

September 2025

Student
of the Market

BlackRock

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September 2025

Stocks

International stocks lead the way



U.S. stock seasonality



Magnificent seven stocks



Stock market concentration



The Fed, bonds, cash and alternatives

Cash on the sidelines

After a Fed rate cut pause



Long term cost of staying in cash



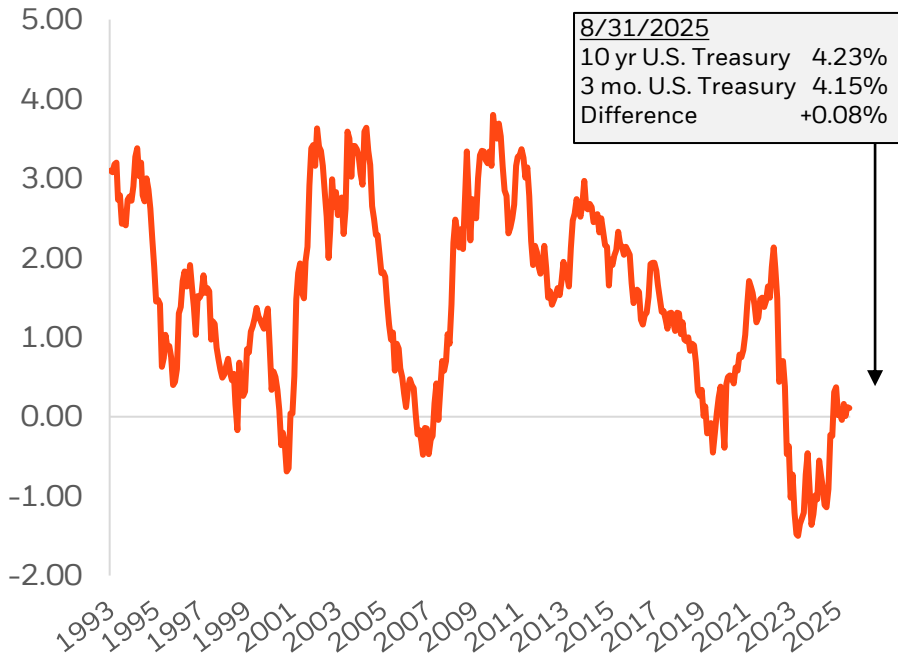
Alternatives and Fed Funds rates



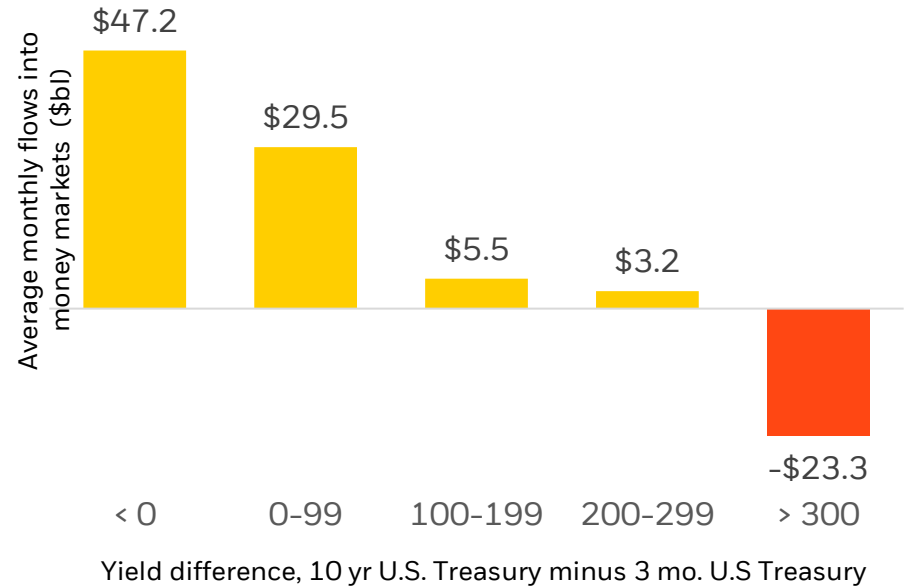
Cash on the sidelines: When will it return?

The spread between short-term and long-term interest rates has historically been correlated with flows in and out of money market accounts. Fed rate cuts could spark a slow shift of cash from the sidelines back into markets.

Yield difference between 10-year U.S. Treasury and 3-month U.S. Treasury (1/1/1990 - 7/31/2025)



Yield difference between 10-year U.S. Treasury and 3-month U.S. Treasury can drive money market flows (1/1/1990 - 7/31/2025)



Source: Morningstar and St. Louis Federal Reserve, as of 8/31/25. Money market is represented by the Morningstar Money market fund average. Past performance does not guarantee or indicate future results. Index performance is for illustrative purposes only. You cannot invest directly in the index.

Bonds perform well when Fed cuts resume

However, long-term bonds do not always follow suit.

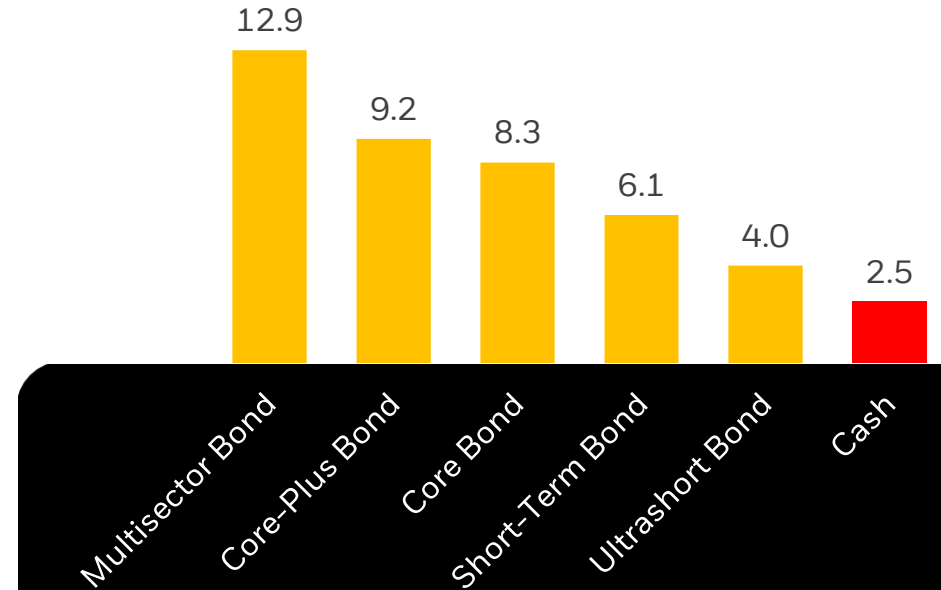
Long bond yields don't always decline with rate cuts

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

Dates between Fed rate cuts	Length of pause	10 yr U.S. Treasury yield when rate cuts resume	10 yr U.S. Treasury yield 1yr after rate cuts resume
7/13/90 - 10/29/90	3.5 months	8.7	7.5
12/20/91 - 4/9/92	3.5 months	7.4	6.0
7/6/95 - 12/19/95	5 months	5.8	6.4
11/6/02 - 6/25/03	7 months	3.4	4.7
4/30/08 - 10/18/08	6.5 months	4.0	3.4
10/31/19 - 3/3/20	4 months	1.0	1.5
12/18/24 - ?	?	?	?

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)



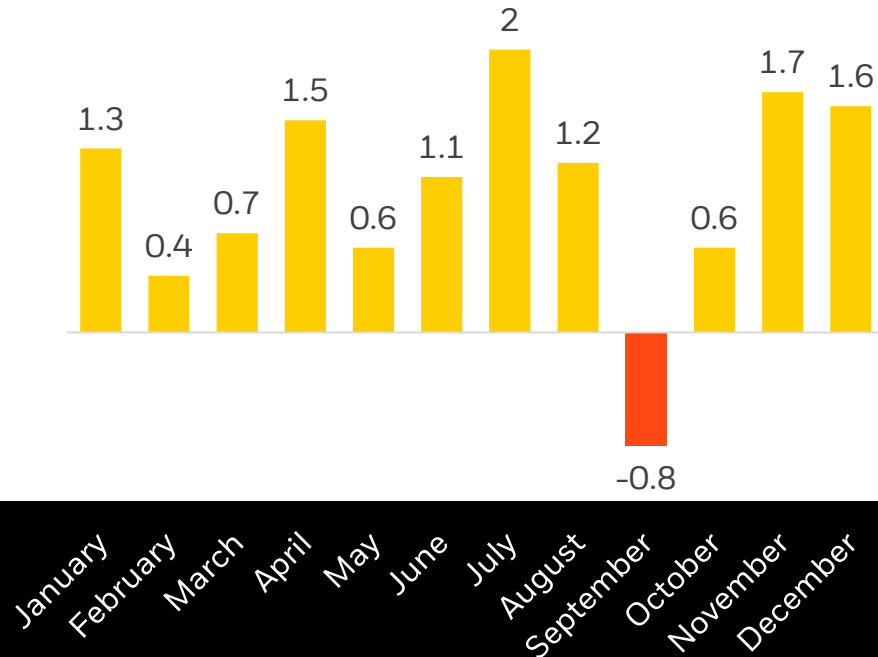
Source: BlackRock, Morningstar and the St Louis Federal Reserve as of 8/31/25. Cash represented by the taxable money market fund category, multisector bond represented by the multisector bond fund category, core-plus bond represented by intermediate core plus bond fund category, core bond represented by intermediate core bond fund category, short bond represented by short bond fund category, ultrashort bond represented by ultrashort bond fund category. All categories 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.**

September has historically been the worst month for U.S. stocks

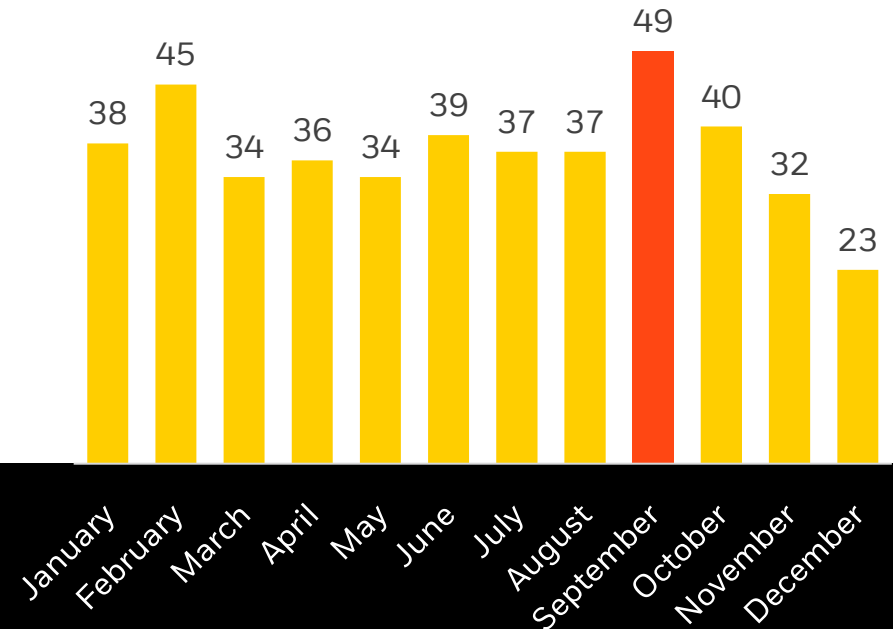
Still, U.S. stocks made gains over half of the time in September.

U.S. stocks average return by month

1/1/1926 - 8/31/2025



Percent of time investors lose money in a calendar month 1/1/1926 - 8/31/2025



Source: BlackRock, Morningstar as of 8/31/25. U.S. stocks are represented by the S&P 500 TR Index from 3/4/57 to 8/31/25 and the IASBBI U.S. Lrg Stock TR USD Index from 1/1/26 to 3/4/57. **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.

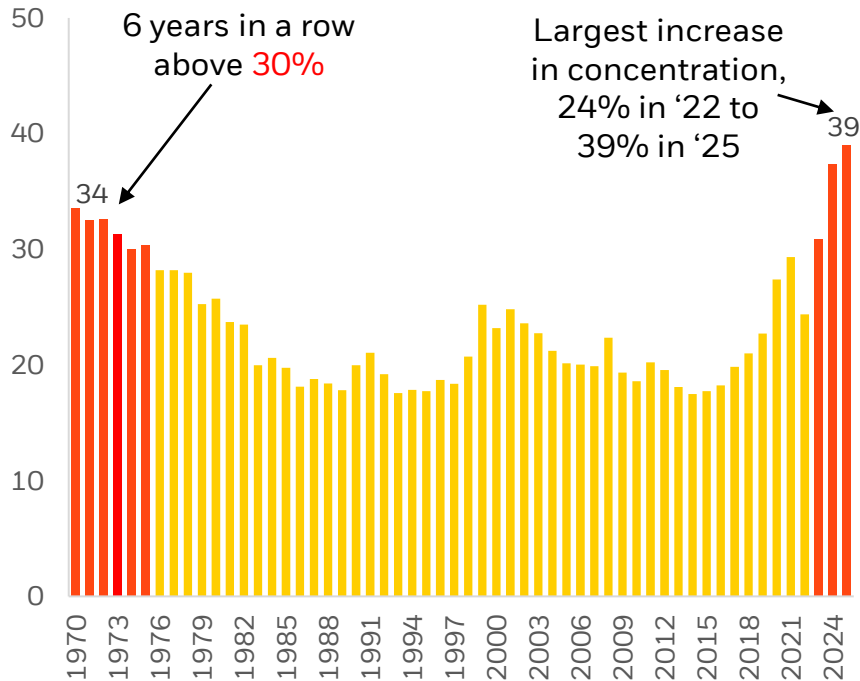
STOCK MARKET CONCENTRATION

Stock market concentration trends have historically lasted for many years

Elevated concentration levels may persist due to strong performance at the top.

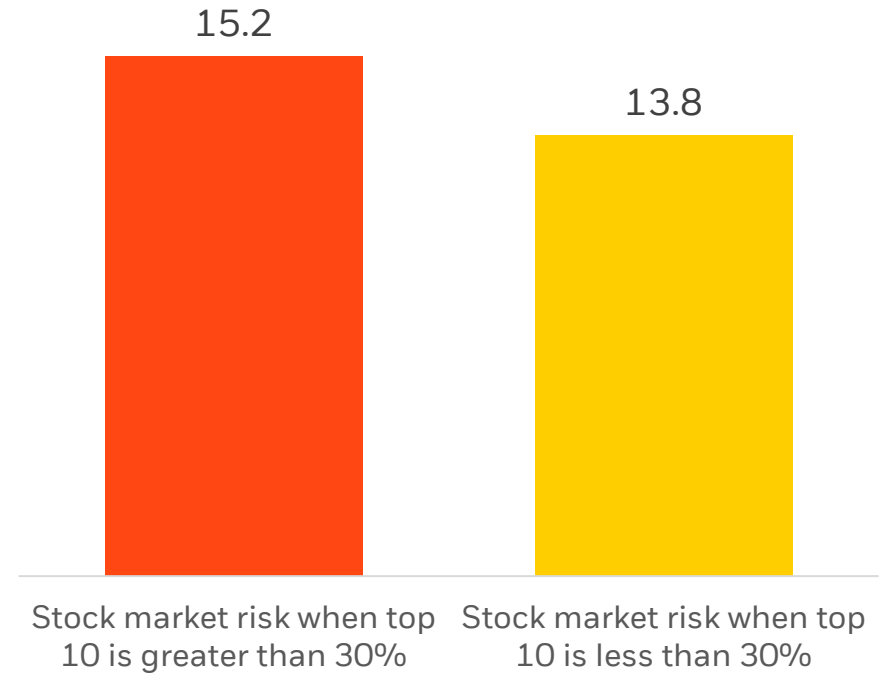
Percent of top 10 holdings of the S&P 500

S&P 500 top 10 holdings, 1970 -8/2025



Stock market concentration only modestly increased risk historically

Standard deviation of calendar years, monthly returns 1970 – 2024

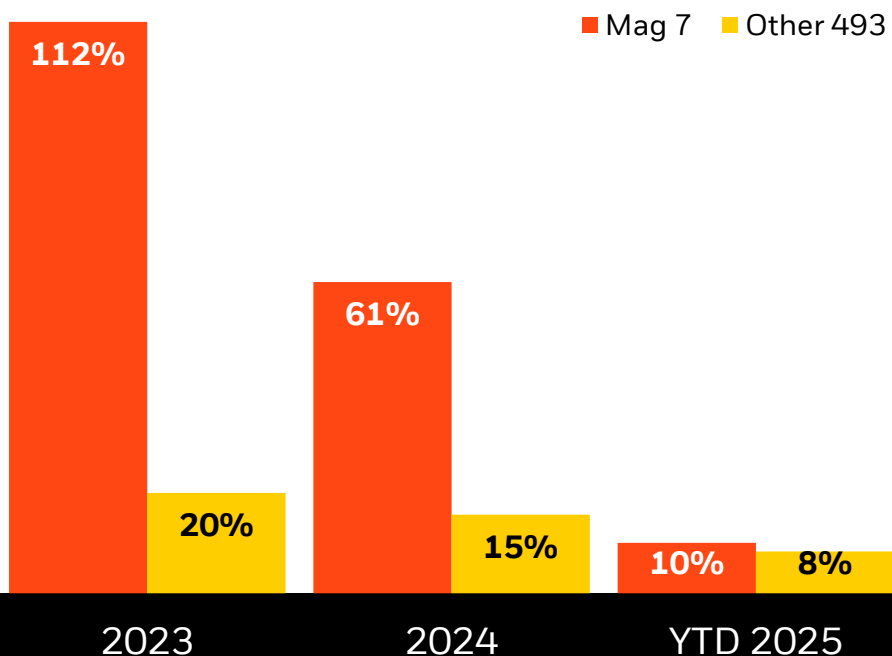


Source: Dow Jones S&P, Morningstar as of 8/31/25. Stock market represented by the S&P 500 Index. **Past performance does not guarantee or indicate future results.** Index performance is for illustrative purposes only. You cannot invest directly in the index.

Market leaders: The magnificent seven in 2025

Mag-7 returns have pulled slightly ahead in 2025...

Cumulative return, 1/1/2023 - 8/31/2025



...while within the Mag-7, returns are more varied

Calendar year returns 1/1/2023 - 8/31/2025 (%)

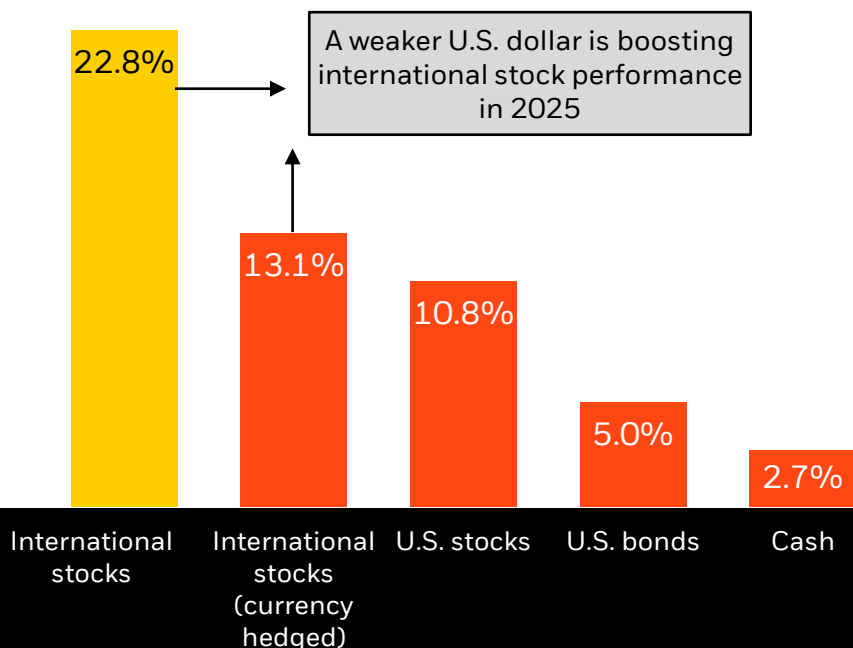
	2023	2024	YTD 2025
Nvidia	239.0	171.2	29.7
Microsoft	58.0	12.9	20.8
Apple	48.9	30.6	-7.0
Alphabet	58.3	35.9	12.7
Amazon	80.9	44.4	4.4
Meta	194.1	66.0	26.3
Tesla	101.7	62.5	-17.3

Source: Bloomberg as of 8/31/25. 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. Specific companies or issuers are mentioned for educational purposes only and should not be deemed as a recommendation to buy or sell any securities. Any companies mentioned do not necessarily represent current or future holdings of any BlackRock products. **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.

International stocks are setting the pace in 2025

A weaker U.S. dollar has boosted international stocks, a trend often seen during years of strong global returns.

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



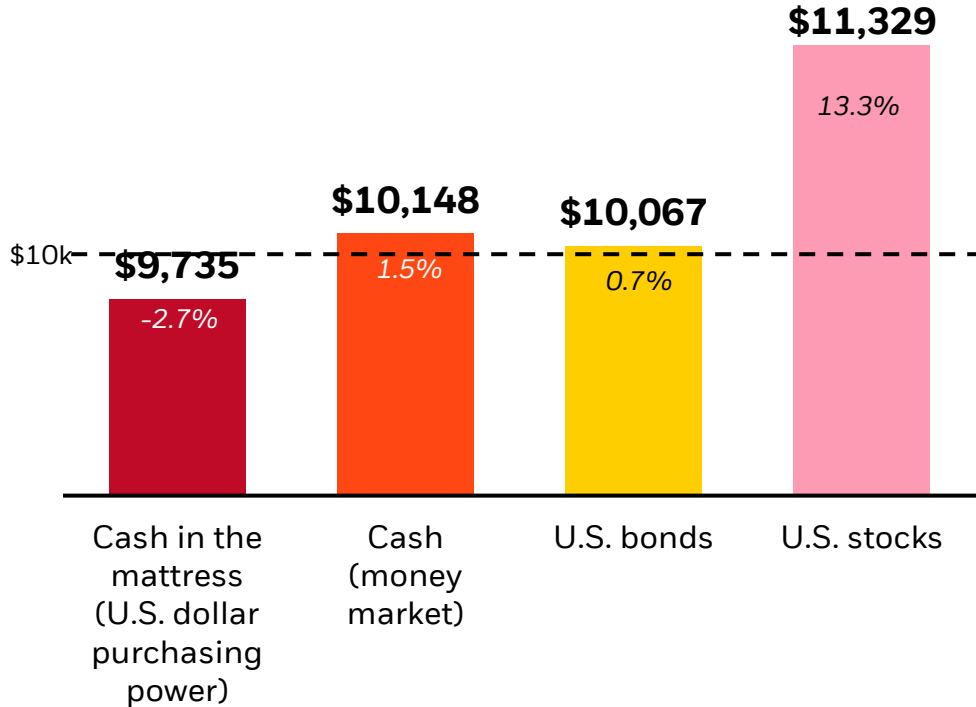
Best starts to a year for international stocks often benefited from a weaker U.S. dollar (as of 8/31/2025, % returns)

Period	8 months (Intl minus U.S. stocks)	8 months currency impact (Intl minus Intl Hdgd)	Last 4 months (Intl minus U.S.)
1993	26.0	9.7	-2.9
2025	12.0	9.7	?
2009	9.2	4.7	-3.9
1994	8.6	9.2	-1.7
2006	8.5	5.3	1.1
2002	7.9	8.1	-1.6
2017	5.1	7.8	-2.0
1998	3.0	-1.9	-12.1
2015	2.7	-3.9	-5.0
2005	2.5	-9.1	5.0

Source: Morningstar as of 8/31/25. 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, cash by the Morningstar U.S. taxable money market category average, and International stocks currency hedged represented by the MSCI EAFE 100% hedged 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.

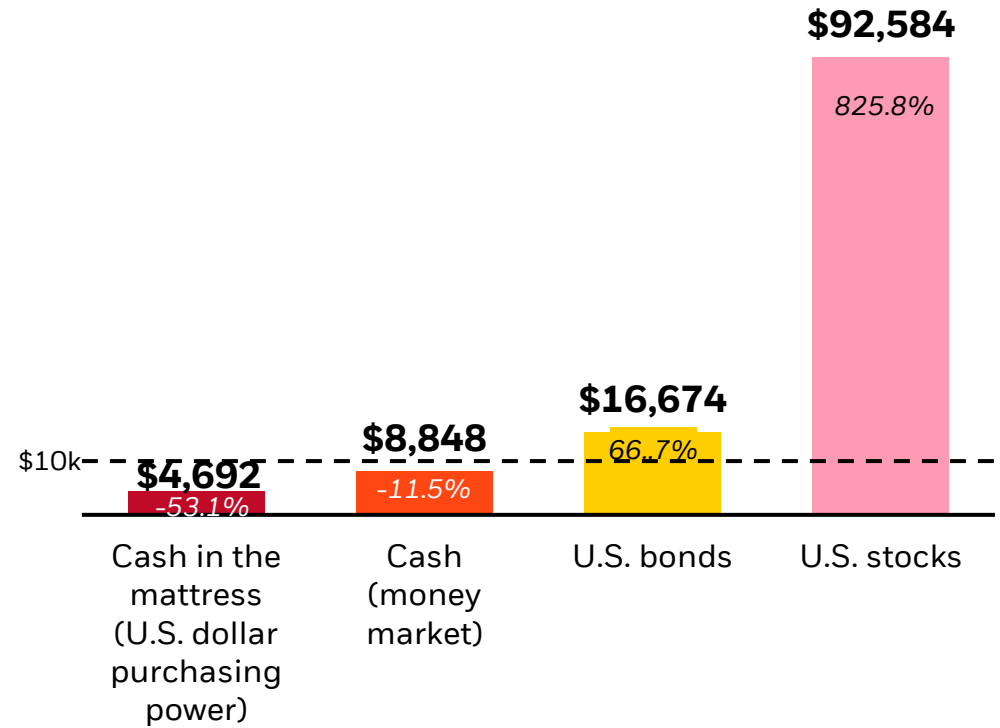
Holding cash for too long can erode its value

Last year inflation-adjusted value of \$10k



Inflation-adjusted value of \$10k, last 30 years

Based on cumulative returns since 8/1995



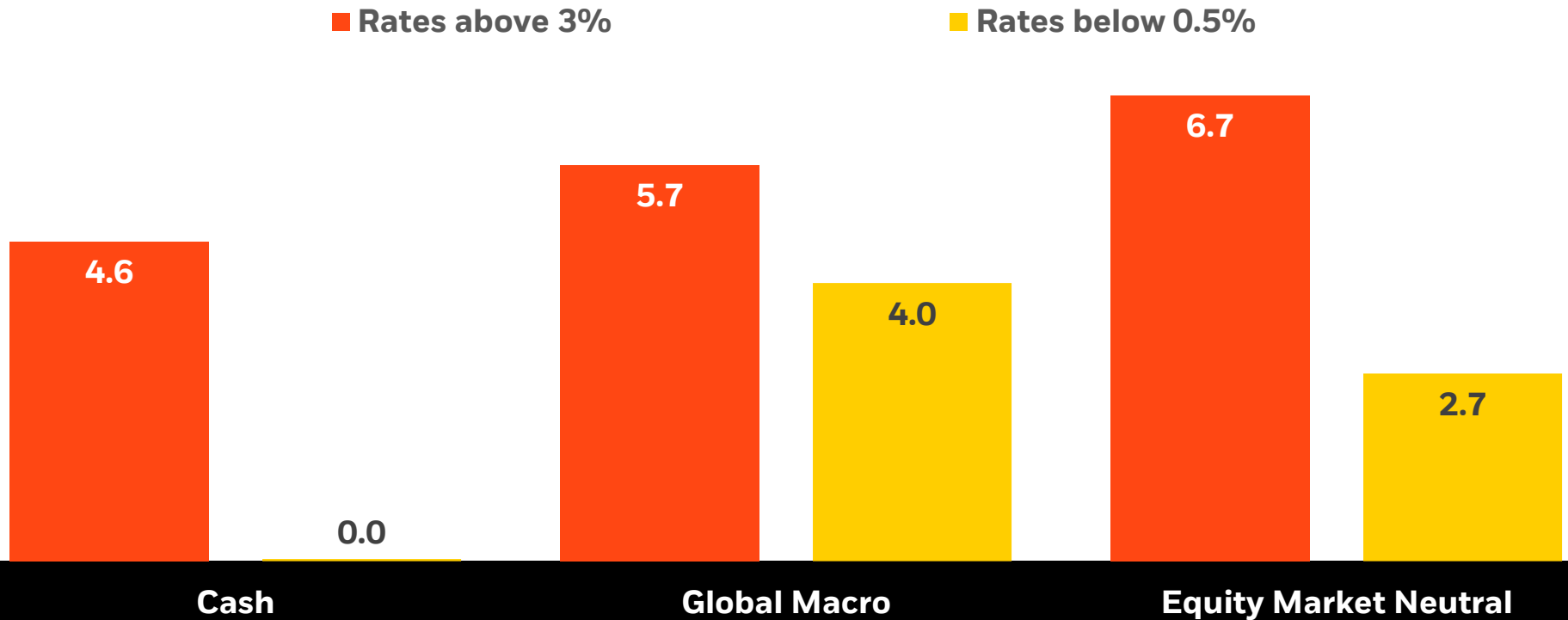
Source: Morningstar and St. Louis Federal Reserve, as of 8/31/25. Cash in the mattress represented by the Consumer Price Index for All Urban Consumers: Purchasing Power of the Consumer Dollar in U.S. City Average, cash is represented by the IASBBI 30 day treasury bill index, U.S. bonds represented by the Bloomberg U.S. aggregate bond index for the 1 year period and the IASBBI US IT gov't bond inflation adj index. For the 30 year period. **Past performance does not guarantee or indicate future results. Index performance is for illustrative purposes only.** You cannot invest directly in the index.

Alternatives have done well when rates are high

The Federal Reserve is expected to lower interest rates, but those rates may remain elevated.

Many alternatives have done well when interest rates are high

Average annual returns (10/1998- 8/2025)



Source: Morningstar as of 3/31/25. "Cash" is represented by Morningstar Taxable Money Market category average, "Global Macro," and "Equity Market Neutral" represented by their respective Morningstar fund category averages. Past performance does not guarantee or indicate future results. Index performance is shown for illustrative purposes only. It is not possible to invest directly in an index.

Student of the Market: September 2025

Returns as of 8/31/25	1 Year Return	5 Year Avg. Annual Return	10 Year Avg. Annual Return
Bloomberg US Agg Bond TR USD	3.14	-0.68	1.80
IA SBBI US Large Stock TR USD Ext	15.88	14.74	14.60
MSCI EAFE 100% Hedged NR USD	13.04	14.36	9.94
MSCI EAFE NR USD	13.87	10.15	7.40
S&P 500 TR USD	15.88	14.74	14.60
US BLS CPI All Urban NSA 1982-1984	2.70	4.51	3.07
US Fund Intermediate Core Bond	3.27	-0.51	1.77
US Fund Intermediate Core-Plus Bond	3.66	0.11	2.20
US Fund Money Market-Taxable	4.28	2.65	1.74
US Fund Multisector Bond	5.85	3.18	3.64
US Fund Short-Term Bond	5.24	2.17	2.34
US Fund Ultrashort Bond	5.00	3.05	2.42
Credit Suisse Equity Market Neutral USD	10.69	6.06	3.35
Credit Suisse Global Macro USD	3.64	6.69	4.55

Source: Morningstar as of 8/31/25. 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 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.

Student of the Market: September 2025

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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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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