

State Compensation Insurance Fund

BlackRock Equity Dividend Strategy

August 2013

The opinions expressed are as of 7.31.13 and are subject to change at any time due to changes in market or economic conditions.

2013 Market outlook: Continued low growth environment

Positives

- ▶ Fiscal cliff uncertainty reduced
- ▶ Global easing cycle
- ▶ Employment growth positive
- ▶ Housing improving
- ▶ Corporate balance sheets healthy
- ▶ Although slowing, emerging markets continue to be engines of global growth

Concerns

- ▶ Debt ceiling, sequestration
- ▶ Fiscal drag – higher taxes
- ▶ Still high unemployment
- ▶ Europe crisis drags on
- ▶ Household deleveraging
- ▶ Inflation??

Equities continue to be attractively valued and dividend paying stocks represent a compelling opportunity for investors in a slow growth economy

Global central banks continue stimulative monetary policy

Global pattern of easy monetary policy continues

- ▶ July 19 -- China removes floor on lending rates.
- ▶ July 22 -- G-20 emphasizes growth ahead of austerity.
- ▶ July 23 -- Hungary cuts rates to a record low.
- ▶ July 30 -- People's Bank of China injects funds.
- ▶ July 31 -- The FOMC statement was more dovish.
- ▶ Aug 1 -- China pledges to keep growth within a "reasonable zone".
- ▶ Aug 1 -- ECB announces it will keep rates at present or a lower level for an extended period.

We believe an eventual normalization in U.S. interest rates will result in a leadership shift from lower-quality to higher-quality stocks.

Source: ISI Research 8/5/2013.