

Student of the Market

October 2021

BlackRock[®]

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**Stock market
returns**

**Bond market
returns**

**Growth
versus value**

**Long-term
bond returns**

**Active and
passive bond
funds**

**Alternative
fund flows**

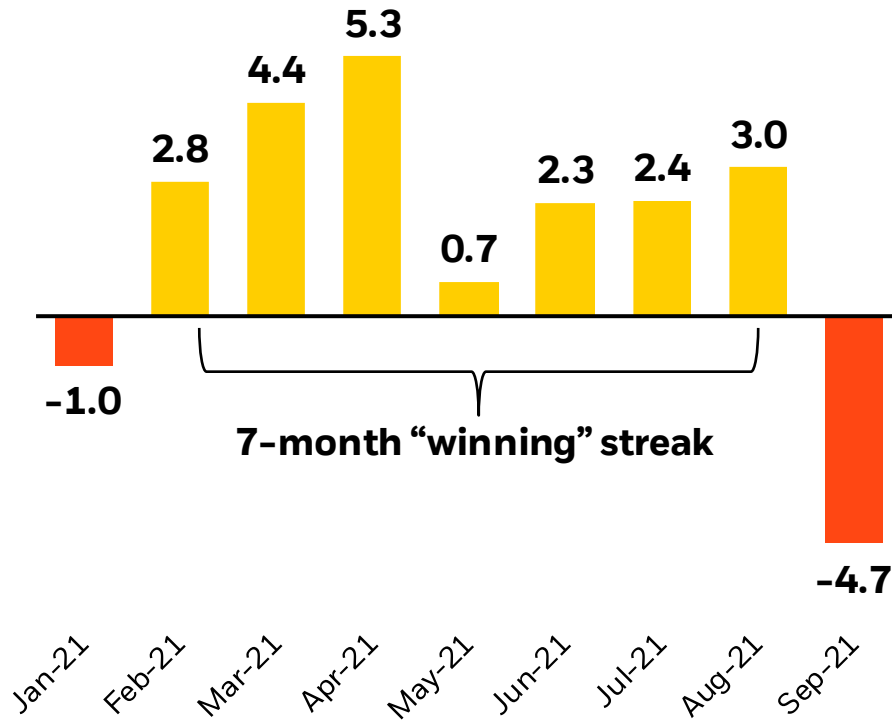
Inflation

Source: Morningstar as of 9/30/21. **Past performance is no guarantee of future results.** Index performance is shown for illustrative purposes only. You cannot invest directly in an index.

STOCK MARKET RETURNS

September snaps 7-month “winning” streak for stocks

U.S. stock monthly returns in 2021



Other recent winning streaks for stocks

Since 1990

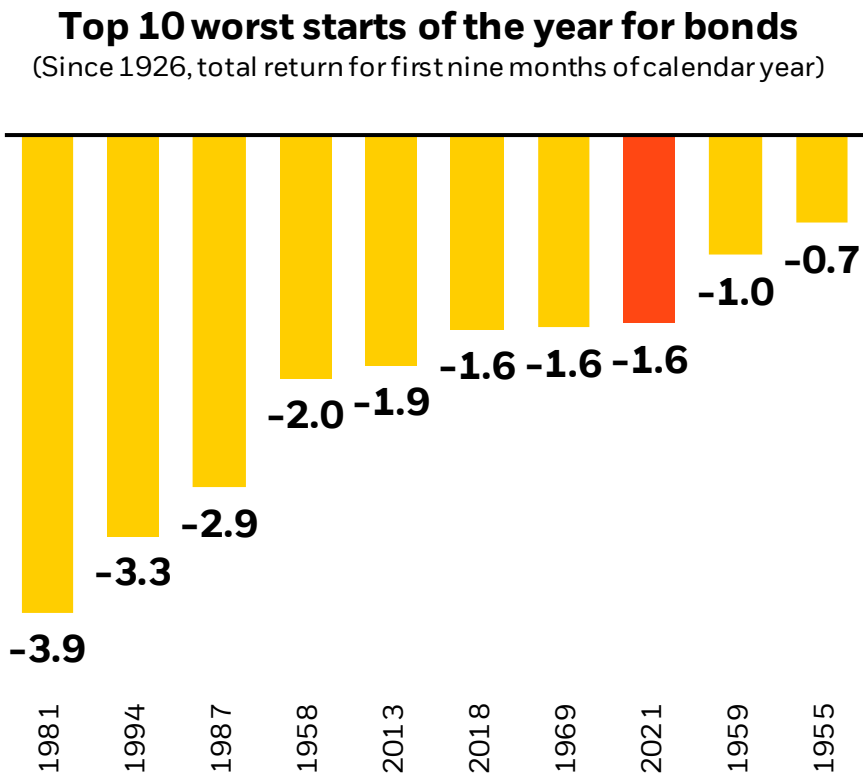
| Ending Month | Length of streak (months) | 1 year later |
|--------------|---------------------------|--------------|
| Jan-18 | 15 | -2.3% |
| Sep-95 | 10 | 20.3% |
| Jun-96 | 8 | 34.7% |
| Jan-07 | 8 | -2.3% |
| Apr-11 | 8 | 4.8% |
| May-91 | 7 | 9.9% |
| Mar-93 | 7 | 1.5% |
| Sep-09 | 7 | 10.2% |
| May-13 | 7 | 20.5% |
| Sep-16 | 7 | 18.6% |
| Aug-21 | 7 | ? |
| Apr-98 | 6 | 21.8% |
| Aug-03 | 6 | 11.5% |
| Apr-06 | 6 | 15.2% |
| Sep-18 | 6 | 4.3% |
| Jan-99 | 5 | 10.4% |
| Feb-04 | 5 | 7.0% |
| Dec-04 | 5 | 4.9% |
| Jun-14 | 5 | 7.4% |
| Aug-20 | 5 | 31.2% |
| Average | 7 | 12.1% |

Source: Morningstar as of 9/30/21. U.S. stocks are represented by the S&P 500 TR Index from 3/4/57 to 9/30/21 and the IASBBIUS. Lrg Stock TR USD Index from 1/1/50 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.

BOND MARKET RETURNS

8th worst start of a year ever for bonds

For the worst starts, the next 3 months on average saw bond returns bounce back



Returns after each “worst start”
(Since 1926, total return for given time periods)

| Year | First 9 months | Next 3 months |
|------|----------------|---------------|
| 1981 | -3.9 | 10.6 |
| 1994 | -3.3 | 0.4 |
| 1987 | -2.9 | 5.8 |
| 1958 | -2.0 | 0.7 |
| 2013 | -1.9 | -0.1 |
| 2018 | -1.6 | 1.6 |
| 1969 | -1.6 | 0.9 |
| 2021 | -1.6 | ? |
| 1959 | -1.0 | 0.6 |
| 1955 | -0.7 | 0.1 |
| Avg | -2.1 | 2.3 |

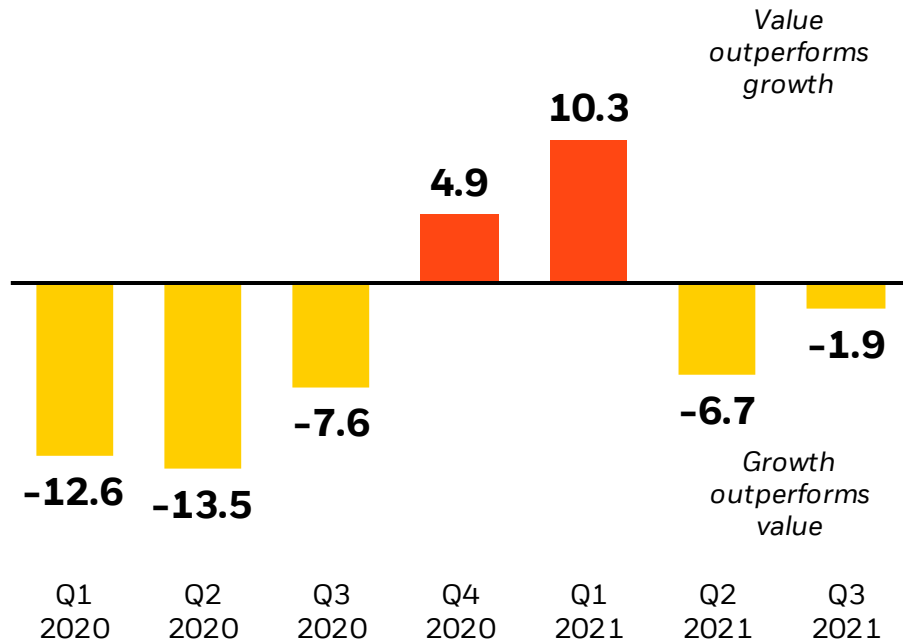
Source: Morningstar as of 9/30/21. U.S. bonds represented by the IA SBBI US Gov IT Index from 1/1/26 to 1/3/89 and the BbgBarc U.S. Agg Bond TR Index from 1/3/89 to 9/30/21. Past performance does not guarantee or indicate future results. Index performance is for illustrative purposes only. You cannot invest directly in the index.

GROWTH VERSUS VALUE

Value poised for a big bounce?

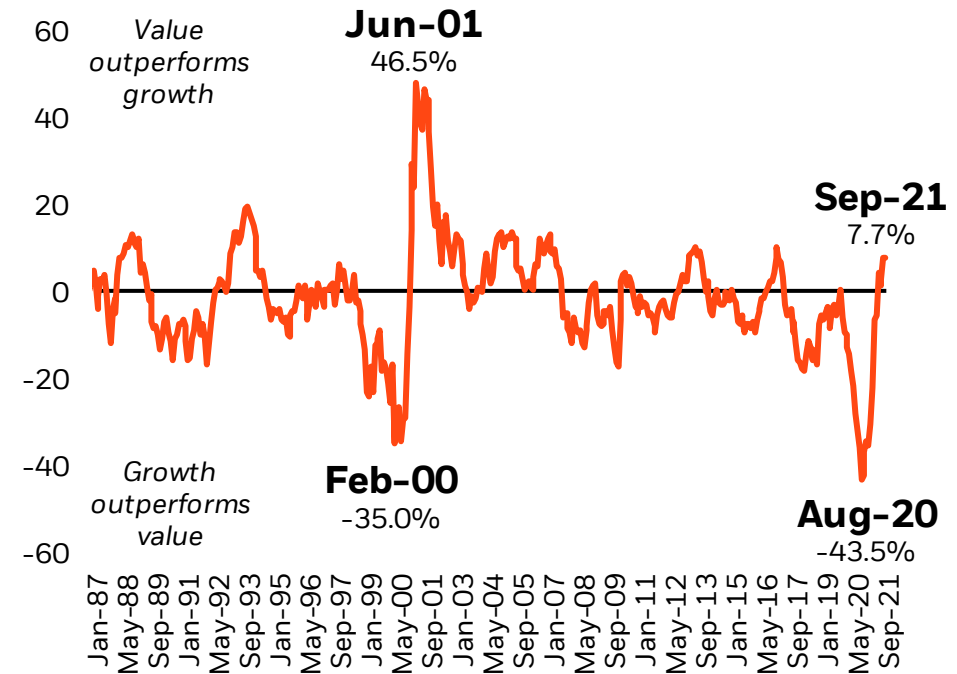
Growth versus value, quarterly performance

Value returns minus growth returns, per quarter since 2019
(1/1/20 – 9/30/21)



Growth versus value, 12 month rolling periods

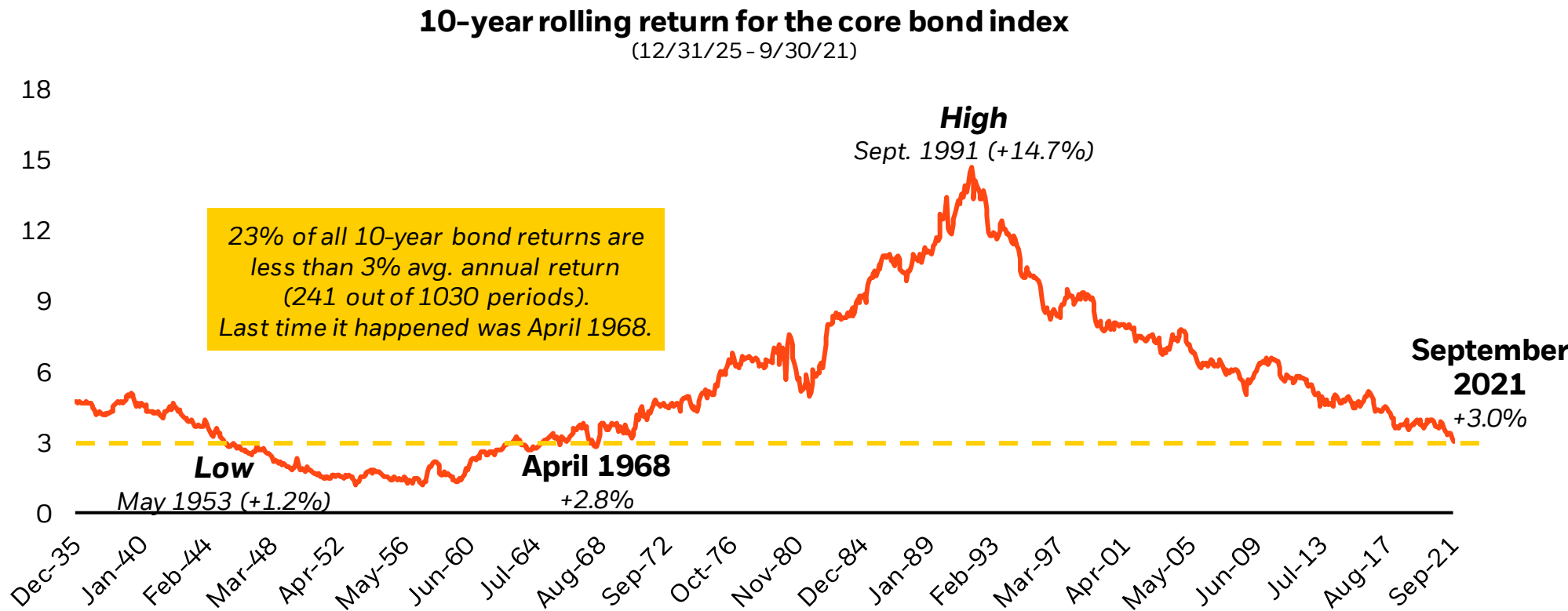
Value returns minus growth returns, rolling 12-month periods
(1/1/87 – 9/30/21)



Source: Morningstar as of 9/30/21. Large value stocks represented by the Russell 1000 value index and the Large growth stocks represented by the Russell 1000 growth index. Past performance does not guarantee or indicate future results. Index performance is for illustrative purposes only. You cannot invest directly in the index.

LONG-TERM BOND RETURNS

Long-term Core bond returns poised to fall below 3% for the first time in 53 years



Source: Morningstar as of 9/30/21. U.S. bonds represented by the IASBBI US Gov IT Index from 1/1/26 to 1/3/89 and the BbgBarc U.S. Agg Bond TR Index from 1/3/89 to 9/30/21. Past performance does not guarantee or indicate future results. Index performance is for illustrative purposes only. You cannot invest directly in the index.

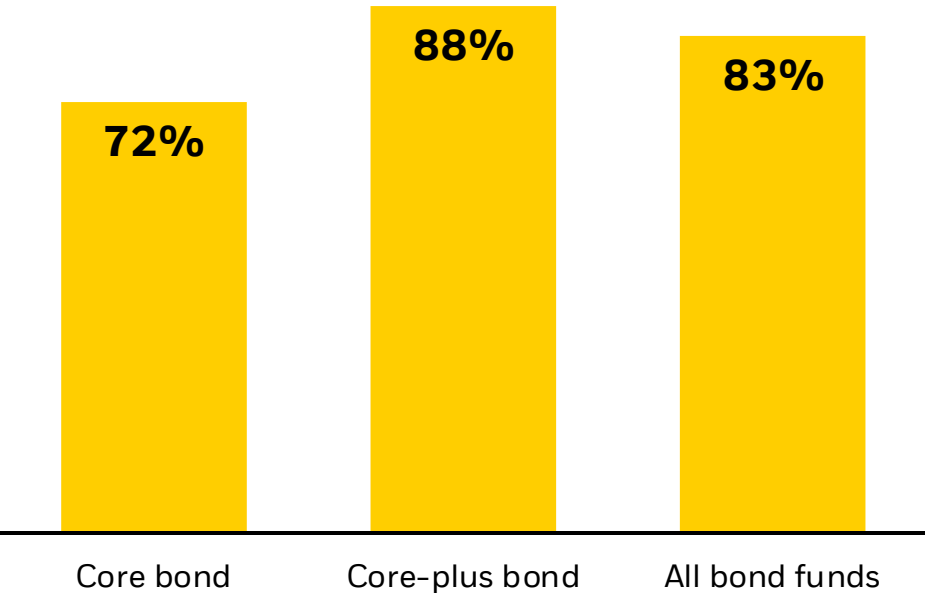
ACTIVE AND PASSIVE BOND FUNDS

Active vs. passive bond funds in 2021

When interest rates rise, flexible active bond funds tend to do well (and the opposite is true when they fall)

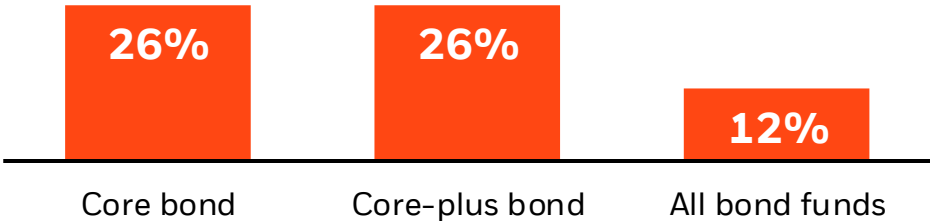
When interest rates go up in 2021: Percentage of active funds that outperformed the index

% of fund category vs. the BbgBarc U.S. Aggregate Bond Index (YTD as of 9/30/21)



When interest rates go down: Percentage of active funds that outperform the index

% of fund category vs. the BbgBarc U.S. Aggregate Bond Index, last 2 declining rate periods



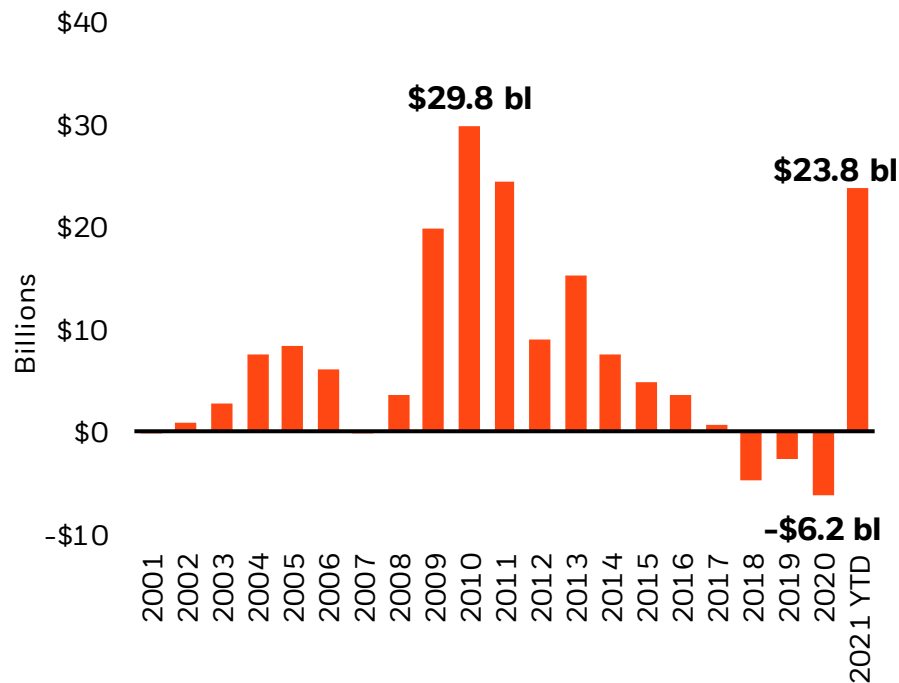
Morningstar as of 9/30/21. Core bond index represented by the BbgBarc U.S. aggregate bond index. Core bond funds represented by the Morningstar Core bond fund category, core bond plus funds represented by the Morningstar Core bond plus fund category, all bond funds represented by the Morningstar U.S. category group U.S. taxable bond fund broad category. Interest rate changes represented by 10-year U.S. treasury bond yield. The last 2 declining rate periods represented by 11/9/18-9/4/20 and 1/1/14-7/8/16. **Past performance does not guarantee or indicate future results.** Index performance is for illustrative purposes only. You cannot invest directly in the index.

ALTERNATIVE FUND FLOWS

Historic alternative fund flows

Alternative fund flows

Mutual fund and ETFs, calendar year flows as of 8/31/21



Bond fund flows and performance

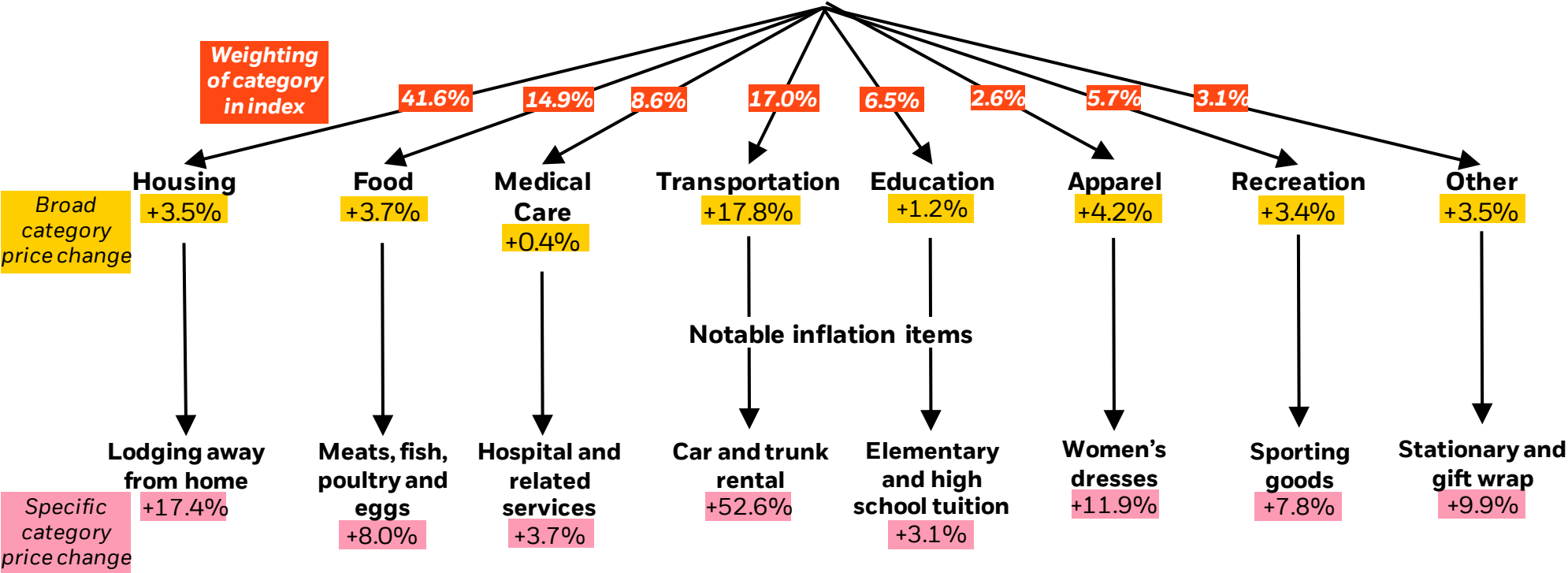
Mutual fund and ETFs flows through August, performance as of 9/30/21

| Morningstar Category | 2021 YTD flows | YTD returns |
|--------------------------|----------------|-------------|
| Commodities Broad Basket | \$6.5B | 27.9% |
| Options Trading | \$5.8B | 7.1% |
| Relative Value Arbitrage | \$4.3B | 2.4% |
| Event Driven | \$3.4B | 3.7% |
| Multi-strategy | \$2.7B | 5.3% |
| Systematic Trend | \$0.9B | 5.5% |
| Macro Trading | \$0.7B | 3.2% |
| Commodities Focused | \$0.04B | 16.0% |
| Multi-alternative | -\$0.1B | 2.2% |
| Equity Market Neutral | -\$0.5B | 3.1% |

Inflation breakdown

What goes into Headline Inflation?

Changes shown below are over 12-month period ending 8/31/21
(Overall average change of total CPI over same period was +5.3%)



Source: Bureau of Labor Statistics as of 8/31/21.

Student of the Market: October 2021

| Returns as of 9/30/21 | Total Ret 1 Year | Total Ret 5 Years | Total Ret 10 Years |
|-------------------------------------|------------------|-------------------|--------------------|
| S&P 500 TR USD | 30.00 | 16.90 | 16.63 |
| Bloomberg US Agg Bond TR USD | -0.90 | 2.94 | 3.01 |
| IA SBBI US IT Govt TR USD | -2.46 | 2.34 | 2.22 |
| IA SBBI US Large Stock TR USD Ext | 30.00 | 16.90 | 16.63 |
| Russell 1000 Growth TR USD | 27.32 | 22.84 | 19.68 |
| Russell 1000 Value TR USD | 35.01 | 10.94 | 13.51 |
| US Fund Commodities Broad Basket | 42.80 | 4.82 | -2.17 |
| US Fund Intermediate Core Bond | -0.27 | 2.91 | 3.05 |
| US Fund Intermediate Core-Plus Bond | 1.50 | 3.51 | 3.75 |
| US Fund Multialternative | 15.63 | 3.88 | 2.65 |
| US Fund Event Driven | 9.86 | 4.91 | 4.71 |
| US Fund Options Trading | 13.50 | 6.00 | 5.37 |
| US Fund Relative Value Arbitrage | 8.40 | 5.64 | 4.49 |
| US Fund Multistrategy | 9.66 | 2.96 | 3.22 |
| US Fund Systematic Trend | 11.08 | 1.20 | 0.18 |
| US Fund Macro Trading | 8.71 | 3.19 | 2.92 |
| US Fund Commodities Focused | 24.63 | 3.95 | -3.21 |
| US Fund Equity Market Neutral | 1.13 | 0.27 | -0.41 |

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 9/30/21 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.

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