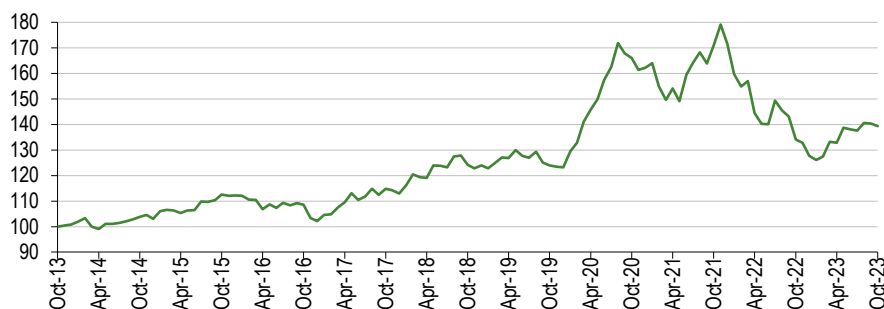


BlackRock Sustainable American Income Trust

A unique fund focusing on value and sustainability

BlackRock Sustainable American Income Trust (BRSA) underwent a strategy change in July 2021, to incorporate explicit ESG objectives into its investment approach. Its three managers, Tony DeSpirito, David Zhao and Lisa Yang, aim to deliver an attractive level of income and long-term capital growth from a portfolio of attractively valued, dividend-paying companies, which have favourable ESG credentials either as leaders, improvers or 'sustainability enablers'. While growth stocks have been favoured by investors for much of the last decade, data from BlackRock show that since 1978, in the one, two and three years following a recession, which is a possibility given the sharp rise in US interest rates, value stocks meaningfully outperformed growth stocks. Also, since 1984, following periods when the US Federal Reserve hiked interest rates, quality stocks led the US market in the subsequent one, two and three years.

S&P 500 Growth Index/S&P 500 Value Index (total return) over last decade



Source: Refinitiv, Edison Investment Research

Why consider BRSA?

Compared with its six peers in the AIC North America sector, BRSA has a unique focus on value and ESG. Given the managers' focus on high-quality, reasonably priced, dividend-paying stocks, BRSA's portfolio is relatively defensive. This is evidenced by the upside/downside capture analysis on page 2 and means the fund's performance should be relatively resilient during periods of economic weakness and high stock market volatility.

The managers believe that the risk of a US recession has risen as inflation, although down from its peak, remains elevated and the impact of higher interest rates is yet to be felt in the US economy. Hence, they consider that robust 2024 consensus earnings estimates provide room for disappointment.

For investors seeking US equity exposure, BRSA may be worthy of consideration, especially if the consensus view of a soft US economic landing proves to be too optimistic. In an environment of higher-than-average investor risk aversion, the trust's discount is wider than its historical averages. This provides scope for a higher valuation when sentiment improves or if BRSA's relative performance gets back on track. In the meantime, the trust offers an attractive 4.3% dividend yield, as the policy is to pay out a regular annual distribution of 8.0c per share, using BRSA's considerable reserves when required.

Investment trusts
American equities

20 November 2023

Price 185.3p
Market cap £148m
Total assets £159m

NAV* 198.9p
Discount to NAV 6.9%

*Including income. At 16 November 2023.

Yield 4.3%
Ordinary shares in issue 79.8m
Code/ISIN BRSA/GB00B7W0XJ61
Primary exchange LSE
AIC sector North America
Financial year end 31 October
52-week high/low 210.0p 174.0p
NAV* high/low 220.2p 190.6p

*Including income.

Net cash* 0.3%
*At 30 September 2023.

Fund objective

BlackRock Sustainable American Income Trust (BRSA) aims to provide an attractive level of income and capital appreciation over the long term in a manner that is consistent with the trust's principles of sustainable investing. Performance is measured against a US 1000 value index (the reference index).

Bull points

- Fund offers exposure to a specialist US multi-cap value portfolio with an ESG focus.
- Attractive dividend yield.
- Value stocks tend to outperform during periods of rising inflation and interest rates.

Bear points

- FY22 dividend was not fully covered by income.
- Reference index is not ESG based.
- US market is trading at a premium to global equities.

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BlackRock Sustainable American Income Trust is a research client of Edison Investment Research Limited

BRSA: A combination of value and ESG factors

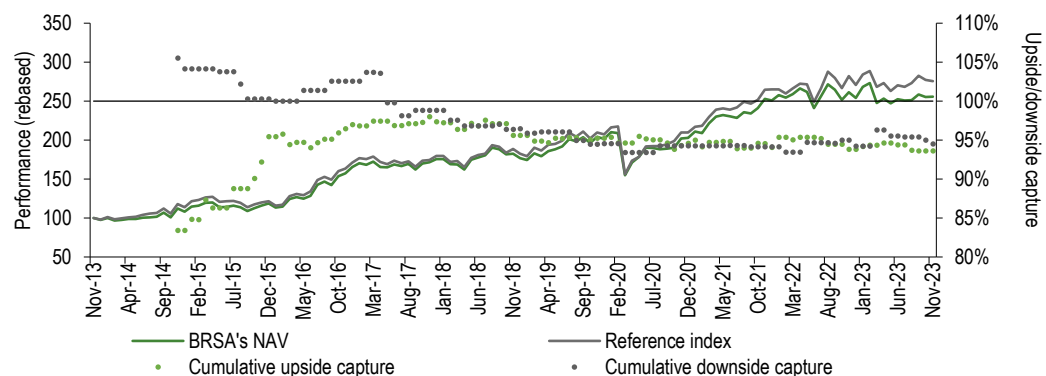
BRSA provides investors with a unique product, focusing on value and sustainability. The trust's three managers are part of BlackRock's income & value team, which has around \$60bn of assets under management. It believes that, having been out of favour with investors, both value and sustainability strategies are poised for a comeback, with BRSA well positioned to capture this.

Manager Yang explains that while the trust underwent a strategy change in July 2021, there are certain elements that remain constant. These include the three managers operating in the same BlackRock investment team and having a continued focus on dividend-paying US stocks, seeking to generate an attractive level of income plus long-term capital growth. An additional focus on sustainability means the fund has a premium ESG score and lower carbon emissions than the US value 1000 reference index. The change in strategy also involved a move from a large-cap to a multi-cap approach, although the managers are finding it difficult to find small-cap companies that fit their investment criteria. They are keen to avoid 'value traps', which are firms that look attractive but whose businesses are challenged and are unlikely to achieve a higher valuation.

BRSA's upside/downside capture

Exhibit 1 shows BRSA's upside/downside capture over the last 10 years. The fund's defensive qualities are illustrated by its upside capture of 93.6% and downside capture of 94.5%. These numbers suggest that the trust will capture around 5% less than the reference index's moves both in months when share prices rally and in months when they fall.

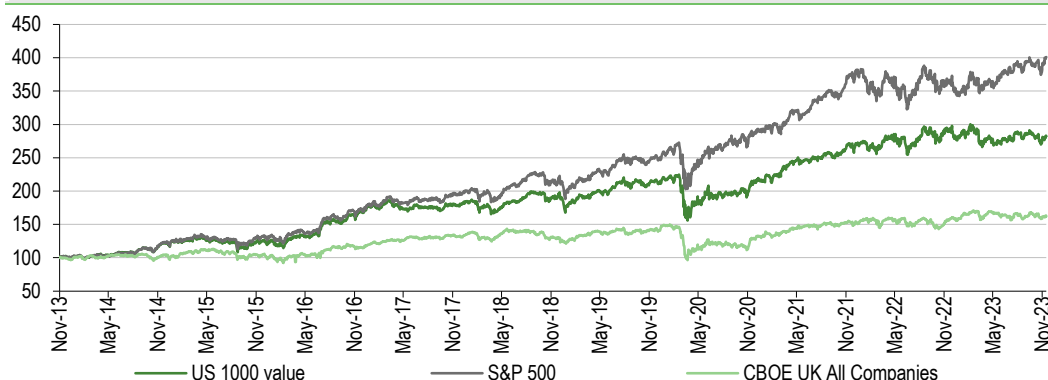
Exhibit 1: BRSA's upside/downside capture



Source: Refinitiv, Edison Investment Research. Note: Cumulative upside/downside capture calculated as the geometric average NAV total return (TR) of the fund during months with positive/negative reference index TRs, divided by the geometric average reference index TR during these months. A 100% upside/downside indicates that the fund's TR was in line with the reference index's during months with positive/negative returns. Data points for the initial 12 months have been omitted in the exhibit due to the limited number of observations used to calculate the cumulative upside/downside capture ratios.

Market performance and valuation

As shown in Exhibit 2, in aggregate, US shares have delivered a significantly better performance than the UK market over the past decade. In addition, it is interesting to note how much value shares have lagged the broader US market. In recent years, except in 2022, growing technology companies have made a major contribution to the US market (Exhibit 3), with the sector now making up around 28% of the S&P 500. With its focus on value stocks, BRSA's absolute performance has suffered from a lack of exposure to large-cap US technology companies.

Exhibit 2: Performance of indices over the last decade (£)


Source: Refinitiv, Edison Investment Research

Exhibit 3: S&P 500 Index sector total returns (\$)

%	2023*	2022	2021	2020
Comm'n services	37.9	Energy 65.4	IT 54.4	IT 43.9
IT	34.7	Utilities 1.6	Real estate 46.1	Cons discretionary 33.3
Cons discretionary	20.9	Consumer staples (0.6)	Financials 34.9	Comm'n services 23.6
Industrials	1.5	Healthcare (2.0)	IT 34.5	Materials 20.7
Energy	(0.3)	Industrials (5.5)	Materials 27.3	Healthcare 13.5
Materials	(0.7)	Financials (10.6)	Healthcare 26.1	Industrials 11.1
Financials	(4.1)	Materials (12.3)	Cons discretionary 24.4	Consumer staples 10.8
Consumer staples	(5.9)	Real estate (26.2)	Comm'n services 21.6	Utilities 0.5
Healthcare	(7.2)	IT (28.2)	Industrials 21.1	Financials (1.8)
Real estate	(8.2)	Cons discretionary (37.0)	Consumer staples 18.6	Real estate (2.2)
Utilities	(13.3)	Comm'n services (39.9)	Utilities 17.7	Energy (33.7)
Total	10.7	Total (18.1)	Total 28.7	Total 18.4

Source: Bloomberg. Note: *To 31 October 2023.

As shown in Exhibit 4, US shares do not appear attractively valued. Looking at Datastream indices, the US is trading at a near 25% premium to the world market on a forward P/E basis, and its 18.7x multiple is at a premium to its 10-year average. In contrast, global equities are trading around a 3% discount to their average over the last decade. The price-to-book valuation differentials between the US and global markets are even wider in both absolute and relative terms. While the US market generates a superior return on equity, it offers a lower dividend yield.

Exhibit 4: Valuation metrics of Datastream indices (at 16 November 2023)

	Last	High	Low	10-year average	Last as % of average
US					
P/E 12 months forward (x)	18.7	23.4	14.1	18.1	104
Price to book (x)	4.2	4.6	2.3	3.2	130
Dividend yield (%)	1.5	2.7	1.2	1.9	82
Return on equity (%)	15.9	18.5	10.0	14.1	113
World					
P/E 12 months forward (x)	15.2	19.9	12.5	15.6	97
Price to book (x)	2.3	2.5	1.5	2.0	117
Dividend yield (%)	2.4	3.4	1.8	2.4	98
Return on equity (%)	12.6	14.0	7.4	11.2	113

Source: Refinitiv, Edison Investment Research

The managers' view on the investment backdrop

Yang explains that she and her colleagues are taking a cautious view within BRSA's portfolio, as although inflation is moderating, it remains elevated. The US has undergone one of the fastest interest rates tightening cycles in its history, which means there is a risk of a recession even though the consensus view is for a soft economic landing. Yang says a recession is seen as the base case, as it takes time for higher interest rates to play out.

While the manager considers that the S&P 500 Index's valuation looks unattractive (on a P/E multiple basis it is trading at one standard deviation above its long-term average), she sees considerable value in the US 1000 value index, which is trading at one of the largest discounts to the S&P 500 Index over the last decade. The managers are particularly finding good opportunities in quality stocks, including some healthcare names.

While, according to Yang, there is a high probability of a recession, which is implied by the shape of the US yield curve, she does not believe it is priced into the US stock market. Core inflation has come down from the 2022 highs, but it is still much higher than between 2010 and 2020. US unemployment remains very low, which is placing upward pressure on inflation, making it difficult for the Federal Reserve to contain inflation. The manager explains that the US money supply turned negative at the end of 2021 and, coupled with a sharp increase in the federal funds rate, means financial conditions are very tight. Hence, she is concerned about corporate earnings. Yang highlights that there have been 10 US recessions since 1957, and earnings typically declined by 13% from peak to trough; however, they declined by 18% in the last three recessions. Consensus earnings growth forecasts are +12% for 2024, so the manager believes there is downside risk to these estimates.

As it is hard to time a recession, Yang considers that it is better to stay invested. Looking at how equities have performed after a recession, value stocks outperformed growth stocks and the broader market, while quality stocks outperformed equities and bonds following interest rate hiking cycles. The manager notes that valuation spreads are very wide. The least expensive quintile of US stocks is trading at two standard deviations below its long-term average, providing opportunities for value managers, and while quality stocks have re-rated since their 2022 low valuations, they remain below their long-term averages.

Current portfolio positioning

BRSA's geographic exposure is shown in Exhibit 5. Over the 12 months to end-September 2023 the largest changes were a 5.9pp higher US allocation, and a 3.4pp lower UK weighting, while the Swiss exposure was sold (-1.0pp). Around 13% of the portfolio was held in non-North American companies.

Exhibit 5: Portfolio geographic exposure (% unless stated)			
	Portfolio end-September 2023	Portfolio end-September 2022	Change (pp)
US	85.8	79.8	5.9
UK	4.7	8.1	(3.4)
Japan	3.6	3.8	(0.1)
France	2.2	2.9	(0.7)
Australia	1.8	2.1	(0.3)
Canada	1.3	1.9	(0.6)
Denmark	0.6	0.5	0.1
Switzerland	0.0	1.0	(1.0)
	100.0	100.0	

Source: BRSA, Edison Investment Research. Note: Rebased for net current assets/liabilities.

BRSA's managers are finding mispriced opportunities in some overseas stocks. As examples: global oil and gas companies have free cash flow yields that are double those of similar US businesses; international personal care stocks are significantly less expensive than those in the US; and European pharma stocks have better growth outlooks and less patent risk than US pharma stocks, yet they trade at a discount to their US peers.

Considering BRSA's sector exposure (Exhibit 6) over the 12 months to end-September 2023, there was a 2.9pp higher weighting to industrials, with a 2.3pp lower allocation to financial stocks. Versus the reference index, the notable active weights were overweight positions in IT (+6.7pp) and healthcare (+4.2pp) with underweight exposures to industrials (-6.6pp) and real estate (-3.5pp). One of the reasons for the overweight IT position is that many companies have steady demand for

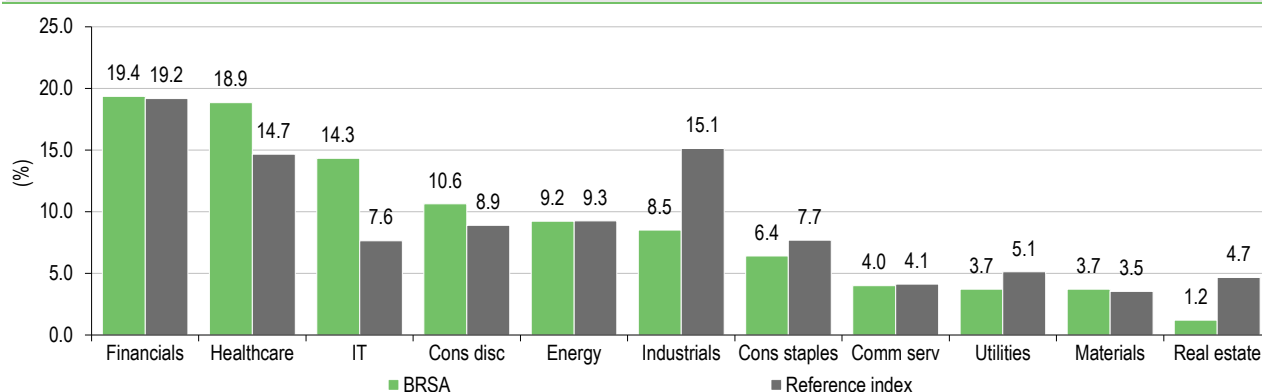
their products, similar to consumer staples businesses. The healthcare sector offers good growth opportunities, and its earnings in a downturn are more resilient than other defensive sectors such as consumer staples (which are more expensive) or utilities (which have weaker fundamentals). Industrials is viewed as a late-cycle sector and, in general, company valuations are unappealing. Many real estate companies have leveraged business models, meaning they can underperform in a rising interest rate environment. Also, these firms' shares tend to move as a group, providing less opportunities for stock picking.

Exhibit 6: Portfolio sector exposure versus reference index (% unless stated)

	Portfolio end-Sept 2023	Portfolio end-Sept 2022	Change (pp)	Active weight vs index (pp)
Financials	19.4	21.6	(2.3)	0.2
Healthcare	18.9	20.0	(1.1)	4.2
Information technology	14.3	13.5	0.8	6.7
Consumer discretionary	10.6	9.6	1.0	1.7
Energy	9.2	8.6	0.6	0.0
Industrials	8.5	5.6	2.9	(6.6)
Consumer staples	6.4	5.1	1.3	(1.3)
Communication services	4.0	4.9	(0.9)	(0.1)
Utilities	3.7	4.4	(0.7)	(1.4)
Materials	3.7	5.3	(1.6)	0.2
Real estate	1.2	1.2	0.0	(3.5)
	100.0	100.0		

Source: BRSA, Edison Investment Research. Note: Rebased for net current assets/liabilities.

Exhibit 7: BRSA's sector exposure versus its reference index at end-September 2023



Source: BRSA, Edison Investment Research. Note: Numbers subject to rounding.

At end-September 2023, BRSA's largest 10 holdings made up 26.6% of the portfolio, which was a modestly lower concentration compared with 28.0% 12 months earlier; four positions were common to both periods.

Exhibit 8: Top 10 holdings (at 30 September 2023)

Company	Country	Sector	Portfolio weight %	
			30 September 2023	30 September 2022*
Shell	UK	Energy	3.1	N/A
Cisco Systems	US	Information technology	2.9	3.0
Citigroup	US	Financials	2.7	N/A
American International Group	US	Financials	2.7	N/A
Kraft Heinz	US	Consumer staples	2.6	N/A
Willis Towers Watson	US	Financials	2.6	2.9
Cigna	US	Healthcare	2.6	2.7
L3Harris Technologies	US	Industrials	2.5	N/A
Cognizant Technology Solutions	US	Information technology	2.5	2.6
Cardinal Health	US	Healthcare	2.4	N/A
Top 10 (% of portfolio)			26.6	28.0

Source: BRSA, Edison Investment Research. Note: *N/A where not in end-September 2022 top 10.

Comparing BRSA's portfolio with the reference index at end-August 2023, it had a modestly higher gross dividend yield and considerably higher dividend growth. Its return on equity was broadly in line. Looking at earnings, the portfolio's forward growth estimate was lower than the reference index, but it was more attractively valued at a c 20% forward P/E multiple discount.

Exhibit 9: Portfolio characteristics at 31 August 2023

	Portfolio	Reference index	Difference (%)
Number of holdings	59	846	(93.0)
Gross dividend yield (%)	2.5	2.3	0.2
Dividend growth (5Y annualised, %)	9.1	5.1	4.0
Return on equity (%)	13.2	13.0	0.2
Forward EPS growth (%)	10.8	15.8	(5.0)
Forward P/E multiple (x)	12.1	15.2	(20.4)

Source: BRSA, Edison Investment Research

Recent portfolio transactions

There were two new positions added to the portfolio in September 2023, CNH Industrial (manufacturer of agricultural machinery and construction equipment) and NextEra Energy (electric utility holding company), while AstraZeneca (major pharma firm) was sold. In August 2023, the managers initiated positions in Allegion (security products provider), Crown Holdings (manufacturer of metal cans, containers and packaging) and Dollar General (discount retailer), while the holdings in CACI International (professional services and IT company), EQT (energy exploration and pipeline firm) and Ralph Lauren (apparel company) were sold. During July 2023, Crown Castle (communications infrastructure provider), International Flavors & Fragrances (producer of flavours, fragrances and cosmetic actives) and Unilever (UK multinational consumer packaged goods company) were added to the portfolio, and CBRE Group (commercial real estate services and investment firm), PPG Industries (supplier of paints, coatings and speciality materials) and Charles Schwab (multinational financial services company) exited the fund. There were no new holdings or complete sales in June 2023.

Performance: Working hard to make up shortfall

BRSA is a member of the AIC North America sector, which is made up of five US and two Canadian funds, which can also have an allocation to US equities. The seven peers follow a range of mandates.

Exhibit 10: AIC North America sector at 16 November 2023*

% unless stated	Market cap £m	NAV TR 1 year	NAV TR 3 year	NAV TR 5 year	NAV TR 10 year	Discount (cum-fair)	Ongoing charge	Perf. fee	Net gearing	Dividend yield
BlackRock Sustainable American Income	147.9	(2.3)	29.6	41.7	156.1	(3.6)	1.0	No	100	4.3
Baillie Gifford US Growth	485.6	(1.0)	(22.4)	71.3		(17.2)	0.7	No	106	0.0
Canadian General Investments	422.8	1.0	31.2	82.7	174.1	(36.4)	1.4	No	113	2.8
JPMorgan American	1,495.4	11.7	43.1	87.5	289.2	(1.2)	0.4	No	102	0.9
Middlefield Canadian Income	104.1	(14.0)	34.8	34.5	70.3	(14.1)	1.3	No	122	5.3
North American Income Trust	369.9	(6.6)	29.0	24.2	147.0	(12.8)	0.9	No	109	4.2
Pershing Square Holdings	5,789.0	11.6	57.1	237.9		(35.3)	1.6	Yes	103	1.4
Simple average (7 funds)	1,259.3	0.0	28.9	82.8	167.4	(17.2)	1.0		108	2.7
BRSA rank in peer group	6	5	5	5	3	2	4		7	2

Source: Morningstar, Edison Investment Research. Note: *Performance at 15 November 2023 based on ex-par NAV. TR, total return. Net gearing is total assets less cash and equivalents as a percentage of net assets.

BRSA is differentiated from the other funds in its peer group by seeking an attractive total return from both capital growth and income from companies that have premium ESG scores and lower-than-average carbon emissions. The trust's total returns are above average over the last three years. It ranks fifth over the last one, three and five years, and over the last decade, the trust ranks third out of five funds. BRSA has the second-highest valuation in the sector, an average ongoing

charge, and is currently ungeared. The trust has an attractive dividend yield, which is 1.6pp above the sector average and ranks second.

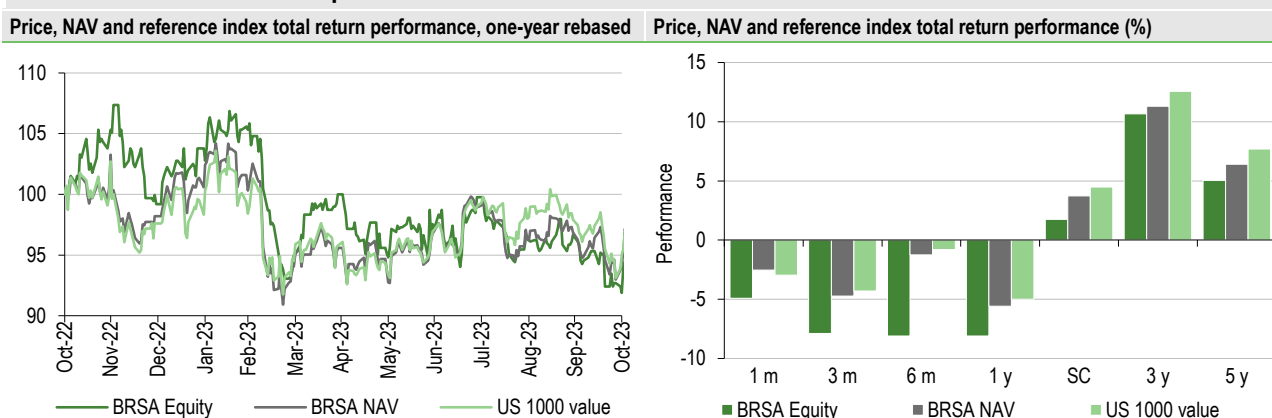
Exhibit 11 shows BRSA's relative returns; it has underperformed the reference index since the 2021 strategy change. Yang explains that this is due to discrete factors. ESG funds had performed well but have underperformed over the last two years; she does not expect this phenomenon to persist and anticipates that investors will once again return to focus on quality companies with good sustainability attributes. The manager notes that BRSA is outperforming compared with other ESG funds. She also highlights Meta Platforms (formerly known as Facebook), whose shares have performed very strongly but it does not fit with the trust's strategy. It has a poor ESG rating of CCC, as measured by MSCI, operates a social media network that has fired a lot of its personnel, and the company does not pay a dividend, so does not fit BRSA's income requirement.

Exhibit 11: Share price and NAV total return performance, relative to indices (%)

	One month	Three months	Six months	One year	SC	Three years	Five years
Price relative to US 1000 value index	(2.0)	(3.8)	(7.4)	(3.3)	(5.8)	(5.0)	(11.7)
NAV relative to US 1000 value index	0.4	(0.4)	(0.5)	(0.6)	(1.6)	(3.3)	(5.9)
Price relative to S&P 500 Index	(3.4)	(5.3)	(12.5)	(12.1)	(8.2)	(5.4)	(27.9)
NAV relative to S&P 500 Index	(1.0)	(2.1)	(6.0)	(9.7)	(4.2)	(3.7)	(23.1)
Price relative to CBOE UK All Cos	(0.6)	(3.4)	(2.3)	(13.4)	(3.5)	(4.5)	5.7
NAV relative to CBOE UK All Cos	1.8	(0.1)	5.0	(11.0)	0.8	(2.8)	12.7

Source: Refinitiv, Edison Investment Research. Note: Data to end-October 2023. Geometric calculation. SC, since change in strategy on 30 July 2021.

Exhibit 12: Investment trust performance to 31 October 2023



Source: Refinitiv, Edison Investment Research. Note: Three- and five-year performance figures annualised. SC, since change in strategy on 30 July 2021.

Exhibit 13: Five-year discrete performance data

12 months ending	Share price (%)	NAV (%)	US 1000 value (%)	S&P 500 (%)	CBOE UK All Cos (%)
31/10/19	15.0	8.5	9.8	12.9	6.9
31/10/20	(17.9)	(8.8)	(7.5)	9.8	(20.2)
31/10/21	42.4	35.9	35.6	34.8	36.0
31/10/22	3.6	7.4	10.7	1.7	(1.6)
31/10/23	(8.1)	(5.6)	(5.0)	4.5	6.1

Source: Refinitiv. Note: All % on a total return basis in pounds sterling.

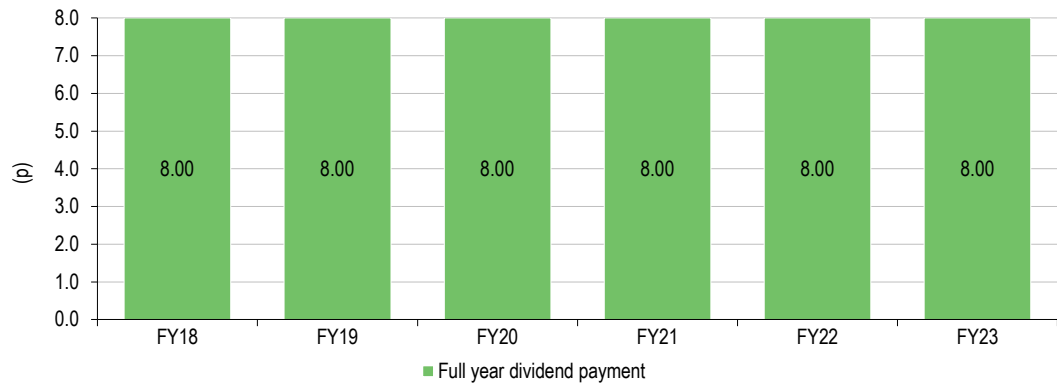
Dividends: Use of distributable reserves

In FY22, BRSA's earnings per share were 3.84p, which was a 5.4% decline compared with 4.06p per share in FY21. However, as the trust can no longer write covered call options, if earnings from these were excluded from the FY21 income, BRSA's earnings would have been 29.7% higher year-

on-year. In August 2022, BRSA's share premium account was converted to distributable reserves, which at the end of FY22 totalled c £168.6m (equivalent to c 26x the annual dividend payment).

The annual dividend of 8.0p per share (four payments of 2.0p per share) has been held steady for the last six financial years; the board expects this trend to continue in FY24, by supplementing income with distributable reserves.

Exhibit 14: Dividend history since FY18



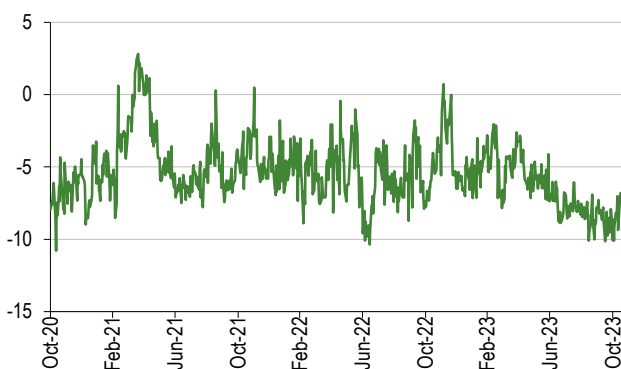
Source: BRSA, Edison Investment Research

Valuation: Highly rated versus its peers

Over the last three years, BRSA has broadly traded in a range of a 0% to 10% discount (Exhibit 15). Its latest 6.9% discount to cum-income NAV compares with a range of a 0.7% premium to a 10.2% discount over the last 12 months. It is wider than the 3.4% to 6.1% range of average discounts over the last one, three, five and 10 years. However, this is unsurprising as, generally, investment trust discounts are wider than average during a period of elevated investor risk aversion due to an uncertain macroeconomic backdrop. Looking at Exhibit 10, BRSA has a higher valuation than most of its peers in the AIC North America sector.

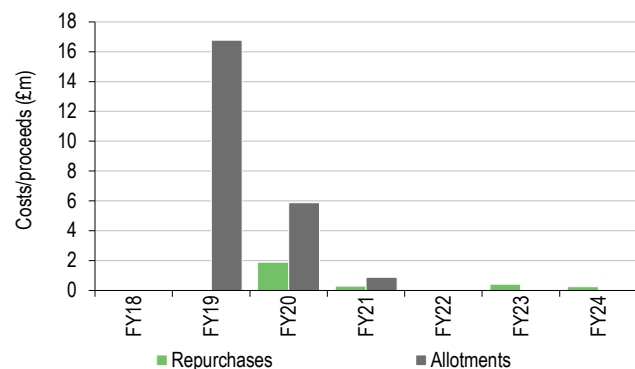
Renewed annually, the trust's board has the authority to repurchase up to 14.99% and allot up to 10% of its share capital. There had been no share buybacks since November 2020 and no issuance since April 2021. However, considering the prevailing discount to NAV, on 20 October 2023, the board restarted buying back shares. At 17 November 2023, c 383k shares had been repurchased and held in treasury.

Exhibit 15: Discount over three years (%)



Source: Refinitiv, Edison Investment Research

Exhibit 16: Buybacks and issuance



Source: Morningstar, Edison Investment Research

Fund profile: Focus on income and ESG

BRSA was launched on 24 October 2012 and is listed on the Premium Segment of the London Stock Exchange. It is managed by three of BlackRock's US income & value investment team: Tony DeSpirito (CIO, US fundamental equities), David Zhao (co-director of research) and Lisa Yang (consumer discretionary/staples specialist). There are 20 analysts in the US income & value team, which has c \$60bn of assets under management. BRSA's managers primarily invest in a diversified portfolio of North American equities, focusing on large- and mid-cap companies that pay and grow their dividends. To mitigate risk, at the time of investment, a maximum 10% of gross assets may be invested in a single investment, a maximum 25% in non-North American companies and a maximum 35% in any one sector. The managers also take firms' ESG characteristics into account, seeking to deliver a superior ESG outcome compared with the reference index in terms of a better ESG score and a lower carbon emissions intensity score. Foreign currency is not hedged as a matter of course, but the managers may employ specific currency hedging.

Investment process: ESG is an integral input

There are three main elements to BRSA's investment process:

Idea generation – the managers aim to identify the best ESG and alpha opportunities from an investment universe primarily made up of North American large- and medium-cap equities, although up to 25% of the portfolio can be invested in liquid non-North American companies. ESG exclusion screens are used to narrow the investment universe. The managers are able to leverage the best fundamental and thematic ideas from BlackRock's US income & value platform to generate a pipeline and prioritise the research agenda.

Fundamental research – this involves assessing the materiality of a firm's ESG and sustainability factors and evaluating its important earnings drivers, along with engaging with company managements on business and ESG issues. A research document is prepared to illustrate the investment thesis and is discussed within the investment team. The managers evaluate how and over what time frame they expect their research insights to be reflected in a company's share price.

Portfolio construction – the fund typically has 30–60 high-conviction positions. Gearing of up to 20% of NAV is permitted, but is likely to be in a 0–10% range, with 5% seen as a neutral level. There are clear buy and sell disciplines for both fundamental and ESG considerations. Portfolio risks and exposures are carefully monitored, with an emphasis on stock-specific risk. The fund is diversified by sector, industry and style factors.

How ESG is integrated into the investment process

DeSpirito, Zhao and Yang seek to build a high-conviction portfolio of attractively priced, high-quality dividend-paying companies that are classified as either:

- ESG leaders – best-in-class businesses that effectively manage environmental, social and governance factors to benefit all stakeholders, such as Cisco Systems. These companies make up the majority of the portfolio;
- ESG improvers – companies showing demonstratable progress on their ESG journey, where active engagement may lead to improving ESG practices and more sustainable outcomes, such as auto manufacturers; or
- 'sustainability enablers' – firms advancing the transition to sustainable solutions, such as companies contributing to greater energy efficiency and a lower carbon footprint. Health

insurance companies are also included in this category as they enable people to access healthcare products and services.

Outright exclusions from the fund include businesses manufacturing controversial weapons or civilian firearms, fossil fuel miners (thermal coal and tar sands) and tobacco companies. BRSA's resulting portfolio has a premium ESG score and lower carbon emissions intensity than the reference index, as measured by MSCI, which is a leading external ratings agency.

As shown in Exhibit 17, at 31 January 2023, compared with the reference index, BRSA's portfolio had higher ESG scores in all three of the subsectors (environmental, social and governance), while its carbon emissions intensity was less than half that of the reference index.

Exhibit 17: Portfolio ESG characteristics at 31 January 2023

	Portfolio	Reference index	Difference (%)
MSCI ESG score (adjusted)	7.20	6.29	14.5
MSCI environmental score	7.23	6.64	8.9
MSCI social score	5.10	4.87	4.7
MSCI governance score	6.05	5.66	6.9
Carbon emissions intensity (total capital)*	54.3	125.8	(56.9)

Source: BRSA, Edison Investment Research. Note: *Metric tons/\$m total capital.

Gearing

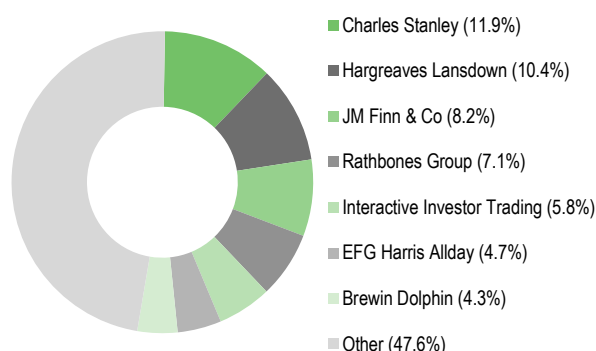
Gearing of up to 20% of NAV is permitted but is typically in a range of 0–10%, with 5% deemed a neutral level. At end-September 2023, BRSA had a net cash position of 0.3%.

Fees and charges

BlackRock Investment Management (UK) is paid an annual management fee of 0.70% of BRSA's NAV, which is allocated 75% to the capital account and 25% to the revenue account. In FY22, the trust's ongoing charges were 1.01%, which was 5bp lower than 1.06% in FY21.

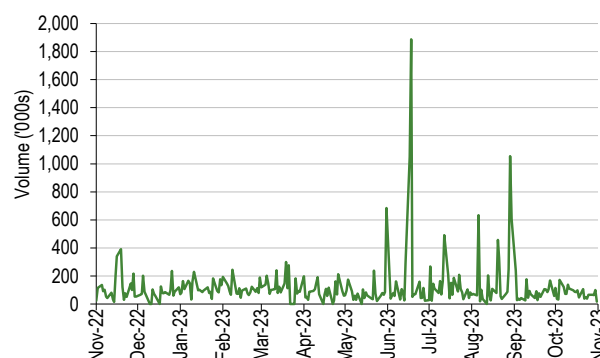
Capital structure

Exhibit 18: Major shareholders



Source: Bloomberg. Note: At 31 October 2023.

Exhibit 19: Average daily volume



Source: Refinitiv. Note: 12 months to 16 November 2023.

BRSA is a conventional investment trust with one class of share. There are 79.8m ordinary shares in issue plus another 20.5m held in treasury. At the end of FY22, 96.5% of the trust's shares were held by banks or nominees (including retail investor platforms), which was very similar to 96.4% at the end of FY21. BRSA's average daily trading volume over the last 12 months was c 125k shares.

The board

Exhibit 20: BRSA's board of directors

Board member	Date of appointment	Remuneration in FY22	Shareholdings at end-FY22
Alice Ryder (chair since 1 Nov 2022)	12 June 2013	£29,000	9,047
Melanie Roberts	1 October 2019	£29,000	10,000
David Barron	22 March 2022	£17,800	5,000
Solomon Soquar	21 March 2023	£0	Nil
Source: BRSA			

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