

How markets affect you

Our views on Q3 2020



How markets affect you

MARKETS TODAY

**Where we
stand**

MARKETS IN CONTEXT

**Be wary of
emotions
when
investing**

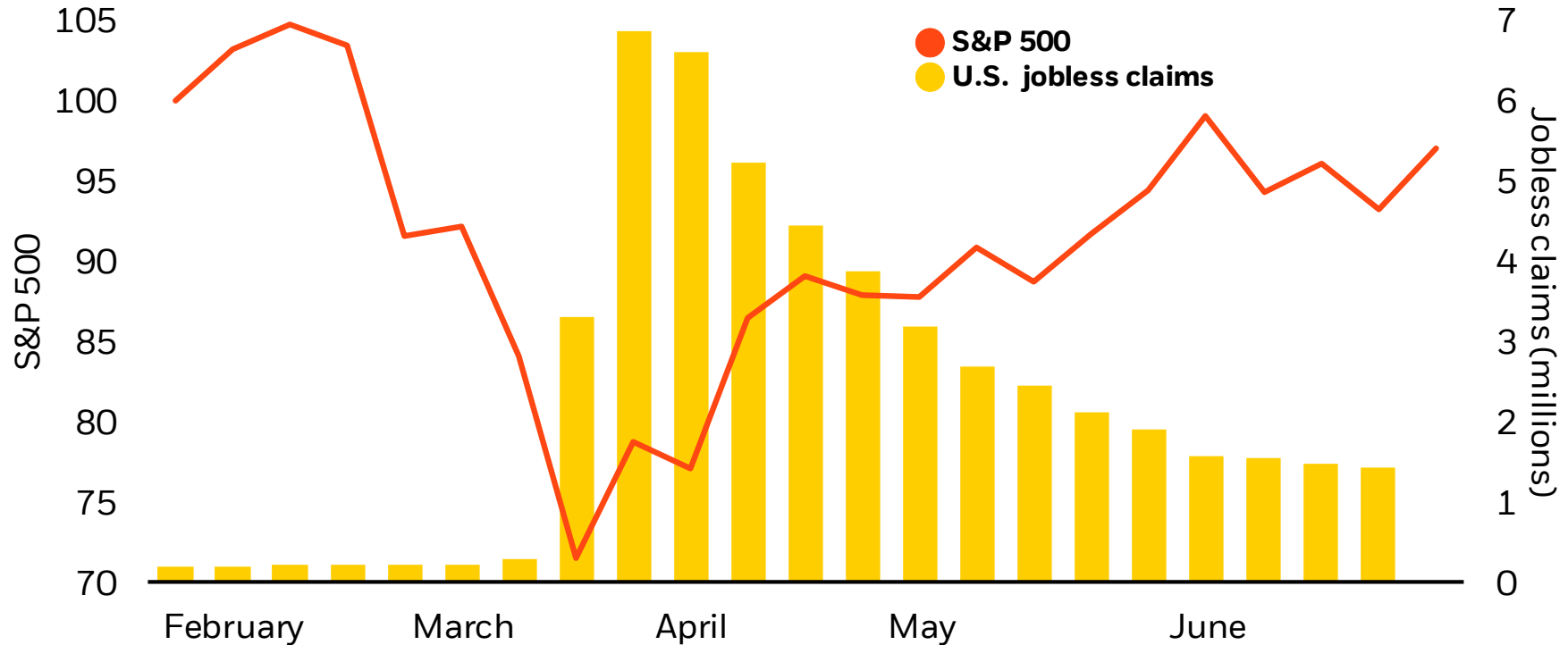
THE WAY FORWARD

**Work with a
professional
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As things stand ...

The last few months have shown that the economy and markets are not necessarily the same thing.

S&P 500 Index vs. U.S. initial jobless claims, 2020

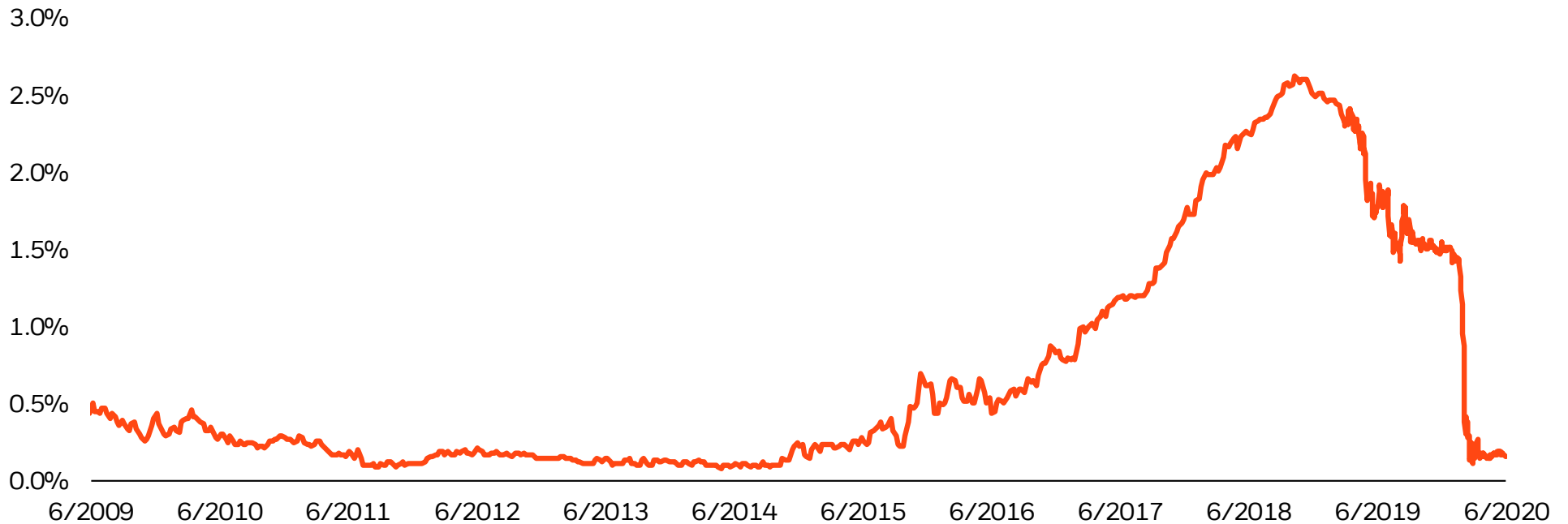


Source: BlackRock Investment Institute, with data from Refinitiv Datastream, July 2020. Notes: The yellow bars show initial claims for U.S. unemployment insurance. The S&P 500 is indexed to 100 at Jan. 31. Past performance is no guarantee of future results. Indexes are unmanaged and are not subject to fees. It is not possible to invest directly in an index.

The new normal: extremely low rates

Short-term interest rates have collapsed

1-Year Treasury Bill secondary market rate over the last 10 years



Source: Federal Reserve Bank as of 6/30/20. Past performance is no guarantee of future results.

The bottom line

We see the coronavirus shock as akin to a large-scale natural disaster that severely disrupts activity in the near term, but eventually results in an economic recovery.

Economies are slowly restarting, but at different paces. The longer it takes for activity to restart, the more cracks might appear in the financial system.

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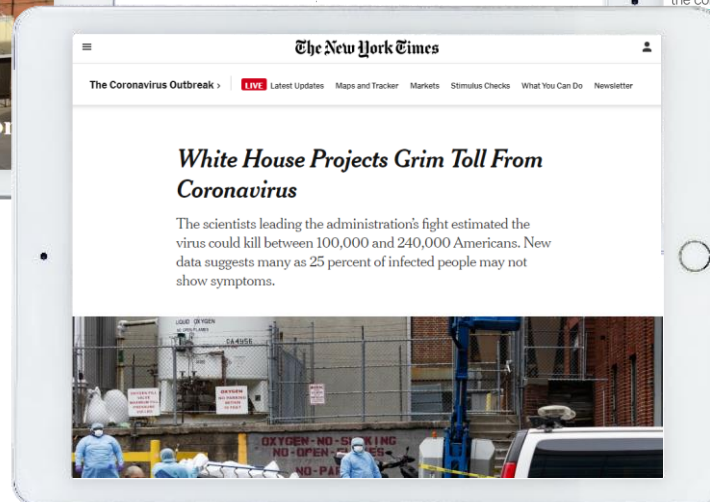
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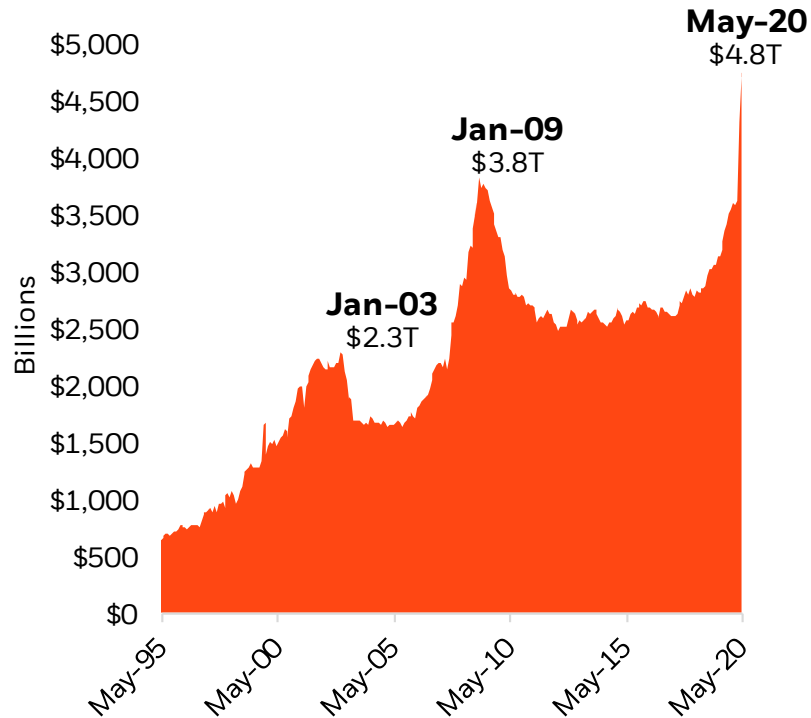
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Events have caused a lot of uncertainty

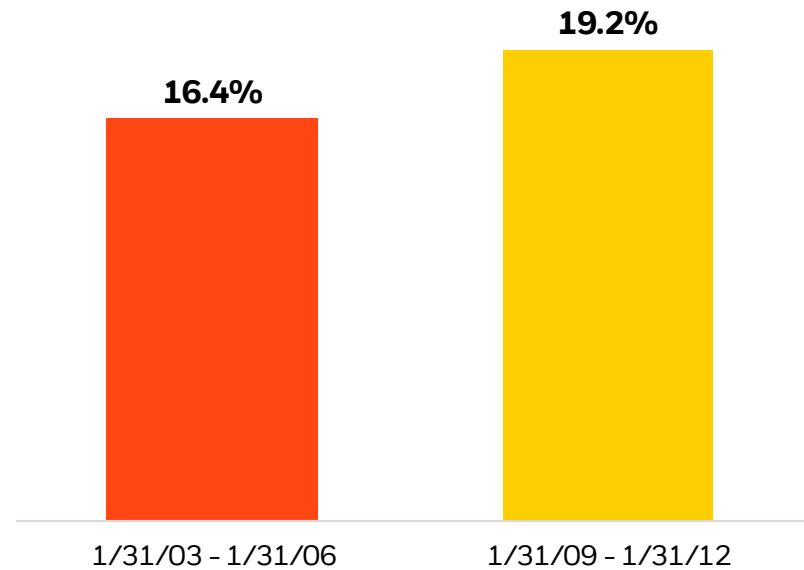


Resist the urge to flee

Money market fund assets
(6/1/95 – 5/31/20)



3-year U.S. stock performance following a peak in money market fund assets
Average annual performance



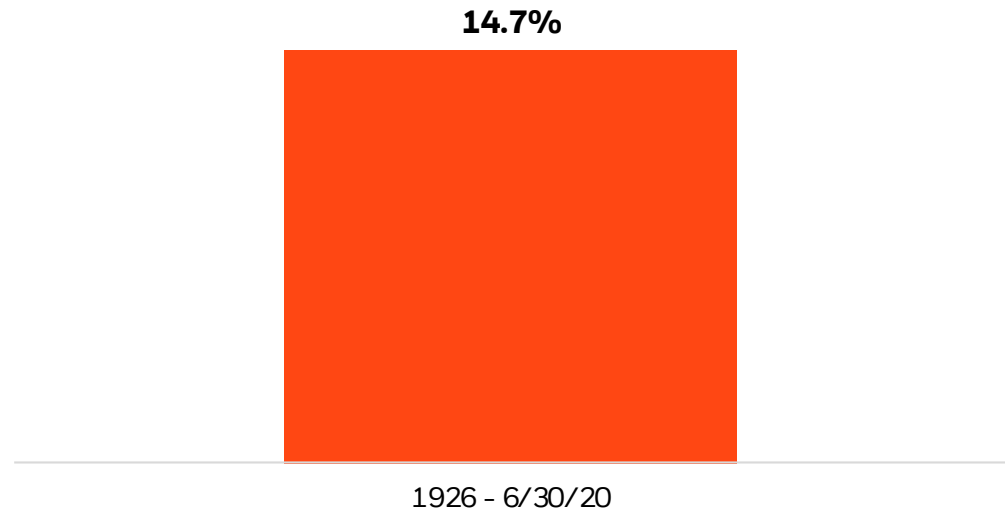
Morningstar as of 5/31/20. U.S. stocks represented by the S&P 500 Index, an unmanaged index that is generally considered representative of the U.S. stock market. **Past performance does not guarantee or indicate future results.** Index performance is for illustrative purposes only. You cannot invest directly in the index.

Markets are resilient over the long-term

Best calendar quarters (1926 - 6/30/20)

Qrt end	Qrt return	Next 12 mo.
Jun-33	88.8	-6.1
Sep-32	85.0	29.3
Jun-38	38.4	-1.9
Mar-75	23.0	28.3
Jun-35	22.3	51.5
Mar-87	21.4	-8.3
Dec-98	21.3	21.0
Sep-39	21.2	-13.0
Jun-20	20.5	?
Mar-43	19.8	9.4
Dec-82	18.3	22.6
Mar-30	18.0	-30.2
Jun-97	17.5	30.2
Dec-35	17.3	33.9
Sep-27	17.3	30.3
Dec-85	17.2	18.7
Sep-70	16.9	20.6
Jun-09	15.9	14.4
Sep-09	15.6	10.2
Jun-03	15.4	19.1

Avg. 1-year return following the top 20 calendar quarters

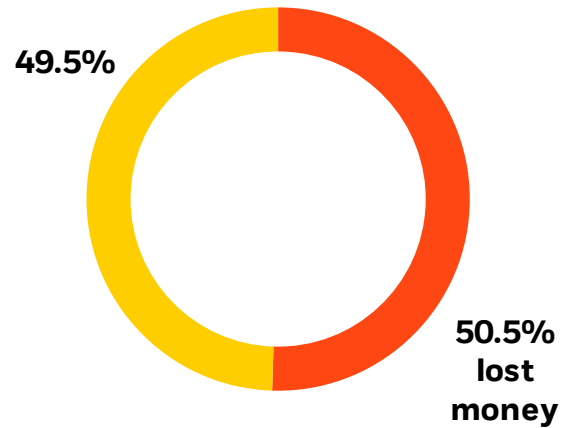


Morningstar as of 6/30/20. Stock market represented by the IA SBBI U.S. Large Cap Index, an unmanaged index that is generally considered representative of the U.S. stock market. **Past performance does not guarantee or indicate future results.** Index performance is for illustrative purposes only. You cannot invest directly in the index.

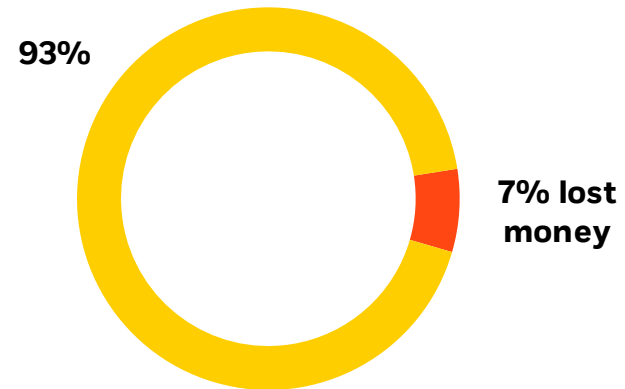
Chase individual stocks at your own risk

The U.S. stock index is up 10.7% over the last 5 years. Many individual stocks have fared worse.

Individual U.S. stocks



U.S. stock funds and ETFs
(mutual funds and ETFs)



	# positive	# negative	% lost money
U.S. stocks	1793	1828	50.5%
U.S. stock mutual funds	1638	134	7.6%
U.S. stock ETFs	236	10	4%

Source: Morningstar as of 6/30/20. Mutual Funds and ETFs are the Morningstar U.S. Equity Category, oldest share class only. US Individual Stocks are the Morningstar US Stock Universe, all securities on the NYSE and NASDAQ. Analysis does not include obsolete mutual funds, ETFs or stocks as defined by Morningstar. **Performance is historical and does not guarantee or indicate future results.**

Why does my diversified portfolio never feel good?

Years	S&P 500	Diversified portfolio	Investor experience
2000*-2002	-39.0%	-17.7%	"I lost money"
2003-2007	+82.9%	+73.8%	"I didn't make as much"
2008	-37.0%	-24.0%	"I lost money"
2009-2019	+351.0%	+191.7%	"I didn't make as much"
2020†	-19.6%	-13.1%	"I lost money"
Total Return	+154.8%	+175.6%	"Diversification can work even when it feels like its losing"
Growth of \$100K	\$254,796	\$275,556	

Source: Morningstar as of 3/31/20. *Performance is from 3/31/2000 to 12/31/2002. †YTD as of 3/31/20. Past performance does not guarantee or indicate future results. Diversified Portfolio is represented by 40% S&P 500 Index, 15% MSCI EAFE Index, 5% Russell 2000 Index, 30% Bloomberg Barclays US Aggregate Bond Index, and 10% Bloomberg Barclays US Corporate High Yield Index. **Past performance does not guarantee or indicate future results.** Index performance is for illustrative purposes only. You cannot invest directly in the index. Diversification does not guarantee a profit or protect against a loss in a declining market.

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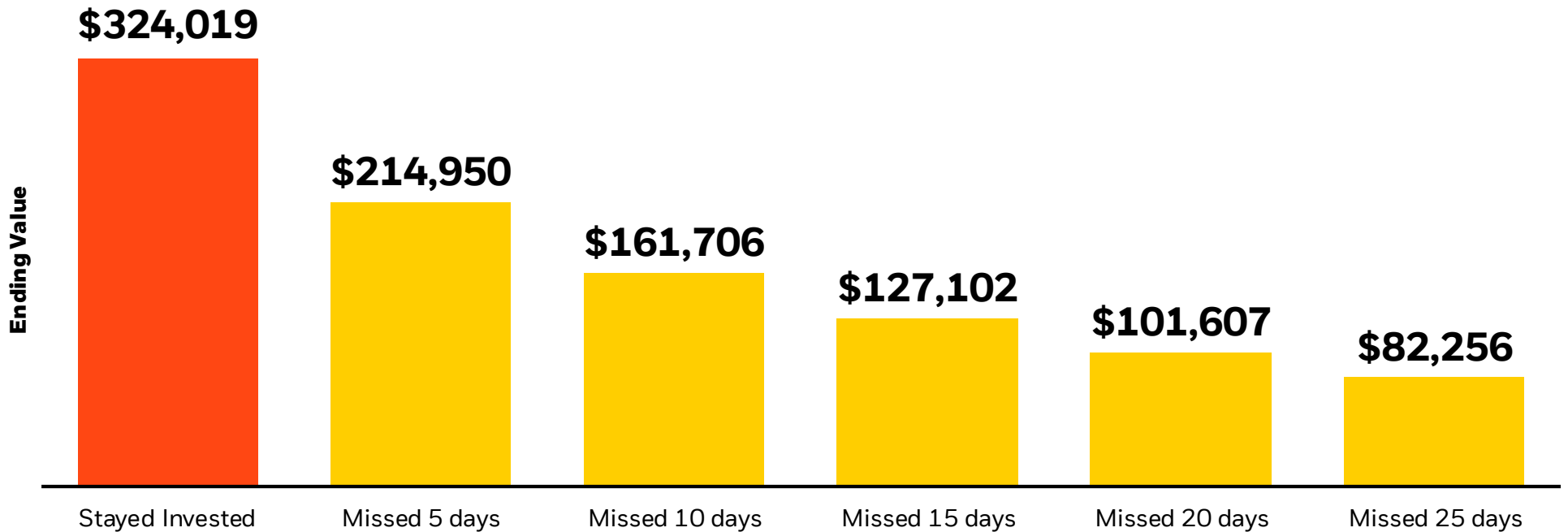
Focus on your goals, not the news



Stay invested

Missing top-performing days can hurt your return

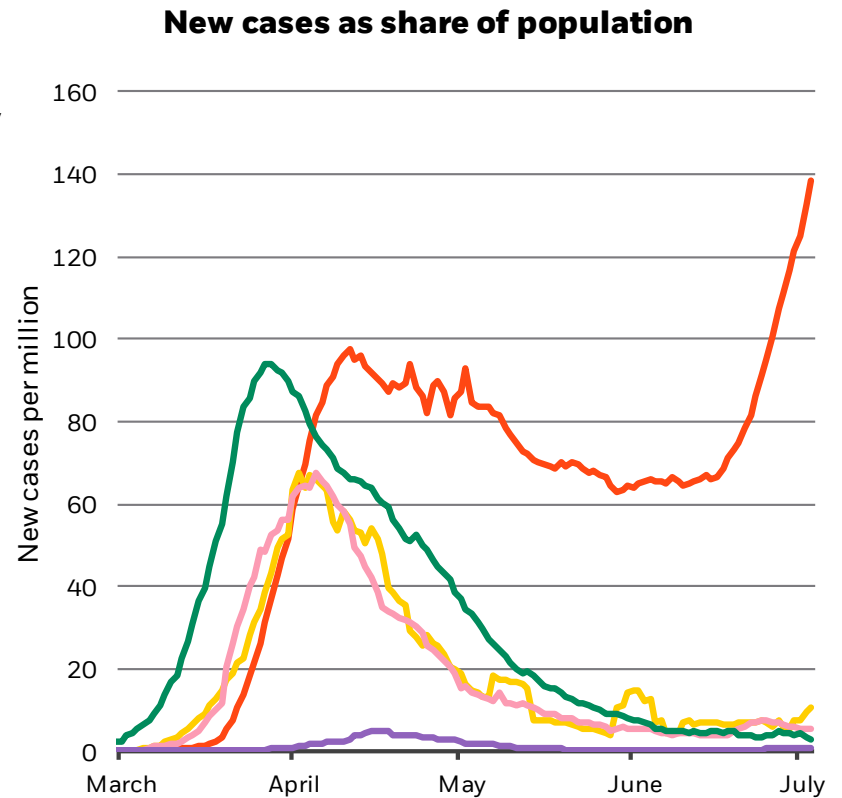
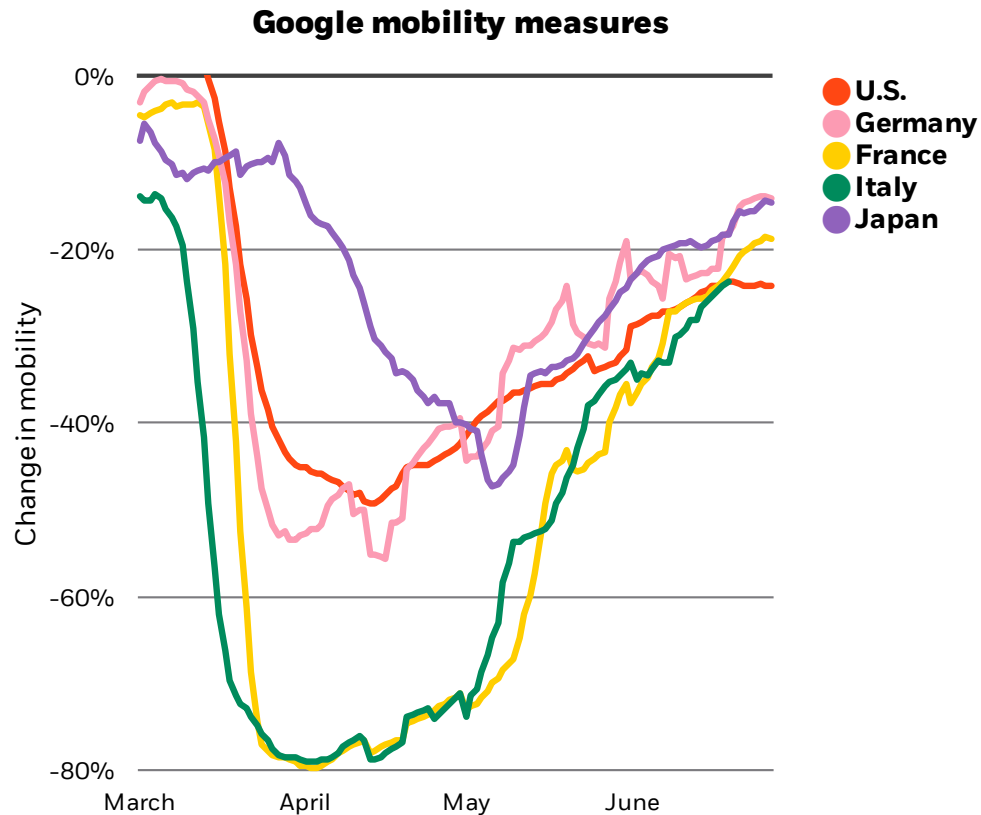
Growth of a hypothetical investment of \$100,000 in the S&P 500 index over the last 20 years (2000-2019)



Sources: BlackRock; Bloomberg as of 12/31/19. Stocks are represented by the S&P 500 Index, an unmanaged index that is generally considered representative of the US stock market. Past performance is no guarantee of future results. It is not possible to invest directly in an index.

Home field advantage?

Measures of mobility are more closely tied to economic activity than the government rules.

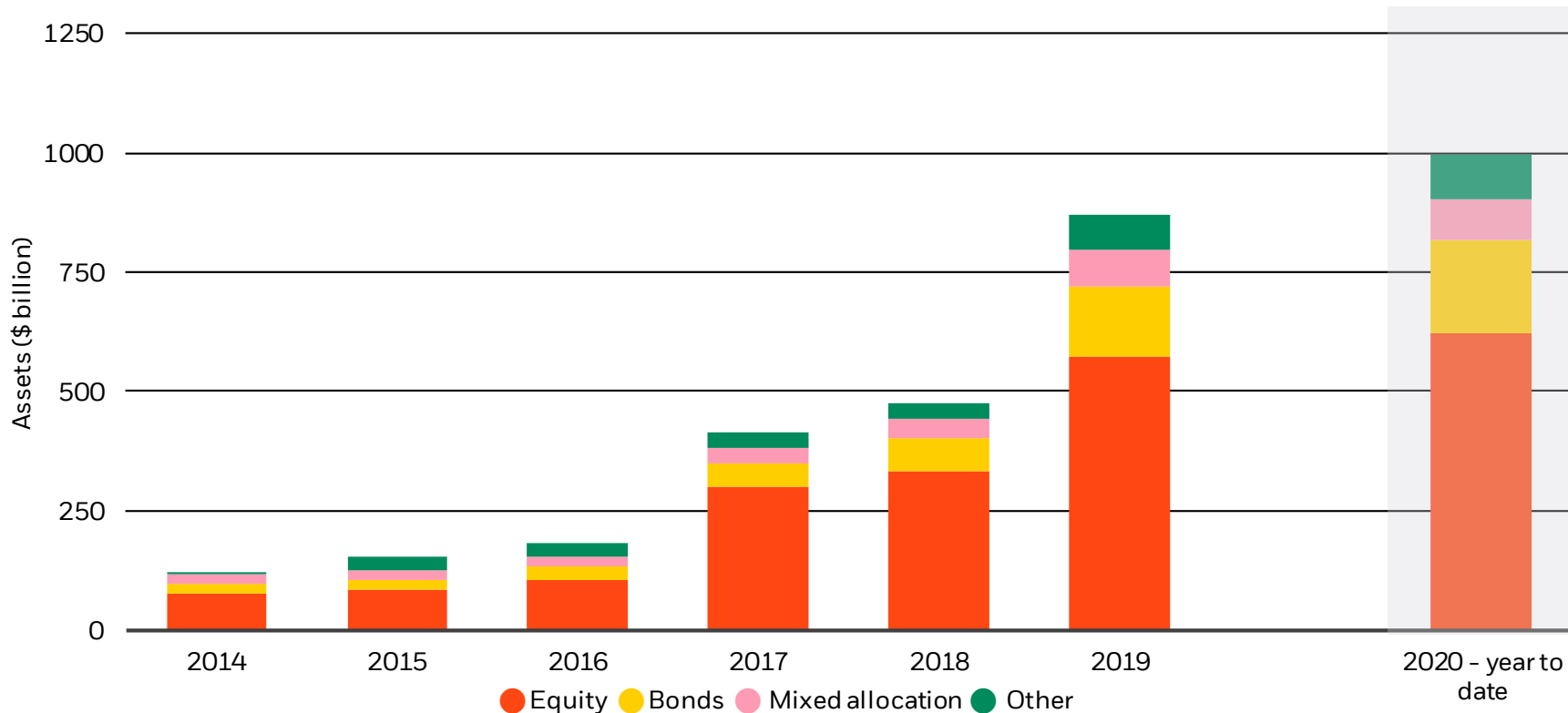


Sources: BlackRock Investment Institute, with data from the University of Oxford's Covid-19 government response tracker and Google. Data as of 3 July 2020. Notes: The chart on the left maps Google mobility data based on the average of the retail and recreation, workplace and transit categories. The chart on the right tracks the 7-day rolling average of new confirmed cases as a share of population.

A turning point for sustainable

We see funds flowing into sustainable assets for decades, rewarding sustainable investing strategies. The COVID shock has supercharged the sustainability wave.

Assets under management at ESG-mandated funds, 2014-2020 YTD



Sources: BlackRock Investment Institute with data from EPFR, July 2020. Notes: The chart shows the global total assets under management in ESG mandated funds. The "Other" category includes money-market and alternatives funds. Data for 2020 through May 31, 2020.

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Takeaways

MARKETS TODAY

Markets are not an indicator of the economy

Low rates are here to stay

MARKETS IN CONTEXT

Be careful of behavioral traps while investing

A diversified portfolio can work, even if it doesn't feel good

THE WAY FORWARD

Stay focused on goals, not markets

Stay invested, and be on the lookout for new opportunities

Important notes

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