



TCU Monthly Fund Update – December 2018

TRUST FOR CREDIT UNIONS PORTFOLIO PERFORMANCE

For period ending: 12/31/2018

Units of TCU portfolios are not deposits or obligations of, or guaranteed or insured by the U.S. government, the National Credit Union Share Insurance Fund, the NCUA, or any other government agency. An investment in the portfolios involves risk, including the possible loss of principal.

January 2019 MARKET COMMENTARY

Provided by TCU's Investment Advisor, ALM First Financial Advisors, LLC

ECONOMIC UPDATE

It was the worst December for U.S. stocks since the Great Depression, and the outlook for global risk markets remains grim heading into 2019. A great deal of blame for the recent carnage has been placed on the Federal Reserve, particularly from President Trump. If anything, the Fed has been operating under standard central bank procedure according to its dual mandate to this point, but financial markets have become too accustomed to an unofficial third mandate popularized by Fed Chair Jerome Powell's three predecessors (Greenspan, Bernanke, and Yellen). Too often, these predecessors would make supportive statements or policy decisions in an apparent effort to boost asset valuations during periods of heightened market volatility. These actions were initially dubbed the "Greenspan put" in the 1990s, and hence, the assumption of a third mandate. In 2011, Fed Chair Ben Bernanke boasted in his belief that Fed asset purchases "have contributed to a stronger stock market, just as they did in March of 2009" following the initial round of quantitative easing. Under Janet Yellen's leadership, the Fed was also reluctant to raise rates until late in her term.

The problem with this "third mandate" is that it increases financial instability risks, as evidenced by the dot-com and housing bubbles of the 2000s. Fed Chair Powell seems to understand this dilemma, and his determination to continue with policy tightening in the face of volatile risk markets is commendable from this perspective. Business cycles must come to an end, and the current expansion is close to becoming the longest in history (and already well above average in terms of duration), as shown in Exhibit 1. Powell is not inexperienced whatsoever as it relates to financial markets and expected reactions. He has been an investment banker, hedge fund manager, and held numerous posts within the Treasury Department. It would seem that he is trying to lead the Fed down a prudent path given its assessment of current economic output and completely independent of market volatility and outside criticism, particularly from the executive branch. This should be a welcomed event from the many who have criticized previous Fed administrations of fueling asset bubbles. Will Fed tightening ultimately be followed by an economic recession? If yes, it would be consistent with almost all other Fed tightening cycles, but the severity of a recession can be amplified by the bursting of major asset bubbles, which most market participants fail to see until it's too late. This is precisely why those who have criticized the Fed for contributing to past bubbles should be applauding Powell for not wavering in the face of these pressures.

For more details on Market Trends from Investment Advisor, ALM First Financial Advisors, LLC, please visit www.almfirst.com.



Ultra-Short Duration Portfolio: Inception Date 7/10/91

Net Asset Value: 9.37	Standardized Total Return
Duration: 0.26	One-year Ave Annual Total Return: 1.18%
30-Day Distribution Rate: 2.29%	Five-year Ave Annual Total Return: 0.48%
30-Day Standard Yield: 2.41%	Ave Annual Return Since Inception: 2.67%

SECTOR ALLOCATIONS	
Sec Type Name	% of Portfolio
Collateralized Mortgage Obligation	62.42%
REPO	22.12%
Corporate Bond – Domestic	11.85%
Mortgage Backed Security	1.58%
Foreign Government Agency Issue US\$	0.89%
US Government Agency Issue	0.57%
Asset Backed Security	0.35%
Cash	0.22%
Total	100.00%

Total Returns for the period ending December 31, 2018

	Cumulative (%)				Average Annual (%)			
	TCU USDGP	9 month UST	6 month UST	1 year UST	TCU USDGP	9 month UST	6 month UST	1 year UST
Year to Date	1.18	1.89	1.92	1.86	n/a	n/a	n/a	n/a
Last 12 Months	1.18	1.89	1.92	1.86	1.18	1.89	1.92	1.86
Last 3 years	2.16	3.40	3.59	3.21	0.71	1.12	1.18	1.06
Last 5 years	2.41	3.75	3.94	3.56	0.48	0.74	0.78	0.70
Last 10 years	6.68	5.97	5.57	6.37	0.65	0.58	0.54	0.62

The waivers and expense limitations are voluntary and may be modified or terminated at any time at the option of the Investment Adviser. If this occurs, the expense ratio may change without shareholder approval.

The returns represent past performance. Past performance does not guarantee future results. The Portfolio's investment returns and principal value will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance quoted above. To obtain the most recent month end returns please call 1-800-DIAL-TCU.

Standardized Total Returns are average annual total returns or cumulative total returns (only if the performance period is one year or less) as of the most recent calendar quarter-end. They assume reinvestment of all distributions at net asset value. Returns do not involve a sales charge.

*The 9-Month Treasury Index represents an equally weighted blend of the 6-Month U.S. Treasury Bill Index and the One-Year U.S. Treasury Note Index as reported by Merrill Lynch. The 9-Month Treasury Index does not reflect any deduction for fees, expenses or taxes. The Six-Month U.S. Treasury Bill Index and One-Year U.S. Treasury Note Index, as reported by Merrill Lynch, do not reflect any deduction for fees, expenses or taxes. It is not possible to invest directly in an unmanaged index. Please see additional footnotes on last page.

The TCU Ultra-Short Duration Portfolio is not a money market fund. Investors in this Portfolio should understand that the net asset value of the Portfolio will fluctuate, which may result in a loss of the principal amount invested. The Portfolio's net asset value and yield are not guaranteed by the U.S. government or by its agencies, instrumentalities or sponsored enterprises. Investments in fixed income securities are subject to the risks associated with debt securities including credit and interest rate risk. The guarantee on U.S. government securities applies only to the underlying securities of the Portfolio if held to maturity and not to the value of the Portfolio's shares. The Portfolio's investments in mortgage-backed securities are subject to prepayment risks. These risks may result in greater share price volatility. Holdings and allocations shown are unaudited, and may not be representative of current or future investments. Holdings and allocations may not include the Fund's entire investment portfolio, which may change at any time. Fund holdings should not be relied on in making investment decisions and should not be construed as research or investment advice regarding particular securities. Please see additional footnotes on last page.

**Short Duration Portfolio- Date of Inception 10/9/92**

Net Asset Value: 9.52	Standardized Total Return
Duration: 1.93	One-year Ave Annual Total Return: 1.19%
30-Day Distribution Rate: 2.47%	Five-year Ave Annual Total Return: 0.63%
30-Day Standard Yield: 2.66%	Ave Annual Return Since Inception: 3.25%

SECTOR ALLOCATIONS	
Sec Type Name	% of Portfolio
Collateralized Mortgage Obligation	48.25%
Mortgage Backed Security	22.90%
Corporate Bond - Domestic	14.44%
REPO	6.69%
US Government Agency Issue	4.41%
US Government Note/Bond	2.95%
Money Market Fund	0.20%
Asset Backed Security	0.16%
Total	100.00%

Total Returns for the Period Ending December 31, 2018

	Cumulative (%)		Average Annual (%)	
	TCU SDP	2 year UST	TCU SDP	2 year UST
Year to date	1.19	1.48	n/a	n/a
Last 12 months	1.19	1.48	1.19	1.48
Last 3 years	2.61	2.35	0.86	0.78
Last 5 years	3.18	3.54	0.63	0.70
Last 10 years	13.14	9.21	1.24	0.88

The waivers and expense limitations are voluntary and maybe modified or terminated at any time at the option of the Investment Adviser. If this occurs, the expense ratio may change without shareholder approval. The returns represent past performance.

Past performance does not guarantee future results. The Portfolio's investment returns and principal value will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance quoted above. To obtain the most recent month-end returns, please call 1-800-DIAL-TCU.

Standardized Total Returns are average annual total returns or cumulative total returns (only if the performance period is one year or less) as of the most recent calendar quarter-end. They assume reinvestment of all distributions at net asset value. Returns do not involve a sales charge.

* The Two-Year U.S. Treasury Note Index as reported by Merrill Lynch does not reflect any fees, expenses or taxes. It is not possible to invest directly in an unmanaged index. Please see additional footnotes on last page.

The TCU Short Duration Portfolio is not a money market fund. Investors in this Portfolio should understand that the net asset value of the Portfolio will fluctuate, which may result in a loss of the principal amount invested. The Portfolio's net asset value and yield are not guaranteed by the U.S. government or by its agencies, instrumentalities or sponsored enterprises. Investments in fixed income securities are subject to the risks associated with debt securities including credit and interest rate risk. The guarantee on U.S. government securities applies only to the underlying securities of the Portfolio if held to maturity and not to the value of the Portfolio's shares. The Portfolio's investments in mortgage-backed securities are subject to prepayment risks. These risks may result in greater share price volatility.

Holdings and allocations shown are unaudited, and may not be representative of current or future investments. Holdings and allocations may not include the Fund's entire investment portfolio, which may change at any time. Fund holdings should not be relied on in making investment decisions and should not be construed as research or investment advice regarding particular securities. Please see additional footnotes on last page.

December 2018 Monthly Fund Update



Notes

1. The Standardized 7-Day Current and Effective Yields are calculated in accordance with securities industry regulations and do not include capital gains. The Standardized 7-Day Current Yield may differ slightly from the actual distribution rate because of the exclusion of distributed capital gains, which are non-recurring. The Standardized 7-Day Effective Yield assumes reinvestment of dividends for one year.
2. The Standardized 30-Day Yield is calculated by annualizing the net investment income per share earned by the Portfolio over a 30-day period divided by the maximum public offering price per unit of the Portfolio on the last day of the period. This yield does not necessarily reflect income actually earned and distributed by the Portfolio and, therefore, may not be correlated to the dividends or other distributions paid to shareholders.
3. Distribution Rate is the net annualized distribution rate for the month, based on the average daily income dividend during the period and the ending NAV per unit.
4. The Net Asset Value (NAV) is the market value of one unit of the Portfolio.
5. Duration is a method of determining a bond's price sensitivity to a given change in interest rates. The duration for a fixed income mutual fund portfolio is calculated by dividing the sum of the time-weighted values of the cash flow of the bonds held in the portfolio, including interest and principal payment, by the sum of the present values of the cash flow. Duration is also a useful tool for measuring a change in unit price for a given change in interest rates. For example, a 100 basis point rise in interest rates would result in an approximately 10-cent decline in NAV in a portfolio with a duration of one year; the NAV of a portfolio with a three-year duration would decline approximately 30 cents.
6. The Cumulative Total Return is determined by computing the percentage change in the value of \$1,000 invested for specified periods, assuming reinvestment of all distributions at NAV. The Average Annual Total Return represents the change in value of an investment without a sales load (but including management fees and other expenses) on the purchase of fund shares over the specified period. It is calculated by dividing the NAV on the cited date by the NAV at the beginning of the period, with all distributions reinvested in additional shares.

7. Total Portfolio Operating Expenses (after current waivers and expense limitations) are:

USD	SD
0.34%	0.34%

8. As of May 30, 2014 the Trust for Credit Unions Money Market Portfolio has been temporarily suspended.