

## Seasons Greetings To All From CalTRUST

### President's Perspective

#### New CalTRUST Government Money Market Fund Shows Strong Growth In First Two Months

The new CalTRUST Government Money Market Fund (MMF) has proven to be a popular addition to the CalTRUST fund lineup since its introduction in October. In just the first two months since its launch, the Government MMF has attracted over \$117 million in assets.

The CalTRUST Government MMF was introduced to provide local agency investors with an SEC-registered investment option with a stable value (stable \$1 share price), even after the full implementation of new SEC rules governing MMFs in October of 2016. In fact, the new CalTRUST Government MMF provides public agencies with all that they have asked for in a stable value option:

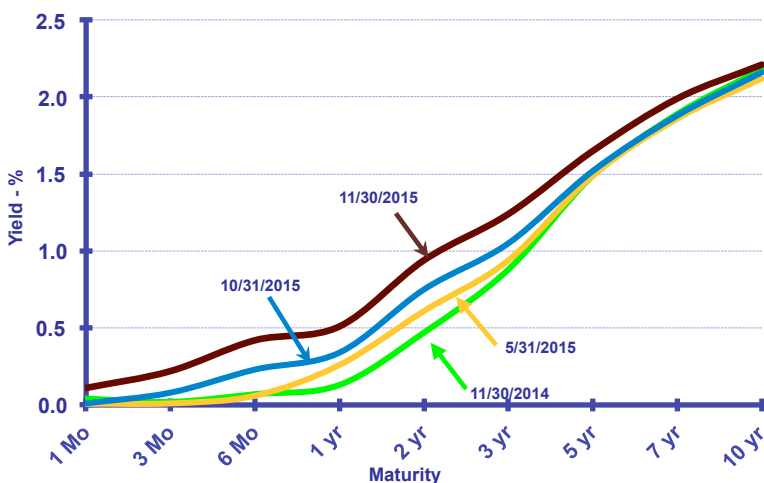
- A stable \$1.00 NAV, with no redemption gates or fees;
- Same-day liquidity for purchases and redemptions until 1 pm PT;
- "AAAm" and "Aaa-mf" ratings from S&P and Moody's, respectively;
- Highly competitive money market fund rates;
- Best available expense ratio in Select Class shares; and
- Full compliance with all provisions of Rule 2a-(7) governing SEC-registered MMFs.

For more information about the new CalTRUST Government MMF, or any of the other CalTRUST funds, please contact me by email at the address below, or contact:

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### Treasury Yield Curve



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### CalTRUST Money Market Funds

Avg Annual Total Return (November 30, 2015)	1-year	3-year	5-year	10-year	Since Inception
CalTRUST Government MMF	0.02%	0.01%	0.01%	1.26%	3.36%
Lipper Instit Govt MMF Average	0.03%	0.01%	0.01%	1.21%	--
CalTRUST Heritage MMF	0.12%	0.09%	0.11%	1.45%	2.77%
Lipper Instit MMF Average	0.04%	0.03%	0.04%	1.32%	--

### CalTRUST Portfolio Snapshot

(November 30, 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 <sup>1</sup>		0.54%	0.37%		0.91%	N/A
Effective Duration		0.51	N/A		1.72	1.88
Avg Maturity (yrs)		1.03	0.54		2.03	1.94
<b>Returns:<sup>2</sup></b>						
One Month	-0.01%	0.04%	0.03%	0.07%	-0.12%	-0.20%
One Year	0.33%	0.47%	0.31%	0.81%	0.52%	0.52%
Three Year <sup>3</sup>	0.38%	0.40%	0.27%	0.74%	0.56%	0.70%
Five Year <sup>3</sup>	0.43%	0.44%	0.32%	0.91%	0.79%	0.92%
Ten Year <sup>3</sup>	1.75%	1.72%	1.67%	2.24%	2.32%	2.67%
Since Inception <sup>3,4</sup>	1.85%	1.83%	1.77%	2.20%	2.28%	2.61%

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

#### A 'Low & Slow' Fed Approach to Rate Hikes Unlikely To Send Yields Sharply Higher

A few months ago, Brian Jacobsen, Aldo Ceccarelli, John Manley and James Kochan, all senior investment strategists at Wells Fargo Funds Management, LLC, looked at the Federal Reserve's likely "path to normal" and its likely effect on rates in the overall bonds market.

The first thing to keep in mind, they point out in their **Economic Analysis** (link), is that the Fed is starting from a lower base rate than ever before. In addition, repeated comments from Fed officials, particularly Fed Chair Janet Yellen and Stanley Fischer, strongly suggest that the Fed is unlikely to move in a straight and steady line; in other words, it's initial path will not only be "low and slow" but likely a "long and winding road". The upshot is that it could take three years or more to get the Fed funds rate from effectively 0% to 3.5%.

Most interestingly, they looked back at the behavior of the 10-year Treasury during the four most recent Fed tightening cycles. In each case, the 10-year rose prior to the first Fed rate hike, as investors anticipated the policy change in advance of Fed action; and with the exception of the 1999 cycle, the 10-year Treasury moved less than the Fed Funds rate. Moreover, in the last two cycles -- 1999 and 2004-06 -- the yield on the 10-year moved up more before the initial rate hike than after.

Given this history, they conclude, if the Fed is going to be more gradual this cycle than in the past, a rise in the Fed funds rate should not cause bond yields to spike sharply higher.