

High Yield V.I. Fund

Class I: **HICUI** Class III: **HCIII**

Commentary as of 09/30/24

- The fund posted a return of 4.57% (Class I shares) for the third quarter of 2024.
- The fund's investment grade bond exposure contributed to performance due to the segment's longer duration (higher interest rate sensitivity). Underweight exposures to, and selection in, the midstream, retailers, and banking sectors were beneficial, as were underweight allocations to BB rated and non-rated securities. Bank loans lagged due to the Federal Reserve's (Fed) interest rate cut. Underweight allocations to the cable & satellite, technology, wirelines, and CCC rated securities also detracted.
- The fund maintained an underweight exposure to BB rated securities and an overweight allocation to B rated credit, while positioning in CCC rated securities was in line with the benchmark. At quarter-end, bank loans accounted for 9% of the fund. The fund had overweight exposures to the technology, insurance brokers, and aerospace & defense sectors, and underweight allocations to the retailers, cable & satellite, and airlines sectors.

Contributors

The allocation to investment grade bonds contributed as the segment's longer duration led to stronger total returns than those of high yield. From a sector perspective, an underweight exposure to, and security selection in, midstream was the largest contributor, followed by an underweight allocation to retailers, and security selection in the banking sector. An underweight allocation to, and security selection in, BB rated securities helped to drive performance, as did the fund's exposure to non-rated securities.

Detractors

The bank loan allocation hindered returns, with the lower duration asset class lagging high yield as the Fed began to cut rates. From a sector perspective, an underweight allocation to cable & satellite was the largest detractor, followed by security selection in the technology and wirelines sectors. From a ratings standpoint, security selection in CCC rated securities was the largest detractor, followed by the allocation to, and security selection in, CC rated securities.

★★★★ Morningstar Overall™

Institutional shares rated against 598 High Yield Bond Funds, as of 9/30/24, based on risk-adjusted total return. Ratings are determined monthly and subject to change. The Overall Morningstar Rating for a fund is derived from a weighted average of the performance figures associated with its 3-, 5- and 10-year (if applicable) Morningstar Rating metrics.^{1†}

Portfolio management

Mitchell Garfin, David Delbos

Top 10 holdings (%)

Vici Pptys Inc	33.56
Constellium Se Class A	23.50
Avantor Inc	21.97
Jeld Wen Holding Inc	13.69
Ngl Energy Partners Units	7.25
Nine Energy Service Inc	0.02

Investment approach

The fund seeks to maximize total return consistent with income generation by investing generally in fixed income securities rated Ba or lower by Moody's or BB or lower by Standard & Poor's.

Further insight

At quarter-end, high yield spreads of around 300 basis points do not indicate a glaringly compelling buying opportunity. The more attractive part of the story is that income associated with all-in yields of 7% is strong and can be accessed via an asset class with substantially higher quality than in the past. Further bolstering the case for high yield is the strong fundamental backdrop, headlined by solid interest coverage and leverage (borrowed capital). We believe there is ample opportunity to generate positive performance through strong active management, as we expect dispersion in performance and fundamentals to remain elevated across the high yield universe.

Average annual total returns (%) as of 9/30/24

	3Q24 (not annualized)	YTD (not annualized)	1 Year	3 Year	5 Years	10 Years
Class I (Without Sales Charge)¹	4.57	7.96	15.24	3.35	4.96	4.92
Morningstar High Yield Bond Category Avg.	4.56	7.32	14.29	2.58	4.09	4.42
BBG U.S. Corp HY 2% Iss. Cap²	5.28	8.00	15.73	3.09	4.70	5.04

Total annual operating expenses as stated in this fund's most recent prospectus are 0.65% for Class I shares. 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. Current performance may be lower or higher than that shown, which assumes reinvestment of dividends and capital gains. Insurance fees and charges are not included. Index performance is shown for illustrative purposes only. It is not possible to invest directly in an unmanaged index. Refer to (800)-441-7762 for most recent month-end performance.

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. 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. 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. 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 September 30, 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.

BlackRock provides compensation in connection with obtaining or using third-party ratings and rankings.

¹ All data refers to the underlying variable insurance product and not the retail mutual fund of the same name. All returns assume reinvestment of all dividends and capital gains distributions. Total investment returns exclude separate account fees, insurance-related fees and expenses. See the fund's prospectus and the prospectus for the applicable variable insurance product for more information including fees and expenses. ² The Bloomberg U.S. Corporate High Yield 2% Issuer Capped Index measures the performance of high-yield corporate bonds, with a maximum allocation of 2% to any one issuer. ^{††} 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. The fund was rated against the following numbers of U.S.-domiciled High Yield Bond funds over the following time periods: 598 in the last 3 years, 563 in the last 5 years and 425 in the last 10 years. With respect to these High Yield Bond funds, the fund received a Morningstar Rating of 4, 4 and 4 stars for the 3-, 5- and 10-year periods, respectively. Other classes may have different performance characteristics. Underlying Funds are rated using an overlay of the open end mutual fund rating bell curve. For more detailed information about Morningstar's Rating, including its methodology, please go to <https://corporate.morningstar.com>.

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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