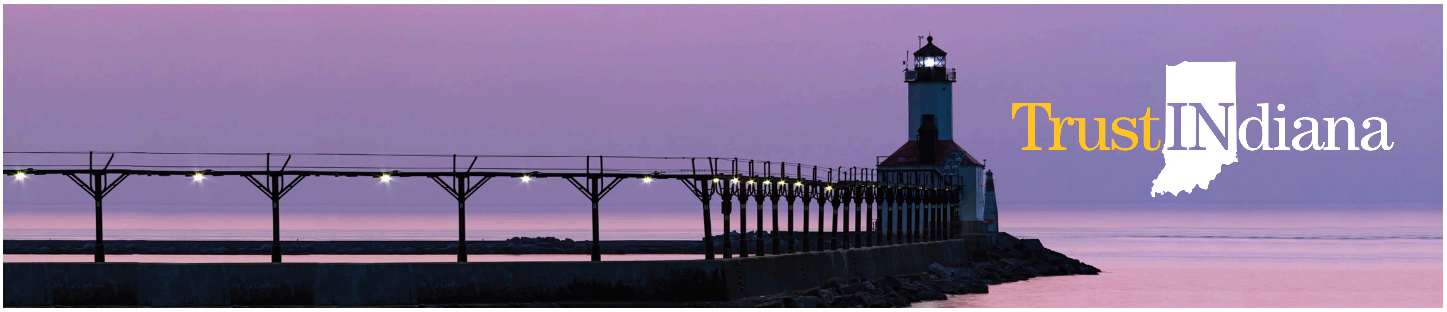
The**INVESTOR**

July 2016



Local Government Investment Pool

The**NEWS**

TIPS TO FINE-TUNE YOUR INVESTMENT POLICY

Is your local government investment policy a comprehensive, well developed investment policy? Does it include, among other things, clearly stated investment objectives, allowable investment instruments, and compliance with relevant statutes? Is it time to fine-tune it, to remove vague, contradictory requirements that may artificially constrain your investment program? Does your local government have an investment policy or an investment procedure? Remember, a policy sets out what you are able to do, whereas a procedure spells out how you should do it.

The chart below includes tips for developing a sound, comprehensive investment policy. The column on the left outlines what should be in the policy and the column on the right describes why this information is important.

TIP	REASON
Clearly describe what funds are covered by the policy and what funds are covered by a separate policy.	The policy should be clear on what funds are covered by those particular policy guidelines as some funds, such as bond proceeds or pension funds, may have different investment objectives or different investment horizons and would be better managed under a separate policy.
Write a clear and concise statement of objectives.	Simply stating investment objectives as safety, liquidity and yield will not help the government protect its funds. Statements describing how the government will achieve these goals provide more guidance. GFOA's Sample Investment Policy includes explicit statements of objectives.
Include a Standards of Care section addressing the delegation of authority, prudence and ethics and conflicts of interest.	The delegation of authority states who is responsible for the investment program and cites the derivation of authority. A reference to the prudent investor standard by which investment decisions are made should be included and ethics and conflicts of interest should reference any existing formal codes and internal policies.
Know your investment statutes and determine if all of the allowable investment instruments are appropriate for your investment program.	Some public entities copy the state statute into their investment policies, thus allowing the use of investment instruments that the staff may not fully understand or that may be inappropriate for the government's investment program. Many public entities may opt to have an investment program that is more restrictive than that allowed by state statute. In addition, the state statute may not provide the level of detail regarding maturity structure, security specific asset allocation and reporting requirements desired.
Use explicit language to describe allowable investment instruments; include clear definitions of investment types, credit criteria, maturity restrictions and diversification requirements.	Clear, explicit language describing allowable investment instruments will leave little room for interpretation and will help protect the government from imprudent investment decisions. Also, it is best to avoid having a list of permitted investments followed by a list of prohibited investments as there may be conflicting language. It should be understood if the security is not listed then it is prohibited. Ensure diversification by assigning maximum percentages of the portfolio to security types and issuers. In addition, some policies artificially limit maturities. Maturity restrictions should make sense for the entity's cash flows and investment horizon.
Avoid arbitrary percentages when discussing diversification requirements; instead use target guidelines such as "no more than five percent of the portfolio can be invested in the securities of a single issuer" or "no more than 20 percent of the portfolio may be invested beyond one year."	Many investment policies include specific diversification guidelines such as, "The portfolio must be invested in 50 percent Treasuries, 30 percent certificates of deposit, 10 percent commercial paper, and 10 percent local government investment pool." Arbitrary percentages can restrict the entity from implementing an effective, dynamic investment strategy. Asset allocation limits should be used as a guide and allow for flexibility as market conditions and investment opportunities change. The purpose of diversification is to reduce risk in the portfolio and can be accomplished by investing in a variety of maturities and avoiding over-concentration in a specific business sector (with the exception of U.S. Treasury securities).

TheNEWS (cont.)

TIP	REASON
Require governing body review and approval for new security types, securities that are not clearly allowed by the policy and deviations from the policy when new securities come to the market.	Requiring governing body approval forces the investment official to analyze the security in question and explain why it should be included, thereby preventing decisions that have not been fully thought out.
Include collateralization requirements in the policy.	Many times public entities require collateralization for their deposit-type investments such as certificates of deposit and repurchase agreements but do not include specific guidelines. Investment policies should specify allowable collateral securities, collateral ratios and third party safekeeping requirements.
Require that securities be held in third-party custody arrangements.	This requirement protects the public entity from the bank's credit risk. Should the bank holding the securities fail, the entity can simply transfer the securities they own to another custody provider.
Require a formal process for selecting financial institutions and broker/ dealers and describe this process in the policy.	The point of this section is to specify what process you will use to screen firms selling you securities. This section should require a due diligence review of prospective firms, specify minimum credit criteria for financial institutions and limit transactions to only those firms on the approved list. The list should be included as an appendix item. It is also important to update your list of approved financial institutions and broker/dealers annually.
Require competitive quotes from at least three financial institutions and/or broker/dealers.	Many entities obtain competitive quotes for their investment transactions but do not specifically require them in the investment policy. By not requiring competitive quotes, this practice could be lost over time. Adding this requirement ensures that the competitive quoting process will always be used so that the entity gets the best trade execution for its investments.
Address reporting requirements and specifically state required portfolio holdings information.	The policy should state how frequently investment reports should be prepared, to whom they'll be presented, and a list of essential portfolio and individual holdings information, such as yield, security type, and maturity to be included in the report.
Determine relevant benchmarks to gauge your performance.	Many investment policies specify a certain benchmark in one section and then state that the portfolio must maintain a weighted average maturity (WAM) that is not relevant to the benchmark in another section. The benchmark maturity should be similar to the WAM of the portfolio in order to provide a meaningful performance comparison over time. Since investment programs are dynamic and the WAM may change over time, providing a statement that the benchmark and the investment portfolio should be similar in WAM allows for flexibility to change the benchmark when it is necessary without formally revising the investment policy. Governments must also be careful that the way the performance of their portfolio is measured is consistent with the method used by the benchmark. Some governments use a benchmark whose performance is measured based on a total return calculation but report their own performance based on weighted average yield.
Adopt your investment policy as a resolution or an ordinance.	Many entities develop an investment policy as an internal document and do not require formal governing body approval. By adopting the policy as an ordinance or a resolution, the policy becomes an official document.
Put specifics such as authorized personnel and authorized financial institutions and broker/dealers in an appendix attached to the policy.	Policies that include names rather than titles of personnel and specific names of authorized business partners can become outdated and require governing body approval when updated. Using only titles and referencing appendix items in the policy allows the policy itself to stay current. Appendix items can be easily updated and do not require governing body approval.

By using this article as a checklist, public entities can help ensure that their investment policies are complete. The Government Finance Officers Association provides a Sample Investment Policy to include expanded examples of sample policy language. The sample policy is available on GFOA's website at www.gfoa.org/downloads/SampleInvestmentPolicy.pdf.

TheECONOMY

The British are Leaving!

The recent decision by 52.9 percent of Britons to leave the European Union was the driving force behind the market gyrations over the past few weeks. The volatility centers more on speculation than certain economic impacts, as the entire process for the United Kingdom to sever ties with the Union will take at a minimum two years to play out. The sentiment behind the "leave" campaign focused on immigration issues and general displeasure with the current political environment. The market reaction was one of entering "safe haven" trades in US Treasury securities, causing yields to grind lower.

The Federal Open Market Committee met on June 15. The Committee left rates unchanged, as the official release stated; "the pace of improvement in the labor market has slowed while growth in economic activity appears to have picked up." The current environment led the Fed to remain on hold and readjust the dot plot for future rate estimates. The forecast now points to a lower terminal Fed Funds rate and a longer time horizon to achieve that target.

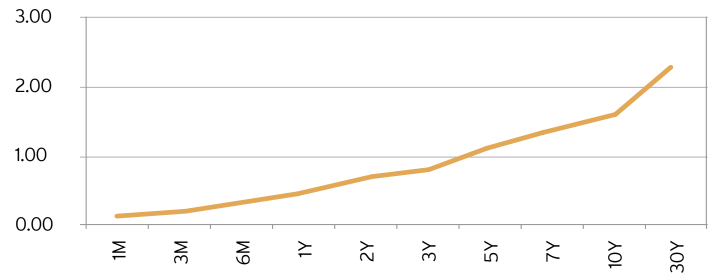
Current Fed fund futures rates indicate close to zero chance of a Federal Funds rate hike for 2016 and most of 2017. The mantra seems to have morphed from "Don't fight the Fed" to "Don't fight the Market."

The payroll report revealed that hiring picked up in June, adding 287,000 jobs. The three-month average moved to 147,000 jobs created, slower than the 200,000 average for the first quarter of 2016. The unemployment rate moved higher to 4.9% from 4.7% as the participation rate increased. This will stir up the debate around the next Fed Funds rate hike.

Portfolio Strategy

The Fed has been in a holding pattern for the past four meetings after raising rates late last year. The potential for further rate hikes in conjunction with October's pending money-market reform may provide market opportunities later this year.

US Treasury Curve



Source: Bloomberg

Treasury Yields

MATURITY	6/30/16	5/27/16	CHANGE
3 Month	0.220%	0.300%	-0.080%
6 Month	0.270%	0.400%	-0.130%
1 -Year	0.410%	0.650%	-0.240%

Source: Bloomberg

Agency Yields

MATURITY	6/30/16	5/27/16	CHANGE
3 Month	0.280%	0.390%	-0.110%
6 Month	0.340%	0.450%	-0.110%
1 -Year	0.460%	0.630%	-0.170%

Source: Bloomberg

Commercial Paper Yields (A-1/P-1)

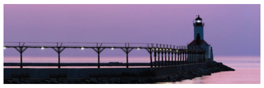
MATURITY	6/30/16	5/27/16	CHANGE
1 Month	0.540%	0.510%	0.030%
3 Month	0.660%	0.630%	0.030%
6 Month	0.860%	0.870%	-0.010%
9 Month	1.030%	1.020%	0.010%

Source: Bloomberg

Current Economic Releases

DATA	PERIOD	VALUE
GDP QoQ	Q1 '16	1.10%
US Unemployment	May '16	4.70%
ISM Manufacturing	May '16	53.2
PPI YoY	May '16	-2.30%
CPI YoY	May '16	1.00%
Fed Funds Target	Jun 15 '16	0.25% - 0.50%

Source: Bloomberg



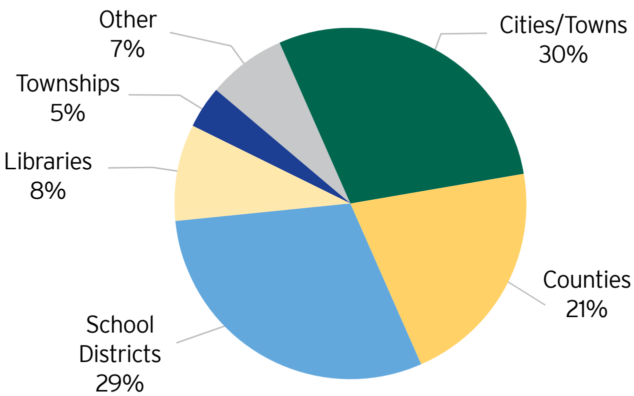
TrustINdiana™

TheINVESTOR July 2016

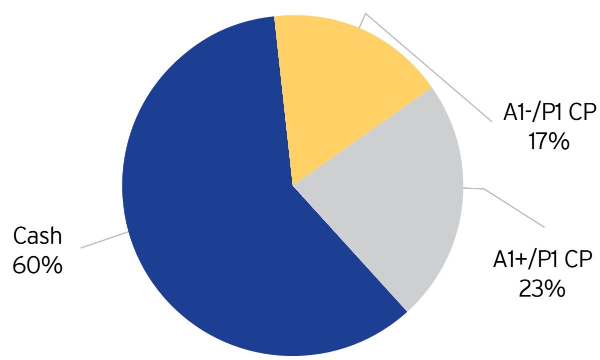
TheFUND

Fund Highlights as of June 30, 2016 (Unaudited)

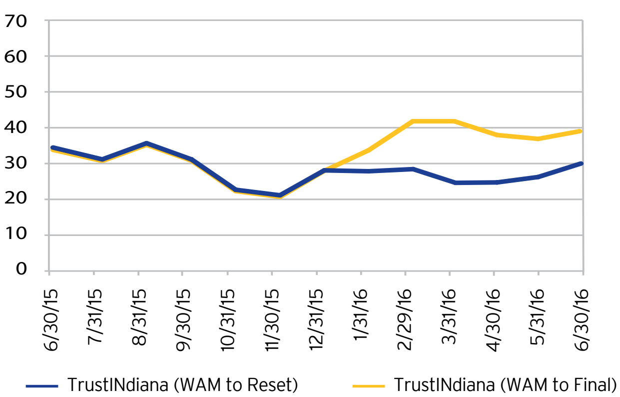
Participant Breakdown



Portfolio Distribution

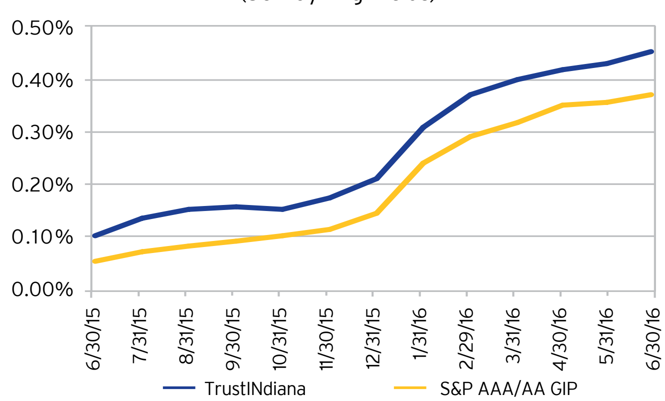


Weighted Average Maturity



TrustINdiana vs S&P AAA/AA GIP*

(30 Day Avg Yields)



Month	Avg Daily Yields**	WAM (to Reset)***	NAV	Month Ending Net Assets
Apr-16	0.42%	25	1.00	$522,563,124.42
May-16	0.43%	27	1.00	$554,902,954.86
Jun-16	0.46%	30	1.00	$559,090,117.94

*** 30 day yield as of the last day of the month*   *** As of the end of the last day of the month*

Data Unaudited. All comments and discussion presented are purely based on opinion and assumptions, not fact, and these assumptions may or may not be correct based on foreseen and unforeseen events. The information above is not a recommendation to buy, sell, implement or change any securities or investment strategy, function or process. Any financial and/or investment decision should be made only after considerable research, consideration and involvement with an experienced professional engaged for the specific purpose. Additionally, past performance is not an indication of future performance. Any financial and/or investment decision may incur losses.

*The benchmark, the S&P US AAA & AA Rated GIP All 30 Day Net Yield (LGIP30D) is a performance indicator of rated GIPs that maintain a stable net asset value of $1.00 per share and is an unmanaged market index representative of the LGIP universe. The S&P benchmark utilized in this comparison is a composite of all rated stable net asset value pools. GIPs in the index include only those rated based on Standard & Poor's money market criteria. Pools rated 'AAAm' provide excellent safety and a superior capacity to maintain principal value while those rated 'AAm' offer very good safety and a strong capacity to maintain principal value (Source: Standard & Poor's website.) The comparison between this index and the portfolio may differ in holdings, duration and percentage composition of each holding. Such differences may account for variances in yield.