



TSP Advisory

Date: February 2007

Summary of TSP Funds (Updated Quarterly)

Each quarter *TSP Advisory* presents graphs illustrating the current status of the four TSP Index Funds -- the C-Fund, F-Fund, I-Fund and S-Fund. The C-Fund, I-Fund and S-Fund equity (stock) index funds; the F-Fund is a fixed-income (bonds) index fund. We chart the 10-day moving average (MA) and the 130-day MA for each of these four funds. See the descriptions and graphs below.

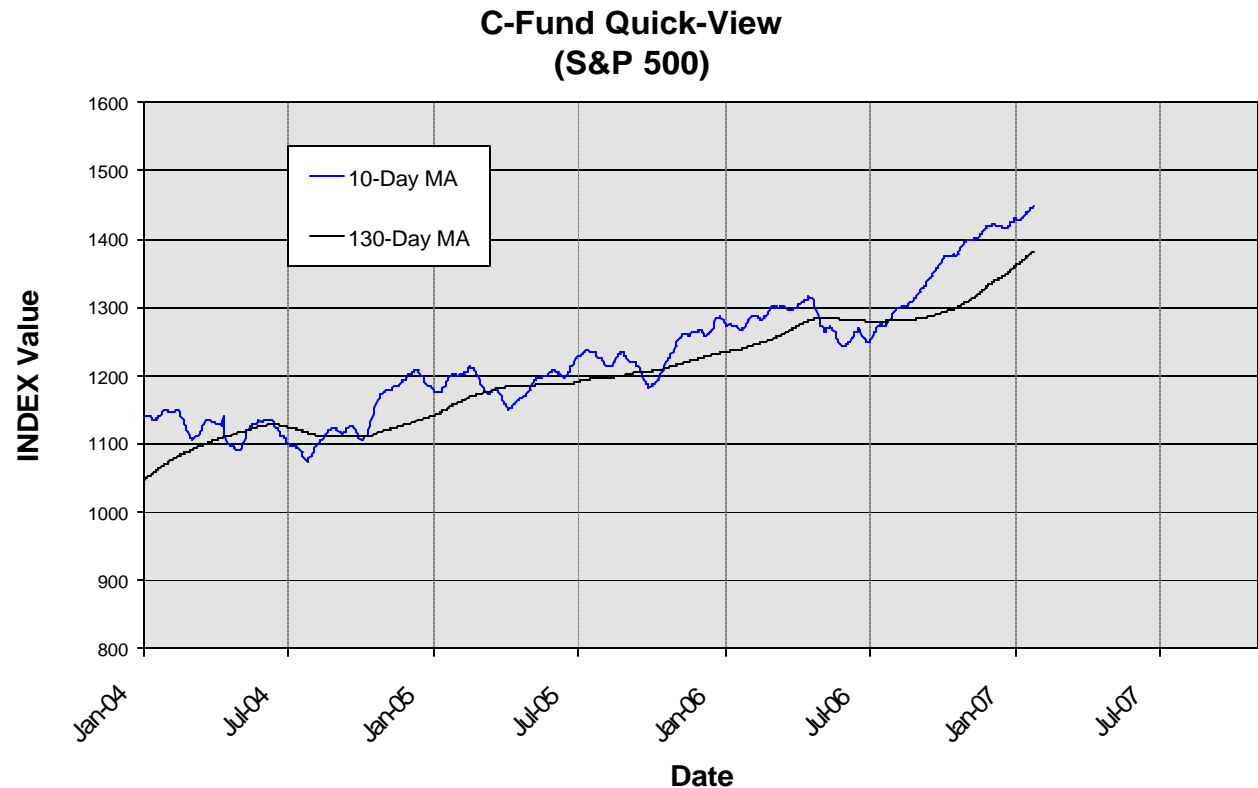
[NOTE: We do not put up a chart on the G-Fund, since it is not a "risky" fund. (It's more a refuge than an investment vehicle). *TSP Advisory* recommends allocating your TSP account into the G-Fund for safety, generally in periods of uncertainty or declines in the TSP equity funds or fixed-income fund. The G Fund consists of investments in short-term U.S. Treasury securities issued only to the TSP that, by law, earn interest at a rate that is equal to the average rate of return on outstanding U.S. Treasury marketable securities with 4 or more years to maturity.

C-Fund

The C Fund is the TSP's large-company stock fund. It is invested primarily in shares of the Barclays Equity Index Fund, a commingled stock index fund that tracks the Standard & Poor's 500 (S&P 500) stock index. A commingled fund is a fund in which the assets of many plans are combined and invested together. Like other index funds, the Barclays Equity Index Fund uses a "passive" investment strategy of replicating the performance of the S&P 500, rather than an "active" investment strategy, in which the fund manager selects bonds on the basis of economic, financial, and market analyses.

TSP Advisory tracks the S&P 500 directly, not the Barclays Equity Index Fund.

The S&P 500 index was designed by Standard & Poor's Corporation to provide a representative measure of stock market performance. The index includes common stocks of the largest 500 companies that are traded in the U.S. stock markets, primarily on the New York Stock Exchange. S&P's objective is to maintain the S&P 500 index as a representative measure of U.S. stock market performance. The stocks in the S&P 500 index make up about 75 percent of the value of the U.S. stock market.



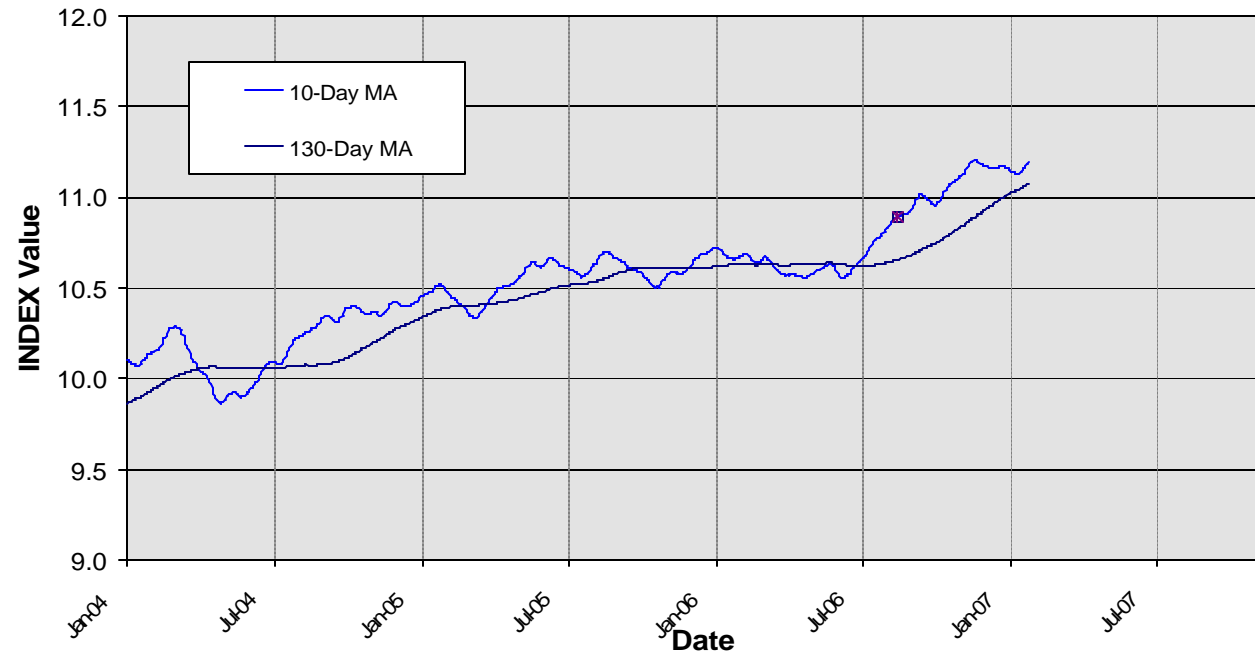
F-Fund

The Fixed Income Index Investment (F) Fund is the TSP's bond market fund. The objective of the F Fund is to match as closely as possible the returns of the Lehman Brothers U.S. Aggregate (LBA) index, an index that represents the U.S. Government, mortgage-backed, corporate (U.S. and non-U.S.), and foreign government securities sectors of the fixed-income securities market. It thus tracks the overall performance of the U.S. bond market.

The F Fund is invested in shares of the Barclays U.S. Debt Index Fund, a commingled bond index fund which holds a representative sample of the bonds in the LBA index.

TSP Advisory tracks the F-Fund share price directly. Until April 2004, *TSP Advisory* tracked the Merrill-Lynch Bond Domestic Master bond index, which is Merrill Lynch's flagship indicator of the performance of investment-grade domestic bonds, capturing close to \$5 trillion of outstanding debt. The Merrill-Lynch Bond Domestic Master provided an excellent proxy for the F-Fund and Barclays U.S. Debt Index Fund.

F-Fund Quick View



I-Fund

The I Fund is the TSP's international stock index fund. The objective of the I Fund is to track the returns of the Morgan Stanley Capital International (MSCI) EAFE (Europe, Australasia, and Far East) stock index, an index that tracks the overall performance of the major companies and industries in the European, Australian, and Asian stock markets.

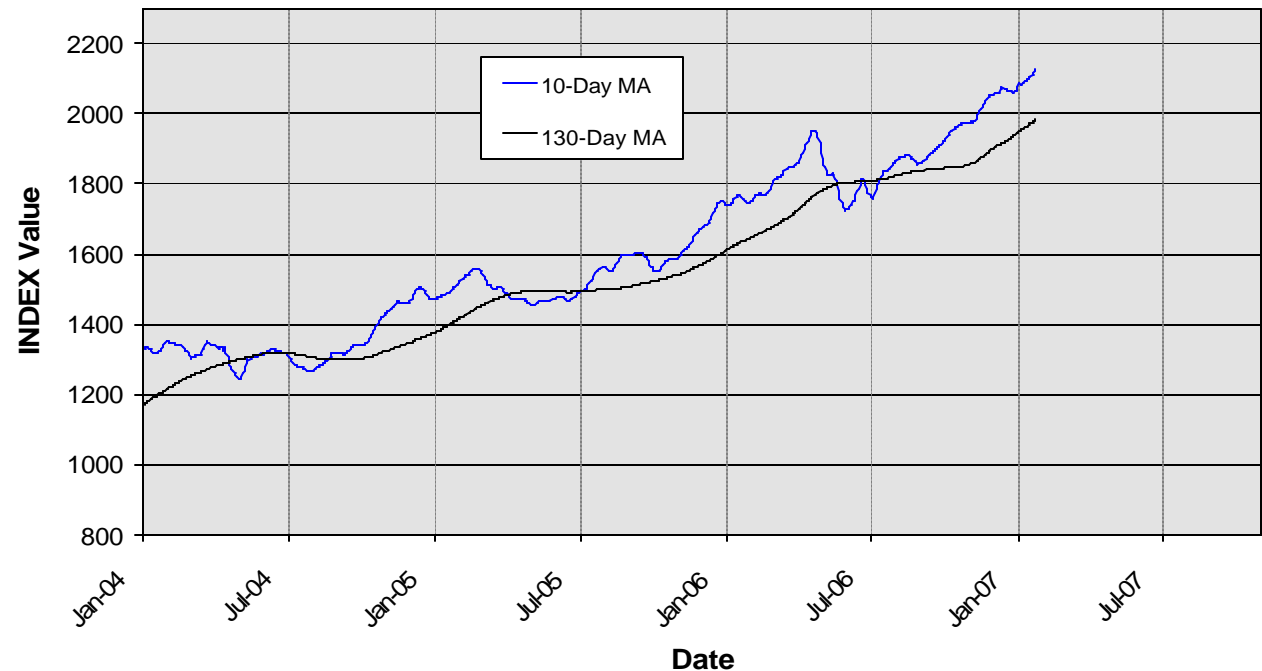
The I Fund is invested in shares of the Barclays EAFE Index Fund, which holds common stocks of all of the companies represented in the EAFE index, and thus replicates the performance of the index.

The EAFE index provides broad coverage of the stock markets in the 20 countries represented in the index, including common stocks of companies that together represent 60 percent of the value of that country's stock market.

TSP Advisory tracks the EAFE Index directly, not the Barclays EAFE Index Fund.

The I Fund carries the risk of foreign currency fluctuations. The stock prices of the companies in the EAFE index are expressed in the currency of each respective country and then converted to U.S. dollars to determine the value of the EAFE index. Thus, the value of the EAFE index will rise as the value of the U.S. dollar falls -- and fall as the value of the U.S. dollar rises -- relative to the currencies of countries with companies that are represented in the EAFE index.

**I-Fund Quick View
(Morgan-Stanley EAFE)**



S-Fund

The Small Capitalization Stock Index Investment (S) Fund is the TSP's medium and small company stock fund. The objective of the S Fund is to track the returns of the Wilshire 4500 stock index, which includes those U.S. stocks that are not found in the S&P 500 index.

The S Fund meets this objective by investing in shares of the Barclays Extended Market Index Fund, which holds common stocks of companies in the Wilshire 4500 index.

The Wilshire 4500 index, computed and published by Wilshire Associates, includes the common stocks (excluding the stocks in the S&P 500 index) of all U.S. companies which are actively traded in the stock markets on a daily basis. The Wilshire 4500 actually contains more than 4,500 securities, as there are more than 4,500 non-S&P 500 companies on the U.S. stock exchanges. The stocks in the Wilshire 4500 index represent about 25 percent of the value of the U.S. stock market.

TSP Advisory does not track either the Wilshire 4500 stock index or the Barclays Extended Market Index Fund directly. Instead, we track the Vanguard IDX TR Extended Market I fund, which is a passively-managed fund similar to the Barclays Extended Market Index Fund, in that it tracks the Wilshire 4500. The Vanguard IDX TR Extended Market I fund has a longer history than the Barclays Extended Market Index Fund, and daily data is directly available to *TSP Advisory* from our principal provider of historical index fund data

