Third Quarter 2009

Market Commentary

This quarter was marked by a further drift toward lower yields in the money market sector. Three month LIBOR moved down another 0.30% to 0.28% and even more telling, the spread between one and three month LIBOR collapsed by 0.24% to just 0.04% (4 basis points) over the period.

The Federal Reserve Board concluded their two day meeting on September 23rd without action, but issued more favorable statements about the prospects for economic growth. The Fed Chairman and other economic seers have pronounced the recession as likely past. We are reserving judgment as to the quality and sustainability of “growth” as stimulus, fiscal and monetary, and transfer payments such as the recent “cash for clunkers” and the soon to expire “first time homebuyers tax credit” have driven the recent spurts in growth.

Earlier in the quarter, discussion centered on the possible method(s) and timing that could be used to remove the massive monetary stimulus currently in the U.S. economy. But with the release of the disappointing September payroll report, the conversation turned to whether additional stimulus may be needed. The unemployment rate rose to 9.8%, but the household survey reflected a massive 785,000 decline in workers. The official jobless-rate would have been even higher but for a 521,000 contraction in the labor force denominator.

Inflation has been well-behaved, the fundamentals of the housing market appear to be stabilizing, and capital markets liquidity and deal flow have improved. Consumer credit, however, is contracting rapidly, as banks are either reluctant to lend or there are few creditworthy borrowers applying. For individuals, financial hardship and household balance sheet de-leveraging continue.

Despite concerns about the long term cost of the massive stimulus implemented earlier this year, surging government borrowing is thus far being offset by demand from foreign central banks and U.S. financial institutions to invest in U.S. Treasury securities.

In mid-September, the short-term bill market was rocked by an announcement that the Treasury Department will reduce the Supplementary Financing Program (SFP) begun in September 2008. This program not only supplied much-demanded risk free investments during a period of intense market turmoil, but enabled the Fed to expand their balance sheet in response to the crisis. Given other Obama Administration initiatives pending, the Treasury is apparently unwilling to do battle to raise the rapidly approaching statutory debt ceiling. Some $200 billion of these bills are now outstanding, and will be allowed to decline to $15 billion by the end of October 2009. Inevitably, some market dislocation will occur. Very short-term bills are now trading below 0.05% and zero yields are not out of the question before year-end. Spillover effects will impact other asset classes.

Our outlook for interest rates has the Federal Reserve beginning to hike rates in the first quarter of 2010, moving the federal funds target incrementally toward 2% by the end of next year. In the near term, the substantial excess liquidity in the financial markets continues to depress yields. We remain focused on both credit quality and liquidity as we seek opportunities to enhance portfolio returns.

Hillary Elder, Team Leader

Fund Profile

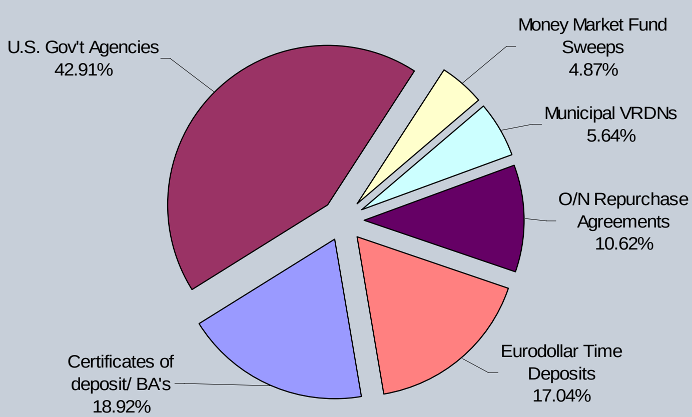
Adviser:	HighMark® Capital Management, Inc.	**State Domicile:**	California
Custodian:	Union Bank, N.A.	**Shareholder Base:**	Credit Unions
Trustee:	Union Bank, N.A.	**Inception:**	September 25, 1975
Auditor:	Deloitte & Touche	**Rating:**	Moody's Investor Services AAA assigned 12/18/97
Sponsor:	NAFCU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

Fund Analysis*

Period Ending	**3Q '09**	**3Q '08**	**3Q '07**
Total Net Assets ($Mil)	469.6	449.2	373.3
WAM Range (min to max, in days)	34-55	17-39	6-24
WAM Average (in days)	44	30	21
Effective 30 day yield	0.20	2.48	5.28

Portfolio Composition

As of September 30, 2009



Portfolio Review*

Monthly Average Rate

Jul 2009	0.23%
Aug 2009	0.23%
Sept 2009	0.20%

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Investments in NIFCU$ shares are not insured or guaranteed by the FDIC, the government, or any other agency. Although the Fund strives to maintain a stable net asset value of $1 per unit, there is no assurance that this will be achieved and it is possible to lose money by investing in shares. Only eligible credit unions may invest in shares of NIFCU$. State chartered credit unions should check their state's rules for compliance. Please request the NIFCU$ Deed of Trust & Plan of Common Trust Funds booklet and review carefully before investing. Past performance is not an indication of future results. Current yields may differ from those quoted. For more information about NIFCU$, including current rates, please see www.nifcus.com or call Toll-Free (800) 634-6521.

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