

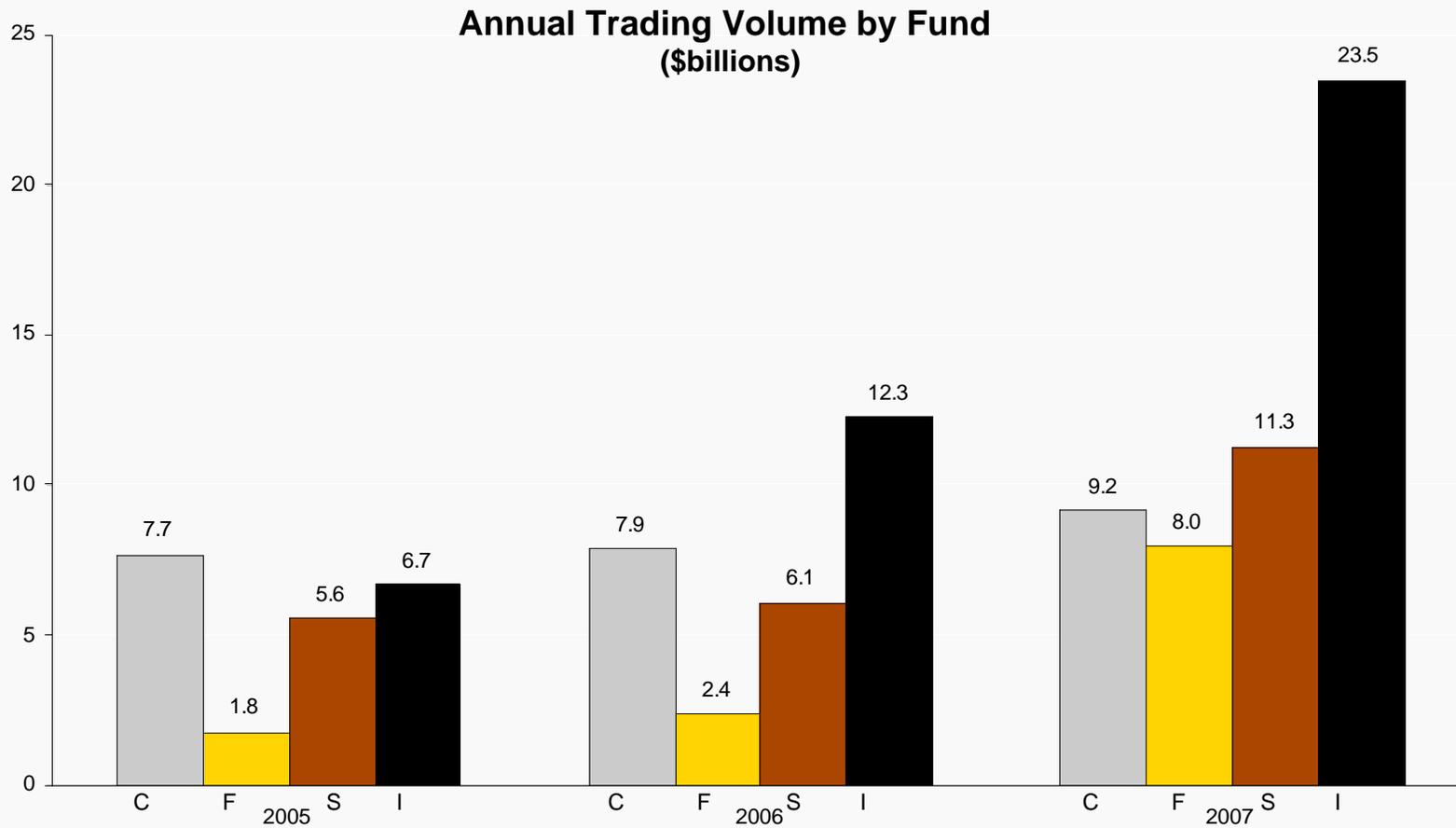


FRTIB Frequent Trading

November 19, 2007

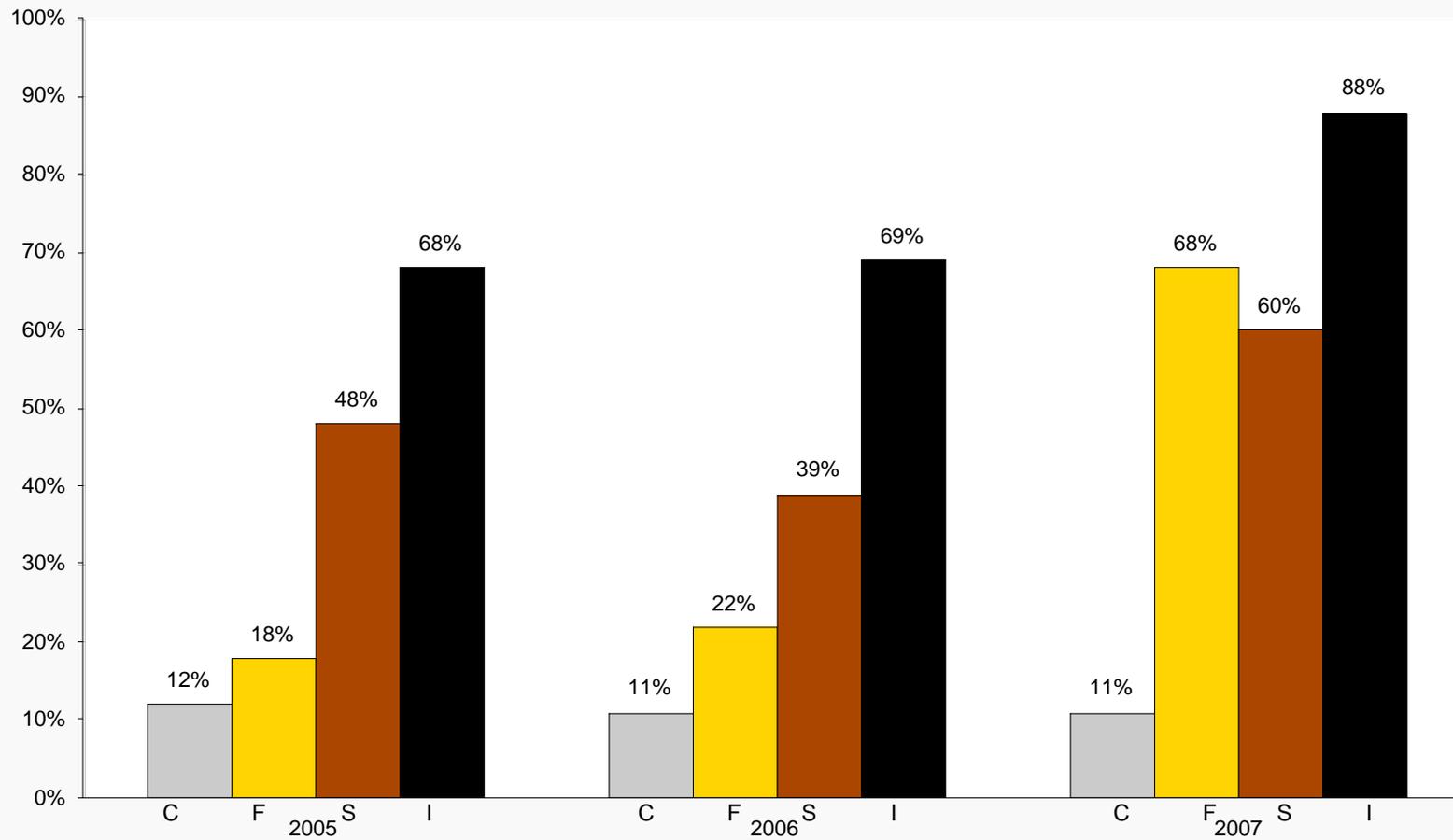
By: Tracey A. Ray
Chief Investment Officer

Trading volume in the C, F, S, and I Funds has grown substantially...

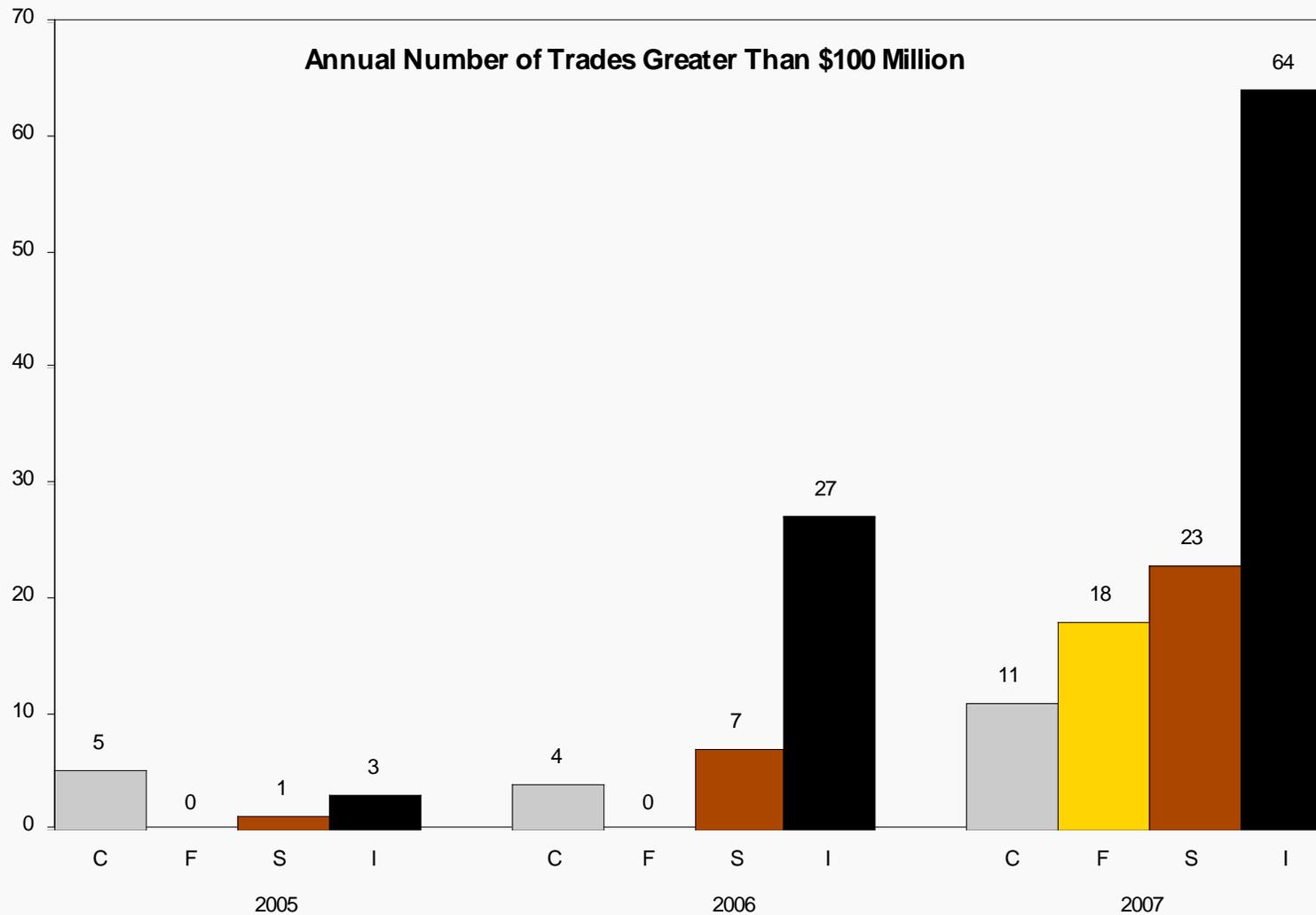


...and has expanded disproportionately to market value.

Trade Volume as a Percent of Average Market Value

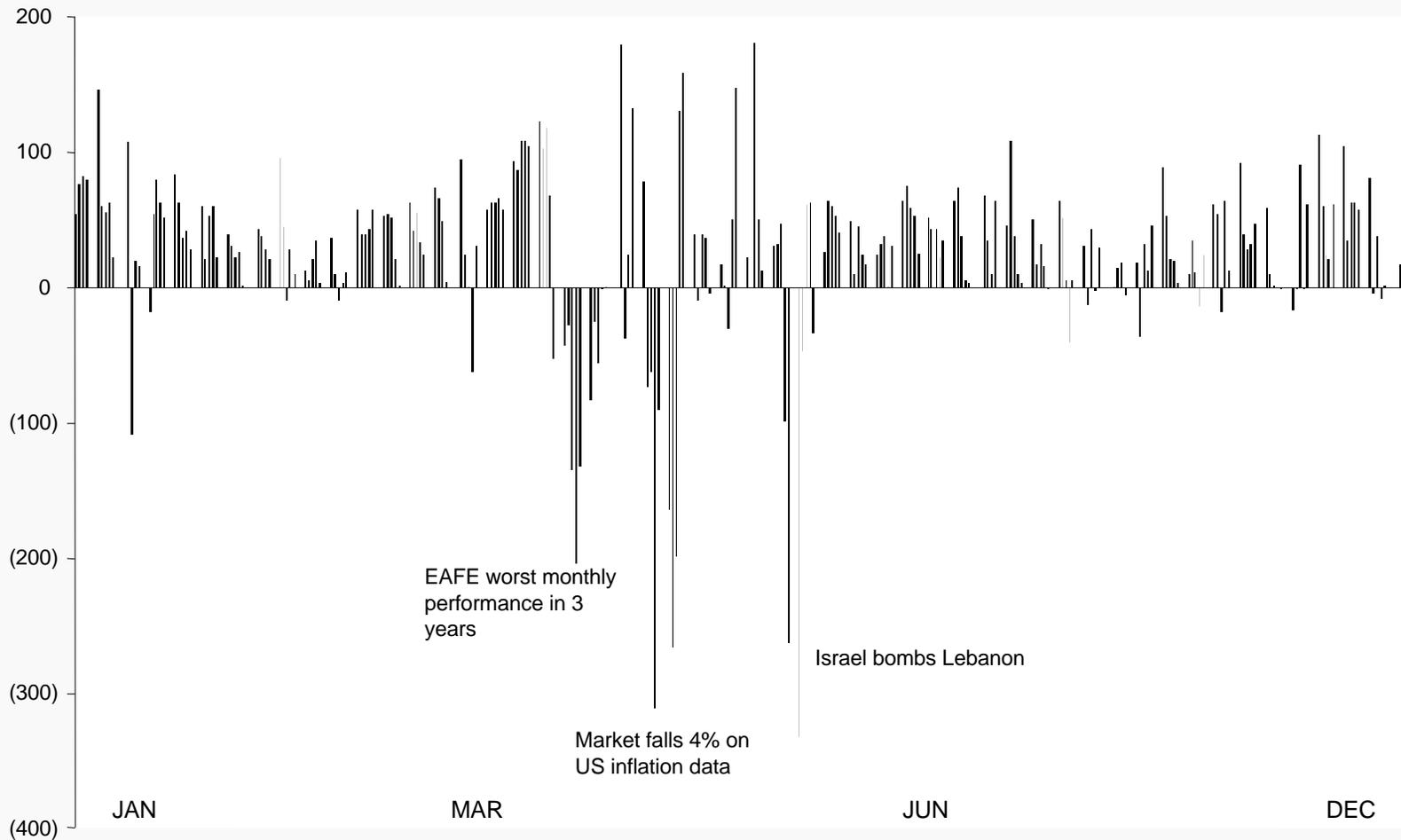


The number of large trades is also growing.



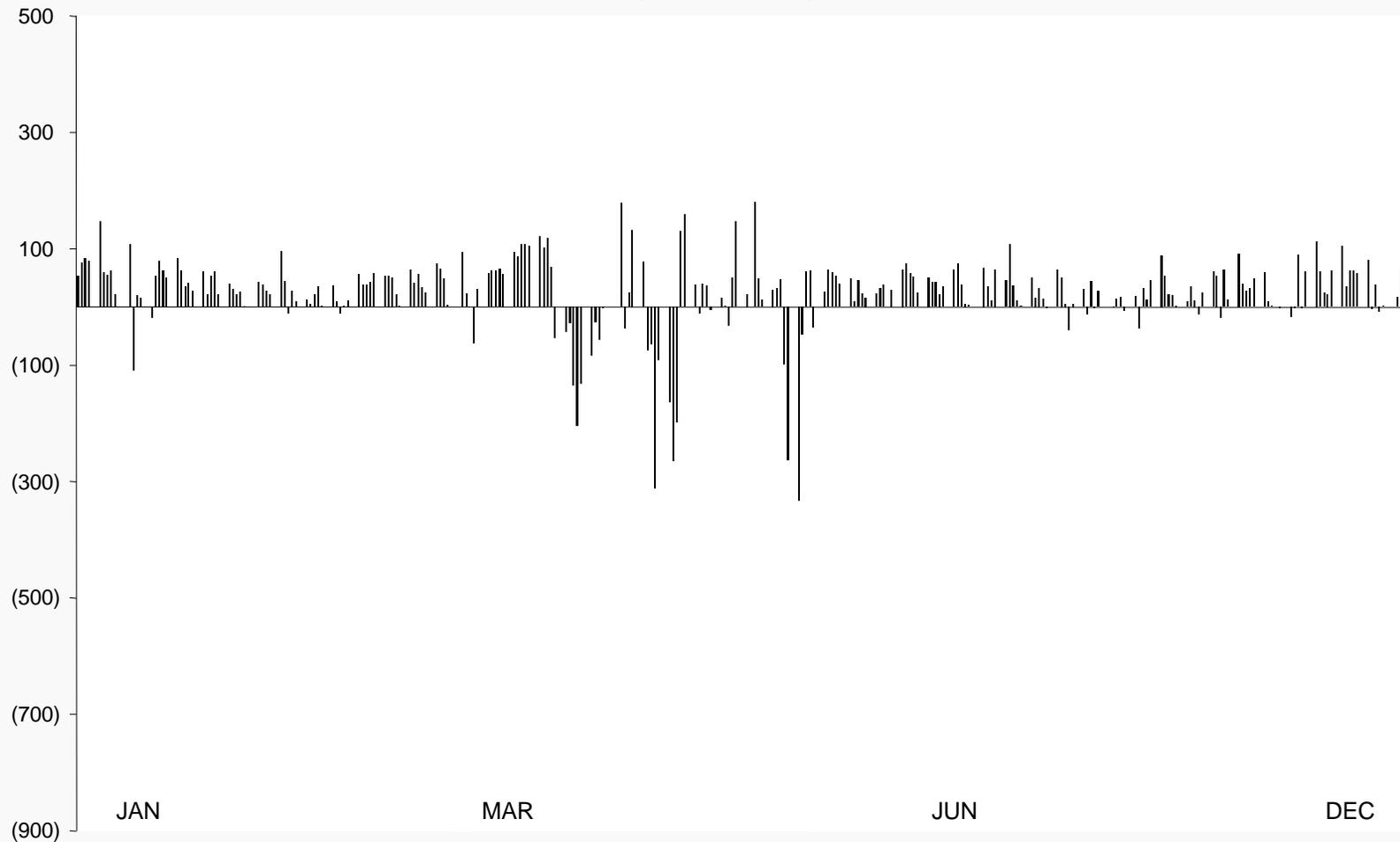
Trading patterns have changed from steady accumulation, with periods of selling in times of distress...

2006 Daily Trades - I Fund
(\$millions)



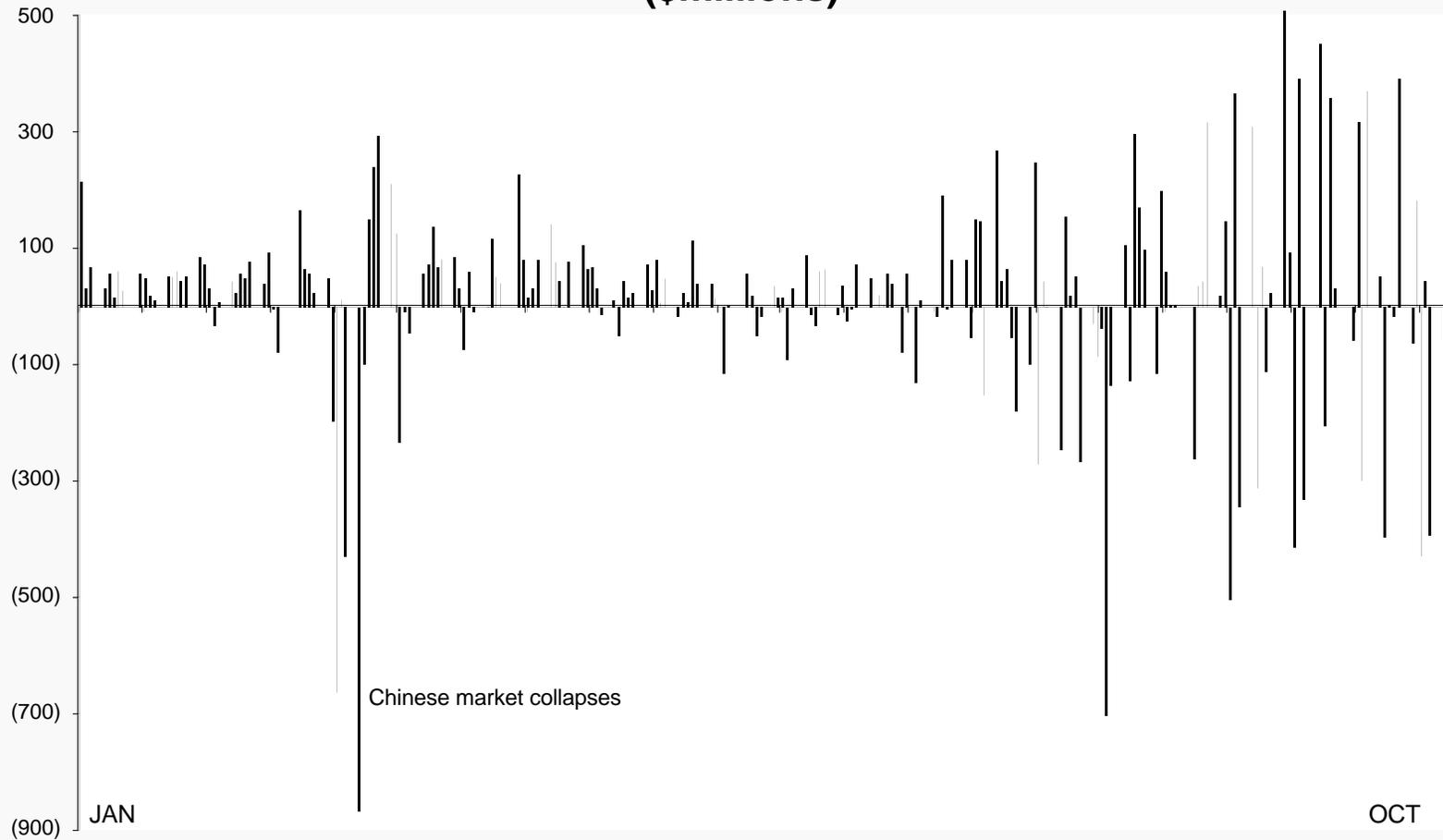
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2006 Daily Trades - I Fund
(\$millions)



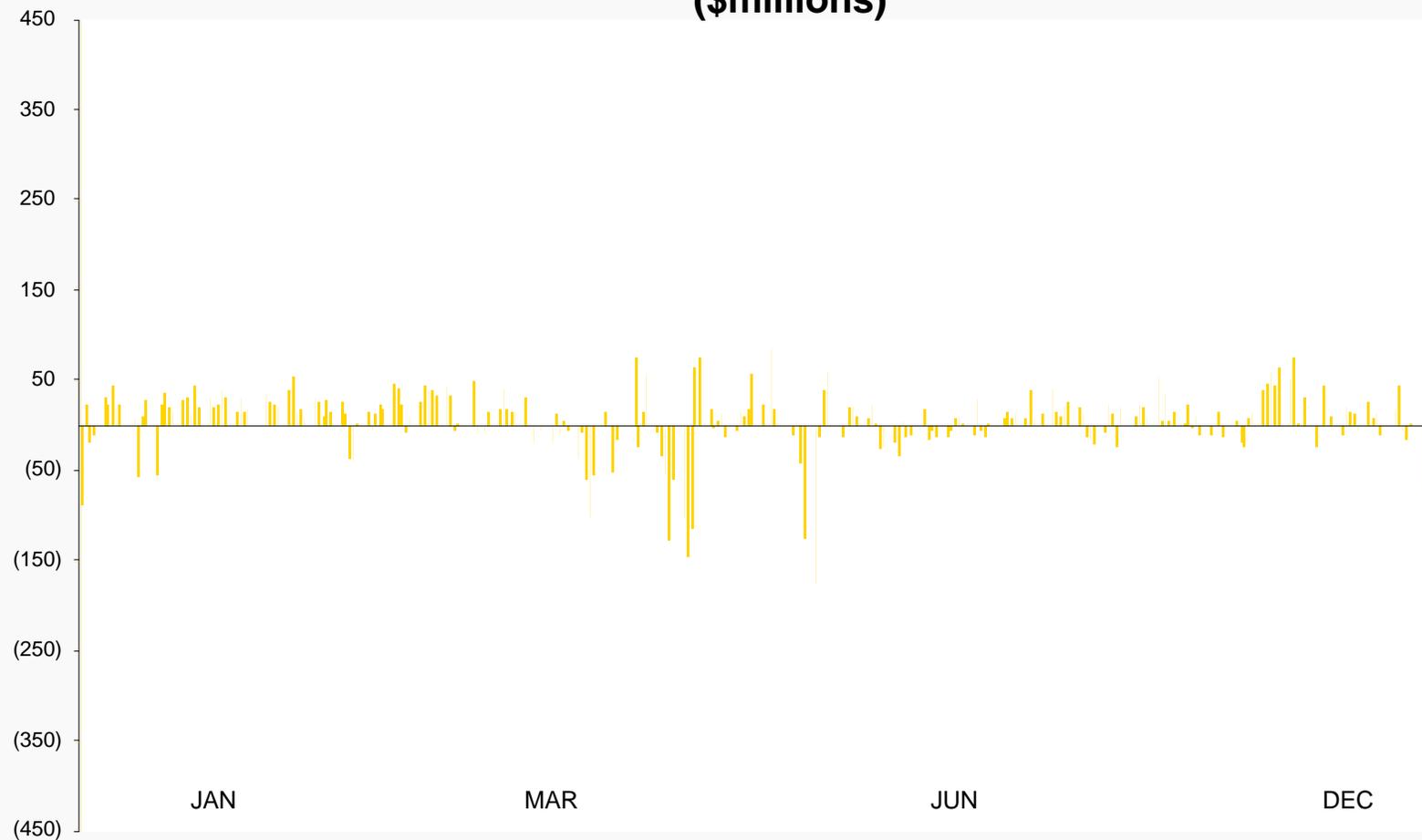
...to rapid fire buying and selling.

2007 Daily Trades - I Fund
(\$millions)

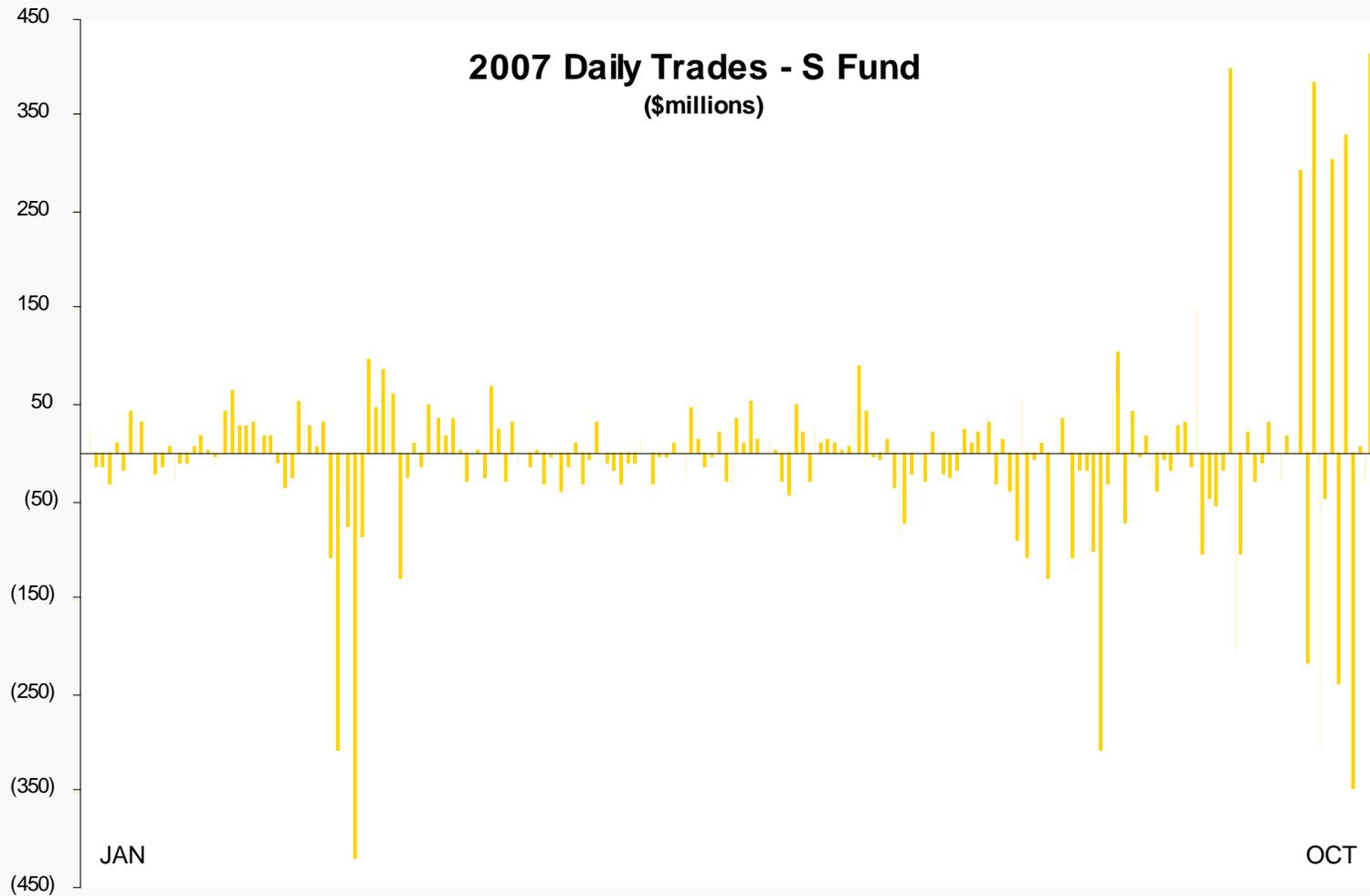


**The same pattern is evident in the S fund,
steady accumulation...**

**2006 Daily Trades - S Fund
(\$millions)**

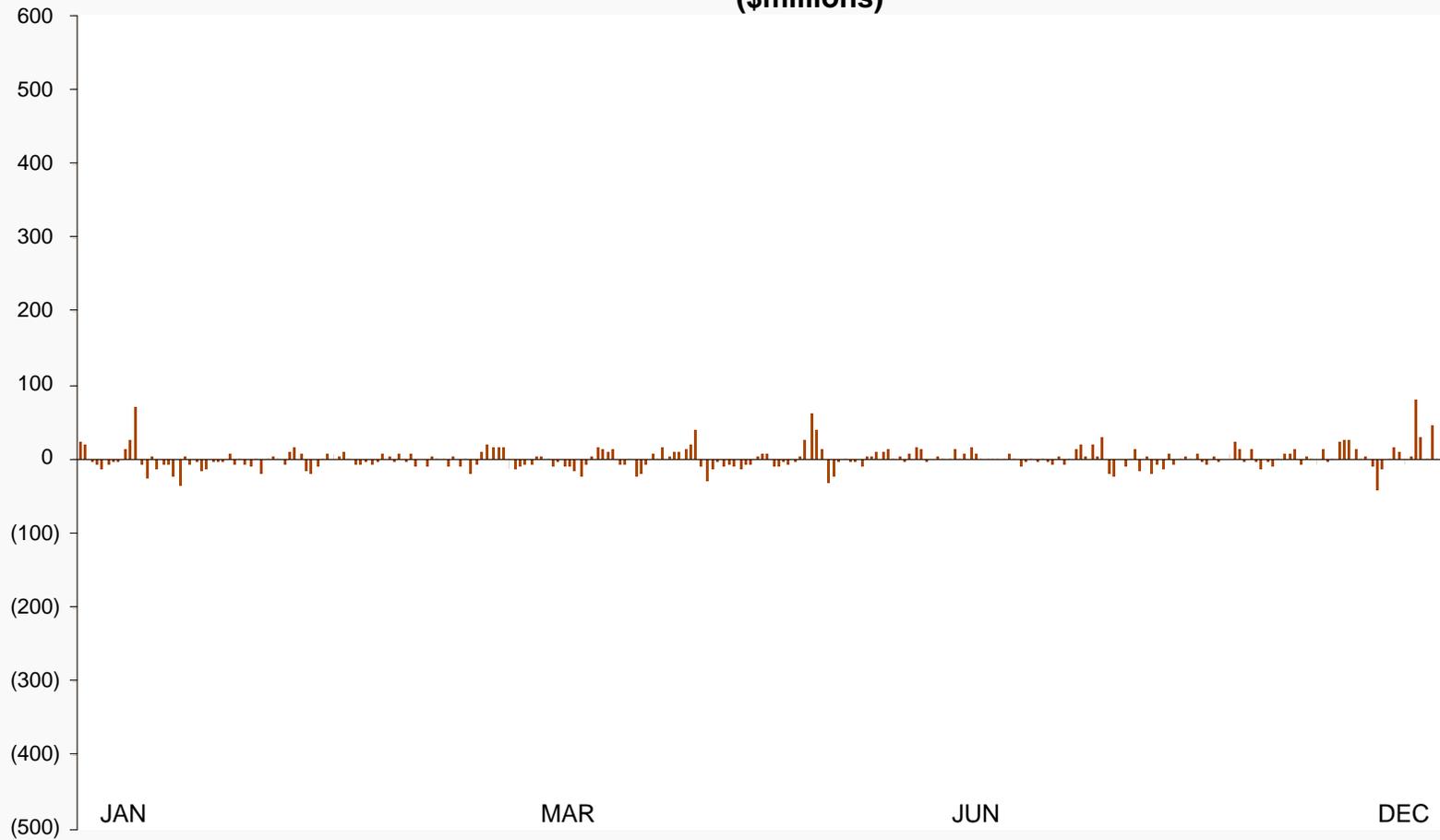


...giving way to excessive buying and selling.

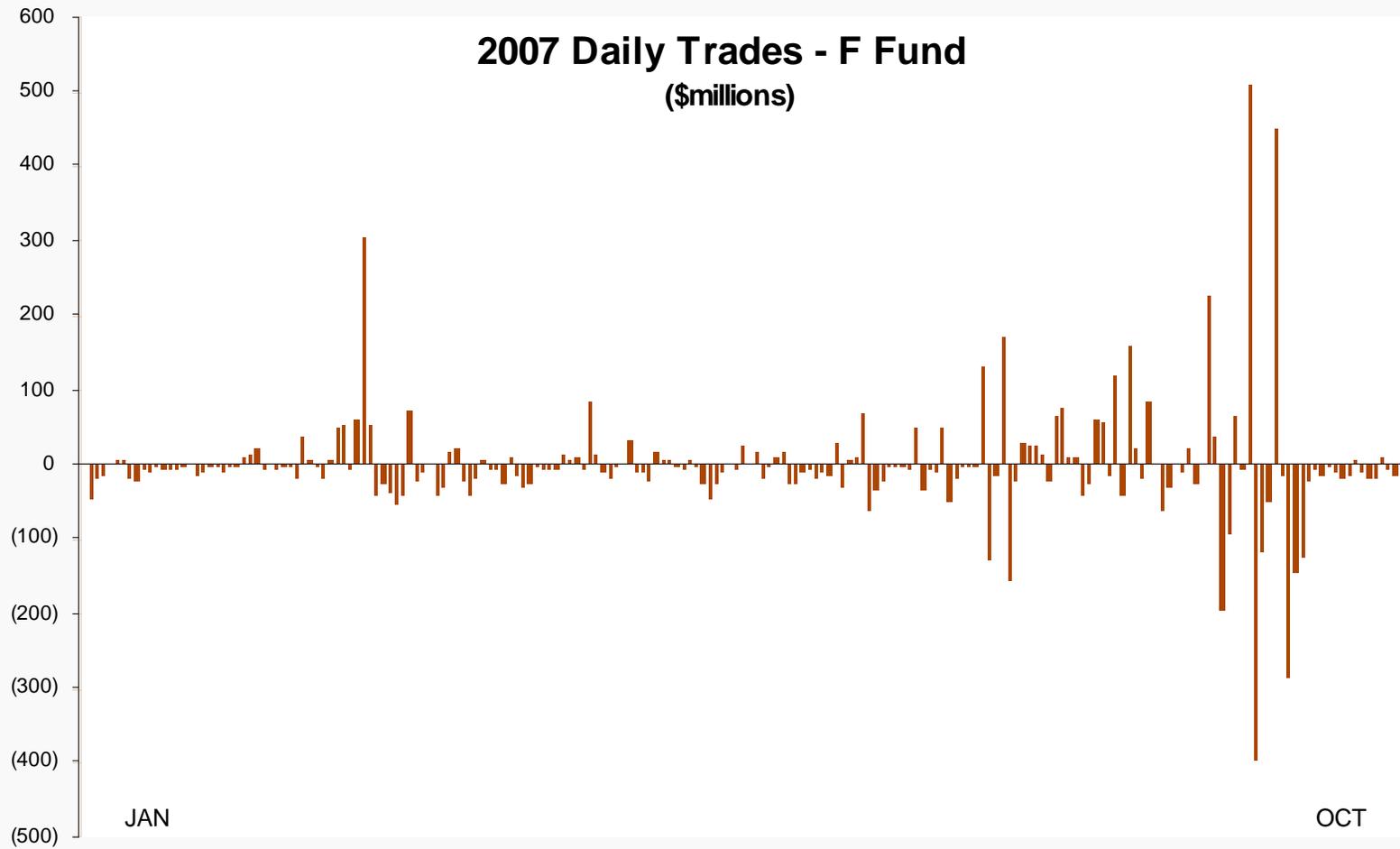


And in the F Fund, 2006...

2006 Daily Trades - F Fund (\$millions)

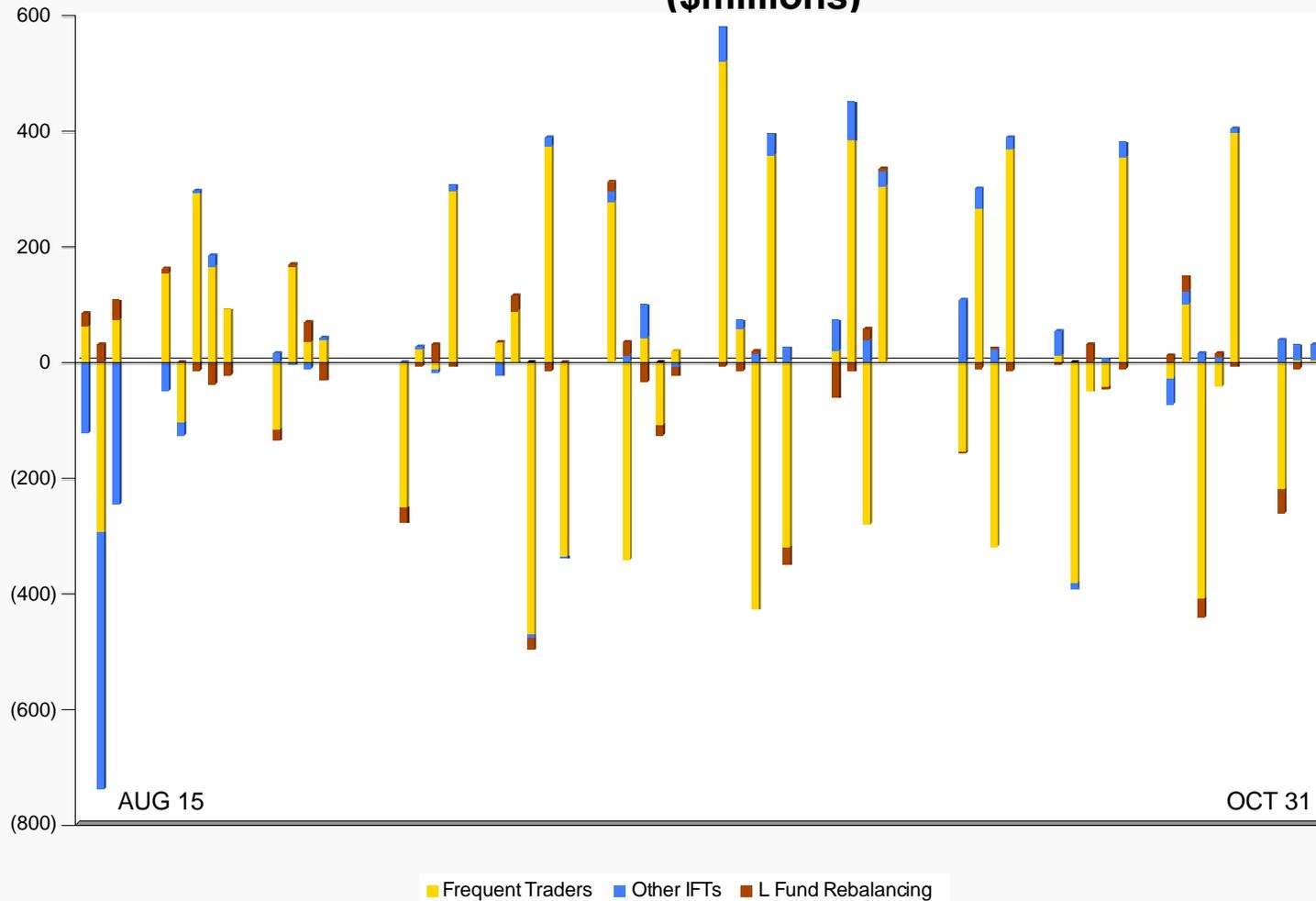


...and 2007.



Examining the composition of the daily trade activity in the I Fund shows the predominance of the market timers.

I Fund Interfund Transfers, by Source
(\$millions)



An Example of the Market Timing Activity...

- On October 19, \$371 million was transferred into the I Fund
- On October 24, three business days later, \$391 million was transferred out of the I Fund
- 2,018 participants who redeemed on 10/24 had purchased on 10/19
- The dollar amount attributable to those traders was \$295 million
- 323 of these participants traded \$250,000 or more
- In the previous 60 days, these 323 traders completed 5,804 exchanges of the I Fund for a total trade amount of \$1.9 billion

