

# ADVANTAGE GLOBAL FUND\*

# BLACKROCK®

4Q 2018  
COMMENTARY

Inst: MAGCX • A: MDGCX • C: MCGCX • Class R: MRGSX<sup>1</sup>

- ▶ The fund posted returns of -14.79% (Institutional shares) and -14.81% (Investor A shares, without sales charge) for the fourth quarter of 2018.
- ▶ The fund underperformed during the quarter. Stock selection was the biggest source of underperformance, driven mainly by sentiment-based signals. Macro-thematic insights also detracted, while selection among countries and industries suffered in an acute “risk off” environment.
- ▶ The fund’s overweight exposure to the United States was driven by contrarian insights that bet against heightened risk aversion, as well as economic projections. Exposure to U.S. financials was driven by favorable labor dynamics in the sector and bottom-up stock selection. Our contrarian overweight exposure to Europe at the expense of Asia should be beneficial if U.S.-China trade tensions escalate.

Contributors	Detractors
<p>At a regional level, an overweight position in emerging markets contributed to performance; Brazil was the biggest contributor. Improving fundamentals boosted investors' confidence in betting on a reversal in the trend of developed markets outperforming emerging ones. Within stock selection, quality and relative value insight composites were flat to slightly positive, a big improvement from their performance in November. Meanwhile, environmental, social and governance-focused insights continued to outperform. At the signal level, a set of cross-asset measures of non-traditional quality was the top-performing insight.</p>	<p>Underperformance was largely centered on our U.S. and European exposures. Both stock selection and macro-thematic insights contributed to underperformance in the United States. Industry selection detracted, particularly our overweight exposure to U.S. banks. Investors recalibrated their views on monetary policy and global growth expectations. Our exposure to European cyclical stocks (namely luxury goods and materials stocks) was another major source of underperformance, as investors preferred lower-volatility stocks. Machine-learned analysis of broker sentiment was the top detractor.</p>

## Portfolio Management

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## TOP 10 EQUITY HOLDINGS

(% of Net Assets as of 12/31/18)

1. Apple	1.8
2. Microsoft	1.7
3. Amazon.com	1.2
4. Alphabet	1.0
5. Roche Holding AG	1.0
6. Toronto-Dominion Bank/The	0.9
7. Johnson & Johnson	0.9
8. Loreal Sa	0.9
9. Danaher Corporation	0.9
10. Citigroup	0.9

Invests in equity securities or other financial instruments that are components of, or have market capitalizations similar to, the securities included in the MSCI All-Country World Index.

\*Effective 10/26/17, the BlackRock Global Smallcap fund changed its name to BlackRock Advantage Global fund. Concurrently, there were changes to the fund's investment strategy and benchmark.

## Further Insight

Global equities fell sharply, with U.S. stocks under additional pressure after leading markets earlier in the year. Stocks were influenced by trade concerns, but the larger focus was the impact of financial tightening on economic growth. This ran parallel to investor expectations that recent strength in earnings indicated a cycle peak, as attention shifted toward forward guidance. This caused a sharp reversal of factors that track both trailing and forecast fundamentals, which had previously outperformed. This was reflected by a December sell-off that ranked among the worst for the month, historically, and produced the worst annual result since 2008. A positive, however, is that softer economic data in the United States and China seem to have increased efforts to make a deal.

## % AVERAGE ANNUAL TOTAL RETURNS AS OF 12/31/18

	4Q18 (not annualized)	YTD (not annualized)	1 Year	3 Year	5 Years	10 Years	Since Inception <sup>2</sup>
Institutional	-14.79	-11.49	-11.49	5.81	2.45	9.93	8.87
Investor A (Without Sales Charge)	-14.81	-11.72	-11.72	5.47	2.12	9.58	8.40
Investor A (With Sales Charge)	-19.28	-16.35	-16.35	3.59	1.03	8.99	8.17
Morningstar World Large Stock Category Avg.	-12.94	-9.64	-9.64	5.69	3.72	9.33	—

The fund's annual total returns prior to October 26, 2017 reflect a different investment strategy. Expenses for Institutional shares: Total 1.07%; Net, Including Investment Related Expenses (dividend expense, interest expense, acquired fund fees and expenses and certain other fund expenses) 0.71%. For Investor A shares: Total 1.45%; Net, Including Investment Related Expenses 0.96%. Institutional and Investor A shares have contractual waivers with an end date of 10/31/19 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 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: 0.71%; for Investor A shares: 0.96%.

**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. 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. 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. Short-selling entails special risks. If the fund makes short sales in securities that increase in value, the fund will lose value. Any loss on short positions may or may not be offset by investing short-sale proceeds in other investments. 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, 2018, 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. Past performance is no guarantee of future results. There is no guarantee that any forecasts made will come to pass. This material does not constitute investment advice and is not intended as an endorsement of any specific investment. Investment involves risk. Reliance upon information in this material is at the sole discretion of the reader.

<sup>1</sup> Class R shares are sold to a limited group of investors, including certain retirement plans. See prospectus for details. <sup>2</sup> Fund inception: 8/5/94. <sup>3</sup> Lipper category is as of 12/31/18 and may not accurately represent the current composition of the portfolio. <sup>4</sup> The MSCI All-Country World Index is a capitalization-weighted index of equity securities from a broad range of industries chosen for market size, liquidity and industry group representation. <sup>5</sup> The MSCI All-Country World Small Cap Index comprises smaller capitalization companies in both developed and emerging markets. On a pro forma basis, the market capitalization of the index will be USD 1,395 billion and the index will include 2,177 securities.

**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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