

The North American Income Trust plc

An investment trust investing for above-average dividend income and long term capital growth, mainly from a concentrated portfolio of US equities



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Objective

The objective of the Company is to provide investors with above average dividend income and long term capital growth through active management of a portfolio consisting predominantly of S&P 500 US equities.

Reference Indices

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

Management

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

Highlights and Financial Calendar

	As at 31 July 2018	As at 31 January 2018	% change
Net asset value per Ordinary share	1451.3p	1377.6p	+5.3
Share price per Ordinary share (mid)	1350.0p	1300.0p	+3.8
Discount to net asset value	7.0%	5.6%	
Ongoing charges ratio ^A	0.96%	0.98%	

^A Ongoing charges ratio calculated in accordance with guidance issued by the AIC as the total of the investment management fee and administrative expenses (annualised) divided by the average cum income net asset value throughout the year. The ratio for 31 July 2018 is based on forecast ongoing charges for the year ending 31 January 2019. Considered to be an Alternative Performance Measure.

	Six months to 31 July 2018	Six months to 31 July 2017	% change
Revenue return per Ordinary share	25.4p	20.7p	+22.7
Interim dividends	16.0p ^A	15.0p	+6.7

^A Includes a first interim dividend of 8.0p paid on 3 August 2018 and a second interim dividend of 8.0p payable on 26 October 2018.

Performance (Total Return^A)

	6 months ended 31 July 2018	Year ended 31 July 2018	3 Years ended 31 July 2018	31 May 2012 ^B to 31 July 2018
	%	%	% pa	% pa
Net asset value per Ordinary share ^A	7.2	14.2	21.5	15.6
Share price per Ordinary share ^A	5.8	17.9	22.9	16.0
Russell 1000 Value Index	6.7	10.1	16.0	16.9
S&P 500 Index (in sterling terms)	9.2	16.8	19.2	18.6

^A Total return represents capital return plus dividends reinvested. Considered to be an Alternative Performance Measure.

^B Date of investment mandate change.

Financial Calendar

26 September 2018	Announcement of half-yearly financial report
October 2018	Half-yearly report posted to shareholders
26 October 2018	Second quarterly dividend payable for the year ending 31 January 2019
February 2019	Third quarterly dividend payable for the year ending 31 January 2019
March 2019	Announcement of annual financial report
April 2019	Annual report posted to shareholders
June 2019	Annual General Meeting
June 2019	Final dividend payable for the year ending 31 January 2019

Interim Board Report – Chairman’s Statement

Performance

Over the six-month period ended 31 July 2018, the Company’s net asset value per share rose by 7.2% on a total return basis in sterling terms, outperforming the Russell 1000 Value Index’s return of 6.7%. The S&P 500 Index’s return for the period was 9.2%. The Russell 1000 Value Index is used as a reference index since it reflects the objectives of the Trust more appropriately and is the industry standard for equity income funds.

The Company’s absolute and relative performance over the intermediate term has been strong. For the three-year period ended 31 July 2018, the cumulative NAV return was 85.6% compared to the 56.2% return of the Russell 1000 Value Index and 69.5% return of the S&P 500 Index.

Dividend

The revenue return per Ordinary share increased by 22.7% to 25.4p for the six-month period. The Board has declared a second quarterly dividend of 8.0p per share, giving total dividends for the first half of the year of 16.0p (2017 – 15.0p), a 6.7% increase. The second quarterly dividend is payable on 26 October 2018 to shareholders on the register on 5 October 2018.

Portfolio

As of 31 July 2018, the portfolio comprised 41 equity holdings and 11 corporate bonds, with equities representing 93% of total assets.

Total revenue from equity holdings in the portfolio over the six-month period was £6.2 million (full year to 31 January 2018 - £12.9 million). Most of the Trust’s equity holdings continued their established record of dividend growth. Nearly 90% of the equity holdings raised their dividends over the past year, with a weighted average increase of approximately 11%. Shareholders should note that growth of revenue can be subject to currency movements as shown in the graph.

During the first half of the financial year, the Company received premiums totaling £2.5 million (full year to 31 January 2018 - £2.4 million) in exchange for entering into listed stock option transactions. This option income, the generation of which remains consistent with the Manager’s company-focused investment process, represented 26.5% of total income for the half year (full year to 31 January 2018 – 14.3%). As the Company’s exposure to corporate bonds has decreased over recent years, interest income from investments was lower and represented 3.2% of total income for the six month period (full year to 31 January 2018 - 4.3%). Bond coupons and option premiums will remain secondary sources of income

in the belief that dividends must remain the overwhelming source of income available for distribution.

The amount of option income received in Q1 2018 was significantly larger than in previous quarters as a number of larger options were written during a period of increased volatility. This level of increased option income is not expected to be maintained for the whole financial year.

Further details of the portfolio are shown on pages 5 to 6.

Market & Economic Review

Major North American equity market indices moved higher over the six-month period ended 31 July 2018, buoyed by generally upbeat economic data reports and positive corporate earnings news. This offset investors’ concerns regarding rising interest rates and US trade policy under the administration of President Trump.

In the second half of the review period, investors became increasingly concerned about the potential impact of the trade dispute between the US and China. On 6 July 2018, the US imposed a 25% tariff on US\$34 billion of imports from China and the expectation is that Beijing will retaliate with levies on US imports. However, the issue extends beyond those two nations, with the Trump administration also implementing tariffs on imports from the European Union, Canada and Mexico. At the same time, the flattening of the US Treasury yield curve raised questions about the risk of recession. With yields on short dated bonds rising more sharply than long dated, the ten- to two-year spread had tightened by 50%, ending the review period at 0.29% - the narrowest margin since 2007.

As widely expected, the US Federal Reserve (Fed) raised its benchmark interest rate by 0.75% in three increments to a range of 1.75% to 2.00% following its meetings in December 2017, and March and June 2018. In a statement accompanying its rate increase in June, the Fed commented that “the labor market has continued to strengthen and.....economic activity has been rising at a solid rate.” The consensus expectation is for the Fed to implement two more rate increases for the remainder of the 2018 calendar year.

US GDP growth climbed from 2.2% to 4.1% between the first and second quarters of 2018. The 4.1% increase in the second quarter - the highest growth rate in four years - was attributable mainly to rises in consumer spending and exports, which more than offset the negative impact of declines in private inventory investment and residential fixed investment. US employment expanded by a monthly average of roughly 221,000 over the six-month reporting period, and the unemployment rate declined to 3.9%, just above the 50-year low of 3.8% that it reached in May 2018.

Gearing

The Board believes that sensible use of modest financial gearing should enhance returns to our shareholders over the longer term. The Company's loan facility agreement with Scotiabank (Ireland) Designated Activity Company for \$75 million is currently drawn in an amount of \$50 million. Net gearing at 31 July 2018 was £20.2 million (31 January 2018 - £12.0 million), representing 4.9% of net assets (31 January 2018 - 3.1%), which includes the offset of cash held used as collateral against open option positions. \$50 million is currently drawn down at an interest rate of 97.5 basis points above LIBOR.

Board Composition

Guy Crawford and Archie Hunter retired from the Board on 18 September 2018. Both have served this Company over many years and I thank them on behalf of shareholders for their wise counsel and the expertise that they both brought to bear in their roles as non-executive directors.

Karyn Lamont and Susannah Nicklin were appointed as non-executive directors of the Company with effect from 18 September 2018; both bring with them a wealth of experience. Karyn, a chartered accountant and a former partner of PwC, joins as Audit Committee Chairman. She has been involved with auditing for over 25 years, specialising in the financial services sector across the UK. Susannah is an investment and financial services

professional with over 20 years of international experience.

Outlook

The Manager believes that empirical evidence continues to indicate a robust U.S. economy, which thus far has translated into a healthy start to the third-quarter 2018 earnings season. However, there has been a growing variability of results across the economy and there have been examples of margin pressure driven by higher input costs from rising raw materials prices as well as labour costs. These pressures may largely abate given the ability to push through prices despite near-term lags in passing through such costs. In addition, demand in the housing and automotive markets has become more erratic as high housing prices have yet to generate a strong supply response, and vehicle sales appear to be flattening.

At this point in the cycle, questions arise more frequently about the sustainability of above-trend revenue growth for many of the companies that we hold in the portfolio. In the light of this our Manager continues to emphasise its bottom-up analysis for stock selection, continuing to seek companies that it believes have the best prospects under varying market conditions.

James Ferguson
Chairman
25 September 2018

Currency Graph (Exchange rate US\$ to £)



Interim Board Report – Other

Principal Risks and Uncertainties

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

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

Details of these risks are provided in detail on pages 9 to 10 of the 2018 Annual Report. The principal risks have not changed nor are they expected to change in the second half of the financial year ended 31 January 2019.

There are a large number of global political and economic uncertainties which could have an impact on the performance of US markets.

Going Concern

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

Directors' Responsibility Statement

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

- the condensed set of Financial Statements has been prepared in accordance with Financial Reporting Standard 104 (Interim Financial Reporting);

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

The Half-Yearly Financial Report for the six months ended 31 July 2018 comprises the Interim Board Report, the Directors' Responsibility Statement and the condensed set of Financial Statements.

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

James Ferguson
Chairman

25 September 2018

Investment Portfolio – Equities

As at 31 July 2018

Company	Industry classification	Valuation £'000	Total portfolio %
BB&T	Banks	17,431	4.0
Chevron	Oil, Gas & Consumable Fuels	17,327	4.0
Philip Morris	Tobacco	16,447	3.8
Johnson & Johnson	Pharmaceuticals	16,164	3.7
Cisco Systems	Communications Equipment	16,120	3.7
Procter & Gamble	Household Products	15,415	3.5
Pfizer	Pharmaceuticals	15,220	3.5
Royal Bank Of Canada	Banks	14,270	3.3
Regions Financial	Banks	14,187	3.3
DowDuPont	Chemicals	14,155	3.3
Ten largest equity investments		156,736	36.1
Nutrien	Chemicals	12,398	2.8
CME Group	Capital Markets	12,130	2.8
Verizon Communications	Diversified Telecommunication Services	11,810	2.7
Huntington Bancshares	Banks	11,771	2.7
Union Pacific	Road & Rail	11,427	2.6
Telus	Diversified Telecommunication Services	11,136	2.6
Genuine Parts	Distributors	11,127	2.6
Provident Financial	Thriffs & Mortgage Finance	10,709	2.4
Schlumberger	Energy Equipment & Services	10,295	2.4
TransCanada	Oil, Gas & Consumable Fuels	10,277	2.4
Twenty largest equity investments		269,816	62.1
Molson Coors Brewing	Beverages	10,215	2.4
CMS Energy	Multi-Utilities	9,213	2.1
Meredith	Media	9,117	2.1
Microsoft	Software	8,896	2.0
Texas Instruments	Semiconductors & Semiconductor Equipment	8,486	2.0
American International	Insurance	8,418	1.9
Umpqua	Banks	8,119	1.9
Iron Mountain	Equity Real Estate Investment Trusts (REITs)	8,030	1.9
Orion Engineered Carbons	Chemicals	7,501	1.7
Abbott Laboratories	Health Care Equipment & Supplies	7,494	1.7
Thirty largest equity investments		355,305	81.8
Gilead Sciences	Biotechnology	7,417	1.7
Nucor	Metals & Mining	7,143	1.6
Pepsico	Beverages	7,014	1.6
Glacier Bancorp	Banks	6,510	1.5
Ventas	Equity Real Estate Investment Trust (REITs)	6,447	1.5
Canadian Western Bank	Banks	6,410	1.5
Praxair	Chemicals	6,385	1.5
L Brands	Specialty Retail	6,036	1.4
Tapestry	Textiles, Apparel & Luxury Goods	5,388	1.3
ConocoPhillips	Oil, Gas & Consumable Fuels	4,401	1.0
Forty largest equity investments		418,456	96.4
Paychex	IT Services	4,209	1.0
Total equity investments		422,665	97.4

Investment Portfolio – Other Investments

Company	Industry classification	Valuation £'000	Total portfolio %
HCA 5.875% 15/02/26	Healthcare Facilities	1,450	0.3
CCO Holdings Capital 5.5% 01/05/26	Media	1,419	0.3
Qwest 7.25% 15/10/35	Telecommunications	1,201	0.3
Cheniere Corpus Christi 5.875% 31/03/25	Oil, Gas & Consumable Fuels	1,196	0.3
Parsley Energy Finance 5.375% 15/01/25	Exploration & Production	1,143	0.2
Lennar 4.5% 30/04/24	Construction	964	0.2
First Data 7% 01/12/23	Consumer Finance	879	0.2
Graham Holdings 5.75% 01/06/26	Diversified Consumer Services	831	0.2
Harland Clarke Holdings 6.875% 01/03/20	IT Services	828	0.2
Symantec 5% 15/04/25	Software	805	0.2
Nationstar 6.5% 01/06/22	Diversified Financial Services	760	0.2
Total fixed interest investments		11,476	2.6
Total investments		434,141	100.0

Geographical Analysis

Country	Equities %	Bonds %	Total %
Canada	12.6	–	12.6
USA	84.8	2.6	87.4
	97.4	2.6	100.0

Condensed Statement of Comprehensive Income (unaudited)

	Notes	Six months ended 31 July 2018			Six months ended 31 July 2017		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains/(losses) on investments	2	-	23,421	23,421	-	(4,034)	(4,034)
Exchange (losses)/gains		-	(1,876)	(1,876)	-	1,109	1,109
Income	3	9,590	-	9,590	7,941	-	7,941
Investment management fee		(430)	(1,004)	(1,434)	(442)	(1,030)	(1,472)
Administrative expenses	4	(499)	-	(499)	(377)	-	(377)
Net return before finance costs and taxation		8,661	20,541	29,202	7,122	(3,955)	3,167
Finance costs		(149)	(347)	(496)	(144)	(334)	(478)
Return before taxation		8,512	20,194	28,706	6,978	(4,289)	2,689
Taxation	5	(1,297)	374	(923)	(1,072)	168	(904)
Return after taxation		7,215	20,568	27,783	5,906	(4,121)	1,785
Return per share (pence)	7	25.38	72.34	97.72	20.67	(14.42)	6.25

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

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

Condensed Statement of Financial Position (unaudited)

	Notes	As at 31 July 2018 £'000	As at 31 January 2018 £'000
Non-current assets			
Investments at fair value through profit or loss		434,141	406,593
Current assets			
Debtors and prepayments		882	620
Cash and short-term deposits		17,901	19,636
		18,783	20,256
Creditors: amounts falling due within one year			
Traded options		(126)	(561)
Other creditors		(2,072)	(2,995)
Bank loans		(38,117)	(31,644)
		(40,315)	(35,200)
Net current liabilities		(21,532)	(14,944)
Net assets		412,609	391,649
Capital and reserves			
Called-up share capital		7,108	7,108
Share premium account		48,467	48,467
Capital redemption reserve		15,452	15,452
Capital reserve	9	327,377	306,809
Revenue reserve		14,205	13,813
Equity shareholders' funds		412,609	391,649
Net asset value per share (pence)	10	1,451.29	1,377.57

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

Condensed Statement of Changes in Equity (unaudited)

Six months ended 31 July 2018

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

Six months ended 31 July 2017

	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Balance at 31 January 2017	7,161	48,467	15,399	295,709	12,365	379,101
Buyback of Ordinary shares for cancellation	(38)	-	38	(1,836)	-	(1,836)
Return after taxation	-	-	-	(4,121)	5,906	1,785
Dividends paid (note 6)	-	-	-	-	(6,295)	(6,295)
Balance at 31 July 2017	7,123	48,467	15,437	289,752	11,976	372,755

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

Condensed Statement of Cash Flows (unaudited)

	Six months ended 31 July 2018 £'000	Six months ended 31 July 2017 £'000
Operating activities		
Net return before finance costs and taxation	29,202	3,167
Adjustments for:		
Net (gains)/losses on investments	(23,421)	4,034
Realised losses/(gains) on foreign exchange transactions	1,876	(1,109)
Increase in dividend income receivable	(129)	(133)
(Increase)/decrease in fixed interest income receivable	(5)	32
Increase/(decrease) in derivatives	435	(134)
Decrease in other debtors	3	3
(Decrease)/increase in other creditors	(890)	216
Tax on overseas income	(923)	(902)
Amortisation of fixed income book cost	16	15
Net cash flow from operating activities	6,164	5,189
Investing activities		
Purchases of investments	(77,111)	(60,016)
Sales of investments	71,933	63,724
Net cash flow from investing activities	(5,178)	3,708
Financing activities		
Interest paid	(495)	(473)
Equity dividends paid	(6,823)	(6,295)
Buyback of Ordinary shares for cancellation	-	(1,836)
Net cash used in financing activities	(7,318)	(8,604)
(Decrease)/increase in cash	(6,332)	293
Analysis of changes in cash during the period		
Opening balance	19,636	12,609
Effect of exchange rate fluctuations on cash held	4,597	(746)
(Decrease)/increase in cash as above	(6,332)	293
Closing balance	17,901	12,156

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

Notes to the Financial Statements

1. Accounting policies

Basis of preparation

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

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

	Six months ended 31 July 2018	Six months ended 31 July 2017
	£'000	£'000
2. Gains/(losses) on investments		
Realised gains on sales ^A	25,366	23,676
Movement in investment holding gains	(1,945)	(27,710)
	23,421	(4,034)

^A Includes losses realised on the exercise of traded options of £917,000 (31 July 2017 – £874,000) which are reflected in the capital column of the Condensed Statement of Comprehensive Income in accordance with accounting policies.

	Six months ended 31 July 2018	Six months ended 31 July 2017
	£'000	£'000
3. Income		
Income from overseas listed investments		
Dividend income	6,208	6,100
REIT income	432	302
Interest income from investments	304	372
	6,944	6,774
Other income from investment activity		
Traded option premiums	2,544	1,138
Deposit interest	102	29
	2,646	1,167
Total income	9,590	7,941

Notes to the Financial Statements *continued*

	Six months ended 31 July 2018	Six months ended 31 July 2017
	£'000	£'000
4. Administrative expenses		
Directors' fees	57	47
Secretarial and administration fees	56	54
Promotional activities	106	106
Auditor's remuneration:		
• Fees payable to the Company's auditor for the audit of the annual accounts	8	9
Custodian charges	10	14
Registrar's fees	32	33
Professional fees	111	31
Depositary charges	24	24
Other	95	59
	499	377

5. Taxation

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

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

	Six months ended 31 July 2018			Six months ended 31 July 2017		
	Revenue	Capital	Total	Revenue	Capital	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Taxation						
UK corporation tax	374	(374)	–	168	(168)	–
Overseas tax suffered	923	–	923	904	–	904
Total tax charge for the period	1,297	(374)	923	1,072	(168)	904

	Six months ended 31 July 2018	Six months ended 31 July 2017
	£'000	£'000
6. Dividends		
3rd interim dividend for 2018 – 8.0p (2017 – 7.5p)	2,274	2,149
Final dividend for 2018 – 16.0p (2017 – 14.5p)	4,549	4,146
	6,823	6,295

The Company pays four dividends per year. The first interim dividend of 8.0p (2018 – 7.5p) for the year ending 31 January 2019 was paid on 3 August 2018 to shareholders on the register at 20 July 2018, with an ex-dividend date of 19 July 2018. A second interim dividend of 8.0p (2018 – 7.5p) for the year ending 31 January 2019, will be paid on 26 October 2018 to shareholders on the register at 5 October 2018. The ex-dividend date is 4 October 2018.

	Six months ended 31 July 2018 £'000	Six months ended 31 July 2017 £'000
7. Return per Ordinary share		
Based on the following figures:		
Revenue return	7,215	5,906
Capital return	20,568	(4,121)
Total return	27,783	1,785
Weighted average number of shares in issue	28,430,504	28,582,134
	p	p
Revenue return per Ordinary share	25.38	20.67
Capital return per Ordinary share	72.34	(14.42)
Total return per Ordinary share	97.72	6.25

8. Transaction costs

During the six months ended 31 July 2018 expenses were incurred in acquiring or disposing of investments classified as fair value through profit or loss. These have been expensed through capital and are included within gains/(losses) on investments in the Condensed Statement of Comprehensive Income. The total costs were as follows:

	Six months ended 31 July 2018 £'000	Six months ended 31 July 2017 £'000
Purchases	29	28
Sales	59	61
	88	89

9. Capital reserve

The capital reserve reflected in the Condensed Statement of Financial Position at 31 July 2018 includes gains of £99,441,000 (31 January 2018 – £101,386,000) which relate to the revaluation of investments held at the reporting date.

	As at 31 July 2018	As at 31 January 2018
10. Net asset value per Ordinary share		
Net assets attributable (£'000)	412,609	391,649
Number of Ordinary shares in issue	28,430,504	28,430,504
Net asset value per Ordinary share (p)	1,451.29	1,377.57

11. Fair value hierarchy

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

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

Notes to the Financial Statements continued

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

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

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

As at 31 July 2018	Note	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets at fair value through profit or loss					
Quoted equities	a)	422,665	-	-	422,665
Quoted bonds	b)	-	11,476	-	11,476
Total		422,665	11,476	-	434,141
Financial liabilities at fair value through profit or loss					
Derivatives	c)	-	(126)	-	(126)
Net fair value		422,665	11,350	-	434,015

As at 31 January 2018	Note	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets at fair value through profit or loss					
Quoted equities	a)	397,944	-	-	397,944
Quoted bonds	b)	-	8,649	-	8,649
Total		397,944	8,649	-	406,593
Financial liabilities at fair value through profit or loss					
Derivatives	c)	-	(561)	-	(561)
Net fair value		397,944	8,088	-	406,032

a) Quoted equities

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

b) Quoted bonds

The fair value of the Company's investments in quoted bonds has been determined by reference to their quoted prices at the reporting date. Quoted bonds included in Fair Value Level 2 are not actively traded on recognised stock exchanges.

c) Derivatives

The Company's investment in over the counter options at 31 July 2018 and 31 January 2018 have been fair valued using a marked-to-market model and has been classed as Level 2.

12. Transactions with the Manager

The Company has agreements with Aberdeen Fund Managers Limited ("AFML" or the "Manager") for the provision of investment management, secretarial, accounting and administration and promotional activity services.

The annual management fee is charged on gross assets after deducting current liabilities and borrowings and excluding commonly managed funds (Net Assets), on a tiered basis. The annual management fee is charged at 0.75% of Net Assets up to £350 million, 0.6% of Net Assets between £350 million and £500 million, and 0.5% of Net

Assets above £500 million. The management fee is chargeable 30% to revenue and 70% to capital. During the period £1,434,000 (31 July 2017 – £1,472,000) of investment management fees were payable to the Manager, with a balance of £756,000 (31 July 2017 – £752,000) being due to AFML at the period end.

The secretarial fee of £112,000 per annum is chargeable 100% to revenue and is payable monthly in arrears. During the period £56,000 (31 July 2017 – £54,000) of secretarial fees were payable to the Manager, with a balance of £19,000 (31 July 2017 – £18,000) being due to AFML at the period end.

The promotional activities fee is based on a current annual amount of £213,000, payable quarterly in arrears. During the period £106,000 (31 July 2017 – £106,000) of fees were payable, with a balance of £18,000 (31 July 2017 – £18,000) being due to AFML at the period end.

13. Segmental information

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

14. Subsequent events

There has been no buyback of Ordinary shares by the Company subsequent to the reporting period end.

15. Half-Yearly Financial Report

The financial information in this Report does not comprise statutory accounts within the meaning of Section 434 – 436 of the Companies Act 2006. The financial information for the year ended 31 January 2018 has been extracted from published accounts that have been delivered to the Registrar of Companies and on which the report of the Company's auditor was unqualified and contained no statement under Section 498 (2), (3) or (4) of the Companies Act 2006. The condensed interim financial statements have been prepared using the same accounting policies as contained within the preceding annual financial statements.

The financial information for the six months ended 31 July 2018 and 31 July 2017 has not been audited or reviewed by the Company's auditor.

16. This Half-Yearly Financial Report was approved by the Board on 25 September 2018.

Investor Information

Direct

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

Aberdeen Standard Investment Trust Share Plan

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

Aberdeen Standard Investment Trust ISA

Aberdeen Standard Investments operates an Investment Trust ISA ("ISA") through which an investment made be made of up to £20,000 in the tax year 2018/19.

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

ISA Transfer

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

Aberdeen Standard Investment Plan for Children

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

Nominee Accounts and Voting Rights

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

Dividend Tax Allowance

The annual tax-free personal allowance for dividend income, for UK investors, is £2,000 for the 2018/19 tax year. Above this amount, individuals will pay tax on their dividend income at a rate dependent on their income tax bracket and personal circumstances. The Company will continue to provide registered shareholders with a confirmation of dividends paid by the Company and this should be included with any other dividend income received when calculating and reporting to HMRC total dividend income received. It is the shareholder's responsibility to include all dividend income when calculating any tax liability.

Keeping You Informed

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

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

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

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

Registrar

If you have an administrative query which relates to a direct shareholding, please contact the Company's Registrar, Computershare Investor Services PLC (see page 19 for details).

Key Information Document ("KID")

The KID relating to the Company and published by the Manager can be found on the Manager's website at: invtrusts.co.uk/en/investmenttrusts/literature-library.

Suitable for Retail/NMPI Status

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

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

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

Online Dealing providers and platforms

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

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

Discretionary Private Client Stockbrokers

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

Financial Advisers

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

Regulation of Stockbrokers

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

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

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

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

Investor Information continued

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

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

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

Note

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

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

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

Corporate Information

Directors

James Ferguson, Chairman
Guy Crawford (retired 18 September 2018)
Archie Hunter (retired 18 September 2018)
Karyn Lamont (appointed 18 September 2018)
Susannah Nicklin (appointed 18 September 2018)
Charles Park
Dame Susan Rice

Manager, Secretary and Registered Office

Alternative Investment Fund Manager

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

Investment Manager

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

Secretary and Registered Office

Aberdeen Asset Management PLC
40 Princes Street
Edinburgh
EH2 2BY
Telephone: 0131 528 4000

Company Registration Number

SC005218

Website

www.northamericanincome.co.uk

Broker

Winterflood Securities

Auditors

KPMG LLP

Depository

BNP Paribas Securities Services, London Branch

Registrars

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

Telephone: 0370 889 4084

Website: www-uk.computershare.com/investor
www.computershare.com

Email is available via the above website

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

Foreign Account Tax Compliance Act ("FATCA")

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

Legal Entity Identifier (LEI):

5493007GCUW7G2BKY360

Pre-investment Disclosure Document (PIDD)

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

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



Visit us online
northamericanincome.co.uk