

President's Perspective

It's Not Too Late: Register Now For The CalTRUST Mid-Year Economic Outlook Webinar

CalTRUST is pleased to announce its Mid-year Economic Outlook webinar, on Wednesday, July 13th. All CalTRUST investors and interested agencies are invited to participate, as Gary Schlossberg, Senior Economist with Wells Capital Management, discusses:

- The US economic growth outlook into 2017;
- How California fits into the overall US outlook;
- Prospects for a Federal Reserve interest-rate hikes this year;
- Which way for longer-term yields; and
- The election outlook and its likely effect on Federal tax, spending and regulatory policy.

[Click here](#) to register for this informative webinar.

CalTRUST Welcomes New Participants

CalTRUST extends a warm welcome to our newest investors: Ironhouse Sanitary District, South Placer Municipal Utility District, Twenty-nine Palms Water District, Cutler Public Utility District, Elk Grove Water District, the Housing Authority of the City of Santa Barbara, and Valley Sanitary District.

CalTRUST now maintains over 250 investor accounts.

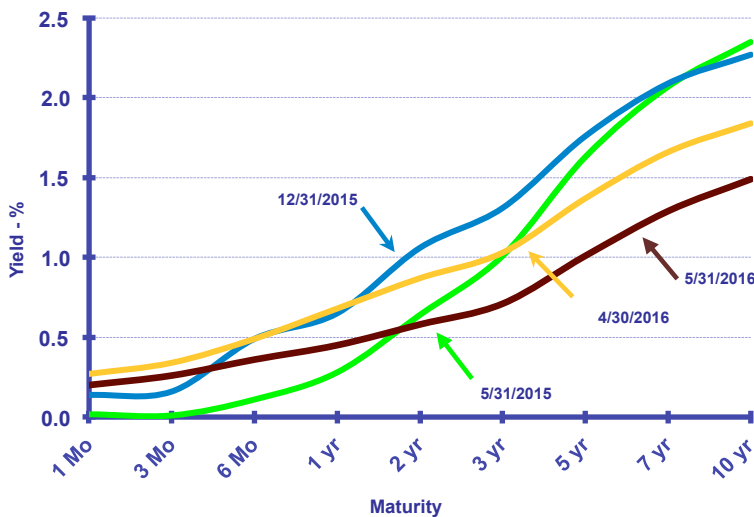
For more information about the CalTRUST funds, please contact:

Lyle Defenbaugh, Wells Fargo Asset Management 916-440-4890
Laura Labanieh, CSAC Finance Corporation 916-327-7500
Norman Coppinger, League of California Cities 916-658-8277
Neil McCormick, California Special Districts' Association 916-924-2732

Chuck Lomeli, President of the CalTRUST Board of Trustees and Solano County Treasurer

calomeli@solanocounty.com

Treasury Yield Curve



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CalTRUST Money Market Funds

| Avg Annual Total Return (June 30, 2016) | 1-year | 3-year | 5-year | 10-year | Since Inception |
|---|--------|--------|--------|---------|-----------------|
| CalTRUST Government MMF | 0.13% | 0.05% | 0.03% | 1.01% | 3.30% |
| Lipper Instl Govt MMF Average | 0.07% | 0.03% | 0.02% | 0.98% | -- |
| CalTRUST Heritage MMF | 0.29% | 0.15% | 0.13% | 1.21% | 2.70% |
| Lipper Instl MMF Average | 0.14% | 0.07% | 0.06% | 1.08% | -- |

CalTRUST Portfolio Snapshot

(June 30, 2016)

| | 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 ¹ | 0.73% | | 0.58% | | 1.01% | N/A |
| Effective Duration | 0.51 | | N/A | | 1.77 | 1.82 |
| Avg Maturity (yrs) | 1.06 | | 0.44 | | 2.00 | 1.88 |
| Returns:² | | | | | | |
| One Month | 0.14% | 0.06% | 0.05% | 0.08% | 0.52% | 0.59% |
| One Year | 0.67% | 0.60% | 0.43% | 0.93% | 1.54% | 1.49% |
| Three Year ³ | 0.53% | 0.47% | 0.32% | 0.79% | 1.10% | 1.14% |
| Five Year ³ | 0.46% | 0.45% | 0.33% | 0.87% | 0.90% | 1.03% |
| Ten Year ³ | 1.53% | 1.49% | 1.45% | 2.13% | 2.29% | 2.66% |
| Since Inception ^{3,4} | 1.81% | 1.77% | 1.71% | 2.13% | 2.28% | 2.60% |

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

Brexit Turbulence Likely Takes Rate Increase 'Off-The-Table'

In his **Market Comment** ([link](#)) for the first week of July, WellsCap Senior Economist Gary Schlossberg, looks at the implications of the UK's Brexit vote on rates and the equity markets in the second half of 2016.

To demonstrate the impact of Brexit -- at least in the short-term -- Gary notes that, in the days immediately following the vote, the Fed funds futures market assigned less than a 35% probability of a rate hike through September 2017. Incredibly, the futures market reflected a higher probability of a rate-cut than a rate-hike into early next year.

As the late-June collapse in rates began to re-trace some of their declines in early July, and the equity market sell-off completely reversed, it confirmed two things:

- Brexit is viewed by investors as less of a systemic threat to the Euro and the EU than is the recurring Greek debt crises; and
- The resolution of the 'Brexit Crisis' will be drawn out and less than clear-cut, much like the lingering after-effects of the 2008-09 financial crisis.

As Gary sees it, one of the central questions for the remainder of 2016 will be the equity markets' ability to extend recent gains. Whereas the typical late-cycle growth pattern exhibits headwinds from rising rates, this eighth year of economic growth is accompanied by historically low rates, low oil prices, subdued inflation and strong demand for US 'safe-haven' assets. In his view, this likely will be enough to overcome deteriorating earnings fundamentals -- for now.