

Annual Report

BlackRock Funds II

- ▶ BlackRock GNMA Portfolio
- ▶ BlackRock Inflation Protected Bond Portfolio
- ▶ BlackRock Long Duration Bond Portfolio
- ▶ BlackRock Multi-Sector Bond Portfolio
- ▶ BlackRock U.S. Government Bond Portfolio

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Dear Shareholder

Investors have faced one of the most volatile periods in trading history in recent months. Financial markets across the world weathered a storm of whipsaw movements of panic selling and short-lived rebounds of hope as the European debt crisis and concerns about slowing global economic growth dominated headlines and sentiment. Although markets remain volatile and uncertainties abound, BlackRock remains dedicated to finding opportunities and managing risk in this environment.

This shareholder report reflects your fund's reporting period ended September 30, 2011. The following market review is intended to provide you with additional perspective on the performance of your investments during that period.

One year ago, the global economy appeared to solidly be in recovery mode and investors were optimistic in advance of the second round of quantitative easing from the US Federal Reserve (the "Fed"). Stock markets rallied despite the ongoing sovereign debt crisis in Europe and inflationary pressures looming over emerging markets. Fixed income markets, however, saw yields move sharply upward (pushing prices down) especially on the long end of the historically steep yield curve. While high yield bonds benefited from the risk rally, most fixed income sectors declined in the fourth quarter of 2010. The tax-exempt municipal market faced additional headwinds as it became evident that the Build America Bond program would not be extended and municipal finance troubles burgeoned.

Early 2011 saw spikes of volatility as political turmoil swept across the Middle East/North Africa region and prices of oil and other commodities soared. Natural disasters in Japan disrupted industrial supply chains and concerns mounted regarding US debt and deficit issues. Equities generally performed well early in the year, however, as investors chose to focus on the continuing stream of strong corporate earnings and positive economic data. Credit markets were surprisingly resilient in this environment and yields regained relative stability in 2011. The tax-exempt market saw relief from its headwinds and steadily recovered from its fourth-quarter lows. Equities, commodities and high yield bonds outpaced higher-quality assets as investors increased their risk tolerance.

However, the environment changed dramatically in the middle of the second quarter. Inflationary pressures had intensified in emerging economies, many of which were overheating, and the European debt crisis had continued to escalate. Markets were met with a sharp reversal in May when political unrest in Greece pushed the nation closer to defaulting on its debt, rekindling fears about the broader debt crisis. Concurrently, economic data signaled that the recovery had slowed in the United States and other developed nations. Confidence was further shaken by the prolonged debt ceiling debate in Washington, DC. The downgrade of the US government's credit rating on August 5 sent financial markets into turmoil. Extreme levels of volatility persisted as investors witnessed financial problems intensify in Italy and Spain and the debt crisis spread to core European nations, France and Germany. Toward the end of the reporting period, economic data out of the United States and Europe grew increasingly bleak. Further compounding concerns about the world economy were indications that growth was slowing in emerging-market nations, including China, a key driver for global growth.

Overall, equities broadly declined while lower-risk investments including US Treasuries, municipal securities and investment grade corporate bonds posted gains for the 6- and 12-month periods ended September 30, 2011. High yield debt posted losses for the 6-month period, but remained in positive territory on a 12-month basis. Continued low short-term interest rates kept yields on money market securities near their all-time lows. For additional market perspective and investment insight, visit www.blackrock.com/shareholdermagazine, where you'll find the most recent issue of our award-winning *Shareholder*[®] magazine and its quarterly companion newsletter, *Shareholder Perspectives*.

Sincerely,



Rob Kapito
President, BlackRock Advisors, LLC



"BlackRock remains dedicated to finding opportunities and managing risk in this environment."

Rob Kapito

President, BlackRock Advisors, LLC

Total Returns as of September 30, 2011

	6-month	12-month
US large cap equities (S&P 500 [®] Index)	(13.78)%	1.14%
US small cap equities (Russell 2000 [®] Index)	(23.12)	(3.53)
International equities (MSCI Europe, Australasia, Far East Index)	(17.74)	(9.36)
Emerging market equities (MSCI Emerging Markets Index)	(23.45)	(16.15)
3-month Treasury bill (BofA Merrill Lynch 3-Month Treasury Bill Index)	0.05	0.14
US Treasury securities (BofA Merrill Lynch 10-Year US Treasury Index)	16.14	9.28
US investment grade bonds (Barclays Capital US Aggregate Bond Index)	6.20	5.26
Tax-exempt municipal bonds (Barclays Capital Municipal Bond Index)	7.85	3.88
US high yield bonds (Barclays Capital US Corporate High Yield 2% Issuer Capped Index)	(5.12)	1.75

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

BlackRock GNMA 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?

- The Fund's BlackRock and Institutional Share Classes outperformed the benchmark Barclays Capital GNMA MBS Index for the 12-month period ended September 30, 2011, while the Investor A, Investor B, Investor C and Service Shares underperformed the benchmark index.

What factors influenced performance?

- The primary contributor to the Fund's positive performance over the 12-month period was security selection across coupon stack (the range of coupon rates offered) in agency mortgage-backed securities ("MBS"). Specifically, the Fund's bias toward higher-coupon MBS during the fourth quarter of 2010 had a positive impact as prepayments slowed dramatically on these issues and the threat of a government refinancing program was abated. In the first quarter of 2011, the Fund benefited from its exposure to select lower- and middle-coupon issues, which outperformed higher-coupon issues at that time. In the third quarter, an overweight in select Government National Mortgage Association ("GNMA") issues with very high coupon rates boosted Fund returns as these issues benefited from their low vulnerability to refinancing. Additionally, the Fund's exposure to call-protected issues and agency MBS derivatives added to performance.
- Detracting from performance was the Fund's hedge position (via short-term US Treasury securities) on its duration overweight (greater exposure to mortgages relative to the benchmark index) in the first half of the period. In the second half, agency MBS underperformed Treasury securities and, thus, the Fund's duration overweight to mortgages had a negative impact on returns. In addition, the Fund's overall portfolio duration was shorter than the benchmark index, which detracted from relative performance when yields rallied.
- The Fund uses interest rate derivative instruments, which may include futures contracts, options, swaps and swaptions, mainly for the purpose of managing risks relating to portfolio duration and yield curve position-

ing. During the period, the use of derivatives had an overall negative impact on Fund returns.

Describe recent portfolio activity.

- The Fund actively traded agency MBS throughout the 12-month period. At the beginning of the period, the Fund was overweight in higher-coupon issues; however, in the first quarter of 2011, management reduced this overweight in favor of lower- and middle-coupons. Toward the end of the period, management added exposure to segments where borrowers had little incentive to refinance in the current environment, including select GNMA issues with very high coupon rates and 15-year, lower-coupon agency MBS. Management also moved to an underweight in 4.5%- and 5%-coupon issues in light of the higher refinancing incentives and tighter spread valuations in the middle of the coupon stack versus lower- and higher-coupon issues. Lastly, management added call protection to the portfolio via select state housing finance authority bonds.

Describe Fund positioning at period end.

- The Fund ended the period with a neutral-to-slightly long duration relative to the benchmark index. The agency MBS sector received support from the Fed's announcement that it would keep short-term interest rates low for the next two years, effectively anchoring the short end of the yield curve and improving the carry (income) profile for agency MBS. Also benefitting the sector was the Fed's announcement of its plan to reinvest future pay-downs in its mortgage portfolio, which is expected to have a meaningful impact on supply-and-demand factors for agency MBS. However, despite the Fed's actions, widespread uncertainty stemming from the European sovereign debt crisis, a slowing global economic backdrop and concerns about policy intervention in the housing market remain headwinds for the sector. Management continues to view MBS as attractive assets, but remains cautious given the recent high volatility across the coupon stack.

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.

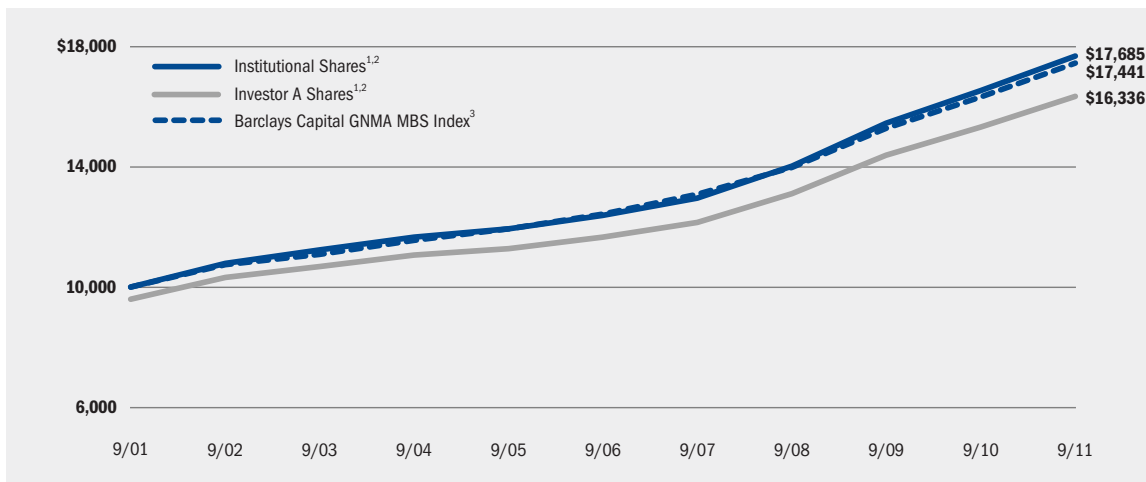
Portfolio Information

Portfolio Composition	Percent of Long-Term Investments
U.S. Government Sponsored Agency Securities	100%

Credit Quality Allocation ¹	Percent of Long-Term Investments
AAA/Aaa ²	100%

¹Using the higher of S&P's or Moody's rating.
²Includes 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 Assuming maximum sales charges, if any, transaction costs and other operating expenses, including investment advisory fees. Institutional Shares do not have a sales charge.

² The Fund normally invests at least 80% of its assets in GNMA securities.

³ An unmanaged index comprised of mortgage-backed pass through securities of GNMA.

Performance Summary for the Period Ended September 30, 2011

	Standardized 30-Day Yields	6-Month Total Returns	Average Annual Total Returns ⁴					
			1 Year		5 Years		10 Years	
			w/o sales charge	w/sales charge	w/o sales charge	w/sales charge	w/o sales charge	w/sales charge
BlackRock.....	3.03%	5.43%	6.96%	N/A	7.37%	N/A	5.93%	N/A
Institutional	3.00	5.51	7.02	N/A	7.37	N/A	5.87	N/A
Service.....	2.65	5.23	6.55	N/A	7.03	N/A	5.55	N/A
Investor A.....	2.59	5.20	6.62	2.33%	6.99	6.11%	5.46	5.03%
Investor B.....	1.97	4.82	5.70	1.21	6.15	5.83	4.91	4.91
Investor C.....	1.95	4.82	5.74	4.74	6.21	6.21	4.69	4.69
Barclays Capital GNMA MBS Index	—	5.91	6.90	N/A	7.01	N/A	5.72	N/A

⁴ Assuming maximum sales charges, if any. Average annual total returns with and without sales charges reflect reductions for distribution and service fees. See "About Fund Performance" on page 14 for a detailed description of share classes, including any related sales charges and fees.

N/A - Not applicable as share class and index do not have a sales charge.

Past performance is not indicative of future results.

Expense Example

	Actual				Hypothetical ⁷				
	Beginning Account Value April 1, 2011	Ending Account Value September 30, 2011	Including Interest Expense and Fees	Excluding Interest Expense and Fees	Beginning Account Value April 1, 2011	Ending Account Value September 30, 2011	Including Interest Expense and Fees	Excluding Interest Expense and Fees	Expenses Paid During the Period ⁶
			Expenses Paid During the Period ⁵	Expenses Paid During the Period ⁶			Expenses Paid During the Period ⁵	Expenses Paid During the Period ⁶	
BlackRock.....	\$1,000.00	\$1,054.30	\$2.68	\$2.68	\$1,000.00	\$1,022.46	\$2.64	\$1,022.46	\$2.64
Institutional	\$1,000.00	\$1,055.10	\$2.89	\$2.83	\$1,000.00	\$1,022.26	\$2.84	\$1,022.31	\$2.79
Service.....	\$1,000.00	\$1,052.30	\$4.68	\$4.63	\$1,000.00	\$1,020.51	\$4.61	\$1,020.56	\$4.56
Investor A.....	\$1,000.00	\$1,052.00	\$4.68	\$4.63	\$1,000.00	\$1,020.51	\$4.61	\$1,020.56	\$4.56
Investor B.....	\$1,000.00	\$1,048.20	\$8.57	\$8.57	\$1,000.00	\$1,016.70	\$8.44	\$1,016.70	\$8.44
Investor C.....	\$1,000.00	\$1,048.20	\$8.57	\$8.52	\$1,000.00	\$1,016.70	\$8.44	\$1,016.75	\$8.39

⁵ For each class of the Fund, expenses are equal to the annualized expense ratio for the class (0.52% for BlackRock, 0.56% for Institutional, 0.91% for Service, 0.91% for Investor A, 1.67% for Investor B and 1.67% for Investor C), multiplied by the average account value over the period, multiplied by 183/365 (to reflect the one-half year period shown).

⁶ For each class of the Fund, expenses are equal to the annualized expense ratio for the class (0.52% for BlackRock, 0.55% for Institutional, 0.90% for Service, 0.90% for Investor A, 1.67% for Investor B and 1.66% for Investor C), multiplied by the average account value over the period, multiplied by 183/365 (to reflect the one-half year period shown).

⁷ 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 14 for further information on how expenses were calculated.

Investment Objective

BlackRock Inflation Protected Bond Portfolio's (the "Fund") investment objective is to seek to maximize real return, consistent with preservation of real capital and prudent investment management.

Portfolio Management Commentary

How did the Fund perform?

- For the 12-month period ended September 30, 2011, the Fund underperformed its benchmark, the Barclays Capital Global Real: US TIPS Index.

What factors influenced performance?

- The real yield curve reflects the yields on US Treasury inflation-protected securities ("TIPS"), whereas the nominal yield curve reflects yields on traditional non-inflation-linked US Treasury securities. The Fund underperformed the benchmark index due to its short position in short- and intermediate-term real yields early in the fourth quarter of 2010 when rates fell on those parts of the curve. Although US economic conditions were improving, the Federal Reserve's Treasury bond purchase program kept yields down on the shorter parts of the curve. In addition, the Fund's real yield curve-flattening bias (positioned to benefit from a flattening of the yield curve) had a negative impact on returns as the yield curve steepened significantly in May and June when the sovereign debt crisis in Europe and evidence that global economic growth was slowing sparked a flight-to-quality that pushed short-term interest rates lower.
- Contributing positively to performance was the Fund's slightly longer duration (higher sensitivity to interest rates) in its US holdings (relative to the benchmark index) in the earlier part of the first quarter in 2011 when interest rates fell across the yield curve. In the second half of the reporting period, real yields moved lower, especially on the long end of the curve, as a result of a culmination of European sovereign debt risks, slowing global economic growth and the Fed's announcement of "Operation Twist" (policy actions designed to put downward pressure on long-term interest rates). Under these conditions, the Fund's real yield curve-flattening stance in the 10- to 30-year range of the curve had a positive impact on performance.
- The Fund uses interest rate derivative instruments, which may include futures contracts, options, swaps and swaptions, mainly for the purpose of managing risks relating to portfolio duration and yield curve positioning. During the period, the use of derivatives had an overall negative

impact on Fund returns.

Describe recent portfolio activity.

- The Fund began the period with a real yield curve-flattening bias in its US holdings. However, toward the end of the first quarter of 2011, the Fund moved to an underweight in short-end nominal rates and reduced duration in its US holdings as oil prices continued to climb and the Fed announced its outlook for rising inflation. As inflation expectations rose and real rates fell, management increased the Fund's allocation to cash and cash equivalents. Management maintained the elevated cash balance for the remainder of the period for defensive purposes; however, this caused a slight drag on returns as US government securities performed well for the period.
- Later in the first quarter, the Fund established a small short currency position in the yen as the Japanese economy was faced with potentially lower interest rates and aggressive monetary and fiscal stimulus after the earthquake. The Fund continued to trade the yen over the remainder of the reporting period in response to advances and setbacks in the nation's recovery.
- In the second half of the reporting period, the Fund maintained a curve-flattening stance in real US Treasury rates and covered some of its short-duration positions, while maintaining its overall portfolio duration shorter than the benchmark index.

Describe Fund positioning at period end.

- The Fund ended the period with a duration of 7.85 years, which was only slightly shorter than the Barclays Capital Global Real: US TIPS Index. The Fund was positioned to benefit from a flattening in the real US Treasury yield curve as management deemed inflation insurance cheap on the long end of the real yield curve as compared to the steepness of the nominal yield curve. The Fund maintained its short position in the yen as management continued to believe the currency was overvalued given ongoing weakness in the Japanese economy and muted prospects for its growth. The Fund's cash position at period end was 7%. US TIPS comprised 87% of the Fund's portfolio, with the remainder invested mostly in nominal US Treasuries.

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Portfolio Information

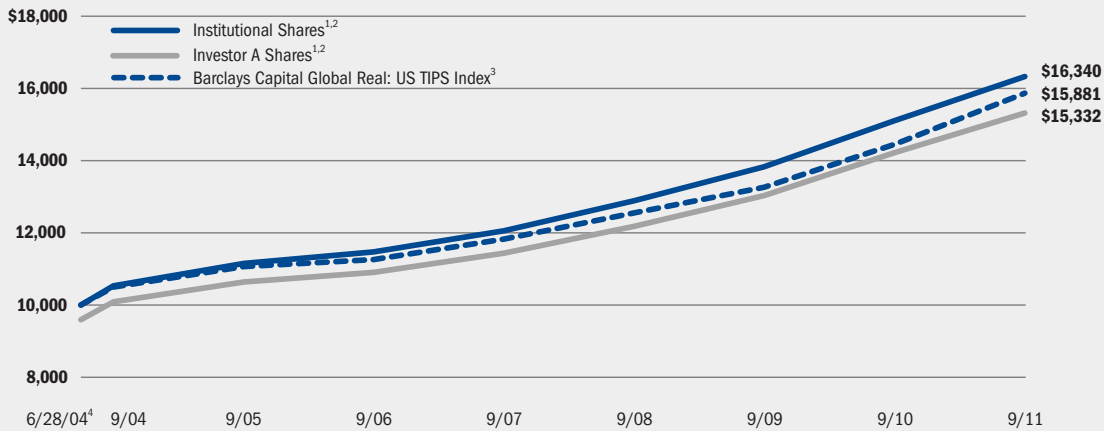
Portfolio Composition	Percent of Long-Term Investments
U.S. Treasury Obligations	98%
Non-Agency Mortgage-Backed Securities	1
Foreign Government Obligations	1

Credit Quality Allocation ¹	Percent of Long-Term Investments
AAA/Aaa ²	99%
A	1

¹Using the higher of S&P's or Moody's rating.

²Includes 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 Assuming maximum sales charges, if any, transaction costs and other operating expenses, including investment advisory fees. Institutional Shares do not have a sales charge.

² The Fund normally invests at least 80% of its assets in inflation-indexed bonds of varying maturities issued by the US and non-US governments, their agencies or instrumentalities, and US and non-US corporations.

³ An unmanaged market index made up of US Treasury Inflation Linked Indexed securities.

⁴ Commencement of operations.

Performance Summary for the Period Ended September 30, 2011

	Standardized 30-Day Yields	6-Month Total Returns	Average Annual Total Returns ⁵					
			1 Year		5 Years		Since Inception ⁶	
			w/o sales charge	w/sales charge	w/o sales charge	w/sales charge	w/o sales charge	w/sales charge
BlackRock	0.77%	6.85%	8.21%	N/A	7.45%	N/A	7.06%	N/A
Institutional	0.65	6.81	8.10	N/A	7.33	N/A	7.00	N/A
Service	0.36	6.70	7.84	N/A	7.08	N/A	6.49	N/A
Investor A	0.32	6.72	7.83	3.53%	7.06	6.19%	6.67	6.07%
Investor B	(0.36)	6.25	6.98	2.48	6.19	5.87	5.88	5.88
Investor C	(0.36)	6.25	7.00	6.00	6.24	6.24	5.95	5.95
Barclays Capital Global Real: US TIPS Index	—	8.33	9.87	N/A	7.09	N/A	6.58	N/A

⁵ Assuming maximum sales charges, if any. Average annual total returns with and without sales charges reflect reductions for distribution and service fees. See "About Fund Performance" on page 14 for a detailed description of share classes, including any related sales charges and fees.

⁶ The Fund commenced operations on June 28, 2004.

N/A - Not applicable as share class and index do not have a sales charge.

Past performance is not indicative of future results.

Expense Example

	Actual			Hypothetical ⁸			Annualized Expense Ratio
	Beginning Account Value April 1, 2011	Ending Account Value September 30, 2011	Expenses Paid During the Period ⁷	Beginning Account Value April 1, 2011	Ending Account Value September 30, 2011	Expenses Paid During the Period ⁷	
BlackRock	\$1,000.00	\$1,068.50	\$1.66	\$1,000.00	\$1,023.46	\$1.62	0.32%
Institutional	\$1,000.00	\$1,068.10	\$2.28	\$1,000.00	\$1,022.86	\$2.23	0.44%
Service	\$1,000.00	\$1,067.00	\$3.58	\$1,000.00	\$1,021.61	\$3.50	0.69%
Investor A	\$1,000.00	\$1,067.20	\$3.94	\$1,000.00	\$1,021.26	\$3.85	0.76%
Investor B	\$1,000.00	\$1,062.50	\$7.81	\$1,000.00	\$1,017.50	\$7.64	1.51%
Investor C	\$1,000.00	\$1,062.50	\$7.55	\$1,000.00	\$1,017.75	\$7.38	1.46%

⁷ For each class of the Fund, expenses are equal to the annualized expense ratio for the class, multiplied by the average account value over the period, multiplied by 183/365 (to reflect the one-half year period shown).

⁸ 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 14 for further information on how expenses were calculated.

Investment Objective

BlackRock Long Duration Bond 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 12-month period ended September 30, 2011, the Fund underperformed its benchmark, the Barclays Capital Long Government/Credit Index.

What factors influenced performance?

- Active management of the Fund's duration (sensitivity to interest rates) had a net negative effect on performance for the period. In addition, the Fund's overweight (relative to the benchmark index) to financials hurt returns as the sector came under pressure as a consequence of escalating sovereign debt risks in Europe.
- The Fund's allocations outside the benchmark index to non-government spread sectors (securities driven by movements in credit risk), including commercial mortgage-backed securities, non-agency residential MBS, high yield corporate bonds and, to a lesser extent, asset-backed securities ("ABS"), contributed positively to performance for the period. Additionally, the Fund's yield curve-flattening position between the 10- and 30-year points on the US Treasury yield curve benefited performance in the latter part of the period when long-term interest rates declined.
- The Fund uses interest rate derivative instruments, which may include futures contracts, options, swaps and swaptions, mainly for the purpose of managing risks relating to portfolio duration and yield curve positioning. The Fund may also use credit default swaps against individual names or broad indices to manage credit risk in the portfolio. Credit default swaps against indices help to manage market risk as well. In addition, the Fund may trade foreign currency exchange contracts or use foreign currency derivatives to manage currency risk in the portfolio. During the period, the use of derivatives had an overall positive impact on Fund returns.

Describe recent portfolio activity.

- During the period, management trimmed the Fund's holdings of financial

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and industrial corporate credits with the highest market volatility, but maintained an overweight position in investment grade corporate credit within these sectors. Management added exposure to long-dated TIPS and financial capital securities. Within the Fund's corporate bond holdings, management moved to a higher-quality bias and sought to reduce the level of risk relating to spread duration (sensitivity of a corporate bond's price to changes in its spread above Treasury rates). Toward the end of the period, management extended the Fund's duration to a neutral position relative to the benchmark index while reducing credit risk in the Fund's financials holdings, reflecting a stronger liquidity bias. In addition, management tactically traded agency MBS to increase portfolio liquidity.

Describe Fund positioning at period end.

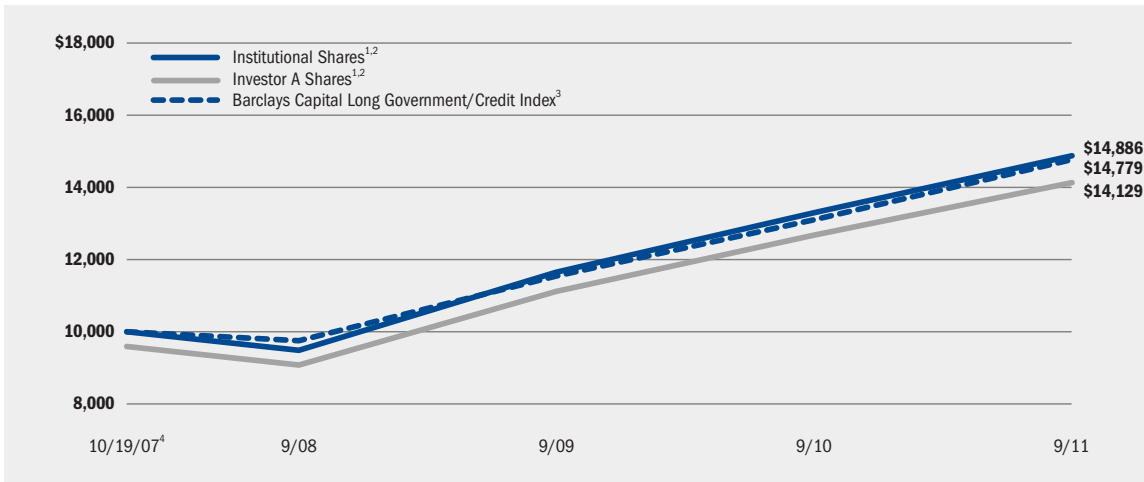
- The Fund ended the period with a neutral duration position relative to its benchmark index. While the Fund was overweight in corporate credit, it continues to hold a defensive position as management maintains a cautious view on adding credit risk in the challenging liquidity environment. Management generally favors high-quality companies with strong balance sheets. The Fund was overweight in the financials sector, as management deems these issues cheap relative to industrials and management believes financials offer strong upside price potential as negative headlines from Europe eventually dissipate. The Fund was underweight industrials, where merger-and-acquisition risk is relatively high. Furthermore, management finds industrials expensive versus financials issues, while offering less upside potential in a slow-growth environment. The Fund's allocation to ABS reflected a high-quality bias, favoring top-tier prime issuers and concentrated in short-dated issues including credit card debt, auto loans and student loans through the Federal Family Education Loan Program.

Portfolio Information

Portfolio Composition	Percent of Long-Term Investments	Credit Quality Allocation ¹	Percent of Long-Term Investments
Corporate Bonds	50%	AAA/Aaa ²	40%
U.S. Treasury Obligations	30	AA/Aa	11
U.S. Government Sponsored Agency Securities	5	A	25
Taxable Municipal Bonds	5	BBB/Baa	20
Asset-Backed Securities	2	BB/Ba	3
Non-Agency Mortgage-Backed Securities	2	B	1
Preferred Securities	2		
Foreign Government Obligations	2		
Foreign Agency Obligations	2		

¹Using the higher of S&P's or Moody's rating.
²Includes 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 Assuming maximum sales charges, if any, transaction costs and other operating expenses, including investment advisory fees. Institutional Shares do not have a sales charge.
- ² The Fund normally invests at least 80% of its assets in bonds and maintains an average portfolio duration that is within ±20% of the duration of the Barclays Capital Long Government/Credit Index (the benchmark).
- ³ An unmanaged index comprised of US government securities or investment grade credit securities from the more comprehensive Barclays Capital US Aggregate Bond Index. This index concentrates on long maturity bonds and thus excludes all maturities from the broader index that are less than 10 years.
- ⁴ Commencement of operations.

Performance Summary for the Period Ended September 30, 2011

	Standardized 30-Day Yields	6-Month Total Returns	Average Annual Total Returns ⁵			
			1 Year		Since Inception ⁶	
			w/o sales charge	w/sales charge	w/o sales charge	w/sales charge
BlackRock	3.95%	18.47%	11.96%	N/A	10.71%	N/A
Institutional	3.85	18.45	11.86	N/A	10.60	N/A
Investor A	3.36	18.21	11.47	6.98%	10.29	9.14%
Barclays Capital Long Government/Credit Index	—	19.45	12.74	N/A	10.40	N/A

⁵ Assuming maximum sales charges, if any. Average annual total returns with and without sales charges reflect reductions for distribution and service fees. See "About Fund Performance" on page 14 for a detailed description of share classes, including any related sales charges and fees.

⁶ The Fund commenced operations on October 19, 2007.
N/A - Not applicable as share class and index do not have a sales charge.
Past performance is not indicative of future results.

Expense Example

	Actual				Hypothetical ⁹			
	Beginning Account Value April 1, 2011	Ending Account Value September 30, 2011	Including Interest Expense and Fees	Excluding Interest Expense and Fees	Beginning Account Value April 1, 2011	Ending Account Value September 30, 2011	Including Interest Expense and Fees	Excluding Interest Expense and Fees
			Expenses Paid During the Period ⁷	Expenses Paid During the Period ⁸			Expenses Paid During the Period ⁷	Expenses Paid During the Period ⁸
BlackRock	\$1,000.00	\$1,184.70	\$2.46	\$2.46	\$1,000.00	\$1,022.81	\$2.28	\$2.28
Institutional	\$1,000.00	\$1,184.50	\$3.01	\$3.01	\$1,000.00	\$1,022.31	\$2.79	\$2.79
Investor A	\$1,000.00	\$1,182.10	\$4.92	\$4.87	\$1,000.00	\$1,020.56	\$4.56	\$4.51

⁷ For each class of the Fund, expenses are equal to the annualized expense ratio for the class (0.45% for BlackRock, 0.55% for Institutional and 0.90% for Investor A), multiplied by the average account value over the period, multiplied by 183/365 (to reflect the one-half year period shown).

⁸ For each class of the Fund, expenses are equal to the annualized expense ratio for the class (0.45% for BlackRock, 0.55% for Institutional and 0.89% for Investor A), multiplied by the average account value over the period, multiplied by 183/365 (to reflect the one-half year period shown).

⁹ 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 14 for further information on how expenses were calculated.

Investment Objective

BlackRock Multi-Sector Bond 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 12-month period ended September 30, 2011, the Fund underperformed its benchmark, the Barclays Capital US Universal Index.

What factors influenced performance?

- The Fund maintained a shorter duration bias (lower sensitivity to interest rates) relative to its benchmark index during the period. While this duration stance was beneficial in the earlier half of the period, the overall impact on performance for the 12-month period was negative as interest rates declined to historically low levels in the latter half due to weaker-than-expected economic data and concerns about sovereign debt problems in Europe. Additionally, an out-of-index allocation to high yield corporate credit detracted from performance.
- Throughout the 12-month period, the Fund was overweight relative to its benchmark index in non-government spread sectors (securities driven by movements in credit risk) and underweight in government-owned/government-related sectors. Spread sectors performed well in the first half of the period amid improving economic fundamentals and accommodative monetary policy. In the second half, investor sentiment switched to "risk off" mode resulting in spread sectors broadly underperforming US Treasury securities. On balance, the Fund's sector allocation had a positive impact on performance for the period as a whole.
- Also contributing positively was tactical trading within agency MBS and defensive currency hedges. In addition, the Fund's yield curve-flattening stance proved beneficial as long-term interest rates declined more than short-term rates later in the period.
- The Fund uses interest rate derivative instruments, which may include futures contracts, options, swaps and swaptions, mainly for the purpose of managing risks relating to portfolio duration and yield curve positioning. The Fund may also use credit default swaps against individual names or broad indices to manage credit risk in the portfolio. Credit

default swaps against indices help to manage market risk as well. In addition, the Fund may trade foreign currency exchange contracts or use foreign currency derivatives to manage currency risk in the portfolio. During the period, the use of derivatives had an overall negative impact on Fund returns.

Describe recent portfolio activity.

- Management actively managed the Fund's duration while maintaining a short duration bias throughout the 12-month period. Also during the period, management increased the Fund's quality profile and level of liquidity in advance of the completion of the Fed's monetary stimulus program on June 30, 2011. Management tactically managed investment grade credits, with a particular focus on taking advantage of relative value opportunities in financials and industrials. Management gradually reduced the Fund's exposure to high yield corporate credit, non-agency residential MBS and commercial mortgage-backed securities ("CMBS"). To increase portfolio liquidity, management added to the Fund's agency MBS holdings throughout the latter half of the period, with a general bias toward lower-coupon issues.
- Toward the end of the reporting period, management allowed the Fund's cash balance to accumulate primarily for defensive purposes, but also to position the Fund to take advantage of future opportunities in credit. Cash was a drag on returns as US government securities performed well for the period.

Describe Fund positioning at period end.

- At period end, the Fund was generally underweight relative to the benchmark index in government-owned/government-related sectors in favor of non-government spread sectors. Within spread sectors, the Fund was most significantly overweight in investment grade corporate credit, agency MBS, CMBS, high yield debt and asset-backed securities. The Fund ended the period with shorter duration 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.

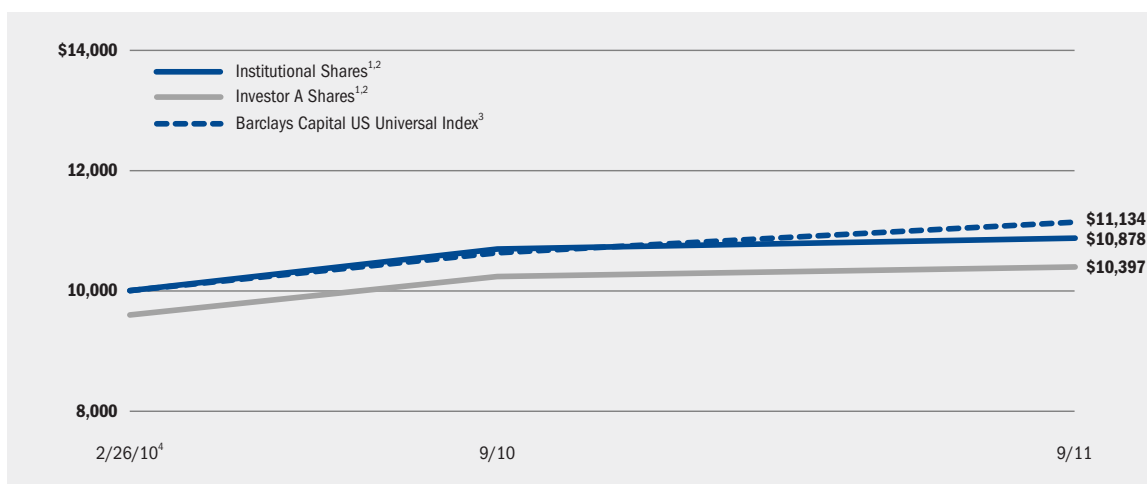
Portfolio Information

Portfolio Composition	Percent of Long-Term Investments	Credit Quality Allocation ¹	Percent of Long-Term Investments
U.S. Government Sponsored Agency Securities	58%	AAA/Aaa ²	70%
Corporate Bonds	19	AA/Aa	4
Non-Agency Mortgage-Backed Securities	9	A	7
U.S. Treasury Obligations	5	BBB/Baa	9
Asset-Backed Securities	5	BB/Ba	4
Foreign Agency Obligations	2	B	3
Foreign Government Obligations	1	CCC/Caa	1
Preferred Securities	1	CC/Ca	2

¹Using the higher of S&P's or Moody's rating.

²Includes 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 Assuming maximum sales charges, if any, transaction costs and other operating expenses, including investment advisory fees. Institutional Shares do not have a sales charge.

² The Fund normally invests at least 80% of its assets in bonds of any duration or maturity from several sectors including: corporate bonds, commercial and residential mortgage-backed securities, collateralized mortgage obligations, asset-backed securities, US government mortgage-related securities and US Treasury and agency securities.

³ An unmanaged, market value weighted index of fixed income securities issued in US dollars, including US government and investment grade debt, non-investment grade debt, asset-backed and mortgage-backed securities, Eurobonds, 144A securities and emerging market debt with maturities of at least one year.

⁴ Commencement of operations.

Performance Summary for the Period Ended September 30, 2011

	Standardized 30-Day Yields	6-Month Total Returns	Average Annual Total Returns ⁵			
			1 Year		Since Inception ⁶	
			w/o sales charge	w/sales charge	w/o sales charge	w/sales charge
Institutional	4.40%	1.70%	1.75%	N/A	5.42%	N/A
Investor A	4.00	1.57	1.59	(2.48)%	5.16	2.48%
Investor C	3.39	1.09	0.73	(0.23)	4.38	4.38
Barclays Capital US Universal Index	—	5.16	4.77	N/A	6.97	N/A

⁵ Assuming maximum sales charges, if any. Total returns with and without sales charges reflect reductions for distribution and service fees. See "About Fund Performance" on page 14 for a detailed description of share classes, including any related sales charges and fees.

⁶ The Fund commenced operations on February 26, 2010.

N/A - Not applicable as share class and index do not have a sales charge. Past performance is not indicative of future results.

Expense Example

	Actual				Hypothetical ⁹				
	Beginning Account Value April 1, 2011	Ending Account Value September 30, 2011	Including Interest Expense and Fees		Beginning Account Value April 1, 2011	Including Interest Expense and Fees		Excluding Interest Expense and Fees	
			Expenses Paid During the Period ⁷	Expenses Paid During the Period ⁸		Ending Account Value September 30, 2011	Expenses Paid During the Period ⁸	Ending Account Value September 30, 2011	Expenses Paid During the Period ⁸
Institutional	\$1,000.00	\$1,017.00	\$4.05	\$3.54	\$1,000.00	\$1,021.06	\$4.05	\$1,021.56	\$3.55
Investor A	\$1,000.00	\$1,015.70	\$5.31	\$4.80	\$1,000.00	\$1,019.80	\$5.32	\$1,020.31	\$4.81
Investor C	\$1,000.00	\$1,010.90	\$9.07	\$8.57	\$1,000.00	\$1,016.04	\$9.10	\$1,016.55	\$8.59

⁷ For each class of the Fund, expenses are equal to the annualized expense ratio for the class (0.80% for Institutional, 1.05% for Investor A and 1.80% for Investor C), multiplied by the average account value over the period, multiplied by 183/365 (to reflect the one-half year period shown).

⁸ For each class of the Fund, expenses are equal to the annualized expense ratio for the class (0.70% for Institutional, 0.95% for Investor A and 1.70% for Investor C), multiplied by the average account value over the period, multiplied by 183/365 (to reflect the one-half year period shown).

⁹ 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 14 for further information on how expenses were calculated.

Investment Objective

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

Portfolio Management Commentary

- On March 18, 2011, the Board of Trustees of BlackRock Funds II (the "Trust") approved a plan of reorganization whereby the Fund acquired substantially all of the assets and assumed certain stated liabilities of BlackRock Government Income Portfolio in exchange for newly issued shares of the Fund. The reorganization took place on July 18, 2011. Upon closing of the reorganization, the Fund was renamed from BlackRock Intermediate Government Bond Portfolio to BlackRock U.S. Government Bond Portfolio.

How did the Fund perform?

- Effective July 18, 2011, the Fund changed its primary benchmark from the Barclays Capital Intermediate Government Index to the Barclays Capital US Government/Mortgage Index. The Barclays Capital US Government/Mortgage Index provides a closer representation of the Fund's investable universe than does the Barclays Capital Intermediate Government Index and more accurately reflects the investment strategy of the Fund.
- For the 12-month period ended September 30, 2011, the Fund underperformed its benchmark, the Barclays Capital US Government/Mortgage Index. For the same period, the Fund's Investor A, BlackRock, Institutional and Service Share Classes outperformed the former benchmark, the Barclays Capital Intermediate Government Index, while the Investor B, Investor B1, Investor C, Investor C1 and Class R Shares underperformed the former benchmark index. The following discussion of relative performance pertains to the Barclays Capital US Government/Mortgage Index¹.

What factors influenced performance?

- Duration trading activity (management of interest rate risk) during the 12-month period was the largest detractor from performance. In addition, the Fund's underweight in US Treasuries in favor of agency MBS hurt returns in the second half of the period when agency MBS underperformed Treasuries due to uncertainty about the impact of Fed policy on mortgages.
- Contributing positively to the Fund's performance was its exposure to agency MBS derivative instruments during the period. An overweight to

agency MBS had a positive impact in the earlier part of the period when improving economic conditions and declining prepayment rates boosted the sector's performance.

- The Fund uses interest rate derivative instruments, which may include futures contracts, options, swaps and swaptions, mainly for the purpose of managing risks relating to portfolio duration and yield curve positioning. During the period, the use of derivatives had an overall negative impact on Fund returns.

Describe recent portfolio activity.

- In the government-related space, management reduced overall exposure to US Treasuries and moved to an overweight position in agency MBS. Within the agency MBS space specifically, management initially purchased select lower- and middle-coupon issues, and then continued to increase exposure to lower-coupon issues, as management believed they would be less impacted by prepayment risk. In the non-government space, management took profits on positions in non-agency residential MBS and tactically traded the Fund's CMBS allocation while management continued to manage risk in the portfolio. Management tactically traded the Fund's portfolio duration (sensitivity to interest rates), moving from a long to a short duration bias near the end of the period.

Describe Fund positioning at period end.

- Within government-related sectors, at period end, the Fund was underweight relative to the Barclays Capital US Government/Mortgage Index in US Treasuries in favor of agency MBS, which offer attractive carry (income). The agency MBS sector received support from the Fed's announcements that it would maintain low short-term rates and reinvest future pay-downs in its mortgage portfolio. Despite this support, widespread uncertainty stemming from the European sovereign debt crisis, a slowing global economic backdrop and concerns about policy intervention in the housing market remain headwinds for the sector.
- In non-government spread sectors, the Fund held modest out-of-index exposures to CMBS and student loan asset-backed securities given their attractive carry. The Fund ended the period with a modestly short duration as compared 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

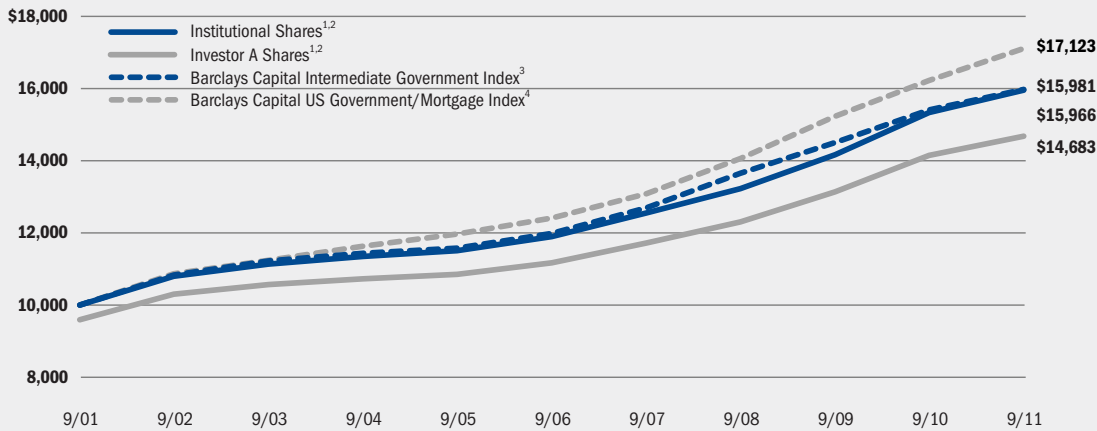
Portfolio Composition	Percent of Long-Term Investments	Credit Quality Allocation ²	Percent of Long-Term Investments
U.S. Government Sponsored Agency Securities	80%	AAA/Aaa ³	100%
U.S. Treasury Obligations	19		
Asset-Backed Securities	1		

¹Performance for BlackRock, Investor B1, Investor C1 and Class R Shares of the Fund prior to July 18, 2011 is based on Institutional Shares restated to reflect BlackRock, Investor B1, Investor C1 and Class R Shares' fees, respectively.

²Using the higher of S&P's or Moody's rating.

³Includes 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 Assuming maximum sales charges, if any, transaction costs and other operating expenses, including investment advisory fees. Institutional Shares do not have a sales charge.

² The Fund normally invests at least 80% of its assets in bonds that are issued or guaranteed by the US government and its agencies and maintains an average portfolio duration that is within ±20% of the duration of the Barclays Capital Intermediate Government Index (the benchmark).

³ An unmanaged index comprised of all publicly issued, non-convertible domestic debt of the US government or any agency thereof, or any quasi-federal corporation and of corporate debt guaranteed by the US government. Only notes

and bonds with a minimum outstanding principal of \$1 million and a minimum maturity of one year and a maximum maturity of ten years are included.

⁴ This index measures debt issued by the U.S. Government, and its agencies, as well as mortgage-backed pass-through securities of GNMA, Fannie Mae and Freddie Mac. The Fund now uses this index as its benchmark rather than the Barclays Capital Intermediate Government Index because Fund management believes it is more representative of the industry standard benchmark for funds with similar strategies.

Performance Summary for the Period Ended September 30, 2011

	Standardized 30-Day Yields	6-Month Total Returns	Average Annual Total Returns ⁴					
			1 Year		5 Years		10 Years	
			w/o sales charge	w/sales charge	w/o sales charge	w/sales charge	w/o sales charge	w/sales charge
BlackRock.....	2.28%	6.53%	4.24%	N/A	6.23%	N/A	4.97%	N/A
Institutional.....	2.13	6.46	4.09	N/A	6.05	N/A	4.79	N/A
Service.....	2.05	6.34	3.91	N/A	5.77	N/A	4.49	N/A
Investor A.....	1.80	6.26	3.79	(0.38)%	5.61	4.76%	4.34	3.92%
Investor B.....	0.70	5.87	2.88	(1.60)	4.78	4.44	3.80	3.80
Investor B1.....	1.32	6.01	3.22	(0.76)	5.18	4.85	3.93	3.93
Investor C.....	1.11	5.86	2.88	1.89	4.81	4.81	3.56	3.56
Investor C1.....	1.24	5.97	3.13	2.14	5.09	5.09	3.84	3.84
Class R.....	1.55	6.23	3.55	N/A	5.45	N/A	4.18	N/A
Barclays Capital Intermediate Government Index.....	—	5.34	3.72	N/A	5.91	N/A	4.80	N/A
Barclays Capital US Government/Mortgage Index.....	—	6.59	5.53	N/A	6.64	N/A	5.53	N/A

⁴ Assuming maximum sales charges, if any. Average annual total returns with and without sales charges reflect reductions for distribution and service fees. See "About Fund Performance" on page 14 for a detailed description of share classes, including any related sales charges and fees.

N/A - Not applicable as share class and index do not have a sales charge.

Past performance is not indicative of future results.

Expense Example

	Actual			Hypothetical ⁷			
	Beginning Account Value April 1, 2011	Ending Account Value September 30, 2011	Expenses Paid During the Period	Beginning Account Value April 1, 2011	Ending Account Value September 30, 2011	Expenses Paid During the Period	Annualized Expense Ratio
BlackRock.....	\$1,000.00	\$1,031.90	\$0.94 ⁵	\$1,000.00	\$1,009.35	\$0.93 ⁵	0.45%
Institutional.....	\$1,000.00	\$1,064.60	\$3.21 ⁶	\$1,000.00	\$1,021.96	\$3.14 ⁶	0.62%
Service.....	\$1,000.00	\$1,063.40	\$4.45 ⁶	\$1,000.00	\$1,020.76	\$4.36 ⁶	0.86%
Investor A.....	\$1,000.00	\$1,062.60	\$4.76 ⁶	\$1,000.00	\$1,020.46	\$4.66 ⁶	0.92%
Investor B.....	\$1,000.00	\$1,058.70	\$9.70 ⁶	\$1,000.00	\$1,015.64	\$9.50 ⁶	1.88%
Investor B1.....	\$1,000.00	\$1,029.80	\$3.02 ⁵	\$1,000.00	\$1,007.29	\$2.99 ⁵	1.45%
Investor C.....	\$1,000.00	\$1,058.60	\$8.88 ⁶	\$1,000.00	\$1,016.44	\$8.69 ⁶	1.72%
Investor C1.....	\$1,000.00	\$1,029.60	\$3.19 ⁵	\$1,000.00	\$1,007.13	\$3.16 ⁵	1.53%
Class R.....	\$1,000.00	\$1,031.20	\$2.53 ⁵	\$1,000.00	\$1,007.79	\$2.50 ⁵	1.21%

⁵ For BlackRock Shares, Investor B1 Shares, Investor C1 Shares and Class R Shares, expenses are equal to the annualized expense ratio for the class, multiplied by the average account value over the period, multiplied by 75/365 (to reflect the period the classes were open).

⁶ For Institutional Shares, Service Shares, Investor A Shares, Investor B Shares and Investor C Shares, expenses are equal to the annualized expense ratio for the class, multiplied by the average account value over the period, multiplied by 183/365 (to reflect the one-half year period shown).

⁷ 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 14 for further information on how expenses were calculated.

About Fund Performance

- **BlackRock and Institutional Shares** are not subject to any sales charge. BlackRock and Institutional Shares bear no ongoing distribution or service fees and are available only to eligible investors. Prior to July 18, 2011, U.S. Government Bond's BlackRock Shares' performance results are those of Institutional Shares (which have no distribution or service fees) restated to reflect BlackRock Shares' fees. Effective November 10, 2011, BlackRock Shares of U.S. Government Bond were closed to all purchases.
 - **Service Shares** are not subject to any sales charge (front-end load) or deferred sales charge. Service Shares are subject to a service fee of 0.25% per year (but no distribution fee).
 - **Investor A Shares** incur a maximum initial sales charge (front-end load) of 4.00% and a service fee of 0.25% per year (but no distribution fee).
 - **Investor B Shares** are subject to a maximum contingent deferred sales charge ("CDSC") of 4.50% declining to 0% after six years. In addition, Investor B Shares are subject to a distribution fee of 0.75% per year and a service fee of 0.25% per year. Investor B Shares automatically convert to Investor A Shares after approximately seven years. (There is no initial sales charge for automatic share conversions). All returns for periods greater than seven years reflect this conversion.
 - **Investor B1 Shares** are subject to a maximum contingent deferred sales charge of 4.00% declining to 0% after six years and a distribution fee of 0.50% per year and a service fee of 0.25% per year. Prior to July 18, 2011, U.S. Government Bond's Investor B1 Shares' performance results are those of Institutional Shares (which have no distribution or service fees) restated to reflect Investor B1 Shares' fees.
 - **Investor C and Investor C1 Shares** are subject to a 1.00% CDSC if redeemed within one year of purchase. In addition, Investor C and Investor C1 Shares are subject to a distribution fee of 0.75% and 0.55% per year, respectively, and a service fee of 0.25% and 0.25% per year, respectively. Prior to July 18, 2011, U.S. Government Bond's Investor C1 Shares' performance results are those of Institutional Shares (which have no distribution or service fees) restated to reflect Investor C1 Shares' fees.
 - **Class R Shares** are not subject to any sales charge (front-end load) or deferred sales charge. Class R Shares are subject to a distribution fee of 0.25% per year and a service fee of 0.25% per year. Class R Shares are available only to certain retirement and other similar plans. Prior to July 18, 2011, U.S. Government Bond's Class R Shares' performance results are those of Institutional Shares (which have no distribution or service fees) restated to reflect Class R Shares' fees.
- Investor B, B1 and C1 Shares are only available through exchanges, dividend reinvestment by existing shareholders or for purchase by certain qualified employee benefit plans.
- Performance information reflects past performance and does not guarantee future results. Current performance may be lower or higher than the performance data quoted. Refer to www.blackrock.com/funds to obtain performance data current to the most recent month-end. 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 date. 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 Funds' investment advisor waived and/or reimbursed a portion of each Fund's expenses. Without such waiver and/or reimbursement, a Fund's performance would have been lower. BlackRock Advisors, LLC (the "Manager") is under no obligation to waive or reimburse or to continue waiving or reimbursing its fees after the applicable termination date. See Note 3 of the Notes to Financial Statements for additional information on waivers and reimbursements. Dividends paid to each class of shares will vary because of the different levels of service, distribution and transfer agency fees applicable to each class, which are deducted from the income available to be paid to shareholders.

Disclosure of Expenses

Shareholders of these Funds may incur the following charges: (a) expenses related to transactions, including sales charges and (b) operating expenses, including investment advisory fees, service and distribution fees, including 12b-1 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, 2011 and held through September 30, 2011 and for U.S. Government Bond \$1,000 invested on July 18, 2011 and held through September 30, 2011 for BlackRock Shares, Investor B1 Shares, Investor C1 Shares and Class R Shares) 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 tables 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 correspond-

ing to their Fund and share class under the headings entitled "Expenses Paid During the Period."

The tables 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 tables are intended to highlight shareholders' ongoing costs only and do not reflect any transactional expenses, such as sales charges, 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 and treasury roll transactions. 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.

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' NAV 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' NAV and dividend rate than a comparable portfolio 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, foreign currency exchange contracts, options and swaps as specified in Note 2 of the Notes to Financial Statements, which may constitute forms of economic leverage. Such derivative financial instruments are used to obtain exposure to a market without owning or taking physical custody of securities or to hedge market, equity, credit, interest rate and/or foreign currency exchange 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.

Schedule of Investments September 30, 2011

BlackRock GNMA Portfolio
(Percentages shown are based on Net Assets)

Asset-Backed Securities – 0.0%	Par (000)	Value
Structured Asset Receivables Trust Certificates, Series 2003-2A, 0.28%, 1/21/12 (a)(b)	\$ 1	\$ 536
Project Loans – 0.0%		
Federal Housing Authority, Merrill Lynch Project, Pool 42, 7.43%, 9/25/22	3	2,500
U.S. Government Sponsored Agency Securities		
Collateralized Mortgage Obligations – 13.0%		
Fannie Mae:		
Series 1996-48, Class Z, 7.00%, 11/25/26	1,163	1,337,780
Series 2002-70, Class QG, 5.50%, 6/25/31	4,679	4,717,591
Series 2003-9, Class EA, 4.50%, 10/25/17	5,740	5,965,632
Series 2010-64, Class AF, 0.73%, 6/25/40 (b)	12,261	12,281,699
Series 2010-84, Class FB, 0.67%, 8/25/40 (b)	38,765	38,788,420
Freddie Mac:		
Series 3033, Class HE, 4.50%, 9/15/18	4,477	4,536,322
Series 3672, Class FC, 0.68%, 5/15/40 (b)	48,566	48,551,116
Ginnie Mae:		
Series 2002-45, Class PG, 6.00%, 3/17/32	4,685	4,953,381
Series 2004-28, Class FW, 0.65%, 4/20/34 (b)	8,186	8,190,589
Series 2009-122, Class PY, 6.00%, 12/20/39	7,398	8,169,395
Series 2009-31, Class PT, 5.04%, 5/20/39 (b)	2,046	2,170,222
Series 2010-75, Class FA, 0.68%, 9/20/35 (b)	4,011	4,010,079
		143,672,226
Mortgage-Backed Securities – 187.9%		
Fannie Mae Mortgage-Backed Securities:		
8.00%, 8/01/14	13	14,224
8.50%, 1/20/18	1,647	1,857,183
5.00%, 1/01/21-7/01/35	17,907	19,349,180
3.00%, 10/01/26 (c)	112,000	115,360,000
3.50%, 10/01/26-10/01/41 (c)	64,500	67,178,438
6.07%, 7/01/32-8/01/32	693	776,982
5.69%, 8/01/32-9/01/32	1,549	1,715,112
5.32%, 10/01/32	864	945,262
5.50%, 12/01/32-10/01/41 (c)	1,961	2,152,232
4.70%, 6/01/35-5/01/36	178	193,038
5.30%, 8/01/35-3/01/37	5,608	6,145,069
6.00%, 2/01/38-10/01/41 (c)	5,949	6,550,346
4.50%, 10/01/40-10/01/41 (c)	110,751	117,588,872
4.00%, 10/01/41 (c)	40,100	42,029,814

U.S. Government Sponsored Agency Securities	Par (000)	Value
Freddie Mac Mortgage-Backed Securities:		
6.00%, 11/01/13-8/01/16	\$ 14	\$ 15,462
9.00%, 12/01/19	– (d)	275
7.50%, 2/01/27-3/01/27	5	6,202
4.50%, 10/01/35	70	74,024
5.60%, 7/01/37-9/01/38	9,321	10,280,428
5.49%, 8/01/37-6/01/38	8,299	9,076,794
5.88%, 11/01/37-1/01/39	1,845	2,045,905
5.00%, 10/01/41 (c)	1,200	1,286,625
Ginnie Mae Mortgage-Backed Securities:		
17.00%, 12/15/11	– (d)	63
16.00%, 3/15/12-4/15/12	1	1,223
12.00%, 2/15/13-6/15/15	7	7,344
14.50%, 4/15/13	4	3,931
11.50%, 5/15/13-12/15/15	12	12,028
15.00%, 6/15/13	5	4,732
10.00%, 2/15/16-6/15/18	117	121,872
9.50%, 3/15/16-9/15/22	351	403,152
9.00%, 4/15/16-10/15/21	174	189,089
6.50%, 5/15/16-10/01/41 (c)	148,809	169,799,508
8.50%, 6/15/16-2/15/25	149	170,281
5.50%, 7/15/16-10/01/41 (c)	145,841	161,171,430
6.00%, 7/15/16-10/01/41 (c)	179,372	200,968,214
8.00%, 1/15/17-5/15/30	316	362,871
7.50%, 2/15/22-9/15/30	992	1,153,156
7.00%, 3/20/24-5/15/31	155	178,348
5.75%, 7/15/32-10/15/32	3,564	3,977,527
6.13%, 7/15/32-8/15/32	1,640	1,851,793
5.38%, 10/15/32-11/15/32	2,140	2,374,364
5.00%, 11/15/32-10/01/41 (c)	224,858	247,574,461
4.50%, 12/15/34-10/20/40 (e)(f)	446,879	486,218,332
4.96%, 11/15/35-7/15/36	8,908	9,796,436
5.30%, 12/20/35-2/20/37	3,880	4,317,291
4.70%, 2/20/36-3/20/37	714	788,088
5.65%, 6/15/36-2/15/37	4,320	4,795,478
5.49%, 7/15/37-8/15/38	7,484	8,324,479
5.60%, 7/20/37-9/20/38	4,745	5,249,913
5.88%, 10/20/37-1/20/39	6,845	7,658,352
4.63%, 3/20/40-6/20/40	10,263	11,304,109
3.50%, 10/01/41 (c)	180,900	188,467,594
4.00%, 10/01/41 (c)	144,400	154,417,750
		2,076,304,676
Total U.S. Government Sponsored Agency Securities – 200.9%		2,219,976,902

U.S. Treasury Obligations – 0.6%	Par (000)	Value
U.S. Treasury Notes, 1.25%, 10/31/15 (e)(g)	6,400	6,535,501
Total Long-Term Investments		
(Cost – \$2,187,673,411) – 201.5%		2,226,515,439

Portfolios 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:

AUD	Australian Dollar	JPY	Japanese Yen
CAD	Canadian Dollar	LIBOR	London InterBank Offered Rate
CNY	Chinese Yuan	NOK	Norwegian Krone
CZK	Czech Koruna	NZD	New Zealand Dollar
EUR	Euro	PLN	Polish Zloty
EURIBOR	Euro Interbank Offered Rate	RB	Revenue Bond
GBP	British Pound	SEK	Swedish Krona
GO	General Obligation	TBA	To-Be-Announced
HKD	Hong Kong Dollar	USD	United States Dollar
HUF	Hungarian Forint		

See Notes to Financial Statements.

Schedule of Investments (continued)

BlackRock GNMA Portfolio
(Percentages shown are based on Net Assets)

Short-Term Securities	Shares	Value	Options Purchased	Notional Amount (000)	Value
BlackRock Liquidity Funds, TempFund, Institutional Class, 0.09% (h)(i)	38,765,948	\$ 38,765,948			
Total Short-Term Securities (Cost – \$38,765,948) – 3.5%		38,765,948			
Options Purchased					
Exchange-Traded Put Options Purchased – 0.0%					
Euro Dollar (1 Year) Mid-Curve, Strike Price USD 99.25, Expires 3/16/12	955	226,813			
Euro Dollar (2 Year) Mid-Curve, Strike Price USD 97.25, Expires 12/16/11	622	3,887			
		230,700			
		Notional Amount (000)			
Over-the-Counter Call Swaptions Purchased – 1.9%					
Receive a fixed rate of 1.758% and pay a floating rate based on 3-month LIBOR, Expires 1/26/12, Broker Deutsche Bank AG	\$ 31,600	697,855	Pay a fixed rate of 1.758% and receive a floating rate based on 3-month LIBOR, Expires 1/26/12, Broker Deutsche Bank AG	\$ 31,600	\$ 2,980
Receive a fixed rate of 2.720% and pay a floating rate based on 3-month LIBOR, Expires 8/09/12, Broker JPMorgan Chase Bank, N.A.	70,300	3,904,961	Pay a fixed rate of 2.500% and receive a floating rate based on 3-month LIBOR, Expires 1/26/12, Broker Deutsche Bank AG	14,400	261
Receive a fixed rate of 3.630% and pay a floating rate based on 3-month LIBOR, Expires 12/02/11, Broker Deutsche Bank AG	11,300	1,521,533	Pay a fixed rate of 2.720% and receive a floating rate based on 3-month LIBOR, Expires 8/09/12, Broker JPMorgan Chase Bank, N.A.	70,300	1,600,770
Receive a fixed rate of 3.783% and pay a floating rate based on 3-month LIBOR, Expires 5/10/12, Broker Bank of America, N.A.	17,000	2,360,217	Pay a fixed rate of 3.630% and receive a floating rate based on 3-month LIBOR, Expires 12/02/11, Broker Deutsche Bank AG	11,300	1,162
Receive a fixed rate of 3.835% and pay a floating rate based on 3-month LIBOR, Expires 5/03/12, Broker Morgan Stanley Capital Services, Inc.	10,000	1,436,402	Pay a fixed rate of 3.783% and receive a floating rate based on 3-month LIBOR, Expires 5/10/12, Broker Bank of America, N.A.	17,000	50,621
Receive a fixed rate of 3.835% and pay a floating rate based on 3-month LIBOR, Expires 5/04/12, Broker Credit Suisse International	23,900	3,431,457	Pay a fixed rate of 3.835% and receive a floating rate based on 3-month LIBOR, Expires 5/03/12, Broker Morgan Stanley Capital Services, Inc.	10,000	25,510
Receive a fixed rate of 4.070% and pay a floating rate based on 3-month LIBOR, Expires 3/29/12, Broker Bank of America, N.A.	9,800	1,631,167	Pay a fixed rate of 3.835% and receive a floating rate based on 3-month LIBOR, Expires 5/04/12, Broker Credit Suisse International	23,900	61,540
Receive a fixed rate of 4.073% and pay a floating rate based on 3-month LIBOR, Expires 3/29/12, Broker Royal Bank of Scotland Plc	8,100	1,350,012	Pay a fixed rate of 4.070% and receive a floating rate based on 3-month LIBOR, Expires 3/29/12, Broker Bank of America, N.A.	9,800	10,543
Receive a fixed rate of 4.290% and pay a floating rate based on 3-month LIBOR, Expires 2/06/12, Broker UBS AG	7,600	1,443,377	Pay a fixed rate of 4.073% and receive a floating rate based on 3-month LIBOR, Expires 3/29/12, Broker Royal Bank of Scotland Plc	8,100	8,672
Receive a fixed rate of 4.330% and pay a floating rate based on 3-month LIBOR, Expires 2/07/12, Broker UBS AG	7,600	1,470,405	Pay a fixed rate of 4.290% and receive a floating rate based on 3-month LIBOR, Expires 2/06/12, Broker UBS AG	7,600	1,726
Receive a fixed rate of 4.388% and pay a floating rate based on 3-month LIBOR, Expires 5/08/12, Broker Citibank, N.A.	10,000	1,921,939	Pay a fixed rate of 4.330% and receive a floating rate based on 3-month LIBOR, Expires 2/07/12, Broker UBS AG	7,600	1,611
		21,169,325	Pay a fixed rate of 4.388% and receive a floating rate based on 3-month LIBOR, Expires 5/08/12, Broker Citibank, N.A.	10,000	10,462
					1,775,858
			Total Options Purchased		23,175,883
			(Cost – \$14,467,704) – 2.1%		
			Total Investments Before TBA Sale		
			Commitments and Options Written		
			(Cost – \$2,240,907,063*) – 207.1%		2,288,457,270

See Notes to Financial Statements.

Schedule of Investments (continued)

BlackRock GNMA Portfolio
(Percentages shown are based on Net Assets)

Options Written	Notional Amount (000)	Value
Over-the-Counter Put Swaptions Written (concluded)		
Receive a fixed rate of 3.895% and pay a floating rate based on 3-month LIBOR, Expires 6/09/14, Broker Royal Bank of Scotland Plc	\$ 17,400	\$ (212,772)
Receive a fixed rate of 3.896% and pay a floating rate based on 3-month LIBOR, Expires 3/19/12, Broker UBS AG	20,000	(25,938)
Receive a fixed rate of 3.950% and pay a floating rate based on 3-month LIBOR, Expires 12/13/11, Broker Goldman Sachs Bank USA	11,200	(669)
Receive a fixed rate of 3.955% and pay a floating rate based on 3-month LIBOR, Expires 4/23/12, Broker Deutsche Bank AG	8,000	(14,750)
Receive a fixed rate of 3.975% and pay a floating rate based on 3-month LIBOR, Expires 4/20/12, Broker Citibank, N.A.	5,500	(9,503)
Receive a fixed rate of 3.975% and pay a floating rate based on 3-month LIBOR, Expires 4/20/12, Broker Deutsche Bank AG	12,900	(22,288)
Receive a fixed rate of 3.983% and pay a floating rate based on 3-month LIBOR, Expires 4/20/12, Broker Bank of America, N.A.	7,100	(12,105)
Receive a fixed rate of 4.015% and pay a floating rate based on 3-month LIBOR, Expires 2/02/12, Broker Goldman Sachs Bank USA	9,300	(3,767)
Receive a fixed rate of 4.020% and pay a floating rate based on 3-month LIBOR, Expires 2/02/12, Broker UBS AG	11,600	(4,641)
Receive a fixed rate of 4.025% and pay a floating rate based on 3-month LIBOR, Expires 12/03/12, Broker Deutsche Bank AG	34,200	(248,532)
Receive a fixed rate of 4.030% and pay a floating rate based on 3-month LIBOR, Expires 4/16/12, Broker Bank of America, N.A.	14,600	(21,633)
Receive a fixed rate of 4.520% and pay a floating rate based on 3-month LIBOR, Expires 3/01/13, Broker UBS AG	7,200	(45,315)
Receive a fixed rate of 4.935% and pay a floating rate based on 3-month LIBOR, Expires 2/10/14, Broker Barclays Bank Plc	14,600	(113,960)
Receive a fixed rate of 5.080% and pay a floating rate based on 3-month LIBOR, Expires 2/10/14, Broker Bank of America, N.A.	11,400	(128,072)
Receive a fixed rate of 5.250% and pay a floating rate based on 3-month LIBOR, Expires 1/27/15, Broker Citibank, N.A.	8,600	(151,497)
		(4,407,506)
Total Options Written		(47,625,425)
(Premiums Received – \$30,218,409) – (4.3)%		
Total Investments Net of TBA Sale Commitments and Options Written – 135.1%		1,493,178,604
Liabilities in Excess of Other Assets – (35.1)%		(387,953,370)
Net Assets – 100.0%		<u>\$1,105,225,234</u>

* The cost and unrealized appreciation (depreciation) of investments as of September 30, 2011, as computed for federal income tax purposes, were as follows:

Aggregate cost	\$2,241,120,975
Gross unrealized appreciation	\$ 55,820,697
Gross unrealized depreciation	(8,484,402)
Net unrealized appreciation	<u>\$ 47,336,295</u>

- (a) Security exempt from registration under Rule 144A of the Securities Act of 1933. 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) Represents or includes a TBA transaction. Unsettled TBA transactions as of report date were as follows:

Counterparty	Value	Unrealized Appreciation (Depreciation)
Bank of America, N.A.	\$ (32,425,875)	\$ 253,562
Barclays Bank Plc	\$ 16,560,375	\$ 61,719
BNP Paribas SA	\$ 11,460,000	\$ 740,375
Citibank, N.A.	\$164,348,714	\$(213,285)
Credit Suisse International	\$ 2,600,313	\$ 358,047
Daiwa Securities Co. Ltd.	\$ (3,333,469)	\$ 969
Deutsche Bank AG	\$ (551,562)	\$ (59)
Goldman Sachs Bank USA	\$ 40,915,000	\$ 258,516
JPMorgan Chase Bank, N.A.	\$ (25,026,375)	\$ 88,414
Morgan Stanley Capital Services, Inc.	\$ (215,063)	\$ (148)
Nomura Securities International, Inc.	\$ 58,450,000	\$ (17,500)
Royal Bank of Scotland Plc	\$ 59,971,285	\$ 495,347
UBS AG	\$ 26,439,658	\$ 308,564

- (d) Par is less than \$500.
- (e) All or a portion of security has been pledged as collateral in connection with swaps.
- (f) All or a portion of security has been pledged as collateral in connection with open reverse repurchase agreements.
- (g) All or a portion of security has been pledged as collateral in connection with open financial futures contracts.
- (h) Investments in companies considered to be an affiliate of the Fund during the year, for purposes of Section 2(a)(3) of the Investment Company Act of 1940, as amended, were as follows:

Affiliate	Shares Held at September 30, 2010	Net Activity	Shares Held at September 30, 2011	Realized Gain	Income
BlackRock Liquidity Funds, TempFund, Institutional Class	327,656,088	(288,890,140)	38,765,948	\$212	\$202,094

- (i) Represents the current yield as of report date.

See Notes to Financial Statements.

Schedule of Investments (continued)

- Reverse repurchase agreements outstanding as of September 30, 2011 were as follows:

Counterparty	Interest Rate	Trade Date	Maturity Date ¹	Net Closing Amount	Face Amount
BNP Paribas	0.15%	8/15/11	Open	\$ 19,122,494	\$ 19,118,750
BNP Paribas	0.04%	8/30/11	Open	8,877,378	8,877,063
Credit Suisse International	0.22%	9/20/11	10/20/11	100,319,776	100,302,000
Credit Suisse International	0.00%	9/30/11	10/03/11	29,543,750	29,543,750
Total				\$157,863,398	\$157,841,563

¹Certain agreements have no stated maturity and can be terminated by either party at any time.

- Financial futures contracts purchased as of September 30, 2011 were as follows:

Contracts	Issue	Exchange	Expiration	Notional Value	Unrealized Appreciation (Depreciation)
	U.S. Treasury Notes (5 Year)	Chicago Board Options	December 2011	\$19,964,953	\$(32,676)
163	U.S. Treasury Notes (10 Year)	Chicago Board Options	December 2011	\$33,173,906	(4,353)
255	U.S. Treasury Bonds (30 Year)	Chicago Board Options	December 2011	\$ 8,985,375	371,244
Total					\$334,215

- Financial futures contracts sold as of September 30, 2011 were as follows:

Contracts	Issue	Exchange	Expiration	Notional Value	Unrealized Appreciation
354	U.S. Treasury Notes (2 Year)	Chicago Board Options	December 2011	\$77,951,907	\$117,087

- Total return swaps outstanding as of September 30, 2011 were as follows:

Reference Entity	Fund Pays/Receives the Total Return of the Reference Entity	Fixed Rate/Floating Rate	Counterparty	Expiration Date	Notional Amount (000)	Unrealized Appreciation (Depreciation)
Gross return on Markit IOS 5.00%, 30-year, fixed rate Fannie Mae	Receives	1-month LIBOR	Citibank, N.A.	1/12/39	USD 4,599	\$ 106,419
Gross return on Markit IOS 5.50%, 30-year, fixed rate Fannie Mae	Pays	1-month LIBOR	JPMorgan Chase Bank, N.A.	1/12/39	USD 8,375	160,307
Gross return on Markit IOS 4.50%, 30-year, fixed rate Fannie Mae	Receives	1-month LIBOR	Barclays Bank Plc	1/12/40	USD 17,095	480
Gross return on Markit IOS 4.50%, 30-year, fixed rate Fannie Mae	Receives	1-month LIBOR	Citibank, N.A.	1/12/40	USD 4,408	(120,317)
Total						\$ 146,889

- Fair Value Measurements – Various inputs are used in determining the fair value of investments and derivative financial instruments. These inputs are categorized in three broad levels for financial statement purposes as follows:

- Level 1 – price quotations in active markets/exchanges for identical assets and liabilities

- Interest rate swaps outstanding as of September 30, 2011 were as follows:

Fixed Rate	Floating Rate	Counterparty	Expiration Date	Notional Amount (000)	Unrealized Appreciation (Depreciation)
1.14%(a)	3-month LIBOR	Citibank, N.A.	9/13/16	USD 58,800	\$ 273,267
3.38%(b)	3-month LIBOR	Deutsche Bank AG	5/04/21	USD 19,600	2,546,477
3.26%(b)	3-month LIBOR	Deutsche Bank AG	5/09/21	USD 7,300	867,251
2.71%(b)	3-month LIBOR	Citibank, N.A.	8/08/21	USD 19,500	1,160,848
2.65%(b)	3-month LIBOR	JPMorgan Chase Bank, N.A.	8/10/21	USD 9,800	525,320
2.17%(b)	3-month LIBOR	Citibank, N.A.	9/13/21	USD 11,000	77,388
3.09%(a)	3-month LIBOR	Morgan Stanley Capital Services, Inc.	8/22/41	USD 5,000	(433,942)
2.62%(b)	3-month LIBOR	Credit Suisse International	9/26/41	USD 4,900	(75,040)
Total					\$4,941,569

(a) Fund pays a fixed interest rate and receives floating rate.

(b) Fund pays a floating interest rate and receives fixed rate.

See Notes to Financial Statements.

Schedule of Investments (concluded)

- 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 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 does not necessarily correspond to the Fund's perceived risk of investing in those securities. For information about the Fund's policy regarding valuation of investments and derivative financial instruments and other significant accounting policies, please refer to Note 1 of the Notes to Financial Statements.

The following tables summarize the inputs used as of September 30, 2011 in determining the fair valuation of the Fund's investments and derivative financial instruments:

Valuation Inputs	Level 1	Level 2	Level 3	Total
Assets:				
Investments:				
Long-Term				
Investments:				
Asset-Backed				
Securities . . .	–	–	\$ 536	\$ 536
Project Loans . .	–	–	2,500	2,500
U.S.				
Government				
Sponsored				
Agency				
Securities . . .	–	\$2,219,976,902	–	2,219,976,902
U.S. Treasury				
Obligations . .	–	6,535,501	–	6,535,501
Short-Term				
Securities	\$ 38,765,948	–	–	38,765,948
Liabilities:				
Investments in				
Securities:				
TBA Sale				
Commitments.	–	(747,653,241)	–	(747,653,241)
Total	\$ 38,765,948	\$1,478,859,162	\$ 3,036	\$1,517,628,146

Valuation Inputs	Level 1	Level 2	Level 3	Total
Derivative Financial Instruments ¹				
Assets:				
Interest rate contracts	\$719,031	\$ 28,395,734	–	\$ 29,114,765
Other contracts	–	267,206	–	267,206
Liabilities:				
Interest rate contracts	(40,916)	(48,130,520)	–	(48,171,436)
Other contracts	–	(120,317)	–	(120,317)
Total	\$678,115	\$(19,587,897)	–	\$(18,909,782)

¹ Derivative financial instruments are swaps, financial futures contracts and options. Swaps and financial futures contracts are valued at the unrealized appreciation/depreciation on the instrument and options are shown at value.

Schedule of Investments September 30, 2011

BlackRock Inflation Protected Bond Portfolio (Percentages shown are based on Net Assets)

Asset-Backed Securities	Par (000)	Value
ACE Securities Corp., Series 2005-HE7, Class A2D, 0.56%, 11/25/35 (a)	USD 10,000	\$ 7,161,530
Bear Stearns Asset-Backed Securities Trust, Series 2007-2, Class A1, 0.42%, 1/25/47 (a)	151	143,270
FBR Securitization Trust, Series 2005-3, Class AV24, 0.91%, 10/25/35 (a)	11,516	6,142,285
Total Asset-Backed Securities – 0.3%		13,447,085

Corporate Bonds

Banks – 0.0%

International Bank for Reconstruction & Development, 4.98%, 12/10/13 (a)	265	269,290
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Diversified Financial Services – 0.1%

The Bear Stearns Cos. LLC, 5.36%, 3/10/14 (a)	340	338,140
Citigroup Funding, Inc., 5.44%, 5/28/13 (a)	5,491	5,467,279

U.S. Treasury Obligations

U.S. Treasury Obligations	Par (000)	Value
U.S. Treasury Bonds:		
4.38%, 5/15/40 (c)	USD 7,995	\$ 10,291,084
3.88%, 8/15/40	16,580	19,699,113
4.75%, 2/15/41	– (d)	273
U.S. Treasury Inflation Indexed Bonds:		
2.38%, 1/15/25-1/15/27 (c)	244,663	303,017,454
2.00%, 1/15/26	18,758	22,285,432
3.63%, 4/15/28 (c)	87,426	125,758,253
2.50%, 1/15/29 (e)	180,250	231,436,085
3.88%, 4/15/29 (c)	109,888	165,358,255
3.38%, 4/15/32 (c)	8,952	13,204,109
2.13%, 2/15/40-2/15/41 (c)(e)	397,874	506,042,154
U.S. Treasury Inflation Indexed Notes:		
2.00%, 4/15/12-1/15/16	414,757	430,769,415
3.00%, 7/15/12	16,843	17,318,894
0.63%, 4/15/13-7/15/21	160,131	167,078,190
1.88%, 7/15/13-7/15/19	348,734	378,741,632
1.25%, 4/15/14	133,106	139,475,773
1.63%, 1/15/15-1/15/18	60,252	66,938,380
0.50%, 4/15/15	290,076	301,872,492
0.13%, 4/15/16	217,694	224,948,645
2.50%, 7/15/16	122,821	141,174,511
2.38%, 1/15/17 (e)	86,551	99,538,779
2.63%, 7/15/17	7,466	8,798,224
1.38%, 7/15/18-1/15/20 (c)	179,939	200,084,455
2.13%, 1/15/19	74,680	86,989,307
1.13%, 1/15/21	23,381	25,523,455
1.75%, 1/15/28	142,097	164,630,194
U.S. Treasury Notes:		
0.63%, 1/31/13	2,900	2,915,860
1.50%, 6/30/16-7/31/16	25,062	25,738,034
2.63%, 11/15/20	46,050	49,244,719
3.63%, 2/15/21	39,150	45,227,411
3.13%, 5/15/21 (c)(e)	27,755	30,805,830
2.13%, 8/15/21	23,485	23,899,745
Total U.S. Treasury Obligations – 97.6%		4,028,806,157
Total Long-Term Investments (Cost – \$3,818,389,377) – 99.4%		4,104,712,450

Total Corporate Bonds – 0.1%

Foreign Government Obligations

Greece – 0.1%

Hellenic Republic, 2.30%, 7/25/30	EUR 12,990	5,641,840
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Italy – 0.4%

Italy Buoni Poliennali Del Tesoro, 2.10%, 9/15/21	13,797	15,542,039
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Total Foreign Government Obligations – 0.5%		21,183,879
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Non-Agency Mortgage-Backed Securities

Collateralized Mortgage Obligations – 0.5%

GSMPS Mortgage Loan Trust, Series 2005-RP2, Class 1AF, 0.58%, 3/25/35 (a)(b)	USD 16,885	13,629,487
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Luminant Mortgage Trust, Series 2007-2, Class 1A2, 0.51%, 5/25/37 (a)	17,080	7,895,852
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		21,525,339
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Commercial Mortgage-Backed Securities – 0.4%

GS Mortgage Securities Corp. II, Series 2007-GG10, Class A4, 5.98%, 5/10/17 (a)	12,000	12,466,980
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JPMorgan Chase Commercial Mortgage Securities Corp., Series 2002-CIB4, Class A3, 6.16%, 5/12/34	428	429,873
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LB-UBS Commercial Mortgage Trust, Series 2003-C5, Class A3, 4.25%, 7/15/27	639	649,589
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		13,546,442
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Total Non-Agency Mortgage-Backed Securities – 0.9%		35,071,781
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U.S. Government Sponsored Agency Securities

Mortgage-Backed Securities – 0.0%

Fannie Mae Mortgage-Backed Securities, 2.37%, 6/01/34 (a)	122	128,839
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Short-Term Securities

Short-Term Securities	Shares	Value
BlackRock Liquidity Funds, TempFund, Institutional Class, 0.09% (f)(g)	34,167,549	34,167,549
Total Short-Term Securities (Cost – \$34,167,549) – 0.8%		34,167,549

Options Purchased

Over-the-Counter Call Swaptions Purchased – 1.0%

Receive a fixed rate of 1.758% and pay a floating rate based on 3-month LIBOR, Expires 1/26/12, Broker Deutsche Bank AG	USD 93,800	2,071,482
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See Notes to Financial Statements.

Schedule of Investments (continued)

BlackRock Inflation Protected Bond Portfolio (Percentages shown are based on Net Assets)

	Notional Amount (000)	Value
Options Purchased		
Over-the-Counter Call Swaptions Purchased (concluded)		
Receive a fixed rate of 2.720% and pay a floating rate based on 3-month LIBOR, Expires 8/09/12, Broker JPMorgan Chase Bank, N.A.	USD 28,100	\$ 1,560,874
Receive a fixed rate of 3.115% and pay a floating rate based on 3-month LIBOR, Expires 11/08/11, Broker Deutsche Bank AG	28,300	2,535,114
Receive a fixed rate of 3.703% and pay a floating rate based on 3-month LIBOR, Expires 8/03/12, Broker Credit Suisse International	39,000	4,993,919
Receive a fixed rate of 3.790% and pay a floating rate based on 3-month LIBOR, Expires 7/09/12, Broker BNP Paribas SA	60,000	8,197,879
Receive a fixed rate of 3.835% and pay a floating rate based on 3-month LIBOR, Expires 5/04/12, Broker Credit Suisse International	58,300	8,370,457
Receive a fixed rate of 3.960% and pay a floating rate based on 3-month LIBOR, Expires 7/15/13, Broker Morgan Stanley Capital Services, Inc.	25,000	3,344,178
Receive a fixed rate of 4.340% and pay a floating rate based on 3-month LIBOR, Expires 2/10/12, Broker JPMorgan Chase Bank, N.A.	10,000	1,939,887
Receive a fixed rate of 5.200% and pay a floating rate based on 3-month LIBOR, Expires 4/28/15, Broker Citibank, N.A.	41,200	8,264,849
		41,278,639
Over-the-Counter Put Swaptions Purchased – 0.1%		
Pay a fixed rate of 1.758% and receive a floating rate based on 3-month LIBOR, Expires 1/26/12, Broker Deutsche Bank AG	93,800	8,845
Pay a fixed rate of 2.500% and receive a floating rate based on 3-month LIBOR, Expires 1/26/12, Broker Deutsche Bank AG	42,900	779
Pay a fixed rate of 2.720% and receive a floating rate based on 3-month LIBOR, Expires 8/09/12, Broker JPMorgan Chase Bank, N.A.	28,100	639,853
Pay a fixed rate of 3.115% and receive a floating rate based on 3-month LIBOR, Expires 11/08/11, Broker Deutsche Bank AG	28,300	4,925
Pay a fixed rate of 3.703% and receive a floating rate based on 3-month LIBOR, Expires 8/03/12, Broker Credit Suisse International	39,000	237,279
Pay a fixed rate of 3.790% and receive a floating rate based on 3-month LIBOR, Expires 7/09/12, Broker BNP Paribas SA	60,000	278,329
Pay a fixed rate of 3.835% and receive a floating rate based on 3-month LIBOR, Expires 5/04/12, Broker Credit Suisse International	58,300	150,115
Pay a fixed rate of 3.900% and receive a floating rate based on 3-month LIBOR, Expires 9/09/13, Broker Citibank, N.A.	42,300	806,461
Pay a fixed rate of 3.960% and receive a floating rate based on 3-month LIBOR, Expires 7/15/13, Broker Morgan Stanley Capital Services, Inc.	25,000	400,772
Pay a fixed rate of 4.340% and receive a floating rate based on 3-month LIBOR, Expires 2/10/12, Broker JPMorgan Chase Bank, N.A.	10,000	2,274

	Notional Amount (000)	Value
Options Purchased		
Over-the-Counter Put Swaptions Purchased (concluded)		
Pay a fixed rate of 5.200% and receive a floating rate based on 3-month LIBOR, Expires 4/28/15, Broker Citibank, N.A.	USD 41,200	\$ 823,942
		3,353,574
Total Options Purchased (Cost – \$28,146,505) – 1.1%		
Total Investments Before Options Written (Cost – \$3,880,703,431*) – 101.3%		
Options Written		
Exchange-Traded Put Options Written – (0.0)%		
U.S. Treasury Bonds (30 Year), Strike Price USD 133, Expires 11/25/11	580	(344,375)
Notional Amount (000)		
Over-the-Counter Call Options Written – (0.0)%		
EUR Currency, Strike Price USD 1.48, Expires 10/31/11, Broker, Deutsche Bank AG	EUR 28,300	(8,721)
USD Currency, Strike Price JPY 80, Expires 10/28/11, Broker, Citibank, N.A.	USD 40,485	(101,617)
		(110,338)
Over-the-Counter Put Options Written – (0.0)%		
USD Currency, Strike Price JPY 75, Expires 10/28/11, Broker, Royal Bank of Scotland Plc	40,485	(157,891)
Over-the-Counter Call Swaptions Written – (2.0)%		
Pay a fixed rate of 2.080% and receive a floating rate based on 3-month LIBOR, Expires 2/07/12, Broker Goldman Sachs Bank USA	92,300	(2,618,340)
Pay a fixed rate of 2.150% and receive a floating rate based on 3-month LIBOR, Expires 9/09/13, Broker Citibank, N.A.	42,300	(1,223,299)
Pay a fixed rate of 2.410% and receive a floating rate based on 3-month LIBOR, Expires 8/16/13, Broker JPMorgan Chase Bank, N.A.	35,000	(1,137,549)
Pay a fixed rate of 3.773% and receive a floating rate based on 3-month LIBOR, Expires 11/23/12, Broker UBS AG	32,000	(4,121,719)
Pay a fixed rate of 3.825% and receive a floating rate based on 3-month LIBOR, Expires 12/12/11, Broker JPMorgan Chase Bank, N.A.	23,000	(3,492,504)
Pay a fixed rate of 3.853% and receive a floating rate based on 3-month LIBOR, Expires 12/12/11, Broker UBS AG	20,900	(3,227,082)
Pay a fixed rate of 3.865% and receive a floating rate based on 3-month LIBOR, Expires 3/19/12, Broker Barclays Bank Plc	25,000	(3,724,953)
Pay a fixed rate of 3.895% and receive a floating rate based on 3-month LIBOR, Expires 6/09/14, Broker Royal Bank of Scotland Plc	62,500	(4,855,854)
Pay a fixed rate of 3.896% and receive a floating rate based on 3-month LIBOR, Expires 3/19/12, Broker UBS AG	50,000	(7,588,338)

See Notes to Financial Statements.

Schedule of Investments (continued)

BlackRock Inflation Protected Bond Portfolio (Percentages shown are based on Net Assets)

Options Written	Notional Amount (000)	Value	Options Written	Notional Amount (000)	Value
Over-the-Counter Call Swaptions Written (concluded)			Over-the-Counter Put Swaptions Written (concluded)		
Pay a fixed rate of 3.900% and receive a floating rate based on 3-month LIBOR, Expires 3/19/12, Broker Credit Suisse International	USD 1,500	\$ (228,142)	Receive a fixed rate of 3.896% and pay a floating rate based on 3-month LIBOR, Expires 3/19/12, Broker UBS AG	USD 50,000	\$ (64,845)
Pay a fixed rate of 3.975% and receive a floating rate based on 3-month LIBOR, Expires 4/20/12, Broker Deutsche Bank AG	45,500	(7,128,213)	Receive a fixed rate of 3.900% and pay a floating rate based on 3-month LIBOR, Expires 3/19/12, Broker Credit Suisse International	1,500	(1,931)
Pay a fixed rate of 4.015% and receive a floating rate based on 3-month LIBOR, Expires 3/26/12, Broker UBS AG	25,500	(4,127,401)	Receive a fixed rate of 3.975% and pay a floating rate based on 3-month LIBOR, Expires 4/20/12, Broker Deutsche Bank AG	45,500	(78,614)
Pay a fixed rate of 4.030% and receive a floating rate based on 3-month LIBOR, Expires 12/06/12, Broker UBS AG	19,300	(2,873,608)	Receive a fixed rate of 4.015% and pay a floating rate based on 3-month LIBOR, Expires 3/26/12, Broker UBS AG	25,500	(29,003)
Pay a fixed rate of 4.030% and receive a floating rate based on 3-month LIBOR, Expires 4/16/12, Broker Bank of America, N.A.	51,000	(8,257,032)	Receive a fixed rate of 4.030% and pay a floating rate based on 3-month LIBOR, Expires 12/06/12, Broker UBS AG	19,300	(141,962)
Pay a fixed rate of 4.520% and receive a floating rate based on 3-month LIBOR, Expires 3/01/13, Broker UBS AG	24,500	(4,521,698)	Receive a fixed rate of 4.030% and pay a floating rate based on 3-month LIBOR, Expires 4/16/12, Broker Bank of America, N.A.	51,000	(75,569)
Pay a fixed rate of 5.000% and receive a floating rate based on 3-month LIBOR, Expires 4/22/13, Broker JPMorgan Chase Bank, N.A.	50,100	(11,103,058)	Receive a fixed rate of 4.520% and pay a floating rate based on 3-month LIBOR, Expires 3/01/13, Broker UBS AG	24,500	(154,196)
Pay a fixed rate of 5.080% and receive a floating rate based on 3-month LIBOR, Expires 2/10/14, Broker Bank of America, N.A.	34,800	(7,327,038)	Receive a fixed rate of 5.000% and pay a floating rate based on 3-month LIBOR, Expires 4/22/13, Broker JPMorgan Chase Bank, N.A.	50,100	(248,574)
Pay a fixed rate of 5.105% and receive a floating rate based on 3-month LIBOR, Expires 2/10/14, Broker Citibank, N.A.	28,000	(5,951,030)	Receive a fixed rate of 5.080% and pay a floating rate based on 3-month LIBOR, Expires 2/10/14, Broker Bank of America, N.A.	34,800	(390,957)
		(83,506,858)	Receive a fixed rate of 5.105% and pay a floating rate based on 3-month LIBOR, Expires 2/10/14, Broker Citibank, N.A.	28,000	(309,527)
Over-the-Counter Put Swaptions Written – (0.1)%					(3,483,596)
Receive a fixed rate of 1.450% and pay a floating rate based on 3-month LIBOR, Expires 11/14/11, Broker Deutsche Bank AG	27,900	(78,525)	Total Options Written		
Receive a fixed rate of 1.450% and pay a floating rate based on 3-month LIBOR, Expires 11/14/11, Broker JPMorgan Chase Bank, N.A.	49,400	(139,036)	(Premiums Received – \$50,298,408) – (2.1)%		(87,603,058)
Receive a fixed rate of 2.080% and pay a floating rate based on 3-month LIBOR, Expires 2/07/12, Broker Goldman Sachs Bank USA	92,300	(6,630)	Total Investments Net of Options Written – 99.2%		4,095,909,154
Receive a fixed rate of 2.410% and pay a floating rate based on 3-month LIBOR, Expires 8/16/13, Broker JPMorgan Chase Bank, N.A.	35,000	(663,779)	Other Assets Less Liabilities – 0.8%		31,220,447
Receive a fixed rate of 3.773% and pay a floating rate based on 3-month LIBOR, Expires 11/23/12, Broker UBS AG	32,000	(297,927)	Net Assets – 100.0%		\$4,127,129,601
Receive a fixed rate of 3.825% and pay a floating rate based on 3-month LIBOR, Expires 12/12/11, Broker JPMorgan Chase Bank, N.A.	23,000	(2,063)			
Receive a fixed rate of 3.853% and pay a floating rate based on 3-month LIBOR, Expires 12/12/11, Broker UBS AG	20,900	(1,688)			
Receive a fixed rate of 3.865% and pay a floating rate based on 3-month LIBOR, Expires 3/19/12, Broker Barclays Bank Plc	25,000	(34,503)			
Receive a fixed rate of 3.895% and pay a floating rate based on 3-month LIBOR, Expires 6/09/14, Broker Royal Bank of Scotland Plc	62,500	(764,267)			

See Notes to Financial Statements.

* The cost and unrealized appreciation (depreciation) of investments as of September 30, 2011, as computed for federal income tax purposes, were as follows:

Aggregate cost	\$3,883,673,863
Gross unrealized appreciation	\$ 334,499,860
Gross unrealized depreciation	(34,661,511)
Net unrealized appreciation	\$ 299,838,349

Schedule of Investments (continued)

BlackRock Inflation Protected Bond Portfolio

- (a) Variable rate security. Rate shown is as of report date.
 (b) Security exempt from registration under Rule 144A of the Securities Act of 1933. These securities may be resold in transactions exempt from registration to qualified institutional investors.
 (c) All or a portion of security has been pledged as collateral in connection with swaps.
 (d) Par is less than \$500.
 (e) All or a portion of security has been pledged as collateral in connection with open financial futures contracts.
 (f) Investments in companies considered to be an affiliate of the Fund during the year, for purposes of Section 2(a)(3) of the Investment Company Act of 1940, as amended, were as follows:

Affiliate	Shares Held at September 30, 2010	Net Activity	Shares Held at September 30, 2011	Realized Gain	Income
BlackRock Liquidity Funds, TempFund, Institutional Class	70,882	34,096,667	34,167,549	\$344	\$176,271

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

- Foreign currency exchange contracts as of September 30, 2011 were as follows:

Currency Purchased	Currency Sold	Counterparty	Settlement Date	Unrealized Appreciation (Depreciation)
EUR 3,800,000	USD 5,477,472	Royal Bank of Scotland Plc	10/26/11	\$ (387,442)
USD 6,983,636	EUR 4,871,500	Citibank, N.A.	10/26/11	458,352
USD 22,162,676	EUR 15,458,000	Deutsche Bank AG	10/26/11	1,456,970
JPY 1,661,075,000	USD 20,854,441	Royal Bank of Scotland Plc	12/05/11	702,695
USD 76,876,303	JPY 6,212,973,648	Royal Bank of Scotland Plc	12/05/11	(3,754,566)
Total				\$(1,523,991)

- Financial futures contracts purchased as of September 30, 2011 were as follows:

Contracts	Issue	Exchange	Expiration	Notional Value	Unrealized Depreciation
1,348	U.S. Treasury Notes (5 Year)	Chicago Board Options	December 2011	\$165,108,938	\$(289,720)
1,647	U.S. Treasury Notes (10 Year)	Chicago Board Options	December 2011	\$214,264,406	(87,203)
Total					\$(376,923)

- Financial futures contracts sold as of September 30, 2011 were as follows:

Contracts	Issue	Exchange	Expiration	Notional Value	Unrealized Appreciation (Depreciation)
1,348	U.S. Treasury Notes (2 Year)	Chicago Board Options	December 2011	\$296,833,814	\$ 473,189
1,283	U.S. Treasury Bonds (30 Year)	Chicago Board Options	December 2011	\$182,987,875	(7,561,975)
1,071	Ultra Treasury Bonds	Chicago Board Options	December 2011	\$169,887,375	(7,084,140)
966	Australian 90-Day Bank Bill	Sydney	December 2011	\$216,336,890	489,627
1,659	Canadian Banker Acceptance	Montreal	June 2012	\$392,466,934	(3,038,693)
294	Euro-Bund	Eurex	December 2011	\$ 53,761,418	363,714
Total					\$(16,358,278)

- Interest rate swaps outstanding as of September 30, 2011 were as follows:

Fixed Rate	Floating Rate	Counterparty	Expiration Date	Notional Amount (000)	Unrealized Appreciation (Depreciation)
0.64%(a)	3-month LIBOR	Citibank, N.A.	6/21/13	USD 227,800	\$ (704,216)
0.47%(b)	3-month LIBOR	Citibank, N.A.	9/21/13	USD 69,700	(137,351)
1.85%(b)	3-month LIBOR	UBS AG	6/22/16	USD 26,900	968,369
1.16%(b)	3-month LIBOR	Deutsche Bank AG	9/23/16	USD 10,800	(45,874)
1.19%(a)	3-month LIBOR	Deutsche Bank AG	9/28/16	USD 6,200	20,940
1.25%(a)	3-month LIBOR	JPMorgan Chase Bank, N.A.	10/03/16	USD 16,900	27,331
3.38%(b)	3-month LIBOR	Deutsche Bank AG	5/04/21	USD 39,000	5,069,468
3.24%(b)	3-month LIBOR	Goldman Sachs Bank USA	5/20/21	USD 46,900	5,436,521
2.78%(b)	3-month LIBOR	Deutsche Bank AG	8/04/21	USD 5,000	332,799
2.71%(b)	3-month LIBOR	Citibank, N.A.	8/08/21	USD 15,300	910,820

See Notes to Financial Statements.

Schedule of Investments (continued)

BlackRock Inflation Protected Bond Portfolio

Fixed Rate	Floating Rate	Counterparty	Expiration Date	Notional Amount (000)	Unrealized Appreciation (Depreciation)	Fixed Rate	Floating Rate	Counterparty	Expiration Date	Notional Amount (000)	Unrealized Appreciation (Depreciation)
2.36%(b)	3-month LIBOR	Credit Suisse International	9/01/21	USD 10,000	\$ 252,527	4.38%(a)	3-month LIBOR	Goldman Sachs Bank USA	4/14/41	USD 1,300	\$ (481,362)
2.17%(b)	3-month LIBOR	Deutsche Bank AG	9/13/21	USD 35,000	246,236	4.07%(a)	3-month LIBOR	Citibank, N.A.	5/23/41	USD 11,700	(3,538,089)
2.07%(b)	3-month LIBOR	Deutsche Bank AG	9/28/21	USD 3,000	(10,009)	3.09%(a)	3-month LIBOR	Morgan Stanley Capital Services, Inc.	8/22/41	USD 10,000	(867,884)
3.75%(b)	3-month LIBOR	Goldman Sachs Bank USA	9/28/21	USD 48,900	6,101,934	2.63%(b)	3-month LIBOR	Citibank, N.A.	9/26/41	USD 5,000	(66,058)
2.02%(a)	3-month LIBOR	Morgan Stanley Capital Services, Inc.	9/28/21	USD 10,000	79,425	2.62%(b)	3-month LIBOR	Credit Suisse International	9/26/41	USD 28,500	(436,455)
2.16%(a)	3-month LIBOR	Citibank, N.A.	9/29/21	USD 700	(3,414)	2.52%(b)	3-month LIBOR	Deutsche Bank AG	9/27/41	USD 6,500	(236,657)
3.41%(a)	3-month LIBOR	Credit Suisse International	10/05/40	USD 1,400	(230,035)	Total					\$ 9,425,034
4.34%(a)	3-month LIBOR	Citibank, N.A.	4/14/41	USD 9,000	(3,263,932)	(a) Fund pays a fixed interest rate and receives floating rate.					
						(b) Fund pays a floating interest rate and receives fixed rate.					

- Total return swaps outstanding as of September 30, 2011 were as follows:

Reference Entity	Fund Pays/Receives the Total Return of the Reference Entity	Fixed Rate/Floating Rate	Counterparty	Expiration Date	Notional Amount (000)	Unrealized Appreciation
Change in return of the Consumer Price Index for All Urban Consumers	Pays	1.84%	Morgan Stanley Capital Services, Inc.	10/25/15	USD 49,555	\$ 545,452
Change in return of the Consumer Price Index for All Urban Consumers	Receives	2.47%	Morgan Stanley Capital Services, Inc.	10/25/20	USD 26,130	199,973
Change in return of the Consumer Price Index for All Urban Consumers	Receives	2.67%	Deutsche Bank AG	6/23/21	USD 47,965	2,092,549
Total						\$2,837,974

- 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 industry sub-classifications for reporting ease.
 - Fair Value Measurements – Various inputs are used in determining the fair value of investments and derivative financial instruments. These inputs are categorized in three broad levels for financial statement purposes as follows:
 - Level 1 – price quotations in active markets/exchanges for identical assets and liabilities
 - 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 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 does not necessarily correspond to the Fund's perceived risk of investing in those securities. For information about the Fund's policy regarding valuation of investments and derivative financial instruments and other significant accounting policies, please refer to Note 1 of the Notes to Financial Statements.

See Notes to Financial Statements.

Schedule of Investments (concluded)

The following tables summarize the inputs used as of September 30, 2011 in determining the fair valuation of the Fund's investments and derivative financial instruments:

Valuation Inputs	Level 1	Level 2	Level 3	Total
Assets:				
Investments:				
Long-Term				
Investments:				
Asset-Backed Securities	—	\$ 13,447,085	—	\$ 13,447,085
Corporate Bonds	—	6,074,709	—	6,074,709
Foreign				
Government Obligations	—	21,183,879	—	21,183,879
Non-Agency				
Mortgage-Backed Securities	—	35,071,781	—	35,071,781
U.S. Government				
Sponsored Agency Securities	—	128,839	—	128,839
U.S. Treasury Obligations	—	4,028,806,157	—	4,028,806,157
Short-Term				
Securities	\$ 34,167,549	—	—	34,167,549
Total	\$ 34,167,549	\$4,104,712,450	—	\$4,138,879,999

Valuation Inputs	Level 1	Level 2	Level 3	Total
Derivative Financial Instruments ¹				
Assets:				
Foreign currency exchange contracts	—	\$ 2,618,017	—	\$ 2,618,017
Interest rate contracts	\$ 1,326,530	64,078,583	—	65,405,113
Other contracts	—	2,837,974	—	2,837,974
Liabilities:				
Foreign currency exchange contracts	—	(4,410,237)	—	(4,410,237)
Interest rate contracts	(18,406,106)	(97,011,790)	—	(115,417,896)
Total	\$(17,079,576)	\$(31,887,453)	—	\$ (48,967,029)

¹ Derivative financial instruments are swaps, financial futures contracts, foreign currency exchange contracts and options. Swaps, financial futures contracts and foreign currency exchange contracts are valued at the unrealized appreciation/depreciation on the instrument and options are shown at value.

Schedule of Investments September 30, 2011

BlackRock Long Duration Bond Portfolio (Percentages shown are based on Net Assets)

Asset-Backed Securities	Par (000)	Value
321 Henderson Receivables I LLC, Series 2010-2A, Class A, 4.07%, 1/15/28 (a)	USD 462	\$ 481,007
Countrywide Asset-Backed Certificates: Series 2006-11, Class 1AF2, 5.79%, 9/25/46 (b)	659	537,088
Series 2006-13, Class 3AV2, 0.38%, 1/25/36 (b)	515	328,661
Daimler Chrysler Auto Trust, Series 2007-A, Class A4, 5.28%, 3/08/13	94	94,706
Harley-Davidson Motorcycle Trust, Series 2009-4, Class A3, 1.87%, 4/15/12	659	661,006
Honda Auto Receivables Owner Trust, Series 2009-3, Class A3, 2.31%, 5/15/12	100	100,242
Nissan Auto Receivables Owner Trust, Series 2009-1, Class A3, 5.00%, 9/15/14	474	481,386
Santander Consumer Acquired Receivables Trust, Series 2011-WO, Class C, 3.19%, 8/15/14 (a)	1,100	1,114,960
Santander Drive Auto Receivables Trust, Series 2011-2, Class A2, 1.04%, 4/15/14	1,450	1,448,814
Scholar Funding Trust, Series 2011-A, Class A, 1.15%, 7/28/34 (a)(b)	721	697,663
SLM Student Loan Trust, Series 2004-B, Class A2, 0.55%, 6/15/21 (b)	1,074	1,035,083
U.S. Small Business Administration, Series 2002-P10B, Class 1, 5.20%, 8/10/12	16	16,137
Total Asset-Backed Securities – 2.4%		6,996,753

Corporate Bonds

Aerospace & Defense – 0.7%

BAE Systems Holdings, Inc., 5.20%, 8/15/15 (a)	46	50,369
Bombardier, Inc., 7.75%, 3/15/20 (a)	370	394,050
Honeywell, Inc., 6.63%, 6/15/28	78	105,049
Huntington Ingalls Industries, Inc., 6.88%, 3/15/18 (a)	575	534,750
L-3 Communications Corp., Series B, 6.38%, 10/15/15	5	5,106
United Technologies Corp.:		
6.70%, 8/01/28	148	194,217
6.13%, 7/15/38	700	882,344
		2,165,885

Airlines – 0.1%

Continental Airlines Pass-Through Trust, Series 2009-2, Class A, 7.25%, 11/10/19	368	383,127
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Auto Components – 0.1%

Delphi Corp., 5.88%, 5/15/19 (a)	350	325,500
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Beverages – 0.0%

Anheuser-Busch InBev Worldwide, Inc., 8.20%, 1/15/39	69	104,180
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Biotechnology – 0.2%

Amgen, Inc., 5.65%, 6/15/42	400	483,738
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Capital Markets – 1.7%

Credit Suisse AG, 5.40%, 1/14/20	348	334,327
Credit Suisse AG/Guernsey, 2.60%, 5/27/16 (a)	900	926,577
The Goldman Sachs Group, Inc.:		
5.25%, 10/15/13	210	218,201
6.15%, 4/01/18	442	458,034

Corporate Bonds	Par (000)	Value
Capital Markets (concluded)		
6.75%, 10/01/37	USD 1,347	\$ 1,232,159
6.25%, 2/01/41	575	559,140
Lehman Brothers Holdings, Inc., 6.88%, 7/17/37 (c)(d)	203	102
Morgan Stanley:		
7.30%, 5/13/19	270	278,242
5.50%, 7/28/21	385	356,609
State Street Corp., 4.96%, 3/15/18	550	581,994
		4,945,385

Chemicals – 0.5%

Ashland, Inc., 9.13%, 6/01/17	335	370,594
Celanese U.S. Holdings LLC, 5.88%, 6/15/21	420	413,700
CF Industries, Inc., 6.88%, 5/01/18	406	453,198
The Dow Chemical Co., 9.40%, 5/15/39	153	236,311
		1,473,803

Commercial Banks – 2.7%

Amsouth Bank, 5.20%, 4/01/15	550	511,500
Bank of Scotland Plc, 5.00%, 11/21/11 (a)	365	366,762
Barclays Bank Plc, 5.14%, 10/14/20 (e)	1,075	871,755
HSBC Bank USA, N.A.:		
4.88%, 8/24/20	534	500,819
5.88%, 11/01/34	250	238,906
HSBC Holdings Plc:		
5.10%, 4/05/21	850	875,288
6.50%, 5/02/36	300	301,080
6.50%, 9/15/37	875	858,833
ING Bank NV, 5.00%, 6/09/21 (a)	975	984,023
Intesa Sanpaolo SpA, 6.50%, 2/24/21 (a)	200	177,680
Itau Unibanco Holding SA/Cayman Island, 5.75%, 1/22/21 (a)	600	582,000
Lloyds TSB Bank Plc, 5.80%, 1/13/20 (a)	375	356,570
Nordea Bank AB, 4.88%, 1/27/20 (a)	700	728,929
Wachovia Bank N.A., 6.60%, 1/15/38	446	510,987
		7,865,132

Commercial Services & Supplies – 0.3%

Xylem, Inc., 3.55%, 9/20/16 (a)	795	797,352
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Communications Equipment – 0.1%

Brocade Communications Systems, Inc., 6.88%, 1/15/20	370	377,863
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Consumer Finance – 0.8%

Capital One Financial Corp., 4.75%, 7/15/21	1,425	1,427,344
Discover Bank, 8.70%, 11/18/19	500	571,273
SLM Corp., 6.25%, 1/25/16	415	407,337
		2,405,954

Containers & Packaging – 0.3%

Ball Corp., 6.75%, 9/15/20	461	477,135
Bemis Co., Inc., 6.80%, 8/01/19	461	542,934
		1,020,069

Diversified Financial Services – 6.1%

Ally Financial, Inc., 4.50%, 2/11/14	775	709,125
AngloGold Ashanti Holdings Plc, 6.50%, 4/15/40	638	606,055
Bank of America Corp.:		
7.38%, 5/15/14	410	422,723
6.00%, 9/01/17	990	952,482
5.75%, 12/01/17	730	684,638
5.00%, 5/13/21	1,740	1,552,348
Bank of America, N.A., 5.30%, 3/15/17	420	379,327

See Notes to Financial Statements.

Schedule of Investments (continued)

BlackRock Long Duration Bond Portfolio (Percentages shown are based on Net Assets)

Corporate Bonds	Par (000)	Value	Corporate Bonds	Par (000)	Value
Diversified Financial Services (concluded)			Electric Utilities (concluded)		
Citigroup, Inc.:			Duke Energy Carolinas LLC:		
5.30%, 10/17/12	USD 129	\$ 132,200	6.10%, 6/01/37	USD 350	\$ 440,930
5.88%, 2/22/33	750	627,353	6.00%, 1/15/38	406	517,780
8.13%, 7/15/39	708	848,674	E.ON International Finance BV, 6.65%, 4/30/38 (a)	663	828,509
ConocoPhillips Canada Funding Co. I, 5.95%, 10/15/36	1,180	1,451,683	Florida Power & Light Co.:		
Crown Castle Towers LLC, 6.11%, 1/15/20 (a)	850	955,399	4.95%, 6/01/35	34	38,072
FMR LLC, 6.45%, 11/15/39 (a)	369	402,579	5.85%, 5/01/37	295	370,847
Ford Motor Credit Co. LLC, 7.00%, 4/15/15	642	674,100	5.95%, 2/01/38	733	936,097
General Electric Capital Corp.:			Florida Power Corp.:		
5.88%, 2/15/12	534	544,201	6.35%, 9/15/37	112	145,585
5.88%, 1/14/38	1,692	1,734,244	6.40%, 6/15/38	867	1,137,702
Hutchison Whampoa International Ltd., 5.75%, 9/11/19 (a)	600	644,296	Massachusetts Electric Co., 5.90%, 11/15/39 (a)	302	371,832
Iberdrola Finance Ireland Ltd., 5.00%, 9/11/19 (a)	627	605,944	MidAmerican Energy Co., 5.80%, 10/15/36	1,068	1,266,203
Icahn Enterprises LP/Icahn Enterprises Finance Corp., 7.75%, 1/15/16	442	441,448	MidAmerican Energy Holdings Co.:		
JPMorgan Chase & Co.:			6.13%, 4/01/36	296	354,541
3.15%, 7/05/16	1,100	1,092,857	5.95%, 5/15/37	867	1,020,160
4.35%, 8/15/21	1,100	1,111,555	6.50%, 9/15/37	148	185,100
5.50%, 10/15/40	523	552,860	Niagara Mohawk Power Corp., 4.88%, 8/15/19 (a)	350	391,645
JPMorgan Chase Bank, N.A., 6.00%, 7/05/17	387	417,148	Public Service Co. of Colorado, 6.25%, 9/01/37	866	1,161,386
Merrill Lynch & Co., Inc., 7.75%, 5/14/38	225	209,060	Southern California Edison Co.:		
		17,752,299	3.88%, 6/01/21	525	568,833
			5.95%, 2/01/38	663	865,734
			The Toledo Edison Co.:		
Diversified Telecommunication Services – 3.3%			7.25%, 5/01/20	315	398,400
American Tower Corp., 4.50%, 1/15/18	850	850,961	6.15%, 5/15/37	56	67,072
AT&T Inc.:			Virginia Electric & Power Co.:		
6.15%, 9/15/34	950	1,063,228	6.00%, 5/15/37	737	937,070
6.50%, 9/01/37	609	711,284	8.88%, 11/15/38	350	572,638
6.30%, 1/15/38	530	607,129			14,834,917
6.40%, 5/15/38	3	3,482	Energy Equipment & Services – 0.8%		
5.55%, 8/15/41	700	753,633	Baker Hughes, Inc., 6.88%, 1/15/29	534	701,957
BellSouth Corp., 6.88%, 10/15/31	325	404,868	Ensco Plc, 4.70%, 3/15/21	965	983,563
Embarq Corp., 8.00%, 6/01/36	295	276,797	Halliburton Co., 7.45%, 9/15/39	370	528,861
France Telecom SA, 4.13%, 9/14/21	650	646,161			2,214,381
Qwest Communications International, Inc., 7.50%, 2/15/14	41	41,000	Food & Staples Retailing – 1.7%		
Qwest Corp., 3.60%, 6/15/13 (b)	23	23,057	CVS Caremark Corp., 6.25%, 6/01/27 (e)	834	1,015,709
Telecom Italia Capital SA:			Tesco Plc, 6.15%, 11/15/37 (a)	525	647,919
6.00%, 9/30/34	232	189,796	Wal-Mart Stores, Inc.:		
7.20%, 7/18/36	222	202,938	6.50%, 8/15/37	495	656,420
Telefonica Emisiones SAU:			6.20%, 4/15/38	1,979	2,551,863
3.99%, 2/16/16	625	594,703			4,871,911
6.42%, 6/20/16	56	57,413	Food Products – 0.6%		
7.05%, 6/20/36	940	939,314	Kraft Foods, Inc.:		
Verizon Communications, Inc.:			6.50%, 11/01/31	424	532,041
5.85%, 9/15/35	725	851,000	6.88%, 2/01/38	808	1,018,575
6.25%, 4/01/37	167	200,164	6.50%, 2/09/40	211	257,930
8.95%, 3/01/39	884	1,365,295			1,808,546
Windstream Corp., 8.13%, 8/01/13	27	28,418	Health Care Equipment & Supplies – 0.7%		
		9,810,641	CareFusion Corp., 6.38%, 8/01/19	419	501,163
			Coviden International Finance SA, 6.55%, 10/15/37	1,197	1,542,551
					2,043,714
Electric Utilities – 5.1%			Health Care Providers & Services – 0.3%		
Alabama Power Co.:			HCA, Inc., 7.25%, 9/15/20	491	495,910
5.65%, 3/15/35	185	205,587			
6.00%, 3/01/39	534	694,793			
American Transmission Systems, Inc., 5.25%, 1/15/22 (a)	608	654,070			
Carolina Power & Light Co., 6.30%, 4/01/38	222	293,931			
Columbus Southern Power Co., 6.60%, 3/01/33	321	410,400			

See Notes to Financial Statements.

Schedule of Investments (continued)

BlackRock Long Duration Bond Portfolio (Percentages shown are based on Net Assets)

Corporate Bonds	Par (000)	Value
Health Care Providers & Services (concluded)		
Tenet Healthcare Corp., 9.00%, 5/01/15	USD 220	\$ 232,100
UnitedHealth Group, Inc., 5.70%, 10/15/40	4	4,568
WellPoint, Inc., 6.38%, 6/15/37	203	246,473
		979,051
Hotels, Restaurants & Leisure – 0.5%		
Starwood Hotels & Resorts Worldwide, Inc., 7.88%, 5/01/12	525	535,500
Yum! Brands, Inc.:		
5.30%, 9/15/19	442	499,109
6.88%, 11/15/37	315	412,822
		1,447,431
Household Products – 0.2%		
Reynolds Group Issuer, Inc./Reynolds Group Issuer LLC/Reynolds Group Issuer Luxembourg SA, 7.88%, 8/15/19 (a)	550	530,750
Independent Power Producers & Energy Traders – 0.3%		
Constellation Energy Group, Inc., 7.60%, 4/01/32	700	849,906
Insurance – 3.0%		
Allianz Finance II BV, 5.75%, 7/08/41 (b)	EUR 500	528,463
American International Group, Inc.:		
4.88%, 9/15/16	USD 850	814,893
6.40%, 12/15/20	340	346,389
Genworth Financial, Inc., 7.63%, 9/24/21	625	538,641
Hartford Life Global Funding Trusts, 0.53%, 6/16/14 (b)	682	665,336
International Lease Finance Corp.:		
6.50%, 9/01/14 (a)	107	107,000
8.25%, 12/15/20	241	236,180
Massachusetts Mutual Life Insurance Co., 8.88%, 6/01/39 (a)	406	611,337
MetLife, Inc., 4.75%, 2/08/21	500	520,336
Metropolitan Life Global Funding I, 2.00%, 1/10/14 (a)	1,405	1,411,436
Muenchener Rueckversicherungs AG, 6.00%, 5/26/41 (b)	EUR 200	229,493
Pacific Life Insurance Co., 9.25%, 6/15/39 (a)	USD 424	569,373
Prudential Financial, Inc., 6.63%, 12/01/37	1,304	1,427,237
Teachers Insurance & Annuity Association of America, 6.85%, 12/16/39 (a)	554	678,893
		8,685,007
IT Services – 0.2%		
International Business Machines Corp., 5.60%, 11/30/39	457	563,779
Media – 5.7%		
CCH II LLC/CCH II Capital Corp., 13.50%, 11/30/16	300	342,000
Comcast Corp.:		
7.05%, 3/15/33	19	23,174
6.50%, 11/15/35	15	17,298
6.95%, 8/15/37	1,339	1,605,106
6.40%, 5/15/38	922	1,061,372
COX Communications, Inc.:		
6.95%, 6/01/38 (a)	296	360,403
8.38%, 3/01/39 (a)	818	1,126,760
CSC Holdings LLC, 8.50%, 4/15/14	290	312,837
DIRECTV Holdings LLC/DIRECTV Financing Co., Inc., 6.00%, 8/15/40	781	833,564
Discovery Communications LLC, 6.35%, 6/01/40	476	558,639

Corporate Bonds	Par (000)	Value
Media (concluded)		
DISH DBS Corp., 6.63%, 10/01/14	USD 668	\$ 675,515
Grupo Televisa SA, 6.63%, 1/15/40	609	642,495
NBCUniversal Media LLC, 5.95%, 4/01/41	1,104	1,228,180
News America, Inc.:		
7.63%, 11/30/28	48	57,786
6.40%, 12/15/35	355	384,422
8.15%, 10/17/36	34	42,272
6.65%, 11/15/37	1,260	1,384,972
6.15%, 2/15/41	434	459,077
Shaw Communications, Inc.:		
5.65%, 10/01/19	CAD 498	505,932
6.75%, 11/09/39	498	487,963
TCI Communications, Inc., 8.75%, 8/01/15	USD 74	90,217
Time Warner Cable, Inc.:		
5.00%, 2/01/20	315	334,619
6.55%, 5/01/37	958	1,065,477
7.30%, 7/01/38	922	1,121,643
Time Warner Cos., Inc.:		
7.57%, 2/01/24	12	14,738
6.95%, 1/15/28	406	474,506
Time Warner Entertainment Co. LP, 8.38%, 3/15/23	19	24,328
Time Warner, Inc.:		
7.63%, 4/15/31	12	14,979
7.70%, 5/01/32	571	724,557
6.50%, 11/15/36	442	501,754
6.10%, 7/15/40	332	364,681
		16,841,266
Metals & Mining – 1.0%		
Barrick North America Finance LLC:		
7.50%, 9/15/38	406	541,978
5.70%, 5/30/41	850	913,830
FMG Resources August 2006 Pty Ltd., 7.00%, 11/01/15 (a)	270	251,100
Rio Tinto Finance USA Ltd.:		
9.00%, 5/01/19	170	228,781
3.75%, 9/20/21	300	298,811
7.13%, 7/15/28	140	185,115
Southern Copper Corp., 6.75%, 4/16/40	516	506,970
		2,926,585
Multiline Retail – 0.5%		
Dollar General Corp., 11.88%, 7/15/17 (f)	545	602,225
Target Corp.:		
6.50%, 10/15/37	150	195,729
7.00%, 1/15/38	525	718,958
		1,516,912
Multi-Utilities – 0.1%		
Sempra Energy, 6.00%, 10/15/39	277	335,241
Oil, Gas & Consumable Fuels – 6.6%		
Anadarko Petroleum Corp.:		
5.95%, 9/15/16	781	854,257
6.38%, 9/15/17	104	116,670
6.45%, 9/15/36	450	476,005
Apache Corp., 5.10%, 9/01/40	222	247,662
Arch Coal, Inc., 7.25%, 6/15/21 (a)	375	360,938
Arch Western Finance LLC, 6.75%, 7/01/13	21	20,948
Canadian Natural Resources Ltd.:		
6.25%, 3/15/38	619	733,847
6.75%, 2/01/39	130	163,684

See Notes to Financial Statements.

Schedule of Investments (continued)

BlackRock Long Duration Bond Portfolio (Percentages shown are based on Net Assets)

Corporate Bonds	Par (000)	Value	Corporate Bonds	Par (000)	Value
Oil, Gas & Consumable Fuels (concluded)			Software – 0.5%		
Cenovus Energy, Inc., 6.75%, 11/15/39	USD 730	\$ 898,654	Oracle Corp.:		
Chesapeake Energy Corp.:			5.75%, 4/15/18	USD 258	\$ 307,390
6.63%, 8/15/20	270	278,100	5.38%, 7/15/40 (a)	1,040	1,206,397
6.13%, 2/15/21	475	478,563			1,513,787
ConocoPhillips, 5.90%, 10/15/32	590	719,786	Specialty Retail – 0.3%		
DCP Midstream LLC, 5.35%, 3/15/20 (a)	516	543,626	Best Buy Co., Inc., 5.50%, 3/15/21	200	181,725
El Paso Natural Gas Co., 8.63%, 1/15/22	590	755,949	The Home Depot, Inc.:		
EnCana Corp., 6.30%, 11/01/11	52	52,208	5.88%, 12/16/36	351	408,631
Enterprise Products Operating LLC:			5.40%, 9/15/40	277	305,156
5.25%, 1/31/20	847	930,809			895,512
6.45%, 9/01/40	700	792,344	Tobacco – 0.9%		
5.70%, 2/15/42	160	168,352	Altria Group, Inc., 9.25%, 8/06/19	582	762,888
Kinder Morgan Energy Partners LP:			Lorillard Tobacco Co., 3.50%, 8/04/16	525	525,723
6.50%, 9/01/39	866	930,399	Philip Morris International, Inc.:		
6.38%, 3/01/41	650	689,983	2.50%, 5/16/16	1,225	1,262,900
Marathon Petroleum Corp.:			6.38%, 5/16/38	38	48,987
5.13%, 3/01/21 (a)	450	468,622			2,600,498
6.50%, 3/01/41 (a)	329	354,928	Wireless Telecommunication Services – 1.5%		
MEG Energy Corp., 6.50%, 3/15/21 (a)	490	469,175	Alltel Corp., 7.88%, 7/01/32	792	1,129,471
Newfield Exploration Co.:			America Movil SAB de CV:		
6.63%, 4/15/16	395	398,950	5.00%, 10/16/19	350	372,400
5.75%, 1/30/22	275	271,906	6.13%, 11/15/37	554	576,160
Nexen, Inc., 7.50%, 7/30/39	200	234,238	6.13%, 3/30/40	755	785,200
ONEOK Partners LP, 6.65%, 10/01/36	203	236,034	Rogers Communications, Inc.:		
Peabody Energy Corp., 7.38%, 11/01/16	275	302,156	7.50%, 3/15/15	19	22,393
Petrohawk Energy Corp.:			7.50%, 8/15/38	315	416,412
10.50%, 8/01/14	360	404,100	SBA Tower Trust, 4.25%, 4/15/15 (a)	663	699,994
6.25%, 6/01/19	545	618,575	Vodafone Group Plc, 6.15%, 2/27/37	376	466,017
Pioneer Natural Resources Co., 5.88%, 7/15/16	450	475,349			4,468,047
SandRidge Energy, Inc., 7.50%, 3/15/21 (a)	475	437,000	Total Corporate Bonds – 50.0%		
Shell International Finance BV, 6.38%, 12/15/38	527	718,110			146,549,194
Statoil ASA, 5.25%, 4/15/19	608	717,143	Foreign Agency Obligations		
Tennessee Gas Pipeline Co., 7.00%, 10/15/28	12	14,046	CDP Financial, Inc., 4.40%, 11/25/19 (a)	950	1,036,206
TransCanada PipeLines Ltd., 7.63%, 1/15/39	590	801,556	EDF SA, 5.60%, 1/27/40 (a)	414	444,800
Transocean, Inc., 6.80%, 3/15/38	271	280,490	Petrobras International Finance Co.:		
Valero Energy Corp., 6.63%, 6/15/37	401	430,824	3.88%, 1/27/16	2,000	1,984,000
The Williams Cos., Inc., 8.75%, 3/15/32	575	751,633	6.88%, 1/20/40	1,381	1,456,955
Williams Partners LP:			Total Foreign Agency Obligations – 1.7%		
5.25%, 3/15/20	442	475,413			4,921,961
6.30%, 4/15/40	129	142,773	Foreign Government Obligations		
		19,215,805	Brazil – 0.5%		
Paper & Forest Products – 0.4%			Colombia – 0.3%		
International Paper Co.:			Republic of Colombia, 4.38%, 7/12/21	850	867,000
7.95%, 6/15/18	88	101,642	Indonesia – 0.2%		
7.50%, 8/15/21	977	1,129,918	Republic of Indonesia, 5.88%, 3/13/20 (a)	525	567,000
		1,231,560	Israel – 0.1%		
Pharmaceuticals – 2.0%			Mexico – 0.2%		
Bristol-Myers Squibb Co., 6.13%, 5/01/38	22	28,954	United Mexican States:		
GlaxoSmithKline Capital, Inc., 6.38%, 5/15/38	738	989,341	5.13%, 1/15/20	330	357,225
Merck & Co, Inc., 6.55%, 9/15/37	958	1,346,206	6.05%, 1/11/40	376	424,880
Roche Holdings, Inc., 7.00%, 3/01/39 (a)	425	607,792			782,105
Teva Pharmaceutical Finance Co. LLC, 6.15%, 2/01/36	867	1,077,130	Real Estate Investment Trusts (REITs) – 0.2%		
Wyeth:			HCP, Inc., 6.75%, 2/01/41	450	482,565
6.00%, 2/15/36	148	182,404			
5.95%, 4/01/37	1,216	1,549,268			
		5,781,095			

See Notes to Financial Statements.

Schedule of Investments (continued)

BlackRock Long Duration Bond Portfolio (Percentages shown are based on Net Assets)

Foreign Government Obligations	Par (000)	Value	Preferred Securities	Par (000)	Value
Peru – 0.2%			Capital Trusts		
Republic of Peru, 5.63%, 11/18/50	USD 525	\$ 525,000	Capital Markets – 0.2%		
South Africa – 0.2%			Credit Suisse AG/Guernsey, 5.86% (b)(g)	USD 118	\$ 92,630
South Africa Government International Bond, 6.25%, 3/08/41	510	568,650	Lehman Brothers Holdings Capital Trust VII, 5.86% (c)(d)(g)	15	2
Total Foreign Government Obligations – 1.7%		5,084,811	State Street Capital Trust IV, 1.35%, 6/01/37 (b)	540	<u>370,004</u>
Non-Agency Mortgage-Backed Securities					<u>462,636</u>
Collateralized Mortgage Obligations – 0.8%			Commercial Banks – 0.2%		
Citigroup Mortgage Loan Trust, Inc., Series 2006-AR1, Class 1A1, 2.66%, 10/25/35 (b)	830	651,642	Northgroup Preferred Capital Corp., 6.38% (a)(b)(g)	205	183,821
Countrywide Alternative Loan Trust, Series 2005-21CB, Class A17, 6.00%, 6/25/35	339	302,122	Royal Bank of Scotland Group Plc, 7.64% (g)	800	<u>384,000</u>
Credit Suisse Mortgage Capital Certificates: Series 2009-13R, Class 3A1, 3.50%, 11/26/36 (a)(b)	315	295,690			<u>567,821</u>
Series 2009-16R, Class 2A1, 4.97%, 1/26/37 (a)(b)	394	388,570	Diversified Financial Services – 0.6%		
Homebanc Mortgage Trust, Series 2006-2, Class A1, 0.41%, 12/25/36 (b)	155	100,244	JPMorgan Chase & Co., 7.90% (b)(g)	314	323,423
Structured Asset Securities Corp., Series 2005-5, Class 2A4, 5.50%, 4/25/35	786	<u>753,655</u>	JPMorgan Chase Capital XXI, 1.21%, 2/02/37 (b)	525	373,472
		2,491,923	JPMorgan Chase Capital XXV, 6.80%, 10/01/37	833	836,027
Commercial Mortgage-Backed Securities – 1.4%			ZFS Finance USA Trust V, 6.50%, 5/09/37 (a)(b)	370	<u>320,050</u>
Banc of America Merrill Lynch Commercial Mortgage, Inc.: Series 2002-2, Class A3, 5.12%, 7/11/43	142	142,933			<u>1,852,972</u>
Series 2002-PB2, Class A4, 6.19%, 6/11/35	124	124,333	Insurance – 1.0%		
Citigroup/Deutsche Bank Commercial Mortgage Trust, Series 2006-CD3, Class A2, 5.56%, 10/15/48	1,455	1,449,486	The Allstate Corp., 6.50%, 5/15/57 (b)	663	590,070
Commercial Mortgage Pass-Through Certificates, Series 2005-C6, Class A2, 5.00%, 6/10/44	103	103,512	American General Capital II, 8.50%, 7/01/30	100	95,250
Credit Suisse First Boston Mortgage Securities Corp., Series 2002-CP5, Class A2, 4.94%, 12/15/35	280	287,342	The Chubb Corp., 6.38%, 3/29/67 (b)	56	54,250
First Union National Bank Commercial Mortgage, Series 2001-C4, Class A2, 6.22%, 12/12/33	40	39,989	Lincoln National Corp., 7.00%, 5/17/66 (b)	628	540,080
GE Capital Commercial Mortgage Corp., Series 2005-C1, Class A3, 4.58%, 6/10/48	180	184,579	6.05%, 4/20/67 (b)	236	191,160
Greenwich Capital Commercial Funding Corp., Series 2005-GG3, Class AAB, 4.62%, 8/10/42	140	143,304	MetLife, Inc., 6.40%, 12/15/36	1,142	1,012,255
JPMorgan Chase Commercial Mortgage Securities Corp., Series 2002-C2, Class A2, 5.05%, 11/12/12	1,091	1,121,727	New York Life Insurance Co., 6.75%, 11/15/39 (a)	461	569,894
Wachovia Bank Commercial Mortgage Trust, Series 2005-C17, Class A2, 4.78%, 3/15/42	399	<u>399,275</u>	Reinsurance Group of America, Inc., 6.75%, 12/15/65 (b)	37	<u>32,283</u>
		3,996,480			<u>3,085,242</u>
Total Non-Agency Mortgage-Backed Securities – 2.2%		6,488,403	Total Preferred Securities – 2.0%		
					<u>5,968,671</u>
			Taxable Municipal Bonds		
			Chicago Transit Authority RB, Series B, 6.20%, 12/01/40	390	451,047
			City of Chicago, IL RB, 6.74%, 11/01/40	875	1,146,548
			City of New York GO, 5.85%, 6/01/40	370	419,717
			Los Angeles Department of Airports RB, 6.58%, 5/15/39	520	634,416
			Los Angeles Department of Water & Power RB: 5.72%, 7/01/39	755	882,308
			6.57%, 7/01/45	305	393,413

See Notes to Financial Statements.

Schedule of Investments (continued)

BlackRock Long Duration Bond Portfolio (Percentages shown are based on Net Assets)

Taxable Municipal Bonds	Par (000)	Value
Metropolitan Transportation Authority, New York RB:		
7.34%, 11/15/39	USD 925	\$ 1,308,838
6.69%, 11/15/40	700	881,349
Municipal Electric Authority of Georgia RB, 6.64%, 4/01/57	1,197	1,299,822
New Jersey State Turnpike Authority RB, Series F, 7.41%, 1/01/40	371	527,532
New Jersey Transportation Trust Fund Authority RB, Series C, 5.75%, 12/15/28	130	144,745
New York City Municipal Water Finance Authority RB, 5.72%, 6/15/42	500	613,805
New York State Dormitory Authority RB, 5.63%, 3/15/39	500	609,160
Port Authority of New York & New Jersey RB, 5.65%, 11/01/40	430	503,319
Salt River Project Agricultural Improvement & Power District RB, 4.84%, 1/01/41	500	545,470
State of California GO:		
7.55%, 4/01/39	1,330	1,645,862
7.30%, 10/01/39	215	259,047
State of Illinois GO, 5.10%, 6/01/33	520	477,662
State of Illinois GO, Series 3, 6.73%, 4/01/35	575	610,616
University of California RB, 6.55%, 5/15/48	500	599,215
Total Taxable Municipal Bonds – 4.8%		13,953,891
U.S. Government Sponsored Agency Securities		
Agency Obligations – 2.6%		
Fannie Mae:		
3.44%, 10/09/19 (e)(h)(i)	3,385	2,573,775
7.13%, 1/15/30 (e)	1,985	3,037,205
7.25%, 5/15/30	266	415,162
5.63%, 7/15/37	369	505,468
Federal Home Loan Bank, 5.25%, 12/09/22	245	302,886
Tennessee Valley Authority, 5.25%, 9/15/39	500	640,435
U.S. Small Business Administration, Series 2004-P10A, Class 1, 4.50%, 2/01/14	29	30,573
		7,505,504
Collateralized Mortgage Obligations – 1.0%		
Fannie Mae:		
Series 2003-49, Class YD, 5.50%, 6/25/23	201	220,126
Series 2011-52, Class KB, 5.50%, 6/25/41	450	538,140
Series 2011-52, Class LB, 5.50%, 6/25/41	450	534,572
Freddie Mac, Series 3859, Class JB, 5.00%, 5/15/41	600	686,044
Ginnie Mae:		
Series 2006-6, Class C, 5.06%, 2/16/44 (b)	440	473,169
Series 2006-42, Class B, 5.22%, 8/16/46 (b)	529	581,897
		3,033,948
Mortgage-Backed Securities – 1.7%		
Fannie Mae Mortgage-Backed Securities:		
7.00%, 1/01/31	6	6,891
2.56%, 1/01/35 (b)	98	103,062
2.35%, 2/01/35 (b)	421	449,044
3.50%, 10/01/41 (j)	3,650	3,748,094

U.S. Government Sponsored Agency Securities	Par (000)	Value
Mortgage-Backed Securities (concluded)		
5.00%, 10/01/41 (j)	USD 100	\$ 107,531
5.50%, 10/01/41 (j)	100	108,500
6.00%, 10/01/41 (j)	100	109,500
Freddie Mac Mortgage-Backed Securities, 7.00%, 12/01/29-4/01/32	14	15,724
Ginnie Mae Mortgage-Backed Securities:		
7.00%, 9/15/31-5/15/32	27	31,345
5.50%, 4/15/33-8/15/33	38	41,725
1.75%, 5/20/34 (b)	87	89,916
		4,811,332
Total U.S. Government Sponsored Agency Securities – 5.3%		15,350,784
U.S. Treasury Obligations		
U.S. Treasury Bonds:		
7.25%, 8/15/22	3,195	4,824,450
6.75%, 8/15/26	6,020	9,235,998
6.13%, 11/15/27	7,815	11,512,472
5.25%, 2/15/29	3,700	5,053,390
5.38%, 2/15/31	5,500	7,736,955
4.50%, 2/15/36	4,362	5,647,721
4.38%, 11/15/39-5/15/41	3,237	4,164,324
3.88%, 8/15/40 (k)	8,822	10,481,282
4.25%, 11/15/40 (h)	3,700	4,678,765
4.75%, 2/15/41 (h)	6,600	9,018,280
3.75%, 8/15/41	1,675	1,950,068
U.S. Treasury Notes, 2.13%, 8/15/21	1,675	1,704,580
U.S. Treasury Strips:		
2.92%, 11/15/27	8,341	5,229,398
3.09%, 5/15/38	4,161	1,838,274
3.10%, 11/15/39	6,383	2,687,718
3.11%, 2/15/41	10,025	4,055,052
Total U.S. Treasury Obligations – 30.7%		89,818,727
Total Long-Term Investments		295,133,195
(Cost – \$263,143,602) – 100.8%		

Short-Term Securities	Shares	Value
BlackRock Liquidity Funds, TempFund, Institutional Class, 0.09% (l)(m)	5,745,628	5,745,628
Total Short-Term Securities		5,745,628
(Cost – \$5,745,628) – 2.0%		

Options Purchased	Contracts	Value
Exchange-Traded Put Options Purchased – 0.0%		
Euro Dollar (1 Year) Mid-Curve, Strike Price USD 99.25, Expires 3/16/12	135	32,062
	Notional Amount (000)	

Over-the-Counter Call Swaptions Purchased – 1.0%	Value
Receive a fixed rate of 1.758% and pay a floating rate based on 3-month LIBOR, Expires 1/26/12, Broker Deutsche Bank AG	USD 13,600 300,343

See Notes to Financial Statements.

Schedule of Investments (continued)

BlackRock Long Duration Bond Portfolio
(Percentages shown are based on Net Assets)

Options Purchased	Notional Amount (000)	Value	Options Written	Contracts	Value
Over-the-Counter Call Swaptions Purchased (concluded)			Exchange-Traded Call Options Written – (0.0)%		
Receive a fixed rate of 2.720% and pay a floating rate based on 3-month LIBOR, Expires 8/09/12, Broker JPMorgan Chase Bank, N.A.	USD 4,000	\$ 222,189	Ultra Treasury Bonds, Strike Price USD 162, Expires 10/21/11	3	\$ (6,750)
Receive a fixed rate of 3.703% and pay a floating rate based on 3-month LIBOR, Expires 8/03/12, Broker Credit Suisse International	6,400	819,515	Exchange-Traded Put Options Written – (0.0)%		
Receive a fixed rate of 3.715% and pay a floating rate based on 3-month LIBOR, Expires 8/06/12, Broker Deutsche Bank AG	5,700	735,627	Ultra Treasury Bonds, Strike Price USD 162, Expires 10/21/11	3	(16,875)
Receive a fixed rate of 3.835% and pay a floating rate based on 3-month LIBOR, Expires 5/04/12, Broker Credit Suisse International	3,600	516,872	Notional Amount (000)		
Receive a fixed rate of 4.290% and pay a floating rate based on 3-month LIBOR, Expires 2/06/12, Broker UBS AG	1,400	265,885	Over-the-Counter Call Swaptions Written – (1.9)%		
Receive a fixed rate of 4.330% and pay a floating rate based on 3-month LIBOR, Expires 2/07/12, Broker UBS AG	1,400	270,864	Pay a fixed rate of 2.070% and receive a floating rate based on 3-month LIBOR, Expires 2/07/12, Broker UBS AG	USD 7,000	(197,194)
		3,131,295	Pay a fixed rate of 2.410% and receive a floating rate based on 3-month LIBOR, Expires 8/16/13, Broker JPMorgan Chase Bank, N.A.	5,000	(162,507)
Over-the-Counter Put Swaptions Purchased – 0.1%			Pay a fixed rate of 3.773% and receive a floating rate based on 3-month LIBOR, Expires 11/23/12, Broker UBS AG	2,100	(270,488)
Pay a fixed rate of 1.758% and receive a floating rate based on 3-month LIBOR, Expires 1/26/12, Broker Deutsche Bank AG	13,600	1,282	Pay a fixed rate of 3.825% and receive a floating rate based on 3-month LIBOR, Expires 12/12/11, Broker JPMorgan Chase Bank, N.A.	1,400	(212,587)
Pay a fixed rate of 2.500% and receive a floating rate based on 3-month LIBOR, Expires 1/26/12, Broker Deutsche Bank AG	5,000	91	Pay a fixed rate of 3.853% and receive a floating rate based on 3-month LIBOR, Expires 12/12/11, Broker UBS AG	2,200	(339,693)
Pay a fixed rate of 2.720% and receive a floating rate based on 3-month LIBOR, Expires 8/09/12, Broker JPMorgan Chase Bank, N.A.	4,000	91,082	Pay a fixed rate of 3.895% and receive a floating rate based on 3-month LIBOR, Expires 6/09/14, Broker Royal Bank of Scotland Plc	4,000	(310,775)
Pay a fixed rate of 3.703% and receive a floating rate based on 3-month LIBOR, Expires 8/03/12, Broker Credit Suisse International	6,400	38,938	Pay a fixed rate of 3.896% and receive a floating rate based on 3-month LIBOR, Expires 3/19/12, Broker UBS AG	3,500	(531,184)
Pay a fixed rate of 3.715% and receive a floating rate based on 3-month LIBOR, Expires 8/06/12, Broker Deutsche Bank AG	5,700	34,475	Pay a fixed rate of 3.975% and receive a floating rate based on 3-month LIBOR, Expires 4/20/12, Broker Citibank, N.A.	1,200	(187,997)
Pay a fixed rate of 3.835% and receive a floating rate based on 3-month LIBOR, Expires 5/04/12, Broker Credit Suisse International	3,600	9,270	Pay a fixed rate of 4.015% and receive a floating rate based on 3-month LIBOR, Expires 3/26/12, Broker UBS AG	1,600	(258,974)
Pay a fixed rate of 4.290% and receive a floating rate based on 3-month LIBOR, Expires 2/06/12, Broker UBS AG	1,400	318	Pay a fixed rate of 4.020% and receive a floating rate based on 3-month LIBOR, Expires 2/02/12, Broker UBS AG	2,200	(364,322)
Pay a fixed rate of 4.330% and receive a floating rate based on 3-month LIBOR, Expires 2/07/12, Broker UBS AG	1,400	297	Pay a fixed rate of 4.030% and receive a floating rate based on 3-month LIBOR, Expires 12/06/12, Broker UBS AG	1,200	(178,670)
Pay a fixed rate of 4.500% and receive a floating rate based on 3-month LIBOR, Expires 9/16/13, Broker Credit Suisse International	EUR 1,800	38,671	Pay a fixed rate of 4.030% and receive a floating rate based on 3-month LIBOR, Expires 4/16/12, Broker UBS AG	3,800	(615,230)
		214,424	Pay a fixed rate of 4.495% and receive a floating rate based on 3-month LIBOR, Expires 12/12/11, Broker JPMorgan Chase Bank, N.A.	3,000	(639,550)
Total Options Purchased			Pay a fixed rate of 4.520% and receive a floating rate based on 3-month LIBOR, Expires 3/01/13, Broker UBS AG	1,500	(276,838)
(Cost – \$2,256,643) – 1.1%		3,377,781	Pay a fixed rate of 5.000% and receive a floating rate based on 3-month LIBOR, Expires 4/22/13, Broker JPMorgan Chase Bank, N.A.	4,500	(997,281)
Total Investments Before Options Written					(5,543,290)
(Cost – \$271,145,873*) – 103.9%		304,256,604			

See Notes to Financial Statements.

Schedule of Investments (continued)

BlackRock Long Duration Bond Portfolio
(Percentages shown are based on Net Assets)

Options Written	Notional Amount (000)	Value
Over-the-Counter Put Swaptions Written – (0.1)%		
Receive a fixed rate of 2.070% and pay a floating rate based on 3-month LIBOR, Expires 2/07/12, Broker UBS AG	USD 7,000	\$ (512)
Receive a fixed rate of 2.410% and pay a floating rate based on 3-month LIBOR, Expires 8/16/13, Broker JPMorgan Chase Bank, N.A.	5,000	(94,826)
Receive a fixed rate of 3.773% and pay a floating rate based on 3-month LIBOR, Expires 11/23/12, Broker UBS AG	2,100	(19,551)
Receive a fixed rate of 3.825% and pay a floating rate based on 3-month LIBOR, Expires 12/12/11, Broker JPMorgan Chase Bank, N.A.	1,400	(126)
Receive a fixed rate of 3.853% and pay a floating rate based on 3-month LIBOR, Expires 12/12/11, Broker UBS AG	2,200	(178)
Receive a fixed rate of 3.895% and pay a floating rate based on 3-month LIBOR, Expires 6/09/14, Broker Royal Bank of Scotland Plc	4,000	(48,913)
Receive a fixed rate of 3.896% and pay a floating rate based on 3-month LIBOR, Expires 3/19/12, Broker UBS AG	3,500	(4,539)
Receive a fixed rate of 3.975% and pay a floating rate based on 3-month LIBOR, Expires 4/20/12, Broker Citibank, N.A.	1,200	(2,073)
Receive a fixed rate of 4.015% and pay a floating rate based on 3-month LIBOR, Expires 3/26/12, Broker UBS AG	1,600	(1,820)
Receive a fixed rate of 4.020% and pay a floating rate based on 3-month LIBOR, Expires 2/02/12, Broker UBS AG	2,200	(880)
Receive a fixed rate of 4.030% and pay a floating rate based on 3-month LIBOR, Expires 12/06/12, Broker UBS AG	1,200	(8,827)
Receive a fixed rate of 4.030% and pay a floating rate based on 3-month LIBOR, Expires 4/16/12, Broker UBS AG	3,800	(5,631)
Receive a fixed rate of 4.495% and pay a floating rate based on 3-month LIBOR, Expires 12/12/11, Broker JPMorgan Chase Bank, N.A.	3,000	(19)
Receive a fixed rate of 4.520% and pay a floating rate based on 3-month LIBOR, Expires 3/01/13, Broker UBS AG	1,500	(9,440)
Receive a fixed rate of 5.000% and pay a floating rate based on 3-month LIBOR, Expires 4/22/13, Broker JPMorgan Chase Bank, N.A.	4,500	(22,327)
		(219,662)
Total Options Written		
(Premiums Received – \$3,200,429) – (2.0)%		(5,786,577)
Total Investments Net of Options Written – 101.9%		298,470,027
Liabilities in Excess of Other Assets – (1.9)%		(5,581,255)
Net Assets – 100.0%		\$292,888,772

- * The cost and unrealized appreciation (depreciation) of investments as of September 30, 2011, as computed for federal income tax purposes, were as follows:
- | | |
|-------------------------------|---------------|
| Aggregate cost | \$271,820,796 |
| Gross unrealized appreciation | \$ 36,520,475 |
| Gross unrealized depreciation | (4,084,667) |
| Net unrealized appreciation | \$ 32,435,808 |
- (a) Security exempt from registration under Rule 144A of the Securities Act of 1933. 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) Non-income producing security.
- (d) Issuer filed for bankruptcy and/or is in default of interest payments.
- (e) All or a portion of security has been pledged as collateral in connection with swaps.
- (f) Represents a payment-in-kind security which may pay interest/dividends in additional par/shares.
- (g) Security is perpetual in nature and has no stated maturity date.
- (h) All or a portion of security has been pledged as collateral in connection with open financial futures contracts.
- (i) Represents a zero-coupon bond. Rate shown reflects the current yield as of report date.
- (j) Represents or includes a TBA transaction. Unsettled TBA transactions as of report date were as follows:

Counterparty	Value	Unrealized Appreciation (Depreciation)
Goldman Sachs Bank USA	\$ 218,000	\$ (938)
Morgan Stanley Capital Services, Inc.	\$3,855,625	\$17,758

- (k) All or a portion of security has been pledged as collateral in connection with open reverse repurchase agreements.
- (l) Investments in companies considered to be an affiliate of the Fund during the year, for purposes of Section 2(a)(3) of the Investment Company Act of 1940, as amended, were as follows:

Affiliate	Shares Held at September 30, 2010	Net Activity	Shares Held at September 30, 2011	Realized Gain	Income
BlackRock Liquidity Funds, TempFund, Institutional Class	1,515,742	4,229,886	5,745,628	\$5	\$7,204

- (m) Represents the current yield as of report date.

- Reverse repurchase agreements outstanding as of September 30, 2011 were as follows:

Counterparty	Interest Rate	Trade Date	Maturity Date ¹	Net Closing Amount	Face Amount
Deutsche Bank AG	0.10%	5/19/11	Open	\$7,502,813	\$7,500,000

¹Certain agreements have no stated maturity and can be terminated by either party at any time.

See Notes to Financial Statements.

Schedule of Investments (continued)

BlackRock Long Duration Bond Portfolio

- Foreign currency exchange contracts as of September 30, 2011 were as follows:

Currency Purchased	Currency Sold	Counterparty	Settlement Date	Unrealized Appreciation (Depreciation)
EUR 160,000	USD 216,784	Citibank, N.A.	10/03/11	\$ (2,425)
EUR 90,000	USD 120,580	Citibank, N.A.	10/05/11	(3)
CAD 1,324,500	USD 1,285,224	Deutsche Bank AG	10/07/11	(21,491)
USD 1,339,513	CAD 1,324,500	Citibank, N.A.	10/07/11	75,781
USD 120,559	EUR 90,000	Citibank, N.A.	10/26/11	(18)
USD 120,203	EUR 89,000	Citibank, N.A.	10/26/11	989
USD 216,730	EUR 160,000	Citibank, N.A.	10/26/11	2,413
USD 107,763	EUR 80,000	Deutsche Bank AG	10/26/11	604
USD 48,223	EUR 35,000	Royal Bank of Scotland Plc	10/26/11	1,341
USD 112,302	EUR 82,000	Royal Bank of Scotland Plc	10/26/11	2,464
USD 106,838	EUR 79,000	UBS AG	10/26/11	1,019
USD 1,282,517	CAD 1,324,500	Deutsche Bank AG	1/18/12	21,277
Total				\$ 81,951

- Financial futures contracts purchased as of September 30, 2011 were as follows:

Contracts	Issue	Exchange	Expiration	Notional Value	Unrealized Appreciation
143	U.S. Treasury Bonds (30 Year)	Chicago Board Options Chicago	December 2011	\$20,395,375	\$ 831,433
284	Ultra Treasury Bonds	Chicago Board Options	December 2011	\$45,049,500	4,203,463
Total					\$5,034,896

- Financial futures contracts sold as of September 30, 2011 were as follows:

Contracts	Issue	Exchange	Expiration	Notional Value	Unrealized Appreciation (Depreciation)
76	U.S. Treasury Notes (2 Year)	Chicago Board Options	December 2011	\$16,735,438	\$ 18,931
159	U.S. Treasury Notes (5 Year)	Chicago Board Options	December 2011	\$19,475,016	5,917
118	U.S. Treasury Notes (10 Year)	Chicago Board Options	December 2011	\$15,351,062	(37,697)
1	Euro-Bund	Eurex	December 2011	\$ 182,862	(1,660)
Total					\$(14,509)

- Interest rate swaps outstanding as of September 30, 2011 were as follows:

Fixed Rate	Floating Rate	Counterparty	Expiration Date	Notional Amount (000)	Unrealized Appreciation (Depreciation)
1.85%(a)	3-month LIBOR	UBS AG	6/22/16	USD 1,100	\$ 39,599
2.20%(a)	3-month LIBOR	Bank of America, N.A.	8/22/16	USD 600	29,342
3.38%(a)	3-month LIBOR	Deutsche Bank AG	5/04/21	USD 2,700	350,963
4.04%(a)	3-month LIBOR	Royal Bank of Scotland Plc	5/10/21	USD 6,600	992,661
3.06%(a)	3-month LIBOR	Credit Suisse International	7/22/21	USD 500	46,898
2.64%(a)	3-month LIBOR	Deutsche Bank AG	8/09/21	USD 2,900	153,766
5.86%(a)	3-month LIBOR	JPMorgan Chase Bank, N.A.	8/17/21	USD 1,000	307,189
2.17%(a)	3-month LIBOR	Citibank, N.A.	9/13/21	USD 1,500	10,553
2.04%(b)	3-month LIBOR	Deutsche Bank AG	9/28/21	USD 5,500	33,550
3.96%(b)	3-month LIBOR	Citibank, N.A.	5/19/41	USD 4,300	(1,200,350)
3.93%(b)	3-month LIBOR	Citibank, N.A.	7/21/41	USD 300	(79,988)
3.01%(a)	3-month LIBOR	Deutsche Bank AG	9/13/41	USD 500	34,083
2.63%(a)	3-month LIBOR	Deutsche Bank AG	9/26/41	USD 1,200	(15,854)
2.88%(b)	3-month LIBOR	Credit Suisse International	9/29/41	USD 600	(23,357)
Total					\$ 679,055

(a) Fund pays a floating interest rate and receives fixed rate.

(b) Fund pays a fixed interest rate and receives floating rate.

See Notes to Financial Statements.

Schedule of Investments (concluded)

BlackRock Long Duration Bond Portfolio

- Credit default swaps on single-name issues - sold protection outstanding as of September 30, 2011 were as follows:

Issuer	Receive Fixed Rate	Counterparty	Expiration Date	Issuer Credit Rating ¹	Notional Amount (000) ²	Unrealized Appreciation (Depreciation)
Aviva USA Corp.	1.00%	Deutsche Bank AG	5/25/12	NR	USD 950	\$ 1,164
Assured Guaranty Corp.	5.00%	Citibank, N.A.	12/20/14	AA+	USD 115	(750)
Assured Guaranty Corp.	5.00%	Citibank, N.A.	3/20/15	AA+	USD 485	(5,622)
MetLife, Inc.	5.00%	Deutsche Bank AG	6/20/15	A-	USD 575	(6,207)
Total						\$(11,415)

¹ Using S&P's rating.

² The maximum potential amount the Fund may pay should a negative credit event take place as defined under the terms of the agreement.

- 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 industry sub-classifications for reporting ease.
- Fair Value Measurements - Various inputs are used in determining the fair value of investments and derivative financial instruments. These inputs are categorized in three broad levels for financial statement purposes as follows:
 - Level 1 - price quotations in active markets/exchanges for identical assets and liabilities
 - 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 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 does not necessarily correspond to the Fund's perceived risk of investing in those securities. For information about the Fund's policy regarding valuation of investments and derivative financial instruments and other significant accounting policies, please refer to Note 1 of the Notes to Financial Statements.

The following tables summarize the inputs used as of September 30, 2011 in determining the fair valuation of the Fund's investments and derivative financial instruments:

Valuation Inputs	Level 1	Level 2	Level 3	Total
Assets:				
Investments:				
Long-Term Investments:				
Asset-Backed Securities.....	—	\$ 5,184,130	\$ 1,812,623	\$ 6,996,753
Corporate Bonds ...	—	146,549,194	—	146,549,194
Foreign Agency Obligations.....	—	4,921,961	—	4,921,961
Foreign Government Obligations.....	—	5,084,811	—	5,084,811
Non-Agency Mortgage-Backed Securities.....	—	6,488,403	—	6,488,403
Preferred Securities..	—	5,968,671	—	5,968,671
Taxable Municipal Bonds.....	—	13,953,891	—	13,953,891
U.S. Government Sponsored Agency Securities.....	—	15,350,784	—	15,350,784
U.S. Treasury Obligations.....	—	89,818,727	—	89,818,727
Short-Term Securities..	\$ 5,745,628	—	—	5,745,628
Total	\$ 5,745,628	\$293,320,572	\$ 1,812,623	\$300,878,823

Valuation Inputs	Level 1	Level 2	Level 3	Total
Derivative Financial Instruments¹				
Assets:				
Credit contracts	—	—	\$1,164	\$ 1,164
Foreign currency exchange contracts.....	—	\$ 105,888	—	105,888
Interest rate contracts	\$5,091,806	5,344,323	—	10,436,129
Liabilities:				
Credit contracts	—	(12,579)	—	(12,579)
Foreign currency exchange contracts.....	(2,428)	(21,509)	—	(23,937)
Interest rate contracts	(62,982)	(7,082,501)	—	(7,145,483)
Total	\$5,026,396	\$(1,666,378)	\$1,164	\$ 3,361,182

¹ Derivative financial instruments are swaps, financial futures contracts, foreign currency exchange contracts and options. Swaps, financial futures contracts and foreign currency exchange contracts are valued at the unrealized appreciation/depreciation on the instrument and options are shown at value.

See Notes to Financial Statements.

Schedule of Investments September 30, 2011

BlackRock Multi-Sector Bond Portfolio (Percentages shown are based on Net Assets)

Asset-Backed Securities	Par (000)	Value	Corporate Bonds	Par (000)	Value
321 Henderson Receivables I LLC: Series 2010-2A, Class A, 4.07%, 1/15/28 (a)	USD 462	\$ 481,007	Auto Components – 0.1% BorgWarner, Inc., 4.63%, 9/15/20	USD 85	\$ 91,422
Series 2010-3A, Class A, 3.82%, 1/15/32 (a)	472	475,007	Building Products – 0.0% Lafarge SA, 7.13%, 7/15/36	50	43,159
Capital One Multi-Asset Execution Trust: Series 2004-3C, Class 3C, 6.63%, 4/19/17 (b)	GBP 200	328,079	Capital Markets – 1.8% Credit Suisse AG, 5.40%, 1/14/20	80	76,857
Series 2006-A5, Class A5, 0.29%, 3/15/13 (b)	USD 290	289,291	The Goldman Sachs Group, Inc., 3.63%, 2/07/16	350	340,751
Citibank Omni Master Trust: Series 2009-A8, Class A8, 2.33%, 5/15/12 (a)(b)	625	630,319	Morgan Stanley: 2.79%, 5/14/13 (b)	250	241,743
Series 2009-A12, Class A12, 3.35%, 8/15/12 (a)	250	254,532	5.50%, 7/28/21	260	240,827
Series 2009-A13, Class A13, 5.35%, 8/15/14 (a)	250	273,982	UBS AG, 2.25%, 8/12/13	780	766,015
Series 2009-A17, Class A17, 4.90%, 11/17/14 (a)	550	598,832			1,666,193
Credit Acceptance Auto Loan Trust, Series 2010-1, Class B, 3.63%, 10/15/18 (a)	600	600,913	Chemicals – 0.9% CF Industries, Inc., 7.13%, 5/01/20	225	256,219
Ford Credit Auto Owner Trust, Series 2009-B, Class A4, 4.50%, 7/15/14	300	312,958	Nalco Co., 6.63%, 1/15/19 (a)	500	547,500
Ford Credit Floorplan Master Owner Trust, Series 2010-1, Class A, 1.88%, 12/15/12 (a)(b)	100	101,448			803,719
Santander Consumer Acquired Receivables Trust: Series 2011-S1A, Class B, 1.66%, 6/15/13 (a)	462	458,046	Commercial Banks – 4.3% Barclays Bank Plc, 6.00%, 1/14/21	EUR 100	110,572
Series 2011-S1A, Class C, 2.01%, 6/15/13 (a)	159	156,625	BNP Paribas SA/BNP Paribas US Medium-Term Note Program LLC, 4.80%, 6/24/15	USD 50	46,993
Series 2011-S1A, Class D, 3.15%, 6/15/13 (a)	160	158,555	CIT Group, Inc.: 7.00%, 5/01/17	69	66,602
Series 2011-WO, Class C, 3.19%, 8/15/14 (a)	180	182,448	7.00%, 5/02/17 (a)	10	9,700
Santander Drive Auto Receivables Trust: Series 2010-2, Class B, 2.24%, 12/15/14	225	224,703	Commerzbank AG, 6.38%, 3/22/19	EUR 50	50,348
Series 2010-2, Class C, 3.89%, 7/17/17	265	269,828	Deutsche Bank AG, 5.00%, 6/24/20	100	126,517
Series 2011-S1A, Class B, 1.48%, 7/15/13 (a)	139	138,051	DnB NOR Boligkredit, 2.90%, 3/29/16 (a)	USD 795	823,872
Series 2011-S1A, Class D, 3.10%, 3/15/13 (a)	149	148,119	HSBC Bank Brasil SA - Banco Multiplo, 4.00%, 5/11/16 (a)	400	391,000
SLM Student Loan Trust: Series 2008-5, Class A3, 1.55%, 1/25/18 (b)	190	193,823	HSBC Bank Plc, 3.10%, 5/24/16 (a)	195	193,864
Series 2008-5, Class A4, 1.95%, 7/25/23 (b)	800	821,743	HSBC Holdings Plc, 6.25%, 3/19/18	EUR 100	135,571
			ICICI Bank Ltd./Dubai, 4.75%, 11/25/16 (a)	USD 200	191,213
Total Asset-Backed Securities – 7.8%		7,098,309	LBG Capital No.1 Plc, 7.59%, 5/12/20	GBP 85	96,761
			Lloyds TSB Bank Plc, 6.38%, 6/17/16	EUR 100	139,098
Collateralized Debt Obligations – 0.4%			Oversea-Chinese Banking Corp. Ltd., 3.75%, 11/15/22 (b)	USD 1,000	954,655
Centurion CDO VIII Ltd., Series 2005-8A, Class B2, 1.34%, 3/08/17(a)(b)	500	395,000	Sparebank 1 Boligkredit AS, 2.63%, 5/27/16 (a)	475	484,957
			UniCredit SpA, 5.00%, 2/01/16	GBP 50	49,899
					3,871,622
Corporate Bonds			Commercial Services & Supplies – 0.7% The Hertz Corp., 7.38%, 1/15/21	USD 510	466,013
Aerospace & Defense – 0.1%			PostNL NV, 5.38%, 11/14/17	EUR 100	134,154
Finmeccanica Finance SA, 5.25%, 1/21/22	EUR 50	58,040			600,167
			Consumer Finance – 1.6% Capital One Financial Corp.: 3.15%, 7/15/16	USD 695	688,042
			4.75%, 7/15/21	205	205,337
			Credit Acceptance Corp., 9.13%, 2/01/17 (a)	330	324,225
			SLM Corp., 6.25%, 1/25/16	201	197,288
					1,414,892
			Diversified Financial Services – 4.6% AngloGold Ashanti Holdings Plc, 5.38%, 4/15/20	95	93,074
			Bank of America Corp.: 6.00%, 9/01/17	120	115,452

See Notes to Financial Statements.

Schedule of Investments (continued)

BlackRock Multi-Sector Bond Portfolio (Percentages shown are based on Net Assets)

Corporate Bonds	Par (000)	Value
Diversified Financial Services (concluded)		
7.63%, 6/01/19	USD 350	\$ 367,646
BP Capital Markets Plc: 3.88%, 3/10/15	250	265,054
3.13%, 10/01/15	100	103,328
Citigroup, Inc.:		
5.00%, 9/15/14	80	78,461
4.59%, 12/15/15	825	847,079
6.00%, 8/15/17	30	31,837
8.50%, 5/22/19	435	525,402
5.38%, 8/09/20	120	124,322
Crown Castle Towers LLC, 6.11%, 1/15/20 (a)	475	533,900
Ford Motor Credit Co. LLC, 6.63%, 8/15/17	250	260,327
General Electric Capital Corp., 5.50%, 1/08/20	145	158,156
JPMorgan Chase & Co.:		
3.15%, 7/05/16	38	37,753
4.63%, 5/10/21	320	327,135
Novus USA Trust, Series 2010-1, 1.54%, 11/18/11 (a)(b)	270	268,166
Woodside Finance Ltd., 4.60%, 5/10/21 (a)	60	61,983
		4,199,075
Diversified Telecommunication Services – 1.4%		
Intelsat Jackson Holdings SA, 7.25%, 4/01/19 (a)	112	103,880
Level 3 Escrow, Inc., 8.13%, 7/01/19 (a)	120	106,050
Level 3 Financing, Inc., 8.75%, 2/15/17	22	20,267
OTE Plc, 6.00%, 2/12/15 (c)	EUR 75	63,554
Qwest Communications International, Inc.:		
8.00%, 10/01/15	USD 176	183,040
7.13%, 4/01/18	84	82,320
Qwest Corp.:		
7.63%, 6/15/15	57	60,990
8.38%, 5/01/16	59	64,753
6.50%, 6/01/17	31	32,008
Telefonica Emisiones SAU, 3.99%, 2/16/16	60	57,091
Verizon Communications, Inc., 6.40%, 2/15/38	379	464,549
		1,238,502
Electric Utilities – 1.6%		
Alabama Power Co., 3.95%, 6/01/21	130	141,100
The Cleveland Electric Illuminating Co.:		
8.88%, 11/15/18	14	18,934
5.95%, 12/15/36	65	68,046
Enbw International Finance BV, 6.13%, 7/07/39	EUR 100	154,867
Energy Future Intermediate Holding Co. LLC/EFIH Finance, Inc., 10.00%, 12/01/20	USD 505	492,375
Florida Power Corp., 6.40%, 6/15/38	105	137,784
Jersey Central Power & Light Co., 7.35%, 2/01/19	75	95,574
MidAmerican Energy Holdings Co., 5.95%, 5/15/37	190	223,564
Trans-Allegheny Interstate Line Co., 4.00%, 1/15/15 (a)	75	78,764
		1,411,008
Energy Equipment & Services – 0.4%		
EnSCO Plc:		
3.25%, 3/15/16	50	50,770
4.70%, 3/15/21	106	108,039
Transocean, Inc., 6.00%, 3/15/18	130	138,422
Weatherford International Ltd./Bermuda, 6.75%, 9/15/40	50	53,324
		350,555

Corporate Bonds	Par (000)	Value
Food Products – 0.4%		
Kraft Foods, Inc., 6.13%, 2/01/18	USD 280	\$ 328,661
Gas Utilities – 0.1%		
KeySpan Gas East Corp., 5.82%, 4/01/41 (a)	70	84,994
Health Care Providers & Services – 0.8%		
HCA, Inc., 6.50%, 2/15/20	442	432,055
Tenet Healthcare Corp., 9.00%, 5/01/15	250	263,750
		695,805
Hotels, Restaurants & Leisure – 0.3%		
Enterprise Inns Plc, 6.50%, 12/06/18	GBP 15	16,842
MGM Resorts International, 10.38%, 5/15/14	USD 110	120,038
Yum! Brands, Inc.:		
6.25%, 4/15/16	79	92,500
5.30%, 9/15/19	52	58,719
		288,099
Household Products – 0.3%		
Reynolds Group Issuer, Inc./Reynolds Group Issuer LLC/Reynolds Group Issuer Luxembourg SA, 7.88%, 8/15/19 (a)	325	313,625
Insurance – 2.4%		
Allianz Finance II BV, 5.75%, 7/08/41 (b)	EUR 200	211,385
American International Group, Inc., 5.45%, 5/18/17	USD 110	105,333
CNP Assurances, 6.00%, 9/14/40 (b)	EUR 100	95,351
Fairfax Financial Holdings Ltd., 5.80%, 5/15/21 (a)	USD 180	171,354
Hartford Financial Services Group, Inc., 6.00%, 1/15/19	90	90,422
ING Verzekeringen NV, 6.38%, 5/07/27 (b)	EUR 100	95,122
Lincoln National Corp., 6.25%, 2/15/20	USD 200	210,230
Manulife Financial Corp., 3.40%, 9/17/15	360	366,291
Metropolitan Life Global Funding I, 5.13%, 6/10/14 (a)	250	270,016
Prudential Financial, Inc.:		
4.75%, 9/17/15	250	260,980
5.38%, 6/21/20	140	146,906
4.50%, 11/15/20	130	129,150
Swiss Reinsurance Co. via ELM BV, 5.25%, 12/31/49 (b)	EUR 50	52,585
		2,205,125
Machinery – 0.0%		
Navistar International Corp., 3.00%, 10/15/14	USD 30	29,775
Media – 4.4%		
CBS Corp.:		
4.63%, 5/15/18	45	48,161
8.88%, 5/15/19	100	127,716
5.75%, 4/15/20	80	88,039
CCH II LLC/CCH II Capital Corp., 13.50%, 11/30/16	340	387,600
Clear Channel Worldwide Holdings, Inc., 9.25%, 12/15/17	50	51,125
Comcast Cable Communications Holdings, Inc., 9.46%, 11/15/22	276	398,227
COX Communications, Inc., 8.38%, 3/01/39 (a)	240	330,590
CSC Holdings LLC, 8.50%, 4/15/14	77	83,064
DIRECTV Holdings LLC/DIRECTV Financing Co., Inc., 3.13%, 2/15/16	170	172,964
DISH DBS Corp., 7.13%, 2/01/16	250	253,125
NBCUniversal Media LLC:		
5.15%, 4/30/20	194	212,737
4.38%, 4/01/21	330	338,955

See Notes to Financial Statements.

Schedule of Investments (continued)

BlackRock Multi-Sector Bond Portfolio (Percentages shown are based on Net Assets)

Corporate Bonds		Par (000)	Value
Media (concluded)			
The New York Times Co., 6.63%, 12/15/16	USD	650	\$ 646,750
Time Warner Cable, Inc.:			
5.88%, 11/15/40		140	143,451
5.50%, 9/01/41		130	128,493
Virgin Media Secured Finance Plc:			
6.50%, 1/15/18		450	478,125
7.00%, 1/15/18	GBP	50	79,725
			3,968,847
Metals & Mining – 1.0%			
Barrick Gold Corp., 2.90%, 5/30/16	USD	715	724,392
Barrick North America Finance LLC, 4.40%, 5/30/21		5	5,127
Cliffs Natural Resources, Inc., 4.88%, 4/01/21		160	154,655
			884,174
Multiline Retail – 0.5%			
Dollar General Corp., 11.88%, 7/15/17 (d)		135	149,175
Macy's Retail Holdings, Inc., 5.90%, 12/01/16		270	296,331
			445,506
Multi-Utilities – 0.3%			
CenterPoint Energy, Inc., 6.50%, 5/01/18		225	264,635
Oil, Gas & Consumable Fuels – 5.4%			
Anadarko Petroleum Corp.:			
5.95%, 9/15/16		316	345,640
6.38%, 9/15/17		324	363,471
6.95%, 6/15/19		58	67,281
Arch Coal, Inc., 7.25%, 10/01/20		970	931,200
Chesapeake Energy Corp., 6.63%, 8/15/20		216	222,480
Consol Energy, Inc.:			
8.00%, 4/01/17		70	73,150
8.25%, 4/01/20		25	26,313
Denbury Resources, Inc., 8.25%, 2/15/20		500	525,000
El Paso Corp., 6.50%, 9/15/20		100	106,790
El Paso Pipeline Partners Operating Co. LLC, 6.50%, 4/01/20		70	77,053
Enterprise Products Operating LLC:			
5.20%, 9/01/20		80	87,960
6.13%, 10/15/39		130	141,541
Kinder Morgan Energy Partners LP:			
6.55%, 9/15/40		35	39,084
6.38%, 3/01/41		50	53,076
Marathon Petroleum Corp., 6.50%, 3/01/41 (a)		245	264,308
MEG Energy Corp., 6.50%, 3/15/21 (a)		285	272,887
New World Resources NV, 7.88%, 5/01/18	EUR	50	57,609
Nexen, Inc., 7.50%, 7/30/39	USD	250	292,797
Plains Exploration & Production Co., 10.00%, 3/01/16		30	32,550
Pride International, Inc., 6.88%, 8/15/20		70	80,772
Range Resources Corp., 5.75%, 6/01/21		30	31,125
Rockies Express Pipeline LLC:			
3.90%, 4/15/15 (a)		133	136,314
6.85%, 7/15/18 (a)		62	65,145
Valero Energy Corp.:			
6.13%, 2/01/20		80	88,771
6.63%, 6/15/37		56	60,165
Western Gas Partners LP, 5.38%, 6/01/21		205	205,674
Williams Partners LP, 4.13%, 11/15/20		280	277,827
			4,925,983
Paper & Forest Products – 0.7%			
Clearwater Paper Corp., 7.13%, 11/01/18		500	496,250

Corporate Bonds		Par (000)	Value
Paper & Forest Products (concluded)			
International Paper Co., 5.30%, 4/01/15	USD	13	\$ 13,794
Inversiones CMPC SA, 4.75%, 1/19/18 (a)		100	101,088
			611,132
Real Estate Investment Trusts (REITs) – 0.5%			
Camden Property Trust, 5.00%, 6/15/15		180	192,116
Hospitality Properties Trust, 5.63%, 3/15/17		100	101,526
Mack-Cali Realty LP, 7.75%, 8/15/19		80	94,846
Ventas Realty LP/Ventas Capital Corp., 4.75%, 6/01/21		80	76,830
			465,318
Real Estate Management & Development – 0.5%			
Franshion Development Ltd., 6.75%, 4/15/21 (a)		200	138,000
Realogy Corp., 7.88%, 2/15/19 (a)		134	101,170
The Unique Pub Finance Co. Plc, 5.66%, 6/30/27	GBP	125	120,854
WEA Finance LLC, 4.63%, 5/10/21 (a)	USD	90	85,941
			445,965
Road & Rail – 0.4%			
Burlington Northern Santa Fe LLC, 5.75%, 5/01/40		315	370,581
Software – 0.2%			
First Data Corp., 7.38%, 6/15/19 (a)		185	164,187
Oracle Corp., 5.38%, 7/15/40 (a)		25	29,000
			193,187
Specialty Retail – 0.0%			
Punch Taverns Finance Plc, 7.27%, 4/15/22	GBP	20	28,225
Thriffs & Mortgage Finance – 0.7%			
The PMI Group, Inc., 6.00%, 9/15/16	USD	217	75,950
Radian Group, Inc.:			
5.63%, 2/15/13		400	302,000
5.38%, 6/15/15		400	240,000
			617,950
Wireless Telecommunication Services – 0.4%			
America Movil SAB de CV, 2.38%, 9/08/16		225	217,575
Cricket Communications, Inc., 7.75%, 5/15/16		132	132,495
MetroPCS Wireless, Inc., 7.88%, 9/01/18		58	56,260
			406,330
Total Corporate Bonds – 36.8%			33,322,271
Exchange-Traded Funds – 0.6%			
			Shares
iShares JPMorgan USD Emerging Markets Bond Fund (e)		5,000	527,150
Foreign Agency Obligations			
			Par (000)
Bank of India, 6.25%, 2/16/21	USD	260	254,216
Gazprom OAO Via RBS AG, 9.63%, 3/01/13		300	316,749
Hydro Quebec:			
9.40%, 2/01/21		110	168,706
8.40%, 1/15/22		225	329,453
8.05%, 7/07/24		535	795,794

See Notes to Financial Statements.

Schedule of Investments (continued)

BlackRock Multi-Sector Bond Portfolio
(Percentages shown are based on Net Assets)

Foreign Agency Obligations	Par (000)	Value	Non-Agency Mortgage-Backed Securities	Par (000)	Value
Kreditanstalt fuer Wiederaufbau, 2.00%, 6/01/16	USD 180	\$ 186,846	Collateralized Mortgage Obligations (concluded)		
National Agricultural Cooperative Federation, 3.50%, 2/08/17 (a)	200	191,065	Series 2005-1, Class 4A1, 5.24%, 3/25/35 (b)	USD 344	\$ 306,007
Petrobras International Finance Co.: 3.88%, 1/27/16	420	416,640	Countrywide Alternative Loan Trust: Series 2005-50CB, Class 1A1, 5.50%, 11/25/35	1,297	977,755
5.75%, 1/20/20	345	358,110	Series 2006-41CB, Class 1A4, 5.75%, 1/25/37	483	345,063
Russian Agricultural Bank OJSC Via RSHB Capital SA, 6.30%, 5/15/17	230	226,550	Series 2006-0A21, Class A1, 0.42%, 3/20/47 (b)	565	281,626
Total Foreign Agency Obligations – 3.6%		3,244,129	Countrywide Home Loan Mortgage Pass-Through Trust, Series 2006-1, Class A2, 6.00%, 3/25/36	277	227,074
			Credit Suisse Mortgage Capital Certificates: Series 2006-5, Class 3A3, 6.50%, 6/25/36	878	484,233
Foreign Government Obligations			Series 2006-8, Class 3A1, 6.00%, 10/25/21	270	220,909
Belgium – 0.3%			GMAC Mortgage Corp. Loan Trust, Series 2005-AR3, Class 5A1, 5.11%, 6/19/35 (b)	427	394,496
Belgium Government Bond, 3.50%, 6/28/17	EUR 195	265,065	GSR Mortgage Loan Trust, Series 2005-AR1, Class 2A1, 2.91%, 1/25/35 (b)	318	281,937
Brazil – 0.1%			Harborview Mortgage Loan Trust: Series 2005-8, Class 1A2A, 0.56%, 9/19/35 (b)	1,134	684,874
Federative Republic of Brazil, 7.13%, 1/20/37	USD 25	31,938	Series 2006-11, Class A1A, 0.40%, 12/19/36 (b)	475	245,329
Greece – 0.1%			Holmes Master Issuer Plc, Series 2007-2A, Class 3A1, 0.33%, 7/15/21 (b)	83	83,297
Hellenic Republic Government Bond: 4.60%, 5/20/13	EUR 63	39,003	IndyMac INDA Mortgage Loan Trust, Series 2006-AR2, Class 4A1, 5.46%, 9/25/36 (b)	552	398,853
3.60%, 7/20/16	62	33,384	JPMorgan Mortgage Trust, Series 2006-S2, Class 2A2, 5.88%, 6/25/21	167	157,961
		72,387	Structured Adjustable Rate Mortgage Loan Trust, Series 2007-3, Class 3A1, 5.30%, 4/25/47 (b)	430	273,338
Indonesia – 0.2%			WaMu Mortgage Pass-Through Certificates, Series 2005-AR12, Class 1A8, 2.50%, 10/25/35 (b)	362	287,425
Republic of Indonesia, 4.88%, 5/05/21	USD 200	202,000	Wells Fargo Mortgage Backed Securities Trust, Series 2006-AR18, Class 2A1, 5.40%, 11/25/36 (b)	320	243,245
Italy – 0.0%					6,973,360
Italy Buoni Poliennali Del Tesoro, 4.75%, 9/01/21	EUR 25	31,668	Commercial Mortgage-Backed Securities – 9.8%		
Mexico – 0.2%			Banc of America Merrill Lynch Commercial Mortgage, Inc.:		
United Mexican States: 5.63%, 1/15/17	USD 100	111,400	Series 2006-1, Class AM, 5.42%, 9/10/45 (b)	450	450,816
5.13%, 1/15/20	85	92,013	Series 2006-4, Class AM, 5.68%, 8/10/16	100	93,296
		203,413	Series 2007-3, Class A2, 5.80%, 7/10/12 (b)	470	476,669
Poland – 0.4%			Bear Stearns Commercial Mortgage Securities, Series 2005-PW10, Class AM, 5.45%, 12/15/15 (b)	40	38,143
Poland Government International Bond: 6.38%, 7/15/19	60	66,000	Citigroup/Deutsche Bank Commercial Mortgage Trust:		
5.13%, 4/21/21	240	239,400	Series 2006-CD3, Class A5, 5.62%, 10/15/48	530	557,252
		305,400	Series 2007-CD5, Class A4, 5.89%, 8/15/17 (b)	375	402,239
Russia – 0.4%					
Russia Federation, 7.50%, 3/31/30 (c)	342	384,692			
South Africa – 0.7%					
Republic of South Africa, 5.50%, 3/09/20	600	656,250			
Turkey – 0.1%					
Republic of Turkey, 7.00%, 3/11/19	100	112,000			
Total Foreign Government Obligations – 2.5%		2,264,813			
Non-Agency Mortgage-Backed Securities					
Collateralized Mortgage Obligations – 7.7%					
Adjustable Rate Mortgage Trust, Series 2007-1, Class 3A21, 5.69%, 3/25/37 (b)	130	113,248			
Banc of America Funding Corp., Series 2005-H, Class 2A1, 2.95%, 11/20/35 (b)	622	395,925			
Bear Stearns Adjustable Rate Mortgage Trust: Series 2004-8, Class 14A1, 5.38%, 11/25/34 (b)	653	570,765			

See Notes to Financial Statements.

Schedule of Investments (continued)

BlackRock Multi-Sector Bond Portfolio
(Percentages shown are based on Net Assets)

Non-Agency Mortgage-Backed Securities	Par (000)	Value	Preferred Securities	Par (000)/ Shares	Value
Commercial Mortgage-Backed Securities (concluded)			Capital Trusts		
Commercial Mortgage Pass Through Certificates, Series 2006-C7, Class AM, 5.97%, 6/10/46 (b)	USD 350	\$ 333,877	Capital Markets – 0.1% Credit Suisse AG/Guernsey, 5.86% (b)(g)	USD 100	\$ 78,500
Credit Suisse Mortgage Capital Certificates: Series 2007-C2, Class A2, 5.45%, 1/15/49 (b)	485	486,619	State Street Capital Trust IV, 1.35%, 6/01/37 (b)	20	13,704
Series 2007-C3, Class A2, 5.90%, 6/15/39 (b)	302	305,237			92,204
Series 2010-RR1, Class 2A, 5.70%, 7/15/17 (a)(b)	205	227,244	Commercial Banks – 0.2%		
Extended Stay America Trust: Series 2010-ESHA, Class A, 2.95%, 11/05/15 (a)	172	169,467	Fifth Third Capital Trust IV, 6.50%, 4/15/37 (b)	145	137,765
Series 2010-ESHA, Class C, 4.86%, 11/05/15 (a)	290	275,925	SunTrust Capital VIII, 6.10%, 12/15/36 (b)	20	19,800
Greenwich Capital Commercial Funding Corp., Series 2006-GG7, Class AM, 6.07%, 6/10/16 (b)	180	168,313	Wachovia Capital Trust III, 5.57% (b)(g)	15	12,300
JPMorgan Chase Commercial Mortgage Securities Corp.:					169,865
Series 2007-CB18, Class A3, 5.45%, 7/12/16	290	300,251	Consumer Finance – 0.1%		
Series 2007-CB18, Class A4, 5.44%, 1/12/17	450	467,368	Capital One Capital V, 10.25%, 8/15/39	55	55,825
Series 2007-CB19, Class A4, 5.93%, 4/12/17 (b)	450	476,903	Diversified Financial Services – 0.2%		
Series 2007-LD11, Class A2, 5.99%, 7/15/12 (b)	500	507,350	ABN AMRO North American Holding Preferred Capital Repackage Trust I, 6.52% (a)(b)(g)	160	118,400
Morgan Stanley Capital I:			JPMorgan Chase Capital XXV, 6.80%, 10/01/37	55	55,200
Series 1998-WF2, Class G, 6.34%, 7/15/30 (a)(b)	640	666,495			173,600
Series 2004-HQ4, Class A7, 4.97%, 4/14/40	250	264,422	Insurance – 0.3%		
Series 2007-IQ15, Class A2, 6.04%, 8/11/12 (b)	250	254,446	American International Group, Inc., 8.18%, 5/15/58 (b)	35	30,888
Morgan Stanley Reremic Trust:			Liberty Mutual Group, Inc., 10.75%, 6/15/58 (a)(b)	25	29,750
Series 2009-IQ, Class B, 7.26%, 11/17/14 (a)(f)	450	360,000	Swiss Re Capital I LP, 6.85% (a)(b)(g)	155	140,969
Series 2011-IQ, Class A, 2.50%, 1/23/14 (a)	89	88,669	XL Group Plc, 6.50% (b)(g)	110	86,350
RBSCF Trust, Series 2010-RR3, Class WBTA, 6.10%, 4/16/17 (a)(b)	450	499,102			287,957
Wachovia Bank Commercial Mortgage Trust:			Total Capital Trusts – 0.9%		
Series 2007-C33, Class A4, 6.10%, 7/15/17 (b)	540	568,686			779,451
Series 2007-C34, Class A3, 5.68%, 7/15/17	375	398,233	Preferred Stocks		
		8,837,022	Diversified Financial Services – 0.1%		
Total Non-Agency Mortgage-Backed Securities – 17.5%		15,810,382	Citigroup Capital XIII, 7.88%	3,155	83,324
			Thriffs & Mortgage Finance – 0.0%		
			Fannie Mae, 7.75%	10,000	18,990
			Total Preferred Stocks – 0.1%		
					102,314
			Total Preferred Securities – 1.0%		
					881,765

See Notes to Financial Statements.

Schedule of Investments (continued)

BlackRock Multi-Sector Bond Portfolio (Percentages shown are based on Net Assets)

Taxable Municipal Bonds	Par (000)	Value
New York City Municipal Water Finance Authority RB:		
5.38%, 6/15/43	USD 120	\$ 134,266
5.50%, 6/15/43	145	164,597
Total Taxable Municipal Bonds – 0.3%		298,863
U.S. Government Sponsored Agency Securities		
Agency Obligations – 0.3%		
Fannie Mae, 3.44%, 10/09/19 (f)	350	266,121
Collateralized Mortgage Obligations – 0.3%		
Freddie Mac, Series K013, Class A2, 3.97%, 1/25/21 (b)	270	295,019
Interest Only Collateralized Mortgage Obligations – 1.1%		
Fannie Mae:		
Series 2007-39, Class EI, 6.52%, 5/25/37 (b)	717	132,960
Series 2011-41, Class SB, 6.35%, 5/25/41 (b)	997	143,234
Freddie Mac:		
Series 3309, Class SG, 5.84%, 4/15/37 (b)	960	120,676
Series 3443, Class SE, 5.50%, 3/15/37 (b)	856	99,656
Series 3872, Class SL, 5.72%, 6/15/41 (b)	1,765	206,238
Series 3908, Class XS, 6.22%, 6/15/39 (b)	2,056	287,900
		990,664
Mortgage-Backed Securities – 109.5%		
Fannie Mae Mortgage-Backed Securities:		
4.00%, 3/01/26-10/01/41 (h)(i)	13,475	14,220,639
5.50%, 10/01/26-10/01/41 (h)	14,600	15,840,219
4.50%, 10/01/40-10/01/41 (h)	34,347	36,464,725
3.50%, 10/01/41 (h)	6,200	6,366,625
5.00%, 10/01/41 (h)	19,000	20,430,938
Freddie Mac Mortgage-Backed Securities,		
4.00%, 6/01/26-12/01/40 (h)	5,425	5,714,189
		99,037,335
Total U.S. Government Sponsored Agency Securities – 111.2%		100,589,139
U.S. Treasury Obligations		
U.S. Treasury Bonds, 3.75%, 8/15/41		
	1,725	2,008,280
U.S. Treasury Inflation Indexed Notes:		
0.63%, 7/15/21	221	230,194
1.75%, 1/15/28	324	374,813
U.S. Treasury Notes:		
0.25%, 9/15/14	700	696,556
1.50%, 8/31/18	200	200,969
2.13%, 8/15/21	4,595	4,676,148
Total U.S. Treasury Obligations – 9.0%		8,186,960
Total Long-Term Investments (Cost – \$173,151,573) – 190.7%		
		172,618,781

Short-Term Securities	Par (000)/ Shares	Value
Borrowed Bond Agreements – 6.1%		
Barclays Bank Plc, 0.00%, Open	EUR 94	\$ 125,434
Barclays Bank Plc, 0.15%, Open	57	75,836
Barclays Bank Plc, 0.30%, Open	103	137,351
Barclays Bank Plc, 0.35%, Open	56	75,682
Barclays Bank Plc, 0.38%, Open	56	74,691
Barclays Bank Plc, 0.45%, Open	55	74,175
Barclays Bank Plc, 0.65%, Open	112	149,717
Barclays Bank Plc, 1.25%, Open	142	190,172
Barclays Bank Plc, 1.25%, Open	72	95,874
Citibank, N.A., 0.00%, Open	109	145,530
Citibank, N.A., 0.60%, 10/12/11	938	1,256,213
Credit Suisse International, 0.15%, Open	46	61,377
Deutsche Bank AG, 0.00%, Open	USD 2,871	2,870,725
UBS AG, 0.75%, Open	EUR 153	205,483
		5,538,260

Money Market Funds – 0.2%	Par (000)/ Shares	Value
BlackRock Liquidity Funds, TempFund, Institutional Class, 0.09% (e)(j)	176,263	176,263
Total Short-Term Securities (Cost – \$5,840,791) – 6.3%		5,714,523

Options Purchased	Contracts	Notional Amount (000)
Exchange-Traded Call Options Purchased – 0.0%		
U.S. Treasury Notes (10 Year), Strike Price USD 131, Expires 11/25/11	15	14,297
U.S. Treasury Notes (10 Year), Strike Price USD 134, Expires 11/25/11	15	3,047
		17,344

Exchange-Traded Put Options Purchased – 0.0%	Contracts	Notional Amount (000)
Euro Dollar (1 Year) Mid-Curve, Strike Price USD 99.25, Expires 3/16/12	121	28,737

Over-the-Counter Call Options Purchased – 0.1%	Contracts	Notional Amount (000)
HKD Currency, Strike Price USD 7.30, Expires 11/10/11, Broker Citibank, N.A.	HKD 13,522	2
HKD Currency, Strike Price USD 7.70, Expires 11/10/11, Broker HSBC Securities, Inc.	9,022	405
HKD Currency, Strike Price USD 7.70, Expires 11/10/11, Broker HSBC Securities, Inc.	4,500	202
USD Currency, Strike Price AUD 0.92, Expires 11/18/11, Broker Goldman Sachs & Co.	USD 545	8,180
USD Currency, Strike Price AUD 0.92, Expires 11/18/11, Broker UBS AG	275	4,128
USD Currency, Strike Price CAD 1.07, Expires 11/10/11, Broker Royal Bank of Scotland Plc	150	1,573
USD Currency, Strike Price CAD 1.07, Expires 11/18/11, Broker Goldman Sachs & Co.	270	3,442
USD Currency, Strike Price CAD 1.07, Expires 11/18/11, Broker UBS AG	135	1,720
USD Currency, Strike Price EUR 1.31, Expires 11/18/11, Broker Goldman Sachs & Co.	1,080	16,038
USD Currency, Strike Price EUR 1.31, Expires 11/18/11, Broker UBS AG	540	8,019
USD Currency, Strike Price GBP 1.54, Expires 11/18/11, Broker Deutsche Bank AG	1,695	21,103
USD Currency, Strike Price GBP 1.54, Expires 11/18/11, Broker Goldman Sachs & Co.	815	10,147

See Notes to Financial Statements.

Schedule of Investments (continued)

BlackRock Multi-Sector Bond Portfolio (Percentages shown are based on Net Assets)

Options Purchased	Notional Amount (000)	Value
Over-the-Counter Call Options Purchased (concluded)		
USD Currency, Strike Price GBP 1.54, Expires 11/18/11, Broker UBS AG	USD 410	\$ 5,105 80,064
Over-the-Counter Put Options Purchased – 0.3%		
EUR Currency, Strike Price GBP 0.84, Expires 10/13/11, Broker Deutsche Bank AG	EUR 150	374
EUR Currency, Strike Price GBP 0.86, Expires 10/14/11, Broker UBS AG	208	1,733
AUD Currency, Strike Price USD 0.90, Expires 11/11/11, Broker Royal Bank of Scotland Plc	AUD 100	875
EUR Currency, Strike Price USD 1.38, Expires 10/14/11, Broker JPMorgan Chase Bank, N.A.	EUR 125	5,381
EUR Currency, Strike Price USD 1.41, Expires 11/16/11, Broker Deutsche Bank AG	3,230	243,718
		252,081
Over-the-Counter Call Swaptions Purchased – 0.1%		
Receive a fixed rate of 1.758% and pay a floating rate based on 3-month LIBOR, Expires 1/26/12, Broker Deutsche Bank AG	USD 2,800	61,836
Receive a fixed rate of 1.800% and pay a floating rate based on 3-month LIBOR, Expires 6/11/12, Broker Bank of America, N.A.	500	6,229
Receive a fixed rate of 1.900% and pay a floating rate based on 3-month LIBOR, Expires 12/23/11, Broker Citibank, N.A.	1,400	12,070
Receive a fixed rate of 3.150% and pay a floating rate based on 3-month LIBOR, Expires 6/11/12, Broker Deutsche Bank AG	400	34,487
		114,622
Over-the-Counter Put Swaptions Purchased – 0.1%		
Pay a fixed rate of 0.950% and receive a floating rate based on 3-month LIBOR, Expires 8/15/12, Broker Deutsche Bank AG	5,500	15,425
Pay a fixed rate of 1.758% and receive a floating rate based on 3-month LIBOR, Expires 1/26/12, Broker Deutsche Bank AG	2,800	264
Pay a fixed rate of 2.300% and receive a floating rate based on 3-month LIBOR, Expires 10/13/11, Broker BNP Paribas SA	2,700	0
Pay a fixed rate of 2.500% and receive a floating rate based on 3-month LIBOR, Expires 1/26/12, Broker Deutsche Bank AG	1,400	26
Pay a fixed rate of 2.500% and receive a floating rate based on 3-month LIBOR, Expires 8/11/14, Broker Bank of America, N.A.	1,700	14,869
Pay a fixed rate of 3.000% and receive a floating rate based on 3-month LIBOR, Expires 12/09/11, Broker Morgan Stanley Capital Services, Inc.	800	1,228
Pay a fixed rate of 3.000% and receive a floating rate based on 3-month LIBOR, Expires 8/11/14, Broker Morgan Stanley Capital Services, Inc.	2,000	13,031

Options Purchased	Notional Amount (000)	Value
Over-the-Counter Put Swaptions Purchased (concluded)		
Pay a fixed rate of 3.750% and receive a floating rate based on 3-month LIBOR, Expires 10/24/11, Broker Credit Suisse International	USD 2,600	\$ 0 44,843
Total Options Purchased (Cost – \$372,577) – 0.6%		
Total Investments Before TBA Sale Commitments, Options Written and Borrowed Bonds (Cost – \$179,364,941*) – 197.6%		
		178,870,995
TBA Sale Commitments (h)		
Par (000)		
Fannie Mae Mortgage-Backed Securities:		
4.00%, 10/01/26-10/01/41	14,900	(15,645,187)
3.50%, 10/01/41	5,000	(5,134,375)
4.50%, 10/01/41	20,995	(22,267,740)
5.00%, 10/01/41	23,300	(25,054,781)
5.50%, 10/01/41	10,100	(10,958,500)
Freddie Mac Mortgage-Backed Securities:		
4.00%, 10/01/26-10/01/41	5,800	(6,073,563)
5.00%, 10/01/41	200	(214,438)
Total TBA Sale Commitments (Proceeds – \$85,465,450) – (94.3)%		
(85,348,584)		
Options Written		
Contracts		
Exchange-Traded Call Options Written – (0.0)%		
U.S. Treasury Notes (10 Year), Strike Price USD 132, Expires 11/25/11	15	(8,906)
U.S. Treasury Notes (10 Year), Strike Price USD 133, Expires 11/25/11	15	(5,390)
		(14,296)
Notional Amount (000)		
Over-the-Counter Call Options Written – (0.0)%		
HKD Currency, Strike Price USD 7.30, Expires 11/10/11, Broker HSBC Securities, Inc.	HKD 9,022	(1)
HKD Currency, Strike Price USD 7.30, Expires 11/10/11, Broker HSBC Securities, Inc.	4,500	(1)
HKD Currency, Strike Price USD 7.70, Expires 11/10/11, Broker Citibank, N.A.	13,522	(608)
USD Currency, Strike Price CAD 1.07, Expires 11/11/11, Broker Goldman Sachs Bank USA	USD 150	(1,606)
		(2,216)
Over-the-Counter Put Options Written – (0.2)%		
AUD Currency, Strike Price USD 0.90, Expires 11/11/11, Broker Deutsche Bank AG	AUD 100	(875)

See Notes to Financial Statements.

Schedule of Investments (continued)

BlackRock Multi-Sector Bond Portfolio (Percentages shown are based on Net Assets)

Options Written		Notional Amount (000)	Value	Options Written		Notional Amount (000)	Value
Over-the-Counter Put Options Written (concluded)				Over-the-Counter Put Swaptions Written (concluded)			
EUR Currency, Strike Price USD 1.36, Expires 11/16/11, Broker Deutsche Bank AG				Receive a fixed rate of 3.750% and pay a floating rate based on 3-month LIBOR, Expires 11/30/11, Broker Bank of America, N.A.			
	EUR	3,230	\$ (131,595)		USD	700	\$ (37)
			(132,470)				
Over-the-Counter Call Swaptions Written – (0.7)%							
Pay a fixed rate of 2.015% and receive a floating rate based on 3-month LIBOR, Expires 9/23/13, Broker Citibank, N.A.				Receive a fixed rate of 3.950% and pay a floating rate based on 3-month LIBOR, Expires 11/30/11, Broker Citibank, N.A.			
	USD	800	(16,482)			1,300	(29)
Pay a fixed rate of 2.070% and receive a floating rate based on 3-month LIBOR, Expires 2/07/12, Broker UBS AG				Receive a fixed rate of 4.000% and pay a floating rate based on 3-month LIBOR, Expires 12/29/11, Broker UBS AG			
		1,900	(53,524)			700	(85)
Pay a fixed rate of 2.650% and receive a floating rate based on 3-month LIBOR, Expires 6/11/12, Broker Deutsche Bank AG				Receive a fixed rate of 4.020% and pay a floating rate based on 3-month LIBOR, Expires 2/02/12, Broker UBS AG			
		400	(20,534)			1,100	(440)
Pay a fixed rate of 2.750% and receive a floating rate based on 3-month LIBOR, Expires 11/30/11, Broker Bank of America, N.A.							
		700	(39,833)				
Pay a fixed rate of 2.900% and receive a floating rate based on 3-month LIBOR, Expires 11/30/11, Broker Citibank, N.A.							
		1,300	(90,371)				
Pay a fixed rate of 2.900% and receive a floating rate based on 3-month LIBOR, Expires 6/11/12, Broker Deutsche Bank AG							
		400	(27,176)				
Pay a fixed rate of 3.000% and receive a floating rate based on 3-month LIBOR, Expires 12/29/11, Broker UBS AG							
		700	(54,014)				
Pay a fixed rate of 3.260% and receive a floating rate based on 3-month LIBOR, Expires 6/10/13, Broker Goldman Sachs Bank USA							
		2,000	(131,927)				
Pay a fixed rate of 3.260% and receive a floating rate based on 3-month LIBOR, Expires 7/22/13, Broker Barclays Bank Plc							
		100	(6,429)				
Pay a fixed rate of 4.020% and receive a floating rate based on 3-month LIBOR, Expires 2/02/12, Broker UBS AG							
		1,100	(182,161)				
			(622,451)				
Over-the-Counter Put Swaptions Written – (0.0)%							
Receive a fixed rate of 1.150% and pay a floating rate based on 3-month LIBOR, Expires 11/30/11, Broker Bank of America, N.A.							
		1,700	(122)				
Receive a fixed rate of 2.015% and pay a floating rate based on 3-month LIBOR, Expires 9/23/13, Broker Citibank, N.A.							
		800	(22,301)				
Receive a fixed rate of 2.050% and pay a floating rate based on 3-month LIBOR, Expires 10/24/11, Broker Citibank, N.A.							
		700	(3)				
Receive a fixed rate of 2.050% and pay a floating rate based on 3-month LIBOR, Expires 10/24/11, Broker JPMorgan Chase Bank, N.A.							
		900	(4)				
Receive a fixed rate of 2.070% and pay a floating rate based on 3-month LIBOR, Expires 2/07/12, Broker UBS AG							
		1,900	(139)				
Receive a fixed rate of 3.260% and pay a floating rate based on 3-month LIBOR, Expires 6/10/13, Broker Goldman Sachs Bank USA							
		2,000	(15,667)				
Receive a fixed rate of 3.260% and pay a floating rate based on 3-month LIBOR, Expires 7/22/13, Broker Barclays Bank Plc							
		100	(890)				
				Total Options Written			
				(Premiums Received – \$403,354) – (0.9)%			
				(811,150)			
				Borrowed Bonds			
				Par (000)			
				Corporate Bonds – (0.6)%			
				BNP Paribas SA,			
				EUR	150		(193,567)
				5.43%, 9/07/17			
				KBC Internationale Financieringsmaatschappij NV,			
					100		(132,419)
				5.00%, 3/16/16			
				Societe Generale SA,			
					150		(187,229)
				6.13%, 8/20/18			
				UniCredit SpA,			
					50		(53,721)
				3.95%, 2/01/16			
				(566,936)			
				Foreign Government Obligations – (2.0)%			
				Belgium Government Bond,			
					360		(505,840)
				4.25%, 9/28/21			
				France Government Bond O.A.T.,			
					840		(1,231,997)
				3.75%, 4/25/17			
				Portugal Obrigacoes do Tesouro OT,			
					50		(45,203)
				4.20%, 10/15/16			
				(1,783,040)			
				U.S. Treasury Obligations – (2.9)%			
				U.S. Treasury Notes,			
				USD	2,660		(2,666,650)
				1.00%, 8/31/16			
				Total Borrowed Bonds			
				(Proceeds – \$5,089,981) – (5.5)%			
				(5,016,626)			
				Total Investments Net of TBA Sale			
				Commitments, Options Written and Borrowed Bonds – 96.9%			
				87,694,635			
				Other Assets in Excess of Liabilities – 3.1%			
				2,805,692			
				Net Assets – 100.0%			
				\$90,500,327			
				* The cost and unrealized appreciation (depreciation) of investments as of September 30, 2011, as computed for federal income tax purposes, were as follows:			
				Aggregate cost \$179,395,915			
				Gross unrealized appreciation \$ 2,047,811			
				Gross unrealized depreciation (2,572,731)			
				Net unrealized depreciation \$ (524,920)			

See Notes to Financial Statements.

Schedule of Investments (continued)

BlackRock Multi-Sector Bond Portfolio

- (a) Security exempt from registration under Rule 144A of the Securities Act of 1933. 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) 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.
- (d) Represents a payment-in-kind security which may pay interest/dividends in additional par/shares.
- (e) Investments in companies considered to be an affiliate of the Fund during the year, for purposes of Section 2(a)(3) of the Investment Company Act of 1940, as amended, were as follows:

Affiliate	Shares Held at September 30, 2010	Shares Purchased	Shares Sold	Shares Held at September 30, 2011	Value at September 30, 2011	Realized Gain (Loss)	Income
BlackRock Liquidity Funds, TempFund, Institutional Class	14,380,994	—	(14,204,731)*	176,263	\$176,263	\$ 16	\$ 7,571
iShares JPMorgan USD Emerging Markets Bond Fund	5,000	16,000	(16,000)	5,000	\$527,150	\$(26,748)	\$47,317

*Represents net shares sold.

- (f) Represents a zero-coupon bond. Rate shown reflects the current yield as of report date.
- (g) Security is perpetual in nature and has no stated maturity date.
- (h) Represents or includes a TBA transaction. Unsettled TBA transactions as of report date were as follows:

Counterparty	Value	Unrealized Appreciation (Depreciation)
Bank of America, N.A.	\$(3,710,812)	\$ 5,367
Barclays Bank Plc	\$(3,917,969)	\$ 7,668
BNP Paribas SA	\$ 656	\$(1,406)
Citibank, N.A.	\$ 1,561,844	\$(29,547)
Credit Suisse International	\$(1,142,219)	\$ 10,055
Deutsche Bank AG	\$ 668,688	\$(16,437)
Goldman Sachs Bank USA	\$ 629,938	\$(6,188)
JPMorgan Chase Bank, N.A.	\$ 75,750	\$(6,781)
Morgan Stanley Capital Services, Inc.	\$ 4,496,604	\$(8,267)
Nomura Securities International, Inc.	\$(1,180,438)	\$ 3,094
Royal Bank of Scotland Plc	\$(1,507,938)	\$ 12,203
UBS AG	\$(506,406)	\$ 7,969
Wells Fargo & Co.	\$(2,407,094)	\$(18,688)

- (i) All or a portion of security has been pledged as collateral in connection with swaps.
- (j) Represents the current yield as of report date.
- Foreign currency exchange contracts as of September 30, 2011 were as follows:

Currency Purchased	Currency Sold	Counterparty	Settlement Date	Unrealized Appreciation (Depreciation)
GBP 424,500	USD 662,220	Citibank, N.A.	10/07/11	\$ (300)
USD 758,188	GBP 474,500	Royal Bank of Scotland Plc	10/07/11	18,304
USD 52,451	JPY 4,000,000	Deutsche Bank AG	10/07/11	585
NZD 48,944	USD 39,580	Royal Bank of Scotland Plc	10/11/11	(2,297)
NZD 8,928	USD 7,141	Royal Bank of Scotland Plc	10/11/11	(340)
USD 47,649	NZD 58,000	Deutsche Bank AG	10/11/11	3,468
EUR 700,000	USD 972,290	Royal Bank of Scotland Plc	10/26/11	(34,653)
EUR 300,000	USD 406,795	UBS AG	10/26/11	(4,950)
USD 39,026	EUR 27,000	Citibank, N.A.	10/26/11	2,860

Currency Purchased	Currency Sold	Counterparty	Settlement Date	Unrealized Appreciation (Depreciation)
USD 76,896	EUR 54,000	Citibank, N.A.	10/26/11	\$ 4,564
USD 143,526	EUR 101,000	Citibank, N.A.	10/26/11	8,238
USD 147,815	EUR 103,000	Citibank, N.A.	10/26/11	9,849
USD 165,566	EUR 115,000	Citibank, N.A.	10/26/11	11,525
USD 2,758,189	EUR 1,924,000	Citibank, N.A.	10/26/11	181,026
USD 66,005	EUR 49,000	Deutsche Bank AG	10/26/11	370
USD 130,733	EUR 92,000	Royal Bank of Scotland Plc	10/26/11	7,500
HKD 1,863,000	USD 239,202	Citibank, N.A.	11/10/11	150
HKD 1,163,625	USD 149,727	HSBC Securities, Inc.	11/10/11	(229)
HKD 1,084,000	USD 139,289	HSBC Securities, Inc.	11/10/11	(20)
USD 150,000	HKD 1,163,625	HSBC Securities, Inc.	11/10/11	502
USD 380,000	HKD 2,947,291	HSBC Securities, Inc.	11/10/11	1,342
CNY 1,620,000	USD 255,219	Goldman Sachs Bank USA	11/15/11	(1,399)
CZK 3,320,500	EUR 136,140	UBS AG	11/21/11	(2,034)
CZK 866,950	USD 50,000	Citibank, N.A.	11/21/11	(2,924)
EUR 154,216	NOK 1,229,897	Royal Bank of Scotland Plc	11/21/11	(2,421)
EUR 55,664	USD 78,342	Barclays Bank Plc	11/21/11	(3,788)
NOK 636,000	CZK 1,936,183	Deutsche Bank AG	11/21/11	2,926
NOK 582,104	EUR 73,740	Citibank, N.A.	11/21/11	140
SEK 837,000	CZK 2,250,400	Royal Bank of Scotland Plc	11/21/11	(541)
USD 130,701	SEK 836,500	Citibank, N.A.	11/21/11	9,117
EUR 232,461	USD 317,221	Citibank, N.A.	11/22/11	(5,875)
EUR 230,000	USD 319,792	UBS AG	11/22/11	(11,742)
GBP 145,019	USD 230,000	Morgan Stanley Capital Services, Inc.	11/22/11	(3,977)
GBP 145,248	USD 230,000	UBS AG	11/22/11	(3,620)
USD 314,857	EUR 232,461	Citibank, N.A.	11/22/11	3,511
USD 312,609	EUR 230,000	Deutsche Bank AG	11/22/11	4,559
USD 230,000	GBP 147,518	Citibank, N.A.	11/22/11	82

See Notes to Financial Statements.

Schedule of Investments (continued)

BlackRock Multi-Sector Bond Portfolio

Currency Purchased	Currency Sold	Counterparty	Settlement Date	Unrealized Appreciation (Depreciation)
USD 230,000	GBP 147,266	Deutsche Bank AG	11/22/11	\$ 475
EUR 176,316	HUF 48,186,881	Deutsche Bank AG	11/25/11	17,190
HUF 11,668,929	EUR 42,533	Citibank, N.A.	11/25/11	(3,944)
HUF 36,035,432	PLN 523,000	Deutsche Bank AG	11/25/11	6,789
PLN 531,939	EUR 133,783	UBS AG	11/25/11	(19,545)
CZK 920,000	HUF 10,290,016	UBS AG	11/28/11	3,219
HUF 10,346,320	CZK 920,000	Citibank, N.A.	11/28/11	(2,964)
USD 661,583	GBP 424,500	Citibank, N.A.	1/18/12	312
CNY 1,620,000	USD 256,431	Goldman Sachs Bank USA	2/15/12	(2,064)
Total				\$188,976

- Financial futures contracts purchased as of September 30, 2011 were as follows:

Contracts	Issue	Exchange	Expiration	Notional Value	Unrealized Appreciation (Depreciation)
2	U.S. Treasury Notes (2 Year)	Chicago Board Options	December 2011	\$ 440,406	\$ (872)
39	U.S. Treasury Notes (5 Year)	Chicago Board Options	December 2011	\$ 4,776,891	(11,733)
17	U.S. Treasury Bonds (30 Year)	Chicago Board Options	December 2011	\$ 2,424,625	(1,678)
13	Ultra Treasury Bonds	Chicago Board Options	December 2011	\$ 2,062,125	58,305
1	Euro Dollar Futures	Chicago Mercantile	September 2014	\$ 246,313	(385)
1	Euro-Schatz	Eurex	December 2011	\$ 146,870	(394)
Total					\$ 43,243

- Financial futures contracts sold as of September 30, 2011 were as follows:

Contracts	Issue	Exchange	Expiration	Notional Value	Unrealized Appreciation (Depreciation)
4	U.S. Treasury Notes (10 Year)	Chicago Board Options	December 2011	\$ 520,375	\$(1,617)
9	Euro Dollar Futures	Chicago Mercantile	December 2011	\$ 2,238,075	1,003
9	Euro Dollar Futures	Chicago Mercantile	March 2012	\$ 2,236,725	1,788
8	Euro Dollar Futures	Chicago Mercantile	June 2012	\$ 1,988,200	1,700
7	Euro Dollar Futures	Chicago Mercantile	September 2012	\$ 1,739,850	1,196
7	Euro Dollar Futures	Chicago Mercantile	December 2012	\$ 1,739,762	(834)

Contracts	Issue	Exchange	Expiration	Notional Value	Unrealized Appreciation (Depreciation)
7	Euro Dollar Futures	Chicago Mercantile	March 2013	\$ 1,739,500	\$ (2,330)
7	Euro Dollar Futures	Chicago Mercantile	June 2013	\$ 1,738,275	(2,955)
4	Euro Dollar Futures	Chicago Mercantile	September 2013	\$ 992,200	(1,401)
4	Euro Dollar Futures	Chicago Mercantile	December 2013	\$ 990,550	(3,689)
3	Euro Dollar Futures	Chicago Mercantile	March 2014	\$ 741,712	(2,104)
2	Euro Dollar Futures	Chicago Mercantile	June 2014	\$ 493,575	(32)
3	Euro-Bobl	Eurex	December 2011	\$ 490,870	1,478
7	Euro-Bund	Eurex	December 2011	\$ 1,280,034	(14,593)
1	Euro-Buxl	Eurex	December 2011	\$ 165,378	(4,795)
1	Gilt British	London	December 2011	\$ 202,707	(3,772)
Total					\$(30,957)

- Interest rate swaps outstanding as of September 30, 2011 were as follows:

Fixed Rate	Floating Rate	Counterparty	Expiration Date	Notional Amount (000)	Unrealized Appreciation (Depreciation)
0.64%(a)	3-month LIBOR	Bank of America, N.A.	7/29/13	USD 1,400	\$ 3,080
0.45%(b)	3-month LIBOR	BNP Paribas SA	8/18/13	USD 1,800	3,559
1.32%(b)	3-month LIBOR	Citibank, N.A.	12/17/13	USD 1,200	(23,562)
1.41%(b)	3-month LIBOR	Deutsche Bank AG	12/20/13	USD 1,300	(28,357)
1.41%(a)	3-month LIBOR	Deutsche Bank AG	3/29/14	USD 300	5,766
1.01%(a)	3-month LIBOR	Deutsche Bank AG	6/23/14	USD 1,100	12,997
0.97%(a)	3-month LIBOR	UBS AG	7/26/14	USD 1,200	10,838
0.80%(a)	3-month LIBOR	Citibank, N.A.	8/09/14	USD 1,200	4,261
2.38%(b)	3-month LIBOR	Citibank, N.A.	3/11/16	USD 600	(34,011)
2.46%(b)	3-month LIBOR	Deutsche Bank AG	4/04/16	USD 500	(35,300)
2.10%(a)	3-month LIBOR	Deutsche Bank AG	5/10/16	USD 700	35,369
2.06%(b)	3-month LIBOR	Citibank, N.A.	5/11/16	USD 1,500	(73,310)
2.27%(a)	3-month LIBOR	Morgan Stanley Capital Services, Inc.	8/13/16	USD 600	3,236
2.20%(a)	3-month LIBOR	Bank of America, N.A.	8/15/16	USD 700	2,835

See Notes to Financial Statements.

Schedule of Investments (continued)

BlackRock Multi-Sector Bond Portfolio

Fixed Rate	Floating Rate	Counterparty	Expiration Date	Notional Amount (000)	Unrealized Appreciation (Depreciation)	Fixed Rate	Floating Rate	Counterparty	Expiration Date	Notional Amount (000)	Unrealized Appreciation (Depreciation)
1.29%(a)	3-month LIBOR	Deutsche Bank AG	8/31/16	USD 500	\$ 1,749	2.39%(a)	3-month LIBOR	Citibank, N.A.	9/06/21	USD 800	\$ 22,275
2.90%(a)	6-month EURIBOR	Morgan Stanley Capital Services, Inc.	7/08/17	EUR 860	58,774	2.15%(a)	3-month LIBOR	Deutsche Bank AG	9/08/21	USD 100	556
2.88%(a)	6-month EURIBOR	Deutsche Bank AG	7/21/18	EUR 50	2,871	2.18%(b)	3-month LIBOR	Deutsche Bank AG	9/08/21	USD 1,200	(10,000)
1.81%(a)	3-month LIBOR	Citibank, N.A.	8/31/18	USD 900	8,881	2.21%(a)	3-month LIBOR	Credit Suisse International	9/09/21	USD 900	9,920
3.62%(a)	3-month LIBOR	Citibank, N.A.	3/11/21	USD 1,100	153,307	2.21%(b)	3-month LIBOR	Deutsche Bank AG	9/09/21	USD 500	(5,511)
3.58%(b)	3-month LIBOR	Citibank, N.A.	4/04/21	USD 800	(121,184)	2.18%(a)	3-month LIBOR	UBS AG	9/12/21	USD 1,000	7,549
3.38%(a)	3-month LIBOR	Deutsche Bank AG	5/04/21	USD 500	64,993	2.16%(a)	3-month LIBOR	JPMorgan Chase Bank, N.A.	9/13/21	USD 300	1,903
3.27%(b)	3-month LIBOR	Deutsche Bank AG	5/16/21	USD 270	(32,092)	2.17%(b)	3-month LIBOR	Morgan Stanley Capital Services, Inc.	9/15/21	USD 100	(686)
3.86%(a)	3-month LIBOR	JPMorgan Chase Bank, N.A.	5/23/21	USD 1,800	238,523	1.91%(a)	3-month LIBOR	Bank of America, N.A.	9/26/21	USD 100	(1,795)
3.06%(a)	3-month LIBOR	JPMorgan Chase Bank, N.A.	6/13/21	USD 300	29,129	1.98%(a)	3-month LIBOR	Citibank, N.A.	9/26/21	USD 400	(4,599)
3.06%(a)	3-month LIBOR	Deutsche Bank AG	6/14/21	USD 500	48,807	2.18%(b)	3-month LIBOR	Deutsche Bank AG	9/30/21	USD 800	(4,941)
2.73%(b)	3-month LIBOR	Deutsche Bank AG	8/05/21	USD 200	(12,372)	2.81%(a)	3-month LIBOR	Bank of America, N.A.	9/23/23	USD 100	1,114
2.57%(a)	3-month LIBOR	Deutsche Bank AG	8/08/21	USD 200	9,411	2.63%(a)	3-month LIBOR	Citibank, N.A.	9/26/41	USD 200	(2,642)
2.60%(a)	3-month LIBOR	Citibank, N.A.	8/10/21	USD 100	4,968	2.67%(a)	3-month LIBOR	Credit Suisse International	9/26/41	USD 200	(855)
2.56%(b)	3-month LIBOR	UBS AG	8/10/21	USD 300	(13,725)	2.60%(a)	3-month LIBOR	Goldman Sachs Bank USA	9/26/41	USD 300	(5,856)
2.35%(a)	3-month LIBOR	Deutsche Bank AG	8/12/21	USD 200	5,288	2.62%(a)	3-month LIBOR	JPMorgan Chase Bank, N.A.	9/26/41	USD 200	(2,916)
2.47%(b)	3-month LIBOR	Deutsche Bank AG	8/16/21	USD 500	(18,613)	2.82%(b)	3-month LIBOR	Deutsche Bank AG	10/03/41	USD 300	(7,851)
2.37%(b)	3-month LIBOR	Deutsche Bank AG	8/19/21	USD 200	(5,533)	2.70%(b)	3-month LIBOR	Citibank, N.A.	10/04/41	USD 100	(164)
2.19%(a)	3-month LIBOR	Deutsche Bank AG	8/22/21	USD 600	4,856	2.73%(b)	3-month LIBOR	Deutsche Bank AG	10/04/41	USD 200	(1,327)
2.21%(b)	3-month LIBOR	Deutsche Bank AG	8/23/21	USD 200	(2,679)	2.76%(b)	3-month LIBOR	Morgan Stanley Capital Services, Inc.	10/04/41	USD 100	(2,120)
2.42%(b)	3-month LIBOR	Morgan Stanley Capital Services, Inc.	8/31/21	USD 1,200	(37,664)	Total					\$230,490
2.36%(a)	3-month LIBOR	Deutsche Bank AG	9/01/21	USD 700	17,839	(a) Fund pays a floating interest rate and receives fixed rate.					
2.38%(a)	3-month LIBOR	Credit Suisse International	9/02/21	USD 1,200	32,699	(b) Fund pays a fixed interest rate and receives floating rate.					
2.38%(b)	3-month LIBOR	UBS AG	9/02/21	USD 3,200	(87,198)						

See Notes to Financial Statements.

Schedule of Investments (continued)

BlackRock Multi-Sector Bond Portfolio

- Credit default swaps on single-name issues – buy protection outstanding as of September 30, 2011 were as follows:

Issuer	Pay Fixed Rate	Counterparty	Expiration Date	Notional Amount (000)	Unrealized Appreciation (Depreciation)
Radian Group, Inc.	5.00%	Citibank, N.A.	3/20/13	USD 400	\$ 88,738
Hellenic Telecommunications Organization SA	5.00%	JPMorgan Chase Bank, N.A.	3/20/15	EUR 75	(6,220)
Radian Group, Inc.	5.00%	Citibank, N.A.	6/20/15	USD 400	126,156
Hellenic Republic Government Bonds	1.00%	Credit Suisse International	3/20/16	USD 25	8,468
Republic of Portugal	1.00%	Deutsche Bank AG	6/20/16	USD 50	5,472
Intesa Sanpaolo SpA	3.00%	BNP Paribas SA	9/20/16	EUR 50	10,384
Banco Bilbao Vizcaya Argentaria SA	3.00%	Citibank, N.A.	9/20/16	EUR 50	3,134
Banco Bilbao Vizcaya Argentaria SA	1.00%	Citibank, N.A.	9/20/16	EUR 50	1,143
Royal Bank of Scotland Plc	1.00%	Credit Suisse International	9/20/16	EUR 50	3,631
Banco Bilbao Vizcaya Argentaria SA	3.00%	Deutsche Bank AG	9/20/16	EUR 50	2,922
Muenchener Rueckversicherungs AG	1.00%	Deutsche Bank AG	9/20/16	EUR 50	469
Hellenic Republic Government Bonds	1.00%	Citibank, N.A.	9/20/16	USD 75	26,756
Hellenic Republic Government Bonds	1.00%	Citibank, N.A.	9/20/16	USD 75	26,188
The PMI Group, Inc.	5.00%	Citibank, N.A.	9/20/16	USD 215	114,780
Banco Bilbao Vizcaya Argentaria SA	5.00%	Bank of America, N.A.	12/20/16	EUR 50	(759)

Issuer	Pay Fixed Rate	Counterparty	Expiration Date	Notional Amount (000)	Unrealized Appreciation (Depreciation)
Adecco Finance BV	1.00%	Barclays Bank Plc	12/20/16	EUR 400	\$ 2,652
Henkel AG & Co. KGaA	1.00%	Barclays Bank Plc	12/20/16	EUR 200	923
Koninklijke Philips Electronics NV	1.00%	Barclays Bank Plc	12/20/16	EUR 100	1,012
Banco Bilbao Vizcaya Argentaria SA	5.00%	BNP Paribas SA	12/20/16	EUR 50	157
Koninklijke DSM NV	1.00%	BNP Paribas SA	12/20/16	EUR 250	1,413
PostNL NV	1.00%	BNP Paribas SA	12/20/16	EUR 100	109
Xstrata Finance (Canada) Ltd.	1.00%	BNP Paribas SA	12/20/16	EUR 75	3,375
British Telecommunications Plc	1.00%	Citibank, N.A.	12/20/16	EUR 100	346
Peugeot SA	1.00%	Citibank, N.A.	12/20/16	EUR 150	(2,199)
Xstrata Finance (Canada) Ltd.	1.00%	Credit Suisse International	12/20/16	EUR 140	6,252
Diageo Plc	1.00%	Deutsche Bank AG	12/20/16	EUR 100	154
Suedzucker AG	1.00%	Deutsche Bank AG	12/20/16	EUR 26	38
AKZO Nobel NV	1.00%	Goldman Sachs Bank USA	12/20/16	EUR 50	814
Bertelsmann AG	1.00%	Goldman Sachs Bank USA	12/20/16	EUR 400	338
Compagnie de Saint-Gobain SA	1.00%	JPMorgan Chase Bank, N.A.	12/20/16	EUR 400	(3,657)
Gas Natural SDG SA	1.00%	JPMorgan Chase Bank, N.A.	12/20/16	EUR 100	(757)
Iberdrola SA	1.00%	JPMorgan Chase Bank, N.A.	12/20/16	EUR 100	(198)
WPP Group Plc	1.00%	JPMorgan Chase Bank, N.A.	12/20/16	EUR 200	(1,458)

See Notes to Financial Statements.

Schedule of Investments (continued)

BlackRock Multi-Sector Bond Portfolio

Issuer	Pay Fixed Rate	Counterparty	Expiration Date	Notional Amount (000)	Unrealized Appreciation (Depreciation)
Wolters Kluwer NV	1.00%	Morgan Stanley Capital Services, Inc.	12/20/16	EUR 200	\$ (155)
The New York Times Co.	1.00%	Barclays Bank Plc	12/20/16	USD 650	32,651
JPMorgan Chase & Co.	1.00%	Deutsche Bank AG	12/20/16	USD 250	(455)
Total					\$452,617

- Credit default swaps on traded indexes - buy protection outstanding as of September 30, 2011 were as follows:

Index	Pay Fixed Rate	Counterparty	Expiration Date	Notional Amount (000)	Unrealized Appreciation (Depreciation)
iTraxx Sub Financials Series 14 Version 1	1.00%	Barclays Bank Plc	12/20/15	EUR 50	\$ 4,759
iTraxx Sub Financials Series 14 Version 1	1.00%	Credit Suisse International	12/20/15	EUR 100	7,389
CDX.EM Series 14 Version 1	5.00%	Morgan Stanley Capital Services, Inc.	12/20/15	USD 600	41,492
iTraxx Europe Crossover Series 15 Version 1	5.00%	Credit Suisse International	6/20/16	EUR 50	8,408
iTraxx Sub Financials Series 15 Version 1	1.00%	Credit Suisse International	6/20/16	EUR 250	23,823
iTraxx Europe Crossover Series 15 Version 1	5.00%	Morgan Stanley Capital Services, Inc.	6/20/16	EUR 95	5,931
CDX.NA.IG Series 16 Version 1	1.00%	Credit Suisse International	6/20/16	USD 210	954
CDX.NA.IG Series 16 Version 1	1.00%	JPMorgan Chase Bank, N.A.	6/20/16	USD 2,780	6,704

Index	Pay Fixed Rate	Counterparty	Expiration Date	Notional Amount (000)	Unrealized Appreciation (Depreciation)
CDX.NA.IG Series 16 Version 1	1.00%	JPMorgan Chase Bank, N.A.	6/20/16	USD 210	\$ 1,420
CDX.NA.IG Series 16 Version 1	1.00%	Morgan Stanley Capital Services, Inc.	6/20/16	USD 400	(497)
iTraxx Sub Financials Series 16 Version 1	5.00%	BNP Paribas SA	12/20/16	EUR 100	1,916
CDX.NA.IG Series 17 Version 1	1.00%	Credit Suisse International	12/20/16	USD 660	65
Total					\$102,364

- Credit default swaps on single-name issues - sold protection outstanding as of September 30, 2011 were as follows:

Issuer	Receive Fixed Rate	Counterparty	Expiration	Credit Rating ¹	Notional Amount (000) ²	Unrealized Appreciation (Depreciation)
Aviva USA Corp.	1.00%	Deutsche Bank AG	5/25/12	NR	USD 330	\$ 405
Assured Guaranty Corp.	5.00%	Citibank, N.A.	12/20/14	AA+	USD 1	5
Assured Guaranty Corp.	5.00%	Citibank, N.A.	12/20/14	AA+	USD 40	(261)
Assured Guaranty Corp.	5.00%	Citibank, N.A.	3/20/15	AA+	USD 5	25
Banca Monte dei Paschi di Siena SpA	3.00%	BNP Paribas SA	9/20/16	BBB+	EUR 50	(5,616)
Landesbank Hessen-Thüringen Girozentrale	1.00%	BNP Paribas SA	9/20/16	AA	EUR 100	(5,722)
UniCredit SpA	3.00%	BNP Paribas SA	9/20/16	A-	EUR 50	(9,191)
Lloyds TSB Bank Plc	1.00%	Credit Suisse International	9/20/16	A+	EUR 50	(2,725)

See Notes to Financial Statements.

Schedule of Investments (continued)

BlackRock Multi-Sector Bond Portfolio

Issuer	Receive Fixed Rate	Counterparty	Expiration	Credit Rating ¹	Notional Amount (000) ²	Unrealized Appreciation (Depreciation)	Issuer	Receive Fixed Rate	Counterparty	Expiration	Credit Rating ¹	Notional Amount (000) ²	Unrealized Appreciation (Depreciation)
Banca Monte dei Paschi di Siena SpA	5.00%	Deutsche Bank AG	9/20/16	BBB+	EUR 50	\$ (6,900)	BASF SE	1.00%	Barclays Bank Plc	12/20/16	A+	EUR 125	\$ (2,249)
Swiss Reinsurance Co. Ltd.	1.00%	Deutsche Bank AG	9/20/16	A+	EUR 50	(629)	Siemens Financieringsmaatschappij NV	1.00%	Barclays Bank Plc	12/20/16	A+	EUR 100	(537)
Banca Monte dei Paschi di Siena SpA	3.00%	JPMorgan Chase Bank, N.A.	9/20/16	BBB+	EUR 50	(9,554)	Glencore International AG	1.00%	Credit Suisse International	12/20/16	BBB	EUR 150	(7,219)
Lincoln National Corp.	1.00%	Credit Suisse International	9/20/16	A-	USD 60	(1,280)	E.ON AG	1.00%	Deutsche Bank AG	12/20/16	A	EUR 26	(56)
Lincoln National Corp.	1.00%	Credit Suisse International	9/20/16	A-	USD 185	(2,991)	Heineken NV	1.00%	Deutsche Bank AG	12/20/16	NR	EUR 100	(222)
MetLife, Inc.	1.00%	Credit Suisse International	9/20/16	A-	USD 40	(634)	Tesco Plc	1.00%	Goldman Sachs Bank USA	12/20/16	A-	EUR 300	965
MetLife, Inc.	1.00%	Deutsche Bank AG	9/20/16	A-	USD 100	(2,365)	Anheuser-Busch InBev NV	1.00%	JPMorgan Chase Bank, N.A.	12/20/16	A-	EUR 300	(1,204)
MetLife, Inc.	1.00%	Goldman Sachs Bank USA	9/20/16	A-	USD 75	(1,942)	Deutsche Telekom AG	1.00%	JPMorgan Chase Bank, N.A.	12/20/16	BBB+	EUR 100	(577)
Lincoln National Corp.	1.00%	Morgan Stanley Capital Services, Inc.	9/20/16	A-	USD 20	(442)	E.ON AG	1.00%	JPMorgan Chase Bank, N.A.	12/20/16	A	EUR 300	(122)
MetLife, Inc.	1.00%	Morgan Stanley Capital Services, Inc.	9/20/16	A-	USD 130	(3,284)	Pernod Ricard SA	1.00%	JPMorgan Chase Bank, N.A.	12/20/16	BB+	EUR 300	491
MetLife, Inc.	1.00%	Morgan Stanley Capital Services, Inc.	9/20/16	A-	USD 75	(2,543)	Telefonica SA	1.00%	JPMorgan Chase Bank, N.A.	12/20/16	BBB+	EUR 200	2,566
Prudential Financial, Inc.	1.00%	Morgan Stanley Capital Services, Inc.	9/20/16	A	USD 40	(785)	Assured Guaranty Corp.	5.00%	Citibank, N.A.	12/20/16	AA+	USD 57	(646)
Prudential Financial, Inc.	1.00%	Morgan Stanley Capital Services, Inc.	9/20/16	A	USD 165	(2,665)							
Total													<u>\$(67,904)</u>

¹ Using S&P's rating.

² The maximum potential amount the Fund may pay should a negative credit event take place as defined under the terms of the agreement.

See Notes to Financial Statements.

Schedule of Investments (continued)

- Total return swaps outstanding as of September 30, 2011 were as follows:

Reference Entity	Fund Pays/Receives the Total Return of the Reference Entity	Fixed Rate/ Floating Rate	Counterparty	Expiration Date	Notional Amount (000)	Unrealized Appreciation (Depreciation)
Change in return of the Consumer Price Index for All Urban Consumers	Receives	2.62%	Bank of America, N.A.	6/27/21	USD 580	\$ 59,393
Change in return of the Consumer Price Index for All Urban Consumers	Receives	2.63%	BNP Paribas SA	6/27/21	USD 580	60,286
Change in return of the Consumer Price Index for All Urban Consumers	Pays	2.45%	Deutsche Bank AG	9/07/21	USD 580	(13,258)
Change in return of the Consumer Price Index for All Urban Consumers	Pays	2.35%	Deutsche Bank AG	9/08/21	USD 580	(7,170)
Change in return of the Consumer Price Index for All Urban Consumers	Receives	2.25%	Deutsche Bank AG	9/28/21	USD 550	2,764
Gross return on Markit IOS 6.50%, 30-year, fixed rate Fannie Mae	Pays	1-month LIBOR	Barclays Bank Plc	1/12/38	USD 493	3,596
Gross return on Markit IOS 6.50%, 30-year, fixed rate Fannie Mae	Pays	1-month LIBOR	Citibank, N.A.	1/12/38	USD 551	7,720
Gross return on Markit IOS 6.50%, 30-year, fixed rate Fannie Mae	Pays	1-month LIBOR	Credit Suisse International	1/12/38	USD 609	5,856
Gross return on Markit IOS 6.50%, 30-year, fixed rate Fannie Mae	Pays	1-month LIBOR	Credit Suisse International	1/12/38	USD 203	2,482
Gross return on Markit IOS 6.50%, 30-year, fixed rate Fannie Mae	Receives	1-month LIBOR	JPMorgan Chase Bank, N.A.	1/12/38	USD 1,305	(13,433)
Gross return on Markit IOS 6.50%, 30-year, fixed rate Fannie Mae	Pays	1-month LIBOR	JPMorgan Chase Bank, N.A.	1/12/38	USD 1,276	18,675
Gross return on Markit IOS 5.00%, 30-year, fixed rate Fannie Mae	Receives	1-month LIBOR	Bank of America, N.A.	1/12/39	USD 918	(15,641)
Gross return on Markit IOS 5.00%, 30-year, fixed rate Fannie Mae	Pays	1-month LIBOR	Bank of America, N.A.	1/12/39	USD 568	9,147
Gross return on Markit IOS 6.00%, 30-year, fixed rate Fannie Mae	Pays	1-month LIBOR	Barclays Bank Plc	1/12/39	USD 363	(271)
Gross return on Markit IOS 5.00%, 30-year, fixed rate Fannie Mae	Receives	1-month LIBOR	Citibank, N.A.	1/12/39	USD 918	21,243
Gross return on Markit IOS 6.00%, 30-year, fixed rate Fannie Mae	Pays	1-month LIBOR	Citibank, N.A.	1/12/39	USD 36	550
Gross return on Markit IOS 6.00%, 30-year, fixed rate Fannie Mae	Pays	1-month LIBOR	Credit Suisse International	1/12/39	USD 653	6,730
Gross return on Markit IOS 5.00%, 30-year, fixed rate Fannie Mae	Receives	1-month LIBOR	JPMorgan Chase Bank, N.A.	1/12/39	USD 568	28,702
Gross return on Markit IOS 5.00%, 30-year, fixed rate Fannie Mae	Pays	1-month LIBOR	JPMorgan Chase Bank, N.A.	1/12/39	USD 743	1,482
Gross return on Markit IOS 5.00%, 30-year, fixed rate Fannie Mae	Pays	1-month LIBOR	JPMorgan Chase Bank, N.A.	1/12/39	USD 306	1,342
Gross return on Markit IOS 5.50%, 30-year, fixed rate Fannie Mae	Pays	1-month LIBOR	JPMorgan Chase Bank, N.A.	1/12/39	USD 909	17,392
Gross return on Markit IOS 5.50%, 30-year, fixed rate Fannie Mae	Pays	1-month LIBOR	JPMorgan Chase Bank, N.A.	1/12/39	USD 435	8,046
Gross return on Markit IOS 6.00%, 30-year, fixed rate Fannie Mae	Pays	1-month LIBOR	JPMorgan Chase Bank, N.A.	1/12/39	USD 653	7,342
Gross return on Markit IOS 6.00%, 30-year, fixed rate Fannie Mae	Pays	1-month LIBOR	JPMorgan Chase Bank, N.A.	1/12/39	USD 1,270	7,239
Gross return on Markit IOS 6.00%, 30-year, fixed rate Fannie Mae	Receives	1-month LIBOR	JPMorgan Chase Bank, N.A.	1/12/39	USD 435	(1,817)

See Notes to Financial Statements.

Schedule of Investments (continued)

BlackRock Multi-Sector Bond Portfolio

Reference Entity	Fund Pays/Receives the Total Return of the Reference Entity	Fixed Rate/ Floating Rate	Counterparty	Expiration Date	Notional Amount (000)	Unrealized Appreciation (Depreciation)
Gross return on Markit IOS 6.00%, 30-year, fixed rate Fannie Mae	Receives	1-month LIBOR	JPMorgan Chase Bank, N.A.	1/12/39	USD 1,270	\$ (17,464)
Gross return on Markit IOS 4.50%, 30-year, fixed rate Fannie Mae	Receives	1-month LIBOR	Barclays Bank Plc	1/12/40	USD 543	15
Gross return on Markit IOS 5.00%, 30-year, fixed rate Fannie Mae	Pays	1-month LIBOR	Barclays Bank Plc	1/12/40	USD 286	(784)
Gross return on Markit IOS 4.50%, 30-year, fixed rate Fannie Mae	Receives	1-month LIBOR	Citibank, N.A.	1/12/40	USD 854	(23,301)
Gross return on Markit IOS 5.00%, 30-year, fixed rate Fannie Mae	Receives	1-month LIBOR	Credit Suisse International	1/12/40	USD 859	(18,393)
Gross return on Markit IOS 4.50%, 30-year, fixed rate Fannie Mae	Receives	1-month LIBOR	Goldman Sachs Bank USA	1/12/40	USD 1,164	33
Gross return on Markit IOS 5.00%, 30-year, fixed rate Fannie Mae	Pays	1-month LIBOR	Goldman Sachs Bank USA	1/12/40	USD 572	(1,658)
Gross return on Markit IOS 4.50%, 30-year, fixed rate Fannie Mae	Pays	1-month LIBOR	JPMorgan Chase Bank, N.A.	1/12/40	USD 854	(9,677)
Gross return on Markit IOS 4.50%, 30-year, fixed rate Fannie Mae	Receives	1-month LIBOR	JPMorgan Chase Bank, N.A.	1/12/40	USD 931	(10,893)
Total						\$136,275

- 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 industry sub-classifications for reporting ease.
- Fair Value Measurements – Various inputs are used in determining the fair value of investments and derivative financial instruments. These inputs are categorized in three broad levels for financial statement purposes as follows:
 - Level 1 – price quotations in active markets/exchanges for identical assets and liabilities
 - 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 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 does not necessarily correspond to the Fund's perceived risk of investing in those securities. For information about the Fund's policy regarding valuation of investments and derivative financial instruments and other significant accounting policies, please refer to Note 1 of the Notes to Financial Statements.

The following tables summarize the inputs used as of September 30, 2011 in determining the fair valuation of the Fund's investments and derivative financial instruments:

Valuation Inputs	Level 1	Level 2	Level 3	Total
Assets:				
Investments:				
Long-Term Investments:				
Asset-Backed Securities	–	\$ 5,872,807	\$ 1,225,502	\$ 7,098,309
Collateralized Debt Obligations	–	–	395,000	395,000
Corporate Bonds	–	33,322,271	–	33,322,271
Exchange-Traded Funds	\$ 527,150	–	–	527,150
Foreign Agency Obligations	–	3,244,129	–	3,244,129
Foreign Government Obligations	–	2,264,813	–	2,264,813
Non-Agency Mortgage-Backed Securities	–	15,810,382	–	15,810,382
Preferred Securities	102,314	779,451	–	881,765
Taxable Municipal Bonds	–	298,863	–	298,863
U.S. Government Sponsored Agency Securities	–	100,301,239	287,900	100,589,139
U.S. Treasury Obligations	–	8,186,960	–	8,186,960
Short-Term Securities	176,263	5,538,260	–	5,714,523

See Notes to Financial Statements.

Schedule of Investments (concluded)

BlackRock Multi-Sector Bond Portfolio

Valuation Inputs	Level 1	Level 2	Level 3	Total
Liabilities:				
Investments in Securities:				
Borrowed Bonds . . .	—	\$ (5,016,626)	—	\$ (5,016,626)
TBA Sale				
Commitments . . .	—	(85,348,584)	—	(85,348,584)
Total	\$ 805,727	\$ 85,253,965	\$ 1,908,402	\$ 87,968,094

Valuation Inputs	Level 1	Level 2	Level 3	Total
Derivative Financial Instruments ¹				
Assets:				
Credit contracts	—	\$ 575,388	\$ 405	\$ 575,793
Foreign currency exchange contracts .	—	630,748	—	630,748

Valuation Inputs	Level 1	Level 2	Level 3	Total
Interest rate contracts .	\$ 111,551	\$ 966,818	—	\$ 1,078,369
Other contracts	—	270,035	—	270,035
Liabilities:				
Credit contracts	—	(88,716)	—	(88,716)
Foreign currency exchange contracts .	—	(244,313)	—	(244,313)
Interest rate contracts .	(67,480)	(1,239,031)	—	(1,306,511)
Other contracts	—	(133,760)	—	(133,760)
Total	\$ 44,071	\$ 737,169	\$ 405	\$ 781,645

¹ Derivative financial instruments are swaps, financial futures contracts, foreign currency exchange contracts and options. Swaps, financial futures contracts and foreign currency exchange contracts are valued at the unrealized appreciation/depreciation on the instrument and options are shown at value.

The following table is a reconciliation of Level 3 investments for which significant unobservable inputs were used in determining fair value:

	Asset-Backed Securities	Collateralized Debt Obligations	Non-Agency Mortgage-Backed Securities	U.S. Government Sponsored Agency Securities	Total
Assets:					
Balance, as of September 30, 2010	—	\$ 139,447	\$ 801,540	—	\$ 940,987
Accrued discounts/premiums	\$ 32	6,936	(334)	—	6,634
Net realized gain (loss)	—	1,327	(218)	—	1,109
Net change in unrealized appreciation/depreciation ²	(160,385)	(48,887)	3,703	\$ (48,660)	(254,229)
Purchases	1,119,872	437,500	—	336,560	1,893,932
Sales	—	(141,323)	(310,535)	—	(451,858)
Transfers in ³	265,983	—	—	—	265,983
Transfers out ³	—	—	(494,156)	—	(494,156)
Balance, as of September 30, 2011	\$ 1,225,502	\$ 395,000	\$ —	\$ 287,900	\$ 1,908,402

² The change in unrealized appreciation/depreciation on investments still held at September 30, 2011 was \$(258,418).

³ The Fund's policy is to recognize transfers in and transfers out as of the beginning of the period of the event or the change in circumstances that caused the transfer.

The following table is a reconciliation of Level 3 derivative financial instruments for which significant unobservable inputs were used in determining fair value:

	Interest Rate Contracts			Credit Contracts		
	Assets	Liabilities	Total	Assets	Liabilities	Total
Balance, as of September 30, 2010	—	\$(5,642)	\$(5,642)	—	—	—
Accrued discounts/premiums	—	—	—	—	—	—
Net realized gain (loss)	—	—	—	—	—	—
Net change in unrealized appreciation/depreciation ⁴	—	—	—	—	\$(3,019)	\$(3,019)
Purchases	—	—	—	—	—	—
Issuances ⁵	—	—	—	—	3,424	3,424
Sales	—	—	—	—	—	—
Settlements ⁶	—	—	—	—	—	—
Transfers in ⁷	—	—	—	—	—	—
Transfers out ⁷	—	5,642	5,642	—	—	—
Balance, as of September 30, 2011	—	\$ —	\$ —	—	\$ 405	\$ 405

⁴ The change in unrealized appreciation/depreciation on swaps still held at September 30, 2011 was \$(3,019).

⁵ Issuances represent upfront cash received on certain derivative financial instruments.

⁶ Settlements represent periodic contractual cash flows and/or cash flows to terminate certain derivative financial instruments.

⁷ The Fund's policy is to recognize transfers in and transfers out as of the beginning of the period of the event or the change in circumstances that caused the transfer. 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.

See Notes to Financial Statements.

Schedule of Investments September 30, 2011

BlackRock U.S. Government Bond Portfolio (Percentages shown are based on Net Assets)

Asset-Backed Securities	Par (000)	Value
Conseco Financial Corp., Series 1997-5, Class A7, 7.13%, 5/15/29 (a)	USD 511	\$ 527,000
Fannie Mae Whole Loan, Series 1996-W1, Class AL, 7.25%, 3/25/26 (a)	112	125,828
SLM Student Loan Trust:		
Series 2008-5, Class A2, 1.35%, 10/25/16 (a)	3,263	3,291,629
Series 2008-5, Class A3, 1.55%, 1/25/18 (a)	1,130	1,152,737
Series 2008-5, Class A4, 1.95%, 7/25/23 (a)	3,040	3,122,623
Structured Asset Receivables Trust Certificates, Series 2003-2A, 0.28%, 1/21/12 (a)(b)	1	1,272
U.S. Small Business Administration, Series 2003-10A, Class 1, 4.63%, 3/10/13	346	359,212
Total Asset-Backed Securities – 0.6%		8,580,301

Corporate Bonds

Oil, Gas & Consumable Fuels – 0.1%

ENSCO Offshore Co., 6.36%, 12/01/15	1,043	1,147,339
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Foreign Agency Obligations – 0.4%

FIH Erhvervsbank A/S, 2.45%, 8/17/12 (b)	4,770	4,844,751
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Non-Agency Mortgage-Backed Securities

Commercial Mortgage-Backed Securities – 0.6%

Banc of America Merrill Lynch Commercial Mortgage, Inc., Series 2002-PB2, Class A4, 6.19%, 6/11/35	1,996	2,001,176
Credit Suisse First Boston Mortgage Securities Corp., Series 2002-CKS4, Class A2, 5.18%, 11/15/36	2,490	2,535,156
GE Capital Commercial Mortgage Corp., Series 2002-1A, Class A3, 6.27%, 12/10/35	2,565	2,590,330
Wachovia Bank Commercial Mortgage Trust, Series 2003-C5, Class A1, 2.99%, 6/15/35	182	181,969
		<u>7,308,631</u>

Interest Only Commercial Mortgage-Backed Securities – 0.0%

WaMu Commercial Mortgage Securities Trust, Series 2005-C1A, Class X, 1.38%, 5/25/36 (a)(b)	6,461	112,571
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Total Non-Agency Mortgage-Backed Securities – 0.6%		7,421,202
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Project Loans

Federal Housing Authority:

Merrill Lynch Project, Series 29, Class 1A1, 7.43%, 6/25/22	114	113,557
Merrill Lynch Project, Pool 42, 7.43%, 9/25/22	– (c)	479
USGI Project, Series 56, 7.46%, 1/01/23	91	91,117

Total Project Loans – 0.0%		205,153
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U.S. Government Sponsored Agency Securities	Par (000)	Value
Agency Obligations – 4.8%		
Fannie Mae:		
1.75%, 5/07/13	USD 2,665	\$ 2,720,048
4.13%, 4/15/14	2,400	2,613,079
3.44%, 10/09/19 (d)(e)	4,400	3,345,527
6.63%, 11/15/30 (f)	3,900	5,796,266
Federal Home Loan Bank:		
1.00%, 12/28/11	3,300	3,306,930
4.00%, 9/06/13 (d)	9,100	9,714,650
3.63%, 10/18/13 (d)	10,750	11,439,870
Freddie Mac:		
2.13%, 3/23/12-9/21/12	5,700	5,788,040
2.50%, 4/23/14	1,650	1,732,234
4.38%, 7/17/15 (d)	6,100	6,890,621
4.88%, 6/13/18	3,300	3,946,543
3.75%, 3/27/19 (g)	3,300	3,728,053
U.S. Small Business Administration:		
Series 1996-20H, 7.25%, 8/01/16	298	324,251
Series 1996-20J, 7.20%, 10/01/16	315	342,533
Series 1998-20J, Class 1, 5.50%, 10/01/18	693	745,946
		<u>62,434,591</u>

Collateralized Mortgage Obligations – 5.1%

Fannie Mae, Series 2002-T6, Class A1, 3.31%, 2/25/32	313	329,046
Freddie Mac, Series K013, Class A2, 3.97%, 1/25/21 (a)	25,020	27,338,408
Ginnie Mae:		
Series 2005-10, Class ZB, 5.18%, 12/16/44 (a)	3,864	4,287,678
Series 2005-29, Class Z, 4.25%, 4/16/45 (a)	5,908	5,978,876
Series 2005-59, Class ZA, 4.96%, 3/16/46 (a)	11,698	12,720,467
Series 2005-67, Class Z, 4.72%, 8/16/45 (a)	7,298	7,536,299
Series 2005-9, Class Z, 4.65%, 1/16/45 (a)	6,787	7,221,632
		<u>65,412,406</u>

Interest Only Collateralized Mortgage Obligations – 1.6%

Fannie Mae:		
Series 2007-39, Class EI, 6.52%, 5/25/37 (a)	10,042	1,861,437
Series 2011-41, Class SB, 6.35%, 5/25/41 (a)	12,594	1,809,957
Freddie Mac:		
Series 3309, Class SG, 5.84%, 4/15/37 (a)	12,603	1,584,531
Series 3443, Class SE, 5.50%, 3/15/37 (a)	11,392	1,326,672
Series 3872, Class SL, 5.72%, 6/15/41 (a)	22,294	2,605,115
Series 3908, Class XS, 6.22%, 6/15/39 (a)	25,558	3,578,189
Ginnie Mae:		
Series 2004-10, 0.58%, 1/16/44 (a)	39,925	572,598

See Notes to Financial Statements.

Schedule of Investments (continued)

BlackRock U.S. Government Bond Portfolio (Percentages shown are based on Net Assets)

U.S. Government Sponsored Agency Securities	Par (000)	Value	Short-Term Securities	Par (000)/ Shares	Value
Interest Only Collateralized Mortgage Obligations (concluded)			Borrowed Bond Agreements (concluded)		
Series 2011-71, Class IK, 4.00%, 4/16/39	USD 9,898	\$ 1,707,929	Bank of America, N.A., 0.11%, 11/15/11	USD 21,873	\$ 21,873,338
Series 2004-77, 0.42%, 9/16/44 (a)	86,712	1,452,520			38,346,788
Series 2005-9, 0.55%, 1/16/45 (a)	76,376	1,922,687			
Series 2005-50, 0.89%, 6/16/45 (a)	25,751	859,668			
Series 2006-30, 0.66%, 5/16/46 (a)	35,659	1,160,606			
		20,441,909			
Mortgage-Backed Securities – 163.3%			Money Market Funds – 13.5%		
Fannie Mae Mortgage-Backed Securities:			BlackRock Liquidity Funds, TempFund, Institutional Class, 0.09% (i)(j)		
4.00%, 1/01/26-10/01/41 (h)	375,966	395,008,868	174,900,544	174,900,544	
3.50%, 10/01/26-10/01/41 (h)	216,600	222,709,688			
4.50%, 10/01/26-10/01/41 (h)	657,377	698,239,913			
5.50%, 5/01/33-10/01/41 (h)	148,639	161,549,781			
6.00%, 5/01/33-10/01/41 (h)	73,285	80,539,791			
5.00%, 7/01/34-10/01/41 (h)	172,540	185,702,959			
6.50%, 9/01/37-10/01/39	19,791	21,899,576			
3.32%, 12/01/40 (a)	3,543	3,701,433			
3.05%, 3/01/41 (a)	2,016	2,102,134			
3.15%, 3/01/41 (a)	2,832	2,942,121			
Freddie Mac Mortgage-Backed Securities:			Total Short-Term Securities		
13.00%, 4/01/14	– (c)	102	(Cost – \$213,247,332) – 16.5%		213,247,332
4.00%, 10/01/26-10/01/41 (h)	20,300	21,258,719			
3.06%, 2/01/41 (a)	3,377	3,521,570			
5.00%, 6/01/41-10/01/41 (h)	31,800	34,095,563			
4.50%, 10/01/41 (h)	40,600	42,934,500			
5.50%, 10/01/41 (h)	50,600	54,711,250			
6.00%, 10/01/41 (h)	42,800	46,839,250			
Ginnie Mae Mortgage-Backed Securities:					
7.00%, 6/15/23-3/15/24	– (c)	545			
3.00%, 9/15/35	98	97,951			
5.00%, 5/15/38-10/01/41 (h)	53,100	58,415,830			
4.00%, 10/01/41 (h)	7,700	8,231,955			
4.50%, 10/01/41 (h)	35,100	38,075,125			
5.50%, 10/01/41 (h)	13,400	14,814,656			
6.00%, 10/01/41 (h)	12,300	13,730,826			
		2,111,124,106			
Total U.S. Government Sponsored Agency Securities – 174.8%					
			Options Purchased		
			Contracts		
			Exchange-Traded Call Options Purchased – 0.2%		
			U.S. Treasury Notes (10 Year), Strike Price USD 126, Expires 11/25/11		
			650	2,843,750	
			U.S. Treasury Notes (10 Year), Strike Price USD 131, Expires 11/25/11		
			220	209,687	
			U.S. Treasury Notes (10 Year), Strike Price USD 134, Expires 11/25/11		
			220	44,687	
				3,098,124	
			Exchange-Traded Put Options Purchased – 0.1%		
			Euro Dollar (1 Year) Mid-Curve, Strike Price USD 99.25, Expires 3/16/12		
			1,578	374,775	
			Ultra Treasury Bonds, Strike Price USD 154, Expires 10/21/11		
			129	229,781	
				604,556	
			Notional Amount (000)		
			Over-the-Counter Call Options Purchased – 0.0%		
			USD Currency, Strike Price CAD 1.07, Expires 11/10/11, Broker Royal Bank of Scotland Plc		
			USD 17,500	183,575	
			Over-the-Counter Put Options Purchased – 0.3%		
			EUR Currency, Strike Price GBP 0.84, Expires 10/13/11, Broker Deutsche Bank AG		
			EUR 20,550	51,209	
			AUD Currency, Strike Price USD 0.90, Expires 11/11/11, Broker Royal Bank of Scotland Plc		
			AUD 12,900	112,849	
			EUR Currency, Strike Price USD 1.41, Expires 11/16/11, Broker Deutsche Bank AG		
			EUR 41,840	3,157,017	
				3,321,075	
			Over-the-Counter Call Swaptions Purchased – 1.0%		
			Receive a fixed rate of 1.758% and pay a floating rate based on 3-month LIBOR, Expires 1/26/12, Broker Deutsche Bank AG		
			USD 37,100	819,318	
			Receive a fixed rate of 1.800% and pay a floating rate based on 3-month LIBOR, Expires 6/11/12, Broker Bank of America, N.A.		
			7,000	87,209	
			Receive a fixed rate of 1.900% and pay a floating rate based on 3-month LIBOR, Expires 12/23/11, Broker Citibank, N.A.		
			16,900	145,704	
			Receive a fixed rate of 3.150% and pay a floating rate based on 3-month LIBOR, Expires 6/11/12, Broker Deutsche Bank AG		
			5,100	439,709	
Short-Term Securities					
Borrowed Bond Agreements – 3.0%					
Bank of America, N.A., 0.05%, 11/15/11			16,473	16,473,450	

See Notes to Financial Statements.

Schedule of Investments (continued)

BlackRock U.S. Government Bond Portfolio (Percentages shown are based on Net Assets)

	Notional Amount (000)	Value		Notional Amount (000)	Value
Options Purchased				Options Purchased	
Over-the-Counter Call Swaptions Purchased (concluded)				Over-the-Counter Put Swaptions Purchased (concluded)	
Receive a fixed rate of 3.490% and pay a floating rate based on 3-month LIBOR, Expires 7/18/12, Broker Citibank, N.A.	USD 6,500	\$ 725,635		Pay a fixed rate of 3.000% and receive a floating rate based on 3-month LIBOR, Expires 8/11/14, Broker Morgan Stanley Capital Services, Inc.	USD 26,400 \$ 172,008
Receive a fixed rate of 3.660% and pay a floating rate based on 3-month LIBOR, Expires 6/29/12, Broker The Bank of New York Mellon Corp.	6,900	870,519		Pay a fixed rate of 3.490% and receive a floating rate based on 3-month LIBOR, Expires 7/18/12, Broker Citibank, N.A.	6,500 48,610
Receive a fixed rate of 3.783% and pay a floating rate based on 3-month LIBOR, Expires 5/10/12, Broker Bank of America, N.A.	10,500	1,457,781		Pay a fixed rate of 3.660% and receive a floating rate based on 3-month LIBOR, Expires 6/29/12, Broker The Bank of New York Mellon Corp.	6,900 36,499
Receive a fixed rate of 3.800% and pay a floating rate based on 3-month LIBOR, Expires 5/04/12, Broker The Bank of New York Mellon Corp.	7,800	1,096,318		Pay a fixed rate of 3.750% and receive a floating rate based on 3-month LIBOR, Expires 10/24/11, Broker Credit Suisse International	34,000 3
Receive a fixed rate of 3.835% and pay a floating rate based on 3-month LIBOR, Expires 5/03/12, Broker Morgan Stanley Capital Services, Inc.	18,500	2,657,343		Pay a fixed rate of 3.783% and receive a floating rate based on 3-month LIBOR, Expires 5/10/12, Broker Bank of America, N.A.	10,500 31,266
Receive a fixed rate of 3.855% and pay a floating rate based on 3-month LIBOR, Expires 5/03/12, Broker The Bank of New York Mellon Corp.	5,600	814,084		Pay a fixed rate of 3.800% and receive a floating rate based on 3-month LIBOR, Expires 5/04/12, Broker The Bank of New York Mellon Corp.	7,800 21,309
Receive a fixed rate of 3.990% and pay a floating rate based on 3-month LIBOR, Expires 6/03/13, Broker Goldman Sachs Bank USA	7,500	1,033,105		Pay a fixed rate of 3.835% and receive a floating rate based on 3-month LIBOR, Expires 5/03/12, Broker Morgan Stanley Capital Services, Inc.	18,500 47,193
Receive a fixed rate of 3.993% and pay a floating rate based on 3-month LIBOR, Expires 6/03/13, Broker Royal Bank of Scotland Plc	6,500	896,594		Pay a fixed rate of 3.855% and receive a floating rate based on 3-month LIBOR, Expires 5/03/12, Broker The Bank of New York Mellon Corp.	5,600 13,809
Receive a fixed rate of 4.073% and pay a floating rate based on 3-month LIBOR, Expires 3/29/12, Broker Royal Bank of Scotland Plc	6,700	1,116,677		Pay a fixed rate of 3.990% and receive a floating rate based on 3-month LIBOR, Expires 6/03/13, Broker Goldman Sachs Bank USA	7,500 105,301
Receive a fixed rate of 4.140% and pay a floating rate based on 3-month LIBOR, Expires 4/10/12, Broker The Bank of New York Mellon Corp.	4,700	808,473		Pay a fixed rate of 3.993% and receive a floating rate based on 3-month LIBOR, Expires 6/03/13, Broker Royal Bank of Scotland Plc	6,500 91,060
Receive a fixed rate of 4.275% and pay a floating rate based on 3-month LIBOR, Expires 7/21/14, Broker JPMorgan Chase Bank, N.A.	4,000	571,076		Pay a fixed rate of 4.073% and receive a floating rate based on 3-month LIBOR, Expires 3/29/12, Broker Royal Bank of Scotland Plc	6,700 7,173
		13,539,545		Pay a fixed rate of 4.140% and receive a floating rate based on 3-month LIBOR, Expires 4/10/12, Broker The Bank of New York Mellon Corp.	4,700 5,248
Over-the-Counter Put Swaptions Purchased – 0.1%				Pay a fixed rate of 4.275% and receive a floating rate based on 3-month LIBOR, Expires 7/21/14, Broker JPMorgan Chase Bank, N.A.	4,000 97,327
Pay a fixed rate of 0.950% and receive a floating rate based on 3-month LIBOR, Expires 8/15/12, Broker Deutsche Bank AG	72,500	203,333			1,093,263
Pay a fixed rate of 1.758% and receive a floating rate based on 3-month LIBOR, Expires 1/26/12, Broker Deutsche Bank AG	37,100	3,499		Total Options Purchased	
Pay a fixed rate of 2.300% and receive a floating rate based on 3-month LIBOR, Expires 10/13/11, Broker BNP Paribas SA	34,500	4		(Cost – \$12,795,129) – 1.7%	21,840,138
Pay a fixed rate of 2.500% and receive a floating rate based on 3-month LIBOR, Expires 1/26/12, Broker Deutsche Bank AG	17,400	316		Total Investments Before TBA Sale Commitments and Options Written	
Pay a fixed rate of 2.500% and receive a floating rate based on 3-month LIBOR, Expires 8/11/14, Broker Bank of America, N.A.	22,000	192,416		(Cost – \$3,024,045,778*) – 236.0%	3,050,443,980
Pay a fixed rate of 3.000% and receive a floating rate based on 3-month LIBOR, Expires 12/09/11, Broker Morgan Stanley Capital Services, Inc.	11,000	16,889			

See Notes to Financial Statements.

Schedule of Investments (continued)

BlackRock U.S. Government Bond Portfolio (Percentages shown are based on Net Assets)

Options Written	Notional Amount (000)	Value
Over-the-Counter Put Swaptions Written (concluded)		
Receive a fixed rate of 3.360% and pay a floating rate based on 3-month LIBOR, Expires 8/17/12, Broker JPMorgan Chase Bank, N.A.	USD 25,000	\$ (257,335)
Receive a fixed rate of 3.895% and pay a floating rate based on 3-month LIBOR, Expires 6/09/14, Broker Royal Bank of Scotland Plc	21,900	(267,799)
Receive a fixed rate of 3.896% and pay a floating rate based on 3-month LIBOR, Expires 3/19/12, Broker UBS AG	21,000	(27,235)
Receive a fixed rate of 3.925% and pay a floating rate based on 3-month LIBOR, Expires 4/27/12, Broker UBS AG	700	(1,433)
Receive a fixed rate of 3.939% and pay a floating rate based on 3-month LIBOR, Expires 3/21/12, Broker UBS AG	15,000	(18,418)
Receive a fixed rate of 3.955% and pay a floating rate based on 3-month LIBOR, Expires 4/20/12, Broker UBS AG	8,700	(15,575)
Receive a fixed rate of 3.963% and pay a floating rate based on 3-month LIBOR, Expires 6/09/14, Broker Royal Bank of Scotland Plc	7,600	(89,205)
Receive a fixed rate of 4.000% and pay a floating rate based on 3-month LIBOR, Expires 12/29/11, Broker UBS AG	8,500	(1,032)
Receive a fixed rate of 4.020% and pay a floating rate based on 3-month LIBOR, Expires 2/02/12, Broker UBS AG	4,600	(1,840)
Receive a fixed rate of 4.030% and pay a floating rate based on 3-month LIBOR, Expires 4/16/12, Broker UBS AG	2,900	(4,297)
Receive a fixed rate of 4.034% and pay a floating rate based on 3-month LIBOR, Expires 4/16/12, Broker UBS AG	12,100	(17,794)
Receive a fixed rate of 4.075% and pay a floating rate based on 3-month LIBOR, Expires 2/01/12, Broker UBS AG	4,800	(1,614)
Receive a fixed rate of 4.100% and pay a floating rate based on 3-month LIBOR, Expires 11/02/11, Broker Goldman Sachs Bank USA	41,000	(4)
Receive a fixed rate of 4.100% and pay a floating rate based on 3-month LIBOR, Expires 11/14/11, Broker UBS AG	41,000	(46)
Receive a fixed rate of 5.000% and pay a floating rate based on 3-month LIBOR, Expires 4/22/13, Broker JPMorgan Chase Bank, N.A.	26,300	(130,489)
		(993,961)
Total Options Written (Premiums Received – \$16,994,611) – (2.4)%		(31,385,808)
Total Investments Net of TBA Sale Commitments and Options Written – 124.1%		1,604,321,487
Liabilities in Excess of Other Assets – (24.1)%		(311,579,998)
Net Assets – 100.0%		<u>\$1,292,741,489</u>

* The cost and unrealized appreciation (depreciation) of investments as of September 30, 2011, as computed for federal income tax purposes, were as follows:

Aggregate cost	\$3,025,088,097
Gross unrealized appreciation	\$ 41,233,068
Gross unrealized depreciation	(15,877,185)
Net unrealized appreciation	<u>\$ 25,355,883</u>

- (a) Variable rate security. Rate shown is as of report date.
 (b) Security exempt from registration under Rule 144A of the Securities Act of 1933. These securities may be resold in transactions exempt from registration to qualified institutional investors.
 (c) Par is less than \$500.
 (d) All or a portion of security has been pledged as collateral in connection with swaps.
 (e) Represents a zero-coupon bond. Rate shown reflects the current yield as of report date.
 (f) All or a portion of security has been pledged as collateral in connection with open financial futures contracts.
 (g) All or a portion of security has been pledged as collateral in connection with open reverse repurchase agreements.
 (h) Represents or includes a TBA transaction. Unsettled TBA transactions as of report date were as follows:

Counterparty	Value	Unrealized Appreciation (Depreciation)
Bank of America, N.A.	\$ (21,898,000)	\$ 47,809
Barclays Bank Plc	\$ (41,576,500)	\$ 61,250
BNP Paribas SA	\$ 37,130,333	\$(102,611)
Citibank, N.A.	\$107,389,702	\$(106,896)
Credit Suisse International	\$ 4,305,268	\$(244,052)
Daiwa Securities Co. Ltd.	\$ (4,086,188)	\$ 1,188
Deutsche Bank AG	\$ 24,007,141	\$(538,033)
Goldman Sachs Bank USA	\$ 23,566,469	\$ 439,234
JPMorgan Chase Bank, N.A.	\$ 19,278,344	\$(283,234)
Morgan Stanley Capital Services, Inc.	\$ 40,415,331	\$(243,065)
Nomura Securities International, Inc.	\$ (32,036,438)	\$(109,602)
Royal Bank of Scotland Plc	\$ 29,744,781	\$ 83,898
UBS AG	\$ 8,132,313	\$(59,547)

- (i) Investments in companies considered to be an affiliate of the Fund during the year, for purposes of Section 2(a)(3) of the Investment Company Act of 1940, as amended, were as follows:

Affiliate	Shares Held at September 30, 2010	Net Activity	Shares Held at September 30, 2011	Realized Gain	Income
BlackRock Liquidity Funds, TempFund, Institutional Class	—	\$174,900,544	174,900,544	\$57	\$55,380

- (j) Represents the current yield as of report date.

See Notes to Financial Statements.

Schedule of Investments (continued)

BlackRock U.S. Government Bond Portfolio

- Reverse repurchase agreements outstanding as of September 30, 2011 were as follows:

Counterparty	Interest Rate	Trade Date	Maturity Date	Net Closing Amount	Face Amount
Bank of America, N.A.	(0.10)%	8/31/11	11/15/11	\$44,423,370	\$44,432,750
BNP Paribas	0.00%	9/07/11	2/08/12	3,795,000	3,795,000
Total				\$48,218,370	\$48,227,750

- Foreign currency exchange contracts as of September 30, 2011 were as follows:

Currency Purchased	Currency Sold	Counterparty	Settlement Date	Unrealized Appreciation (Depreciation)
NZD	183,549 USD	Royal Bank of Scotland Plc	10/11/11	\$ (8,614)
NZD	39,939 USD	Royal Bank of Scotland Plc	10/11/11	(1,523)
USD	183,204 NZD	Deutsche Bank AG	10/11/11	13,335
USD	570,933 EUR	Citibank, N.A.	10/26/11	41,838
USD	4,507,579 EUR	Citibank, N.A.	10/26/11	53,803
EUR	788,380 CAD	Citibank, N.A.	11/02/11	7,125
EUR	2,300,000 USD	UBS AG	11/02/11	(47,392)
NZD	2,500,000 USD	Royal Bank of Scotland Plc	11/02/11	(48,015)
USD	1,644,476 SEK	Citibank, N.A.	11/02/11	22,291
CZK	3,657,750 EUR	Barclays Bank Plc	11/21/11	(2,285)
CZK	36,572,481 EUR	UBS AG	11/21/11	(22,400)
EUR	60,000 NOK	Barclays Bank Plc	11/21/11	(127)
EUR	644,397 NOK	Royal Bank of Scotland Plc	11/21/11	(10,116)
EUR	1,231,079 USD	Citibank, N.A.	11/21/11	(78,233)
GBP	815,000 CZK	Deutsche Bank AG	11/21/11	30,708
NOK	5,613,000 CZK	Deutsche Bank AG	11/21/11	25,822
USD	295,554 EUR	Barclays Bank Plc	11/21/11	14,290
USD	108,162 EUR	UBS AG	11/21/11	6,351
USD	1,353,390 GBP	UBS AG	11/21/11	51,968
EUR	1,329,584 HUF	Deutsche Bank AG	11/25/11	129,628
HUF	65,274,998 EUR	Citibank, N.A.	11/25/11	(22,060)
HUF	4,357,844 PLN	Citibank, N.A.	11/25/11	423
HUF	294,622,386 PLN	Deutsche Bank AG	11/25/11	55,503
PLN	4,340,575 EUR	UBS AG	11/25/11	(159,486)
CZK	3,756,000 HUF	UBS AG	11/28/11	13,143
HUF	42,239,976 CZK	Citibank, N.A.	11/28/11	(12,099)
Total				\$ 53,878

- Financial futures contracts purchased as of September 30, 2011 were as follows:

Contracts	Issue	Exchange	Expiration	Notional Value	Unrealized Appreciation (Depreciation)
46	Euro FX Futures	Chicago Mercantile	December 2011	\$ 7,713,625	\$(19,119)
123	Gilt British	London	December 2011	\$24,932,984	64,160
61	US Dollar Index Futures	Intercontinental Exchange	December 2011	\$ 4,823,575	3,132
208	U.S. Treasury Notes (2 Year)	Chicago Board Options	December 2011	\$45,802,250	(28,742)
236	U.S. Treasury Notes (10 Year)	Chicago Board Options	December 2011	\$30,702,125	(477)
14	U.S. Treasury Bonds (30 Year)	Chicago Board Options	December 2011	\$ 1,996,750	(36,348)
10	Euro Dollar Futures	Chicago Mercantile	September 2014	\$ 2,463,125	(3,783)
Total					\$(21,177)

- Financial futures contracts sold as of September 30, 2011 were as follows:

Contracts	Issue	Exchange	Expiration	Notional Value	Unrealized Appreciation (Depreciation)
82	Australian Dollar Futures	Chicago Mercantile	December 2011	\$ 7,881,020	\$181,380
100	Euro-Bund	Eurex	December 2011	\$18,286,197	(14,737)
29	Japanese Yen Futures	Chicago Mercantile	December 2011	\$ 4,707,787	35,904
266	U.S. Treasury Notes (5 Year)	Chicago Board Options	December 2011	\$32,580,844	(267)
33	Ultra Treasury Bonds	Chicago Board Options	December 2011	\$ 5,234,625	91,377
86	Euro Dollar Futures	Chicago Mercantile	December 2011	\$21,386,050	5,493
86	Euro Dollar Futures	Chicago Mercantile	March 2012	\$21,373,150	12,748
86	Euro Dollar Futures	Chicago Mercantile	June 2012	\$21,373,150	9,348
66	Euro Dollar Futures	Chicago Mercantile	September 2012	\$16,404,300	3,660
69	Euro Dollar Futures	Chicago Mercantile	December 2012	\$17,149,088	(6,158)
69	Euro Dollar Futures	Chicago Mercantile	March 2013	\$17,146,500	(23,166)
69	Euro Dollar Futures	Chicago Mercantile	June 2013	\$17,134,425	(30,491)
48	Euro Dollar Futures	Chicago Mercantile	September 2013	\$11,906,400	(13,828)

See Notes to Financial Statements.

Schedule of Investments (continued)

BlackRock U.S. Government Bond Portfolio

Contracts	Issue	Exchange	Expiration	Notional Value	Unrealized Appreciation (Depreciation)	Fixed Rate	Floating Rate	Counterparty	Expiration Date	Notional Amount (000)	Unrealized Appreciation (Depreciation)
50	Euro Dollar Futures	Chicago Mercantile	December 2013	\$12,381,875	\$(44,468)	3.09%(b)	3-month LIBOR	Deutsche Bank AG	7/28/21	4,800	\$ 460,166
50	Euro Dollar Futures	Chicago Mercantile	March 2014	\$12,361,875	(51,043)	2.57%(b)	3-month LIBOR	Deutsche Bank AG	8/08/21	1,200	56,466
9	Euro Dollar Futures	Chicago Mercantile	June 2014	\$ 2,221,087	(709)	2.60%(b)	3-month LIBOR	Citibank, N.A.	8/10/21	1,600	79,485
Total					\$155,043						

• Interest rate swaps outstanding as of September 30, 2011 were as follows:

Fixed Rate	Floating Rate	Counterparty	Expiration Date	Notional Amount (000)	Unrealized Appreciation (Depreciation)	Fixed Rate	Floating Rate	Counterparty	Expiration Date	Notional Amount (000)	Unrealized Appreciation (Depreciation)
0.97%(a)	3-month LIBOR	Deutsche Bank AG	3/30/13	USD 48,400	\$(299,755)	2.35%(b)	3-month LIBOR	Deutsche Bank AG	8/12/21	2,700	71,393
0.44%(b)	3-month LIBOR	UBS AG	8/17/13	USD 30,000	(63,661)	2.47%(a)	3-month LIBOR	Deutsche Bank AG	8/16/21	6,000	(223,359)
0.47%(a)	3-month LIBOR	Citibank, N.A.	9/22/13	USD 22,400	45,987	2.37%(a)	3-month LIBOR	Deutsche Bank AG	8/19/21	4,500	(124,490)
1.26%(a)	3-month LIBOR	Deutsche Bank AG	12/24/13	USD 2,000	(35,796)	2.19%(b)	3-month LIBOR	Deutsche Bank AG	8/22/21	6,700	67,967
1.41%(b)	3-month LIBOR	Deutsche Bank AG	3/29/14	USD 2,800	53,815	2.21%(a)	3-month LIBOR	Deutsche Bank AG	8/23/21	3,000	(40,182)
0.97%(b)	3-month LIBOR	UBS AG	7/26/14	USD 14,500	130,967	2.27%(a)	3-month LIBOR	Deutsche Bank AG	8/25/21	3,000	(53,277)
0.80%(b)	3-month LIBOR	Citibank, N.A.	8/09/14	USD 24,000	85,217	2.36%(a)	3-month LIBOR	Deutsche Bank AG	8/31/21	3,000	(77,009)
2.46%(a)	3-month LIBOR	Deutsche Bank AG	4/04/16	USD 7,700	(543,608)	2.38%(a)	3-month LIBOR	Deutsche Bank AG	8/31/21	600	(16,732)
2.26%(b)	3-month LIBOR	Deutsche Bank AG	5/03/16	USD 4,700	277,580	2.39%(b)	3-month LIBOR	Citibank, N.A.	9/06/21	9,200	256,167
2.06%(a)	3-month LIBOR	Citibank, N.A.	5/11/16	USD 18,600	(909,050)	2.75%(b)	3-month LIBOR	JPMorgan Chase Bank, N.A.	9/06/21	20,800	1,211,037
2.27%(b)	3-month LIBOR	Morgan Stanley Capital Services, Inc.	8/13/16	USD 7,900	42,613	2.15%(b)	3-month LIBOR	Deutsche Bank AG	9/08/21	1,900	10,575
2.20%(b)	3-month LIBOR	Bank of America, N.A.	8/15/16	USD 8,800	35,645	2.22%(a)	3-month LIBOR	Bank of America, N.A.	9/12/21	9,000	(105,287)
1.29%(b)	3-month LIBOR	Deutsche Bank AG	8/31/16	USD 6,000	20,985	2.17%(b)	3-month LIBOR	Morgan Stanley Capital Services, Inc.	9/12/21	1,000	7,087
2.44%(a)	3-month LIBOR	Bank of America, N.A.	8/01/18	USD 4,300	(231,053)	2.21%(b)	3-month LIBOR	Credit Suisse International	9/13/21	8,800	90,309
3.66%(b)	3-month LIBOR	Citibank, N.A.	12/17/20	USD 7,700	1,162,543	2.17%(b)	3-month LIBOR	BNP Paribas SA	9/15/21	4,400	30,202
3.58%(a)	3-month LIBOR	Citibank, N.A.	4/04/21	USD 12,700	(1,923,798)	2.17%(a)	3-month LIBOR	Morgan Stanley Capital Services, Inc.	9/15/21	900	(6,178)
3.27%(a)	3-month LIBOR	Deutsche Bank AG	5/16/21	USD 25,020	(2,973,824)	1.91%(b)	3-month LIBOR	Bank of America, N.A.	9/26/21	1,200	(21,540)
3.95%(b)	3-month LIBOR	Deutsche Bank AG	5/18/21	USD 3,000	427,796	1.98%(b)	3-month LIBOR	Citibank, N.A.	9/26/21	4,400	(50,594)
4.01%(b)	3-month LIBOR	Goldman Sachs Bank USA	5/18/21	USD 17,500	2,597,951	2.18%(a)	3-month LIBOR	Deutsche Bank AG	9/30/21	6,200	(38,299)
						2.81%(b)	3-month LIBOR	Bank of America, N.A.	9/23/23	2,000	22,289
						2.63%(b)	3-month LIBOR	Citibank, N.A.	9/26/41	2,200	(29,065)

See Notes to Financial Statements.

Schedule of Investments (continued)

BlackRock U.S. Government Bond Portfolio

Fixed Rate	Floating Rate	Counterparty	Expiration Date	Notional Amount (000)	Unrealized Appreciation (Depreciation)
2.67%(b)	3-month LIBOR	Credit Suisse International	9/26/41	USD 2,400	\$ (10,261)
2.60%(b)	3-month LIBOR	Goldman Sachs Bank USA	9/26/41	USD 3,700	(72,222)
2.62%(b)	3-month LIBOR	JPMorgan Chase Bank, N.A.	9/26/41	USD 2,200	(32,072)
2.82%(a)	3-month LIBOR	Deutsche Bank AG	10/03/41	USD 3,900	(102,057)
2.70%(a)	3-month LIBOR	Citibank, N.A.	10/04/41	USD 1,400	(2,299)
2.73%(a)	3-month LIBOR	Deutsche Bank AG	10/04/41	USD 2,300	(15,259)

Fixed Rate	Floating Rate	Counterparty	Expiration Date	Notional Amount (000)	Unrealized Appreciation (Depreciation)
2.76%(a)	3-month LIBOR	Morgan Stanley Capital Services, Inc.	10/04/41	USD 1,700	\$ (23,785)
Total					<u>\$(780,270)</u>

(a) Fund pays a fixed interest rate and receives floating rate.

(b) Fund pays a floating interest rate and receives fixed rate.

- Total return swaps outstanding as of September 30, 2011 were as follows:

Reference Entity	Fund Pays/Receives the Total Return of the Reference Entity	Fixed Rate/Floating Rate	Counterparty	Expiration Date	Notional Amount (000)	Unrealized Appreciation (Depreciation)
Change in return of the Consumer Price Index for All Urban Consumers	Receives	2.25%	Royal Bank of Scotland Plc	9/28/21	USD 7,305	\$ 36,715
Gross return on Markit IOS 6.50%, 30-year, fixed rate Fannie Mae	Pays	1-month LIBOR	Barclays Bank Plc	1/12/38	USD 6,295	45,905
Gross return on Markit IOS 6.50%, 30-year, fixed rate Fannie Mae	Pays	1-month LIBOR	Citibank, N.A.	1/12/38	USD 6,760	94,665
Gross return on Markit IOS 6.50%, 30-year, fixed rate Fannie Mae	Pays	1-month LIBOR	Credit Suisse International	1/12/38	USD 7,514	72,228
Gross return on Markit IOS 6.50%, 30-year, fixed rate Fannie Mae	Receives	1-month LIBOR	JPMorgan Chase Bank, N.A.	1/12/38	USD 16,449	(169,260)
Gross return on Markit IOS 6.50%, 30-year, fixed rate Fannie Mae	Pays	1-month LIBOR	JPMorgan Chase Bank, N.A.	1/12/38	USD 754	5,139
Gross return on Markit IOS 6.50%, 30-year, fixed rate Fannie Mae	Pays	1-month LIBOR	JPMorgan Chase Bank, N.A.	1/12/38	USD 16,130	235,977
Gross return on Markit IOS 6.50%, 30-year, fixed rate Fannie Mae	Pays	1-month LIBOR	Royal Bank of Scotland Plc	1/12/38	USD 1,654	51,603
Gross return on Markit IOS 5.00%, 30-year, fixed rate Fannie Mae	Receives	1-month LIBOR	Bank of America, N.A.	1/12/39	USD 11,367	(193,648)
Gross return on Markit IOS 5.00%, 30-year, fixed rate Fannie Mae	Pays	1-month LIBOR	Bank of America, N.A.	1/12/39	USD 7,388	118,908
Gross return on Markit IOS 6.00%, 30-year, fixed rate Fannie Mae	Pays	1-month LIBOR	Barclays Bank Plc	1/12/39	USD 3,992	(2,977)
Gross return on Markit IOS 5.00%, 30-year, fixed rate Fannie Mae	Receives	1-month LIBOR	Citibank, N.A.	1/12/39	USD 11,542	267,058
Gross return on Markit IOS 6.00%, 30-year, fixed rate Fannie Mae	Pays	1-month LIBOR	Citibank, N.A.	1/12/39	USD 1,778	26,968
Gross return on Markit IOS 6.00%, 30-year, fixed rate Fannie Mae	Pays	1-month LIBOR	Credit Suisse International	1/12/39	USD 7,947	81,877
Gross return on Markit IOS 5.00%, 30-year, fixed rate Fannie Mae	Receives	1-month LIBOR	JPMorgan Chase Bank, N.A.	1/12/39	USD 7,257	366,496
Gross return on Markit IOS 5.00%, 30-year, fixed rate Fannie Mae	Pays	1-month LIBOR	JPMorgan Chase Bank, N.A.	1/12/39	USD 9,225	18,396
Gross return on Markit IOS 5.00%, 30-year, fixed rate Fannie Mae	Pays	1-month LIBOR	JPMorgan Chase Bank, N.A.	1/12/39	USD 3,847	16,870

See Notes to Financial Statements.

Schedule of Investments (continued)

BlackRock U.S. Government Bond Portfolio

Reference Entity	Fund Pays/Receives the Total Return of the Reference Entity	Fixed Rate/ Floating Rate	Counterparty	Expiration Date		Notional Amount (000)	Unrealized Appreciation (Depreciation)
Gross return on Markit IOS 5.50%, 30-year, fixed rate Fannie Mae	Pays	1-month LIBOR	JPMorgan Chase Bank, N.A.	1/12/39	USD	11,535	\$ 220,800
Gross return on Markit IOS 5.50%, 30-year, fixed rate Fannie Mae	Pays	1-month LIBOR	JPMorgan Chase Bank, N.A.	1/12/39	USD	5,135	95,092
Gross return on Markit IOS 6.00%, 30-year, fixed rate Fannie Mae	Pays	1-month LIBOR	JPMorgan Chase Bank, N.A.	1/12/39	USD	8,165	91,774
Gross return on Markit IOS 6.00%, 30-year, fixed rate Fannie Mae	Receives	1-month LIBOR	JPMorgan Chase Bank, N.A.	1/12/39	USD	5,480	(22,861)
Gross return on Markit IOS 6.00%, 30-year, fixed rate Fannie Mae	Receives	1-month LIBOR	JPMorgan Chase Bank, N.A.	1/12/39	USD	16,403	(225,542)
Gross return on Markit IOS 6.00%, 30-year, fixed rate Fannie Mae	Pays	1-month LIBOR	JPMorgan Chase Bank, N.A.	1/12/39	USD	16,366	93,282
Gross return on Markit IOS 4.50%, 30-year, fixed rate Fannie Mae	Pays	1-month LIBOR	Bank of America, N.A.	1/12/40	USD	1,009	16,908
Gross return on Markit IOS 4.50%, 30-year, fixed rate Fannie Mae	Receives	1-month LIBOR	Barclays Bank Plc	1/12/40	USD	1,009	59,474
Gross return on Markit IOS 4.50%, 30-year, fixed rate Fannie Mae	Receives	1-month LIBOR	Barclays Bank Plc	1/12/40	USD	6,518	183
Gross return on Markit IOS 5.00%, 30-year, fixed rate Fannie Mae	Pays	1-month LIBOR	Barclays Bank Plc	1/12/40	USD	3,220	(8,821)
Gross return on Markit IOS 4.50%, 30-year, fixed rate Fannie Mae	Receives	1-month LIBOR	Citibank, N.A.	1/12/40	USD	11,174	(305,028)
Gross return on Markit IOS 5.00%, 30-year, fixed rate Fannie Mae	Receives	1-month LIBOR	Credit Suisse International	1/12/40	USD	10,231	(219,185)
Gross return on Markit IOS 4.50%, 30-year, fixed rate Fannie Mae	Receives	1-month LIBOR	Goldman Sachs Bank USA	1/12/40	USD	14,976	421
Gross return on Markit IOS 5.00%, 30-year, fixed rate Fannie Mae	Pays	1-month LIBOR	Goldman Sachs Bank USA	1/12/40	USD	7,298	(21,134)
Gross return on Markit IOS 4.50%, 30-year, fixed rate Fannie Mae	Pays	1-month LIBOR	JPMorgan Chase Bank, N.A.	1/12/40	USD	10,786	(122,283)
Gross return on Markit IOS 4.50%, 30-year, fixed rate Fannie Mae	Receives	1-month LIBOR	JPMorgan Chase Bank, N.A.	1/12/40	USD	11,640	(111,689)
Gross return on Markit IOS 5.00%, 30-year, fixed rate Fannie Mae	Receives	1-month LIBOR	JPMorgan Chase Bank, N.A.	1/12/40	USD	286	(5,863)

Total **\$ 608,448**

- 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 industry sub-classifications for reporting ease.
 - Fair Value Measurements – Various inputs are used in determining the fair value of investments and derivative financial instruments. These inputs are categorized in three broad levels for financial statement purposes as follows:
 - Level 1 – price quotations in active markets/exchanges for identical assets and liabilities
 - 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 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 does not necessarily correspond to the Fund's perceived risk of investing in those securities. For information about the Fund's policy regarding valuation of investments and derivative financial instruments and other significant accounting policies, please refer to Note 1 of the Notes to Financial Statements.

See Notes to Financial Statements.

Schedule of Investments (concluded)

The following tables summarize the inputs used as of September 30, 2011 in determining the fair valuation of the Fund's investments and derivative financial instruments:

Valuation Inputs	Level 1	Level 2	Level 3	Total
Assets:				
Investments:				
Long-Term				
Investments:				
Asset-Backed Securities . . .	—	\$ 8,579,029	\$ 1,272	\$ 8,580,301
Corporate Bonds	—	1,147,339	—	1,147,339
Foreign Agency Obligations	—	4,844,751	—	4,844,751
Non-Agency Mortgage-Backed Securities	—	7,421,202	—	7,421,202
Project Loans	—	—	205,153	205,153
U.S.				
Government Sponsored Agency Securities	—	2,255,834,823	3,578,189	2,259,413,012
U.S. Treasury Obligations	—	533,744,752	—	533,744,752
Short-Term Securities	\$174,900,544	38,346,788	—	213,247,332
Liabilities:				
Investments in Securities:				
TBA Sale Commitments	—	(1,414,736,685)	—	(1,414,736,685)
Total	\$174,900,544	\$ 1,435,181,999	\$ 3,784,614	\$ 1,613,867,157

Valuation Inputs	Level 1	Level 2	Level 3	Total
Derivative Financial Instruments ¹				
Assets:				
Foreign currency exchange contracts	\$ 220,416	\$ 3,970,878	—	\$ 4,191,294
Interest rate contracts	3,889,466	21,877,050	—	25,766,516
Other contracts	—	2,016,739	—	2,016,739
Liabilities:				
Foreign currency exchange contracts	(19,119)	(2,417,256)	—	(2,436,375)
Interest rate contracts	(4,526,405)	(33,133,226)	—	(37,659,631)
Other contracts	—	(1,408,291)	—	(1,408,291)
Total	\$ (435,642)	\$ (9,094,106)	—	\$ (9,529,748)

¹ Derivative financial instruments are swaps, financial futures contracts, foreign currency exchange contracts and options. Swaps, financial futures contracts and foreign currency exchange contracts are valued at the unrealized appreciation/depreciation on the instrument and options are shown at value.

Statements of Assets and Liabilities

September 30, 2011	BlackRock GNMA Portfolio	BlackRock Inflation Protected Bond Portfolio	BlackRock Long Duration Bond Portfolio	BlackRock Multi-Sector Bond Portfolio	BlackRock U.S. Government Bond Portfolio
Assets					
Investments at value – unaffiliated ¹	\$ 2,249,691,322	\$ 4,149,344,663	\$ 298,510,976	\$ 178,167,582	\$ 2,875,543,436
Investments at value – affiliated ²	38,765,948	34,167,549	5,745,628	703,413	174,900,544
Cash	–	–	590,614	–	2,348,127
Foreign currency at value ³	–	301,872	726	220,196	517,161
Cash pledged as collateral for financial futures contracts	178,000	3,325,000	–	189,000	432,000
Cash pledged as collateral for swap contracts	19,022,000	20,450,000	1,200,000	–	8,525,000
Swap premiums paid	46,141	1,303,185	353,441	722,316	2,182,908
TBA sale commitments receivable	749,264,895	–	–	85,465,450	1,413,850,942
Investments sold receivable	436,880,501	1,100,000	12,039,719	1,642,796	211,394,592
Unrealized appreciation on swaps	5,717,757	22,284,344	1,999,768	1,653,181	9,260,981
Interest receivable	4,155,206	17,460,573	3,163,717	796,677	4,883,958
Capital shares sold receivable	3,469,187	13,817,067	331,324	97,131	1,960,914
Margin variation receivable	40,734	180,141	638,820	38,165	221,512
Receivable from advisor	36,184	228,970	1,218	10,230	17,125
Dividends receivable – affiliated	1,640	18,297	755	140	20,511
Unrealized appreciation on foreign currency exchange contracts	–	2,618,017	105,888	298,603	466,228
Principal paydown receivable	–	–	–	–	13,348
Prepaid expenses	44,596	132,923	13,278	12,597	42,757
Other assets	–	–	93,616	–	–
Total assets	3,507,314,111	4,266,732,601	324,789,488	270,017,477	4,706,582,044
Liabilities					
Bank overdraft	323,570	2,591,205	–	96,236	–
Investments purchased payable	1,442,387,115	17,078	16,823,674	85,800,786	1,895,765,591
TBA sale commitments at value ⁴	747,653,241	–	–	85,348,584	1,414,736,685
Reverse repurchase agreements payable	157,841,563	–	7,500,000	–	48,227,750
Options written at value ⁵	47,625,425	87,603,058	5,786,577	811,150	31,385,808
Capital shares redeemed payable	1,916,474	15,097,896	8,060	62,292	5,945,660
Income dividends payable	1,628,475	700,527	74,177	228,676	1,160,026
Unrealized depreciation on swaps	629,299	10,021,336	1,332,128	799,339	9,432,803
Swap premiums received	461,823	–	117,255	451,675	1,664,761
Investment advisory fees payable	375,138	662,168	72,261	2,152	323,828
Service and distribution fees payable	301,682	942,587	2,830	15,753	397,239
Cash received as collateral for reverse repurchase agreements	180,000	–	–	–	–
Other affiliates payable	104,487	205,275	26,978	–	126,781
Margin variation payable	104,089	3,246,899	11,807	19,958	74,717
Interest expense payable	10,189	–	2,812	27,564	–
Borrowed bonds at value ⁶	–	–	–	5,016,626	–
Officer's and Trustees' fees payable	8,444	21,648	4,253	3,601	5,459
Cash received as collateral for swap contracts	–	12,450,000	–	600,000	3,300,000
Unrealized depreciation on foreign currency exchange contracts	–	4,142,008	23,937	109,627	412,350
Other accrued expenses payable	537,863	1,901,315	113,967	123,131	881,097
Total liabilities	2,402,088,877	139,603,000	31,900,716	179,517,150	3,413,840,555
Net Assets	\$ 1,105,225,234	\$ 4,127,129,601	\$ 292,888,772	\$ 90,500,327	\$ 1,292,741,489
Net Assets Consist of					
Paid-in capital	\$ 1,051,572,125	\$ 3,851,468,905	\$ 250,279,226	\$ 89,692,039	\$ 1,304,544,234
Undistributed (distributions in excess of) net investment income	(2,201,749)	(756,876)	2,152,411	(421,159)	2,646,746
Accumulated net realized gain (loss)	18,986,371	16,893,462	4,082,769	894,293	(23,562,589)
Net unrealized appreciation/depreciation	36,868,487	259,524,110	36,374,366	335,154	9,113,098
Net Assets	\$ 1,105,225,234	\$ 4,127,129,601	\$ 292,888,772	\$ 90,500,327	\$ 1,292,741,489
¹ Investments at cost – unaffiliated	\$ 2,202,141,115	\$ 3,846,535,882	\$ 265,400,245	\$ 178,632,728	\$ 2,849,145,234
² Investments at cost – affiliated	38,765,948	34,167,549	5,745,628	732,213	174,900,544
³ Foreign currency at cost	–	316,031	734	224,760	550,119
⁴ Proceeds from TBA sale commitments	749,264,895	–	–	85,465,450	1,413,850,942
⁵ Premiums received	30,218,409	50,298,408	3,200,429	403,354	16,994,611
⁶ Proceeds received from borrowed bond agreements	–	–	–	5,089,981	–

See Notes to Financial Statements.

Statements of Assets and Liabilities (concluded)

September 30, 2011	BlackRock GNMA Portfolio	BlackRock Inflation Protected Bond Portfolio	BlackRock Long Duration Bond Portfolio	BlackRock Multi-Sector Bond Portfolio	BlackRock U.S. Government Bond Portfolio
Net Asset Value					
BlackRock					
Net assets.....	\$ 5,587,463	\$ 416,630,918	\$ 227,009,472	–	\$ 13,103
Shares outstanding ⁷	535,383	36,955,481	19,432,781	–	1,198
Net asset value.....	\$ 10.44	\$ 11.27	\$ 11.68	–	\$ 10.94
Institutional					
Net assets.....	\$ 462,058,055	\$ 1,362,285,629	\$ 51,253,074	\$ 58,353,465	\$ 178,608,632
Shares outstanding ⁷	44,152,340	118,514,354	4,395,390	5,720,121	16,327,075
Net asset value.....	\$ 10.47	\$ 11.49	\$ 11.66	\$ 10.20	\$ 10.94
Service					
Net assets.....	\$ 35,929,444	\$ 84,824,065	–	–	\$ 7,369,022
Shares outstanding ⁷	3,437,072	7,382,841	–	–	674,117
Net asset value.....	\$ 10.45	\$ 11.49	–	–	\$ 10.93
Investor A					
Net assets.....	\$ 323,201,267	\$ 1,542,504,707	\$ 14,626,226	\$ 17,579,368	\$ 767,192,925
Shares outstanding ⁷	30,758,505	135,473,311	1,252,487	1,723,953	69,978,066
Net asset value.....	\$ 10.51	\$ 11.39	\$ 11.68	\$ 10.20	\$ 10.96
Investor B					
Net assets.....	\$ 7,517,932	\$ 8,814,609	–	–	\$ 10,305,719
Shares outstanding ⁷	717,805	780,748	–	–	942,775
Net asset value.....	\$ 10.47	\$ 11.29	–	–	\$ 10.93
Investor B1					
Net assets.....	–	–	–	–	\$ 48,147,506
Shares outstanding ⁷	–	–	–	–	4,404,681
Net asset value.....	–	–	–	–	\$ 10.93
Investor C					
Net assets.....	\$ 270,931,073	\$ 712,069,673	–	\$ 14,567,494	\$ 110,259,773
Shares outstanding ⁷	25,895,278	62,662,071	–	1,427,818	10,069,001
Net asset value.....	\$ 10.46	\$ 11.36	–	\$ 10.20	\$ 10.95
Investor C1					
Net assets.....	–	–	–	–	\$ 130,322,233
Shares outstanding ⁷	–	–	–	–	11,904,138
Net asset value.....	–	–	–	–	\$ 10.95
Class R					
Net assets.....	–	–	–	–	\$ 40,522,576
Shares outstanding ⁷	–	–	–	–	3,695,622
Net asset value.....	–	–	–	–	\$ 10.97

⁷ Unlimited number of shares authorized, \$0.001 par value.

See Notes to Financial Statements.

Statements of Operations

Year Ended September 30, 2011	BlackRock GNMA Portfolio	BlackRock Inflation Protected Bond Portfolio	BlackRock Long Duration Bond Portfolio	BlackRock Multi-Sector Bond Portfolio	BlackRock U.S. Government Bond Portfolio
Investment Income					
Interest.....	\$ 37,826,127	\$ 163,479,358	\$ 12,598,606	\$ 5,376,448	\$ 19,117,788
Dividends – unaffiliated.....	–	–	23,159	–	–
Dividends – affiliated.....	202,094	176,271	7,204	54,888	55,380
Total income.....	38,028,221	163,655,629	12,628,969	5,431,336	19,173,168
Expenses					
Investment advisory.....	6,321,035	13,916,000	1,250,125	544,644	3,189,633
Service and distribution – class specific.....	4,010,446	10,840,956	32,379	205,627	1,933,340
Transfer agent – class specific.....	1,354,069	5,742,142	80,216	58,404	1,082,879
Administration.....	790,314	2,251,169	187,519	81,697	459,812
Administration – class specific.....	289,044	701,912	62,482	27,219	155,340
Custodian.....	265,503	159,181	43,134	77,413	226,740
Printing.....	195,957	955,463	24,115	27,241	82,593
Registration.....	106,312	279,164	31,779	42,546	97,670
Professional.....	86,804	112,771	73,289	97,560	73,692
Officer and Trustees.....	34,845	79,921	20,358	18,316	24,071
Reorganization costs.....	–	–	–	–	112,520
Offering.....	–	–	–	46,093	–
Miscellaneous.....	92,507	212,312	42,008	57,512	88,581
Recoupment of past waived fees – class specific.....	2,167	63,306	2,226	–	11,355
Total expenses excluding interest expense.....	13,549,003	35,314,297	1,849,630	1,284,272	7,538,226
Interest expense ¹	33,802	38,937	10,238	176,651	6,660
Total expenses.....	13,582,805	35,353,234	1,859,868	1,460,923	7,544,886
Less fees waived by advisor.....	(1,844,161)	(5,810,801)	(547,078)	(228,907)	(818,171)
Less administration fees waived.....	–	–	–	(4,935)	–
Less administration fees waived – class specific.....	(125,925)	(429,353)	(59,517)	(26,580)	(54,445)
Less transfer agent fees waived – class specific.....	(12,605)	(87,392)	(794)	(1,496)	(1,566)
Less transfer agent fees reimbursed – class specific.....	(419,630)	(738,369)	(16,344)	(50,816)	(274,041)
Less fees paid indirectly.....	(777)	(3,301)	(8)	(27)	(472)
Less expenses reimbursed by advisor.....	–	–	–	(4,063)	–
Total expenses after fees waived, reimbursed and paid indirectly.....	11,179,707	28,284,018	1,236,127	1,144,099	6,395,645
Net investment income.....	26,848,514	135,371,611	11,392,842	4,287,237	12,777,523
Realized and Unrealized Gain (Loss)					
Net realized gain (loss) from:					
Investments – unaffiliated.....	55,256,995	107,436,852	2,220,173	2,570,562	43,787,754
Investments – affiliated.....	212	344	5	(26,732)	57
Redemption-in-kind transactions.....	–	–	7,828,840	–	–
Securities sold short.....	–	–	–	(461,987)	(2,772,494)
Options written.....	1,044,527	(6,322,240)	(1,519,150)	(145,997)	(3,123,116)
Financial futures contracts.....	(13,949,173)	(56,307,207)	4,217,175	(1,520,116)	(1,634,293)
Swaps.....	(1,358,297)	(12,664,524)	(387,225)	(251,113)	2,162,111
Foreign currency transactions.....	–	(1,800,647)	(51,726)	(284,110)	(384,302)
	40,994,264	30,342,578	12,308,092	(119,493)	38,035,717
Net change in unrealized appreciation/depreciation on:					
Investments – unaffiliated.....	11,953,570	154,863,128	1,585,221	(3,912,191)	2,229,231
Investments – affiliated.....	–	–	–	(29,412)	–
Options written.....	(15,363,800)	(22,310,850)	(1,119,527)	(226,849)	(12,985,400)
Financial futures contracts.....	2,458,693	(16,831,372)	4,986,649	20,821	803,051
Foreign currency transactions.....	–	(872,852)	115,845	250,573	(90,165)
Swaps.....	3,403,913	15,074,243	744,443	1,319,732	1,644,248
Borrowed bond agreements.....	–	–	–	82,485	–
	2,452,376	129,922,297	6,312,631	(2,494,841)	(8,399,035)
Total realized and unrealized gain (loss).....	43,446,640	160,264,875	18,620,723	(2,614,334)	29,636,682
Net Increase in Net Assets Resulting from Operations	\$ 70,295,154	\$ 295,636,486	\$ 30,013,565	\$ 1,672,903	\$ 42,414,205

¹ See Note 5 of the Notes to Financial Statements for details of borrowings.

See Notes to Financial Statements.

Statements of Changes in Net Assets

	BlackRock GNMA Portfolio		BlackRock Inflation Protected Bond Portfolio	
	Year Ended September 30, 2011	2010	Year Ended September 30, 2011	2010
Increase (Decrease) in Net Assets:				
Operations				
Net investment income.....	\$ 26,848,514	\$ 31,725,847	\$ 135,371,611	\$ 45,394,269
Net realized gain (loss)	40,994,264	38,234,802	30,342,578	100,158,526
Net realized gain from redemption-in-kind transactions.....	—	—	—	—
Net change in unrealized appreciation/depreciation.....	2,452,376	10,140,016	129,922,297	94,312,310
Net increase (decrease) in net assets resulting from operations	70,295,154	80,100,665	295,636,486	239,865,105
Dividends and Distributions to Shareholders From				
Net investment income:				
BlackRock	(52,844)	(280,573)	(14,693,548)	(4,504,161)
Institutional	(15,632,590)	(17,740,956)	(45,127,948)	(12,696,419)
Service	(1,075,059)	(964,101)	(2,794,525)	(1,087,274)
Investor A	(9,597,197)	(9,310,296)	(52,426,986)	(19,225,347)
Investor B	(187,808)	(314,842)	(269,307)	(135,285)
Investor B1	—	—	—	—
Investor C	(6,322,839)	(7,445,488)	(19,546,813)	(6,352,676)
Investor C1	—	—	—	—
Class R	—	—	—	—
Net realized gain:				
BlackRock	(34,487)	(14,492)	(11,424,800)	(598,433)
Institutional	(18,234,620)	(10,973,210)	(32,816,410)	(1,517,713)
Service	(1,337,050)	(619,872)	(2,228,150)	(175,349)
Investor A	(12,709,406)	(5,867,060)	(46,294,542)	(2,998,722)
Investor B	(359,632)	(333,248)	(342,161)	(37,112)
Investor C	(11,672,951)	(6,992,231)	(21,397,613)	(1,453,789)
Decrease in net assets resulting from dividends and distributions to shareholders.....	(77,216,483)	(60,856,369)	(249,362,803)	(50,782,280)
Capital Share Transactions				
Net increase (decrease) in net assets derived from capital share transactions	(230,772,600)	(23,080,055)	585,222,141	1,588,345,661
Net Assets				
Total increase (decrease) in net assets	(237,693,929)	(3,835,759)	631,495,824	1,777,428,486
Beginning of period	1,342,919,163	1,346,754,922	3,495,633,777	1,718,205,291
End of period.....	\$ 1,105,225,234	\$ 1,342,919,163	\$ 4,127,129,601	\$ 3,495,633,777
Undistributed (distributions in excess of) net investment income.....	\$ (2,201,749)	\$ 796,014	\$ (756,876)	\$ 2,825,319

¹Commencement of operations.

See Notes to Financial Statements.

BlackRock Long Duration Bond Portfolio		BlackRock Multi-Sector Bond Portfolio		BlackRock U.S. Government Bond Portfolio	
Year Ended September 30,		Year Ended		Year Ended September 30,	
2011	2010	September 30, 2011	September 30, 2010	2011	2010
\$ 11,392,842	\$ 13,083,325	\$ 4,287,237	\$ 1,134,858	\$ 12,777,523	\$ 14,240,100
4,479,252	11,491,429	(119,493)	1,557,159	38,035,717	12,892,632
7,828,840	—	—	—	—	—
6,312,631	12,550,535	(2,494,841)	2,829,995	(8,399,035)	10,982,710
30,013,565	37,125,289	1,672,903	5,522,012	42,414,205	38,115,442
(8,798,774)	(12,411,052)	—	—	(71)	—
(1,903,115)	(238,309)	(2,760,055)	(781,335)	(4,633,671)	(6,597,418)
—	—	—	—	(122,761)	(119,661)
(531,117)	(563,284)	(663,358)	(101,392)	(8,189,685)	(8,702,750)
—	—	—	—	(118,122)	(322,624)
—	—	—	—	(180,881)	—
—	—	(427,968)	(61,327)	(952,936)	(1,397,042)
—	—	—	—	(436,920)	—
—	—	—	—	(161,299)	—
(7,437,197)	(1,095,062)	—	—	—	—
(2,041,654)	(5,583)	(1,124,174)	—	(3,221,775)	(1,155,570)
—	—	—	—	(70,893)	(20,232)
(583,835)	(53,188)	(280,323)	—	(4,606,604)	(1,705,565)
—	—	—	—	(150,359)	(100,516)
—	—	(252,051)	—	(950,398)	(356,400)
(21,295,692)	(14,366,478)	(5,507,929)	(944,054)	(23,796,375)	(20,477,778)
(5,503,754)	12,832,186	(18,230,838)	107,988,233	751,432,651	(22,521,650)
3,214,119	35,590,997	(22,065,864)	112,566,191	770,050,481	(4,883,986)
289,674,653	254,083,656	112,566,191	—	522,691,008	527,574,994
\$ 292,888,772	\$ 289,674,653	\$ 90,500,327	\$ 112,566,191	\$ 1,292,741,489	\$ 522,691,008
\$ 2,152,411	\$ 517,858	\$ (421,159)	\$ 314,365	\$ 2,646,746	\$ 2,606,042

See Notes to Financial Statements.

Financial Highlights

BlackRock GNMA Portfolio

	BlackRock					Institutional				
	Year Ended September 30,					Year Ended September 30,				
	2011	2010	2009	2008	2007	2011	2010	2009	2008	2007
Per Share Operating Performance										
Net asset value, beginning of year.....	\$ 10.45	\$ 10.28	\$ 9.73	\$ 9.44	\$ 9.53	\$ 10.47	\$ 10.31	\$ 9.75	\$ 9.45	\$ 9.54
Net investment income ¹	0.29	0.28	0.31	0.23	0.47	0.28	0.29	0.37	0.59	0.47
Net realized and unrealized gain (loss).....	0.40	0.41	0.66	0.55	(0.05)	0.42	0.39	0.60	0.20	(0.05)
Net increase from investment operations.....	0.69	0.69	0.97	0.78	0.42	0.70	0.68	0.97	0.79	0.42
Dividends and distributions from:										
Net investment income	(0.34)	(0.33)	(0.42)	(0.49)	(0.51)	(0.34)	(0.33)	(0.41)	(0.49)	(0.51)
Net realized gain	(0.36)	(0.19)	—	—	—	(0.36)	(0.19)	—	—	—
Total dividends and distributions	(0.70)	(0.52)	(0.42)	(0.49)	(0.51)	(0.70)	(0.52)	(0.41)	(0.49)	(0.51)
Net asset value, end of year...	\$ 10.44	\$ 10.45	\$ 10.28	\$ 9.73	\$ 9.44	\$ 10.47	\$ 10.47	\$ 10.31	\$ 9.75	\$ 9.45
Total Investment Return²										
Based on net asset value.....	6.96%	6.95%	10.09%	8.36%	4.56%	7.02%	6.80%	10.17%	8.43%	4.53%
Ratio to Average Net Assets										
Total expenses.....	0.78%	0.70%	0.81%	0.87%	0.81%	0.82%	0.81%	0.81%	0.97%	0.82%
Total expenses after fees waived, reimbursed and paid indirectly.....	0.52%	0.52%	0.51%	0.56%	0.49%	0.55%	0.55%	0.48%	0.57%	0.52%
Total expenses after fees waived, reimbursed and paid indirectly excluding interest expense.....	0.52%	0.52%	0.51%	0.45%	0.45%	0.55%	0.54%	0.48%	0.48%	0.48%
Net investment income	2.82%	2.85%	2.91%	4.98%	4.96%	2.71%	2.83%	3.63%	4.71%	4.93%
Supplemental Data										
Net assets, end of year (000) .	\$ 5,587	\$ 781	\$ 40,982	\$ 353	\$ 12,162	\$ 462,058	\$ 557,610	\$ 578,224	\$ 272,840	\$ 118,652
Portfolio turnover	743% ³	847% ⁴	1,435% ⁵	2,637% ⁶	553%	743% ³	847% ⁴	1,435% ⁵	2,637% ⁶	553%

See Notes to Financial Statements.

Financial Highlights (continued)

BlackRock GNMA Portfolio

	Service					Investor A				
	Year Ended September 30,					Year Ended September 30,				
	2011	2010	2009	2008	2007	2011	2010	2009	2008	2007
Per Share Operating Performance										
Net asset value, beginning of year.....	\$ 10.46	\$ 10.29	\$ 9.73	\$ 9.44	\$ 9.53	\$ 10.51	\$ 10.34	\$ 9.78	\$ 9.49	\$ 9.58
Net investment income ¹	0.24	0.26	0.33	0.51	0.44	0.24	0.26	0.33	0.53	0.43
Net realized and unrealized gain (loss).....	0.41	0.39	0.61	0.24	(0.04)	0.42	0.39	0.61	0.21	(0.04)
Net increase from investment operations.....	0.65	0.65	0.94	0.75	0.40	0.66	0.65	0.94	0.74	0.39
Dividends and distributions from:										
Net investment income	(0.30)	(0.29)	(0.38)	(0.46)	(0.49)	(0.30)	(0.29)	(0.38)	(0.45)	(0.48)
Net realized gain	(0.36)	(0.19)	—	—	—	(0.36)	(0.19)	—	—	—
Total dividends and distributions	(0.66)	(0.48)	(0.38)	(0.46)	(0.49)	(0.66)	(0.48)	(0.38)	(0.45)	(0.48)
Net asset value, end of year...	\$ 10.45	\$ 10.46	\$ 10.29	\$ 9.73	\$ 9.44	\$ 10.51	\$ 10.51	\$ 10.34	\$ 9.78	\$ 9.49
Total Investment Return²										
Based on net asset value.....	6.55%	6.53%	9.83%	8.03%	4.26%	6.62%	6.50%	9.74%	7.91%	4.13%
Ratios to Average Net Assets										
Total expenses.....	1.15%	1.10%	1.07%	1.16%	1.08%	1.07%	1.06%	1.09%	1.21%	1.18%
Total expenses excluding recoupment of past waived fees.....	1.15%	1.10%	1.07%	1.16%	1.08%	1.07%	1.06%	1.09%	1.21%	1.18%
Total expenses after fees waived, reimbursed and paid indirectly.....	0.90%	0.91%	0.81%	0.84%	0.78%	0.91%	0.90%	0.85%	0.89%	0.89%
Total expenses after fees waived, reimbursed and paid indirectly excluding interest expense.....	0.90%	0.90%	0.81%	0.75%	0.74%	0.91%	0.90%	0.85%	0.81%	0.85%
Net investment income	2.37%	2.50%	3.29%	4.34%	4.68%	2.36%	2.47%	3.22%	4.20%	4.54%
Supplemental Data										
Net assets, end of year (000) .	\$35,929	\$43,281	\$29,809	\$15,688	\$7,047	\$323,201	\$370,680	\$312,343	\$61,896	\$14,677
Portfolio turnover	743% ³	847% ⁴	1,435% ⁵	2,637% ⁶	553%	743% ³	847% ⁴	1,435% ⁵	2,637% ⁶	553%

¹ Based on average shares outstanding.

² Where applicable, total investment returns exclude the effects of any sales charges and include the reinvestment of dividends and distributions.

³ Includes mortgage dollar roll transactions; excluding these transactions the portfolio turnover would have been 213%.

⁴ Includes mortgage dollar roll transactions; excluding these transactions the portfolio turnover would have been 265%.

⁵ Includes mortgage dollar roll transactions; excluding these transactions the portfolio turnover would have been 573%.

⁶ Includes TBA transactions; excluding these transactions the portfolio turnover would have been 868%.

See Notes to Financial Statements.

Financial Highlights (concluded)

BlackRock GNMA Portfolio

	Investor B					Investor C				
	Year Ended September 30,					Year Ended September 30,				
	2011	2010	2009	2008	2007	2011	2010	2009	2008	2007
Per Share Operating Performance										
Net asset value, beginning of year.....	\$ 10.48	\$ 10.31	\$ 9.75	\$ 9.45	\$ 9.54	\$ 10.47	\$ 10.30	\$ 9.74	\$ 9.45	\$ 9.53
Net investment income ¹	0.16	0.17	0.25	0.34	0.36	0.17	0.18	0.26	0.37	0.37
Net realized and unrealized gain (loss).....	0.41	0.40	0.61	0.34	(0.05)	0.40	0.39	0.60	0.30	(0.04)
Net increase from investment operations.....	0.57	0.57	0.86	0.68	0.31	0.57	0.57	0.86	0.67	0.33
Dividends and distributions from:										
Net investment income	(0.22)	(0.21)	(0.30)	(0.38)	(0.40)	(0.22)	(0.21)	(0.30)	(0.38)	(0.41)
Net realized gain	(0.36)	(0.19)	—	—	—	(0.36)	(0.19)	—	—	—
Total dividends and distributions	(0.58)	(0.40)	(0.30)	(0.38)	(0.40)	(0.58)	(0.40)	(0.30)	(0.38)	(0.41)
Net asset value, end of year...	\$ 10.47	\$ 10.48	\$ 10.31	\$ 9.75	\$ 9.45	\$ 10.46	\$ 10.47	\$ 10.30	\$ 9.74	\$ 9.45
Total Investment Return²										
Based on net asset value.....	5.70%	5.67%	8.91%	7.20%	3.34%	5.74%	5.74%	8.99%	7.13%	3.51%
Ratios to Average Net Assets										
Total expenses.....	1.87%	1.87%	1.88%	2.03%	1.96%	1.82%	1.81%	1.82%	1.98%	1.90%
Total expenses after fees waived, reimbursed and paid indirectly.....	1.71%	1.71%	1.64%	1.72%	1.67%	1.66%	1.65%	1.58%	1.66%	1.61%
Total expenses after fees waived, reimbursed and paid indirectly excluding interest expense.....	1.71%	1.71%	1.64%	1.62%	1.63%	1.66%	1.65%	1.57%	1.57%	1.57%
Net investment income	1.55%	1.66%	2.48%	3.60%	3.78%	1.60%	1.73%	2.52%	3.58%	3.85%
Supplemental Data										
Net assets, end of year (000) .	\$ 7,518	\$ 11,961	\$ 20,119	\$ 10,556	\$ 11,065	\$ 270,931	\$ 358,606	\$ 365,279	\$ 43,229	\$ 16,369
Portfolio turnover	743% ³	847% ⁴	1,435% ⁵	2,637% ⁶	553%	743% ³	847% ⁴	1,435% ⁵	2,637% ⁶	553%

¹ Based on average shares outstanding.

² Where applicable, total investment returns exclude the effects of any sales charges and include the reinvestment of dividends and distributions.

³ Includes mortgage dollar roll transactions; excluding these transactions the portfolio turnover would have been 213%.

⁴ Includes mortgage dollar roll transactions; excluding these transactions the portfolio turnover would have been 265%.

⁵ Includes mortgage dollar roll transactions; excluding these transactions the portfolio turnover would have been 573%.

⁶ Includes TBA transactions; excluding these transactions the portfolio turnover would have been 868%.

See Notes to Financial Statements.

Financial Highlights

BlackRock Inflation Protected Bond Portfolio

	BlackRock					Institutional				
	Year Ended September 30,					Year Ended September 30,				
	2011	2010	2009	2008	2007	2011	2010	2009	2008	2007
Per Share Operating Performance										
Net asset value, beginning of year.....	\$ 11.19	\$ 10.46	\$ 9.84	\$ 9.87	\$ 9.84	\$ 11.40	\$ 10.66	\$ 10.04	\$ 10.06	\$ 10.02
Net investment income ¹	0.43	0.23	0.35	0.80	0.19	0.44	0.22	0.14	0.79	0.46
Net realized and unrealized gain (loss).....	0.44	0.74	0.39	(0.10)	0.30	0.43	0.76	0.60	(0.08)	0.03
Net increase from investment operations.....	0.87	0.97	0.74	0.70	0.49	0.87	0.98	0.74	0.71	0.49
Dividends and distributions from:										
Net investment income	(0.43)	(0.21)	(0.12)	(0.69)	(0.43)	(0.42)	(0.21)	(0.12)	(0.69)	(0.42)
Net realized gain	(0.36)	(0.03)	(0.00) ²	(0.04)	(0.03)	(0.36)	(0.03)	(0.00) ²	(0.04)	(0.03)
Total dividends and distributions	(0.79)	(0.24)	(0.12)	(0.73)	(0.46)	(0.78)	(0.24)	(0.12)	(0.73)	(0.45)
Net asset value, end of year...	\$ 11.27	\$ 11.19	\$ 10.46	\$ 9.84	\$ 9.87	\$ 11.49	\$ 11.40	\$ 10.66	\$ 10.04	\$ 10.06
Total Investment Return³										
Based on net asset value.....	8.21%	9.45%	7.58%	6.97%	5.07%	8.10%	9.30%	7.40%	6.88%	5.12%
Ratios to Average Net Assets										
Total expenses.....	0.50%	0.52%	0.59%	0.68%	0.67%	0.60%	0.58%	0.64%	0.69%	0.71%
Total expenses excluding recoupment of past waived fees.....	0.50%	0.52%	0.59%	0.68%	0.67%	0.59%	0.58%	0.64%	0.69%	0.71%
Total expenses after fees waived, reimbursed and paid indirectly.....	0.32%	0.32%	0.32%	0.34%	0.30%	0.43%	0.40%	0.39%	0.38%	0.35%
Total expenses after fees waived, reimbursed and paid indirectly and excluding interest expense .	0.32%	0.32%	0.31%	0.30%	0.30%	0.43%	0.40%	0.38%	0.34%	0.35%
Net investment income	3.94%	2.08%	3.43%	7.62%	1.98%	3.91%	2.00%	1.37%	7.38%	4.61%
Supplemental Data										
Net assets, end of year (000) .	\$416,631	\$339,249	\$117,605	\$12,573	\$ 1,954	\$1,362,286	\$968,736	\$380,280	\$86,495	\$22,956
Portfolio turnover	131%	213%	193% ⁴	249% ⁵	219%	131%	213%	193% ⁴	249% ⁵	219%

¹ Based on average shares outstanding.

² Less than \$(0.01) per share.

³ Where applicable, total investment returns exclude the effects of any sales charges and include the reinvestment of dividends and distributions.

⁴ Includes mortgage dollar roll transactions; excluding these transactions the portfolio turnover would have been 176%.

⁵ Includes TBA transactions; excluding these transactions the portfolio turnover would have been 144%.

See Notes to Financial Statements.

Financial Highlights (continued)

BlackRock Inflation Protected Bond Portfolio

	Service					Investor A				
	Year Ended September 30,					Year Ended September 30,				
	2011	2010	2009	2008	2007	2011	2010	2009	2008	2007
Per Share Operating Performance										
Net asset value, beginning of year.....	\$ 11.40	\$ 10.67	\$ 10.06	\$ 10.09	\$ 10.03	\$ 11.30	\$ 10.57	\$ 9.97	\$ 10.00	\$ 9.95
Net investment income ¹	0.41	0.19	0.21	0.78	0.50	0.39	0.18	0.17	0.84	0.41
Net realized and unrealized gain (loss).....	0.44	0.75	0.50	(0.11)	(0.01)	0.45	0.76	0.53	(0.18)	0.06
Net increase from investment operations.....	0.85	0.94	0.71	0.67	0.49	0.84	0.94	0.70	0.66	0.47
Dividends and distributions from:										
Net investment income	(0.40)	(0.18)	(0.10)	(0.66)	(0.40)	(0.39)	(0.18)	(0.10)	(0.65)	(0.39)
Net realized gain	(0.36)	(0.03)	(0.00) ²	(0.04)	(0.03)	(0.36)	(0.03)	(0.00) ²	(0.04)	(0.03)
Total dividends and distributions	(0.76)	(0.21)	(0.10)	(0.70)	(0.43)	(0.75)	(0.21)	(0.10)	(0.69)	(0.42)
Net asset value, end of year...	\$ 11.49	\$ 11.40	\$ 10.67	\$ 10.06	\$ 10.09	\$ 11.39	\$ 11.30	\$ 10.57	\$ 9.97	\$ 10.00
Total Investment Return³										
Based on net asset value.....	7.84%	8.98%	7.16%	6.49%	4.97%	7.83%	9.03%	7.11%	6.52%	4.84%
Ratios to Average Net Assets										
Total expenses.....	0.85%	0.86%	0.91%	0.95%	0.94%	0.98%	0.95%	1.02%	0.99%	1.08%
Total expenses excluding recoupment of past waived fees.....	0.85%	0.86%	0.91%	0.95%	0.94%	0.98%	0.95%	1.02%	0.99%	1.08%
Total expenses after fees waived, reimbursed and paid indirectly.....	0.70%	0.69%	0.67%	0.64%	0.58%	0.76%	0.74%	0.70%	0.66%	0.66%
Total expenses after fees waived, reimbursed and paid indirectly and excluding interest expense .	0.70%	0.68%	0.66%	0.61%	0.58%	0.76%	0.74%	0.69%	0.63%	0.66%
Net investment income	3.61%	1.72%	2.04%	7.29%	5.08%	3.50%	1.69%	1.70%	7.89%	4.14%
Supplemental Data										
Net assets, end of year (000) .	\$84,824	\$79,862	\$50,524	\$11,071	\$ 1,803	\$1,542,505	\$1,427,762	\$775,914	\$209,192	\$16,139
Portfolio turnover	131%	213%	193% ⁴	249% ⁵	219%	131%	213%	193% ⁴	249% ⁵	219%

See Notes to Financial Statements.

Financial Highlights (concluded)

BlackRock Inflation Protected Bond Portfolio

	Investor B					Investor C				
	Year Ended September 30,					Year Ended September 30,				
	2011	2010	2009	2008	2007	2011	2010	2009	2008	2007
Per Share Operating Performance										
Net asset value, beginning of year.....	\$ 11.22	\$ 10.52	\$ 9.99	\$ 10.01	\$ 9.97	\$ 11.29	\$ 10.58	\$ 10.04	\$ 10.06	\$ 10.01
Net investment income (loss)	0.29	0.11	(0.20)	0.61	0.30	0.31	0.11	(0.02)	0.68	0.31
Net realized and unrealized gain (loss).....	0.45	0.74	0.81	(0.02)	0.09	0.44	0.76	0.64	(0.09)	0.09
Net increase from investment operations.....	0.74	0.85	0.61	0.59	0.39	0.75	0.87	0.62	0.59	0.40
Dividends and distributions from:										
Net investment income	(0.31)	(0.12)	(0.08)	(0.57)	(0.32)	(0.32)	(0.13)	(0.08)	(0.57)	(0.32)
Net realized gain	(0.36)	(0.03)	(0.00) ²	(0.04)	(0.03)	(0.36)	(0.03)	(0.00) ²	(0.04)	(0.03)
Total dividends and distributions	(0.67)	(0.15)	(0.08)	(0.61)	(0.35)	(0.68)	(0.16)	(0.08)	(0.61)	(0.35)
Net asset value, end of year...	\$ 11.29	\$ 11.22	\$ 10.52	\$ 9.99	\$ 10.01	\$ 11.36	\$ 11.29	\$ 10.58	\$ 10.04	\$ 10.06
Total Investment Return³										
Based on net asset value	6.98%	8.20%	6.08%	5.79%	4.05%	7.00%	8.29%	6.16%	5.77%	4.03%
Ratios to Average Net Assets										
Total expenses.....	1.66%	1.67%	1.74%	1.79%	1.87%	1.60%	1.61%	1.70%	1.75%	1.81%
Total expenses after fees waived, reimbursed and paid indirectly.....	1.51%	1.50%	1.45%	1.45%	1.41%	1.45%	1.44%	1.45%	1.43%	1.41%
Total expenses after fees waived, reimbursed and paid indirectly and excluding interest expense ..	1.51%	1.50%	1.44%	1.42%	1.41%	1.45%	1.44%	1.44%	1.39%	1.41%
Net investment income (loss) ..	2.66%	0.99%	(2.00)%	5.78%	3.06%	2.80%	0.98%	(0.15)%	6.38%	3.09%
Supplemental Data										
Net assets, end of year (000) ..	\$ 8,815	\$ 11,416	\$ 12,605	\$ 14,529	\$ 8,800	\$ 712,070	\$ 668,608	\$ 381,278	\$ 152,298	\$ 36,120
Portfolio turnover	131%	213%	193% ⁴	249% ⁵	219%	131%	213%	193% ⁴	249% ⁵	219%

¹ Based on average shares outstanding.

² Less than \$(0.01) per share.

³ Where applicable, total investment returns exclude the effects of any sales charges and include the reinvestment of dividends and distributions.

⁴ Includes mortgage dollar roll transactions; excluding these transactions the portfolio turnover would have been 176%.

⁵ Includes TBA transactions; excluding these transactions the portfolio turnover would have been 144%.

See Notes to Financial Statements.

Financial Highlights

BlackRock Long Duration Bond Portfolio

	BlackRock				Institutional			
	Year Ended September 30,			Period October 19, 2007 ¹ to September 30, 2008	Year Ended September 30,			Period October 19, 2007 ¹ to September 30, 2008
	2011	2010	2009		2011	2010	2009	
Per Share Operating Performance								
Net asset value, beginning of period.....	\$ 11.45	\$ 10.54	\$ 9.06	\$ 10.00	\$ 11.43	\$ 10.54	\$ 9.05	\$ 10.00
Net investment income ²	0.49	0.51	0.50	0.48	0.48	0.48	0.49	0.47
Net realized and unrealized gain (loss).....	0.71	0.96	1.50	(0.95)	0.71	0.96	1.51	(0.95)
Net increase (decrease) from investment operations.....	1.20	1.47	2.00	(0.47)	1.19	1.44	2.00	(0.48)
Dividends and distributions from:								
Net investment income.....	(0.48)	(0.52)	(0.50)	(0.47)	(0.47)	(0.51)	(0.49)	(0.47)
Net realized gain.....	(0.49)	(0.04)	(0.02)	—	(0.49)	(0.04)	(0.02)	—
Total dividends and distributions.....	(0.97)	(0.56)	(0.52)	(0.47)	(0.96)	(0.55)	(0.51)	(0.47)
Net asset value, end of period.	\$ 11.68	\$ 11.45	\$ 10.54	\$ 9.06	\$ 11.66	\$ 11.43	\$ 10.54	\$ 9.05
Total Investment Return³								
Based on net asset value.....	11.96%	14.53%	22.65%	(4.97)% ⁴	11.86%	14.24%	22.75%	(5.10)% ⁴
Ratios to Average Net Assets								
Total expenses.....	0.70%	0.68%	0.71%	1.01% ⁵	0.84%	0.70%	0.72%	0.96% ⁵
Total expenses excluding recoupment of past waived fees.....	0.70%	0.68%	0.71%	1.01% ⁵	0.84%	0.70%	0.72%	0.96% ⁵
Total expenses after fees waived, reimbursed and paid indirectly.....	0.45%	0.45%	0.42%	0.53% ⁵	0.55%	0.49%	0.45%	0.53% ⁵
Total expenses after fees waived, reimbursed and paid indirectly and excluding interest expense.....	0.45%	0.45%	0.41%	0.40% ⁵	0.55%	0.49%	0.45%	0.42% ⁵
Net investment income.....	4.59%	4.86%	5.16%	5.11% ⁵	4.51%	4.62%	5.15%	4.96% ⁵
Supplemental Data								
Net assets, end of period (000).....	\$227,009	\$273,303	\$220,731	\$146,251	\$51,253	\$ 2,329	\$ 20,135	\$ 20,277
Portfolio turnover.....	104% ⁶	137% ⁷	166% ⁸	652% ⁹	104% ⁶	137% ⁷	166% ⁸	652% ⁹

See Notes to Financial Statements.

Financial Highlights (concluded)

BlackRock Long Duration Bond Portfolio

	Investor A			Period October 19, 2007 ¹ to September 30, 2008
	Year Ended September 30,			
	2011	2010	2009	
Per Share Operating Performance				
Net asset value, beginning of period	\$ 11.45	\$ 10.54	\$ 9.02	\$ 10.00
Net investment income ²	0.44	0.47	0.47	0.44
Net realized and unrealized gain (loss)	0.71	0.95	1.54	(0.98)
Net increase (decrease) from investment operations	1.15	1.42	2.01	(0.54)
Dividends and distributions from:				
Net investment income	(0.43)	(0.47)	(0.47)	(0.44)
Net realized gain	(0.49)	(0.04)	(0.02)	—
Total dividends and distributions	(0.92)	(0.51)	(0.49)	(0.44)
Net asset value, end of period	\$ 11.68	\$ 11.45	\$ 10.54	\$ 9.02
Total Investment Return³				
Based on net asset value	11.47%	14.05%	22.81%	(5.70)% ⁴
Ratios to Average Net Assets				
Total expenses	1.12%	1.09%	1.02%	1.26% ⁵
Total expenses excluding recoupment of past waived fees	1.11%	1.09%	1.02%	1.26% ⁵
Total expenses after fees waived, reimbursed and paid indirectly	0.90%	0.88%	0.74%	0.81% ⁵
Total expenses after fees waived, reimbursed and paid indirectly and excluding interest expense	0.90%	0.87%	0.74%	0.73% ⁵
Net investment income	4.16%	4.42%	4.64%	4.59% ⁵
Supplemental Data				
Net assets, end of period (000)	\$ 14,626	\$ 14,043	\$ 13,218	\$ 391
Portfolio turnover	104% ⁶	137% ⁷	166% ⁸	652% ⁹

¹ Commencement of operations.

² Based on average shares outstanding.

³ Where applicable, total investment returns exclude the effects of any sales charges and include the reinvestment of dividends and distributions.

⁴ Aggregate total investment return.

⁵ Annualized.

⁶ Includes mortgage dollar roll transactions; excluding these transactions the portfolio turnover would have been 83%.

⁷ Includes mortgage dollar roll transactions; excluding these transactions the portfolio turnover would have been 128%.

⁸ Includes mortgage dollar roll transactions; excluding these transactions the portfolio turnover would have been 105%.

⁹ Includes TBA transactions; excluding these transactions the portfolio turnover would have been 287%.

See Notes to Financial Statements.

Financial Highlights

BlackRock Multi-Sector Bond Portfolio

	Institutional		Investor A		Investor C	
	Year Ended September 30, 2011	Period February 26, 2010 ¹ to September 30, 2010	Year Ended September 30, 2011	Period February 26, 2010 ¹ to September 30, 2010	Year Ended September 30, 2011	Period February 26, 2010 ¹ to September 30, 2010
Per Share Operating Performance						
Net asset value, beginning of period.....	\$ 10.56	\$ 10.00	\$ 10.55	\$ 10.00	\$ 10.56	\$ 10.00
Net investment income ²	0.43	0.16	0.40	0.17	0.32	0.12
Net realized and unrealized gain (loss).....	(0.25)	0.53	(0.24)	0.49	(0.25)	0.51
Net increase from investment operations.....	0.18	0.69	0.16	0.66	0.07	0.63
Dividends and distributions from:						
Net investment income	(0.39)	(0.13)	(0.36)	(0.11)	(0.28)	(0.07)
Net realized gain	(0.15)	—	(0.15)	—	(0.15)	—
Total dividends and distributions	(0.54)	(0.13)	(0.51)	(0.11)	(0.43)	(0.07)
Net asset value, end of period.....	\$ 10.20	\$ 10.56	\$ 10.20	\$ 10.55	\$ 10.20	\$ 10.56
Total Investment Return³						
Based on net asset value.....	1.75%	6.91% ⁴	1.59%	6.64% ⁴	0.73%	6.29% ⁴
Ratios to Average Net Assets						
Total expenses.....	1.13%	1.08% ^{5,6}	1.46%	1.41% ^{5,6}	2.21%	2.14% ^{5,6}
Total expenses after fees waived, reimbursed and paid indirectly.....	0.86%	0.70% ⁶	1.11%	0.94% ⁶	1.86%	1.68% ⁶
Total expenses after fees waived, reimbursed and paid indirectly and excluding interest expense	0.70%	0.70% ⁶	0.95%	0.94% ⁶	1.70%	1.68% ⁶
Net investment income	4.13%	2.63% ⁶	3.88%	2.72% ⁶	3.11%	1.97% ⁶
Supplemental Data						
Net assets, end of period (000).....	\$58,353	\$78,510	\$17,579	\$17,908	\$14,567	\$16,148
Portfolio turnover	589% ⁷	349% ⁸	589% ⁷	349% ⁸	589% ⁷	349% ⁸

¹ Commencement of operations.

² Based on average shares outstanding.

³ Where applicable, total investment returns exclude the effects of any sales charges and include the reinvestment of dividends and distributions.

⁴ Aggregate total investment return.

⁵ Organization expenses were not annualized in the calculation of the expense ratios. If these expenses were annualized, the total expenses for Institutional, Investor A and Investor C would have been 1.13%, 1.48% and 2.21% respectively.

⁶ Annualized.

⁷ Includes mortgage dollar roll transactions; excluding these transactions the portfolio turnover would have been 373%.

⁸ Includes mortgage dollar roll transactions; excluding these transactions the portfolio turnover would have been 236%.

See Notes to Financial Statements.

Financial Highlights

BlackRock U.S. Government Bond Portfolio

	BlackRock	Institutional				
	Period July 18, 2011 ¹ to September 30, 2011	2011	2010	Year Ended September 30,		
		2009	2008	2007		
Per Share Operating Performance						
Net asset value, beginning of period.....	\$ 10.65	\$ 10.99	\$ 10.61	\$ 10.33	\$ 10.23	\$ 10.15
Net investment income ²	0.05	0.26	0.33	0.34	0.43	0.45
Net realized and unrealized gain.....	0.30	0.18	0.51	0.39	0.12	0.08
Net increase from investment operations.....	0.35	0.44	0.84	0.73	0.55	0.53
Dividends and distributions from:						
Net investment income	(0.06)	(0.29)	(0.39)	(0.39)	(0.45)	(0.45)
Net realized gain	(0.00)	(0.20)	(0.07)	(0.06)	—	—
Total dividends and distributions	(0.06)	(0.49)	(0.46)	(0.45)	(0.45)	(0.45)
Net asset value, end of period.....	\$ 10.94	\$ 10.94	\$ 10.99	\$ 10.61	\$ 10.33	\$ 10.23
Total Investment Return³						
Based on net asset value.....	3.19% ⁴	4.09%	8.19%	7.15%	5.44%	5.34%
Ratios to Average Net Assets						
Total expenses.....	1.41% ⁵	0.90%	0.91%	0.74%	0.89%	0.72%
Total expenses after fees waived, reimbursed and paid indirectly.....	0.45% ⁵	0.62%	0.67%	0.61%	0.79%	0.63%
Total expenses after fees waived, reimbursed and paid indirectly and excluding interest expense ..	0.45% ⁵	0.62%	0.62%	0.60%	0.60%	0.60%
Net investment income	2.16% ⁵	2.47%	3.15%	3.30%	4.14%	4.40%
Supplemental Data						
Net assets, end of period (000).....	\$ 13	\$178,609	\$182,794	\$180,032	\$209,968	\$195,658
Portfolio turnover	794% ⁶	794% ⁶	974% ⁷	646% ⁸	459% ⁹	57%

¹ Commencement of operations.

² Based on average shares outstanding.

³ Where applicable, total investment returns exclude the effects of any sales charges and include the reinvestment of dividends and distributions.

⁴ Aggregate total investment return.

⁵ Annualized.

⁶ Includes mortgage dollar roll transactions; excluding these transactions the portfolio turnover would have been 537%.

⁷ Includes mortgage dollar roll transactions; excluding these transactions the portfolio turnover would have been 384%.

⁸ Includes mortgage dollar roll transactions; excluding these transactions the portfolio turnover would have been 496%.

⁹ Includes TBA transactions; excluding these transactions the portfolio turnover would have been 174%.

See Notes to Financial Statements.

Financial Highlights (continued)

BlackRock U.S. Government Bond Portfolio

	Service					Investor A				
	Year Ended September 30,					Year Ended September 30,				
	2011	2010	2009	2008	2007	2011	2010	2009	2008	2007
Per Share Operating Performance										
Net asset value, beginning of year.....	\$ 10.98	\$ 10.61	\$ 10.32	\$ 10.22	\$ 10.14	\$ 11.01	\$ 10.64	\$ 10.35	\$ 10.25	\$ 10.17
Net investment income (loss)	0.23	0.31	0.31	0.39	0.42	0.22	0.29	0.30	0.39	0.40
Net realized and unrealized gain (loss).....	0.18	0.49	0.40	0.13	0.08	0.18	0.50	0.39	0.12	0.09
Net increase (decrease) from investment operations	0.41	0.80	0.71	0.52	0.50	0.40	0.79	0.69	0.51	0.49
Dividends and distributions from:										
Net investment income	(0.26)	(0.36)	(0.36)	(0.42)	(0.42)	(0.25)	(0.35)	(0.34)	(0.41)	(0.41)
Net realized gain	(0.20)	(0.07)	(0.06)	—	—	(0.20)	(0.07)	(0.06)	—	—
Total dividends and distributions	(0.46)	(0.43)	(0.42)	(0.42)	(0.42)	(0.45)	(0.42)	(0.40)	(0.41)	(0.41)
Net asset value, end of year...	\$ 10.93	\$ 10.98	\$ 10.61	\$ 10.32	\$ 10.22	\$ 10.96	\$ 11.01	\$ 10.64	\$ 10.35	\$ 10.25
Total Investment Return²										
Based on net asset value	3.91%	7.77%	6.94%	5.14%	5.03%	3.79%	7.64%	6.80%	5.00%	4.88%
Ratios to Average Net Assets										
Total expenses.....	1.16%	1.18%	1.00%	1.14%	1.06%	1.08%	1.12%	1.07%	1.25%	1.11%
Total expenses excluding recoupment of past waived fees.....	1.15%	1.18%	1.00%	1.14%	1.06%	1.08%	1.12%	1.06%	1.25%	1.11%
Total expenses after fees waived, reimbursed and paid indirectly.....	0.89%	0.97%	0.91%	1.07%	0.93%	0.96%	1.06%	1.02%	1.19%	1.07%
Total expenses after fees waived, reimbursed and paid indirectly and excluding interest expense ..	0.89%	0.92%	0.90%	0.88%	0.90%	0.95%	1.02%	1.01%	1.01%	1.04%
Net investment income	2.13%	2.88%	2.96%	3.73%	4.09%	1.99%	2.74%	2.84%	3.72%	3.95%
Supplemental Data										
Net assets, end of year (000) .	\$ 7,369	\$ 4,030	\$ 3,141	\$ 775	\$ 1,134	\$767,193	\$267,436	\$267,495	\$244,461	\$246,273
Portfolio turnover	794% ³	974% ⁴	646% ⁵	459% ⁶	57%	794% ³	974% ⁴	646% ⁵	459% ⁶	57%

See Notes to Financial Statements.

Financial Highlights (continued)

BlackRock U.S. Government Bond Portfolio

	Investor B					Investor B1
	Year Ended September 30,					Period July 18, 2011 ⁷ to September 30, 2011
	2011	2010	2009	2008	2007	
Per Share Operating Performance						
Net asset value, beginning of period.....	\$ 10.98	\$ 10.61	\$ 10.33	\$ 10.23	\$ 10.15	\$ 10.64
Net investment income ¹	0.13	0.19	0.22	0.31	0.32	0.03
Net realized and unrealized gain (loss).....	0.17	0.52	0.38	0.12	0.09	0.29
Net increase (decrease) from investment operations.....	0.30	0.71	0.60	0.43	0.41	0.32
Dividends and distributions from:						
Net investment income.....	(0.15)	(0.27)	(0.26)	(0.33)	(0.33)	(0.03)
Net realized gain.....	(0.20)	(0.07)	(0.06)	—	—	(0.00)
Total dividends and distributions.....	(0.35)	(0.34)	(0.32)	(0.33)	(0.33)	(0.03)
Net asset value, end of period.....	\$ 10.93	\$ 10.98	\$ 10.61	\$ 10.33	\$ 10.23	\$ 10.93
Total Investment Return²						
Based on net asset value.....	2.88%	6.81%	5.89%	4.18%	4.08%	2.98% ⁸
Ratios to Average Net Assets						
Total expenses.....	2.01%	2.00%	1.89%	2.11%	1.97%	1.69% ⁹
Total expenses excluding recoupment of past waived fees.....	1.93%	1.96%	1.87%	2.11%	1.97%	1.69% ⁹
Total expenses after fees waived, reimbursed and paid indirectly.....	1.88%	1.93%	1.83%	1.98%	1.84%	1.45% ⁹
Total expenses after fees waived, reimbursed and paid indirectly and excluding interest expense.....	1.88%	1.88%	1.82%	1.81%	1.81%	1.45% ⁹
Net investment income.....	1.21%	1.80%	2.10%	2.96%	3.19%	1.19% ⁹
Supplemental Data						
Net assets, end of period (000).....	\$10,306	\$ 9,864	\$18,660	\$24,552	\$35,150	\$48,148
Portfolio turnover.....	794% ³	974% ⁴	646% ⁵	459% ⁶	57%	794% ³

¹ Based on average shares outstanding.

² Where applicable, total investment returns exclude the effects of any sales charges and include the reinvestment of dividends and distributions.

³ Includes mortgage dollar roll transactions; excluding these transactions the portfolio turnover would have been 537%.

⁴ Includes mortgage dollar roll transactions; excluding these transactions the portfolio turnover would have been 384%.

⁵ Includes mortgage dollar roll transactions; excluding these transactions the portfolio turnover would have been 496%.

⁶ Includes TBA transactions; excluding these transactions the portfolio turnover would have been 174%.

⁷ Commencement of operations.

⁸ Aggregate total investment return.

⁹ Annualized.

See Notes to Financial Statements.

Financial Highlights (concluded)

BlackRock U.S. Government Bond Portfolio

	Investor C					Investor C1	Class R
	Year Ended September 30,					Period July 18, 2011 ¹ to September 30, 2011	Period July 18, 2011 ¹ to September 30, 2011
	2011	2010	2009	2008	2007		
Per Share Operating Performance							
Net asset value, beginning of period.....	\$ 11.00	\$ 10.62	\$ 10.33	\$ 10.24	\$ 10.15	\$ 10.66	\$ 10.67
Net investment income ²	0.13	0.21	0.22	0.31	0.32	0.02	0.03
Net realized and unrealized gain (loss).....	0.18	0.51	0.40	0.11	0.10	0.30	0.31
Net increase (decrease) from investment operations	0.31	0.72	0.62	0.42	0.42	0.32	0.34
Dividends and distributions from:							
Net investment income	(0.16)	(0.27)	(0.27)	(0.33)	(0.33)	(0.03)	(0.04)
Net realized gain	(0.20)	(0.07)	(0.06)	—	—	(0.00)	(0.00)
Total dividends and distributions	(0.36)	(0.34)	(0.33)	(0.33)	(0.33)	(0.03)	(0.04)
Net asset value, end of period.	\$ 10.95	\$ 11.00	\$ 10.62	\$ 10.33	\$ 10.24	\$ 10.95	\$ 10.97
Total Investment Return³							
Based on net asset value.....	2.88%	6.90%	6.03%	4.08%	4.18%	2.96% ⁴	3.12% ⁴
Ratios to Average Net Assets							
Total expenses.....	1.89%	1.92%	1.82%	2.04%	1.90%	1.75% ⁵	1.51% ⁵
Total expenses excluding recoupment of past waived fees.....	1.89%	1.90%	1.82%	2.04%	1.90%	1.75% ⁵	1.51% ⁵
Total expenses after fees waived, reimbursed and paid indirectly.....	1.76%	1.87%	1.76%	1.98%	1.84%	1.53% ⁵	1.21% ⁵
Total expenses after fees waived, reimbursed and paid indirectly and excluding interest expense ..	1.76%	1.82%	1.75%	1.79%	1.81%	1.53% ⁵	1.21% ⁵
Net investment income	1.25%	1.96%	2.12%	2.93%	3.19%	1.09% ⁵	1.41% ⁵
Supplemental Data							
Net assets, end of period (000).....	\$110,260	\$58,567	\$58,247	\$23,959	\$13,114	\$130,322	\$40,523
Portfolio turnover	794% ⁶	974% ⁷	646% ⁸	459% ⁹	57%	794% ⁶	794% ⁶

¹ Commencement of operations.

² Based on average shares outstanding.

³ Where applicable, total investment returns exclude the effects of any sales charges and include the reinvestment of dividends and distributions.

⁴ Aggregate total investment return.

⁵ Annualized.

⁶ Includes mortgage dollar roll transactions; excluding these transactions the portfolio turnover would have been 537%.

⁷ Includes mortgage dollar roll transactions; excluding these transactions the portfolio turnover would have been 384%.

⁸ Includes mortgage dollar roll transactions; excluding these transactions the portfolio turnover would have been 496%.

⁹ Includes TBA transactions; excluding these transactions the portfolio turnover would have been 174%.

See Notes to Financial Statements.

Notes to Financial Statements

1. Organization and Significant Accounting Policies:

BlackRock Funds II (the "Trust") is registered under the Investment Company Act of 1940, as amended (the "1940 Act"), as an open-end management investment company. The Trust is organized as a Massachusetts business trust. As of September 30, 2011, the Trust had 27 series, of which BlackRock GNMA Portfolio ("GNMA"), BlackRock Inflation Protected Bond Portfolio ("Inflation Protected Bond"), BlackRock Long Duration Bond Portfolio ("Long Duration Bond"), and BlackRock Multi-Sector Bond Portfolio ("Multi-Sector Bond"), BlackRock U.S. Government Bond Portfolio (formerly known as BlackRock Intermediate Government Bond Portfolio) ("U.S. Government Bond") (collectively the "Funds" or individually a "Fund") are included in these financial statements. Each of the Funds, except Inflation Protected Bond, is diversified. 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 and disclosures in the financial statements. Actual results could differ from those estimates. Each Fund offers multiple classes of shares. BlackRock and Institutional Shares are sold without a sales charge and only to certain eligible investors. Effective November 10, 2011, BlackRock Shares of U.S. Government Bond were closed to all purchases. Service Shares are sold without a sales charge. Investor A Shares are generally sold with a front-end sales charge. Investor B, Investor B1, Investor C and Investor C1 Shares may be subject to a CDSC. Class R Shares are sold without a sales charge and only to certain retirement and other similar plans. All classes of shares have identical voting, dividend, liquidation and other rights and the same terms and conditions, except that Service, Investor A, Investor B, Investor B1, Investor C, Investor C1 and Class R Shares bear certain expenses related to the shareholder servicing of such shares, and Investor B, Investor B1, Investor C, Investor C1 and Class R Shares also bear certain expenses related to the distribution of such shares. Investor B Shares automatically convert to Investor A Shares after approximately ten years. Investor B1 Shares automatically convert to Investor A Shares after approximately seven years. Investor B, B1 and C1 Shares are only available through exchanges, dividend reinvestment by existing shareholders or for purchase by certain qualified employee benefit plans. Each class has exclusive voting rights with respect to matters relating to its shareholder servicing and distribution expenditures (except that Investor B and Investor B1 shareholders may vote on material changes to the Investor A distribution and service plan).

Reorganizations: The Board of Trustees of the Trust (the "Board") and BlackRock Intermediate Government Bond Portfolio ("Intermediate Government Bond") and the Board and shareholders of BlackRock Government Income Portfolio (the "Target Fund") approved the reorganization of the Target Fund into Intermediate Government Bond pursuant to which Intermediate Government Bond acquired substantially all of the assets and assumed certain stated liabilities of the Target Fund in exchange for an equal aggregate value of Intermediate Government Bond shares.

In connection with the reorganization, effective July 18, 2011, Intermediate Government Bond changed its name to U.S. Government Bond, hereafter referred to as U.S. Government Bond.

Each shareholder of the Target Fund received shares of U.S. Government Bond with the same class designation and an aggregate NAV of such shareholder's Target Fund shares, as determined at the close of business on July 15, 2011, except the Target Fund's BlackRock, Investor B1, Investor C1 and Class R Shares were exchanged for U.S. Government Bond's newly established BlackRock, Investor B1, Investor C1 and Class R Shares, respectively.

The reorganization was accomplished by a tax-free exchange of shares of U.S. Government Bond in the following amounts and at the following conversion ratios:

	Target Fund Shares Prior to Reorganization	Conversion Ratio	Shares of U.S. Government Bond
BlackRock.....	1,231	1.02319072	1,260
Institutional	3,738,046	1.02410182	3,828,140
Service.....	202,182	1.02405789	207,046
Investor A.....	48,992,338	1.02231009	50,085,362
Investor B	536,993	1.02582974	550,863
Investor B1.....	5,093,262	1.02542556	5,222,761
Investor C	5,550,177	1.02236425	5,674,303
Investor C1.....	12,255,789	1.02221409	12,528,040
Class R.....	3,844,229	1.02171978	3,927,725

The Target Fund's net assets and composition of net assets on July 15, 2011, the date of the reorganization, were as follows:

Net Assets	Paid-in Capital	Accumulated Net Investment Income	Accumulated Net Realized Loss	Net Unrealized Appreciation
\$874,795,010	\$930,799,200	\$812,448	\$(59,192,330)	\$2,375,692

For financial reporting purposes, assets received and shares issued by U.S. Government Bond were recorded at fair value; however, the cost basis of the investments received from the Target Fund was carried forward to align ongoing reporting of U.S. Government Bond's realized and unrealized gains and losses with amounts distributable to shareholders for tax purposes.

The aggregate net assets of U.S. Government Bond immediately after the acquisition amounted to \$1,303,246,163. The Target Fund's fair value and cost of investments prior to the reorganization were \$1,754,648,174 and \$1,745,414,818, respectively.

The purpose of the transaction was to combine two funds managed by the Manager, the investment advisor to both the Target Fund and U.S. Government Bond with the same or substantially similar (but not identical) investment objectives, investment policies, strategies, risks and restrictions. The reorganization was a tax-free event and was effective on July 18, 2011.

Assuming the acquisition had been completed on October 1, 2010, the beginning of the annual reporting period of U.S. Government Bond, the pro forma results of operations for the year ended September 30, 2011, were as follows:

Notes to Financial Statements (continued)

- Net investment income: \$30,874,306
- Net realized and change in unrealized gain/loss on investments: \$8,140,095
- Net increase in the net assets resulting from operations: \$39,014,401

Because the combined investment portfolios have been managed as a single integrated portfolio since the acquisition was completed, it is not practicable to separate the amounts of revenue and earnings of the Target Fund that have been included in the U.S. Government Bond's Statement of Operations since July 18, 2011.

Reorganization costs incurred by U.S. Government Bond in connection with the reorganization were expensed by U.S. Government Bond.

The following is a summary of 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 value their financial instruments at market value using independent dealers or pricing services under policies approved by the Board. The Funds value their bond investments on the basis of last available bid prices or current market quotations provided by dealers or pricing services. Floating rate loan interests are valued at the mean of the bid prices from one or more brokers or dealers as obtained from a pricing service. 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. Asset-backed 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. 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. To-be-announced ("TBA") commitments are valued on the basis of last available bid prices or current market quotations provided by pricing services. Short-term securities with remaining maturities of 60 days or less may be valued at amortized cost, which approximates fair value. Investments in open-end registered investment companies are valued at NAV each business day.

Equity investments traded on a recognized securities exchange or the NASDAQ Global Market System ("NASDAQ") are valued at the last reported sale price that day or the NASDAQ official closing price, if applicable. For equity investments traded on more than one exchange, the last reported sale price on the exchange where the stock is primarily

traded is used. Equity investments traded on a recognized exchange for which there were no sales on that day are valued at the last available bid price. If no bid price is available, the prior day's price will be used, unless it is determined that such prior day's price no longer reflects the fair value of the security.

Securities and other assets and liabilities denominated in foreign currencies are translated into US dollars using exchange rates determined as of the close of business on the New York Stock Exchange ("NYSE"). Foreign currency exchange contracts are valued at the mean between the bid and ask prices and are determined as of the close of business on the NYSE. Interpolated values are derived when the settlement date of the contract is an interim date for which quotations are not available.

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 which 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 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 investment advisor and/or the sub-advisor seek 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 investment advisor and/or sub-advisor deem relevant. The pricing of all Fair Value Assets is subsequently reported to the Board or a committee thereof.

Generally, trading in foreign instruments is substantially completed each day at various times prior to the close of business on the NYSE. Occasionally, events affecting the values of such instruments may occur between the foreign market close and the close of business on the NYSE that may not be reflected in the computation of each Fund's net assets. If events (for example, a company announcement, market volatility or a natural disaster) occur during such periods that are expected to materially affect the value of such instruments, those instruments may be Fair Value Assets and be valued at their fair value, as determined in good faith by the investment advisor using a pricing service and/or policies approved by the Board.

Foreign Currency Transactions: The Funds' books and records are maintained in US dollars. Purchases and sales of investment securities are recorded at the rates of exchange prevailing on the respective date of such transactions. Generally, when the US dollar rises in value against a

Notes to Financial Statements (continued)

foreign currency, the Fund's investments denominated in that currency will lose value because its currency is worth fewer US dollars; the opposite effect occurs if the US dollar falls in relative value.

The Funds do not isolate the portion of the results of operations arising as a result of changes in the foreign exchange rates from the changes in the market prices of investments held or sold for financial reporting purposes. Accordingly, the effects of changes in foreign currency exchange rates on investments are not segregated on the Statements of Operations from the effects of changes in market prices of those investments but are included as a component of net realized and unrealized gain (loss) from investments. The Funds report realized currency gain (loss) on foreign currency related transactions as components of net realized gain (loss) for financial reporting purposes, whereas such components are treated as ordinary income for federal income tax purposes.

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. 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.

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 pass-through 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.

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

Preferred Stock: The Funds may invest in preferred stock. Preferred stock has a preference over common stock in liquidation (and generally in receiving dividends as well) but is subordinated to the liabilities of the issuer in all respects. As a general rule, the market value of preferred stock with a fixed dividend rate and no conversion element varies inversely with interest rates and perceived credit risk, while the market price of convertible preferred stock generally also reflects some element

Notes to Financial Statements (continued)

of conversion value. Because preferred stock is junior to debt securities and other obligations of the issuer, deterioration in the credit quality of the issuer will cause greater changes in the value of a preferred stock than in a more senior debt security with similar stated yield characteristics. Unlike interest payments on debt securities, preferred stock dividends are payable only if declared by the issuer's board of directors. Preferred stock also may be subject to optional or mandatory redemption provisions.

Borrowed Bond Agreements: The Funds may enter into borrowed bond agreements. In a borrowed bond agreement, the Funds borrow a bond from a counterparty in exchange for cash collateral with the commitment that the security and the cash will be returned to the counterparty and the Funds, respectively, at a mutually agreed upon rate and date. Certain agreements have no stated maturity and can be terminated by either party at any time. Borrowed bond agreements are entered into primarily in connection with short sales of bonds. Earnings on cash collateral and compensation to the lender of the bond are based on agreed upon rates between the Funds and the counterparty. The value of the underlying cash collateral approximates the market value and accrued interest of the borrowed bond. To the extent that a borrowed bond transaction exceeds one business day, the value of the cash collateral in the possession of the counterparty is monitored on a daily basis to ensure the adequacy of the collateral. As the market value of the borrowed bond changes, the cash collateral is periodically increased or decreased with a frequency and in amounts prescribed in the borrowed bond agreement. Full realization of the collateral by the Funds may be limited if the value of an investment purchased with the cash collateral by the lender decreases. The Funds may also experience delays in gaining access to the collateral.

Short Sales: The Funds may enter into short sale transactions in which a Fund sells a security it does not hold in anticipation of a decline in the market price of that security. When the Fund makes a short sale, it will borrow the security sold short and deliver it to the counterparty to which it sold the security short. An amount equal to the proceeds received by the Fund is reflected as an asset and an equivalent liability. The amount of the liability is subsequently marked-to-market to reflect the market value of the short sale. The Fund is required to repay the counterparty any interest received on the security sold short, which is shown as interest expense in the Statement of Operations. The Fund may pay a fee on the assets borrowed from the counterparty, which is shown as stock loan fees in the Statement of Operations. The Fund maintains a segregated account of securities or deposits cash with the broker-dealer as collateral for the short sales. The Fund may receive interest on its cash collateral deposited with the broker-dealer. The Fund is exposed to market risk based on the amount, if any, that the market value of the security increases beyond the market value at which the position was sold. Thus, a short sale of a security involves the risk that instead of declining, the price of the security sold short will rise. The short sale of securities involves the possibility of a theoretically unlimited loss since there is a theoretically unlimited potential for the market price of the security sold short to increase. A gain, limited to the price at which the Fund sold the security short, or a loss, unlimited as to the dollar amount, will be recog-

nized upon the termination of a short sale if the market price is greater or less than the proceeds originally received. There is no assurance the Fund will be able to close out a short position at a particular time or at an acceptable price.

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.

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. 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.

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

Notes to Financial Statements (continued)

and losses on these transactions. These transactions 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.

Treasury Roll Transactions: The Funds may enter into treasury roll transactions. In a treasury roll transaction, the Funds sell 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 receive cash from the sale of the treasury security to use for other investment purposes. For US GAAP purposes, a treasury roll transaction is accounted for as a secured borrowing and not as a purchase or sale. 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. 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 interest expense incurred by the Funds. If the interest expense 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 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 agree to repurchase the same securities at a mutually agreed upon date and price. 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 Funds 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 Funds are obligated to repurchase under the agreement may decline below the repurchase price. In the event the buyer of securities under a reverse repurchase agreement files for bankruptcy or becomes insolvent, the Funds' use of the proceeds of the agreement may be restricted while the other party, or its trustee or receiver, determines whether or not to enforce the Funds' obligation to repurchase the securities.

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.

Segregation and Collateralization: In cases in which the 1940 Act and the interpretive positions of the Securities and Exchange Commission ("SEC") require that a Fund either deliver collateral or segregate assets in connection with certain investments (e.g., mortgage dollar rolls, TBA

commitments, financial futures contracts, foreign currency exchange 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, each party to such transactions has requirements to deliver/deposit securities as collateral for certain investments.

Redemptions-In-Kind: Long Duration Bond transferred securities and cash to shareholders in connection with redemption-in-kind transactions. For purposes of US GAAP, these transactions were treated as a sale of securities and the resulting gains and losses were recognized based on the market value of the securities on the date of the transfer. For tax purposes, no gains or losses were recognized. Gains and losses resulting from such redemptions-in-kind are shown as redemption-in-kind transactions in the Statements of Operations.

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. Dividends from foreign securities where the ex-dividend date may have passed are subsequently recorded when the Fund is informed of the ex-dividend date. Under the applicable foreign tax laws, a withholding tax at various rates may be imposed on capital gains, dividends and interest. Upon notification from issuers, some of the dividend income received from a real estate investment trust may be redesignated as a reduction of cost of the related investment and/or realized gain. Interest income, including amortization and accretion of premiums and discounts on debt securities, is recognized on the accrual basis. Income and realized and unrealized gains and losses are allocated daily to each class based on its relative net assets. Consent fees are compensation for agreeing to changes in the terms of debt instruments and are included in interest income in the Statements of Operations.

Dividends and Distributions: Dividends from net investment income are declared daily and paid monthly. Distributions of capital gains are recorded on the ex-dividend dates. The amount 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.

Notes to Financial Statements (continued)

The Funds file US federal and various state and local tax returns. No income tax returns are currently under examination. The statute of limitations on each Fund's US federal tax returns, with the exception of Long Duration and Multi-Sector Bond, remains open for each of the four years ended September 30, 2011. Multi-Sector Bond's US federal tax returns remain open for the period ended September 30, 2010 and the year ended September 30, 2011. Long Duration's US federal tax returns remain open for the period ended September 30, 2008 and the years ended September 30, 2009, September 30, 2010 and September 30, 2011. 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.

Organization and Offering Costs: Upon commencement of operations, organization costs associated with the establishment of the Multi-Sector Bond Fund were expensed by the Fund and reimbursed by the manager. Offering costs are amortized over a 12-month period beginning with the commencement of operations of the Funds.

Recent Accounting Standard: In May 2011, the Financial Accounting Standards Board issued amended guidance to improve disclosure about fair value measurements which will require the following disclosures for fair value measurements categorized as Level 3: quantitative information about the unobservable inputs and assumptions used in the fair value measurement, a description of the valuation policies and procedures and a narrative description of the sensitivity of the fair value measurement to changes in unobservable inputs and the interrelationships between those unobservable inputs. In addition, the amounts and reasons for all transfers in and out of Level 1 and Level 2 will be required to be disclosed. The amended guidance is effective for financial statements for fiscal years beginning after December 15, 2011, and interim periods within those fiscal years. Management is evaluating the impact of this guidance on the Fund's financial statements and disclosures.

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

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 Statement 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.

2. Derivative Financial Instruments:

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

Losses may arise if the value of the contract decreases due to an unfavorable change in the market rates or values of the underlying instrument or if the counterparty does not perform under the contract. The Funds' maximum risk of loss from counterparty credit risk on OTC derivatives is generally the aggregate unrealized gain netted against any collateral pledged by/posted to the counterparty. For OTC options purchased, the Funds bear the risk of loss in the amount of the premiums paid plus the positive change in market value net of any collateral received on the options should the counterparty fail to perform under the contracts. Options written by the Funds do not give rise to counterparty credit risk, as options written obligate the Funds to perform and not the counterparty. Counterparty risk related to exchange-traded financial futures contracts and options is deemed to be minimal due to the protection against defaults provided by the exchange on which these contracts trade.

The Funds may mitigate counterparty risk by procuring collateral and through netting provisions included within an International Swaps and Derivatives Association, Inc. master agreement ("ISDA Master Agreement") implemented between a Fund and each of its respective counterparties. The ISDA Master Agreement allows each Fund to offset with each separate counterparty certain derivative financial instrument's payables and/or receivables with collateral held. The amount of collateral moved to/from applicable counterparties is generally based upon minimum transfer amounts of up to \$500,000. To the extent amounts due to the Funds from their counterparties are not fully collateralized contractually or otherwise, the Funds bear the risk of loss from counterparty non-performance. See Note 1 "Segregation and Collateralization" for information with respect to collateral practices. In addition, the Funds manage counterparty risk by entering into agreements only with counterparties that they believe have the financial resources to honor their obligations and by monitoring the financial stability of those counterparties.

Certain ISDA Master Agreements allow counterparties to OTC derivatives to terminate derivative contracts prior to maturity in the event the Funds' net assets decline by a stated percentage or the Funds fail to meet the terms of its ISDA Master Agreements, which would cause the Funds to accelerate payment of any net liability owed to the counterparty.

Financial Futures Contracts: The Funds purchase 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) or foreign currencies (foreign currency exchange rate risk). Financial futures contracts are agreements between a Fund and 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, 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. 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 margin variation and are recorded by the Funds as unrealized appreciation or depreciation. When the contract is closed, the Funds record a realized gain or loss equal to the difference

Notes to Financial Statements (continued)

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 or foreign currency exchange rates and the underlying assets.

Foreign Currency Exchange Contracts: The Funds, except GNMA, enter into foreign currency exchange contracts as an economic hedge against either specific transactions or portfolio instruments or to obtain exposure to foreign currencies (foreign currency exchange rate risk). A foreign currency exchange contract is an agreement between two parties to buy and sell a currency at a set exchange rate on a future date. Foreign currency exchange contracts, when used by a Fund, help to manage the overall exposure to the currencies in which some of the investments held by a Fund are denominated. The contract is marked-to-market daily and the change in market value is recorded by a Fund as an unrealized gain or loss. When the contract is closed, a Fund records a realized gain or loss equal to the difference between the value at the time it was opened and the value at the time it was closed. The use of foreign currency exchange contracts involves the risk that the value of a foreign currency exchange contract changes unfavorably due to movements in the value of the referenced foreign currencies and the risk that a counterparty to the contract does not perform its obligations under the agreement.

Options: The Funds purchase and write call and put options to increase or decrease their exposure to underlying instruments (including credit risk and/or interest rate risk) and/or, in the case of options written, to generate gains from options premiums. A call option gives the purchaser of the option the right (but not the obligation) to buy, and obligates the seller 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.

The Funds also purchase or sell listed or OTC foreign currency options, foreign currency futures and related options on foreign currency futures as a short or long hedge against possible variations in foreign exchange rates or to gain exposure to foreign currencies (foreign currency exchange rate risk). When foreign currency is purchased or sold through an exercise of a foreign currency option, the related premium paid (or received) is added to (or deducted from) the basis of the foreign currency acquired or deducted from (or added to) the proceeds of the foreign currency sold. Such transactions may be effected with respect to hedges on non-US dollar denominated instruments owned by the Funds but not yet delivered, or committed or anticipated to be purchased by the Funds.

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 at a price different from the current market value.

Swaps: The Funds enter into swap agreements, in which the Funds and a counterparty agree to make periodic net payments on a specified notional amount. These periodic payments received or made by the Funds are recorded in the Statements of Operations as realized gains or losses, respectively. Any upfront fees paid are recorded as assets and any upfront fees received are recorded as liabilities and amortized over the term of the swap. Swaps are marked-to-market daily and changes in value are recorded as unrealized appreciation (depreciation). When the 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. 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 – Long Duration Bond and Multi-Sector Bond 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 enter into credit default swap agreements to provide a measure of protection against the default of an issuer (as buyer of protection) and/or gain credit exposure to an issuer to which it is not otherwise exposed (as seller of protection). The Funds may either buy or sell (write) credit default

Notes to Financial Statements (continued)

swaps on single-name 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 buyer pays fixed periodic payments to the seller in consideration for a guarantee from the 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 occurs. As a buyer, if an underlying credit event occurs, the Funds will either 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 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 — GNMA, Inflation Protected Bond, U.S. Government Bond and Multi-Sector Bond 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 or 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 rate, for another party's stream of interest payments, either fixed or floating, on the same notional amount for a specified period of time. In more complex swaps, the notional principal amount may decline (or amortize) over time.

Derivative Financial Instruments Categorized by Risk Exposure:

Fair Values of Derivative Financial Instruments as of September 30, 2011

Asset Derivatives						
Statements of Assets and Liabilities Location	GNMA	Inflation Protected Bond	Long Duration Bond	Multi-Sector Bond	U.S. Government Bond	
Interest rate contracts	\$29,114,765	\$66,708,298	\$10,748,377	\$1,150,999	\$26,621,307	Net unrealized appreciation/depreciation*; Unrealized appreciation on swaps; Swap premiums paid; Investments at value — unaffiliated**
Foreign currency exchange contracts ..	—	2,618,017	105,888	630,748	4,191,294	Unrealized appreciation on financial futures contracts*; Unrealized appreciation on foreign currency exchange contracts; Investments at value — unaffiliated**
Credit contracts	—	—	42,357	1,118,515	—	Unrealized appreciation on swaps; Swap premiums paid
Other contracts	313,347	2,837,974	—	376,999	3,344,856	Unrealized appreciation on swaps; Swap premiums paid
Total	\$29,428,112	\$72,164,289	\$10,896,622	\$3,277,261	\$34,157,457	

* Includes cumulative appreciation/depreciation of financial futures contracts as reported in the Schedules of Investments. Only current day's margin variation is reported within the Statements of Assets and Liabilities.

**Includes options purchased at value as reported in the Schedules of Investments.

Notes to Financial Statements (continued)

Liability Derivatives						
	Statements of Assets and Liabilities Location	GNMA	Inflation Protected Bond	Long Duration Bond	Multi-Sector Bond	U.S. Government Bond
Interest rate contracts	Net unrealized appreciation/depreciation*; Unrealized depreciation on swaps; Swap premiums received; Options written at value	\$48,171,436	\$115,417,896	\$7,145,483	\$1,306,511	\$37,659,631
Foreign currency exchange contracts ..	Unrealized depreciation on financial futures contracts*; Unrealized depreciation on foreign currency exchange contracts; Options written at value	—	4,410,237	23,937	244,313	2,436,375
Credit contracts	Unrealized depreciation on swaps; Swap premiums received	—	—	129,834	416,885	—
Other contracts	Unrealized depreciation on swaps; Swap premiums received	582,140	—	—	257,266	3,073,052
Total		\$48,753,576	\$119,828,133	\$7,299,254	\$2,224,975	\$43,169,058

* Includes cumulative appreciation/depreciation of financial futures contracts as reported in the Schedules of Investments. Only current day's margin variation is reported within the Statements of Assets and Liabilities.

The Effect of Derivative Financial Instruments in the Statements of Operations Year Ended September 30, 2011					
Net Realized Gain (Loss) From					
	GNMA	Inflation Protected Bond	Long Duration Bond	Multi-Sector Bond	U.S. Government Bond
Interest rate contracts:					
Financial futures contracts	\$(13,949,173)	\$(56,307,207)	\$4,217,175	\$(1,547,933)	\$(2,717,657)
Swaps	1,956,601	(13,533,935)	(527,710)	(453,515)	821,035
Options ***	222,109	11,827,875	—	(264,319)	(3,711,893)
Foreign currency exchange contracts:					
Financial futures contracts	—	—	—	27,817	1,083,364
Foreign currency exchange contracts	—	(1,487,378)	(106,165)	(394,518)	(700,449)
Options ***	—	—	(676,872)	(230)	(416,715)
Credit contracts:					
Swaps	—	—	140,485	(248,368)	—
Other contracts:					
Swaps	(3,314,898)	869,411	—	450,770	1,341,076
Total	\$(15,085,361)	\$(58,631,234)	\$3,046,913	\$(2,430,296)	\$(4,301,239)

Net Change in Unrealized Appreciation/Depreciation on					
	GNMA	Inflation Protected Bond	Long Duration Bond	Multi-sector Bond	U.S. Government Bond
Interest rate contracts:					
Financial futures contracts	\$ 2,458,693	\$(16,831,372)	\$ 4,986,649	\$ 20,821	\$ 601,754
Swaps	2,973,504	12,236,269	788,497	521,438	1,035,800
Options ***	(6,841,887)	(14,583,973)	(1,313,116)	(256,501)	(6,242,166)
Foreign currency exchange contracts:					
Financial futures contracts	—	—	—	—	201,297
Foreign currency exchange contracts	—	(894,636)	114,752	260,421	(42,614)
Options ***	—	869,151	—	117,796	644,163
Credit contracts:					
Swaps	—	—	(44,054)	656,377	—
Other contracts:					
Swaps	430,409	2,837,974	—	141,917	608,448
Total	\$ (979,281)	\$(16,366,587)	\$ 4,532,728	\$1,462,269	\$(3,193,318)

*** Options purchased are included in the net realized gain (loss) from investments – unaffiliated and net change in unrealized appreciation/depreciation on investments – unaffiliated.

Notes to Financial Statements (continued)

For the year ended September 30, 2011, the average quarterly balances of outstanding derivative financial instruments were as follows:

	GNMA	Inflation Protected Bond	Long Duration Bond	Multi-Sector Bond	U.S. Government Bond
Financial futures contracts:					
Average number of contracts purchased	274	1,675	369	170	509
Average number of contracts sold	1,797	4,341	226	191	524
Average notional value of contracts purchased	\$ 34,576,316	\$ 222,081,805	\$ 49,635,588	\$24,818,563	\$ 85,266,088
Average notional value of contracts sold	\$326,880,324	\$ 737,066,571	\$ 30,363,722	\$33,258,971	\$106,873,820
Foreign currency exchange contracts:					
Average number of contracts — US dollars purchased	—	3	4	53	46
Average number of contracts — US dollars sold	—	2	1	45	42
Average US dollar amounts purchased	—	\$ 89,943,396	\$ 2,222,600	\$14,031,704	\$ 49,745,677
Average US dollar amounts sold	—	\$ 35,379,167	\$ 741,235	\$10,428,958	\$ 49,008,725
Options:					
Average number of option contracts purchased	2	1	2	15	8
Average number of option contracts written	2	2	1	10	6
Average notional value of option contracts purchased	\$204,352,188	\$ 612,550,281	\$ 43,070,344	\$34,647,894	\$246,529,995
Average notional value of option contracts written	\$144,370,781	\$ 697,916,262	\$ 16,616,125	\$27,373,638	\$175,569,217
Average number of swaption contracts purchased	16	28	22	31	39
Average number of swaption contracts written	33	49	40	46	49
Average notional value of swaption contracts purchased	\$240,400,000	\$1,071,350,000	\$ 99,402,886	\$50,650,000	\$348,000,000
Average notional value of swaption contracts written	\$528,550,000	\$2,065,084,739	\$120,475,000	\$55,002,932	\$365,681,126
Credit default swaps:					
Average number of contracts — buy protection	—	—	1	29	—
Average number of contracts — sell protection	—	—	3	14	—
Average notional value — buy protection	—	—	\$ 425,000	\$ 7,994,011	—
Average notional value — sell protection	—	—	\$ 1,405,000	\$ 2,855,276	—
Interest rate swaps:					
Average number of contracts — pays fixed rate	6	10	4	23	27
Average number of contracts — receives fixed rate	8	8	4	21	24
Average notional value — pays fixed rate	\$131,925,000	\$ 359,051,250	\$ 21,725,000	\$29,577,500	\$195,720,000
Average notional value — receives fixed rate	\$ 72,250,000	\$ 237,930,000	\$ 8,675,000	\$15,004,792	\$127,700,000
Total return swaps:					
Average number of contracts	4	2	—	13	17
Average notional value	\$ 78,127,750	\$ 68,755,000	—	\$10,965,000	\$109,038,500

3. Investment Advisory Agreements and Other Transactions with Affiliates:

The PNC Financial Services Group, Inc. (“PNC”) and Barclays Bank PLC (“Barclays”) are the largest stockholders of BlackRock, Inc. (“BlackRock”). Due to the ownership structure, PNC is an affiliate for 1940 Act purposes, but Barclays is not.

The Funds entered into an Investment Advisory Agreement with the Manager, the Funds’ investment advisor, an indirect, wholly owned subsidiary of BlackRock, to provide investment advisory and administration ser-

VICES. The Manager is responsible for the management of each Fund’s portfolio and provides the necessary personnel, facilities, equipment and certain other services necessary to the operations of each Fund. For such services, each Fund pays the Manager a monthly fee based on a percentage of each Fund’s average daily net assets at the following annual rates:

	GNMA	Inflation Protected Bond	Long Duration Bond	Multi-Sector Bond	U.S. Government Bond
Average Daily Net Assets	Investment Advisory Fee	Investment Advisory Fee	Investment Advisory Fee	Investment Advisory Fee	Investment Advisory Fee
First \$1 Billion	0.550%	0.400%	0.500%	0.500%	0.500%
\$1 Billion — \$2 Billion	0.500%	0.375%	0.450%	0.450%	0.450%
\$2 Billion — \$3 Billion	0.475%	0.350%	0.425%	0.425%	0.425%
Greater Than \$3 Billion	0.450%	0.325%	0.400%	0.400%	0.400%

The Manager contractually or voluntarily agreed to waive and/or reimburse fees or expenses, excluding interest expense, dividend expense, acquired fund fees and expenses and certain other fund expenses, in order to limit expenses. These amounts are included in fees

waived by advisor and shown as administration fees waived — class specific, transfer agent fees waived — class specific, transfer agent fees reimbursed — class specific and expenses reimbursed by advisor, respectively, in the Statements of Operations.

Notes to Financial Statements (continued)

For the year ended September 30, 2011, the amounts included in fees waived by advisor were as follows:

GNMA.....	\$1,766,972
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Inflation Protected Bond	\$5,696,575
Long Duration Bond	\$ 542,337
Multi-Sector Bond	\$ 225,798
U.S. Government Bond	\$ 779,626

The expense limitations as a percentage of average daily net assets are as follows:

	GNMA		Inflation Protected Bond		Long Duration Bond	Multi-Sector Bond	U.S. Government Bond
	Contractual ¹	Voluntary ²	Contractual ¹	Voluntary ²	Contractual ¹	Voluntary ²	Contractual
BlackRock	0.52%	—	0.32%	—	0.45%	N/A	0.45% ³
Institutional	0.60%	0.55%	0.44%	—	0.55%	0.70%	0.62% ¹
Service.....	0.90%	—	0.75%	—	N/A	N/A	0.81% ³
Investor A.....	1.07%	—	0.85%	0.76%	0.90%	0.95%	1.07% ¹
Investor B	1.85%	—	1.63%	—	N/A	N/A	1.88% ¹
Investor B1	N/A	N/A	N/A	N/A	N/A	N/A	1.45% ³
Investor C	1.82%	—	1.62%	—	N/A	1.70%	1.82% ¹
Investor C1	N/A	N/A	N/A	N/A	N/A	N/A	1.53% ³
Class R.....	1.93% ⁴	—	1.79% ⁴	—	2.22% ⁴	N/A	1.21% ³

¹The Manager has agreed not to reduce or discontinue this contractual waiver or reimbursement prior to February 1, 2012 unless approved by the Board, including a majority of the Independent Trustees.

²The voluntary waiver or reimbursement may be reduced or discontinued at any time.

³The Manager has agreed not to reduce or discontinue this contractual waiver or reimbursement prior to February 1, 2014 unless approved by the Board, including a majority of the Independent Trustees.

⁴There were no shares outstanding as of September 30, 2011.

Prior to July 18, 2011, the expense limitations as a percentage of average daily net assets of U.S. Government Bond are as follows:

Share Classes	U.S. Government Bond
	Contractual
BlackRock	N/A
Institutional	0.62%
Service.....	0.92%
Investor A.....	1.07%
Investor B	1.88%
Investor C	1.82%
Class R.....	1.66%

The Manager voluntarily agreed to waive its investment advisory fees by the amount of investment advisory fees each Fund pays to the Manager indirectly through its investment in affiliated money market funds, however the Manager does not waive its investment advisory fees by the amount of investment advisory fees paid in connection with each Fund's investment in other affiliated investment companies, if any. These amounts are included in fees waived by advisor in the Statements of Operations. For the year ended September 30, 2011, the amounts waived/reimbursed were as follows:

GNMA	\$ 77,189
Inflation Protected Bond	\$114,226
Long Duration Bond	\$ 4,741
Multi-Sector Bond	\$ 3,109
U.S. Government Bond	\$ 39,091

The Manager entered into separate sub-advisory agreements with BlackRock Financial Management, Inc. ("BFM"), an affiliate of the Manager. The Manager pays BFM for services it provides, a monthly fee that is a percentage of the investment advisory fees paid by the Funds to the Manager.

For each Fund excluding Multi-Sector Bond, if during the Fund's fiscal year the operating expenses of a share class, that at any time during the

prior two fiscal years received a waiver or reimbursement from the Manager, are less than the expense limit for that share class, the Manager is entitled to be reimbursed by such share class up to the lesser of (a) the amount of fees waived or expenses reimbursed during those prior two fiscal years under the agreement and (b) the amount by which the expense limit for that share class exceeds the operating expenses of the share class for the current fiscal year, provided that: (1) the Fund of which the share class is a part has more than \$50 million in assets for the fiscal year and (2) the Manager or an affiliate continues to serve as the Fund's investment advisor or administrator. In the event the expense limit for a share class is changed subsequent to a fiscal year in which the Manager becomes entitled to reimbursement for fees waived or reimbursed, the amount available to reimburse the Manager shall be calculated by reference to the expense limit for that share class in effect at the time the Manager became entitled to receive such reimbursement, rather than the subsequently changed expense limit for that share class.

For the year ended September 30, 2011, the Manager recouped the following waivers previously recorded by the Funds:

Recoupment of Past Waived Fees

Share Classes	GNMA	Inflation Protected Bond	Long Duration Bond	U.S. Government Bond
Institutional	\$1,765	\$60,169	—	\$ 2,472
Service.....	402	3,137	—	627
Investor A.....	—	—	\$2,226	—
Investor B	—	—	—	6,350
Investor C	—	—	—	1,906
Total	\$2,167	\$63,306	\$2,226	\$11,355

Notes to Financial Statements (continued)

On September 30, 2011, the amounts subject to possible future recoupment under the expense limitation agreement are as follows:

	Expiring September 30,	
	2012	2013
GNMA	\$2,152,461	\$2,096,313
Inflation Protected Bond	\$4,725,744	\$6,071,733
Long Duration Bond	\$ 606,083	\$ 618,992
U.S. Government Bond	\$ 600,590	\$1,109,679

The following waivers previously recorded by the Funds, which were subject to recoupment by the Manager, expired on September 30, 2011:

GNMA	\$2,382,732
Inflation Protected Bond	\$2,331,561
Long Duration Bond	\$ 561,421
U.S. Government Bond	\$ 374,698

The Trust, on behalf of the Funds, entered into a Distribution Agreement and Distribution and Service Plan with BlackRock Investments, LLC ("BRIL"), an affiliate of the Manager. Pursuant to the Distribution and Service Plan and in accordance with Rule 12b-1 under the 1940 Act, the Funds pay BRIL ongoing service and distribution fees. The fees are accrued daily and paid monthly at annual rates based upon the average daily net assets of the shares of the Fund as follows:

	Service Fee	Distribution Fee
Service.....	0.25%	—

For the year ended September 30, 2011, affiliates received CDSC relating to transactions in Investor A, Investor B, Investor B1, Investor C and Investor C1 Shares:

Share Classes	GNMA	Inflation Protected Bond	Long Duration Bond	Multi-Sector Bond	U.S. Government Bond
Investor A	\$31,834	\$ 22,422	\$2,525	\$3,009	\$ 5,221
Investor B	\$20,685	\$ 9,809	N/A	N/A	\$14,415
Investor B1	N/A	N/A	N/A	N/A	\$ 473
Investor C	\$79,689	\$163,223	N/A	\$9,377	\$11,369
Investor C1	N/A	N/A	N/A	N/A	\$ 142

Pursuant to written agreements, certain financial intermediaries, some of which may be affiliates, provide the Funds with sub-accounting, recordkeeping, sub-transfer agency and other administrative services with respect to sub-accounts they service. For these services, these entities receive an annual fee per shareholder account, which will vary depending on share class and/or net assets. For the year ended September 30, 2011, the Funds paid the following to affiliates in return for these services, which are included in transfer agent – class specific in

The Manager maintains a call center, which is responsible for providing certain shareholder services to the Funds, such as responding to shareholder inquiries and processing transactions based upon instructions from shareholders with respect to the subscription and redemption of Fund shares. For the year ended September 30, 2011, each Fund reimbursed the Manager the following amounts for costs incurred in running the call center, which are included in transfer agent – class specific in the Statements of Operations.

	Service Fee	Distribution Fee
Investor A	0.25%	—
Investor B	0.25%	0.75%
Investor B1	0.25%	0.50%
Investor C	0.25%	0.75%
Investor C1	0.25%	0.55%
Class R	0.25%	0.25%

Pursuant to sub-agreements with BRIL, broker-dealers and BRIL provide shareholder servicing and distribution services to each Fund. The ongoing service and/or distribution fee compensates BRIL and each broker-dealer for providing shareholder servicing and/or distribution related services to Service, Investor A, Investor B, Investor B1, Investor C and Investor C1 shareholders.

For the year ended September 30, 2011, affiliates earned underwriting discounts, direct commissions and dealer concessions on sales of each Fund's Investor A Shares as follows:

GNMA	\$ 73,356
Inflation Protected Bond	\$180,653
Long Duration Bond	\$ 1,506
Multi-Sector Bond	\$ 4,643
U.S. Government Bond	\$ 9,893

the Statements of Operations:

GNMA	\$213,447
Inflation Protected Bond	\$ 42,453
Long Duration Bond	\$ 57,079
U.S. Government Bond	\$270,001

Notes to Financial Statements (continued)

Share Classes	GNMA	Inflation Protected Bond	Long Duration Bond	Multi-Sector Bond	U.S. Government Bond
BlackRock	\$ 45	\$ 1,456	\$ 589	—	—
Institutional	12,066	35,161	212	\$ 696	\$ 1,179
Service	862	1,161	—	—	68
Investor A	9,797	78,585	260	476	15,929
Investor B	302	385	—	—	690
Investor B1	—	—	—	—	169
Investor C	9,099	20,461	—	350	1,714
Investor C1	—	—	—	—	344
R	—	—	—	—	102
Total	\$32,171	\$137,209	\$1,061	\$1,522	\$20,195

BNY Mellon Investment Servicing (US) Inc. (“BNYMIS”) and the Manager act as co-administrators for the Funds. For these services, the co-administrators receive a combined administration fee computed daily and payable monthly, based on a percentage of the average daily net assets of each Fund. The combined administration fee is paid at the following annual rates: 0.075% of the first \$500 million, 0.065% of the next \$500 million and 0.055% of the average daily net assets in excess of \$1 billion. In addition, each of the share classes is charged an administration fee based on the following percentages of average daily net assets of each respective class: 0.025% of the first \$500 million, 0.015% of the next \$500 million and 0.005% of the average daily net assets in excess of \$1 billion. In addition, BNYMIS and the Manager may have, at their discretion, voluntarily waived all or any portion of their

administration fees for a Fund or a share class which are included in administration fees waived and administration fees waived – class specific in the Statements of Operations. For the year ended September 30, 2011, the Funds paid the following to affiliates in return for these services, which are included in administration, administration – class specific and administration fees waived – class specific in the Statements of Operations:

GNMA	\$ 612,144
Inflation Protected Bond	\$1,630,348
Long Duration Bond	\$ 107,775
Multi-Sector Bond	\$ 37,357
U.S. Government Bond	\$ 378,384

For the year ended September 30, 2011, the following tables show the various types of class specific expenses borne directly by each class of each Fund and any associated waivers or reimbursements of those expenses:

Share Classes	Administration Fees				
	GNMA	Inflation Protected Bond	Long Duration Bond	Multi-Sector Bond	U.S. Government Bond
BlackRock	\$ 390	\$ 94,822	\$48,584	—	\$ 1
Institutional	119,374	208,089	10,665	\$18,525	42,523
Service	9,345	19,724	—	—	1,268
Investor A	83,223	225,121	3,233	4,760	82,503
Investor B	2,272	2,467	—	—	1,997
Investor B1	—	—	—	—	2,701
Investor C	74,440	151,689	—	3,934	15,360
Investor C1	—	—	—	—	6,877
R	—	—	—	—	2,110
Total	\$289,044	\$701,912	\$62,482	\$27,219	\$155,340

Share Classes	Administration Fees Waived				
	GNMA	Inflation Protected Bond	Long Duration Bond	Multi-Sector Bond	U.S. Government Bond
BlackRock	\$ 380	\$ 94,164	\$48,537	—	—
Institutional	118,129	110,258	10,665	\$17,978	\$41,204
Service	7,416	—	—	—	1,147
Investor A	—	224,931	315	4,760	—
Investor B	—	—	—	—	456
Investor B1	—	—	—	—	1,956
Investor C	—	—	—	3,842	3,022
Investor C1	—	—	—	—	4,550
R	—	—	—	—	2,110
Total	\$125,925	\$429,353	\$59,517	\$26,580	\$54,445

Notes to Financial Statements (continued)

Service and Distribution Fees

Share Classes	GNMA	Inflation Protected Bond	Long Duration Bond	Multi-Sector Bond	U.S. Government Bond
Service.....	\$ 93,423	\$ 188,649	—	—	\$ 12,692
Investor A.....	835,042	3,760,526	\$32,379	\$ 47,745	882,807
Investor B.....	91,255	98,861	—	—	79,381
Investor B1.....	—	—	—	—	81,034
Investor C.....	2,990,726	6,792,920	—	157,882	615,170
Investor C1.....	—	—	—	—	220,064
R.....	—	—	—	—	42,192
Total.....	\$4,010,446	\$10,840,956	\$32,379	\$205,627	\$1,933,340

Transfer Agent Fees

Share Classes	GNMA	Inflation Protected Bond	Long Duration Bond	Multi-Sector Bond	U.S. Government Bond
BlackRock.....	\$ 1,209	\$ 5,667	\$ 768	—	\$ 21
Institutional.....	551,613	1,231,947	59,037	\$20,553	309,060
Service.....	70,899	85,466	—	—	9,401
Investor A.....	378,335	3,679,954	20,411	20,147	491,518
Investor B.....	14,423	16,051	—	—	17,781
Investor B1.....	—	—	—	—	31,151
Investor C.....	337,590	723,057	—	17,704	111,189
Investor C1.....	—	—	—	—	82,131
R.....	—	—	—	—	30,627
Total.....	\$1,354,069	\$5,742,142	\$80,216	\$58,404	\$1,082,879

Transfer Agent Fees Waived

Share Classes	GNMA	Inflation Protected Bond	Long Duration Bond	Multi-Sector Bond	U.S. Government Bond
BlackRock.....	\$ 44	\$ 1,048	\$582	—	—
Institutional.....	11,930	11,937	211	\$ 678	\$1,073
Service.....	631	—	—	—	62
Investor A.....	—	74,407	1	476	—
Investor B.....	—	—	—	—	69
Investor B1.....	—	—	—	—	94
Investor C.....	—	—	—	342	16
Investor C1.....	—	—	—	—	150
R.....	—	—	—	—	102
Total.....	\$12,605	\$87,392	\$794	\$1,496	\$1,566

Transfer Agent Fees Reimbursed

Share Classes	GNMA	Inflation Protected Bond	Long Duration Bond	Multi-Sector Bond	U.S. Government Bond
BlackRock.....	\$ 1,140	\$ 2,630	\$ 155	—	\$ 20
Institutional.....	394,136	14,995	16,187	\$15,547	245,397
Service.....	24,354	—	—	—	6,657
Investor A.....	—	720,744	2	18,606	—
Investor B.....	—	—	—	—	631
Investor B1.....	—	—	—	—	4,998
Investor C.....	—	—	—	16,663	23
Investor C1.....	—	—	—	—	7,741
R.....	—	—	—	—	8,574
Total.....	\$419,630	\$738,369	\$16,344	\$50,816	\$274,041

Notes to Financial Statements (continued)

During the year ended September 30, 2011, U.S. Government Bond received a reimbursement of \$11,966 from an affiliate, which is included in capital share transactions on the Statements of Changes in Net Assets, relating to processing errors.

Certain officers and/or trustees of the Trust are officers and/or directors of BlackRock or its affiliates. The Funds reimburse the Manager for compensation paid to the Trust's Chief Compliance Officer.

4. Investments:

Purchases and sales of investments including paydowns, mortgage dollar roll and TBA transactions and excluding short-term securities and US government securities for the year ended September 30, 2011, were as follows:

	Purchases	Sales
GNMA	\$18,649,205,501	\$19,209,123,016
Inflation Protected Bond	\$ 54,402,777	\$ 5,780,712
Long Duration Bond	\$ 182,658,690	\$ 192,077,568 ¹
Multi-Sector Bond	\$ 907,293,434	\$ 896,422,380
U.S. Government Bond	\$11,457,461,226	\$12,239,724,959

¹Includes \$60,823,997 of sales representing redemptions-in-kind.

Purchases and sales of US government securities for the year ended September 30, 2011, were as follows:

	Purchases	Sales
GNMA	\$ 463,488,542	\$ 514,871,145
Inflation Protected Bond	\$4,991,971,257	\$4,865,001,052
Long Duration Bond	\$ 157,673,035	\$ 162,289,121 ²
Multi-Sector Bond	\$ 318,538,001	\$ 332,169,319
U.S. Government Bond	\$4,544,992,972	\$4,555,942,762

²Includes \$21,588,652 of sales representing redemptions-in-kind.

Purchases and sales of mortgage dollar rolls for the year ended September 30, 2011, were as follows:

	Purchases	Sales
GNMA	\$13,646,399,133	\$13,662,667,703
Long Duration Bond	\$ 55,407,568	\$ 55,601,182
Multi-Sector Bond	\$ 450,117,875	\$ 450,095,239
U.S. Government Bond	\$ 5,181,764,915	\$ 5,184,086,317

Transactions in options written for the year ended September 30, 2011, were as follows:

	GNMA					
	Calls			Puts		
	Contracts	Notional (000)	Premiums Received	Contracts	Notional (000)	Premiums Received
Outstanding options, beginning of year	—	135,100	\$ 5,057,500	—	135,100	\$ 5,057,500
Options written	1,825	419,600	14,639,093	1,825	480,700	15,624,961
Options expired	(452)	—	—	(452)	(29,100)	(1,198,859)
Options closed	(751)	(135,100)	(4,699,788)	(751)	(167,100)	(4,261,998)
Outstanding options, end of year	622	419,600	\$14,996,805	622	419,600	\$15,221,604

	Inflation Protected Bond					
	Calls			Puts		
	Contracts	Notional (000)	Premiums Received	Contracts	Notional (000)	Premiums Received
Outstanding options, beginning of year	—	474,300	\$ 20,655,175	—	874,600	\$ 25,650,355
Options written	3,091	1,280,685	40,765,258	11,612	2,674,985	46,529,167
Options expired	(2,942)	(77,400)	(3,031,679)	(4,770)	(1,869,100)	(14,200,173)
Options closed	(149)	(945,600)	(33,457,576)	(6,262)	(941,800)	(32,612,119)
Outstanding options, end of year	—	731,985	\$ 24,931,178	580	738,685	\$ 25,367,230

	Long Duration Bond					
	Calls			Puts		
	Contracts	Notional (000)	Premiums Received	Contracts	Notional (000)	Premiums Received
Outstanding options, beginning of year	—	39,600	\$ 1,984,090	—	62,800	\$ 2,363,160
Options written	3	61,900	2,182,083	279	77,100	2,400,507
Options expired	—	(3,700)	(63,640)	(117)	(29,300)	(800,818)
Options closed	—	(53,600)	(2,515,033)	(159)	(66,400)	(2,349,920)
Outstanding options, end of year	3	44,200	\$ 1,587,500	3	44,200	\$ 1,612,929

Notes to Financial Statements (continued)

Multi-Sector Bond						
	Calls			Puts		
	Contracts	Notional (000)	Premiums Received	Contracts	Notional (000)	Premiums Received
Outstanding options, beginning of year	—	20,110	\$ 670,198	—	40,798	\$ 739,556
Options written	861	95,077	2,151,976	608	92,250	2,517,263
Options expired	(157)	(24,193)	(328,825)	(196)	(26,353)	(278,524)
Options closed	(674)	(54,400)	(2,309,132)	(412)	(91,465)	(2,759,158)
Outstanding options, end of year	30	36,594	\$ 184,217	—	15,230	\$ 219,137

U.S. Government Bond						
	Calls			Puts		
	Contracts	Notional (000)	Premiums Received	Contracts	Notional (000)	Premiums Received
Outstanding options, beginning of year	—	139,400	\$ 5,293,171	—	272,100	\$ 6,568,931
Options acquired in the reorganization ¹	697	206,300	8,347,622	2,078	277,900	9,241,017
Options written	3,743	327,401	12,552,360	2,765	510,976	12,979,175
Options expired	(1,001)	(59,845)	(1,526,294)	(2,478)	(186,710)	(2,155,394)
Options closed	(1,699)	(383,656)	(15,983,905)	(2,365)	(496,126)	(18,322,072)
Outstanding options, end of year	1,740	229,600	\$ 8,682,954	—	378,140	\$ 8,311,657

¹See Note 1 regarding the reorganization.

5. Borrowings:

For the year ended September 30, 2011, the average amount of outstanding transactions considered as borrowings and the daily weighted average interest rates in treasury rolls and reverse repurchase agreements were as follows:

	Average Borrowings	Daily Weighted Average Interest Rate
Multi-Sector Bond	\$10,839,593	0.12%
U.S. Government Bond	\$63,305,472	0.05%

For the year ended September 30, 2011, the average amount of borrowings and the daily weighted average interest rates in reverse repurchase agreements were as follows:

	Average Borrowings	Daily Weighted Average Interest Rate
GNMA	\$26,357,907	0.10%
Inflation Protected Bond	\$38,586,213	0.08%
Long Duration Bond	\$ 8,225,736	0.11%

The Trust on behalf of the Funds, along with certain other funds managed by the Manager and its affiliates, is a party to a \$500 million credit

6. Income Tax Information:

Reclassifications: US GAAP require that certain components of net assets be adjusted to reflect permanent differences between financial and tax reporting. These reclassifications have no effect on net assets or net asset values per share. The following permanent differences as of September 30, 2011 attributable to foreign currency transactions, net paydown losses, the accounting for swap agreements, non-deductible expenses, the reclassification of distributions, and in-kind redemptions were reclassified to the following accounts:

agreement with a group of lenders, which expired in November 2010. The Funds may borrow under the credit agreement to fund shareholder redemptions. Effective November 2009, the credit agreement had the following terms: 0.02% upfront fee on the aggregate commitment amount which was allocated to the Funds based on their net assets as of October 31, 2009, a commitment fee of 0.10% per annum based on the Funds' pro rata share of the unused portion of the credit agreement and interest at a rate equal to the higher of (a) the one-month LIBOR plus 1.25% per annum and (b) the Fed Funds rate plus 1.25% per annum on amounts borrowed. In addition, the Funds paid administration and arrangement fees which were allocated to the Funds based on their net assets as of October 31, 2009. Effective November 2010, the credit agreement was renewed until November 2011 with the following terms: a commitment fee of 0.08% per annum based on the Funds' pro rata share of the unused portion of the credit agreement and interest at a rate equal to the higher of (a) the one-month LIBOR plus 1.00% per annum and (b) the Fed Funds rate plus 1.00% per annum on amounts borrowed. In addition, the Funds paid administration and arrangement fees which were allocated to the Funds based on their net assets as of October 31, 2010. The Funds did not borrow under the credit agreement during the year ended September 30, 2011.

Notes to Financial Statements (continued)

	GNMA	Inflation Protected Bond	Long Duration Bond	Multi-Sector Bond	U.S. Government Bond
Paid in-capital	—	—	\$ 7,828,840	\$ (31)	—
Undistributed (distributions in excess of) net investment income	\$ 3,022,060	\$(4,094,679)	\$ 1,474,717	\$(1,171,380)	\$ 1,247,079
Accumulated net realized gain (loss)	\$(3,022,060)	\$ 4,094,679	\$(9,303,557)	\$ 1,171,411	\$(1,247,079)

The tax character of distributions paid during the fiscal years ended September 30, 2011 and September 30, 2010 was as follows:

	GNMA	Inflation Protected Bond	Long Duration Bond	Multi-Sector Bond	U.S. Government Bond
Ordinary income					
9/30/2011	\$68,868,433	\$225,084,392	\$14,233,007	\$5,351,388	\$23,796,375
9/30/2010	60,856,369	50,101,182	14,366,478	944,054	20,477,778
Long-term capital gains					
9/30/2011	8,348,050	24,278,411	7,062,685	156,541	—
9/30/2010	—	681,098	—	—	—
Total					
9/30/2011	\$77,216,483	\$249,362,803	\$21,295,692	\$5,507,929	\$23,796,375
9/30/2010	\$60,856,369	\$ 50,782,280	\$14,366,478	\$ 944,054	\$20,477,778

As of September 30, 2011, the tax components of accumulated net earnings (losses) were as follows:

	GNMA	Inflation Protected Bond	Long Duration Bond	Multi-Sector Bond	U.S. Government Bond
Undistributed ordinary income	\$22,679,991	\$ 18,909,134	\$ 4,089,427	\$398,989	\$ 13,776,807
Capital loss carryforwards	—	—	—	—	(33,404,435)
Undistributed long-term capital gains	—	—	8,032,979	468,210	—
Net unrealized gains (losses) *	30,973,118	256,751,562	30,487,140	(58,911)	7,824,883
Total	\$53,653,109	\$275,660,696	\$42,609,546	\$808,288	\$(11,802,745)

* The difference between book-basis and tax-basis net unrealized gains (losses) was attributable primarily to the tax deferral of losses on wash sales, the tax deferral of losses on straddles, amortization methods for premiums and discounts on fixed income securities, the realization for tax purposes of unrealized gains/losses on certain futures, options, and foreign currency contracts, the deferral of post-October capital losses for tax purposes, and the accounting for swap agreements.

As of September 30, 2011, the following Fund had a capital loss carry-forward available to offset future realized capital gains through the indicated expiration dates:

Expiring September 30,	U.S. Government Bond
2015	\$29,960,827
2018	3,443,608
Total	\$33,404,435

Under the recently enacted Regulated Investment Company Modernization Act of 2010, capital losses incurred by the Fund after September 30, 2011 will not be subject to expiration. In addition, any such losses must be utilized prior to the losses incurred in pre-enactment taxable years.

7. Concentration, Market and Credit Risk:

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 Funds' Statements of Assets and Liabilities, less any collateral held by the Funds.

Notes to Financial Statements (continued)

8. Capital Shares Transactions:

Transactions in capital shares for each class were as follows:

GNMA	Year Ended September 30, 2011		Year Ended September 30, 2010	
	Shares	Amount	Shares	Amount
BlackRock				
Shares sold	493,781	\$5,150,849	17,315	\$ 192,287
Shares issued in reinvestment of dividends and distributions	8,323	85,144	25,280	261,569
Total issued	502,104	5,235,993	42,595	453,856
Shares redeemed.....	(41,450)	(421,723)	(3,953,944)	(41,080,275)
Net increase (decrease).....	460,654	\$4,814,270	(3,911,349)	\$(40,626,419)
Institutional				
Shares sold	11,117,854	\$ 115,380,929	20,424,769	\$ 212,136,947
Shares issued in reinvestment of dividends and distributions	2,371,000	24,207,666	2,013,083	20,599,583
Total issued	13,488,854	139,588,595	22,437,852	232,736,530
Shares redeemed.....	(22,584,316)	(232,582,028)	(25,300,548)	(261,087,470)
Net decrease	(9,095,462)	\$ (92,993,433)	(2,862,696)	\$ (28,350,940)
Service				
Shares sold	1,860,213	\$ 19,126,257	2,425,650	\$ 25,199,058
Shares issued in reinvestment of dividends and distributions	228,598	2,331,581	150,017	1,535,965
Total issued	2,088,811	21,457,838	2,575,667	26,735,023
Shares redeemed.....	(2,789,569)	(28,790,613)	(1,333,688)	(13,737,794)
Net increase (decrease).....	(700,758)	\$ (7,332,775)	1,241,979	\$ 12,997,229
Investor A				
Shares sold and automatic conversion of shares	11,119,463	\$ 115,874,332	21,899,415	\$ 227,667,878
Shares issued in reinvestment of dividends and distributions	1,739,607	17,838,301	1,144,488	11,778,145
Total issued	12,859,070	133,712,633	23,043,903	239,446,023
Shares redeemed.....	(17,359,488)	(179,123,971)	(17,978,532)	(186,405,120)
Net increase (decrease).....	(4,500,418)	\$ (45,411,338)	5,065,371	\$ 53,040,903
Investor B				
Shares sold	139,048	\$ 1,440,497	279,116	\$ 2,896,826
Shares issued in reinvestment of dividends and distributions	44,209	450,747	51,410	525,325
Total issued	183,257	1,891,244	330,526	3,422,151
Shares redeemed and automatic conversion of shares	(606,780)	(6,271,746)	(1,139,964)	(11,781,167)
Net decrease	(423,523)	\$(4,380,502)	(809,438)	\$ (8,359,016)

Notes to Financial Statements (continued)

GNMA (concluded)	Year Ended September 30, 2011		Year Ended September 30, 2010	
	Shares	Amount	Shares	Amount
Investor C				
Shares sold	4,757,113	\$ 49,427,975	12,696,329	\$ 131,473,860
Shares issued in reinvestment of dividends and distributions	1,480,631	15,086,368	1,151,168	11,764,400
Total issued	6,237,744	64,514,343	13,847,497	143,238,260
Shares redeemed.....	(14,594,524)	(149,983,165)	(15,050,322)	(155,020,072)
Net decrease	(8,356,780)	\$ (85,468,822)	(1,202,825)	\$ (11,781,812)
Inflation Protected Bond				
BlackRock				
Shares sold	10,340,134	\$ 114,497,767	20,273,821	\$ 217,856,519
Shares issued in reinvestment of dividends and distributions	2,410,590	26,088,728	473,413	5,086,978
Total issued	12,750,724	140,586,495	20,747,234	222,943,497
Shares redeemed.....	(6,123,236)	(67,920,305)	(1,666,287)	(17,948,570)
Net increase.....	6,627,488	\$ 72,666,190	19,080,947	\$ 204,994,927
Institutional				
Shares sold	73,354,938	\$ 822,556,864	71,335,013	\$ 780,603,392
Shares issued in reinvestment of dividends and distributions	5,731,202	63,257,716	936,315	10,257,150
Total issued	79,086,140	885,814,580	72,271,328	790,860,542
Shares redeemed.....	(45,551,212)	(511,937,881)	(22,973,747)	(253,292,372)
Net increase.....	33,534,928	\$ 373,876,699	49,297,581	\$ 537,568,170
Service				
Shares sold	5,400,278	\$ 60,747,650	3,832,841	\$ 42,001,111
Shares issued in reinvestment of dividends and distributions	436,498	4,815,437	96,418	1,055,120
Total issued	5,836,776	65,563,087	3,929,259	43,056,231
Shares redeemed.....	(5,460,501)	(61,857,433)	(1,659,925)	(18,259,488)
Net increase.....	376,275	\$ 3,705,654	2,269,334	\$ 24,796,743
Investor A				
Shares sold	88,893,756	\$ 991,779,956	97,127,110	\$ 1,053,926,786
Shares issued in reinvestment of dividends and distributions	8,578,412	93,688,783	1,881,636	20,425,174
Total issued	97,472,168	1,085,468,739	99,008,746	1,074,351,960
Shares redeemed.....	(88,363,127)	(986,435,012)	(46,026,015)	(502,432,797)
Net increase.....	9,109,041	\$ 99,033,727	52,982,731	\$ 571,919,163

Notes to Financial Statements (continued)

Inflation Protected Bond (concluded)	Year Ended September 30, 2011		Year Ended September 30, 2010	
	Shares	Amount	Shares	Amount
Investor B				
Shares sold	205,767	\$ 2,273,446	274,170	\$ 2,956,454
Shares issued in reinvestment of dividends and distributions	44,552	481,460	12,306	132,287
Total issued	250,319	2,754,906	286,476	3,088,741
Shares redeemed.....	(487,364)	(5,385,429)	(466,939)	(5,032,575)
Net decrease	(237,045)	\$(2,630,523)	(180,463)	\$(1,943,834)
Investor C				
Shares sold	18,523,975	\$ 206,569,545	33,027,053	\$ 357,924,880
Shares issued in reinvestment of dividends and distributions	3,380,452	36,821,256	619,758	6,717,729
Total issued	21,904,427	243,390,801	33,646,811	364,642,609
Shares redeemed.....	(18,482,445)	(204,820,407)	(10,427,768)	(113,632,117)
Net increase.....	3,421,982	\$ 38,570,394	23,219,043	\$ 251,010,492
Long Duration Bond				
BlackRock				
Shares sold	3,799,925	\$ 38,822,110	4,797,720	\$ 49,715,669
Shares issued in reinvestment of dividends and distributions	1,497,993	15,658,810	1,277,436	13,492,658
Total issued	5,297,918	54,480,920	6,075,156	63,208,327
Shares redeemed.....	(9,742,940) ¹	(107,641,765)	(3,134,717)	(32,243,051)
Net increase (decrease).....	(4,445,022)	\$(53,160,845)	2,940,439	\$ 30,965,276
¹ Including (7,479,974) representing redemptions-in-kind.				
Institutional				
Shares sold	4,381,994	\$49,510,804	390,930	\$ 4,212,669
Shares issued in reinvestment of dividends and distributions	340,694	3,505,474	16,018	167,994
Total issued	4,722,688	53,016,278	406,948	4,380,663
Shares redeemed.....	(531,020)	(5,619,285)	(2,113,905)	(22,265,889)
Net increase (decrease).....	4,191,668	\$47,396,993	(1,706,957)	\$(17,885,226)
Investor A				
Shares sold	264,467	\$ 2,859,684	219,644	\$ 2,330,241
Shares issued in reinvestment of dividends and distributions	104,654	1,077,218	56,765	599,832
Total issued	369,121	3,936,902	276,409	2,930,073
Shares redeemed.....	(343,474)	(3,676,804)	(303,263)	(3,177,937)
Net increase.....	25,647	\$ 260,098	(26,854)	\$ (247,864)

Notes to Financial Statements (continued)

Multi-Sector Bond	Year Ended September 30, 2011		Period February 26, 2010 ² to September 30, 2010	
	Shares	Amount	Shares	Amount
Institutional				
Shares sold	811,578	\$ 8,414,042	7,630,596	\$76,979,330
Shares issued in reinvestment of dividends	88,867	915,277	10,559	110,037
Total issued	900,445	9,329,319	7,641,155	77,089,367
Shares redeemed.....	(2,617,526)	(26,903,571)	(203,953)	(2,104,972)
Net increase (decrease).....	(1,717,081)	\$(17,574,252)	7,437,202	\$74,984,395

Investor A	Shares	Amount	Shares	Amount
Shares sold and automatic conversion of shares	948,828	\$ 9,868,886	1,800,148	\$18,433,010
Shares issued in reinvestment of dividends	80,335	826,539	7,985	83,383
Total issued	1,029,163	10,695,425	1,808,133	18,516,393
Shares redeemed.....	(1,002,404)	(10,360,698)	(110,939)	(1,160,837)
Net increase.....	26,759	\$ 334,727	1,697,194	\$17,355,556

Investor C	Shares	Amount	Shares	Amount
Shares sold	617,207	\$ 6,399,829	1,581,652	\$16,187,730
Shares issued in reinvestment of dividends	55,325	569,414	4,806	50,248
Total issued	672,532	6,969,243	1,586,458	16,237,978
Shares redeemed.....	(774,281)	(7,960,556)	(56,891)	(589,696)
Net increase (decrease).....	(101,749)	\$(991,313)	1,529,567	\$15,648,282

U.S. Government Bond Portfolio	Period July 18, 2011 ² to September 30, 2011			
	Shares	Amount		
BlackRock				
Shares transferred in the reorganization ³	1,260	\$13,415		
Shares issued in reinvestment of dividends	6	71		
Total issued	1,266	13,486		
Shares redeemed.....	(68)	(730)		
Net increase.....	1,198	\$12,756		

Institutional	Year Ended September 30, 2011		Year Ended September 30, 2010	
	Shares	Amount	Shares	Amount
Shares issued in the reorganization ³	3,828,140	\$ 40,756,290	—	—
Shares sold	1,700,417	18,128,546	2,947,576	\$ 31,478,916
Shares issued in reinvestment of dividends	434,519	4,590,587	322,680	3,427,579
Total issued	5,963,076	63,475,423	3,270,256	34,906,495
Shares redeemed.....	(6,270,686)	(66,545,754)	(3,598,578)	(38,254,879)
Net decrease	(307,610)	\$(3,070,331)	(328,322)	\$(3,348,384)

Notes to Financial Statements (continued)

U.S. Government Bond Portfolio (continued)	Year Ended September 30, 2011		Year Ended September 30, 2010	
	Shares	Amount	Shares	Amount
Service				
Shares issued in the reorganization ³	207,046	\$ 2,203,178	—	—
Shares sold	221,217	2,336,141	139,023	\$1,469,329
Shares issued in reinvestment of dividends	17,454	185,093	12,109	128,910
Total issued	445,717	4,724,412	151,132	1,598,239
Shares redeemed.....	(138,502)	(1,480,583)	(80,338)	(855,770)
Net increase.....	307,215	\$ 3,243,829	70,794	\$ 742,469
Investor A				
Shares issued in the reorganization ³	50,085,362	\$ 534,526,007	—	—
Shares sold and automatic conversion of shares	5,801,452	62,551,236	3,816,012	\$ 40,751,973
Shares issued in reinvestment of dividends	962,445	10,265,352	758,978	8,088,358
Total issued	56,849,259	607,342,595	4,574,990	48,840,331
Shares redeemed.....	(11,150,803)	(120,008,457)	(5,440,429)	(58,038,509)
Net increase (decrease).....	45,698,456	\$ 487,334,138	(865,439)	\$ (9,198,178)
Investor B				
Shares issued in the reorganization ³	550,863	\$ 5,860,580	—	—
Shares sold	73,866	797,818	150,733	\$ 1,613,438
Shares issued in reinvestment of dividends	21,797	230,498	32,988	349,809
Total issued	646,526	6,888,896	183,721	1,963,247
Shares redeemed and automatic conversion of shares	(602,085)	(6,407,623)	(1,043,858)	(11,071,808)
Net increase (decrease).....	44,441	\$ 481,273	(860,137)	\$ (9,108,561)
Period July 18, 2011² to September 30, 2011				
	Shares	Amount		
Investor B1				
Shares transferred in the reorganization ³	5,222,761	\$55,564,431		
Shares sold	73,670	798,923		
Shares issued in reinvestment of dividends	13,212	143,221		
Total issued	5,309,643	56,506,575		
Shares redeemed.....	(904,962)	(9,825,838)		
Net increase.....	4,404,681	\$46,680,737		
Year Ended September 30, 2011				
	Shares	Amount		
Investor C				
Shares issued in the reorganization ³	5,674,303	\$ 60,461,969	—	—
Shares sold	1,626,992	17,585,566	2,327,625	\$ 24,809,602
Shares issued in reinvestment of dividends	152,147	1,614,077	137,885	1,466,851
Total issued	7,453,442	79,661,612	2,465,510	26,276,453
Shares redeemed.....	(2,709,675)	(28,997,610)	(2,623,847)	(27,885,449)
Net increase (decrease).....	4,743,767	\$ 50,664,002	(158,337)	\$ (1,608,996)

Notes to Financial Statements (concluded)

U.S. Government Bond Portfolio (concluded)	Period July 18, 2011 ² to September 30, 2011	
	Shares	Amount
Investor C1		
Shares transferred in the reorganization ³	12,528,040	\$133,491,278
Shares sold	336,089	3,635,272
Shares issued in reinvestment of dividends	34,675	376,459
Total issued	12,898,804	137,503,009
Shares redeemed.....	(994,666)	(10,827,067)
Net increase.....	11,904,138	\$126,675,942
Class R		
Shares transferred in the reorganization ³	3,927,725	\$41,917,862
Shares sold	287,527	3,127,575
Shares issued in reinvestment of dividends	17,850	193,895
Total issued	4,233,102	45,239,332
Shares redeemed.....	(537,480)	(5,829,027)
Net increase.....	3,695,622	\$39,410,305

²Commencement of operations.

³See Note 1 regarding the reorganization.

At September 30, 2011, 4,016,568 Institutional Shares were owned by affiliates in Multi-Sector Bond.

9. Subsequent Events:

Management's evaluation of the impact of all subsequent events on the Funds' financial statements was completed through the date the financial statements were issued and the following items were noted:

Subsequent to September 30, 2011, BlackRock fully redeemed its position in the Institutional Class of Multi-Sector Bond.

Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Trustees of BlackRock Funds II:

We have audited the accompanying statements of assets and liabilities, including the schedules of investments, of the BlackRock GNMA Portfolio, BlackRock Inflation Protected Bond Portfolio, BlackRock Long Duration Bond Portfolio, BlackRock Multi-Sector Bond Portfolio and BlackRock U.S. Government Bond Portfolio (formerly known as BlackRock Intermediate Government Bond Portfolio), five of the twenty-six series constituting BlackRock Funds II (the "Funds"), as of September 30, 2011, and the related statements of operations for the year then ended, the statements of changes in net assets for the BlackRock GNMA Portfolio, BlackRock Inflation Protected Bond Portfolio, BlackRock Long Duration Bond Portfolio and BlackRock U.S. Government Bond Portfolio for each of the two years in the period then ended and the BlackRock Multi-Sector Bond Portfolio for the year then ended and for the period February 26, 2010 (commencement of operations) through September 30, 2010, and the financial highlights for each of the periods presented. These financial statements and financial highlights are the responsibility of the Funds' management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. The Funds are not required to have, nor were we engaged to perform, an audit of their internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are

appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Funds' internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. Our procedures included confirmation of securities owned as of September 30, 2011, by correspondence with the custodian and brokers; where replies were not received from brokers, we performed other auditing procedures. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of the Funds as of September 30, 2011, the results of their operations for the year then ended, the changes in their net assets for the BlackRock GNMA Portfolio, BlackRock Inflation Protected Bond Portfolio, BlackRock Long Duration Bond Portfolio and BlackRock U.S. Government Bond Portfolio for each of the two years in the period then ended and the BlackRock Multi-Sector Bond Portfolio for the year then ended and for the period February 26, 2010 (commencement of operations) through September 30, 2010, and the financial highlights for each of the periods presented, in conformity with accounting principles generally accepted in the United States of America.

Deloitte & Touche LLP
Philadelphia, Pennsylvania
November 29, 2011

Important Tax Information (Unaudited)

The following information is provided with respect to the ordinary income distributions paid monthly by the Funds for the taxable year ended September 30, 2011:

	Month Paid:	
	October 2010 - January 2011	February 2011 - September 2011
GNMA Portfolio	100.00%	100.00%
Inflation Protected Bond Portfolio	100.00%	100.00%
Long Duration Bond Portfolio	100.00%	100.00%
Multi-Sector Bond Portfolio	100.00%	100.00%
U.S. Government Bond Portfolio	100.00%	100.00%

* Represents the portion of the taxable ordinary income dividends eligible for exemption from U.S. withholding tax for nonresident aliens and foreign corporations.

Federal Obligation Interest **	
GNMA Portfolio	3.56%
Inflation Protected Bond Portfolio	29.98%
Long Duration Bond Portfolio	22.19%
Multi-Sector Bond Portfolio	12.49%
U.S. Government Bond Portfolio	37.94%

** The law varies in each state as to whether and what percentage of ordinary income dividends attributable to Federal obligations is exempt from state income tax. We recommend that you consult your tax advisor to determine if any portion of the dividends you received is exempt from state income tax.

Additionally, the following Funds distributed long-term capital gains per share to shareholders of record on December 21, 2010:

	Long-Term Capital Gain
GNMA Portfolio	\$0.068674
Inflation Protected Portfolio	\$0.075576
Long Duration Bond Portfolio	\$0.344939
Multi-Sector Bond Portfolio	\$0.014284

Disclosure of Investment Advisory Agreement and Sub-Advisory Agreement

The Board of Trustees (the “Board,” and the members of which are referred to as “Board Members”) of BlackRock GNMA Portfolio (the “GNMA Portfolio”), BlackRock Inflation Protected Bond Portfolio (the “Inflation Protected Portfolio”), BlackRock Long Duration Bond Portfolio (the “Long Duration Portfolio”), BlackRock Multi-Sector Bond Portfolio (the “Multi-Sector Portfolio”) and BlackRock U.S. Government Bond Portfolio (the “U.S. Government Portfolio”) (each, a “Fund,” and collectively, the “Funds”), each a series of BlackRock Funds II (the “Trust”), met on April 12, 2011 and May 10-11, 2011 to consider the approval of the Trust’s investment advisory agreement (the “Advisory Agreement”), on behalf of each Fund, with BlackRock Advisors, LLC (the “Manager”), each Fund’s investment advisor. The Board also considered the approval of the sub-advisory agreements (collectively, the “Sub-Advisory Agreements”) between the Manager and each of (a) BlackRock Financial Management, Inc.; and (b) BlackRock International Limited (collectively, the “Sub-Advisors”), with respect to the Funds. The Manager and the Sub-Advisors are referred to herein as “BlackRock.” The Advisory Agreement and the Sub-Advisory Agreements are referred to herein as the “Agreements.”

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 composed of Independent Board Members (except for the Performance Oversight Committee and the Executive Committee, each of which also has one interested Board Member) and is chaired by Independent Board Members. The Board also established an ad hoc committee, the Joint Product Pricing Committee, which consisted of Independent Board Members and directors/trustees of the boards of certain other BlackRock-managed funds, who were not “interested persons” of their respective funds.

The Agreements

Pursuant to the 1940 Act, the Board is required to consider the continuation of the Agreements on an annual basis. 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 program 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 Agreements,

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-, three- and five-year 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 transfer agency, 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 compliance 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 contractual and actual 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.

Board Considerations in Approving the Agreements

The Approval Process: Prior to the April 12, 2011 meeting, the Board requested and received materials specifically relating to the Agreements. The Board is engaged in a process with BlackRock to review periodically the nature and scope of the information provided to better assist its deliberations. The materials provided in connection with the April meeting included (a) information independently compiled and prepared by Lipper, Inc. (“Lipper”) on Fund fees and expenses and the investment performance of each Fund as compared with a peer group of funds as determined by Lipper (collectively, “Peers”); (b) information on the profitability of the Agreements to BlackRock and a discussion of fall-out benefits to BlackRock and its affiliates and significant shareholders; (c) a general analysis provided by BlackRock concerning investment management fees (a combination of the advisory fee and the administration fee, if any) 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; (d) the impact of economies of scale; (e) a summary of aggregate amounts paid by each Fund to BlackRock; (f) sales and redemption data regarding each Fund’s shares; and (g) if applicable, a comparison of management fees to similar BlackRock open-end funds, as classified by Lipper.

At an in-person meeting held on April 12, 2011, the Board reviewed materials relating to its consideration of the Agreements. As a result of the discussions that occurred during the April 12, 2011 meeting, and as a culmination of the Board’s year-long deliberative process, the Board

Disclosure of Investment Advisory Agreement and Sub-Advisory Agreement (continued)

presented BlackRock with questions and requests for additional information. BlackRock responded to these requests with additional written information in advance of the May 10-11, 2011 Board meeting.

At an in-person meeting held on May 10-11, 2011, the Board, including the Independent Board Members, unanimously approved the continuation of the Advisory Agreement between the Manager and the Trust, on behalf of each Fund, and the Sub-Advisory Agreements between the Manager and the Sub-Advisors with respect to each Fund, as applicable, each for a one-year term ending June 30, 2012. In approving the continuation of the Agreements, 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) economies of scale; (e) fall-out benefits to BlackRock as a result of its relationship with each Fund; and (f) 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, services related to the valuation and pricing of Fund portfolio holdings, direct and indirect benefits to BlackRock and its affiliates and significant shareholders 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 controlling, and each Board Member may have attributed different weights to the various items considered.

A. Nature, Extent and Quality of the Services to be 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 Fund performance and the Fund's investment objective, strategies and outlook.

The Board considered, among other factors, the number, education and experience of BlackRock's investment personnel generally and each Fund's portfolio management team, investments by portfolio managers in the funds they manage, BlackRock's portfolio trading capabilities, BlackRock's use of technology, BlackRock's commitment to compliance, BlackRock's credit analysis capabilities, BlackRock's risk analysis capabilities and BlackRock's 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 non-investment advisory services provided to each Fund. BlackRock and its affiliates provide each Fund with certain administrative, transfer agency, 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 addition to investment advisory services, BlackRock and its affiliates provide each Fund with other services, including (i) preparing disclosure documents, such as the prospectus, 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; and (vi) 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, accounting, 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. In preparation for the April 12, 2011 meeting, the Board worked with BlackRock and Lipper to develop a template for, and was provided with, reports independently prepared by Lipper, which included a comprehensive analysis of each Fund's performance. The Board also reviewed a narrative and statistical analysis of the Lipper data that was prepared by BlackRock, which analyzed various factors that affect Lipper's rankings. In connection with its review, the Board received and reviewed information regarding the investment performance of each Fund as compared to funds in the Fund's applicable Lipper category. The Board was provided with a description of the methodology used by Lipper to select peer funds. The Board and the Board's Performance Oversight Committee regularly review, and meet with Fund management to discuss, the performance of each Fund throughout the year.

The Board noted that the GNMA Portfolio ranked in the first, second and second quartiles against its Lipper Performance Universe for the one-, three- and five-year periods reported, respectively.

The Board noted that the Inflation Protected Portfolio ranked in the second, first and first quartiles against its Lipper Performance Universe for the one-, three- and five-year periods reported, respectively.

The Board noted that the U.S. Government Portfolio ranked in the first, third and third quartiles against its Lipper Performance Universe for the one-, three- and five-year periods reported, respectively. The Board and BlackRock reviewed and discussed the reasons for the U.S. Government Portfolio's underperformance during the three- and five-year periods compared with its Peers. The Board was informed that, among other

Disclosure of Investment Advisory Agreement and Sub-Advisory Agreement (continued)

things, underperformance was primarily driven by significant exposure to non-government debt, most notably to the non-agency mortgage and commercial mortgage backed securities (CMBS) markets.

The Board and BlackRock discussed BlackRock's strategy for improving the U.S. Government Portfolio's performance and BlackRock's commitment to providing the resources necessary to assist the U.S. Government Portfolio's portfolio managers and to improve the U.S. Government Portfolio's performance.

The Board noted that the Long Duration Portfolio ranked in the first quartile against its Lipper Performance Universe for each of the one-year, three-year and since-inception periods reported.

The Board noted that the Multi-Sector Portfolio ranked in the second quartile against its Lipper Performance Universe for the since-inception period reported.

The Board noted that BlackRock has made changes to the organization of the overall fixed income group management structure designed to result in a strengthened leadership team.

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 ratio compared with the other funds in its Lipper category. It also compared each Fund's total expense ratio, as well as actual management fee ratio, to those of other funds in its Lipper category. The Board considered the services provided and the fees charged by BlackRock to other types of clients with similar investment mandates, including separately managed institutional accounts.

The Board received and reviewed statements relating to BlackRock's financial condition and profitability with respect to the services it provided each Fund. The Board was also provided with a profitability analysis that detailed the revenues earned and the expenses incurred by BlackRock for services provided to each Fund. The Board reviewed BlackRock's profitability with respect to each Fund and other funds the Board currently oversees for the year ended December 31, 2010 compared to available aggregate profitability data provided for the years ended December 31, 2009 and December 31, 2008. The Board reviewed BlackRock's profitability with respect to 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 affected by numerous factors including, among other things, fee waivers and expense reimbursements by the Manager, the types of funds managed, expense allocations and business mix, and the difficulty of comparing profitability as a result of those factors.

The Board noted that, in general, individual fund or product line profitability of other advisors is not publicly available. The Board considered BlackRock's operating margin, in general, compared to the operating margin for leading investment management firms whose operations include advising open-end funds, among other product types. That data

indicates that operating margins for BlackRock, in general and with respect to its registered funds, are generally consistent with margins earned by similarly situated publicly traded competitors. In addition, the Board considered, among other things, certain third party data comparing BlackRock's operating margin with that of other publicly-traded asset management firms. That third party data indicates that larger asset bases do not, in themselves, translate to higher profit margins.

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 Agreements and to continue to provide the high quality of services that is expected by the Board.

The Board noted that the GNMA Portfolio's contractual management fee ratio (a combination of the advisory fee and the administration fee, if any) was above the median contractual management fee ratio paid by the GNMA Portfolio's Peers, in each case before taking into account any expense reimbursements or fee waivers. The Board also noted, however, that the GNMA Portfolio's actual management fee ratio, after giving effect to any expense reimbursements or fee waivers by BlackRock, was lower than or equal to the median actual management fee ratio paid by the GNMA Portfolio's Peers, after giving effect to any expense reimbursements or fee waivers. The Board further noted that the GNMA Portfolio has an advisory fee arrangement that includes breakpoints that adjust the fee ratio downward as the size of the GNMA Portfolio increases above certain contractually specified levels. In addition, the Board noted that BlackRock has contractually and/or voluntarily agreed to waive fees or reimburse expenses in order to limit, to a specified amount, the GNMA Portfolio's total net expenses on a class-by-class basis, as applicable.

The Board noted that the Inflation Protected Portfolio's contractual management fee ratio (a combination of the advisory fee and the administration fee, if any) was lower than or equal to the median contractual management fee ratio paid by the Inflation Protected Portfolio's Peers, in each case before taking into account any expense reimbursements or fee waivers. The Board also noted that the Inflation Protected Portfolio has an advisory fee arrangement that includes breakpoints that adjust the fee ratio downward as the size of the Inflation Protected Portfolio increases above certain contractually specified levels. The Board further noted that BlackRock has contractually and/or voluntarily agreed to waive fees or reimburse expenses in order to limit, to a specified amount, the Inflation Protected Portfolio's total net expenses on a class-by-class basis, as applicable.

The Board noted that the U.S. Government Portfolio's contractual management fee ratio (a combination of the advisory fee and the administration fee, if any) was above the median contractual management fee ratio paid by the U.S. Government Portfolio's Peers, in each case before

Disclosure of Investment Advisory Agreement and Sub-Advisory Agreement (concluded)

taking into account any expense reimbursements or fee waivers. The Board also noted, however, that although the U.S. Government Portfolio's contractual management fee ratio was above the median contractual management fee ratio paid by the U.S. Government Portfolio's Peers, the contractual management fee ratio was in the third quartile. The Board further noted that the U.S. Government Portfolio has an advisory fee arrangement that includes breakpoints that adjust the fee ratio downward as the size of the U.S. Government Portfolio increases above certain contractually specified levels. Additionally, the Board noted that BlackRock has contractually agreed to waive fees or reimburse expenses in order to limit, to a specified amount, the U.S. Government Portfolio's total net expenses on a class-by-class basis, as applicable.

The Board noted that the Long Duration Portfolio's contractual management fee ratio (a combination of the advisory fee and the administration fee, if any) was lower than or equal to the median contractual management fee ratio paid by the Long Duration Portfolio's Peers, in each case before taking into account any expense reimbursements or fee waivers. The Board also noted that the Long Duration Portfolio has an advisory fee arrangement that includes breakpoints that adjust the fee ratio downward as the size of the Long Duration Portfolio increases above certain contractually specified levels. The Board further noted that BlackRock has contractually agreed to waive fees or reimburse expenses in order to limit, to a specified amount, the Long Duration Portfolio's total net expenses on a class-by-class basis, as applicable.

The Board noted that the Multi-Sector Portfolio's contractual management fee ratio (a combination of the advisory fee and the administration fee, if any) was above the median contractual management fee ratio paid by the Multi-Sector Portfolio's Peers, in each case before taking into account any expense reimbursements or fee waivers. The Board also noted, however, that the Multi-Sector Portfolio's actual management fee ratio, after giving effect to any expense reimbursements or fee waivers by BlackRock, was lower than or equal to the median actual management fee ratio paid by the Multi-Sector Portfolio's Peers, after giving effect to any expense reimbursements or fee waivers. The Board further noted that the Multi-Sector Portfolio has an advisory fee arrangement that includes breakpoints that adjust the fee ratio downward as the size of the Multi-Sector Portfolio increases above certain contractually specified levels. In addition, the Board noted that BlackRock has voluntarily agreed to waive fees or reimburse expenses in order to limit, to a specified amount, the Multi-Sector Portfolio's total net expenses on a class-by-class basis, as applicable.

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. 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, for example through the use of revised breakpoints in the advisory fee based upon the asset level of the Fund.

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 and significant shareholders may derive from their respective relationships with each Fund, both tangible and 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, transfer agency, distribution and securities lending 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 BlackRock's funds may invest in affiliated ETFs without any offset against the management fees payable by the funds to BlackRock.

In connection with its consideration of the Agreements, 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 the Independent Board Members, unanimously approved the continuation of the Advisory Agreement between the Manager and the Trust, on behalf of each Fund, for a one-year term ending June 30, 2012 and the Sub-Advisory Agreements between the Manager and the Sub-Advisors, with respect to each Fund, as applicable, for a one-year term ending June 30, 2012. As part of its approval, the Board considered the detailed review of BlackRock's fee structure, as it applies to each Fund, conducted by the ad hoc Joint Product Pricing Committee. 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 Agreements were fair and reasonable and in the best interest of each Fund and its shareholders. In arriving at its decision to approve the Agreements, 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

Name, Address, and Year of Birth	Position(s) Held with the Trust	Length of Time Served as a Trustee ²	Principal Occupation(s) During Past 5 Years	Number of BlackRock-Advised Registered Investment Companies ("RICs") Consisting of Investment Portfolios ("Portfolios") Overseen	Public Directorships
Independent Trustees¹					
Robert M. Hernandez 55 East 52nd Street New York, NY 10055 1944	Chairman of the Board and Trustee	Since 2007	Director, Vice Chairman and Chief Financial Officer of USX Corporation (energy and steel business) from 1991 to 2001.	29 RICs consisting of 83 Portfolios	ACE Limited (insurance company); Eastman Chemical Company (chemicals); RTI International Metals, Inc. (metals); TYCO Electronics (electronics)
Fred G. Weiss 55 East 52nd Street New York, NY 10055 1941	Vice Chairman of the Board and Trustee	Since 2007	Managing Director, FGW Associates (consulting and investment company) since 1997; Director and Treasurer, Michael J. Fox Foundation for Parkinson's Research since 2000; Director, BTG International Plc (medical technology commercialization company) from 2001 to 2007.	29 RICs consisting of 83 Portfolios	Watson Pharmaceuticals, Inc.
James H. Bodurtha 55 East 52nd Street New York, NY 10055 1944	Trustee	Since 2007	Director, The China Business Group, Inc. (consulting firm) since 1996 and Executive Vice President thereof from 1996 to 2003; Chairman of the Board, Berkshire Holding Corporation since 1980.	29 RICs consisting of 83 Portfolios	None
Bruce R. Bond 55 East 52nd Street New York, NY 10055 1946	Trustee	Since 2007	Trustee and Member of the Governance Committee, State Street Research Mutual Funds from 1997 to 2005; Board Member of Governance, Audit and Finance Committee, Avaya Inc. (computer equipment) from 2003 to 2007.	29 RICs consisting of 83 Portfolios	None
Donald W. Burton 55 East 52nd Street New York, NY 10055 1944	Trustee	Since 2007	Managing General Partner, The Burton Partnership, LP (an investment partnership) since 1979; Managing General Partner, The South Atlantic Venture Funds since 1983; Director, Lifestyle Family Fitness (fitness industry) since 2006; Director, IDology, Inc. (technology solutions) since 2006; Member of the Investment Advisory Council of the Florida State Board of Administration from 2001 to 2007.	29 RICs consisting of 83 Portfolios	Knology, Inc. (telecommunications); Capital Southwest (financial)
Honorable Stuart E. Eizenstat 55 East 52nd Street New York, NY 10055 1943	Trustee	Since 2007	Partner and Head of International Practice, Covington and Burling LLP (law firm) since 2001; International Advisory Board Member, The Coca-Cola Company since 2002; Advisory Board Member, Veracity Worldwide, LLC (risk management) since 2007; Member of the Board of Directors, Chicago Climate Exchange (environmental) since 2006; Member of the International Advisory Board GML (energy) since 2003; Advisory Board Member, BT Americas (telecommunications) from 2004 to 2010.	29 RICs consisting of 83 Portfolios	Alcatel-Lucent (telecommunications); Global Specialty Metallurgical (metallurgical industry); UPS Corporation (delivery service)
Kenneth A. Froot 55 East 52nd Street New York, NY 10055 1957	Trustee	Since 2007	Professor, Harvard University since 1992.	29 RICs consisting of 83 Portfolios	None
John F. O'Brien 55 East 52nd Street New York, NY 10055 1943	Trustee	Since 2007	Chairman and Director, Woods Hole Oceanographic Institute since 2009 and Trustee thereof from 2003 to 2009; Director, Allmerica Financial Corporation from 1995 to 2003; Director, ABIOMED from 1989 to 2006; Director, Ameresco, Inc. (energy solutions company) from 2006 to 2007; Vice Chairman and Director, Boston Lyric Opera from 2002 to 2007.	29 RICs consisting of 83 Portfolios	Cabot Corporation (chemicals); LKQ Corporation (auto parts manufacturing); TJX Companies, Inc. (retailer)
Roberta Cooper Ramo 55 East 52nd Street New York, NY 10055 1942	Trustee	Since 2007	Shareholder, Modrall, Sperling, Roehl, Harris & Sisk, P.A. (law firm) since 1993; Chairman of the Board, Cooper's Inc., (retail) since 2000; Director, ECMC Group (service provider to students, schools and lenders) since 2001; President, The American Law Institute (non-profit), since 2008; President, American Bar Association from 1995 to 1996.	29 RICs consisting of 83 Portfolios	None

Officers and Trustees (continued)

Name, Address, and Year of Birth	Position(s) Held with the Trust	Length of Time Served as a Trustee ²	Principal Occupation(s) During Past 5 Years	Number of BlackRock-Advised Registered Investment Companies ("RICs") Consisting of Investment Portfolios ("Portfolios") Overseen	Public Directorships
Independent Trustees¹ (concluded)					
David H. Walsh 55 East 52nd Street New York, NY 10055 1941	Trustee	Since 2007	Director, National Museum of Wildlife Art since 2007; Trustee, University of Wyoming Foundation since 2008; Director, Ruckleshaus Institute and Haub School of Natural Resources at the University of Wyoming from 2006 to 2008; Director, The American Museum of Fly Fishing since 1997; Director, The National Audubon Society from 1998 to 2005.	29 RICs consisting of 83 Portfolios	None
<p>¹ Trustees serve until their resignation, removal or death, or until December 31 of the year in which they turn 72.</p> <p>² Date shown is the earliest date a person has served for the Trust covered by this annual report. Following the combination of Merrill Lynch Investment Managers, L.P. ("MLIM") and BlackRock, Inc. ("BlackRock") in September 2006, the various legacy MLIM and legacy BlackRock Fund boards were realigned and consolidated into three new fund boards in 2007. As a result, although the chart shows certain Trustees as joining the Trust's Board in 2007, each Trustee first became a member of the board of other legacy MLIM or legacy BlackRock Funds as follows: James H. Bodurtha, 1995; Bruce R. Bond, 2005; Donald W. Burton, 2002; Stuart E. Eizenstat, 2001; Kenneth A. Froot, 2005; Robert M. Hernandez, 1996; John F. O'Brien, 2004; Roberta Cooper Ramo, 2000; David H. Walsh, 2003; and Fred G. Weiss, 1998.</p>					
Interested Trustees³					
Paul L. Audet 55 East 52nd Street New York, NY 10055 1953	Trustee	Since 2011	Senior Managing Director, BlackRock, and Head of BlackRock's Real Estate business from 2008 to 2011; Member of BlackRock's Global Operating and Corporate Risk Management Committees and of the BlackRock Alternative Investors Executive Committee and Investment Committee for the Private Equity Fund of Funds business since 2008; Head of BlackRock's Global Cash Management business from 2005 to 2010; Acting Chief Financial Officer of BlackRock from 2007 to 2008; Chief Financial Officer of BlackRock from 1998 to 2005.	158 RICs consisting of 286 Portfolios	None
Laurence D. Fink 55 East 52nd Street New York, NY 10055 1952	Trustee	Since 2007	Chairman and Chief Executive Officer of BlackRock since its formation in 1998 and of BlackRock's predecessor entities since 1988 and Chairman of the Executive and Management Committees; Formerly Managing Director, The First Boston Corporation, Member of its Management Committee, Co-head of its Taxable Fixed Income Division and Head of its Mortgage and Real Estate Products Group; Chairman of the Board of several of BlackRock's alternative investment vehicles; Director of several of BlackRock's offshore funds; Member of the Board of Trustees of New York University, Chair of the Financial Affairs Committee and a member of the Executive Committee, the Ad Hoc Committee on Board Governance, and the Committee on Trustees; Co-Chairman of the NYU Hospitals Center Board of Trustees; Chairman of the Development/Trustee Stewardship Committee and Chairman of the Finance Committee; Trustee, The Boys' Club of New York.	29 RICs consisting of 83 Portfolios	None
Henry Gabbay 55 East 52nd Street New York, NY 10055 1947	Trustee	Since 2007	Consultant, BlackRock from 2007 to 2008; Managing Director, BlackRock from 1989 to 2007; Chief Administrative Officer, BlackRock Advisors, LLC from 1998 to 2007; President of BlackRock Funds and BlackRock Bond Allocation Target Shares from 2005 to 2007 and Treasurer of certain closed-end funds in the BlackRock fund complex from 1989 to 2006.	158 RICs consisting of 286 Portfolios	None

³ Messrs. Audet and Fink are both "interested persons," as defined in the 1940 Act, of the Trust based on their positions with BlackRock and its affiliates. Mr. Gabbay is an "interested person" of the Trust based on his former positions with BlackRock and its affiliates as well as his ownership of BlackRock and The PNC Financial Services Group, Inc. securities. Mr. Audet and Mr. Gabbay are also Directors of the BlackRock registered closed-end funds and Directors of other BlackRock registered open-end funds. Trustees serve until their resignation, removal or death, or until December 31 of the year in which they turn 72.

Effective September 13, 2011, Richard S. Davis resigned as Trustee of the Trust and Paul L. Audet became Trustee of the Trust.

Officers and Trustees (concluded)

Name, Address, and Year of Birth	Position(s) Held with the Trust	Length of Time Served	Principal Occupation(s) During Past 5 Years
Trust Officers¹			
John M. Perlowski 55 East 52nd Street New York, NY 10055 1964	President and Chief Executive Officer	Since 2010	Managing Director of BlackRock since 2009; Global Head of BlackRock Fund Administration since 2009; Managing Director and Chief Operating Officer of the Global Product Group at Goldman Sachs Asset Management, L.P. from 2003 to 2009; Treasurer of Goldman Sachs Mutual Funds from 2003 to 2009 and Senior Vice President thereof from 2007 to 2009; Director of Goldman Sachs Offshore Funds from 2002 to 2009; Director of Family Resource Network (charitable foundation) since 2009.
Brendan Kyne 55 East 52nd Street New York, NY 10055 1977	Vice President	Since 2009	Managing Director of BlackRock since 2010; Director of BlackRock from 2008 to 2009; Head of Product Development and Management for BlackRock's U.S. Retail Group since 2009 and Co-head thereof from 2007 to 2009; Vice President of BlackRock from 2005 to 2008.
Neal Andrews 55 East 52nd Street New York, NY 10055 1966	Chief Financial Officer	Since 2007	Managing Director of BlackRock since 2006; Senior Vice President and Line of Business Head of Fund Accounting and Administration at PNC Global Investment Servicing (U.S.) Inc. from 1992 to 2006.
Jay Fife 55 East 52nd Street New York, NY 10055 1970	Treasurer	Since 2007	Managing Director of BlackRock since 2007; Director of BlackRock, Inc. in 2006; Assistant Treasurer of the MLIM and Fund Asset Management, L.P. advised funds from 2005 to 2006; Director of MLIM Fund Services Group from 2001 to 2006.
Brian Kindelan 55 East 52nd Street New York, NY 10055 1959	Chief Compliance Officer and Anti-Money Laundering Officer	Since 2007	Chief Compliance Officer of the BlackRock-advised Funds since 2007; Managing Director and Senior Counsel of BlackRock since 2005.
Ira P. Shapiro 55 East 52nd Street New York, NY 10055 1963	Secretary	Since 2010	Managing Director of BlackRock since 2009; Managing Director and Associate General Counsel of Barclays Global Investors from 2008 to 2009; Principal thereof from 2004 to 2008.

¹ Officers of the Trust serve at the pleasure of the Board of Trustees.

Further information about the Trust's Officers and Trustees is available in the Trust's Statement of Additional Information, which can be obtained without charge by calling 1-800-441-7762.

Investment Advisor and Co-Administrator
BlackRock Advisors, LLC
Wilmington, DE 19809

Sub-Advisor
BlackRock Financial Management, Inc.
New York, NY 10055

Accounting Agent, Co-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

Electronic Delivery

Electronic copies of most financial reports and prospectuses are available on the Funds' website or shareholders can sign up for e-mail notifications of quarterly statements, annual and semi-annual reports and prospectuses by enrolling in the Funds' electronic delivery program.

To enroll:

Shareholders Who Hold Accounts with Investment Advisors, Banks or Brokerages

Please contact your financial advisor. Please note that not all investment advisors, banks or brokerages may offer this service.

Shareholders Who Hold Accounts Directly With BlackRock

- 1) Access the BlackRock website at <http://www.blackrock.com/edelivery>
- 2) Select "eDelivery" under the "More Information" section
- 3) Log into your account

Householding

The Fund will mail only one copy of shareholder documents, including 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 Portfolio Schedule

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>.

Shareholder Privileges

Account Information

Call us at (800) 441-7762 from 8:00 AM to 6:00 PM EST on any business day to get information about your account balances, recent transactions and share prices. You can also reach us on the Web at <http://www.blackrock.com/funds>.

Automatic Investment Plans

Investor Class shareholders who want to invest regularly can arrange to have \$50 or more automatically deducted from their checking or savings account and invested in any of the BlackRock funds.

Systematic Withdrawal Plan

Investor Class shareholders can establish a systematic withdrawal plan and receive periodic payments of \$50 or more from their BlackRock funds, as long as their account balance is at least \$10,000.

Retirement Plans

Shareholders may make investments in conjunction with Traditional, Rollover, Roth, Coverdell, Simple IRA's, SEP IRA's and 403(b) Plans.

Additional Information (concluded)

BlackRock Privacy Principles

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.

A World-Class Mutual Fund Family

BlackRock offers a diverse lineup of open-end mutual funds crossing all investment styles and managed by experts in equity, fixed income and tax-exempt investing.

Equity Funds

BlackRock ACWI ex-US Index Fund	BlackRock Global Opportunities Portfolio	BlackRock Mid Cap Value Opportunities Fund
BlackRock All-Cap Energy & Resources Portfolio	BlackRock Global SmallCap Fund	BlackRock Natural Resources Trust
BlackRock Asset Allocation Portfolio†	BlackRock Health Sciences Opportunities Portfolio	BlackRock Pacific Fund
BlackRock Balanced Capital Fund†	BlackRock Index Equity Portfolio	BlackRock Russell 1000 Index Fund
BlackRock Basic Value Fund	BlackRock India Fund	BlackRock Science & Technology Opportunities Portfolio
BlackRock Capital Appreciation Fund	BlackRock International Fund	BlackRock Small Cap Growth Equity Portfolio
BlackRock China Fund	BlackRock International Index Fund	BlackRock Small Cap Growth Fund II
BlackRock Energy & Resources Portfolio	BlackRock International Opportunities Portfolio	BlackRock Small Cap Index Fund
BlackRock Equity Dividend Fund	BlackRock Large Cap Core Fund	BlackRock S&P 500 Index Fund
BlackRock EuroFund	BlackRock Large Cap Core Plus Fund	BlackRock S&P 500 Stock Fund
BlackRock Focus Growth Fund	BlackRock Large Cap Growth Fund	BlackRock U.S. Opportunities Portfolio
BlackRock Global Allocation Fund†	BlackRock Large Cap Value Fund	BlackRock Value Opportunities Fund
BlackRock Global Dividend Income Portfolio	BlackRock Latin America Fund	BlackRock World Gold Fund
BlackRock Global Dynamic Equity Fund	BlackRock Mid-Cap Growth Equity Portfolio	
BlackRock Global Emerging Markets Fund	BlackRock Mid-Cap Value Equity Portfolio	

Fixed Income Funds

BlackRock Bond Index Fund	BlackRock Income Builder Portfolio†	BlackRock Strategic Income Opportunities Portfolio
BlackRock Core Bond Portfolio	BlackRock Inflation Protected Bond Portfolio	BlackRock Total Return Fund
BlackRock Emerging Market Debt Portfolio	BlackRock International Bond Portfolio	BlackRock US Government Bond Portfolio
BlackRock Floating Rate Income Portfolio	BlackRock Long Duration Bond Portfolio	BlackRock World Income Fund
BlackRock GNMA Portfolio	BlackRock Low Duration Bond Portfolio	US Mortgage Portfolio
BlackRock High Yield Bond Portfolio	BlackRock Multi-Sector Bond Portfolio	

Municipal Bond Funds

BlackRock California Municipal Bond Fund	BlackRock National Municipal Fund	BlackRock Pennsylvania Municipal Bond Fund
BlackRock High Yield Municipal Fund	BlackRock New Jersey Municipal Bond Fund	BlackRock Short-Term Municipal Fund
BlackRock Intermediate Municipal Fund	BlackRock New York Municipal Bond Fund	

Target Risk & Target Date Funds†

BlackRock Prepared Portfolios	BlackRock Lifecycle Prepared Portfolios		LifePath Portfolios		LifePath Index Portfolios	
Conservative Prepared Portfolio	2015	2035	Retirement	2040	Retirement	2040
Moderate Prepared Portfolio	2020	2040	2020	2045	2020	2045
Growth Prepared Portfolio	2025	2045	2025	2050	2025	2050
Aggressive Growth Prepared Portfolio	2030	2050	2030	2055	2030	2055
			2035		2035	

† Mixed asset fund.

BlackRock mutual funds are currently distributed by BlackRock Investments, LLC. You should consider the investment objectives, risks, charges and expenses of the funds under consideration carefully before investing. Each fund's prospectus contains this and other information and is available at www.blackrock.com or by calling (800) 441-7762 or from your financial advisor. The prospectus should be read carefully before investing.

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This report is transmitted to shareholders only. It is not authorized for use as an offer of sale or a solicitation of an offer to buy shares of the Funds unless accompanied or preceded by that Fund's current prospectus. Past performance results shown in this report should not be considered a representation of future performance. Investment returns and principal value of shares will fluctuate so that shares, when redeemed, may be worth more or less than their original cost. Statements and other information herein are as dated and are subject to change.

Investment in foreign securities involves special risks including fluctuating foreign exchange rates, foreign government regulations, differing degrees of liquidity and the possibility of substantial volatility due to adverse political, economic or other developments.

