

U.S. Mortgage Fund

BlackRock

Inst: **MSUMX** A: **BMPAX** C: **BMPCX**

Commentary as of 12/31/23

- The fund posted returns of 6.06% (Institutional shares) and 6.12% (Investor A shares, without sales charge) for the fourth quarter of 2023.
- Allocations to agency collateralized mortgage obligations (CMOs) were the main contributors to performance during the quarter.
- The fund continued to favor allocations to securitized sectors, such as non-agency residential mortgage-backed securities (MBS) and commercial MBS (CMBS). The fund also maintained a core allocation to agency MBS, favoring pools over to-be-announced (TBA) securities, and agency CMOs.

Contributors	Detractors
Allocations to CMOs performed positively, particularly sub-sectors such as interest-only securities. Interest rate volatility strategies were modestly additive.	The main detractors were the fund's active duration positioning (management of interest rate sensitivity) and allocations to CMBS and non-agency residential MBS.

Further insight

The fund continues to hold higher-yielding assets in CMBS and non-agency residential MBS sectors, such as single-family rentals and non-performing and re-performing loans, as means to provide higher income. We continue to favor selections at the top of the capital stack (the organization of capital in a mortgage bond where the top of the "stack" carries least risk) and the single-asset, single-borrower sub-sector, where there is more transparency on the underlying collateral. We also remain constructive on agency MBS, given attractive valuations. At quarter-end, the fund favored owning specified pools over TBA securities.

Portfolio management

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Top 10 holdings (%)

Umbs 30yr Tba(reg A)	38.42
Fhlmc 30yr Umbs	8.31
Fhlmc 30yr Umbs Super	4.41
Umbs 15yr Tba(reg B)	2.93
Gnma_22-88d Ia	1.73
Gnma_21-97c Li	1.30
Fnma 30yr Umbs Super	1.27
Fnma 30yr	1.24
Gnma_21-64v lh	1.18
Slst_20-3 M1 144a	1.13

Investment approach

Invests primarily in mortgage-related securities of any maturity, including U.S. government and agency securities, securities issued by U.S. government instrumentalities and U.S. government-sponsored enterprises and other MBS or mortgage-related securities issued by the U.S. government or by private issuers.

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

	4Q23 (not annualized)	YTD (not annualized)	1 Year	3 Year	5 Years	10 Years
Institutional	6.06	6.40	6.40	-1.93	1.26	2.16
Investor A (Without Sales Charge)¹	6.12	6.26	6.26	-2.18	1.03	1.91
Investor A (With Sales Charge)¹	1.88	2.01	2.01	-3.50	0.21	1.50
Morningstar Multisector Bond Category Avg.	5.68	8.13	8.13	0.10	2.93	2.83
U.S. Mortgage-Backed Securities²	7.48	5.05	5.05	-2.86	0.25	1.38

Expenses for Institutional shares: Total **0.59%**; 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 **0.92%**; Net, Including Investment Related Expenses **0.70%**. 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 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. 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 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 performance information for periods prior to the inception date (12/6/10) of Investor A shares is based on the fund's Institutional shares, adjusted to reflect the fees and expenses applicable to such share class. See the fund prospectus for more details. **2** The Bloomberg U.S. Mortgage-Backed Securities Index consists of fixed-rate securities, such as mortgage pools created by GNMA, FHLMC and FNMA. It is a performance benchmark for many mortgage-backed securities funds.

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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