

Global Long/Short Credit Fund

BlackRock

Inst: **BGCIX** A: **BGCAX** C: **BGCCX** K: **BDMKX**

Commentary as of 12/31/23

- The fund posted returns of 3.46% (Institutional shares) and 3.43% (Investor A shares, without sales charge) for the fourth quarter of 2023.
- Risk assets performed well during the quarter, driven by rate and spread rallies. As a result, the fund performed positively, with few detractors.
- During the quarter, the fund reduced gross exposure while net exposure increased slightly, which was mainly achieved by lowering short exposure. These reductions occurred mainly in the United States, while the already limited emerging market allocation was also trimmed.

Contributors	Detractors
The absolute, traditional, and carry books across the United States and Europe contributed to performance. U.S. absolute return strategies were the largest driver of performance, led by idiosyncratic long positions, and event-driven, capital-structure, and thematic trades. Within the European absolute book, event-driven trades were also accretive to performance. European high yield beta risk (market risk) exposures in the traditional book contributed meaningfully, and, within the U.S. traditional book, allocations to front-end high yield and investment grade credit were also additive. Lastly, the U.S. carry book was bolstered by exposures to commercial mortgage-backed securities, collateralized loan obligations (CLOs), and enhanced equipment trust certificates, while the carry book in Europe benefited from allocations to CLOs and bank loans.	The detractors from performance were limited given the rally in fixed income markets during the quarter. The U.S. and European hedge books weighed slightly on returns, though the positions performed in-line with expectations due to the overall spread tightening. European investment grade credit directional short and U.S. directional short positions were also minimal detractors within the absolute books.

Further insight

During the quarter, we slightly decreased the fund's long exposures in the absolute books and increased the long positions in the carry books. On the short side, we more meaningfully reduced positions in the absolute books. Following the fourth-quarter rally, we view the investment landscape as having room for continued volatility as the Federal Reserve is expected to "pivot" from a pause to an interest rate cut at some point in 2024. As a result, we have continued to keep allocations more focused on idiosyncratic and high-conviction trades, and have looked to allocate more to beta-driven exposures as asset classes, sectors, and names have experienced selloffs.

Portfolio management

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Top 5 long positions (%)

Verizon	2.49
FRONTIER COMMUNICATIONS PARENT INC	2.36
BRITISH AIRWAYS PASS THROUGH TRUST_22-1	2.17
SEAGATE TECHNOLOGY HOLDINGS PLC	1.71
SPIRIT AEROSYSTEMS HOLDINGS INC	1.65

Top 5 short positions (%)

ITRAXX.XO.40.V1	-3.70
Southwest Airlines	-2.45
CATERPILLAR INC	-1.79
Simon Property Group	-1.55
STMICROELECTRONICS NV	-1.46

Investment approach

The fund takes long and short positions in a diversified mix of global credit securities, seeking to mitigate volatility and minimize interest rate risk.

Average annual total returns (%) as of 12/31/23

	4Q23 (not annualized)	YTD (not annualized)	1 Year	3 Year	5 Years	10 Years
Institutional	3.46	8.99	8.99	1.24	2.99	2.00
Investor A (Without Sales Charge)	3.43	8.70	8.70	0.96	2.72	1.74
Investor A (With Sales Charge)	-0.71	4.35	4.35	-0.40	1.88	1.32
Morningstar Nontraditional Bond Category Avg.	4.12	6.95	6.95	0.68	2.56	2.18
BofA ML 3-Month T-Bill¹	1.37	5.01	5.01	2.15	1.88	1.25

Expenses for Institutional shares: Total **1.50%**; Net, Including Investment Related Expenses (dividend expense, interest expense, acquired fund fees and expenses and certain other fund expenses) **1.18%**. For Investor A shares: Total **1.77%**; Net, Including Investment Related Expenses **1.41%**. Institutional and Investor A shares have contractual waivers with an end date of 06/30/2025 terminable upon 90 days' notice. For certain share classes, BlackRock may voluntarily agree to waive certain fees and expenses in which the adviser may discontinue at any time without notice. Expenses stated as of the fund's most recent prospectus. Data represents past performance and is no guarantee of future results. Investment returns and principal values may fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. All returns assume reinvestment of dividends and capital gains. Current performance may be lower or higher than that shown. Refer to [blackrock.com](https://www.blackrock.com) for most recent month-end performance. Investment returns reflect total fund operating expenses, net of all fees, waivers and/or expense reimbursements. Index performance is shown for illustrative purposes only. It is not possible to invest directly in an unmanaged index. Share classes have different sales charges, fees and other features. Returns with sales charge reflect deduction of current maximum initial sales charge of 5.25% for Investor A shares. Institutional shares have no front- or back-end load. Institutional shares have limited availability and may be purchased at various minimums. See prospectus for details. Net Expenses Excluding Investment Related Expenses for Institutional shares: **1.17%**; for Investor A shares: **1.40%**.

Important Risks: The fund is actively managed and its characteristics will vary. Holdings shown should not be deemed as a recommendation to buy or sell securities. Stock and bond values fluctuate in price so the value of your investment can go down depending on market conditions. 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. International investing involves special risks including, but not limited to political risks, currency fluctuations, illiquidity and volatility. These risks may be heightened for investments in emerging markets. Short-selling entails special risks. If the fund makes short sales in securities that increase in value, the fund will lose value. Any loss on short positions may or may not be offset by investing short-sale proceeds in other investments. Investing in alternative strategies such as a long/short strategy, presents the opportunity for losses which exceed the principal amount invested. The fund may use derivatives to hedge its investments or to seek to enhance returns. Derivatives entail risks relating to liquidity, leverage and credit that may reduce returns and increase volatility. Investing in long/short strategies presents the opportunity for significant losses, including the loss of your total investment. Such strategies have the potential for heightened volatility and in general, are not suitable for all investors.

The opinions expressed are those of the fund's portfolio management team as of December 31, 2023, and may change as subsequent conditions vary. Information and opinions are derived from proprietary and nonproprietary sources deemed by BlackRock to be reliable, are not necessarily all-inclusive and are not guaranteed as to accuracy.

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1 The BofA Merrill Lynch 3-Month U.S. Treasury Bill Index is an unmanaged market index of U.S. Treasury securities maturing in 90 days that assumes reinvestment of all income.

You should consider the investment objectives, risks, charges and expenses of the fund carefully before investing. The prospectus and, if available, the summary prospectus contain this and other information about the fund and are available, along with information on other BlackRock funds, by calling 800-882-0052 or from your financial professional. The prospectus should be read carefully before investing.

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