

Inst: **BGNIX** A: **BGPAX** C: **BGPCX** K: **BBGPX**

Commentary as of 06/30/24

- The fund posted returns of -0.11% (Institutional shares) and -0.17% (Investor A shares, without sales charge) for the second quarter of 2024.
- Out-of-benchmark allocations to collateralized mortgage obligations (CMOs) and agency mortgage derivatives contributed strongly to performance. Weak performance was focused in agency mortgage-backed security (MBS) relative-value trades, specifically down-in-coupon expressions and duration positioning (management of interest rate sensitivity) as U.S Treasury yields rose at the beginning of the quarter.
- On a relative-value basis, we preferred lower-coupon exposure such as 3.5% and 4.0%. The fund maintained deeply seasoned, higher-coupon (6.5% and higher) MBS pass-through exposure. Out-of-benchmark expressions continued to comprise fixed-rate agency CMOs and agency mortgage derivatives such as interest-only (IO) paper.

Contributors	Detractors
The largest contributor to performance was out-of-benchmark allocations to agency mortgage derivatives, such as IOs and fixed-rate agency CMOs. IO spreads continued to tighten, especially at the beginning of the quarter, which benefited lower-coupon IOs in particular.	Relative-value trades within the agency MBS space were the biggest detractors, as down-in-coupon expressions performed weakly. Rates-based strategies hampered returns as duration and rate volatility positions struggled in April in particular.

Further insight

We continue to structurally prefer pools over to-be-announced (TBA) trades. However, we have trimmed some pools in favor of TBAs as the “carry” and convexity profile (the rate at which duration changes in response to interest rate movements) continue to improve, alongside pool valuations approaching relatively rich levels. We continue to hold well-seasoned pools. In production coupon Ginnie Mae MBS, we prefer TBAs relative to pools, given the superior carry of the former. In out-of-benchmark allocations, the fund continues to hold fixed-rate agency CMOs and mortgage derivatives such as IOs. In rates positioning, duration exposure remained close to neutral during the quarter.

Portfolio management

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Top 10 holdings (%)

GNMA II	101.11
GNMA I	11.02
Federal National Mortgage	2.28
Fnma_24-38a-Fe	2.26
Gnma_15-187d-C	1.89
Fnma_24-30d-Fc	1.87
Gnma_15-55-A	1.43
Gnma_15-79-My	0.99
FhImc_4325-Zx	0.91
Gnma_20-149h-Ia	0.78

Investment approach

Invests primarily in securities issued by the Government National Mortgage Association (GNMA) as well as other U.S. government securities. The Fund seeks to maintain an average portfolio duration that is within +/- 1 year of the duration of the benchmark. The fund normally invests at least 80% of its assets in GNMA securities.

Average annual total returns (%) as of 6/30/24

	2Q24 (not annualized)	YTD (not annualized)	1 Year	3 Year	5 Years	10 Years
Institutional	-0.11	-0.88	2.25	-3.23	-0.88	0.59
Investor A (Without Sales Charge)	-0.17	-1.11	2.01	-3.48	-1.14	0.31
Investor A (With Sales Charge)	-4.16	-5.07	-2.07	-4.79	-1.94	-0.10
Morningstar Intermediate Government Category Avg.	0.25	-0.56	2.10	-2.99	-0.72	0.59
BBG GNMA MBS¹	0.05	-1.01	2.22	-2.50	-0.66	0.83

Expenses for Institutional shares: Total **1.08%**; Net, Including Investment Related Expenses (dividend expense, interest expense, acquired fund fees and expenses and certain other fund expenses) **0.88%**. For Investor A shares: Total **1.34%**; Net, Including Investment Related Expenses **1.13%**. 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](https://www.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: **0.42%**; for Investor A shares: **0.67%**.

Important Risks: The fund is actively managed and its characteristics will vary. Holdings shown should not be deemed 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. 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 June 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.

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¹ The Bloomberg GNMA MBS Index comprises GNMA mortgage-backed pass-through securities.

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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07/24 — GNMA Fund

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