

June 2024

Student of the Market

Student of the Market

June 2024

U.S. stocks

Election years and U.S. stocks



Record stock and bond correlation



Tech stocks versus tech funds



Mutual fund capital gains exposure



Bonds

Slow start for bonds



Active bond funds are leading the way



Alternatives and private credit

Alternative funds have improved



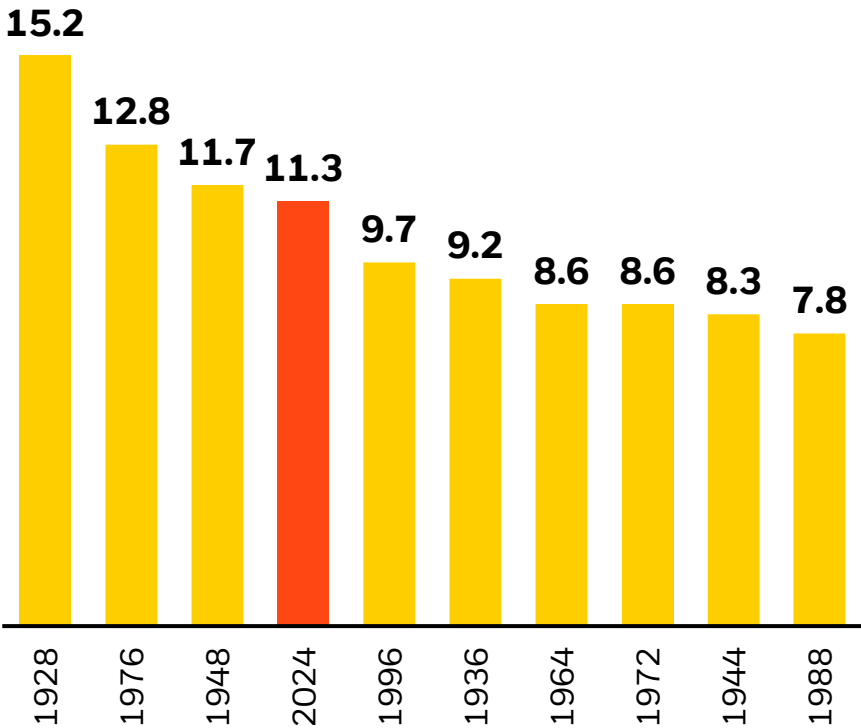
Alternatives and Inflation



4th best start to a year for stocks during an election year

4th best start for stocks during an election year

Since 1926, total return for 1/1- 5/31 each calendar year, %



Stock momentum has historically continued following a positive start in an election year

Since 1926, total return for first 5 months and following 7 months each calendar year, %

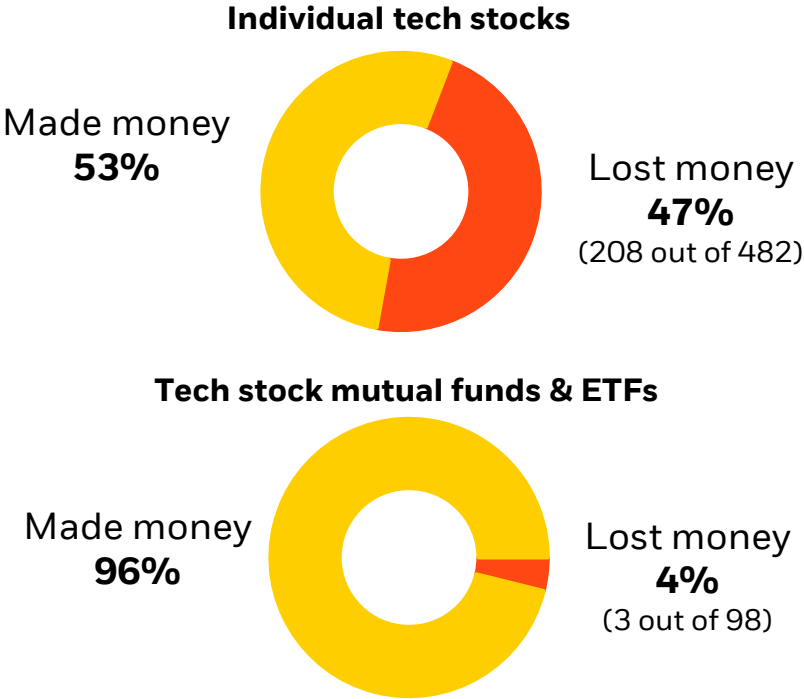
Year	First 5 months	Next 7 months
1928	15.2	24.7
1976	12.8	9.9
1948	11.7	-5.6
2024	11.3	?
1996	9.7	12.1
1936	9.2	22.6
1964	8.6	7.3
1972	8.6	9.6
1944	8.3	10.6
1988	7.8	8.2
1980	5.5	25.6
2012	5.2	10.3
1968	3.8	7.0
2016	3.6	8.1
1952	3.2	14.7
2004	1.5	9.2
1956	1.2	5.2
1992	0.8	6.7
Average	7.1	11.0

Source: Morningstar as of 5/31/24. U.S. stocks are represented by the S&P 500 TR Index from 3/4/57 to 5/31/24 and the IASBBI U.S. Lrg Stock TR USD 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.

Individual tech stocks versus tech mutual funds and ETFs

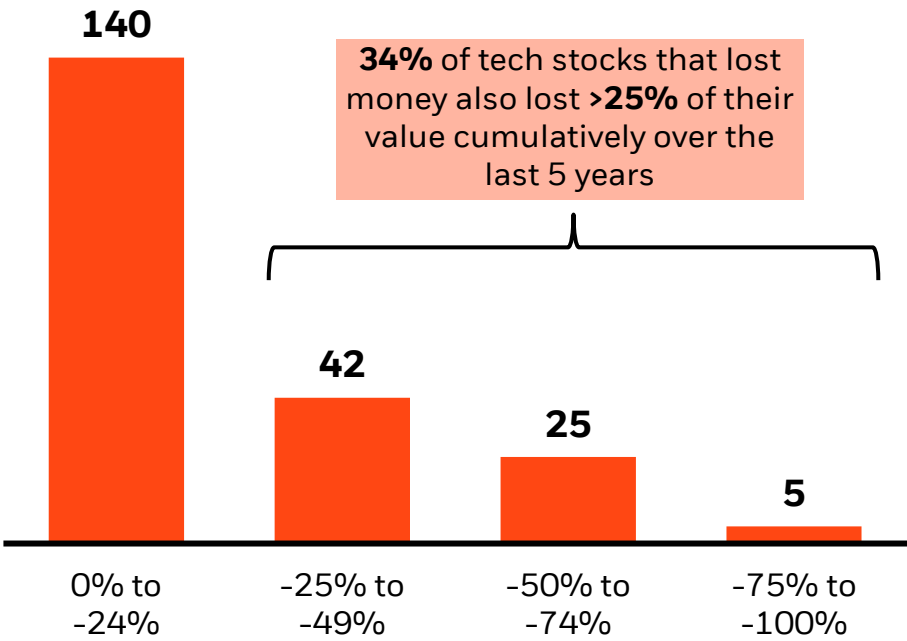
Percentage of investments that made or lost money, last 5 years

Cumulative returns, 6/1/19 – 5/31/24



Number of individual tech stocks that lost money over the last 5 years, grouped by percentage loss

Cumulative returns, 2019 – 2023

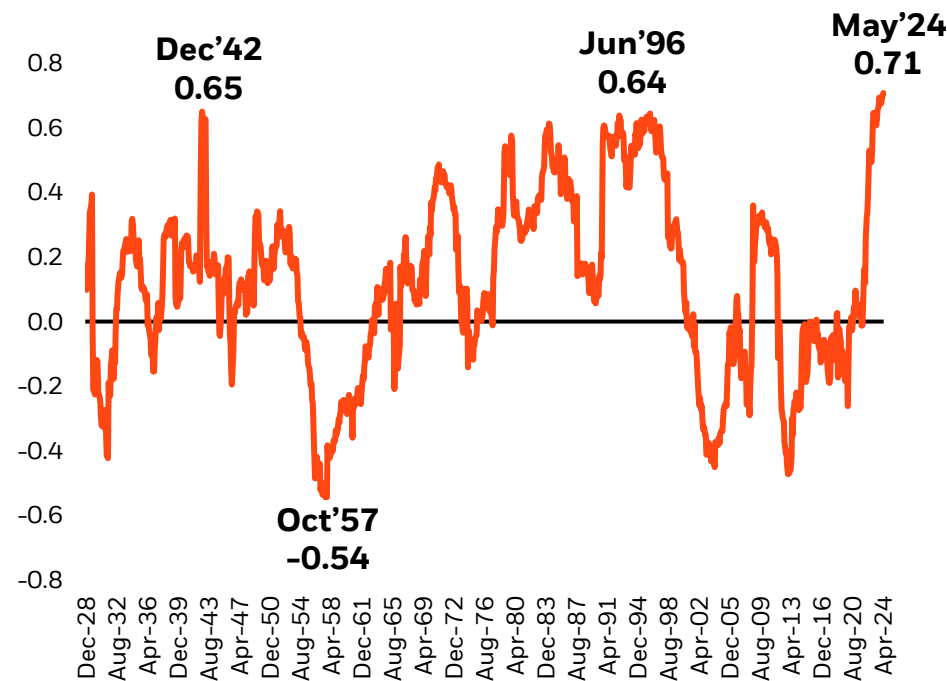


Source: Morningstar as of 5/31/24. **Tech mutual funds & ETFs** are represented by the Morningstar U.S. Equity Technology Category, oldest share class only. **Individual tech stocks** are represented by the Morningstar U.S. Stock Technology category, all securities on the NYSE and NASDAQ. Analysis does not include obsolete mutual funds, ETFs or stocks as defined by Morningstar. **Past performance does not guarantee or indicate future results. Index performance is for illustrative purposes only.** Diversification does not guarantee a profit or protect against a loss in a declining market.

Record stock and bond correlation

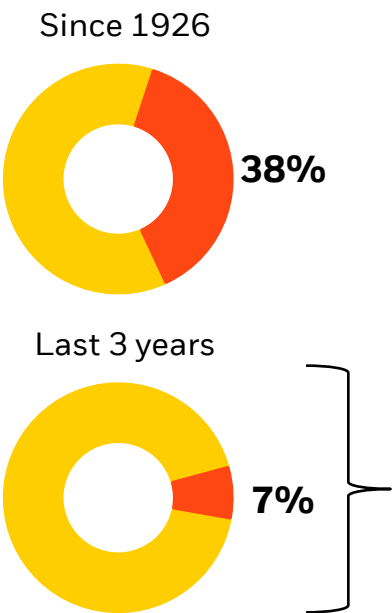
Highest correlation between stocks and bonds in history

3-year rolling correlation, 1/1/26 - 5/31/24



With higher correlations, bonds have provided less effective ballast

Percentage of months when bonds were positive when stocks were negative, 1/1/26 - 5/31/24

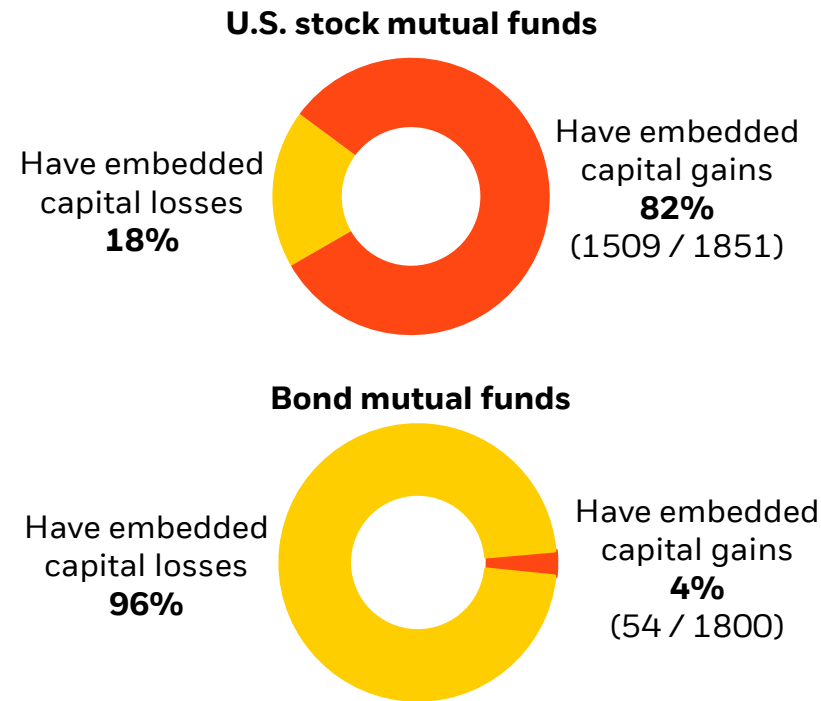


	Bonds	Stocks
Sep-22	-4.32	-9.21
Apr-22	-3.79	-8.72
Jun-22	-1.57	-8.25
Dec-22	-0.45	-5.76
Jan-22	-2.15	-5.17
Sep-23	-2.54	-4.77
Sep-21	-0.87	-4.65
Apr-24	-2.53	-4.08
Aug-22	-2.83	-4.08
Feb-22	-1.12	-2.99
Feb-23	-2.59	-2.44
Oct-23	-1.58	-2.10
Aug-23	-0.64	-1.59
Nov-21	0.30	-0.69

Capital gains exposure is different between stock and bond mutual funds

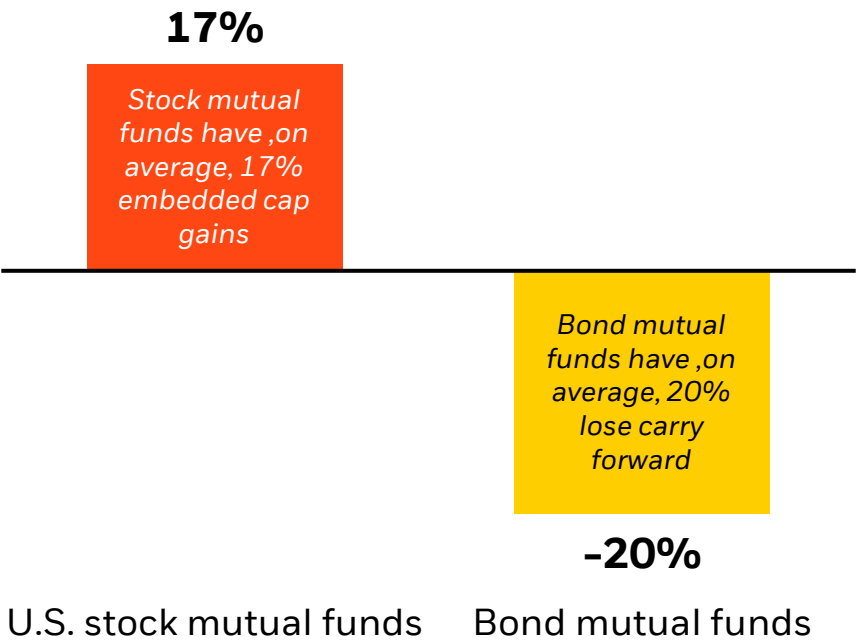
Capital gains exposure of U.S. mutual funds

As of 5/31/24



Average capital gains exposure, stocks versus bond mutual funds

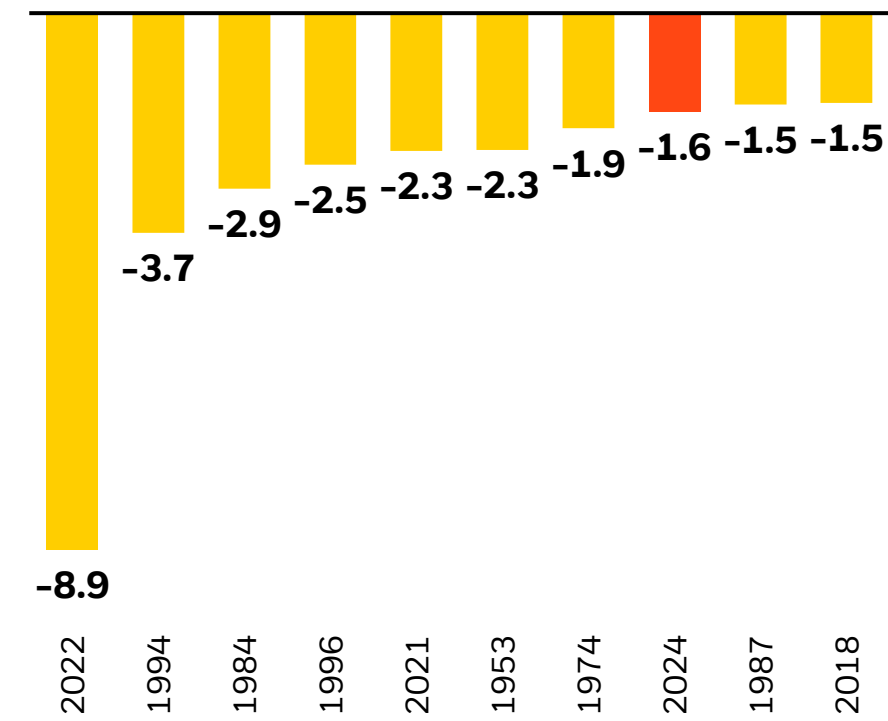
As of 5/31/24



Bonds have performed poorly so far this year

8th worst start to a year for bonds ever

Since 1926, total return for 1/1- 5/31 each calendar year, %



Performance has historically been stronger in the latter part of similar years

Since 1926, returns the next 7 months, %

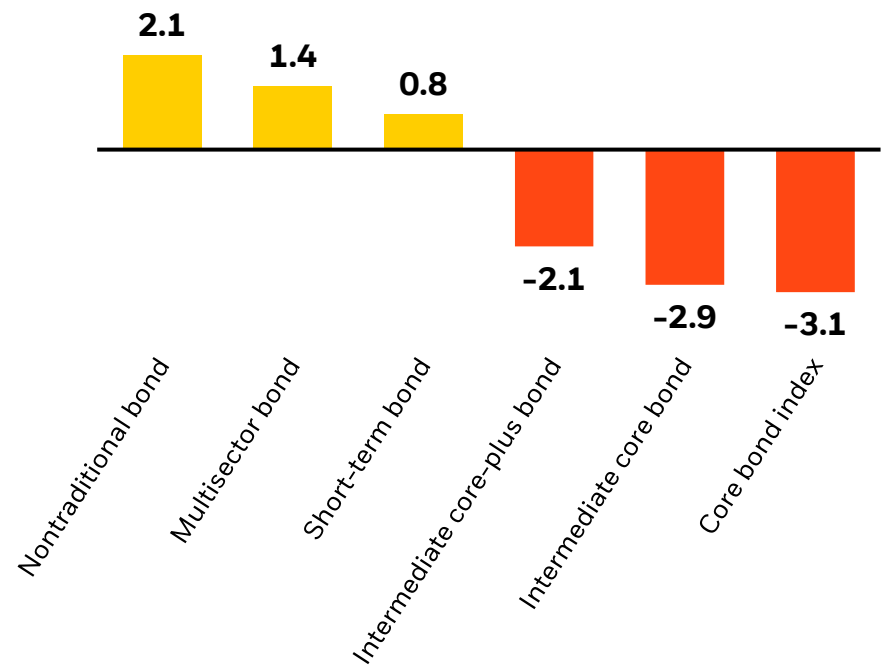
Year	First 5 months	Next 7 months
2022	-8.9	-4.5
1994	-3.7	0.8
1984	-2.9	18.6
1996	-2.5	6.3
2021	-2.3	0.8
1953	-2.3	5.6
1974	-1.9	7.8
2024	-1.6	?
1987	-1.5	4.3
2018	-1.5	1.5
1999	-1.1	0.2
1940	-1.0	4.1
2006	-0.9	5.3
2013	-0.9	-1.1
1951	-0.8	1.2
1937	-0.6	2.2
1955	-0.5	-0.1
2004	-0.4	4.8
1929	-0.2	6.2
Avg	-1.9	3.6

Source: Morningstar as of 5/31/24. 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 5/31/24. Past performance does not guarantee or indicate future results. Index performance is for illustrative purposes only. You cannot invest directly in the index.

An active approach to fixed income has been beneficial since the low in interest rates

Since the low in interest rates, flexible bond categories have outpaced the core bond index

Average annual total return since 8/1/20, %



Active core and core bond plus funds have also outperformed the core bond index

Since the low in interest rates 8/1/20-5/31/24



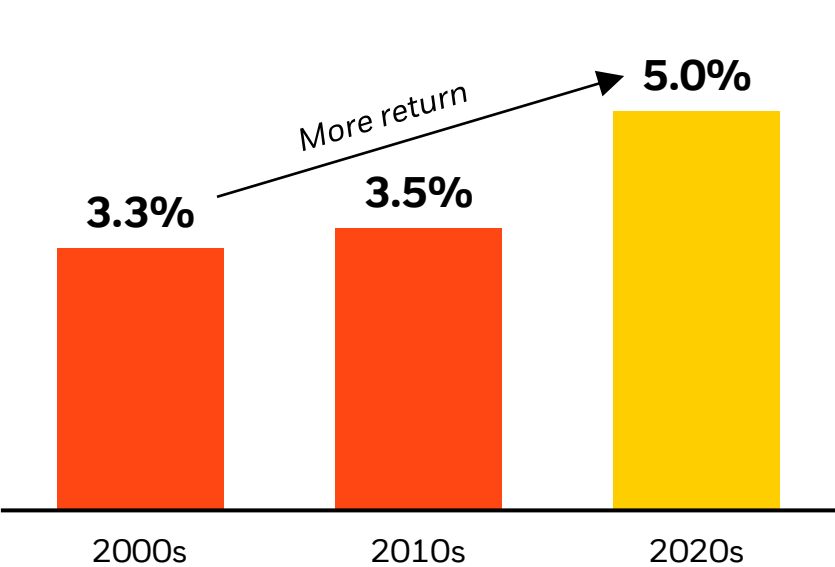
	1 Year	3 Year	5 Year	10 year
% of core and core bond plus funds that outperformed the core bond index	78%	57%	70%	66%

Source: Morningstar as of 5/31/24. Core bond index represented by the Bloomberg U.S. Agg Bond TR Index, Nontraditional bonds represented by the Morningstar nontraditional bond category, multisector bond by the Morningstar nontraditional bond category, short-term bond by the Morningstar short term bond category, intermediate core bonds represented by the Morningstar intermediate core bond category and intermediate core plus bonds represented by the Morningstar intermediate core plus 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.

Are alternative funds better today than in the past?

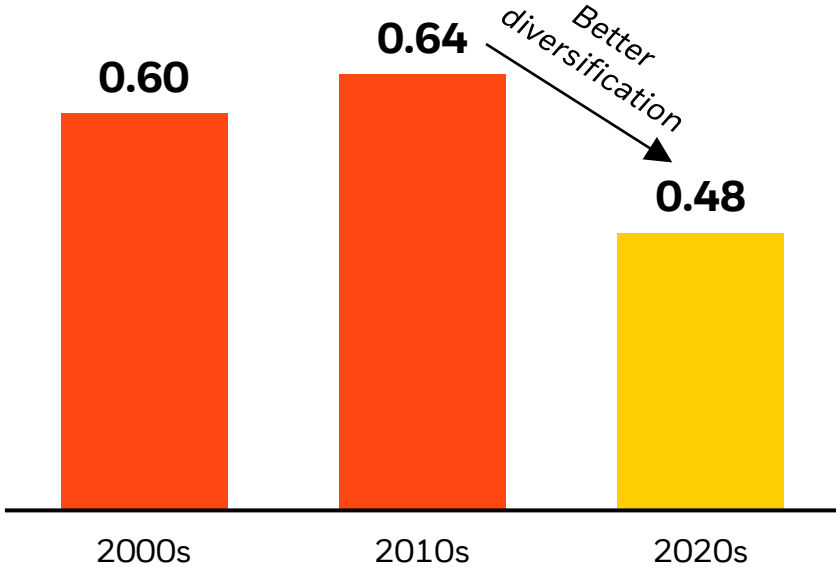
Alternative mutual funds have seen better performance vs. 20+ years ago...

Average annual decade-to-date returns as of 5/31/24



...While correlations to stocks have declined in recent years

Average annual decade-to-date correlation as of 5/31/24

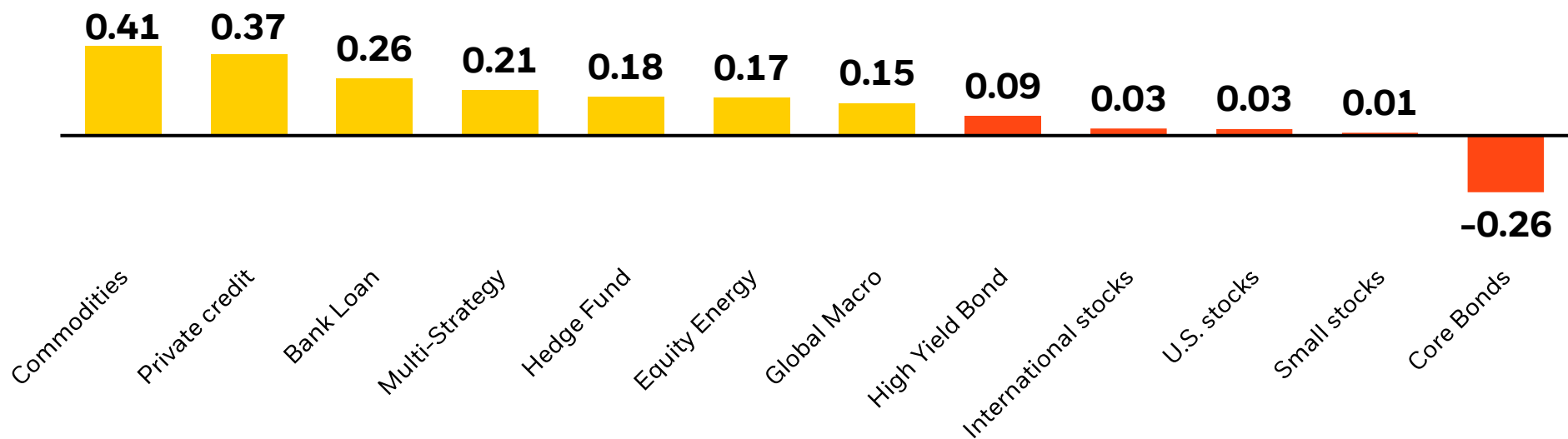


Morningstar as of 5/31/24. Alternative mutual funds are represented by the Morningstar broad alternatives category, oldest share class only. Past performance does not guarantee or indicate future results. Index performance is for illustrative purposes only. You cannot invest directly in the index.

Alternatives and private credit move more with inflation than traditional asset classes

Correlation with inflation

Quarterly returns since 10/1/04 – 3/31/24



Why do alternatives do better when inflation is higher?

Cash returns tend to be higher when inflation is higher. Alternative strategies often use cash to execute their strategies and tend to aim for “cash-plus” return targets.

Source: Morningstar as of 5/31/24. Commodities represented by the S&P GSCI Index. Private credit represented by the Cliffwater direct lending index, Hedge Funds are represented by the Credit Suisse Hedge Fund Index, Multi-strategy Funds are represented by the Credit Suisse Multi-strategy Fund Index, Global macro funds by the Credit Suisse Global Macro Index, Bank Loan funds represented by the Morningstar Bank Loan Fund category, Equity Energy funds represented by the Morningstar Equity Energy Fund category, High Yield Bond funds represented by the Morningstar High Yield bond Fund category, International stocks represented by the MSCI EAFE Index, Small stocks represented by the Russell 200 Index, U.S. stocks represented by the S&P 500 Index, Core Bonds represented by the Bloomberg U.S. Aggregate Bond Index. Index performance is for illustrative purposes only. You cannot invest directly in the index. **Past performance does not guarantee or indicate future results.**

Student of the Market: June 2024

Returns as of 5/31/24	1 Year Return	5 Year Avg Annual Return	10 Year Avg Annual Return
S&P 500 TR USD	28.19	15.80	12.69
Bloomberg US Agg Bond TR USD	1.31	-0.17	1.26
Credit Suisse Global Macro USD	7.83	7.49	5.07
Credit Suisse Hedge Fund USD	11.09	6.13	4.34
Credit Suisse Multi-Strategy USD	12.84	6.08	5.29
IA SBBI US IT Govt TR USD	-0.37	0.21	1.13
IA SBBI US Large Stock TR USD Ext	28.19	15.80	12.69
MSCI EAFE NR USD	18.53	8.05	4.60
Russell 2000 TR USD	20.12	8.61	7.66
S&P GSCI TR USD	18.37	8.91	-3.06
US BLS CPI All Urban NSA 1982-1984	3.36	4.18	2.84
US Fund Bank Loan	12.29	4.21	3.57
US Fund Equity Energy	26.95	11.88	-2.19
US Fund High Yield Bond	10.75	3.80	3.51
US Fund Intermediate Core Bond	1.73	-0.13	1.16
US Fund Intermediate Core-Plus Bond	2.67	0.26	1.41
US Fund Multisector Bond	7.19	2.21	2.53
US Fund Nontraditional Bond	7.43	2.30	2.11
US Fund Short-Term Bond	5.17	1.60	1.58
US Fund Equity Technology	25.20	15.91	16.04
Cliffwater Direct Lending Index as of 12/31/2023	12.13	9.09	8.84

Source: Morningstar as of 5/31/24. **Past performance is no guarantee of future results.** Index performance is shown for illustrative purposes only. You cannot invest directly in an index.

Student of the Market: June 2024

Index Definitions:

- The **S&P 500 TR Index** is an unmanaged index that is generally considered representative of the U.S. stock market on a total return basis. Included are the largest 500 stocks by market cap.
- The **IA SBBI IT US Large Stock TR Index** is an unmanaged index that is generally considered representative of the historical U.S. stock market on a price return basis prior to the inception of the **S&P 500 TR Index** in 1970.
- The **Bloomberg U.S. Agg Bond TR Index** is an unmanaged index that is generally considered representative of the U.S. bond market on a total return basis.
- The **IA SBBI IT Govt TR Index** is an unmanaged index that is generally considered representative of the historical U.S. bond market on a total return basis prior to the inception of the **Bloomberg U.S. Agg Bond TR Index** in 1989.
- The **Credit Suisse Global Macro Index** is a subset of the Credit Suisse Hedge Fund Index that measures the aggregate performance of global macro funds. Global macro funds typically focus on identifying extreme price valuations and leverage is often applied on the anticipated price movements in equity, currency, interest rate and commodity markets. Managers typically employ a top-down global approach to concentrate on forecasting how political trends and global macroeconomic events affect the valuation of financial instruments. Profits can be made by correctly anticipating price movements in global markets and having the flexibility to use a broad investment mandate, with the ability to hold positions in practically any market with any instrument. These approaches may be systematic trend following models, or discretionary.
- The **Credit Suisse Hedge Fund Index** is compiled by Credit Suisse Hedge Index LLC. It is an asset-weighted hedge fund index and includes only funds, as opposed to separate accounts. The index uses the Credit Suisse Hedge Fund Database, which tracks approximately 9,000 funds and consists only of funds with a minimum of US\$50 million under management, a 12-month track record, and audited financial statements. The index is calculated and rebalanced on a monthly basis, and reflects performance net of all hedge fund component performance fees and expenses.
- The **Credit Suisse Multi-Strategy Index** is a subset of the Credit Suisse Hedge Fund Index that measures the aggregate performance of multi-strategy funds. Multi-strategy funds typically are characterized by their ability to allocate capital based on perceived opportunities among several hedge fund strategies. Through the diversification of capital, managers seek to deliver consistently positive returns regardless of the directional movement in equity, interest rate or currency markets. The added diversification benefits may reduce the risk profile and help to smooth returns, reduce volatility and decrease asset-class and single-strategy risks. Strategies adopted in a multi-strategy fund may include, but are not limited to, convertible bond arbitrage, equity long/short, statistical arbitrage and merger arbitrage.
- The **MSCI EAFE NR Index** is an unmanaged index that is generally considered representative of International (Ex-U.S. & Ex-Canada) Developed Market stocks on a net return basis.
- The **Russell 2000 TR Index** is an unmanaged index that is generally considered representative of the 2,000 largest stocks in the entire U.S. stock market on a total return basis.
- **US Fund Bank Loan** is an average of funds within the US Fund Bank Loan category as defined by Morningstar.
- **US Fund Equity Energy** is an average of funds within the US Fund Equity Energy category as defined by Morningstar.
- **US Fund High Yield Bond** is an average of funds within the US Fund High Yield Bond category as defined by Morningstar.
- **US Fund Intermediate Core Bond** is an average of funds within the US Fund Intermediate Core Bond category as defined by Morningstar.
- **US Fund Intermediate Core-Plus Bond** is an average of funds within the US Fund Intermediate Core-Plus Bond category as defined by Morningstar.
- **US Fund Multisector Bond** is an average of funds within the US Fund Multisector Bond category as defined by Morningstar.
- **US Fund Nontraditional Bond** is an average of funds within the US Fund Nontraditional Bond category as defined by Morningstar.
- **US Fund Short-Term Bond** is an average of funds within the US Fund Short-Term Bond category as defined by Morningstar.
- **US Fund Equity Technology** is an average of funds within the US Fund Equity Technology category as defined by Morningstar.
- The **Cliffwater Direct Lending Index** the unlevered, gross of fee performance of U.S. middle market corporate loans, as represented by the asset-weighted performance of the underlying assets of Business Development Companies (BDCs), including both exchange-traded and unlisted BDCs, subject to certain eligibility requirements.

This information is derived from sources that are considered reliable, but BlackRock does not guarantee the veracity, currency, completeness or accuracy of this information.

Student of the Market: June 2024

Important notes:

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 5/31/24 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.

This material is provided for information purposes only and is not intended to be an offer or invitation to anyone to invest in any BlackRock products or services. The information and opinions contained herein are not guaranteed as to accuracy or completeness, and are subject to change without notice.

Past performance is not a guide to future performance.

All financial investments involve an element of risk. Therefore, the value of your investment and the income from it will vary and your initial investment amount cannot be guaranteed.

UNLESS OTHERWISE SPECIFIED, ALL INFORMATION CONTAINED IN THIS DOCUMENT IS CURRENT AS OF 5/31/24.

©2024 BlackRock, Inc or its affiliates. All Rights Reserved. **BlackRock** is a trademark of BlackRock, Inc. or its affiliates. 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. This material is provided for educational purposes only. BlackRock is not affiliated with any third party distributing this material.