Floating Rate Income Fund

BlackRock

Inst: **BFRIX** A: **BFRAX** C: **BFRCX** K: **BFRKX**

Commentary as of 12/31/23

- The fund posted returns of 3.01% (Institutional shares) and 2.96% (Investor A shares, without sales charge) for the fourth quarter of 2023.
- At the sector level, the largest contributors to relative performance were strong selection within retailers, and an overweight position and selection in building materials. An underweight allocation to, and security selection in, health care and underweight positions in the packaging, electric, and technology sectors were the largest detractors.
- The fund had overweight positions in BB rated securities, slightly underweight holdings in B1 rated credit, and underweight allocations to B2 and B3 rated securities. We maintained a small but important overweight exposure to CCC rated securities, given market pricing and idiosyncratic opportunities. Out-of-benchmark allocations remained relatively limited, as we increased the fund's overall exposure to loans, including new positions in loan index total return swaps.

Contributors	Detractors
At the sector level, the largest contributors were strong selection within retailers, and selection and overweight position in building materials. Overweight positions in food & beverage, leisure, and diversified manufacturing also contributed meaningfully. At the security level, a selective overweight holding in CCC rated securities, and selection therein, was the largest driver of relative performance. Selection within BB and B1 rated securities was also a meaningful driver of returns. In addition, out-of-benchmark positioning in high yield index products, given the strength of the rally in this market in the latter part of the quarter, was beneficial.	The largest detractors were an underweight exposure to, and security selection in, health care and underweight positions in the packaging, electric, and technology sectors. An underweight allocation to B2 and B3 rated securities hampered returns, given the strength of performance in these lower-rated cohorts. Strong security selection, especially in B3 rated securities, helped buffer the effects. An overweight position in BB rated securities was a slight negative.

Further insight

Since early 2022, the 525 basis points of cumulative interest rate hikes, in addition to modest spread widening, has pushed the average coupon of the loan market to about 9%. This is a benefit to investors, though also a risk consideration as companies must deal with a higher cost of debt. We think this has created a compelling opportunity set for the loan market, though it has put a greater emphasis on the importance of credit selection and risk management. The leveraged loan market offers an index yield and coupon rate that is substantially higher than those of any other public asset class and rival private credit – yet with meaningfully more liquidity.

★★★★★ **Morningstar Overall™**

Institutional shares rated against 224 Bank Loan 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.††

Portfolio management

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

Top 10 holdings (%)

Cloud Software Group Inc	1.20
Naked Juice Llc	1.09
Alliant Holdings Intermediate Llc / Alliant Holdings Co-Issuer	1.03
Mh Sub I Llc	0.98
Medline Borrower Lp	0.95
American Airlines Inc	0.92
Deerfield Dakota Holding Llc	0.91
Sunshine Luxembourg Vii Sarl	0.89
Fertitta Entertainment Llc	0.86
Corelogic Inc	0.84

Investment approach

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 12/31/23

	4Q23 (not annualized)	YTD (not annualized)	1 Year	3 Year	5 Years	10 Years
Institutional[1]	3.01	12.58	12.58	5.26	5.43	4.06
Investor A (Without Sales Charge)	2.96	12.20	12.20	4.97	5.14	3.76
Investor A (With Sales Charge)	0.38	9.39	9.39	4.09	4.61	3.50
Morningstar Bank Loan Category Avg.	2.95	12.19	12.19	4.49	4.42	3.35
S&P/LSTA Leveraged Loan[2]	2.87	13.32	13.32	5.76	5.80	4.42

*Expenses for Institutional shares: Total **0.70%**; Net, Including Investment Related Expenses (dividend expense, interest expense, acquired fund fees and expenses and certain other fund expenses) **0.69%**. For Investor A shares: Total **0.94%**; Net, Including Investment Related Expenses **0.93%**. Institutional and Investor A shares have contractual waivers with an end date of 06/30/2025 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: **0.69%**; for Investor A shares: **0.93%**.*

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 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 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. **2** 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:224 in the last 3 years, 215 in the last 5 years and 177 in the last 10 years. With respect to these Bank Loan funds, the fund received a Morningstar Rating of 4, 5 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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