

### Fund Objective and Investment Approach

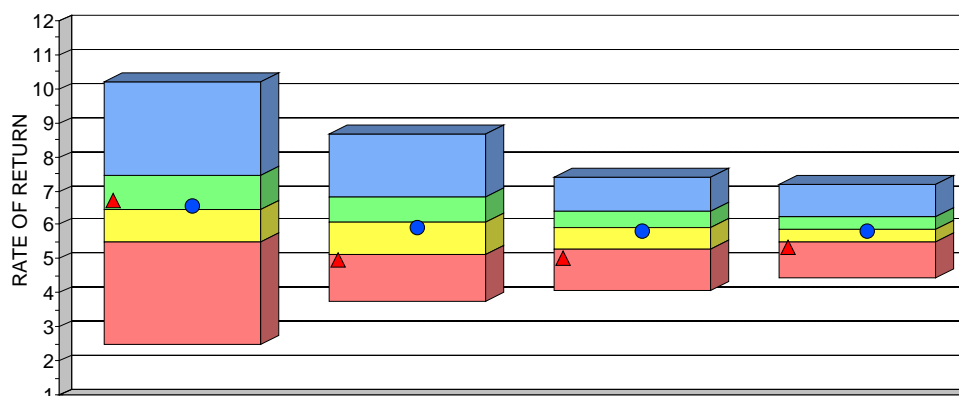
The CREF Bond Market Account seeks to provide favorable long-term investment results through high current income while also preserving capital. The Account invests at least 80% of its assets in a broad range of debt securities, including U.S. government securities, corporate bonds and mortgage-backed or other asset-backed securities. The Account is allowed to invest a maximum of 20% of its assets in non-investment-grade and unrated securities. In addition, the Account may invest in foreign securities, although these are not expected to exceed 15% of the account's assets. The Account seeks to outperform the benchmark by overweighting or underweighting individual securities or sectors, relative to the benchmark.

### Performance Commentary

The CREF Bond Market Account returned 6.73% for calendar year 2010, exceeding the 6.54% return of its benchmark, the Barclays Capital U.S. Aggregate Bond Index, by 19 basis points. The portfolio benefited from market overweights to the corporate bonds, commercial mortgage backed securities and asset backed securities sectors. An underweight allocation to U.S. Treasuries also contributed positively to performance. In the longer periods, the account underperformed its benchmark by 94, 80, and 48 basis points in the three-, five-, and ten-year periods, respectively. A portion of the underperformance is due to fees.

<b>Fund Characteristics</b>	<b>CREF Bond Market Account</b>	
Total Fund Assets	\$12.2 billion	
Average Credit Quality	AA1/AA+	
Average Maturity	6.53 years	
Average Duration	4.89 years (option-adjusted)	
Quality	U.S. Treasury and Agency Securities	25.1%
	Corporate Bonds	24.6
	Mortgage Backed Securities	31.1
	Foreign Govt & Corp Bonds in USD	11.0
	Commercial Mortgage Backed Securities	4.6
	Asset Backed Securities	1.5
	Municipal Bonds	0.6
	Short Term/Other	1.5
Number of Holdings	1,323	
Fees	0.41% Annually	
Portfolio Manager (tenure)	John Cerra (8 years)	

**CREF BOND MARKET ACCOUNT  
QUARTILE RANKING BAR  
PSN INVESTMENT GRADE FIXED INCOME INTERM  
PERIODS ENDING DECEMBER 31, 2010**



	1 Year	3 Years	5 Years	10 Years
HIGH (0.05)	10.22	8.66	7.39	7.17
FIRST QUARTILE	7.44	6.80	6.41	6.25
MEDIAN	6.43	6.06	5.93	5.87
THIRD QUARTILE	5.48	5.13	5.27	5.51
LOW (0.95)	2.48	3.73	4.07	4.41
MEAN	6.35	6.03	5.80	5.82
VALID COUNT	349	343	328	264

	1 Year		3 Years		5 Years		10 Years	
	VALUE	RANK	VALUE	RANK	VALUE	RANK	VALUE	RANK
▲ CREF Bond Market Account	6.73	41	4.96	79	5.00	78	5.35	79
● Barclays Capital Aggregate	6.54	46	5.91	57	5.80	56	5.84	54

**Historical Returns**

	CREF Bond Market		Aggregate Bond Index		Return Difference
	Return	Rank	Return	Rank	
2001	7.9	49	8.4	29	-0.5
2002	10.1	17	10.3	12	-0.2
2003	4.3	54	4.1	63	0.2
2004	4.2	45	4.3	34	-0.2
2005	2.3	34	2.4	26	-0.2
2006	4.1	45	4.3	29	-0.2
2007	6.0	68	7.0	42	-1.0
2008	1.2	75	5.2	33	-4.0
2009	7.0	64	5.9	77	1.1
2010	6.7	41	6.5	46	0.2
Trailing 3-Year	5.0%	79	5.9%	57	-0.9
Trailing 5-Year	5.0	78	5.8	56	-0.8
Trailing 10-Year	5.4	79	5.8	54	-0.5

**Assessment**

The Bond Market Account outperformed the Barclays Capital U.S. Aggregate Bond Index in the last two years. The Account employs an active core strategy and adds value through security selection. Longer term underperformance is partially the result of fees. We recommend retention of this option.