

# BlackRock Credit Strategies Fund

BlackRock®

INST: CREDX A: CRDAX U: CRDUX W: CRDWX

1Q2024 Commentary

## Performance Review

The macro backdrop was generally supportive of credit in 1Q24 with inflation moderating and economic growth remaining resilient. During the March Federal Open Market Committee (“FOMC”) meeting, the Federal Reserve (“the Fed”) held rates steady, continuing to monitor for sustained disinflation before starting an easing cycle. In the U.S., the personal consumption expenditures price index (“core PCE”) was up 0.3% and the consumer price index (“CPI”) was up 0.4% month-over-month for February, in line with market inflation estimates. Over in Europe, the region is slowly rebounding from its slump with reported uptick in economic activity, though a sustained recovery will have to follow the start of monetary policy easing.

Against this backdrop, risk asset performance was largely positive over the quarter. U.S. High Yield (“HY”)<sup>1</sup> returned 1.47%, posting gains as spreads marched towards YTD tightness alongside attractive yields. Bank loans<sup>2</sup> gained 2.43%, outperforming U.S. HY as rates remain elevated in the current and near term. Core fixed income<sup>3</sup> detracted by -0.78% over the quarter, dragged by intermediate and long-term bond names. As European markets continue to recover, credit markets responded positively: European HY<sup>4</sup> gained, outperforming its U.S. counterpart. Asian credit<sup>5</sup> also gained, mostly bolstered by the high yield sector.

The Fund’s institutional shares returned 1.62% (net) in Q1, with private debt continuing to lead as the largest contributor to performance. Other significant contributors included bank loans and collateralized loan obligations (“CLOs”), driven by floating rate carry as base rates remain elevated. U.S. HY also contributed, as did Asian and European credit, though to a lesser extent. U.S. investment grade (“IG”) minimally detracted from the fund.

Sources: BlackRock, Morningstar, as of March 31, 2024 unless otherwise noted. Subject to change. **Past performance is no guarantee of future results.**

1. Bloomberg Barclays U.S. Corporate High Yield Index. 2. Morningstar/LSTA Leveraged Loan Index. 3. Bloomberg US Agg Bond TR Index. 4. Bloomberg Pan-European High Yield USD hedged. 5. J.P. Morgan Asia Credit Index. 6. Distribution rate for the institutional share class (CREDX). Distribution rate is calculated by annualizing the most recent distribution per share and dividing by the net asset value. The distribution rate is net of applicable servicing fees. Dividends and distributions may be uncertain. Distributions are not guaranteed and may be funded through sources other than cash flow. For the funds current fiscal year through March 31, 2024, 100% of the distributions have been funded from cash flows from operations. A past record of distributions may not be indicative of future returns. Please refer to <https://www.blackrock.com/us/individual/education/mutual-funds/section-19-notices>, for Section 19 notices that provide estimated amounts and sources of the Fund’s distributions. Section 19 notices should not be relied upon for tax reporting purposes. The amounts and sources of distributions reported in Section 19 Notices are only estimates and are not being provided for tax reporting purposes. The Fund will send you a Form 1099-DIV for the calendar year that will tell you how to report these distributions for federal income tax purposes. 7. Exposures reflect market value as % of NAV where applicable. Private credit exposure includes direct lending co-investment deals and standalone private credit exposure and may vary from total direct lending exposure. Floating rate investments typically provide adjustable coupons that increase when interest rates rise and provide floors when they decline. Some or all of the Fund’s private credit investments will be managed by BCIA. BCIA and the Fund have received exemptive relief from the SEC which permits the portion of private credit investments managed by BCIA to co-invest in certain transactions alongside affiliated investment funds advised or sub-advised by BCIA or its controlled subsidiaries in private transactions where terms other than price are negotiated (“Co-Investment Order”). Co-investments in such private transactions made under the Co-Investment Order is subject to compliance with the conditions and other requirements contained in the Co-Investment Order. Only the portion of the Fund’s Private Credit Sleeve managed by BCIA is eligible to rely on the Co-Investment Order. With respect to any portion of the Private Credit Sleeve not managed by BCIA, the Fund may investment in private credit investments only as permitted by existing regulatory guidance. There is no assurance that the Fund will determine to rely on the Co-Investment Order. 8. Reflects Nominal Yield of the Fund breakdown as % of NAV.

1Q 2024 | Commentary

**9.31%**  
Distribution rate<sup>6</sup>

**75%**  
Floating rate<sup>7</sup>

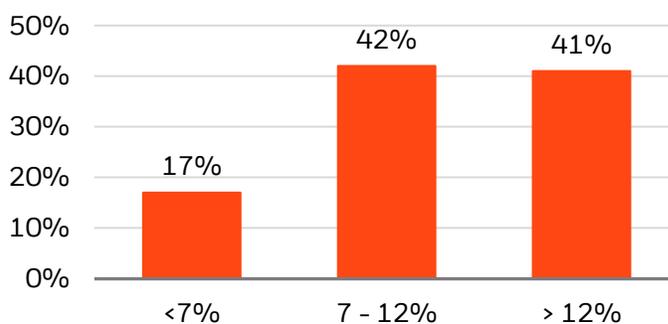
### Fund statistics

Total assets	\$528mm
Net asset value (NAV)	\$528mm
NAV per share	\$8.56
Leverage	0%
Effective duration	0.91 years

### Distribution rate<sup>6</sup>

CREDX	9.31%
CRDAX   CRDUX   CRDWX	8.61%

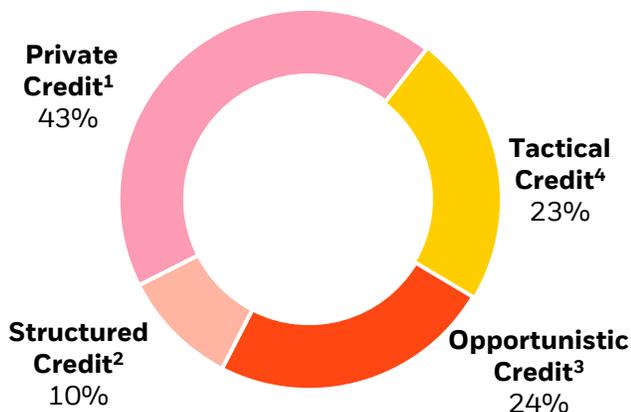
### Yield breakdown<sup>8</sup>



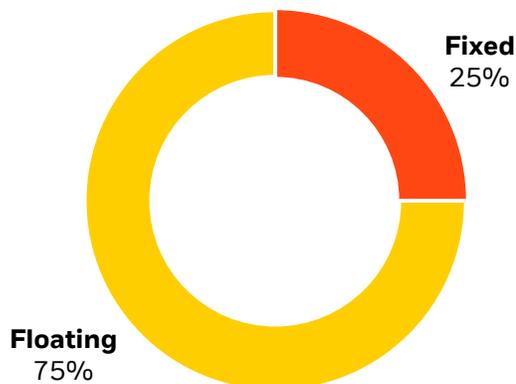
# BlackRock Credit Strategies Fund

Portfolio snapshot as of 3/31/2024

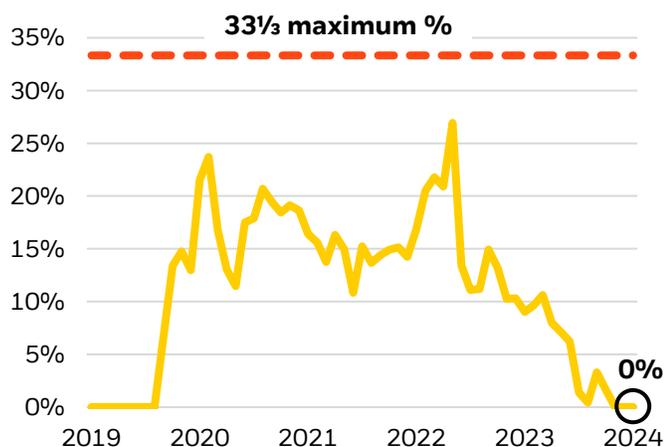
## Asset allocation



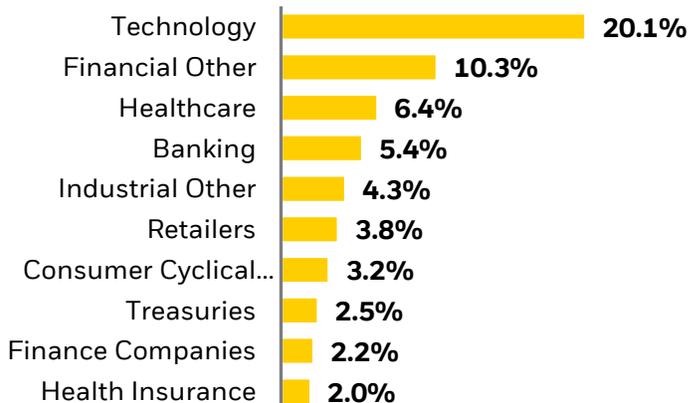
## Fixed vs. floating



## Total leverage



## Top 10 sectors



Source: BlackRock as of 3/31/24. Subject to change. **Past performance is no guarantee of future results.** Private Credit figure includes direct lending co-investment deals and standalone private credit exposure.

<sup>1</sup>Primarily in first-lien senior-secured private loans to middle market companies. <sup>2</sup>Primarily collateralized loan obligation (“CLO”) tranches from senior to mezzanine and equity. <sup>3</sup>Primarily special situation and stressed/distressed opportunities with an event driven focus. <sup>4</sup>Relative value opportunities across broadly syndicated leveraged loans, high yield bonds, preferreds, and emerging markets.

## Positioning

We remain defensively positioned, moving the portfolio up-in-quality and increasing exposure to floating rate instruments during the quarter. Based on current valuations and persistently high borrowing rates, we have decreased leverage to 0%. The portfolio's duration profile also remains low at 0.91 years as the market outlook remains uncertain.

As the environment of higher rates and volatility lingers, private debt remains an attractive asset class, in our view. We maintain a sizable private debt allocation, though diluted compared to last quarter due to inflows over the quarter. Covenants remain increasingly important in deal structuring, ensuring strong lender protections during times of elevated interest rates and market uncertainty. A 50% allocation to private debt remains our long-term target as bank disintermediation continues to drive expansion of the need for direct lending.

The team routinely sources first lien, senior secured private loans with all-in yields ranging from 11-14%. During the quarter, we added seventeen new deals from various industries, including software, internet and catalog retail, and commercial services and supplies. We continue to source deals from a variety of sectors and issuers to ensure a diversified portfolio, mitigating concentration risk.

In traded credit, we added tactical exposure to the A-AAA rated cohort, as well as B-rated credit due their attractive yields as spreads tightened. We continue to add to CLO exposure for the floating rate carry and structural protection the asset class provides. We maintained our syndicated bank loan allocation near historical highs as we expect the higher for longer environment to persist, at least in the near term. Positioning in U.S. HY and U.S. IG. were left nearly unchanged from last quarter's relatively low levels, opting for floating rate spread product instead. We tactically added to emerging markets credit as well as European HY as the respective regional backdrops improved. 78% of the portfolio remains in floating rate paper.

We remain poised to selectively deploy into idiosyncratic opportunities via our special situations allocation, where high conviction names continue to be sourced and closely monitored by the team.

## Outlook

We perceive the threshold for monetary policy normalization to be elevated, considering the robustness of the economy, the high price pressures in certain inflation categories (such as services/wages), and the Fed's public statements indicating a sensitivity to prematurely reducing rates, only to necessitate a subsequent resumption of a rate hiking cycle. The easing of financial conditions due to changes in asset prices may perpetuate uncertainty around policy restrictiveness, thereby undermining the urgency and necessity for policy normalization.

Our fundamental scenario has consistently projected the initiation of the first Fed rate reduction to occur in the second half of 2024, further confirmed by the recent challenges to sustained disinflation. We have previously emphasized that the commencement timing of rate reductions is not the primary concern for corporate credit investors.

We regard a persistent acceleration in U.S. inflation data as a significant downside risk for asset valuations. Such a scenario would likely engender considerable uncertainty regarding the future trajectory of monetary policy and could potentially destabilize long-term inflation expectations.

We acknowledge that greater spread dispersion from quarter-end historical tightness is likely in the coming months, but we believe our present stance still offers long-term opportunities. We are of the opinion that the majority of the financial burden for floating rate borrowers is likely behind us at this juncture, given that the vast majority of the policy rate hikes transpired in 2022 and the first half of 2023. We anticipate that as economic growth decelerates, credit dispersion will continue to increase, providing opportunities for enhanced alpha generation through robust credit selection rather than indiscriminate risk ownership at all levels.



**James Keenan**  
CIO and Head of Private Debt



**Jeff Cucunato**  
Managing Director  
Head of Multi-Strategy Debt Solutions

The private investments discussed above were selected to illustrate the portfolio management team's most recent private investments. The information above is not a prediction of future performance or any assurance that comparable investment opportunities will be available at the time of investment. It is non-representative of all underlying investments made by the portfolio management team and it should not be assumed that the portfolio management team will invest in comparable investments, or that any future investments made by portfolio management team will be successful. To the extent that these investments prove to be profitable, it should not be assumed that the portfolio management team's other investments will be profitable or will be as profitable.

# BlackRock Credit Strategies Fund – performance

Total net returns (% as of 3/31/24)	1Q24	YTD	1 year	3 year <sup>4</sup>	Since inception (2/28/19) <sup>4</sup>
Credit Strategies Fund - Inst shares (CREDX)	1.62	1.62	10.08	1.74	4.44
Credit Strategies Fund - A shares <sup>1</sup> (CRDAX) @ NAV	1.45	1.45	9.32	1.06	3.71
Credit Strategies Fund - A shares <sup>1</sup> (CRDAX) WITH SALES CHARGE	-1.09	-1.09	6.58	0.21	3.20
Credit Strategies Fund - W shares <sup>2</sup> (CRDWX) @ NAV	1.45	1.45	9.32	1.06	3.71
Credit Strategies Fund - W shares <sup>2</sup> (CRDWX) WITH SALES CHARGE	-2.10	-2.10	5.49	-0.13	2.98
Credit Strategies Fund - U shares <sup>3</sup> (CRDUX) @ NAV	1.45	1.45	9.20	1.02	3.68

**Total Returns (annualized) as of 3/31/2024 for Institutional Shares: 1 yr 10.08%; 3 yr 1.74%; SI (2/28/19) 4.44%. For Investor A Shares<sup>1</sup> without/with sales charge: 1 yr 9.32% / 6.58%; 3 yr 1.06% / 0.21%; SI (2/28/19) 3.71% / 3.20%. For Investor W Shares<sup>2</sup> without/with sales charge: 1 yr 9.32% / 5.49%; 3 yr 1.06% / -0.13%; SI (2/28/19) 3.71% / 2.98%. For Investor U Shares<sup>3</sup>: 1 yr 9.20%; 3 yr 1.02%; SI (2/28/19) 3.68%.**

*The performance quoted represents past performance and does not guarantee future results. Investment return and principal value of an investment will fluctuate so that an investor's shares, when sold or redeemed, may be worth more or less than the original cost. Current performance may be lower or higher than the performance quoted. Performance data current to the most recent month end may be obtained by visiting [www.blackrock.com](http://www.blackrock.com). **Past performance does not guarantee future results.***

<sup>1</sup>The performance information for periods prior to the inception date of the Class A Shares (3/31/2020) is based on the Fund's Institutional Shares, adjusted to reflect the fees and expenses applicable to the Class A Share. <sup>2</sup>The performance information for periods prior to the inception date of the Class W Shares (7/12/2021) is based on the Fund's Institutional Shares, adjusted to reflect the fees and expenses applicable to the Class W Share. <sup>3</sup>The performance information for periods prior to the inception date of the Class U Shares (7/12/2021) is based on the Fund's Institutional Shares, adjusted to reflect the fees and expenses applicable to the Class U Share. <sup>4</sup>Annualized returns.

BLK Credit Strategies Fund returns include reinvestment of dividends and capital gains. Maximum sales charge for Class A shares is 2.50%. Maximum sales charge for Class W shares is 3.50%. Expenses stated as of the Fund's most recent prospectus including Total/Net, Including Investment Related Expenses: Institutional Shares, 2.14%/2.13%; Class A Shares, 2.86%/2.85%, Class W Shares, 2.72%/2.71%, Class U Shares, 2.82%/2.81%. The Net expenses reflect the Fund contractually agreeing to waive and/or reimburse certain operating and other expenses to limit certain expenses to 0.50% of the Fund's average daily value of the net assets of each share class. Contractual waivers have a current end date of 6/30/2023. Investment dividend expense, interest expense, acquired fund fees and expenses and certain other fund expenses are included in the Total and Net expenses. The cost of leverage is subject to change based on market conditions and the Fund's use of leverage may increase or decrease over time. Institutional shares are not subject to a distribution fee or shareholder servicing fee. Class A, Class W and Class U shares are subject to these fees at an annual rate of 0.75%. 0.25% of the fee is a shareholder service fee and 0.50% is a distribution fee paid to dealers.

## IMPORTANT INFORMATION ABOUT PERFORMANCE DATA

This material is not intended to be relied upon as a forecast, research or investment advice, and is not a recommendation, offer or solicitation to buy or sell any securities or to adopt any investment strategy. The opinions expressed are as of 3/31/2024 and may change as subsequent conditions vary. The information and opinions contained in this material are derived from proprietary sources deemed by BlackRock to be reliable, are not necessarily all-inclusive, and are not guaranteed as to accuracy. Past performance is no guarantee of future results. There is no guarantee that any forecasts made will come to pass. Reliance upon information in this material is at the sole discretion of the reader. Investment involves risk. The investment return and principal value of an investment will 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 the performance data quoted. Refer to website at [www.blackrock.com](http://www.blackrock.com) to obtain performance data current to the most recent month-end. Returns are annualized and net of expenses. Investment returns reflect total fund operating expenses, net of all fees, waivers, and/or expense reimbursements.

## RISKS

**A summary of certain risks associated with an investment in the Fund is set forth below. The summary is not complete and an investor should carefully review the more detailed risks applicable to the Fund as set forth in the "Risks" section of the Fund's current prospectus (the "Prospectus"). Capitalized terms used but not defined herein have the meanings ascribed to them in the Prospectus.**

**Closed-End Interval Fund; Illiquidity of Shares.** The Fund is structured as an "interval fund" and designed primarily for long-term investors. An investment in the Shares, unlike an investment in a traditional listed closed-end fund, should be considered illiquid. The Shares are appropriate only for investors who are seeking an investment in less liquid or illiquid portfolio investments within an illiquid fund. An investment in the Shares is not suitable for investors who need access to the money they invest. Unlike open-end funds (commonly known as mutual funds), which generally permit redemptions on a daily basis, the Shares are not redeemable at an investor's option. Unlike traditional listed closed-end funds, the Shares are not listed for trading on any securities exchange, and the Fund does not expect any secondary market to develop for the Shares in the foreseeable future. The NAV of the Shares may be volatile and the Fund's use of leverage will increase this volatility. As the Shares are not traded, investors may not be able to dispose of their investment in the Fund when or in the amount desired, no matter how the Fund performs. Although the Fund, as a fundamental policy, makes quarterly offers to repurchase between 5% and 25% of its outstanding Shares at NAV, the number of Shares tendered in connection with a repurchase offer may exceed the number of Shares the Fund has offered to repurchase, in which case the Fund may not repurchase all of your Shares tendered in that offer. In connection with any given repurchase offer, it is likely that the Fund may offer to repurchase only the minimum amount of 5% of its outstanding Shares. Hence, you may not be able to sell your Shares when and/or in the amount that you desire. **Investment Risk.** An investment in the Fund's Shares is subject to investment risk, including the possible loss of the entire amount that you invest. The Shares are designed for long-term investors, and the Fund should not be treated as a trading vehicle. At any point in time an investment in the Fund's Shares may be worth less than the original amount invested, even after taking into account distributions paid by the Fund. During periods in which the Fund may use leverage, the Fund's investment and certain other risks will be magnified. **Repurchase Offers Risk.** As described under "Periodic Repurchase Offers," the Fund is an "interval fund" and, to provide some liquidity to shareholders, makes quarterly offers to repurchase between 5% and 25% of its outstanding Shares at NAV, pursuant to Rule 23c-3 under the Investment Company Act. The Fund believes that these repurchase offers are generally beneficial to the Fund's shareholders. Repurchase offers generally are funded from available cash or sales of portfolio securities but may be funded with borrowings. However, the repurchase of Shares by the Fund decreases the assets of the Fund and, therefore, may have the effect of increasing the Fund's expense ratio. Repurchase offers and the need to fund repurchase obligations may also affect the ability of the Fund to be fully invested or force the Fund to maintain a higher percentage of its assets in liquid investments, which may harm the Fund's investment performance. Moreover, diminution in the size of the Fund through repurchases may result in untimely sales of portfolio securities, and may limit the ability of the Fund to participate in new investment opportunities. If the Fund uses leverage, repurchases of Shares may compound the adverse effects of leverage in a declining market. In addition, if the Fund borrows money to finance repurchases, interest on that borrowing will negatively affect shareholders who do not tender their Shares by increasing Fund expenses and reducing any net investment income. Certain shareholders may from time to time own or control a significant percentage of the Fund's Shares. Repurchase requests by these shareholders of these Shares of the Fund may cause repurchases to be oversubscribed, with the result that shareholders may only be able to have a portion of their Shares repurchased in connection with any repurchase offer. If a repurchase offer is oversubscribed and the Fund determines not to repurchase additional Shares beyond the repurchase offer amount, or if shareholders tender an amount of Shares greater than that which the Fund is entitled to purchase, the Fund will repurchase the Shares tendered on a pro rata basis, and shareholders will have to wait until the next repurchase offer to make another repurchase request.

Shareholders will be subject to the risk of NAV fluctuations during that period. Thus, there is also a risk that some shareholders, in anticipation of proration, may tender more Shares than they wish to have repurchased in a particular quarterly period, thereby increasing the likelihood that proration will occur. Affiliates of the Fund may own Shares and determine to participate in the Fund's repurchase offers, which may contribute to a repurchase offer being oversubscribed and the Fund effecting repurchases on a pro rata basis. The NAV of Shares tendered in a repurchase offer may fluctuate between the date a shareholder submits a repurchase request and the Repurchase Request Deadline, and to the extent there is any delay between the Repurchase Request Deadline and the Repurchase Pricing Date. The NAV on the Repurchase Request Deadline or the Repurchase Pricing Date may be higher or lower than on the date a shareholder submits a repurchase request. See "Periodic Repurchase Offers" in the prospectus. **Distribution Payment Risk.** The Fund cannot assure investors that the Fund will achieve investment results that will allow the Fund to make a specified level of cash distributions or year-to-year increases in cash distributions. All distributions will be paid at the discretion of the Board and may depend on the Fund's earnings, the Fund's net investment income, the Fund's financial condition, maintenance of the Fund's RIC status, compliance with applicable regulations and such other factors as the Board may deem relevant from time to time. In the event that the Fund encounters delays in locating suitable investment opportunities, all or a substantial portion of the Fund's distributions may constitute a return of capital to shareholders. To the extent that the Fund pays distributions that constitute a return of capital for U.S. federal income tax purposes, it will lower an investor's tax basis in his or her Shares. A return of capital generally is a return of an investor's investment, rather than a return of earnings or gains derived from the Fund's investment activities, and generally results in a reduction of the tax basis in the Shares. As a result from such reduction in tax basis, shareholders may be subject to tax in connection with the sale of Fund Shares, even if such Shares are sold at a loss relative to the shareholder's original investment. **Liquidation Risk.** The Board may determine at any time and in its discretion that it is in the best interests of the Fund and its shareholders to liquidate and dissolve the Fund. Pursuant to the Fund's Agreement and Declaration of Trust ("Declaration of Trust"), the dissolution of the Fund requires the affirmative vote of at least 80% of the Fund's Trustees. A shareholder vote is not required to liquidate or dissolve the Fund. If the Board were to vote to dissolve and liquidate the Fund and the Fund's investment portfolio is substantially illiquid, the Advisor would not likely be able to liquidate the Fund's remaining assets in a short period of time. **Effect of Additional Subscriptions.** The Fund intends to accept additional subscriptions for Shares, and such subscriptions will dilute the interest of existing shareholders in the Fund's investment portfolio, which could have an adverse impact on the value of existing shareholders' Shares. **Effect of Liquidation on Investment Objective.** If the Fund is in the process of a complete liquidation pursuant to the Declaration of Trust, in order to effect an orderly liquidation of the Fund's assets, the Fund may not comply with the investment objective described in this prospectus during liquidation. **Purchase Price Risk.** The purchase price at which an investor purchases Shares will be determined as of the close of the regular trading session on the New York Stock Exchange (the "NYSE") on each business day on which the NYSE is open for trading ("daily closing") and will equal the NAV per Share of the applicable class as of such date, plus, with respect to Class A Shares and Class W Shares, the applicable sales load. As a result, in the event of an increase in the Fund's NAV per Share of an applicable class, an investor's purchase price may be higher than the prior daily closing price per Share of the applicable class, and therefore an investor may receive fewer Shares than if an investor had subscribed at the prior daily closing price. **Best-Efforts Offering Risk.** This offering is being made on a reasonable best efforts basis, whereby the Distributor is only required to use its reasonable best efforts to sell the Shares and neither it nor any Dealer has a firm commitment or obligation to purchase any of the Shares. To the extent that less than the maximum number of Shares is subscribed for, the opportunity for the allocation of the Fund's investments among various issuers and industries may be decreased, and the returns achieved on those investments may be reduced as a result of allocating all of the Fund's expenses over a smaller capital base. As a result, the Fund may be unable to achieve its investment objective and an investor could lose some or all of the value of his or her investment in the Shares. The Distributor is an affiliate of the Fund and the Advisor. As a result, the Distributor's due diligence review and investigation of the Fund and this prospectus cannot be considered to be an independent review. **Private Credit Risk.** Typically, private credit investments are in restricted securities that are not traded in public markets and subject to substantial holding periods, so that the Fund may not be able to resell some of its holdings for extended periods, which may be several years. The Fund may, from time to time or over time, focus its private credit investments in a particular industry or sector or select industries or sectors. Investment performance of such industries or sectors may thus at times have an out-sized impact on the performance of the Fund. The Fund's investments are also subject to the risks associated with investing in private securities. Investments in private securities are illiquid, can be subject to various restrictions on resale, and there can be no assurance that the Fund will be able to realize the value of such investments in a timely manner. See "Risks – Principal Risks – Restricted and Illiquid Investment Risks" in the Prospectus. Additionally, private credit investments can range in credit quality depending on security-specific factors, including total leverage, amount of leverage senior to the security in question, variability in the issuer's cash flows, the size of the issuer, the quality of assets securing debt and the degree to which such assets cover the subject company's debt obligations.

The companies in which the Fund invests may be leveraged, often as a result of leveraged buyouts or other recapitalization transactions, and often will not be rated by national credit rating agencies. **Valuation Risk.** The Fund is subject to valuation risk, which is the risk that one or more of the securities in which the Fund invests are valued at prices that the Fund is unable to obtain upon sale due to factors such as incomplete data, market instability or human error. The Advisor may use an independent pricing service or prices provided by dealers to value securities at their market value. Because the secondary markets for certain investments may be limited, such instruments may be difficult to value. When market quotations are not available, the Advisor may price such investments pursuant to a number of methodologies, such as computer-based analytical modeling or individual security evaluations. These methodologies generate approximations of market values, and there may be significant professional disagreement about the best methodology for a particular type of financial instrument or different methodologies that might be used under different circumstances. In the absence of an actual market transaction, reliance on such methodologies is essential, but may introduce significant variances in the ultimate valuation of the Fund's investments. Technological issues and/or errors by pricing services or other third-party service providers may also impact the Fund's ability to value its investments and the calculation of the Fund's NAV. When market quotations are not readily available or are deemed to be inaccurate or unreliable, the Fund values its investments at fair value as determined in good faith pursuant to policies and procedures approved by the Board. Fair value pricing may require determinations that are inherently subjective and inexact about the value of a security or other asset. As a result, there can be no assurance that fair value priced assets will not result in future adjustments to the prices of securities or other assets, or that fair value pricing will reflect a price that the Fund is able to obtain upon sale, and it is possible that the fair value determined for a security or other asset will be materially different from quoted or published prices, from the prices used by others for the same security or other asset and/or from the value that actually could be or is realized upon the sale of that security or other asset. Where market quotations are not readily available, valuation may require more research than for more liquid investments. In addition, elements of judgment may play a greater role in valuation in such cases than for investments with a more active secondary market because there is less reliable objective data available. The Advisor anticipates that approximately 30-50% of the Fund's net assets (calculated at the time of investment) may be valued at fair value. This percentage may increase over the life of the Fund and may exceed 50% of the Fund's net assets due to a number of factors, including as a result of the Fund selling its more liquid investments in connection with, or having a smaller base of assets after, a repurchase offer; as the Fund nears liquidation; outflows of cash from time to time; and changes in the valuation of these investments. The Fund prices its Shares daily and therefore all assets, including assets valued at fair value, are valued daily. The Fund's NAV is a critical component in several operational matters including computation of advisory and services fees and determination of the price at which the Shares will be offered and at which a repurchase offer will be made. For more information regarding the Fund's calculation of its NAV, see "Net Asset Value" in the Prospectus.

**Fixed Income Securities Risks.** Fixed income securities in which the Fund may invest are generally subject to the following risks:

- **Interest Rate Risk.** The market value of bonds and other fixed income securities changes in response to interest rate changes and other factors. Interest rate risk is the risk that prices of bonds and other fixed income securities will increase as interest rates fall and decrease as interest rates rise. The Fund's intended use of leverage, including through the use of instruments such as reverse repurchase agreements and dollar roll transactions, will tend to increase the Fund's interest rate risk.
- **Issuer Risk.** The value of fixed income securities may decline for a number of reasons that directly relate to the issuer, such as management performance, financial leverage, reduced demand for the issuer's goods and services, historical and prospective earnings of the issuer and the value of the assets of the issuer.
- **Credit Risk.** Credit risk is the risk that one or more fixed income securities in the Fund's portfolio will decline in price or fail to pay interest or principal when due because the issuer of the security experiences a decline in its financial status. Credit risk is increased when a portfolio security is downgraded or the perceived creditworthiness of the issuer deteriorates. See "Risks – Principal Risks – Below Investment Grade Securities Risk" in the Prospectus.
- **Prepayment Risk.** During periods of declining interest rates, borrowers may exercise their option to prepay principal earlier than scheduled, forcing the Fund to reinvest in lower yielding securities, resulting in a possible decline in the Fund's income and distributions to shareholders.
- **Reinvestment Risk.** Reinvestment risk is the risk that income from the Fund's portfolio will decline if the Fund invests the proceeds from matured, traded or called fixed income securities at market interest rates that are below the Fund portfolio's current earnings rate.
- **Duration and Maturity Risk.** The Fund has no set policy regarding portfolio maturity or duration of the fixed income securities it may hold. The Advisor may seek to adjust the duration or maturity of the Fund's fixed income holdings based on its assessment of current and projected market conditions and all other factors that the Advisor deems

- relevant. Any decisions as to the targeted duration or maturity of any particular category of investments will be made based on all pertinent market factors at any given time. The Fund may incur costs in seeking to adjust the portfolio's average duration or maturity. There can be no assurances that the Advisor's assessment of current and projected market conditions will be correct or that any strategy to adjust duration or maturity will be successful at any given time. In general, the longer the duration of any fixed income securities in the Fund's portfolio, the more exposure the Fund will have to the interest rate risks described above.
- See "Risks – Principal Risks – Fixed Income Securities Risks— Duration and Maturity Risk" in the Prospectus. For more information on these and other risks associated with fixed income securities, see "Risks – Principal Risks – Fixed Income Securities Risks" in the Prospectus.

**Corporate Bonds Risk.** The market value of a corporate bond generally may be expected to rise and fall inversely with interest rates. The market value of intermediate and longer term corporate bonds is generally more sensitive to changes in interest rates than is the market value of shorter term corporate bonds. The market value of a corporate bond also may be affected by factors directly related to the issuer, such as investors' perceptions of the creditworthiness of the issuer, the issuer's financial performance, perceptions of the issuer in the market place, performance of management of the issuer, the issuer's capital structure and use of financial leverage and demand for the issuer's goods and services. There is a risk that the issuers of corporate bonds may not be able to meet their obligations on interest or principal payments at the time called for by an instrument. Corporate bonds of below investment grade quality are often high risk and have speculative characteristics and may be particularly susceptible to adverse issuer-specific developments. See "Risks – Principal Risks – Corporate Bonds Risk", "Risks – Principal Risks – Fixed Income Securities Risks," "Risks – Principal Risks – Below Investment Grade Securities Risk", "Risks – Additional Risks – Inflation Risk" and "Risks – Additional Risks – Deflation Risk" in the Prospectus. **Below Investment Grade Securities Risk.** The Fund may invest in securities that are rated, at the time of investment, below investment grade quality (rated Ba/BB or below, or judged to be of comparable quality by the Advisor), which are commonly referred to as "high yield" or "junk" bonds and are regarded as predominantly speculative with respect to the issuer's capacity to pay interest and repay principal when due. The value of high yield, lower quality bonds is affected by the creditworthiness of the issuers of the securities and by general economic and specific industry conditions. Issuers of high yield bonds are not perceived to be as strong financially as those with higher credit ratings. The secondary market for lower grade securities may be less liquid than that for higher rated securities. Adverse conditions could make it difficult at times for the Fund to sell certain securities or could result in lower prices than those used in calculating the Fund's NAV. **Restricted and Illiquid Investments Risk.** The Fund may invest without limitation in illiquid or less liquid investments or investments in which no secondary market is readily available or which are otherwise illiquid, including private placement securities. It is expected that approximately 30-50% of the Fund's net assets (calculated at the time of investment) will consist of these types of investments. In addition, the portion of the Fund's portfolio that consists of these types of investments may increase over time and may exceed 50% of the Fund's net assets due to a number of factors, including as a result of the Fund selling its more liquid investments in connection with, or having a smaller base of assets after, a repurchase offer, as the Fund nears liquidation, outflows of cash from time to time and changes in the valuation of the illiquid securities. See "Risks – Principal Risks – Repurchase Offers Risk" and "Risks – Principal Risks – Valuation Risk" in the Prospectus. The Fund may not be able to readily dispose of such investments at prices that approximate those at which the Fund could sell such investments if they were more widely traded and, as a result of such illiquidity, the Fund may have to sell other investments or engage in borrowing transactions if necessary to raise cash to meet its obligations. Limited liquidity can also affect the market price of investments, thereby adversely affecting the Fund's NAV and ability to make dividend distributions. Privately issued debt securities are often of below investment grade quality, frequently are unrated and present many of the same risks as investing in below investment grade public debt securities. **Leverage Risk.** The use of leverage creates an opportunity for increased common share net investment income distributions, but also creates risks for the holders of Shares. There can be no assurance that the Fund's intended leveraging strategy will be successful. Leverage involves risks and special considerations for common shareholders, including: the likelihood of greater volatility of NAV and distribution rate of the Shares than a comparable portfolio without leverage; the risk that fluctuations in interest rates on borrowings and short-term debt or in the interest or dividend rates on any leverage that the Fund must pay will reduce the return to the common shareholders; the effect of leverage in a declining market, which is likely to cause a greater decline in the NAV of the Shares than if the Fund were not leveraged; when the Fund uses financial leverage, the investment advisory fee payable to the Advisor will be higher than if the Fund did not use leverage; and leverage may increase operating costs, which may reduce total return. For more information on these and other risks associated with leverage, see "Leverage" in the Prospectus. **Strategic Transactions and Derivatives Risk.** The Fund may purchase and sell futures contracts, enter into various interest rate transactions such as swaps, caps, floors or collars, currency transactions such as currency forward contracts, currency futures contracts, currency swaps or options on currency or currency futures and swap contracts (including, but not limited to, credit default swaps index products, credit

default swaps, total return swaps (sometimes referred to as "contracts for difference") and interest rate swaps) and may purchase and sell exchange-listed and over-the-counter ("OTC") put and call options on securities and swap contracts, financial indices and futures contracts and use other derivative instruments, or management techniques (collectively, "Strategic Transactions"). The risks associated with Strategic Transactions include (i) the imperfect correlation between the value of such instruments and the underlying assets, (ii) the possible default of the counterparty to the transaction, (iii) illiquidity of the derivative instruments, and (iv) high volatility losses caused by unanticipated market movements, which are potentially unlimited. For more information on these and other risks associated with Strategic Transactions, see "Risk – Principal Risks – Strategic Transactions and Derivatives Risk" in the Prospectus.

**Direct Lending Risk.** The Fund may make direct loans and engage in direct lending. This practice involves certain risks. If a loan is foreclosed, the Fund could become part owner of any collateral and would bear the costs and liabilities associated with owning and disposing of the collateral. As a result, the Fund may be exposed to losses resulting from default and foreclosure. See "Risks – Principal Risks – Direct Lending Risk" in the Prospectus.

**U.S. Securities Risk.** U.S. Government debt securities ("U.S. Securities") generally involve lower levels of credit risk than other types of fixed income securities of similar maturities, although, as a result, the yields available from U.S. Securities are generally lower than the yields available from such other securities. Like other fixed income securities, the values of U.S. Securities change as interest rates fluctuate. On August 5, 2011, S&P, lowered its long-term sovereign credit rating on U.S. Securities to AA+ from AAA. The downgrade by S&P and any future downgrades by other rating agencies could increase volatility in both stock and bond markets, result in higher interest rates and higher Treasury yields and increase borrowing costs, generally. These events could have significant adverse effects on the economy, generally, and could result in significant adverse impacts on securities issuers and the Fund. The Advisor cannot predict the effects of these or similar events in the future on the U.S. economy and securities markets or on the Fund's portfolio.

**Non-U.S. Securities Risk.** Securities markets in foreign countries often are not as developed, efficient or liquid as securities markets in the United States, and therefore, the prices of Non-U.S. Securities can be more volatile. Certain foreign countries may impose restrictions on the ability of issuers of Non-U.S. Securities to make payments of principal and interest to investors located outside the country. In addition, the Fund will be subject to risks associated with adverse political and economic developments in foreign countries, which could cause the Fund to lose money on its investments in Non-U.S. Securities. The Fund will be subject to additional risks if it invests in Non-U.S. Securities, which include seizure or nationalization of foreign deposits. Non-U.S. Securities may trade on days when the Fund's Shares are not priced or traded.

**Emerging Markets Risk.** The considerations noted above in "Non-U.S. Securities Risk" are generally intensified for investments in emerging market countries, including countries that may be considered "frontier" markets. Emerging market countries typically have economic and political systems that are less fully developed and can be expected to be less stable than those of more developed countries. Investing in securities of companies in emerging markets may entail special risks relating to potential political and economic instability and the risks of expropriation, nationalization, confiscation or the imposition of restrictions on foreign investment, the lack of hedging instruments and restrictions on repatriation of capital invested. Economies of such countries can be subject to rapid and unpredictable rates of inflation or deflation. Emerging securities markets are substantially smaller, less developed, less liquid and more volatile than the major securities markets. The limited size of emerging securities markets and limited trading volume compared to the volume of trading in U.S. securities could cause prices to be erratic for reasons apart from factors that affect the quality of the securities.

**Frontier Markets Risk.** Frontier countries generally have smaller economies or less developed capital markets than traditional emerging markets, and, as a result, the risks of investing in emerging market countries are magnified in frontier countries. The economies of frontier countries are less correlated to global economic cycles than those of their more developed counterparts and their markets have low trading volumes and the potential for extreme price volatility and illiquidity. This volatility may be further heightened by the actions of a few major investors. For example, a substantial increase or decrease in cash flows of mutual funds investing in these markets could significantly affect local stock prices and, therefore, the NAV of Fund's Shares. These factors make investing in frontier countries significantly riskier than in other countries and any one of them could cause the NAV of a fund's shares to decline.

**Foreign Currency Risk.** Because the Fund may invest in securities denominated or quoted in currencies other than the U.S. dollar, changes in foreign currency exchange rates may affect the value of securities held by the Fund and the unrealized appreciation or depreciation of investments. In addition, certain countries, particularly emerging market countries, may impose foreign currency exchange controls or other restrictions on the transferability, repatriation or convertibility of currency.

**Sovereign Government and Supranational Debt Risk.** Investments in sovereign debt involve special risks. Foreign governmental issuers of debt or the governmental authorities that control the repayment of the debt may be unable or unwilling to repay principal or pay interest when due. In the event of default, there may be limited or no legal recourse in that, generally, remedies for defaults must be pursued in the courts of the defaulting party. Political conditions, especially a sovereign entity's willingness to meet the terms of its debt obligations, are of considerable significance. The ability of a foreign sovereign issuer, especially an emerging market country, to make timely payments on its

debt obligations will also be strongly influenced by the sovereign issuer's balance of payments, including export performance, its access to international credit facilities and investments, fluctuations of interest rates and the extent of its foreign reserves. The cost of servicing external debt will also generally be adversely affected by rising international interest rates, as many external debt obligations bear interest at rates which are adjusted based upon international interest rates. Foreign investment in certain sovereign debt is restricted or controlled to varying degrees, including requiring governmental approval for the repatriation of income, capital or proceeds of sales by foreign investors.

**Tax Characterization Risk.** The amount of taxable income and the tax character of income derived from less liquid or illiquid private credit investments may not be determined at the time of a distribution from the Fund and may be recharacterized on the IRS Form 1099 sent to shareholders, and any increase in the amount of taxable income recognized from these transactions over the amount initially anticipated by the Fund could, among other things, increase the portion of Fund distributions that are taxable to investors as ordinary dividend income and cause the Fund to be subject to excise taxes on undistributed taxable income. Additionally, to the extent the Fund's investments are held in a liquidating trust, shareholder distributions paid out of the liquidating trust may be reported on a Grantor Information Statement.

**Distressed and Defaulted Securities Risk.** Investments in the securities of financially distressed issuers are speculative and involve substantial risks. These securities may present a substantial risk of default or may be in default at the time of investment. The Fund may incur additional expenses to the extent it is required to seek recovery upon a default in the payment of principal or interest on its portfolio holdings. In any reorganization or liquidation proceeding relating to a portfolio company, the Fund may lose its entire investment or may be required to accept cash or securities with a value less than its original investment.

**Yield and Ratings Risk.** The yields on debt obligations are dependent on a variety of factors, including general market conditions, conditions in the particular market for the obligation, the financial condition of the issuer, the size of the offering, the maturity of the obligation and the ratings of the issue. The ratings of Moody's, S&P and Fitch, which are described in Appendix A to the SAI, represent their respective opinions as to the quality of the obligations they undertake to rate. Ratings, however, are relative and are not absolute standards of quality. Consequently, obligations with the same rating, maturity and interest rate may have different market prices. Subsequent to its purchase by the Fund, a rated security may cease to be rated or may have its ratings lowered. The Advisor will consider such an event in determining whether the Fund should continue to hold the security.

**Unrated Securities Risk.** Some unrated securities may not have an active trading market or may be difficult to value, which means the Fund might have difficulty selling them promptly at an acceptable price.

**Collateralized Debt Obligations Risk.** In addition to the general risks associated with fixed income securities, collateralized debt obligations ("CDOs") carry additional risks, including: (i) the possibility that distributions from collateral securities will not be adequate to make interest or other payments; (ii) the quality of the collateral may decline in value or default; (iii) the possibility that the CDO securities are subordinate to other classes; and (iv) the complex structure of the security may not be fully understood at the time of investment and may produce disputes with the issuer or unexpected investment results.

**"Covenant-Lite" Loans Risk.** An investment by the Fund in a covenant-lite loan may potentially hinder the ability to reprice credit risk associated with the issuer and reduce the ability to restructure a problematic loan and mitigate potential loss. The Fund may also experience delays in enforcing its rights on its holdings of covenant-lite loans. As a result of these risks, the Fund's exposure to losses may be increased, which could result in an adverse impact on the Fund's net income and NAV.

**Zero Coupon Securities Risk.** Zero coupon securities may be subject to greater fluctuation in value and less liquidity in the event of adverse market conditions than comparably rated securities that pay cash interest at regular intervals.

**Senior Loans Risk.** The Fund's investments in Senior Loans are typically below investment grade and are considered speculative because of the credit risk of their issuers. The risks associated with Senior Loans are similar to the risks of below investment grade fixed income securities, although Senior Loans are typically senior and secured in contrast to other below investment grade fixed income securities, which are often subordinated and unsecured. See "Risks – Principal Risks – Below Investment Grade Securities Risk" in the Prospectus.

**Second Lien Loans Risk.** Second Lien Loans generally are subject to similar risks as those associated with investments in Senior Loans. Because Second Lien Loans are subordinated or unsecured and thus lower in priority of payment to Senior Loans, they are subject to the additional risk that the cash flow of the Borrower and property securing the loan or debt, if any, may be insufficient to meet scheduled payments after giving effect to the senior secured obligations of the Borrower.

**Mortgage Related Securities Risks.** The risks associated with mortgage-backed securities ("MBS") include: credit risk associated with the performance of the underlying mortgage properties and of the borrowers owning these properties; risks associated with their structure and execution (including the collateral, the process by which principal and interest payments are allocated and distributed to investors and how credit losses affect the issuing vehicle and the return to investors in such MBS); whether the collateral represents a fixed set of specific assets or accounts, whether the underlying collateral assets are revolving or closed-end, under what terms (including maturity of the MBS) any remaining balance in the accounts may revert to the issuing entity and the extent to which the entity that is the actual source of the collateral assets is obligated to provide support to the issuing vehicle or to the investors in such MBS; risks associated with the servicer of the

underlying mortgages; adverse changes in economic conditions and circumstances, which are more likely to have an adverse impact on MBS secured by loans on certain types of commercial properties than on those secured by loans on residential properties; prepayment risk, which can lead to significant fluctuations in the value of the MBS; loss of all or part of the premium, if any, paid; and decline in the market value of the security, whether resulting from changes in interest rates, prepayments on the underlying mortgage collateral or perceptions of the credit risk associated with the underlying mortgage collateral. MBS generally are classified as either residential MBS ("RMBS") or commercial MBS ("CMBS"), each of which are subject to certain specific risks as described in the Prospectus. **Asset-Backed Securities Risk.** Asset-backed securities ("ABS") involve certain risk in addition to those presented by MBS. There is the possibility that recoveries on the underlying collateral may not, in some cases, be available to support payments on these securities. Relative to MBS, ABS may provide the Fund with a less effective security interest in the underlying collateral and are more dependent on the borrower's ability to pay. Finally, ABS have structure risk due to a unique characteristic known as early amortization, or early payout, risk. **Equity Securities Risk.** Stock markets are volatile, and the prices of equity securities fluctuate based on changes in a company's financial condition and overall market and economic conditions. Although common stocks have historically generated higher average total returns than fixed income securities over the long-term, common stocks also have experienced significantly more volatility in those returns and, in certain periods, have significantly under-performed relative to fixed income securities. An adverse event, such as an unfavorable earnings report, may depress the value of a particular common stock held by the Fund. A common stock may also decline due to factors that affect a particular industry or industries, such as labor shortages or increased production costs and competitive conditions within an industry. The value of a particular common stock held by the Fund may decline for a number of other reasons that directly relate to the issuer, such as management performance, financial leverage, the issuer's historical and prospective earnings, the value of its assets and reduced demand for its goods and services. Also, the prices of common stocks are sensitive to general movements in the stock market and a drop in the stock market may depress the price of common stocks to which the Fund has exposure. Common stock prices fluctuate for several reasons, including changes in investors' perceptions of the financial condition of an issuer or the general condition of the relevant stock market, or when political or economic events affecting the issuers occur. In addition, common stock prices may be particularly sensitive to rising interest rates, as the cost of capital rises and borrowing costs increase. Common equity securities in which the Fund may invest are structurally subordinated to preferred stock, bonds and other debt instruments in a company's capital structure in terms of priority to corporate income and are therefore inherently more risky than preferred stock or debt instruments of such issuers. **Dividend Paying Equity Securities Risk.** Dividends on common equity securities that the Fund may hold are not fixed but are declared at the discretion of an issuer's board of directors. Companies that have historically paid dividends on their securities are not required to continue to pay dividends on such securities. There is no guarantee that the issuers of the common equity securities in which the Fund invests will declare dividends in the future or that, if declared, they will remain at current levels or increase over time. Therefore, there is the possibility that such companies could reduce or eliminate the payment of dividends in the future. Dividend producing equity securities, in particular those whose market price is closely related to their yield, may exhibit greater sensitivity to interest rate changes. See "Risks—Principal Risks—Fixed Income Securities Risks—Interest Rate Risk." The Fund's investments in dividend producing equity securities may also limit its potential for appreciation during a broad market advance. The prices of dividend producing equity securities can be highly volatile. Investors should not assume that the Fund's investments in these securities will necessarily reduce the volatility of the Fund's NAV or provide "protection," compared to other types of equity securities, when markets perform poorly. **Investment Companies and ETFs Risk.** Subject to the limitations set forth in the Investment Company Act and the Fund's governing documents or as otherwise permitted by the SEC, the Fund may acquire shares in other affiliated and unaffiliated investment companies, including in ETFs or BDCs. The market value of the shares of other

investment companies, including ETFs and BDCs, may differ from their NAV. As an investor in investment companies, including ETFs and BDCs, the Fund would bear its ratable share of that entity's expenses, including its investment advisory and administration fees, while continuing to pay its own advisory and administration fees and other expenses (to the extent not offset by the Advisor through waivers). As a result, shareholders will be absorbing duplicate levels of fees with respect to investments in other investment companies, including ETFs and BDCs. The securities of other investment companies, including ETFs and BDCs, in which the Fund may invest may be leveraged. As a result, the Fund may be indirectly exposed to leverage through an investment in such securities. An investment in securities of other investment companies, including ETFs or BDCs, that use leverage may expose the Fund to higher volatility in the market value of such securities and the possibility that the Fund's long-term returns on such securities (and, indirectly, the long-term returns of the Fund's Shares) will be diminished. **Competition for Investment Opportunities.** The Fund competes for investments with other investment funds and institutional investors. Some of the Fund's competitors are larger and may have greater financial and other resources than the Fund. These characteristics could allow the Fund's competitors to consider a wider variety of investments, establish more relationships and pay more competitive prices for investments than the Fund is able or willing to do. Furthermore, some of the Fund's competitors may not be subject to the regulatory restrictions that the Investment Company Act imposes on it as a closed-end fund. The Advisor and/or its affiliates may face conflicts in allocating investment opportunities between the Fund and such other entities. The Fund generally will not be permitted to co-invest alongside the Advisor or affiliates of the Advisor (including any fund managed by the Advisor or its affiliates) in privately negotiated transactions unless it is covered by an exemptive order from the SEC or the transaction is otherwise permitted under existing regulatory guidance. In some instances the Fund will not be permitted to invest in privately negotiated transactions in which a term other than price is negotiated at all. The Advisor anticipates that some or all of the Private Credit Sleeve will be managed by BCIA, as Sub-Advisor to the Fund. BCIA and the Fund have received exemptive relief that, permits the portion of the Private Credit Sleeve managed by BCIA to co-invest with affiliated investment funds advised or sub-advised by BCIA or its controlled subsidiaries in private transactions where terms other than price are negotiated (the "Co-Investment Order"). Co-investments in such private transactions made under the Co-Investment Order is subject to compliance with the conditions and other requirements contained in the Co-Investment Order. Only the portion of the Fund's Private Credit Sleeve managed by BCIA is eligible to rely on the Co-Investment Order and co-investments are permitted only with affiliated investment funds advised or sub-advised by BCIA or a controlled subsidiary of BCIA. With respect to any portion of the Private Credit Sleeve not managed by BCIA, the Fund may invest in private credit investments only as permitted by existing regulatory guidance. There is no assurance that the Fund will determine to rely on the Co-Investment Order. If the Fund determines to rely on the Co-Investment Order, the Fund's assets managed by BCIA would have the opportunity to participate in co-investment transactions that align with the Fund's investment objective and strategies pursuant to the terms of the Co-Investment Order. To the extent the Fund is able to make co-investments with other affiliated investment funds advised or sub-advised by BCIA, these co-investment transactions may give rise to conflicts of interest or perceived conflicts of interest among the Fund and the other participating affiliated investment funds. Although the Advisor and its affiliates, in the aggregate, will allocate investment opportunities to the Fund in what the Advisor believes to be a fair and equitable manner over time, it is possible that over time the Fund may not be able to participate in certain investments made by affiliated investment funds that it might otherwise have desired to participate in. For more information, please see "Conflicts of Interest" and "Management of the Fund – Portfolio Management – Potential Material Conflicts of Interest" in the statement of additional information, which is incorporated by reference into the Prospectus. **Additional Risks.** For additional principal risks and non-principal risks relating to an investment in the Fund, please see "Risks" in the Prospectus.

## Have questions?

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