

# IMPACT U.S. EQUITY FUND

# BLACKROCK®

## 4Q 2018 COMMENTARY

Inst: BIRIX<sup>1</sup> • A: BIRAX • C: BIRCX • Class K: BIRKX

- ▶ The fund posted returns of -14.85% (Institutional shares) and -14.86% (Investor A shares, without sales charge) for the fourth quarter of 2018.
- ▶ Underperformance during the quarter was primarily driven by non-impact drivers. Conversely, impact metrics produced marginally positive returns.
- ▶ The fund evaluated companies' societal impact in the areas of health, corporate citizenship, and the environment. These evaluations, in conjunction with proprietary-return drivers, risk and transaction-cost models, determined the fund's weighting relative to the benchmark.

Contributors	Detractors
Citizenship-based insights within impact metrics were the top contributors to performance, followed by health insights in return drivers. Within return drivers, positions driven by quality added value.	Within return drivers, both sentiment and valuation insights performed poorly. Within impact metrics, environment insights detracted from returns.

## Further Insight

During the quarter, the fund maintained an equity portfolio that targets returns and impact outcomes. As of December 31, 2018, the fund held aggregate societal impact outcome exposure compared with the benchmark in below key areas:

- 15% more exposure to green innovations
- 66% less exposure to carbon intensity
- 18% more exposure to better corporate citizenship practice
- 23% less exposure to ethical controversies
- 12% less exposure to lawsuits and litigations

\*Societal impact outcome as defined by BlackRock Scientific Active Equity (SAE) Impact Methodology as developed for the fund and described in the fund prospectus

## Overall Morningstar Rating®: Institutional



Rated against 1,208 Large Blend Funds, as of 12/31/18, 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.<sup>††</sup>

## Portfolio Management

Travis Cooke

## TOP 10 EQUITY HOLDINGS

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

1. Apple	3.2
2. Microsoft	2.9
3. Amazon.com	2.8
4. Alphabet	2.5
5. Johnson & Johnson	1.4
6. UnitedHealth Group	1.3
7. Facebook	1.3
8. Amgen	1.2
9. Cisco Systems	1.1
10. Bank of America	1.1

Invests in a portfolio of equity securities of companies with positive aggregate societal impact outcomes, as determined by BlackRock.

## % 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	-14.85	-5.51	-5.51	9.50	—	—	9.36
Investor A (Without Sales Charge)	-14.86	-5.66	-5.66	9.22	—	—	9.09
Investor A (With Sales Charge)	-19.33	-10.61	-10.61	7.28	—	—	7.29
Morningstar Large Blend Category Avg.	-13.53	-6.27	-6.27	7.66	6.65	11.99	—
Russell 3000 <sup>4</sup>	-14.30	-5.24	-5.24	8.97	7.91	13.18	—

Expenses for Institutional shares: Total 1.10%; Net, Including Investment Related Expenses (dividend expense, interest expense, acquired fund fees and expenses and certain other fund expenses) 0.55%. For Investor A shares: Total 1.42%; Net, Including Investment Related Expenses 0.80%. Institutional and Investor A shares have contractual waivers with an end date of 9/30/19 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: 0.55%; for Investor A shares: 0.80%.

**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. 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. Investing in small- and 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 intends to invest in companies with measurable societal impact outcomes, as determined by BlackRock, and screen out particular companies and industries.

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 The share classes have different sales charges, fees and other features. 2 Fund inception: 11/05/15. 3 Lipper category is as of 12/31/18 and may not accurately represent the current composition of the portfolio. 4 The unmanaged Russell 3000 Index comprises the 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 Large Blend funds over the following time periods: 1,208 in the last 3 years. With respect to these Large Blend funds, the fund received a Morningstar Rating of 4 stars. 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.**

**FOR MORE INFORMATION OR TO RECEIVE UPDATES, VISIT: [blackrock.com](http://blackrock.com)**

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01/19 — Impact U.S. Equity Fund

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