

IMPACT U.S. EQUITY FUND

BLACKROCK®

3Q 2018
COMMENTARY

Inst: BIRIX¹ • A: BIRAX • C: BIRCX • Class K: BIRKX

- ▶ The fund posted returns of 6.91% (Institutional shares) and 6.84% (Investor A shares, without sales charge) for the third quarter of 2018.
- ▶ Modest underperformance during the quarter was primarily driven by return drivers. Conversely, impact metrics produced either flat or slightly positive returns.
- ▶ The fund evaluated companies' societal impact in the areas of health, corporate citizenship and the environment. These evaluations, in conjunction with proprietary return drivers, risk and transaction cost models, determined the fund's weighting relative to the benchmark.

Contributors	Detractors
In impact metrics, environment-based insights were the largest contributors to performance, followed by sentiment insights in return drivers. Citizenship and health insights were slightly positive during the quarter.	Fundamental insights detracted from performance, most notably among positions driven by company valuations. Positions driven by company quality also performed poorly.

Portfolio Management

Travis Cooke

TOP 10 EQUITY HOLDINGS

(% of Net Assets as of 9/30/18)

1. Apple	4.1
2. Amazon.com	2.8
3. Microsoft	2.7
4. Alphabet	1.9
5. Cisco Systems	1.6
6. Facebook	1.4
7. Nvidia Corporation	1.3
8. Johnson & Johnson	1.2
9. Gilead Sciences	1.2
10. Costco Wholesale Corporation	1.1

Invests in a portfolio of equity securities of companies with positive aggregate societal impact outcomes, as determined by BlackRock.

Further Insight

During the quarter, the fund maintained an equity portfolio that targets returns and impact outcomes. As of September 30, 2018, the fund held aggregate societal impact outcome exposure compared with the benchmark in the below key areas:

- 20% more exposure to green innovations
- 67% less exposure to carbon intensity
- 17% more exposure to better corporate citizenship practice
- 32% less exposure to ethical controversies
- 21% less exposure to lawsuits and litigations

*Societal impact outcome as defined by BlackRock Scientific Active Equity (SAE) Impact Methodology as developed for the fund and described in the fund prospectus

% AVERAGE ANNUAL TOTAL RETURNS AS OF 9/30/18

	3Q18 (not annualized)	YTD (not annualized)	1 Year	3 Year	5 Years	10 Years	Since Inception ²
Institutional	6.91	10.97	18.27	—	—	—	16.26
Investor A (Without Sales Charge)	6.84	10.82	17.96	—	—	—	15.96
Investor A (With Sales Charge)	1.23	5.00	11.76	—	—	—	13.89
Morningstar Large Blend Category Avg.	6.67	8.42	15.35	15.17	11.93	10.84	—
Russell 3000 ⁴	7.12	10.57	17.58	17.07	13.46	12.01	—

Expenses for Institutional shares: Total 1.10%; Net, Including Investment Related Expenses (dividend expense, interest expense, acquired fund fees and expenses and certain other fund expenses) 0.55%. For Investor A shares: Total 1.42%; Net, Including Investment Related Expenses 0.80%. Institutional and Investor A shares have contractual waivers with an end date of 9/30/19 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 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 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: 0.55%; for Investor A shares: 0.80%.

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. 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. Investing in small- and 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 intends to invest in companies with measurable societal impact outcomes, as determined by BlackRock, and screen out particular companies and industries.

The opinions expressed are those of the fund's portfolio management team as of September 30, 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 The share classes have different sales charges, fees and other features. ² Fund inception: 11/05/15. ³ Lipper category is as of 9/30/18 and may not accurately represent the current composition of the portfolio. ⁴ The unmanaged Russell 3000 Index comprises the largest U.S. companies as determined by total market capitalization.

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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10/18 — Impact U.S. Equity Fund

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