

President's Perspective

Join Us For A 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 encouraged to [register](#) for the webinar, where Gary Schlossberg, Senior Economist with Wells Capital Management, will discuss:

- The US economic growth outlook into 2017;
- How California fits into the overall US outlook;
- Will the Federal Reserve resume 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.

Late Spring Brings Warm Weather & Investment Policy Update Season

Late-Spring not only ushers in the 'hot season' in California, but the season when many local agencies undertake their annual investment policy review and update. This presents the perfect opportunity to ensure that CalTRUST is a permissible investment for your agency.

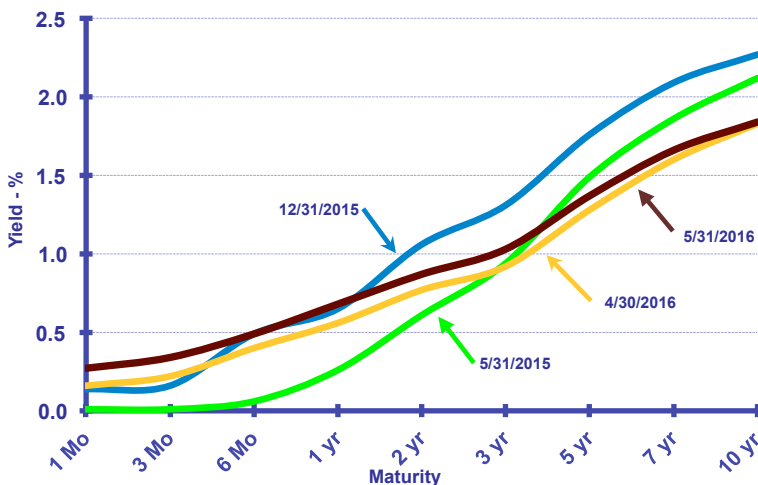
We at CalTRUST have assisted numerous agencies with the update process; and would be happy to provide any interested agency with sample language authorizing CalTRUST. Any local agency wishing to update its investment policy is invited to contact me or one of the CalTRUST representatives listed below.

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
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Treasury Yield Curve



CalTRUST Money Market Funds

Avg Annual Total Return (May 31, 2016)	1-year	3-year	5-year	10-year	Since Inception
CalTRUST Government MMF	0.11%	0.04%	0.03%	1.05%	3.31%
Lipper Instl Govt MMF Average	0.06%	0.03%	0.02%	1.01%	--
CalTRUST Heritage MMF	0.26%	0.14%	0.13%	1.25%	2.71%
Lipper Instl MMF Average	0.13%	0.06%	0.06%	1.12%	--

CalTRUST Portfolio Snapshot

(May 31, 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%		0.56%	0.99%		N/A
Effective Duration	0.52		N/A	1.78		1.90
Avg Maturity (yrs)	1.12		0.46	2.03		1.97
Returns:²						
One Month	0.05%	0.06%	0.05%	0.08%	-0.04%	-0.08%
One Year	0.53%	0.58%	0.41%	0.92%	0.98%	0.90%
Three Year ³	0.46%	0.46%	0.31%	0.78%	0.82%	0.90%
Five Year ³	0.43%	0.44%	0.32%	0.87%	0.80%	0.92%
Ten Year ³	1.56%	1.53%	1.49%	2.16%	2.27%	2.62%
Since Inception ^{3,4}	1.81%	1.78%	1.72%	2.14%	2.25%	2.57%

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

Disappointing Jobs Report Raises Fresh Doubts About Outlook For Growth; Pours Cold Water On Early Fed Rate Increase

In his most recent *Market Comment* ([link](#)), WellsCap Senior Economist Gary Schlossberg, looks at the implications of the pervasively weak May jobs report.

As Gary sees it, the dismal early-June data raises fresh questions about the outlook for "risk" vs. "safe-have" assets. Moreover, the disappointing data corroborates the slow-growth warning flashed by a "flattening" yield curve - a narrowing spread between shorter- and longer-term Treasury securities' rates. As Gary points out, in the first week of June, the spread between two- and ten-year securities had shrunk to less than a percentage point - the lowest spread since late-November 2007. Not coincidentally, the eve of the last recession.

Notwithstanding the fact that yield spreads have a strong predictive track record for the economy - so much so that it is included in the Conference Board's index of leading indicators - a couple factors in this cycle could distort the yield curve - economy link:

- Secular disinflation and strong foreign demand for Treasury securities account for most of the yield spread narrowing; and
- Historically low net interest margins have not prevented a recovery in bank lending.

Investors may be leery of rotating back to risk assets this time if inflated asset values in a slow-growth, low rate environment leaves them once again exposed to a U-turn in the interest rate and dollar outlook.

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