



First Quarter 2009

Market Commentary

The U.S. economy remains weak, with the final reading for the fourth quarter of 2008 registering a 6.3% decline in growth. The report for the first quarter of 2009 is expected to post another drop.

The Federal Reserve is expanding its balance sheet through quantitative easing. The newest program, launched in late March, entails sizable purchases of U.S. Treasury securities and mortgage-backed bonds. This has driven rates for 30-year mortgages below 5%, igniting a sharp pick-up in refinancing activity. Additionally, effective April 1st, the U.S. Government reduces payroll taxes for a majority of workers and has implemented a tax credit for those first-time home buyers who close a transaction before the end of November 2009.

The many programs targeted at reviving the flow of credit, investment, and risk-taking in the economy are being hampered by the weakening employment picture. The March unemployment report of 8.5% is at a 25-year high. Many companies are asking employees to take unpaid days off or outright pay cuts to avoid layoffs. Not surprisingly, these trends and the collapse in household net worth due to the plunge in real estate and financial wealth have negatively impacted consumer confidence.

The situation for the automakers is becoming clearer with the March 30th repudiation by the Obama Administration of both Chrysler and General Motor's restructuring plans. The CEO of GM was ousted and the company told to make deeper cuts to receive additional aid. Chrysler was given a deadline to achieve a strategic partnership with Italy's Fiat.

Despite the headlines, the financial markets have stabilized and liquidity has improved substantially. Market participants, after panning Secretary Giethner's first major speech on economic and bank stabilization, now feel policymakers finally grasp the severity of the various issues and are taking concrete steps to address them. However, many conflicting forces are acting on the U.S. economy, including the ballooning budget deficit that is forcing massive new Treasury debt issuance which is offsetting the Fed's efforts to drive down yields. Looking down the road, there are concerns about devaluation of the currency and resurgent inflation. Oil prices, at least for now, remain relatively well behaved at about \$50 per barrel.

In January, the Treasury Department retracted their decision to allow the maturity of \$800 billion in special cash management bills. This has alleviated the supply crunch experienced earlier this year, although short-term Treasury bills remain in high demand and yields are still barely positive.

Overall market rates declined further in the quarter past, but the LIBOR (London Interbank Offered Rate) yield curve remained steep between the one and three month timeframe, a fact that we took advantage of by laddering maturities in our portfolio.

We retained our preference for purchasing short-term deposit obligations and U.S. Government guaranteed or GSE debt. We believe these issues have less credit risk and offer more liquidity in the secondary marketplace. This supports our desire to continue to protect principal and maintain very liquid securities in the portfolio through this challenging time.

Hillary Elder, Team Leader

Fund Profile

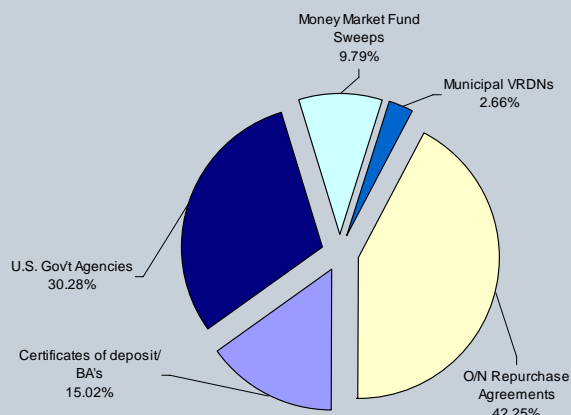
Advisor: HighMark® Capital Management, Inc.	State Domicile: California
Custodian: Union Bank, N.A.	Shareholder Base: Credit Unions
Trustee: Union Bank, N.A.	Inception: September 25, 1975
Auditor: Deloitte & Touche	Rating: Moody's Investor Services AAA assigned 12/18/97
Sponsor: NAFCU Services Corporation	

Fund Analysis*

Period Ending	1Q '09	1Q '08	1Q '07
Total Net Assets (\$Mil)	832.0	644.6	347.6
WAM Range (min to max, in days)	15-45	13-30	3-16
WAM Average (in days)	31	20	11
Effective 30 day yield	0.43	2.92	5.35

Portfolio Composition

As of March 31, 2009



Portfolio Review*

Monthly Average Rate

Jan 2009	0.7%
Feb 2009	0.5%
Mar 2009	0.4%

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