Commentary as of 09/30/23

- The fund posted returns of 2.73% (Institutional shares) and 2.56% (Investor A shares, without sales charge) for the third quarter of 2023.
- The fund’s ratings positioning was a net detractor from performance throughout the quarter. Underweight exposures to the technology and health care sectors, along with stock selection therein, hurt returns the most. Strong security selection in the leisure products, food, beverage & tobacco, and aerospace & defense sectors was additive.
- The fund had a modest underweight exposure to BB rated securities and an underweight position in B rated credit. Technology remained the fund’s largest underweight holding, though given the size of the sector in the index, it continued to be a meaningful allocation. The high yield bond allocation remained at about 6.5% and was primarily used as a tool for beta risk (market sensitivity) and liquidity management.

Contributors

Strong security selection in the leisure products, food, beverage & tobacco, and aerospace & defense sectors was the largest positive driver of relative performance. Selection in the retailing industry was also supportive.

Detractors

Underweight exposures to the technology and health care sectors, and selection therein, were the largest detractors. Selection in the chemicals sector also hurt returns. The fund’s underperformance relative to the benchmark was primarily driven by an underweight exposure to B rated securities, specifically B2/B3 rated credit. Similarly, selection in CCC rated securities detracted modestly. An elevated cash/liquid product holding was also a slight negative, as risk assets performed well.

Further insight

Inflation, resilient economic data, and hawkish Federal Reserve rhetoric throughout the quarter reaffirmed a higher-for-longer interest rate environment. Loans did well, outperforming most other major asset classes. Most of the outperformance can be attributed to the floating rate nature of loans, which provided insulation from the increase in rates. Since early 2022, the 525 basis points of cumulative rate hikes (in addition to modest widening of credit spreads) has pushed the average coupon of the loan market to 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.

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. Employed a research intensive, credit-focused investment style seeking high-quality loans with attractive risk-adjusted returns.

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Average annual total returns (%) as of 9/30/23

<table>
<thead>
<tr>
<th>Fund Type</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>Institutional¹</td>
<td>2.73</td>
<td>9.28</td>
<td>12.80</td>
<td>5.41</td>
<td>4.04</td>
<td>3.93</td>
</tr>
<tr>
<td>Investor A (Without Sales Charge)</td>
<td>2.56</td>
<td>8.98</td>
<td>12.42</td>
<td>5.16</td>
<td>3.75</td>
<td>3.64</td>
</tr>
<tr>
<td>Investor A (With Sales Charge)</td>
<td>0.00</td>
<td>6.25</td>
<td>9.61</td>
<td>4.27</td>
<td>3.23</td>
<td>3.38</td>
</tr>
<tr>
<td>Morningstar Bank Loan Category Avg.</td>
<td>3.00</td>
<td>8.92</td>
<td>11.70</td>
<td>4.66</td>
<td>3.09</td>
<td>3.23</td>
</tr>
<tr>
<td>S&amp;P/LSTA Leveraged Loan²</td>
<td>3.46</td>
<td>10.16</td>
<td>13.05</td>
<td>6.08</td>
<td>4.46</td>
<td>4.30</td>
</tr>
</tbody>
</table>

Expenses for Institutional shares: Total 0.71%; Net, Including Investment Related Expenses (dividend expense, interest expense, acquired fund fees and expenses and certain other fund expenses) 0.55%. For Investor A shares: Total 0.95%; Net, Including Investment Related Expenses 0.95%. 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 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: 0.67%; for Investor A shares: 0.91%.

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 September 30, 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.

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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