

Total Return Fund

Inst: **MAHQX** A: **MDHQX** C: **MFHQX** R: **MRCBX¹** K: **MPHQX**

Commentary as of 03/31/24

- The fund posted returns of -0.29% (Institutional shares) and -0.47% (Investor A shares, without sales charge) for the first quarter of 2024.
- Structured products, agency mortgage-backed securities (MBS), U.S. high yield credit, and U.S. rates contributed to performance. Emerging market debt detracted from returns during the quarter.
- The fund increased its underweight duration position (interest rate sensitivity) amid stronger economic data and expectations that there was room for intermediate/long-end rates to move higher. It maintained overweight positions in U.S. investment grade credit and agency MBS. In addition, we favored seniority in securitized debt and tactically added to U.S. high yield credit exposure.

★★★★ Morningstar Overall™

Institutional shares rated against 557 Intermediate Core-Plus Bond Funds, as of 3/31/24, based on risk-adjusted total return. Ratings are determined monthly and subject to change. The Overall Morningstar Rating for a fund is derived from a weighted average of the performance figures associated with its 3-, 5- and 10-year (if applicable) Morningstar Rating metrics.¹¹

Portfolio management

Rick Rieder, David Rogal,
Chi Chen

Top 10 holdings (%)

United States Treasury	22.65
Federal National Mortgage	12.26
Uniform Mbs	8.01
FHLM	6.91
GNMA II	4.50
Morgan Stanley	1.23
Bank of America	1.22
Goldman Sachs Group Inc/The	1.09
Diamondback Energy Inc	0.82
Mexico	0.71

Investment approach

Seeks to realize a total return that exceeds that of the U.S. Aggregate Bond Index.

Contributors

Upside economic data surprises meant that interest rates moved higher across the yield curve and spread sectors performed well. While spreads were tight, fixed income demand remained robust. Given these dynamics, the allocation to securitized assets was the most notable contributor to returns. High yield credit exposure was beneficial as spreads continued to tighten. Duration positioning, specifically an underweight position at the front-end of the yield curve early in the quarter, contributed to performance.

Detractors

Emerging market debt slightly detracted from returns during the quarter.

Further insight

The fund started the year with an underweight duration position, primarily at the front-end of the yield curve, as the market priced in a cumulative 150 basis points of interest rate cuts in 2024. We moved this underweight position further out along the curve as economic data remained resilient and rates moved higher. At quarter-end, the fund had an overweight position at the front-end of the curve and an underweight exposure to the back-end. We felt that market pricing for the Federal Reserve was generally fair and we expected the curve to steepen due to “stickier” inflation and increased U.S. Treasury issuance, among other factors.

Average annual total returns (%) as of 3/31/24

	1Q24 (not annualized)	YTD (not annualized)	1 Year	3 Year	5 Years	10 Years
Institutional²	-0.29	-0.29	1.76	-2.57	0.81	1.96
Investor A (Without Sales Charge)²	-0.47	-0.47	1.46	-2.86	0.49	1.64
Investor A (With Sales Charge)²	-4.45	-4.45	-2.59	-4.17	-0.33	1.22
BBG U.S. Aggregate Bond²	-0.78	-0.78	1.70	-2.46	—	—

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) **0.45%**. For Investor A shares: Total **0.75%**; Net, Including Investment Related Expenses **0.75%**. 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 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: **0.44%**; for Investor A shares: **0.74%**.

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. 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. 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 of 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.

BlackRock provides compensation in connection with obtaining or using third-party ratings and rankings.

1 Class R shares are sold to a limited group of investors, including certain retirement plans. See prospectus for details. **2** The unmanaged, market-weighted U.S. Aggregate Bond Index comprises investment-grade corporate bonds (rated BBB or better), mortgages and U.S. Treasury and government agency issues with at least 1 year to maturity. **3** 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. The fund was rated against the following numbers of U.S.-domiciled Intermediate Core-Plus Bond funds over the following time periods: 557 in the last 3 years, 527 in the last 5 years and 368 in the last 10 years. With respect to these Intermediate Core-Plus Bond funds, the fund received a Morningstar Rating of 3, 3 and 4 stars for the 3-, 5- and 10-year periods, respectively. Other classes may have different performance characteristics.

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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04/24 — Total Return Fund

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