

Presented to

**Federal Retirement Thrift Investment Board
Thrift Savings Plan**

27 October 2014

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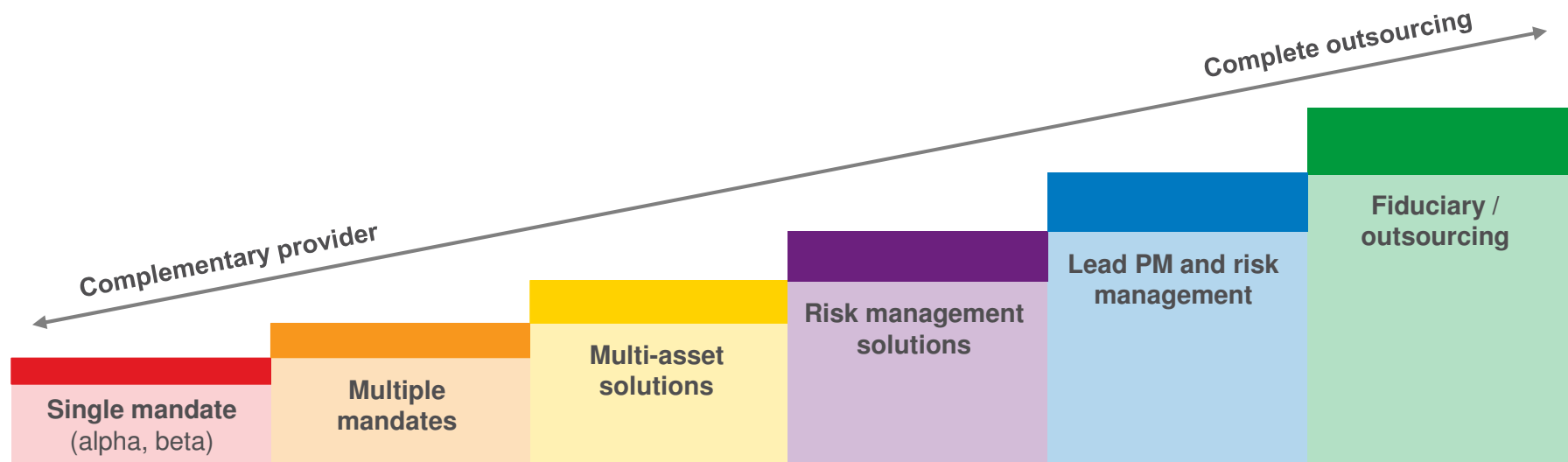
- 1. BlackRock Update**
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BlackRock Update

BlackRock: Clients are our sole focus

We aspire to be the most respected investment and risk manager in the world for clients

We seek to provide what investors need – from a single asset class mandate to full outsourcing



Firm culture and structure reinforce our client-centric approach

Independent asset manager focused only on clients

- ▶ Established in 1988 and public since 1999 (NYSE: BLK)
- ▶ Independent Board of Directors
- ▶ No proprietary trading
- ▶ Group dedicated to corporate governance

Deep understanding of regulatory requirements

- ▶ Manage portfolios for clients subject to varied and complex regulatory regimes
- ▶ Operate on behalf of investors under 50 regulatory authorities worldwide
- ▶ Significant experience managing portfolios for official institutions and governments

BlackRock Solutions® foundation for managing risk

- ▶ Deliberate, diversified and scaled risk enables us to invest with conviction
- ▶ Internally developed risk tools and analysis offered directly to clients as a service
- ▶ Reinforces transparency and our responsibility to clients

History of innovation and evolution to better serve investors

1970s	<ul style="list-style-type: none">• Pioneered index and quantitative investing
1980s	<ul style="list-style-type: none">• Created the First Term Trust (closed-end fund)• Initiated fixed income and international indexing
1990s	<ul style="list-style-type: none">• Created the industry's first target date fund• Introduced exchange-traded funds under World Equity Benchmark Shares (WEBS) brand (now iShares® ETFs)
2000s	<ul style="list-style-type: none">• Launched BlackRock Solutions® for risk management and advisory services• Enhanced capabilities by strengthening equities, and adding alternatives, real estate, passive, and scientific investments• Launched Financial Markets Advisory business
2010s	<ul style="list-style-type: none">• Engaged by US and European governments for critical risk assessments and banking sector stabilization strategies• Launched BlackRock Investment Institute• Introduced Global Capital Markets desk• Launched first target maturity fixed income ETF• Created an index to track sovereign credit risk (BlackRock Sovereign Risk Index)

Timeline includes history from predecessor entities

Depth of investment resources maximizes performance potential

Organization drives idea and analysis sharing

Investors potential benefit from scale of infrastructure

Built to maximize performance

Collective expertise

Investment
Research

Daily
Global Meeting

BlackRock
Investment
Institute

Chief Investment
Officers

Global infrastructure

Trading

Dedicated Capital
Markets

Aladdin®

Risk &
Quantitative
Analysis

*Data as of 31 March 2014

BlackRock at a glance

BlackRock Mission Statement

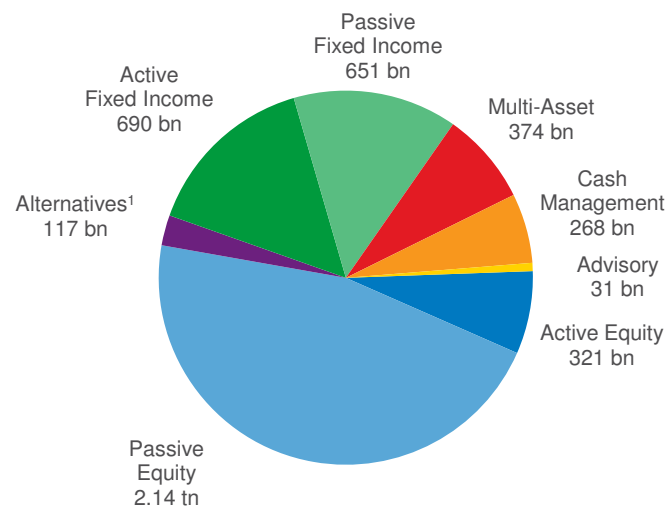
**Create a better financial future for our clients by building
the most respected investment and risk manager in the world**

BlackRock facts *

- ▶ Established in 1988
- ▶ NYSE: BLK
- ▶ \$4.59 trillion assets under management
- ▶ More than 11,000 employees
- ▶ More than 1,900 investment professionals
- ▶ More than 65 offices in over 30 countries
- ▶ 29 primary investment centers
- ▶ Clients in over 100 countries
- ▶ Over 700 iShares® ETFs
- ▶ BlackRock Solutions® manages over \$15 trillion in assets
- ▶ Financial Markets Advisory business managed or advised on over \$8 trillion in asset and derivative portfolios
- ▶ Transition Management team partners with clients to save costs and reduce risks when changing investment exposures

* As of 30 June 2014

\$4.59 trillion managed across asset classes



Assets as of 30 June 2014

¹ Includes commodity and currency mandates

Positioned to address client needs

Breadth of capabilities enables outcome-based solutions tailored to individual client objectives

\$4.59 trillion in assets under management

Equity

\$2.5 trillion

- Capabilities across investment styles: index, active fundamental, scientific and absolute return

Fixed Income

\$1.3 trillion

- Manage strategies across benchmark types and styles: index, fundamental, model-based and absolute return

Alternatives

\$117 billion

- Solutions-oriented approach extends to alternatives portfolio construction

Multi-asset

\$374 billion

- Outcome focused: target-date, balanced risk factor, and liability-driven investing

Cash

\$268 billion

- Flexible product range across multiple currencies

Scalable services and infrastructure

Risk Management

- Centralized platform analyzes risk across asset classes

Advisory

- Advise public and private financial institutions on complex capital markets and balance sheet exposures

Transition Management

- Partner with clients to help save costs and reduce risks when changing investment exposures

Securities Lending

- Focus on research, technology and coordination with portfolio management functions that seek to deliver above market returns

Trading

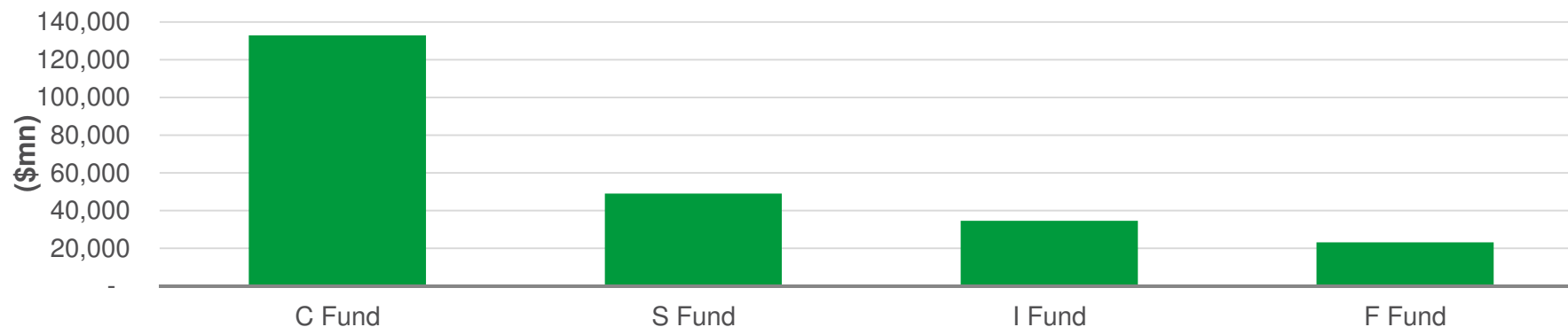
- 24-hour global coverage across seven trading desks

AUM As of 30 June 2014

C, S, I, and F Funds Review

Thrift Savings Plan – assets under management

Participants' AUM as of September 30, 2014



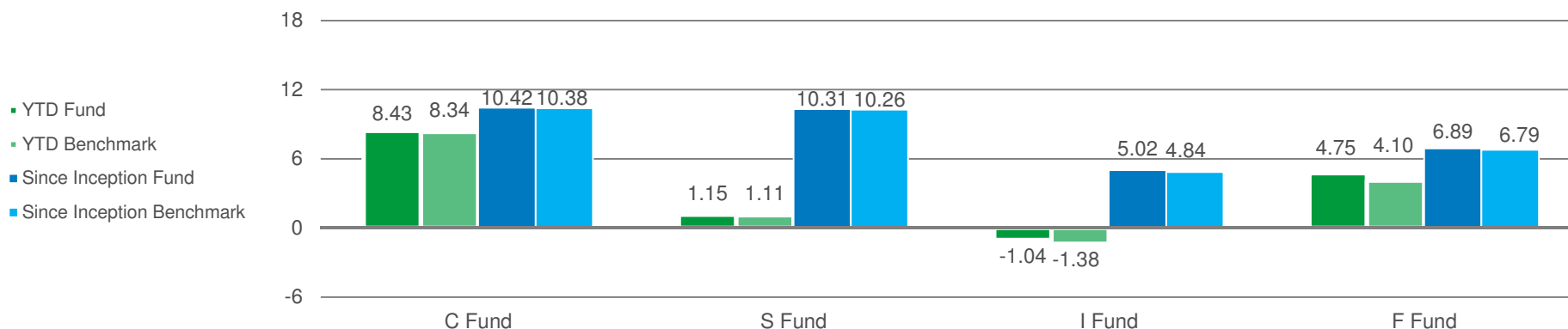
Funds	Benchmark	AUM (\$) as of September 30, 2014
C Fund	Standard & Poor's 500 Index	132,961,401,802
S Fund	DJ U.S. Completion Total Stock Market Index	49,017,455,129
I Fund	MSCI EAFE Index Fund	34,617,828,209
F Fund	Barclays U.S. Aggregate Bond Index	25,286,116,631
Total		241,882,801,771

Source: BlackRock
AUM is reported on settlement date basis.

Thrift Savings Plan – performance

Performance relative to benchmarks – as of September 30, 2014

Gross of fee returns* (%)



YTD Fund Return	8.43	1.15	-1.04	4.75
YTD Benchmark Return	8.34	1.11	-1.38	4.10
Tracking	0.09	0.04	0.34	0.65
Since Inception Fund Return	10.42	10.31	5.02	6.89
Since Inception Benchmark Return	10.38	10.26	4.84	6.79
Tracking	0.04	0.05	0.18	0.10

Fund returns are unaudited, annualized, assume reinvestment of dividends, and are gross of all fees and expenses. Deduction of fees will reduce return.

A DC Fund's performance may differ from that of its benchmark for various reasons, including, but not limited to, investment strategy and/or, in the case of an index fund, equitization of cash (e.g., by investing in futures or other instruments that serve as a proxy for index exposure). A DC Fund's performance may differ from the performance of its benchmark more dramatically than a fund offered only to defined benefit plan investors due to several factors that are specific to funds sold to DC plan investors, including but not limited to Fair Value Pricing. In the event that current market valuations are not readily available or such valuations do not reflect current market values, the affected investments will be valued using fair values determined in good faith. The frequency with which the fund's investments are valued using fair values is primarily a function of the types of securities and other assets in which the fund invests pursuant to its investment objective, strategies and limitations. Fair values may differ from closing prices, which are the prices on which index performance is based. Consequently, valuing the fund's investments using fair values ("fair values") may result in a difference between the fund's performance (based on the value of the fund's investments) and the performance of the underlying index (based on closing prices).

Since Inception dates: C Fund – 4/30/1988; S Fund – 5/2/2001; I Fund – 5/2/2001; F Fund – 4/30/1988

Benchmarks: C Fund (S&P 500 Index), S Fund (Dow Jones U.S. Completion Total Stock Market Index), I Fund (MSCI EAFE Index), F Fund (Barclays U.S. Aggregate Bond Index)

Past performance is no guarantee of future results

As of 30 September 2014; Source: BlackRock

BlackRock equity indexing platform

Beta Strategies Leadership

Amy Schioldager
Head of Beta Strategies

Beta Strategies Investment Management Teams

Americas Index Equity

Alan Mason

Europe Index Equity

Eleanor de Freitas

Asia-Pacific Index Equity

Kevin Hardy

Beta Strategies Cross-Platform Teams

Index Strategy

Corin Frost

Chief Operating Officer

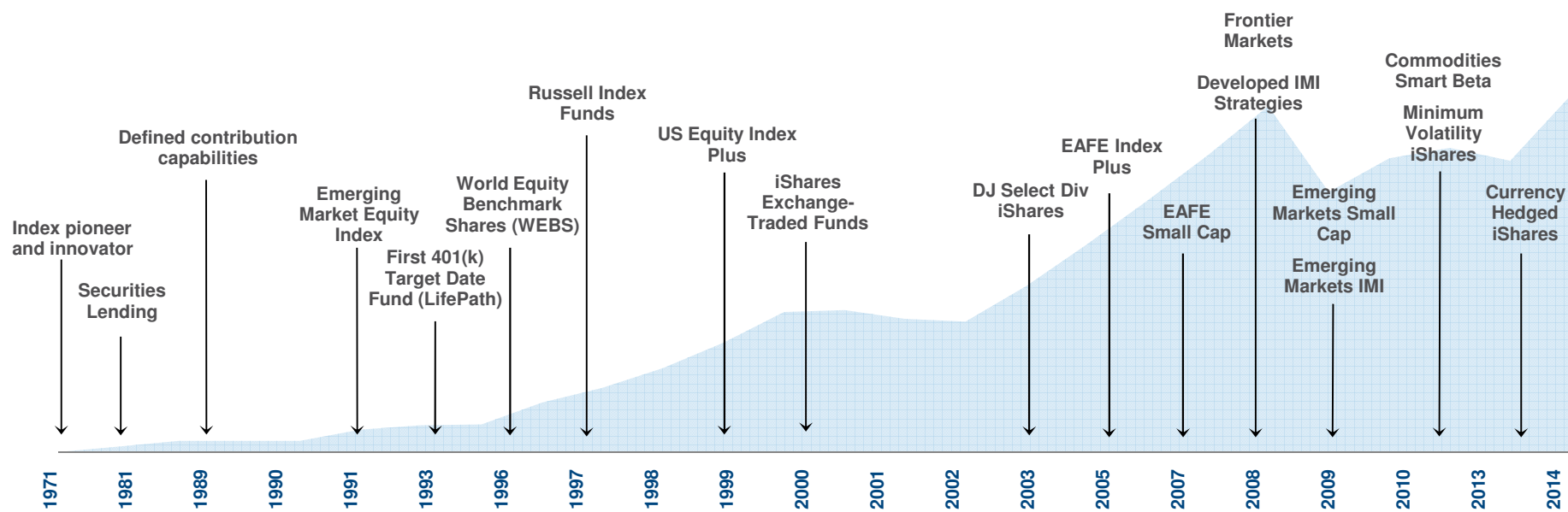
Debbie Jelilian

Trading
Richard Prager

Risk & Quantitative Analysis (RQA) Group

BlackRock is the global leader in equity indexing — largest equity index manager globally

40 Years of Index Equity Management



BlackRock's core investment philosophy

Total performance management

We believe that superior investment outcomes are best achieved through a disciplined, objective process to managing return, risk and cost

Return

- ▶ Performance as planned with value added portfolio management
- ▶ Flexible strategies and solutions

Risk

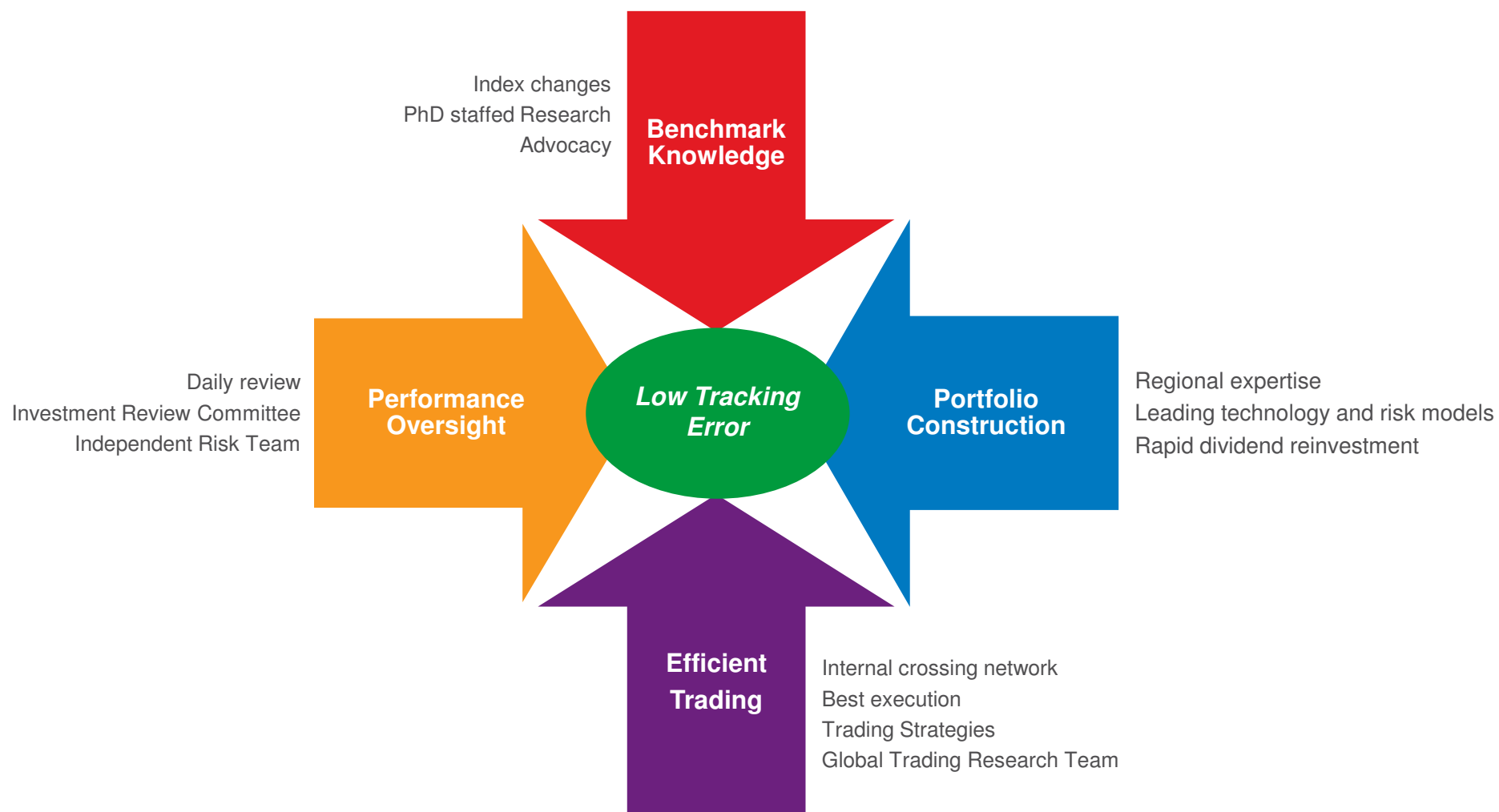
- ▶ Proprietary portfolio & risk management systems help manage investment and operational risk

Cost

- ▶ Trading costs integrated into portfolio construction using proprietary transaction cost models
- ▶ Transaction costs minimized through use of internal crossing network
- ▶ For all external trading including FX, focus on best execution

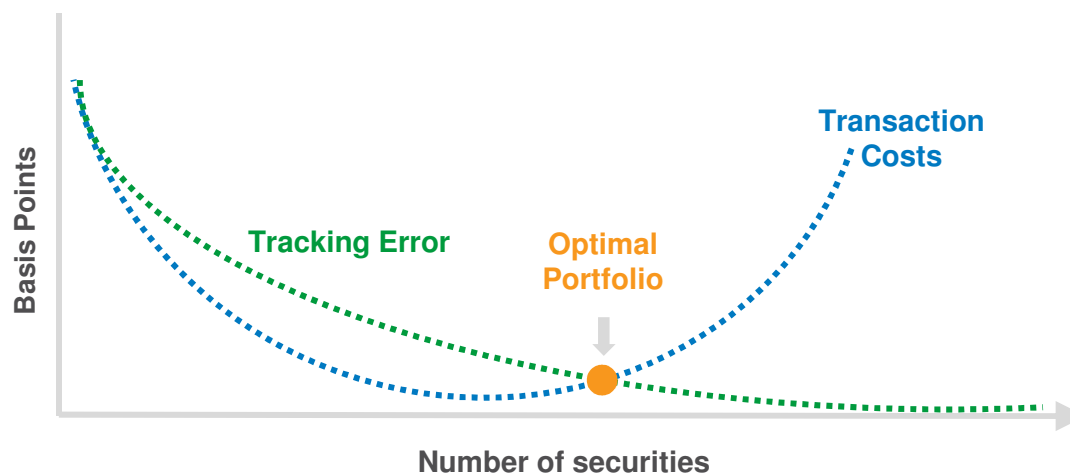


Enhancing the equity index investment process



Trading off costs and tracking error

Quantitative process balances tracking error & transaction costs



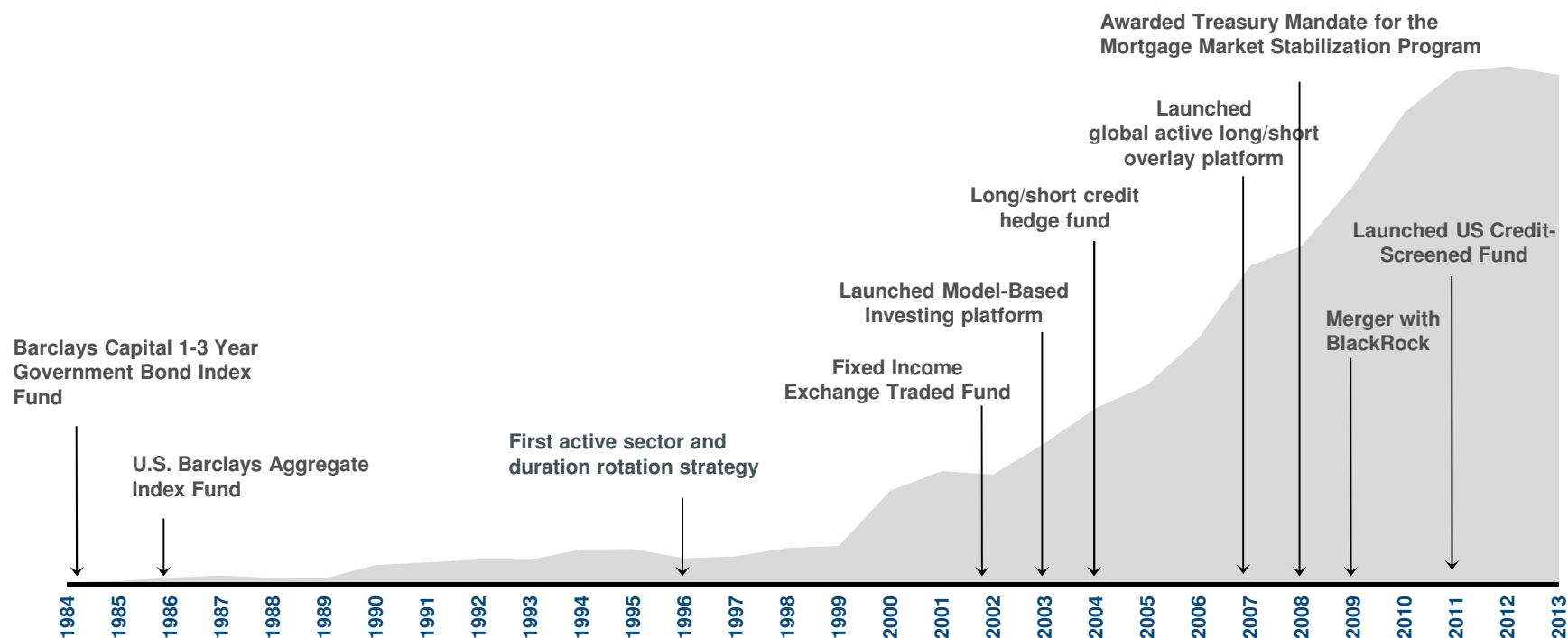
For illustrative purpose only.
Source: BlackRock

BlackRock fixed income platform



BlackRock is the global leader in fixed income indexing — largest fixed income index manager globally

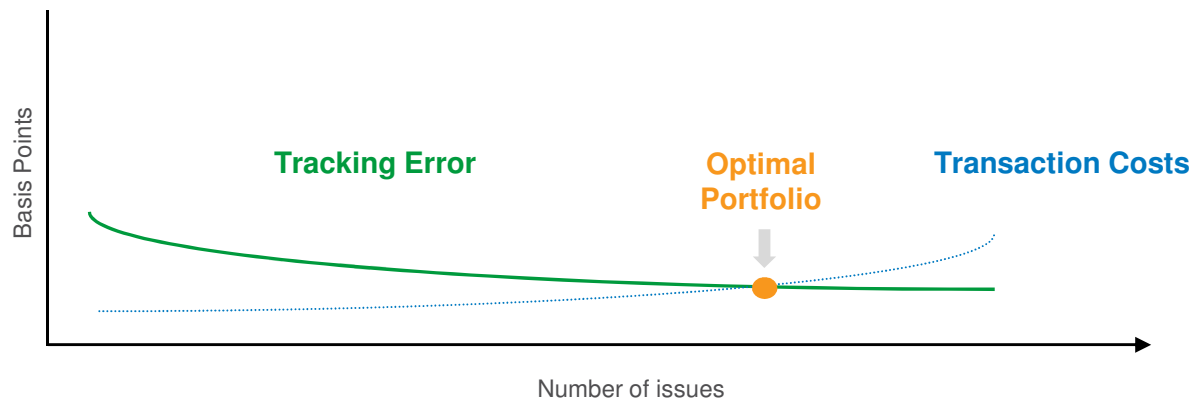
30 Years of index and model-based fixed income management



Fixed income indexing: different market, different strategy

Quantitative process balances tracking error & transaction costs

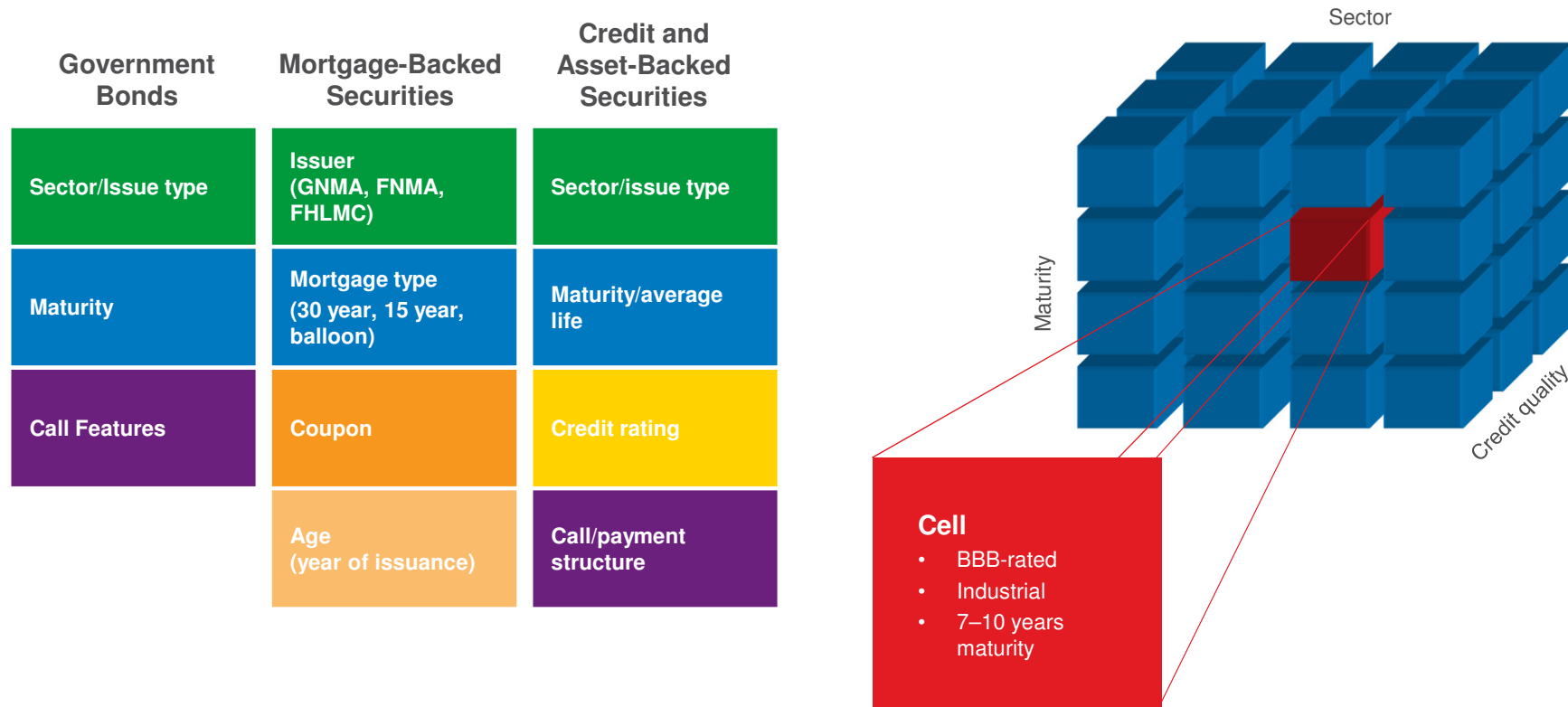
- ▶ Unlike equities, fixed income is not traded on exchanges
- ▶ Prohibitive costs, uncertain liquidity, and issue scarcity often makes perfect replication infeasible
- ▶ Index process optimizes marginal contribution to tracking error with transaction costs



For illustrative purpose only.
Source: BlackRock

Portfolio construction

Stratified sampling methodology: Dividing the various indexes into subsets (cells) based upon relative parameters



Portfolios are constructed by sampling bonds from each index cell

For illustrative purpose only.

Securities Lending Review

BlackRock securities lending & cash collateral management platform

Trading & Liquidity Strategies

Richie Prager
Head of Trading & Liquidity Strategies

Cash Management

Thomas Callahan
*Co-head of Cash
Management*

Richard Hoerner
*Co-head of Cash
Management*

Portfolio Management

Rich Mejsak

Securities Lending & Financing

Michael Weaver
Head of Securities Lending & Financing

Head of Trading

James Templeman

Global Strategy

Cindy Bernhardt

Global COO

Elizabeth Kent

Investment Strategy

Jason Strofs

Business Strategy

Vivek Krishnappa

Risk & Quantitative Analysis (RQA) Group

Regulatory update

Regulators' recent focus on Securities Lending primarily seeks to enhance transparency and disclosure, while mitigating risk.

Increased Transparency:

- FSB Shadow Banking Workstream on Securities Lending and Repo recommended transaction – level reporting to national regulators and aggregated reporting to FSB;
- The SEC may implement these recommendations with authority granted under Dodd-Frank;
- Could permit regulators to monitor the global exposures from securities lending and repo, and in addition may be made public on an anonymous, aggregated basis;
- This seeks to make the industry more stable and may give clients another means to benchmark their performance

Enhanced Disclosures:

- FSB recommended enhanced disclosure to fund investors of securities lending and repo activity;
- ESMA has already implemented these recommendations for European UCITS funds; SEC and other regulators are expected to follow suit;
- BlackRock has started to implement these recommendations

Investor Risk:

- Counterparty Risk
 - Basel III and Dodd Frank generally require counterparties to hold more capital, greater liquidity and reduced leverage; these changes seek to reduce counterparty risk;
 - Provisions of Dodd Frank may also encourage securities lending agents to reduce exposures to the largest borrowers and diversify their counterparties
- Cash Collateral:
 - FSB recommended conservative guidelines for cash collateral from securities lending;
 - OCC implemented more conservative limits for STIF fund management in 2013;
 - SEC implemented more conservative limits in 2010 and will adopt further changes for 2a-7 Money Market Funds;
 - BlackRock has implemented the OCC and SEC changes and is actively involved in the current regulatory discussions.

Source: BlackRock summary as of 3 October 2014

Market Update: Trends in equity and fixed income supply

Fixed Income supply trends:

- ▶ Utilization rates have declined as borrowers are focused on reducing their balance sheets
- ▶ The desire from the borrower community has increased to pledge more non-cash collateral which is a significant driver of the collateral upgrade trades

Equity supply trends:

- ▶ Securities Lending returns from equities have increased in 2014 due to an increase in demand to borrow securities as short selling strategies have achieved generally positive returns.
- ▶ The increase in corporate activity - especially IPOs and M&A - have created event specific opportunities for securities lending.

Fund performance update

C Fund

- ▶ Utilization of large cap equities continues to be low due to supply/demand factors in the lending market.
- ▶ Over the period (January 1, 2014 – September 30, 2014), Visa Inc. was the largest income earner for the C Fund with over \$9.7M in lending income. A combination of this security being a long-term borrow and having a large market capitalization were the significant contributors to its securities lending earnings.

S Fund

- ▶ US equity securities that are not large cap equities continue to be in greater demand from borrowers as the stocks are often times used to facilitate shorting activities by hedge funds. Utilization levels have been consistent with a slight increase in recent months.
- ▶ Over the period (January 1, 2014 – September 30, 2014), 3D Systems Corp. was the largest income earner for the S Fund generating over \$4.0M in lending income; shares were borrowed given negative sentiment on the company.

I Fund

- ▶ Dividend arbitrage and other yield enhancement opportunities are the largest drivers of income for developed market international equities. Total S.A. and Sanofi S.A., both French securities, were the two largest individual contributors to lending income as a result of dividend related loans during the period.
- ▶ Demand has declined relative to prior years as there are fewer end users willing to participate in dividend related loans, which lead to an increase in supply and softening of prices

F Fund

- ▶ Healthy demand for treasuries driven by the need for high grade collateral continues. However, borrower balance sheet pressures have impacted utilization rates and loan balances negatively.
- ▶ Utilization rates for treasuries are high relative to utilization rates on credit which are generally low.
- ▶ Lending revenues associated with fixed income securities can be largely attributed to the favorable cash reinvestment environment.

Source: BlackRock

Year to date securities lending performance

1/1/2014 – 9/30/2014

Securities lending performance for the period January 1, 2014 through September 30, 2014:

- ▶ For the C Fund, S Fund, I Fund, F Fund
 - Average assets on-loan
 - Average % on-loan
 - Securities lending income
 - Net spread and lending yield

Appendix

Important notes

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