

Student of the Market

October 2022

BlackRock[®]

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**Stock and
bonds
returns**

**Quarterly
losing streak
for stocks
and bonds**

**Stock market
volatility**

**Midterm
elections and
market
performance**

**U.S. stock
sectors and
presidents**

**Bond returns
and interest
rate moves**

**Historic bear
market in
bonds**

**Peak
inflation and
performance**

Source: Morningstar as of 9/30/22. **Past performance is no guarantee of future results.** Index performance is shown for illustrative purposes only. You cannot invest directly in an index.

Worst start to a year for bonds and 4th worst start for stocks

Worst ever start to a year for U.S. bonds

Since 1926, total return for 1/1 - 9/30 each calendar year, 10 worst periods

Year	First 9 months	Next 12 months
2022	-14.6	?
1981	-3.9	35.2
1994	-3.2	14.1
1987	-2.9	13.3
1958	-2.0	-0.3
2013	-1.9	4.0
2018	-1.6	10.3
1969	-1.6	11.1
2021	-1.6	-14.6
1959	-1.0	11.0
Avg.	-3.4	9.3

4th worst ever start to a year for U.S. stocks

Since 1926, total return for 1/1 - 9/30 each calendar year, 10 worst periods

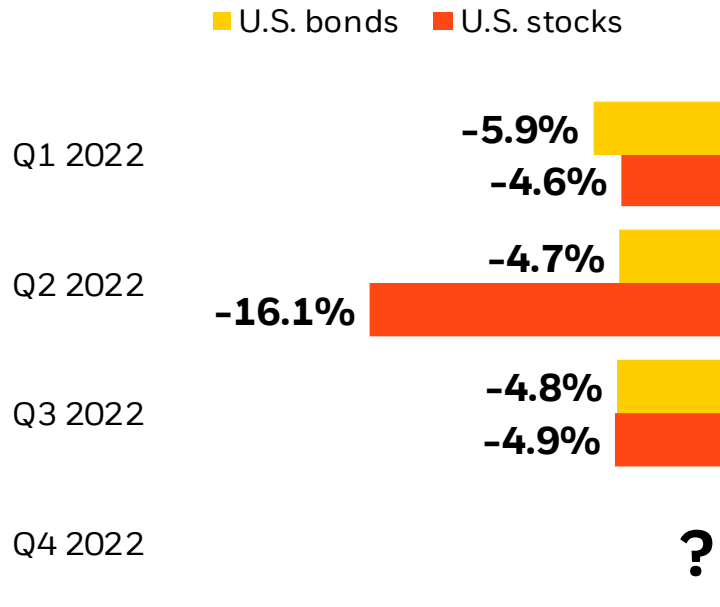
Year	First 9 months	Next 12 months
1931	-34.3	-9.6
1974	-32.8	38.1
2002	-28.2	24.4
2022	-23.9	?
2001	-20.4	-20.5
1962	-19.4	31.7
2008	-19.3	-6.9
1937	-17.3	-5.5
1966	-15.1	30.6
1946	-11.3	6.5
Avg.	-22.2	9.9

Source: Morningstar as of 9/30/22. U.S. bonds 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 9/30/22. U.S. stocks are represented by the S&P 500 Index from 3/4/57 to 9/30/22 and the IA SBBI 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 cannot invest directly in the index.

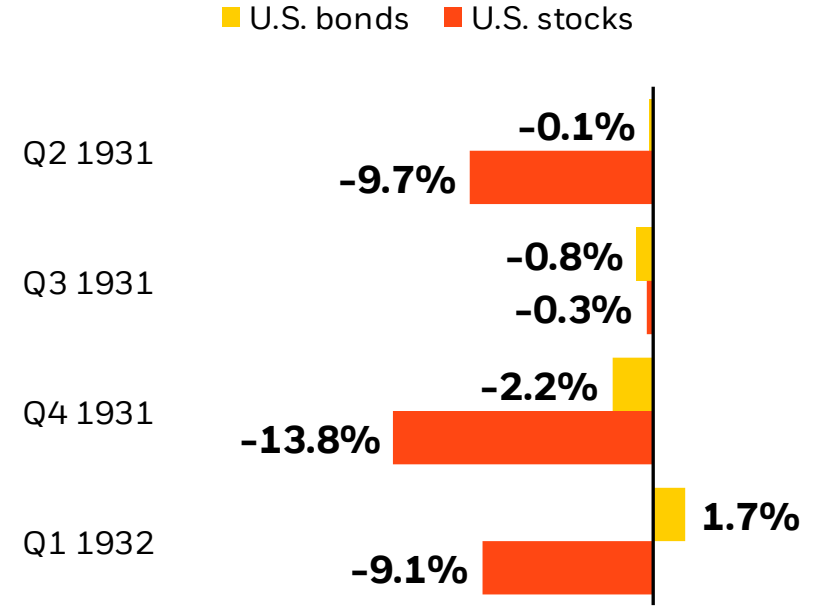
3rd consecutive quarter of both stock and bond losses

First in modern history and only other time since 1931

2022 performance of stocks and bonds



1931-32 performance of stocks and bonds

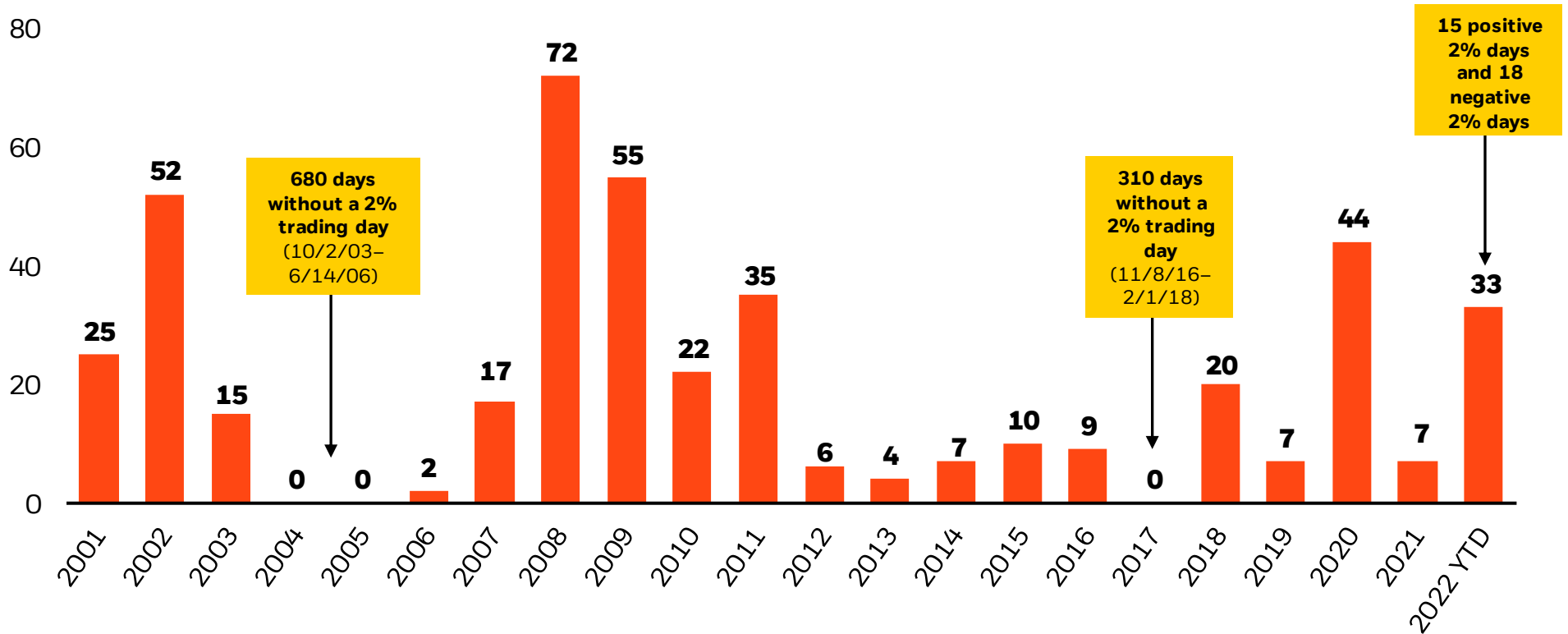


Bonds have only lost money in 4 consecutive quarters once ('54) & 3 consecutive quarters 3 times ('31, '80 and '22)
 Stocks have lost money in 6 consecutive quarters twice ('69-'70, '08-'09), 5 quarters once ('31) & 4 quarters twice ('37-'38, '74-'75)

Source: Morningstar as of 9/30/22. U.S. bonds 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 9/30/22. U.S. stocks are represented by the S&P 500 Index from 3/4/57 to 9/30/22 and the IA SBBi 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 cannot invest directly in the index.

Volatility picking up in 2022

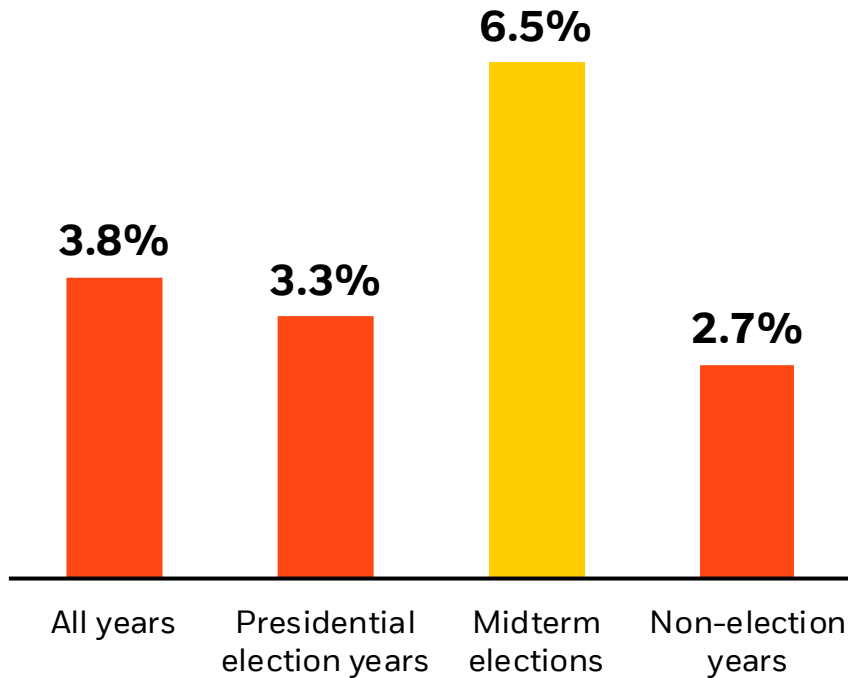
Number of single day stock market returns of +/-2% or more
S&P 500, past 20+ years by calendar year (1/1/01 - 9/30/22)



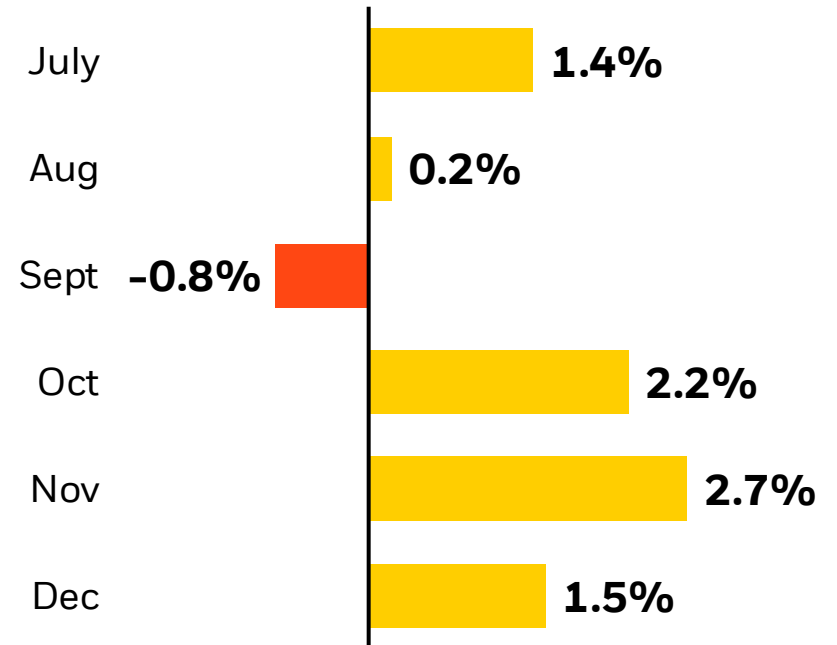
Source: Morningstar as of 9/30/22. Stock market represented by the S&P 500 Index. Past performance does not guarantee or indicate future results. Index performance is for illustrative purposes only. You cannot invest directly in the index.

U.S. stocks across the election cycle

Average 4th quarter U.S. stock performance across election cycles
Average annual return, 1/1/26 – 9/30/22



U.S. stock performance in midterm election years
Average monthly return in midterm election years, 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.

U.S. stock sectors by president

Sector performance

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

Clinton	Bush	Obama	Trump	Biden
Technology 30.3%	Energy 9.9%	Consumer Disc. 18.6%	Technology 26.8%	Energy 68.8%
Financials 22.4%	Materials 6.6%	Technology 16.4%	Consumer Disc. 18.6%	Financials 13.8%
Health Care 21.8%	Cons. Staples 4.2%	Health Care 14.2%	Health Care 12.7%	Health Care 9.6%
Industrials 18.5%	Utilities -0.1%	Cons. Staples 12.8%	Utilities 9.9%	Cons. Staples 5.5%
Energy 16.0%	Industrials -1.0%	Industrials 12.7%	Materials 9.9%	Real Estate 4.3%
Comm. Services 15.1%	Health Care -2.2%	Real Estate 12.7%	Comm. Services 9.1%	Utilities 3.9%
Consumer Disc. 14.0%	Consumer Disc. -2.3%	Utilities 10.9%	Industrials 8.5%	Materials 3.4%
Utilities 13.4%	Financials -4.4%	Materials 10.1%	Cons. Staples 7.4%	Industrials 3.4%
Cons. Staples 13.0%	Comm. Services -5.1%	Comm. Services 9.5%	Financials 6.8%	Technology 3.3%
Materials 6.6%	Technology -8.7%	Financials 7.2%	Real Estate 6.5%	Consumer Disc. -2.7%
		Energy 5.0%	Energy -16.4%	Comm. Services -9.6%

Biden's sector performance is looking like Bush's (Energy best, Technology and Comm. Services struggle)

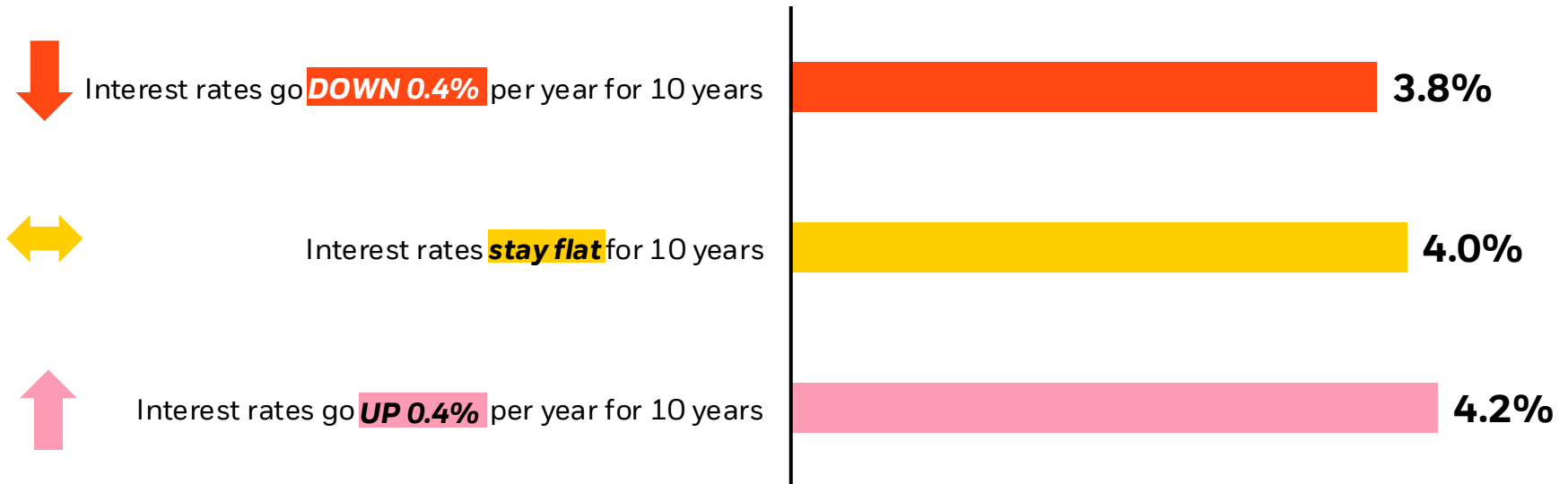
The top 3 performing sectors were the same under Obama and Trump, as well as the worst (Energy)

Source: Morningstar as of 9/30/22. 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 12/14/2000 to 11/4/2008, Obama time period from 11/5/2008 to 11/8/2016 and Trump time period from 11/9/2016 to 11/3/2020. Biden period is from 11/4/2020 to 9/30/22.

Long-term bond returns driven more by starting yield than interest rate moves

Bond return scenario quiz?

Hypothetical average annual bond return over 10-years for a traditional fixed income portfolio yielding 4% yield with a 5-year duration



Bonds lose money over a 5-year period for the first time ever

Core bonds have lost money over the last 5 years for the first time in history

Since 1926, 5-year average annual rolling return



Range of returns for various bond categories

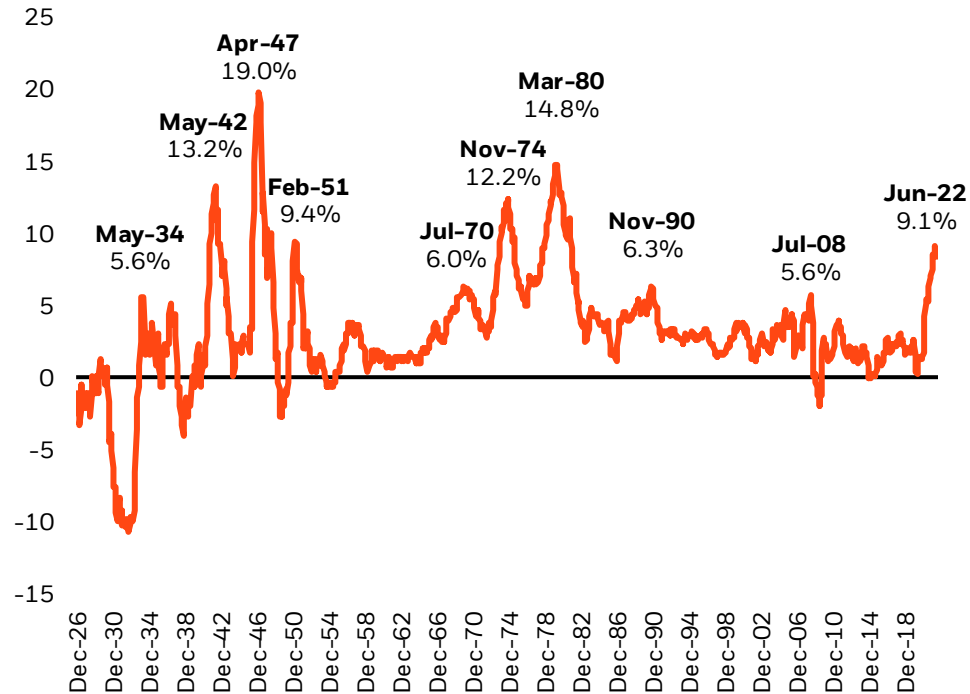
Average annual return

	Bond Bear cumulative return (9/1/20 to 9/30/22)	1-year	3-year	5-year
Bank Loan	3.9	-4.4	0.6	1.7
Nontraditional	-2.6	-8.1	-0.5	0.6
High Yield	-4.1	-13.1	-0.8	1.0
Short-Term	-5.1	-6.8	-0.6	0.7
Multisector	-6.3	-12.2	-1.5	0.5
Intermediate Core-Plus	-14.0	-15.1	-2.9	-0.2
Intermediate Core	-15.7	-14.9	-3.2	-0.4
U.S. Bonds (index)	-16.1	-14.6	-3.3	-0.3

Source: Morningstar as of 9/30/22. U.S. bonds represented by the IA SBB1 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 9/30/22. All bond categories represented by their respective Morningstar categories. **Past performance does not guarantee or indicate future results.** Index performance is for illustrative purposes only. You cannot invest directly in the index.

Performance following peaks in inflation

“Peaks” in the inflation rate
 Since 1926, 12-month change in inflation rate



Returns following “peak” inflation rates
 Since 1926, returns for the next 12 months

Peak Inflation	Next 12 months	
	Stocks	Bonds
May 1932	4.8%	6.3%
May 1942	57.6%	2.0%
Apr 1947	12.4%	1.2%
February 1951	13.6%	0.3%
July 1970	26.6%	10.4%
November 1974	36.2%	7.7%
March 1980	40.1%	13.1%
November 1990	20.3%	14.4%
July 2008	-20.0%	7.9%
June 2022	?	?
Avg.	21.3%	7.0%

Source: Morningstar as of 9/30/22. U.S. bonds 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 9/30/22. U.S. stocks are represented by the S&P 500 Index from 3/4/57 to 9/30/22 and the IA SBBI 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 cannot invest directly in the index.

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Returns as of 9/30/22	Total Ret 1 Year	Total Ret 5 Years	Total Ret 10 Years
Bloomberg US Agg Bond TR USD	-14.60	-0.27	0.89
IA SBBI US IT Govt TR USD	-11.85	-0.15	0.60
IA SBBI US Large Stock TR USD Ext	-15.47	9.24	11.70
S&P 500 Sec/Commun Services TR USD	-39.05	1.95	3.76
S&P 500 Sec/Cons Disc TR USD	-20.89	10.51	13.19
S&P 500 Sec/Cons Staples TR USD	-0.09	7.60	9.51
S&P 500 Sec/Energy TR USD	45.70	6.09	3.52
S&P 500 Sec/Financials TR USD	-17.65	5.47	11.38
S&P 500 Sec/Industrials TR USD	-13.87	4.87	10.39
S&P 500 Sec/Information Technology TR USD	-20.00	16.74	17.09
S&P 500 Sec/Materials TR USD	-12.15	5.89	8.56
S&P 500 Sec/Real Estate TR USD	-16.37	5.79	7.76
S&P 500 Sec/Utilities TR USD	5.58	7.82	9.85
S&P 500 TR USD	-15.47	9.24	11.70
US BLS CPI All Urban NSA 1982-1984	8.26	3.82	2.54
US Fund Bank Loan	-4.43	1.68	2.56
US Fund High Yield Bond	-13.13	0.94	3.06
US Fund Multisector Bond	-12.02	0.56	2.14
US Fund Short-Term Bond	-6.80	0.66	0.94
US Fund Nontraditional Bond	-8.23	0.54	1.45
US Fund Intermediate Core Bond	-14.86	-0.40	0.77
US Fund Intermediate Core-Plus Bond	-15.09	-0.15	1.15

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