

BlackRock American Income Trust

Innovative value-based US equity strategy

BlackRock American Income Trust (BRAI) underwent a unique change in strategy on 17 April 2025 following overwhelming shareholder approval. This development was triggered by the board's desire for improved performance, lower cost and greater scale. Management of the trust shifted from BlackRock's US Income and Value team to its Systematic Active Equity (SAE) team. BRAI is the first investment trust to employ a systematic investment approach and given the prevalence of growth funds, the company is differentiated by a focus on value and income. Along with the strategy change, there were other enhancements to the trust, including an increased dividend, a fee reduction and opportunities for shareholders to exit at close to NAV; there is a periodic 100% tender offer if three-year performance or minimum fund size targets are not met.

Exhibit 1: S&P 500 Growth/Value indices (total return) over the last decade



Source: LSEG Data and Analytics, Edison Investment Research

Why consider BRAI?

BlackRock's systematic investing is a non-traditional strategy combining human insight with big data, machine learning and AI for portfolio construction and the exploitation of market inefficiencies. The SAE team aims to generate risk-controlled, consistent returns at a lower cost. A diversified portfolio ensures that no single stock will drive the trust's overall performance.

The SAE database now includes around 1,000 different data signals, compared with around 250 in 2013, with the team scouring traditional and alternative data sets to uncover insights that can drive returns. Various data sets are combined, and the resulting models are optimised to find the best trade-off between return, risk and cost. More than 1,000 US stocks are evaluated and ranked daily, enabling a portfolio to be built based on the highest expected return for a given tracking error (taking trading costs into account), which is diversified and risk-controlled. BlackRock's SAE team is well-resourced and highly experienced with more than 100 investment professionals and around £25bn in dedicated US large-cap strategies. Scale is key given the significant IT and personnel costs of this high-calibre team that has operated through multiple market cycles.

Historically, the quarterly dividend was 2.0p per share. There are now quarterly distributions based on 1.5% of month-end NAV, equating to a variable annual payment of 6.0% of NAV. This may be attractive to investors seeking US market exposure while receiving a higher-than-average dividend yield.

Investment companies
US equities

25 November 2025

Price	215.00p
Market cap	£121m
Total assets	£128m
NAV	227.3p
¹ NAV at 24 November 2025.	
Discount to NAV	5.4%
Current yield	5.4%
Shares in issue	56.4m
Code/ISIN	BRAI/GB00B7W0XJ61
Primary exchange	LSE
AIC sector	North America
Financial year end	31 October
52-week high/low	227.5p 179.5p
NAV high/low	234.1p 193.6p
Net gearing	0.0%

¹Net gearing at 24 November 2025.

Fund objective

BlackRock American Income Trust (BRAI) aims to provide long-term capital growth, while paying an attractive level of income. It has adopted a modern systematic active equity investment process, combining the power of big data, AI and human expertise to unlock new ways to seek consistent portfolio outcomes and exploit market inefficiencies. Performance is measured against a US 1000 value index (the reference index).

Bull points

- The fund offers exposure to a specialist US systematic value portfolio.
- The strategy offers risk-controlled, consistent returns with a low management fee.
- Attractive dividend yield.

Bear points

- The US market is trading at a premium to global indices.
- Growth stocks have outperformed value strategies over the last decade.
- US tariffs could increase the risk of a US economic downturn.

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BRAI: Significant strategy change

Shareholders overwhelmingly voted in favour of BRAI's strategy change at the 16 April 2025 general meeting, following a period of underperformance versus the reference index. (For more information about the trust's prior ESG-based investment approach, please see our [previous notes](#).) The board's aim is for the trust to offer a differentiated and compelling active value-based strategy at a lower cost that will appeal to investors and enable the trust to scale up. In a world where there are many growth strategies available, the board also considers it important to keep the trust's value bias and its value-based reference index.

The SAE investment process combines the power of big data, AI and human expertise to exploit market inefficiencies. BlackRock's SAE team of more than 100 investment professionals has nearly four decades of experience, operating through multiple business cycles. BRAI adopted its new mandate on 17 April 2025, and is the first and only way to access the SAE strategy via a closed-end structure in the UK. The transition to the new strategy with the realigned portfolio was completed ahead of the US market opening on 22 April 2025.

As part of the mandate change, there was a 20% tender offer, which was undersubscribed (c 16% of shares were tendered and put into treasury). A periodic conditional tender offer was also introduced, whereby shareholders may tender up to 100% of issued share capital (excluding treasury shares) at NAV minus 2%, if BRAI's annual NAV net total return does not outperform the reference index's total return by more than 50bp per year over each three-year period from 1 May 2025. The board will also implement a tender offer if cum-income NAV at the end of each three-year period is less than £125m.

Following the introduction of the SAE mandate, the management fee has been reduced to 0.35% of NAV per year on the first £350m of NAV and 0.30% per year thereafter (previously 0.70% of NAV per year). As a result, the ongoing charges ratio is estimated at c 0.80% versus 1.06% in FY25.

BRAI's new dividend policy is quarterly payments based on 1.5% of NAV at the close of the last working day of January, April, July and October, which equates to an annual payment of c 6.0% of NAV (the prior annual dividend was made up of quarterly payments of 2.0p per share).

The SAE investment approach

The SAE investment process combines the power of big data, data science and human expertise to generate consistent portfolio outcomes. Scale is key given the very high IT and personnel costs, and also brings trading advantages as 30% of transactions are matched internally, which are low cost and have no market impact. The investment process can be illustrated as follows:

- **Research** – the digital age provides access to vast amounts of data from traditional (such as company financial statements) to complex unstructured sources (such as news stories and web traffic). Using highly sophisticated analytics techniques such as machine learning and AI, raw data can be transformed into valuable investment information faster and with greater scale and detail than via traditional methods. The SAE team deploys rigorous scientific testing to understand if these investment insights have the potential to help forecast future returns. Different combinations of variables are compared with the results of known outcomes to ensure portfolio decisions are evidenced based.
- **Build** – when an insight is proved to be valuable, it is included in a range of signals that is used to construct a portfolio. Computer modelling is required to analyse complex trade-offs between the different signals to find a balance between expected return, risk, correlation and cost, which guides allocation decisions.
- **Model** – thousands of securities are scored and ranked daily to help make real-time investment decisions. Signals are based on company fundamentals (modelling of traditional and alternative data), market sentiment (a broad range of market views from sell-side analysts, company managements and other investors, which can influence short-term returns) and macroeconomic themes (to gain insights across groups of securities rather than individual companies, along with evaluation of the impact of macroeconomic data among countries, industries and equity styles, such as value and growth).
- **Forecast** – the final score for every security is a weighted combination of all signals. The final 'alpha' score is an assessment of the return potential of each security relative to all the others within the investible universe.

- **Optimise** – portfolios seek to maximise exposure to their signal views. However, alpha scores do not provide information about risk and implementation frictions such as transaction costs. Hence, a multifactor risk model is used to ensure the best possible trade-off between risk and return, net of transaction costs.
- **Monitor** – the team continually develops new ideas and monitors the performance of existing strategies. A feedback loop connects portfolio results to the research process, fostering an environment of ongoing improvement in the investment process.

BRAI's portfolio

The trust has two managers, who are part of BlackRock's SAE team: Travis Cooke, a managing director, and Muzo Kayacan, a director and portfolio manager. They seek to generate long-term capital growth, while using the investment trust structure to pay an attractive level of income. The managers aim to maintain a beta of 1.0, meaning BRAI's portfolio risk and volatility should equal that of the reference index. The portfolio is broadly diversified, with 150–250 holdings, as the managers seek to add value in a risk-controlled, consistent manner. Industry bets are constrained at 2–4% and the maximum active stock bet is 1.0–1.5%.

Exhibit 2: BRAI's top 10 holdings at 30 Sept 2025

Company	Industry	% of total assets
Alphabet	Internet content & information	3.3
JPMorgan Chase	Banks – diversified	3.2
Berkshire Hathaway	Insurance – diversified	2.8
Walmart	Discount stores	2.6
Amazon	Internet retail	2.5
Bank of America	Banks – diversified	2.3
Morgan Stanley	Capital markets	1.9
Johnson & Johnson	Drug manufacturers	1.8
Pfizer	Drug manufacturers	1.7
Honeywell International	Conglomerates	1.7
Total		23.8

Source: BRAI, Edison Investment Research

Exhibit 3: BRAI's sector breakdown at 30 Sept 2025

Sector	% of net assets
Financials	21.7
Industrials	14.4
Information technology	13.2
Healthcare	13.1
Consumer discretionary	9.1
Communication services	6.8
Consumer staples	6.4
Energy	4.5
Utilities	3.6
Materials	3.2
Real estate	3.2
Net current assets	0.8
Total	100.0

Source: BRAI, Edison Investment Research

Performance: Encouraging initial results under new strategy

Exhibit 4 shows the majority of funds in the AIC North America sector (Pershing Square Holdings is excluded due to a lack of available data). BRAI's NAV total return is broadly in line with the mean over the last six months but is below average over the other periods shown. At 24 November 2025, the trust had the second-narrowest discount. BRAI's ongoing charge is above the mean but is likely to come down to an average level with the reduction in the annual management fee. The trust is currently ungeared. BRAI has the highest dividend yield in the peer group, which is currently 300bp above the mean. The trust's yield will rise to c 6.0% when the new dividend policy is fully introduced.

Exhibit 4: AIC North America sector (excluding Pershing Square Holdings) at 24 November 2025

% unless stated	Market cap (€m)	NAV TR 6M	NAV TR 1Y	NAV TR 3Y	NAV TR 5Y	Discount	Ongoing charge	Performance fee	Net gearing	Dividend yield
BlackRock American Income	121.3	14.4	5.0	21.5	63.2	(5.3)	1.1	No	100	5.4
Baillie Gifford US Growth	753.4	11.5	9.5	57.8	12.2	(9.1)	0.7	No	104	0.0
Canadian General Investments	513.5	17.3	3.4	36.9	69.5	(42.1)	1.4	No	109	2.4
JPMorgan American	1,905.1	14.5	4.4	60.9	107.8	(4.8)	0.4	No	104	0.7
North American Income Trust	413.2	14.9	7.4	26.7	77.8	(7.6)	0.8	No	107	3.3
Simple average (5 funds)	741.3	14.5	6.0	40.8	66.1	(13.8)	0.9		105	2.4
Rank	5	4	3	5	4	2	4		5	1

Source: Morningstar, Edison Investment Research. Note: TR, total return. Performance at 21 November 2025.

Exhibit 5: Share price and NAV total return performance, relative to indices (%)

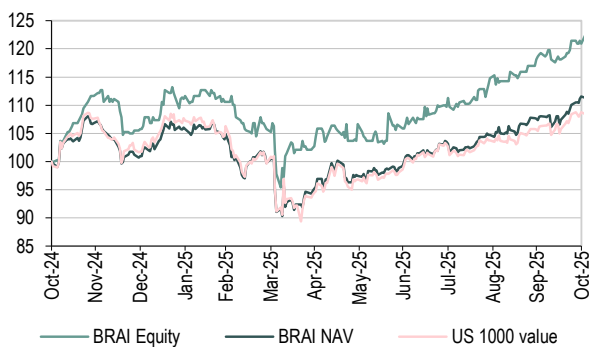
	1 month	3 months	6 months	1 year	3 years	5 years
Price relative to US 1000 Value	(0.6)	2.5	2.2	11.2	(1.1)	(2.8)
NAV relative to US 1000 Value	0.7	2.1	1.8	2.5	(4.4)	(7.0)
Price relative to S&P 500	(2.4)	(0.4)	(6.3)	1.7	(21.9)	(15.9)
NAV relative to S&P 500	(1.2)	(0.8)	(6.7)	(6.2)	(24.5)	(19.6)
Price relative to CBOE UK All Companies	(1.0)	1.8	1.0	(1.1)	(16.5)	(8.0)
NAV relative to CBOE UK All Companies	0.3	1.4	0.6	(8.8)	(19.3)	(11.9)

Source: LSEG Data & Analytics, Edison Investment Research. Note: Data to end October 2025. Geometric calculation.

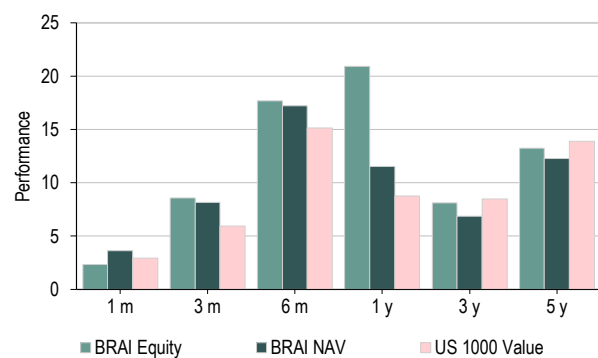
Although it is early in the new strategy's life cycle, initial results are encouraging. As shown in Exhibit 5, BRAI's NAV is ahead of the benchmark over the last one, three, six and 12 months to the end of October 2025. As a reminder, at that date the new strategy had been in place for around six and a half months.

The managers provide some colour about performance attribution to illustrate what may contribute to the trust's returns. In September 2025, for example, BRAI's NAV rose by 2.8%, which was 1.0pp ahead of the reference index's 1.8% return due to strong signal alignment and favourable sector positioning. This included an overweight exposure to technology, which contributed more than 40% of the month's NAV return. An overweight position in Lam Research made a positive contribution to the trust's performance; its share price rose by more than 33% on expectations of increased spending in front-end wafer equipment. There was positive performance from BRAI's healthcare names such as Ionis Pharmaceuticals, whose stock price increased by more than 15% on strong Phase III drug trials for a rare neurological condition and AbbVie, which rose by around 10% after extending patent protection for its blockbuster autoimmune drug Rinvoq.

In terms of signals, the largest positive performance contribution was from top-down industry timing signals, including those based on macroeconomic and valuation data. Signals that track short selling of stocks also worked well. On the negative side, in the more macroeconomic and sentiment-driven environment, some signals focused on capturing company fundamentals struggled, such as those based on companies' mobile app usage or text analysis of quarterly earnings call transcripts.

Exhibit 6: Rebased price, NAV and index total return, one year to 31 October 2025


Source: LSEG Data & Analytics, Edison Investment Research

Exhibit 7: Price, NAV and index total return (%)


Source: LSEG Data & Analytics, Edison Investment Research. Note: three- and five-year figures annualised.

Exhibit 8: Five-year discrete performance data (%)

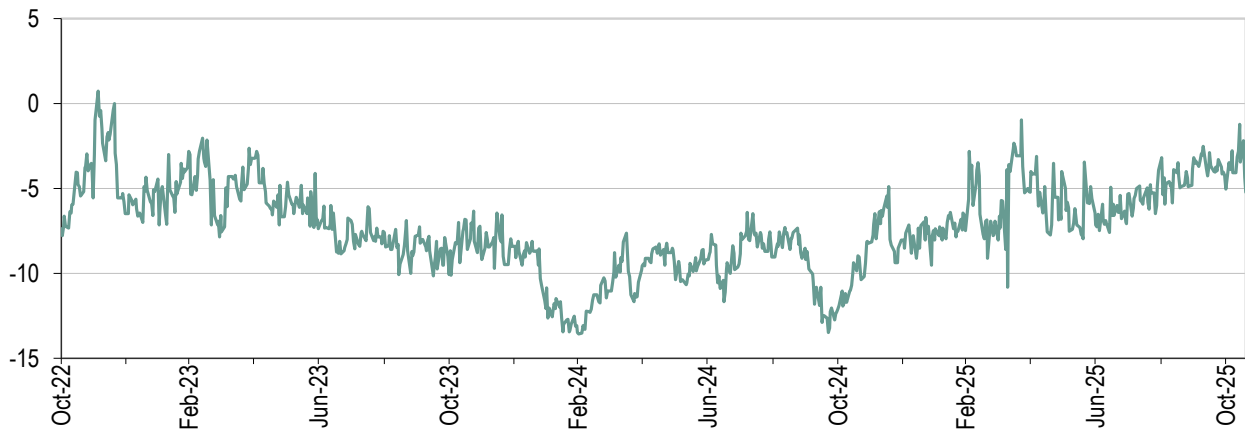
12 months ending	Share price	NAV	US 1000 Value	S&P 500
31/10/21	42.4	35.9	35.6	34.8
31/10/22	3.6	7.4	10.7	1.7
31/10/23	(8.1)	(5.6)	(5.0)	4.5
31/10/24	13.8	16.0	23.6	30.3
31/10/25	20.9	11.5	8.8	18.8

Source: LSEG Data & Analytics, Edison Investment Research. Note: All % on a total return basis in pounds sterling.

Discount: Steady progression to a higher valuation

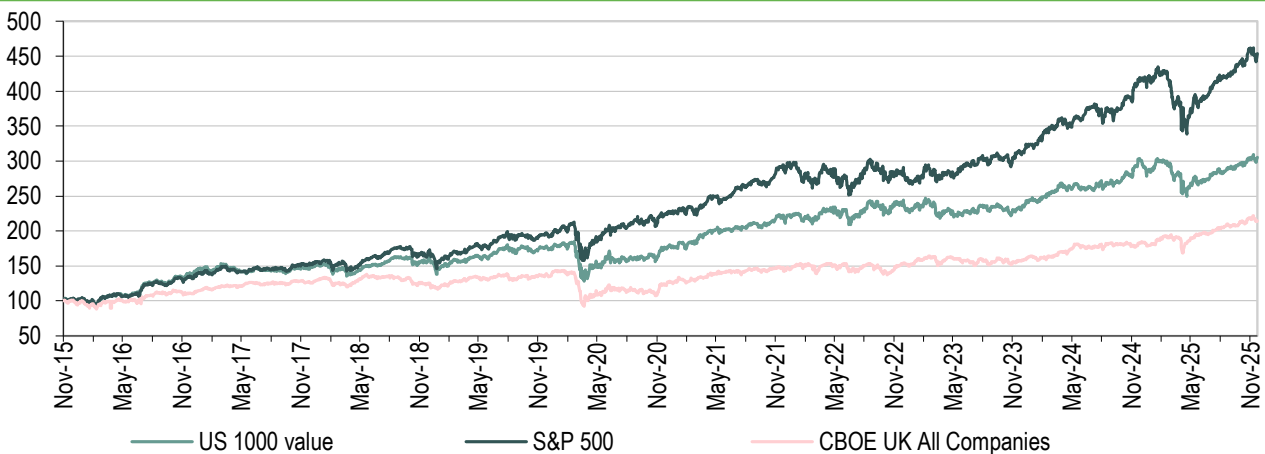
BRAI's discount is continuing to narrow. The current 5.4% discount is towards the higher end of the 0.7% premium to a 13.6% discount three-year valuation range. It is narrower than the 6.2%, 7.2% and 6.4% average discounts over the last one, three and five years, respectively. There has been a steady upward move in the trust's valuation in recent months, which may be due to an increased awareness about the investment mandate change. However, it may be due to the recent rally in the US market, which has enjoyed a remarkable return to form (Exhibit 10). Having led the global market for a prolonged period, the US market came under pressure earlier in 2025 as investor enthusiasm for large-cap technology stocks appeared to wane, and US President Trump announced a wide-ranging tariff programme. However, this weakness has proved transitory as the US market has once again been hitting record highs.

Exhibit 9: Discount over the last three years (%)



Source: LSEG Data & Analytics, Edison Investment Research

Exhibit 10: Performance of indices over the last decade (£)



Source: LSEG Data & Analytics, Edison Investment Research

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