

GLOBAL LONG/SHORT CREDIT FUND

BLACKROCK®

4Q 2017
COMMENTARY

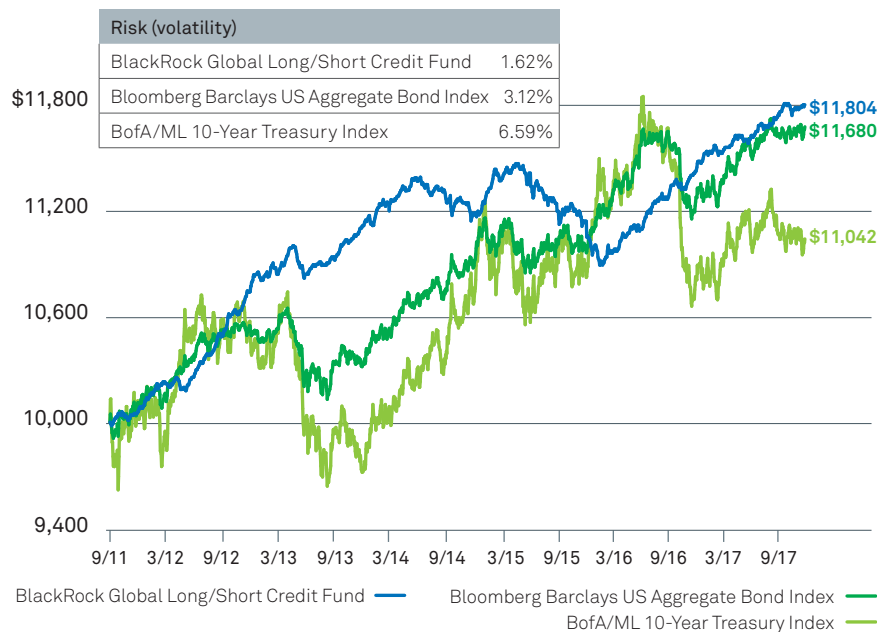
Institutional: **BGCIX** • A: **BGCAX** • C: **BGCCX**

Performance Highlights

- ▶ The fund's Institutional shares returned 0.58% and Investor A shares (without sales charge) returned 0.52% for the fourth quarter.
- ▶ Despite volatility in November and December, credit markets were positive for the quarter and the Bloomberg Barclays U.S. Aggregate Bond Index returned 0.39%. Credit spreads tightened modestly as investors continued to search for yield.
- ▶ The fund's U.S. carry strategies, event related trades, and relative value trades were the largest contributors to returns, while a short position in a European high yield crossover index was the largest detractor.

A HISTORY OF STRONG PERFORMANCE AND LOWER RISK

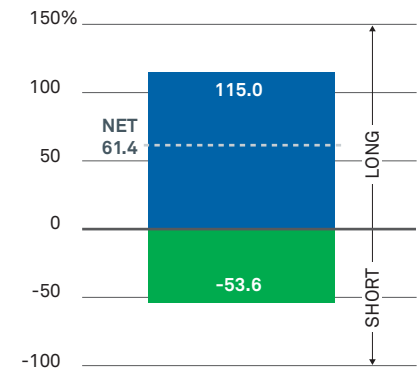
Growth of a hypothetical \$10,000 investment from fund inception (9/30/11) through 12/31/17



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 12/31/17.

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.

MARKET EXPOSURE



Number of credit issuers	776
Number of credit longs	1,575
Number of credit shorts	274

As of 12/31/17.
Excludes interest rate and currency hedges.

The impact of global uncertainty on markets underscores the importance of thoughtful diversification and uncorrelated sources of return. Use our interactive chart at glscchart.com to see how BlackRock Global Long/Short Credit Fund seeks to provide stability in a volatile market.

Regional Highlights

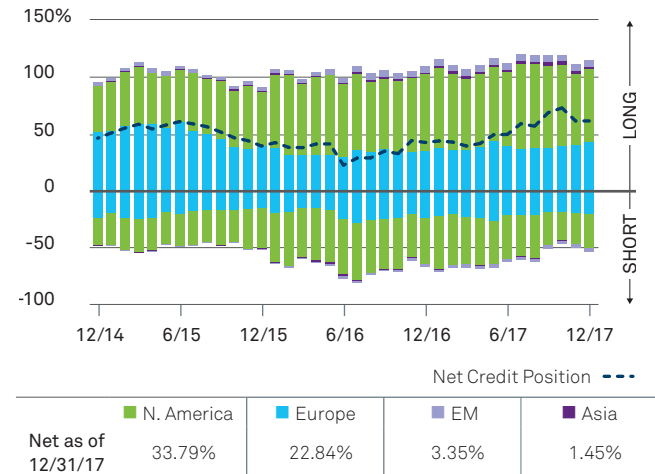
- ▶ The European allocation increased over the quarter as we continued to build out the absolute return book, specifically by adding event related trades as well as relative value trades.
- ▶ In the U.S., we decreased long positions while short positions remained unchanged, taking the net long lower. Specifically, we decreased exposure to investment grade corporates, including industrials and financials across the capital structure. Additionally, we reduced directional long high yield positions.

Sector Highlights

- ▶ We continued to seek opportunities in three primary strategies: directional bets, carry assets and idiosyncratic opportunities. The clear trend this year and in the fourth quarter has been to ramp up our idiosyncratic and relative value strategies in the absence of meaningful conviction around further tightening for U.S. credit spreads. Throughout the quarter, we focused on our absolute return strategies which should stand to benefit from the increase in dispersion.
- ▶ Relative value opportunities continued to play a meaningful part in the absolute return book. Throughout the quarter, we were net long U.S. financials across the capital structure versus a net short in industrial credits.
- ▶ Carry strategies continue to be additive. Throughout the quarter, we increased our allocation to carry driven strategies in the U.S. by adding to enhanced equipment trust certificates (EETCs), collateralized loan obligations (CLOs), and bank loans. In Europe, we increased exposure to CLOs and bank loans.
- ▶ Our beta exposure to high yield bonds was slightly lower during the quarter. We reduced our directional long positions in U.S. and European high yield bonds. In the U.S., we focused on allocations in wireless, gaming, and independent energy and in Europe we have allocations to retailers and real estate credits.
- ▶ In Europe, we focused on building out the absolute return strategies and dispersion continues to increase in that region. Throughout the quarter, we increased event related trades, as well as relative value trades.

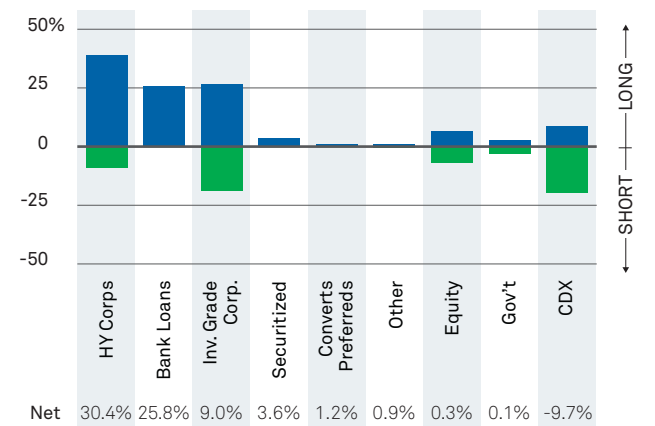
REGIONAL POSITIONING

% of Notional, past three years



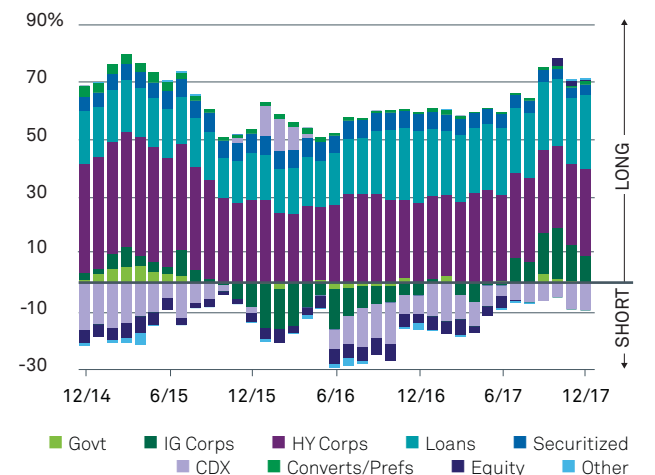
SECTOR EXPOSURES

% of Notional, as of 12/31/17



NET SECTOR POSITIONING

% of Notional, past three years



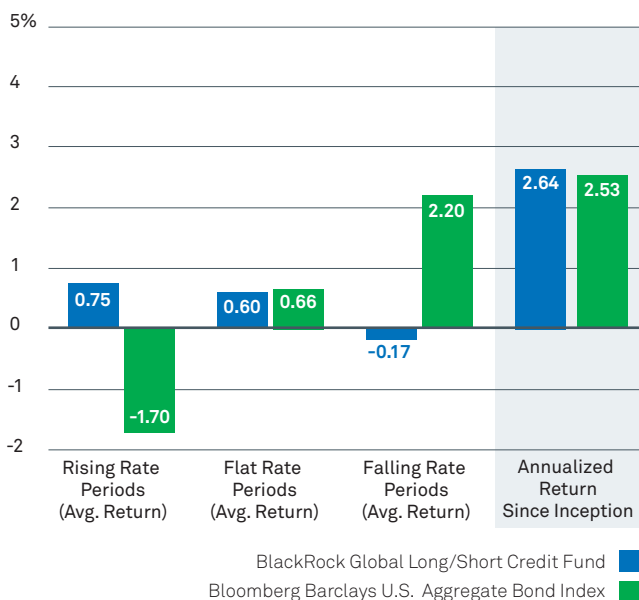
Outlook

In the fourth quarter, bond markets rallied, volatility remained subdued and commodities rallied on the back of a strong global economy. We believe the synchronization of global growth will continue in 2018 along with tighter monetary policy from central banks. This economic environment provides a positive backdrop for credit in the form of low default rates. However, given that we are late in the credit cycle, price appreciation from spread compression will be modest and carry driven strategies will continue to drive returns. The carry environment we experienced in 2017 continues to underscore the importance of our investment

approach and the need for strong credit selection, expressing both long and short positions across a range of asset classes and throughout the capital structure. As dispersion increases we will continue to emphasize absolute return strategies by putting money to work in idiosyncratic opportunities, including event related trades and capital structure trades.

From a regional standpoint, we continue to put capital to work in the U.S. by focusing on the absolute return book, however we have been increasing exposure to Europe where monetary policy remains more accommodative.

CREDIT-DRIVEN RETURNS = REDUCED RATE RISK*

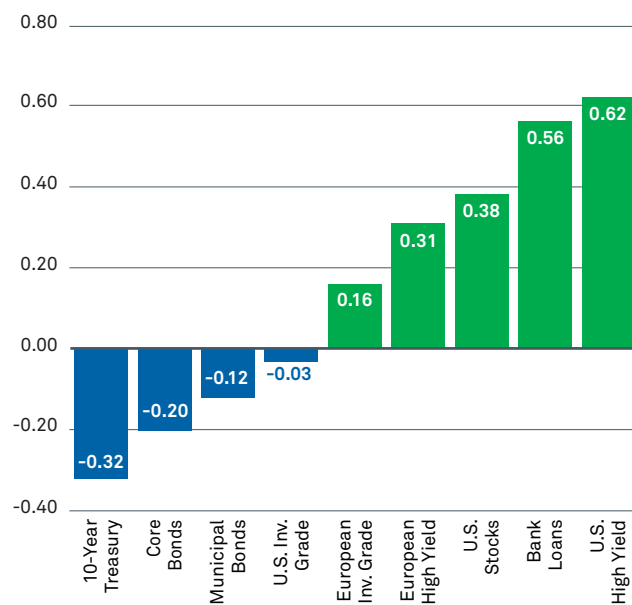


The fund's long/short strategy with a focus on credit securities has resulted in a lower sensitivity to interest rate changes relative to traditional fixed income investments.

Source: Morningstar, Federal Reserve. From fund inception (9/30/11) to 12/31/17.

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 12/31/17.

* **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. **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 2 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. **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 12/31/17

	4Q17 (not annualized)	YTD (not annualized)	1 Year	3 Years	5 Years	10 Years	Since Inception ¹
Institutional	0.58	3.46	3.46	1.99	2.12	-	2.89
Investor A (Without Sales Charge)	0.52	3.21	3.21	1.74	1.87	-	2.64
Investor A (With Sales Charge)	-3.50	-0.92	-0.92	0.36	1.04	-	1.97
Lipper Alternative Credit Focus Funds Avg. ²	0.37	4.26	4.26	2.41	1.88	3.10	-
Morningstar Long-Short Credit Funds Avg.	0.39	2.44	2.44	1.65	1.49	3.10	-
BofA ML 3-Month U.S. Treasury Bill Index ³	0.28	0.86	0.86	0.41	0.27	0.39	-

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 11/30/17 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, 2017, 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 12/31/17 and may not accurately represent the current composition of the portfolio. ³ The 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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