

Low Duration Bond Fund

Inst: **BFMSX** A: **BLDAX** C: **BLDCX** R: **BLDPX¹** K: **CLDBX**

Commentary as of 03/31/24

- The fund posted returns of 0.76% (Institutional shares) and 0.81% (Investor A shares, without sales charge) for the first quarter of 2024.
- The fund outperformed its benchmark, led by asset-backed securities (ABS), commercial mortgage-backed securities, investment grade credit, mortgage-backed securities (MBS), non-agency MBS, and high yield securities. Duration (interest rate sensitivity) and yield curve positioning, emerging market debt, and municipal bonds detracted.
- Overall, the fund maintained an “up-in-quality” theme and we identified pockets of relative value opportunities in spread sectors. The fund used a rally to reduce risk in high-performing sectors, including ABS and investment grade credit, to realize gains.

Contributors

During the quarter, the most notable contributor was ABS. An out-of-benchmark allocation to AAA rated securitized assets continued to be an attractive source of risk-adjusted income. In ABS, we traded tactically by reducing risk in high-performing sectors, such as credit cards and consumer loans, while remaining constrictive on private student loans. Overall, most spread sectors in the fund contributed to performance due to a significant rally during the quarter.

Detractors

The fund did not have any major detractors, though duration and yield curve positioning was a small negative. Underweight allocations to emerging markets debt and municipal bonds also modestly hampered results. These areas were marginal detractors as the fund’s positioning was mostly advantageous to active performance.

Further insight

After starting the year with a neutral duration exposure, the fund moved to a slight short position following the hawkish tone of the January Federal Open Market Committee meeting. February saw a shift from a tactical short to a neutral to mildly long duration bias. In March, the fund maintained a neutral duration stance. Looking ahead, we are inclined to increase duration in the belief that both economic growth and inflation are cooling, which could prompt the Federal Reserve to begin cutting interest rates in 2024. In spread sectors, the fund has reduced its overall exposure after strong performance and will seek pockets of opportunity to rotate into.

Portfolio management

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Top 10 holdings (%)

United States Treasury	23.17
Federal National Mortgage	2.90
Bank of America	1.59
FHLM	1.57
Federal Farm Credit Banks Funding Corp	1.13
Goldman Sachs Group Inc/The	1.12
JPMorgan Chase	1.11
HCA	0.93
Fnma_22-65b-Fb	0.93
Federal Home Loan Banks	0.93

Investment approach

Invests primarily in investment grade bonds and maintains an average portfolio duration that is between 0-3 years.

Average annual total returns (%) as of 3/31/24

	1Q24 (not annualized)	YTD (not annualized)	1 Year	3 Year	5 Years	10 Years
Institutional	0.76	0.76	4.66	0.35	1.52	1.60
Investor A (Without Sales Charge)	0.81	0.81	4.51	0.10	1.29	1.33
Investor A (With Sales Charge)	-1.46	-1.46	2.16	-0.66	0.83	1.10
BofA ML 1-3 Year Govt./Corp.²	0.46	0.46	3.56	0.24	1.36	1.30

Expenses for Institutional shares: Total **0.43%**; Net, Including Investment Related Expenses (dividend expense, interest expense, acquired fund fees and expenses and certain other fund expenses) **0.40%**. For Investor A shares: Total **0.69%**; Net, Including Investment Related Expenses **0.65%**. Institutional and Investor A shares have contractual waivers with an end date of 06/30/2025 terminable upon 90 days' notice. For certain share classes, BlackRock may voluntarily agree to waive certain fees and expenses in which the adviser may discontinue at any time without notice. Expenses stated as of the fund's most recent prospectus. Data 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. Investment returns reflect total fund operating expenses, net of all fees, waivers and/or expense reimbursements. Index performance is shown for illustrative purposes only. It is not possible to invest directly in an unmanaged index. Share classes have different sales charges, fees and other features. Returns with sales charge reflect deduction of current maximum initial sales charge of 2.25% for Investor A shares. Institutional shares have no front- or back-end load. Institutional shares have limited availability and may be purchased at various minimums. See prospectus for details. Net Expenses Excluding Investment Related Expenses for Institutional shares: **0.40%**; for Investor A shares: **0.65%**.

Important Risks: The fund is actively managed and its characteristics will vary. Holdings shown should not be deemed as a recommendation to buy or sell securities. 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. International investing involves special risks including, but not limited to political risks, currency fluctuations, illiquidity and volatility. These risks may be heightened for investments in emerging markets. 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.

The opinions expressed are those of the fund's portfolio management team as of March 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.

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1 Class R shares are sold to a limited group of investors, including certain retirement plans. See prospectus for details. **2** The unmanaged BofA Merrill Lynch 1-3 Year Corporate/Government Index comprises investment-grade corporate bonds and U.S. government agency and U.S. treasury securities with maturities between 1 and 3 years.

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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