

President's Perspective

CalTRUST Updates

The CalTRUST Board of Trustees held their Fall Meeting this month in Santa Barbara County. Items of business considered at the meeting included updates from each of the business partners, reports from the CalTRUST committees, consideration of the CalTRUST products, a review of Fiscal Year 14-15 audited financial statements, and the current economic environment.

With Money Market Reform slated to take effect October 2016, the Board previously had extensive discussion with our investment advisor, Wells Fargo Asset Management, to strategize on how to best address the needs of our public agencies. After review of various options, the Board approved the addition of the Wells Fargo Advantage Funds Government Money Market Fund – Select to the CalTRUST slate of products. This fund will be available to all CalTRUST participants effective October 1, 2015. Additional information will be forthcoming.

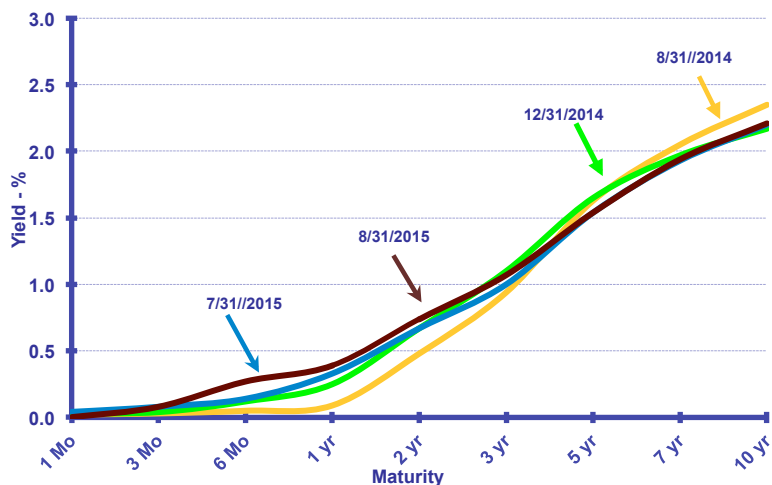
Once again, the CalTRUST Board was pleased to receive an unqualified (clean) opinion of the CalTRUST audit with no significant adjustments to the CalTRUST financial statements. A copy of the CalTRUST audited financial statements can be accessed here. Per CalTRUST policy, the CalTRUST Audit Committee will be soliciting proposals for audit services as our current contract has come to term. If you know of an auditor that you would like to ensure receives a copy of the RFP for CalTRUST Audit Services please send their contact information to Laura Labanieh at llabanieh@csacfinancecorp.org.

CalTRUST also received an update at the Board Meeting that Alan Fernandes was selected as new Executive Vice President of the CSAC Finance Corporation, our CalTRUST Administrator. Alan will be joining Laura Labanieh in the administration of the CalTRUST organization. More information can be accessed here.

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

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Treasury Yield Curve



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CalTRUST Heritage Money Fund

Avg Annual Total Return (August 31, 2015)	1-year	3-year	5-year	10-year	Since Inception
CalTRUST Heritage MMF	0.10%	0.09%	0.11%	1.54%	2.80%
Lipper Instit MMF Average	0.03%	0.03%	0.04%	1.39%	--

CalTRUST Portfolio Snapshot

(August 31, 2015)

	CalTRUST Short-Term		LAIF Yield Return	CalTRUST Medium-Term		Merrill 1-3 Year Gov't & Corp "A" or Better
	Total Return	Yield Return		Yield Return	Total Return	
Distribution Yield ¹	0.50%	0.33%	0.82%	N/A		
Effective Duration	0.59	N/A	1.72	1.88		
Avg Maturity (yrs)	1.22	0.59	2.03	1.94		
Returns:²						
One Month	0.00%	0.04%	0.03%	0.07%	-0.06%	-0.05%
One Year	0.32%	0.44%	0.28%	0.78%	0.59%	0.83%
Three Year ³	0.37%	0.39%	0.27%	0.74%	0.54%	0.74%
Five Year ³	0.43%	0.44%	0.33%	0.93%	0.81%	0.97%
Ten Year ³	1.83%	1.80%	1.75%	2.23%	2.32%	2.67%
Since Inception ^{3,4}	1.89%	1.86%	1.81%	2.23%	2.32%	2.67%

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

The Fed's Long-Awaited Rate Hike: Will They Or Won't They?

In their September **Outlook (link)**, John Manley, James Kochan and Brian Jacobsen, all of Wells Fargo Funds Management, assess whether this will be the month that the Fed hikes rates?

While acknowledging that growth worries are reasonable - although overblown in their view - and could influence the Fed's thinking, they conclude it is likely the Fed will move in September. On the other hand, a continuation of the late-August market volatility could sway the Fed to postpone any action until October - or even December.

In their view, a rate hike is more a sign of confidence in the economy that a 'hawkish' move. Indeed, when that first hike occurs, the Fed "will make dovish noises around the pace of future rate hikes" they feel.

Given all of this, when Manley, Kochan and Jacobsen look at the high-grade fixed-income markets, they find:

- investment-grade credit products currently do not offer an attractive spread to Treasuries;
- The yield pickup from taking on credit risk may be more attractive than the pickup from extending duration, at least until we get through the period of uncertainty surrounding the timing of the Fed's rate hike; and
- Short-term fixed-rate bonds should be preferable to comparable maturity floating-rate bonds, particularly since some 'floaters' don't actually float until rates rise above certain thresholds, which can make them perform in unanticipated ways. Such characteristics could become problematic as the Fed begins the hiking cycle.