

# Advantage Small Cap Growth Fund

# BlackRock®

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

## Commentary as of 12/31/23

- The fund posted returns of 13.94% (Institutional shares) and 13.93% (Investor A shares, without sales charge) for the fourth quarter of 2023.
- The fund performed strongly during each month of the quarter. Fundamental insights drove the majority of the fund's outperformance relative to its benchmark, while macro-thematic and sentiment insights were muted.
- From a sector-positioning perspective, the fund remained largely neutral. However, there were slight overweight allocations to the health care, communication services, and consumer discretionary sectors, and slight underweight exposures to the financials and materials sectors.

Contributors	Detractors
Fundamental measures played a pivotal role in driving performance during the quarter. Traditional valuation insights focusing on key indicators, such as company sales, cash flows, and various financial statement metrics, demonstrated robust performance, notably benefiting from the move higher in rates. Quality measures evaluating companies based on debt maturity levels proved effective in the consumer discretionary sector. Sentiment-related insights looking at retail flows and social media engagement drove successful positioning in the consumer discretionary sector.	Macro-thematic and sentiment stock selection insights revealed a nuanced scenario during the quarter. Evaluating sentiment by analyzing text in analysts' reports proved misleading and motivated an unsuccessful overweight position in the health care sector. Additionally, macro-related insights aimed at favoring companies within the artificial intelligence ecosystem faced challenges, particularly among the communication services companies.

## Further insight

Equities enjoyed strong quarterly returns amid ebullient investor sentiment. This was spurred by a belief that policymakers had successfully brought inflation under control while avoiding a material unemployment increase and economic contraction. The results capped a year of sharp market moves driven by swings in macroeconomic data that influenced the outlook for inflation and policy rates. However, investors ultimately focused on "peak-policy" and economic "soft-landing" narratives, looking past fresh bouts of volatility, notably conflict in the Middle East. Despite broad gains, results diverged globally, as U.S. stocks concentrated around mega-cap technology stocks, while international equities enjoyed broader gains. This supported more persistent performance across value styles in Europe and Japan.

## Portfolio management

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## Top 10 holdings (%)

Boise Cascade Co	1.28
Super Micro Computer Inc	1.14
Qualys Inc Com	1.13
Atkore Inc	1.13
Insperty	1.09
Magnolia Oil & Gas Corp	1.01
Ufp Industries Inc	0.96
Axcelis Technologies Inc	0.91
Fluor Corporation	0.84
Ensign Group Inc	0.81

## 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 12/31/23

	4Q23 (not annualized)	YTD (not annualized)	1 Year	3 Year	5 Years	10 Years
<b>Institutional</b>	13.94	18.73	18.73	-2.64	10.51	7.22
<b>Investor A (Without Sales Charge)</b>	13.93	18.47	18.47	-2.89	10.23	6.93
<b>Investor A (With Sales Charge)</b>	7.95	12.25	12.25	-4.62	9.04	6.36
<b>Russell 2000 Growth<sup>1</sup></b>	12.75	18.66	18.66	-3.50	9.22	7.16

Expenses for Institutional shares: Total **0.71%**; 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 **0.97%**; Net, Including Investment Related Expenses **0.75%**. Institutional and Investor A shares have contractual waivers with an end date of 06/30/2024 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 December 31, 2023, 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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<sup>1</sup> 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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