BlackRock®

Presented to

Federal Retirement Thrift Investment Board
Thrift Savings Plan

31 October 2016

Meeting Agenda

I. Introduction and BlackRock Overview

II. Asset Management Industry Update

III. C, S, I, and F Funds Review

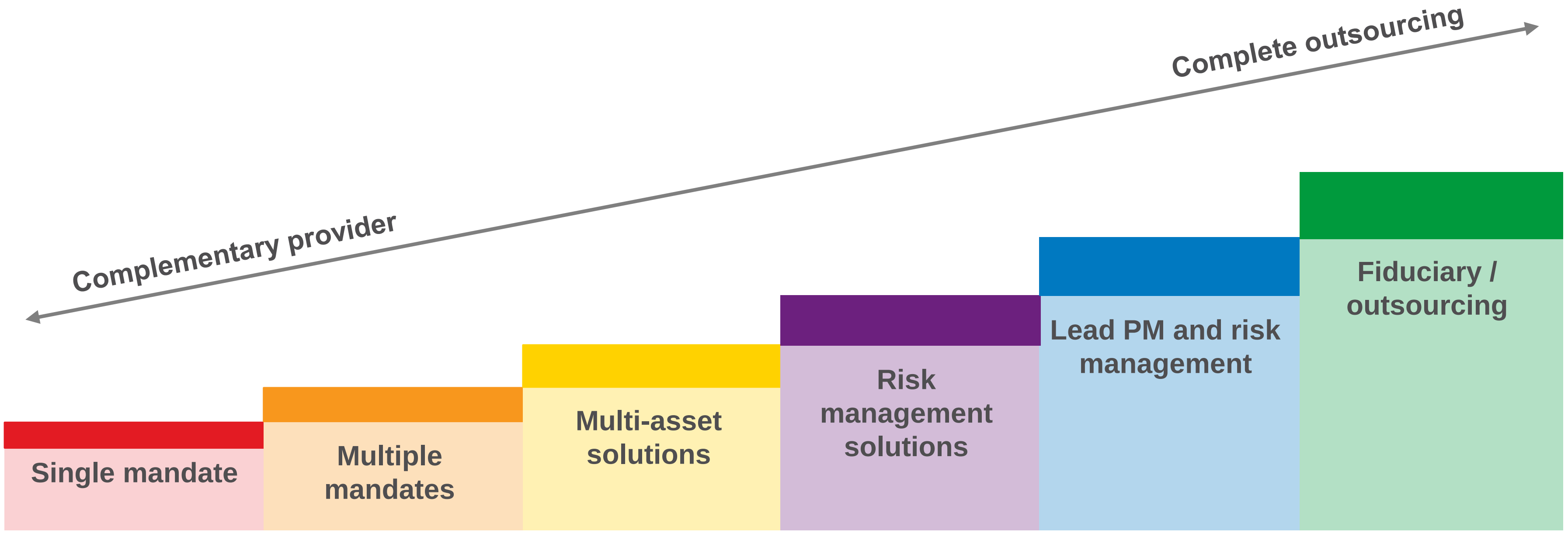
IV. Securities Lending Review

BlackRock Overview

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 more than 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	• Pioneered index and quantitative investing
1980s	• Created the First Term Trust (closed-end fund) • Initiated fixed income and international indexing
1990s	• Created the industry's first target date fund • Introduced exchange-traded funds under World Equity Benchmark Shares (WEBS) brand (now iShares® ETFs)
2000s	• 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	• Engaged by U.S. 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

Built to maximize performance

Organization drives idea and analysis sharing.	Investors' potential benefit from scale of infrastructure.
Collective expertise	**Global infrastructure**
Investment Research	Trading
Daily Global Meeting	Dedicated Capital Markets
BlackRock Investment Institute	Aladdin®
Chief Investment Officers	Risk & Quantitative Analysis

BlackRock at a Glance

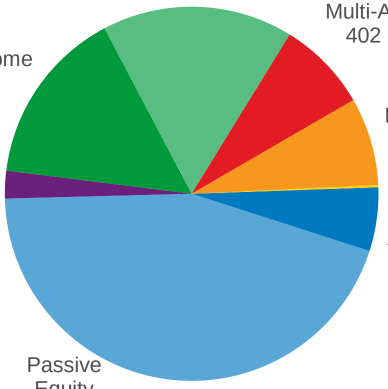
BlackRock Mission Statement

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
- $5.12 trillion assets under management
- More than 12,000 employees
- More than 1,800 investment professionals **
- Offices in over 30 countries
- 25 primary investment centers globally **
- Clients in over 100 countries
- Over 750 iShares® ETFs globally
- Through BlackRock Solutions, the Firm provides risk management and enterprise investment services for over 200 clients
- 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

$5.12 trillion managed across asset classes



Assets as of 30 September 2016

[1] Includes commodity and currency mandates

* As of 30 September 2016

** As of 30 June 2016

Positioned to address client needs

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

$5.12 trillion in assets under management

Equity $2.57 trillion	• Capabilities across investment styles: index, active fundamental, scientific and absolute return
Fixed Income $1.63 trillion	• Manage strategies across benchmark types and styles: index, fundamental, model-based and absolute return
Alternatives* $122 billion	• Solutions-oriented approach extends to alternatives portfolio construction
Multi-asset $402 billion	• Outcome focused: target-date, balanced risk factor, and liability-driven investing
Cash $389 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

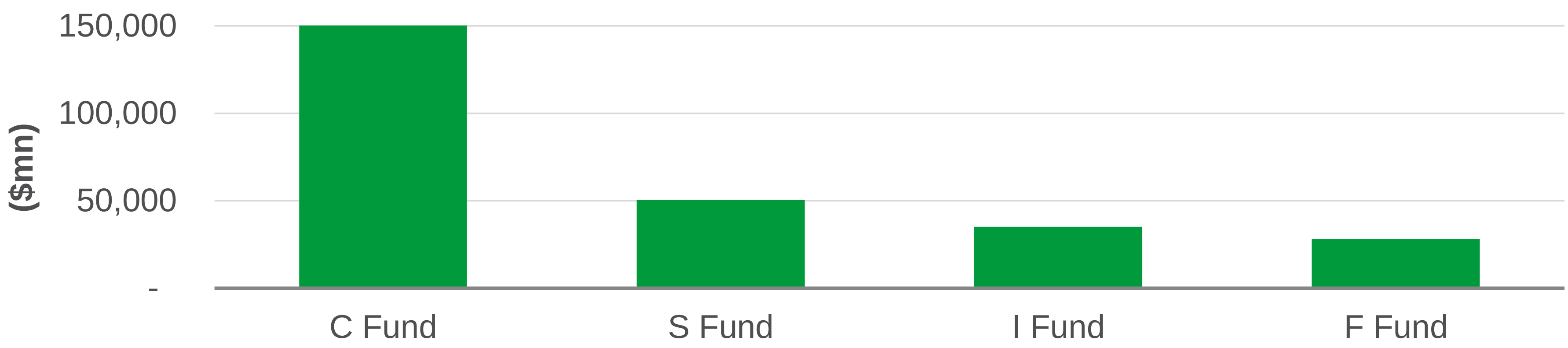
AUM As of 30 September 2016
* The alternatives AUM may include committed capital, in addition to invested capital, which remains subject to drawdown

Asset Management Industry Update

C, S, I, and F Funds Review

Thrift Savings Plan – assets under management

Participants' AUM ($) as of September 30, 2016



Funds	Benchmark	AUM ($) as of September 30, 2016
C Fund	S&P 500® Index	151,236,826,254
S Fund	Dow Jones U.S. Completion Total Stock Market Index	50,378,749,760
I Fund	MSCI EAFE Index	35,008,265,527
F Fund	Barclays U.S. Aggregate Bond Index	28,057,061,406
Total		**264,680,902,947**

BlackRock equity indexing platform

Beta Strategies Platform

Amy Schioldager
Head of Beta Strategies

Beta Strategies Investment Management Teams

Americas Index Equity	Europe Index Equity	Asia-Pacific Index Equity
Alan Mason	Eleanor de Freitas	Kevin Hardy

Beta Strategies Cross-Platform Teams

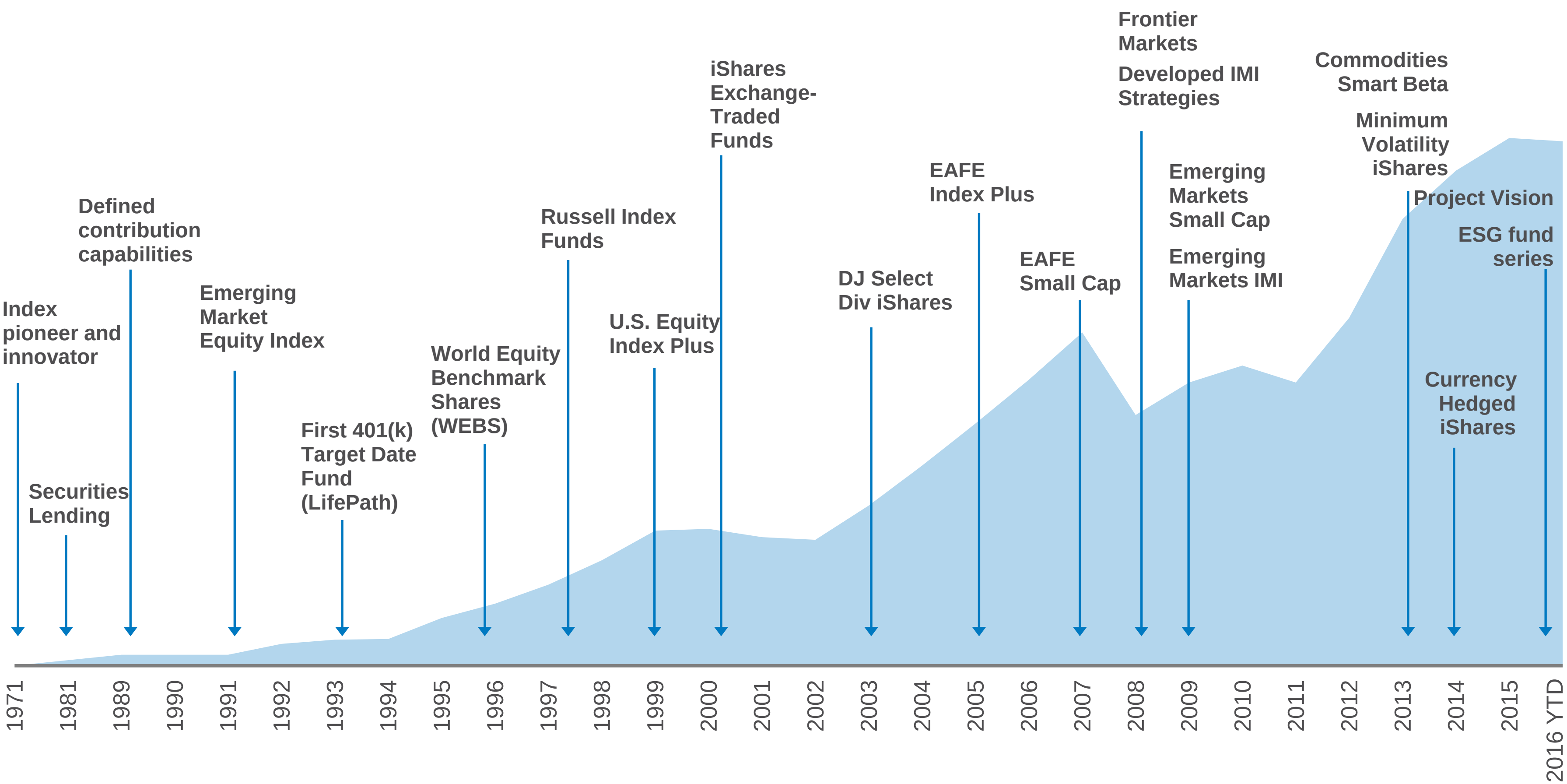
Index Strategy	Chief Operating Officer
Kristen Dickey	Debbie Jelilian

Head of Trading, Liquidity and Investments Platform
Richard Prager

Risk & Quantitative Analysis (RQA) Group

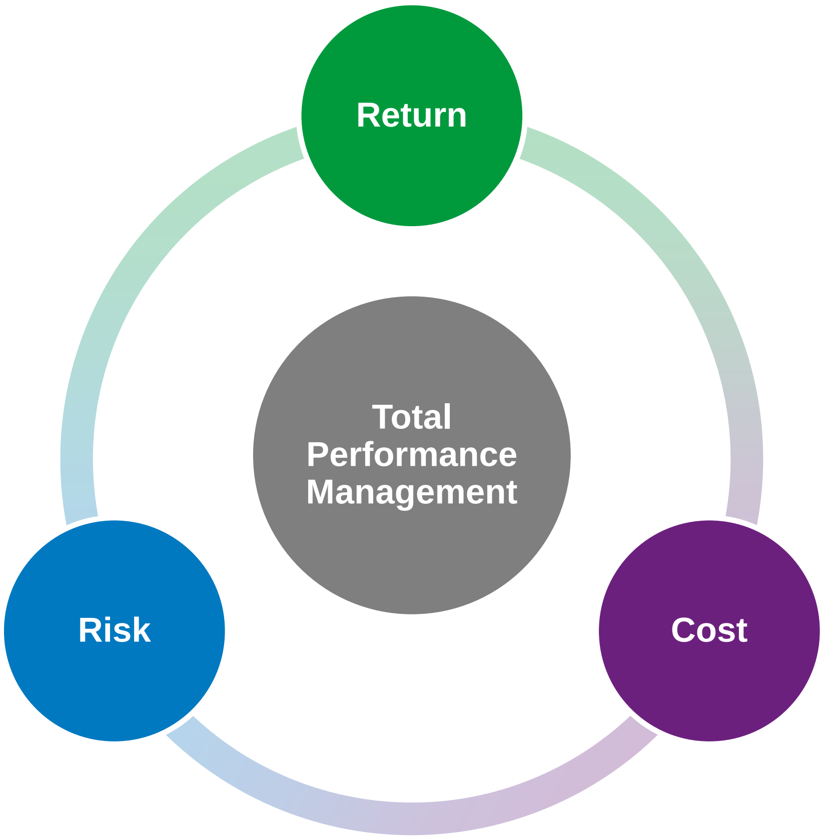
BlackRock is the global leader in equity indexing — Largest equity index manager globally

40 years of Index Equity Management



Core investment philosophy of total performance management

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



Return

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

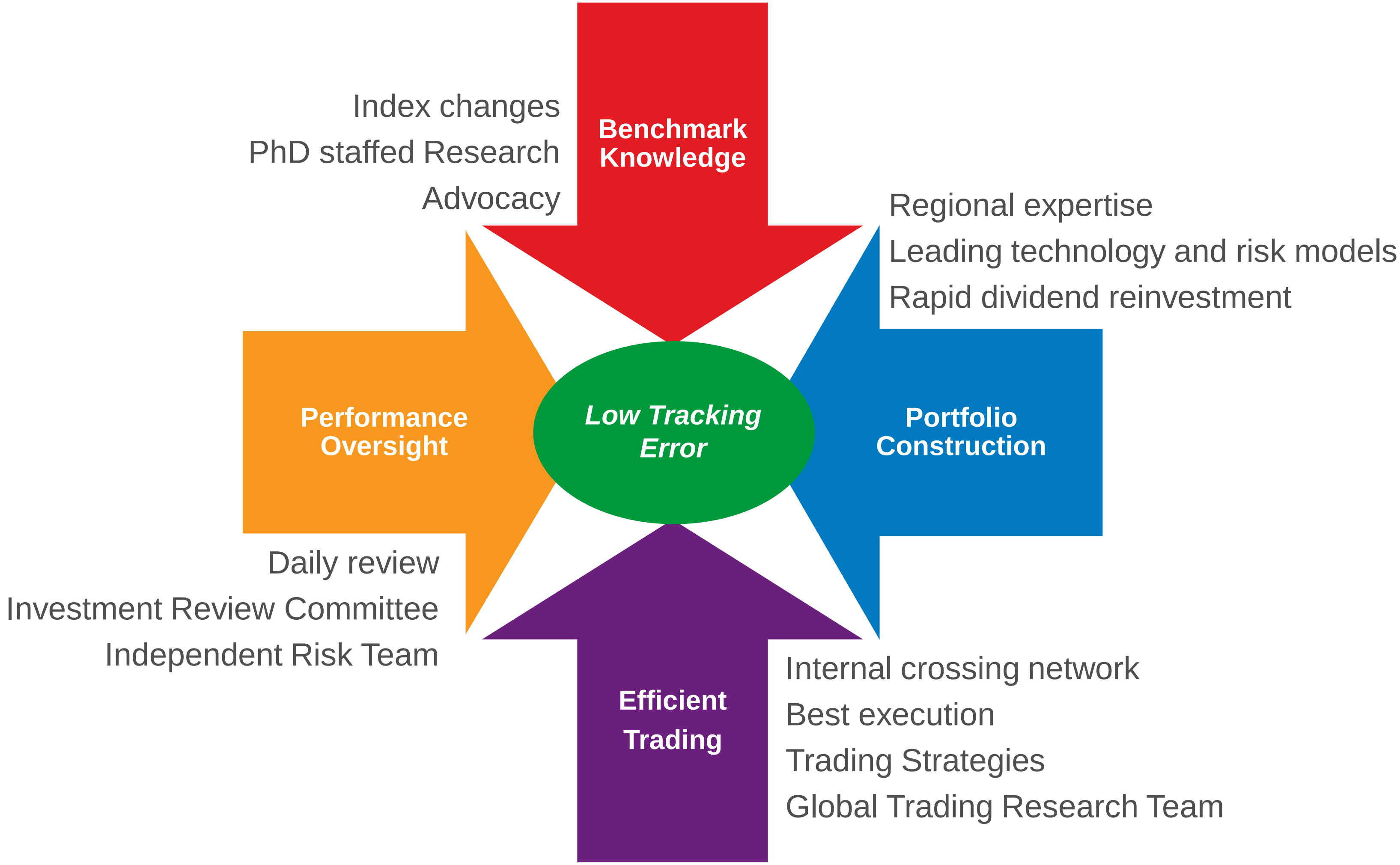
Risk

- Proprietary portfolio & risk management system helps manage investment and operational risk

Cost

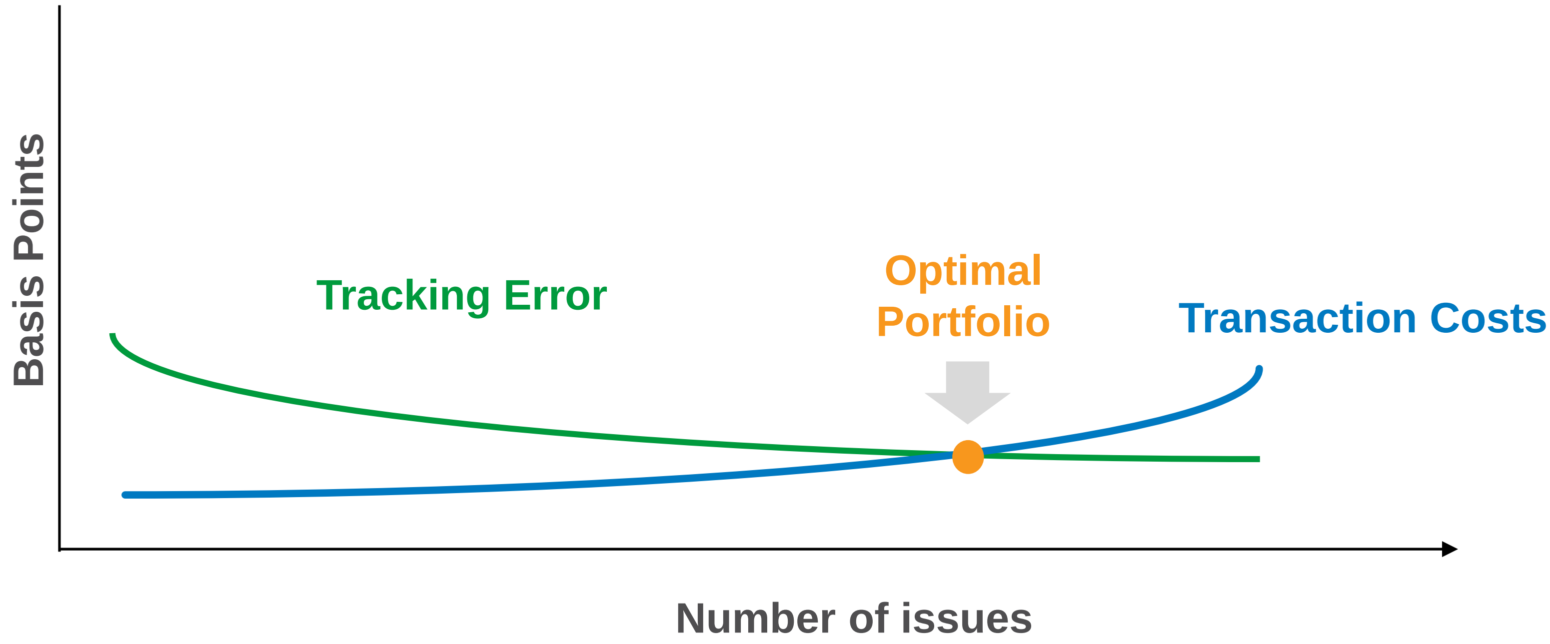
- Trading cost integrated into portfolio construction using proprietary transaction cost models
- Potential for reduced transaction costs through netting of client flows
- Focus on best execution for all external trading, including FX

Enhancing the equity index investment process



Trading off costs and tracking error

Quantitative process balances tracking error & transaction costs

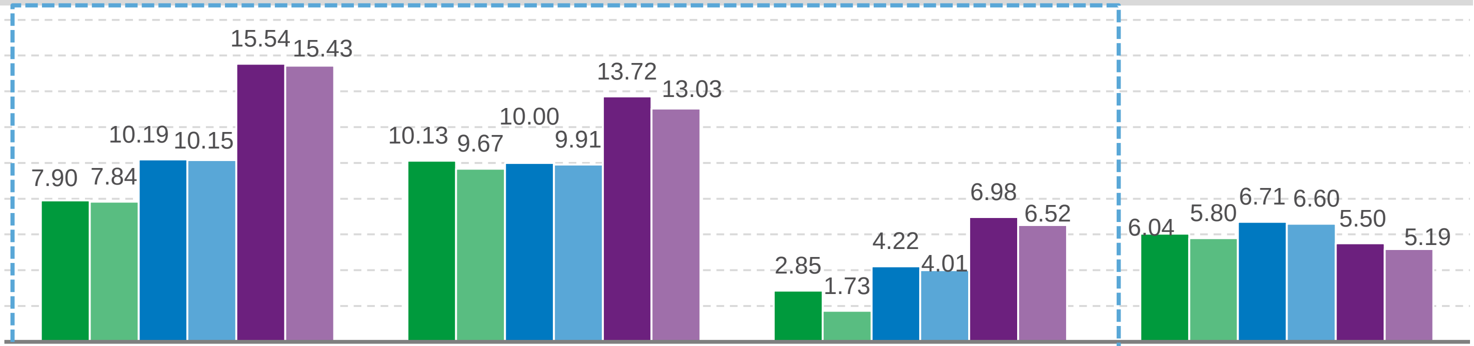


For illustrative purpose only.

Thrift Savings Plan – performance

Performance relative to benchmarks – as September 30, 2016

Gross of fee returns* (%)



	C Fund	S Fund	I Fund	F Fund
YTD Fund Return	7.90	10.13	2.85	6.04
YTD Benchmark Return	7.84	9.67	1.73	5.80
Tracking	**0.06**	**0.46**	**1.12**	**0.24**
Since Inception Fund Return	10.19	10.00	4.22	6.71
Since Inception Benchmark Return	10.15	9.91	4.01	6.60
Tracking	**0.04**	**0.09**	**0.21**	**0.11**
1 Year Fund Return	15.54	13.72	6.98	5.50
1 Year Benchmark Return	15.43	13.03	6.52	5.19
Tracking	**0.11**	**0.69**	**0.46**	**0.31**

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 September 30, 2016; Source: BlackRock

Thrift Savings Plan – 1 Year performance attribution

	C Fund	S Fund	I Fund	F Fund
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Attribution Summary	Securities Lending	Futures Utilization Securities Lending	Fair Value Pricing Tax Advantage Securities Lending Futures Utilization	Securities Lending Pricing Methodology Variance

BlackRock fixed income platform

Global Fixed Income Platform

Rick Rieder
CIO of Global Fixed Income

Tim Webb
Global Head of Fixed Income

Fundamental

Rick Rieder – *CIO*
Scott Thiel – *Deputy CIO*

Global Alpha

Tom Parker – *CIO*
Ben Brodsky, Dave Horowitz – *Deputy CIOs*

Americas Portfolio Solutions

Scott Radell
Head of U.S. Fixed Income Portfolio Solutions

Multi-Sector/Other | **Credit** | **Rates/Mortgage/EM**

Head of Trading, Liquidity and Investments Platform
Richard Prager

Risk & Quantitative Analysis (RQA) Group

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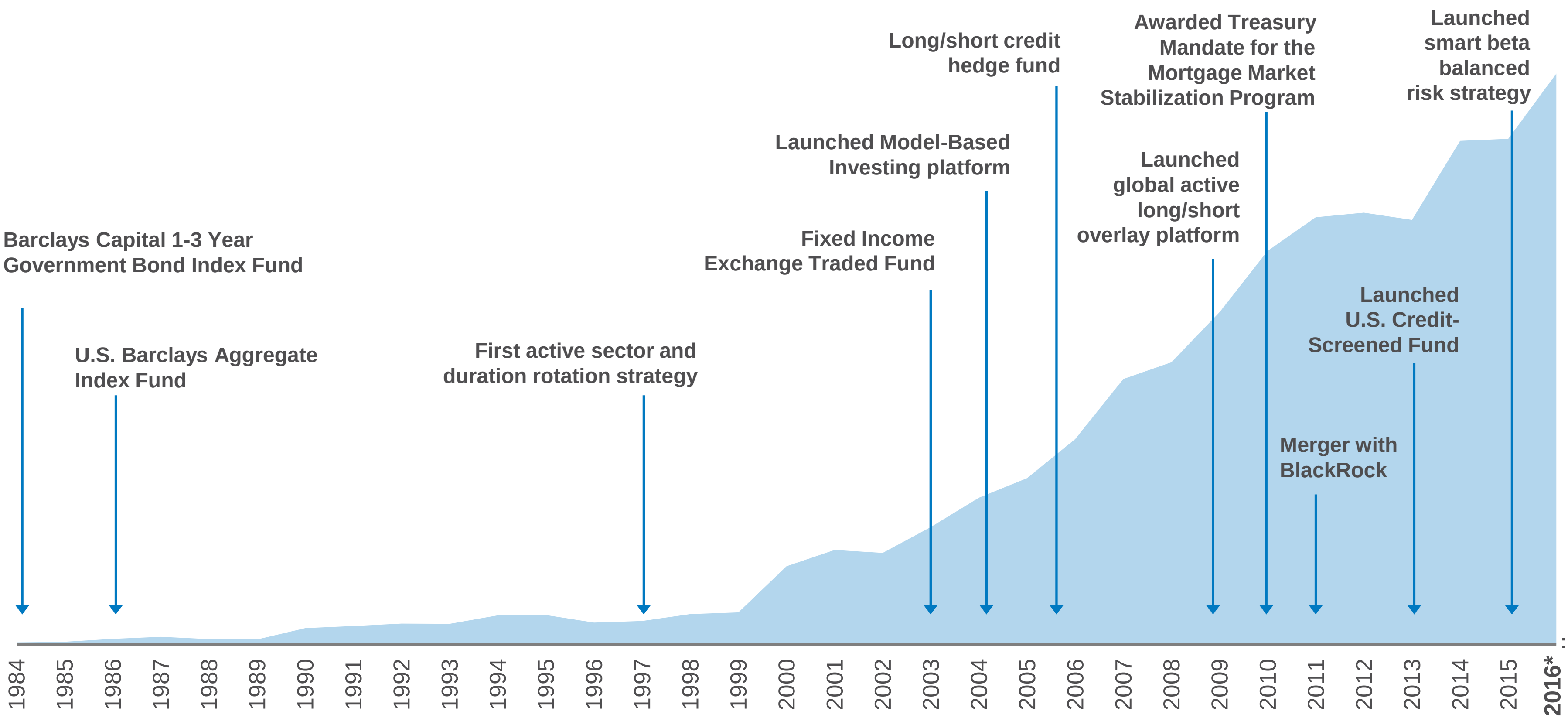
30 years of index and model-based fixed income management

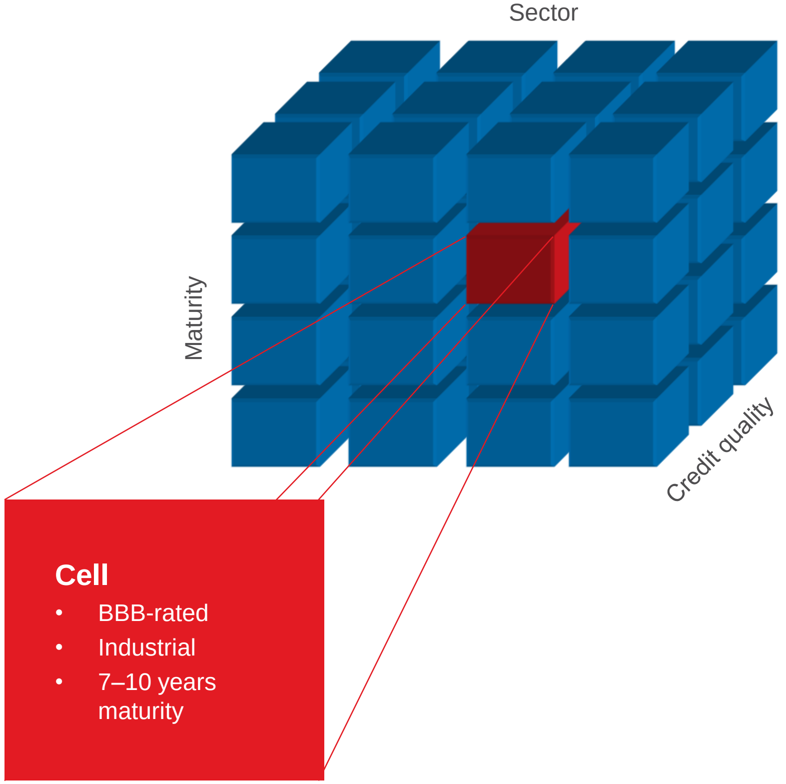


* As of 30 June 2016
** Source: Pension & Investments as of 30 June 2015

Portfolio construction

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

Government Bonds	Mortgage-Backed Securities	Credit and Asset-Backed Securities
Sector/issue type	Issuer (GNMA, FNMA, FHLMC)	Sector/issue type
Maturity	Mortgage type (30 year, 15 year, balloon)	Maturity/average life
Call features	Coupon	Credit rating
	Age (year of issuance)	Call/payment structure
	Specified pools "story"	



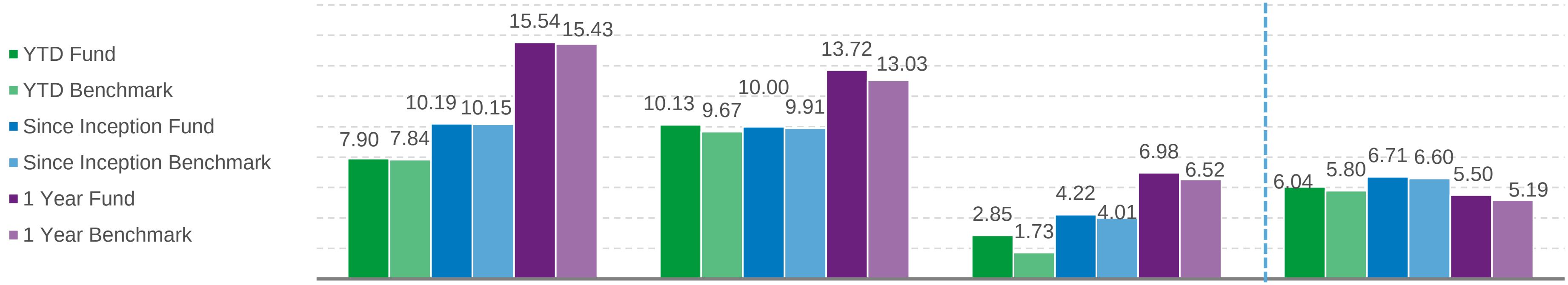
Portfolios are constructed by sampling bonds from each index cell

For illustrative purpose only.

Thrift Savings Plan – performance

Performance relative to benchmarks – as of September 30, 2016

Gross of fee returns* (%)



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Securities Lending Review

Benefits of securities lending

- Securities lending is a well-established practice whereby an asset owner makes short-term loans of stocks or bonds to banks or broker dealers who often on-lend those securities to hedge funds.
- Loans are collateralized with cash or other securities; collateralization levels are mark-to-market daily.
- Investors can benefit from the additional income from securities lending in the form of better fund performance.

BlackRock securities lending & cash collateral management platform

Trading, Liquidity and Investments Platform

Richie Prager
Head of Trading, Liquidity and Investments Platform

Cash Management

Thomas Callahan
Head of Global Cash Management

U.S. Head of Portfolio Management
Rich Mejzak

Securities Lending

Roland Villacorta
Global Head of Securities Lending

Global Head of Product Strategy
Jason Strofs

Global Head of Trading
James Templeman

Global COO
Elizabeth Kent

Head of U.S. Equity Trading
Patricia Hostin

Head of Intl Equity Trading
Yoshihiko Aoyama

Head of Fixed Income Trading
Gene Meshechek

Risk & Quantitative Analysis (RQA) Group

Market update: Regulatory update

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

Increased transparency and disclosures:

- In an effort to better understand the financing markets, regulators have been seeking to aggregate securities lending information:
  - The requirements of the Securities Financing Transaction Reporting (SFTR) to the European Securities and Markets Authority (ESMA) began in January 2016, with subsequent reporting requirements in the coming years. BlackRock will continue to adhere to the subsequent regulatory requirements as needed.
  - The Data Experts Group (DEG) of the FSB has held a series of meetings globally in an effort to determine the appropriate information for collection by regulators. In November 2015, the DEG finalized its securities financing reporting proposals and is working on operational arrangements with a view to begin global data collection and aggregation at the end of 2018.
- On April 18, 2016 the FSB published a public consultation on asset management where lending was one of the five focus areas. BlackRock has submitted a comment letter supportive of the need for more information on securities lending while reiterating our view that the activity is well controlled and does not pose systemic risk.
- Regulators have been advocating for increased disclosures. As part of the Investment Company Reporting Modernization, the SEC has proposed disclosures on securities lending fees, cash collateral vehicles, and counterparty disclosures. BlackRock is very supportive of these proposed requirements and has already enhanced the securities lending information it provides its investors.

Investor Risk:

- Counterparty Risk
  - Basel III and Dodd Frank generally require borrowers to hold more capital, maintain greater liquidity and reduce leverage.
  - These changes are intended to reduce borrower default risk, but we also anticipate these changes will impact the balance sheets of our borrowers, leading to further evolution of the securities lending market:
    - U.S. Broker Dealers have begun pledging more non-cash collateral and there has been significant due diligence on the potential utilization of Central Counterparties (CCPs) for clearing securities lending transactions. BlackRock's Securities Lending and Market Structure teams have staff dedicated to working with likely CCP entrants to develop a model that is in the best interest of our clients.
- Cash collateral:
  - As part of their recommendations released in August 2013, the FSB endorsed conservative guidelines for cash collateral from securities lending.
  - OCC implemented more conservative limits for STIF fund management that took effect in July 2013; BlackRock's cash collateral portfolios were compliant in February 2013.
  - SEC implemented more conservative limits in 2010 and adopted further changes for 2a-7 Money Market Funds (MMF) which became effective as of October 14, 2016. The new regulations may have the indirect effect of reducing GC supply in the U.S., due to some lenders migrating to a Government MMF to avoid gates and fees. BlackRock is continuing to monitor this closely and has successfully implemented changes to adhere with the new rules in advance of the deadline.

Source: BlackRock summary as of 4 October 2016

Market Update: Trends in equity and fixed income

Fixed Income trends:

- Demand to borrow U.S. Corporate bonds has been generally high through 2016, with peaks in on-loan balances coinciding with an increase in demand to short companies exposed to the energy sector.
- While demand for U.S. Treasuries has remained relatively steady, there have been very few specials in the market and we do not anticipate that to change until interest rates increase.
- Changes in the cash reinvestment environment, driven by money fund reform, have removed certain pools of lendable assets from the securities lending market leading to an increased market share for remaining participants.

Equity trends:

- Demand to borrow equities during the first half of the year was quite robust, with short selling strategies focused on energy, materials and mining sectors. Securities lending income was also supported by a number of corporate action related loans.
- The market cooled significantly in the later portion of the second quarter as energy and commodity prices rallied and hedge funds closed some of their short positions.
- Borrowers have continued to focus on managing their balance sheet and risk weighted assets, which has meant some focus on increasing non-cash balances at the expense of loans collateralized with cash.

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, 2016 – September 30, 2016), Visa Inc. was, once again, the largest income earner for the C Fund with over $3.3M in lending income. The second largest income contributor was Lockheed Martin Corp with over $2.1 million, the driver behind this loan was an exchange offer with Leidos Holdings Inc.

S Fund

- U.S. equity securities that are not large cap equities continue to be in greater demand from borrowers and are frequently used to facilitate shorting activities by hedge funds. Demand has been strong through the first half of 2016, but began to cool starting in the third quarter.
- Over the period (January 1, 2016 – September 30, 2016), Tesla Motors Inc. and Solarcity Corp. were the top two largest income earners for the S Fund generating over $18.0M in lending income; the demand to borrow is a result of Tesla's intention to purchase Solarcity.

I Fund

- Yield enhancement and corporate action related loans are typically the largest drivers of income. The two largest individual contributors to lending income were Total S.A.(scrip dividend) and Alstom S.A. (corporate action) during the period.
- Demand for dividend related loans has continued to decline year-over-year as the number of end users continue to shrink as well as scarcity of borrower balance sheet allocations has lead to a decrease in utilization and contraction of spreads.

F Fund

- U.S. Treasury loan balances have remained relatively consistent over the period as the demand continues due to borrower needs for high grade collateral.
- While utilization rates for U.S. Treasuries are higher than utilization rates for credit, there continues to be demand to borrow credit securities for shorting purposes.
- Lending revenues associated with fixed income securities can be largely attributed to cash reinvestment.

Appendix

Important notes

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Securities Lending Returns

BlackRock retains a portion of securities lending returns in exchange for managing the program. This fee reflects risk management, as well as the technology and personnel costs of maintaining the lending platform. In addition, BlackRock receives a fee for the management of cash collateral. Actual lending yields and fees for strategies represented may vary. Please note, other administrative costs, including but not limited to, accounting, custody and audit fees, may vary. Investors may receive 50% of securities lending returns and BlackRock retains 50%, except in cases where a client may negotiate a different compensation arrangement. BlackRock may negotiate different securities lending compensation arrangements with our clients depending on a variety of factors, including, but not limited to, the nature and size of the investment and the overall relationship with, and services delivered to, a particular client. Asset spread income is defined as the interest income earned in cash reinvestment funds on collateral balances less the Federal Funds Open Rate. Liability spread income is defined as the difference between the Federal Funds Open Rate and the rebate rate negotiated with the borrower.

Forward Looking Information

This material may contain "forward-looking" information that is not purely historical in nature. Such information may include, among other things, projections, forecasts, estimates of yields or returns, and proposed or expected portfolio composition. Moreover, where certain historical performance information of other investment vehicles or composite accounts managed by BlackRock, Inc. and/or its subsidiaries (together, "BlackRock") has been included in this material and such performance information is presented by way of example only. No representation is made that the performance presented will be achieved, or that every assumption made in achieving, calculating or presenting either the forward-looking information or the historical performance information herein has been considered or stated in preparing this material. Any changes to assumptions that may have been made in preparing this material could have a material impact on the investment returns that are presented herein by way of example.

Forecast

This material is not intended to be relied upon as a forecast, research or investment advice, and is not a recommendation, offer or solicitation to buy or sell any securities or to adopt any investment strategy. The opinions expressed may change as subsequent conditions vary. The information and opinions contained in this material are derived from proprietary and nonproprietary sources deemed by BlackRock to be reliable, are not necessarily all inclusive and are not guaranteed as to accuracy. There is no guarantee that any forecasts made will come to pass.

No Recommendation

These materials are neither an offer to sell nor a solicitation of any offer to buy shares in any fund. You may not rely upon these materials in evaluating the merits of investing in any fund that employs any of the strategies referred to herein. Any reference herein to any security and/or a particular issuer shall not constitute a recommendation to buy or sell, offer to buy, offer to sell, or a solicitation of an offer to buy or sell any such securities issued by such issuer.

Money Market Fund

Although a money market fund seeks to preserve the value of one's investment at $1.00 per share, it is possible to lose money by investing in a money market fund. Investment in a money market fund is not similar to making a bank deposit. This investment is not insured or guaranteed by the Federal Deposit Insurance Corporation or by any bank or governmental agency.

Important notes

Risk

Securities lending involves exposure to certain risks, including cash collateral investment risk (i.e., risk that cash collateral investments, whether in Cash Collateral Funds or otherwise, may not achieve their investment objective, including suffering realized or unrealized loss due to investment performance), "gap" risk (i.e., risk that the return on cash collateral investments is insufficient to pay the rebate fees the Lending Fund or Lending Account has committed to pay to borrowers), liquidity risk (i.e., risk that the cash collateral is invested, directly or through the Cash Collateral Funds, in securities and other instruments that are less liquid than the Lending Fund or Lending Account, which could limit the liquidity available to the Lending Fund or Lending Account for ordinary course transactions), operational risk (i.e., risk of losses resulting from problems in the settlement and accounting process), foreign exchange risk (i.e., risk of a shortfall at default when a cash collateral investment is denominated in a currency other than the currency of the assets being loaned due to movements in foreign exchange rates), and credit, legal, counterparty and market risks. At any particular point in time, investments in the Cash Collateral Funds could comprise a material portion of a Lending Fund's assets.

Investing involves risk, including possible loss of principal. Asset allocation and diversification strategies do not assure a profit and may not protect against loss or effects of market or other economic conditions on asset classes. Diversification among investment options and asset classes may help to reduce overall volatility.

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Index

It is not possible to directly invest in an unmanaged index.

The Barclays U.S. Aggregate Bond Index is a broad-based flagship benchmark that measures the investment grade, U.S. dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, MBS (agency fixed-rate and hybrid ARM pass-throughs), ABS and CMBS (agency and non-agency). Provided the necessary inclusion rules are met, U.S. Aggregateeligible securities also contribute to the multi-currency Global Aggregate Index and the U.S. Universal Index, which includes high yield and emerging markets debt. The U.S. Aggregate Index was created in 1986 with history backfilled to January 1, 1976.

The Barclays U.S. Government/Credit Index is a widely recognized index that features a blend of U.S. Treasury, government-sponsored (U.S. Agency and supranational), and corporate securities limited to a maturity of more than ten years.

The Barclays Long Term Government/Credit Index is an unmanaged index of U.S. Government or Investment Grade Credit Securities having a maturity of 10 years or more.