

## Mid Cap Dividend Fund

Inst: **MARFX** A: **MDRFX** C: **MCRFX** R: **MRRFX**<sup>1</sup>

### Commentary as of 12/31/20

- The fund posted returns of 24.41% (Institutional shares) and 24.23% (Investor A shares, without sales charge) for the fourth quarter of 2020.
- The fund outperformed the benchmark during the quarter. Stock selection and allocation decisions in the financials sector and stock selection in the consumer discretionary sector added value. This more than offset poor performance from an elevated cash balance, and stock selection in the materials and communication services sectors.
- The fund's largest exposures were to the financials, information technology (IT), and health care sectors. Relative to the fund's benchmark, the Russell Midcap Value Index, the largest overweight positions were in the financials, health care, and energy sectors, while the largest underweight positions were in the industrials, real estate, and materials sectors.

#### Contributors

The largest contributor to relative performance was a combination of stock selection and positioning in the financials sector. Notably, stock selection in the capital markets industry proved beneficial, as did an overweight exposure to diversified financial services. In the consumer discretionary sector, stock selection and an overweight exposure to the textiles, apparel & luxury goods industry helped returns, as did stock selection and an underweight position in the household durables industry. Other contributors included stock selection in the real estate and industrials sectors.

#### Detractors

The largest detractor from performance was the fund's cash balance, which averaged 4.93% for the quarter. At the sector level, stock selection and an underweight exposure to the materials sector detracted, primarily in the metals & mining industry. In communication services, an overweight position in wireless telecommunication services weighed on returns. Other meaningful detractors included stock selection in the software industry, an underweight exposure to the technology hardware, storage & peripherals industry, and stock selection in the energy sector.

### Further insight

Economic data continued to support our view that COVID-19's impact on activity levels is more akin to a large-scale natural disaster than a typical business-cycle recession. We believe this distinction is important as the character of the virus' impact, combined with positive vaccine developments and ongoing policy support, improves the probability of an eventual "V-shaped" economic recovery. The virus resurgence during the fourth quarter may weigh on mobility and activity in the near term, but we can still see the final destination and this gives us confidence that the economic restart can gather momentum in 2021.

### ★★★★ Morningstar Overall™

Institutional shares rated against 396 Mid-Cap Value Funds, as of 12/31/20, based on risk-adjusted total return. Ratings are determined monthly and subject to change. The Overall Morningstar Rating for a fund is derived from a weighted average of the performance figures associated with its 3-, 5- and 10-year (if applicable) Morningstar Rating metrics.<sup>11</sup>

### Portfolio management

Tony DeSpirito, Franco Tapia, David Zhao

### Top 10 holdings (%)

American International Group Inc	2.73
Marathon Petroleum	2.35
Equitable Holdings Inc	2.23
Ralph Lauren Corp	2.01
Raymond James Financial Inc.	1.97
BAE Systems	1.97
Avnet Inc	1.95
General Motors Co	1.91
Fidelity National Financial Inc	1.88
Cigna Corp	1.80

### Investment approach

Invests in the equity securities of mid capitalization companies that pay attractive, sustainable and growing mid dividends with the aim of providing mid capitalization equity returns with less volatility.

## Average annual total returns (%) as of 12/31/20

	4Q20 (not annualized)	YTD (not annualized)	1 Year	3 Year	5 Years	10 Years	Since Inception <sup>2</sup>
<b>Institutional</b>	24.41	7.18	7.18	7.90	10.91	9.73	10.37
<b>Investor A (Without Sales Charge)</b>	24.23	6.85	6.85	7.62	10.60	9.41	10.07
<b>Investor A (With Sales Charge)</b>	17.71	1.24	1.24	5.70	9.41	8.82	9.84
<b>Morningstar Mid-Cap Value Category Avg.</b>	22.60	2.63	2.63	3.91	8.67	9.20	—
<b>Russell Midcap Value<sup>2</sup></b>	20.43	4.96	4.96	5.37	9.73	10.49	—

The fund's annual total returns prior to June 12, 2017 reflect a different investment strategy.

Expenses for Institutional shares: Total **0.96%**; Net, Including Investment Related Expenses (dividend expense, interest expense, acquired fund fees and expenses and certain other fund expenses) **0.86%**. For Investor A shares: Total **1.29%**; Net, Including Investment Related Expenses **1.11%**. Institutional and Investor A shares have contractual waivers with an end date of 08/31/2021 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: **0.85%**; for Investor A shares: **1.10%**.

**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 mid-cap companies may entail greater risk than large-cap companies, due to shorter operating histories, less seasoned management or lower trading volumes. International investing involves special risks including, but not limited to political risks, currency fluctuations, illiquidity and volatility. These risks may be heightened for investments in emerging markets. 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.

The opinions expressed are those of the fund's portfolio management team as of December 31, 2020, 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** Class R shares are sold to a limited group of investors, including certain retirement plans. See prospectus for details. **2** The Russell Midcap Value Index represents the performance of the mid-capitalization value segment of the U.S. equity market. It includes Russell Midcap Index companies with relatively lower price-to-book ratios and lower forecasted growth. **3** The Morningstar Rating™ for funds, or "star rating", is calculated for managed products (including mutual funds, variable annuity and variable life subaccounts, exchange-traded funds, closed-end funds, and separate accounts) with at least a three-year history. Exchange-traded funds and open-ended mutual funds are considered a single population for comparative purposes. It is calculated based on a Morningstar Risk-Adjusted Return measure that accounts for variation in a managed product's monthly excess performance, placing more emphasis on downward variations and rewarding consistent performance. The top 10% of products in each product category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars, and the bottom 10% receive 1 star. The Overall Morningstar Rating for a managed product is derived from a weighted average of the performance figures associated with its three-, five-, and 10-year (if applicable) Morningstar Rating metrics. The weights are: 100% three-year rating for 36-59 months of total returns, 60% five-year rating/40% three-year rating for 60-119 months of total returns, and 50% 10-year rating/30% five-year rating/20% three-year rating for 120 or more months of total returns. While the 10-year overall star rating formula seems to give the most weight to the 10-year period, the most recent three-year period actually has the greatest impact because it is included in all three rating periods. The fund was rated against the following numbers of U.S.-domiciled Mid-Cap Value funds over the following time periods: 396 in the last 3 years, 349 in the last 5 years and 247 in the last 10 years. With respect to these Mid-Cap Value funds, the fund received a Morningstar Rating of 5, 4 and 3 stars for the 3-, 5- and 10-year periods, respectively. Other classes may have different performance characteristics.

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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