PRODUCT UPDATE

Q1 2019

BLACKROCK®

INST: BISOX CLASS K: BBSOX CLASS A: BASOX

BlackRock Short Obligations Fund

Market Outlook

- In our view, the recent reinforcement of the Federal Open Market Committee's ("FOMC") patient stance amidst growing headwinds suggests an increasingly high bar exists for the FOMC to consider hiking interest rates this year. Any further normalization of interest rates during the present cycle, we believe, would be dependent on notable upward pressure in real or expected inflation—particularly in light of indications that the FOMC may tolerate higher inflation—as well as a sustained easing in financial conditions.
- The suspension of the U.S. debt ceiling expired at the beginning of March. We believe "extraordinary measures" will provide the U.S. Treasury with borrowing capacity until at least the end of August. We anticipate that the net new supply of T-bills will contract during the second quarter of 2019. Moreover, credit spreads should generally remain range bound in the near term.

Q1 Highlights

- After nine consecutive quarterly hikes, the FOMC changed course in January 2019, expressing a willingness to be patient regarding their strategy around interest rate normalization. This stance was further reinforced at their March meeting.
- The FOMC left rates unchanged during the quarter. The statement issued by Federal Reserve Chairman Jerome Powell in conjunction with the March meeting emphasized a slowing of growth, reduced consumer spending, and business investment. Geopolitical and growth headwinds were also cited.
- The FOMC's so-called "dot plot" interest rate projection released in March reflected a broad consensus for no interest rate hikes in 2019. This projection is down from two rate hikes as of December 2018. One hike was penciled in for 2020, with no further action in 2021.
- In March, we also received an update on the Federal Reserve's balance sheet normalization strategy. Specifically, the amount of Treasury securities permitted to "run off" from its portfolio will decline beginning in May 2019, with balance sheet normalization scheduled to conclude at the end of September 2019.
- Concerns about a slowdown in global growth and other crosscurrents manifested late in the first quarter through the inversion of the yield spread between the 3-month Treasury bill and 10-year Treasury note, a recession indicator that's reportedly intently watched by the Federal Reserve.
- Late in the quarter, futures contracts for federal funds were priced for a high probability of a rate cut by the end of the year and the net new supply of Treasury bills approached $200 billion during the first three months of the year.
- Credit Spreads as evidenced by the 3-month LIBOR-Overnight-Indexed Swap spread contracted approximately by half to around 0.20% due in part to inflows into prime money market funds and the extension of portfolio durations amidst diminished expectations by the FOMC for further interest rate increases.

Fund Strategy

- We extended the Fund's duration throughout the quarter given the FOMC's dovish tone and the market pricing in the next FOMC Federal Funds Rate adjustment as a cut to the current range.
- We also took advantage of the relative value in corporate bonds in the short-term credit markets as we saw modest spread tightening during the month of March.
- We added exposure to the corporate bond financial sector which, in our opinion, offered excellent value and liquidity given current market dynamics. Spread duration closed out the quarter at 0.63 years, while interest rate duration was added quarter-over-quarter from 0.38 years to 0.45 years. Exposure to floating rate notes contracted 7% over the quarter closing out at 23%.

The opinions expressed are as of March 31, 2019 and are subject to change at any time due to changes in market or economic conditions.

As of March 31, 2019. Sources: BlackRock, Federal Reserve and Bloomberg

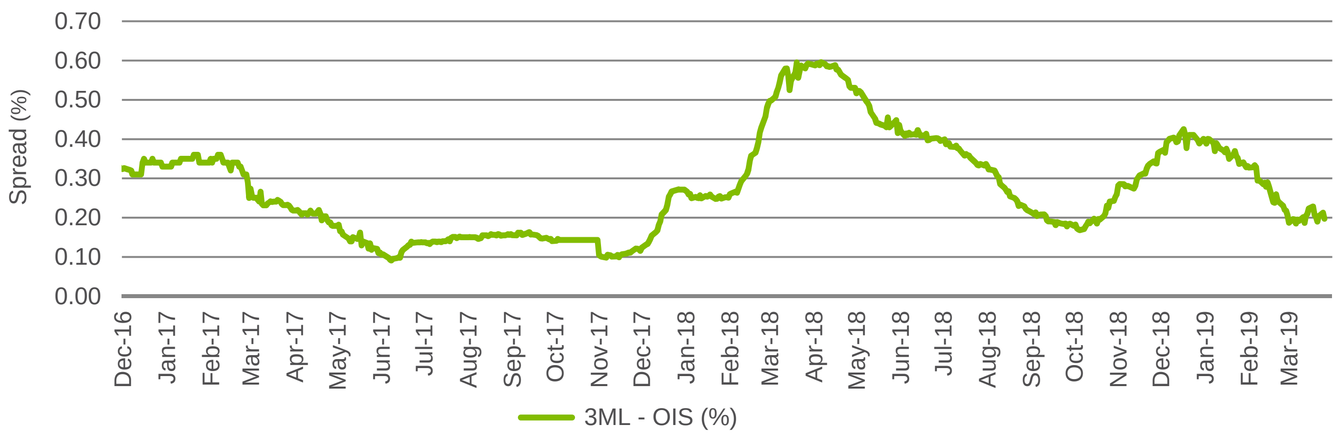
Market Levels

Rates	3/29/2019	3/15/2019	2/28/2019
1M TBill	2.43%	2.43%	2.40%
3M TBill	2.42%	2.43%	2.43%
1M LIBOR	2.50%	2.49%	2.48%
3M LIBOR	2.59%	2.63%	2.59%
3M A1/P1 CP	2.56%	2.55%	2.57%
6M A1/P1 CP	2.59%	2.62%	2.63%
JPM JULI 3Yr	66.1 bps	65.9 bps	70.0 bps

LIBOR: London InterBank Offered Rate, TBill: Treasury Bill , CP: Commercial Paper, JULI: JPMorgan US Liquid Index

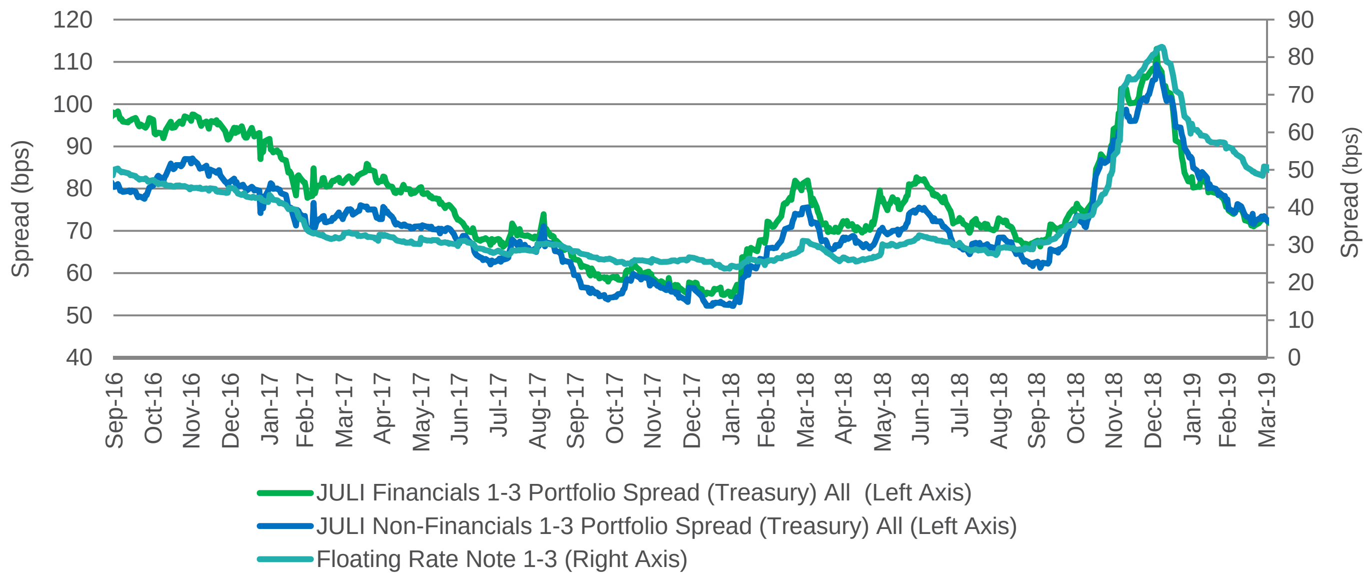
Source: Bloomberg. Data as of March 29, 2019

3M LIBOR vs Overnight Indexed Swap



Sources: Bloomberg, JPMorgan. Data as March 29, 2019

Credit Spreads



JULI: JPMorgan US Liquid Index. Source: JPMorgan. Data as of March 29, 2019

Want to know more?

blackrock.com/cash cashmgmt@blackrock.com 800-441-7450

The opinions expressed are as of March 31, 2019 and may change as subsequent conditions vary. It is possible to lose money by investing in the Fund. An investment in the Fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or by any bank or governmental agency. The information and opinions contained in this material are derived for proprietary and non-proprietary sources deemed by BlackRock, Inc. and/or its subsidiaries (together, "BlackRock") to be reliable, are not necessarily all inclusive and are not guaranteed as to accuracy. There is no guarantee that any forecasts made will come to pass. Reliance upon information in this product update subject to Capital gains distributions, if any, are taxable. Any investments named within this material may not necessarily be held in any accounts managed by BlackRock.

Please consider the investment objectives, risks, charges and expenses of the Fund carefully before investing. The Fund's prospectus and summary prospectus contains this and other information about the Fund and are available, along with information on other BlackRock Funds, by calling 800-441-7450 or by accessing the website at www.blackrock.com/cash. The prospectus should be read carefully before investing.

Risk is inherent in all investing. The value of your investment in the Short Obligations Fund, as well as the amount of return you receive on your investment, may fluctuate significantly from day to day and over time. You may lose part or all of your investment in the Fund or your investment may not perform as well as other similar investments. The following is a summary description of certain risks of investing in the Fund. Credit Risk-Credit risk refers to the possibility that the issuer of a security will not be able to make principal and interest payments when due. Changes in an issuer's credit rating or the market's perception of an issuer's creditworthiness may also affect the value of the Fund's investment in that issuer. Extension Risk-When interest rates rise, certain obligations will be paid off by the obligor more slowly than anticipated, causing the value of these securities to fall. Financial Services Risk-When interest rates go up, the value of securities issued by many types of financial services companies generally goes down. In many countries, financial services and the companies that provide them are regulated by governmental entities, which can increase costs for new services or products and make it difficult to pass increased costs on to consumers. In certain areas, deregulation of financial services companies has resulted in increased competition and reduced profitability for certain companies. The profitability of many types of financial services companies may be adversely affected in certain market cycles, including periods of rising interest rates, which may restrict the availability and increase the cost of capital, and declining economic conditions, which may cause credit losses due to financial difficulties of borrowers. Because many types of financial services companies are vulnerable to these economic cycles, the Fund's investments may lose value during such periods. Foreign Exposure Risk-Securities issued or supported by foreign entities, including foreign banks and corporations, may involve additional risks and considerations. Extensive public information about the foreign issuer may not be available, and unfavorable political, economic or governmental developments in the foreign country involved could affect the payment of principal and interest. Interest Rate Risk-Interest rate risk is the risk that the value of a debt security may fall when interest rates rise. In general, the market price of debt securities with longer maturities will go up or down more in response to changes in interest rates than the market price of shorter term securities. Additionally, securities issued or guaranteed by the U.S. Government, its agencies, instrumentalities and sponsored enterprises have historically involved little risk of loss of principal if held to maturity. However, due to fluctuations in interest rates, the market value of such securities may vary during the period shareholders own shares of the Fund. Market Risk and Selection Risk-Market risk is the risk that one or more markets in which the Fund invests will go down in value, including the possibility that the markets will go down sharply and unpredictably. Selection risk is the risk that the securities selected by Fund management will underperform the markets, the relevant indices or the securities selected by other funds with similar investment objectives and investment strategies. This means you may lose money. Mortgage- and Asset-Backed Securities Risks-Mortgage- and asset-backed securities represent interests in "pools" of mortgages or other assets, including consumer loans or receivables held in trust. Mortgage- and asset-backed securities are subject to credit, interest rate, prepayment and extension risks. These securities also are subject to risk of default on the underlying mortgage or asset, particularly during periods of economic downturn. Small movements in interest rates (both increases and decreases) may quickly and significantly reduce the value of certain mortgage-backed securities. Municipal Securities Risks-Municipal securities risks include the ability of the issuer to repay the obligation, the relative lack of information about certain issuers of municipal securities, and the possibility of future legislative changes which could affect the market for and value of municipal securities. Certain municipal securities, including private activity bonds, are not backed by the full faith, credit and taxing power of the issuer. Additionally, if events occur after the security is acquired that impact the security's tax-exempt status, the Fund and its shareholders could be subject to substantial tax liabilities. Prepayment Risk-When interest rates fall, certain obligations will be paid off by the obligor more quickly than originally anticipated, and the Fund may have to invest the proceeds in securities with lower yields. the other party to a repurchase agreement defaults on its obligation under the agreement, the Fund may suffer delays and incur costs or lose Repurchase Agreements Risk-If money in exercising its rights under the agreement. If the seller fails to repurchase the security and the market value of the security declines, the Fund may lose money. U.S. Government Obligation Risk-Certain securities in which the Fund may invest, including securities issued by certain U.S. Government agencies and U.S. Government sponsored enterprises, are not guaranteed by the U.S. Government or supported by the full faith and credit of the United States. Variable and Floating Rate Instrument Risk-The absence of an active market for these securities could make it difficult for the Fund to dispose of them if the issuer defaults. When-Issued and Delayed Settlement Transaction Risk-When-issued and delayed delivery securities involve the risk that the security the Fund buys will lose value prior to its delivery. There also is the risk that the security will not be issued or that the other party to the transaction will not meet its obligation. If this occurs, the Fund loses both the investment opportunity for the assets it set aside to pay for the security and any gain in the security's price. Derivatives Risk - Derivatives may involve certain costs and risks such as liquidity, interest rate, market, credit, management and the risk that a position could not be closed when most advantageous. Investing in derivatives could lose more than the amount invested.

Prepared by BlackRock Investments, LLC, member FINRA.

BLACKROCK®