

Strategic Income Opportunities Monthly Commentary

BlackRock®

INST: BSIIX • A: BASIX • C: BSICX

★★★★ Morningstar Overall Rating™ (Inst)

Performance: The fund posted a negative return in October as rates experienced significant volatility due to strong economic data releases and uncertainty around the US election.

▲ **Contributors:** European Credit and Structured Products
▼ **Detractors:** US Rates, Non-US Rates, Agency Mortgages, and Emerging Market debt

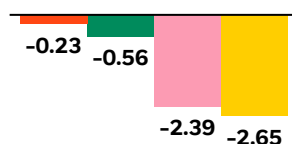
Positioning: Over the month, we slightly decreased top-line duration driven by reductions in belly of curve and closed our shorts in the front and back and of the curve. That said, the bulk of our duration still remains in the belly part of the curve, while tactically trading Global Credit, Agency Mortgages, and Emerging Market Debt.

▲ **Increased:** Emerging market debt and securitized assets
▼ **Decreased:** US HY credit, European credit, and US IG credit

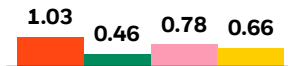
Returns in all rate environments¹

BlackRock's global fixed income platform helps us identify opportunities to generate total return in various market scenarios. In October, European Credit, and Structured Products contributed to fund performance. US Rates and Non-US rated detracted from performance along with Agency mortgages and emerging market debt.

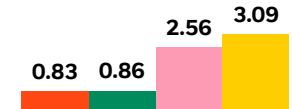
Rising rates (%)



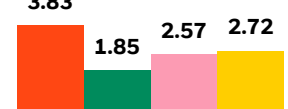
Flat (%)



Falling rates (%)



Since Inception (%)



● Strategic Income Opportunity Fund
● Short-Term Bond Category

● Intermediate Core-Plus Bond Category
● Bloomberg U.S. Agg Bond Index

Outperformance with less risk

The fund has generated stronger returns with lower volatility versus the Agg over the past 5 years.

	BlackRock Strategic Income Opportunities Fund	Morningstar Nontraditional Bond Category Average	Bloomberg US Agg Bond Index
Annualized return	2.96%	2.51%	-0.23%
Annualized volatility	5.10%	4.95%	6.36%
Sharpe ratio	0.09	-0.05	-0.43

Source: Morningstar. Based on 5-year data as of 10/31/24. Volatility is measured by standard deviation of returns. Higher deviation represents higher volatility. Sharpe ratio uses a fund's monthly standard deviation and excess return (difference between the fund's return and the risk-free return of 90-day Treasury Bills) to determine reward per unit of risk.

	Subsidized	Unsubsidized
30-day SEC yield	5.07%	5.06%

30-day SEC yield reflects the income earned by an investor in the fund during a 30-day period after deducting the fund's expenses. Unsubsidized SEC yield represents what a fund's 30-day SEC yield would have been had no fee waiver or expense reimbursement been in place over the period.

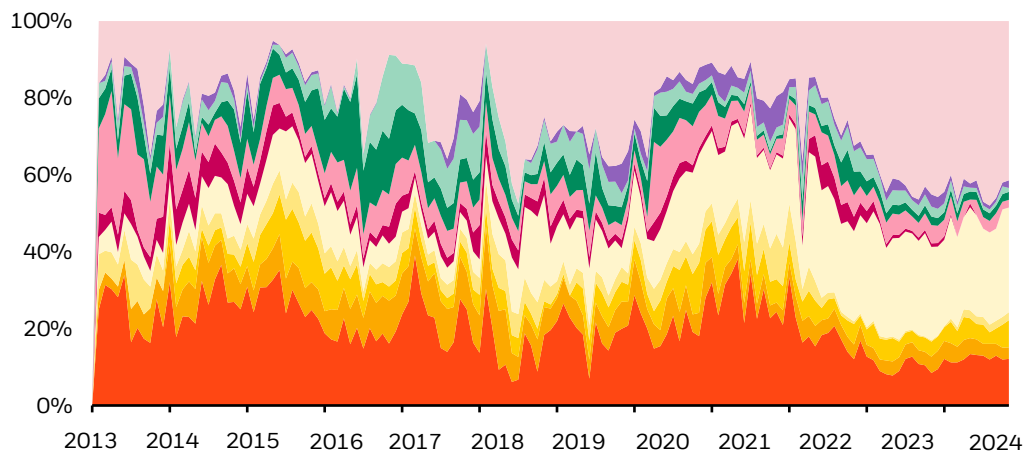
All data as of 10/31/24. **Fund data based on Institutional shares, which may not be available to all investors. Other share classes may vary.** Performance data quoted represents past performance and is no guarantee of future results. Investment returns and principal values may fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. All returns assume reinvestment of all dividend and capital gain distributions. Current performance may be lower or higher than that shown. Refer to blackrock.com for recent performance.

The Overall Morningstar Rating of 4 stars pertains to the fund's Institutional shares, rated against 266 Nontraditional Bond Funds as of 10/31/24. Ratings are based on risk-adjusted total return and a weighted average of performance figures associated with Morningstar's 3-, 5- and 10-year rating metrics. Ratings are determined monthly and subject to change.²

Tactical risk taking as bond markets change

We adapt the fund's risk strategies as markets change. In October, we selectively added exposure to emerging market debt and securitized assets while trimming our exposure to US HY credit, European credit and US IG credit.

Composition of risk



Risk strategies

- Duration
- Agency MBS
- Investment grade credit
- High yield/bank loan
- Securitized asset
- Municipal
- European credit
- Asian credit
- Global sovereign
- Emerging market
- Macro and U.S. absolute return

Asset Allocation

In October, we sought income from diversified sources including Credit and Securitized Assets, while actively managing duration.

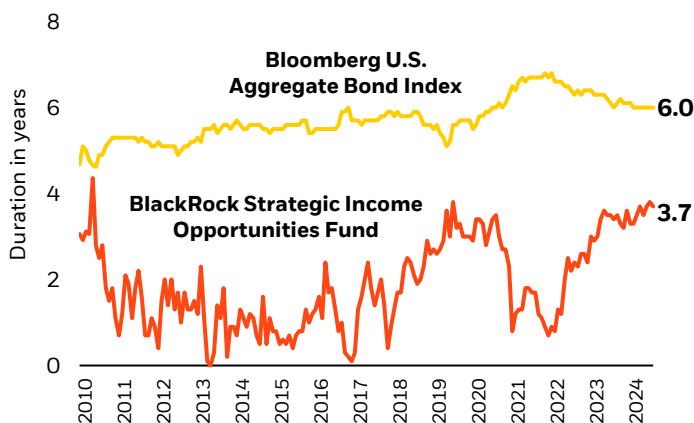
Sector	% as of 10/31*	Change since last month	Duration contrib. (years)
U.S. Treasuries	0.9%	▼ 0.9%	0.11
U.S. interest rate derivatives	13.3%	▲ 34.9%	0.12
U.S. Agency/MBS	23.3%	▲ 0.7%	0.77
Non-U.S. Sovereign	26.8%	▼ 9.8%	0.62
Non-U.S. Credit	16.3%	▼ 0.8%	0.40
Investment Grade Credit	1.2%	▼ 0.4%	0.40
High Yield Credit	7.2%	▼ 1.0%	0.09
Bank Loans	5.3%	▼ 0.1%	0.00
Municipal Bonds	1.1%	0.0%	0.08
Emerging market debt	14.1%	▲ 3.0%	0.59
Non-Agency MBS	6.6%	▲ 0.4%	0.18
Commercial MBS	6.3%	▲ 0.5%	0.07
Asset-backed	6.2%	▲ 0.4%	0.09
CLOs	7.9%	▼ 0.3%	0.02
Other	3.6%	▼ 0.3%	0.06
Cash/Cash Equivalents	-13.1%	▼ 0.4%	0.12
Net Derivatives	-27.1%	▼ 26.0%	0.00
Total	100.0%		3.72

Diversification benefits of the fund

	Correlation to fund	Annualized volatility
Strategic Income Opportunities Fund	-	5.10%
Bloomberg U.S. Aggregate Bond Index	0.557	6.36%

Source: Morningstar. Monthly data based on Institutional shares since strategy inception (March 2010) through 10/31/24. Annualized volatility is the standard deviation of returns. Past correlations are no guarantee of future correlations.

Flexible duration for all rate scenarios

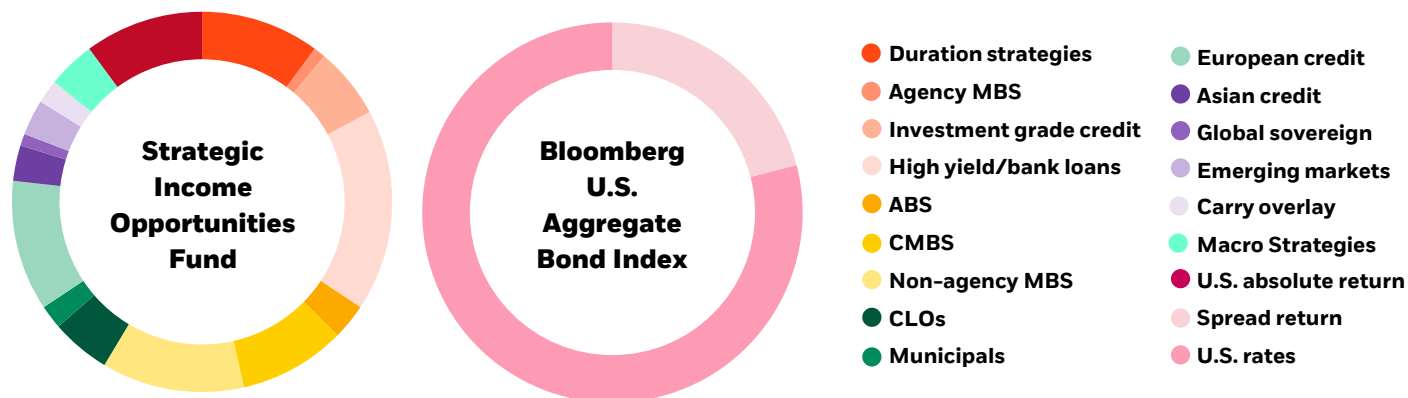


Monthly data since inception of the fund's strategy in 3/31/10 through 10/31/24. As a general rule, for every 1% change in interest rates, a bond's price will change approximately 1% in the opposite direction for every year of duration. Therefore, when interest rates rise, bonds with shorter duration fare better. When interest rates fall, bonds with longer duration tend to outperform.

* Values may not equal 100% due to rounding. Asset class exposure shown as a percent of market value. Hedging strategies shown as a percent of notional value and include only short derivative positions. **Non-U.S. Sovereign** includes the effect of interest rate derivatives. **Credit** allocations include the notional value of CDX overlay positions. **Other** category includes equity-related securities, convertibles and other non-classified securities. The fund's exposure to equities is limited to 10% of assets. **Cash/Cash Equivalents** may include long or short positions pending settlement as well as the market value of traditional bonds and swaps (such as Eurodollar futures) with a maturity date of less than one year. **Net Derivatives** reflects the approximate notional value of long derivative positions less short derivative positions held in the fund; derivatives typically include, but are not limited to, futures, options and swap contracts.

Diversified sources of return keep volatility low

Since strategy inception, the fund has drawn upon a variety of sources to generate return.



Data is since strategy inception (3/31/10) through 10/31/24. Subject to change. Diversification does not ensure a profit or protect against a loss.

Market movements

In October, US interest rates were volatile due to strong economic data releases alongside the upcoming election. These events pose potential uncertainty around the Federal Reserve’s rate path heading into 2025. Depending on which part of the curve, rates sold off ~50bps throughout the month.

In economic data, the October US job report showed that the US economy added 254k jobs in September, above market expectations of 150k, and the unemployment rate also came down to 4.1%. US inflation was largely in-line with market expectations with headline CPI printing at +0.2% MoM, and Core CPI at +0.3% MoM, resulting in +2.4% YoY and 3.3% YoY, respectively.

Globally, the Bank of Japan (BoJ) maintained its policy stance, keeping the rate unchanged at 0.25%. The BoJ’s latest communications suggested that conditions for the next rate hike were falling into place, with a preference to wait until January 2025 but keeping the option to hike earlier due to political uncertainty and exchange rate monitoring. Additionally, the Euro Area’s economic landscape in October was marked by mixed signals of recovery and ongoing political uncertainties.

Duration positioning

Top-line duration decreased to roughly 3.72yrs, duration driven by reductions in the belly of the curve in both the US and Europe. In the US, we also closed our shorts in the front and back-end of the curve as rates sold off following the strong NFP and macro data prints.

Sector positioning

From a high-quality asset perspective, we tactically decreased our exposure to IG credit in favor of adding to Agency MBS. On a cross-asset basis, we continue to broadly favor European credit over US credit given more attractive valuations, particularly when the currency is swapped back to the dollar.

Outside of the US, we remained convicted with our European Sovereigns exposure. Additionally, we hold a small exposure to Japanese sovereigns on the view that the Japanese yield curve is steeper than the US and other DM yield curves. The team also incrementally increased risk within Emerging Market Debt, primarily to rates given strong growth, falling inflation, and global central bank easing.

We modestly decreased our exposure to US HY Credit while continuing to remain cautious down the cap stack and continue to favor higher-quality structured products given the attractive carry.

Lastly, we continue to be selective across the securitized asset complex, focusing on higher quality assets with strong levels of protection.

“
The breadth and depth of our global fixed income platform allows us to find opportunities as we seek to make a little bit of money a lot of times.”



Rick Rieder

BlackRock’s Global Chief Investment Officer of Fixed Income

Portfolio Managers

Rick Rieder, Russell Brownback, David Rogal

Average annual total returns (%) as of 10/31/24

	1 Month (not annualized)	YTD (not annualized)	1 Year	3 Year	5 Year	10 Year
Institutional	-1.47	4.47	10.53	1.84	2.96	2.94
Investor A Without/with Sales Charge	-1.39 / -5.34	4.25 / 0.08	10.37 / 5.95	1.57 / 0.20	2.68 / 1.84	2.65 / 2.24
Morningstar Nontraditional Bond Avg.	-0.47	5.44	10.01	1.89	2.51	2.48

Total annualized returns as of 9/30/24 for Institutional shares: 1 Yr, 11.87%; 5 Yr, 3.37%; 10 Yr, 3.10%; for Investor A shares without/with sales charge: 1 Yr, 11.47%/7.01%; 5 Yr, 3.06%/ 2.22%; 10 Yr, 2.79%/2.37%.

Performance data quoted 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 distributions. Current performance may be lower or higher than that shown. Refer to blackrock.com for most recent month-end performance. Share classes have different sales charges, fees and other features. Returns with sales charge reflect the deduction of current maximum initial sales charge of 4.00% for Investor A shares. Institutional shares have no front- or back-end load, limited availability and may be purchased at various minimums. See prospectus for details. Investment returns reflect total fund operating expenses, net of all fees, waivers and/or expense reimbursements. Expenses, as stated in the fund's most recent prospectus, for Institutional/Investor A shares: Total, **0.75%/1.00%**; Net, Including Investment Related Expenses (dividend expense, interest expense, acquired fund fees and expenses and certain other fund expenses): **0.74%/0.99%**. Institutional and Investor A have contractual waivers with an end date of 6/30/25 terminable upon 90 days' notice. Net expenses, Excluding Investment Related Expenses: 0.61%/0.86%.

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. 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. Derivatives entail risks relating to liquidity, leverage and credit that may reduce returns and increase volatility. International investing involves special risks including, but not limited to currency fluctuations, illiquidity and volatility. These risks may be heightened for investments in emerging markets. Non-investment-grade debt securities (high-yield/junk bonds) may be subject to greater market fluctuations, risk of default or loss of income and principal than higher-rated securities. Short-selling entails special risks. If the fund makes short sales in securities that increase in value, the fund will lose value. Any loss on short positions may or may not be offset by investing short-sale proceeds in other investments.

The opinions expressed are those of the fund's portfolio management team as on October 31, 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.

1 Source: Morningstar as of 10/31/24. Data since 3/31/10, when Rick Rieder was named PM of the fund and the investment strategy changed. Performance is category, fund or index average in given time frames. Rising, Flat and Falling rate periods are calculated using a proprietary methodology that chooses periods based on specific parameters BlackRock deems sufficient to categorize periods as rising, flat and falling. Rising Rates: Counts period if <= 60 day period with at least a 40 basis points increase in 10-year treasury from start date to end date. 12/31/2010 to 02/08/2011, 09/22/2011 to 10/27/2011, 01/31/2012 to 03/19/2012, 07/25/2012 to 09/14/2012, 11/16/2012 to 02/13/2013, 05/01/2013 to 07/05/2013, 10/23/2013 to 12/31/2013, 01/30/2015 to 03/06/2015, 04/03/2015 to 06/10/2015, 09/07/2016 to 11/30/2016, 09/07/2017 to 10/26/2017, 11/06/2017 to 1/30/2018, 08/20/2018 to 10/10/2018, 08/28/2019 to 09/13/2019, 10/04/2019 to 12/23/2019, 03/09/2020 to 03/18/2020, 10/14/2020 to 01/11/2021, 01/27/2021 to 04/05/2021, 08/03/2021 to 10/21/2021, 12/3/2021 to 02/15/2022, 03/1/2022 to 05/6/2022, 08/1/2022 to 10/24/2022, 12/7/2022 to 12/28/2022, 1/18/2023 to 3/2/2023, 5/4/2023 to 7/7/2023, 7/26/2023 to 10/19/2023, 2/1/2024 to 4/25/2024, 9/16/2024 to 10/30/2024. Flat Rates: Ending date rate must be within +/- 2 basis points of start date rate, period must be at least 30 days and no more than 90 days (business days), variance of rate in the periods must be +/- 15 basis points from start date rate on each date over the period (ensures minimal volatility over the period as a whole). 11/17/2011 to 03/06/2012, 06/05/2012 to 08/01/2012, 10/10/2012 to 12/14/2012, 01/03/2013 to 03/25/2013, 06/25/2013 to 08/12/2013, 09/25/2013 to 11/07/2013, 01/30/2014 to 04/29/2014, 05/16/2014 to 09/30/2014, 10/22/2014 to 12/08/2014, 08/03/2015 to 10/30/2015, 11/04/2015 to 12/31/2015, 02/02/2016 to 03/28/2016, 03/30/2016 to 05/31/2016, 06/16/2016 to 08/31/2016, 12/9/2016 to 1/31/2017, 02/06/2017 to 03/31/2017, 04/18/2017 to 06/21/2017, 06/22/2017 to 08/30/2017, 09/29/2017 to 11/28/2017, 02/02/2018 to 04/17/2018, 05/30/2018 to 07/19/2018, 07/31/2018 to 9/12/2018, 12/31/2018 to 03/06/2019, 06/03/2019 to 07/30/2019, 10/21/2019 to 12/05/2019, 03/30/2020 to 05/28/2020, 06/11/2020 to 08/24/2020, 08/27/2020 to 10/15/2020, 11/03/2020 to 12/31/2020, 03/08/2021 to 06/02/2021, 07/07/2021 to 09/22/2021, 09/28/2021 to 11/19/2021. Falling Rates: Counts period if <=60 day period with at least a 40 basis points decline in 10-year treasury rate from start date to end date. 02/08/2011 to 03/16/2011, 04/08/2011 to 06/24/2011, 07/01/2011 to 09/22/2011, 10/27/2011 to 12/19/2011, 03/19/2012 to 06/01/2012, 03/11/2013 to 05/02/2013, 09/05/2013 to 10/23/2013, 12/31/2013 to 03/03/2014, 09/18/2014 to 10/15/2014, 11/06/2014 to 02/02/2015, 06/10/2015 to 08/24/2015, 11/09/2015 to 01/29/2016, 03/13/2017 to 05/31/2017, 11/08/2018 to 1/31/2019, 06/10/2019 to 08/28/2019, 3/11/2019 to 6/3/2019, 11/08/2019 to 01/31/2020, 02/05/2020 to 04/21/2020, 05/12/2021 to 07/19/2021, 6/14/2022 to 8/1/2022, 10/24/2022 to 1/18/2023, 3/2/2023 to 4/5/2023, 10/19/2023 to 12/27/2023, 4/25/2024 to 6/18/2024, 7/1/2024 to 9/16/2024. **2** 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. With respect to U.S.-domiciled funds in the Nontraditional Bond fund category, the fund received a Morningstar Rating of 3 stars for the 3-year period, rated against 266 funds; 3 stars for the 5-year period, rated against 244 funds; and 4 stars for the 10-year period, rated against 165 funds. Ratings are for Institutional share class. Other classes may have different performance characteristics. BlackRock provides compensation in connection with obtaining or using third-party ratings and rankings.

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 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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