Inside
the**market**

Student of the Market

August 2026

BlackRock®

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Stocks

Stock and bond returns in 2026

Tech stock valuations decline while delivering positive returns

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Bonds and mid-term elections

Near record inflows into bond mutual funds and ETFs

Midterm election landscape

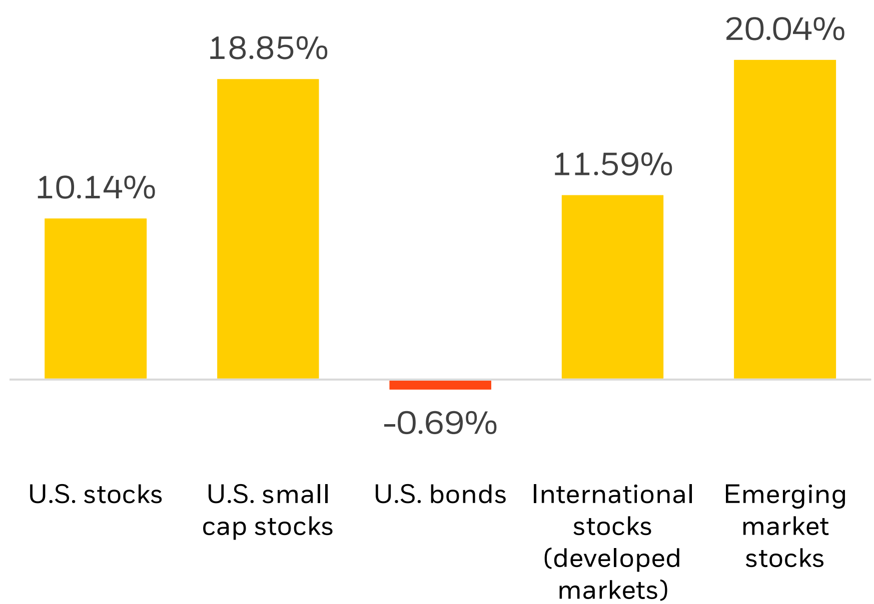
Source: Morningstar as of 7/31/26. U.S. stock market represented by the S&P 500 index. **Past performance is no guarantee of future results.** Index performance is shown for illustrative purposes only. You cannot invest directly in an index.

Stock and bond returns in 2026

Stocks are positive while bonds are slightly lower, a combination that's only happened 7 times in the last 50+ years.

Stocks positive and bonds negative YTD 2026

(1/1/2026 – 7/31/2026)



Historically, only 7 years in which stocks were positive and bonds were negative through July

(1976-2026)

Year	Jan – July		Aug – Dec	
	U.S. stocks	U.S. bonds	U.S. stocks	U.S. bonds
1996	5.23	-0.94	16.85	4.62
2018	6.47	-1.59	-10.19	1.63
1999	8.87	-1.79	11.18	0.99
2026	10.14	-0.69	?	?
2021	17.99	-0.50	9.08	-1.04
2013	19.62	-2.31	10.68	0.29
1987	27.38	-0.24	-17.43	3.01
Avg	13.67	-1.15	3.36	1.58

Source: Morningstar as of 7/31/2026. Stock market represented by the S&P 500 TR Index and the IA SBBI US large stock TR index, core bond represented by the Bloomberg U.S. Agg Bond TR Index, International is represented by the MSCI EAFE Index , emerging markets stocks represented by the MSCI EM Index and Small Cap by the Russell 2000 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.**

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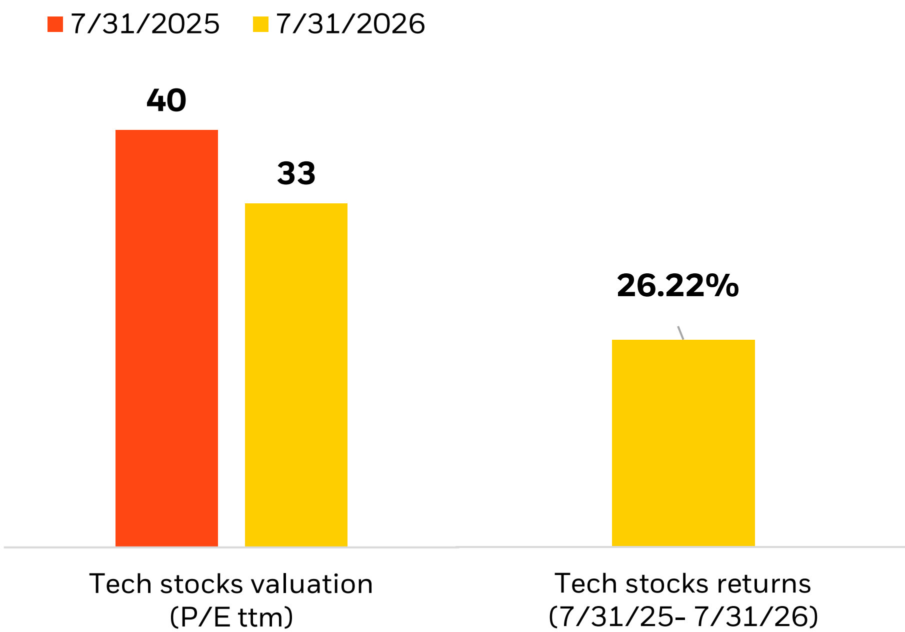
Earnings pushing technology stock valuations lower while returns are higher

This is a historically rare divergence between lower valuations and positive returns at this magnitude.

Stocks have gotten cheaper over the last 12 months, even though performance was positive

(4/1/1990 – 7/31/2026)



Historical periods when tech stock valuations went down but performance was up

TTM P/E dropped by 5 or more and performance was also up 5% or more over the same 12-month period (11/1/1999 – 7/31/2026)

Month end	Valuation drop (1 Yr chg in P/E)	1 year return	1-Year forward return
6/30/2026	-5	37.48%	?
7/31/2026	-7	26.22%	?
4/30/2019	-6	22.76%	18.07%
3/31/2019	-8	15.44%	10.43%
6/30/2019	-5	14.33%	35.90%
3/31/2011	-5	11.88%	20.21%
9/30/2010	-5	10.66%	3.84%
11/30/2010	-7	10.56%	8.75%
12/31/2010	-8	10.19%	2.41%
7/31/2004	-6	9.87%	10.47%
11/30/2005	-5	7.00%	6.66%
8/31/2019	-6	6.62%	57.93%
2/28/2019	-12	5.83%	26.70%
10/31/2005	-6	5.43%	9.93%
Avg	**-7**	**13.88%**	**17.61%**

Source: Morningstar and Bloomberg as of 7/31/26. Tech. stocks represented by the S&P 500Sec/Info tech 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.

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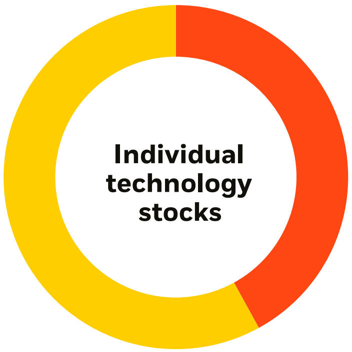
Diversified AI funds can reduce downside risk versus individual technology stocks

Diversified mutual funds and ETFs play an important risk-management role especially for technology and AI.

Over the past 3 years, no AI stock mutual funds and ETFs lost money—but nearly half of individual technology stocks declined



44% lost money

(196 out of 446 lost money)

0.0% lost money

(0 out of 11 lost money)

Across multiple time periods, AI funds have limited losses compared with individual AI stocks

	Individual technology stocks	Artificial intelligence stock mutual funds & ETFs
Lost money over 1 year	**48.7%** 217 out of 446	**10.0%** 2 out of 20
Lost money over 3 years	**44.0%** 196 out of 446	**0.0%** 0 out of 11
Lost money over 5 years	**56.7%** 253 out of 446	**14.0%** 1 out of 7

Source: Morningstar as of 7/31/26. **U.S. AI mutual funds and ETFs** are represented by the Morningstar AI theme screen, oldest share class only. **Individual Technology stocks** are represented by the Morningstar U.S. Stock Universe technology category, all securities on the NYSE and NASDAQ. Analysis does not include obsolete mutual funds, ETFs or stocks as defined by Morningstar. **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.**

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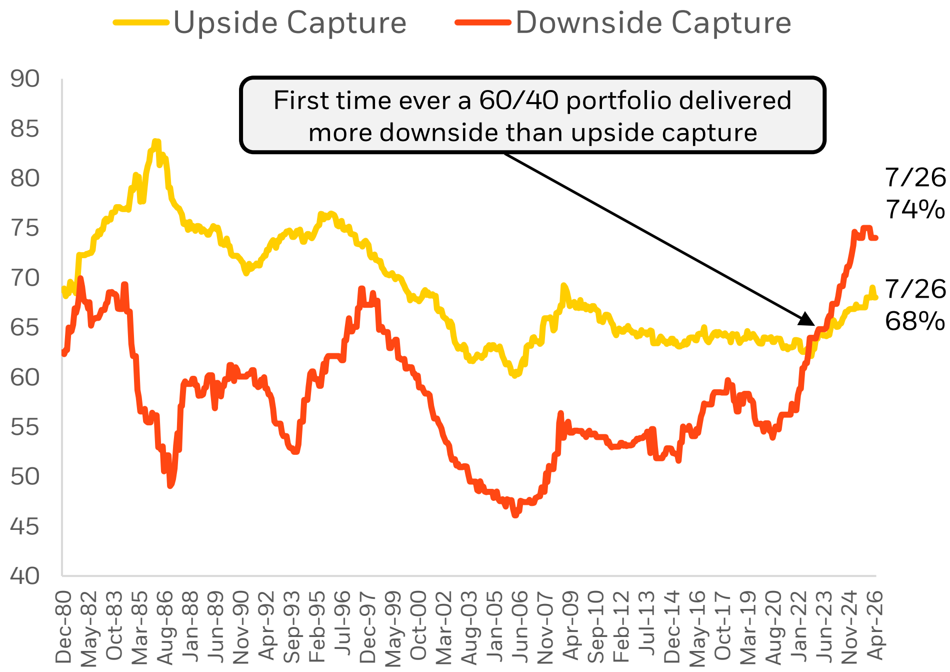
NON-TRADITIONAL EQUITIES AND ALTERNATIVES BOOSTING A 60/40

Nontraditional equity and alternative strategies can complement a traditional 60/40 portfolio

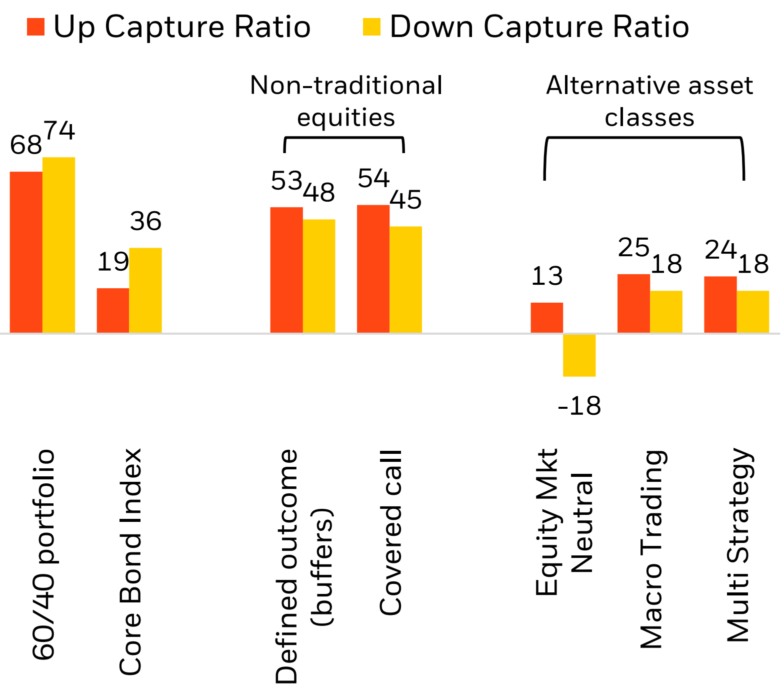
Traditional 60/40 portfolio up and downside trade-off versus stocks is at all time lows

Up and downside capture of the 60/40 portfolio versus U.S. stocks, 1/1/1976 - 7/31/2026, 5-year rolling capture ratios



…Income and alternative categories have delivered a better up and downside trade-off

Up and downside capture versus U.S. stocks, 7/31/2026, 5-year capture



Source: Morningstar as of 7/31/26. U.S. stocks represented by the S&P 500 Index and core bond represented by the Bloomberg U.S. Agg Bond TR, Covered call represented by the CBOES&P 500 BuyWrite BXM Index, Defined outcome, equity market neutral, multistrategy and macro trading represented by their respective Morningstar category average. Upside and downside capture measure how much of a benchmark's gains a strategy has historically captured in up markets and how much of its losses it has experienced in down markets. **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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THE IMPORTANCE OF PROPER UP AND DOWNSIDE CAPTURE

The power of a positive capture ratio case study:

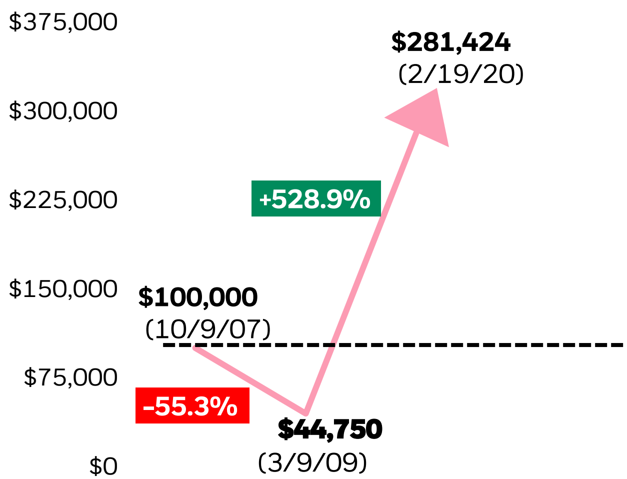
Global financial crisis

If you invested $100,000 in the S&P 500 Index before the Financial Crisis in 2007, your portfolio would have been worth roughly $281,424 on February 19, 2020 (end of the bull market). If you invested differently over that same period such that you received less of the return when the market was going up, but also less of the return when the market went down, your portfolio would be worth slightly more — roughly $285,171. In simpler terms: the portfolio captured the same returns (or possibly better), but with about two thirds* the risk, volatility and drawdown.

Financial crisis example 10/9/2007–2/19/2020

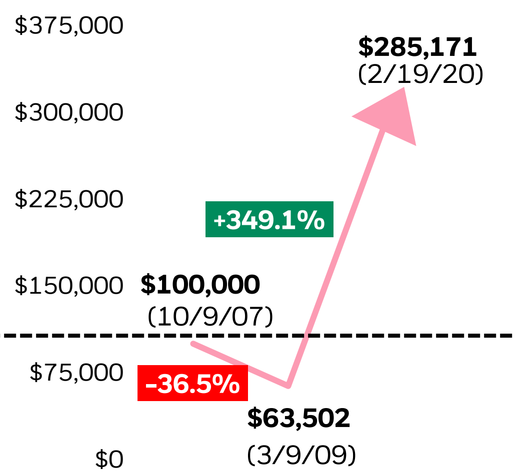
All the up & all the down

(100% of the bear and bull markets)
(S&P 500 Index)



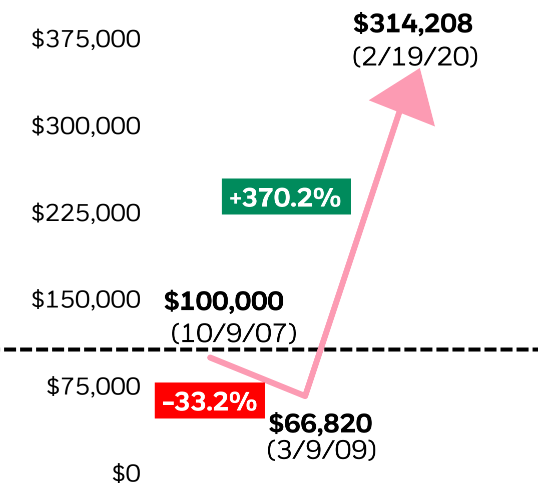
Symmetrical Bull and Bear capture

(66% of the up & 66% of the down)



Asymmetric Bull and Bear capture

(70% of the up & 60% of the down)



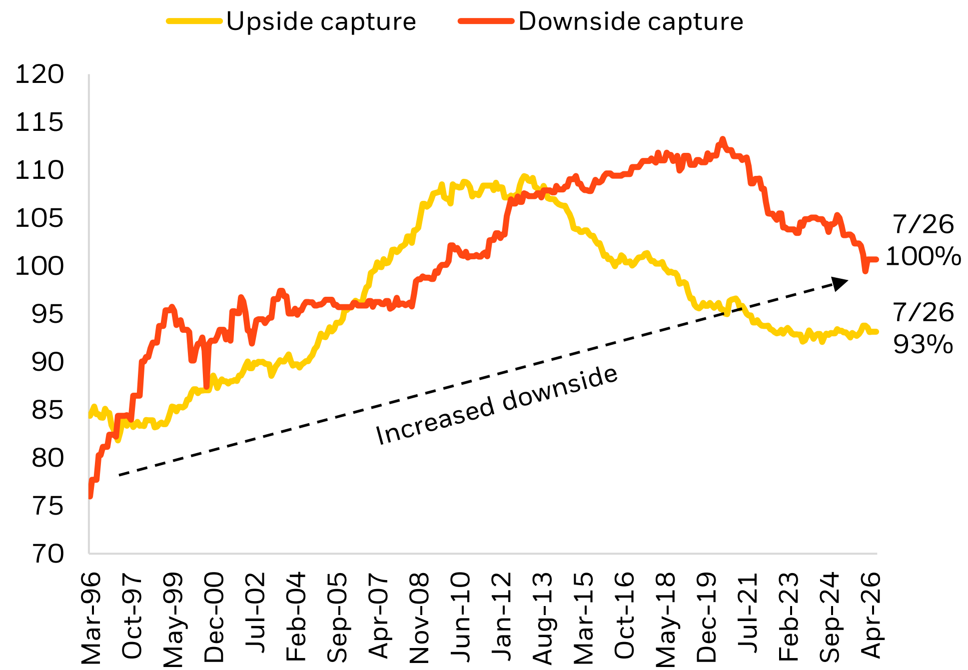
Source: Morningstar as of 7/31/26. The first scenario is a *Hypothetical investment or portfolio" that captured 100% of each bull and bear market return of the S&P 500 when benchmarked to that index. The second scenario is a *Hypothetical investment or portfolio" that captured 66% of each bull and bear market. The third scenario is a *Hypothetical investment or portfolio" that captured 70% of the bull and 60% of the bear market return of the S&P 500 when benchmarked to that index. Returns shown are based on the S&P 500 index only **Past performance does not guarantee or indicate future results. Index performance is for illustrative purposes only. You cannot invest directly in the index.** Case study shown for illustrative purposes only.

Traditional stock diversification has more downside risk today than in the past

A diversified stock portfolio (growth, value, international, and small cap) has seen downside risk increase over the years.

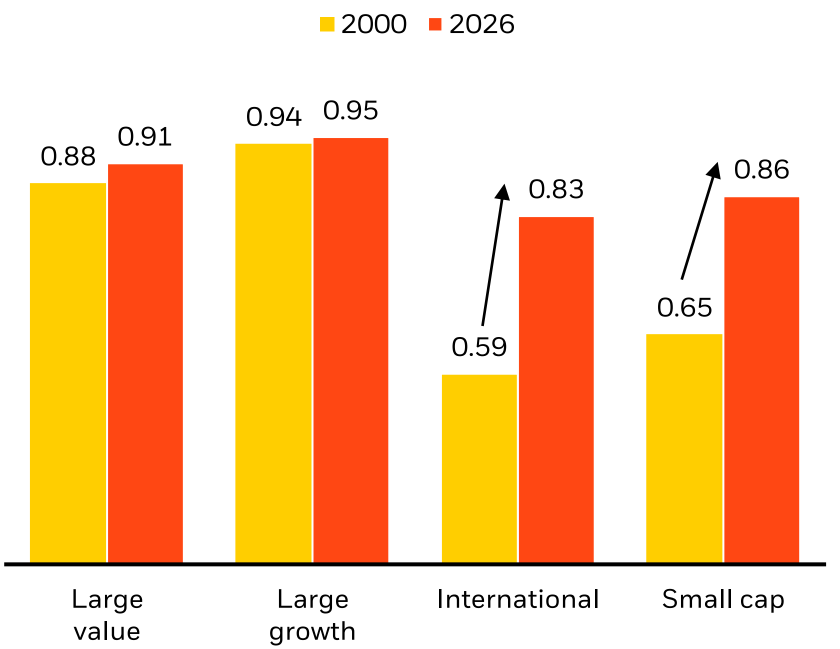
1-year upside/downside capture ratio

(diversified stock portfolio: 30% large cap value, 30% large cap growth, 30% international and 10% small cap versus the S&P 500)



Higher correlation to U.S. stocks the likely cause of increased downside risk (small cap and international)

(10-year correlation with the S&P 500)



Source: Morningstar as of 7/31/26. Past performance does not guarantee or indicate future results. Large Growth is represented by the Russell 1000 Growth Index, Large Value is represented by the Russell 1000 Value Index, International is represented by the MSCI EAFE Index and Small Cap by the Russell 2000 Index. Indexes are used for illustrative purposes only. You cannot invest directly in an 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.**

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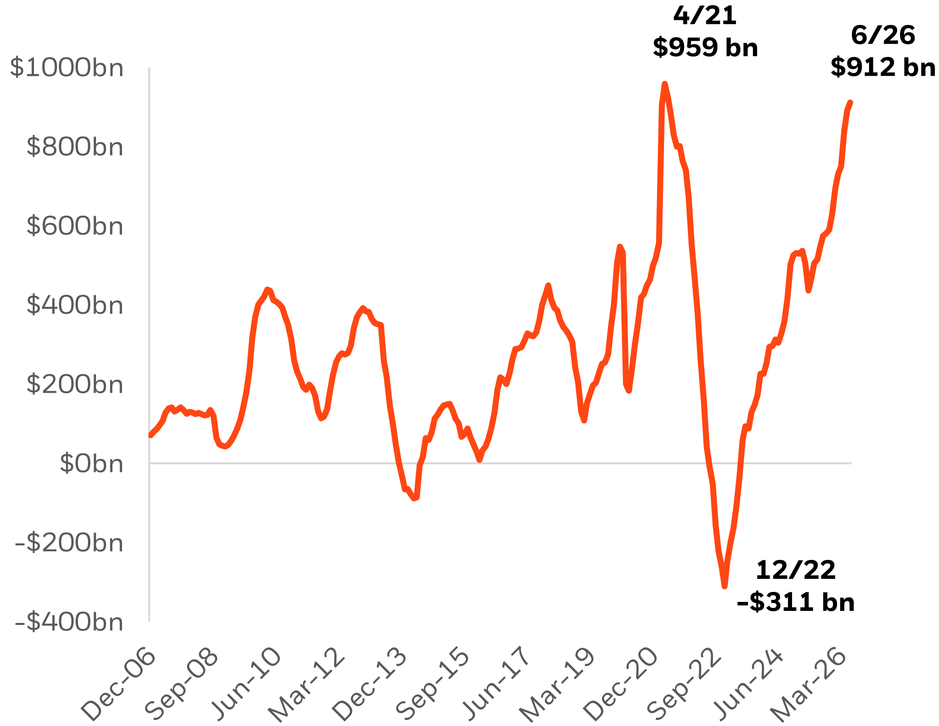
NEAR RECORD BOND FUND FLOWS

Nearing record flows into bond funds

Even though bond fund performance is generally flat for the year, bond mutual fund and ETF flows are nearing record highs led by ETFs (both active $208 bn and index $340 bn). Bond mutual funds have seen $235 bn in active and $128 bn in index inflows.

12-month bond mutual fund and ETF flows



Highest inflow bond categories

Fund Category	Flows 1 year	% of Flows		% of Flows	
		Active	Index	MF	ETF
Intermediate Core Bond	$181.0bn	33%	67%	57%	43%
Ultrashort Bond	$110.9bn	41%	59%	9%	91%
Multisector Bond	$86.3bn	100%	0%	65%	35%
Intermediate Core-Plus Bond	$78.2bn	86%	14%	45%	55%
Global Bond-USD Hedged	$67.8bn	27%	73%	58%	42%
Short-Term Bond	$62.8bn	64%	36%	46%	54%
Muni National Interm	$54.4bn	70%	30%	51%	49%
Intermediate Government	$35.1bn	0%	100%	-1%	101%
Corporate Bond	$33.1bn	10%	90%	3%	97%
Short-Term Inflation-Protected Bond	$21.3bn	8%	92%	63%	37%

Source: Morningstar as of 7/31/26. Past performance does not guarantee or indicate future results. All fund categories represented by their respective Morningstar categories. Indexes are used for illustrative purposes only. You cannot invest directly in an 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.**

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Midterm election summary

Midterm elections have historically been difficult for the president's party, which has lost House seats in most cycles. Today's Senate is narrowly divided with control hinging on a small number of competitive races.

U.S. House of Representatives midterm elections

- Republicans are bracing for the midterms amid the president's declining approval ratings.[1] However, recent Supreme Court action has triggered a new wave of redistricting, shifting the scales in Republicans' favor. Margins are expected to be slim, regardless of outcome.
- The president's party almost always loses ground in midterm House elections (20 of 22 midterm elections since 1938, and both exceptions reflected unusual circumstances).

Year		President Approval	Midterm House Result
2002	GW Bush	63%	8 seats
2006	GW Bush	38%	-30 seats
2010	Obama	45%	-63 seats
2014	Obama	40%	-13 seats
2018	Trump	38%	-40 seats
2022	Biden	40%	-9 seats

U.S. Senate midterm elections

- Senate currently 53 R, 47 D&I.
- There are 35 seats up for election (6-year terms).
- Republicans are defending 22 and Democrats are defending 13.
- 9 of the races are considered "tossups" or "leans".[2]

Democrats must hold what they already have and flip 4 seats to win control; **North Carolina** is the most likely to flip followed by **Maine, Ohio,** and **Alaska. Texas** and **Iowa** are also considered possible.

Source: 1: The New York Times – "Trump Approval Rating Polls", as of 6/30/2026. 2: The Cook Political Report. 2026 CPR Senate race ratings , as of 8/5/2026.

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Returns as of 7/31/2026	1 Year Return	5 Year Avg. Annual Return	10 Year Avg. Annual Return
S&P 500 (TR) (1970)	19.56	12.86	15.08
Bloomberg US Agg Bond TR USD	2.71	-0.40	1.35
CBOE S&P 500 BuyWrite BXM TR USD	18.58	8.66	7.82
IA SBBI US Large Stock TR USD Ext	19.56	12.86	15.08
MSCI EAFE NR USD	24.33	9.31	9.33
MSCI EM NR USD	36.44	8.03	9.19
Russell 1000 Growth TR USD	8.03	11.88	17.46
Russell 1000 Value TR USD	31.19	11.83	11.62
Russell 2000 TR USD	34.18	7.11	10.64
S&P 500 Sec/Information Technology TRUSD	26.22	20.39	25.21
US Fund Corporate Bond	2.52	0.01	2.26
US Fund Defined Outcome	11.29	8.58	
US Fund Equity Market Neutral	9.09	8.19	4.15
US Fund Global Bond-USD Hedged	2.36	0.47	1.77
US Fund Intermediate Core Bond	2.69	-0.39	1.37
US Fund Intermediate Core-Plus Bond	2.91	0.06	1.87
US Fund Intermediate Government	2.02	-0.59	0.78
US Fund Macro Trading	12.42	4.73	4.57
US Fund Multisector Bond	4.45	2.52	3.54
US Fund Multistrategy	9.49	5.55	3.67
US Fund Muni National Interm	4.75	0.64	1.70
US Fund Short-Term Bond	3.54	2.37	2.40
US Fund Short-Term Inflation-Protected Bond	3.16	2.56	2.96
US Fund Ultrashort Bond	4.15	3.67	2.71

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Index Definitions:

- The S&P 500 Index is an unmanaged index that is generally considered representative of the U.S. stock market and includes 500 large-capitalization U.S. companies. Performance may be shown on a price return or total return basis, with total return including reinvested dividends.
- The Bloomberg U.S. Aggregate Bond Index is an unmanaged index that measures the performance of the U.S. investment-grade, fixed-rate, taxable bond market, including U.S. Treasuries, government-related securities, corporate bonds, mortgage-backed securities, asset-backed securities, and commercial mortgage-backed securities. Performance is shown on a total return basis.
- The IA SBBI U.S. Large Stock Index is an unmanaged index from the Ibbotson® Stocks, Bonds, Bills, and Inflation® (SBBI®) series that represents the historical performance of U.S. large-capitalization stocks and is commonly used for long-term historical market analysis.
- The Morningstar US Fund Equity Market Neutral is an average of funds within the equity market neutral category as defined by Morningstar.
- The Morningstar US Fund Macro Trading is an average of funds within the macro trading category as defined by Morningstar.
- The Morningstar US Fund Multisector Bond is an average of funds within the US Fund Multisector Bond category as defined by Morningstar.
- The Morningstar US Fund Multialternative is an average of funds within the multialternative category as defined by Morningstar.
- The Morningstar US Fund Multistrategy is an average of funds within the multistrategy category as defined by Morningstar.
- The Morningstar US Fund Tactical Allocation is an average of funds within the tactical allocation category as defined by Morningstar.
- The Morningstar US Fund Ultrashort bond is an average of funds within the ultrashort bond category as defined by Morningstar.
- The Morningstar US Fund Short-term bond is an average of funds within the short-term bond category as defined by Morningstar.
- The Morningstar US Fund Corporate bond is an average of funds within the corporate bond category as defined by Morningstar.
- The Morningstar US Fund Intermediate government is an average of funds within the intermediate government bond category as defined by Morningstar.
- The Morningstar US Fund Intermediate core bond is an average of funds within the intermediate core bond category as defined by Morningstar.
- The Morningstar US Fund Intermediate core plus bond is an average of funds within the intermediate core plus bond category as defined by Morningstar.
- The Morningstar US Fund Defined outcome is an average of funds within the defined outcome category as defined by Morningstar
- The Morningstar US Fund Muni intermediate bond is an average of funds within the municipal intermediate bond category as defined by Morningstar
- The Morningstar US Fund Short-term inflation protected bond is an average of funds within the short-term inflation protected bond category as defined by Morningstar
- The MSCI EAFE Index is an unmanaged index designed to measure the equity market performance of developed markets outside the United States and Canada, including Europe, Australasia, and the Far East, and is free-float-adjusted and market-capitalization weighted.
- The MSCI EM NR USD measures the performance of the large and mid cap segments of emerging market equity securities. It is free float-adjusted market-capitalization weighted.
- The S&P 500 Information Technology Index is an unmanaged index that measures the performance of those companies included in the S&P 500 Index that are classified in the information technology sector under the Global Industry Classification Standard (GICS). Performance may be shown on a price or total return basis.
- The Russell 1000 Growth TR USD Index measures the performance of the large-cap growth segment of the US equity securities. It includes the Russell 1000 index companies with higher price-to-book ratios and higher forecasted growth values. It is market-capitalization weighted. Russell Investment Group is the source and owner of the trademarks, service marks and copyrights related to the Russell Indexes. Russell® is a trademark of Russell Investment Group.
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