

Strategic Municipal Opportunities Fund

BlackRock®

INST: MAMTX • A: MEMTX • C: MFMTX

Performance: Municipals posted negative total returns amid a backdrop that unfolded as anticipated. Economic growth remained firm, causing the market to reduce expectations for monetary policy easing. The fund outperformed both the Bloomberg Municipal Bond Index and its peers.

▲ **Contributors:** Interest rate hedges, overweight corporate-backed, underweight tax-backed, security selection in non-rated, and overweight and security selection in 25+ year maturities

▼ **Detractors:** Overweight 20-25-year maturities, overweight housing and utilities, and security selection in AAA-rated

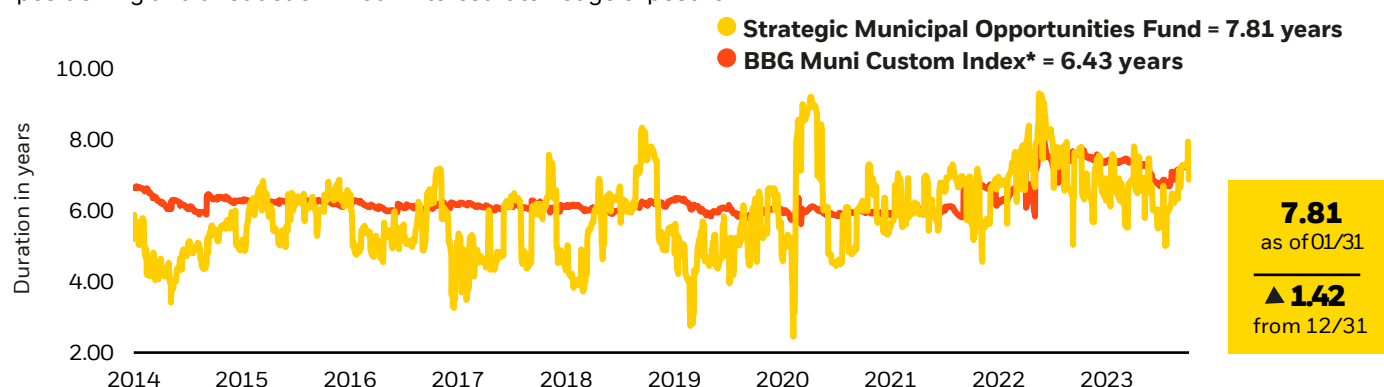
Positioning: Trading activity focused on locking in gains realized from the fourth quarter rally by pairing back riskier structures, those positions with lower book yields, low coupons, and shorter calls.

▲ **Increased** Duration, BBB-rated, 25+ year maturities, State GOs

▼ **Decreased:** A-rated, 10-12-year maturities, and housing

Active duration management

The fund's duration (sensitivity to interest rate movements) ranged between 6.2 and 7.8 years, driven by both yield curve positioning and a reduction in our interest rate hedge exposure.



Monthly data since inception of the fund's strategy (1/27/14). Duration is a measure of sensitivity to interest rate movements. 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. *Index comprised of BBG Muni 75% Investment Grade + 20% Muni High Yield + 5% Muni Taxable. Prior to October 1, 2021 benchmark was S&P Municipal Bond Index.

The fund offers compelling income

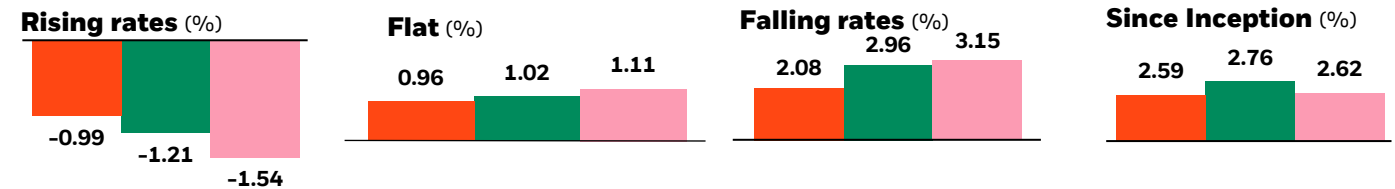
	Fund yields as of 01/31/24	
	Subsidized	Unsubsidized
30-day SEC yield	3.15%	3.10%
Tax-equivalent yield	5.32%	5.24%

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. Tax equivalent yield represents the yield a taxable bond would have to earn in order to match, after taxes, the yield available on a tax-exempt municipal bond. Assumes a federal tax rate of 40.8% and does not account for any other taxes. Individuals' tax burden will vary.

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.

Compelling returns through all rate environments (%)



● Strategic Municipal Opportunity Fund ● Bloomberg Muni Bond Index ● U.S. Long Muni Category

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 off specific parameters BlackRock deems sufficient to categorize periods as rising, flat and falling. Source: Morningstar as of 1/31/2024. based on Institutional shares of the fund. *Data is from January 27 2014, when the fund was repurposed as a flexible strategy, to January 31 2024.

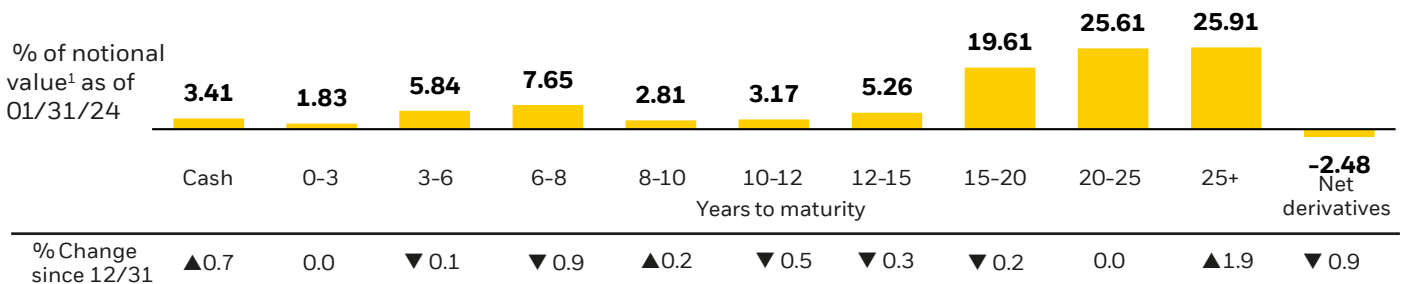
Rising Rates: Counts period if <= 60 day period with at least a 40 bp increase in 10-year treasury from start date to end date. 12/31/2010 to 02/08/2011, 09/22/2011 to 10/27/2011, 01/31/2012 to 03/19/2012, 07/25/2012 to 09/14/2012, 11/16/2012 to 02/13/2013, 05/01/2013 to 07/05/2013, 10/23/2013 to 12/31/2013, 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, 12/17/2021 to 03/14/2022, 3/1/2022 to 5/6/2022, 8/1/2022 to 10/24/2022, 12/07/2022 to 12/28/2022, 1/18/2023- 3/2/2023, 5/4/2023 to 8/31/2023, 7/19/2023 - 9/27/2023, 8/9/2023 to 10/19/2023, 12/27/2023 to 1/24/2024.

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 12/31/2018, 03/07/2019 to 05/31/2019, 06/10/2019 to 08/28/2019, 11/08/2019 to 01/31/2020, 02/05/2020 to 04/21/2020, 05/12/2020 to 07/19/2020, 6/14/2022 to 8/1/2022, 10/24/2022 to 01/18/2023, 03/02/2022 to 04/05/2023, 7/7/2023 to 7/19/2023, 8/21/2023 to 8/31/2023, 10/20/2023 to 11/29/2023, 10/20/2023 to 12/27/2023.

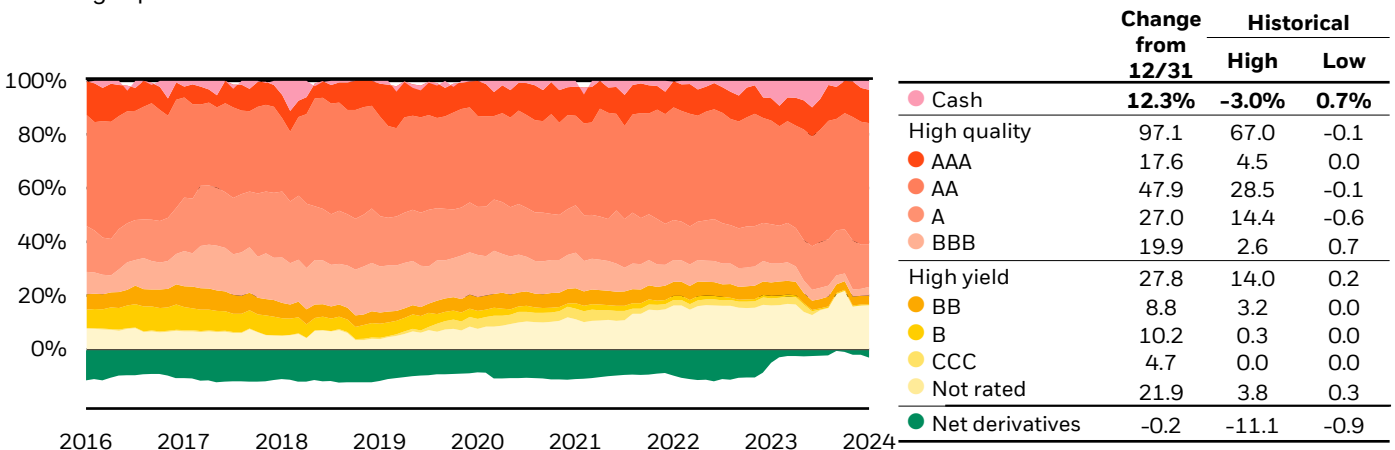
Tactical yield curve positioning

As rates continued to fall over the month, trading activity focused on locking in gains from 20+ year maturities and shifting down the curve to 15-20-year maturities.



Dynamic credit quality allocation

The fund took advantage of the opportunity to increase income by adding to its position in BBB-rated bonds, while slightly reducing exposure to both AA and A-rated bonds.



The fund itself has not been rated by an independent rating agency. Credit quality ratings on underlying securities of the fund are received from S&P, Moody's and Fitch and converted to the equivalent S&P major rating category. This breakdown is provided by BlackRock and takes the median rating of the three agencies when all three agencies rate a security; the lower of the two ratings if only two agencies rate a security and one rating if that is all that is provided. Unrated securities do not necessarily indicate low quality. Below investment-grade is represented by a rating of BB and below. Ratings and portfolio credit quality may change over time.

Market overview

After posting the strongest performance since the mid-1980s during the fourth quarter of 2023, municipal bonds took a breather in January. The Bloomberg Municipal Bond Index returned -0.51. Shorter-duration (i.e., less sensitive to interest rate changes) and single-A rated bonds performed best. Supply-and-demand dynamics were supportive to start the year but provided a more muted seasonal tailwind than in prior years. Despite the pickup, supply was still outpaced by reinvestment income from maturities, calls, and coupons by \$2 billion. Consequently, issuance was easily absorbed with deals oversubscribed 4.7 times on average, above the 4.3 times average in 2023. At the same time, mutual fund flows turned consistently positive, benefiting from the end of seasonal tax loss harvesting. However, the moderate pace of inflows indicated continued caution from investors.

Outlook

We believe that persistent economic strength, patience from the Federal Reserve, and weakening seasonal supply-and-demand dynamics could spur better valuations later in the quarter. Thus, we maintain near-term caution, but would view any material sell-off as a buying opportunity. We favor a long duration posture and continue to advocate a barbell yield curve strategy, pairing front-end exposure with an increased allocation to the 15+ year part of the curve. We prefer lower-rated investment grade credits, but think high yield offers an attractive risk-reward opportunity, given favorable structures and the ability to generate alpha through security selection.

Positioning

While we believe the fund is well positioned, we continue to pursue measures designed to provide further insulation from the more vulnerable areas of the market, while seeking opportunities to create alpha. The recent broader market volatility underscores the need for specialized investment management expertise.

In January, the fund's duration increased through a combination of adding longer maturity bonds and a reduction in the fund's interest rate hedges. Consequently, the fund ended the month with a longer duration than its benchmark. The fund maintained a slight underweight to investment grade, while exposure to BBB-rated was increased, and the slight overweight to below investment grade was maintained. The fund increased its exposure to cash, taking advantage of high short-term yields, while being patience for expected opportunities later in the quarter. Conversely, the fund increased its exposure to maturities dated 25+ years. We remain overweight utilities, housing, and pre-pay gas, while underweight tax-backed, school districts, pre-refunded, healthcare, and education.

The fund's investment process has proven effective as a long-term strategy through various rate and credit environments. The fund's flexible strategy enables us to take advantage of unique buying opportunities created by dislocations in the market.

Diversification benefits of the fund

	Correlation to fund	Annualized volatility
BlackRock Strategic Municipal Opportunities	1.0	6.0
S&P 500 Index	0.5	15.1
Bloomberg Muni Bond Index	0.9	5.0
S&P Muni Bond High Yield Index	0.9	7.8

Source: Morningstar, as of 01/31/24. Monthly data since strategy inception (1/27/14). Fund data based on Institutional shares. Past correlations are no guarantee of future correlations. Annualized volatility is the standard deviation of returns. S&P 500 Index comprises large-capitalization U.S. equities. BBG Municipal Bond Index measures the U.S. municipal market performance of bonds issued by states or municipalities. All bonds in the index are exempt from U.S. federal income taxes or subject to the alternative minimum tax. The S&P Municipal Bond High-Yield Index consists of bonds in the S&P Municipal Bond Index that are not rated or are rated below investment grade.

Selective sector allocation

% of notional value¹

	As of 01/31	Change since last month
State Tax-Backed	13.86	▲1.17
Other Industries	5.12	▲0.84
Cash	3.41	▲0.70
Transport	11.33	▲0.51
Tobacco	1.84	▲0.49
Education	5.19	▲0.08
Utilities	20.16	▲0.06
PreRe/Escrow	0.06	0.00
Corp Muni	11.23	▼0.07
School Dist.	6.06	▼0.28
Health	5.97	▼0.53
Local Tax-Backed	11.54	▼0.84
Derivatives	-2.48	▼0.94
Housing	5.32	▼1.26



Peter Hayes

Head of BlackRock's Municipal Bond Group

Average annual total returns (%) as of 01/31/24

	1 month (not annualized)	YTD (not annualized)	1 year	3 years	5 years	10 years
Institutional	-0.02	-0.02	2.15	-1.12	1.03	2.60
Investor A (without sales charge)	-0.13	-0.13	1.85	-1.36	0.79	2.38
Investor A (with sales charge)	-4.38	-4.38	-2.48	-2.77	-0.08	1.94
Morningstar Municipal National Intermediate Funds Avg.	-0.08	-0.08	3.29	-1.37	1.79	2.77
BBG Municipal Bond Index*	-0.51	-0.51	2.90	-0.78	2.00	2.78

Annualized total returns as of 12/31/23 for Institutional shares: 1 year, 5.17%; 5 years, 1.10%; 10 years, 2.83%; for Investor A shares without/with maximum sales charge: 1 year, 4.95%/-0.50%; 5 years, 0.90%/0.03%; 10 years, 2.72%/2.17%.

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. 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 4.25% 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. The fund's returns prior to January 27, 2014 are the returns of the fund when it followed different investment strategies under the name "BlackRock Intermediate Municipal Fund." 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 shares/Investor A shares: Total **0.84%/1.05%**; Net, Including Investment Related Expenses (dividend expense, interest expense, acquired fund fees and expenses and certain other fund expenses): **0.79%/1.00%**. Institutional and Investor A shares have contractual waivers with an end date of 6/30/25, terminable upon 90 days' notice. Index performance is shown for illustrative purposes only. It is not possible to invest directly in an unmanaged index.

Net, excluding investment-related expenses for Institutional/Investor A shares: 0.60%/0.81%.

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. There may be less information on the financial condition of municipal issuers than for public corporations. The market for municipal bonds may be less liquid than for taxable bonds. Some investors may be subject to Alternative Minimum Tax (AMT). Capital gains distributions, if any, are taxable. 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. Obligations of U.S. govt. agencies are supported by varying degrees of credit but generally are not backed by the full faith and credit of the U.S. govt. 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 of 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 Notional value accounts for a fund's use of derivatives, including but not limited to futures, options, and swaps. This value captures the fund exposures as if the derivative was replaced with the underlying asset and the corresponding financing or lending, such that all exposures sum to the net asset value. For non-derivatives, the market value and the notional value are identical. * The Bloomberg Municipal Bond Index is a benchmark that is designed to track the U.S. long term tax-exempt bond market, including state and local general obligation bonds, revenue bonds, pre-refunded bonds, and insured bonds.

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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