# Results analysis: BlackRock Greater Europe

**BRGE responds to changing markets.**

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- BlackRock Greater Europe's (BRGE) final results to 31/08/2025 show an NAV and share price total return of -6.1% and -3.9% respectively. BRGE's reference index, the FTSE World Europe ex UK, produced a total return of 10.9% over the same period, and BRGE's peer group index, the Morningstar IT Europe Index, produced an NAV total return of 2.8%.

- Over five years BRGE's NAV and share price total returns were 37.9% and 35.6% compared to 61.4% and 55.8% for the same two comparators.

- The largest single detractor in the year was Novo Nordisk, which started the year as the largest holding and experienced a steep share price decline. The position has now been exited. The portfolio was also underweight financials, with banks in particular performing well, and overweight technology, which did much less well. BRGE typically focuses on 'quality growth' stocks and this is at odds with the market's current preference for 'value' stocks. While over three and five years BRGE has underperformed, over a ten-year period the NAV per share has outperformed the reference index by 13.1%.

- BRGE's board notes that the underperformance relates to a challenging market backdrop. The manager has proposed adopting a more balanced approach to include selective quality value investments. The core of the portfolio will remain invested in Europe's most compelling quality growth stocks, and the board further notes that BRGE has outperformed other growth focused peers over the year.

- Brian Hall is appointed as a co-portfolio manager from 04/11/2025 to work alongside Stefan Gries. Brian is a multi-award-winning portfolio manager with 26 years of investment experience and has worked with Stefan for nearly 19 years having joined BlackRock in 2007. Brian runs the European Core strategy which has returned 4.3% annualised relative outperformance since inception in 2019. Alexandra Dangoor will step down as co-manager. No changes are proposed to the investment objective and policy.

- With effect from 01/09/2025, BRGE's management fee reduced from the previous tiered structure of 0.85% on net assets up to £350m and 0.75% thereafter to a new structure of 0.65% on net assets up to £400m, 0.60% between £400m and £1bn and 0.525% thereafter. Based on year end net assets of £593m this equates to a blended fee of 0.634%. The board estimates this will result in an indicative reduction of the ongoing charges ratio from the existing 0.95% to 0.775%.

- Together with the interim dividend already paid, the final dividend of 5.40p brings the annual total to 7.15p. (2024: 7.00p). BRGE has increased its dividend every year since inception, i.e. for 19 years. The dividend will be funded from current revenue together with a small transfer from revenue reserves. BRGE primarily targets capital return and the dividend yield, 1.2%, reflects this.

- Russian securities update: Given the uncertainty of being able to sell Russian assets, they are held at a nominal value of £0.01. At the financial year end, the local value was c. £29.0m, equivalent to c. 30 pence per share or 5% of NAV. Dividends paid from these securities are held in local custody in Moscow and amounted to £2.69m, or 2.8 pence per share. Again, there is no certainty this income will ever be released, and it is not reflected in the NAV or income statement.

- **BRGE's discount averaged 6.2% over the year. The board spent £24.1m on share buybacks over the year at an average discount of 6.2%. A further £6.9m has been purchased subsequent to the year-end up to 31/10/2025, with the objective of maintaining a relatively narrow discount. Having maintained the discount within the range of the peer group, the board concluded it would not operate BRGE's half yearly discretionary tender offer mechanism in September 2025.**

- **BRGE was net cash of 3% (2024: 8.0% geared) at the year end.**

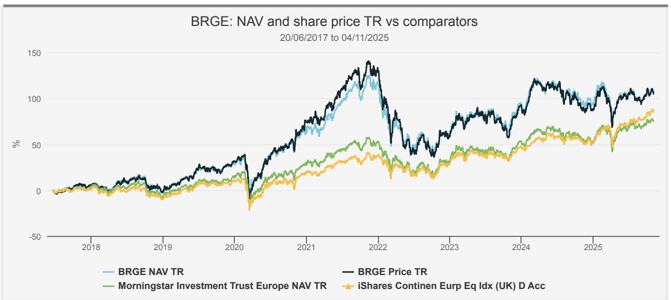
- **Eric Sanderson, Chair, said: "The Board is aware that after a period of exceptionally strong performance, the Company's performance in recent years has been less successful, as growth has significantly underperformed value in European markets and there have been some stock-specific disappointments. Despite this, the portfolio managers are long-term investors and follow a well-defined investment process. Their focus will continue to be on selecting high-quality companies with a unique product or service that generate high and predictable returns on capital and capable management teams with a track record of value creation."**

## Kepler View

BRGE's results highlight the striking divergence in performance of sectors over the last year. Over half of the total contribution to positive performance for the index this year came from banks and insurance, with utilities also making a strong showing. None of these are traditional hunting grounds for BRGE's quality growth style and being underweight these sectors is a big part of the underperformance. Further, market expectations for many sectors had been too high, with only a small handful of sectors, media, banks, insurance, seeing positive upgrades to earnings forecasts. And, BRGE began the financial year with healthcare giant Novo Nordisk, which has gone through a well-documented de-rating of the share price. More positively BRGE's portfolio was well positioned in defence and 'defence adjacent' stocks such as French aero engine maker Safran.

As outlined in the statement, there will be a few changes to the team and the approach to managing BRGE's portfolio. The obvious question is whether this is a change in direction just at the wrong moment. Before answering that, it's worth reminding ourselves of BRGE's track record under manager Stefan Gries, who took on the role in June 2017. Performance against the Morningstar Europe peer group and a representative ETF tracking BRGE's benchmark is shown in the track below, and the numbers are an NAV TR compounding at 9.1% for BRGE, compared to 7.3% and 6.9% for the benchmark TR and the peer group NAV TR respectively.

### Fig.1: Performance Under Manager's Tenure




Source: Morningstar
***Past performance is not a reliable indicator of future results.***

The point being that over a longer timeframe BRGE's strategy has been very successful and much of the more recent underperformance can be explained in terms of changes in how the market reacts to different sectors, rather than an inability to identify 'quality' companies. The changes to the team and portfolio are therefore aimed at bringing another perspective from a senior fund manager who has a greater focus on 'quality value', that is, companies with earnings growth that is undervalued by the market. So, investors should not expect to see companies that are restructuring or going through a turnaround in the portfolio. This is a recognition that 'value' has been outperforming 'growth' in Europe for some time. But it does not mean that BRGE will be run as a value and growth barbell. The changes will be more subtle, and investors should expect BRGE to be, at its core, an investor in growth companies, although most likely with a lower average portfolio valuation than has been the case in the past. Stefan and his new co-manager Brian Hall have worked together since 2008 and are already very accustomed to discussing and debating investments, so the change is, in effect, simply formalising an existing relationship.

It's also worth reflecting on BRGE's strong track record in relation to managing the discount. A very active buyback programme over many years has maintained a single-digit discount even during tougher periods. That, combined with BRGE's reduction in fees, makes it an attractive proposition in terms of the value it offers to shareholders. BRGE's recent performance is disappointing, but it's what the manager choses to do to meet the challenge of an evolving market that matters next, and in our view this looks like a sensible set of changes that keeps the best of BRGE while giving it access to a wider opportunity set.

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