

# High Yield V.I. Fund

# BlackRock®

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

## Commentary as of 06/30/24

- The fund posted a return of 1.35% (Class I shares) for the second quarter of 2024.
- The fund's bank loan exposure contributed to performance, while the equity and equity futures allocation detracted. By sector, an underweight exposure to, and security selection in, media & entertainment was beneficial, as was an overweight allocation to, and selection in, technology. Underweight positions in the pharmaceuticals and consumer cyclical services sectors detracted.
- We maintained an underweight exposure to BB rated credit, an overweight allocation to B rated issues, and a market weighting in CCC rated securities. The top overweight sectors included technology, insurance brokers, and aerospace & defense, and the top underweight sectors included retailers, cable & satellite, and restaurants. We maintained the tactical allocation to bank loans.

### Contributors

The bank loan allocation was the strongest off-benchmark contributor as the asset class performed strongly in the face of economic data and Federal Reserve rhetoric that suggested interest rate cuts would be pushed later into the summer. From a sector perspective, underweight allocations to, and security selection in, media & entertainment and cable & satellite, and an overweight exposure to, and selection in, technology were the largest contributors. The fund's ratings positioning was also beneficial. Strong security selection within CCC rated securities was the top contributor from this perspective, followed by security selection within B rated credit.

### Detractors

The equity and equity futures allocation was the largest off-benchmark detractor. From a sector perspective, underweight exposures to pharmaceuticals and consumer cyclical and security selection therein were the main detractors, followed by security selection in leisure. An underweight position in BB rated credit was the largest negative contributor from a ratings standpoint, as this cohort of the market had the largest gain during the quarter.

## Further insight

Spreads of about 300 basis points do not indicate a glaringly compelling buying opportunity. However, the fact remains that income associated with all-in yields in the 8% context is strong, and can be accessed via an asset class that is substantially higher quality than in the past. We still see room for downside, though we think that the market should remain well supported given the strong fundamental backdrop and attractiveness of the current income profile. We believe that high yield fundamental and performance dispersion will continue to increase and provide opportunities through strong credit selection, rather than owning generic risk at all levels.

## ★★★★ Morningstar Overall™

Institutional shares rated against 594 High Yield Bond Funds, as of 6/30/24, 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.<sup>1†</sup>

## Portfolio management

Mitchell Garfin, David Delbos

## Top 10 holdings (%)

Vici Pptys Inc	37.74
Constellium Se Class A	21.49
Avantor Inc	14.20
Jeld Wen Holding Inc	9.20
Crown Castle Inc	8.78
Ngl Energy Partners Units	6.43
Amp Pipe Prvt	2.15
Nine Energy Service Inc	0.03

## 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.

## Average annual total returns (%) as of 6/30/24

	2Q24 (not annualized)	YTD (not annualized)	1 Year	3 Year	5 Years	10 Years
<b>Class I (Without Sales Charge)<sup>1</sup></b>	1.35	3.24	10.70	2.06	4.42	4.25
<b>Morningstar High Yield Bond Category Avg.</b>	1.10	2.63	9.66	1.31	3.44	3.74
<b>BBG U.S. Corp HY 2% Iss. Cap<sup>2</sup></b>	1.09	2.58	10.43	1.64	3.90	4.30

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 June 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.

<sup>1</sup> 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. <sup>2</sup> 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. <sup>††</sup> 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: 594 in the last 3 years, 563 in the last 5 years and 427 in the last 10 years. With respect to these High Yield Bond funds, the fund received a Morningstar Rating of 3, 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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