

Strategic Income Opportunities Fund

BlackRock

INST: BSIIX • A: BASIX • C: BSICX

★★★★★ Morningstar Overall Rating™ (Inst)  Gold

Performance: The fund posted a negative return for the month of March due to heightened market volatility.

▲ **Contributors:** Structured Products, U.S. Investment Grade Credit and European Credit.

▼ **Detractors:** Duration positioning (interest rate sensitivity), absolute return strategies and emerging market debt.

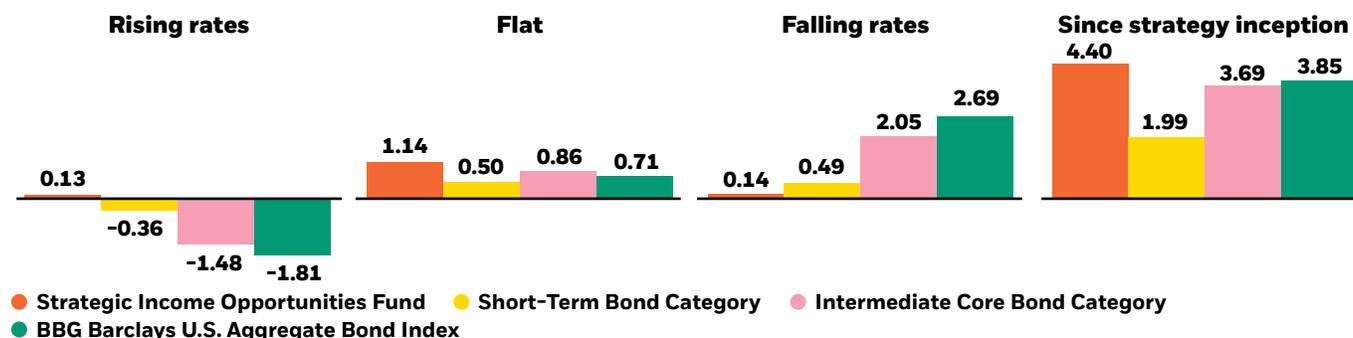
Positioning: We significantly reduced overall duration, primarily in the long end of the curve. We continue to hold a short position in agency mortgage-backed securities (MBS) alongside a less favorable view toward investment grade credit given unattractive valuations, while preferring U.S. high yield credit, EM debt and securitized assets.

▲ **Increased:** Agency MBS and U.S. investment grade credit.

▼ **Decreased:** U.S. high yield credit and EM debt.

Positive returns in all rate environments¹

In a volatile month, the fund generated strong returns from our positioning structured products, U.S. investment grade credit and European credit.



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	Subsidized	Unsubsidized
Annualized return	4.71%	3.59%	2.07%	2.01%
Annualized volatility	3.97%	4.14%		
Sharpe ratio	0.89	0.59		

Source: Morningstar. Based on 5-year data as of 3/31/21. 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.

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.

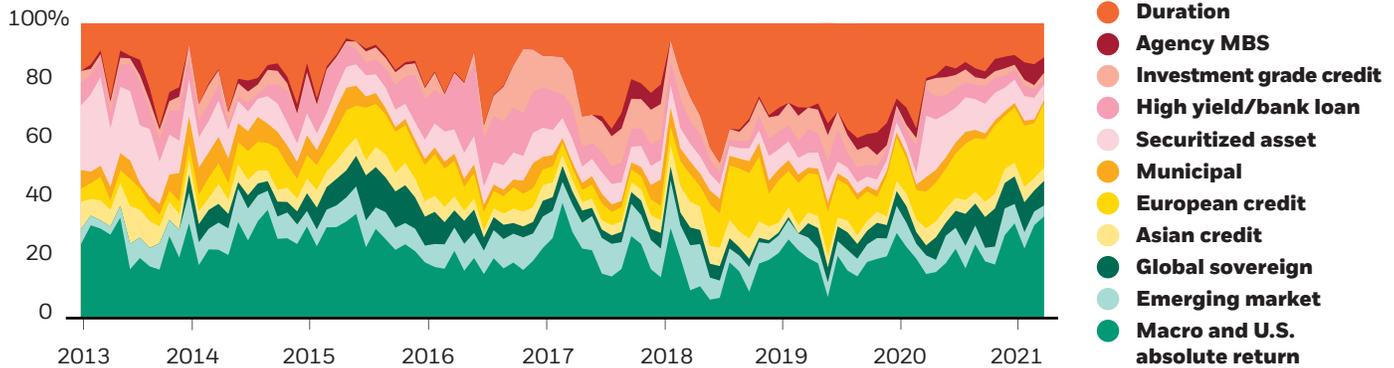
All data as of 3/31/21. **Fund data based on Institutional shares, which may not be available to all investors. Other share classes may vary.** Performance data quoted represents past performance and is no guarantee of future results. Investment returns and principal values may fluctuate so that an investor's 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.

Morningstar has awarded the fund's Institutional share class a Gold medal, its highest level of conviction. (Last rating 2/18/21).² The Overall Morningstar Rating of 5 stars pertains to the fund's Institutional shares, rated against 270 Nontraditional Bond Funds as of 3/31/21. 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.³

Tactical risk taking as bond markets change

We adapt the fund's risk strategies as markets change. In March, we mainly increased exposure to agency residential MBS and U.S. investment grade credit, while trimming exposure to emerging market debt and U.S. high yield credit.

Composition of risk



Asset allocation

In March, we sought income from diversified sources including securitized assets, corporate credit and emerging markets, while hedging riskier positions with an elevated cash position.

Sector	% as of 3/31*	Change since last month	Duration contrib. (years)
U.S. Treasuries	7.8	▲ 3.3	0.87
U.S. interest rate derivatives	-25.8	▼ 26.6	-1.37
U.S. Agency/MBS	-1.4	▲ 7.5	-0.55
Non-U.S. Sovereign	0.9	▼ 2.1	-0.13
Non-U.S. Credit	8.7	▲ 0.1	0.26
Investment Grade Credit	1.8	▲ 3.2	0.40
High Yield Credit	6.6	▼ 3.7	0.04
Bank Loans	4.3	▲ 0.2	0.00
Municipal Bonds	1.7	▼ 0.1	0.14
Emerging market debt	13.8	▼ 2.2	0.62
Non-Agency MBS	5.8	▲ 0.1	0.16
Commercial MBS	4.1	▼ 0.1	0.10
Asset-backed	3.4	▲ 0.1	0.09
CLOs	5.4	▼ 0.3	0.04
Other	7.4	▲ 0.2	0.09
Cash/Cash Equivalents	19.8	▼ 8.4	0.09
Net Derivatives	35.9	▲ 28.8	0.00
Total	100.0		0.84

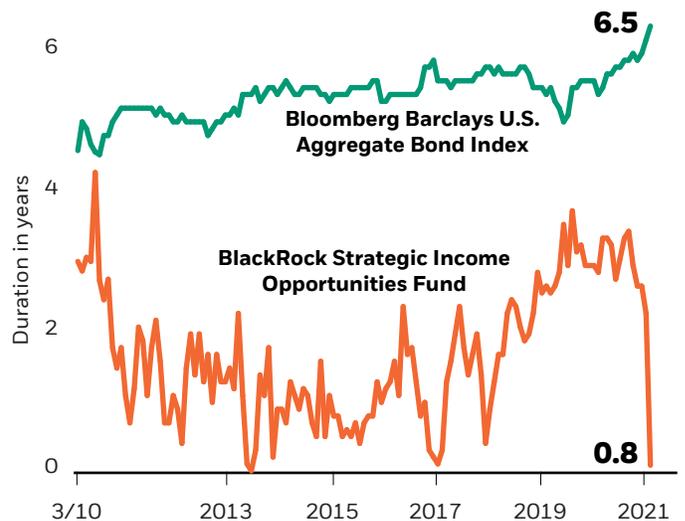
* Values may not equal 100% due to rounding. Asset class exposure shown as a percent of market value. Hedging strategies shown as a percent of notional value and include only short derivative positions. **Non-U.S. Sovereign** includes the effect of interest rate derivatives. **Credit** allocations include 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.

Diversification benefits of the fund

	Correlation to fund	Annualized volatility
Strategic Income Opportunities Fund	—	3.97%
Bloomberg Barclays U.S. Aggregate Bond Index	0.30	3.31%

Source: Morningstar. Monthly data based on Institutional shares since strategy inception (March 2010) through 3/31/21. Annualized volatility is the standard deviation of returns. Past correlations are no guarantee of future correlations.

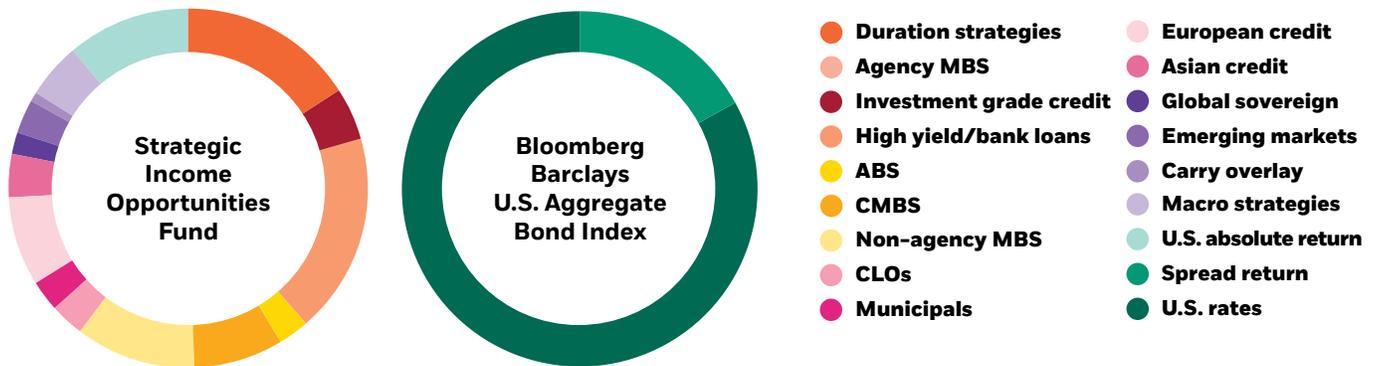
Flexible duration for all rate scenarios



Monthly data since inception of the fund's strategy in 3/31/10 through 3/31/21. 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.

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 3/31/21. Subject to change. Diversification does not ensure a profit or protect against a loss.

Market movements

In March, risk assets (notably equities) continued to be volatile as the U.S. market increasingly embraced the reflationary narrative and expectations for stronger growth later this year. The pick-up in government bond yields rattled investor confidence. The NASDAQ composite dipped into correction territory while the Dow advanced to record highs as investors rotated towards sectors that are more likely to benefit from the reopening. The vaccine rollout increased its pace, and the latest data prints pointed to a robust consumer backdrop. The passing of the \$1.9T fiscal stimulus package with the potential of more infrastructure stimulus sparked inflation expectations to move higher. However, optimism around global reopening hit a snag in the second half of the month as the uptick in cases in Europe prompted multiple European countries to reinstate lockdown measures. The increase in interest rates dragged on the performance of duration-sensitive assets, but credit sectors were robust, with spreads tightening in both investment grade and high yield credits. 10-year treasury yields ended the month at ~1.74%, jumping ~33 bps since the end of February. Despite 10-year real rates moving ~11 bps higher, it remains accommodative at ~-0.64%.

Duration positioning

We significantly reduced our duration over the month and hold our exposure towards the low-end of the fund's historical range. We see the medium-term path of least resistance as modestly higher yields in 2021 alongside a steeper curve given our positive economic outlook, supply-demand dynamics and positive vaccine distribution headlines. Despite these factors, we believe the Federal Reserve will remain accommodative and focused on financial conditions, which should keep interest rates from moving sharply higher.

Sector positioning

We continue to hold a modest short position in agency MBS, mainly due to the sector's unattractive valuations and negative fundamentals. From a high-quality asset perspective, we favor owning government debt in peripheral European countries and high-quality emerging market duration. In addition, we have built a healthy cash buffer given the lack of effective hedges in the market today.

We slightly pared the fund's short position in agency MBS and modestly increased the fund's U.S. investment grade credit position. In addition, we modestly trimmed exposure to emerging market debt and U.S. high yield credit given our expectation for a tick-up in volatility as we enter the summer months.

Within securitized assets, we modestly trimmed allocations to collateralized loan obligations (CLOs) and commercial MBS, yet we continue to maintain a healthy exposure across securitized assets given attractive relative value and a decent yield pickup.

“ 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, Bob Miller, David Rogal

Average annual total returns (%) as of 3/31/21

	1 Month (not annualized)	YTD (not annualized)	1 Year	3 Years	5 Years	10 Years
Institutional	-0.19	0.30	14.09	4.68	4.71	3.77
Investor A without/with sales charge	-0.31 / -4.3	0.13 / -3.88	13.78 / 9.23	4.35 / 2.94	4.39 / 3.54	3.47 / 3.05
Morningstar Nontraditional Bond Avg.	-0.04	0.45	12.76	3.01	3.73	2.65

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, **0.76%/1.05%**; Net, Including Investment Related Expenses (dividend expense, interest expense, acquired fund fees and expenses and certain other fund expenses): **0.75%/1.04%**. Institutional and Investor A have contractual waivers with an end date of 6/30/23 terminable upon 90 days' notice.

Net expenses, Excluding Investment Related Expenses: 0.60%/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 of March 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 Source: Morningstar as of 3/31/21. 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 rate 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, 9/7/16 to 11/30/16, 09/07/2017 to 10/26/2017, 11/6/2017 to 1/30/18, 4/5/18 to 6/29/18, 9/7/18 to 10/10/18, 8/28/19 to 9/13/19, 10/4/19 to 12/23/19, 3/9/20 to 3/18/20. **Flat Rates:** Ending date 10-year Treasury rate must be within +/- 2 bps of start date; period must be at least 30 and no more than 90 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): 11/17/11 to 03/06/12, 06/05/12 to 08/01/12, 10/10/12 to 12/14/12, 01/03/13 to 03/25/13, 06/25/13 to 08/12/13, 09/25/13 to 11/07/13, 01/30/14 to 04/29/14, 05/16/14 to 09/30/14, 10/22/14 to 12/08/14, 08/03/15 to 10/30/15, 11/04/15 to 12/31/15, 02/02/16 to 03/28/16, 03/30/16 to 05/31/16, 06/16/16 to 08/31/16, 12/9/16 to 1/31/17, 02/06/17 to 03/31/17, 04/18/17 to 06/21/17, 06/22/17 to 08/30/17, 9/29/17 to 11/28/17, 2/2/18 to 4/17/18, 5/30/18 to 7/19/18, 7/31/18 to 9/12/18, 12/31/18 to 3/6/19, 6/3/19 to 7/30/19, 10/21/19 to 12/5/19, 3/30/20 to 5/28/20, 6/11/20 to 8/24/20, 8/27/20 to 10/15/20, 11/3/20 to 12/31/20. **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: 02/08/11 to 03/16/11, 04/08/11 to 06/24/11, 07/01/11 to 09/22/11, 10/27/11 to 12/19/11, 03/19/12 to 06/01/12, 03/11/13 to 05/02/13, 09/05/13 to 10/23/13, 12/31/13 to 03/03/14, 09/18/14 to 10/15/14, 11/06/14 to 02/02/15, 06/10/15 to 08/24/15, 11/09/15 to 01/29/16, 03/13/17 to 05/31/17, 11/8/18 to 12/31/18, 3/31/19 to 5/31/19, 6/10/19 to 8/28/19, 11/8/19 to 1/31/20, 2/5/20 to 4/21/20. **2 The Morningstar Analyst Rating™** is not a credit or risk rating. It is an evaluation performed by Morningstar's Manager Research Group based on five pillars: process, performance, people, parent, and price. This evaluation determines how they believe funds are likely to perform relative to a benchmark over the long term on a risk-adjusted basis. They consider quantitative and qualitative factors. For active funds, an Analyst Rating of Gold, Silver or Bronze reflects the expectation that the fund will be able to deliver positive alpha net of fees relative to the standard benchmark index assigned to the Morningstar category. The Analyst Ratings are overseen by an Analyst Rating Committee and are monitored and reevaluated at least every 14 months. For more detailed information about Morningstar's Analyst Rating, including its methodology, please go to <https://www.morningstar.com/content/dam/marketing/shared/pdfs/Research/962834.pdf>.

The Morningstar Analyst Rating (i) should not be used as the sole basis in evaluating a fund, (ii) involves unknown risks and uncertainties which may cause the Manager Research Group's expectations not to occur or to differ significantly from what they expected, and (iii) should not be considered an offer or solicitation to buy or sell the fund.

3 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 4 stars for the 3-year period, rated against 270 funds; 4 stars for the 5-year period, rated against 247 funds; and 5 stars for the 10-year period, rated against 106 funds. Ratings are for Institutional share class. Other classes may have different performance characteristics.

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.

© 2021 BlackRock, Inc. All Rights Reserved. **BLACKROCK** is a trademark of BlackRock, Inc. or its subsidiaries in the United States and elsewhere. All other trademarks are those of their respective owners.

Prepared by BlackRock Investments, LLC, member FINRA.

Not FDIC Insured • May Lose Value • No Bank Guarantee

Lit No. SIO-EXP-COM-0321

OE22101T-0421

BlackRock