STRATEGIC INCOME OPPORTUNITIES

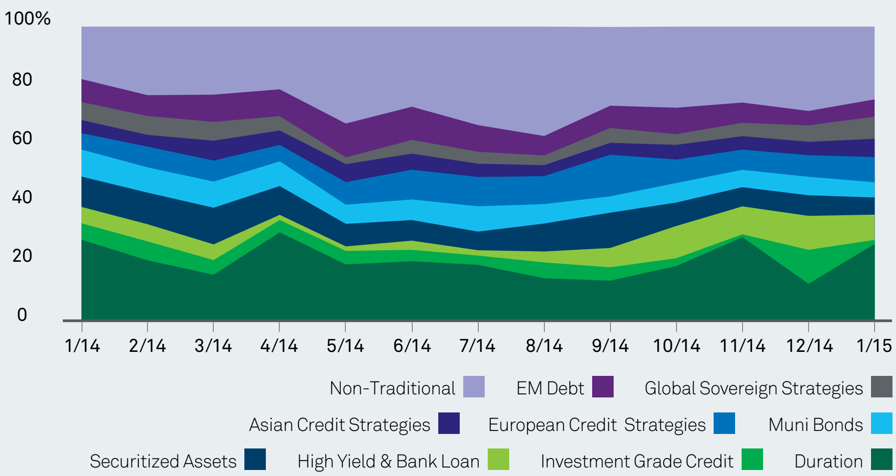
BLACKROCK®

Institutional: **BSIIX**[1] • A: **BASIX** • C: **BSICX**

JAN 2015

- **Portfolio Performance:** Global financial markets started 2015 experiencing a surge in volatility across asset classes due to a continued fall in crude oil prices, concerns about low inflation and lethargic global growth. The Fund's diversified positioning continued to prove beneficial. Adding to performance was its duration (sensitivity to interest rate movements)/yield curve positioning, macroeconomic hedges, global interest rate strategies and exposure to emerging market debt. Detracting from performance were its absolute return strategies and allocation to agency mortgage-backed securities (MBS).
- **Outlook & Positioning:** Considering the volatility in January, we continued to be cautious of the divergence in global monetary policies and have implemented a liquidity barbell approach within the Fund; essentially, the Fund seeks to maintain ample liquidity to protect against drawdowns via cash and U.S. Treasuries while also generating income from less-liquid areas of the fixed income market.

COMPOSITION OF RISK



The composition of risk attributed to "non traditional" contains absolute return-oriented, macro hedging and alpha-oriented strategies. These strategies seek to achieve positive returns with less volatility by employing advanced investment techniques and non-conventional assets.

CAPITAL ALLOCATION

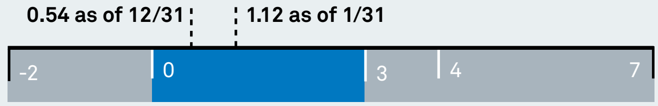
	% Not. Exp. 1/31*	Change Since 12/31	DC†
U.S. Treasury/Other‡	**-11.6**	**-0.6**	**0.23**
U.S. Agency/MBS	**5.3**	**+7.0**	**0.12**
Non-U.S. Developed	**9.4**	**-2.3**	**0.17**
Non-U.S. Sovereign	4.3	-3.2	0.08
Non-U.S. Credit	6.3	+1.1	0.09
Non-U.S. CDX	-1.2	-0.3	0.00
Inv Grade Credit	**-2.0**	**-0.1**	**-0.04**
Financials	1.4	+1.0	0.06
Industrials	-1.4	-0.2	-0.09
Utilities	-0.1	-0.1	-1.00
IG CDX	-2.0	-0.9	0.00
High Yield Corporates	**6.6**	**-0.6**	**0.03**
Bonds	3.1	+0.2	0.02
Bank Loans	1.5	-0.2	0.00
HY CDX	2.0	-0.6	0.00
Municipal Bonds	**5.5**	**-0.2**	**0.42**
Emerging Mrkt Debt	**9.2**	**+2.2**	**0.35**
Securitized Assets	**20.3**	**-1.8**	**0.30**
Commercial MBS	6.4	-0.6	0.15
ABS	5.3	-1.2	0.12
Non-Agency MBS	4.4	+0.2	0.03
CLO	4.2	-0.2	0.01
Other§	**4.6**	**+0.4**	**-0.02**
Cash			
Net Derivatives‖	34.2	+11.3	0.00
Cash & Cash Equiv.#	18.5	-15.5	-0.44
Total	100	—	1.12

Values may not add up to the total due to rounding. * % Notional Exposure represents a Fund's use of derivatives, including but not limited to futures, options, and swaps. This value captures the Fund exposures as if the derivative was replaced with the underlying asset and the corresponding financing or lending, such that all exposures sum to the net asset value. For non-derivatives, the market value and the notional market value are identical. † Duration contribution. ‡ "U.S. Treasury/ Other" may include U.S. Treasuries and interest rate swaps/ options. § "Other" includes ETFs and other equity-like securities. || Derivatives represents the approximate net notional value of the longs less the short derivatives held in the Fund. Derivatives held in the Fund include, but are not limited to, futures, options and swap contracts. # May include cash, cash equivalents, traditional bonds and the market value of short-dated swaps (such as Eurodollar futures) with a maturity date of less than 1 year.

Global Duration Exposure

During January, we increased the Fund's duration within the 5-year and 10-year portions of the U.S. yield curve to end the month at 1.12 years. With respect to U.S. yield curve positioning, we maintained a curve-flattening bias with a short position in the front end of the yield curve, preferring the broadly owned 10-year portion of the curve. Within mortgages, the Fund's positioning was defensive against pre-payment risk, while we opportunistically sought relative value opportunities within the segment. In the global rates market, we reduced exposure to Japanese government bonds with rates between 10 and 20 years, which we used as a yield curve-flattening position, and marginally added to Australian short-term rates. We maintained a long position in the U.S. dollar. During the course of the month, we pared back the Fund's short Euro position and added to a short position in the Japanese yen. We also added a long position in the Norwegian krona versus the U.S. dollar and continued to maintain short exposure to the Australian dollar and the Canadian dollar.

DURATION IN YEARS



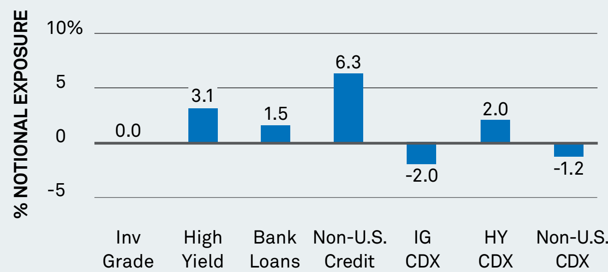
Effective Duration measures the sensitivity of the price of a bond with embedded options to changes in interest rates, taking into account the likelihood of the bond being called, put and/or sunk prior to its final maturity date. BlackRock uses a proprietary duration model which employs certain assumptions and may differ from other fund complexes. Effective Duration is measured at the portfolio level and adjusted for leverage, hedging transactions and non-bond holdings, including derivatives. As a general rule, for every 1% change in interest rates, a bond's price will change approximately 1% in the opposite direction for every year of duration. Therefore, when interest rates rise, bonds with short or negative durations fare better. When interest rates fall, bonds with longer durations tend to outperform.

The Fund has the flexibility to maintain an average duration between -2 and +7 years and will typically range from 0 to +3 years.

Corporate Credit

Within investment grade corporates, we continued to be defensive, and have pared back the Fund's net short position towards month end. During January, we added exposure to investment grade financials via new issues. We continued to maintain exposure to high yield mostly via liquid CDX form and some exposure through cash bonds as a source of attractive income. We maintained exposure to the municipals, preferring high-grade, longer maturity securities of more than 15 years. We also reduced exposure to high yield municipals given increases in price and decreases in yield in the space.

CORPORATE CREDIT EXPOSURE

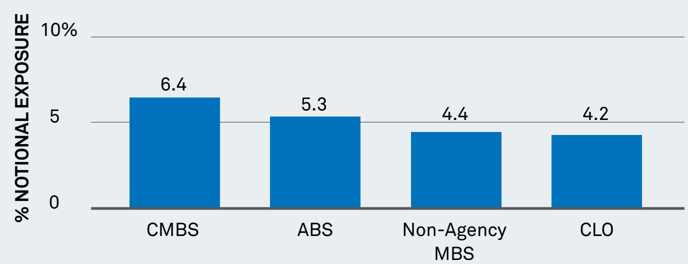


Non-U.S. Credit accounted for the Fund's largest corporate credit exposure at month end. **IG CDX** consists of a standardized basket of 125 investment grade entities, distributed among six sub-indices. **HY CDX** consists of a standardized basket of 100 non-investment grade entities, distributed among three sub-indices. **Non-U.S. CDX** consists of credit default swaps with non-U.S. borrowers.

Securitized Assets

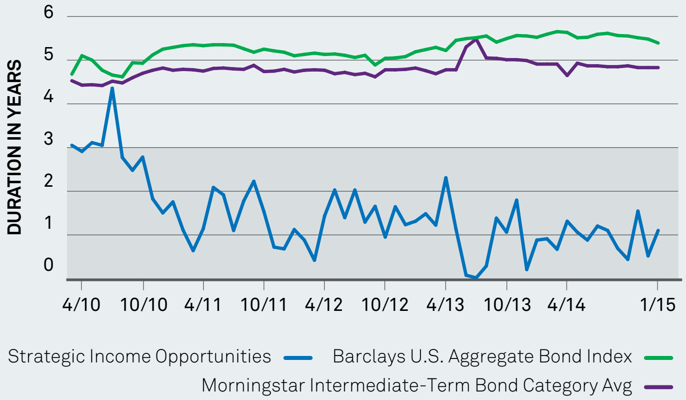
We remained constructive of securitized assets as the asset class continues to offer an attractive source of income. Overall, in non-agency MBS, we slightly added risk in January by favoring idiosyncratic deals that offered attractive yields and the potential for capital appreciation. We also took profits and reduced risk to single-family rentals and government-sponsored enterprise risk-sharing deals. Within commercial mortgage-backed securities (CMBS), we sold interest-only AAA CMBS due to tighter valuations and added exposure to shorter-duration subordinated floating rate securities due to wider valuations. Within asset-backed securities (ABS), we continued to add risk mainly in unsecured consumer loans and private student loans; these segments offered attractive income relative to other areas. In addition, we continued to scale back exposure to subprime auto loans in anticipation of volatility within the space around headline risks. In collateralized loan obligations, we continued to add single A and BB tranches as a good form of income and total return potential. In addition, we opportunistically added exposure to AA tranches that offer good convexity (i.e., are less affected by interest rate movements).

SECURITIZED ASSET EXPOSURE



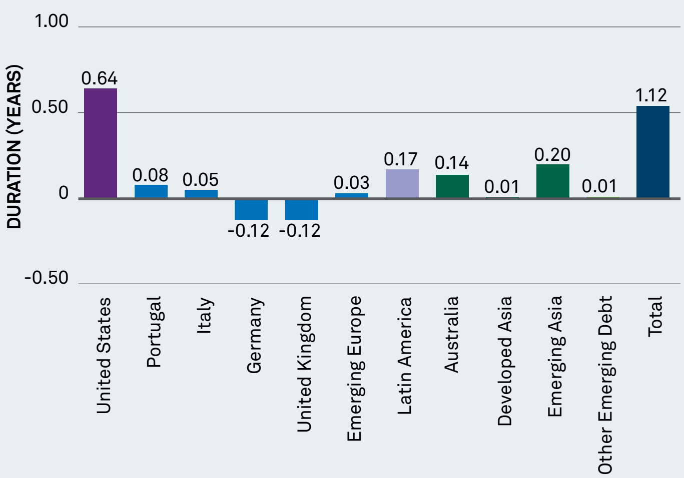
CMBS accounted for the Fund's largest securitized asset exposure at month end.

ACTIVE DURATION MANAGEMENT



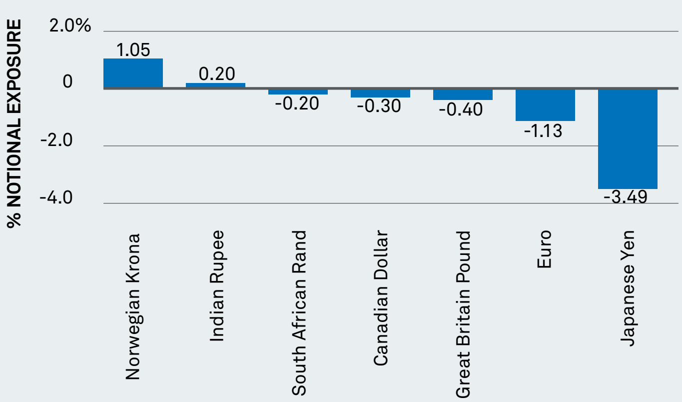
The Fund's benchmark is the BofA ML 3-Month T-Bill Index and its Morningstar category is Nontraditional Bonds. However, the Barclays U.S. Aggregate Bond Index and the Morningstar Intermediate-Term Bond Category Average are used in this chart to illustrate how the Fund can be an ideal complement to core fixed income. The Fund has the flexibility to maintain an average duration between -2 and +7 years and will typically range from 0 to +3 years.

DURATION BY REGION/COUNTRY



Contribution of various regions/countries to the Fund's overall duration profile (measured in years). Cash allocation included in total.

CURRENCY EXPOSURE



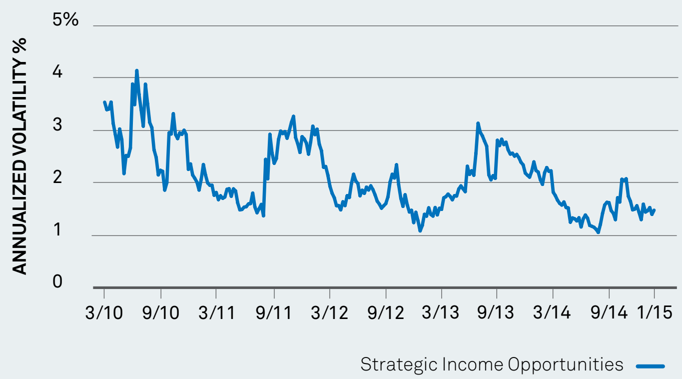
Active currency exposure versus the U.S. dollar.

CORRELATIONS AND VOLATILITY

	Correlation to Fund (BSIIX)	Annualized Volatility (%)
Strategic Income Opportunities Fund	1.00	2.92
Barclays U.S. Aggregate Bond Index	0.32	2.77
S&P 500 Index	0.45	13.04
Barclays U.S. Corporate High Yield 2% Issuer Capped Index	0.76	6.33
Barclays Municipal Bond Index	0.29	3.86

Past correlations are no guarantee of future correlations.
Source: Morningstar. Correlations based on monthly returns for 1/31/15. The Fund's unconstrained approach is reflected by both the correlations to the indices and the resulting volatility, measured by annualized standard deviation. The above data is since March 2010, when the Fund's investment strategy changed. Back page contains index definitions. It is not possible to invest directly in an index.

ACTIVE VOLATILITY MANAGEMENT



Active management of the Fund allows for its risk profile, as measured by volatility, to vary. Active volatility management illustrates the daily estimated annualized standard deviation of the Fund based on the historic volatility of securities held.

FUND STATISTICS AS OF 1/31

Size of Fund	$27.5B	
30-day SEC Yield	Institutional: 2.19%	Investor A: 1.81%
30-day SEC Yield (unsubsidized)	Institutional: 2.17%	Investor A: 1.78%
Average Maturity (WAL)	5.83 years	
Effective Duration	1.12 years	

The calculation of the 30-day SEC Yield (subsidized) is based on a 30-day period ending on the last day of the previous month. It is computed by dividing the net investment income per share earned during the period by the maximum offering price per share on the last day of the period. If the Fund's expenses have waivers, the subsidized yield is based on the net expenses. The calculation of the 30-day SEC Yield (unsubsidized) is based on total expenses of the Fund. Negative 30-Day SEC Yield occurs when accrued expenses of the past 30 days exceed the income collected during the past 30 days.

PERFORMANCE STATISTICS

(%) Total Returns as of 1/31/15	1 Month	YTD	1 Year	3 Years (Annualized)	5 Years (Annualized)	Since Inception* (Annualized)
Institutional[1]	0.85	0.85	4.61	5.23	5.59	5.19
Investor A (w/o Sales Charge)	0.83	0.83	4.30	4.94	5.31	4.92
Investor A (w 4% Sales Charge)	-3.21	-3.21	0.12	3.53	4.45	4.31
Morningstar Category Avg.[2]	0.10	0.10	1.19	2.68	3.16	–
Lipper Category Avg.[3]	0.07	0.07	0.87	2.68	3.89	–

***** Fund inception: 2/5/08.

Total returns as of 12/31/14 for Institutional shares: 1 Year, 3.89%; 5 Year, 5.83%; Since Inception, 5.13% and Investor A shares without/with maximum sales charge: 1 Year, 3.59%/-0.56%; 5 Year, 5.55%/4.70%; Since Inception,* 4.86%/4.24%.*

Data represents past performance and is no guarantee of future results. Investment returns and principal values may fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. All returns assume reinvestment of dividends and capital gains. Current performance may be lower or higher than that shown. Refer to ***blackrock.com*** *for most recent month-end performance. Share classes have different sales charges, fees and other features. Returns with sales charge reflect the deduction of current maximum initial sales charge of 4.00% for Investor A shares. Institutional shares have no front- or back-end load. Expenses for Institutional shares: Total 0.92%; Net, Including Investment Related Expenses (dividend expense, interest expense, acquired fund fees and expenses and certain other fund expenses) 0.90%; Net, Excluding Investment Related Expenses 0.65%. For Investor A shares: Total 1.18%; Net, Including Investment Related Expenses 1.15%; Net, Excluding Investment Related Expenses 0.90%. Institutional and Investor A shares have contractual waivers with an end date of 5/1/15 terminable upon 90 days' notice. Expenses stated as of the fund's most recent prospectus.*

Definitions

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

S&P 500 Index consists of 500 industrial, utility, transportation and financial companies of the U.S. markets (mostly NYSE issues). It represents about 75% of NYSE market capitalization and 30% of NYSE issues.

Barclays U.S. Corporate High Yield 2% Issuer Capped Index consists of issues that have at least $150 million par value outstanding, a maximum credit rating of Ba1 or BB+ (including defaulted issues) and at least 1 year to maturity. Each issuer is limited to 2% of the index.

Barclays Municipal Bond Index is a rules-based, market-value-weighted index engineered for the long-term tax-exempt bond market.

Negative weightings may result from specific circumstances (including timing differences between trade and settle dates of securities purchased by the funds) and/or the use of certain financial instruments, including derivatives, which may be used to gain or reduce market exposure and/or risk management. Certain transactions the funds may utilize may give rise to a form of leverage through either additional market exposure or borrowing capital in an attempt to increase investment return. The use of such transactions includes certain leverage-related risks, including potential for higher volatility, greater decline of the fund's net asset value and fluctuations of dividends and distributions paid by the fund.

Important Risks: *The fund is actively managed and its characteristics will vary. Bond values fluctuate in price so the value of your investment can go down depending on market conditions. Fixed income risks include interest-rate and credit risk. Typically, when interest rates rise, there is a corresponding decline in bond values. Credit risk refers to the possibility that the bond issuer will not be able to make principal and interest payments. Principal of mortgage- or asset-backed securities normally may be prepaid at any time, reducing the yield and market value of those securities. Obligations of U.S. gov't agencies are supported by varying degrees of credit but generally are not backed by the full faith and credit of the U.S. gov't. The fund may use derivatives to hedge its investments or to seek to enhance returns. Derivatives entail risks relating to liquidity, leverage and credit that may reduce returns and increase volatility. International investing involves special risks including, but not limited to currency fluctuations, illiquidity and volatility. These risks may be heightened for investments in emerging markets. Non-investment-grade debt securities (high-yield/junk bonds) may be subject to greater market fluctuations, risk of default or loss of income and principal than higher-rated securities. Short-selling entails special risks. If the fund makes short sales in securities that increase in value, the fund will lose value. Any loss on short positions may or may not be offset by investing short-sale proceeds in other investments.*

The opinions expressed are those of the fund's portfolio management team as of January 31, 2015, and may change as subsequent conditions vary. Information and opinions are derived from proprietary and nonproprietary sources deemed by BlackRock to be reliable, are not necessarily all-inclusive and are not guaranteed as to accuracy. Past performance is no guarantee of future results. There is no guarantee that any forecasts made will come to pass. This material does not constitute investment advice and is not intended as an endorsement of any specific investment. Investment involves risk. Reliance upon information in this material is at the sole discretion of the reader.

1 Institutional shares are not available to all investors. Please see prospectus for details. 2 Morningstar Category: Nontraditional Bond Funds. 3 Lipper Category is Alternative Credit Focus Funds as of 1/31/15 and may not accurately represent the current composition of the portfolio.

You should consider the investment objectives, risks, charges and expenses of the fund carefully before investing. The prospectus and, if available, the summary prospectus contain this and other information about the fund and are available, along with information on other BlackRock funds, by calling 800-882-0052 or from your financial professional. The prospectus should be read carefully before investing.

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