

Low Duration Bond Fund

Inst: **BFMSX** A: **BLDAX** C: **BLDCX** R: **BLDPX¹** K: **CLDBX**

Commentary as of 06/30/24

- The fund posted returns of 1.17% (Institutional shares) and 1.11% (Investor A shares, without sales charge) for the second quarter of 2024.
- The quarter was a mixed-to-positive backdrop for U.S. bonds, with many spread sectors posting positive performance. Improvements in the inflation picture caused U.S. Treasury yields to rally. However, yields ended the quarter higher due to a strong sell-off in April.
- The fund's duration (interest rate sensitivity) trade was range-bound. It had a "risk-off" approach at the start of the quarter and trimmed exposure due to strong performance. As investment grade credit spreads wobbled, the fund was inclined to increase exposure.

Contributors

Overall, the quarter was a mixed-to-positive outcome for U.S. bonds, which generally outperformed global peers. Promising inflation data in the United States ultimately caused rates to rally into quarter-end. However, yields ended higher over the quarter. Nonetheless, this positive macroeconomic backdrop generally caused spreads to move toward their tightest year-to-date levels. Therefore, spread sectors held in the fund, including out-of-benchmark allocations, contributed to performance.

Detractors

There were no significant detractors during the quarter.

Portfolio management

Akiva Dickstein, Scott Maclellan,
Amanda Liu, Sam Summers

Top 10 holdings (%)

United States Treasury	23.90
Federal National Mortgage	3.33
Bank of America	1.98
Uniform Mbs	1.89
JPMorgan Chase	1.64
Goldman Sachs Group Inc/The	1.45
HCA	1.12
Wells Fargo	1.11
Federal Farm Credit Banks Funding Corp	1.08
Vici Properties Lp	1.01

Investment approach

Invests primarily in investment grade bonds and maintains an average portfolio duration that is between 0-3 years.

Further insight

At the start of the quarter, the fund maintained a neutral duration position, avoiding significant directional bets on the U.S. yield curve. It remained "agnostic" about the shape of the U.S. yield curve and avoided taking significant positions in either direction. In the subsequent month, the fund maintained its neutral bias, trading range-bound as economic data echoed a more gradual slowdown. We moved to a short stance in June, following strong nonfarm payrolls data, but pivoted to a slightly long position due to a softer inflation reading that caused rates to rally.

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

	2Q24 (not annualized)	YTD (not annualized)	1 Year	3 Year	5 Years	10 Years
Institutional	1.17	1.94	6.15	0.67	1.45	1.62
Investor A (Without Sales Charge)	1.11	1.93	5.89	0.46	1.19	1.36
Investor A (With Sales Charge)	-1.16	-0.36	3.51	-0.30	0.73	1.13
Morningstar Short-Term Bond Category Avg.	1.06	1.95	5.96	0.67	1.59	1.64
BofA ML 1-3 Year Govt./Corp.²	0.99	1.45	4.94	0.55	1.26	1.36

Expenses for Institutional shares: Total **0.43%**; Net, Including Investment Related Expenses (dividend expense, interest expense, acquired fund fees and expenses and certain other fund expenses) **0.40%**. For Investor A shares: Total **0.69%**; Net, Including Investment Related Expenses **0.65%**. 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 2.25% 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: **0.40%**; for Investor A shares: **0.65%**.

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. 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 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 Class R shares are sold to a limited group of investors, including certain retirement plans. See prospectus for details. **2** The unmanaged BofA Merrill Lynch 1-3 Year Corporate/Government Index comprises investment-grade corporate bonds and U.S. government agency and U.S. treasury securities with maturities between 1 and 3 years.

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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