



TSP Advisory



Date: February 2007

Portfolio Updates (Updated Quarterly)

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Description of Portfolios

TSP Advisory updates six different portfolios monthly. These include the four Strategic Asset Allocation portfolios ¹, an all-stock portfolio (World Stock Portfolio) and the Standard Allocation portfolio.² The portfolio allocations are described in the table below:

Portfolio	Type of Portfolio	Allocation among TSP Funds				
		C	I	S	F	G
1	Strategic Asset Allocation #1	30	25	25	20	0
2	Strategic Asset Allocation #2	25	25	20	30	0
3	Strategic Asset Allocation #3	20	20	20	40	0
4	Strategic Asset Allocation #4	20	15	15	50	0
5	World All-Stock Portfolio	40	50	10	0	0
6	“Standard Allocation”	20	20	20	20	20

NOTES:

1. Portfolios 1-4 (Strategic Asset Allocations 1-4), as suggested by TSP Advisory. See *An Introduction to TSP Advisory's Premium Services*, on this site. Re-balanced annually.
2. Portfolio 5 is an all-stock portfolio, representing the relative market capitalizations of the index funds underlying the C-, I- and S-Funds. This is the same portfolio shown in the FRTIB booklet, *Guide to TSP Investments*, October 2001, Chart 7 on p. 17. Not re-balanced. Also note that the return from the TAA model shown in Portfolio 5 is based on Strategic Asset Allocation #4, 50/50 stocks and bonds.
3. Portfolio 6 is the “Standard Allocation” that serves as the benchmark against which TSP Advisory's Dynamic Asset Allocation model is measured. Re-balanced annually.

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¹ These stock-bond ratios are “strategic asset allocation” decisions that you make to establish a long-term balance between stocks and bonds. That balance should be tailored to your financial objectives and your risk tolerance. See *An Introduction to TSP Advisory's Premium Services*, and our *Quick Primer*, both on this site, for details.

² The Standard Allocation portfolio is the benchmark portfolio for TSP Advisory's Dynamic Asset Allocation model. See *TSP Advisory's Performance Guarantee* in *An Introduction to TSP Advisory's Premium Services*, Appendix 2 (remember, the Performance Guarantee applies only to 3-year subscriptions).

Brief Description of TSP Advisory Models

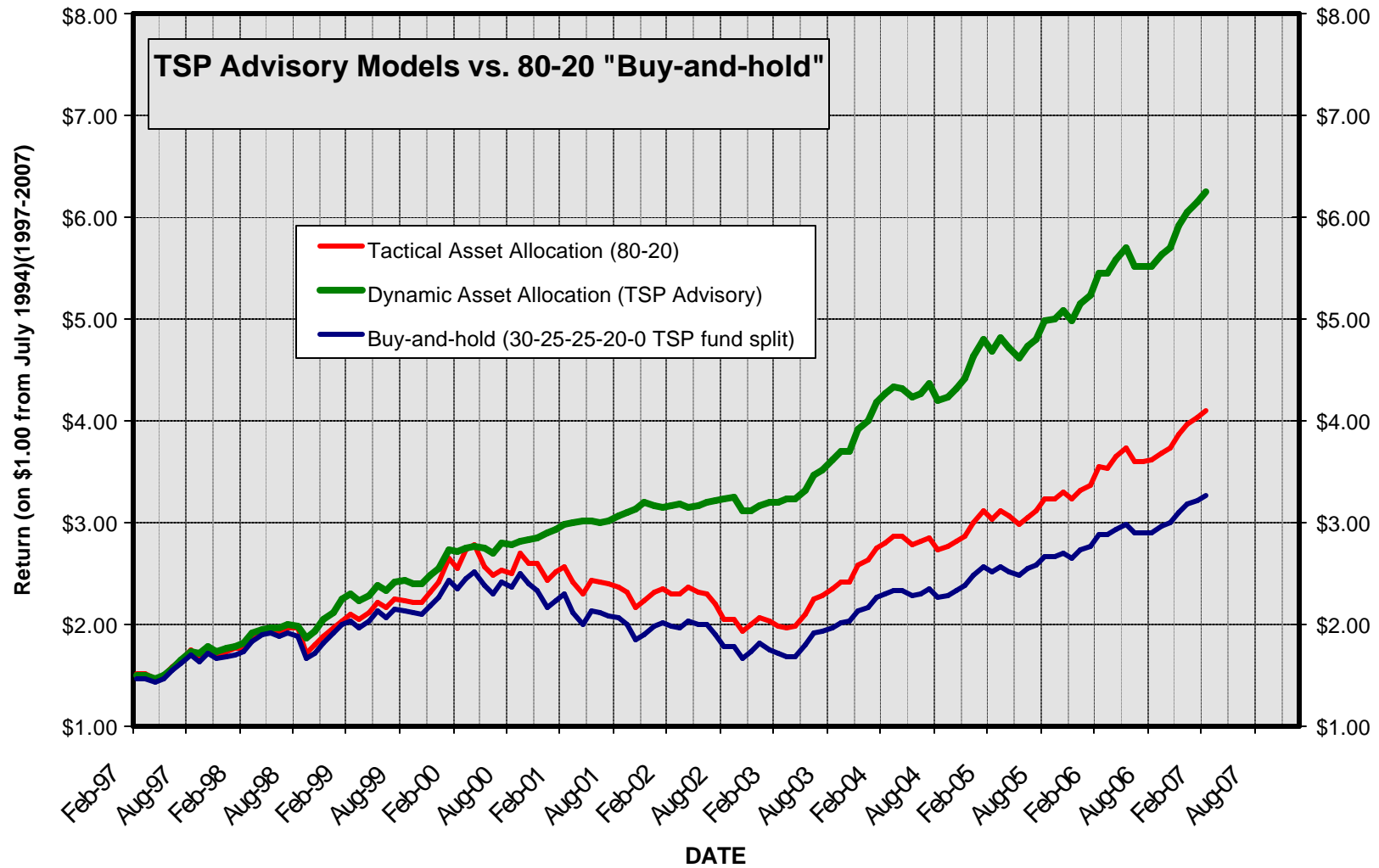
TAA Model

TSP Advisory's "tactical asset allocation" (or TAA) model allows adjustments to the chosen strategic asset allocation up to 15 percentage points on either side. For example, an 80%-20% strategic asset allocation may range up to 95% stocks and 5% bonds, to as low as 65% stocks and 35% bonds. The TAA model also indicates what percentage of the overall stock allocation is to be placed in the C-Fund, the S-Fund, and the I-Fund. The TAA model will also determine the allocation between the F-Fund (bonds) and the G-Fund.

DAA Model

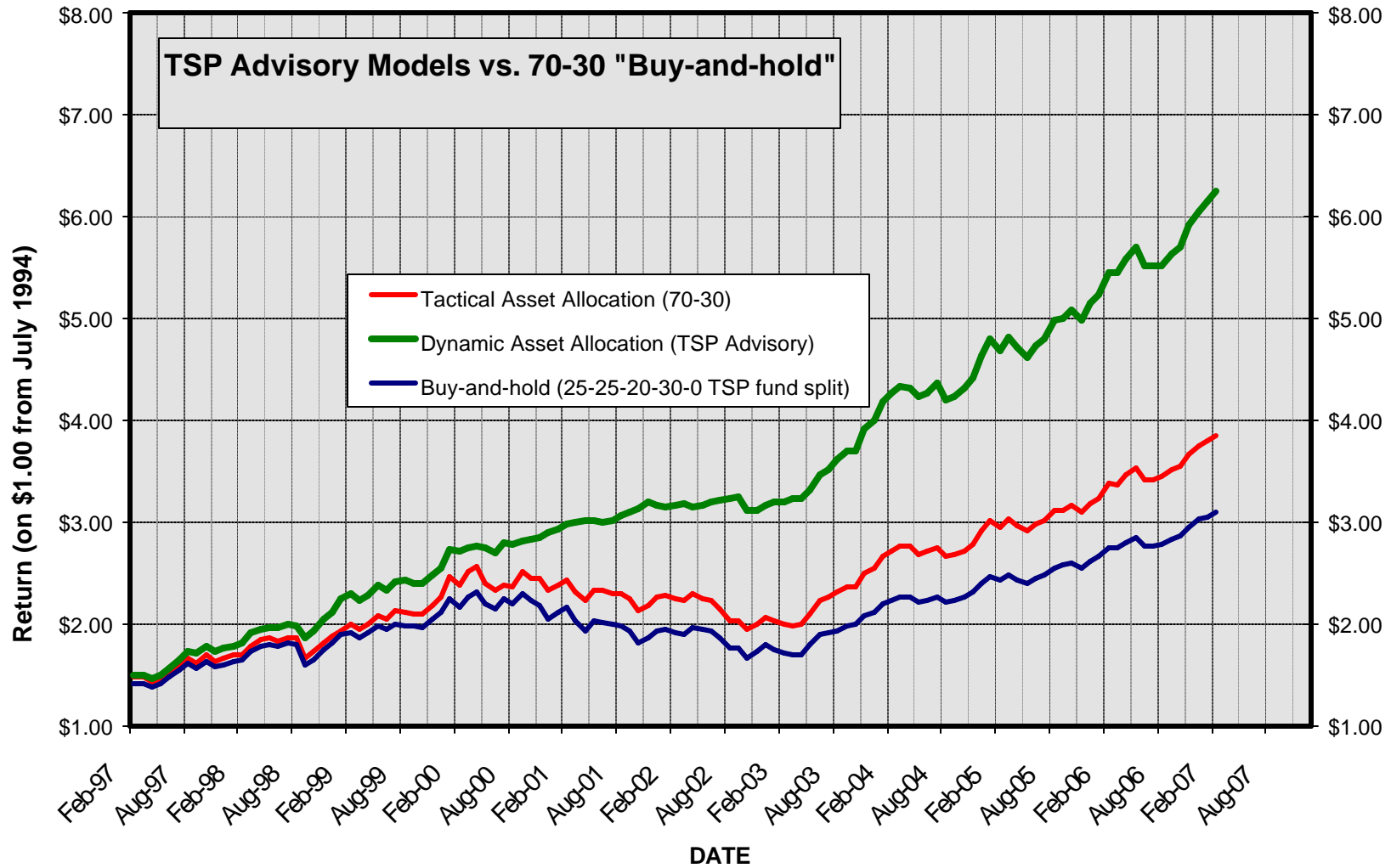
TSP Advisory's "dynamic asset allocation" (or DAA) model can range from 100% stocks allocated among the C-Fund, the S-Fund, and the I-Fund, to as low as 0% stocks. Thus, the DAA model is not intended to maintain any particular strategic asset allocation. The DAA model uses certain relatively persistent "environment" variables (based on specific economic and monetary measures) and certain "event" variables (transitory events) to define a basic allocation among stocks and bonds. The DAA model then superimposes the TAA model (at the 80-20 level) over the results from these "environment" and "event" variables.

The 80-20 Portfolio



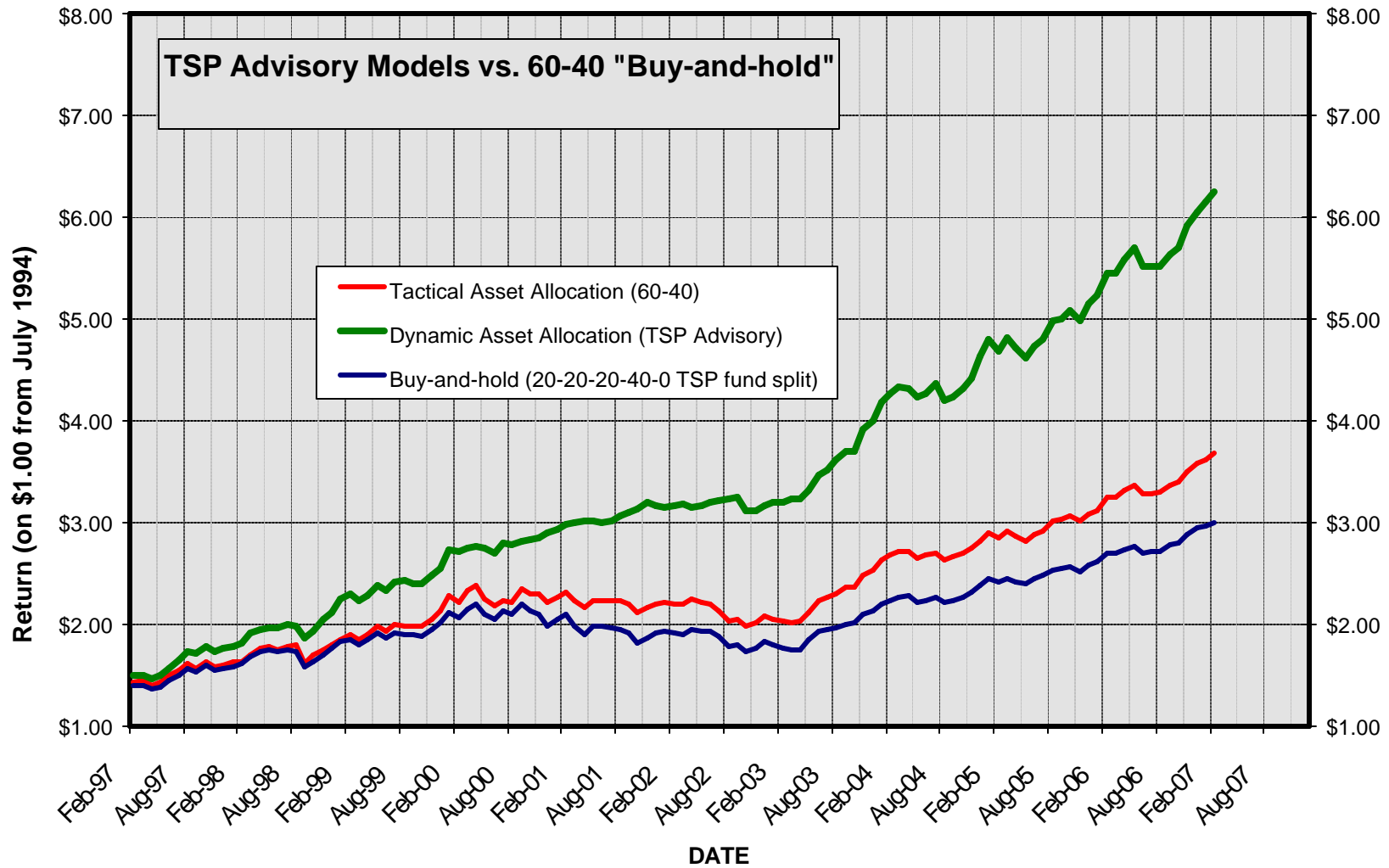
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The 70-30 Portfolio



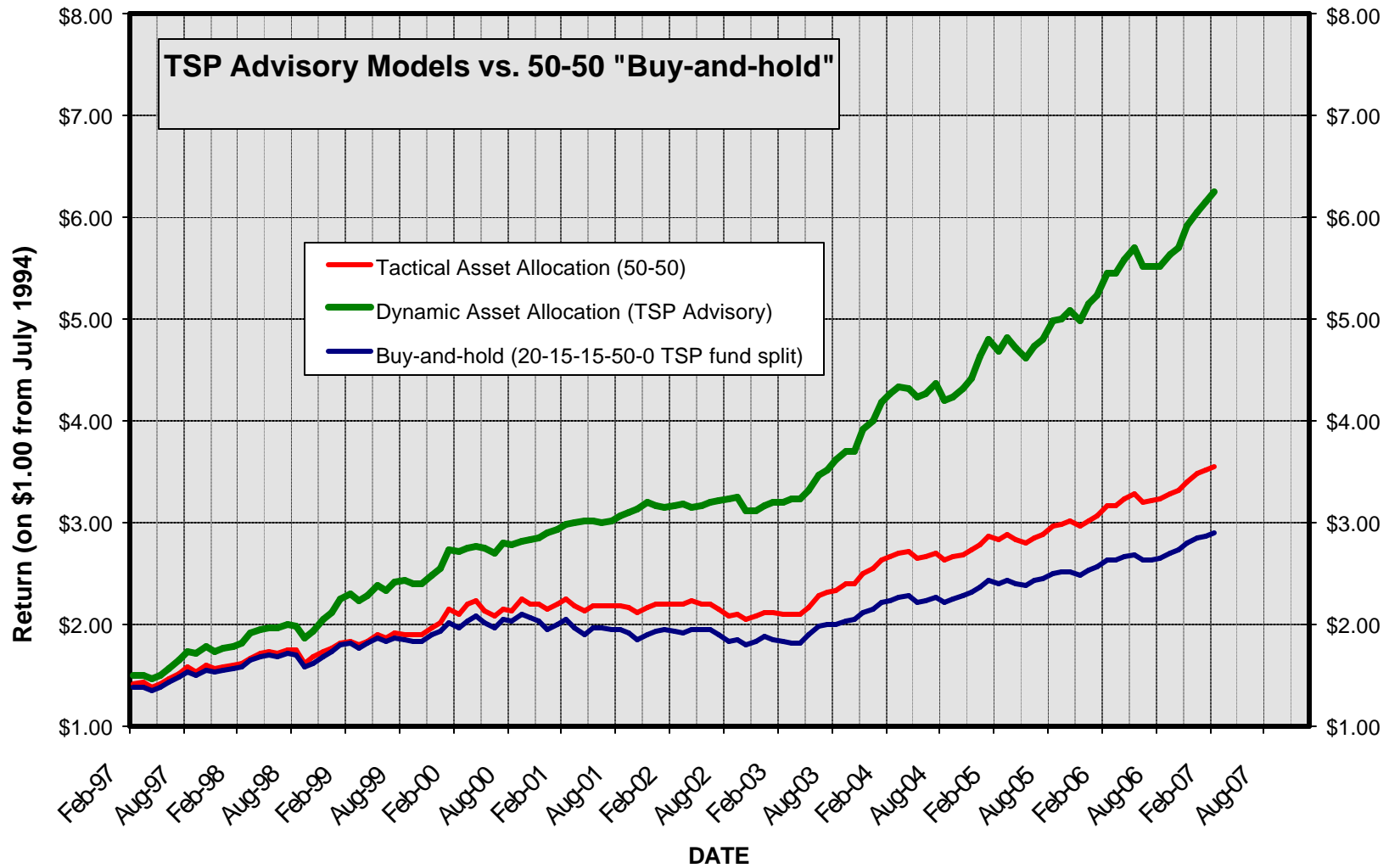
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The 60-40 Portfolio



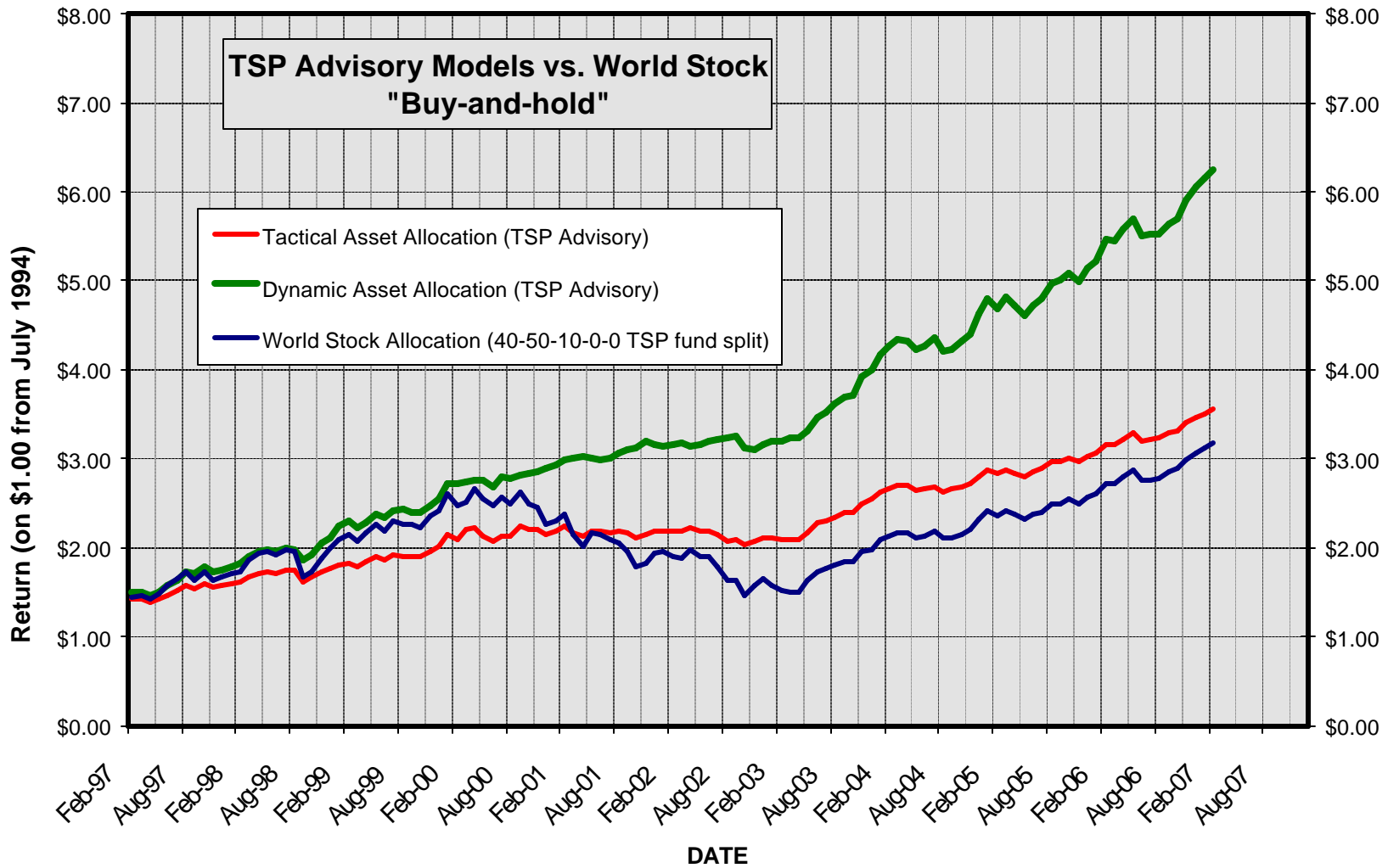
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The 50-50 Portfolio



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World All-Stock Portfolio



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Standard Allocation

TSP Performance Guarantee: For any month that the solid green line dips below the solid blue line, Sustaining Members whose subscriptions end that month get their money back. (Sustaining Membership is no longer offered, but the offer still holds for remaining members holding a 3-year subscription).

