

Strategic Income Opportunities Fund

BlackRock®

INST: BSIIX • A: BASIX • C: BSICX

★★★★ Morningstar Overall Rating™ (Inst)

Performance: The fund posted a positive return for the month of January, driven by strong spread performance across securitized and credit markets.

▲ **Contributors:** Structured Products, European Credit, and US IG Credit

▼ **Detractors:** US Rates, Agency MBS, and Global Strategies

Positioning: We continue to own the bulk of our duration in the belly part of the curve, while tactically trading Global Sovereign & Credit allocations, and Agency Mortgages.

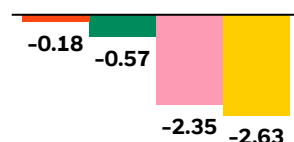
▲ **Increased:** Agency Mortgages and US IG Credit

▼ **Decreased:** Non-US Sovereigns, Emerging Markets Debt, and US HY Credit

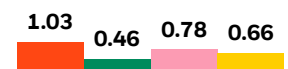
Returns in all rate environments¹

BlackRock's global fixed income platform helps us identify opportunities to generate total return in various market scenarios. In January, Structured Products, European Credit, and US IG Credit were the main contributors to performance.

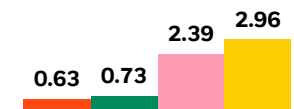
Rising rates (%)



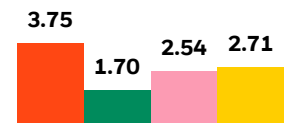
Flat (%)



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 nontraditional bond fund averages over the past 5 years.

	BlackRock Strategic Income Opportunities Fund	Morningstar Nontraditional Bond Category Average
Annualized return	3.13%	2.32%
Annualized volatility	4.89%	4.90%
Sharpe ratio	0.22	-0.01

Source: Morningstar. Based on 5-year data as of 01/31/24. 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	5.06%	5.05%

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.

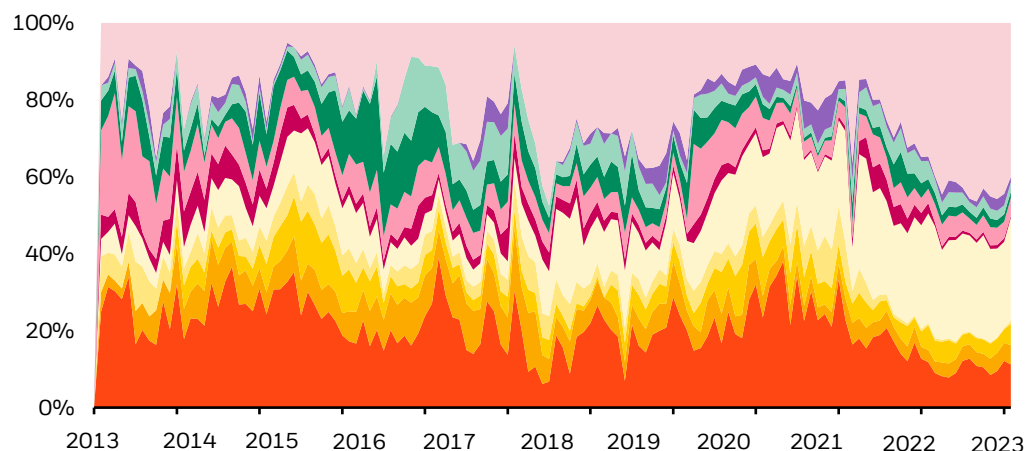
All data as of 1/31/24. **Fund data based on Institutional shares, which may not be available to all investors. Other share classes may vary.** Performance data quoted represents past performance and is no guarantee of future results. Investment returns and principal values may fluctuate so that an investor's 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 286 Nontraditional Bond Funds as of 1/31/24. 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 January, we selectively added to Agency Mortgages and US IG Credit while tactically trimming Non-US Sovereigns and Emerging Markets Debt.

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 January, we sought income from diversified sources including Credit and Securitized Assets, while hedging riskier positions by tactically managing duration.

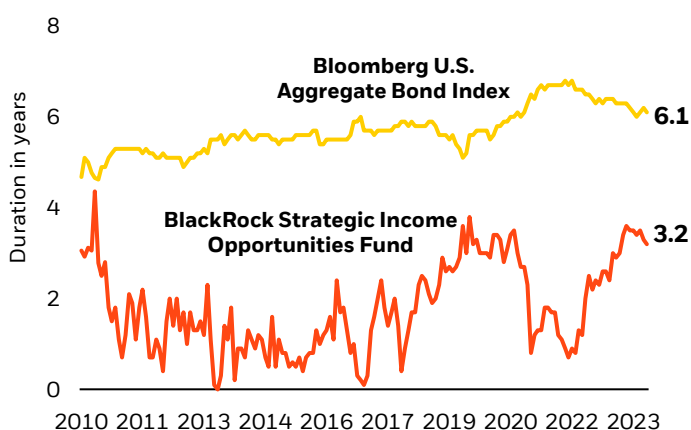
Sector	% as of 01/31*	Change since last month	Duration contrib. (years)
U.S. Treasuries	4.6%	▼ 6.6%	0.65
U.S. interest rate derivatives	5.9%	▼ 22.5%	-0.50
U.S. Agency/MBS	17.8%	▲ 6.6%	0.94
Non-U.S. Sovereign	8.5%	▼ 1.5%	0.08
Non-U.S. Credit	15.6%	▲ 2.1%	0.51
Investment Grade Credit	7.2%	▲ 0.8%	0.51
High Yield Credit	7.9%	▲ 1.6%	0.09
Bank Loans	3.8%	▼ 0.2%	
Municipal Bonds	1.2%	▼ 0.1%	0.10
Emerging market debt	11.3%	▼ 1.6%	0.48
Non-Agency MBS	6.3%	▲ 0.4%	0.16
Commercial MBS	5.3%	▲ 0.2%	0.05
Asset-backed	4.7%	▲ 0.2%	0.10
CLOs	7.1%	▼ 0.1%	0.02
Other	2.1%	▲ 0.1%	0.00
Cash/Cash Equivalents	-2.6%	▼ 10.8%	0.05
Net Derivatives	-6.8%	▲ 31.2%	
Total	100%		3.23

Diversification benefits of the fund

	Correlation to fund	Annualized volatility
Strategic Income Opportunities Fund	-	4.89%
Bloomberg U.S. Aggregate Bond Index	0.53	6.14%

Source: Morningstar. Monthly data based on Institutional shares since strategy inception (March 2010) through 01/31/24. Annualized volatility is the standard deviation of returns. Past correlations are no guarantee of future correlations.

Flexible duration for all rate scenarios

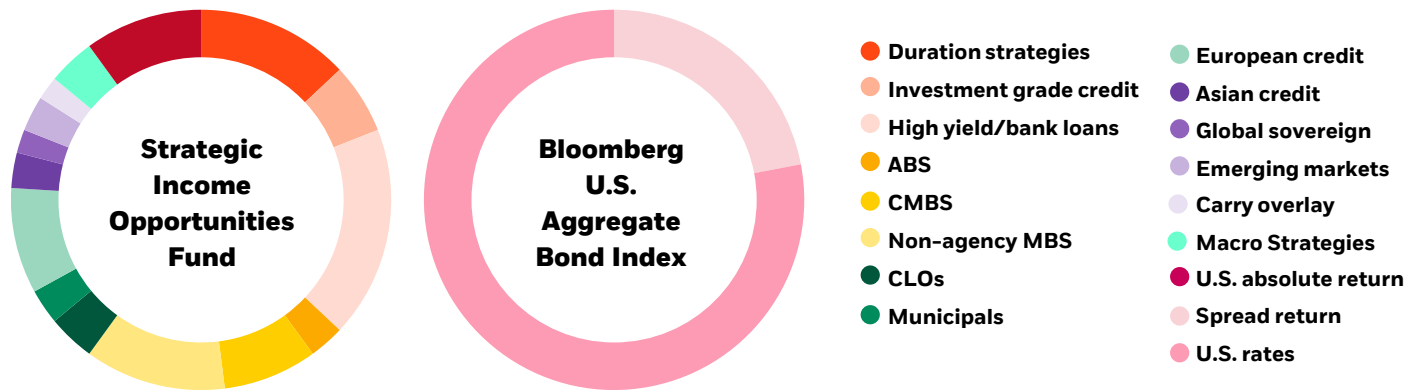


Monthly data since inception of the fund's strategy in 3/31/10 through 01/31/24. As a general rule, for every 1% change in interest rates, a bond's price will change approximately 1% in the opposite direction for every year of duration. Therefore, when interest rates rise, bonds with shorter duration 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 01/31/24. Subject to change. Diversification does not ensure a profit or protect against a loss.

Market movements

In January, the US Rates market traded decidedly rangebound, both in duration and curve. For most of the month, investors were in a holding pattern, buying dips and fading rallies at technical levels in a mean-reverting tendency. However, despite yields closing largely unchanged from the previous month, potentially accelerating economic data, and increased expectation that the Fed could keep rates higher for longer, have pushed back on cutting cycle eagerness and put a damper on curve steepeners.

The Federal Reserve's (Fed) decision to maintain the key interest rate at 5.25-5.50% for the fourth consecutive meeting was in line with market expectations. The Fed adjusted their language to lay the groundwork for their eventual policy ease as inflation weakens and the economy slows. Similarly, the ECB and the BoE held rates, which was in line with expectations.

On the US data front, December inflation data was stickier than expected, with annual headline and Core CPI respectively at 3.35% and 3.93%. The total nonfarm payrolls rose 216K in December, exceeding expectations and with downward revisions to prior months.

Duration positioning

We tactically trimmed our top-line duration amid stronger economic data and elevated rate vol. Overall, the team continues to hold the bulk of the fund's duration in the belly of the curve as we aim to capture upside price potential, particularly from further curve steepening.

Sector positioning

From a high-quality asset perspective, we tactically added to Agency Mortgages given attractive valuations and spread diversification benefits. In addition, we modestly added to US IG Credit given attractive yield levels and preference towards high-quality assets.

Outside of the US, we tactically trimmed our long European Sovereigns and Credit positions after the year-end yields rally in the Euro area. Additionally, we trimmed risk within Emerging Market Sovereigns in the face of a continued rise in core yields.

Lastly, we modestly reduced exposure from US HY Credit, while remaining cautious down the cap stack, and continue to favor high-quality structured products given the attractive carry.

“

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 01/31/24

	1 Month (not annualized)	YTD (not annualized)	1 Year	3 Year	5 Year	10 Year
Institutional	0.26	0.26	5.22	0.81	3.13	2.83
Investor A Without/with Sales Charge	0.24 / -3.77	0.24 / -3.77	4.96 / 0.76	0.53 / -0.83	2.87 / 2.03	2.54 / 2.12
Morningstar Nontraditional Bond Avg.	0.42	0.42	5.10	0.72	2.32	2.22

Total annualized returns as of 12/31/23 for Institutional shares: 1 Yr, 7.26%; 5 Yr, 3.35%; 10 Yr, 2.82%; for Investor A shares without/with sales charge: 1 Yr, 7.00%/ 2.72%; 5 Yr, 3.08%/ 2.24%; 10 Yr, 2.53%/2.11%.

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, **0.71%/0.99%**; Net, Including Investment Related Expenses (dividend expense, interest expense, acquired fund fees and expenses and certain other fund expenses): **0.71%/0.99%**. Institutional and Investor A have contractual waivers with an end date of 6/30/24 terminable upon 90 days' notice. Net expenses, Excluding Investment Related Expenses: 0.61%/0.89%.

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 January 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 01/31/24. 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 bp 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. Flat Rates: Ending date rate must be within +/- 2 bps 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 bps 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 bp 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.

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 286 funds; 4 stars for the 5-year period, rated against 253 funds; and 4 stars for the 10-year period, rated against 160 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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