



BlackRock American Income Trust

Investment companies | Initiation | 27 November 2025

And now for something completely different

On 28 February 2025, BlackRock American Income (BRAI) announced a radical shake up. It asked shareholders to approve a new investment objective and policy, announced a new enhanced dividend policy, cut management fees drastically, and offered shareholders a 20% tender at a 2% discount to NAV (after costs).

The proposals were welcomed by investors, with more than 99% of those voting giving their approval on 16 April 2025. The tender offer was undersubscribed, with just 16.15% of BRAI's shares validly tendered.

In its new form, the trust is following an investment approach distinct from any other investment company listed in the UK – investing using a systematic active equity approach devised by BlackRock. This note seeks to explain BRAI's new approach and the corporate structure that supports that. Whilst we have included some historical performance data for reference in the charts on this page, further analysis of it feels redundant. Instead, we have focused on BRAI's returns since the strategy change.

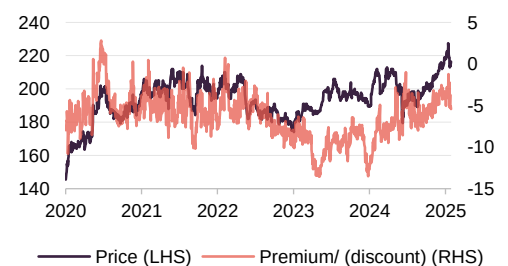
Attractive income and growth from US value stocks, using a systematic active equity approach

BRAI aims to provide long-term capital growth, whilst paying an attractive level of income (1.5% of NAV per quarter, around 6% of NAV per annum). BRAI follows a systematic active equity approach that aims to provide consistent outperformance of the Russell 1000 Value Index (the benchmark).

Sector	North America
Ticker	BRAI LN
Base currency	GBP
Price	216.5p
NAV	228.9p
Premium/(discount)	(5.4%)
Yield	5.4%

Share price and discount

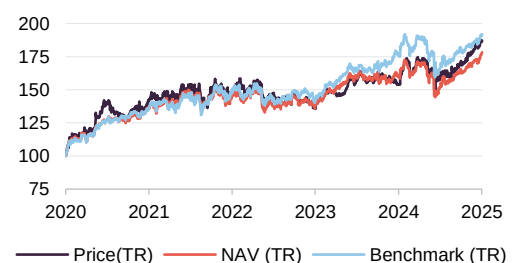
Time period 31/10/2020 to 25/11/2025



Source: Bloomberg, Marten & Co

Performance over five years

Time period 31/10/2020 to 31/10/2025



Source: Bloomberg, Marten & Co



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Domicile	England & Wales
Inception date	24 October 2012
Manager	Travis Cooke, Muzo Kayacan
Market cap	122.1m
Shares outstanding (exc. treasury shares)	56,412,138
Daily vol. (1-yr. avg.)	204,578 shares
Net gearing (as at 30 September 2025)	0.2%

[Click for an updated BRAI factsheet](#)



[Click for BRAI's peer group analysis](#)



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More information is available on the trust's [website](#)

How does new BRAI differ from old BRAI?

- First, we should start by saying that the portfolio's focus on deriving income and capital growth from US value stocks is unchanged. That focus on value stocks makes it a diversifier for portfolios that are otherwise dominated by a handful of mega-cap US tech stocks.
- There is a wholesale change to the way that investments are selected, which we describe in more detail below.
- The maximum active position in a stock is 1.5%. The number of stocks in the portfolio has risen from about 60 to 232 at end September 2025, lowering the portfolio's exposure to stock specific risk.
- The previous investment policy screened out a number of stocks on ESG grounds. In its new guise, BRAI has a much wider opportunity set.
- Costs have been slashed, with a halving of the base management fee and the introduction of a new tiered structure (see page 11).
- Dividends have been further enhanced to 1.5% per quarter or about 6% per annum (see page 9 for more detail).
- Regular, performance-triggered exit opportunities have been introduced and an exit opportunity will also be provided if the trust fails to grow (see page 10).

What is systematic active equity?

Data-derived insights to spot mispriced stocks

BlackRock's Systematic Active Equity (SAE) team seeks to use data-derived insights to spot and exploit market inefficiencies (mispriced stocks). At the end of September 2025, BlackRock was managing over \$313bn using this approach across a variety of global and regional portfolios; long only, partial short, and hedge fund structures; and now, a London-listed investment company – the first of its kind.

BlackRock has a team of over 100 investment professionals, based in San Francisco and London, dedicated to SAE.

The approach draws on over 40 years of insights into what works and what does not work when it comes to active investment management.

BRAI's universe is no longer constrained by ESG criteria, as it was in its previous guise, but ESG analysis is incorporated within the research process.

BRAI's universe is no longer constrained by ESG criteria

Continuous innovation

The SAE team is innovating continuously to optimise the outcome for investors. Quant-driven strategies have been around for a long time, but the amount of information available to the managers has multiplied. It is their job to identify which data is providing useful insights, when to use these, the extent to which certain datasets provide useful insights only when they are used in conjunction with each other or at certain points in the economic cycle, and the optimal weighting given to each set of insights to reach an investment decision.

Few asset managers have the scale to succeed in this area

The SAE team was an early adopter of AI and machine learning

Collating and processing the information requires considerable resources; computing power in particular. Few asset managers have the scale to succeed in this area.

In addition, the managers observe that the largely-numeric fundamental value data that was available early on came in a structured and relatively easy-to-analyse format. However, many of the datasets that are available to the team now are unstructured and often in the form of text. The SAE team was an early adopter of AI and machine learning as it sought ways to interpret that data in a useful and practical way.

While an analysis of a company's fundamental value is incorporated within the process, the SAE team can also draw on hundreds of independent data sets. To give an example, analyst reports and newspaper articles are scanned for insights into sentiment towards a company's products or services. The SAE team also collects data on areas such as what is being searched for on the internet, transaction volumes, footfall data, and app usage statistics.

The SAE team evaluates an average of 10 new sets of data each month.

The analysis also incorporates macroeconomic indicators, using "now-casting" techniques to take the pulse of the economy.

Promising insights are rigorously tested for their ability to predict fundamentals and returns consistently and reliably. These evaluations are aided by tools that run a five-year back test in less than two seconds.

The managers have the final say, and can, for example, delay the execution of trades in the event that there is a major market shock.

The SAE approach does generate higher portfolio turnover (roughly 100%–200% of the portfolio each year). However, the impact of the cost of trading is factored into each investment decision and a significant proportion of trades are crossed or matched within BlackRock, which reduces transaction costs.

The output

The analysis produces insights into aspects such as:

- How attractive are a company's fundamentals?
 - Looking at areas such as profitability, growth, financial strength, valuation, and quality of management.
- Market sentiment
 - Is sentiment positive towards a company? Looking at views from: analysts, investors, management, plus flows of investors' money in and out of funds and strategies; and
 - Is the broader market environment supportive of the stock? Evaluating similar businesses, customer, and supplier information, and whether there are other indications of a supportive environment.
- Macroeconomic themes
 - Looking at themes across industries, countries, and styles.
- ESG
 - Is a business exposed to ESG risks, and how is it mitigating these?

- How does it treat its staff, customers, and suppliers?
- Is it threatened by the transition to a carbon-neutral world?

Once the managers have a set of signals that they think is providing useful information, the scores from these signals are blended to give a view on each stock in the universe. Higher scores translate into higher return expectations, and this informs portfolio construction, which seeks the best possible trade-off between risk and return net of transaction costs.

The portfolio will typically contain between 150 and 250 large- and mid-cap stocks.

BRAI will still in theory be permitted to invest up to 20% of its assets outside the US. However, in practice, its portfolio is now more likely to be 100% committed to US equities.

The macroeconomic backdrop

Markets have recovered from the selloff associated with Liberation Day

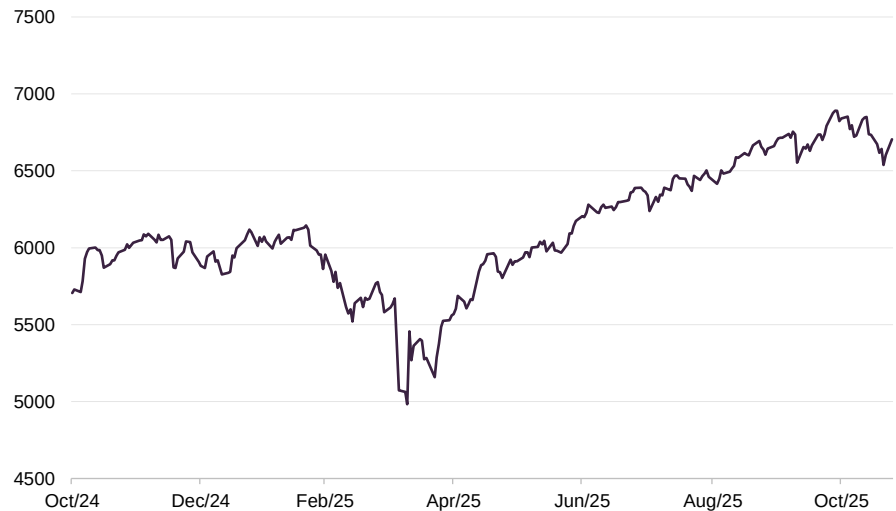
One dominant influence on markets globally is President Trump's policy agenda. A central plank of that has been his tariff policy. Having hit the ground running with the imposition of tariffs on imports from Canada and Mexico, the main event was the so-called "Liberation Day" on 2 April 2025, when Trump unveiled tariffs on almost all imports. The market's negative reaction to that triggered some backtracking, with tariffs reduced on a temporary basis to 10% in most cases. Markets then began to recover, and announcements of various trade "deals" not all of which are set in stone helped rekindle a risk-on environment.

The AI trade, which began in earnest in March 2023 with the release of ChatGPT-4, hit its first serious setback in January 2025 with news of DeepSeek's apparent successful development of a new large language model (LLM), that it claimed had been developed for a fraction of the price of equivalent US models. This led to a sharp selloff of the Magnificent Seven stocks, and flows into other US stocks and out of the US into other markets. Those mega cap US technology stocks were also caught up in the Liberation Day falls in markets. The pace of capex into AI infrastructure did not waiver, however, and that helped rebuild confidence in the trade.

BRAI offers a way of diversifying US exposure away from the Mag 7

Now, these US mega-caps dominate the S&P500 once again. For investors that like the US but are wary of having all their eggs in one basket, BRAI provides a useful diversifier.

Figure 1: S&P 500 Index over 12 months to end October 2025

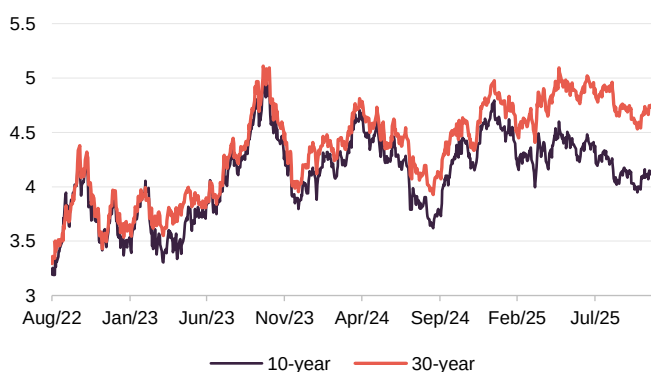


Source: Bloomberg

The US president has argued forcefully for lower interest rates, but the Federal Reserve has, to date, held its nerve citing concerns over the inflationary effects of tariffs, for example. Calls for the dismissal of Fed board members and its chair may undermine confidence in US bond markets. Inflation numbers in the US have been creeping up anyway.

Another concern for debt investors is the long-term effect of the One Big Beautiful Bill (OB BB), which is projected to add trillions of dollars to the US deficit. If this is coupled with higher government borrowing costs, it could prove problematic.

Figure 2: US long-term government bond yields



Source: Bloomberg

Figure 3: US dollar trade-weighted index



Source: Bloomberg

These factors have likely combined to weaken the US dollar. On a trade-weighted basis, the dollar has fallen sharply from its February peak. However, this process could have much further to go if flows out of US assets pick up.

Figure 4: Value versus growth in US market



Source: Bloomberg (based on MSCI US value and growth total return indices)

For BRAI, a key consideration is the performance of value stocks (its universe) relative to growth stocks. As Figure 4 shows, value stocks have slid relative to growth stocks over the past two decades. The principal cause of that is likely to be the extended period of low US interest rates that followed the global financial crisis in 2008.

Late in 2021, expectations of rising interest rates, later confirmed, triggered a rally in value. However, the relative peak set at the end of 2022 was followed by a renaissance of growth which can largely be attributed to the success of AI. Liberation Day appeared to choke off another nascent value rally.

The managers observe that in some ways, unpredictable policy shifts by the US administration make their job harder. However, this is also causing anomalous shifts in investor behaviour, which in turn creates more mispriced securities.

The portfolio

New portfolio in place from 22 April 2025

The realignment of the portfolio to fit the new strategy was completed by 22 April 2025, and at zero cost to ongoing shareholders given a contribution towards expenses by the manager and the effect of the NAV uplift associated with the tender offer.

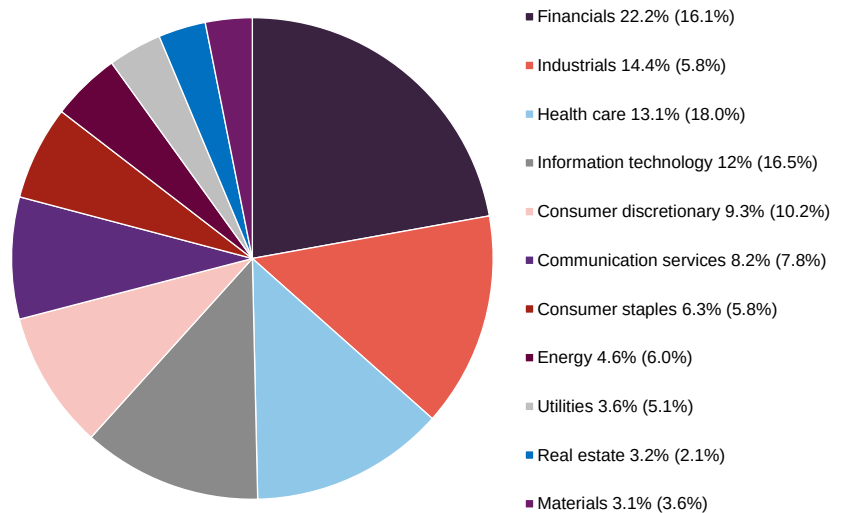
At the end of BRAI's last financial year (ahead of the realignment), the trust had almost 10% of its portfolio invested in non-US stocks; now the entire portfolio is in US stocks.

Marked shifts in sector and stock exposures

Figure 5 shows the split of BRAI's portfolio by industry sector as at 30 September 2025. The figures in brackets represent the percentage of the portfolio in each sector as at the end of BRAI's last financial year (31 October 2024), before the adoption of the new investment approach. There have been some marked shifts, notably much higher exposure to financials and industrials, and lower exposure to health care and information technology. The net effect is that, on a sector basis, the

portfolio is much closer to the benchmark. This means that when it comes to alpha generation, most of the heavy lifting is being done by stock selection.

Figure 5: BRAI asset allocation by sector as at 30 September 2025 (and as at 31 October 2024)



Source: BRAI

There is hardly any overlap between BRAI's 10 largest positions at the end of its last financial year (31 October 2024), before the new investment approach was adopted, and the largest positions in the portfolio at the end of September 2025.

Figure 6: Top 10 holdings as at 30 September 2025

		% as at 30/09/25	% as at 31/10/24	Change
JPMorgan Chase	Financials	3.2	-	3.2
Berkshire Hathaway	Financials	2.8	-	2.8
Walmart	Consumer staples	2.6	-	2.6
Amazon	Consumer discretionary	2.6	1.7	0.9
Bank of America	Financials	2.3	-	2.3
Alphabet	Communication services	1.9	-	1.9
Morgan Stanley	Financials	1.9	-	1.9
Johnson & Johnson	Health Care	1.8	-	1.8
Charles Schwab	Financials	1.7	-	1.7
Pfizer	Health Care	1.6	-	1.6
Total		22.3		

Source: BRAI

Performance

Building a track record of outperformance

As we said earlier, we do not feel that an analysis of BRAI's returns before the strategy change is relevant to this note. Figure 7 shows how BRAI has performed both in share price and NAV terms versus its performance benchmark, and against the S&P 500 Index.

The data suggest that BRAI has got off to a good start, delivering outperformance of its objective and fairly consistently too. The mega-cap, AI-related names that dominate the S&P 500 have been driving that index higher. While it has some exposure to this theme, by contrast, BRAI's performance benchmark is more diversified. It is encouraging that the trust has generated healthy returns over the past six months without making an outsized bet on the mega-cap AI theme.

It is too early to draw much conclusion about the volatility of these returns, but we will incorporate this in future reports.

Figure 7: Total return performance data for periods to end October 2025

Calendar year	1 month (%)	3 months (%)	6 months (%)	Since 22 April 2025 (%)
BRAI share price	2.3	8.6	17.7	16.6
BRAI NAV	3.6	8.1	17.2	21.4
Russell 1000 Value	2.9	5.9	15.1	18.5
S&P 500	4.9	9.0	25.6	32.3

Source: Bloomberg

Dividends

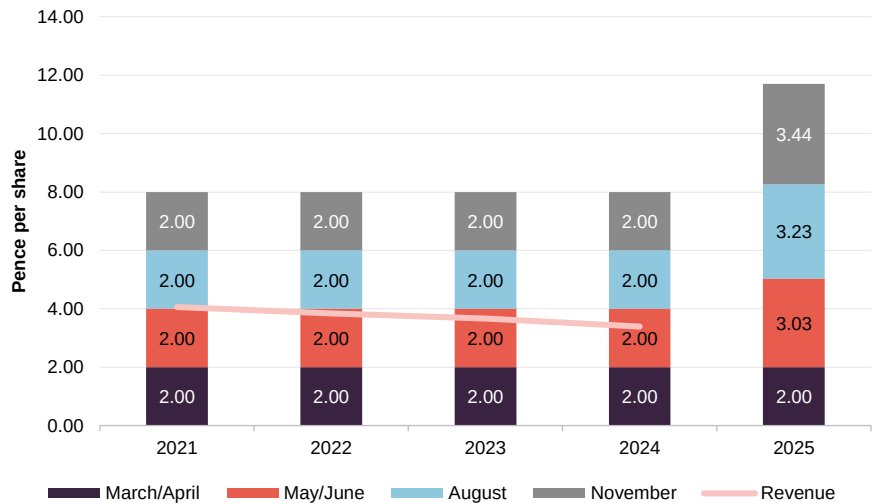
New enhanced dividend policy roughly 6% of NAV each year

With effect from 17 April 2025, BRAI adopted a policy of paying a quarterly dividend equivalent to 1.5% of NAV (approximately 6% annually). The x-axis labels show historic ex dates for BRAI's dividends. Going forward, the intention is to pay the dividends in April, July, October, and January.

Figure 8 shows BRAI's dividend history over the last five years. The effect of the shift to paying an enhanced dividend based on 1.5% of NAV is obvious in the final column.

To facilitate the payment of its enhanced dividends and share buybacks if needed, BRAI had distributable reserves of £105.7m at the end of April 2025. The payment of enhanced dividends is not a new feature for the trust; its dividends have not been covered by net revenue earnings since FY 2017. Without the constraint of having to hold high-yielding stocks to generate its income, BRAI is free to go anywhere within the US market and try to maximise its total returns.

Figure 8: BRAI five-year dividend history for financial years ending in October



Source: BRAI, Marten & Co

Premium/(discount)

Over the 12 months ended 31 October 2025, BRAI's shares traded at a discount to NAV between 11.9% and 1.0% and averaged 6.3%. At 26 November 2025, the discount was 5.4%.

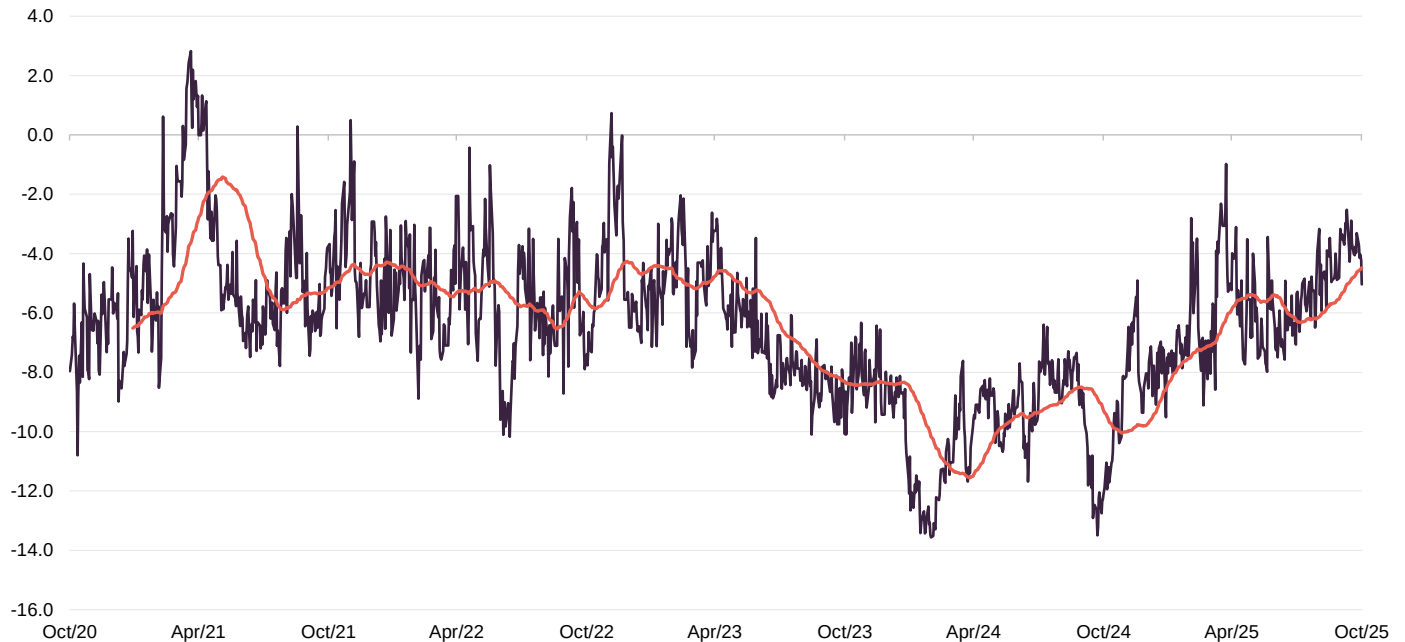
The discount widened over 2023 as the Magnificent Seven dominated markets and value stocks underperformed. After a false start over last summer, BRAI's rating began to improve in October last year (helped by anticipation of the tender offer) and is now at a more acceptable level. However, the board would love to see investors embrace the new approach and for the trust to re-expand.

Conditional tender offers

If BRAI fails to beat its benchmark net of fees by an average of 0.5% per annum over three-year periods, the first of which ends on 30 April 2028, the company has committed to offering shareholders a 100% tender offer at a 2% discount to NAV less costs.

In addition, the 100% tender offer may also be triggered if the net assets of the company are less than £125m at the end of those three-year periods.

Figure 9: BRAI's premium/(discount) over the five years ended 31 October 2025



Source: Bloomberg, Marten & Co

Structure

Capital structure

BRAI's issued share capital comprises 95,361,305 ordinary shares of which 38,949,167 are held in treasury. The number of shares with voting rights is 56,412,138.

BRAI's financial year end is 31 October, and its AGMs tend to be held in March. The board is planning to announce the trust's next set of annual accounts in January 2026.

Shareholders approved the continuation of the company at this year's AGM. Another continuation vote is scheduled for 2028 and every three years thereafter.

Fees and costs

With effect from 17 April 2025, BRAI has a tiered management fee, based on NAV, of 0.35% on the first £350m and 0.30% on any balance. There is no performance fee.

The ongoing charges ratio for the year ended 31 October 2024 was 1.06%, but this was based on a management fee of 0.70% on NAV. Given the fee cut, this should be meaningfully lower in this and future years. The board has estimated that over a

full 12-month period of the new fee, the ongoing charges ratio should fall to about 0.70%–0.80%.

The managers

BRAI's AIFM is BlackRock Fund Managers Limited. BlackRock Investment Management (UK) Limited acts as BRAI's investment manager and company secretary.

BRAI's lead managers are Travis Cooke and Muzo Kayacan.

Travis Cooke

Travis is head of the US portfolio management group within BlackRock's systematic active equity (SAE) team. He is responsible for the management of the US long-only, partial long-short, and long-short equity strategies within SAE.

Travis joined Barclays Global Investors (BGI) in 1999, and that firm merged with BlackRock in 2009. At BGI, he was a portfolio manager for various developed market strategies within its alpha strategies group.

Travis has a BA degree in Business Economics from the University of California at Santa Barbara in 1998, and an MSc in Finance from London Business School in 2008. Additionally, he has been a CFA charterholder since 2001.

Muzo Kayacan

Muzo is a portfolio manager and head of EMEA product strategy in the SAE division. He is responsible for managing US, global, and European funds as well as overseeing the EMEA product strategy team, who provide a link between investment teams and clients.

Prior to joining BlackRock in 2010, Muzo was a senior associate portfolio manager at AllianceBernstein, where he was responsible for implementing investment decisions in global developed and emerging markets institutional equity portfolios, as well implementing active and passive currency hedging strategies. From 2005-2007 he completed a graduate training scheme with M&G, followed by a role in the product development team. Before joining M&G he was a futures trader.

Muzo holds a Bachelor's degree in Psychology from Warwick University in 2003. He has been a CFA charterholder since September 2009.

The board

BRAI has four directors, all of whom are non-executive and independent of the manager. Alice Ryder stepped down as chair and as a director following the last AGM and David Barron succeeded her as chair. Gaynor Coley is the newest recruit, and has taken on the role of audit committee chair from David Barron.

Figure 10: Directors' length of service, fees, and shareholding

	Role	Appointed	Length of service (years)	Fees (£)	Shareholding
David Barron	Chairman	22/03/2022	3.7	45,000	11,677
Gaynor Coley	Chair of the audit committee	25/06/2025	0.4	39,000	10,000
Solomon Soquar	Senior independent director	21/03/2023	2.7	32,500	10,000
Melanie Roberts	Director	01/10/2019	6.2	32,500	10,000

Source: Marten & Co

David Barron

David spent 25 years working in the investment management sector and was until November 2019 chief executive officer of Miton Group Plc, following six years with the firm. Prior to this he was head of investment trusts at JPMorgan Asset Management for more than 10 years, having joined Robert Fleming in 1995. He is currently chairman of Baillie Gifford European Growth Trust Plc and (until its planned merger with AVI Japan Opportunity Trust Plc completes) a non-executive director of Fidelity Japan Trust Plc.

Gaynor Coley

Gaynor Coley is a chartered accountant with over 30 years of experience in private and public sector finance with extensive experience of governance, compliance, and risk management. She is a non-executive director and chair of the audit committee of Foresight Enterprise VCT Plc and Lowland Investment Co Plc and chair of the grants committee and a trustee of the Duchy Health Charity.

Solomon Soquar

Solomon Soquar has considerable experience of over 30 years across investment banking, capital markets and wealth management. He has worked with several major financial institutions, including Goldman Sachs, Bankers Trust, Merrill Lynch, Citi and Barclays. His most recent executive role has been as CEO of Barclays Investments Solutions Limited. Over the last few years he has developed a portfolio of roles, including non-executive director of Ruffer Investment Company Limited; chair, Africa Research Excellence Fund; and business fellow of Oxford University, Smith School of Economics and Enterprise.

Melanie Roberts

Melanie Roberts is a partner at Sarasin & Partners LLP. She has 29 years of investment experience. She joined Sarasin & Partners in 2011 and in January 2023 was appointed head of charities, continuing to focus on strategy, stewardship, and client service for charity portfolios. Prior to joining Sarasin & Partners, she spent 16 years at Newton Investment Management as a fund manager of charity, private client and pension fund portfolios.



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