

# BlackRock North American Income Trust plc

Half Yearly  
Financial Report  
30 April 2020

# Why BlackRock North American Income Trust plc?

Reasons to invest...

## Investment objective

The Company's objective is to provide an attractive and growing level of income return with capital appreciation over the long term, predominantly through investment in a diversified portfolio of primarily large-cap U.S. quoted equities.



### Quality

A U.S. large-cap portfolio of high quality companies provides participation in upward trending markets alongside a keen focus on capital resiliency. Targeting companies with clean balance sheets and sustainable cash flows at reasonable valuations provides the scope to deliver attractive risk-adjusted returns over the long term.



### Income

The Company offers an attractive income stream of quarterly dividends. While the majority of income is sourced from dividends, the covered call option strategy and use of distributable reserves allows the Company to ensure consistent income generation. While capital appreciation is an important component of long-term total return, income can help to serve as a buffer when volatility occurs.



### Dividend growth

The Company has delivered a sound performance through diverse market environments by focusing on companies that not just pay an attractive dividend but grow their dividends over time. Growing dividend payments imposes a degree of capital discipline on company management teams and can help compound equity returns over the long term.



### Lower volatility

The portfolio seeks to provide investors with capital resilience. By aiming to lose less when broad equity returns falter, shareholders can be better prepared to meet long-term financial goals.



### Expertise

The Company is managed by BlackRock's US Income & Value team, which is responsible for management of one of the longest tenured equity income franchises in the investment industry.



### Closed-end structure

Investment trusts have an independent board of directors elected to protect shareholders' interests and enhance shareholder value. The closed-end structure means the Company does not have to sell assets to meet redemptions and can also retain a proportion of its income to help smooth dividend payments. It can also invest for the long term in a more diverse portfolio of assets.

# aic

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Further details about the Company, including the latest annual and half yearly financial reports, fact sheets and stock exchange announcements, are available on the website at [blackrock.com/uk/brna](http://blackrock.com/uk/brna)

# Contents

<b>2</b>	<b>Overview and performance</b>	
	Performance record	2
	Chairman's statement	4
	Investment manager's report	6
<b>12</b>	<b>Portfolio</b>	
	Ten largest investments	12
	Portfolio analysis	15
	Investments	16
<b>22</b>	<b>Governance</b>	
	Interim management report and responsibility statement	22
<b>25</b>	<b>Financial Statements</b>	
	Statement of comprehensive income	25
	Statement of changes in equity	26
	Statement of financial position	27
	Cash flow statement	28
	Notes to the financial statements	29
<b>44</b>	<b>Additional information</b>	
	Directors, management and other service providers	44
	Shareholder information	45
	Glossary	50

# Performance record

## Financial highlights

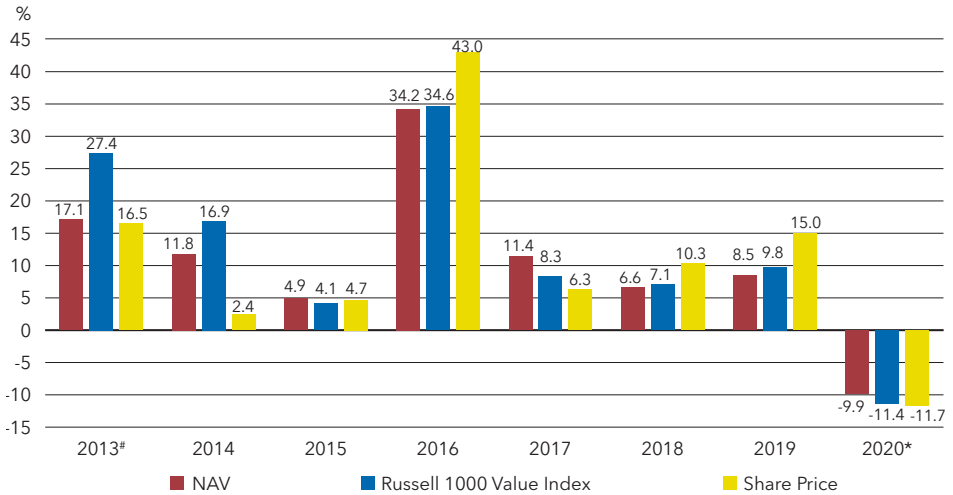
	As at 30 April 2020	As at 31 October 2019	Change %
Net assets (£'000) <sup>1</sup>	130,003	142,786	-9.0
Net asset value per ordinary share (pence)	160.09	182.13	-12.1
- with dividends reinvested <sup>2</sup>			-9.9
Ordinary share price (mid-market) (pence)	160.50	186.50	-13.9
- with dividends reinvested <sup>2</sup>			-11.7
Russell 1000 Value Index (with dividends reinvested)	1,163.57	1,313.68	-11.4
Premium to cum income net asset value <sup>2</sup>	0.3%	2.4%	

	For the six months ended 30 April 2020	For the six months ended 30 April 2019	Change %
<b>Revenue</b>			
Net profit after taxation (£'000)	2,502	2,144	+16.7
Revenue earnings per ordinary share (pence)	3.10	3.06	+1.3
<b>Interim dividends (pence)</b>			
1st interim	2.00	2.00	0.0
2nd interim	2.00	2.00	0.0
Total dividends paid	4.00	4.00	0.0

<sup>1</sup> The change in net assets reflects shares issued during the period, dividends paid and market movements.

<sup>2</sup> Alternative Performance Measures, see Glossary on pages 50 to 56.

## Annual performance since launch on 24 October 2012 to 30 April 2020



<sup>#</sup> Since launch on 24 October 2012 to 31 October 2013.

\* Performance for six month period ended 30 April 2020.

Sources: BlackRock and Datastream.

Performance figures have been calculated in sterling terms with dividends reinvested.

# Chairman's statement

for the six months ended 30 April 2020

## Market overview

The past six months have proved extremely challenging for stock market investors. Whilst the end of 2019 and start of 2020 were rewarding and saw a combination of high returns and low volatility, in mid-February the outbreak of the COVID-19 pandemic, compounded by an unprecedented slump in the oil price, sent stock markets plummeting. Despite significant fiscal and monetary stimulus, the social distancing and lockdown measures required to combat the virus caused the U.S. economy to contract during the first quarter at its sharpest rate since the end of 2008. Although stock markets rallied in April, high market volatility is expected to remain until there is greater clarity on how long it will take for more accustomed levels of economic activity to resume, which in turn will depend on the extent to which the spread of COVID-19 can be contained.

## Performance

Against this difficult backdrop, over the six months to 30 April 2020, the Company's net asset value per share (NAV) returned -9.9% compared with a return of -11.4% in the Russell 1000 Value Index. The Company's share price returned -11.7% over the same period (all figures in sterling terms with dividends reinvested). Further information on investment performance is given in the Investment Manager's Report.

Since the period end and up to close of business on 23 June 2020, the Company's NAV has increased by 6.1% and the share price has fallen by 0.9% (both percentages in sterling with dividends reinvested), reflecting the shares moving to a discount over this period.

## Earnings and dividends

The Company's revenue return per share for the six months ended 30 April 2020 amounted to 3.10p compared with 3.06p for the corresponding period in 2019. On 20 March 2020 the Board declared the first quarterly dividend of 2.00p per share which was paid on 29 April 2020. A second quarterly dividend of 2.00p per share has been declared and will be paid on 3 July 2020 to shareholders on the register on 22 May 2020. These are in line with payments made in 2019.

In the latest Annual Report, the Board confirmed that it intended to continue with the established dividend policy of paying 2.00p per share for each quarter of the current financial year, and the Board intends to maintain this policy. One of the strengths of investment trusts over competing fund structures is their ability to draw on revenue and distributable capital reserves to maintain dividend pay-outs in periods of stress. One of the features of our approach is writing covered call options to enhance revenue and recent volatility has meant that the value obtained from writing option premia has increased. The outlook for dividends from the portfolio remains unusually uncertain and

the Board will, as in previous years, review the current policy in the first quarter of the Company's next financial year.

## Growth in the Company's equity

The Board is committed to growing the Company over time, which should improve liquidity for all shareholders. Until mid-February, when there were large day-to-day moves in share prices, the Company's shares continued to enjoy a premium rating with ongoing demand mainly from retail investors. In 2019, the Company ranked seventh overall for annual tap issuances in the investment trust sector relative to market capitalisation.

During the six months to 30 April 2020, the Company's share price to NAV ranged between a discount of 21.8% and a premium of 3.4% and the Company reissued 2,805,000 ordinary shares from treasury at a premium to NAV. Since the period end and up to the date of this report, no further ordinary shares have been reissued.

## Outlook

The global spread of COVID-19 has rocked financial markets and the fall in U.S. stocks has followed a record long bull market and economic expansion. At the beginning of the year ongoing economic growth was the base case expectation but now we are contemplating a deep virus-induced economic downturn of unknown duration. Anecdotal evidence from China is encouraging with factories and stores already reopening, but a premature end to lockdowns could lead to a second wave of infections and delay a recovery.

Tailwinds from monetary and fiscal policy and subsequent stimulus measures should eventually promote stronger economic conditions once the virus threat recedes. We believe the Portfolio Managers' focus on sustainability and companies with high quality balance sheets is even more important than ever in current conditions.

**SIMON MILLER**

24 June 2020

# Investment manager's report

## Market overview

For the six month period ended 30 April 2020, U.S. large-cap stocks, as represented by the S&P 500® Index, declined by 3.2% (in U.S. dollar terms). The path was not a smooth ride and can be seen in three parts: the S&P 500® Index increased by 6.8% during the final two months of 2019 before a sharp sell-off in February and March of 2020, which was followed by a swift rebound in April. Stocks began the year with positive returns, as prices climbed on the heels of upbeat earnings results, improving business sentiment and a Phase 1 U.S./China trade deal. Stock prices reached a peak on 19 February 2020 before beginning a swift reversal on the heels of the global spread of COVID-19. The pandemic prompted countries to adopt varying degrees of social distancing, self-quarantine and lockdown measures. Global economic activity declined at a historically high rate as non-essential businesses were forced to close indefinitely in many countries. Concern over the human and economic toll also fuelled measures from governments and central bankers globally. In summary, this chain of events brought the longest enduring U.S. bull market to a sudden end.

Aggressive and coordinated monetary and fiscal policy measures helped to stabilise U.S. financial markets in the final two weeks of the first quarter. The Federal Reserve (the Fed) twice cut its benchmark interest rate in March to a current range of 0.0% to 0.25% for overnight bank lending. Furthermore, on 23 March 2020 the Fed declared an unlimited balance sheet expansion for the foreseeable future. These actions helped to improve market liquidity across credit markets, as many investors sought to reduce risk levels in their portfolios. Fiscal policy legislation also eased market fears, including the unprecedented U.S.\$2 trillion stimulus package announced on 27 March 2020 to support individuals and businesses. This translates to roughly 10% of annual U.S. gross domestic product (i.e. the market value of all final goods and services produced in the country).

## Portfolio overview

The largest contributor to relative performance was an elevated cash balance, which we have maintained as our preferred method of defensive exposure. Valuations remain stretched among traditional defensive sectors and we have used cash as a buffer against volatile equity markets. In consumer discretionary, stock selection in the multiline retail and household durables industries proved beneficial, as did our underweight to the hotels, restaurants and leisure industry. An underweight to real estate, most notably equity real estate investment trusts (REITs), also benefited relative performance during the period. Lastly, a combination of stock selection and an overweight to information technology boosted relative returns. Most notably, our overweight to the software industry and stock selection among technology hardware, storage and peripherals providers, positively impacted relative performance.



The primary detractor from relative performance was stock selection and allocation decisions in financials. Overweight exposure to banks was particularly harmful given the impact of starkly lower interest rates on portfolio holdings. In consumer staples, an underweight to the household products and food and staple retailing industries also weighed on relative returns. Lastly, stock selection and allocation decisions in health care hurt relative returns, primarily due to our underweight exposure to the biotechnology and life sciences tools and services industries.

As expected, writing covered call options slightly hindered relative performance during the final two months of 2019 amid rising stock prices. Conversely, writing covered call options benefited the portfolio amid dramatically declining U.S. stock prices during February and March of 2020. In summary, the covered call options contributed positively to absolute performance for the six-month period. As designed, the Company's option overwrite component enhanced the portfolio's income during the period.

Below is a comprehensive overview of our allocations (in GBP) at the end of the period and overweight/underweight positions compared to the benchmark. At the end of the period, the portfolio's cash position was 8.2%.

#### **Financials: 2.8% overweight (23.7% of the portfolio)**

Financials represent the Company's largest sector allocation and we remain particularly bullish on the U.S. banks, insurers and insurance brokers. We believe the U.S. banks are safer and sounder investments today than before the financial crisis. They have stronger balance sheets (i.e. higher capital levels), revamped company cost structures and disciplined loan underwriting has contributed to benign credit trends. Bank valuations are compelling relative to other cyclical sectors (i.e. industrials) and potential tailwinds from deregulation and investor-friendly capital return policies also bode well for investors, in our view. A low interest rate environment is harmful to net interest income, but with lower exposure to regional banks the Company is relatively less exposed to changes in interest rates. With regard to insurers and insurance brokers, we like these companies for their attractive valuations and relatively stable business models. Over the last year, insurers and brokers have benefited from strong pricing power. Pricing power is reflective of low U.S. interest rates, two straight years of larger than expected catastrophe losses, and large institutions (i.e. AIG) taking capacity out of the market.

#### **Health Care: 2.3% overweight (18.2% of the portfolio)**

Secular growth opportunities in health care are a by-product of demographic trends. Older populations spend more on health care than younger populations. In the United States, a combination of greater demand for health care services and rising costs drive a need for increased efficiency within the health care ecosystem. We believe innovation and

# Investment manager's report continued

strong cost control can work hand-in-hand to address this need and companies that can contribute in this regard may be poised to benefit.

On the innovation front, there is a need for newer and more effective medicines and therapies. The Food and Drug Administration has made this a priority by increasing the volume and speed of drug approvals, which bodes well for pharmaceutical manufacturers that can deliver new drugs to the market. From an investment standpoint, we prefer pharmaceutical companies with a proven ability to generate high research & development productivity, versus those that focus on one or two key drugs and rely upon raising their prices to drive growth.

From a cost perspective, health maintenance organisations (HMOs) have an economic incentive to drive down costs as they provide health insurance coverage to constituents. The HMOs have demonstrated a strong ability to manage costs by leveraging their scale and technology to drive efficiencies. Governments, in turn, are increasingly outsourcing to HMOs as a way to lower costs and balance their budgets. We prefer HMOs with diversified business units, exposure to faster-growing areas of government including Medicare and Medicaid, and opportunities to enhance their profitability through controlling costs.

## **Information Technology: 1.7% overweight (8.6% of the portfolio)**

In the technology sector, buzzwords such as 'artificial intelligence', 'big data' and 'disruption' are increasingly utilised to describe growth opportunities and the overall operating environment. Of course, a portion of IT still incubates companies similar to the nascent, high-flying and cash-poor innovators that ushered the U.S. equity market into the sharp rise and eventual tumble that is known as the dot-com bubble. However, the fundamental identity of the typical technology company is also changing. An increasing number of constituents in the IT sector are what we refer to as 'industrial tech'. These firms are competitively insulated from disruptors, well-positioned to take advantage of long-term secular tailwinds and exhibit growth in earnings and free cash flow. A swelling number of companies in the sector have also adopted dividend payments to shareholders as a viable use of cash, rejecting the notion that IT firms can only add value to investors via their growth potential. We believe this trend is poised to continue, as many mature IT companies are flush with cash and shareholders are increasingly willing to reward management teams for return of capital.

## **Energy: 1.7% overweight (8.1% of the portfolio)**

The portfolio maintains a modest overweight to the energy sector. We favour oil-weighted companies over those levered to natural gas and prefer exposure to large-cap integrated oil and independent oil & gas producers. From a quality standpoint

we seek to own companies with experienced management teams, disciplined capex spending plans and exposure to lower cost resource assets. From a valuation standpoint we seek to own companies with free cash flow generation and margin capture stories that are underappreciated by the street. In summary, we believe companies with strong balance sheets and cash flows, production growth visibility, operating specialisation and pricing power at the industry level remain most desirable from an investment perspective.

#### **Communication Services: 1.2% underweight (7.1% of the portfolio)**

We are underweight to communication services and our allocation remains concentrated in diversified telecommunication bellwether Verizon Communications (4.7% of the portfolio). Our stock-specific exposure in the sector is to companies that offer healthy dividend yields and opportunity for steady, longer-term growth.

#### **Consumer Staples: 1.3% underweight (8.9% of the portfolio)**

The consumer staples sector is a common destination for the conservative equity income investor. Historically, many of these companies have offered investors recognisable brands, diverse revenue streams, exposure to growing end markets and the ability to garner pricing power. These characteristics, in turn, have translated into strong and often stable free cash flow and growing dividends for shareholders. In recent years some of these secular advantages have become challenged, in our view, due to changing consumer preferences, greater end market competition from local brands and disruption from the rapid adoption of online shopping. These challenges, combined with higher than historical valuations, have facilitated our more neutral stance in the sector. Notably, we prefer ownership of companies with underappreciated growth profiles (i.e. buy growth), sticky customer bases and the ability to cut costs and/or improve profit margins.

#### **Consumer Discretionary: 1.4% underweight (4.2% of the portfolio)**

We continue to maintain a degree of caution in consumer discretionary, as investors are sensitive to disruption and how new business models and technology can displace incumbent operators. We believe these disruptive forces are best avoided through identifying stock-specific investment opportunities that (1) are trading at discounted valuations or (2) are somewhat insulated from these disruptive pressures. For example, we believe companies such as General Motors (autos) and Newell Brands (household durables) offer investors exposure to underappreciated franchises at discounted valuations. Furthermore, retailers such as Dollar General (dollar store) and Lowe's Companies (home improvement) provide us with exposure to companies that can compound earnings and are more immune to disruptive forces.

# Investment manager's report continued

## **Industrials: 2.4% underweight (6.8% of the portfolio)**

We are underweight to the industrials sector. Our selectivity is driven by relative valuations which we view as expensive, in many cases, versus other cyclical segments of the U.S. equity market. We continue to maintain exposure to the aerospace & defence industry. From a fundamental and operating model standpoint, we continue to like the profiles of the large-cap aerospace and defence firms. Many of these companies have strong balance sheets, good visibility into sales and earnings and historically have demonstrated shareholder friendly capital return policies.

## **Materials: 2.6% underweight (1.7% of the portfolio)**

Broadly speaking, we have found more attractive opportunities from which to source our portfolio's cyclical exposure. Our exposure to the materials sector consists of two chemicals stocks - Corteva and DuPont De Nemours. Longer-term secular trends in global population growth can potentially benefit well-positioned companies in the agricultural chemical space.

## **Utilities: 2.7% underweight (4.5% of the portfolio)**

Strong investor demand for equity income in recent years has resulted in elevated valuations for many high dividend yielding stocks, including utilities companies. Despite rich valuations at the sector level, we are finding pockets of opportunity in U.S. regulated utilities such as Public Service Enterprise Group (PEG), FirstEnergy (FE), Edison International (EIX), and NiSource (NI). PEG, EIX and NI add a level of stability and defensiveness to the portfolio through their durable dividend profiles and healthy earnings growth potential. Alternatively, FE offers us exposure to a company with a good underlying regulated franchise with some near-term uncertainties (i.e. merchant business bankruptcy). This uncertainty, in our view, creates opportunity for patient long-term investors that are willing and capable of doing deep analysis on complex investment issues.

## **Real Estate: 5.0% underweight (0.0% of the portfolio)**

The real estate sector is our largest underweight position in the strategy. We maintain a 0% weighting in the sector due to our view that valuations are unattractive at current levels.

## **Positioning and outlook**

Our 2020 base case was for slow but positive U.S. economic growth and for U.S. stocks to grind higher on the back of a strong U.S. consumer and supportive monetary and fiscal policy. Stocks have tumbled amid the current global health crisis, a tail risk no one could have predicted a few short months ago. Volatility never feels good, but the foundation underlying it is important. Daily market moves in response to the COVID-19 outbreak

have matched the scale of those seen during the global financial crisis. But this is not 2008. The COVID-19 shock is not one caused by a crisis in the core of the financial system and for this reason the U.S. economy is on a much stronger footing to endure the current economic disruption.

Make no mistake, the economic and earnings impact from the crisis are real. Trading volatility is likely to persist as investors recalibrate expectations for corporate earnings and global supply chains. However, our long-term conviction in U.S. stocks remains steadfast. It bears reminding that the value of a company is the net present value of its future cash flows. We expect earnings to be hard hit in 2020, but ultimately see COVID-19 as a transitory event. One or two quarters of lost earnings, although painful, should not materially change the long-term earnings power of our portfolio holdings.

Importantly, we are encouraged by the swiftness, magnitude and coordination of monetary and fiscal policy deployment. These efforts have helped to stabilise financial markets while governments pursue coronavirus containment measures. We are watching closely for visibility into the effectiveness of these containment efforts. The gradual reopening of economies is an important upcoming litmus test, with a second wave of infections a key outstanding risk to our market outlook.

**TONY DESPIRITO, FRANCO TAPIA and DAVID ZHAO**  
**BlackRock Investment Management LLC**  
24 June 2020

# Ten largest investments

as at 30 April 2020

## 1 ► Verizon Communications (2019: 1st)

**Communication Services**

**Market value: £5,623,000**

**Share of investments: 4.7%** (2019: 4.5%)

One of the largest providers of wireline and wireless communications in the U.S., where 48 million access lines represent approximately one-third of market share. The company's wireless customer base is very sizable and continues to grow. Verizon remains in a strong financial position and exhibits a sustainable dividend yield above 4%. Going forward, we expect continued expansion in wireless, long distance and high-speed services to drive company growth.

## 2 ▲ Bank of America (2019: 5th)

**Financials**

**Market value: £4,448,000**

**Share of investments: 3.7%** (2019: 3.0%)

One of the largest financial institutions in the U.S. with lending operations in the consumer, small-business and corporate markets, in addition to asset management and investment banking divisions. Bank of America has delivered consistent results over the last year, with particular strength within their consumer bank division.

## 3 ▲ Citigroup (2019: 4th)

**Financials**

**Market value: £4,022,000**

**Share of investments: 3.4%** (2019: 3.6%)

A U.S. based money center bank with a global footprint. We believe Citigroup is attractively valued on both a price-to-earnings and book value basis, has self-help opportunities within its consumer banking segment and offers the potential for dividend growth.

## 4 ▲ Sanofi (2019: 60th)

**Health Care**

**Market value: £3,197,000**

**Share of investments: 2.7%** (2019: 0.5%)

Sanofi checks a lot of boxes that we look for in a pharmaceuticals investment – a company with a strong commercial business and an under-appreciated pipeline that is not reflected in the current valuation. Additionally, Sanofi is under-earning its potential and a new CEO with turn-around experience has begun to demonstrate a path to margin improvement. Low exposure to U.S. drug pricing regulatory risk is also attractive and the company is a potential sum-of-the-parts story as several of the company's businesses including Vaccines and Consumer Health should trade at much higher multiples.

## 5 ▲ Anthem (2019: 11th)

### Health Care

**Market value: £3,117,000**

**Share of investments: 2.6%** (2019: 2.0%)

Anthem is a leading company in a high quality, stable U.S. managed care space whose relatively new CEO is taking the initiative to leverage the company's market position and accelerate top and bottom-line growth. These initiatives include insourcing their Pharmacy Benefit Managers, expanding their Medicare offerings and leveraging their brand to offer ancillary products (dental benefits, Administrative Services Only arrangements, etc). Furthermore, at 10x 2021 price-to-earnings, Anthem trades near the low end of the group, despite having the highest projected earnings per share growth going forward.

## 6 ► Medtronic (2019: 6th)

### Health Care

**Market value: £3,071,000**

**Share of investments: 2.6%** (2019: 2.7%)

One of the world's largest medical device companies. The firm generates the majority of its sales and profits from the United States but is headquartered in the Republic of Ireland. The company offers an attractive innovation pipeline in its cardiovascular, diabetes and robotics businesses. We believe that Medtronic should be able to reliably grow revenue and earnings in a meaningful way going forward, leading to multiple expansion relative to peers.

## 7 ▼ Wells Fargo (2019: 3rd)

### Financials

**Market value: £2,904,000**

**Share of investments: 2.4%** (2019: 3.9%)

A U.S. bank which operates in three segments including community banking, wholesale banking and wealth & investment management. Wells Fargo has a strong deposit franchise and we are encouraged by the company's history of strong investment returns and prudent credit risk management. In our view, shares of the company are underappreciated today in an environment characterised by low credit losses and ample access to liquidity.

## Ten largest investments continued

### 8 ▲ Koninklijke Philips (2019: 9th)

#### Health Care

**Market value: £2,777,000**

**Share of investments: 2.3%** (2019: 2.1%)

The company trades at a deep discount to its medical technology peers despite offering better growth. The company is transforming into a pure-play health care company that, in our view, deserves a higher multiple. Philips is also meaningfully under-earning, with current margins that are well below management's targets and those of its peers, indicating upside to profitability.

### 9 ▲ Unilever (2019: 30th)

#### Consumer Staples

**Market value: £2,725,000**

**Share of investments: 2.3%** (2019: 1.3%)

Unilever has a strong portfolio of home and personal care brands and favourable exposure to emerging markets. Recent sales performance has disappointed, driving a relative derating. While margin may need to be rebased, that seems fully baked into expectations, trading at 19x 2020 price-to-earnings, a 20% discount to global staples peers. At this price, we believe there is optionality on a) better execution; b) macro improvement; c) disposals; and d) perhaps activist involvement.

### 10 ▲ FirstEnergy (2019: 21st)

#### Utilities

**Market value: £2,682,000**

**Share of investments: 2.2%** (2019: 1.7%)

FirstEnergy is an integrated utility that services U.S. customers primarily in the Northeast and Midwest. Our investment thesis is predicated on valuation, as we believe the stock trades at a discount on a sum-of-the-parts basis. Additionally, we believe the company has manageable equity needs and offers investors steady 4% to 6% EPS growth annually.

Market value amounts include the liability for written covered call options.

All percentages reflect the value of the holding as a percentage of total investments.

Percentages in brackets represent the value of the holding as at 31 October 2019.

Together, the ten largest investments represent 28.9% of the Company's portfolio (31 October 2019: 30.5%).



# Portfolio analysis

as at 30 April 2020

Sectors	% Canada	% Denmark	% France	% Germany	% Ireland	% Japan	% Netherlands	% Norway	% Switzerland	% United Kingdom	% United States	% Cash	% Total 30.04.20	% Total 31.10.19
Financials	-	-	-	-	-	-	-	-	-	-	23.7	-	23.7	24.6
Health Care	-	-	2.4	1.8	2.4	-	2.1	-	0.9	1.7	6.9	-	18.2	16.6
Consumer Staples	-	-	-	1.0	-	-	2.1	-	1.1	0.2	4.5	-	8.9	6.9
Information Technology	0.2	-	-	-	-	-	0.5	-	-	-	7.9	-	8.6	8.6
Energy	-	-	0.4	-	-	-	-	0.5	-	1.3	5.9	-	8.1	9.2
Communication Services	-	-	-	-	-	-	-	-	-	-	7.1	-	7.1	6.6
Industrials	-	-	-	1.0	-	-	-	-	-	2.5	3.3	-	6.8	8.0
Utilities	-	-	-	-	-	-	-	-	-	-	4.5	-	4.5	2.4
Consumer Discretionary	-	-	-	-	-	-	-	-	-	-	4.2	-	4.2	6.1
Materials	-	-	-	-	-	-	-	-	-	-	1.7	-	1.7	1.8
Cash	-	-	-	-	-	-	-	-	-	-	-	8.2	8.2	9.2
% Portfolio 30.04.20	0.2	-	2.8	3.8	2.4	-	4.7	0.5	2.0	5.7	69.7	8.2	100.0	
% Portfolio 31.10.19	0.6	0.3	1.1	2.6	2.8	1.6	3.5	0.3	1.8	6.3	69.9	9.2		100.0

# Investments

as at 30 April 2020

Company	Country	Sector	Securities	Market value £'000	% of total portfolio
Verizon Communications	United States	Communication Services	Ordinary shares Options	5,649 (26)	} 4.7
Bank of America	United States	Financials	Ordinary shares Options	4,501 (53)	
Citigroup	United States	Financials	Ordinary shares	4,022	3.4
Sanofi	France	Health Care	Ordinary shares	3,197	2.7
Anthem	United States	Health Care	Ordinary shares	3,117	2.6
Medtronic	Ireland	Health Care	Ordinary shares Options	3,077 (6)	} 2.6
Wells Fargo	United States	Financials	Ordinary shares	2,904	
Koninklijke Philips	Netherlands	Health Care	Ordinary shares	2,777	2.3
Unilever	Netherlands	Consumer Staples	Ordinary shares Options	2,729 (4)	} 2.3
FirstEnergy	United States	Utilities	Ordinary shares Options	2,691 (9)	
Cognizant Technology Solutions	United States	Information Technology	Ordinary shares Options	2,683 (32)	} 2.2
Williams	United States	Energy	Ordinary shares Options	2,623 (59)	
Comcast	United States	Communication Services	Ordinary shares Options	2,546 (8)	} 2.1
Altria	United States	Consumer Staples	Ordinary shares Options	2,522 (10)	
Constellation Brands	United States	Consumer Staples	Ordinary shares Options	2,474 (52)	} 2.0
Bayer	Germany	Health Care	Ordinary shares	2,287	
JPMorgan Chase	United States	Financials	Ordinary shares Options	2,234 (9)	} 1.9
American International	United States	Financials	Ordinary shares Options	2,249 (27)	

Company	Country	Sector	Securities	Market value £'000	% of total portfolio
AstraZeneca	United Kingdom	Health Care	Ordinary shares Options	2,230 (76) }	1.8
Morgan Stanley	United States	Financials	Ordinary shares Options	2,047 (19) }	1.7
Microsoft	United States	Information Technology	Ordinary shares Options	2,077 (50) }	1.7
CVS Health	United States	Health Care	Ordinary shares	1,976	1.6
BAE Systems	United Kingdom	Industrials	Ordinary shares Options	1,838 (8) }	1.5
Willis Towers Watson	United States	Financials	Ordinary shares Options	1,824 (5) }	1.5
Public Service Enterprise Group	United States	Utilities	Ordinary shares Options	1,793 (19) }	1.5
BP	United Kingdom	Energy	Ordinary shares Options	1,802 (55) }	1.5
MetLife	United States	Financials	Ordinary shares Options	1,776 (31) }	1.5
General Electric	United States	Industrials	Ordinary shares Options	1,744 (10) }	1.4
Schwab (Charles)	United States	Financials	Ordinary shares Options	1,703 (14) }	1.4
Samsung Electronics	United States	Information Technology	Ordinary shares	1,631	1.4
Lowe's Companies	United States	Consumer Discretionary	Ordinary shares Options	1,659 (29) }	1.4
UnitedHealth Group	United States	Health Care	Ordinary shares Options	1,670 (41) }	1.4
General Motors	United States	Consumer Discretionary	Ordinary shares	1,531	1.3
Visa	United States	Information Technology	Ordinary shares Options	1,537 (8) }	1.3

# Investments continued

as at 30 April 2020

Company	Country	Sector	Securities	Market value £'000	% of total portfolio
Raymond James	United States	Financials	Ordinary shares Options	1,500 (11) }	1.2
Dollar General	United States	Consumer Discretionary	Ordinary shares Options	1,476 (3) }	1.2
DuPont De Nemours	United States	Materials	Ordinary shares Options	1,470 (48) }	1.2
Nestlé	Switzerland	Consumer Staples	Ordinary shares Options	1,401 (4) }	1.2
Siemens	Germany	Industrials	Ordinary shares Options	1,366 (28) }	1.1
Berkshire Hathaway	United States	Financials	Ordinary shares Options	1,324 (5) }	1.1
Marathon Petroleum	United States	Energy	Ordinary shares	1,310	1.1
Arthur J.Gallagher & Co	United States	Financials	Ordinary shares Options	1,306 (3) }	1.1
Cisco Systems	United States	Information Technology	Ordinary shares Options	1,315 (14) }	1.1
Henkel	Germany	Consumer Staples	Ordinary shares Options	1,309 (13) }	1.1
Fox Corp	United States	Communication Services	Ordinary shares Options	1,214 (8) }	1.0
Ferguson	United Kingdom	Industrials	Ordinary shares Options	1,203 (17) }	1.0
Union Pacific	United States	Industrials	Ordinary shares Options	1,252 (80) }	1.0
Alcon	Switzerland	Health Care	Ordinary shares Options	1,158 (4) }	1.0
ConocoPhillips	United States	Energy	Ordinary shares Options	1,135 (39) }	0.9
Edison International	United States	Utilities	Ordinary shares Options	1,089 (6) }	0.9

Company	Country	Sector	Securities	Market value £'000	% of total portfolio
Pfizer	United States	Health Care	Ordinary shares Options	1,064 (11) }	0.9
McKesson	United States	Health Care	Ordinary shares	1,033	0.9
Motorola Solutions	United States	Information Technology	Ordinary shares Options	1,021 (2) }	0.8
Equitable Holdings	United States	Financials	Ordinary shares	1,014	0.8
Pioneer Natural Resources	United States	Energy	Ordinary shares Options	1,020 (26) }	0.8
CME Group	United States	Financials	Ordinary shares Options	949 (7) }	0.8
Lockheed Martin	United States	Industrials	Ordinary shares Options	913 (6) }	0.8
Allstate	United States	Financials	Ordinary shares Options	736 (6) }	0.6
Corteva	United States	Materials	Ordinary shares Options	737 (8) }	0.6
Newell Brands	United States	Consumer Discretionary	Ordinary shares Options	746 (29) }	0.6
NXP Semiconductors	Netherlands	Information Technology	Ordinary shares Options	709 (8) }	0.6
Equinor ASA	Norway	Energy	Ordinary shares Options	675 (11) }	0.6
Marathon Oil	United States	Energy	Ordinary shares Options	635 (33) }	0.5
Total	France	Energy	Ordinary shares Options	571 (10) }	0.5
FedEx	United States	Industrials	Ordinary shares Options	544 (5) }	0.4
Pepsico	United States	Consumer Staples	Ordinary shares Options	493 (1) }	0.4

# Investments continued

as at 30 April 2020

Company	Country	Sector	Securities	Market value £'000	% of total portfolio
Kinder Morgan	United States	Energy	Ordinary shares	483	0.4
Oneok	United States	Energy	Ordinary shares Options	488 (13)	} 0.4
Conagra Brands	United States	Consumer Staples	Ordinary shares Options	448 (2)	
American Express	United States	Financials	Ordinary shares Options	420 (2)	} 0.3
US Bancorp	United States	Financials	Ordinary shares Options	378 (3)	
British American Tobacco	United Kingdom	Consumer Staples	Ordinary shares Options	332 (1)	} 0.3
Pentair	United Kingdom	Industrials	Ordinary shares Options	311 (6)	
NiSource	United States	Utilities	Ordinary shares Options	256 (2)	} 0.2
Quest Diagnostics	United States	Health Care	Ordinary shares Options	264 (14)	
Travelers Companies	United States	Financials	Ordinary shares Options	234 (1)	} 0.2
Constellation Software	Canada	Information Technology	Ordinary shares	211	
Lear Corp	United States	Consumer Discretionary	Ordinary shares	74	0.1
Fidelity National Financial	United States	Financials	Ordinary shares	64	-
<b>Portfolio</b>				<b>119,621</b>	<b>100.0</b>

Company	Country	Sector	Securities	Market value £'000	% of total portfolio
<b>Comprising:</b>					
				120,771	101.0
				(1,150)	(1.0)
				<b>119,621</b>	<b>100.0</b>

All investments are in ordinary shares unless otherwise stated. The number of holdings as at 30 April 2020 was 79 (31 October 2019: 89). The total number of individual open options as at 30 April 2020 was 208 (31 October 2019: 224).

The negative valuation of £1,150,000 in respect of options held represents the notional cost of repurchasing the contracts at market prices as at 30 April 2020 (31 October 2019: £482,000).

At 30 April 2020 the Company did not hold any equity interests comprising more than 3% of any company's share capital.

# Interim management report and responsibility statement

The Chairman's Statement on pages 4 and 5 and the Investment Manager's Report on pages 6 to 11 give details of the important events which have occurred during the period and their impact on the financial statements.

## Principal risks and uncertainties

The principal risks faced by the Company can be divided into various areas as follows:

- Counterparty;
- Investment performance;
- Legal & Compliance;
- Market;
- Operational;
- Financial; and
- Marketing.

The Board reported on the principal risks and uncertainties faced by the Company in the Annual Report and Financial Statements for the year ended 31 October 2019. A detailed explanation can be found in the Strategic Report on pages 26 to 29 and in note 14 on pages 75 to 84 of the Annual Report and Financial Statements which are available on the website maintained by BlackRock at [blackrock.com/uk/brna](http://blackrock.com/uk/brna).

In the view of the Board, the outbreak of an infectious respiratory illness caused by a novel coronavirus known as COVID-19, first detected in China in December 2019 and has developed into a global pandemic, has fundamentally altered the nature of the risks reported in the Annual Report and Financial Statements. COVID-19 has resulted in travel restrictions, closed international borders, enhanced health screenings at ports of entry and elsewhere, disruption of and delays in healthcare service preparation and delivery, prolonged quarantines, cancellations, supply chain disruptions and lower consumer demand, as well as general concern and uncertainty. The impact of COVID-19 has adversely affected the economies of many nations across the entire global economy, individual issuers and capital markets, and could continue with extents that cannot necessarily be foreseen. In addition, the impact of infectious illnesses in emerging market countries may be greater due to generally less established healthcare systems. Public health crises caused by the COVID-19 outbreak may exacerbate other pre-existing political, social and economic risks in certain countries or globally. The duration of the COVID-19 outbreak and its effects cannot be determined with certainty.

## Going concern

The Board is mindful of the uncertainty surrounding the potential duration of the COVID-19 pandemic and its impact on the global economy, the Company's assets and



the potential for the level of revenue derived from the portfolio to reduce versus the prior year. The Directors, having considered the nature and liquidity of the portfolio, the Company's investment objective and the Company's projected income and expenditure, are satisfied that the Company has adequate resources to continue in operational existence for the foreseeable future and is financially sound. The Board believes that the Company and its key third party service providers have in place appropriate business continuity plans and will be able to maintain service levels through the COVID-19 pandemic.

The Company has a portfolio of investments which are considered to be readily realisable and is able to meet all of its liabilities from its assets and income generated from these assets. Based on the above, the Board is satisfied that it is appropriate to continue to adopt the going concern basis in preparing the financial statements. Ongoing charges (excluding finance costs, direct transaction costs, custody transaction charges, non-recurring charges and taxation) were approximately 1.09% of net assets for the year ended 31 October 2019.

## Corporate governance

The Board noted the votes against two resolutions at the spring Annual General Meeting by a significant shareholder and has subsequently sought to understand its reasons for so doing. This shareholder is supportive of the objectives of the Company but indicated its frustration with the limited scale (and, in their view, limited growth) of the Company in recent years and their perception that the Portfolio Managers had not used the benefits of the closed end structure to the full (by, for example, deploying gearing or investing in less liquid assets). The Board appreciates this feedback and wishes to confirm that expanding the Company is an important objective as it leads to greater liquidity and lower fixed charges. The Board has requested that the Portfolio Managers are more active in deploying leverage when they consider it is in shareholders' interests to do so.

## Related party disclosure and transactions with the Manager

BlackRock Fund Managers Limited (BFM) was appointed as the Company's Alternative Investment Fund Manager (AIFM) with effect from 2 July 2014. BFM has (with the Company's consent) delegated certain portfolio and risk management services, and other ancillary services, to BlackRock Investment Management (UK) Limited (BIM (UK)). Both BFM and BIM (UK) are regarded as related parties under the Listing Rules. Details of the fees payable are set out in note 4 on page 33 and note 11 on page 42.

The related party transactions with the Directors are set out in note 10 on page 41.

# Interim management report and responsibility statement continued

## Directors' responsibility statement

The Disclosure Guidance and Transparency Rules (DTR) of the UK Listing Authority require the Directors to confirm their responsibilities in relation to the preparation and publication of the Interim Management Report and Financial Statements.

The Directors confirm to the best of their knowledge that:

- the condensed set of financial statements contained within the half yearly financial report has been prepared in accordance with applicable International Accounting Standard 34 - 'Interim Financial Reporting'; and
- the Interim Management Report, together with the Chairman's Statement and Investment Manager's Report, include a fair review of the information required by 4.2.7R and 4.2.8R of the Financial Conduct Authority's Disclosure Guidance and Transparency Rules.

This half yearly financial report has not been audited or reviewed by the Company's auditors.

The half yearly financial report was approved by the Board on 24 June 2020 and the above responsibility statement was signed on its behalf by the Chairman.

**SIMON MILLER**

For and on behalf of the Board

24 June 2020

# Statement of comprehensive income

for the six months ended 30 April 2020

	Notes	Revenue £'000		Capital £'000		Total £'000	
		Six months ended		Six months ended		Six months ended	
		30.04.20 (unaudited)	Year ended 31.10.19 (audited)	30.04.20 (unaudited)	Year ended 31.10.19 (audited)	30.04.20 (unaudited)	Year ended 31.10.19 (audited)
Income from investments held at fair value through profit or loss	3	1,949	3,488	-	-	1,949	3,488
Other income	3	1,307	2,180	-	-	1,307	2,180
<b>Total revenue</b>		<b>3,256</b>	<b>5,668</b>	<b>-</b>	<b>-</b>	<b>3,256</b>	<b>5,668</b>
Net (loss)/profit on investments and options held at fair value through profit or loss		-	-	(17,509)	2,414	(17,509)	2,414
Net profit/(loss) on foreign exchange		-	-	462	(160)	462	(160)
<b>Total</b>		<b>3,256</b>	<b>5,668</b>	<b>(17,047)</b>	<b>2,254</b>	<b>(13,791)</b>	<b>5,001</b>
<b>Expenses</b>							
Investment management fee	4	(131)	(114)	(393)	(343)	(524)	(1,002)
Other operating expenses	5	(208)	(188)	(10)	(10)	(218)	(198)
<b>Total operating expenses</b>		<b>(339)</b>	<b>(302)</b>	<b>(403)</b>	<b>(353)</b>	<b>(742)</b>	<b>(1,426)</b>
<b>Net profit/(loss) on ordinary activities before taxation</b>		<b>2,917</b>	<b>5,015</b>	<b>(17,450)</b>	<b>1,901</b>	<b>(14,533)</b>	<b>4,346</b>
Taxation		(415)	(301)	75	65	(340)	(236)
<b>Profit/(loss) for the period</b>		<b>2,502</b>	<b>4,338</b>	<b>(17,375)</b>	<b>1,966</b>	<b>(14,873)</b>	<b>4,110</b>
<b>Earnings/(loss) per ordinary share (pence)</b>	7	<b>3.10</b>	<b>3.06</b>	<b>(21.53)</b>	<b>2.81</b>	<b>(18.43)</b>	<b>5.87</b>

The total column of this statement represents the Company's Statement of Comprehensive Income, prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU). The supplementary revenue and capital columns are both prepared under guidance published by the Association of Investment Companies (AIC). All items in the above statement derive from continuing operations. No operations were acquired or disposed of during the period. All income is attributable to the equity holders of the Company.

The net profit/(loss) for the period disclosed above represents the Company's total comprehensive income/(loss). The Company does not have any other comprehensive income.

# Statement of changes in equity

for the six months ended 30 April 2020

	Note	Called up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Special reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
<b>For the six months ended 30 April 2020 (unaudited)</b>								
At 31 October 2019		1,004	42,596	1,460	36,373	58,113	3,240	142,786
Total comprehensive income:								
Net (loss)/profit for the period		-	-	-	-	(17,375)	2,502	(14,873)
Transactions with owners, recorded directly to equity:								
Ordinary shares reissued from treasury		-	1,937	-	3,386	-	-	5,323
Share issue costs		-	-	-	(8)	-	-	(8)
Dividends paid <sup>1</sup>	6	-	-	-	-	(1,209)	(2,016)	(3,225)
<b>At 30 April 2020</b>		<b>1,004</b>	<b>44,533</b>	<b>1,460</b>	<b>39,751</b>	<b>39,529</b>	<b>3,726</b>	<b>130,003</b>
<b>For the six months ended 30 April 2019 (unaudited)</b>								
At 31 October 2018		1,004	36,774	1,460	24,943	54,249	2,515	120,945
Total comprehensive income:								
Net profit for the period		-	-	-	-	1,966	2,144	4,110
Transactions with owners, recorded directly to equity:								
Ordinary shares reissued from treasury		-	-	-	5,510	-	-	5,510
Share issue costs		-	-	-	(27)	-	-	(27)
Dividends paid <sup>2</sup>		-	-	-	-	(1,047)	(1,745)	(2,792)
<b>At 30 April 2019</b>		<b>1,004</b>	<b>36,774</b>	<b>1,460</b>	<b>30,426</b>	<b>55,168</b>	<b>2,914</b>	<b>127,746</b>
<b>For the year ended 31 October 2019 (audited)</b>								
At 31 October 2018		1,004	36,774	1,460	24,943	54,249	2,515	120,945
Total comprehensive income:								
Net profit for the year		-	-	-	-	6,032	4,338	10,370
Transactions with owners, recorded directly to equity:								
Ordinary shares issued from treasury		-	5,822	-	11,507	-	-	17,329
Share issue costs		-	-	-	(77)	-	-	(77)
Dividends paid <sup>3</sup>		-	-	-	-	(2,168)	(3,613)	(5,781)
<b>At 31 October 2019</b>		<b>1,004</b>	<b>42,596</b>	<b>1,460</b>	<b>36,373</b>	<b>58,113</b>	<b>3,240</b>	<b>142,786</b>

<sup>1</sup> 4th interim dividend of 2.00p per share for the year ended 31 October 2019, declared on 7 November 2019 and paid on 3 January 2020 and 1st interim dividend of 2.00p per share for the year ending 31 October 2020, declared on 20 March 2020 and paid on 29 April 2020.

<sup>2</sup> 4th interim dividend of 2.00p per share for the year ended 31 October 2018, declared on 1 November 2018 and paid on 4 January 2019 and 1st interim dividend of 2.00p per share for the year ending 31 October 2019, declared on 5 March 2019 and paid on 12 April 2019.

<sup>3</sup> 4th interim dividend of 2.00p per share for the year ended 31 October 2018, declared on 1 November 2018 and paid on 4 January 2019; 1st interim dividend of 2.00p per share for the year ended 31 October 2019, declared on 5 March 2019 and paid on 12 April 2019; 2nd interim dividend of 2.00p per share for the year ended 31 October 2019, declared on 8 May 2019 and paid on 28 June 2019; and 3rd interim dividend of 2.00p per share for the year ended 31 October 2019, declared on 6 August 2019 and paid on 1 October 2019.

Costs relating to the acquisition and disposal of investments amounted to £45,000 and £17,000 respectively for the six months ended 30 April 2020 (six months ended 30 April 2019: £31,000 and £12,000; year ended 31 October 2019: £75,000 and £26,000).

The share premium account and capital redemption reserve are not distributable profits under the Companies Act 2006. The special reserve may be used as distributable profits for all purposes and, in particular, for the repurchase by the Company of its ordinary shares and for payment as dividends. In accordance with the Company's Articles of Association, net capital reserves may be distributed by way of the repurchase by the Company of its ordinary shares and for payment as dividends.

# Statement of financial position

as at 30 April 2020

Notes	30 April 2020	30 April 2019	31 October 2019
	£'000 (unaudited)	£'000 (unaudited)	£'000 (audited)
<b>Non current assets</b>			
Investments held at fair value through profit or loss	120,771	118,384	130,525
<b>Current assets</b>			
Other receivables	905	257	844
Cash and cash equivalents	10,747	11,069	13,207
	11,652	11,326	14,051
<b>Total assets</b>	132,423	129,710	144,576
<b>Current liabilities</b>			
Other payables	(1,270)	(1,314)	(1,308)
Derivative financial liabilities held at fair value through profit or loss	(1,150)	(650)	(482)
	(2,420)	(1,964)	(1,790)
<b>Net assets</b>	130,003	127,746	142,786
<b>Equity attributable to equity holders</b>			
Called up share capital	8	1,004	1,004
Share premium account		44,533	36,774
Capital redemption reserve		1,460	1,460
Special reserve		39,751	30,426
Capital reserves		39,529	55,168
Revenue reserve		3,726	2,914
<b>Total equity</b>		130,003	127,746
<b>Net asset value per ordinary share (pence)</b>	7	160.09	177.30
		182.13	

# Cash flow statement

for the six months ended 30 April 2020

	Six months ended 30 April 2020	Six months ended 30 April 2019	Year ended 31 October 2019
	£'000 (unaudited)	£'000 (unaudited)	£'000 (audited)
<b>Operating activities</b>			
Net (loss)/profit before taxation	(14,533)	4,346	10,904
Net loss/(profit) on investments and options held at fair value through profit or loss (including transaction costs)	17,509	(2,414)	(6,772)
Net (profit)/loss on foreign exchange	(462)	160	110
Sales of investments held at fair value through profit or loss	62,649	46,164	95,699
Purchases of investments held at fair value through profit or loss	(69,736)	(46,973)	(104,461)
Increase in other receivables	(37)	(96)	(105)
(Decrease)/increase in other payables	(277)	(18)	183
(Increase)/decrease in amounts due from brokers	(574)	11	1
Increase in amounts due to brokers	244	574	328
<b>Net cash (outflow)/inflow from operating activities before taxation</b>	<b>(5,217)</b>	<b>1,754</b>	<b>(4,113)</b>
Taxation paid	(350)	(233)	(503)
<b>Net cash (outflow)/inflow from operating activities</b>	<b>(5,567)</b>	<b>1,521</b>	<b>(4,616)</b>
<b>Financing activities</b>			
Proceeds from ordinary shares reissued from treasury	5,878	5,510	16,774
Share issue costs paid	(8)	(27)	(77)
Dividends paid	(3,225)	(2,792)	(5,781)
<b>Net cash inflow from financing activities</b>	<b>2,645</b>	<b>2,691</b>	<b>10,916</b>
<b>(Decrease)/increase in cash and cash equivalents</b>	<b>(2,922)</b>	<b>4,212</b>	<b>6,300</b>
Effect of foreign exchange rate changes	462	(160)	(110)
<b>Change in cash and cash equivalents</b>	<b>(2,460)</b>	<b>4,052</b>	<b>6,190</b>
Cash and cash equivalents at start of period/year	13,207	7,017	7,017
<b>Cash and cash equivalents at end of period/year</b>	<b>10,747</b>	<b>11,069</b>	<b>13,207</b>
<b>Comprised of:</b>			
Cash at bank	10,747	11,069	13,207

# Notes to the financial statements

for the six months ended 30 April 2020

## 1. Principal activity

The principal activity of the Company is that of an investment trust company within the meaning of section 1158 of the Corporation Tax Act 2010.

## 2. Basis of presentation

The half yearly financial statements for the period ended 30 April 2020 have been prepared in accordance with the Disclosure Guidance and Transparency Rules sourcebook of the Financial Conduct Authority and with International Accounting Standard 34 (IAS 34), 'Interim Financial Reporting', as adopted by the European Union (EU). The half yearly financial statements should be read in conjunction with the Company's Annual Report and Financial Statements for the year ended 31 October 2019, which have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006 and in accordance with IAS 34 Interim Financial Reporting.

Insofar as the Statement of Recommended Practice (SORP) for investment trust companies and venture capital trusts issued by the Association of Investment Companies (AIC) in October 2019 is compatible with IFRS, the financial statements have been prepared in accordance with guidance set out in the SORP.

The revised SORP issued in October 2019 is applicable for accounting periods beginning on or after 1 January 2019, therefore the Company has adopted the new SORP for the accounting year beginning 1 November 2019. As a result, there will be an amended presentation of movements in investments held at fair value through profit or loss in the notes to the financial statements, which will be included as part of the 2020 Annual Report and Financial Statements. As this note is not included as part of the Interim Report and Financial Statements, there is no impact on the Interim Report and Financial Statements as a result of the adoption of the revised SORP.

### Adoption of new and amended standards and interpretations

#### IFRS 16 Leases

The Company adopted IFRS 16 as of the date of initial application of 1 November 2019. IFRS 16 specifies accounting for leases and removes the distinction between operating and finance leases. This standard is not applicable to the Company as it has no leases.

# Notes to the financial statements continued

## 2. Basis of presentation continued

### **IFRIC 23 Uncertainty over Income Tax Treatments**

The Company adopted IFRIC 23 as of the date of initial application of 1 November 2019. IFRIC 23 seeks to provide clarity on how to account for uncertainty over income tax treatments and specifies that an entity must consider whether it is probable that the relevant tax authority will accept each tax treatment, or group of tax treatments, that it plans to use in its income tax filing. The interpretation also requires companies to reassess the judgements and estimates applied if facts and circumstances change. The interpretation would require the Company to recognise uncertain tax positions which are more than probable within its financial statements and it could potentially require the Company to recognise tax reclaims filed with HMRC if their recoverability becomes more than probable. The adoption of this interpretation has had no impact on the financial statements of the Company.

### **IFRS standards that have yet to be adopted**

**Amendments to IFRS 3 – definition of a business** (effective 1 January 2020). This amendment revises the definition of a business. According to feedback received by the International Accounting Standards Board, application of the current guidance is commonly thought to be too complex and it results in too many transactions qualifying as business combinations. The standard has not been endorsed by the EU. This standard is unlikely to have any impact on the Company.

**Amendments to IAS 1 and IAS 8 – definition of material** (effective 1 January 2020). The amendments to IAS 1, 'Presentation of Financial Statements', and IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors' and consequential amendments to other IFRSs require companies to:

- (i) use a consistent definition of materiality throughout IFRSs and the Conceptual Framework for Financial Reporting;
- (ii) clarify the explanation of the definition of material; and
- (iii) incorporate some of the guidance of IAS 1 about immaterial information.

This standard has not been endorsed by the EU. This standard is unlikely to have any impact on the Company.



**Amendments to IFRS 9, IAS 39 and IFRS 7 - interest rate benchmark reform** (effective 1 January 2020). These amendments provide certain reliefs in connection with the interest rate benchmark reform. The reliefs relate to hedge accounting and have the effect that the Inter Bank Offer Rate (IBOR) reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement. Given the pervasive nature of hedges involving IBOR based contracts, the reliefs will affect companies in all industries.

This standard has been endorsed by the EU. This standard is unlikely to have any significant impact on the Company.

**IFRS 17 - insurance contracts** (effective 1 January 2021). This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features. The standard has not been endorsed by the EU. This standard is unlikely to have any impact on the Company as it has no insurance contracts.

# Notes to the financial statements continued

## 3. Income

	Six months ended 30 April 2020	Six months ended 30 April 2019	Year ended 31 October 2019
	£'000 (unaudited)	£'000 (unaudited)	£'000 (audited)
<b>Investment income:</b>			
UK dividends	145	154	312
Overseas dividends	1,804	1,550	3,162
Overseas special dividends	-	14	14
	1,949	1,718	3,488
<b>Other income:</b>			
Deposit interest	72	92	212
Option premium income	1,235	937	1,968
	1,307	1,029	2,180
<b>Total income</b>	<b>3,256</b>	<b>2,747</b>	<b>5,668</b>

During the period, the Company received premiums totalling £1,350,000 (six months ended 30 April 2019: £917,000; year ended 31 October 2019: £2,016,000) for writing covered call options for the purposes of revenue generation. Option premiums of £1,235,000 (six months ended 30 April 2019: £937,000; year ended 31 October 2019: £1,968,000) were amortised to revenue. All derivative transactions were based on constituent stocks in the Russell 1000 Value Index. At 30 April 2020 there were 208 open positions with an associated liability of £1,150,000 (six months ended 30 April 2019: 237 open positions with an associated liability of £650,000; year ended 31 October 2019: 224 open positions with an associated liability of £482,000).

Dividends and interest received in cash during the period amounted to £1,626,000 and £72,000 (six months ended 30 April 2019: £1,620,000 and £92,000; year ended 31 October 2019: £2,944,000 and £212,000) respectively.

No special dividends have been recognised in capital during the period (six months ended 30 April 2019: £nil; year ended 31 October 2019: £nil).

#### 4. Investment management fee

	Six months ended 30 April 2020 (unaudited)			Six months ended 30 April 2019 (unaudited)			Year ended 31 October 2019 (audited)		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Investment management fee	131	393	524	114	343	457	250	752	1,002
<b>Total</b>	131	393	524	114	343	457	250	752	1,002

The investment management fee is payable quarterly in arrears, calculated at the rate of 0.75% of the Company's net assets.

# Notes to the financial statements continued

## 5. Other operating expenses

	Six months ended 30 April 2020	Six months ended 30 April 2019	Year ended 31 October 2019
	£'000 (unaudited)	£'000 (unaudited)	£'000 (audited)
<b>Allocated to revenue:</b>			
Custody fee	3	3	5
Auditors' remuneration			
- audit services	15	15	29
Registrar's fee	14	13	32
Directors' emoluments	81	60	133
Broker fees	20	20	40
Depository fees	7	6	13
Legal and professional fees	8	8	29
Marketing fees	17	14	26
Printing fees	8	10	22
Other administration costs	35	39	74
	208	188	403
<b>Allocated to capital:</b>			
Custody transaction charges	10	10	21
	218	198	424

## 6. Dividends

The Directors have declared a second quarterly interim dividend of 2.00p per share. The dividend will be paid on 3 July 2020 to shareholders on the Company's register on 22 May 2020. This dividend has not been accrued in the financial statements for the six months ended 30 April 2020, as under IFRS interim dividends are not recognised until paid. Dividends are debited directly to reserves.

Dividends paid on equity shares during the period were:

	Six months ended 30 April 2020 (unaudited)		
	Revenue £'000	Capital £'000	Total £'000
Fourth interim dividend for the year ended 31 October 2019 of 2.00p per ordinary share paid on 3 January 2020	1,001	600	1,601
First interim dividend for the year ending 31 October 2020 of 2.00p per ordinary share paid on 29 April 2020	1,015	609	1,624
	2,016	1,209	3,225
Second interim dividend for the year ending 31 October 2020 of 2.00p per ordinary share payable on 3 July 2020*	1,624	-	1,624
	3,640	1,209	4,849

\* Based on 81,204,044 ordinary shares in issue on 21 May 2020 (the ex-dividend date).

# Notes to the financial statements continued

## 7. Earnings and net asset value per ordinary share

Total revenue return, capital return and net asset value per share are shown below and have been calculated using the following:

	Six months ended 30 April 2020	Six months ended 30 April 2019	Year ended 31 October 2019
	(unaudited)	(unaudited)	(audited)
Net revenue profit attributable to ordinary shareholders (£'000)	2,502	2,144	4,338
Net capital (loss)/profit attributable to ordinary shareholders (£'000)	(17,375)	1,966	6,032
Total (loss)/profit attributable to ordinary shareholders (£'000)	(14,873)	4,110	10,370
Equity shareholders' funds (£'000)	130,003	127,746	142,786
The weighted average number of ordinary shares in issue during the period on which the earnings per ordinary share was calculated was:	80,690,446	70,051,946	72,835,622
The actual number of ordinary shares in issue at the end of each period on which the net asset value per ordinary share was calculated was:	81,204,044	72,049,044	78,399,044
<b>Earnings per share</b>			
Revenue earnings per share (pence)	3.10	3.06	5.96
Capital (loss)/earnings per share (pence)	(21.53)	2.81	8.28
Total (loss)/earnings per share (pence)	(18.43)	5.87	14.24

There were no dilutive securities at the period end (six months ended 30 April 2019: nil, year ended 31 October 2019: nil).

	As at 30 April 2020	As at 30 April 2019	As at 31 October 2019
	(unaudited)	(unaudited)	(audited)
Net asset value per ordinary share (pence)	160.09	177.30	182.13
Ordinary share price (pence)	160.50	181.50	186.50

## 8. Called up share capital

	Ordinary shares in issue	Treasury shares	Total shares	Nominal value
(unaudited)	(number)	(number)	(number)	£'000
<b>Allotted, called up and fully paid share capital comprised:</b>				
<b>Ordinary shares of 1 pence each:</b>				
At 31 October 2019	78,399,044	21,962,261	100,361,305	1,004
Ordinary shares reissued from treasury in the period	2,805,000	(2,805,000)	-	-
At 30 April 2020	81,204,044	19,157,261	100,361,305	1,004

During the period to 30 April 2020, 2,805,000 ordinary shares were reissued from treasury for a total gross consideration of £5,323,000 (period ended 30 April 2019: 3,175,000 ordinary shares for a total gross consideration of £5,510,000; year ended 31 October 2019: 9,525,000 ordinary shares for a total gross consideration of £17,252,000).

No treasury shares were cancelled during the period (six months ended 30 April 2019: nil; year ended 31 October 2019: nil).

Since 30 April 2020 and up to the date of this report, no ordinary shares have been reissued from treasury.

## 9. Valuation of financial instruments

Financial assets and financial liabilities are either carried in the Statement of Financial Position at their fair value (investments and derivatives) or at an amount which is a reasonable approximation of fair value (due from brokers, dividends and interest receivable, due to brokers, accruals, cash at bank and bank overdrafts). IFRS 13 requires the Company to classify fair value measurements using a fair value hierarchy that reflects the significance of inputs used in making the measurements. The valuation techniques used by the Company are explained in the accounting policies note 2(g) as set out in the Company's Annual Report and Financial Statements for the year ended 31 October 2019.

Categorisation within the hierarchy has been determined on the basis of the lowest level input that is significant to the fair value measurement of the relevant asset as follows.

The fair value hierarchy has the following levels:

### **Level 1 - Quoted market price for identical instruments in active markets**

A financial instrument is regarded as quoted in an active market if quoted prices are regularly and readily available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis. The Company does not adjust the quoted price for these instruments.

### **Level 2 - Valuation techniques using observable inputs**

This category includes instruments valued using quoted prices for similar instruments in markets that are considered less than active, or other valuation techniques where all significant inputs are directly or indirectly observable from market data. Valuation techniques used for non-standardised financial instruments such as options, currency swaps and other over-the-counter derivatives include the use of comparable recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants making the maximum use of market inputs and relying as little as possible on entity specific inputs.

### **Level 3 - Valuation techniques using significant unobservable inputs**

This category includes all instruments where the valuation technique includes inputs not based on market data and these inputs could have a significant impact on the instrument's valuation.



This category also includes instruments that are valued based on quoted prices for similar instruments where significant entity determined adjustments or assumptions are required to reflect differences between the instruments and instruments for which there is no active market. The Investment Manager considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary and provided by independent sources that are actively involved in the relevant market.

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement.

Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability. The determination of what constitutes 'observable' inputs requires significant judgement by the Investment Manager.

Over-the-counter derivative option contracts have been classified as Level 2 investments as their valuation has been based on market observable inputs represented by the underlying quoted securities to which these contracts expose the Company.

The table below sets out fair value measurements using the IFRS 13 fair value hierarchy.

Financial assets/(liabilities) at fair value through profit or loss at 30 April 2020	Level 1	Level 2	Level 3	Total
(unaudited)	£'000	£'000	£'000	£'000
Assets:				
Equity investments	120,771	-	-	120,771
Liabilities:				
Derivative financial instruments - written options	-	(1,150)	-	(1,150)
	120,771	(1,150)	-	119,621

# Notes to the financial statements continued

## 9. Valuation of financial instruments continued

Financial assets/(liabilities) at fair value through profit or loss at 30 April 2019	Level 1	Level 2	Level 3	Total
(unaudited)	£'000	£'000	£'000	£'000
Assets:				
Equity investments	118,384	-	-	118,384
Liabilities:				
Derivative financial instruments - written options	-	(650)	-	(650)
	118,384	(650)	-	117,734

Financial assets/(liabilities) at fair value through profit or loss at 31 October 2019	Level 1	Level 2	Level 3	Total
(audited)	£'000	£'000	£'000	£'000
Assets:				
Equity investments	130,525	-	-	130,525
Liabilities:				
Derivative financial instruments - written options	-	(482)	-	(482)
	130,525	(482)	-	130,043

There were no transfers between levels for financial assets and financial liabilities during the period/year recorded at fair value as at 30 April 2020, 30 April 2019 and 31 October 2019. The Company did not hold any Level 3 securities throughout the financial period under review or as at 30 April 2020, 30 April 2019 and 31 October 2019.

## 10. Related party disclosure

The Board consists of five non-executive Directors all of whom are considered to be independent by the Board. None of the Directors has a service contract with the Company. With effect from 1 November 2019, the Chairman receives an annual fee of £42,000, the Chairman of the Audit & Management Engagement Committee receives an annual fee of £35,000 and each of the Directors receives an annual fee of £29,000. At 30 April 2020, an amount of £14,000 (six months ended 30 April 2019: £10,000; year ended 31 October 2019: £14,000) was outstanding in respect of Directors' fees.

At 30 April 2020, interests of the Directors in the ordinary shares of the Company are as set out below:

	Six months ended 30 April 2020	Six months ended 30 April 2019	Year ended 31 October 2019
	(unaudited)	(unaudited)	(audited)
Simon Miller (Chairman)	38,094	38,094	38,094
Christopher Casey	19,047	19,047	19,047
Andrew Irvine	38,094	38,094	38,094
Alice Ryder	9,047	9,047	9,047
Melanie Roberts	-	n/a	-

Since the period end and up to the date of this report there have been no changes in Directors' holdings.

# Notes to the financial statements continued

## 11. Transactions with the AIFM and Investment Manager

BlackRock Fund Managers Limited (BFM) provides management and administration services to the Company under a contract which is terminable on six months' notice. BFM has (with the Company's consent) delegated certain portfolio and risk management services, and other ancillary services, to BlackRock Investment Management (UK) Limited (BIM (UK)). Further details of the investment management contract are disclosed on page 32 of the Directors' Report in the Company's Annual Report and Financial Statements for the year ended 31 October 2019.

The investment management fee due to BFM for the six months ended 30 April 2020 amounted to £524,000 (six months ended 30 April 2019: £457,000; year ended 31 October 2019: £1,002,000). At the period end £247,000 was outstanding in respect of the investment management fee (six months ended 30 April 2019: £456,000; year ended 31 October 2019: £546,000).

In addition to the above services, BlackRock has provided the Company with marketing services. The total fees paid or payable for these services for the period ended 30 April 2020 amounted to £17,000 excluding VAT (six months ended 30 April 2019: £14,000; year ended 31 October 2019: £26,000). Marketing fees of £40,000 excluding VAT (period ended 30 April 2019: £39,000; year ended 31 October 2019: £23,000) were outstanding as at 30 April 2020.

## 12. Contingent liabilities

There were no contingent liabilities at 30 April 2020 (six months ended 30 April 2019 and year ended 31 October 2019: nil).

## 13. Publication of non statutory accounts

The financial information contained in this half yearly financial report does not constitute statutory accounts as defined in section 435 of the Companies Act 2006. The financial information for the six months ended 30 April 2020 and 30 April 2019 has not been audited.

The information for the year ended 31 October 2019 has been extracted from the latest published audited financial statements which have been filed with the Registrar of Companies. The report of the auditors on this financial statements contained no qualifications or statement under sections 498(2) or 498(3) of the Companies Act 2006.

## 14. Annual results

The Board expects to announce the annual results for the year ending 31 October 2020 in late January 2021.

Copies of the annual results announcement can be obtained from the Secretary on 0207 743 3000 or [cosec@blackrock.com](mailto:cosec@blackrock.com). The Annual Report and Financial Statements should be available by the beginning of February 2021 with the Annual General Meeting being held in March 2021.

# Directors, management and other service providers

## Directors

Simon Miller (Chairman)  
Christopher Casey (Chairman of the Audit and Management Engagement Committee)  
Andrew Irvine  
Alice Ryder (Senior Independent Director)  
Melanie Roberts

## Registered Office

(Registered in England and Wales, No. 8196493)  
12 Throgmorton Avenue  
London EC2N 2DL

## Alternative Investment Fund Manager

BlackRock Fund Managers Limited\*  
12 Throgmorton Avenue  
London EC2N 2DL

## Investment Manager and Secretary

BlackRock Investment Management (UK) Limited\*  
12 Throgmorton Avenue  
London EC2N 2DL  
Telephone: 020 7743 3000  
Email: cosec@blackrock.com

## Registrar

Computershare Investor Services PLC\*  
The Pavilions  
Bridgwater Road  
Bristol BS99 6ZY  
Telephone: 0370 873 5879

## Independent Auditors

PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Atria One  
144 Morrison Street  
Edinburgh EH3 8EX

## Depository, Custodian, Banker and Fund Accountant

The Bank of New York Mellon (International) Limited\*  
One Canada Square  
Canary Wharf  
London E14 5AJ

## Stockbroker

Cenkos Securities plc\*  
6.7.8 Tokenhouse Yard  
London EC2R 7AS

## Solicitor

Gowling WLG (UK) LLP  
4 More London Riverside  
London SE1 2AU

\* Authorised and regulated by the Financial Conduct Authority.

# Shareholder information

## Financial calendar

The timing of the announcement and publication of the Company's results may normally be expected in the months shown below:

### March

Annual General Meeting.

### June

Half Yearly figures announced.

Half Yearly Financial Report published.

### January/February

Annual results and Annual Report and Financial Statements published.

## Quarterly dividends

Dividends are paid quarterly as follows:

Period ending	Ex-date	Payment date
31 January	February	April
30 April	May	July
31 July	August	October
31 October	November	January

## Payment of dividends

Cash dividends will be sent by cheque to the first-named shareholder at their registered address. Dividends may also be paid direct into a shareholder's bank account via BACSTEL-IP (Bankers' Automated Clearing Service - Telecom Internet Protocol). This may be arranged by contacting the Company's registrar, Computershare Investor Services PLC, through their secure website [investorcentre.co.uk](https://investorcentre.co.uk), or by telephone on 0370 873 5879, or by completing the Mandate Instructions section on the reverse of your dividend counterfoil and sending this to the Company's registrar, Computershare. Confirmation of dividends paid will be sent to shareholders at their registered address, unless other instructions have been given, to arrive on the payment date.

# Shareholder information continued

## Dividend reinvestment scheme (DRIP)

Shareholders may request that their dividends be used to purchase further shares in the Company. Dividend reinvestment forms may be obtained from Computershare Investor Services PLC, through their secure website [investorcentre.co.uk](http://investorcentre.co.uk), or by telephone on 0370 873 5879. Shareholders who have already opted to have their dividends reinvested do not need to reapply.

## Share prices

The Company's mid-market share prices are quoted daily in The Financial Times and The Times under 'Investment Companies' and in The Daily Telegraph under 'Investment Trusts'. The share price is also available on the BlackRock website at [blackrock.com/uk/brna](http://blackrock.com/uk/brna).

## ISIN/SEDOL numbers

The ISIN/SEDOL numbers and mnemonic codes for the Company's ordinary shares are:

	Ordinary shares
ISIN	GB00B7W0XJ61
SEDOL	B7W0XJ6
Reuters code	BRNA.L
Bloomberg code	BRNA LN

## Dividend tax allowance

The annual tax-free allowance on dividend income across an individual's entire share portfolio is £2,000. Above this amount, individuals pay tax on their dividend income at a rate dependent on their income tax bracket and personal circumstances.

The Company continues to provide registered shareholders with a confirmation of the dividends paid and this should be included with any other dividend income received when calculating and reporting total dividend income received. It is the shareholder's responsibility to include all dividend income when calculating any tax liability.

If you have any tax queries, please contact a Financial Advisor.



## Share dealing

Investors wishing to purchase more shares in the Company or sell all or part of their existing holding may do so through a stockbroker. Most banks also offer this service. To purchase this investment through Computershare, investors can do so by applying for a Trading Account at [www.computershare.com/dealing/uk](http://www.computershare.com/dealing/uk). You must have read the Key Information Document before the trade can be executed. Computershare can email or post this to you.

For existing shareholders not looking to purchase shares, the Company's registrar, Computershare, has an internet and telephone share dealing service. The telephone share dealing service is available on 0370 703 0084. To access the internet share dealing service, you will need to access [computershare.com/dealing/uk](http://computershare.com/dealing/uk). You will require your shareholder reference number, which can be found on paper or electronic communications that you have previously received from Computershare.

**Internet dealing** - The fee for this service is 1% of the value of the transaction (subject to a minimum of £30). Stamp duty of 0.5% is payable on purchases.

**Telephone dealing** - The fee for this service will be 1% of the value of the transaction (plus £50). Stamp duty of 0.5% is payable on purchases.

## CREST

The Company's shares may be held in CREST, an electronic system for uncertificated securities trading. Private investors can continue to retain their share certificates and remain outside the CREST system. Private investors are able to buy and sell their holdings in the same way as they did prior to the introduction of CREST, although there may be differences in dealing charges.

## Risk factors

- Past performance is not necessarily a guide to future performance.
- The value of your investment in the Company and the income from it can fluctuate as the value of the underlying investments fluctuate.
- The price at which the Company's shares trade on the London Stock Exchange is not the same as their net asset value (NAV) (although they are related) and therefore you may realise returns which are lower or higher than NAV performance.

# Shareholder information continued

## Nominee code

Where shares are held in a nominee company name, the Company undertakes:

- to provide the nominee company with multiple copies of shareholder communications, so long as an indication of quantities has been provided in advance; and
- to allow investors holding shares through a nominee company to attend general meetings, provided the correct authority from the nominee company is available.

Nominee companies are encouraged to provide the necessary authority to underlying shareholders to attend the Company's general meetings.

## Publication of net asset value/portfolio analysis

The net asset value (NAV) per share of the Company is calculated daily, with details of the Company's investments and performance being published monthly.

The daily NAV per share and monthly information are released through the London Stock Exchange's Regulatory News Service and are available on the BlackRock website at [blackrock.com/uk/brna](http://blackrock.com/uk/brna), through the Reuters News Service under the code 'BLRKINDEX', on page 8800 on Topic 3 (ICV terminals) and under 'BLRK' on Bloomberg (monthly information only).

## Stocks and shares individual savings accounts (ISA)

ISAs are a tax-efficient method of investment and the Company's shares are eligible investments for inclusion within stocks and shares New Individual Savings Accounts. In the 2020/2021 tax year investors have an annual ISA allowance of £20,000 (2019/2020: £20,000) which can be invested in either cash or shares.

## Online access

Other details about the Company are available on the BlackRock website at [blackrock.com/uk/brna](http://blackrock.com/uk/brna). The financial statements and other literature are published on the website. Visitors to the website need to be aware that legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in their jurisdiction.

Shareholders can also manage their shareholding online by using Investor Centre, Computershare's secure website, at [investorcentre.co.uk](http://investorcentre.co.uk). To access Computershare's website you will need your shareholder reference number (SRN) which can be found on paper or electronic communications you have previously received from Computershare. Listed on the following page are the most frequently used features of the website.

- Holding enquiry – view balances, values, history, payments and reinvestments.
- Payments enquiry – view your dividends and other payment types.
- Address change – change your registered address.
- Bank details update – choose to receive your dividend payment directly into your bank account instead of by cheque.
- e-Comms sign-up – choose to receive email notification when your shareholder communications become available instead of paper communications.
- Outstanding payments – reissue payments using the online replacement service.
- Downloadable forms – including dividend mandates, stock transfer, dividend reinvestment and change of address forms.

## Shareholder enquiries

The Company's registrar is Computershare Investor Services PLC. Certain details relating to your holding can be checked through the Computershare Investor Centre website. As a security check, specific information needs to be input accurately to gain access to an individual's account. This includes your shareholder reference number, available from your share certificate, dividend confirmation statement or other electronic communications you have previously received from Computershare. The address of the Computershare website is [investorcentre.co.uk](http://investorcentre.co.uk). Alternatively, please contact the registrar on 0370 873 5879.

Changes of name or address must be notified in writing either through Computershare's website, or to the registrar at:

Computershare Investor Services PLC  
 The Pavilions  
 Bridgwater Road  
 Bristol BS99 6ZZ

## General enquiries

Enquiries about the Company should be directed to:

The Secretary  
 BlackRock North American Income Trust plc  
 12 Throgmorton Avenue  
 London EC2N 2DL  
 Telephone: 020 7743 3000  
 Email: [cosec@blackrock.com](mailto:cosec@blackrock.com)

# Glossary

## Alternative Performance Measures (APMs)

An APM is a measure of performance or financial position that is not defined in applicable accounting standards and cannot be directly derived from the financial statements. The Company's APMs are identified and are cross-referenced where relevant to the financial inputs used to derive them as contained in other sections of the half yearly financial report.

## Benchmark

The Company's benchmark index used for performance comparative purposes is the Russell 1000 Value Index on a total return basis.

## Closed-end company

An investment trust works along the same lines as a unit trust, in that it pools money from investors which is then managed on a collective basis. The main difference is that an investment trust is a company listed on the Stock Exchange and, in most cases, trading takes place in shares which have already been issued, rather than through the creation or redemption of units. As the number of shares which can be issued or cancelled at any one time is limited and requires the approval of existing shareholders, investment trusts are known as closed end funds or companies. This means that investment trusts are not subject to the same liquidity constraints as open ended funds and can therefore invest in less liquid investments.

## Discount and Premium\*

Investment trust shares can frequently trade at a discount to NAV. This occurs when the share price (based on the mid-market share price) is less than the NAV and investors may therefore buy shares at less than the value attributable to them by reference to the underlying assets. The discount is the difference between the share price and the NAV, expressed as a percentage of the NAV. For example, if the share price was 178p and the NAV 180p, the discount would be 1.1%.

A premium occurs when the share price (based on the mid-market share price) is more than the NAV and investors would therefore be paying more than the value attributable to the shares by reference to the underlying assets. As at 30 April 2020, the share price was 160.50p (30 April 2019: 181.50p; 31 October 2019: 186.50p) and the NAV was 160.09p (30 April 2019: 177.30p; 31 October 2019: 182.13p) and the premium was 0.3% (30 April 2019: 2.4%; 31 October 2019: 2.4%) (please see note 7 of the financial statements for the inputs to the calculation).

Discounts and premiums are mainly the consequence of supply and demand for the shares on the stock market.

\* Alternative Performance Measures.

## Gearing and borrowings

Investment companies can borrow to purchase additional investments. This is called 'gearing'. It allows investment companies to take advantage of a long-term view on a sector or to take advantage of a favourable situation or a particularly attractive stock without having to sell existing investments.

Gearing works by magnifying a company's performance. If a company 'gears up' and then markets rise and returns on the investments outstrip the costs of borrowing, the overall returns to investors will be even greater. But if markets fall and the performance of the assets in the portfolio is poor, then losses suffered by the investor will also be magnified.

## Leverage

Leverage is defined in the AIFM Directive as 'any method by which the AIFM increases the exposure of an AIF it manages whether through borrowing of cash or securities, or leverage embedded in derivative positions or by any other means'.

Leverage is measured in terms of 'exposure' and is expressed as a ratio of net asset value:

$$\text{Leverage ratio} = \frac{\text{Total assets}}{\text{Net assets}}$$

The Directive sets out two methodologies for calculating exposure. These are the Gross Method and the Commitment Method. The treatment of cash and cash equivalent balances in terms of calculating what constitutes an 'exposure' under AIFMD differs for these two methods. The definitions for calculating the Gross Method exposures require that 'the value of any cash and cash equivalents which are highly liquid investments held in the base currency of the AIF, that are readily convertible to a known amount of cash, are subject to an insignificant risk of change in value and provide a return no greater than the rate of a three-month high quality government bond' should be excluded from exposure calculations.

## Net asset value per share (cum income NAV)

This is the value of the Company's assets attributable to one ordinary share. It is calculated by dividing 'equity shareholders' funds' by the total number of ordinary shares in issue (excluding treasury shares). For example, as at 30 April 2020, equity shareholders' funds were worth £130,003,000 and there were 81,204,044 ordinary shares in issue (excluding treasury shares); the undiluted NAV was therefore 160.09p per ordinary share (please see note 7 of the financial statements for the inputs to the calculations).

## Glossary continued

Equity shareholders' funds are calculated by deducting from the Company's total assets, its current and long-term liabilities and any provision for liabilities and charges.

### Net asset value per share (capital only NAV)\*

The capital only NAV is a popular point of reference when comparing a range of investment trusts. This NAV focuses on the value of the Company's assets disregarding the current period revenue income, on the basis that most trusts will distribute substantially all of their income in any financial period. It is also the measure adopted by the Association of Investment Companies for preparation of statistical data. It is calculated by dividing 'equity shareholders' funds' (excluding current period revenue) by the total number of ordinary shares in issue.

As at 30 April 2020, equity shareholders' funds (excluding current year net revenue) amounted to £128,516,000 and there were 81,204,044 ordinary shares in issue (excluding treasury shares); therefore, the capital only NAV was 158.26p.

Equity shareholders' funds (excluding current period revenue) of £128,516,000 are calculated by deducting from the Company's net assets (£130,003,000) its current period revenue (£2,502,000) and adding back the interim dividends paid from revenue (£1,015,000).

### Ongoing charges ratio\*

$$\text{Ongoing charges (\%)} = \frac{\text{Annualised ongoing charges}}{\text{Average undiluted net asset value in the period}}$$

Ongoing charges are those expenses of a type which are likely to recur in the foreseeable future, whether charged to capital or revenue, and which relate to the operation of the investment company as a collective fund. Ongoing charges are based on costs incurred in the year as being the best estimate of future costs and include the annual management charge.

As recommended by the AIC in its guidance, ongoing charges are calculated using the Company's annualised recurring revenue and capital expenses (excluding finance costs, direct transaction costs, custody transaction charges and taxation) expressed as a percentage of the average daily net assets of the Company during the year.

\* Alternative Performance Measures.

The inputs that have been used to calculate the ongoing charges percentage are set out in the following table.

Ongoing charges calculation	Page	31 October 2019 £'000 (audited)	31 October 2018 £'000 (audited)	
Management fee	33	1,002	895	
Other operating expenses	34	403	374	
Total management fee and other operating expenses		1,405	1,269	(a)
Average net assets in the year		128,817	119,225	(b)
<b>Ongoing charges (c=a/b)</b>		<b>1.09%</b>	<b>1.06%</b>	<b>(c)</b>

## Options and options overwriting strategy

An option is a contract that offers the buyer the right, but not the obligation, to buy (call) or sell (put) a security or other financial asset at an agreed-upon price (the strike price) during a certain period of time or on a specific date (exercise date) for a fee (the premium). The sale of call or put options on stocks that are believed to be overpriced or underpriced, based on the assumption that the options will not be exercised, is referred to as an 'options overwriting' strategy.

The seller of the option collects a premium but, if the option subsequently expires without being exercised, there will be no downside for the seller. However, if the stock rises above the exercise price, the holder of the option is likely to exercise the option and this strategy can reduce returns in a rising market.

The Company employs an options overwriting strategy but seeks to mitigate risk by utilising predominantly covered call options (meaning that call options are only written in respect of stocks already owned within the Company's portfolio such that, if the options are exercised, the Company does not need to purchase stock externally at fluctuating market prices to meet its obligations under the options contract). Any use of derivatives for efficient portfolio management and options for investment purposes, will be made on the basis of the same principles of risk spreading and diversification that apply to the Company's direct investments.

## Quoted securities

Securities that trade on an exchange for which there is a publicly quoted price.

## Revenue profit and revenue reserves

Revenue profit is the net revenue income earned after deduction of fees and expenses allocated to the revenue account and taxation suffered by the Company. Revenue reserves is the undistributed income that the Company keeps as reserves. Investment trusts do not have to distribute all the income they generate, after expenses. They may retain up to 15% of revenue generated, which will be held in a revenue reserve. This reserve can be used at a later date to supplement dividend payments to shareholders.

## Total return - NAV and share price\*

Total return statistics enable the investor to make performance comparisons between investment trusts with different dividend policies. The total return measures the combined effect of any dividends paid, together with the rise or fall in the share price or NAV. This is calculated by the movement in the share price or NAV plus the dividends paid by the Company assuming these are reinvested in the Company at the prevailing NAV/Share price (please see note 7 of the financial statements for the inputs to the calculations).

NAV total return - Sterling	Page	Six months to 30 April 2020 (unaudited)	Six months to 30 April 2019 (unaudited)	Year ended 31 October 2019 (audited)	
Closing NAV per share (pence)	37	160.09	177.30	182.13	
Add back interim dividends (pence)	26	4.00	4.00	8.00	
Effect of dividend reinvestment (pence)		(0.05)	0.16	0.47	
Adjusted closing NAV (pence)		164.04	181.46	190.60	(a)
Opening NAV per share (pence)	37	182.13	175.60	175.60	(b)
<b>NAV total return (c = ((a-b)/b)) (%)</b>		<b>(9.9)</b>	<b>3.3</b>	<b>8.5</b>	<b>(c)</b>

\* Alternative Performance Measures.



		Six months to 30 April 2020 (unaudited)	Six months to 30 April 2019 (unaudited)	Year ended 31 October 2019 (audited)	
<b>Share price total return – Sterling</b>	<b>Page</b>				
Closing share price (pence)	37	160.50	181.50	186.50	
Add back interim dividends (pence)	26	4.00	4.00	8.00	
Effect of dividend reinvestment (pence)		0.09	0.16	0.46	
Adjusted closing share price (pence)		164.59	185.66	194.96	(a)
Opening share price (pence)	37	186.50	169.50	169.50	(b)
<b>Share price total return (c = ((a-b)/b)) (%)</b>		<b>(11.7)</b>	<b>9.5</b>	<b>15.0</b>	<b>(c)</b>

## Treasury shares

Treasury shares are shares that a company keeps in its own treasury which are not currently issued to the public. These shares do not pay dividends, have no voting rights and are not included in a company's total issued share capital amount for calculating percentage ownership. Treasury stock may have come from a repurchase or buy back from shareholders, or it may never have been issued to the public in the first place. Treasury shares may be reissued from treasury to the public to meet demand for a company's shares in certain circumstances.

## Unquoted investments

Financial securities that do not trade on an exchange for which there is not a publicly quoted price.

## Glossary continued

### Yield\*

The yield is the amount of cash (in percentage terms) that is returned to the owners of the security, in the form of interest or dividends received from it. Normally, it does not include the price variations, distinguishing it from the total return.

	30 April 2020	31 October 2019	31 October 2018	
Dividends paid/payable (pence)	8.00 <sup>1</sup>	8.00	8.00	(a)
Ordinary share price (pence)	160.50	186.50	169.50	(b)
<b>Yield (c = a/b) (%)</b>	<b>5.0</b>	<b>4.3</b>	<b>4.7</b>	<b>(c)</b>

<sup>1</sup> Comprising interim dividends declared/paid during the twelve months to 30 April 2020.

\* Alternative Performance Measures.





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