

# STRATEGIC MUNICIPAL OPPORTUNITIES FUND

# BLACKROCK®

Today's income investors are challenged with high taxes, volatile interest rates and greater overall risks. Consider re-evaluating traditional approaches in this new world of investing.

Institutional: MAMTX  
A: MEMTX • C: MFMTX

## What's Worked So Far, May Not Going Forward

- ▶ **Income Investors Must Change Their Behavior:** Traditional municipal portfolios benefited from declining interest rates but may now be vulnerable to losses, with even a modest increase in interest rates.
- ▶ **The Credit Landscape has Changed:** While conditions within the municipal market have continued to improve since the global financial crisis, larger and more specific risks, such as the pension crisis loom.
- ▶ **Taxes are taking a big bite:** The sum total of potential 2018 income taxes is as high as 40.8%.\*

## MUNICIPAL BONDS CAN HELP KEEP MORE OF WHAT YOU EARN



KEPT \$ **2,368**<sup>†</sup>

**TAXABLE INVESTMENT EARNINGS**



KEPT \$ **4,000**<sup>‡</sup>

**MUNICIPAL BOND EARNINGS**

Based on a hypothetical one-year return for a \$100,000 investment yielding 4.00%. For illustrative purposes only.

## An Adaptable Approach for Today's Municipal Markets

The **BlackRock Strategic Municipal Opportunities Fund**, a flexible, all-in-one municipal solution, seeks to provide investors attractive tax-advantaged income and strong returns through diverse interest rate environments.

- 1** | A FLEXIBLE MUNICIPAL BOND APPROACH
- 2** | ADAPTING TO CHANGING BOND MARKETS
- 3** | SEEKING TAX-ADVANTAGE INCOME THROUGH DIVERSE ENVIRONMENTS



### Overall Morningstar Rating™

For Strategic Municipal Opportunities Fund Institutional Shares as of 12/31/18 rated against 259 Muni National Interim Funds. Ratings are determined monthly and subject to change. The Overall Morningstar Rating for a fund is derived from a weighted average of the performance figures associated with its 3-, 5- and 10-year (if applicable) Morningstar Rating metrics.<sup>1</sup>

### Investment Approach

The fund seeks to offer attractive tax-advantaged income while navigating diverse interest rate environments. Employs a flexible approach by actively managing the two main risks in bonds, interest rate and credit risk.

### Duration Range

0 to 10 years

### Typical Duration

3 to 7 years

### Effective Duration

4.97 years

\* Taxes based on federal tax rate of 40.8% in 2018. † Earned \$4,000 but paid taxes of \$1,632 based on federal tax rate of 40.8% in 2018. ‡ Earned \$4,000 that would have been yours to keep from a municipal investment.

# 1

## A Flexible Municipal Bond Approach

BLACKROCK: A LEADING MANAGER OF MUNICIPAL BONDS

**\$130** BILLION IN ASSETS

**56** MUNICIPAL INVESTMENT PROFESSIONALS

**17** MEMBER CREDIT RESEARCH TEAM

As of 12/31/18.

Building a flexible bond portfolio requires a unique set of capabilities—digging deeper, reaching further and moving faster. **BlackRock's bond platform was built for these times**, combining our insight, access and technology to deliver the investing advantage you need to help meet your goals.

Today's municipal markets are unlike those of the last 30 years, leaving traditional municipal strategies without the flexibility to take advantage of opportunities while navigating challenges.

The fund is a flexible, all-in-one municipal solution that **invests across the entire municipal spectrum in search of the best tax-advantaged income opportunities.**

### FLEXIBILITY TO CAPTURE THE BEST OPPORTUNITIES

Calendar Year Returns by Morningstar Categories

	2012	2013	2014	2015	2016	2017	2018
High Yield Muni	13.82	Tax-Free Money Mkt 0.01	High Yield Muni 13.86	High Yield Muni 4.09	High Yield Muni 0.90	High Yield Muni 7.38	High Yield Muni 2.11
Muni Nat'l Long	8.87	Muni Nat'l Short -0.07	Muni Nat'l Long 10.58	Muni Nat'l Long 3.07	Tax-Free Money Mkt 0.15	Muni Nat'l Long 5.71	Muni Nat'l Short 1.18
Muni Nat'l Intern	5.62	Muni Nat'l Intern -2.27	Muni Nat'l Intern 6.77	Muni Nat'l Intern 2.50	Muni Nat'l Long 0.00	Muni Nat'l Intern 4.61	Tax-Free Money Mkt 1.00
Muni Nat'l Short	1.92	Muni Nat'l Long -4.59	Muni Nat'l Short 1.44	Muni Nat'l Short 0.70	Muni Nat'l Short -0.15	Muni Nat'l Short 1.69	Muni Nat'l Intern 0.77
Tax-Free Money Mkt	0.02	High Yield Muni -5.99	Tax-Free Money Mkt 0.01	Tax-Free Money Mkt 0.02	Muni Nat'l Intern -0.20	Tax-Free Money Mkt 0.43	Muni Nat'l Long 0.29

Source: Morningstar. As of 12/31/18. For illustrative purposes only. Not a recommended allocation

# 2

## Adapting to Changing Municipal Markets

The fund takes a flexible approach to investing in municipal bonds. This means it has a wider opportunity set to adapt to changing market conditions, unlike traditional, benchmark-constrained municipal strategies.

By actively managing appropriate levels of interest rate and credit risk, the two major risks associated with bond investing, the fund seeks to **balance the trade-offs between income and returns while mitigating volatility.**

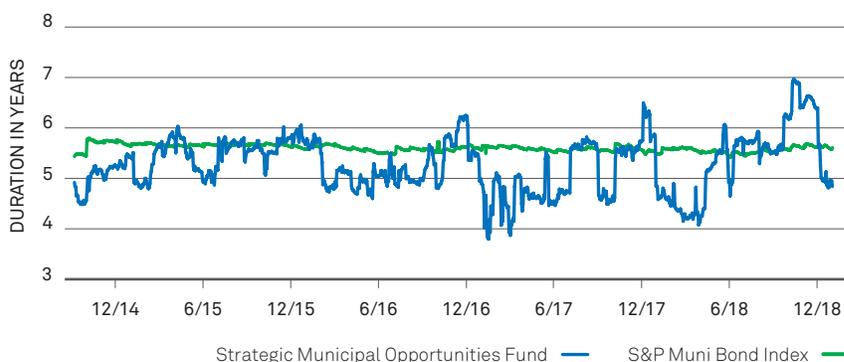
### Duration is...

Interest rate risk, a measure of a bond's sensitivity to a change in interest rates. For every 1% change in interest rates, a bond's price will move approximately 1% in the opposite direction for every year of duration. For example, a bond with a duration of 4 years would decrease in value by 4% if rates were to rise 1%.

The fund has the flexibility to maintain duration between 0 and 10 years and will typically range from 3 to 7 years.

### FLEXIBILITY TO MANAGE INTEREST RATE RISK

Active Duration Management



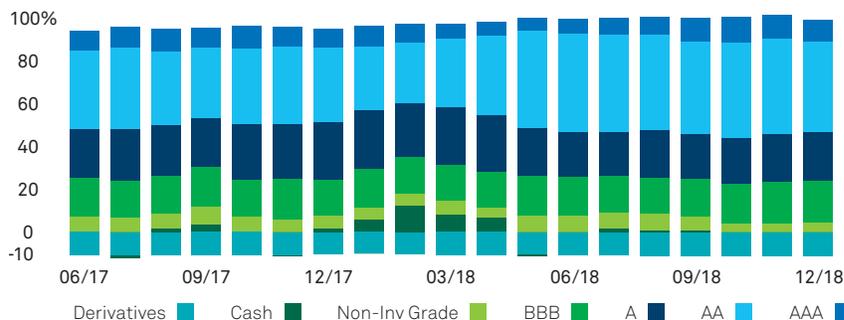
### Credit Risk...

Credit risk refers to the potential that a borrower may not repay a loan in full. Investors are often compensated for this greater risk by receiving a higher yield.

The fund has the flexibility to invest up to 50% of the portfolio in high yield municipal bonds and will typically fall within a range of 15-30%. For illustrative purposes only.

### FLEXIBILITY TO MANAGE CREDIT RISK

Composition of Credit Quality



The fund itself has not been rated by an independent rating agency. Credit quality ratings on underlying securities of the fund are received from S&P, Moody's and Fitch and converted to the equivalent S&P major rating category. This breakdown is provided by BlackRock and takes the median rating of the three agencies when all three agencies rate a security; the lower of the two ratings if only two agencies rate a security and one rating if that is all that is provided. Unrated securities do not necessarily indicate low quality. Below investment-grade is represented by a rating of BB and below. Ratings and portfolio credit quality may change over time.

# 3

## Seeking Income Through Diverse Environments

### YIELD

5.46%/5.37%  
TAX-EQUIVALENT  
SEC/UNSUBSIDIZED  
YIELD

3.23%/3.18%  
30-DAY SEC YIELD/  
UNSUBSIDIZED  
YIELD

As of 12/31/18. Based on Institutional shares. Subsidized 30-Day SEC Yield is based on a 30-day period ending on the last day of the previous month and is computed by dividing the net investment income per share earned during the period by the maximum offering price per share on the last day of the period. If the fund expenses have waivers, the subsidized yield is based on the net expenses. Unsubsidized 30-Day SEC Yield is based on total expenses of the fund. Tax-equivalent yield is for illustrative purposes only. Refer to back page for additional information.

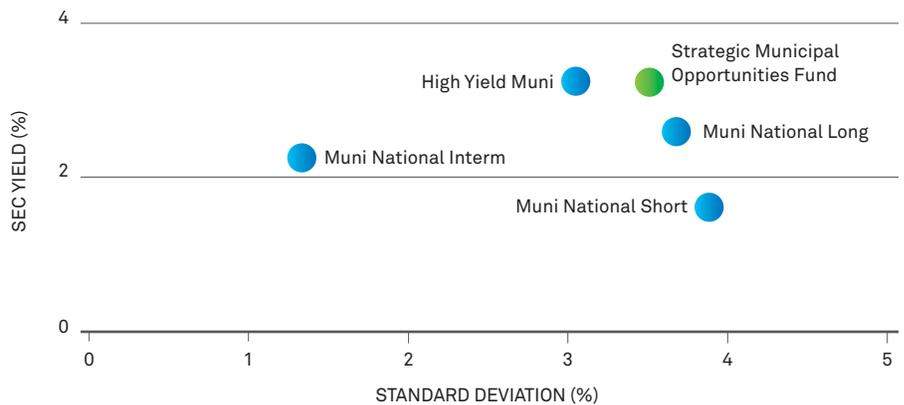
Performance data quoted represents past performance and is no guarantee of future results. Investment returns and principal values may fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than that shown. All returns assume reinvestment of all dividend and capital gain distributions. Refer to blackrock.com for current month-end performance. Index performance is shown for illustrative purposes only. You cannot invest directly in an index. The performance information for periods prior to the inception date of the Investor A shares is based on the Fund's Institutional Shares, adjusted to reflect the fees and expenses applicable to such share class. See the fund prospectus for more details. Institutional shares have no front- or back-end load, have limited availability and may be purchased at various minimums. See prospectus for details. Institutional Shares/Investor A Total and Net, Including Investment Related are 0.82%/0.96% and 0.77%/0.91%, respectively. Investor A shares have contractual waivers with an end date of 9/30/19 terminable upon 90 days' notice. Expenses stated as of the fund's most recent prospectus. Investment dividend expense, interest expense, acquired fund fees and expenses and certain other fund expenses are included in the Net, Including Investment Related Expenses and excluded from the Net, Excluding Investment Related Expenses. Institutional, Investor A, Investor C have contractual waivers with no fixed term. Institutional Shares/Investor A Net, Excluding Investment related expenses are 0.58%/0.78%.

Our deep expertise and keen understanding of the opportunities and risks in the market have helped us deliver investment results across our suite of municipal strategies. And should interest rates continue to rise, or even if they remain volatile and range-bound, traditional municipal strategies that worked in the past may not be able to deliver what investors need.

The fund seeks to offer **attractive tax-advantaged income and strong returns through diverse interest rate environments.**

### FINDING INCOME, NAVIGATING VOLATILITY

SEC Yield vs. Standard Deviation



Source: Morningstar and Lipper. As of 12/31/18. Yields are 30-Day SEC yields. Standard Deviations used were 3-year Standard Deviations. All categories are represented by their Morningstar category averages. Performance data quoted represents past performance and does not guarantee future results.

% Average Annual Total Returns (as of 12/31/18) <sup>†</sup>	1-Year	3-Year	5-Year	10-Year
BlackRock Strategic Municipal Opportunities Fund (Inst)	1.26	3.32	4.59	5.62
BlackRock Strategic Municipal Opportunities Fund (Inv A)	0.95	3.06	4.36	5.38
BlackRock Strategic Municipal Opportunities Fund (MSC)*	-3.34	1.58	3.46	4.92
S&P Municipal Bond Index <sup>2</sup>	1.36	2.34	3.89	5.11
Morningstar Muni National Interm Category Avg	0.78	1.72	3.05	4.24

<sup>†</sup> The fund's annual total returns prior to 1/27/14 are the returns of the fund that followed a different investment strategy under the name Intermediate Municipal Fund. \* MSC Returns with sales charge reflect the deduction of current maximum initial sales charge of 4.25% for A shares.

## So What Do I Do with My Money?®

The **BlackRock Strategic Municipal Opportunities Fund** seeks to provide attractive tax-advantaged income while navigating diverse interest rate environments. Consider adding the fund to complement existing municipal strategies. Below are three ways the Strategic Municipal Opportunities Fund can be used to customize your municipal portfolio to meet your investing needs.

### INCREASE YOUR INCOME

Investors seeking more income than shorter duration bonds, but with less interest rate risk than longer duration municipal bonds, should consider an allocation to the fund.

### BUILD A FLEXIBLE MUNICIPAL CORE

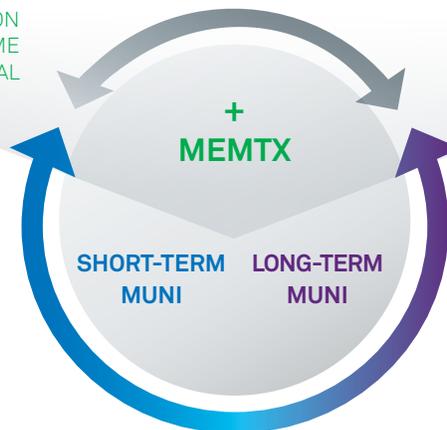
Today's municipal market is unlike the last 30 years, leaving traditional municipal bond strategies without the flexibility to take advantage of opportunities and navigate challenges. Consider an allocation to the **BlackRock Strategic Municipal Opportunities Fund** for tax-advantaged income potential while actively managing interest rate and credit risk.

### REDUCE YOUR INTEREST RATE RISK

Even a modest rise in rates can lead to negative returns. Diversifying away from traditional municipal strategies can help mitigate interest rate sensitivity and reduce volatility. Investors in **longer-term municipals** seeking attractive income, but with less sensitivity to rising interest rates, should consider an allocation to the fund.

INCREASE ALLOCATION  
FOR MORE INCOME  
POTENTIAL

INCREASE ALLOCATION  
FOR LESS INTEREST  
RATE RISK



For illustrative purposes only. Not a recommended allocation.

## STRATEGIC MUNICIPAL OPPORTUNITIES FUND

An Adaptable Approach for Today's Municipal Markets



### Overall Morningstar Rating™: Institutional

Rated against 259 Muni National Interim Funds, as of 12/31/18.

Institutional: MAMTX • A: MEMTX • C: MFMTX

### This fund is for:

- ▶ Investors seeking attractive **tax-advantaged income** but concerned about duration and credit risk
- ▶ Investors looking for a proven manager with the ability to **adapt to a more volatile municipal market**
- ▶ Investors **seeking more attractive yields** than shorter-term municipal funds and more **flexible duration management** than intermediate- and long-term municipal strategies

## WHY BLACKROCK®

BlackRock helps people around the world, as well as the world's largest institutions and governments, pursue their investing goals. We offer:

- ▶ A comprehensive set of innovative solutions, including mutual funds, separately managed accounts, alternatives and iShares® ETFs
- ▶ Global market and investment insights
- ▶ Sophisticated risk and portfolio analytics

We work only for our clients, who have entrusted us with managing \$5.97 trillion\*, earning BlackRock the distinction of being trusted to manage more money than any other investment firm in the world.

## Want to know more?



blackrock.com

\* Source: BlackRock. Based on \$5.97 trillion in AUM as of 12/31/18.

**Important Risks:** *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. There may be less information on the financial condition of municipal issuers than for public corporations. The market for municipal bonds may be less liquid than for taxable bonds. Some investors may be subject to Alternative Minimum Tax (AMT). Capital gains distributions, if any, are taxable. 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. Obligations of U.S. govt. agencies are supported by varying degrees of credit but generally are not backed by the full faith and credit of the U.S. govt. 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. 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. The fund may use derivatives to hedge its investments or seek to enhance returns. Derivatives entail risk relating to liquidity, leverage and credit that may reduce returns and increase volatility.*

**Effective Duration** measures the sensitivity of the price of a bond to changes in interest rates, taking into account after-tax impact as well as the likelihood of the bond being called, put and/or sunk prior to maturity. BlackRock's options-based duration model employs certain assumptions and may differ from other fund complexes. Effective Duration is measured at the individual bond level, aggregated to the portfolio level, and adjusted for leverage, hedging transactions and non-bond holdings, including derivatives.

**1** The Morningstar Rating™ for funds, or "star rating", is calculated for managed products (including mutual funds, variable annuity and variable life subaccounts, exchange-traded funds, closed-end funds, and separate accounts) with at least a three-year history. Exchange-traded funds and open-ended mutual funds are considered a single population for comparative purposes. It is calculated based on a Morningstar Risk-Adjusted Return measure that accounts for variation in a managed product's monthly excess performance, placing more emphasis on downward variations and rewarding consistent performance. The top 10% of products in each product category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars, and the bottom 10% receive 1 star. The Overall Morningstar Rating for a managed product is derived from a weighted average of the performance figures associated with its three-, five-, and 10-year (if applicable) Morningstar Rating metrics. The weights are: 100% three-year rating for 36-59 months of total returns, 60% five-year rating/40% three-year rating for 60-119 months of total returns, and 50% 10-year rating/30% five-year rating/20% three-year rating for 120 or more months of total returns. While the 10-year overall star rating formula seems to give the most weight to the 10-year period, the most recent three-year period actually has the greatest impact because it is included in all three rating periods. The fund was rated against the following numbers of U.S.-domiciled Muni National Interim funds over the following time periods: 259 in the last 3 years, 228 in the last 5 years and 151 in the last 10 years. With respect to these Muni National Interim funds, the fund received a Morningstar Rating of 5, 5 and 4 stars for the 3-, 5- and 10-year periods, respectively. Other classes may have different performance characteristics. **2** The Standard & Poor's Municipal Bond Index is a broad, market value-weighted index that seeks to measure the performance of the U.S. municipal bond market. All bonds in the index are exempt from U.S. federal income taxes or subject to the alternative minimum tax.

**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 and, if available, the summary prospectus should be read carefully before investing.**

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