

President's Perspective

CalTRUST Board Acts To Increase Convenience And Accessibility Of Funds

In keeping with their long-standing commitment to the 'ease of use' of the program, at its Annual Meeting, the CalTRUST Board:

- Removed the \$250,000 initial investment threshold. The Board acted at the request of a number of smaller agencies that indicated this threshold presented a potential barrier to participation.
- Revised the liquidity feature in the CalTRUST Medium-Term Fund from monthly to weekly. Effective immediately, Medium-Term Fund purchases and redemptions can be made each Wednesday, with five business days notice. Previously, Medium-Term transactions took place on the last business day of each month.

April State Revenue Collections Lag Projections By 6.6% - Potential Warning Sign As Budget Season Heats Up

Stating that "state revenues cannot defy gravity forever," Controller Betty Yee reported April revenue collections came in \$1.19 billion below projections underlying the Governor's 2016-17 budget proposal. Noting that it is too early to know if this is a trend or a one-time anomaly, Yee cautioned that the shortfall pointed out the "peaks and valleys" nature of the state's financial performance. While revenues for the year-to-date remain more than 5% above the prior year, April is seen as a possible bellwether of the state's short-term fiscal future, given its importance with regard to personal and corporate income tax filings.

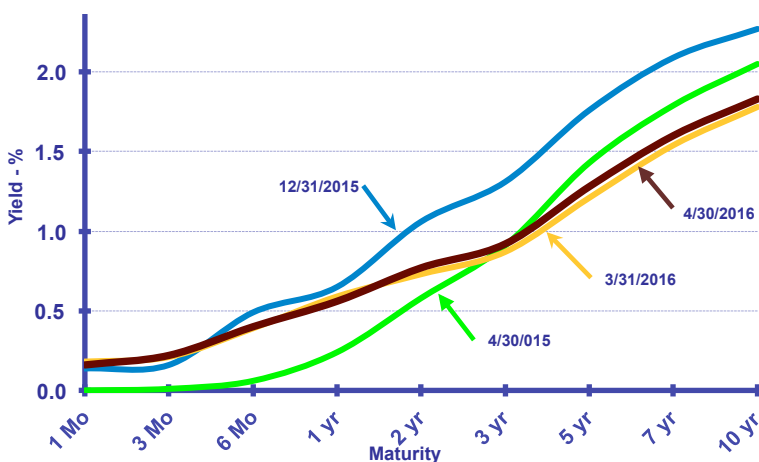
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Treasury Yield Curve



CalTRUST Money Market Funds

Avg Annual Total Return (April 30, 2016)	1-year	3-year	5-year	10-year	Since Inception
CalTRUST Government MMF	0.09%	0.04%	0.03%	1.09%	3.31%
Lipper Instl Govt MMF Average	0.06%	0.02%	0.02%	1.05%	--
CalTRUST Heritage MMF	0.23%	0.13%	0.12%	1.29%	2.72%
Lipper Instl MMF Average	0.11%	0.05%	0.05%	1.15%	--

CalTRUST Portfolio Snapshot

(April 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	0.71%		0.53%		0.99%	N/A
Effective Duration	0.46		N/A		1.68	1.88
Avg Maturity (yrs)	1.10		0.44		1.94	1.95
Returns:²						
One Month	0.09%	0.06%	0.04%	0.08%	0.08%	0.08%
One Year	0.51%	0.56%	0.39%	0.90%	1.07%	1.06%
Three Year ³	0.44%	0.44%	0.30%	0.77%	0.75%	0.88%
Five Year ³	0.44%	0.44%	0.32%	0.88%	0.88%	1.01%
Ten Year ³	1.60%	1.56%	1.52%	2.17%	2.29%	2.65%
Since Inception ^{3,4}	1.82%	1.79%	1.72%	2.15%	2.27%	2.60%

- 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.
- CalTRUST and LAIF returns are net of all investment advisor, administrative and program fees.
- Annualized.
- CalTRUST Short- and Medium-Term portfolios commenced operations February 13, 2005.

Financial Markets Update

Maybe The Recovery Has Been Only Subpar Rather Than Almost Comatose - Why US Growth May Be Understated

In his latest *Economic & Market Perspective* (link), WellsCap Chief Investment Strategist Jim Paulsen examines whether recent US economic growth is understated. He concludes that, while "the contemporary recovery has been subpar" ... "there is a fair amount of evidence to suggest that economic growth may be significantly understated in this recovery".

As Jim points out, the growth of investment, consumer spending and job creation in this recovery imply a pace of growth stronger than official reports indicate, perhaps by as much as 1% per year. To examine this, he focuses on the long-standing and close relationship between real wages and productivity growth. With the recovery posting one of the strongest gains in real wages during any recovery since the 1960s, Jim asks, "does it make sense that companies would increase real hourly wages at a historically rapid pace if the real productivity of laborers was weaker than any recovery in the post-war era?"

There is no argument that economic performance in this recovery has been subpar, even if understated in the official numbers. On the other hand, the perception that growth has hovered near "stall speed" since emerging from the Great Recession has produced a recovery focused on fears of recession/deflation risk. If growth has actually been more robust than the headline numbers suggest, the balance of this recovery may be focused on inflation/rising interest rate fears.

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