Credit Union Investment Services

Form ADV Part 2A
Investment Adviser Brochure as of July 20, 2020

119 N. Salisbury Street, 6th Floor
Raleigh, NC 27603
800-451-5467
www.ncsecu.org

Item 1: Cover Page

This brochure provides information about the qualifications and business practices of Credit Union Investment Services. If you have any questions about the contents of this brochure, please contact us at 800-451-5467. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (SEC) or by any state securities authority. Registration with the SEC or any state securities authority does not imply a certain level of skill or training.

Additional information about Credit Union Investment Services is available on the SEC’s website at www.adviserinfo.sec.gov.
Item 2: Material Changes

There are no material changes.
Item 3: Table of Contents

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Item 4: Advisory Business

Description of Firm
Credit Union Investment Services (“CUIS” or “We”), is an investment adviser registered with the State of North Carolina. CUIS acts as a fiduciary. By acting as a fiduciary, CUIS puts clients’ interests before its own. We have been in business since October of 2007. CUIS is a wholly-owned subsidiary of State Employees’ Credit Union (SECU), headquartered in Raleigh, North Carolina. CUIS owns SECU Brokerage Services (SBS), a broker-dealer, through whom securities are purchased and sold. As of June 30, 2020, CUIS held $1,039,647,183 in non-discretionary client assets in our advisory program.

Advisory Services Offered
CUIS offers asset allocation, retirement planning and investment advice on a non-discretionary basis. Our investment advice is mostly limited to mutual funds, though we sometimes recommend holding or selling individual securities.

Meeting Clients’ Needs
We meet face-to-face with clients to determine their goals and educate them about investing. Based on their investment and other goals, tolerance for the risk of loss, time until the investment will be needed, and financial circumstances, we make an investment recommendation. We recommend no-load, low-cost, well-diversified mutual funds. Clients may choose not to accept our recommendation and instead make their own investment choices.

If clients have investments at other financial institutions, upon request we will analyze their holdings to see if the asset mix is appropriate.

Upon request, we prepare a pre-retirement or post-retirement assessment and discuss clients’ retirement planning needs.

Item 5: Fees and Compensation

Asset-Based Fee
CUIS is compensated by an annual asset-based fee of 0.25%. The fee covers our services, including education on the securities markets, reviewing clients’ investment objectives, making recommendations, and annually reviewing clients’ asset allocations. This fee is non-negotiable. It is deducted quarterly in advance directly from clients’ accounts based on the asset value of the clients’ accounts on the last business day of the preceding calendar quarter. CUIS reserves the right to increase its asset-based fee following 30 days written notification.

CUIS allows clients to transfer assets from other firms to a CUIS advisory account and to purchase non-recommended investments. CUIS does not advise on these assets, but they are included in our annual asset allocation review. Our asset-based fee is charged on these assets.

Refund Due to Termination
Either CUIS or the client may terminate the Advisory Agreement for any reason upon one week’s advance written notice. Upon termination, the fees charged for advisory services will be pro-rated and a refund of any unearned fees will be issued. If the client cancels the Advisory Agreement within five days of signing, a full refund of advisory fees will be issued. We will not reimburse for market losses.

Transaction and other Custodian Fees
For new accounts, CUIS pays the cost of the first purchase of a recommended fund. CUIS also pays for automated periodic trades in mutual funds the client already owns. The
client is responsible for all costs associated with other transactions. These transaction fees are passed on to the client from Pershing, LLC (“Pershing”), the clearing and custody broker-dealer for SBS, our introducing broker-dealer. Pershing also charges an IRA custodial fee, but this fee is paid by SBS. Clients are responsible for all other custodian fees, such as wire fees, returned checks, etc. See Item 12: Brokerage Practices, for more information. The cost for the most common transactions and services is included in Exhibit A of the Advisory Agreement.

Mutual Fund Expenses
Mutual funds have their own fees and expenses that are charged to investors. These fees are in addition to the asset-based fee paid by clients to CUIS. A description of these fees and expenses is available in each fund’s prospectus.

A client could invest in a mutual fund directly, without the services of CUIS. In that case, the client would not receive all the services provided by CUIS which are designed, among other things, to assist the client in determining which funds are most appropriate based on the client’s financial condition and objectives. Accordingly, the client should review both the fees charged by the mutual funds and the fees charged by CUIS to fully understand the total amount of fees to be paid by the client and to thereby evaluate the reasonableness of the fees in light of the advisory services being provided.

12b-1 Fees
None of the funds CUIS recommends charge 12b-1 fees or provide revenue sharing payments. Some clients transfer funds that do have 12b-1 fees from other institutions. When a share class without these fees is available, we may request clients’ permission to exchange their shares for shares of that class. When clients purchase non-recommended mutual funds on a self-directed basis, we encourage them to purchase the fund class that has no 12b-1 fees, if available. Any 12b-1 fees received are rebated to the client’s cash account.

Additional Compensation
The CUIS investment adviser representatives are paid a salary by SECU, the parent of CUIS. They do not receive commissions or any portion of the asset-based fee. Thus, they do not have an incentive to offer investment products based on compensation.

Item 6: Performance-Based Fees and Side-By-Side Management
No supervised person of Credit Union Investment Services accepts performance-based fees.

Item 7: Types of Clients
CUIS clients must be members of State Employees’ Credit Union (“SECU”), Local Government Federal Credit Union (“LGFCU”) or North Carolina Press Association Federal Credit Union (“NC Press”). Most CUIS clients are individuals; however, CUIS has a small number of trust clients.

In order to open an account with CUIS, the potential client must meet the following requirements:
• Be a North Carolina resident
• Have at least $250 to invest for at least 5 years
• Accept electronic delivery of documents

After a client opens an IRA, CUIS requires that a $200 minimum balance be maintained. CUIS does not require a minimum balance for taxable accounts.
Item 8: Methods of Analysis, Investment Strategies and Risk of Loss

CUIS believes that investing should be a long-term strategy; therefore, we recommend a holding period of at least five years. While there are no guarantees, over long periods equity investments have historically outpaced inflation.

We implement this strategy by recommending no-load, low-cost, well-diversified mutual funds. Almost all the funds CUIS recommends are index-based. An index-based approach allows funds to keep the cost of doing business low.

We also recommend diversifying among asset classes and countries. While diversification can lower risk, it does not guarantee against loss. By investing in mutual funds, a client’s account may lose value. Specific risks are outlined in the prospectuses of the mutual funds we recommend.

CUIS does not participate in initial public offerings on behalf of its clients.

Item 9: Disciplinary Information

Credit Union Investment Services and its management have not been involved in legal or disciplinary events.

Item 10: Other Financial Industry Activities and Affiliations

All active CUIS investment representatives are also licensed with SECU Brokerage Services. SBS is a FINRA-registered broker-dealer whose primary purpose is to introduce CUIS accounts to Pershing. SBS is wholly owned by CUIS and is licensed to offer mutual funds, municipal bonds, corporate bonds, government bonds and equities. Clients pay most transaction costs and other fees charged by Pershing, our clearing and custody broker-dealer. SBS does not profit from these fees.

State Employees’ Credit Union (SECU), CUIS’s parent company, is a North Carolina chartered credit union. SECU offers financial services including checking accounts, savings accounts and loans to its members.

SECU is also a licensed insurance agency and owns a subsidiary life insurance company, SECU Life Insurance Company. CUIS investment representatives may sell insurance products as licensed insurance agents to CUIS clients. Clients are not obligated to purchase insurance through CUIS investment representatives or agents of SECU. SECU receives commissions on insurance sales. SECU insurance agents are paid by salary, not commissions, so they have no financial incentive to recommend insurance products.

SECU is the parent company and sole owner of SECU*RE property management company. SECU*RE provides property management services for real estate it purchases from SECU. SECU*RE, as a real estate firm, has licensed real estate agents on staff who sell properties from the portfolio. CUIS investment representatives may assist SECU*RE in renting and/or selling properties. CUIS clients are not obligated to rent or purchase property through a CUIS investment representative or SECU*RE employee. SECU*RE receives rent from properties currently owned, and would receive commissions if listed as the agent for property transactions. SECU*RE employees and CUIS investment representatives are paid by salary, not commissions, so they have no financial incentive to recommend rental or purchase of SECU*RE properties.
CUIS does not recommend or select other investment advisers for clients.

Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

CUIS maintains a Code of Ethics that sets forth standards of conduct expected of advisory personnel and addresses conflicts that arise from personal trading by advisory personnel. Among other things, the Code of Ethics requires our supervised persons to report their personal securities transactions.

CUIS employees may buy and sell the same securities that are recommended to clients. If the possibility of a conflict of interest occurs, the client's interest will prevail. Priority will always be given to the client's orders over orders of an employee of CUIS.

CUIS has established the following restrictions in order to ensure its fiduciary responsibilities:

1) An officer or employee of CUIS shall not buy or sell securities for their personal portfolio(s) where the decision is substantially derived, in whole or in part, by reason of his or her employment unless the information is also available to the investing public on reasonable inquiry. CUIS and its employees shall put the interest of clients ahead of their own.

2) CUIS receives statements and confirmations for all securities holdings for itself and anyone associated with this advisory practice.

For a copy of CUIS’s Code of Ethics, please write to the address listed on the front page of this document or call 1-800-451-5467.

Item 12: Brokerage Practices

CUIS’s affiliate SBS introduces client accounts to Pershing to maintain custody of their assets and to effect trades for their accounts. CUIS requires clients to use the brokerage services of SBS and Pershing. Some investment advisers allow clients to choose their own broker-dealers. CUIS is not affiliated with Pershing.

Pershing provides SBS with access to its trading and operations services. SBS makes these services available to CUIS and its representatives. Pershing also makes available to SBS other products and services that assist with managing and administering clients’ accounts. These products and services include software and other technology that do the following:

- Provide access to client account data, including trade confirmations and account statements
- Facilitate trade execution
- Provide pricing information and other market data
- Facilitate payment of the asset-based fees from clients’ accounts
- Assist with back-office support, recordkeeping and client reporting

Many of these services will benefit all or a substantial number of our accounts. The availability of the foregoing products and services is not dependent upon committing to Pershing any specific amount of business (assets in custody or trading).

CUIS does not receive soft dollar research or other benefits, other than those noted above.

CUIS does not currently aggregate trades for clients. We absorb the initial trade fee for recommended funds and the fee for systematic mutual fund purchases.
Item 13: Review of Accounts
CUIS reviews client accounts on an annual basis. In this annual review, CUIS also includes non-advised assets held at the firm. These reviews are conducted to determine if account holdings are aligned with the client’s investment objectives and financial circumstances. Clients can request that their account be reviewed on a more frequent basis.

Accounts are also reviewed to ensure that clients are in the correct share class. This review occurs primarily when assets are transferred into the account. Mutual funds are reviewed to ensure that clients are in no-load share classes without 12b-1 fees, when available, and in share classes with lower expense ratios when fund minimums are met.

Pershing provides clients with quarterly statements which include account beginning and ending values, asset allocation and estimated yield. Most CUIS clients have agreed to electronic delivery of account documents, though some receive paper documents by mail.

Item 14: Client Referrals and Other Compensation
CUIS does not offer rewards or any other compensation for client referrals.

Item 15: Custody
CUIS does not have custody of client assets; however, Pershing deducts the asset-based fee from client accounts. Clients will receive a statement that shows the fee and the corresponding asset amount. CUIS tests a random sample of accounts to ensure that asset-based fees are calculated correctly. Pershing sends statements to each client at least quarterly. Clients should carefully review these statements. CUIS does not send account statements.

CUIS will also accept standing letters of authorization to send funds to third parties. Pershing will send an initial confirmation of the standing letter of authorization and an annual reminder. This standing letter can be revoked at any time by the account owner.

Item 16: Investment Discretion
CUIS does not have discretion over client accounts.

Item 17: Voting Client Securities
CUIS does not vote client securities. Clients receive their proxies or other solicitations directly from Pershing. CUIS does not give advice or recommendations regarding proxies or other solicitations.

Item 18: Financial Information
CUIS is exempt from providing financial information since it collects fees three months rather than six months in advance.

Item 19: Requirements for State-Registered Advisers
Below is information about the principal executive officers of CUIS.

Wallace William Umphlett, III, CFP®
Year of Birth: 1948

Formal Education after High School:
- Campbell University, 2006 – Master of Trust and Investment Management
Business Background for the Preceding Five Years:

- April 2013 to Present
  State Employees’ Credit Union, Executive Vice President, Financial Advisory Services
- January 2013 to Present
  SECU Life – President/CEO
- July 2007 to Present
  Credit Union Investment Services – President/Chief Executive Officer
- January 2008 to Present
  SECU Brokerage Services – President/CEO

Rex Alan Spivey, CPA
Year of Birth: 1961

Formal Education after High School:
- University of North Carolina – Chapel Hill, 1983 – B.S. in Business Administration with concentration in Accounting

Business Background for the Preceding Five Years:

- September 2016 to Present
  SECU Life – Chief Financial Officer
- September 2016 to Present
  Credit Union Investment Services – Chief Financial Officer
- September 2016 to Present
  SECU*RE – Chief Financial Officer
- September 2016 to Present
  State Employees’ Credit Union – Chief Financial Officer
- October 2008 to September 2016
  State Employees’ Credit Union – Senior Vice President, Management Reporting

Matthew Allen Hamilton, CFP®
Year of Birth: 1980

Formal Education after High School:
- University of North Carolina – Chapel Hill, 2002 – B.A. in Economics

Business Background for the Preceding Five Years:

- August 2018 to Present
  Credit Union Investment Services, Inc. – Chief Compliance Officer
- August 2018 to Present
  SECU Brokerage Services – Chief Compliance Officer
- December 2018 to Present
  State Employees’ Credit Union – Senior Vice President, IRA & Investment Services
- January 2007 to December 2018
  State Employees’ Credit Union – Vice President, Investment Compliance

CUIS does not engage in any business other than providing investment advice. However, its principal executive officers also serve as executive officers for SECU and SECU Brokerage Services (SBS), affiliates of CUIS. Bill Umphlett, President/CEO, and Rex Spivey, Chief Financial Officer, will dedicate up to 5% of their time to the investment program. The remainder of their time will be dedicated to SECU activities. Matthew Hamilton, Chief Compliance Officer, will dedicate approximately 90% of his time to the activities of the investment program. The remainder of his time will be dedicated to SECU activities.