

Low Duration Bond Fund

BlackRock

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

Commentary as of 12/31/23

- The fund posted returns of 3.29% (Institutional shares) and 3.11% (Investor A shares, without sales charge) for the fourth quarter of 2023.
- The fund outperformed its benchmark during the quarter. Investment grade credit, high yield bonds, duration (interest rate sensitivity) and yield curve positioning, asset-backed securities (ABS), mortgage-backed securities (MBS), collateralized loan obligations, and commercial MBS (CMBS) were the main contributors. Emerging market and non-U.S. sovereign debt detracted.
- The fund maintained an up-in-quality theme and cut risk on the fringes by taking off the allocations to emerging market debt and high yield. The fund retained a preference for U.S. dollar-denominated debt given stronger fundamentals and lower risk.

Contributors	Detractors
Investment grade credit was the most notable contributor, demonstrating solid performance throughout the quarter. The fund maintained a conviction in consumer-oriented sectors as these proved to be resilient. Within investment grade credit, we favored industrials, particularly consumer cyclicals. The fund also took advantage of opportunities in financials, with a focus on larger, well-capitalized institutions. Overall, most spread sectors contributed due to the strong market tone.	There were no major detractors, though emerging market and non-U.S. sovereign debt were small negatives. Overall, the fund strategically rotated away from sectors that had and were expected to come under pressure given the slowing economic environment. These sectors included high yield credit, emerging market debt, and CMBS. Moreover, we believed the U.S. economy should outperform its global peers and we favored a U.S.-centric view in terms of risk allocation.

Further insight

The fund began the quarter with a long duration bias. However, with the dramatic rally in rates that started in late November, the fund strategically reduced duration to end the quarter with a short-to-neutral duration bias. We view market pricing as overdone and do not see the case for extending duration at this time. The fund maintains a preference for front-end investment grade credit and high-quality ABS. We believe yield-based investors will sustain spreads, especially with a strong issuance calendar lined up for early 2024. We expect these two sectors to have spread compression potential and “carry” (income) at the start of 2024.

Portfolio management

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Amanda Liu, Sam Summers

Top 10 holdings (%)

United States Treasury	20.41
Federal National Mortgage	2.92
FHLM	1.89
Bank of America	1.27
Federal Farm Credit Banks Funding Corp	1.11
JPMorgan Chase	1.09
Federal Home Loan Banks	0.90
Fnma_22-65b-Fb	0.90
Energy Transfer Lp	0.89
HCA	0.81

Investment approach

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

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

	4Q23 (not annualized)	YTD (not annualized)	1 Year	3 Year	5 Years	10 Years
Institutional	3.29	5.77	5.77	0.17	1.72	1.59
Investor A (Without Sales Charge)	3.11	5.39	5.39	-0.12	1.45	1.31
Investor A (With Sales Charge)	0.79	3.02	3.02	-0.87	0.99	1.08
Morningstar Short-Term Bond Category Avg.	3.34	5.73	5.73	0.14	1.88	1.58
BofA ML 1-3 Year Govt./Corp.²	2.64	4.63	4.63	0.08	1.52	1.28

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 **0.74%**; Net, Including Investment Related Expenses **0.65%**. 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 2.25% 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 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.

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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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