



FEDERAL RETIREMENT THRIFT INVESTMENT BOARD
1250 H Street, NW Washington, DC 20005

November 14, 2008

MEMORANDUM FOR THE EXECUTIVE DIRECTOR

FROM: TRACEY RAY
CHIEF INVESTMENT OFFICER

A handwritten signature in black ink, appearing to read "Tracey Ray", written over the printed name and title.

SUBJECT: October 2008 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 October 2008, investment manager performance and tracking error, trading costs, TSP fund performance, and L Fund participation.

TRACKING ERROR - BGI Funds

October Tracking Error

<u>Fund</u>	<u>% BGI FUND Performance</u>	<u>% Index Performance</u>	<u>Tracking Error</u>
Fixed Income	-2.39	-2.36	-0.03
Large Cap	-16.80	-16.79	-0.01
Small Mid Cap	-21.10	-20.63	-0.47
International	-20.58	-20.18	-0.40

Year to Date Tracking Error

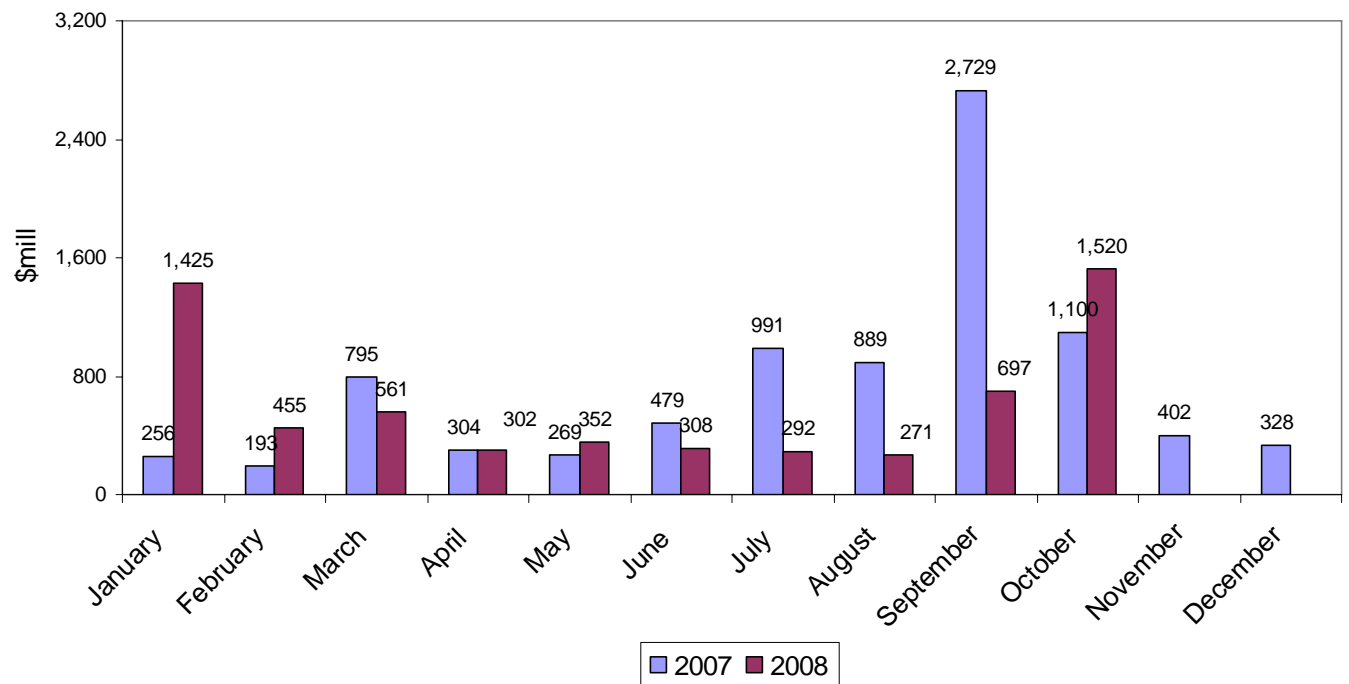
<u>Fund</u>	<u>% BGI FUND Performance</u>	<u>% Index Performance</u>	<u>Tracking Error</u>
Fixed Income	-1.62	-1.74	0.12
Large Cap	-32.81	-32.84	0.03
Small-Mid Cap	-33.82	-34.17	0.35
International	-42.61	-43.54	0.93

The **Barclays Extended Equity Market Fund E** underperformed by 47 basis points in October and outperformed by 35 basis points year-to-date. The performance difference is primarily related to the sampling technique used by the Fund. The **Barclay's EAFE Equity Index Fund E** underperformed by 40 basis points in October primarily because of a fair valuation adjustment on September 30. The **Barclays U.S. Debt Index Fund E** has outperformed by 12 basis points in 2008, primarily as a result of the sampling technique used by the Fund.

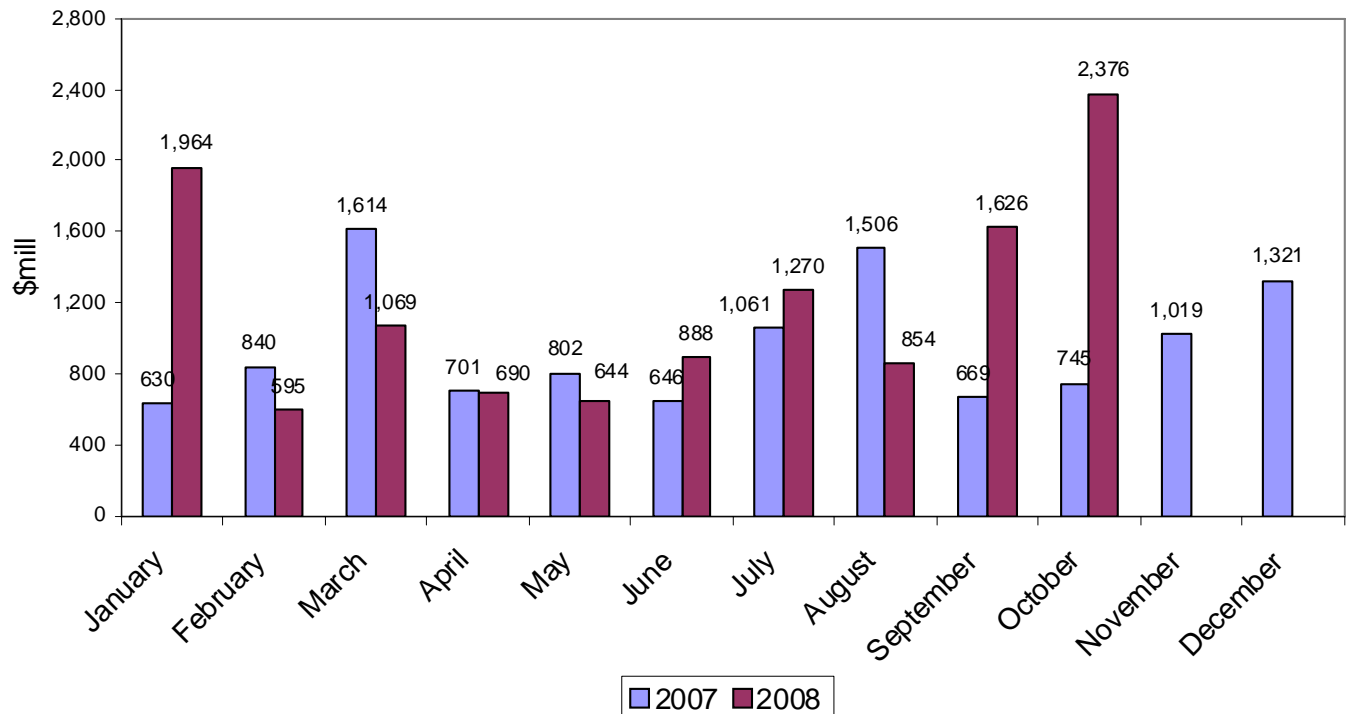
TRADING COSTS

	<u>DOLLAR AMOUNT TRADED</u>	<u>TRADING COSTS</u>	
		<u>\$</u>	<u>Basis Points</u>
<u>F Fund</u>			
October 2008	1,520,523,840	1,136,792	7.5
Year-to-Date	6,182,420,478	2,557,740	4.1
 <u>C Fund</u>			
October 2008	2,376,259,911	223,741	0.9
Year-to-Date	11,977,284,662	1,068,536	0.9
 <u>S Fund</u>			
October 2008	746,847,200	-107,909	-1.4
Year-to-Date	5,575,789,834	834,571	1.5
 <u>I Fund</u>			
October 2008	1,538,120,170	-8,884,891	-57.8
Year-to-Date	10,659,385,581	-2,670,098	-2.5

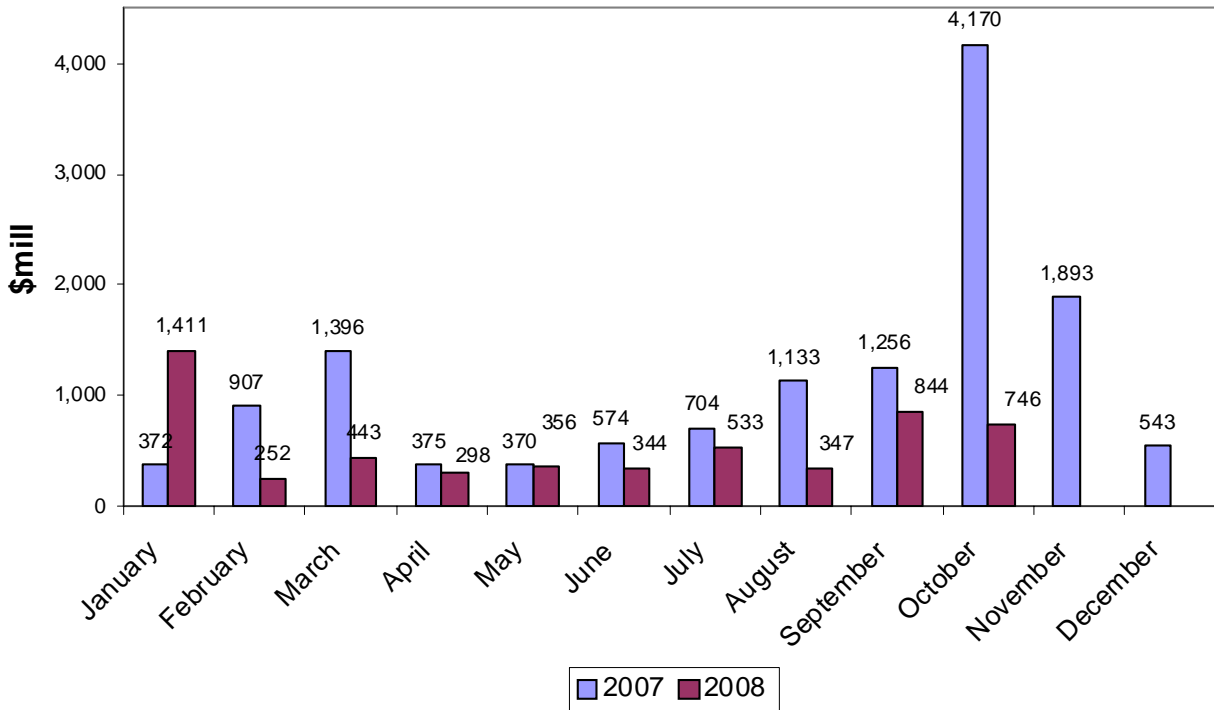
F Fund - \$ Amount Traded



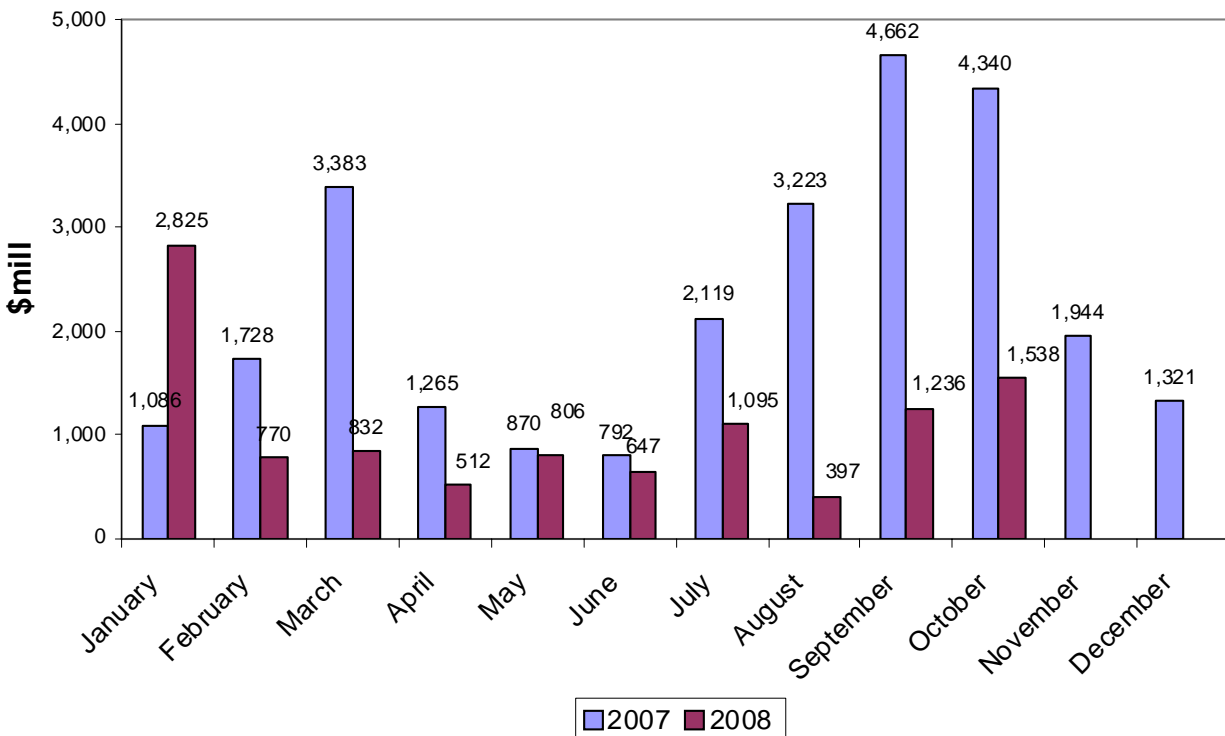
C Fund - \$ Amount Traded



S Fund - \$ Amount Traded



I Fund - \$ Amount Traded



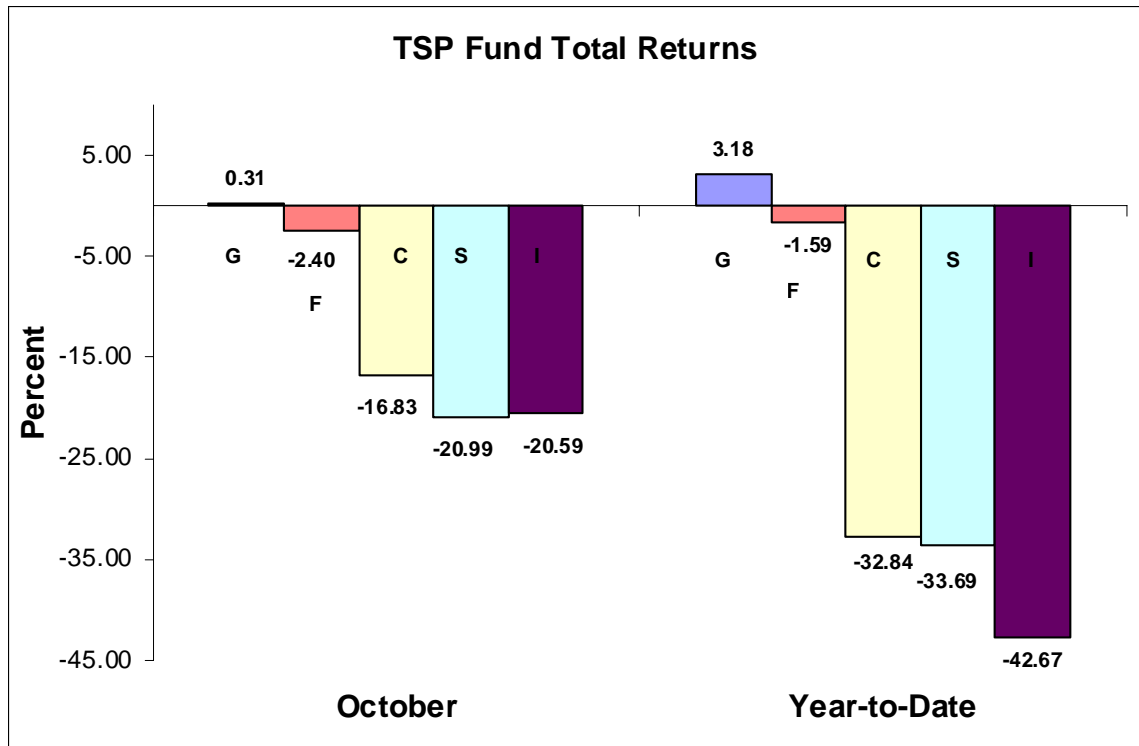
G FUND

The following table compares the G Fund rate to be paid to the 3 month Treasury bill, the 10 year Treasury note and the 30 year Treasury bond at the time the rate was set.

	<u>G Fund</u>	<u>3-month T-bill</u>	<u>10 year T-note</u>	<u>30 year T-bond</u>
January	4.00%	3.31%	4.03%	4.45%
February	3.50	1.98	3.60	4.32
March	3.38	2.08	3.51	4.40
April	3.38	1.35	3.41	4.29
May	3.75	1.25	3.73	4.47
June	4.00	1.86	4.06	4.72
July	3.87	1.84	3.97	4.53
August	3.87	1.68	3.95	4.57
September	3.75	1.70	3.81	4.42
October	3.63	.73	3.82	4.31
November	3.75	.45	3.96	4.37

PERFORMANCE OF TSP FUNDS

The chart below shows the G, F, C, S, and I Fund net rates of return for October 2008 and year-to-date.



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

October 2008 Total Return %

<u>Fund</u>	<u>TSP</u>	<u>Barclays</u>	<u>Difference</u>	<u>Index</u>
Fixed Income	-2.40	-2.39	-0.01	-2.36
Large Cap	-16.83	-16.80	-0.03	-16.79
Small Cap	-20.99	-21.10	0.11	-20.63
International	-20.59	-20.58	-0.01	-20.18

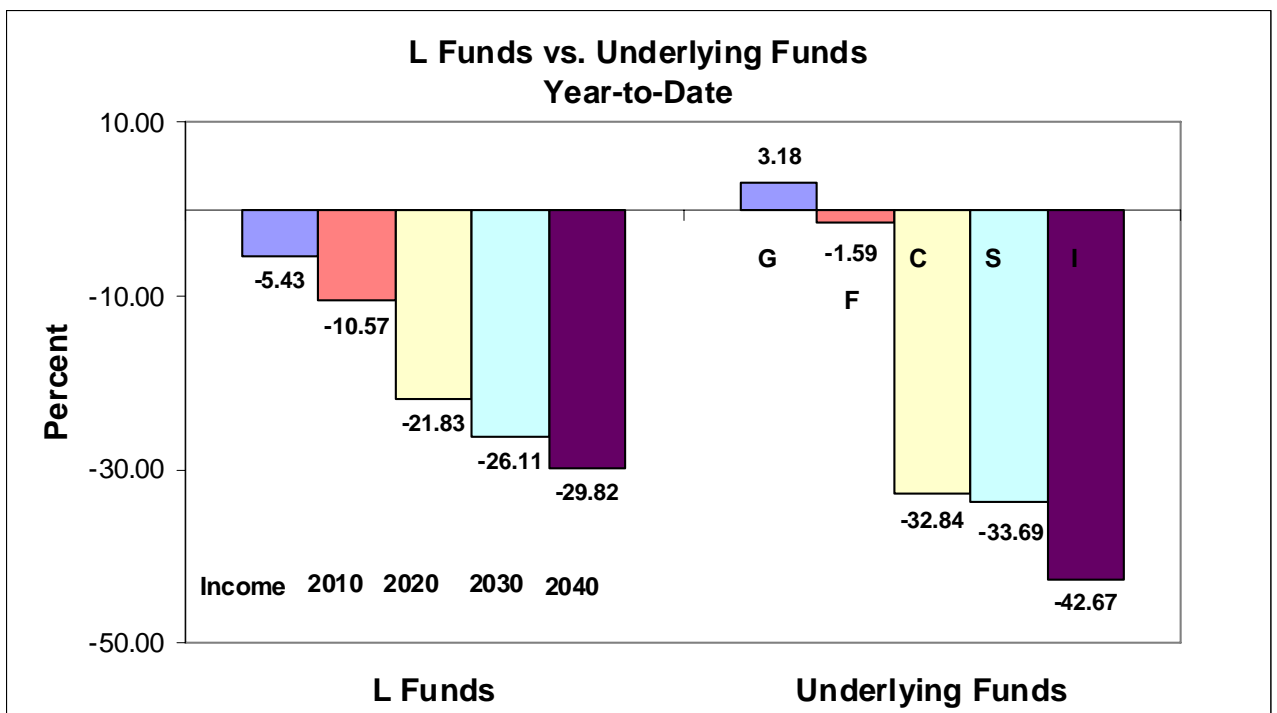
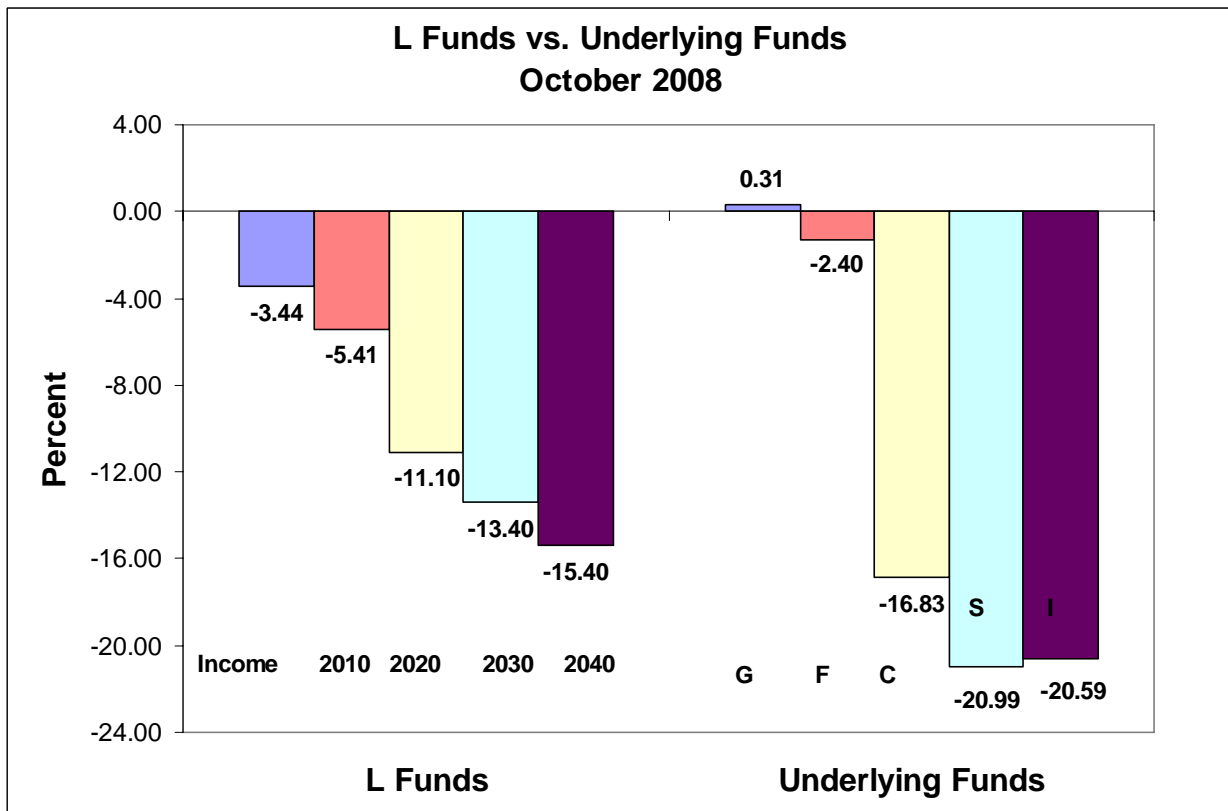
Year-to-Date %

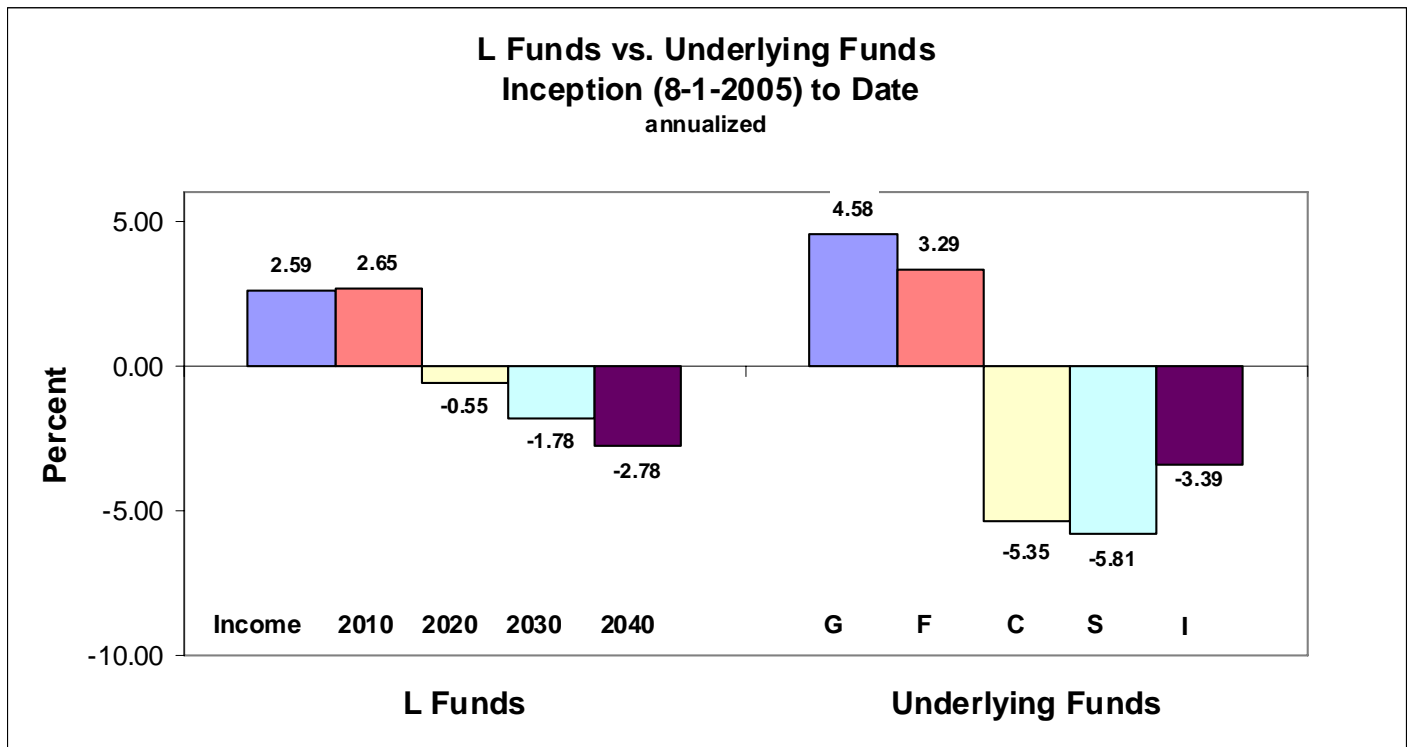
<u>Fund</u>	<u>TSP</u>	<u>Barclays</u>	<u>Difference</u>	<u>Index</u>
Fixed Income	-1.59	-1.62	0.03	-1.74
Large Cap	-32.84	-32.81	-0.03	-32.84
Small Cap	-33.69	-33.82	0.13	-34.17
International	-42.67	-42.61	-0.06	-43.54

The TSP Funds closely tracked the BGI 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. The bulk of our participants' funds are held in the G and C Funds. **Year-to-date, all of the L Funds have outperformed the C, S and I Funds.**





THRIFT SAVINGS PLAN MONTHLY INVESTMENT ACTIVITY

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

- The number of interfund transfers rose to 267,859 during October as more than \$4 billion was moved from equity funds to the G Fund. (p. 9)
- Over \$1 billion was transferred out of the L Funds during October. (p. 9)
- Participants are now directing 42% of contributions into the G Fund. (p. 9)

Attachments