CALTRUST
Investment Trust of California

Service Center
888-422-8778

Monthly Market Update

September 2016 | Volume 12 | Number 9

President's Perspective

SEC Reforms Affecting CalTRUST Heritage MMF Take Effect In Mid-October; CalTRUST Government MMF Offers Stable Value

In July of 2014 the SEC adopted major structural changes to Rule 2a-7 of the Investment Company Act of 1940, which alter the manner in which prime institutional money market funds (MMFs), such as the CalTRUST Heritage MMF, operate. The new rules, which take full-effect October 14th:

- Require prime institutional MMFs to transact at a variable, or "floating" NAV, rather than the traditional $1.00 share price;
- Authorize prime institutional MMF Boards to impose redemption gates and fees in times of market illiquidity.

In response to these changes, the CalTRUST Board worked with our investment advisor, Wells Fargo Asset Management, to provide an investment option with a stable NAV and same-day liquidity. The CalTRUST Government MMF gives local agency investors:

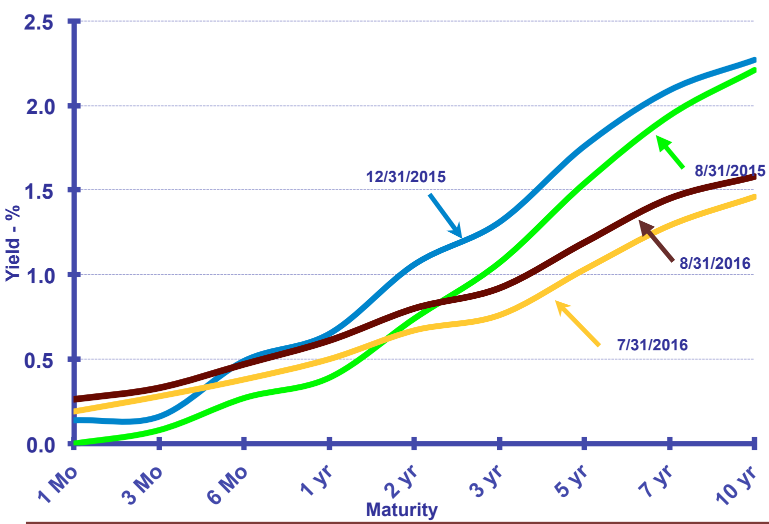
- A stable $1.00 NAV, with no redemption gates or fees;
- Same-day liquidity for purchases and redemptions until 1 pm PT;
- "AAAm" and "Aaa-m" ratings from S&P and Moody's, respectively;
- Highly competitive money market rates;
- Best available expense ratio in Select Class shares; and
- Full compliance with all provisions of Rule 2a-7 governing SEC-registered MMFs.

For more information about the CalTRUST funds, please contact:

Lyle Defenbaugh, Wells Fargo Asset Management 916-440-4890
Laura Labanieh, CSAC Finance Corporation 916-650-8186
Neil McCormick, California Special Districts' Association 916-924-2732
Norman Coppinger, League of California Cities 916-658-8277

Chuck Lomeli, President of the CalTRUST Board of Trustees and Solano County Treasurer
calomeli@solanocounty.com

Treasury Yield Curve



CalTRUST Money Market Funds

Avg Annual Total Return (July 31, 2016)	1-year	3-year	5-year	10-year	Since Inception
CalTRUST Government MMF	0.18%	0.07%	0.05%	0.93%	3.28%
Lipper Instl Govt MMF Average	0.09%	0.04%	0.03%	0.90%	--
CalTRUST Heritage MMF	0.33%	0.16%	0.14%	1.13%	2.68%
Lipper Instl MMF Average	0.17%	0.08%	0.07%	1.00%	--

CalTRUST Portfolio Snapshot

(July 31, 2016)

	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]	0.79%		0.62%	1.00%		N/A
Effective Duration	0.57		N/A	1.81		1.90
Avg Maturity (yrs)	1.11		0.43	2.04		1.96
Returns:[2]						
One Month	0.05%	0.06%	0.05%	0.08%	-0.13%	-0.14%
One Year	0.74%	0.64%	0.48%	0.96%	1.39%	1.32%
Three Year[3]	0.53%	0.49%	0.34%	0.81%	1.01%	1.05%
Five Year[3]	0.47%	0.46%	0.34%	0.86%	0.79%	0.90%
Ten Year[3]	1.45%	1.41%	1.38%	2.01%	2.13%	2.50%
Since Inception[3, 4]	1.79%	1.76%	1.69%	2.12%	2.24%	2.55%

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 Economy - Not Presidential Elections - Affects the Bond Markets

In his recent ***AdvantageVoice*** blog post (*link*), Brian Jacobsen, Chief Portfolio Strategist at Wells Fargo Funds Management, LLC, analyzes how bonds have performed in election years versus non-election years, and finds that most of the fixed-income market's good and bad times historically have been driven by everything *but* the presidential election.

Brian tracked the price return on corporate bonds and 1, 5, and 10-Year US Treasuries in the 75 days before and after the Tuesday following the first Monday in November (election day every fourth year) since 1916. Overall, in inflation-adjusted terms, election-year returns on corporate bonds were 0.6% while non-election-year returns were 0.4%. A similar story holds for Treasury returns.

While Brian admits that politics can have an impact on the market, he finds that the majority of fixed-income moves during election years – just as in non-election years – had non-election drivers, such as:
Quickly accelerating inflation expectations, in 1956, 1968, and 1984;
A zealous (perhaps over-zealous) Fed, in 1988; or
The onset of the financial crisis in the Fall of 2008.

Claims that one candidate or the other would lead to reckless spending and/or financial ruin have not seemed to faze the markets. On the other hand, fears of inflation and looming recessions - each as likely to arise in non-election-years as in election-years - have been more consequential in determining the direction of the market.