CALTRUST
Investment Trust of California
Service Center
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Monthly Market Update

November 2015 | Volume 11 | Number 11

President's Perspective

CalTRUST Updates

CalTRUST works closely with all of our partners to ensure the utmost security of our data and continuity of services. This includes regularly meeting with the CalTRUST fund accountant, Nottingham, to ensure that the technology for our systems is state of the art.

Over the last year Nottingham has made significant changes to their disaster recovery system. They are now hosting a complete backup of their network infrastructure in Austin, Texas and replicating all of their data programs hourly to the remote data center. In conducting major tests of the system they are able to run all critical systems remotely within minutes in case of a disaster. As part of the preparation and implementation of the system they also made a number of improvements in their local data center and now have a more virtualized server environment, allowing them to recover quickly from server failures that may happen locally.

They are currently in the process of rewriting and standardizing their information security policies. We have always been very serious about security. They have many systems in place such as firewalls, virus and malware protection, intrusion detection, and application proxies to protect our systems and data. Over the last couple of years the SEC and others have increased their focus on security issues so we feel that we need to respond. Traditionally security policy has been covered in a number of separate documents. Nottingham is adopting the NIST Cybersecurity Framework. Using this framework will help us to document our systems and policies in a format that will be familiar to outside parties such as the SEC and SOC 1 auditors.

CalTRUST is pleased with the focus on technology security of our partners and confident that we will be able to maintain normal operations in the case of disasters and unforeseen circumstances.

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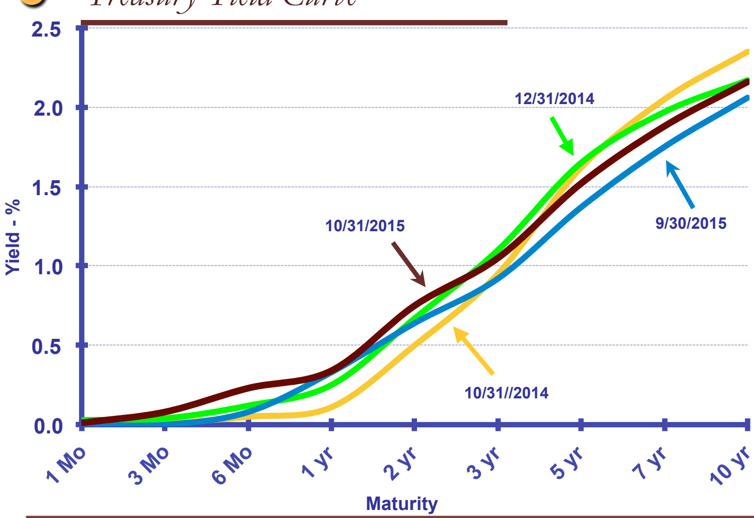
Treasury Yield Curve



CalTRUST Money Market Funds

Avg Annual Total Return (October 31, 2015)	1-year	3-year	5-year	10-year	Since Inception
CalTRUST Government MMF	0.02%	0.01%	0.01%	1.29%	3.37%
Lipper Instit Govt MMF Average	0.03%	0.01%	0.01%	1.24%	--
CalTRUST Heritage MMF	0.11%	0.09%	0.11%	1.49%	2.78%
Lipper Instit MMF Average	0.04%	0.03%	0.04%	1.34%	--

CalTRUST Portfolio Snapshot

(October 31, 2015)

	CalTRUST Short-Term Total Return	CalTRUST Short-Term Yield Return	LAIF Yield Return	CalTRUST Medium-Term Yield Return	CalTRUST Medium-Term Total Return	Merrill 1-3 Year Gov't & Corp "A" or Better
Distribution Yield[1]	0.49%		0.36%	0.85%		N/A
Effective Duration	0.55		N/A	1.71		1.87
Avg Maturity (yrs)	1.10		0.57	2.02		1.92
Returns:[2]						
One Month	0.02%	0.04%	0.03%	0.07%	-0.03%	-0.06%
One Year	0.39%	0.46%	0.30%	0.80%	0.79%	0.88%
Three Year[3]	0.39%	0.40%	0.27%	0.74%	0.62%	0.80%
Five Year[3]	0.43%	0.44%	0.32%	0.91%	0.76%	0.92%
Ten Year[3]	1.78%	1.75%	1.70%	2.28%	2.37%	2.73%
Since Inception[3, 4]	1.87%	1.84%	1.78%	2.21%	2.31%	2.65%

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

Is A Recession Around the Corner? Who Really Knows??

Most Recession Risk Gauges Have Lost Their Predictive Ability

In his most recent ***Economic & Market Perspective*** (link), WellsCap Chief Investment Strategist, Jim Paulsen, examines "this odd and widely confusing economic recovery", and asks "does anyone really know what is driving the economy and what warning signs we should be monitoring to assess recession risk?'

Post-war experience has conditioned policymakers and investors to believe that recessions don't happen until economic policies turn restrictive -- that is, interest rates rise, the yield curve inverts, money supply slows or contracts, and the Fed 'drains the punch bowl'. The problem with this view, he shows, is that these recession risk gauges have lost their predictive ability ever since the correlation between stocks and bonds was fundamentally transformed in the late 1990's.

Through the mid-1990s stock prices and bond yields generally were negatively correlated -- rising yields were accompanied by falling stock prices and vice versa. This correlation reversed course beginning in the late-1990s, however, as rising yields have been most often accompanied by gains in the stock market.

As a result, Jim questions whether anyone should feel highly confident that we face low recession risk today, simply because money supply is growing, the yield curve is positively sloped and yields are low. While not suggesting that a recession is imminent, Jim argues that, in the absence of reliable recession risk predictors, the chance of an "unforeseen' recession may be underappreciated.