

# The North American Income Trust plc

Leading US companies picked for their higher income potential

## Investment Trust

Performance Data and Analytics to 31 May 2020

### Investment objective

To provide investors with above average dividend income and long term capital growth through active management of a portfolio consisting predominantly of S&P 500 US equities.

### Reference benchmark

Russell Value 1000 Index.

### Cumulative performance (%)

	as at 31/05/20	1 month	3 months	6 months	1 year	3 years	5 years
Share Price	238.0p	(4.2)	(7.8)	(19.2)	(12.8)	12.5	67.1
NAV <sup>A</sup>	260.6p	5.5	(3.1)	(10.3)	(4.4)	11.3	62.2
Russell 1000 Value		5.5	(1.4)	(9.4)	0.3	12.8	52.8

### Discrete performance (%)

Year ending	31/05/20	31/05/19	31/05/18	31/05/17	31/05/16
Share Price	(12.8)	12.3	15.0	33.9	11.0
NAV <sup>A</sup>	(4.4)	7.1	8.7	31.4	10.9
Russell 1000 Value	0.3	7.1	5.0	29.3	4.8

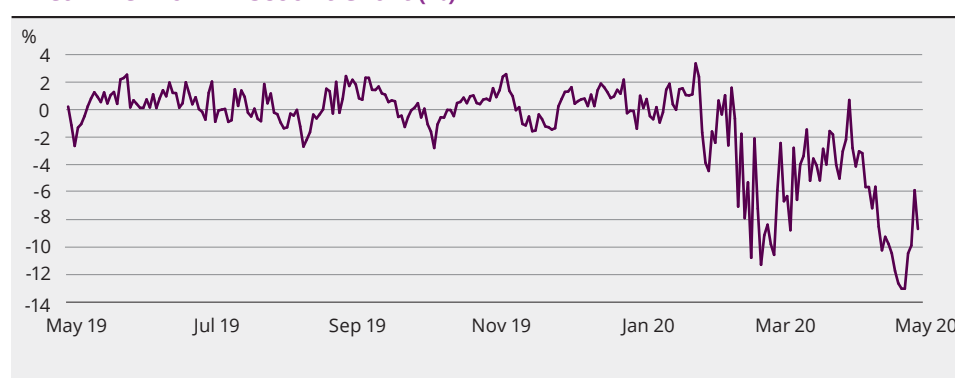
Total return; NAV to NAV, net income reinvested, GBP. Share price total return is on a mid-to-mid basis.

Dividend calculations are to reinvest as at the ex-dividend date. NAV returns based on NAVs with debt valued at fair value.

Source: Aberdeen Asset Managers Limited, Lipper and Morningstar.

Past performance is not a guide to future results.

### 1 Year Premium/Discount Chart (%)



<sup>A</sup> Including current year revenue.

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### Morningstar Rating™



<sup>B</sup> Morningstar Rating™ for Funds

Morningstar rates funds from one to five stars based on how well they've performed (after adjusting for risk and accounting for all sales charges) in comparison to similar funds.

### Team Awards



### Ten largest equity holdings (%)

AbbVie	5.6
Verizon Communications	4.6
Philip Morris	4.4
Bristol-Myers Squibb	4.2
Gilead Sciences	3.9
Lockheed Martin	3.9
Citigroup	3.8
Chevron	3.7
TC Energy	3.1
UnitedHealth	2.7
<b>Total</b>	<b>43.6</b>

### Sector allocation (%)

Financials	21.0
Health Care	20.8
Consumer Discretionary	10.4
Energy	9.8
Materials	7.4
Consumer Staples	7.3
Industrials	6.8
Communication Services	5.5
Information Technology	4.7
Real Estate	3.9
Utilities	2.4
<b>Total</b>	<b>100.0</b>

All sources (unless indicated):  
Aberdeen Asset Managers Limited 31 May 2020.

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### Fund managers' report

Major North American equity market indices posted gains for the second consecutive month in May 2020, buoyed by investors' optimism about a global economic recovery as more countries eased their Covid-19-induced lockdowns. As states begin their phased-in "reopenings" in earnest, investors continue to seek answers on both the shape and the pace of economic recovery. While a tricky balancing act still exists between the health of individuals and the economy, roughly 95% of the US population was out of state-directed lockdowns by the end of May, despite health officials' warning of premature reopenings. The Russell 1000 Value Index, the Trust's benchmark, returned 5.5% in sterling terms for the month. All 11 sectors within the index recorded positive returns in May, led by energy, consumer discretionary and materials. The consumer staples, communication services and financials sectors were the primary market laggards for the month.

According to the Department of Commerce, US GDP contracted at an annualised rate of 5.0% in the first quarter of 2020, up from the government's initial estimate of a 4.8% decrease. The slightly larger decline was attributable to a downward revision to private inventory investment, which was partly offset by increases in personal consumption expenditures and nonresidential fixed investment. There was some positive news on the labor front. US payrolls grew by 2.5 million in May, and the unemployment rate fell 1.4 percentage points month over month to 13.3%. As expected, the leisure and hospitality industry, which was battered by the Covid-19 pandemic, led the employment gains, adding 1.2 million jobs during the month.

Regarding portfolio-related corporate news in May, PNC Financial Services Group sold its stake in asset manager BlackRock for US\$14.4 billion. The sale will bolster the company's balance sheet and liquidity position. Networking equipment maker Cisco Systems reported better-than-expected earnings for the third quarter of its 2020 fiscal year. Management's revenue and earnings guidance for the remainder of the fiscal year also exceeded the market's expectations.

Two Trust holdings announced notable dividend actions during the month. Medical technology company Medtronic boosted its payout by 7.4% — equivalent to an annualised yield of 2.4% at the stock's closing price on May 29. Royal Bank of Canada announced a 5.9% increase in its quarterly dividend, representing a 4.8% annualised yield at the share price at the market close at the end of the final trading day of the month.

Regarding portfolio activity in May, we initiated positions in regional utility company First Energy Corp. and integrated oil and gas company Phillips 66 Company, and added to the Trust's holding in apparel maker Hanesbrands Inc. Conversely, we exited the Trust's positions in brewer Molson Coors Beverage Co. and oilfield services provider Schlumberger Ltd.

### Fund managers' report continues overleaf

<sup>c</sup> Represents cash being used as collateral against open equity options positions, and therefore not available for investment.

<sup>d</sup> Expressed as a percentage of average daily net assets for the year ended 31 January 2020. The Ongoing Charges Figure (OCF) is the overall cost shown as a percentage of the value of the assets of the Company. It is made up of the Annual Management Fee and other charges. It does not include any costs associated with buying shares in the Company or the cost of buying and selling stocks within the Company. The Ongoing Charges figure can help you compare the annual operating expenses of different Companies.

<sup>e</sup> Calculated using the Company's historic net dividends and month end share price.

<sup>f</sup> Net gearing is defined as a percentage, with net debt (total debt less cash/cash equivalents) divided by shareholders' funds.

<sup>g</sup> Excludes cash being used as collateral against open option positions from cash/cash equivalents.

<sup>h</sup> The 'Active Share' percentage is a measure used to describe what proportion of the Company's holdings differ from the benchmark index holdings.

### Geographic breakdown (%)

USA	83.1
Canada	10.0
Cash available for investment	4.9
Other cash <sup>c</sup>	2.0
<b>Total</b>	<b>100.0</b>

### Total number of investments

Total number of equity investments	38
Total number of fixed income investments	12
<b>Total</b>	<b>50</b>

### Key information

#### Calendar

Year end	31 January
Accounts published	April
Annual General Meeting	June
Dividend paid	February, June, July, October
Established	1902
Fund managers	Fran Radano Ralph Bassett
Ongoing charges <sup>d</sup>	0.91%
Annual management fee	0.75% of net assets up to £350m; 0.6% of net assets between £350m; and £500m; 0.5% of net assets above £500m
Premium/(Discount)	(8.7)%
Yield <sup>e</sup>	4.0%
Net gearing <sup>f</sup>	nil
Net gearing <sup>f,g</sup>	nil
Active share <sup>h</sup>	88.9%

### AIFMD Leverage Limits

Gross Notional	2.5x
Commitment	2x

### Assets/Debt (£m)

Gross	397.7
Debt	24.3
Cash	33.8

Assets	%	£m
Equities	96.9	358.7
Fixed Income	3.1	11.5
<b>Total</b>	<b>100.0</b>	<b>370.2</b>

Receive the factsheet by email as soon as it is available by registering at  
[www.invtrusts.co.uk/ITemail](http://www.invtrusts.co.uk/ITemail)  
[www.northamericanincome.co.uk](http://www.northamericanincome.co.uk)

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### Fund managers' report – continued

#### Outlook

The US equity market recovery in April and May was driven largely by investors' belief that the economy is bottoming in the second quarter and that the duration of this recession will be short. While this is not an illogical rebound by any means, we continue to question the durability of this market bounce. Companies in most recent earnings calls have emphasised long, slow and uneven recovery despite green shoots in early April, and expressed explicit concerns about getting the workplace back in shape without a vaccine or widespread testing. Putting these pieces together, if the market's current sentiment (that the economy is bottoming in the second quarter) comes to fruition, then stocks are likely to have priced much of this in already. Therefore, we feel that upside risks are limited, while still many unknown risks and lack of visibility lend caution.

Nevertheless, news flow has been driving the day-to-day performance of the U.S. equity market more than fundamentals. The market remains sensitive to key outlooks for coronavirus mitigation (vaccine and therapy trial progressions), fiscal and monetary stimulus, and the timeline for reopening.

#### Options

Number of open options positions	11
Equity sleeve optionised <sup>1</sup>	13.73%

#### Capital structure

Ordinary shares	143,277,520
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#### Allocation of management fees and finance costs

Capital	70%
Revenue	30%

#### Trading details

Reuters/Epic/ Bloomberg code	NAIT
ISIN code	GB00BJ00Z303
Sedol code	BJ00Z30
Stockbrokers	WINS Investment Trusts
Market makers	SETSm

The risks outlined overleaf relating to exchange rate movements is particularly relevant to this trust, but should be read in conjunction with all warnings and comments given. Important information overleaf

<sup>1</sup> Calculated as notional principal of outstanding divided by gross equity assets.

Receive the factsheet by email as soon as it is available by registering at [www.invttrusts.co.uk/ITemail](http://www.invttrusts.co.uk/ITemail)  
[www.northamericanincome.co.uk](http://www.northamericanincome.co.uk)

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### Important information

#### Risk factors you should consider prior to investing:

- The value of investments and the income from them can fall and investors may get back less than the amount invested.
- Past performance is not a guide to future results.
- Investment in the Company may not be appropriate for investors who plan to withdraw their money within 5 years.
- The Company may borrow to finance further investment (gearing). The use of gearing is likely to lead to volatility in the Net Asset Value (NAV) meaning that any movement in the value of the company's assets will result in a magnified movement in the NAV.
- The Company may accumulate investment positions which represent more than normal trading volumes which may make it difficult to realise investments and may lead to volatility in the market price of the Company's shares.
- The Company may charge expenses to capital which may erode the capital value of the investment.
- Derivatives may be used, subject to restrictions set out for the Company, in order to manage risk and generate income. The market in derivatives can be volatile and there is a higher than average risk of loss.
- Movements in exchange rates will impact on both the level of income received and the capital value of your investment.
- There is no guarantee that the market price of the Company's shares will fully reflect their underlying Net Asset Value.
- As with all stock exchange investments the value of the Company's shares purchased will immediately fall by the difference between the buying and selling prices, the bid-offer spread. If trading volumes fall, the bid-offer spread can widen.
- Certain trusts may seek to invest in higher yielding securities such as bonds, which are subject to credit risk, market price risk and interest rate risk. Unlike income from a single bond, the level of income from an investment trust is not fixed and may fluctuate.
- Yields are estimated figures and may fluctuate, there are no guarantees that future dividends will match or exceed historic dividends and certain investors may be subject to further tax on dividends.

#### Other important information:

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