

Investment & Economic Update: Global Dynamics and Market Trends

*Jason Haley, Chief Investment Officer
ALM First Financial Advisors*

*Sam Taft, AVP, Business Development
Trust for Credit Unions*

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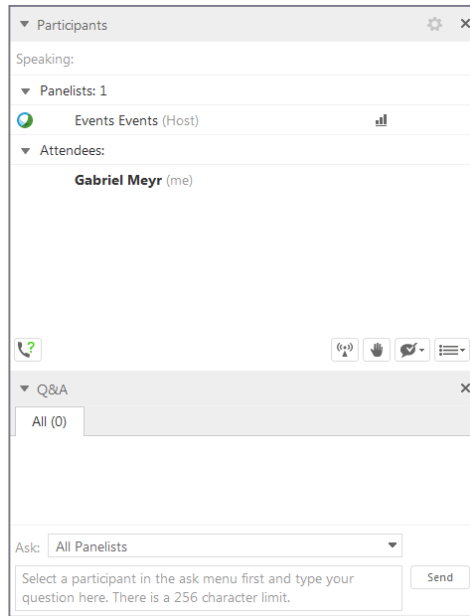
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Slide Link

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Agenda

- TCU Background
- ALM First Market Update
- Credit Union Investment Trends
- TCU Portfolios Progress Report

About Trust for Credit Unions

- Institutional investment options, **created specifically for credit unions**
- **ALM First** serves as *investment advisor*
- **Callahan Financial Services** serves as *distributor*
- Hundreds of credit union investors in our **30+ year history**

TRUST FOR CREDIT UNIONS

It's our mission to support credit union investment strategies through a professionally managed family of mutual funds that respond to the needs of the credit union industry.

Our mutual fund options keep credit unions always invested, are professionally managed, and are delivered with great client service and the cooperative values of credit unions always in mind.

Since 1987, TCU has helped credit unions invest excess member deposits, focusing on adding maximum value through collaboration.

We value what you value. Our core values, which have been derived from long-standing client relationships, say it all:

- Partnership and Collaboration
- Knowledge and Resource Management
- Access to Information
- Loyal Partners
- Strategic Resource

ALM First Market Update

Jason Haley
Chief Investment Officer
ALM First

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- The Fed announced a 50 bps rate cut yesterday, the first emergency action since the 2008 financial crisis
 - The decision is meant to offset risks that COVID-19 stalls the current economic expansion
 - Powell acknowledged the limitations of monetary policy in combating this issue, but said it should help ease the recent tightening of financial conditions
- Market volatility for all financial assets remains high amid elevated uncertainty regarding containment efforts
- Markets are now looking to fiscal policymakers
 - Emergency management plan
 - Fiscal measures to support businesses/individuals directly impacted by virus concerns

Fed Funds Futures Pricing

Pricing Date	03/04/20
Region: United States	Instrument: Fed Funds Futures
Target Rate	1.25
Effective Rate	1.59
Cur. Imp. O/N Rate	1.189

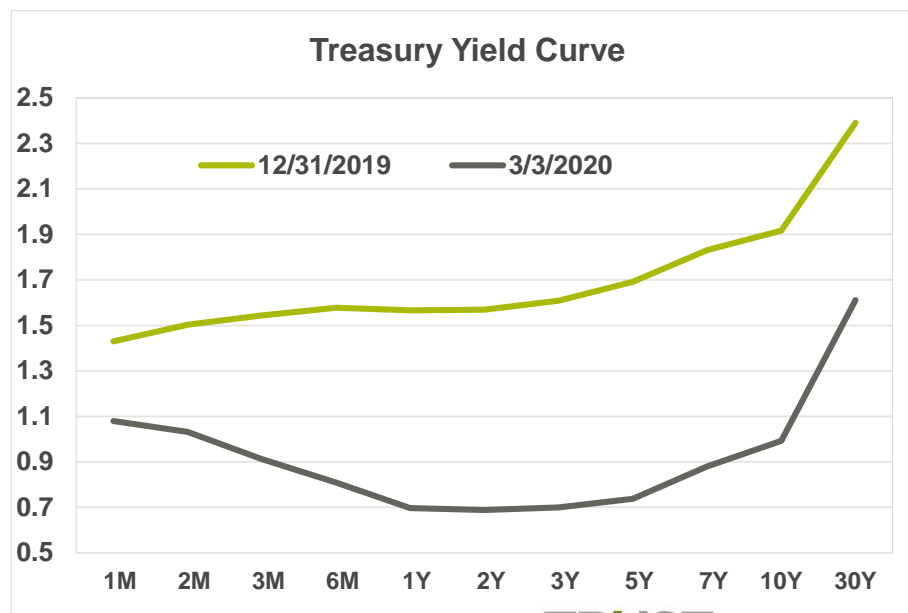
Meeting	#Hikes/Cuts *	%Hike/Cut	Imp. Rate Δ	Implied Rate
03/18/2020	-1.647	-164.7	-0.412	0.777
04/29/2020	-2.206	-55.9	-0.551	0.637
06/10/2020	-2.596	-39	-0.649	0.54
07/29/2020	-2.816	-22	-0.704	0.485
09/16/2020	-2.96	-14.4	-0.74	0.449
11/05/2020	-3.012	-5.2	-0.753	0.436
12/16/2020	-3.085	-7.3	-0.771	0.418
01/27/2021	-3.146	-6.1	-0.786	0.403

* Assumes 25 bps as standard hike/cut

Current Market Themes

- Treasury yields have fallen sharply in 2020 in a significant flight-to-quality trade
 - Long-end yields now at record lows
- Implied rate volatility surged over the last week to 78-month high
- Fixed income spreads are wider across almost all sectors
 - Fixed ACMBS spreads had been more stable due to demand for duration

Tenor	3/3/2020 (%)	12/31/2019 (%)	Change (bps)
1-Month	1.08	1.43	-0.35
3-Month	0.91	1.54	-0.63
6-Month	0.81	1.58	-0.77
1-Year	0.70	1.57	-0.87
2-Year	0.69	1.57	-0.88
5-Year	0.74	1.69	-0.95
10-Year	0.99	1.92	-0.92
30-Year	1.61	2.39	-0.78
Curves			
3mo-10yr	0.08	0.37	-0.29
2yr-5yr	0.05	0.12	-0.07
2yr-10yr	0.30	0.35	-0.04
2yr-30yr	0.92	0.82	0.10
5yr-10yr	0.26	0.23	0.03



Credit Union Investment Trends

Sam Taft

AVP, Business Development
Trust for Credit Unions

4Q19 Credit Union Performance Recap

#1

- Mortgage originations fuel lending activity



#2

- Certificates drive positive share growth



#3

- Strong ROA and Net Worth allows for future growth and investment

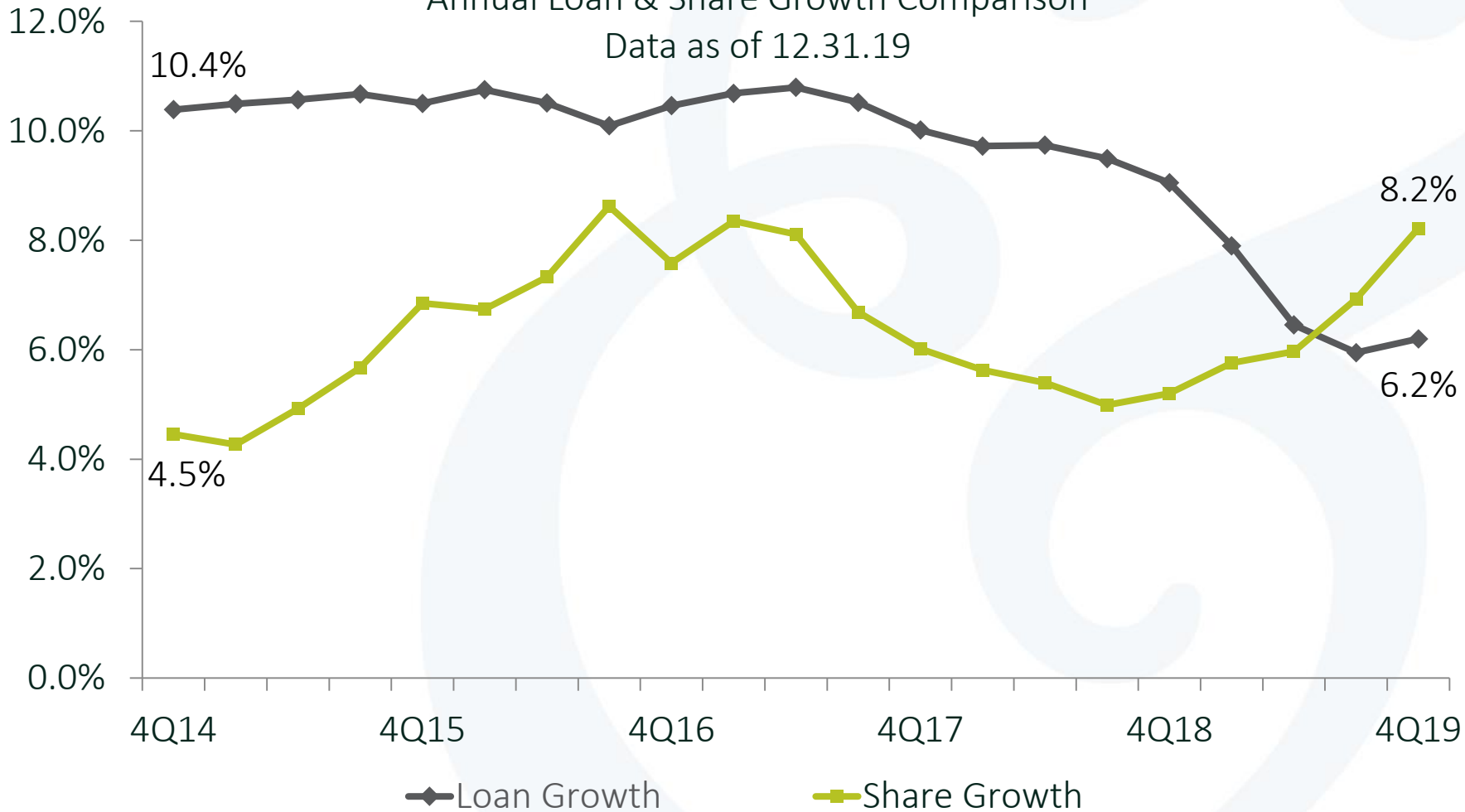


Share and capital growth accelerates; loan and membership growth slows

	As of 12/31/2019	12-mo. Growth 2019	12-mo. Growth 2018
Assets	\$1,585.6B	7.8%	5.4%
Loans	\$1,120.9B	6.2%	9.0%
Shares	\$1,336.2B	8.2%	5.2%
Investments	\$389.6B	11.1%	-4.1%
Capital	\$188.2B	10.6%	7.7%
Members	121.8M	3.6%	4.4%

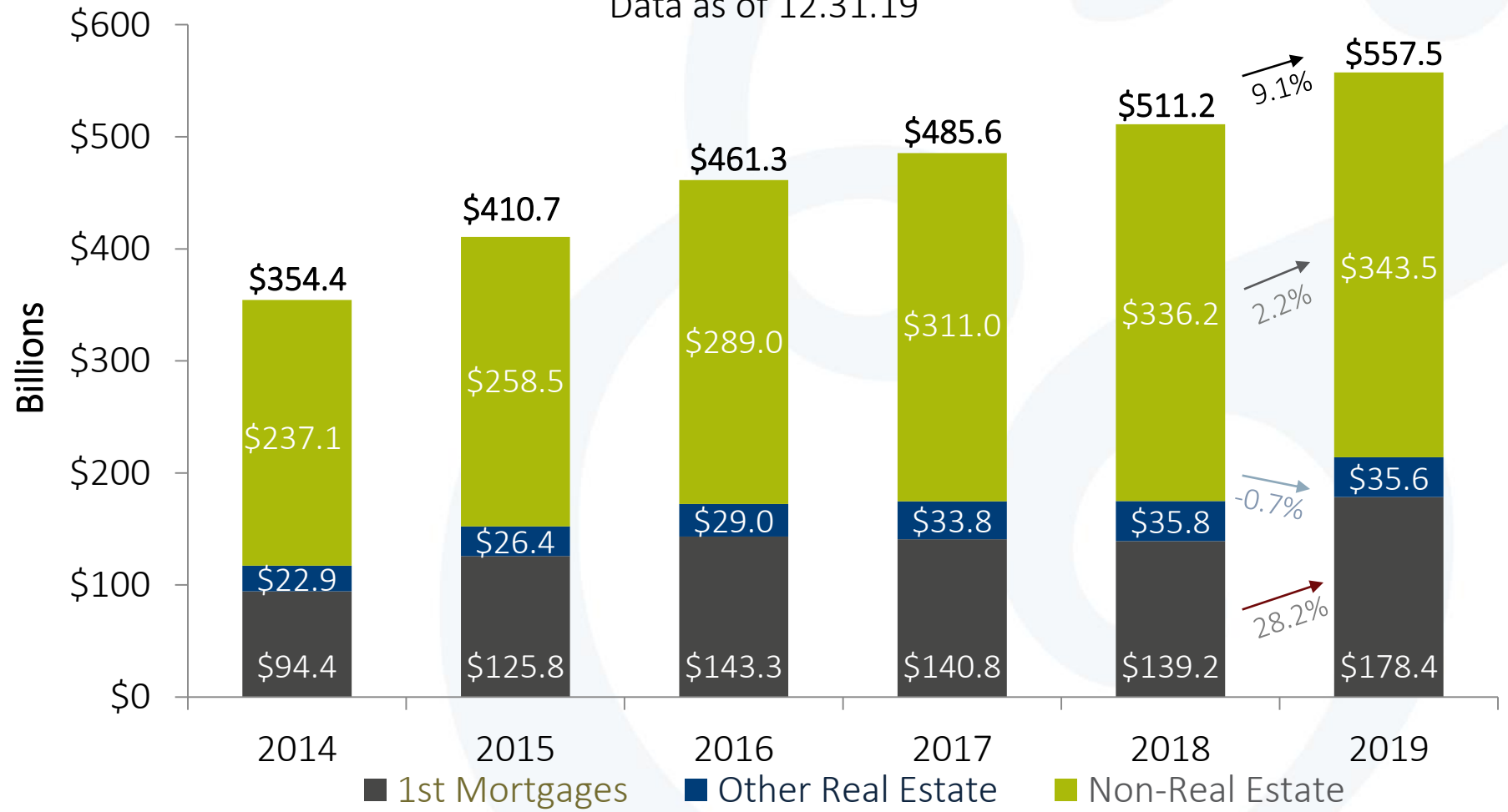
Industry loan growth has been slowing since 2Q17; share growth has consistently accelerated since 3Q18

Annual Loan & Share Growth Comparison
Data as of 12.31.19



1st mortgage originations make up 32% of loan volume in 2019

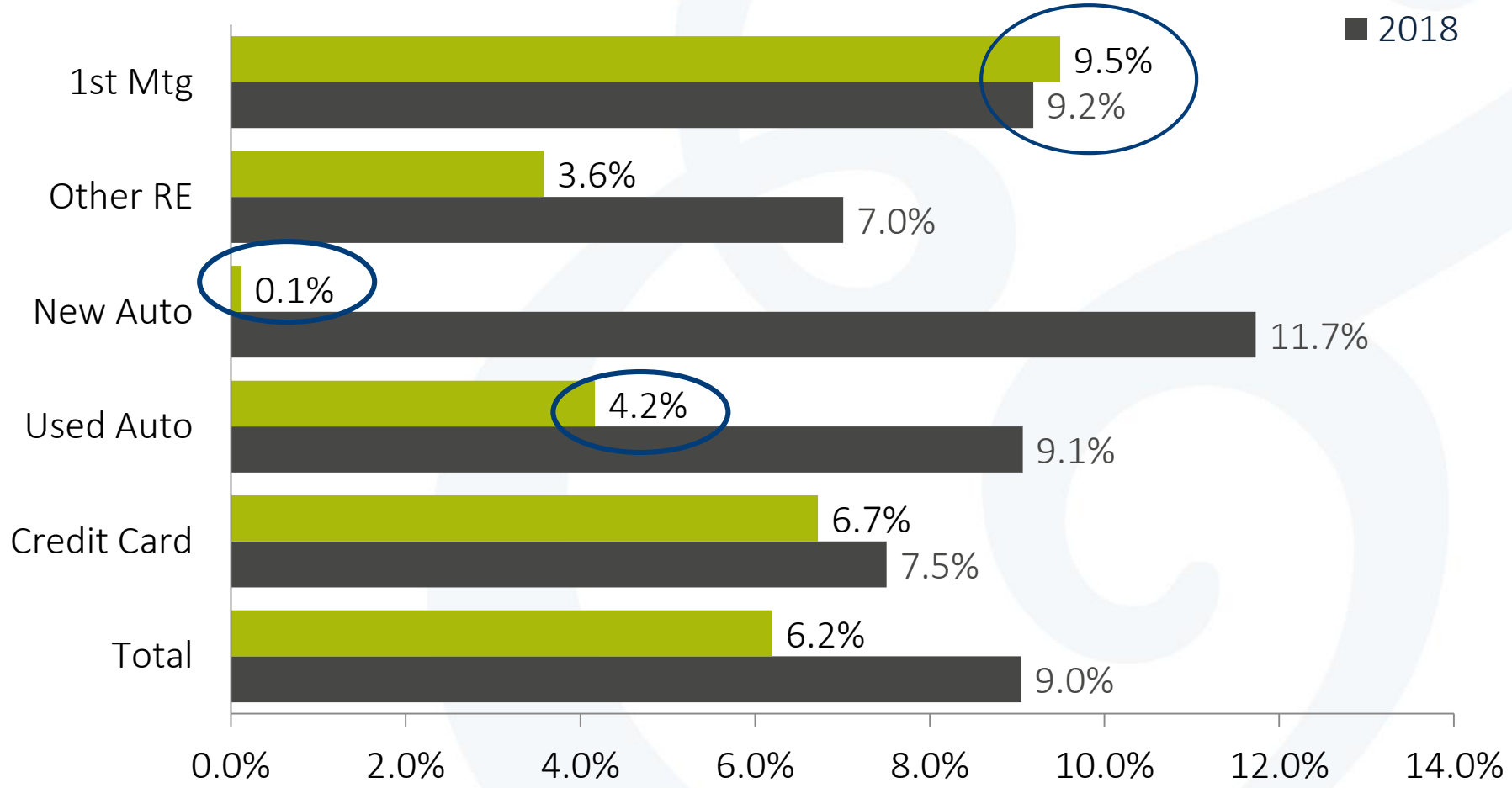
YTD Loan Originations
Data as of 12.31.19



1st mortgage growth accelerates as rate cuts spur refinance activity; auto loan growth slows significantly

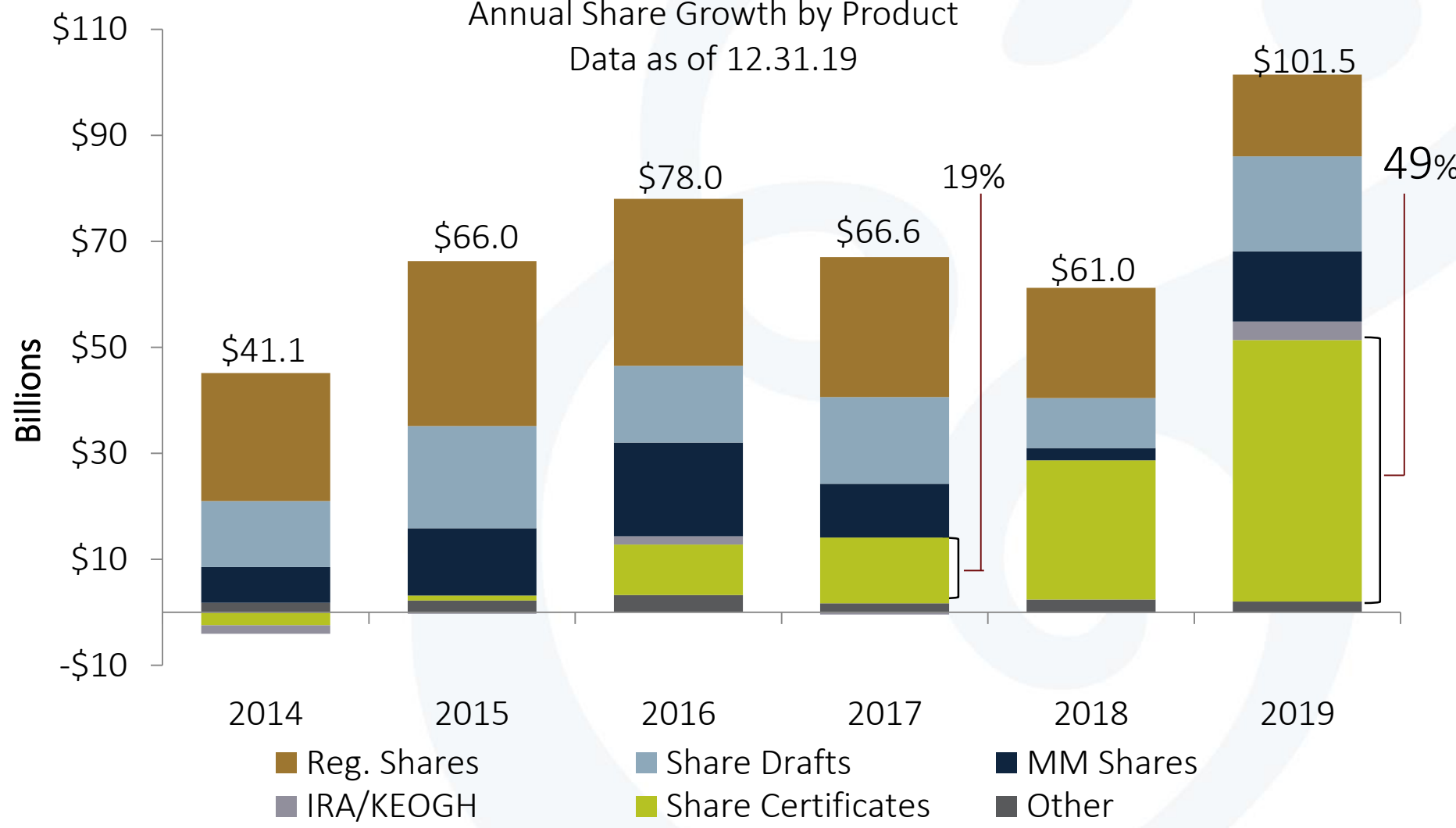
Annual Growth in Loans Outstanding
Data as of 12.31.19

■ 2019
■ 2018

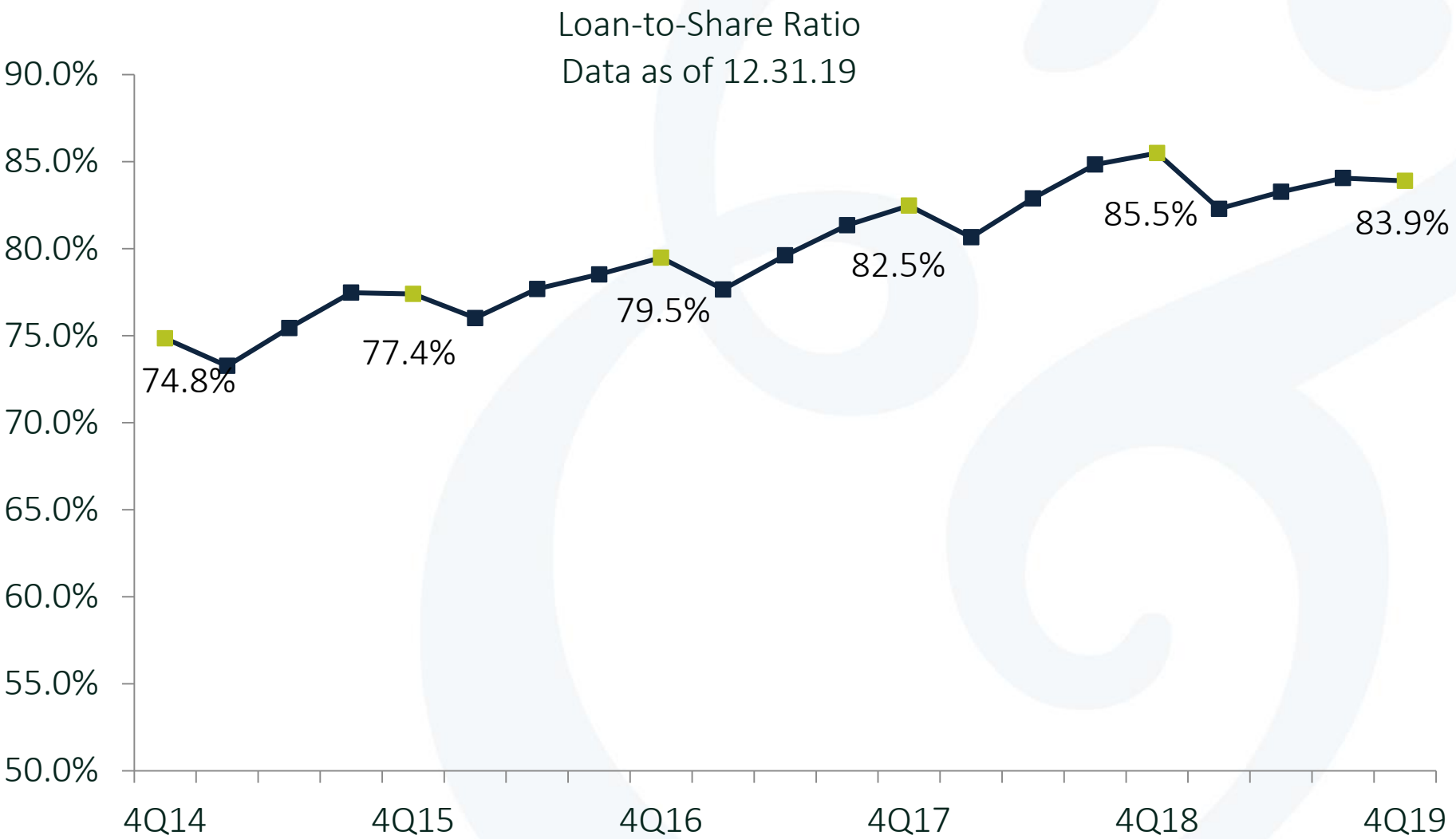


Certificates grew 20.5% year-over-year, comprising 49% of total share growth in 2019

Annual Share Growth by Product
Data as of 12.31.19

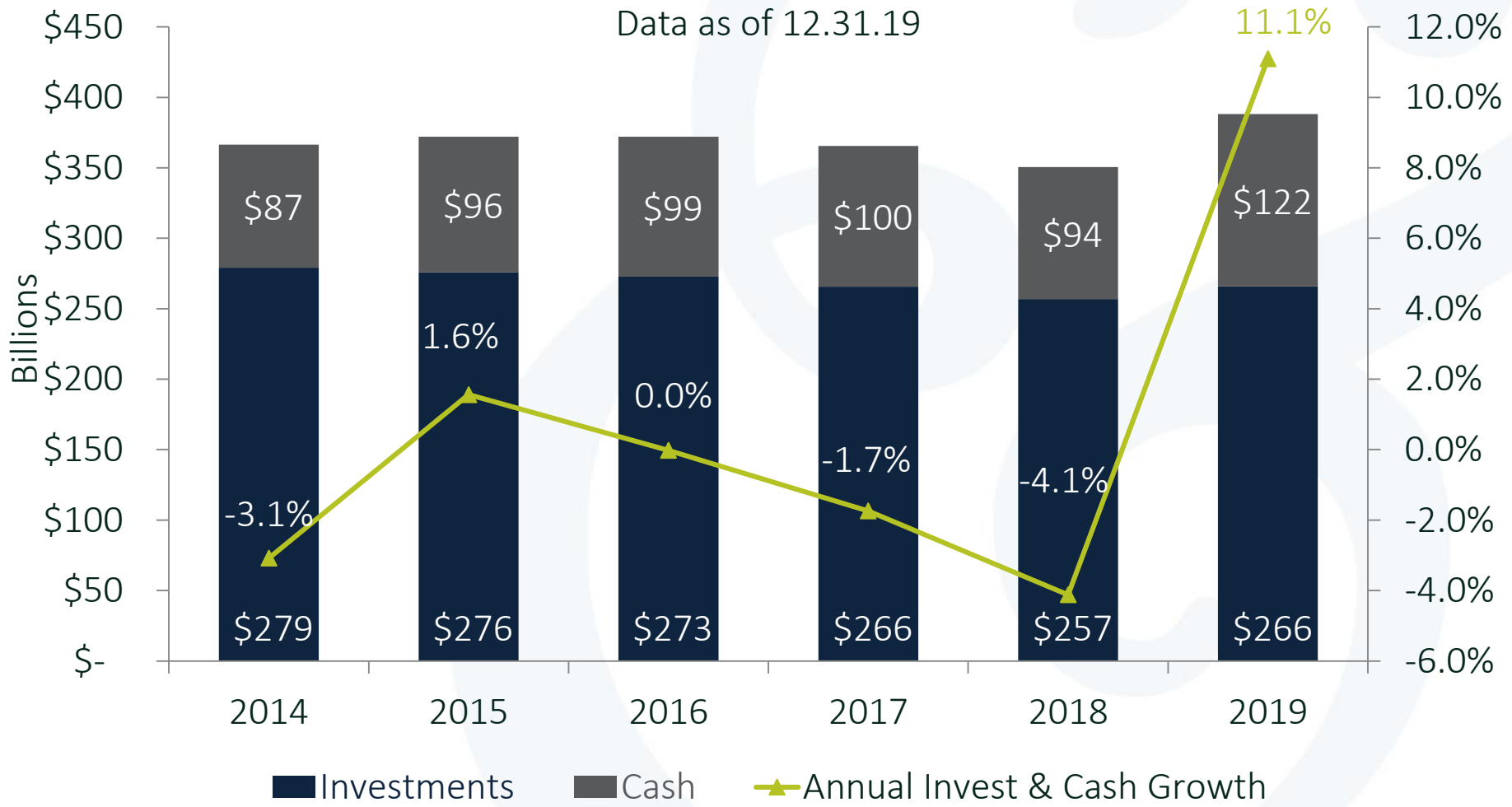


The loan-to-share ratio decreased between the third and fourth quarter for the first time since 2015



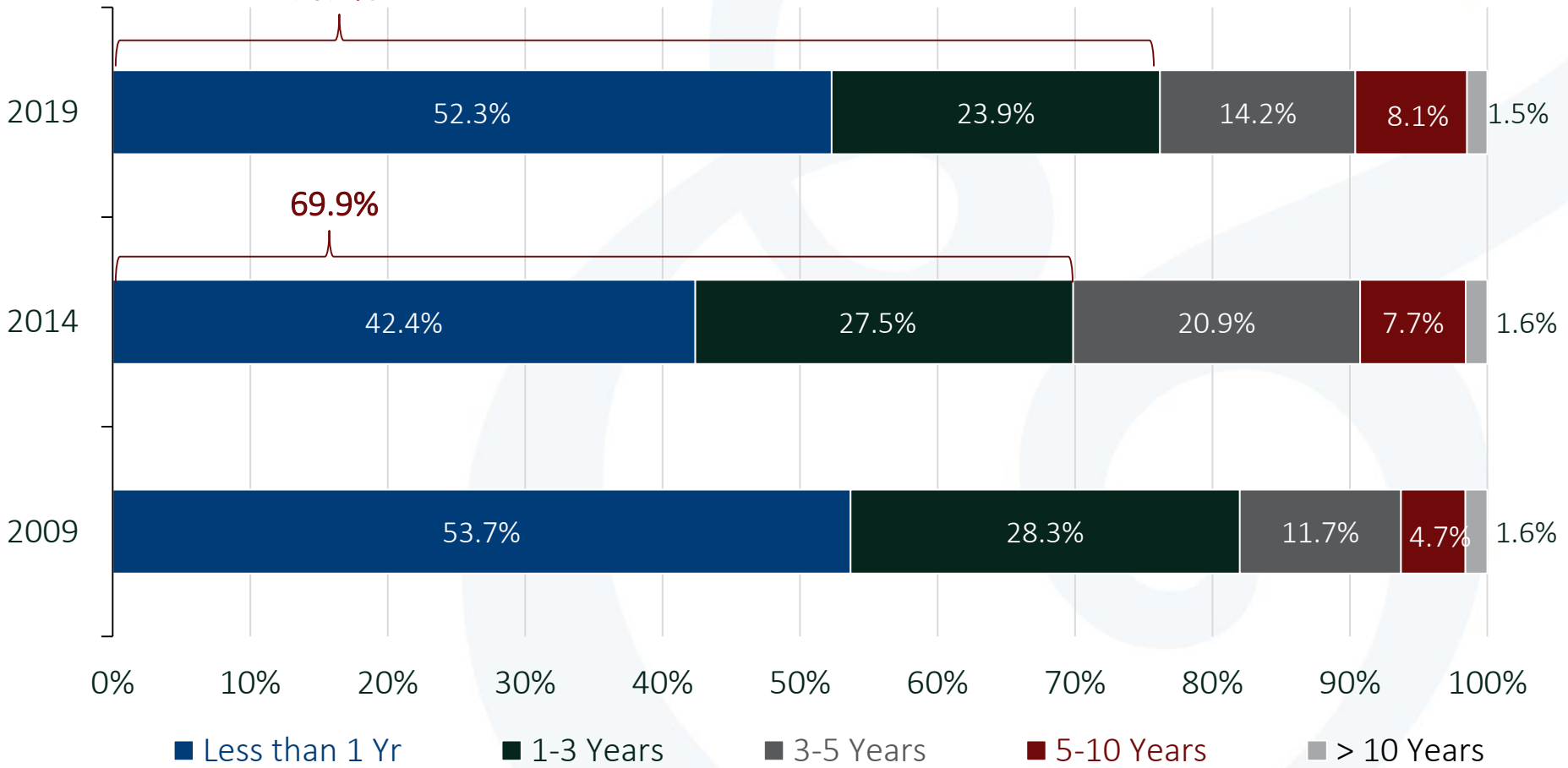
Strong liquidity inflows push portfolios up 11.1% year-over-year; cash balances rise 30.6%

Total Investments & Cash and Annual Growth
Data as of 12.31.19



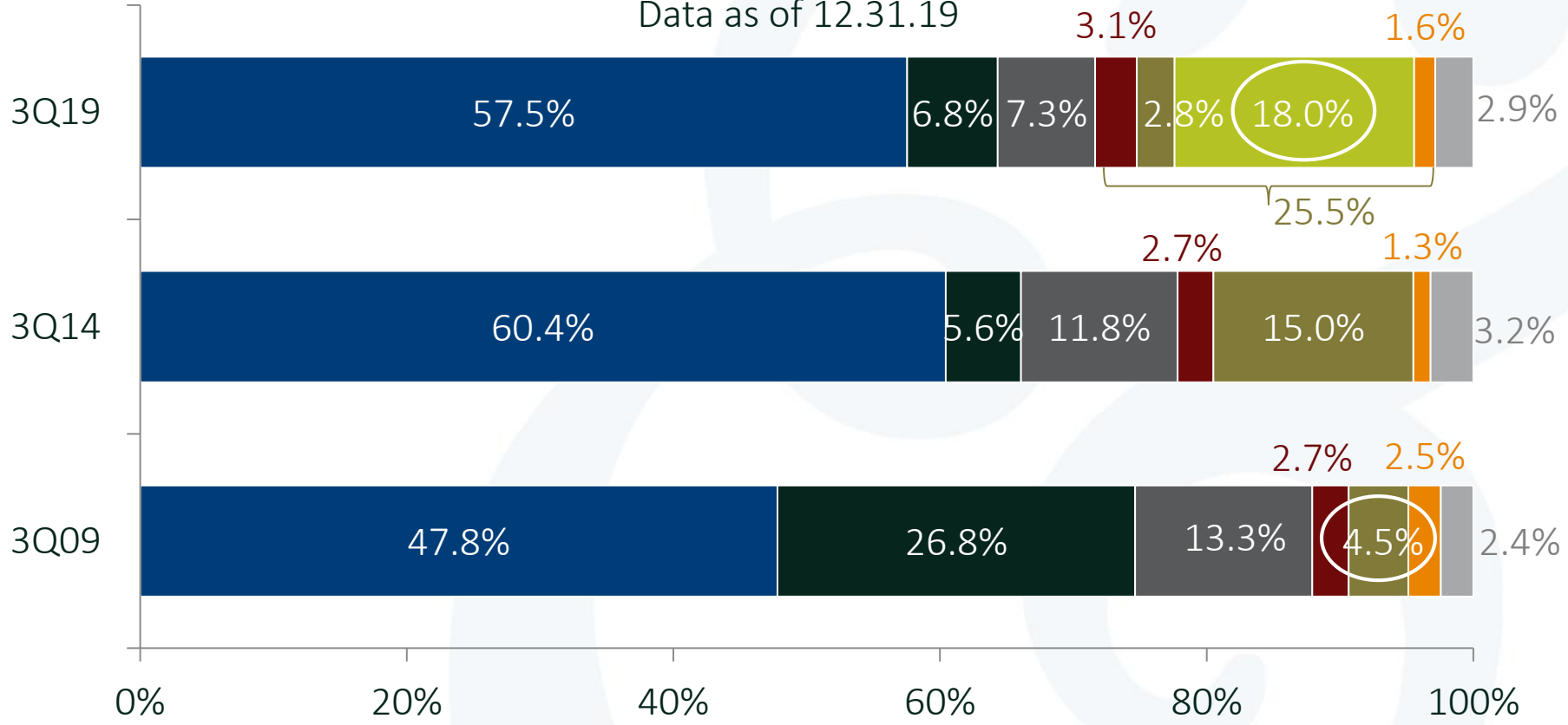
Investments increasingly allocated to shorter maturity products; weighted average life falls to 1.91 years

Investment Maturities Over Time
Data as of 12.31.19



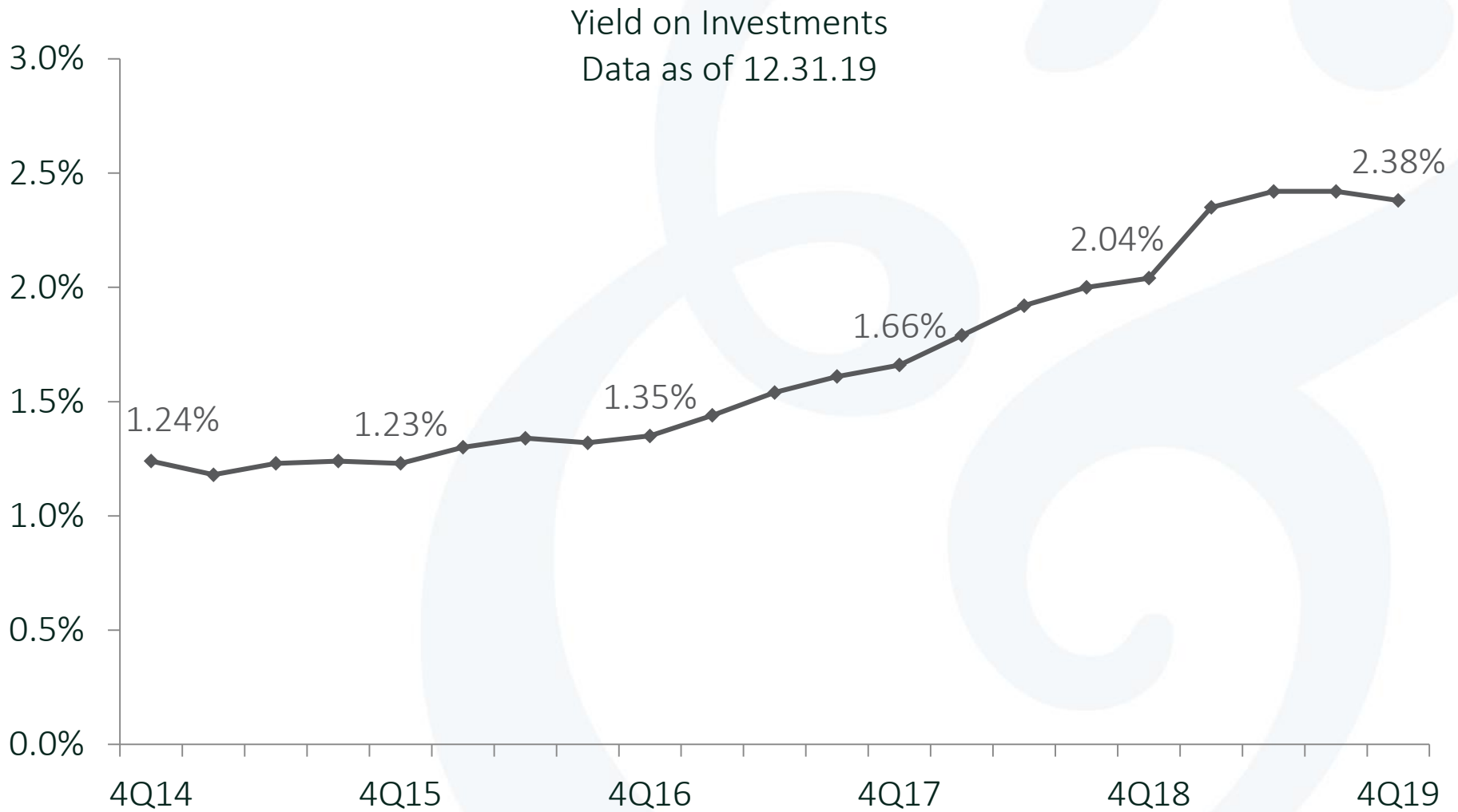
Overnight balances increase due to tightened liquidity and loan demand uncertainty

Investment Composition
Data as of 12.31.19



- US Govt., Fed. Agency, and Other Sec.
- Corporate CUs (incl. Cash)
- Banks and S&Ls
- Cash on Hand
- Cash at FIs
- Cash at Fed
- Cash Equiv.
- Other Inv & Insurance

Investment yields fall from 3Q19 following Fed rate cuts



TCU Portfolios Progress Report

Jason Haley
Chief Investment Officer
ALM First

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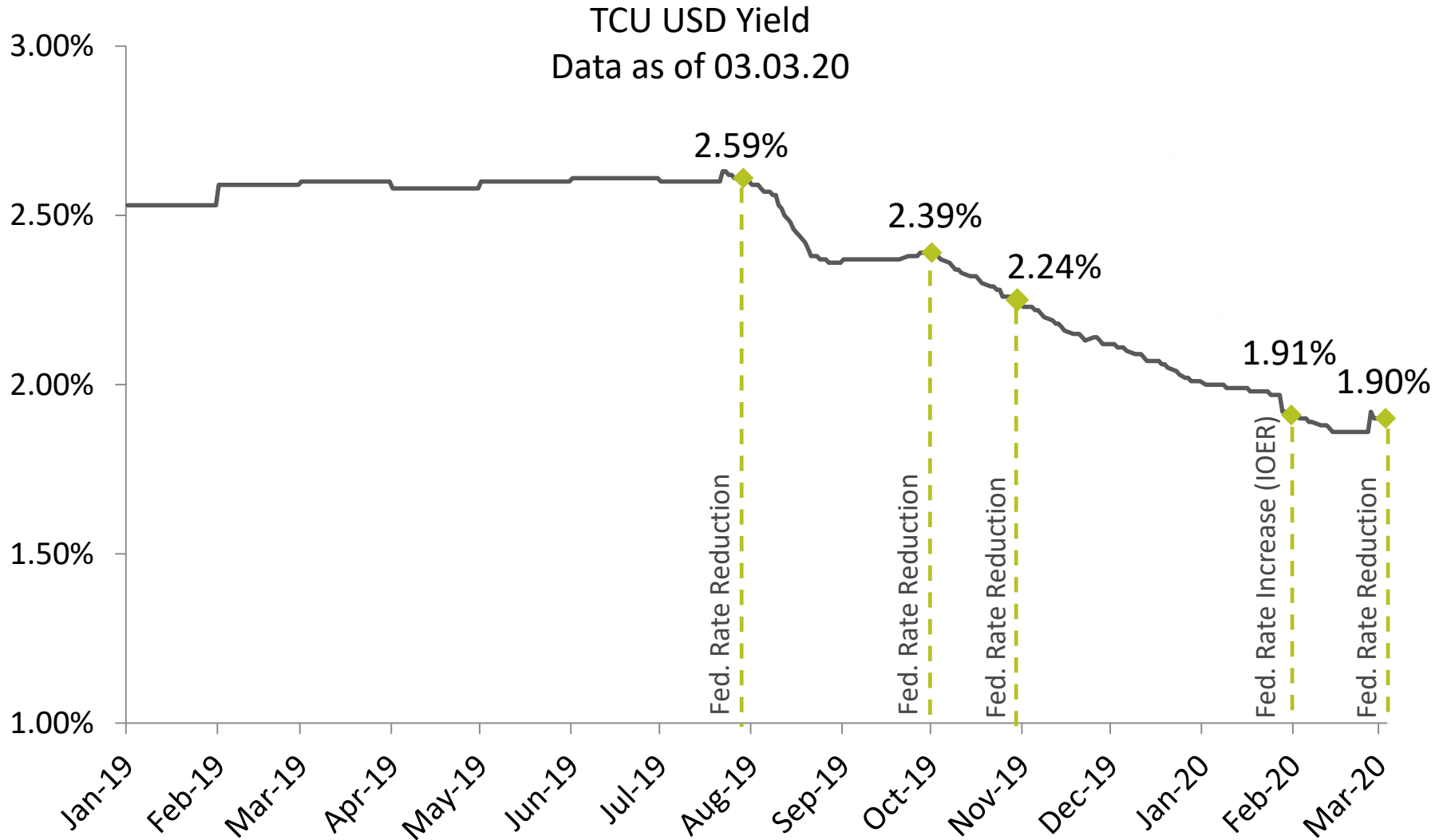


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Fund Highlights

- Short Duration Portfolio:
 - From 4/30/17-2/29/20, portfolio's return is ranked 3 out of 90 funds in its Morningstar category (short government)
 - 0.52% average annual excess return versus benchmark
 - 5.46% gross return over last 12 months (+81 bps excess return)
 - 2.31% 30-day yield as of 3/3/20 for investor shares
- Ultra Short Duration Portfolio:
 - General objective is to minimize NAV volatility while maintaining at least 10 bps yield spread over IOER after expenses
 - 30-day SEC yield is currently +80 bps to Fed's IOER rate (average of 30 bps since strategy change in January 2019)
 - NAV has traded in 1 cent range since early January 2018
 - Outperformed 3mo T-bill benchmark by 30 bps over last 12 months

TCU's value proposition is stronger than ever



TCU Short Duration Portfolio

TCU Short Duration Portfolio Summary ¹					Yield Summary			
	Current Allocation	Ex-Ante Analytics				TCUDX ²	Benchmark ³	Excess
		Eff. Dur	Sprd. Dur	OAS				
ARM	3%	1.56%	3.55%	74	1-day	2.60%	0.90%	1.70%
Bank Note Fixed & Float	9%	0.67%	1.11%	47	30-day	2.34%	N/A	N/A
CMBS Fixed	20%	5.05%	5.83%	64	Total Return Summary¹			
CMO Fixed	7%	-2.37%	4.07%	40				
CMO Floater	24%	0.28%	4.42%	58	3 month	1.72%	1.70%	0.02%
MBS Fixed	30%	2.27%	3.91%	66	YTD	1.73%	1.47%	0.26%
US Treasury	5%	1.90%	1.95%	-6	12 month	5.46%	4.65%	0.80%
	100%	1.81%	4.01%	56	Avg Annual ⁴	2.83%	2.33%	0.50%

¹ As of 2/28/2020

² Yields for TCUDX are after expenses (SEC yield)

³ Benchmark is 2-year Treasury index

⁴ Since 4/30/2017 (when ALM First became portfolio manager)

TCU Ultra Short Duration Portfolio

TCU Ultra Short Duration Portfolio Summary¹

	Current Allocation	Ex-Ante Analytics		
		Eff. Dur	Sprd. Dur	OAS
ARM	2%	1.02%	3.62%	114
Agency Floater	0%	0.31%	1.88%	63
Bank Note Fixed & Float	7%	0.14%	0.84%	23
CMO Fixed	1%	2.33%	3.21%	-27
CMO Floater	54%	0.36%	4.25%	58
MBS Fixed	0%	2.16%	2.85%	97
Repo	36%	0.06%	0.06%	30
	100%	0.26%	2.45%	46

Yield Summary

	TCUUX ²	Benchmark ³	Excess
1-Day Yield	1.64%	0.96%	0.68%
30-Day Yield	1.93%	N/A	N/A

Total Return Summary¹

	TCUUX ²	Benchmark ³	Excess
3 month	0.59%	0.43%	0.17%
YTD	0.42%	0.28%	0.14%
12 month	2.47%	2.19%	0.29%
Avg Annual ⁴	1.74%	1.88%	-0.14%

¹ As of 2/28/2020

² Yields for TCUUX are after expenses (SEC yield)

³ Prior to 1/1/2019, benchmark was effectively a 9-month Treasury bill index; current benchmark is 3-month Treasury bill index

⁴ Since 4/30/2017 (when ALM First became portfolio manager)

Looking Ahead

- Markets will likely remain volatile until there is more visibility on the containment and ultimate impact of COVID-19
- TCU portfolios are built to achieve long-term success, and as such, portfolio duration will be properly aligned with the relevant benchmark
- Ultra Short Portfolio yield spread relative to IOER should widen amid Fed rate cuts
- Portfolios with callable assets (MBS) have shed duration in recent weeks, so will continue to rebalance as necessary to maintain duration targets
- We are prepared to take advantage of significant spread widening (i.e., liquidity premiums) in high credit quality sectors

Questions & Discussion

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3800 Maple Avenue Suite 600
Dallas, TX 75219
Phone: 800.752.4628
Fax: 214.987.1052

www.almfirst.com

