BlackRock

The psychology of investing

Keeping calm amid market turbulence

FOR PROFESSIONAL CLIENTS ONLY

Learning Objectives

1

Understanding behaviour

Understand why investor behaviour is critical to continued investment success.

2

Understanding biases

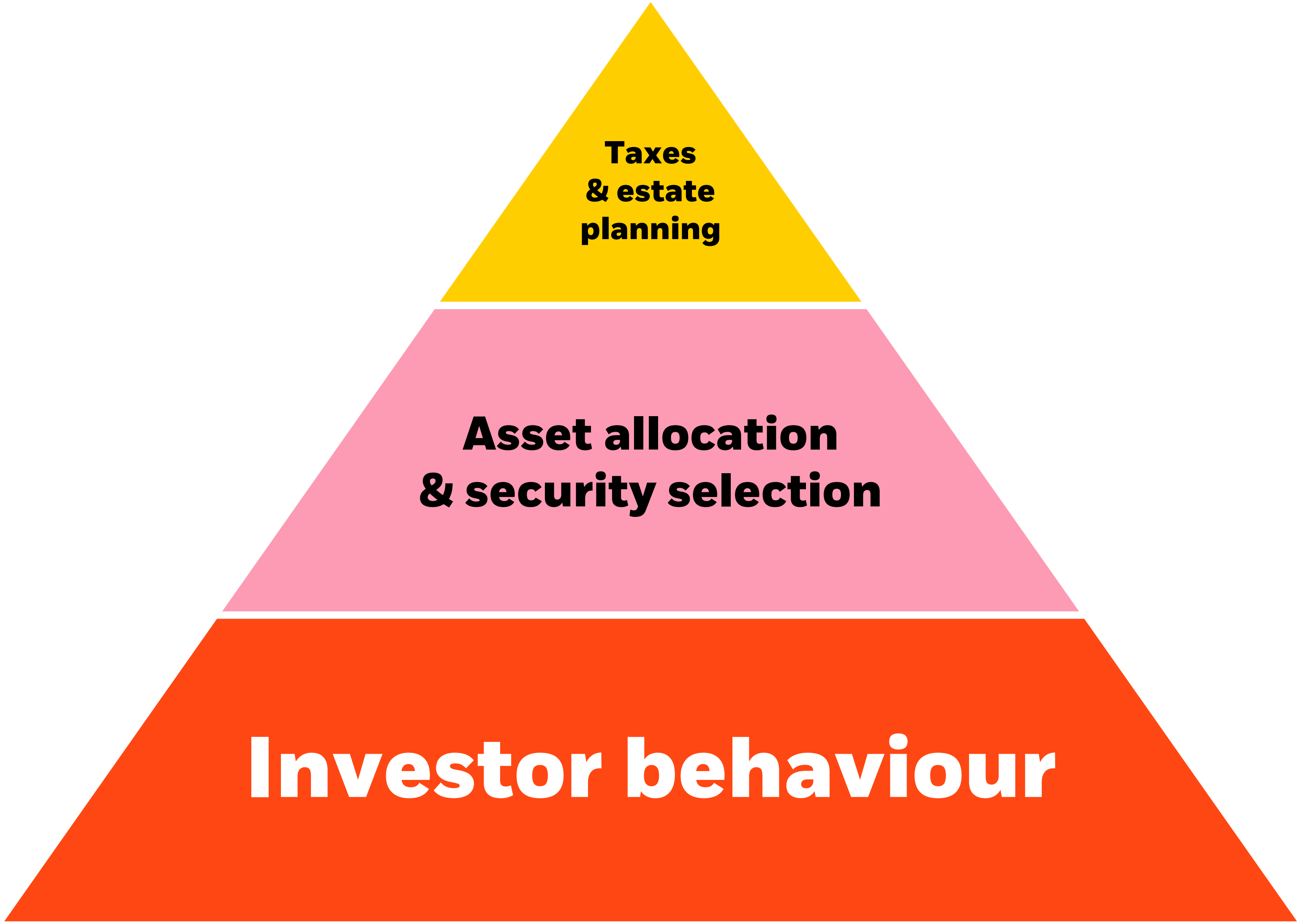
Learn how to overcome common investor biases including envy and loss

3

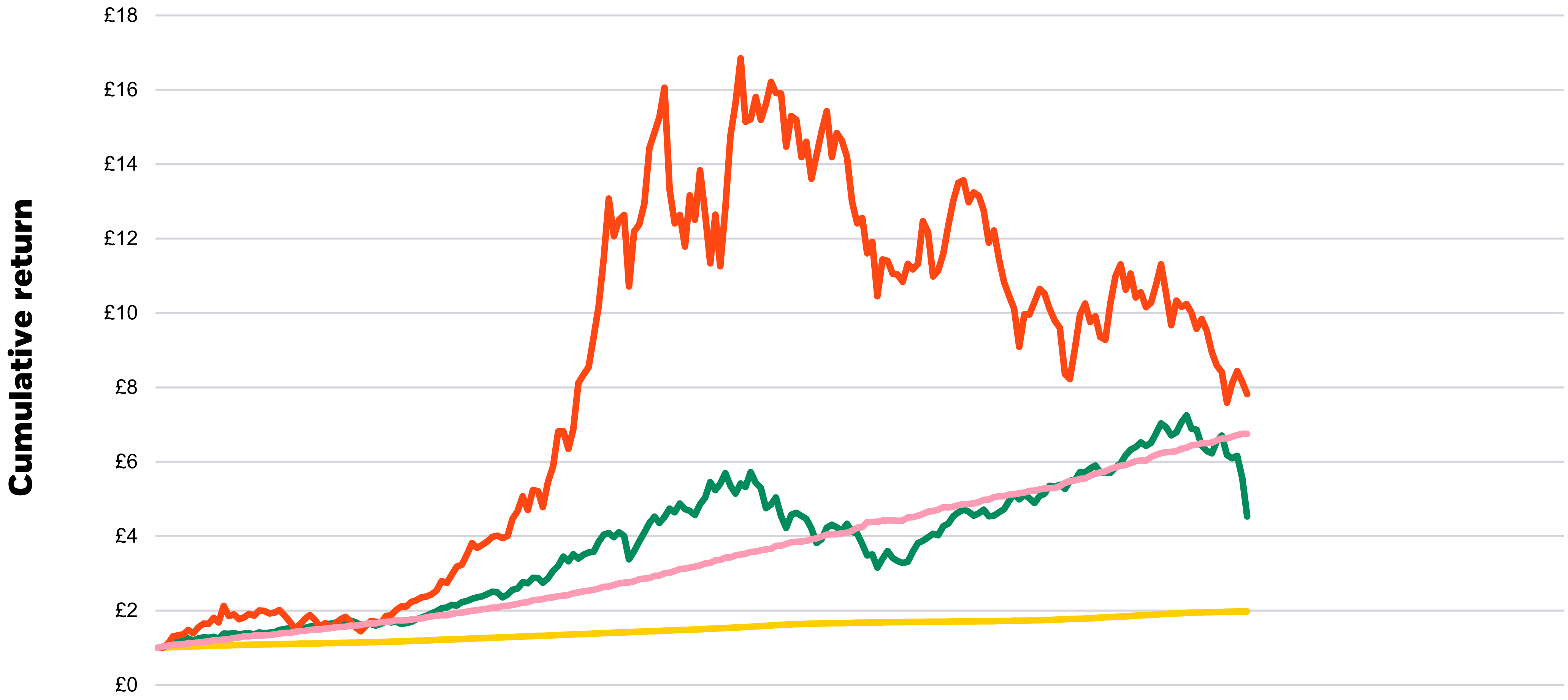
Navigating the challenges

Managing behavioural biases while investing in turbulent market environments

Keys to investment success



Which would you pick?



The figures shown relate to past performance. Past performance is not a reliable indicator of current or future results.

Source: Lo, Andrew, 2017, Adaptive Markets: Financial Evolution at the Speed of Thought (Figure 10.3). Princeton University Press. For illustrative purposes only. Not meant to represent a specific recommendation for any security listed.

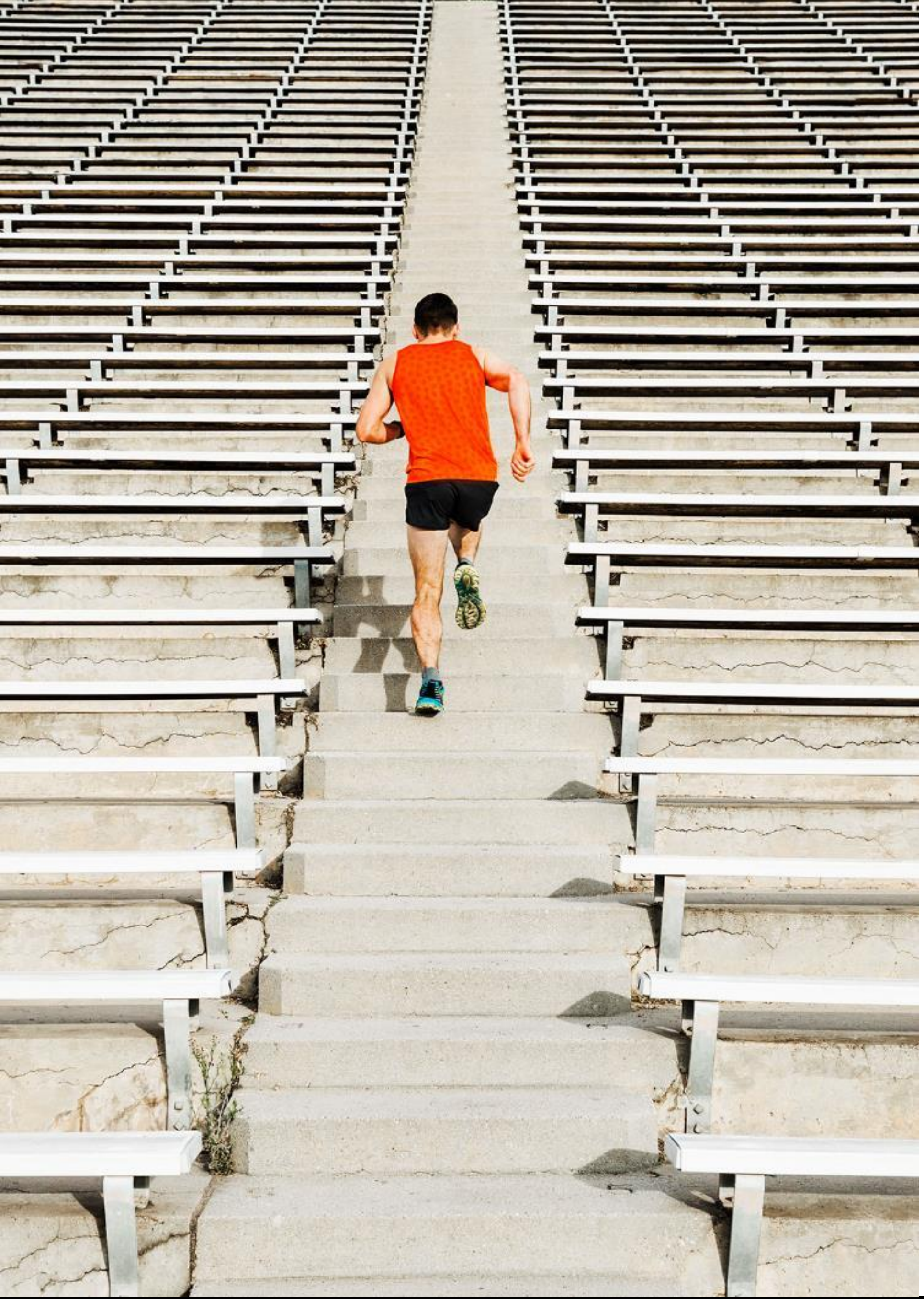
Which would you pick?

Source: Lo, Andrew, 2017, Adaptive Markets: Financial Evolution at the Speed of Thought (Figure 10.3). Princeton University Press. For illustrative purposes only. Past performance is no guarantee of future results. Reference to the names of each company mentioned in this communication is merely for explaining the investment strategy, and should not be construed as investment advice or investment recommendation of those companies.

1720, Sir Isaac Newton lost a fortune in the South Sea Company, the hottest stock in England.

Newton concluded…

[That he] 'can calculate the motions of the heavenly bodies, but not the madness of people.'



“We don’t have to be smarter than the rest. We have to be more disciplined than the rest.”

–Warren Buffett

Agenda

1

Acknowledge "envy"

2

Recognise "loss"

3

Build discipline

Acknowledge “envy”

Regret

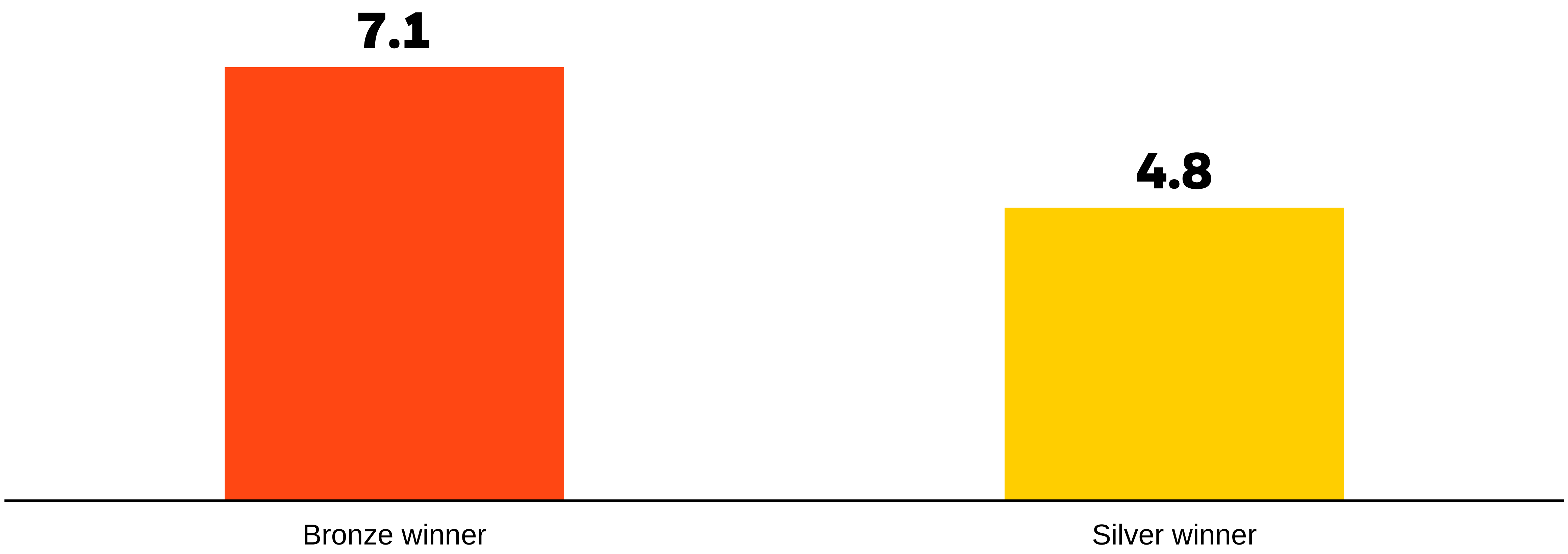
Lottery ticket effect

Miscalculation of risks

Bronze medal winners are happier than silver medal winners

Happiness levels of each winner (1 to 10 happiest)

(1 to 10 happiest)



Source: Journal of Personality and Social Psychology November 1995.

S&P Envy: A diversified portfolio is ripe for regret

24% U.S. large stocks, 24% U.S. mid cap stocks, 5% international stocks, 2% U.S. small cap stocks, 5% emerging market stocks, 20% U.S. bonds, 20% high yield bonds

Years	S&P 500	Diversified portfolio	
2000-2002*	-40.1%	-15.7%	"I lost money"
2003-2007	+82.9%	+91.5%	"Diversification worked"
2008	-37.0%	-28.5%	"I lost money"
2009-2019	+351.0%	+237.2%	"I didn't make as much"
Q1 2020†	-30.4%	-24.2%	"I lost money"
Q2 2020-2021‡	+119.0%	+69.8%	"I didn't make as much"
2022	-18.1%	-15.3%	"I lost money"
2023	+26.3%	+15.9%	"I didn't make as much"
Total return **Growth of £100,000**	**+390.8%** **£392,964**	**+391.4%** **£393,608**	"Diversification can work even when it feels like its losing"

Source: Morningstar as of 12/31/23. *Performance is from 9/1/00 to 12/31/02. †Performance is from 1/1/20 to 3/23/20. ‡Performance is from 3/24/20 to 12/31/21. Diversified Portfolio is represented by 24% S&P 500 Index,24% Russell Mid Cap Index, 5% MSCI EAFE Index, 2% Russell 2000 Index, 5% FTSE Emerging Stock Index, 20% Bloomberg U.S. Aggregate Bond Index, and 20% Bloomberg U.S. Corporate High Yield Index. The figures shown relate to past performance. Past performance is not a reliable indicator of current or future results. Index performance returns do not reflect any management fees, transaction costs or expenses. Indices are unmanaged and one cannot invest directly in an index.

In the UK, nearly £8bn is spent on National Lottery tickets (£120 per person)

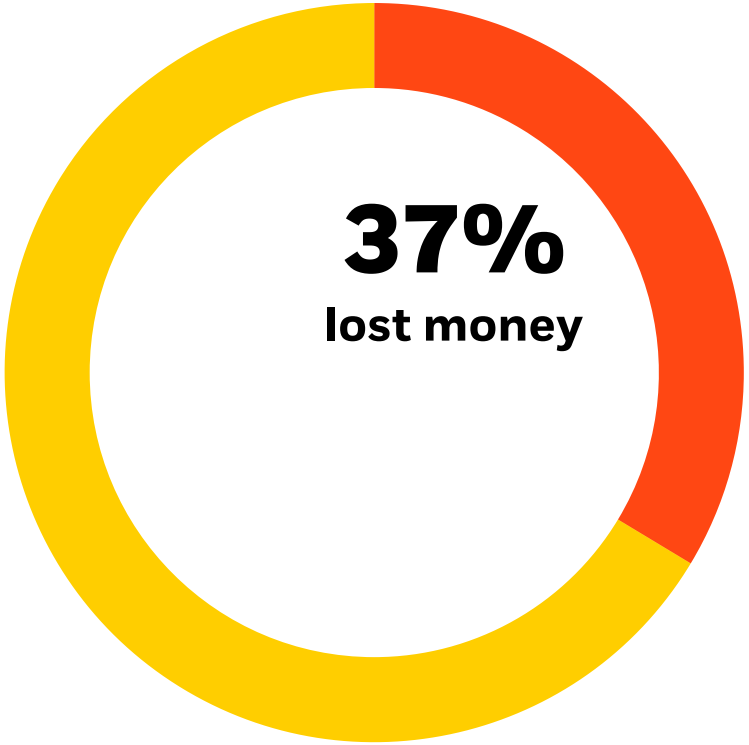
The odds of winning the National Lottery are 1 in 45,057,474.

Source: The National Lottery, as of 01/05/2024. The figures shown relate to past performance. Past performance is not a reliable indicator of current or future results.

Individual U.S. stocks versus U.S. stock mutual funds

Diversify your way to a better portfolio

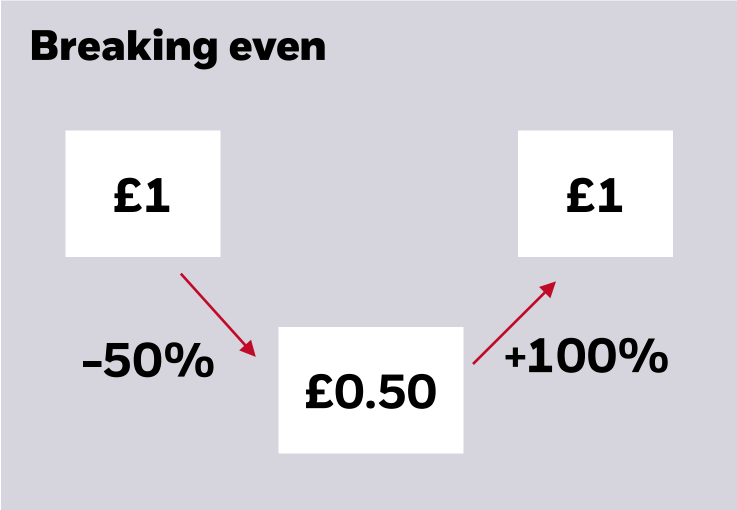
Individual U.S. stocks
(last 5 years)

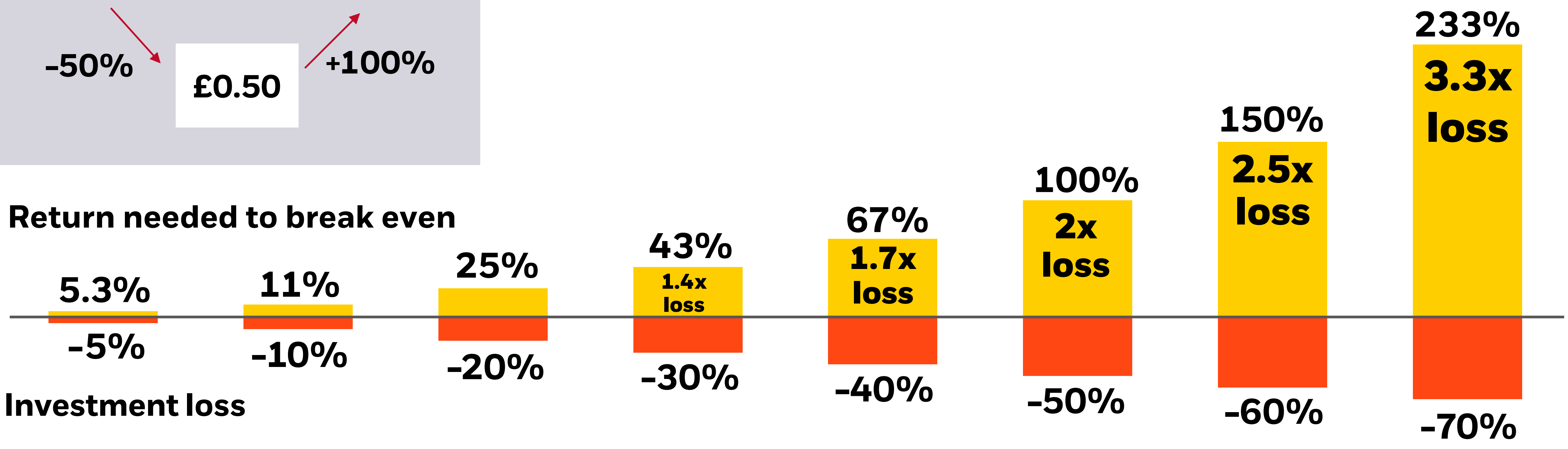


Diversified Investments
(last 5 years)

Source: Morningstar as of 12/31/23. **Diversified investments** are represented by the Morningstar U.S. Equity Category, oldest share class only. **Individual U.S. stocks** are represented by the Morningstar U.S. Stock Universe, all securities on the NYSE and NASDAQ. Analysis does not include obsolete mutual funds, ETFs or stocks as defined by Morningstar. The figures shown relate to past performance. Past performance is not a reliable indicator of current or future results.

Do we really know how severe the risks can be?





Source: BlackRock. 01/05/2024 For illustrative purposes only.

Recognise “loss”

Tendency to act

Sideline sitting

Following the herd

Our tendency to take action

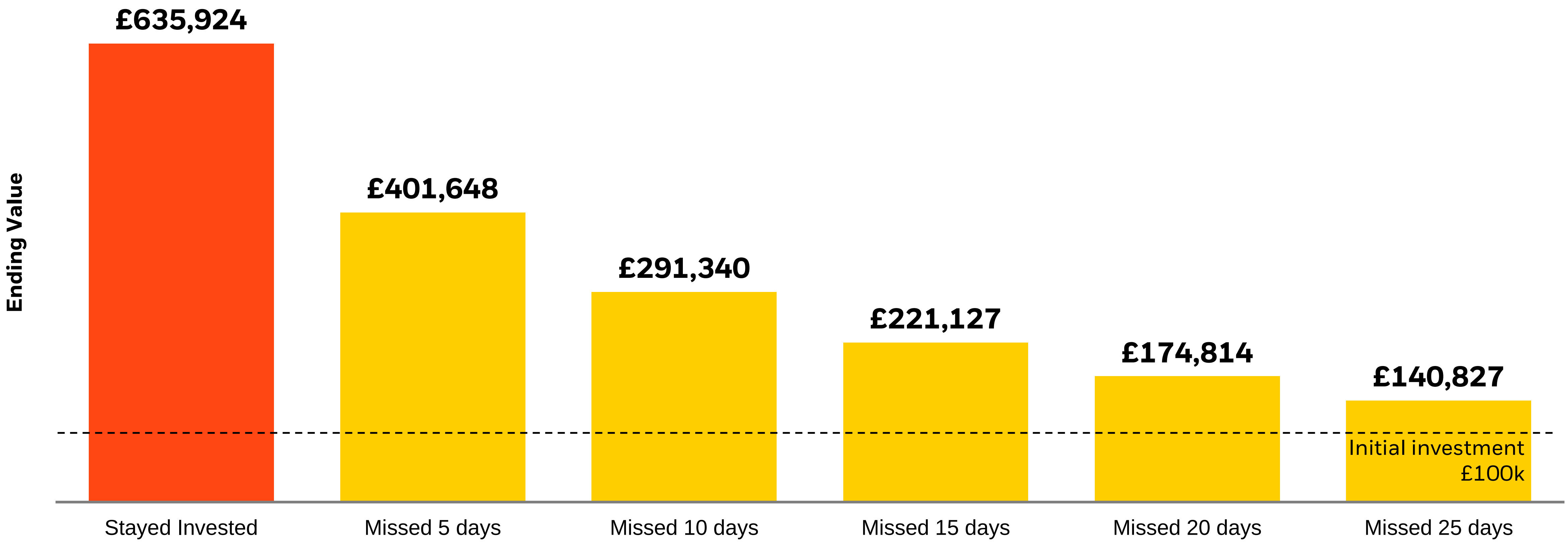
Statistics show that the best penalty kick strategy for goalkeepers is to stay in the middle. But they jump left or right 97% of the time.

Source: Ignacio Palacios-Huerta, 'The Beautiful Dataset', 2023.

Time in the market vs. timing the market

Missing top-performing days can hurt your return

Hypothetical Investment of £100,000 in the S&P 500 Index over the last 20 years (2004-2023)

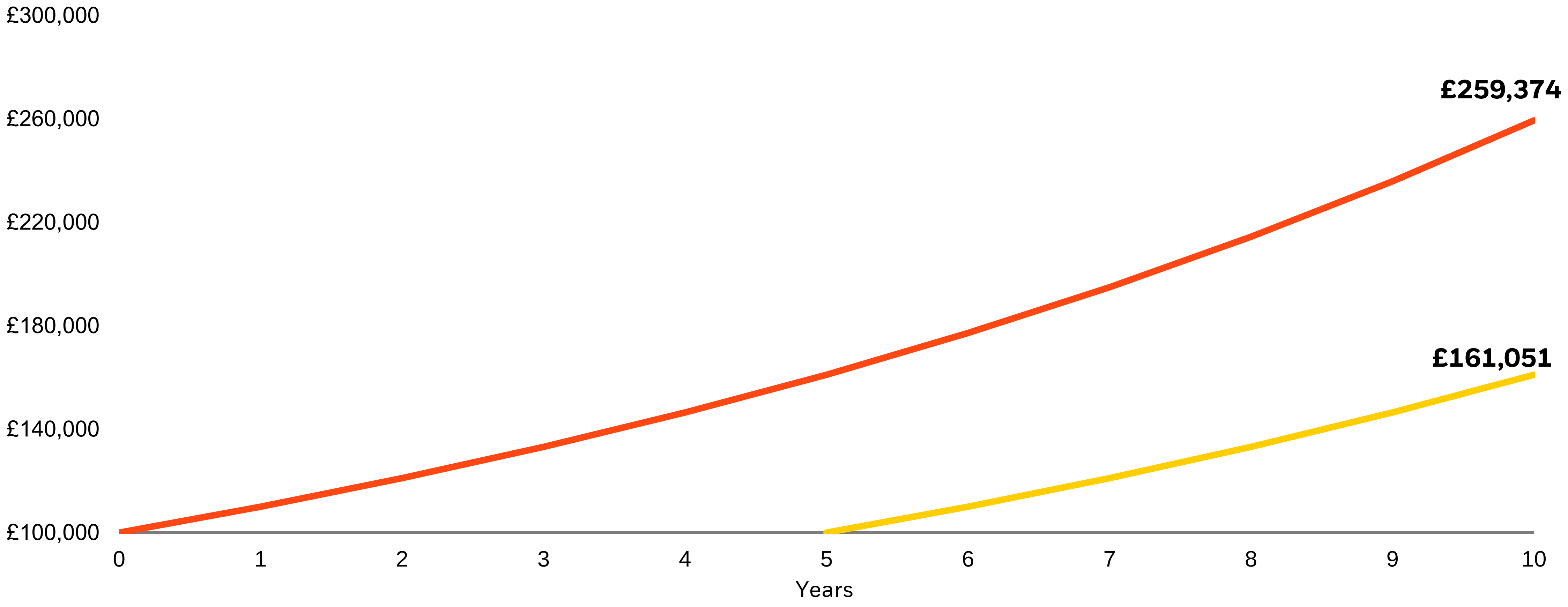


Sources: BlackRock; Bloomberg. 01/05/2024 Stocks are represented by the S&P 500 Index, an unmanaged index that is generally considered representative of the U.S. stock marketIndex performance returns do not reflect any management fees, transaction costs or expenses. Indices are unmanaged and one cannot invest directly in an index.

Waiting for the "right time to invest" can leave you behind

Compound interest… *"The eighth wonder of the world"* – Albert Einstein

Growth of hypothetical £100,000 investment assuming 10% annual yield



For illustrative purposes only. Not meant to represent the past or future performance of any particular fund or index.

“Be fearful when others are greedy. Be greedy when others are fearful.”

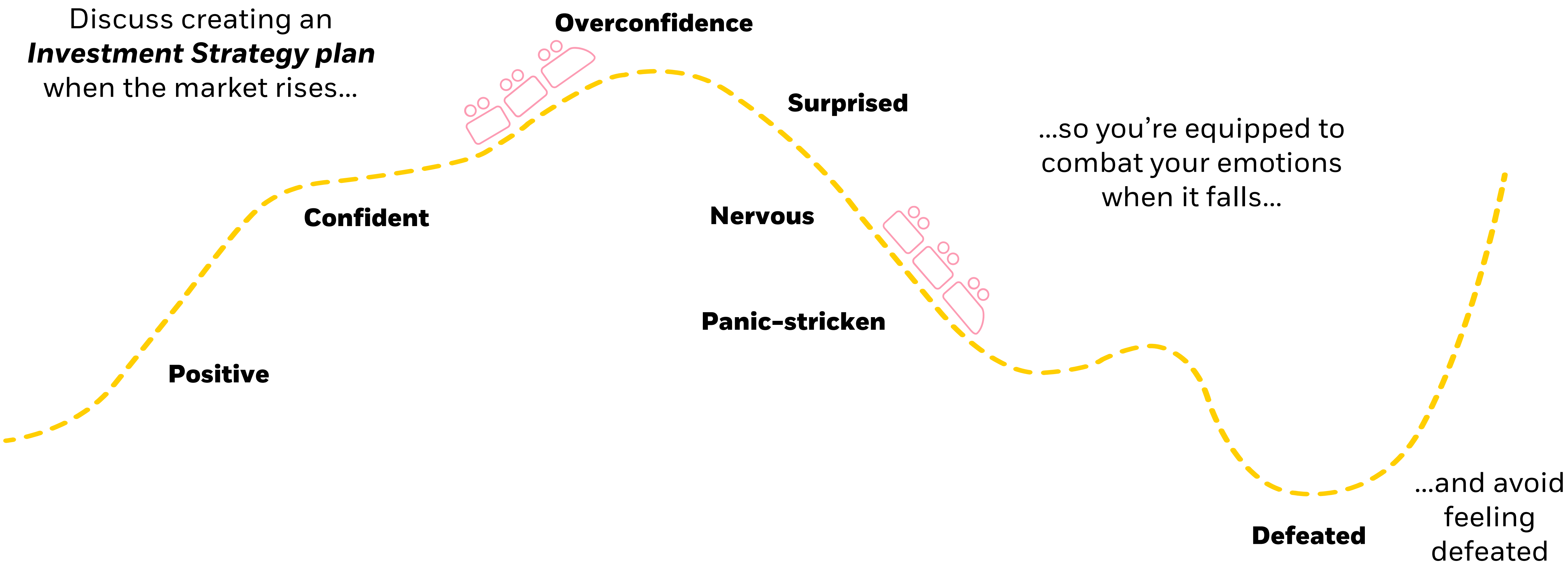
–Warren Buffett

Build discipline

Talk to a financial professional

Prepare for the worst before it happens

Riding the ups and downs of the market



Hypothetical example. For illustrative purposes only.

Forecasting folly: Turn off financial TV & news

Predicting the direction of interest rates

“It's tough to make predictions, especially about the future.” *– Yogi Berra*

Morningstar, Federal Reserve Bank of Philadelphia as of 12/31/23. Median annual forecast used; the median forecast for the direction of the 10 yr US Treasury Bond was correct in 14 of 30 years. “Wall Street experts” refers to the 40+ financial professionals and professors surveyed by the Federal Reserve Bank of Philadelphia.

The psychology of investing

1 **Proper investor behaviour is critical to investment success**

2 **Common investor biases are a challenge** (for everyone)

- **Envy:** Regret, S&P Envy, Lottery Ticket Effect
- **Loss:** Compounding, Time vs Timing, Following the Herd

3 **Work with your financial professional to build in discipline and ensure you are reacting to the market rationally**

- Be critical, even when times are good

Become a disciplined investor, the sooner the better.

For illustrative purposes only.

Learning Outcomes

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Understanding behaviour

Understand why investor behaviour is critical to continued investment success.

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Learn how to overcome common investor biases including envy and loss

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Navigating the challenges

Managing behavioural biases while investing in turbulent market environments


Save your emotions
for the moments
that really matter

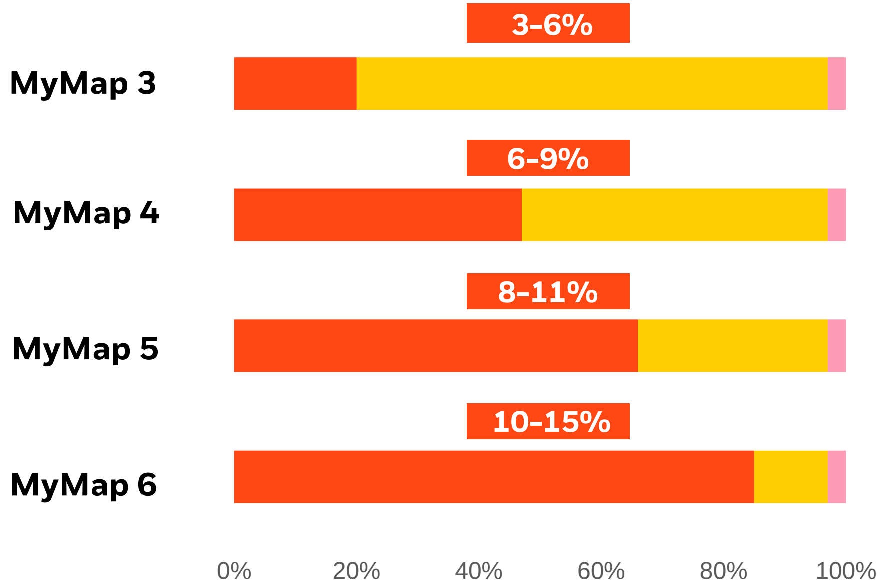
Why MyMap?

MyMap Funds

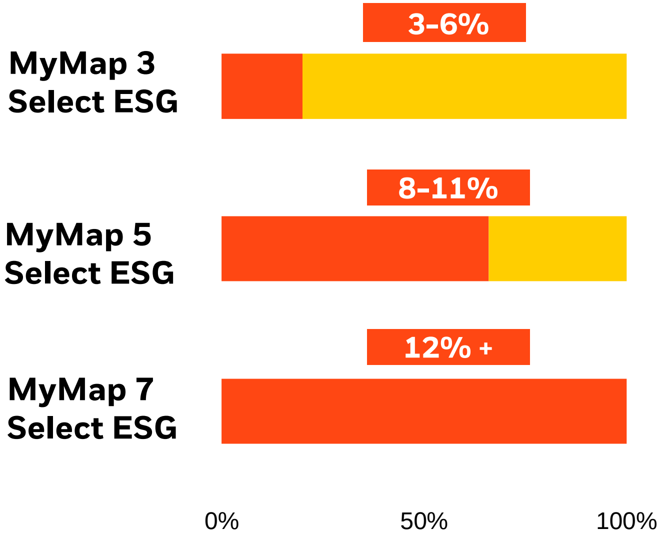
Volatility Targets

Equities Bonds Alternatives

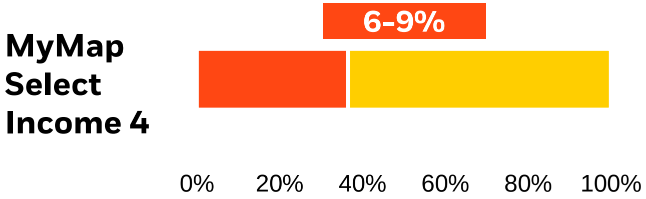
MyMap Fund Range



MyMap Select ESG



MyMap Select Income



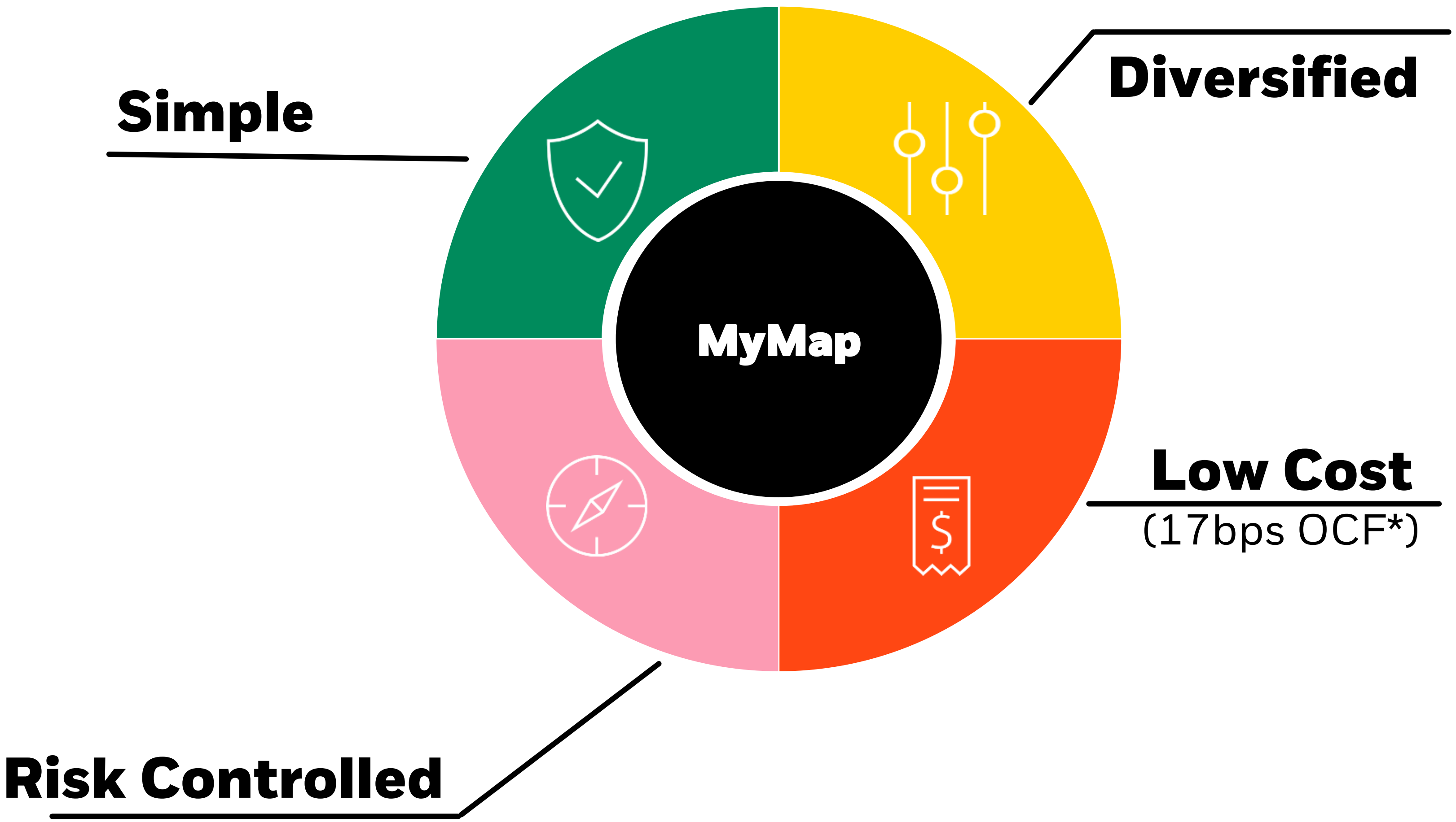
Fees (OCF): 0.17%

Fees (OCF): 0.28%

For illustrative purposes only and subject to change – there is no guarantee that the above asset allocations will be met. Allocations may change over time. Source: BlackRock, as at 31/07/2023. Adherence to the volatility targets are measured by calculating the 5-year rolling annualised volatility of weekly return. Where 5-years of track record is not available, since inception weekly returns are used.

*** OCF (Ongoing Charges Figure)** shown here is an estimate of the annualised charges. An estimate is being used because the Fund (or unit class) was newly launched or it has been launched within the reported period. The Fund's annual report for each financial year will include detail on the exact charges made. Figures shown are charges for the D share class and charges may vary for units of other share classes.
Volatility risk There is no guarantee that the Fund will perform as expected and remain within the stated volatility tolerances. The fact the Fund remains within the stated volatility tolerances does not guarantee positive performance. The volatility management process may reduce the effect of falls in market prices but may equally moderate the effect of rises in market prices. When markets are volatile, managing volatility within tolerances will require the asset allocation of the Fund to be changed more frequently than normal. The cost of the transactions required to effect these changes will be met by the Fund and may affect returns.

MyMap Funds



Risk: Diversification and asset allocation may not fully protect you from market risk. While proprietary technology platforms may help manage risk, risk cannot be eliminated. Risk management cannot fully eliminate the risk of investment loss.

*For the D Shareclass of MyMap 3, MyMap 3 Select ESG, MyMap 4, MyMap 5, MyMap 5 Select ESG, MyMap 6. MyMap 4 Select Income has a higher OCF of 28bps for the D shareclass.

Performance – Return

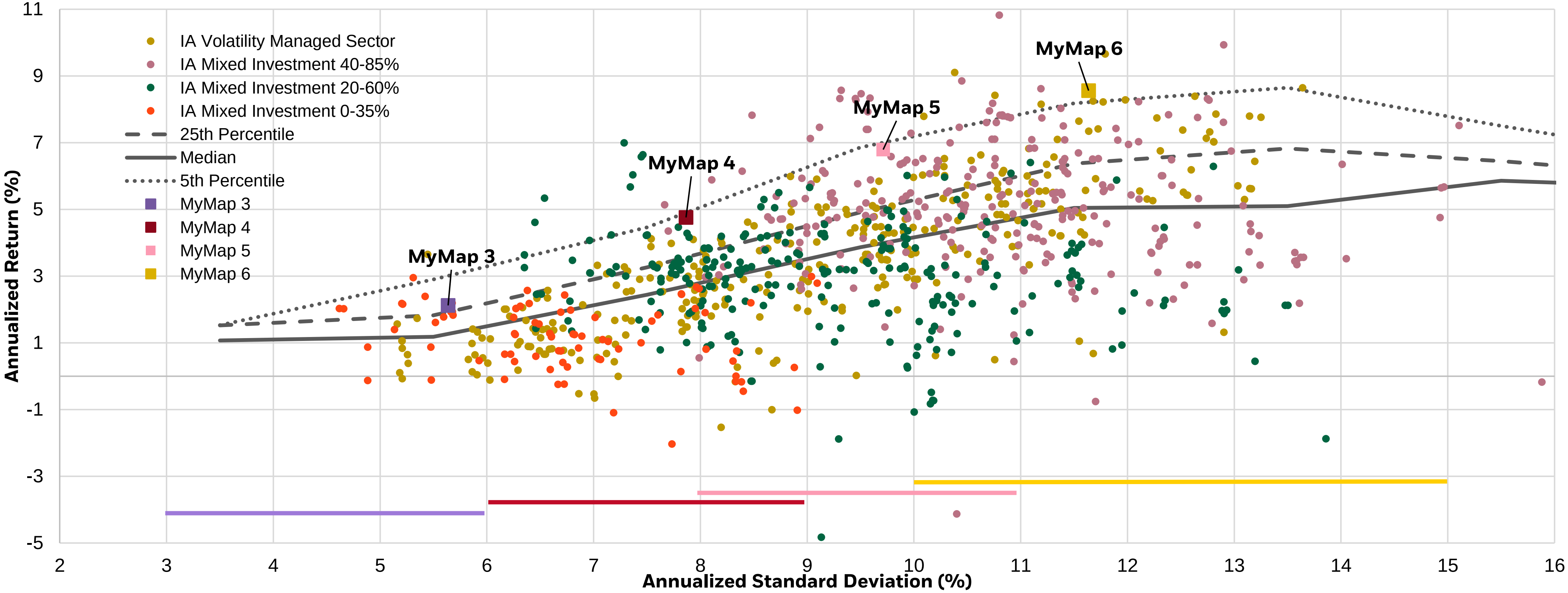
Fund	Inception date	MTD	Q1 2024	YTD	1 Year	5 Year	2023	2022	2021	2020	2019	Since Inception[1]
MyMap 3 (acc) D share class	5/28/2019	0.61%	-0.68%	1.14%	5.53%	2.12%	6.39%	-10.73%	3.23%	7.21%	4.09%	2.05%
MyMap 3 Select ESG (acc) D share class	03/03/2023	0.62%	-0.76%	1.18%	5.73%	-	6.55%	-	-	-	-	-0.64%
MyMap 4 (acc) D share class	5/28/2019	0.66%	-0.69%	3.56%	9.87%	4.76%	9.24%	-11.98%	7.99%	9.60%	6.34%	4.61%
MyMap 4 Select Income (acc) D share class	7/26/2021	0.64%	0.19%	2.81%	10.17%	-	8.72%	-6.78%	-	-	-	2.17%
MyMap 5 (acc) D share class	5/28/2019	0.75%	-0.74%	4.73%	12.35%	6.79%	11.34%	-12.46%	12.35%	11.44%	7.67%	6.59%
MyMap 5 Select ESG (acc) D share class	06/10/2020	0.69%	-1.13%	4.30%	12.62%	-	12.33%	-13.26%	12.97%	-	-	5.86%
MyMap 6 (acc) D share class	5/28/2019	0.92%	-0.58%	6.89%	15.40%	8.56%	12.63%	-12.72%	15.67%	12.39%	9.19%	8.31%
MyMap 7 Select ESG (acc) D share class	03/03/2023	0.82%	-1.09%	6.60%	16.84%	-	15.61%	-	-	-	-	7.30%

The figures shown relate to past performance. Past performance is not a reliable indicator of current or future results and should not be the sole factor of consideration when selecting a product or a strategy.

Source: BlackRock, as of 31/05/2024 in GBP. [1]Since inception figures are annualized. Fund performance is shown on an NAV basis, net of fees.

Peer Performance Analysis – Since Inception (5 years!)

Risk Adjusted Returns of the MyMap portfolios vs IA Sectors – 01/06/2019 to 31/05/2024



Source: BlackRock, Morningstar as at 31/05/2024. For illustrative purposes only. Returns are net of fees. Return and volatility is calculated based on monthly data. Inception date of MyMap 3, MyMap 4, MyMap 5 and MyMap 6 is 28 May 2019. Peer group performance shows net, total return performance of GBP denominated multi-asset portfolio's available for UK investors, illustrated by The Investment Association's Mixed and Volatility Investment sectors. The horizontal bars represent the MyMap's target risk bands. **The figures shown relate to past performance. Past performance is not a reliable indicator of current or future results and should not be the sole factor of consideration when selecting a product or a strategy.**

Important notes

Risk Warnings

Capital at risk. The value of investments and the income from them can fall as well as rise and are not guaranteed. Investors may not get back the amount originally invested.

Past performance is not a reliable indicator of current or future results and should not be the sole factor of consideration when selecting a product or strategy.

Changes in the rates of exchange between currencies may cause the value of investments to diminish or increase. Fluctuation may be particularly marked in the case of a higher volatility fund and the value of an investment may fall suddenly and substantially. Levels and basis of taxation may change from time to time and depend on personal individual circumstances.

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