

Student of the Market

September 2021

BlackRock[®]

Student of the Market

September

**Stock market
returns**

**Stock market
seasonality**

Fund flows

**Equity fund
flow
divergence**

**Bond fund
flows**

**Housing
prices and
inflation**

**Systematic
investing**

Source: Morningstar as of 8/31/21. **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

17th best start to a year for stocks

After the 20 best starts in history, the following 4 months saw stock returns better than the average for all years

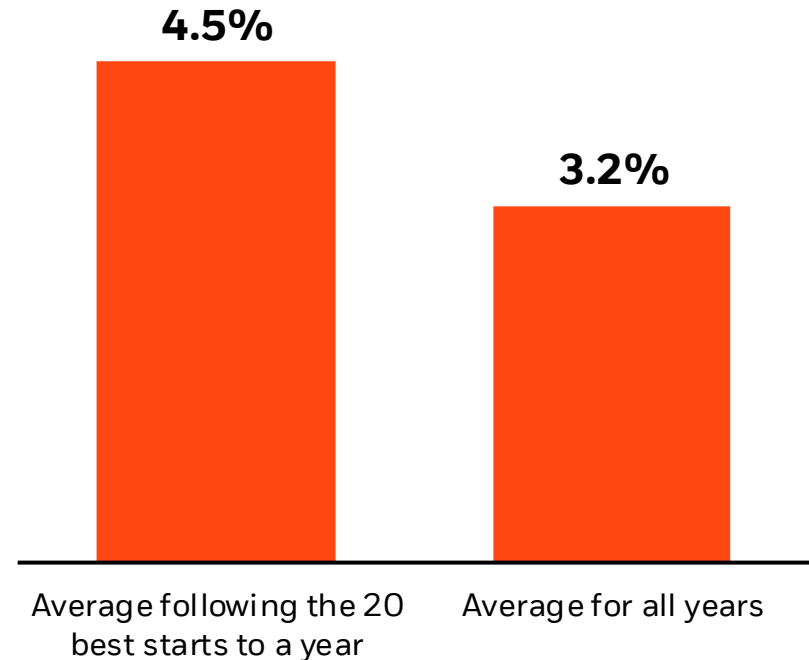
Top 20 best starts to a year for stocks

Since 1926, total return for specified periods of each calendar year

	First 8 months	Last 4 months
1933	66.2%	-7.3%
1987	38.9%	-24.2%
1929	33.1%	-31.2%
1975	30.4%	5.3%
1989	29.6%	1.7%
1927	25.7%	9.4%
1943	25.0%	0.7%
1995	24.5%	10.5%
1954	24.5%	22.6%
1955	23.3%	6.7%
1997	22.9%	8.5%
1935	22.7%	20.3%
1958	22.7%	16.8%
1936	22.6%	9.2%
1986	22.5%	-3.2%
1991	22.4%	6.6%
2021	21.6%	?
1928	21.3%	18.4%
1983	20.4%	1.8%
1945	20.4%	13.3%

Returns the last 4 months of the year

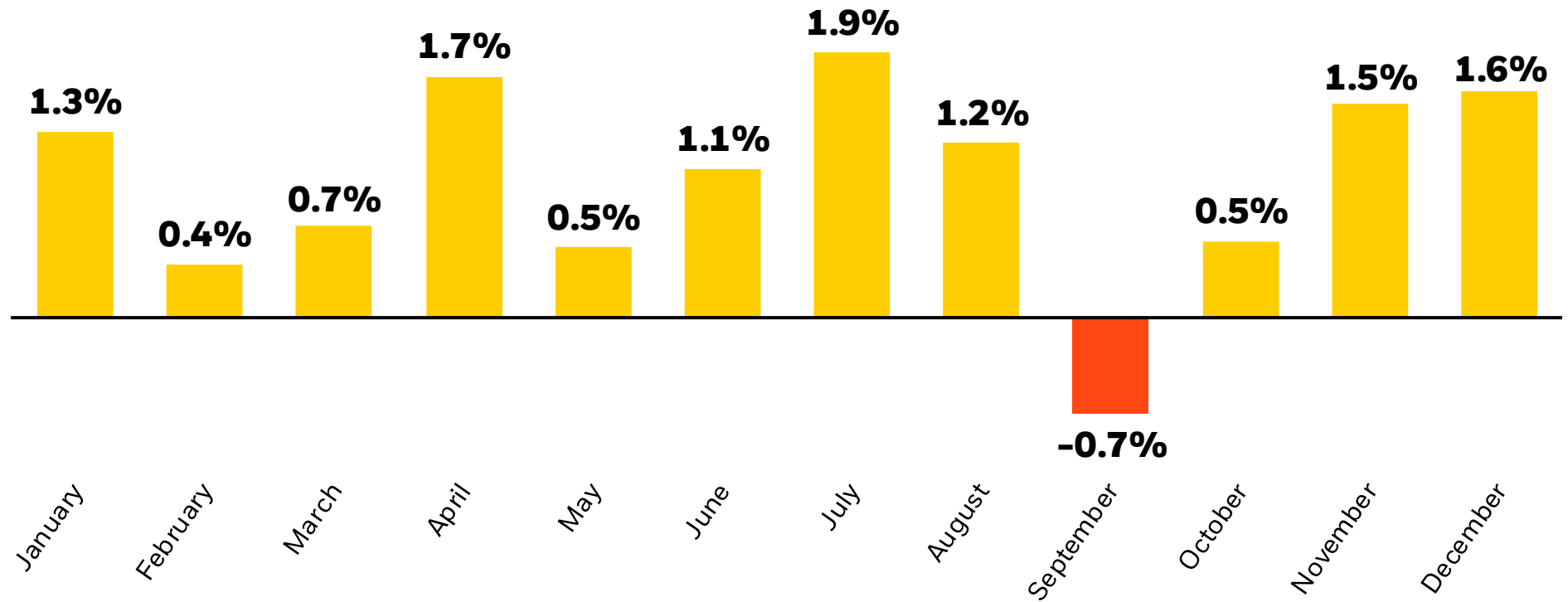
Since 1926, total return for Sept 1 - Dec 31



Source: Morningstar as of 8/31/21. U.S. stocks are represented by the S&P 500 TR Index from 3/4/57 to 8/31/21 and the IASBBIUS. Lrg Stock TR USD Index from 1/1/50 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.

September is historically the worst month for U.S. stocks

Average U.S. stock return by calendar month
1/1/1926 - 8/31/21



Source: Morningstar as of 8/31/21. U.S. stocks are represented by the S&P 500 TR Index from 3/4/57 to 8/31/21 and the IASBBIUS.Lrg Stock TR USD Index from 1/1/50 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.

FUND FLOWS

Best start to the year ever for both stock and bond fund flows

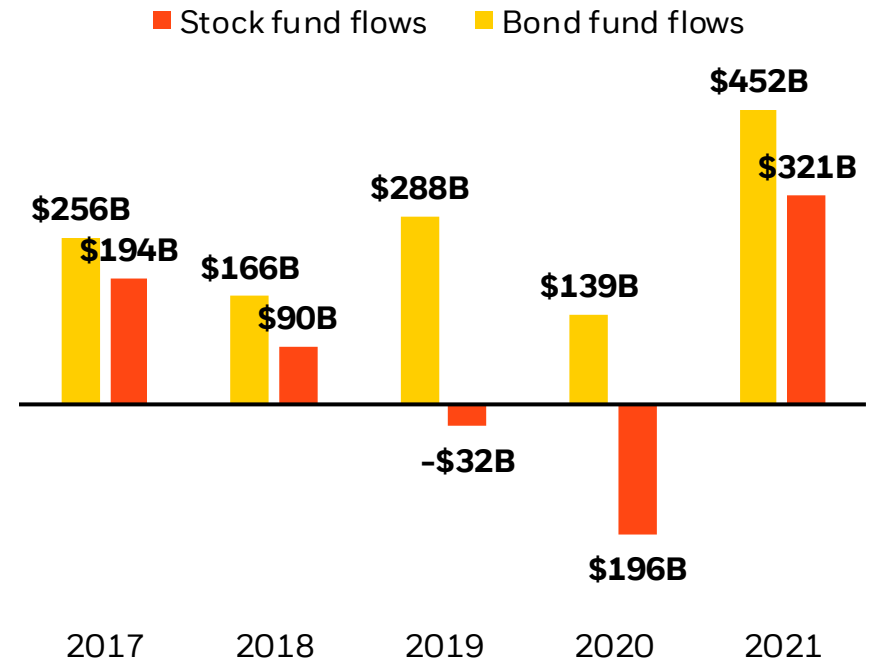
Calendar year fund flows through July

Mutual fund and ETFs, only years in which net fund flows exceeded \$50B for each asst class shown, since 2/1/1993

Year	Mutual fund and ETF flows through July		Return 1 year later	
	Stock fund flows	Bond fund flows	Stocks	Bonds
2021	\$321B	\$452B	?	?
2017	\$194B	\$256B	16.2%	-0.8%
2013	\$255B	\$51B	16.9%	4.0%
2014	\$167B	\$99B	11.2%	2.8%
2018	\$90B	\$166B	8.9%	8.1%
2007	\$119B	\$98B	-11.1%	6.2%
2015	\$135B	\$70B	5.6%	5.9%
2003	\$54B	\$62B	13.2%	4.8%
<i>Avg for all years since 1993</i>	<i>\$86B</i>	<i>\$98B</i>	<i>13.0%</i>	<i>5.4%</i>

Last 5 years of fund flows through July

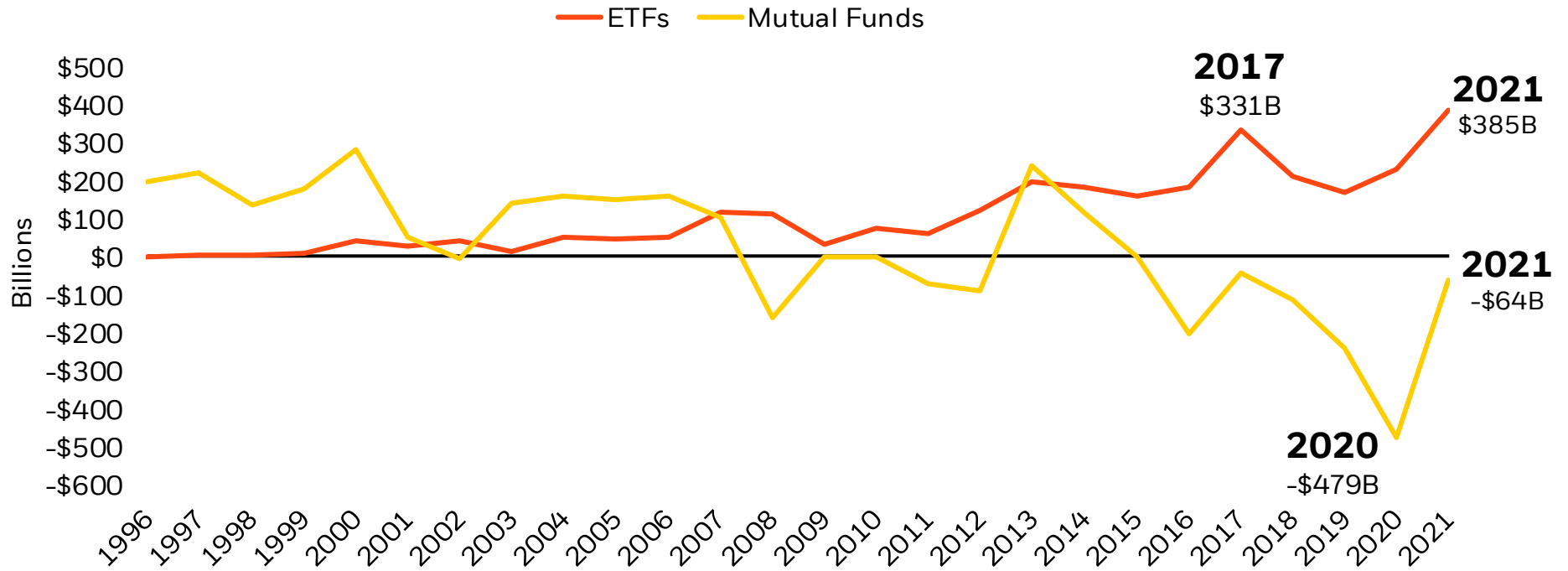
Mutual fund and ETFs flows through July for each year



Source: Morningstar as of 8/31/21. Stocks are represented by the S&P 500 PR Index from 3/4/57 to 8/31/21 and the IASBBI U.S.Lrg Stock PR USD Index from 1/1/50 to 3/4/57, unmanaged indexes that are generally considered representative of the U.S. stock market during each given time period. Bonds are represented by the BbgBarc U.S. Agg Bond TR Index from 1/3/89 to 8/31/21 and the IA SBBI US Gov IT Index from 1/1/26 to 1/3/89, unmanaged indexes that are generally considered representative of the U.S. bond market during each given time period. Stock funds and bond funds are 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.

Divergence continues between equity mutual fund and equity ETF flows

Calendar year flows for all equity mutual funds versus all equity ETFs
(12/31/95 - 7/31/21)



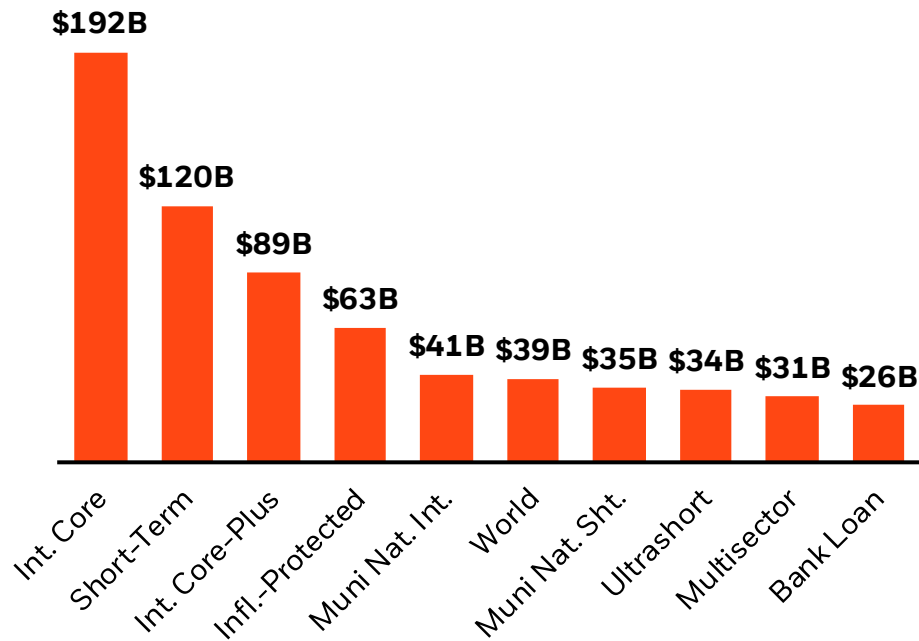
Source: Morningstar as of 7/31/21. Equity mutual funds are represented by the broad equity fund category as defined by Morningstar, mutual funds only. Equity ETFs are represented by the broad equity fund category as defined by Morningstar, ETFs only. Past performance does not guarantee or indicate future results. Index performance is for illustrative purposes only. You cannot invest directly in the index

BOND FUND FLOWS

Historic bond fund flows despite muted performance

Top 10 flowing bond fund categories

Mutual fund and ETFs, flows as of 7/31/21



Bond fund flows and performance

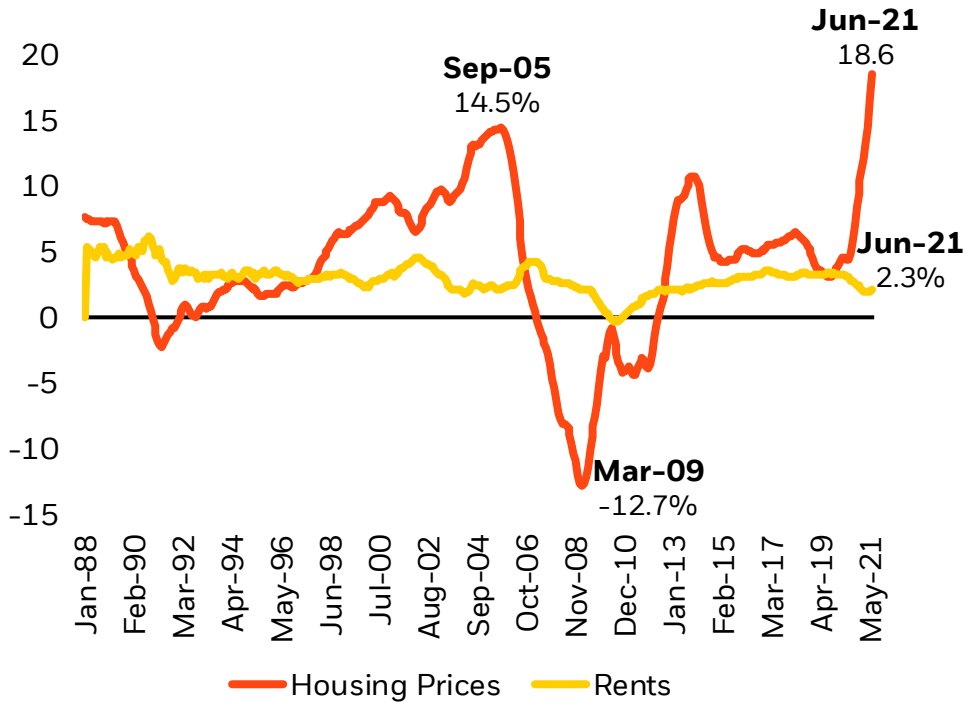
Mutual fund and ETFs flows through July, performance as of 8/31/21

Category	1-year flows	YTD return	1-year return
Int. Core	\$192B	-0.4%	0.6%
Short-Term	\$120B	0.7%	1.8%
Int. Core-Plus	\$89B	0.2%	2.2%
Infl.-Protected	\$63B	4.2%	5.9%
Muni Nat. Int.	\$41B	1.8%	3.8%
World	\$39B	-1.8%	1.7%
Muni Nat. Sht.	\$35B	0.6%	1.2%
Ultrashort	\$34B	0.3%	0.8%
Multisector	\$31B	2.7%	6.6%
Bank Loan	\$27B	3.3%	7.2%
Core Index		-0.7%	-0.1%

Source: Morningstar as of 8/31/21. "Core Index" is represented by the BbgBarc U.S. Agg Bond TR, an unmanaged index that is generally considered representative of the U.S. bond market. "Intermediate Core" is represented by the U.S. Intermediate Core Bond fund category as defined by Morningstar. "Short-Term" is represented by the U.S. Short-Term Bond fund category as defined by Morningstar. "Intermediate Core-Plus" is represented by the U.S. Intermediate Core-Plus Bond fund category as defined by Morningstar. "Inflation-Protected" is represented by the U.S. Inflation-Protected Bond fund category as defined by Morningstar. "Muni National Intermediate" is represented by the U.S. Muni National Interm Bond fund category as defined by Morningstar. "World" is represented by the U.S. World Bond-USD Hedged fund category as defined by Morningstar. "Muni National Short" is represented by the U.S. Muni National Short Bond fund category as defined by Morningstar. "Ultrashort" is represented by the U.S. Ultrashort Bond fund category as defined by Morningstar. "Multisector" is represented by the U.S. Multisector Bond fund category as defined by Morningstar. "Bank Loan" is defined by the U.S. Bank Loan Bond fund category as defined by Morningstar. **Past performance does not guarantee or indicate future results.** Index performance is for illustrative purposes only. You cannot invest directly in the index.

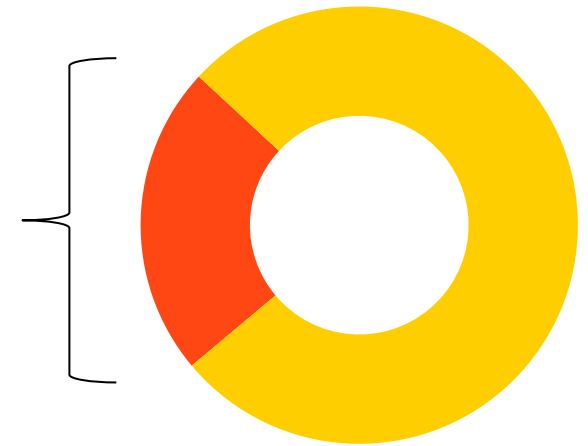
Historic housing price inflation not reflected in the CPI

Housing prices and owners equivalent rent
12-month rolling, 1/1/88 – 6/30/21



Inflation index weight towards "Housing"

Home owners' equivalent rent of primary residence is the largest single component of CPI at 23%



"Rents" replaced housing prices in the CPI in 1983

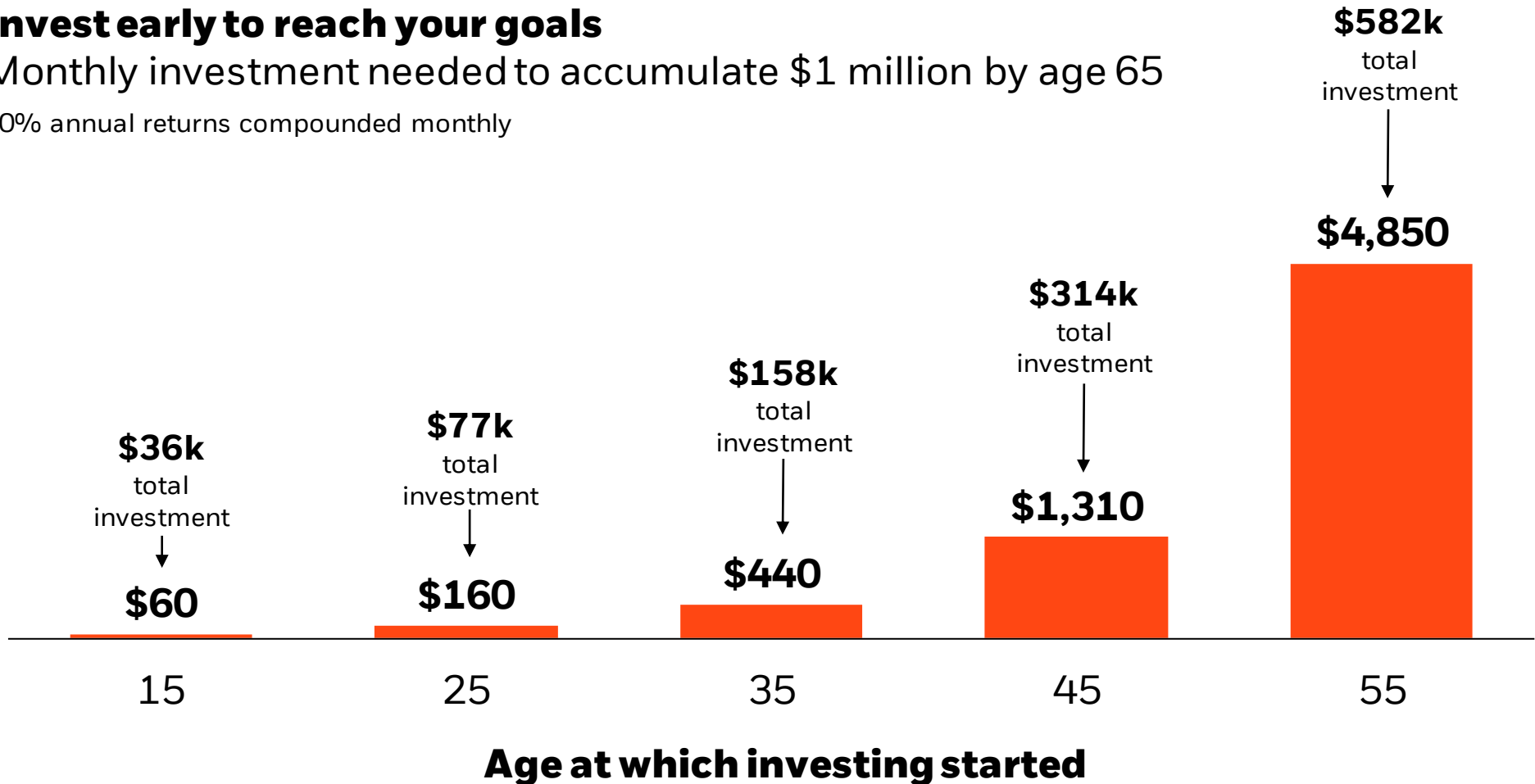
Source: Bureau of Labor Statistics and Standard and Poors, as of 6/30/21.

Systematic investing and starting early

Invest early to reach your goals

Monthly investment needed to accumulate \$1 million by age 65

10% annual returns compounded monthly



Student of the Market: September 2021

Returns as of 8/31/21	Total Ret 1 Year	Total Ret 5 Years	Total Ret 10 Years
S&P 500 TR USD	31.17	18.02	16.34
Bloomberg US Agg Bond TR USD	-0.08	3.11	3.18
IA SBBI US IT Govt TR USD	-1.58	2.56	2.31
IA SBBI US Large Stock TR USD Ext	31.17	18.02	16.34
US Fund Bank Loan	7.21	3.56	3.97
US Fund Inflation-Protected Bond	5.86	4.26	2.65
US Fund Intermediate Core Bond	0.55	3.09	3.18
US Fund Intermediate Core-Plus Bond	2.17	3.67	3.80
US Fund Multisector Bond	6.56	4.29	4.47
US Fund Muni National Interm	3.81	2.80	3.44
US Fund Muni National Short	1.24	1.50	1.41
US Fund Short-Term Bond	1.81	2.45	2.05
US Fund Ultrashort Bond	0.81	1.70	1.25
US Fund World Bond-USD Hedged	1.74	2.93	3.14

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 8/31/21 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.

Past performance is no guarantee of future results. Index performance is shown for illustrative purposes only. It is not possible to invest directly in an index. Investing involves risks, including possible loss of principal. This information should not be relied upon as research, investment advice, or a recommendation regarding any products, strategies, or any security in particular. This material is strictly for illustrative, educational, or informational purposes and is subject to change.

© 2021 BlackRock, Inc. **BlackRock** is a trademark of BlackRock, Inc. 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.