

CAPITAL APPRECIATION FUND

BLACKROCK®

4Q 2018 COMMENTARY

Inst: **MAFGX** • A: **MDFGX** • C: **MCFGX** • Class R: **MRFGX**¹

- ▶ The fund posted returns of -15.70% (Institutional shares) and -15.78% (Investor A shares, without sales charge) for the fourth quarter of 2018.
- ▶ Stock selection within the information technology (IT) sector added value, most notably an underweight position in technology hardware, storage & peripherals and stock selection in IT services. Stock selection in financials and health care also helped returns. Conversely, stock selection among communication services and consumer staples companies detracted from performance.
- ▶ At quarter-end, the fund's largest overweight exposure was to the health care sector, followed by communication services and IT. The most notable underweights remained industrials and consumer staples, followed by the energy sector.

Contributors	Detractors
<p>The top contributor was the fund's underweight position in Apple. While Apple remains a strong company, we think a mature smartphone market, increased competition, and a lack of innovation could lead to weaker growth once the iPhone 8 and X cycles have ended. Positions in financial services companies Tencent Holdings and CME Group also added value. The former released well-received earnings and is positioned to capitalize on advertising and payment opportunities in China, despite recent uncertainty. CME outperformed after market uncertainty created stronger trading volumes for the company.</p>	<p>The largest individual detractor was Amazon. Amazon underperformed following the release of its third-quarter report, in which both first-party retail revenue and guidance fell short, despite margin expansion beating expectations. In our view, the shortfall is a result of several temporary factors, and retail revenues are likely to reaccelerate in 2019, alongside continued growth in Amazon Web Services. Electronic Arts and Activision Blizzard also hurt performance, as both companies struggled due to concerns over the future growth prospects of key video-game franchises.</p>

Portfolio Management

Lawrence Kemp

TOP 10 EQUITY HOLDINGS

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

1. Amazon.com	8.8
2. Microsoft	6.4
3. Visa	5.2
4. Alphabet	4.0
5. UnitedHealth Group	3.9
6. MasterCard	3.3
7. Salesforce.com Inc.	3.0
8. Netflix	2.8
9. Tencent Holdings	2.8
10. Booking Holdings Inc	2.6

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

Further Insight

The fourth quarter saw a change in valuations. While some sub-industries seem oversupplied, we continue to see global demand growth for many of the fund's holdings. And we expect high single-digit earnings-per-share (EPS) growth for these companies in 2019. From a macroeconomic perspective, there are few excesses in the U.S. system, due to low household debt, healthy bank balance sheets, and inflation levels that appears to have peaked. We therefore expect U.S. corporate investment to reaccelerate once the tariff headwind is resolved. U.S. equities, especially those with above-trend EPS growth, tend to be rewarded in such an environment. With low inflation and slowing growth, we expect the Federal Reserve to pause interest-rate hikes, causing U.S. equities to rise.

% 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 ²
Institutional ³	-15.70	2.03	2.03	10.67	9.55	13.66	7.01
Investor A (Without Sales Charge)	-15.78	1.74	1.74	10.36	9.25	13.34	6.75
Investor A (With Sales Charge)	-20.20	-3.61	-3.61	8.39	8.07	12.73	6.47
Morningstar Large Growth Category Avg.	-15.43	-2.09	-2.09	8.98	8.16	13.74	—
Russell 1000 Growth ⁴	-15.89	-1.51	-1.51	11.15	10.40	15.29	—

Expenses for Institutional shares: Total 0.81%. For Investor A shares: Total 1.08%. 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, 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.

¹ Class R shares are sold to a limited group of investors, including certain retirement plans. See prospectus for details. ² Fund inception: 12/31/97. ³ The performance information for periods prior to the inception date of the Institutional and Investor A share classes (6/25/10) is based on the fund's Class K shares, adjusted to reflect the fees and expenses applicable to such share class. See the fund prospectus for more details. ⁴ 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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01/19 — Capital Appreciation Fund

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