

Advantage Small Cap Growth Fund

BlackRock®

Inst: **PSGIX** A: **CSGEX** C: **CGICX** K: **PSGKX**

Commentary as of 03/31/24

- The fund posted returns of 8.18% (Institutional shares) and 8.09% (Investor A shares, without sales charge) for the first quarter of 2024.
- The fund outperformed its benchmark, led by relative strength in January and March. Sentiment insights drove the majority of positive relative returns, followed by fundamental value insights, while quality measures proved detrimental.
- From a sector-positioning perspective, the fund remained largely neutral. However there were slight overweight allocations to the health care and information technology (IT), and slight underweight exposures to the energy and financials sectors.

Contributors

Sentiment-related insights performed well, especially those that gauge sentiment from conference calls. Textual data analysis of analyst reports were helpful and led to a successful overweight position in the industrials sector. Sentiment insights focused on social media “likes” were also useful. In addition, fundamental valuation views, particularly those rewarding companies investing in research and development, were advantageous, as were insights that favored high-quality technology companies.

Detractors

Despite the overall positive performance, fundamental quality insights that favored companies with longer-term maturities supported an unsuccessful underweight exposure to the utilities sector. The strategy targets small-cap companies, and macro-thematic-related insights that benefited companies in the artificial intelligence (AI) ecosystem or companies involved in AI jobs performed weakly as large-cap technology companies continued to rally.

Further insight

The market advance continued themes from last year, with strong stock returns driven by the combination of resilient data, both macro and micro, and excitement about key innovations in IT and health care. Overall, the rally ignored inflation data, which unwound expectations for an aggressive round of monetary policy easing. Despite the persistence in leadership trends, they broadened and evolved as performance simultaneously diverged across the “Magnificent Seven” U.S. technology giants. Large-cap stocks continued to outperform small-cap shares, while from a style factor lens, momentum, earnings yield, and size did best.

Portfolio management

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Top 10 holdings (%)

Super Micro Computer Inc	3.73
Microstrategy Incorporated	1.74
Exlservice Holdings Inc	0.99
Installed Building Products Inc	0.96
Visteon Corporation	0.95
Insperty	0.95
Comfort Systems Usa Inc	0.95
Flowserve Corporation	0.94
Atkore Inc	0.93
Fluor Corporation	0.82

Investment approach

Invests at least 80% of its net assets in equity securities issued by U.S. small capitalization growth companies that the fund management team believes offer superior prospects for growth.

Average annual total returns (%) as of 3/31/24

	1Q24 (not annualized)	YTD (not annualized)	1 Year	3 Year	5 Years	10 Years
Institutional	8.18	8.18	21.78	-1.58	8.55	8.11
Investor A (Without Sales Charge)	8.09	8.09	21.52	-1.83	8.27	7.82
Investor A (With Sales Charge)	2.42	2.42	15.14	-3.58	7.11	7.24
Russell 2000 Growth¹	7.58	7.58	20.35	-2.68	7.38	7.89

Expenses for Institutional shares: Total **0.82%**; Net, Including Investment Related Expenses (dividend expense, interest expense, acquired fund fees and expenses and certain other fund expenses) **0.50%**. For Investor A shares: Total **1.06%**; Net, Including Investment Related Expenses **0.75%**. Institutional and Investor A shares have contractual waivers with an end date of 06/30/2025 terminable upon 90 days' notice. For certain share classes, BlackRock may voluntarily agree to waive certain fees and expenses in which the adviser may discontinue at any time without notice. Expenses stated as of the fund's most recent prospectus. Data represents past performance and is no guarantee of future results. Investment returns and principal values may fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. All returns assume reinvestment of dividends and capital gains. Current performance may be lower or higher than that shown. Refer to blackrock.com for most recent month-end performance. Investment returns reflect total fund operating expenses, net of all fees, waivers and/or expense reimbursements. Index performance is shown for illustrative purposes only. It is not possible to invest directly in an unmanaged index. Share classes have different sales charges, fees and other features. Returns with sales charge reflect deduction of current maximum initial sales charge of 5.25% for Investor A shares. Institutional shares have no front- or back-end load. Institutional shares have limited availability and may be purchased at various minimums. See prospectus for details. Net Expenses Excluding Investment Related Expenses for Institutional shares: **0.50%**; for Investor A shares: **0.75%**.

Important Risks: The fund is actively managed and its characteristics will vary. Holdings shown should not be deemed as a recommendation to buy or sell securities. Stock and bond values fluctuate in price so the value of your investment can go down depending on market conditions. Investing in small-cap companies may entail greater risk than large-cap companies, due to shorter operating histories, less seasoned management or lower trading volumes. The fund may use derivatives to hedge its investments or to seek to enhance returns. Derivatives entail risks relating to liquidity, leverage and credit that may reduce returns and increase volatility. Performance may be attributable to unusually high IPO profits. There is no guarantee this level of performance will be repeated. IPO securities have no trading history and the price may be volatile.

The opinions expressed are those of the fund's portfolio management team as of March 31, 2024, and may change as subsequent conditions vary. Information and opinions are derived from proprietary and nonproprietary sources deemed by BlackRock to be reliable, are not necessarily all-inclusive and are not guaranteed as to accuracy.

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¹ The Russell 2000 Growth Index represents performance of the small-cap growth segment of the U.S. equity universe. It includes those Russell 2000 Index companies with higher price-to-value ratios and higher forecasted growth values.

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

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