

Student of the Market

April 2023



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Market recap

**Interest rates
swung dramatically**

Little volatility in stocks

Bank failures & stocks

Bonds

Cash on the sidelines

**Recessions &
bond performance**

Bond diversification

Stocks

**Quality stocks
performance**

**Dividend-payers
for the long term**

March Madness: Interest rates fall dramatically but no stock market volatility

Top 10 largest one months drops in short-term interest rates

2-year U.S Treasury yield, last 30 years

Date	2-year Try. yield drop	# of +/- 2% trading days (U.S stocks)
Nov-07	-0.9%	5
Jan-08	-0.8%	4
Sep-01	-0.8%	5
May-95	-0.7%	0
Mar-23	-0.7%	0
Jul-02	-0.7%	10
Mar-20	-0.6%	18
Sep-98	-0.6%	9
Aug-98	-0.6%	3
Nov-98	-0.6%	2

Returns following the top 10 largest 1-month drops in short-term interest rates

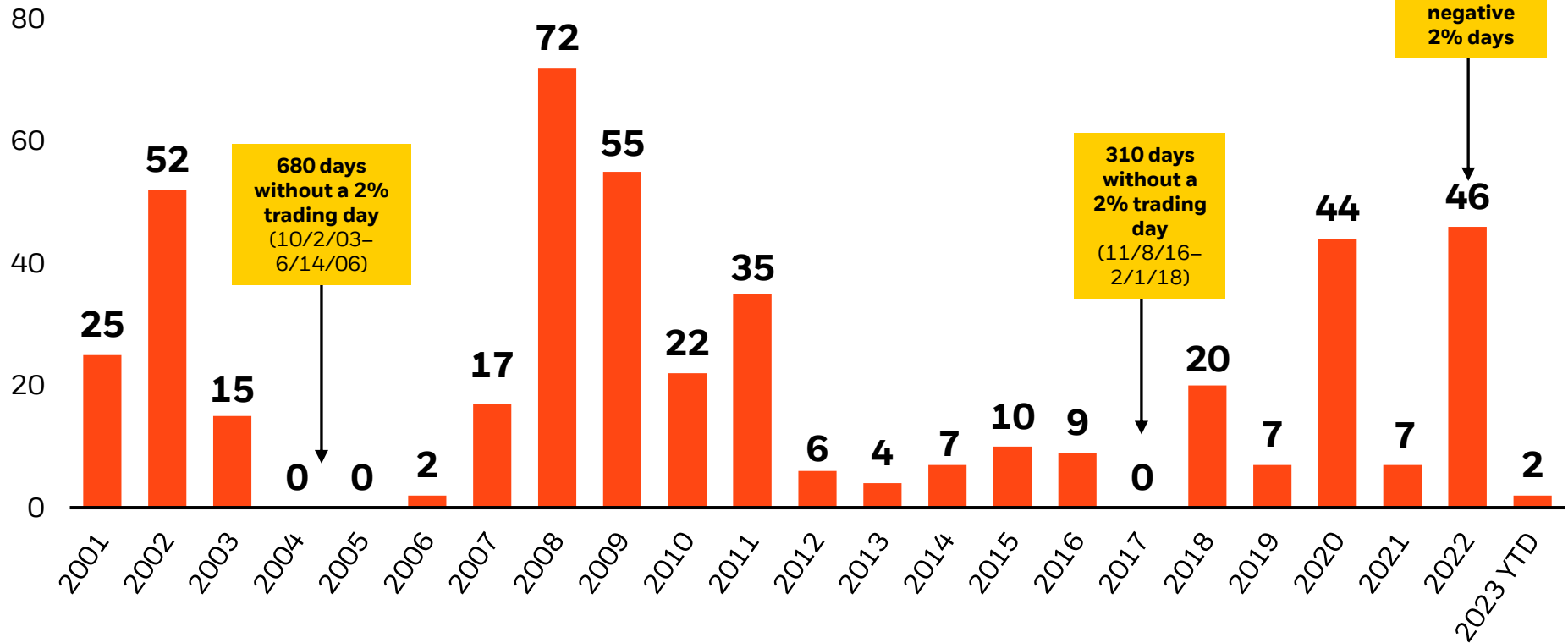
Last 30 years

Month	Change in 2-year yield	+/-2% days (U.S. stocks)	Returns 1 year later (U.S. stocks)
Nov-07	-0.9	5	-38.1
Jan-08	-0.9	4	-38.6
Sep-01	-0.8	5	-20.5
May-95	-0.7	0	28.4
Mar-23	-0.7	0	?
Jul-02	-0.7	10	10.6
Mar-20	-0.6	18	56.4
Sep-98	-0.6	9	27.8
Aug-98	-0.6	3	39.8
Nov-08	-0.6	2	20.9
Avg.	-0.7	5.6	9.6

Source: Morningstar and the St. Louis Federal Reserve as of 3/31/23. U.S. stocks are represented by the S&P 500 Index from 3/4/57 to 1/31/23 and the IA SBBU U.S. Lrg Stock Tr USD Index from 1/1/26 to 3/4/57, unmanaged indexes that are generally considered representative of the U.S. stock market during each given time period. The 2 year Try yield is represented by the 2 year U.S. Treasury bill yield. **Past performance does not guarantee or indicate future results.** Index performance is for illustrative purposes only. You can not invest directly in the index.

Volatility eases up so far in 2023

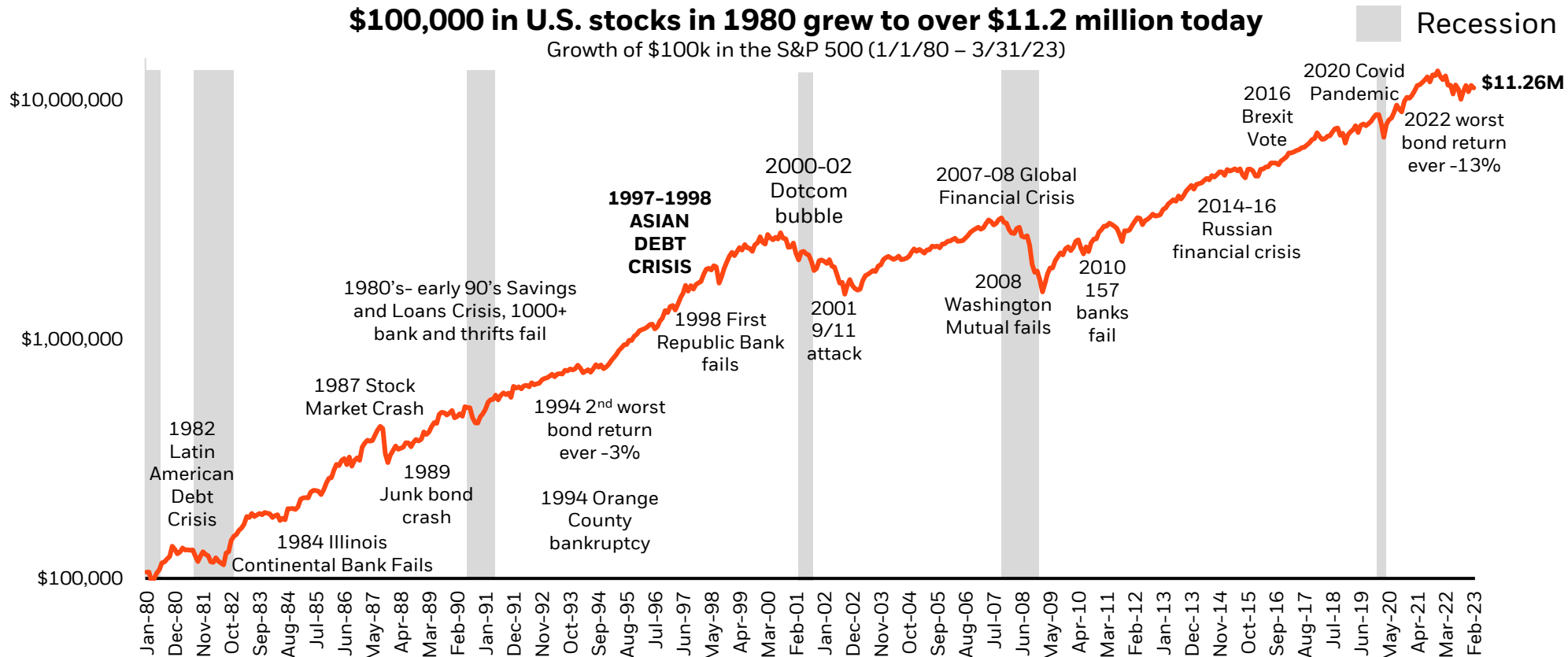
Number of single day stock market returns of +/-2% or more
 S&P 500, past 20+ years by calendar year (1/1/01 - 3/31/23)



Source: Morningstar as of 3/31/23. Stock market represented by the S&P 500 Index. **Past performance does not guarantee or indicate future results.** Index performance is for illustrative purposes only. You cannot invest directly in the index.

Financial crisis, bank failures and U.S. stocks since 1980

Challenges to the financial and bank system have been a regular occurrence over the last 40 years, but U.S. stocks have persevered

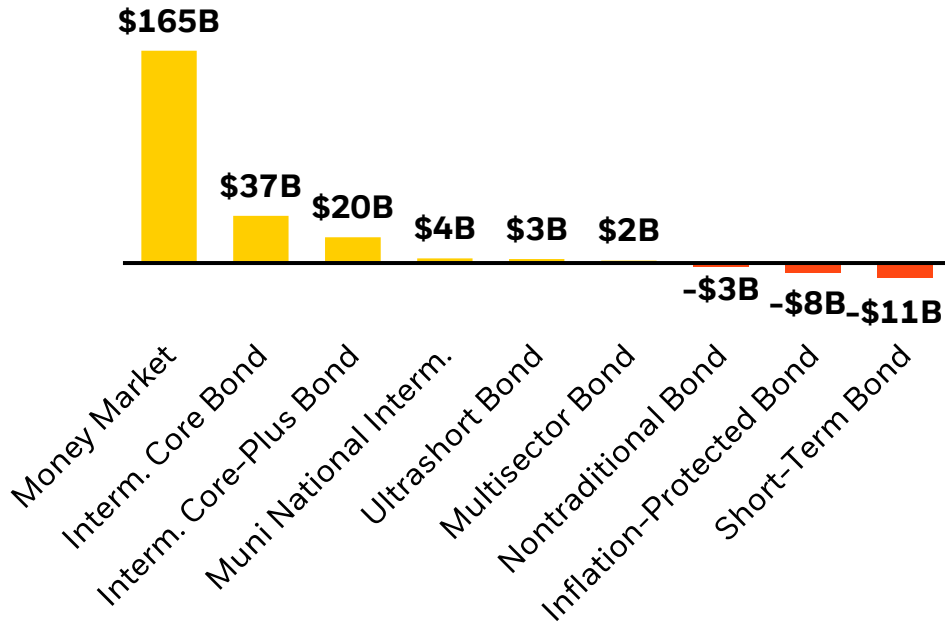


Source: Morningstar and BlackRock, as of 3/31/23. **Past performance does not guarantee or indicate future results.** It is not possible to invest in an index. U.S. stocks are represented by the S&P 500 Index from 1/1/80 to 2/28/23, an unmanaged index that is generally considered representative of the U.S. stock market. Index performance is for illustrative purposes only. This assumes reinvestment of dividends and capital gains. Assumes investor stays fully invested over the full period.

Money market funds dominating flows but trailing bond fund performance YTD

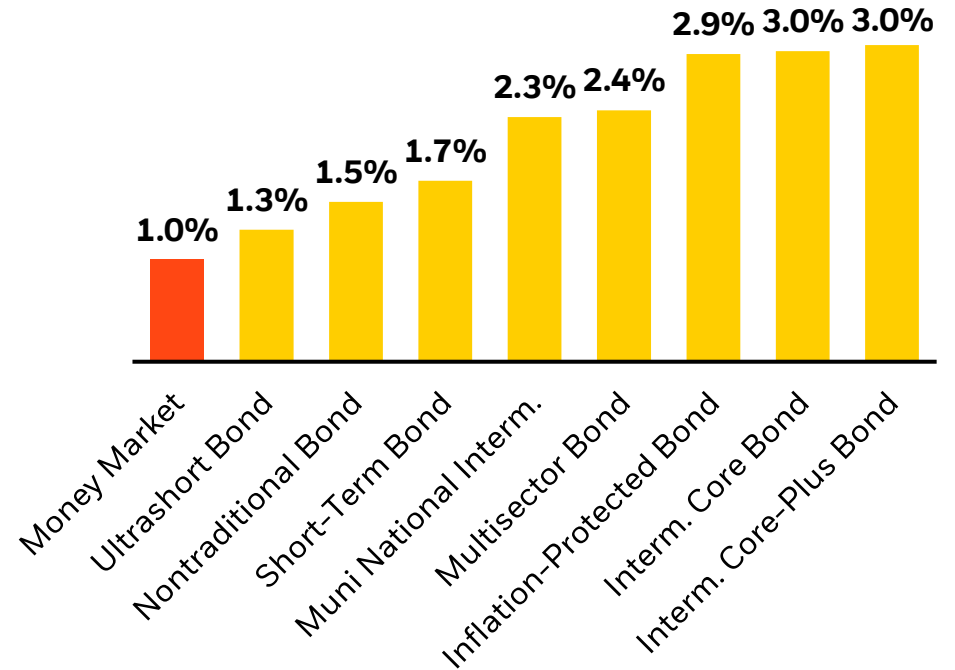
Money market and bond fund flows

Mutual funds and ETFs, last 3 months (12/1/22 – 2/28/23)



YTD performance

1/1/23- 3/31/23

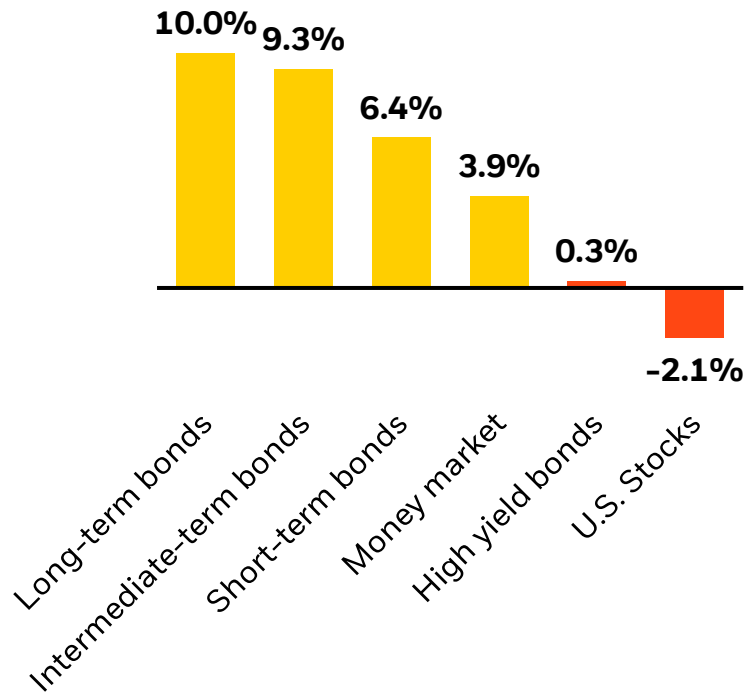


Source: Morningstar as of 3/31/23. All money market and bond asset classes are represented by their respective Morningstar category average. Past performance does not guarantee or indicate future results. Index performance is for illustrative purposes only. You cannot invest directly in the index.

Bond performance during recessions

Average recession performance since 1972

Cumulative average return percentage



Performance during recessions since 1972

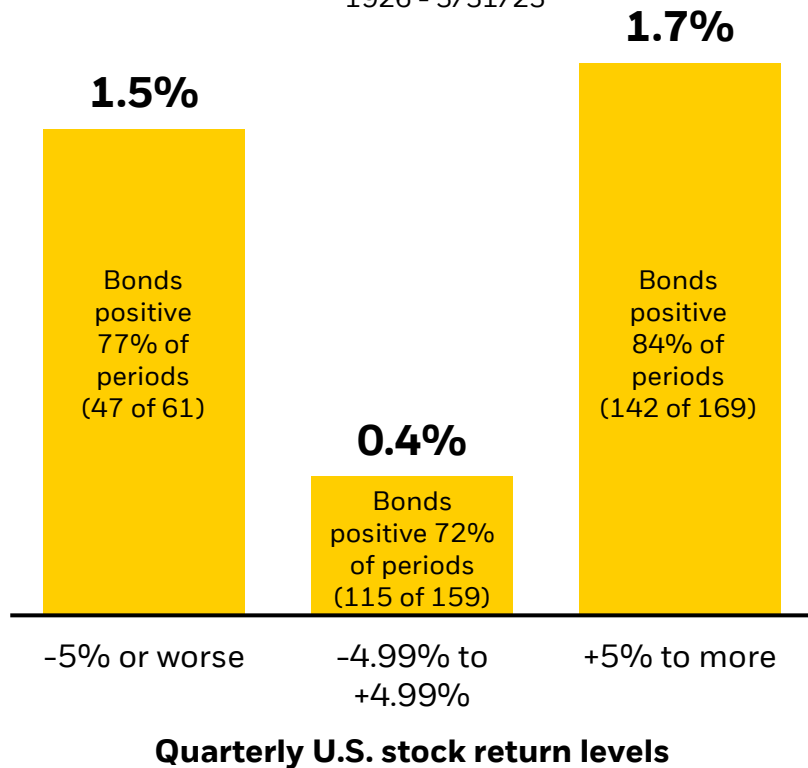
	Dec '73 to Mar '75	Feb '80 to July '80	Aug '81 to Aug '82	Jul '90 to Mar '91	Mar '01 to Nov '01	Jan '08 to Jun '09	Mar '20 to Apr '20	Average
Long-term bonds	3.3	9.4	34.2	6.3	4.4	5.7	7.1	10.0
Intermediate-term bonds	5.7	9.5	29.2	6.5	5.5	5.4	3.1	9.3
Short-term bonds	3.6	8.8	26.0	3.5	4.6	-0.4	-1.6	6.4
Money market funds	3.7	5.1	11.0	3.7	2.2	1.4	0.1	3.9
High yield bond	-3.3	7.9	25.6	-10.7	-1.4	-7.5	-8.3	0.3
U.S. stocks	-5.9	9.6	10.5	-1.6	-0.9	-25.0	-1.1	-2.1

Source: Morningstar and BlackRock as of 3/31/23. U.S. stocks represented by the Ibbotson SBBI U.S. Large Cap TR Index and the S&P 500 Index, U.S. intermediate term bonds by the IA SBBI U.S. IT Bond Index, Long term bonds by the the IA SBBI U.S. LT Bond Index, High yield by the Morningstar high yield category, short-term bonds by the Morningstar short-term bond category, and money markets represented by the Morningstar money market category. Index performance is for illustrative purposes only. **Past performance does not guarantee or indicate future results.** It is not possible to invest in an index.

Bond diversification benefits over longer periods

Average bond quarterly performance at stock quarterly return ranges

1926 - 3/31/23



Stocks and bonds have only lost money in the same calendar year 3 times in 97 years

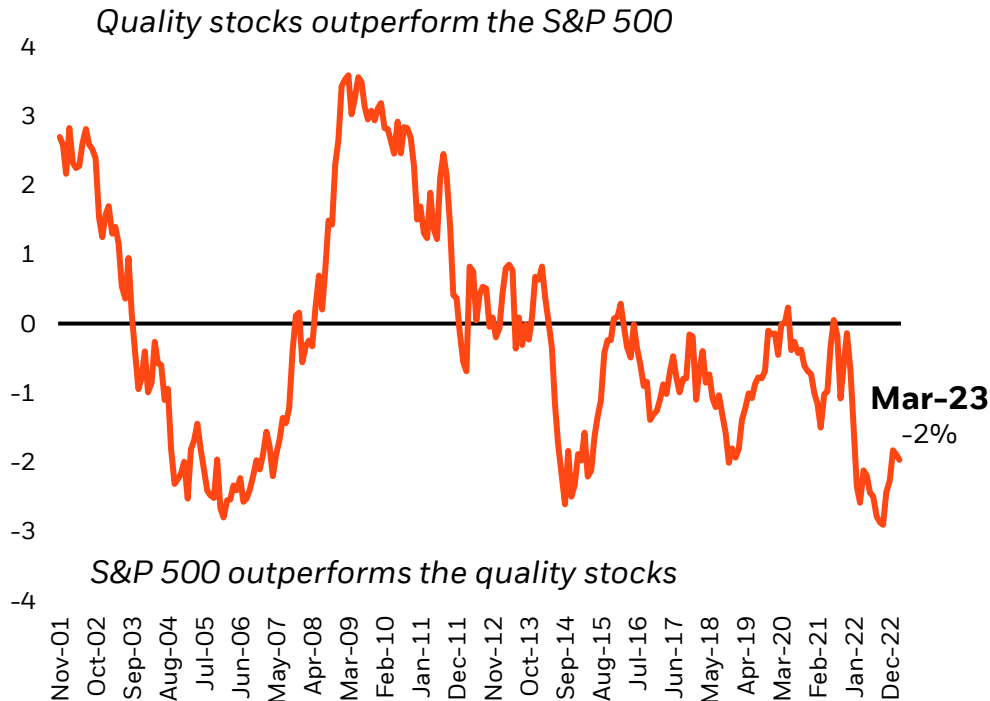
Negative calendar years for U.S. stocks	Stocks	Bonds
1929	-8.4	6.0
1930	-24.9	6.7
1931	-43.3	-2.3
1932	-8.2	8.8
1934	-1.4	9.0
1937	-35.0	1.6
1939	-0.4	4.5
1940	-9.8	3.0
1941	-11.6	0.5
1946	-8.1	1.0
1953	-1.0	3.2
1957	-10.8	7.8
1962	-8.7	5.6
1966	-10.1	4.7
1969	-8.5	-0.7
1973	-14.7	4.6
1974	-26.5	5.7
1977	-7.2	3.0
1981	-4.9	6.3
1990	-3.1	9.0
2000	-9.1	11.6
2001	-11.9	8.4
2002	-22.1	10.3
2008	-37.0	5.2
2018	-4.4	0.0
2022	-18.1	-13.0

Source: Morningstar as of 3/31/23. U.S. bonds represented by the IA SBBI US Gov IT Index from 1/1/26 to 1/3/89 and the Bloomberg U.S. Agg Bond TR Index from 1/3/89 to 3/31/23. U.S. stocks are represented by the S&P 500 Index from 3/4/57 to 3/31/23 and the IA SBBI U.S. Lrg Stock Tr USD Index from 1/1/26 to 3/4/57, unmanaged indexes that are generally considered representative of the U.S. stock market during each given time period. **Past performance does not guarantee or indicate future results.** Index performance is for illustrative purposes only. You cannot invest directly in the index.

Quality stocks have underperformed over the last 3 years

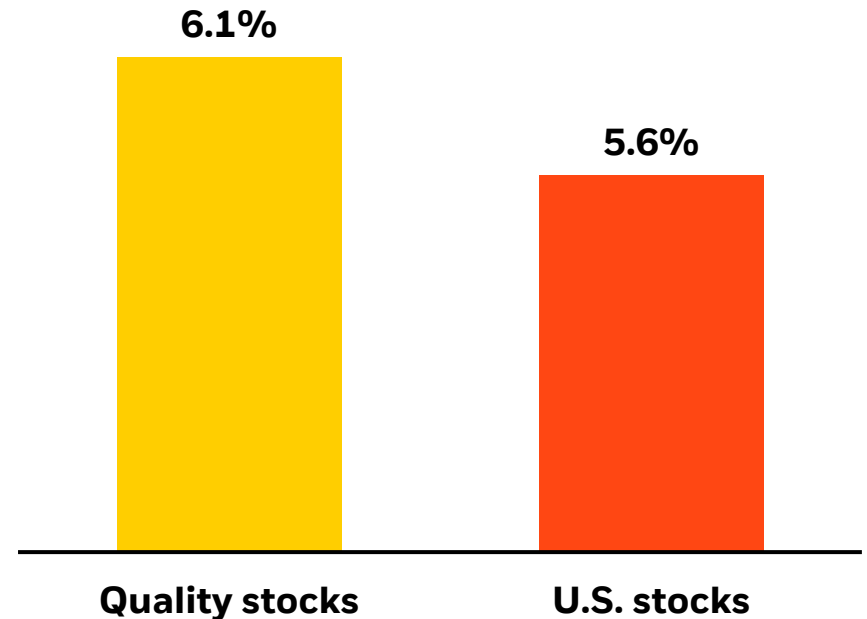
3-year rolling quality stocks versus the S&P 500

Quality stocks minus U.S. stocks, as of 3/31/23



Average performance when quality stocks underperformed U.S. stocks

Following 3-year periods when quality underperformed by 1% or more, average 3-year annual returns



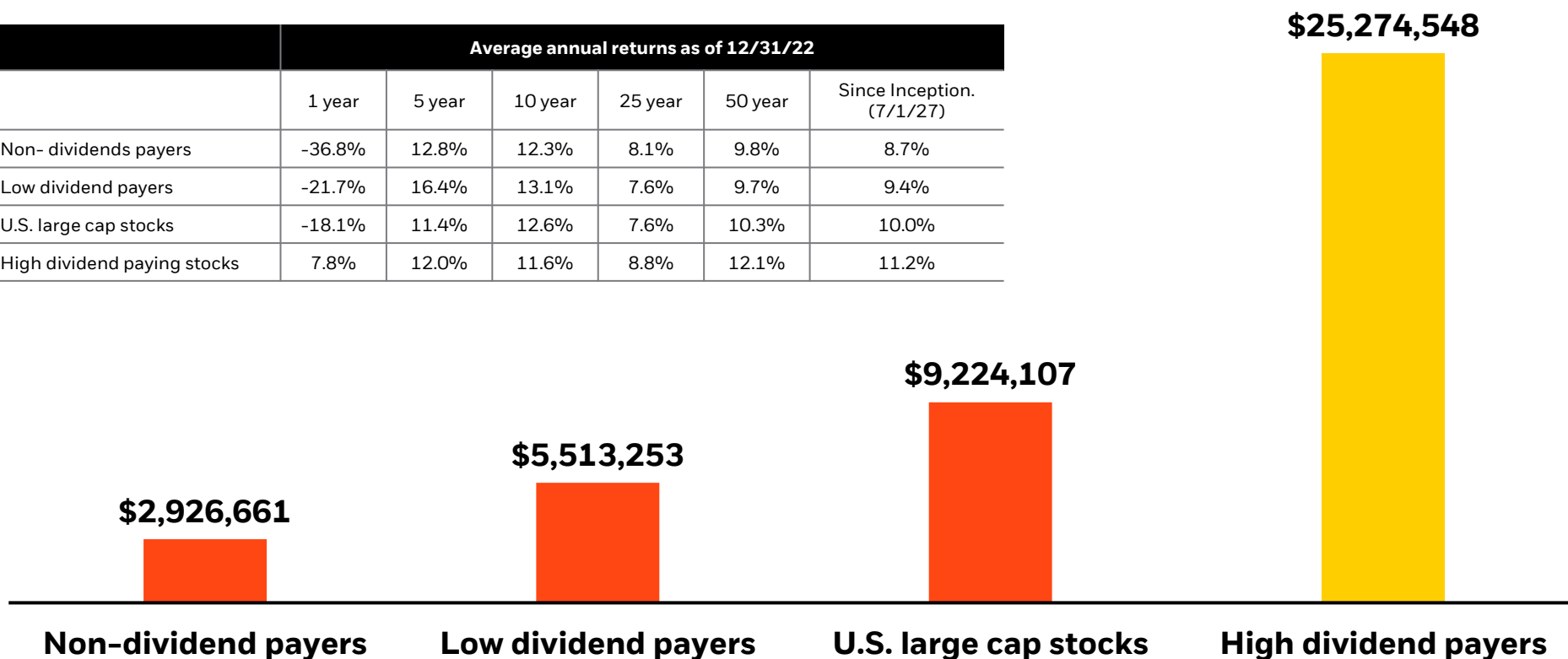
Source: Morningstar as of 3/31/23. U.S. stocks are represented by the S&P 500 Index and quality stocks represented by the MSCI USA sector neutral quality index. Past performance does not guarantee or indicate future results. Index performance is for illustrative purposes only. You cannot invest directly in the index.

Dividend paying stocks for the long term

\$1,000 in U.S. high dividend paying stocks in 1927 grew to over \$25.2 million

Growth of \$1k (7/1/27 – 12/31/22)

	Average annual returns as of 12/31/22					
	1 year	5 year	10 year	25 year	50 year	Since Inception. (7/1/27)
Non- dividends payers	-36.8%	12.8%	12.3%	8.1%	9.8%	8.7%
Low dividend payers	-21.7%	16.4%	13.1%	7.6%	9.7%	9.4%
U.S. large cap stocks	-18.1%	11.4%	12.6%	7.6%	10.3%	10.0%
High dividend paying stocks	7.8%	12.0%	11.6%	8.8%	12.1%	11.2%



Source: Morningstar, https://mba.tuck.dartmouth.edu/pages/faculty/ken.french/data_library.html and BlackRock, as of 12/31/22. **Past performance does not guarantee or indicate future results. It is not possible to invest in an index.** U.S. large cap stocks represented by the Ibbotson SBBI US Large Cap TR Index. Non dividend paying stocks represented by the Fama portfolios non-dividend paying stocks average, low dividend paying stocks represented by the Fama bottom 30% of dividend paying stocks and high dividend paying stocks represented by the Fama top 30% of dividend paying stocks, Index performance is for illustrative purposes only. This assume reinvestment of dividends and capital gains Assumes investor stays fully invested over the full period.

Student of the Market: April 2023

Returns as of 3/31/23	1 Year Return	5 Year Avg. Annual Return	10 Year Avg. Annual Return
S&P 500 TR USD	-7.73	11.19	12.24
Bloomberg US Agg Bond TR USD	-4.78	0.91	1.36
IA SBBI US IT Govt TR USD	-2.43	1.10	1.03
IA SBBI US Large Stock TR USD Ext	-7.73	11.19	12.24
IA SBBI US LT Govt TR USD	-14.28	-0.23	1.44
US Fund High Yield Bond	-3.56	2.51	3.22
US Fund Inflation-Protected Bond	-5.08	2.60	1.17
US Fund Intermediate Core Bond	-5.08	0.75	1.19
US Fund Intermediate Core-Plus Bond	-5.37	0.93	1.47
US Fund Money Market - Taxable	1.96	1.07	0.61
US Fund Multisector Bond	-3.59	1.48	2.33
US Fund Muni National Interim	-0.29	1.62	1.79
US Fund Short-Term Bond	-0.67	1.31	1.18
US Fund Ultrashort Bond	1.89	1.40	1.03

Source: Morningstar. Performance data quoted represents past performance and is no guarantee of future results. Current performance may be lower or higher than that shown. This material is not intended to be relied upon as a forecast, research or investment advice, and is not a recommendation, offer or solicitation to buy or sell any securities or to adopt any investment strategy. The opinions expressed are as of 3/31/23 and may change as subsequent conditions vary. The information and opinions contained in this material are derived from proprietary and nonproprietary sources deemed by BlackRock to be reliable, are not necessarily all-inclusive and are not guaranteed as to accuracy. Past performance is no guarantee of future results. There is no guarantee that any forecasts made will come to pass. Reliance upon information in this material is at the sole discretion of the reader.

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