

Student of the Market

January 2021

BlackRock[®]

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**Stock market
returns**

**2020: A wild
ride**

**Stock fund
risk**

**Stocks after
the rebound**

**Flow
divergence**

S&P Envy

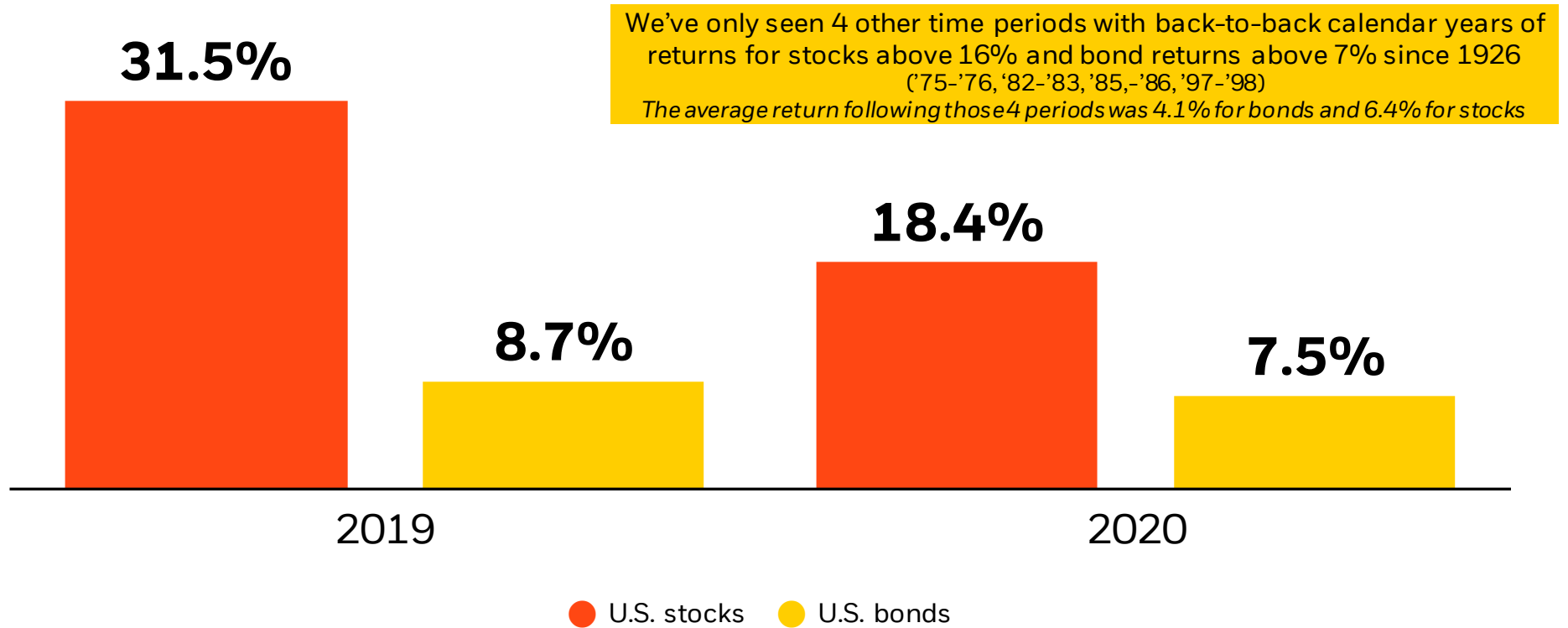
**Inflation and
Investments**

Source: Morningstar as of 12/31/20. **Past performance is no guarantee of future results.** Index performance is shown for illustrative purposes only. You cannot invest directly in an index.

STOCK MARKET RETURNS

Historic returns during the past 2 years

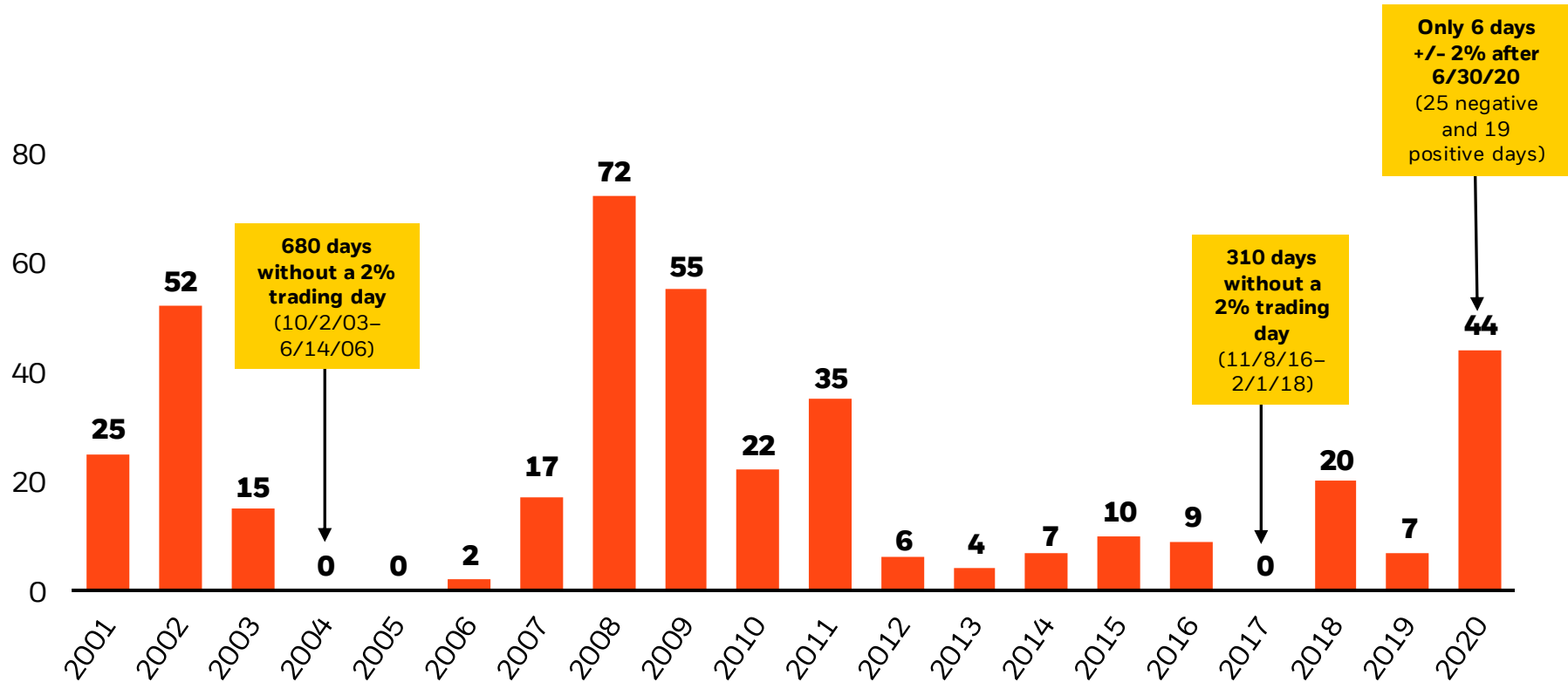
Annual percentage returns



Source: Morningstar as of 12/31/20. Stocks represented by S&P 500 and US Bonds by the BbgBarc US Aggregate Bond Index. Past performance does not guarantee or indicate future results. Index performance is for illustrative purposes only. You cannot invest directly in the index.

Highest volatility since the Financial Crisis

Number of single day stock market returns of +/-2% or more
S&P 500 by year (12/31/00 - 12/31/20)



Source: Morningstar as of 12/31/20. 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. large cap stock funds getting riskier

Volatility profile of all U.S. large cap stock fund assets

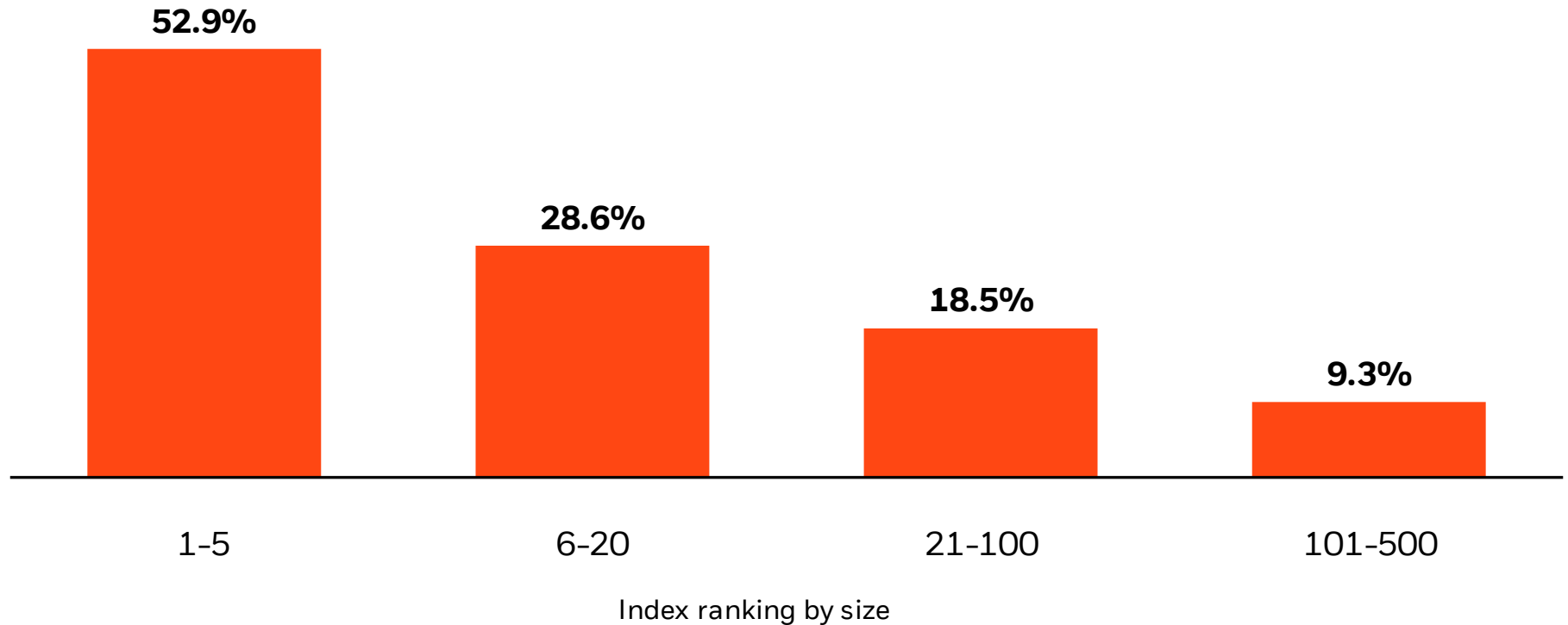
15-year standard deviation of all U.S. large cap equity mutual fund and ETF assets relative to the S&P 500



Source: Morningstar, BlackRock as of 12/31/20. Universe of funds is represented by the Morningstar Broad Equity Category distinct share class only. "Same risk" in this example is defined by BlackRock as mutual funds and ETFs with a standard deviation between 15.22-15.02 15-year standard deviation. This range includes the 15-year standard deviation of the underlying index, +/-10 bps from that datapoint to account for minor differences in standard deviation when comparing to equivalent index funds due to fees and other potential factors inherent to those funds. "Higher risk" in this example is defined by BlackRock as a 15-year standard deviation of 15.23 or higher. "Lower risk" in this example is defined by BlackRock as a 15-year standard deviation of 15.01 or lower.

Largest stocks contributed the most in 2020

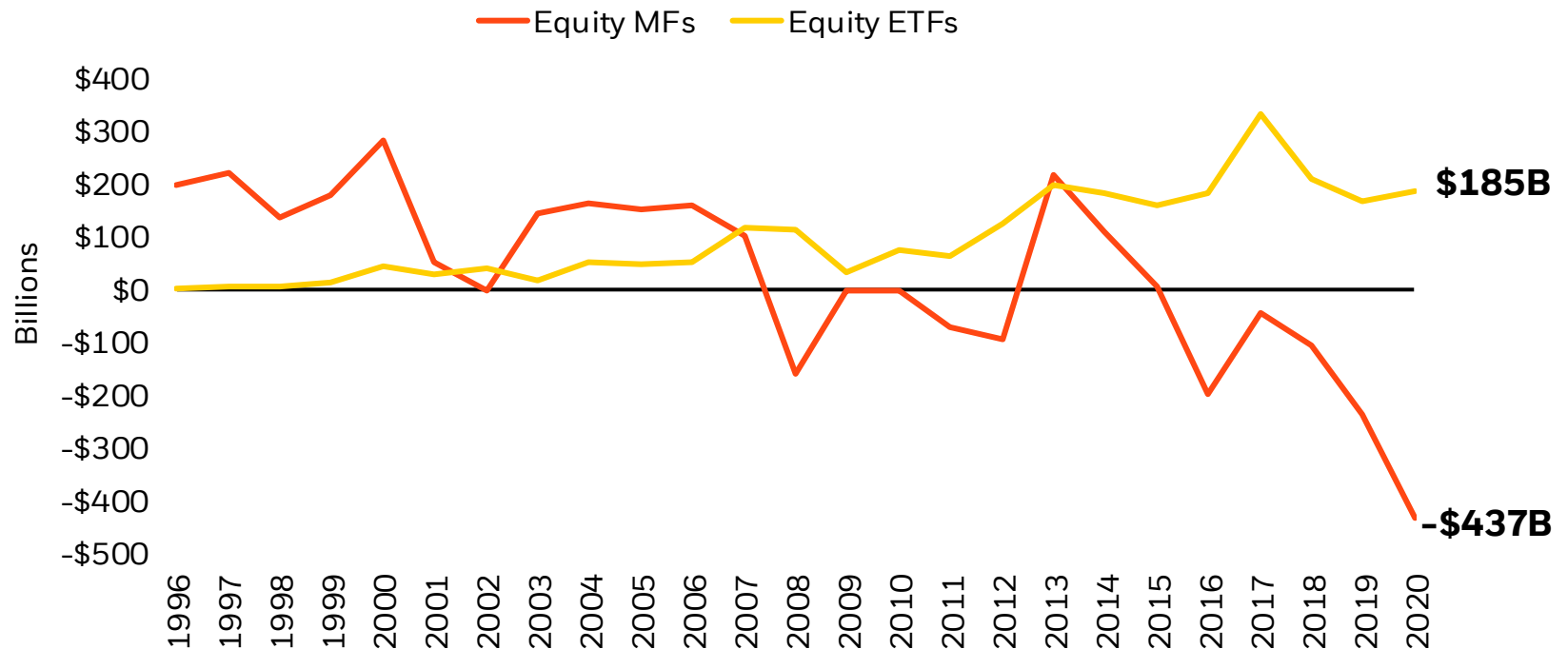
Not all stocks within the S&P 500 are the same
Average YTD performance of individual companies in the S&P 500 Index,
grouped by market cap through 12/31/20



Source: Morningstar as of 12/31/20. 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.

Historic divergence between equity mutual fund and ETF flows

Calendar year flows in all equity mutual funds versus ETFs
(12/31/95 - 11/30/20)










Source: Morningstar as of 12/31/20. Equity mutual funds are represented by the broad equity fund category as defined by Morningstar, mutual funds only. Equity mutual funds are represented by the broad equity fund category as defined by Morningstar, ETFs only. **Past performance does not guarantee or indicate future results.** Index performance is for illustrative purposes only. You cannot invest directly in the index.

S&P ENVY

A diversified portfolio can work even though it never feels good

Last 20 years

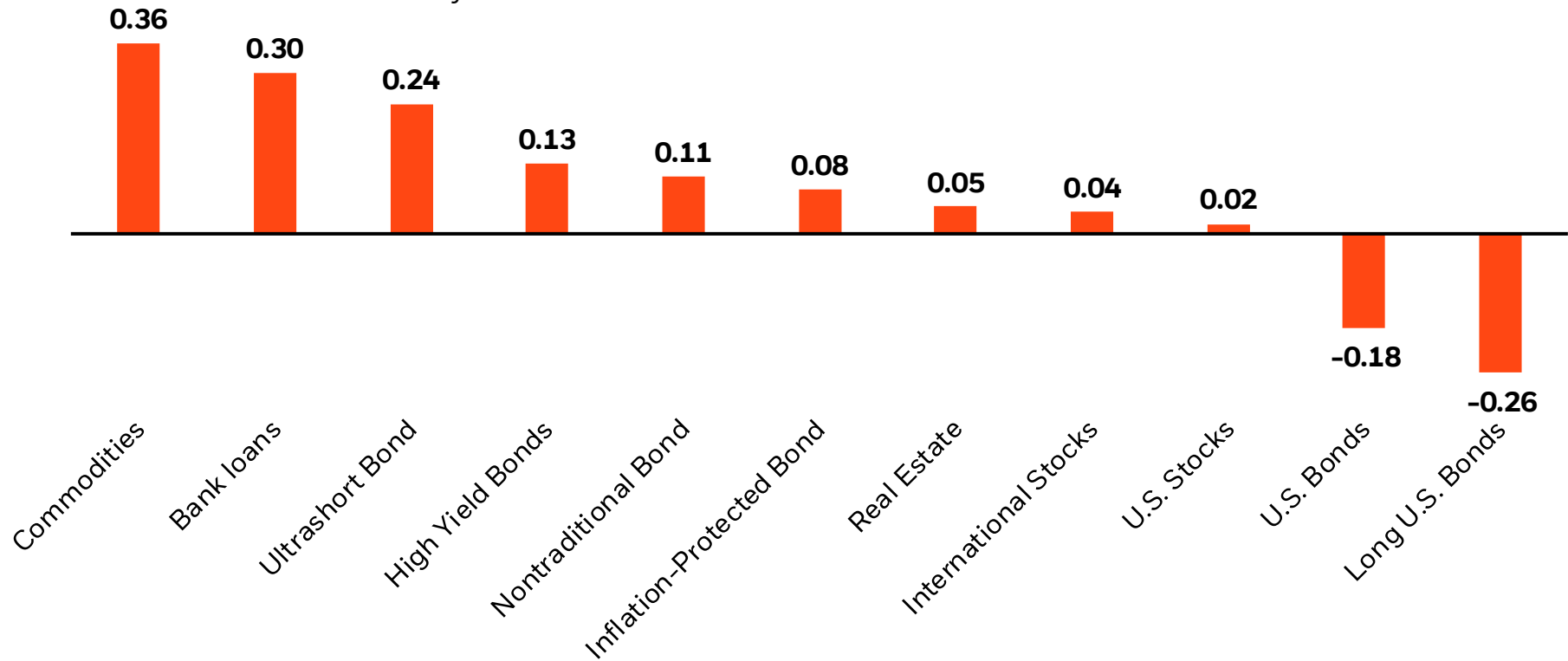
40% U.S. stocks, 10% international stocks, 5% small cap stocks, 5% emerging market stocks, 30% U.S. bonds, 10% high yield bonds

Years	S&P 500	Diversified Portfolio	
2000–2002 [†]	-40.1%	-17.3%	 "I lost money"
2003–2007	82.9%	80.0%	 "I didn't make as much"
2008	-37.0%	-24.5%	 "I lost money"
2009–2019	351.0%	195.3%	 "I didn't make as much"
2020 [†]	-30.4%	-20.7%	 "I lost money"
2020 [‡]	70.2%	42.6%	 "I didn't make as much"
Total Return	268.7%	275.0%	 "Diversification can work even when it feels like its losing"
Gr \$100K	\$368,700	\$375,000	

Source: Morningstar as of 12/31/20. [†]Performance is from 9/1/2000 to 12/31/02. ^{**}Performance is from 1/1/20 to 3/23/20. [‡]Performance is from 3/24/20 to 12/31/20. Diversified Portfolio is represented by 40% S&P 500 Index, 10% MSCI EAFE Index, 5% Russell 2000 Index, 30% Bloomberg Barclays US Aggregate Bond Index, and 10% Bloomberg Barclays US Corporate High Yield Index, 5% FTSE Emerging Stock Index. **Past performance does not guarantee or indicate future results.** Index performance is for illustrative purposes only. You cannot invest directly in the index.

Asset class correlation with inflation

Correlation of select asset classes to inflation
 20-year correlation with U.S. BLS CPI (ended 11/30/20)



Source: Morningstar as of 12/31/20. Commodities are represented by the S&P GSCI TR Index, Bank loans by the S&P/LSTA Leveraged Loan TR Index, Ultrashort bonds by the Morningstar US Fund Ultrashort Bond category, High yield bonds by the BBgBarc US Corporate High Yield TR Index, Nontraditional bonds by the Morningstar US Fund Nontraditional bond category, Inflation-protected bonds by the Morningstar US Fund Inflation-protected bond category, Real Estate by the Morningstar US Fund Real Estate category, International stocks by the MSCI EAFE NR Index, U.S. stocks by the S&P 500 Index, U.S. bonds by the BBgBarc US Agg Bond TR Index, and Long U.S. bonds by the BBgBarc US Treasury 20+ Yr TR Index. 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 12/31/2020	Total Ret 1 Year	Total Ret 5 Years	Total Ret 10 Years
S&P 500 TR USD	18.40	15.22	13.88
BBgBarc US Agg Bond TR USD	7.51	4.44	3.84
BBgBarc US Corporate High Yield TR USD	7.11	8.59	6.80
BBgBarc US Treasury 20+ Yr TR USD	18.10	8.05	8.21
IA SBBI US IT Govt TR USD	7.25	4.00	3.12
IA SBBI US Large Stock TR USD Ext	18.40	15.22	13.88
MSCI EAFE NR USD	7.82	7.45	5.51
S&P GSCI TR USD	-23.72	-1.85	-8.76
S&P/LSTA Leveraged Loan TR	3.12	5.24	4.32
US Fund Inflation-Protected Bond	10.04	4.58	3.19
US Fund Nontraditional Bond	3.44	3.88	2.87
US Fund Real Estate	-4.43	5.30	8.07
US Fund Short-Term Bond	3.79	2.68	2.11
US Fund Ultrashort Bond	1.34	1.81	1.21

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