October 2025

Student of the Market

BlackRock

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Stocks

- A strong summer for stocks
- Government shutdowns
- A Fed rate cut and no recession
- Stocks funds and capital gain distributions
- Keep politics out of your portfolio
- Option strategies for income

Bonds and Alternatives

- Interest rates range bound and active fixed income
- Alternatives funds have improved over time

Source: BlackRock, Morningstar as of 9/30/25.

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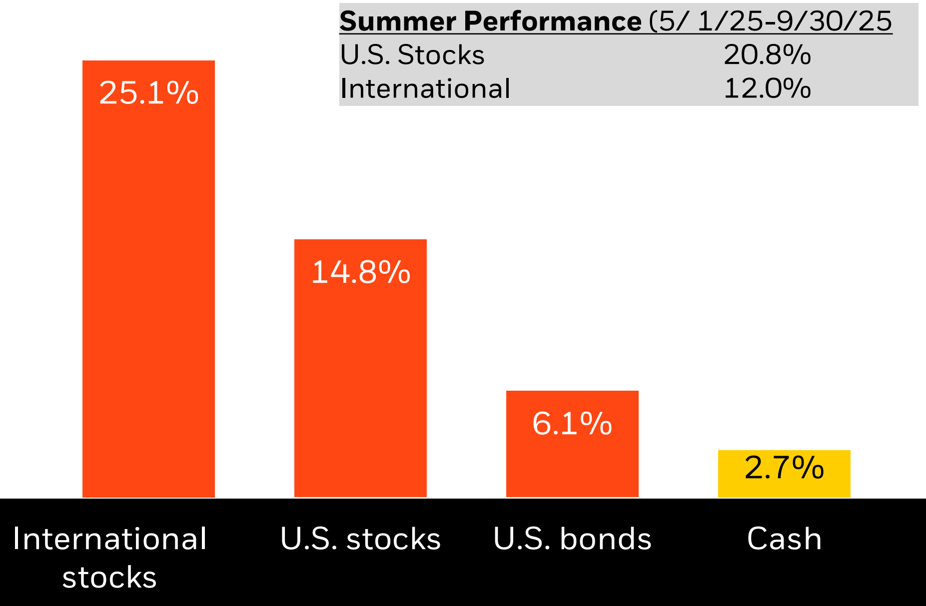
2nd best summer for U.S. stocks since 1950

History shows strong summers have always led to year-end gains.

YTD 2025 Returns (as of 8/31/2025)



Best summers for U.S. stocks since 1950

(as of 8/31/2025, % returns)

	Summer months May 1 to Sept 30	4th Qrt
2009	22.3	6.0
2025	20.8	?
1980	20.6	9.5
1997	19.1	2.9
1958	17.2	11.3
1955	17.0	5.4
1954	16.8	13.0
2020	16.4	12.2
2024	15.1	2.4
1995	14.9	6.0

Source: Morningstar as of 9/30/25. U.S. stocks are represented by the S&P 500 Index, International stocks represented by the MSCI EAFE Index, U.S. bonds represented by the Bloomberg U.S. aggregate bond index, and Cash by the Morningstar U.S. taxable money market category average. **Past performance does not guarantee or indicate future results.** Index performance is for illustrative purposes only. You can not invest directly in the index.

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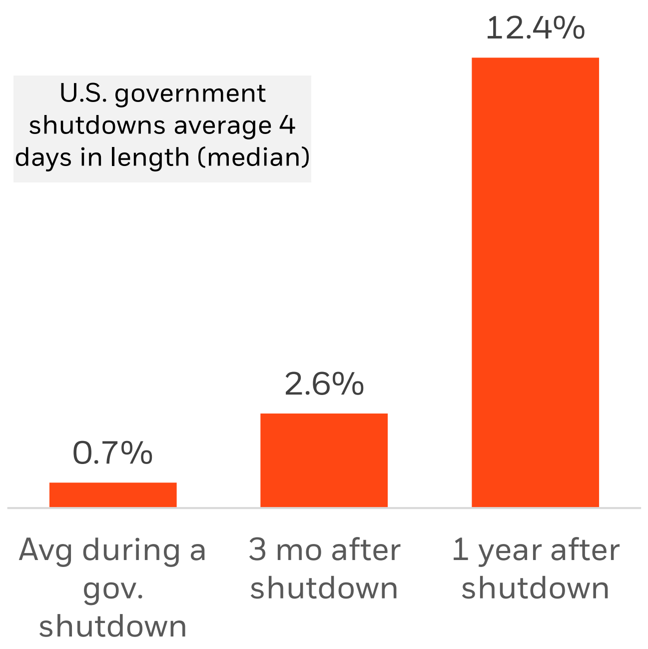
U.S. government shutdowns and market performance

Markets reactions to government shutdowns have historically been limited.

Performance during and after a government shutdown)



U.S. government shutdowns since 1976

Date funding ended	Length of funding gap (days)	Date funding restored	S&P 500 during shutdown	S&P 500 3 months following	S&P 500 12 months following
30-Sep-76	10	11-Oct-76	-2.6%	2.6%	-6.6%
30-Sep-77	12	13-Oct-77	-2.6%	-4.7%	11.5%
31-Oct-77	8	9-Nov-77	0.1%	-1.8%	2.2%
30-Nov-77	8	9-Dec-77	-2.0%	-6.1%	4.0%
30-Sep-78	17	18-Oct-78	-1.3%	-1.8%	2.1%
30-Sep-79	11	12-Oct-79	-3.9%	4.6%	24.0%
20-Nov-81	2	23-Nov-81	0.0%	-8.3%	10.3%
30-Sep-82	1	2-Oct-82	1.3%	15.3%	36.2%
17-Dec-82	3	21-Dec-82	-0.9%	10.0%	18.9%
10-Nov-83	3	14-Nov-83	1.1%	-6.8%	-0.2%
30-Sep-84	2	3-Oct-84	-1.5%	1.1%	12.5%
3-Oct-84	1	5-Oct-84	0.3%	0.5%	12.5%
16-Oct-86	1	18-Oct-86	-0.3%	11.5%	18.4%
18-Dec-87	1	20-Dec-87	NA	8.8%	11.9%
5-Oct-90	3	9-Oct-90	0.6%	0.5%	21.4%
13-Nov-95	5	19-Nov-95	1.3%	8.0%	22.8%
15-Dec-95	21	6-Jan-96	0.1%	6.4%	21.3%
30-Sep-13	16	17-Oct-13	2.4%	7.2%	8.2%
19-Jan-18	2	22-Jan-18	0.0%	-5.0%	-5.0%
21-Dec-18	34	25-Jan-19	9.3%	10.8%	24.7%

Source: Morningstar as of 9/30/25, U.S. House of Representatives.. Stock market represented by the S&P 500 PR Index, principal return. **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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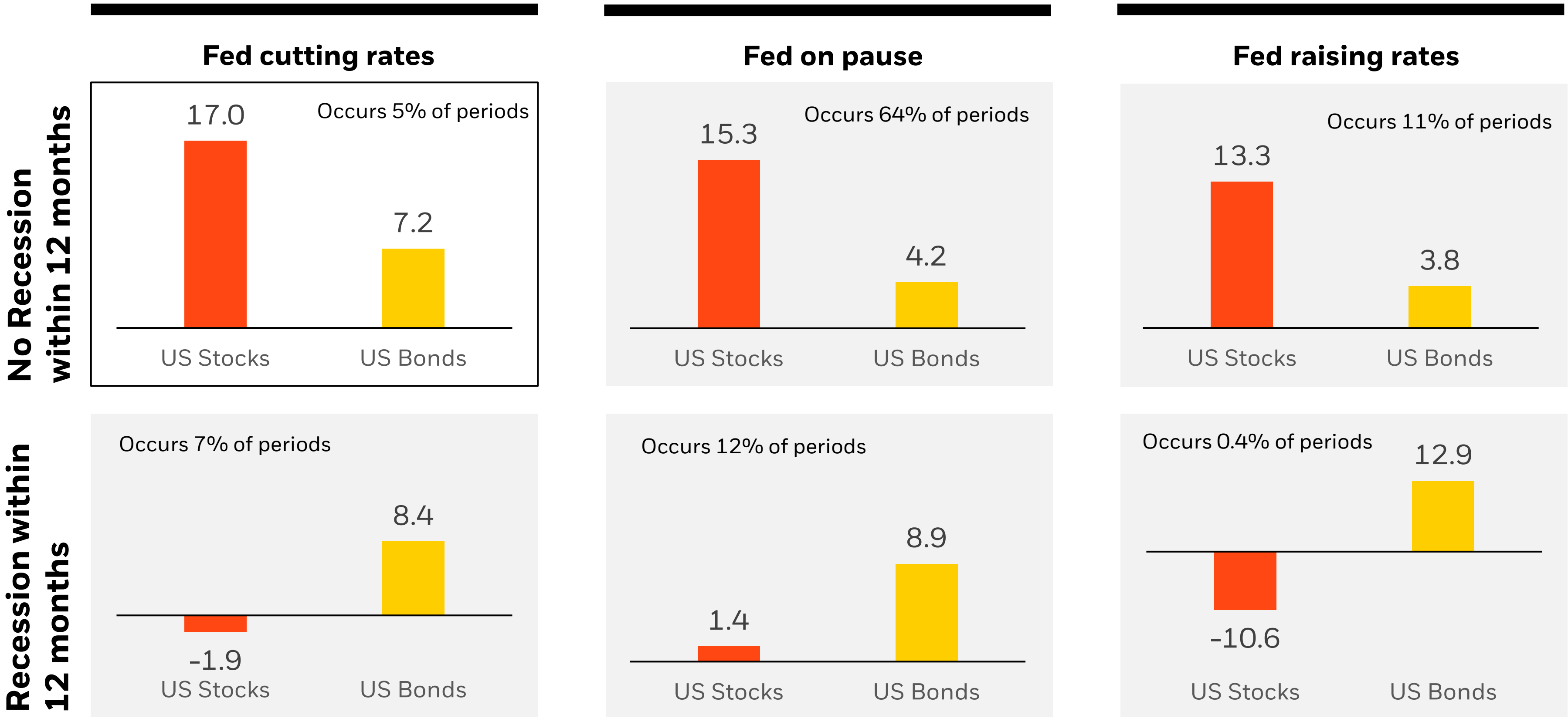
A FED RATE CUT AND NO RECESSION

Current market backdrop: The Fed is cutting interest rates, and no recession is expected

Historically, the fed cutting rates and no recession is the best combo for stocks and bonds.

1 year avg. forward returns (1/1/1990 - 9/30/2025)



Source: Morningstar as of 9/30/25. U.S. stocks are represented by the S&P 500 Index, U.S. bonds represented by the Bloomberg U.S. aggregate bond index, **Past performance does not guarantee or indicate future results.** Index performance is for illustrative purposes only. You can not invest directly in the index.

U.S. stock sectors by President

Key takeaway: Markets follow their own momentum and narrative, independent of politics. Examples:

1. The top 3 performing sectors were the same under Obama and Trump 1, as well as the worst (Energy).
2. Both Biden's and Bush's top performing sector was Energy.
3. Technology has remained in the top 2 sectors for 4 of the past 5 presidencies.

Sector performance

Average annual return for length of presidency, each sector of the S&P 500

Bush	Obama	Trump 1	Biden	Trump 2
Energy 9.9%	Consumer Disc. 18.6%	Info. Technology 26.8%	Energy 38.2%	Comm. Services 33.0%
Materials 6.6%	Info. Technology 16.4%	Consumer Disc. 18.6%	Info. Technology 23.3%	Info Technology 27.0%
Cons. Staples 4.2%	Health Care 14.2%	Health Care 12.7%	Financials 19.4%	Cons Disc. 17.9%
Utilities -0.1%	Cons. Staples 12.8%	Utilities 9.9%	Industrials 16.0%	Financials 17.1%
Industrials -1.0%	Industrials 12.7%	Materials 9.9%	Comm. Services 13.6%	Industrials 15.2%
Health Care -2.2%	Real Estate 12.7%	Comm. Services 9.1%	Health Care 10.5%	Utilities 14.6%
Consumer Disc. -2.3%	Utilities 10.9%	Industrials 8.5%	Materials 11.2%	Cons. Staples 2.5%
Financials -4.4%	Materials 10.1%	Cons. Staples 7.4%	Cons. Staples 10.0%	Energy 1.8%
Comm. Services -5.1%	Comm. Services 9.5%	Financials 6.8%	Consumer Disc. 9.0%	Real Estate -0.4%
Info. Technology -8.7%	Financials 7.2%	Real Estate 6.5%	Real Estate 9.1%	Materials -1.3%
	Energy 5.0%	Energy -16.4%	Utilities 8.3%	Health Care -4.1%

Source: Morningstar as of 9/30/25. Each sector is represented by their respective S&P 500 sector index. **Past performance does not guarantee or indicate future results.** Index performance is for illustrative purposes only. You cannot invest directly in the index. Clinton period is from 11/4/1992 to 12/13/2000, Bush time period from 12/14/2004 to 11/4/2008, Obama time period from 11/5/2008 to 11/8/2016 and Trump 1 time period from 11/9/2016 to 11/3/2020. Biden period is from 11/4/2020 to 11/5/2024, Trump 2 period is from 11/6/2024 to 9/30/2025..

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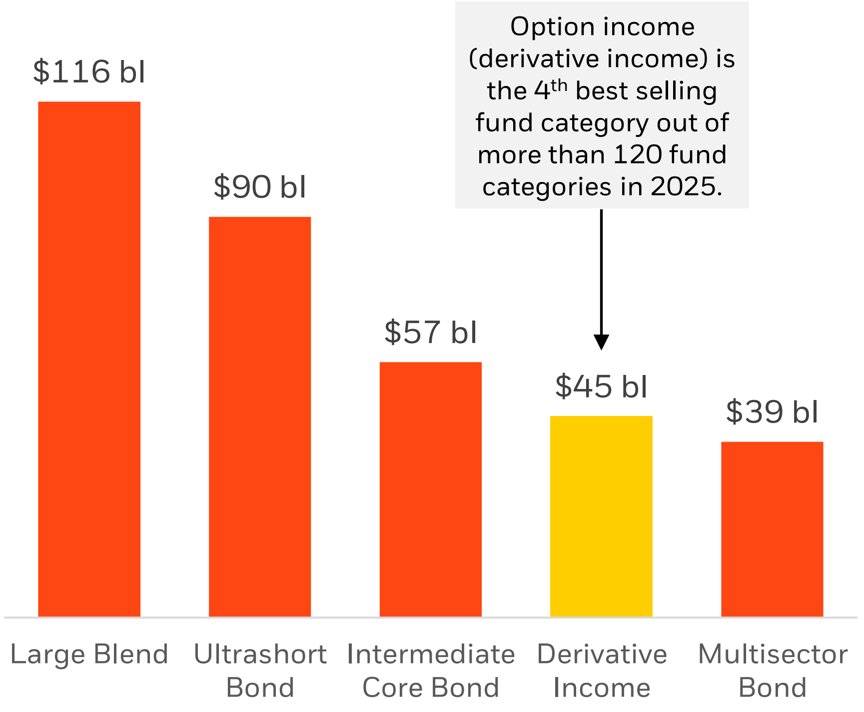
Option strategies gaining attention

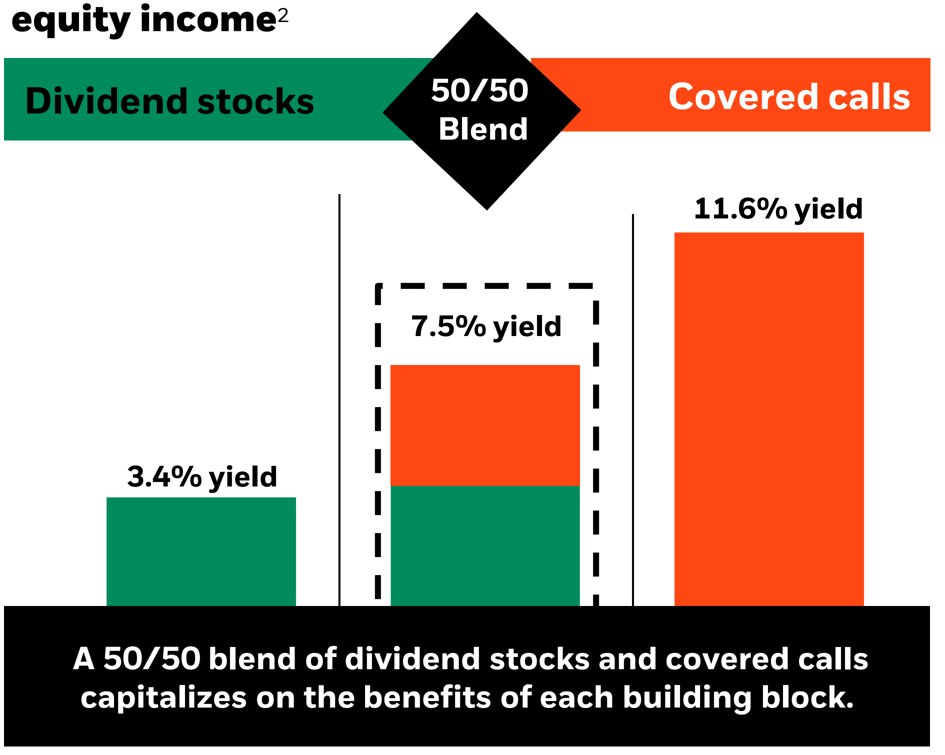
With cash and fixed income rates moving lower, option strategies are becoming an attractive tool to supplement income.

Best inflowing fund categories in 2025

1/1/25 – 8/31/25[1]



Option strategies like covered calls can enhance equity income[2]



Source: 1: ETF groupings determined by Morningstar from 1/1/25 - 8/31/25. 2: Bloomberg and BlackRock as of 9/30/2025. Dividend stock yield represented by the 12-month dividend yield on the MSCI World High Dividend Index. Covered Calls yield represented by the CBOE S&P 500 2% OTM Index, calculated by summing the 12-month dividend yield and income received from options premiums on the underlying index. **Past performance does not guarantee future results. 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.**

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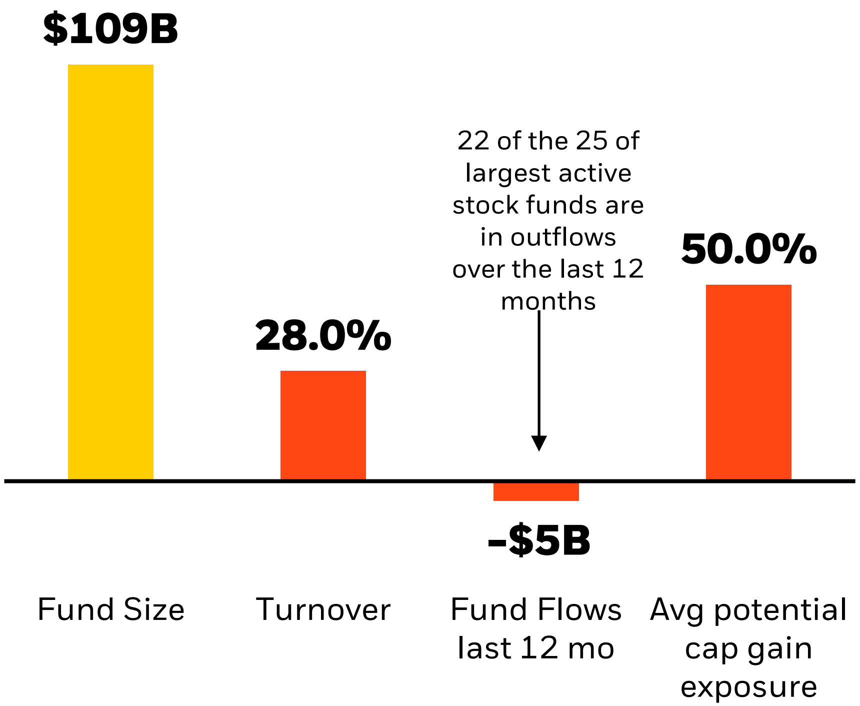
Capital gain distributions may pose challenges for the largest equity mutual funds

Average of the top 25 largest stock mutual funds

Top 25 largest active mutual funds, as of 9/30/2025



Why Gains + Turnover + Outflows Set Up Capital Gains Distributions

1	**Unrealized gains:** Large stock market gains create large amounts of unrealized gains embedded in mutual funds (almost half the funds today, 43%).
2	**Selling stocks to meet redemptions or reposition portfolio:** A Mutual Fund that has outflows has to sell stocks in order to meet redemptions, often triggering capital gains distributions.
3	**Remaining shareowners bear the burden:** A mutual fund shrinking due to redemptions also amplifies the tax consequence for remaining shareowners.

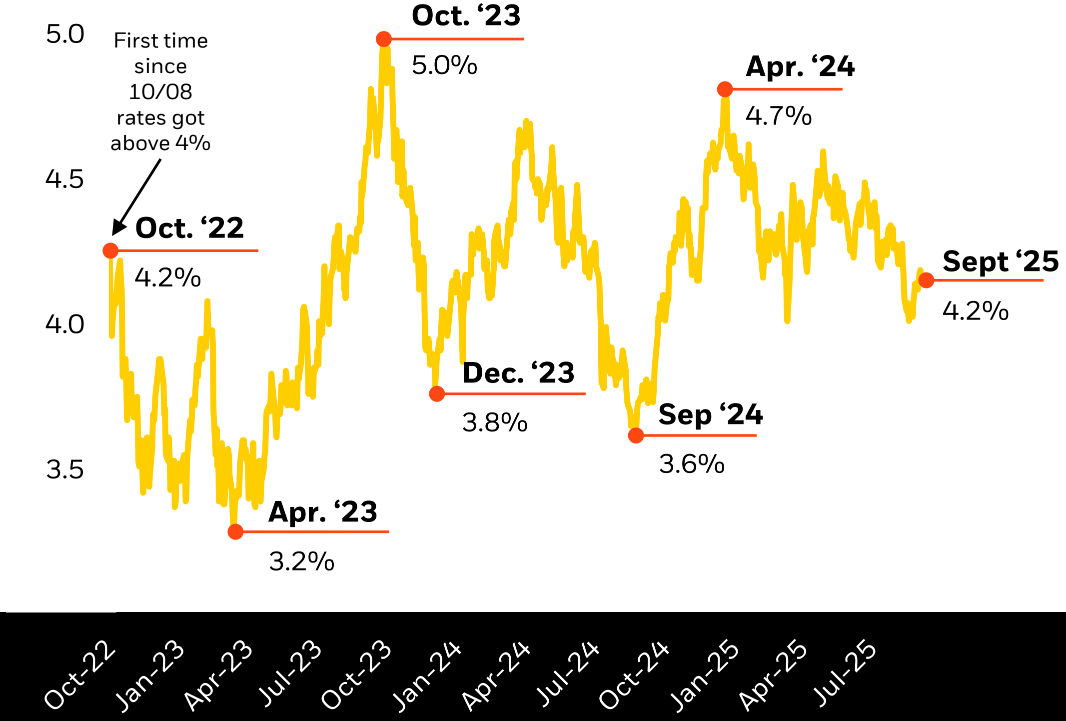
Source: Morningstar as of 9/30/25. Equity mutual funds are represented by the Morningstar Broad U.S. Equity category, oldest share class only. **Past performance does not guarantee or indicate future results.** Index performance is for illustrative purposes only. You can not invest directly in the index.

Interest rates have remained range-bound, while active fixed income has continued to outperform

The Fed resumed cutting rates, but long-term yields stayed within a band, allowing active strategies to excel.

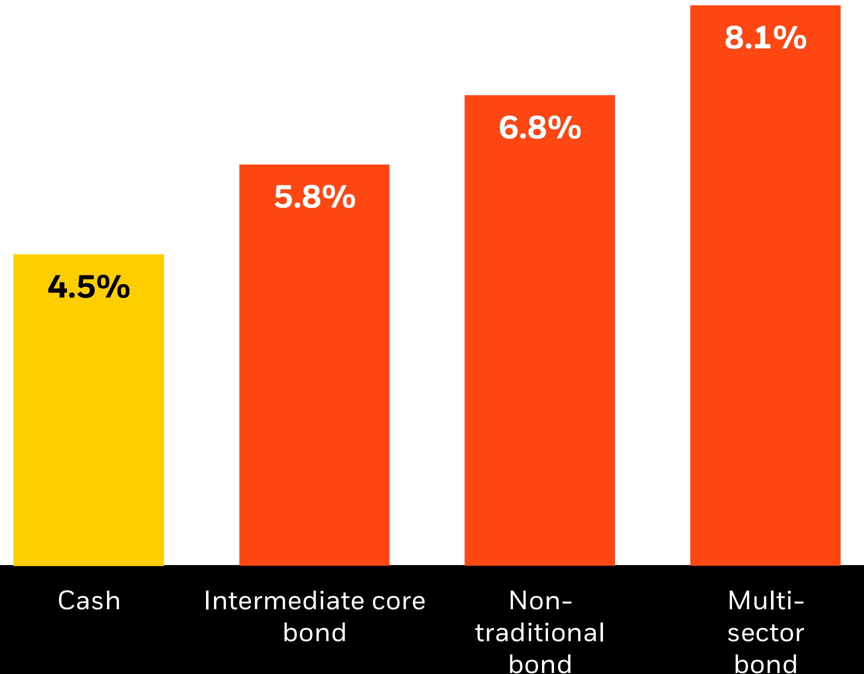
Interest rates have stayed within a range

10-year U.S. Treasury yield



Flexible bond managers have delivered

Average annualized return (10/24/2022 – 9/30/2025)



Source: Morningstar, Federal Reserve as of 9/30/25. 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.**

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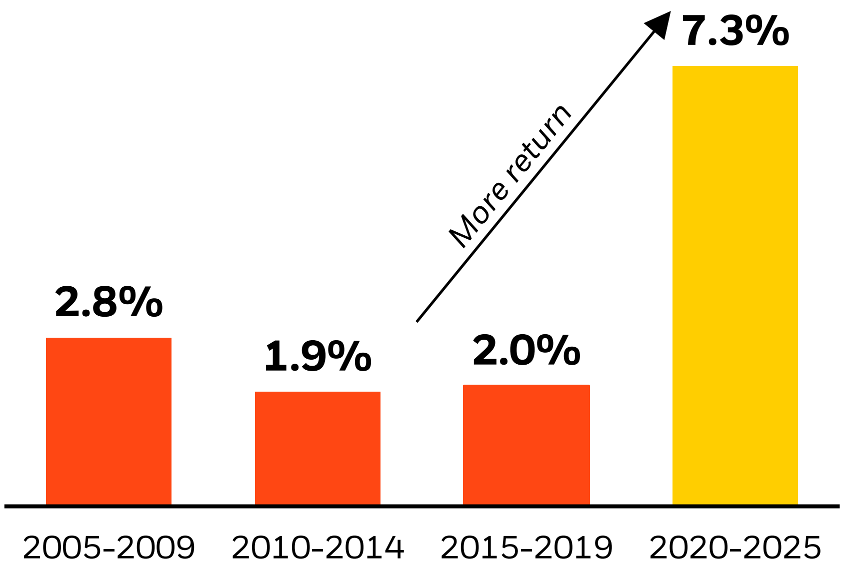
ALTERNATIVE FUNDS HAVE IMPROVED OVER TIME

Alternatives are delivering higher returns and stronger diversification today

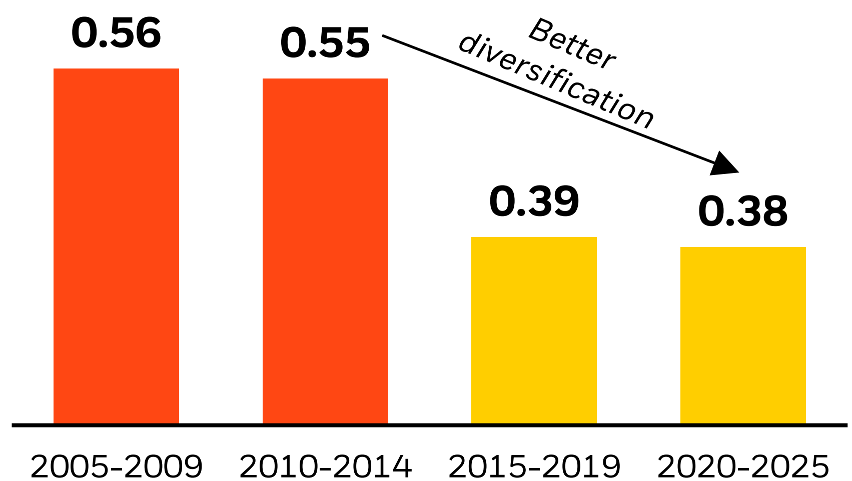
Alternative mutual funds have seen better performance vs. 5-15 years ago...

Average annual decade-to-date returns as of 9/30/25



...While diversification with stocks (correlations) have declined in recent years

Average annual decade-to-date correlation as of 9/30/25



Morningstar as of 9/30/25. Alternative mutual funds are represented by the Morningstar Broad Alternatives Category, oldest share class only. 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.

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Returns as of 9/30/25	1 Year Return	5 Year Avg. Annual Return	10 Year Avg. Annual Return
Bloomberg US Agg Bond TR USD	2.88	-0.45	1.84
IA SBBI US Large Stock TR USD Ext	17.60	16.47	15.30
MSCI ACWI/Information Technology NR USD	28.09	19.80	22.25
MSCI EAFE NR USD	14.99	11.15	8.17
MSCI World High Dividend Yield NR USD	7.60	10.63	8.60
S&P 500 PR	16.07	14.74	13.29
S&P 500 Sec/Commun Services TR USD	35.55	17.74	14.11
S&P 500 Sec/Cons Disc TR USD	20.31	10.56	13.75
S&P 500 Sec/Cons Staples TR USD	0.51	8.51	8.95
S&P 500 Sec/Energy TR USD	4.43	29.60	8.18
S&P 500 Sec/Financials TR USD	20.75	19.70	13.61
S&P 500 Sec/Health Care TR USD	-7.95	7.49	9.66
S&P 500 Sec/Industrials TR USD	15.69	16.82	13.79
S&P 500 Sec/Information Technology TRUSD	28.22	23.29	25.22
S&P 500 Sec/Materials TR USD	-4.27	9.47	10.82
S&P 500 Sec/Real Estate TR USD	-2.24	7.31	7.61
S&P 500 Sec/Utilities TR USD	11.20	11.44	10.88
US Fund Derivative Income	12.12	9.84	7.96
US Fund Intermediate Core Bond	3.27	-0.51	1.77
US Fund Money Market-Taxable	4.18	2.71	1.77
US Fund Multisector Bond	5.85	3.18	3.64
US Fund Nontraditional Bond	5.07	3.25	3.22

Source: Morningstar as of 9/30/25. **Past performance does not guarantee or indicate future results. Index performance is for illustrative purposes only.** You cannot invest directly in the index.

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 **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 **IA SBBI US Large Stock TR Index** is an unmanaged index that is generally considered representative of the historical U.S. stock market on a total return basis prior to the inception of the **S&P 500 TR Index** in 1970.
- The **IA SBBI US IT Govt TR Index** is an unmanaged index that is generally considered representative of the historical U.S. bond market on a total return basis prior to the inception of the **Bloomberg U.S. Agg Bond TR Index** in 1989.
- 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 **US BLS CPI All Urban SA 1982-1984 Index** is an unmanaged index that is generally considered representative of the U.S. inflation rate on a seasonally adjusted basis.
- **US Fund Money Market - Taxable** is an average of funds within the US Fund Money Market – Taxable category as defined by Morningstar.
- The **Russell 1000 Dividend 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.

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Index Definitions (cont.):

- The **Credit Suisse Equity Market Neutral Hedge Fund Index** is a subset of the Credit Suisse Hedge Fund Index that measures the aggregate performance of long/short equity funds. 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.
- 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.
- The **MSCI ACWI Information Technology Index** includes large and mid cap securities across 23 Developed Markets (DM) countries and 25 Emerging Markets (EM) countries*. All securities in the index are classified in the Information Technology as per the Global Industry Classification Standard (GICS®).
- The **CBOE S&P 500 2% OTM index** is a variant of the S&P 500 BuyWrite Index. It measures the value of a hypothetical portfolio that overlays a short 2% out-of-the-money call on an investment in S&P 500 stocks. It is rebalanced monthly after the expiration of the call, typically 11 am ET every third Friday. It uses the same hypothetical buy-write strategy as Cboe S&P 500 BuyWrite Index, that the S&P 500 Index call is held until expiration and cash settled, at which time a new one-month, near-the-money call is written. But this index is calculated using out-of-the-money S&P 500 Index call options.

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Investing involves risk, including possible loss of principal.

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Standard deviation measures how dispersed returns are around the average. A higher standard deviation indicates that returns are spread out over a larger range of values and thus, more volatile.

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