

Student of the Market

November 2022

BlackRock[®]

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**Is the
October
bounce in
stocks
durable?**

**Midterm
elections and
market
performance**

**Stock market
volatility**

**Stock market
returns**

**Bear markets
and
recessions**

**Small cap
stocks
outpacing
large caps**

**Inverted yield
curve**

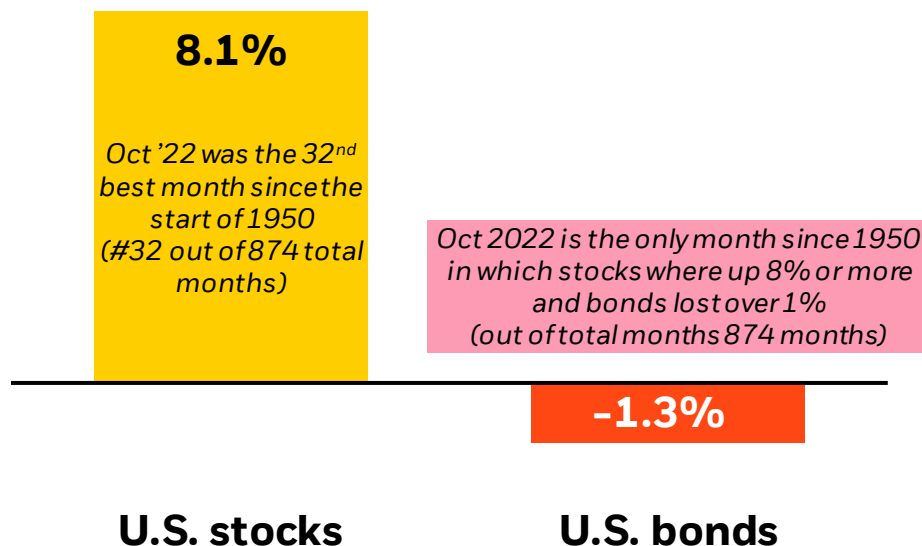
**Alternative
asset class
performance**

Source: Morningstar as of 10/31/22. **Past performance is no guarantee of future results.** Index performance is shown for illustrative purposes only. You cannot invest directly in an index.

Stocks bounced big in October even though interest rates went up

October 2022 performance

Average total return for each October since 1950



Oct '22 was the 32nd best month since the start of 1950 (#32 out of 874 total months)

Oct 2022 is the only month since 1950 in which stocks were up 8% or more and bonds lost over 1% (out of total months 874 months)

Historical months when stocks had a big bounce (>8%) but bonds lost money

Since 1950

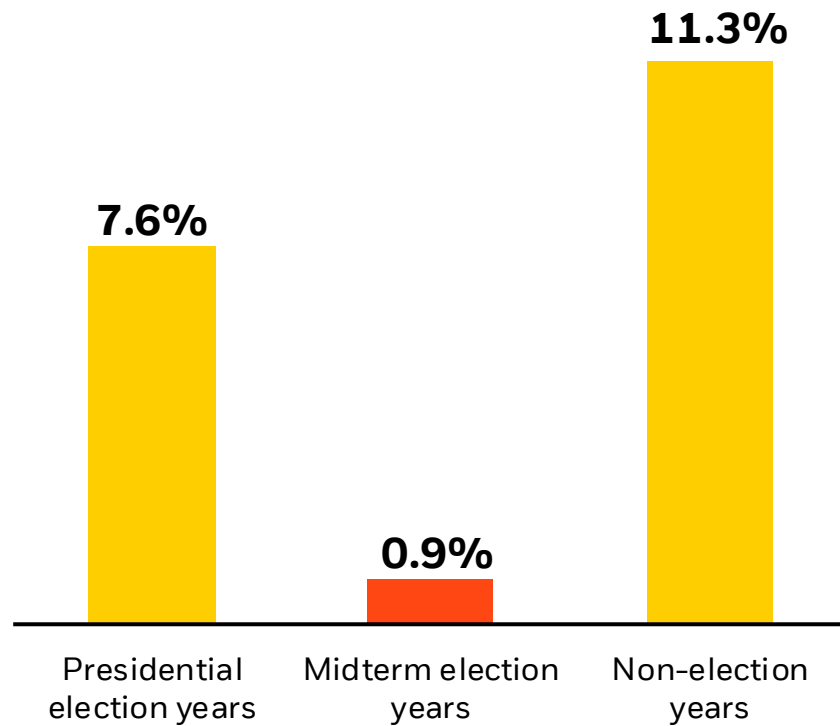
Month	U.S. stocks	U.S. bonds	U.S. stocks next 12 months
Nov-80	10.7	-0.2	-5.4
Nov-54	9.1	-0.0	38.4
Oct-02	8.8	-0.5	20.8
Sep-54	8.5	-0.2	41.1
Jun-55	8.4	-0.4	19.1
Apr-68	8.3	-0.2	9.6
Nov-55	8.3	-0.5	2.9
Oct-98	8.1	-0.5	25.7
Oct-22	8.1	-1.3	?
Avg	8.7	-0.4	19.3

Source: Morningstar as of 10/31/22. U.S. stocks are represented by the S&P 500 Index from 3/4/57 to 10/31/22 and the IA SBBI U.S. Lrg Stock Tr USD Index from 1/1/50 to 3/4/57. U.S. bonds are represented by the IA SBBI US Gov IT Index from 1/1/50 to 1/3/89 and the Bloomberg U.S. Agg Bond TR Index from 1/3/89 to 10/31/22. **Past performance does not guarantee or indicate future results.** Index performance is for illustrative purposes only. You can not invest directly in the index.

U.S. stocks across the election cycle

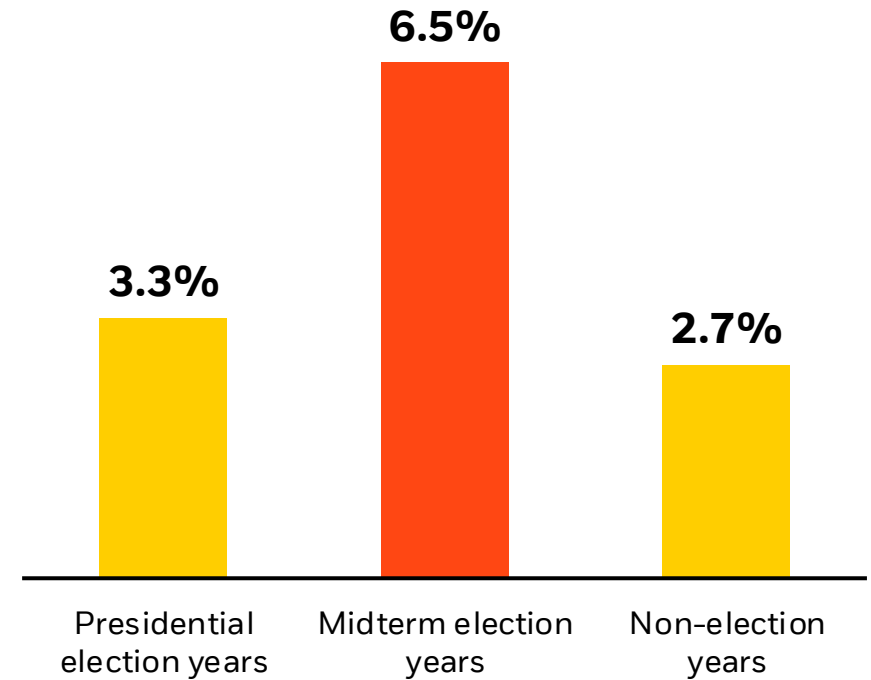
Muted returns leading up to midterm elections

Average U.S. stock performance in Q1 - Q3



Average 4th quarter U.S. stock performance across election cycles

Average annual return, 1/1/26 - 9/30/22



Source: Morningstar as of 9/30/22. Stock market represented by the S&P 500 Index from 3/4/57 to 9/30/22 and IA SBBI U.S. Large Cap TR Index from 1/1/26 to 3/4/57. Past performance does not guarantee or indicate future results. Index performance is for illustrative purposes only. You cannot invest directly in the index.

STOCK MARKET VOLATILITY

There's always a reason to sell stocks

Worst days, months and 3 months for the S&P 500 since 1950

Worst days*

Day	S&P 500 decline*	Return 1 year later*
10/19/1987	-20.5%	23.1%
3/16/2020	-12.0%	69.0%
3/12/2020	-9.5%	61.8%
10/15/2008	-9.0%	20.8%
12/1/2008	-8.9%	35.9%
9/29/2008	-8.8%	-4.1%
10/26/1987	-8.3%	23.5%
10/9/2008	-7.6%	17.8%
3/9/2020	-7.6%	43.6%
10/27/1997	-6.9%	21.5%
8/31/1998	-6.8%	38.0%
1/8/1988	-6.8%	15.3%
11/20/2008	-6.7%	45.1%
5/28/1962	-6.7%	26.7%
8/8/2011	-6.7%	25.2%
Average	-8.9%	30.9%

Worst months

Month	S&P 500 decline	Return 1 year later
Oct-87	-21.5%	14.8%
Oct-08	-16.8%	9.8%
Aug-98	-14.5%	39.8%
Mar-20	-12.4%	56.4%
Sep-74	-11.5%	38.1%
Nov-73	-11.1%	-23.8%
Sep-02	-10.9%	24.4%
Feb-09	-10.7%	53.6%
Mar-80	-9.7%	40.1%
Sept-22	-9.2%	?
Feb-01	-9.1%	-9.5%
Aug-90	-9.0%	26.9%
Dec-18	-9.0%	31.5%
Sep-08	-8.9%	-6.9%
Apr-70	-8.8%	32.1%
Average	-11.5%	23.4%

Worst 3 months

3 month period	S&P 500 decline	Return 1 year later
Sep-08 - Nov-08	-29.7%	25.4%
Sep-87 - Nov-87	-29.6%	23.3%
Jul-74 - Sep-74	-25.2%	38.1%
Aug-08 - Oct-08	-23.1%	9.8%
Oct-87 - Dec-87	-22.5%	16.6%
Oct-08 - Dec-08	-21.9%	26.4%
Apr-62 - Jun-62	-20.6%	31.2%
Aug-87 - Oct-87	-20.4%	14.8%
Jan-20 - Mar-20	-19.6%	56.4%
Apr-70 - Jun-70	-18.0%	41.8%
Dec-08 - Feb-09	-17.3%	53.6%
Jul-02 - Sep-02	-17.3%	24.4%
Jun-74 - Aug-74	-16.4%	26.2%
Apr-22 - Jun-22	-16.1%	?
May-02 - Jul-02	-15.0%	10.6%
Average	-20.9%	28.5%

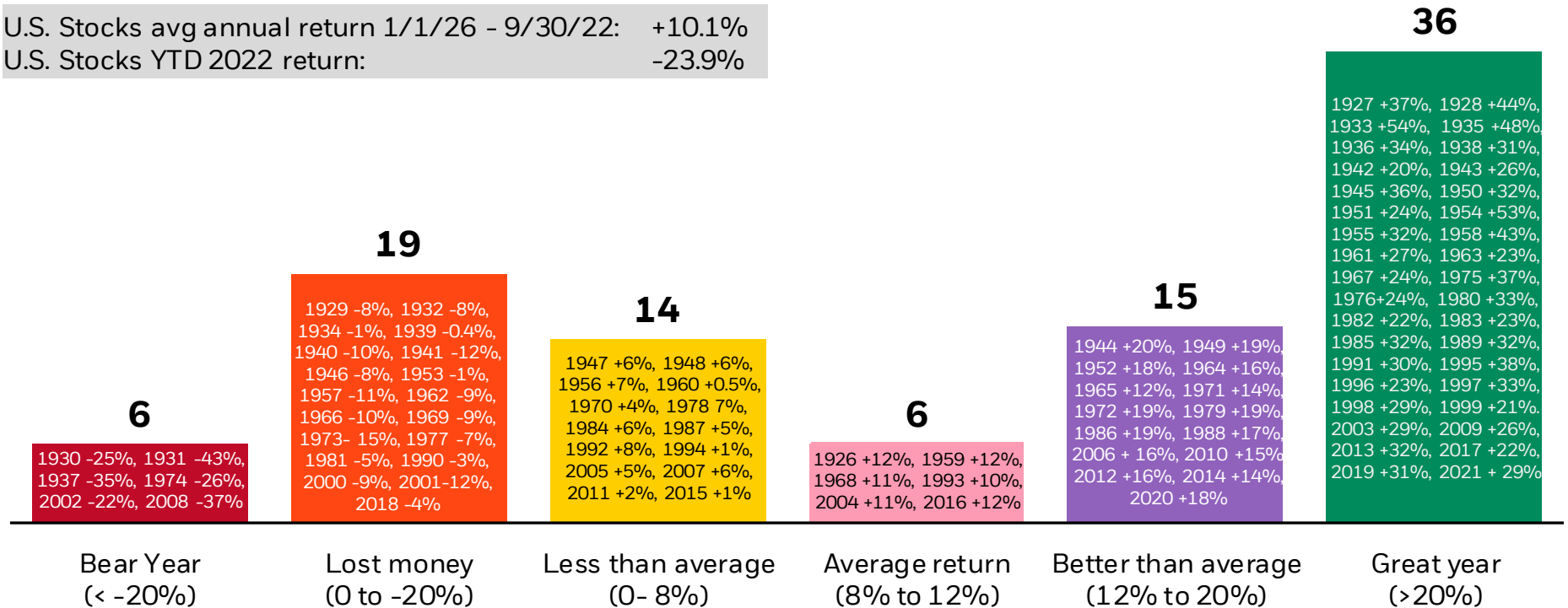
Sources: BlackRock; Morningstar as of 9/30/22. U.S. stocks are represented by the S&P 500 TR Index from 3/4/57 to 9/30/22 and the IA SBBI U.S. Lrg Stock PR USD Index from 1/1/50 to 3/4/57, unmanaged indexes that are generally considered representative of the U.S. stock market during each given time period. *Day-to-day returns prior to 1989 are represented by the S&P 500 PR Index. Index performance is for illustrative purposes only. It is not possible to invest directly in an index.

Performance does not guarantee or indicate future results.

U.S. stocks historically average 10% per year but rarely finish a year at that level

Range of returns for stocks by full calendar year
1/1/26 – 9/30/22

U.S. Stocks avg annual return 1/1/26 - 9/30/22: +10.1%
U.S. Stocks YTD 2022 return: -23.9%



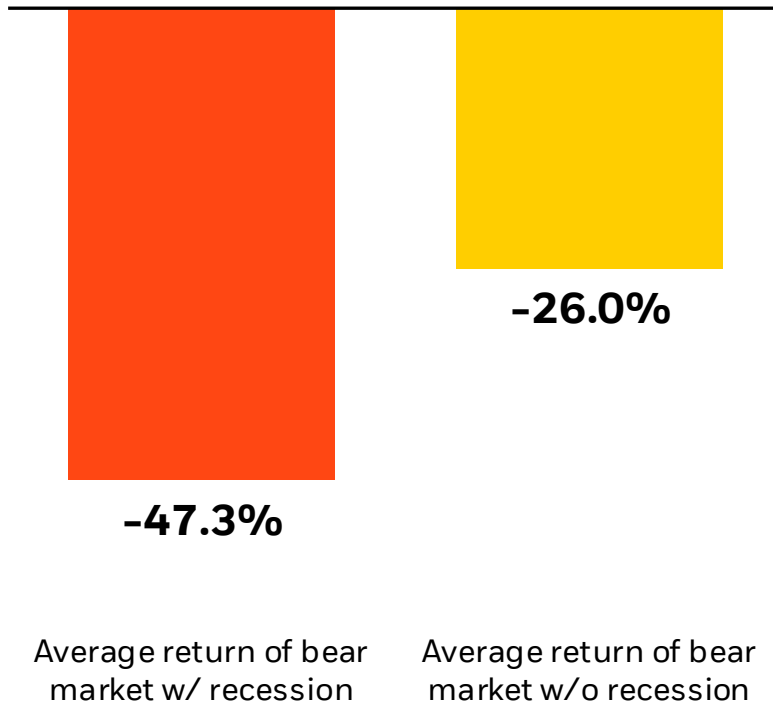
Source: Morningstar as of 9/30/22. U.S. stocks are represented by the S&P 500 Index from 3/4/57 to 9/30/22 and the IASBBI US Lrg Stock Tr USD Index from 1/1/26 to 3/4/57, unmanaged indexes that are generally considered representative of the U.S. stock market during each given time period. **Past performance does not guarantee or indicate future results.** Index performance is for illustrative purposes only. You cannot invest directly in the index.

Bear markets and recessions...

...don't always go hand-in-hand

Average bear market performance with and without a recession

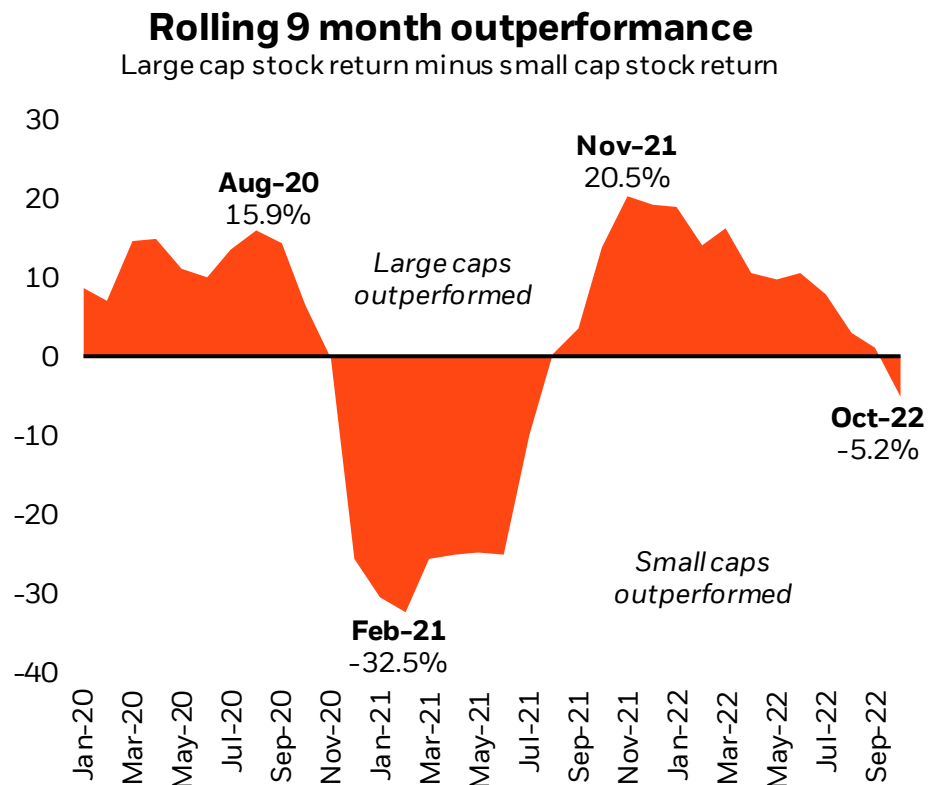
Based on month-end returns since 1929



Recession	Bear market	Bear market loss	
9/1/29 to 3/31/33	9/1/29 to 6/30/32	-83.4%	●
	9/1/32 to 2/28/33	-29.8%	●
6/1/37 to 6/30/38	3/1/37 to 3/31/38	-50.0%	●
None	10/1/39 to 4/30/42	-30.3%	●
3/1/45 to 10/31/45	None		
None	6/1/46 to 11/30/46	-21.8%	●
12/1/48 to 10/31/49	None		
8/1/53 to 5/31/54	None		
9/1/57 to 4/30/58	None		
5/1/60 to 2/28/61	None		
None	1/1/62 to 6/30/62	-22.3%	●
1/1/70 to 11/30/70	12/1/68 to 6/30/70	-29.4%	●
12/1/73 to 3/31/75	1/1/73 to 9/30/74	-42.6%	●
2/1/80 to 7/31/80	None		
8/1/81 to 11/30/82	None		
None	9/1/87 - 11/30/87	-29.6%	●
8/1/90 to 3/31/91	None		
4/1/01 to 11/30/01	9/1/00 to 9/30/02	-44.7%	●
1/1/08 to 6/30/09	11/1/07 to 2/28/09	-51.0%	●
3/1/20 to 4/30/20	None		
TBD	1/1/22 to (ongoing)	-23.9%	
	Average return for all bear markets	-38.2%	

Morningstar, NBER as of 9/30/22. Stocks represented by the IAUS Large Cap TR Index. Bear markets are defined as periods of total return of the index of -20% or fewer. Recessionary periods shown are those defined by NBER. Past performance does not guarantee or indicate future results. Index performance is for illustrative purposes only. You cannot invest directly in the index.

Small caps have outperformed large caps over the last 9 months



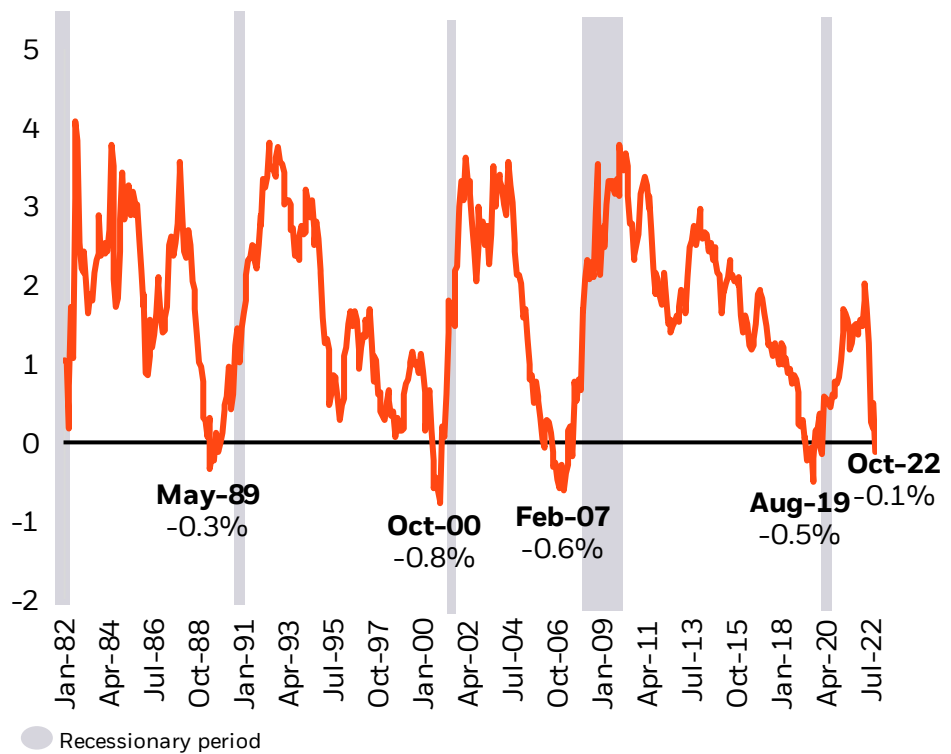
Outperformance after a Bear market
Large cap stock returns minus small cap stock returns, 1-year after a bear market

Start	Finish	Large cap loss	Length (months)	1 year later (Large cap - Small cap)
Aug-29	Jun-32	-83.4%	34	-29.5
Aug-32	Feb-33	-29.8%	6	-197.7
Feb-37	Mar-38	-50.0%	13	2.5
Sep-39	Apr-42	-30.3%	18	-86.1
May-46	Nov-46	-21.8%	6	7.0
Dec-61	Jun-62	-22.3%	6	0.0
Nov-68	Jun-70	-29.3%	19	-10.6
Dec-72	Sep-74	-42.6%	21	-9.8
Aug-87	Nov-87	-29.6%	3	-6.7
Aug-00	Sep-02	-44.7%	25	-12.1
Oct-07	Feb-09	-50.9%	16	-15.9
Dec-21	Ongoing	-23.9%	9	?

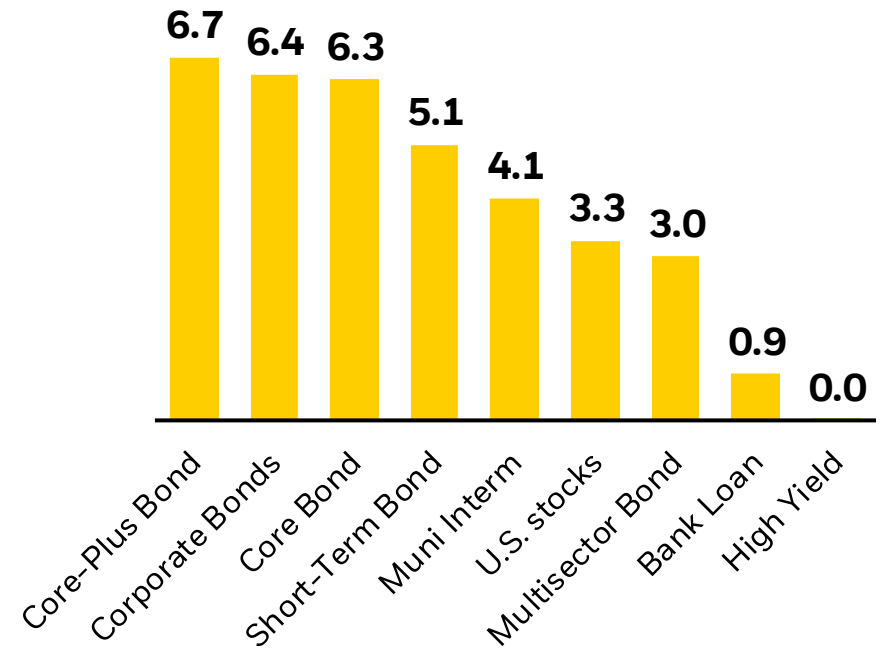
Source: Morningstar as of 10/31/22. U.S. large cap stocks are represented by the S&P 500 Index from 3/4/57 to 10/31/22 and the IASBBI US Lrg Stock Tr USD Index from 1/1/26 to 3/4/57. Small cap stocks are represented by the Russell 2000 index from 1/1/1979 to 10/31/22 and the IA SBBI US Sml Cap Stock USD Index from 1/1/1926 to 12/31/1978. **Past performance does not guarantee or indicate future results.** Index performance is for illustrative purposes only. You can not invest directly in the index.

Most reliable recession indicator is flashing for the first time in October

10-year U.S. Treasury bond yield minus 3-month Treasury bill yield
Last 40 years (since 1/1/82)



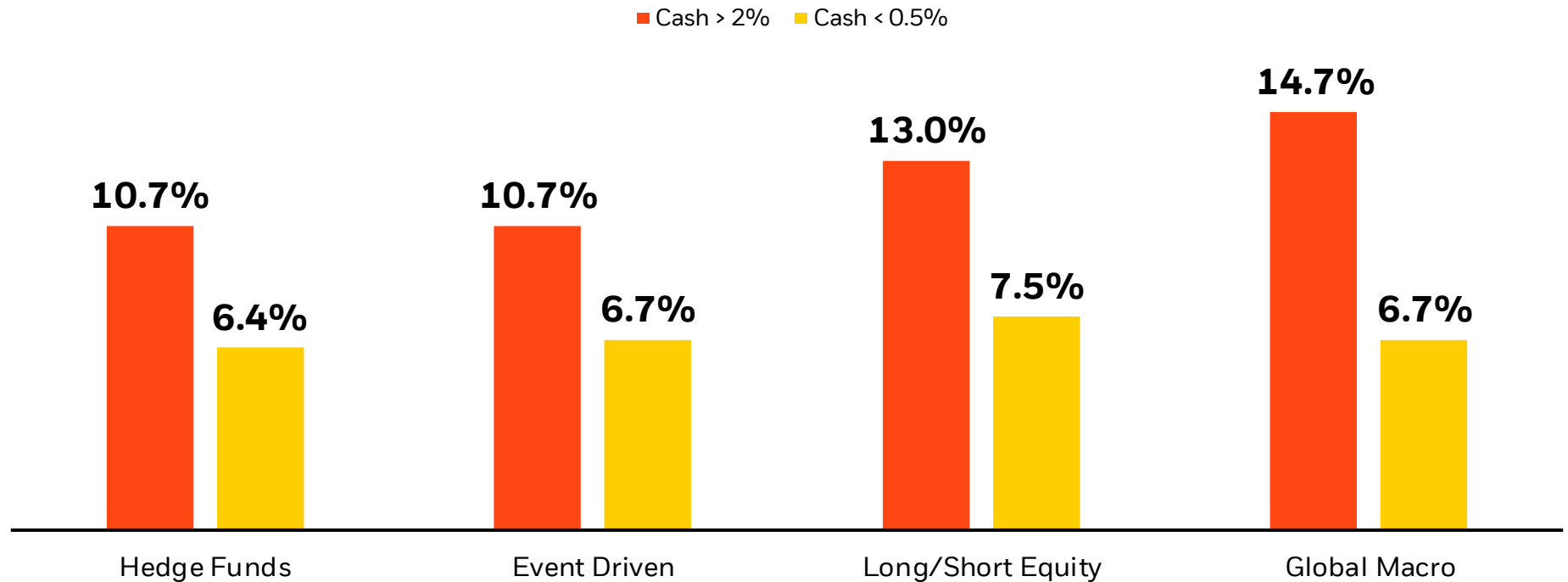
Asset class performance 12 months following an inversion in 10-year/3-month Treasury yields
Average returns since 1982



Source: Morningstar as of 10/31/22. U.S. stocks are represented by the S&P 500 Index. Bond categories shown are represented by their respective Morningstar open-end fund category averages. Past performance does not guarantee or indicate future results. Index performance is for illustrative purposes only. You can not invest directly in the index.

Historically, alternative asset classes do better when the return on “cash” is higher

Alternative index performance in different cash return environments



Source: Morningstar as of 10/31/22. Hedge Funds are represented by the Credit Suisse Hedge Fund Index, Event Driven by the Credit Suisse Event Driven Index, Long Short Equity by the Credit Suisse Long/Short Equity Index and Global Macro by the Credit Suisse Global Macro Index. Past performance does not guarantee or indicate future results.

Student of the Market: November 2022

Returns as of 10/31/22	Total Ret 1 Year	Total Ret 5 Years	Total Ret 10 Years
S&P 500 TR USD	-14.61	10.44	12.79
Credit Suisse Equity Market Neutral USD	-0.28	0.65	1.56
Credit Suisse Event Driven USD	-8.30	3.15	3.60
Credit Suisse Global Macro USD	25.10	10.27	6.33
Credit Suisse Hedge Fund USD	1.08	4.53	4.35
Credit Suisse Long/Short Equity TR USD	-8.88	2.87	4.85
IA SBBI US Large Stock TR USD Ext	-14.61	10.44	12.79
IA SBBI US Small Stock TR USD	-7.93	6.68	11.10
Russell 2000 TR USD	-18.54	5.56	9.93
US Fund Bank Loan	-3.61	1.76	2.61
US Fund Corporate Bond	-18.53	-0.35	1.44
US Fund High Yield Bond	-10.96	1.35	3.22
US Fund Intermediate Core Bond	-15.94	-0.69	0.59
US Fund Intermediate Core-Plus Bond	-16.12	-0.42	0.96
US Fund Multisector Bond	-11.95	0.47	2.03
US Fund Muni National Interm	-11.18	0.22	1.23
US Fund Nontraditional Bond	-7.97	0.50	1.46
US Fund Short-Term Bond	-6.77	0.59	0.89

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