

Advantage Small Cap Growth Fund

BlackRock®

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

Commentary as of 09/30/24

- The fund posted returns of 8.96% (Institutional shares) and 8.91% (Investor A shares, without sales charge) for the third quarter of 2024.
- The fund outperformed its benchmark, driven by sentiment insights and, to a lesser extent, fundamental quality insights. The fund struggled at the beginning of the quarter, though it recovered.
- From a sector-positioning perspective, the fund remained largely neutral. However, there were slight overweight allocations to the information technology (IT) and health care sectors, and slight underweight exposures to the financials and consumer staples sectors.

Contributors

Sentiment insights was the strongest contributor during the quarter, with measures analysing text from conference calls supporting a successful overweight allocation to the industrials sector. Sentiment from broker reports was helpful, particularly through correct positioning in the IT sector, which worked well amid the rotation out of large-cap technology stocks, as well as a successful overweight holding in the health care sector. Fundamental quality insights performed well, as did insights benefiting companies where founders remain involved in management. In addition, measures identifying changes in company disclosures proved beneficial.

Detractors

Fundamental valuation insights detracted, with measures focusing on cash flows and various financial ratios proving unsuccessful, given the market rotation early in the quarter. Insights benefiting companies focused on research and development also hindered relative returns. Macro-thematic insights were similarly disappointing, with those gauging information from economic regime similarities failing to perform, while those focusing on direct capital access and industry timing also struggled.

Further insight

Continued global equity strength belies the rotations observed during the quarter. In July, inflation data and large-cap technology earnings were both softer, which initiated a rotation toward cyclical stocks exposed to a “soft-landing” macroeconomic thesis. As the technology sell-off continued, the rotation moved to rate-sensitive defensive stocks in August amid heightened recession fears. The collapse in U.S. Treasury yields contrasted with other hawkish central banks (notably the Bank of Japan), which unwound several macro trades. This stoked intraday volatility to the third-highest level, behind only the global financial crisis and the onset of COVID-19. Ultimately, a resilient U.S. consumer and cooling inflation soothed markets and enabled the Federal Reserve to begin easing monetary policy with a 50-basis-points rate cut in September.

Portfolio management

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Top 10 holdings (%)

Exlservice Holdings Inc	1.56
Aci Worldwide Inc	1.33
Maximus Inc	1.02
Fabrinet	1.01
Vaxcyte Inc	0.90
Sprouts Farmers Markets Inc	0.86
Ftai Aviation Ltd	0.85
Corcept Therapeutics Incorporated	0.85
Primoris Services Corp	0.84
Boise Cascade Co	0.83

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 9/30/24

	3Q24 (not annualized)	YTD (not annualized)	1 Year	3 Year	5 Years	10 Years
Institutional	8.96	13.59	29.42	0.50	9.58	9.02
Investor A (Without Sales Charge)	8.91	13.41	29.20	0.25	9.32	8.73
Investor A (With Sales Charge)	3.19	7.45	22.42	-1.54	8.14	8.15
Russell 2000 Growth¹	8.41	13.22	27.66	-0.35	8.82	8.95

Expenses for Institutional shares: Total **0.82%**; 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 **1.06%**; Net, Including Investment Related Expenses **0.75%**. Institutional and Investor A shares have contractual waivers with an end date of 06/30/2025 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](https://www.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 September 30, 2024, 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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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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