A Generational Opportunity in Fixed Income

BlackRock

Putting current yields in perspective

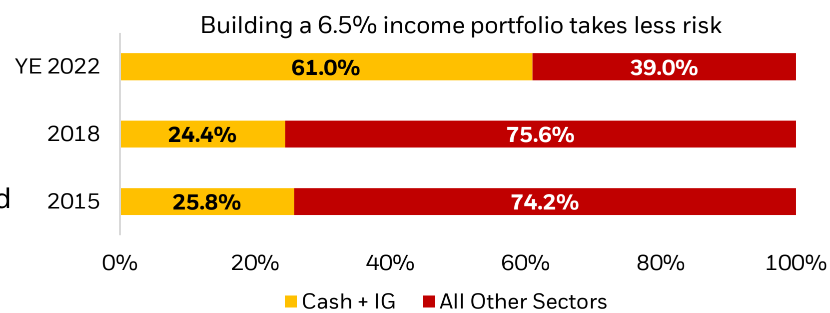
The new market regime has unlocked investment opportunities in fixed income and credit not seen in over a decade. Investors today have an opportunity to re-size and re-think fixed income: re-sizing to cure any underweights relative to strategic asset allocations, and rethinking the composition of fixed income allocations to take advantage of investment opportunities across the spectrum.

The long drought in broad sector yields is over, with 82% of Global Agg sectors yielding over 4%[1]. Though the aggressive hiking cycle has caused concerns for some market participants, we see silver linings:

- Investors are now attractively compensated in high-quality assets at the very front end of the curve, easily securing >4% yields, incenting strategic tiering of liquidity pools to prudently put operating assets to work.
- Core allocations benefit from both the higher rate environment as well as the potential for stronger hedging efficiency as sentiment around rates peaking grows or the Fed pivots in the event of a slowdown.
- Gyrating markets and dispersion point towards opportunity for nimble investment strategies able to flex across geographies, sectors, and duration, while also benefitting private credit as traditional credit supply contracts.

Risk-efficiency of current yields

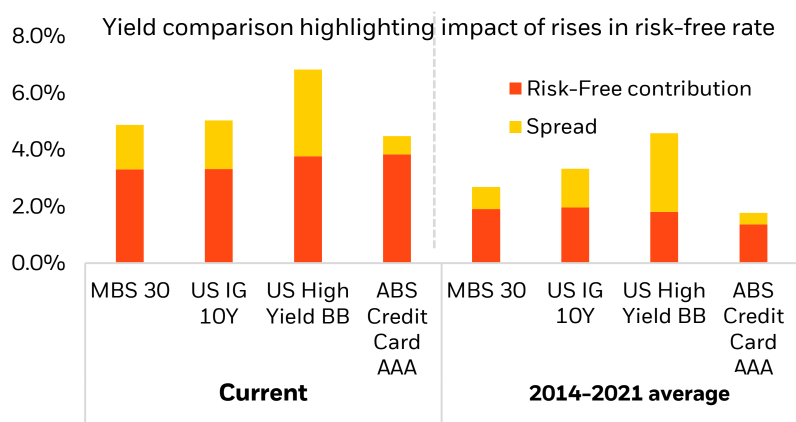
Highly-rated Investment-Grade credit and Treasuries yield approximately what poorly rated bonds did just one year ago. This means that the menu of investment options to reach a target yield has greatly expanded and investors can reach that target, without having to reach aggressively into higher risk products.



Bonds' ballast potential is back

Dissecting 'why' yields are higher is important - the Fed's hiking activity has 'raised all boats'. Spreads suggest fear of expected losses are not rising dramatically.

Bonds should once again offer hedge and diversifying potential in portfolios that have riskier allocations, given the considerable room for rates to rally in the event of a growth shock and/or if the Fed pivots and eases, as well as the yield cushion being a multiple of years prior.



Targeting better outcomes through strategic fixed income opportunities

Optimize Liquidity: Target the benefits of an attractive yield cushion to buffer portfolios, weather market volatility, and provide attractive returns, via targeting the front-end of the curve. — **Short Duration**

Rethink Core Allocations: Elevated real risk-free rates offer greater potential for duration to restore its diversification and hedging power benefits against risk assets. — **Core / Core Plus**

Consider non-benchmark exposures as diversifiers: Explore breadth to boost returns while navigate nimbly across sectors, positioning tactically and managing for downside risk. — **Unconstrained**

Sources: BlackRock Investment Institute, Bloomberg, with data from Refinitiv Eikon. Data as of April 6, 2023

Tactically targeting alpha in Liquid Credit

BlackRock.

Navigating spreads without capital lock-up

Stepping out of traditional fixed income, opportunities exist to target dislocations without materially impacting liquidity via liquid credit strategies. For many long-term investors seeking income and total return, high-yield spreads near or above 500bps have marked an attractive entry point to the asset class historically.

Similarly, the opportunity for total return in loans priced lower than ~$93 appears attractive as the asset class has historically priced near par, bolstered by current loan coupons of greater than 8% for income-focused investors.

Investors can tap into attractive credit spreads and yields with immediate access and potential price appreciation, while avoiding locking up capital in illiquid structures.

Strong fundamental underpinnings and creation of alpha opportunities

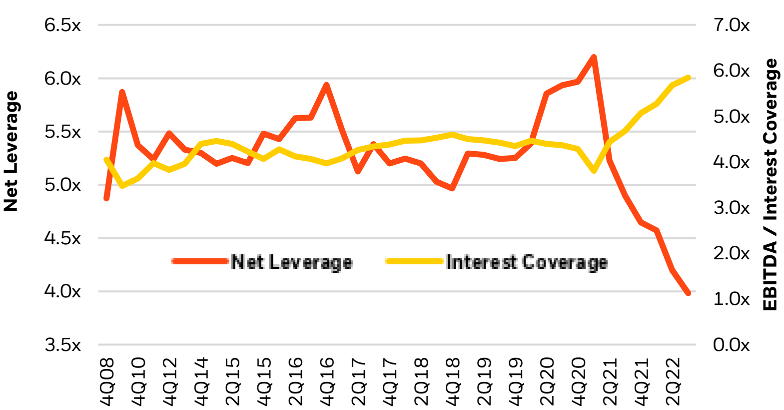
We expect corporate credit defaults to remain at or below levels seen in previous cycles given the health of levered issuers and a lack of near-term maturity wall.

Interest coverage and leverage have been at particularly strong levels. Though slowing economic growth and continued higher rates may test issuers, the fundamental starting points indicates strength.

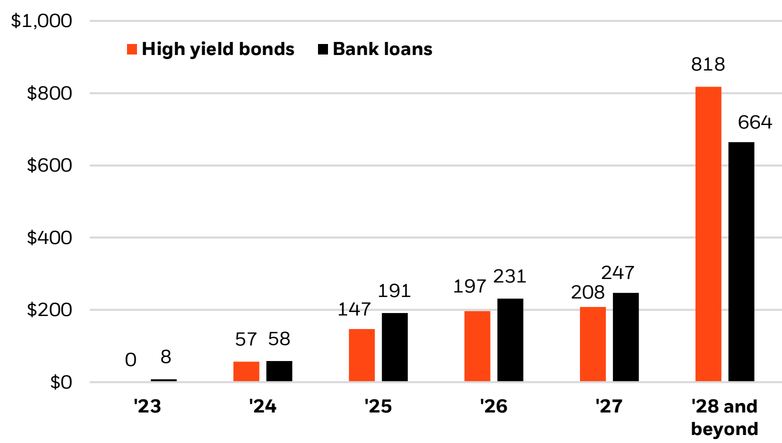
Dispersion across high yield and loans should increase if growth slows and market uncertainty remains, creating an alpha opportunity through credit selection in addition to a idiosyncratic return profile vs. fixed income.

Strategies able to dynamically position long and short across sectors and geographies should be able to actively navigate markets that evolve in real time.

Interest coverage is coming from all-time highs and leverage is coming from all-time lows[1]



Near-term maturities are heavily backloaded[2]



Targeting better outcomes through strategic liquid opportunities

Income that keeps up with interest rates: while rising interest rates have punished duration sensitive sectors, they have catapulted the average coupon of loans to 8.67%[4]. Income-oriented investors would struggle to find a similar income stream, away from less liquid markets

Bank Loans

Taking advantage of idiosyncratic opportunities: uncertainty and slowing growth should fuel dispersion in HY, which can create opportunity for alpha generation through credit selection

High Yield Credit

Nimble investing, navigating dispersion: investors may benefit from active and flexible dynamic asset allocation decisions amid increased dispersion seen across markets

Multi-Strat Credit

1. Source: JP Morgan as of 9/30/22. 2. BlackRock, JPMorgan as of 2/28/2023. 4. JPMorgan as of 3/31/2023.

Center stage amidst structural tailwinds: Private Credit

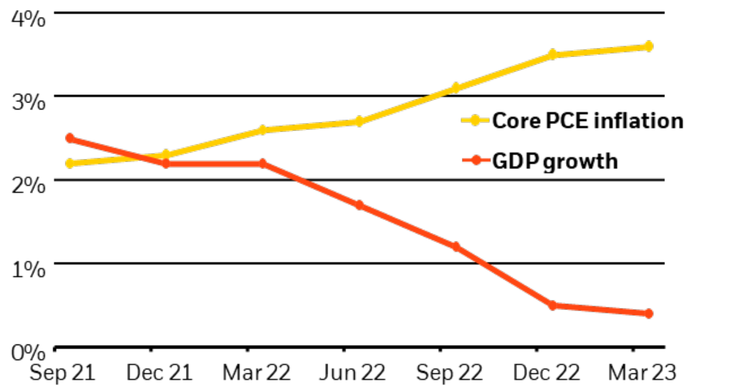
BlackRock.

Capturing illiquidity premium

The Fed's trade off, squashing activity or living with higher inflation, is front of mind for many investors and driving ongoing volatility in equity and credit markets. Private credit is appealing to long-term investors looking to take advantage of the current yields while skirting traditional market volatility

Private credit has remained attractive as a floating-rate asset class, buoyed by higher rates, consistent illiquidity premiums vs. traded markets, and more structural protections than public debt.

U.S. Federal Reserve projections, Q4 2023[1]

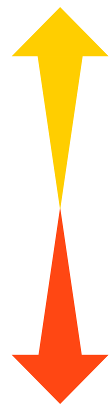


A lender's market benefits investors

Regional and mid-sized bank credit supply is limited by increased regulation, deposit base requirements, and general uncertainty, prompting borrowers to turn to private debt – a tailwind for lenders.

Decreased lender competition has created a 'lenders market': favorable pricing and greater ability to negotiate for tighter terms and covenants, enhancing downside protection.

The attractive return potential and increasingly mitigated risks is fueling demand and growth in committed capital.



Lender bargaining power
Greater ability to demand favorable terms and protections to help limit risk

Lender competition
Fewer traditional lenders in the market, prompting borrowers to seek private credit

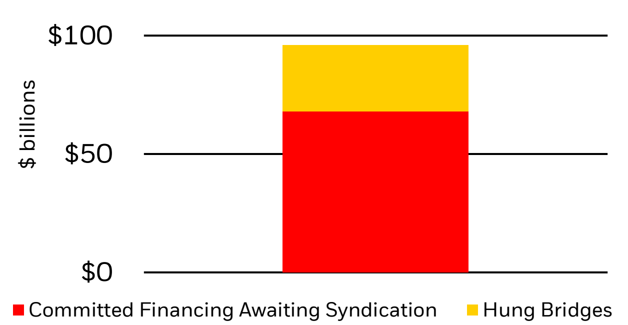
Opportunistic considerations

Sectors seen as challenged in a higher rate environment, such as tech, are more impacted by the credit supply crunch.

We are seeing an increase in liquidity financings to address current and expected defaults.

Market volatility continues to create attractive opportunities in secondary markets, in individual names and hung bridge loans.

Committed debt on US bank balance sheets[2]



Targeting better outcomes through strategic credit opportunities

Attractive yields with structural protections: direct lending in the current environment offers attractive income, favorable covenants, and senior positions in the capital structure

Direct Lending

Equity-like returns, credit-level risk: investors see appeal in opportunistic credit as it, by design, is able to capitalize on challenged, uncertain markets marked by dislocations

Opportunistic

Source: BlackRock Investment Institute, U.S. Federal Reserve, March 2023.
Notes: (1)The chart shows the progression of the median Federal Open Market Committee projection for Q4 2023 U.S. real GDP growth and core PCE inflation year-over-year, from September 2021 to March 2023. (2) BlackRock estimates as of 04/05/2023. Includes term loans, senior secured notes, high yield bonds, unsecured loans, and delayed draw term loans.

BlackRock.

Important Information

FOR INSTITUTIONAL/PROFESSIONAL CLIENTS AND QUALIFIED INVESTORS ONLY

This document is provided for information purposes only and must not be relied upon as a forecast, research, or investment advice. It is not intended for and should not be distributed to, or relied upon by, members of the public. BlackRock is not making any recommendation or soliciting any action based upon the information contained herein and nothing in this document should be construed as constituting an offer to sell, or a solicitation of any offer to buy, securities in any jurisdiction to any person. This information provided herein does not constitute financial, tax, legal or accounting advice, you should consult your own advisers on such matters.

The information and opinions contained in this document are as of March 2023 unless it is stated otherwise and may change as subsequent conditions vary. The information and opinions contained in this material are derived from proprietary and non-proprietary sources deemed by BlackRock to be reliable, are not necessarily all inclusive and are not guaranteed as to accuracy. Although such information is believed to be reliable for the purposes used herein, BlackRock does not assume any responsibility for the accuracy or completeness of such information. Reliance upon information in this material is at the sole discretion of the reader. Certain information contained herein represents or is based upon forward-looking statements or information. BlackRock and its affiliates believe that such statements and information are based upon reasonable estimates and assumptions. However, forward-looking statements are inherently uncertain, and factors may cause events or results to differ from those projected. Therefore, undue reliance should not be placed on such forward-looking statements and information.

Risk Warnings

Capital at risk. The value of investments and the income from them can fall as well as rise and are not guaranteed. Investors may not get back the amount originally invested.
Past performance is not a reliable indicator of current or future results and should not be the sole factor of consideration when selecting a product or strategy.
Changes in the rates of exchange between currencies may cause the value of investments to diminish or increase. Fluctuation may be particularly marked in the case of a higher volatility fund and the value of an investment may fall suddenly and substantially. Levels and basis of taxation may change from time to time.

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. International investing involves risks, including risks related to foreign currency, limited liquidity, less government regulation and the possibility of substantial volatility due to adverse political, economic or other developments. These risks often are heightened for investments in emerging/developing markets and in concentrations of single countries. Funds that concentrate investments in specific industries, sectors, markets or asset classes may underperform or be more volatile than other industries, sectors, markets or asset classes and the general securities market.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 US government agencies are supported by varying degrees of credit but generally are not backed by the full faith and credit of the US government. 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.

Index returns are for illustrative purposes only and do not represent actual fund performance. Index performance returns do not reflect any management fees, transaction costs or expenses. Indexes are unmanaged and one cannot invest directly in an index. Diversification does not assure a profit and may not protect against loss of principal. Diversification among investment options and asset classes may help to reduce overall volatility.

Past performance is not a reliable indicator of current or future results.

In the U.S., this material is for institutional use only - not for public distribution.

In Canada, this material is intended for institutional investors, is for educational purposes only, does not constitute investment advice and should not be construed as a solicitation or offering of units of any fund or other security in any jurisdiction

In Argentina, only for use with Qualified Investors under the definition as set by the Comisión Nacional de Valores (CNV).

In Latin America, for institutional investors and financial intermediaries only (not for public distribution). This material is for educational purposes only and does not constitute investment advice or an offer or solicitation to sell or a solicitation of an offer to buy any shares of any fund or security and it is your responsibility to inform yourself of, and to observe, all applicable laws and regulations of your relevant jurisdiction. If any funds are mentioned or inferred in this material, such funds may not been registered with the securities regulators of Argentina, Brazil, Chile, Colombia, Mexico, Panama, Peru, Uruguay or any other securities regulator in any Latin American country and thus, may not be publicly offered in any such countries. The securities regulators of any country within Latin America have not confirmed the accuracy of any information contained herein. No information discussed herein can be provided to the general public in Latin America. The contents of this material are strictly confidential and must not be passed to any third party.

In Brazil, this private offer does not constitute a public offer, and is not registered with the Brazilian Securities and Exchange Commission, for use only with professional investors as such term is defined by the Comissão de Valores Mobiliários.

In Chile, the sale of each fund not registered with the CMF is subject to General Rule No. 336 issued by the SVS (now the CMF). The subject matter of this sale may include securities not registered with the CMF; therefore, such securities are not subject to the supervision of the CMF. Since the securities are not registered in Chile, there is no obligation of the issuer to make publicly available information about the securities in Chile. The securities shall not be subject to public offering in Chile unless registered with the relevant registry of the CMF.

In Colombia, the sale of each fund discussed herein, if any, is addressed to less than one hundred specifically identified investors, and such fund may not be promoted or marketed in Colombia or to Colombian residents unless such promotion and marketing is made in compliance with Decree 2555 of 2010 and other applicable rules and regulations related to the promotion of foreign financial and/or securities related products or services in Colombia.

.

IN MEXICO, FOR INSTITUTIONAL AND QUALIFIED INVESTORS USE ONLY. INVESTING INVOLVES RISK, INCLUDING POSSIBLE LOSS OF PRINCIPAL. THIS MATERIAL IS PROVIDED FOR EDUCATIONAL AND INFORMATIONAL PURPOSES ONLY AND DOES NOT CONSTITUTE AN OFFER OR SOLICITATION TO SELL OR A SOLICITATION OF AN OFFER TO BUY ANY SHARES OF ANY FUND OR SECURITY. This information does not consider the investment objectives, risk tolerance or the financial circumstances of any specific investor. This information does not replace the obligation of financial advisor to apply his/her best judgment in making investment decisions or investment recommendations. It is your responsibility to inform yourself of, and to observe, all applicable laws and regulations of Mexico. If any funds, securities or investment strategies are mentioned or inferred in this material, such funds, securities or strategies have not been registered with the Mexican National Banking and Securities Commission (Comisión Nacional Bancaria y de Valores, the "CNBV") and thus, may not be publicly offered in Mexico. The CNBV has not confirmed the accuracy of any information contained herein. The provision of investment management and investment advisory services ("Investment Services") is a regulated activity in Mexico, subject to strict rules, and performed under the supervision of the CNBV. These materials are shared for information purposes only, do not constitute investment advice, and are being shared in the understanding that the addressee is an Institutional or Qualified investor as defined under Mexican Securities (Ley del Mercado de Valores). Each potential investor shall make its own investment decision based on their own analysis of the available information. Please note that by receiving these materials, it shall be construed as a representation by the receiver that it is an Institutional or Qualified investor as defined under Mexican law. BlackRock México Operadora, S.A. de C.V., Sociedad Operadora de Fondos de Inversión ("BlackRock México Operadora") is a Mexican subsidiary of BlackRock, Inc., authorized by the CNBV as a Mutual Fund Manager (Operadora de Fondos), and as such, authorized to manage Mexican mutual funds, ETFs and provide Investment Advisory Services. For more information on the Investment Services offered by BlackRock Mexico, please review our Investment Services Guide available in www.blackrock.com/mx. This material represents an assessment at a specific time and its information should not be relied upon by the you as research or investment advice regarding the funds, any security or investment strategy in particular. Reliance upon information in this material is at your sole discretion. BlackRock México is not authorized to receive deposits, carry out intermediation activities, or act as a broker dealer, or bank in Mexico. For more information on BlackRock México, please visit: www.blackRock.com/mx. BlackRock receives revenue in the form of advisory fees for our advisory services and management fees for our mutual funds, exchange traded funds and collective investment trusts. Any modification, change, distribution or inadequate use of information of this document is not responsibility of BlackRock or any of its affiliates. Pursuant to the Mexican Data Privacy Law (Ley Federal de Protección de Datos Personales en Posesión de Particulares), to register your personal data you must confirm that you have read and understood the Privacy Notice of BlackRock México Operadora. For the full disclosure, please visit www.blackRock.com/mx and accept that your personal information will be managed according with the terms and conditions set forth therein.

In Peru, this private offer does not constitute a public offer, and is not registered with the Securities Market Public Registry of the Peruvian Securities Market Commission, for use only with institutional investors as such term is defined by the Superintendencia de Banca, Seguros y AFP.

In Uruguay, the securities are not and will not be registered with the Central Bank of Uruguay. The Securities are not and will not be offered publicly in or from Uruguay and are not and will not be traded on any Uruguayan stock exchange. This offer has not been and will not be announced to the public and offering materials will not be made available to the general public except in circumstances which do not constitute a public offering of securities in Uruguay, in compliance with the requirements of the Uruguayan Securities Market Law (Law Nº 18.627 and Decree 322/011).

For investors in Central America, these securities have not been registered before the Securities Superintendence of the Republic of Panama, nor did the offer, sale or their trading procedures. The registration exemption has made according to numeral 3 of Article 129 of the Consolidated Text containing of the Decree-Law No. 1 of July 8, 1999 (institutional investors). Consequently, the tax treatment set forth in Articles 334 to 336 of the Unified Text containing Decree-Law No. 1 of July 8, 1999, does not apply to them. These securities are not under the supervision of the Securities Superintendence of the Republic of Panama. The information contained herein does not describe any product that is supervised or regulated by the National Banking and Insurance Commission (CNBS) in Honduras. Therefore any investment described herein is done at the investor's own risk. This is an individual and private offer which is made in Costa Rica upon reliance on an exemption from registration before the General Superintendence of Securities ("SUGEVAL"), pursuant to articles 7 and 8 of the Regulations on the Public Offering of Securities ("Reglamento sobre Oferta Pública de Valores"). This information is confidential, and is not to be reproduced or distributed to third parties as this is NOT a public offering of securities in Costa Rica. The product being offered is not intended for the Costa Rican public or market and neither is registered or will be registered before the SUGEVAL, nor can be traded in the secondary market. If any recipient of this documentation receives this document in El Salvador, such recipient acknowledges that the same has been delivered upon their request and instructions, and on a private placement basis.

For investors in the Caribbean, any funds mentioned or inferred in this material have not been registered under the provisions of the Investment Funds Act of 2003 of the Bahamas, nor have they been registered with the securities regulators of Bermuda, Dominica, the Cayman Islands, the British Virgin Islands, Grenada, Trinidad & Tobago or any jurisdiction in the Organisation of Eastern Caribbean States, and thus, may not be publicly offered in any such jurisdiction. The shares of any fund mentioned herein may only be marketed in Bermuda by or on behalf of the fund or fund manager only in compliance with the provision of the Investment Business Act 2003 of Bermuda and the Companies Act of 1981. Engaging in marketing, offering or selling any fund from within the Cayman Islands to persons or entities in the Cayman Islands may be deemed carrying on business in the Cayman Islands. As a non-Cayman Islands person, BlackRock may not carry on or engage in any trade or business unless it properly registers and obtains a license for such activities in accordance with the applicable Cayman Islands law.

For Offshore Wealth investors, for Institutional investors and financial intermediaries only (not for public distribution). The information contained herein is for informational purposes only and is not intended to be relied upon as a forecast, research or investment advice, and is not a recommendation, offer or solicitation to buy or sell any securities or to adopt any investment strategy. An assessment should be made as to whether the information is appropriate for you having regard to your objectives, financial situation, and needs. Reliance upon information in this material is at the sole discretion of the reader. Investment implies risk, including the possible loss of principal. This information does not consider the investment objectives, risk tolerance, or the financial circumstances of any specific investor. This information does not replace the obligation of financial advisor to apply his/her best judgement in making investment decisions or investment recommendations.

The information provided here is neither tax nor legal advice and should not be relied on as such. Investment involves risk including possible loss of principal.