TrustINdiana

TheINVESTOR
August 2015

Local Government Investment Pool

How to Stay on Top of Your Water Cooler Conversations...Fed Jargon

Whenever the Federal Open Market Committee (FOMC) meets, it is hard not to run into news articles that are centered around the Fed Funds Target Rate and the possibility of the rate being raised in the near future. Within these articles, there are quite a large amount of economic and financial jargon that could use a little explaining. Here are a few phrases to arm yourself with when the water cooler conversations are centered around the Fed.

The Fed: Short for The Federal Reserve System, which is the central banking system of the United States. The president of the Federal Reserve System appoints the board of governors. The Federal Open Market Committee (FOMC) is a subset of the Fed. It is responsible for open market operations, (the purchase and sale of securities in the open market by a central bank), within the Fed. Referring to the "Fed" could mean both the Federal Reserve, and the FOMC.

Fed-speak: Vague, wordy statements made by the Fed to prevent markets from overreacting to statements made by the Fed Chairperson. Here is an example from Janet Yellen from March 27, 2014 - "I believe that the appropriate time has not yet arrived, but I expect that conditions may warrant an increase in the federal funds rate target sometime this year."

Hawk: An economist or policy maker who is in favor of higher interest rates in order to keep inflation in check. This individual is more concerned with interest rates and inflation than unemployment. Remember Fed Chair Paul Volcker (1979-1987)? He was a hawk. *

Dual Mandate: Refers to The Federal Reserve Act amendment of 1977, which states that the objectives of the Federal Reserve are 1) maximum employment and 2) stable prices. Generally speaking, when we talk about the FOMC raising the Fed Funds Target Rate, the two major factors driving the FOMC's decision are inflation and unemployment.

Shallow Hike: When/if the FOMC decides to raise the Fed Funds Target Rate, many economists believe that it will happen slowly, and in small (shallow) increments. A 0.25% hike will likely be the FOMC's first move, in which they may sit on that rate hike to see what happens to the economy.

Lift-off: Lift-off would be initiated by an increase in the Fed Funds Target Rate (which currently ranges from 0.0% to .25% and has been that way since 2008). This would signal that the FOMC believes the US economy has generally recovered from the Great Recession. Most investments professionals and investors in general are ready for this to happen.

Dot Plot: A visual representation of where each voting member of the FOMC projects the Fed Funds Target rate will be in the near and long term future.

Dove: An economist or policy maker who is in favor of expansionary monetary policy, achieved by keeping interest rates low to encourage consumer borrowing and spending. Concentrated more on the unemployment mandate of the Fed than the inflation mandate. Fed Chair Janet Yellen is considered "dovish". So were Ben Bernanke and Alan Greenspan. *

*Picture taken from federalreserve.gov on 7/1/15 http://www.federalreserve.gov/aboutthefed/bios/board/yellen.htm, http://www.federalreservehistory.org/People/DetailView/82

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. Of course past performance is not an indication of future performance. Any financial and/or investment decision may incur losses. Public Trust Advisors, LLC is not a chartered bank, trust company or depository institution. It is not authorized to accept deposits or trust accounts and is not licensed or regulated by any state or federal banking authority.

TheINVESTOR
August 2015

TrustINdiana™
Local Government Investment Pool

TheECONOMY

Looking for Some Improvement

During its July meeting, the Federal Reserve (Fed) maintained an upbeat assessment of the economy and the prospect of raising interest rates before the end of the year. The latest wrinkle from the Fed is that it would like to see "some" additional improvement in the labor market before raising rates. While it may be a futile endeavor to quantify what "some" means, this certainly gives the Fed latitude to adjust its threshold for tightening monetary policy later this year.

While far from outstanding, the economy appears to have gained momentum going into the second half of the year. Second quarter Gross Domestic Product grew 2.3 percent, and the first quarter saw an upward revision of 0.8 percent. Needless to say, the next two jobs reports for July and August will play a critical role in the Fed's decision to tighten rates at one of its three remaining meetings this year. The wildcard could be the continuing collapse in commodity prices, jeopardizing the Fed's confidence that inflation will move back towards its 2 percent objective over the medium term.

Although a September move from the Fed is not out of the question, federal funds futures contracts put a higher probability on the first rate hike occurring at the December meeting. The markets were generally calm in July, with U.S. corporations posting mostly solid earnings and the Greek debt crisis fading into the background on yet another last-minute temporary solution. For some, the case for raising interest rates may not be exceedingly strong. However, after six-plus years of maintaining a zero-rate policy the Fed may be anxious to start the process to see how the markets react when the punch bowl is finally taken away.

Portfolio Strategy

Short-term rates continued to be well anchored by the Fed's zero interest target rate policy. However, we are preparing for the Fed to eventually lift rates in the second half of 2015. As always, we remain focused on safety, liquidity and then yield.

US Treasury Curve

Source: Bloomberg

Current Economic Releases

Data	Period	Value
GDP QoQ	Q2 15	2.30%
US Unemployment	6/15	5.30%
ISM Manufacturing	7/15	52.7
PPI YoY	6/15	-2.60%
CPI YoY	6/15	0.10%
Fed Funds Target	7/29/15	0- 0.25%

Source: Bloomberg

Treasury Yields

Maturity	8/4/15	7/3/15	CHANGE
3 Month	0.060%	0.000%	**0.060%**
6 Month	0.140%	0.050%	**0.090%**
1 -Year	0.310%	0.230%	**0.080%**

Source: Bloomberg

Commercial Paper Yields (A1/P1)

Maturity	8/4/15	7/3/15	CHANGE
1 Month	0.160%	0.130%	**0.030%**
3 Month	0.270%	0.220%	**0.050%**
6 Month	0.430%	0.400%	**0.030%**
9 Month	0.620%	0.610%	**0.010%**

Source: Bloomberg

TheINVESTOR

August 2015

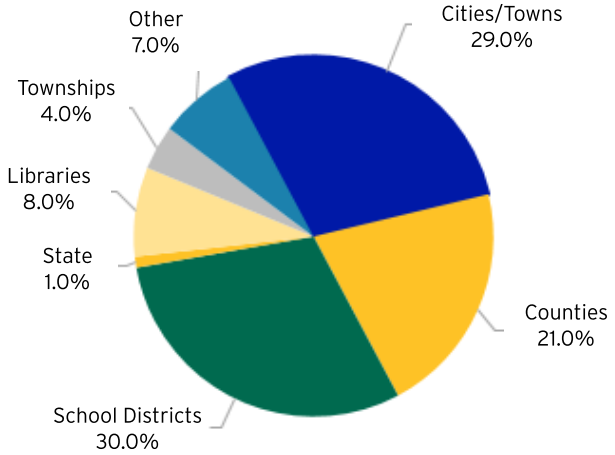
TrustINdiana™

Local Government Investment Pool

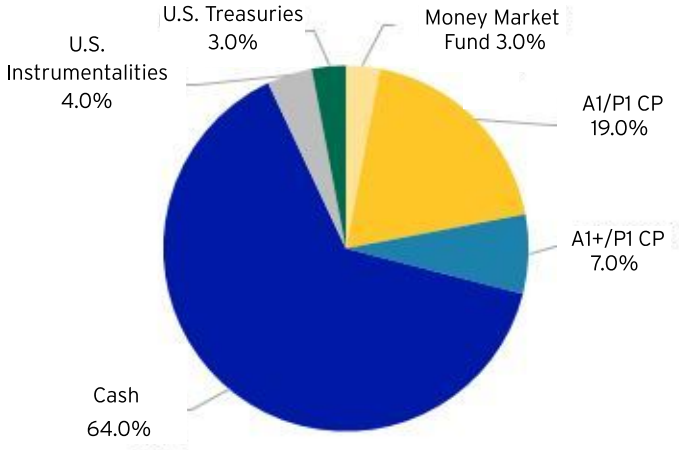
TheFUND

Fund Highlights as of July 31, 2015 (Unaudited)

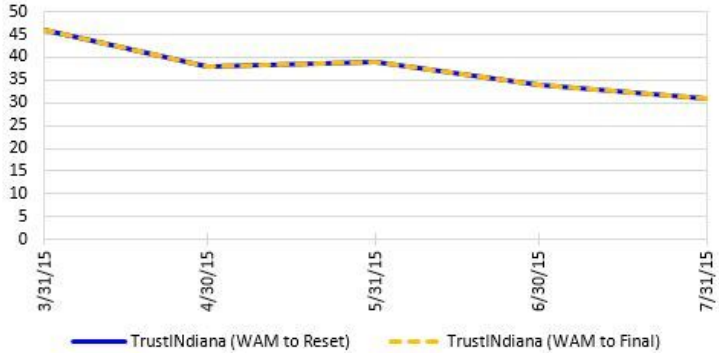
Participant Breakdown



Portfolio Distribution

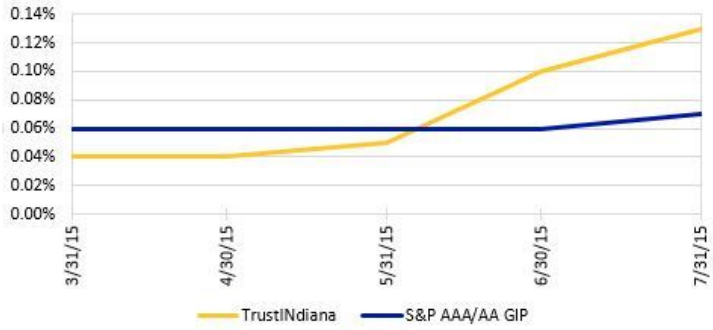


Weighted Average Maturity



TrustINdiana vs S&P AAA/AA GIP*

(30 Day Avg Yields)



Month	Avg Daily Yields**	WAM (to Reset) ***	NAV	Month Ending Net Assets
May 2015	0.05%	39	1.00	$472,991,012.53
June 2015	0.10%	34	1.00	$519,487,629.84
July 2015	0.13%	31	1.00	$517,775,633.16

***As of the end of the last day of the month ** 30 day yield as 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. Public Trust Advisors, LLC took over the management and advisory services effective May 1, 2015. All data prior to this date is from the previous Investment Advisor. As both Investment Advisors adhered to the investment policy there may be variances in yield, weighted average maturities and portfolio composition due to differing investment styles.

*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.