CALTRUST
Investment Trust of California

Service Center
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Monthly Market Update

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President's Perspective

CalTRUST Funds Offer A Great Solution For Agencies Faced With Increased Bank Deposit Regulations

If it has not happened to you, chances are you have heard of it happening to someone near you: ever tighter bank regulations are prompting many banks to actively discourage large local agency deposit balances. Some are reducing their ECR - earnings credit rate - on deposit balances; others are charging for large deposits; while still others are "inviting" local agencies to find another bank.

Developments of this sort serve to highlight the value which the CalTRUST funds provide to California local agencies. An increasing number of agencies are turning to the CalTRUST funds for:

- **Liquidity** - Same-day liquidity in the CalTRUST Government and CalTRUST Heritage MMFs, next-day in the CalTRUST Short-Term Fund, and monthly in the CalTRUST Medium-Term Fund;
- **Solid Credit Ratings** - "AAAm" and "Aaa" by S&P and Moody's, respectively, on the Government MMF and Heritage MMF, and "AAf" by S&P on the Short-Term Fund;
- **Cost Efficiency** - The cost efficiency of highly diversified pools, with no wire or transaction charges, no account maintenance fees or minimum balance requirements; and
- **Flexibility** - Multiple account options available, with no minimum or maximum transaction size, and the ability to reallocate between funds at no cost as local circumstances dictate.

For more information about the CalTRUST funds, please contact:

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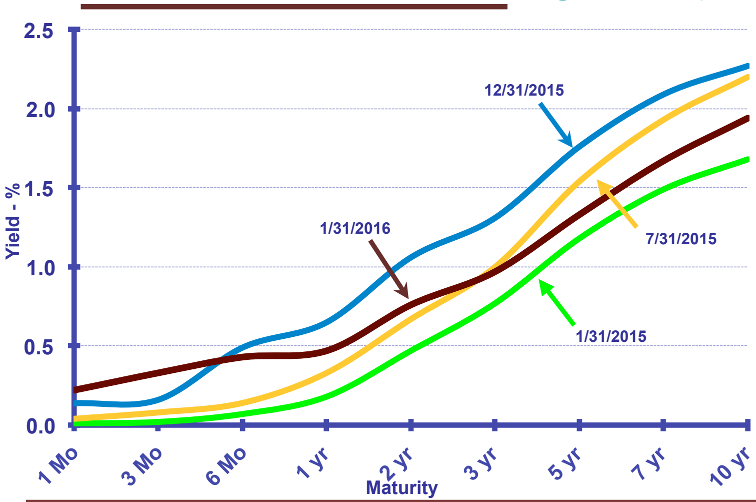
Treasury Yield Curve



CalTRUST Money Market Funds

Avg Annual Total Return (January 31, 2016)	1-year	3-year	5-year	10-year	Since Inception
CalTRUST Government MMF	0.04%	0.02%	0.02%	1.19%	3.34%
Lipper Instit Govt MMF Average	0.03%	0.02%	0.01%	1.14%	--
CalTRUST Heritage MMF	0.15%	0.10%	0.11%	1.39%	2.75%
Lipper Instit MMF Average	0.06%	0.04%	0.04%	1.25%	--

CalTRUST Portfolio Snapshot

(January 31, 2016)

	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]	0.60%		0.45%	0.94%		N/A
Effective Duration	0.44		N/A	1.68		1.86
Avg Maturity (yrs)	0.97		0.47	1.95		1.92
Returns:[2]						
One Month	0.12%	0.05%	0.04%	0.08%	0.50%	0.57%
One Year	0.39%	0.50%	0.33%	0.84%	0.70%	0.72%
Three Year[3]	0.40%	0.42%	0.28%	0.75%	0.67%	0.82%
Five Year[3]	0.42%	0.44%	0.32%	0.90%	0.87%	1.00%
Ten Year[3]	1.68%	1.66%	1.61%	2.20%	2.30%	2.66%
Since Inception[3, 4]	1.84%	1.81%	1.75%	2.18%	2.28%	2.62%

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

BOJ Negative Interest Rate Policy Could Boost Growth In US

In his latest ***Economic Analysis*** (***link***), Brian Jacobsen, Chief Portfolio Strategist at Wells Fargo Funds Management, discusses how the Bank of Japan's (BOJ) recently announced negative deposit rate could be a positive growth driver not only in Japan, but also in the US.

The motivation behind the BOJ's negative interest rate policy is to punish Japanese banks for holding reserves instead of lending them out. This has been a chronic problem in Japan for over 25 years, as central bank policy - various forms of quantitative easing - have failed to generate growth in business and household lending. Brian notes that since 2007, Japan's monetary base has grown by over 280%, yet bank lending has grown by only 10%.

In Brian's view, the BOJ's move should:

- Help Japanese companies, particularly smaller firms more dependent upon bank lending;
- Reinforce the European Central Bank's move to a negative interest rate policy, by more firmly anchoring low yields; and
- Make it even more difficult for the Fed to increase its target rate - since *relative* interest rates are more important than the *absolute level* of rates - keeping US monetary policy looser for longer, which should be good for growth.

Brian points out that "setting monetary policy is a lot of learning by doing". In that vein, he concludes that, if nothing else, the BOJ's negative interest rate policy is "better than doing the same old thing and simply praying for a different result."