

# Short-Term Municipal Fund

# BlackRock®

Inst: **MALMX** A: **MELMX** C: **MFLMX** K: **MPLMX**

## Commentary as of 12/31/23

- The fund posted returns of 3.24% (Institutional shares) and 3.28% (Investor A shares, without sales charge) for the fourth quarter of 2023.
- Credit and duration positioning (management of interest rate sensitivity) contributed to performance, while the fund's yield curve position was flat.
- The fund held a modest overweight duration position during the quarter. It had overweight exposures to A and BBB rated credit, and an underweight allocation to high-grade AAA and AA rated securities. The fund had an overweight cash holding, overweight allocations to floating rate notes and securities maturing in 4-7 years, and an underweight exposure to securities maturing in 1-3 years. It had overweight allocations to the health care, housing, corporate-backed, and transportation sectors, and underweight holdings in the pre-refunded, tax-backed state, local, and school district, and utilities sectors.

Contributors	Detractors
The largest contributor was an overweight exposure to the corporate-backed sector, specifically prepaid gas. Despite sizable issuance, the sector benefited as the market rallied in November and December. Given the lofty spreads, the sector far out-yielded most bonds within the opportunity set. Duration was extended during the early part of the quarter, moving the fund from an underweight to a small overweight position. Duration was additive during the quarter.	Cash and floating rate securities were a drag on performance given the over 100 basis points (bps) rally in term bonds. An underweight exposure to the tax-backed local sector resulted in a modestly weak performance.

## Further insight

The quarter marked “peak bearishness” followed by a sharp reversal in sentiment and market pricing. This was driven by softening data and, ultimately, a dovish “pivot” by the Federal Reserve (Fed). Recognizing the impending shift, and considering valuations that were offering a wide margin of safety, we repositioned the fund with respect to duration, adding approximately half a year. At quarter-end, the fund had a neutral duration position and we are more inclined to let it age. We feel that the market is a bit aggressive, thus the data will need to confirm the repricing of Fed cuts. In the meantime, the fund has increased book yield, which has bolstered the dividend, and the enhanced “carry” is expected to provide an offset to any potential adverse price moves.

## Portfolio management

Kevin Schiatta,  
Kristi Manidis,  
Christian Romaglino

## Top 10 holdings (%)

Black Belt Energy Gas Dist Ala 4 10/01/2052	3.07
Main Str Nat Gas Inc Ga Gas Su 5 07/01/2053	3.05
Southeast Energy Auth Commodit 5.25 01/01/2054	2.99
Lake Charles La Hbr & Term Dis 1 12/01/2051	2.41
Wisconsin St 4.29 05/01/2025	2.11
New Jersey Economic Dev Auth R 5 11/01/2026	2.08
Southeast Energy Auth Coop Dis 5 01/01/2054	1.96
Louisiana Pub Facs Auth Solid 5 10/01/2043	1.88
King Cnty Wash Swr Rev 4.1 01/01/2040	1.80
Wisconsin St Health & Edl Facs 4.05 08/15/2054	1.45

## Investment approach

Invests primarily in investment-grade municipal bonds or municipal notes having a maturity of less than 4 years.

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

	4Q23 (not annualized)	YTD (not annualized)	1 Year	3 Year	5 Years	10 Years
<b>Institutional</b>	3.24	4.48	4.48	0.54	1.09	0.84
<b>Investor A (Without Sales Charge)</b>	3.28	4.23	4.23	0.34	0.86	0.60
<b>Investor A (With Sales Charge)</b>	0.18	1.11	1.11	-0.67	0.24	0.29
<b>Morningstar Muni National Short Category Avg.</b>	2.99	3.70	3.70	0.40	1.32	1.14
<b>BBG Municipal Bond<sup>1</sup></b>	7.18	6.03	6.03	-0.26	2.24	3.06
<b>BBG Limited Maturity Municipal Bond<sup>2</sup></b>	2.61	3.39	3.39	0.71	1.44	1.22

Expenses for Institutional shares: Total **0.46%**; Net, Including Investment Related Expenses (dividend expense, interest expense, acquired fund fees and expenses and certain other fund expenses) **0.36%**. For Investor A shares: Total **0.65%**; Net, Including Investment Related Expenses **0.61%**. 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 3% 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: **0.36%**; for Investor A shares: **0.59%**.

**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. 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. There may be less information on the financial condition of municipal issuers than for public corporations. The market for municipal bonds may be less liquid than for taxable bonds. Some investors may be subject to Alternative Minimum Tax (AMT). Capital gains distributions, if any, are taxable.

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 BBG Municipal Bond 1-5Yr Index measures the U.S. municipal market performance of bonds issued by states or municipalities. All bonds in the index are exempt from U.S. federal income taxes or subject to the alternative minimum tax. **2** The BBG Limited-Maturity Municipal Bond Index consists of municipal bonds with maturities between 6 months and 4 years.

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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