

Strategic Municipal Opportunities Fund

BlackRock®

INST: MAMTX • A: MEMTX • C: MFMTX

★★★★ Morningstar Overall Rating™ (Inst)

Performance: The fund delivered strong performance in January both on an absolute basis and relative to the broad municipal market.

▲ **Contributors:** Interest rate hedges; duration management; security selection within the utilities, school districts and state tax-backed sectors; overweight to long-term bonds.

▼ **Detractors:** Sector allocation and security selection within education and local tax-backed credits.

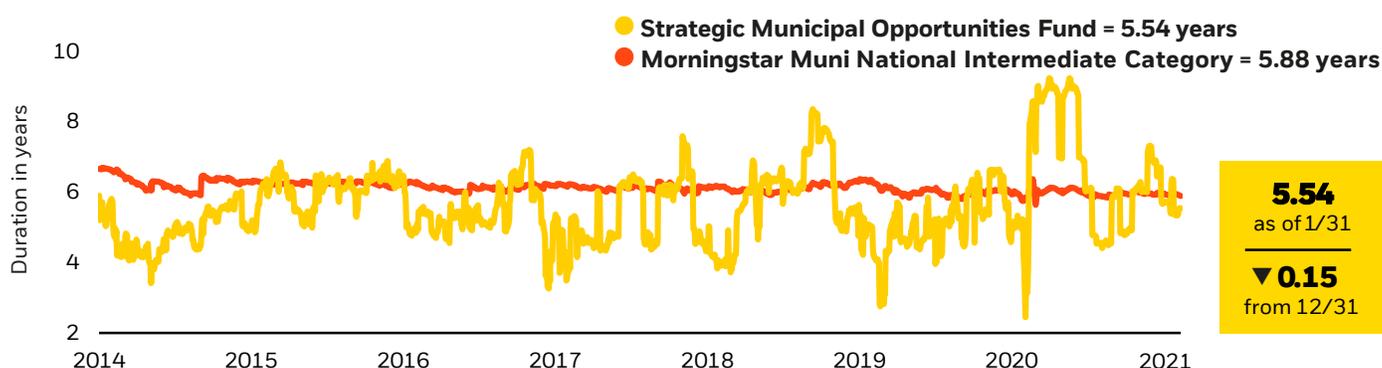
Positioning: Strong market technicals have provided an excellent trading environment. We raised the fund's liquidity profile by selling on strength with plans to purchase new issues.

▲ **Increased:** Maturities of 0-6 and 10-12 years; transportation and local tax-backed; A, BBB and B credits.

▼ **Decreased:** Terms of 25+ years; state tax-backed and utilities; AA and non-rated credits.

Active duration management

In January, the fund's duration (sensitivity to interest rate movements) ranged between 5.3 and 6.4 years, driven primarily by our management of interest rate hedges and cash positions.



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.

The fund offers compelling income

	Fund yields as of 1/31/21	
	Subsidized	Unsubsidized
30-day SEC yield	1.26%	1.21%
Tax-equivalent yield	2.13%	2.04%

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.

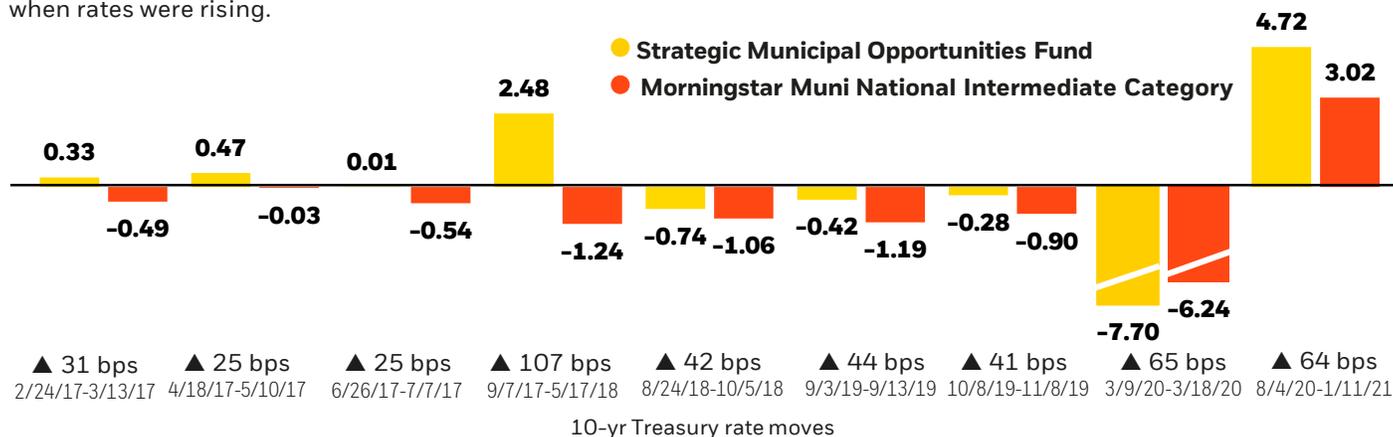
Performance data quoted represents past performance and is no guarantee of future results. Investment returns and principal values may fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. All returns assume reinvestment of all dividend and capital gain distributions. Current performance may be lower or higher than that shown. Refer to blackrock.com for recent performance.

The Overall Morningstar Rating of 4 stars pertains to the fund's Institutional shares, rated against 250 Municipal National Intermediate funds as of 1/31/21. Ratings are based on risk-adjusted total return and a weighted average of performance figures associated with three-, five- and 10-year Morningstar rating metrics. Ratings are determined monthly and subject to change.¹

February 2021 | Commentary

Competitive performance in rising rate environments

The fund's flexible strategy and ability to quickly adapt to changing markets delivered competitive performance when rates were rising.

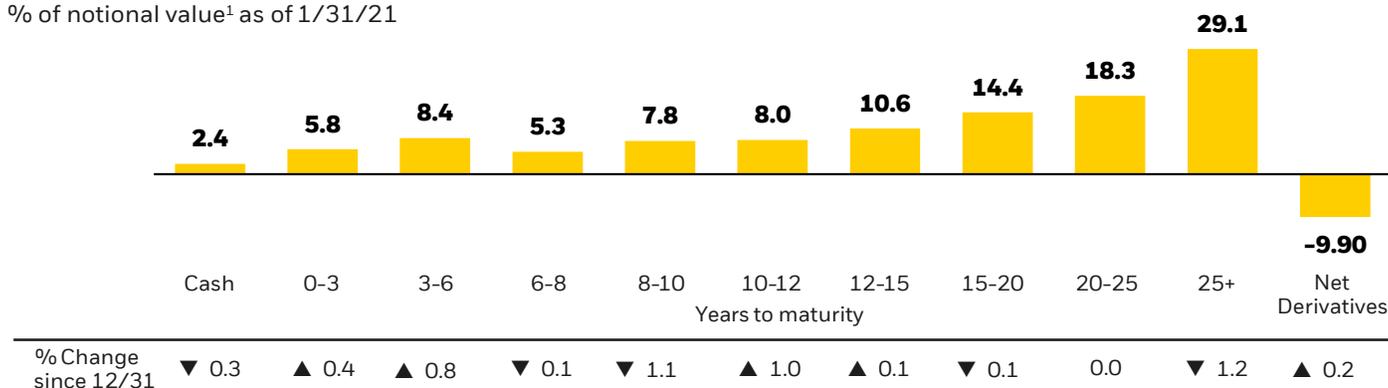


Source: Bloomberg, Morningstar Direct, BlackRock. Rate moves are basis point increases in the 10-year Treasury yield. One basis point is equal to 0.01%.

Tactical yield curve positioning

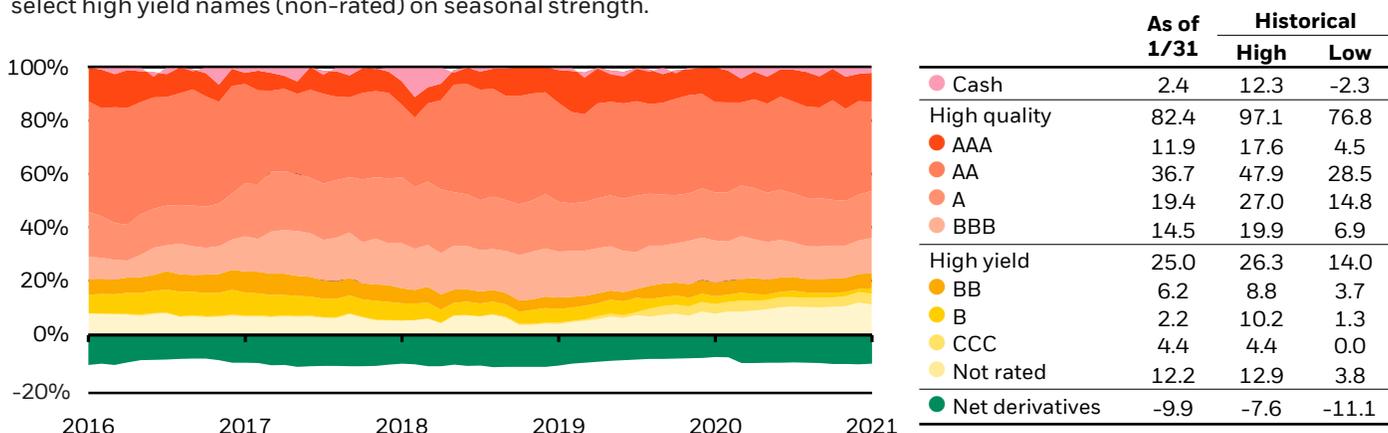
In January, we sought to reduce risk while increasing liquidity. Specifically, we reduced exposure to maturities of 25+ years in favor of the front and the belly of the curve (i.e., 0-6 and 10-12 years).

% of notional value¹ as of 1/31/21



Dynamic credit quality allocation

In January, we added to investment grade muni bonds (specifically, A and BBB) via the new issue market and trimmed select high yield names (non-rated) on seasonal strength.



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 overtime.

Market overview

Favorable supply-and-demand dynamics drove strong municipal bond performance in January despite a material move higher in interest rates driven by vaccine optimism and expectations for additional fiscal stimulus. The S&P Municipal Bond Index returned 0.56% for the month. High yield munis posted the strongest gains, led by the more liquid tobacco and Puerto Rico bonds. The outperformance of munis versus Treasury bonds further stretched their rich valuations, pushing muni-to-Treasury ratios to their all-time tightest levels in the intermediate and long end of the yield curve.

Outlook

While rich valuations will cause a drag, we expect strong demand to continue outpacing an elevated but manageable level of issuance. We believe fundamentals will likely benefit from additional fiscal aid, and vaccine distribution should support longer-term revenue normalization. As the new administration lays out its agenda and tax policy comes into focus, we anticipate heightened demand for tax-advantaged assets such as muni bonds.

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. The varying impact of the pandemic across sectors underscores the need for specialized investment management expertise.

Security selection within the utilities, school districts and state tax-backed sectors proved beneficial for the fund's performance in January, while selection among education and local tax-backed credits slightly hindered returns. During the month, we increased exposure to transportation and local tax-backed, while decreasing exposure state tax-backed and utilities as we took advantage of seasonal strength.

Approximately 25% of the fund's net assets are high yield municipal bonds. We see near-term value in select lower-rated credits that experienced less spread compression (i.e., did not perform as well) during the 2020 market rally.

We favor the long end of the yield curve with an overweight to bonds maturing in 20 years+, which were the stronger contributors to performance as the municipal yield curve flattened in January. We also hold an overweight to the front end of the yield curve (short-term instruments) for liquidity and protection.

While the market has been particularly challenging over the past year, the fund's investment process has proven effective as a long-term strategy through various rate environments. The fund's flexible strategy enables us to take advantage of unique buying opportunities created by dislocations in the market.



Peter Hayes

Head of BlackRock's Municipal Bond Group

Diversification benefits of the fund

	Correlation to fund	Annualized volatility
BlackRock Strategic Municipal Opportunities	-	5.03
S&P 500 Index	0.29	14.09
S&P Muni Bond Index	0.84	3.22
S&P Muni Bond High Yield Index	0.91	5.47

Source: Morningstar, as of 1/31/21. 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. S&P Municipal Bond Index measures the performance of bonds issued by U.S. states or municipalities that are exempt from federal income tax and alternative minimum tax.

Selective sector allocation

% of notional value²

	As of 1/31	Change since last month
Transportation	16.95	▲1.3
Housing	16.54	▼0.3
Utilities	13.38	▼1.0
State Tax-Backed	12.71	▼2.5
Health	12.58	▲0.3
Corporate Muni	6.93	▲0.9
Education	6.68	▼0.8
School Districts	6.47	▲0.9
Local Tax-Backed	5.90	▲1.5
Other Industries	4.06	0.0
Tobacco	3.15	0.0
Cash	2.4	▼0.3
PreRefunded/Escrow	2.01	▼0.2
Other	0.14	0.0
Derivatives	-9.9	▲0.2

Average annual total returns (%) as of 1/31/21

	1 month (not annualized)	YTD (not annualized)	1 year	3 years	5 years	10 years
Institutional	1.82	1.82	1.00	3.46	3.64	4.93
Investor A (without sales charge)	1.89	1.89	0.85	3.25	3.43	4.70
Investor A (with sales charge)	-2.44	-2.44	-3.43	1.77	2.53	4.25
Morningstar Municipal National Intermediate Funds Avg.	0.67	0.67	3.49	4.55	3.14	4.04
S&P Municipal Bond Index*	0.56	0.56	3.85	5.02	3.73	4.82

Annualized total returns as of 12/31/20 for Institutional shares: 1 year, 0.57%; 5 years, 3.42%; 10 years, 4.64%; for Investor A shares without/with maximum sales charge: 1 year, 0.33%/-3.93%; 5 years, 3.17%/2.28%; 10 years, 4.41%/3.95%.

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 **0.76%/0.99%**; Net, Including Investment Related Expenses (dividend expense, interest expense, acquired fund fees and expenses and certain other fund expenses): **0.71%/0.94%**. Institutional and Investor A shares have contractual waivers with an end date of 9/30/21, 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: 0.54%/0.77%.

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, 2021, 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 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 Large Value Funds category, the fund received a Morningstar Rating of 2 stars for the 3-year period, rated against 250 funds; 4 stars for the 5-year period, rated against 223 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.

2 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 Standard & Poor's Municipal Bond Index measures U.S. municipal market performance of bonds issued by states or municipalities and exempt from federal income and alternative minimum tax.

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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