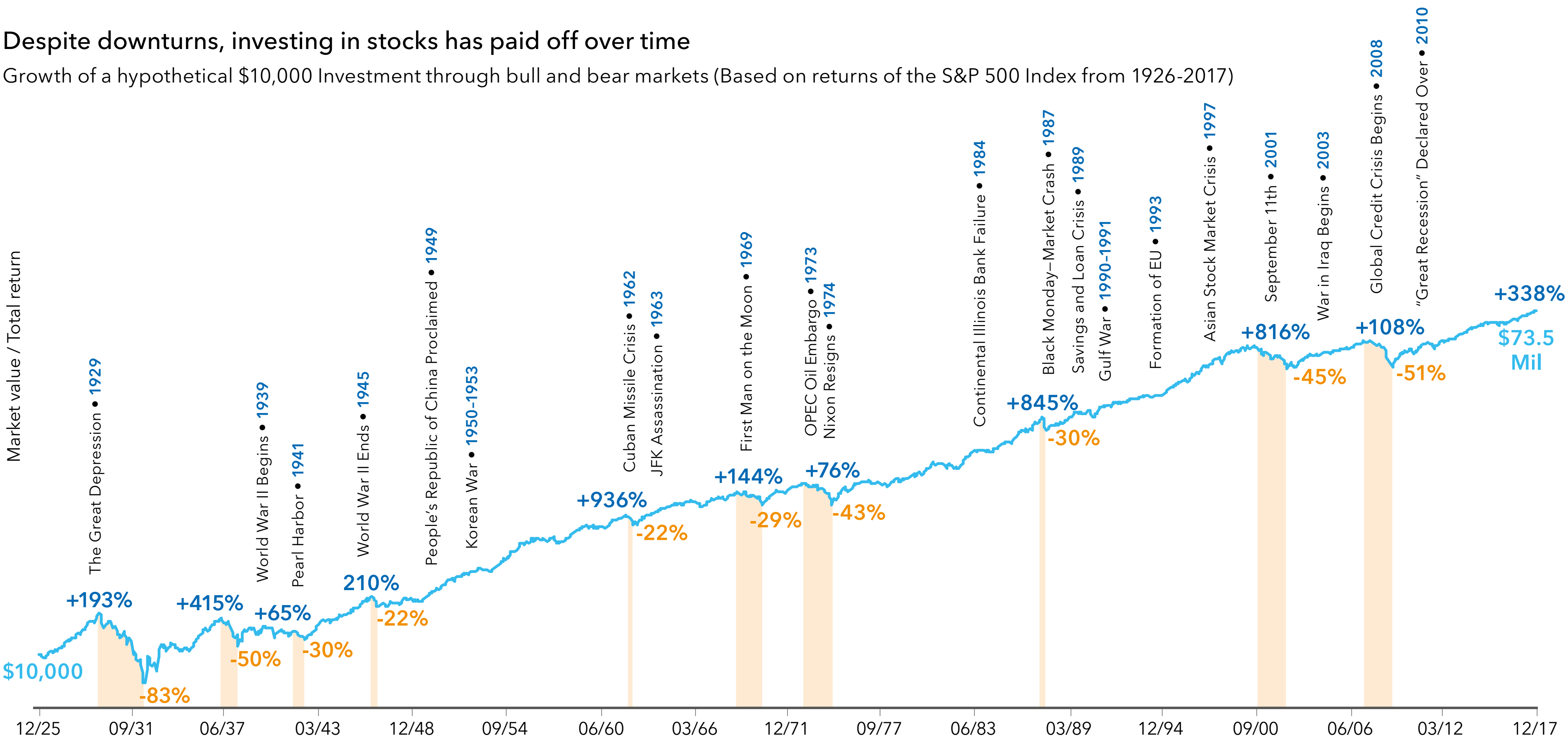
INVESTMENT INSIGHT

Improving long-term returns by losing less

A historical perspective

Despite downturns, investing in stocks has paid off over time

Growth of a hypothetical $10,000 Investment through bull and bear markets (Based on returns of the S&P 500 Index from 1926-2017)



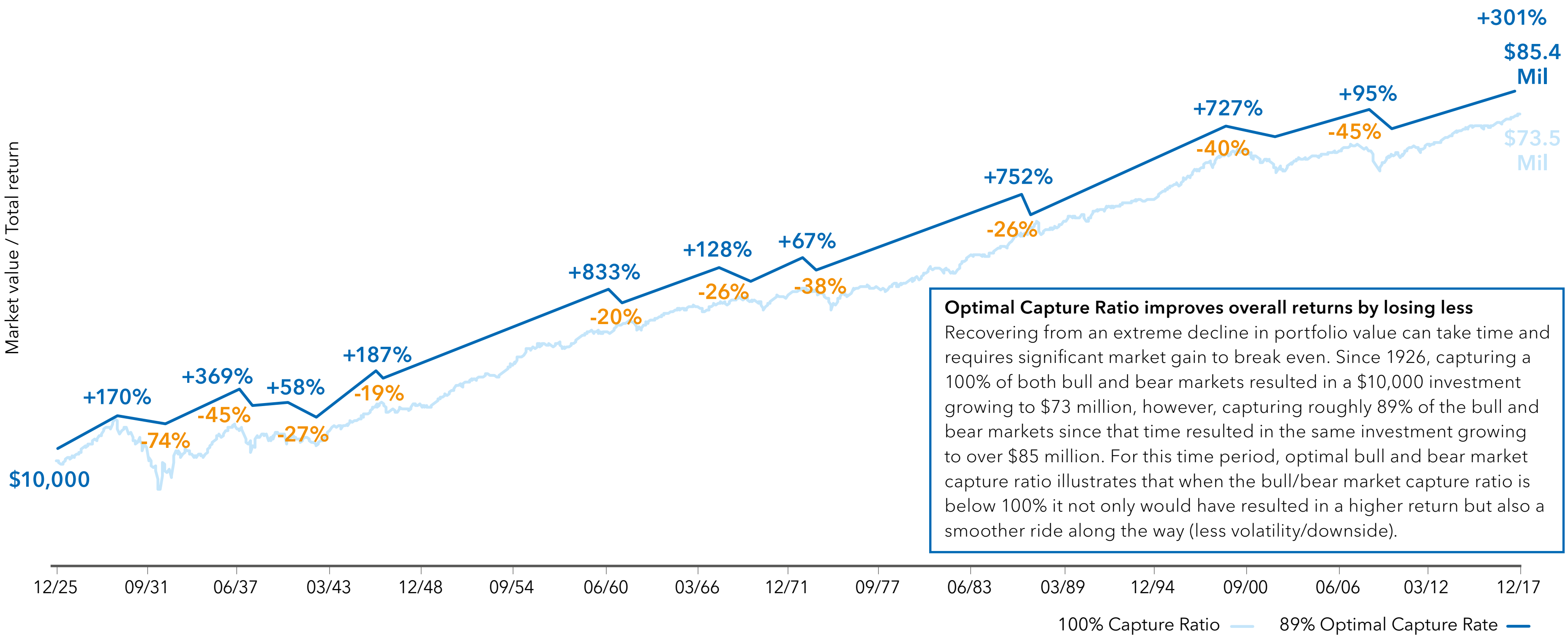
Source: Morningstar and BlackRock. **Performance data quoted represents past performance and is no guarantee of future results.** US stocks represented by the Ibbotson SBBI US Large Cap TR Index. **Index performance is for illustrative purposes only. It is not possible to invest directly in an unmanaged index.** Bear markets defined by a decline of 20% or greater. Bull markets defined by gains of 50% or greater. Numbers shown are market returns at peak and trough.

Improving long-term returns by losing less

Optimal 89% Capture Ratio in Action

Capturing 89% of bull and bear markets over the long term produced better results with less volatility than 100% capture

Growth of a hypothetical $10,000 Investment through bull and bear markets (Based on returns of the S&P 500 Index from 1926-2017)



Optimal Capture Ratio improves overall returns by losing less

Recovering from an extreme decline in portfolio value can take time and requires significant market gain to break even. Since 1926, capturing a 100% of both bull and bear markets resulted in a $10,000 investment growing to $73 million, however, capturing roughly 89% of the bull and bear markets since that time resulted in the same investment growing to over $85 million. For this time period, optimal bull and bear market capture ratio illustrates that when the bull/bear market capture ratio is below 100% it not only would have resulted in a higher return but also a smoother ride along the way (less volatility/downside).

Source: Morningstar and BlackRock. **Performance data quoted represents past performance and is no guarantee of future results.** US stocks represented by the Ibbotson SBBI US Large Cap TR Index. **Index performance is for illustrative purposes only. It is not possible to invest directly in an unmanaged index. Upside Capture is the average return of a portfolio during positive index quarters divided by average return of benchmark during positive quarters.** The ratio of the portfolio's returns to the index returns when the index is positive (upside capture of 110% would indicate that, on average, for every 1% the index returned, the portfolio returned 1.1%). Downside Capture is the average return of a portfolio during negative index quarters divided by average return of benchmark during negative quarters. The ratio of the portfolio's returns to the index returns when the index is negative (downside capture of 75% would indicate that, on average, for every -1% the index returned, the portfolio returned -0.75%).

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