

# Advantage Small Cap Growth Fund

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

## Commentary as of 12/31/20

- The fund posted returns of 29.57% (Institutional shares) and 29.52% (Investor A shares, without sales charge) for the fourth quarter of 2020.
- The fund underperformed early in quarter before returns stabilized in December. The fund struggled against the sharp cyclical rotation, with broad weakness across trend-based sentiment measures. However, fundamental insights partially offset these losses. Notably, signals related to environmental, social & governance (ESG) themes added value, particularly in the financials sector.
- From a sector-positioning perspective, the fund remained largely sector-neutral. There were slight overweight positions in consumer discretionary and industrials companies, and slight underweight holdings in the health care and consumer staples sectors.

### Contributors

During the quarter, fundamental measures helped returns. Within quality, ESG-related insights continued to perform well. Notably, environmental measures that added value across banks and commercial services stocks added value. Elsewhere, valuation-based insights benefited from investors looking toward attractively priced growth companies. An insight that compares growth stocks across research and development expenses also helped returns in the information technology sector. Lastly, capturing sentiment from informed-investor positioning added value.

### Detractors

Trend-based sentiment measures detracted from returns. With investors focused on macroeconomic events in October, alternative data capturing consumer trends across transaction, footfall, and online-search activity detracted across retail names. Losses across trend measures broadened in November, driven by the sharp rotation away from momentum styles. As investors favored contrarian parts of the market, insights that were positioned for sustained market leadership performed poorly. This included capturing company linkages, such as supply chain trends, amid evolving recovery expectations.

## Portfolio management

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## Top 10 holdings (%)

Siteone Landscape Supply Inc	1.07
Texas Roadhouse Inc	0.95
Varonis Systems Inc	0.89
Osi Systems Inc	0.89
Hamilton Lane Inc	0.88
Plug Power Inc	0.87
Qualys Inc Com	0.87
Deckers Outdoor Corporation	0.84
Palantir Technologies Inc	0.81
Mirati Therapeutics Inc	0.79

## 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.

## Further insight

Equities touched fresh highs during the quarter, completing a remarkable recovery from the spring sell-off. Although stocks struggled in October as COVID-19 cases rose, and uncertainty surrounded both the U.S. election and lack of new fiscal measures, markets rallied following strong vaccine-efficacy data in November. Despite equities enjoying strong returns, this prompted a sharp rotation. Momentum styles experienced their sharpest drawdown since the global financial crisis, as investors shifted to cyclical exposures. This resulted in small-cap equities outperforming, having lagged markets for much of 2020. In the months ahead, investors will need to balance near-term virus risk against recovery expectations.

## 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>1</sup>
<b>Institutional</b>	29.57	33.40	33.40	19.25	17.18	13.40	10.61
<b>Investor A (Without Sales Charge)</b>	29.52	33.13	33.13	18.94	16.87	13.07	10.19
<b>Investor A (With Sales Charge)</b>	22.72	26.14	26.14	16.82	15.62	12.46	9.97
<b>Morningstar Small Growth Category Avg.</b>	27.25	38.62	38.62	18.76	17.75	13.69	—
<b>Russell 2000 Growth<sup>1</sup></b>	29.61	34.63	34.63	16.20	16.36	13.48	—

Expenses for Institutional shares: Total **0.73%**; 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 **0.99%**; Net, Including Investment Related Expenses **0.75%**. Institutional and Investor A shares have contractual waivers with an end date of 01/31/2021 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: **0.50%**; 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, 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.

<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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