North American Income (NAIT)

Kepler INCOME 2026

NAIT finds the dividend heroes of America.

Update
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Overview

North American Income (NAIT) is an actively managed portfolio of approximately 50 large-cap US equities with the objective of producing a growing dividend as well as capital appreciation. Whereas the core proposition is equity income, any investor experiencing a sense of discomfort over the highly concentrated nature of the S&P500 could find NAIT a great way to access a different group of successful US companies.

NAIT currently yields 3.2% and over the last ten years has increased its **Dividend** at an annualised rate of 6.8%, well ahead of inflation. NAIT's dividends are paid from a mixture of 'natural' dividend income and options income in an approximately 80/20 ratio. The trust also has a buffer to help cover any potential shortfall, with revenue reserves equivalent to more than one year of dividend payments. NAIT is moderately **Geared**, currently c. 6%, and uses low-cost long-term debt.

Performance over the last five years is ahead of the benchmark Russell 1000 Value Index's 65%, with NAV and share price total returns of 67% and 81% respectively (figures to 15/05/2026). The higher share price total return is a measure of discount narrowing, with the current discount standing at about 3%. NAIT's board has shown a strong commitment to share buybacks to support this, which we look at in the **Discount section**.

NAIT is **Managed** by Fran Radano and Jeremiah Buckley. Fran first managed NAIT between 2015 and 2024. That year, NAIT's board made the decision to award the management contract to Janus Henderson and Jeremiah was appointed as portfolio manager in August 2024. Fran subsequently moved to Janus Henderson and joined Jeremiah as co-manager. So, whilst there is long-term continuity in the core proposition, this has evolved to encompass a broader spread between higher-yielding mature businesses and lower-yielding growth stocks, taking advantage of the broad global research resources of the Janus Henderson equities business.

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Analyst's View

Investors are increasingly having to grapple with the thought that the largest stocks in the S&P 500 are spending at an extraordinary rate just to stay in the game, but are, perhaps, attributed valuations that suggest they have already won it. Although NAIT's proposition is a very straightforward one of equity income, this is, in our view, a very interesting time for any investor in US equities to consider its merits, especially if they are worried about the above conundrum. The lens of equity income leads to a portfolio of profitable, steady businesses with the ability to pay, consistently, a growing dividend, and as many equity income investors know, sometimes it's not the dividend per se that matters as much as what it says about a company.

But then again, NAIT stands on its own merits as an equity income trust. Yes, the dividend yield is a touch lower than the average UK equity income trust, but the US economy's faster growth trajectory ultimately translates to faster dividend growth, and there aren't many UK equity income trusts with a ten-year dividend growth rate of almost 7%. Put another way, a buyer of NAIT ten years ago in May 2016 would have paid about 180p, would have received over 100p of that back in dividends and would have a yield on their initial cost of just over 7%. As more and more investors avoid the finality of buying an annuity for their retirement and continue to invest for the long-term, numbers like this can really matter. In that context, NAIT's proposition looks right on the money.

BULL
NAIT offers strong diversification compared to the composition of the US stock market
Strong track record of growing the dividend ahead of inflation
Low-cost gearing enhances capital and income returns

BEAR
US stock market's strong performance contrasts with mixed economic signals
Lower yield than many UK equity income trusts
Gearing can amplify losses as well as gains

Portfolio

North American Income (NAIT) targets above-average dividend growth and long-term capital appreciation through a portfolio of c. 50 predominantly large-cap US stocks. The team managing NAIT, led by Fran Radano and Jeremiah Buckley, primarily take a stock picking approach, although with a growing dividend as one of the core objectives, this leads to companies with certain characteristics and results in a different mix of sectors to a more conventional growth-orientated US-equity portfolio. Although NAIT only relatively recently appointed Janus Henderson as manager, as we see in the **Management section**, there is long-term continuity in the portfolio management team. But the trust has evolved slightly in the last couple of years, with a broader spread of higher-yielding stocks alongside lower-yielding, but faster-growing businesses that can provide future-dividend and capital-growth potential. This evolution is helped by the wider resources of Janus Henderson, with the direct support of 35 dedicated sector analysts, plus the wider resources of the overall US equities business.

NAIT's portfolio can generally be expected to have a beta just below one relative to the Russell 1000 Value Index, with its target holdings often less volatile than the market, and its modest structural gearing, approximately, bringing the beta of the NAV back to about one. The portfolio P/E ratio is generally lower than the Russell 1000 Value Index, and with several new entrants to that index from the technology sector recently, that difference is likely to have been exacerbated. Fran and Jeremiah generally pick companies with high return on equity, which aligns them with a bias to quality, and unsurprisingly, the portfolio is normally at a yield premium to the market, currently in the region of 100bp, with NAIT's portfolio yield just over 3%.

Co-manager Fran Radano notes that a year ago, US corporates were often in a 'wait and see' mindset. Although recent reforms to corporate accounting were designed to encourage more corporate investment, the introduction of higher trade tariffs was causing many to hold off making decisions. For a period, the policy on trade tariffs was changing at a pace many found hard to follow, and although this is a topic that could yet reappear, for now the position is more settled. Fran and the team's work shows that, in effect, tariff rates are at about 7%, so whilst they may be unwelcome by many, the actual rate is manageable. He also notes that corporates are beginning to think about what the next few years might bring. Could, for example, a new administration water down the accounting rules on capital expenditure in the 'Big Beautiful Bill'? As a result, he is seeing more companies making the decision to move forward with investment plans. He thinks this has already had a positive effect on many businesses' earnings growth. He also points to earnings growth, which is showing signs of broadening out from the Magnificent Seven to a much wider group of companies.

NAIT's largest holdings are shown below and give an immediate impression that this is a very different set of companies compared to a strategy aligned with the S&P 500. Although we will, for simplicity, refer to NAIT as an investor in US equities, strictly speaking, it is 'North American' and one of the list, Enbridge, is a Canadian energy business involved in pipelines, storage and, increasingly, renewable energy with a long track record of paying and increasing its dividend.

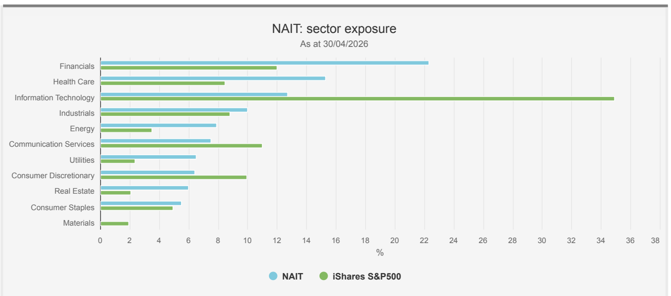
Largest Holdings

COMPANY	SECTOR	PERCENT
Chevron	Energy	4.7
CVS Health	Healthcare	3.6
Philip Morris International	Tobacco	3.3
PNC Financial Services Group	Financials (Banking)	3.2
Enbridge	Energy (Midstream)	3.2
Lamar Advertising	REIT	3.2
Morgan Stanley	Financials (Investment Banking)	3
Johnson & Johnson	Healthcare	3
Gaming and Leisure Properties	REIT	2.8
Verizon Communications	Communication Services	2.8
Total		**32.8**

Source: Janus Henderson as at 30/04/2026

NAIT's sector exposure is shown below; rather than against the benchmark, this is shown against the S&P 500 (using an ETF proxy). The main point of this chart is to highlight the profound difference in sector exposure between NAIT and the US's senior equity index. This is, of course, in part driven by NAIT's different benchmark, but is also the consequence of its equity income focus. As such, this chart helps to highlight how much of a diversification role NAIT can play in a portfolio.

Fig.1: Sector Exposure



Source: Janus Henderson, BlackRock

One recent purchase in the portfolio is eBay, which Fran felt was both on an attractive valuation and, although a low yielder today, has the potential to grow its dividend significantly. In an environment where the consumer is more constrained and careful with spending, his view is that eBay offers a value proposition for the consumer. Interestingly, although the bid has now stalled after being rejected, eBay recently received an unsolicited bid from GameStop, which, although much lower than the eBay board would have agreed to, was at a significant premium to the share price. Whilst the bid appears, at the time of writing, to have failed, it highlights a wider perception that eBay's share price undervalues the business. The team also added to the consultancy business Marsh McLennan. The share price has been under pressure as the market tests the idea that it might be an 'AI loser', but the team see this as overdone, as the business has a vast amount of proprietary data and could yet be an AI winner.

Overall, though, the portfolio hasn't seen many recent sector changes and has been selling a little of the more growth-orientated portfolio in favour of yield, with valuations looking more attractive. The portfolio is underweight technology, implied in the sector chart above, and continues to favour sectors like utilities, which Fran expects to get steady single-digit growth from selected REITs and energy, which has been having a strong run. Although at the time of writing, the need to seek diversification in US equities seems pressing, we think that NAIT's diversification characteristics are more enduring, and with a strong record of dividend growth, it could find a home in any portfolio.

Gearing

NAIT is currently net geared c. 6%. The chart further below tracks gearing over the last five years. The reduction in gearing in 2024 relates to the period when NAIT was transitioning its **Management** contract from Aberdeen to Janus Henderson. Formerly, the limit is 20%, but the current level is a better indication of what investors can expect on average.

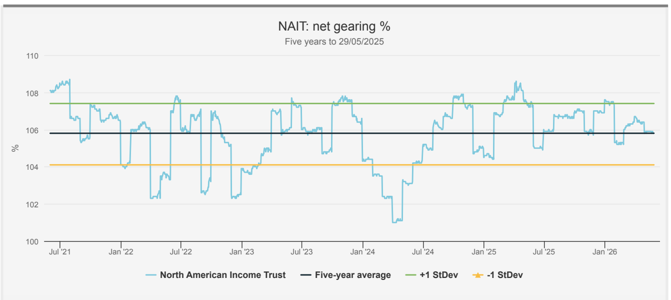
Whilst this suggests a more variable range, this is explained by the portfolio reorganisation in 2024 when NAIT transitioned to Janus Henderson, and gearing was briefly neutralised whilst the portfolio was realigned.

Gearing comes from two long-term debt instruments issued in 2020, when borrowing costs were very low:

- US$25m ten-year Senior Loan Note at an annualised interest rate of 2.70% redeemable on 21/12/2030 and;
- US$25m 15-year Senior Loan Note at an annualised interest rate of 2.96% redeemable on 21/12/2035.

These loans have an interest rate lower than NAIT's portfolio yield, and so although the primary purpose of the gearing is to amplify capital returns, they also provide a small yield pickup.

Fig.2: Net Gearing



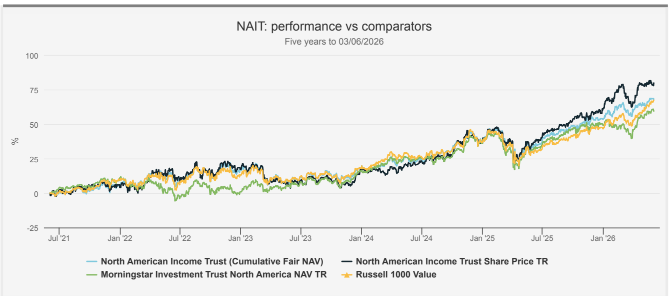
Source: Morningstar

Performance

Over the last five years, NAIT's NAV and share price total returns (TR) of 68.1% and 79.8% are ahead of the benchmark Russell 1000 Value Index's 67.3%. These also compare with the NAV and share price TRs of 59.4% and 79.9% for the Morningstar North America peer group. Although this has been a good period for 'value', it's worth noting that the S&P 500's TR is nearly 100%, so NAIT's performance is particularly notable in the context of a peer group where, by dint of its equity income mandate, it is more structurally naturally underweight mega-cap tech. The last year has also seen strong performance, 25.2% and 32.6% for NAV and share price TR, respectively, slightly behind the benchmark's 28.5%.

The first chart below shows NAIT against its peer group and benchmark over five years, which in particular helps to highlight the extra performance at a share price level resulting from the discount narrowing.

Fig.3: Five-Year Performance



Source: Morningstar

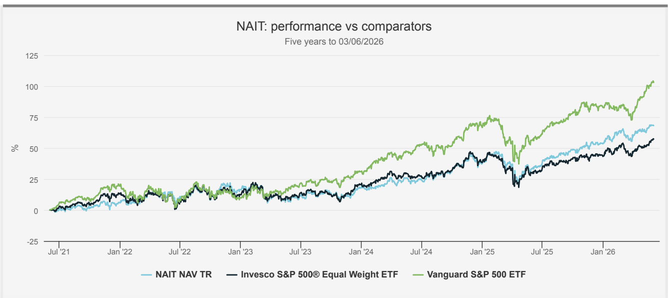
Past performance is not a reliable indicator of future results.

Although in the **Portfolio section** we discuss how NAIT is, structurally, much lower weighted in technology, this doesn't mean it doesn't own businesses in this sector. Recent performance has been boosted by holdings in, for example, Lam Research, which makes semiconductor fabrication tools, Amphenol, which makes electrical connectors and other interconnection systems with a wide range of industrial applications, including in data centres, and semiconductor software developer Broadcom. Other notable contributors to performance include Johnson and Johnson and Berkshire Hathaway. So overall, whereas NAIT is underweight technology, its portfolio is very much plugged in to some of the growth drivers of the US economy.

One way to mitigate worries about over-concentration in the US is to use the S&P 500 'equal weighted' Index, which, as the name implies, weights every stock equally and thus mitigates the effect of a few large stocks on the index. Various passive options to buy this index exist, and returns over the last year have been about 20%, compared to NAIT's NAV TR of about 25%. This is far from a perfect comparison to NAIT, but it helps highlight that one of the more popular passive strategies has proved less effective than NAIT's active strategy in generating returns from different parts of the market.

The next chart ties in with this, showing the S&P 500 and the S&P 500 Equal Weighted index, showing NAIT's NAV total return over the last five years compared to ETF proxies for both. As noted above, the S&P 500 has performed particularly well, with its high concentration in technology, but as noted, NAIT's active approach has outperformed the equal weighted index. To reiterate, neither index is NAIT's benchmark, and both are shown to provide context.

Fig.4: Performance Vs Comparators



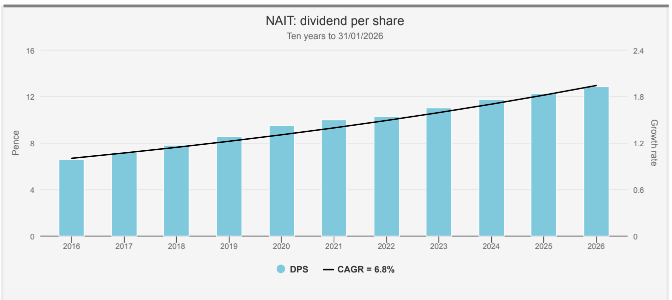
Source: Morningstar

Dividend

NAIT currently yields c. 3.1% and pays quarterly dividends, with the final dividend typically larger than each of the three interim payments. Dividends for the year to 31/01/2026 totalled 12.8p (2025: 12.2p), a 4.9% increase. Over the last ten years, NAIT's dividend has grown at an annualised rate of 6.8%, shown in the chart below, which is well ahead of inflation.

The broad context is that the S&P500 yields just over 1%, which highlights why the US is not always front of mind when it comes to equity income. But this low yield is skewed by the presence of some very large no- or low-yielding technology companies, and NAIT's manager has a broad selection of dividend stocks to pick from. NAIT's income comes primarily from conventional dividends, with an options strategy providing about 20% on top. Revenue reserves currently amount to over one year's cover, and one of the board's objectives is to maintain reserves for a year or more.

Fig.5: Dividend Growth



Source: Janus Henderson

Past performance is not a reliable indicator of future results.

Management

Fran Radano first managed NAIT from July 2015 to May 2024 whilst working at Aberdeen Asset Management. On 01/08/2024, NAIT's board moved the management contract to Janus Henderson, and Jeremiah Buckley was appointed as the named manager, with the support of 35 sector analysts. Fran subsequently joined Janus Henderson, and in November 2024, he re-joined the team managing NAIT. He is a portfolio manager at Janus Henderson Investors, and prior to this, he was a senior portfolio manager at Aberdeen Asset Management from 2007, where he was lead manager for NAIT. Before that, he was a senior research analyst at Gartmore Global Investments from 1999. Earlier, Fran was a vice president and research analyst at Salomon Smith Barney Consulting Group for two years. He began his career as an associate trader at SEI in 1993. Fran received a bachelor's degree in economics with a minor in political science from Dickinson College and an MBA in finance from Villanova University. He holds the Chartered Financial Analyst designation and has 31 years of financial industry experience.

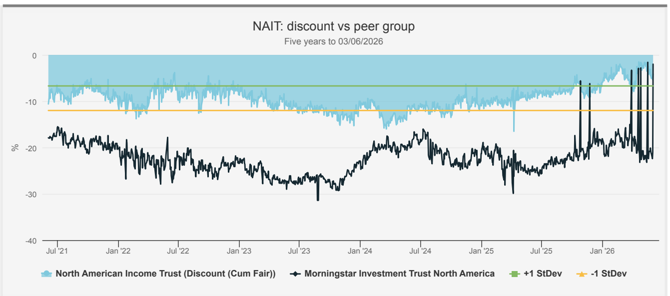
Jeremiah Buckley is a portfolio manager at Janus Henderson Investors, and he has managed NAIT since 01/08/2024, when the trust awarded the management contract to Janus Henderson. He joined Janus in 1998 as a research analyst covering the consumer, industrials, financials, media, software, and telecommunications sectors. He was Janus' consumer sector lead for ten years before transitioning to full-time portfolio management. Jeremiah earned his Bachelor of Arts degree in economics from Dartmouth College. Jeremiah holds the Chartered Financial Analyst designation and has 26 years of financial industry experience. Jeremiah currently manages several other funds with similar strategies, including the Balanced fund, US Growth & Income, and US Dividend Income.

Fran and Jeremiah are supported by the wider resources of Janus Henderson, including 35 experienced sector analysts producing independent primary research covering NAIT's universe of stocks. The firm has c. $370bn of AuM, of which almost 60% is in equities and has over 370 investment professionals globally and a deep research and fund management capability in US equities, which is a core part of its business.

Discount

NAIT currently trades at a 4.1% discount, against an average of c. 9% for the last five years. This is broadly similar to the current Morningstar North American peer group average of 2% and five-year average of c. 22%. As the chart below shows, NAIT and its peer group have seen a significant shift in discounts in the opening months of 2026, moving from around 10% to close to asset value. US markets have been performing strongly, and although once again the headlines focus on the Magnificent Seven, the market move up has been broader than this, which is reflected in NAIT's discount and **Performance**.

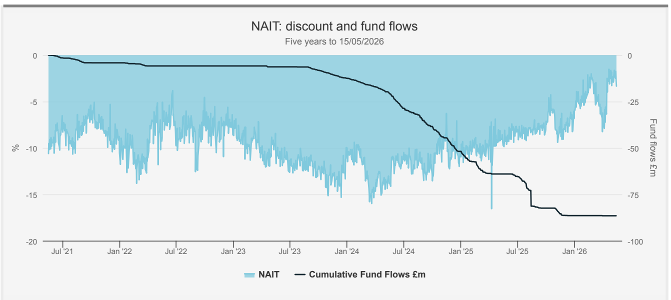
Fig.6: Discount



Source: Morningstar

Part of the reason NAIT's discount has narrowed may be related to the active approach to share buybacks that the NAIT board has taken. The next chart tracks the discount against share buyback activity over the last five years. The black line shows this cumulatively in £m, denoted on the right-hand y-axis, with a descending slope left to right indicating buybacks. This chart also makes it a little easier to pick out recent events like 2025's 'Liberation Day' and, more recently, the start of the US-Israel-Iran war. The board spent about £39m on buybacks in 2024 and £35m in 2025, in the context of a market cap of about £460m. With the discount tracking to low single digits more recently, it's not surprising that buybacks have been on hold in 2026.

Fig.7: Discount And Fund Flows



Source: Morningstar

NAIT also has a continuation vote every three years, with the next scheduled for 2027. As a further measure, in 2024, the board introduced a conditional tender offer. This covers the three-year period to 30/09/2027 and has the following conditions:

- Should NAIT's NAV TR underperform the TR of the S&P High Yield Dividend Aristocrats Index, or
- Over the six-month period to 30/09/2027, the average discount NAV is greater than 7%.

If either condition is met, then a tender offer for 15% of shares at a 2% discount (less costs) will be implemented. The board specifically references that this is designed to give shareholders confidence that there is liquidity should they wish to sell, and that discount volatility is limited for ongoing shareholders.

From the start of the performance measurement period to 15/05/2026, NAIT's NAV TR is 27% compared to 7% for the index.

Charges

NAIT's most recent OCF is 0.73% (for the year to 31/01/2026). The AIC's North America peer group simple average is 1.11%, although adjusting for Pershing Square's unusually high 2.3%, the average falls to 0.87%.

NAIT's management fees are tiered, with 0.55% charged on the first £500m of net assets and 0.45% on net assets above £500m. With current net assets of c. £466m, the fee is currently all within the first tier. As ever, changes are not directly deducted from the share price but are incorporated into the net asset value.

ESG

NAIT does not pursue a sustainable investment strategy and is not labelled under either the FCA or the EU's categorisations for sustainable investment products.

The team takes an integrated approach to ESG, relying on the wider resources of Janus Henderson and its in-house responsible investment team, as well as third-party research to inform its own assessment.

NAIT scores 'below average' in Morningstar's ESG analysis. Whilst we think some of this can be attributed to stocks in the portfolio, such as the holding in Philip Morris, the team make the point that they rely on ESG analysis to identify positive ESG changes that could be relevant to investment performance at an early stage, rather than looking at historically good ESG scores. For example, the team takes an active approach to engaging with companies on topics such as governance and remuneration.

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