

How markets affect you

Our views on Q2 2020

How markets affect you

MARKETS TODAY

**What
happened?**

MARKETS IN CONTEXT

**What can we
learn from
history?**

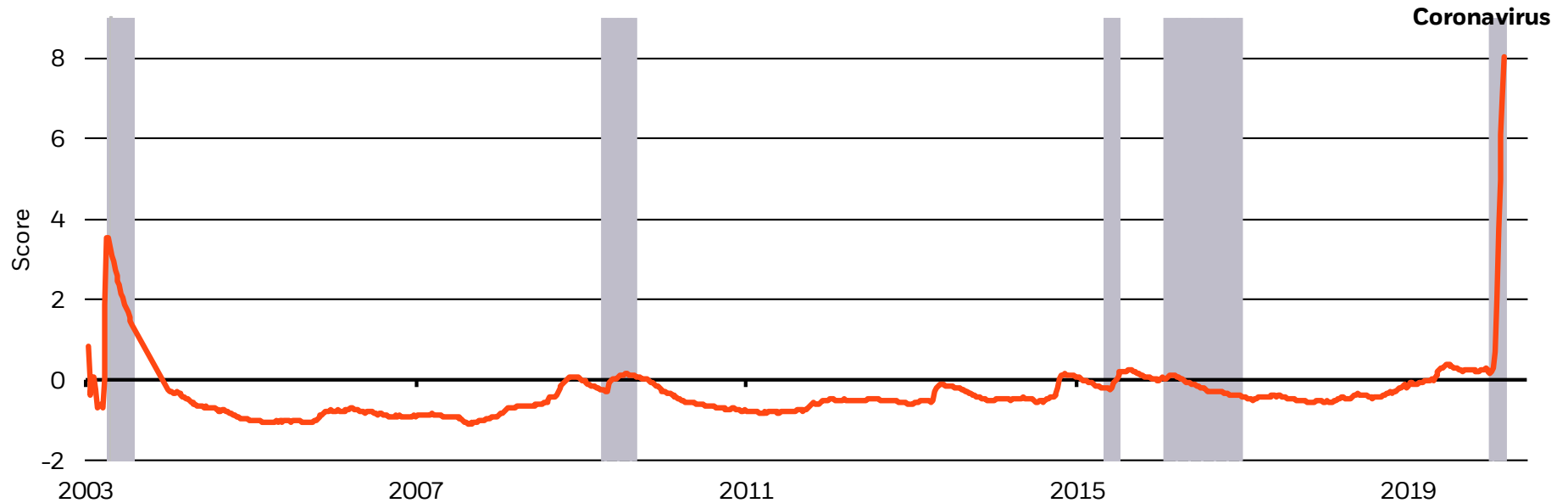
THE WAY FORWARD

**Work with
your advisor
to meet your
goals**

Covid-19 is not like the others

Record market attention to coronavirus outbreak

Market attention to global disease outbreaks, 2003-2020

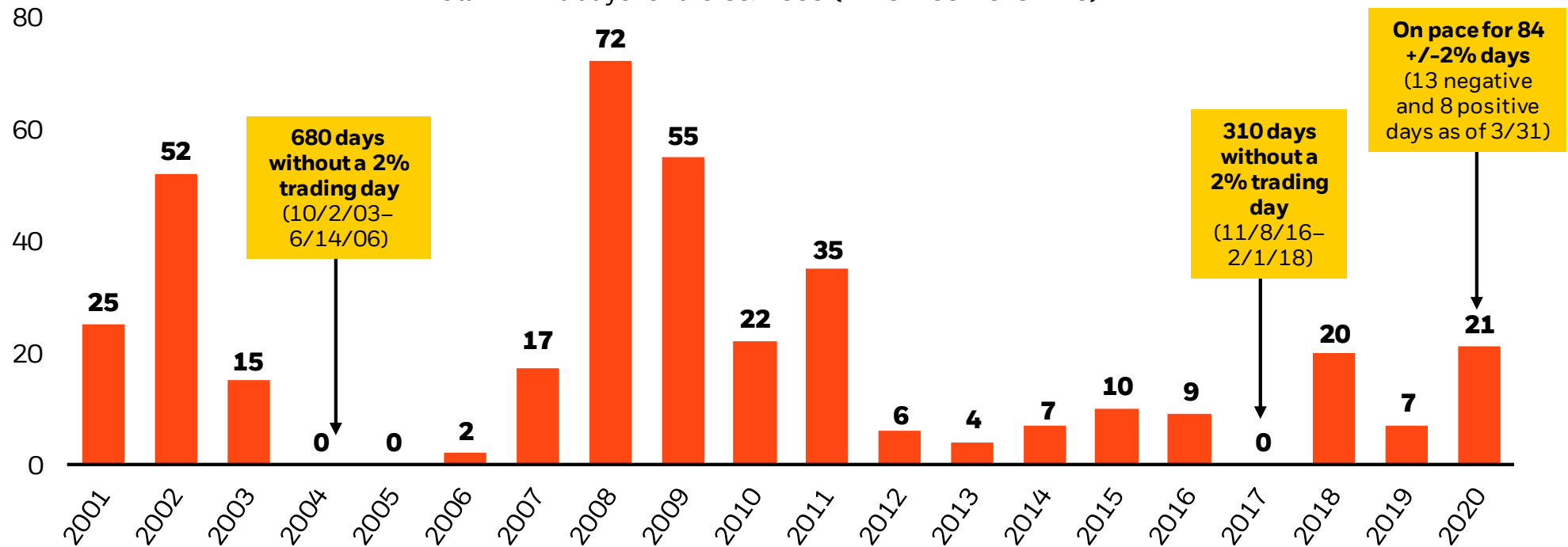


Sources: BlackRock Investment Institute, with data from Refinitiv, March 2020. Notes: We identify specific words related to major disease outbreaks since 2003, then use text analysis to calculate the frequency of their appearance in the Refinitiv Broker Report, as well as the Dow Jones Global Newswire and Reuters News databases. We then adjust for whether the language reflects positive or negative sentiment, and assign a score. A zero score represents the average level over its history from 2003 up to that point in time. A score of one means the attention level is one standard deviation above the average. We weigh recent readings more heavily in calculating the average.

Market volatility is back

Number of single day stock market returns of +/-2% or more

Total +/-2% days for the S&P 500 (12/31/00 - 3/31/20)

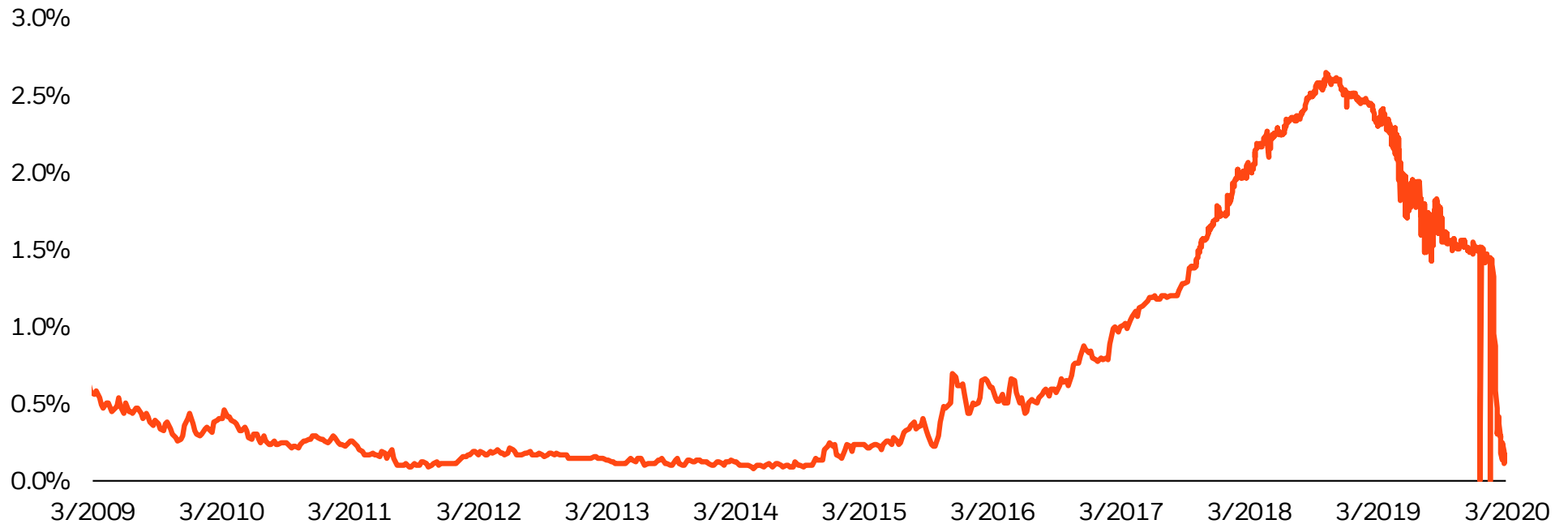


Morningstar as of 3/31/20. Stock market represented by the S&P 500 Index. 14 days were +/- 4% (7 positive, 7 negative). Past performance does not guarantee or indicate future results. Index performance is for illustrative purposes only. You cannot invest directly in the index.

Rates are back to all-time lows

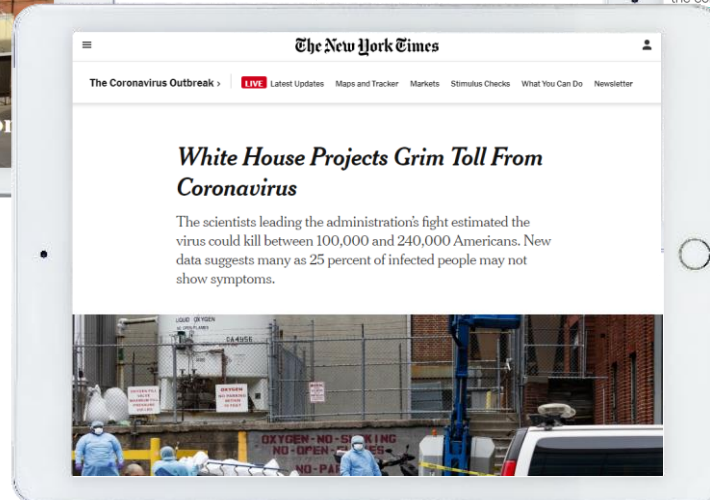
Short-term interest rates have collapsed

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



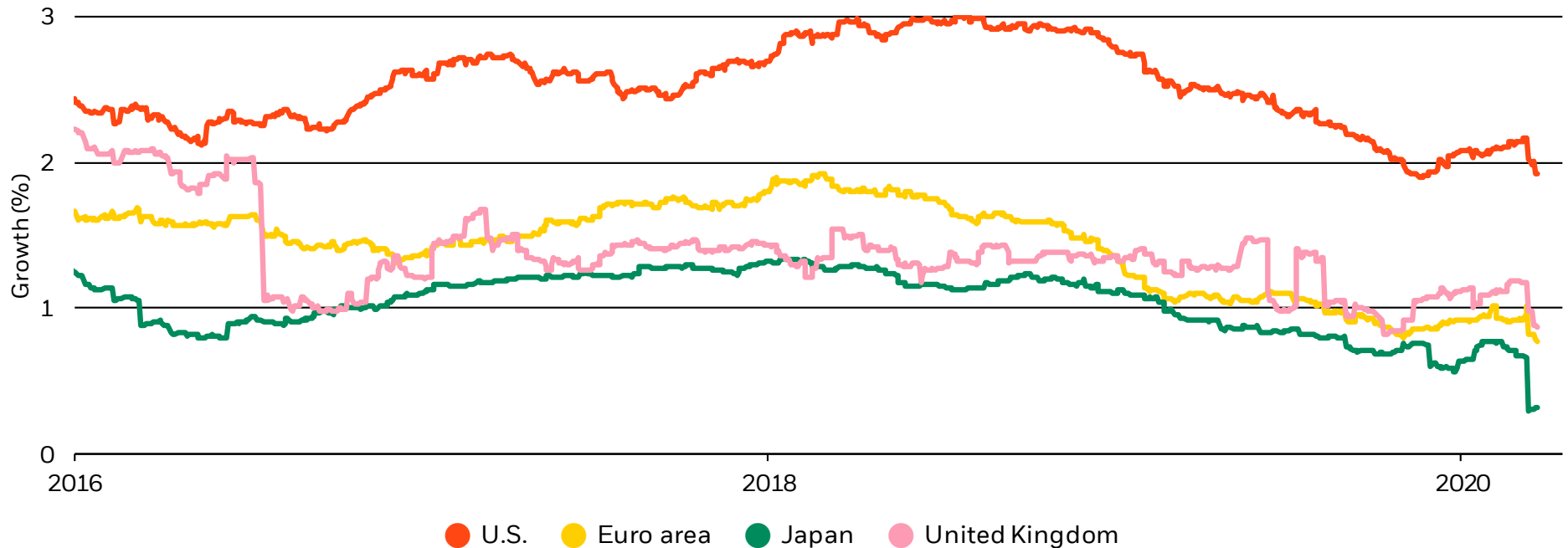
Source: Federal Reserve Bank as of 3/31/20. Past performance is no guarantee of future results.

We see uncertainty about the present...



...And its impact on the future

Virus-related disruptions now pushing growth lower
BlackRock Growth GPS for developed market economies, 2016-2020



Sources: BlackRock Investment Institute, with data from Consensus Economics, March 2020. Notes: The Growth GPS shows where consensus GDP forecast may stand in three months' time, shifted forward by three months. Forward-looking estimates may not come to pass.

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How bad is it, and when will it get better?

15 worst historic periods for the S&P 500

Worst Days*

Calendar Days	S&P 500 Decline*	Return 1 year later*
10/19/1987	-20.5%	23.1%
3/16/2020	-12.0%	?
3/12/2020	-9.5%	?
10/15/2008	-9.0%	20.8%
12/01/2008	-8.9%	35.9%
09/29/2008	-8.8%	-4.1%
10/26/1987	-8.3%	23.5%
10/09/2008	-7.6%	17.8%
3/9/2020	-7.6%	?
10/27/1997	-6.9%	21.5%
08/31/1998	-6.8%	38.0%
01/08/1988	-6.8%	15.3%
11/20/2008	-6.7%	45.1%
05/28/1962	-6.7%	26.7%
08/08/2011	-6.7%	25.2%
Average	-8.9%	24.1%

Worst Months

Calendar Months	S&P 500 Decline	Return 1 year later
Oct-87	-21.5%	14.8%
Oct-08	-16.8%	9.8%
Aug-98	-14.5%	39.8%
Mar-20	-12.4%	?
Sep-74	-11.5%	38.1%
Nov-73	-11.1%	-23.8%
Sep-02	-10.9%	24.4%
Feb-09	-10.7%	53.6%
Mar-80	-9.7%	40.1%
Feb-01	-9.1%	-9.5%
Aug-90	-9.0%	26.9%
Dec-18	-9.0%	31.5%
Sep-08	-8.9%	-6.9%
Apr-70	-8.8%	32.1%
Oct-78	-8.7%	15.5%
Average	-11.4%	20.5%

Worst 3 Months

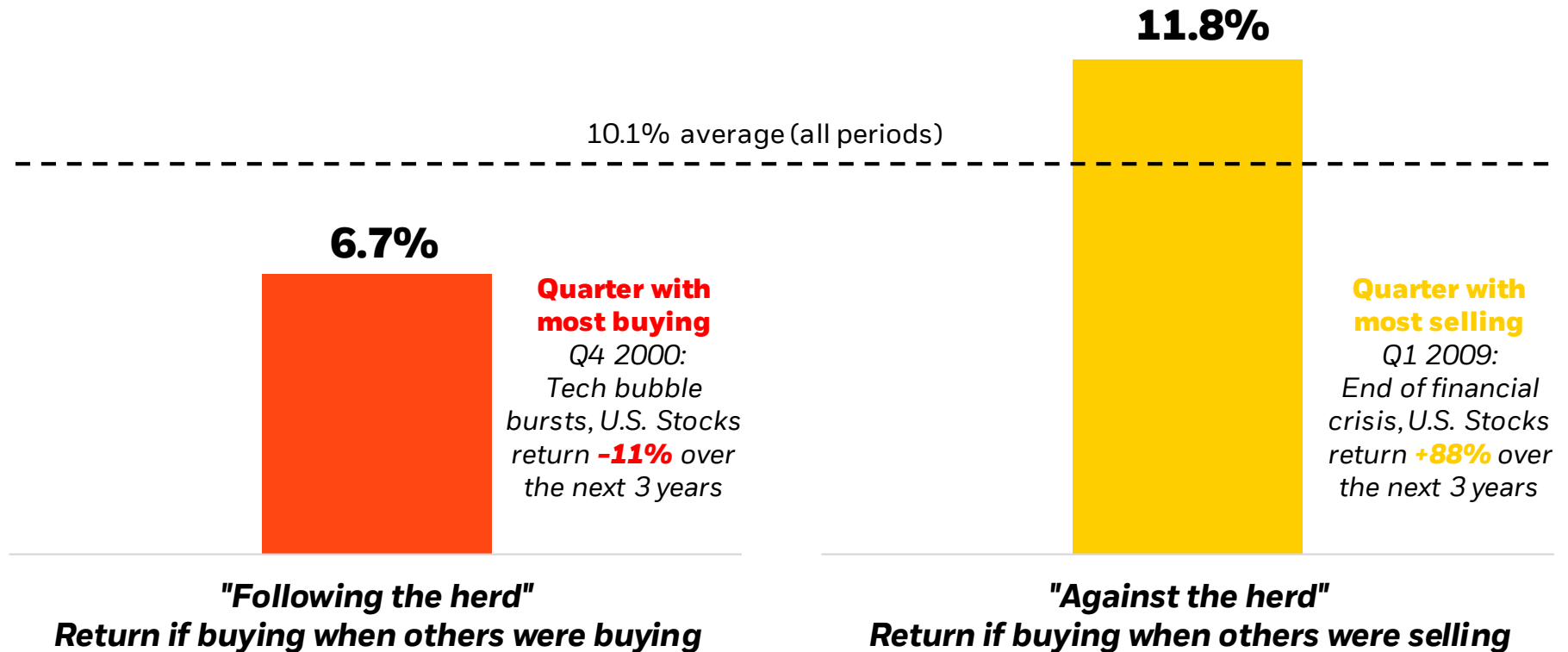
3 Months Ended	S&P 500 Decline	Return 1 year later
Nov-08	-29.7%	25.4%
Nov-87	-29.6%	23.3%
Sep-74	-25.2%	38.1%
Oct-08	-23.1%	9.8%
Dec-87	-22.5%	16.6%
Dec-08	-21.9%	26.4%
Jun-62	-20.6%	31.2%
Oct-87	-20.4%	14.8%
Mar-20	-19.6%	?
Jun-70	-18.0%	41.8%
Feb-09	-17.3%	53.6%
Sep-02	-17.3%	24.4%
Aug-74	-16.4%	26.2%
Jul-02	-15.0%	10.6%
Sep-01	-14.7%	-20.5%
Average	-20.8%	23.0%

Sources: BlackRock; Morningstar as of 3/31/20. U.S. stocks are represented by the S&P 500 Index and the IASBBI US Lrg Stock Tr USD Index, an unmanaged index that is generally considered representative of the U.S. stock market. Index performance is for illustrative purposes only. It is not possible to invest directly in an index. **Performance does not guarantee or indicate future results.** *Indicates principal return, dividends not included.

Should I follow the herd?

The crowd often gets the timing wrong

Quarterly U.S. equity mutual funds and ETFs flows with 3-year performance average of the S&P 500 (1993–2019)



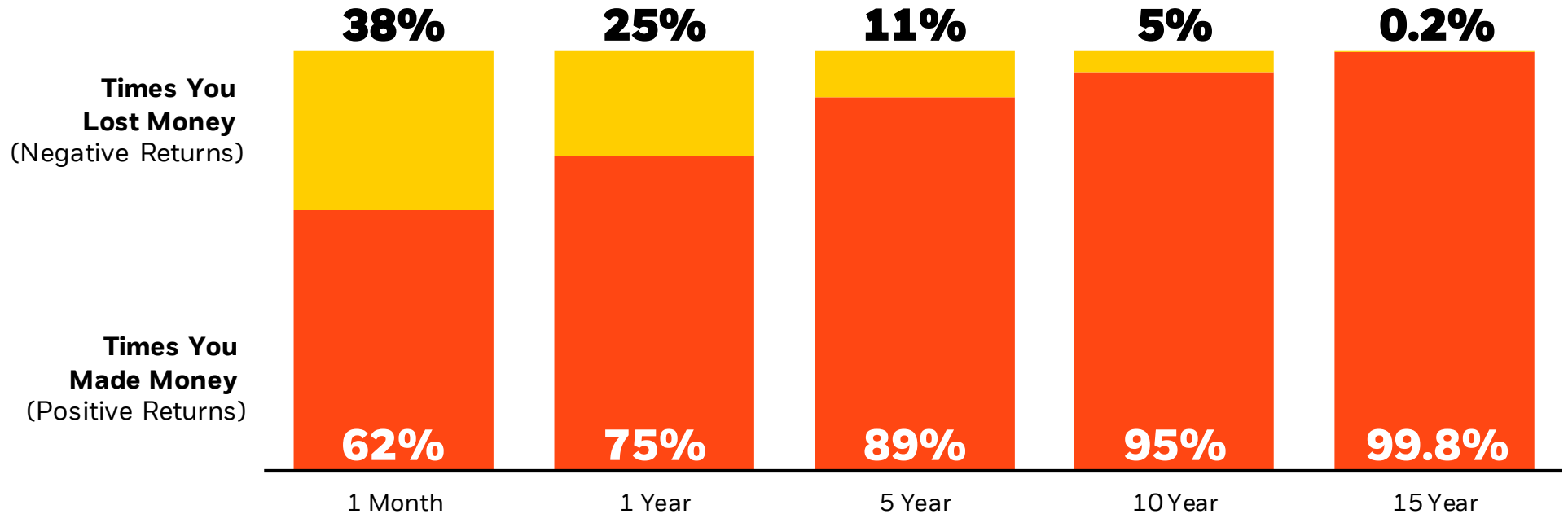
Source: Morningstar as of 12/31/19. "Following the Herd" represents the average of the following 3-year returns of the S&P 500 Index for each of the largest 20 quarters of inflows for US equity mutual funds and ETFs, as defined by Morningstar. "Against the Herd" represents the average of the following 3-year returns of the S&P 500 Index for each of the largest 20 quarters of outflows for US Equity mutual funds and ETFs, as defined by Morningstar. Past performance does not guarantee or indicate future results. Index performance is shown for illustrative purposes only. You cannot invest directly in an index.

HOW YOU FEEL

Will I lose for a long time?

The longer you invest, the lower the risk of losing money

Returns of Stocks (1926-2019)



Sources: BlackRock; Morningstar. US Stocks represented by S&P 500 and the IA SBBI US Lrg Cap Index. Past performance is no guarantee of future results. This is for illustrative purposes only and not indicative of any investment. It is not possible to invest directly in an index.

HOW YOU FEEL

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 wins 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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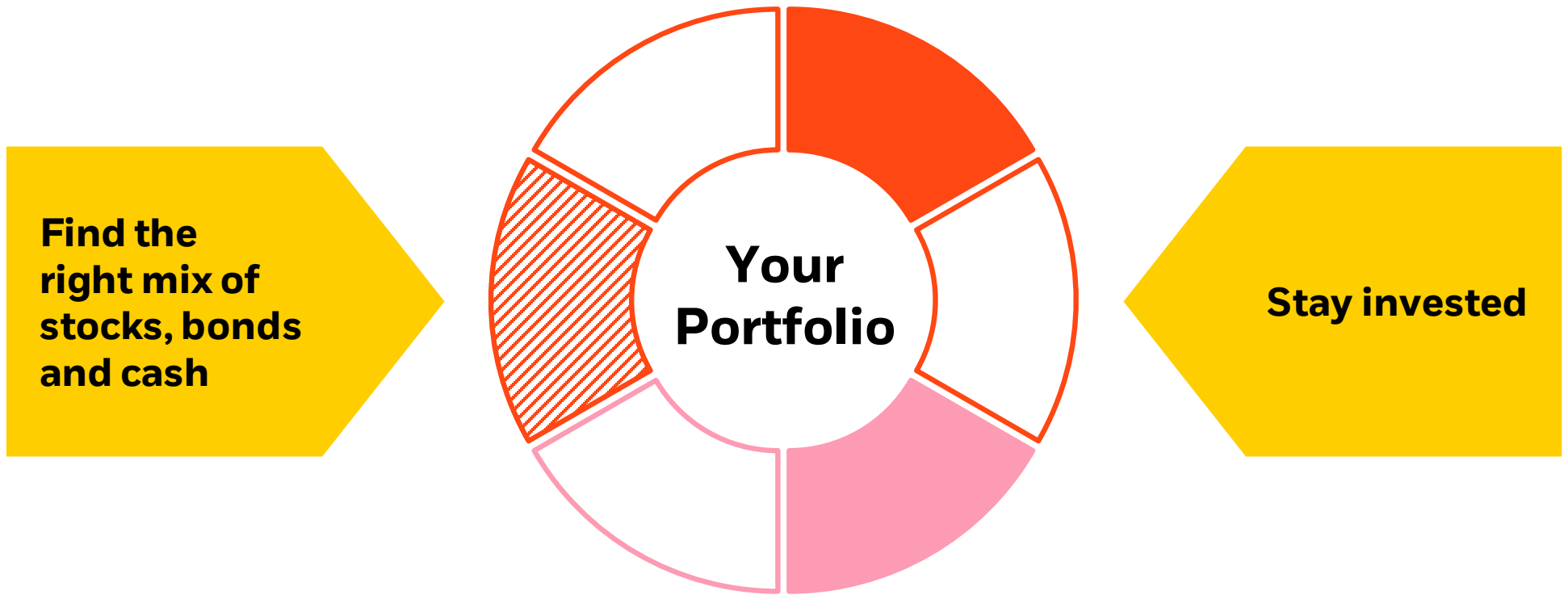
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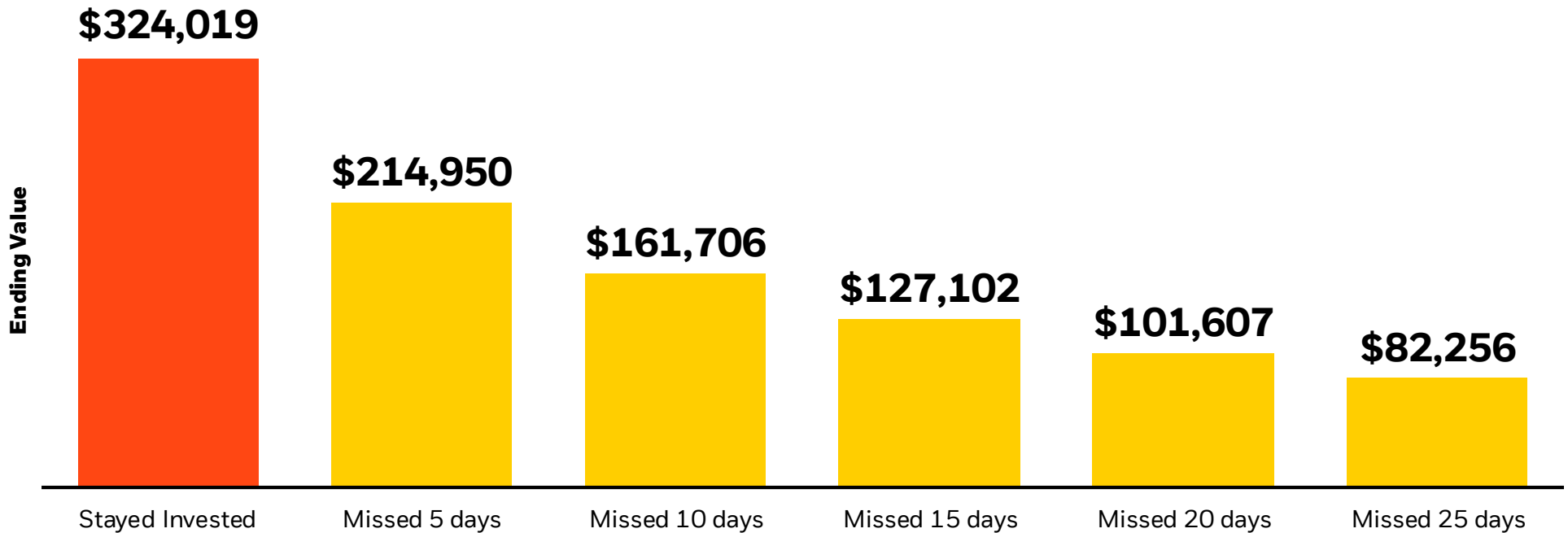
Focus on your goals, not the news



Stay invested

Missing top-performing days can hurt your return

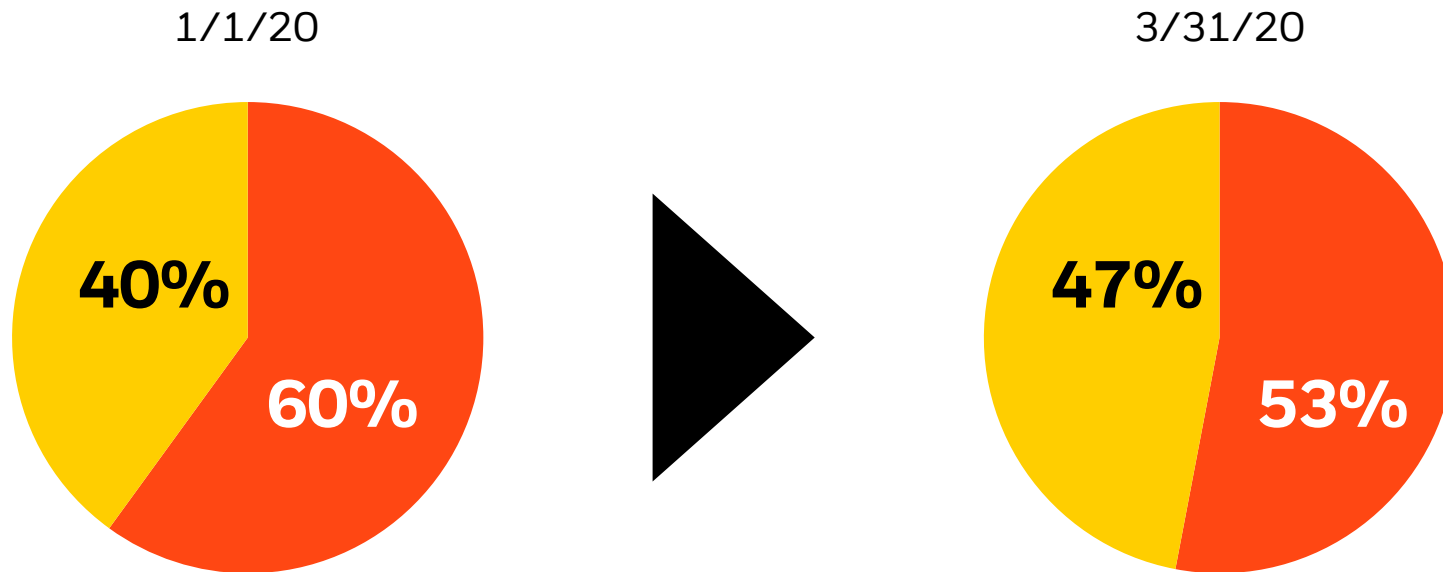
Growth of a hypothetical investment of \$100,000 in the S&P 500 index over the last 20 years (2000-2019)



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.

Rebalancing may be the right approach for some

Hypothetical balanced portfolio



- Bonds (BBG Barc U.S. Aggregate Index)
- Stocks (MSCI ACWI Index)

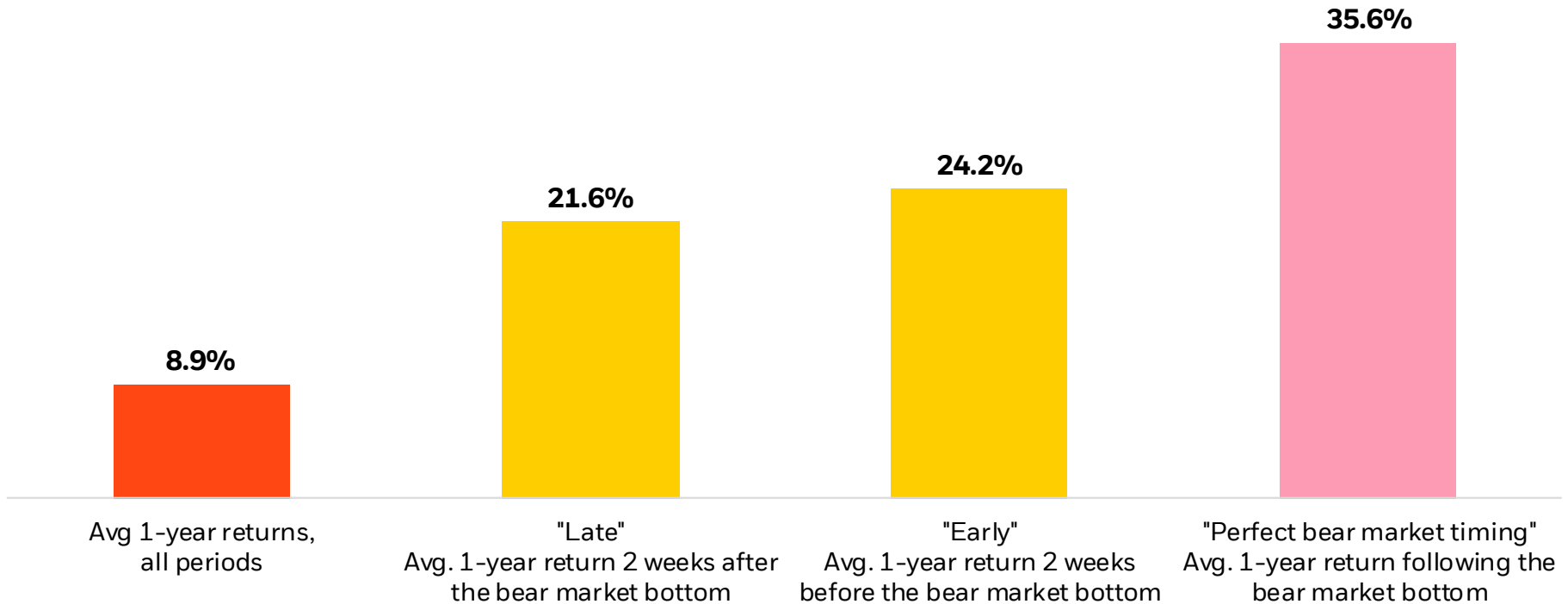
Source: BlackRock as of 3/31/20. For illustrative purposes only.

Perfect timing isn't important

Rebalance back to equities at reduced valuations

U.S. stock returns

1-year returns, 1/1/1950 – 12/31/19 (13 bear markets)



Morningstar as of 12/31/19. Stock market represented by S&P 500. Stocks PR Index. Principal return only, dividends not included. 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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Takeaways

MARKETS TODAY

Focus on the short-term can cause anxiety

But the news may not give you a long-term view

MARKETS IN CONTEXT

History tells us to take a long-term view

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

THE WAY FORWARD

Work with your advisor to focus on your goals, not markets

Make the power of diversification work for you

Important notes

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