

NRRIT

National Railroad Retirement Investment Trust

FEBRUARY 2005

QUARTERLY UPDATE FOR THE PERIOD ENDING DECEMBER 31, 2004

The National Railroad Retirement Investment Trust ("NRRIT" or "Trust") issues a Quarterly Update to provide current information on Trust operations and activities relating to its investment operations. This Update reports on the Trust's activities for the quarter ending December 31, 2004. Copies of the Trust's Annual Management Report and each Quarterly Update are available on the website of the Railroad Retirement Board ("RRB"), <http://www.rrb.gov>.

As of December 31, 2004, NRRIT had received a total of \$21.3 billion from the RRB for investment. Most of this amount was transferred to NRRIT periodically during the first six months of its 2003 fiscal year beginning in October 2002. No transfers were received in the fiscal quarter just ended. In the quarter ended December 31, 2004, NRRIT continued to transfer monies back to the Railroad Retirement Account ("RRA") to help fund benefit payments and administrative expenses. NRRIT transfers to the RRA in the quarter amounted to \$99 million. Since NRRIT's inception, it has transferred a total of \$2.0 billion to the RRA.

Investment Diversification

At the outset of its investment activities, the Trust adopted a policy of investing its assets in indexed accounts targeted to its major asset class allocation. During fiscal year 2003, NRRIT developed an Investment Plan and Procedures Manual which defines the process for diversifying the Trust's assets by using active investment strategies. The Trust began implementing active investment strategies in April 2004. At the end of the quarter, approximately 23% of NRRIT's US equity assets and 38% of its fixed income assets were invested in active investment strategies, while the remaining funds continue to be invested in index funds. The Trust expects to increase its use of active investment management strategies in the future.

As the Trust begins to diversify its investment portfolio by adding active investment management strategies to its portfolio of index funds, its portfolio performance is expected to begin to deviate from the performance of its target indices. Through the

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proper selection of active management strategies in conjunction with appropriate investment allocations to these strategies, the Trust expects to be able to add value relative to the target indices over reasonable investment periods. This diversification process will likely take several years to fully integrate across all asset classes, so the Trust's performance relative to its target indices should vary only marginally at the outset but gradually increase over time.

Investment Performance

Performance of the Trust's target indices for its major asset classes were positive in the quarter ended December 31, 2004. Performance information for the quarter and the market value of assets managed by the Trust, as well as assets held in reserve by the RRB, are shown in the following table.

Performance for the Quarter ended December 31, 2004

NRRIT-managed assets	8.4%
NRRIT target asset class indices:	
Dow Jones Wilshire 5000 Index	10.2%
MSCI World ex-US Index	15.1%
Lehman Brothers Aggregate Bond Index	1.0%

Market Value of Assets (Asset values are in billions of dollars)

NRRIT-managed assets	
As of December 31, 2004	\$27.0
As of September 30, 2004	\$25.0
Change for quarter ended December 31, 2004	\$2.0
NRRIT-managed assets and RRB assets held in reserve	
As of December 31, 2004	\$28.1
As of September 30, 2004	\$26.4
Change for quarter ended December 31, 2004	\$1.7
As of February 1, 2002 (NRRIT inception)	\$20.7
Change since inception	\$7.4

Annual Report

NRRIT's Annual Management Report for Fiscal Year 2004, expected to be issued in January 2005, will contain additional information regarding the Trust's investment activities as well as other financial information.

Investment Staff

During the quarter, Shafer Smith joined the NRRIT staff as a Senior Investment Advisor. Mr. Smith received a BS Degree from Florida State University and is a Certified Public Accountant and Chartered Financial Analyst. Prior to joining NRRIT, Mr. Smith worked with Barclays Global Investors as a portfolio manager.