

FLOATING RATE INCOME FUND

BLACKROCK®

1Q 2019
COMMENTARY

Inst: BFRIX¹ • A: BFRAX • C: BFRCX • Class K: BFRKX

- ▶ The fund posted returns of 3.94% (Institutional shares) and 3.86% (Investor A shares, without sales charge) for the first quarter of 2019.
- ▶ The fund slightly underperformed its benchmark (net of fees) over the quarter. Key positive drivers of relative performance included positioning in information technology (IT), consumer cyclical services, and health care. Meanwhile, underweight exposures to retailers, wirelines, and leisure detracted.
- ▶ The fund maintained a core allocation to bank loans, focused on the BB- and B rated segments of the market. Tactical positions in loan index products, collateralized loan obligations (CLOs), and high yield bonds rounded out the strategy's asset allocation. We were constructive on risk over the quarter, benefiting from a firm recovery from the fourth quarter's weakness.

Contributors	Detractors
Positioning within the B rated segment was the largest contributor by rating, specifically security selection in this area. As noted, IT, consumer cyclical services, and health care were the largest contributors (by sector) over the quarter. Tactical allocations to bank loan liquid products (ETFs in particular) were beneficial to performance, as these structures outperformed the broader market.	The fund's underweight to CCC rated loans was a slight detractor from performance, although this was well offset by the outperformance of BB rated and B rated loans relative to lower-quality bonds. By sector, the fund's underweight positioning within retailers, wirelines, and leisure names also detracted.

Further Insight

After ending 2018 on a weak note, the bank loan market not only recovered its -3.5% loss from the fourth quarter but rallied to a 4.0% total return for the first quarter of 2019. Although we are constructive on the market overall, the fund is focused on companies with stable business profiles and consistent cashflows. We avoid areas of the market with material concerns and/or deteriorating fundamental trends. By sector, top overweight positions include consumer cyclical services, pharmaceuticals, and aerospace & defense. Meanwhile, the largest underweights include retailers, leisure, and media & entertainment bonds. As a major theme, we continue to be underweight in the lower-quality part of the market and in smaller, less-liquid loans.

Overall Morningstar Rating®: Institutional



Rated against 215 Bank Loan 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

James Keenan, CFA, Carly Wilson, Mitchell S. Garfin, CFA, David Delbos, Josh Tarnow, Matthew Maxwell, Abigail Apistolos

TOP 10 HOLDINGS

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

1. Powershares Senior Loan Portfolio	4.2
2. Refinitiv U.S. Holdings Inc	1.2
3. First Data	1.1
4. Asurion Llc	1.0
5. Kronos Incorporated	0.9
6. Infor U.S. Inc	0.9
7. Transdigm Inc	0.9
8. Ss&c Technologies Inc	0.9
9. Sedgwick Claims Management Services Inc	0.9
10. Restaurant Brands International Lp	0.9

A portfolio of non-investment grade floating rate loans, focused on companies that can provide investors a high level of floating rate income. Employs a research intensive, credit-focused investment style seeking high-quality loans with attractive risk-adjusted returns.

% 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 ¹
Institutional ²	3.94	3.94	2.33	4.59	3.31	7.01	4.91
Investor A (Without Sales Charge)	3.86	3.86	2.03	4.27	2.99	6.74	4.82
Investor A (With Sales Charge)	1.27	1.27	-0.53	3.40	2.47	6.47	4.73
Morningstar Bank Loan Category Avg.	3.65	3.65	2.30	4.71	2.84	6.69	—
S&P/LSTA Leveraged Loan ³	4.00	4.00	2.97	5.67	3.62	7.98	—

Expenses for Institutional shares: Total 0.67%; Net, Including Investment Related Expenses (dividend expense, interest expense, acquired fund fees and expenses and certain other fund expenses) 0.67%. For Investor A shares: Total 0.98%; Net, Including Investment Related Expenses 0.98%. Institutional and Investor A shares have contractual waivers with an end date of 12/31/19 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 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 2.5% 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: 0.65%; for Investor A shares: 0.96%.

Important Risks: The fund is actively managed and its characteristics will vary. 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. Corporate loan values fluctuate in price so your investment can go down depending on market conditions. Corporate loans may be illiquid, affecting the fund's ability to realize net asset value in the event of a liquidation of assets. The fund may invest in non-U.S. borrowers, which involves risks including fluctuation in foreign exchange rates, political and economic developments. Corporate loans in the fund's portfolio typically are not rated or rated non-investment-grade (below Baa by Moody's or BBB by Standard & Poor's). These corporate loans generally involve greater risks to principal and income. 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.

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.

¹ Fund inception: 11/3/89. Inception date reflects the inception date of BlackRock Senior Floating Rate Fund. ² The performance information for periods prior to the inception date of the Institutional shares (5/18/11) shows the performance of the fund's Investor A shares. The performance of the Institutional share class would be substantially similar to Investor A shares because the Institutional share class and Investor A shares invest in the same portfolio of securities and performance would only differ to the extent that the Institutional share class and Investor A shares have different expenses. See the fund prospectus for more details. ³ The S&P/LSTA Leveraged Loan Index is a market-weighted index that tracks the performance of institutional leveraged loans by monitoring spreads and interest payments to gauge the overall health of the institutional loan markets. †† 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 Bank Loan funds over the following time periods: 215 in the last 3 years, 196 in the last 5 years and 81 in the last 10 years. With respect to these Bank Loan funds, the fund received a Morningstar Rating of 3, 4 and 4 stars for the 3-, 5- and 10-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.

FOR MORE INFORMATION OR TO RECEIVE UPDATES, VISIT: blackrock.com

©2019 BlackRock, Inc. All Rights Reserved. BLACKROCK is a registered trademark of BlackRock, Inc. or its subsidiaries in the United States and elsewhere. All other trademarks are those of their respective owners.

Prepared by BlackRock Investments, LLC, member FINRA.

Not FDIC Insured • May Lose Value • No Bank Guarantee

04/19 — Floating Rate Income Fund

BLACKROCK®

USRMH0419U-833716-2/2