

Student of the Market

April 2021

BlackRock[®]

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Start of the year for stocks and bonds

Anniversary of the 2020 bear market

Smallest stocks are contributing the most

Higher interest rates and stocks

U.S. stocks over the long-term

U.S. bonds over the long-term

A comeback in stock fund flows

Understanding inflation

Source: Morningstar as of 3/31/21. **Past performance is no guarantee of future results.** Index performance is shown for illustrative purposes only. You cannot invest directly in an index.

START OF THE YEAR FOR STOCKS AND BONDS

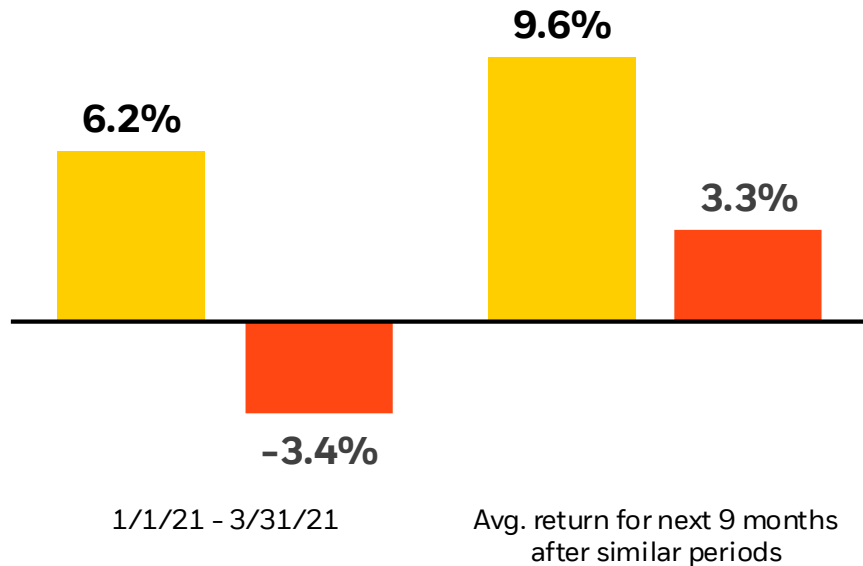
Stocks positive, bonds negative in Q1 2021

Only the 10th time since 1926 that the first 3 months saw stocks positive and bonds negative

Stocks positive and bonds negative to start 2021

(1/1/26 – 3/31/21)

■ U.S. stocks ■ U.S. Bonds



Performance for years in which stocks started positive and bonds negative

(1/1/26 – 3/31/21)

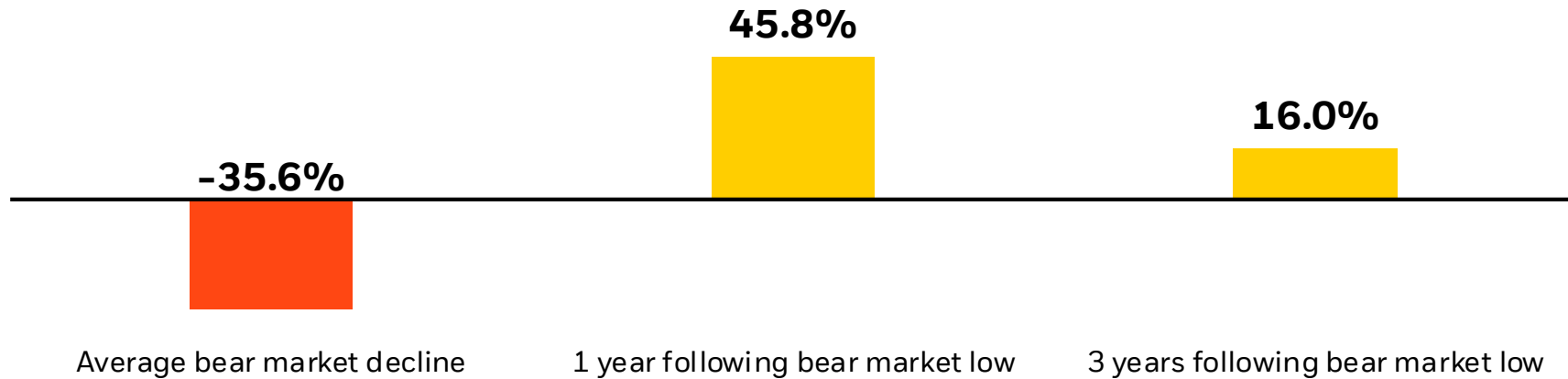
Year	First 3 months		Next 9 months	
	Stocks	Bonds	Stocks	Bonds
2021	6.2%	-3.4%	?	?
1937	5.1%	-1.9%	-38.2%	3.5%
1996	5.4%	-1.8%	16.7%	5.5%
1951	6.4%	-1.0%	16.6%	1.4%
2006	4.2%	-0.6%	11.1%	5.0%
1955	2.7%	-0.6%	28.1%	-0.1%
1997	2.7%	-0.6%	29.9%	10.3%
1999	5.0%	-0.5%	15.3%	-0.3%
1929	5.5%	-0.4%	-13.2%	6.5%
2013	10.6%	-0.1%	19.7%	-1.9%
Avg.	5.4%	-1.1%	9.6%	3.3%

Source: Morningstar as of 3/31/21. U.S. stocks represented by the S&P 500 index from 3/4/57 to 3/31/21 and IA SBBI U.S. largest stock index from 1/1/26 and 3/4/57. U.S. bonds are represented by the IASBBI US Gov IT Index before 1989 and the BbgBarc U.S. Agg Bond TR Index after 1989. Stocks are typically used by investors as a means for capital appreciation, while bonds are typically used by investors as a means to generate income. Indexes shown are composites of individual securities classified by the index provider to be included in each. Costs of investment may vary across strategies, and within strategies depending on investment vehicle used. Markets are volatile and investments made in those markets can and do fluctuate. Investors should not expect historical returns shown to be a guarantee of future expected performance. Investments in stocks and bonds are not FDIC insured. Liquidity may vary based on variations in volume of trading or other factors for each strategy. **Past performance does not guarantee or indicate future results.** Index performance is for illustrative purposes only. You cannot invest directly in the index.

ANNIVERSARY OF THE 2020 BEAR MARKET

Anatomy of bear markets

Since 1950, bear periods include periods down 20% or more



Average bear market decline

1 year following bear market low

3 years following bear market low

A breakdown of bear markets since 1950

	8/2/56	12/11/61	2/9/66	11/27/68	1/11/73	11/28/80	8/25/87	3/23/00	10/9/07	2/19/20	Avg.
Bull market peak	195.7%	85.0%	79.8%	48.1%	71%	125.6%	228%	582.1%	101.5%	400.5%	
Bear market low	-21.6%	-28.0%	-22.2%	-36.1%	-48.2%	-27.1%	-33.5%	-49.1%	-56.8%	-33.8%	-35.6%
# of trading days	306	135	167	369	436	430	71	637	355	23	297
1 yr after	31.0%	32.7%	32.9%	43.7%	38.0%	58.3%	21.4%	29.5%	68.6%	77.8%	45.8%
3 yr after	11.0%	16.7%	8.3%	15.9%	15.8%	22.4%	13.4%	14.4%	26.5%	?	16.0%

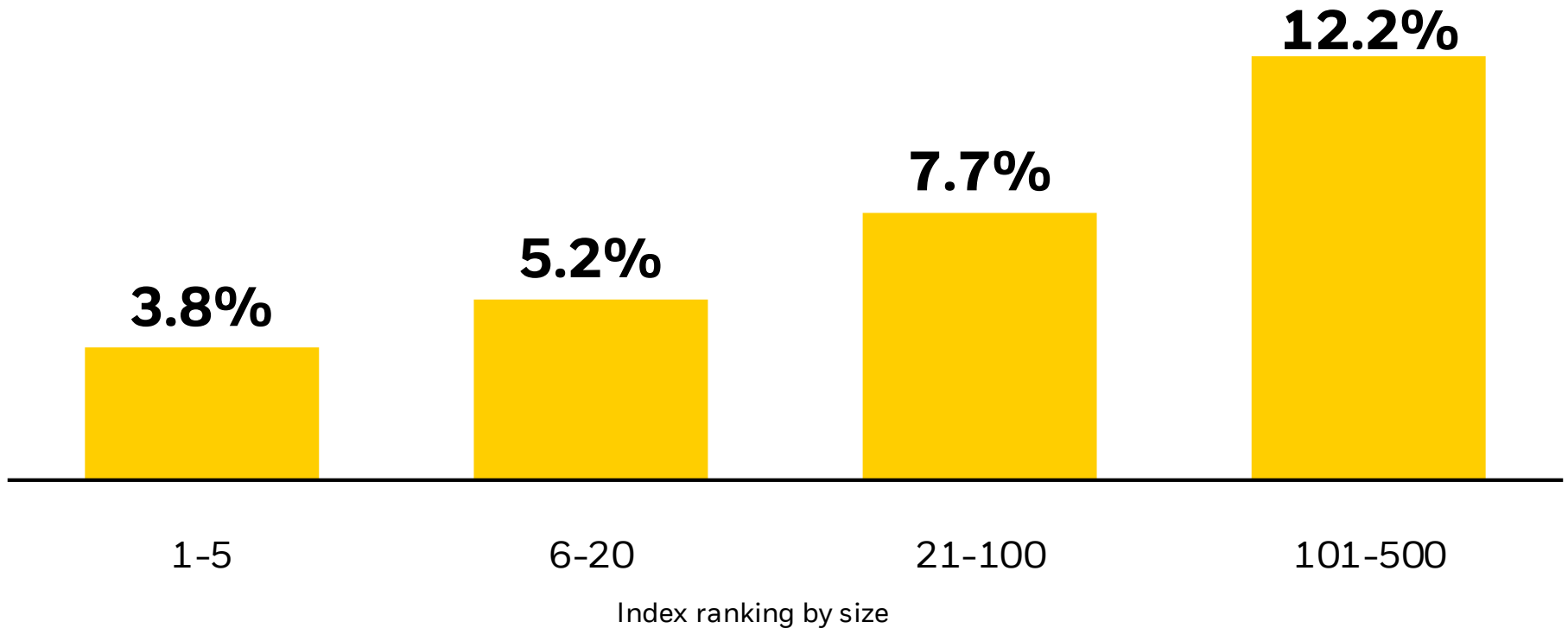
Morningstar as of 3/31/21. Stock market is represented by S&P 500 stocks PR Index. Principal return only, dividends not included. Past performance does not guarantee or indicate future results. Index performance is for illustrative purposes only. You cannot invest directly in the index.

SMALLEST STOCKS ARE CONTRIBUTING THE MOST

Smallest stocks are driving return in 2021

Not all stocks within the S&P 500 are the same

Average performance of individual companies in the S&P 500 index, grouped by market cap
(YTD through 3/31/21)



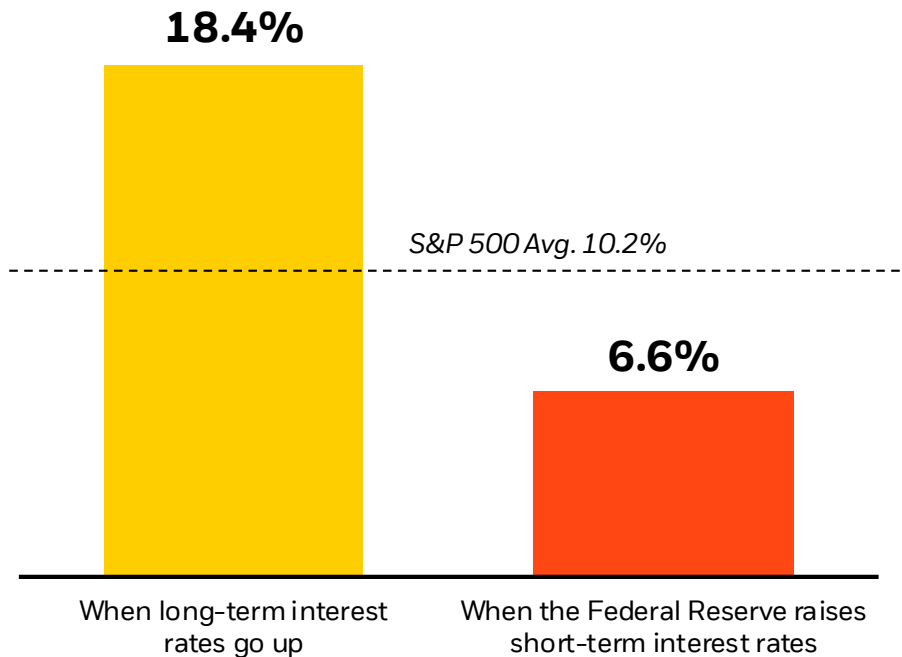
Source: Morningstar as of 3/31/21. Stocks are represented by the individual stocks of the S&P 500 Index, non-voting dual-class shares excluded. **Past performance does not guarantee or indicate future results.** Index performance is for illustrative purposes only. You cannot invest directly in the index.

HIGHER INTEREST RATES AND STOCKS

Stock market and higher interest rates

Higher long-term interest rates have been historically good for stocks, but the Federal Reserve raising short-term rates is more problematic

Average stock market performance when interest rates rise (10/13/93 - 3/31/21)



Specific periods of higher interest rates (10/13/93 - 3/31/21)

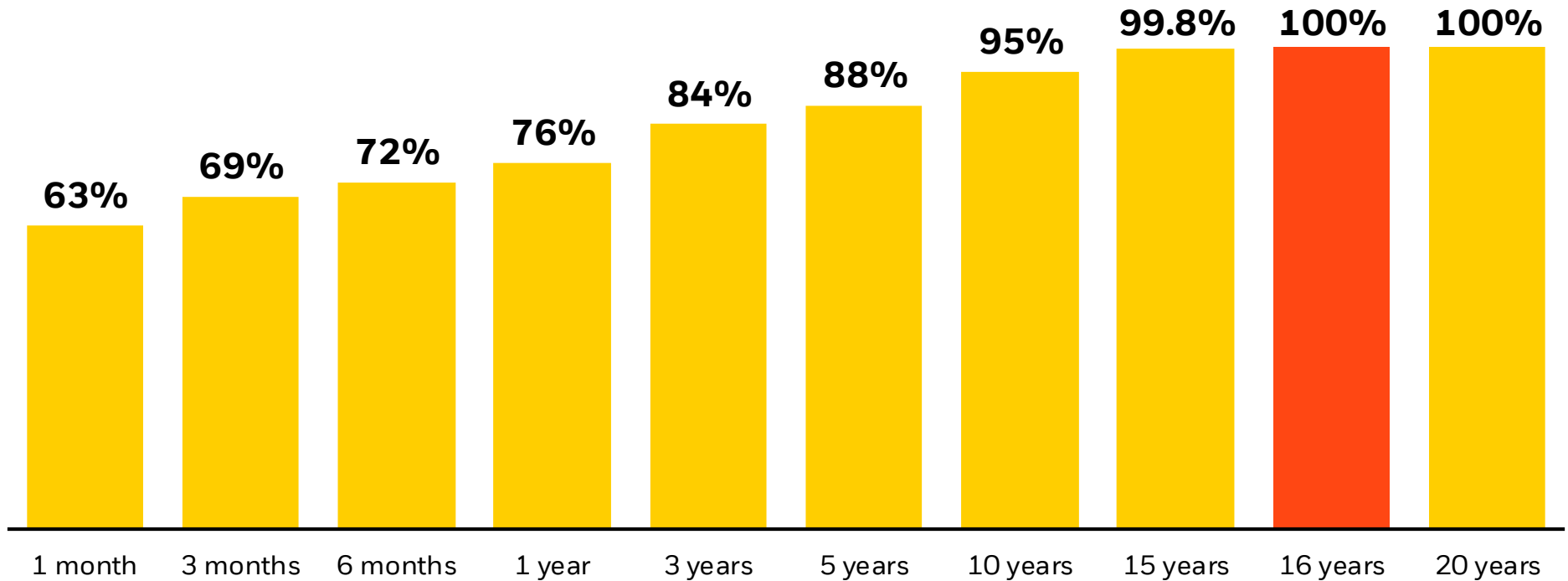
Long-term rising rate period	U.S. stocks	Federal Reserve rising rate period	U.S. stocks
10/13/93 - 11/7/94	1.5%	2/4/94 - 2/1/95	0.7%
1/19/96 - 7/5/96	9.2%	6/30/99 - 5/16/00	9.7%
10/5/98 - 1/21/00	34.0%	6/30/04 - 6/29/06	7.8%
6/14/03 - 6/26/06	10.0%	12/17/15 - 12/20/18	8.2%
12/19/08 - 4/5/10	28.4%	Average	6.6%
7/26/12 - 12/31/13	28.1%		
7/9/16 - 11/8/18	14.8%		
8/5/20 - 3/31/21	21.5%		
Average	18.4%		

Source: Morningstar as of 3/31/21. U.S. stocks are 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.

U.S. STOCKS OVER THE LONG-TERM

U.S. stocks: 100% of 16-year rolling periods have been positive

Percentage of rolling periods that are positive for U.S. stocks
(1/1/26 - 3/31/21)

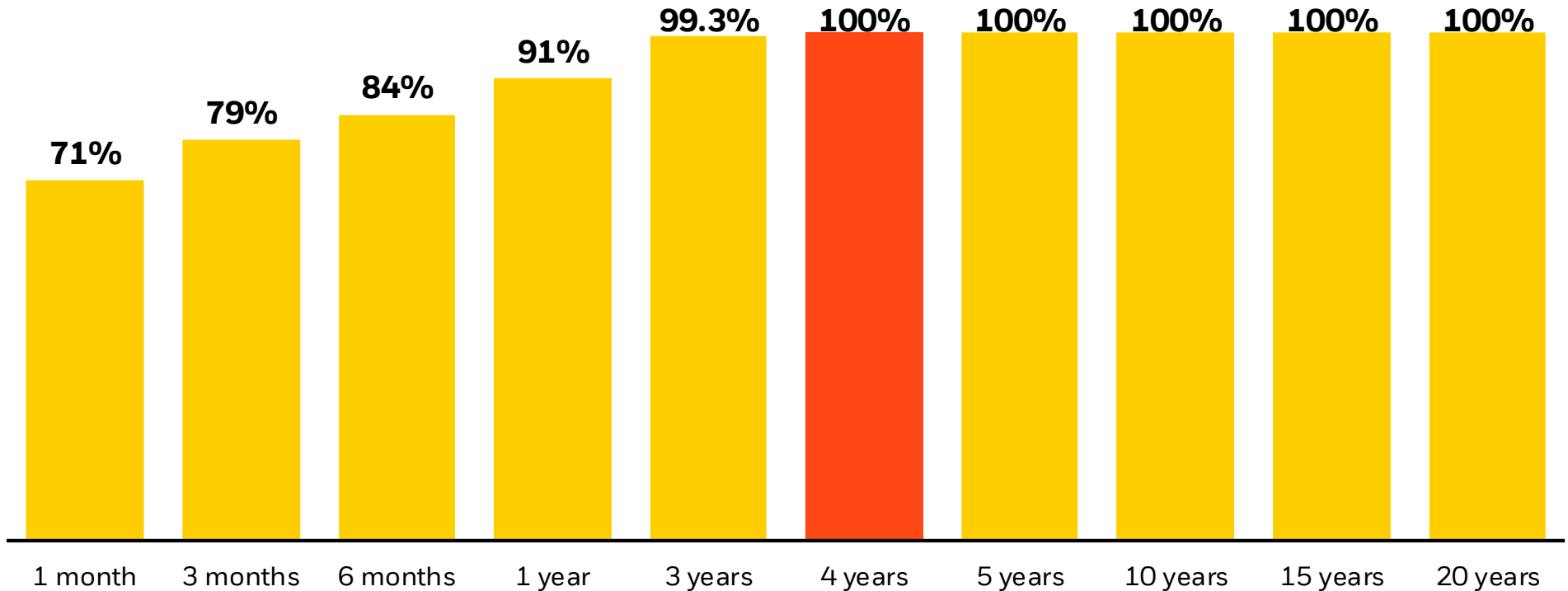


Source: Morningstar as of 3/31/21. U.S. stocks are represented by the S&P 500 index from 3/4/57 to 3/31/21 and the IA SBBI US, large stock index from 1/1/26 to 3/4/57. Past performance does not guarantee or indicate future results. Index performance is for illustrative purposes only. You cannot invest directly in the index.

U.S. BONDS OVER THE LONG-TERM

U.S. bonds: 100% of 4-year rolling periods have been positive

Percentage of rolling periods that are positive for U.S. bonds
(1/1/26 - 3/31/21)



Source: Morningstar as of 3/31/21. U.S. bonds are represented by the IASBBI US GovIT Index before 1989 and theBbgBarc U.S. Agg Bond TR Index after 1989. Past performance does not guarantee or indicate future results. Index performance is for illustrative purposes only. You cannot invest directly in the index.

A COMEBACK IN STOCK FUND FLOWS

Stock fund flows return with a bang

After months of outflows (9 out of 12 months in 2020 had outflows), stock fund flows set an all time record

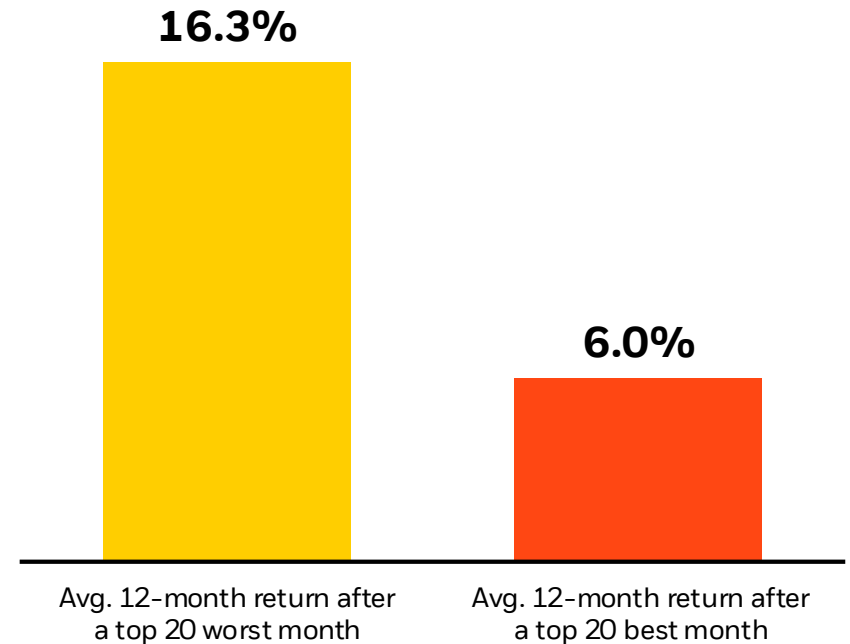
Top 20 months for equity fund flows

(Equity mutual funds and ETFs, 2/1/93 – 2/28/21)

Month	Equity Funds Flows	Stocks next 12 mo.
Feb-21	\$76.4B	?
Jan-18	\$68.4B	-2.3%
Jan-13	\$66.4B	21.5%
Nov-20	\$61.5B	?
Jul-13	\$57.5B	16.9%
Oct-13	\$54.6B	17.3%
Feb-00	\$51.6B	-8.2%
Dec-07	\$49.6B	-37.0%
Dec-14	\$45.6B	1.4%
Feb-17	\$43.3B	17.1%
Dec-13	\$42.4B	13.7%
Apr-00	\$38.8B	-13.0%
Nov-13	\$38.6B	16.9%
Jan-04	\$38.6B	6.2%
Dec-16	\$37.8B	21.8%
Sep-13	\$37.2B	19.7%
Nov-14	\$36.6B	2.8%
Mar-15	\$36.5B	1.8%
Jan-00	\$36.2B	-0.9%
Feb-06	\$35.1B	12.0%
Avg	\$47.6B	6.0%

Stock performance following the best and worst months for flows

(Avg. 12-month returns, 2/1/93 – 2/28/21)



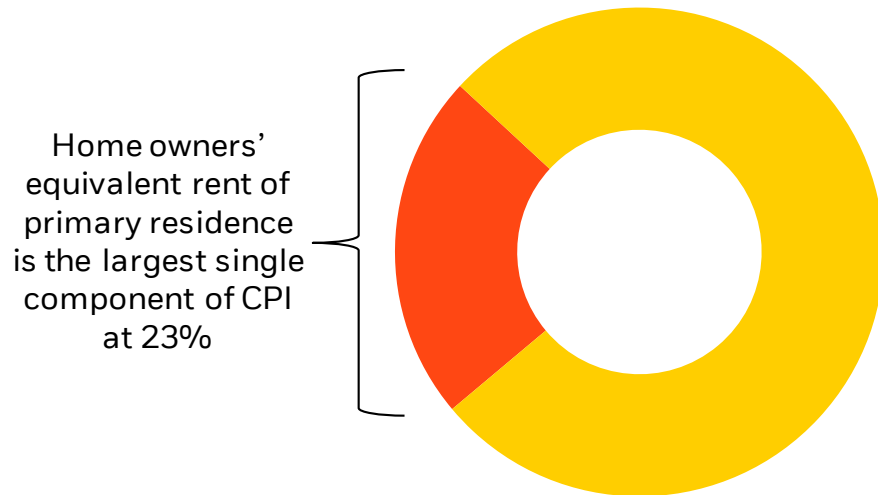
Source: Morningstar as of 3/31/21. U.S. stocks are represented by the S&P 500 index. Equity mutual funds and ETFs are represented by the Morningstar Broad Equity Fund Category. Past performance does not guarantee or indicate future results. Index performance is for illustrative purposes only. You cannot invest directly in the index.

UNDERSTANDING INFLATION

Lower volatility in CPI since 1983

Replacing housing prices with owners' equivalent rent in 1983 has mitigated swings in the CPI

No "housing prices" in the Inflation index



Not seeing recent housing inflation in the CPI: Housing prices have rebounded but rents are trailing pretty dramatically

Year	Home prices	CPI owners' equivalent rent	Difference
2004	13.6%	2.3%	11.3%
2005	13.5%	2.5%	11.0%
2006	1.7%	4.3%	-2.6%
2007	-5.4%	2.8%	-8.2%
2008	-12.0%	2.1%	-14.1%
2009	-3.9%	0.7%	-4.6%
2010	-4.1%	0.3%	-4.4%
2011	-3.9%	1.8%	-5.7%
2012	6.4%	2.1%	4.3%
2013	10.7%	2.5%	10.2%
2014	4.5%	2.6%	1.9%
2015	5.2%	3.1%	2.1%
2016	5.3%	3.6%	1.7%
2017	6.2%	3.2%	3.0%
2018	4.5%	3.2%	1.3%
2019	3.7%	3.3%	0.4%
2020	10.4%	2.2%	8.2%

Source: Bureau of Labor Statistics as of 3/31/21. Home prices represented by S&P/Case-Shiller U.S. National Home Price Index and CPI owner equivalent rent of primary residence. **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 3/31/21	Total Ret 1 Year	Total Ret 5 Years	Total Ret 10 Years
BBgBarc US Agg Bond TR USD	0.71	3.10	3.44
IA SBBI US IT Govt TR USD	0.71	3.10	3.44
IA SBBI US Large Stock TR USD Ext	56.35	16.29	13.91
S&P 500 TR USD	56.35	16.29	13.91

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