

Short-Term Municipal Fund

BlackRock®

Inst: **MALMX** A: **MELMX** C: **MFLMX** K: **MPLMX**

Commentary as of 03/31/24

- The fund posted returns of 0.51% (Institutional shares) and 0.45% (Investor A shares, without sales charge) for the first quarter of 2024.
- Credit and yield curve exposure performed positively, while duration positioning (management of interest rate sensitivity) was flat.
- The fund held a neutral to slightly short duration position. It had overweight exposures to credit and A and BBB rated securities, and an underweight allocation to high-grade AAA and AA rated securities. Allocations to the corporate-backed, health care, and housing sectors were overweight, and exposures to the tax-backed, utilities, and pre-refunded sectors were underweight.

Contributors

An overweight exposure to the corporate-backed sector was again the largest contributor. Excess returns here were driven mainly by prepaid gas bonds, which provide an attractive combination of low duration and high “carry”. In addition, spreads generally tightened, given a “reach-for-yield” backdrop at the start of the year, which followed a fairly significant duration rally in the fourth quarter of 2023. Yield curve positioning also added to performance, as the fund’s “barbell” structure avoided the worst-performing maturities.

Detractors

Some of the underweight sector exposures were modestly negative, though this was more than offset by a number of overweight positions.

Further insight

There was a significant repricing at the front-end of the yield curve, as the market abandoned its expectations for more than six interest rate cuts in 2024 and aligned more closely with the Federal Reserve’s three reductions. We felt the market was overly aggressive in its initial assessment and therefore positioned duration on the low side of neutral. We did this both passively through index extensions and actively with tactical sales. The inversion of the front-end of the yield curve became more pronounced, with bonds maturing in 1-3 years performing weakly. Consequently, the fund added to these shorter maturities as they offered a significant pick-up in yield against the “belly”, with a more defensive stance against policy. We will continue to look for markers to reposition duration.

Portfolio management

Kevin Schiatta,
Kristi Manidis,
Christian Romaglino

Top 10 holdings (%)

Lake Charles La Hbr & Term Dis 12/01/2051		2.61
Southeast Energy Auth Commodity 5.25 01/01/2054		2.26
Wisconsin St 05/01/2025	4.06	2.25
New Jersey Economic Dev Auth R 5 11/01/2026		2.22
Southeast Energy Auth Coop Dis 5 01/01/2054		2.12
Main Str Nat Gas Inc Ga Gas Su 5 07/01/2053		2.10
Louisiana Pub Facs Auth Solid 5 10/01/2043		2.02
King Cnty Wash Swr Rev 01/01/2040	3.87	1.86
Texas Mun Gas Acquisition & Su 5.5 01/01/2054		1.72
Black Belt Energy Gas Dist Ala 4 10/01/2052		1.70

Investment approach

Invests primarily in investment-grade municipal bonds or municipal notes having a maturity of less than 4 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	0.51	0.51	3.95	0.69	1.03	0.87
Investor A (Without Sales Charge)	0.45	0.45	3.70	0.45	0.79	0.63
Investor A (With Sales Charge)	-2.56	-2.56	0.59	-0.56	0.17	0.33
BBG Municipal Bond¹	-0.09	-0.09	3.34	-0.20	1.66	2.69
BBG Limited Maturity Municipal Bond²	0.15	0.15	2.40	0.72	1.26	1.20

Expenses for Institutional shares: Total **0.46%**; Net, Including Investment Related Expenses (dividend expense, interest expense, acquired fund fees and expenses and certain other fund expenses) **0.36%**. For Investor A shares: Total **0.65%**; Net, Including Investment Related Expenses **0.61%**. 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 3% 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: **0.36%**; for Investor A shares: **0.59%**.

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. 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. 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 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 The BBG Municipal Bond 1-5Yr 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. **2** The BBG Limited-Maturity Municipal Bond Index consists of municipal bonds with maturities between 6 months and 4 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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