



# S FUND

Small Capitalization Stock Index Investment Fund

## Fund Information

**Net Assets**  
as of December 31, 2003  
\$5.9 billion

**2003 Administrative Expense Ratio**  
.10% (10 basis points)  
\$1.00 per \$1,000 account balance

**Benchmark Index**  
Wilshire 4500 stock index  
[www.wilshire.com](http://www.wilshire.com)

**Asset Manager**  
Barclays Global Investors

## Returns

as of December 31, 2003

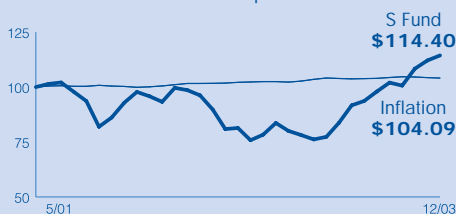
	S Fund <sup>1</sup>	Wilshire 4500 Index <sup>2</sup>
<b>1 Year</b>	42.9	43.8
<b>5 Year</b>	N/A	4.1
<b>10 Year</b>	N/A	9.8
<b>Since Inception</b>	5.2	5.5

May 1, 2001

(See footnotes on back.)

## Growth of \$100

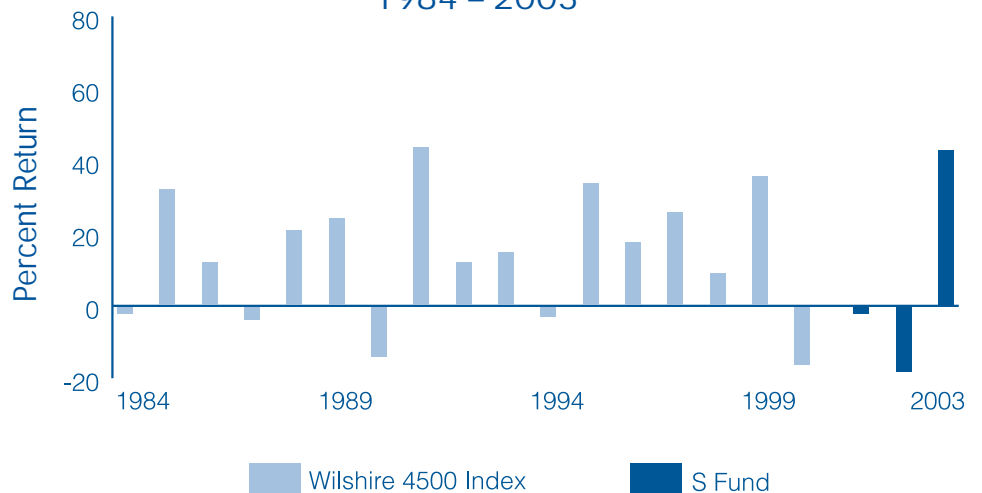
Since Inception



## 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 Wilshire 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 Wilshire 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\* 1984 - 2003



\* For periods before the inception of the S Fund, the rate shown is the return of the W4500 index (without deduction for management fees, trading costs, and administrative expenses).

## Wilshire 4500 Top Ten

Company	Percent of Index
Berkshire Hathaway, Inc.	3.27
Liberty Media Corp.	1.08
USA Interactive	0.74
Amazon.com, Inc.	0.71
Genentech, Inc.	0.70
Cox Communications, Inc.	0.69
Hughes Electronics Corp.	0.51
M & T Bank Corp.	0.40
Gilead Sciences, Inc.	0.40
Fox Entertainment Group, Inc.	0.35

# S FUND FACTS

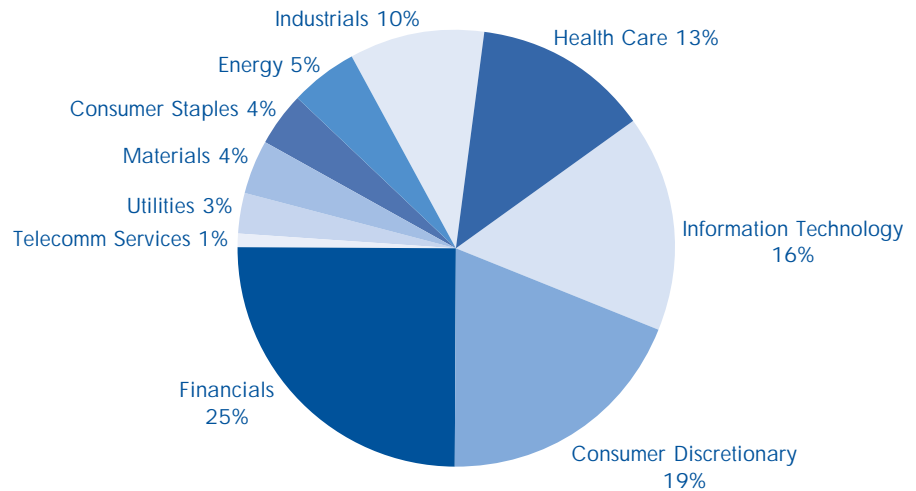
By law, the S Fund must be invested in a portfolio designed to replicate the performance of an index of U.S. common stocks, excluding those that are held in the C Fund. The Board has chosen, as its benchmark, the Wilshire 4500 index, which tracks the performance of the actively traded non-S&P 500 stocks in the U.S. stock market.

The **Wilshire 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 was designed by Wilshire Associates to be the broadest measure of the non-S&P 500 domestic stock markets. The index actually contains more than 4500 securities; as of December 31, 2003, the index included 4539 common stocks and 209 REITs. (REITs accounted for 6.4% of the index's market value.) The Wilshire 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.

A company's weighting in the Wilshire 4500 index is the total market value of the company (that is, the share price multiplied by the number of shares outstanding) as a percentage of the combined market value of all companies in the index. As of December 31, 2003, the largest 100 companies in the Wilshire 4500 index represented 25% of the index's market value.

## Wilshire 4500 Index

### Major Industry Groups December 31, 2003



**Barclays Extended Market Index Fund** — The S Fund is invested in the Barclays Extended Market Index Fund. The Wilshire 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 practicable 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 Wilshire 4500 index. The performance of the Extended Market Index Fund is evaluated on the basis of how closely its returns match those of the Wilshire 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, 2003, S Fund holdings constituted \$5.6 billion of the Extended Market Index Master Fund, which itself held \$19.9 billion in securities.

Notes from front:

<sup>1</sup> Rate of return after deduction of management fees, trading costs, and TSP administrative expenses.

<sup>2</sup> Rate of return calculated by Wilshire Associates, without any deduction for management fees, trading costs, and administrative expenses.