

April 2024

Student **of the Market**

BlackRock

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Market recap

1st quarter stock market returns



U.S. stocks positive and bonds negative



Stocks

Stock returns following a Federal Reserve rate cut



U.S. stock sectors and Presidents



Bonds and alternatives

Cash versus bonds



Bond bear markets



Bond correlation with stocks



Alternatives when correlations are high



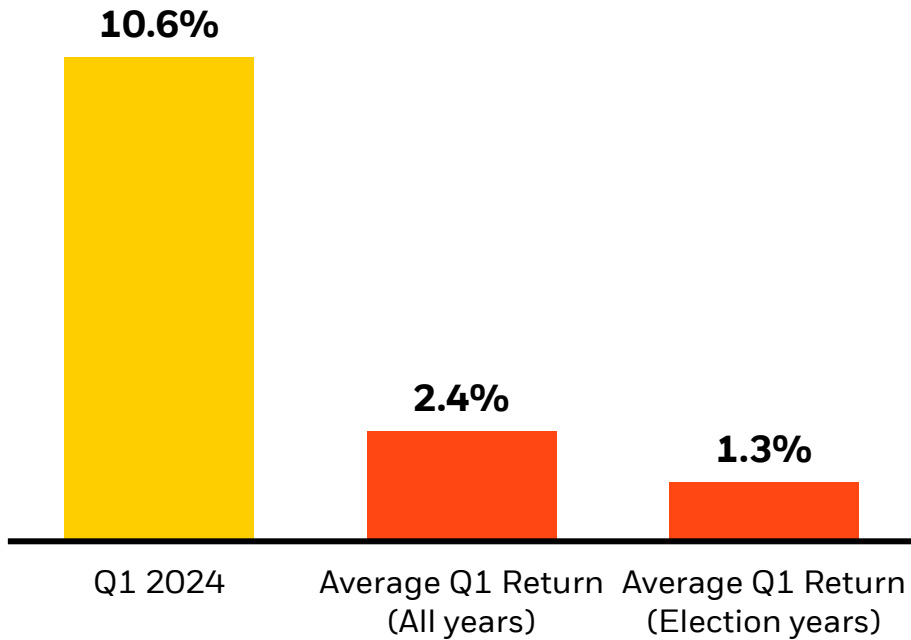
Source: Morningstar as of 3/31/24. **Past performance is no guarantee of future results.** Index performance is shown for illustrative purposes only. You cannot invest directly in an index.

15th best start to a year for stocks

Strong momentum to start the year has historically carried through to the rest of the year

1st quarter performance

Average quarterly return for given calendar years since 1926



Best 1st quarters since 1926

Periods of 10% or more return for stocks in Q1 and performance over next 9 months of calendar year, since 1926

Year	Q1	Next 9 mo.
1975	23.0	11.6
1987	21.4	(13.3)
1943	19.8	5.1
1930	18.0	(36.4)
1976	15.0	7.8
1991	14.5	13.9
1986	14.1	4.0
1998	13.9	12.8
2019	13.6	15.7
1967	13.2	9.5
1961	12.8	12.5
2012	12.6	3.0
1936	12.0	19.6
2013	10.6	19.7
2024	10.6	?
1983	10.0	11.4
1954	10.0	38.8
Avg	14.4	8.5

Only 2 out of 15 years (13%) were negative following 3-month starts to a year that were 10% or greater

Source: Morningstar as of 3/31/24. U.S. stocks are represented by the S&P 500 TR Index from 3/4/57 to 3/31/24 and the IASBBI U.S. 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 can not invest directly in the index.

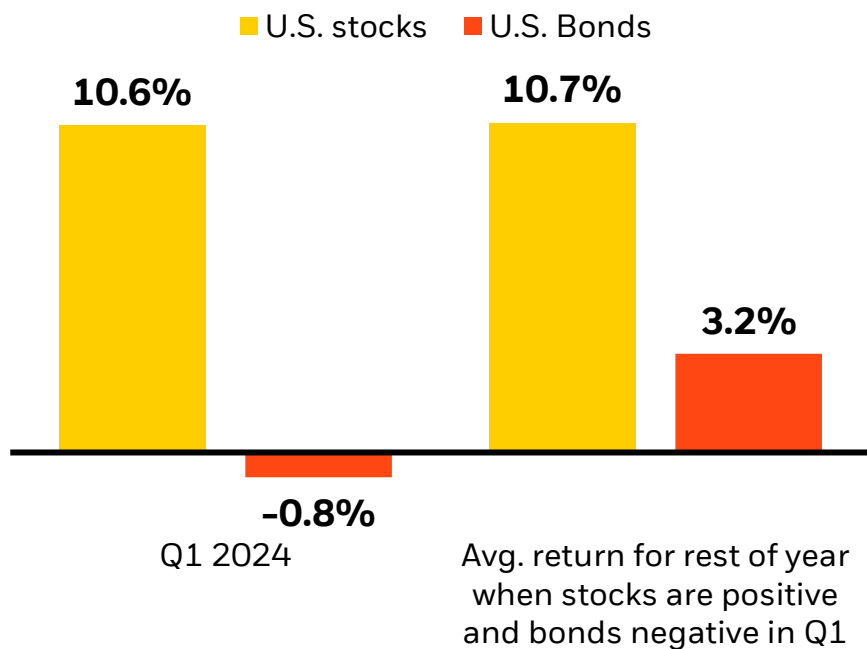
U.S. STOCKS POSITIVE AND BONDS NEGATIVE

Stocks positive, bonds negative in Q1 2024

Only the 11th time since 1926 that the first 3 months saw stocks positive and bonds negative (11 of 99 years)

Stocks positive and bonds negative to start 2024

1/1/26 – 3/31/24



Performance for years in which stocks started positive and bonds negative

1/1/26 – 3/31/24

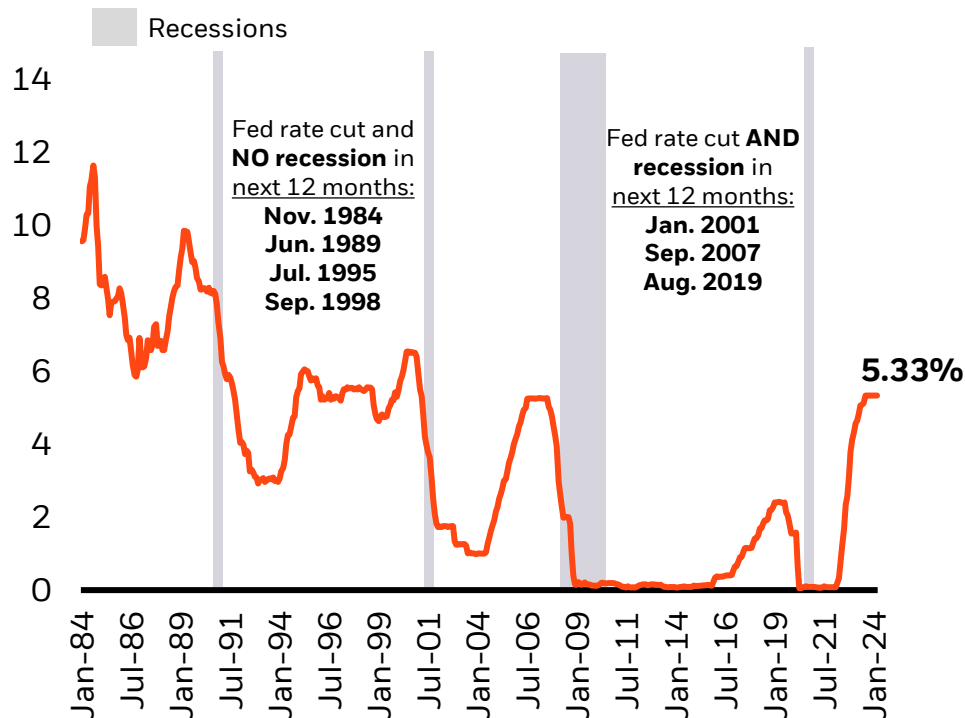
Year	Q1		Next 9 months	
	Stocks	Bonds	Stocks	Bonds
2024	10.6%	-0.8%	?	?
2021	6.2%	-3.4%	21.2%	1.9%
1937	5.1%	-1.9%	-38.2%	3.5%
1996	5.4%	-1.8%	16.7%	5.5%
1951	6.4%	-1.0%	16.6%	1.4%
2006	4.2%	-0.6%	11.1%	5.0%
1955	2.7%	-0.6%	28.1%	-0.1%
1997	2.7%	-0.6%	29.9%	10.3%
1999	5.0%	-0.5%	15.3%	-0.3%
1929	5.5%	-0.4%	-13.2%	6.5%
2013	10.6%	-0.1%	19.7%	-1.9%
Avg.	5.6%	-1.1%	10.7%	3.2%

Source: Morningstar as of 3/31/24. U.S. stocks represented by the S&P 500 index from 3/4/57 to 3/31/24 and IA SBBI U.S. large stock index from 1/1/26 and 3/4/57. U.S. bonds are represented by the IA SBBI US Gov IT Index from 1/1/26 to 1/3/89 and the Bloomberg U.S. Agg Bond TR Index from 1/3/89 to 3/31/24. **Past performance does not guarantee or indicate future results.** Index performance is for illustrative purposes only. You cannot invest directly in the index.

A Fed rate cut that doesn't result in recession has been good for stocks historically

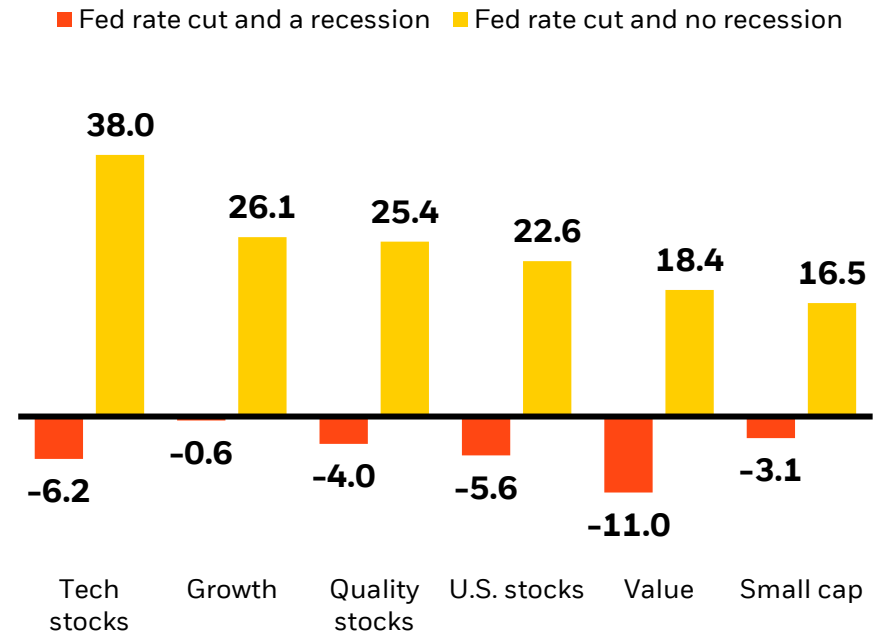
Federal funds rate and recessions

Effective Fed Funds rate and recession dates (1/1/84 – 2/29/24)



Stocks have benefited when rate cuts don't coincide with a recession in the following 12 mo.

Average 1-year returns after first cut of Fed cycle (1/1/84 – 3/31/24)



Source: Morningstar, Federal Reserve, NBER as of 3/31/24. U.S. stocks represented by the S&P 500 TR Index. Tech stocks by the Morningstar technology stock category average, Growth stocks by the Russell 100 growth index, Value by the Russell 1000 value index, Small cap stocks represented by the Russell 2000 index, Quality stocks by the MSCI USA sector neutral NR index from 1/1/2001 to 3/31/2024 and the MSCI USA quality NR index from 11/1/1984 to 12/31/2000. **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. stock sectors by president

Key trends:

- 1** Technology has remained in the top 2 sectors for 4 of the past 5 presidencies.
- 2** Both Biden’s and Bush’s top performing sector was Energy.
- 3** The top 3 performing sectors were the same under Obama and Trump, as well as the worst (Energy).

Sector performance

Average annual return for length of presidency, each sector of the S&P 500

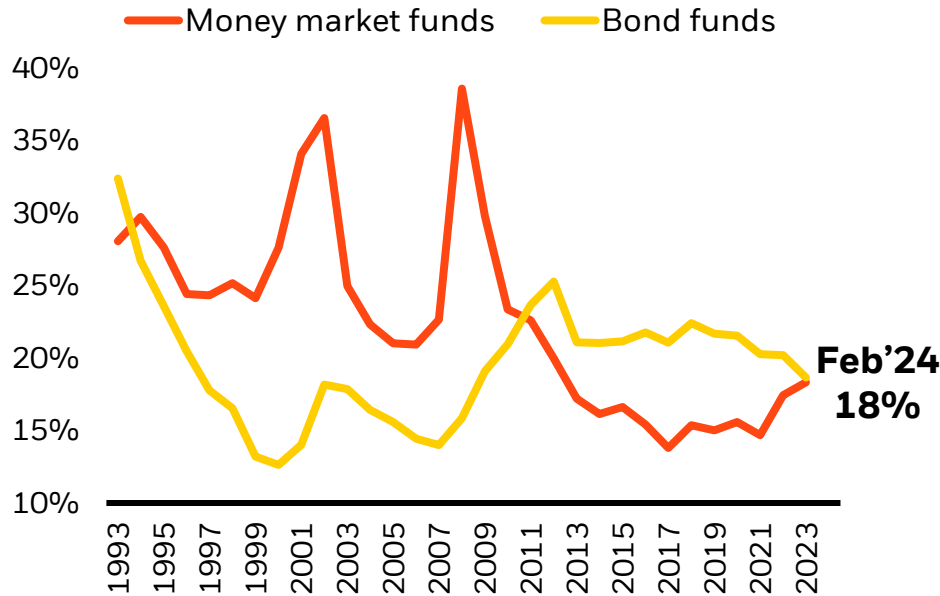
Clinton	Bush	Obama	Trump	Biden
Info. Technology 30.3%	Energy 9.9%	Consumer Disc. 18.6%	Info. Technology 26.8%	Energy 47.2%
Financials 22.4%	Materials 6.6%	Info. Technology 16.4%	Consumer Disc. 18.6%	Info. Technology 21.9%
Health Care 21.8%	Cons. Staples 4.2%	Health Care 14.2%	Health Care 12.7%	Financials 19.2%
Industrials 18.5%	Utilities -0.1%	Cons. Staples 12.8%	Utilities 9.9%	Industrials 16.2%
Energy 16.0%	Industrials -1.0%	Industrials 12.7%	Materials 9.9%	Materials 12.7%
Comm. Services 15.1%	Health Care -2.2%	Real Estate 12.7%	Comm. Services 9.1%	Health Care 12.5%
Consumer Disc. 14.0%	Consumer Disc. -2.3%	Utilities 10.9%	Industrials 8.5%	Comm. Services 11.9%
Utilities 13.4%	Financials -4.4%	Materials 10.1%	Cons. Staples 7.4%	Cons. Staples 9.2%
Cons. Staples 13.0%	Comm. Services -5.1%	Comm. Services 9.5%	Financials 6.8%	Consumer Disc. 7.4%
Materials 6.6%	Info. Technology -8.7%	Financials 7.2%	Real Estate 6.5%	Real Estate 6.9%
		Energy 5.0%	Energy -16.4%	Utilities 3.8%

Source: Morningstar as of 3/31/24. Technology represented by the S&P 500 information technology sector index, Health care represented by the S&P 500 health care sector index, Financials represented by the S&P 500 financial sector index, Industrials represented by the S&P 500 industrial sector index, Materials represented by the S&P 500 materials sector index, Consumer discretionary represented by the S&P 500 consumer discretionary sector index, Communication services represented by the S&P 500 communication services sector index, Real estate represented by the S&P 500 real estate sector index and Consumer staples represented by the S&P 500 consumer staples sector index. **Past performance does not guarantee or indicate future results.** Index performance is for illustrative purposes only. You cannot invest directly in the index. Clinton period is from 11/4/1992 to 12/13/2000, Bush time period from 12/14/2004 to 11/4/2008, Obama time period from 12/14/2008 to 11/8/2016 and Trump time period from 11/9/2016 to 11/3/2020. Biden period is from 11/4/2020 to 3/31/24.

Bond buy signal: Money market fund assets set to overtake bond fund assets

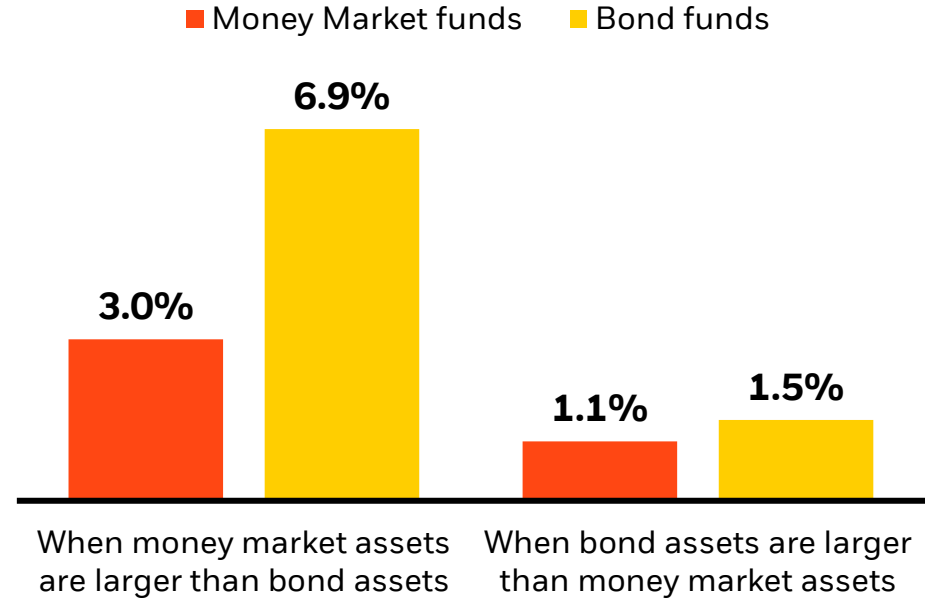
Money market and bond MF/ETF assets are both sitting at \$6.1T

Percentage of total industry assets of \$33.8T, as of 2/29/24



Performance following periods when money market or bond fund asset are greater

Following 12-month performance for each scenario (1/1/93 - 2/29/24)



Source: Morningstar as of 2/29/24. Money market funds represented by the Taxable Money Market fund category as defined by Morningstar. Bonds funds represented by Morningstar Broad U.S. Fixed Income fund category group. Index performance is for illustrative purposes only. You cannot invest directly in the index. Past performance does not guarantee or indicate future results.

Longest bond bear market in history

Active and flexible bond funds have outperformed during the longest bond bear in history

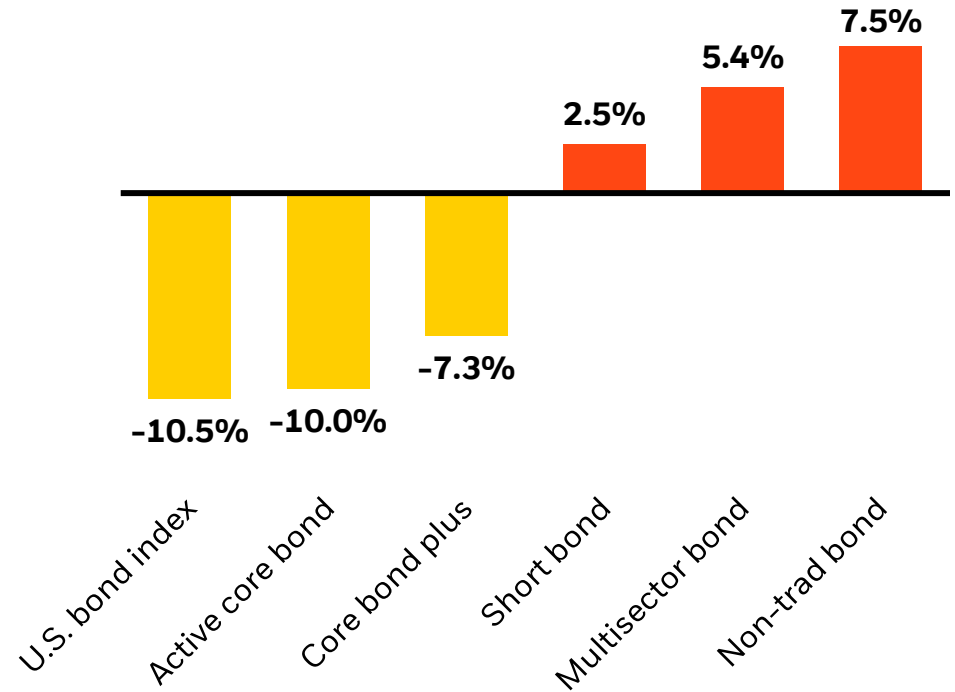
Largest drawdowns for the core bond index

1/1/26 - 3/31/24

Start (peak)	End of bear	# of months	Max drawdown
July 2020	?	44	-17.2% <i>(currently -10.5%)</i>
May 1958	March 1960	21	-5.2%
June 1980	November 1981	16	-9.0%
August 1954	January 1956	16	-2.0%

Performance during current bond bear market

8/1/20 - 3/31/24



Source: Morningstar as of 3/31/24. U.S. core bonds represented by the Bloomberg U.S. Agg Bond TR Index, Active core bonds by the Morningstar active core bond category average, Core bond plus by the Morningstar core bond plus category average, Short bonds by the Morningstar short bond category average, Multisector bond by the Morningstar multisector category average and Non-traditional bonds by the Morningstar non-traditional bond category average. Index performance is for illustrative purposes only. You cannot invest directly in the index. **Past performance does not guarantee or indicate future results.**

Stock and bond correlations highest in history

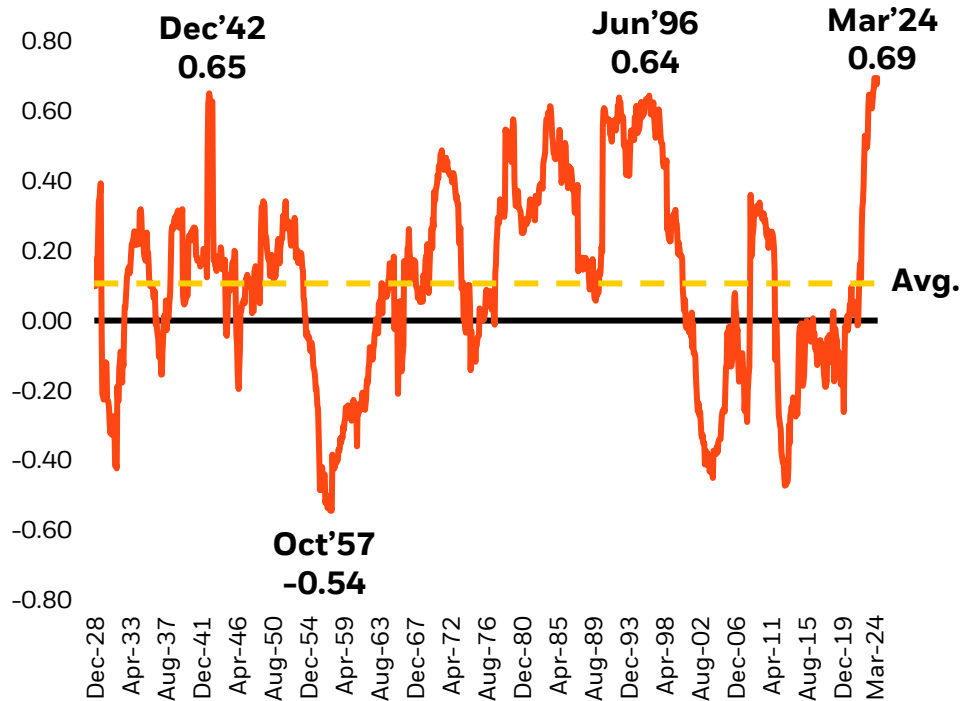


Stock/bond correlation:

This indicates the strength and direction between returns in stock and bond markets. The value will range between -1 and 1. A value of 1 indicates that both markets' returns move perfectly in-sync, and -1 indicates that both markets' returns move perfectly opposite from each other in both direction and level. A correlation value of 0 indicates that returns move independently of each other.

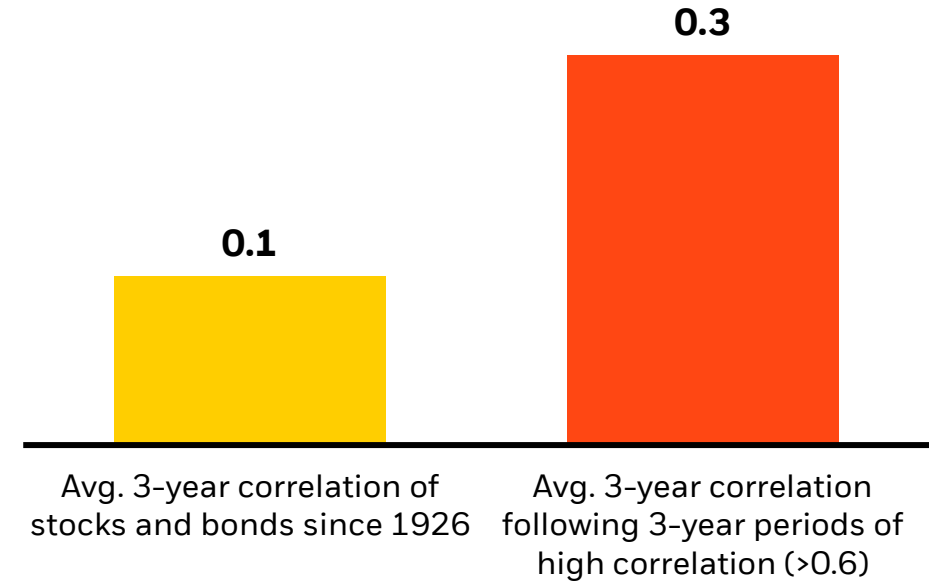
3-year rolling correlation of stocks and bonds is currently the highest in history

(1/1/1926-3/31/2024)



After high periods of correlation, the relationship has come down but still remained above average

Average 3-year correlation 1/1/26- 3/31/24

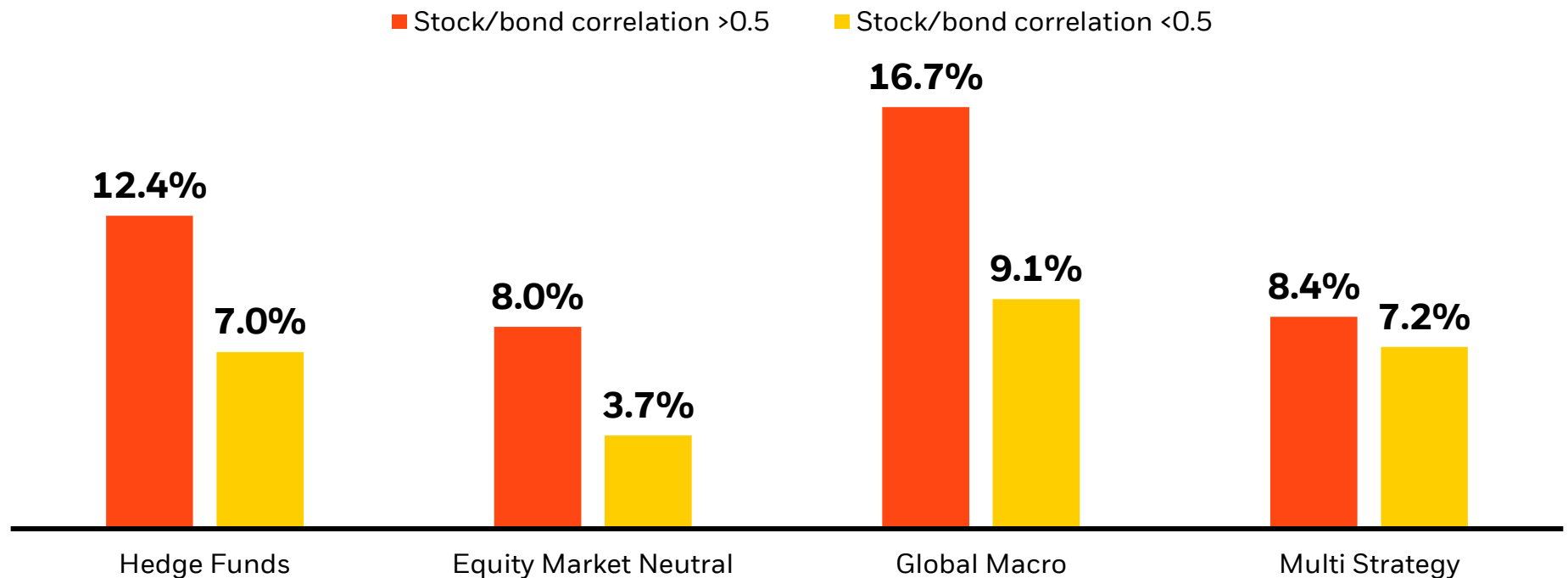


Source: Morningstar as of 3/31/24. Money market funds represented by the Taxable Money Market fund category as defined by Morningstar. U.S. core bonds represented by the Bloomberg U.S. Agg Bond TR Index. Index performance is for illustrative purposes only. You cannot invest directly in the index. Past performance does not guarantee or indicate future results.

Alternative asset classes do better historically when stock and bond correlations are higher

Alternative index performance in different stock and bond correlation environments

3-year performance and correlation data since 1/1/94 – 2/29/24



Why do alternatives do better when stock/bond correlations are higher?

Cash returns tend to be higher when correlations are higher, and cash returned 3% when correlations were >0.5 and only 1.9% when correlations were <0.5. Alternative strategies often use cash to execute their strategies and tend to aim for “cash-plus” return targets.

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Returns as of 3/31/24	1 Year Return	5 Year Avg Annual Return	10 Year Avg Annual Return
S&P 500 TR USD	29.88	15.05	12.96
Bloomberg US Agg Bond TR USD	1.70	0.36	1.54
Credit Suisse Equity Market Neutral USD	8.20	3.57	1.77
Credit Suisse Global Macro USD	-0.41	7.55	4.77
Credit Suisse Hedge Fund USD	8.57	6.25	4.08
Credit Suisse Multi-Strategy USD	10.15	6.01	4.95
IA SBBI US IT Govt TR USD	1.99	0.60	1.37
IA SBBI US Large Stock TR USD Ext	29.88	15.05	12.96
MSCI USA Quality NR USD	38.73	16.82	14.65
MSCI USA Sector Neutral Quality NR USD	33.65	14.50	12.44
Russell 1000 Growth TR USD	39.00	18.52	15.98
Russell 1000 Value TR USD	20.27	10.32	9.01
Russell 2000 TR USD	19.71	8.10	7.58
US Active Fund Intermediate Core Bond	2.12	0.42	1.44
US Fund Intermediate Core-Plus Bond	2.91	0.75	1.67
US Fund Money Market - Taxable	4.88	1.71	1.09
S&P 500 Sec/Commun Services TR USD	49.76	13.67	9.35
S&P 500 Sec/Cons Disc TR USD	28.73	11.54	12.56
S&P 500 Sec/Cons Staples TR USD	7.19	9.96	9.27
S&P 500 Sec/Energy TR USD	17.67	12.86	4.74
S&P 500 Sec/Financials TR USD	33.55	12.76	11.06
S&P 500 Sec/Health Care TR USD	16.09	12.05	11.67
S&P 500 Sec/Industrials TR USD	26.70	12.97	11.14
S&P 500 Sec/Information Technology TR USD	46.01	25.39	21.97
S&P 500 Sec/Materials TR USD	17.57	13.30	9.23
S&P 500 Sec/Real Estate TR USD	9.60	5.32	8.00
S&P 500 Sec/Utilities TR USD	0.42	5.87	8.35

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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 **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 **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 **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 Equity Market Neutral Hedge Fund Index** is a subset of the Credit Suisse Hedge Fund Index that measures the aggregate performance of equity market neutral funds. Equity market neutral funds typically take both long and short positions in stocks while seeking to reduce exposure to the systematic risk of the market (i.e., a beta of zero is desired). Equity market neutral funds typically seek to exploit investment opportunities unique to a specific group of stocks, while maintaining a neutral exposure to broad groups of stocks defined for example by sector, industry, market capitalization, country, or region. The index has a number of subsectors including statistical arbitrage, quantitative long/short, fundamental long/short and index arbitrage. Managers often apply leverage to enhance returns.
- 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 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 USA Quality NR Index** is an unmanaged index that is generally considered representative of U.S. stocks defined by the “quality” factor on a net return basis.
- The **MSCI USA Sector Neutral Quality NR Index** is an unmanaged index that is generally considered representative of U.S. stocks defined by the “quality” factor, on a net return basis, regardless of industry.
- The **Russell 1000 Growth TR Index** is an unmanaged index that is generally considered representative of the stocks within the 1,000 largest stocks in the entire U.S. stock market that have higher valuations than the index average, on a total return basis.
- The **Russell 1000 Value TR Index** is an unmanaged index that is generally considered representative of the stocks within the 1,000 largest stocks in the entire U.S. stock market that have lower valuations than the index average, on a total 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 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 Money Market – Taxable** is an average of funds within the US Fund Money Market – Taxable category as defined by Morningstar.

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Index Definitions (cont.):

- The **S&P 500 Sec/Commun Services TR Index** is an unmanaged index that is generally considered representative of the Communication Services Sector of the S&P 500 Index as defined by GICS on a total return basis.
- The **S&P 500 Sec/Cons Disc TR Index** is an unmanaged index that is generally considered representative of the Consumer Discretionary Sector of the S&P 500 Index as defined by GICS on a total return basis.
- The **S&P 500 Sec/Cons Staples TR Index** is an unmanaged index that is generally considered representative of the Consumer Staples Sector of the S&P 500 Index as defined by GICS on a total return basis.
- The **S&P 500 Sec/Energy TR Index** is an unmanaged index that is generally considered representative of the Energy Sector of the S&P 500 Index as defined by GICS on a total return basis.
- The **S&P 500 Sec/Financials TR Index** is an unmanaged index that is generally considered representative of the Financials Sector of the S&P 500 Index as defined by GICS on a total return basis.
- The **S&P 500 Sec/Health Care TR Index** is an unmanaged index that is generally considered representative of the Health Care Sector of the S&P 500 Index as defined by GICS on a total return basis.
- The **S&P 500 Sec/Industrials TR Index** is an unmanaged index that is generally considered representative of the Industrials Sector of the S&P 500 Index as defined by GICS on a total return basis.
- The **S&P 500 Sec/Information Technology TR Index** is an unmanaged index that is generally considered representative of the Information Technology Sector of the S&P 500 Index as defined by GICS on a total return basis.
- The **S&P 500 Sec/Materials TR Index** is an unmanaged index that is generally considered representative of the Materials Sector of the S&P 500 Index as defined by GICS on a total return basis.
- The **S&P 500 Sec/Real Estate TR Index** is an unmanaged index that is generally considered representative of the Real Estate Sector of the S&P 500 Index as defined by GICS on a total return basis.
- The **S&P 500 Sec/Utilities TR Index** is an unmanaged index that is generally considered representative of the Utilities Sector of the S&P 500 Index as defined by GICS on a total return basis.

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