Commentary as of 09/30/23

- The fund posted returns of -3.54% (Institutional shares) and -3.60% (Investor A shares, without sales charge) for the third quarter of 2023.
- The fund underperformed its benchmark during the quarter. Duration (interest rate sensitivity) positioning, emerging market debt, and U.S. investment grade credit detracted from returns. Structured products and Japanese rates contributed to performance.
- The fund reduced its duration exposure given volatility during the quarter. At quarter-end, the fund’s duration of 6.37 years compared with the benchmark’s 6.09 years. While broadly holding an overweight allocation to spread sectors, predominantly in securitized debt, we were more cautious on corporate credit risk due to tight valuations.

Contributors
Structured products, namely commercial mortgage-backed securities and collateralized loan obligations, contributed to performance as credit spreads continued to tighten. Security selection proved essential, particularly in sectors that saw wide dispersion. The fund held a short position in Japanese 10-year rates for most of the quarter, which contributed to performance following Bank of Japan’s decision to readjust its yield curve control policy.

Detractors
While our inflation forecast proved to be correct, with the core consumer price index ending at a 2% annualized rate during the third quarter, stronger-than-anticipated growth and increased Treasury supply, among other factors, outweighed the inflation trajectory. This drove rates higher and steepened the yield curve. This dynamic was the primary driver of the fund’s underperformance relative to the benchmark and the category. Emerging market debt also hurt returns, due to a sell-off triggered by a rise in developed market rates. U.S. investment grade credit was another negative.

Further insight
During the quarter, we reduced the fund’s duration by trimming the overweight position at the front end of the yield curve as the Federal Reserve neared the end of its policy hiking cycle. The fund continues to tactically rotate across select spread sectors given more attractive opportunities, focused on seniority in structured products, and has taken a less defensive position in emerging markets.
Average annual total returns (%) as of 9/30/23

<table>
<thead>
<tr>
<th></th>
<th>3Q23 (not annualized)</th>
<th>YTD (not annualized)</th>
<th>1 Year</th>
<th>3 Year</th>
<th>5 Years</th>
<th>10 Years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Institutional</td>
<td>-3.54</td>
<td>-0.78</td>
<td>1.30</td>
<td>-5.13</td>
<td>0.27</td>
<td>1.26</td>
</tr>
<tr>
<td>Investor A (Without Sales Charge)</td>
<td>-3.60</td>
<td>-0.96</td>
<td>1.05</td>
<td>-5.36</td>
<td>0.03</td>
<td>0.99</td>
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<tr>
<td>Investor A (With Sales Charge)</td>
<td>-7.45</td>
<td>-4.92</td>
<td>-2.99</td>
<td>-6.64</td>
<td>-0.79</td>
<td>0.57</td>
</tr>
<tr>
<td>Morningstar Intermediate Core Bond Category Avg.</td>
<td>-2.97</td>
<td>-0.83</td>
<td>0.77</td>
<td>-5.02</td>
<td>0.00</td>
<td>1.00</td>
</tr>
<tr>
<td>BBG U.S. Aggregate Bond</td>
<td>-3.23</td>
<td>-1.21</td>
<td>0.64</td>
<td>-5.21</td>
<td>0.10</td>
<td>1.13</td>
</tr>
</tbody>
</table>

Expenses for Institutional shares: Total 0.54%; Net, Including Investment Related Expenses (dividend expense, interest expense, acquired fund fees and expenses and certain other fund expenses) 0.44%. For Investor A shares: Total 0.81%; Net, Including Investment Related Expenses 0.69%. Institutional and Investor A shares have contractual waivers with an end date of 06/30/2024 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% 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: 0.43%; 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. Principal of mortgage– or asset-backed securities normally may be prepaid at any time, reducing the yield and market value of those securities. Obligations of U.S. government agencies are supported by varying degrees of credit but generally are not backed by the full faith and credit of the U.S. government. 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. 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.

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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