

Advantage Small Cap Growth Fund

BlackRock®

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

Commentary as of 06/30/21

- The fund posted returns of 4.24% (Institutional shares) and 4.16% (Investor A shares, without sales charge) for the second quarter of 2021.
- The fund performed well, making gains early in the quarter and withstanding the market rotation back to growth stocks during June. Sentiment measures broadly added value alongside growth-oriented quality insights and inflationary-regime insights. June proved challenging as valuation-based measures ran against the shift toward secular growth, with losses in information technology (IT).
- From a sector-positioning perspective, the fund remained largely sector-neutral. The fund had slight overweight positions in IT and industrials companies, and maintained slight underweight exposures to the consumer staples and real estate sectors.

Contributors

Sentiment insights performed well, particularly measures capturing investor positioning, both informed and retail, across industrials. Another theme that drove performance was the ability to identify the emerging inflationary environment. Insights that evaluate supply-chain trends, for example, added value, again across industrials stocks. Elsewhere, measures that look to supply-chain disruption due to input costs and wage pressures performed well, as did fundamental-quality measures that have a growth-orientation, including management insights.

Detractors

The fund struggled in the second half of the quarter, most notably in June. The ultimate shift, after the Federal Reserve's (Fed) more "hawkish" meeting, toward a secular-growth environment ran against insights that look for attractively priced growth securities. As the market shifted back to 2020 themes, an insight that looks to compare company valuations across sales struggled within IT. Similarly, trend-based measures associated with the reopening theme, such as the COVID-19 vaccine rollout and hiring, detracted, as did insights that seek to identify lower-risk securities.

Further insight

U.S. stocks advanced as vaccine rollouts supported the broader economic reopening. The removal of restrictions prompted a sharp rise in activity levels, though markets could not decide whether inflation data was transitory. In response, the Fed adopted a surprisingly "hawkish" tone in June, prompting the restoration of 2020 trends, with large-cap secular growth stocks dominating markets. This style shift was further supported by concerns about the spread of the COVID-19 Delta variant and declining bond yields. While strong economic prospects remain, investors need to balance COVID-19 and inflation trends, as well as any signs of a rapid reduction of monetary support.

Portfolio management

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Top 10 holdings (%)

| | |
|-----------------------------------|------|
| SILICON LABORATORIES INC. | 1.73 |
| CROCS INC | 1.31 |
| EMCOR | 1.23 |
| LATTICE SEMICONDUCTOR CORPORATION | 1.07 |
| WERNER ENTERPRISES INC | 1.05 |
| NEVRO CORP | 1.01 |
| VARONIS SYSTEMS INC | 1.00 |
| POWER INTEGRATIONS INC | 0.96 |
| AMERICAN EAGLE OUTFITTERS INC | 0.96 |
| SHAKE SHACK INC | 0.92 |

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 6/30/21

| | 2Q21 (not annualized) | YTD (not annualized) | 1 Year | 3 Year | 5 Years | 10 Years | Since Inception ¹ |
|---|--------------------------|-------------------------|--------|--------|---------|----------|---------------------------------|
| Institutional | 4.24 | 9.18 | 50.72 | 18.08 | 19.73 | 13.30 | 10.76 |
| Investor A (Without Sales Charge) | 4.16 | 9.01 | 50.31 | 17.78 | 19.43 | 12.96 | 10.34 |
| Investor A (With Sales Charge) | -1.31 | 3.29 | 42.42 | 15.68 | 18.15 | 12.36 | 10.12 |
| Morningstar Small Growth Category Avg. | 4.88 | 12.40 | 55.69 | 19.34 | 20.72 | 13.98 | — |
| Russell 2000 Growth¹ | 3.92 | 8.98 | 51.36 | 15.94 | 18.76 | 13.52 | — |

Expenses for Institutional shares: Total **0.73%**; 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 **1.02%**; Net, Including Investment Related Expenses **0.75%**. Institutional and Investor A shares have contractual waivers with an end date of 01/31/2022 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 June 30, 2021, 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.

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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