

Impact Mortgage Fund*

BlackRock®

Inst: **PNIGX** A: **CIGAX** C: **BIGCX** R: **BGBRX¹** K: **BIGLX**

Commentary as of 12/31/23

- The fund posted returns of 7.29% (Institutional shares) and 7.21% (Investor A shares, without sales charge) for the fourth quarter of 2023.
- Relative-value trades and macro-overlay strategies, composed of duration (interest rate sensitivity) and rate-volatility trades, were additive to returns during the quarter. Pool selection in agency mortgage-backed securities (MBS) significantly detracted from performance.
- The fund maintained its core allocations to various impact MBS pools, particularly those that continued to exhibit benign prepayment characteristics.

Contributors	Detractors
Relative-value trades in agency MBS, as well as duration and rate-volatility positions, contributed to performance. Manufactured housing, downpayment assistance, and foreclosure prevention pools continued to exhibit favorable prepayment characteristics relative to the generic collateral in the benchmark.	Pool selection in agency MBS was the largest detractor during the quarter.

Further insight

The fund maintained its concentration in MBS pools during the quarter, with the core allocation held in downpayment assistance, foreclosure prevention, and manufacturing housing pools. It continued to hold these positions on the view that their collateral attributes exhibit a meaningful benefit in prepayment characteristics through factors like loan size and seasoning. In rates positioning, the fund began the quarter with an overweight duration position, though it gradually reduced this to neutral by the end of the year.

Portfolio management

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Top 10 holdings (%)

GNMA II	45.55
Federal National Mortgage	37.93
FHLM	35.77
Fhms_ksg4-A2	1.37
Gnma_20-149h-1a	0.72
Federal Home Loan Mortgage Corporation -Gold	0.42
Gnma_21-159-1h	0.37
Gnma_22-127c-1a	0.35
Msaic_22-3-A	0.26
GNMA I	0.25

Investment approach

Invests primarily in the highest rated government and agency bonds and maintains an average portfolio duration within $\pm 20\%$ of the Bloomberg Intermediate Government Index.

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

	4Q23 (not annualized)	YTD (not annualized)	1 Year	3 Year	5 Years	10 Years
Institutional	7.29	4.72	4.72	-3.55	0.45	1.23
Investor A (Without Sales Charge)	7.21	4.45	4.45	-3.77	0.18	0.97
Investor A (With Sales Charge)	2.92	0.27	0.27	-5.07	-0.63	0.56
BBG U.S. Govt./Mortgage²	6.33	4.45	4.45	-3.39	0.45	1.33

Expenses for Institutional shares: Total **0.83%**; Net, Including Investment Related Expenses (dividend expense, interest expense, acquired fund fees and expenses and certain other fund expenses) **0.61%**. For Investor A shares: Total **1.09%**; Net, Including Investment Related Expenses **0.86%**. Institutional and Investor A shares have contractual waivers with an end date of 06/30/2024 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 4% 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: **0.45%**; for Investor A shares: **0.70%**.

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. 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. Principal of mortgage- or asset-backed securities normally may be prepaid at any time, reducing the yield and market value of those securities. Obligations of U.S. gov't agencies are supported by varying degrees of credit but generally are not backed by the full faith and credit of the U.S. gov't. 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.

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 Class R shares are sold to a limited group of investors, including certain retirement plans. See prospectus for details. **2** The Bloomberg U.S. Government/Mortgage Index measures the performance of U.S. government bonds and mortgage-related securities; the Bloomberg U.S. Agency Index, which includes native currency agency debentures from issuers such as Fannie Mae (FNMA), Freddie Mac (FHLMC) and Federal Home Loan Bank; and the Bloomberg U.S. MBS Index, which includes U.S. agency mortgage-backed pass-through securities (both fixed-rate and hybrid ARM) issued by Ginnie Mae (GNMA), FNMA and FHLMC.

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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