



Thrift Savings Plan FUND INFORMATION

July 2012

We're glad you asked . . .

. . . about your TSP investment options. The information in this booklet will help you decide how to invest your account.

To get started, first determine your approach to investing. You can manage your own account or put your money in one of the “Lifecycle” funds—L Funds—that are invested according to a professionally determined mix of the G, F, C, S, and I Funds based on various time horizons. Remember that the amount you contribute and your investment allocation are the most important factors affecting the growth of your TSP account.

If you decide to invest your entire account in one of the L Funds, you're done making decisions. The TSP will do the rest.

If you choose your own investment mix from the G, F, C, S, and I Funds, think about these points:

- ✓ **Consider both risk and return.** The F Fund (bonds) and the C, S, and I Funds (stocks) have higher potential returns than the G Fund (Government securities). But stocks and bonds also carry the risk of investment losses that the G Fund does not have. On the other hand, investing entirely in the G Fund may not give you the returns you need to meet your retirement savings goal.
- ✓ **You need to be comfortable with the amount of risk you expect to take.** Your investment comfort zone should allow you to use a “buy and hold” strategy so that you are not chasing market returns during upswings, or abandoning your investment strategy during downswings.
- ✓ **You can reduce your overall risk by diversifying your account.** The five individual TSP funds offer a broad range of investment options, including Government securities, bonds, and domestic and foreign stocks. Generally, it's best not to put all of your eggs in one basket, except in the case of the L Funds, which are automatically diversified.
- ✓ **The amount of risk you can sustain largely depends upon your investment time horizon.** The more time you have before you need to withdraw from your account, the more risk you can take. (This is because early losses can be offset by later gains.) As your time horizon shortens, you may need to modify your investment mix.
- ✓ **Periodically review your investment choices.** Check the distribution of your account among the funds to make sure that the mix you chose is still appropriate for your situation. If not, make an “interfund transfer” (IFT) to rebalance your account to the allocation you want. For each calendar month, your *first two* IFTs can redistribute money in your account among any or all of the TSP funds. After that, for the remainder of the month, your IFTs can *only* move money into the Government Securities Investment (G) Fund. If you have both a civilian and a uniformed services account, this applies to each account separately.

For more information about TSP investment options, visit the website, www.tsp.gov. You can get recent and historical rates of return, use the calculators to estimate the effect of various rates of return on your account balance, and read TSP *Highlights* articles about investing.

Remember, there is no guarantee that future rates of return will match historical rates.



L FUNDS

Lifecycle Funds

Fund Information

As of December 31, 2011

Net Assets
\$36.5 billion

2011 Administrative Expenses
\$0.25 per \$1,000
account balance,
.025% (2.5 basis points)

Investment Objective

Fund	Growth	Preservation of Assets
L 2050	High	Very Low
L 2040	High	Low
L 2030	Moderate/High	Low
L 2020	Moderate	Moderate
L Income	Low	High

Time Horizons

(when you expect to need the money)

Choose:	If your time horizon is:
L 2050	2045 or later
L 2040	2035 through 2044
L 2030	2025 through 2034
L 2020	2015 through 2024
L Income	Now withdrawing or withdrawing soon

Inception

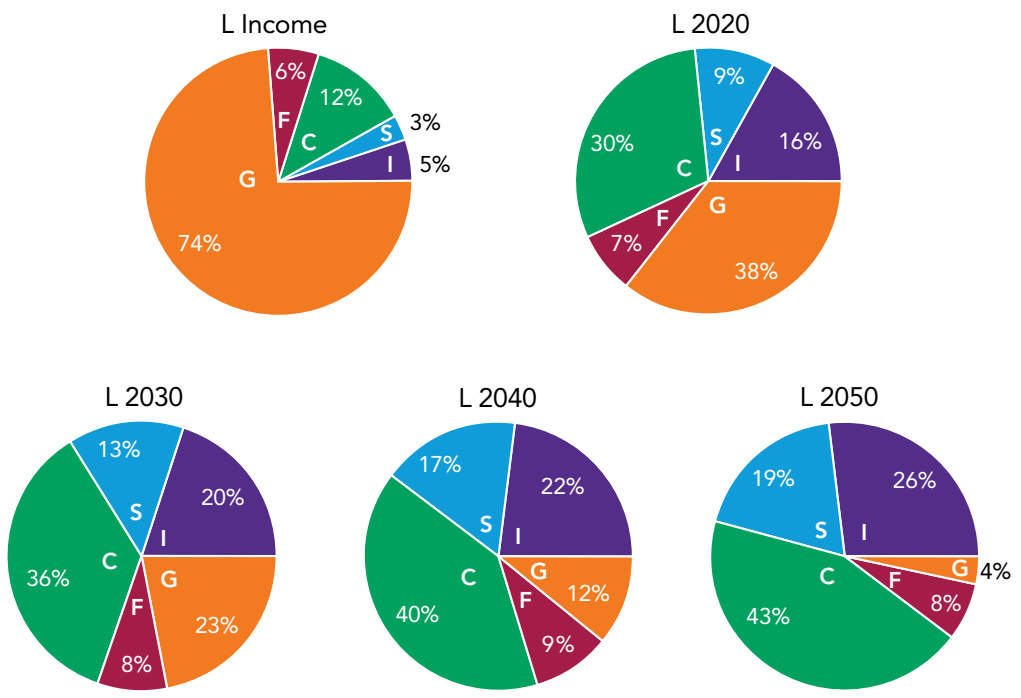
The first L Funds were introduced August 1, 2005

Key Features

- The L Funds diversify participant accounts among the G, F, C, S, and I Funds using professionally determined investment mixes (allocations) that are tailored to different time horizons. The L Funds are rebalanced to their target allocations each business day. The investment mix of each fund adjusts quarterly to more conservative investments as the fund's time horizon shortens.
- The objective of the L Funds is to provide the highest possible rate of return for the amount of risk taken.
- Investing in the L Funds is not a guarantee against loss and does not eliminate risk. The L Funds are subject to the risks inherent in the underlying funds, and can have periods of gain and loss.
- The L Funds' returns will be approximately equal to the weighted average of the G, F, C, S, and I Funds' returns. Earnings are calculated daily, and there is a daily share price for each L Fund.

Allocation Targets

January 2012



L Fund Facts

The L Funds are intended to meet the investment needs of TSP participants with time horizons that fall into five different date ranges, as shown on the front. The five L Funds were designed for the TSP by Mercer Investment Consulting, Inc. The asset allocations are based on Mercer's assumptions regarding future investment returns, inflation, economic growth, and interest rates. The TSP reviews these assumptions at least annually to determine whether changes to the allocations are warranted.

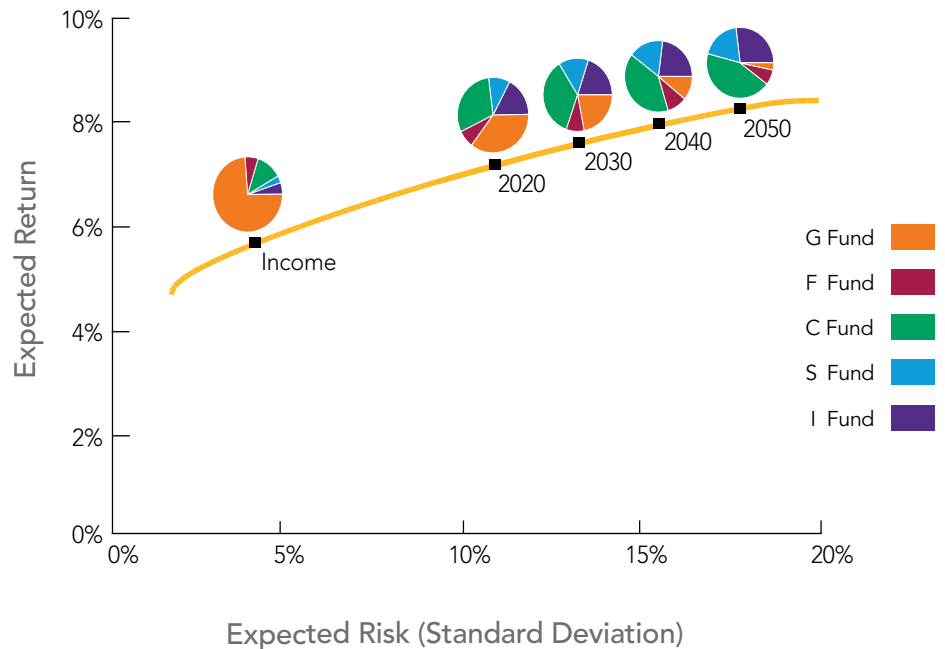
L 2050, L 2040, L 2030, and L 2020 are for participants with time horizons that fall within the defined date ranges. The asset allocations of these funds are adjusted quarterly, moving to a more conservative mix, gradually approaching that of the L Income Fund. Between quarterly adjustments, the asset allocation of each fund is maintained through daily rebalancing to that fund's target allocation. When a fund reaches its horizon, it will roll into the L Income Fund, and a new fund will be added with a more distant time horizon. For example, in 2011, the L 2010 Fund rolled into the L Income Fund, and shortly thereafter the L 2050 Fund was created.

The L Income Fund is designed to produce current income for participants who are already receiving money from their accounts through monthly payments and for participants who plan to withdraw or to begin withdrawing from their accounts in the near future. The asset allocation of the L Income Fund does not change over time; it is maintained through daily rebalancing.

The pie charts on the front show the January 2012 target allocations of the L Income, L 2020, L 2030, L 2040, and L 2050 Funds in each of the five underlying TSP funds. The allocation to the G Fund, which has the least amount of risk, is largest in the L Income Fund, and becomes successively smaller with the more distant target dates. In contrast, the allocations to the F, C, S, and I Funds, which carry varying degrees of risk, but also the potential for higher returns, are largest in L 2050 and smallest in the L Income Fund.

The graph above depicts the expected return and risk associated with each of the five L Funds based on the target allocations in January 2012. The expected returns are derived from Mercer's economic assumptions and are not guaranteed. Expected variability of the investment returns is a measure of risk in investing. For

L Funds and the Efficient Frontier



each risk level, there is one "optimal" asset allocation that has the highest expected return. The collection of optimal asset allocations make up the "Efficient Frontier," which is shown by the curve. Asset allocations that are below the Efficient Frontier are less than optimal, because there is an asset allocation along the frontier that has a higher expected return for the same level of risk, or lower risk for the same expected return. The five TSP L Funds have asset allocations that correspond to points shown on the Efficient Frontier. **Putting your entire TSP account into one of the L Funds will help you to achieve the best expected return for the amount of expected risk that is appropriate for your time horizon.**

Over time, the L Funds (except for the L Income Fund) will "roll down" the Efficient Frontier. That means that, as their allocations are adjusted each quarter, the funds shift left on the line, becoming less risky, until they eventually merge into the L Income Fund.

The administrative expenses associated with the L Funds are those of the underlying G, F, C, S, and I Funds, calculated in proportion to their allocations in each L Fund. The L Funds do not have any additional

charges. There are no restrictions on investing in the L Funds. You may invest any part of your TSP account in any L Fund, and even invest in more than one L Fund. **But it is recommended that you put your entire TSP account into just one L Fund—the one with the target date that is closest to your time horizon.** Any other strategy may result in an asset allocation that is less than optimal (i.e., not on the Efficient Frontier), or which is not suited to your investment time horizon.

Remember, however, that expected risk and return are based on assumptions about future economic conditions and investment performance. There is no guaranteed rate of return for any period, either short-term or long-term.

Note: Participants' interfund transfer (IFT) requests redistribute their existing account balances among the TSP funds. For each calendar month, the *first two* IFTs can redistribute money among any or all of the TSP funds. After that, for the remainder of the month, IFTs can *only* move money into the G Fund. (For participants with more than one TSP account, this rule applies to each account separately.)



G FUND

Government Securities Investment Fund

Fund Information

As of December 31, 2011

Net Assets
\$147.7 billion

2011 Administrative Expenses
\$0.25 per \$1,000
account balance,
.025% (2.5 basis points)

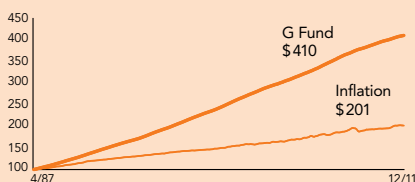
Returns

After Expenses

1-Year	2.45%
3-Year	2.75%
5-Year	3.37%
10-Year	3.96%
Since Inception April 1, 1987	5.86%

Growth of \$100

Since Inception

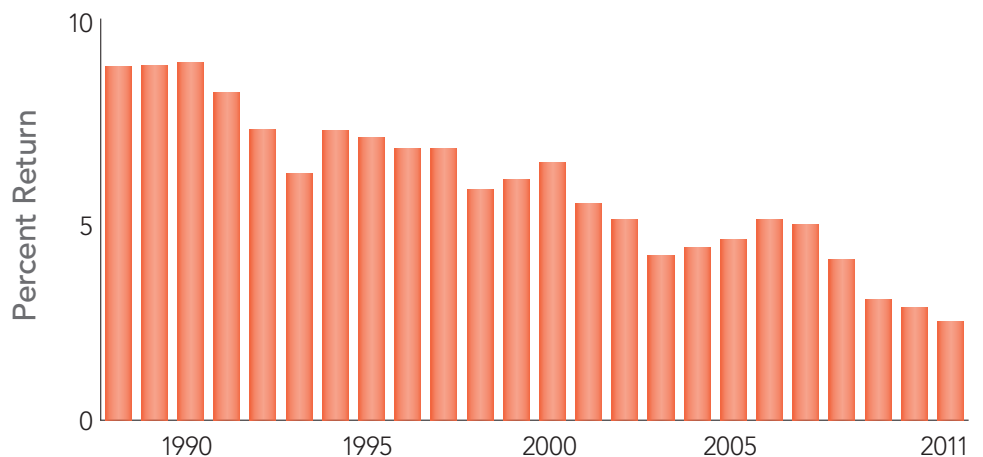


Key Features

- The G Fund offers the opportunity to earn rates of interest similar to those of U.S. Government notes and bonds but without any risk of loss of principal and very little volatility of earnings.
- The objective of the G Fund is to maintain a higher return than inflation without exposing the fund to risk of default or changes in market prices.
- The G Fund is invested in short-term U.S. Treasury securities specially issued to the TSP. Payment of principal and interest is guaranteed by the U.S. Government. Thus, there is no "credit risk."
- The interest rate resets monthly and is based on the weighted average yield of all outstanding Treasury notes and bonds with 4 or more years to maturity.
- Earnings consist entirely of interest income on the securities.
- Interest on G Fund securities has, over time, outpaced inflation and 90-day T-bills.

G Fund Returns

1988–2011



G Fund Facts

By law, the G Fund must be invested in nonmarketable U.S. Treasury securities specially issued to the TSP. The G Fund investments are kept by electronic entries which do not involve any transaction costs to the TSP. The G Fund rate is set once a month by the U.S. Treasury based on a statutorily prescribed formula (described below), and all G Fund investments earn that interest rate for the month. (The G Fund rate is also used in other Government programs, such as the Social Security and Medicare trust funds and the Civil Service Retirement and Disability Fund.)

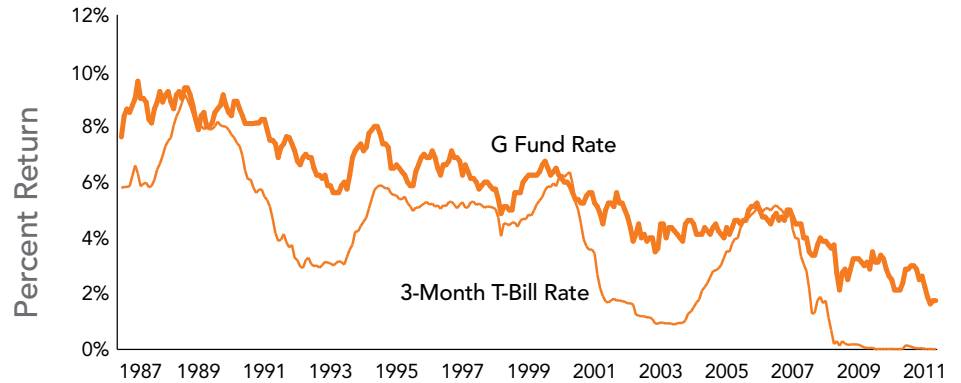
Although the securities in the G Fund earn a long-term interest rate, the Board's investment in the G Fund is redeemable on any business day with no risk to principal. The value of G Fund securities does not fluctuate; only the interest rate changes. Thus, when the monthly G Fund interest rate goes up, G Fund earnings accrue faster; when the G Fund interest rate declines, G Fund earnings accrue more slowly.

Calculation of G Fund Rate—

G Fund securities earn a statutory interest rate equal to the average market yield on outstanding marketable U.S. Treasury securities with 4 or more years to maturity. The G Fund rate is calculated by the U.S. Treasury as the weighted average yield of approximately 120 U.S. Treasury securities on the last day of the previous month. The yield of the security has a weight in the G Fund rate calculation based on the amount outstanding. (The larger the dollar amount of a security outstanding, the larger its

G Fund Yield Advantage

April 1987 – December 2011



weight in the calculation.) The Treasury securities used in the G Fund rate calculation have a weighted average maturity of approximately 11 years.

The G Fund Yield Advantage—The G Fund rate calculation described above results in an intermediate-term rate being earned on short-term securities. Because intermediate-term interest rates are generally higher than short-term rates, G Fund securities usually earn a higher rate of return than do short-term marketable Treasury securities. In the chart above, the G Fund rate is compared with the rate of return on 3-month marketable Treasury securities (T-bills). From January 1988 through December 2011, the G Fund rate was, on average, 1.80 percentage points higher per year than the 3-month T-bill rate.



F FUND

Fixed Income Index Investment Fund

Fund Information

As of December 31, 2011

Net Assets
\$23.0 billion

2011 Administrative Expenses
\$0.24 per \$1,000
account balance,
.024% (2.4 basis points)

Average Duration
4.35 years

Average Current Yield
4.60%

Benchmark Index
Barclays Capital U.S. Aggregate
Bond Index
www.barcap.com

Asset Manager
BlackRock Institutional Trust
Company, N.A.

Returns

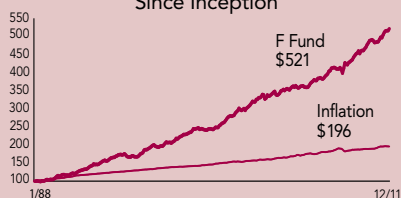
	F Fund*	Barclays U.S. Aggregate Index
1-Year	7.89%	7.84%
3-Year	6.86%	6.77%
5-Year	6.62%	6.50%
10-Year	5.84%	5.78%
Since Inception	7.12%	7.37%

Inception
January 29, 1988

*After expenses

Growth of \$100

Since Inception

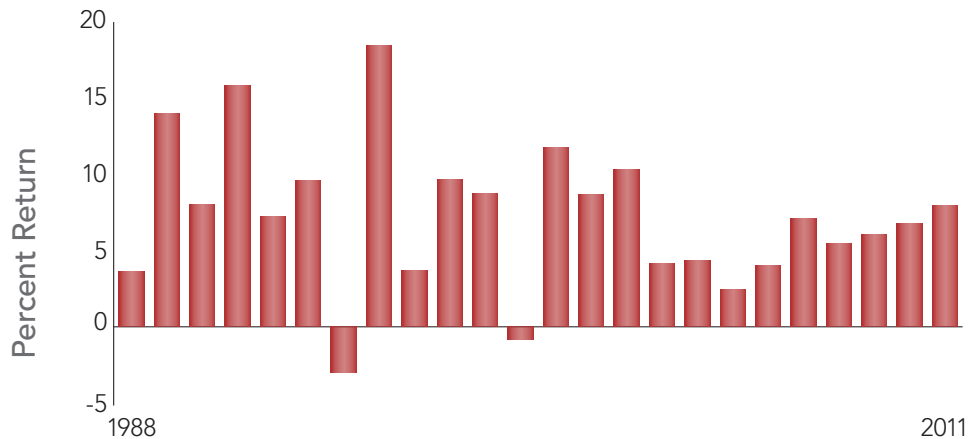


Key Features

- The F Fund offers the opportunity to earn rates of return that exceed those of money market funds over the long term (particularly during periods of declining interest rates), with relatively low risk.
- The objective of the F Fund is to match the performance of the Barclays Capital U.S. Aggregate Bond Index, a broad index representing the U.S. bond market.
- The risk of nonpayment of interest or principal (credit risk) is relatively low because the fund includes only investment-grade securities and is broadly diversified. However, the F Fund has market risk (the risk that the value of the underlying securities will decline) and prepayment risk (the risk that a security in the fund will be repaid before it matures).
- Earnings consist of interest income on the securities and gains (or losses) in the value of securities.

F Fund Returns*

Inception–2011



* 1988 return shown is a partial-year return.

F Fund Facts

By law, the F Fund must be invested in fixed-income securities. The Federal Retirement Thrift Investment Board has chosen to invest the F Fund in an index fund that tracks the Barclays Capital U.S. Aggregate (U.S. Aggregate) Bond Index, formerly the Lehman Brothers U.S. Aggregate Index, a broadly diversified index of the U.S. bond market.

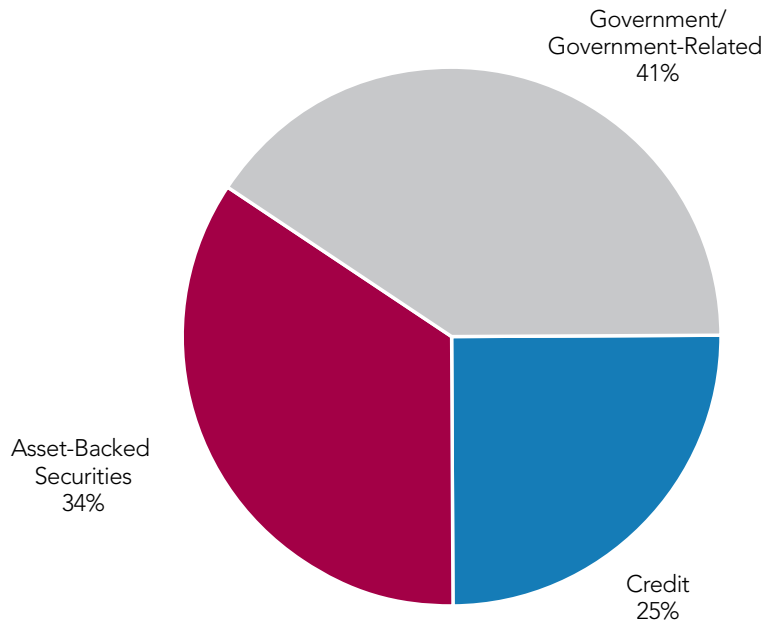
The **U.S. Aggregate Index** consists of high quality fixed-income securities with maturities of more than one year. The index is comprised of Treasury and Agency bonds, asset-backed securities, and corporate and non-corporate bonds. On December 31, 2011, the index included 7,830 notes and bonds. Its average current yield was 3.68%, which means that, on an annual basis, interest income equaled approximately 3.68% of the return of the U.S. Aggregate Index. The average duration (a measure of interest rate risk) of the U.S. Aggregate Index was 4.36 years, which means that a 1% increase (decrease) in interest rates could be expected to result in a 4.36% decrease (increase) in the price of a security. New issues are added continuously to the U.S. Aggregate Index, and older issues drop out as they move to within one year of maturity.

BlackRock's U.S. Debt Index

Fund—The F Fund is invested in the U.S. Debt Index Fund. Because the U.S. Aggregate Index contains such a large number of securities, it is not feasible for the U.S. Debt Index Fund to invest in each security in the index. Instead, BlackRock selects a large representative sample of the various types of mortgage-backed, U.S. Government, corporate, and foreign government securities included in the overall index. Within each sector, BlackRock selects securities that, as a whole, are designed to match important index characteristics such as

Barclays Capital U.S. Aggregate Index Bond Market Sectors

December 31, 2011



duration, yield, and credit rating. The performance of the U.S. Debt Index Fund is evaluated on the basis of how closely its returns match those of the U.S. Aggregate Index.

The F Fund invests in the U.S. Debt Index Fund by purchasing shares of the U.S. Debt Index Fund "E," which, in turn, holds shares of the U.S. Debt Index Master Fund. As of December 31, 2011, F Fund holdings constituted \$23.0 billion of the U.S. Debt Index Master Fund, which itself held \$36.6 billion in securities.

Note: Participants' interfund transfer (IFT) requests redistribute their existing account balances among the TSP funds. For each calendar month, the *first two* IFTs can redistribute money among any or all of the TSP funds.

After that, for the remainder of the month, IFTs can *only* move money into the G Fund. (For participants with more than one TSP account, this rule applies to each account separately.)



C FUND

Common Stock Index Investment Fund

Fund Information

As of December 31, 2011

Net Assets
\$71.5 billion

2011 Administrative Expenses
\$0.25 per \$1,000
account balance,
.025% (2.5 basis points)

Benchmark Index
Standard & Poor's 500
Stock Index
www.standardandpoors.com

Asset Manager
BlackRock Institutional Trust
Company, N.A.

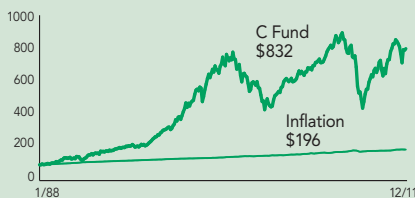
Returns

	C Fund*	S&P 500 Index
1-Year	2.11%	2.11%
3-Year	14.17%	14.11%
5-Year	-0.20%	-0.25%
10-Year	2.94%	2.92%
Since Inception January 29, 1988	9.23%	9.45%

*After expenses

Growth of \$100

Since Inception

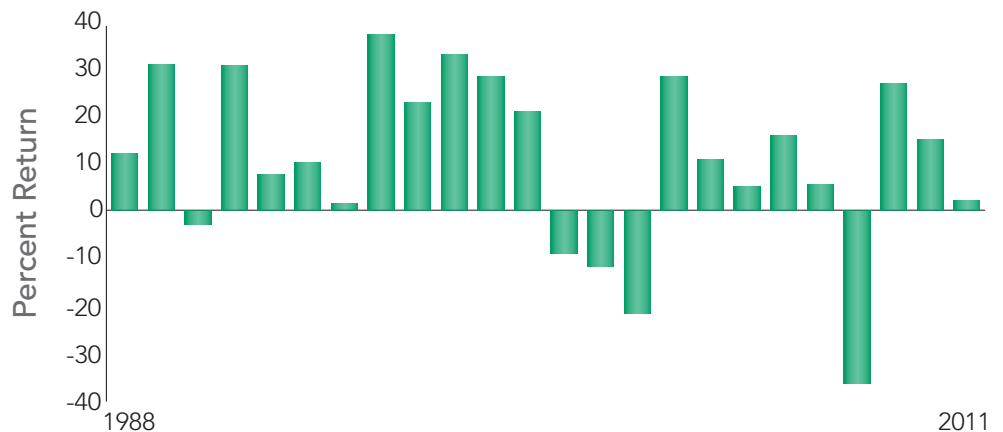


Key Features

- The C Fund offers the opportunity to earn a potentially high investment return over the long term from a broadly diversified portfolio of stocks of large and medium-sized U.S. companies.
- The objective of the C Fund is to match the performance of the Standard & Poor's 500 (S&P 500) Index, a broad market index made up of stocks of 500 large to medium-sized U.S. companies.
- There is a risk of loss if the S&P 500 Index declines in response to changes in overall economic conditions (market risk).
- Earnings consist of gains (or losses) in the prices of stocks, and dividend income.

C Fund Returns*

Inception–2011



* 1988 return shown is a partial-year return.

S&P 500 Top Ten Holdings

as of December 31, 2011

Company

- Exxon Mobil Corp.
- Apple, Inc.
- International Business Machines Corp.
- Chevron Corp.
- Microsoft Corp.
- General Electric Co.
- Proctor & Gamble
- AT&T, Inc.
- Johnson & Johnson
- Pfizer, Inc.

C Fund Facts

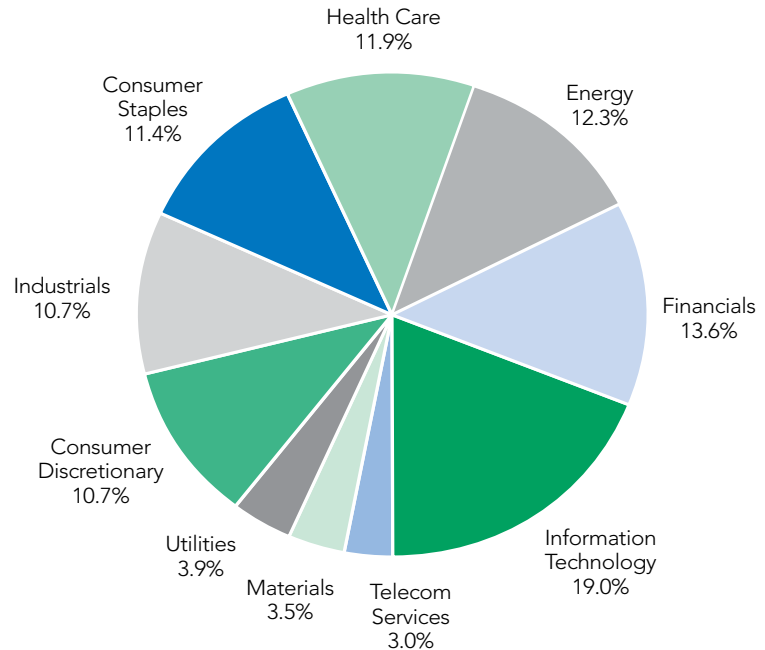
By law, the C Fund must be invested in a portfolio designed to replicate the performance of an index of stocks representing the U.S. stock market. The Federal Retirement Thrift Investment Board has chosen as its benchmark the Standard & Poor's 500 (S&P 500) Index, which tracks the performance of major U.S. companies and industries.

The **S&P 500 Index** is an index of 500 large to medium-sized U.S. companies that are traded in the U.S. stock markets. The index was designed by Standard & Poor's Corporation (S&P) to provide a representative measure of U.S. stock market performance. The companies in the index represent 132 sub-industries classified into the 10 major industry groups shown in the chart. The stocks in the S&P 500 Index represent approximately 75% of the market value of the U.S. stock markets.

The S&P 500 is considered a "big company" index. As of December 31, 2011, the largest 100 companies in the S&P 500 represented approximately 65% of the index's market value. The S&P 500 Index includes 396 securities traded on the New York Stock Exchange and 104 securities that are traded on NASDAQ. The market value of the largest company in the index is approximately \$406 billion; the market value of the smallest company is approximately \$2.1 billion.

The S&P 500 Index is weighted by float-adjusted market capitalization, in which a company's market value and its weighting in the index are calculated using the number of shares that are freely traded, rather than all outstanding shares. Shares that are not freely traded, such as the holdings of controlling shareholders and their families, company management, and other companies, are excluded from the calculation. A company's weighting in the index is the float-adjusted market value of the company (that is,

S&P 500 Index Major Industry Groups December 31, 2011



the share price multiplied by the number of freely traded shares outstanding) as a percentage of the combined float-adjusted market value of all companies in the index.

C Fund Investments—The C Fund is invested in a separate account that is managed by BlackRock Institutional Trust Company, N.A. The C Fund holds all the stocks included in the S&P 500 Index in virtually the same weights that they have in the index. The performance of the C Fund is evaluated on the basis of how closely its returns match those of the S&P 500 Index. A portion of the C Fund assets is reserved to meet the needs of daily participant activity. This liquidity reserve is invested in S&P 500 Index futures contracts.

Note: Participants' interfund transfer (IFT) requests redistribute their existing account balances among the TSP funds. For each calendar month, the *first two* IFTs can redistribute money among any or all of the TSP funds. After that, for the remainder of the month, IFTs can *only* move money into the G Fund. (For participants with more than one TSP account, this rule applies to each account separately.)



S FUND

Small Capitalization Stock Index Investment Fund

Fund Information

As of December 31, 2011

Net Assets
\$25.7 billion

2011 Administrative Expenses

\$0.25 per \$1,000
account balance,
.025% (2.5 basis points)

Benchmark Index

Dow Jones U.S.
Completion TSM Index
www.djindexes.com

Asset Manager

BlackRock Institutional Trust
Company, N.A.

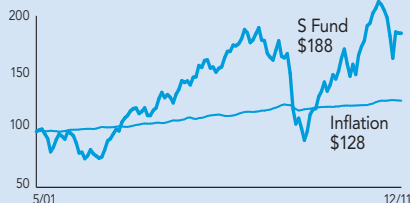
Returns

	S Fund*	Dow Jones U.S. Completion TSM Index
1-Year	-3.38%	-3.76%
3-Year	18.91%	19.38%
5-Year	1.82%	1.80%
10-Year	6.76%	6.82%
Since Inception May 1, 2001	6.11%	6.14%

*After expenses

Growth of \$100

Since Inception

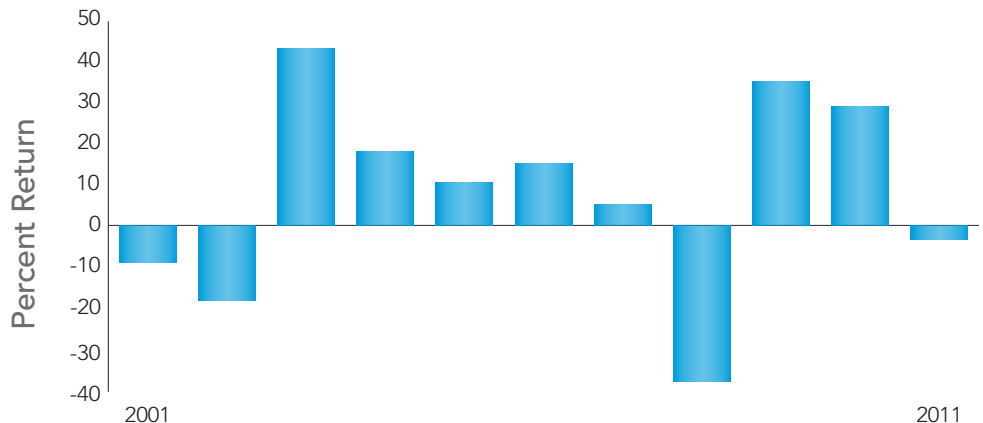


Key Features

- The S Fund offers the opportunity to earn a potentially high investment return over the long term by investing in the stocks of small and medium-sized U.S. companies.
- The objective of the S Fund is to match the performance of the Dow Jones U.S. Completion Total Stock Market (TSM) Index, a broad market index made up of stocks of U.S. companies not included in the S&P 500 Index.
- There is a risk of loss if the Dow Jones U.S. Completion TSM Index declines in response to changes in overall economic conditions (market risk).
- Earnings consist of gains (or losses) in the prices of stocks, and dividend income.

S Fund Returns*

Inception–2011



* The 2001 rate of return is a blended return using the return of the Dow Jones U.S. Completion TSM Index (without deductions for management fees, trading costs, or administrative expenses) for the period prior to the S Fund's inception on May 1, 2001.

Dow Jones U.S. Completion TSM Index

Top Ten Holdings

as of December 31, 2011

Company

- Las Vegas Sands Corp.
- Annaly Capital Management, Inc.
- Alexion Pharmaceuticals, Inc.
- General Motors Co.
- Liberty Global, Inc.
- Crown Castle Intl. Corp.
- Lyondell Basell Industries
- Concho Resources, Inc.
- Liberty Interactive Corp.
- Pharmasset, Inc.

S Fund Facts

By law, the S Fund must be invested in a portfolio designed to replicate the performance of an index of U.S. common stocks, excluding those that are held in the C Fund. The Federal Retirement Thrift Investment Board has chosen as its benchmark the Dow Jones U.S. Completion Total Stock Market Index, which tracks the performance of the actively traded non-S&P 500 stocks in the U.S. stock market.

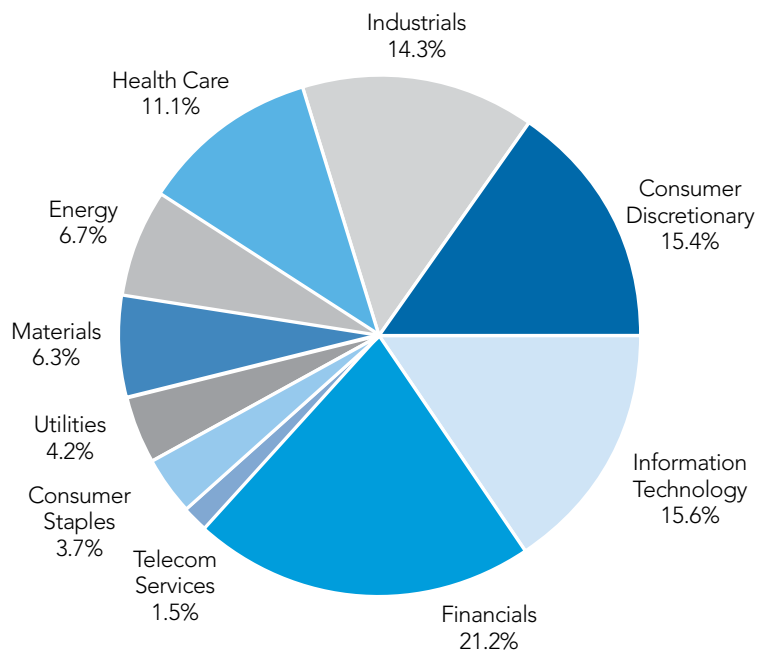
The **Dow Jones U.S. Completion Total Stock Market Index** is an index of all actively traded U.S. common stocks that are not included in the S&P 500 Index. The index is designed to be the broadest measure of the non-S&P 500 domestic stock markets. As of December 31, 2011, the index was comprised of 3,250 common stocks. The Dow Jones U.S. Completion TSM Index made up approximately 25% of the market value of the U.S. stock markets; the S&P 500 accounted for the other 75%. Thus, the combined S Fund and C Fund cover virtually the entire U.S. stock market.

The Dow Jones U.S. Completion TSM Index is weighted by float-adjusted market capitalization, in which a company's market value and its weighting in the index are calculated using the number of shares that are freely traded, rather than all outstanding shares. Shares that are not freely traded, such as the holdings of controlling shareholders and their families, company management, and other companies, are excluded from the calculation. A company's weighting in the index is the float-adjusted market value of the company (that is, the share price multiplied by the number of freely traded shares outstanding) as a percentage of the combined float-adjusted market value of all companies in the index. As of December 31, 2011, the largest 100 companies in the Dow Jones U.S. Completion TSM Index represented 23.3% of the index.

BlackRock's Extended Market Index Fund—The S Fund is invested in BlackRock's Extended Market Index Fund. The Dow Jones U.S. Completion TSM Index contains a large number of stocks, including illiquid stocks with low

Dow Jones U.S. Completion TSM Index Major Industry Groups

December 31, 2011



trading volume and stocks with prices lower than \$1.00 per share. Therefore, it is not efficient for BlackRock's Extended Market Index Fund to invest in every stock in the index. The BlackRock fund holds the stocks of most of the companies in the index with market values greater than \$1 billion. However, a mathematical sampling technique is used to select among the smaller stocks. BlackRock's mathematical model considers size and industry group to match the industry weights in the index. Within each industry group, BlackRock selects stocks that, together, are expected to produce a return that is very close to the industry's return in the Dow Jones U.S. Completion TSM Index. The performance of the Extended Market Index Fund is evaluated on the basis of how closely its returns match those of the Dow Jones U.S. Completion TSM Index. A portion of Extended Market Index Fund assets is reserved to meet the needs of daily client activity. This liquidity reserve is invested in

futures contracts of the S&P 400 and Russell 2000 (other broad equity indexes).

The S Fund invests in the Extended Market Index Fund by purchasing shares of the Extended Market Index Fund "E," which, in turn, holds a liquidity pool and shares of the Extended Market Index Master Fund. As of December 31, 2011, S Fund holdings constituted \$25.7 billion of the Extended Market Index Master Fund, which itself held \$32.3 billion in securities.

Note: Participants' interfund transfer (IFT) requests redistribute their existing account balances among the TSP funds. For each calendar month, the *first two* IFTs can redistribute money among any or all of the TSP funds. After that, for the remainder of the month, IFTs can *only* move money into the G Fund. (For participants with more than one TSP account, this rule applies to each account separately.)



I FUND

International Stock Index Investment Fund

Fund Information

As of December 31, 2011

Net Assets
\$21.2 billion

2011 Administrative Expenses
\$0.25 per \$1,000
account balance,
.025% (2.5 basis points)

Benchmark Index
Morgan Stanley Capital
International EAFE Stock Index
www.msci.com

Asset Manager
BlackRock Institutional Trust
Company, N.A.

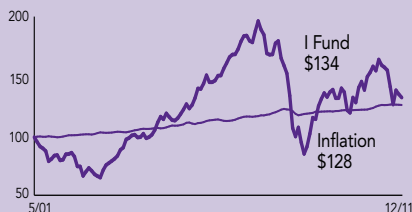
Returns

	I Fund*	EAFE Index
1-Year	-11.81%	-12.14%
3-Year	7.37%	7.65%
5-Year	-4.51%	-4.72%
10-Year	4.72%	4.67%
Since Inception May 1, 2001	2.79%	2.80%

*After expenses

Growth of \$100

Since Inception

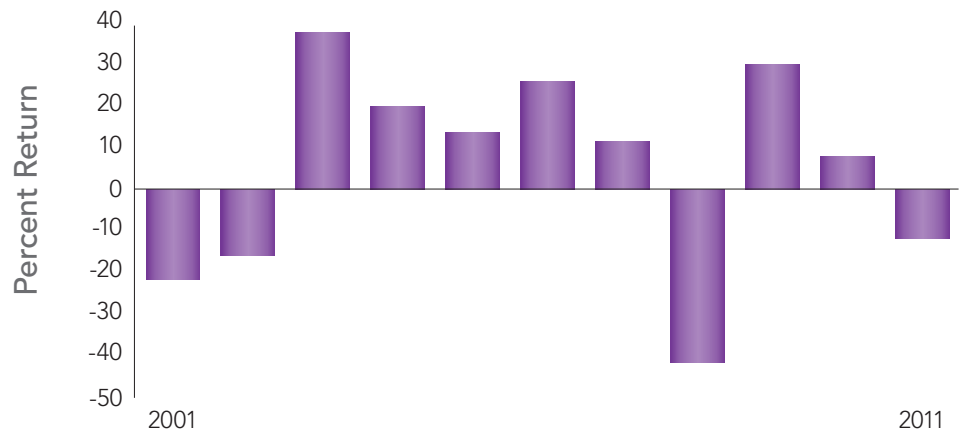


Key Features

- The I Fund offers the opportunity to earn a potentially high investment return over the long term by investing in the stocks of companies in developed countries outside the United States.
- The objective of the I Fund is to match the performance of the Morgan Stanley Capital International EAFE (Europe, Australasia, Far East) Index.
- There is a risk of loss if the EAFE Index declines in response to changes in overall economic conditions (market risk) or in response to increases in the value of the U.S. dollar (currency risk).
- Earnings consist of gains (or losses) in the prices of stocks, currency changes relative to the U.S. dollar, and dividend income.

I Fund Returns*

Inception–2011



*The 2001 rate of return is a blended return using the return of the EAFE Index (without deductions for management fees, trading costs, or administrative expenses) for the period prior to the I Fund's inception on May 1, 2001.

MSCI EAFE Top Ten Holdings

as of December 31, 2011

Company

Nestlé S.A.
Vodafone Group PLC
HSBC Holdings (GB) PLC
BP PLC
Novartis AG
Royal Dutch Shell PLC
Roche Holding Genuss
GlaxoSmithKline PLC
BHP Billiton Ltd.
Total S.A.

I Fund Facts

By law, the I Fund must be invested in a portfolio designed to track the performance of an index of common stocks representing international stock markets outside of the United States. The Federal Retirement Thrift Investment Board has chosen as its benchmark the Morgan Stanley Capital International EAFE (Europe, Australasia, Far East) Index, which tracks the overall performance of the major companies and industries in the European, Australian, and Asian stock markets.

A significant component of the return of the EAFE Index (and the I Fund) results from changes in the value of the U.S. dollar relative to the currencies of the countries represented in the index. For example, the EAFE Index returned 7.75% in 2010, but that return included a decrease in the value of the U.S. dollar, which increased the return by 2.93%.

The **EAFE Index**, published by Morgan Stanley Capital International (MSCI), is an index of the equity markets of the developed world outside of the United States and Canada. It is the most widely used international stock index. As of December 31, 2011, the index covered the equity markets of 22 countries, as shown in the table.

The companies in the EAFE Index are large companies. The index is weighted by float-adjusted market capitalization, in which a company's market value and its weighting in the index are calculated using the number of shares that are freely traded, rather than all outstanding shares. Shares that are not freely traded, such as the holdings of controlling shareholders and their families, company management, and other companies, are excluded from the calculation. Also excluded are shares subject to foreign ownership limitations imposed by governments or companies. Within each country, a company's weighting is the float-adjusted market value of the company (that is, the share price multiplied by the number of freely traded shares outstanding) as a percentage of the combined float-adjusted market value of all companies in the index. Similarly, a country's weighting in the EAFE Index is the float-adjusted market value of its stock market as a percentage of the

combined float-adjusted market value of all stock markets included in the EAFE Index.

BlackRock's EAFE Index Fund—The BlackRock Fund holds common stocks of all the companies represented in the EAFE Index in virtually the same weights that they have in the index. The return on the BlackRock Fund (and on the I Fund) will differ from that of the EAFE Index on days when BlackRock makes a "fair valuation" adjustment to reprice the securities held by the fund. Fair valuation adjustments are made on days when there are large movements in either U.S. equity markets or currency exchange rates after the foreign markets have closed. Fair valuation prevents traders from exploiting "stale" prices, thus diluting the returns of other TSP participants who invest in the I Fund.

The performance of the EAFE Equity Index Fund is evaluated on the basis of how closely its returns match those of the EAFE Index. A portion of EAFE Equity Index Fund assets is reserved to meet the needs of daily client activity. This liquidity reserve is invested in futures contracts.

The I Fund invests in the EAFE Equity Index Fund by purchasing shares of the EAFE Equity Index Fund "E," which, in turn, holds a liquidity pool and shares of the EAFE Index Master Fund. As of December 31, 2011, I Fund holdings constituted \$21.2 billion of the EAFE Equity Index Master Fund, which itself held \$51.3 billion in securities.

EAFE Equity Index Fund Country Composition December 31, 2011

Country	Percent of Holdings*	Number of Companies
Europe		
Austria	0.3	8
Belgium	0.9	14
Denmark	1.1	12
Finland	0.8	15
France	9.1	73
Germany	7.8	51
Greece	0.1	4
Ireland	0.3	6
Israel	0.7	13
Italy	2.3	29
Netherlands	2.5	21
Norway	0.9	10
Portugal	0.2	7
Spain	3.3	27
Sweden	3.1	34
Switzerland	8.6	39
United Kingdom	<u>23.2</u>	<u>106</u>
Europe	65.2%	469
Australasia/Far East		
Australia	8.6	69
Hong Kong	2.8	42
Japan	21.6	318
New Zealand	0.1	5
Singapore	<u>1.7</u>	<u>33</u>
Australasia/Far East	<u>34.8%</u>	<u>467</u>
Total EAFE Index	100.0%	936

Source: BlackRock

Note: Participants' interfund transfer (IFT) requests redistribute their existing account balances among the TSP funds. For each calendar month, the *first two* IFTs can redistribute money among any or all of the TSP funds. After that, for the remainder of the month, IFTs can *only* move money into the G Fund. (For participants with more than one TSP account, this rule applies to each account separately.)

