

Allocations & Insights

Multi-Asset Income Models

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TRADE RATIONALE

As of 7/21/22

Key Takeaways:

Selling utility stocks following a period of strong relative performance.

Adding to a high dividend covered call strategy to seek to monetize elevated market volatility and increase exposure to more cyclical sectors that have lagged this year.

Removing emerging market debt amidst concerns over the asset class's ability to absorb persistently high inflation combined with a growth slowdown.

Trimming bank loans which have benefited materially year to date amidst rising rates from their floating rate structure.

Increasing high yield and investment grade bonds which are trading at some of the highest yield levels since the Global Financial Crisis.

TRADE RATIONALE

June capped off one of the most volatile quarters in recent memory, with both stocks and bonds experiencing wide price swings over the period. The U.S. Federal Reserve indicated at its June meeting it would likely remain aggressive in its efforts to cool inflation, a tact that was reinforced by the hot CPI print released in mid-July. In addition, July's U.S. jobs report – which showed the labor market is slowing but maintains strong momentum – is also likely to keep the Fed on track to continue raising rates.

Tightening financial conditions into a period of slowing economic growth makes us wary of meaningfully adding risk at this juncture. The models are thus maintaining a similar overall equity risk level with this rebalance, having already leaned away in recent quarters from growth stocks and towards dividend stocks, which currently trade at a material discount relative to broad markets. We further reduced utility stocks, which have outperformed broad equities this year and we believe additional upside may be more challenged. We added to a high equity income strategy with a covered call component in an attempt to monetize elevated market volatility and increase exposure to more cyclical sectors that have lagged this year.

As sentiment has shifted more negatively, yields across many fixed income sectors are the highest in years, leading to attractive opportunities for income-seeking investors. We believe the fundamentals of high yield and investment grade bonds remain firm, and that the cushion from the higher starting point yield today could provide substantial insulation if risk aversion rises a bit further. Conversely, we are concerned over the stability of emerging markets given the region's higher sensitivity to inflation, tightening financial conditions, and slowing global growth compared to developed markets, and thus eliminated our EM bond position. We also trimmed back our floating rate bank loans exposure, which have greater exposure to lower rated single-B securities compared to high yield and which may experience increased financing costs should rates continue to rise.

Overall, we retain a balanced outlook acknowledging that while there may be further downside from here, for investors with a medium- to long-term horizon this episode of volatility could provide much needed value across both equity and fixed income markets and we believe that those who stay invested could stand to benefit.

Views are subject to change.

PERFORMANCE COMMENTARY

As of 06/30/22

PERFORMANCE

June was another challenging month for markets, with both stocks and bonds experiencing wide price swings over the period. The optimism that had built in May that central banks may need to be less aggressive in their tightening policies was short lived as the U.S. Federal Reserve indicated at its June meeting it would likely remain aggressive in its efforts to cool inflation. Tightening financial conditions into slowing growth and the potential for derailing the post-covid global restart has arguably become a major concern for investors, taking the place from rising rates and surging inflation.

The second quarter reporting season may be the most closely watched in some time, as earnings will likely provide good insight into whether a broader slowdown is materializing or if weakness may be limited to a smaller footprint of sectors and companies. We believe higher input costs are likely to weigh on margins, while consumption trends and building inventories could be key topics.

All models posted negative returns for the month of June. A diversified multi-asset exposure was the largest detractor from returns. Within fixed income, high yield, floating rate loans, and preferred stock also detracted from returns. Within equities, global dividend equities and REITs were the largest detractors from returns. In the Conservative and Moderate models, while investment grade also detracted from returns, the asset class held up better than other fixed income asset classes.

Past performance does not guarantee future results.

Latest Holdings (%)

Allocation as of 7/21/22

		As of Date	Conservative	Moderate	Growth
Net Expense Ratio (%)		6/30/22	0.50	0.52	0.46
Gross Expense Ratio (%)		6/30/22	0.55	0.57	0.52
US Equities			11.0	20.0	37.0
BMCIX	BlackRock High Equity Income Instl		4.0	6.0	9.0
DGRO	iShares Core Dividend Growth ETF		7.0	12.0	22.0
VYM	Vanguard High Dividend Yield ETF		-	2.0	6.0
International/Global Equities			-	8.0	12.0
BIBDX	BlackRock Global Dividend Instl		-	6.0	9.0
IGRO	iShares International Dividend Gr ETF		-	2.0	3.0
Sector Equities			3.0	3.0	4.0
BIREX	BlackRock Real Estate Securities Instl		3.0	3.0	4.0
US Fixed Income			69.0	52.0	30.0
BFRIX	BlackRock Floating Rate Income Instl		14.0	12.0	4.0
BHYIX	BlackRock High Yield Bond Instl		19.0	23.0	15.0
BSIIX	BlackRock Strategic Income Opps Instl		12.0	2.0	-
IGSB	iShares 1-5 Year invmt Grd Corp Bd ETF		8.0	-	-
LQD	iShares iBoxx \$ Invmnt Grade Corp Bd ETF		10.0	6.0	2.0
PFF	iShares Preferred&Income Securities ETF		6.0	9.0	9.0
Multi Asset			15.0	15.0	15.0
BDHIX	BlackRock Dynamic High Income Instl		15.0	15.0	15.0
Cash			2.0	2.0	2.0
CASH-USD	UNITED STATES DOLLAR		2.0	2.0	2.0

Allocations for the model portfolios are targets and subject to change. If a ratio is used in the model name, the ratio corresponds to the target percentage of equity and fixed income exposure within the model. For example, "60/40" means the model targets 60% in equity exposure and 40% in fixed income exposure. The target fixed income exposure may include an allocation to cash.

Changes to Holdings (%)

Allocation as of 7/21/22

		Conservative	Moderate	Growth
US Equities		2.0	2.0	2.0
BMCIX	BlackRock High Equity Income Instl	+2.0	+2.0	+2.0
DGRO	iShares Core Dividend Growth ETF	-	-	-
VYM	Vanguard High Dividend Yield ETF	-	-	-
International/Global Equities		-	-	-
BIBDX	BlackRock Global Dividend Instl	-	-	-
IGRO	iShares International Dividend Gr ETF	-	-	-
Sector Equities		-2.0	-2.0	-2.0
BIREX	BlackRock Real Estate Securities Instl	-	-	-
XLU	Utilities Select Sector SPDR® ETF	-2.0	-2.0	-2.0
US Fixed Income		3.0	3.0	7.0
BFRIX	BlackRock Floating Rate Income Instl	-5.0	-3.0	-2.0
BHYIX	BlackRock High Yield Bond Instl	+7.0	+5.0	+7.0
BSIIX	BlackRock Strategic Income Opps Instl	-2.0	-	-
IGSB	iShares 1-5 Year invmt Grd Corp Bd ETF	-	-	-
LQD	iShares iBoxx \$ Invtm Grade Corp Bd ETF	+3.0	+1.0	+2.0
PFF	iShares Preferred&Income Securities ETF	-	-	-
International/Global Fixed Income		-3.0	-3.0	-7.0
EMB	iShares JP Morgan USD Em Mkts Bd ETF	-3.0	-3.0	-7.0
Multi Asset		-	-	-
BDHIX	BlackRock Dynamic High Income Instl	-	-	-
Cash		-	-	-
CASH-USD	UNITED STATES DOLLAR	-	-	-

Allocations for the model portfolios are targets and subject to change. If a ratio is used in the model name, the ratio corresponds to the target percentage of equity and fixed income exposure within the model. For example, "60/40" means the model targets 60% in equity exposure and 40% in fixed income exposure. The target fixed income exposure may include an allocation to cash.

Performance (%)

As of 6/30/22

Model	Performance Type	Last Month (%)	3 Month (%)	Year to Date (%)	1 Year (%)	3 Year (%)	5 Year (%)	Since Inception (%)
Conservative	Gross of an advisory fee	-4.34	-7.38	-10.37	-8.11	1.60	2.55	2.83
	Net of 3% advisory fee	-4.58	-8.08	-11.73	-10.87	-1.45	-0.53	-0.26
Conservative Benchmark	Gross of an advisory fee	-3.70	-8.22	-13.41	-11.34	1.71	3.15	3.73
Moderate	Gross of an advisory fee	-5.66	-9.17	-12.32	-9.44	1.00	2.39	3.02
	Net of 3% advisory fee	-5.90	-9.86	-13.64	-12.16	-2.03	-0.68	-0.08
Moderate Benchmark	Gross of an advisory fee	-5.12	-10.54	-15.45	-12.12	3.35	4.56	5.15
Growth	Gross of an advisory fee	-6.43	-10.06	-13.59	-9.65	1.45	2.89	2.90
	Net of 3% advisory fee	-6.66	-10.75	-14.90	-12.36	-1.60	-0.20	-0.19
Growth Benchmark	Gross of an advisory fee	-6.53	-12.82	-17.48	-12.96	4.89	5.87	5.83

Inception date for the Conservative model is **12/31/16**. Inception date for the Moderate model is **1/31/17**. Inception date for the Growth model is **5/31/17**.

Components of the risk benchmarks are as follows: 30% MSCI World Index & 70% Bloomberg U.S. Aggregate Bond Index for MAI MF/ETF Conservative, 50% MSCI World Index & 50% Bloomberg U.S. Aggregate Bond Index for MAI MF/ETF Moderate, and 70% MSCI World Index & 30% Bloomberg U.S. Aggregate Bond Index for MAI MF/ETF Growth.

Past performance does not guarantee future results. For standardized performance of the underlying funds within the model portfolios, please see the Appendix. Index performance is for illustrative purposes only. Index performance does not reflect any management fees, transaction costs or expenses. Indexes are unmanaged and one cannot invest directly in an index. Performance is annualized for time periods greater than 1 year. The performance shown does not reflect the performance of actual client accounts. Each model portfolio includes allocations to underlying constituent securities and uses the underlying securities' historical performance. Where the constituent security is a fund, performance (i) assumes reinvestment of dividends and capital gains, (ii) reflects the deduction of fund expenses, including management fees and other expenses, and (iii) does not reflect any applicable sales charges. In addition, where the constituent security is a fund, performance shown is based on the performance of the share class (if applicable) featured in the model portfolio. A financial professional's client may or may not be eligible to hold the share class shown. A financial professional's client may or may not be eligible to hold the share class shown. The performance of actual client accounts may differ from the performance shown for a variety of reasons, including but not limited to: the financial professional is responsible for implementing trades in the accounts; differences in market conditions; client-imposed investment restrictions; the timing of client investments and withdrawals; fees payable by such accounts; cash flows into or out of such accounts; and/or other factors.

*Portfolio performance for any model with an asterisk in its name is hypothetical and is for illustrative purposes only. Hypothetical results for such model portfolios have inherent limitations because they do not reflect actual trading and do not represent actual performance. Historical returns of such model portfolios provided by BlackRock do reflect rebalancing of such portfolios in response to market conditions.

Gross performance does not reflect the deduction of any fees or expenses that may be charged by the financial professional. The fees and expenses that a client may incur in their account will reduce the account's return. Net performance reflects the deduction of an annual investment advisory fee, deducted monthly, that may be charged by the financial professional but does not reflect the deduction of any applicable custodial fees, platform fees or brokerage commissions. The default net performance reflects a hypothetical annual investment advisory fee of 3%; however a financial professional may input a different annual investment advisory fee or exclude the investment advisory fee. By changing the default investment advisory fee, the financial professional represents that such inputs reflect the fee that is applicable to the client's account. BlackRock does not independently verify the accuracy of such investment advisory fee inputs. Due to the compounding effect of these fees, annual net performance results may be lower than stated gross returns less the indicated annual fee. Actual advisory fees charged by a financial professional may vary.

APPENDIX

Fund Performance

QUARTERLY RETURNS - NAV(%)

As of 6/30/22

Ticker	Name	1YR	5YR	10YR	Since Inception	Inception Date
BDHIX	BlackRock Dynamic High Income Instl	-15.55%	2.43%	-	3.47%	11/3/14
BFRIX	BlackRock Floating Rate Income Instl	-3.89%	2.26%	3.30%	3.68%	3/18/11
BHYIX	BlackRock High Yield Bond Instl	-12.18%	2.29%	4.65%	6.41%	11/19/98
BIBDX	BlackRock Global Dividend Instl	-10.71%	4.47%	7.18%	5.92%	4/7/08
BIREX	BlackRock Real Estate Securities Instl	-6.94%	6.99%	-	8.57%	9/28/12
BMCIX	BlackRock High Equity Income Instl	-0.93%	7.07%	10.56%	12.43%	5/1/98
BSIIX	BlackRock Strategic Income Opps Instl	-5.72%	2.33%	2.99%	3.66%	2/5/08
DGRO	iShares Core Dividend Growth ETF	-3.62%	11.30%	-	10.88%	6/10/14
IGRO	iShares International Dividend Gr ETF	-12.67%	3.93%	-	5.50%	5/17/16
IGSB	iShares 1-5 Year invmt Grd Corp Bd ETF	-6.23%	1.47%	1.42%	2.36%	1/5/07
LQD	iShares iBoxx \$ Invmt Grade Corp Bd ETF	-16.19%	1.20%	2.64%	4.54%	7/22/02
PFF	iShares Preferred&Income Securities ETF	-12.81%	1.67%	3.96%	3.56%	3/26/07
VYM	Vanguard High Dividend Yield ETF	0.00%	8.80%	11.18%	7.94%	11/10/06

QUARTERLY RETURNS - MARKET(%)

As of 6/30/22

Ticker	Name	1YR	5YR	10YR	Since Inception	Inception Date
BDHIX	BlackRock Dynamic High Income Instl	-	-	-	-	11/3/14
BFRIX	BlackRock Floating Rate Income Instl	-	-	-	-	3/18/11
BHYIX	BlackRock High Yield Bond Instl	-	-	-	-	11/19/98
BIBDX	BlackRock Global Dividend Instl	-	-	-	-	4/7/08
BIREX	BlackRock Real Estate Securities Instl	-	-	-	-	9/28/12
BMCIX	BlackRock High Equity Income Instl	-	-	-	-	5/1/98
BSIIX	BlackRock Strategic Income Opps Instl	-	-	-	-	2/5/08
DGRO	iShares Core Dividend Growth ETF	-3.49%	11.30%	-	11.05%	6/10/14
IGRO	iShares International Dividend Gr ETF	-12.95%	3.53%	-	5.72%	5/17/16
IGSB	iShares 1-5 Year invmt Grd Corp Bd ETF	-6.17%	1.48%	1.43%	2.35%	1/5/07
LQD	iShares iBoxx \$ Invmt Grade Corp Bd ETF	-16.14%	1.18%	2.60%	4.52%	7/22/02

Multi-Asset Income Models

Ticker	Name	1YR	5YR	10YR	Since Inception	Inception Date
PFF	iShares Preferred&Income Securities ETF	-12.70%	1.70%	3.97%	3.57%	3/26/07
VYM	Vanguard High Dividend Yield ETF	0.05%	8.80%	11.20%	7.94%	11/10/06

QUARTERLY RETURNS - LOAD ADJUSTED(%)

As of 6/30/22

Ticker	Name	1YR	5YR	10YR	Since Inception	Inception Date	Max Front Load	Deferred Load
BDHIX	BlackRock Dynamic High Income Instl	-15.55%	2.43%	-	3.47%	11/3/14	-	-
BFRIX	BlackRock Floating Rate Income Instl	-3.89%	2.26%	3.30%	3.68%	3/18/11	-	-
BHYIX	BlackRock High Yield Bond Instl	-12.18%	2.29%	4.65%	6.41%	11/19/98	-	-
BIBDX	BlackRock Global Dividend Instl	-10.71%	4.47%	7.18%	5.92%	4/7/08	-	-
BIREX	BlackRock Real Estate Securities Instl	-6.94%	6.99%	-	8.57%	9/28/12	-	-
BMCIX	BlackRock High Equity Income Instl	-0.93%	7.07%	10.56%	12.43%	5/1/98	-	-
BSIIX	BlackRock Strategic Income Opps Instl	-5.72%	2.33%	2.99%	3.66%	2/5/08	-	-
DGRO	iShares Core Dividend Growth ETF	-3.62%	11.30%	-	10.88%	6/10/14	-	-
IGRO	iShares International Dividend Gr ETF	-12.67%	3.93%	-	5.50%	5/17/16	-	-
IGSB	iShares 1-5 Year invmt Grd Corp Bd ETF	-6.23%	1.47%	1.42%	2.36%	1/5/07	-	-
LQD	iShares iBoxx \$ Invtm Grade Corp Bd ETF	-16.19%	1.20%	2.64%	4.54%	7/22/02	-	-
PFF	iShares Preferred&Income Securities ETF	-12.81%	1.67%	3.96%	3.56%	3/26/07	-	-
VYM	Vanguard High Dividend Yield ETF	0.00%	8.80%	11.18%	7.94%	11/10/06	-	-

The performance quoted represents past performance and does not guarantee future results. Investment return and principal value of an investment will fluctuate so that an investor's shares, when sold or redeemed, may be worth more or less than the original cost. Current performance may be lower or higher than the performance quoted. Performance data current to the most recent month end for the BlackRock and iShares Funds may be obtained by visiting www.blackrock.com or www.iShares.com. For month-end performance for other funds, please visit the respective providers' websites. Performance is annualized for time periods greater than 1 year. Shares of ETFs are bought and sold at market price (not NAV) and are not individually redeemed from the fund. Any applicable brokerage commissions will reduce returns. Beginning August 10, 2020, market price returns for BlackRock and iShares ETFs are calculated using the closing price and account for distributions from the fund. Prior to August 10, 2020, market price returns for BlackRock and iShares ETFs were calculated using the midpoint price and accounted for distributions from the fund. The midpoint is the average of the bid/ask prices at 4:00 PM ET (when NAV is normally determined for most ETFs). The returns shown do not represent the returns you would receive if you traded shares at other times. Performance shown reflects fee waivers and/or expense reimbursements by the investment advisor to the fund for some or all of the periods shown. Performance would have been lower without such waivers. Source: Morningstar

Fees

As of 6/30/2022

Ticker	Name	Gross Expense Ratio
BDHIX	BlackRock Dynamic High Income Instl	0.84%
BFRIX	BlackRock Floating Rate Income Instl	0.73%
BHYIX	BlackRock High Yield Bond Instl	0.59%
BIBDX	BlackRock Global Dividend Instl	0.75%
BIREX	BlackRock Real Estate Securities Instl	1.02%

Ticker	Name	Gross Expense Ratio
BMCIX	BlackRock High Equity Income Instl	1.10%
BSIIX	BlackRock Strategic Income Opps Instl	0.69%
DGRO	iShares Core Dividend Growth ETF	0.08%
IGRO	iShares International Dividend Gr ETF	0.15%
IGSB	iShares 1-5 Year invmt Grd Corp Bd ETF	0.06%
LQD	iShares iBoxx \$ Invt Grade Corp Bd ETF	0.14%
PFF	iShares Preferred&Income Securities ETF	0.46%
VYM	Vanguard High Dividend Yield ETF	0.06%

Fees are as of current prospectus. A sponsor fee is shown in lieu of gross and net expense ratios for any iShares Trusts or other products registered only under the Securities Act of 1933. Source: Morningstar

Glossary

Gross Expense Ratio: Weighted average prospectus gross expense ratio of the portfolio. Source: Morningstar

Net Expense Ratio: Weighted average prospectus net expense ratio of the portfolio. Source: Morningstar

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A fund's use of derivatives may reduce a fund's returns and/or increase volatility and subject the fund to counterparty risk, which is the risk that the other party in the transaction will not fulfill its contractual obligation. A fund could suffer losses related to its derivative positions because of a possible lack of liquidity in the secondary market and as a result of unanticipated market movements, which losses are potentially unlimited. There can be no assurance that any fund's hedging transactions will be effective.

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A fund's environmental, social and governance ("ESG") investment strategy limits the types and number of investment opportunities available to the fund and, as a result, the fund may underperform other funds that do not have an ESG focus. A fund's ESG investment strategy may result in the fund investing in securities or industry sectors that underperform the market as a whole or underperform other funds screened for ESG standards. In addition, companies selected by the index provider may not exhibit positive or favorable ESG characteristics.

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