

April 2025

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

BlackRock®

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April 2025

Stocks

What to know about markets right now >

Performance broadens >

Always a reason to sell stocks >

Stock market corrections >

Investor sentiment >

Asymmetric capture ratio is the goal >

Bonds, and alternatives

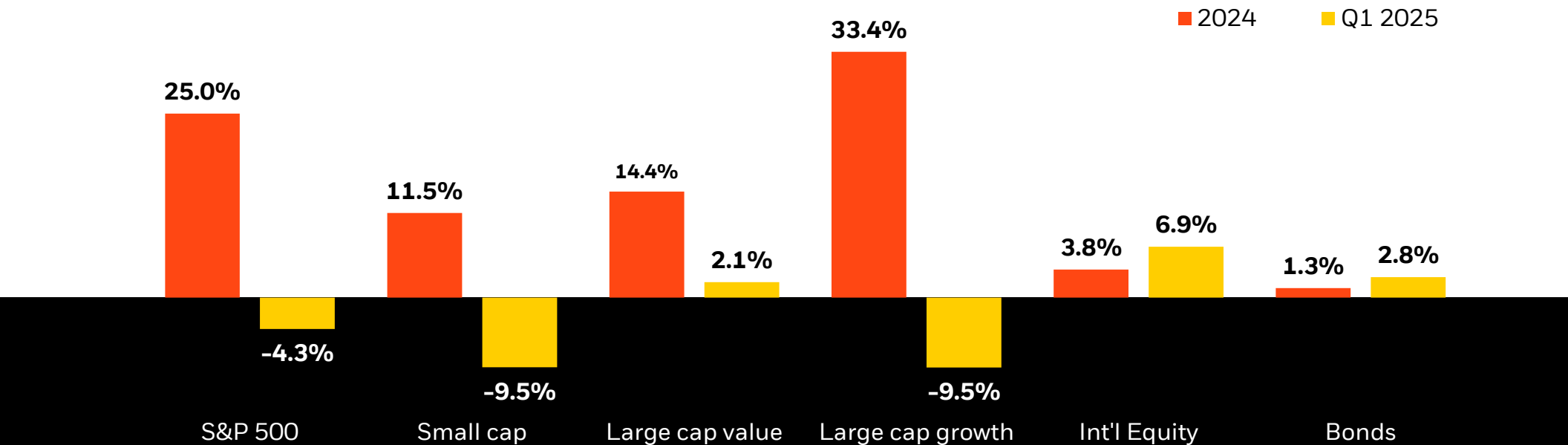
Bonds bounce back in Q1 >

Golden age for alternatives? >

Source: Morningstar as of 3/31/25. Past performance is no guarantee of future results. Index performance is shown for illustrative purposes only. You cannot invest directly in an index.

What a difference the start of the year makes

Q1 saw a significant reversal from 2024's sharp outperformance as international equities took the lead



Did you know?

In Q1 2025, international stocks outperformed U.S. stocks by the largest margin (11.1%) since Q2 2002 (11.3%).

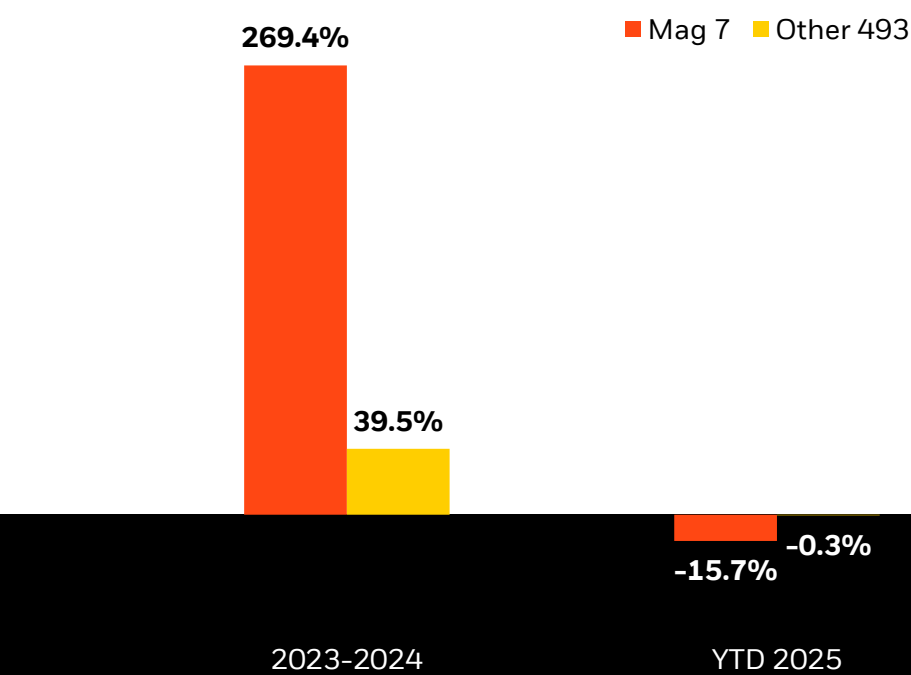
Source: Bloomberg, data as of 3/31/25. All return figures are rounded. Small cap represented by Russell 2000, Large cap value represented by Russell 1000 Value. Large cap growth represented by Russell 1000 Growth, International Equity represented by MSCI EAFE, Bonds represented by Bloomberg US Agg Bond index.

“Magnificent 7” trails in 2025

Apple, Alphabet, Microsoft, Amazon, Meta, Nvidia, and Tesla stock earnings are expected to outperform “the rest,” but with a narrower margin

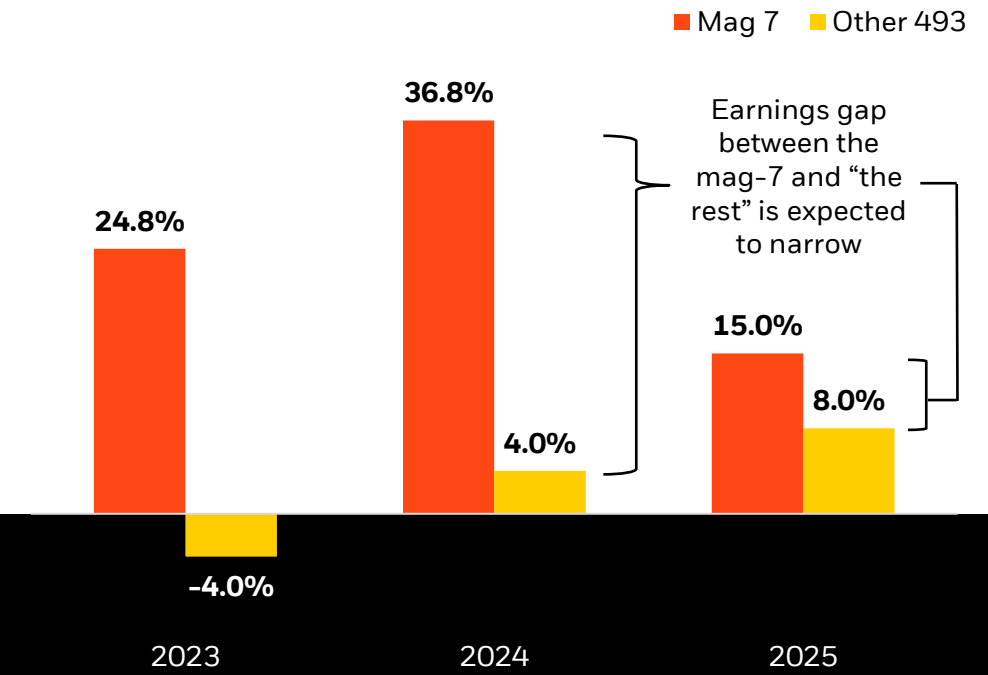
Mag-7 returns lag in Q1

Cumulative return, 1/1/2023 - 3/31/2025



Mag-7 earnings to normalize

Historical and 12-month forward earnings growth expectations of the magnificent 7 and other 493



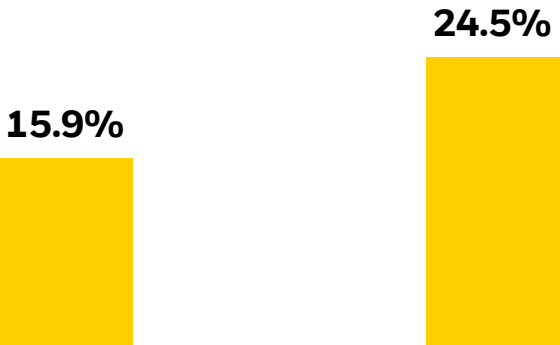
Source: Bloomberg as of 3/31/25. Stocks represented by the individual stocks of the S&P 500 Index, non-voting dual-class shares excluded. “Mag 7” refers to the “Magnificent 7” group of U.S. companies whose stocks drove the majority share of returns for the S&P 500 in 2023 and 2024 and includes Amazon, Tesla, Alphabet, Meta, Apple, Nvidia and Microsoft. **Past performance does not guarantee or indicate future results.** Forward looking estimates may not come to pass. Index performance is for illustrative purposes only. You cannot invest directly in the index.

Buying when the stock market is down -10%

Market pullbacks offer a strong opportunity to invest and “buy the dip” while others seek to exit

Median return following a -10% decline

Last 20 years, performance next 12 months



Returns following a 10% market decline

Returns from the market bottom (-10% or worse)

Stock market corrections >10% and bear markets

Last 20 years

Correction >10%	Peak	Through	Date crosses -10%	Forward returns after crossing -10%	Forward returns from the bottom (through)
				next 12 months	next 12 months
-16.0%	4/23/10	7/2/10	5/20/10	24.4%	27.5%
-19.4%	4/29/11	10/3/11	8/4/11	15.9%	19.1%
-14.2%	5/21/15	2/11/16	8/24/15	14.9%	17.1%
-10.2%	1/26/18	2/8/18	2/8/18	11.4%	11.4%
-19.8%	9/20/18	12/24/18	11/23/18	25.8%	24.5%
-10.3%	7/31/23	10/27/23	10/27/23	35.2%	35.2%
-56.8%	10/9/07	3/9/09	11/26/07	-36.9%	64.0%
-33.9%	2/19/20	3/23/20	2/27/20	27.9%	61.9%
-25.4%	1/3/22	10/27/22	2/22/22	-7.3%	22.0%
-10.1%	2/19/25	3/13/25	3/13/25	?	?
Median				15.9%	24.5%

Sources: BlackRock; Bloomberg as of 3/31/25. Stocks are represented by the S&P 500 price index, an unmanaged index that is generally considered representative of the U.S. stock market. “-10% declines” and “>10% corrections” refer to declines of that magnitude or more at any point within the given time frame. Past performance is no guarantee of future results. It is not possible to invest directly in an index.

Recent investor sentiment is very bearish

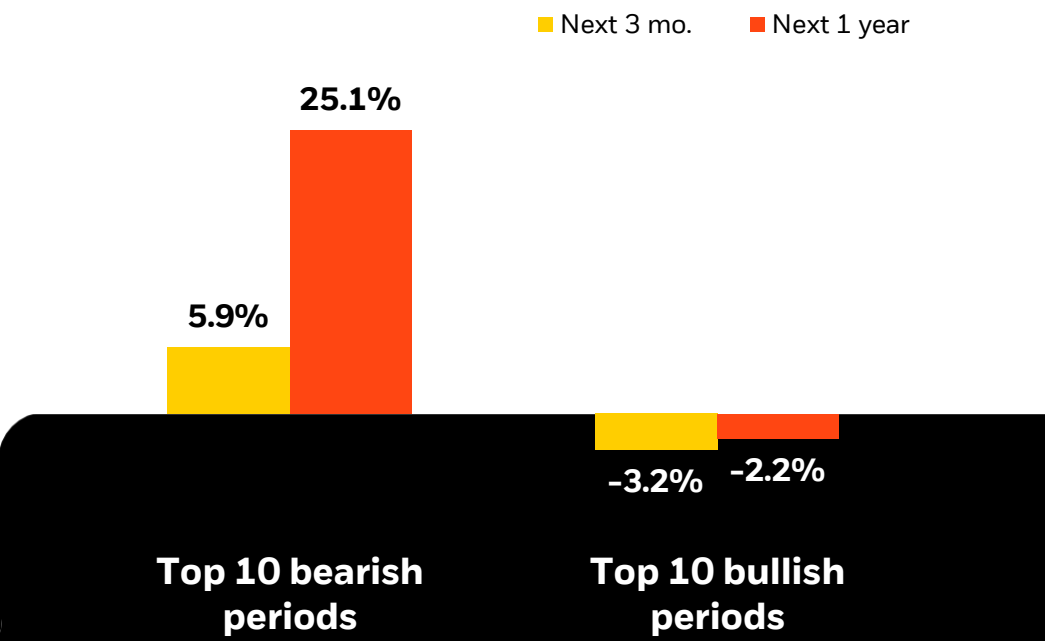
Historically, periods with high bearish sentiment have led to outsized performance

Top 10 bearish investor sentiment periods

Date	Bearish sentiment (%)	Avg annual return next 3 mo.	Avg annual return next 1 yr.
3-5-09	70.3%	38.6%	70.5%
10-19-90	67.0%	7.3%	29.9%
8-31-90	61.0%	0.9%	26.9%
9-22-22	60.9%	2.2%	16.9%
10-9-08	60.8%	-1.4%	20.9%
9-29-22	60.8%	6.2%	19.8%
2-27-25	60.6%	?	?
4-28-22	59.4%	-4.6%	-1.1%
6-23-22	59.3%	-2.3%	16.6%
3-13-25	59.2%	?	?
Average	55.9%	5.9%	25.1%

Performance following periods of top 10 bearish and bullish periods

Average annual returns if you had been invested when event occurred



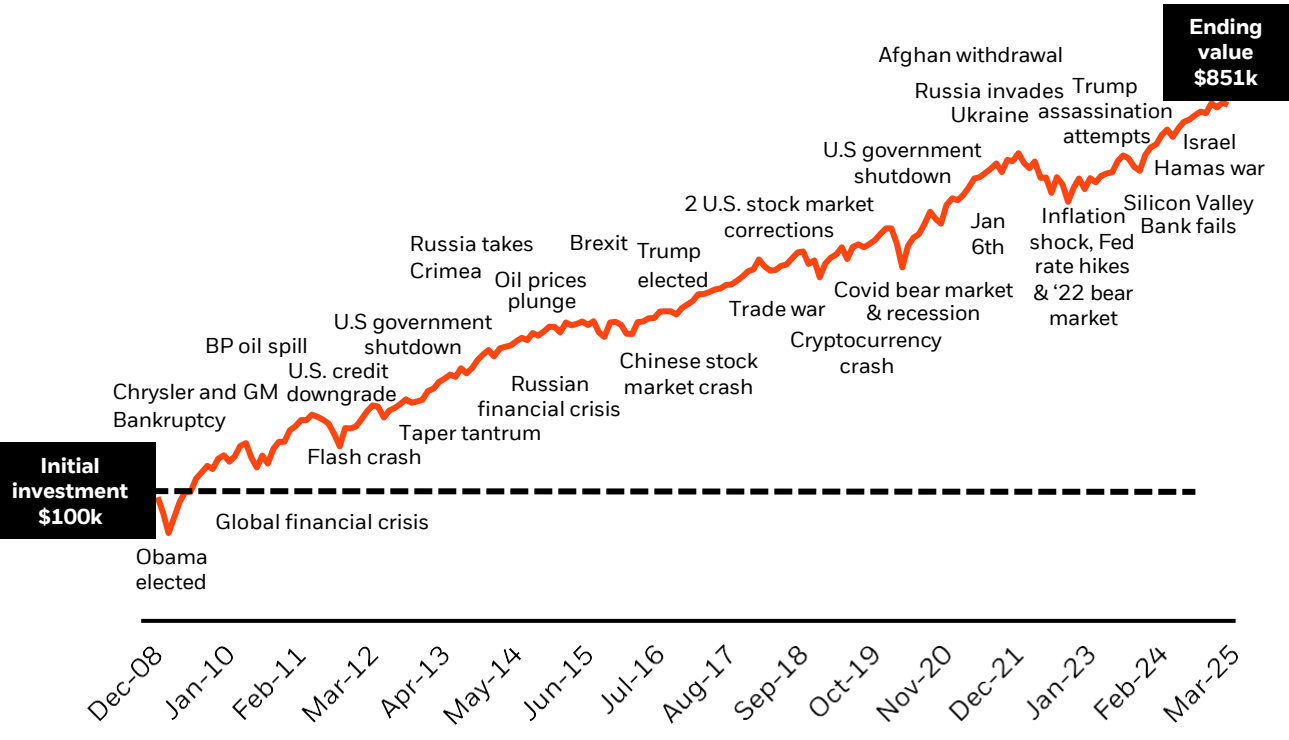
Sources: BlackRock; Morningstar; St. Louis Federal Reserve and AAIL as of 3/31/25. Returns are represented by the S&P 500 Index, an unmanaged index that is generally considered representative of the U.S. stock market. Past performance is no guarantee of future results. It is not possible to invest directly in an index.

There is always a reason to sell

Market pullbacks, corrections, and bear markets happen more often than most realize

Growth of \$100k and recent market and economic headlines

12/31/08 - to 3/31/25



Investing at the worst times in history

Average annual returns if you had been invested when event occurred, %



Source: BlackRock, Bloomberg as of 3/31/25. Investment returns are represented by the S&P 500 TR Index from 3/4/57 to 3/31/25 and the IA SBBI U.S. Lrg Stock TR USD Index from 1/1/26 to 3/4/57, an unmanaged pair of indexes that are 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.

Most of the upside, limiting the downside

Delivering an asymmetric capture ratio is the key to success but difficult to find

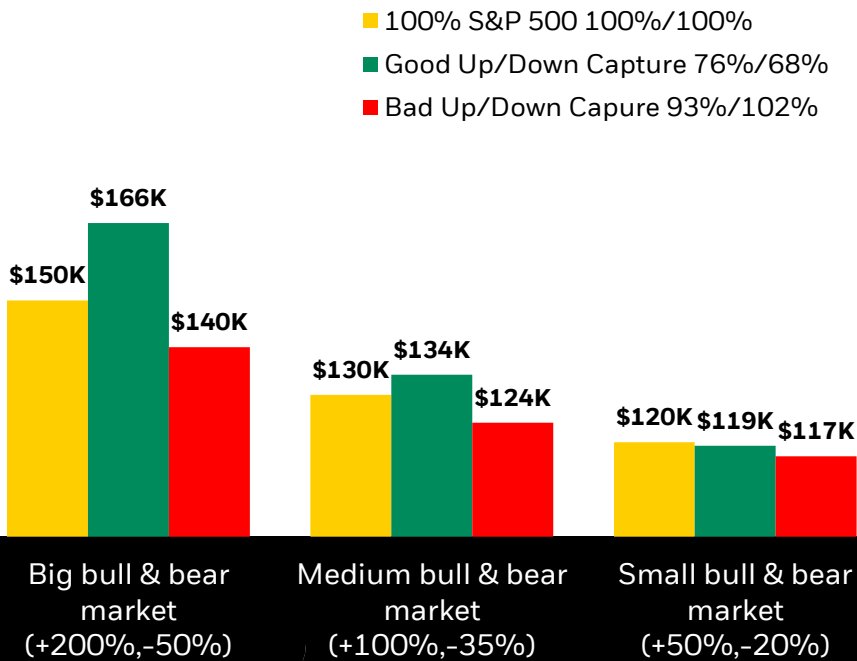
Very few asset classes and strategies deliver a good asymmetric capture trade-off

Common inception date (11/11-3/25)

	Up Capture Ratio	Down Capture Ratio
S&P 500 Index	100	100
MSCI USA Min Vol Index	76	68
International stocks	78	108
Small stocks	99	129
Large blend funds	94	102
Large growth funds	102	109
Large value funds	88	100
Moderate allocation funds	60	69

Hypothetical outcomes given various up and downside capture ratios

\$100k invested, various bull and bear markets



Sources: BlackRock; Morningstar; St. Louis Federal Reserve as of 3/31/25. "International stocks" are represented by the MSCI EAFE NR Index. "Small stocks" are represented by the Russell 2000 TR Index. Fund categories are represented by their respective Morningstar fund category averages. Past performance is no guarantee of future results. It is not possible to invest directly in an index.

Bonds finally zig when stocks zag in Q1

Stock-bond correlation finally eases off historic highs, after 3-year correlation dropped from 0.73 to 0.71

Recently, when stocks have lost bonds have too...

Quarterly returns when stocks posted negative returns

Prior to Q1 '25, the last 4 quarters stocks have lost money, bonds have lost as well.

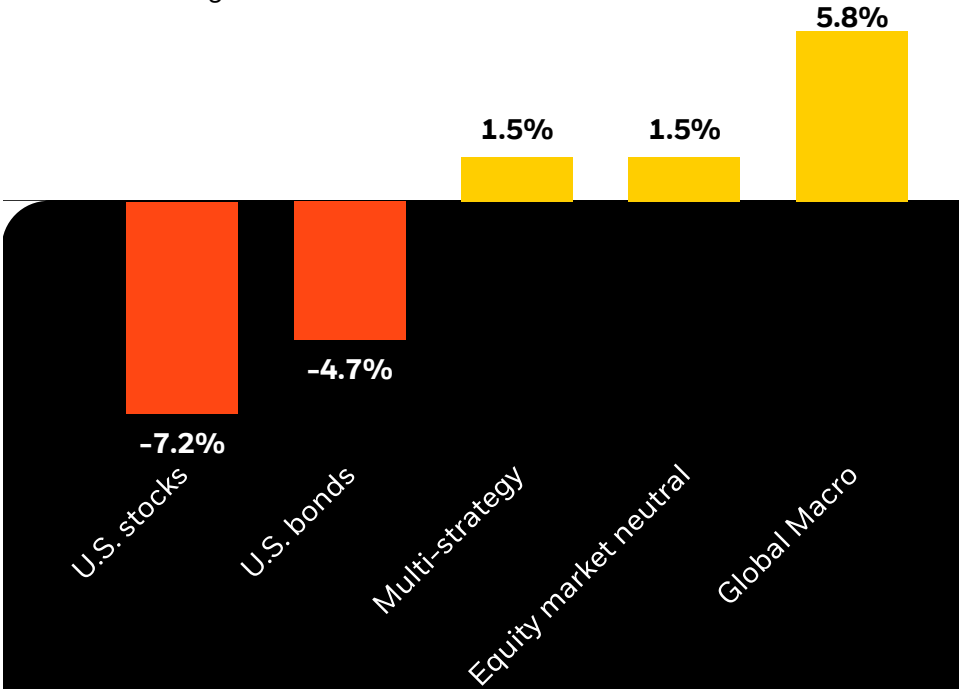
Quarter	Bonds	Stocks
Q1 2025	+2.8	-4.3
Q3 2023	-3.2	-3.3
Q3 2022	-4.8	-4.9
Q2 2022	-4.7	-16.1
Q1 2021	-5.9	-4.6

The only other time in investing history that has occurred was 1978-1981

Q3 1981	-4.1	-10.2
Q2 1981	-0.3	-2.3
Q1 1980	-8.7	-4.1
Q4 1978	-1.4	-4.9

...while alternatives continue to be uncorrelated

Returns during periods of consecutive quarters where bonds and stocks were both negative



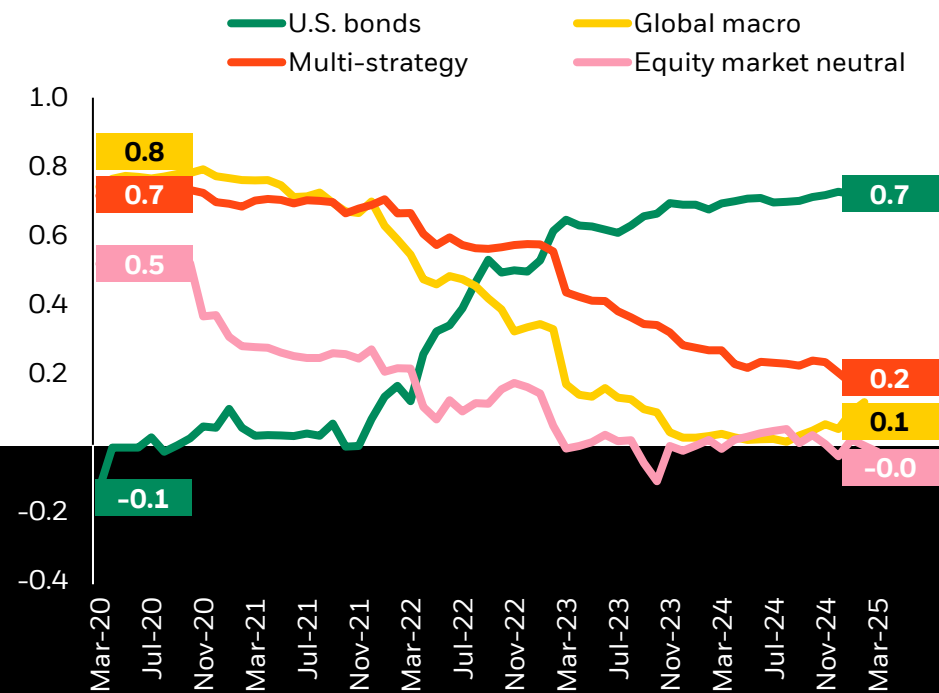
Source: Morningstar as of 3/31/25. Right side represented by the average return of 14 month where both stocks and bond indexes posted negative returns between 1/1/2021 – 2/28/2025, as shown on the left side. U.S. stocks are represented by the S&P 500 TR Index, U.S. bonds represented by the Bloomberg U.S. Agg Bond TR Index, Equity market neutral represented by the Morningstar Equity Market Neutral category average, Multi-strategy represented by the Credit Suisse Multi-strategy Index and Global Macro represented Credit Suisse Global Macro 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 prove their worth

Correlations to stocks haven't been lower, returns haven't been higher in last 5 years (opposite for bonds)

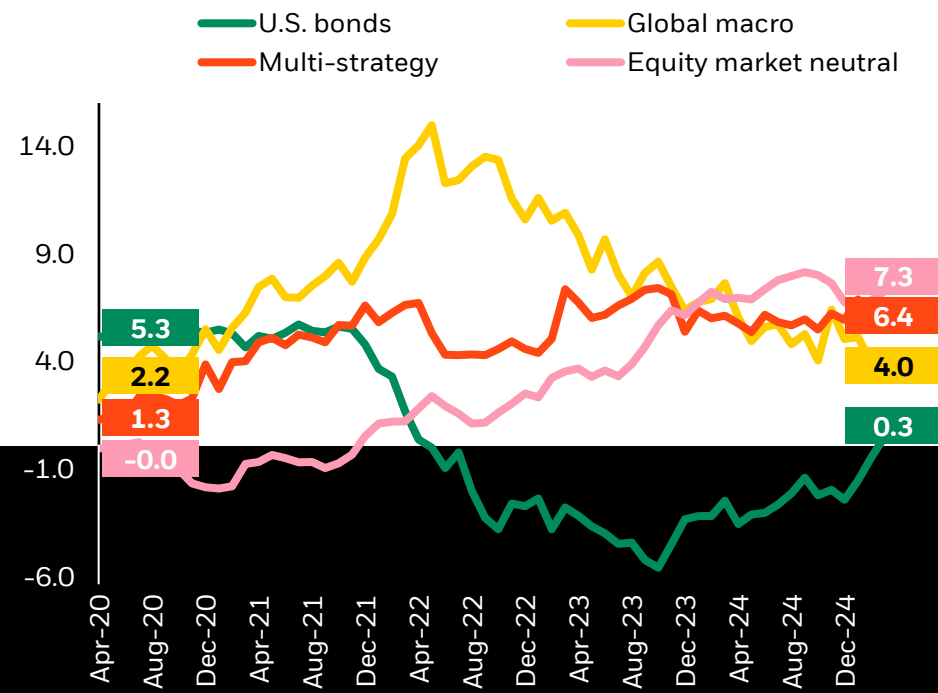
Alternative correlations: lowest with stocks, highest with bonds in last 5 years

3-year rolling correlation with stocks



Alternative returns: never higher in the last 5 years, while bonds have never been lower

3-year rolling average annual returns



Source: Morningstar as of 3/31/25. Right side represented by the 3-year rolling average return of U.S. bond and alternative indexes from April 2020 to March 2025. Left side represents 3-year rolling correlation of the same asset classes. Asset class representation is as follows: U.S. bonds represented by the Bloomberg U.S. Agg Bond TR Index, Equity Market Neutral by the Morningstar Equity Market Neutral category average, Multi-strategy represented by the Credit Suisse Multi-strategy Index, and Global Macro represented Credit Suisse Global Macro 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 3/31/25	1 Year Return	5 Year Avg. Annual Return	10 Year Avg. Annual Return
S&P 500 TR USD	8.25	18.59	12.50
Russell 2000 TR USD	-4.01	13.27	6.30
Russell 1000 Value TR USD	7.18	16.15	8.79
Russell 1000 Growth TR USD	7.76	20.09	15.12
MSCI EAFE NR USD	4.88	11.77	5.40
Bloomberg US Agg Bond TR USD	4.88	-0.40	1.46
S&P 500 PR	6.80	16.77	10.50
IA SBBI US Large Stock TR USD Ext	8.25	18.59	12.50
MSCI USA Minimum Volatility (USD) NR USD	13.44	12.97	10.04
US Fund Large Blend	15.53	15.31	11.46
US Fund Large Growth	16.63	16.29	13.45
US Fund Large Value	15.16	13.08	9.06
US Fund Moderate Allocation	11.03	8.33	6.55
Credit Suisse Equity Market Neutral USD	8.40	5.74	2.99
Credit Suisse Global Macro USD	6.35	7.42	4.73
Credit Suisse Multi-Strategy USD	8.03	6.65	5.17
US Fund Equity Market Neutral	6.82	6.20	3.48

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 unmanaged index that is generally considered representative of the U.S. stock market on a price return basis. Included are the largest 500 stocks by market cap.
- 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.

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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.

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