CALTRUST
Investment Trust of California
Service Center
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Monthly Market Update

February 2015 Volume 11 | Number 2

President's Perspective

CalTRUST Heritage Money Market Fund Continues To Be A Favorite For CalTRUST Investors

The addition of the CalTRUST Heritage MMF to the CalTRUST line-up of investment options just over five years ago proved to be extremely popular at the time – and continues to be today. This popularity can be traced to the Fund's:

- Stable $1.00 net asset value per share (share price);
- Same-day liquidity for purchase and redemption requests received by 1 pm PT;
- "AAAm" and "Aaa" ratings from S&P and Moody's, respectively;
- Highly competitive money market rates, and a history of superior performance (see chart in upper right-hand column);
- Best available expense ratio of only 13 basis points (0.13%); and
- Full compliance with all provisions of Rule 2a(7) governing SEC-registered money market funds.

When utilized in concert with the CalTRUST Short- and Medium-Term funds, the CalTRUST MMF give participants the ability to allocate their investable assets across the 0-5 year fixed-income spectrum, and maintain maximum flexibility in meeting local priorities and changing circumstances.

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For more information on the CalTRUST funds and how they can benefit your own jurisdiction, please contact me by email at the address listed below, or contact:

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Nancy Parrish, CSAC Finance Corporation 916-327-7500
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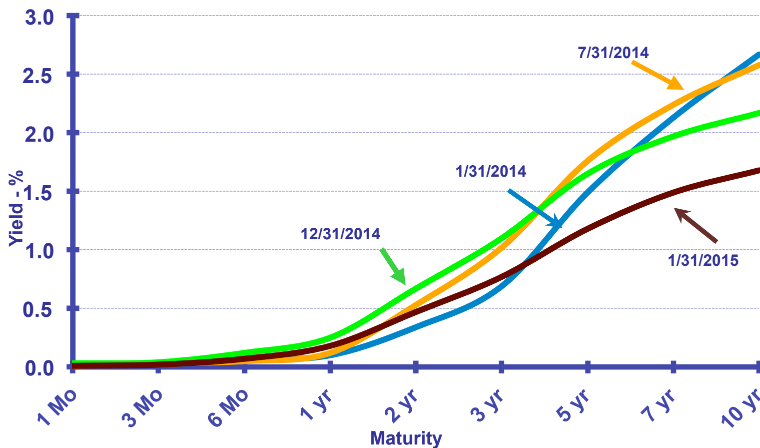
Treasury Yield Curve



CalTRUST Heritage Money Fund

Avg Annual Total Return (January 31, 2015)	1-year	3-year	5-year	10-year	Since Inception
CalTRUST Heritage MMF	0.07%	0.09%	0.12%	1.70%	2.88%
Lipper Instit MMF Average	0.02%	0.04%	0.05%	1.55%	--

CalTRUST Portfolio Snapshot (January 31, 2015)

	CalTRUST Short-Term		LAIF	CalTRUST Medium-Term		Merrill 1-3 Year
	Total Return	Yield Return	Yield Return	Yield Return	Total Return	Gov't & Corp "A" or Better
Distribution Yield[1]	0.41%		0.26%	0.74%		N/A
Effective Duration	0.69		N/A	1.56		1.88
Avg Maturity (yrs)	1.48		0.57	1.92		1.94
Returns:[2]						
One Month	0.11%	0.03%	0.02%	0.06%	0.41%	0.51%
One Year	0.34%	0.40%	0.25%	0.73%	0.81%	1.05%
Three Year[3]	0.43%	0.38%	0.29%	0.78%	0.72%	0.89%
Five Year[3]	0.48%	0.45%	0.35%	1.00%	1.09%	1.27%
Since Inception[3, 4]	1.98%	1.95%	1.90%	2.31%	2.44%	2.81%

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

Improving Labor Market & Other Economic Indicators Present Federal Reserve With A 'March Conundrum'

In his early-February ***Market Comment*** (link), WellsCap Senior Economist Gary Schlossberg, breaks down the latest leg of the "risk on/risk off" cycles which have whipsawed the markets periodically since the end of the "Great Recession" nearly six years ago.

The broad and deep rotation to riskier assets in the first week of February nearly wiped out January's steep decline. This "risk on" sentiment was reinforced by January's better-than-expected jobs report, and a slight uptick in the labor participation rate. The latter is widely viewed as an essential pre-requisite for even moderate wage gains, and in turn, for any interest rate increases by the Federal Reserve.

Thus, as Gary sees it, the Fed will likely be facing a conundrum at its March FOMC meeting, when deciding whether to initiate a first rate hike in June. At issue is whether the improving job growth, wage gains (modest as they are) and the dollar-induced "disinflation" are so tenuous as to be at risk of being "choked off" by Fed rate hikes.

In Gary's view, in the context of the Fed's maximum employment and stable prices "dual mandate", the risk-reward clearly is tilted toward a delayed rate hike. On the other hand, a delayed rate hike may increase the risk to economic and financial stability from potential increased asset-price volatility; although, as Gary points out, this is a less explicit mandate for the Fed.

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