Company Number: SC005218

# THE NORTH AMERICAN INCOME TRUST PLC

# HALF-YEAR REPORT

*(unaudited)*

## for the six months ended 31 July 2024

www.northamericanincome.co.uk

# THE NORTH AMERICAN INCOME TRUST PLC

## Unaudited results for the half-year ended 31 July 2024

**INVESTMENT OBJECTIVE**
The Company seeks 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.

**PERFORMANCE**
**Total return performance** *(including dividends reinvested and excluding transaction costs)*

| | 6 months<br>% | 1 year<br>% | 3 years<br>% | 5 years<br>% | 10 years<br>% |
|---|---|---|---|---|---|
| NAV[1] | 11.1 | 13.9 | 29.3 | 34.7 | 182.8 |
| Share price[2] | 8.3 | 13.1 | 27.3 | 18.9 | 171.7 |
| Russell 1000 Value Index (in sterling terms) *total return* | 11.0 | 15.0 | 32.6 | 53.0 | 210.0 |
| S&P High Yield Dividend Aristocrats (in sterling terms) *total return* | 9.8 | 9.7 | 29.7 | 47.8 | 256.0 |
| Average sector NAV[3] | 8.2 | 12.3 | 20.7 | 72.3 | 205.0 |

**Financial highlights**

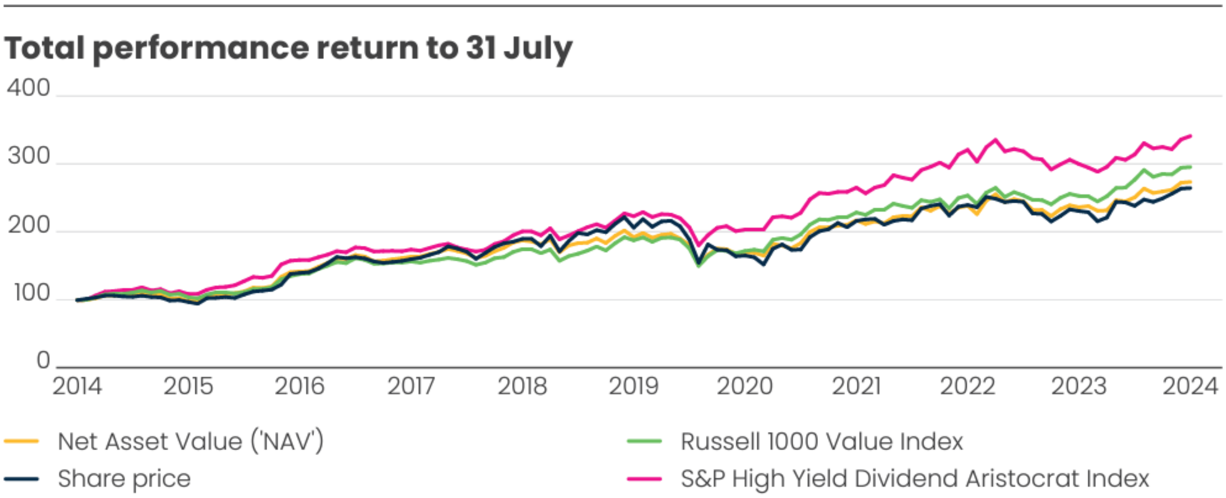
| **Shareholders' funds** | **at 31 July 2024** | At 31 July 2023 | at 31 Jan 2024 |
|---|---|---|---|
| Net assets (£'000) | **£455,174** | £445,068 | £436,479 |
| Net asset value per ordinary share | **346.2p** | 317.8p | 317.8p |
| Discount[4] | **(11.3%)** | (11.3%) | (9.1%) |
| Share price | **307.0p** | 282.0p | 289.0p |
| Net gearing | **7.1%** | 5.5% | 4.1% |

| | **Half-year ended 31 July 2024 £'000** | Half-year ended 31 July 2023 £'000 | year ended 31 Jan 2024 £'000 |
|---|---|---|---|
| **Total return to equity shareholders** | | | |
| Revenue return after taxation | **8,068** | 8,542 | 16,668 |
| Capital return after taxation | **36,797** | (27,392) | (25,841) |
| | ---------- | ------------- | ------------- |
| **Total return** | **44,865** | (18,850) | (9,173) |
| | ====== | ======== | ======== |
| **Total return per ordinary share** | | | |
| Revenue | **5.98p** | 6.10p | 11.95p |
| Capital | **27.30p** | (19.55p) | (18.53p) |
| | ---------- | ----------- | ----------- |
| **Total return per ordinary share** | **33.28p** | (13.45p) | (6.58p) |
| | ====== | ======== | ======== |

1. Net asset value ('NAV') per ordinary share total return
2. Share price total return using closing price
3. The sector is the Association of Investment Companies ('AIC') North America
4. The discount is calculated using the net assets and the share price at each date

*Sources: Morningstar Direct, Janus Henderson Investors, BNP Paribas*

## Total Return Performance




Rebased to 100 at 31 July 2014.
Sources: Morningstar Direct, Funddata, Factset and Janus Henderson.

## Historical record – Year to 31 January

| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | As at 31 Jul 2024[1] |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Net assets[2] (£m) | 309 | 281 | 379 | 392 | 399 | 414 | 375 | 448 | 473 | 436 | **455** |
| NAV[3]* | 187.8p | 187.1p | 264.7p | 275.5p | 280.4p | 288.9p | 262.5p | 318.8p | 337.2p | 317.8p | **346.2p** |
| Share price* | 173.0p | 163.0p | 246.4p | 260.0p | 268.0p | 290.0p | 234.0p | 283.0p | 306.0p | 289.0p | **307.0p** |
| Net revenue* | 6.54p | 7.15p | 7.98p | 8.42p | 10.04p | 11.42p | 11.79p | 10.28p | 12.21p | 11.95p | **5.98p** |
| Net dividends paid per ordinary share* | 6.00p | 6.60p | 7.20p | 7.80p | 8.50p | 9.50p | 10.00p | 10.30p | 11.00p | 11.70p | **5.40p**[4] |

[1] Net revenue and net dividends paid are for the six month period ended 31 July 2024
[2] Attributable to ordinary shares
[3] NAV per ordinary share with debt at par value
[4] First interim dividend of 2.70p per ordinary share paid on 25 July 2024 and second interim dividend of 2.70p per ordinary share that will be paid on 31 October 2024.

*Comparative figures for 2015 to 2019 inclusive have been restated to reflect the sub-division of each existing Ordinary share of 25p into five Ordinary shares of 5p each on 10 June 2019

## INTERIM MANAGEMENT REPORT

### Chair's Statement

### Performance

For the period from 31 January 2024 to 31 July 2024, NAIT's Net Asset Value ('NAV') per share marginally outperformed the Russell 1000 Value Index (sterling adjusted), with a return of 11.1% versus 11.0%. Over the same time period the share price rose 8.3%. NAIT also slightly outperformed the S&P High Yield Dividend Aristocrat Index (sterling adjusted), another reference index that the Board will now be tracking, which returned 9.8%. During the review period, the prior manager, abrdn, was responsible for the management of the Company. Following the announcement of the change of manager in May 2024, abrdn agreed with the Board to manage the portfolio on a 'care and maintenance' basis until transfer to the new manager, Janus Henderson Investors, on 1 August 2024. As a result, most of the investment activity was in the early part of the period under review. More details on that activity can be found in the abrdn commentary. Given the change in investment manager on 1 August, the Board felt it was important to also include separate commentary from Janus Henderson which covers the start of their responsibility to the Company.

US markets in the first six months of calendar 2024 were dominated by a handful of technology stocks, in particular, Nvidia, which was up considerably on the back of very strong earnings growth and investors' enthusiasm for artificial intelligence stocks. The largest 7 technology stocks accounted for roughly 30% of the S&P 500 in July, helped by strong earnings growth and increases in their valuation. The Board feels that index investing no longer holds the same sort of sector or security diversification that it did in the past, reinforcing the role of an actively managed, diversified portfolio.

Over the last 5 years to 31 July 2024, NAIT has returned 34.7% with a higher yield (3.6%) than the Russell 1000 Value Index (sterling adjusted) (2.1%) and has provided a steady and growing dividend. However, it has relatively underperformed that same index, which was up 53.0% over the same period on a total return basis. For comparison, the S&P High Yield Dividend Aristocrat Index had a yield of 2.7% and returned 47.8% over the same period.

### Review of Management Arrangements

During the period under review, the Board reviewed its management arrangements, with the aim of improving its capital returns while keeping its above average dividend income. Following a robust process which saw the Board evaluate a number of suitable candidates, it was decided to appoint Janus Henderson Investors as Manager. That decision was driven by Janus Henderson having an existing stable of well-regarded equity income trusts, a strong US capability with $180 bn of US equities under management, a pool of 36 US equity analysts to draw upon and the track record of their portfolio manager, Jeremiah Buckley. Jeremiah started managing NAIT on 1 August 2024 after a seamless migration to Janus Henderson. The Board would like to thank abrdn for its help in this transition, as well as all the advisors and service providers that were called upon to assist in the move to Janus Henderson. In November the previous portfolio manager, Fran Radano, will start working alongside Jeremiah and they will co-manage the portfolio from that point.

The Board feels that NAIT has something different to offer; a higher than index yield, a rising dividend and capital growth. The Board is confident that all the ingredients are now in place to help improve the total returns going forward. In addition, the Board has also put in place a mechanism for shareholders to redeem part of their shareholding if, after the next three years, the NAV/share total return does not exceed the total return of the S&P High Yield Dividend Aristocrat Index. There is also a second condition on this mechanism such that if, over the six-month period prior to the calculation date, the Company's ordinary shares have traded at greater than a 7% discount, shareholders can redeem part of their holding at a 2% discount to the prevailing NAV (less tender offer costs).

### Earnings:

Earnings per share for the first 6 months were 5.98p to 31 July compared to 6.10p in the corresponding period last year.

### Dividends

The first interim dividend for the 2025 financial year (paid July 2024) was 2.7p, up from 2.6p in the prior year. The intention is to provide a progressive dividend and it is worth noting that there is one year's worth of dividends in reserve. A second interim dividend of 2.7p will be paid on 31 October 2024.

### Costs

Janus Henderson will receive an annual management fee of 0.55% of the Company's net assets up to £500m and 0.45% on net assets above £500m. This represents a meaningful reduction from the fees paid to abrdn Fund Managers Limited of 0.75% of net assets up to £250m, 0.6% of net assets from £250m up to £500m and 0.5% of net assets above £500m. In addition, Janus Henderson has agreed to make a contribution to the Company's costs of the transition, up to a maximum of three months of management fees from its appointment as AIFM on 31 July 2024.

**Share buy backs**

The Board pays close attention to the level of discount which had reached the low teens during the broad sell off in investment trusts. Over the review period 5.9m shares have been repurchased against a figure of 198,000 for the prior year period. The purchases were made at a 12.2% average discount.

**Gearing**

The Board believes that a sensible use of gearing should enhance returns to shareholders over the longer term. In December 2020, the Company entered into a long-term financing agreement for US$50 million with MetLife for two loans of US$25 million with terms of 10 and 15 years. As a result, net gearing at 31 July 2024 stood at 7.1% (31 July 2023: 5.5%). The change of manager had no impact on these agreements.

**Board changes**

The Board would like to thank Dame Susan Rice for her service to the Company over the last 9 years and in particular for chairing NAIT during the transition period up to 21 June this year, when I took over that role. The Board has appointed a recruitment agency to help with the search for a fifth NED who we hope will complement an experienced Board.

**Outlook**

As our new manager, Janus Henderson, says 'there is a lot to be positive about in the US economy'. Interest rates are expected to continue to decline, the consumer remains resilient, and companies across various sectors are finding new ways to leverage AI to improve efficiency and customer service and accelerate the pace of bringing new products and services to market. There were small signs of the market broadening out since the end of the half year period and the Board is optimistic that the new manager, with all its resources and focused team, will improve the total returns in the years ahead.

**Charles Park**
**Chair**
**27 September 2024**

**Fund Manager's Report**

**Abrdn commentary**

The Company's investments over the six months ended 31 July 2024 continued to align with our high-quality stock selection process, emphasising consistent cash flow generation. Following the announcement of the change of Manager in May 2024, abrdn agreed with the Board to manage the portfolio on a 'care and maintenance' basis, while the transition was completed. Consequently, much of the activity reported below occurred during the first three months of the review period.

We initiated positions in the following six companies over the six months:

- Honeywell International, an industrial conglomerate with a storied history rooted in consistent operational improvements and portfolio high grading. Over the years, it has established successful franchises with market-leading positions in most end-markets. This includes a comprehensive portfolio of aerospace solutions, products and services that enable energy-efficient buildings, warehouse automation systems, specialty chemicals and much more. Importantly, a majority of sales are derived from offerings that contribute to ESG-related outcomes, such as improving energy efficiency, water usage and air quality. Altogether, Honeywell's goal is to create a safer and more productive world.

- UnitedHealth Group, a large, diversified managed care company with exposure in the commercial, Medicare and Medicaid markets. The vertically integrated company also operates a large pharmacy benefit manager, has expansive care delivery capabilities and offers a broad suite of healthcare information-technology (IT) solutions. UnitedHealth Group has a veteran management team and a consistent track record of delivering double-digit earnings growth, with long-term guidance calling for 13-16% annual growth in earnings per share. The stock also has an attractive dividend yield of approximately 1.5%. A pullback in the share price, created by what we believe to be transitory challenges, offered what we considered an attractive entry point, with the shares trading at a discount to the company's historical price/earnings multiple.

- Corteva, a leading global provider of seed and crop protection solutions for the agricultural industry. The seed business utilises a best-in-class genetics platform to develop patented seeds with advanced traits that significantly improve a crop's resistance to weather, diseases and insects while also enhancing its food and nutritional characteristics. The crop protection segment develops pesticides (herbicides, insecticides and fungicides) and disease management solutions, which also improve plant health and farmer profitability.

Together, these two platforms create one of the broadest portfolios of agricultural solutions, making Corteva a one-stop shop for farmers.

- Oracle Corporation, the technology conglomerate. With its roots in relational databases, Oracle has grown into one of the largest software companies in the world, and today offers a full suite of applications, middleware and infrastructure to its customers through on-premise licenses or software-as-a-service subscriptions. Over the last several years, Oracle has grown its public cloud offering – Oracle Cloud Infrastructure ('OCI') – and has reported strong growth in cloud bookings due to customer interest in generative artificial intelligence ('AI'). Oracle is rapidly growing its data centre footprint to keep up with the strong demand for public cloud services globally and should benefit from secular growth in cloud and AI over the coming years. Oracle has grown its dividend per share at approximately 15% per annum over the last three to five years, and we expect continued growth in the coming years in line with expected growth in earnings per share. Oracle has committed to 100% renewable energy use by 2025, including for all of its OCI data centres, and has a net-zero emissions target by 2050.

- Union Pacific Corporation, a railroad operator with one of the most strategically advantaged networks among all Class 1 peers. Unit economics have been consistently impressive. While the cost structure has been more than adequate, there is a clear path to further improvement. The company has a broad-based network across the US, including six crossings at the Mexico border. Its end-markets are well diversified across the industrial economy and by customer. Near-term growth remains somewhat challenged, resulting in multiple compression, which we believe presents an opportunity for future outperformance. The return of Jim Vena as CEO should accelerate the recovery in the operating ratio, given his expertise and past execution efforts in precision railroading. Railroads remain one of the most environmentally friendly and lowest-cost means of transporting a wide array of goods and have multiple ways to further enhance their capabilities in this area. Union Pacific has consistently returned capital to shareholders through a combination of dividends and share repurchases, given its healthy free cash flows and strong balance sheet. We believe the margin opportunity can offset any revenue weakness in the near term if the economy were to weaken. Over the longer term, margin opportunities are expected to enhance future leverage in a more favourable market.

- Rockwell Automation, a leading US automation pure play that is set to benefit from a short cycle recovery, in our opinion. Rockwell is a leader in discrete automation, in particular, holding ~50% market share in the US. The company is innovative and has a business model of developing software in-house and undertaking small bolt-on acquisitions to expand its verticals or strengthen its current product offerings. Rockwell has a goal of being carbon neutral by 2030 (scope 1 and 2), and in 2023 was able to recycle 88% of its waste and generated over $2 billion of revenue from energy-efficient products and offerings (per SASB's definition).

In terms of sales, we exited two positions over the six-month period under review:

- Cisco Systems, the network equipment manufacturer. It continued to struggle with excess inventory of networking equipment with its customers and appeared to have missed out on the resurgence in IT spending related to generative AI. The company initiated a significant restructuring to reduce costs in response to a challenging demand environment for its products.

- FMC Corporation, the agricultural sciences company. This sale was to help fund our initiation of Corteva (see above). Both companies are key suppliers of agricultural chemicals and have struggled through a period of intense industry destocking. However, as we approached the later stages of the destocking cycle and both stocks traded at depressed levels, we decided to sell our holding in FMC in favour of the more diversified Corteva. FMC remains a high-quality company with a strong competitive business edge, but we were able to gain similar exposure with a more resilient business model.

In terms of options activity, considering the timing around the management transfer, all open option positions at the time of the change of Manager announcement were held until exercise or expiry, and no new options contracts were entered into. As at 31 July 2024, there were no open option positions.

**abrdn Inc.**
**Investment Manager, until 31 July 2024**

**Janus Henderson commentary**

**Portfolio changes:**

We've made material changes to the portfolio since taking over management at the beginning of August. From a sector standpoint, we've materially increased the exposure to Information Technology as we have added a number of companies that we think will benefit from the increased spending on Artificial Intelligence over the coming years, boosting our exposure to IT Services, semiconductors and semi-cap equipment, and software. We've also increased the weighting to the healthcare sector which we believe continues to offer both defensive and offensive characteristics. We believe the sector will hold up well in the case of an unexpected slowdown in the economy, but should also do well over the cycle given the amount of innovation we are seeing in biotech and medical devices.  Lastly, we've also increased the exposure to Real Estate Investment Trusts given the attractive dividend yields in the sector, consistency of growth of those dividends, and a return to normal occupancy trends following the disruption during the pandemic.

To fund these increases in exposure, we have sold the bond positions in the portfolio and reduced exposure to the Materials, Financials, and Consumer Staples sectors.  Given the recent rotation in the market toward more interest rate sensitive and defensive sectors, we have found valuations in these sectors to be less attractive.  We continue to be disappointed with the organic growth in balance sheet oriented financials and have reduced exposure given our lower total return assumptions.  We also continue to be disappointed with the volume trends for consumer staples companies after aggressive price increases over the last couple of years to maintain margins in the higher cost environment have led to consumers drawing down pantry inventories and trading down to private label.  We also believe that the hope of lower interest rates catalysing faster growth in sectors like Materials is premature.

**Outlook:**

As we enter the second half of the year, there is a lot to be positive about in the U.S. economy, with unemployment remaining low and solid job growth. Households are feeling the impact of inflation and are being more selective in their consumption, however, we still believe consumer balance sheets remain relatively healthy and should contribute to a strong overall economic backdrop.

Equity markets have embraced this optimism, pricing in a soft landing scenario. Year-over-year S&P 500 earnings estimates are up over 10% for this year and next, which appear realistic based on our company interactions. However, we believe the realisation of these estimates hinges on two critical factors: productivity and innovation.

Recent gains in U.S. labour productivity are particularly encouraging. Nonfarm labour productivity has increased from 2.4% to 2.9% year over year in each of the past three quarters, significantly above the 1.5% 10-year average. This uptick bodes well for corporate margins and may help mitigate inflationary pressures. The productivity gains are particularly evident among tech and internet firms, many of which streamlined operations while still growing revenues.

To capitalise on productivity trends, we're focused on two key areas: AI infrastructure providers, which offer enabling technologies like semiconductors and AI services, and large-scale companies with large enough R&D and capital spending budgets to fully leverage these technologies. Companies across various sectors are finding new ways to leverage AI to improve efficiency and customer service and accelerate the pace of bringing new products and services to market.

While AI dominates innovation discussions, we see breakthroughs extending beyond tech into sectors like health care. Innovations are emerging in gene editing, antibody drug conjugates, Car T therapies and cell therapies for autoimmune diseases. The continued investment in R&D within healthcare is expected to drive growth and differentiation among companies in the sector.

Key economic risks we are watching include consumer spending trends and the dampening effects that higher interest rates can have on long-cycle capital spending. Consumer spending, while still resilient, has shown signs of a slight slowdown in certain areas. High-income consumers with strong asset positions continue to spend, particularly on travel and experiences, while more leveraged consumers are being selective in their spending choices. The construction industry is another area of focus, with weakening data outside of data centers. This includes housing, multifamily homes, and manufacturing capacity. However, government and nonresidential spending has remained robust, due to data center and chip manufacturing plant buildouts.

Our focus remains on companies providing attractive current income and growth potential. We believe our emphasis on companies with consistent cash flows and healthy balance sheets can help buffer shareholder returns in the event economic demand is weaker than anticipated.

**Jeremiah Buckley**
**Fund Manager**
**27 September 2024**

## Ten Largest Investments

**MetLife**

MetLife provides individual insurance, employee benefits, and financial services with operations throughout the United States and the regions of Latin America, Europe, and Asia Pacific.

**Gaming & Leisure Properties**

Gaming and Leisure Properties owns and leases casinos and other entertainment facilities.

**Medtronic**

Medtronic develops therapeutic and diagnostic medical products for a wide range of conditions, diseases and disorders.

**Baker Hughes**

Baker Hughes provides oilfield products and services. The Company engages in surface logging, drilling, pipeline operations, petroleum engineering, and fertiliser solutions, as well as offers gas turbines, valves, actuators, pumps, flow meters, generators, and motors. Baker Hughes serves oil and gas industries worldwide.

**Philip Morris**

Philip Morris, through its subsidiaries, manufactures and sells cigarettes and other tobacco products.

**Citigroup**

Citigroup is a diversified financial services holding company that provides a broad range of financial services to consumer and corporate customers. The company services include investment banking, retail brokerage, corporate banking, and cash management products and services. Citigroup serves customers globally.

**Merck & Co**

Merck & Co. is a global health care company that delivers health solutions through its prescription medicines, vaccines, biological therapies, animal health, and consumer care products, which it markets directly and through its joint ventures. The Company has operations in pharmaceutical, animal health, and consumer care.

**Air Products & Chemicals**

Air Products and Chemicals produces industrial atmospheric and specialty gases and performance materials and equipment. The Company's products include oxygen, nitrogen, argon, helium, specialty surfactants and amines, polyurethane, epoxy curatives, and resins.

**L3 Harris Technologies**

L3 Harris Technologies is an aerospace and defence technology innovator. The company designs, develops, and manufactures radio communications products and systems, including single channel ground and airborne radio systems.

**American International Group ("AIG")**

American International Group is an international insurance organisation serving commercial, institutional and individual customers. AIG provides property- casualty insurance, life insurance, and retirement services.

**Sector exposure** *(% of portfolio excluding cash)*

| | at 31 July 2024<br>% |
|---|---|
| Financial Services | **20.1** |
| Consumer Staples | **13.8** |
| Healthcare | **13.8** |
| Industrials | **9.7** |
| Energy | **7.9** |
| Technology | **7.2** |
| Real Estate | **6.9** |
| Utilities | **6.0** |
| Telecommunications | **5.0** |
| Consumer Discretionary | **4.6** |
| Basic Materials | **3.4** |
| Fixed Interest | **1.6** |
| | **100.0** |

**Geographical exposure** *(% of portfolio excluding cash)*

| | **at 31 July 2024** | at 31 January 2024 |
|---|---|---|
| | **%** | % |
| USA | **94.1** | 93.9 |
| Canada | **5.9** | 6.1 |
| | **100.0** | 100.0 |

**Portfolio:**

| **Company** | **Industry classification** | **Valuation £'000** | **Valuation %** |
|---|---|---|---|
| MetLife | Insurance | 20,041 | 4.1 |
| Gaming & Leisure Properties | Specialised REITs | 19,538 | 4.0 |
| Medtronic | Health Care Equipment & Supplies | 18,758 | 3.8 |
| Baker Hughes | Energy Equipment & Services | 18,090 | 3.7 |
| Philip Morris | Tobacco | 17,931 | 3.7 |
| Citigroup | Banks | 17,679 | 3.6 |
| Merck & Co | Pharmaceuticals | 17,614 | 3.6 |
| Air Products & Chemicals | Chemicals | 16,432 | 3.4 |
| L3 Harris Technologies | Aerospace & Defence | 15,894 | 3.3 |
| American International Group (“AIG”) | Insurance | 15,419 | 3.2 |
| **Ten largest investments** | | **177,396** | **36.4** |
| Broadcom | Semiconductors & Semiconductor Equipment | 15,029 | 3.1 |
| Keurig Dr Pepper | Beverages | 14,674 | 3.0 |
| Omega Healthcare Investors | Health Care REITs | 14,173 | 2.9 |
| CVS Health | Health Care Providers & Services | 14,089 | 2.9 |
| JPMorgan Chase & Co. | Banks | 13,253 | 2.7 |
| Coca-Cola | Beverages | 12,984 | 2.7 |
| Bristol-Myers Squibb | Pharmaceuticals | 12,957 | 2.7 |
| Comcast | Media | 12,843 | 2.6 |
| Honeywell | Industrial Conglomerates | 12,752 | 2.6 |
| Cogent Communications | Diversified Telecommunication | 11,543 | 2.4 |
| **Twenty largest investments** | | **311,693** | **64.0** |
| Genuine Parts | Distributors | 11,453 | 2.4 |
| Emerson Electric | Electrical Equipment | 11,399 | 2.3 |
| PNC Financial Services | Banks | 11,276 | 2.3 |
| UnitedHealth | Health Care Providers & Services | 11,214 | 2.3 |
| CMS Energy | Multi-Utilities | 11,097 | 2.3 |
| Restaurant Brands International | Hotels, Restaurants & Leisure | 10,897 | 2.2 |
| Analog Devices | Semiconductors & Semiconductor Equipment | 10,804 | 2.2 |
| Enbridge | Oil, Gas & Consumable Fuels | 10,199 | 2.1 |
| Phillips 66 | Oil, Gas & Consumable Fuels | 10,194 | 2.1 |
| NextEra Energy | Electric Utilities | 10,110 | 2.1 |
| **Thirty largest investments** | | **420,336** | **86.3** |
| Essential Utilities | Water Utilities | 7,910 | 1.6 |
| Royal Bank of Canada | Banks | 7,832 | 1.6 |
| Corteva | Chemicals | 7,424 | 1.5 |
| OneMain | Consumer Finance | 6,510 | 1.4 |
| AbbVie | Biotechnology | 6,490 | 1.3 |
| CME Group | Capital Markets | 6,031 | 1.3 |
| Oracle | Software and Computer Services | 5,426 | 1.1 |
| Rockwell Automation | Electrical Equipment | 4,311 | 0.9 |
| Texas Instruments | Semiconductors & Semiconductor Equipment | 3,965 | 0.8 |
| Union Pacific | Road and Rail | 2,881 | 0.6 |
| **Forty largest investments** | | **479,116** | **98.4** |

| | | | |
|---|---|---|---|
| Venture Global Calcasie 8.375% 01/06/31 | Oil, Gas & Consumable Fuels | 1,423 | 0.3 |
| CCO Holdings 7.375% 03/03/31 | Media | 1,415 | 0.3 |
| CCO Holdings 4.75% 01/02/32 | Media | 1,397 | 0.3 |
| NRG Energy 3.625% 15/02/31 | Multi-Utilities | 773 | 0.2 |
| Venture Global Calcasie 6.25% 15/01/30 | Oil, Gas & Consumable Fuels | 719 | 0.2 |
| Viatris 2.7% 22/06/30 | Pharmaceuticals | 713 | 0.1 |
| Venture Global Calcasie 3.875% 01/11/33 | Oil, Gas & Consumable Fuels | 701 | 0.1 |
| NCL 5.875% 15/02/27 | Consumer Discretionary | 693 | 0.1 |
| **Total investments** | | **486,950** | **100.0** |

## PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties associated with the Company's business can be divided into various areas:

Market risk
Major Market Event or Geopolitical Risk
Income and Dividend Risk
Operational
Regulatory Risk
Gearing Risk
Discount Volatility
Derivatives
Potential Impact of Environmental, Social and Governance ("ESG") Investment Principles

Information on these risks and how they are managed is given in the Annual Report for the year ended 31 January 2024. The Board has completed a thorough review of the principal risks, and the uncertainties facing the Company. As a result of this review, the Board considers that the principal risks and uncertainties remain largely unchanged and that they are as applicable to the remaining six months of the financial year as they were to the six months under review.

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors confirm that, to the best of their knowledge:

(a) the set of financial statements for the half-year to 31 July 2024 has been prepared in accordance with "FRS 104 Interim Financial Reporting";

(b) the Interim Management Report includes a fair review of the information required by Disclosure Guidance and Transparency Rule 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and

(c) the Interim Management Report includes a fair review of the information required by the Disclosure Guidance and Transparency Rule 4.2.8R (disclosure of related party transactions and changes therein).

On behalf of the Board
Charles Park
Chair
27 September 2024

**CONDENSED STATEMENT OF COMPREHENSIVE INCOME**

| | **Half-year ended 31 July 2024 (unaudited)** | | | Half-year ended 31 July 2023 (unaudited) | | | Year ended 31 January 2024 (audited) | | |
|---|---|---|---|---|---|---|---|---|---|
| | **Revenue return £'000** | **Capital return £'000** | **Total return £'000** | Revenue return £'000 | Capital return £'000 | Total return £'000 | Revenue return £'000 | Capital return £'000 | Total return £'000 |
| Net gains/(losses) on investments | **-** | **37,274** | **37,274** | - | (28,238) | (28,238) | - | (25,504) | (25,504) |
| Net currency gains | **-** | **439** | **439** | - | 1,573 | 1,573 | - | 1,375 | 1,375 |
| Income | **10,468** | **207** | **10,675** | 11,135 | 429 | 11,564 | 21,952 | 620 | 22,572 |
| | **10,468** | **37,920** | **48,388** | 11,135 | (26,236) | (15,101) | 21,952 | (23,509) | (1,557) |
| **Expenses** | | | | | | | | | |
| Management fees | **(455)** | **(1,063)** | **(1,518)** | (451) | (1,052) | (1,503) | (894) | (2,088) | (2,982) |
| Other operating expenses | **(445)** | **-** | **(445)** | (464) | - | (464) | (943) | - | (943) |
| **Return before finance costs and taxation** | **9,568** | **36,857** | **46,425** | 10,220 | (27,288) | (17,068) | 20,115 | (25,597) | (5,482) |
| Finance costs | **(168)** | **(393)** | **(561)** | (165) | (385) | (550) | (368) | (858) | (1,226) |
| **Return before taxation** | **9,400** | **36,464** | **45,864** | 10,055 | (27,673) | (17,618) | 19,747 | (26,455) | (6,708) |
| Taxation | **(1,332)** | **333** | **(999)** | (1,513) | 281 | (1,232) | (3,079) | 614 | (2,465) |
| **Return after taxation** | **8,068** | **36,797** | **44,865** | 8,542 | (27,392) | (18,850) | 16,668 | (25,841) | (9,173) |
| **Return per ordinary share – pence (note 2)** | **5.98** | **27.30** | **33.28** | 6.10 | (19.55) | (13.45) | 11.95 | (18.53) | (6.58) |

The total columns of this statement represent the Income Statement of the Company, prepared in accordance with FRS 104. The revenue and capital columns are supplementary to this and are published under guidance from the Association of Investment Companies.

The Company has no recognised gains or losses other than those disclosed in the Income Statement and Statement of Changes in Equity.

All items in the above statement derive from continuing operations. No operations were acquired or discontinued during the period.

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

## CONDENSED STATEMENT OF CHANGES IN EQUITY

| **Half-year ended 31 July 2024 (unaudited)** | **Called up share capital £'000** | **Share premium account £'000** | **Capital redemption reserve £'000** | **Capital reserve £'000** | **Revenue reserve £'000** | **Total £'000** |
|---|---|---|---|---|---|---|
| Balance at 1 February 2024 | **6,868** | **51,806** | **15,748** | **340,003** | **22,054** | **436,479** |
| Buy-back of ordinary shares (note 3) | **(294)** | **-** | **294** | **(17,297)** | **-** | **(17,297)** |
| Return after taxation | **-** | **-** | **-** | **36,797** | **8,068** | **44,865** |
| Ordinary dividends paid | **-** | **-** | **-** | **-** | **(8,873)** | **(8,873)** |
| | ---------- | ---------- | ---------- | ---------- | ---------- | ----------- |
| **Balance at 31 July 2024** | **6,574** | **51,806** | **16,042** | **359,503** | **21,249** | **455,174** |
| | ====== | ====== | ====== | ====== | ====== | ====== |

| Half-year ended 31 July 2023 (unaudited) | Called up share capital £'000 | Share premium account £'000 | Capital redemption reserve £'000 | Capital reserve £'000 | Revenue reserve £'000 | Total £'000 |
|---|---|---|---|---|---|---|
| Balance at 1 February 2023 | 7,012 | 51,806 | 15,604 | 373,828 | 24,641 | 472,891 |
| Buy-back of ordinary shares (note 3) | (10) | - | 10 | (565) | - | (565) |
| Return after taxation | - | - | - | (27,392) | 8,542 | (18,850) |
| Ordinary dividends paid | - | - | - | - | (8,408) | (8,408) |
| | ----------- | ----------- | ----------- | ----------- | ----------- | ----------- |
| Balance at 31 July 2023 | 7,002 | 51,806 | 15,614 | 345,871 | 24,775 | 445,068 |
| | ====== | ====== | ====== | ====== | ====== | ====== |

| Year ended 31 January 2024 (audited) | Called up share capital £'000 | Share premium account £'000 | Capital redemption reserve £'000 | Other capital reserves £'000 | Revenue reserve £'000 | Total £'000 |
|---|---|---|---|---|---|---|
| Balance at 1 February 2023 | 7,012 | 51,806 | 15,604 | 373,828 | 24,641 | 472,891 |
| Buy-back of ordinary shares (note 3) | (144) | - | 144 | (7,984) | - | (7,984) |
| Return after taxation | - | - | - | (25,841) | 16,668 | (9,173) |
| Ordinary dividends paid | - | - | - | - | (19,255) | (19,255) |
| | ---------- | ---------- | ---------- | ---------- | ---------- | ---------- |
| Balance at 31 January 2024 | 6,868 | 51,806 | 15,748 | 340,003 | 22,054 | 436,479 |
| | ====== | ====== | ====== | ====== | ====== | ====== |

The accompanying notes are an integral part of these condensed financial statements.

## CONDENSED STATEMENT OF FINANCIAL POSITION

| | **At 31 July 2024 (unaudited) £'000** | At 31 July 2023 (unaudited) £'000 | At 31 January 2024 (audited) £'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Investments held at fair value through profit or loss | **486,950** | 470,477 | 454,932 |
| **Current assets** | | | |
| Debtors and prepayments | **1,040** | 7,538 | 951 |
| Cash and short-term deposits | **6,694** | 19,363 | 21,285 |
| | **7,734** | 26,901 | 22,236 |
| **Creditors: amounts falling due within one year** | | | |
| Traded options | **-** | (291) | (162) |
| Other creditors | **(643)** | (13,227) | (1,329) |
| | **(643)** | (13,518) | (1,491) |
| **Net current assets** | **7,091** | 13,383 | 20,745 |
| **Total assets less current liabilities** | **494,041** | 483,860 | 475,677 |
| **Creditors: amounts falling due after more than one year** | | | |
| Senior Loan Notes | **(38,867)** | (38,792) | (39,198) |
| **Net assets** | **455,174** | 445,068 | 436,479 |
| **Capital and reserves** | | | |
| Called-up share capital (note 3) | **6,574** | 7,002 | 6,868 |
| Share premium account | **51,806** | 51,806 | 51,806 |
| Capital redemption reserve | **16,042** | 15,614 | 15,748 |
| Capital reserve | **359,503** | 345,871 | 340,003 |
| Revenue reserve | **21,249** | 24,775 | 22,054 |
| **Total equity** | **455,174** | 445,068 | 436,479 |
| **Net asset value per ordinary share – basic and diluted (note 4)** | **346.21** | 317.82 | 317.78 |

The accompanying notes are an integral part of these condensed financial statements.

## CONDENSED CASH FLOW STATEMENT

| | **Half-year ended 31 July 2024 (unaudited) £'000** | Half-year ended 31 July 2023 (unaudited) £'000 | Year ended 31 January 2024 (audited) £'000 |
|---|---|---|---|
| **Operating activities** | | | |
| Net return before taxation | **45,864** | (17,618) | (6,708) |
| Adjustments for: | | | |
| Net (gains)/losses on investments | **(37,309)** | 28,075 | 25,410 |
| Net gains on foreign exchange transactions | **(439)** | (1,573) | (1,375) |
| Decrease/(increase) in dividend income receivable | **18** | (248) | (60) |
| Decrease/(increase) in fixed interest income receivable | **16** | (64) | (2) |
| (Decrease)/increase in derivatives | **(162)** | 27 | (102) |
| (Increase)/decrease in other debtors | **(153)** | 16 | 155 |
| (Decrease)/increase in other creditors | **(574)** | 687 | (53) |
| Tax on overseas income | **(896)** | (1,053) | (2,465) |
| Amortisation of fixed income book cost | **(39)** | (45) | (94) |
| **Net cash flow from operating activities** | **6,326** | 8,204 | 14,706 |
| **Investing activities** | | | |
| Purchases of investments | **(61,163)** | (72,882) | (140,765) |
| Sales of investments | **66,312** | 66,493 | 147,854 |
| **Net cash flow from investing activities** | **5,149** | (6,389) | 7,089 |
| **Financing activities** | | | |
| Equity dividends paid | **(8.873)** | (8,408) | (19,225) |
| Buy-back of ordinary shares | **(17,297)** | (565) | (7,984) |
| **Net cash used in financing activities** | **(26,170)** | (8,973) | (27,239) |
| **Decrease in cash** | **(14,695)** | (7,158) | (5,444) |
| **Analysis of changes in cash during the period** | | | |
| Opening balance | **21,285** | 26,699 | 26,699 |
| Effect of exchange rate fluctuations on cash held | **104** | (178) | 30 |
| Decrease in cash as above | **(14,695)** | (7,158) | (5,444) |
| **Closing balance** | **6,694** | 19,363 | 21,285 |

The accompanying notes are an integral part of these condensed financial statements.

**Notes to the condensed financial statements**

## 1. Accounting policies

### a) 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. Annual financial statements are prepared under Financial Reporting Standard 102.

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

## 2. Return per ordinary share

The return per ordinary share is based on the profit for the half-year of £44,865,000 (half-year ended 31 July 2023: loss of £18,850,000; year ended 31 January 2024: loss of £9,173,000) and on 134,828,246 ordinary shares (half-year ended 31 July 2023: 140,135,287 and year ended 31 January 2024: 139,474,109), being the weighted average number of ordinary shares in issue during the period.

The return per ordinary share detailed above can be further analysed between revenue and capital, as below.

| | **Half-year ended 31 July 2024 (unaudited) £'000** | Half-year ended 31 July 2023 (unaudited) £'000 | Year ended 31 January 2024 (audited) £'000 |
|---|---|---|---|
| Revenue return | **8,068** | 8,542 | 16,668 |
| Capital return | **36,797** | (27,392) | (25,841) |
| | ---------- | ---------- | ---------- |
| Total return | **44,865** | (18,850) | (9,173) |
| | ====== | ====== | ====== |

| | **Half-year ended 31 July 2024 (unaudited) Pence** | Half-year ended 31 July 2023 (unaudited) pence | Year ended 31 January 2024 (audited) pence |
|---|---|---|---|
| Revenue return per ordinary share | **5.98** | 6.10 | 11.95 |
| Capital return per ordinary share | **27.30** | (19.55) | (18.53) |
| | ---------- | ---------- | ---------- |
| Total return per ordinary share | **33.28** | (13.45) | (6.58) |
| | ====== | ====== | ====== |

## 3. Share capital

At 31 July 2024 there were 131,472,857 ordinary shares in issue (31 July 2023: 140,037,175; 31 January 2024: 137,352,347).

During the half-year ended 31 July 2024, the Company repurchased 5,879,490 ordinary shares for cancellation, at a total cost of £17,297,000 (31 July 2023: 197,574 and 31 January 2024: 2,882,402). No ordinary shares were issued (31 July 2023 and 31 January 2024: same).

## 4. Net asset value per ordinary share

The net asset value per ordinary share is based on the net assets attributable to equity shareholders of £455,174,000 (31 July 2023: £445,068,000; 31 January 2024: £436,479,000) and on 131,472,857 ordinary shares (31 July 2023: 140,037,175; 31 January 2024: 137,352,347), being the number of ordinary shares in issue at the period end.

## 5. Dividends

The Company has declared an interim dividend of 2.70p per ordinary share (31 July 2023: 2.60p) payable on 31 October to members on the register as at 11 October 2024. The shares will trade ex-dividend on 10 October 2024.

A fourth interim dividend of 3.90p per ordinary share was paid on 3 May 2024 from the Company's revenue account in respect of the year ended 31 January 2024. A first interim dividend of 2.70p per ordinary share was paid on 25 July 2024 from the Company's revenue account in respect of the year ending 31 January 2025.

## 6. Transaction costs

Purchase transaction costs for the half-year ended 31 July 2024 were £35,000 (half-year ended 31 July 2023: £39,000; year ended 31 January 2024: £65,000). These comprise mainly stamp duty and commission. Sales transaction costs for the half-year ended 31 July 2024 were £39,000 (half-year ended 31 July 2023: £59,000; year ended 31 January 2024: £107,000).

**7. Management and performance fees**

Until 31 July 2024 the Company had an agreement with abrdn Fund Managers Limited ("aFML") for the provision of investment management, secretarial, accounting and administration and promotional activity services.

Under the terms of an agreement effective from 1 August 2024 the Company has appointed wholly owned subsidiaries of Janus Henderson Investors to provide investment management, accounting, administrative and company secretarial services. Janus Henderson Investors has contracted with BNP Paribas S.A. to provide accounting and administration services.

Until 31 July the annual management fee was 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 was charged at 0.75% of net assets up to £250 million, 0.6% between £250 million and £500 million, and 0.5% over £500 million, payable quarterly.

With effect from 1 August 2024 Janus Henderson Investors will receive an annual management fee of 0.55% of the Company's net asset value up to £500 million and 0.45% on net assets above £500 million, payable quarterly.

The fee is allocated 30% to revenue and 70% to capital. During the period £1,518,000 (31 July 2023 – £1,503,000) of investment management fees were payable to the aFML, with a balance of £263,000 (31 July 2023 – £1,503,000) being due to aFML at the period end.

No fee was payable to Janus Henderson during the period.

**8. Financial instruments**

At the period end the carrying value of financial assets and financial liabilities approximates their fair value.

**Fair value hierarchy**

The table below analyses recurring fair value measurements for financial assets and financial liabilities. These fair value measurements are categorised into different levels in the fair value hierarchy based on the inputs to valuation techniques used. Categorisation within the hierarchy has been determined on the basis of the lowest level of input that is significant to the fair value measurement of the relevant asset or liability. The different levels are defined as follows:

Level 1: valued using quoted prices in active markets for identical assets;
Level 2: valued by reference to valuation techniques using observable inputs other than quoted prices included within Level 1; and
Level 3: valued by reference to valuation techniques that are not based on observable market data.

| **Financial assets and financial liabilities at fair value through profit or loss at 31 July 2024** | **Level 1 £'000** | **Level 2 £'000** | **Level 3 £'000** | **Total £'000** |
|---|---|---|---|---|
| **Investments at fair value through profit or loss** | | | | |
| Quoted equities | 479,116 | - | - | 479,116 |
| Quoted bonds | - | 7,834 | - | 7,834 |
| **Total financial assets and liabilities carried at fair value** | 479,116 | 7,834 | - | 486,950 |
| **Financial liabilities at fair value through profit or loss** | | | | |
| Derivatives | - | - | - | - |
| **Net fair value** | 479,116 | 7,834 | - | 486,950 |

| Financial assets and financial liabilities at fair value through profit or loss at 31 July 2023 | **Level 1** **£'000** | **Level 2** **£'000** | **Level 3** **£'000** | **Total** **£'000** |
|---|---|---|---|---|
| Investments at fair value through profit or loss | | | | |
| Quoted equities | 460,888 | - | - | 460,888 |
| Quoted bonds | - | 9,589 | - | 9,589 |
| | ------------ | ---------- | ----------- | ------------ |
| Total financial assets and liabilities carried at fair value | 460,888 | 9,589 | - | 470,477 |
| | ======= | ====== | ====== | ======= |
| Financial liabilities at fair value through profit or loss | | | | |
| Derivatives | - - | (291) - | - - | (291) - |
| | ------------ | ------------ | ------------ | ------------ |
| Net fair value | 460,888 | 9,298 | - | 470,186 |
| | ======= | ====== | ====== | ======= |

| Financial assets and financial liabilities at fair value Through profit or loss at 31 January 2024 | **Level 1** **£'000** | **Level 2** **£'000** | **Level 3** **£'000** | **Total** **£'000** |
|---|---|---|---|---|
| Investments at fair value through profit or loss | | | | |
| Quoted equities | 446,443 | - | - | 446,443 |
| Quoted bonds | - | 8,489 | - | 8,489 |
| | ------------ | ------------ | ------------ | ------------ |
| Total financial assets and liabilities carried at fair value | 446,443 | 8,489 | - | 454,932 |
| | ======= | ====== | ====== | ======= |
| Financial liabilities at fair value through profit or loss | | | | |
| Derivatives | - | (162) | - | (162) |
| | ------------ | ------------ | ------------ | ------------ |
| | 446,443 | 8,327 | - | 454,770 |
| | ======= | ====== | ====== | ======= |

There were no transfers between levels of fair value hierarchy during the period. Transfers between levels of fair value hierarchy are deemed to have occurred at the date of the event or through a change in circumstances that caused the transfer.

The fair value of the senior unsecured loan notes at 31 July 2024 has been estimated to be £35,749,000 (31 July 2023: £35,764,000; 31 January 2024: £36,256,000). The fair value of the senior unsecured loan notes is calculated using a discount rate which reflects the yield on a US Treasury Bond of similar maturity. The senior unsecured loan notes are categorised as level 3 in the fair value hierarchy

**9. Going concern**

The assets of the Company consist mainly of securities, most of which are readily realisable and, accordingly, the Company has adequate financial resources to continue in operational existence for at least twelve months from the date of approval of the financial statements. The Directors have also considered the impact of geopolitical developments and believes that there will be a limited resulting financial impact on the Company's portfolio, its operational resources and existence. Having assessed these factors and the principal risks, the Directors have determined that it is appropriate for the financial statements to be prepared on a going concern basis.

**10. Related party transactions**

The Company's transactions with related parties in the period were with the directors and the investment manager. There were no material transactions between the Company and its directors during the period and the only amounts paid to the directors were in respect of expenses and remuneration for which there were no outstanding amounts payable at the period end. In relation to the provision of services by the investment manager, other than fees payable by the Company in the ordinary course of business and the facilitation of marketing activities with third parties, there were no material transactions with the investment manager affecting the financial position of the Company during the period under review.

In addition to the above, Janus Henderson Investors has agreed to make a contribution to the Company's costs of the transition from abrdn, subject to a maximum of three months' management fees. Costs in respect of the transition that were incurred in the half year to 31 July 2024 totalled £190,000 and are recoverable from Janus Henderson Investors.

**11. Comparative information**
The financial information contained in this half-year report does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. The financial information for the half-years ended 31 July 2024 and 31 July 2023 has not been audited or reviewed by the Company's auditors. The figures and financial information for the year ended 31 January 2024 are an extract based on the latest published accounts and do not constitute statutory accounts for that year. Those accounts have been delivered to the Registrar of Companies and include the Independent Auditor’s Report which was unqualified and did not contain a statement under either section 498(2) or 498(3) of the Companies Act 2006.

**12. Website**
Details of the Company's share price and net asset value, together with general information about the Company, monthly factsheets and data, announcements, reports and details of general meetings can be found at www.northamericanincome.com

**13. Half-year report**
The Company’s half-year report is available on the Company's website. An update extracted from the Company's report for the half-year ended 31 July 2024 will be posted to shareholders in October 2024 and will be available on the website thereafter.

**14. Company status**
The North American Income Trust plc is registered in Scotland, No. SC005218, has its registered office at 4 North St. Andrew Street, Edinburgh EH2 1HJ. The Company is listed on the main market of the London Stock Exchange.

SEDOL/ISIN: BJ00Z30/ GB00BJ00Z303
London Stock Exchange (TIDM) code: NAIT
Global Intermediary Identification Number (GIIN): XYAARK.99999.SL.826
Legal Entity Identifier (LEI): 5493007GCUW7G2BKY360

**15. Directors and Secretary**
At the date of this report, the directors of the Company are Charles Park (Chair), Karyn Lamont (Chair of the Audit Committee), Patrick Edwardson (Senior Independent Director), and Susannah Nicklin. The Corporate Secretary is Janus Henderson Secretarial Services UK Limited.