

Core Bond Fund

BlackRock®

Inst: **BFMCX** A: **BCBAX** C: **BCBCX** R: **BCBRX¹** K: **CCBBX**

Commentary as of 12/31/23

- The fund posted returns of 6.64% (Institutional shares) and 6.57% (Investor A shares, without sales charge) for the fourth quarter of 2023.
- Structured products, emerging market debt, agency residential mortgage-backed securities (MBS), and U.S. investment grade credit contributed to performance during the quarter. Duration positioning (management of interest rate sensitivity) and foreign exchange strategies detracted.
- We reduced the fund's top-line duration to an underweight position and maintained a preference toward the belly of the yield curve. We continued to selectively add to the fund's global investment grade credit exposure, and had a meaningful overweight to agency residential MBS given attractive valuations. In addition, the fund maintained a meaningful allocation to securitized debt.

Contributors	Detractors
Structured products, namely collateralized loan obligations and non-agency MBS, contributed as spreads continued to tighten and security selection proved essential in sectors that experienced a wide array of dispersion. The fund's tactical overweight position in emerging market debt, agency residential MBS, and U.S. investment grade credit were also beneficial.	U.S. duration positioning detracted from active performance during the quarter. In October, the broad bond market sold off as growth data surprised to the upside. A rise in term premia and an increase in U.S. Treasury supply caused duration positioning to detract. We moved to an underweight exposure, which hampered performance as rates pivoted in early November and continued to rally into year-end. In addition, foreign exchange strategies weighed on returns.

Further insight

During the quarter, we reduced the fund's overweight duration position by trimming exposure at the front end of the yield curve, which was coupled with an overweight position in the belly of the curve. From a spread perspective, we modestly added to U.S. investment grade credit given the increased dispersion in the sector, and slightly increased the overweight position in agency mortgages. In addition, we are focused on seniority in structured products and emerging markets, though we remain cautious.

★★★★ Morningstar Overall™

Institutional shares rated against 425 Intermediate Core Bond Funds, as of 12/31/23, 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.^{1†}

Portfolio management

Rick Rieder, David Rogal,
Akiva Dickstein, Chi Chen

Top 10 holdings (%)

United States Treasury	34.37
Federal National Mortgage	13.10
Uniform Mbs	8.52
GNMA II	5.80
FHLM	5.69
Morgan Stanley	1.77
Wells Fargo	0.93
Goldman Sachs Group Inc/The	0.90
Diamondback Energy Inc	0.83
Mexico	0.80

Investment approach

Invests at least 80% of its assets in bonds and maintains an average portfolio duration that is within $\pm 20\%$ of the duration of the benchmark. The fund may invest up to 25% of its assets in foreign issuers, of which 10% may be invested in emerging markets issuers. Up to 10% of the fund's assets may be exposed to non-U.S. currency risk.

Average annual total returns (%) as of 12/31/23

	4Q23 (not annualized)	YTD (not annualized)	1 Year	3 Year	5 Years	10 Years
Institutional	6.64	5.81	5.81	-3.48	1.35	1.91
Investor A (Without Sales Charge)	6.57	5.55	5.55	-3.71	1.08	1.62
Investor A (With Sales Charge)	2.31	1.32	1.32	-5.01	0.26	1.21
Morningstar Intermediate Core Bond Category Avg.	6.47	5.59	5.59	-3.27	1.05	1.66
BBG U.S. Aggregate Bond²	6.82	5.53	5.53	-3.31	—	—

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. gov't agencies are supported by varying degrees of credit but generally are not backed by the full faith and credit of the U.S. gov't. 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.

The opinions expressed are those of the fund's portfolio management team as of December 31, 2023, 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 Class R shares are sold to a limited group of investors, including certain retirement plans. See prospectus for details. **2** The Bloomberg U.S. Aggregate Bond Index comprises the total U.S. investment-grade bond market. ^{††} 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 Intermediate Core Bond funds over the following time periods: 425 in the last 3 years, 385 in the last 5 years and 277 in the last 10 years. With respect to these Intermediate Core Bond 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.

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