

TARGET DATE FUND COMMENTARY 2ND QUARTER, 2021

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Our mission is to enrich the lives of our clients, colleagues and communities through sound financial advice, integrity, and commitment to service beyond expectation.



BLACKROCK LIFEPATH INDEX

MEETING DATE: JULY 15, 2021

FOCUS AREA

Organizational Update

COMMENTARY

As we've previously written, Co-Head of LifePath and Portfolio Manager Matt O'Hara left BlackRock in December 2020. Dr. O'Hara had been on the target date team since 2004 and had served as co-head of LifePath with Nick Nefouse since 2016. He oversaw asset allocation research, human capital research, and portfolio management for the firm's target date strategies. Mr. Nefouse remains at the firm as sole head of LifePath and was named head of Retirement Solutions.

Head of Asset Allocation and Portfolio Manager Chris Chung has assumed Dr. O'Hara's asset allocation research and portfolio management duties. He has been on the team since 2008 and has been head of Asset Allocation since 2018. Mr. Chung leads the broad target date portfolio management team and continues to report to Mr. Nefouse.

Partha Mamidipudi has rejoined BlackRock's Retirement Solutions group, replacing Dr. O'Hara as head of Human Capital Research. Mr. Mamidipudi was most recently on BlackRock's Aladdin Wealth Technology team where he was leading decumulation research. Prior to this role, he was head of LifePath Research until 2016.

Mr. Nefouse continues to lead the LifePath business in the newly created role of head of Retirement Solutions. BlackRock created the Retirement Solutions group within its Multi-Asset Strategies & Solutions (MASS) division in December 2020. With the creation of this group, BlackRock brought together all of its retirement focused research, product development, and portfolio management teams and functions. Mr. Nefouse was chosen to lead this group given his experience and proven ability to build and manage teams and to foster collaboration across multiple disciplines and functions.

While the departure of Dr. O'Hara is significant, it does not warrant any client action. Importantly, there are no changes being made to the investment process or philosophy for LifePath Index. We maintain conviction in the portfolio management team of Chris Chung, Alan Mason, Lisa O'Connor, Greg Savage, and Amy Whitelaw.

Investments Update

COMMENTARY

There were no changes made to the underlying investments of the LifePath Index series during the quarter.

Note: Benchmark relative performance refers to the series' performance compared to the S&P Target Date Indices.



BLACKROCK LIFEPATH INDEX

MEETING DATE: JULY 15, 2021

FOCUS AREA

Performance and Positioning Update

COMMENTARY

BlackRock LifePath Index Performance Update:

After struggling in the first quarter, BlackRock LifePath Index rebounded in the second quarter and outperformed peers and the benchmark.

- LifePath Index benefited from broadly positive market sentiment in the second quarter as both equity and fixed income finished the period higher.
- BlackRock's glidepath design, with more equities further from retirement and a more conservative portfolio at retirement, aided performance for the further-dated vintages, but was a slight drag on vintages near retirement as equities outperformed bonds in the second quarter.
- Within equities, growth rebounded in the second quarter after trailing value in the first quarter, and this helped LifePath Index as growth sectors have become larger weights in the index.
- Although the broad glidepath design had a mixed effect, LifePath Index's underlying asset allocation was a contributor during the quarter.
- The series' allocation to global REITs was a strong driver of relative outperformance as real estate was one of the top performing sectors in the second quarter.
- LifePath Index's fixed income portfolio also added value as interest rates moved lower during the second quarter.

There were no changes made to the series' strategic asset allocation during the quarter.

Note: Benchmark relative performance refers to the series' performance compared to the S&P Target Date Indices.



BLACKROCK LIFEPATH INDEX CIT

MEETING DATE: JULY 15, 2021

FOCUS AREA

Organizational Update

COMMENTARY

As we wrote last quarter, Co-Head of LifePath and Portfolio Manager Matt O'Hara left BlackRock in December 2020. Dr. O'Hara had been on the target date team since 2004 and had served as co-head of LifePath with Nick Nefouse since 2016. He oversaw asset allocation research, human capital research, and portfolio management for the firm's target date strategies. Mr. Nefouse remains at the firm as sole head of LifePath and was named head of Retirement Solutions.

Head of Asset Allocation and Portfolio Manager Chris Chung has assumed Dr. O'Hara's asset allocation research and portfolio management duties. He has been on the team since 2008 and has been head of Asset Allocation since 2018. Mr. Chung leads the broad target date portfolio management team and continues to report to Mr. Nefouse.

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Mr. Nefouse continues to lead the LifePath business in the newly created role of head of Retirement Solutions. BlackRock created the Retirement Solutions group within its Multi-Asset Strategies & Solutions (MASS) division in December 2020. With the creation of this group, BlackRock brought together all of its retirement focused research, product development, and portfolio management teams and functions. Mr. Nefouse was chosen to lead this group given his experience and proven ability to build and manage teams and to foster collaboration across multiple disciplines and functions.

While the departure of Dr. O'Hara is significant, it does not warrant any client action at this time. Importantly, there are no changes being made to the investment process or philosophy for LifePath Index CIT. We maintain conviction in the portfolio management team of Chris Chung, Alan Mason, Lisa O'Connor, Greg Savage, and Amy Whitelaw.

Investments Update

COMMENTARY

There were no changes made to the underlying investments of the LifePath Index CIT series during the quarter.

Note: Benchmark relative performance refers to the series' performance compared to the S&P Target Date Indices.



BLACKROCK LIFEPATH INDEX CIT

MEETING DATE: JULY 15, 2021

FOCUS AREA

Performance and Positioning Update

COMMENTARY

BlackRock LifePath Index CIT Performance Update:

After struggling in the first quarter, BlackRock LifePath Index CIT rebounded in the second quarter and outperformed peers and the benchmark.

- LifePath Index CIT benefited from broadly positive market sentiment in the second quarter as both equity and fixed income finished the period higher.
- BlackRock's glidepath design, with more equities further from retirement and a more conservative portfolio at retirement, aided performance for the further-dated vintages, but was a slight drag on vintages near retirement as equities outperformed bonds in the second quarter.
- Within equities, growth rebounded in the second quarter after trailing value in the first quarter, and this helped LifePath Index CIT as growth sectors have become larger weights in the index.
- Although the broad glidepath design had a mixed effect, LifePath Index CIT's underlying asset allocation was a contributor during the quarter.
- The series' allocation to global REITs was a strong driver of relative outperformance as real estate was one of the top performing sectors in the second quarter.
- The series' peer-relative performance was also aided by its strategic allocation to commodities as the sector produced positive results driven by higher energy prices.
- LifePath Index CIT's fixed income portfolio also added value as interest rates moved lower during the second quarter.

There were no changes made to the series' strategic asset allocation during the quarter.

Note: Benchmark relative performance refers to the series' performance compared to the S&P Target Date Indices.



BLACKROCK LIFEPATH DYNAMIC

MEETING DATE: JULY 15, 2021

FOCUS AREA

Organizational Update

COMMENTARY

As we wrote last quarter, Co-Head of LifePath and Portfolio Manager Matt O'Hara left BlackRock in December 2020. Dr. O'Hara had been on the target date team since 2004 and had served as co-head of LifePath with Nick Nefouse since 2016. He oversaw asset allocation research, human capital research, and portfolio management for the firm's target date strategies. Mr. Nefouse remains at the firm as sole head of LifePath and was named head of Retirement Solutions.

Head of Asset Allocation and Portfolio Manager Chris Chung has assumed Dr. O'Hara's asset allocation research and portfolio management duties. He has been on the team since 2008 and has been head of Asset Allocation since 2018. Mr. Chung leads the broad target date portfolio management team and continues to report to Mr. Nefouse.

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Mr. Nefouse continues to lead the LifePath business in the newly created role of head of Retirement Solutions. BlackRock created the Retirement Solutions group within its Multi-Asset Strategies & Solutions (MASS) division in December 2020. With the creation of this group, BlackRock brought together all of its retirement focused research, product development, and portfolio management teams and functions. Mr. Nefouse was chosen to lead this group given his experience and proven ability to build and manage teams and to foster collaboration across multiple disciplines and functions.

While the departure of Dr. O'Hara is significant, it does not warrant any client action at this time. Importantly, there are no changes being made to the investment process or philosophy for LifePath Dynamic. We maintain conviction in the portfolio management team of Chris Chung and Phil Green.

Investments Update

COMMENTARY

There were no changes made to the underlying investments of the LifePath Dynamic series during the quarter.

Note: Benchmark relative performance refers to the series' performance compared to the S&P Target Date Indices.



BLACKROCK LIFEPATH DYNAMIC

MEETING DATE: JULY 15, 2021

FOCUS AREA

Performance and Positioning Update

COMMENTARY

BlackRock LifePath Dynamic Performance Update:

The BlackRock LifePath Dynamic series performed well in the second quarter, outpacing both the benchmark and peers.

- Overall, LifePath Dynamic benefited from positive market sentiment in the second quarter as both equity and fixed income finished the period higher.
- BlackRock's glidepath design, with more equities further from retirement and a more conservative portfolio at retirement, aided performance for the further-dated vintages, but was a slight drag on vintages near retirement as equities outperformed bonds in the second quarter.
- The largest driver of the series' performance were its active equity managers, especially Diversified Equity, a U.S.-focused equity strategy, and International Tilts, an international developed markets equity strategy.
- Tactical Opportunities, a global tactical asset allocation strategy, also added to returns over the quarter.
- Returns from BlackRock's tactical asset allocation positions were flat to slightly detractive in the second quarter.
- Helping performance was a broad overweight to global equities; however, these gains were pared by an underweight to U.S. equities.
- An underweight to the U.S. dollar versus the euro contributed positively to results despite giving back some gains following the June FOMC meeting.
- Positioning within fixed income was a detractor in the second quarter, driven by an underweight to U.S. 10-year bonds versus Australia and Canada 10-year bonds.

Positioning Update:

BlackRock made some adjustments to LifePath Dynamic's tactical positioning and broad macro themes during the second quarter. The macro themes are focused primarily around fiscal and monetary policy and the tactical positions stem from these views.

- Coming into the second quarter, BlackRock had organized its tactical positions around five broad themes: Federal Reserve (Fed) Dominance, Global Reflation, ECB Targeted Easing, European Fiscal Emergence, and U.S. Fiscal Expansion.
- During the quarter, BlackRock closed the Fed Dominance and U.S. Fiscal Expansion themes and adjusted the European Fiscal Emergence theme to European Resilience.
- **European Resilience** – Following a substantial loosening of fiscal and monetary policy, economic growth indicators have been positive. In addition, vaccine roll-outs have been successful. BlackRock believes the combination of these factors will support European equities and the euro. As such, LifePath is overweight European stocks versus the U.S. and overweight the euro versus the U.S. dollar.
- **ECB Targeted Easing** – The ECB has focused its support on more impacted areas by providing credit to the periphery and liquidity to the banking sector. BlackRock believes this will be supportive of Italian and Spanish risk assets, as such LifePath Dynamic has targeted Italian and Spanish equities within its overweight to Europe.
- **Global Reflation** – Global growth remains robust, and BlackRock believes there is still room to run given continued monetary and fiscal stimulus. The team is expressing this view through an overweight position in Japanese equities and an underweight to U.S. 30-year bonds.

Note: Benchmark relative performance refers to the series' performance compared to the S&P Target Date Indices.

