

## COMMODITY STRATEGIES FUND

BLACKROCK®

1Q 2019  
COMMENTARYInst: BICSX<sup>1</sup> • A: BCSAX • C: BCSCX

- ▶ The fund posted returns of 8.67% (Institutional shares) and 8.58% (Investor A shares, without sales charge) for the first quarter of 2019.
- ▶ The fund outperformed over the quarter, due to stock selection in energy and mining stocks.
- ▶ At the aggregate level, at the end of the quarter, the fund was overweight in industrial metals, and also in agriculture and livestock stocks. The fund held a neutral position in the energy industry group, and was underweight in the precious metals & minerals sub-industry. Our largest equity exposure was in agriculture and livestock shares.

Contributors	Detractors
The mining sector had a positive quarter, as prices of mined commodities recovered from the challenging fourth quarter of 2018. Bulk commodities rallied, with the iron ore (62% Fe) price rising 21.0% due to seasonal restocking at Chinese steel mills and Vale's announcement of iron ore suspension. Base metals were also up, with copper, zinc and nickel prices rising 9.0%, 19.1% and 21.6%, respectively. The fund's holdings in industrial metals stocks fared well in this environment. The fund's energy equities also benefited from higher commodity prices, especially Exxon and BP.	The component of the fund that is linked to commodity futures detracted from relative returns, as "roll" strategies struggled in an environment of rising commodity prices. Within agriculture equities, an off-benchmark position in Costa Group was the largest detractor from relative performance. The company announced that demand in December was weaker than expected, resulting in it trimming its guidance for the second half of 2018. This also puts first-half 2019 earnings at risk, should these conditions persist. Other detractors of note included CF Industries and Centamin.

## Further Insight

Global economic growth is still positive, but expectations have moderated and there are fears that rising protectionism threatens the synchronous growth story. We believe these fears are potentially overdone, and we see the current supportive conditions for natural resources continuing in the medium term. In energy, we believe there is a compelling valuation case in equities. In mining, we are optimistic about the levels of free cash-flows being generated. We see stable demand for mined commodities, as China appears capable of managing a gradual slowdown. Despite the trade uncertainties, sentiment in the agriculture industry remains cautiously optimistic, providing a stable backdrop for companies.

Overall Morningstar Rating®:  
Institutional

Rated against 101 Commodities Broad Basket Funds, as of 3/31/19, based on risk-adjusted total return. 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.†

## Portfolio Management

Rob Shimell, Skye Macpherson,  
Ricardo Fernandez, Hannah Gray,  
Alastair Bishop

## TOP 10 EQUITY HOLDINGS

(% of Net Assets as of 3/31/19)

1. Royal Dutch Shell	4.3
2. ExxonMobil	3.7
3. Bhp Group Plc	3.4
4. BP	2.8
5. Total S.A.	2.6
6. Newmont Mining	2.4
7. Rio Tinto Plc	2.1
8. Glencore Plc	2.1
9. Vale Sa	1.7
10. Nutrien Ltd	1.5

Invests in two strategies, approximately equally. One strategy focuses on commodity-linked derivatives, the other focuses on equity investments in commodity-related companies, including mining, energy and agricultural companies.

## % AVERAGE ANNUAL TOTAL RETURNS AS OF 3/31/19

	1Q19 (not annualized)	YTD (not annualized)	1 Year	3 Year	5 Years	10 Years	Since Inception <sup>2</sup>
Institutional <sup>1</sup>	8.67	8.67	-3.81	4.95	-5.04	—	-3.35
Investor A (Without Sales Charge)	8.58	8.58	-4.08	4.73	-5.26	—	-3.56
Investor A (With Sales Charge)	2.88	2.88	-9.12	2.86	-6.27	—	-4.25
Morningstar Commodities Broad Basket Category Avg.	7.05	7.05	-5.34	3.03	-8.35	-3.06	—
Bloomberg Commodities <sup>4</sup>	6.32	6.32	-5.25	2.22	-8.92	-2.56	—

Expenses for Institutional shares: Total 1.01%; Net, Including Investment Related Expenses (dividend expense, interest expense, acquired fund fees and expenses and certain other fund expenses) 0.76%. For Investor A shares: Total 1.44%; Net, Including Investment Related Expenses 1.01%. Institutional and Investor A shares have contractual waivers with an end date of 11/30/19 terminable upon 90 days' notice. For certain share classes, BlackRock may voluntarily agree to waive certain fees and expenses in which the adviser may discontinue at any time without notice. Expenses stated as of the fund's most recent prospectus. Data 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](http://blackrock.com) for most recent month-end performance. Investment returns reflect total fund operating expenses, net of all fees, waivers and/or expense reimbursements. Index performance is shown for illustrative purposes only. It is not possible to invest directly in an unmanaged index. Share classes have different sales charges, fees and other features. Returns with sales charge reflect deduction of current maximum initial sales charge of 5.25% 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. Net Expenses Excluding Investment Related Expenses for Institutional shares: 0.72%; for Investor A shares: 0.97%.

**Important Risks:** The fund is actively managed and its characteristics will vary. Stock and bond values fluctuate in price so the value of your investment can go down depending on market conditions. Holdings shown should not be deemed as a recommendation to buy or sell securities. Investing in commodity-linked derivatives and commodity-related companies may increase volatility. Price movements are outside of the fund's control and may be influenced by weather and climate conditions, livestock disease, war, terrorism, political conflicts and economic events, interest rates, currency and exchange rates, government regulation and taxation. International investing involves special risks including, but not limited to political risks, currency fluctuations, illiquidity and volatility. These risks may be heightened for investments in emerging markets. Investments in natural resources industries can be affected by variations in commodities markets, weather, disease, embargoes, political and economic developments, taxes and other government regulations. Futures trading can lead to large losses. Trading losses can sharply reduce the value of an interest in the fund. The fund may trade foreign futures contracts. Transactions on markets outside the United States may be subject to regulations that offer different or diminished protection. Commodity futures exposure is achieved through investments in, but not limited to, commodity-linked notes, swap agreements, commodity options, futures and options on futures. Derivatives entail risks relating to liquidity, leverage and credit that may reduce returns and increase volatility.

The opinions expressed are those of the fund's portfolio management team as of March 31, 2019, 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 forecasts made 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.

<sup>1</sup> The share classes have different sales charges, fees and other features. <sup>2</sup> Fund inception: 10/3/11. <sup>3</sup> Lipper category is as of 03/31/19 and may not accurately represent the current composition of the portfolio. <sup>4</sup> The unmanaged Bloomberg Commodity Index is comprised of exchange-traded futures on physical commodities. ‡ 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 Commodities Broad Basket funds over the following time periods: 101 in the last 3 years and 83 in the last 5 years. With respect to these Commodities Broad Basket funds, the fund received a Morningstar Rating of 4 and 4 stars for the 3- and 5-year periods, respectively. Other classes may have different performance characteristics.

**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.**

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04/19 — Commodity Strategies Fund

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