



Fourth Quarter 2009

Market Commentary

Extraordinary monetary easing this past year has led to a revival of the U.S. economy. Stimulus normally works with a six to nine month lag, putting this recovery within the normal timeframe. Most emergency programs designed to stabilize markets, promote liquidity, and improve access to credit are now terminating due to reduced need. Much of the TARP loans to larger banks have been repaid, and this industry has improved its overall capital ratios and earnings are on an upswing. Wards of the state that still present risk of losses to taxpayers includes two automakers, AIG, and the two largest government sponsored mortgage lenders.

Averages for weekly initial unemployment claims have declined from their March peak of 674,000 and are now trending below 450,000. However, as employers are reluctant to hire, we do not expect a dramatic improvement in the unemployment rate in 2010. Retail sales have picked up, as have industrial production and capacity utilization. Inflation remains muted, however commodity prices have risen strongly during all of 2009. The housing industry is still burdened by inventory overhang, but low mortgage rates for buyers with excellent credit scores, improved affordability, and the now extended new home-buyers tax credit are attracting bargain hunters. We expect the overall growth rate in 2010 to average just under 3%.

Financing the U.S. debt is becoming more of a concern, as is the performance of the U.S. dollar. The deficit has worsened over the past two years, but as a percentage of GDP is not quite as onerous as that of the Euro-zone or Japan. However, with the Federal Reserve halting its purchases of U.S. Treasury bonds just as supply is set to rise, we expect yields will have to rise to attract investors. With the financial crisis waning, voters are focusing on the Administration's push to advance an ambitious social agenda. Health care reform tops the priority list, however, changes to the tax code affecting higher income earners and new financial regulation pose a greater risk of derailing the long-term recovery.

We expect the Fed to begin raising short-term rates in the second quarter of 2010. The federal funds rate has been targeted at 0% to 0.25% for over a year and spreads on money market securities of all types have collapsed. This is punishing savers, as yields on U.S. Treasury issues maturing in less than 3 months, money market funds, and other low risk, short-term investments are hovering near 0%. For the second consecutive year, short-term Treasury yields breached 0% in December. This lack of attractive, high quality investment alternatives is placing financial pressure on the money market fund industry, as fee waivers are necessary to prevent posting negative returns to shareholders. We believe market participants are misreading policymakers' repeated statements about "conditions warranting exceptionally low levels of the federal funds rate for an extended period" to mean they will not raise rates in the foreseeable future. Adjusted for inflation, this rate could easily rise to 2% and still be accommodative.

Hillary Elder, Team Leader

Fund Profile

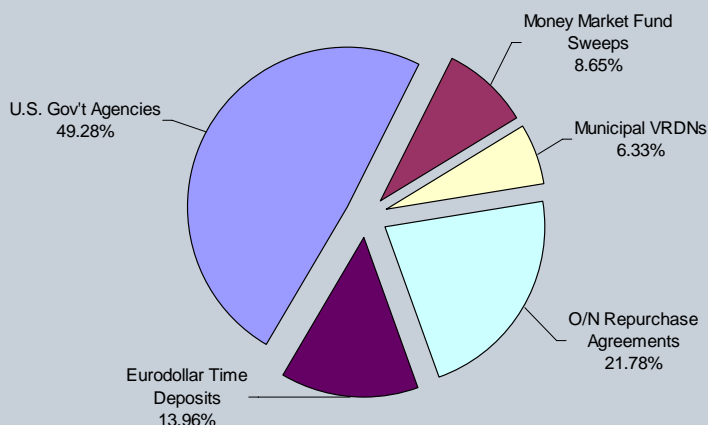
Adviser: HighMark® Capital Management, Inc.	State Domicile: California
Custodian: Union Bank, N.A.	Shareholder Base: Credit Unions
Trustee: Union Bank, N.A.	Inception: September 25, 1975
Auditor: Deloitte & Touche	Rating: Moody's Investor Services AAA assigned 12/18/97
Sponsor: NAFCU Services Corporation	

Fund Analysis*

Period Ending	4Q '09	4Q '08	4Q '07
Total Net Assets (\$Mil)	358.1	556.4	353.9
WAM Range (min to max, in days)	15-37	11-24	8-49
WAM Average (in days)	26	17	25
Effective 30 day yield	0.11	1.00	4.70

Portfolio Composition

As of December 31, 2009



Portfolio Review*

Monthly Average Rate

Oct 2009	0.14%
Nov 2009	0.12%
Dec 2009	0.11%

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