## SEMI-ANNUAL REPORT (UNAUDITED)

# **BLACKROCK®**

### **BlackRock Allocation Target Shares**

- Series C Portfolio
- ▶ Series M Portfolio
- ▶ Series P Portfolio
- ▶ Series S Portfolio

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### Dear Shareholder

One year ago, financial markets were in a soft patch as global trade slowed, driven by a recession in Europe and decelerating growth in China. Volatility increased toward the end of 2012 due to growing concern that bipartisan gridlock in Washington, D.C. would preclude a timely resolution to US budget negotiations. Failure to reach an agreement before the end of the year would have triggered the "fiscal cliff" of pre-mandated tax increases and spending cuts as of the beginning of 2013, putting the US economy at risk for recession. The worst of the fiscal cliff was averted, however, with a last-minute tax deal, allowing markets to get off to a strong start in 2013. Money that had been pulled to the sidelines amid year-end tax-rate uncertainty poured back into the markets in January. Key indicators signaling modest but broad-based improvements in the world's major economies, coupled with the absence of negative headlines from Europe, fostered an aura of comfort for investors. Global equities surged, while rising US Treasury yields pressured high quality fixed income assets. (Bond prices fall when yields rise.)

Global economic momentum slowed in February and the pace of the rally moderated. In the months that followed, US stocks outperformed international stocks, as the US recovery showed greater stability compared to most other regions. Slow, but positive, growth in the United States was sufficient to support corporate earnings, while uncomfortably high unemployment reinforced expectations that the Federal Reserve would keep interest rates low. International markets experienced higher levels of volatility given a resurgence of political instability in Italy, a severe banking crisis in Cyprus and a generally poor outlook for European economies. Emerging markets significantly lagged the rest of the world as growth in these economies, particularly in China and Brazil, fell short of expectations.

In May, comments from the Fed suggesting a possible reduction of its bond-buying stimulus program before the end of 2013 roiled markets around the world. Equities plummeted and a dramatic increase in US Treasury yields resulted in tumbling bond prices. Markets rebounded in late June when the tone of the US central bank turned more dovish. Improving economic indicators and a positive outlook for corporate earnings further boosted risk assets in July, with major US equity indices hitting new record highs.

Markets slumped again in August as investors became wary amid looming macro risks. Mixed economic data stirred up worries about global growth and renewed anxieties about when and how much the Fed would scale back on its asset purchase program. Additional volatility stemmed from the escalation of the revolution in Egypt and the civil war in Syria. These conflicts underscored the broader issue of rising geopolitical instability in the Middle East/ North Africa region and put upward pressure on oil prices, creating an additional headwind for global economic growth.

September was surprisingly positive for investors thanks to the easing of several key risks. Most importantly, the Federal Reserve defied market expectations with its decision to maintain the current pace of its asset purchase program. Additionally, the more hawkish candidate to become the next Federal Reserve Chairman, Larry Summers, withdrew from the race. On the geopolitical front, the violence in Egypt subsided and the situation in Syria no longer appeared to warrant foreign military intervention. In Europe, the re-election of Angela Merkel as Chancellor of Germany was welcomed as a continuation of the status quo. These developments drove all asset classes generally higher for the month of September even though the final week of the month saw risk markets decline due to political wrangling over US fiscal policy, which ultimately led to a government shutdown at the close of the period.

Though we've seen periods of heightened uncertainty and market volatility over the past year, riskier asset classes generally outperformed lower-risk investments. Developed market equities generated the strongest returns for the 6- and 12-month periods ended September 30, 2013. Emerging markets, in contrast, struggled with slowing growth and weakening currencies. Rising interest rates resulted in poor performance for most fixed income assets, especially US Treasury bonds and other higher quality sectors such as tax-exempt municipals and investment grade corporate bonds. High yield bonds, on the other hand, generated positive returns as investors looked to the asset class for income in the low-rate environment. Short-term interest rates remained near zero, keeping yields on money market securities near historical lows.

At BlackRock, we believe investors need to think globally and extend their scope across a broader array of asset classes and be prepared to move freely as market conditions change over time. We encourage you to talk with your financial advisor and visit www.blackrock.com for further insight about investing in today's world.

Sincerely,

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Rob Kapito
President, BlackRock Advisors, LLC



"Though we've seen periods of heightened uncertainty and market volatility over the past year, riskier asset classes generally outperformed lower-risk investments."

#### **Rob Kapito**

President, BlackRock Advisors, LLC

#### Total Returns as of September 30, 2013

|  | 6-month | 12-month |
|--|---------|----------|
| US large cap equities (S&P 500® Index)   | 8.31%   | 19.34%   |
| US small cap equities<br>(Russell 2000® Index)   | 13.61   | 30.06    |
| International equities<br>(MSCI Europe, Australasia,<br>Far East Index)                | 10.47   | 23.77    |
| Emerging market<br>equities (MSCI Emerging<br>Markets Index)                           | (2.78)  | 0.98     |
| 3-month Treasury bill<br>(BofA Merrill Lynch<br>3-Month US Treasury<br>Bill Index)     | 0.04    | 0.10     |
| US Treasury securities<br>(BofA Merrill Lynch 10-<br>Year US Treasury Index)           | (5.19)  | (5.71)   |
| US investment grade<br>bonds (Barclays US<br>Aggregate Bond Index)                     | (1.77)  | (1.68)   |
| Tax-exempt municipal<br>bonds (S&P Municipal<br>Bond Index)                            | (3.47)  | (2.25)   |
| US high yield bonds<br>(Barclays US Corporate<br>High Yield 2% Issuer<br>Capped Index) | 0.81    | 7.14     |

Past performance is no guarantee of future results. Index performance is shown for illustrative purposes only. You cannot invest directly in an index.

#### **Investment Objective**

Series C Portfolio's (the "Fund") investment objective is to seek to maximize total return, consistent with income generation and prudent investment management.

#### **Portfolio Management Commentary**

#### How did the Fund perform?

 For the six-month period ended September 30, 2013, the Fund outperformed its benchmark, the Barclays US Credit Index. Shares of the Fund can be purchased or held only by or on behalf of certain separately managed account clients. Comparisons of the Fund's performance versus its benchmark index will differ from comparisons of the benchmark against the performance of the separately managed accounts.

#### What factors influenced performance?

- Both the Fund and its benchmark generated negative returns as interest rates increased during the period. (Bond prices fall as interest rates rise.) The Fund's outperformance relative to its benchmark index was driven by the Fund's positioning within emerging market credit and sovereign debt. Within the Fund's corporate bond allocation, positioning within financials and industrials had a positive impact on returns.
- Detracting from performance relative to the benchmark index was the Fund's duration positioning (management of interest rate risk) during the period. The Fund's allocation to foreign sovereign securities had a negative impact on results as well.
- During the period the Fund held derivatives as part of its investment strategy. Interest rate derivatives were used primarily as a means of managing the portfolio's duration risk. The Fund also used credit default swaps against individual securities or broad indices to manage credit risk in the portfolio. Credit default swaps against indices helped to manage market risk as well. This use of derivatives had a slightly negative impact on Fund returns.

#### Describe recent portfolio activity.

During the six-month period, the Fund maintained exposure to financials, focused largely in the life insurance and banking space. Financials continued to see strong performance as credit metrics improved and investors looked to use banks as a place to 'hide' from rising event risk in the industrial sector. In industrials, the Fund continued to focus on the media cable, wirelines and energy industries, while remaining cautious of industries where re-leveraging risk has been increasing. Within utilities, the Fund maintained a preference for the natural gas pipeline and electric industries because of the dependable nature of their cash flows. In the non-corporate space, the Fund maintained an underweight position to emerging market sovereign debt given the growth challenges in China and heavy supply and tailwinds supporting the US dollar. The Fund continued to favor bonds on the short end of the yield curve as well as bonds on the very long end of the curve. In terms of credit quality, the Fund held tactical allocations to lower-rated investment grade bonds and crossover names (bonds that have the ability to be upgraded to investment grade), while also holding US Treasuries.

#### Describe portfolio positioning at period end.

As of period end, the Fund's weighting in investment grade credit was
essentially in line with the Barclays US Credit Index. The Fund also held
non-benchmark allocations to high yield credit and US Treasury securities. The Fund ended the period with duration that was neutral relative to
the benchmark index.

The views expressed reflect the opinions of BlackRock as of the date of this report and are subject to change based on changes in market, economic or other conditions. These views are not intended to be a forecast of future events and are no guarantee of future results.

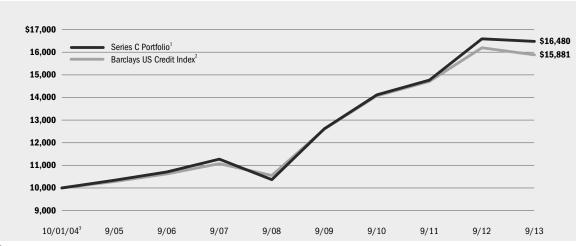
#### **Portfolio Information**

| Portfolio Composition          | Percent of<br>Long-Term<br>Investments |
|--------------------------------|--|
| Corporate Bonds                | 85%                                    |
| U.S. Treasury Obligations      | 5                                      |
| Capital Trusts                 | 3                                      |
| Taxable Municipal Bonds        | 3                                      |
| Foreign Agency Obligations     | 2                                      |
| Foreign Government Obligations | 2                                      |

| Credit Quality Allocation <sup>1</sup> | Percent of<br>Long-Term<br>Investments |
|--|--|
| AAA/Aaa <sup>2</sup>                   | 6%                                     |
| AA/Aa                                  | 9                                      |
| A                                      | 37                                     |
| BBB/Baa                                | 46                                     |
| BB/Ba                                  | 2                                      |

- <sup>1</sup> Using the higher of Standard & Poor's ("S&P") or Moody's Investors Service ("Moody's") ratings.
- Includes US Government Sponsored Agency Securities and US Treasury Obligations, which are deemed AAA/Aaa by the investment advisor.

#### Total Return Based on a \$10,000 Investment



- 1 The Fund is non-diversified and will primarily invest its assets in investment grade fixed income securities, such as corporate bonds, notes and debentures, asset-backed securities, commercial and residential mortgage-backed securities, obligations of non-US governments and supranational organizations, which are chartered to promote economic development, collateralized mortgage obligations, US Treasury and agency securities, cash equivalent investments, when-issued and delayed delivery securities, derivatives, repurchase agreements and reverse repurchase agreements.
- An unmanaged index that includes publicly issued US corporate and non-corporate securities which include foreign agencies, sovereigns, supranationals and local authorities that meet the specified maturity, liquidity, and quality requirements.
- <sup>3</sup> Commencement of operations.

#### Performance Summary for the Period Ended September 30, 2013

|                          |                          |         | Average Annual Total F | Returns <sup>4</sup>         |
|--------------------------|--------------------------|---------|------------------------|------------------------------|
|                          | 6-Month<br>Total Returns | 1 Year  | 5 Years                | Since Inception <sup>5</sup> |
| Series C Portfolio       | (2.10)%                  | (0.68)% | 9.71%                  | 5.71%                        |
| Barclays US Credit Index | (2.74)                   | (1.90)  | 8.54                   | 5.27                         |

- <sup>4</sup> See "About Fund Performance" on page 12 for a detailed description of performance related information.
- The Fund commenced operations on October 1, 2004.Past performance is not indicative of future results.

#### **Expense Example**

|                    | Actual   |  |  |   | H  | lypothetical <sup>8</sup>                        |  |  |  |
|--------------------|--|--|--|---|--|--|--|--|--|
|                    |  |  | Including<br>Interest Expense                      | Excluding<br>Interest Expense           |  | Including<br>Interest Expense                    |  | Exclud<br>Interest E                             |  |
|                    | Beginning<br>Account Value<br>April 1,<br>2013 | Ending<br>Account Value<br>September 30,<br>2013 | Expenses<br>Paid During<br>the Period <sup>6</sup> | Expenses<br>Paid During<br>the Period 7 | Beginning<br>Account Value<br>April 1,<br>2013 | Ending<br>Account Value<br>September 30,<br>2013 | Expenses<br>Paid During<br>the Period <sup>6</sup> | Ending<br>Account Value<br>September 30,<br>2013 | Expenses<br>Paid During<br>the Period <sup>7</sup> |
| Series C Portfolio | \$1,000.00                                     | \$979.00   | \$0.10   | \$0.00                                  | \$1,000.00                                     | \$1,024.97                                       | \$0.10   | \$1,025.07                                       | \$0.00   |

- <sup>6</sup> For shares of the Fund, expenses are equal to the annualized expense ratio of 0.02%, multiplied by the average account value over the period, multiplied by 183/365 (to reflect the one-half year period shown). BlackRock has contractually agreed to waive all fees and pay or reimburse all direct expenses, except extraordinary expenses and interest expense, incurred by the Fund. This agreement has no fixed term.
- <sup>7</sup> For shares of the Fund, expenses are equal to the annualized expense ratio of 0.00%, multiplied by the average account value over the period, multiplied by 183/365 (to reflect the one-half year period shown). BlackRock has contractually agreed to waive all fees and pay or reimburse all direct expenses, except extraordinary expenses and interest expense, incurred by the Fund. This agreement has no fixed term.
- <sup>8</sup> Hypothetical 5% annual return before expenses is calculated by pro rating the number of days in the most recent fiscal half year divided by 365.
  See "Disclosure of Expenses" on page 12 for further information on how expenses were calculated.

#### **Investment Objective**

Series M Portfolio's (the "Fund") investment objective is to seek to maximize total return, consistent with income generation and prudent investment management.

#### **Portfolio Management Commentary**

#### How did the Fund perform?

 For the six-month period ended September 30, 2013, the Fund underperformed its benchmark, the Barclays MBS Index. Shares of the Fund can be purchased or held only by or on behalf of certain separately managed account clients. Comparisons of the Fund's performance versus its benchmark index will differ from comparisons of the benchmark against the performance of the separately managed accounts.

#### What factors influenced performance?

- The Fund's longer duration (greater sensitivity to interest rate movements) as compared to the benchmark index detracted from relative performance for the period. The longer duration was particularly disadvantageous when interest rates exhibited significant volatility in the middle of the period due to concerns that the US Federal Reserve ("Fed") would reduce its bond-buying stimulus program sooner than expected, as well as uncertainty around the changing leadership of the Fed, upcoming Congressional budget negotiations and the Syrian conflict. The Fund's duration extended during this period of time, which further detracted from performance.
- Contributing positively to performance was the Fund's non-benchmark exposure to commercial mortgage-backed securities ("CMBS"), which benefited from supportive monetary policy from the Fed and continued investor demand for yield during the period. Within agency mortgagebacked securities ("MBS"), security selection while managing prepayment risk had a positive impact on performance.

 During the period the Fund held derivatives as part of its investment strategy. Derivatives were used by the Fund primarily as a means to hedge and/or take outright views on interest rate movements. This use of financial futures contracts had a slightly positive impact on performance.

#### Describe recent portfolio activity.

• During the six-month period, the Fund tactically traded exposure within agency MBS, particularly in low-coupon issues. The Fund avoided higher coupons given concerns about prepayment risk, while continuing to overweight very high coupons that were less likely to be refinanced. Within spread sectors, the Fund slightly decreased its holdings of highly liquid, high-quality CMBS, but continued to maintain the overall position. In the latter part of the period, the Fund significantly reduced duration, while remaining longer than the duration of the benchmark index. The Fund held cash that was committed for pending transactions. The cash balance did not have a material impact on performance.

#### Describe portfolio positioning at period end.

 Relative to the Barclays MBS Index, the Fund was underweight in select low-coupon agency MBS, while remaining overweight in 30-year GNMA issues with very high coupons as the Fund manager expects that underlying borrowers in this space are less likely to refinance. The Fund also continued to maintain a non-benchmark exposure to higher-quality, very liquid, high carry (income) issues within CMBS.

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#### Portfolio Information

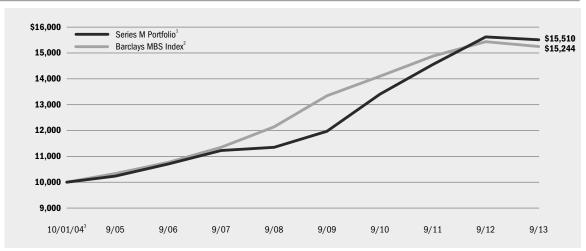
| Portfolio Composition                       | Percent of<br>Long-Term<br>Investments |
|---|--|
| U.S. Government Sponsored Agency Securities | 85%                                    |
| Non-Agency Mortgage-Backed Securities       | 12                                     |
| Asset-Backed Securities                     | 2                                      |
| U.S. Treasury Obligations                   | 1                                      |

| Credit Quality Allocation <sup>1</sup> | Percent of<br>Long-Term<br>Investments |
|--|--|
| AAA/Aaa <sup>2</sup>                   | 92%                                    |
| AA/Aa                                  | 4                                      |
| A                                      | 3                                      |
| Not Rated                              | 1                                      |

<sup>&</sup>lt;sup>1</sup> Using the higher of S&P's or Moody's ratings.

Includes US Government Sponsored Agency Securities and US Treasury Obligations, which are deemed AAA/Aaa by the investment advisor.

#### Total Return Based on a \$10,000 Investment



- The Fund is non-diversified and will primarily invest its assets in investment grade commercial and residential mortgage-backed securities, asset-backed securities, collateralized mortgage obligations, US Treasury and agency securities, cash equivalent instruments, when-issued and delayed delivery securities, derivatives and dollar rolls.
- <sup>2</sup> An unmanaged index that includes the mortgage-backed pass-through securities of Ginnie Mae, Fannie Mae and Freddie Mac that meet the maturity and liquidity criteria.
- <sup>3</sup> Commencement of operations.

#### Performance Summary for the Period Ended September 30, 2013

|                    |               |         | Average Annual Total Returns <sup>4</sup> |                              |  |
|--------------------|---------------|---------|---|------------------------------|--|
|                    | 6-Month       | 4 V     | F. V                                      | O! I4!5                      |  |
|                    | Total Returns | 1 Year  | 5 Years                                   | Since Inception <sup>5</sup> |  |
| Series M Portfolio | (1.10)%       | (0.66)% | 6.45%                                     | 5.00%                        |  |
| Barclays MBS Index | (0.96)        | (1.20)  | 4.66                                      | 4.80                         |  |

- <sup>4</sup> See "About Fund Performance" on page 12 for a detailed description of performance related information.
- The Fund commenced operations on October 1, 2004.Past performance is not indicative of future results.

#### **Expense Example**

|                    | Actual   |  |  | Hypothetical <sup>7</sup>                      |  |  |                                |
|--------------------|--|--|--|--|--|--|--------------------------------|
|                    | Beginning<br>Account Value<br>April 1,<br>2013 | Ending<br>Account Value<br>September 30,<br>2013 | Expenses<br>Paid During<br>the Period <sup>6</sup> | Beginning<br>Account Value<br>April 1,<br>2013 | Ending<br>Account Value<br>September 30,<br>2013 | Expenses<br>Paid During<br>the Period <sup>6</sup> | Annualized<br>Expense<br>Ratio |
| Series M Portfolio | \$1,000.00                                     | \$989.00   | \$0.00   | \$1,000.00                                     | \$1,025.07                                       | \$0.00   | 0.00%                          |

<sup>&</sup>lt;sup>6</sup> For shares of the Fund, expenses are equal to the annualized expense ratio, multiplied by the average account value over the period, multiplied by 183/365 (to reflect the one-half year period shown). BlackRock has contractually agreed to waive all fees and pay or reimburse all direct expenses, except extraordinary expenses and interest expense, incurred by the Fund. This agreement has no fixed term.

Hypothetical 5% annual return before expenses is calculated by pro rating the number of days in the most recent fiscal half year divided by 365.
See "Disclosure of Expenses" on page 12 for further information on how expenses were calculated.

**Investment Objective** 

Series P Portfolio's (the "Fund") investment objective is to seek to provide a duration that is the inverse of its benchmark.

#### **Portfolio Management Commentary**

#### How did the Fund perform?

 For the six-month period ended September 30, 2013, the Fund outperformed its benchmark, the Barclays US Treasury 7-10 Year Bond Index. Shares of the Fund can be purchased or held only by or on behalf of certain separately managed account clients. Comparisons of the Fund's performance versus its benchmark index will differ from comparisons of the benchmark against the performance of the separately managed accounts.

#### What factors influenced performance?

- The Fund's allocation to BlackRock Allocation Target Shares: Series S
   Portfolio ("Series S Portfolio") contributed positively to performance, as
   did the use of derivatives and an allocation to industrials within corpo rate credit.
- The Series S Portfolio generated positive returns driven by its allocations
  to corporate credit, particularly within industrials and financials, assetbacked securities ("ABS") and CMBS. Duration positioning (management
  of interest rate risk) and exposure to US Treasury securities detracted
  from performance in the Series S Portfolio.
- During the period the Fund held derivatives as part of its investment strategy. Interest rate derivatives were used primarily as a means of managing the portfolio's duration risk. The Fund also used credit default swaps against individual securities or broad indices to manage credit risk in the portfolio. Credit default swaps against indices help to manage

- market risk as well. This use of derivatives had a negative impact on Fund returns.
- Detracting from the Fund's performance was duration positioning as well as exposure to US Treasury securities. Within the Series S Portfolio, positioning within agency MBS hindered returns.

#### Describe recent portfolio activity.

- During the six-month period, the Fund added exposure to US Treasury securities, the Series S Portfolio and corporate credit, particularly industrials.
- Through its investment in the Series S Portfolio, the Fund increased exposure to CMBS, ABS, with a focus on sub-prime auto loans, and agency MBS, particularly within lower-coupon 15-year pass-through securities. Within corporate credit, the Series S Portfolio slightly increased exposure to high yield, while reducing exposure to investment grade credit in the context of relatively unattractive valuations, embedded duration risk as well as potential leveraged buyout event risks.

#### Describe portfolio positioning at period end.

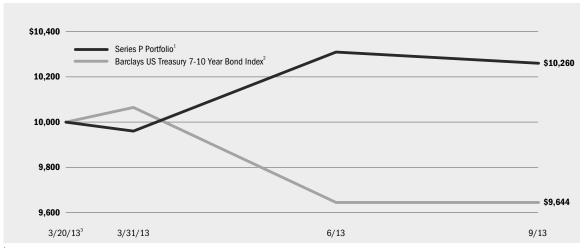
 At period end, the Fund held positions in US Treasury futures, the Series S Portfolio and the Bank of New York Cash Reserve Money Market Fund. The Series S Portfolio held allocations to investment grade credit, high yield, agency MBS, CMBS, ABS and government sectors, including US Treasuries and US agency debentures.

The views expressed reflect the opinions of BlackRock as of the date of this report and are subject to change based on changes in market, economic or other conditions. These views are not intended to be a forecast of future events and are no guarantee of future results.

#### **Portfolio Information**

| Portfolio Composition | Percent of<br>Affiliated<br>Investment<br>Companies | Portfolio Holdings                                     | Percent of<br>Affiliated<br>Investment<br>Companies |
|-----------------------|---|--|---|
| Fixed Income Funds    | 100%  | BlackRock Allocation Target Shares: Series S Portfolio | 100%  |

#### Total Return Based on a \$10,000 Investment



- <sup>1</sup> The Fund is non-diversified and may invest in a portfolio of securities and other financial instruments, including derivative instruments, in an attempt to provide returns that are the inverse of its benchmark index.
- An unmanaged index that includes all publicly issued, U.S. Treasury securities that have a remaining maturity of between 7 and 10 years, are non-convertible, are denominated in U.S. dollars, are rated Baa3 (or better) by Moody's or BBB- (or better) by S&P, are fixed rate, and have more than \$250 million par outstanding.
- <sup>3</sup> Commencement of operations.

#### Performance Summary for the Period Ended September 30, 2013

|   | 6-Month       | Aggregate ₄<br>Total Returns |
|---|---------------|------------------------------|
|   | Total Returns | Since Inception <sup>5</sup> |
| Series P Portfolio                        | 3.01%         | 2.60%                        |
| Barclays US Treasury 7-10 Year Bond Index | (4.18)        | (3.56)                       |

- <sup>4</sup> See "About Fund Performance" on page 12 for a detailed description of performance related information.
- The Fund commenced operations on March 20, 2013. Past performance is not indicative of future results.

#### **Expense Example**

|                    | Actual   |  |  |  |  |  |                                |
|--------------------|--|--|--|--|--|--|--------------------------------|
|                    | Beginning<br>Account Value<br>April 1,<br>2013 | Ending<br>Account Value<br>September 30,<br>2013 | Expenses<br>Paid During<br>the Period <sup>6</sup> | Beginning<br>Account Value<br>April 1,<br>2013 | Ending<br>Account Value<br>September 30,<br>2013 | Expenses<br>Paid During<br>the Period <sup>6</sup> | Annualized<br>Expense<br>Ratio |
| Series P Portfolio | \$1,000.00                                     | \$1,030.10                                       | \$0.00   | \$1,000.00                                     | \$1,025.07                                       | \$0.00   | 0.00%                          |

<sup>&</sup>lt;sup>6</sup> For shares of the Fund, expenses are equal to the annualized expense ratio, multiplied by the average account value over the period, multiplied by 183/365 (to reflect the one-half year period shown). The fees and expenses of the underlying funds in which the Fund invests are not included in the Fund's annualized expense ratio.

BlackRock has contractually agreed to waive all fees and pay or reimburse all direct expenses, except extraordinary expenses and interest expense, incurred by the Fund. This agreement has no fixed term.

Hypothetical 5% annual return before expenses is calculated by pro rating the number of days in the most recent fiscal period divided by 365.
See "Disclosure of Expenses" on page 12 for further information on how expenses were calculated.

#### **Investment Objective**

**Series S Portfolio's (the "Fund")** investment objective is to seek to maximize total return, consistent with income generation and prudent investment management.

#### **Portfolio Management Commentary**

#### How did the Fund perform?

For the six-month period ended September 30, 2013, the Fund underperformed its benchmark, the BofA Merrill Lynch 1-3 Year Treasury Index. Shares of the Fund can be purchased or held only by or on behalf of certain separately managed account clients. Comparisons of the Fund's performance versus its benchmark index will differ from comparisons of the benchmark against the performance of the separately managed accounts.

#### What factors influenced performance?

- The Fund's non-benchmark exposure to agency MBS detracted from relative performance for the period.
- During the period the Fund held derivatives as part of its investment strategy. Interest rate derivatives were used primarily as a means of managing the portfolio's duration risk (sensitivity to interest rate movements). The Fund also used credit default swaps against individual securities or broad indices to manage credit risk in the portfolio. Credit default swaps against indices helped to manage market risk as well. This use of derivatives had a negative impact on Fund returns.
- Contributing positively to performance was the Fund's corporate credit allocation, where positioning within industrials and financials drove

results. The Fund's non-benchmark exposures to ABS and CMBS also had a positive impact on performance.

#### Describe recent portfolio activity.

• During the six-month period, in the securitized asset sectors, the Fund added to positions in CMBS and ABS. Within ABS, the Fund increased exposure to sub-prime auto loans. The Fund also increased its position in agency MBS, particularly in lower-coupon 15-year pass-through securities. In corporate credit, the Fund slightly increased exposure to high yield credit, while reducing exposure to investment grade credit in the context of relatively unattractive valuations, embedded duration risk and potential leveraged buyout event risks.

#### Describe portfolio positioning at period end.

 At period end, the Fund held non-benchmark allocations in investment grade credit, high yield credit, agency MBS, CMBS, ABS and U.S. agency debentures. The Fund held an underweight position in comparison to the benchmark in U.S. Treasuries and ended the period with a longer duration as compared to the benchmark index.

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#### **Portfolio Information**

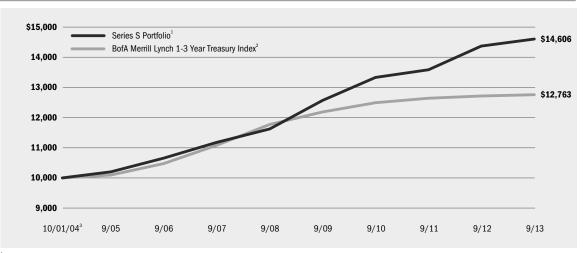
| Portfolio Composition                       | Percent of<br>Long-Term<br>Investments |
|---|--|
| Corporate Bonds                             | 40%                                    |
| Non-Agency Mortgage-Backed Securities       | 23                                     |
| U.S. Government Sponsored Agency Securities | 13                                     |
| U.S. Treasury Obligations                   | 11                                     |
| Asset-Backed Securities                     | 11                                     |
| Foreign Agency Obligations                  | 2                                      |

| Credit Quality Allocation <sup>1</sup> | Percent of<br>Long-Term<br>Investments |
|--|--|
| AAA/Aaa <sup>2</sup>                   | 52%                                    |
| AA/Aa                                  | 8                                      |
| A                                      | 18                                     |
| BBB/Baa                                | 21                                     |
| BB/Ba                                  | 1                                      |

Using the higher of S&P's or Moody's ratings.

<sup>&</sup>lt;sup>2</sup> Includes US Government Sponsored Agency Securities and US Treasury Obligations, which are deemed AAA/Aaa by the investment advisor.

#### Total Return Based on a \$10,000 Investment



The Fund is non-diversified and will primarily invest its assets in investment grade fixed income securities, such as commercial and residential mortgage-backed securities, obligations of non-US governments and supra-national organizations, which are chartered to promote economic development, obligations of domestic and non-US corporations, asset-backed securities, collateralized mortgage obligations, US Treasury and agency securities, cash equivalent investments, when-issued and delayed delivery securities, derivatives, repurchase agreements, reverse repurchase agreements and dollar rolls.

#### Performance Summary for the Period Ended September 30, 2013

|  |                           |        | Average Annual Total | Returns <sup>4</sup>         |
|--|---------------------------|--------|----------------------|------------------------------|
|  | 6 Months<br>Total Returns | 1 Year | 5 Years              | Since Inception <sup>5</sup> |
| Series S Portfolio                         | 0.10%                     | 1.59%  | 4.67%                | 4.30%                        |
| BofA Merrill Lynch 1-3 Year Treasury Index | 0.18                      | 0.37   | 1.62                 | 2.75                         |

<sup>&</sup>lt;sup>4</sup> See "About Fund Performance" on page 12 for a detailed description of performance related information.

#### **Expense Example**

|                    |  | Actual   |  |                                       |  | H  | lypothetical <sup>8</sup>                          |  |  |
|--------------------|--|--|--|---------------------------------------|--|--|--|--|--|
|                    |  |  | Including<br>Interest Expense                      | Excluding<br>Interest Expense         |  | Includ<br>Interest E                             |  | Exclud<br>Interest E                             |  |
|                    | Beginning<br>Account Value<br>April 1,<br>2013 | Ending<br>Account Value<br>September 30,<br>2013 | Expenses<br>Paid During<br>the Period <sup>6</sup> | Expenses<br>Paid During<br>the Period | Beginning<br>Account Value<br>April 1,<br>2013 | Ending<br>Account Value<br>September 30,<br>2013 | Expenses<br>Paid During<br>the Period <sup>6</sup> | Ending<br>Account Value<br>September 30,<br>2013 | Expenses<br>Paid During<br>the Period <sup>7</sup> |
| Series S Portfolio | \$1,000.00                                     | \$1,001.00                                       | \$0.40   | \$0.00                                | \$1,000.00                                     | \$1,024.67                                       | \$0.41   | \$1,025.07                                       | \$0.00   |

<sup>&</sup>lt;sup>6</sup> For shares of the Fund, expenses are equal to the annualized expense ratio of 0.08%, multiplied by the average account value over the period, multiplied by 183/365 (to reflect the one-half year period shown). BlackRock has contractually agreed to waive all fees and pay or reimburse all direct expenses, except extraordinary expenses and interest expense, incurred by the Fund. This agreement has no fixed term.

 $<sup>^{\</sup>rm 2}\,$  An unmanaged index comprised of securities with maturities from less than 3 years.

<sup>&</sup>lt;sup>3</sup> Commencement of operations.

The Fund commenced operations on October 1, 2004.Past performance is not indicative of future results.

<sup>&</sup>lt;sup>7</sup> For shares of the Fund, expenses are equal to the annualized expense ratio of 0.00%, multiplied by the average account value over the period, multiplied by 183/365 (to reflect the one-half year period shown). BlackRock has contractually agreed to waive all fees and pay or reimburse all direct expenses, except extraordinary expenses and interest expense, incurred by the Fund. This agreement has no fixed term.

<sup>&</sup>lt;sup>8</sup> Hypothetical 5% annual return before expenses is calculated by pro rating the number of days in the most recent fiscal half year divided by 365. See "Disclosure of Expenses" on page 12 for further information on how expenses were calculated.

### **About Fund Performance**

Performance information reflects past performance and does not guarantee future results. Current performance may be lower or higher than the performance data quoted. Performance results do not reflect the deduction of taxes that a shareholder would pay on fund distributions or the redemption of fund shares. Figures shown in each of the performance tables on the previous pages assume reinvestment of all dividends and distributions, if any, at net asset value ("NAV") on the ex-dividend dates. Investment return and principal value of shares will fluctuate so that shares, when redeemed, may be worth more or less than their original cost.

The performance information also reflects fee waivers and reimbursements that subsidize and reduce the total operating expenses of each Fund. The Funds' returns would have been lower if there were no such waivers and reimbursements.

### Disclosure of Expenses

Shareholders of the Funds may incur the following charges: (a) transactional expenses and (b) operating expenses, including administration fees and other Fund expenses. The expense examples on the previous pages (which are based on a hypothetical investment of \$1,000 invested on April 1, 2013 and held through September 30, 2013) are intended to assist shareholders both in calculating expenses based on an investment in each Fund and in comparing these expenses with similar costs of investing in other mutual funds.

The expense examples provide information about actual account values and actual expenses. In order to estimate the expenses a shareholder paid during the period covered by this report, shareholders can divide their account value by \$1,000 and then multiply the result by the number corresponding to their Fund under the headings entitled "Expenses Paid During the Period."

The expense examples also provide information about hypothetical account values and hypothetical expenses based on a Fund's actual expense ratio and an assumed rate of return of 5% per year before expenses. In order to assist shareholders in comparing the ongoing expenses of investing in these Funds and other funds, compare the 5% hypothetical example with the 5% hypothetical examples that appear in other funds' shareholder reports.

The expenses shown in the expense examples are intended to highlight shareholders' ongoing costs only and do not reflect any transactional expenses, if any. Therefore, the hypothetical examples are useful in comparing ongoing expenses only, and will not help shareholders determine the relative total expenses of owning different funds. If these transactional expenses were included, shareholder expenses would have been higher.

### The Benefits and Risks of Leveraging

The Funds may utilize leverage to seek to enhance their yields and NAVs. However, these objectives cannot be achieved in all interest rate environments.

The Funds may utilize leverage by entering into reverse repurchase agreements. In general, the concept of leveraging is based on the premise that the financing cost of assets to be obtained from leverage, which will be based on short-term interest rates, will normally be lower than the income earned by each Fund on its longer-term portfolio investments. To the extent that the total assets of each Fund (including the assets obtained from leverage) are invested in higher-yielding portfolio investments, each Fund's shareholders will benefit from the incremental net income.

The interest earned on securities purchased with the proceeds from leverage is paid to shareholders in the form of dividends, and the value of these portfolio holdings is reflected in the per share NAV. However, in order to benefit shareholders, the yield curve must be positively sloped; that is, short-term interest rates must be lower than long-term interest rates. If the yield curve becomes negatively sloped, meaning short-term interest rates exceed long-term interest rates, income to shareholders will be lower than if the Funds had not used leverage.

If short-term interest rates rise, narrowing the differential between short-term and long-term interest rates, the incremental net income pickup will be reduced or eliminated completely. Furthermore, if prevailing short-term interest rates rise above long-term interest rates, the yield curve will have a negative slope. In this case, the Funds pay higher short-term interest rates whereas the Funds' total portfolio earns income based on lower long-term interest rates.

Furthermore, the value of the Funds' portfolio investments generally varies inversely with the direction of long-term interest rates, although other factors can influence the value of portfolio investments. As a result, changes in interest rates can influence the Funds' NAVs positively or negatively in addition to the impact on the Funds' performance from leverage.

The use of leverage may enhance opportunities for increased income to the Funds, but as described above, it also creates risks as short- or long-term interest rates fluctuate. Leverage also will generally cause greater changes in the Funds' NAVs, market prices and dividend rates than comparable portfolios without leverage. If the income derived from securities purchased with assets received from leverage exceeds the cost of leverage, the Funds' net income will be greater than if leverage had not been used. Conversely, if the income from the securities purchased is not sufficient to cover the cost of leverage, each Fund's net income will be less than if leverage had not been used, and therefore the amount available for distribution to shareholders will be reduced. Each Fund may be required to sell portfolio securities at inopportune times or at distressed values in order to comply with regulatory requirements applicable to the use of leverage or as required by the terms of leverage instruments, which may cause a Fund to incur losses. The use of leverage may limit each Fund's ability to invest in certain types of securities or use certain types of hedging strategies. Each Fund will incur expenses in connection with the use of leverage, all of which are borne by Fund shareholders and may reduce income.

### **Derivative Financial Instruments**

The Funds may invest in various derivative financial instruments, including financial futures contracts, options and swaps, as specified in Note 4 of the Notes to Financial Statements, which may constitute forms of economic leverage. Such derivative financial instruments are used to obtain exposure to a security, index and/or market without owning or taking physical custody of securities or to hedge market, credit and/or interest rate risks. Derivative financial instruments involve risks, including the imperfect correlation between the value of a derivative financial instrument and the underlying asset, possible default of the counterparty to the transaction or illiquidity of the derivative financial instrument. The

Funds' ability to use a derivative financial instrument successfully depends on the investment advisor's ability to predict pertinent market movements accurately, which cannot be assured. The use of derivative financial instruments may result in losses greater than if they had not been used, may require a Fund to sell or purchase portfolio investments at inopportune times or for distressed values, may limit the amount of appreciation a Fund can realize on an investment, may result in lower dividends paid to shareholders or may cause a Fund to hold an investment that it might otherwise sell. The Funds' investments in these instruments are discussed in detail in the Notes to Financial Statements.

| Capital Markets - 0.3**   State Street Capital Inst.1 Vt.1.25%,   State Street Capit | Capital Trusts                                 | Par<br>(000) | Value      | Corporate Bonds                                    | Par<br>(000) | Value      |
|--|--|--------------|------------|--|--------------|------------|
| South   Sout | Capital Markets — 0.3%                         |              |            | Airlines (concluded)                               |              |            |
| Commercial Banks - 0.1%   Commercial Banks - 0.1%   Components - 0.4%   Commercial Banks - 0.1%   Components - 0.4%   Components - 0.4%   Components - 0.4%   Components - 0.4%   Components - 0.6%   Compon |  | 4 4 075      | * 000 500  |  | <b>.</b>     |            |
| Nachonic Capital Trust III, 5.57% (a)(b)   225   203.6 | 6/01/77 (a)                                    | \$ 1,075     | \$ 838,500 | Class A, 3.95%, 5/15/27                            | \$ 925       | \$ 855,625 |
| Diversified Financial Services - 1.3%   General Electric Capital Corpt, 5.25% (a)(b)   9.00   83.43.00   B1.50% (a)(b)   1.50% (a)(b)   1.5 | Commercial Banks — 0.1%                        |              |            |  |              | 1,872,938  |
| Cameral Electric Capital Corp., 525% (a)(b)   900   84,4300   1,3450   1,325   1,242,187   2,300   1,257,500   1,25%   1,710% (a)(b)   1,305   1,242,187   2,305   1,25%   1,1114 (b)   1,25%    | Wachovia Capital Trust III, 5.57% (a)(b)       | 225          | 203,625    | Auto Components — 0.4%                             |              |            |
| PMorgan Chase & Co.:   | Diversified Financial Services — 1.3%          |              |            | Delphi Corp., 5.00%, 2/15/23                       | 1,125        | 1,161,563  |
| PMotgan Chase & Co.:   G.00% (a)(b)   1.325  | General Electric Capital Corp.,5.25% (a)(b)    | 900          | 834,300    | Automobiles – 1.6%                                 |              |            |
| 7.90% (a)(b)   1.500   1.627.500   1.627.500   1.23%, 1/11/16   2.300   2.299, 791   7   |  |              |            |  |              |            |
| ZFS Finance USA Trust V, 6.50%, 5/09/67 (a)(c)         500         523.750 (a)(c)         Ford Motor Co., 7.45%, 7/16/31         1.144 (b), 1.368, 1.30 (a), 2.22, 3.95 (a), 2.22,   | · // /   | ,            | , , -      | 2.30%, 1/09/15 (c)                                 | 800          | 812,598    |
| Solution   Solution  | · // /   | 1,500        | 1,627,500  | 1.25%, 1/11/16 (c)                                 | 2,300        | 2,299,791  |
| Numariane   1.1%   Numariane   Numariane |  | F00          | E22.7E0    | Ford Motor Co., 7.45%, 7/16/31                     | 1,144        | 1,396,130  |
| Insurance - 1.1%   | 5/09/67 (a)(c)                                 | 500          | 523,750    | <del>_</del> , _ , _ , _ , _ , _ , _ , _ , _ , _ , |              |            |
| Severages - 0.7%   |  |              | 4,227,737  | 3/22/15 (c)  | 850          | 860,916    |
| Sy15/68 (a)   190   222,395   100  | Insurance — 1.1%                               |              |            |  |              | 5,369,435  |
| Syl 17/68 (a)   190   222,395  | American International Group, Inc.,8.18%,      |              |            | Beverages — 0.7%                                   |              |            |
| Lincoln National Corp.,7.0%, 5/17/66 (a)   |  |              | ,          | S .  |              |            |
| New York Life Insurance Co., 6. 15%, 1/15/39 (c)   |  | 875          | 885,937    | ,  | 1.350        | 1.344.320  |
| Pacific Life Insurance Co., 9.25%, 6/15/38 (a) 850 1,028,500 1,028,500 3,698,449     Media - 0.5%   NBCUIniversal Enterprise, Inc., 5.25% (b)(c) 1,800 1,782,000 1,782,000 1,782,000 1,782,000 1,782,000 1,782,000 1,782,000 1,782,000 1,782,000 1,782,000 1,212,625      Total Capital Trusts - 3.7%  |  | 000          | 740 700    |  | 1,100        | 1,017,628  |
| Prudential Financial, Inc.,8.88%, 6/15/38 (a)   850   1,028,500   3,698,449   Amgen, Inc.:   Media - 0.5%   1,800   1,782,000   5.38%, 5/15/43   520   517,910     Oil, Gas & Consumable Fuels - 0.4%   2,520,343     Enterprise Products Operating LLC, 7.03%, 1/15/68 (a)   1,090   1,212,625   1,900   1,212,625     Total Capital Trusts - 3.7%   1,990   1,212,625   1,900   1,012,500     Corporate Bonds   2,900,433   1,090   1,212,625   1,000   1,012,500     Corporate Bonds   2,900,413   1,090   1,279,843   1,090   1,279,843   1,090   1,279,843     Aerospace & Defense - 1.0%   1,000   1,279,843   1,000   1,0 | , , , , ,                                      |              | ,          | . , ,  |              | 2 261 049  |
| Media - 0.5%   Amgen, Inc.;   Amge |  |              | ,          |  |              | 2,301,946  |
| Nedia = 0.5%   NBCUniversal Enterprise, Inc., 5.25% (b)(c)   | Fludential Financial, Inc., 6.66%, 6/15/36 (a) | 630          |            |  |              |            |
| Media - 0.5%   Medi |  |              | 3,698,449  |  | 4.075        | 0.000.400  |
| NBCUNIVERSAI Enterprise, Inc., 5.25% (b)(c)   1,800   1,782,000   1,82,000   1,000   1,212,625   1,000   1,212,625   1,000   1,012,500   1,000   | Media — 0.5%                                   |              |            |  | ,            | , ,        |
| Capital Markets - 5.8%   Ameriprise Financial, Inc., 5.30%, 3/15/20   325   369,408  | NBCUniversal Enterprise, Inc.,5.25% (b)(c)     | 1,800        | 1,782,000  | 5.38%, 5/15/43                                     | 520          |            |
| Capital Markets - 5.8%   Ameriprise Financial, Inc., 5.30%, 3/15/20   325   369,408   Ameriprise Financial, Inc., 5.30%, 3/15/20   3.00   1,012,500   The Goldman Sachs Group, Inc.:    Corporate Bonds   | Oil. Gas & Consumable Fuels — 0.4%             |              |            |  |              | 2,520,343  |
| Total Capital Trusts − 3.7%         11,962,936         Credit Suisse AG, 6.50%, 8/08/23 (c)         1,000         1,012,500           Corporate Bonds         5.25%, 10/15/13         3,525         3,530,210           Aerospace & Defense − 1.0%         6.15%, 4/01/18         875         1,000,781           Northrop Grumman Systems Corp., 7.88%, 3/01/26         1,000         1,279,843         2.90%,7/19/18         2,275         2,293,277         5.75%, 1/24/22         1,975         2,189,570         6.25%, 2/01/41         725         812,231           United Technologies Corp.:         1.80%, 6/01/17         820         834,324         6.25%, 2/01/41         725         812,231           Morgan Stanley:         0.75%, 10/15/15 (a)         2,050         2,034,381           1.80%, 6/01/36         450         531,180         7,30%, 5/13/19         1,625         1,944,384           4.50%, 6/01/42         740         718,837         5.63%, 9/23/19         265         295,720           Federal Express Corp. Pass-Through Trust,         953         962,647         19,006,736         100         111,011           Airlines - 0.6%         0.06%         953         962,647         19,006,736         19,006,736           Doric Nimrod Air Alpha Pass-Through Trust,         953         962,64   | ,  |              |            | Capital Markets — 5.8%                             |              |            |
| The Goldman Sachs Group, Inc.:   Substitute   Substitut |  | 1,090        | 1,212,625  | Ameriprise Financial, Inc., 5.30%, 3/15/20         |              | 369,408    |
| The Goldman Sacns Group, Inc.:   | Total Canital Trusts — 3 7%                    |              | 11 962 936 |  | 1,000        | 1,012,500  |
| Corporate Bonds         6.25%, 9/01/17         635         724,466           Aerospace & Defense − 1.0%         875         1,000,781           Northrop Grumman Systems Corp., 7.88%, 3/01/26         1,000         1,279,843         5.75%, 1/24/22         1,975         2,189,570           United Technologies Corp.:         0.25%, 2/01/41         725         812,231           1.80%, 6/01/17         820         834,324         6.25%, 8/28/17         885         1,007,093           6.05%, 6/01/36         450         531,180         7,30%, 5/13/19         1,625         1,944,384           4.50%, 6/01/42         740         718,837         5.75%, 1/25/21         100         111,011           Air Freight & Logistics − 0.3%         5.03%, 9/23/19         2.65         295,720           Willines − 0.6%         953         962,647         962,647         198,86         1,025         1,906,736           Airlines − 0.6%         Chemicals − 0.3%         Chemicals − 0.3%         Chemicals − 0.3%         19,006,736           Doric Nimrod Air Alpha Pass-Through Trust,         Pondell/Rasell Industries NV 5,00%, 4/15/19         825         908,115   | 10tal Gapital Husts 0.17/0                     |              | 11,302,330 |  |              |            |
| Corporate Bonds         6.15%, 4/01/18         875         1,000,781           Aerospace & Defense — 1.0%         2.90%, 7/19/18         2.275         2.293,277           Northrop Grumman Systems Corp., 7.88%, 3/01/26         1,000         1,279,843         6.25%, 2/01/41         725         812,231           United Technologies Corp.:           1.80%, 6/01/17         820         834,324         6.25%, 8/28/17         885         1,007,093           6.05%, 6/01/36         450         531,180         7.30%, 5/13/19         1,625         1,944,384           4.50%, 6/01/42         740         718,837         5.63%, 9/23/19         265         295,720           Air Freight & Logistics — 0.3%         5.50%, 7/28/21         100         111,011           Air Freight & Logistics — 0.3%         UBS AG, 2.25%, 1/28/14         935         1,022,594           Federal Express Corp. Pass-Through Trust, Series 2012, 2.63%, 1/15/18 (c)         953         962,647         19,006,736           Airlines — 0.6%         Chemicals — 0.3%           Doric Nimrod Air Alpha Pass-Through Trust,         Chemicals — 0.3%           Lyondell Basell Industries NV 5 00% 4/15/19         825         908 115  |  |              |            |  | ,            | , ,        |
| Aerospace & Defense - 1.0%   2.90%, 7/19/18   2.275   2.293,277  |  |              |            |  |              | ,          |
| Aerospace & Defense — 1.0%  Northrop Grumman Systems Corp., 7.88%, 3/01/26  United Technologies Corp.:  1.80%, 6/01/17  820  834,324  6.05%, 6/01/36  4.50%, 6/01/42  725  885  1,007,093  4.50%, 6/01/42  7885  7,007,093  4.50%, 6/01/42  7885  7,007,093  7,00%, 5/13/19  1,625  1,975  812,231  Morgan Stanley:  0.75%, 1/21/515 (a)  2,050  2,034,381  6.25%, 8/28/17  885  1,007,093  7,30%, 5/13/19  1,625  1,945  2,189,570  812,231  Morgan Stanley:  0.75%, 1/15/15 (a)  2,050  2,034,381  6.25%, 8/28/17  885  1,007,093  7,30%, 5/13/19  1,625  1,945  2,189,570  812,231  Airyreight & Logistics — 0.3%  Federal Express Corp. Pass-Through Trust, Series 2012, 2.63%, 1/15/18 (c)  953  962,647  Airlines — 0.6%  Chemicals — 0.3%  Lyondeli Basell Industries NV 5,00%, 4/15/19  825  908,115   | Corporate Bonds                                |              |            |  |              | , ,        |
| Northrop Grumman Systems Corp., 7.88%, 3/01/26 1,000 1,279,843 6.25%, 2/01/41 725 812,231    United Technologies Corp.:  | Aerospace & Defense — 1.0%                     |              |            |  | ,            |            |
| 1,000   1,279,843   Morgan Stanley:   Morgan Stanley:   Morgan Stanley:   1,80%, 6/01/17   820   834,324   6.25%, 8/28/17   885   1,007,093   4.50%, 6/01/36   450   531,180   7.30%, 5/13/19   1,625   1,944,384   4.50%, 6/01/42   740   718,837   5.63%, 9/23/19   265   295,720   23,364,184   5.75%, 1/25/21   100   111,011   7.50%, 7/28/21   7.5 | Northrop Grumman Systems Corp., 7.88%,         |              |            |  | ,            | , ,        |
| United technologies Corp.:         1.80%, 6/01/17       820       834,324       0.75%, 10/15/15 (a)       2,050       2,034,381         6.05%, 6/01/36       450       531,180       6.25%, 8/28/17       885       1,007,093         4.50%, 6/01/42       740       718,837       7.30%, 5/13/19       1,625       1,944,384         4.50%, 6/01/42       740       718,837       5.63%, 9/23/19       265       295,720         Air Freight & Logistics - 0.3%       5.50%, 7/28/21       100       111,011         Series 2012, 2.63%, 1/15/18 (c)       953       962,647       UBS AG, 2.25%, 1/28/14       955       659,110         Airlines - 0.6%         Chemicals - 0.3%         Doric Nimrod Air Alpha Pass-Through Trust,       Chemicals - 0.3%         UsundeliBasell Industries NV 5 00% 4/15/19       825       908 115   | 3/01/26  | 1,000        | 1,279,843  |  | 123          | 012,231    |
| 1.80%, 6/01/17 820 834,324 6.25%, 8/28/17 885 1,007,093 6.05%, 6/01/36 450 531,180 7.30%, 5/13/19 1,625 1,944,384 4.50%, 6/01/42 740 718,837 5.63%, 9/23/19 265 295,720 3,364,184 5.75%, 1/25/21 100 111,011 Air Freight & Logistics — 0.3% 5.50%, 7/28/21 935 1,022,594 Federal Express Corp. Pass-Through Trust, Series 2012, 2.63%, 1/15/18 (c) 953 962,647 UBS AG, 2.25%, 1/28/14 655 659,110 19,006,736 Chemicals — 0.3% Chemicals — 0.3% Lyondell Basell Industries NV 5,00%, 4/15/19 825 908, 115   | <b>o</b> ,                                     |              |            | ,  | 2.050        | 2 03/1 381 |
| 6.05%, 6/01/36   |  |              | ,          |  | ,            | , ,        |
| 4.50%, 6/01/42   |  |              | ,          |  |              | , ,        |
| 3,364,184   5.75%, 1/25/21   100   111,011   | 4.50%, 6/01/42                                 | 740          | 718,837    |  | ,            | , ,        |
| Air Freight & Logistics - 0.3%       5.50%, 7/28/21       935       1,022,594         Federal Express Corp. Pass-Through Trust, Series 2012, 2.63%, 1/15/18 (c)       953       962,647       19,006,736         Airlines - 0.6%       Chemicals - 0.3%         Doric Nimrod Air Alpha Pass-Through Trust,       LyondeliBasell Industries NV 5,00%, 4/15/19       825       908,115   |  |              | 3,364,184  |  |              | ,          |
| Federal Express Corp. Pass-Through Trust, Series 2012, 2.63%, 1/15/18 (c)  953  962,647  Airlines - 0.6%  Doric Nimrod Air Alpha Pass-Through Trust,  Doric Nimrod Air Alpha Pass-Through Trust,  UBS AG, 2.25%, 1/28/14  655  659,110  19,006,736  Chemicals - 0.3%  Lyondel Base Lindustries NV 5,00% 4/15/19  825  908,115  | Air Freight & Logistics _ 0.3%                 |              |            |  |              | ,          |
| Series 2012, 2.63%, 1/15/18 (c)       953       962,647       19,006,736         Airlines – 0.6%       Chemicals – 0.3%         Doric Nimrod Air Alpha Pass-Through Trust,       Lyondel Base Lindustries NV 5,00%, 4/15/19       825       908,115  |  |              |            | UBS AG, 2.25%, 1/28/14                             | 655          | 659,110    |
| Airlines – 0.6%  Chemicals – 0.3%  Doric Nimrod Air Alpha Pass-Through Trust,  Lyondell Basel Industries NV 5 00% 4/15/19 825 908 115  |  | 953          | 962,647    | · · ·  |              | 19 006 736 |
| Doric Nimrod Air Alpha Pass-Through Trust, Lyandell Basel Lindustries NV 5 00% 4/15/19 825 908 115   |  |              | <u>-</u>   | Observator Inc. O 20/                              |              | 13,000,730 |
|  |  |              |            |  | 905          | 000 115    |
|  |  | 1,025        | 1,017,313  | Lyonuelidaseli iliuusules NV, 3.00%, 4/ 13/ 19     | 020          | 500,115    |

#### **Portfolio Abbreviations**

To simplify the listings of portfolio holdings in the Schedules of Investments, the names and descriptions of many of the securities have been abbreviated according to the following list:

GO General Obligation Bonds
LIBOR London Interbank Offered
Rate

**RB** Revenue Bonds **TBA** To-Be-Announced

See Notes to Financial Statements.

| Corporate Bonds  | Par<br>(000)   | Value                  | Corporate Bonds   | Par<br>(000)   | Value                  |
|--|----------------|------------------------|---|----------------|------------------------|
| Commercial Banks — 6.1%  |                |                        | Diversified Financial Services (concluded)  |                |                        |
| Associated Banc-Corp., 5.13%, 3/28/16  | \$ 1,490       | \$ 1,608,796           | 1.70%, 5/09/16  | \$ 700         | \$ 699,928             |
| Cooperatieve Centrale Raiffeisen-  | 1.050          | 1 007 420              | 8.13%, 1/15/20  | 1,400          | 1,741,060              |
| Boerenleenbank BA, 3.95%, 11/09/22<br>HSBC Bank USA, N.A., 4.63%, 4/01/14        | 1,050<br>5,500 | 1,007,438<br>5,606,975 | General Electric Capital Corp.:   | 1.075          | 1 202 200              |
| HSBC Holdings PLC, 6.80%, 6/01/38  | 755            | 889,768                | 6.75%, 3/15/32<br>6.15%, 8/07/37 (d)  | 1,075<br>715   | 1,282,260<br>810,138   |
| ING Bank NV:   |                | 000,100                | HSBC Finance Corp., 6.68%, 1/15/21  | 1,100          | 1,256,154              |
| 2.38%, 6/09/14 (c)   | 850            | 858,967                | Iberdrola Finance Ireland Ltd., 3.80%,  | _,             | _,,                    |
| 3.00%, 9/01/15 (c)   | 1,625          | 1,680,705              | 9/11/14 (c)   | 750            | 767,879                |
| Intesa Sanpaolo SpA, 3.13%, 1/15/16  | 630            | 629,087                | Icahn Enterprises LP/Icahn Enterprises Finance  | 825            | 864,187                |
| Nordea Bank AB, 2.13%, 1/14/14 (c)(d)<br>Regions Financial Corp., 5.75%, 6/15/15 | 1,100<br>550   | 1,105,465<br>589,331   | Corp., 8.00%, 1/15/18<br>ING US, Inc., 2.90%, 2/15/18                                     | 1,725          | 1,732,038              |
| Royal Bank of Scotland Group PLC, 5.00%,   | 550            | 369,331                | JPMorgan Chase & Co.:   | 1,725          | 1,732,030              |
| 11/12/13   | 3,000          | 3,007,500              | 6.30%, 4/23/19  | 1,035          | 1,212,630              |
| Santander Holdings USA, Inc., 3.45%,   |                |                        | 3.20%, 1/25/23  | 1,275          | 1,192,785              |
| 8/27/18  | 425            | 434,043                | Merrill Lynch & Co., Inc., 6.05%, 5/16/16   | 1,350          | 1,486,859              |
| Wells Fargo & Co.:   | 300            | 319,729                | SteelRiver Transmission Co. LLC, 4.71%,   | 578            | E00.0E2                |
| 3.68%, 6/15/16 (e)<br>3.50%, 3/08/22   | 1,500          | 1,501,362              | 6/30/17 (c)   | 376            | 599,952                |
| 3.45%, 2/13/23   | 405            | 379.065                |   |                | 36,937,594             |
| 4.13%, 8/15/23   | 350            | 342,698                | Diversified Telecommunication Services $-5.3\%$   |                |                        |
| . , ,  |                | 19,960,929             | AT&T Inc.:  |                |                        |
|  |                | 19,900,929             | 6.50%, 9/01/37  | 877            | 968,912                |
| Commercial Services & Supplies — 0.6%  | 400            | 202.011                | 4.30%, 12/15/42 British Telecommunications PLC, 1.38%,                                    | 889            | 740,156                |
| The ADT Corp., 2.25%, 7/15/17 Aviation Capital Group Corp., 6.75%,               | 400            | 382,011                | 12/20/13 (a)  | 1,075          | 1,077,340              |
| 4/06/21 (c)  | 1,575          | 1,662,512              | Deutsche Telekom International Finance BV,  | 1,010          | 1,011,010              |
| , , (-)  | ,-             |                        | 3.13%, 4/11/16 (c)  | 950            | 988,215                |
|  |                | 2,044,523              | Qwest Corp., 7.50%, 10/01/14  | 1,075          | 1,139,046              |
| Communications Equipment — 0.2%  |                |                        | Telecom Italia Capital SA:  | 4 000          | 4 000 4 40             |
| Brocade Communications Systems, Inc., 6.88%, 1/15/20                             | 725            | 783,000                | 5.25%, 11/15/13   | 1,360<br>194   | 1,366,143              |
|  | 120            | 700,000                | 7.20%, 7/18/36<br>7.72%, 6/04/38  | 194            | 180,258<br>186,730     |
| Computers & Peripherals — 0.2%<br>Hewlett-Packard Co., 2.63%, 12/09/14           | 545            | 555,553                | Telefonica Moviles Chile SA, 2.88%,   | 134            | 100,730                |
|  | 040            | 333,333                | 11/09/15 (c)  | 1,375          | 1,403,307              |
| Consumer Finance — 2.3% Capital One Financial Corp.:                             |                |                        | Verizon Communications, Inc.:   |                |                        |
| 2.15%, 3/23/15   | 2,900          | 2,946,707              | 3.65%, 9/14/18  | 3,500          | 3,687,925              |
| 1.00%, 11/06/15  | 475            | 472,607                | 5.15%, 9/15/23<br>6.40%, 9/15/33  | 725<br>1,375   | 777,045<br>1,526,955   |
| Discover Bank, 4.20%, 8/08/23  | 500            | 498,491                | 6.25%, 4/01/37  | 850            | 916,819                |
| Discover Financial Services, 3.85%, 11/21/22                                     | 650            | 620,153                | 3.85%, 11/01/42   | 425            | 335,601                |
| SLM Corp.:   | 4.075          | 4 075 000              | 6.55%, 9/15/43  | 775            | 874,926                |
| 5.00%, 10/01/13  | 1,075          | 1,075,000              | Verizon Global Funding Corp., 7.75%,  |                | ·                      |
| 3.88%, 9/10/15   | 1,700          | 1,734,000              | 12/01/30  | 750            | 922,288                |
|  |                | 7,346,958              |   |                | 17,091,666             |
| Diversified Financial Services $-11.4\%$   |                |                        | Electric Utilities — 6.7%   |                |                        |
| Bank of America Corp.:   | 0.000          | 0.770.040              | Allegheny Energy Supply Co. LLC, 5.75%,   |                |                        |
| 6.50%, 8/01/16 (d)   | 3,330          | 3,773,942<br>362,381   | 10/15/19 (c)  | 1,150          | 1,230,231              |
| 5.63%, 10/14/16<br>5.75%, 12/01/17   | 325<br>1,755   | 1,979,786              | American Transmission Systems, Inc., 5.25%, 1/15/22 (c)                                   | 400            | 430,632                |
| 5.70%, 1/24/22   | 2,125          | 2,373,757              | Carolina Power & Light Co., 6.30%, 4/01/38  | 750            | 908,335                |
| 3.30%, 1/11/23   | 1,325          | 1,241,207              | Duke Energy Carolinas LLC, 5.25%, 1/15/18   | 450            | 515,922                |
| BP Capital Markets PLC:  |                |                        | Duke Energy Corp., 3.35%, 4/01/15   | 1,700          | 1,764,410              |
| 3.13%, 10/01/15 (d)  | 2,875          | 3,006,727              | E.ON International Finance BV, 5.80%,   |                |                        |
| 2.75%, 5/10/23   | 925            | 844,835                | 4/30/18 (c)   | 1,100          | 1,275,021              |
| Citigroup, Inc.:   | 1 000          | 1.000.010              | Florida Power & Light Co., 5.95%, 2/01/38   | 1,075          | 1,291,058              |
| 5.50%, 10/15/14<br>4.75%, 5/19/15  | 1,800<br>371   | 1,886,218<br>392,630   | Great Plains Energy, Inc., 5.29%, 6/15/22 (e)<br>Jersey Central Power & Light Co., 5.65%, | 745            | 804,449                |
| 4.75%, 5/19/15<br>5.30%, 1/07/16   | 768            | 833,631                | 6/01/17   | 1,710          | 1,888,456              |
| 4.45%, 1/10/17   | 1,675          | 1,813,636              | Kentucky Utilities Co., 5.13%, 11/01/40   | 375            | 403,959                |
| 6.00%, 10/31/33  | 100            | 100,787                | Kiowa Power Partners LLC, 4.81%,  |                |                        |
| 6.13%, 8/25/36   | 100            | 100,644                | 12/30/13 (c)  | 1              | 802                    |
| 6.68%, 9/13/43   | 300            | 323,068                | MidAmerican Energy Holdings Co.:  | 0.170          | 2 406 440              |
| CME Group Index Services LLC, 4.40%,   | 4 700          | 1.054.740              | 5.30%, 3/15/18<br>5.75%, 4/01/18  | 2,170<br>1,475 | 2,486,410<br>1,710,960 |
| 3/15/18 (c)<br>Ford Motor Credit Co. LLC:  | 1,700          | 1,854,712              | 3.73%, 4/01/18<br>Mississippi Power Co., 4.25%, 3/15/42                                   | 400            | 350,760                |
| 2.75%, 5/15/15   | 2,350          | 2,403,763              | Northern States Power Co., 6.20%, 7/01/37   | 725            | 888,828                |
| 2.10,0,0,10,10   | 2,000          | 2,100,100              |   |                | ,                      |

| Corporate Bonds  | Par<br>(000) | Value                | Corporate Bonds  | Par<br>(000)   | Value              |
|--|--------------|----------------------|--|----------------|--------------------|
| Electric Utilities (concluded)   |              |                      | Insurance (concluded)  |                |                    |
| Ohio Power Co., 6.60%, 3/01/33   | \$ 675       | \$ 792,167           | 3.80%, 3/22/17   | \$ 900         | \$ 957,160         |
| Oncor Electric Delivery Co. LLC:   |              |                      | 5.45%, 5/18/17   | 725            | 810,417            |
| 4.10%, 6/01/22   | 650          | 671,174              | 5.85%, 1/16/18 (d)   | 1,530          | 1,739,728          |
| 5.30%, 6/01/42   | 850          | 899,029              | 3.38%, 8/15/20   | 1,000          | 1,000,609          |
| PacifiCorp, 6.00%, 1/15/39   | 450          | 534,335              | 6.40%, 12/15/20  | 485            | 571,530            |
| Progress Energy, Inc.:   | 1.075        | 1 100 705            | 4.88%, 6/01/22   | 210            | 225,280            |
| 4.88%, 12/01/19<br>3.15%, 4/01/22  | 1,075<br>775 | 1,192,705<br>741,045 | Genworth Holdings, Inc.:<br>6.52%, 5/22/18                               | 200            | 226,507            |
| Southern California Edison Co., 5.35%,                                     | 113          | 741,045              | 7.63%, 9/24/21   | 330            | 390,031            |
| 7/15/35  | 825          | 910,477              | Manulife Financial Corp., 4.90%, 9/17/20                                 | 750            | 804,371            |
| , ,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,                                    |              | 21,691,165           | Massachusetts Mutual Life Insurance Co.,                                 |                | 001,012            |
|  |              | 21,091,105           | 8.88%, 6/01/39 (c)   | 575            | 832,590            |
| Energy Equipment & Services — 1.8%   |              |                      | MetLife Institutional Funding II, 1.63%,                                 |                |                    |
| Ensco PLC, 3.25%, 3/15/16  | 1,600        | 1,670,098            | 4/02/15 (c)(d)   | 6,000          | 6,078,504          |
| Transocean, Inc.:  | 000          | 005 500              | Prudential Financial, Inc.:  | 4 000          | 4 0 4 4 4 4 0 0    |
| 4.95%, 11/15/15<br>5.05%, 12/15/16   | 900<br>1,150 | 965,520              | 5.40%, 6/13/35   | 1,000          | 1,041,439          |
| 5.05%, 12/15/16<br>6.00%, 3/15/18  | 600          | 1,260,271<br>676,060 | 5.70%, 12/14/36  | 175            | 188,377            |
| 6.50%, 11/15/20  | 1,175        | 1,311,589            | Teachers Insurance & Annuity Association of America, 6.85%, 12/16/39 (c) | 1,050          | 1,299,430          |
| 0.00%, 11/10/20  | 1,110        |                      | 741101104, 0.3070, 12/ 10/ 00 (0)  | 1,000          |                    |
| -  |              | 5,883,538            |  |                | 18,259,897         |
| Food & Staples Retailing — 1.1%  |              |                      | IT Services — 0.2%   |                |                    |
| Tesco PLC, 5.50%, 11/15/17 (c)   | 1,840        | 2,067,676            | Fidelity National Information Services, Inc.,                            | 225            | 500.004            |
| Wal-Mart Stores, Inc.:   |              |                      | 3.50%, 4/15/23   | 625            | 562,204            |
| 5.25%, 9/01/35   | 675          | 723,308              | Life Sciences Tools & Services — 0.7%                                    |                |                    |
| 6.50%, 8/15/37   | 385          | 477,882              | Life Technologies Corp.:   |                |                    |
| 6.20%, 4/15/38   | 230          | 275,679              | 3.50%, 1/15/16   | 1,295          | 1,345,963          |
|  |              | 3,544,545            | 6.00%, 3/01/20   | 820            | 923,388            |
| Food Products — 1.2%   |              |                      |  |                | 2,269,351          |
| Kraft Foods Group, Inc.:   |              |                      | Machinery — 0.3%   |                |                    |
| 6.88%, 1/26/39   | 368          | 449,887              | AGCO Corp., 5.88%, 12/01/21  | 775            | 841,662            |
| 5.00%, 6/04/42   | 495          | 490,354              | Media — 5.0%   |                | <u> </u>           |
| Mondelez International, Inc., 6.50%, 8/11/17                               | 2,640        | 3,070,135            | Comcast Corp.:   |                |                    |
|  |              | 4,010,376            | 4.25%, 1/15/33   | 375            | 353,645            |
| Gas Utilities — 0.3%   |              |                      | 6.50%, 11/15/35  | 550            | 660,281            |
| Atmos Energy Corp., 8.50%, 3/15/19   | 800          | 1,029,939            | 6.55%, 7/01/39   | 500            | 602,255            |
|  |              | 1,020,000            | COX Communications, Inc.:  |                |                    |
| Health Care Equipment & Supplies — 1.2% Covidien International Finance SA: |              |                      | 2.95%, 6/30/23 (c)   | 925            | 798,409            |
| 1.35%, 5/29/15   | 800          | 807,819              | 8.38%, 3/01/39 (c)   | 625            | 741,350            |
| 6.00%, 10/15/17  | 2,300        | 2,659,644            | DIRECTV Holdings LLC/DIRECTV Financing Co.,                              |                |                    |
| 2.95%, 6/15/23   | 525          | 495,294              | Inc.:  | 1.050          | 2,032,844          |
|  |              |                      | 3.50%, 3/01/16<br>3.80%, 3/15/22   | 1,950<br>1,905 | 1,778,030          |
|  |              | 3,962,757            | 6.38%, 3/01/41   | 229            | 226,152            |
| Health Care Providers & Services — 0.7%                                    |              |                      | Discovery Communications LLC, 3.70%,                                     | 220            | 220,102            |
| Coventry Health Care, Inc., 5.45%, 6/15/21                                 | 850<br>1 075 | 944,182              | 6/01/15  | 1,175          | 1,229,021          |
| WellPoint, Inc., 4.35%, 8/15/20  | 1,275        | 1,354,420            | Grupo Televisa SAB, 6.63%, 1/15/40                                       | 900            | 971,073            |
|  |              | 2,298,602            | News America, Inc., 6.40%, 12/15/35                                      | 1,025          | 1,130,862          |
| Independent Power Producers & Energy Traders — 0.3%                        |              |                      | TCM Sub LLC, 3.55%, 1/15/15 (c)  | 1,750          | 1,802,771          |
| IPALCO Enterprises, Inc., 5.00%, 5/01/18                                   | 925          | 959,687              | Time Warner Cable, Inc.:   | 4 405          | 4 474 000          |
| Industrial Conglomerates — 0.9%  |              |                      | 7.50%, 4/01/14   | 1,425          | 1,471,332          |
| Eaton Corp.:   |              |                      | 8.25%, 4/01/19<br>Time Warner, Inc., 6.25%, 3/29/41                      | 695<br>682     | 804,533<br>749,740 |
| 2.75%, 11/02/22 (c)  | 975          | 908,595              | Virgin Media Secured Finance PLC, 6.50%,                                 | 002            | 143,140            |
| 4.15%, 11/02/42 (c)  | 375          | 333,125              | 1/15/18  | 820            | 853,825            |
| Hutchison Whampoa International Ltd., 4.63%,                               |              |                      | 7 -7 -   |                |                    |
| 9/11/15 (c)  | 1,000        | 1,063,955            |  |                | 16,206,123         |
| Tyco Electronics Group SA, 3.50%, 2/03/22                                  | 600          | 576,125              | Metals & Mining — 2.1%   |                |                    |
|  |              | 2,881,800            | Barrick Gold Corp.:  | ===            | 750 5/5            |
| Insurance — 5.6%   |              |                      | 2.90%, 5/30/16   | 750            | 759,513            |
| ACE INA Holdings, Inc., 2.60%, 11/23/15                                    | 625          | 647,797              | 4.10%, 5/01/23   | 475            | 418,284            |
| Allied World Assurance Co. Holdings Ltd.,                                  | 320          | 041,101              | BHP Billiton Finance USA Ltd., 3.85%, 9/30/23                            | 1,175          | 1,184,008          |
| 5.50%, 11/15/20  | 825          | 898,431              | Freeport-McMoRan Copper & Gold, Inc.:                                    | 1,173          | 1,104,000          |
| American International Group, Inc.:  |              |                      | 3.10%, 3/15/20 (c)   | 550            | 517,174            |
| 4.88%, 9/15/16   | 500          | 547,696              | . , , ,  |                | •                  |
|  |              |                      |  |                |                    |

| Corporate Bonds                                       | Par<br>(000) | Value        | Corporate Bonds                          |
|---|--------------|--------------|--|
| Metals & Mining (concluded)                           |              |              | Paper & Forest Products — 0              |
| 3.55%, 3/01/22  | \$ 1,530     | \$ 1,407,139 | International Paper Co., 7.95%           |
| 3.88%, 3/15/23 (c)                                    | 600          | 553,172      | Pharmaceuticals — 4.9%                   |
| Rio Tinto Finance USA Ltd., 7.13%, 7/15/28            | 550          | 676,460      | AbbVie, Inc.:                            |
| Southern Copper Corp., 6.75%, 4/16/40                 | 450          | 437,983      | 1.75%, 11/06/17                          |
| Teck Resources Ltd., 6.25%, 7/15/41                   | 800          | 775,142      | 2.90%, 11/06/22                          |
|   |              | 6,728,875    | Actavis, Inc., 5.00%, 8/15/14            |
| Multiline Retail — 0.4%                               |              |              | Allergan, Inc., 5.75%, 4/01/10           |
|   | 1 200        | 1 102 000    | Express Scripts Holding Co., 2.          |
| Dollar General Corp., 3.25%, 4/15/23                  | 1,300        | 1,183,909    | Hospira, Inc., 5.20%, 8/12/20            |
| Multi-Utilities — 1.6%                                |              |              | Merck & Co., Inc., 6.55%, 9/1            |
| CenterPoint Energy, Inc., 6.50%, 5/01/18              | 850          | 1,002,652    | Mylan, Inc.:                             |
| CMS Energy Corp., 5.05%, 3/15/22                      | 1,644        | 1,760,954    | 2.60%, 6/24/18 (c)                       |
| NiSource Finance Corp., 5.25%, 2/15/43                | 440          | 422,799      | 6.00%, 11/15/18 (c)                      |
| Sempra Energy, 6.50%, 6/01/16                         | 975          | 1,107,337    | Pfizer, Inc., 3.00%, 6/15/23             |
| Virginia Electric & Power Co., 6.00%, 1/15/36         | 900          | 1,061,567    | Roche Holding, Inc., 6.00%, 3            |
|   |              | 5,355,309    | Teva Pharmaceutical Finance ( 2/01/36    |
| Oil, Gas & Consumable Fuels — 6.9%                    |              |              | Teva Pharmaceutical Finance I            |
| Anadarko Petroleum Corp.:                             |              |              | 11/10/21                                 |
| 5.75%, 6/15/14  | 900          | 930,154      | Teva Pharmaceutical Finance I            |
| 6.38%, 9/15/17  | 2,645        | 3,074,752    | 3/18/20                                  |
| Canadian Natural Resources Ltd., 5.90%, 2/01/18       | 1,700        | 1,957,516    | Wyeth LLC, 5.95%, 4/01/37                |
| DCP Midstream LLC:                                    | 1,700        | 1,501,010    |  |
| 5.35%, 3/15/20 (c)                                    | 260          | 278,445      | Professional Services — 0.6%             |
| 4.75%, 9/30/21 (c)                                    | 161          | 162,414      | The Dun & Bradstreet Corp., 3            |
| El Paso Natural Gas Co. LLC, 8.63%, 1/15/22           | 485          | 617,486      | Experian Finance PLC, 2.38%,             |
| El Paso Pipeline Partners Operating Co. LLC,          |              | ,            | ,  |
| 6.50%, 4/01/20  | 390          | 448,472      |  |
| Energy Transfer Partners LP:                          |              |              | Real Estate Investment Trusts            |
| 5.20%, 2/01/22  | 1,130        | 1,187,964    | American Tower Corp.:                    |
| 6.50%, 2/01/42  | 770          | 812,855      | 4.63%, 4/01/15                           |
| Enterprise Products Operating LLC:                    |              |              | 4.70%, 3/15/22                           |
| 3.70%, 6/01/15  | 500          | 522,818      | Boston Properties LP, 3.85%, 2           |
| 6.45%, 9/01/40  | 800          | 918,186      | DDR Corp.:                               |
| 5.70%, 2/15/42  | 490          | 511,041      | 4.75%, 4/15/18                           |
| Kinder Morgan Energy Partners LP:                     |              |              | 7.88%, 9/01/20                           |
| 7.30%, 8/15/33  | 1,400        | 1,641,629    | HCP, Inc., 3.75%, 2/01/16                |
| 5.63%, 9/01/41  | 250          | 249,046      | Host Hotels & Resorts LP:                |
| 5.00%, 3/01/43  | 425          | 384,349      | 5.88%, 6/15/19<br>6.00%, 10/01/21        |
| Noble Holding International Ltd., 3.95%,              | 480          | 463,003      | Plum Creek Timberlands LP, 4.            |
| 3/15/22<br>Pioneer Natural Resources Co.:             | 400          | 403,003      | ProLogis LP, 6.25%, 3/15/17              |
| 6.88%, 5/01/18  | 880          | 1,038,035    | Simon Property Group LP:                 |
| 7.50%, 1/15/20  | 120          | 147,294      | 1.50%, 2/01/18 (c)                       |
| Plains Exploration & Production Co., 6.50%,           | 120          | 141,234      | 10.35%, 4/01/19                          |
| 11/15/20  | 400          | 429,169      | 2.75%, 2/01/23                           |
| Schlumberger Norge AS, 4.20%, 1/15/21 (c)             | 975          | 1,038,692    | Ventas Realty LP/Ventas Capit            |
| Shell International Finance BV, 6.38%,                |              |              | 2.70%, 4/01/20                           |
| 12/15/38  | 800          | 999,100      | 4.75%, 6/01/21                           |
| Texas Eastern Transmission LP, 2.80%,                 |              |              |  |
| 10/15/22 (c)  | 1,400        | 1,271,950    |  |
| Valero Energy Corp., 6.63%, 6/15/37                   | 426          | 462,697      | Road & Rail — 1.9%                       |
| Western Gas Partners LP, 5.38%, 6/01/21               | 1,025        | 1,096,195    | Asciano Finance Ltd., 5.00%,             |
| The Williams Cos., Inc.:                              | EEO          | GEE OOO      | Burlington Northern Santa Fe I           |
| 7.88%, 9/01/21  | 550          | 655,920      | 5/01/40                                  |
| 3.70%, 1/15/23  | 625          | 564,461      | Canadian National Railway Co.            |
| 7.75%, 6/15/31<br>8.75%, 3/15/32                      | 186<br>155   | 210,807      | 8/01/34<br>Canadian Pacific Railway Co., |
| 8.75%, 3/15/32<br>Williams Partners LP 6.30%, 4/15/40 | 155<br>225   | 188,884      | Kansas City Southern de Mexic            |
| Williams Partners LP, 6.30%, 4/15/40                  | 225          | 237,239      | 2.35%, 5/15/20 (c)                       |
|   |              | 22,500,573   | 2.00/0, 0/ 10/ 20 (6)                    |

| Corporate Bonds  | Par<br>(000) | Value                |
|--|--------------|----------------------|
| Paper & Forest Products — 0.4%                                     |              |                      |
| International Paper Co., 7.95%, 6/15/18                            | \$ 1,150     | \$ 1,427,410         |
| Pharmaceuticals — 4.9%   |              |                      |
| AbbVie, Inc.:  |              |                      |
| 1.75%, 11/06/17  | 2,220        | 2,201,785            |
| 2.90%, 11/06/22  | 1,805        | 1,688,054            |
| Actavis, Inc., 5.00%, 8/15/14                                      | 1,025        | 1,060,152            |
| Allergan, Inc., 5.75%, 4/01/16                                     | 550          | 613,568              |
| Express Scripts Holding Co., 2.10%, 2/12/15                        | 775          | 787,370              |
| Hospira, Inc., 5.20%, 8/12/20<br>Merck & Co., Inc., 6.55%, 9/15/37 | 900          | 915,655              |
| Mylan, Inc.:   | 250          | 316,815              |
| 2.60%, 6/24/18 (c)   | 968          | 966.288              |
| 6.00%, 11/15/18 (c)  | 1,780        | 1,918,559            |
| Pfizer, Inc., 3.00%, 6/15/23                                       | 950          | 910,632              |
| Roche Holding, Inc., 6.00%, 3/01/19 (c)                            | 1,074        | 1,276,301            |
| Teva Pharmaceutical Finance Co. LLC, 6.15%,                        | 2,0          | 1,2.0,001            |
| 2/01/36  | 650          | 750,589              |
| Teva Pharmaceutical Finance IV BV, 3.65%,                          |              |                      |
| 11/10/21   | 1,140        | 1,131,497            |
| Teva Pharmaceutical Finance IV LLC, 2.25%,                         |              |                      |
| 3/18/20  | 425          | 403,107              |
| Wyeth LLC, 5.95%, 4/01/37  | 800          | 936,040              |
|  |              | 15,876,412           |
| Professional Services — 0.6%                                       |              |                      |
| The Dun & Bradstreet Corp., 3.25%, 12/01/17                        | 1,300        | 1,311,088            |
| Experian Finance PLC, 2.38%, 6/15/17 (c)                           | 600          | 595,474              |
|  |              | 1,906,562            |
|  |              | 1,900,302            |
| Real Estate Investment Trusts (REITs) — 2.9%                       |              |                      |
| American Tower Corp.:<br>4.63%, 4/01/15                            | 1 000        | 1 044 970            |
| 4.70%, 3/15/22   | 1,000<br>575 | 1,044,879<br>558,692 |
| Boston Properties LP, 3.85%, 2/01/23                               | 360          | 350,689              |
| DDR Corp.:   | 300          | 330,003              |
| 4.75%, 4/15/18   | 280          | 302,229              |
| 7.88%, 9/01/20   | 350          | 428,392              |
| HCP, Inc., 3.75%, 2/01/16  | 525          | 552,733              |
| Host Hotels & Resorts LP:  |              | ,                    |
| 5.88%, 6/15/19   | 770          | 831,375              |
| 6.00%, 10/01/21  | 725          | 791,174              |
| Plum Creek Timberlands LP, 4.70%, 3/15/21                          | 875          | 901,748              |
| ProLogis LP, 6.25%, 3/15/17  | 525          | 596,403              |
| Simon Property Group LP:   |              |                      |
| 1.50%, 2/01/18 (c)   | 725          | 706,805              |
| 10.35%, 4/01/19  | 280          | 380,839              |
| 2.75%, 2/01/23   | 480          | 440,455              |
| Ventas Realty LP/Ventas Capital Corp.:                             |              |                      |
| 2.70%, 4/01/20   | 600          | 571,844              |
| 4.75%, 6/01/21   | 845          | 889,880              |
|  |              | 9,348,137            |
| Road & Rail — 1.9%   |              |                      |
| Asciano Finance Ltd., 5.00%, 4/07/18 (c)                           | 600          | 636,493              |
| Burlington Northern Santa Fe LLC, 5.75%,                           |              | ,                    |
| 5/01/40  | 500          | 545,301              |
| Canadian National Railway Co., 6.25%,                              |              |                      |
| 8/01/34  | 1,100        | 1,327,811            |
| Canadian Pacific Railway Co., 7.25%, 5/15/19                       | 500          | 613,137              |
| Kansas City Southern de Mexico SA de CV:                           | 076          | 050 505              |
| 2.35%, 5/15/20 (c)   | 370          | 352,739              |
| 3.00%, 5/15/23 (c)   | 706          | 649,157              |

Series C Portfolio (Percentages shown are based on Net Assets)

| Dood 9 Doll (concluded)  |            | Value                |
|--|------------|----------------------|
| Road & Rail (concluded)  |            |                      |
| Penske Truck Leasing Co. LP/PTL Finance Corp.:                     |            |                      |
| 2.50%, 7/11/14 (c)   | \$ 475     | \$ 480,305           |
| 3.13%, 5/11/15 (c)   | 1,500      | 1,543,959            |
|  |            | 6,148,902            |
| Software — 0.4%  | 550        | 500.000              |
| Autodesk, Inc., 1.95%, 12/15/17                                    | 550        | 539,088              |
| Oracle Corp.:  | E01        | E10 600              |
| 3.63%, 7/15/23<br>5.38%, 7/15/40                                   | 521<br>185 | 519,609              |
| 5.36%, 7/15/40   | 100        | 201,459<br>1,260,156 |
| Specialty Retail — 0.9%  |            | 1,200,100            |
| QVC, Inc.:   |            |                      |
| 7.50%, 10/01/19 (c)  | 865        | 930,850              |
| 7.38%, 10/15/20 (c)  | 310        | 336,823              |
| 4.38%, 3/15/23   | 1,700      | 1,580,976            |
|  |            | 2,848,649            |
| Tobacco — 1.5%   | · · ·      | <u>.</u>             |
| Altria Group, Inc.:  | 4.40       | 000 000              |
| 9.95%, 11/10/38  | 140        | 208,989              |
| 10.20%, 2/06/39<br>BAT International Finance PLC, 1.40%,           | 686        | 1,046,165            |
| 6/05/15 (c)  | 1,200      | 1,210,840            |
| Imperial Tobacco Finance PLC, 2.05%,                               | 1,200      | 1,210,040            |
| 2/11/18 (c)  | 950        | 926,355              |
| Lorillard Tobacco Co.:   |            |                      |
| 2.30%, 8/21/17   | 1,150      | 1,139,856            |
| 7.00%, 8/04/41   | 350        | 368,061              |
|  |            | 4,900,266            |
| Wireless Telecommunication Services — 3.9%                         |            |                      |
| Alltel Corp., 7.88%, 7/01/32                                       | 470        | 612,503              |
| America Movil SAB de CV:   |            |                      |
| 5.50%, 3/01/14   | 1,250      | 1,273,676            |
| 2.38%, 9/08/16   | 3,140      | 3,192,752            |
| 3.13%, 7/16/22   | 650        | 598,298              |
| CC Holdings GS V LLC/Crown Castle GS III<br>Corp., 2.38%, 12/15/17 | 300        | 295,753              |
| Cellco Partnership/Verizon Wireless Capital LLC,                   | 300        | 293,133              |
| 8.50%, 11/15/18  | 305        | 390,853              |
| Crown Castle Towers LLC, 6.11%, 1/15/40 (c)                        | 1,450      | 1,640,041            |
| Rogers Communications, Inc., 7.50%, 3/15/15                        | 2,125      | 2,327,400            |
| Vodafone Group PLC, 5.75%, 3/15/16                                 | 2,000      | 2,212,694            |
|  |            | 12,543,970           |
| Total Corporate Bonds — 92.0%                                      |            | 298,678,908          |
|  |            |                      |
| Foreign Agency Obligations   |            |                      |
| CNOOC Finance 2013 Ltd., 3.00%, 5/09/23                            | 800        | 719,046              |
| Nakilat, Inc., 6.07%, 12/31/33 (c)                                 | 25         | 26,375               |
| Nexen, Inc., 6.40%, 5/15/37  | 495        | 542,911              |
| Petrobras International Finance Co.:                               |            |                      |
| 2.88%, 2/06/15   | 775        | 786,247              |
| 3.88%, 1/27/16   | 700        | 722,252              |
| 5.88%, 3/01/18   | 2,350      | 2,517,679            |
| 7.88%, 3/15/19   | 450        | 517,986              |
|  | 1,700      | 1,721,250            |
| Petroleos Mexicanos, 3.50%, 7/18/18                                | 1,700      | 1,121,200            |

| Colombia - 0.3%   Republic of Colombia, 2.63%, 3/15/23   1,200   1,062,000     Mexico - 1.4%   United Mexican States:  | Foreign Government Obligations                  | Par<br>(000) | Value       |
|--|---|--------------|-------------|
| Federative Republic of Brazil, 5.63%, 1/07/41 \$ 778 \$ 776,055  Colombia — 0.3% Republic of Colombia, 2.63%, 3/15/23 1,200 1,062,000  Mexico — 1.4%  United Mexican States: 5.88%, 2/17/14 1,775 1,807,837 4.00%, 10/02/23 1,100 1,093,125 4.75%, 3/08/44 1,625 1,470,625 4.371,587  Total Foreign Government Obligations — 1.9% 6,209,642  Taxable Municipal Bonds  Chicago O'Hare International Airport RB, 6.40%, 1/01/40 1,000 1,132,540 Los Angeles Department of Water & Power RB, 6.57%, 7/01/45 1,005 Municipal Electric Authority of Georgia RB, 6.64%, 4/01/57 1,200 1,242,720 Port Authority of New York & New Jersey RB, 4,46%, 10/01/62 State of California GO: 7.30%, 10/01/39 510 642,865 7.63%, 3/01/40 150 196,158 7.63%, 3/01/40 150 196,158 Total Taxable Municipal Bonds — 2.7% 8,806,311  U.S. Government Sponsored Agency Securities  Agency Obligations — 0.2% Fannie Mae, 6.19%, 10/09/19 (d)(f) 815 691,196  U.S. Treasury Obligations U.S. Treasury Unigations U.S. Treasury Obligations U.S. Treasury Notes: 0.75%, 2/28/18 175 171,609 1.157,85,5/15/23 1,260 1,167,568 2.50%, 8/15/23 (d) 15,173 15,018,903  Total U.S. Treasury Obligations — 5.7% Total Long-Term Investments  | Brazil — 0.2%                                   |              |             |
| Colombia - 0.3%   Republic of Colombia, 2.63%, 3/15/23   1,200   1,062,000     Mexico - 1.4%   United Mexican States:  | Federative Republic of Brazil, 5.63%, 1/07/41   | \$ 778       | \$ 776,055  |
| Republic of Colombia, 2.63%, 3/15/23   |   |              | <u> </u>    |
| Mexico - 1.4%  |   | 1,200        | 1,062,000   |
| United Mexican States:  5.88%, 2/17/14  4.00%, 10/02/23  4.75%, 3/08/44  1,625  1,470,625  4,371,587  Total Foreign Government Obligations — 1.9%  Taxable Municipal Bonds  Chicago O'Hare International Airport RB, 6.40%, 1/01/40  Los Angeles Department of Water & Power RB, 6.57%, 7/01/45  RB, 7.34%, 11/15/39  Municipal Electric Authority of Georgia RB, 6.64%, 4/01/57  Port Authority of New York & New Jersey RB, 4.46%, 10/01/62  State of California Go:  7.30%, 10/01/39  7.63%, 3/01/40  State of California Go:  7.60%, 11/01/40  State of Illinois GO, 4.42%, 1/01/15  Total Taxable Municipal Bonds — 2.7%  U.S. Government Sponsored Agency Securities  Agency Obligations  U.S. Treasury Notes:  0.75%, 2/28/18  1.35%, 6/30/18 (d)  680  681,753  2.50%, 8/15/23  1,260  1,167,588  2.50%, 8/15/23 (d)  Total U.S. Treasury Investments  |   | ·            |             |
| 5.88%, 2/17/14 4.00%, 10/02/23 4.75%, 3/08/44 1.625 1.470,625 1.470,625 1.470,625 1.470,625 1.470,625 1.470,625 1.470,625 1.4371,587  Total Foreign Government Obligations — 1.9%  Taxable Municipal Bonds  Chicago O'Hare International Airport RB, 6.40%, 1/01/40 1.000 1.132,540 1.005 1.000 1.132,540 1.000 1.132,540 1.000 1.132,540 1.000 1.132,540 1.001 1.000 1.132,540 1.001 1.000 1.132,540 1.001 1.000 1.132,540 1.001 1.000 1.132,540 1.001 1.000 1.132,540 1.001 1.000 1.132,540 1.001 1.000 1.132,540 1.001 1.000 1.132,083 1.001 1.001 1.125 1.477,901 1.000 1.242,720  |   |              |             |
| 1,100  |   | 1,775        | 1,807,837   |
| Taxable Municipal Bonds  Chicago O'Hare International Airport RB, 6.40%, 1/01/40  Los Angeles Department of Water & Power RB, 6.57%, 7/01/45  Metropolitan Transportation Authority, New York RB, 7.34%, 11/15/39  Municipal Electric Authority of Georgia RB, 6.64%, 4/01/57  Port Authority of New York & New Jersey RB, 4.46%, 10/01/62  State of California GO: 7.30%, 10/01/39  7.63%, 3/01/40  State of Illinois GO, 4.42%, 1/01/15  Total Taxable Municipal Bonds — 2.7%  U.S. Government Sponsored Agency Securities  Agency Obligations — 0.2% Fannie Mae, 6.19%, 10/09/19 (d)(f)  815  691,196  U.S. Treasury Bonds: 2.88%, 5/15/43 1,292 1,096,585 3.63%, 8/15/43 525 518,930  U.S. Treasury Notes: 0.75%, 2/28/18 175 171,609 1.38%, 6/30/18 (d) 680 681,753 2.50%, 8/15/23 (d) 15,173 15,018,903  Total U.S. Treasury Obligations — 5.7%  Total U.S. Treasury Investments   |   |              | 1,093,125   |
| Taxable Municipal Bonds  Chicago O'Hare International Airport RB, 6.40%, 1/01/40  Los Angeles Department of Water & Power RB, 6.57%, 7/01/45  Metropolitan Transportation Authority, New York RB, 7.34%, 11/15/39  Metropolitan Transportation Authority, New York RB, 7.34%, 11/15/39  Municipal Electric Authority of Georgia RB, 6.64%, 4/01/57  Port Authority of New York & New Jersey RB, 4.46%, 10/01/62  State of California GO: 7.30%, 10/01/39  T.63%, 3/01/40  T.60%, 11/01/40  State of Illinois GO, 4.42%, 1/01/15  Total Taxable Municipal Bonds — 2.7%  U.S. Government Sponsored Agency Securities  Agency Obligations — 0.2% Fannie Mae, 6.19%, 10/09/19 (d)(f)  815  691,196  U.S. Treasury Bonds: 2.88%, 5/15/43 3.63%, 8/15/43 525 518,930  U.S. Treasury Notes: 1.75 0.75%, 2/28/18 1.38%, 6/30/18 (d) 680 681,753 3.67%, 8/15/23 1,260 1,167,568 2.50%, 8/15/23 1,260 1,167,568 2.50%, 8/15/23 1,260 1,167,568 2.50%, 8/15/23 1,260 1,167,568 2.50%, 8/15/23 1,260 1,167,568 3.60Total U.S. Treasury Obligations — 5.7%  Total U.S. Treasury Investments   | 4.75%, 3/08/44                                  | 1,625        | 1,470,625   |
| Taxable Municipal Bonds  Chicago O'Hare International Airport RB, 6.40%, 1/01/40  Los Angeles Department of Water & Power RB, 6.57%, 7/01/45  Metropolitan Transportation Authority, New York RB, 7.34%, 11/15/39  Metropolitan Transportation Authority, New York RB, 7.34%, 11/15/39  Municipal Electric Authority of Georgia RB, 6.64%, 4/01/57  Port Authority of New York & New Jersey RB, 4.46%, 10/01/62  State of California GO: 7.30%, 10/01/39  T.63%, 3/01/40  T.60%, 11/01/40  State of Illinois GO, 4.42%, 1/01/15  Total Taxable Municipal Bonds — 2.7%  U.S. Government Sponsored Agency Securities  Agency Obligations — 0.2% Fannie Mae, 6.19%, 10/09/19 (d)(f)  815  691,196  U.S. Treasury Bonds: 2.88%, 5/15/43 3.63%, 8/15/43 525 518,930  U.S. Treasury Notes: 1.75 0.75%, 2/28/18 1.38%, 6/30/18 (d) 680 681,753 3.67%, 8/15/23 1,260 1,167,568 2.50%, 8/15/23 1,260 1,167,568 2.50%, 8/15/23 1,260 1,167,568 2.50%, 8/15/23 1,260 1,167,568 2.50%, 8/15/23 1,260 1,167,568 3.60Total U.S. Treasury Obligations — 5.7%  Total U.S. Treasury Investments   |   |              | 4.371.587   |
| Taxable Municipal Bonds  Chicago O'Hare International Airport RB, 6.40%, 1/01/40   | Total Foreign Government Obligations — 1.9%     |              |             |
| Chicago O'Hare International Airport RB, 6.40%, 1/01/40  |   |              | -,,-        |
| Chicago O'Hare International Airport RB, 6.40%, 1/01/40  |   |              |             |
| 1/01/40  Los Angeles Department of Water & Power RB, 6.57%, 7/01/45  Metropolitan Transportation Authority, New York RB, 7.34%, 11/15/39  Municipal Electric Authority of Georgia RB, 6.64%, 4/01/57  Port Authority of New York & New Jersey RB, 4.46%, 10/01/62  State of California GO: 7.30%, 10/01/39  T.63%, 3/01/40  State of Illinois GO, 4.42%, 1/01/15  Total Taxable Municipal Bonds – 2.7%  U.S. Government Sponsored Agency Securities  U.S. Treasury Obligations U.S. Treasury Bonds: 2.88%, 5/15/43 3.63%, 8/15/43 3.63%, 8/15/43 3.63%, 8/15/43 3.175%, 5/15/23 2.50%, 8/15/23 d) 10tal U.S. Treasury Obligations – 5.7%  Total U.S. Treasury Obligations – 5.7%   | Taxable Municipal Bonds                         |              |             |
| Los Angeles Department of Water & Power RB, 6.57%, 7/01/45 1,320,831 Metropolitan Transportation Authority, New York RB, 7.34%, 11/15/39 1,477,901 Municipal Electric Authority of Georgia RB, 6.64%, 4/01/57 1,200 1,242,720 Port Authority of New York & New Jersey RB, 4.46%, 10/01/62 1,300 1,098,799 State of California GO: 7.30%, 10/01/39 510 642,865 7.63%, 3/01/40 150 196,158 7.60%, 11/01/40 430 562,289 State of Illinois GO, 4.42%, 1/01/15 1,100 1,132,208 Total Taxable Municipal Bonds — 2.7% 8,806,311 Metal Long-Term Investments 8,806,311 Metal Long-Term Investments  |   | 1 000        | 1 122 540   |
| Color  | • •   | 1,000        | 1,132,340   |
| Metropolitan Transportation Authority, New York RB, 7.34%, 11/15/39  Municipal Electric Authority of Georgia RB, 6.64%, 4/01/57  Port Authority of New York & New Jersey RB, 4.46%, 10/01/62  State of California GO: 7.30%, 10/01/39  T.63%, 3/01/40  T.60%, 11/01/40  State of Illinois GO, 4.42%, 1/01/15  Total Taxable Municipal Bonds — 2.7%  U.S. Government Sponsored Agency Securities  Agency Obligations — 0.2% Fannie Mae, 6.19%, 10/09/19 (d)(f)  815  691,196  U.S. Treasury Bonds: 2.88%, 5/15/43 3.63%, 8/15/43 1.292 1,096,585 3.63%, 8/15/43 1.292 1,096,585 3.63%, 8/30/18 (d) 680 681,753 1.75%, 5/15/23 2.50%, 8/15/23 (d)  Total Long-Term Investments   |   | 1,075        | 1,320,831   |
| Municipal Electric Authority of Georgia RB, 6.64%, 4/01/57 1,200 1,242,720 Port Authority of New York & New Jersey RB, 4.46%, 10/01/62 1,300 1,098,799 State of California GO: 7.30%, 10/01/39 510 642,865 7.63%, 3/01/40 150 196,158 7.60%, 11/01/40 430 562,289 State of Illinois GO, 4.42%, 1/01/15 1,100 1,132,208 Total Taxable Municipal Bonds — 2.7% 8,806,311 U.S. Government Sponsored Agency Securities  U.S. Government Sponsored Agency Securities  U.S. Treasury Obligations — 0.2% Fannie Mae, 6.19%, 10/09/19 (d)(f) 815 691,196 U.S. Treasury Bonds: 2.88%, 5/15/43 1,292 1,096,585 3.63%, 8/15/43 525 518,930 U.S. Treasury Notes: 0.75%, 2/28/18 175 171,609 1.38%, 6/30/18 (d) 680 681,753 1.75%, 5/15/23 1,260 1,167,568 2.50%, 8/15/23 (d) 15,173 15,018,903 Total U.S. Treasury Obligations — 5.7% Total Long-Term Investments   | Metropolitan Transportation Authority, New York |              |             |
| 1,200   1,242,720  |   | 1,125        | 1,477,901   |
| Port Authority of New York & New Jersey RB, 4.46%, 10/01/62 State of California GO: 7.30%, 10/01/39 7.63%, 3/01/40 150 196,158 7.60%, 11/01/40 430 562,289 State of Illinois GO, 4.42%, 1/01/15 1,100 1,132,208  Total Taxable Municipal Bonds — 2.7% 8,806,311  U.S. Government Sponsored Agency Securities  Agency Obligations — 0.2% Fannie Mae, 6.19%, 10/09/19 (d)(f) 815 691,196  U.S. Treasury Bonds: 2.88%, 5/15/43 3.63%, 8/15/43 1,292 1,096,585 3.63%, 8/15/23 1,290 1,196,585 3.63%, 8/15/23 1,260 1,167,568 2.50%, 8/15/23 1,260 1,167,568 3.63%, 8/15/23 1,260 1 |   | 1 200        | 1 2/12 720  |
| 4.46%, 10/01/62 State of California GO: 7.30%, 10/01/39 7.63%, 3/01/40 150 196,158 7.60%, 11/01/40 430 562,289 State of Illinois GO, 4.42%, 1/01/15 1,100 1,132,208 Total Taxable Municipal Bonds — 2.7%  W.S. Government Sponsored Agency Securities  Agency Obligations — 0.2% Fannie Mae, 6.19%, 10/09/19 (d)(f)  815 691,196  U.S. Treasury Obligations  U.S. Treasury Obligations  U.S. Treasury Notes: 0.75%, 2/28/18 1.38%, 6/30/18 (d) 1.38%, 6/30/18 (d) 1.75%, 5/15/23 2.50%, 8/15/23 (d)  Total Long-Term Investments   |   | 1,200        | 1,242,720   |
| 7.30%, 10/01/39 7.63%, 3/01/40 7.63%, 3/01/40 7.60%, 11/01/40 430 562,289 State of Illinois GO, 4.42%, 1/01/15 1,100 1,132,208 Total Taxable Municipal Bonds — 2.7% 8,806,311  U.S. Government Sponsored Agency Securities  Agency Obligations — 0.2% Fannie Mae, 6.19%, 10/09/19 (d)(f) 815 691,196  U.S. Treasury Obligations  U.S. Treasury Bonds: 2.88%, 5/15/43 3.63%, 8/15/43 525 518,930 U.S. Treasury Notes: 0.75%, 2/28/18 1.38%, 6/30/18 (d) 1.38%, 6/30/18 (d) 1.38%, 6/30/18 (d) 1.75%, 5/15/23 2.50%, 8/15/23 (d) 15,173 15,018,903  Total U.S. Treasury Obligations — 5.7%  Total Long-Term Investments  |   | 1,300        | 1,098,799   |
| 7.63%, 3/01/40 7.60%, 11/01/40 430 562,289 State of Illinois GO, 4.42%, 1/01/15 1,100 1,132,208 Total Taxable Municipal Bonds — 2.7% 8,806,311  U.S. Government Sponsored Agency Securities  Agency Obligations — 0.2% Fannie Mae, 6.19%, 10/09/19 (d)(f) 815 691,196  U.S. Treasury Obligations  U.S. Treasury Bonds: 2.88%, 5/15/43 3.63%, 8/15/43 525 518,930 U.S. Treasury Notes: 0.75%, 2/28/18 1.38%, 6/30/18 (d) 1.38%, 6/30/18 (d) 1.75%, 5/15/23 2.50%, 8/15/23 (d) 15,173 15,018,903  Total U.S. Treasury Obligations — 5.7%  Total Long-Term Investments  | State of California GO:                         |              |             |
| 7.60%, 11/01/40 430 562,289 State of Illinois GO, 4.42%, 1/01/15 1,100 1,132,208 Total Taxable Municipal Bonds — 2.7% 8,806,311  U.S. Government Sponsored Agency Securities  Agency Obligations — 0.2% Fannie Mae, 6.19%, 10/09/19 (d)(f) 815 691,196  U.S. Treasury Obligations  U.S. Treasury Bonds: 2.88%, 5/15/43 1,292 1,096,585 3.63%, 8/15/43 525 518,930 U.S. Treasury Notes: 0.75%, 2/28/18 175 171,609 1.38%, 6/30/18 (d) 680 681,753 1.75%, 5/15/23 1,260 1,167,568 2.50%, 8/15/23 (d) 15,173 15,018,903  Total U.S. Treasury Obligations — 5.7% 18,655,348  |   |              | 642,865     |
| State of Illinois GO, 4.42%, 1/01/15   1,100   1,132,208     Total Taxable Municipal Bonds — 2.7%   8,806,311     U.S. Government Sponsored Agency Securities     Agency Obligations — 0.2%     Fannie Mae, 6.19%, 10/09/19 (d)(f)   815   691,196     U.S. Treasury Obligations     U.S. Treasury Bonds:  |   |              |             |
| U.S. Government Sponsored Agency Securities  |   |              |             |
| U.S. Government Sponsored Agency Securities  Agency Obligations — 0.2% Fannie Mae, 6.19%, 10/09/19 (d)(f) 815 691,196  U.S. Treasury Obligations  U.S. Treasury Bonds: 2.88%, 5/15/43 1,292 1,096,585 3.63%, 8/15/43 525 518,930  U.S. Treasury Notes: 0.75%, 2/28/18 175 171,609 680 681,753 1.38%, 6/30/18 (d) 680 681,753 1.75%, 5/15/23 1,260 1,167,568 2.50%, 8/15/23 (d) 15,173 15,018,903  Total U.S. Treasury Obligations — 5.7% 18,655,348  | State of Illinois GO, 4.42%, 1/01/15            | 1,100        | 1,132,208   |
| Agency Obligations — 0.2% Fannie Mae, 6.19%, 10/09/19 (d)(f) 815 691,196  U.S. Treasury Obligations  U.S. Treasury Bonds:  2.88%, 5/15/43 1,292 1,096,585 3.63%, 8/15/43 525 518,930  U.S. Treasury Notes:  0.75%, 2/28/18 175 171,609 1.38%, 6/30/18 (d) 680 681,753 1.75%, 5/15/23 1,260 1,167,568 2.50%, 8/15/23 (d) 15,173 15,018,903  Total U.S. Treasury Obligations — 5.7%  Total Long-Term Investments   | Total Taxable Municipal Bonds — 2.7%            |              | 8,806,311   |
| Agency Obligations — 0.2% Fannie Mae, 6.19%, 10/09/19 (d)(f) 815 691,196  U.S. Treasury Obligations  U.S. Treasury Bonds:  2.88%, 5/15/43 1,292 1,096,585 3.63%, 8/15/43 525 518,930  U.S. Treasury Notes:  0.75%, 2/28/18 175 171,609 1.38%, 6/30/18 (d) 680 681,753 1.75%, 5/15/23 1,260 1,167,568 2.50%, 8/15/23 (d) 15,173 15,018,903  Total U.S. Treasury Obligations — 5.7%  Total Long-Term Investments   |   |              |             |
| Agency Obligations — 0.2% Fannie Mae, 6.19%, 10/09/19 (d)(f) 815 691,196  U.S. Treasury Obligations  U.S. Treasury Bonds:  2.88%, 5/15/43 1,292 1,096,585 3.63%, 8/15/43 525 518,930  U.S. Treasury Notes:  0.75%, 2/28/18 175 171,609 1.38%, 6/30/18 (d) 680 681,753 1.75%, 5/15/23 1,260 1,167,568 2.50%, 8/15/23 (d) 15,173 15,018,903  Total U.S. Treasury Obligations — 5.7%  Total Long-Term Investments   | U.S. Government Sponsored Agency Securities     |              |             |
| Fannie Mae, 6.19%, 10/09/19 (d)(f)  U.S. Treasury Obligations  U.S. Treasury Bonds:  2.88%, 5/15/43 3.63%, 8/15/43 3.63%, 8/15/43 3.525 3.63%, 8/15/43 3.525 3.63%, 8/15/43 3.525 3.63%, 8/15/43 3.525 3.63%, 8/15/43 3.525 3.63%, 8/15/43 3.525 3.63%, 8/15/43 3.525 3.63%, 8/15/23 |   |              |             |
| U.S. Treasury Bonds:  2.88%, 5/15/43 3.63%, 8/15/43 3.63%, 8/15/43 3.525 518,930 U.S. Treasury Notes:  0.75%, 2/28/18 1.38%, 6/30/18 (d) 1.38%, 6/30/18 (d) 1.75%, 5/15/23 2.50%, 8/15/23 (d) 15,173 15,018,903 Total U.S. Treasury Obligations — 5.7% Total Long-Term Investments   | Fannie Mae, 6.19%, 10/09/19 (d)(f)              | 815          | 691,196     |
| U.S. Treasury Bonds:  2.88%, 5/15/43 3.63%, 8/15/43 3.63%, 8/15/43 3.525 518,930 U.S. Treasury Notes:  0.75%, 2/28/18 1.38%, 6/30/18 (d) 1.38%, 6/30/18 (d) 1.75%, 5/15/23 2.50%, 8/15/23 (d) 15,173 15,018,903 Total U.S. Treasury Obligations — 5.7% Total Long-Term Investments   | 1 1 111   |              |             |
| U.S. Treasury Bonds:  2.88%, 5/15/43 3.63%, 8/15/43 3.63%, 8/15/43 3.525 518,930 U.S. Treasury Notes:  0.75%, 2/28/18 1.38%, 6/30/18 (d) 1.38%, 6/30/18 (d) 1.75%, 5/15/23 2.50%, 8/15/23 (d) 15,173 15,018,903 Total U.S. Treasury Obligations — 5.7% Total Long-Term Investments   |   |              |             |
| 2.88%, 5/15/43       1,292       1,096,585         3.63%, 8/15/43       525       518,930         U.S. Treasury Notes:       175       171,609         0.75%, 2/28/18       175       171,609         1.38%, 6/30/18 (d)       680       681,753         1.75%, 5/15/23       1,260       1,167,568         2.50%, 8/15/23 (d)       15,173       15,018,903         Total U.S. Treasury Obligations - 5.7%         Total Long-Term Investments  | U.S. Treasury Obligations                       |              |             |
| 3.63%, 8/15/43 525 518,930 U.S. Treasury Notes: 0.75%, 2/28/18 175 171,609 1.38%, 6/30/18 (d) 680 681,753 1.75%, 5/15/23 1,260 1,167,568 2.50%, 8/15/23 (d) 15,173 15,018,903  Total U.S. Treasury Obligations — 5.7%  Total Long-Term Investments   | U.S. Treasury Bonds:                            | 4 000        | 1 000 505   |
| U.S. Treasury Notes:  0.75%, 2/28/18   |   |              |             |
| 0.75%, 2/28/18       175       171,609         1.38%, 6/30/18 (d)       680       681,753         1.75%, 5/15/23       1,260       1,167,568         2.50%, 8/15/23 (d)       15,173       15,018,903         Total U.S. Treasury Obligations – 5.7%         Total Long-Term Investments   |   | 525          | 518,930     |
| 1.38%, 6/30/18 (d)       680       681,753         1.75%, 5/15/23       1,260       1,167,568         2.50%, 8/15/23 (d)       15,173       15,018,903         Total U.S. Treasury Obligations – 5.7%         Total Long-Term Investments  |   | 175          | 171 600     |
| 1.75%, 5/15/23       1,260       1,167,568         2.50%, 8/15/23 (d)       15,173       15,018,903         Total U.S. Treasury Obligations – 5.7%       18,655,348         Total Long-Term Investments  |   |              |             |
| 2.50%, 8/15/23 (d)       15,173       15,018,903         Total U.S. Treasury Obligations – 5.7%       18,655,348         Total Long-Term Investments   |   |              |             |
| Total U.S. Treasury Obligations — 5.7% 18,655,348 Total Long-Term Investments  |   |              |             |
| Total Long-Term Investments  |   | 10,170       |             |
|  |   |              | 10,000,040  |
|  | (Cost — \$341,238,907) — 108.5%                 |              | 352,558,087 |
|  |   |              |             |
|  |   |              |             |
|  |   |              |             |

Series C Portfolio (Percentages shown are based on Net Assets)

| Short-Term Securities  | Shares    | Shares |            |  |  |
|--|-----------|--------|------------|--|--|
| Dreyfus Treasury Prime, 0.00% (g)  | 2,775,732 | \$     | 2,775,732  |  |  |
| Total Short-Term Securities<br>(Cost - \$2,775,732) - 0.8%               |           |        | 2,775,732  |  |  |
| Options Purchased  |           |        |            |  |  |
| (Cost - \$1,601,118) - 0.5%  |           |        | 1,500,917  |  |  |
| Total Investments Before Options Written (Cost – \$345,615,757) – 109.8% |           | 3      | 56,834,736 |  |  |

| Options Written   | Value                       |
|---|-----------------------------|
| (Premiums Received $-$ \$1,438,530) $-$ (0.4)%  | \$ (1,334,100)              |
| Total Investments Net of Options Written — 109.4%<br>Liabilities in Excess of Other Assets — (9.4)% | 355,500,636<br>(30,649,693) |
| Net Assets — 100.0%   | \$324,850,943               |

#### **Notes to Schedule of Investments**

- (a) Variable rate security. Rate shown is as of report date.
- (b) Security is perpetual in nature and has no stated maturity date.
- (c) Security exempt from registration pursuant to Rule 144A under the Securities Act of 1933, as amended. These securities may be resold in transactions exempt from registration to qualified institutional investors.
- (d) All or a portion of security has been pledged as collateral in connection with open reverse repurchase agreements.
- (e) Represents a step-up bond that pays an initial coupon rate for the first period and then a higher coupon rate for the following periods. Rate shown is as of report date.
- (f) Represents a zero-coupon bond. Rate shown reflects the annualized yield at date of purchase.
- (g) Represents the current yield as of report date.
- For Fund compliance purposes, the Fund's industry classifications refer to any one or more of the industry sub-classifications used by one or more widely recognized market indexes or ratings group indexes, and/or as defined by Fund management. These definitions may not apply for purposes of this report, which may combine such industry sub-classifications for reporting ease.
- Reverse repurchase agreements outstanding as of September 30, 2013 were as follows:

| Counterparty                                | Interest<br>Rate | Trade<br>Date | Maturity<br>Date | Face<br>Value | Including Accrued<br>Interest |
|---|------------------|---------------|------------------|---------------|-------------------------------|
| Deutsche Bank Securities, Inc.              | 0.15%            | 11/13/12      | Open             | \$ 722,294    | \$ 723,263                    |
| UBS Securities LLC                          | 0.30%            | 3/07/13       | Open             | 5,955,000     | 5,965,322                     |
| UBS Securities LLC                          | 0.30%            | 3/07/13       | Open             | 1,078,000     | 1,079,868                     |
| BNP Paribas Securities Corp.                | 0.34%            | 4/12/13       | Open             | 1,933,000     | 1,936,140                     |
| BNP Paribas Securities Corp.                | 0.34%            | 4/12/13       | Open             | 3,678,000     | 3,683,975                     |
| UBS Securities LLC                          | 0.32%            | 4/30/13       | Open             | 843,700       | 844,855                       |
| Deutsche Bank Securities, Inc.              | 0.32%            | 5/02/13       | Open             | 1,732,725     | 1,735,066                     |
| Deutsche Bank Securities, Inc.              | 0.32%            | 5/03/13       | Open             | 2,929,906     | 2,933,838                     |
| Merrill Lynch, Pierce, Fenner & Smith, Inc. | 0.09%            | 8/01/13       | Open             | 680,850       | 680,954                       |
| Merrill Lynch, Pierce, Fenner & Smith, Inc. | 0.07%            | 9/11/13       | Open             | 9,637,500     | 9,637,875                     |
| Merrill Lynch, Pierce, Fenner & Smith, Inc. | 0.07%            | 9/18/13       | Open             | 3,273,750     | 3,273,833                     |
| Total                                       |                  |               |                  | \$32,464,725  | \$32,494,989                  |

• Financial futures contracts as of September 30, 2013 were as follows:

| Contracts<br>Purchased/ |                               |                        |               | Notional     | Unrealized<br>Appreciation |
|-------------------------|-------------------------------|------------------------|---------------|--------------|----------------------------|
| (Sold)                  | Issue                         | Exchange               | Expiration    | Value        | (Depreciation)             |
| 37                      | U.S. Ultra Treasury Bonds     | Chicago Board of Trade | December 2013 | \$ 5,257,469 | \$ 69,722                  |
| 82                      | U.S. Treasury Notes (2 Year)  | Chicago Board of Trade | December 2013 | \$18,061,781 | 81,312                     |
| 74                      | U.S. Treasury Notes (5 Year)  | Chicago Board of Trade | December 2013 | \$ 8,957,469 | 97,697                     |
| (152)                   | U.S. Treasury Notes (10 Year) | Chicago Board of Trade | December 2013 | \$19,211,375 | (449,459)                  |
| (10)                    | U.S. Treasury Bonds (20 Year) | Chicago Board of Trade | December 2013 | \$ 1,333,750 | 1,261                      |
| Total                   |                               |                        |               |              | <u>\$(199,467)</u>         |

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Over-the-counter interest rate swaptions purchased as of September 30, 2013 were as follows:

| Description                | Counterparty                       | Put/<br>Call | Exercise Rate | Pay/Receive<br>Exercise Rate | Floating Rate<br>Index | Expiration<br>Date | Notional<br>Amount<br>(000) | Mark<br>Valu |        |
|----------------------------|------------------------------------|--------------|---------------|------------------------------|------------------------|--------------------|-----------------------------|--------------|--------|
| 30-Year Interest Rate Swap | Royal Bank of<br>Scotland PLC      | Call         | 3.25%         | Receive                      | 3-month LIBOR          | 7/11/14            | \$ 1.800                    | \$           | 30.006 |
| 30-Year Interest Rate Swap | Barclays Bank PLC                  | Call         | 3.25%         | Receive                      | 3-month LIBOR          | 8/01/14            | \$ 1,700                    |              | 30,033 |
| 10-Year Interest Rate Swap | Deutsche Bank AG<br>JPMorgan Chase | Put          | 4.50%         | Pay                          | 3-month LIBOR          | 2/02/17            | \$ 3,500                    | 1            | 51,425 |
| 5-Year Interest Rate Swap  | Bank N.A.                          | Put          | 4.50%         | Pay                          | 3-month LIBOR          | 8/07/18            | \$41,400                    | 1,2          | 89,453 |
| Total                      |                                    |              |               |                              |                        |                    |                             | \$1,50       | 00,917 |

• Over-the-counter interest rate swaptions written as of September 30, 2013 were as follows:

|                            |                  | Put/ |               | Pay/Receive   | Floating Rate | Expiration | Notional<br>Amount | Market        |
|----------------------------|------------------|------|---------------|---------------|---------------|------------|--------------------|---------------|
| Description                | Counterparty     | Call | Exercise Rate | Exercise Rate | Index         | Date       | (000)              | Value         |
| 10-Year Interest Rate Swap | Deutsche Bank AG | Put  | 6.00%         | Receive       | 3-month LIBOR | 2/02/17    | \$ 7,000           | \$ (111,608)  |
|                            | JPMorgan Chase   |      |               |               |               |            |                    |               |
| 5-Year Interest Rate Swap  | Bank N.A.        | Put  | 6.00%         | Receive       | 3-month LIBOR | 8/07/18    | \$82,800           | (1,222,492)   |
| Total                      |                  |      |               |               |               |            |                    | \$(1,334,100) |

Centrally cleared interest rate swaps outstanding as of September 30, 2013 were as follows:

| Fixed<br>Rate | Floating<br>Rate | Clearinghouse      | Expiration<br>Date | Notional<br>Amount<br>(000) | Unrealized Appreciation (Depreciation) |
|---------------|------------------|--------------------|--------------------|-----------------------------|--|
| $0.44\%^{1}$  | 3-month LIBOR    | Chicago Mercantile | 8/29/14            | \$ 7,400                    | \$ (9,686)                             |
| $0.64\%^{1}$  | 3-month LIBOR    | Chicago Mercantile | 9/09/15            | \$ 18,800                   | (74,414)                               |
| 3.82%2        | 3-month LIBOR    | Chicago Mercantile | 9/05/43            | \$ 2,900                    | 86,731                                 |
| Total         |                  |                    |                    |                             | \$ 2,631                               |

Fund pays the fixed rate and receives the floating rate.

Credit default swaps - buy protection outstanding as of September 30, 2013 were as follows:

| Issuer                 | Pay<br>Fixed<br>Rate | Counterparty                | Expiration<br>Date | Notional<br>Amount<br>(000) | Market<br>Value | Premiums<br>Paid<br>(Received) | Unrealized<br>Depreciation |
|------------------------|----------------------|-----------------------------|--------------------|-----------------------------|-----------------|--------------------------------|----------------------------|
| News America, Inc.     | 1.00%                | Goldman Sachs Bank USA      | 6/20/17            | \$3,000                     | \$ (72,541)     | \$(28,757)                     | \$ (43,784)                |
| CIGNA Corp.            | 1.00%                | Goldman Sachs Bank USA      | 9/20/17            | \$1,200                     | (31,935)        | (2,184)                        | (29,751)                   |
| General Dynamics Corp. | 1.00%                | Credit Suisse International | 9/20/17            | \$1,380                     | (41,216)        | (27,169)                       | (14,047)                   |
| Humana, Inc.           | 1.00%                | Goldman Sachs Bank USA      | 9/20/17            | \$1,200                     | (14,337)        | 15,841                         | (30,178)                   |
| Lockheed Martin Corp.  | 1.00%                | Credit Suisse International | 9/20/17            | \$1,380                     | (40,167)        | (9,377)                        | (30,790)                   |
| Northrop Grumman Corp. | 1.00%                | Credit Suisse International | 9/20/17            | \$1,165                     | (34,318)        | (21,093)                       | (13,225)                   |
| Raytheon Co.           | 1.00%                | Credit Suisse International | 9/20/17            | \$1,165                     | (34,526)        | (22,475)                       | (12,051)                   |
| Exelon Corp.           | 1.00%                | JPMorgan Chase Bank N.A.    | 9/20/18            | \$500                       | 7,033           | 12,675                         | (5,642)                    |
| Exelon Corp.           | 1.00%                | JPMorgan Chase Bank N.A.    | 9/20/18            | \$400                       | 5,627           | 10,686                         | (5,059)                    |
| Exelon Corp.           | 1.00%                | JPMorgan Chase Bank N.A.    | 9/20/18            | \$350                       | (5,860)         | 7,604                          | (13,464)                   |
| Total                  |                      |                             |                    |                             | \$(262,240)     | \$(64,249)                     | \$(197,991)                |

<sup>&</sup>lt;sup>2</sup> Fund pays the floating rate and receives the fixed rate.

Credit default swaps - sold protection outstanding as of September 30, 2013 were as follows:

| Issuer                                | Receive<br>Fixed<br>Rate | Counterparty                           | Expiration<br>Date | Issuer<br>Credit<br>Rating <sup>1</sup> | Notional<br>Amount<br>(000) <sup>2</sup> | Market<br>Value | Premiums<br>Paid<br>(Received) | Unrealized<br>Appreciation |
|---------------------------------------|--------------------------|--|--------------------|---|--|-----------------|--------------------------------|----------------------------|
| Anadarko Petroleum Corp.              | 1.00%                    | Morgan Stanley Capital<br>Services LLC | 6/20/17            | BBB-                                    | \$ 200                                   | \$ 3,357        | \$ (8,246)                     | \$ 11,603                  |
| The Interpublic Group of Cos., Inc.   | 1.00%                    | Goldman Sachs Bank USA                 | 6/20/17            | BB+                                     | \$3,000                                  | 11,723          | (97,131)                       | 108,854                    |
| Comcast Corp.                         | 1.00%                    | Credit Suisse International            | 9/20/17            | A-                                      | \$1,400                                  | 37,118          | 4,682                          | 32,436                     |
| UnitedHealth Group, Inc.              | 1.00%                    | Goldman Sachs Bank USA                 | 9/20/17            | Α                                       | \$1,200                                  | 32,111          | (2,380)                        | 34,491                     |
| WellPoint, Inc.                       | 1.00%                    | Goldman Sachs Bank USA                 | 9/20/17            | Not Rated                               | \$1,200                                  | 22,325          | (9,154)                        | 31,479                     |
| Public Service Enterprise Group, Inc. | 1.00%                    | JPMorgan Chase Bank<br>N.A.            | 9/20/18            | BBB+                                    | \$ 500                                   | (1,006)         | (4,694)                        | 3,688                      |
| Public Service Enterprise Group, Inc. | 1.00%                    | JPMorgan Chase Bank<br>N.A.            | 9/20/18            | BBB+                                    | \$ 500                                   | (1,006)         | (3,071)                        | 2,065                      |
| Public Service Enterprise Group, Inc. | 1.00%                    | JPMorgan Chase Bank<br>N.A.            | 9/20/18            | BBB+                                    | \$ 350                                   | (704)           | (857)                          | 153                        |
| Total                                 |                          |  |                    |   | _  | \$103,918       | \$(120,851)                    | \$224,769                  |

<sup>&</sup>lt;sup>1</sup> Using S&P's rating of the issuer.

Interest rate swaps outstanding as of September 30, 2013 were as follows:

|              |               |                        |            | Notional |           |          |              |
|--------------|---------------|------------------------|------------|----------|-----------|----------|--------------|
| Fixed        | Floating      |                        | Expiration | Amount   | Market    | Premiums | Unrealized   |
| Rate         | Rate          | Counterparty           | Date       | (000)    | Value     | Paid     | Depreciation |
| $0.41\%^{1}$ | 3-month LIBOR | Goldman Sachs Bank USA | 2/08/15    | \$ 6,600 | \$(5,656) | _        | \$(5,656)    |

Fund pays the fixed rate and receives the floating rate.

- Fair Value Measurements Various inputs are used in determining the fair value of investments and derivative financial instruments. These inputs to valuation techniques are categorized into a disclosure hierarchy consisting of three broad levels for financial statement purposes as follows:
  - Level 1 unadjusted price quotations in active markets/exchanges for identical assets or liabilities that the Fund has the ability to access
  - Level 2 other observable inputs (including, but not limited to, quoted prices for similar assets or liabilities in markets that are active, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the assets or liabilities (such as interest rates, yield curves, volatilities, prepayment speeds, loss severities, credit risks and default rates) or other market-corroborated inputs)
  - Level 3 unobservable inputs based on the best information available in the circumstances, to the extent observable inputs are not available (including the Fund's own assumptions used in determining the fair value of investments and derivative financial instruments)

The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3. The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the fair value hierarchy classification is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

Changes in valuation techniques may result in transfers into or out of an assigned level within the disclosure hierarchy. In accordance with the Fund's policy, transfers between different levels of the fair value disclosure hierarchy are deemed to have occurred as of the beginning of the reporting period. The categorization of a value determined for investments and derivative financial instruments is based on the pricing transparency of the investment and derivative financial instrument and is not necessarily an indication of the risks associated with investing in those securities. For information about the Fund's policy regarding valuation of investments and derivative financial instruments, please refer to Note 2 of the Notes to Financial Statements.

The following tables summarize the Fund's investments and derivative financial instruments categorized in the disclosure hierarchy as of September 30, 2013:

|                                    | Level 1      | Level 2       | Level 3 | Total         |
|------------------------------------|--------------|---------------|---------|---------------|
| Assets:                            |              |               |         |               |
| Investments:                       |              |               |         |               |
| Long-Term Investments <sup>1</sup> | _            | \$352,558,087 | _       | \$352,558,087 |
| Short-Term Securities              | \$ 2,775,732 | _             | _       | 2,775,732     |
| Options Purchased:                 |              |               |         |               |
| Interest Rate Contracts            | -            | 1,500,917     | _       | 1,500,917     |
| Total                              | \$ 2,775,732 | \$354,059,004 | _       | \$356,834,736 |

<sup>&</sup>lt;sup>1</sup> See above Schedule of Investments for values in each security type.

<sup>&</sup>lt;sup>2</sup> The maximum potential amount the Fund may pay should a negative credit event take place as defined under the terms of the agreement.

|   | Level 1      | Level 2        | Level 3 | Total          |
|---|--------------|----------------|---------|----------------|
| Derivative Financial Instruments <sup>2</sup> |              |                |         |                |
| Assets:                                       |              |                |         |                |
| Interest rate contracts                       | \$ 249,992   | \$ 86,731      | _       | \$ 336,723     |
| Credit contracts                              | _            | 224,769        | _       | 224,769        |
| Liabilities:                                  |              |                |         |                |
| Interest rate contracts                       | (449,459)    | (1,423,856)    | _       | (1,873,315)    |
| Credit contracts                              | _            | (197,991)      | _       | (197,991)      |
| Total   | \$ (199,467) | \$ (1,310,347) | _       | \$ (1,509,814) |

<sup>&</sup>lt;sup>2</sup> Derivative financial instruments are swaps, financial futures contracts and options written. Swaps and financial futures contracts are valued at the unrealized appreciation/ depreciation on the instrument and options written are shown at value.

Certain of the Fund's assets and/or liabilities are held at carrying amount or face value, which approximates fair value for financial statement purposes. As of September 30, 2013, such assets and/or liabilities are categorized within the disclosure hierarchy as follows:

|  | Level 1 |         | Level 2         | Level 3 | Total           |
|--|---------|---------|-----------------|---------|-----------------|
| Assets:  |         |         |                 |         |                 |
| Cash   | \$      | 13,884  | _               | _       | \$ 13,884       |
| Cash pledged for financial futures contracts   |         | 120,000 | _               | _       | 120,000         |
| Cash pledged for centrally cleared swaps       |         | 180,000 | _               | _       | 180,000         |
| Liabilities:                                   |         |         |                 |         |                 |
| Reverse repurchase agreements                  |         | _       | \$ (32,494,989) | _       | (32,494,989)    |
| Cash received as collateral for swap contracts |         | _       | (100,000)       |         | (100,000)       |
| Total  | \$      | 313,884 | \$ (32,594,989) | _       | \$ (32,281,105) |

There were no transfers between levels during the period ended September 30, 2013.

| Asset-Backed Securities   | Par<br>(000) | Value        | Non-Agency Mortgage-Backed Securities                                  | Par<br>(000)      | Value                    |
|---|--------------|--------------|--|-------------------|--------------------------|
| SLM Private Education Loan Trust,   |              |              | Interest Only Commercial Mortgage-Backed Secur                         | ities (concluded) |                          |
| Series 2012-C, Class A1, 1.28%,<br>8/15/23 (a)(b)                                       | \$ 1,333     | \$ 1,338,551 | WF-RBS Commercial Mortgage Trust,<br>Series 2012-C10, Class XA, 1.98%, | <b>4.7.407</b>    | <b>*</b> 4.020.400       |
| SLM Student Loan Trust, Series 2008-4,<br>Class A4, 1.92%, 7/25/22 (b)                  | 7,350        | 7,671,261    | 12/15/45 (a)(b)  | \$ 17,187         | \$ 1,930,160             |
| Total Asset-Backed Securities — 3.3%  |              | 9,009,812    | Total Non Agency Mauteness Dealerd Consulting 1                        | 0.00/             | 4,297,107                |
|   |              |              | Total Non-Agency Mortgage-Backed Securities — 1                        | .9.9%             | 54,384,868               |
|   |              |              |  |                   |                          |
| Non-Agency Mortgage-Backed Securities   |              |              | U.S. Government Sponsored Agency Securities                            |                   |                          |
| Commercial Mortgage-Backed Securities — 18.3%   |              |              | Agency Obligations — 2.6%  |                   |                          |
| Banc of America Large Loan Trust,<br>Series 2010-HLTN, Class HLTN, 2.48%,               |              |              | Fannie Mae, 3.00%, 9/16/14   | 7,030             | 7,225,554                |
| 11/15/15 (a)(b)   | 4,024        | 4,030,930    | Collateralized Mortgage Obligations — 0.0%                             |                   |                          |
| Bear Stearns Commercial Mortgage Securities:<br>Series 2004-T16, Class A6, 4.75%,       |              |              | Freddie Mac, Series 2864, Class NA, 5.50%, 1/15/31                     | 2                 | 2,225                    |
| 2/13/46 (b)   | 6,996        | 7,201,915    | Interest Only Collateralized Mortgage Obligations                      |                   |                          |
| Series 2005-PW10, Class A4, 5.41%, 12/11/40 (b)   | 1,000        | 1,068,020    | Fannie Mae, Series 2013-52, Class El, 4.00%,                           |                   |                          |
| Series 2007-PW17, Class A4, 5.69%,  | 1,000        | 1,000,020    | 3/25/43<br>Freddie Mac, Series 4035, Class IP, 4.50%,                  | 563               | 69,876                   |
| 6/11/50 (b)   | 10,255       | 11,542,986   | 10/15/41   | 902               | 150,930                  |
| Citigroup/Deutsche Bank Commercial Mortgage<br>Trust, Series 2006-CD3, Class A5, 5.62%, |              |              |  |                   | 220,806                  |
| 10/15/48  | 500          | 548,376      | Interest Only Commercial Mortgage-Backed Secur                         | ities - 3.1%      |                          |
| Credit Suisse Mortgage Capital Certificates:<br>Series 2006-C1, Class A3, 5.57%,        |              |              | Fannie Mae, Series 2012-M9, Class X1, 4.25%,                           | 10.140            | 0.504.400                |
| 2/15/39 (b)   | 2,128        | 2,160,014    | 12/25/17 (b)<br>Freddie Mac:   | 18,149            | 2,534,199                |
| Series 2006-C4, Class A3, 5.47%,<br>9/15/39   | 5,504        | 6,010,923    | Series K020, Class X1, 1.61%,  |                   |                          |
| Deutsche Bank ReREMIC Trust,  | 5,504        | 0,010,923    | 5/25/22 (b)  | 4,396             | 425,450                  |
| Series 2012-EZ1, Class A, 0.95%,  | 1 505        | 1 502 057    | Series K021, Class X1, 1.65%,<br>6/25/22 (b)                           | 12,048            | 1,203,326                |
| 9/25/45 (a) Greenwich Capital Commercial Funding Corp.,                                 | 1,595        | 1,593,957    | Series K023, Class X1, 1.44%,  |                   |                          |
| Series 2005-GG3, Class A3, 4.57%,   | 204          | 222.242      | 8/25/22 (b)<br>Series K024, Class X1, 1.02%, 9/25/22                   | 21,747<br>3,707   | 1,940,606<br>228,290     |
| 8/10/42<br>GS Mortgage Securities Trust,  | 301          | 300,618      | Series K025, Class X1, 1.03%, 10/25/22                                 | 2,694             | 169,511                  |
| Series 2007-GG10, Class A4, 5.99%,  |              |              | Series K027, Class X1, 0.96%,  | 2.266             | 102 400                  |
| 8/10/45 (b) JPMorgan Chase Commercial Mortgage  | 8,735        | 9,688,906    | 1/25/23 (b)<br>Series KO28, Class X1, 0.50%, 2/25/23                   | 3,266<br>21,374   | 193,480<br>572,285       |
| Securities Corp.:   |              |              | Series K711, Class X1, 1.83%,  |                   |                          |
| Series 2005-CB12, Class A4, 4.90%,  | 280          | 294,673      | 7/25/19 (b)<br>Series K712, Class X1, 1.51%,                           | 12,063            | 981,407                  |
| 9/12/37<br>Series 2006-LDP7, Class A4, 6.06%,   | 200          | 294,073      | 11/25/19 (b)   | 3,691             | 251,276                  |
| 4/15/45 (b)   | 2,105        | 2,312,340    |  |                   | 8,499,830                |
| Series 2006-LDP9, Class A25, 5.30%, 5/15/47   | 1,827        | 1,835,404    | Mortgage-Backed Securities — 134.2%                                    |                   |                          |
| LB-UBS Commercial Mortgage Trust,   | _,           | _,,,         | Fannie Mae Mortgage-Backed Securities:                                 |                   |                          |
| Series 2006-C3, Class A4, 5.66%, 3/15/39 (b)  | 355          | 385,640      | 2.04%, 3/01/43 (b)<br>2.08%, 11/01/42 (b)                              | 1,033<br>2,058    | 1,026,875<br>2,060,058   |
| SMA Issuer I LLC, Series 2012-LV1, Class A,   | 333          | 303,040      | 2.50%, 10/01/42 (b)<br>2.50%, 10/01/28 (c)                             | 21,300            | 21,419,813               |
| 3.50%, 8/20/25 (a)  | 240          | 240,805      | 3.00%, 10/01/28-10/01/43 (c)   | 27,570            | 27,351,883               |
| Wachovia Bank Commercial Mortgage Trust,<br>Series 2006-C28, Class A2, 5.50%,           |              |              | 3.50%, 1/01/27-10/01/43 (c)<br>4.00%, 10/01/28-10/01/43 (c)            | 38,953<br>32,277  | 40,262,541<br>33,860,776 |
| 10/15/48  | 866          | 872,254      | 4.50%, 10/01/28-10/01/43 (c)   | 18,004            | 19,217,923               |
|   |              | 50,087,761   | 5.00%, 10/01/35-10/01/43 (c)   | 35,749            | 38,735,430               |
| Interest Only Commercial Mortgage-Backed Securities                                     | es — 1.6%    |              | 5.50%, 10/01/43 (c)<br>6.00%, 2/01/38-10/01/43 (c)                     | 6,100<br>6,567    | 6,649,000<br>7,182,265   |
| Citigroup Commercial Mortgage Trust,<br>Series 2013-GC15, Class XA, 1.31%,              |              |              | 6.50%, 5/01/36-10/01/43 (c)  | 1,198             | 1,342,477                |
| 9/10/46   | 8,015        | 613,172      | Freddie Mac Mortgage-Backed Securities:                                | 224               | 4 000 00=                |
| Commercial Mortgage Pass-Through Certificates:  |              |              | 2.77%, 5/01/36 (b)<br>3.00%, 10/01/28-10/01/43 (c)                     | 964<br>21,491     | 1,029,636<br>20,968,077  |
| Series 2012-CR5, Class XA, 2.08%,<br>12/10/45 (b)                                       | 8,237        | 905,384      | 3.50%, 7/01/18-10/01/43 (c)  | 21,337            | 21,715,492               |
| Series 2013-CR7, Class XA, 1.76%,   |              |              | 4.00%, 6/01/18-10/01/43 (c)  | 11,902            | 12,502,052               |
| 3/10/46 (b) JPMorgan Chase Commercial Mortgage  | 4,089        | 378,899      | 4.50%, 4/01/14-10/01/43 (c)<br>5.00%, 5/01/28-10/01/43 (c)             | 8,682<br>3,130    | 9,234,575<br>3,373,852   |
| Securities Trust, Series 2013-LC11, Class XA,   |              |              | 5.50%, 1/01/28-10/01/43 (c)  | 2,796             | 3,032,132                |
| 1.73%, 4/15/46 (b)  | 4,690        | 469,492      | 6.00%, 8/01/28-11/01/39  | 2,082             | 2,267,356                |
|   |              |              |  |                   |                          |

Series M Portfolio (Percentages shown are based on Net Assets)

| U.S. Government Sponsored Agency Securities                    | Par<br>(000)       | Value         |
|--|--------------------|---------------|
| Mortgage-Backed Securities (concluded)                         |                    |               |
| Ginnie Mae Mortgage-Backed Securities:                         |                    |               |
| 3.00%, 10/15/43 (c)  | \$ 13,700          | \$ 13,531,953 |
| 3.50%, 9/15/42-10/15/43 (c)                                    | 14,473             | 14,911,863    |
| 4.00%, 10/20/40-10/15/43 (c)                                   | 12,500             | 13,233,885    |
| 4.50%, 7/15/40-10/15/43 (c)                                    | 21,257             | 22,888,599    |
| 5.00%, 7/15/33-10/15/43 (c)                                    | 9,258              | 10,146,872    |
| 5.50%, 7/15/38-12/20/41  | 4,027              | 4,422,105     |
| 6.00%, 10/15/43 (c)  | 2,100              | 2,316,563     |
| 6.50%, 10/15/43 (c)  | 10,900             | 12,221,625    |
|  |                    | 366,905,678   |
| Total U.S. Government Sponsored Agency Securities              | s — <b>140.0</b> % | 382,854,093   |
|  |                    |               |
| U.S. Treasury Obligations                                      |                    |               |
| U.S. Treasury Notes, 0.63%, 9/30/17                            | 2,245              | 2,206,590     |
| Total U.S. Treasury Obligations $-$ 0.8%                       |                    | 2,206,590     |
| Total Long-Term Investments<br>(Cost – \$442,007,962) – 164.0% |                    | 448,455,363   |
|  |                    |               |
| Short-Term Securities  | Shares             |               |
| Dreyfus Treasury Prime, 0.00% (d)                              | 111,318,835        | 111,318,835   |
| Total Short-Term Securities                                    |                    |               |
| (Cost - \$111,318,835) - 40.7%                                 |                    | 111,318,835   |
|  |                    |               |
| Total Investments Before TBA Sale Commitments                  |                    |               |

|   | Par        |                |
|---|------------|----------------|
| TBA Sale Commitments(c)                           | (000)      | Value          |
| Fannie Mae Mortgage-Backed Securities:            |            |                |
| 2.50%, 10/01/28                                   | \$ \$5,000 | \$ (5,028,123) |
| 3.00%, 10/01/28-10/01/43                          | 10,700     | (10,616,188)   |
| 3.50%, 10/01/28-10/01/43                          | 25,900     | (26,781,890)   |
| 4.00%, 10/01/43                                   | 10,700     | (11,223,296)   |
| 4.50%, 10/01/43                                   | 10,000     | (10,679,688)   |
| 5.00%, 10/01/43                                   | 17,800     | (19,301,875)   |
| Freddie Mac Mortgage-Backed Securities:           |            |                |
| 4.50%, 10/01/28                                   | 600        | (634,172)      |
| 6.00%, 10/01/43                                   | 1,000      | (1,090,781)    |
| Ginnie Mae Mortgage-Backed Securities:            |            |                |
| 3.00%, 10/15/43                                   | 5,600      | (5,534,375)    |
| 3.50%, 10/15/43                                   | 5,600      | (5,776,751)    |
| 4.00%, 10/15/43                                   | 2,100      | (2,222,719)    |
| 4.50%, 10/15/43                                   | 7,000      | (7,520,188)    |
| 5.00%, 10/15/43                                   | 3,900      | (4,236,984)    |
| 5.50%, 10/15/43                                   | 1,600      | (1,753,251)    |
| Total TBA Sale Commitments                        |            |                |
| (Proceeds - \$111,528,305) - (41.1)%              |            | (112,400,281)  |
| Total Investments Net of TBA Sale Commitments –   | - 163.6%   | 447,373,917    |
| Liabilities in Excess of Other Assets $-$ (63.6)% |            | (173,887,493)  |
| Net Assets — 100.0%                               |            | \$ 273,486,424 |

### Notes to Schedule of Investments

<sup>(</sup>c) Represents or includes a TBA transaction. Unsettled TBA transactions as of September 30, 2013 were as follows:

| Counterparty                                | Value          | Unrealized<br>Appreciation<br>(Depreciation) |  |  |
|---|----------------|--|--|--|
| Barclays Capital, Inc.                      | \$ (16,656)    | \$ 711                                       |  |  |
| BNP Paribas Securities Corp.                | \$ 21,000      | \$ (5,532)                                   |  |  |
| Citigroup Global Markets, Inc.              | \$ 2,723,750   | \$ 8,812                                     |  |  |
| Credit Suisse Securities (USA) LLC          | \$ (2,269,189) | \$ 2,383                                     |  |  |
| Deutsche Bank Securities, Inc.              | \$21,539,627   | \$ 427,697                                   |  |  |
| Goldman Sachs & Co.                         | \$65,900,072   | \$1,115,226                                  |  |  |
| J.P. Morgan Securities LLC                  | \$71,864,423   | \$1,782,408                                  |  |  |
| Merrill Lynch, Pierce, Fenner & Smith, Inc. | \$10,434,034   | \$ 182,215                                   |  |  |
| Morgan Stanley & Co. LLC                    | \$ 7,767,047   | \$ 266,157                                   |  |  |

(d) Represents the current yield as of report date.

<sup>(</sup>a) Security exempt from registration pursuant to Rule 144A under the Securities Act of 1933, as amended. These securities may be resold in transactions exempt from registration to qualified institutional investors.

<sup>(</sup>b) Variable rate security. Rate shown is as of report date.

#### **Series M Portfolio**

## Schedule of Investments (continued)

• Financial futures contracts as of September 30, 2013 were as follows:

| Contracts<br>Purchased/<br>(Sold) | Issue                         | Exchange               | Expiration    | Notional<br>Value | Unrealized Appreciation (Depreciation) |
|-----------------------------------|-------------------------------|------------------------|---------------|-------------------|--|
| 452                               | U.S. Treasury Notes (2 Year)  | Chicago Board of Trade | December 2013 | \$99,560,063      | \$ 127,048                             |
| 725                               | U.S. Treasury Notes (10 Year) | Chicago Board of Trade | December 2013 | \$91,633,203      | 1,334,504                              |
| (30)                              | U.S. Treasury Notes (5 Year)  | Chicago Board of Trade | December 2013 | \$ 3,631,406      | (8,926)                                |
| (22)                              | U.S. Ultra Treasury Bonds     | Chicago Board of Trade | December 2013 | \$ 3,126,063      | (37,012)                               |
| Total                             |                               |                        |               |                   | \$1,415,614                            |

Centrally cleared interest rate swaps outstanding as of September 30, 2013 were as follows:

| Fixed<br>Rate | Floating<br>Rate | Clearinghouse      | Expiration<br>Date | Notional<br>Amount<br>(000) | Unrealized<br>Appreciation<br>(Depreciation) |
|---------------|------------------|--------------------|--------------------|-----------------------------|--|
| 0.46%1        | 3-month LIBOR    | Chicago Mercantile | 6/11/15            | \$ 100                      | \$ 208                                       |
| $0.50\%^{1}$  | 3-month LIBOR    | Chicago Mercantile | 6/12/15            | \$ 42,400                   | 116,942                                      |
| $0.48\%^{2}$  | 3-month LIBOR    | Chicago Mercantile | 8/01/15            | \$ 80,000                   | (100,864)                                    |
| $0.53\%^{1}$  | 3-month LIBOR    | Chicago Mercantile | 8/20/15            | \$ 40,000                   | 78,312                                       |
| $0.48\%^{2}$  | 3-month LIBOR    | Chicago Mercantile | 9/26/15            | \$ 70,700                   | (35,263)                                     |
| $3.82\%^{1}$  | 3-month LIBOR    | Chicago Mercantile | 8/28/43            | \$ 8,000                    | 262,440                                      |
| Total         |                  |                    |                    |                             | \$ 321,775                                   |

<sup>1</sup> Fund pays the floating rate and receives the fixed rate.

Interest rate swaps outstanding as of September 30, 2013 were as follows:

| Fixed<br>Rate      | Floating<br>Rate | Counterparty           | Expiration<br>Date | Notional<br>Amount<br>(000) | Market<br>Value | Premiums<br>Paid | Unrealized<br>Appreciation<br>(Depreciation) |
|--------------------|------------------|------------------------|--------------------|-----------------------------|-----------------|------------------|--|
| $0.39\%^{1}$       | 3-month LIBOR    | Citibank N.A.          | 9/14/14            | \$ 43,000                   | \$ (35,436)     | _                | \$ (35,436)                                  |
| $0.38\%^{2}$       | 3-month LIBOR    | Citibank N.A.          | 10/03/14           | \$ 43,000                   | 78,921          | _                | 78,921                                       |
| $0.39\%^{1}$       | 3-month LIBOR    | Deutsche Bank AG       | 10/11/14           | \$ 45,965                   | (86,762)        | _                | (86,762)                                     |
| $0.36\%^{1}$       | 3-month LIBOR    | Deutsche Bank AG       | 10/19/14           | \$ 45,965                   | (68,692)        | _                | (68,692)                                     |
| $0.41\%^{2}$       | 3-month LIBOR    | Citibank N.A.          | 3/21/15            | \$ 35,830                   | 24,843          | _                | 24,843                                       |
| $0.41\%^{2}$       | 3-month LIBOR    | Citibank N.A.          | 3/22/15            | \$ 37,170                   | 21,107          | _                | 21,107                                       |
| $0.36\%^{1}$       | 3-month LIBOR    | Deutsche Bank AG       | 5/10/15            | \$ 42,400                   | (21,190)        | _                | (21,190)                                     |
| 2.66% <sup>1</sup> | 3-month LIBOR    | Deutsche Bank AG       | 9/26/42            | \$ 4,400                    | 806,785         | _                | 806,785                                      |
| $2.62\%^{2}$       | 3-month LIBOR    | Deutsche Bank AG       | 12/13/42           | \$ 4,400                    | (812,515)       | _                | (812,515)                                    |
| $2.89\%^{1}$       | 3-month LIBOR    | Goldman Sachs Bank USA | 1/14/43            | \$ 3,700                    | 501,082         | _                | 501,082                                      |
| $3.01\%^{2}$       | 3-month LIBOR    | Deutsche Bank AG       | 4/02/43            | \$ 3,600                    | (383,808)       | _                | (383,808)                                    |
| 3.09%1             | 3-month LIBOR    | Bank of America N.A.   | 5/20/43            | \$ 9,000                    | 857,734         | _                | 857,734                                      |
| Total              |                  |                        |                    | _                           | \$ 882,069      | _                | \$ 882,069                                   |

Fund pays the fixed rate and receives the floating rate.

Fund pays the fixed rate and receives the floating rate.

<sup>&</sup>lt;sup>2</sup> Fund pays the floating rate and receives the fixed rate.

• Total return swaps outstanding as of September 30, 2013 were as follows:

| Reference Entity  | Floating Rate              | Counterparty                   | Expiration<br>Date | Notional<br>Amount/<br>Contract<br>Amount<br>(000) | Market<br>Value | Premiums<br>Paid<br>(Received) | Unrealized<br>Appreciation<br>(Depreciation) |
|---|----------------------------|--------------------------------|--------------------|--|-----------------|--------------------------------|--|
| Return on Markit<br>IOS 3.50%, 30-year,<br>fixed rate Fannie<br>Mae | 1-month LIBOR <sup>1</sup> | Citibank N.A.                  | 1/12/41            | \$789  | \$ (7,512)      | \$ (2,096)                     | \$ (5,416)                                   |
| Return on Markit<br>IOS 4.50%, 30-year,<br>fixed rate Fannie<br>Mae | 1-month LIBOR <sup>1</sup> | Citibank N.A.                  | 1/12/41            | \$554  | (13,137)        | (9,234)                        | (3,903)                                      |
| Return on Markit<br>IOS 4.50%, 30-year,<br>fixed rate Fannie<br>Mae | 1-month LIBOR <sup>2</sup> | Citibank N.A.                  | 1/12/42            | \$119  | 2,475           | 168                            | 2,307  |
| Return on Markit<br>IOS 4.50%, 30-year,<br>fixed rate Fannie<br>Mae | 1-month LIBOR <sup>2</sup> | Credit Suisse<br>International | 1/12/42            | \$298  | 6,186           | 303                            | 5,883  |
| Return on Markit<br>IOS 4.50%, 30-year,<br>fixed rate Fannie<br>Mae | 1-month LIBOR <sup>2</sup> | Goldman Sachs Bank<br>USA      | 1/12/42            | \$358  | 7,423           | (11,941)                       | 19,364                                       |
| Total   |                            |                                |                    |  | \$ (4,565)      | \$(22,800)                     | \$18,235                                     |

<sup>&</sup>lt;sup>1</sup> Fund pays the floating rate and receives the total return of the reference entity.

- Fair Value Measurements Various inputs are used in determining the fair value of investments and derivative financial instruments. These inputs to valuation techniques are categorized into a disclosure hierarchy consisting of three broad levels for financial statement purposes as follows:
  - Level 1 unadjusted price quotations in active markets/exchanges for identical assets or liabilities that the Fund has the ability to access
  - Level 2 other observable inputs (including, but not limited to, quoted prices for similar assets or liabilities in markets that are active, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the assets or liabilities (such as interest rates, yield curves, volatilities, prepayment speeds, loss severities, credit risks and default rates) or other market-corroborated inputs)
  - Level 3 unobservable inputs based on the best information available in the circumstances, to the extent observable inputs are not available (including the Fund's own assumptions used in determining the fair value of investments and derivative financial instruments)

The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3. The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the fair value hierarchy classification is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

Changes in valuation techniques may result in transfers into or out of an assigned level within the disclosure hierarchy. In accordance with the Fund's policy, transfers between different levels of the fair value disclosure hierarchy are deemed to have occurred as of the beginning of the reporting period. The categorization of a value determined for investments and derivative financial instruments is based on the pricing transparency of the investment and derivative financial instrument and is not necessarily an indication of the risks associated with investing in those securities. For information about the Fund's policy regarding valuation of investments and derivative financial instruments, please refer to Note 2 of the Notes to Financial Statements.

The following tables summarize the Fund's investments and derivative financial instruments categorized in the disclosure hierarchy as of September 30, 2013:

|   | Level 1       | Level 2        | Level 3    | Total          |
|---|---------------|----------------|------------|----------------|
| Assets:                                     |               |                |            |                |
| Investments:                                |               |                |            |                |
| Long-Term Investments:                      |               |                |            |                |
| Asset-Backed Securities                     | _             | \$ 9,009,812   | -          | \$ 9,009,812   |
| Non-Agency Mortgage-Backed Securities       | -             | 53,771,696     | \$ 613,172 | 54,384,868     |
| U.S. Government Sponsored Agency Securities | _             | 382,854,093    | _          | 382,854,093    |
| U.S. Treasury Obligations                   | _             | 2,206,590      | _          | 2,206,590      |
| Short-Term Securities                       | \$111,318,835 | _              | _          | 111,318,835    |
| Liabilities:                                |               |                |            |                |
| Investments in Securities:                  |               |                |            |                |
| TBA Sale Commitments                        | _             | (112,400,281)  | _          | (112,400,281)  |
| Total                                       | \$111,318,835 | \$ 335,441,910 | \$ 613,172 | \$ 447,373,917 |

See Notes to Financial Statements.

Fund pays the total return of the reference entity and receives the floating rate.

|   | Level 1      | Level 2      | Level 3 | Total        |
|---|--------------|--------------|---------|--------------|
| Derivative Financial Instruments <sup>1</sup> |              |              |         |              |
| Assets:                                       |              |              |         |              |
| Interest rate contracts                       | \$ 1,461,552 | \$ 2,775,928 | _       | \$ 4,237,480 |
| Liabilities:                                  |              |              |         |              |
| Interest rate contracts                       | (45,938)     | (1,553,849)  |         | (1,599,787)  |
| Total   | \$ 1,415,614 | \$ 1,222,079 | _       | \$ 2,637,693 |

<sup>&</sup>lt;sup>1</sup> Derivative financial instruments are swaps and financial futures contracts, which are valued at the unrealized appreciation/depreciation on the instrument.

Certain of the Fund's assets and/or liabilities are held at carrying amount, which approximates fair value for financial statement purposes. As of September 30, 2013, such assets and/or liabilities are categorized within the disclosure hierarchy as follows:

|  | Level 1 |           | Level 2           | 2 Level 3 |   | Total         |
|--|---------|-----------|-------------------|-----------|---|---------------|
| Assets:  |         |           |                   |           |   |               |
| Cash   | \$      | 10,144    | _                 |           | _ | \$<br>10,144  |
| Cash pledged as collateral for over-the-counter-derivatives  |         | 600,000   | _                 |           | _ | 600,000       |
| Cash pledged for financial futures contracts                 |         | 1,272,000 | _                 |           | _ | 1,272,000     |
| Cash pledged for centrally cleared swaps                     |         | 450,000   | _                 |           | _ | 450,000       |
| Liabilities:   |         |           |                   |           |   |               |
| Cash received as collateral for over-the-counter-derivatives |         | _         | \$<br>(1,800,000) |           | _ | (1,800,000)   |
| Total  | \$      | 2,332,144 | \$<br>(1,800,000) |           | _ | \$<br>532,144 |

There were no transfers between Level 1 and Level 2 during the period ended September 30, 2013.

A reconciliation of Level 3 investments is presented when the Fund had a significant amount of Level 3 investments at the beginning and/or end of the period in relation to net assets. The following table is a reconciliation of Level 3 investments for which significant unobservable inputs were used in determining fair value:

|   | Corporate<br>Bonds | Non-Agency<br>Mortgage-Backed<br>Securities | U.S. Government Sponsored Agency Securities | Total        |
|---|--------------------|---|---|--------------|
| Assets:   |                    |   |   |              |
| Opening Balance, as of March 31, 2013                           | \$ 3,103,875       | \$ 2,643,367                                | \$ 298,984                                  | \$ 6,046,226 |
| Transfers into Level 3  | _                  | _   | _   | _            |
| Transfers out of Level 3  | _                  | _   | _   | _            |
| Accrued discounts/premiums                                      | (47)               | _   | _   | (47)         |
| Net realized gain (loss)  | (468)              | 10,428                                      | (10,793)                                    | (833)        |
| Net change in unrealized appreciation/depreciation <sup>2</sup> | (3,360)            | (2,417)                                     | 1,910                                       | (3,867)      |
| Purchases   | _                  | 616,900                                     | _   | 616,900      |
| <u>Sales</u>  | (3,100,000)        | (2,655,106)                                 | (290,101)                                   | (6,045,207)  |
| Closing Balance, as of September 30, 2013                       |                    | \$ 613,172                                  |   | \$ 613,172   |

<sup>&</sup>lt;sup>2</sup> Included in the related net change in unrealized appreciation/depreciation in the Statements of Operations. The change in unrealized appreciation/depreciation on investments still held as of September 30, 2013 was \$(3,728).

### Schedule of Investments September 30, 2013 (Unaudited)

Series P Portfolio (Percentages shown are based on Net Assets)

| Affiliated Investment Companies (a)          | Shares    | Value         |                                       | Value         |
|--|-----------|---------------|---------------------------------------|---------------|
| Fixed Income Funds — 27.8%                   |           | _             | Total Affiliated Investment Companies |               |
| BlackRock Allocation Target Shares: Series S |           |               | (Cost - \$41,778,017) - 27.8%         | \$ 41,716,421 |
| Portfolio                                    | 4,248,108 | \$ 41,716,421 | Other Assets Less Liabilities — 72.2% | 108,277,368   |
|  |           |               | Net Assets — 100.0%                   | \$149,993,789 |

#### **Notes to Schedule of Investments**

(a) Investments in issuers considered to be an affiliate of the Portfolio during the period ended September 30, 2013, for purposes of Section 2(a)(3) of the Investment Company Act of 1940, as amended, were as follows:

|                         | Shares Held at |           | Shares Held at | Value at      |           |          |
|-------------------------|----------------|-----------|----------------|---------------|-----------|----------|
|                         | March 31,      | Shares    | September 30,  | September 30, |           | Realized |
| Affiliate               | 2013           | Purchased | 2013           | 2013          | Income    | Gain     |
| BlackRock Allocation    |                |           |                |               |           |          |
| Target Shares: Series S |                |           |                |               |           |          |
| Portfolio               | 179,810        | 4,068,298 | 4,248,108      | \$41,716,421  | \$169,082 | \$78,628 |

• Financial futures contracts as of September 30, 2013 were as follows:

|                |                               |                        |               | Notional      | Unrealized    |
|----------------|-------------------------------|------------------------|---------------|---------------|---------------|
| Contracts Sold | Issue                         | Exchange               | Expiration    | Value         | Depreciation  |
| (96)           | U.S. Treasury Notes (2 Year)  | Chicago Board of Trade | December 2013 | \$ 21,145,500 | \$ (62,070)   |
| (846)          | U.S. Treasury Notes (10 Year) | Chicago Board of Trade | December 2013 | \$106,926,469 | (2,042,192)   |
| Total          |                               |                        |               |               | \$(2,104,262) |

• Interest rate centrally cleared swaps outstanding as of September 30, 2013 were as follows:

|                    |               |                    |            | Notional  |               |
|--------------------|---------------|--------------------|------------|-----------|---------------|
| Fixed              | Floating      |                    | Expiration | Amount    | Unrealized    |
| Rate               | Rate          | Clearinghouse      | Date       | (000)     | Depreciation  |
| 3.07% <sup>1</sup> | 3-month LIBOR | Chicago Mercantile | 9/05/23    | \$ 50,000 | \$(1,476,647) |

Fund pays the fixed rate and receives the floating rate.

- Fair Value Measurements Various inputs are used in determining the fair value of investments and derivative financial instruments. These inputs to valuation techniques are categorized into a disclosure hierarchy consisting of three broad levels for financial statement purposes as follows:
  - Level 1 unadjusted price quotations in active markets/exchanges for identical assets or liabilities that the Fund has the ability to access
  - Level 2 other observable inputs (including, but not limited to, quoted prices for similar assets or liabilities in markets that are active, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the assets or liabilities (such as interest rates, yield curves, volatilities, prepayment speeds, loss severities, credit risks and default rates) or other market-corroborated inputs)
  - Level 3 unobservable inputs based on the best information available in the circumstances, to the extent observable inputs are not available (including the Fund's own assumptions used in determining the fair value of investments and derivative financial instruments)

The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3. The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the fair value hierarchy classification is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

Changes in valuation techniques may result in transfers into or out of an assigned level within the disclosure hierarchy. In accordance with the Fund's policy, transfers between different levels of the fair value disclosure hierarchy are deemed to have occurred as of the beginning of the reporting period. The categorization of a value determined for investments and derivative financial instruments is based on the pricing transparency of the investment and derivative financial instrument and is not necessarily an indication of the risks associated with investing in those securities. For information about the Fund's policy regarding valuation of investments and derivative financial instruments, please refer to Note 2 of the Notes to Financial Statements.

See Notes to Financial Statements.

#### **Series P Portfolio**

## Schedule of Investments (concluded)

The following tables summarize the Fund's investments and derivative financial instruments categorized in the disclosure hierarchy as of September 30, 2013:

|   | Level 1        | Level 2        | Level 3 | Total          |
|---|----------------|----------------|---------|----------------|
| Assets:                                       |                |                |         |                |
| Investments:                                  |                |                |         |                |
| Long-Term Investments:                        |                |                |         |                |
| Affiliated Investment Companies               | \$ 41,716,421  | _              | _       | \$ 41,716,421  |
|   |                |                |         |                |
|   | Level 1        | Level 2        | Level 3 | Total          |
| Derivative Financial Instruments <sup>1</sup> |                |                |         |                |
| Liabilities:                                  |                |                |         |                |
| Interest rate contracts                       | \$ (2,104,262) | \$ (1,476,647) | -       | \$ (3,580,909) |

<sup>&</sup>lt;sup>1</sup> Derivative financial instruments are swaps and financial futures contracts, which are valued at the unrealized appreciation/depreciation on the instrument.

Certain of the Fund's assets are held at carrying amount, which approximates fair value for financial statement purposes. As of September 30, 2013, such assets are categorized within the disclosure hierarchy as follows:

|  | Level 1       | Level 2 | Level 3 | Total         |
|--|---------------|---------|---------|---------------|
| Assets:                                      |               |         |         |               |
| Cash   | \$101,958,947 | -       | _       | \$101,958,947 |
| Cash pledged for financial futures contracts | 1,291,000     | -       | _       | 1,291,000     |
| Cash pledged for centrally cleared swaps     | 1,990,000     |         |         | 1,990,000     |
| Total  | \$105,239,947 |         |         | \$105,239,947 |

There were no transfers between levels during the period ended September 30, 2013.

| Asset-Backed Securities  | Par<br>(000) | Value              | Asset-Backed Securities                             | Par<br>(000) | Value      |
|--|--------------|--------------------|---|--------------|------------|
| AmeriCredit Automobile Receivables Trust:  |              | _                  | SLC Private Student Loan Trust, Series 2006-A,      |              | _          |
| Series 2011-3, Class D, 4.04%, 7/10/17   | \$ 669       | \$ 698,304         | Class A4, 0.39%, 1/15/19 (b)                        | \$ 97        | \$ 97,017  |
| Series 2013-2, Class B, 1.19%, 5/08/18   | 480          | 476,663            | SLM Private Credit Student Loan Trust:              |              |            |
| Series 2013-2, Class C, 1.79%, 3/08/19<br>Series 2013-4, Class A3, 0.96%,        | 575          | 565,926            | Series 2003-B, Class A2, 0.65%,<br>3/15/22 (b)      | 386          | 376,604    |
| 4/09/18  | 800          | 801,593            | Series 2004-B, Class A2, 0.45%,                     |              |            |
| Series 2013-4, Class B, 1.66%, 9/10/18   | 300          | 300,556            | 6/15/21 (b)   | 550          | 540,889    |
| Series 2013-4, Class C, 2.72%, 9/09/19   | 300          | 303,412            | SLM Private Education Loan Trust:                   |              |            |
| Chesapeake Funding LLC, Series 2012-1A,  | 245          | 246 105            | Series 2010-C, Class A1, 1.83%,<br>12/15/17 (a)(b)  | 54           | 54.054     |
| Class A, 0.94%, 11/07/23 (a)(b)<br>Citibank Omni Master Trust, Series 2009-A14A, | 345          | 346,195            | Series 2012-B, Class A1, 1.28%,                     | 0.1          | 01,001     |
| Class A14, 2.93%, 8/15/18 (a)(b)   | 697          | 711,598            | 12/15/21 (a)(b)                                     | 157          | 157,344    |
| Credit Acceptance Auto Loan Trust:   |              |                    | Series 2012-C, Class A1, 1.28%,                     | 000          | 000 110    |
| Series 2011-1, Class A, 2.61%,   | 710          | 740000             | 8/15/23 (a)(b)<br>Series 2012-E, Class A1, 0.93%,   | 626          | 629,119    |
| 3/15/19 (a)  | 710          | 716,260            | 10/16/23 (a)(b)                                     | 221          | 220,594    |
| Series 2012-1A, Class A, 2.20%,<br>9/16/19 (a)                                   | 1,150        | 1,160,713          | Series 2013-4, Class A, 0.73%,                      |              | .,         |
| Series 2013-1A, Class A, 1.21%,  | _,           | _,,                | 6/25/27 (b)   | 744          | 744,383    |
| 10/15/20 (a)   | 770          | 769,779            | Series 2013-C, Class A1, 1.03%,                     | 960          | 960,000    |
| DT Auto Owner Trust:   |              |                    | 2/15/22 (a)(b) Toyota Auto Receivables Owner Trust, | 900          | 900,000    |
| Series 2012-2A, Class A, 0.91%,<br>11/16/15 (a)                                  | 199          | 198,918            | Series 2013-A, Class A4, 0.69%, 11/15/18            | 775          | 769,931    |
| Series 2012-2A, Class B, 1.85%,  | 133          | 130,310            | World Financial Network Credit Card Master          |              |            |
| 4/17/17 (a)  | 880          | 881,302            | Trust, Series 2012-D, Class B, 3.34%,               | 220          | 216 406    |
| Ford Credit Floorplan Master Owner Trust:  |              |                    | 4/17/23   | 330          | 316,486    |
| Series 2012-1, Class B, 1.08%,   | 705          | 700 100            | Total Asset-Backed Securities — 12.9%               |              | 24,969,993 |
| 1/15/16 (b)<br>Series 2012-1, Class C, 1.68%,                                    | 795          | 796,128            |   |              |            |
| 1/15/16 (b)  | 890          | 892,530            |   |              |            |
| Series 2012-1, Class D, 2.28%,   |              |                    | Corporate Bonds                                     |              |            |
| 1/15/16 (b)  | 500          | 501,779            | Air Freight & Logistics — 0.1%                      |              |            |
| Series 2012-4, Class C, 1.39%, 9/15/16   | 430          | 431,597            | Federal Express Corp. Pass-Through Trust,           |              |            |
| HLSS Servicer Advance Receivables Backed Notes:                                  |              |                    | Series 2012, 2.63%, 1/15/18 (a)                     | 278          | 281,120    |
| Series 2013-T3, Class A3, 1.79%,   |              |                    | Airlines — 0.4%                                     |              |            |
| 5/15/46 (a)  | 560          | 551,096            | UAL Pass-Through Trust:                             |              |            |
| Series 2013-T6, Class AT6, 1.29%,  | 540          | F 40,000           | 10.40%, 5/01/18 (c)                                 | 355          | 397,810    |
| 9/15/44 (a)<br>Honda Auto Receivables Owner Trust,                               | 540          | 540,000            | 9.75%, 7/15/18 (c)                                  | 402          | 457,177    |
| Series 2013-3, Class A4, 1.13%, 9/16/19  | 775          | 777,487            |   |              | 854,987    |
| PFS Financing Corp., Series 2012-AA, Class A,                                    |              | ,                  | Auto Components — 0.3%                              |              |            |
| 1.38%, 2/15/16 (a)(b)  | 1,000        | 1,001,675          | Delphi Corp., 5.88%, 5/15/19                        | 500          | 530,625    |
| Prestige Auto Receivables Trust, Series 2013-1A,<br>Class B, 1.74%, 5/15/19 (a)  | 1,300        | 1,284,615          | Automobiles — 0.9%                                  |              |            |
| Santander Consumer Acquired Receivables  | 1,300        | 1,204,015          | Daimler Finance North America LLC:                  |              |            |
| Trust:   |              |                    | 1.30%, 7/31/15 (a)(c)                               | 1,340        | 1,345,923  |
| Series 2011-S1A, Class B, 1.66%,   |              |                    | 1.45%, 8/01/16 (a)                                  | 300          | 300,962    |
| 8/15/16 (a)  | 641          | 642,547            |   |              | 1,646,885  |
| Series 2011-S1A, Class C, 2.01%,<br>8/15/16 (a)                                  | 277          | 277,717            | Capital Markets — 3.4%                              |              |            |
| Santander Drive Auto Receivables Trust:  | 2            | 2,.1.              | The Bank of New York Mellon Corp., 0.82%,           | 4 000        | 4 000 400  |
| Series 2011-S1A, Class D, 3.10%,   |              |                    | 8/01/18 (b)   | 1,000        | 1,000,490  |
| 5/15/17 (a)  | 5            | 4,770              | The Goldman Sachs Group, Inc.: 5.35%, 1/15/16       | 489          | 533,127    |
| Series 2012-1, Class C, 3.78%,   | 200          | 200.754            | 3.63%, 2/07/16                                      | 1,116        | 1,174,546  |
| 11/15/17<br>Series 2012-5, Class C, 2.70%, 8/15/18                               | 390<br>160   | 398,754<br>161,008 | 5.95%, 1/18/18                                      | 2,600        | 2,939,053  |
| Series 2012-6, Class C, 1.94%, 3/15/18   | 145          | 143,951            | Morgan Stanley, 3.80%, 4/29/16 (c)                  | 734          | 772,553    |
| Series 2012-AA, Class A3, 0.65%,   |              | ,                  | Murray Street Investment Trust I, 4.65%,            |              |            |
| 3/15/17 (a)  | 715          | 713,626            | 3/09/17 (d)   | 140          | 149,309    |
| Series 2012-AA, Class B, 1.21%,  | 555          | EE3 636            |   |              | 6,569,078  |
| 10/16/17 (a)<br>Series 2013-1, Class C, 1.76%, 1/15/19                           | 555<br>280   | 553,626<br>275,337 | Chemicals — 0.6%                                    |              |            |
| Series 2013-3, Class C, 1.70%, 1/15/19   | 450          | 442,041            | LyondellBasell Industries NV, 5.00%, 4/15/19        | 1,000        | 1,100,746  |
| Series 2013-4, Class A2, 0.89%,  | 100          | . 12,0 11          |   |              |            |
| 9/15/16  | 430          | 430,827            |   |              |            |
| Series 2013-A, Class C, 3.12%,   | 700          | 700.000            |   |              |            |
| 10/15/19 (a)<br>Series 2013-A, Class D, 3.78%,                                   | 720          | 720,360            |   |              |            |
| 10/15/19 (a)   | 630          | 630,882            |   |              |            |
| · / · / · · / · / · / · / · / · / · / ·  |              | ,                  |   |              |            |

Series S Portfolio (Percentages shown are based on Net Assets)

| Corporate Bonds  | Par<br>(000)   | Value                  | Corporate Bonds   | Par<br>(000)   | Value              |
|--|----------------|------------------------|---|----------------|--------------------|
| Commercial Banks — 3.0%  |                |                        | Diversified Financial Services (concluded)  |                |                    |
| Bank of Montreal, 2.85%, 6/09/15 (a)   | \$ 401         | \$ 416,799             | Novus USA Trust, Series 2013-1, 1.56%,  |                |                    |
| Branch Banking & Trust Co., 2.30%, 10/15/18  | 1,750          | 1,755,740              | 2/28/14 (a)(b)  | \$ 1,000       | \$ 998,500         |
| Canadian Imperial Bank of Commerce, 2.60%,   | 200            | 400 400                |   |                | 21,749,528         |
| 7/02/15 (a)  | 389<br>1,000   | 403,160<br>970,657     | Diversified Telecommunication Services — 3.2%   |                |                    |
| Regions Financial Corp., 2.00%, 5/15/18<br>Standard Chartered PLC, 5.50%, 11/18/14 (a) | 1,000          | 157,725                | AT&T Inc., 0.90%, 2/12/16 (c)   | 1,040          | 1,035,076          |
| The Toronto-Dominion Bank, 1.63%,  | 130            | 131,123                | Verizon Communications, Inc., 2.50%, 9/15/16  | 5,000          | 5,153,430          |
| 9/14/16 (a)  | 2,154          | 2,196,003              |   |                | 6,188,506          |
|  |                | 5,900,084              | Electric Utilities — 1.8%   |                | 0,100,500          |
| Commercial Services & Supplies — 0.6%  |                | 0,000,001              | Indiana Michigan Power Co., 5.05%,  |                |                    |
| Aviation Capital Group Corp.:  |                |                        | 11/15/14 (c)  | 900            | 944,141            |
| 3.88%, 9/27/16 (a)   | 900            | 905,248                | Oncor Electric Delivery Co. LLC, 6.38%,   |                |                    |
| 4.63%, 1/31/18 (a)   | 200            | 198,872                | 1/15/15   | 540            | 576,731            |
| , , , , , ,  |                |                        | Progress Energy, Inc., 5.63%, 1/15/16   | 1,000          | 1,098,783          |
|  |                | 1,104,120              | Trans-Allegheny Interstate Line Co., 4.00%,   | 926            | 056 204            |
| Computers & Peripherals — 0.6%   | 200            | 205.070                | 1/15/15 (a)   | 920            | 956,204            |
| Dell, Inc., 5.63%, 4/15/14<br>Hewlett-Packard Co.:                                     | 300            | 305,978                |   |                | 3,575,859          |
| 2.63%, 12/09/14 (c)  | 360            | 366,971                | <b>Electronic Equipment, Instruments &amp; Components</b>                             | <b>- 0.2</b> % |                    |
| 2.20%, 12/03/14 (c)<br>2.20%, 12/01/15   | 310            | 315,228                | Jabil Circuit, Inc., 7.75%, 7/15/16   | 354            | 400,905            |
| Lexmark International, Inc., 5.13%, 3/15/20  | 150            | 154,625                | Energy Equipment & Services — 0.3%  |                |                    |
|  |                |                        | Transocean, Inc.:   |                |                    |
|  |                | 1,142,802              | 4.95%, 11/15/15   | 430            | 461,304            |
| Consumer Finance — 2.4%  |                |                        | 2.50%, 10/15/17   | 155            | 155,416            |
| American Express Credit Corp.:   | 1.005          | 1 040 040              |   |                | 616,720            |
| 2.75%, 9/15/15 (c)<br>1.30%, 7/29/16   | 1,005<br>1,260 | 1,042,948<br>1,267,545 | Health Care Equipment & Supplies — 0.2%   |                |                    |
| 2.80%, 9/19/16   | 500            | 523.146                | Boston Scientific Corp., 6.25%, 11/15/15  | 425            | 468,072            |
| Capital One Financial Corp., 5.25%, 2/21/17  | 1,000          | 1,099,253              |   | 423            | 400,012            |
| SLM Corp., 5.00%, 10/01/13   | 680            | 680,000                | Health Care Providers & Services — 0.8%<br>Coventry Health Care, Inc., 6.13%, 1/15/15 | 670            | 713,890            |
|  |                |                        | WellPoint, Inc.:  | 070            | 113,090            |
|  |                | 4,612,892              | 1.25%, 9/10/15  | 306            | 308,082            |
| Diversified Financial Services — 11.2%   |                |                        | 2.38%, 2/15/17  | 500            | 508,695            |
| Bank of America Corp.:<br>1.25%, 1/11/16   | 644            | 643,366                |   |                | 1,530,667          |
| 6.50%, 8/01/16   | 1,107          | 1,254,581              | Hatala Bastanianta O Lalanna O 20/  |                | 1,330,007          |
| 5.65%, 5/01/18   | 1,960          | 2,211,907              | Hotels, Restaurants & Leisure — 0.3%<br>Carnival Corp., 1.88%, 12/15/17               | 550            | E20 746            |
| Citigroup, Inc.:   | _,,,,,         | _,,                    |   |                | 538,746            |
| 3.95%, 6/15/16   | 240            | 255,491                | Independent Power Producers & Energy Traders — (                                      |                | 474 570            |
| 1.70%, 7/25/16   | 2,706          | 2,718,304              | TransAlta Corp., 5.75%, 12/15/13  | 170            | 171,573            |
| 2.50%, 9/26/18   | 820            | 815,446                | Insurance — 4.0%  |                |                    |
| Ford Motor Credit Co. LLC:   | 4.400          | 4 040 000              | American International Group, Inc.:   | F4.4           | 500.004            |
| 12.00%, 5/15/15  | 1,129          | 1,318,906              | 4.88%, 9/15/16  | 514<br>750     | 563,031            |
| 5.63%, 9/15/15<br>4.21%, 4/15/16   | 994<br>100     | 1,073,805<br>105,975   | 3.80%, 3/22/17<br>Genworth Holdings, Inc., 6.52%, 5/22/18                             | 563            | 797,633<br>637,617 |
| 3.98%, 6/15/16   | 120            | 126,797                | Lincoln National Corp., 4.30%, 6/15/15 (c)  | 810            | 853,883            |
| 8.00%, 12/15/16  | 500            | 591,089                | Marsh & McLennan Cos., Inc., 2.30%,   | 010            | 000,000            |
| 2.88%, 10/01/18  | 875            | 874,813                | 4/01/17   | 1,000          | 1,010,194          |
| General Electric Capital Corp., 0.92%,   |                |                        | Prudential Financial, Inc.:   |                |                    |
| 7/12/16 (b)  | 1,500          | 1,505,357              | 6.00%, 12/01/17 (c)   | 1,250          | 1,449,205          |
| Icahn Enterprises LP/Icahn Enterprises Finance<br>Corp., 8.00%, 1/15/18                | 600            | 629 500                | 1.04%, 8/15/18 (b)  | 1,600          | 1,602,299          |
| ING US, Inc., 2.90%, 2/15/18   | 600<br>1,502   | 628,500<br>1,508,128   | XL Group PLC, 5.25%, 9/15/14 (c)  | 850            | 885,684            |
| JPMorgan Chase & Co.:  | 1,502          | 1,000,120              |   |                | 7,799,546          |
| 5.15%, 10/01/15 (c)  | 680            | 731,733                | IT Services — 0.5%  |                |                    |
| 2.60%, 1/15/16 (c)   | 940            | 970,970                | Computer Sciences Corp., 2.50%, 9/15/15   | 345            | 353,115            |
| 3.45%, 3/01/16   | 573            | 603,351                | The Western Union Co., 2.38%, 12/10/15  | 500            | 511,057            |
| 3.15%, 7/05/16   | 939            | 985,237                |   |                | 864,172            |
| 6.40%, 10/02/17 (c)  | 655            | 764,099                | Machinery — 0.2%  |                |                    |
| JPMorgan Chase Bank, NA, 6.00%, 10/01/17   | 250            | 286,039                | Pentair Finance SA, 1.35%, 12/01/15   | 400            | 401,491            |
| LeasePlan Corp NV, 2.50%, 5/16/18 (a)  | 800            | 777,134                |   | 400            | 701,731            |

| Corporate Bonds  | Par<br>(000) | Value        |
|--|--------------|--------------|
| Media — 2.4%   |              |              |
| Comcast Cable Communications LLC, 8.88%,                               |              |              |
| 5/01/17 (c)  | \$ 1,000     | \$ 1,246,049 |
| DIRECTV Holdings LLC/DIRECTV Financing Co., Inc., 3.13%, 2/15/16       | 603          | 623,357      |
| The Interpublic Group of Cos., Inc.:                                   | 003          | 020,001      |
| 6.25%, 11/15/14  | 1,010        | 1,057,975    |
| 2.25%, 11/15/17  | 247          | 242,603      |
| Omnicom Group, Inc., 5.90%, 4/15/16<br>TCM Sub LLC, 3.55%, 1/15/15 (a) | 500          | 558,811      |
| Virgin Media Secured Finance PLC, 6.50%,                               | 200          | 206,031      |
| 1/15/18  | 650          | 676,813      |
|  |              | 4,611,639    |
| Metals & Mining – 2.0%   |              |              |
| Anglo American Capital PLC, 9.38%,                                     |              |              |
| 4/08/14 (a)(c)   | 1,200        | 1,250,148    |
| Barrick Gold Corp., 1.75%, 5/30/14                                     | 855          | 858,104      |
| Freeport-McMoRan Copper & Gold, Inc., 1.40%,                           | 225          | 225 000      |
| 2/13/15<br>Rio Tinto Finance USA Ltd.:                                 | 335          | 335,880      |
| 8.95%, 5/01/14 (c)   | 910          | 953,852      |
| 1.88%, 11/02/15  | 510          | 517,530      |
|  |              | 3,915,514    |
| Multi-Utilities — 0.2%   |              |              |
| CenterPoint Energy, Inc., Series B, 6.85%,                             |              |              |
| 6/01/15  | 375          | 410,227      |
| Oil, Gas & Consumable Fuels — 2.7%                                     |              |              |
| Enterprise Products Operating LLC, 9.75%,                              | 1 005        | 1 744 100    |
| 1/31/14 (c)<br>Petrohawk Energy Corp.:                                 | 1,695        | 1,744,189    |
| 7.25%, 8/15/18 (c)   | 630          | 683,550      |
| 6.25%, 6/01/19   | 300          | 328,875      |
| Pioneer Natural Resources Co., 5.88%,                                  |              | ,            |
| 7/15/16  | 1,290        | 1,436,745    |
| Southeast Supply Header LLC, 4.85%,<br>8/15/14 (a)                     | 410          | 423,170      |
| Tennessee Gas Pipeline Co. LLC, 8.00%,                                 | 110          | 120,110      |
| 2/01/16  | 332          | 380,153      |
| Total Capital International SA, 1.00%, 8/12/16                         | 250          | 250,606      |
|  |              | 5,247,288    |
| Pharmaceuticals — 0.7%   |              | _            |
| Mylan, Inc., 6.00%, 11/15/18 (a)                                       | 1,000        | 1,077,842    |
| Zoetis, Inc., 1.15%, 2/01/16 (a)                                       | 250          | 251,006      |
|  |              | 1,328,848    |
| Professional Services — 0.2%   | 200          | 007.010      |
| Experian Finance PLC, 2.38%, 6/15/17 (a)(c)                            | 290          | 287,812      |
| Real Estate Investment Trusts (REITs) — 2.0%                           |              |              |
| ERP Operating LP: 5.13%, 3/15/16                                       | 432          | 472,442      |
| 5.38%, 8/01/16   | 568          | 630,643      |
| Health Care REIT, Inc., 4.70%, 9/15/17                                 | 1,250        | 1,360,196    |
| ProLogis LP, 4.00%, 1/15/18 (c)  | 1,400        | 1,479,010    |
|  |              | 3,942,291    |
| Road & Rail — 0.9%   |              |              |
| Penske Truck Leasing Co. LP/PTL Finance Corp.:                         |              |              |
| 3.13%, 5/11/15 (a)   | 818          | 841,972      |
| 2.50%, 3/15/16 (a)   | 450          | 458,342      |
| 3.38%, 3/15/18 (a)   | 515          | 527,529      |
|  |              | 1,827,843    |
|  |              |              |

| Corporate Bonds   | Par<br>(000)  | Value  |
|---|---|--|
| Tobacco — 0.7%  |   |  |
| BAT International Finance PLC, 1.40%,   |   |  |
| 6/05/15 (a)<br>Reynolds American, Inc.:   | \$ 650  | \$ 655,871   |
| 1.05%, 10/30/15   | 250   | 250,129  |
| 7.63%, 6/01/16  | 400   | 468,672  |
|   |   | 1,374,672  |
| Wireless Telecommunication Services — 1.5%  |   |  |
| ADC Telecommunications, Inc., 3.50%,  | 4 440   | 4 407 005  |
| 7/15/15 (e)<br>CC Holdings GS V LLC/Crown Castle GS III   | 1,410   | 1,427,625  |
| Corp., 2.38%, 12/15/17  | 100   | 98,584   |
| SBA Tower Trust, 4.25%, 4/15/40 (a)   | 255   | 259,778  |
| Vodafone Group PLC, 0.90%, 2/19/16 (c)  | 1,170   | 1,167,950  |
|   |   | 2,953,937  |
| Total Corporate Bonds — 48.4%   |   | 93,949,195   |
|   |   |  |
| Foreign Agency Obligations  |   |  |
| Achmea Hypotheekbank NV, 3.20%,   |   |  |
| 11/03/14 (a)  | 1,010   | 1,040,623  |
| Corp Nacional del Cobre de Chile, 4.75%,  | 600   | 640,600  |
| 10/15/14 (a)(c)<br>Eksportfinans ASA, 3.00%, 11/17/14   | 620<br>460  | 642,699<br>460,000   |
| Petrobras Global Finance BV, 2.00%, 5/20/16   | 443   | 440,139  |
| Petrobras International Finance Co., 3.88%,   | 200   | 200,000  |
|   |   | 392,080  |
| 1/27/16<br>Sinonec Capital Ltd., 1.25%, 4/24/16 (a)   | 380<br>750  |  |
| Sinopec Capital Ltd., 1.25%, 4/24/16 (a)  | 750   | 745,783  |
| • •   |   |  |
| Sinopec Capital Ltd., 1.25%, 4/24/16 (a)  Total Foreign Agency Obligations — 1.9%   |   | 745,783  |
| Sinopec Capital Ltd., 1.25%, 4/24/16 (a)  |   | 745,783  |
| Sinopec Capital Ltd., 1.25%, 4/24/16 (a)  Total Foreign Agency Obligations — 1.9%  Non-Agency Mortgage-Backed Securities  Collateralized Mortgage Obligations — 2.5%  |   | 745,783  |
| Sinopec Capital Ltd., 1.25%, 4/24/16 (a)  Total Foreign Agency Obligations — 1.9%  Non-Agency Mortgage-Backed Securities  Collateralized Mortgage Obligations — 2.5%  Arran Residential Mortgages Funding PLC,  |   | 745,783  |
| Sinopec Capital Ltd., 1.25%, 4/24/16 (a)  Total Foreign Agency Obligations — 1.9%  Non-Agency Mortgage-Backed Securities  Collateralized Mortgage Obligations — 2.5%  Arran Residential Mortgages Funding PLC, Series 2011-1A, Class A2C, 1.71%, 11/19/47 (a)(b)  |   | 745,783  |
| Sinopec Capital Ltd., 1.25%, 4/24/16 (a)  Total Foreign Agency Obligations — 1.9%  Non-Agency Mortgage-Backed Securities  Collateralized Mortgage Obligations — 2.5%  Arran Residential Mortgages Funding PLC, Series 2011-1A, Class A2C, 1.71%, 11/19/47 (a)(b)  Bear Stearns Adjustable Rate Mortgage Trust,  | 750   | 745,783<br>3,721,324   |
| Sinopec Capital Ltd., 1.25%, 4/24/16 (a)  Total Foreign Agency Obligations — 1.9%  Non-Agency Mortgage-Backed Securities  Collateralized Mortgage Obligations — 2.5%  Arran Residential Mortgages Funding PLC, Series 2011-1A, Class A2C, 1.71%, 11/19/47 (a)(b)  | 750   | 745,783<br>3,721,324   |
| Sinopec Capital Ltd., 1.25%, 4/24/16 (a)  Total Foreign Agency Obligations — 1.9%  Non-Agency Mortgage-Backed Securities  Collateralized Mortgage Obligations — 2.5%  Arran Residential Mortgages Funding PLC, Series 2011-1A, Class A2C, 1.71%, 11/19/47 (a)(b)  Bear Stearns Adjustable Rate Mortgage Trust, Series 2004-7, Class 4A, 2.81%, 10/25/34 (b)  Bear Stearns Alt-A Trust, Series 2004-13,  | 750<br>896<br>93                                    | 745,783<br>3,721,324<br>906,299<br>92,541                                |
| Sinopec Capital Ltd., 1.25%, 4/24/16 (a)  Total Foreign Agency Obligations — 1.9%  Non-Agency Mortgage-Backed Securities  Collateralized Mortgage Obligations — 2.5%  Arran Residential Mortgages Funding PLC, Series 2011-1A, Class A2C, 1.71%, 11/19/47 (a)(b)  Bear Stearns Adjustable Rate Mortgage Trust, Series 2004-7, Class 4A, 2.81%, 10/25/34 (b)  Bear Stearns Alt-A Trust, Series 2004-13, Class A1, 0.92%, 11/25/34 (b)  | 750   | 745,783<br>3,721,324<br>906,299  |
| Sinopec Capital Ltd., 1.25%, 4/24/16 (a)  Total Foreign Agency Obligations — 1.9%  Non-Agency Mortgage-Backed Securities  Collateralized Mortgage Obligations — 2.5%  Arran Residential Mortgages Funding PLC, Series 2011-1A, Class A2C, 1.71%, 11/19/47 (a)(b)  Bear Stearns Adjustable Rate Mortgage Trust, Series 2004-7, Class 4A, 2.81%, 10/25/34 (b)  Bear Stearns Alt-A Trust, Series 2004-13, Class A1, 0.92%, 11/25/34 (b)  Countrywide Home Loan Mortgage Pass-Through Trust, Series 2004-HYB1, Class 2A, 2.81%,   | 750<br>896<br>93<br>7                               | 906,299<br>92,541<br>7,314   |
| Sinopec Capital Ltd., 1.25%, 4/24/16 (a)  Total Foreign Agency Obligations — 1.9%  Non-Agency Mortgage-Backed Securities  Collateralized Mortgage Obligations — 2.5% Arran Residential Mortgages Funding PLC, Series 2011-1A, Class A2C, 1.71%, 11/19/47 (a)(b)  Bear Stearns Adjustable Rate Mortgage Trust, Series 2004-7, Class 4A, 2.81%, 10/25/34 (b)  Bear Stearns Alt-A Trust, Series 2004-13, Class A1, 0.92%, 11/25/34 (b)  Countrywide Home Loan Mortgage Pass-Through Trust, Series 2004-HYB1, Class 2A, 2.81%, 5/20/34 (b)  | 750<br>896<br>93                                    | 745,783<br>3,721,324<br>906,299<br>92,541                                |
| Sinopec Capital Ltd., 1.25%, 4/24/16 (a)  Total Foreign Agency Obligations — 1.9%  Non-Agency Mortgage-Backed Securities  Collateralized Mortgage Obligations — 2.5%  Arran Residential Mortgages Funding PLC, Series 2011-1A, Class A2C, 1.71%, 11/19/47 (a)(b)  Bear Stearns Adjustable Rate Mortgage Trust, Series 2004-7, Class 4A, 2.81%, 10/25/34 (b)  Bear Stearns Alt-A Trust, Series 2004-13, Class A1, 0.92%, 11/25/34 (b)  Countrywide Home Loan Mortgage Pass-Through Trust, Series 2004-HYB1, Class 2A, 2.81%, 5/20/34 (b)  Holmes Master Issuer PLC:  | 750<br>896<br>93<br>7                               | 906,299<br>92,541<br>7,314   |
| Sinopec Capital Ltd., 1.25%, 4/24/16 (a)  Total Foreign Agency Obligations — 1.9%  Non-Agency Mortgage-Backed Securities  Collateralized Mortgage Obligations — 2.5%  Arran Residential Mortgages Funding PLC, Series 2011-1A, Class A2C, 1.71%, 11/19/47 (a)(b)  Bear Stearns Adjustable Rate Mortgage Trust, Series 2004-7, Class 4A, 2.81%, 10/25/34 (b)  Bear Stearns Alt-A Trust, Series 2004-13, Class A1, 0.92%, 11/25/34 (b)  Countrywide Home Loan Mortgage Pass-Through Trust, Series 2004-HYB1, Class 2A, 2.81%, 5/20/34 (b)  Holmes Master Issuer PLC: Series 2011-3A, Class A2, 1.82%, 10/21/54 (a)(b)   | 750<br>896<br>93<br>7                               | 906,299<br>92,541<br>7,314   |
| Sinopec Capital Ltd., 1.25%, 4/24/16 (a)  Total Foreign Agency Obligations — 1.9%  Non-Agency Mortgage-Backed Securities  Collateralized Mortgage Obligations — 2.5%  Arran Residential Mortgages Funding PLC, Series 2011-1A, Class A2C, 1.71%, 11/19/47 (a)(b)  Bear Stearns Adjustable Rate Mortgage Trust, Series 2004-7, Class 4A, 2.81%, 10/25/34 (b)  Bear Stearns Alt-A Trust, Series 2004-13, Class A1, 0.92%, 11/25/34 (b)  Countrywide Home Loan Mortgage Pass-Through Trust, Series 2004-HYB1, Class 2A, 2.81%, 5/20/34 (b)  Holmes Master Issuer PLC: Series 2011-3A, Class A2, 1.82%, 10/21/54 (a)(b) Series 2011-3X, Class A2, 1.82%,  | 750<br>896<br>93<br>7<br>210<br>298                 | 906,299<br>92,541<br>7,314<br>195,488<br>300,604                         |
| Sinopec Capital Ltd., 1.25%, 4/24/16 (a)  Total Foreign Agency Obligations — 1.9%  Non-Agency Mortgage-Backed Securities  Collateralized Mortgage Obligations — 2.5% Arran Residential Mortgages Funding PLC, Series 2011-1A, Class A2C, 1.71%, 11/19/47 (a)(b)  Bear Stearns Adjustable Rate Mortgage Trust, Series 2004-7, Class 4A, 2.81%, 10/25/34 (b)  Bear Stearns Alt-A Trust, Series 2004-13, Class A1, 0.92%, 11/25/34 (b)  Countrywide Home Loan Mortgage Pass-Through Trust, Series 2004-HYB1, Class 2A, 2.81%, 5/20/34 (b)  Holmes Master Issuer PLC: Series 2011-3A, Class A2, 1.82%, 10/21/54 (a)(b) Series 2011-3X, Class A2, 1.82%, 10/15/54 (b) Series 2012-1A, Class A2, 1.89%,   | 750<br>896<br>93<br>7<br>210<br>298<br>419          | 906,299 92,541 7,314 195,488 300,604 422,868                             |
| Sinopec Capital Ltd., 1.25%, 4/24/16 (a)  Total Foreign Agency Obligations — 1.9%  Non-Agency Mortgage-Backed Securities  Collateralized Mortgage Obligations — 2.5% Arran Residential Mortgages Funding PLC, Series 2011-1A, Class A2C, 1.71%, 11/19/47 (a)(b) Bear Stearns Adjustable Rate Mortgage Trust, Series 2004-7, Class 4A, 2.81%, 10/25/34 (b) Bear Stearns Alt-A Trust, Series 2004-13, Class A1, 0.92%, 11/25/34 (b) Countrywide Home Loan Mortgage Pass-Through Trust, Series 2004-HYB1, Class 2A, 2.81%, 5/20/34 (b) Holmes Master Issuer PLC: Series 2011-3A, Class A2, 1.82%, 10/21/54 (a)(b) Series 2012-1A, Class A2, 1.89%, 10/15/54 (a)(b)   | 750<br>896<br>93<br>7<br>210<br>298                 | 906,299<br>92,541<br>7,314<br>195,488<br>300,604                         |
| Sinopec Capital Ltd., 1.25%, 4/24/16 (a)  Total Foreign Agency Obligations — 1.9%  Non-Agency Mortgage-Backed Securities  Collateralized Mortgage Obligations — 2.5% Arran Residential Mortgages Funding PLC, Series 2011-1A, Class A2C, 1.71%, 11/19/47 (a)(b)  Bear Stearns Adjustable Rate Mortgage Trust, Series 2004-7, Class 4A, 2.81%, 10/25/34 (b)  Bear Stearns Alt-A Trust, Series 2004-13, Class A1, 0.92%, 11/25/34 (b)  Countrywide Home Loan Mortgage Pass-Through Trust, Series 2004-HYB1, Class 2A, 2.81%, 5/20/34 (b)  Holmes Master Issuer PLC: Series 2011-3A, Class A2, 1.82%, 10/21/54 (a)(b) Series 2011-3X, Class A2, 1.82%, 10/15/54 (b) Series 2012-1A, Class A2, 1.89%,   | 750<br>896<br>93<br>7<br>210<br>298<br>419          | 906,299 92,541 7,314 195,488 300,604 422,868                             |
| Sinopec Capital Ltd., 1.25%, 4/24/16 (a)  Total Foreign Agency Obligations — 1.9%  Non-Agency Mortgage-Backed Securities  Collateralized Mortgage Obligations — 2.5% Arran Residential Mortgages Funding PLC, Series 2011-1A, Class A2C, 1.71%, 11/19/47 (a)(b)  Bear Stearns Adjustable Rate Mortgage Trust, Series 2004-7, Class 4A, 2.81%, 10/25/34 (b)  Bear Stearns Alt-A Trust, Series 2004-13, Class A1, 0.92%, 11/25/34 (b)  Countrywide Home Loan Mortgage Pass-Through Trust, Series 2004-HYB1, Class 2A, 2.81%, 5/20/34 (b)  Holmes Master Issuer PLC: Series 2011-3A, Class A2, 1.82%, 10/21/54 (a)(b) Series 2011-13X, Class A2, 1.89%, 10/15/54 (b) Series 2012-1A, Class A2, 1.92%, 10/15/54 (b) Series 2012-1X, Class A2, 1.92%, 10/15/54 (b)  Lanark Master Issuer PLC, Series 2012-2A,  | 750  896  93  7  210  298  419  1,230  1,030        | 906,299 92,541 7,314 195,488 300,604 422,868 1,245,818 1,043,590         |
| Sinopec Capital Ltd., 1.25%, 4/24/16 (a)  Total Foreign Agency Obligations — 1.9%  Non-Agency Mortgage-Backed Securities  Collateralized Mortgage Obligations — 2.5% Arran Residential Mortgages Funding PLC, Series 2011-1A, Class A2C, 1.71%, 11/19/47 (a)(b)  Bear Stearns Adjustable Rate Mortgage Trust, Series 2004-7, Class 4A, 2.81%, 10/25/34 (b)  Bear Stearns Alt-A Trust, Series 2004-13, Class A1, 0.92%, 11/25/34 (b)  Countrywide Home Loan Mortgage Pass-Through Trust, Series 2004-HYB1, Class 2A, 2.81%, 5/20/34 (b)  Holmes Master Issuer PLC: Series 2011-3A, Class A2, 1.82%, 10/21/54 (a)(b) Series 2011-1A, Class A2, 1.82%, 10/15/54 (b) Series 2012-1A, Class A2, 1.89%, 10/15/54 (a)(b) Series 2012-1X, Class A2, 1.92%, 10/15/54 (b)  Lanark Master Issuer PLC, Series 2012-2A, Class 1A, 1.66%, 12/22/54 (a)(b)   | 750<br>896<br>93<br>7<br>210<br>298<br>419<br>1,230 | 906,299 92,541 7,314 195,488 300,604 422,868 1,245,818                   |
| Sinopec Capital Ltd., 1.25%, 4/24/16 (a)  Total Foreign Agency Obligations — 1.9%  Non-Agency Mortgage-Backed Securities  Collateralized Mortgage Obligations — 2.5%  Arran Residential Mortgages Funding PLC, Series 2011-1A, Class A2C, 1.71%, 11/19/47 (a)(b)  Bear Stearns Adjustable Rate Mortgage Trust, Series 2004-7, Class 4A, 2.81%, 10/25/34 (b)  Bear Stearns Alt-A Trust, Series 2004-13, Class A1, 0.92%, 11/25/34 (b)  Countrywide Home Loan Mortgage Pass-Through Trust, Series 2004-HYB1, Class 2A, 2.81%, 5/20/34 (b)  Holmes Master Issuer PLC: Series 2011-3A, Class A2, 1.82%, 10/21/54 (a)(b) Series 2011-3X, Class A2, 1.82%, 10/15/54 (b)  Series 2012-1A, Class A2, 1.89%, 10/15/54 (a)(b) Series 2012-1X, Class A2, 1.92%, 10/15/54 (b)  Lanark Master Issuer PLC, Series 2012-2A, Class 1A, 1.66%, 12/22/54 (a)(b)  Structured Adjustable Rate Mortgage Loan Trust, Series 2004-6, Class 4A1, 2.54%, | 750  896  93  7  210  298  419  1,230  1,030  470   | 906,299 92,541 7,314 195,488 300,604 422,868 1,245,818 1,043,590 477,877 |
| Sinopec Capital Ltd., 1.25%, 4/24/16 (a)  Total Foreign Agency Obligations — 1.9%  Non-Agency Mortgage-Backed Securities  Collateralized Mortgage Obligations — 2.5%  Arran Residential Mortgages Funding PLC, Series 2011-1A, Class A2C, 1.71%, 11/19/47 (a)(b)  Bear Stearns Adjustable Rate Mortgage Trust, Series 2004-7, Class 4A, 2.81%, 10/25/34 (b)  Bear Stearns Alt-A Trust, Series 2004-13, Class A1, 0.92%, 11/25/34 (b)  Countrywide Home Loan Mortgage Pass-Through Trust, Series 2004-HYB1, Class 2A, 2.81%, 5/20/34 (b)  Holmes Master Issuer PLC: Series 2011-3A, Class A2, 1.82%, 10/21/54 (a)(b) Series 2011-3X, Class A2, 1.82%, 10/15/54 (b)  Series 2012-1A, Class A2, 1.89%, 10/15/54 (a)(b) Series 2012-1X, Class A2, 1.92%, 10/15/54 (b)  Lanark Master Issuer PLC, Series 2012-2A, Class 1A, 1.66%, 12/22/54 (a)(b)  Structured Adjustable Rate Mortgage Loan Trust,                                  | 750  896  93  7  210  298  419  1,230  1,030        | 906,299 92,541 7,314 195,488 300,604 422,868 1,245,818 1,043,590         |

| Non-Agency Mortgage-Backed Securities  | Par<br>(000) | Value      | Non-Agency Mortgage-Backed Securities                               | Par<br>(000) | Value            |
|--|--------------|------------|---|--------------|------------------|
| Commercial Mortgage-Backed Securities — 24.3%                                    |              |            | Commercial Mortgage-Backed Securities (concluded)                   |              |                  |
| Banc of America Commercial Mortgage Trust:                                       |              |            | GS Mortgage Securities Trust, Series 2006-GG6,                      | ¢ 4.000      | <b>4.002.000</b> |
| Series 2007-1, Class A3, 5.45%,<br>1/15/49                                       | \$ 591       | \$ 593,876 | Class A4, 5.55%, 4/10/38 (b) JPMorgan Chase Commercial Mortgage     | \$ 1,000     | \$ 1,083,220     |
| Series 2007-3, Class A1A, 5.86%,   |              |            | Securities Corp.:   |              |                  |
| 6/10/49 (b)  | 626          | 680,303    | Series 2004-C2, Class A3, 5.45%,                                    | 522          | 527 467          |
| Series 2007-5, Class A3, 5.62%,<br>2/10/51                                       | 1,120        | 1,134,588  | 5/15/41 (b)<br>Series 2004-C3, Class A5, 4.88%,                     | 322          | 527,467          |
| Banc of America Merrill Lynch Commercial   | -,           | _,,        | 1/15/42   | 540          | 558,747          |
| Mortgage, Inc., Series 2005-3, Class A2,<br>4.50%, 7/10/43                       | 92           | 92,378     | JPMorgan Chase Commercial Mortgage<br>Securities Trust:             |              |                  |
| Bear Stearns Commercial Mortgage Securities                                      | 32           | 92,316     | Series 2004-LN2, Class A2, 5.12%,                                   |              |                  |
| Trust:   |              |            | 7/15/41   | 597          | 610,027          |
| Series 2005-PWR8, Class A4 4.67%,<br>6/11/41                                     | 2,707        | 2,833,989  | Series 2005-LDP3, Class A4A, 4.94%,<br>8/15/42 (b)                  | 620          | 656,535          |
| Series 2006-PW12, Class A4, 5.86%,   | 2,101        | 2,033,909  | Series 2006-LDP9, Class A3, 5.34%,                                  | 020          | 030,333          |
| 9/11/38 (b)  | 1,000        | 1,099,077  | 5/15/47   | 910          | 1,000,585        |
| Series 2007-PW15, Class A1A, 5.32%, 2/11/44                                      | 797          | 878,704    | Series 2007-CB18, Class A1A, 5.43%,<br>6/12/47 (b)                  | 1,032        | 1,140,944        |
| Series 2007-PW16, Class A4, 5.90%,   | 131          | 070,704    | Series 2007-CB18, Class A4, 5.44%,                                  | 1,032        | 1,140,544        |
| 6/11/40 (b)  | 700          | 790,147    | 6/12/47   | 1,385        | 1,530,037        |
| Series 2007-PW17, Class A1A, 5.65%,<br>6/11/50 (b)                               | 857          | 955,690    | Series 2007-LD12, Class A1A, 5.85%, 2/15/51 (b)                     | 955          | 1,080,407        |
| Citigroup/Deutsche Bank Commercial Mortgage                                      | 631          | 955,690    | Series 2007-LD12, Class A2, 5.83%,                                  | 900          | 1,000,407        |
| Trust:   |              |            | 2/15/51   | 204          | 205,274          |
| Series 2005-CD1, Class A4, 5.39%,  | 875          | 022.755    | LB-UBS Commercial Mortgage Trust:                                   |              |                  |
| 7/15/44 (b)<br>Series 2007-CD4, Class A2B, 5.21%,                                | 8/5          | 932,755    | Series 2004-C7, Class A6, 4.79%,<br>10/15/14 (b)                    | 370          | 378,146          |
| 12/11/49   | 16           | 16,352     | Series 2005-C2, Class A5 5.15%,                                     | 010          | 010,110          |
| Series 2007-CD5, Class AMA, 6.32%,   | 775          | 077 110    | 4/15/30 (b)   | 450          | 472,191          |
| 11/15/44 (b) Commercial Mortgage Pass-Through Certificates:                      | 775          | 877,119    | Series 2005-C5, Class A4, 4.95%,<br>9/15/30                         | 790          | 834,210          |
| Series 2007-C4, Class A3, 5.95%,   |              |            | Series 2005-C5, Class AAB, 4.93%,                                   | 100          | 001,210          |
| 9/15/39 (b)  | 1,930        | 1,956,123  | 9/15/30   | 97           | 97,163           |
| Series 2007-C5, Class AAB, 5.62%,<br>9/15/40 (b)                                 | 904          | 970,086    | Series 2007-C1, Class A4, 5.42%,<br>2/15/40                         | 580          | 642,262          |
| Series 2007-C9, Class A4, 5.99%,   |              | 0.0,000    | Series 2007-C6, Class AM, 6.11%,                                    | 000          | 0 :2,202         |
| 12/10/49 (b)   | 640          | 728,059    | 7/15/40 (b)   | 285          | 311,163          |
| Series 2008-C1, Class A2, 6.25%,<br>2/15/41 (b)                                  | 355          | 356,948    | Merrill Lynch Mortgage Trust,<br>Series 2005-MCP1, Class A4, 4.75%, |              |                  |
| Series 2010-C1, Class A1, 3.16%,   | 000          | 000,0.0    | 5/12/15 (b)   | 500          | 521,887          |
| 7/10/46 (a)  | 674          | 696,707    | ML-CFC Commercial Mortgage Trust,                                   |              |                  |
| Series 2013-SFS, Class A1, 1.87%,<br>4/12/35 (a)                                 | 465          | 448,301    | Series 2006-4, Class A1A, 5.17%,<br>12/12/49 (b)                    | 1.002        | 1,097,627        |
| Credit Suisse First Boston Mortgage Securities                                   |              |            | Morgan Stanley Capital I, Inc.:                                     | ,            |                  |
| Corp., Series 2004-C5, Class A4, 4.83%,  | 970          | 1 002 216  | Series 2003-IQ6, Class A4, 4.97%,                                   | 204          | 204 165          |
| 11/15/37<br>Del Coronado Trust, Series 2013-HDC, Class A,                        | 970          | 1,003,316  | 12/15/41<br>Series 2005-HQ7, Class A4, 5.38%,                       | 384          | 384,165          |
| 0.98%, 3/15/26 (a)(b)  | 325          | 324,411    | 11/14/42 (b)  | 800          | 850,479          |
| Deutsche Bank ReREMIC Trust:   |              |            | Series 2006-IQ12, Class A4, 5.33%,                                  | 640          | 701,261          |
| Series 2011-C32, Class A3A, 5.94%,<br>6/17/49 (a)(b)                             | 1,045        | 1,170,400  | 12/15/43<br>Morgan Stanley ReREMIC Trust:                           | 040          | 701,261          |
| Series 2012-EZ1, Class A, 0.95%,   | •            | 1,1.0,.00  | Series 2009-GG10, Class A4A, 6.00%,                                 |              |                  |
| 9/25/45 (a)  | 521          | 520,527    | 8/12/45 (a)(b)  | 510          | 566,911          |
| GE Capital Commercial Mortgage Corp. Trust:<br>Series 2007-C1, Class A1A, 5.48%, |              |            | Series 2010-GG10, Class A4A, 5.98%,<br>8/15/45 (a)(b)               | 510          | 566,911          |
| 12/10/49 (b)   | 835          | 913,217    | Series 2011-IO, Class A, 2.50%,                                     |              | ,                |
| Series 2007-C1, Class A2, 5.42%,   | F.C.0        | ECO COO    | 3/23/51 (a)<br>Series 2012-XA, Class A, 2.00%,                      | 276          | 276,406          |
| 12/10/49 GMAC Commercial Mortgage Securities, Inc.,                              | 568          | 568,609    | 7/27/49 (a)   | 789          | 794,282          |
| Series 2004-C2, Class A4, 5.30%,   |              |            | Motel 6 Trust:  |              | ,                |
| 8/10/38 (b)  | 880          | 901,196    | Series 2012-MTL6, Class A1, 1.50%,                                  | 105          | 102 402          |
| Greenwich Capital Commercial Funding Corp.:<br>Series 2006-GG7, Class A4, 6.06%, |              |            | 10/05/25 (a)<br>Series 2012-MTL6, Class A2, 1.95%,                  | 195          | 193,482          |
| 7/10/38 (b)  | 1,200        | 1,319,083  | 10/05/25 (a)  | 885          | 867,785          |
| Series 2007-GG9, Class A4, 5.44%,<br>3/10/39                                     | 1,750        | 1,936,305  | STRIPs Ltd., Series 2012-1A, Class A, 1.50%,                        | 289          | 284,544          |
| Series 2007-GG9, Class AM, 5.48%,  | 1,730        | 1,930,303  | 12/25/44 (a)  | 203          | 204,544          |
| 3/10/39  | 500          | 526,825    |   |              |                  |
|  |              | •          |   |              |                  |

BLACKROCK ALLOCATION TARGET SHARES

| Non-Agency Mortgage-Backed Securities  | Par<br>(000) | Value                       | U.S. Government Sponsored Agency Securities                              | Par<br>(000) | Value                  |
|--|--------------|-----------------------------|--|--------------|------------------------|
| Commercial Mortgage-Backed Securities (concluded)  |              |                             | Collateralized Mortgage Obligations (concluded)                          |              |                        |
| Wachovia Bank Commercial Mortgage Trust:<br>Series 2006-C23, Class A4, 5.42%,                      |              |                             | Ginnie Mae:<br>Series 2006-3, Class B, 5.09%,                            |              |                        |
| 1/15/45 (b)  | \$ 1,333     | \$ 1,427,220                | 1/16/37 (b) \$   | 122          | \$ 125,448             |
| Series 2006-C28, Class A2, 5.50%,<br>10/15/48  | 68           | 68,650                      | Series 2006-68, Class B, 5.16%, 6/16/31 (b)                              | 180          | 180,844                |
| Series 2006-C29, Class A1A, 5.30%,   |              |                             | 0, 10, 01 (8)  | 100          | 1,765,667              |
| 11/15/48<br>Series 2007-C33, Class A4, 6.12%,  | 795          | 879,003                     | Commercial Mortgage-Backed Securities — 0.1%                             |              | 1,703,007              |
| 2/15/51 (b)  | 570          | 629,901                     | Freddie Mac Multi-Family Structured                                      |              |                        |
| Wells Fargo Resecuritization Trust,<br>Series 2012-IO, Class A, 1.75%, 8/20/21 (a)                 | 348          | 347,071                     | Pass-Through Certificates, Series K003,<br>Class A2, 3.61%, 6/25/14      | 166          | 167,882                |
| WF-RBS Commercial Mortgage Trust,  | 340          | 347,071                     | Interest Only Commercial Mortgage-Backed Securitie                       |              | 107,002                |
| Series 2011-C2, Class A2, 3.79%,   | 480          | 504,790                     | Fannie Mae, Series 2013-M5, Class X2, 2.53%,                             | 3 - 0.270    |                        |
| 2/15/44 (a)  | 400          |                             | 1/25/22  | 1,574        | 213,415                |
| Interest Only Commercial Mantgage Peaked Countilie   | 4 50/        | 47,315,844                  | Freddie Mac, Series K710, Class X1, 1.91%, 5/25/19 (b)                   | 2,895        | 241,266                |
| Interest Only Commercial Mortgage-Backed Securities Commercial Mortgage Pass-Through Certificates: | s — 1.5%     |                             |  |              | 454,681                |
| Series 2012-CR2, Class XA, 2.11%,  | 4.440        | 107.110                     | Mortgage-Backed Securities — 11.8%                                       |              |                        |
| 8/15/45 (b)<br>Series 2013-CR7, Class XA, 1.76%,   | 1,113        | 127,440                     | Fannie Mae Mortgage-Backed Securities:                                   |              |                        |
| 3/10/46 (b)  | 3,653        | 338,512                     | 2.00%, 10/01/28 (f)<br>2.04%, 3/01/43 (b)                                | 500<br>658   | 487,734<br>653,466     |
| Series 2013-LC13, Class XA, 1.48%,   | - 070        | 470 704                     | 2.06%, 1/01/43 (b)   | 946          | 943,119                |
| 8/10/46 (b) JPMorgan Chase Commercial Mortgage   | 5,670        | 478,701                     | 2.09%, 3/01/43 (b)   | 1,814        | 1,808,172              |
| Securities Trust, Series 2013-LC11, Class XA,  |              |                             | 2.50%, 12/01/27-10/01/28 (f)   | 8,771        | 8,825,615              |
| 1.73%, 4/15/46 (b)   | 5,289        | 529,427                     | 3.00%, 10/01/28 (f)  | 3,000        | 3,105,937              |
| WF-RBS Commercial Mortgage Trust:  | ,            | ,                           | 3.50%, 10/01/28 (f)  | 2,050        | 2,163,070              |
| Series 2012-C9, Class XA, 2.42%,   |              |                             | 5.00%, 7/01/19-7/01/25   | 2,467        | 2,625,192              |
| 11/15/45 (a)(b)  | 3,367        | 432,651                     | Freddie Mac Mortgage-Backed Securities:                                  | 1 100        | 1 100 005              |
| Series 2013-C14, Class XA, 0.94%,<br>6/15/46 (b)   | 9,917        | 605,982                     | 5.00%, 1/01/19-9/01/21<br>5.50%, 5/01/22                                 | 1,129<br>994 | 1,196,265<br>1,064,136 |
| Series 2013-C15, Class XA, 0.72%,  | 7.074        | 246.500                     | , . ,  |              | 22,872,706             |
| 8/15/46 (b)  | 7,874        | <u>346,569</u><br>2,859,282 | Total U.S. Government Sponsored Agency Securities –                      | - 15.9%      | 30,906,978             |
| Total Non-Agency Mortgage-Backed Securities — 28.3   | %            | 55,075,053                  |  |              |                        |
| Total Holl Agency moregage Davida Countries 2010   |              | 00,010,000                  | H.C. Torrange Ohlidakların   |              |                        |
|  |              |                             | U.S. Treasury Obligations  |              |                        |
| Taxable Municipal Bonds  |              |                             | U.S. Treasury Notes:<br>1.88%, 4/30/14 (c)                               | 4,000        | 4,041,720              |
| State of California GO:  |              |                             | 0.25%, 5/31/15   | 1,464        | 1,463,714              |
| 5.10%, 8/01/14   | 25           | 25,363                      | 0.63%, 7/15/16-8/15/16   | 12,770       | 12,784,094             |
| 3.95%, 11/01/15  | 175          | 186,643                     | 0.88%, 9/15/16 (c)   | 5,100        | 5,137,454              |
| Total Taxable Municipal Bonds — 0.1%   |              | 212,006                     | 1.00%, 5/31/18   | 1,460        | 1,441,294              |
|  |              | ,,,,,                       | 1.38%, 7/31/18   | 2,210        | 2,213,971              |
|  |              |                             | 2.00%, 2/15/23  Total U.S. Treasury Obligations — 14.0%                  | 45           | 42,859<br>27,125,106   |
| U.S. Government Sponsored Agency Securities  |              |                             |  |              | 27,125,100             |
| Agency Obligations — 2.9%<br>Freddie Mac:  |              |                             | Total Investments Before Options Written (Cost — \$236,335,298) — 121.5% |              | 235,959,655            |
| 0.88%, 10/14/16  | 4,649        | 4,667,880                   |  |              |                        |
| 2.38%, 1/13/22   | 1,005        | 978,162                     | Options Written  |              |                        |
|  |              | 5,646,042                   | (Premiums Received — \$ 128,050) — (0.1)%                                |              | (110,018               |
| Collateralized Mortgage Obligations — 0.9%<br>Freddie Mac:   |              |                             | Total Investments Net of Options Written — 121.4%                        |              | 235,849,637            |
| Series 3959, Class MA, 4.50%,  |              |                             | Liabilities in Excess of Other Assets — (21.4)%                          |              | (41,554,036            |
| 11/15/41   | 719          | 777,510                     | Net Assets — 100.0%  |              | \$194,295,601          |
| Series 3986, Class M, 4.50%, 9/15/41   | 632          | 681,865                     |  |              |                        |

#### **Notes to Schedule of Investments**

- (a) Security exempt from registration pursuant to Rule 144A under the Securities Act of 1933, as amended. These securities may be resold in transactions exempt from registration to qualified institutional investors.
- (b) Variable rate security. Rate shown is as of report date.
- (c) All or a portion of security has been pledged as collateral in connection with open reverse repurchase agreements.
- (d) Represents a step-up bond that pays an initial coupon rate for the first period and then a higher coupon rate for the following periods. Rate shown is as of report date.
- (e) Convertible security.
- f) Represents or includes a TBA transaction. Unsettled TBA transactions as of September 30, 2013 were as follows:

|                                    |             | Unrealized   |
|------------------------------------|-------------|--------------|
| Counterparty                       | Value       | Appreciation |
| Citigroup Global Markets, Inc.     | \$2,011,250 | \$ 7,813     |
| Credit Suisse Securities (USA) LLC | \$2,918,039 | \$33,352     |
| Deutsche Bank Securities, Inc.     | \$2,141,265 | \$56,351     |
| J.P. Morgan Securities LLC         | \$2,156,343 | \$33,376     |
| Morgan Stanley & Co. LLC           | \$1,256,281 | \$25,507     |

- For Fund compliance purposes, the Fund's industry classifications refer to any one or more of the industry sub-classifications used by one or more widely recognized market
  indexes or ratings group indexes, and/or as defined by Fund management. These definitions may not apply for purposes of this report, which may combine such industry subclassifications for reporting ease.
- Reverse repurchase agreements outstanding as of September 30, 2013 were as follows:

| Counterparty                       | Interest<br>Rate | Trade<br>Date | Maturity<br>Date | Face<br>Value | Face Value<br>Including Accrued<br>Interest |
|------------------------------------|------------------|---------------|------------------|---------------|---|
| Barclays Capital, Inc.             | 0.35%            | 2/07/13       | Open             | \$ 281,354    | \$ 281,997                                  |
| Barclays Capital, Inc.             | 0.35%            | 2/07/13       | Open             | 934,301       | 936,436                                     |
| Barclays Capital, Inc.             | 0.35%            | 2/07/13       | Open             | 1,278,225     | 1,281,145                                   |
| Credit Suisse Securities (USA) LLC | 0.35%            | 2/11/13       | Open             | 763,075       | 764,796                                     |
| Credit Suisse Securities (USA) LLC | 0.35%            | 4/03/13       | Open             | 335,700       | 336,287                                     |
| Credit Suisse Securities (USA) LLC | 0.35%            | 4/03/13       | Open             | 481,950       | 482,794                                     |
| Credit Suisse Securities (USA) LLC | 0.35%            | 4/03/13       | Open             | 488,000       | 488,854                                     |
| Credit Suisse Securities (USA) LLC | 0.35%            | 4/03/13       | Open             | 635,500       | 636,612                                     |
| Credit Suisse Securities (USA) LLC | 0.35%            | 4/03/13       | Open             | 655,988       | 657,136                                     |
| Credit Suisse Securities (USA) LLC | 0.35%            | 4/03/13       | Open             | 715,700       | 716,953                                     |
| Credit Suisse Securities (USA) LLC | 0.35%            | 4/03/13       | Open             | 812,025       | 813,446                                     |
| Credit Suisse Securities (USA) LLC | 0.35%            | 4/03/13       | Open             | 846,813       | 848,295                                     |
| Credit Suisse Securities (USA) LLC | 0.35%            | 4/03/13       | Open             | 1,006,687     | 1,008,449                                   |
| Credit Suisse Securities (USA) LLC | 0.35%            | 4/03/13       | Open             | 1,015,050     | 1,016,826                                   |
| Credit Suisse Securities (USA) LLC | 0.35%            | 4/03/13       | Open             | 1,970,438     | 1,973,886                                   |
| BNP Paribas Securities Corp.       | 0.13%            | 4/18/13       | Open             | 4,105,000     | 4,107,446                                   |
| BNP Paribas Securities Corp.       | 0.34%            | 5/07/13       | Open             | 743,000       | 744,031                                     |
| BNP Paribas Securities Corp.       | 0.34%            | 5/07/13       | Open             | 1,116,000     | 1,117,549                                   |
| BNP Paribas Securities Corp.       | 0.34%            | 5/07/13       | Open             | 1,227,000     | 1,228,703                                   |
| Deutsche Bank Securities, Inc.     | 0.32%            | 6/06/13       | Open             | 910,000       | 910,946                                     |
| Deutsche Bank Securities, Inc.     | 0.32%            | 6/06/13       | Open             | 990,000       | 991,030                                     |
| Deutsche Bank Securities, Inc.     | 0.32%            | 6/06/13       | Open             | 1,392,000     | 1,393,448                                   |
| Deutsche Bank Securities, Inc.     | 0.32%            | 6/06/13       | Open             | 1,409,000     | 1,410,466                                   |
| Deutsche Bank Securities, Inc.     | 0.06%            | 9/30/13       | Open             | 5,138,250     | 5,138,259                                   |
| Total                              |                  |               |                  | \$29,251,056  | \$29,285,790                                |

• Financial futures contracts as of September 30, 2013 were as follows:

| Contracts Purchased/ (Sold) | Issue                         | Exchange               | Expiration    | Notional<br>Value | Unrealized Appreciation/ (Depreciation) |
|-----------------------------|-------------------------------|------------------------|---------------|-------------------|---|
| 429                         | U.S. Treasury Notes (2 Year)  | Chicago Board of Trade | December 2013 | \$94,493,954      | \$ 169,518                              |
| (156)                       | U.S. Treasury Notes (5 Year)  | Chicago Board of Trade | December 2013 | \$18,883,312      | (239,751)                               |
| (123)                       | U.S. Treasury Notes (10 Year) | Chicago Board of Trade | December 2013 | \$15,546,047      | (222,949)                               |
| Total                       |                               |                        |               |                   | \$(293,182)                             |

Over-the-counter interest rate swaptions written as of September 30, 2013 were as follows:

|                           |                  |      |               |               |               |            | Notional |             |
|---------------------------|------------------|------|---------------|---------------|---------------|------------|----------|-------------|
|                           |                  | Put/ |               | Pay/Receive   | Floating Rate | Expiration | Amount   | Market      |
| Description               | Counterparty     | Call | Exercise Rate | Exercise Rate | Index         | Date       | (000)    | Value       |
| 5-Year Interest Rate Swap | Deutsche Bank AG | Call | 1.00%         | Pay           | 3-month LIBOR | 7/11/14    | \$6,500  | \$ (3,019)  |
| 5-Year Interest Rate Swap | Deutsche Bank AG | Put  | 2.00%         | Receive       | 3-month LIBOR | 7/11/14    | \$6,500  | (106,999)   |
| Total                     |                  |      |               |               |               |            |          | \$(110,018) |

Centrally cleared interest rate swaps outstanding as of September 30, 2013 were as follows:

| Fixed        | Floating      |                    | Expiration | Notional<br>Amount | Unrealized<br>Appreciation |
|--------------|---------------|--------------------|------------|--------------------|----------------------------|
| Rate         | Rate          | Clearinghouse      | Date       | (000)              | (Depreciation)             |
| 0.84%1       | 3-month LIBOR | Chicago Mercantile | 8/16/16    | \$ 4,500           | \$(17,660)                 |
| $1.16\%^{1}$ | 3-month LIBOR | Chicago Mercantile | 7/15/18    | \$ 6,500           | 78,002                     |
| Total        |               |                    |            |                    | \$ 60,342                  |

Fund pays the fixed rate and receives the floating rate.

Credit default swaps - buy protection outstanding as of September 30, 2013 were as follows:

| Issuer          | Pay<br>Fixed<br>Rate | Counterparty             | Expiration<br>Date | Notional<br>Amount<br>(000) | Market<br>Value | Premiums<br>Paid | Unrealized<br>Appreciation<br>(Depreciation) |
|-----------------|----------------------|--------------------------|--------------------|-----------------------------|-----------------|------------------|--|
| State of Israel | 1.00%                | Deutsche Bank AG         | 12/20/18           | \$ 770                      | \$ 7,171        | \$ 6,553         | \$ 618                                       |
| State of Israel | 1.00%                | HSBC Bank USA N.A.       | 12/20/18           | \$ 905                      | 8,427           | 7,257            | 1,170  |
| State of Israel | 1.00%                | JPMorgan Chase Bank N.A. | 12/20/18           | \$ 1,805                    | 16,809          | 18,019           | (1,210)                                      |
| Total           |                      |                          |                    |                             | \$32,407        | \$31,829         | \$ 578                                       |

Interest rate swaps outstanding as of September 30, 2013 were as follows:

|              |               |                             |            | Notional |            |          | Unrealized     |
|--------------|---------------|-----------------------------|------------|----------|------------|----------|----------------|
| Fixed        | Floating      |                             | Expiration | Amount   | Market     | Premiums | Appreciation   |
| Rate         | Rate          | Counterparty                | Date       | (000)    | Value      | Paid     | (Depreciation) |
| $0.43\%^{1}$ | 3-month LIBOR | Credit Suisse International | 8/03/14    | \$ 4,000 | \$ (5,064) | _        | \$ (5,064)     |
| $0.43\%^{1}$ | 3-month LIBOR | Deutsche Bank AG            | 8/03/14    | \$ 4,000 | (5,263)    | _        | (5,263)        |
| 0.39%1       | 3-month LIBOR | Deutsche Bank AG            | 10/11/14   | \$ 7,700 | (15,038)   | _        | (15,038)       |
| Total        |               |                             |            | _        | \$(25,365) | _        | \$(25,365)     |

Fund pays the fixed rate and receives the floating rate.

- Fair Value Measurements Various inputs are used in determining the fair value of investments and derivative financial instruments. These inputs to valuation techniques are categorized into a disclosure hierarchy consisting of three broad levels for financial statement purposes as follows:
  - Level 1 unadjusted price quotations in active markets/exchanges for identical assets or liabilities that the Fund has the ability to access
  - Level 2 other observable inputs (including, but not limited to, quoted prices for similar assets or liabilities in markets that are active, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the assets or liabilities (such as interest rates, yield curves, volatilities, prepayment speeds, loss severities, credit risks and default rates) or other market-corroborated inputs)
  - Level 3 unobservable inputs based on the best information available in the circumstances, to the extent observable inputs are not available (including the Fund's own assumptions used in determining the fair value of investments and derivative financial instruments)

The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3. The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the fair value hierarchy classification is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

See Notes to Financial Statements.

### **Series S Portfolio**

## Schedule of Investments (continued)

Changes in valuation techniques may result in transfers into or out of an assigned level within the disclosure hierarchy. In accordance with the Fund's policy, transfers between different levels of the fair value disclosure hierarchy are deemed to have occurred as of the beginning of the reporting period. The categorization of a value determined for investments and derivative financial instruments is based on the pricing transparency of the investment and derivative financial instrument and is not necessarily an indication of the risks associated with investing in those securities. For information about the Fund's policy regarding valuation of investments and derivative financial instruments, please refer to Note 2 of the Notes to Financial Statements.

The following tables summarize the Fund's investments and derivative financial instruments categorized in the disclosure hierarchy as of September 30, 2013:

|   | Level 1 | Level 2       | Level 3      | Total         |
|---|---------|---------------|--------------|---------------|
| Assets:                                     |         |               |              |               |
| nvestments:                                 |         |               |              |               |
| Long-Term Investments:                      |         |               |              |               |
| Asset-Backed Securities                     | _       | \$ 22,658,751 | \$ 2,311,242 | \$ 24,969,993 |
| Corporate Bonds                             | _       | 91,523,070    | 2,426,125    | 93,949,195    |
| Foreign Agency Obligations                  | _       | 3,721,324     | _            | 3,721,324     |
| Non-Agency Mortgage-Backed Securities       | _       | 53,833,931    | 1,241,122    | 55,075,053    |
| Taxable Municipal Bonds                     | _       | 212,006       | _            | 212,006       |
| U.S. Government Sponsored Agency Securities | _       | 30,906,978    | _            | 30,906,978    |
| U.S. Treasury Obligations.                  | _       | 27,125,106    | _            | 27,125,106    |
| Total                                       | _       | \$229 981 166 | \$ 5,978,489 | \$235,959,655 |

|   | Level 1      | Level 2     | Level 3 | Total        |
|---|--------------|-------------|---------|--------------|
| Derivative Financial Instruments <sup>1</sup> |              |             |         |              |
| Assets:                                       |              |             |         |              |
| Interest rate contracts                       | \$ 169,518   | \$ 78,002   | -       | \$ 247,520   |
| Credit contracts                              | _            | 1,788       | -       | 1,788        |
| Liabilities:                                  |              |             |         |              |
| Interest rate contracts                       | (462,700)    | (153,043)   | -       | (615,743)    |
| Credit contracts.                             | _            | (1,210)     | _       | (1,210)      |
| Total   | \$ (293,182) | \$ (74,463) | _       | \$ (367,645) |

<sup>&</sup>lt;sup>1</sup> Derivative financial instruments are swaps, financial futures contracts and options written. Swaps and financial futures contracts are valued at the unrealized appreciation/depreciation on the instrument and options written are shown at value.

Certain of the Fund's assets and/or liabilities are held at carrying amount or face value, which approximates fair value for financial statement purposes. As of September 30, 2013, such assets and/or liabilities are categorized within the disclosure hierarchy as follows:

|  | Level 1       | Level 2         | Level 3 |       | Total       |
|--|---------------|-----------------|---------|-------|-------------|
| Assets:                                      |               |                 |         |       |             |
| Cash   | \$<br>491,692 | _               | -       | \$    | 491,692     |
| Cash pledged for financial futures contracts | 108,000       | _               | -       |       | 108,000     |
| Cash pledged for centrally cleared swaps     | 150,000       | _               | _       |       | 150,000     |
| Liabilities:                                 |               |                 |         |       |             |
| Reverse repurchase agreements                | _             | \$ (29,285,790) | _       | (2    | 29,285,790) |
| Total  | \$<br>749,692 | \$ (29,285,790) |         | \$ (2 | 28,536,098) |

There were no transfers between Level 1 and Level 2 during the period ended September 30, 2013.

### **Series S Portfolio**

## Schedule of Investments (concluded)

A reconciliation of Level 3 investments is presented when the Fund had a significant amount of Level 3 investments at the beginning and/or end of the period in relation to net assets. The following table is a reconciliation of Level 3 investments for which significant unobservable inputs were used in determining fair value:

|   | Asset-Backed<br>Securities | Corporate<br>Bonds | Non-Agency<br>Mortgage-Backed<br>Securities | Total        |
|---|----------------------------|--------------------|---|--------------|
| Assets:   |                            |                    |   |              |
| Opening Balance, as of March 31, 2013                           | _                          | \$ 3,151,630       | \$ 345,121                                  | \$ 3,496,751 |
| Transfers into Level 3  | _                          | _                  | 480,349                                     | 480,349      |
| Transfers out of Level 3  | _                          | _                  | _   | _            |
| Accrued discounts/premiums                                      | \$ 8                       | 5,639              | 1,785                                       | 7,432        |
| Net realized gain (loss)  | _                          | _                  | 693   | 693          |
| Net change in unrealized appreciation/depreciation <sup>2</sup> | 1,439                      | 8,856              | (11,959)                                    | (1,664)      |
| Purchases   | 2,309,795                  | _                  | 484,749                                     | 2,794,544    |
| Sales   | _                          | (740,000)          | (59,616)                                    | (799,616)    |
| Closing Balance, as of September 30, 2013                       |                            |                    |   |              |
| • , . ,   | \$ 2,311,242               | \$ 2,426,125       | \$ 1,241,122                                | \$ 5,978,489 |

<sup>&</sup>lt;sup>2</sup> Included in the related net change in unrealized appreciation/depreciation in the Statements of Operations. The change in unrealized appreciation/depreciation on investments still held as of September 30, 2013 was \$(762).

The Fund's investments that are categorized as Level 3 were valued utilizing third party pricing information without adjustment. Such valuations are based on unobservable inputs. A significant change in third party information inputs could result in a significantly lower or higher value of such Level 3 investments.

## Statements of Assets and Liabilities

| September 30, 2013 (Unaudited)   | Se | ries C Portfolio | Se | ries M Portfolio | Se | ries P Portfolio | Se | eries S Portfolio |
|--|----|------------------|----|------------------|----|------------------|----|-------------------|
| Assets   |    |                  |    |                  |    |                  |    |                   |
| Investments at value — unaffiliated1   | \$ | 356,834,736      | \$ | 559,774,198      |    | _                | \$ | 235,959,655       |
| Investments at value — affiliated <sup>2</sup>                                 |    | _                |    | _                | \$ | 41,716,421       |    | _                 |
| Cash   |    | 13,884           |    | 10,144           |    | 101,958,947      |    | 491,692           |
| Cash pledged for financial futures contracts                                   |    | 120,000          |    | 1,272,000        |    | 1,291,000        |    | 108,000           |
| Cash pledged as collateral for over-the-counter derivatives                    |    | _                |    | 600,000          |    | _                |    | _                 |
| Cash pledged for centrally cleared swaps                                       |    | 180,000          |    | 450,000          |    | 1,990,000        |    | 150,000           |
| Variation margin receivable on centrally cleared swaps                         |    | _                |    | _                |    | 32,242           |    | _                 |
| Variation margin receivable on futures   |    | 12,639           |    | 70,011           |    | _                |    | 22,294            |
| Investments sold receivable  |    | 2,538,850        |    | _                |    | _                |    | 559,262           |
| TBA sale commitments receivable  |    | _                |    | 111,528,305      |    | _                |    | _                 |
| Swaps receivable   |    | 308              |    | 2,995            |    | 820              |    | 97                |
| Swap premiums paid   |    | 51,488           |    | 471              |    | _                |    | 31,829            |
| Unrealized appreciation on over-the-counter swaps                              |    | 224,769          |    | 2,318,026        |    | _                |    | 1,788             |
| Capital shares sold receivable   |    | 740,970          |    | 355,603          |    | 3,163,093        |    | 271,140           |
| Interest receivable  |    | 3,874,772        |    | 674,908          |    | , , <u> </u>     |    | 1,343,336         |
| Receivable from Manager  |    | 31,151           |    | 30,495           |    | 18,237           |    | 17,126            |
| Principal paydowns receivable  |    | · _              |    | 11,131           |    | · _              |    | · –               |
| Dividends receivable – affiliated  |    | _                |    | _                |    | 66,583           |    | _                 |
| Deferred offering costs  |    | _                |    | _                |    | 22,444           |    | _                 |
| Prepaid expenses   |    | 25,403           |    | 28,271           |    | 18,231           |    | 20,949            |
| , ,  | _  |                  |    |                  |    |                  |    |                   |
| Total assets   |    | 364,648,970      |    | 677,126,558      |    | 150,278,018      |    | 238,977,168       |
| Liabilities  |    |                  |    |                  |    |                  |    |                   |
| Options written at value <sup>3</sup>  |    | 1,334,100        |    | _                |    | _                |    | 110,018           |
| TBA sale commitments at value <sup>4</sup>                                     |    | _                |    | 112,400,281      |    | _                |    | _                 |
| Reverse repurchase agreements  |    | 32,494,989       |    | _                |    | _                |    | 29,285,790        |
| Cash received as collateral for over-the-counter derivatives                   |    | 100,000          |    | 1,800,000        |    | _                |    | _                 |
| Variation margin payable on centrally cleared swaps                            |    | 15,349           |    | 36,034           |    | _                |    | 6,048             |
| Variation margin payable on futures  |    | 14,062           |    | 2,109            |    | 42,702           |    | 10,969            |
| Investments purchased payable  |    | 1,899,974        |    | 285,712,336      |    | 4                |    | 14,457,230        |
| Swaps payable  |    | _                |    | _                |    | _                |    | 12,785            |
| Swap premiums received   |    | 236,588          |    | 23,271           |    | _                |    | _                 |
| Unrealized depreciation on over-the-counter swaps                              |    | 203,647          |    | 1,417,722        |    | _                |    | 26,575            |
| Income dividends payable   |    | 1,194,546        |    | 529,360          |    | _                |    | 390,145           |
| Capital shares redeemed payable  |    | 2,203,060        |    | 1,607,424        |    | 178,650          |    | 305,500           |
| Professional fees payable  |    | 29,351           |    | 27,312           |    | 31,083           |    | 25,941            |
| Officer's and Trustees' fees payable   |    | 6,609            |    | 6,230            |    | 1,476            |    | 5,319             |
| Offering costs payable   |    | _                |    | _                |    | 12,860           |    | _                 |
| Other accrued expenses payable   |    | 65,752           |    | 78,055           |    | 17,454           |    | 45,247            |
| Total liabilities  | _  | 39,798,027       |    | 403,640,134      |    | 284,229          |    | 44,681,567        |
| Net Assets   | \$ | 324,850,943      | \$ | 273,486,424      | \$ | 149,993,789      | \$ | 194,295,601       |
|  |    | 02 1,000,0 10    |    | 210,100,121      |    | 110,000,100      |    | 10 1,200,001      |
| Net Assets Consist of  |    | 244 224 742      |    | 070 444 407      |    | 450,000,700      |    | 405 007 017       |
| Paid-in capital  | \$ | 311,331,748      | \$ | 278,144,167      | \$ | 150,886,708      | \$ | 195,227,917       |
| income   |    | 127,833          |    | (769,394)        |    | 169,729          |    | (422,673          |
| Accumulated net realized gain (loss)   |    | 2,243,667        |    | (12,101,467)     |    | 2,579,857        |    | 105,595           |
|  |    |                  |    |                  |    |                  |    |                   |
| Net unrealized appreciation/depreciation                                       | _  | 11,147,695       |    | 8,213,118        |    | (3,642,505)      |    | (615,238          |
| Net Assets   | \$ | 324,850,943      | \$ | 273,486,424      | \$ | 149,993,789      | \$ | 194,295,601       |
| Net Asset Value  |    |                  |    |                  |    |                  |    |                   |
| Shares outstanding <sup>5</sup>  |    | 31,105,734       |    | 28,370,200       |    | 14,619,490       |    | 19,781,714        |
| Net asset value  | \$ | 10.44            | \$ | 9.64             | \$ | 10.26            | \$ | 9.82              |
| <sup>1</sup> Investments at cost – unaffiliated                                | \$ | 345,615,757      | \$ | 553,326,797      |    |                  | \$ | 236,335,298       |
| <sup>2</sup> Investments at cost – affiliated                                  | Ψ  | -                | Ψ  | _                | \$ | 41,778,017       | Ψ  | 200,000,200       |
|  | \$ | 1,438,530        |    | _                | Ψ  | 71,110,011       | \$ | 128,050           |
| <sup>3</sup> Premiums received   |    |                  |    |                  |    |                  |    |                   |
| <sup>3</sup> Premiums received <sup>4</sup> Proceeds from TBA sale commitments | Ф  | 1,430,330        | \$ | 111,528,305      |    | _                | *  | -                 |

# Statements of Operations

| Six Months Ended September 30, 2013 (Unaudited)        | Series C Portfolio | Series M Portfolio | Series P Portfolio | Series S Portfolio |  |  |
|--|--------------------|--------------------|--------------------|--------------------|--|--|
| Investment Income                                      |                    |                    |                    |                    |  |  |
| Interest   | \$ 7,494,385       | \$ 2,940,938       | \$ 982             | \$ 2,205,384       |  |  |
| Dividends — unaffiliated                               | 30                 | 359                | _                  | 26                 |  |  |
| Dividends — affiliated                                 | _                  | _                  | 169,082            | _                  |  |  |
| Total income   | 7,494,415          | 2,941,297          | 170,064            | 2,205,410          |  |  |
| Expenses   |                    |                    |                    |                    |  |  |
| Transfer agent   | 63,424             | 62,921             | 8,728              | 16,706             |  |  |
| Administration   | 41,373             | 34,730             | 12,439             | 22,865             |  |  |
| Professional   | 35,405             | 31,561             | 31,693             | 29,951             |  |  |
| Registration   | 20,229             | 18,345             | 2,256              | 15,520             |  |  |
| Printing.  | 12.165             | 8,500              | 5.085              | 3.856              |  |  |
| Officer and Trustees                                   | 11,565             | 10,874             | 5,407              | 9,893              |  |  |
| Custodian  | 10,432             | 32,619             | 2,928              | 10,479             |  |  |
|  | 10,432             | 32,019             | 24,908             | 10,473             |  |  |
| Offering   | 20.001             | 24.522             |                    | 20,100             |  |  |
| Miscellaneous  | 28,061             | 24,523             | 4,525              | 26,189             |  |  |
| Total expenses excluding tax and interest expense      | 222,654            | 224,073            | 97,969             | 135,459            |  |  |
| Interest expense <sup>1</sup>                          | 29,848             | _                  | _                  | 66,503             |  |  |
| Total expenses   | 252,502            | 224,073            | 97,969             | 201,962            |  |  |
| Less administration fees waived                        | _                  | ,                  | (3,419)            | _                  |  |  |
| Less expenses reimbursed by Manager                    | (222,319)          | (223,738)          | (94,215)           | (135,124)          |  |  |
| , ,  |                    |                    | 335                |                    |  |  |
| Total expenses after fees waived and reimbursed        | 30,183             | 335                |                    | 66,838             |  |  |
| Net investment income                                  | 7,464,232          | 2,940,962          | 169,729            | 2,138,572          |  |  |
| Realized and Unrealized Gain (Loss)                    |                    |                    |                    |                    |  |  |
| Net realized gain (loss) from:                         |                    |                    |                    |                    |  |  |
| Investments – unaffiliated                             | 2,792,508          | (7,583,980)        | 58,330             | (1,052,578)        |  |  |
| Capital gain distributions from affiliated investment  |                    |                    |                    |                    |  |  |
| companies  | _                  | _                  | 83,216             | _                  |  |  |
| Options written  | (159,016)          | _                  | _                  | _                  |  |  |
| Financial futures contracts                            | (1,386,712)        | (2,666,201)        | 1,533,767          | 1,164,987          |  |  |
| Swaps  | 910,945            | 154,701            | 925,876            | (66,671            |  |  |
| •  | 2,157,725          | (10,095,480)       | 2,601,189          | 45,738             |  |  |
| Not already in unvalided appreciation (depreciation on | 2,101,120          | (10,000,100)       | 2,001,100          | 10,100             |  |  |
| Net change in unrealized appreciation/depreciation on: | (4.0.004.005)      | 004.450            |                    | (4,000,000         |  |  |
| Investments – unaffiliated                             | (16,921,865)       | 691,456            | - (24 522)         | (1,682,268         |  |  |
| Investments – affiliated                               | <del>-</del>       | _                  | (61,596)           | _                  |  |  |
| Options written  | 41,602             | <del>-</del>       | _                  | (32,615            |  |  |
| Financial futures contracts                            | (86,063)           | 1,655,920          | (2,104,262)        | (233,292           |  |  |
| Swaps  | (103,600)          | 1,195,808          | (1,469,613)        | 87,622             |  |  |
|  | (17,069,926)       | 3,543,184          | (3,635,471)        | (1,860,553)        |  |  |
| Total realized and unrealized loss                     | (14,912,201)       | (6,552,296)        | (1,034,282)        | (1,814,815)        |  |  |
| Net Increase (Decrease) in Net Assets Resulting from   | <u> </u>           | <u> </u>           |                    |                    |  |  |
| Operations   | \$ (7,447,969)     | \$ (3,611,334)     | \$ (864,553)       | \$ 323,757         |  |  |
|  |                    |                    |                    |                    |  |  |

 $<sup>^{\</sup>rm 1}$  See Note 8 of the Notes to Financial Statements for details of borrowings.

# Statements of Changes in Net Assets

|   | Series C  | Portfolio                                |    | Series M P  | ortfolio  |
|---|---|--|----|---|---|
| Increase (Decrease) in Net Assets:  | Six Months<br>Ended<br>September 30,<br>2013<br>(Unaudited) | Year Ended<br>March 31,<br>2013          | :  | Six Months<br>Ended<br>September 30,<br>2013<br>(Unaudited) | Year Ended<br>March 31,<br>2013                       |
| Operations  |   |  |    |   |   |
| Net investment income  Net realized gain (loss)  Net change in unrealized appreciation/depreciation | 2,157,725   | \$ 16,554,722<br>11,059,702<br>3,662,583 | \$ | 2,940,962 (10,095,480)<br>3,543,184                         | 6,158,771<br>11,528,904<br>(1,122,101)                |
| Net increase (decrease) in net assets resulting from operations $\ldots \ldots \ldots$              | (7,447,969)   | 31,277,007                               |    | (3,611,334)   | 16,565,574  |
| Dividends and Distributions to Shareholders From  |   |  |    |   |   |
| Net investment income   | (7,284,498)<br>(1,852,998)                                  | (16,488,525) <sup>1</sup>                |    | (3,827,038)<br>(258,508)                                    | (9,058,560) <sup>1</sup><br>(25,265,982) <sup>1</sup> |
| Decrease in net assets resulting from dividends and distributions to shareholders                   | (9,137,496)   | (16,488,525)                             | _  | (4,085,546)   | (34,324,542)  |
| Capital Share Transactions  |   |  |    |   |   |
| Shares sold   | 32,978,737<br>(60,185,885)                                  | 128,351,467<br>(116,491,455)             |    | 61,669,056<br>(48,340,555)                                  | 63,989,012<br>(96,551,693)                            |
| Net increase (decrease) in net assets derived from capital share transactions $\ldots$              | (27,207,148)  | 11,860,012                               |    | 13,328,501  | (32,562,681)  |
| Net Assets  |   |  |    |   |   |
| Total increase (decrease) in net assets   | (43,792,613)<br>368,643,556                                 | 26,648,494<br>341,995,062                |    | 5,631,621<br>267,854,803                                    | (50,321,649)<br>318,176,452                           |
| End of period   | \$ 324,850,943  | \$ 368,643,556                           | \$ | 273,486,424   | 267,854,803   |
| Undistributed (distributions in excess of) net investment income, end of period $\ldots$            | \$ 127,833  | \$ (51,901)                              | \$ | (769,394)   | 116,682   |

 $<sup>^{</sup>m 1}$  Dividends and distributions are determined in accordance with federal income tax regulations.

# Statements of Changes in Net Assets (concluded)

|  |    | Series P  | Poi | rtfolio   | Series S Por  | tfolio   |
|--|----|---|-----|---|---|--|
| Increase in Net Assets:  | •  | Six Months<br>Ended<br>September 30,<br>2013<br>(Unaudited) |     | Period<br>March 20, 2013 <sup>1</sup><br>o March 31, 2013 | Six Months<br>Ended<br>September 30,<br>2013<br>(Unaudited) | Year Ended<br>March 31,<br>2013                      |
| Operations   |    |   |     |   |   |  |
| Net investment income  Net realized gain (loss)  Net change in unrealized appreciation/depreciation. | \$ | 169,729<br>2,601,189<br>(3,635,471)                         | ·   | 554<br>(23,000)<br>(7,034)                                | \$<br>2,138,572 \$<br>45,738<br>(1,860,553)                 | 4,655,640<br>1,667,468<br>(540,903)                  |
| Net increase (decrease) in net assets resulting from operations                                      |    | (864,553)   |     | (29,480)  | 323,757   | 5,782,205  |
| Dividends and Distributions to Shareholders From   |    |   |     |   |   |  |
| Net investment income  |    |   |     | _<br>   | <br>(2,371,719)<br>(1,002,862)                              | (4,595,381) <sup>2</sup><br>(1,130,528) <sup>2</sup> |
| Decrease in net assets resulting from dividends and distributions to shareholders                    |    | _   |     |   | <br>(3,374,581)   | (5,725,909)  |
| Capital Share Transactions   |    |   |     |   |   |  |
| Shares sold  |    | 150,666,542<br>(7,367,026)                                  |     | 7,588,306<br>—  | 85,772,815<br>(39,730,094)                                  | 74,019,069<br>(58,312,868)                           |
| Net increase in net assets derived from capital share transactions                                   |    | 143,299,516   |     | 7,588,306   | 46,042,721  | 15,706,201   |
| Net Assets   |    |   |     |   |   |  |
| Total increase in net assets   |    | 142,434,963<br>7,558,826                                    |     | 7,558,826<br>—  | <br>42,991,897<br>151,303,704                               | 15,762,497<br>135,541,207                            |
| End of period  | \$ | 149,993,789   | \$  | 7,558,826   | \$<br>194,295,601 \$  | 151,303,704  |
| Undistributed (distributions in excess of) net investment income, end of period                      | \$ | 169,729   |     | _   | \$<br>(422,673) \$  | (189,526)  |

<sup>&</sup>lt;sup>1</sup> Commencement of operations.

 $<sup>^{\</sup>rm 2}$  Dividends and distributions are determined in accordance with federal income tax regulations.

## Statement of Cash Flows

| Six Months Ended September 30, 2013 (Unaudited)  | Se | eries S Portfolio        |
|--|----|--------------------------|
| Cash Used for Operating Activities   |    |                          |
| Net increase in net assets resulting from operations.  | \$ | 323,757                  |
| Adjustments to reconcile net increase in net assets resulting from operations to net cash used for operating activities: |    |                          |
| Decrease in cash pledged as collateral for reverse repurchase agreements   |    | 266,000                  |
| Decrease in cash pledged for financial futures contracts   |    | 31,000                   |
| Increase in cash pledged for centrally cleared swaps   |    | (150,000)                |
| Decrease in variation margin receivable on futures   |    | 14,315                   |
| Decrease in TBA sale commitments receivable  |    | 413,723                  |
| Increase in swaps receivable   |    | (97                      |
| Decrease in swap premiums paid.  |    | 73,694                   |
| Increase in interest receivable  |    | (1,331                   |
| Increase in receivable from Manager  |    | (1,365                   |
| Increase in prepaid expenses.  |    | (6,254                   |
| Decrease in TBA sale commitments at value  |    | (414,939)                |
| Increase in variation margin payable on centrally cleared swaps.   |    | 6,048                    |
| Increase in variation margin payable on futures.   |    | 16.734                   |
| Increase in swaps payable.   |    | 12.785                   |
| Decrease in swap premiums received   |    | (59,021                  |
| Decrease in interest expense payable .   |    | (28,283)                 |
| Decrease in professional fees payable  |    | (29,433)                 |
| Decrease in Officer's and Trustees' fees payable.  |    | (2,193                   |
| Increase in other accrued expenses payable.  |    | 1,546                    |
| Net realized and unrealized loss on investments, options written and swaps.  |    | 2,679,839                |
| Amortization of premium and accretion of discount on investments   |    | 1.128.146                |
| Proceeds from sales and paydowns of long-term investments.   |    | 194,154,618              |
| Purchases of long-term investments   |    | (247,958,522)            |
|  |    | 11,206,739               |
| Net sales of short-term securities.  | _  |                          |
| Cash used for operating activities   |    | (38,322,494)             |
| Cash Provided by Financing Activities  |    |                          |
| Net change in reverse repurchase agreements  |    | (5,833,311)              |
| Proceeds from shares sold  |    | 86,003,100               |
| Shares redeemed  |    | (39,695,188              |
| Cash dividends paid to shareholders  |    | (3,335,463               |
| Cash provided by financing activities  |    | 37,139,138               |
| Cash   | _  |                          |
|  |    | (1.102.250               |
| Net decrease in cash   |    | (1,183,356)<br>1,675,048 |
| Cash at beginning of period  | _  |                          |
| Cash at end of period  | \$ | 491,692                  |
| Non-Cash Financing Activities  |    |                          |
| Cash paid during the period for interest.  | \$ | 60,052                   |
|  | _  |                          |

### Series C Portfolio

|   | Sept | Months<br>Ended<br>ember 30, | _  |                     | Year Ended          | March | 31,                 |                     |    | Period<br>ctober 1,<br>2008 to |     | Year<br>Ended       |
|---|------|------------------------------|----|---------------------|---------------------|-------|---------------------|---------------------|----|--------------------------------|-----|---------------------|
|   |      | 2013<br>audited)             |    | 2013                | 2012                |       | 2011                | 2010                | IV | larch 31,<br>2009              | Sep | tember 30,<br>2008  |
| Per Share Operating Performan   | ce   |                              |    |                     |                     |       |                     |                     |    |                                |     |                     |
| Net asset value, beginning of period  | \$   | 10.95                        | \$ | 10.53               | \$<br>10.04         | \$    | 9.81                | \$<br>8.74          | \$ | 8.48                           | \$  | 9.79                |
| Net investment income <sup>1</sup> Net realized and unrealized              |      | 0.23                         |    | 0.47                | 0.52                |       | 0.53                | 0.53                |    | 0.26                           |     | 0.58                |
| gain (loss)   |      | (0.46)                       |    | 0.42                | 0.48                |       | 0.22                | 1.07                |    | 0.26                           |     | (1.31)              |
| Net increase (decrease) from investment operations                          |      | (0.23)                       |    | 0.89                | 1.00                |       | 0.75                | 1.60                |    | 0.52                           |     | (0.73)              |
| Dividends and distributions from:  Net investment income  Net realized gain |      | (0.22)<br>(0.06)             |    | (0.47) <sup>2</sup> | (0.51) <sup>2</sup> |       | (0.52) <sup>2</sup> | (0.53) <sup>2</sup> |    | (0.26) <sup>2</sup>            |     | (0.58) <sup>2</sup> |
| Total dividends and distributions   |      | (0.28)                       |    | (0.47)              | (0.51)              |       | (0.52)              | (0.53)              |    | (0.26)                         |     | (0.58)              |
| Net asset value, end of period.   | \$   | 10.44                        | \$ | 10.95               | \$<br>10.53         | \$    | 10.04               | \$<br>9.81          | \$ | 8.74                           | \$  | 8.48                |
| Total Investment Return <sup>3</sup>  |      |                              |    |                     |                     |       |                     |                     |    |                                |     |                     |
| Based on net asset value  |      | (2.10)%4                     |    | 8.53%               | 10.20%              |       | 7.73%               | 18.68%              |    | 6.17%4                         |     | (8.02)%             |
| Ratios to Average Net Assets  |      |                              |    |                     |                     |       |                     |                     |    |                                |     |                     |
| Total expenses  |      | 0.14%5                       |    | 0.13%               | 0.14%               |       | 0.14%               | 0.14%               |    | 0.25% <sup>5</sup>             |     | 0.67%               |
| Total expenses after fees reimbursed  |      | 0.02%5                       |    | 0.01%               | 0.01%               |       | 0.00%               | 0.00%               |    | 0.09%5                         |     | 0.55%               |
| Total expenses after fees reimbursed and excluding interest expense         |      | 0.00% <sup>5</sup>           |    | 0.00%               | 0.00%               |       | 0.00%               | 0.00%               |    | 0.00%5                         |     | 0.00%               |
| Net investment income   |      | 4.31% <sup>5</sup>           |    | 4.31%               | 5.02%               |       | 5.24%               | 5.64%               |    | 5.96% <sup>5</sup>             |     | 5.96%               |
| Supplemental Data   |      |                              |    |                     |                     |       |                     |                     |    |                                |     |                     |
| Net assets, end of period (000)   | \$   | 324,851                      | \$ | 368,644             | \$<br>341,995       | \$    | 314,835             | \$<br>364,790       | \$ | 352,930                        | \$  | 380,706             |
| Portfolio turnover  |      | 27%                          |    | 51%                 | 41%                 |       | 55%                 | 51%                 |    | 16%                            |     | 51%                 |

Based on average shares outstanding.

Dividends are determined in accordance with federal income tax regulations.

Where applicable, total investment returns assume the reinvestment of dividends and distributions.

Aggregate total investment return.

Annualized.

#### Series M Portfolio

|   | -   | ix Months<br>Ended<br>Itember 30, | _  |   | Year Ended          | March | 31,                 |                     |    | Period<br>ctober 1,<br>2008 to |     | Year<br>Ended       |
|---|-----|-----------------------------------|----|---|---------------------|-------|---------------------|---------------------|----|--------------------------------|-----|---------------------|
|   | (U  | 2013<br>naudited)                 |    | 2013                                    | 2012                |       | 2011                | 2010                | N  | larch 31,<br>2009              |     | ember 30,<br>2008   |
| Per Share Operating Performan   | ice |                                   |    |   |                     |       |                     |                     |    |                                |     |                     |
| Net asset value, beginning of period  | \$  | 9.89                              | \$ | 10.52                                   | \$<br>9.44          | \$    | 9.21                | \$<br>8.66          | \$ | 9.33                           | \$  | 9.73                |
| Net investment income <sup>1</sup>  |     | 0.10                              |    | 0.21                                    | 0.28                |       | 0.29                | 0.38                |    | 0.26                           |     | 0.51                |
| gain (loss)   |     | (0.21)                            |    | 0.35                                    | 1.07                |       | 0.26                | 0.55                |    | (0.52)                         |     | (0.39)              |
| Net increase (decrease) from investment operations                          |     | (0.11)                            |    | 0.56                                    | 1.35                |       | 0.55                | 0.93                |    | (0.26)                         |     | 0.12                |
| Dividends and distributions from:  Net investment income  Net realized gain |     | (0.13)<br>(0.01)                  |    | (0.31) <sup>2</sup> (0.88) <sup>2</sup> | (0.27) <sup>2</sup> |       | (0.32) <sup>2</sup> | (0.38) <sup>2</sup> |    | $(0.26)^2$<br>$(0.15)^2$       |     | (0.52) <sup>2</sup> |
| Total dividends and distributions   |     | (0.14)                            |    | (1.19)                                  | (0.27)              |       | (0.32)              | (0.38)              |    | (0.41)                         |     | (0.52)              |
| Net asset value, end of period.   | \$  | 9.64                              | \$ | 9.89                                    | \$<br>10.52         | \$    | 9.44                | \$<br>9.21          | \$ | 8.66                           | \$  | 9.33                |
| Total Investment Return <sup>3</sup>  |     |                                   |    |   |                     |       |                     |                     |    |                                |     |                     |
| Based on net asset value  |     | (1.10)%4                          |    | 5.33%                                   | 14.46%              |       | 5.91%               | 11.11%              |    | (2.61)%4                       |     | 1.12%               |
| Ratios to Average Net Assets  |     |                                   |    |   |                     |       |                     |                     |    |                                |     |                     |
| Total expenses  |     | 0.16%5                            |    | 0.14%                                   | 0.13%               |       | 0.12%               | 0.13%               |    | 0.17%5                         |     | 0.12%               |
| Total expenses after fees reimbursed  |     | 0.00%5                            |    | 0.00%                                   | 0.00%               |       | 0.00%               | 0.00%               |    | 0.00%5                         |     | 0.01%               |
| Total expenses after fees reimbursed and excluding interest expense         |     | 0.00%5                            |    | 0.00%                                   | 0.00%               |       | 0.00%               | 0.00%               |    | 0.00% <sup>5</sup>             |     | 0.00%               |
| Net investment income   |     | 2.09%5                            |    | 2.00%                                   | 2.76%               |       | 3.04%               | 4.27%               |    | 6.14%5                         |     | 5.29%               |
| Supplemental Data   |     |                                   |    |   |                     |       |                     |                     |    |                                |     |                     |
| Net assets, end of period (000)   | \$  | 273,486                           | \$ | 267,855                                 | \$<br>318,176       | \$    | 313,345             | \$<br>360,903       | \$ | 349,221                        | \$4 | 14,290              |
| Portfolio turnover  |     | 680% <sup>6</sup>                 |    | 798% <sup>7</sup>                       | 523% <sup>8</sup>   |       | 301% <sup>9</sup>   | 178% <sup>10</sup>  |    | 21% <sup>11</sup>              |     | 197% <sup>12</sup>  |

- Based on average shares outstanding.
- Dividends and distributions are determined in accordance with federal income tax regulations.
- <sup>3</sup> Where applicable, total investment returns assume the reinvestment of dividends and distributions.
- Aggregate total investment return.
- 5 Annualized.
- 6 Includes mortgage dollar roll transactions and TBA Sale Commitments; excluding mortgage dollar roll transactions the portfolio turnover would have been 311%.
- Includes mortgage dollar roll transactions, excluding these transactions portfolio turnover was 518%. Including TBA Sale Commitments, to conform to the current year presentation, portfolio turnover was 1,355%. Including TBA Sale Commitments and excluding mortgage dollar rolls, portfolio turnover was 941%.
- 8 Includes mortgage dollar roll transactions; excluding these transactions the portfolio turnover would have been 88%.
- Includes mortgage dollar roll transactions; excluding these transactions the portfolio turnover would have been 92%.
- 10 Includes mortgage dollar roll transactions; excluding these transactions the portfolio turnover would have been 83%.
- 11 Includes mortgage dollar roll transactions; excluding these transactions the portfolio turnover would have been 19%.
- 12 Includes TBA transactions; excluding these transactions the portfolio turnover would have been 33%.

|   |  | Series             | P Portfoli | 0                     |
|---|--|--------------------|------------|-----------------------|
|   | Six Months Ended September 30, 2013 M (Unaudited) to |                    |            |                       |
| Per Share Operating Performance                     |  |                    |            |                       |
| Net asset value, beginning of period                | \$   | 9.96               | \$         | 10.00                 |
| Net investment income <sup>2</sup>                  |  | 0.03               |            | $0.00^{3}$            |
| Net realized and unrealized gain (loss)             |  | 0.27               |            | (0.04)                |
| Net increase (decrease) from investment operations. |  | 0.30               |            | (0.04)                |
| Net asset value, end of period.                     | \$   | 10.26              | \$         | 9.96                  |
| Total Investment Return <sup>4,5</sup>              |  |                    |            |                       |
| Based on net asset value.                           |  | 3.01%              |            | (0.40)%               |
| Ratios to Average Net Assets <sup>6</sup>           |  |                    |            |                       |
| Total expenses.                                     |  | 0.34% <sup>7</sup> |            | 41.03% <sup>8,9</sup> |
| Total expenses after fees waived and reimbursed.    |  | 0.00%7             |            | 0.00%8                |
| Net investment income                               |  | 0.59%7             |            | 0.38%8                |
| Supplemental Data                                   |  |                    |            |                       |
| Net assets, end of period (000)                     | \$   | 149,994            | \$         | 7,559                 |
| Portfolio turnover                                  |  | 15%                |            | 0%                    |

- Commencement of operations.
  Based on average shares outstanding.
- Amount is less than \$0.005 per share.
- Where applicable, total investment returns assume the reinvestment of dividends and distributions.
- Aggregate total investment return.
- Annualized.
- Ratios do not include expenses incurred indirectly as a result of investments in underlying funds of approximately 0.03%.
- Ratios do not include expenses incurred indirectly as a result of investments in underlying funds of approximately 0.02%.
- Organization expenses were not annualized in the calculation of the expense ratios. If these expenses were annualized, the total expenses would have been 43.36%.

### Series S Portfolio

|   | -   | x Months<br>Ended<br>tember 30, |                          | Year Ended               | March | 31,                      |                          | Period<br>October 1,<br>2008 to<br>March 31,<br>2009 |                          | Year<br>Ended<br>September 30,<br>2008 |                     |
|---|-----|---------------------------------|--------------------------|--------------------------|-------|--------------------------|--------------------------|--|--------------------------|--|---------------------|
|   | (U  | 2013<br>naudited)               | 2013                     | 2012                     |       | 2011                     | 2010                     |  |                          |  |                     |
| Per Share Operating Performan   | ice |                                 |                          |                          |       |                          |                          |  |                          |  |                     |
| Net asset value, beginning of period  | \$  | 10.02                           | \$<br>10.03              | \$<br>10.01              | \$    | 10.14                    | \$<br>9.74               | \$   | 9.75                     | \$                                     | 9.79                |
| Net investment income <sup>1</sup>  |     | 0.13                            | 0.35                     | 0.29                     |       | 0.29                     | 0.37                     |  | 0.14                     |  | 0.42                |
| gain (loss)   |     | (0.12)                          | 0.09                     | 0.10                     |       | 0.08                     | 0.46                     |  | 0.09                     |  | (0.04)              |
| Net increase from investment operations                                     |     | 0.01                            | 0.44                     | 0.39                     |       | 0.37                     | 0.83                     |  | 0.23                     |  | 0.38                |
| Dividends and distributions from:  Net investment income  Net realized gain |     | (0.15)<br>(0.06)                | $(0.35)^2$<br>$(0.10)^2$ | $(0.32)^2$<br>$(0.05)^2$ |       | $(0.31)^2$<br>$(0.19)^2$ | $(0.38)^2$<br>$(0.05)^2$ |  | $(0.14)^2$<br>$(0.10)^2$ |  | (0.42) <sup>2</sup> |
| Total dividends and distributions   |     | (0.21)                          | (0.45)                   | (0.37)                   |       | (0.50)                   | (0.43)                   |  | (0.24)                   |  | (0.42)              |
| Net asset value, end of period.   | \$  | 9.82                            | \$<br>10.02              | \$<br>10.03              | \$    | 10.01                    | \$<br>10.14              | \$   | 9.74                     | \$                                     | 9.75                |
| Total Investment Return <sup>3</sup>  |     |                                 |                          |                          |       |                          |                          |  |                          |  |                     |
| Based on net asset value  |     | 0.10%4                          | 4.47%                    | 4.03%                    |       | 3.73%                    | 8.68%                    |  | 2.44%4                   |  | 3.98%               |
| Ratios to Average Net Assets  |     |                                 |                          |                          |       |                          |                          |  |                          |  |                     |
| Total expenses  |     | 0.25%5                          | 0.35%                    | 0.23%                    |       | 0.18%                    | 0.19%                    |  | 0.31%5                   |  | 0.33%               |
| Total expenses after fees reimbursed  |     | 0.08%5                          | 0.14%                    | 0.05%                    |       | 0.03%                    | 0.01%                    |  | 0.00% <sup>5</sup>       |  | 0.00%               |
| Total expenses after fees<br>reimbursed and excluding<br>interest expense   |     | 0.00% <sup>5</sup>              | 0.00%                    | 0.00%                    |       | 0.00%                    | 0.00%                    |  | 0.00% <sup>5</sup>       |  | 0.00%               |
| Net investment income   |     | 2.64% <sup>5</sup>              | 3.59%                    | 2.90%                    |       | 2.93%                    | 3.65%                    |  | 2.79% <sup>5</sup>       |  | 4.27%               |
| Supplemental Data   |     |                                 |                          |                          |       |                          |                          |  |                          |  |                     |
| Net assets, end of period (000)   | \$  | 194,296                         | \$<br>151,304            | \$<br>135,541            | \$    | 177,913                  | \$<br>142,984            | \$   | 87,109                   | \$                                     | 59,843              |
| Portfolio turnover  |     | 101% <sup>6</sup>               | 123% <sup>7</sup>        | 192% <sup>8</sup>        |       | 131% <sup>9</sup>        | 117% <sup>10</sup>       |  | 22%                      |  | 71% <sup>11</sup>   |

Based on average shares outstanding.

Dividends and distributions are determined in accordance with federal income tax regulations.

Where applicable, total investment returns assume the reinvestment of dividends and distributions.

Aggregate total investment return.

Annualized.

Includes mortgage dollar roll transactions; excluding these transactions the portfolio turnover would have been 79%.

Includes mortgage dollar roll transactions; excluding these transactions the portfolio turnover would have been 120%. Includes mortgage dollar roll transactions; excluding these transactions the portfolio turnover would have been 121%.

Includes mortgage dollar roll transactions; excluding these transactions the portfolio turnover would have been 105%. Includes mortgage dollar roll transactions; excluding these transactions the portfolio turnover would have been 114%.

Includes TBA transactions; excluding these transactions the portfolio turnover would have been 69%.

### Notes to Financial Statements (Unaudited)

### 1. Organization:

BlackRock Allocation Target Shares (the "Trust") is registered under the Investment Company Act of 1940, as amended (the "1940 Act"), as a non-diversified, open-end management investment company. The Trust is organized as a Delaware statutory trust. BlackRock Allocation Target Shares: Series C Portfolio ("Series C"), BlackRock Allocation Target Shares: Series M Portfolio ("Series M"), BlackRock Allocation Target Shares: Series P Portfolio ("Series P") and BlackRock Allocation Target Shares: Series S Portfolio ("Series S") (collectively, the "Funds" or individually, a "Fund") are each a series of the Trust.

Shares of the Funds are offered to separate account clients of the investment advisor or certain of its affiliates. Participants in wrap-fee programs pay a single aggregate fee to the program sponsor for all costs and expenses of the wrap-fee programs including investment advice and portfolio execution.

### 2. Significant Accounting Policies:

The Funds' financial statements are prepared in conformity with accounting principles generally accepted in the United States of America ("US GAAP"), which may require management to make estimates and assumptions that affect the reported amounts of assets and liabilities in the financial statements and the reported amounts of increases and decreases in net assets from operations during the reporting period. Actual results could differ from those estimates. The following is a summary of the significant accounting policies followed by the Funds:

Valuation: US GAAP defines fair value as the price the Funds would receive to sell an asset or pay to transfer a liability in an orderly transaction between market participants at the measurement date. The Funds determine the fair values of their financial instruments at market value using independent dealers or pricing services under policies approved by the Board of Trustees of the Trust (the "Board"). The BlackRock Global Valuation Methodologies Committee (the "Global Valuation Committee") is the committee formed by management to develop global pricing policies and procedures and to provide oversight of the pricing function for the Funds for all financial instruments.

The Funds value their bond investments on the basis of last available bid prices or current market quotations provided by dealers or pricing services. In determining the value of a particular investment, pricing services may use certain information with respect to transactions in such investments, quotations from dealers, pricing matrixes, market transactions in comparable investments, various relationships observed in the market between investments and calculated yield measures. Assetbacked and mortgage-backed securities are valued by independent pricing services using models that consider estimated cash flows of each tranche of the security, establish a benchmark yield and develop an estimated tranche specific spread to the benchmark yield based on the unique attributes of the tranche. Financial futures contracts traded on exchanges are valued at their last sale price. TBA commitments are valued on the basis of last available bid prices or current market quotations provided by pricing services. Swap agreements are valued utilizing quotes received daily by the Funds' pricing service or through brokers, which are derived using daily swap curves and models that incorporate a number of market data factors, such as discounted cash flows, trades and values of the underlying reference instruments. Investments in

open-end registered investment companies are valued at NAV each business day.

Municipal investments (including commitments to purchase such investments on a "when-issued" basis) are valued on the basis of prices provided by dealers or pricing services. In determining the value of a particular investment, pricing services may use certain information with respect to transactions in such investments, quotations from dealers, pricing matrixes, market transactions in comparable investments and information with respect to various relationships between investments.

Exchange-traded options are valued at the mean between the last bid and ask prices at the close of the options market in which the options trade. An exchange-traded option for which there is no mean price is valued at the last bid (long positions) or ask (short positions) price. If no bid or ask price is available, the prior day's price will be used, unless it is determined that the prior day's price no longer reflects the fair value of the option. Over-the-counter ("OTC") options and swaptions are valued by an independent pricing service using a mathematical model, which incorporates a number of market data factors, such as the trades and prices of the underlying instruments.

In the event that application of these methods of valuation results in a price for an investment that is deemed not to be representative of the market value of such investment, or if a price is not available, the investment will be valued by the Global Valuation Committee or its delegate, in accordance with a policy approved by the Board as reflecting fair value ("Fair Value Assets"). When determining the price for Fair Value Assets, the Global Valuation Committee, or its delegate, seeks to determine the price that each Fund might reasonably expect to receive from the current sale of that asset in an arm's-length transaction. Fair value determinations shall be based upon all available factors that the Global Valuation Committee, or its delegate, deem relevant consistent with the principles of fair value measurement which include the market approach, income approach and/or in the case of recent investments, the cost approach, as appropriate. The market approach generally consists of using comparable market transactions. The income approach generally is used to discount future cash flows to present value and is adjusted for liquidity as appropriate. These factors include but are not limited to: (i) attributes specific to the investment or asset; (ii) the principal market for the investment or asset; (iii) the customary participants in the principal market for the investment or asset; (iv) data assumptions by market participants for the investment or asset, if reasonably available; (v) quoted prices for similar investments or assets in active markets; and (vi) other factors, such as future cash flows, interest rates, yield curves, volatilities, prepayment speeds, loss severities, credit risks, recovery rates, liquidation amounts and/or default rates. Due to the inherent uncertainty of valuations of such investments, the fair values may differ from the values that would have been used had an active market existed. The Global Valuation Committee, or its delegate, employs various methods for calibrating valuation approaches for investments where an active market does not exist, including regular due diligence of the Funds' pricing vendors, regular reviews of key inputs and assumptions, transactional backtesting or disposition analysis to compare unrealized gains and losses to realized gains and losses, reviews of missing or stale prices and large movements in market values and reviews of any market related activity.

The pricing of all Fair Value Assets is subsequently reported to the Board or a committee thereof on a quarterly basis.

### 3. Securities and Other Investments:

Segregation and Collateralization: In cases in which the 1940 Act and the interpretive positions of the Securities and Exchange Commission ("SEC") require that each Fund either deliver collateral or segregate assets in connection with certain investments (e.g., dollar rolls, TBA sale commitments, financial futures contracts, swaps and options written), or certain borrowings (e.g., reverse repurchase agreements and treasury roll transactions), each Fund will, consistent with SEC rules and/or certain interpretive letters issued by the SEC, segregate collateral or designate on its books and records cash or liquid securities having a market value at least equal to the amount that would otherwise be required to be physically segregated. Furthermore, based on requirements and agreements with certain exchanges and third party broker-dealers, a Fund engaging in such transactions may have requirements to deliver/deposit securities to/with an exchange or broker-dealer as collateral for certain investments.

Investment Transactions and Investment Income: For financial reporting purposes, investment transactions are recorded on the dates the transactions are entered into (the trade dates). Realized gains and losses on investment transactions are determined on the identified cost basis. Dividend income is recorded on the ex-dividend dates. Interest income, including amortization and accretion of premiums and discounts on debt securities, is recognized on the accrual basis.

Dividends and Distributions: Each Fund's dividends from net investment income are declared daily and paid monthly, except Series P, which declares and pays dividends at least annually. Distributions of capital gains are recorded on the ex-dividend dates. The portion of distributions that exceeds a Fund's current and accumulated earnings and profits, which are measured on a tax basis, will constitute a nontaxable return of capital. Distributions in excess of a Fund's taxable income and net capital gains, but not in excess of a Fund's earnings and profits, will be taxable to shareholders as ordinary income and will not constitute a nontaxable return of capital. The character and timing of dividends and distributions are determined in accordance with federal income tax regulations, which may differ from US GAAP.

Income Taxes: It is the Funds' policy to comply with the requirements of the Internal Revenue Code of 1986, as amended, applicable to regulated investment companies and to distribute substantially all of their taxable income to their shareholders. Therefore, no federal income tax provision is required.

Each Fund files US federal and various state and local tax returns. No income tax returns are currently under examination. The statute of limitations on the Funds', except Series P, US federal tax returns remains open for each of the four periods ended March 31, 2013. The statute of limitations on Series P's US federal tax return remains open for the period ended March, 31, 2013. The statutes of limitations on each Fund's state and local tax returns may remain open for an additional year depending upon the jurisdiction. Management does not believe there are any uncertain tax positions that require recognition of a tax liability.

**Offering Costs:** Offering costs are amortized over a 12-month period beginning with the commencement of operations by Series P.

Other: Expenses directly related to a Fund are charged to that Fund. Other operating expenses shared by several funds are pro rated among those funds on the basis of relative net assets or other appropriate methods. Expenses directly related to the Funds and other shared expenses pro rated to the Funds are allocated daily based on its relative net assets or other appropriate methods.

The Funds have an arrangement with the custodian whereby fees may be reduced by credits earned on uninvested cash balances, which, if applicable, are shown as fees paid indirectly in the Statements of Operations. The custodian imposes fees on overdrawn cash balances, which can be offset by accumulated credits earned or may result in additional custody charges.

Asset-Backed and Mortgage-Backed Securities: The Funds may invest in asset-backed securities. Asset-backed securities are generally issued as pass-through certificates, which represent undivided fractional ownership interests in an underlying pool of assets, or as debt instruments, which are also known as collateralized obligations, and are generally issued as the debt of a special purpose entity organized solely for the purpose of owning such assets and issuing such debt. Asset-backed securities are often backed by a pool of assets representing the obligations of a number of different parties. The yield characteristics of certain asset-backed securities may differ from traditional debt securities. One such major difference is that all or a principal part of the obligations may be prepaid at any time because the underlying assets (i.e., loans) may be prepaid at any time. As a result, a decrease in interest rates in the market may result in increases in the level of prepayments as borrowers, particularly mortgagors, refinance and repay their loans. An increased prepayment rate with respect to an asset-backed security subject to such a prepayment feature will have the effect of shortening the maturity of the security. In addition, the Funds may have to subsequently reinvest the proceeds at lower interest rates. If a Fund has purchased such an asset-backed security at a premium, a faster than anticipated prepayment rate could result in a loss of principal to the extent of the premium paid.

The Funds may purchase certain mortgage pass-through securities. There are a number of important differences among the agencies and instrumentalities of the US government that issue mortgage-related securities and among the securities that they issue. For example, mortgage-related securities guaranteed by Ginnie Mae are guaranteed as to the timely payment of principal and interest by Ginnie Mae and such guarantee is backed by the full faith and credit of the United States. However, mortgage-related securities issued by Freddie Mac and Fannie Mae, including Freddie Mac and Fannie Mae guaranteed mortgage pass-through certificates, which are solely the obligations of Freddie Mac and Fannie Mae, are not backed by or entitled to the full faith and credit of the United States but are supported by the right of the issuer to borrow from the Treasury.

**Inflation-Indexed Bonds:** The Funds may invest in inflation-indexed bonds. Inflation-indexed bonds are fixed income securities whose principal value is periodically adjusted according to the rate of inflation. If the

index measuring inflation rises or falls, the principal value of inflation-indexed bonds will be adjusted upward or downward, and consequently the interest payable on these securities (calculated with respect to a larger or smaller principal amount) will be increased or reduced, respectively. Any upward or downward adjustment in the principal amount of an inflation-indexed bond will be included as interest income in the Statements of Operations, even though investors do not receive their principal until maturity. Repayment of the original bond principal upon maturity (as adjusted for inflation) is guaranteed in the case of US Treasury inflation-indexed bonds. For bonds that do not provide a similar guarantee, the adjusted principal value of the bond repaid at maturity may be less than the original principal.

Multiple Class Pass-Through Securities: The Funds may invest in multiple class pass-through securities, including collateralized mortgage obligations ("CMOs") and commercial mortgage-backed securities. These multiple class securities may be issued by Ginnie Mae, US government agencies or instrumentalities or by trusts formed by private originators of, or investors in, mortgage loans. In general, CMOs are debt obligations of a legal entity that are collateralized by, and multiple class passthrough securities represent direct ownership interests in, a pool of residential or commercial mortgage loans or mortgage pass-through securities (the "Mortgage Assets"), the payments on which are used to make payments on the CMOs or multiple pass-through securities. Classes of CMOs include interest only ("IOs"), principal only ("POs"), planned amortization classes and targeted amortization classes. IOs and POs are stripped mortgage-backed securities representing interests in a pool of mortgages, the cash flow from which has been separated into interest and principal components. IOs receive the interest portion of the cash flow while POs receive the principal portion. IOs and POs can be extremely volatile in response to changes in interest rates. As interest rates rise and fall, the value of IOs tends to move in the same direction as interest rates. POs perform best when prepayments on the underlying mortgages rise since this increases the rate at which the principal is returned and the yield to maturity on the PO. When payments on mortgages underlying a PO are slower than anticipated, the life of the PO is lengthened and the yield to maturity is reduced. If the underlying Mortgage Assets experience greater than anticipated pre-payments of principal, the Funds may not fully recoup their initial investment in IOs.

Stripped Mortgage-Backed Securities: The Funds may invest in stripped mortgage-backed securities issued by the US government, its agencies and instrumentalities. Stripped mortgage-backed securities are usually structured with two classes that receive different proportions of the interest (IOs) and principal (POs) distributions on a pool of Mortgage Assets. The Funds also may invest in stripped mortgage-backed securities that are privately issued.

**Zero-Coupon Bonds:** The Funds may invest in zero-coupon bonds, which are normally issued at a significant discount from face value and do not provide for periodic interest payments. Zero-coupon bonds may experience greater volatility in market value than similar maturity debt obligations which provide for regular interest payments.

Capital Trusts and Trust Preferred Securities: The Funds may invest in capital trusts and/or trust preferred securities. These securities are typically issued by corporations, generally in the form of interest-bearing notes with preferred securities characteristics, or by an affiliated busi-

ness trust of a corporation, generally in the form of beneficial interests in subordinated debentures or similarly structured securities. The securities can be structured as either fixed or adjustable coupon securities that can have either a perpetual or stated maturity date. For trust preferred securities, the issuing bank or corporation will pay interest to the trust, which will then be distributed to holders of the trust preferred securities as a dividend. Dividends can be deferred without creating an event of default or acceleration, although maturity cannot take place unless all cumulative payment obligations have been met. The deferral of payments does not affect the purchase or sale of these securities in the open market. Payments on these securities are treated as interest rather than dividends for federal income tax purposes. These securities generally are rated below that of the issuing company's senior debt securities and are freely callable at the issuer's option.

### Forward Commitments and When-Issued Delayed Delivery Securities:

The Funds may purchase securities on a when-issued basis and may purchase or sell securities on a forward commitment basis. Settlement of such transactions normally occurs within a month or more after the purchase or sale commitment is made. The Funds may purchase securities under such conditions with the intention of actually acquiring them, but may enter into a separate agreement to sell the securities before the settlement date. Since the value of securities purchased may fluctuate prior to settlement, the Funds may be required to pay more at settlement than the security is worth. In addition, the Funds are not entitled to any of the interest earned prior to settlement. When purchasing a security on a delayed delivery basis, the Funds assume the rights and risks of ownership of the security, including the risk of price and yield fluctuations. In the event of default by the counterparty, the Funds' maximum amount of loss is the unrealized appreciation of unsettled when-issued transactions, which is shown in the Schedules of Investments.

TBA Commitments: The Funds may enter into TBA commitments. TBA commitments are forward agreements for the purchase or sale of mortgage-backed securities for a fixed price, with payment and delivery on an agreed upon future settlement date. The specific securities to be delivered are not identified at the trade date. However, delivered securities must meet specified terms, including issuer, rate and mortgage terms. The Funds generally enter into TBA commitments with the intent to take possession of or deliver the underlying mortgage-backed securities but can extend the settlement or roll the transaction. TBA commitments involve a risk of loss if the value of the security to be purchased or sold declines or increases, respectively, prior to settlement date.

Mortgage Dollar Roll Transactions: The Funds may sell TBA mortgage-backed securities and simultaneously contract to repurchase substantially similar (same type, coupon and maturity) securities on a specific future date at an agreed upon price. During the period between the sale and repurchase, the Funds will not be entitled to receive interest and principal payments on the securities sold. The Funds account for mortgage dollar roll transactions as purchases and sales and realize gains and losses on these transactions. These transactions may increase the Funds' portfolio turnover rate. Mortgage dollar rolls involve the risk that the market value of the securities that the Funds are required to purchase may decline below the agreed upon repurchase price of those securities.

Reverse Repurchase Agreements: The Funds may enter into reverse repurchase agreements with qualified third party broker-dealers. In a reverse repurchase agreement, the Funds sell securities to a bank or broker-dealer and agrees to repurchase the same securities at a mutually agreed upon date and price. During the term of the reverse repurchase agreement, the Funds continue to receive the principal and interest payments on the securities sold. Certain agreements have no stated maturity and can be terminated by either party at any time. Interest on the value of the reverse repurchase agreements issued and outstanding is based upon competitive market rates determined at the time of issuance. The Fund may utilize reverse repurchase agreements when it is anticipated that the interest income to be earned from the investment of the proceeds of the transaction is greater than the interest expense of the transaction. Reverse repurchase agreements involve leverage risk and also the risk that the market value of the securities that the Fund is obligated to repurchase under the agreement may decline below the repurchase price.

For financial reporting purposes, cash received in exchange for securities delivered plus accrued interest payments to be made to the counterparty is recorded as a liability in the Statements of Assets and Liabilities at face value including accrued interest. Due to the short term nature of the reverse repurchase agreements, face value approximates fair value. Interest payments made by the Funds to the counterparties are recorded as a component of interest expense in the Statements of Operations. In periods of increased demand for the security, a Fund may receive a fee for use of the security by the counterparty, which may result in interest income to the Funds.

Treasury Roll Transactions: The Funds may enter into treasury roll transactions. In a treasury roll transaction, the Funds sells a Treasury security to a counterparty with a simultaneous agreement to repurchase the same security at an agreed upon price and future settlement date. The Funds receives cash from the sale of the Treasury security to use for other investment purposes. The difference between the sale price and

repurchase price represents net interest income or net interest expense reflective of an agreed upon rate between the Funds and the counterparty over the term of the borrowing. For US GAAP purposes, a treasury roll transaction is accounted for as a secured borrowing and not as a purchase or sale. During the term of the borrowing, interest income from the Treasury security and the related interest expense on the secured borrowing is recorded by the Funds on an accrual basis. The Funds will benefit from the transaction if the income earned on the investment purchased with the cash received in the treasury roll transaction exceeds the income earned, the Funds' net investment income and dividends to shareholders may be adversely impacted. Treasury roll transactions involve the risk that the market value of the securities that the Funds are required to repurchase may decline below the agreed upon repurchase price of those securities.

Reverse repurchase transactions and treasury roll transactions are entered into by a Fund under Master Repurchase Agreements (MRA). which permit a Fund, under certain circumstances, including an event of default (such as bankruptcy or insolvency), to offset payables and/or receivables under the MRA with collateral held and/or posted to the counterparty and create one single net payment due to or from a Fund. With reverse repurchase transactions and treasury roll transactions, typically the Funds and the counterparties are permitted to sell, re-pledge, or use the collateral associated with the transaction. However, bankruptcy or insolvency laws of a particular jurisdiction may impose restrictions on or prohibitions against such a right of offset in the event of the MRA counterparty's bankruptcy or insolvency. Pursuant to the terms of the MRA, a Fund receives or posts securities as collateral with a market value in excess of the repurchase price to be paid or received by a Fund upon the maturity of the transaction. Upon a bankruptcy or insolvency of the MRA counterparty, a Fund is considered an unsecured creditor with respect to excess collateral and, as such, the return of excess collateral may be delayed.

The following tables are a summary of the Funds' outstanding reverse repurchase agreements by counterparty which are subject to offset under a MRA on a net basis as of September 30, 2013:

| Counterparty                                | Reverse<br>Repurchase<br>Agreements | Fair Value of<br>Non-cash<br>Collateral Pledged <sup>1</sup> | Cash Collateral<br>Pledged | Net Amount |
|---|-------------------------------------|--|----------------------------|------------|
| Series C                                    |                                     |  |                            |            |
| BNP Paribas Securities Corp                 | \$ 5,620,115                        | \$ (5,620,115)   | _                          | -          |
| Deutsche Bank Securities, Inc.              | 5,392,167                           | (5,392,167)  | _                          | -          |
| Merrill Lynch, Pierce, Fenner & Smith, Inc. | 13,592,662                          | (13,592,662)   | _                          | -          |
| UBS Securities LLC                          | 7,890,045                           | (7,890,045)  | _                          | -          |
| Total                                       | \$32,494,989                        | \$(32,494,989)   | _                          | _          |
| Series S                                    |                                     |  |                            |            |
| Barclays Capital, Inc.                      | \$ 2,499,578                        | \$ (2,499,578)   | _                          | _          |
| BNP Paribas Securities Corp                 | 7,197,729                           | (7,197,729)  | _                          | _          |
| Credit Suisse Securities (USA) LLC.         | 9,744,334                           | (9,744,334)  | _                          | _          |
| Deutsche Bank Securities, Inc.              | 9,844,149                           | (9,844,149)  | _                          | _          |
| Total                                       | \$29,285,790                        | \$(29,285,790)   | _                          | _          |

<sup>&</sup>lt;sup>1</sup>Collateral with a value of \$33,347,701 and \$30,612,379, respectively, has been pledged in connection with open reverse repurchase agreements. Excess of collateral pledged to the individual counterparty is not shown for financial reporting purposes.

### 4. Derivative Financial Instruments:

The Funds engage in various portfolio investment strategies using derivative contracts both to increase the returns of the Funds and/or to economically hedge their exposure to certain risks such as credit risk or interest rate risk. These contracts may be transacted on an exchange or OTC.

Financial Futures Contracts: The Funds purchase and/or sell financial futures contracts and options on financial futures contracts to gain exposure to, or economically hedge against, changes in interest rates (interest rate risk). Financial futures contracts are agreements between a Fund and a counterparty to buy or sell a specific quantity of an underlying instrument at a specified price and at a specified date. Depending on the terms of the particular contract, financial futures contracts are settled either through physical delivery of the underlying instrument on the settlement date or by payment of a cash settlement amount on the settlement date. Upon entering into a financial futures contract, the Funds are required to deposit initial margin with the broker in the form of cash or securities in an amount that varies depending on a contract's size and risk profile. The initial margin deposit must then be maintained at an established level over the life of the contract. Securities deposited as initial margin are designated on the Schedules of Investments and cash deposited, if any, is recorded on the Statements of Assets and Liabilities as cash pledged for financial futures contracts. Pursuant to the contract, the Funds agree to receive from or pay to the broker an amount of cash equal to the daily fluctuation in value of the contract. Such receipts or payments are known as variation margin. Variation margin is recorded by the Funds as unrealized appreciation or depreciation, and if applicable, as a receivable or payable for variation margin in the Statements of Assets and Liabilities. When the contract is closed, the Funds record a realized gain or loss equal to the difference between the value of the contract at the time it was opened and the value at the time it was closed. The use of financial futures contracts involves the risk of an imperfect correlation in the movements in the price of financial futures contracts, interest rates and the underlying assets.

Options: Certain Funds purchase and write call and put options to increase or decrease their exposure to underlying instruments (including interest rate risk) and/or, in the case of options written, to generate gains from options premiums. A call option gives the purchaser (holder) of the option the right (but not the obligation) to buy, and obligates the seller (writer) to sell (when the option is exercised) the underlying instrument at the exercise or strike price at any time or at a specified time during the option period. A put option gives the holder the right to sell and obligates the writer to buy the underlying instrument at the exercise or strike price at any time or at a specified time during the option period. When the Funds purchase (write) an option, an amount equal to the premium paid (received) by the Funds is reflected as an asset (liability). The amount of the asset (liability) is subsequently marked-to-market to reflect the current market value of the option purchased (written). When an instrument is purchased or sold through an exercise of an option, the related premium paid (or received) is added to (or deducted from) the basis of the instrument acquired or deducted from (or added to) the proceeds of the instrument sold. When an option expires (or the Funds enter into a closing transaction), the Funds realize a gain or loss on the option to the extent of the premiums received or paid (or gain or

loss to the extent the cost of the closing transaction exceeds the premiums received or paid). When the Funds write a call option, such option is "covered," meaning that the Funds hold the underlying instrument subject to being called by the option counterparty. When the Funds write a put option, such option is covered by cash in an amount sufficient to cover the obligation.

Options on swaps (swaptions) are similar to options on securities except that instead of selling or purchasing the right to buy or sell a security, the writer or purchaser of the swap option is granting or buying the right to enter into a previously agreed upon interest rate or credit default swap agreement (interest rate risk and/or credit risk) at any time before the expiration of the option.

In purchasing and writing options, the Funds bear the risk of an unfavorable change in the value of the underlying instrument or the risk that the Funds may not be able to enter into a closing transaction due to an illiquid market. Exercise of a written option could result in the Funds purchasing or selling a security when it otherwise would not, at a price different from the current market value.

Swaps: The Funds enter into swap agreements, in which the Funds and a counterparty agree either to make periodic net payments on a specified notional amount or a net payment upon termination. Swap agreements are privately negotiated in the OTC market and may be entered into as a bilateral contract ("OTC swaps) or centrally cleared ("centrally cleared swaps"). Swaps are marked-to-market daily and changes in value are recorded as unrealized appreciation (depreciation).

For OTC swaps, any upfront premiums paid are recorded as assets and any upfront fees received are recorded as liabilities and are shown as swap premiums paid and swap premiums received, respectively, in the Statements of Assets and Liabilities and amortized over the term of the OTC swap. Payments received or made by the Funds for OTC swaps are recorded in the Statement of Operations as realized gains or losses, respectively. When an OTC swap is terminated, the Funds will record a realized gain or loss equal to the difference between the proceeds from (or cost of) the closing transaction and the Funds' basis in the contract, if any. Generally, the basis of the contracts is the premium received or paid.

In a centrally cleared swap, immediately following execution of the swap agreement, the swap agreement is novated to a central counterparty (the "CCP") and the Fund's counterparty on the swap agreement becomes the CCP. The Funds are required to interface with the CCP through a broker. Upon entering into a centrally cleared swap, the Funds are required to deposit initial margin with the broker in the form of cash or securities in an amount that varies depending on the size and risk profile of the particular swap. Securities deposited as initial margin are designated on the Schedules of Investments and cash deposited is recorded on the Statements of Assets and Liabilities as cash pledged for centrally cleared swaps. The daily change in valuation of centrally cleared swaps is recorded as a receivable or payable for variation margin in the Statements of Assets and Liabilities. Payments received from (paid to) the counterparty, including at termination, are recorded as realized gain (loss) in the Statements of Operations.

Swap transactions involve, to varying degrees, elements of interest rate, credit and market risk in excess of the amounts recognized in the Statements of Assets and Liabilities. Such risks involve the possibility that there will be no liquid market for these agreements, that the counterparty to the agreements may default on its obligation to perform or disagree as to the meaning of the contractual terms in the agreements, and that there may be unfavorable changes in interest rates and/or market values associated with these transactions.

- Credit default swaps Certain Funds enter into credit default swaps to manage their exposure to the market or certain sectors of the market, to reduce their risk exposure to defaults of corporate and/or sovereign issuers or to create exposure to corporate and/or sovereign issuers to which they are not otherwise exposed (credit risk). The Funds may either buy or sell (write) credit default swaps on singlename issuers (corporate or sovereign), a combination or basket of single-name issuers or traded indexes. Credit default swaps on single-name issuers are agreements in which the protection buyer pays fixed periodic payments to the seller in consideration for a guarantee from the protection seller to make a specific payment should a negative credit event take place with respect to the referenced entity (e.g., bankruptcy, failure to pay, obligation accelerators, repudiation, moratorium or restructuring). Credit default swaps on traded indexes are agreements in which the buyer pays fixed periodic payments to the seller in consideration for a guarantee from the seller to make a specific payment should a write-down, principal or interest shortfall or default of all or individual underlying securities included in the index occur. As a buyer, if an underlying credit event occurs, the Funds will either (i) receive from the seller an amount equal to the notional amount of the swap and deliver the referenced security or underlying securities comprising the index, or (ii) receive a net settlement of cash equal to the notional amount of the swap less the recovery value of the security or underlying securities comprising the
- index. As a seller (writer), if an underlying credit event occurs, the Funds will either pay the buyer an amount equal to the notional amount of the swap and take delivery of the referenced security or underlying securities comprising the index or pay a net settlement of cash equal to the notional amount of the swap less the recovery value of the security or underlying securities comprising the index.
- Total return swaps The Funds enter into total return swaps to obtain exposure to a security or market without owning such security or investing directly in that market or to transfer the risk/return of one market (e.g., fixed income) to another market (e.g., equity) (equity risk and/or interest rate risk). Total return swaps are agreements in which there is an exchange of cash flows whereby one party commits to make payments based on the total return (coupons plus capital gains/losses) of an underlying instrument in exchange for fixed or floating rate interest payments. To the extent the total return of the instrument or index underlying the transaction exceeds or falls short of the offsetting interest rate obligation, the Funds will receive a payment from or make a payment to the counterparty.
- Interest rate swaps The Funds enter into interest rate swaps to gain or reduce exposure to interest rates or to manage duration, the yield curve or interest rate risk by economically hedging the value of the fixed rate bonds which may decrease when interest rates rise (interest rate risk). Interest rate swaps are agreements in which one party pays a stream of interest payments, either fixed or floating, for another party's stream of interest payments, either fixed or floating, on the same notional amount for a specified period of time. Interest rate floors, which are a type of interest rate swap, are agreements in which one party agrees to make payments to the other party to the extent that interest rates fall below a specified rate or floor in return for a premium. In more complex swaps, the notional principal amount may decline (or amortize) over time.

The following is a summary of the Funds' derivative financial instruments categorized by risk exposure:

| Fair Values of Derivative Financial Instruments as of September 30, 2013 |   |                        |                  |                     |  |  |  |  |
|--|---|------------------------|------------------|---------------------|--|--|--|--|
| Derivative Assets  |   |                        |                  |                     |  |  |  |  |
| _  |   | Series C               | Series M         | Series S            |  |  |  |  |
|  | Statements of Assets and Liabilities Location   |                        | Value            |                     |  |  |  |  |
| Interest rate contracts Credit contracts                                 | Net unrealized appreciation/depreciation <sup>1</sup> ; Unrealized appreciation on over-the-counter swaps; Swap premiums paid; Investments at value <sup>2</sup> Unrealized appreciation on swaps; Swap premiums paid | \$1,837,640<br>276,257 | \$4,237,951<br>— | \$247,520<br>33,617 |  |  |  |  |
| Total  |   | \$2,113,897            | \$4,237,951      | \$281,137           |  |  |  |  |

|  | Derivative Liabilities  |                        |                  |                  |                    |  |  |
|--|---|------------------------|------------------|------------------|--------------------|--|--|
|  |   | Series C               | Series M         | Series P         | Series S           |  |  |
|  | Statements of Assets and Liabilities Location   |                        | Valu             | ıe               |                    |  |  |
| Interest rate contracts Credit contracts | Net unrealized appreciation/depreciation <sup>1</sup> ; Unrealized depreciation on over-the-counter swaps; Swap premiums received; Options written at value Unrealized depreciation on over-the-counter swaps; Swap premiums received | \$1,873,315<br>434,579 | \$1,623,058<br>— | \$3,580,909<br>— | \$615,743<br>1,210 |  |  |
| Total                                    |   | \$2,307,894            | \$1,623,058      | \$3,580,909      | \$616,953          |  |  |

<sup>&</sup>lt;sup>1</sup> Includes cumulative appreciation/depreciation on financial futures contracts and centrally cleared swaps as reported in the Schedules of Investments. Only current day's variation margin is reported within the Statements of Assets and Liabilities.

<sup>&</sup>lt;sup>2</sup> Includes options purchased at value as reported in the Schedules of Investments.

#### The Effect of Derivative Financial Instruments in the Statements of Operations Six Months Ended September 30, 2013

|                             | Net Realized Gain (Loss) From |               |             |             |  |  |  |
|-----------------------------|-------------------------------|---------------|-------------|-------------|--|--|--|
|                             | Series C                      | Series M      | Series P    | Series S    |  |  |  |
| Interest rate contracts:    |                               |               |             |             |  |  |  |
| Financial futures contracts | \$(1,386,712)                 | \$(2,666,201) | \$1,533,767 | \$1,164,987 |  |  |  |
| Swaps                       | 1,008,933                     | 154,701       | 925,876     | 60,519      |  |  |  |
| Options <sup>1</sup>        | 466,848                       | _             | _           | (154,213)   |  |  |  |
| Credit contracts:           |                               |               |             |             |  |  |  |
| Swaps                       | (97,988)                      | _             | _           | (127,190)   |  |  |  |
| Options <sup>1</sup>        | (59,210)                      | <del>-</del>  | _           | <u> </u>    |  |  |  |
| Total                       | \$ (68,129)                   | \$(2,511,500) | \$2,459,643 | \$ 944,103  |  |  |  |

|                             | Net Change in Unrealized Appreciation/Depreciation on |             |               |             |  |  |  |
|-----------------------------|---|-------------|---------------|-------------|--|--|--|
|                             | Series C  | Series M    | Series P      | Series S    |  |  |  |
| Interest rate contracts:    |   |             |               |             |  |  |  |
| Financial futures contracts | \$ (86,063)   | \$1,655,920 | \$(2,104,262) | \$(233,292) |  |  |  |
| Swaps                       | (112,367)   | 1,195,808   | (1,469,613)   | 51,492      |  |  |  |
| Options <sup>1</sup>        | 62,150  | _           |               | 43,394      |  |  |  |
| Credit contracts:           |   |             |               |             |  |  |  |
| Swaps                       | 8,767   | _           | _             | 36,130      |  |  |  |
| Total                       | \$(127,513)   | \$2,851,728 | \$(3,573,875) | \$(102,276) |  |  |  |

<sup>1</sup> Options purchased are included in the net realized gain (loss) from investments and net change in unrealized appreciation/depreciation on investments.

For the six months ended September 30, 2013, the average quarterly balances of outstanding derivative financial instruments were as follows:

|   | Series C     | Series M      | Series P     | Series S     |
|---|--------------|---------------|--------------|--------------|
| Financial futures contracts:                    |              |               |              |              |
| Average number of contracts purchased           | 243          | 1,462         | _            | 424          |
| Average number of contracts sold                | 130          | 90            | 624          | 296          |
| Average notional value of contracts             |              |               |              |              |
| purchased                                       | \$35,870,618 | \$234,641,868 | _            | \$93,226,977 |
| Average notional value of contracts sold        | \$16,410,844 | \$ 13,538,092 | \$83,960,672 | \$36,144,875 |
| Options:  |              |               |              |              |
| Average number of swaption contracts            |              |               |              |              |
| purchased                                       | 4            | _             | _            | 1            |
| Average number of swaption contracts written.   | 2            | _             | _            | 2            |
| Average notional value of swaption contracts    |              |               |              |              |
| purchased                                       | \$37,625,000 | _             | _            | \$ 6,500,000 |
| Average notional value of swaption contracts    |              |               |              |              |
| written   | \$48,400,000 | _             | _            | \$13,000,000 |
| Credit default swaps:                           |              |               |              |              |
| Average number of contracts - buy protection .  | 9            | _             | _            | 3            |
| Average number of contracts - sell protection . | 7            | _             | _            | _            |
| Average notional value - buy protection         | \$11,815,000 | _             | _            | \$ 3,260,000 |
| Average notional value - sell protection        | \$ 7,675,000 | _             | _            | _            |
| Interest rate swaps:                            |              |               |              |              |
| Average number of contracts - pays fixed rate . | 5            | 8             | 1            | 5            |
| Average number of contracts - receives fixed    |              |               |              |              |
| rate  | 1            | 8             | _            | _            |
| Average notional value - pays fixed rate        | \$31,637,500 | \$269,780,000 | \$27,250,000 | \$21,628,000 |
| Average notional value - receives fixed rate    | \$ 1,450,000 | \$190,500,000 | ·            |              |
| Total return swaps:                             |              |               |              |              |
| Average number of contracts - pays fixed rate . | _            | 4             | _            | _            |
| Average number of contracts - receives fixed    |              |               |              |              |
| rate  | _            | 4             | _            | _            |
| Average notional value - pays total return      | _            | \$ 2,776,000  | _            | _            |
| Average notional value - receives total return  | _            | \$ 4,901,500  | _            | _            |

Counterparty Credit Risk: A derivative contract may suffer a mark to market loss if the value of the contract decreases due to an unfavorable change in the market rates or values of the underlying instrument. Losses can also occur if the counterparty does not perform under the contract.

A Fund's risk of loss from counterparty credit risk on OTC derivatives is generally limited to the aggregate unrealized gain netted against any collateral held by such Fund. For OTC options purchased, each Fund bears the risk of loss of the amount of the premiums paid plus the positive change in market values net of any collateral held by such Fund should the counterparty fail to perform under the contracts. Options written by

the Funds do not typically give rise to counterparty credit risk, as options written generally obligate the Funds, and not the counterparty, to perform.

With exchange traded purchased options and futures and centrally cleared swaps, there is less counterparty credit risk to the Funds since the exchange or clearinghouse, as counterparty to such instruments. guarantees against a possible default. The clearinghouse stands between the buyer and the seller of the contract; therefore, the credit risk is limited to failure of the clearinghouse. While offset rights may exist under applicable law, a Fund does not have a contractual right of offset against a clearing broker or clearinghouse in the event of a default (including the bankruptcy or insolvency) of the clearing broker or clearinghouse. Additionally, credit risk exists in exchange traded futures and centrally cleared swaps with respect to initial and variation margin that is held in a clearing broker's customer accounts. While clearing brokers are required to segregate customer margin from their own assets, in the event that a clearing broker becomes insolvent or goes into bankruptcy and at that time there is a shortfall in the aggregate amount of margin held by the clearing broker for all its clients, typically the shortfall would be allocated on a pro rata basis across all the clearing broker's customers, potentially resulting in losses to the Funds.

In order to better define its contractual rights and to secure rights that will help the Funds mitigate their counterparty risk, a Fund may enter into an International Swaps and Derivatives Association, Inc. Master Agreement ("ISDA Master Agreement") or similar agreement with its derivative contract counterparties. An ISDA Master Agreement is a bilateral agreement between each Fund and a counterparty that governs OTC derivatives and typically contains, among other things, collateral posting terms and netting provisions in the event of a default and/or termination event. Under an ISDA Master Agreement, each Fund may, under certain circumstances, offset with the counterparty certain derivative financial instruments' payables and/or receivables with collateral held and/or posted and create one single net payment. The provisions of the ISDA Master Agreement typically permit a single net payment in the event of default including the bankruptcy or insolvency of the counterparty. However, bankruptcy or insolvency laws of a particular jurisdiction may

impose restrictions on or prohibitions against the right of offset in bankruptcy, insolvency or other events. In addition, certain ISDA Master Agreements allow counterparties to OTC derivatives to terminate derivative contracts prior to maturity in the event a Fund's net assets decline by a stated percentage or the Fund fails to meet the terms of its ISDA Master Agreements, which would cause the Fund to accelerate payment of any net liability owed to the counterparty.

**Collateral Requirements:** For derivatives traded under an ISDA Master Agreement, the collateral requirements are typically calculated by netting the mark to market amount for each transaction under such agreement and comparing that amount to the value of any collateral currently pledged by a Fund and the counterparty.

Cash collateral that has been pledged to cover obligations of a Fund and cash collateral received from the counterparty, if any, is reported separately on the Statements of Assets and Liabilities as cash pledged as collateral and cash received as collateral, respectively. Non-cash collateral pledged by a Fund, if any, is noted in the Schedules of Investments. Generally, the amount of collateral due from or to a party has to exceed a minimum transfer amount threshold (e.g. \$500,000) before a transfer is required, which is determined at the close of business of the Fund and any additional required collateral is delivered to/pledged by the Fund on the next business day. Typically, the Funds and counterparties are not permitted to sell, re-pledge or use the collateral they receive. To the extent amounts due to the Fund from its counterparties are not fully collateralized, contractually or otherwise, the Fund bears the risk of loss from counterparty non-performance. Each Fund attempts to mitigate counterparty risk by entering into agreements only with counterparties that it believes have the financial resources to honor their obligations and by monitoring the financial stability of those counterparties.

For financial reporting purposes, the Funds do not offset derivative assets and derivative liabilities that are subject to netting arrangements in the Statements of Assets and Liabilities.

At September 30, 2013, the Funds' derivative assets and liabilities (by type) are as follows:

| Series C   | Assets      | Liabilities |
|--|-------------|-------------|
| Derivative Financial Instruments:  |             |             |
| Financial futures contracts  | _           | \$ 1,423    |
| Options <sup>1</sup>   | \$1,500,917 | 1,334,100   |
| Swaps  | 276,257     | 455,584     |
| Total derivative assets and liabilities in the Statements of Assets and Liabilities          | 1,777,174   | 1,791,107   |
| Derivatives not subject to a master netting agreement or similar agreement ("MNA")           | _           | (16,772)    |
| Total assets and liabilities subject to a MNA  | \$1,777,174 | \$1,774,335 |
| Series M   |             |             |
| Derivative Financial Instruments:  |             |             |
| Financial futures contracts  | \$ 67,902   | _           |
| Swaps  | 2,318,497   | \$1,477,028 |
| Total derivative assets and liabilities in the Statements of Assets and Liabilities          | 2,386,399   | 1,477,028   |
| Derivatives not subject to a MNA   | (67,902)    | (36,035)    |
| Total assets and liabilities subject to a MNA  | \$2,318,497 | \$1,440,993 |
| <sup>1</sup> Includes options purchased at value as reported in the Schedule of Investments. |             | •           |

| Series P  |           |           |
|---|-----------|-----------|
| Derivative Financial Instruments:   |           |           |
| Financial futures contracts   | -         | \$ 42,706 |
| Swaps   | \$ 32,242 |           |
| Total derivative assets and liabilities in the Statements of Assets and Liabilities | 32,242    | 42,706    |
| Derivatives not subject to a MNA  | (32,242)  | (42,706)  |
| Total assets and liabilities subject to a MNA                                       | _         | _         |
| Series S Derivative Financial Instruments:  |           |           |
| Financial futures contracts   | \$ 28,059 | \$ 16,734 |
| Options   | _         | 110,018   |
| Swaps   | 33,617    | 32,623    |
| Total derivative assets and liabilities in the Statements of Assets and Liabilities | 61,676    | 159,375   |
| Derivatives not subject to a MNA  | (28,059)  | (22,782)  |
| Total assets and liabilities subject to a MNA.                                      | \$ 33,617 | \$136,593 |

The following tables present the Funds' derivative assets and liabilities by counterparty net of amounts available for offset under a MNA and net of the related collateral received and pledged by each Fund as of September 30, 2013:

| Series C                            |  |                                       |                                    |   |   |
|-------------------------------------|--|---------------------------------------|------------------------------------|---|---|
| Counterparty                        | Derivative Assets<br>Subject to MNA by<br>Counterparty | Derivative<br>Available<br>for Offset | Non-cash<br>Collateral<br>Received | Cash<br>Collateral<br>Received <sup>1</sup> | Net Amount of<br>Derivative Assets <sup>2</sup> |
| Barclays Bank PLC                   | \$30,033   | _                                     | _                                  | _   | \$30,033  |
| Credit Suisse International         | 37,118   | \$(37,118)                            | _                                  | _   | _   |
| Deutsche Bank AG                    | 151,425  | (111,608)                             | _                                  | \$(39,817)                                  | _   |
| Goldman Sachs Bank USA              | 190,665  | (190,665)                             | _                                  | _   | _   |
| JPMorgan Chase Bank N.A.            | 1,326,324  | (1,255,279)                           | _                                  | _   | 71,045  |
| Morgan Stanley Capital Services LLC | 11,603   | (8,246)                               | _                                  | _   | 3,357   |
| Royal Bank of Scotland PLC          | 30,006   | _                                     | _                                  | _   | 30,006  |
| Total                               | \$1,777,174  | \$(1,602,916)                         | _                                  | \$(39,817)                                  | \$134,441                                       |

| Counterparty                        | Derivative Liabilities<br>Subject to MNA by<br>Counterparty | Derivative<br>Available<br>for Offset | Non-cash<br>Collateral<br>Pledged | Cash<br>Collateral<br>Pledged | Net Amount of<br>Derivative<br>Liabilities <sup>3</sup> |
|-------------------------------------|---|---------------------------------------|-----------------------------------|-------------------------------|---|
| Credit Suisse International         | \$150,227   | \$(37,118)                            | _                                 | _                             | \$113,109   |
| Deutsche Bank AG                    | 111,608   | (111,608)                             | _                                 | _                             | _   |
| Goldman Sachs Bank USA              | 248,975   | (190,665)                             | _                                 | _                             | 58,310  |
| JPMorgan Chase Bank N.A             | 1,255,279   | (1,255,279)                           | _                                 | _                             | _   |
| Morgan Stanley Capital Services LLC | 8,246   | (8,246)                               | _                                 | _                             |   |
| Total                               | \$1,774,335   | \$(1,602,916)                         | _                                 | _                             | \$171,419   |

<sup>&</sup>lt;sup>1</sup> Excess of collateral received from the individual counterparty may not be shown for financial reporting purposes.

<sup>&</sup>lt;sup>2</sup> Net amount represents the net amount receivable from the counterparty in the event of default.

<sup>&</sup>lt;sup>3</sup> Net amount represents the net amount payable due to the counterparty in the event of default.

| Counterparty                | Derivative Assets<br>Subject to MNA by<br>Counterparty | Derivative<br>Available<br>for Offset | Non-cash<br>Collateral<br>Received | Cash<br>Collateral<br>Received <sup>1</sup> | Net Amount of<br>Derivative Assets <sup>2</sup> |
|-----------------------------|--|---------------------------------------|------------------------------------|---|---|
| Bank of America N.A         | \$857,734  | _                                     | _                                  | \$(857,734)                                 | _   |
| Citibank N.A                | 127,346  | \$(56,085)                            | _                                  | _   | \$71,261  |
| Credit Suisse International | 6,186  | _                                     | _                                  | _   | 6,186   |
| Deutsche Bank AG            | 806,785  | (806,785)                             | _                                  | _   | _   |
| Goldman Sachs Bank USA      | 520,446  | (11,941)                              | _                                  | (508,505)                                   |   |
| Total                       | \$2,318,497  | \$(874,811)                           | _                                  | \$(1,366,239)                               | \$77,447  |

| Counterparty           | Derivative Liabilities<br>Subject to MNA by<br>Counterparty | Derivative<br>Available<br>for Offset | Non-cash<br>Collateral<br>Pledged | Cash<br>Collateral<br>Pledged <sup>3</sup> | Net Amount of<br>Derivative<br>Liabilities |
|------------------------|---|---------------------------------------|-----------------------------------|--|--|
| Citibank N.A           | \$56,085  | \$(56,085)                            | _                                 | _  |  |
| Deutsche Bank AG       | 1,372,967   | (806,785)                             | _                                 | \$(566,182)                                | _  |
| Goldman Sachs Bank USA | 11,941  | (11,941)                              | _                                 | _  |  |
| Total                  | \$1,440,993   | \$(874,811)                           | -                                 | \$(566,182)                                | <u> </u>                                   |

### Series S

| Our town to              | Derivative Assets Subject to MNA by | Derivative<br>Available | Non-cash<br>Collateral | Cash<br>Collateral | Net Amount of                  |
|--------------------------|-------------------------------------|-------------------------|------------------------|--------------------|--------------------------------|
| Counterparty             | Counterparty                        | for Offset              | Received               | Received           | Derivative Assets <sup>2</sup> |
| Deutsche Bank AG         | \$7,171                             | \$(7,171)               | _                      | _                  | <del>-</del>                   |
| HSBC Bank USA N.A.       | 8,427                               | _                       | _                      | _                  | \$8,427                        |
| JPMorgan Chase Bank N.A. | 18,019                              | (1,210)                 | _                      |                    | 16,809                         |
| Total                    | \$33,617                            | \$(8,381)               | _                      | _                  | \$25,236                       |

| Counterparty                | Derivative Liabilities<br>Subject to MNA by<br>Counterparty | Derivative<br>Available<br>for Offset | Non-cash<br>Collateral<br>Pledged | Cash<br>Collateral<br>Pledged | Net Amount of<br>Derivative<br>Liabilities <sup>4</sup> |
|-----------------------------|---|---------------------------------------|-----------------------------------|-------------------------------|---|
| Credit Suisse International | \$5,064   | _                                     | _                                 | _                             | \$5,064   |
| Deutsche Bank AG            | 130,319   | \$(7,171)                             | _                                 | _                             | 123,148   |
| JPMorgan Chase Bank N.A.    | 1,210   | (1,210)                               | _                                 | _                             | <u> </u>  |
| Total                       | \$136,593   | \$(8,381)                             | _                                 | _                             | \$128,212   |

<sup>&</sup>lt;sup>1</sup> Excess of collateral received from the individual counterparty may not be shown for financial reporting purposes.

# 5. Investment Advisory Agreement and Other Transactions with Affiliates:

The PNC Financial Services Group, Inc. is the largest stockholder and an affiliate, for 1940 Act purposes, of BlackRock, Inc. ("BlackRock").

The Trust, on behalf of the Funds, entered into an Investment Advisory Agreement with BlackRock Advisors, LLC (the "Manager"), the Funds' investment advisor, an indirect, wholly owned subsidiary of BlackRock, to provide investment advisory services. The Manager receives no advisory fee from the Funds under the Investment Advisory Agreement.

The Manager contractually agreed to waive all fees and pay or reimburse all operating expenses of each Fund, excluding interest expense, dividend expense, income tax expense, acquired fund fees and expenses and certain other fund expenses, which constitute extraordinary expenses not incurred in the ordinary course of business. This agreement has no fixed term. Although the Funds do not compensate the Manager directly for its services under the Investment Advisory Agreement,

because each Fund is an investment option for certain wrap-fee or other separately managed account program clients, the Manager may benefit from the fees charged to such clients who have retained the Manager's affiliates to manage their accounts.

Each Fund has entered into a Distribution Agreement and Distribution and Service Plan with BlackRock Investments, LLC ("BRIL"), an affiliate of Manager.

Certain officers and/or trustees of the Trust are officers and/or directors of BlackRock or its affiliates. The Funds reimburse the Manager for a portion of the compensation paid to the Trust's Chief Compliance Officer, which is included in officer and trustees in the Statements of Operations.

#### 6. Investments:

Purchases and sales of investments including paydowns, mortgage dollar roll and TBA transactions and excluding short-term securities and US

<sup>&</sup>lt;sup>2</sup> Net amount represents the net amount receivable from the counterparty in the event of default.

<sup>&</sup>lt;sup>3</sup> Excess of collateral pledged to the individual counterparty may not be shown for financial reporting purposes.

<sup>&</sup>lt;sup>4</sup> Net amount represents the net amount payable due to the counterparty in the event of default.

government securities for the six months ended September 30, 2013 were as follows:

|          | Purchases       | Sales           |
|----------|-----------------|-----------------|
| Series C | \$ 67,441,322   | \$ 85,631,180   |
| Series M | \$2,430,224,770 | \$2,603,128,481 |
| Series P | \$ 41,974,777   | \$ 2,056,800    |
| Series S | \$ 214,204,050  | \$ 177,983,589  |

Purchases and sales of US government securities for the six months ended September 30, 2013, were as follows:

|          | Purchases    | Sales        |
|----------|--------------|--------------|
| Series C | \$30,741,512 | \$15,964,159 |
| Series M | \$24,715,062 | \$29,243,796 |
| Series S | \$50,104,276 | \$30,990,749 |

Purchases and sales of mortgage dollar rolls for the six months ended September 30, 2013, were as follows:

|          | Purchases       | Sales           |
|----------|-----------------|-----------------|
| Series M | \$1,330,811,275 | \$1,332,594,616 |
| Series S | \$ 45,135,704   | \$ 45,233,265   |

Transactions in options written for the six months ended September 30, 2013, were as follows:

|   | Series C                      |                                 |                                      |   |
|---|-------------------------------|---------------------------------|--------------------------------------|---|
|   | Ca                            | alls                            | P                                    | uts                                       |
|   | Notional<br>(000)             | Premiums<br>Received            | Notional<br>(000)                    | Premiums<br>Received                      |
| Outstanding options, beginning of period Options written Options expired Options closed | -<br>\$ 7,640<br>(7,640)<br>- | -<br>\$ 38,200<br>(38,200)<br>- | \$ 7,000<br>134,025<br>-<br>(51,225) | \$ 136,500<br>2,291,953<br>-<br>(989,923) |
| Outstanding options, end of period  |                               |                                 | \$ 89,800                            | \$1,438,530                               |

|  |                   | Ser                  | ies S             |                      |
|--|-------------------|----------------------|-------------------|----------------------|
|  | Calls             |                      | P                 | uts                  |
|  | Notional<br>(000) | Premiums<br>Received | Notional<br>(000) | Premiums<br>Received |
| Outstanding options, beginning of period Options written | \$6,500<br>—      | \$45,500<br>—        | \$6,500<br>—      | \$82,550<br>—        |
| Outstanding options, end of period                       | \$6,500           | \$45,500             | \$6,500           | \$82,550             |

### 7. Income Tax Information:

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As of March 31, 2013, Series P had capital loss carryforward available to offset future realized capital gains of \$21,332. This capital loss has no expiration date.

As of September 30, 2013, gross unrealized appreciation and gross unrealized depreciation based on cost for federal income tax purposes were as follows:

|  | Series C      | Series M      | Series P     | Series S      |
|--|---------------|---------------|--------------|---------------|
| Tax cost                                   | \$345,665,481 | \$553,326,993 | \$41,778,017 | \$236,255,605 |
| Gross unrealized appreciation              | \$ 15,713,236 | \$ 9,229,303  | -            | \$ 1,617,826  |
| depreciation                               | (4,543,981)   | (2,782,098    | )\$ (61,596) | (1,913,776    |
| Net unrealized appreciation (depreciation) | \$ 11,169,255 | \$ 6,447,205  | \$ (61,596)  | )\$ (295,950) |

### 8. Borrowings:

The Trust, on behalf of the Funds, along with certain other funds managed by the Manager and its affiliates ("Participating Funds"), is a party to a 364-day, \$800 million credit agreement with a group of lenders. under which the Funds may borrow to fund shareholder redemptions. The agreement expires in April 2014. Excluding commitments designated for a certain individual fund, other Participating Funds, including the Funds, can borrow up to an aggregate commitment amount of \$500 million, subject to asset coverage and other limitations as specified in the agreement. The credit agreement has the following terms: a fee of 0.065% per annum on unused commitment amounts and interest at a rate equal to the higher of (a) the one-month LIBOR plus 0.80% per annum or (b) the Fed Funds rate plus 0.80% per annum on amounts borrowed. Participating Funds paid administration and arrangement fees, which, along with commitment fees, were allocated among such funds based upon portions of the aggregate commitment available to them and relative net assets of Participating Funds. The Funds did not borrow under the credit agreement during the six months ended September 30, 2013.

For the six months ended September 30, 2013, the average amount of transactions considered as borrowings and the daily weighted average interest rate from reverse repurchase agreements and treasury roll transactions were \$21,179,138 and 0.23%, respectively for Series C.

For the six months ended September 30, 2013, the average amount of transactions considered as borrowings and the daily weighted average interest rate from reverse repurchase agreements were \$44,317,480 and 0.33%, respectively for Series S.

### 9. Concentration, Market and Credit Risk:

Series M and Series S invest a significant portion of their assets in securities backed by commercial or residential mortgage loans or in issuers that hold mortgage and other asset-backed securities. Please see the Schedules of Investments for these securities. Changes in economic conditions, including delinquencies and/or defaults on assets underlying these securities, can affect the value, income and/or liquidity of such positions.

In the normal course of business, the Funds invest in securities and enter into transactions where risks exist due to fluctuations in the market (market risk) or failure of the issuer of a security to meet all its obligations (issuer credit risk). The value of securities held by the Funds may decline in response to certain events, including those directly involving the issuers whose securities are owned by the Funds; conditions affecting the general economy; overall market changes; local, regional or global political, social or economic instability; and currency and interest rate and price fluctuations. Similar to issuer credit risk, the Funds may be exposed to counterparty credit risk, or the risk that an entity with which the Funds have unsettled or open transactions may fail to or be unable to perform on its commitments. The Funds manage counterparty credit risk by entering into transactions only with counterparties that they believe have the financial resources to honor their obligations and by monitoring the financial stability of those counterparties. Financial assets, which potentially expose the Funds to market, issuer and counterparty credit risks, consist principally of financial instruments and receivables due from counterparties. The extent of the Funds' exposure to market, issuer and counterparty credit risks with respect to these financial assets is generally approximated by their value recorded in the Statements of Assets and Liabilities, less any collateral held by the Funds.

### 10. Capital Share Transactions:

Transactions in capital shares were as follows:

| Series C                 | Six Months Ended<br>September 30,<br>2013 | Year Ended<br>March 31,<br>2013                               |
|--------------------------|---|---|
| Shares sold              | 3,088,838<br>(5,649,798)                  | 11,852,998<br>(10,666,893)                                    |
| Net increase (decrease)  | (2,560,960)                               | 1,186,105   |
| Series M                 |   |   |
| Shares sold              | 6,313,519<br>(5,030,647)                  | 6,085,681<br>(9,252,533)                                      |
| Net increase (decrease). | 1,282,872                                 | (3,166,852)   |
| Series P                 |   | Period<br>March 20, 2013 <sup>1</sup><br>to March 31,<br>2013 |
| Shares sold              | 14,571,050<br>(710,294)                   | 758,734 <sup>2</sup>  |
| Net increase             | 13,860,756                                | 758,734   |
| Series S                 |   | Year Ended<br>March 31,<br>2013                               |
| Shares sold              | 8,703,887                                 | 7,368,708   |
| Shares redeemed          | (4,018,359)                               | (5,787,678)   |
| Net increase             | 4,685,528                                 | 1,581,030   |

<sup>&</sup>lt;sup>1</sup> Commencement of operations.

### 11. Subsequent Events:

Management has evaluated the impact of all subsequent events on the Funds through the date the financial statements were issued and has determined that there were no subsequent events requiring adjustment or additional disclosure in the financial statements.

<sup>&</sup>lt;sup>2</sup> At March 31, 2013, 25,000 shares of Series P were owned by affiliates.

## Disclosure of Investment Advisory Agreement

The Board of Trustees (the "Board," and the members of which are referred to as "Board Members") of the Series C Portfolio, the Series M Portfolio, the Series P Portfolio and the Series S Portfolio (each, a "Fund," and collectively, the "Funds"), each a series of BlackRock Allocation Target Shares (the "Trust"), met in person on April 9, 2013 (the "April Meeting") and May 14-15, 2013 (the "May Meeting") to consider the approval of the Trust's investment advisory agreement (the "Agreement"), on behalf of each Fund, with BlackRock Advisors, LLC (the "Manager" or "BlackRock"), each Fund's investment advisor.

### **Activities and Composition of the Board**

The Board consists of thirteen individuals, ten of whom are not "interested persons" of the Trust as defined in the Investment Company Act of 1940, as amended (the "1940 Act") (the "Independent Board Members"). The Board Members are responsible for the oversight of the operations of the Funds and perform the various duties imposed on the directors of investment companies by the 1940 Act. The Independent Board Members have retained independent legal counsel to assist them in connection with their duties. The Chairman of the Board is an Independent Board Member. The Board has established five standing committees: an Audit Committee, a Governance and Nominating Committee, a Compliance Committee, a Performance Oversight Committee and an Executive Committee, each of which is chaired by an Independent Board Member and composed of Independent Board Members (except for the Performance Oversight Committee and the Executive Committee, each of which also has one interested Board Member).

### The Agreement

Pursuant to the 1940 Act, the Board is required to consider the continuation of the Agreement on an annual basis. The Board has four quarterly meetings per year, each extending over two days, and a fifth one-day meeting to consider specific information surrounding the consideration of renewing the Agreement. In connection with this process, the Board assessed, among other things, the nature, scope and quality of the services provided to each Fund by BlackRock, its personnel and its affiliates, including investment management, administrative and shareholder services, oversight of fund accounting and custody, marketing services, risk oversight, compliance and assistance in meeting applicable legal and regulatory requirements.

The Board, acting directly and through its committees, considers at each of its meetings, and from time to time as appropriate, factors that are relevant to its annual consideration of the renewal of the Agreement, including the services and support provided by BlackRock to each Fund and its shareholders. Among the matters the Board considered were: (a) investment performance for one-year, three-year, five-year and/or since inception periods, as applicable, against peer funds, and applicable benchmarks, if any, as well as senior management's and portfolio managers' analysis of the reasons for any over-performance or underperformance against its peers and/or benchmark, as applicable; (b) fees, including advisory, administration, if applicable, and other amounts paid to BlackRock and its affiliates by each Fund for services, such as marketing and distribution, call center and fund accounting; (c) Fund operating expenses and how BlackRock allocates expenses to each Fund; (d) the resources devoted to, risk oversight of, and compli-

ance reports relating to, implementation of each Fund's investment objective, policies and restrictions; (e) each Fund's compliance with its Code of Ethics and other compliance policies and procedures; (f) the nature, cost and character of non-investment management services provided by BlackRock and its affiliates; (g) BlackRock's and other service providers' internal controls and risk and compliance oversight mechanisms; (h) BlackRock's implementation of the proxy voting policies approved by the Board; (i) execution quality of portfolio transactions; (j) BlackRock's implementation of each Fund's valuation and liquidity procedures; (k) an analysis of management fees for products with similar investment objectives across the open-end fund, exchange-traded fund ("ETF"), closed-end fund and institutional account product channels, as applicable; (l) BlackRock's compensation methodology for its investment professionals and the incentives it creates; and (m) periodic updates on BlackRock's business.

The Board has engaged in an ongoing strategic review with BlackRock of opportunities to consolidate funds and of BlackRock's commitment to investment performance. In addition, the Board requested and BlackRock provided an analysis of fair valuation and stale pricing policies. BlackRock also furnished information to the Board in response to specific questions. These questions covered issues such as BlackRock's profitability, investment performance and management fee levels. The Board further considered the importance of: (i) organizational and structural variables to investment performance; (ii) rates of portfolio turnover; (iii) BlackRock's performance accountability for portfolio managers; (iv) marketing support for the funds; (v) services provided to each Fund by BlackRock affiliates; and (vi) BlackRock's oversight of relationships with third party service providers.

### **Board Considerations in Approving the Agreement**

The Approval Process: Prior to the April Meeting, the Board requested and received materials specifically relating to the Agreement. The Board is engaged in a process with its independent legal counsel and BlackRock to review the nature and scope of the information provided to better assist its deliberations. The materials provided in connection with the April Meeting included (a) a discussion of fall-out benefits to BlackRock and its affiliates; (b) a general analysis provided by BlackRock concerning investment management fees charged to other clients, such as institutional clients, ETFs and closed-end funds, under similar investment mandates, as well as the performance of such other clients, as applicable; (c) review of non-management fees; (d) the existence, impact and sharing of potential economies of scale; and (e) a summary of aggregate amounts paid by each Fund to BlackRock.

At the April Meeting, the Board reviewed materials relating to its consideration of the Agreement. As a result of the discussions that occurred during the April Meeting, and as a culmination of the Board's year-long deliberative process, the Board presented BlackRock with questions and requests for additional information. BlackRock responded to these requests with additional written information in advance of the May Meeting.

At the May Meeting, the Board, including all the Independent Board Members, approved the continuation of the Agreement between the

## Disclosure of Investment Advisory Agreement (continued)

Manager and the Trust, on behalf of each Fund, for a one-year term ending June 30, 2014. In approving the continuation of the Agreement, the Board considered: (a) the nature, extent and quality of the services provided by BlackRock; (b) the investment performance of each Fund and BlackRock; (c) the advisory fee and the cost of the services and profits to be realized by BlackRock and its affiliates from their relationship with each Fund; (d) each Fund's costs to investors compared to the costs of Expense Peers and performance compared to the relevant performance comparison as previously discussed; (e) economies of scale; (f) fall-out benefits to BlackRock as a result of its relationship with each Fund; and (g) other factors deemed relevant by the Board Members.

The Board also considered other matters it deemed important to the approval process, such as payments made to BlackRock or its affiliates relating to the distribution of Fund shares and securities lending, services related to the valuation and pricing of Fund portfolio holdings, direct and indirect benefits to BlackRock and its affiliates from their relationship with each Fund and advice from independent legal counsel with respect to the review process and materials submitted for the Board's review. The Board noted the willingness of BlackRock personnel to engage in open, candid discussions with the Board. The Board did not identify any particular information as determinative, and each Board Member may have attributed different weights to the various items considered.

### A. Nature, Extent and Quality of the Services Provided by BlackRock:

The Board, including the Independent Board Members, reviewed the nature, extent and quality of services provided by BlackRock, including the investment advisory services and the resulting performance of each Fund. Throughout the year, the Board compared Fund performance to the performance of a comparable group of mutual funds and/or the performance of a relevant benchmark, if any. The Board met with BlackRock's senior management personnel responsible for investment operations, including the senior investment officers. The Board also reviewed the materials provided by each Fund's portfolio management team discussing the Fund's performance and the Fund's investment objective, strategies and outlook.

The Board considered, among other factors, with respect to BlackRock: the number, education and experience of investment personnel generally and each Fund's portfolio management team; investments by portfolio managers in the funds they manage; portfolio trading capabilities; use of technology; commitment to compliance; credit analysis capabilities; risk analysis and oversight capabilities; and the approach to training and retaining portfolio managers and other research, advisory and management personnel. The Board engaged in a review of BlackRock's compensation structure with respect to each Fund's portfolio management team and BlackRock's ability to attract and retain high-quality talent and create performance incentives.

In addition to advisory services, the Board considered the quality of the administrative and other non-investment advisory services provided to each Fund. BlackRock and its affiliates provide each Fund with certain administrative, shareholder and other services (in addition to any such services provided to a Fund by third parties) and officers and other personnel as are necessary for the operations of the Fund. In particular,

BlackRock and its affiliates provide each Fund with the following administrative services including, among others: (i) preparing disclosure documents, such as the prospectus, the summary prospectus (as applicable), the statement of additional information and periodic shareholder reports; (ii) assisting with daily accounting and pricing; (iii) overseeing and coordinating the activities of other service providers; (iv) organizing Board meetings and preparing the materials for such Board meetings; (v) providing legal and compliance support; (vi) furnishing analytical and other support to assist the Board in its consideration of strategic issues such as the merger or consolidation of certain open-end funds; and (vii) performing other administrative functions necessary for the operation of the Fund, such as tax reporting, fulfilling regulatory filing requirements and call center services. The Board reviewed the structure and duties of BlackRock's fund administration, shareholder services, legal and compliance departments and considered BlackRock's policies and procedures for assuring compliance with applicable laws and regulations.

B. The Investment Performance of each Fund and BlackRock: The Board, including the Independent Board Members, also reviewed and considered the performance history of each Fund, as applicable. The Board and its Performance Oversight Committee regularly review, and meet with Fund management to discuss, the performance of each Fund, as applicable, throughout the year.

The Board noted that the Funds are non-diversified investments that are available solely to wrap-account clients or other separately managed accounts to complement their existing BlackRock fixed-income portfolios. The Board considered the comparability of the Funds' peers and noted that comparing the Funds to peer funds was not a meaningful performance metric given the unique nature of the Funds. The Board however, did review other performance criteria, as applicable, for the Funds.

The Board noted that BlackRock has recently made, and continues to make, changes to the organization of BlackRock's overall portfolio management structure designed to result in strengthened leadership teams.

C. Consideration of the Advisory/Management Fees and the Cost of the Services and Profits to Be Realized by BlackRock and its Affiliates from their Relationship with each Fund: The Board, including the Independent Board Members, reviewed each Fund's contractual management fee rate. The Board considered the services provided and the fees charged by BlackRock to other types of clients with similar investment mandates, including institutional accounts.

The Board received and reviewed statements relating to BlackRock's financial condition. The Board noted that BlackRock does not charge the Funds an advisory fee. The Board reviewed BlackRock's profitability with respect to other funds the Board currently oversees for the year ended December 31, 2012 compared to available aggregate profitability data provided for the two prior years. The Board reviewed BlackRock's profitability with respect to certain other fund complexes managed by the Manager and/or its affiliates. The Board reviewed BlackRock's assumptions and methodology of allocating expenses in the profitability analysis, noting the inherent limitations in allocating costs among various advisory products. The Board recognized that profitability may be

### Disclosure of Investment Advisory Agreement (concluded)

affected by numerous factors including, among other things, fee waivers and expense reimbursements by the Manager, the types of funds managed, precision of expense allocations and business mix. As a result, comparing profitability is difficult.

The Board noted that, in general, individual fund or product line profitability of other advisors is not publicly available. The Board reviewed BlackRock's overall operating margin, in general, compared to that of certain other publicly-traded asset management firms. The Board considered the differences between BlackRock and these other firms, including the contribution of technology at BlackRock, BlackRock's expense management, and the relative product mix.

In addition, the Board considered the cost of the services provided to each Fund by BlackRock, and BlackRock's and its affiliates' profits relating to the management and distribution of each Fund and the other funds advised by BlackRock and its affiliates. As part of its analysis, the Board reviewed BlackRock's methodology in allocating its costs to the management of each Fund. The Board also considered whether BlackRock has the financial resources necessary to attract and retain high quality investment management personnel to perform its obligations under the Agreement and to continue to provide the high quality of services that is expected by the Board.

The Board noted that BlackRock does not charge the Funds an advisory fee, although investors in the Funds will pay a fee to BlackRock or their managed account program sponsor. The Board also noted that BlackRock has contractually agreed to waive all fees and pay or reimburse all direct expenses of each Fund, except extraordinary expenses and interest expenses.

D. Economies of Scale: The Board, including the Independent Board Members, considered the extent to which economies of scale might be realized as the assets of each Fund increase, as well as the existence of expense caps, as applicable. The Board also considered the extent to which each Fund benefits from such economies and whether there should be changes in the advisory fee rate or structure in order to enable the Fund to participate in these economies of scale. In its consideration, the Board Members took into account the existence of any expense caps and further considered the continuation and/or implementation, as applicable, of such caps.

E. Other Factors Deemed Relevant by the Board Members: The Board, including the Independent Board Members, also took into account other ancillary or "fall-out" benefits that BlackRock or its affiliates may derive from their respective relationships with each Fund, both tangible and

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intangible, such as BlackRock's ability to leverage its investment professionals who manage other portfolios and risk management personnel, an increase in BlackRock's profile in the investment advisory community, and the engagement of BlackRock's affiliates as service providers to the Fund, including for administrative, distribution, securities lending and cash management services. The Board also considered BlackRock's overall operations and its efforts to expand the scale of, and improve the quality of, its operations. The Board also noted that BlackRock may use and benefit from third party research obtained by soft dollars generated by certain registered fund transactions to assist in managing all or a number of its other client accounts. The Board further noted that it had considered the investment by BlackRock's funds in ETFs without any offset against the management fees payable by the funds to BlackRock.

In connection with its consideration of the Agreement, the Board also received information regarding BlackRock's brokerage and soft dollar practices. The Board received reports from BlackRock which included information on brokerage commissions and trade execution practices throughout the year.

The Board noted the competitive nature of the open-end fund marketplace, and that shareholders are able to redeem their Fund shares if they believe that a Fund's fees and expenses are too high or if they are dissatisfied with the performance of the Fund.

#### Conclusion

The Board, including all the Independent Board Members, approved the continuation of the Agreement between the Manager and the Trust, on behalf of each Fund, for a one-year term ending June 30, 2014. Based upon its evaluation of all of the aforementioned factors in their totality, the Board, including the Independent Board Members, was satisfied that the terms of the Agreement were fair and reasonable and in the best interest of each Fund and its shareholders. In arriving at its decision to approve the Agreement, the Board did not identify any single factor or group of factors as all-important or controlling, but considered all factors together, and different Board Members may have attributed different weights to the various factors considered. The Independent Board Members were also assisted by the advice of independent legal counsel in making this determination. The contractual fee arrangements for each Fund reflect the results of several years of review by the Board Members and predecessor Board Members, and discussions between such Board Members (and predecessor Board Members) and BlackRock. As a result, the Board Members' conclusions may be based in part on their consideration of these arrangements in prior years.

## Officers and Trustees

Robert M. Hernandez, Chairman of the Board and Trustee Fred G. Weiss, Vice Chairman of the Board and Trustee

Paul L. Audet, Trustee

James H. Bodurtha, Trustee

Bruce R. Bond, Trustee

Donald W. Burton, Trustee

Honorable Stuart E. Eizenstat, Trustee

Laurence D. Fink, Trustee

Kenneth A. Froot, Trustee

Henry Gabbay, Trustee

John F. O'Brien, Trustee

Roberta Cooper Ramo, Trustee

David H. Walsh, Trustee

John M. Perlowski, President and Chief Executive Officer

Brendan Kyne, Vice President

Neal Andrews, Chief Financial Officer

Jay Fife, Treasurer

Brian Kindelan, Chief Compliance Officer and

**Anti-Money Laundering Officer** 

Benjamin Archibald, Secretary

### **Investment Advisor**

BlackRock Advisors, LLC Wilmington, DE 19809

### **Accounting Agent, Administrator and Transfer Agent**

BNY Mellon Investment Servicing (US) Inc. Wilmington, DE 19809

#### Custodian

The Bank of New York Mellon New York, NY 10286

### Distributor

BlackRock Investments, LLC New York, NY 10022

### **Legal Counsel**

Willkie Farr & Gallagher LLP New York, NY 10019

### **Independent Registered Public Accounting Firm**

Deloitte & Touche LLP Philadelphia, PA 19103

### **Address of the Trust**

100 Bellevue Parkway Wilmington, DE 19809

### Additional Information

#### **General Information**

### Householding

The Funds will mail only one copy of shareholder documents, including prospectuses, annual and semi-annual reports and proxy statements, to shareholders with multiple accounts at the same address. This practice is commonly called "householding" and is intended to reduce expenses and eliminate duplicate mailings of shareholder documents. Mailings of your shareholder documents may be householded indefinitely unless you instruct us otherwise. If you do not want the mailing of these documents to be combined with those for other members of your household, please call the Funds at (800) 441-7762.

### Availability of Quarterly Schedule of Investments

The Funds file their complete schedule of portfolio holdings with the SEC for the first and third quarters of each fiscal year on Form N-Q. The Funds' Forms N-Q are available on the SEC's website at http://www.sec.gov and may also be reviewed and copied at the SEC's Public Reference Room in Washington, D.C. Information on how to access

documents on the SEC's website without charge may be obtained by calling (800) SEC-0330. The Funds' Forms N-Q may also be obtained upon request and without charge by calling (800) 441-7762.

### Availability of Proxy Voting Policies and Procedures

A description of the policies and procedures that the Funds use to determine how to vote proxies relating to portfolio securities is available (1) without charge, upon request, by calling (800) 441-7762; (2) at http://www.blackrock.com and (3) on the SEC's website at http://www.sec.gov.

### **Availability of Proxy Voting Record**

Information about how the Funds voted proxies relating to securities held in the Funds' portfolios during the most recent 12-month period ended June 30 is available upon request and without charge (1) at http://www.blackrock.com or by calling (800) 441-7762 and (2) on the SEC's website at http://www.sec.gov.

### **BlackRock Privacy Principles**

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BlackRock is committed to maintaining the privacy of its current and former fund investors and individual clients (collectively, "Clients") and to safeguarding their non-public personal information. The following information is provided to help you understand what personal information BlackRock collects, how we protect that information and why in certain cases we share such information with select parties.

If you are located in a jurisdiction where specific laws, rules or regulations require BlackRock to provide you with additional or different privacy-related rights beyond what is set forth below, then BlackRock will comply with those specific laws, rules or regulations.

BlackRock obtains or verifies personal non-public information from and about you from different sources, including the following: (i) information we receive from you or, if applicable, your financial intermediary, on applications, forms or other documents; (ii) information about your transactions with us, our affiliates, or others; (iii) information we receive from a consumer reporting agency; and (iv) from visits to our websites.

BlackRock does not sell or disclose to non-affiliated third parties any non-public personal information about its Clients, except as permitted by law or as is necessary to respond to regulatory requests or to service Client accounts. These non-affiliated third parties are required to protect the confidentiality and security of this information and to use it only for its intended purpose.

We may share information with our affiliates to service your account or to provide you with information about other BlackRock products or services that may be of interest to you. In addition, BlackRock restricts access to non-public personal information about its Clients to those BlackRock employees with a legitimate business need for the information. BlackRock maintains physical, electronic and procedural safeguards that are designed to protect the non-public personal information of its Clients, including procedures relating to the proper storage and disposal of such information.

SEPTEMBER 30, 2013







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