



Results analysis: BlackRock American Income

BRAI’s new investment strategy is off to a promising start.

Update
10 February 2026

- The trust’s discount narrowed from 12.1% to 5.0% over the financial year, with notable periods of narrowing following the US election in November 2024 and in mid-April 2025, coinciding with improved market sentiment after the US administration made compromises on trade tariffs.
- The board repurchased 4,386,580 shares during the period, representing c. 4.6% of the shares in issue at the start of the financial year. However, this does not include the shares repurchased through the tender offer at the change of strategy in April 2025, during which c. 16.2% of the share capital was tendered. This was undersubscribed out of a maximum 20%. No shares have been bought back since the start of the current financial year, with the discount currently standing at c. 1.1% (as of 03/02/2026).
- BRAI has adopted an enhanced dividend policy, paying a dividend equivalent to 1.5% of NAV each quarter, totalling 6% annually. In the last financial year, one interim dividend was paid under the previous policy, with the remaining three paid under the new policy, resulting in a total dividend of 11.70p for the year. A first interim dividend of 3.55p for FY 2026 was declared on 02/02/2026, implying a 12-month yield of c. 5.6%.
- Alongside the introduction of the new strategy, management fees were reduced, and BlackRock agreed to a six-month management fee holiday between 01/05/2025 and 31/10/2025. As a result, the ongoing charges figure (OCF) fell from 1.06% to 0.73%.
- David Barron, chair of the board, said: “Valuations across several areas of the market remain appealing, particularly among high-quality and attractively valued companies that have lagged the more speculative parts of the market during the recent rally. History suggests that fundamentals tend to reassert themselves over time, creating a potentially supportive environment for investors with a disciplined, long-term approach.”

Kepler View

The new investment strategy of **BlackRock American Income (BRAI)** has made a promising start, with the trust outperforming its benchmark - the Russell 1000 Value Index - since its implementation in April 2025. Between 16/04/2025 and

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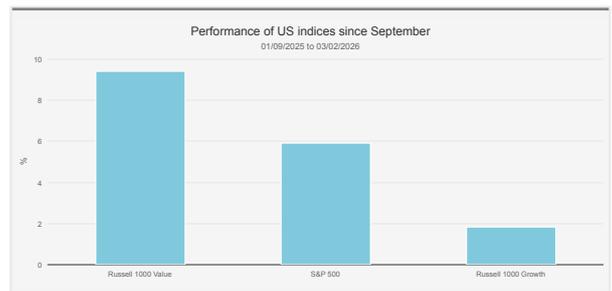
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03/02/2025, BRAI generated NAV and share price TRs of 27.8% and 29.4% respectively, which compare to 21.9% for the trust’s benchmark. Over the whole financial year, the outperformance was driven by overweight positions in the information technology sector, such as Lam Research, benefiting from investors’ enthusiasm for AI, and in financials, where capital markets–focused banks such as Morgan Stanley performed well amid a supportive economic environment and elevated trading activity.

However, it is worth noting that both BRAI and its benchmark have lagged the S&P 500 - the broad

Fig.1: Performance Of Indices



Source: Morningstar

Past performance is not a reliable indicator of future results.



US equity index. The managers note that the broader US equity market during the year was driven primarily by sentiment and thematic investment trends such as AI rather than by fundamentals. That said, they highlight that the Russell 1000 Value Index has outperformed the S&P 500 Index since September 2025, as the bar chart below shows, which could suggest that the market is now paying greater attention to valuations.

In addition, the enhanced dividend policy introduced alongside the new investment strategy in April 2025 has enabled BRAI to increase its distributions in the most recent financial year. While the trust paid an annual dividend of 8.0p in each year between 2018 and 2024, the dividend for 2025 rose to 11.70p, representing a c. 46.3% year-on-year increase. Under the new dividend policy, BRAI aims to pay a dividend equivalent to 1.5% of NAV at each quarter end. As such, stronger NAV performance should result in higher dividends. A first interim dividend of 3.55p for FY 2026 was declared on 02/02/2026, implying a 12-month yield of c. 5.6%. This compares favourably with the c. 1.9% dividend yield of the Russell 1000 Value Index and BRAI currently offers the highest dividend yield in the AIC North America sector.

It is also worth noting that BRAI's discount narrowed meaningfully over the last financial year, from 12.1% to 5%. The narrowing began in the final months of 2024, coinciding with the US presidential election and potentially reflecting investors' increased optimism for US equities after the election of Donald Trump. The discount briefly widened after Liberation Day (02/04/2025), when the American president announced higher trade tariffs, before tightening again as the US administration signalled a willingness to compromise, leading to improved market sentiment. At the time of writing, the trust was trading at a discount of c.1.1%, which may reflect growing investor confidence in the new strategy alongside recent improvements in relative performance.

Meanwhile, BRAI's ongoing charges figure (OCF) has been reduced from 1.06% to 0.73%, reflecting both the lower management fees introduced under the new strategy and a six-month management fee holiday (to 31/10/2025) agreed by BlackRock. As a result, BRAI's OCF now compares favourably with the AIC North America sector's simple average of 1.03%.

In summary, we believe BRAI's investment proposition has strengthened meaningfully. The trust is now cost-competitive relative to sector peers, offers the highest dividend yield in the peer group, and has shown encouraging signs of a turnaround in performance. Indeed, in the 12 months to 31/01/2026, BRAI was the best-performing US-focussed constituent in the AIC North America sector. Should the rotation towards value

that began in September 2025 in the US equity market continue, we believe BRAI could be well positioned to deliver attractive total returns.

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