

Inst: **BGNIX** A: **BGPAX** C: **BGPCX** K: **BGBPX**

Commentary as of 03/31/24

- The fund posted returns of -0.77% (Institutional shares) and -0.95% (Investor A shares, without sales charge) for the first quarter of 2024.
- Out-of-benchmark allocations to collateralized mortgage obligations (CMOs) contributed strongly to performance. Pool selection within agency mortgage-backed securities (MBS) was additive, while rates-based strategies were moderately weak.
- The fund continued to favor MBS pass-through exposure in higher-coupon pools (a 6.5% loan balance pool was purchased for income purposes). We continued to hold out-of-benchmark allocations, such as fixed-rate CMOs and agency mortgage derivatives.

Contributors	Detractors
The largest contributors to performance were out-of-benchmark allocations to mortgage derivatives and fixed-rate CMOs, which provided stable cash flows. In addition, the fund's continued long position in well-seasoned higher coupon pools relative to recently originated collateral was beneficial.	Rates-based strategies were the sole detractor during the quarter. The positive contribution from duration (interest rate sensitivity) and rates volatility positions was offset by a negative cash equivalent return.

Further insight

The fund favors seasoned pools over generic collateral, given that seasoning provides a degree of extension protection through higher turnover and home-price appreciation. In out-of-benchmark allocations, the fund continues to hold fixed-rate CMOs and mortgage derivatives. In rates positioning, the fund remained close to neutral duration during the quarter.

Portfolio management

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Top 10 holdings (%)

GNMA II	99.14
GNMA I	10.76
Federal National Mortgage	2.23
Gnma_15-187-C	1.83
Gnma_15-55-A	1.39
Gnma_15-79-My	0.94
FhImc_4325-Zx	0.89
Gnma_20-149h-1a	0.76
Gnma_15-103-B	0.75
FHLM	0.73

Investment approach

Invests primarily in securities issued by the Government National Mortgage Association (GNMA) as well as other U.S. government securities. The Fund seeks to maintain an average portfolio duration that is within +/- 1 year of the duration of the benchmark. The fund normally invests at least 80% of its assets in GNMA securities.

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

	1Q24 (not annualized)	YTD (not annualized)	1 Year	3 Year	5 Years	10 Years
Institutional	-0.77	-0.77	1.50	-3.28	-0.40	0.85
Investor A (Without Sales Charge)	-0.95	-0.95	1.25	-3.54	-0.66	0.56
Investor A (With Sales Charge)	-4.91	-4.91	-2.80	-4.84	-1.47	0.15
BBG GNMA MBS¹	-1.06	-1.06	1.65	-2.52	-0.28	1.06

Expenses for Institutional shares: Total **1.08%**; Net, Including Investment Related Expenses (dividend expense, interest expense, acquired fund fees and expenses and certain other fund expenses) **0.88%**. For Investor A shares: Total **1.34%**; Net, Including Investment Related Expenses **1.13%**. 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: **0.42%**; for Investor A shares: **0.67%**.

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. 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 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.

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¹ The Bloomberg GNMA MBS Index comprises GNMA mortgage-backed pass-through securities.

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 — GNMA Fund

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