On Target

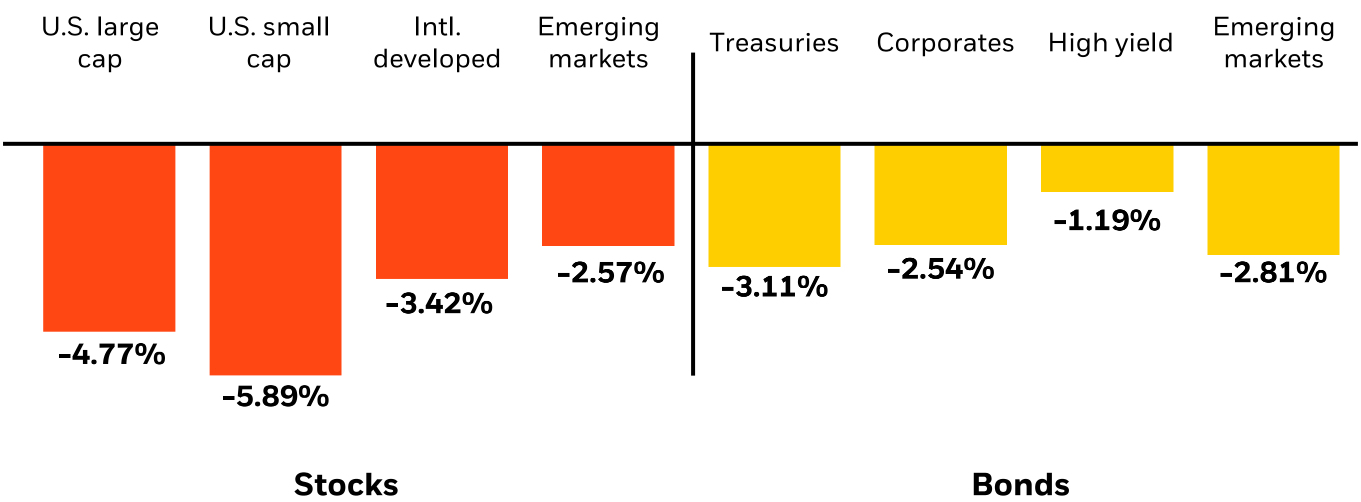
Market insights – October 2023

Market review

The ghost of Septembers past haunted markets once more, as the historically nightmarish month lived up to its reputation in 2023. Stock and bond prices bled lower over the month, as the speed of interest rates' ascent reached a spine-tingling pace. The 10-year US Treasury yield closed above 4.6% and 30-year mortgages crept to new cycle highs above 7%. The US dollar extended an 11-week winning streak, its strength nourished by bets on further cauldron-stirring by the Fed potentially leading to tighter monetary policy for longer than previously anticipated.

Across the pond, European stocks briefly rallied on a so-called "dovish" European Central Bank rate hike, but the bump proved to be more trick than treat as prices ultimately slipped lower. Emerging markets weren't immune from the suffering, as China's growth concerns, real estate tremors, and geopolitical headaches rippled through Asia. Beloved AI-themed tech and growth stocks lagged as rising rates dimmed outlooks, while oil's 20% quarterly surge lifted energy names.

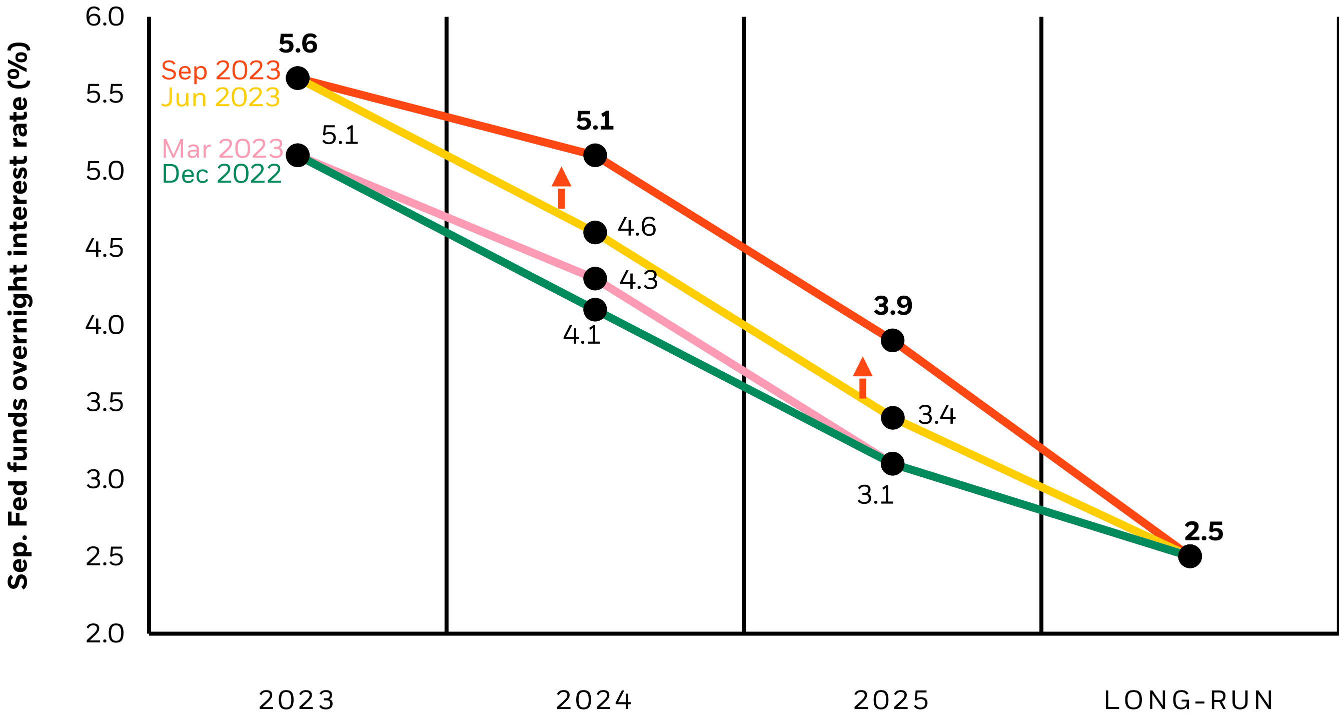
Market performance: September 2023



Source: BlackRock. Monthly returns for the period 9/1/23 –9/30/23. U.S. large cap stocks represented by the S&P 500 Index; U.S. small cap, Russell 2000 Index; international developed, MSCI EAFE Index; emerging market stocks, MSCI Emerging Markets Index; Treasury bonds, Bloomberg U.S. Treasury 7-10 Year Total Return Index; corporate bonds, Bloomberg U.S. Aggregate Bond Index; high yield bonds, Bloomberg High Yield 2 Issuer Capped Index; EM bonds, JP Morgan Emerging Market Bond Index-Global. **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. Past performance does not guarantee future results.**

On… the Fed's September meeting and updated 'dot plot'

Changes to FOMC interest rate projections over time



Source: Federal Reserve Board, as of 9/20/2023. Federal Open Market Committee ("FOMC") Summary of Economic Projections ("SEPs" and colloquially known as the "dot plot"). "Long-run" projections are the rates of growth, inflation, unemployment, and federal funds rate to which a policymaker expects the economy to converge over time in the absence of further shocks and under appropriate monetary policy. Forward-looking estimates may not come to pass.

"The contrast in views and wide range of rate projections in the Fed's latest dot plot are striking. On one hand, the Fed is signaling the intent to keep rates high through 2023 and have upgraded their economic outlook through 2024. Yet on the other hand, some projections suggest real rates may soon become overly restrictive or the economy may weaken enough to warrant rate cuts in a matter of a few months. With minimal incoming data left in 2023, more volatile higher-frequency numbers will take on outsized market importance. Ultimately, the Fed has built in strategic ambiguity around their trajectory, emphasizing that they will adjust based on evolving data rather than sticking to a predefined path. This leaves them room to take market reactions and incoming data into account in each decision, and we continue to expect the Fed to take what the market gives it."

Michael Gates
Managing Director
Lead portfolio manager for the
Target Allocation model portfolios

Asset class views

Source: BlackRock as of 9/30/2023

Views are subject to change

Positive	**Non-U.S. Developed equities**	We maintain a preference for international developed market equities based on the relative strength and resilience of our earnings-based signals for the region, with a tilt toward growth-oriented names.
	Emerging market equities	We reduce but maintain a modest overweight to emerging market equities, supported by a potential weaker U.S. dollar, peaking emerging market (EM) rates, and a possible short-term boost from a reawakening Chinese economy.
	U.S. treasuries	We move overweight U.S. treasuries with a longer duration bias to capture a potentially powerful source of portfolio resilience as stock/bond correlations potentially turn more decisively negative amidst rising concerns of future recession risks over current inflation risks.
Neutral	**Emerging market bonds**	We reduce EM bonds given the cloudier economic backdrop, but maintain some exposure in fixed income-heavy models due to still historically elevated yields and softening dollar strength.
	Smart beta	We again add to growth and now tilt underweight value, with additional preferences for quality and minimum volatility factor exposures as new storm clouds in the market potentially brew.
	U.S. investment grade credit	We maintain a preference for mortgage-backed securities but consolidate broader credit exposure to benchmark weight.
Negative	**U.S. equities**	We are less enthusiastic about U.S. equities on a relative tactical basis, given more pronounced banking sector volatility, potential corporate earnings vulnerability, and monetary policy uncertainty.
	High yield credit	We reduce net exposure to speculative grade issues but maintain some modest exposure to fallen angels (former investment grade rated issues) given their relative higher-quality status.

This information should not be relied upon as investment advice, research, or a recommendation by BlackRock regarding (i) the funds, (ii) the use or suitability of the model portfolios or (iii) any security in particular. Only an investor and their financial professional know enough about their circumstances to make an investment decision.

Carefully consider the investment objectives, risk factors, charges and expenses of funds within the model portfolios before investing. This and other information can be found in the funds' prospectuses or, if available, the summary prospectuses which may be obtained by visiting each fund company's website , contacting your financial professional, or by visiting www.sec.gov/edgar/search. For BlackRock and iShares Funds, please visit www.blackrock.com or www.iShares.com. Read the prospectus carefully before investing.

Investing involves risk, including possible loss of principal. Asset allocation and diversification may not protect against market risk, loss of principal or volatility of returns.

The BlackRock model portfolios are made available to financial professionals by BlackRock Fund Advisors ("BFA") or BlackRock Investment Management, LLC ("BIM"), which are registered investment advisers, or by BlackRock Investments, LLC ("BRIL"), which is the distributor of the BlackRock and iShares funds within the BlackRock model portfolios. BFA, BIM and BRIL (collectively, "BlackRock") are affiliates.

The BlackRock model portfolios are provided for illustrative and educational purposes only. The BlackRock model portfolios do not constitute research, are not personalized investment advice or an investment recommendation from BlackRock to any client of a third party financial professional and are intended for use only by a third party financial professional, with other information, as a resource to help build a portfolio or as an input in the development of investment advice for its own clients. Such financial professionals are responsible for making their own independent judgment as to how to use the BlackRock model portfolios. BlackRock does not have investment discretion over, or place trade orders for, any portfolios or accounts derived from the BlackRock model portfolios. BlackRock is not responsible for determining the appropriateness or suitability of the BlackRock model portfolios, or any of the securities included therein, for any client of a financial professional. Information concerning the BlackRock model portfolios – including holdings, performance, and other characteristics – may vary materially from any portfolios or accounts derived from the BlackRock model portfolios. There is no guarantee that any investment strategy or model portfolio will be successful or achieve any particular level of results. The BlackRock model portfolios themselves are not funds.

The BlackRock model portfolios include investments in shares of funds. Clients will indirectly bear fund expenses in respect of portfolio assets allocated to funds, in addition to any fees payable associated with any applicable advisory or wrap program. BlackRock intends to allocate all or a significant percentage of the BlackRock model portfolios to funds for which it and/or its affiliates serve as investment manager and/or are compensated for services provided to the funds ("BlackRock Affiliated Funds"). BlackRock has an incentive to (a) select BlackRock Affiliated Funds and (b) select BlackRock Affiliated Funds with higher fees over BlackRock Affiliated Funds with lower fees. The fees that BlackRock and its affiliates receive from investments in the BlackRock Affiliated Funds constitute BlackRock's compensation with respect to the BlackRock model portfolios. This may result in BlackRock model portfolios that achieve a level of performance less favorable to the model portfolios, or reflect higher fees, than otherwise would be the case if BlackRock did not allocate to BlackRock Affiliated Funds. This material does not constitute any specific legal, tax or accounting advice. Please consult with qualified professionals for this type of advice.

Fixed income risks include interest-rate and credit risk. Typically, when interest rates rise, there is a corresponding decline in bond values. Credit risk refers to the possibility that the bond issuer will not be able to make principal and interest payments. Non-investment-grade debt securities (high-yield/junk bonds) may be subject to greater market fluctuations, risk of default or loss of income and principal than higher-rated securities. Mortgage-backed securities ("MBS") and commercial mortgage-backed securities ("CMBS") are subject to prepayment and extension risk and therefore react differently to changes in interest rates than other bonds. Small movements in interest rates may quickly and significantly reduce the value of certain mortgage-backed securities. There may be less information on the financial condition of municipal issuers than for public corporations. The market for municipal bonds may be less liquid than for taxable bonds. Some investors may be subject to federal or state income taxes or the Alternative Minimum Tax (AMT). Capital gains distributions, if any, are taxable. An investment in a treasury Fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency and its return and yield will fluctuate with market conditions.

International investing involves risks, including risks related to foreign currency, limited liquidity, less government regulation and the possibility of substantial volatility due to adverse political, economic or other developments. These risks often are heightened for investments in emerging/developing markets and in concentrations of single countries. Funds that concentrate investments in specific industries, sectors, markets or asset classes may underperform or be more volatile than other industries, sectors, markets or asset classes and the general securities market. Technology companies may be subject to severe competition and product obsolescence.

A fund's use of derivatives may reduce a fund's returns and/or increase volatility and subject the fund to counterparty risk, which is the risk that the other party in the transaction will not fulfill its contractual obligation. A fund could suffer losses related to its derivative positions because of a possible lack of liquidity in the secondary market and as a result of unanticipated market movements, which losses are potentially unlimited. There can be no assurance that any fund's hedging transactions will be effective.

There can be no assurance that performance will be enhanced or risk will be reduced for funds that seek to provide exposure to certain quantitative investment characteristics ("factors"). Exposure to such investment factors may detract from performance in some market environments, perhaps for extended periods. In such circumstances, a fund may seek to maintain exposure to the targeted investment factors and not adjust to target different factors, which could result in losses. The iShares Minimum Volatility ETFs may experience more than minimum volatility as there is no guarantee that the underlying index's strategy of seeking to lower volatility will be successful.

A fund's environmental, social and governance ("ESG") investment strategy limits the types and number of investment opportunities available to the fund and, as a result, the fund may underperform other funds that do not have an ESG focus. A fund's ESG investment strategy may result in the fund investing in securities or industry sectors that underperform the market as a whole or underperform other funds screened for ESG standards. In addition, companies selected by the index provider may not exhibit positive or favorable ESG characteristics.

Alternative investments present the opportunity for significant losses and some alternative investments have experienced periods of extreme volatility. Alternative investments may be less liquid than investments in traditional securities.

Commodities' prices may be highly volatile. Prices may be affected by various economic, financial, social and political factors, which may be unpredictable and may have a significant impact on the prices of precious metals.

Actively managed funds do not seek to replicate the performance of a specified index. Actively managed funds may have higher portfolio turnover than index funds.

The iShares Funds are not sponsored, endorsed, issued, sold or promoted by Bloomberg, Cboe Global Indices, LLC, Cohen & Steers, European Public Real Estate Association ("EPRA®"), FTSE International Limited ("FTSE"), ICE Data Indices, LLC, NSE Indices Ltd, JPMorgan, JPX Group, London Stock Exchange Group ("LSEG"), MSCI Inc., Markit Indices Limited, Morningstar, Inc., Nasdaq, Inc., National Association of Real Estate Investment Trusts ("NAREIT"), Nikkei, Inc., Russell, S&P Dow Jones Indices LLC or Stoxx Ltd. None of these companies make any representation regarding the advisability of investing in the Funds. BlackRock Investments, LLC is not affiliated with the companies listed above.

Neither FTSE, LSEG, nor NAREIT makes any warranty regarding the FTSE Nareit Equity REITS Index, FTSE Nareit All Residential Capped Index or FTSE Nareit All Mortgage Capped Index. Neither FTSE, EPRA, LSEG, nor NAREIT makes any warranty regarding the FTSE EPRA Nareit Developed ex-U.S. Index or FTSE EPRA Nareit Global REITs Index. "FTSE®" is a trademark of London Stock Exchange Group companies and is used by FTSE under license.

JKG