

The North American Income Trust plc

An investment trust investing for above-average dividend income and long term capital growth through active management of a portfolio consisting predominantly of S&P 500 US equities



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Objective

The objective of the Company is 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 Indices

Russell 1000 Value (in sterling terms); S&P 500 (in sterling terms).

Management

The Company’s alternative investment fund manager is Aberdeen Standard Fund Managers Limited (“ASFML” or “the Manager”) (authorised and regulated by the Financial Conduct Authority). The Company’s portfolio is managed on a day-to-day basis by Aberdeen Asset Managers Inc. (“AAMI” or “the Investment Manager”) by way of a delegation agreement in place between AFML and AAMI.

Highlights and Financial Calendar

| | As at 31 July 2019 | As at 31 January 2019 | % change |
|--|-----------------------|--------------------------|----------|
| Net asset value per Ordinary share ^A | 310.4p | 280.4p | +10.7 |
| Share price per Ordinary share (mid) ^A | 312.5p | 268.0p | +16.6 |
| Premium/(discount) to net asset value ^B | 0.7% | (4.4%) | |
| Net gearing ^B | 0.1% | 5.7% | |
| Ongoing charges ratio ^B | 0.91% | 0.95% | |

^A Comparative figures for the year ended 31 January 2019 and six months to 31 July 2018 have been restated due to the sub-division of each existing Ordinary share of 25p into five Ordinary shares of 5p each on 10 June 2019.

^B Considered to be an Alternative Performance Measure. Further details can be found on pages 16 and 17.

| | Six months to 31 July 2019 | Six months to 31 July 2018 | % change |
|--|-------------------------------|-------------------------------|----------|
| Revenue return per Ordinary share ^A | 5.35p | 5.07p | +5.6 |
| Interim dividends ^A | 3.40p ^B | 3.20p | +6.3 |

^A Comparative figures for the year ended 31 January 2019 and six months to 31 July 2018 have been restated due to the sub-division of each existing Ordinary share of 25p into five Ordinary shares of 5p each on 10 June 2019.

^B Includes a first interim dividend of 1.70p paid on 2 August 2019 and a second interim dividend of 1.70p payable on 25 October 2019.

Performance (Total return^A)

| | 6 months ended 31 July 2019 | Year ended 31 July 2019 | 3 Years ended 31 July 2019 | 5 years ended 31 July 2019 |
|---|--------------------------------|----------------------------|-------------------------------|-------------------------------|
| | % | % | % | % |
| Net asset value per Ordinary share ^A | 12.7 | 10.2 | 44.1 | 111.2 |
| Share price per Ordinary share ^A | 18.8 | 19.3 | 60.1 | 128.5 |
| Russell 1000 Value Index (in sterling terms) | 16.8 | 12.7 | 42.2 | 102.7 |
| S&P 500 Index (in sterling terms) | 19.6 | 15.7 | 57.9 | 135.9 |

^A Total return represents capital return plus dividends reinvested. Considered to be an Alternative Performance Measure. Further details can be found on pages 16 and 17.

Financial Calendar

| | |
|-------------------|---|
| 24 September 2019 | Announcement of half-yearly financial report |
| October 2019 | Half-yearly report posted to shareholders |
| 25 October 2019 | Second quarterly dividend payable for the year ending 31 January 2020 |
| February 2020 | Third quarterly dividend payable for the year ending 31 January 2020 |
| March 2020 | Announcement of annual financial report |
| April 2020 | Annual report posted to shareholders |
| June 2020 | Annual General Meeting |
| June 2020 | Final dividend payable for the year ending 31 January 2020 |

Interim Board Report – Chairman’s Statement

Performance

Over the six-month period ended 31 July 2019, the Company's net asset value per share rose by 12.7% on a total return basis in sterling terms. This underperformed the 16.8% return of the Russell 1000 Value index.

The longer term performance of the Company has been positive. Over the three and five year periods to 31 July 2019, the Company's NAV rose by 44.1% and 111.2% respectively, compared to three and five year returns of 42.2% and 102.7% from the Russell 1000 Value index.

Dividend

The revenue return per Ordinary share increased by 5.6% to 5.35p for the six-month period. The Board has declared a second quarterly dividend of 1.7p per share, giving total dividends for the first half of the year to 31 January 2020 of 3.4p (2019 – 3.2p), a 6.3% increase. The second quarterly dividend is payable on 25 October 2019 to shareholders on the register on 4 October 2019.

Portfolio

As of 31 July 2019, the portfolio consisted of 39 equity holdings and 9 corporate bonds, with equities representing over 95% of total assets.

Total revenue from the investment portfolio over the six-month period was £7.9 million (31 July 2018 - £6.9 million), of which 91% (31 July 2018: 89%) was generated by the equity portfolio. The majority of the Company's equity holdings continued their established record of dividend growth.

In addition the Company received option premia totalling £1.9 million (31 July 2018: £2.5 million) in exchange for entering into listed stock option transactions. This option income, the generation of which remains consistent with the Manager's company-focused investment process, represented 19.2% of total income (31 July 2018: 26.5%).

While the Company's exposure to corporate bonds has decreased over recent years, interest income from investments was broadly similar to last year, representing 3.2% of total income (31 July 2018: 3.2%). Bond coupons and option premiums will remain secondary sources of income in the belief that dividends must remain the overwhelming source of sustainable income available for distribution. Further details of the portfolio are shown on pages 5 and 6.

Market & Economic Review

Major North American equity indices posted notable gains for the six-month period ended 31 July 2019, which was marked by increasing US-China trade tensions on the one

hand, and easing monetary policy conditions on the other. The prolonged tariff war between the world's two largest economies caused some volatility in global markets, though it was not the sole "tariff tussle" during the review period. Late in the period, US President Trump also opened up a new front in the trade war, threatening tariffs on Mexico if it did not curb illegal immigrants entering the US. Soon thereafter, however, Trump scaled back his threat after he announced that the US and Mexico reached an agreement to reduce the flow of migrants to the border between the countries. Furthermore, in June, India's government raised tariffs on 28 US products in retaliation to the US government's removal of India from preferential treatment for trade, which had allowed it to export duty-free goods to the US.

Regarding monetary policy over the review period, the US Federal Reserve (the Fed) left the federal funds rate unchanged until the last day of the review period on 31 July 2019 when they reduced the rate by 25 basis points to a range of 2.00% to 2.25% - its first rate cut since December 2008.

Gearing

The Board believes that sensible use of modest financial gearing should enhance returns to our shareholders over the longer term. The Company has in place a \$75 million loan facility agreement with Scotiabank (Ireland) Designated Activity Company. During the six month period under review, \$10 million of the loan facility was repaid and at the end of the period \$40 million was drawn down. At the same time, cash held as collateral against open option positions had increased. As a result, net gearing at 31 July 2019 was reduced to £656,000 (31 January 2019: £19.4 million), representing 0.1% of net assets (31 January 2019: 5.7%).

Events during the Period

At the Company's Annual General Meeting on 4 June 2019, all resolutions were passed, including the proposal to undertake a five-for-one sub-division of the Company's ordinary shares. On 10 June 2019, the effective date of the share split, the Company's issued ordinary share capital comprised 142,152,520 new ordinary shares of 5p each. There have been no subsequent changes to the Company's issued share capital.

Discount/premium

The Company's share price rose by 16.6% to 312.5p and ended the period end at a 0.7% premium to net asset value, compared with a 4.4% discount at 31 January 2019. During the six month period under review, the shares mainly traded between a 2% premium and a 3% discount. At the AGM in June 2019, shareholder approval was

obtained to renew the annual authorities to issue up to 10% of the Company's issued share capital for cash at a premium and to buyback up to 14.99% of the issued share capital at a discount. During the six month period to 31 July 2019, no buybacks or share issuance were undertaken. The Board monitors the rating of the Company's shares and, taking account of prevailing market conditions, will exercise discretion in buying back shares at a discount or issuing shares at a premium.

Outlook

Following its rate-cut announcement at the end of July, the Fed highlighted the downside risk from weaker global economic growth and trade tensions. Nonetheless, the Fed would not commit to further rate cuts, which frustrated investors. We take comfort that domestic economic data points remain reasonable and corporate earnings have been well received by the market and are still decent for this point in the cycle. As the Fed highlighted in its Federal Open Market Committee statement following its rate announcement, while consumer spending remains robust, there has not been similar strength in business-driven fixed investment. This has been demonstrated by weakening Purchasing Managers Index (PMI) of manufacturing activity domestically, and China's PMI remaining below 50 (signaling a contraction in manufacturing activity) since earlier this year. Many industrial-exposed companies posting results in July reported revenue weakness that coincides with this softening economic data, but also margin issues in many cases due to tariffs.

Notwithstanding US GDP returning closer to longer-term averages and capital investment being subdued due to trade policy impasses, strong cash flows and capital discipline continue to generate progressive shareholder distributions for our investee companies. Interest rates and inflation remain subdued and thus consumer spending remains robust. However, with the macro environment showing some signs of stress, our Investment Manager remains cautiously optimistic for the well-run companies within NAIT's portfolio and their continued ability to deliver a sustainable income stream.

James Ferguson
Chairman
23 September 2019

Interim Board Report – Other

Principal Risks and Uncertainties

There are a number of risks which, if realised, could have a material adverse effect on the Company and its financial condition, performance and prospects. The Board has considered the principal risks and uncertainties facing the Company together with a description of the mitigating actions it has taken. They can be summarised under the following headings:

- Market Risk
- Gearing Risk
- Discount Volatility
- Income and Dividend Risk
- Regulatory Risk
- Derivatives

Details of these risks are provided in detail on pages 8 to 9 of the 2019 Annual Report.

In addition to these risks, the outcome and potential impact of the UK Government's negotiations with the European Union on Brexit is still unclear at the date of this report. This remains an economic risk for the Company, principally in relation to the potential impact of Brexit on currency volatility and the Manager's operations. Aberdeen Standard Investments has a significant Brexit program in place aimed at ensuring that they can continue to satisfy their clients' investment needs post Brexit.

In all other respects, the Company's principal risks and uncertainties have not changed nor are they expected to change in the second half of the financial year ending 31 January 2020.

Going Concern

In accordance with the Financial Reporting Council's Guidance on Risk Management, Internal Control and Related Financial and Business, the Directors have undertaken a rigorous review and consider both that there are no material uncertainties and that the adoption of the going concern basis of accounting is appropriate. The Company's assets consist substantially of equity shares in companies listed on recognised stock exchanges and, in most circumstances, are realisable within a short timescale. The Company has a bank credit facility in place which is available until December 2020. The Directors have a reasonable expectation that the Company has adequate financial resources to continue in operational existence for the foreseeable future and the ability to meet all its liabilities and ongoing expenses from its assets. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Directors' Responsibility Statement

The Directors are responsible for preparing the Half-Yearly Financial Report in accordance with applicable law and regulations. The Directors confirm that to the best of their knowledge:

- the condensed set of Financial Statements has been prepared in accordance with Financial Reporting Standard 104 (Interim Financial Reporting);
- the Half-Yearly Board Report includes a fair review of the information required by rule 4.2.7R of the Disclosure and Transparency Rules (being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of Financial Statements and a description of the principal risks and uncertainties for the remaining six months of the financial year); and
- the Half-Yearly Board Report includes a fair review of the information required by 4.2.8R (being related party transactions that have taken place during the first six months of the financial year and that have materially affected the financial position of the Company during that period; and any changes in the related party transactions described in the last Annual Report that could do so).

The Half-Yearly Financial Report for the six months ended 31 July 2019 comprises the Interim Board Report, the Directors' Responsibility Statement and the condensed set of Financial Statements.

For and on behalf of the Board of The North American Income Trust plc

James Ferguson
Chairman

23 September 2019

Investment Portfolio – Equities

As at 31 July 2019

| Company | Industry classification | Valuation £'000 | Total portfolio % |
|-----------------------------------|--|--------------------|-------------------------|
| Chevron | Oil, Gas & Consumable Fuels | 22,622 | 5.1 |
| Philip Morris | Tobacco | 20,485 | 4.6 |
| Citigroup | Banks | 17,435 | 3.9 |
| BB&T | Banks | 16,834 | 3.8 |
| Cisco Systems | Communications Equipment | 15,836 | 3.6 |
| Johnson & Johnson | Pharmaceuticals | 14,889 | 3.4 |
| Bristol-Myers Squib | Pharmaceuticals | 14,508 | 3.3 |
| Verizon Communications | Diversified Telecommunication Services | 13,542 | 3.1 |
| CME Group | Capital Markets | 13,496 | 3.0 |
| Gilead Sciences | Biotechnology | 13,377 | 3.0 |
| Ten largest equity investments | | 163,024 | 36.8 |
| Regions Financial | Banks | 13,010 | 3.0 |
| Coca-Cola | Beverages | 12,895 | 2.9 |
| Gaming & Leisure Properties | Equity Real Estate Investment Trusts (REITs) | 12,319 | 2.8 |
| Schlumberger | Energy Equipment & Services | 12,241 | 2.8 |
| Umpqua | Banks | 12,120 | 2.7 |
| TC Energy | Oil, Gas & Consumable Fuels | 12,057 | 2.7 |
| Lockheed Martin | Aerospace & Defense | 11,831 | 2.7 |
| Huntington Bancshares | Banks | 11,638 | 2.6 |
| Nutrien | Chemicals | 11,191 | 2.5 |
| Molson Coors Brewing | Beverages | 11,023 | 2.5 |
| Twenty largest equity investments | | 283,349 | 64.0 |
| Meredith | Media | 10,753 | 2.4 |
| Pfizer | Pharmaceuticals | 10,151 | 2.3 |
| Provident Financial Services | Thriffs & Mortgage Finance | 9,874 | 2.2 |
| Hanesbrands | Textiles, Apparel & Luxury Goods | 9,198 | 2.1 |
| American International | Insurance | 9,145 | 2.1 |
| Royal Bank Of Canada | Banks | 9,075 | 2.1 |
| Intl Paper Co | Containers & Packaging | 8,965 | 2.0 |
| Telus | Diversified Telecommunication Services | 8,851 | 2.0 |
| Medtronic | Health Care Equipment & Supplies | 8,325 | 1.9 |
| Nucor | Metals & Mining | 7,994 | 1.8 |
| Thirty largest equity investments | | 375,680 | 84.9 |
| Tapestry | Textiles, Apparel & Luxury Goods | 7,578 | 1.7 |
| Union Pacific | Road & Rail | 7,348 | 1.7 |
| Iron Mountain | Equity Real Estate Investment Trusts (REITs) | 7,206 | 1.6 |
| Texas Instruments | Semiconductors & Semiconductor Equipment | 6,636 | 1.5 |
| Orion Engineered Carbons | Chemicals | 6,364 | 1.4 |
| Genuine Parts | Distributors | 6,346 | 1.4 |
| Dow | Chemicals | 5,934 | 1.4 |
| Dupont De Nemours | Chemicals | 4,911 | 1.1 |
| Tiffany & Co | Speciality Retail | 4,602 | 1.0 |
| Total equity investments | | 432,605 | 97.7 |

Investment Portfolio – Other Investments

| Company | Industry classification | Valuation £'000 | Total portfolio % |
|---|-------------------------------|--------------------|-------------------------|
| CCO Holdings Capital 5.5% 01/05/26 | Media | 1,702 | 0.4 |
| HCA 5.875% 15/02/26 | Healthcare Services | 1,671 | 0.4 |
| Cheniere Corpus Christi 5.875% 31/03/25 | Oil, Gas & Consumable Fuels | 1,337 | 0.3 |
| Parsley Energy Finance 5.375% 15/01/25 | Exploration & Production | 1,247 | 0.3 |
| Lennar 4.5% 30/04/24 | Construction | 1,110 | 0.2 |
| Graham Holdings 5.75% 01/06/26g | Diversified Consumer Services | 941 | 0.2 |
| Qwest Cap Funding 7.75% 15/02/31 | Telecommunications | 854 | 0.2 |
| Diamond 1 Fin Diamond 2 6.02% 15/06/26 | Technology | 691 | 0.2 |
| NRG Energy 5.25% 15/06/29 | Electric | 405 | 0.1 |
| Total fixed interest investments | | 9,958 | 2.3 |
| Total investments | | 442,563 | 100.0 |

Geographical Analysis

| Country | Equities % | Bonds % | Total % |
|---------|---------------|------------|--------------|
| Canada | 9.3 | – | 9.3 |
| USA | 88.4 | 2.3 | 90.7 |
| | 97.7 | 2.3 | 100.0 |

Condensed Statement of Comprehensive Income (unaudited)

| | Notes | Six months ended 31 July 2019 | | | Six months ended 31 July 2018 | | |
|---|----------|----------------------------------|------------------|----------------|----------------------------------|------------------|----------------|
| | | Revenue £'000 | Capital £'000 | Total £'000 | Revenue £'000 | Capital £'000 | Total £'000 |
| Gains on investments | 2 | - | 44,847 | 44,847 | - | 23,421 | 23,421 |
| Exchange losses | | - | (1,101) | (1,101) | - | (1,876) | (1,876) |
| Income | 3 | 9,923 | - | 9,923 | 9,590 | - | 9,590 |
| Investment management fee | | (463) | (1,081) | (1,544) | (430) | (1,004) | (1,434) |
| Administrative expenses | 4 | (374) | - | (374) | (499) | - | (499) |
| Net return before finance costs and taxation | | 9,086 | 42,665 | 51,751 | 8,661 | 20,541 | 29,202 |
| Finance costs | | (181) | (421) | (602) | (149) | (347) | (496) |
| Return before taxation | | 8,905 | 42,244 | 51,149 | 8,512 | 20,194 | 28,706 |
| Taxation | 5 | (1,297) | 325 | (972) | (1,297) | 374 | (923) |
| Return after taxation | | 7,608 | 42,569 | 50,177 | 7,215 | 20,568 | 27,783 |
| Return per share (pence)^A | 7 | 5.35 | 29.95 | 35.30 | 5.07 | 14.47 | 19.54 |

^A Comparative figures for the six months ended 31 July 2018 have been restated due to the sub-division of each existing Ordinary share of 25p into five Ordinary shares of 5p each on 10 June 2019.

The total column of the Condensed Statement of Comprehensive Income is the profit and loss account of the Company. All revenue and capital items in the above statement derive from continuing operations.

The accompanying notes are an integral part of the financial statements.

Condensed Statement of Financial Position (unaudited)

| | Notes | As at 31 July 2019 £'000 | As at 31 January 2019 £'000 |
|---|-------|--------------------------------|-----------------------------------|
| Non-current assets | | | |
| Investments at fair value through profit or loss | | 442,563 | 421,469 |
| Current assets | | | |
| Debtors and prepayments | | 635 | 2,772 |
| Cash and short-term deposits | | 32,012 | 18,593 |
| | | 32,647 | 21,365 |
| Creditors: amounts falling due within one year | | | |
| Traded options | | (255) | (118) |
| Other creditors | | (987) | (6,049) |
| Bank loan | | (32,668) | (38,010) |
| | | (33,910) | (44,177) |
| Net current liabilities | | (1,263) | (22,812) |
| Net assets | | 441,300 | 398,657 |
| Capital and reserves | | | |
| Called-up share capital | | 7,108 | 7,108 |
| Share premium account | | 48,467 | 48,467 |
| Capital redemption reserve | | 15,452 | 15,452 |
| Capital reserve | 9 | 353,489 | 310,920 |
| Revenue reserve | | 16,784 | 16,710 |
| Equity shareholders' funds | | 441,300 | 398,657 |
| Net asset value per share (pence)^A | 10 | 310.44 | 280.44 |

^A Comparative figures for the year ended 31 January 2019 have been restated due to the sub-division of each existing Ordinary share of 25p into five Ordinary shares of 5p each on 10 June 2019.

The accompanying notes are an integral part of the financial statements.

Condensed Statement of Changes in Equity (unaudited)

Six months ended 31 July 2019

| | Share capital £'000 | Share premium account £'000 | Capital redemption reserve £'000 | Capital reserve £'000 | Revenue reserve £'000 | Total £'000 |
|--------------------------------|---------------------------|--------------------------------------|---|-----------------------------|-----------------------------|----------------|
| Balance at 31 January 2019 | 7,108 | 48,467 | 15,452 | 310,920 | 16,710 | 398,657 |
| Return after taxation | - | - | - | 42,569 | 7,608 | 50,177 |
| Dividends paid (note 6) | - | - | - | - | (7,534) | (7,534) |
| Balance at 31 July 2019 | 7,108 | 48,467 | 15,452 | 353,489 | 16,784 | 441,300 |

Six months ended 31 July 2018

| | Share capital £'000 | Share premium account £'000 | Capital redemption reserve £'000 | Capital reserve £'000 | Revenue reserve £'000 | Total £'000 |
|--------------------------------|---------------------------|--------------------------------------|---|-----------------------------|-----------------------------|----------------|
| Balance at 31 January 2018 | 7,108 | 48,467 | 15,452 | 306,809 | 13,813 | 391,649 |
| Return after taxation | - | - | - | 20,568 | 7,215 | 27,783 |
| Dividends paid (note 6) | - | - | - | - | (6,823) | (6,823) |
| Balance at 31 July 2018 | 7,108 | 48,467 | 15,452 | 327,377 | 14,205 | 412,609 |

The accompanying notes are an integral part of the financial statements.

Condensed Statement of Cash Flows (unaudited)

| | Six months ended 31 July 2019 £'000 | Six months ended 31 July 2018 £'000 |
|--|---|---|
| Operating activities | | |
| Net return before finance costs and taxation | 51,751 | 29,202 |
| Adjustments for: | | |
| Net gains on investments | (44,847) | (23,421) |
| Realised losses on foreign exchange transactions | 1,101 | 1,876 |
| Decrease/(increase) in dividend income receivable | 156 | (129) |
| Decrease /(increase) in fixed interest income receivable | 20 | (5) |
| Decrease/(increase) in derivatives | (136) | 435 |
| Decrease in other debtors | 18 | 3 |
| Increase/(decrease) in other creditors | 388 | (890) |
| Tax on overseas income | (875) | (923) |
| Amortisation of fixed income book cost | 8 | 16 |
| Net cash flow from operating activities | 7,584 | 6,164 |
| Investing activities | | |
| Purchases of investments | (79,212) | (77,111) |
| Sales of investments | 99,636 | 71,933 |
| Net cash flow from investing activities | 20,424 | (5,178) |
| Financing activities | | |
| Interest paid | (612) | (495) |
| Equity dividends paid | (7,534) | (6,823) |
| (Repayment)/drawdown of loans | (7,729) | 3,510 |
| Net cash used in financing activities | (15,875) | (3,808) |
| Increase/(decrease) in cash | 12,133 | (2,822) |
| Analysis of changes in cash during the period | | |
| Opening balance | 18,593 | 19,636 |
| Effect of exchange rate fluctuations on cash held | 1,286 | 1,087 |
| Increase/(decrease) in cash as above | 12,133 | (2,822) |
| Closing balance | 32,012 | 17,901 |

The accompanying notes are an integral part of the financial statements.

Notes to the Financial Statements

1. Accounting policies

Basis of preparation

The condensed financial statements have been prepared in accordance with Financial Reporting Standard 104 (Interim Financial Reporting) and with the Statement of Recommended Practice for 'Financial Statements of Investment Trust Companies and Venture Capital Trusts'. They have also been prepared on a going concern basis and on the assumption that approval as an investment trust will continue to be granted.

The condensed interim financial statements have been prepared using the same accounting policies as the preceding annual financial statements.

| | Six months ended 31 July 2019 £'000 | Six months ended 31 July 2018 £'000 |
|--------------------------------------|---|---|
| 2. Gains on investments | | |
| Realised gains on sales ^A | 32,286 | 25,366 |
| Movement in investment holding gains | 12,561 | (1,945) |
| | 44,847 | 23,421 |

^A Includes losses realised on the exercise of traded options of £1,548,000 (31 July 2018 – £917,000) which are reflected in the capital column of the Condensed Statement of Comprehensive Income in accordance with accounting policies.

| | Six months ended 31 July 2019 £'000 | Six months ended 31 July 2018 £'000 |
|--|---|---|
| 3. Income | | |
| Income from overseas listed investments | | |
| Dividend income | 7,136 | 6,208 |
| REIT income | 411 | 432 |
| Interest income from investments | 322 | 304 |
| | 7,869 | 6,944 |
| Other income from investment activity | | |
| Traded option premiums | 1,903 | 2,544 |
| Deposit interest | 151 | 102 |
| | 2,054 | 2,646 |
| Total income | 9,923 | 9,590 |

Notes to the Financial Statements continued

| | Six months ended 31 July 2019 £'000 | Six months ended 31 July 2018 £'000 |
|--|---|---|
| 4. Administrative expenses | | |
| Directors' fees | 62 | 57 |
| Secretarial and administration fees | 58 | 56 |
| Promotional activities | 104 | 106 |
| Auditor's remuneration: | | |
| - Fees payable to the Company's auditor for the audit of the annual accounts | 9 | 8 |
| Custodian charges | 10 | 10 |
| Registrar's fees | 34 | 32 |
| Professional fees | 17 | 111 |
| Depositary charges | 26 | 24 |
| Other | 54 | 95 |
| | 374 | 499 |

5. Taxation

The taxation expense reflected in the Condensed Statement of Comprehensive Income is based on the estimated annual tax rate expected for the full financial year. The estimated annual corporation tax rate used for the year to 31 January 2020 is 19% (2019 – 19%).

Detailed below is an analysis of the tax charge for each period.

| | Six months ended 31 July 2019 | | | Six months ended 31 July 2018 | | |
|--|-------------------------------|------------------|----------------|-------------------------------|------------------|----------------|
| | Revenue £'000 | Capital £'000 | Total £'000 | Revenue £'000 | Capital £'000 | Total £'000 |
| Taxation | | | | | | |
| UK corporation tax | 325 | (325) | – | 374 | (374) | – |
| Overseas tax suffered | 972 | – | 972 | 923 | – | 923 |
| Total tax charge for the period | 1,297 | (325) | 972 | 1,297 | (374) | 923 |

| | Six months ended 31 July 2019 £'000 | Six months ended 31 July 2018 £'000 |
|---|---|---|
| 6. Dividends | | |
| 3rd interim dividend for 2019 – 1.7p (2018 – 1.6p) ^A | 2,417 | 2,274 |
| Final dividend for 2019 – 3.6p (2018 – 3.2p) ^A | 5,117 | 4,549 |
| | 7,534 | 6,823 |

^A Rates have been restated due to the sub-division of each existing Ordinary share of 25p into five Ordinary shares of 5p each on 10 June 2019.

The Company pays four dividends per year. The first interim dividend of 1.7p (2019 – 1.6p) for the year ending 31 January 2020 was paid on 2 August 2019 to shareholders on the register at 19 July 2019, with an ex-dividend date of 18 July 2019. A second interim dividend of 1.7p (2019 – 1.6p) for the year ending 31 January 2020, will be paid on 25 October 2019 to shareholders on the register at 4 October 2019. The ex-dividend date is 3 October 2019.

| | Six months ended 31 July 2019 £'000 | Six months ended 31 July 2018 £'000 |
|---|---|---|
| 7. Return per Ordinary share | | |
| Based on the following figures: | | |
| Revenue return | 7,608 | 7,215 |
| Capital return | 42,569 | 20,568 |
| Total return | 50,177 | 27,783 |
| Weighted average number of shares in issue^A | 142,152,520 | 142,152,520 |
| | p | p |
| Revenue return per Ordinary share ^A | 5.35 | 5.07 |
| Capital return per Ordinary share ^A | 29.95 | 14.47 |
| Total return per Ordinary share^A | 35.30 | 19.54 |

^A Comparative figures for the six months ended 31 July 2018 have been restated due to the sub-division of each existing Ordinary share of 25p into five Ordinary shares of 5p each on 10 June 2019.

8. Transaction costs

During the six months ended 31 July 2019 expenses were incurred in acquiring or disposing of investments classified as fair value through profit or loss. These have been expensed through capital and are included within gains on investments in the Condensed Statement of Comprehensive Income. The total costs were as follows:

| | Six months ended 31 July 2019 £'000 | Six months ended 31 July 2018 £'000 |
|-----------|---|---|
| Purchases | 31 | 29 |
| Sales | 73 | 59 |
| | 104 | 88 |

9. Capital reserve

The capital reserve reflected in the Condensed Statement of Financial Position at 31 July 2019 includes gains of £72,454,000 (31 January 2019 – £59,893,000) which relate to the revaluation of investments held at the reporting date.

| | As at 31 July 2019 | As at 31 January 2019 |
|---|-----------------------|--------------------------|
| 10. Net asset value per Ordinary share | | |
| Net assets attributable (£'000) | 441,300 | 398,657 |
| Number of Ordinary shares in issue ^A | 142,152,520 | 142,152,520 |
| Net asset value per Ordinary share (p)^A | 310.44 | 280.44 |

^A Comparative figures for the year ended 31 January 2019 have been restated due to the sub-division of each existing Ordinary share of 25p into five Ordinary shares of 5p each on 10 June 2019.

Notes to the Financial Statements continued

11. Fair value hierarchy

FRS 102 requires an entity to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy shall have the following classifications:

Level 1: unadjusted quoted prices in an active market for identical assets or liabilities that the entity can access at the measurement date.

Level 2: inputs other than quoted prices included within Level 1 that are observable (ie developed using market data) for the asset or liability, either directly or indirectly.

Level 3: inputs are unobservable (ie for which market data is unavailable) for the asset or liability.

The financial assets and liabilities measured at fair value in the Condensed Statement of Financial Position are grouped into the fair value hierarchy at the reporting date as follows:

| As at 31 July 2019 | Note | Level 1 £'000 | Level 2 £'000 | Level 3 £'000 | Total £'000 |
|---|------|------------------|------------------|------------------|----------------|
| Financial assets at fair value through profit or loss | | | | | |
| Quoted equities | a) | 432,605 | - | - | 432,605 |
| Quoted bonds | b) | - | 9,958 | - | 9,958 |
| Total | | 432,605 | 9,958 | - | 442,563 |
| Financial liabilities at fair value through profit or loss | | | | | |
| Derivatives | c) | - | (255) | - | (255) |
| Net fair value | | 432,605 | 9,703 | - | 442,308 |

| As at 31 January 2019 | Note | Level 1 £'000 | Level 2 £'000 | Level 3 £'000 | Total £'000 |
|---|------|------------------|------------------|------------------|----------------|
| Financial assets at fair value through profit or loss | | | | | |
| Quoted equities | a) | 410,252 | - | - | 410,252 |
| Quoted bonds | b) | - | 11,217 | - | 11,217 |
| Total | | 410,252 | 11,217 | - | 421,469 |
| Financial liabilities at fair value through profit or loss | | | | | |
| Derivatives | c) | - | (118) | - | (118) |
| Net fair value | | 410,252 | 11,099 | - | 421,351 |

a) Quoted equities

The fair value of the Company's investments in quoted equities has been determined by reference to their quoted prices at the reporting date. Quoted equities included in Fair Value Level 1 are actively traded on recognised stock exchanges.

b) Quoted bonds

The fair value of the Company's investments in quoted bonds has been determined by reference to their quoted bid prices at the reporting date. Investments categorised as Level 2 are not considered to trade in active markets

c) Derivatives

The Company's investment in exchange traded options have been fair valued using quoted prices and have been classified as Level 2 as they are not considered to trade in active markets.

12. Transactions with the Manager

The Company has an agreement with Aberdeen Standard Fund Managers Limited (“ASFML” or the “Manager”) for the provision of investment management, secretarial, accounting and administration and promotional activity services.

The annual management fee is charged on gross assets after deducting current liabilities and borrowings and excluding commonly managed funds (Net Assets), on a tiered basis. The annual management fee is charged at 0.75% of Net Assets up to £350 million, 0.6% of Net Assets between £350 million and £500 million, and 0.5% of Net Assets above £500 million. The management fee is chargeable 30% to revenue and 70% to capital. During the period £1,544,000 (31 July 2018 – £1,434,000) of investment management fees were payable to the Manager, with a balance of £800,000 (31 July 2018 – £756,000) being due to ASFML at the period end.

The secretarial fee of £115,000 per annum is chargeable 100% to revenue and is payable monthly in arrears. During the period £58,000 (31 July 2018 – £56,000) of secretarial fees were payable to the Manager, with a balance of £19,000 (31 July 2018 – £19,000) being due to ASFML at the period end.

The promotional activities fee is based on a current annual amount of £213,000, payable quarterly in arrears. During the period £104,000 (31 July 2018 – £106,000) of fees were payable, with a balance of £70,000 (31 July 2018 – £18,000) being due to ASFML at the period end.

13. Segmental information

The Company is engaged in a single segment of business, which is to invest in equity securities and debt instruments. All of the Company’s activities are interrelated, and each activity is dependent on the others. Accordingly, all significant operating decisions are based on the Company as one segment.

14. Half-Yearly Financial Report

The financial information in this Report does not comprise statutory accounts within the meaning of Section 434 – 436 of the Companies Act 2006. The financial information for the year ended 31 January 2019 has been extracted from published accounts that have been delivered to the Registrar of Companies and on which the report of the Company’s auditor was unqualified and contained no statement under Section 498 (2), (3) or (4) of the Companies Act 2006. The condensed interim financial statements have been prepared using the same accounting policies as contained within the preceding annual financial statements.

The financial information for the six months ended 31 July 2019 and 31 July 2018 have not been audited or reviewed by the Company’s auditor.

15. This Half-Yearly Financial Report was approved by the Board on 23 September 2019.

Alternative Performance Measures

Alternative performance measures are numerical measures of the Company's current, historical or future performance, financial position or cash flows, other than financial measures defined or specified in the applicable financial framework. The Company's applicable financial framework includes FRS 102 and the AIC SORP. The Directors assess the Company's performance against a range of criteria which are viewed as particularly relevant for closed-end investment companies.

Total return

Total return is considered to be an alternative performance measure. NAV and share price total returns show how the NAV and share price has performed over a period of time in percentage terms, taking into account both capital returns and dividends paid to shareholders. NAV total return involves investing the net dividend in the NAV of the Company with debt at fair value on the date on which that dividend goes ex-dividend. Share price total return involves reinvesting the net dividend in the share price of the Company on the date on which that dividend goes ex-dividend.

The tables below provide information relating to the NAVs and share prices of the Company on the dividend reinvestment dates during the six months ended 31 July 2019 and the year ended 31 July 2019 and total return for the periods.

| Six months ended 31 July 2019 | Dividend rate | NAV | Share price |
|-------------------------------|---------------|---------------|---------------|
| 31 January 2019 | N/A | 280.44p | 268.00p |
| 9 May 2019 | 3.60p | 286.52p | 282.00p |
| 18 July 2019 | 1.70p | 303.56p | 304.00p |
| 31 July 2019 | N/A | 310.44p | 312.50p |
| Total return | | +12.7% | +18.8% |

| Year ended 31 July 2019 | Dividend rate | NAV | Share price |
|-------------------------|---------------|---------------|---------------|
| 31 July 2018 | N/A | 290.26p | 270.00p |
| 4 October 2018 | 1.60p | 293.23p | 273.00p |
| 24 January 2019 | 1.70p | 276.08p | 264.00p |
| 9 May 2019 | 3.60p | 286.52p | 282.00p |
| 18 July 2019 | 1.70p | 303.56p | 304.00p |
| 31 July 2019 | N/A | 310.44p | 312.50p |
| Total return | | +10.2% | +19.3% |

Net gearing

Net gearing measures the total borrowings of £32,668,000 (31 January 2019 – £38,010,000) less cash and cash equivalents of £32,012,000 (31 January 2019 – £15,272,000) divided by shareholders' funds of £441,300,000 (31 January 2019 – £398,657,000), expressed as a percentage. Under AIC reporting guidance cash and cash equivalents includes amounts due and to brokers at the period end as well as cash and short term deposits.

Premium/(discount) to net asset value per share

The premium/(discount) is the amount by which the share price of 312.50p (31 January 2019 – 268.00p) is higher/(lower) than the net asset value per share of 310.44p (31 January 2019 – 280.44p), expressed as a percentage of the net asset value per share.

Ongoing charges ratio

Ongoing charges ratio is considered to be an alternative performance measure. The ongoing charges ratio has been calculated in accordance with guidance issued by the AIC which is defined as the total of investment management fees and administrative expenses and expressed as a percentage of the average net asset values with debt at fair value throughout the year. The ratio for 31 July 2019 is based on forecast ongoing charges for the year ending 31 January 2020.

| | 31 July 2019 | 31 January 2019 |
|---|-----------------|--------------------|
| Investment management fees (£'000) | 3,143 | 2,913 |
| Administrative expenses (£'000) | 739 | 852 |
| Ongoing charges (£'000) | 3,882 | 3,765 |
| Average net assets^A (£'000) | 427,945 | 396,330 |
| Ongoing charges ratio | 0.91% | 0.95% |

^A During both years net asset values with debt at fair value equated to net asset value with debt at amortised cost due to the short-term nature of the bank loans.

The ongoing charges ratio provided in the Company's Key Information Document is calculated in line with the PRIIPs regulations.

Investor Information

Direct

Investors can buy and sell shares in The North American Income Trust plc (the "Company") directly through a stockbroker or indirectly through a lawyer, accountant or other professional adviser. Many have online facilities. Alternatively, for retail clients, shares may be bought directly through Aberdeen Standard Investment Trust Share Plan, Individual Savings Account ("ISA") or Investment Plan for Children.

Aberdeen Standard Investment Trust Share Plan

Aberdeen Standard Investments operates an Investment Trust Share Plan (the "Plan") through which shares in the Company can be purchased. There are no dealing charges on the initial purchase of shares, although investors will suffer the bid-offer spread, which can, on some occasions, be a significant amount. Lump sum investments start at £250, while regular savers may invest from £100 per month. Investors simply pay Government Stamp Duty (currently 0.5%) on purchases. Selling costs are £10 + VAT. There is no restriction on how long an investor need invest in a Plan, and regular savers can stop or suspend participation by instructing Aberdeen Standard Investments in writing at any time.

Aberdeen Standard Investment Trust ISA

Aberdeen Standard Investments operates an Investment Trust ISA ("ISA") through which an investment made be made of up to £20,000 in the tax year 2019/20.

There are no brokerage or initial charges for the ISA, although investors will suffer the bid-offer spread, which can, on some occasions, be a significant amount. Investors only pay Government Stamp Duty (currently 0.5%) on purchases. Selling costs are £15 + VAT. The annual ISA administration charge is £24 + VAT calculated annually and applied on 31 March (or the last business day in March) and collected soon thereafter either by direct debit or, if there is no valid direct debit mandate in place, from the available cash in the Plan prior to the distribution or reinvestment of any income, or, where there is insufficient cash in the Plan, from the sale of investments held in the Plan. Under current legislation, investments in ISAs can grow free of capital gains tax.

ISA Transfer

You can choose to transfer previous tax year investments to us which can be invested in The North American Income Trust plc while retaining your ISA wrapper. The minimum lump sum for an ISA transfer is £1,000 and is subject to a minimum per investment trust of £250.

Aberdeen Standard Investment Plan for Children

Aberdeen Standard Investments operates an Investment Plan for Children (the "Children's Plan") which covers a number of investment companies under its management including the Company. Anyone can invest in the Children's Plan, including parents, grandparents and family friends (subject to eligibility criteria as stated within terms and conditions). All investments are free of dealing charges on the initial purchase of shares, although investors will suffer the bid-offer spread, which can, on some occasions, be a significant amount. Lump sum investments start at £150 per trust, while regular savers may invest from £30 per month. Investors simply pay Government Stamp Duty (currently 0.5%) on purchases. Selling costs are £10 + VAT. There is no restriction on how long an investor need invest in the Children's Plan, and regular savers can stop or suspend participation by instructing Aberdeen Standard Investments in writing at any time.

Nominee Accounts and Voting Rights

In common with other schemes of this type, all investments in Aberdeen Standard Investment Trust Share Plan, Investment Plan for Children and Investment Trust ISA are held in nominee accounts and investors have full voting and other rights of share ownership.

Dividend Tax Allowance

The annual tax-free personal allowance for dividend income, for UK investors, is £2,000 for the 2019/20 tax year. Above this amount, individuals will pay tax on their dividend income at a rate dependent on their income tax bracket and personal circumstances. The Company will continue to provide registered shareholders with a confirmation of dividends paid by the Company and this should be included with any other dividend income received when calculating and reporting to HMRC total dividend income received. It is the shareholder's responsibility to include all dividend income when calculating any tax liability.

Keeping You Informed

The Company's share price appears under the heading 'Investment Companies' in the Financial Times and information on the Company may be found on its dedicated website, www.northamericanincome.co.uk. This provides access to information on the Company's share price performance, capital structure, London Stock Exchange announcements, current and historic Annual and Half-Yearly Reports, and the latest monthly factsheet on the Company issued by the Manager.

If investors would like details on the Company or literature and application forms on Aberdeen Standard investment trust products please contact:

Aberdeen Standard Investment Trusts
PO Box 11020
Chelmsford
Essex CM99 2DB
Telephone: 0808 500 00 40
E-mail: inv.trusts@aberdeenstandard.com
Website: www.invtrusts.co.uk

Terms and conditions for the Aberdeen Standard investment trust products can be found under the Literature section of this website.

Registrar

If you have an administrative query which relates to a direct shareholding, please contact the Company's Registrar, Computershare Investor Services PLC (see page 21 for details).

Key Information Document ("KID")

The KID relating to the Company and published by the Manager can be found on the Manager's website at: <https://www.invtrusts.co.uk/en/fund-centre#literature>.

Suitable for Retail/NMPI Status

The Company's shares are intended for investors primarily in the UK (including retail investors), professional-advised private clients and institutional investors who are wanting to benefit from the growth prospects of north American companies by investment in a relatively risk averse investment trust and who understand and are willing to accept the risks of exposure to equities. Investors should consider consulting a financial adviser who specialises in advising on the acquisition of shares and other securities before acquiring shares. Investors should be capable of evaluating the risks and merits of such an investment and should have sufficient resources to bear any loss that may result.

The Company currently conducts its affairs so that the shares issued by The North American Income Trust plc can be recommended by a financial adviser to ordinary retail investors in accordance with the FCA's rules in relation to non-mainstream pooled investments (NMPIs) and intends to continue to do so for the foreseeable future.

The Company's shares are excluded from the FCA's restrictions which apply to NMPIs because they are shares in an investment trust.

Online Dealing providers and platforms

There are a number of online dealing platforms for private investors that offer share dealing, ISAs and other means to invest in the Company, such as self-invested personal pension (SIPP). Real-time execution-only stockbroking services allow you to trade online, manage your portfolio and buy UK listed shares. These sites do not give advice. Some comparison websites also look at dealing rates and terms. Some well-known online providers, which can be found through internet search engines, include:

AJ Bell You Invest; Alliance Trust Savings; Barclays Stockbrokers; Charles Stanley Direct; Halifax Share Dealing; Fidelity Personal Investing; Hargreave Hale; Hargreaves Lansdown; Idealing; Interactive Investor; Selftrade; The Share Centre; Stocktrade.

Discretionary Private Client Stockbrokers

If you have a large sum to invest, you may wish to contact a discretionary private client stockbroker. They can manage your entire portfolio of shares and will advise you on your investments. To find a private client stockbroker visit The Personal Investment Management & Financial Advice Association at: pimfa.co.uk.

Financial Advisers

To find an adviser who recommends on investment trusts, visit: unbiased.co.uk

Regulation of Stockbrokers

Before approaching a stockbroker, always check that they are regulated by the Financial Conduct Authority:
Tel: 0800 111 6768 or at www.fca.org.uk/firms/systems-reporting/register/search
Email: register@fca.org.uk

Investor Warning: Be alert to share fraud and boiler room scams

Aberdeen has been contacted by investors informing that they have received telephone calls and emails from people who have offered to buy their investment company shares, purporting to work for Aberdeen Standard Investments or for third party firms. Aberdeen has also been notified of emails claiming that certain investment companies under its management have issued claims in the courts against individuals. These may be scams which attempt to gain investors' personal information with which to commit identity fraud or could be 'boiler room' scams where a payment from them is required to release the supposed payment for their shares.

These callers/senders do not work for Aberdeen Standard Investments and any third party making such offers/claims has no link with Aberdeen Standard Investments.

Investor Information continued

Aberdeen Standard Investments does not 'cold-call' investors in this way. If you have any doubt over the veracity of a caller, do not offer any personal information, end the call and contact Aberdeen's investor services centre using the details on the 'Contact Us' page.

The Financial Conduct Authority provides advice with respect to share fraud and boiler room scams:
<http://www.fca.org.uk/consumers/scams>

The above information has been approved for the purposes of Section 21 of the Financial Services and Markets Act 2000 (as amended by the Financial Services Act 2012) by Aberdeen Asset Managers Limited which is authorised and regulated by the Financial Conduct Authority in the United Kingdom.

Note

Please remember that past performance is not a guide to the future. Stock market and currency movements may cause the value of shares and the income from them to fall as well as rise and investors may not get back the amount they originally invested.

As with all equity investments, the value of investment trusts purchased will immediately be reduced by the difference between the buying and selling prices of the shares, the market maker's spread.

Investors should further bear in mind that the value of any tax relief will depend on the individual circumstances of the investor and that tax rates and reliefs, as well as the tax treatment of ISAs may be changed by future legislation.

Corporate Information

Directors

James Ferguson, Chairman
Karyn Lamont
Susannah Nicklin
Charles Park
Dame Susan Rice

Manager, Secretary and Registered Office

Alternative Investment Fund Manager

Aberdeen Standard Fund Managers Limited
Bow Bells House
1 Bread Street
London EC4M 9HH
(Authorised and regulated by the Financial Conduct Authority)

Investment Manager

Aberdeen Asset Managers Inc.
(Authorised and regulated by the US Securities and Exchange Commission)

Secretary and Registered Office

Aberdeen Asset Management PLC
1 George Street
Edinburgh
EH2 2BL
Telephone: 0131 528 4000

Company Registration Number

SC005218

Website

www.northamericanincome.co.uk

Broker

Winterflood Securities

Auditors

KPMG LLP

Depository

BNP Paribas Securities Services, London Branch

Registrars

Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol BS99 7NH

Telephone: 0370 889 4084

Website: www-uk.computershare.com/investor

Email is available via the above website

(Lines open 8.30 am. to 5.30 pm., Monday to Friday excluding bank holidays. Charges for calling telephone numbers starting with '03' are determined by the caller's service provider. Calls may be recorded and monitored randomly for security and training purposes).

Foreign Account Tax Compliance Act ("FATCA")

IRS Registration Number (GIIN): XYAARK.99999.SL.826

Legal Entity Identifier (LEI):

5493007GCUW7G2BKY360

Pre-investment Disclosure Document (PIDD)

The Alternative Investment Fund Managers Directive ("AIFMD") requires Aberdeen Standard Fund Managers Limited, as the alternative investment fund manager of The North American Income Trust plc ("the Company"), to make available to investors certain information prior to such investors' investment in the Company. The AIFMD is intended to offer increased protection to investors in investment products that do not fall under the existing European Union regime for regulation of investment products known as the UCITS regime.

The Company's PIDD is available for viewing on the Company's website.



Visit us online
northamericanincome.co.uk