

Advantage Small Cap Growth Fund

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

Commentary as of 09/30/21

- The fund posted returns of -5.39% (Institutional shares) and -5.42% (Investor A shares, without sales charge) for the third quarter of 2021.
- The fund outperformed the benchmark, as early gains offset losses in September. Broadly, insights that evaluate company management commentary performed well across industrials and information technology (IT) stocks. Fundamental-quality measures also added value overall, despite declining in value toward quarter-end as growth-oriented insights ran against the market rotation into value.
- From a sector-positioning perspective, the fund remained largely sector-neutral. The fund had slight overweight positions in the consumer discretionary and utilities sectors, and maintained slight underweight exposures to consumer staples and real estate.

Contributors

Sentiment insights that evaluate management commentaries performed well. These measures, which seek to identify short-term results as well as long-term fundamentals, added value through an overweight position in IT stocks. Similarly, a quality measure that compares management press releases to identify "spin" was beneficial. An insight that captures trends in online activity successfully positioned the fund for the evolving supply-chain issues by being overweight and underweight in the software and communications equipment industries, respectively.

Detractors

Performance weakened into quarter-end against a highly changeable backdrop that produced a strong pivot away from growth and into value stocks. Growth-oriented fundamental quality measures detracted amid the sharp market rotation toward value styles in September, particularly signals that identify founder-led firms as well as environmental, social & governance signals. Specifically, environmental insights struggled due to the strong rise in commodity prices globally. However, more traditional quality measures, such as dividend policy and a preference for lower-risk stocks, performed well.

Further insight

Despite rising initially, markets ended the quarter flat after a sharp rotation in September offset previous gains, while small-cap shares lagged their larger peers amid growth concerns. The initial preference for quality growth quickly pivoted to value amid concerns about supply chains and inflationary pressures. Increased volatility across asset classes was partially due to the most recent Federal Reserve (Fed) meeting. The Fed announced bond-purchase tapering, prompting yields to rise after declining for much of the quarter. Energy supply shortages in Europe created further inflationary pressures and prompted a sharp rise in commodity prices. The regulatory backdrop and real estate debt concerns in China also dampened global growth forecasts and negatively affected sentiment.

Portfolio management

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Top 10 holdings (%)

Silicon Laboratories Inc.	1.65
Lattice Semiconductor Corporation	1.43
EMCOR	1.29
Werner Enterprises Inc	1.13
Power Integrations Inc	1.09
Varonis Systems Inc	1.02
International Game Technology Plc	0.95
Insperity	0.92
Siteone Landscape Supply Inc	0.92
Franklin Electric Co Inc	0.88

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.

Average annual total returns (%) as of 9/30/21

	3Q21 (not annualized)	YTD (not annualized)	1 Year	3 Year	5 Years	10 Years	Since Inception ¹
Institutional	-5.39	3.29	33.83	13.21	16.41	15.82	10.44
Investor A (Without Sales Charge)	-5.42	3.10	33.54	12.93	16.10	15.49	10.02
Investor A (With Sales Charge)	-10.39	-2.31	26.53	10.92	14.86	14.87	9.81
Morningstar Small Growth Category Avg.	-2.57	9.63	39.55	15.66	18.25	16.46	—
Russell 2000 Growth¹	-5.65	2.82	33.27	11.70	15.34	15.74	—

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 **1.02%**; Net, Including Investment Related Expenses **0.75%**. Institutional and Investor A shares have contractual waivers with an end date of 01/31/2022 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 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 September 30, 2021, 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.

¹ 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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