

Student of the Markets

November 2021



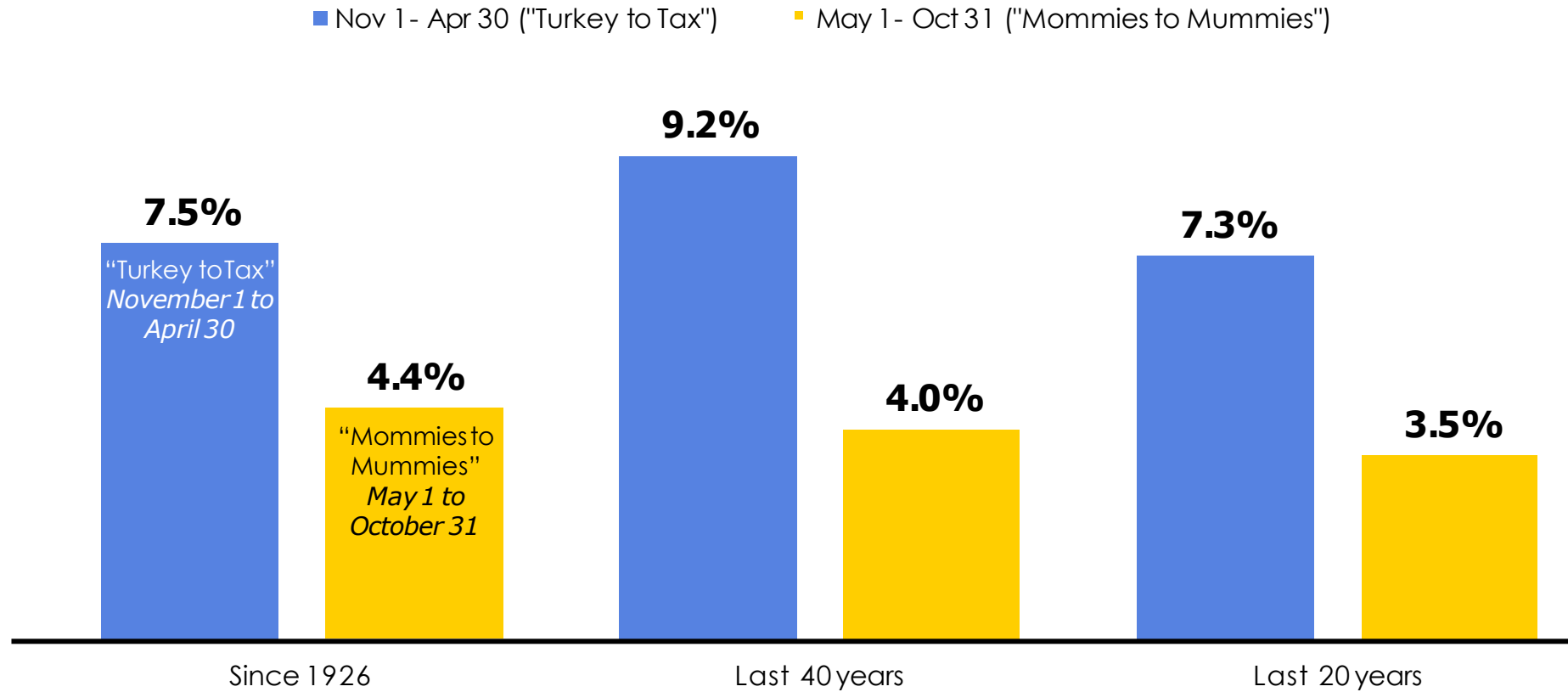
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SEASONAL STOCK RETURNS:

Stocks entering a seasonal period of higher returns



Morningstar as of 10/31/21. U.S. stocks are represented by the S&P 500 TR Index from 3/4/57 to 10/31/21 and the IA SBBI U.S. Lrg Stock TR USD Index from 1/1/50 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.

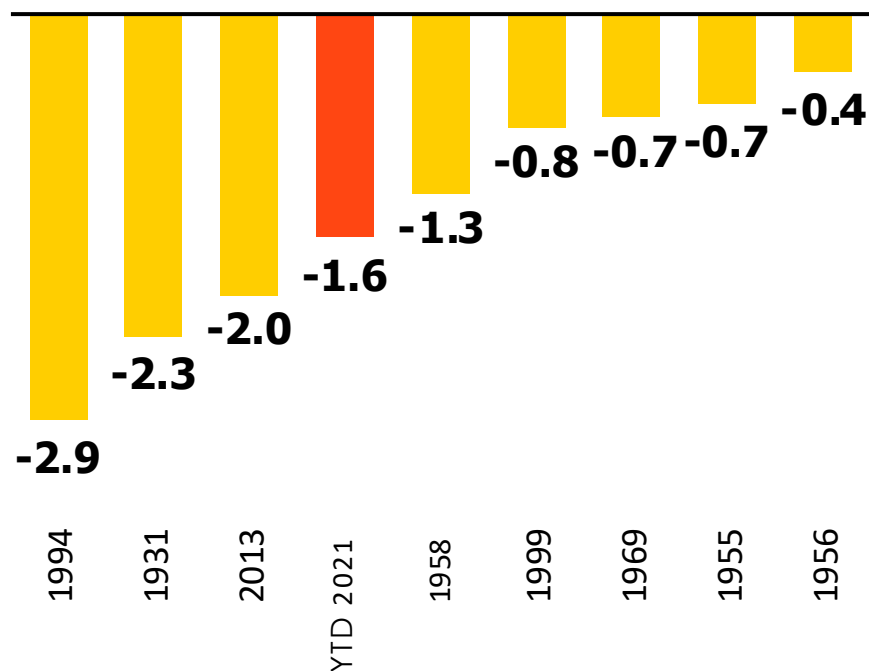
BOND MARKET RETURNS: Worst years ever for bonds

2021 is on pace to be one of the worst total return years, but only the 20th worst based on price return



Top 10 worst years for bonds based on total return

Since 1926, total return for each calendar year



20th worst year based on price return

Since 1926, returns for each calendar year

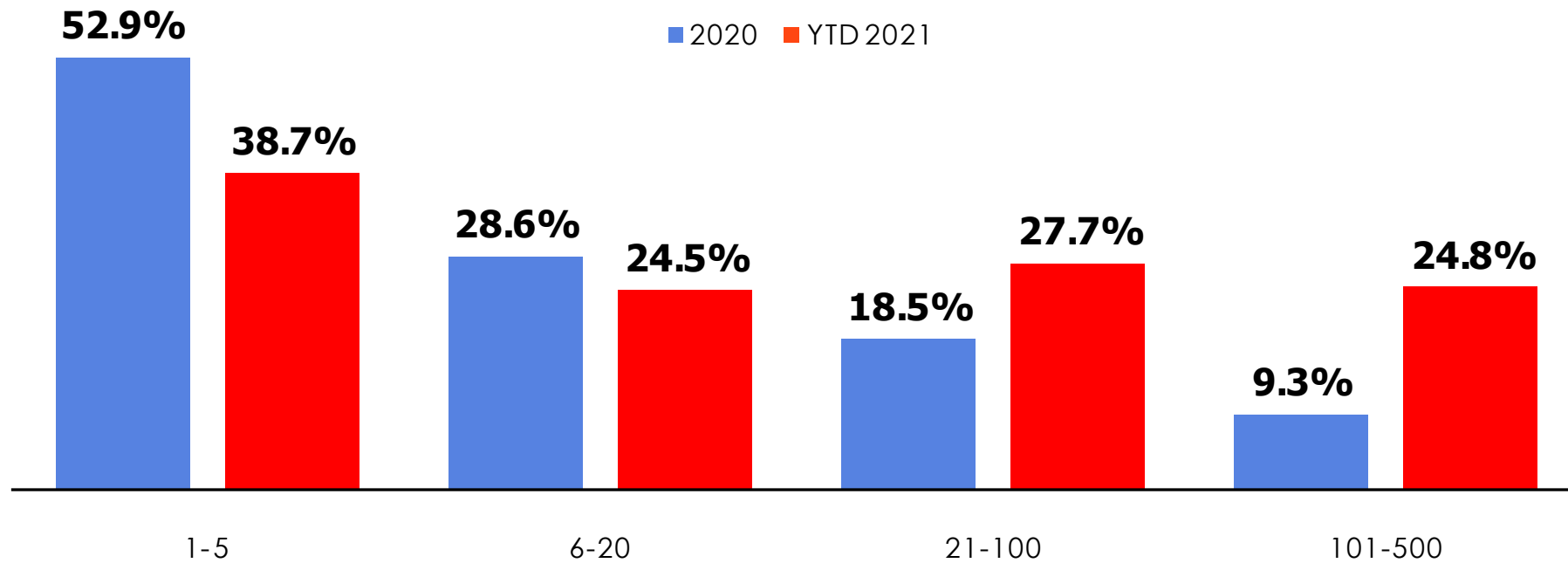
Year	Price return	Income return	Total return
1994	-9.5	7.4	-2.9
1980	-7.5	11.0	2.7
1969	-7.3	7.0	-0.7
1999	-7.0	6.7	-0.8
1979	-6.7	9.2	1.9
1978	-6.4	8.3	1.4
1987	-6.0	9.3	2.8
1981	-6.0	13.0	6.3
1931	-5.4	3.2	-2.3
2013	-4.6	3.2	-2.0
1959	-4.6	4.3	-0.4
1977	-4.4	7.7	3.0
1958	-4.2	3.0	-1.3
1967	-3.9	5.0	1.0
1956	-3.5	3.1	-0.4
1996	-3.2	7.2	3.6
1965	-3.1	4.3	1.0
1955	-3.1	2.5	-0.7
1983	-3.1	11.7	8.4
YTD 2021	-3.1	2.0	-1.6

Source: Morningstar as of 10/31/21. U.S. bonds represented by the IASBBI US Gov IT Index from 1/1/26 to 1/3/89 and the Bbg Barc U.S. Agg Bond TR Index from 1/3/89 to 10/31/21. Past performance does not guarantee or indicate future results. Index performance is for illustrative purposes only. You cannot invest directly in the index.

STOCKS BY SIZE: More balanced performance 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 through 10/31/2021



Index ranking of individual stock holdings by market cap, largest to smallest

Source: Morningstar as of 10/31/21. Stocks 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.

STOCK SECTORS: Energy leading for the 1st time since 2016



S&P 500 Index sector performance
Calendar year performance through 10/31/21

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Best	Energy 34.4%	Cons. Staples -15.4%	Info. Tech. 61.7%	Real Estate 32.3%	Utilities 19.9%	Financials 28.8%	Cons. Disc. 43.1%	Real Estate 30.2%	Cons. Disc. 10.1%	Energy 27.4%	Info. Tech. 38.8%	Health 6.5%	Info. Tech. 50.3%	Info. Tech. 43.9%	Energy 58.1%
	Materials 22.5%	Health -22.8%	Materials 48.6%	Cons. Disc. 27.7%	Cons. Staples 14.0%	Cons. Disc. 23.9%	Health 41.5%	Utilities 29.0%	Health 6.9%	Comm. Services 23.5%	Materials 23.8%	Utilities 4.1%	Comm. Services 32.7%	Cons. Disc. 33.3%	Financials 38.6%
	Utilities 19.4%	Utilities -29.0%	Cons. Disc. 41.3%	Indust. 26.7%	Health 41.5%	Real Estate 19.7%	Indust. 40.7%	Health 25.3%	Cons. Staples 6.6%	Financials 22.8%	Cons. Disc. 23.0%	Cons. Disc. 0.8%	Financials 32.1%	Comm. Services 23.6%	Real Estate 33.8%
	Info. Tech. 16.3%	Comm. Services -30.5%	Real Estate 27.1%	Materials 22.2%	Real Estate 11.4%	Comm. Services 18.3%	Financials 35.6%	Info. Tech. 20.1%	Info. Tech. 5.9%	Indust. 18.9%	Financials 22.2%	Info. Tech. -0.3%	Indust. 29.4%	Materials 20.7%	Comm. Services 25.0%
	Cons. Staples 14.2%	Cons. Disc. -33.5%	Indust. 20.9%	Energy 20.5%	Comm. Services 6.3%	Health 17.9%	Info. Tech. 28.4%	Cons. Staples 16.0%	Real Estate 4.7%	Materials 16.7%	Health 22.1%	Real Estate -2.2%	Real Estate 29.0%	Health 13.5%	Info. Tech. 24.7%
	Indust. 12.0%	Energy -34.9%	Health 19.7%	Comm. Services 19.0%	Cons. Disc. 6.1%	Indust. 15.4%	Cons. Staples 26.1%	Financials 15.2%	Comm. Services 3.4%	Utilities 16.3%	Indust. 21.0%	Cons. Staples -8.4%	Cons. Disc. 27.9%	Indust. 11.1%	Cons. Disc. 22.3%
	Comm. Services 11.9%	Indust. -39.9%	Financials 17.2%	Cons. Staples 14.1%	Energy 4.7%	Materials 15.0%	Materials 25.6%	Indust. 9.8%	Financials -1.5%	Info. Tech. 13.9%	Cons. Staples 13.5%	Comm. Services -12.5%	Cons. Staples 27.6%	Cons. Staples 10.8%	Health 19.3%
	Health 7.2%	Real Estate -42.3%	Cons. Staples 14.9%	Financials 12.1%	Info. Tech. 2.4%	Info. Tech. 14.8%	Energy 25.1%	Cons. Disc. 9.7%	Indust. -2.5%	Cons. Disc. 6.0%	Utilities 12.1%	Financials -13.0%	Utilities 26.4%	Utilities 0.5%	Indust. 19.2%
	Cons. Disc. -13.2%	Info. Tech. -43.1%	Energy 13.8%	Info. Tech. 10.2%	Indust. -0.6%	Cons. Staples 10.8%	Utilities 13.2%	Materials 6.9%	Utilities -4.9%	Cons. Staples 5.4%	Real Estate 10.9%	Indust. -13.3	Materials 24.6%	Financials -1.7%	Materials 18.9%
	Real Estate -17.9%	Materials -45.7%	Utilities 11.9%	Utilities 5.5%	Materials -9.8%	Energy 4.6%	Comm. Services 11.5%	Comm. Services 3.0%	Materials -8.4%	Real Estate 3.4%	Energy -1.0%	Materials -14.7%	Health 20.8%	Real Estate -2.2%	Utilities 9.1%
Worst	Financials -18.6%	Financials -55.3%	Comm. Services 8.9%	Health 2.9%	Financials -17.1%	Utilities 1.3%	Real Estate 1.6%	Energy -7.8%	Energy -21.1%	Health -2.7%	Comm. Services -1.3%	Energy -18.1%	Energy 11.8%	Energy -33.7%	Cons. Staples 8.8%

Source: Morningstar as of 10/31/21. Stocks represented by the individual stocks of the S&P 500 Index, non-voting dual-class shares excluded. All sector indices are S&P 500 sector indices. Past performance does not guarantee or indicate future results. Index performance is for illustrative purposes only. You cannot invest directly in the index.

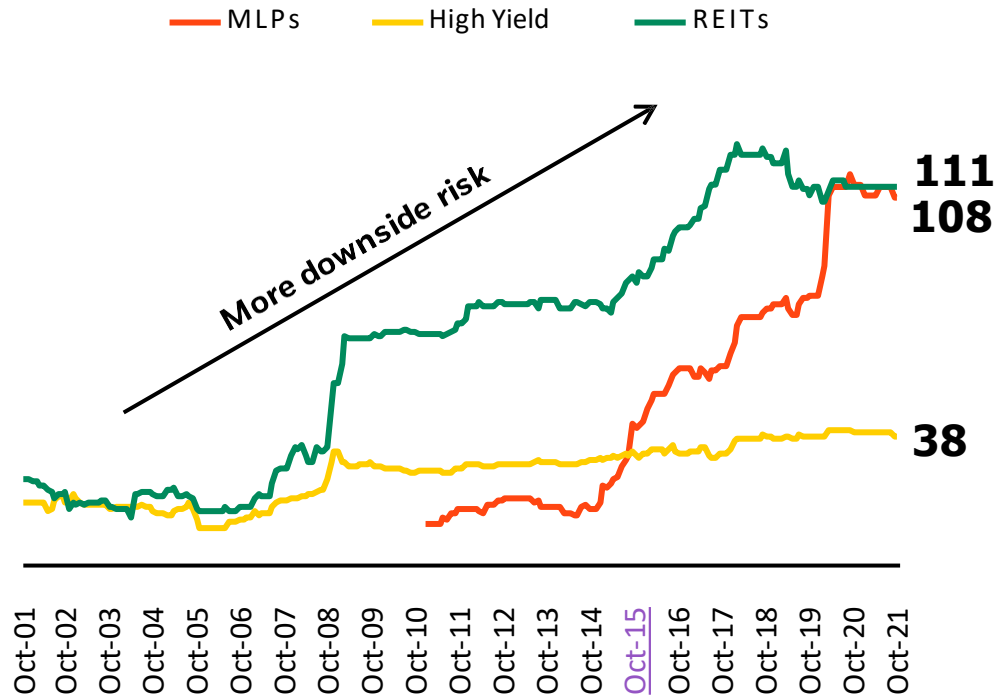
INCOME ASSET CLASSES:

In a low interest rate world, income asset classes have more downside risk



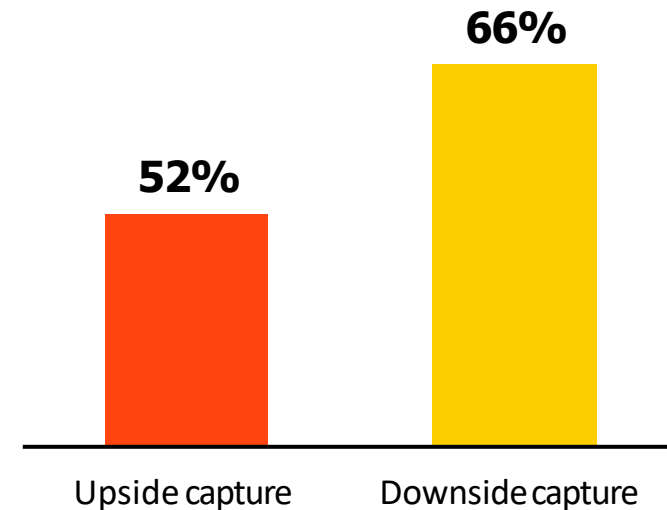
Income producing asset classes have more downside risk

15-year rolling downside capture vs S&P 500, last 20 years



Typical multi-asset income mutual fund

Upside/downside capture over the last 10-year period for allocation funds that have income over 4%*



Source: BlackRock, Morningstar as of 10/31/21. MLPs are represented by the FTSE NAREIT All Equity REIT Index, High Yield by the Bbg Barc US Corporate High Yield Index, REITs by the FTSE NAREIT All Equity REIT Index, and "Typical" Multi Asset Income Mutual Fund by the broad Allocation Fund category as defined by Morningstar. *Income percentage is calculated by dividing the sum of a fund's 12-month trailing dividends by its NAVs of the date shown. Allocation funds that have income over 4% are considered by BlackRock to be income-oriented. Past performance does not guarantee or indicate future results. Indexes are used for illustrative purposes only. You cannot invest directly in an index.

INFLATION CHALLENGE:

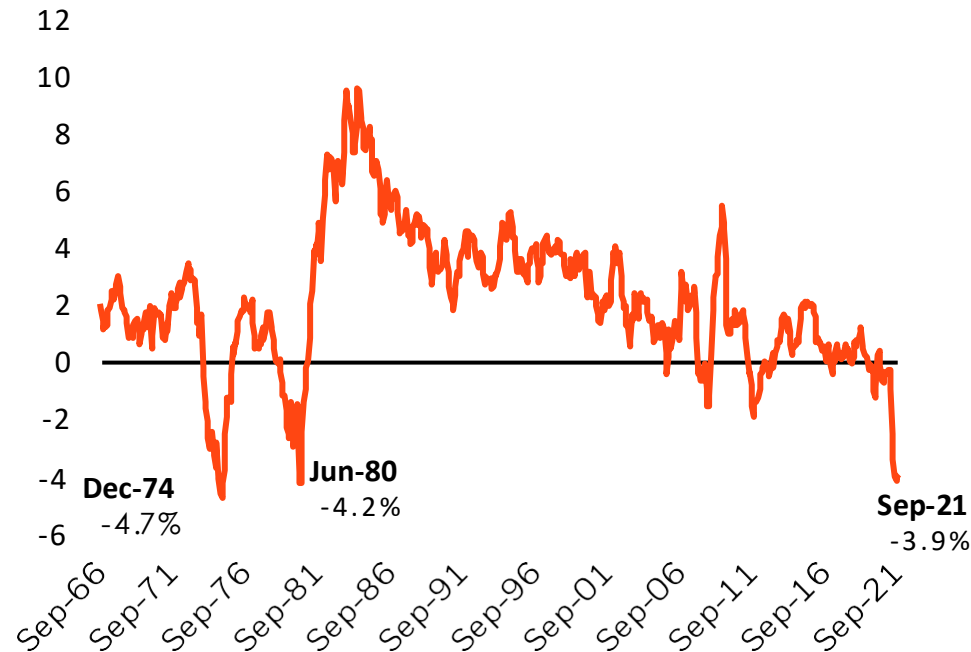
Today's inflation challenge

Unlike previous inflationary periods, interest rates are not keeping up



Largest gaps between interest rates and inflation

10-year U.S. Treasury yield minus inflation (CPI), as of 9/30/2021



Stock and bond returns following the largest gaps between interest rates and inflation

Numbers shown as of 9/30/2021

	Inflation minus interest rates	Stock returns (1 year later)	Bond returns (1 year later)
Dec-74	-4.7%	37.2%	7.8%
Jun-80	-4.2%	20.6%	-5.2%
Sep-21	-3.9%	?	?

Source: St. Louis Federal Reserve as of 9/30/21. U.S. stock returns are represented by returns of the S&P500 TR Index. U.S. bonds returns are returns represented by returns of the IASBBI US GovIT Index from 1/1/26 to 1/3/89 and the Bbg Barc U.S. Agg Bond TR Index from 1/3/89 to 9/30/21, depending on the 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.

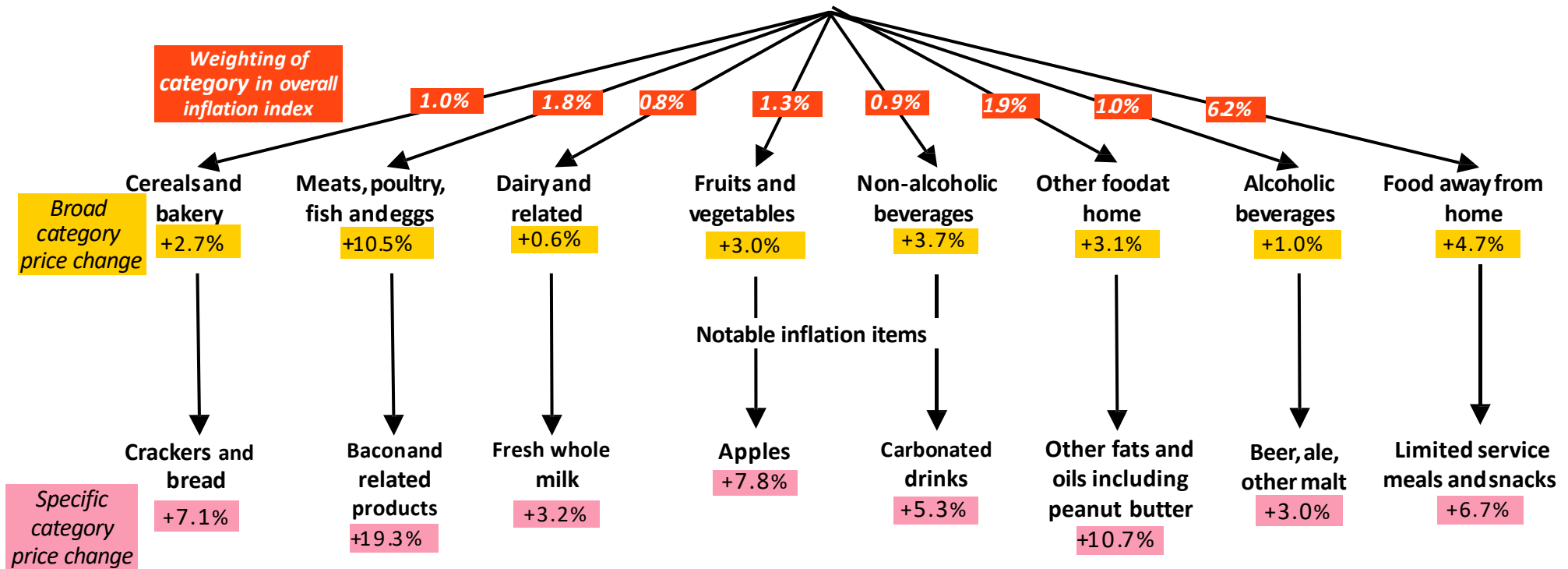
FOOD INFLATION: Food inflation breakdown



What goes into food and beverage inflation?

Changes shown below are over 12-month period ending 9/30/2021

(Food and beverage make up 14.9% of the overall CPI. Overall average change of total food and beverage over same period was +4.5%)



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Returns as of 10/31/2021	Total Ret 1Year	Total Ret 5Years	Total Ret 10 Years
S&P500 TR USD	42.91	18.93	16.21
AlerianMLP TR USD	85.70	-0.56	0.71
Bloomberg US AggBondIR USD	2.45	2.90	3.06
Bloomberg US AggBondPR USD	-2.30	0.50	0.32
Bloomberg US AggBondTR USD	-0.48	3.10	3.00
Bloomberg US CorporateHighYieldTR USD	10.53	6.40	6.78
FTSE NareitAllEquityREITs TR USD	45.73	11.06	11.40
IASBBIUSIT GovtTR USD	-3.21	2.29	2.13
IASBBIUS LargeStockTR USD Ext	42.91	18.93	16.21
S&P500 Sec/CommServicesTR USD	41.19	14.69	12.40
S&P500 Sec/ConsDiscTR USD	36.17	22.07	19.44
S&P500 Sec/ConsStaplesTR USD	19.02	9.55	11.87
S&P500 Sec/EnergyTR USD	111.28	0.98	1.52
S&P500 Sec/FinancialsTR USD	72.14	17.75	16.26
S&P500 Sec/HealthCareTR USD	33.82	16.90	17.00
S&P500 Sec/IndustrialsTR USD	39.83	14.47	14.26
S&P500 Sec/InformationTechnologyTR USD	46.93	30.47	22.76
S&P500 Sec/MaterialsTR USD	37.18	15.11	11.82
S&P500 Sec/Real EstateTR USD	45.21	13.10	12.13
S&P500 Sec/UtilitiesTR USD	10.68	9.93	10.71

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 10/31/21 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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