California Municipal Opportunities Fund

BlackRock

Inst: **MACMX** A: **MECMX** C: **MFCMX** K: **MKCMX**

Commentary as of 09/30/24

- The fund posted returns of 1.77% (Institutional shares) and 1.71% (Investor A shares, without sales charge) for the third quarter of 2024.
- The fund had a shorter duration posture (lower sensitivity to interest rate movements) during the quarter. Negatively convex structures (where duration lengthens as rates rise) struggled as rates declined. Non-investment grade holdings required negative price adjustment for weaker credits in the workforce housing and charter school sectors, while Puerto Rico Electric Power Authority (PREPA) bonds required a downward price adjustment as the market debated ultimate recovery levels.
- The fund had a quality bias. The cash and cash equivalent reserve was stable at 9%, duration of 5.8 years was below the benchmark's 6.0 years at quarter-end, and 14% of securities were exposed to alternative minimum tax bonds, down from 18% in the prior quarter. Leverage (borrowed capital) from tender option bonds was stable at 0.8%. Allocations to the corporate-backed municipal, transportation, and utilities sectors were overweight.

Contributors	Detractors
The fund's high income accrual and higher-quality bias contributed to returns. Longer maturity securities performed well as rates declined. A robust new issue calendar allowed us to purchase attractively structured coupons at higher yields. The fund is becoming less negatively convex, which should provide better price appreciation potential in future rate declines, assuming the Federal Reserve continues to ease monetary policy.	Shorter duration, cushion structures of higher coupons were less reactive as rates declined. The cash reserve, which was relatively high, represented an opportunity loss as longer maturity bonds with longer duration would have appreciated more. High yield securities hampered performance as credit spreads for illiquid holdings widened, notably in the workforce housing and charter school sectors, and especially PREPA securities.

Further insight

There were large inflows into state-specific mutual funds during the quarter, which helped to handle the near record supply ahead of November's election. Overall, the municipal market credit story has been good for investors seeking tax-exempt income. As the election draws nearer, investors are keen to see how any new (or old) administration will behave with respect to business regulation and fiscal responsibility. Municipal bond yields are relatively rich and this should be watched as the yield curve adjusts to future debt issuance forecasts. It is impressive to see relative ratios as low as they have been in the short-to-medium-term part of the yield curve, though they should also be monitored.

★★★★★ **Morningstar Overall™**

Institutional shares rated against 58 Muni California Intermediate Funds, as of 9/30/24, 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

Sean Carney, Walter O'Connor, Kevin Maloney, Ryan McDonald, Michael Kalinoski

Top 10 holdings (%)

California Cmnty Choice Fing A 5 05/01/2054	3.57
California Cmnty Choice Fing A 5 01/01/2055	3.40
California Cmnty Choice Fing A 5 02/01/2054	2.51
Tob 5 544532ec4 Losutl 144a	1.65
San Francisco Calif City & Cnt 5 10/01/2043	1.62
San Francisco Calif City & Cnt 5 05/01/2047	1.52
California Infrastructure & Ec 8 01/01/2050	1.52
Eastern Mun Wtr Fing Auth Cali 5 07/01/2047	1.38
East Bay Calif Mun Util Dist W 5 06/01/2042	1.35
San Francisco Calif City & Cnt 5 05/01/2046	1.17

Investment approach

Invests flexibly in California municipal bonds; seeks tax-advantaged income in diverse interest rate environments.

Average annual total returns (%) as of 9/30/24

	3Q24 (not annualized)	YTD (not annualized)	1 Year	3 Year	5 Years	10 Years
Institutional	1.77	3.71	10.35	0.50	1.45	2.75
Investor A (Without Sales Charge)	1.71	3.53	10.09	0.25	1.21	2.50
Investor A (With Sales Charge)	-2.61	-0.87	5.41	-1.18	0.33	2.06
BBG Municipal Bond[1]	2.71	2.89	10.27	0.37	1.52	2.57
BBG Custom California Municipal Bond[2]	2.88	2.81	11.53	-0.16	1.31	2.94

*Expenses for Institutional shares: Total **0.57%**; Net, Including Investment Related Expenses (dividend expense, interest expense, acquired fund fees and expenses and certain other fund expenses) **0.54%**. For Investor A shares: Total **0.79%**; Net, Including Investment Related Expenses **0.78%**. Institutional and Investor A shares have contractual waivers with an end date of 06/30/2026 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 4.25% 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: **0.44%**; for Investor A shares: **0.68%**.*

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. 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. 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. The fund may invest up to 50% in non-investment-grade/high-yield bonds. 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. There may be less information on the financial condition of municipal issuers than public corporations. The market for municipal bonds may be less liquid than taxable bonds. Some investors may be subject to Alternative Minimum Tax (AMT). Capital gains distributions are taxable. Concentrating in a single state is subject to greater risk of adverse economic conditions and regulatory changes.

The opinions expressed are those of the fund's portfolio management team as of September 30, 2024, 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.

BlackRock provides compensation in connection with obtaining or using third-party ratings and rankings.

1 The BBG Municipal Bond Index measures the U.S. municipal market performance of bonds issued by states or municipalities and are exempt from federal income and alternative minimum tax. The state level municipal bond indices consist of bonds that have been issued by municipalities or municipal authorities within the 50 states, the District of Columbia, Puerto Rico and the US Virgin Islands. **2** The BBG Custom California Municipal Bond Index measures the performance of municipal bonds issued in California. All bonds in the index are exempt from U.S. federal income taxes or subject to the alternative minimum tax.†† 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 California Intermediate funds over the following time periods:58 in the last 3 years, 58 in the last 5 years and 45 in the last 10 years. With respect to these Muni California Intermediate funds, the fund received a Morningstar Rating of 4, 4 and 5 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.

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