

May 2025

Student **of the** **Market**

BlackRock®

Student of the Market

May 2025

Stocks

Diversification is back



Stock market volatility returns



Historic market volatility periods



International stocks



Bonds and alternatives

Active fixed income



Fed rate cut pause



Alternatives deliver diversification



Keep politics out of your portfolio



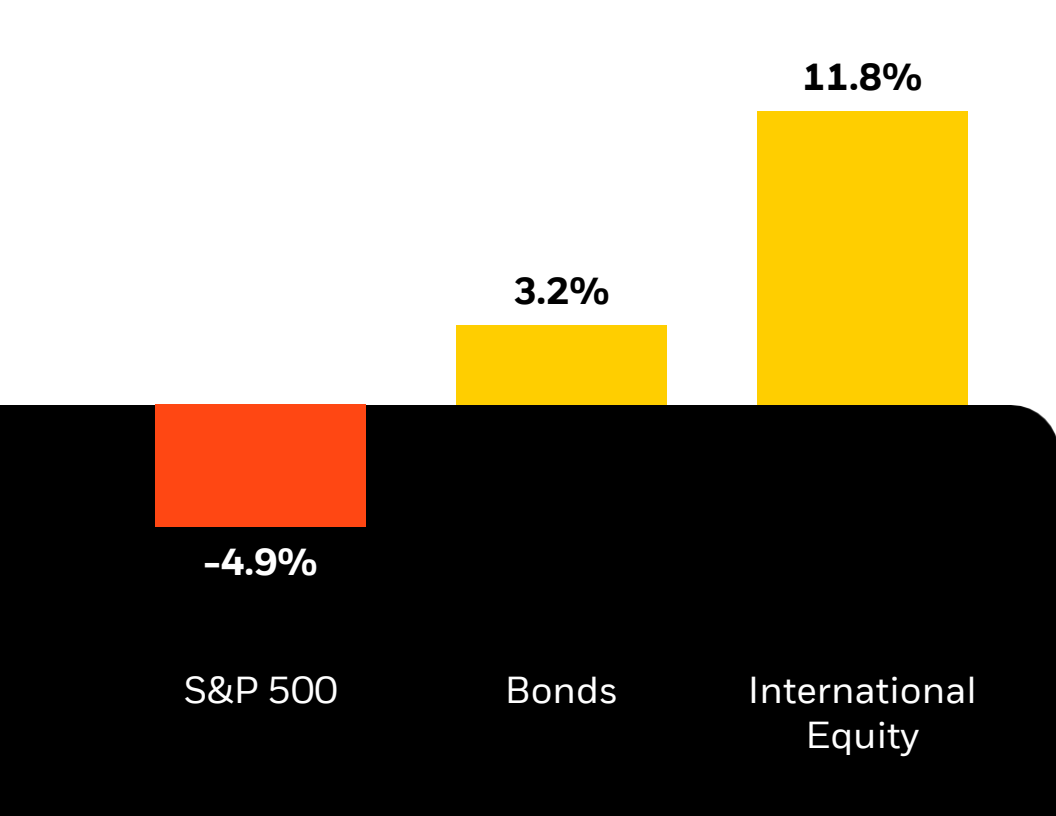
Source: Morningstar as of 4/30/25. Past performance is no guarantee of future results. Index performance is shown for illustrative purposes only. You cannot invest directly in an index.

Diversification has been helping in 2025

International stocks have had their third best start to a calendar year (relative to U.S. equities) in history.

2025 asset class performance

YTD performance (through 4/30/2025)



3rd best start to a year for international stocks

International outperformed the rest of the year 7 of the top 9 periods

| First 4 months | | | | Next 8 months |
|----------------|----------------------|-------------|--------------------------|--------------------------|
| | International stocks | U.S. stocks | Difference (Intl - U.S.) | Difference (Intl - U.S.) |
| 1986 | 38.4 | 12.8 | 25.6 | 17.3 |
| 1993 | 22.6 | 1.8 | 20.8 | 0.0 |
| 2025 | 11.8 | -4.9 | 16.7 | ? |
| 1987 | 36.3 | 20.2 | 16.0 | 3.9 |
| 1994 | 7.9 | -2.6 | 10.5 | -4.1 |
| 1988 | 16.9 | 6.9 | 10.1 | 0.6 |
| 2006 | 14.6 | 5.6 | 9.0 | 0.6 |
| 2015 | 9.2 | 1.9 | 7.2 | -8.6 |
| 2002 | 1.2 | -5.8 | 7.0 | 0.4 |
| 2007 | 8.7 | 5.1 | 3.6 | 1.9 |
| Avg | 16.8 | 4.1 | 12.7 | 1.2 |

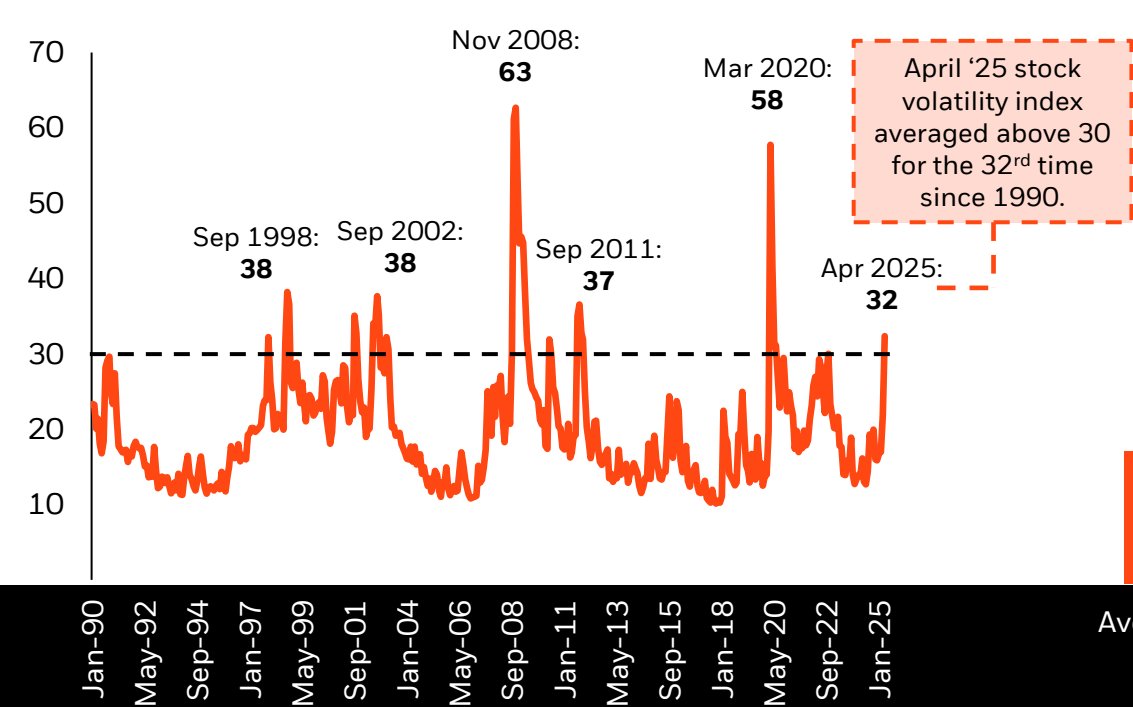
Source: Bloomberg, data as of 4/30/25 over common inception, with MSCI EAFE inception in 1986. All return figures are rounded., U.S. bonds represented by the Bloomberg U.S. Agg Bond Intermediate TR Index, International Equity represented by MSCI EAFE Index, U.S. stocks represented by the S&P 500 Index, an unmanaged index that is generally considered representative of the U.S. stock market. **Past performance is no guarantee of future results.** It is not possible to invest directly in an index.

Stock market volatility returns in a big way

Historically, stocks have been resilient following periods of heightened market volatility. With April’s market whipsaws, the volatility index was at its highest point since the pandemic.

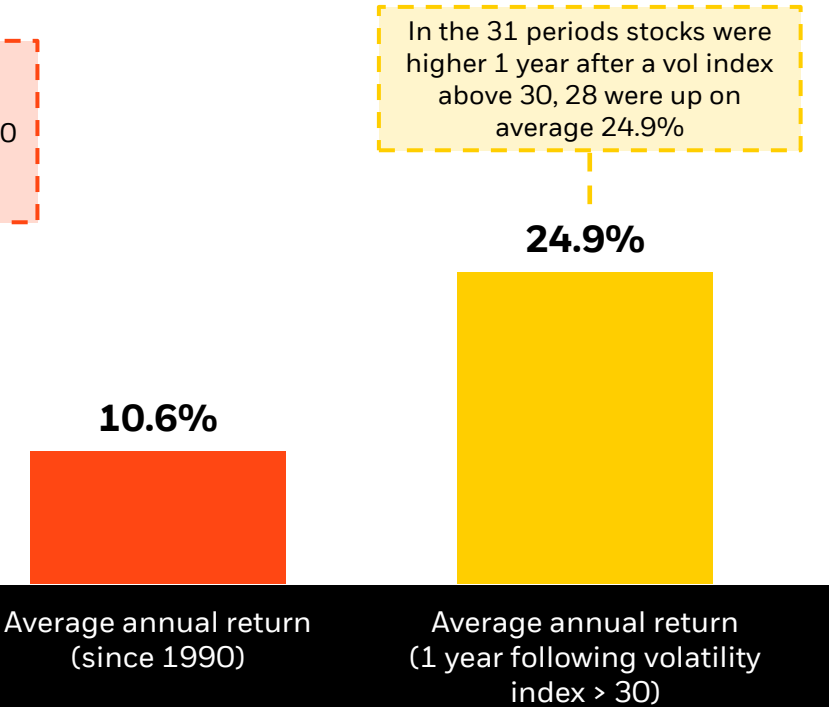
Stock market volatility index above 30 in April

Monthly average volatility index since 1990



Stock performance after periods of high volatility

Average stock return since 1990 and 1-yr after a volatility index above 30



Sources: BlackRock; Morningstar, St. Louis Federal Reserve as of 4/30/25. Stock market volatility index represented by the CME volatility index. Returns are represented by the S&P 500 Index, an unmanaged index that is generally considered representative of the U.S. stock market. **Past performance is no guarantee of future results.** It is not possible to invest directly in an index.

Volatile stretches in the stock market look similar to the past

Some of the best and worst days in market history tend to surround each other during periods of volatility.

2025 “Tariff volatility”

| April 2025 | | | | | | | | | |
|------------|-------|-------|-------|------|-------|------|------|-------|-------|
| 3 | 4 | 5 | 8 | 9 | 10 | 11 | 13 | 15 | 16 |
| -4.8% | -6.0% | -0.2% | -1.6% | 9.5% | -3.5% | 1.8% | 0.8% | -0.2% | -2.2% |

2008 U.S. stocks “Global financial crisis”

| October 2008 | | | | | | | | | | |
|--------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|------|
| 2 | 3 | 6 | 7 | 8 | 9 | 10 | 13 | 14 | 15 | 16 |
| -4.0% | -1.4% | -3.9% | -5.7% | -1.1% | -7.6% | -1.2% | 11.6% | -0.5% | -9.0% | 4.3% |

U.S. stocks were +9.8% 1 year following best day (10/14/08- 10/13/09)

2020 U.S. stocks “Covid pandemic”

| March 2020 | | | | | | | | | | | |
|------------|------|-------|-------|------|------|------|-------|------|-------|-------|------|
| 9 | 10 | 11 | 12 | 13 | 16 | 17 | 18 | 19 | 20 | 21 | 22 |
| -7.6% | 4.9% | -4.9% | -9.5% | 9.3% | -12% | 6.0% | -5.2% | 0.5% | -4.3% | -2.9% | 9.4% |

U.S. stocks were +73.9% 1 year following best day (3/23/20- 3/22/21)

1987 U.S. stocks “Market crash”

| October 1987 | | | | | | | | | | | |
|--------------|-------|-------|--------|------|------|-------|-------|-------|------|------|------|
| 14 | 15 | 16 | 19 | 20 | 21 | 22 | 23 | 26 | 27 | 28 | 29 |
| -3.0% | -2.3% | -5.2% | -20.5% | 5.3% | 9.1% | -3.9% | -0.0% | -8.3% | 2.4% | 0.0% | 4.9% |

U.S. stocks were -8.5% 1 year following best day (10/22/87- 10/21/87)

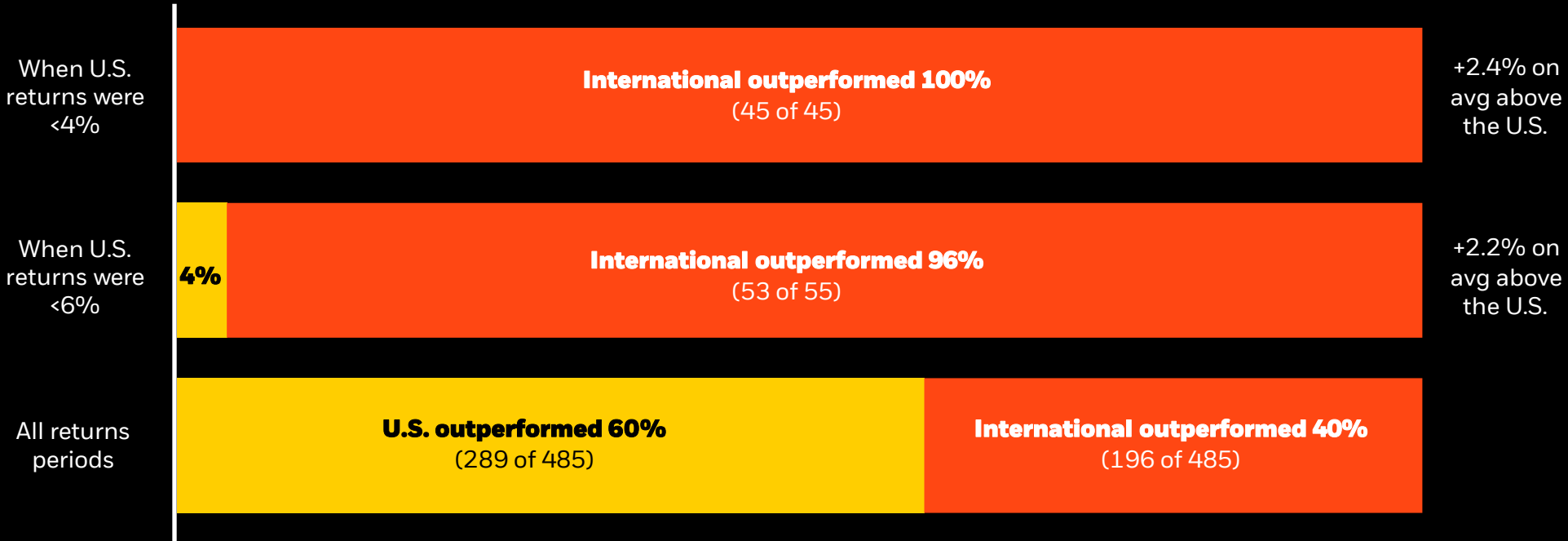
Source: Morningstar as of 4/30/25. U.S. stocks represented by the S&P 500 Index. Past performance does not guarantee or indicate future results. Index performance is for illustrative purposes only. You cannot invest directly in the index. Investing involves risk, including possible loss of principal. International investing involves risks, including risks related to foreign currency, limited liquidity, less government regulation and the possibility of substantial volatility due to adverse political, economic or other developments. These risks often are heightened for investments in emerging/developing markets or in concentrations of single countries.

International stocks when U.S. stocks struggle

Historically, international stocks outperformed 96% of the time when U.S. stocks returned less than 6%, and 100% of the time when U.S. stocks returned less than 4%.

International stocks have historically outperformed in periods of lower U.S. stock returns

10-year rolling periods, U.S. return levels vs. international (1986 – 2024)



Source: Morningstar as of 4/30/25. U.S. stocks represented by the S&P 500 Index and International stocks represented by the MSCI EAFE Index. Past performance does not guarantee or indicate future results. Index performance is for illustrative purposes only. You cannot invest directly in the index. Investing involves risk, including possible loss of principal. International investing involves risks, including risks related to foreign currency, limited liquidity, less government regulation and the possibility of substantial volatility due to adverse political, economic or other developments. These risks often are heightened for investments in emerging/developing markets or in concentrations of single countries.

Interest rate volatility continues, and bonds (especially active) have outperformed cash

Many active bond managers have delivered performance via interest rate and credit positioning.

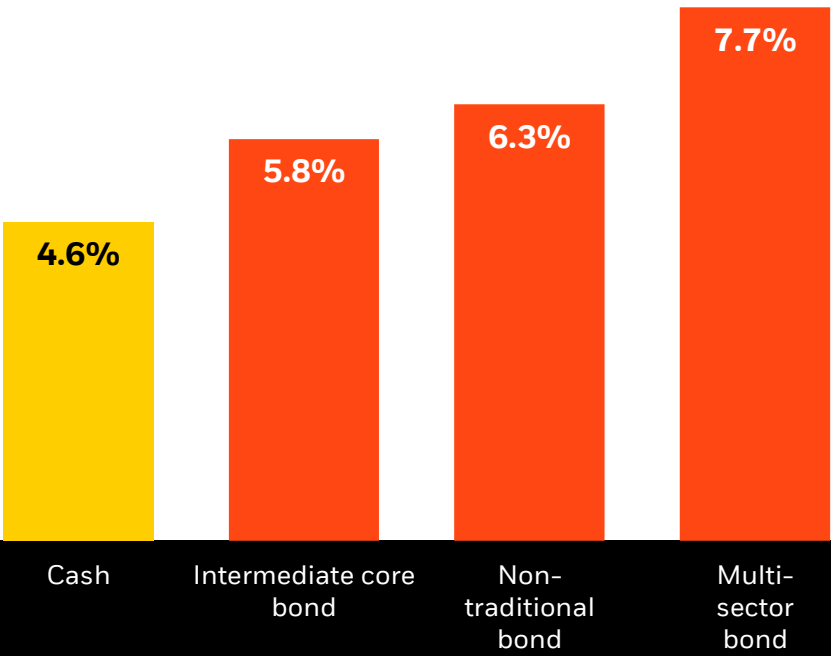
Interest rates have swung wildly

10-year U.S. Treasury yield



Flexible bond managers have delivered

Average annualized return (10/24/2022 – 12/31/2024)



Source: Morningstar, Federal Reserve as of 4/30/24. Cash represented by the Morningstar taxable money market fund average. All bond asset classes are represented by their respective U.S. fund category as defined by Morningstar. Past performance does not guarantee or indicate future results.

The Fed rate cut is paused for now, but what if cuts resume later in 2025?

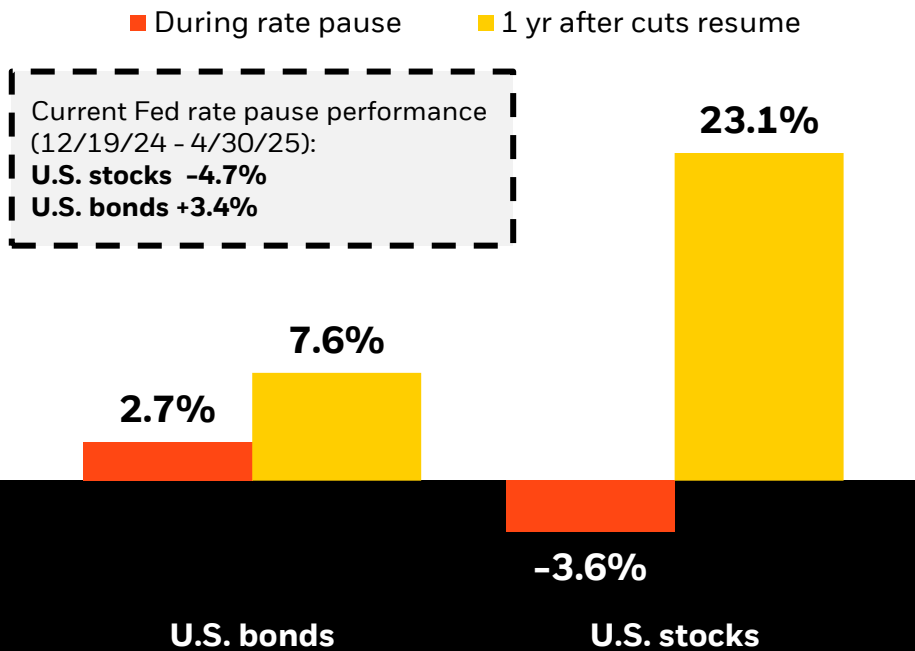
What history tells us about a pause and how markets may respond going forward if the rate cut continues.

Historically, Fed rate cut pauses don't last long

3 months or more between Fed rate cuts, 1/1/1990 - 2/28/2025

| Dates between Fed rate cuts | Length of pause |
|-----------------------------|-----------------|
| 7/13/90 - 10/29/90 | 3.5 months |
| 12/20/91 - 4/9/92 | 3.5 months |
| 7/6/95 - 12/19/95 | 5 months |
| 11/6/02 - 6/25/03 | 7 months |
| 4/30/08 - 10/18/08 | 6.5 months |
| 10/31/19 - 3/3/20 | 4 months |
| 12/18/24 - ? | ? |

Historically bonds outperform during a rate cut pause; both have bounced when rate cuts resume



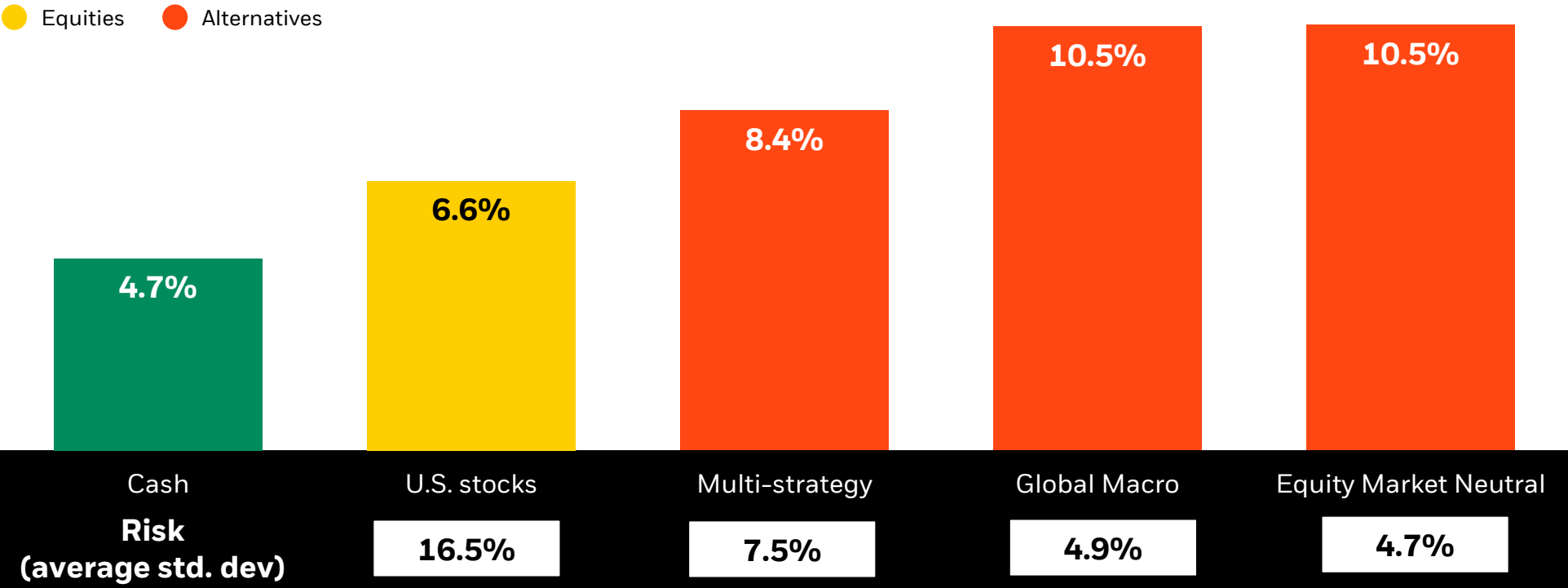
Source: Morningstar and the St Louis Federal Reserve as of 4/30/25. U.S. bonds represented by the Bloomberg U.S. Agg Bond Intermediate TR Index, U.S. stocks represented by the S&P 500 index. Past performance does not guarantee or indicate future results. Index performance is for illustrative purposes only. You cannot invest directly in the index.

Alternatives have done well when rates are high

Interest rates are forecasted to stay high through the end of the year. History shows that alternative strategies have done well in this environment, delivering competitive performance with much lower volatility than stocks.

Many alternatives have kept up with stocks... with less risk

Average annual returns & standard deviation during periods of 3%+ FFR, (Jan. 1999 to Mar. 2025)

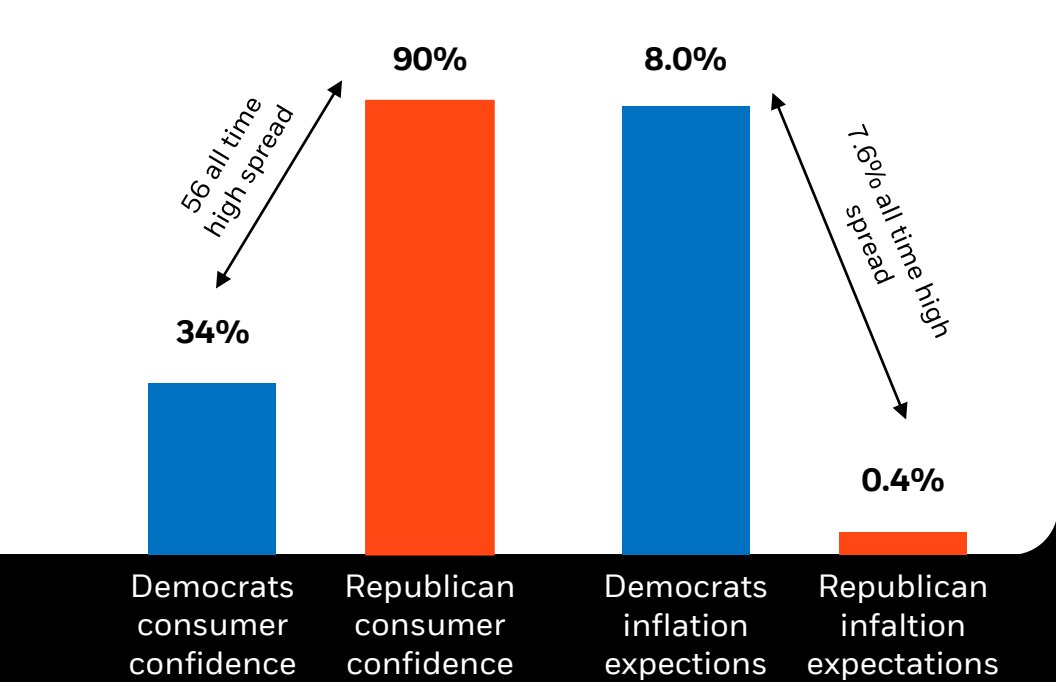


Source: Morningstar as of 3/31/25. "Cash" is represented by IA SBBI US 30 Day Tbill TR Index. "U.S. Stocks" is represented by the S&P 500 TR Index. "Multi-strategy," "Global Macro," and "Equity Market Neutral" represented by their respective Morningstar fund category averages. Analysis includes the following 3 periods since 1999 where the Federal Funds Rate was at a minimum of 3% for longer than 24 months: 1/1/99 to 10/2/01, 5/4/05 to 3/18/08 and 9/22/22 to 3/31/25. **Past performance does not guarantee or indicate future results.** Index performance is shown for illustrative purposes only. It is not possible to invest directly in an index.

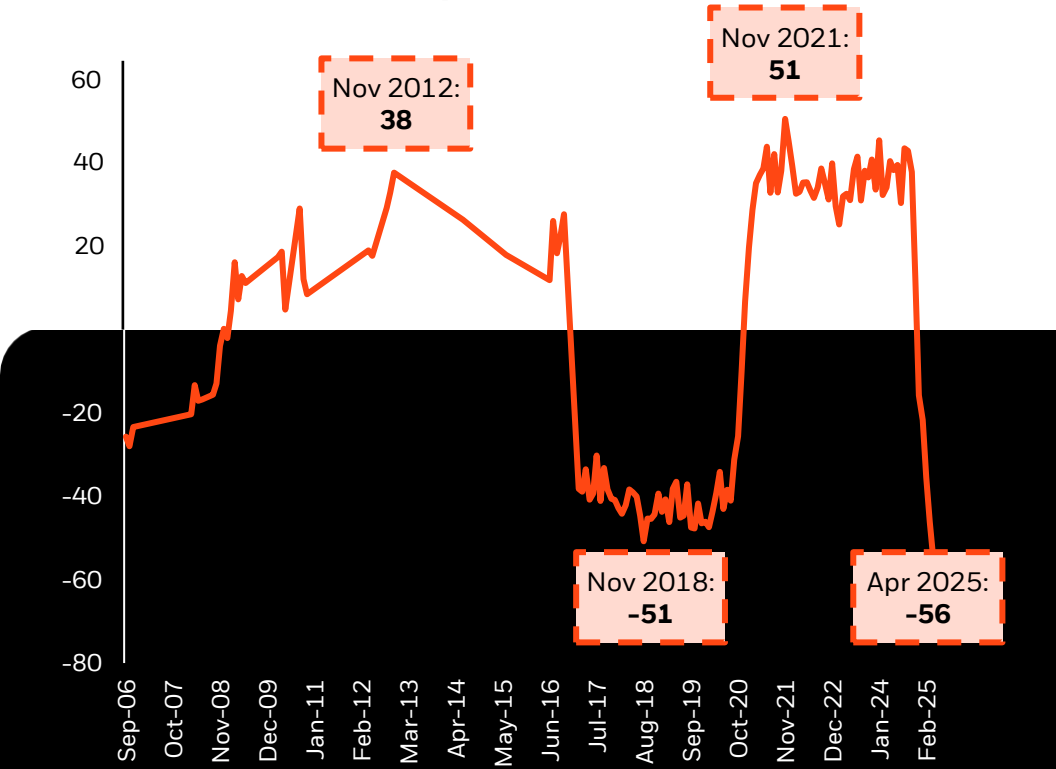
Keep your politics out of your portfolio

The election is over, but members of either political party view the market and economy very differently. The new administration and policy changes have led to record levels of discrepancy between parties.

Consumer confidence and inflation expectations by political party (April 2025)



Consumer confidence difference between parties (Democrats minus Republicans)



Source: Bloomberg and the University of Michigan, data as of 4/30/25. Left: Consumer confidence and inflation expectations represented by the University of Michigan surveys, as of 4/30/2025. Right: Historical consumer confidence from 9/1/2006-4/30/2025.

Student of the Market: May 2025

| Returns as of 4/30/25 | 1 Year Return | 5 Year Avg. Annual Return | 10 Year Avg. Annual Return |
|---|---------------|---------------------------|----------------------------|
| Bloomberg US Agg Bond TR USD | 8.02 | -0.67 | 1.54 |
| Credit Suisse Equity Market Neutral USD | 9.38 | 6.89 | 3.25 |
| Credit Suisse Global Macro USD | 2.62 | 8.80 | 4.60 |
| Credit Suisse Multi-Strategy USD | 7.79 | 8.24 | 5.19 |
| IA SBBI US IT Govt TR USD | 5.38 | 0.67 | 1.64 |
| IA SBBI US Large Stock TR USD Ext | 12.10 | 15.61 | 12.32 |
| MSCI EAFE NR USD | 12.57 | 11.37 | 5.45 |
| S&P 500 PR | 10.59 | 13.84 | 10.32 |
| S&P 500 TR USD | 12.10 | 15.61 | 12.32 |
| US BLS CPI All Urban NSA 1982-1984 | 2.39 | 4.38 | 3.08 |
| US Fund Equity Market Neutral | 6.29 | 6.76 | 3.63 |
| US Fund Intermediate Core Bond | 7.90 | -0.31 | 1.46 |
| US Fund Intermediate Core-Plus Bond | 8.02 | 0.52 | 1.79 |
| US Fund Money Market-Taxable | 4.62 | 2.38 | 1.61 |
| US Fund Multialternative | 15.63 | 3.88 | 2.65 |
| US Fund Multisector Bond | 7.74 | 4.17 | 3.12 |
| US Fund Nontraditional Bond | 5.61 | 3.95 | 2.71 |

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 **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.
- 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 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 **MSCI EAFE NR Index** is an unmanaged index that is generally considered representative of International Developed Markets (ex-U.S.) stocks on a net return basis.
- 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 **S&P 500 PR Index** is an average of funds within the US Fund Large Blend category as defined by Morningstar.
- 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 **MSCI USA Minimum Volatility NR Index** is an unmanaged index that is generally considered representative of U.S. stocks defined by the “minimum volatility” factor on a net return basis.
- **US Fund Large Blend** is an average of funds within the US Fund Large Blend category as defined by Morningstar.
- **US Fund Large Growth** is an average of funds within the US Fund Large Growth category as defined by Morningstar.
- **US Fund Large Value** is an average of funds within the US Fund Large Value category as defined by Morningstar.
- **US Fund Moderate Allocation** is an average of funds within the US Fund Moderate Allocation category as defined by Morningstar.
- Long/short equity funds typically invest in both long and short sides of equity markets, generally focusing on diversifying or hedging across particular sectors, regions or market capitalizations. Managers typically have the flexibility to shift from value to growth; small to medium to large capitalization stocks; and net long to net short. Managers can also trade equity futures and options as well as equity related securities and debt or build portfolios that are more concentrated than traditional long-only equity funds.
- 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.

This information is derived from sources that are considered reliable, but BlackRock does not guarantee the veracity, currency, completeness or accuracy of this information.

Student of the Market: May 2025

Index Definitions (cont.):

- 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.
- **US Fund Equity Market Neutral** is an average of funds within the US Fund Equity Market Neutral category as defined by Morningstar.

Important information

Investing involves risk, including possible loss of principal.

This material is provided for educational purposes only and is not intended to constitute investment advice or an investment recommendation within the meaning of federal, state or local law. You are solely responsible for evaluating and acting upon the education and information contained in this material. BlackRock will not be liable for direct or incidental loss resulting from applying any of the information obtained from these materials or from any other source mentioned. BlackRock does not render any legal, tax or accounting advice and the education and information contained in this material should not be construed as such. Please consult with a qualified professional for these types of advice.

Index performance is for illustrative purposes only. Index performance does not reflect any management fees, transaction costs or expenses. Indexes are unmanaged and one cannot invest directly in an index. Past performance does not guarantee future results.

Prepared by BlackRock Investments, LLC, member FINRA.

© 2025 BlackRock, Inc. or its affiliates. All Rights Reserved. **BLACKROCK** is a trademark of BlackRock, Inc. or its affiliates. All other trademarks are those of their respective owners.