



## TCU Monthly Fund Update – October 2017

### TRUST FOR CREDIT UNIONS PORTFOLIO PERFORMANCE

For period ending: 10/31/2017

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.



## **November 2017 MARKET COMMENTARY**

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

### **ECONOMIC UPDATE**

In recent weeks, the two themes capturing the most attention from financial markets have been 1) the tax reform effort, and 2) the White House nominee for Fed Chair. In addition to fiscal policy (tax reform) and monetary policy (fed leadership), the narrative could be expanded to include inflation and real growth. These factors have generally provided a boost to financial markets over the last several weeks, but the tailwinds subsided somewhat in late October. The inflation component is really dependent on the other three factors, and while there have been flashes of reflationary pressures in the U.S. and abroad in recent weeks, the consumer price landscape remains mixed (e.g., tepid U.S. PCE report and disappointing Eurozone CPI for September). Domestic real growth has improved, including a better-than-expected initial estimate of Q3 GDP, and it is generally supportive of reflationary expectations. However, the boost from fiscal and monetary policy expectations has waned.

On the tax reform front, the first (and easiest) step was accomplished in mid-October when the Senate passed a budget resolution, which is a necessary procedural step in the legislative process. While this was largely expected, the Senate version did include some components that were preferred by House Republicans, which was a somewhat surprising gesture considering the current political climate. As such, the House was able to pass its version of the budget resolution the following Thursday, clearing the way for the much more contentious battle of deciding on the actual components of the bill. This debate will likely center on four primary components: the level of tax rates, the number of rate brackets, deductions, and the deficit impact.

House Republicans are racing to produce their version of the bill this week, and the deficit impact component may prove the most difficult to overcome, particularly within the GOP itself. In order to actually offer the reduction in corporate and individual tax rates initially proposed by the White House and GOP leaders, there needs to be revenue offsets to reduce the budget impact of the tax cuts. The two biggest revenue generators have either been eliminated completely (border-adjustment tax) or cut significantly (state and local tax deduction). A recent Bloomberg article suggests GOP leaders are considering a 5-year phase-in of the corporate tax rate cut, which would lower the overall cost of the tax bill and potentially improve the odds of passage. Additionally, there's been talk of separating the corporate tax cuts from the individual cuts, which would focus on the former first and save the latter for late 2018 or 2019. Either way, compromise is necessary if something is going to get done in early 2018. If we get beyond Q1 2018 with no legislation, the odds of passing tax reform in 2018 could fall precipitously, due primarily to the mid-term elections

## September 2017 Monthly Fund Update

later in the year. In other words, it's difficult to get major legislation passed with Congressional elections looming in the background.

For more details on Market Trends from our Investment Advisor, ALM First Financial Advisors, LLC, please visit [www.almfirst.com](http://www.almfirst.com).

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

Net Asset Value: 9.45	Standardized Total Return
Duration: 0.86	One-year Ave Annual Total Return: 0.60%
30-Day Distribution Rate: 1.26%	Five-year Ave Annual Total Return: 0.17%
30-Day Standard Yield: 1.27%	Ave Annual Return Since Inception: 2.74%

SECTOR ALLOCATIONS	
Sec Type Name	% of Portfolio
Agency Domestic	1.97
Collateralized – ABS	0.00
Collateralized – MBS	68.08
Government	4.29
Cash	25.66
<b>Total</b>	<b>100.00</b>

**Total Returns for the period ending October 31, 2017**

	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
<b>Year to Date</b>	0.60	0.62	0.68	0.55	n/a	n/a	n/a	n/a
<b>Last 12 Months</b>	0.60	0.70	0.81	0.59	0.60	0.62	0.68	0.69
<b>Last 3 years</b>	0.81	1.49	1.60	1.39	0.49	0.50	0.53	0.46
<b>Last 5 years</b>	0.83	1.96	1.95	1.97	0.35	0.39	0.39	0.39
<b>Last 10 years</b>	10.73	9.78	8.49	11.07	1.51	0.94	0.82	1.06

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 Government 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: 9.63	<b>Standardized Total Return</b>
Duration: 1.94	One-year Ave Annual Total Return: 0.45%
30-Day Distribution Rate: 1.46%	Five-year Ave Annual Total Return: 0.35%
30-Day Standard Yield: 1.49%	Ave Annual Return Since Inception: 3.35%

<b>SECTOR ALLOCATIONS</b>	
<b>Sec Type Name</b>	<b>% of Portfolio</b>
Agency – Domestic	0.00
Collateralized – MBS	71.82
Government	11.12
Corporate	10.47
Cash	6.59
<b>Total</b>	<b>100.00</b>

**Total Returns for the Period Ending October 31, 2017**

	<b>Cumulative (%)</b>		<b>Average Annual (%)</b>	
	TCU SDP	2 year UST	TCU SDP	2 year UST
<b>Year to date</b>	0.93	0.53	n/a	n/a
<b>Last 12 months</b>	0.45	-0.02	0.45	-0.02
<b>Last 3 years</b>	1.48	1.39	0.49	0.60
<b>Last 5 years</b>	1.75	1.97	0.35	0.55
<b>Last 10 years</b>	16.22	11.07	1.51	1.75

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.

## September 2017 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.