

Trust for Credit Unions Mortgage Securities Portfolio Portfolio Summary

A Fund Designed for Credit Unions

INVESTMENT OBJECTIVE

The Portfolio seeks to achieve a high level of current income consistent with low volatility of principal. It invests primarily in privately issued mortgage-related securities rated AA or better by Standard & Poor's Ratings Group or other nationally recognized statistical rating organizations ("NRSROs") and in mortgage-related securities issued by the U.S. government or its agencies or instrumentalities. All securities in the Portfolio are authorized under the Federal Credit Union Act.

PERMISSIBLE INVESTMENTS

To ensure quality in seeking to fulfill its investment objective, the Portfolio will invest exclusively in:

- Mortgage-related securities, including adjustable rate and fixed rate mortgage pass-through securities and collateralized mortgage obligations;
- Mortgage-related securities issued or guaranteed by the U.S. government and its agencies or instrumentalities;
- Other securities issued or guaranteed by the U.S. government and its agencies or instrumentalities such as U.S. Treasury bills, notes, and bonds; and
- Short-term obligations that are typical investments for a money market fund.

INVESTOR PROFILE

The Trust for Credit Unions Mortgage Securities Portfolio is intended for credit union investors who seek high current income from investments further out on the yield curve than the Trust's other portfolios. It consists primarily of conventional mortgage-backed securities and obligations of the U.S. government.

INVESTMENT PROCESS

A sophisticated investment process is imposed in seeking to meet the Portfolio's objective. It begins with a review of trends in the

overall economy and the various sectors of the U.S. mortgage market and then analyzes yield spreads, implied volatility, and the shape of the yield curve. Quantitative techniques are also applied including option-adjusted analytics to determine the optimum strategic asset allocation within the mortgage markets and to estimate mortgage prepayments and cash flows under the different interest rate scenarios. Additionally, in seeking to reduce net asset value fluctuation, the portfolio managers limit the Portfolio's duration and use active management techniques to hedge interest rate risk.

PORTFOLIO FACTS

Duration

The Portfolio has a target duration equal to that of a two-year U.S. Treasury security. Its maximum duration cannot exceed that of a three-year U.S. Treasury security.

Fluctuating Net Asset Value With Daily Liquidity

The Portfolio's net asset value per unit fluctuates as the value of its securities changes in response to changing interest rates, principal prepayments, and other factors. Portfolio units may be redeemed upon request on any business day at the net asset value. This enables the Portfolio to offer greater liquidity than short-term investments with redemption restrictions and direct investments in certain mortgage-backed securities.

Investment Flexibility

There is no minimum investment requirement for the Portfolio.

Income

Income is accrued daily and paid monthly in additional units unless cash distributions are elected. Over the course of the year, dividends accrued and paid will constitute substantially all of the Portfolio's net investment income. The Portfolio also intends that all net realized long-term and short-term capital gains will be declared and paid as a dividend at least annually.

Purchases and Redemptions

Purchases may be made at the net asset value next determined after an order is received. Payment must be made by Federal Funds Wire on the next business day. Units begin earning income on the next business day, provided the federal funds are received.

The Trust for Credit Unions Portfolios are not deposits or obligations of, or guaranteed or insured by any agency of the United States such as the National Credit Union Share Insurance Fund (NCUSIF), or a private share insurance or guaranty arrangement, and are not guaranteed or otherwise supported by Callahan Financial Services, Inc. and Goldman, Sachs & Co. Callahan Financial Services, Inc. and Goldman, Sachs & Co. are each separate, distinct and unaffiliated companies.

Goldman, Sachs & Co. and Callahan Financial Services are co-distributors of the Portfolios.

The investment return and principal value of an investment in a fixed income fund will fluctuate with changes in market conditions. Therefore, an investor's shares may be redeemed at more or less than the original cost.

This material is not authorized for distribution to prospective investors unless preceded or accompanied by a current prospectus. Additional information may be obtained by writing to the address on the back or by calling 1-800-621-2550. Investors should read the prospectus carefully before investing or sending money.



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Redemptions may be made at the net asset value next determined after a redemption request is received.

INDUSTRY KNOWLEDGE

Callahan Financial Services

Callahan Financial Services, formed in 1987, is a licensed broker/dealer and wholly owned subsidiary of Callahan & Associates. Callahan & Associates was formed in 1985 by the former chairman, general counsel, and regulatory director of the National Credit Union Administration. Callahan & Associates has become a significant presence in the credit union community through its consultative services, which include research, strategic planning, management services, and publishing – all exclusively for credit unions.

INVESTMENT EXPERTISE

Goldman Sachs Asset Management

A separate operating division of Goldman, Sachs & Co., a leader in wealth management for over 129 years, Goldman Sachs Asset Management leverages its firm's vast global resources, research, and risk-management expertise. Goldman Sachs Asset Management has built a broad and experienced team of portfolio managers with mortgage securities experience:

- The Portfolio managers at Goldman Sachs Asset Management oversee more than \$13.0 billion in mortgage securities (as of June 1999).
- The team is experienced in the analysis, valuation, and trading of these markets, and is able to draw upon the economic and fixed income resources of Goldman, Sachs & Co., which include the firm's proprietary models. In particular, option-adjusted analytics are used to estimate mortgage prepayments and cash flows under different interest rate scenarios.

A POWERFUL PARTNERSHIP WORKING FOR YOU

The TCU Portfolios

TCU is the first family of mutual funds created exclusively for credit unions. Established in 1987 through a joint venture between Callahan Financial Services, Callahan Credit Union Financial

Services Limited Partnership, and Goldman, Sachs & Co., the Trust offers credit union investors the advantages of portfolios that are:

- structured exclusively for credit unions to conform with NCUA guidelines;
- designed, serviced, and overseen by credit union experts; and
- managed by one of the premier global wealth management organizations.

INVESTOR BENEFITS

TCU Portfolios offer distinct investor advantages:

- High credit quality and portfolio diversification
- Daily liquidity and convenience
- Competitive yield and total rate of return
- Active professional management
- Quality, personalized service
- Seeks stable net asset value
- No minimum investment required
- No transaction or service fees

FOR MORE INFORMATION

For more information on the Trust for Credit Unions, contact the Trust distributors:

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