CALTRUST
Investment Trust of California

Service Center
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Monthly Market Update

February 2017 Volume 13 | Number 2

President's Perspective

CalTRUST Government Money Market Fund Continues To Be a Favorite For CalTRUST Investors

The addition of the CalTRUST Government Money Market Fun (MMF) to the CalTRUST line-up of investment options in late-2015 proved to be extremely popular at the time - and continues to be today. This popularity can be traced to the Government MMF's:

- Stable $1.00 net asset value per share (dollar in-dollar out);
- Same-day liquidity for purchases 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 16 basis points (0.16%); and
- Full compliance with all provisions of Rule 2a(7) governing SEC-registered MMFs.

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

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For more information on the CalTRUST funds, please contact me by email at the address below, or contact:

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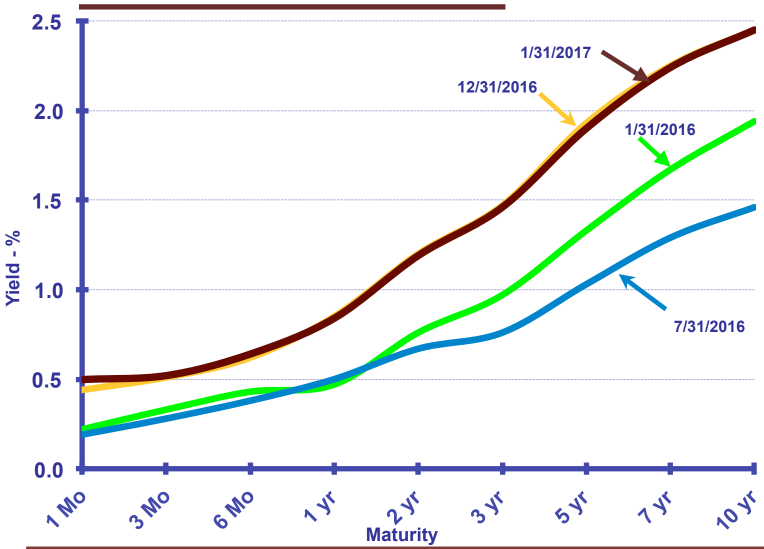
Treasury Yield Curve



CalTRUST Money Market Funds

Avg Annual Total Return (January 31, 2017)	1-year	3-year	5-year	10-year	Since Inception
CalTRUST Government MMF	0.30%	0.12%	0.07%	0.73%	3.24%
Lipper Instl US Govt MMF Average	0.14%	0.06%	0.04%	0.71%	--
CalTRUST Heritage MMF	0.52%	0.25%	0.19%	0.94%	2.64%
Lipper Instl MMF Average	0.32%	0.14%	0.10%	0.82%	--

CalTRUST Portfolio Snapshot

(January 31, 2017)

	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]	0.94%		0.76%	1.14%		N/A
Effective Duration	0.51		N/A	1.71		1.88
Avg Maturity (yrs)	0.94		0.50	2.02		1.94
Returns:[2]						
One Month	0.10%	0.08%	0.06%	0.10%	0.16%	0.15%
One Year	0.85%	0.78%	0.61%	1.03%	0.75%	0.65%
Three Year[3]	0.53%	0.56%	0.40%	0.87%	0.75%	0.81%
Five Year[3]	0.50%	0.48%	0.36%	0.85%	0.72%	0.81%
Ten Year[3]	1.26%	1.22%	1.19%	1.84%	1.91%	2.30%
Since Inception[3, 4]	1.75%	1.73%	1.66%	2.08%	2.15%	2.45%

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

The "Bear Market In Bonds" This Time Is Not Likely To Resemble That Of The 1970s

When investors hear "bear market in bonds" it conjures images of the brutal market of the 1970s, ending with the yield on the 10-Year Treasury at 15.5% in 1981. Back then, bonds took on the derisive label of "certificates of confiscation", as long-term bond prices fell so steeply that investors felt their portfolios had been confiscated.

In his most recent posting to ***Advantage Voice*** (***link***), Jim Kochan, Fixed Income Strategist with WFAM, discusses why today's bear market in bonds - if, indeed that is what we are entering - is unlikely to be a replay of that disastrous period for bond investors.

As Jim points out, the ***dissimilarities*** to the 1970s are striking, as it took more than a decade of mistaken fiscal and monetary policies to produce the 70s bear market:

- Oil prices tripled in the mid-s70s, then tripled again in 1979;
- The Fed 'accommodated' those increases, allowing money supply growth to hit 12%-14% per year (versus 7%-8% today); while
- Unit labor costs grew 6%-8% per year (versus 1%-2% today).

Today's "bear market" is likely to reflect today's 'conditions on the ground', such as relatively subdued inflation and nominal GDP growth. As such, Jim points to the FOMC projections of a Fed funds rate of 1.5% at this time in 2018, around 2% in 2019, and moving toward 3% over the long-term - not the negative returns seen in the 1970s.

In short, as Jim puts it, the term "bear market" should not be a substitute for thinking.