GLOBAL LONG/SHORT CREDIT FUND

BLACKROCK®

3Q 2018 COMMENTARY

Institutional: **BGCIX** • A: **BGCAX** • C: **BGCCX**

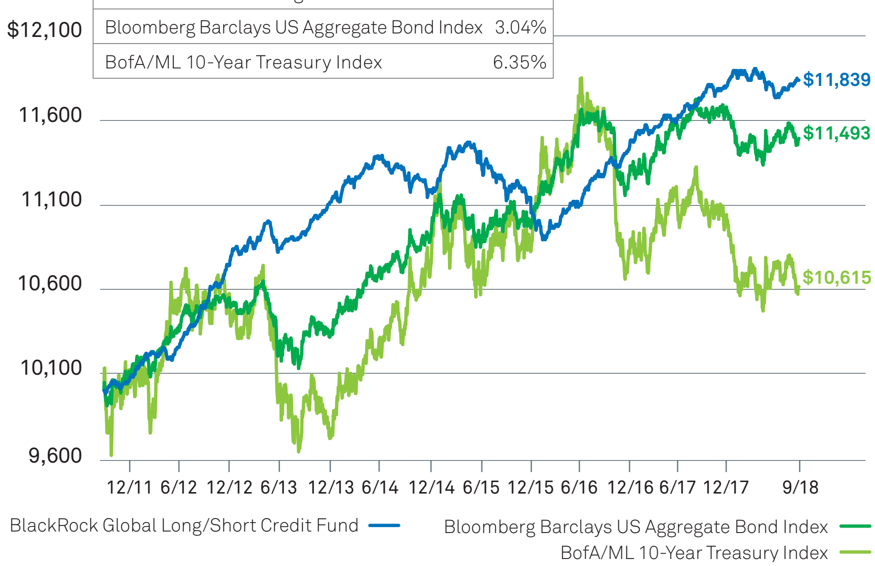
Performance Highlights

- The fund's Institutional shares returned 0.77% and Investor A shares (without sales charge) returned 0.78% for the third quarter.
- Despite increased volatility throughout the quarter, credit markets were positive. The fund outperformed the Bloomberg Barclays U.S. Aggregate Index as interest rates rose 20 basis points by quarter-end.
- The fund's U.S. absolute return strategies, credit beta in European assets, and global carry (income) strategies were the largest positive drivers of returns, while European hedging strategies were the largest detractor.

A HISTORY OF STRONG PERFORMANCE AND LOWER RISK

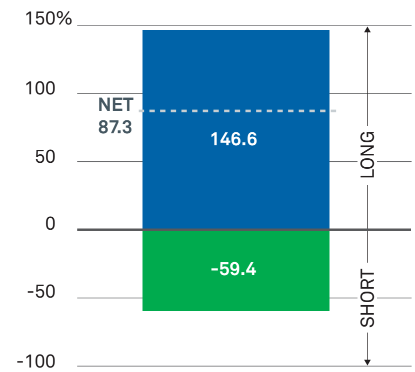
Growth of a hypothetical $10,000 investment from fund inception (9/30/11) through 9/30/18

Risk (volatility)	
BlackRock Global Long/Short Credit Fund	1.60%
Bloomberg Barclays US Aggregate Bond Index	3.04%
BofA/ML 10-Year Treasury Index	6.35%



Source: BlackRock, Morningstar, Bloomberg. Assumes a $10,000 Investment in Global Long/Short Credit, Inv. A without sales charge on the fund's inception date (9/30/11). Had a sales charge been included, performance would be lower. Volatility calculated using annualized standard deviation based on weekly market movements. Performance and volatility data since fund inception (9/30/11) through 9/30/18.

MARKET EXPOSURE



Number of credit issuers	1,053
Number of credit longs	2,407
Number of credit shorts	351

As of 9/30/18.
Excludes interest rate and currency hedges.

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. Current performance may be lower or higher than that shown. Refer to blackrock.com for most recent month-end performance.

Regional Highlights

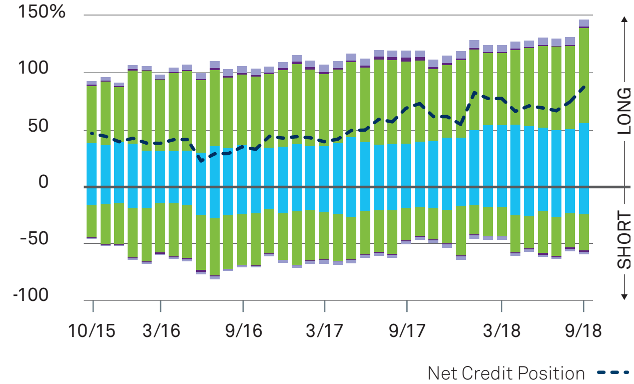
- While the net long position in Europe was largely unchanged quarter-over-quarter, we refreshed our hedges and added marginally to carry driven strategies through our bank loan exposure. Directional risk was also slightly increased as we added to capital securities and subordinated financials.
- The U.S. allocation increased meaningfully as we added to our long exposure in investment grade corporates to increase directional risk. Additionally, we reduced our hedges in the form of credit default swaps (CDS) and credit default indexes (CDX).

Sector Highlights

- While we began the quarter with an even split between the U.S. and the rest of the world (Europe/Emerging Markets/Asia), we increased U.S. exposure throughout the quarter. Specifically, we increased exposure to financials and low beta industrials, while decreasing overall hedges.
- In the third quarter, European high yield markets recovered from weakness experienced in the second quarter. While we have limited overall beta exposure in the portfolio this year, our positioning in European high yield, as well as in broad financials helped performance.
- Reducing beta exposure has been a theme throughout the year that continued into the third quarter. Instead, we continue to focus on absolute return strategies such as event trades, idiosyncratic long or short positions, and pair trades. Absolute return strategies have been an important component of the portfolio, particularly as we have seen an uptick in volatility this year.
- Consolidation continues to be a theme expressed in the portfolio, especially in the U.S. A number of sectors have provided opportunities, for instance technology, where companies are diversifying by entering into high growth areas such as data centers. Additionally, media consolidation has been a theme as content companies seek scale. Moving forward, we expect consolidation to play out in these sectors as well as others, including healthcare/pharmaceuticals.
- Global carry (income) strategies performed well, particularly exposure to bank loans. Carry continues to be an important element of the portfolio as the room for price appreciation from spread compression has turned relatively modest. Throughout the quarter, we added to bank loans and collateralized loan obligations (CLOs).

REGIONAL POSITIONING

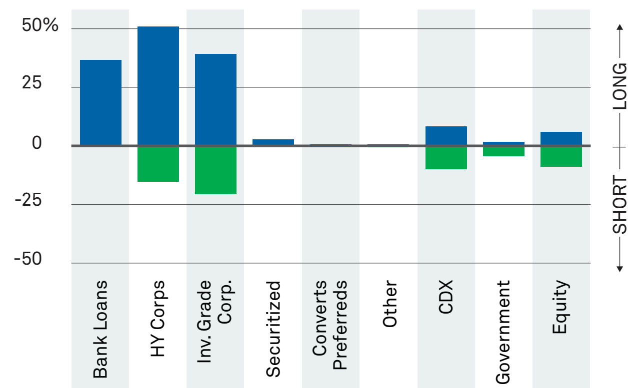
% of Notional, past three years



	N. America	Europe	EM	Asia
Net as of 9/30/18	51.61%	31.45%	4.41%	-0.22%

SECTOR EXPOSURES

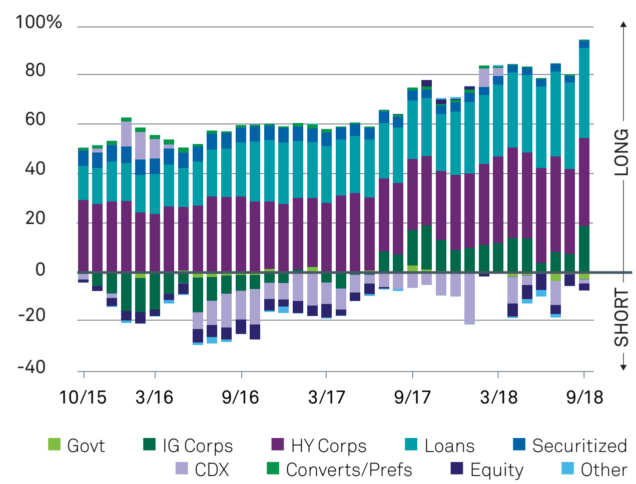
% of Notional, as of 9/30/18



	Bank Loans	HY Corps	Inv. Grade Corp.	Securitized	Converts Preferreds	Other	CDX	Government	Equity
Net	36.6%	35.7%	18.8%	2.8%	0.6%	0.1%	-1.7%	-2.8%	-2.9%

NET SECTOR POSITIONING

% of Notional, past three years

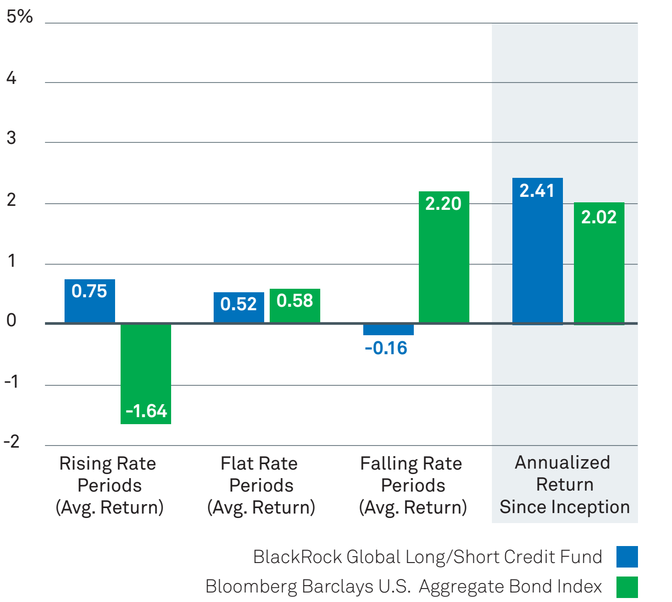


Outlook

We maintain an upbeat sentiment regarding the credit cycle despite continued risks. Corporate earnings have been strong, boosted by U.S. fiscal stimulus, leverage remains moderate, and default rates continue to be benign. While we recognize this is a prolonged cycle, macroeconomic and technical conditions, along with credit fundamentals remain strong for credit markets, suggesting it still has room to run.

While the macro environment continues to strengthen, a number of risks remain: global trade tensions, the evolution of Brexit, and the potential for a rate spike—particularly in Europe, where the ECB's shift to quantitative tightening will be closely watched. This supportive macro backdrop has contributed to strong markets over the past few years, but may fade over time, although timing remains uncertain. The uncertainty that comes with these risks may create additional volatility. Moving forward, we will continue to focus on alpha generation through carry (income strategies) and absolute return strategies where there is a potential catalyst. This includes opportunities around mergers & acquisitions (M&A) or balance sheet optimization.

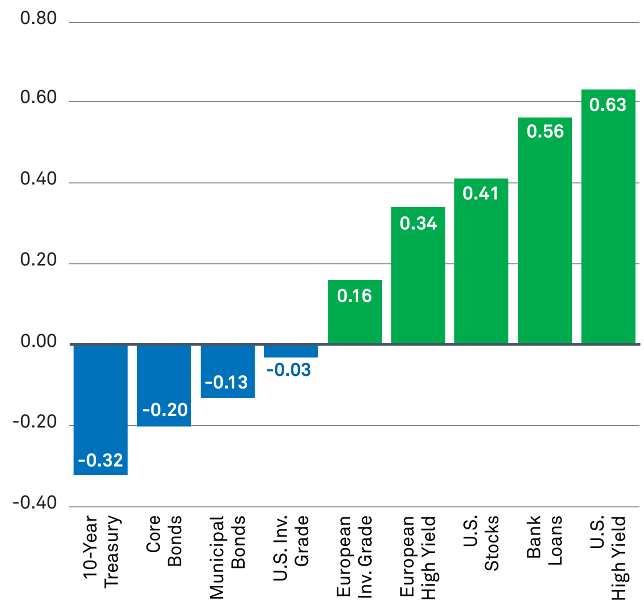
CREDIT-DRIVEN RETURNS = REDUCED RATE RISK*



The fund's long/short strategy with a focus on credit securities has resulted in a lower sensitivity to interest rate changes relative to traditional fixed income investments.

Source: Morningstar, Federal Reserve. From fund inception (9/30/11) to 9/30/18. Past performance is no guarantee of future results. Fund performance reflects Investor A shares (without sales charge). Rate period returns are an average of cumulative returns with periods represented by change in the 10-year Treasury yield. Since inception return of fund vs. the index is annualized, including reinvestment of dividends and capital gains. Index performance is shown for illustrative purposes only. It is not possible to invest directly in an unmanaged index.

LOW CORRELATION = BETTER DIVERSIFICATION†



Source: Morningstar. Past correlations are no guarantee of future correlations. Investor A share correlations calculated using weekly data since the fund's inception (9/30/11) through 9/30/18.

* **Rising Rate Period:** A period of no more than 60 consecutive business days in which the 10-year Treasury rate rises at least 40 basis points ("bps"); includes 10/1/11 to 10/27/11, 1/31/12 to 3/19/12, 7/25/12 to 9/14/12, 11/16/12 to 2/13/13, 5/1/13 to 7/5/13, 10/23/13 to 12/31/13, 1/30/15 to 3/6/15, 4/3/15 to 6/10/15, 9/7/16 to 11/30/16, 9/7/17 to 10/26/17, 11/6/2017 to 1/30/18. **Flat Rate Period:** A period of at least 30 and no more than 90 consecutive business days in which the 10-year Treasury rate maintains a variance within 15 bps and ends within 3 bps of starting rate; includes 11/17/11 to 3/6/12, 6/5/12 to 8/1/12, 10/10/12 to 12/14/12, 1/3/13 to 3/25/13, 6/25/13 to 8/12/13, 9/25/13 to 11/7/13, 1/30/14 to 4/29/14, 5/16/14 to 9/30/14, 10/22/14 to 12/8/14, 8/3/15 to 10/30/15; 11/4/15 to 12/31/15, 2/2/16 to 3/28/16, 3/30/16 to 5/31/16, 6/16/16 to 8/31/16, 12/9/16 to 1/31/17, 2/6/17 to 3/31/17, 4/18/17 to 6/21/17, 6/22/17 to 8/30/17, 9/29/17 to 11/28/17, 2/2/18 to 4/17/18, 5/30/18 to 7/19/18, 7/31/18 to 9/12/18. **Falling Rate Period:** A period of no more than 60 consecutive business days in which the 10-year Treasury rate declines at least 40 bps; includes 10/27/11 to 12/19/11, 3/19/12 to 6/1/12, 3/11/13 to 5/2/13, 9/5/13 to 10/23/13, 12/31/13 to 3/3/14, 9/18/14 to 10/15/14, 11/6/14 to 1/30/15, 6/10/15 to 8/24/15, 11/9/15 to 1/29/16, 3/13/17 to 5/31/17.

† Asset classes represented by the following indexes: **10-year Treasury**, BofA/Merrill Lynch 10-Year Treasury Index, which measures the total return performance of U.S. Treasury bonds with outstanding par values at or above $25 million and terms of ten years or more; **core bonds**, the Bloomberg Barclays U.S. Aggregate Bond Index, which comprises the total U.S. investment grade bond market.; **municipal bonds**, Bloomberg Barclays U.S. Municipal Index, which covers the USD-denominated long-term tax exempt bond market and has four main sectors: state and local general obligation bonds, revenue bonds, insured bonds and pre-refunded bonds; **U.S. investment grade**, the unmanaged Bloomberg Barclays U.S. Investment Grade Corporate Index, composed of publicly issued U.S. corporate and specified foreign debentures and secured notes that are USD-denominated, have at least one year to maturity and are rated investment grade (Baa3/BBB- or higher) by at least two of the following ratings agencies: Moody's, S&P, Fitch; **European investment grade**, the unmanaged Bloomberg Barclays European Aggregate Corporate Total Return USD Index, composed of fixed-rate treasury, government-related, corporate and securitized bonds from both developed- and emerging-market European issuers that have at least one year to maturity and are rated investment grade (Baa3/BBB- or higher); **European high yield**, the unmanaged Bloomberg Barclays Pan-European High Yield Total Return USD Index, composed of non-investment grade, fixed-rate corporate bonds with a maximum rating of Ba1/BB+/BB+ and at least one year to maturity, excluding emerging market debt; **U.S. stocks**, the S&P 500 index, which comprises large-capitalization U.S. equities; **Bank loans**, the S&P/LSTA U.S. Leveraged Loan 100 Index is designed to reflect the performance of the largest facilities in the leveraged loan market; **U.S. high yield**, the unmanaged Bloomberg Barclays U.S. Corporate High Yield Bond Index, composed of USD-denominated, non-investment grade, fixed-rate, taxable corporate bonds with a maximum rating of Ba1/BB+/BB+ and at least one year to maturity, excluding emerging market debt.

% AVERAGE ANNUAL TOTAL RETURNS AS OF 9/30/18

	3Q18 (not annualized)	YTD (not annualized)	1 Year	3 Years	5 Years	10 Years	Since Inception[1]
Institutional	0.77	0.58	1.16	2.35	1.87	-	2.66
Investor A (Without Sales Charge)	0.78	0.39	0.91	2.06	1.61	-	2.41
Investor A (With Sales Charge)	-3.25	-3.63	-3.13	0.68	0.78	-	1.81
Lipper Alternative Credit Focus Funds Avg.[2]	0.71	0.25	0.75	3.33	2.29	4.05	-
Morningstar Long-Short Credit Funds Avg.	0.88	0.81	1.32	3.17	1.94	3.88	-
ICE BofA ML 3-Mo. U.S. Treas. Bill Index[3]	0.49	1.30	1.59	0.84	0.52	0.34	-

*Investment returns reflect total fund operating expenses, net of all fees, waivers and/or expense reimbursements. Fund expenses, as stated in the fund's most recent prospectus, for Institutional/Investor A shares: Total, **1.87%/2.14%**; Net, including investment-related expenses (dividend expense, interest expense, acquired fund fees and expenses and certain other fund expenses), **1.87%/2.14%**. Institutional and Investor A shares have contractual waivers with an end date of 11/30/18 terminable upon 90 days' notice. Performance data quoted represents past performance and does not guarantee 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. Current performance may be lower or higher than that shown. All returns assume reinvestment of dividends and capital gain distributions. 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 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. Index performance is shown for illustrative purposes only. It is not possible to invest directly in an unmanaged index.*

Net, excluding investment related expenses for Institutional/Investor A shares: 1.09%/1.36%.

Want to know more?

blackrock.com/glsc

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. Stock and 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. 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. 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. Investing in alternative strategies such as a long/short strategy, presents the opportunity for significant losses, including the loss of your total investment.*

The opinions expressed are those of the fund's portfolio management team as of September 30, 2018, 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. Past performance is no guarantee of future results. There is no guarantee that any of these views will come to pass. This material does not constitute investment advice and is not intended as an endorsement of any specific investment. Investment involves risk. Reliance upon information in this material is at the sole discretion of the reader.

1 Fund Inception: 9/30/11. 2 Lipper category is as of 9/30/18 and may not accurately represent the current composition of the portfolio. 3 The ICE BofA Merrill Lynch 3-Month U.S. Treasury Bill Index is an unmanaged market index of U.S. Treasury securities maturing in 90 days that assumes reinvestment of all income.

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. Unless otherwise noted, all information contained herein is as of the date of publication of this commentary.

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Lit. No. GLSC-EXP-COM-0918 OE31822T-0918

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