Student of the Market

July 2023

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Market overview

Positive start to the year for stocks

Stock market volatility down

Bonds and retirement income planning

Fed raising interest rates

Inflation vs asset class returns

Bonds vs cash

Retirement income planning

Stocks

Growth versus value

Balancing growth and value

Source: Morningstar as of 6/30/23. **Past performance is no guarantee of future results.** Index performance is shown for illustrative purposes only. You cannot invest directly in an index.

POSITIVE START TO THE YEAR FOR STOCKS

A positive first half of the year for U.S. stocks

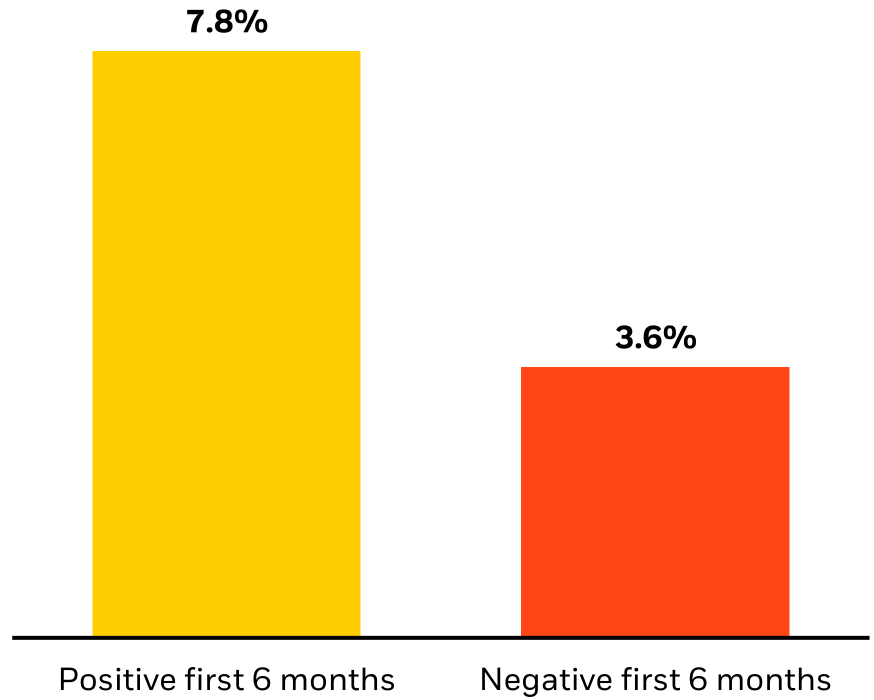
14th best start to a year for stocks

(out of 98, since 1926)

Year	First 6 months	Last 6 months
1933	62.3	-5.1
1975	41.8	-3.2
1943	29.7	-2.9
1987	27.4	-17.4
1983	22.2	0.3
1954	20.9	26.3
1986	20.8	-1.8
1997	20.6	10.6
1995	20.2	14.4
2019	18.5	10.9
1976	17.8	5.2
1998	17.7	9.2
1985	17.2	12.4
2023	**16.9**	**?**
1989	16.5	13.0
1955	16.4	13.1
1958	15.4	24.2
1929	15.3	-20.5
2021	15.3	11.7
1945	15.2	18.4

Stocks tend to outperform following a positive start

Average return for July – December, every year since 1926



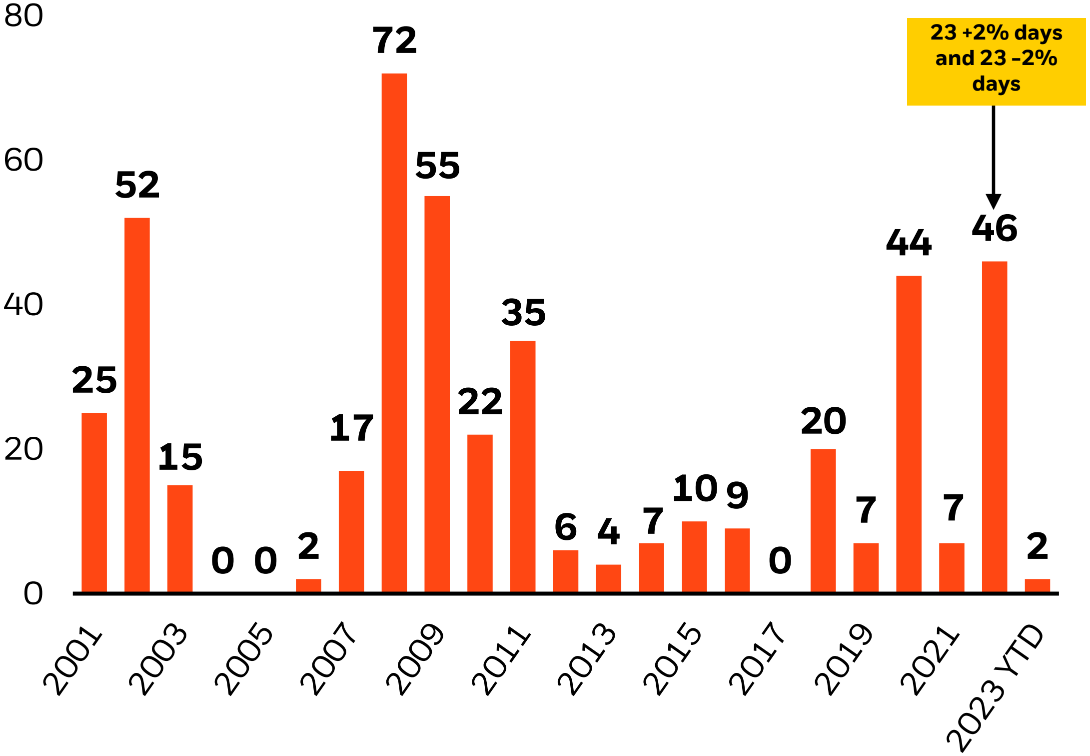
Source: Morningstar as of 6/30/23. U.S. stocks are represented by the S&P 500 Index from 3/4/57 to 5/31/23 and the IA SBBI U.S. Lrg Stock Tr USD Index from 1/1/26 to 3/4/57, unmanaged indexes that are generally considered representative of the U.S. stock market during each given time period. **Past performance does not guarantee or indicate future results.** Index performance is for illustrative purposes only. You can not invest directly in the index.

STOCK MARKET VOLATILITY

Stock volatility has eased this year

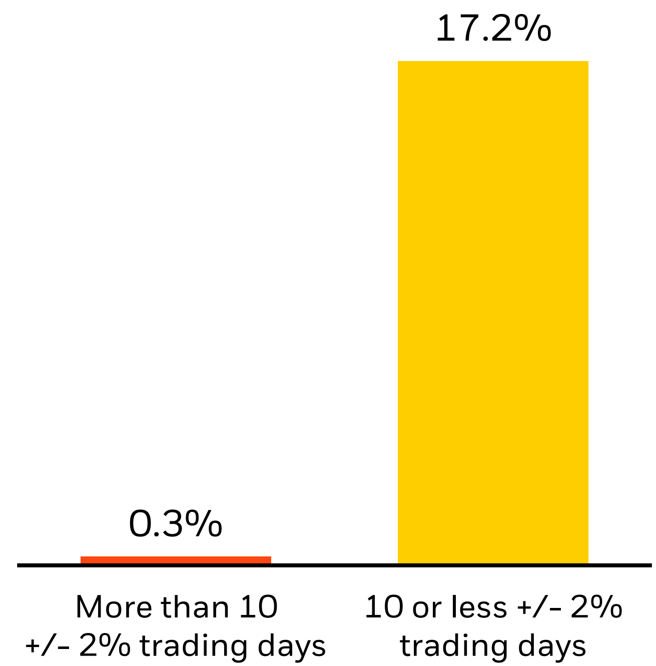
Number of single day stock market returns of +/-2% or more

S&P 500, past 20+ years by calendar year (1/1/01 - 6/30/23)



Average stock market return based on the number of +/- 2% trading days

Since 2001, returns are based on calendar years



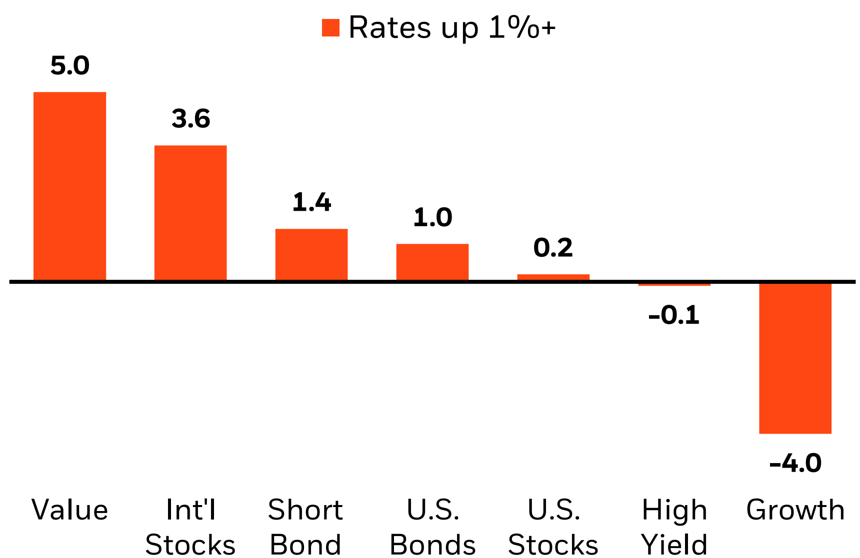
Source: Morningstar as of 6/30/23. Stock market represented by the S&P 500 Index. **Past performance does not guarantee or indicate future results.** Index performance is for illustrative purposes only. You cannot invest directly in the index.

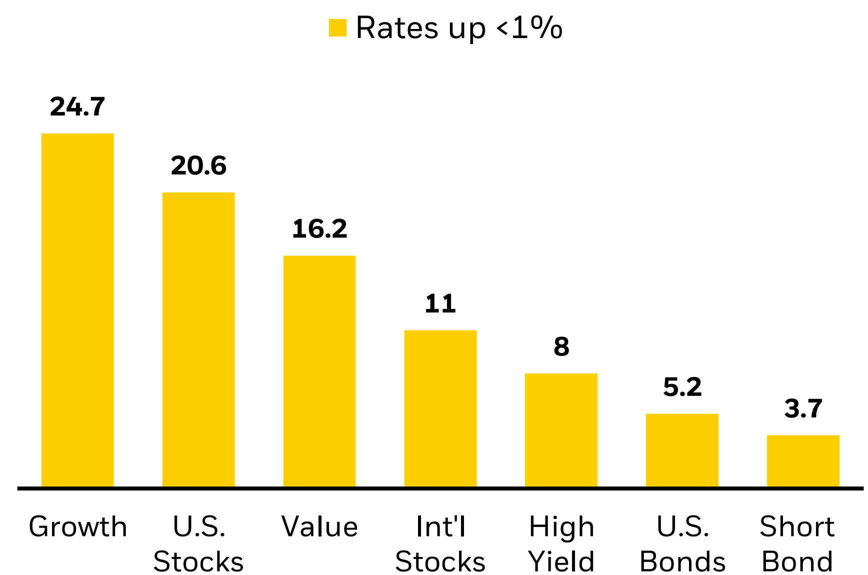
FED RAISING INTEREST RATES

How much the Fed raises rates is key

Performance based on how much the Fed raises rates

Average returns since 1994, broken into instances when the Fed increased rates 1%+ and <1% in a given calendar year





Year	# Rate hikes	% of rate rise	U.S. Stocks	U.S. Bonds	Int'l Stocks	Growth	Value	High Yield	Short Bond
2023 YTD	3	0.75%	16.9	2.1	11.7	29.0	5.1	4.7	1.8

Source: St Louis Federal Reserve and Morningstar as of 6/30/23. US stocks represented by the S&P 500 Index, US bonds by the Bloomberg US Agg Bond Index, Large Growth stocks by the Russell 1000 Growth index and Large Value by the Russell 1000 Value Index Bank loans by the Morningstar US Fund Bank loan category, Short bonds by the Morningstar US Fund Short Bond category, High yield bonds by Morningstar US Fund High yield bond category, Multisector by the Morningstar US Fund Multisector Bond category. **Past performance does not guarantee or indicate future results.** Index performance is for illustrative purposes only. You cannot invest directly in the index.

INFLATION VERSUS ASSET CLASS RETURNS

U.S. inflation versus cash, bonds and stocks

Cumulative returns by decade

1/1/70 - 6/30/23

Year	Inflation	Cash	Bonds	Stocks
1970’s	103.5	84.4	96.4	76.9
1980’s	64.4	127.4	222.7	403.8
1990’s	33.5	59.8	109.9	432.8
2000’s	28.3	28.8	84.8	-9.1
2010’s	19.9	3.9	44.5	256.7
2020’s YTD	18.4	3.3	-5.7	36.8
1970-2023 YTD	707	902	2,818	20,960

Source: Morningstar as of 6/30/23. U.S. stocks are represented by the S&P 500 Index from 3/4/57 to 9/30/22 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.

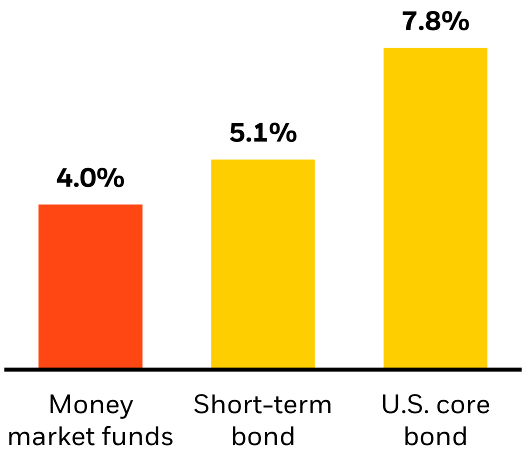
BONDS VERSUS CASH

Three reasons to look beyond cash

1 Shorter-term interest rates are higher than longer-term rates

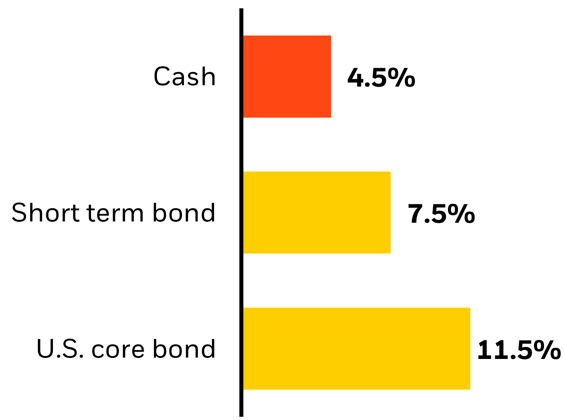
(known as an inverted yield curve)

Average 12 month after the yield curve inverts (10 year U.S. Try – 3 mo. U.S. Try)



2 Cash underperforms following a Fed pause

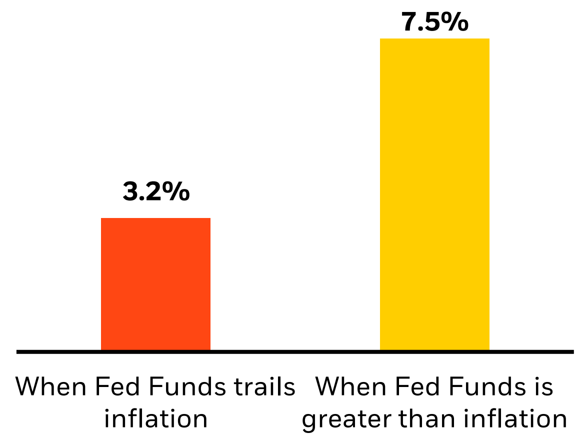
Average 12-month performance following the last Fed rate hike (5 different cycle from 2/4/94 – 6/30/23)



3 Core bond performance is best when the Fed funds rate is greater than inflation

(Fed funds is 5.1% vs. 4% Inflation)

Core bonds following periods Fed funds is above/below inflation (avg 12 mo. return)



It may seem counterintuitive to invest in longer-term bonds when you earn a higher yield on shorter bonds or cash. However, history tells us a different story: capital appreciation can make up for yield differences.

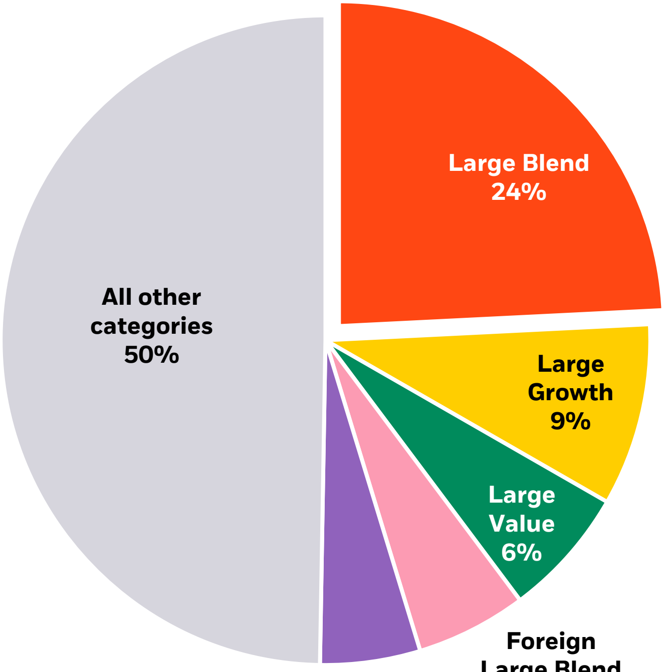
Source: Morningstar as of 6/30/23. U.S. stocks are represented by the S&P 500 TR Index and U.S. bonds are represented by the Bloomberg U.S. Agg Bond TR Index, short term bonds by the Morningstar short term bond category average., money market funds by the Morningstar U.S. money market fund category average. **Past performance does not guarantee or indicate future results**. Index performance is for illustrative purposes only. You cannot invest directly in the index.

GROWTH VERSUS VALUE

Enormous U.S. large cap core fund exposure overweight to growth

Percent of assets all mutual funds and ETFs

($23.9 Tr as of 5/31/23, top 5 categories)



Style exposure by U.S. large cap exposures

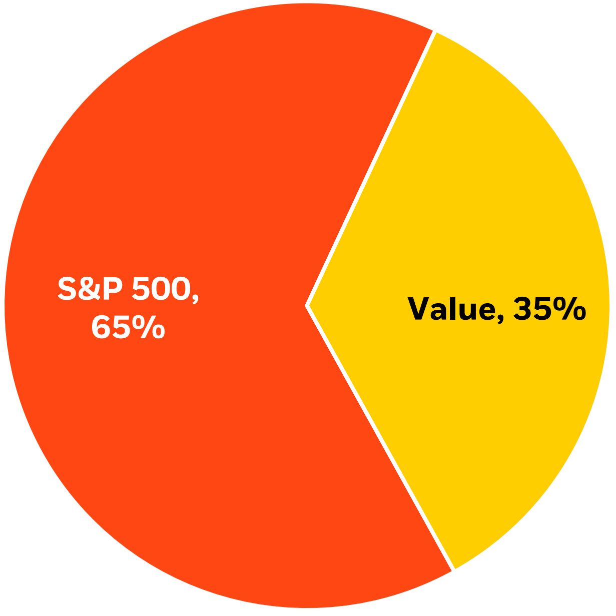
(as of 5/31/23)

	Value exposure	Core exposure	Growth exposure
S&P 500	**23%**	**36%**	**41%**
Growth index	6%	28%	66%
Value index	44%	44%	12%
Large core active funds	23%	39%	35%

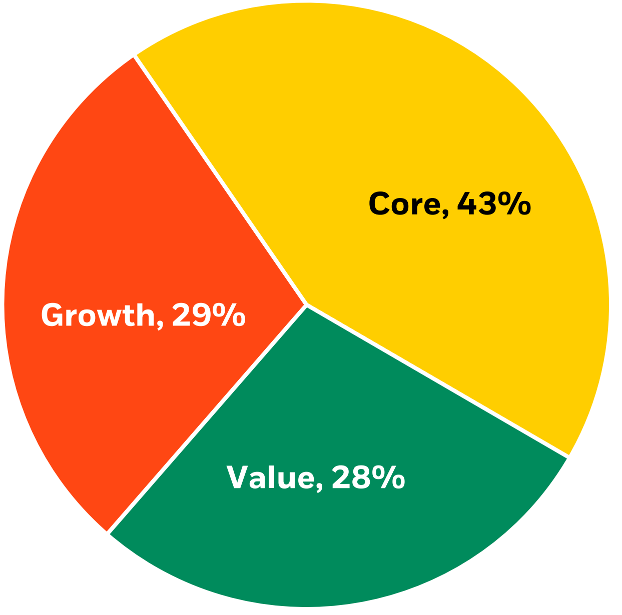
Source: Morningstar as of 6/30/23. Stock market represented by the S&P 500 Index, all fund categories represented by their respective Morningstar category,. Growth index represented by the Russell 1000 growth index, Value index by the Russell 1000 value index. **Past performance does not guarantee or indicate future results**. Index performance is for illustrative purposes only. You cannot invest directly in the index.

The large cap indices are overweight growth, what it takes to get back to style neutral

By selling 35% S&P 500 and buying large value...



Your actual style exposures are skewed toward growth and core due to index overweights



Worried about downside risk in your portfolio? Consider adding defensive stocks that are less sensitive to market fluctuations. We prefer quality companies with strong balance sheets, high cash flows, and low leverage.

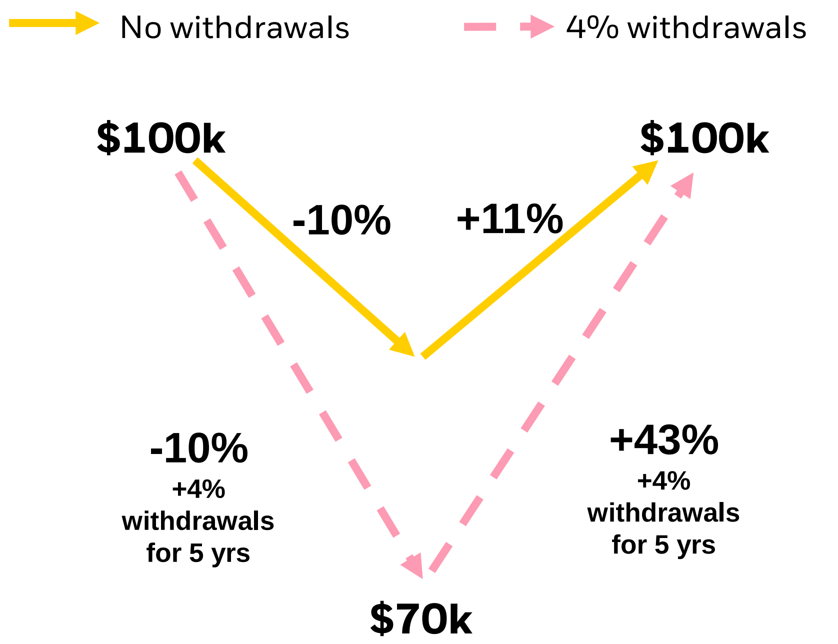
Source: Morningstar as of 6/30/23. Stock market represented by the S&P 500 Index. **Past performance does not guarantee or indicate future results.** Index performance is for illustrative purposes only. You cannot invest directly in the index.

Downside risk mitigation is CRITICAL when taking withdrawals

Returns needed to breakeven given various levels of loss and 4% annual withdrawals

	Return required to recover loss (no withdrawals)	Return required to recover loss with 4% annual withdrawal
10% loss	+11%	+40%
20% loss	+25%	+67%
30% loss	+43%	+100%
40% loss	+67%	+150%

Breaking even no withdrawals vs. 4% withdrawal



Bottom line: With a lot of uncertainty in today's market, it is more important than ever to consider mitigating downside risk, especially if you anticipate taking withdrawals in the future.

Source: BlackRock, hypothetical illustration. **Past performance does not guarantee or indicate future results. Index performance is for illustrative purposes only.** You cannot invest directly in the index.

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Returns as of 6/30/23	1 Year Return	5 Year Avg. Annual Return	10 Year Avg. Annual Return
S&P 500 TR USD	19.59	12.31	12.86
Bloomberg US Agg Bond TR USD	-0.94	0.77	1.52
IA SBBI US 30 Day TBill Infl Adj TR USD	-0.32	-2.27	-1.73
IA SBBI US IT Govt TR USD	-0.24	1.04	1.10
IA SBBI US Large Stock TR USD Ext	19.59	12.31	12.86
MSCI EAFE NR USD	18.77	4.39	5.41
Russell 1000 Growth TR USD	27.11	15.14	15.74
Russell 1000 Value TR USD	11.54	8.11	9.22
Russell 2000 TR USD	12.31	4.21	8.26
US Fund Bank Loan	9.29	2.78	3.02
US Fund High Yield Bond	7.99	2.76	3.51
US Fund Intermediate Core Bond	-0.90	0.63	1.36
US Fund Intermediate Core-Plus Bond	-0.31	0.90	1.69
US Fund Money Market - Taxable	3.06	1.23	0.73
US Fund Short-Term Bond	1.42	1.27	1.30
US BLS CPI All Urban NSA 1982-1984	4.05	3.87	2.70

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 6/30/23 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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