

Student of the Market

March 2021

BlackRock[®]

Student of the Market

March 2021

**Bond market
returns**

**Cash on the
sidelines**

**Mid-cap
stocks**

**Large-caps
versus
mid-caps**

**U.S.
minimum
volatility
stocks**

**Missing the
best and
worst days**

**Systematic
investing**

Source: Morningstar as of 2/28/21. **Past performance is no guarantee of future results.** Index performance is shown for illustrative purposes only. You cannot invest directly in an index.

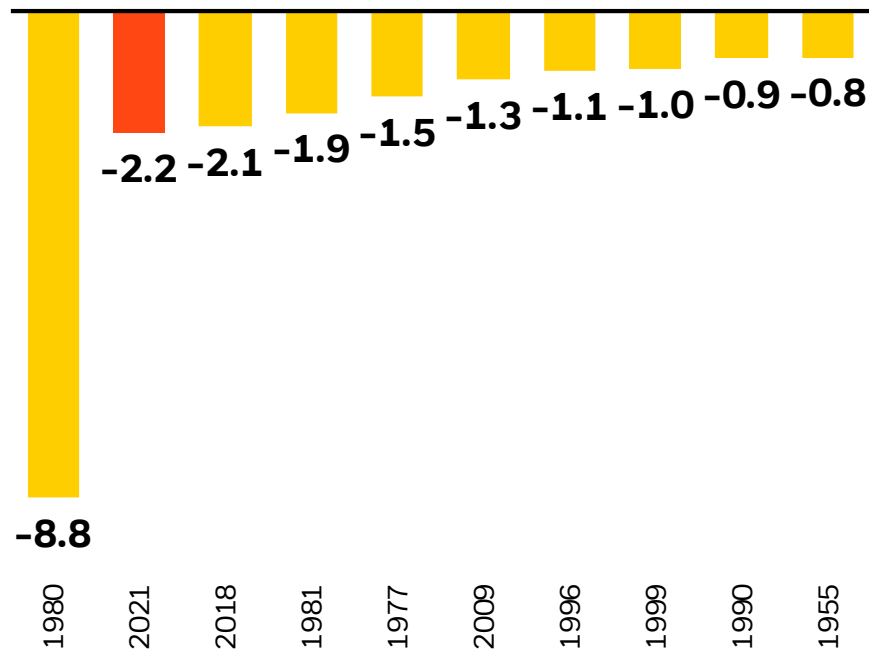
BOND MARKET RETURNS

2nd worst start of a year ever for bonds

For the worst starts, the next 10 months on average saw bond returns bounce back

Top 10 worst starts of the year for bonds

(1/1/26 – 2/28/21, Total return for first two months of calendar year)



Returns after each “worst start”

(1/1/1926 – 2/28/21)

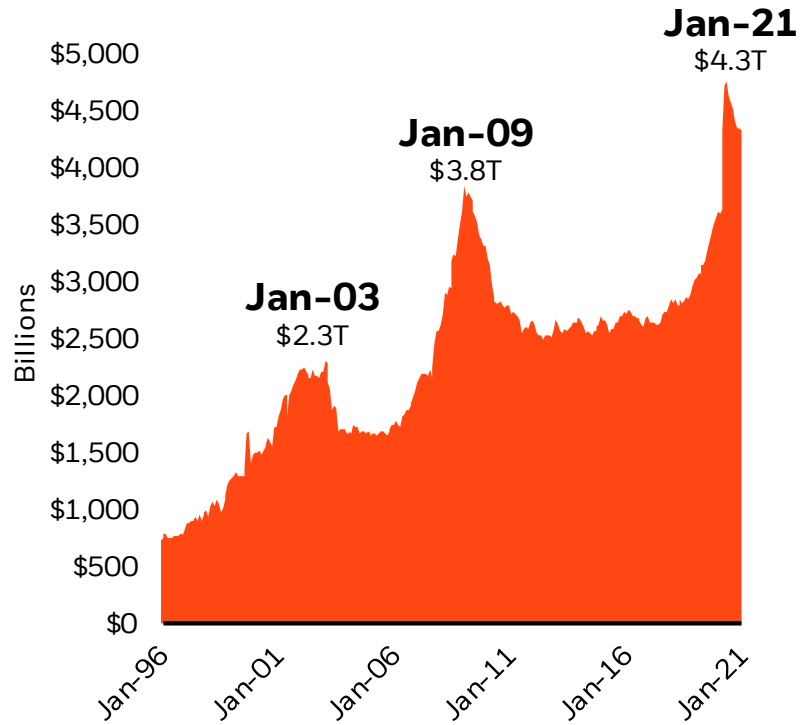
Year	First 2 months	Next 10 months
1980	-8.8	12.6
2021	-2.2	?
2018	-2.1	2.1
1981	-1.9	8.3
1977	-1.5	4.7
2009	-1.3	7.3
1996	-1.1	4.8
1999	-1.0	0.2
1990	-0.9	9.9
1955	-0.8	0.2
Avg	-2.2	5.6

Source: Morningstar as of 2/28/21. U.S. bonds represented by the IA SBBI US Gov IT Index before 1979 and the BbgBarc U.S. Agg Bond TR Index after 1979. Past performance does not guarantee or indicate future results. Index performance is for illustrative purposes only. You cannot invest directly in the index.

Record assets in money market funds

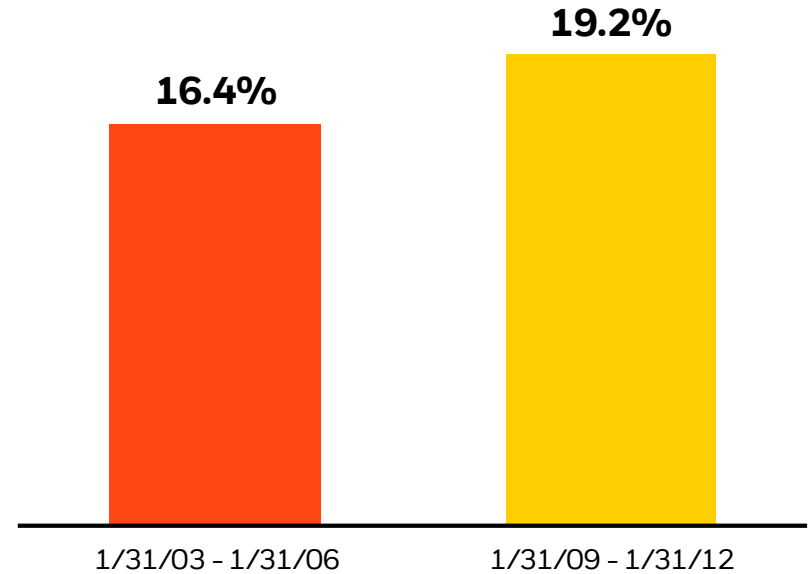
Money market fund assets

Last 15 years (2/1/96 – 1/31/21)



3-year U.S. stock performance following a peak in money market fund assets

Average annual performance



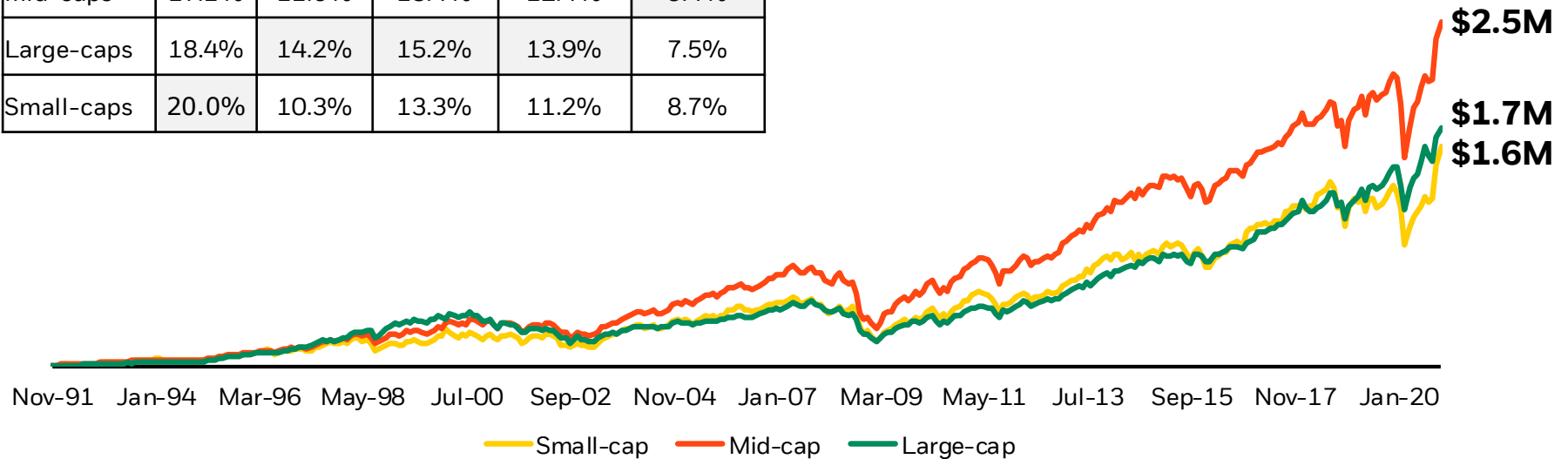
Source: Morningstar as of 1/31/21. U.S. stocks represented by the S&P 500 Index, an unmanaged index that is generally considered representative of the U.S. stock market. Past performance does not guarantee or indicate future results. Index performance is for illustrative purposes only. You cannot invest directly in the index.

MID-CAP STOCKS

Mid-cap stocks have been the “sweet spot” for stock returns over the long-term

Growth of \$100k for large-cap, mid-cap and small-cap stocks
11/1/91 - 12/31/20

	1 Year	3 Years	5 Years	10 Years	20 Years
Mid-caps	17.1%	11.6%	13.4%	12.4%	9.4%
Large-caps	18.4%	14.2%	15.2%	13.9%	7.5%
Small-caps	20.0%	10.3%	13.3%	11.2%	8.7%

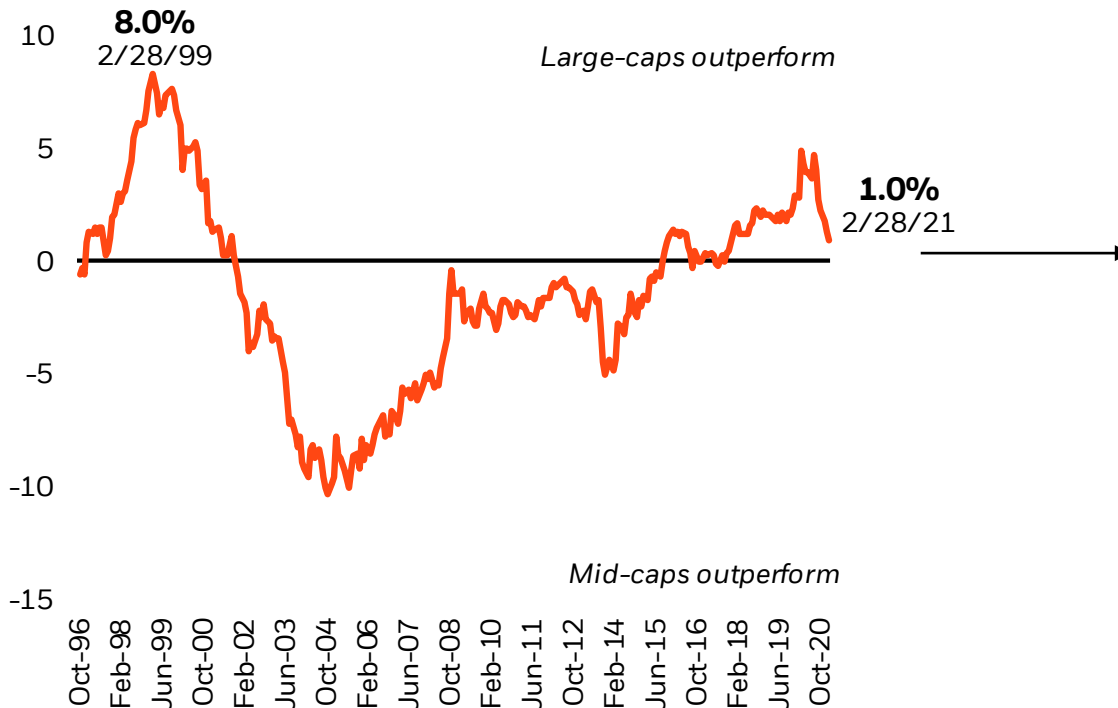


Source: Morningstar as of 12/31/20. Large-cap stocks represented by S&P 500, Mid-cap stocks by the Russell Mid Cap index and Small-cap stocks by the Russell 2000 Index. Past performance does not guarantee or indicate future results. Index performance is for illustrative purposes only. You cannot invest directly in the index.

Mid-cap stocks have trailed large-caps over the last 5 years

Large-cap has outperformed over last 5 years

5-year rolling, U.S. large-cap stock returns minus U.S. mid-cap stock returns
(11/1/91 - 2/28/21)



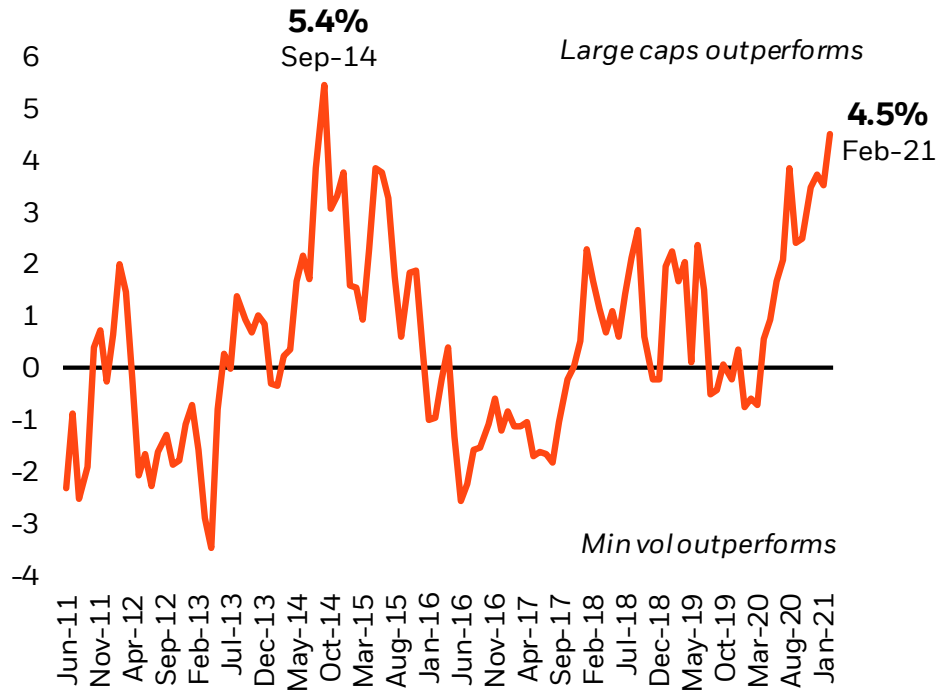
Following the last peak in Large-cap outperformance, Mid-cap stocks went on to outperform by **9.2%** on average over the next 5 years (2/28/99 – 2/28/14)

Source: Morningstar as of 2/28/21. Large cap stocks represented by S&P 500 and Mid-cap stocks by the Russell mid cap index. **Past performance does not guarantee or indicate future results.** Index performance is for illustrative purposes only. You cannot invest directly in the index.

U.S. minimum volatility stock performance cycles

Min. Vol. has underperformed over last 3 years

3-year rolling, U.S. large-cap stock returns minus U.S. min vol stock returns
6/2/08 - 2/28/21



Following the last peak in Large-cap outperformance, Minimum Volatility went on to outperform by **1.0%** on average over the next 3 years (9/30/14 – 9/30/17)

Source: Morningstar as of 2/28/21. Large cap stocks represented by S&P 500 and Min Vol stocks by the MSCI USA min vol index. Past performance does not guarantee or indicate future results. Index performance is for illustrative purposes only. You cannot invest directly in the index.

MISSING THE BEST AND WORST DAYS

Missing the best and worst days in the stock market

Market timing doesn't really move the needle, but reducing volatility might

Average annual return for each hypothetical scenario

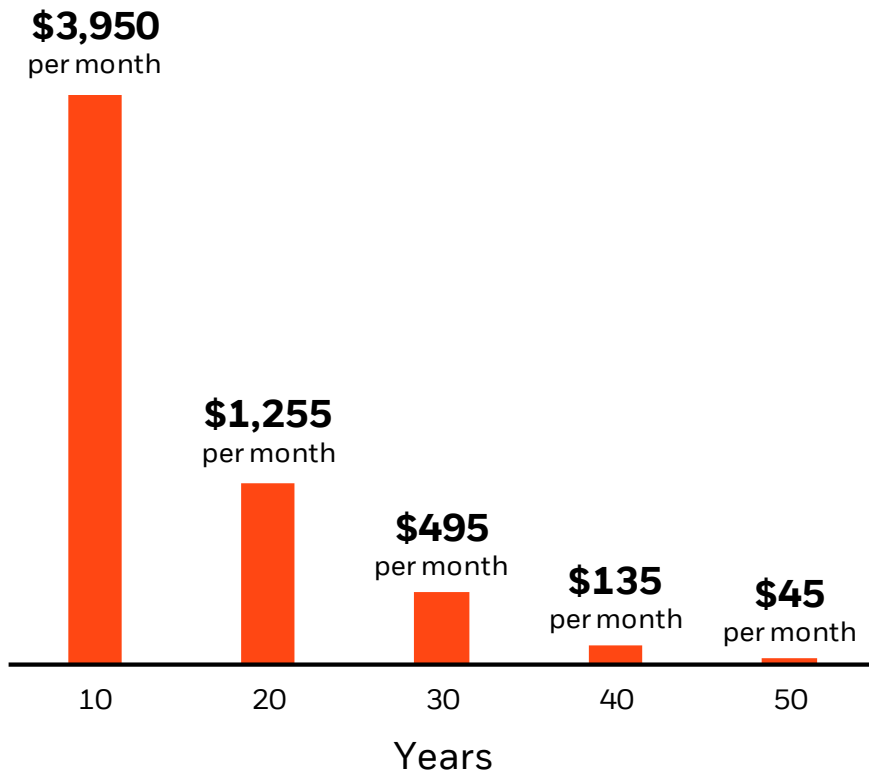
Returns based on last 20 years of the U.S. stock market, ended 12/31/20



Source: Morningstar as of 12/31/20. U.S. stocks 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.

Systematic investing and your time horizon

Amount an investor needed to invest each month to reach \$1 million over given time frame, based on historical S&P 500 returns
(1/1/70 – 12/31/20)



Years	Monthly Investment	Ending Value	Total Invested	Avg Annual Return
10	\$3,950	\$1,006,602	\$474,000	14.6%
20	\$1,255	\$1,003,373	\$301,200	10.9%
30	\$495	\$1,002,662	\$178,200	9.9%
40	\$135	\$1,008,790	\$64,800	11.1%
50	\$45	\$1,076,043	\$27,000	11.3%

Source: Morningstar, BlackRock as of 12/31/20. Hypothetical demonstration for illustrative purposes only. U.S. stocks 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.

Student of the Market: March 2021

Returns as of 2/28/21	Total Ret 1 Year	Total Ret 5 Years	Total Ret 10 Years
S&P 500 TR USD	31.29	16.82	13.43
BBgBarc US Agg Bond TR USD	1.38	3.55	3.58
IA SBBI US IT Govt TR USD	1.21	2.92	2.87
IA SBBI US Large Stock TR USD Ext	31.29	16.82	13.43
MSCI USA Minimum Volatility (USD) NR USD	8.38	11.26	11.89
Russell 2000 TR USD	51.00	17.92	11.86
Russell Mid Cap TR USD	36.11	15.87	12.34

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. ©2020 Morningstar. All Rights Reserved. The information, data, analyses and opinions contained herein (1) include the confidential and proprietary information of Morningstar, (2) may include, or be derived from, account information provided by a financial advisor which cannot be verified by Morningstar, (3) may not be copied or redistributed, (4) do not constitute investment advice offered by Morningstar, (5) are provided solely for informational purposes and therefore are not an offer to buy or sell a security, and (6) are not warranted to be correct, complete or accurate. Except as otherwise required by law, Morningstar shall not be responsible for any trading decisions, damages or other losses resulting from, or related to, this information, data, analyses or opinions or their use. 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 2/28/21 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.

Past performance is no guarantee of future results. Index performance is shown for illustrative purposes only. It is not possible to invest directly in an index. Investing involves risks, including possible loss of principal. This information should not be relied upon as research, investment advice, or a recommendation regarding any products, strategies, or any security in particular. This material is strictly for illustrative, educational, or informational purposes and is subject to change.

© 2021 BlackRock, Inc. **BlackRock** is a trademark of BlackRock, Inc. All other trademarks are the property of their respective owners.

NOT FDIC INSURED | MAY LOSE VALUE | NO BANK GUARANTEE

Prepared by BlackRock Investments, LLC. Member FINRA.