CALTRUST
Investment Trust of California

Service Center
888-422-8778

Monthly Market Update

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President's Perspective

Liquidity, Diversification & Convenience of CalTRUST Funds Makes Them A Great Option For Property Tax Proceeds

The CalTRUST funds give local agencies a safe and convenient means of maintaining liquidity while also diversifying their investments. The CalTRUST Government Money Market Fund (MMF) and CalTRUST Heritage MMF, each rated "AAAm" and "Aaa" by S&P and Moody's, respectively, provide same-day liquidity, while the CalTRUST Short-Term Fund, rated "Aaf/S1+" by S&P, provides next-day liquidity. The CalTRUST Medium-Term Fund give investors monthly liquidity.

Taken together, the CalTRUST funds give participants a highly-efficient means of allocating funds across the 0-5 year maturity range; and a cost-free means of reallocating among those options as local circumstances change.

Given this, CalTRUST is an ideal option for local agencies when it comes to the investment of property tax proceeds. To take maximum advantages of the benefits of CalTRUST, local agencies should ensure their investment policies authorize the use of CalTRUST. We would be happy to assist any interested agency; just contact one of the contacts listed below.

CalTRUST Welcomes New Participants

CalTRUST extends a warm welcome to our newest participants: the cities of Gardena, Martinez, Arvin, Fowler, Bellflower and Jackson; Costa Mesa Sanitary District, Herlong PUD, Riverside Transit Agency, Mammoth Community Water District, Kern Delta Water District, and CalViva Health.

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
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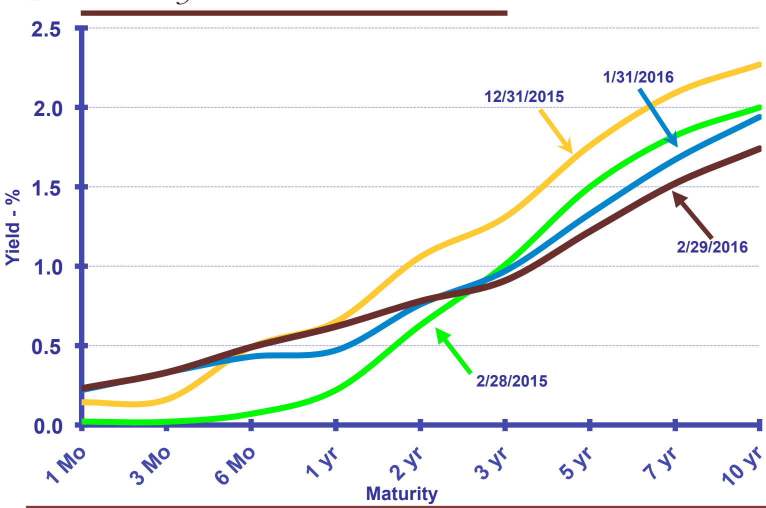
Treasury Yield Curve



CalTRUST Money Market Funds

Avg Annual Total Return (February 29, 2016)	1-year	3-year	5-year	10-year	Since Inception
CalTRUST Government MMF	0.06%	0.03%	0.02%	1.16%	3.33%
Lipper Instit Govt MMF Average	0.04%	0.02%	0.02%	1.12%	--
CalTRUST Heritage MMF	0.18%	0.11%	0.11%	1.36%	2.74%
Lipper Instit MMF Average	0.07%	0.04%	0.05%	1.22%	--

CalTRUST Portfolio Snapshot

(February 29, 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]	0.65%		0.47%	0.98%		N/A
Effective Duration	0.45		N/A	1.68		1.88
Avg Maturity (yrs)	1.04		0.42	1.95		1.95
Returns:[2]						
One Month	0.04%	0.05%	0.04%	0.08%	0.08%	0.10%
One Year	0.42%	0.51%	0.35%	0.86%	0.88%	0.99%
Three Year[3]	0.40%	0.42%	0.29%	0.75%	0.67%	0.82%
Five Year[3]	0.43%	0.44%	0.32%	0.89%	0.87%	1.03%
Ten Year[3]	1.65%	1.63%	1.58%	2.19%	2.29%	2.66%
Since Inception[3, 4]	1.83%	1.80%	1.74%	2.17%	2.27%	2.61%

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

Full Employment Signals Likely Changes In Character of US Financial Markets

In his latest ***Economic and Market Perspective*** (***link***), WellsCap Chief Investment Strategist Jim Paulsen, looks at the looming changes in the character of the US financial markets arising from full employment.

As Jim notes, "until now, the premise of this bull market has been the ability to grow without igniting inflation or interest rate pressures." At full employment, however, if the recovery continues, as he expects it will, it likely will "aggravate cost-push pressures, lift both wage and core consumer price inflation, and require higher interest rates." Indeed, many measures of inflation and wages have accelerated in the last year, with core CPI rising from 1.6% to 2.2%; core PCE moving from 1.2% to 1.7%; and the 3-month average of wage inflation moving up from 1.8% to 2.5%.

The already visible acceleration in core inflation, combined with the recent bounce in commodity prices, should lay to rest deflation fears and open the door to a period of -- mildly -- rising inflation. These conditions, paired with a likely peak in the value of the US dollar, which he anticipates, leads Jim to conclude that inflation *expectations* are likely to awaken, which in turn are likely to force the Fed to actually quicken its pace of interest rate hikes.

Jim concludes that the best of this bull market is most likely behind us, and that bond investors may finally face the first sustained rise in yields in many years.