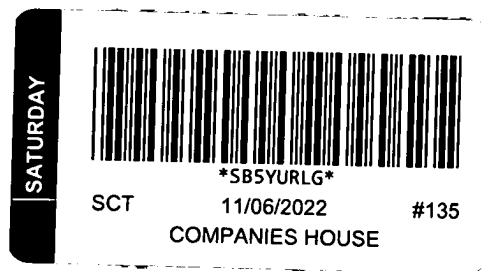


SC 5218



# The North American Income Trust plc

Annual Report 31 January 2022

Leading North American companies picked for their higher income potential

[northamericanincome.co.uk](http://northamericanincome.co.uk)

The Company invests in TC Energy, a company that is exploring low-carbon projects with its partners and recently signed agreements to explore the co-development of hydrogen hubs in North America.

**"Most of the Company's equity holdings continued their established record of dividend growth. Over 84% of the equity holdings raised their dividends over the past twelve months, with a weighted average increase of approximately 7.1%."**

Dame Susan Rice, Chair

**"The Company returned 25.7% on a net asset value total return basis in sterling terms for year ended 31 January 2022, close to the total return of its reference index, the Russell 1000 Value Index"**

Fran Radano, abrhn Inc.

# Performance Highlights

Net asset value total return<sup>AB</sup>

**+25.7%**

2021

-5.7%

Share price total return<sup>AB</sup>

**+25.6%**

2021

-16.5%

Revenue return per share

**10.28p**

2021

11.79p

Dividends per share

**10.30p**

2021

10.00p

Net asset value per Ordinary share

**318.79p**

2021

262.48p

Total assets

**£485.65m**

2021

£411.75m

Dividend yield<sup>AC</sup>

**3.6%**

2021

4.3%

Ongoing charges<sup>A</sup>

**0.95%**

2021

1.01%

<sup>A</sup> Considered to be an Alternative Performance Measure. See pages 88 to 90 for more information.

<sup>B</sup> Includes dividends reinvested.

<sup>C</sup> Calculated as the dividend for the year divided by the year end share price.

**Net asset value per share**

At 31 January – pence

**Mid-market price per share**

At 31 January – pence

**Dividends per share**

Year ended 31 January – pence

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**"The Board is pleased to note the improvement in relative performance that has developed and expects that market conditions are liable to remain favourable for the Company for the immediate future."**

Dame Susan Rice, Chair

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# Financial Calendar, Dividends and Highlights

|                                                                                |                                                                     |
|--------------------------------------------------------------------------------|---------------------------------------------------------------------|
| Annual General Meeting (Edinburgh)                                             | <b>8 June 2022</b>                                                  |
| Payment dates of quarterly dividends for financial year ending 31 January 2023 | <b>August 2022<br/>October 2022<br/>February 2023<br/>June 2023</b> |
| Financial year end                                                             | <b>31 January 2023</b>                                              |

## Dividends

|                              | Rate          | xd date         | Record date     | Payment date     |
|------------------------------|---------------|-----------------|-----------------|------------------|
| 1st Interim dividend 2022    | 1.90p         | 22 July 2021    | 23 July 2021    | 6 August 2021    |
| 2nd Interim dividend 2022    | 1.90p         | 7 October 2021  | 8 October 2021  | 29 October 2021  |
| 3rd Interim dividend 2022    | 2.50p         | 3 February 2022 | 4 February 2022 | 25 February 2022 |
| Proposed final dividend 2022 | 4.00p         | 5 May 2022      | 6 May 2022      | 13 June 2022     |
| <b>Total dividends 2022</b>  | <b>10.30p</b> |                 |                 |                  |
| 1st Interim dividend 2021    | 1.80p         | 16 July 2020    | 17 July 2020    | 7 August 2020    |
| 2nd Interim dividend 2021    | 1.80p         | 1 October 2020  | 2 October 2020  | 30 October 2020  |
| 3rd Interim dividend 2021    | 1.90p         | 4 February 2021 | 5 February 2021 | 26 February 2021 |
| Proposed final dividend 2021 | 4.50p         | 6 May 2021      | 7 May 2021      | 4 June 2021      |
| <b>Total dividends 2021</b>  | <b>10.00p</b> |                 |                 |                  |

## Highlights

|                                                                             | 31 January 2022 | 31 January 2021 | % change |
|-----------------------------------------------------------------------------|-----------------|-----------------|----------|
| Total assets (as defined on page 99)                                        | £485.65m        | £411.75m        | +17.9    |
| Equity shareholders' funds                                                  | £448.46m        | £375.42m        | +19.5    |
| Share price (mid market)                                                    | 283.00p         | 234.00p         | +20.9    |
| Net asset value per Ordinary share                                          | 318.79p         | 262.48p         | +21.5    |
| Discount (difference between share price and net asset value) <sup>AB</sup> | (11.2%)         | (10.9)%         |          |
| Net gearing <sup>A</sup>                                                    | (4.9%)          | (7.4)%          |          |
| <b>Dividends and earnings</b>                                               |                 |                 |          |
| Revenue return per share                                                    | 10.28p          | 11.79p          | -12.8    |
| Dividends per share                                                         | 10.30p          | 10.00p          | +3.0     |
| Dividend yield (based on year end share price) <sup>A</sup>                 | 3.6%            | 4.3%            |          |
| Dividend cover <sup>A</sup>                                                 | 1.00            | 1.18            |          |
| <b>Revenue reserves per share</b>                                           |                 |                 |          |
| Prior to payment of third interim and final dividends                       | 16.81p          | 16.49p          |          |
| After payment of third interim and final dividends                          | 10.31p          | 10.09p          |          |
| <b>Operating costs</b>                                                      |                 |                 |          |
| Ongoing charges <sup>A</sup>                                                | 0.95%           | 1.01%           |          |

<sup>A</sup> Considered to be an Alternative Performance Measure. See pages 88 and 89 for further information.

<sup>B</sup> Including undistributed revenue.

# Strategic Report

Gilead Sciences, Inc is a research-based biopharmaceutical company focused on the discovery, development, and commercialisation of innovative medicines.



The North American Income Trust plc was launched in 1902.

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 predominately of S&P 500 US equities.

# Chair's Statement

It gives me great pleasure to present the results of the Company for the first time as Chair, succeeding former Chairman, James Ferguson, who retired on 31 December 2021, after nearly 20 years on the Board. I would like to pay a large tribute to all that James has accomplished for the Company during his long tenure.

## Performance

Over the year ended 31 January 2022, the Company's net asset value ("NAV") total return per share was 25.7% in sterling terms. This slightly underperformed the 26.3% total return for the Russell 1000 Value Index, the Company's reference index. The underperformance was attributable mainly to overall positioning in the technology sector and stock selection in consumer staples. The Company's performance relative to the reference index was hampered by stock selection in the energy, real estate and financial sectors. Further details on the performance of the portfolio can be found in the Investment Manager's Review on pages 21 to 24.

## Revenue Account

Total revenue from portfolio equity holdings over the period under review was £15.0 million (2021 - £15.6 million). While revenue in Sterling was down by 3.8%, this was largely driven by the weakening of the average US Dollar/GB Sterling foreign exchange rate, by nearly 7%, in the current year as compared to the prior year, reducing the Sterling equivalent value of the US Dollar dividend receipts. This was against the background which saw that most of the Company's equity holdings continued their established record of dividend growth. Over 84% of the equity holdings raised their dividends over the past twelve months, with a weighted average increase of approximately 7.1%.

During the year ended 31 January 2022, the Company received premiums totalling £3.9m million (2021 - £5.4 million) in exchange for entering into stock option transactions. This option income, the generation of which remains consistent with the Manager's company-focused investment process, represented 19.8% of total income (2021 - 25.0%). As the Company's exposure to corporate bonds has decreased over recent years, interest income from investments was lower and represented 0.6% of total income (2021 - 2.5%). 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. Further details of the portfolio are shown on pages 32 to 35.

## Dividend

The revenue return per Ordinary share fell by 12.8% to 10.28p from 11.79p at 31 January 2022. This comprised a decrease in the dividend income of 2.7% and a decrease in option income of over 27%, partly as a result of the exceptional level of option income received in 2020. Option premiums received in 2021 are closer to the levels received in 2019.

In light of the above, the Board has declared a final dividend of 4.0p per share, resulting in total dividends for the year to 31 January 2022 of 10.3p (2021 - 10.0p) - a 3.0% increase. The proposed final dividend is payable on 13 June 2022 to shareholders on the register on 6 May 2022.

## Management of Premium and Discount

The Company's share price rose by 25.6% to 283p and ended the year at a 11.2% discount to total NAV, compared with a 10.9% discount at the end of the 2021 financial year. The Board continues to work with the Manager in both promoting the Company's benefits to a wider audience and providing liquidity to the market through the use of share buybacks.

Over the course of the year, the Company's shares mainly traded at discounts ranging between 7.0% and 11.0%.

During the year, 2,353,212 shares were bought back and cancelled at a weighted average price of 266.91p and a weighted average discount of 9.6%. The total cost was £6.3 million. Since 31 January 2022, the Company has bought back a further 440,036 Ordinary shares, at a weighted average discount to the underlying NAV of 11.7%.

## Gearing

The Board believes that sensible use of gearing should enhance returns to our shareholders over the longer term. In December 2020, the Company entered into a long-term financing agreement for US\$50 million with MetLife comprising two loans of US\$25 million with terms of 10 and 15 years. As a result, net gearing at 31 January 2022 stood at 4.9% (2021: 7.4%).

## Board

James Ferguson retired from the Board on 31 December 2021, after almost 20 years of service. During his tenure, he successfully steered the Board through a merger and a change of mandate and on behalf of the Board, I wish him well in his other ventures. In view of his retirement, the Board reviewed its succession planning and has undertaken a search for an additional independent Non-Executive Director and an announcement will be made in due course. On 1 January 2022, I stepped up to the role of Chair and relinquished the role of Senior Independent Director; I am delighted to report that Charles Park has agreed to take on this responsibility.

## Outlook

Russia's invasion of Ukraine has dominated the headlines in recent months and caused widespread concern on personal, economic and environmental levels. The Company has no material exposure to Russia or Ukraine, although the conflict indirectly has the potential to fuel global inflation through commodity-flow disruptions.

Ramifications from the conflict have only exacerbated existing concerns of rising inflation, a key issue for the Board and the Manager. Inflation has been at the heart of many investors' concerns due to its anticipated impact on the US Federal Reserve's (the "Fed") policy and corporate outlooks, which has further increased market angst. At the same time, coming out of the pandemic lockdowns, demand for most goods and services surged thanks to the general reopening of economies globally, supplemented by healthy consumer spending following multiple rounds of stimulus. However, supplies of key raw materials remain limited because of COVID-19-induced supply-chain disruptions and/or capacity retirements implemented during the pandemic. This combination of strong consumer demand, restricted supply, and congested supply chains has pushed inflation to its highest level in over 40 years. As a result, the Fed will have to tighten monetary policy through interest-rate hikes and balance-sheet reduction more quickly than originally expected. Investors historically have experienced anxiety during the early stages of a rate-hike cycle because of the potential for a policy mistake.

The US equity market got off to a rocky start in 2022 as investors became more concerned about inflation, looming interest-rate hikes by the Fed, corporate profitability headwinds, and geopolitical tensions. At the same time, there was a significant rotation out of growth stocks into more value-orientated companies. The investment approach of the Company focuses on delivering an above-average income. It is reassuring to note that the majority of its investee companies continue to announce significant increases in the rates of dividend they will pay as this permits the Board to have a high degree of confidence in its ability to target dividend increases to the Company's shareholders. We have experienced a prolonged period where investors have focused on capital growth and income investing has taken a back seat. Our focus on value-orientated companies that are likely to be better able to cope against such a macro-economic backdrop is coming back into favour and the Board is pleased to note the improvement in relative performance that has developed and expects that market conditions are liable to remain favourable for the Company for the immediate future.

## Annual General Meeting ("AGM") and Online Shareholder Presentation

### AGM

The AGM will be held on 8 June 2022 at the offices of abrdn at 1 George Street, Edinburgh, EH2 2LL. We encourage all shareholders to complete and return the form of proxy enclosed with the Annual Report to ensure that your votes are represented at the meeting (whether or not you intend to attend in person). If you hold your shares in the Company via a share plan or a platform, and would like to attend and/or vote at the AGM, then you will need to make arrangements with the administrator of your share plan or platform. For this purpose, investors who hold their shares in the Company via the abrdn Investment Plan for Children, Share Plan or ISA will find a Letter of Direction enclosed. abrdn Planholders are encouraged to complete and return the Letter of Direction in accordance with the instructions.

The Notice of the Meeting is contained on pages 100 to 104.

# Chair's Statement

## Continued

### Online Shareholder Presentation

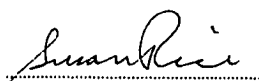
In order to encourage as much interaction as possible with our shareholders, there will also be an Online Shareholder Presentation, which will be held at 4:30 pm on 23 May 2022. At this event, you will receive a presentation from the Investment Manager and have the opportunity to ask questions of the Chair and the Investment Manager. The online presentation is being held ahead of the AGM to allow shareholders to submit their proxy votes prior to the meeting.

Full details on how to register for the online event will be available on the Company's website. Shareholders are also encouraged to submit questions in advance of the Online Shareholder Presentation and the AGM at the following email address:

**[northamericanincome@abrdn.com](mailto:northamericanincome@abrdn.com)**.

If you are unable to attend the online event, the Investment Manager's presentation will be available on the Company's website shortly after the presentation.

In the interim, the Board strongly encourages all shareholders to exercise their votes in respect of the AGM in advance of the meeting, and to appoint the Chair of the meeting as their proxy, by completing the enclosed Form of Proxy (or Letter of Direction for those who hold shares through the abrdn savings plans).



**Dame Susan Rice**  
Chair  
6 April 2022

# Overview of Strategy

## Introduction

The Company is an investment trust and its Ordinary shares are listed on the premium segment of the London Stock Exchange. The Company aims to attract long-term private and institutional investors wanting to benefit from the income and growth prospects of North American companies. The Board does not envisage any change in the Company's activity in the foreseeable future.

## Investment Objective and Purpose

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

## Reference Index

The Board reviews performance against relevant factors, including the Russell Value Index 1000 (in sterling terms) and the S&P 500 Index (in sterling terms) as well as peer group comparisons. The aim is to provide investors with above average dividend income from predominantly US equities which means that investment performance can diverge, possibly quite materially in either direction, from these indices.

## Investment Policy

The Company invests in a portfolio predominantly comprised of S&P 500 constituents. The Company may also invest in Canadian stocks and US mid and small capitalisation companies to provide for diversified sources of income. The Company may invest up to 20% of its gross assets in fixed income investments, which may include non-investment grade debt. The Company's investment policy is flexible, enabling it to invest in all types of securities, including (but not limited to) equities, preference shares, debt, convertible securities, warrants, depositary receipts and other equity-related securities.

The maximum single investment will not exceed 10% of gross assets at the time of investment and it is expected that the portfolio will contain around 50 holdings (including fixed income investments), with an absolute minimum of 35 holdings. The composition of the Company's portfolio is not restricted by minimum or maximum market capitalisation, sector or country weightings.

The Company may borrow up to an amount equal to 20% of its net assets.

Subject to the prior approval of the Board, the Company may also use derivative instruments for efficient portfolio management, hedging and investment purposes. The Company's aggregate exposure to such instruments for investment purposes (excluding collateral held in respect

of any such derivatives) will not exceed 20% of the Company's net assets at the time of the relevant acquisition, trade or borrowing.

The Company does not generally intend to hedge its exposure to foreign currency. The Company will not acquire securities that are unlisted or unquoted at the time of investment (with the exception of securities which are about to be listed or traded on a stock exchange). However, the Company may continue to hold securities that cease to be listed or quoted, if appropriate.

The Company may participate in the underwriting or sub-underwriting of investments where appropriate to do so.

The Company may invest in open-ended collective investment schemes and closed-ended funds that invest in the North American region. However, the Company will not invest more than 10%, in aggregate, of the value of its gross assets in other listed investment companies (including listed investment trusts), provided that this restriction does not apply to investments in any such investment companies which themselves have stated investment policies to invest no more than 15% of their gross assets in other listed investment companies.

The Company will normally be substantially fully invested in accordance with its investment objective but, during periods in which changes in economic conditions or other factors so warrant, the Company may reduce its exposure to securities and increase its position in cash and money market instruments.

## Management

The Board has appointed Aberdeen Standard Fund Managers Limited ("ASFML") to act as the alternative investment fund manager ("AIFM" or the "Manager").

The Directors are responsible for determining the investment policy and the investment objective of the Company. The Company's portfolio is managed on a day-to-day basis by abrdn Inc. (the "Investment Manager") by way of a delegation agreement in place between ASFML and abrdn Inc.

The Investment Manager invests in a range of North American companies, following a bottom-up investment process based on a disciplined evaluation of companies through direct visits by its fund managers. Stock selection is the major source of added value, concentrating on quality first, then price. Top-down investment factors are secondary in the Investment Manager's portfolio construction, with diversification rather than formal controls guiding stock and sector weights.

# Overview of Strategy

## Continued

### Key Performance Indicators ("KPIs")

The Board uses a number of financial performance measures to assess the Company's success in achieving its objective and determining the progress of the Company in pursuing its investment policy. The main KPIs identified by the Board in relation to the Company which are considered at each Board meeting are as follows:

| KPI                                                                       | Description                                                                                                                                                                                                                                                                                                                                                                      |
|---------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Net asset value and share price performance against the reference indices | The Board reviews the Company's NAV and share price total return performance against the reference indices, the Russell 1000 Value and the S&P 500 (both in sterling terms). Performance graphs and tables are provided on pages 18 to 20. The Board also reviews the performance of the Company against its peer group of investment trusts with similar investment objectives. |
| Revenue return and dividend yield <sup>A</sup>                            | The Board monitors the Company's net revenue return and dividend yield through the receipt of detailed income forecasts. A graph showing the dividends and yields over 5 years is provided on page 19.                                                                                                                                                                           |
| Share price discount/Premium to net asset value <sup>A</sup>              | The discount/premium relative to the net asset value per share is closely monitored by the Board. A graph showing the share price discount/premium relative to the net asset value is shown on page 20.                                                                                                                                                                          |
| Ongoing charges ratio ("OCR") <sup>A</sup>                                | The Board reviews the Company's operating costs carefully against its peer group of investment trusts with similar investment objectives. The Company's OCR is provided on page 5.                                                                                                                                                                                               |

<sup>A</sup> Considered to be an Alternative Performance Measure. See pages 88 to 90 for more information.

### Principal Risks and Uncertainties

There are a number of risks which, if realised, could have a material adverse effect on the Company and its business model, financial position, performance and prospects. The Board has in place a robust process to identify, assess and monitor the principal risks and uncertainties facing the Company and to identify and evaluate newly emerging risks, such as climate change and geopolitical developments. This process is supported by a risk matrix which identifies the key risks for the Company, including emerging risks, and covers strategy, investment management, operations, shareholders, regulatory and financial obligations and third party service providers. This risk matrix is reviewed on a regular basis. A summary of the principal risks and uncertainties facing the Company, which have been identified by the Board, is set out in the following table, together with a description of the mitigating actions it has taken.

The principal risks associated with an investment in the Company's shares are published monthly in the Company's factsheet or they can be found in the pre-investment disclosure document ("PIDD") published by the Manager, both of which are on the Company's website.

| Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | Mitigating Action                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><b>Market Risk</b></p> <p>The risks facing the Company relate to the Company's investment activities and include market risk (comprising interest rate risk and other price risk), liquidity risk and credit risk. The Company is exposed to the effect of variations in share prices and movements in the US\$/£ exchange rate due to the nature of its business. A fall in the market value of its portfolio would have an adverse effect on shareholders' funds. Any debt securities that may be held by the Company will be affected by general changes in interest rates that will in turn result in increases or decreases in the market value of those instruments.</p> | <p>The day-to-day management of the Company's assets has been delegated to the Manager under investment guidelines determined by the Board. The Board monitors these guidelines and receives regular reports from the Manager which include performance reporting. The Board regularly reviews these guidelines to ensure they remain appropriate.</p> <p>Details on financial risks, including market price, liquidity and foreign currency risks and the controls in place to manage these risks are provided in note 18 to the financial statements.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| <p><b>Pandemic or Systemic shock</b></p> <p>The Company is exposed to stockmarket volatility or illiquidity as a result of major market shock due to a national or global crisis such as a pandemic, war, natural disaster, geopolitical developments or similar. The resulting impact of disruption on the operations of the Company and its service providers, temporarily or for prolonged duration.</p>                                                                                                                                                                                                                                                                       | <p>The Board is cognisant of the risks arising from the pandemic and geopolitical developments (such as Russia's invasion of Ukraine), including stockmarket instability and longer term economic effects and the potential impact on the operations of the third-party suppliers, including the Manager.</p> <p>The Manager assesses and reviews the investment risks arising from the pandemic or geopolitical developments on the companies in the portfolio, including but not limited to: employee absence, reduced demand, supply chain breakdown, balance sheet strength, ability to pay dividends, and takes the necessary investment decisions. The Manager has regular communications with the underlying investee companies in order to navigate and guide the company through the current challenges.</p> <p>The Manager has business continuity procedures and contingency arrangements in place to ensure that they are able to continue to service their clients, including investment trusts. The services from third parties, including the Manager, have continued to be supplied effectively during the current market environment and the Board will continue to monitor services through regular updates from the Manager.</p> |
| <p><b>Income and Dividend Risk</b></p> <p>The ability of the Company to pay dividends and any future dividend growth will depend primarily on the level of income received from its investments (which may be affected by currency movements, exchange controls or withholding taxes imposed by jurisdictions in which the Company invests) and the timing of receipt of such income by the Company. Accordingly, there is no guarantee that the Company's dividend income objective will continue to be met and the amount of the dividends paid to Ordinary shareholders may fluctuate and may go down as well as up.</p>                                                       | <p>The Board monitors this risk through the regular review of detailed revenue forecasts and considers the level of income at each meeting.</p> <p>The Company has built up its revenue reserves over recent years which provides flexibility in future years, should the dividend environment become challenging.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |

# Overview of Strategy

## Continued

| Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | Mitigating Action                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><b>Operational</b></p> <p>The Company is reliant on services provided by third parties (in particular those of the Manager). Failure by any service provider to carry out its contractual obligations could expose the Company to loss or damage and have a detrimental impact on the Company operations.</p>                                                                                                                                                                                                                | <p>Written agreements are in place defining the roles and responsibilities of all third party service providers. The Board reviews reports on the operation and efficacy of the Manager's risk management and control systems, including those relating to cyber-crime, and its internal audit and compliance functions.</p> <p>The Manager monitors the control environment and quality of services provided by other third party service providers through due diligence reviews, service level agreements, regular meetings and key performance indicators. The Board review reports on the Manager's monitoring of third party service providers on a periodic basis.</p>                                                                                                                                                        |
| <p><b>Regulatory Risk</b></p> <p>Changes to, or failure to comply with, relevant regulations (including the Companies Act, The Financial Services and Markets Act, The Alternative Investment Fund Managers Directive, accounting standards, investment trust regulations, the Listing Rules, Disclosure Guidance and Transparency Rules and Prospectus Rules) could result in fines, loss of reputation, reduced demand for the Company's shares and potentially loss of an advantageous tax regime.</p>                       | <p>The Directors have an awareness of the relevant regulations and are provided with information on changes by the Association of Investment Companies, as well as the Manager.</p> <p>The Manager provides six-monthly reports to the Audit Committee on its internal control systems, which monitors compliance with relevant regulations. In addition, the Board, when necessary will use the services of its professional advisers to monitor compliance with regulatory requirements.</p> <p>The Manager and depositary provide reports to the Audit Committee on their operations to ensure that the regulations under the AIFM are complied with.</p> <p>The Manager has implemented procedures to ensure that the provisions of the Corporation Tax Act 2010 are not breached and the results are reported to the Board.</p> |
| <p><b>Gearing Risk</b></p> <p>Gearing is used to leverage the Company's portfolio in order to enhance returns where and to the extent this is considered appropriate to do so. Gearing has the effect of accentuating market falls and market gains. The ability of the Company to meet its financial obligations, or an increase in the level of gearing, could result in the Company becoming over-g geared or unable to take advantage of potential opportunities and result in a loss of value to the Company's shares.</p> | <p>In order to manage the level of gearing, the Board has set a maximum gearing ratio of 20% of net assets. The Board receives regular updates from the Manager on the Company's net gearing levels and its compliance with loan covenants. As at 31 January 2022 the Company had £37.2 million of borrowings and net gearing was 4.9% at the year end.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| <p><b>Discount volatility</b></p> <p>Investment company shares can trade at discounts to their underlying net asset values, although they can also trade at premia.</p>                                                                                                                                                                                                                                                                                                                                                         | <p>In order to seek to minimise the impact of share price volatility, where the shares are trading at a significant discount, the Company has operated a share buyback programme for a number of years. The Board monitors the discount level of the Company's shares and will exercise discretion to undertake share buybacks.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| <p><b>Derivatives</b></p> <p>The Company uses derivatives primarily to enhance the income generation of the Company. Derivatives are difficult to value and exposed to counterparty risk.</p>                                                                                                                                                                                                                                                                                                                                   | <p>The risks associated with derivatives contracts are managed within guidelines and limits set by the Board.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |



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**Potential Impact of Environmental, Social and Governance ("ESG") Investment Principles**

Applying ESG and sustainability criteria in the investment process may result in the exclusion of assets in which the Company might otherwise invest. The Manager also monitors and responds to ESG and sustainability risks at portfolio companies as they evolve over time. This may have a positive or negative impact on performance.

The Board supports and encourages the ESG analysis incorporated by the Manager as part of its investment decision making process and understands that over the short-term companies with weak ESG compliance may appear to perform strongly. Over the long term the board believes companies that carefully understand and proactively manage the ESG issues relevant to their businesses will prove more resilient and capture emerging opportunities for growth. The Manager also actively engages with investee companies in relation to ESG and sustainability issues that it deems material.

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In addition to these risks, the Company is exposed to the effects of recent geopolitical instability or changes which could have an adverse impact on stockmarkets and the Company's portfolio. The Board is also mindful of the continuance of the global pandemic and any longer term impact arising from the uncertainty it creates.

In all other respects, the Company's principal risks and uncertainties have not changed materially since the year end.

**Promoting the Success of the Company**

The Board is required to report on how it has discharged its duties and responsibilities under section 172 of the Companies Act 2006 (the "s172 Statement"). Under section 172, the Directors have a duty to promote the success of the Company for the benefit of its members as a whole, taking into account the likely long-term consequences of decisions, the need to foster relationships with the Company's stakeholders and the impact of the Company's operations on the environment.

The Company consists of four Directors at the time of writing this report and has no employees or customers in the traditional sense. As the Company has no employees, the culture of the Company is embodied in the Board of Directors. The Board seeks to promote a culture of strong governance and to challenge, in a constructive and respectful way, the Company's advisers and other stakeholders.

The Board's principal concern has been, and continues to be, the interests of the Company's shareholders and potential investors. The Manager undertakes an annual programme of meetings with the largest shareholders and investors and reports back to the Board on issues raised at these meetings. The Investment Manager, who is based in the Manager's Philadelphia office, will attend such meetings. The Board encourages all shareholders to attend and participate in the Company's AGM in normal circumstances and can contact the Directors via the

Company Secretary. Shareholders and investors can obtain up-to-date information on the Company through its website and the Manager's information services and have direct access to the Company through the Manager's customer services team or the Company Secretary. As the normal format of the 2021 AGM was not able to take place due to the government restrictions in place as a result of COVID-19, a number of podcasts by the Investment Manager were made available on the Company's website for shareholders to access.

As an investment trust, a number of the Company's functions are outsourced to third parties. The key outsourced function is the provision of investment management services to the Manager and other stakeholders support the Company by providing secretarial, administration, depositary, custodial, banking and audit services.

# Overview of Strategy

## Continued

The Board undertakes a robust evaluation of the Manager, including investment performance and responsible ownership, to ensure that the Company's objective of providing sustainable income and capital growth for its investors is met. The Board typically visits the Manager's offices in the US on a bi-annual basis. This enables the Board to conduct due diligence of the fund management and research teams. The portfolio activities undertaken by the Investment Manager on behalf of the Company can be found on page 22 to 23 and details of the Board's relationship with the Manager and other third party providers, including oversight, is provided in the Statement of Corporate Governance.

Key decisions and actions during the year to 31 January 2022, which required the Directors to have greater focus on stakeholders included:

### Directorate

The Board's succession and refreshment policies were reviewed during the year. The stability of a Board during one of the most challenging periods was considered an important factor and, as such, no changes were made to the Board composition during the financial year. The Board is, however, mindful of the importance of having a suitable succession plan. James Ferguson retired from the Board on 31 December 2021 and was succeeded by Dame Susan Rice, who has served on the Board since 2015. Charles Park was appointed the Senior Independent Director in January 2022. The search for a new independent Non-Executive Director has progressed well and an announcement will be released in due course.

### Dividends paid to shareholders

During the year, the Board reviewed the dividend payment policy. It concluded that, as the primary objective of the Company is to deliver income to shareholders, it should focus on matching payments to shareholders more closely with the income received by the portfolio. Consequently, the Board moved to a payment structure whereby the first three interim dividends in the year represent a greater proportion of the expected annual dividend than had been the case in the past. Subject to shareholder approval of the proposed final dividend, the Company paid a total dividend of 10.3p for the financial year, representing an increase of 3.0% compared to the previous year (2021: 10.0p). The Board recognises the importance of dividends to shareholders and after careful review of the Company's revenue forecasts and the investment outlook with the Manager, the dividend was increased in line with the Company's objective of above average income growth as well as reflecting the Company's financial position.

### Management of the portfolio

As in previous years, the Board focused on the performance of the Manager in achieving the Company's investment objective within an appropriate risk framework. Since the outbreak of the COVID-19 pandemic in 2020, with many people working from home, the Board has liaised closely with the Manager to receive assurances (including portfolio activity, risks and opportunities, gearing, revenue forecasts and the operations of third party providers) that the Company had sufficient resilience in its portfolio and operational structure to meet the challenged circumstances.

As explained in more detail on page 47, during the year, the Management Engagement Committee decided that the continuing appointment of the Manager was in the best interests of shareholders

### Duration

The Company does not have a fixed winding-up date; however, shareholders are given the opportunity to vote on the continuation of the Company every three years at the AGM. The Company's continuation vote held in 2021 was supported by shareholders and the next continuation vote is scheduled at the AGM in June 2024.

### Board Diversity

The Board recognises the importance of having a range of skilled, experienced individuals with the appropriate knowledge in order to allow the Board to fulfil its obligations. At 31 January 2022 the Board consisted of one man and three women with diverse and relevant expertise and perspectives.

### Environmental, Social and Human Rights Issues

The Company has no employees as the Board has delegated day to day management and administrative functions to ASFML. There are therefore no disclosures to be made in respect of employees. Further information on socially responsible investment can be found on pages 25 to 29.

## Global Greenhouse Gas Emissions and Streamlined Energy and Carbon Reporting ("SECR")

All of the Company's activities are outsourced to third parties. The Company therefore has no greenhouse gas emissions to report from the operations of its business, nor does it have responsibility for any other emissions producing sources under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013. For the same reasons as set out above, the Company considers itself to be a low energy user under the SECR regulations and therefore is not required to disclose energy and carbon information.

The Manager has access to a range of ESG tools, two of which are climate-related. These tools allow fund managers to look at the overall carbon footprint of their portfolios and compare with the benchmark. It also allows them to identify the highest carbon emissions stocks across portfolios. Furthermore, the carbon footprint tool has been used to help further guide the Manager's engagement with companies (for example, including the top three carbon-emitting stocks in the priority engagement process).

## Viability Statement

The Company does not have a formal fixed period strategic plan but the Board does formally consider risks and strategy on at least an annual basis. The Board considers the Company to be a long-term investment vehicle but for the purposes of this Viability Statement has decided that a period of three years is an appropriate period over which to report. The Board considers that this period reflects a balance between looking out over a long-term horizon and the inherent uncertainties of looking out further than three years.

In assessing the viability of the Company over the review period the Directors have focused upon the following factors:

- The ongoing relevance of the Company's investment objective in the current environment and recent feedback from the Company's brokers and shareholders, where available;
- A resolution for the continuation of the Company was passed at the AGM in June 2021 showing ongoing support from shareholders for the Company's mandate;

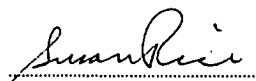
- The principal risks detailed in the strategic report on pages 12 to 15 and the steps taken to mitigate these risks. In particular, the Board has considered the operational ability of the Company to continue in the current environment, which has been impacted by the global pandemic and geopolitical developments, and the ability of the key third party suppliers to continue to provide essential services to the Company. Third party services have continued to be provided effectively;
- The Company is invested in readily realisable listed securities; recent stress testing has confirmed that shares can be easily liquidated, despite the more uncertain and volatile economic environment;
- The level of revenue surplus generated by the Company and its ability to achieve the dividend policy. The Company has continued to deliver dividend growth whilst building up revenue reserves (see pages 2 and 4) which can be used to top up the dividend in tougher times;
- The level of gearing is closely monitored by the Board and the Manager. Covenants are actively reviewed and there is adequate headroom in place; and
- The availability of long-term gearing facilities. The Company's gearing comprises \$25 million of 10 year loan notes (until December 2030) and \$25 million of 15 year loan notes (until December 2035).

Accordingly, taking into account the Company's current position and the potential impact of its principal risks and uncertainties, the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due for a period of three years from the date of this Report. In making this assessment, the Board has considered that matters such as significant economic or stockmarket volatility (including those as a result of a greater than anticipated economic impact of the spread of the COVID-19, its variants and the re-introduction of government restrictions), a substantial reduction in the liquidity of the portfolio, or changes in investor sentiment could have an impact on its assessment of the Company's prospects and viability in the future.

**Dame Susan Rice**

Chair

6 April 2022



# Results

## Performance (total return)

| Total return (Capital return plus dividends reinvested) | 1 year return<br>% | 3 year return <sup>A</sup><br>% | 5 year return <sup>A</sup><br>% |
|---------------------------------------------------------|--------------------|---------------------------------|---------------------------------|
| Share price <sup>B</sup>                                | +25.6              | +17.0                           | +35.3                           |
| Net asset value per share <sup>B</sup>                  | +25.7              | +25.1                           | +40.4                           |
| Russell 1000 Value Index (in sterling terms)            | +26.3              | +44.7                           | +54.4                           |
| S&P 500 Index (in sterling terms)                       | +26.2              | +72.5                           | +103.7                          |

<sup>A</sup> Cumulative return

<sup>B</sup> Considered to be an Alternative Performance Measure. See page 90 for more information.

## Ten Year Financial Record

| Year to 31 January                         | 2013    | 2014    | 2015    | 2016    | 2017    | 2018    | 2019    | 2020    | 2021    | 2022    |
|--------------------------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Per share (p)                              |         |         |         |         |         |         |         |         |         |         |
| Net revenue return <sup>A</sup>            | 3.94    | 5.96    | 6.54    | 7.15    | 7.98    | 8.42    | 10.04   | 11.42   | 11.79   | 10.28   |
| Dividends <sup>A</sup>                     | 3.90    | 5.40    | 6.00    | 6.60    | 7.20    | 7.80    | 8.50    | 9.50    | 10.00   | 10.30   |
| As at 31 January                           |         |         |         |         |         |         |         |         |         |         |
| Net asset value per share <sup>A</sup> (p) | 153.8   | 163.1   | 187.8   | 187.1   | 264.7   | 275.5   | 280.4   | 288.9   | 262.5   | 318.8   |
| Shareholders' funds (£'000)                | 242,069 | 271,952 | 309,273 | 280,644 | 379,101 | 391,649 | 398,657 | 413,948 | 375,416 | 448,463 |

<sup>A</sup> Comparative figures have been restated due to the sub-division of each existing Ordinary share of 25p into five Ordinary shares of 5p each on 10 June 2019.

# Performance

Dividend (p) and Company and Russell 1000 Value Index and the S&P 500 Index Yields (%)

**Total Return of NAV and Share Price vs Russell 1000 Value Index and the S&P 500 Index  
(reference indices in sterling terms)**

Five years to 31 January 2022 (rebased to 100 at 31 January 2017)

# Discount

## Share Price Premium/ (Discount) to NAV

Five years to 31 January 2022

# Investment Manager's Review

## Market review

North American equity market indices moved sharply higher during the year ended 31 January 2022, despite weathering numerous periods of volatility. Markets had a strong start in 2021, following the rollout of COVID-19 vaccines and optimism over additional US government stimulus spending under President Joe Biden. The markets extended gains as economies re-opened globally and commodity prices rallied. However, investors' risk aversion resurfaced in the second half of the year as the emergence of two COVID-19 variants, Delta and Omicron, prompted renewed lockdowns and travel restrictions. This increased concerns about further supply-chain disruptions. Subsequently, geopolitical tensions combined with talk of accelerated monetary tightening amid rising inflation resulted in a sharp and swift rotation towards value-centric areas of the market and commodities towards the end of the year. The energy, financials and real estate sectors were the strongest performers within the Russell 1000 Value Index (the Company's reference index), while the communication services, the information technology and utilities sectors were the primary market laggards for the period.

The Fed became more "hawkish" following its meeting in mid-December 2021. The market is now pricing in at least six interest-rate hikes in 2022. Jerome Powell, Chairman of the Federal Reserve, signalled that its focus has shifted from supporting the economy to tackling inflation, particularly given the low US unemployment rate and hourly earnings rising to 5.7% year-over-year in January 2022.

In economic news, US gross domestic product ("GDP") grew at an annualised rate of 5.7% over 2021, compared to a 3.4% decrease in the previous calendar year. The increase in GDP for 2021 was attributable mainly to upturns in consumer spending, non-residential fixed investment and exports. The Department of Labor reported that US payrolls expanded by a total of 6.6 million over the year ended 31 January 2022, and the unemployment rate declined by 2.4 percentage points to 4.0%. The leisure and hospitality industry led the job gains for the period; however, employment in the sector was still down more than 10% from its pre-pandemic level in February 2020. Inflation surged over the review period as the US Consumer Price Index was up 7.5% year-over-year in January 2022 – the largest annual increase in 40 years.

## Performance

The Company returned 25.7% on a NAV total return basis in sterling terms for year ended 31 January 2022, modestly underperforming the 26.3% total return of its reference index, the Russell 1000 Value Index. The revenue account remained in a healthy position, building upon the record established in prior years. The decline in the revenue account was largely attributable to the exceptional level of option income received in 2020. Furthermore, while many holdings raised their dividend payments in 2021, they did it on a delayed basis instead of annually. The result was flat dividend payments for several holdings for five, six or seven quarters. Fortunately, most holdings that deferred raising their dividend payments did so by the end of 2021 such that dividend income growth should improve in 2022.

The Company's performance relative to the reference index for the period benefited from overall positioning in the technology sector and stock selection in consumer staples. The main individual stock contributors to performance included holdings in alternative asset manager **Blackstone** and pharmaceutical firm **Abbvie**.

Blackstone saw healthy revenue and earnings growth with notable strength in its Private Equity and Real Estate segments. Abbvie saw healthy year-over-year revenue and EPS growth as it benefited from healthy revenue growth in its Global Botox Therapeutic business.

Investment performance was hampered by stock selection in the energy, real estate and financials sectors. The largest individual stock detractors from performance were **Omega Healthcare Investors**, a REIT with exposure to nursing homes and assisted living facilities, and medical device maker **Medtronic**.

The share price of Omega Healthcare Investors fell as demand for skilled nursing facilities waned, given the decline in elective procedures that help drive demand in this industry. Shares of Medtronic declined late in the period as the surge in COVID-19 variants dampened the outlook for performed medical procedures in addition to lost sales related to the discontinuation of the company's older diabetes pump model. The Company's lack of a holding in Exxon Mobil weighed on performance as the stock price rose sharply as crude oil prices rose.

# Investment Manager's Review

## Continued

### Portfolio activity

The Company's investments remained consistent with our high-quality, cash-generative stock selection process, however, market volatility created opportunities to add quality companies into the portfolio at attractive prices. During the review period, we initiated an equity position in Hannon Armstrong Sustainable Infrastructure Capital, a provider of financing solutions to companies in the renewable energy space. We believe that the company will benefit from an acceleration in climate-change-related projects, by leveraging its expertise and relationships within the industry. This will result in better than anticipated balance sheet and earnings growth. The management of **Broadcom**, a supplier of semiconductor and infrastructure software solutions, has a strong history of creating value. We are comfortable with the company's approach to mergers and acquisitions given a proven history of high returns on equity ("ROE"), best-in-class margins, and free cash flow ("FCF")/dividend growth. **MetLife**, a provider of insurance, employee benefits, and other financial services, currently has a collection of businesses (International Life, Group Insurance, and Institutional) that generate higher growth and superior returns relative to most US peers following the divestiture of lower-value segments and the spin-off of Brighthouse Financial.

Shares in **Baker Hughes**, one of the world's largest providers of equipment and services to the energy sector, were purchased. The company is in a unique position within the energy complex because beyond its exposure to traditional oil field services markets, it has a near-monopolistic position within liquefied natural gas equipment, and a diverse set of solutions that will help to accelerate the energy transition. This combination of an attractive fundamental backdrop, healthy financial profile, and strong dividend yield creates an opportunity which we believe the market isn't fully appreciating.

**VF Corp.** is a global footwear and apparel company focused on outdoor and lifestyle activities with popular brands, including The North Face, Vans, Timberland, Dickies and Supreme. The management team has repositioned and reshaped the company's portfolio of brands which in our view will yield faster and more profitable growth coming out of the global pandemic. We are confident in management's ability to execute on this improving growth strategy, while the market appears more sceptical.

**CI Financial** is a wealth management firm that has an investment management arm and a fledgling Registered Investment Advisor (RIA) business. The company has experienced continued organic and inorganic growth as it expands into US wealth management, and the launch of new products in asset management is driving revenue growth and improved profitability. It is believed that the market is not currently pricing in this future growth and improved mix to the RIA business, and further multiple expansion is warranted as the quality of the earnings stream improves.

A position in **OneMain Financial**, which provides credit to near-prime consumers, was initiated. Apollo Group (which the Company does not hold) took a majority control position within OneMain Financial and helped to improve the company's balance sheet, cost of funding, and risk profile by focusing more on secured lending and optimised pricing. In our view, these changes have resulted in a much higher-quality company with scope for both earnings growth and sizable return of capital in the coming years via dividends (a yield in excess of 5%), special dividends, and share buybacks.

Other initiated holdings during the review period included **Emerson Electric** (EMR), a provider of engineering services for industrial, commercial, and consumer markets. We believe that its leading position in automation for certain end markets such as energy and chemicals should benefit from the economic recovery and from longer-term tailwinds related to clean energy. Furthermore, it is believed that EMR's more consumer-oriented businesses are positioned well within the strong residential and housing environment, with cost reductions supporting margins over the medium term.

**Analog Devices** (ADI) is an analog semiconductor vendor that sells into a wide range of global end-markets, most notably industrial, automotive and communications. The company has gained significant scale through organic growth and acquisitions and is now the second-largest analog semiconductor supplier globally. The ADI management team has a strong execution track record and company financials have improved significantly over time. ADI generates high margins and strong free cash flow, and a 100% return policy supports ongoing dividend growth making it an attractive growth and income story, in our view.



Positions that the Company sold during the period included healthcare services provider **UnitedHealth Group**, following the announcement of a sudden change in the company's Chief Executive Officer ("CEO"). We believe that the new CEO is highly qualified; however, investors may need to see a period of consistent execution before gaining confidence in the strategy of UnitedHealth Group's management.

The Company's shares of telecommunications company **Verizon Communications** were sold as wireless carriers are heading into an increasingly capital expenditure-intensive and competitive period as the US adopts 5G technology. The Company's shares in **ConocoPhillips** were also sold in order to initiate a position in Baker Hughes. ConocoPhillips has benefited from the rally in oil prices, however, the risk/reward in the stock was considered much more balanced than it had been previously. Additionally, the position in **Blackstone** was sold following a period of strong share-price performance coming out of the pandemic, which resulted in nearly 100% multiple expansion on a peak earnings stream. The position in data centre REIT **Digital Realty Trust** after the stock price staged a rally and reached what was believed to be fair value relative to the near-term growth prospects for the business. Despite our belief that demand for data centre space remains quite high, new supply entering the market, particularly for commodity hyperscale space, is putting downward pressure on rental rates and development yields, which could slow the pace of value creation in the near term.

The position in **Regions Financial** was sold when the stock's upside was considered to be limited, with the valuation reflecting the level of returns that we expected the bank to generate over the next few years. Similarly, the Company's shares in **Lockheed Martin**, a leading prime defence contractor for countries around the globe, were also sold. While the company has achieved success with its latest generation of aircraft, missile defence, and other platforms, its earnings have become increasingly concentrated in a small number of programs. Additionally, these programs are decreasing in priority in terms of defence budget spending as broader fiscal constraints and the current general peacetime create a greater focus on military modernisation. With more attractively positioned defence companies, we decided to exit the position.

We also sold the Company's shares in home improvement retailer **The Home Depot**, which we had initiated in the depths of the COVID-19 uncertainty in March 2020. The company, which was deemed an essential retailer, benefited from the pandemic lockdowns, which confined consumers to their homes, leaving them with significant time on their hands to initiate numerous home-related upgrades. Demand remained strong for at least the following 20 months, which most investors generally had not expected; secular demand drivers supported the shares through 2021. The Company's position in The Home Depot was sold as we considered forward earnings expectations for the company to be appropriately captured in the share price.

The position in industrial conglomerate **Honeywell International** was sold as the highly diversified nature of this business has led to a relatively lower earnings growth outlook in the current macro-economic environment. The Honeywell International businesses that were most challenged by the pandemic continue to recover; however, this is offset by the slowdown in those businesses that performed relatively well over the last two years. Furthermore, we think that the company's hesitance to deploy capital towards new and existing businesses has eroded its potential earnings upside related to use of its balance sheet. Consequently, we decided to exit the position in the stock in favour of better investment opportunities elsewhere.

Finally, the Company's shares in the world's largest consumer products company **Procter & Gamble (P&G)** were sold after the strong run-up in the stock price. P&G benefited as consumers increasingly relied on the company's products during the COVID-19 pandemic, however, many of these tailwinds are fading while the world "normalises." In our view, P&G's management has done well investing to extend the company's earnings growth, while also remaining committed to returning cash to shareholders; however, these factors are already appropriately priced into the stock.

A sector analysis chart of the portfolio can be found on page 35.

# Investment Manager's Review

## Continued

Within the Company's corporate bond portfolio over the review period, we initiated a position in **Goodyear Tire & Rubber 5% 2029**. Given the dramatic spread-tightening that the US high-yield corporate bond market experienced in the first three months of the period, the positions in the Company's corporate bond portfolio were exited where valuations were trading through their fair values. We preferred to re-invest the sales proceeds into what we believed to be more attractive opportunities in the equity market. Consequently, the Company's positions in **Diamond 1 Fin Diamond 2 6.02% 2026**; **CCO Holdings 5.5% 2026**; **HCA 5.875% 2026**; **NRG Energy 5.25% 2029**; **Six Flags 7% 2025**; and **Rattler Midstream 5.625% 2025** were all exited. We continue to work closely with abrdn's fixed income specialists to monitor credits and market conditions.

## Dividend growth

The Company's holdings continued to build upon an established track record of dividend growth during the review period, with several companies announcing double-digit increases. Aerospace and defence contractor **L3Harris Technologies** boosted its payout by 20%, resulting in a 1.9% annualised yield. **Broadcom**, a provider of semi-conductor and infrastructure software services, increased its dividend by 14%, representing a 2.8% annualised yield. Semi-conductor manufacturer **Texas Instruments** boosted its quarterly payout by 12.7%, equivalent to a 2.6% yield. Diversified financial services company **JPMorgan** raised its quarterly payout by 11%, representing a yield of 2.7%. Pharmaceutical firm **Bristol-Myers** raised its quarterly dividend by 10.2%, equivalent to an annualised yield of 3.3%. Railroad operator **Union Pacific** boosted its quarterly payout by 10%, representing a 1.9% annualised yield.

Additionally, two holdings announced special payments to shareholders during the review period. Derivatives exchange operator **CME Group** declared an annual variable dividend of US\$3.25 per share in December 2021. The company uses this approach to facilitate paying out all cash that it generates over the year beyond a minimum threshold. Gaming-focused REIT, **Gaming and Leisure Properties Inc.** declared a special earnings and profits cash dividend of \$0.24 per share.

## Outlook

Russia's invasion of Ukraine has introduced greater uncertainty to global markets in recent months. We believe that the conflict presents risks of higher global inflation and the potential for downside economic forecasts. Nonetheless, the baseline view remains that US economic growth will remain healthy and the Fed will focus on raising interest rates, albeit potentially less swiftly than prior to the outbreak of hostilities in Eastern Europe. As such, we are paying close attention to the oil and gas markets and the ability of the US to increase production to ease potential supply constraints that the US market may experience.

Fran Radano  
abrdn Inc.  
6 April 2022

# Manager's Approach to ESG Engagement

## Introduction

Whilst ESG factors alone are not the over-riding criteria in relation to the investment decisions taken by the Manager for the Company, ESG is fully integrated across the Manager's investment process. The following pages highlight the way that ESG factors are considered by the Manager. These processes are reviewed regularly and are liable to change and the latest information will be available on the Company's website.

## Responsible investing – integration of ESG into the Manager's investment process

*"By embedding ESG factors into our active equity investment process we aim to reduce risk, enhance potential value for our investors and foster companies that can contribute positively to the world."* abrdn

## Core beliefs: assessing risk, enhancing value

Whilst the management of the Company's investments is not undertaken with any specific instructions to exclude certain asset types or classes, the consideration of material ESG factors is a fundamental part of the Manager's investment process and has been for over 30 years. It is one of the key dimensions on which the Manager assesses the investment case for any company in which it invests for three key reasons:

|                       |                                                                                                                                                                                                                                                                                                 |
|-----------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Financial returns     | ESG factors can be financially material – the level of consideration they are given in a company will ultimately have an impact on corporate performance, either positively or negatively. Those companies that take their ESG responsibilities seriously tend to outperform those that do not. |
| Fuller insight        | Systematically assessing a company's ESG risks and opportunities alongside other financial metrics allows the Manager to make far better investment decisions.                                                                                                                                  |
| Corporate advancement | Informed and constructive engagement helps foster better companies, protecting and enhancing the value of the Company's investments.                                                                                                                                                            |

*"We believe that the market systematically undervalues the importance of ESG factors. We believe that in-depth ESG analysis is part of both fundamental company research and portfolio construction and will lead to better client outcomes"* abrdn

## Researching companies: deeper company insights for better investor outcomes

The Manager conducts extensive and high-quality fundamental and first-hand research to fully understand the investment case for every company in its global universe. A key part of the Manager's research involves focusing its extensive resources on analysis of key ESG issues. The Manager's investment managers, on-desk ESG Equity Analysts and central ESG Investment Team collaborate to generate a deep understanding of the ESG risks and opportunities associated with each company. Stewardship and active engagement with every company are also fundamental to the investment process helping to produce positive outcomes that lead to better risk-adjusted returns.

# Manager's Approach to ESG Engagement

## Continued

### abrdrn's Global ESG Infrastructure

abrdrn has around 140 equity professionals globally. Each systematically analyses ESG risks and opportunities as part of the Manager's research output for each company. The central ESG team and over 50 on-desk ESG equity analysts support the investment managers' first-hand company analysis, producing research into specific themes (e.g. labour relations or climate change), sectors (e.g. forestry) and ESG topics to understand and highlight best practice. Examples of thematic and sector research can be found on [abrdrn.com/en/uk/investor/responsible-investing](https://abrdrn.com/en/uk/investor/responsible-investing)

|                            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
|----------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Investment Managers</b> | All abrdrn equity investment managers seek to engage actively with companies to gain insight into their specific risks and opportunities and provide a positive ongoing influence on their corporate strategy for governance and environmental and social impact.                                                                                                                                                                                                                                                                                                        |
| <b>ESG Equity Analysts</b> | abrdrn has over 50 dedicated and highly experienced ESG equity analysts located across the UK, US, Asia and Australia. Working as part of individual investment desks – rather than as a separate department – these specialists are integral to pre-investment due diligence and post-investment ongoing company engagement. They are also responsible for taking thematic research produced by the central ESG Investment Team (see below), interpreting and translating it into actionable insights and engagement programmes for our regional investment strategies. |
| <b>ESG Investment Team</b> | This central team of more than 20 experienced specialists based in Edinburgh and London provides ESG consultancy and insight for all asset classes. Taking a global approach both identifies regions, industries and sectors that are most vulnerable to ESG risks and identifies those that can take advantage of the opportunities presented. Working with investment managers, the team is key to the Manager's active stewardship approach of using shareholder voting and corporate engagement to drive positive change.                                            |

### From laggards to best in class: rating company ESG credentials

A systematic and globally-applied approach to evaluating stocks allows the Manager to compare companies consistently on their ESG credentials – both regionally and against their peer group. The Manager captures the findings from its research and company engagement meetings in formal research notes. Some of the key questions include:

- Which ESG issues are relevant for this company, how material are they, and how are they being addressed?
- What is abrdrn's assessment of the quality of this company's governance, ownership structure and management?
- Are incentives and key performance indicators aligned with the company's strategy and the interests of shareholders?

Having considered the regional universe and peer group in which the company operates, the Manager's equity team then allocates it an ESG Quality score (ESG Q Score) between one and five (see below) which will be applied across every stock that the Manager covers globally.

| 1. Best in class                                                             | 2. Leader                                 | 3. Average                                               | 4. Below average                                       | 5. Laggard                              |
|------------------------------------------------------------------------------|-------------------------------------------|----------------------------------------------------------|--------------------------------------------------------|-----------------------------------------|
| ESG considerations are material part of the company's core business strategy | ESG considerations not market leading     | ESG risks are considered as a part of principal business | Evidence of some financially material controversies    | Many financially material controversies |
| Excellent disclosure                                                         | Disclosure is good, but not best in class | Disclosure in line with regulatory requirements          | Poor governance or limited oversight of key ESG issues | Severe governance concerns              |
| Makes opportunities from strong ESG risk management                          | Governance is generally very good         | Governance is generally good but some minor concerns     | Some issues in treating minority shareholders poorly   | Poor treatment of minority shareholders |

The Manager also uses a combination of external and proprietary in-house quantitative scoring techniques to complement and cross-check analyst-driven ESG assessments. ESG analysis is peer-reviewed within the equities team, and ESG factors impacting both sectors and stocks are discussed as part of the formal sector reviews. To be considered 'best in class', the management of ESG factors must be a material part of the company's core business strategy. It must provide excellent disclosure of data on key risks. It must also have clear policies and strong governance structures, among other criteria.

### Working with companies: staying engaged, driving change

Once abrdn invests in a company, it is committed to helping that company maintain or raise their ESG standards further, using the Manager's position as a shareholder to press for action as needed. abrdn actively engages with the companies in which it invests to help them improve and become even better businesses.

The Manager sees this programme of regular engagement as a necessary fulfilment of its duty as a responsible steward of clients' assets. It is also an opportunity to share examples of best practice seen in other companies and to use the Manager's influence to effect positive change. The Manager's engagement is not limited to the company's management team. It can include many other stakeholders such as non-government agencies, industry and regulatory bodies, as well as activists and the company's clients. What gets measured gets managed – so the Manager strongly encourages companies to set clear targets or key performance indicators on all material ESG risks where appropriate.

The investment process consists of four interconnected and equally important stages.

| Monitor                                                                                                                                                                                                      | Contact                                                                                                                                                                                | Engage                                                                                                                                                                                                 | Act                                                                                                                                                                                                   |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Ongoing due diligence</b> <ul style="list-style-type: none"> <li>Business performance</li> <li>Company financials</li> <li>Corporate governance</li> <li>Company's key risks and opportunities</li> </ul> | <b>Frequent dialogue</b> <ul style="list-style-type: none"> <li>Senior executives</li> <li>Board members</li> <li>Heads of departments and specialists</li> <li>Site visits</li> </ul> | <b>Using our voice</b> <ul style="list-style-type: none"> <li>Attend AGM/EGMs</li> <li>Always vote</li> <li>Explain voting decisions</li> <li>Maximise influence to drive positive outcomes</li> </ul> | <b>Consider all options</b> <ul style="list-style-type: none"> <li>Increase or decrease our shareholding</li> <li>Collaborate with other investors</li> <li>Take legal action if necessary</li> </ul> |

# Manager's Approach to ESG Engagement

## Continued

The Manager's engagement with any company is tailored as appropriate for each business. ESG matters are prioritised as applicable to the individual circumstances and are aligned to the company's ESG Q Score.

Examples of areas that abrdn actively engage with companies on include but are not limited to:

| Environmental                                                                                                                                                                                             | Social                                                                                                                                                                                              | Governance                                                                                                                                                                                                 |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"><li>• deforestation</li><li>• waste and water management</li><li>• climate risks</li><li>• carbon emissions</li><li>• energy management</li><li>• air quality</li></ul> | <ul style="list-style-type: none"><li>• employee safety</li><li>• human rights</li><li>• diversity issues</li><li>• labour management</li><li>• cyber-security</li><li>• customer privacy</li></ul> | <ul style="list-style-type: none"><li>• succession planning</li><li>• remuneration</li><li>• capital allocation</li><li>• corporate strategy</li><li>• board diversity</li><li>• ESG disclosures</li></ul> |

## Climate Change

Managers have a duty to consider all factors that may have a financially material impact on returns. Climate change is such a key factor. The related physical and transition risks are vast and are becoming increasingly financially material for many investments. Not only in the obvious high-emitting sectors, such as energy, utilities and transportation, but also along the supply chain, providers of finance and in those reliant on agricultural outputs and water.

In the Manager's view, companies that successfully manage climate-change risks will perform better in the long-term. It is important that the financial implications of material climate-change risks are assessed across all asset classes, including real assets, and make portfolios more resilient to climate risk.

Adaptation measures are essential to help limit damages from the physical impacts of climate change. This is a particularly important consideration for the real assets in which abrdn invests, such as real estate and infrastructure.

Comparable climate-related data is necessary to enable effective decision making, and is something the Manager actively sources and incorporates into its process. The Manager is supportive of the Task Force on Climate-related Financial Disclosures (TCFD) framework to strengthen climate reporting globally.

Regular engagement with high-emitting investee companies allows the Manager to better understand its exposure and management of climate change risks and opportunities. In the actively managed investments, ownership provides the Manager with a strong ability to challenge companies where appropriate. The Manager can also influence corporate behaviour positively in relation to climate-risk management.

The Manager believes that this is more powerful for an effective energy transition than a generic fossil fuel divestment approach. Through active engagement the Manager can steer investee companies towards ambitious targets and more sustainable low-carbon solutions. If the Manager finds that there is limited progress in response to engagement, and believes that the climate-related risks of a company are not being adequately addressed, the ultimate option of selling the Company's holdings will be considered.

The Manager influences management of climate-related risks through engagement and voting. abrdn is part of Climate Action 100+ and has signed the 2018 Just Transition statement.

The Manager strongly encourages companies to consider the social dimension of the energy transition to ensure it is inclusive and 'Just'. This means worker and community needs are considered on the path to a low-carbon economy so they are not left stranded. Other social aspects, such as affordability and reliability of energy supply are also important. Influencing through engagement has worked particularly well in collaboration with other asset managers and asset owners as part of the Manager's involvement in Climate Action 100+. This is a five-year initiative to engage and influence high-emitting companies collaboratively.

To achieve desired outcomes for clients, consideration of climate-change risks and opportunities is an integral part of the Manager's investment process.

Corporate engagement is essential to ensure investee companies manage climate-related risks and support a 'Just' energy transition. This is an important part of abrdn's role as an active investor.

The Manager provides climate change insights through research and data to investment decision makers. This helps assess the financial materiality of climate change risks and opportunities.

# Portfolio

The Company invests in Comcast, a media and television broadcasting services corporation, creating incredible technology and entertainment that connects millions of people to the moments and experiences that matter most.



The Company's portfolio is consistent with the Manager's focus on high quality cash generative companies with good financial return profiles and well-regarded, experienced management. At 31 January 2022, the Company's portfolio consisted of 39 equity and 2 bond holdings.

# Ten Largest Investments

As at 31 January 2022

## **Abbvie**

AbbVie Inc. researches and develops pharmaceutical products. The company produces pharmaceutical drugs for speciality therapeutic areas such as immunology, chronic kidney disease, hepatitis C, woman's health, oncology and neuroscience.

## **Comcast**

Comcast Corporation provides media and television broadcasting services. The company offers video streaming, television programming, high-speed Internet, cable television and communication services. Comcast serves customers worldwide.

## **Philip Morris**

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

## **Phillips 66**

Phillips 66 is a downstream energy company. The Company's operations include oil refining, marketing, and transportation.

## **TC Energy**

TC Energy Corp is the parent company of TransCanada PipeLines Limited. The Company is focused on natural gas transmission and power services.

## **Bristol-Myers Squibb**

Bristol-Myers Squibb Company is a global biopharmaceutical company. The Company develops, licenses, manufactures, markets, and sells pharmaceutical and nutritional products.

## **Citigroup**

Citigroup Inc. is a diversified financial services holding company that provides a broad range of financial services to consumer and corporate customers.

## **Gaming & Leisure Properties**

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

## **Medtronic**

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

## **MetLife**

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

# List of Investments

As at 31 January 2022

| Company                           | Industry classification                      | Valuation<br>2022<br>£'000 | Total<br>assets<br>% | Valuation<br>2021<br>£'000 |
|-----------------------------------|----------------------------------------------|----------------------------|----------------------|----------------------------|
| Abbvie                            | Biotechnology                                | 25,508                     | 5.2                  | 22,389                     |
| Bristol-Myers Squibb              | Pharmaceuticals                              | 20,797                     | 4.3                  | 17,894                     |
| Comcast                           | Media                                        | 19,561                     | 4.0                  | 10,107                     |
| Citigroup                         | Banks                                        | 19,415                     | 4.0                  | 16,892                     |
| Philip Morris                     | Tobacco                                      | 19,165                     | 3.9                  | 17,401                     |
| Gaming & Leisure Properties       | Equity Real Estate Investment Trusts (REITs) | 16,837                     | 3.5                  | 7,978                      |
| Phillips 66                       | Oil, Gas & Consumable Fuels                  | 15,800                     | 3.3                  | 8,887                      |
| Medtronic                         | Health Care Equipment & Supplies             | 15,427                     | 3.2                  | 14,593                     |
| TC Energy                         | Oil, Gas & Consumable Fuels                  | 15,388                     | 3.2                  | 14,060                     |
| MetLife                           | Insurance                                    | 14,995                     | 3.1                  | -                          |
| <b>Ten largest investments</b>    |                                              | <b>182,893</b>             | <b>37.7</b>          |                            |
| Huntington Bancshares             | Banks                                        | 14,592                     | 3.0                  | 6,742                      |
| Cisco Systems                     | Communications Equipment                     | 14,523                     | 3.0                  | 12,986                     |
| Omega Healthcare Investors        | Equity Real Estate Investment Trusts (REITs) | 14,078                     | 2.9                  | 13,188                     |
| Gilead Sciences                   | Biotechnology                                | 13,822                     | 2.9                  | 13,376                     |
| Hanesbrands                       | Textiles, Apparel & Luxury Goods             | 13,800                     | 2.8                  | 8,908                      |
| Emerson Electric                  | Electrical Equipment                         | 13,707                     | 2.8                  | -                          |
| Baker Hughes                      | Energy Equipment & Services                  | 13,294                     | 2.7                  | -                          |
| American International            | Insurance                                    | 12,913                     | 2.7                  | 8,179                      |
| L3 Harris Technologies            | Aerospace & Defense                          | 12,480                     | 2.6                  | 8,118                      |
| FMC                               | Chemicals                                    | 12,340                     | 2.5                  | 5,914                      |
| <b>Twenty largest investments</b> |                                              | <b>318,442</b>             | <b>65.6</b>          |                            |
| CMS Energy                        | Multi-Utilities                              | 11,996                     | 2.5                  | 16,569                     |
| Cogent Communications             | Diversified Telecommunication                | 11,853                     | 2.4                  | 8,295                      |
| Union Pacific                     | Road and Rail                                | 11,848                     | 2.4                  | 5,752                      |
| VF                                | Textiles, Apparel & Luxury Goods             | 11,665                     | 2.4                  | -                          |
| Air Products & Chemicals          | Chemicals                                    | 10,514                     | 2.2                  | 7,770                      |
| OneMain                           | Consumer Finance                             | 9,626                      | 2.0                  | -                          |
| JPMorgan Chase & Co.              | Banks                                        | 8,861                      | 1.8                  | 14,992                     |
| Restaurant Brands International   | Hotels, Restaurants & Leisure                | 8,344                      | 1.7                  | 8,404                      |
| CI Financial USD                  | Capital Markets                              | 8,318                      | 1.7                  | -                          |
| Coca-Cola                         | Beverages                                    | 8,185                      | 1.7                  | 7,013                      |
| <b>Thirty largest investments</b> |                                              | <b>419,652</b>             | <b>86.4</b>          |                            |

# List of Investments

Continued

As at 31 January 2022

| Company                               | Industry classification                        | Valuation<br>2022<br>£'000 | Total<br>assets<br>% | Valuation<br>2021<br>£'000 |
|---------------------------------------|------------------------------------------------|----------------------------|----------------------|----------------------------|
| Royal Bank of Canada                  | Banks                                          | 7,645                      | 1.6                  | 5,900                      |
| CME Group                             | Capital Markets                                | 6,842                      | 1.4                  | 7,279                      |
| Broadcom                              | Semiconductors & Semiconductor Equipment       | 6,550                      | 1.3                  | -                          |
| Hannon Armstrong Sustainable          | Mortgage Real Estate Investment Trusts (REITs) | 6,183                      | 1.3                  | -                          |
| Texas Instruments                     | Semiconductors & Semiconductor Equipment       | 6,020                      | 1.2                  | 4,826                      |
| Nutrien                               | Chemicals                                      | 5,203                      | 1.1                  | 5,371                      |
| Genuine Parts                         | Distributors                                   | 4,965                      | 1.0                  | 6,837                      |
| Analog Devices                        | Semiconductors & Semiconductor Equipment       | 4,889                      | 1.0                  | -                          |
| CI Financial CAD                      | Capital Markets                                | 1,383                      | 0.3                  | -                          |
| Qwest Cap Funding 7.75% 15/02/31      | Telecommunications                             | 897                        | 0.2                  | 905                        |
| <b>Forty largest investments</b>      |                                                | <b>470,229</b>             | <b>96.8</b>          |                            |
| Goodyear Tire & Rubber 5%<br>15/07/29 | Consumer Durables                              | 745                        | 0.2                  | -                          |
| <b>Total investments</b>              |                                                | <b>470,974</b>             | <b>97.0</b>          |                            |
| <b>Net current assets</b>             |                                                | <b>14,680</b>              | <b>3.0</b>           |                            |
| <b>Total assets</b>                   |                                                | <b>485,654</b>             | <b>100.0</b>         |                            |

# Geographical/Sector Analysis

## Geographic Analysis

As at 31 January

|         | 2022   |                |       | 2021   |                |       |
|---------|--------|----------------|-------|--------|----------------|-------|
|         | Equity | Fixed interest | Total | Equity | Fixed interest | Total |
| Country | %      | %              | %     | %      | %              | %     |
| Canada  | 9.8    | –              | 9.8   | 8.3    | –              | 8.3   |
| USA     | 89.8   | 0.4            | 90.2  | 90.0   | 1.7            | 91.7  |
|         | 99.6   | 0.4            | 100.0 | 98.3   | 1.7            | 100.0 |

## Sector Analysis for Equity Portfolio

As at 31 January 2022

# Currency/Market Performance

Currency Graph (exchange rate US\$ to £)  
For the period 31 January 2020 to 31 January 2022

# Investment Case Studies

## Union Pacific Railroad ("Union Pacific")

Union Pacific is a Class I railroad operator that transports a variety of goods, including industrial products, commodities and premium shipments that include consumer products in intermodal containers as well as automobiles. The company's footprint covers all major West Coast and Gulf Coast ports to eastern gateways as well as connecting with both Canada's rail systems and the major gateways to Mexico.

We believe that Union Pacific will continue to benefit from rising prices and expanding operating profit margins longer than the market discounts. The industry's pricing power is benefiting from long-term drivers including tight trucking conditions (led by a shortage of drivers), greater fuel efficiency per ton of freight moved per mile, and simply that the railroad industry is an oligopoly market. The trucking market within which they compete is providing an "umbrella" toward higher prices over time, as is the case currently. It is believed that, if the rail industry leaders continue to invest in the network via capital expenditures and at the same time see rising margins, the shares should continue to outperform. Executive pay is driven by operating profits, operating ratio and return on invested capital, well aligned with shareholder interests.

Additionally, it is believed that the railroads will benefit from market share gains from truck due to the ESG benefits of moving goods over the rails relative to the highway. The sustainability and environmental benefits of moving goods over intermodal networks should drive the long-term growth of the industry.

Overall, we believe that Union Pacific will see accelerating eps growth, strong free cash flow and dividend growth as the company has reorganised the cost structure and optimized the capital structure. Based on these factors, it is believed Union Pacific shares should continue to appreciate as well as paying a progressive, covered dividend.

# Investment Case Studies

## Continued

### Hanesbrands ("HBI")

Hanesbrands is a leading manufacturer of everyday basic underwear and activewear offered under the brand nameplates of Hanes, Bali, Bonds, Maidenform, and Champion. The company has significant scale, cementing its low cost positioning.

We believe that the market has been dismissive of significant operational improvements and management actions at HBI as the business has driven change in an organization that historically has been a bit complacent given its structural advantages. The company is now under the leadership of a new Chief Executive Officer, who was the former Walmart Chief Merchant, and brings the skills and knowledge gained as a former customer. The company is now setting the foundation for consistent growth as well as financial discipline by making difficult decisions to exit certain lower growth categories and markets that do not have a clear path to improved profitability. The turnaround strategy is best summarized as simplify, go faster, and better utilize a very strong existing asset base. HBI is investing increased resources in brand building and marketing, while implementing proven growth strategies for Innerwear and Champion. Execution of this strategy will result in profitable growth that will lead higher earnings and ultimately a higher multiple.

Specifically the structure of the turnaround strategy is built upon four pillars namely: grow Champion, accelerate Innerwear with a focused effort on younger customers, infuse the culture with a consumer-centered mindset, and simplify the portfolio. Critical features of the plan:

- Reduce SKU count: saves expense, improves customer display and consumer experience
- Leverage low cost manufacturing position: retain price leadership in inflationary backdrop
- New marketing campaign "Be Your Own Champion": will resonate well in today's support of however one self-identifies
- Grow innerwear above category growth rates: introduce more innovation; appeal to a younger customer
- Increase exposure to e-commerce channel: augmented with digital marketing to support
- Expand Champion: reverse under investment and leverage strong brand affinity within the sport & lifestyle categories
- Reduce leverage and grow the dividend with earnings

Collectively these actions will generate consistent revenue growth and slowly expand operating margins as earnings exceed \$2 per share.



# Governance

The Company is committed to high standards of corporate governance and applies the principles identified in the UK Corporate Governance Code and the AIC Code of Corporate Governance.

All Directors are considered by the Board to be independent of the Company and the Manager and free of any material relationship with the Manager.

The Company invests in Cisco Systems, a worldwide leader in IT, networking and cyber security solutions.

# Board of Directors

## Dame Susan Rice

Independent Non-Executive Chair

### Length of service:

7 years, appointed a Director on 17 March 2015 and appointed Chair on 1 January 2022

### Experience:

A chartered banker with extensive experience as a non-executive director, as well as in financial services, retail, utilities, leadership and sustainability. Her previous roles include managing director of Lloyds Banking Group Scotland, chair and chief executive of Lloyds TSB Scotland, President of the Scottish Council for Development and Industry and a member of the Scottish First Minister's Council of Economic Advisors. She has also held a range of non-executive directorships, including at the Bank of England and SSE plc. She is currently chair of the Financial Services Culture Board, The Scottish Fiscal Commission, Scottish Water and Business Stream and senior independent director of J Sainsbury plc. She also chairs the advisory board of the Global Ethical Finance Initiative and sits on the advisory group P-CAN, the UK Place-Based Climate Action network. Originally from the United States, her early career was at Yale and Colgate universities and then at NatWest Bancorp.

### Last re-elected:

1 June 2021

### Committee membership:

Management Engagement Committee (Chair)

### Contribution

The Board reviewed the contribution of Dame Susan Rice in light of her proposed re-election at the forthcoming AGM and concluded that she fosters a collaborative spirit between the Board and Manager, while encouraging open contributions from all.

## Karyn Lamont

Independent Non-Executive Director and Chair of the Audit Committee

### Length of service:

3 years, appointed a Director on 18 September 2018

### Experience:

A chartered accountant and former audit partner at PricewaterhouseCoopers until December 2016. She has over 25 years' experience and provided audit and other services to a range of clients, including a number of investment trusts, across the UK's financial services sector, including outsourcing providers. She is the audit committee chair of The Scottish Investment Trust plc, Scottish Building Society, iomart Group plc and Scottish American Investment Company plc.

### Last re-elected:

1 June 2021

### Committee membership:

Management Engagement Committee and Audit Committee (Chair)

### Contribution

The Board reviewed the contribution of Karyn Lamont in light of her proposed re-election at the forthcoming AGM and concluded that she continues to chair the Audit Committee effectively as well as bringing to the Board her extensive experience in accounting and investment companies.

## **Susannah Nicklin**

Independent Non-Executive Director

### **Length of service:**

3 years, appointed a Director on 18 September 2018

### **Experience:**

An investment and financial services professional with over 25 years of experience in executive roles at Goldman Sachs and Alliance Bernstein in the US, Australia and the UK. She has also worked in the private equity sector as former Senior Independent Director at Pantheon International plc and with Bridges Ventures, the Global Impact Investing Network and Impact Ventures UK. She is Chair of Schroder BSC Social Impact Trust plc and a non-executive director of Amati AIM VCT plc, Baronsmead Venture Trust plc and Ecofin Global Utilities and Infrastructure Trust plc. She is a CFA® charterholder.

### **Last re-elected:**

1 June 2021

### **Committee membership:**

Management Engagement Committee and Audit Committee

### **Contribution**

The Board reviewed the contribution of Susannah Nicklin in light of her proposed re-election at the forthcoming AGM and concluded that she continues to provide insight and challenge to the investment process, through her experience of investment companies, with a particular interest in ESG reporting.

## **Charles Park**

Senior Independent Non-Executive Director

### **Length of service:**

3 years, appointed a Director on 13 June 2017

### **Experience:**

Over 25 years of investment management experience. He was a co-founder of Findlay Park Investment Management, a US boutique asset management house established in 1997, and deputy chief investment officer with joint responsibility for managing Findlay Park American Fund until his retirement from the firm in 2016. Prior to co-founding Findlay Park, Charles was an investment manager at Hill Samuel Asset Management and an analyst at Framlington Investment Management. He is a non-executive director of Polar Capital Technology Trust plc.

### **Last re-elected:**

1 June 2021

### **Committee membership:**

Management Engagement Committee and Audit Committee

### **Contribution**

The Board reviewed the contribution of Charles Park in light of his proposed re-election at the forthcoming AGM and concluded that he brings a wealth of investment management experience to the Board and expert knowledge of investment companies and governance matters in his role as Senior Independent Director.

# Directors' Report

The Company, which was incorporated in 1902, is registered as a public limited company and is an investment company within the meaning of Section 833 of the Companies Act 2006. The Company's registration number is SC005218.

The Company has been accepted by HM Revenue & Customs as an investment trust subject to the Company continuing to meet the relevant eligibility conditions of Section 1158 of the Corporation Tax Act 2010 and the ongoing requirements of Part 2 Chapter 3 Statutory Instrument 2011/2999 for all financial years commencing on or after 1 February 2012. The Directors are of the opinion that the Company has conducted its affairs for the year ended 31 January 2022 so as to enable it to comply with the ongoing requirements for investment trust status.

The Company has conducted its affairs so as to satisfy the requirements as a qualifying security for Individual Savings Accounts. The Directors intend that the Company will continue to conduct its affairs in this manner.

## Results and Dividends

The audited financial statements for the year ended 31 January 2022 are contained on pages 66 to 87. Details of dividends for the year to 31 January 2022 can be found on page 2.

## Share Capital and Rights attaching to the Company's Shares

At 31 January 2022, the Company's capital structure consisted of 140,675,934 Ordinary shares of 5p each (2021 – 143,029,146 Ordinary shares of 5p each). During the year to 31 January 2022, the Company bought back 2,353,212 Ordinary shares for cancellation. Subsequent to the year end, a further 440,036 Ordinary shares were repurchased for cancellation.

The Ordinary shares carry a right to receive dividends which are declared from time to time by an ordinary resolution of the Company (up to the amount recommended by the Board) and to receive any interim dividends which the Company may resolve to pay. On a winding-up, after meeting the liabilities of the Company, the surplus assets will be paid to Ordinary shareholders in proportion to their shareholdings. On a show of hands, every shareholder present in person, or by proxy, has one vote and, on a poll, every Ordinary shareholder present in person has one vote for each share held and a proxy has one vote for every share represented.

There are no restrictions concerning the holding or transfer of the Company's shares and there are no special rights attached to any of the shares. The Company is not aware of any agreements between shareholders which may result in restriction on the transfer of shares or the voting rights. The rules concerning amendments to the Articles of Association and powers to issue or buyback the Company's shares are contained in the Articles of Association of the Company and the Companies Act 2006.

## Significant Agreements

The Company is not aware of any significant agreements to which it is a party that take effect, alter or terminate upon a change of control of the Company following a takeover and there are no agreements between the Company and its Directors concerning compensation for loss of office. Other than the management agreement with the Manager and the depositary agreement, further details of which are set out below, the Company is not aware of any contractual or other agreements which are essential to its business which ought to be disclosed in the Directors' Report.

## Directors

Details of the Directors of the Company who were in office during the year and up to the date of this report are shown on pages 40 to 41. James Ferguson retired on 31 December 2021.

No contract or arrangement existed during the period in which any of the Directors was materially interested. No Director has a service contract with the Company.

## Directors' & Officers' Liability Insurance

The Company maintains insurance in respect of Directors' and Officers' liabilities in relation to their acts on behalf of the Company for the year to 31 January 2022 and up to the date of this report. Each Director of the Company shall be entitled to be indemnified out of the assets of the Company to the extent permitted by law against any loss or liability incurred by him in the execution of his duties in relation to the affairs of the Company. These rights are included in the Articles of Association of the Company.

## Corporate Governance

The Statement of Corporate Governance, which forms part of the Directors' Report, is shown on pages 45 to 46.

## Principal Agreements

### Management Agreement

The Company has appointed Aberdeen Standard Fund Managers Limited ("ASFML" or the "Manager"), a wholly owned subsidiary of abrdn plc, as its alternative investment fund manager ("AIFM"). ASFML has been appointed to provide the Company with investment management, risk management, administration and company secretarial services as well as promotional activities. The Company's portfolio is managed by abrdn Inc. (the "Investment Manager") by way of a group delegation agreement in place between ASFML and abrdn Inc. In addition, ASFML has sub-delegated promotional activities to Aberdeen Asset Managers Limited and administrative and secretarial services to Aberdeen Asset Management PLC. Details of the management agreement, including notice period and fees paid during the year ended 31 January 2022 are shown in note 5 to the financial statements.

### Depository Agreement

The Company has appointed BNP Paribas Securities Services, London Branch as its depository.

### Loan Note Agreement

In December 2020, the Company entered into a long-term financing agreement for US\$50 million with MetLife comprising two loans of US\$25 million with terms of 10 and 15 years at an all in cost of 2.70% and 2.96% respectively, giving a blended rate for 10 years of 2.83% (the "Long-Term Financing Agreement").

## Substantial Interests

As at 31 January 2022 the Company had received notification or was aware of the following interests in its Ordinary shares:

| Shareholder                         | Number of shares held | % held |
|-------------------------------------|-----------------------|--------|
| Rathbone Brothers                   | 15,996,550            | 11.4   |
| Brewin Dolphin                      | 12,882,538            | 9.2    |
| abrdn Retail Plans                  | 10,337,396            | 7.3    |
| 1607 Capital Partners               | 7,262,484             | 5.2    |
| Interactive Investor                | 6,461,166             | 4.6    |
| Hargreaves Lansdown                 | 6,019,914             | 4.3    |
| Charles Stanley                     | 5,155,241             | 3.7    |
| Canaccord Genuity Wealth Management | 4,637,222             | 3.3    |
| EFG Harris Allday                   | 4,347,969             | 3.1    |

As at the date of this Report, no changes to the above interests had been notified to the Company.

## Accountability and Audit

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each Director has taken all the steps that he/she could reasonably be expected to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

The Audit Committee has reviewed the services provided by the auditor during the year, together with the auditor's fees and procedures in connection with the provision of non-audit services. There were no non-audit service fees paid during the year. The Board remains satisfied that PricewaterhouseCoopers LLP's objectivity and independence is being safeguarded.

## Going Concern

The Company's assets consist substantially of securities in companies listed on recognised stock exchanges and in normal circumstances are realisable within a short timescale and which can be sold to meet funding commitments if necessary.

The Board has set gearing limits and regularly reviews actual exposures, cash flow projections and compliance with banking covenants. The Company replaced its Long-Term Financing Agreement in December 2020.

The Company undertakes a continuation vote every three years. The last continuation vote was passed at the AGM held in June 2021 with 98.6% of votes in favour.

The Board has considered the impact of COVID-19 and recent geopolitical developments and believes that there will be a limited resulting financial impact on the Company's operational resources and existence. Given that the Company's portfolio comprises primarily "Level One" assets (listed on a recognisable exchange and realisable within a short timescale), and the Company's relatively low level of gearing, the Company has the ability to raise sufficient funds so as to remain within its debt covenants and pay expenses.

Taking the above factors into consideration, the Directors have a reasonable expectation that the Company has adequate financial resources to continue in operational existence for the foreseeable future and for at least twelve months from the date of this Report. Accordingly, the Board continues to adopt the going concern basis in preparing the financial statements.

# Directors' Report

## Continued

### Annual General Meeting

Among the resolutions being put at the Annual General Meeting ("AGM") of the Company to be held on 8 June 2022, the following resolutions will be proposed as special business:

#### (i) Section 551 Authority to Allot Shares

Resolution 10, which is an ordinary resolution, seeks to renew the Directors' authority under section 551 of the Companies Act to allot shares (excluding treasury shares) up to an aggregate nominal amount of £2,337,031 or, if less, the number representing 33.33% of the issued Ordinary share capital of the Company as at the date of the passing of the resolution. This authority will expire on 31 July 2023 or, if earlier, at the conclusion of the AGM to be held in 2023 (unless previously revoked, varied or extended). The Directors will only exercise this authority if they believe it is advantageous and in the best interests of shareholders. There are no treasury shares in issue.

#### (ii) Dis-application of Pre-emption Provisions

Resolution 11, which is a special resolution, seeks to renew the dis-application of statutory pre-emption rights in relation to the issue of shares (or sale of shares out of treasury) up to an aggregate nominal amount of £701,179 or, if less, the number representing 10% of the issued Ordinary share capital of the Company as at the date of the passing of the resolution. This authority will expire on 31 July 2023 or, if earlier, at the conclusion of the AGM to be held in 2023. The Directors will only exercise this authority if they believe it is advantageous and in the best interests of shareholders.

#### (iii) Share Repurchases

Resolution 12, which is a special resolution, seeks to renew the Company's authority for the Company to make market purchases of its own Ordinary shares, up to a maximum of 14.99% of the issued Ordinary share capital of the Company as at the date of the passing of the resolution. Shares so repurchased will be cancelled or held in treasury. The principal reasons for share buybacks are:

- to enhance net asset value for continuing shareholders by purchasing shares at a discount to the prevailing net asset value; and
- to address any imbalance between the supply of and demand for the Company's shares that results in a discount of the quoted market price to the published net asset value per share.

### Recommendation

The Directors believe that the resolutions to be proposed at the AGM are in the best interests of the Company and its shareholders as a whole, and recommend that shareholders vote in favour of the resolutions, as the Directors intend to do in respect of their own beneficial shareholdings totalling, in aggregate, 14,718 Ordinary shares, and representing 0.01% of the existing issued Ordinary share capital of the Company.

#### By order of the Board

**Aberdeen Asset Management PLC**

Secretary, Edinburgh

6 April 2022



# Statement of Corporate Governance

This Statement of Corporate Governance forms part of the Directors' Report which is shown on pages 42 to 44.

## Compliance

The Company is committed to high standards of corporate governance. The Board is responsible for good governance and, as required by the Listing Rules of the UK Listing Authority, this statement describes how the Company applied the principles set out in the UK Corporate Governance Code published in July 2018 (the "UK Code"), which is available on the Financial Reporting Council's website: [frc.org.uk](http://frc.org.uk).

The Company is also a member of the Association of Investment Companies ('AIC'), which has published its own Code of Corporate Governance (the 'AIC Code'), published in 2019, that seeks to codify best practice of particular relevance to investment trusts. The AIC Code is available on the AIC's website: [theaic.co.uk](http://theaic.co.uk).

The Board confirms that, during the year to 31 January 2022, the Company complied with the recommendations of the AIC Code and the relevant principles and provisions of the UK Code.

The UK Code includes provisions relating to:

1. interaction with the workforce (provisions 2, 5 and 6)
2. the role of the chief executive (provision 14);
3. executive Directors' remuneration (provisions 33, 36 and 40);

The Board considers that these provisions are not relevant to the position of the Company, being an externally managed investment company. In particular, all of the Company's day-to-day management and administrative functions are outsourced to third parties. As a result, the Company has no executive directors, employees or internal operations. The Company has therefore not reported further in respect of these provisions.

Further details of the Company's compliance with Corporate Governance can be found on its website.

## The Board

The Board currently consists of four non-executive Directors, and is chaired by Dame Susan Rice. Charles Park is the Senior Independent Director. All Directors are considered by the Board to be independent of the Company and the Manager, and free of any material relationship with the Manager which could interfere with the exercise of their independent judgment.

The Board takes the view that independence is not necessarily compromised by length of tenure on the Board, and this is consistent with the AIC Code. The Company benefits from a balance of Directors with different tenures, different backgrounds and a wide variety of experience, which the Board believes contributes significantly to its strength as a whole. The Board is mindful of the importance of having a suitable Board renewal process and succession plan. The Board has a succession plan and actively evaluates Director's performance annually to ensure up to date skills and capacity.

The Board considers that the post of chief executive officer is not relevant for an investment trust company as this role has effectively been delegated to the Manager under the terms of the Management Agreement.

Biographies of the Board members, including their relevant experience, appear on pages 40 to 41. These demonstrate that each Director has the requisite high level and range of business, investment and financial experience, and enables the Board to provide clear and effective leadership and proper stewardship of the Company.

The Board has a schedule of matters reserved to it for decision, and the requirement for Board approval on these matters is communicated directly to the senior staff of the Manager. Such matters include strategy, performance, dividend policy, gearing policy, promotional, Board composition, communication with shareholders and corporate governance matters.

## Meetings

The Board normally meets at least four times a year, and more frequently where business needs require. Full and timely information is provided to the Board in order to enable the Board to function effectively and to allow Directors to discharge their responsibilities. At each meeting the Board reviews the following:

- Reports from the Manager covering stockmarket environment, portfolio activities, performance and investment outlook;
- Company financial information including revenue forecasts, balance sheet and gearing position;
- Shareholder analysis and relations;
- Regulatory issues and industry matters;
- Reports from other service providers such as brokers and depositary.

# Statement of Corporate Governance

## Continued

The table below sets out the number of routine Board and Committee meetings attended by each Director during the year compared to the total number of meetings that each Director was entitled to attend.

The Board adopts a zero tolerance approach to bribery and corruption and has implemented appropriate procedures designed to prevent bribery. It is the Company's policy to conduct all of its business in an honest and ethical manner.

The Board monitors on a regular basis the direct and indirect interests of each Director and has concluded that there were no situations which gave rise to an interest of a Director which conflicted with the interests of the Company.

|                             | Board | Audit Committee | Management Engagement Committee |
|-----------------------------|-------|-----------------|---------------------------------|
| James Ferguson <sup>1</sup> | 4/4   | 2/2             | 1/1                             |
| Karyn Lamont                | 4/4   | 2/2             | 1/1                             |
| Susannah Nicklin            | 4/4   | 2/2             | 1/1                             |
| Charles Park                | 4/4   | 2/2             | 1/1                             |
| Susan Rice <sup>2</sup>     | 4/4   | 2/2             | 1/1                             |

<sup>1</sup> Retired on 31 Dec 2021. Attended Audit Committee meetings as observer  
<sup>2</sup> Appointed Chairman on 1 Jan 2022.

## Performance Evaluation

An appraisal of each Director, including the Chair, and of the operation of the Board and its Committees is undertaken on an annual basis. The process is based upon individual discussions between each Director and the Chair; the Chair's performance appraisal is led by the Senior Independent Director. Following these appraisals, the Board confirms that all Directors contribute to the effective running of the Company. The Board has also reviewed the Chair's and Directors' other commitments and is satisfied that the Chair and Directors are capable of devoting sufficient time to the Company. The Directors assessed the collective performance of the Board as a whole against the requirements of the Company's business and the need to have a balanced Board and concluded that their aggregate balance of abilities, perspective and experience is appropriate and secures the right measure of continuity for the Board as a whole.

The Company is not required to do an external evaluation of the effectiveness of the Board as it is not a constituent of the FTSE 350. No external evaluation was conducted during the year as the Board concluded that it would not add value at this time. This approach will be kept under review.

The Board is mindful of the importance of having a suitable mapped board succession and renewal process and has established a succession plan. James Ferguson retired on 31 December 2021 and Dame Susan Rice agreed to be appointed Chair of the Company. At the time of writing an external search for the appointment of an additional independent Non-Executive Director is nearing a conclusion and an announcement will be released in due course. An independent search agent, Trust Associates, was used for this search.

There are no separate Nominations or Remuneration Committees. In view of the size of the Board, Director appraisals, succession planning, new appointments, training and remuneration are considered by the Board as a whole.

In line with the Company's strong commitment to its corporate governance responsibilities, the Board regularly reviews its performance and structure to ensure it has the correct mix of relevant skills, diversity and experience for the effective conduct of the Company's business to complement the existing composition of the Board whilst having due regard for the benefits of diversity, including gender, on the Board.

New Board appointments are identified against the requirements of the Company's business and the need to have a balanced Board. A description of the required role for a new appointment is prepared and nominations of Directors are sought in the financial and investment sectors. External search consultants are used to ensure that a wide range of candidates can be considered. Appointments are made on merit, taking into account the benefits of diversity, including gender. However, the over-riding priority is to appoint the person with the best mix of experience and skills to complement the existing composition of the Board.

New Directors are given an appropriate induction from the Manager covering legal responsibilities, the Manager's operations and investment trust matters. All Directors are entitled to receive appropriate training as deemed necessary. Details of remuneration are contained within the Directors' Remuneration Report.



The Board has implemented the provisions of the UK Code whereby all Directors of the Company will stand for re-election on an annual basis. The Board has reviewed the skills and experience of each Director, and unanimously supports their re-election.

There is an agreed procedure for Directors to take independent professional advice, if necessary, at the Company's expense. This is in addition to the access which every Director has to the advice and services of the company secretary, Aberdeen Asset Management PLC, which is responsible to the Board for ensuring that Board procedures are followed, and that applicable rules and regulations are complied with.

### **Audit Committee**

The Audit Committee Report is contained on pages 48 to 50.

### **Management Engagement Committee**

The Board has a good and constructive working relationship with the Manager and continually reviews the policies and performance of the Manager. The Management Engagement Committee comprises all of the Directors and is chaired by the Company Chair. The Committee reviews the performance of the Manager, the investment process and risk controls and its compliance with the terms of the management and secretarial agreement. The terms of reference of the Management Engagement Committee, which are available on request and on the Company's website, are reviewed on an annual basis. The terms and conditions of the Manager's appointment, including an evaluation of performance and fees, are reviewed by the Committee on an annual basis.

The Committee considers that the Manager, whose team is well-qualified and experienced, has fully met the terms of its agreement with the Company. Following a review of management fees and ongoing charges, the Committee believes these are reasonable and competitive. Taking these factors into account, the Committee and the Board believes that the continuing appointment of the Manager on the terms agreed is in the interests of shareholders as a whole. The Company benefits from the expertise of the Manager's team of investment professionals. The Board continues to keep this matter under review.

### **Relations with Shareholders**

The Directors believe in good communication with shareholders. The annual and half yearly reports are widely distributed to other parties who have an interest in the Company's performance. Shareholders and investors may obtain up to date information on the Company through the Manager's freephone information service. The Board welcomes correspondence from shareholders addressed to the Company's registered office and responds to letters on an individual basis. The Manager maintains contact with institutional shareholders and feeds back shareholder views to the Board. The Company's annual and half yearly reports and other publications can be downloaded from the Company's website, [northamericanincome.co.uk](http://northamericanincome.co.uk).

The Board's policy is to communicate directly with shareholders and their representative bodies without the involvement of the management group (either the Company Secretary or the Manager) in situations where direct communication is required.

The notice of the AGM, included within this Annual Report and accounts, is normally sent out at least 20 working days in advance of the meeting. Investors in the Manager's savings plans are encouraged to vote by means of a Letter of Direction enclosed with the Annual Report. All shareholders have the opportunity to put questions at the Company's AGM. Proxy voting figures for each resolution are announced to the meeting after voting on a show of hands.

### **ESG Investing**

Details of the Manager's approach to ESG engagement is provided on pages 25 to 29.

### **The UK Stewardship Code and Proxy Voting**

The Company supports the UK's Stewardship Code, and seeks to play its role in supporting good stewardship of the companies in which it invests. Responsibility for actively monitoring the activities of portfolio companies has been delegated by the Board to the Manager which has sub-delegated that authority to the Investment Manager.

The full text of the Company's response to the Stewardship Code may be found on its website.

The Board has also given discretionary powers to the Manager to exercise voting rights on resolutions proposed by the investee companies within the Company's portfolio. The Manager reports on a quarterly basis on stewardship (including voting) issues.

# Report of the Audit Committee

## Membership and Responsibilities

The Audit Committee is chaired by Karyn Lamont, who is a chartered accountant, and comprises all Directors, with the exception of the Company Chair, who attends meetings but is a non-voting member. The Committee is satisfied that it has the necessary recent and relevant financial experience and competence relevant to the investment trust sector in order to fulfil its responsibilities.

The Audit Committee meets at least twice a year and considers reports from the auditor and the Manager's internal audit, risk and compliance functions. The terms of reference of the Audit Committee, which are available on request and on the Company's website, are reviewed on an annual basis. The main responsibilities of the Audit Committee are:

- to review the half yearly and annual financial statements of the Company, the accounting policies applied therein and to ensure compliance with financial and regulatory reporting requirements.
- to assess whether the Annual Report, including the financial statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.
- to review and monitor the internal control systems and risk management systems on which the Company is reliant.
- to consider annually whether there is a need for the Company to have its own internal audit function.
- to develop and implement policy on the engagement of the auditor to supply non-audit services.
- to review the arrangements in place within the Manager whereby staff may, in confidence, escalate concerns about possible improprieties in matters of financial reporting or other matters ('whistleblowing').
- to make recommendations to the Board in relation to the appointment of the auditor and to approve the remuneration and terms of engagement of the auditor.
- to consider the auditor's reports, including the audit strategy and findings.
- to review annually the auditor's independence, objectivity, effectiveness, resources and qualification.

The respective responsibilities of the Directors and the auditor in connection with the financial statements appear on pages 55 and 63.

## Internal Control

The Board is responsible for the Company's system of internal control and for reviewing its effectiveness. The Board confirms that there is an ongoing process for identifying, evaluating and managing the significant risks faced by the Company. This process has been in place for the year under review and up to the date of approval of this Annual Report. It is regularly reviewed by the Board and accords with the Financial Reporting Council's Guidance.

The Directors have delegated the investment management of the Company's assets to the Manager within overall guidelines, and this embraces implementation of the system of internal control, including financial, operational and compliance controls and risk management. Internal control systems are monitored and supported by the Manager's internal audit function which undertakes periodic examination of business processes, including compliance with the terms of the management agreement, and ensures that recommendations to improve controls are implemented.

The Board has reviewed, through management reports, the effectiveness of the Company's risk management and internal control systems. In particular, it has reviewed and updated the process for identifying and evaluating the significant risks affecting the Company and policies by which these risks are managed. The significant risks faced by the Company are set on pages 12 to 15.

Risks are identified and documented through a risk management framework by each function within the Manager's activities. Risk is considered in the context of the Financial Reporting Council Guidance, and includes financial, regulatory, market, operational and reputational risk. This helps the internal audit risk assessment model identify those functions for review. Any weaknesses identified are reported to the Board, and timetables are agreed for implementing improvements to systems. The implementation of any remedial action required is monitored and feedback provided to the Board.

In addition, the Board has adopted its own risk matrix which identifies the key risks for the Company and covers strategy, investment management, operations, regulatory and financial obligations and third party service providers (see pages 12 to 15). A monitoring system is undertaken whereby the controls to mitigate these risks, and the impact of the residual risks, are assessed on a regular basis. The risk matrix is formally reviewed on at least a six monthly basis in order to identify emerging risks which may arise.

Note 18 to the financial statements provides further information on risks. The key components designed to provide effective internal control are outlined below:

- the Manager prepares forecasts and management accounts which allow the Board to assess the Company's activities and review its performance; the emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception;
- the Board and Manager have agreed clearly-defined investment criteria, specified levels of authority and exposure limits. Reports on these, including performance statistics and investment valuations, are regularly submitted to the Board and there are meetings with the Manager as appropriate;
- the Manager's internal audit, risk and compliance departments continually review the Manager's operations and reports to the Audit Committee on a six monthly basis. The Manager's internal audit team has direct access to the Audit Committee at any time;
- written agreements are in place which specifically define the roles and responsibilities of the Manager and other third party service providers;
- an independent depository, BNP Paribas Securities Services, London Branch is appointed to safeguard the Company's investments, which are registered in the name of the depository's nominee company; and
- at its March 2022 meeting, the Audit Committee carried out an annual assessment of internal controls for the year ended 31 January 2022 by considering documentation from the Manager, including the internal audit, risk and compliance functions, and taking account of events since 31 January 2022.

The Audit Committee continues to believe that the Company does not require an internal audit function of its own as the Company delegates its day-to-day operations and risk controls to the Manager which operates an internal audit function. The Committee receives appropriate reporting on internal controls and risk management from the Manager.

Internal control systems are designed to meet the Company's particular needs and the risks to which it is exposed. Accordingly, the internal control systems are designed to manage, rather than eliminate, the risk of failure to achieve business objectives and, by their nature, can only provide reasonable and not absolute assurance, against material misstatement or loss.

## Significant Accounting Issues

The Committee specifically considered a number of matters related to the Company's financial statements during the year:

- **Valuation, existence and ownership of investments:** The valuation of investments is undertaken in accordance with the stated accounting policies. All investments are in quoted securities in active markets, are considered to be liquid and have been largely categorised as Level 1 within FRS 102 fair value hierarchy. The portfolio holdings and their pricing is reviewed and verified by the Manager on a regular basis and management accounts, including a full portfolio listing, are prepared for each Board meeting. The Company used the services of an independent depository (BNP Paribas Securities Services, London Branch) during the year under review to hold the assets of the Company. The investment portfolio is reconciled regularly by the Manager and the external audit includes independent verification of the valuation and existence of all investments.
- **Recognition of Investment Income:** The recognition of investment income is undertaken in accordance with accounting policy note 2(b) to the financial statements on page 70. The Directors regularly review the Company's income, including income received, revenue forecasts and dividend comparisons.
- **Compliance with Sections 1158 and 1159 of the Corporation Tax Act 2010:** Approval for the Company as an investment trust under Sections 1158 and 1159 for financial years commencing on or after 1 February 2012 has been obtained and ongoing compliance with the eligibility criteria is monitored on a regular basis.
- **Consideration of the ongoing and longer-term impact of the global pandemic and geopolitical developments on the financial statements.**
- **Consideration of the Company to continue as a going concern:** In addition to the usual considerations and the principal and emerging risks, relevant factors such as the Company's performance, discount history, current feedback and views from shareholders as well as historic experience of continuation vote were considered.

# Report of the Audit Committee

## Continued

### Review of Auditor

The Audit Committee has reviewed the independence and the effectiveness of the auditor, PricewaterhouseCoopers LLP, as follows:

- The auditor's report on an annual basis the steps it takes to ensure its independence and objectivity and confirms that it has complied with the relevant UK independence guidelines. The level of non-audit services provided by the auditors is assessed and for the year ended 31 January 2022 there were no non-audit services provided.
- The Committee considers the experience, continuity and tenure of the audit team, including the audit partner. The audit team consists of suitably experienced staff with knowledge of the investment trust sector and there is a process in place for the rotation of the audit partner. PricewaterhouseCoopers LLP was appointed as the Company's auditor in June 2020 and therefore the year to 31 January 2022 was the second year served by PricewaterhouseCoopers LLP's senior statutory auditor, Shujaat Khan.
- The Committee assesses the level of audit service annually. The audit plan is reviewed well in advance and subsequent audit findings are reported comprehensively in a timely manner and are resolved satisfactorily. The auditor has a constructive working relationship with both the Board and the Manager.

The Committee was satisfied with the effectiveness and independence of PricewaterhouseCoopers LLP as auditor for the year ended 31 January 2022.

Shareholders will have the opportunity to vote on the re-appointment of PricewaterhouseCoopers LLP as auditor at the forthcoming AGM on 8 June 2022.

**Karyn Lamont**

Audit Committee Chair

6 April 2022

*Karyn Lamont*

# Directors' Remuneration Report

The Board has prepared this Remuneration Report in accordance with the regulations governing the disclosure and approval of Directors' remuneration. This Remuneration Report comprises three parts:

- i. A Remuneration Policy, which is subject to a binding shareholder vote every three years (or sooner if varied during this interval) - most recently voted on at the Annual General Meeting on 2 June 2020;
- ii. An annual Implementation Report which provides information on how the Remuneration Policy has been applied during the year and which will be subject to an advisory vote;
- iii. An Annual Statement.

The law requires the Company's auditor to audit certain of the disclosures provided in the Remuneration Report. Where disclosures have been audited, they are indicated as such. The auditor's opinion is included in the report on pages 56 to 63.

The principles remain the same as for previous years. There have been no changes to the Directors' Remuneration Policy during the period of this Report nor are there any proposals for the foreseeable future, except for the level of Directors' fees, as set out in the Implementation Report below.

## Remuneration Policy

This part of the Remuneration Report provides details of the Company's Remuneration Policy for Directors of the Company. This policy takes into consideration the principles of the UK Corporate Governance Code and the AIC's recommendations regarding the application of those principles to investment companies. No shareholder views were sought in setting the Remuneration Policy although any comments received from shareholders would be considered on an ongoing basis. As the Company has no employees and the Board is comprised wholly of non-executive Directors and given the size and nature of the Company, the Board has not established a separate Remuneration Committee. Directors' remuneration is determined by the Board as a whole.

## Directors' Fees

The Directors' fees are set within the limits of the Company's Articles of Association which limit the aggregate fees payable to the Board of Directors per annum, currently £175,000.

Subject to this overall limit, the Board's policy is that the remuneration of non-executive Directors should reflect the nature of their duties, responsibilities and the value of their time spent and be fair and comparable to that of other investment trusts that are similar in size, have a similar capital structure and have a similar investment objective.

Fee rates are established by taking advice from external sources as to current market levels.

|                          | 1 February<br>2022<br>£ | 1 February<br>2021<br>£ |
|--------------------------|-------------------------|-------------------------|
| Chair                    | 35,500                  | 33,000                  |
| Chair of Audit Committee | 28,500                  | 26,500                  |
| Director                 | 26,000                  | 24,000                  |

## Appointment

- The Company only appoints non-executive Directors.
- All the Directors are non-executive appointed under the terms of Letters of Appointment.
- Directors must retire and be subject to election at the first AGM after their appointment and at least every three years thereafter.
- New appointments to the Board will be placed on the fee applicable at the time of appointment.
- No incentive or introductory fees will be paid to encourage a Directorship.
- The Directors are not eligible for bonuses, pension benefits, share options, long-term incentive schemes or other benefits.
- The Company indemnifies its Directors for all costs, charges, losses, expenses and liabilities which may be incurred in the discharge of duties, as a Director of the Company.
- The Directors are entitled to be re-imbursed for out-of-pocket expenses incurred in connection with performing their duties including travel expenses.

# Directors' Remuneration Report

## Continued

### Performance, Service Contracts, Compensation and Loss of Office

- The Directors' remuneration is not subject to any performance related fee.
- No Director has a service contract.
- No Director was interested in contracts with the Company during the period or subsequently.
- The terms of appointment provide that a Director may be removed without notice.
- Compensation will not be due upon leaving office.
- No Director is entitled to any other monetary payment or any assets of the Company.
- Directors' & Officers' liability insurance cover is maintained by the Company on behalf of the Directors.

The Directors' Remuneration Policy was last approved by shareholders on 2 June 2020.

### Implementation Report

#### Directors' Fees

The Board carried out a review of the level of Directors' fees during the year, with reference to external sources on market rates, and concluded that they should be increased, as shown in the table on page 53. The Board considered the increase necessary in order to attract and retain directors of a suitable calibre for the non-executive director role. It is also considered commensurate with inflation as well as the time commitment required of Directors to adequately discharge their responsibilities, taking into account increasingly complex and onerous legal and regulatory requirements. The last increase in fees was effective from 1 February 2021. There are no further fees to disclose as the Company has no employees or executive directors.

### Company Performance

During the year the Board carried out a review of investment performance. The following graph shows the share price and NAV total return (assuming all dividends are reinvested) to Ordinary shareholders compared to the total return from the Russell 1000 Value and S&P 500 indices (in sterling terms) for the ten year period to 31 January 2022 (rebased to 100 at 31 January 2012). These indices were chosen for comparison purposes, as they are the reference indices used for investment performance measurement purposes.

### Statement of Voting at General Meeting

At the Company's last AGM, held on 1 June 2021, shareholders approved the Directors' Remuneration Report (excluding the Directors' Remuneration Policy) in respect of the year ended 31 January 2021: 99.1% of proxy votes were in favour of the resolution, 0.8% were against, and 0.1% abstained.

At the AGM held on 2 June 2020, shareholders approved the Directors' Remuneration Policy with 99.0% of proxy votes in favour of the resolution, 0.7% against and 0.3% abstained.

## Spend on Pay

As the Company has no employees, the Directors do not consider it appropriate to present a table comparing remuneration paid to employees with distributions to shareholders. The total fees paid to Directors are shown in the table below.

## Audited Information

### Fees Payable

The Directors who served in the year received the following fees which exclude employers' NI and any VAT payable:

| Director                    | 2022<br>£      | 2021<br>£      |
|-----------------------------|----------------|----------------|
| James Ferguson <sup>1</sup> | 30,250         | 31,000         |
| Karyn Lamont                | 26,500         | 25,000         |
| Susannah Nicklin            | 24,000         | 22,500         |
| Charles Park                | 24,000         | 22,500         |
| Susan Rice <sup>2</sup>     | 24,750         | 22,500         |
| <b>Total</b>                | <b>129,500</b> | <b>123,500</b> |

<sup>1</sup> Retired on 31 December 2021

<sup>2</sup> Appointed Chair on 1 January 2022

Fees are pro-rated where a change takes place during a financial year. All fees are at a fixed rate and there is no variable remuneration. There were no payments to third parties from the fees referred to in the table above and none of the Directors received taxable benefits.

## Annual Percentage Change in Directors' Remuneration

The following table sets out the annual percentage change in Directors' fees over the last two years.

| Director                    | 31 Jan 2022 | 31 Jan 2021 |
|-----------------------------|-------------|-------------|
| James Ferguson <sup>1</sup> | -2.4%       | 0.0%        |
| Karyn Lamont                | 6.0%        | 0.0%        |
| Susannah Nicklin            | 6.7%        | 0.0%        |
| Charles Park                | 6.7%        | 0.0%        |
| Susan Rice <sup>2</sup>     | 10.0%       | 0.0%        |

<sup>1</sup> Retired on 31 December 2021

<sup>2</sup> Appointed Chair on 1 January 2022

## Relative Importance of Spend on Pay

The table below shows the actual expenditure during the year in relation to Directors' remuneration and distributions to shareholders.

|                                                                | 2022<br>£'000 | 2021<br>£'000 |
|----------------------------------------------------------------|---------------|---------------|
| Remuneration paid to all Directors                             | 129           | 123           |
| Distribution to shareholders - by way of dividend <sup>1</sup> | 8,886         | 14,285        |
| Share buybacks                                                 | 117           | 13            |

<sup>1</sup> See note 9 on page 76 for further details

A resolution to receive and adopt the Directors' Remuneration Report (excluding the Directors' Remuneration Policy) in respect of the year ended 31 January 2022 will be proposed at the AGM.

# Directors' Remuneration Report

## Continued

### Directors' Interests in the Company

The Directors are not required to have a shareholding in the Company. The Directors (including connected persons) at 31 January 2022 and 31 January 2021 had no interest in the share capital of the Company other than those interests, all of which are beneficial interests, shown in the table below.

|                             | 31 Jan 2022<br>Ord 5p | 31 Jan 2021<br>Ord 5p |
|-----------------------------|-----------------------|-----------------------|
| James Ferguson <sup>1</sup> | n/a                   | 78,850                |
| Karyn Lamont                | -                     | -                     |
| Susannah Nicklin            | 3,043                 | 2,345                 |
| Charles Park                | 11,000                | 11,000                |
| Susan Rice                  | 675                   | 675                   |

<sup>1</sup> Retired on 31 December 2021.

There have been no changes to the Directors' share interests since the year end.

### Annual Statement

In accordance with Part 2 of Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, the Board confirms that the above Directors' Remuneration Report summarises, as applicable, for the year ended 31 January 2022:

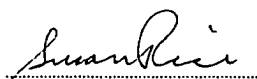
- the major decisions on Directors' remuneration;
- any substantial changes relating to Directors' remuneration made during the year; and
- the context in which the changes occurred and decisions have been taken

The Directors' Remuneration Report was approved by the Board of Directors and signed on its behalf by:

**Dame Susan Rice**

Chair

6 April 2022





# Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law they are required to prepare the financial statements in accordance with UK accounting standards, including FRS 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of its profit or loss for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that complies with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## **Responsibility statement of the Directors in respect of the annual financial report**

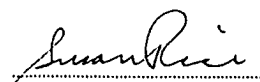
We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and
- the Strategic Report includes a fair review of the development and performance of the business and the position of the issuer, together with a description of the principal risks and uncertainties that they face.

We consider this Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

**For and on behalf of The North American Income Trust plc**  
**Dame Susan Rice**

Chair  
6 April 2022



# Independent Auditor's Report to the Members of The North American Income Trust plc

## Report on the audit of the financial statements

### Opinion

In our opinion, The North American Income Trust plc's financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 January 2022 and of its return and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the Statement of Financial Position as at 31 January 2022, the Statement of Comprehensive Income, the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit Committee.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

We have provided no non-audit services to the Company in the period under audit.

## Our audit approach

### Context

The North American Income Trust plc is an Investment Trust Company listed on the London Stock Exchange and invests predominantly in US equities. The operations of the Company are located in the UK. We focus our audit work primarily on the valuation and existence of investments and income from investments.

### Overview

#### *Audit scope*

- The Company is a standalone Investment Trust Company and engages Aberdeen Standard Fund Managers Limited (the "AIFM") to manage its assets.
- We conducted our audit of the financial statements using information from the AIFM and BNP Paribas Securities Services (the "Administrator") to whom the AIFM has engaged to provide certain administrative services.
- We tailored the scope of our audit taking into account the types of investments within the Company, the involvement of the third parties referred to above, the accounting processes and controls, and the industry in which the Company operates.
- We obtained an understanding of the control environment in place at both the AIFM and the Administrator and adopted a fully substantive testing approach using reports obtained from the AIFM.

#### *Key audit matters*

- Valuation and existence of listed investments
- Income from investments

#### *Materiality*

- Overall materiality: £4,484,000 (2021: £3,750,000) based on 1% of Net Assets.
- Performance materiality: £3,363,000 (2021: £2,812,500).

### The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

### Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

Consideration of impact of COVID-19 and ability to continue as a going concern (continuation vote), which were key audit matters last year, are no longer included because of the reduced uncertainty of the impact of COVID-19 and the absence of a continuation vote during the next 12 months. The next continuation vote will take place in 2024. Otherwise, the key audit matters below are consistent with last year.

# Independent Auditor's Report to the Members of The North American Income Trust plc

## Continued

| Key audit matter                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | How our audit addressed the key audit matter                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <i>Valuation and existence of listed investments</i>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| <p><i>Refer to page 49 (Audit Committee Report), page 70 (Accounting Policies) and page 71 (Notes to the Accounts).</i></p> <p>The investment portfolio at 31 January 2022 comprised of listed investments of £471 million.</p> <p>We focused on the valuation and existence of investments because investments represent the principal element of the net asset value as disclosed in the Balance Sheet in the financial statements.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                     | <p>We tested the valuation of all listed investments by agreeing the prices used in the valuation to independent third-party sources. No material misstatements were identified from this testing.</p> <p>We tested the existence of all investments by agreeing the holdings of all investments to an independent confirmation from the Depository, BNP Paribas Securities Services as at 31 January 2022. No differences were identified.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| <i>Income from investments</i>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| <p><i>Refer to page 49 (Audit Committee Report), page 70 (Accounting Policies) and pages 71 (Notes to the Financial Statements).</i></p> <p>ISAs (UK) presume there is a risk of fraud in income recognition because of the pressure management may feel to achieve a certain objective.</p> <p>In this instance, we consider that 'income' refers to all the Company's income streams, both revenue and capital (including gains and losses on investments). As the Company has an Income objective, there might be an incentive to overstate revenue. As such, we focussed this risk on the existence/occurrence of revenue from investments, completeness of gains/losses from investments and its presentation in the Income Statement as set out in the requirements of The Association of Investment Companies' Statement of Recommended Practice (the 'AIC SORP').</p> | <p>We assessed the accounting policy for dividend income recognition for compliance with accounting standards and the AIC SORP and performed testing to check that income had been accounted for in accordance with this stated accounting policy.</p> <p>We found that the accounting policies implemented were in accordance with accounting standards and the AIC SORP, and that income has been accounted for in accordance with the stated accounting policy.</p> <p>The gains/losses on investments held at fair value comprise realised and unrealised gains/losses. For unrealised gains and losses, we tested the valuation of the portfolio at the year-end (see above), together with testing the opening to closing reconciliation of investments. For realised gains/losses, we tested a sample of disposal proceeds by agreeing the proceeds to bank statements and we re-performed the calculation of a sample of realised gains/losses. No material misstatements were identified from this testing.</p> <p>In addition, we tested the accuracy of dividend receipts by agreeing the dividend rates from investments to independent market data. No material misstatements were identified from this testing.</p> <p>We tested occurrence by testing that all dividends recorded in the year had been declared in the market and we traced a sample of dividends received to bank statements. No material misstatements were identified from this testing.</p> <p>We also tested the allocation and presentation of dividend income between the revenue and capital return columns of the Income Statement in line with the requirements set out in the AIC SORP by assessing the treatment applied in the context of the underlying facts and circumstance of the dividend. No material misstatements were identified from this testing.</p> |

### How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the company, the accounting processes and controls, and the industry in which it operates.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where subjective judgements are made, for example in respect of classification of special dividends as revenue or capital.

### Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

|                                 |                                                                                                                                                                                                                                                                                          |
|---------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Overall Company materiality     | £4,484,000 (2021: £3,750,000).                                                                                                                                                                                                                                                           |
| How we determined it            | 1% of Net Assets                                                                                                                                                                                                                                                                         |
| Rationale for benchmark applied | We have applied this benchmark, a generally accepted auditing practice for investment trust audits, in the absence of indicators that an alternative benchmark would be appropriate and because we believe this provides an appropriate and consistent year-on-year basis for our audit. |

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2020: 75%) of overall materiality, amounting to £3,363,000 (2021: £2,812,500) for the company financial statements.

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £224,000 (2021: £187,500) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

# Independent Auditor's Report to the Members of The North American Income Trust plc

## Continued

### Conclusions relating to going concern

Our evaluation of the Directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included:

- Obtaining evidence to support the key assumptions and forecasts driving the Directors' assessment. This included reviewing the Directors' assessment of the Company's financial position and forecasts, their assessment of liquidity and loan covenant compliance as well as their review of the operational resilience of the Company and oversight of key third party service providers.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Company's ability to continue as a going concern.

In relation to the directors' reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

### Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

### Strategic report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 31 January 2022 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' Report.

## Directors' Remuneration

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

## Corporate governance statement

The Listing Rules require us to review the directors' statements in relation to going concern, longer-term viability and that part of the corporate governance statement relating to the company's compliance with the provisions of the UK Corporate Governance Code specified for our review. Our additional responsibilities with respect to the corporate governance statement as other information are described in the Reporting on other information section of this report.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit, and we have nothing material to add or draw attention to in relation to:

- The directors' confirmation that they have carried out a robust assessment of the emerging and principal risks;
- The disclosures in the Annual Report that describe those principal risks, what procedures are in place to identify emerging risks and an explanation of how these are being managed or mitigated;
- The directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- The directors' explanation as to their assessment of the company's prospects, the period this assessment covers and why the period is appropriate; and
- The directors' statement as to whether they have a reasonable expectation that the company will be able to continue in operation and meet its liabilities as they fall due over the period of its assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our review of the directors' statement regarding the longer-term viability of the group was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statement; checking that the statement is in alignment with the relevant provisions of the UK Corporate Governance Code; and considering whether the statement is consistent with the financial statements and our knowledge and understanding of the company and its environment obtained in the course of the audit.

In addition, based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- The directors' statement that they consider the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for the members to assess the company's position, performance, business model and strategy;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems; and
- The section of the Annual Report describing the work of the Audit Committee.

We have nothing to report in respect of our responsibility to report when the directors' statement relating to the company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified under the Listing Rules for review by the auditors.

# Independent Auditor's Report to the Members of The North American Income Trust plc

## Continued

### Responsibilities for the financial statements and the audit

#### Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

#### Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of section 1158 of the Corporation Tax Act 2010, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to increase revenue or to overstate the value of investments and increase the net asset value of the Company. Audit procedures performed by the engagement team included:

- discussions with the directors, the AIFM and Company Secretary including consideration of known or suspected instances of non-compliance with laws and regulations and fraud, and review of the reports made by management;
- reviewing relevant meeting minutes, including those of the Audit Committee and Board of Directors;
- assessment of the Company's compliance with the requirements of section 1158 of the Corporation Tax Act 2010, including recalculation of numerical aspects of the eligibility conditions;
- identifying and testing higher risk manual journal entries posted by the Administrator during the preparation of the financial statements; and
- designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing of expenses.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.



Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report

#### **Use of this report**

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

#### **Other required reporting**

##### **Companies Act 2006 exception reporting**

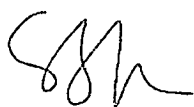
Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

#### **Appointment**

Following the recommendation of the Audit Committee, we were appointed by the Directors on 2 June 2020 to audit the financial statements for the year ended 31 January 2021 and subsequent financial periods. The period of total uninterrupted engagement is two years, covering the years ended 31 January 2021 to 31 January 2022.



**Shujaat Khan (Senior Statutory Auditor)**  
**for and on behalf of PricewaterhouseCoopers LLP**  
Chartered Accountants and Statutory Auditors  
London  
6 April 2022

The Board has declared a final dividend of 4.0p per share, resulting in a total dividend for the year to 31 January 2022 of 10.3p which is covered by revenue earnings and represents a 3.0% increase.

Citigroup's distinct global network of people, data and relationships creates a mindset that allows it to spot opportunities, manage risks and connect dots for its clients in ways that others simply cannot.

# Statement of Comprehensive Income

|                                          | Note | Year ended 31 January 2022 |                  |                | Year ended 31 January 2021 |                  |                |
|------------------------------------------|------|----------------------------|------------------|----------------|----------------------------|------------------|----------------|
|                                          |      | Revenue<br>£'000           | Capital<br>£'000 | Total<br>£'000 | Revenue<br>£'000           | Capital<br>£'000 | Total<br>£'000 |
| Net gains/(losses) on investments        | 11   | -                          | 81,766           | 81,766         | -                          | (40,080)         | (40,080)       |
| Net currency (losses)/gains              | 3    | -                          | (558)            | (558)          | -                          | 825              | 825            |
| Income                                   | 4    | 19,040                     | 604              | 19,644         | 21,469                     | 101              | 21,570         |
| Investment management fee                | 5    | (910)                      | (2,123)          | (3,033)        | (804)                      | (1,877)          | (2,681)        |
| Administrative expenses                  | 7    | (735)                      | -                | (735)          | (753)                      | -                | (753)          |
| Return before finance costs and taxation |      | 17,395                     | 79,689           | 97,084         | 19,912                     | (41,031)         | (21,119)       |
| Finance costs                            | 6    | (316)                      | (737)            | (1,053)        | (145)                      | (337)            | (482)          |
| Return before taxation                   |      | 17,079                     | 78,952           | 96,031         | 19,767                     | (41,368)         | (21,601)       |
| Taxation                                 | 8    | (2,522)                    | 363              | (2,159)        | (2,882)                    | 408              | (2,474)        |
| Return after taxation                    |      | 14,557                     | 79,315           | 93,872         | 16,885                     | (40,960)         | (24,075)       |
| Return per Ordinary share (pence)        | 10   | 10.28                      | 56.00            | 66.28          | 11.79                      | (28.60)          | (16.81)        |

The total column of this statement represents the profit and loss account of the Company.

All revenue and capital items in the above statement derive from continuing operations.

The accompanying notes on pages 70 to 87 are an integral part of the financial statements.

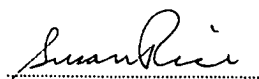
Proposed final dividend. The Board is proposing a final dividend of 4.00p per share (£5,609,000), making a total dividend of 10.30p per share (£14,495,000) for the year to 31 January 2022 which, if approved, will be payable on 1 June 2022 (see note 9). For the year ended 31 January 2021, a final dividend of 4.50p per share was paid (£6,408,000) making a total dividend of 10.0p per share (£14,283,000).

# Statement of Financial Position

|                                                                | Note | As at<br>31 January 2022<br>£'000 | As at<br>31 January 2021<br>£'000 |
|----------------------------------------------------------------|------|-----------------------------------|-----------------------------------|
| <b>Non-current assets</b>                                      |      |                                   |                                   |
| Investments at fair value through profit or loss               | 11   | 470,974                           | 404,261                           |
| <b>Current assets</b>                                          |      |                                   |                                   |
| Debtors and prepayments                                        | 12   | 5,712                             | 2,575                             |
| Cash and short term deposits                                   |      | 13,875                            | 9,239                             |
|                                                                |      | 19,587                            | 11,814                            |
| <b>Creditors: amounts falling due within one year</b>          |      |                                   |                                   |
| Other creditors                                                | 13   | (4,907)                           | (4,323)                           |
|                                                                |      | (4,907)                           | (4,323)                           |
| <b>Net current assets</b>                                      |      | 14,680                            | 7,491                             |
| <b>Total assets less current liabilities</b>                   |      | 485,654                           | 411,752                           |
| <b>Creditors: amounts falling due after more than one year</b> |      |                                   |                                   |
| Senior Loan Notes                                              | 14   | (37,191)                          | (36,336)                          |
| <b>Net assets</b>                                              |      | 448,463                           | 375,416                           |
| <b>Capital and reserves</b>                                    |      |                                   |                                   |
| Called-up share capital                                        | 15   | 7,034                             | 7,151                             |
| Share premium account                                          |      | 51,806                            | 51,806                            |
| Capital redemption reserve                                     |      | 15,582                            | 15,465                            |
| Capital reserve                                                |      | 350,388                           | 277,403                           |
| Revenue reserve                                                |      | 23,653                            | 23,591                            |
| <b>Total shareholders' funds</b>                               |      | 448,463                           | 375,416                           |
| <b>Net asset value per Ordinary share (pence)</b>              | 16   | 318.79                            | 262.48                            |

The financial statements on pages 66 to 87 were approved and authorised for issue by the Board on 6 April 2022 and were signed on its behalf by:

Dame Susan Rice



Director

The accompanying notes on pages 70 to 87 are an integral part of the financial statements.

# Statement of Changes in Equity

## For the year ended 31 January 2022

|                             | Share capital<br>£'000 | Share premium<br>account<br>£'000 | Capital redemption<br>reserve<br>£'000 | Capital reserve<br>£'000 | Revenue reserve<br>£'000 | Total<br>£'000 |
|-----------------------------|------------------------|-----------------------------------|----------------------------------------|--------------------------|--------------------------|----------------|
| Balance at 1 February 2021  | 7,151                  | 51,806                            | 15,465                                 | 277,403                  | 23,591                   | 375,416        |
| Buyback of Ordinary shares  | (117)                  | -                                 | 117                                    | (6,330)                  | -                        | (6,330)        |
| Return after taxation       | -                      | -                                 | -                                      | 79,315                   | 14,557                   | 93,872         |
| Dividends paid (see note 9) | -                      | -                                 | -                                      | -                        | (14,495)                 | (14,495)       |
| Balance at 31 January 2022  | 7,034                  | 51,806                            | 15,582                                 | 350,388                  | 23,653                   | 448,463        |

## For the year ended 31 January 2021

|                             | Share capital<br>£'000 | Share premium<br>account<br>£'000 | Capital redemption<br>reserve<br>£'000 | Capital reserve<br>£'000 | Revenue reserve<br>£'000 | Total<br>£'000 |
|-----------------------------|------------------------|-----------------------------------|----------------------------------------|--------------------------|--------------------------|----------------|
| Balance at 1 February 2020  | 7,164                  | 51,806                            | 15,452                                 | 318,923                  | 20,603                   | 413,948        |
| Buyback of Ordinary shares  | (13)                   | -                                 | 13                                     | (560)                    | -                        | (560)          |
| Return after taxation       | -                      | -                                 | -                                      | (40,960)                 | 16,885                   | (24,075)       |
| Dividends paid (see note 9) | -                      | -                                 | -                                      | -                        | (13,897)                 | (13,897)       |
| Balance at 31 January 2021  | 7,151                  | 51,806                            | 15,465                                 | 277,403                  | 23,591                   | 375,416        |

The accompanying notes on pages 70 to 87 are an integral part of the financial statements.

# Statement of Cash Flows

|                                                                         | Note | Year ended<br>31 January 2022<br>£'000 | Year ended<br>31 January 2021<br>£'000 |
|-------------------------------------------------------------------------|------|----------------------------------------|----------------------------------------|
| <b>Operating activities</b>                                             |      |                                        |                                        |
| Net return before taxation                                              |      | 96,031                                 | (21,601)                               |
| Adjustments for:                                                        |      |                                        |                                        |
| Net (gains)/losses on investments                                       | 11   | (81,710)                               | 40,373                                 |
| Net losses/(gains) on foreign exchange transactions                     |      | 558                                    | (825)                                  |
| Decrease/(increase) in dividend income receivable                       | 12   | 265                                    | (35)                                   |
| Decrease in fixed interest income receivable                            | 12   | 66                                     | 33                                     |
| Decrease in derivatives                                                 | 13   | (120)                                  | (524)                                  |
| Decrease/(increase) in other debtors                                    | 12   | 1                                      | (33)                                   |
| (Decrease)/increase in other creditors                                  | 13   | (828)                                  | 810                                    |
| Corporation tax paid                                                    |      | -                                      | (286)                                  |
| Tax on overseas income                                                  | 8    | (2,159)                                | (2,048)                                |
| (Accretion)/amortisation of senior loan note expenses                   | 6    | (1)                                    | 3                                      |
| Amortisation of fixed income book cost                                  | 11   | (2)                                    | 9                                      |
| Stock dividends included in investment income                           | 4    | -                                      | (290)                                  |
| <b>Net cash inflow from operating activities</b>                        |      | <b>12,101</b>                          | <b>15,586</b>                          |
| <b>Investing activities</b>                                             |      |                                        |                                        |
| Purchases of investments                                                |      | (193,847)                              | (243,480)                              |
| Sales of investments                                                    |      | 206,909                                | 211,499                                |
| <b>Net cash generated from/(used in) investing activities</b>           |      | <b>13,062</b>                          | <b>(31,981)</b>                        |
| <b>Financing activities</b>                                             |      |                                        |                                        |
| Equity dividends paid                                                   | 9    | (14,495)                               | (13,897)                               |
| Buyback of Ordinary shares                                              |      | (6,330)                                | (560)                                  |
| Drawdown of loan notes                                                  |      | -                                      | 37,461                                 |
| Drawdown of loan                                                        |      | -                                      | 23,416                                 |
| Repayment of loan                                                       |      | -                                      | (41,365)                               |
| <b>Net cash generated from/(used in) financing activities</b>           |      | <b>(20,825)</b>                        | <b>5,055</b>                           |
| <b>Increase/(decrease) in cash and cash equivalents</b>                 |      | <b>4,338</b>                           | <b>(11,340)</b>                        |
| <b>Analysis of changes in cash and cash equivalents during the year</b> |      |                                        |                                        |
| Opening balance                                                         |      | 9,239                                  | 21,898                                 |
| Effect of exchange rate fluctuation on cash held                        | 3    | 298                                    | (1,319)                                |
| Increase/(decrease) in cash as above                                    |      | 4,338                                  | (11,340)                               |
| <b>Closing balance</b>                                                  |      | <b>13,875</b>                          | <b>9,239</b>                           |

The accompanying notes on pages 70 to 87 are an integral part of the financial statements.

# Notes to the Financial Statements

For the year ended 31 January 2022

## 1 Principal activity

The Company is a closed-end investment company, registered in Scotland No. SC005218, with its Ordinary shares being listed on the London Stock Exchange.

## 2. Accounting policies

A summary of the principal accounting policies, all of which, unless otherwise stated, have been consistently applied throughout the year and the preceding year is set out below.

- (a) **Basis of preparation and going concern.** The financial statements have been prepared in accordance with Financial Reporting Standard 102, the Companies Act 2006 and with the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' issued in April 2021. The financial statements are prepared in sterling which is the functional currency of the Company and rounded to the nearest £'000. 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 Company's assets consist substantially of securities in companies listed on recognised stock exchanges and in normal circumstances are realisable within a short timescale and which can be sold to meet funding commitments if necessary. The Board has set gearing limits and regularly reviews actual exposures, cash flow projections and compliance with banking covenants. The Company replaced its Long-Term Financing Agreement in December 2020. The Board has considered the impact of COVID-19 and recent geopolitical developments and believes that there will be a limited resulting financial impact on the Company's operational resources and existence. Given that the Company's portfolio comprises primarily 'Level One' assets (listed on a recognisable exchange and realisable within a short timescale), and the Company's relatively low level of gearing, the Company has the ability to raise sufficient funds so as to remain within its debt covenants and pay expenses. Taking the above factors into consideration, the Directors have a reasonable expectation that the Company has adequate financial resources to continue in operational existence for the foreseeable future and for at least twelve months from the date of this Report. Accordingly, the Board continues to adopt the going concern basis in preparing the financial statements.

**Significant estimates and judgements.** Disclosure is required of judgements and estimates made by management in applying the accounting policies that have a significant effect on the financial statements. There are no significant estimates or judgements which impact these financial statements. The Company undertakes a continuation vote every three years. The last continuation vote was passed at the AGM held in June 2021 with 98.7% of votes in favour.

- (b) **Income.** Income from investments, including taxes deducted at source, is included in revenue by reference to the date on which the investment is quoted ex dividend. Special dividends are credited to capital or revenue, according to the circumstances. The fixed returns on debt instruments are recognised using the time apportioned accruals basis and the discount or premium on acquisition is amortised or accreted on a straight line basis.

Interest receivable from cash and short-term deposits is recognised the time apportioned accruals basis.

- (c) **Expenses.** All expenses are accounted for on an accruals basis and are charged to the Statement of Comprehensive Income. Expenses are charged against revenue except as follows:

– transaction costs on the acquisition or disposal of investments are charged to capital in the Statement of Comprehensive Income;

– expenses are charged to capital where a connection with the maintenance or enhancement of the value of the investments can be demonstrated. In this respect, the investment management fee is allocated 30% to revenue and 70% to capital to reflect the Company's investment policy and prospective income and capital growth.



- (d) **Taxation.** The tax payable is based on the taxable profit for the year. Taxable profit differs from net profit as reported in the Statement of Comprehensive Income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible (see note 8 for a more detailed explanation). The Company has no liability for current tax.

Deferred taxation is provided on all timing differences, that have originated but not reversed at the Statement of Financial Position date, where transactions or events that result in an obligation to pay more or a right to pay less tax in future have occurred at the Statement of Financial Position date, measured on an undiscounted basis and based on enacted tax rates. This is subject to deferred tax assets only being recognised if it is considered more likely than not that there will be suitable profits from which the future reversal of the underlying timing differences can be deducted. Timing differences are differences arising between the Company's taxable profits and its results as stated in the financial statements which are capable of reversal in one or more subsequent periods.

Owing to the Company's status as an investment trust company, and the intention to continue to meet the conditions required to obtain approval for the foreseeable future, the Company has not provided deferred tax on any capital gains and losses arising on the revaluation or disposal of investments.

- (e) **Investments.** The Company has chosen to apply the recognition and measurement provisions of IAS 39 Financial Instruments: Recognition and Measurement and investments have been designated upon initial recognition at fair value through profit or loss. Investments are recognised and de-recognised at trade date where a purchase or sale is under a contract whose terms require delivery within the time frame established by the market concerned, and are initially measured at fair value. Subsequent to initial recognition, investments are measured at fair value. For listed investments, this is deemed to be bid market prices. Gains and losses arising from changes in fair value and disposals are included as a capital item in the Statement of Comprehensive Income and are ultimately recognised in the capital reserve.
- (f) **Borrowings.** Monies borrowed to finance the investment objectives of the Company are stated at the amount of the net proceeds immediately after issue plus cumulative finance costs less cumulative payments made in respect of the debt. The finance costs of such borrowings are accounted for on an accruals basis using the effective interest rate method and are charged 30% to revenue and 70% to capital to reflect the Company's investment policy and prospective income and capital growth.
- (g) **Dividends payable.** Interim and final dividends are recognised in the period in which they are paid.
- (h) **Nature and purpose of reserves**

**Share premium account.** The balance classified as share premium includes the premium above nominal value from the proceeds on issue of any equity capital comprising Ordinary shares of 5p. This reserve is not distributable.

**Capital redemption reserve.** The capital redemption reserve is used to record the amount equivalent to the nominal value of any of the Company's own shares purchased and cancelled in order to maintain the Company's capital. This reserve is not distributable.

**Capital reserve.** This reserve reflects any gains or losses on realisation of investments in the period along with any changes in fair values of investments held that have been recognised in the Statement of Comprehensive Income. The costs of share buybacks for treasury are also deducted from this reserve. This reserve is distributable although the amount that is distributable is complex to determine and is not necessarily the full amount of the reserve as disclosed within these financial statements.

**Revenue reserve.** This reserve reflects all income and costs which are recognised in the revenue column of the Statement of Comprehensive Income. The revenue reserve represents the amount of the Company's reserves distributable by way of dividend. The amount of the revenue reserve as at 31 January 2022 may not be available at the time of any future distribution due to movements between 31 January 2022 and the date of distribution.

# Notes to the Financial Statements

## Continued

- (i) **Foreign currency.** Assets and liabilities in foreign currencies are translated at the rates of exchange ruling on the Statement of Financial Position date. Transactions involving foreign currencies are converted at the rate ruling on the date of the transaction. Gains and losses on the realisation of foreign currencies are recognised in the Statement of Comprehensive Income and are then transferred to the capital reserve.
- (j) **Traded options.** The Company may enter into certain derivative contracts (e.g. writing traded options). Option contracts are accounted for as separate derivative contracts and are therefore shown in other assets or other liabilities at their fair value. The initial fair value is based on the initial premium which is received/paid on inception. The premium is recognised in the revenue column over the life of the contract period. Losses on any movement in the fair value of open contracts at the year end realised and on the exercise of the contracts are recorded in the capital column of the Statement of Comprehensive Income.

In addition, the Company may enter into derivative contracts to manage market risk and gains or losses arising on such contracts are recorded in the capital column of the Statement of Comprehensive Income.

- (k) **Cash and cash equivalents.** Cash and cash equivalents comprise cash at bank.

### 3. Net currency (losses)/gains

|                                     | 2022<br>£'000 | 2021<br>£'000 |
|-------------------------------------|---------------|---------------|
| Gains/(losses) on cash held         | 298           | (1,319)       |
| Gains on bank loans                 | -             | 1,016         |
| (Losses)/gains on senior loan notes | (856)         | 1,128         |
|                                     | (558)         | 825           |

### 4. Income

|                                                | 2022<br>£'000 | 2021<br>£'000 |
|------------------------------------------------|---------------|---------------|
| <b>Income from overseas listed investments</b> |               |               |
| Dividend income                                | 13,424        | 14,168        |
| REIT income                                    | 2,218         | 1,199         |
| Interest income from investments               | 112           | 533           |
| Stock dividends                                | -             | 290           |
|                                                | 15,754        | 16,190        |
| <b>Other income from investment activity</b>   |               |               |
| Traded option premiums                         | 3,890         | 5,355         |
| Deposit interest                               | -             | 25            |
|                                                | 3,890         | 5,380         |
| <b>Total income</b>                            | <b>19,644</b> | <b>21,570</b> |

During the year, the Company was entitled to premiums totalling £3,890,000 (2021 - £5,355,000) in exchange for entering into option contracts. At the year end there were 2 (2021 - 2) open positions, valued at a liability of £24,000 (2021 - liability of £144,000) as disclosed in note 13. Losses realised on the exercise of derivative transactions are disclosed in note 11.

## 5. Investment management fee

|                           | 2022             |                  |                | 2021             |                  |                |
|---------------------------|------------------|------------------|----------------|------------------|------------------|----------------|
|                           | Revenue<br>£'000 | Capital<br>£'000 | Total<br>£'000 | Revenue<br>£'000 | Capital<br>£'000 | Total<br>£'000 |
| Investment management fee | 910              | 2,123            | 3,033          | 804              | 1,877            | 2,681          |

Management services are provided by Aberdeen Standard Fund Managers Limited ("ASFML"). With effect from 1 May 2021 the management fee is charged at 0.75% of net assets up to £250 million, 0.6% between £250 million and £500 million, and 0.5% over £500 million, payable quarterly. Prior to this the management fee was charged at 0.75% of net assets up to £350 million, 0.6% between £350 million and £500 million and 0.5% over £500 million, payable quarterly. Net assets equals gross assets after deducting current liabilities and borrowings and excluding commonly managed funds. The balance due to ASFML at the year end was £773,000 (2021 - £1,351,000). The fee is allocated 30% to revenue and 70% to capital (2021 - same).

The management agreement between the Company and the Manager is terminable by either party on three months' notice. In the event of a resolution being passed at the AGM to wind up the Company the Manager shall be entitled to three months' notice from the date the resolution was passed. In the event of termination on not less than the agreed notice period, compensation is payable in lieu of the unexpired notice period.

## 6. Finance costs

|                                           | 2022             |                  |                | 2021             |                  |                |
|-------------------------------------------|------------------|------------------|----------------|------------------|------------------|----------------|
|                                           | Revenue<br>£'000 | Capital<br>£'000 | Total<br>£'000 | Revenue<br>£'000 | Capital<br>£'000 | Total<br>£'000 |
| Interest on bank loans                    | -                | -                | -              | 109              | 253              | 362            |
| Bank interest paid                        | 2                | 5                | 7              | -                | -                | -              |
| Senior Loan Notes                         | 313              | 730              | 1,043          | 35               | 82               | 117            |
| Amortised Senior Loan Note issue expenses | 1                | 2                | 3              | 1                | 2                | 3              |
|                                           | 316              | 737              | 1,053          | 145              | 337              | 482            |

# Notes to the Financial Statements

## Continued

### 7. Administrative expenses

|                                                                            | 2022<br>£'000 | 2021<br>£'000 |
|----------------------------------------------------------------------------|---------------|---------------|
| Directors' fees                                                            | 129           | 123           |
| Registrar's fees                                                           | 51            | 46            |
| Custody and bank charges                                                   | 27            | 24            |
| Secretarial fees                                                           | 120           | 118           |
| Auditor's remuneration:                                                    |               |               |
| – fees payable to the Company's auditor for the audit of the annual report | 31            | 29            |
| Promotional activities                                                     | 177           | 212           |
| Printing, postage and stationery                                           | 31            | 30            |
| Fees, subscriptions and publications                                       | 51            | 55            |
| Professional fees                                                          | 55            | 51            |
| Depository charges                                                         | 43            | 45            |
| Other expenses                                                             | 20            | 20            |
|                                                                            | 735           | 753           |

Secretarial and administration services are provided by Aberdeen Standard Fund Managers Limited ("ASFML") under an agreement which is terminable on three months' notice. The fee is payable monthly in advance and based on an index-linked annual amount of £120,000 (2021 - £118,000). The balance due at the year end was £20,000 (2021 - £59,000).

During the year £177,000 (2021 - £212,000) was paid to ASFML in respect of promotional activities for the Company and the balance due at the year end was £18,000 (2021 - £68,000).

With the exception of Auditor's remuneration for the statutory audit, all of the expenses above include irrecoverable VAT where applicable. The Auditor's remuneration for the statutory audit excludes VAT amounting to £6,000 (2021 - £6,000).

### 8. Taxation

|                                         | 2022             |                  |                | 2021             |                  |                |
|-----------------------------------------|------------------|------------------|----------------|------------------|------------------|----------------|
|                                         | Revenue<br>£'000 | Capital<br>£'000 | Total<br>£'000 | Revenue<br>£'000 | Capital<br>£'000 | Total<br>£'000 |
| (a) Analysis of charge for the year     |                  |                  |                |                  |                  |                |
| UK corporation tax                      | 152              | -                | 152            | 615              | -                | 615            |
| Double tax relief                       | (152)            | -                | (152)          | (189)            | -                | (189)          |
| Overseas tax suffered                   | 2,067            | 91               | 2,158          | 2,039            | 12               | 2,051          |
| Tax relief to capital                   | 454              | (454)            | -              | 420              | (420)            | -              |
| Corporation tax prior year adjustment   | 1                | -                | 1              | -                | -                | -              |
| Deferred tax                            | -                | -                | -              | (26)             | -                | (26)           |
| Double tax relief on deferred tax items | -                | -                | -              | 23               | -                | 23             |
| Total tax charge for the year           | 2,522            | (363)            | 2,159          | 2,882            | (408)            | 2,474          |

- (b) **Factors affecting the tax charge for the year.** The UK corporation tax rate is 19% (2021 - 19%). The tax charge for the year is lower (2021 - higher) than the corporation tax rate. The differences are explained in the following table.

|                                           | 2022             |                  |                | 2021             |                  |                |
|-------------------------------------------|------------------|------------------|----------------|------------------|------------------|----------------|
|                                           | Revenue<br>£'000 | Capital<br>£'000 | Total<br>£'000 | Revenue<br>£'000 | Capital<br>£'000 | Total<br>£'000 |
| Net return before taxation                | 17,079           | 78,952           | 96,031         | 19,767           | (41,368)         | (21,601)       |
| Corporation tax at 19% (2021 - 19%)       | 3,245            | 15,001           | 18,246         | 3,755            | (7,860)          | (4,105)        |
| Effects of:                               |                  |                  |                |                  |                  |                |
| Non-taxable overseas dividends            | (2,550)          | (115)            | (2,665)        | (2,749)          | (19)             | (2,768)        |
| Irrecoverable overseas withholding tax    | 2,067            | 91               | 2,158          | 2,039            | 12               | 2,051          |
| Expenses not deductible for tax purposes  | 1                | -                | 1              | -                | -                | -              |
| Double tax relief                         | (152)            | -                | (152)          | (166)            | -                | (166)          |
| Corporation tax prior year adjustment     | 1                | -                | 1              | -                | -                | -              |
| Tax rate differentials                    | -                | -                | -              | 3                | -                | 3              |
| Excess management expenses                | (90)             | 90               | -              | -                | -                | -              |
| Non-taxable (gains)/losses on investments | -                | (15,536)         | (15,536)       | -                | 7,615            | 7,615          |
| Non-taxable currency losses/(gains)       | -                | 106              | 106            | -                | (156)            | (156)          |
| <b>Total tax charge</b>                   | <b>2,522</b>     | <b>(363)</b>     | <b>2,159</b>   | <b>2,882</b>     | <b>(408)</b>     | <b>2,474</b>   |

- (c) **Provision for deferred taxation**

|                                  | 2022             |                  |                | 2021             |                  |                |
|----------------------------------|------------------|------------------|----------------|------------------|------------------|----------------|
|                                  | Revenue<br>£'000 | Capital<br>£'000 | Total<br>£'000 | Revenue<br>£'000 | Capital<br>£'000 | Total<br>£'000 |
| Opening balance                  | -                | -                | -              | 4                | -                | 4              |
| Deferred tax credit for the year | -                | -                | -              | (4)              | -                | (4)            |
| Provision at end of the year     | -                | -                | -              | -                | -                | -              |

At the period end there is no unrecognised deferred tax asset (2021 - £nil) in relation to surplus management expenses.

# Notes to the Financial Statements

## Continued

### 9. Dividends

|                                                                    | 2022<br>£'000 | 2021<br>£'000 |
|--------------------------------------------------------------------|---------------|---------------|
| Amounts recognised as distributions to equity holders in the year: |               |               |
| 3rd interim dividend for 2021 of 1.9p per share (2020 - 1.8p)      | 2,718         | 2,579         |
| 4th interim dividend for 2021 of 4.5p per share (2020 - 4.3p)      | 6,408         | 6,161         |
| 1st interim dividend for 2022 of 1.9p per share (2021 - 1.8p)      | 2,693         | 2,579         |
| 2nd interim dividend for 2022 of 1.9p per share (2021 - 1.8p)      | 2,676         | 2,578         |
|                                                                    | <b>14,495</b> | <b>13,897</b> |

The third interim dividend and proposed final dividend were unpaid at the year end. Accordingly, neither have been included as a liability in these financial statements.

The table below sets out the total dividends paid and proposed in respect of the financial year, which is the basis on which the requirements of Sections 1158-1159 of the Corporation Tax Act 2010 are considered. The revenue available for distribution by way of dividend for the year is £14,557,000 (2021 - £16,885,000).

|                                                                  | 2022<br>£'000 | 2021<br>£'000 |
|------------------------------------------------------------------|---------------|---------------|
| 1st interim dividend for 2022 of 1.9p per share (2021 - 1.8p)    | 2,693         | 2,579         |
| 2nd interim dividend for 2022 of 1.9p per share (2021 - 1.8p)    | 2,676         | 2,578         |
| 3rd interim dividend for 2022 of 2.5p per share (2021 - 1.9p)    | 3,517         | 2,718         |
| Proposed final dividend for 2022 of 4.0p per share (2021 - 4.5p) | 5,609         | 6,408         |
|                                                                  | <b>14,495</b> | <b>14,283</b> |

The cost of the proposed final dividend for 2022 is based on 140,235,898 Ordinary shares in issue, being the number of Ordinary shares in issue at the date of this report.

### 10. Return per Ordinary share

|                                                     | 2022        |       | 2021        |         |
|-----------------------------------------------------|-------------|-------|-------------|---------|
|                                                     | £'000       | p     | £'000       | p       |
| Based on the following figures:                     |             |       |             |         |
| Revenue return                                      | 14,557      | 10.28 | 16,885      | 11.79   |
| Capital return                                      | 79,315      | 56.00 | (40,960)    | (28.60) |
| Total return                                        | 93,872      | 66.28 | (24,075)    | (16.81) |
|                                                     |             |       |             |         |
| Weighted average number of Ordinary shares in issue | 141,625,873 |       | 143,206,658 |         |

## 11. Investments at fair value through profit or loss

|                                                         | 2022<br>£'000 | 2021<br>£'000 |
|---------------------------------------------------------|---------------|---------------|
| <i>Investments at fair value through profit or loss</i> |               |               |
| Opening book cost                                       | 395,289       | 388,574       |
| Opening investment holdings gains                       | 8,972         | 22,226        |
| Opening fair value                                      | 404,261       | 410,800       |
| <i>Analysis of transactions made during the year</i>    |               |               |
| Purchases at cost                                       | 195,379       | 246,078       |
| Sales proceeds received                                 | (210,378)     | (212,235)     |
| Gains/(losses) on investments <sup>A</sup>              | 81,710        | (40,373)      |
| Accretion/(amortisation) of fixed income book cost      | 2             | (9)           |
| Closing fair value                                      | 470,974       | 404,261       |
| Closing book cost                                       | 425,863       | 395,289       |
| Closing investment holdings gains                       | 45,111        | 8,972         |
| Closing fair value                                      | 470,974       | 404,261       |
| Listed on overseas stock exchanges                      | 470,974       | 404,261       |
| <i>Net gains/(losses) on investments</i>                |               |               |
| Gains/(losses) on investments <sup>A</sup>              | 81,710        | (40,373)      |
| Investment holding gains on traded options <sup>B</sup> | 56            | 293           |
|                                                         | 81,766        | (40,080)      |

<sup>A</sup> Includes losses realised on the exercise of traded options of £3,250,000 (2021 - £3,706,000) which are reflected in the capital column of the Statement of Comprehensive Income in accordance with accounting policy 2(j). Premiums received from traded options totalled £3,890,000 (2021 - £5,355,000) per note 4.

<sup>B</sup> Options associated are derivative liabilities at the year end.

The Company received £210,378,000 (2021 - £212,235,000) from investments sold in the year. The book cost of these investments when they were purchased was £164,807,000 (2021 - £239,354,000). These investments have been revalued over time and until they were sold any unrealised gains/losses were included in the fair value of the investments.

**Transaction costs.** During the year expenses were incurred in acquiring or disposing of investments classified as fair value through profit or loss. These have been expensed through capital and are included within gains on investments in the Statement of Comprehensive Income. The total costs were as follows:

# Notes to the Financial Statements

## Continued

|           | 2022<br>£'000 | 2021<br>£'000 |
|-----------|---------------|---------------|
| Purchases | 81            | 105           |
| Sales     | 142           | 194           |
|           | 223           | 299           |

The above transaction costs are calculated in line with the AIC SORP. The transaction costs in the Company's Key Information Document are calculated on a different basis and in line with the PRIIPs regulations.

### 12. Debtors: amounts falling due within one year

|                         | 2022<br>£'000 | 2021<br>£'000 |
|-------------------------|---------------|---------------|
| Dividends receivable    | 549           | 814           |
| Interest receivable     | 32            | 98            |
| Other debtors           | 100           | 101           |
| Amount due from brokers | 5,031         | 1,562         |
|                         | 5,712         | 2,575         |

### 13. Creditors: amounts falling due within one year

|                                   | 2022<br>£'000 | 2021<br>£'000 |
|-----------------------------------|---------------|---------------|
| Amounts due to brokers            | 3,840         | 2,308         |
| Investment management fee payable | 773           | 1,351         |
| Traded option contracts           | 24            | 144           |
| Interest payable                  | 120           | 117           |
| Corporation tax payable           | -             | 140           |
| Other creditors                   | 150           | 263           |
|                                   | 4,907         | 4,323         |



## 14. Bank loan

Creditors: amounts falling due after more than one year

|                                      | 2022<br>£'000 | 2021<br>£'000 |
|--------------------------------------|---------------|---------------|
| 2.70% Senior Loan Notes – 10 years   | 18,634        | 18,206        |
| 2.96% Senior Loan Notes – 15 years   | 18,634        | 18,206        |
| Unamortised Loan Note issue expenses | (77)          | (76)          |
|                                      | 37,191        | 36,336        |

On 21 December 2020 the Company issued a US\$25 million 10 years Senior Loan Note at an annualised interest rate of 2.70% and a US\$25 million 15 years Senior Loan Note at an annualised interest rate of 2.96%. The Loan Notes are unsecured and unlisted. Interest is payable in half yearly instalments in June and December and the Loan Notes are due to be redeemed at par on 21 December 2030 and 21 December 2035. The Company has complied with the Senior Loan Note Purchase Agreement covenant throughout the period since issue that the ratio of net assets to gross borrowings must be greater than 3.5:1, that net assets will not be less than £200,000,000, and that the total number of Listed Assets is to be more than 35.

The total fair value of the Senior Loan Notes at 31 January 2022 was £41,348,000 (2021 – £43,334,000) comprising £20,065,000 (2021 – £21,034,000) in respect of the 10 years 2.70% Senior Loan Note and £21,283,000 (2021 – £22,300,000) in respect of the 15 years 2.96% Senior Loan Note. The fair value of the Senior Loan Notes has been determined by aggregating the expected future cash flows for that loan discounted at a rate comprising the borrower's margin plus an average of market rates applicable to loans of a similar period of time.

## 15. Called-up share capital

|                                                             | 2022<br>£'000 | 2021<br>£'000 |
|-------------------------------------------------------------|---------------|---------------|
| Allotted, called-up and fully paid:                         |               |               |
| Opening balance                                             | 7,151         | 7,164         |
| Ordinary shares bought back in the year                     | (117)         | (13)          |
| 140,675,934 (2021 – 143,029,146) Ordinary shares of 5p each | 7,034         | 7,151         |

During the year 2,353,212 (2021 – 248,374) Ordinary shares of 5p each were repurchased by the Company at a total cost, including transaction costs, of £6,330,000 (2021 – £560,000).

Subsequent to the year end, the Company 440,036 Ordinary shares of 5p each were repurchased by the Company at a total cost, including transaction costs of £1,248,000.

# Notes to the Financial Statements

## Continued

### 16. Net asset value per Ordinary share

The net asset value per share and the net assets attributable to the Ordinary shareholders at the year end were as follows:

|                                                 | 2022         | 2021         |
|-------------------------------------------------|--------------|--------------|
| Net assets attributable                         | £448,463,000 | £375,416,000 |
| Number of Ordinary shares in issue <sup>A</sup> | 140,675,934  | 143,029,146  |
| Net asset value per share                       | 318.79p      | 262.48p      |

<sup>A</sup> Including 66,395 Ordinary shares bought back for treasury prior to the year end which had not yet settled.

### 17. Analysis of changes in net debt

|                                   | At<br>1 February<br>2021<br>£'000 | Currency<br>differences<br>£'000 | Non-cash<br>movement<br>£'000 | Cash<br>flows<br>£'000 | At<br>31 January<br>2022<br>£'000 |
|-----------------------------------|-----------------------------------|----------------------------------|-------------------------------|------------------------|-----------------------------------|
| Cash and short term deposits      | 9,239                             | 298                              | -                             | 4,338                  | 13,875                            |
| Debt due after more than one year | (36,336)                          | (856)                            | 1                             | -                      | (37,191)                          |
|                                   | (27,097)                          | (558)                            | 1                             | 4,338                  | (23,316)                          |

|                                   | At<br>1 February<br>2020<br>£'000 | Currency<br>differences<br>£'000 | Non-cash<br>movement<br>£'000 | Cash<br>flows<br>£'000 | At<br>31 January<br>2021<br>£'000 |
|-----------------------------------|-----------------------------------|----------------------------------|-------------------------------|------------------------|-----------------------------------|
| Cash and short term deposits      | 21,898                            | (1,319)                          | -                             | (11,340)               | 9,239                             |
| Debt due within one year          | (18,965)                          | 1,016                            | -                             | 17,949                 | -                                 |
| Debt due after more than one year | -                                 | 1,128                            | (3)                           | (37,461)               | (36,336)                          |
|                                   | 2,933                             | 825                              | (3)                           | (30,852)               | (27,097)                          |

A statement reconciling the movement in net funds to the net cash flow has not been presented as there are no differences from the above analysis.

## 18. Financial instruments and risk management

The Company's investment activities expose it to various types of financial risk associated with the financial instruments and markets in which it invests. The Company's financial instruments, other than derivatives, comprise securities and other investments, cash balances, loans and debtors and creditors that arise directly from its operations; for example, in respect of sales and purchases awaiting settlement, and debtors for accrued income.

Subject to Board approval, the Company also has the ability to enter into derivative transactions, in the form of traded options, for the purpose of enhancing income returns and portfolio management. During the year, the Company entered into certain derivative contracts. As disclosed in note 4, the premium received in respect of options written in the year was £3,890,000 (2021 - £5,355,000). Positions closed during the year realised a loss of £3,250,000 (2021 - £3,706,000). The largest position in derivative contracts held during the year at any given time was £613,000 (2021 - £601,000). The Company had 2 (2021 - 2) open positions in derivative contracts at 31 January 2022 valued at a liability of £24,000 (2021 - £144,000) as disclosed in note 13.

The Board has delegated the risk management function to the Manager under the terms of its management agreement with ASFML (further details which are included under note 5). The Board regularly reviews and agrees policies for managing each of the key financial risks identified with the Manager. The types of risk and the Manager's approach to the management of each type of risk, are summarised below. Such an approach has been applied throughout the year and has not changed since the previous accounting period. The numerical disclosures exclude short-term debtors and creditors.

**Risk management framework.** The directors of ASFML collectively assume responsibility for ASFML's obligations under the AIFMD including reviewing investment performance and monitoring the Company's risk profile during the year.

ASFML is a fully integrated member of the abrdn plc group of companies (referred to as "the Group"), which provides a variety of services and support to ASFML in the conduct of its business activities, including in the oversight of the risk management framework for the Company. The AIFM has delegated the day to day administration of the investment policy to Aberdeen Asset Managers Limited, which is responsible for ensuring that the Company is managed within the terms of its investment guidelines and the limits set out in FUND 3.2.2R (details of which can be found on the Company's website). The AIFM has retained responsibility for monitoring and oversight of investment performance, product risk and regulatory and operational risk for the Company.

The AIFM conducts its risk oversight function through the operation of the Group's risk management processes and systems which are embedded within the Group's operations. The Group's Risk Division supports management in the identification and mitigation of risks and provides independent monitoring of the business. The Division includes Compliance, Business Risk, Market Risk, Risk Management and Legal. The team is headed up by the Group's Head of Risk, who reports to the Chief Executive Officer of the Group. The Risk Division achieves its objective through embedding the Risk Management Framework throughout the organisation using the Group's operational risk management system ("SHIELD").

The Group's Internal Audit Department is independent of the Risk Division and reports directly to the Group's Chief Executive Officer and the Audit Committee of the Group's Board of Directors. The Internal Audit Department is responsible for providing an independent assessment of the Group's control environment.

The Group's corporate governance structure is supported by several committees to assist the board of directors of abrdn plc, its subsidiaries and the Company to fulfil their roles and responsibilities. The Group's Risk Division is represented on all committees, with the exception of those committees that deal with investment recommendations. The specific goals and guidelines on the functioning of those committees are described on the committees' terms of reference.

**Risk management.** The main risks the Company faces from its financial instruments are (i) market risk (comprising interest rate risk, currency risk and price risk), (ii) liquidity risk and (iii) credit risk.

# Notes to the Financial Statements

## Continued

The Board regularly reviews and agrees policies for managing each of these risks. The Manager's policies for managing these risks are summarised below and have been applied throughout the year. The numerical disclosures exclude short-term debtors and creditors, other than for currency disclosures.

- (i) **Market risk.** The fair value or future cash flows of a financial instrument held by the Company may fluctuate because of changes in market prices. This market risk comprises three elements – interest rate risk, currency risk and other price risk.

**Interest rate risk.** Interest rate movements may affect:

- the fair value of the investments in fixed interest rate securities;
- the level of income receivable on cash deposits;
- interest payable on the Company's variable rate borrowings.

**Management of the risk.** The possible effects on fair value and cash flows that could arise as a result of changes in interest rates are taken into account when making investment and borrowing decisions.

The Board reviews on a regular basis the values of the fixed interest rate securities.

The Board imposes borrowing limits to ensure gearing levels are appropriate to market conditions and reviews these on a regular basis. Borrowings comprise fixed rate, revolving and uncommitted facilities. Details of borrowings at 31 January 2022 are shown in note 14 on page 79.

**Interest risk profile.** The interest rate risk profile of the portfolio of financial instruments at the Statement of Financial Position date was as follows:

| At 31 January 2022         | Weighted average period for which rate is fixed<br>Years | Weighted average interest rate<br>% | Fixed rate<br>£'000 | Floating rate<br>£'000 | Non-interest bearing<br>£'000 |
|----------------------------|----------------------------------------------------------|-------------------------------------|---------------------|------------------------|-------------------------------|
| <i>Assets</i>              |                                                          |                                     |                     |                        |                               |
| Sterling                   | -                                                        | -                                   | -                   | 4,982                  | -                             |
| US Dollar                  | 8                                                        | 7                                   | 1,642               | 8,711                  | 423,051                       |
| Canadian Dollar            | -                                                        | -                                   | -                   | 182                    | 46,281                        |
| <b>Total assets</b>        |                                                          |                                     | <b>1,642</b>        | <b>13,875</b>          | <b>469,332</b>                |
| <i>Liabilities</i>         |                                                          |                                     |                     |                        |                               |
| Loan Notes- US\$25,000,000 | 9                                                        | 3                                   | 18,596              | -                      | -                             |
| Loan Notes- US\$25,000,000 | 14                                                       | 3                                   | 18,595              | -                      | -                             |
| <b>Total liabilities</b>   |                                                          |                                     | <b>37,191</b>       | <b>-</b>               | <b>-</b>                      |

| At 31 January 2021         | Weighted<br>average<br>period for<br>which<br>rate is fixed<br>Years | Weighted<br>average<br>interest rate<br>% | Fixed<br>rate<br>£'000 | Floating<br>rate<br>£'000 | Non-<br>interest<br>bearing<br>£'000 |
|----------------------------|----------------------------------------------------------------------|-------------------------------------------|------------------------|---------------------------|--------------------------------------|
| <i>Assets</i>              |                                                                      |                                           |                        |                           |                                      |
| Sterling                   | -                                                                    | -                                         | -                      | 4,782                     | -                                    |
| US Dollar                  | 6                                                                    | 6                                         | 6,667                  | 4,280                     | 363,859                              |
| Canadian Dollar            | -                                                                    | -                                         | -                      | 177                       | 33,735                               |
| <b>Total assets</b>        |                                                                      |                                           | <b>6,667</b>           | <b>9,239</b>              | <b>397,594</b>                       |
| <i>Liabilities</i>         |                                                                      |                                           |                        |                           |                                      |
| Loan Notes- US\$25,000,000 | 10                                                                   | 3                                         | 18,168                 | -                         | -                                    |
| Loan Notes- US\$25,000,000 | 15                                                                   | 3                                         | 18,168                 | -                         | -                                    |
| <b>Total liabilities</b>   |                                                                      |                                           | <b>36,336</b>          | <b>-</b>                  | <b>-</b>                             |

The weighted average interest rate is based on the current yield of each asset, weighted by its market value.

The floating rate assets consist of cash deposits at prevailing market rates.

The non-interest bearing assets represent the equity element of the portfolio.

Short-term debtors and creditors have been excluded from the above tables.

**Financial Liabilities.** The company has fixed rate borrowings by way of its senior loan notes, details of which can be found in note 14.

**Interest rate sensitivity.** The sensitivity analyses below have been determined based on the exposure to interest rates for both derivative and non-derivative instruments at the Statement of Financial Position date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period in the case of instruments that have floating rates.

If interest rates had been 100 basis points higher or lower (based on current parameter used by Manager's Investment Risk Department on risk assessment) and all other variables were held constant, the Company's revenue return for the year ended 31 January 2022 would increase/decrease by £139,000 (2021 - decrease/increase by £92,000). This is mainly attributable to the Company's exposure to interest rates on its floating rate cash balances.

In the opinion of the Directors, the above sensitivity analyses are not representative of the year as a whole, since the level of exposure changes frequently as part of the interest rate risk management process used to meet the Company's objectives. The risk parameters used will also fluctuate depending on the current market perception.

**Foreign currency risk.** The Company's portfolio is invested mainly in US quoted securities and the Statement of Financial Position can be significantly affected by movements in foreign exchange rates.

# Notes to the Financial Statements

## Continued

**Management of the risk.** It is not the Company's policy to hedge this risk on a continuing basis but the Company may, from time to time, match specific overseas investment with foreign currency borrowings. A significant proportion of the Company's borrowings, as detailed in note 14, are denominated in foreign currency. Foreign currency risk exposure by currency denomination is detailed under Interest Risk Profile.

The revenue account is subject to currency fluctuation arising on overseas income. The Company does not hedge this currency risk.

**Foreign currency sensitivity.** There is no sensitivity analysis included as the Company's significant foreign currency financial instruments are in the form of equity investments, and they have been included within the other price risk sensitivity analysis so as to show the overall level of exposure.

**Price risk.** Price risks (ie changes in market prices other than those arising from interest rate or currency risk) may affect the value of the quoted investments.

**Management of the risk.** It is the Board's policy to hold an appropriate spread of investments in the portfolio in order to reduce the risk arising from factors specific to a particular country or sector. The allocation of assets to international markets and the stock selection process, as detailed on page 93, both act to reduce market risk. The Manager actively monitors market prices throughout the year and reports to the Board, which meets regularly in order to review investment strategy. The investments held by the Company are listed on various stock exchanges.

**Price risk sensitivity.** If market prices at the Statement of Financial Position date had been 10% higher or lower while all other variables remained constant, the return attributable to Ordinary shareholders for the year ended 31 January 2022 would have increased/decreased by £47,097,000 (2021 - increase/decrease of £40,426,000) and equity reserves would have increased/decreased by the same amount.

- (ii) **Liquidity risk.** This is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities.

**Management of the risk.** Liquidity risk is not considered to be significant as the Company's assets comprise mainly readily realisable securities, which can be sold to meet funding commitments if necessary.

- (iii) **Credit risk.** This is failure of the counterparty to a transaction to discharge its obligations under that transaction that could result in the Company suffering a loss.

**Management of the risk**

– where the Manager makes an investment in a bond, corporate or otherwise, the credit ratings of the issuer are taken into account so as to manage the risk to the Company of default;

– investments in quoted bonds are made across a variety of industry sectors so as to avoid concentrations of credit risk;

– transactions involving derivatives are entered into only with investment banks, the credit rating of which is taken into account so as to minimise the risk to the Company of default;

– investment transactions are carried out with a number of brokers, whose credit-standing is reviewed periodically by the Manager, and limits are set on the amount that may be due from any one broker;

– the risk of counterparty exposure due to failed trades causing a loss to the Company is mitigated by the review of failed trade reports on a daily basis. In addition, both stock and cash reconciliations to the custodian's records are performed on a daily basis to ensure discrepancies are investigated on a timely basis. The Manager's Compliance department carries out periodic reviews of the custodian's operations and reports its findings to the Manager's Risk Management Committee;

– cash is held only with reputable banks with acceptable credit quality. It is the Manager's policy to trade only with A- and above (Long Term rated) and A-1/P-1 (Short Term rated) counterparties.

**Credit risk exposure.** In summary, compared to the amounts in the Statement of Financial Position, the exposure to credit risk at 31 January 2022 was as follows:

|                               | 2022                                           |                              | 2021                                           |                              |
|-------------------------------|------------------------------------------------|------------------------------|------------------------------------------------|------------------------------|
|                               | Statement of<br>Financial<br>Position<br>£'000 | Maximum<br>exposure<br>£'000 | Statement of<br>Financial<br>Position<br>£'000 | Maximum<br>exposure<br>£'000 |
| <b>Non-current assets</b>     |                                                |                              |                                                |                              |
| Quoted bonds                  | 1,642                                          | 1,642                        | 6,667                                          | 6,667                        |
| <b>Current assets</b>         |                                                |                              |                                                |                              |
| Amount due from brokers       | 5,031                                          | 5,031                        | 1,562                                          | 1,562                        |
| Dividends receivable          | 549                                            | 549                          | 814                                            | 814                          |
| Interest receivable           | 32                                             | 32                           | 98                                             | 98                           |
| Other debtors and prepayments | 100                                            | 100                          | 101                                            | 101                          |
| Cash and short-term deposits  | 13,875                                         | 13,875                       | 9,239                                          | 9,239                        |
|                               | <b>21,229</b>                                  | <b>21,229</b>                | <b>18,481</b>                                  | <b>18,481</b>                |

None of the Company's financial assets are secured by collateral or other credit enhancements.

**Credit ratings.** The table below provides a credit rating profile using Standard and Poors credit ratings for the quoted bonds at 31 January 2022 and 31 January 2021:

|      | 2022<br>£'000 | 2021<br>£'000 |
|------|---------------|---------------|
| B    | -             | 665           |
| BB+  | -             | 376           |
| BB   | 897           | 2,408         |
| BB-  | 745           | 1,530         |
| BBB- | -             | 1,688         |
|      | <b>1,642</b>  | <b>6,667</b>  |

**Fair values of financial assets and financial liabilities.** The book value of cash at bank and bank loans and overdrafts included in these financial statements approximate to fair value because of their short-term maturity. Investments held as dealing investments are valued at fair value. The carrying values of fixed asset investments are stated at their fair values, which have been determined with reference to quoted market prices. For all other short-term debtors and creditors, their book values approximate to fair values because of their short-term maturity.

# Notes to the Financial Statements

## Continued

### 19. Capital management policies and procedures

The investment 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 predominately of S&P 500 US equities.

The capital of the Company consists of bank borrowings and equity comprising issued capital, reserves and retained earnings. The Company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

The Board monitors and reviews the broad structure of the Company's capital on an ongoing basis. This review includes:

- the planned level of gearing which takes into account the Investment Manager's views on the market;
- the level of equity shares in issue; and
- the extent to which revenue in excess of that which is required to be distributed should be retained.

The Company's objectives, policies and processes for managing capital are unchanged from the preceding accounting period.

Details of the Company's gearing facilities and financial covenants are detailed in note 14 of the financial statements.

### 20. 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 has the following classifications:

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

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

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

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

| As at 31 January 2022                                             | Note | Level 1<br>£'000 | Level 2<br>£'000 | Level 3<br>£'000 | Total<br>£'000 |
|-------------------------------------------------------------------|------|------------------|------------------|------------------|----------------|
| <b>Financial assets at fair value through profit or loss</b>      |      |                  |                  |                  |                |
| Quoted equities                                                   | a)   | 469,332          | -                | -                | 469,332        |
| Quoted bonds                                                      | b)   | -                | 1,642            | -                | 1,642          |
|                                                                   |      | 469,332          | 1,642            | -                | 470,974        |
| <b>Financial liabilities at fair value through profit or loss</b> |      |                  |                  |                  |                |
| Derivatives                                                       | c)   | -                | (24)             | -                | (24)           |
| <b>Net fair value</b>                                             |      | <b>469,332</b>   | <b>1,618</b>     | <b>-</b>         | <b>470,950</b> |



| As at 31 January 2021                                             | Note | Level 1<br>£'000 | Level 2<br>£'000 | Level 3<br>£'000 | Total<br>£'000 |
|-------------------------------------------------------------------|------|------------------|------------------|------------------|----------------|
| <b>Financial assets at fair value through profit or loss</b>      |      |                  |                  |                  |                |
| Quoted equities                                                   | a)   | 397,594          | -                | -                | 397,594        |
| Quoted bonds                                                      | b)   | -                | 6,667            | -                | 6,667          |
|                                                                   |      | 397,594          | 6,667            | -                | 404,261        |
| <b>Financial liabilities at fair value through profit or loss</b> |      |                  |                  |                  |                |
| Derivatives                                                       | c)   | -                | (144)            | -                | (144)          |
| Net fair value                                                    |      | 397,594          | 6,523            | -                | 404,117        |

- a) **Quoted equities.** The fair value of the Company's investments in quoted equities has been determined by reference to their quoted bid prices at the reporting date. Quoted equities included in Fair Value Level 1 are actively traded on recognised stock exchanges.
- b) **Quoted bonds.** The fair value of the Company's investments in quoted bonds has been determined by reference to their quoted bid prices at the reporting date. Investments categorised as Level 2 are not considered to trade in active markets.
- c) **Derivatives.** The Company's investment in exchange traded options have been fair valued using quoted prices and have been classified as Level 2 as they are not considered to trade in active markets.

The fair value of the senior loan notes has been calculated as £41,348,000 (2021 - £43,334,000), determined by aggregating the expected future cash flows for that loan discounted at a rate comprising the borrower's margin plus an average of market rates applicable to loans of a similar period of time, compared to carrying amortised cost of £37,191,000 (2021 - £36,336,000).

## 21. Related party transactions

**Directors' fees and interests.** Fees payable during the year to the Directors and their interests in shares of the Company are disclosed within the Directors' Remuneration Report on pages 53 and 54.

**Transactions with the Manager.** The Company has an agreement with the Manager for the provision of investment management, secretarial, accounting and administration and promotional activity services.

Details of transactions during the year and balances outstanding at the year end are disclosed in notes 5 and 7.

# Alternative Performance Measures

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

## Discount to net asset value

The discount is the amount by which the share price is lower than the net asset value per share with debt at fair value, expressed as a percentage of the net asset value with debt at fair value.

|                            |         | 2022    | 2021    |
|----------------------------|---------|---------|---------|
| NAV per Ordinary share (p) | a       | 318.79p | 262.48p |
| Share price (p)            | b       | 283.00p | 234.00p |
| Discount                   | (a-b)/a | 11.2%   | 10.9%   |

## Dividend cover

Dividend cover measures the revenue return per share divided by total dividends per share, expressed as a ratio.

|                          |     | 2022   | 2021   |
|--------------------------|-----|--------|--------|
| Revenue return per share | a   | 10.28p | 11.79p |
| Dividends per share      | b   | 10.30p | 10.00p |
| Dividend cover           | a/b | 1.00   | 1.18   |

## Dividend yield

Dividend yield is calculated using the Company's annual dividend per Ordinary share divided by the share price, expressed as a percentage.

|                                        |     | 2022    | 2021    |
|----------------------------------------|-----|---------|---------|
| Annual dividend per Ordinary share (p) | a   | 10.30p  | 10.00p  |
| Share price (p)                        | b   | 283.00p | 234.00p |
| Dividend yield                         | a/b | 3.6%    | 4.3%    |

## Net gearing

Net gearing measures total borrowings less cash and cash equivalents divided by shareholders' funds, expressed as a percentage. Under AIC reporting guidance cash and cash equivalents includes net amounts due to and from brokers at the period end as well as cash and short-term deposits.

|                                  |                    | 2022        | 2021        |
|----------------------------------|--------------------|-------------|-------------|
| Borrowings (£'000)               | a                  | 37,191      | 36,336      |
| Cash (£'000)                     | b                  | 13,875      | 9,239       |
| Amounts due to brokers (£'000)   | c                  | 3,840       | 2,308       |
| Amounts due from brokers (£'000) | d                  | 5,031       | 1,562       |
| Shareholders' funds (£'000)      | e                  | 448,463     | 375,416     |
| <b>Net gearing</b>               | <b>(a-b+c-d)/e</b> | <b>4.9%</b> | <b>7.4%</b> |

## Ongoing charges ratio

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

|                                                             | 2022           | 2021           |
|-------------------------------------------------------------|----------------|----------------|
| Investment management fees (£'000)                          | 3,033          | 2,681          |
| Administrative expenses (£'000)                             | 735            | 753            |
| Less: non recurring charges <sup>A</sup> (£'000)            | (10)           | -              |
| <b>Ongoing charges (£'000)</b>                              | <b>3,758</b>   | <b>3,434</b>   |
| <b>Average net assets (£'000)</b>                           | <b>429,283</b> | <b>371,338</b> |
| <b>Ongoing charges ratio (excluding look-through costs)</b> | <b>0.88%</b>   | <b>0.92%</b>   |
| <b>Look-through costs<sup>B</sup></b>                       | <b>0.07%</b>   | <b>0.09%</b>   |
| <b>Ongoing charges ratio (including look-through costs)</b> | <b>0.95%</b>   | <b>1.01%</b>   |

<sup>A</sup> Professional services considered unlikely to recur.

<sup>B</sup> Calculated in accordance with AIC guidance issued in October 2020 to include the Company's share of costs of holdings in investment companies on a look-through basis.

The ongoing charges ratio provided in the Company's Key Information Document is calculated in line with the PRIIPs regulations which includes finance costs and transaction charges.

# Alternative Performance Measures

## Continued

### Total return

NAV and share price total returns show how the NAV and share price has performed over a period of time in percentage terms, taking into account both capital returns and dividends paid to shareholders. Share price and NAV total returns are monitored against open-ended and closed-ended competitors, and the Reference Index, respectively:

| Year ended 31 January 2022         |             | NAV           | Share Price   |
|------------------------------------|-------------|---------------|---------------|
| Opening at 1 February 2021         | a           | 262.5p        | 234.0p        |
| Closing at 31 January 2022         | b           | 318.8p        | 283.0p        |
| Price movements                    | $c=(b/a)-1$ | 21.5%         | 20.9%         |
| Dividend reinvestment <sup>A</sup> | d           | 4.2%          | 4.7%          |
| <b>Total return</b>                | <b>c+d</b>  | <b>+25.7%</b> | <b>+25.6%</b> |

| Year ended 31 January 2021              |             | NAV          | Share Price   |
|-----------------------------------------|-------------|--------------|---------------|
| Opening at 1 February 2020 <sup>B</sup> | a           | 287.1p       | 290.0p        |
| Closing at 31 January 2021              | b           | 262.5p       | 234.0p        |
| Price movements                         | $c=(b/a)-1$ | -8.6%        | -19.3%        |
| Dividend reinvestment <sup>A</sup>      | d           | 2.9%         | 2.8%          |
| <b>Total return</b>                     | <b>c+d</b>  | <b>-5.7%</b> | <b>-16.5%</b> |

<sup>A</sup> NAV total return involves investing the net dividend in the NAV of the Company with debt at fair value on the date on which that dividend goes ex-dividend. Share price total return involves reinvesting the net dividend in the share price of the Company on the date on which that dividend goes ex-dividend.

<sup>B</sup> NAV per Statement of Financial Position of 288.91p reduced by 1.80p to take account of dividend going ex-div on 30 January 2020.

# Corporate Information

The Company's Investment Manager, abrdn Inc. is a subsidiary of abrdn plc, whose group of companies as at 31 December 2021 had approximately £542 billion of assets under management and administration.

Gaming and Leisure Properties has a portfolio consisting of 53 geographically diversified gaming and related facilities and amenities well-positioned across the nation.

# Information about the Investment Manager

Aberdeen Standard Fund Managers Limited ("ASFML"), authorised and regulated by the Financial Conduct Authority, has been appointed as the alternative investment fund manager to the Company. ASFML has in turn delegated portfolio management to abrdn Inc.

ASFML and abrdn Inc. are both subsidiaries of abrdn plc.

## The Investment Team Senior Managers

### **Ralph Bassett**

Head of North American Equities

Graduated with a BS in Finance, with honors, from Villanova University and is a CFA® Charterholder. Joined abrdn in 2006 from Navigant Consulting and is abrdn's Head of North American Equity.

### **Fran Radano**

Investment Director - North American Equities

Graduated with a BA in Economics from Dickinson College and an MBA in Finance from Villanova University and is a CFA® Charterholder. Joined abrdn in 2007 following the acquisition of Nationwide Financial Services. Previously worked at Salomon Smith Barney and SEI Investments.

## The Investment Process

### Philosophy and Style

The Manager's investment philosophy is that markets are not always efficient. The Manager believe that superior investment returns are therefore attainable by identifying good companies cheaply, defined in terms of the fundamentals that in their opinion drive share prices over the long-term. They undertake substantial due diligence before initiating any investment including company visits in order to assure themselves of the quality of the prospective investment. They are then careful not to pay too high a price when making the investment.

Subsequent to that investment they then keep in close touch with the company, aiming to meet management at least twice a year. Given their long-term fundamental investment philosophy, one would not expect much change in the companies in which the Manager invests. They do, however, take opportunities offered to them by what they see as anomalous price movements within stockmarkets to either top up or top slice positions, which accounts for the bulk of the activity within the portfolio during the year under review.

### Risk Controls

The Manager seeks to minimise risk by their in-depth research. They do not view divergence from a benchmark as risk – they view investment in poorly run expensive companies that they do not understand as risk. In fact where risk parameters are expressed in benchmark relative terms, asset – including sector – allocation constitutes a significant constraint on stock selection. Hence diversification of stocks provides our main control.

The Manager's performance and investment risk unit independently monitors portfolio positions, and reports monthly. As well as attributing performance it also produces statistical analysis, which is used by the Manager primarily to check the portfolio is behaving as expected, not as a predictive tool.

# Investor Information

Investors can buy and sell shares in the Company directly through a stockbroker or indirectly through a lawyer, accountant or other professional adviser. Alternatively, for retail clients, shares may be bought directly through abrdrn Trust Share Plan, Individual Savings Account ("ISA") and Investment Plan for Children.

## Suitable for Retail/NMPI Status

The Company's shares are designed for investors primarily in the UK (including retail investors), professional-advised private clients and institutional investors who seek income and capital growth from investment in North American markets and who understand and are willing to accept the risks of exposure to equities. Investors should consider consulting an independent 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 securities issued by The North American Income Trust plc can be recommended by a financial adviser to ordinary retail investors in accordance with the Financial Conduct Authority's (FCA) rules in relation to non-mainstream pooled investments (NMPIs) and intends to continue to do so for the foreseeable future.

The Company's securities are excluded from the FCA's restrictions which apply to non-mainstream pooled investments because they are shares in an investment trust.

## abrdrn Investment Plan for Children

abrdrn runs an Investment Plan for Children (the "Children's Plan") which covers a number of investment companies under its management, including The North American Income Trust plc. Anyone can invest in the Children's Plan, including parents, grandparents and family friends (subject to the eligibility criteria as stated within the 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 abrdrn in writing at any time.

## abrdrn Share Plan

abrdrn runs a Share Plan (the "Plan") through which shares in The North American Income Trust plc 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 abrdrn in writing at any time.

## abrdrn Investment Trusts ISA

An investment of up to £20,000 can be made in the tax year 2021/22.

There are no brokerage or initial charges for the ISA, although investors will suffer the bid-offer spread, which can 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.

## Dividend Tax Allowance

The annual tax-free personal allowance on dividend income is £2,000 for the 2022/23 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.

## 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 trust of £250.



## Nominee Accounts and Voting Rights

All investments in abrdn trust products are held in nominee accounts and investors have full voting and other rights of share ownership.

### Note

Please remember that past performance is not a guide to the future. Stockmarket 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.

## Keeping You Informed

The North American Income Trust plc's share price appears daily in the Financial Times.

For internet users, detailed data on The North American Income Trust plc, including price, performance information and a monthly factsheet, is available on the Company's website ([northamericanincome.co.uk](http://northamericanincome.co.uk)) and the TrustNet website ([trustnet.co.uk](http://trustnet.co.uk)). Alternatively you can call 0808 500 0040 for trust information.

## Registrar

If you have an administrative query which relates to a direct shareholding, please contact the Company's Registrar, as follows:

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

Telephone: 0370 889 4084

Website: [computershare.co.uk](http://computershare.co.uk)

Email: [www-uk.computershare.com/investor/contactus](http://www-uk.computershare.com/investor/contactus)

## Customer Service

For literature and application forms for the Company and the abrdn range of investment trust products, please telephone 0808 500 4000 or request from the website [invtrusts.co.uk/en/fund-centre#literature](http://invtrusts.co.uk/en/fund-centre#literature)

For information on the abrdn trust products please contact:

abrdn Investment Trusts Administration  
PO Box 11020  
Chelmsford  
Essex CM99 2DB

Tel: 0808 500 0040

E-mail: [inv.trusts@abrdn-asset.com](mailto:inv.trusts@abrdn-asset.com)

Website: [invtrusts.co.uk](http://invtrusts.co.uk)

Terms and conditions for the abrdn Investment Trust products can be found under the literature section of the above website.

## 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; Barclays Smart Investor; Charles Stanley Direct; Fidelity; Halifax; Hargreaves Lansdown; Interactive Investor; Novia; Transact and Standard Life.

## 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](http://pimfa.co.uk).

## Financial Advisers

To find an adviser who recommends on investment trusts, visit: [unbiased.co.uk](http://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

Website: [fca.org.uk/firms/systems-reporting/register](http://fca.org.uk/firms/systems-reporting/register)

Email: [register@fca.org.uk](mailto:register@fca.org.uk)

# Investor Information

## Continued

### **PRIIPS (Packaged Retail and Insurance-based Investment Products)**

Investors should be aware that the PRIIPS Regulation requires the Manager, as PRIIP manufacturer, to prepare a key information document ("KID") in respect of the Company. This KID must be made available by the Manager to retail investors prior to them making any investment decision and is available on the Manager's website. The Company is not responsible for the information contained in the KID and investors should note that the procedures for calculating the risks, costs and potential returns are prescribed by the law. The figures in the KID may not reflect the expected returns for the Company and anticipated performance returns cannot be guaranteed.

### **Key Information Document**

The KID relating to the Company and published by the Manager can be found on the Manager's website at [invtrusts.co.uk/en/fund-centre#literature](http://invtrusts.co.uk/en/fund-centre#literature)

### **Investor Warning**

The Board has been made aware by abrdrn ("abrdrn") that some investors have received telephone calls from people purporting to work for abrdrn, or third parties, who have offered to buy their investment trust shares. These may be scams which attempt to gain personal information with which to commit identity fraud or could be 'boiler room' scams where a payment from an investor is required to release the supposed payment for their shares. These callers do not work for abrdrn and any third party making such offers has no link with abrdrn. abrdrn never makes these types of offers and does not 'cold-call' investors in this way. If investors have any doubt over the veracity of a caller, they should not offer any personal information, end the call and contact abrdrn's investor services centre using the details provided below.

The Financial Conduct Authority provides advice with respect to share fraud and boiler room scams:

[fca.org.uk/consumers/scams](http://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 Standard Fund Managers Limited, which is authorised and regulated by the Financial Conduct Authority in the United Kingdom*

# Alternative Investment Fund Managers Directive Disclosures (unaudited)

Aberdeen Standard Fund Managers Limited ("ASFML") and the Company are required to make certain disclosures available to investors in accordance with the Alternative Investment Fund Managers Directive ("AIFMD"). Those disclosures that are required to be made pre-investment are included within a pre-investment disclosure document ("PIDD") the latest version of which can be found on the Company's website [northamericanincome.co.uk](http://northamericanincome.co.uk).

There have been no material changes to the disclosures contained within the PIDD since its most recent update in April 2021.

The periodic disclosures as required under the AIFMD to investors are made below:

- information on the investment strategy, geographic and sector investment focus and principal stock exposures is included in the Strategic Report;
- none of the Company's assets are subject to special arrangements arising from their illiquid nature;
- the Strategic Report on pages 8 to 17, Note 18 to the Financial Statements and the PIDD, together set out the risk profile and risk management systems in place. There have been no changes to the risk management systems in place in the period under review and no breaches of any of the risk limits set, with no breach expected;
- there are no new arrangements for managing the liquidity of the Company or any material changes to the liquidity management systems and procedures employed by Aberdeen Standard Fund Managers Limited ("the AIFM");
- authorised Alternative Investment Fund Managers are required to comply with the AIFMD Remuneration Code. In accordance with the Remuneration Code, the AIFM's remuneration policy is available from the Company Secretaries, Aberdeen Asset Management PLC on request (see contact details on page 105) and the remuneration disclosures in respect of the AIFM's reporting period for the year ended 31 December 2021 are available on the Company's website.

## Leverage

The table below sets out the current maximum permitted limit and actual level of leverage for the Company:

|                                 | Gross Method | Commitment Method |
|---------------------------------|--------------|-------------------|
| Maximum level of leverage       | 2.50:1       | 2.00:1            |
| Actual level at 31 January 2022 | 1.14:1       | 1.16:1            |

There have been no breaches of the maximum level during the period and no changes to the maximum level of leverage employed by the Company. There is no right of re-use of collateral or any guarantees granted under the leveraging arrangement. Changes to the information contained either within this Annual Report or the PIDD in relation to any special arrangements in place, the maximum level of leverage which the AIFM may employ on behalf of the Company; the right of use of collateral or any guarantee granted under any leveraging arrangement; or any change to the position in relation to any discharge of liability by the Depositary will be notified via a regulatory news service without undue delay in accordance with the AIFMD.

The information on this page 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 Standard Fund Managers Limited which is authorised and regulated by the Financial Conduct Authority in the United Kingdom.

# Glossary of Terms

## **abrdrn**

abrdrn ("abrdrn") is a brand of abrdrn plc.

## **ASFML or AIFM or Manager**

Aberdeen Standard Fund Managers Limited (ASFML) is a wholly owned subsidiary of abrdrn plc and acts as the alternative investment fund manager (AIFM) for the Company. It is authorised and regulated by the Financial Conduct Authority.

## **AAMI or Investment Manager**

abrdrn Inc. ("AAMI" or "Investment Manager") is a subsidiary company of abrdrn plc which has been delegated responsibility for the Company's day-to-day investment management.

## **Alternative Performance Measures**

An alternative performance measure is a financial measure of historical or future financial performance, financial position, or cash flows, other than a financial measure defined or specified in the applicable financial reporting framework.

## **AIC**

The Association of Investment Companies.

## **AIFMD or the Directive**

The Alternative Investment Fund Managers Directive (AIFMD) is European legislation which created a European-wide framework for regulating managers of 'alternative investment funds' ("AIFs"). It is designed to regulate any fund which is not a UCITS fund and which is managed and/or marketed in the EU. The Company has been designated as an AIF.

## **Asset Cover**

The value of a company's net assets available to repay a certain security. Asset cover is usually expressed as a multiple and calculated by dividing the net assets available by the amount required to repay the specific security.

## **Closed-End Fund**

A collective investment scheme which has a fixed number of shares which are not redeemable from the fund itself. Unlike open-ended funds, new shares/units are not created by managers to meet demand from investors; instead, shares are purchased (or sold) only in the market. Closed-end funds are normally listed on a recognised stock exchange, such as the London Stock Exchange, and shares can be bought and sold on that exchange.

## **Discount**

The amount by which the market price per share of an investment trust is lower than the net asset value per share. The discount is normally expressed as a percentage of the net asset value per share.

## **Dividend Cover**

Earnings per share divided by dividends per share expressed as a ratio.

## **Dividend Yield**

The annual dividend expressed as a percentage of the share price.

## **ESG**

Environmental, Social and Governance

## **FCA**

Financial Conduct Authority

## **Investment Trust**

A type of Closed-End Fund which invests in other securities, allowing shareholders to share the risks, and returns, of collective investment.

## **Key Information Document or KID**

The Packaged Retail and Insurance-based Investment Products ("PRIIPS") Regulation requires the Manager, as the Company's PRIIP 'manufacturer', to prepare a Key Information Document ("KID") in respect of the Company. This KID must be made available by the Manager to retail investors prior to them making any investment decision and is available via the Company's website. The Company is not responsible for the information contained in the KID and investors should note that the procedures for calculating the risks, costs and potential returns are prescribed by law. The figures in the KID may not reflect the expected returns for the Company and anticipated performance returns cannot be guaranteed.

## **Leverage**

For the purposes of the Alternative Investment Fund Managers Directive, leverage is any method which increases the Company's exposure, including the borrowing of cash and the use of derivatives. It is expressed as a ratio between the Company's exposure and its net asset value and can be calculated on a gross and a commitment method. Under the gross method, exposure represents the sum of the Company's positions after the deduction of sterling cash balances, without taking into account any hedging and netting arrangements. Under the commitment method, exposure is calculated without the deduction of sterling cash balances and after certain hedging and netting positions are offset against each other.

## **Net Asset Value ("NAV")**

The value of total assets less liabilities. Liabilities for this purpose included current and long-term liabilities. The net asset value divided by the number of shares in issue produces the net asset value per share.

## **Net Gearing/Cash**

Net gearing/cash is calculated by dividing total borrowings less cash or cash equivalents, by shareholders' funds expressed as a percentage.

## **Ongoing Charges**

Ratio of expenses as percentage of average daily shareholders' funds calculated as per the AIC's industry standard method.

## **PIDD**

The pre-investment disclosure document made available by the AIFM in relation to the Company.

## **Premium**

The amount by which the market price per share of an investment trust exceeds the net asset value per share. The premium is normally expressed as a percentage of the net asset value per share.

## **Price/Earnings (P/E) Ratio**

The ratio is calculated by dividing the middle-market price per share by the earnings per share. The calculation assumes no change in earnings but in practice the multiple reflects the stockmarket's view of a company's prospects and profit growth potential.

## **Prior Charges**

The name given to all borrowings including debentures, loan and short term loans and overdrafts that are to be used for investment purposes, reciprocal foreign currency loans, currency facilities to the extent that they are drawn down, index-linked securities, and all types of preference or preferred capital and the income shares of split capital trusts, irrespective of the time until repayment.

## **Total Assets**

Total Assets as per the balance sheet less current liabilities (before deducting prior charges as defined above).

## **Total Return**

Total Return involves reinvesting the net dividend in the month that the share price goes ex-dividend. The NAV Total Return involves investing the same net dividend in the NAV of the Company on the date to which that dividend was earned.

# Notice of Annual General Meeting

Notice is hereby given that the one hundred and nineteenth Annual General Meeting ("AGM") of The North American Income Trust plc will be held at the offices of abrdn, 1 George Street, Edinburgh EH2 2LL on 8 June 2022 at 2.00 pm, for the following purposes:

To consider and, if thought fit, pass the following resolutions, of which resolutions 1 to 10 inclusive will be proposed as ordinary resolutions and resolutions 11 and 12 inclusive will be proposed as special resolutions.

## Ordinary Business

1. To receive and adopt the reports of the Directors and the auditor and the audited financial statements for the year ended 31 January 2022.
2. To receive and adopt the Directors' Remuneration Report (other than the Directors' Remuneration Policy) for the year ended 31 January 2022.
3. To approve a final dividend of 4.0p per share for the year ended 31 January 2022
4. To re-elect Karyn Lamont as a Director of the Company.
5. To re-elect Susannah Nicklin as a Director of the Company.
6. To re-elect Charles Park as a Director of the Company.
7. To re-elect Susan Rice as a Director of the Company.
8. To re-appoint PricewaterhouseCoopers LLP as auditor of the Company.
9. To authorise the Directors to fix the remuneration of the auditor for the year ending 31 January 2023.
10. That, in substitution for any pre-existing power to allot or grant rights to subscribe for or to convert any security into shares in the Company, but without prejudice to the exercise of any such authority prior to the date of the passing of this resolution, the Directors be and are hereby generally and unconditionally authorised in accordance with Section 551 of the Companies Act 2006 to exercise all the powers of the Company to allot shares in the Company and to grant rights to subscribe for or to convert any security into shares in the Company ("securities") up to an aggregate nominal amount of £2,337,031 or, if less, the number representing 33.33% of the issued Ordinary share capital of the Company immediately following the conclusion of the AGM, such authority to expire on 31 July 2023 or, if earlier, at the conclusion of the AGM of the Company to be held in 2023, unless previously revoked, varied or extended by the Company in general meeting, save that the Company may, at any time prior to the expiry of such authority, make an offer or enter into an agreement which would or might require relevant securities to be allotted after the expiry of such authority and the Directors may allot relevant securities in pursuance of such an offer or agreement as if such authority had not expired.
11. That, subject to the passing of the resolution numbered 10 set out in the notice of this meeting ("Section 551 Resolution") and in substitution for any existing authority under sections 570 and 573 of the Companies Act 2006 (the "Act") but without prejudice to the exercise of any such authority prior to the date of the passing of this resolution, the Directors of the Company be empowered pursuant to sections 570 and 573 of the Act to allot equity securities (within the meaning of section 560 of the Act) either pursuant to the authorisation conferred by the Section 551 Resolution or by way of a sale of treasury shares, in each case for cash as if section 561(1) of the Act did not apply to such allotment or sale, provided that this power shall be limited to the allotment or sale out of treasury of equity securities up to an aggregate nominal amount of £701,179 or, if less, the number representing 10% of the issued Ordinary share capital of the Company immediately following the conclusion of the AGM and such power shall expire at the earlier of the conclusion of the AGM of the Company to be held in 2023 or on 31 July 2023, but so that this power shall enable the Company to make offers, sales or agreements before such expiry which would or might require equity securities to be allotted or sold after such expiry and the Directors of the Company may allot or sell from treasury equity securities in pursuance of any such offer, sale or agreement as if such expiry had not occurred.

12. That, in substitution for any existing authority under Section 701 of the Companies Act 2006 (the "Act"), but without prejudice to the exercise of any such authority prior to the date of passing of this resolution, the Company be generally and unconditionally authorised, in accordance with Section 701 of the Act, to make market purchases (within the meaning of Section 693(4) of the Act) of fully paid Ordinary shares in the capital of the Company ("Ordinary shares") and to cancel or to hold in treasury such shares, provided that:-
- a) the maximum aggregate number of Ordinary shares hereby authorised to be purchased is 21,021,361 Ordinary shares or, if less, the number representing approximately 14.99% of the issued Ordinary Share capital of the Company as at the date of the passing of this resolution;
  - b) the minimum price which may be paid for an Ordinary share shall be 5 pence (exclusive of expenses);
  - c) the maximum price (exclusive of expenses) which may be paid for an Ordinary share shall be the higher of (i) 105% of the average of the middle market quotations (as derived from the Daily Official List of the London Stock Exchange) for the Ordinary shares for the five business days immediately preceding the date of purchase and (ii) the higher of the price of the last independent trade and the highest current independent bid relating to an Ordinary share on the trading venue where the purchase is carried out; and
  - d) unless previously varied, revoked or renewed, the authority hereby conferred shall expire on 31 July 2023 or, if earlier, at the conclusion of the AGM of the Company to be held in 2023, save that the Company may, at any time prior to such expiry, enter into a contract or contracts to purchase Ordinary shares under such authority which will or might be completed or executed wholly or partly after the expiration of such authority and may make a purchase of Ordinary shares pursuant to any such contract or contracts as if such authority had not expired.

**By order of the Board**  
**Aberdeen Asset Management PLC**  
Company Secretary  
6 April 2022

**Registered Office**  
1 George Street  
Edinburgh EH2 2LL

# Notice of Annual General Meeting

## Continued

### Notes

- i. A member is entitled to appoint a proxy or proxies to exercise all or any of their rights to attend, speak and vote on their behalf. A proxy need not be a member of the Company. A member may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. A member may not appoint more than one proxy to exercise rights attached to any one share. If you wish your proxy to speak on your behalf at the Meeting you will need to appoint your own choice of proxy (not the Chairman of the meeting) and give your instructions directly to them. Please note that, should restrictions on movement and in relation to public gatherings put in place in response to the Coronavirus outbreak still remain in place by the time of the meeting, it is unlikely that your vote will be counted where a proxy other than the Chairman of the Meeting is appointed as additional third parties may not be permitted entry to the meeting. A proxy form which may be used to make such appointment and give proxy instructions accompanies this notice. If you do not have a proxy form and believe that you should have one, or if you require additional forms or would like to appoint more than one proxy, please contact the Company's Registrars, Computershare Investor Services PLC on 0370 889 4084. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's Register of Members in respect of the joint holding (the first-named being the most senior). A member present in person or by proxy shall have one vote on a show of hands and on a poll every member present in person or by proxy shall have one vote for every Ordinary share of which he/she is the holder.
- ii. A form of proxy for use by members is enclosed with this Notice of Meeting. Completion and return of the form of proxy will not prevent any member from attending the Meeting and voting in person. To be valid, the form of proxy should be lodged, together with any power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power or authority with the Company's Registrars, Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY, so as to be received not less than 48 hours (excluding non-working days) before the time of the Meeting.
- iii. In accordance with Regulation 41 of the Uncertificated Securities Regulations 2001, to have the right to attend and vote at the Meeting a member must first have his or her name entered in the Company's register of members by not later than 6.00 pm on 6 June 2022 (or, in the event that the Meeting is adjourned, at 6.00pm on the day which is two business days before the time of the adjourned Meeting). Changes to entries on that register after that time shall be disregarded in determining the rights of any member to attend and vote at the Meeting.
- iv. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual and by logging on to the website [euroclear.com/CREST](https://euroclear.com/CREST). CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
- v. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications, and must contain the information required for such instruction, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the Company's Registrar (ID 3RA50) no later than 48 hours (excluding non-working days) before the time of the Meeting or any adjournment. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Application Host) from which the Company's Registrar is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.



- vi. CREST members and, where applicable, their CREST sponsors, or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
- vii. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
- viii. The "vote withheld" option on the proxy form is provided to enable a member to abstain on any particular resolution. It should be noted that an abstention is not a vote in law and will not be counted in the calculation of the proportion of votes "for" or "against" a particular resolution.
- ix. The right to appoint a proxy does not apply to persons whose shares are held on their behalf by another person and who have been nominated to receive communications from the Company in accordance with Section 146 of the Companies Act 2006 ("nominated persons"). Nominated persons may have a right under an agreement with the member who holds the shares on their behalf to be appointed (or to have someone else appointed) as a proxy. Alternatively, if nominated persons do not have such a right, or do not wish to exercise it, they may have a right under such an agreement to give instructions to the person holding the shares as to the exercise of voting rights. The statement of the rights of members in relation to the appointment of proxies in notes i) and ii) above does not apply to Nominated Persons. The rights described in these notes can only be exercised by members of the Company.
- x. No Director has a service contract with the Company. Copies of the Directors' letters of appointment are available for inspection during usual business hours at the Company's registered office. The documents will also be available to view online at [northamericanincome.co.uk](http://northamericanincome.co.uk) from the date of this notice until close of the 2022 AGM.
- xi. As at close of business on 6 April 2022 (being the latest practicable date prior to publication of this document), the Company's issued share capital comprised 140,235,898 Ordinary shares of 5p each. The total number of voting rights in the Company as at 6 April 2022 was 140,235,898.
- xii. Any person holding 3% or more of the total voting rights in the Company who appoints a person other than the Chairman as his proxy will need to ensure that both he and such third party complies with their respective disclosure obligations under the UK Disclosure Guidance and Transparency Rules.
- xiii. Any corporation which is a shareholder can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a shareholder provided that they do not do so in relation to the same shares.
- xiv. Under Section 527 of the Companies Act 2006 (the "Act"), shareholders meeting the threshold requirements set out in that section have the right to require the Company to publish on a website a statement setting out any matter relating to: (i) the audit of the Company's financial statements (including the auditor's report and the conduct of the audit) that are to be laid before the AGM; or (ii) any circumstance connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual report and accounts and were laid in accordance with Section 437 of the Act. The Company may not require the shareholders requesting any such website publication to pay its expenses in complying with Sections 527 or 528 of the Act. Where the Company is required to place a statement on a website under Section 527 of the Act, it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the AGM includes any statement that the Company has been required under Section 527 of the Act to publish on a website.
- xv. Information regarding the AGM, including information required by Section 311A of the Companies Act 2006, is available from the Company's website, [northamericanincome.co.uk](http://northamericanincome.co.uk).

# Notice of Annual General Meeting

## Continued

- xvi. Under Section 319A of the Companies Act 2006, the Company must answer any question relating to the business being dealt with at the Meeting put by a member attending the Meeting unless:
1. answering the question would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information;
  2. the answer has already been given on a website in the form of an answer to a question; or
  3. it is undesirable in the interests of the Company or the good order of the Meeting that the question be answered.
- xvii. Members who have general queries about the AGM should contact the Company Secretary in writing. Members are advised that, unless otherwise stated, any telephone number, website or e-mail address which may be set out in this notice of AGM or in any related documents (including the proxy form) is not to be used for the purposes of serving information or documents on, or otherwise communicating with, the Company for any purposes other than those expressly stated.
- xviii. There are special arrangements for holders of shares through the abrdn trust products. These are explained in the 'Letter of Direction' which such holders will have received with this report.
- xix. Given the evolving nature of the COVID-19 pandemic, should circumstances change significantly before the time of the AGM, the Company will notify shareholders of any changes to the arrangements by updating the Company's website and through an RIS announcement, where appropriate, as early as is possible before the date of the meeting. Shareholders should note that if law or Government guidance so requires at the time of the meeting, the Chairman of the meeting will limit, in his or her sole discretion, the number of individuals in attendance at the meeting and may be required to impose entry restrictions on certain persons wishing to attend the meeting in order to ensure the safety of those attending.

# Contact Addresses

## Directors

Dame Susan Rice (Chair)  
Karyn Lamont  
Susannah Nicklin  
Charles Park

## Manager, Secretary and Registered Office

### Alternative Investment Fund Manager

Aberdeen Standard Fund Managers Limited  
Bow Bells House  
1 Bread Street  
London  
EC4M 9HH

(Authorised and regulated by the Financial  
Conduct Authority)

### Manager – Customer Services Department

Telephone: **0808 500 0040**  
(Lines open 9.00 am to 5.00 pm, Monday to Friday)  
Email: [inv.trusts@abrdn.com](mailto:inv.trusts@abrdn.com)

### Investment Manager

abrdn Inc.  
1900 Market Street  
2<sup>nd</sup> Floor  
Philadelphia PA 19103

(Authorised and regulated by the US Securities and  
Exchange Commission)

### Secretary and Registered Office

Aberdeen Asset Management PLC  
1 George Street  
Edinburgh  
EH2 2LL

Email: [northamericanincome@abrdn.com](mailto:northamericanincome@abrdn.com)  
Website: [northamericanincome.co.uk](http://northamericanincome.co.uk)

### Company Registration Number

Registered in Scotland with number SC005218

## Registrar

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

Telephone: **0370 889 4084\***

Website: [www-uk.computershare.com/investor](http://www-uk.computershare.com/investor)

E-mail is available via the above website

\*Lines are open Monday to Friday from 8.30am – 5.30pm,  
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.

## Independent Auditor

PricewaterhouseCoopers LLP  
144 Morrison St  
Edinburgh  
EH3 8EB

## Company Broker

Winterflood Investment Trusts  
The Atrium Building  
Cannon Bridge House  
25 Dowgate Hill  
London, EC4R 2GA

## Depository

BNP Paribas Securities Services, London Branch  
10 Harewood Avenue  
London, NW1 6AA

## United States Internal Revenue Service

### FATCA Registration Number (GIIN)

XYAARK.99999.SL.826

## Legal Entity Identifier

5493007GCUW7G2BKY360

# Important Information

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the action you should take, you are recommended to seek your own financial advice from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000 (as amended by the Financial Services Act 2012) if you are in the United Kingdom or, if not, from another appropriately authorised financial adviser. If you have sold or otherwise transferred all your Ordinary shares in The North American Income Trust plc, please forward this document, together with the accompanying documents immediately to the purchaser or transferee, or to the stockbroker, bank or agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

## Visit our Website

To find out more about The North American Income Trust plc, please visit: [northamericanincome.co.uk](http://northamericanincome.co.uk)