with Nottingham Investment Administration and Wells Capital Management both being retained for their respective services.

On behalf of the CalTRUST Board of Trustees, I would like to express my appreciation for your participation and commitment to CalTRUST. **We wish you all a wonderful holiday season and a happy & healthy New Year!!**

*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 (November 30, 2014)	1-year	3-year	5-year	10-year	Since Inception
CalTRUST Heritage MMF	0.06%	0.09%	0.12%	1.74%	2.91%
Lipper Instit MMF Average	0.02%	0.04%	0.05%	1.58%	--

### CalTRUST Portfolio Snapshot (November 30, 2014)

	CalTRUST Short-Term		LAIF	CalTRUST Medium-Term		Merrill 1-3 Year Gov't & Corp "A" or Better
	Total Return	Yield	Yield	Yield	Total Return	
Distribution Yield <sup>1</sup>	0.42%	0.42%	0.26%	0.75%		N/A
Effective Duration	0.76		N/A	1.63		1.91
Avg Maturity (yrs)	1.40		0.54	2.03		1.97
<b>Returns:<sup>2</sup></b>						
One Month	0.05%	0.03%	0.02%	0.06%	0.15%	0.16%
One Year	0.42%	0.40%	0.24%	0.71%	0.70%	0.84%
Three Year <sup>3</sup>	0.46%	0.39%	0.29%	0.81%	0.76%	0.93%
Five Year <sup>3</sup>	0.51%	0.46%	0.36%	1.03%	1.06%	1.24%
Since Inception <sup>3,4</sup>	2.01%	1.97%	1.92%	2.34%	2.46%	2.83%

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

#### Rapidly Declining Unemployment Rate - Likely To Continue In 2015 - May Soon Intensify Pressure On Fed To Hike Rates

The conventional wisdom of the last couple years has been that the falling unemployment rate is due primarily to a large segment of discouraged workers remaining outside of the labor force since the deep recession of 2008. In his latest *Economic & Market Perspective* ([link](#)), however, Jim Paulsen, WellsCap Chief Investment Strategist, argues that the rapidly declining unemployment rate is primarily due to aging demographics and a very slow growing working age population.

While acknowledging the pace of job creation in this recovery (1.5-2.0%/year) has been sluggish relative to the last recovery, in the early 2000s, and much weaker than the 2.5-4+% annual job gains of many past recoveries, Jim points out that, due to aging demographics, labor supply growth is less than 0.5% annually, compared to as much as 2% per year in the 1970s, and 1% per year from 1985-2005. Fewer workers entering the labor force - due to the demographics of an aging population, not discouraged workers - explains how the unemployment rate can continue to decline in the face of what is widely perceived as tepid economic growth and job gains.

Jim points out that the rapid decline in unemployment may trigger rising wage inflation. Even if wage inflation does not accelerate, however, at its current trajectory, the unemployment rate could fall below 5% in 2015, intensifying pressure on the Fed to increase rates.