



NATIONAL CREDIT UNION ADMINISTRATION

WASHINGTON, D.C. 20456

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November 1, 1985

Ms. Leslie Lowenbraun
Smith Barney Funds, Inc.
1345 Avenue of the Americas
New York, NY 10105

Dear Ms. Lowenbraun:

This responds to your letters dated September 11 and 24, 1985, to this Office concerning the permissibility of Federal credit union (FCU) investment in the ~~Smith Barney Funds~~ U.S. Government Securities Portfolio (the Fund), Prospectus dated September 26, 1985.

The investment authority for FCU's is found in Sections 107(7) and (8) of the Federal Credit Union Act, 12 U.S.C. §§1757(7) and (8) and Part 703 of the NCUA Rules and Regulations, 12 C.F.R. §703. Although not expressly stated in these provisions, we have previously opined that investments in mutual funds or trusts are permissible for FCU's if all of the investments of the fund or trust are permissible if made directly by an FCU.

According to the Prospectus, the Fund invests exclusively in obligations issued or guaranteed as to principal and interest by the United States Government, its agencies or instrumentalities, as described on page 7 of the Prospectus. These investments would be permissible if made directly by an FCU. The Fund also engages in repurchase agreements and when-issued transactions. It appears that both the repurchase agreements and the when-issued transactions comply with the provisions of Part 703.

Therefore, it is the opinion of this Office that the Smith Barney Funds U.S. Government Securities Portfolio is a permissible investment for FCU's. This should not, however, be interpreted or represented as NCUA's endorsement, recommendation, or approval of the Fund. It is merely our opinion that the investment is legal for FCU's. Any communication with Federal credit unions concerning our opinion must clearly state this distinction.

I hope we have been of assistance.

Sincerely,

STEVEN R. BISKER
Assistant General Counsel

FOTA file: I, E 2 Trust Funds