

August 2025

Student of the Market



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Stocks

U.S. stocks bounce back in May-July >

U.S. stock market at record highs >

Stock market volatility >

Investor behavioral mistakes impact outcomes >

Inflation, the Fed and fixed income

Inflation and shelter costs >

Fed funds rate is above inflation >

After a Fed rate cut pause >

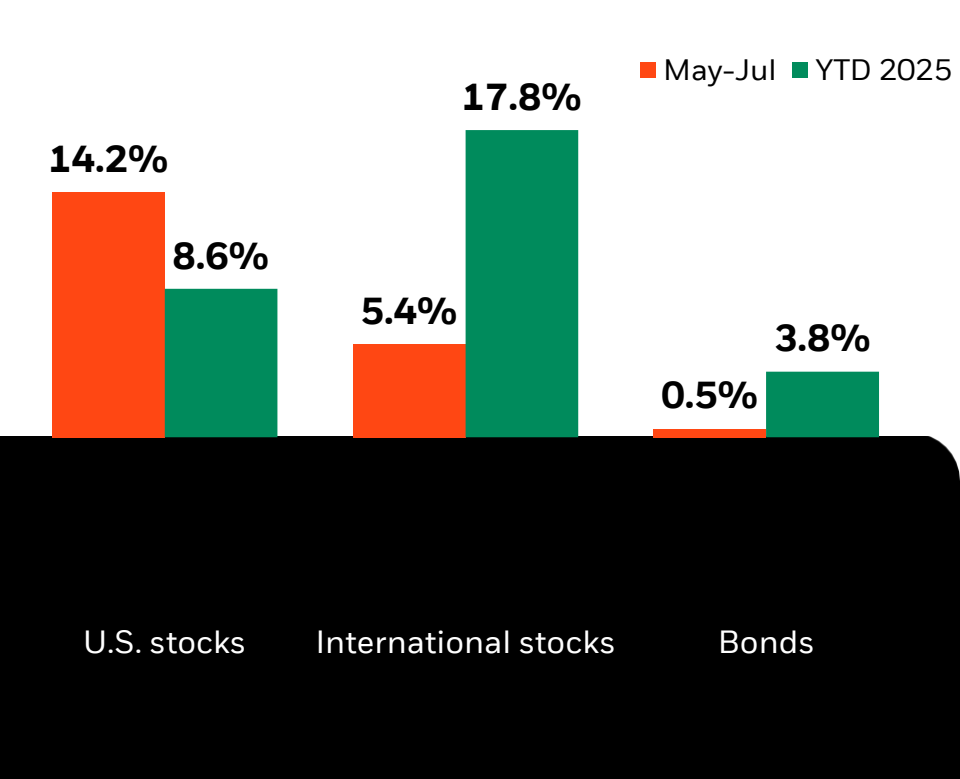
Active versus index >

Source: Morningstar as of 7/31/25. Past performance is no guarantee of future results. Index performance is shown for illustrative purposes only. You cannot invest directly in an index.

4th best May-July for U.S. stocks since 1950 but international stocks still leading in 2025

2025 asset class performance

May-July and YTD performance (through 7/31/2025)



Returns after “best” Mays - Julys have been good

8 of the top 9 periods were positive, S&P 500 returns (%)

Year	May - July	Next 5 months (Aug-Dec)
1997	19.7	2.4
1980	16.0	13.8
1955	15.8	6.5
2025	14.2	?
2009	13.8	14.0
2020	12.9	15.6
1989	12.8	3.6
1987	11.3	-21.4
1954	10.6	19.2
1952	10.6	7.3
Average	13.8	6.8

Source: BlackRock, Morningstar as of 7/31/25. Stocks are represented by the S&P 500 TR Index from 3/4/57 to 7/31/25 and the IASBBI U.S. Lrg Stock TR USD Index from 1/1/50 to 3/4/57. International Stocks are represented by the MSCI EAFE NR Index. U.S. bonds represented by the Bloomberg U.S. Agg Bond Intermediate TR Index. Past performance does not guarantee or indicate future results. Index performance is for illustrative purposes only. You cannot invest directly in the index.

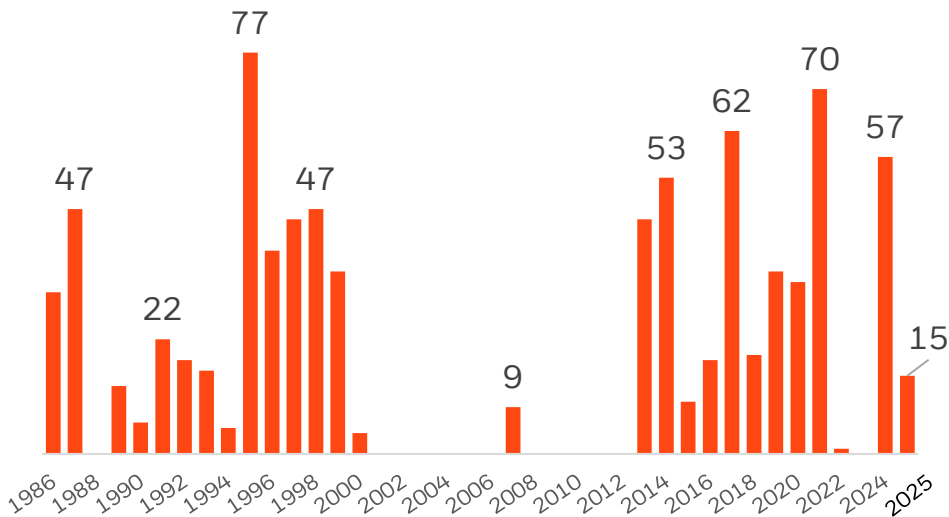
Stocks have performed well following all-time highs (ATHs)

After ATHs, the stock market has historically performed well relative to performance following non-ATHs.

U.S. stock market hitting all-time highs

All time highs for the S&P 500 (last 40 yrs, 8/1/1986 - 7/31/2025)

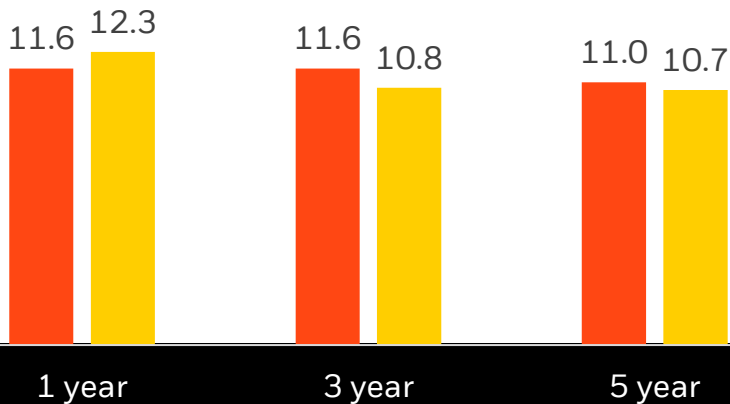
■ # of all time record high days



Historical forward performance after the stock market hits a record high (or not)

Average forward performance following a month that had an all-time high or not (last 40 yrs, 8/1/1986 - 7/31/2025)

■ After a new record high ■ After a non record date



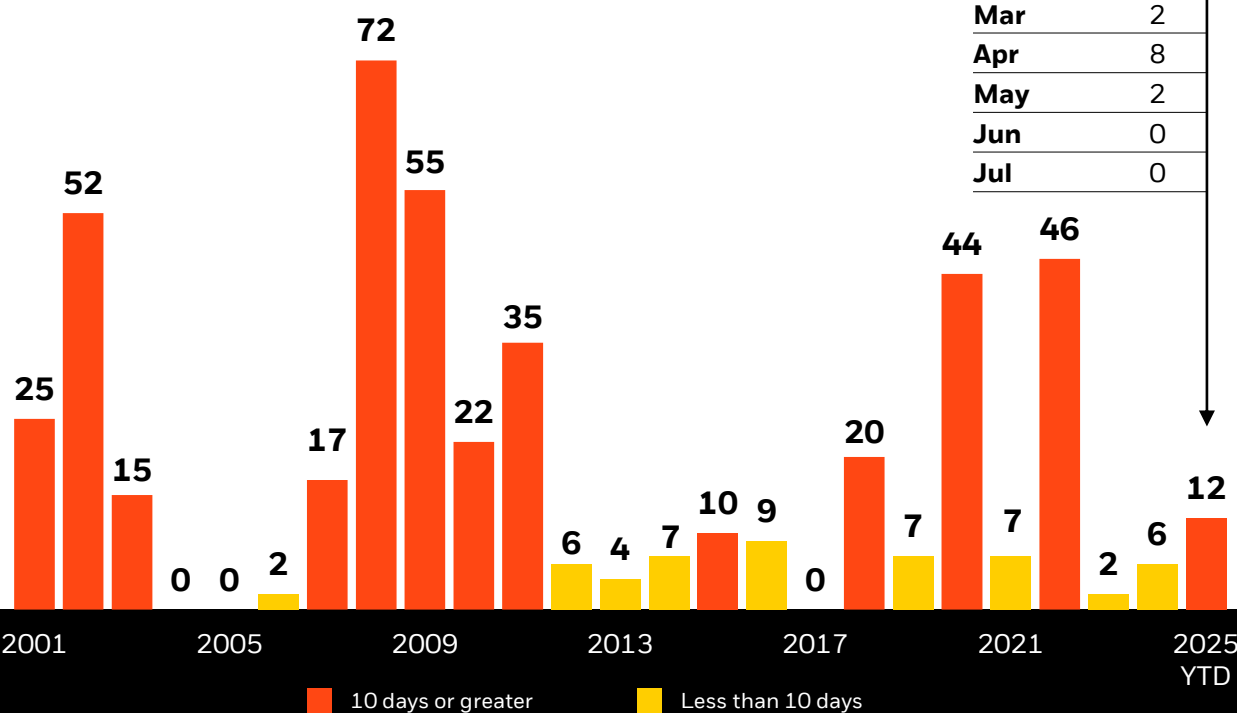
Did you know? Over the last 40 years, 36% of months have had at least one calendar day that achieved a record high in the S&P 500.

Stock market volatility proves, like always, to be unpredictable

Policy uncertainty early in the year drove economic concerns, but volatility has since subsided.

S&P 500 single-day swings of +/-2% or more

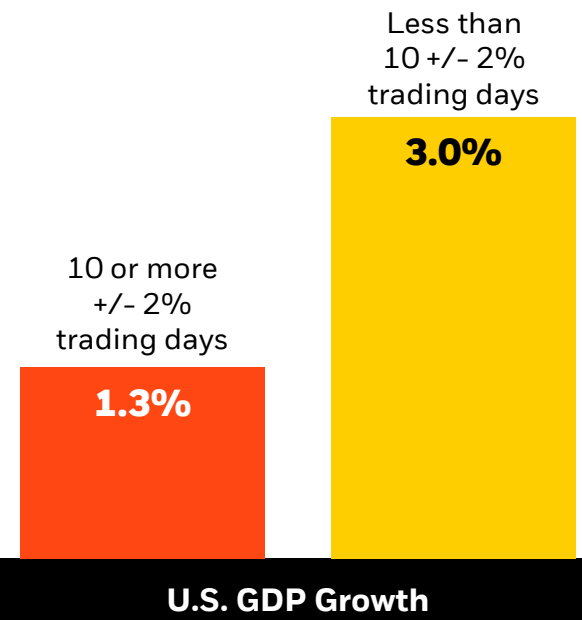
Number of single day swings (1/1/2001 - 7/31/2025)



2025	Days of +/- 2%
Jan & Feb	0
Mar	2
Apr	8
May	2
Jun	0
Jul	0

Higher volatility is associated with slower economic growth

Avg. annual GDP growth

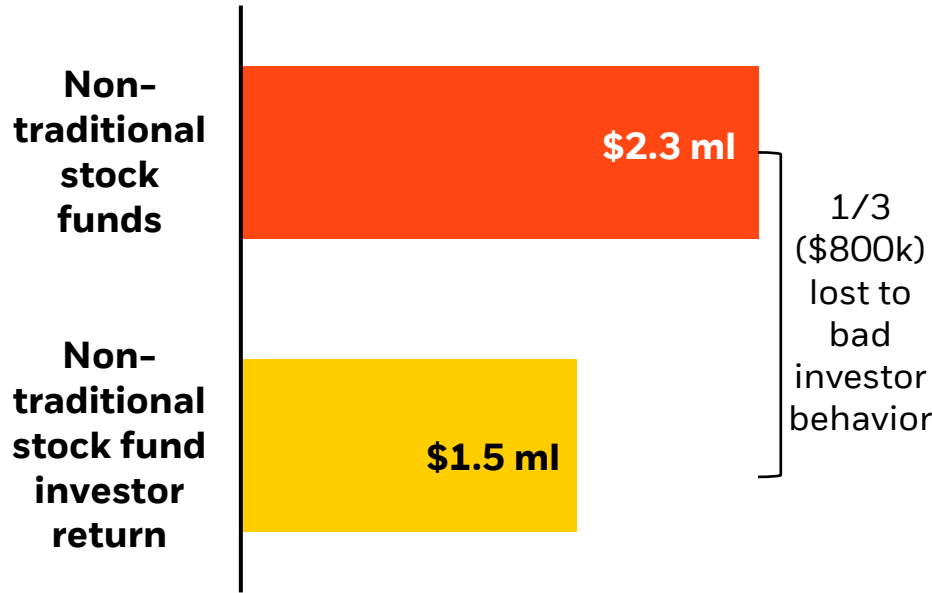


Source: Morningstar as of 7/31/25, St. Louis Federal Reserve. Stock market represented by the S&P 500 Index. **Past performance does not guarantee or indicate future results.** Index performance is for illustrative purposes only. You cannot invest directly in the index.

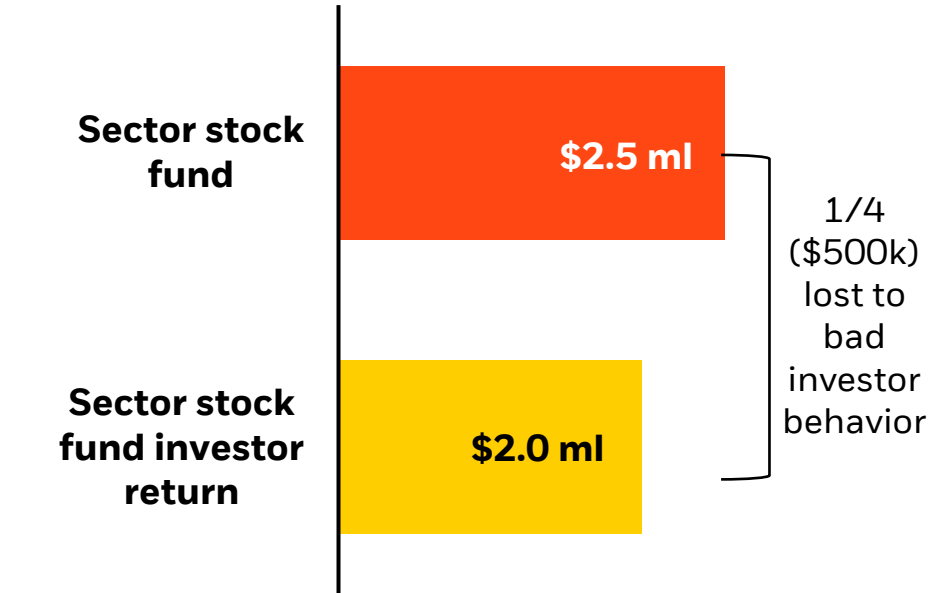
Investor mistakes erode investment results

Many investors underperform the funds they invest in, due to buying at highs and selling at lows. Staying invested can help mitigate underperformance.

The average non-traditional stock fund investor has underperformed (best-selling category in 2025, \$1 ml invested, Morningstar mind the gap study ended 2023)



The average sector stock fund investor underperforms (\$1 ml invested, Morningstar mind the gap study ended 2023)



Morningstar Investor return captures how the average investor fared in a fund over a period of time. It estimates the return earned collectively by all the investors in a fund. Investor return, also known as dollar-weighted return, accounts for all cash inflows and outflows from purchases and sales and the growth in fund assets.

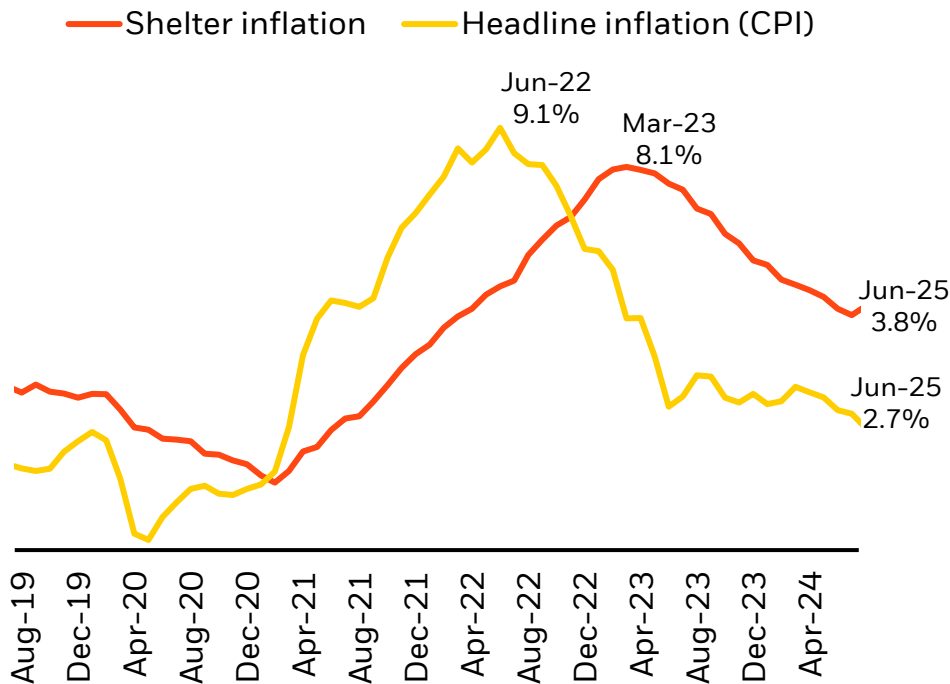
Sources: BlackRock, Morningstar, Informa Investment Solutions; *Morningstar returns based on performance between 9/1/2013 to 8/30/2023. Asset classes represented by the following indexes: U.S. stocks by the S&P 500 Index, Average U.S. stock fund investor by the Morningstar "Mind the Gap" Study U.S. stock fund average, U.S. bonds by the U.S. Aggregate Bond Index and Average U.S. bond fund investor by the Morningstar "Mind the Gap" Study U.S. taxable bond fund average. For illustrative purposes only. Index performance returns do not reflect any management fees, transaction costs, or expenses. Indexes are unmanaged and one cannot invest directly in an index. Past performance does not guarantee future results.

Shelter inflation slowly heading lower

The largest component of CPI may help to partially offset other items seeing price pressures.

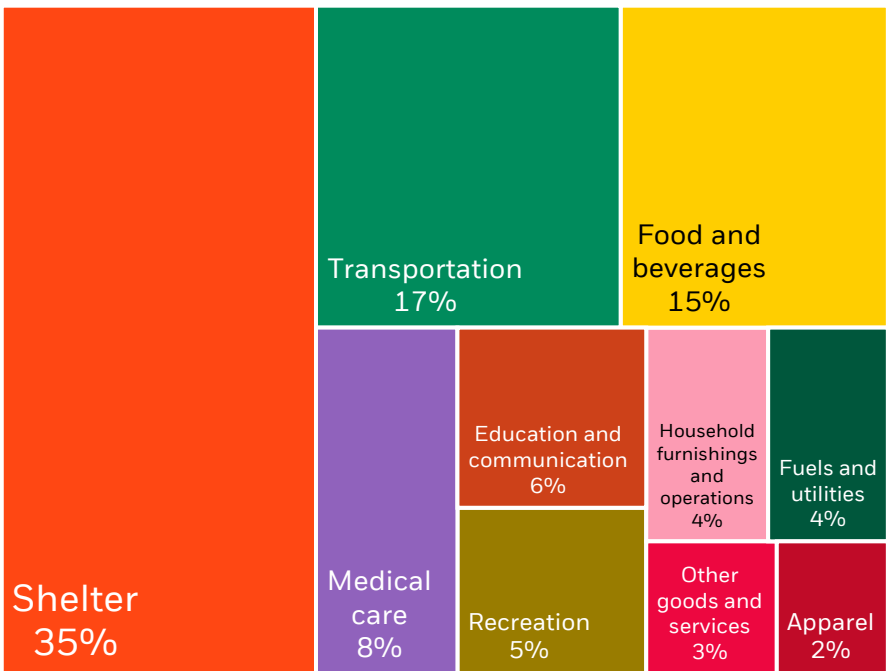
Shelter inflation trailed headline inflation on the way up and on the way down

Last 5 years (8/1/2019 – 7/31/2025)



Shelter is the heaviest weight in CPI calculations

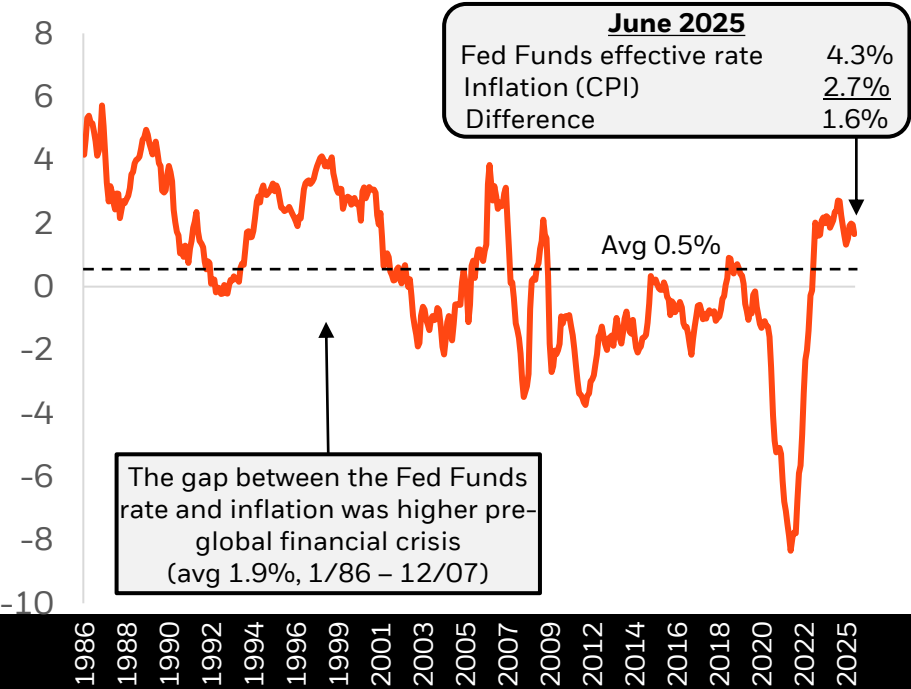
Relative weights for headline CPI (as of 12/31/2024)



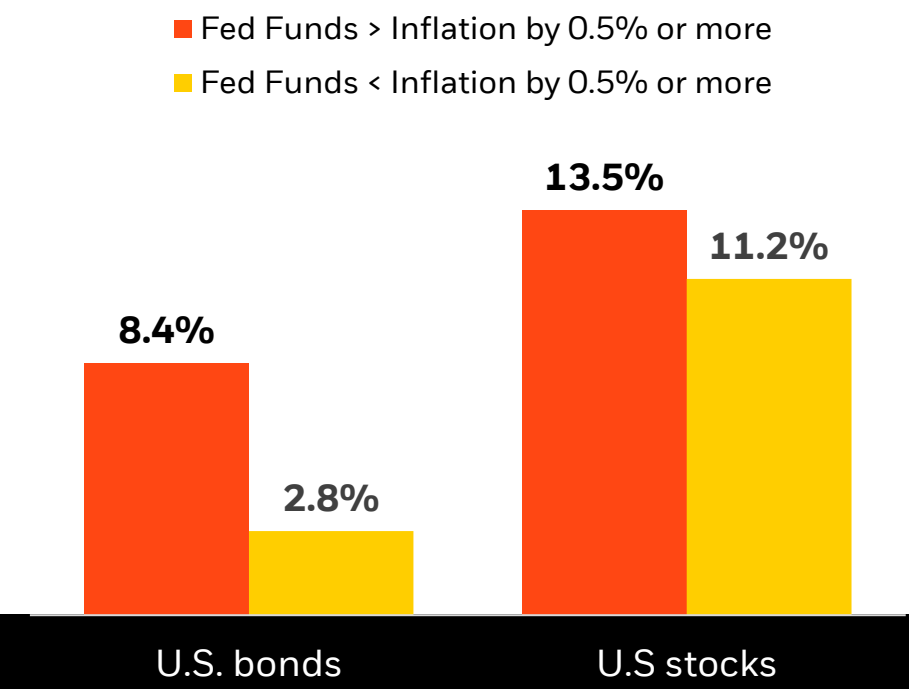
Source: Morningstar as of 7/31/25, the St. Louis Federal Reserve, and the Bureau of Labor Statistics. Past performance does not guarantee or indicate future results.

Fed Funds Rate above inflation: a historical tailwind for stocks and bonds

The gap between the Fed Funds rate and inflation (1/1/1986 – 6/1/2025)



Performance 1 year later
Average 1 year forward performance (1/1/1986 – 6/1/2025)



Source: BlackRock, Morningstar as of 6/30/25. U.S. bonds represented by the Bloomberg U.S. Agg Bond Intermediate TR Index, and all bond categories represented by their respective Morningstar category average. Past performance does not guarantee or indicate future results. Index performance is for illustrative purposes only. You cannot invest directly in the index.

Rate cuts can help stocks and bonds

Stocks and bonds have historically performed well when the Federal Reserve resumes cutting interest rates after pausing.

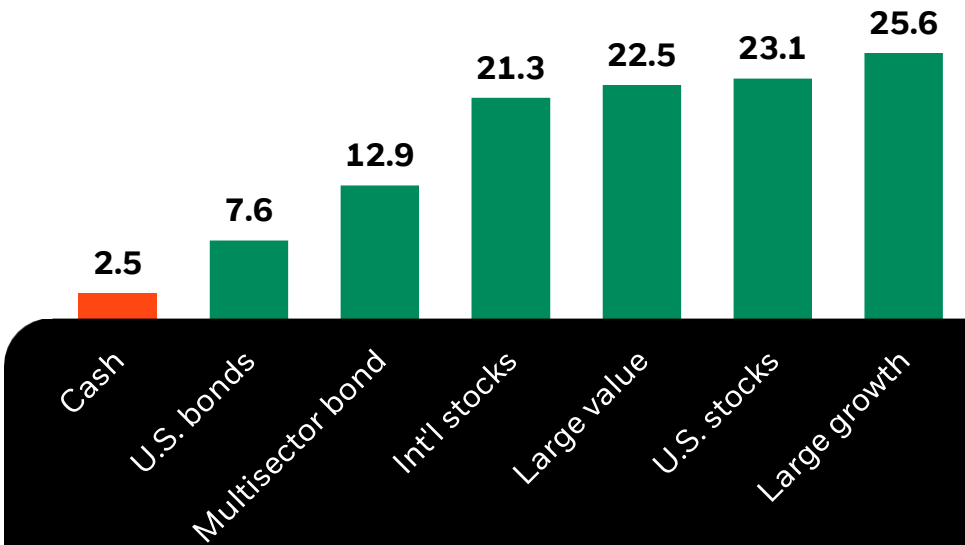
Historically, Fed rate cut pauses don't last long

3 months or more between Fed rate cuts (1/1/1990 - 7/31/2025)

Dates between Fed rate cuts	Length of pause
7/13/90 - 10/29/90	3.5 months
12/20/91 - 4/9/92	3.5 months
7/6/95 - 12/19/95	5 months
11/6/02 - 6/25/03	7 months
4/30/08 - 10/18/08	6.5 months
10/31/19 - 3/3/20	4 months
12/18/24 - ?	?

Stocks and bonds have done well when Fed cuts resume

1 year average forward returns after Fed began to cut rates again (1/1/1990 - 7/31/2025)

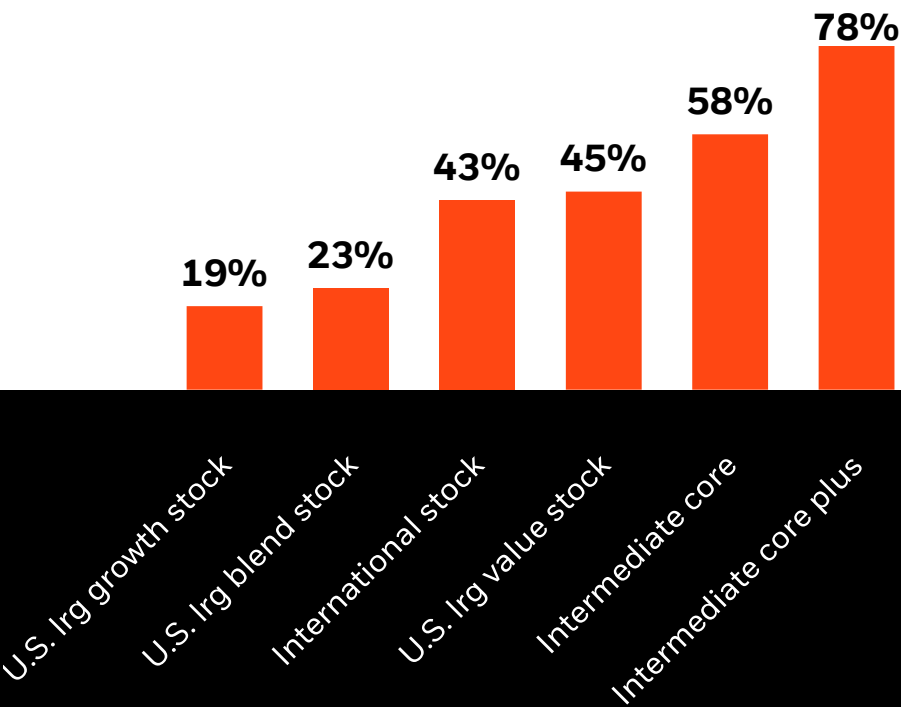


Source : BlackRock, Morningstar and the St Louis Federal Reserve as of 7/31/25. U.S. bonds represented by the Bloomberg U.S. Agg Bond TR Index, U.S. stocks represented by the S&P 500 index, Cash represented by the Taxable Money Market fund category as defined by Morningstar, Multisector bond represented by the Multisector bond fund category as defined by Morningstar, Int'l stocks represented by the MSCI EAFE Index, Large growth represented by the Russell 1000 Growth TR index and Large value represented by the Russell 1000 Value TR index. **Past performance does not guarantee or indicate future results. Index performance is for illustrative purposes only.** You cannot invest directly in the index.

Understanding active versus index

Active outperformance can vary by asset class. We’ve seen more active managers beat their index in bond categories than stock.

Percent of active managers outperforming their respective index (performance trailing 12m as of 7/31/2025)



Percent of active managers outperforming their respective index (as of 7/31/2025)

Year	YTD 7/25	1 year	3 year	5 year	10 year
U.S. large growth	34%	19%	13%	6%	3%
U.S. large blend	31%	23%	13%	13%	6%
International stock	23%	43%	23%	31%	37%
U.S large value	38%	45%	36%	31%	39%
Intermediate core bond	58%	58%	67%	70%	55%
Intermediate core bond plus	65%	78%	81%	90%	77%

Source: BlackRock, Morningstar as of 7/31/25. Stocks are represented by the S&P 500 TR Index from 3/4/57 to 7/31/25 and the IASBBI U.S. Lrg Stock TR USD Index from 1/1/50 to 3/4/57. International Stocks are represented by the MSCI EAFE NR Index. U.S. bonds represented by the Bloomberg U.S. Agg Bond Intermediate TR 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 7/31/25	1 Year Return	5 Year Avg. Annual Return	10 Year Avg. Annual Return
S&P 500 TR USD	16.33	15.88	13.66
Bloomberg US Agg Bond TR USD	3.38	-1.07	1.66
IA SBBI US Large Stock TR USD Ext	16.33	15.88	13.66
MSCI EAFE NR USD	12.77	10.34	6.14
Russell 1000 Growth TR USD	23.75	17.27	17.06
Russell 1000 Value TR USD	8.79	13.18	9.20
US BLS CPI All Urban NSA 1982-1984	2.67	4.58	3.06
US Fund Foreign Large Blend	12.90	9.33	6.01
US Fund Intermediate Core Bond	3.47	-0.87	1.61
US Fund Intermediate Core-Plus Bond	3.89	-0.19	2.01
US Fund Large Blend	13.51	14.38	12.06
US Fund Large Growth	21.52	13.80	14.23
US Fund Large Value	8.14	13.32	9.34
US Fund Money Market-Taxable	4.28	2.65	1.74
US Fund Multisector Bond	5.96	3.11	3.42

Source: Morningstar as of 7/31/25. ¹Due to data availability and update frequency, returns are as of 4/30/25. **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 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.

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