

# Strategic Income Opportunities Fund

BlackRock®

INST: BSIIX • A: BASIX • C: BSICX

★★★★ Morningstar Overall Rating™ (Inst)

**Performance:** The fund posted a positive return for the month of March as rates and spreads held in despite economic data generally surprising to the upside

▲ **Contributors:** Structured Products, European Credit, and US & Non-US Rates

▼ **Detractors:** No meaningful detractors over the period

**Positioning:** We continue to own the bulk of our duration in the belly of the curve, while tactically trading Global Sovereign & Credit exposures, Agency Mortgages, and Emerging Market Debt

▲ **Increased:** Non-US Sovereigns and Emerging Market Debt

▼ **Decreased:** Agency Mortgages and Global Credit

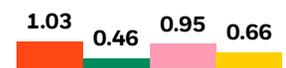
## Returns in all rate environments<sup>1</sup>

BlackRock's global fixed income platform helps us identify opportunities to generate total return in various market scenarios. In March, Structured Products, European Credit, and US & Non-US Rates were the main contributors to performance.

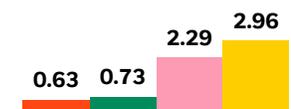
### Rising rates (%)



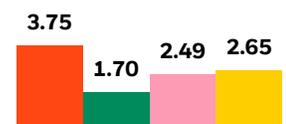
### Flat (%)



### Falling rates (%)



### Since Inception (%)



- Strategic Income Opportunity Fund
- Short-Term Bond Category

- Intermediate Core-Plus Bond Category
- Bloomberg U.S. Agg Bond Index

## Outperformance with less risk

The fund has generated stronger returns with lower volatility versus nontraditional bond fund averages over the past 5 years.

	BlackRock Strategic Income Opportunities Fund	Morningstar Nontraditional Bond Category Average
Annualized return	3.05%	2.36%
Annualized volatility	4.91%	4.91%
Sharpe ratio	0.18	-0.02

Source: Morningstar. Based on 5-year data as of 03/31/24. Volatility is measured by standard deviation of returns. Higher deviation represents higher volatility. Sharpe ratio uses a fund's monthly standard deviation and excess return (difference between the fund's return and the risk-free return of 90-day Treasury Bills) to determine reward per unit of risk.

	Subsidized	Unsubsidized
30-day SEC yield	5.12%	5.11%

30-day SEC yield reflects the income earned by an investor in the fund during a 30-day period after deducting the fund's expenses. Unsubsidized SEC yield represents what a fund's 30-day SEC yield would have been had no fee waiver or expense reimbursement been in place over the period.

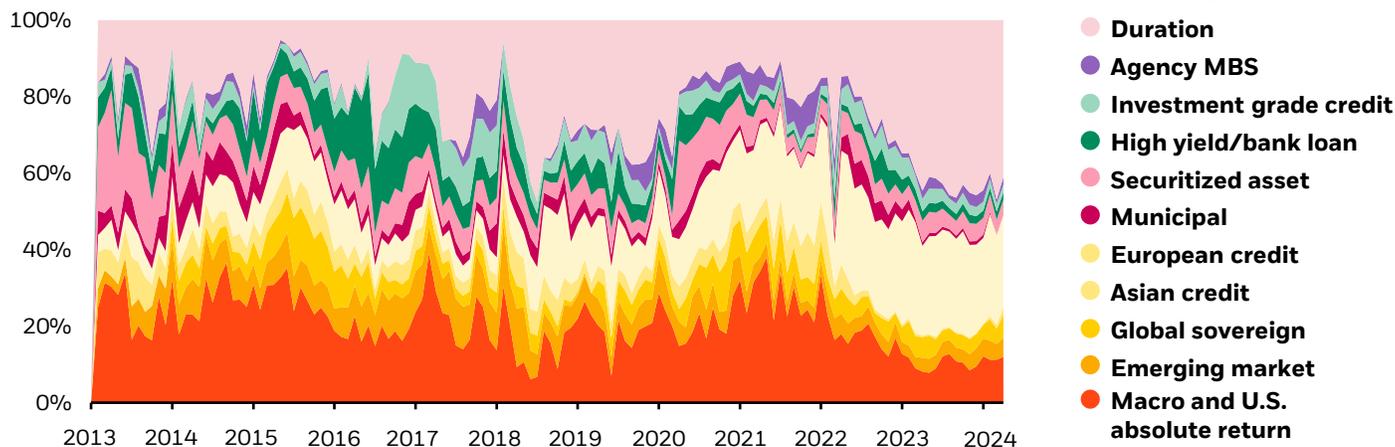
All data as of 3/31/24. **Fund data based on Institutional shares, which may not be available to all investors. Other share classes may vary.** Performance data quoted represents past performance and is no guarantee of future results. Investment returns and principal values may fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. All returns assume reinvestment of all dividend and capital gain distributions. Current performance may be lower or higher than that shown. Refer to blackrock.com for recent performance.

The Overall Morningstar Rating of 4 stars pertains to the fund's Institutional shares, rated against 278 Nontraditional Bond Funds as of 3/31/24. Ratings are based on risk-adjusted total return and a weighted average of performance figures associated with Morningstar's 3-, 5- and 10-year rating metrics. Ratings are determined monthly and subject to change.<sup>2</sup>

## Tactical risk taking as bond markets change

We adapt the fund's risk strategies as markets change. In March, we selectively added to Non-US Sovereigns and Emerging Market Debt, while tactically trimming Global Credit allocations.

### Composition of risk



### Asset Allocation

In March, we sought income from diversified sources including Credit and Securitized Assets, while actively managing duration.

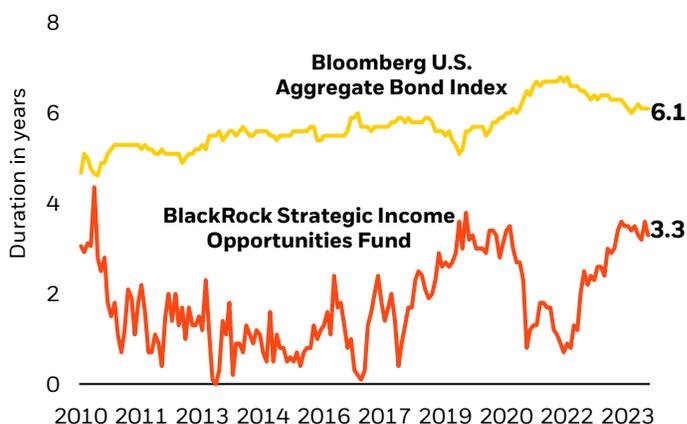
Sector	% as of 03/31*	Change since last month	Duration contrib. (years)
U.S. Treasuries	2.9%	▲ 0.7%	0.25
U.S. interest rate derivatives	4.1%	▼ 15.6%	-0.17
U.S. Agency/MBS	12.8%	▼ 4.7%	0.85
Non-U.S. Sovereign	27.3%	▲ 6.9%	0.20
Non-U.S. Credit	13.6%	▼ 0.5%	0.47
Investment Grade Credit	3.5%	▼ 3.1%	0.42
High Yield Credit	7.3%	▼ 1.1%	0.10
Bank Loans	4.2%	▲ 0.4%	0.00
Municipal Bonds	1.1%	▼ 0.1%	0.10
Emerging market debt	14.6%	▲ 0.6%	0.63
Non-Agency MBS	6.3%	▼ 0.1%	0.17
Commercial MBS	5.4%	▲ 0.0%	0.05
Asset-backed	4.7%	▲ 0.0%	0.09
CLOs	7.5%	▲ 0.2%	0.01
Other	3.1%	▲ 0.4%	0.00
Cash/Cash Equivalents	0.2%	▲ 5.9%	0.12
Net Derivatives	-18.6%	▲ 10.0%	0.00
<b>Total</b>	<b>100.0%</b>		<b>3.29</b>

### Diversification benefits of the fund

	Correlation to fund	Annualized volatility
Strategic Income Opportunities Fund	-	4.91%
Bloomberg U.S. Aggregate Bond Index	0.53	6.14%

Source: Morningstar. Monthly data based on Institutional shares since strategy inception (March 2010) through 03/31/24. Annualized volatility is the standard deviation of returns. Past correlations are no guarantee of future correlations.

### Flexible duration for all rate scenarios

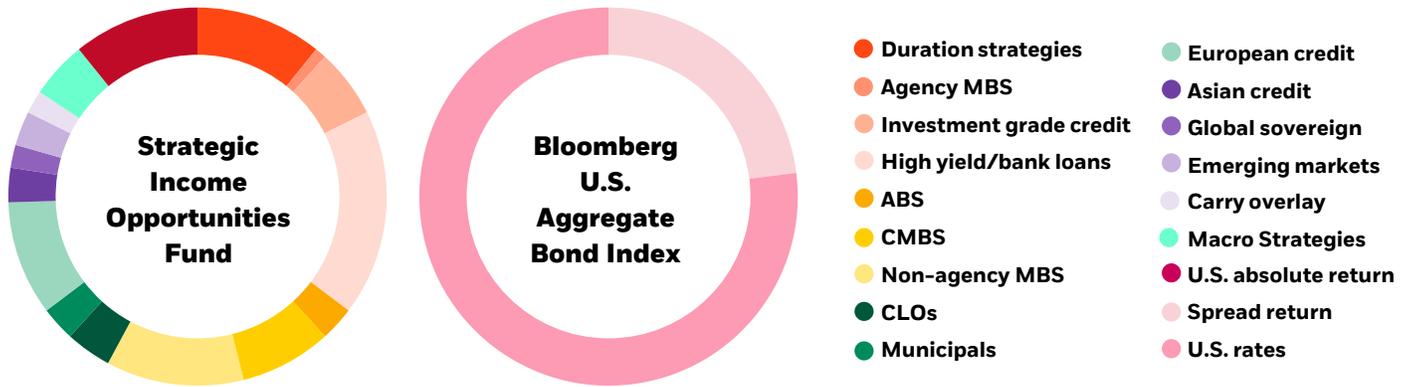


Monthly data since inception of the fund's strategy in 03/31/10 through 03/31/24. As a general rule, for every 1% change in interest rates, a bond's price will change approximately 1% in the opposite direction for every year of duration. Therefore, when interest rates rise, bonds with shorter duration fare better. When interest rates fall, bonds with longer duration tend to outperform.

\* Values may not equal 100% due to rounding. Asset class exposure shown as a percent of market value. Hedging strategies shown as a percent of notional value and include only short derivative positions. **Non-U.S. Sovereign** includes the effect of interest rate derivatives. **Credit** allocations include the notional value of CDX overlay positions. **Other** category includes equity-related securities, convertibles and other non-classified securities. The fund's exposure to equities is limited to 10% of assets. **Cash/Cash Equivalents** may include long or short positions pending settlement as well as the market value of traditional bonds and swaps (such as Eurodollar futures) with a maturity date of less than one year. **Net Derivatives** reflects the approximate notional value of long derivative positions less short derivative positions held in the fund; derivatives typically include, but are not limited to, futures, options and swap contracts.

**Diversified sources of return keep volatility low**

Since strategy inception, the fund has drawn upon a variety of sources to generate return.



Data is since strategy inception (3/31/10) through 03/31/24. Subject to change. Diversification does not ensure a profit or protect against a loss.

**Market movements**

Throughout the month, there was notable intramonth volatility in the US Treasury 10-year nominal rates fueled by economic data surprising to the upside. The US CPI Report saw February Headline and Core CPI beat expectations with headline CPI printing at 0.44% MoM, and Core CPI at 0.36% MoM, translating to 3.15% YoY and 3.75% YoY, respectively. In the labor market, total nonfarm employment saw a 275k increase and the unemployment rate increased slightly to 3.9%, while overall participation stayed at flat at 62.5%.

At the March FOMC, the members voted to hold its key interest rates at 5.25-5.50% while maintaining its guidance of three policy rate cuts by the end of the year. Chair Powell reiterated that, “our policy rate is likely at its peak for this tightening cycle” emphasizing that the central bank is waiting to “gain greater confidence that inflation is moving sustainably down toward 2%” before beginning its rate cutting cycle.

Similarly, the ECB decided to keep its key interest rates unchanged. Since the last Governing Council meeting in January, inflation has declined further with the ECB revising down inflation projections for the next 3-years. Additionally, the Bank of Japan raised its key policy rate to 0.0-0.1% last week from -0.1%, moving out of negative territory for the first time since 2016.

**Duration positioning**

The team tactically trimmed top-line duration while continuing to own the bulk of the duration exposure in the belly of the yield curve given its attractive price appreciation potential, particularly from curve steepening. We remain hesitant to extend into the long-end as we see room for further widening and term premium pricing.

**Sector positioning**

From a high-quality asset perspective, we trimmed US IG Credit exposures as spreads tightened following continued strong demand. Additionally, we tactically reduced risk within Agency Mortgages while still favoring the asset class, particularly 3.5 coupon mortgages.

Outside of the US, we tactically added to our long European Sovereigns exposure, while trimming European Credit positions as spreads tightened over the month. We also tactically added risk within Emerging Market Debt given core yields have likely reached the end of their repricing cycle.

Lastly, we trimmed exposure from US HY Credit as we remain cautious down the cap stack and we continue to favor higher-quality structured products given the attractive carry.



**The breadth and depth of our global fixed income platform allows us to find opportunities as we seek to make a little bit of money a lot of times.”**



**Rick Rieder**

BlackRock’s Global Chief Investment Officer of Fixed Income

**Portfolio Managers**

Rick Rieder, Russell Brownback, David Rogal

## Average annual total returns (%) as of 03/31/24

	1 Month (not annualized)	YTD (not annualized)	1 Year	3 Year	5 Year	10 Year
Institutional	1.02	0.89	6.49	0.92	3.05	2.74
Investor A Without/with Sales Charge	1.00 / -3.04	0.83 / -3.21	6.33 / 2.08	0.68 / -0.68	2.76 / 1.93	2.45 / 2.03
Morningstar Nontraditional Bond Avg.	1.03	1.62	6.95	0.96	2.36	2.21

**Performance data quoted 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 distributions. Current performance may be lower or higher than that shown. Refer to blackrock.com for most recent month-end performance. Share classes have different sales charges, fees and other features. Returns with sales charge reflect the deduction of current maximum initial sales charge of 4.00% for Investor A shares. Institutional shares have no front- or back-end load, limited availability and may be purchased at various minimums. See prospectus for details.** Investment returns reflect total fund operating expenses, net of all fees, waivers and/or expense reimbursements. Expenses, as stated in the fund's most recent prospectus, for Institutional/Investor A shares: Total, **0.71%/0.99%**; Net, Including Investment Related Expenses (dividend expense, interest expense, acquired fund fees and expenses and certain other fund expenses): **0.71%/0.99%**. Institutional and Investor A have contractual waivers with an end date of 6/30/24 terminable upon 90 days' notice. Net expenses, Excluding Investment Related Expenses: 0.61%/0.89%.

**Important risks:** The fund is actively managed, and its characteristics will vary. 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. Derivatives entail risks relating to liquidity, leverage and credit that may reduce returns and increase volatility. International investing involves special risks including, but not limited to currency fluctuations, illiquidity and volatility. These risks may be heightened for investments in emerging markets. Non-investment-grade debt securities (high-yield/junk bonds) may be subject to greater market fluctuations, risk of default or loss of income and principal than higher-rated securities. 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.

The opinions expressed are those of the fund's portfolio management team as on March 31, 2024, 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.

**1** Source: Morningstar as of 03/31/24. Data since 3/31/10, when Rick Rieder was named PM of the fund and the investment strategy changed. Performance is category, fund or index average in given time frames. Rising, Flat and Falling rate periods are calculated using a proprietary methodology that chooses periods based on specific parameters BlackRock deems sufficient to categorize periods as rising, flat and falling. Rising Rates: Counts period if <= 60 day period with at least a 40 bp increase in 10-year treasury from start date to end date. 12/31/2010 to 02/08/2011, 09/22/2011 to 10/27/2011, 01/31/2012 to 03/19/2012, 07/25/2012 to 09/14/2012, 11/16/2012 to 02/13/2013, 05/01/2013 to 07/05/2013, 10/23/2013 to 12/31/2013, 01/30/2015 to 03/06/2015, 04/03/2015 to 06/10/2015, 09/07/2016 to 11/30/2016, 09/07/2017 to 10/26/2017, 11/06/2017 to 1/30/2018, 08/20/2018 to 10/10/2018, 08/28/2019 to 09/13/2019, 10/04/2019 to 12/23/2019, 03/09/2020 to 03/18/2020, 10/14/2020 to 01/11/2021, 01/27/2021 to 04/05/2021, 08/03/2021 to 10/21/2021, 12/3/2021 to 02/15/2022, 03/1/2022 to 05/6/2022, 08/1/2022 to 10/24/2022, 12/7/2022 to 12/28/2022, 1/18/2023 to 3/2/2023, 5/4/2023 to 7/7/2023, 7/26/2023 to 10/19/2023, 12/27/2023 to 3/18/2024. Flat Rates: Ending date rate must be within +/- 2 bps of start date rate, period must be at least 30 days and no more than 90 days (business days), variance of rate in the periods must be +/- 15 bps from start date rate on each date over the period (ensures minimal volatility over the period as a whole). 11/17/2011 to 03/06/2012, 06/05/2012 to 08/01/2012, 10/10/2012 to 12/14/2012, 01/03/2013 to 03/25/2013, 06/25/2013 to 08/12/2013, 09/25/2013 to 11/07/2013, 01/30/2014 to 04/29/2014, 05/16/2014 to 09/30/2014, 10/22/2014 to 12/08/2014, 08/03/2015 to 10/30/2015, 11/04/2015 to 12/31/2015, 02/02/2016 to 03/28/2016, 03/30/2016 to 05/31/2016, 06/16/2016 to 08/31/2016, 12/9/2016 to 1/31/2017, 02/06/2017 to 03/31/2017, 04/18/2017 to 06/21/2017, 06/22/2017 to 08/30/2017, 09/29/2017 to 11/28/2017, 02/02/2018 to 04/17/2018, 05/30/2018 to 07/19/2018, 07/31/2018 to 9/12/2018, 12/31/2018 to 03/06/2019, 06/03/2019 to 07/30/2019, 10/21/2019 to 12/05/2019, 03/30/2020 to 05/28/2020, 06/11/2020 to 08/24/2020, 08/27/2020 to 10/15/2020, 11/03/2020 to 12/31/2020, 03/08/2021 to 06/02/2021, 07/07/2021 to 09/22/2021, 09/28/2021 to 11/19/2021. Falling Rates: Counts period if <=60 day period with at least a 40 bp decline in 10-year treasury rate from start date to end date. 02/08/2011 to 03/16/2011, 04/08/2011 to 06/24/2011, 07/01/2011 to 09/22/2011, 10/27/2011 to 12/19/2011, 03/19/2012 to 06/01/2012, 03/11/2013 to 05/02/2013, 09/05/2013 to 10/23/2013, 12/31/2013 to 03/03/2014, 09/18/2014 to 10/15/2014, 11/06/2014 to 02/02/2015, 06/10/2015 to 08/24/2015, 11/09/2015 to 01/29/2016, 03/13/2017 to 05/31/2017, 11/08/2018 to 1/31/2019, 06/10/2019 to 08/28/2019, 3/11/2019 to 6/3/2019, 11/08/2019 to 01/31/2020, 02/05/2020 to 04/21/2020, 05/12/2021 to 07/19/2021, 6/14/2022 to 8/1/2022, 10/24/2022 to 1/18/2023, 3/2/2023 to 4/5/2023, 10/19/2023 to 12/27/2023. **2 The Morningstar Rating™** for funds, or "star rating," is calculated for managed products (including mutual funds, variable annuity and variable life subaccounts, exchange-traded funds, closed-end funds, and separate accounts) with at least a three-year history. Exchange-traded funds and open-ended mutual funds are considered a single population for comparative purposes. It is calculated based on a Morningstar Risk-Adjusted Return measure that accounts for variation in a managed product's monthly excess performance, placing more emphasis on downward variations and rewarding consistent performance. The top 10% of products in each product category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars, and the bottom 10% receive 1 star. The Overall Morningstar Rating for a managed product is derived from a weighted average of the performance figures associated with its three-, five-, and 10-year (if applicable) Morningstar Rating metrics. The weights are: 100% three-year rating for 36-59 months of total returns, 60% five-year rating/40% three-year rating for 60-119 months of total returns, and 50% 10-year rating/30% five-year rating/20% three-year rating for 120 or more months of total returns. While the 10-year overall star rating formula seems to give the most weight to the 10-year period, the most recent three-year period actually has the greatest impact because it is included in all three rating periods. With respect to U.S.-domiciled funds in the Nontraditional Bond fund category, the fund received a Morningstar Rating of 3 stars for the 3-year period, rated against 278 funds; 4 stars for the 5-year period, rated against 250 funds; and 4 stars for the 10-year period, rated against 161 funds. Ratings are for Institutional share class. Other classes may have different performance characteristics. BlackRock provides compensation in connection with obtaining or using third-party ratings and rankings.

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 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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