

Total Return Fund



Inst: **MAHQX** A: **MDHQX** C: **MFHQX** R: **MRCBX¹** K: **MPHQX**

Commentary as of 06/30/24

- The fund posted returns of 0.12% (Institutional shares) and 0.05% (Investor A shares, without sales charge) for the second quarter of 2024.
- Structured products, U.S. investment grade credit, and inflation contributed to performance, while emerging markets, U.S. rates, and high yield detracted.
- The fund moved to an overweight top-line duration (interest rate sensitivity) position relative to the benchmark during the quarter. This was done mainly by adding to the overweight exposures at the front and “belly” of the yield curve and moving to a slight overweight position at the back end as economic data softened. We maintained overweight positions in U.S. investment grade credit and agency mortgage-backed securities. Additionally, we favored seniority in securitized debt and tactically added to U.S. high yield credit.

Contributors

The allocation to securitized assets was the largest contributor to returns. Similarly, security selection within investment grade credit was additive, as we increased the overweight holding in the industrials sector and underweight position in the banks industry, benefiting from some volatility in April. The fund generally maintained its underweight allocation to the financials sector and modest overweight exposures to select portions of the industrials sector through the rest of the quarter. Additionally, a long inflation position in April contributed as breakevens (the difference in yield between nominal U.S. Treasuries and Treasury inflation-protected securities with comparable maturities) moved higher due to an upside inflation surprise.

Detractors

Duration positioning detracted, largely due to an underweight position in May as rates rallied on softer economic data. The move to an overweight duration stance was unhelpful in June as nonfarm payroll data surprised to the upside. Additionally, an out-of-benchmark allocation to high yield credit hampered returns as spreads widened in April given upside economic surprises. In the same month, an overweight holding in emerging market debt detracted, with select local rate exposures selling off as markets priced in the possibility of higher-for-longer rates.

Further insight

At quarter-end, the fund held an overweight top-line overweight stance relative to the benchmark (6.61 years versus 5.99 years). We continued to increase the overweight exposure at the front end of the yield curve as we believed the market’s pricing of approximately two interest rate cuts by year-end seemed fair. The fund also moved from an underweight exposure at the back end of the yield curve to a slight overweight position, as the weakening macroeconomic backdrop lowered the risk of a near-term sell-off. Additionally, we are tactically rotating across select spread sectors given attractive opportunities, focused on seniority in securitized debt, and are cautious on emerging markets.

Portfolio management

Rick Rieder, David Rogal,
Chi Chen

Top 10 holdings (%)

United States Treasury	19.65
Federal National Mortgage	12.10
FHLM	6.47
GNMA II	4.84
Uniform Mbs	4.53
Goldman Sachs Group Inc/The	1.35
Morgan Stanley	1.27
Mexico	1.19
Diamondback Energy Inc	1.16
Brazil Federative Republic Of (gov- ernment)	1.14

Investment approach

Seeks to realize a total return that exceeds that of the U.S. Aggregate Bond Index.

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

	2Q24 (not annualized)	YTD (not annualized)	1 Year	3 Year	5 Years	10 Years
Institutional²	0.12	-0.17	2.65	-3.18	0.15	1.69
Investor A (Without Sales Charge)²	0.05	-0.42	2.35	-3.47	-0.17	1.37
Investor A (With Sales Charge)²	-3.96	-4.40	-1.74	-4.77	-0.98	0.96
Morningstar Intermediate Core-Plus Bond Category Avg.	0.31	0.11	3.83	-2.81	0.20	1.49
BBG U.S. Aggregate Bond²	0.07	-0.71	2.63	-3.02	—	—

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) **0.45%**. For Investor A shares: Total **0.75%**; Net, Including Investment Related Expenses **0.75%**. 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](https://www.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 4% 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: **0.44%**; for Investor A shares: **0.74%**.

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. 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. 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. Short-selling entails special risks. If the fund makes short sales in securities that increase in value, the fund will lose value. Any loss on short positions may or may not be offset by investing short-sale proceeds in other investments.

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.

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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, market-weighted U.S. Aggregate Bond Index comprises investment-grade corporate bonds (rated BBB or better), mortgages and U.S. Treasury and government agency issues with at least 1 year to maturity.

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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07/24 — Total Return Fund

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