



FEDERAL RETIREMENT THRIFT INVESTMENT BOARD
77 K Street NE, Washington, DC 20002

MEMORANDUM FOR THE EXECUTIVE DIRECTOR

FROM: Sean McCaffrey, Chief Investment Officer *SM*

DATE: June 15, 2022

SUBJECT: May 2022 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, investment manager performance and tracking error, interfund transfer activity, and L Funds participation.

RETURNS AND TRACKING ERRORS

The tables below contain returns and tracking errors for the F, C, S, and I Funds and for the separate accounts managed by BlackRock and State Street. Due to rounding, the tracking errors may not match the differences in returns.

May 2022 Returns and Tracking Errors

		<u>Fixed Income</u>	<u>Large Cap</u>	<u>Small Mid Cap</u>	<u>International</u>
		<u>(F Fund)</u>	<u>(C Fund)</u>	<u>(S Fund)</u>	<u>(I Fund)</u>
Return (%)	Index	0.64	0.18	-2.24	0.75
	BlackRock	0.71	0.19	-2.17	1.96
	State Street	0.67	0.18	-2.19	n/a
	TSP Fund (Net)	1.13	-1.65	-3.53	1.19
Tracking Error vs Index (%)	BlackRock	0.07	0.00	0.08	1.21
	State Street	0.02	0.00	0.06	n/a
	TSP Fund	0.48	-1.83	-1.29	0.44

BlackRock's performance for the F Fund exceeded that of the Fixed Income Index's return by 7 basis points, primarily resulting from securities lending. Its performance for the C Fund was in line with the Large Cap Index. For the S Fund, BlackRock outperformed the Small Mid Cap Index by 8 basis points, primarily resulting from securities lending. Its performance for the I Fund was ahead of the International Index by 121 basis points, primarily resulting from fair value pricing.

State Street's performance for the F and C Funds was in line with the Funds' respective indices for the month. For the S Fund, State Street outperformed the Small Mid Cap Index by 6 basis points, primarily due to securities lending.

As a result of the TSP's recordkeeping transition at the end of May, all Funds ended their performance month on May 26, missing the last two trading days in May. Market movements from these two trading days are reflected in the indices' and investment managers' returns but not in the returns of the Funds. This explains the larger-than-normal tracking errors between the Funds and their benchmark indices. The returns that the Funds would have earned on those two trading days will be captured in the Funds' June 2022 returns, so the monthly returns published in the June 2022 Performance Review will reflect the period from May 26 to June 30.

2022 YTD Returns and Tracking Errors

		<u>Fixed Income</u>	<u>Large Cap</u>	<u>Small Mid Cap</u>	<u>International</u>
		<u>(F Fund)</u>	<u>(C Fund)</u>	<u>(S Fund)</u>	<u>(I Fund)</u>
Return (%)	Index	-8.92	-12.76	-20.75	-11.34
	BlackRock	-8.60	-12.73	-20.56	-11.00
	State Street	-8.93	-12.76	-20.60	n/a
	TSP Fund (Net)	-8.30	-14.35	-21.69	-11.69
Tracking Error vs Index (%)	BlackRock	0.32	0.03	0.19	0.34
	State Street	-0.01	0.00	0.15	n/a
	TSP Fund	0.62	-1.59	-0.94	-0.35

Year-to-date, BlackRock's performance for the F Fund was ahead of the Fixed Income Index's return by 32 basis points, primarily resulting from securities lending. Its performance for the C Fund was in line with the Large Cap Index. For the S Fund, BlackRock's performance exceeded the Small Mid Cap Index by 19 basis points, primarily resulting from securities lending. Its performance for the I Fund was ahead of the International Index by 34 basis points, primarily due to tax advantage.

Year-to-date, State Street's performance for the F and C Funds was in line with the Funds' respective indices. For the S Fund, State Street outperformed the Small Mid Cap Index by 15 basis points, primarily due to securities lending.

As a result of the TSP's recordkeeping transition, all Funds' year-to-date returns reflect performance through May 26, missing the last two trading days in May. Market movements from these two trading days are reflected in the indices' and investment managers' returns but not in the returns of the Funds. This explains the larger-than-normal tracking errors between the Funds and their benchmark indices. The returns that the Funds would have earned on those two trading days will be captured in the Funds' June 2022 returns, so the year-to-date return in the June 2022 Performance Review will fully reflect the period from December 31, 2021 to June 30, 2022.

TSP Net Returns as of May 31, 2022

	1-Year	3-Year	5-Year	10-Year
G Fund	1.71%	1.45%	1.94%	1.95%

	1-Year	3-Year	5-Year	10-Year
F Fund	-7.59%	0.24%	1.37%	2.00%
Bloomberg Barclays US Agg Bond Index	-8.22%	0.00%	1.18%	1.71%
Tracking Error	0.63%	0.24%	0.19%	0.29%

	1-Year	3-Year	5-Year	10-Year
C Fund	-2.12%	15.68%	12.93%	14.19%
S&P 500 Index	-0.30%	16.44%	13.38%	14.40%
Tracking Error	-1.82%	-0.76%	-0.45%	-0.20%

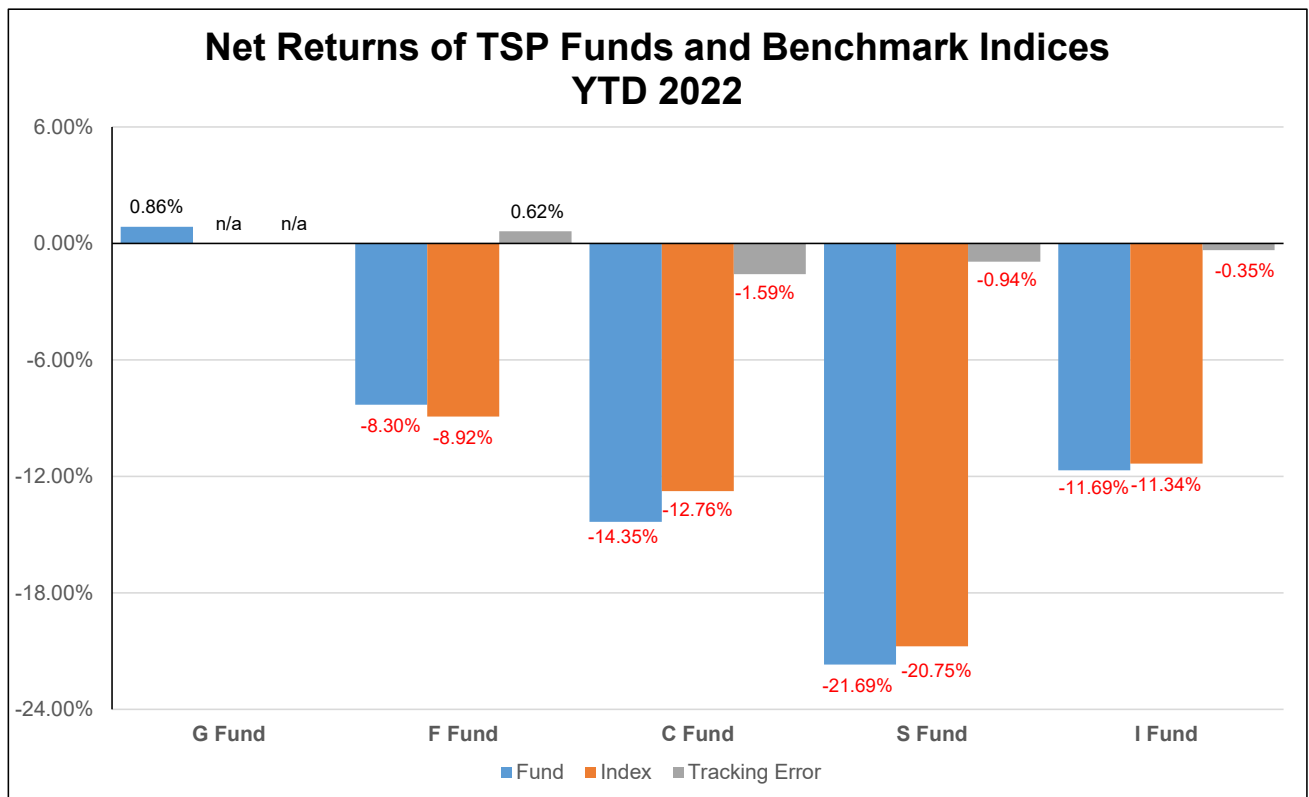
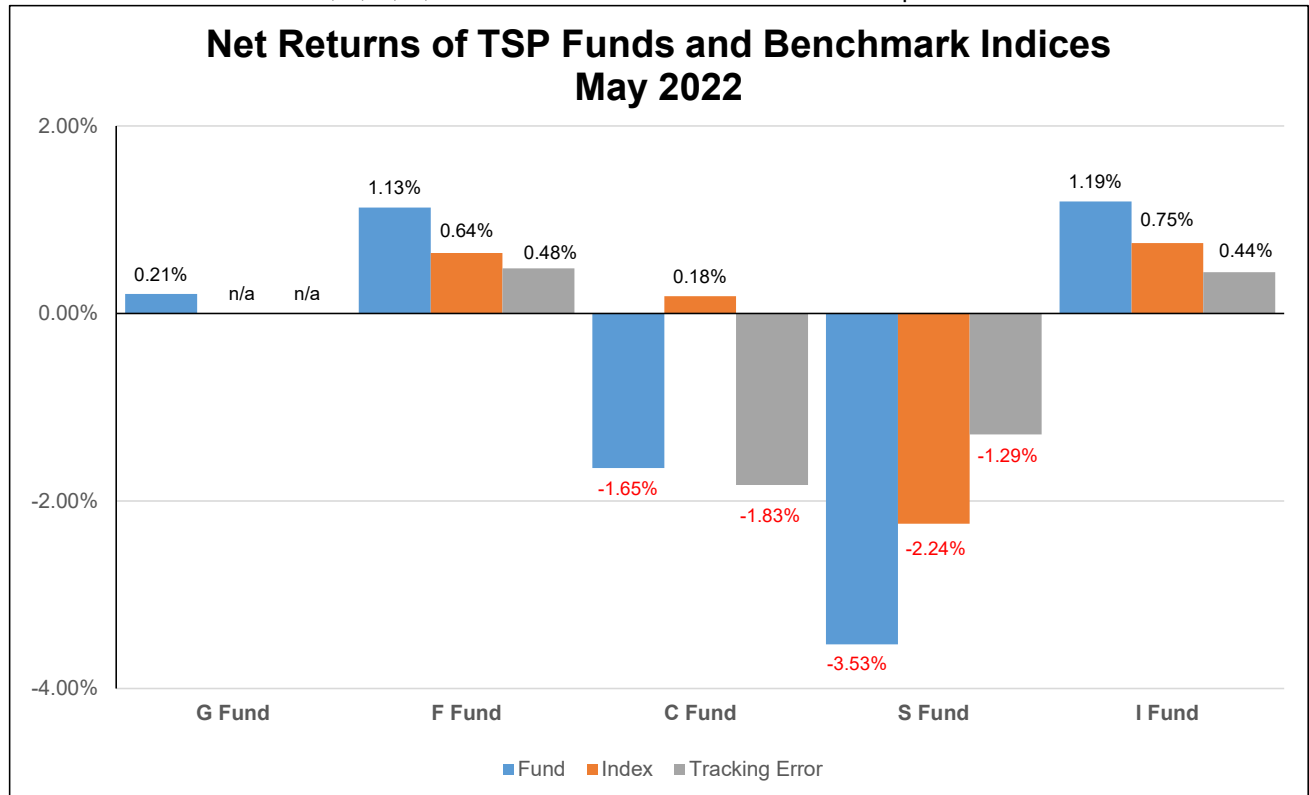
	1-Year	3-Year	5-Year	10-Year
S Fund	-21.10%	9.92%	8.71%	11.65%
Dow Jones US Completion TSM Index	-20.18%	10.41%	8.92%	11.54%
Tracking Error	-0.91%	-0.48%	-0.20%	0.11%

	1-Year	3-Year	5-Year	10-Year
I Fund	-11.00%	6.48%	4.37%	7.43%
MSCI EAFE Index	-10.38%	6.43%	4.17%	7.15%
Tracking Error	-0.62%	0.05%	0.20%	0.28%

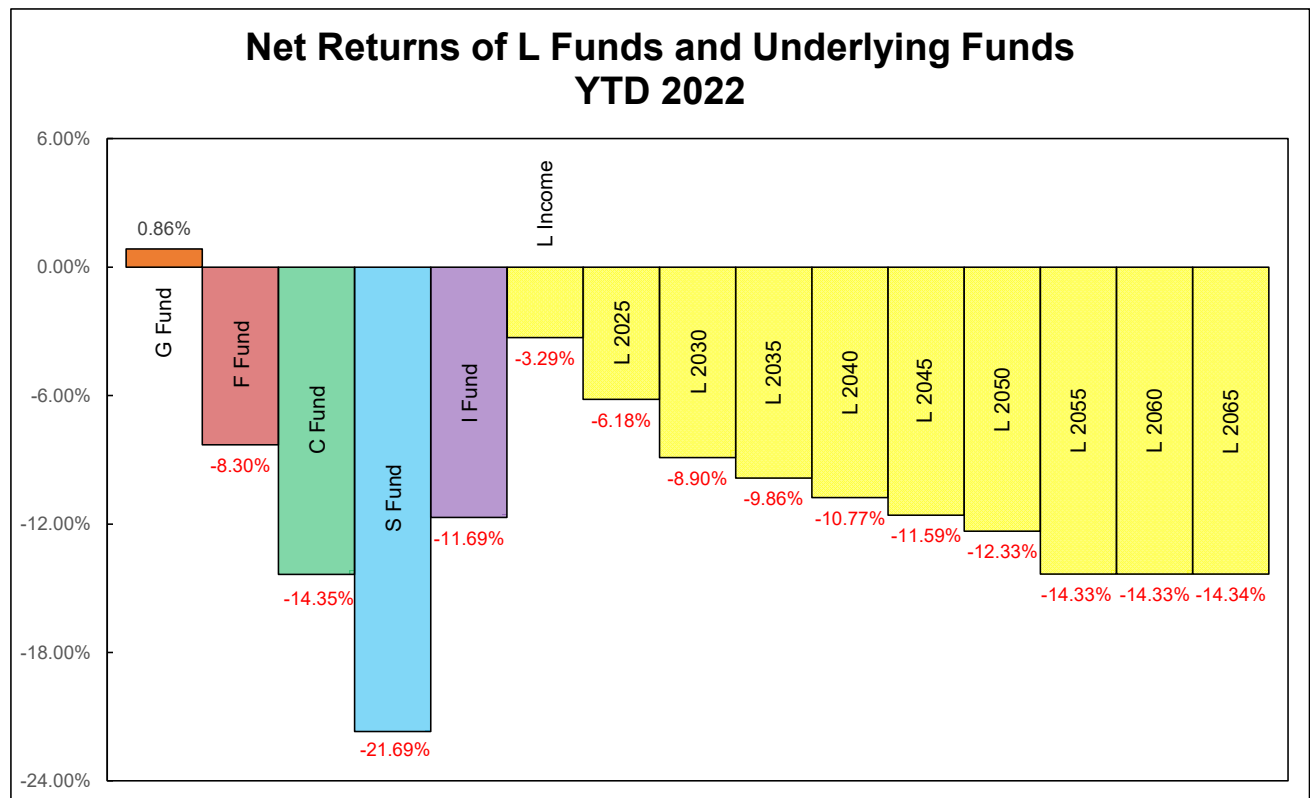
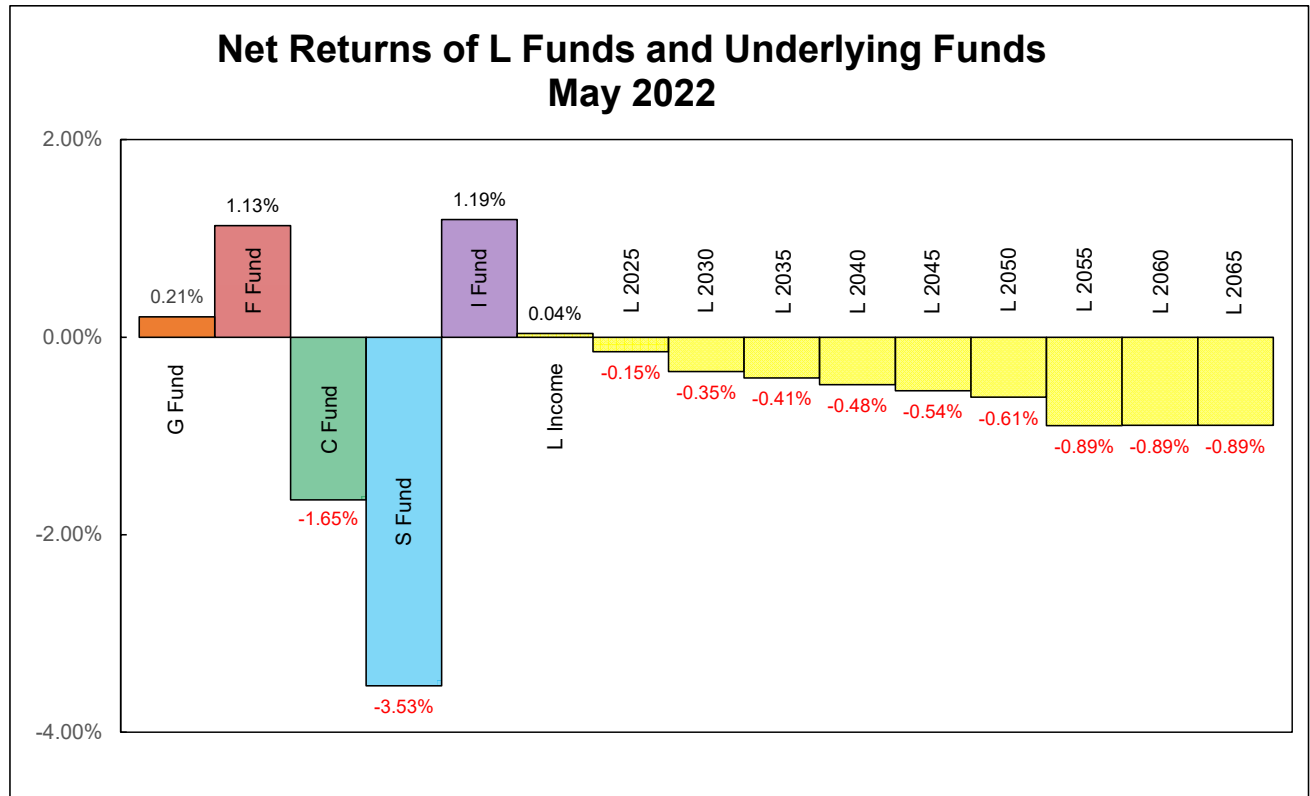
	1-Year	3-Year	5-Year	10-Year
L Income Fund	-0.90%	3.82%	3.72%	4.10%
L 2025 Fund	-2.51%	N/A	N/A	N/A
L 2030 Fund	-4.39%	7.89%	6.79%	8.38%
L 2035 Fund	-5.07%	N/A	N/A	N/A
L 2040 Fund	-5.70%	9.02%	7.60%	9.40%
L 2045 Fund	-6.32%	N/A	N/A	N/A
L 2050 Fund	-6.85%	9.96%	8.28%	10.30%
L 2055 Fund	-8.04%	N/A	N/A	N/A
L 2060 Fund	-8.04%	N/A	N/A	N/A
L 2065 Fund	-8.05%	N/A	N/A	N/A
Inception date for L 2025, L 2035, L 2045, L 2055, L 2060, L 2065: July 1, 2020				

Performance of TSP Funds

The charts below show the G, F, C, S, and I Fund net rates of return vs. their respective benchmark indices.

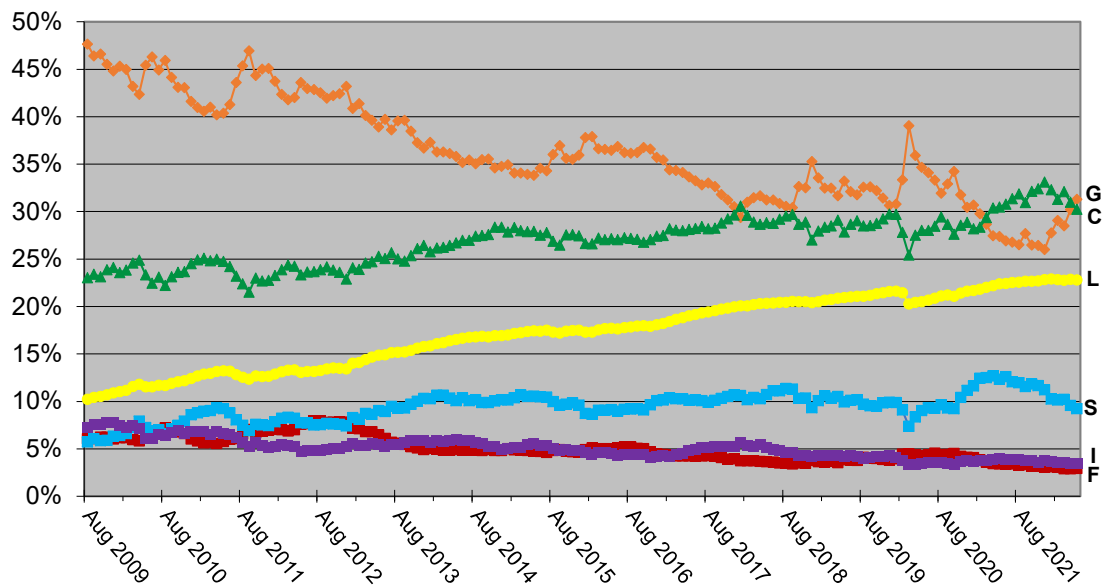


Net rates of return for the L Funds are shown below, along with comparable returns for the G, F, C, S, and I Funds.



Asset Allocation

Participant Asset Allocation History

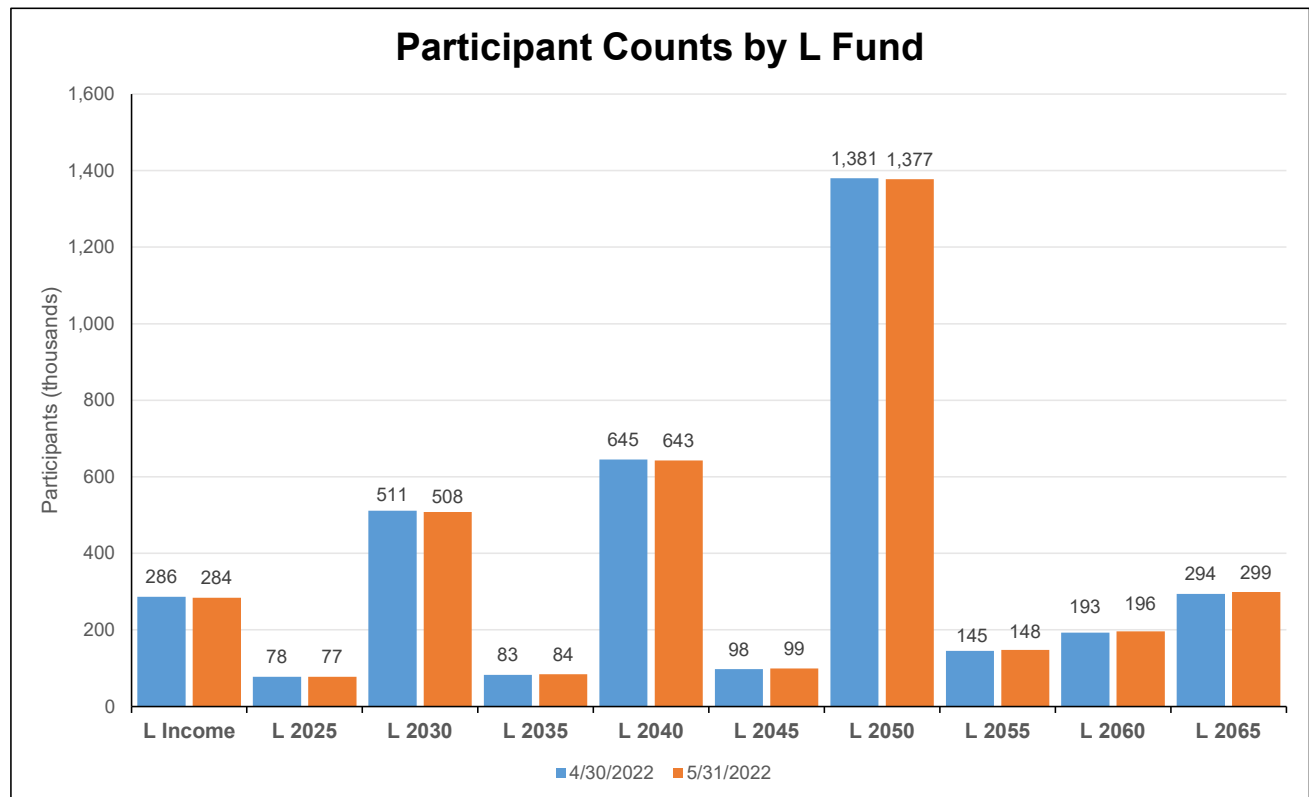
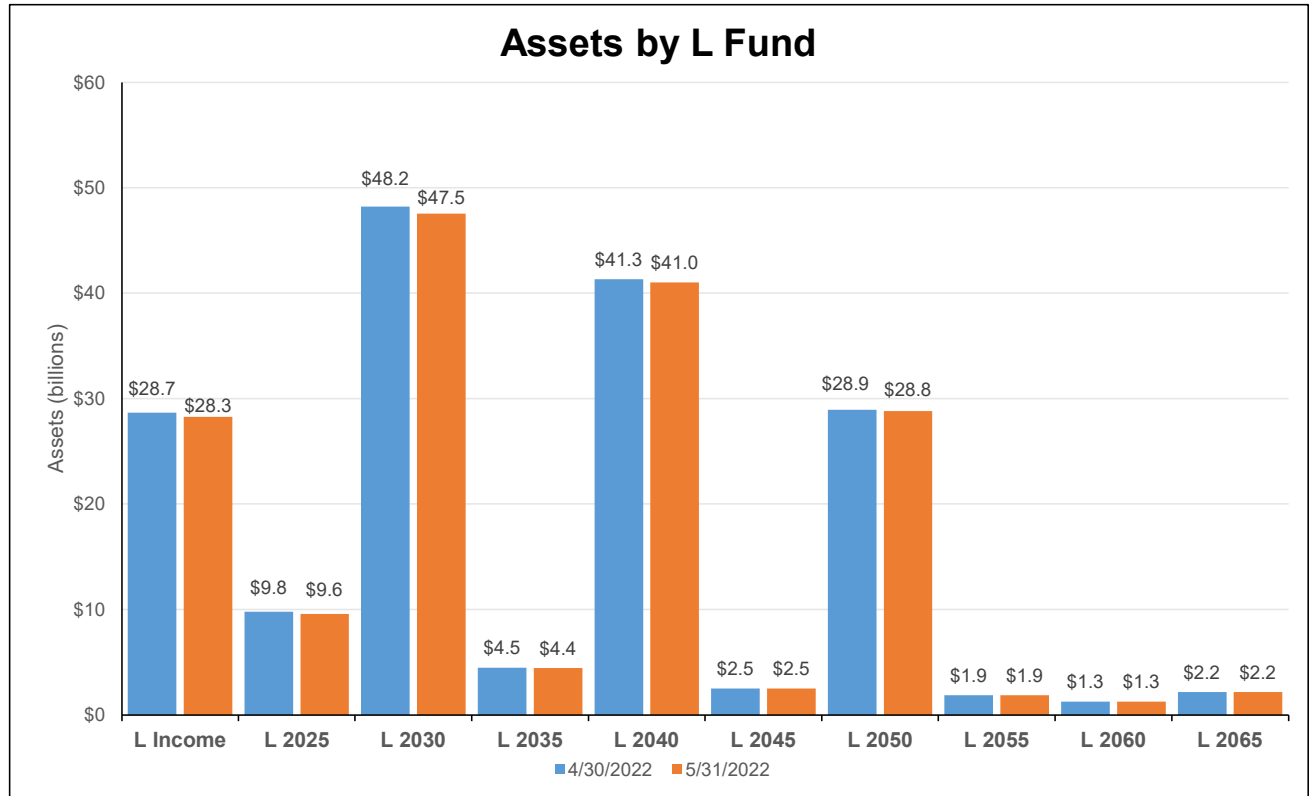


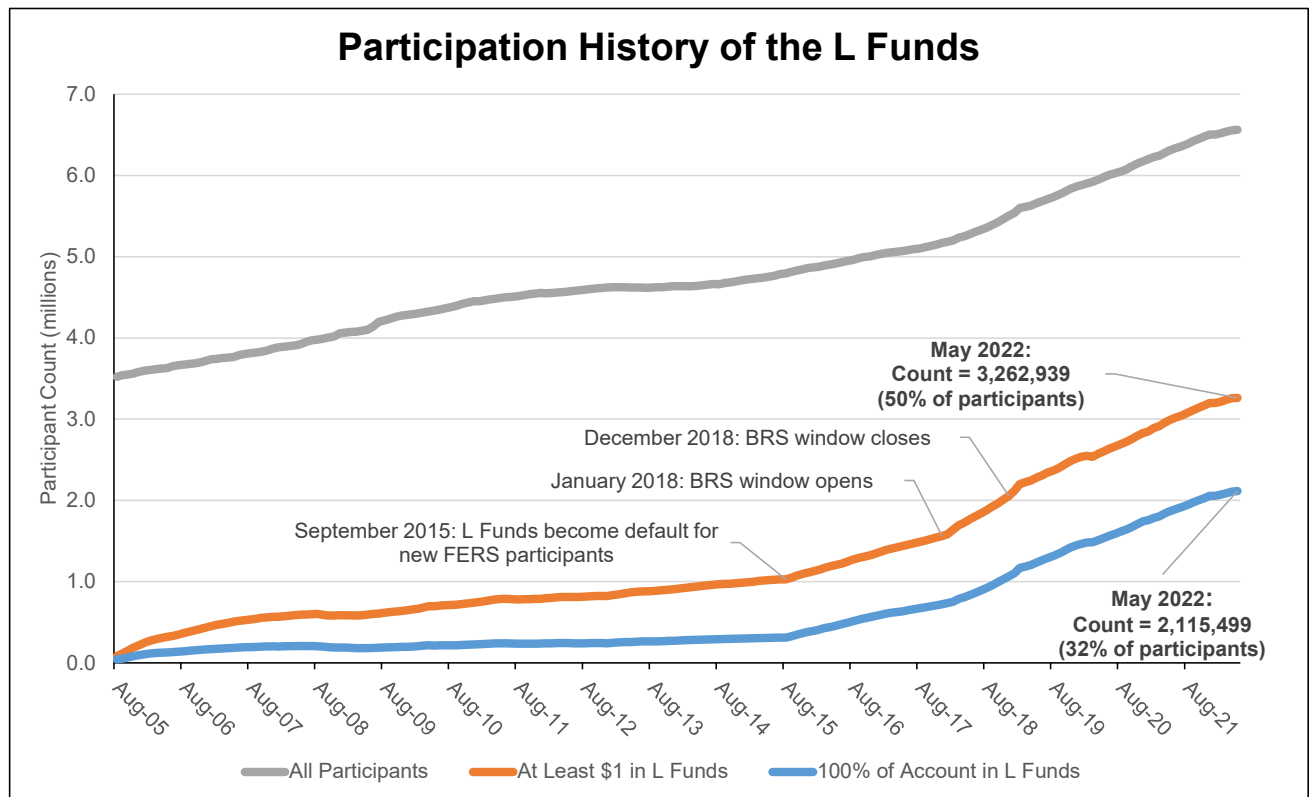
Asset Allocation as of May 31, 2022

	<u>Participant Allocation</u>		<u>Individual TSP Funds</u>	
	<u>Assets</u> (Billions)	<u>Share of</u> Total	<u>Assets</u> (Billions)	<u>Share of</u> Total
G Fund	\$229.8	31.3%	\$283.2	38.6%
F Fund	\$21.4	2.9%	\$32.4	4.4%
C Fund	\$222.0	30.2%	\$275.0	37.4%
S Fund	\$67.7	9.2%	\$82.0	11.2%
I Fund	\$25.9	3.5%	\$61.7	8.4%
<u>L Funds</u>	<u>\$167.4</u>	<u>22.8%</u>	<u>n/a</u>	<u>n/a</u>
Total	\$734.3	100%	\$734.3	100%

*Components may not sum to totals because of rounding.

Lifecycle (L) Funds





Interfund Transfer Activity

