



FEDERAL RETIREMENT THRIFT INVESTMENT BOARD

77 K Street, NE Washington, DC 20002

August 10, 2012

MEMORANDUM FOR THE EXECUTIVE DIRECTOR

FROM: TRACEY RAY
CHIEF INVESTMENT OFFICER

A handwritten signature in black ink, appearing to be "TR" or "Tracey Ray".

SUBJECT: July 2012 Performance Review - G, F, C, S, I, and L Funds

INTRODUCTION

This report reviews key aspects of the investment performance of the G, F, C, S, I, and L Funds through July 2012, investment manager performance and tracking error, trading costs, TSP fund performance, and L Fund participation.

TRACKING ERROR - BlackRock Funds (BTC)

July Tracking Error

<u>Fund</u>	<u>% BTC Fund Performance</u>	<u>% Index Performance</u>	<u>Tracking Error</u>
Fixed Income	1.38	1.38	0.00
Large Cap	1.40	1.39	0.01
Small Mid Cap	-0.63	-0.69	0.06
International	0.55	1.13	-0.58

2012 Tracking Error

<u>Fund</u>	<u>% BTC Fund Performance</u>	<u>% Index Performance</u>	<u>Tracking Error</u>
Fixed Income	3.84	3.78	0.06
Large Cap	11.07	11.01	0.06
Small Mid Cap	8.48	8.25	0.23
International	3.81	4.13	-0.32

The BlackRock Extended Equity Market Fund E outperformed by 6 basis points in July and by 23 basis points year to date, primarily due to the optimization process. The BlackRock EAFE Equity Index Fund E underperformed by 58 basis points in July and by 32 basis points year to date, primarily as a result of fair valuation on July 31 offset by the benefit of the tax effect.

Trading Costs

	<u>Dollar Amount Traded</u>	<u>Trading Costs</u>	
		<u>\$</u>	<u>Basis Points</u>
<u>F Fund</u>			
July 2012	831,691,761	298,058	3.6
Year-to-Date	5,170,592,531	4,694,256	9.1
<u>C Fund</u>			
July 2012	1,250,219,948	81,928	0.7
Year-to-Date	6,666,279,599	14,701	0.0
<u>S Fund</u>			
July 2012	871,918,647	278,319	3.2
Year-to-Date	5,868,227,022	1,429	0.0
<u>I Fund</u>			
July 2012	1,087,452,903	(2,282,403)	-21.0
Year-to-Date	5,635,930,388	(241,823)	-0.4

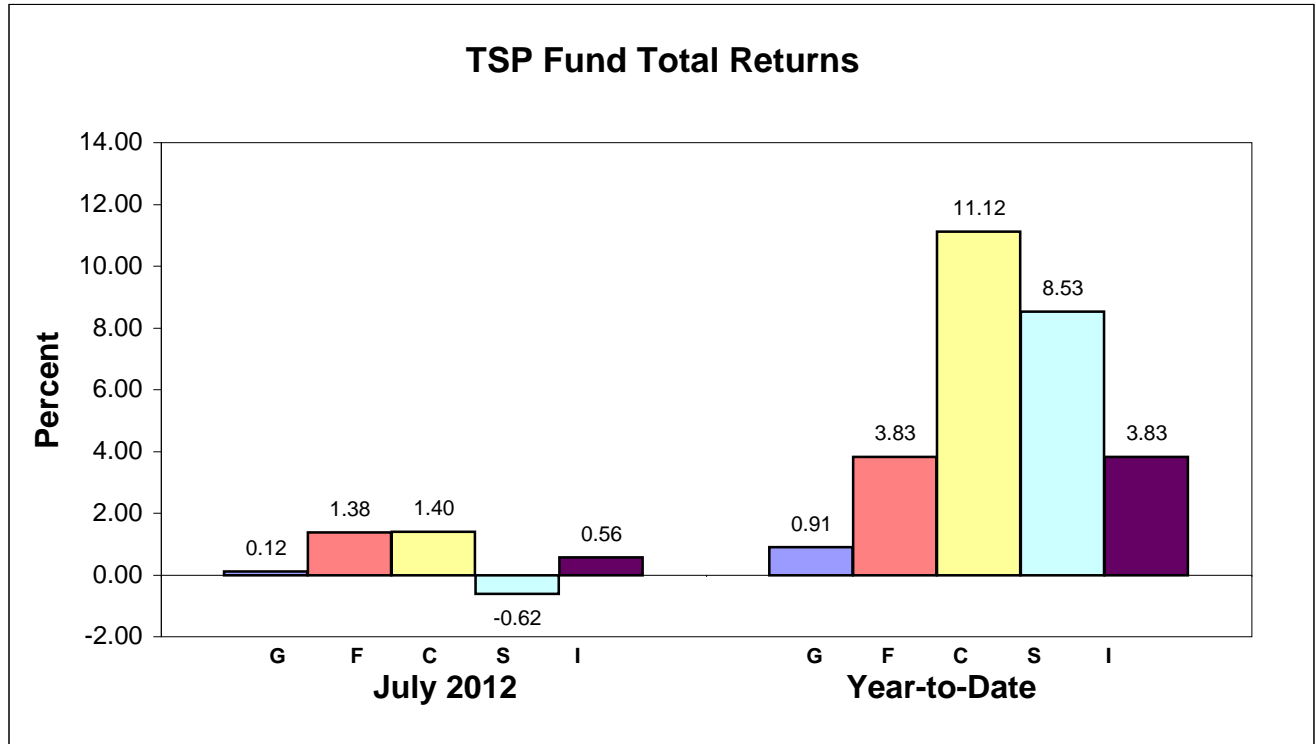
G Fund

The following table compares the G Fund rate to be paid in the month noted to the 3 month Treasury bill, the 10 year Treasury note and the 30 year Treasury bond at the time the rate was set. The weighted average maturity of the securities included in the G Fund rate calculation was 10.7 years, as of December 31, 2011.

	<u>G Fund</u>	<u>3-month T-bill</u>	<u>10 year T-note</u>	<u>30 year T-bond</u>
<u>2012</u>				
August	1.25%	0.10%	1.47%	2.55%
July	1.38	0.08	1.65	2.75
June	1.38	0.07	1.56	2.64
May	1.63	0.10	1.92	3.11
April	1.88	0.07	2.21	3.34
March	1.63	0.08	1.97	3.09
February	1.50	0.05	1.80	2.94
January	1.50	0.01	1.88	2.90
<u>2011</u>				
December	1.75%	0.00%	2.07%	3.06%
November	1.75	0.00	2.11	3.13
October	1.63	0.02	1.92	2.91
September	1.88	0.01	2.22	3.60
August	2.25	0.09	2.80	4.12
July	2.63	0.02	3.16	4.37
June	2.50	0.06	3.06	4.23
May	2.88	0.05	3.29	4.40
April	3.00	0.09	3.47	4.51
March	3.00	0.14	3.43	4.50
February	2.88	0.15	3.37	4.57
January	2.88	0.13	3.30	4.34
<u>2010</u>				
December	2.38%	0.17%	2.80%	4.11%
November	2.13	0.12	2.60	3.98
October	2.13	0.16	2.51	3.69
September	2.13	0.14	2.47	3.52
August	2.50	0.15	2.91	3.99
July	2.63	0.17	2.93	3.89
June	2.88	0.16	3.29	4.21
May	3.25	0.16	3.66	4.52
April	3.38	0.14	3.83	4.71
March	3.13	0.13	3.61	4.56
February	3.13	0.08	3.59	4.49
January	3.50	0.08	3.84	4.64

Performance of TSP Funds

The chart below shows the G, F, C, S, and I Fund net rates of return for July 2012 and 2012.



The table below compares the net rates of return for the F, C, S, and I Funds to the returns of the corresponding BlackRock funds.

July 2012

Total Return %

<u>Fund</u>	<u>TSP</u>	<u>BTC</u>	<u>Difference</u>	<u>Index</u>
Fixed Income	1.38	1.38	0.00	1.38
Large Cap	1.40	1.40	0.00	1.39
Small Cap	-0.62	-0.63	0.01	-0.69
International	0.56	0.55	0.01	1.13

2012

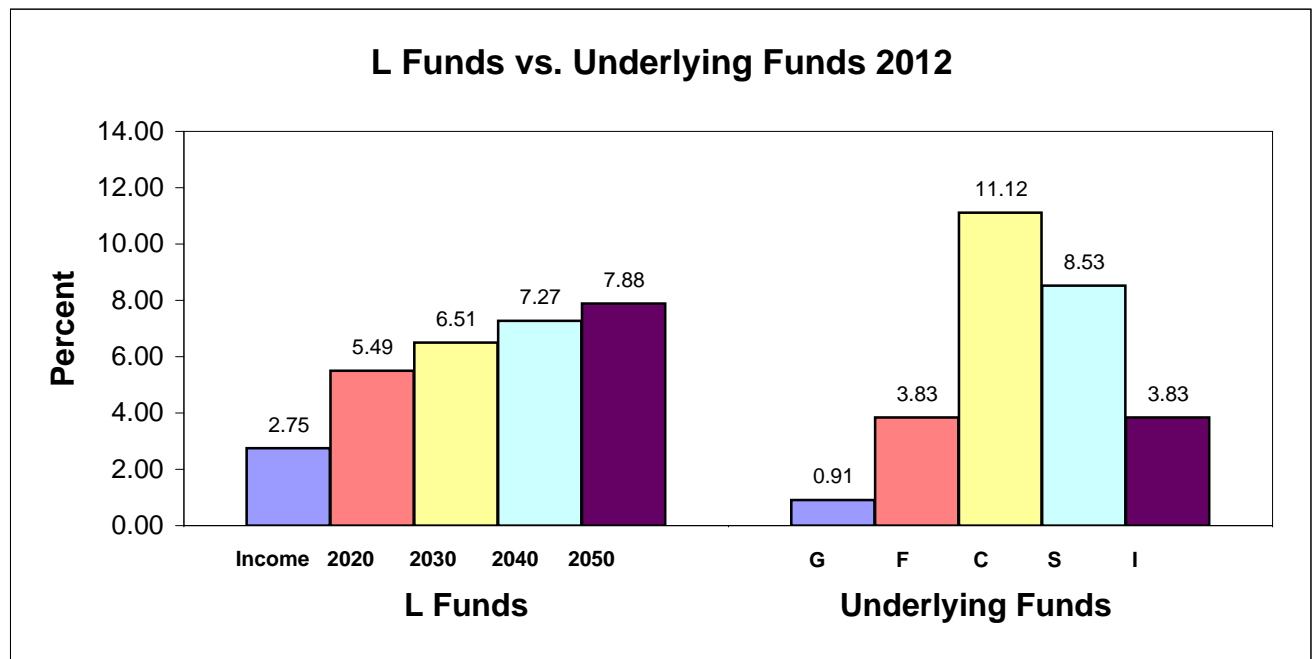
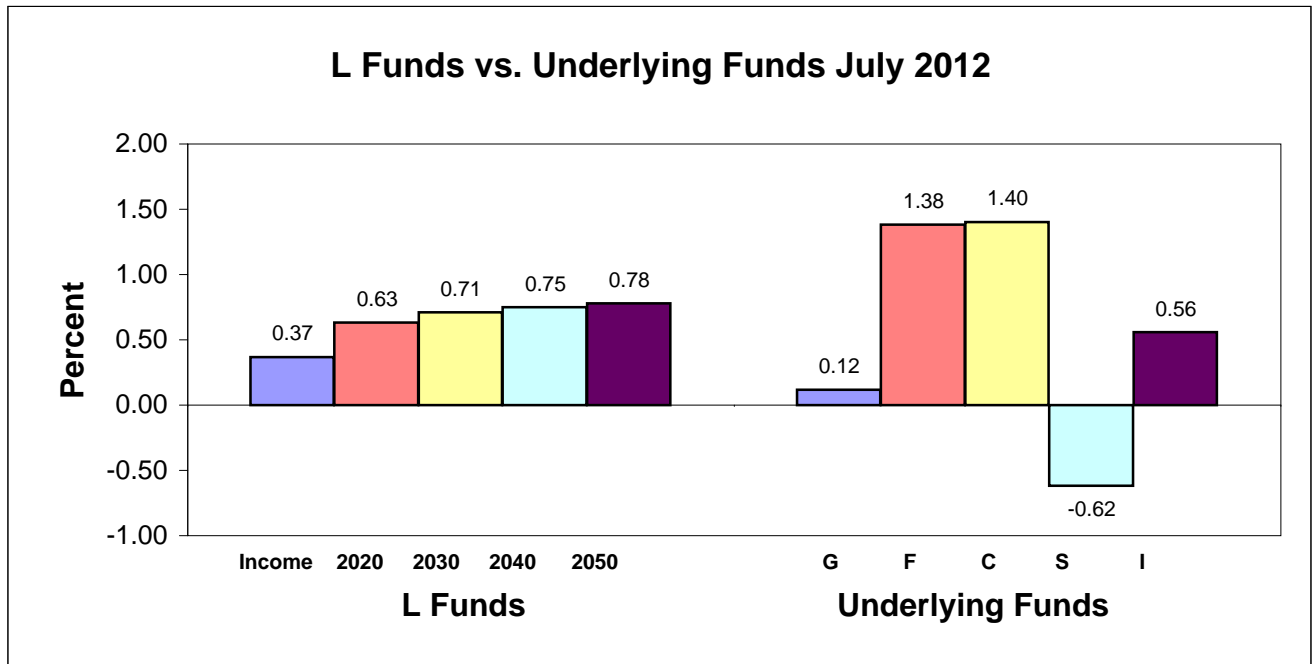
Total Return %

<u>Fund</u>	<u>TSP</u>	<u>BTC</u>	<u>Difference</u>	<u>Index</u>
Fixed Income	3.83	3.84	-0.01	3.78
Large Cap	11.12	11.07	0.05	11.01
Small Cap	8.53	8.48	0.05	8.25
International	3.83	3.81	0.02	4.13

The TSP Funds closely tracked the BTC Funds for the month and year-to-date.

L Funds

The net rates of return for the L Funds are shown below along with comparable returns for the G, F, C, S, and I Funds.



THRIFT SAVINGS PLAN MONTHLY INVESTMENT ACTIVITY

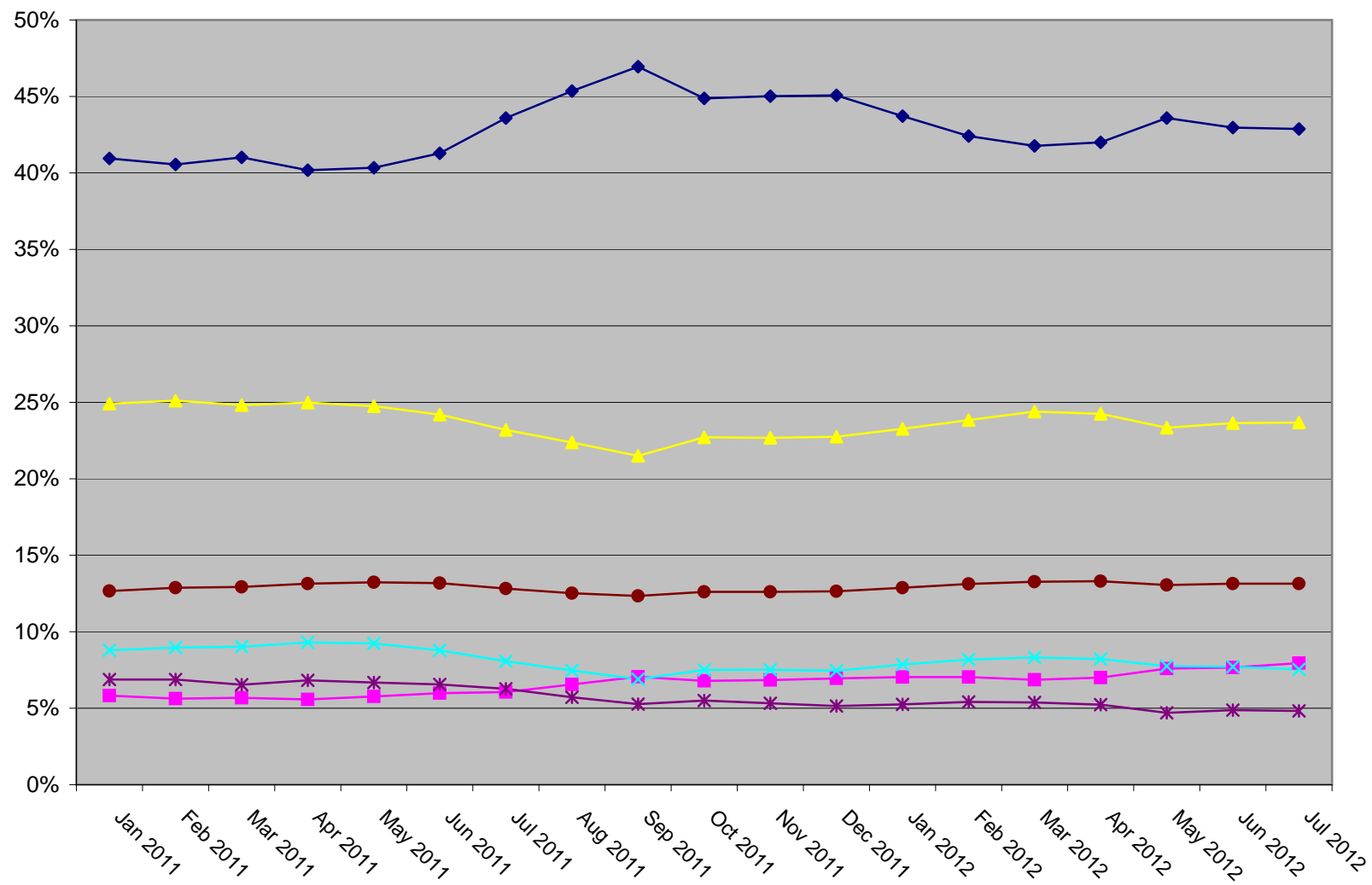
Attachment 1 provides a summary of TSP investment activity and participation rates.

- Participants transferred \$1.2 billion out of equities and into fixed income in July. (p. 8.)

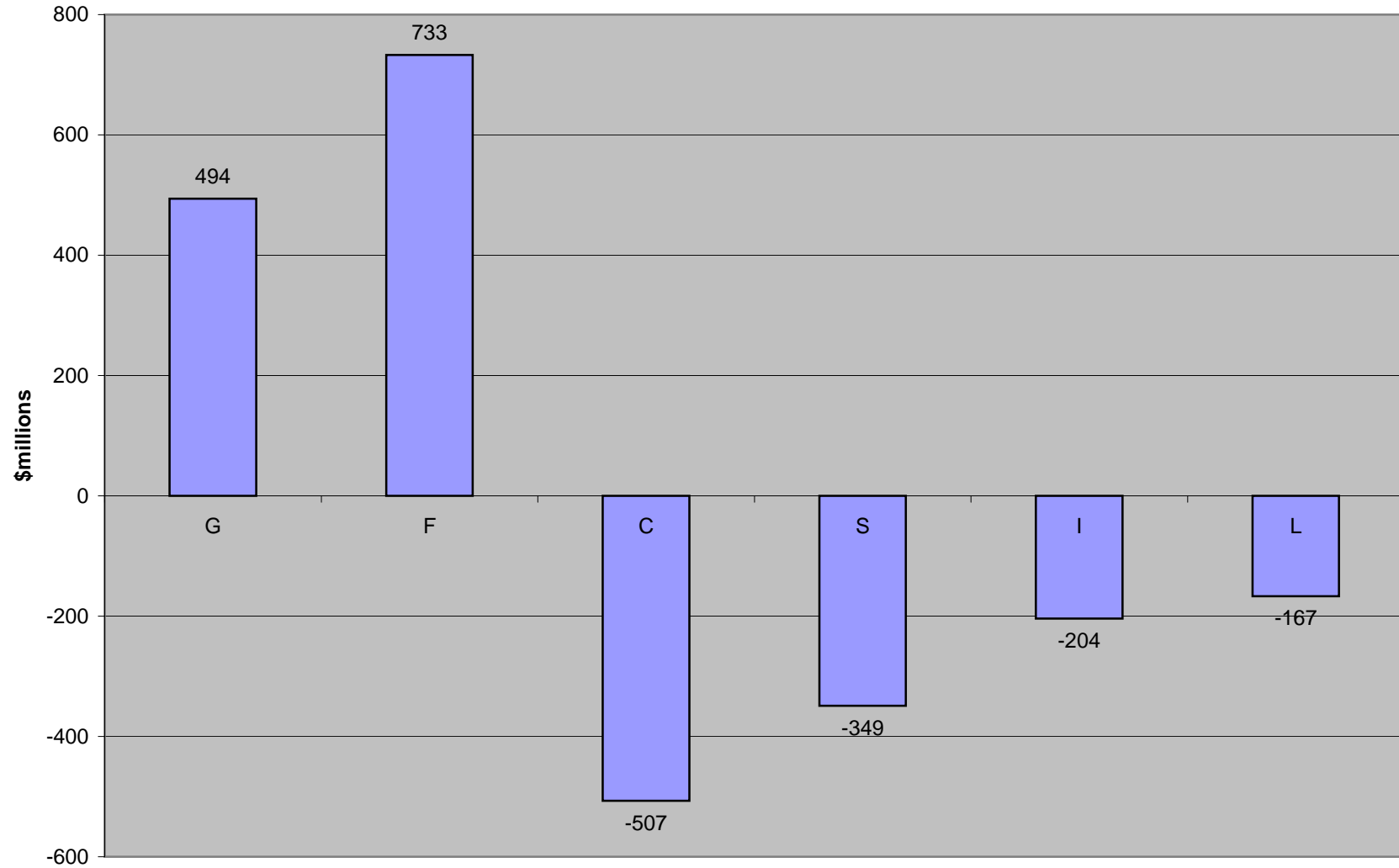
Attachment

THRIFT SAVINGS PLAN MONTHLY INVESTMENT ACTIVITY

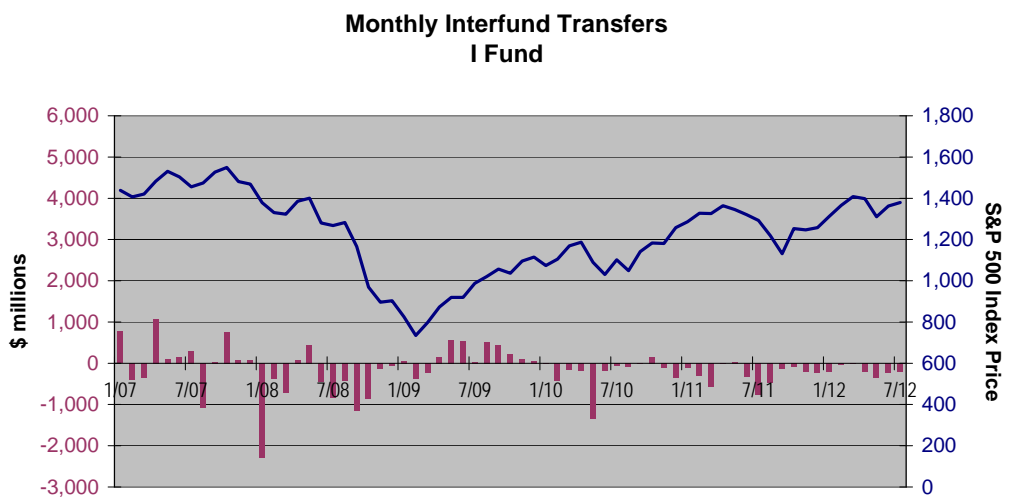
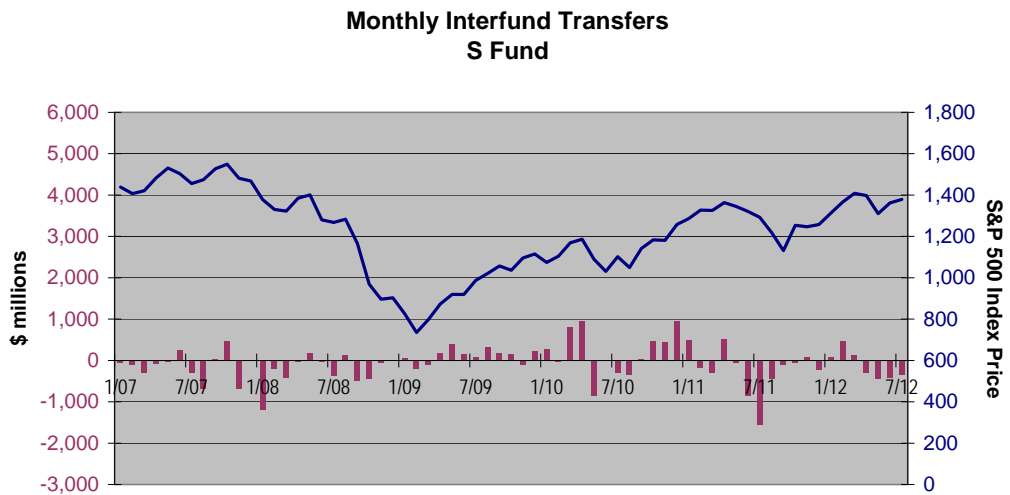
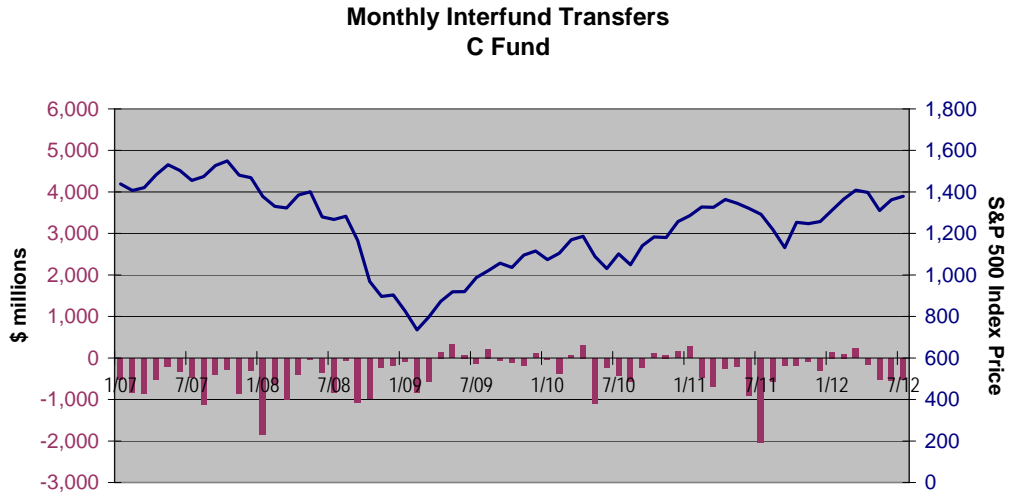
Participant Asset Allocation



THRIFT SAVINGS PLAN MONTHLY INVESTMENT ACTIVITY
July 2012 Interfund Transfers

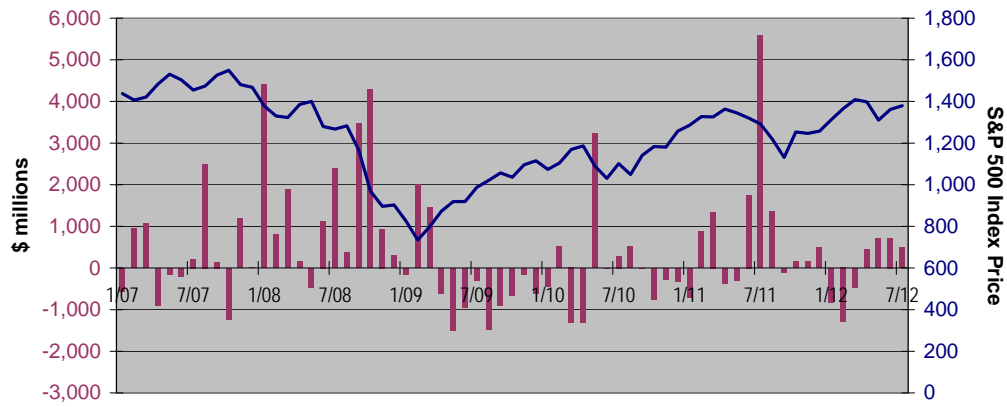


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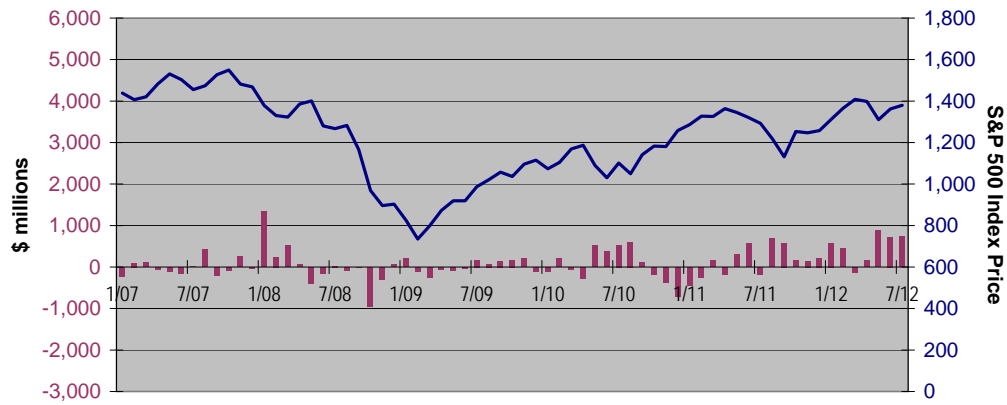


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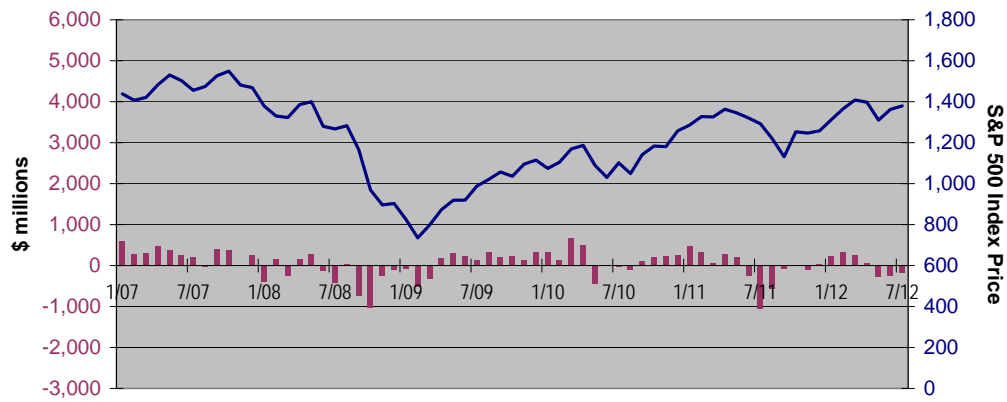
**Monthly Interfund Transfers
G Fund**



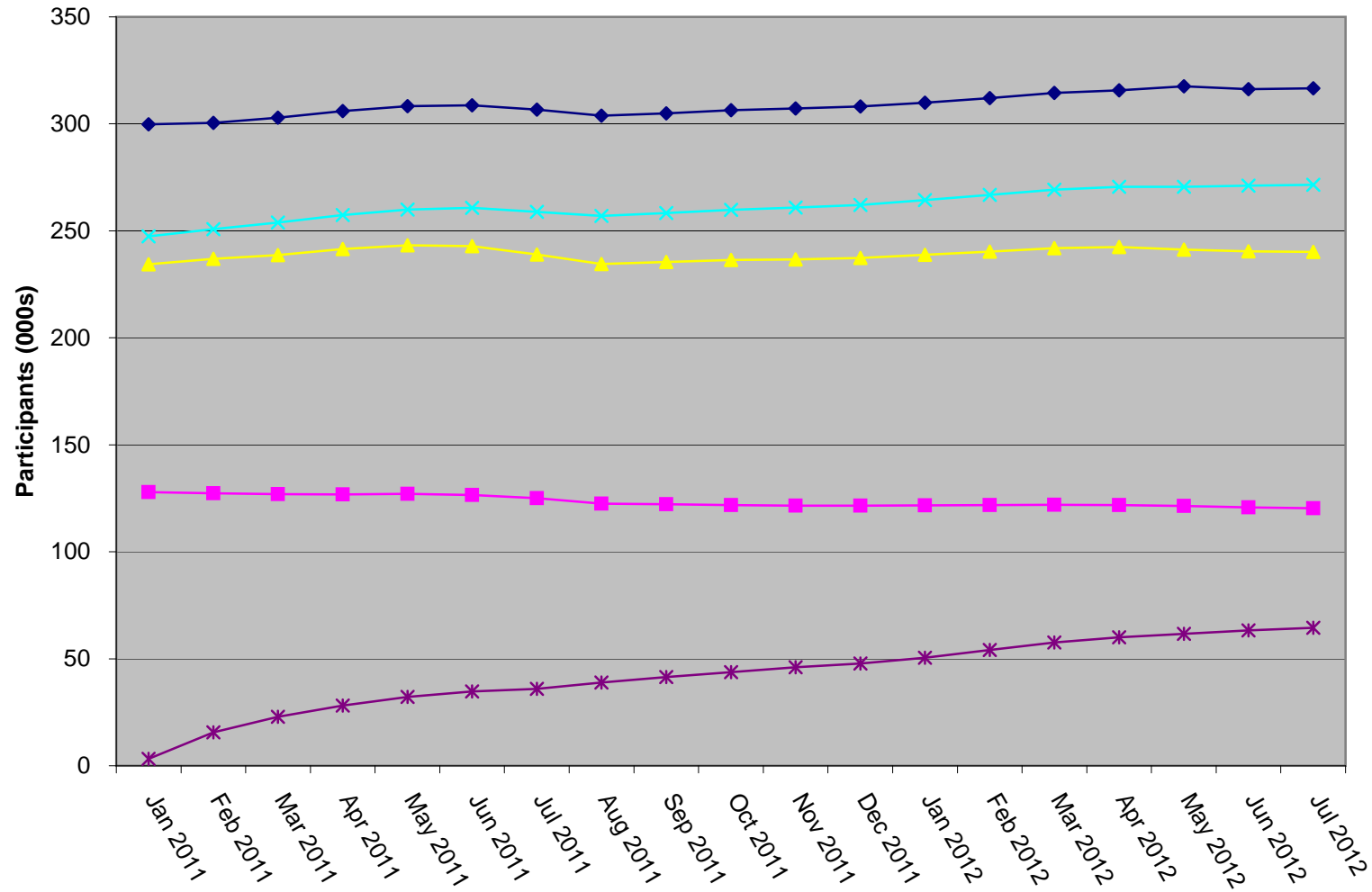
**Monthly Interfund Transfers
F Fund**



**Monthly Interfund Transfers
L Funds**



THRIFT SAVINGS PLAN MONTHLY INVESTMENT ACTIVITY
Number of L Fund Participants
Total - 810,071



THRIFT SAVINGS PLAN MONTHLY INVESTMENT ACTIVITY **G Fund Rate vs. Market Yields of U.S. Government Securities**

