Capital Appreciation Fund

BlackRock

Inst: **MAFGX** A: **MDFGX** C: **MCFGX** R: **MRFGX**[1] K: **BFGBX**

Commentary as of 12/31/23

- The fund posted returns of 15.83% (Institutional shares) and 15.78% (Investor A shares, without sales charge) for the fourth quarter of 2023.
- The largest contributor to relative performance was security selection in the information technology (IT) and communication services sectors, and positioning in the consumer staples sector. The largest detractor from relative returns was positioning in the real estate, energy, and health care sectors.
- The fund's largest exposures were in the IT, health care, and consumer discretionary sectors. During the quarter, the fund increased its allocations to the IT and real estate sectors, and reduced its exposures to the consumer discretionary and financials sectors.

Contributors	Detractors
The largest contributor to relative performance was stock selection in the IT sector. Notably, security selection in the semiconductors & semiconductor equipment industry and stock selection in the IT services industry proved beneficial. In communication services, an overweight exposure to the entertainment industry boosted relative results, as did our avoidance of the consumer staples sector.	The largest detractor from relative performance was positioning in the real estate sector. Notably, no exposure to the specialized real estate investment trust (REIT) and retail REIT sub-industries dampened relative results. In energy, an overweight position in the oil, gas & consumable fuels industry hindered performance, while stock selection in the life sciences tools & services industry in the health care sector was another meaningful detractor.

Further insight

Strong U.S. equity market returns in 2023 were fueled by a resilient domestic economy, advancements in artificial intelligence, and – since late October – the prospect of Federal Reserve (Fed) interest rate cuts in 2024. The valuation multiple for large-cap U.S. equities expanded significantly during the year, which reflected abating recession fears and enthusiasm for inflation moderating toward more normalized levels. The U.S. economy's slim output gap – meaning all resources are running near full potential – suggests there is a higher hurdle for a cyclical re-acceleration in corporate earnings. Against this backdrop, we believe a quality bias is prudent and that investors should be willing to pay up in price to participate in the cash flows and earnings of exceptional growth businesses. "Fuller" market valuations versus history could limit the potential for a rising tide to lift broad market returns. The upshot in this scenario is that it could boost the performance potential of selective stock-picking or targeted asset allocation decisions. While a strong labor market is at odds with inflation slowing to 2% (and this remains a clear dilemma for the Fed as it assesses the timing and number of future rate cuts), positive real wage growth, thanks to moderating inflation pressures, is positioned to support consumer purchasing power and the economy as we begin the new year.

Portfolio management

Lawrence Kemp

Top 10 holdings (%)

Microsoft	9.84
Amazon.com	8.86
Apple	8.83
Nvidia Corporation	6.47
Intuit	4.43
Alphabet	4.29
Visa	4.10
Broadcom Inc	3.76
ASML Holding	3.09
Tesla Inc	2.75

Investment approach

Invests in a portfolio of equity securities that fund management believes have shown above-average growth rates in earnings over the long term.

Average annual total returns (%) as of 12/31/23

	4Q23 (not annualized)	YTD (not annualized)	1 Year	3 Year	5 Years	10 Years
Institutional	15.83	49.26	49.26	4.02	15.88	12.67
Investor A (Without Sales Charge)	15.78	48.85	48.85	3.75	15.58	12.37
Investor A (With Sales Charge)	9.70	41.04	41.04	1.90	14.34	11.77
Russell 1000 Growth[2]	14.16	42.68	42.68	8.86	19.50	14.86

*Expenses for Institutional shares: Total **0.73%**. For Investor A shares: Total **1.00%**. 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. Current performance may be lower or higher than that shown. All returns assume reinvestment of dividends and capital gains. Refer to **www.blackrock.com** for current 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.*

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 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 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, 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.

BlackRock provides compensation in connection with obtaining or using third-party ratings and rankings.

1 Class R shares are sold to a limited group of investors, including certain retirement plans. See prospectus for details. **2** The Russell 1000 Growth Index comprises large- and mid-capitalization U.S. equities that exhibit growth 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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