

# Monthly Commentary:

## Strategic Income Opportunities Fund

BlackRock®

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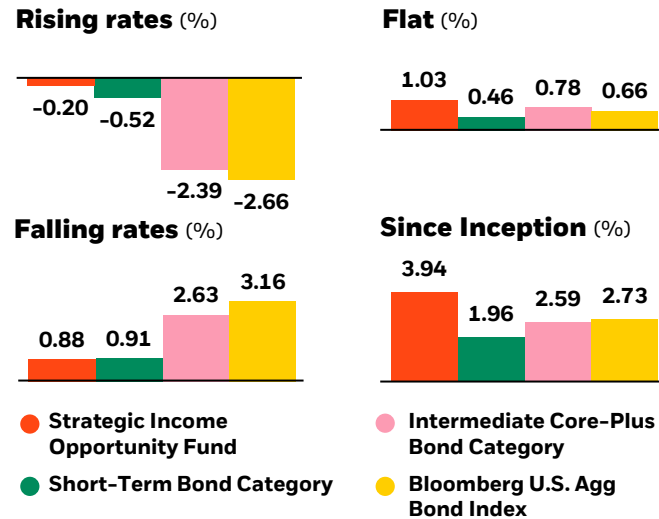
**Performance:** The fund posted a positive return in May despite heightened market uncertainty and rate volatility driven by tariff-related trade policy.

- ▲ **Contributors:** Securitized Assets, European Credit, High Yield Credit
- ▼ **Detractors:** US Rates

**Positioning:** We tactically increased top line duration and expanded our steepening bias, while rotating our exposure across developed market rates. The bulk of our duration still remains in the front to belly part of the curve, while tactically trading Global Credit, Agency Mortgages, and Emerging Market Debt

- ▲ **Increased:** US High Yield Credit
- ▼ **Decreased:** Agency Mortgages, US IG Credit, Emerging Market Debt

**Returns in all rate environments<sup>1</sup>**  
BlackRock's global fixed income platform helps us identify opportunities to generate total return in various market scenarios. In May, Securitized Assets, European Credit, and High Yield Credit contributed to fund performance. Our US rates position was the only detractor from performance over the month.



**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	3.81%	3.28%	-0.90%
Annualized volatility	3.90%	3.48%	6.34%
Sharpe ratio	0.23	0.10	-0.61

Source: Morningstar. Based on 5-year data as of 5/31/25. 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	5.16%	5.15%

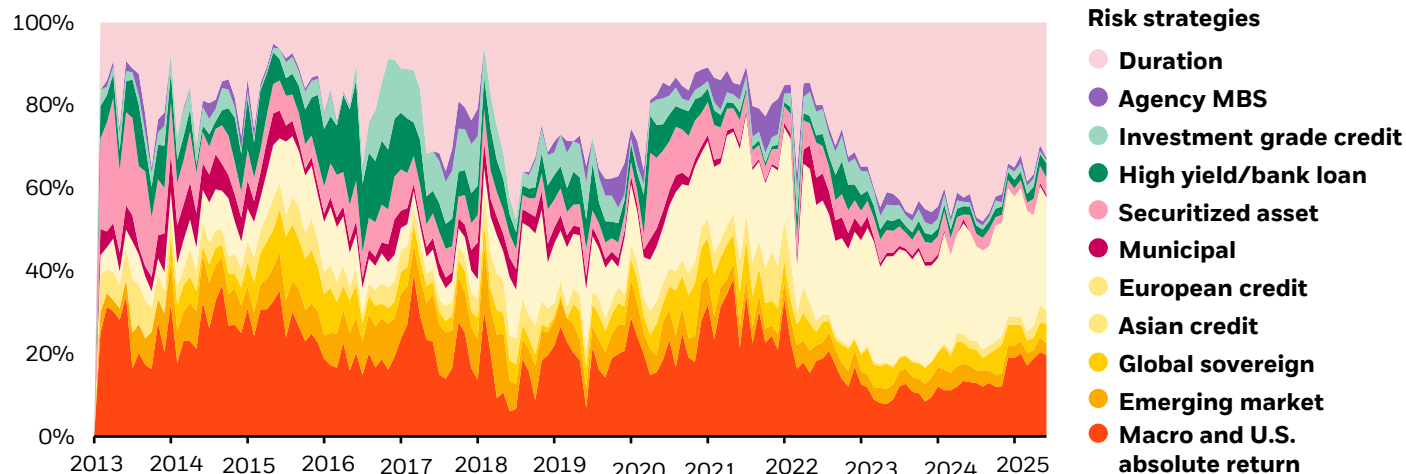
30-day SEC yield reflects the income earned by an investor in the fund during a 30-day period after deducting the fund's expenses. Unsubsidized SEC yield represents what a fund's 30-day SEC yield would have been had no fee waiver or expense reimbursement been in place over the period.

All data as of 5/31/25. **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 most recent month-end performance.

## Tactical risk taking as bond markets change

We adapt the fund's risk strategies as markets change. In May, we increased exposure to US High Yield credit. We slightly decreased our exposure to Agency Mortgages, US IG Credit, and Emerging Market Debt.

### Composition of risk



### Asset Allocation

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

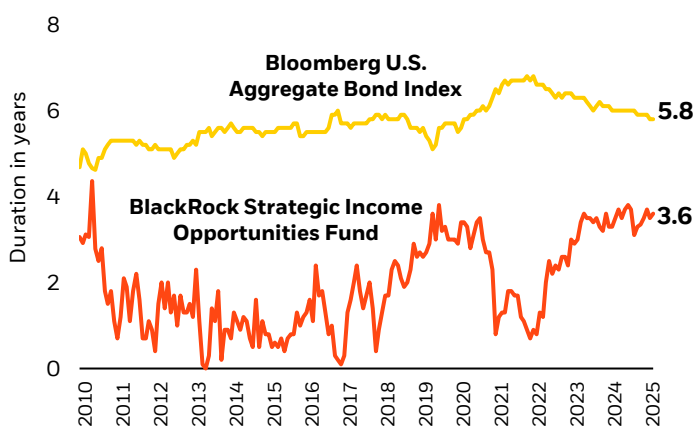
Sector	% as of 05/25*	Change since last month	Duration contrib. (years)
U.S. Treasuries	3.8%	▼ 1.4%	0.27
U.S. interest rate derivatives	21.4%	▲ 23.7%	0.32
U.S. Agency/MBS	22.7%	▼ 1.0%	0.81
Non-U.S. Sovereign	7.4%	▲ 2.2%	0.63
Non-U.S. Credit	14.9%	0.0%	0.36
Investment Grade Credit	-2.7%	▼ 2.2%	0.12
High Yield Credit	9.0%	▲ 1.3%	0.09
Bank Loans	5.6%	▼ 0.7%	0.00
Municipal Bonds	1.4%	▲ 0.1%	0.12
Emerging market debt	12.3%	▼ 1.4%	0.46
Non-Agency MBS	6.6%	▲ 0.1%	0.17
Commercial MBS	6.4%	0.0%	0.07
Asset-backed	6.3%	▲ 0.2%	0.08
CLOs	6.4%	▼ 0.1%	0.02
Other	3.7%	▼ 0.1%	0.05
Cash/Cash Equivalents	-12.6%	▲ 1.6%	0.03
Net Derivatives	-12.6%	▼ 22.4%	0.00
Total	100.0%		3.62

### Diversification benefits of the fund

	Correlation to fund	Annualized volatility
Strategic Income Opportunities Fund	-	3.90%
Bloomberg U.S. Aggregate Bond Index	0.57	6.34%

Source: Morningstar. Monthly data based on Institutional shares since strategy inception (March 2010) through 5/31/25. Annualized volatility is the standard deviation of returns. Past correlations are no guarantee of future correlations.

### Flexible duration for all rate scenarios

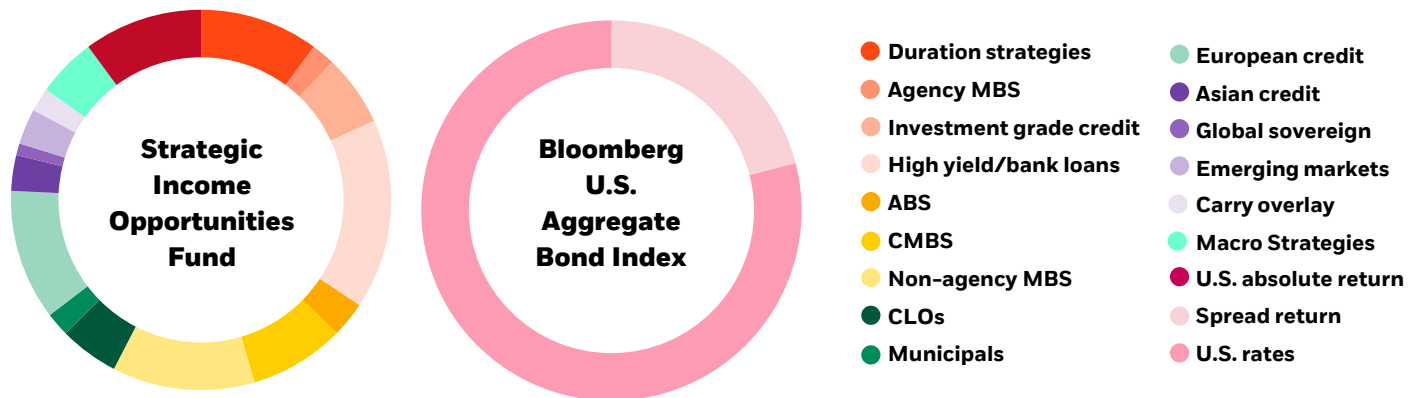


Monthly data since inception of the fund's strategy in 3/31/10 through 5/31/25. As a general rule, for every 1% change in interest rates, a bond's price will change approximately 1% in the opposite direction for every year of duration. Therefore, when interest rates rise, bonds with shorter duration 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 5/31/25. Subject to change. Diversification does not ensure a profit or protect against a loss.

## Market movements

In May, investors navigated tariff-related uncertainty. The US and China agreed to a 90-day pause, reducing tariffs significantly. Later, the US Court of International Trade ruled against the Trump administration's tariff authority, though the Court of Appeal temporarily allowed tariffs to remain, pending further legal review. By month's end, attention shifted to fiscal policy as the "Big, Beautiful Bill" advanced in Congress. It would extend 2017 tax cuts, raise the US debt ceiling by \$4 trillion, and widen the deficit by \$2.4 trillion over nine years.

These fiscal worries pressured US Treasuries, with 10-year and 30-year yields rising to 4.41% and 4.92%. Throughout much of the month, the yield curve exhibited a bear steepening bias. The S&P 500 surged 6.2%, marking its best month since November 2023. Despite softer economic data, key indicators held firm. April saw 177k new jobs, where consensus was looking for 138k jobs, though the prior two months were revised lower by 58k. Unemployment remained steady at 4.2%, while wage growth eased. Inflation rebounded, but less than feared as headline CPI rose 0.2% MoM, slipping to 2.3% YoY, which is the lowest since February 2021. Core CPI increased 0.2% MoM and YoY held in 2.8% in-line with forecasts.

As expected, The Federal Reserve kept rates steady at 4.25–4.50%, maintaining confidence in economic resilience despite trade and fiscal uncertainties.

## Duration positioning

We tactically increased top line duration and expanded our steepening bias by reducing our exposure to the 10-year portion of the curve with the view that the long-end may sell-off as term premia expands amidst yield curve normalization. In tandem, we rotated further into the front-end with the view that this portion of the curve continues to appear attractive and may act as a hedge to our spread exposure in the case that growth begins to slow. Outside the US, we adjusted exposures by adding to European rates and UK as varying policies and interest rate differentials created cross-market opportunities. We moved to an outright short in Japanese rates anticipating the BoJ to continue to raise base rates with inflation above the central bank's target.

## Sector positioning

From a high-quality asset perspective, while we tactically decreased out exposure to Agency Mortgages, we continue to favor the sector, especially within higher coupons, with the view that fundamentals are attractive and for the compelling diversification benefits from a spread perspective. On a cross-asset basis, we continue to favor European credit over US IG credit. We decreased our US IG exposure as spreads look less attractive given the uncertain macro environment.

We increased our position and remain opportunistic within High Yield as an attractive source of income, while generally remaining cautious down the cap stack. We decreased our EM debt allocation, mainly to hard currency expressions, while continuing to hold a diversified exposures across corporates and sovereigns. Although peak Tarriff uncertainty is likely behind us, we continue to remain cautious.

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

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**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 5/31/25

	1 Month (not annualized)	YTD (not annualized)	1 Year	3 Year	5 Year	10 Year
Institutional	0.92	3.26	7.91	4.51	3.81	3.15
Investor A Without/with Sales Charge	0.90 / -3.14	3.15 / -0.98	7.74 / 3.43	4.24 / 2.83	3.55 / 2.71	2.86 / 2.44
Morningstar Nontraditional Bond Avg.	0.85	1.68	5.42	4.24	3.65	2.79

**Total annualized returns as of 03/31/25 for Institutional shares: 1 Yr, 6.18%; 5 Yr, 4.48%; 10 Yr, 2.98%; for Investor A shares without/with sales charge: 1 Yr, 5.90%/1.66%; 5 Yr, 4.22%/3.37%; 10 Yr, 2.69%/2.27%.**

**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](https://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%/0.97%**; Net, Including Investment Related Expenses (dividend expense, interest expense, acquired fund fees and expenses and certain other fund expenses): **0.71%/0.96%**. Institutional and Investor A have contractual waivers with an end date of 6/30/26 terminable upon 90 days' notice. Net expenses, Excluding Investment Related Expenses: **0.61%/0.87%**.

**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 May 31, 2025, 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 5/31/25. 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, 7/19/2023 to 10/3/2023, 4/4/2025 to 5/21/2025 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.

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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