

HEALTH SCIENCES OPPORTUNITIES FUND

BLACKROCK®

1Q 2019 COMMENTARY

Inst: SHSSX • A: SHSAX • C: SHSCX • Class R: BHSRX¹

- ▶ The fund posted returns of 8.87% (Institutional shares) and 8.78% (Investor A shares, without sales charge) for the first quarter of 2019.
- ▶ The majority of outperformance relative to the benchmark was driven by security selection.
- ▶ The health care sector continued to be underpinned by longer-term growth drivers. We saw powerful diversification characteristics in the sector, given its limited reliance on economic growth. With that in mind, the fund was positioned overweight in the health care equipment & supplies and health care providers & services sub-industries. The fund was underweight in pharmaceuticals and biotechnology.

Contributors	Detractors
The primary drivers of returns for the fund were idiosyncratic, driven by stock selection in the biotechnology and pharmaceuticals sub-industries. At a stock level, not holding AbbVie (a biotechnology firm) was the largest contributor to returns. The firm reported earnings below expectations for quarter four of 2018, and lowered guidance for the year. Medical devices & supplies firms Masimo and Stryker were also top contributors, after beating earnings expectations due to selling more devices.	At a sub-industry level, stock selection within health care providers & services weighed on relative returns. Not holding a position in Celgene was the largest detractor from performance, after the stock benefited from a takeover bid from pharmaceutical firm Bristol-Myers Squibb. Not holding a position in Danaher also detracted from returns, after investors rewarded the company's acquisition of GE's biopharmaceutical business. Lastly, an overweight position in Humana detracted after the shares of health maintenance organizations (HMOs) were sold by investors.

Further Insight

Long-term drivers for the sector remain in place. These include aging demographics in both developed and developing countries, and innovation in medical technology. On a valuation basis, the sector looks attractive versus broader equity markets, with relative price-to-earnings below the long-run average. The combination of these long-term trends with favorable valuations, creates an attractive long-term investment opportunity. At the end of the year, the portfolio's allocation and relative weightings were as follows: 25% in pharmaceuticals (a 6% underweight); 16% in biotechnology (a 5% underweight); and 18% in health care providers & services (a 1% overweight). The fund also held 40% in health care equipment & supplies (an 8% overweight).

Overall Morningstar Rating®: Institutional



Rated against 133 Health Funds, as of 3/31/19, based on risk-adjusted total return. Ratings are determined monthly and subject to change. The Overall Morningstar Rating for a fund is derived from a weighted average of the performance figures associated with its 3-, 5- and 10-year (if applicable) Morningstar Rating metrics.^{††}

Portfolio Management

Erin Xie, PhD

TOP 10 EQUITY HOLDINGS

(% of Net Assets as of 3/31/19)

1. UnitedHealth Group	7.5
2. Abbott Laboratories	6.1
3. Pfizer	4.5
4. Merck	4.4
5. Boston Scientific	4.2
6. Thermo Fisher Scientific Inc	3.3
7. Stryker Corporation	3.2
8. Medtronic	3.0
9. Eli Lilly and Company	3.0
10. Intuitive Surgical	2.8

Invests at least 80% of total assets in securities of companies in health sciences and related industries. The fund will concentrate its investments (i.e., invest more than 25% of its assets) in health sciences or related industries, and may invest in companies in non-U.S. countries.

% AVERAGE ANNUAL TOTAL RETURNS AS OF 3/31/19

	1Q19 (not annualized)	YTD (not annualized)	1 Year	3 Year	5 Years	10 Years	Since Inception ²
Institutional ³	8.87	8.87	17.76	15.45	13.61	18.00	15.38
Investor A (Without Sales Charge)	8.78	8.78	17.43	15.13	13.29	17.65	15.06
Investor A (With Sales Charge)	3.08	3.08	11.26	13.08	12.08	17.02	14.73
Morningstar Health Category Avg.	12.90	12.90	10.64	13.01	10.02	17.07	—
S&P 500 ⁴	13.65	13.65	9.50	13.51	10.91	15.92	—
Russell 3000 Health Care ⁵	8.67	8.67	15.14	13.70	11.65	17.03	—

Expenses for Institutional shares: Total 0.87%. For Investor A shares: Total 1.15%. 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 small-cap companies may entail greater risk than large-cap companies, due to shorter operating histories, less seasoned management or lower trading volumes. 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. 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. 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. Investments in health services industries may be affected by changes in regulations, advancing technological developments and product liability lawsuits.

The opinions expressed are those of the fund's portfolio management team as of March 31, 2019, 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: 12/21/99. ³ The performance information for periods prior to the inception date of Institutional shares (10/16/00) shows the performance of the fund's Investor A shares. The performance of the Institutional share class would be substantially similar to Investor A shares because the Institutional share class and Investor A shares invest in the same portfolio of securities and performance would only differ to the extent that the Institutional share class and Investor A shares have different expenses. See the fund prospectus for more details. ⁴ The S&P 500 Index comprises large-capitalization U.S. equities. The unmanaged index represents about 75% of NYSE market capitalization and 30% of NYSE issues. ⁵ The Russell 3000 Health Care Index is an unmanaged index representative of companies involved in medical services or health care in the Russell 3000 Index, which is comprised of the 3,000 largest U.S. companies as determined by total market capitalization. †† The Morningstar Rating™ for funds, or "star rating", is calculated for managed products (including mutual funds, variable annuity and variable life subaccounts, exchange-traded funds, closed-end funds, and separate accounts) with at least a three-year history. Exchange-traded funds and open-ended mutual funds are considered a single population for comparative purposes. It is calculated based on a Morningstar Risk-Adjusted Return measure that accounts for variation in a managed product's monthly excess performance, placing more emphasis on downward variations and rewarding consistent performance. The top 10% of products in each product category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars, and the bottom 10% receive 1 star. The Overall Morningstar Rating for a managed product is derived from a weighted average of the performance figures associated with its three-, five-, and 10-year (if applicable) Morningstar Rating metrics. The weights are: 100% three-year rating for 36-59 months of total returns, 60% five-year rating/40% three-year rating for 60-119 months of total returns, and 50% 10-year rating/30% five-year rating/20% three-year rating for 120 or more months of total returns. While the 10-year overall star rating formula seems to give the most weight to the 10-year period, the most recent three-year period actually has the greatest impact because it is included in all three rating periods. The fund was rated against the following numbers of U.S.-domiciled Health funds over the following time periods: 133 in the last 3 years, 122 in the last 5 years and 98 in the last 10 years. With respect to these Health funds, the fund received a Morningstar Rating of 4, 5 and 4 stars for the 3-, 5- and 10-year periods, respectively. Other classes may have different performance 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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04/19 — Health Sciences Opportunities Fund

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