



# S FUND

Small Capitalization Stock Index Investment Fund

## Fund Information

### Net Assets

as of December 31, 2004  
\$10.0 billion

### 2004 Administrative Expense Ratio

.06% (6 basis points)  
\$0.60 per \$1,000  
account balance

### Benchmark Index

Dow Jones Wilshire 4500 Completion  
stock index  
www.wilshire.com or  
www.djindexes.com

### Asset Manager

Barclays Global Investors

## Returns

as of December 31, 2004

	S Fund <sup>1</sup>	DJW 4500 Index <sup>2</sup>
1 Year	18.0	18.1
5 Year	N/A	1.3
10 Year	N/A	11.9
Since Inception May 1, 2001	8.5	8.8

<sup>1</sup>After expenses <sup>2</sup>Without deductions

## 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-size U.S. companies.
- The objective of the S Fund is to match the performance of the Dow Jones Wilshire 4500 Completion (DJW 4500) 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 DJW 4500 index declines in response to changes in overall economic conditions (market risk).
- Earnings consist of gains and losses in the prices of stocks, and dividend income.

## S Fund Returns\* 1985-2004



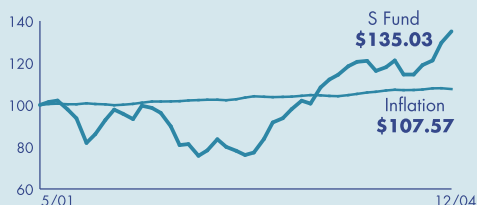
\* For periods before the inception of the S Fund, the rate shown is the return of the DJW4500 index (without deduction for management fees, trading costs, or administrative expenses).

## DJW 4500 Top Ten

Company	Percent of Index
Berkshire Hathaway, Inc. (Class A stock)	3.08
Liberty Media Corporation (Class A stock)	0.97
Genentech, Inc.	0.86
The DIRECTV Group, Inc.	0.52
IAC InterActiveCorp	0.47
Juniper Networks, Inc.	0.46
Amazon.com, Inc.	0.44
Sirius Satellite Radio, Inc.	0.33
Kraft Foods, Inc. (Class A stock)	0.31
Vornado Realty Trust	0.30

## Growth of \$100

Since Inception



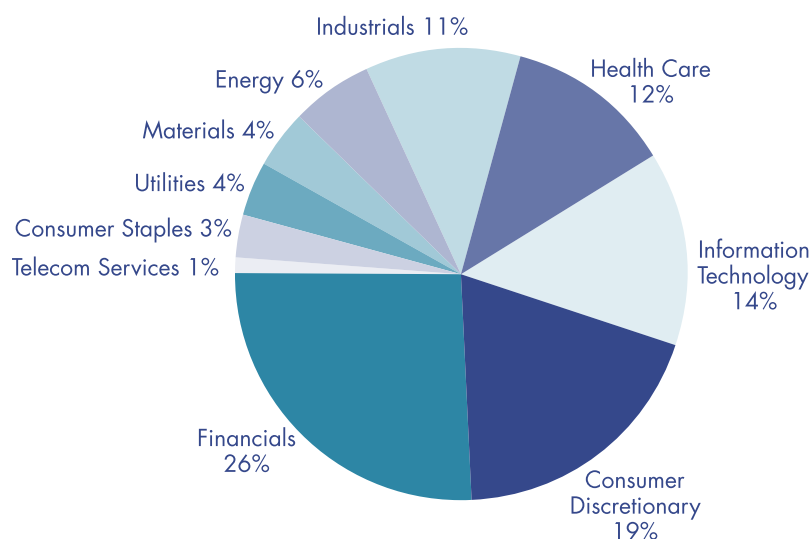
# S FUND FACTS

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 Wilshire 4500 Completion index, which tracks the performance of the actively traded non-S&P 500 stocks in the U.S. stock market.

The **Dow Jones Wilshire 4500 Completion index (DJW 4500 index)** is an index of all actively traded U.S. common stocks and real estate investment trusts (REITs) 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, 2004, the index included 4,493 common stocks and 223 REITs. (REITs accounted for 7.8% of the index's market value.) The DJW 4500 index made up 22% of the market value of the U.S. stock markets; the S&P 500 accounted for the other 78%. Thus, the S Fund and the C Fund combined cover virtually the entire U.S. stock market.

The DJW 4500 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, 2004, the largest 100 companies in the DJW 4500 index represented 24% of the index's market value.

## DJW 4500 Index Major Industry Groups December 31, 2004



**Barclays Extended Market Index Fund** — The S Fund is invested in the Barclays Extended Market Index Fund. The DJW 4500 index contains a large number of stocks, including illiquid stocks with low trading volume and stocks with prices less than \$1.00 per share. Therefore, it is not practical for the Barclays Extended Market Index Fund to invest in every stock in the index. The Barclays 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. Barclays' mathematical model considers size and industry group to match the industry weights in the index. Within each industry group, Barclays selects stocks that, together, are expected to produce a return that is very close to the industry's return in the DJW 4500 index. The performance of the Extended Market Index Fund is evaluated on the basis of how closely its returns match those of the DJW 4500 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 Barclays Extended Market Index Fund by purchasing shares of the Barclays Extended Market Index Fund "E," which in turn holds primarily shares of the Barclays Extended Market Index Master Fund. As of December 31, 2004, S Fund holdings constituted \$9.6 billion of the Extended Market Index Master Fund, which itself held \$14.8 billion in securities.