EDISON

BlackRock Greater Europe Investment Trust

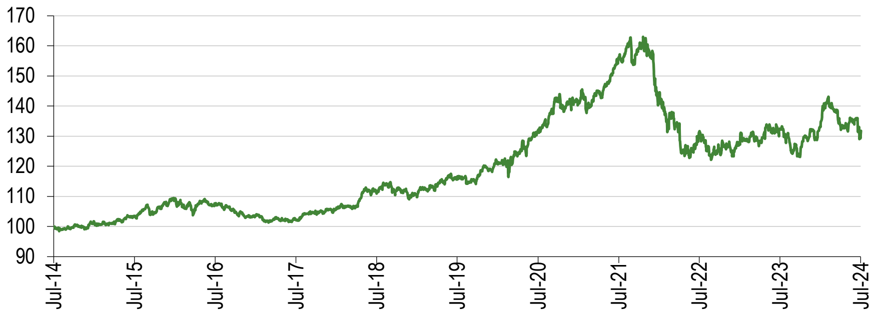
High-quality fund in underappreciated region

Investment trusts
European equities

14 August 2024

BlackRock Greater Europe Investment Trust's (BRGE's) co-managers Stefan Gries and Alexandra Dangoor remain positive on the trust's prospects despite a mixed macroeconomic backdrop. Although the Chinese economy is weaker than forecast (China is an important European export market), and there are some weaker US economic indicators, European purchasing managers indices are rising and employment data is strong. The managers are selective, seeking high-quality European-based companies. Hence, investors do not have to have a positive view on the economy to consider BRGE, which has the highest returns in the AIC Europe sector over the last 10 years.

NAV outperformance versus the Europe ex-UK market over the last decade



Source: LSEG Data & Analytics, Edison Investment Research

Why consider BRGE?

The trust has a concentrated, low turnover, high-conviction portfolio, with a commendable long-term performance track record versus both its peers and the reference index. Themes represented in the fund (and portfolio examples) include: companies with strong brands and pricing power (Ferrari); beneficiaries of the energy transition away from fossil fuels (Schneider Electric); companies with unique products or services (Novo Nordisk); and firms with structural growth opportunities (BE Semiconductor).

BRGE's managers are not afraid to deviate from the reference index's sector and geographic weightings, as portfolio allocations are a result of bottom-up stock selection. The trust has notable overweight exposures to the technology and consumer discretionary sectors, with a meaningful underweight in financial stocks and a zero weighting to four of the 11 market sectors, which do not contain companies that meet the managers' quality and growth criteria (11.5% of the index).

The European market has not been favoured by investors, who have preferred risk-averse money-market funds rather than equities. Recent share price volatility is unsurprising given a snap French presidential election and an upcoming US presidential election. However, this means that there is plenty of firepower available when there is a change in sentiment, perhaps due to greater political stability or a further improvement in the European economy. The ECB has been the first of the major central banks to loosen monetary policy; lower interest rates should be positive for the valuation of growth stocks, which should benefit BRGE.

NOT INTENDED FOR PERSONS IN THE EEA

Price		**582.0p**
Market cap		**£580m**
Total assets		**£661m**

NAV*		612.5p
Discount to NAV		5.0%
*Including income. At 12 August 2024.		
Yield		1.2%
Ordinary shares in issue		99.6m
Code/ISIN		BRGE/GB00B01RDH75
Primary exchange		LSE
AIC sector		Europe
Financial year end		31 August
52-week high/low	650.0p	466.0p
NAV* high/low	681.2p	505.3p
*Including income		
Net gearing (at 30 June 2024)		8.3%

Fund objective

BlackRock Greater Europe Investment Trust's objective is to achieve capital growth, primarily through investment in a focused portfolio of large-, mid- and small-cap European companies. It aims to achieve a net asset value total return in excess of a broad index of European ex-UK equities (in sterling terms).

Bull points

- Proven track record, with above-average NAV total returns in the AIC Europe sector over the last five and 10 years.
- Portfolio has well diversified revenue streams from different geographies and sectors.
- Favourable upside/downside capture profile despite difficult performance between Q421 and Q222.

Bear points

- Performance can struggle in a market driven by macroeconomic factors rather than company fundamentals.
- Relatively concentrated portfolio.
- Modest dividend yield.

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BlackRock Greater Europe Investment Trust is a research client of Edison Investment Research

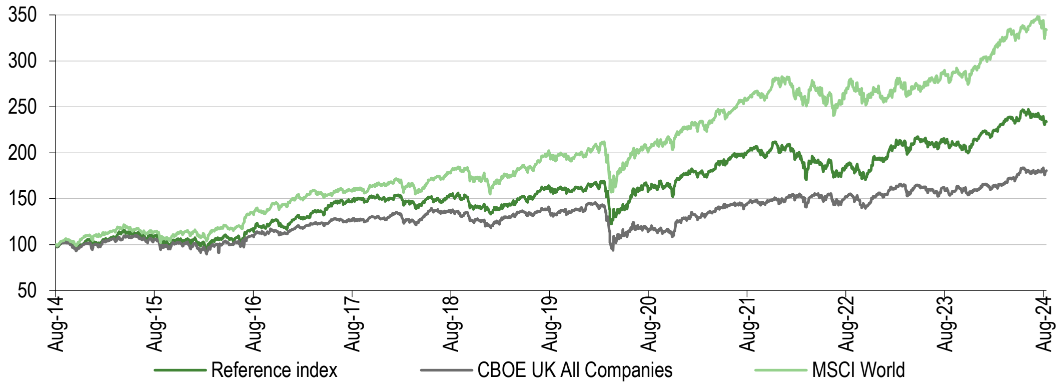
BRGE: Quality fund with strong long-term performance

While BRGE has a broad remit that enables Gries and Dangoor to invest in both advanced and developing European economies, the portfolio currently has no emerging market exposure. The managers stress that they are long-term investors acting as 'investors in businesses' rather than 'traders in shares'. They seek quality companies with strong fundamentals and high-quality management teams that can deliver strong long-term shareholder returns. This strategy has proved successful, as despite a difficult 2022, BRGE is the top performing fund in the six-strong AIC Europe sector over the last 10 years.

Undemanding European equity market valuation

Looking at Datastream regional indices, European equities look attractively valued. In absolute terms, Europe is trading on a forward P/E multiple of 12.9x, which is a 12.1% discount to its 14.6x 10-year average. The divergence versus history is more pronounced in relative terms, with Europe trading at a 19.4% forward P/E multiple discount to the world market, which compares with a much lower 6.9% 10-year average discount.

Exhibit 1: Performance of indices over last 10 years (£)



Source: LSEG Data & Analytics, Edison Investment Research

Exhibit 1 shows the performance of indices in sterling terms. While, in aggregate, European shares have outperformed those in the UK over the last 10 years, both regions have significantly lagged the world market, which is dominated by the US and its mega-cap technology stocks have performed very well.

The managers' view on the current investment backdrop

Gries and Dangoor consider that Europe is very under-owned. Investors are defensive, holding a four- to five-year high $6tn in money-market funds, meaning they are missing out on much higher potential equity returns. However, equity fund outflows have slowed and there are modest inflows. The managers believe the European Central Bank (ECB) is on the right path, having cut interest rates ahead of the other major central banks. They consider that interest rates are likely to end up around 2.5% and will not be returning to zero. Financing conditions in Europe have improved, with mortgage rates in most European countries having peaked in 2023.

Looking at the Q224 earnings season, Gries and Dangoor say that results have been mixed. There have been strong earnings in industries that have a structural growth tailwind; for example, construction volumes are robust, and companies involved in energy efficiency have delivered strong numbers. On the other hand, consumer areas are generally weak – as examples, within consumer staples, the beverage sector has high inventories due to the weakness in the low-end consumer, and within consumer discretionary, LVMH is struggling due to higher inflation and exposure to China.

The managers say that in their meetings with corporates, businesses had been hopeful for an H224 economic recovery, but it is only partly coming through. China is showing weakness on both the consumer and industrial side, and the auto sector is weak as demand for electric vehicles is less than expected. However, Gries and Dangoor note that European economic data is improving, with high employment numbers and rising purchasing managers indices. Given, the mixed messages the managers are receiving, they stress the importance of remaining selective.

Current portfolio positioning

At the end of June 2024, BRGE's top 10 holdings made up 53.9% of the portfolio, which was broadly in line with 53.6% 12 months earlier; seven positions were common to both periods. Analysis from Morningstar shows that the trust's portfolio is relatively concentrated versus its peers as it has the second-highest weighting in its top 10 holdings and in its number of positions of the six funds in the AIC Europe sector. BRGE's number one position, Novo Nordisk, is approaching the 10% maximum permitted size for a single holding. It is the largest constituent of the reference index (5.1% at the end of June 2024), so the active weighting was around 4.5pp.

Exhibit 2: Top 10 holdings (at 30 June 2024)

Company	Country	Subsector	Portfolio weight %	
			30 June 2024	30 June 2023*
Novo Nordisk	Denmark	Pharmaceuticals & biotechnology	9.4	8.6
ASML Holding	Netherlands	Technology hardware & equipment	8.4	7.1
RELX	UK	Media	6.5	5.4
LVMH Moët Hennessy Louis Vuitton	France	Luxury goods	5.5	7.9
BE Semiconductor Industries	Netherlands	Semiconductors	4.6	3.6
ASM International	Netherlands	Semiconductors	4.4	N/A
Hermès International	France	Luxury goods	3.9	4.3
Safran	France	Aerospace & defence	3.8	N/A
Schneider Electric	France	Electronic & electrical equipment	3.7	N/A
Ferrari	Italy	Automobiles & parts	3.7	3.4
Top 10 (% of portfolio)			**53.9**	**53.6**

Source: BRGE, Edison Investment Research. Note: *N/A where not in end-June 2023 top 10.

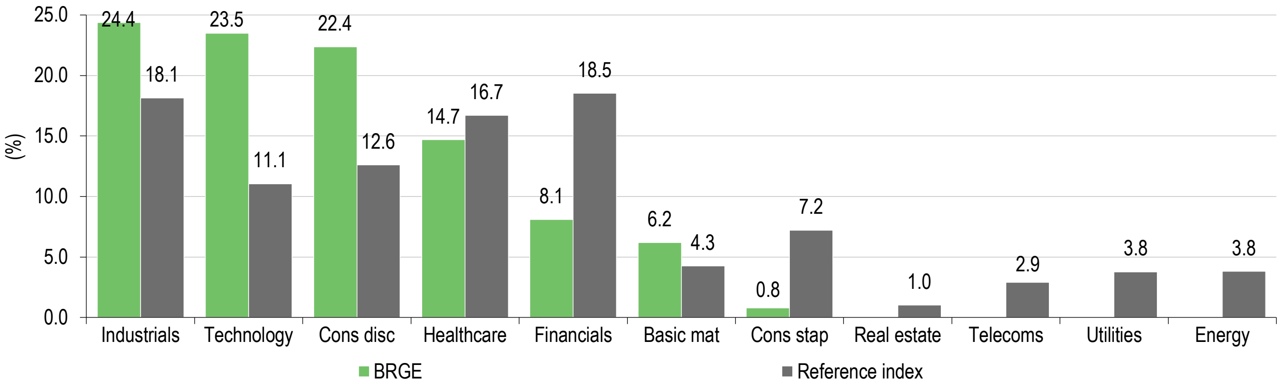
Exhibit 3: Portfolio sector exposure versus reference index (% unless stated)

	Portfolio end-June 2024	Portfolio end-June 2023	Change (pp)	Active weight vs index (pp)
Industrials	24.4	23.9	0.4	6.2
Technology	23.5	23.8	(0.4)	12.4
Consumer discretionary	22.4	20.9	1.4	9.8
Healthcare	14.7	17.1	(2.5)	(2.0)
Financials	8.1	7.3	0.8	(10.4)
Basic materials	6.2	2.5	3.7	1.9
Consumer staples	0.8	4.4	(3.6)	(6.4)
Real estate	0.0	0.0	0.0	(1.0)
Telecommunications	0.0	0.0	0.0	(2.9)
Utilities	0.0	0.0	0.0	(3.8)
Energy	0.0	0.0	0.0	(3.8)
Total	**100.0**	**100.0**		

Source: BRGE, Edison Investment Research. Note: Rebased for net current assets/liabilities.

Exhibits 3 and 4 show BRGE's sector breakdown, which is the outcome of the managers' bottom-up stock selection. Over the 12 months to the end of June 2024, the largest increase in sector exposure was +3.7pp in basic materials, which has resulted in a modest above-index weighting. However, this is due to the purchase of Linde, an industrial gas company whose business is relatively defensive. The largest decrease was a 3.6pp reduction in consumer staples, which has increased the trust's underweight exposure (-6.4pp). BRGE's largest overweight exposures remain technology (+12.4pp), consumer discretionary (+9.8pp) and industrials (+6.2pp). Financials continues to be the trust's largest underweight position (-10.4pp), and the four sectors where BRGE has a zero weighting (energy, utilities, telecoms and real estate), as these stocks do not meet the managers' quality growth criteria, make up 11.5% of the reference index.

Exhibit 4: BRGE and reference index sector breakdowns at 30 June 2024



Source: BRGE, Edison Investment Research

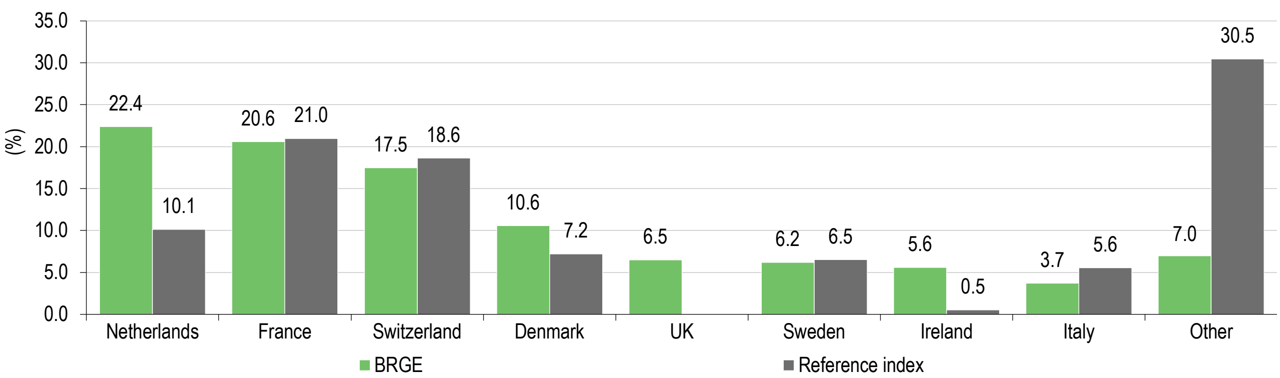
There was a notable 6.1pp reduction in BRGE's Danish exposure in the 12 months to the end of June 2024. A large part of the trust's 12.2pp above-reference index weight in the Netherlands is due to three of its top 10 holdings, which are all in the semiconductor industry.

Exhibit 5: Portfolio geographic exposure versus reference index (% unless stated)

	Portfolio end-June 2024	Portfolio end-June 2023	Change (pp)	Active weight vs index (pp)
Netherlands	22.4	19.0	3.3	12.2
France	20.6	19.3	1.2	(0.4)
Switzerland	17.5	19.7	(2.3)	(1.1)
Denmark	10.6	16.7	(6.1)	3.4
UK	6.5	6.0	0.5	6.5
Sweden	6.2	5.0	1.2	(0.3)
Ireland	5.6	3.6	2.0	5.1
Italy	3.7	5.1	(1.4)	(1.9)
Other	7.0	5.6	1.4	(23.5)
Total	**100.0**	**100.0**		

Source: BRGE, Edison Investment Research. Note: Rebased for net current assets/liabilities.

Exhibit 6: BRGE and reference index geographic breakdowns at 30 June 2024



Source: BRGE, Edison Investment Research

Portfolio activity

There were some new additions to the portfolio at the end of 2023 (no new names have been added this year). **Schneider Electric** is a global energy management and industrial automation company. It has exposure to major growth trends and growing end markets: data centres and networks due to the growth in artificial intelligence (AI); decarbonisation of buildings, industrial reshoring and mega projects; and major government infrastructure spending.

Linde is the global leader in industrial gases. Although it has moved its listing from Germany to the US, it remains a European company. The company has grown organically and via acquisition, and its business is relatively defensive due to a broad customer base, including a large exposure to the healthcare industry. Linde has pricing power and attractive take-or-pay contracts; the company has modest leverage and solid growth drivers.

L'Oréal is a major global beauty company. Its business is relatively defensive, although there have been concerns about sales in China (30% the total). L'Oréal is growing faster than the overall market in China and 40% of its overall sales base is in higher-end brands, which are more resilient. These include luxury soap company Aesop, which was acquired for $2.5bn in 2023, Kiehl's and Lancôme. L'Oréal is not cheap at 30x P/E, but it is a quality compounder that fits the managers' investment criteria.

The following positions were sold: **Sartorius Stedim Biotech** provides instruments and consumables for the global biopharmaceutical industry. The company had a very successful period during COVID providing single-use products that had pricing power. Following the end of the global pandemic, life science and biotech companies have struggled with a destocking cycle, which is unusual within the healthcare sector, and management teams have lost business visibility.

Royal Unibrew was sold as beverage companies are having a tough time. During COVID they benefited from solid pricing and robust volumes as more people drank alcohol at home. The industry is now working through an inventory cycle and demand is under pressure from the cost-of-living crisis and poor summer weather in 2023 and again in 2024. The global beer market has gone ex-growth as more consumers switch to premium spirits.

DSV provides transport and logistic services. It has a very strong management team, and the company should benefit from an economic recovery. It was a COVID beneficiary as freight volumes increased due to more people ordering products for home delivery. However, volumes have been muted for the last six to nine months. Earlier in 2024 there was a management shake-up, which resulted in the departure of DSV's CEO. This followed the company undertaking deals outside of its core strategy, including a $10bn joint venture providing logistic services in Neom, which is a futuristic megacity in Saudi Arabia.

Amadeus IT Group is a travel platform, and while travel demand remains robust, this was a lower-conviction holding. Proceeds from the sale were redeployed into Linde and Partners Group.

Performance: Commendable longer-term record

Following the merger of two Janus Henderson Investors' funds, BRGE is the third largest of six funds in the AIC Europe sector. The trust's NAV total returns are above average over the last five and 10 years, ranking third and first respectively. BRGE's three-year performance continues to be dragged down by the de-rating of growth stocks in a rising interest rate environment between Q421 and Q222. Except JPMorgan Growth and Income, which Morningstar classifies as a large-cap blended fund, the other five funds are classed as large-cap growth funds. However, they all have different features – as examples, Baillie Gifford European Growth can invest in both private and listed companies and European Opportunities Trust's manager invests taking top-down factors into consideration.

BRGE currently has the second-narrowest discount in the sector. The trust's ongoing charge and level of gearing are above average, while unsurprisingly, given its capital growth rather than income objective, BRGE has a below-average dividend yield.

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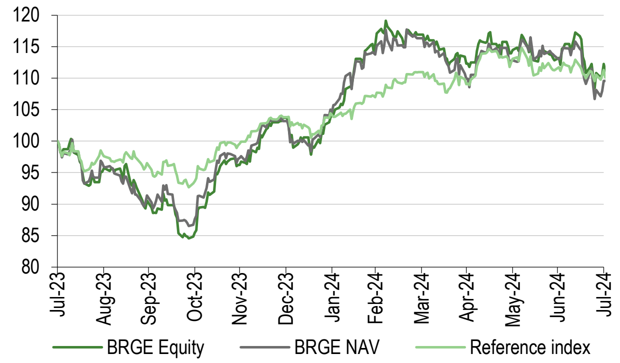
Exhibit 7: AIC Europe peer group at 13 August 2024*

% unless stated	Market cap (£m)	NAV TR 1 year	NAV TR 3 year	NAV TR 5 year	NAV TR 10 year	Discount (cum-fair)	Ongoing charge	Perf. fee	Net gearing	Dividend yield
BlackRock Greater Europe	579.7	8.0	(4.7)	61.9	212.8	(5.0)	1.0	No	109	1.2
Baillie Gifford European Growth	326.7	4.4	(34.0)	22.3	59.4	(13.6)	0.6	No	113	0.4
European Opportunities Trust	559.9	7.7	4.5	12.0	139.5	(10.3)	1.0	No	110	0.4
Fidelity European Trust	1,590.0	11.4	22.6	65.7	203.8	(3.5)	0.8	No	112	2.1
Henderson European Trust	597.3	13.5	20.8	62.0	177.3	(8.9)	0.8	No	101	2.4
JPMorgan European Growth & Inc	437.3	11.8	19.5	54.0	157.7	(10.1)	0.7	No	104	4.3
Simple average	**681.8**	**9.5**	**4.8**	**46.3**	**158.4**	**(8.6)**	**0.8**		**108**	**1.8**
BRGE rank in sector (6 funds)	**3**	**4**	**5**	**3**	**1**	**2**	**5**		**4**	**4**

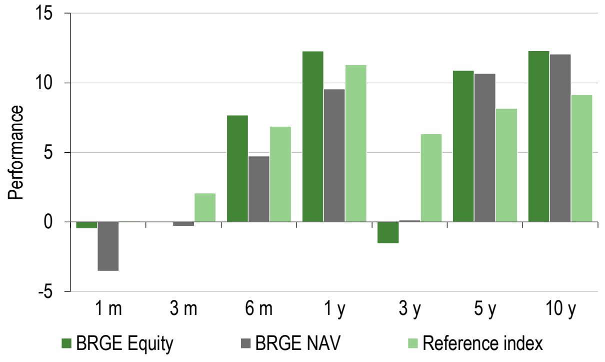
Source: Morningstar, Edison Investment Research. Note: *Performance to 13 August 2024 based on ex-par NAV. TR, total return. Net gearing is total assets less cash and equivalents as a percentage of net assets.

Exhibit 8: Investment trust performance to 31 July 2024

Price, NAV and index total return performance, one-year rebased



Price, NAV and index total return performance (%)



Source: LSEG Data & Analytics, Edison Investment Research. Note: Three-, five- and 10-year performance figures annualised.

Looking at BRGE's relative performance in Exhibit 9, the trust has a strong long-term record of outperformance versus the reference index. Recently, July 2024 proved to be a difficult month as semiconductor stocks sold off and Novo Nordisk came under pressure (see below).

In the last 12 months, Novo Nordisk has been the largest positive contributor to BRGE's performance as demand for its GLP 1 weight-loss products continues to exceed supply. These drugs also have potential for other indications, which should make them eligible for inclusion in more government programmes. Novo's share price fell in July when Roche filed a Phase I trial for an anti-obesity drug. However, if successful, it is not likely to launch until 2027 and Novo, along with US-based Eli Lilly have the only available GLP 1 drugs. These firms are developing next-generation products, putting them in a very strong position.

Semiconductor companies (ASM International, BE Semiconductor and ASML Holding) have been positive contributors, helped by the growth in AI, but their share prices weakened in July with Donald Trump talking about tariffs and bans on selling products to China if he becomes US president. Fundamentally, these companies are positive about their outlooks for 2024 and 2025.

In industrials, Safran has been a strong performer, benefiting from robust demand for aftermarket sales helped by Airbus being capacity constrained and Boeing's operational problems, and Schneider Electric is benefiting from the positive trends in energy efficiency and data centres.

On the other side of the ledger, LVMH was one of the largest detractors to BRGE's performance over the last 12 months. H124 was disappointing as the business normalised from high levels of demand across all divisions; the lower end 'aspirational' customer base, which spends less than $2k on LVMH's products, is particularly weak. The company is growing at a sub-GDP rate, which the managers consider to be unsustainable. They believe the stock is undervalued, and LVMH's comparative data will become easier.

Semiconductor manufacturer STMicroelectronics has been a negative performance contributor and is under review as the company has missed earnings estimates twice. It is exposed to China and there are high inventories in the industrial and auto sectors, where demand for electric vehicles has been lower than expected.

Other negative performance contributors included DSV, which has been diversifying away from its core business, payment platform Adyen, whose pricing was undercut by Braintree (a division of eBay) and Lonza, a provider of healthcare products, which experienced tough comparisons versus high demand for the Moderna COVID vaccine.

Exhibit 9: Share price and NAV total return performance, relative to indices (%)

	One month	Three months	Six months	One year	Three years	Five years	10 years
Price relative to reference index	(0.6)	(2.1)	0.8	0.9	(20.6)	13.3	33.0
NAV relative to reference index	(3.6)	(2.3)	(2.0)	(1.6)	(16.5)	12.3	30.4
Price relative to CBOE UK All Companies	(3.5)	(4.0)	(3.8)	(0.9)	(25.5)	27.1	73.6
NAV relative to CBOE UK All Companies	(6.4)	(4.2)	(6.4)	(3.3)	(21.6)	25.9	70.2
Price relative to MSCI World	(0.7)	(5.6)	(3.6)	(5.7)	(28.8)	(2.9)	(7.3)
NAV relative to MSCI World	(3.7)	(5.8)	(6.2)	(8.0)	(25.0)	(3.8)	(9.2)

Source: LSEG Data & Analytics, Edison Investment Research. Note: Data to end-July 2024. Geometric calculation.

Exhibit 10: Five-year discrete performance data

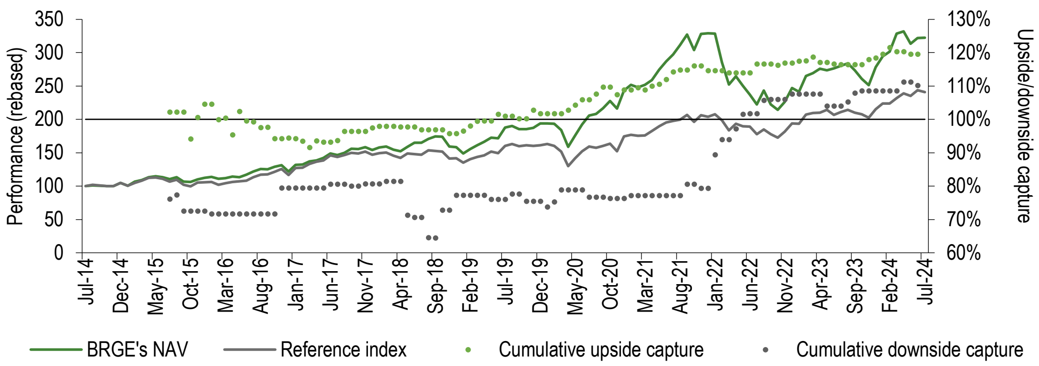
12 months ending	Share price (%)	NAV (%)	Reference index (%)	CBOE UK All Companies (%)	MSCI World (%)
31/07/20	14.1	10.5	(2.8)	(18.5)	0.6
31/07/21	53.9	49.7	26.6	26.4	28.1
31/07/22	(28.8)	(21.8)	(7.0)	6.1	4.3
31/07/23	19.3	17.2	16.1	6.4	7.9
31/07/24	12.3	9.5	11.3	13.3	19.1

Source: LSEG Data & Analytics. Note: All % on a total return basis in pounds sterling.

Upside/downside capture

Over the last decade, BRGE's cumulative upside capture was 120%, illustrating that the trust is likely to outperform the market by around 20% in months where European ex-UK shares rally. The downside capture was 110%, suggesting BRGE tends to underperform to a lesser extent in a falling market. However, the cumulative downside capture rate increased during a period of underperformance between Q421 and Q222, so the trust is probably more defensive than these figures suggest. BRGE's favourable risk/reward profile is likely to suit investors seeking to protect their capital, while gaining exposure to an asset class that has generated excess returns over the long term compared with other major asset classes such as bonds or cash.

Exhibit 11: BRGE's upside/downside capture over the last 10 years

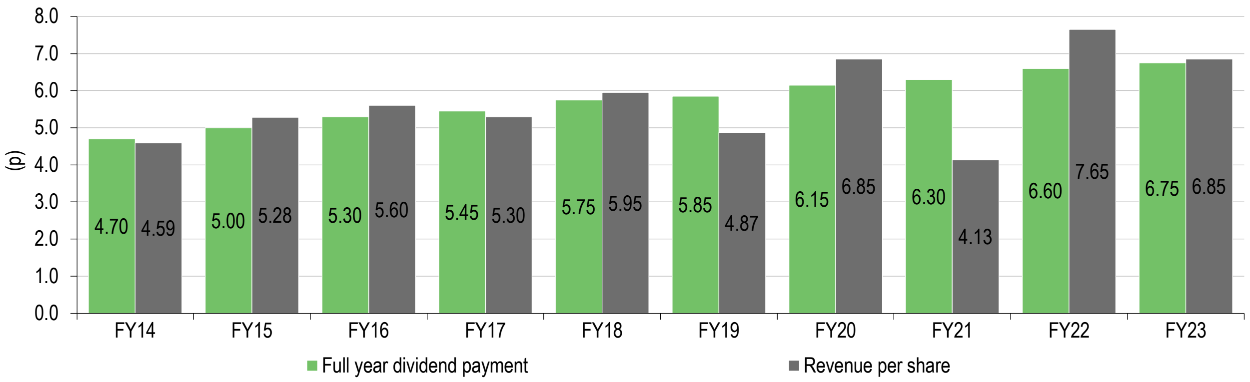


Source: LSEG Data & Analytics, Edison Investment Research. Note: Cumulative upside/downside capture calculated as the geometric average NAV total return (TR) of the fund during months with positive/negative reference index TRs, divided by the geometric average reference index TR during these months. A 100% upside/downside indicates that the fund's TR was in line with the reference index's during months with positive/negative returns. Data points for the initial 12 months have been omitted in the exhibit due to the limited number of observations used to calculate the cumulative upside/downside capture ratios.

Dividends: Progressive policy since launch

BRGE's annual dividend has grown every year since the trust was launched in 2004, which places it high up on the list of the AIC's next-generation dividend heroes (funds with more than 10 but less than 20 consecutive years of higher annual dividend payments).

Exhibit 12: Dividend and revenue history since FY14



Source: BRGE, Edison Investment Research

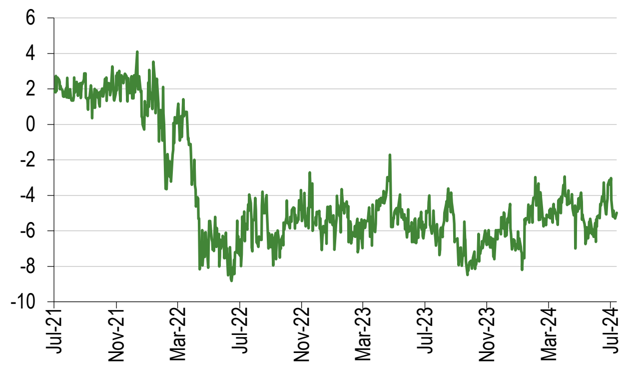
The trust's distributions are made twice a year in May and December, and over the last five years the annual dividend has compounded at an annual rate of 3.3%. Typically, most of BRGE's income is generated in the second half of the financial year. So far in FY24, an interim dividend of 1.75p per share has been paid, which is in line with the FY23 interim payment. At the end of H124, BRGE had c £6.0m of revenue reserves, which is c 0.9x the last annual dividend.

Discount: Remains within a 2% to 8% range

Since Q224, BRGE has broadly traded in a range of a 2% to an 8% discount (now 5.0%). Prior to this, the trust regularly traded at a premium; however, this derating is not unusual among investment trusts as investors have generally become more risk averse. Over the last one, three, five and 10 years, BRGE traded at average discounts of 5.6%, 3.9%, 3.3% and 3.8%, respectively.

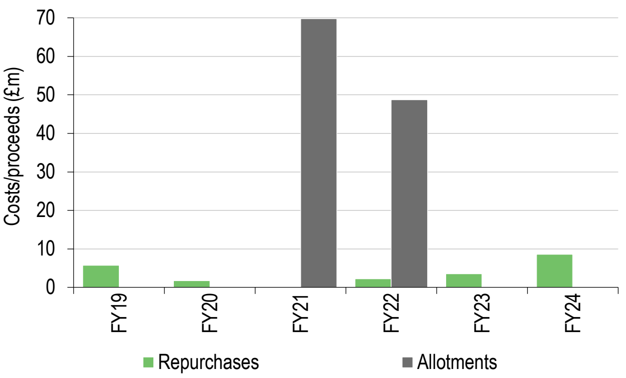
Renewed annually, BRGE's board has the authority to allot up to 10% or repurchase up to 14.99% of the trust's shares. There are also discretionary semi-annual tender offers for up to 20% of shares outstanding, although none have been undertaken since November 2018.

Exhibit 13: Discount over three years (%)



Source: LSEG Data & Analytics, Edison Investment Research

Exhibit 14: Buybacks and issuance



Source: Morningstar, Edison Investment Research

Fund profile: Broad European equity exposure

BRGE was launched in September 2004 and is listed on the Main Market of the London Stock Exchange. On 21 December 2022, the board announced that Stefan Gries, who had been co-manager since June 2017, would become BRGE's sole manager with immediate effect. Sam Vecht, the trust's former co-manager, stepped down; he had been responsible for the trust's modest emerging Europe weighting. On 28 September 2023, Alexandra Dangoor was appointed as BRGE's co-manager; she had worked closely with Gries for the prior seven years.

The managers aim to generate long-term capital growth from a focused portfolio of European equities, across the market cap spectrum, although most of the fund will be invested in companies with a market cap above €5bn. BRGE's performance is measured against a broad Europe ex-UK index. The fund typically has 35–45 high-conviction positions and there are no constraints on sector exposure. Up to 25% of the portfolio may be held in emerging European markets (currently 0%), while up to 5% may be held in unquoted securities (currently 0%); together these two exposures may not exceed 25% of the fund. Gries and Dangoor may invest in debt securities (up to 20% of the portfolio – none currently held) and derivatives are permitted for efficient portfolio management. Maximum gearing of 15% of NAV at the time of drawdown is permitted.

Investment process: Fundamental stock selection

BRGE's stocks are selected on a bottom-up basis. Gries and Dangoor can draw on the broad resources of BlackRock's Fundamental Equity division; the European Equity team alone has 22 fund managers and analysts. The first step of the investment process is idea generation, which is important in ensuring there is a continuous flow of new ideas entering the proprietary research process. A research pipeline is in place to make sure that team resources are used efficiently and to take advantage of the most promising investment opportunities.

Analysts undertake thorough industry and company analysis, looking at a firm's market dynamics, revenue drivers, financial statements, valuations and risks to the investment thesis. It is important to understand the factors that influence a company's share price and what the stock market is anticipating or may be missing. A proprietary research template is used to provide a consistent approach and researched stocks are assigned a rating between 1 (strong buy) and 5 (sell), while constructive debate between team members is actively encouraged.

There are four primary investment criteria when assessing a potential addition to the fund: a unique aspect – such as a product, brand or contract structure – which allows sustainable returns; options to deploy cash in areas of high and sustainable returns; a high and predictable return on capital and strong free cash flow conversion; and a quality management team with a clearly defined strategy and a strong track record of value creation.

BRGE's portfolio currently has 35 holdings, selected from an investible universe of more than 2,000 companies. Portfolio turnover in FY23 was 16%, which equates to a holding period of more than six years. Stocks may be sold if there is a fundamental change in the investment case that will negatively affect a company's earnings and cash flow, if it has reached its estimated valuation target, or if a better investment opportunity is identified. While BRGE's portfolio is concentrated, the managers and their team are risk aware and work closely with BlackRock's independent Risk and Quantitative Analysis group to ensure the trust's portfolio risk is closely monitored and understood.

BRGE's approach to ESG

Gries and Dangoor use ESG information when conducting research and due diligence on new investments, and also when monitoring investments in the portfolio, believing that this can help enhance risk-adjusted returns. They employ both quantitative and qualitative assessments, focusing on areas including environmental risks, corporate structures and capital allocation.

Given its size, BlackRock has unparalleled access to company management teams, and its managers seek to understand how firms approach ESG risks and opportunities and what potential impact these may have on their financial returns; they can encourage change when required. Gries and Dangoor believe that a company's ability to manage ESG matters demonstrates strong leadership and good governance that is essential to sustainable growth. The criteria applied for BRGE's stock selection means the portfolio is made up of businesses that score well from an ESG perspective, and the managers highlight the importance of a strong corporate culture within investee companies in terms of creating value for shareholders.

Gearing

At the end of H124, BRGE had an available overdraft facility of the lower of £75m or 15% of NAV, which is the maximum permitted at the time of drawdown. Net gearing was 7.4%, which compares with a historical range of c 15% geared to c 10% net cash (the typical range is net gearing in a range of 5–8%). The managers do not try to time the market; the trust's level of gearing is driven by the opportunities available for either current or new holdings.

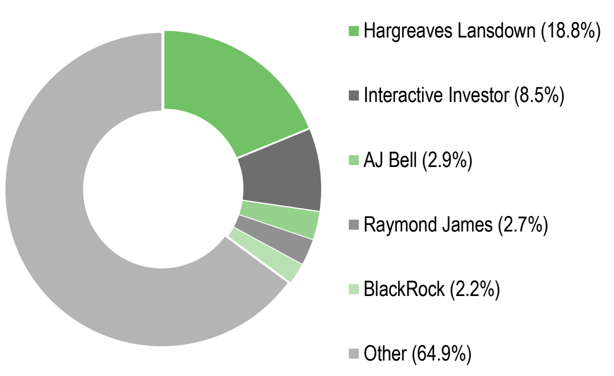
Fees and charges

BlackRock is paid 0.85% per year of NAV on assets up to £350m (based on the NAV at the end of each month) and 0.75% per year of NAV on assets above this level. It is allocated 80:20 between the trust's capital and revenue accounts and no performance fee is payable. In FY23, ongoing charges were 0.98%, which was in line with FY22.

Capital structure

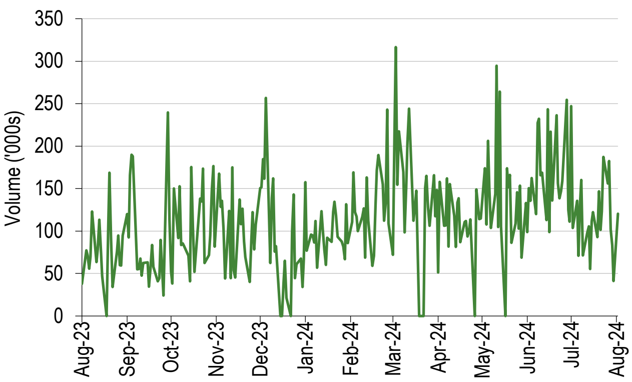
BRGE is a conventional investment trust, with one class of share. There are currently 99.6m ordinary shares in issue, with a further 18.4m held in treasury. Over the last 12 months the trust had an average daily trading volume of c 117k shares.

Exhibit 15: Major shareholders



Source: Bloomberg. Note: At 31 July 2024.

Exhibit 16: Average daily volume



Source: LSEG Data & Analytics. Note: 12 months to 12 Aug 2024.

The board

Exhibit 17: BRGE's board of directors at end of FY23

Board member	Date of appointment	Remuneration in FY23	Shareholdings at end-FY23
Eric Sanderson (chairman since Nov 2016)	April 2013	£44,000	4,000
Peter Baxter	April 2015	£31,667	11,000
Davina Curling	December 2011	£30,833	Nil
Paola Subacchi	July 2017	£30,000	11,109
Ian Sayers	February 2022	£33,333	4,000

Source: BRGE

Davina Curling stepped down from the board at the 12 December 2023 AGM and was replaced by Sapna Shah, who has 20 years of investment banking experience advising UK companies, including listed real estate investment trusts (REITs) and investment companies, on IPOs, equity capital market transactions and mergers and acquisitions. She was appointed as a non-executive director of The Association of Investment Companies (AIC) in January 2021 and is a member of the AIC remuneration committee. Shah is a senior adviser at Panmure Gordon and a non-executive director of Supermarket Income REIT and BioPharma Credit.

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United Kingdom

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