

## ENERGY &amp; RESOURCES FUND

BLACKROCK®

4Q  
2018  
COMMENTARYInst: SGLSX<sup>1</sup> • A: SSGRX • C: SSGDX

- ▶ The fund posted returns of -31.96% (Institutional shares) and -32.06% (Investor A shares, without sales charge) for the fourth quarter of 2018.
- ▶ During a quarter that saw energy stocks suffer sharp declines, the fund's outperformance versus the benchmark was driven by stock selection in the oil & gas explorations & production (E&P) sub-industry.
- ▶ We continue to believe that marginal cost is currently around \$60-\$70 per barrel and expect oil prices to return to this range in 2019, barring a sharp economic slowdown. In terms of energy equities, we believe recent performance has priced in an overly pessimistic outlook. We hold an overweight position in the E&P sub-industry and an underweight position in oil & gas equipment & services.

Contributors	Detractors
The fund's off-benchmark positions in TransCanada and Williams contributed positively to relative performance, due to increased investment in infrastructure to relieve the bottle necks in the Permian basin. Other contributors of note included overweight positions in Cabot Oil & Gas, Galp Energia and Pioneer Natural Resources.	Merger & acquisition activity continued throughout the quarter, with the announcement that Encana is acquiring Newfield Exploration in an all-stock deal. As a result, the fund's overweight position in Encana detracted from performance, as the market took a negative view of the acquisition. Elsewhere, an overweight position in Kosmos Energy hurt returns, as the company received disappointing results from its new well in Suriname, where it failed to find oil.

## Portfolio Management

Alastair Bishop

## TOP 10 EQUITY HOLDINGS

(% of Net Assets as of 12/31/18)

1. Marathon Oil	6.1
2. Galp Energia Sgps Sa	5.3
3. Cabot Oil & Gas	4.8
4. Williams Companies Inc	4.5
5. Marathon Petroleum	4.2
6. Transcanada Corporation	4.2
7. Pioneer Natural Resources	4.1
8. Cimarex Energy	4.1
9. Hollyfrontier Corp	4.0
10. Concho Resources	4.0

Invests primarily in securities of global energy companies and companies in associated businesses, with an emphasis on smaller companies.

## Further Insight

We saw continued liquidation in the energy futures market during the fourth quarter, as investors appeared to de-risk their portfolios. The price of Brent fell by 38.9% and the West Texas Intermediate (WTI) fell by 38.3%, finishing the year at \$51 per barrel and \$45 per barrel, respectively. Energy equities followed suit, underperforming global markets. Elsewhere, following much anticipation, OPEC agreed to remove 1.2 million barrels per day from the oil market. OPEC itself will take on 800,000 barrels per day of the cut, with 400,000 barrels per day being cut by its partners. The October 2018 production levels will act as a baseline for the agreed cuts, which will be reviewed in April. This cut reverses the recent supply increase from "OPEC plus" in an attempt to rebalance the market.

## % AVERAGE ANNUAL TOTAL RETURNS AS OF 12/31/18

	4Q18 (not annualized)	YTD (not annualized)	1 Year	3 Year	5 Years	10 Years	Since Inception <sup>2</sup>
Institutional <sup>2</sup>	-31.96	-28.59	-28.59	-3.69	-16.27	-2.13	5.39
Investor A (Without Sales Charge)	-32.06	-28.86	-28.86	-4.01	-16.54	-2.46	5.08
Investor A (With Sales Charge)	-35.62	-32.60	-32.60	-5.72	-17.43	-2.98	4.89
Morningstar Equity Energy Category Avg.	-31.12	-27.27	-27.27	-4.43	-13.30	0.43	—
MSCI World SMID Energy Index Total Return (Net) <sup>3</sup>	-33.70	-28.15	-28.15	-3.28	-15.41	0.37	—

Expenses for Institutional shares: Total 1.04%; Net, Including Investment Related Expenses (dividend expense, interest expense, acquired fund fees and expenses and certain other fund expenses) 1.01%. For Investor A shares: Total 1.45%; Net, Including Investment Related Expenses 1.32%. Institutional and Investor A shares have contractual waivers with an end date of 1/31/19 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](http://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: 1.01%; for Investor A shares: 1.32%.

**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 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. Investing in mid-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. International investing involves special risks including, but not limited to political risks, currency fluctuations, illiquidity and volatility. Investments in emerging markets may be considered speculative and are more likely to experience hyperinflation and currency devaluations, which adversely affect returns. In addition, many emerging securities markets have lower trading volumes and less liquidity. Investments in natural resources industries can be affected by variations in commodities markets, weather, disease, embargoes, political and economic developments, taxes and other government regulations. Non-diversification of investments means that more assets are potentially invested in fewer securities than if investments were diversified, so risk is increased because each investment has a greater effect on performance.

The opinions expressed are those of the fund's portfolio management team as of December 31, 2018, and may change as subsequent conditions vary. Information and opinions are derived from proprietary and nonproprietary sources deemed by BlackRock to be reliable, are not necessarily all-inclusive and are not guaranteed as to accuracy. Past performance is no guarantee of future results. There is no guarantee that any forecasts made will come to pass. This material does not constitute investment advice and is not intended as an endorsement of any specific investment. Investment involves risk. Reliance upon information in this material is at the sole discretion of the reader.

**1** Fund inception: 3/2/90. **2** The performance information for periods prior to the inception date of Institutional shares (6/1/93) shows the performance of the fund's Investor A shares. The performance of the Institutional share class would be substantially similar to Investor A shares because the Institutional share class and Investor A shares invest in the same portfolio of securities and performance would only differ to the extent that the Institutional share class and Investor A shares have different expenses. See the fund prospectus for more details. **3** The MSCI World SMID Energy Index Total Return (Net) Index comprises small- and mid-cap energy markets of developed countries.

**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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01/19 — Energy & Resources Fund

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