M&G Credit Income Investment Trust

Quarterly review as at 31 March 2023

Company description

The Company aims to generate a regular and attractive level of income with low asset value volatility by investing in a diversified portfolio of public and private debt and debt-like instruments ('Debt Instruments'), of which at least 70% will be investment grade. Over the longer term, it is expected that the Company will be mainly invested in private Debt Instruments, which are those instruments not traded on a stock exchange. The Company currently proposes quarterly dividends at an annual rate of SONIA + 4% on NAV per calendar year with a variable, fourth interim dividend to be determined after each year end, which will take into account the net income over the whole financial year and, if appropriate, any capital gains. The Company targets SONIA plus 4% over the longer term.

The Company has the ability to borrow up to 30% of net asset value although it is expected that it will primarily be managed without borrowing and typically any borrowings will not exceed 20% of net asset value. Any borrowings may magnify any gains or losses made by the Company.

Risks associated with the company

The value of investments will fluctuate, which will cause share prices to fall as well as rise and you may not get back the original amount you invested. There is no guarantee that the Company's Investment Objective will be achieved.

The Company may be exposed to the possibility that a debtor will not meet its repayment obligations.

Changes in interest rates may adversely affect the market value of some of the Company's investments.

Debt Instruments may be repaid by issuers at short notice: as a result it may be difficult for the Company to reinvest capital at an attractive price or at all, which may affect it adversely.

A variety of factors, such as market conditions, liquidity concerns or Company performance may lead to a reduction in trading volume or shares trading at a discount to their net asset value. Shareholders may also be unable to realise their investment at quoted market prices or at all.

Please note that this is not an exhaustive list. Please refer to the Risk section in the Prospectus.

Key information

Portfolio manager	Adam English
Portfolio manager tenure from	14 November 2018
Deputy portfolio managers	Robert Whitten and Yiu-Wai Cheung
Launch date	14 November 2018
ISIN number	GB00BFYYL325
TIDM code	MGCI
Market capitalisation	£129.3m
Number of holdings	134
Dividend dates	Quarterly: Feb, May, Aug and Nov
Yield to maturity	9.06%
Modified duration	1.20
Spread duration	3.62
Weighted Average Life	4.51
Gearing	0.00%

Please see the glossary for an explanation of terms used.

Charges

Annual management charge	0.70%
Ongoing Charges Figure (OCF)	1.22%

Portfolio overview (%)

	Fund
Public	**40.17**
Asset backed securities	15.80
Bonds	24.37
Private	**59.17**
Asset backed securities	5.41
Bonds	2.43
Funds	12.77
Loans	24.27
Private Placements	2.23
Other	12.07
Derivatives	**0.66**
Debt derivatives	(0.23)
Forwards	0.89

Due to rounding, percentage figures displayed in the Factsheet may not add up to exactly 100%.

Market review

Financial markets were volatile in the first quarter of 2023, driven by changes in expectations for inflation and interest rates and turmoil in the banking sector. Despite the turbulence, equities and bonds both rose for the second quarter in a row. The year started positively, with optimism about China's reopening and hopes that inflation might be slowing fuelling a market rally in January. Share prices retreated and bonds declined in February amid concerns that central banks would keep raising interest rates to tackle persistently high inflation. In March, volatility spiked as the collapse of Silicon Valley Bank in the US and the emergency rescue of Credit Suisse in Switzerland raised fears about the health of the banking system globally. The controversial details of the rescue package saw all outstanding Credit Suisse additional tier 1 ("AT1") bonds completely wiped out ahead of equity holders, breaking capital structure seniority established in the wake of the Great Financial Crisis as part of regulatory reforms that required banks to increase their capital levels. This roiled markets, sending AT1 bond prices plummeting, dragging with them other tiers of subordinated bank debt. The Bank of England, ECB and Fed were quick to reassure markets that the ranking waterfall for European banks in the effect of resolution or insolvency meant that equity (in their jurisdictions) would be completely wiped out before bail-in capital (AT1 instruments), essentially rebuking the actions of the Swiss central bank. This brought relative stability back to markets and saw losses in the AT1 market largely reversed by the end of the quarter. Markets stabilised as the quarter drew to a close amid the belief that the banking crisis had been contained whilst central bankers took the view that the financial system was strong enough to withstand the pressure and continued raising rates.

Manager commentary

The portfolio performed well in Q1 driven predominantly by strong returns in January, with market weakness in March mitigated by our low allocation to financials. The Company's NAV total return was +2.19% which outperformed the comparative benchmark ICE BofA 1-3 Year BBB Sterling Corporate Index, which returned 1.46%.

As credit spreads tightened in January we sold lower yielding bonds from banks and insurers and redeployed proceeds into new issues in financials which priced with an attractive new issue premium. We also sold down investment grade bonds purchased at significantly wider spreads in the wake of the mini-budget crisis which had rallied to well inside out target return. During the period we used additional cash proceeds from asset sales to pay down the outstanding loan balance on the Company's credit facility, in line with our current strategy of reducing portfolio risk.

Like much of the market, in March our focus was on conducting a deep dive examination on the extent of risk in the banking sector and how the portfolio might be exposed. We currently hold one bank issued additional tier 1 instrument (0.4%) which has reversed most of the spread widening seen in March. The portfolio also holds one senior unsecured Credit Suisse bond (0.6%) which has more-than reversed any price weakness seen in March and is currently trading 200bps inside its level at the start of the year (or +7% in valuation terms). Due to the diversified nature of the portfolio we have a relatively low allocation to debt issued by banks, which has mitigated the effects of underperformance in the sector.

In March we reduced exposure to M&G European Loan fund by £1.75m and used redemption proceeds to fund a £2m subscription in M&G Lion Credit Opportunity Fund IV ("Lion IV"). This was a strategic decision to take advantage of wider spreads and attractive yields available in the mezzanine ABS space, in which Lion IV invests. We remain happy to maintain an outsized position in the M&G European Loan fund as the diversification available from investing in a collective investment vehicle gives the asset defensive qualities whilst still providing an attractive risk-adjusted return. However, on the balance of risk, we felt that reducing exposure to the leveraged loan space and investing in a fund backed by a portfolio of AA-rated ABS yielding c.7%, felt like a prudent move based on our market view.

In the private space we added £0.65m to an existing holding in the senior secured tranche of a bilateral loan secured on a luxury, business-to business retail asset. We also purchased £1m of the mezzanine loan in a commercial real estate transaction secured over a freehold office building, approximately 60% of which has already been pre-let to a global blue-chip tenant on a long-term lease. An additional £1.2m of remaining commitments to existing private loans were also funded over the quarter.

Sector breakdown (%)

	Trust
Real Estate Dev and Mgt	15.43
ABS (Assorted)	14.59
Funds	12.77
Non-Agency CMBS	9.73
Banking	6.77
Mortgage Backed	4.28
Investments and Misc Financial Services	4.13
Cons/Comm/Lease Financing	3.51
Life-Insurance	2.58
Electric - Integrated	2.45
Support-Services	2.21
REITs	1.99
Beverage	1.65
Telecom - Wireless	1.64
ABS Automobiles	1.56
Food - Wholesale	1.45
Electronics	1.24
Health Services	1.23
Multi-Line Insurance	1.23
Tech Hardware and Equipment	1.13
Automakers	1.00
Media Content	0.98
Restaurants	0.96
Forwards	0.89
Specialty Retail	0.79
Integrated Energy	0.69
Transport Infrastructure/Services	0.60
Brokerage	0.57
Food and Drug Retail	0.55
Property and Casualty Insurance	0.54
Oil Field Equipment and Services	0.40
ABS Airline Leases	0.22
Personal and Household Products	0.17
Gaming	0.16
Auto Parts and Equipment	0.13
Debt Derivatives	(0.23)

Source: All data contained within the Factsheet is sourced from the Company administrator, State Street as at 31 March 2023.

Outlook

After a positive start to 2023 for bonds and equities, hopes of a "soft landing" gave way to a mini banking crisis, restoking recessionary fears. Silicon Valley Bank and Credit Suisse are the first major casualties to emerge from the most synchronized and aggressive global rate hiking cycle in 40 years. The evidence so far is that the recent banking episode was a crisis triggered by fear rather than fundamentals, fuelled by specific instances of idiosyncratic risk rather than something more systemic. Despite this, markets remain fragile and fears of wider contagion in the financial sector remain close to the surface. What is clear is that there has been an adjustment in the risk appetite of investors which has resulted in credit spreads moving notably wider once more. Additionally, increased risk aversion from lenders is causing credit conditions to tighten and in our opinion will only worsen already anaemic growth forecasts. Although the banking sector is where the first visible stresses have occurred, the viability of capital structures in the non-financial corporate bond market look set to be tested by weaker growth and tighter financial conditions in the next 12-18 months. The private sector, both corporate and consumer, has so far been largely shielded from the impact of higher interest rates because of a lag in policy rate transmission. This lag has been extended by the increased liquidity built up through corporate issuers extending maturity profiles on their debt and consumers building up savings in the aftermath of Covid-19. However, we are starting to see signals in economic data which indicate a deterioration in macroeconomic conditions and a recession in late 2023 has remerged as the base-case amongst market participants.

Given the more challenging operating environment, fundamental credit analysis at this stage of the economic cycle becomes even more imperative and our experience in fixed income investing alongside our large in-house credit research capacity will be key in navigating markets over the next 12 months. We have constructed a sector agnostic, well-diversified portfolio, designed to offer protection from the type of valuation drawdowns that can occur from overexposure to any one sector, region or issuer, particularly during periods of market stress. Also, by investing predominantly in the higher quality (investment grade) part of credit markets we look to mitigate the potential impact of rising default rates which typically occur in the lower-rated (sub-investment grade) space. We maintain an overall c.24% exposure to sub-investment grade issuers, however half of this is in invested in private assets where we take comfort from enhanced controls and monitoring that exist in these largely bilateral transactions, with robust covenant packages designed to prevent write-downs or capital loss.

2022 witnessed a material shift for fixed income investors. After a decade of depressed bond yields and credit spreads remaining largely within a (tighter) lower range, we are now seeing an increased volume of opportunities in the public market to purchase good quality, investment grade credits which can offer returns in line with the Company's dividend objective. Additionally, in the private space, a prolonged period of adjustment to the higher interest rate environment has meant we are seeing fewer opportunities which offer attractive relative value versus public comparators or that match the Company's return objective. In many instances there is an insufficient illiquidity premium on offer and relative value analysis has not supported allocation of capital over a multi-year horizon, particularly considering the uncertain economic outlook. We therefore expect the ratio of private to public assets to trend lower in the short term, although as always this will remain dependent on our appraisal of where the most attractive relative value can be found. The Company, in our view, is well positioned to take advantage of future episodes of market volatility. We have recently fully repaid our credit facility after increasing leverage in late 2022, which, as we move through the year, will provide us the flexibility and firepower to capitalise on opportunities as and when market conditions present them.

Dividend Schedule

Period	Amount GBp
2019	3.74
2020	4.28
2021	4.04
2022 Q1	0.82
2022 Q2	0.96
2022 Q3	1.14
2022 Q4	2.43
2023 Q1	1.77

Credit rating breakdown (%)

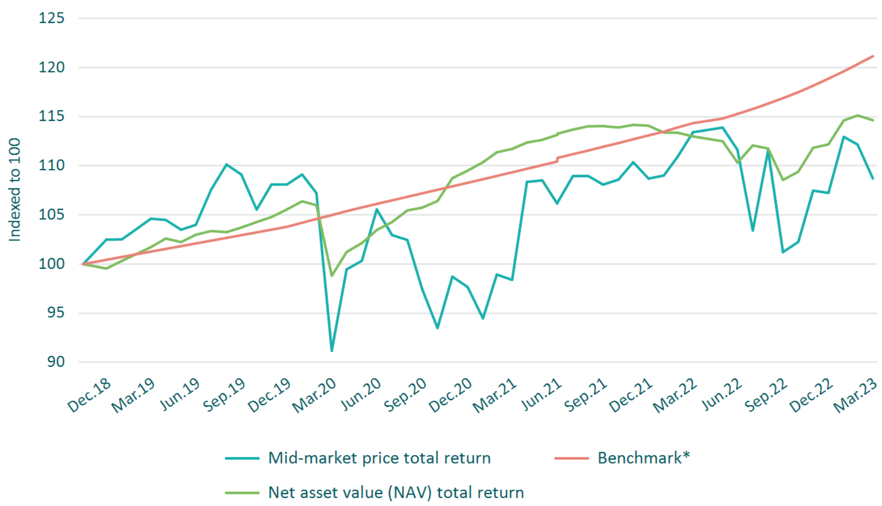
	Trust
Unrated	**0.66**
Derivatives	0.66
Cash and Investment grade	**75.58**
AAA	2.91
AA+	0.35
AA	5.15
A+	1.21
A	0.20
A-	4.21
BBB+	12.86
BBB	16.80
BBB-	23.10
M&G European Loan Fund*	8.78
Non-investment grade	**23.76**
BB+	5.77
BB	2.42
BB-	3.80
B+	3.78
B	3.81
B-	0.94
CCC+	0.20
CCC	0.34
D	0.23
M&G European Loan Fund*	2.48

*See glossary

Share Price vs NAV

As at	NAV p/s (cum income)	Share price
31 March 2023	94.65	91.00

Total Return



NAV total return (%,p.a.)**	1 month	3 months	6 months	YTD	1 year	2 years	3 years	Since Inception***
M&G Credit Income Investment Trust	-0.42%	2.19%	5.60%	2.19%	1.12%	1.30%	5.08%	3.17%
Benchmark *	0.68%	1.92%	3.66%	1.92%	6.36%	5.27%	4.89%	4.48%

Calendar year NAV total return (%,p.a.)**	2022	2021	2020	2019
M&G Credit Income Investment Trust	-1.74%	4.25%	3.75%	6.04%
Benchmark *	5.47%	4.09%	4.32%	3.34%

Source: Morningstar Inc, State Street and M&G, as at 31 March 2023. Returns stated in GBP terms.

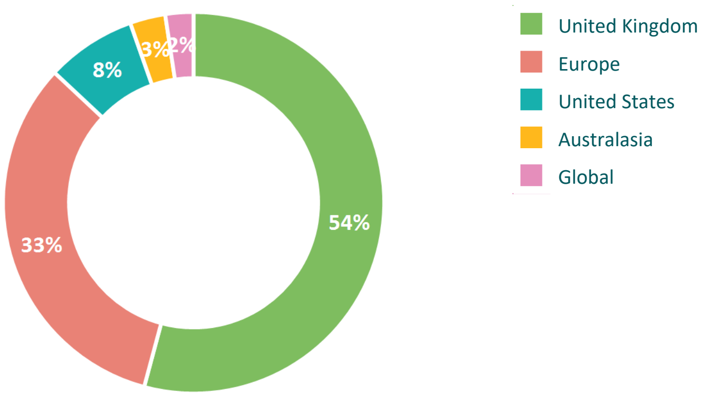
* 3 Month Libor +2.5% from inception to 31/12/2019, 3 Month Libor + 4% from 1st January 2020 to December 2021, thereafter SONIA + 4%.

**The total return calculation assumes that dividends paid to shareholders are reinvested at NAV at the time the shares are quoted ex-dividend.

***Trust inception 14 November 2018.

The portfolio is actively managed. The Portfolio Manager has complete freedom in choosing which investments to buy, hold and sell in the fund.

Geographical Exposure %



Source: M&G and State Street as at 31 March 2023.

Top 20 holdings (%)

	Trust
M&G European Loan Fund (Prvt)	11.26
Project Mercury Term Loan (Prvt)	1.88
Delamare Finance 1.3066% 19 Feb 2029	1.74
Hall & Woodhouse Var. Rate 30 Dec 2023 (Prvt)	1.65
PE Fund Finance III Var. Rate 16 Dec 2022 (Prvt)	1.53
M&G Lion Credit Opportunity Fund IV (Prvt)	1.51
RIN II LTD (A) A 144A	1.50
BSAM 1 1 RegS	1.44
Project Hammond (Prvt)	1.43
DRAGN 1 C RegS	1.35
ATLAS 2020 1 Trust AUD Note A2 (Prvt)	1.35
Signet GBP Stretch Term Loan (Prvt)	1.30
Regenter Myatt Field North GBP Term Loan (Prvt)	1.29
Grover Term Loan A (Prvt)	1.24
GONGG 1 (A) A RegS	1.20
STCHB 7 A (Prvt)	1.19
CBNA T12 Mezz (Prvt)	1.19
Aria EUR Term Loan A (Prvt)	1.19
ICSL 1 B RegS	1.18
Finance For Residential Social FRSH 1 1 A2 RegS	1.16

(Prvt) – Private Investment

Glossary

This glossary provides an explanation of terms used in this factsheet and in our literature.

Asset

Anything having commercial or exchange value that is owned by a business, institution or individual.

Asset Backed Security (ABS)

A security whose income payments and value are derived from and collateralized by a specified pool of underlying assets.

Asset class

Category of assets, such as cash, company shares, fixed income securities and their sub-categories, as well as tangible assets such as real estate.

Basis points (bps)

A common unit of measure for interest rates and other percentages in finance. One basis point is equal to 1/100th of 1%, or 0.01%, or 0.0001, and is used to denote the percentage change in a financial instrument.

Bond

A loan in the form of a security, usually issued by a government or company, which normally pays a fixed rate of interest over a given time period, at the end of which the initial amount borrowed is repaid.

Capital

Refers to the financial assets, or resources, that a company has to fund its business operations.

Capitalisation

The total market value of all of a company's outstanding shares.

CLO (Collateralised loan obligation)

Actively managed investment vehicle which issues rated tranches of debt from AAA-B and an unrated equity tranche. Underlying assets are predominantly made up of leveraged loans and high yield bonds.

Comparative sector

A group of funds with similar investment objectives and/or types of investment, as classified by bodies such as the Investment Association (IA) or Morningstar™. Sector definitions are mostly based on the main assets a fund should invest in, and may also have a geographic focus. Sectors can be the basis for comparing the different characteristics of similar funds, such as their performance or charging structure.

Consumer Prices Index (CPI)

An index used to measure inflation, which is the rate of change in prices for a basket of goods and services. The contents of the basket are meant to be representative of products and services we typically spend our money on.

Corporate bonds

Fixed income securities issued by a company. They are also known as bonds and can offer higher interest payments than bonds issued by governments as they are often considered more risky.

Credit

The borrowing capacity of an individual, company or government. More narrowly, the term is often used as a synonym for fixed income securities issued by companies.

Credit Default Swaps (CDS)

Are a type of derivative, namely financial instruments whose value, and price, are dependent on one or more underlying assets. CDS are insurance-like contracts that allow investors to transfer the risk of a fixed income security defaulting to another investor.

Credit rating

An independent assessment of a borrower's ability to repay its debts. A high rating indicates that the credit rating agency considers the issuer to be at low risk of default; likewise, a low rating indicates high risk of default. Standard & Poor's, Fitch and Moody's are the three most prominent credit rating agencies. Default means that a company or government is unable to meet interest payments or repay the initial investment amount at the end of security's life.

Credit spread

The difference between the yield of a corporate bond, a fixed income security issued by a company, and a government bond of the same life span. Yield refers to the income received from an investment and is expressed as a percentage of the investment's current market value, and a bond is a fixed income security.

Default

When a borrower does not maintain interest payments or repay the amount borrowed when due.

Derivatives

Financial instruments whose value, and price, are dependent on one or more underlying assets. Derivatives can be used to gain exposure to, or to help protect against, expected changes in the value of the underlying investments. Derivatives may be traded on a regulated exchange or traded over the counter.

Developed economy / market

Well-established economies with a high degree of industrialisation, standard of living and security.

Dividend

Dividends represent a share in the profits of the company and are paid out to a company's shareholders at set times of the year.

ECB (European Central Bank)

Central bank of the 19 European Union countries which have adopted the euro.

Emerging economy or market

Economies in the process of rapid growth and increasing industrialisation. Investments in emerging markets are generally considered to be riskier than those in developed markets.

Episode

A phase during which investors allow their emotions to affect their decision making, which can cause financial markets to move irrationally.

Equities

Shares of ownership in a company.

Ex-dividend, ex-distribution or XD date

The date on which declared distributions officially belong to underlying investors.

Exposure

The proportion of a fund invested in a particular share/fixed income security, sector/region, usually expressed as a percentage of the overall portfolio.

Fixed income security

A loan in the form of a security, usually issued by a government or company, which normally pays a fixed rate of interest over a given time period, at the end of which the initial amount borrowed is repaid.

Floating rate notes (FRNs)

Securities whose interest (income) payments are periodically adjusted depending on the change in a reference interest rate.

Gearing

Is a measure of financial leverage that demonstrates the degree to which the Investment Trust's operations are funded by equity capital versus creditor financing.

Gilts

Fixed income securities issued by the UK government.

Government bonds

Fixed income securities issued by governments, that normally pay a fixed rate of interest over a given time period, at the end of which the initial investment is repaid.

Hard currency (bonds)

Refers to bonds denominated in a highly traded, relatively stable international currency, rather than in the bond issuer's local currency. Bonds issued in a more stable hard currency, such as the US dollar, can be more attractive to investors where there are concerns that the local currency could lose value over time, eroding the value of bonds and their income.

Hedging

A method of reducing unnecessary or unintended risk.

High yield bonds

Fixed income securities issued by companies with a low credit rating from a recognised credit rating agency. They are considered to be at higher risk of default than better quality, ie higher-rated fixed income securities but have the potential for higher rewards. Default means that a company or government is unable to meet interest payments or repay the initial investment amount at the end of security's life.

Index

An index represents a particular market or a portion of it, serving as a performance indicator for that market.

Index-linked bonds

Fixed income securities where both the value of the loan and the interest payments are adjusted in line with inflation over the life of the security. Also referred to as inflation-linked bonds.

Inflation

The rate of increase in the cost of living. Inflation is usually quoted as an annual percentage, comparing the average price this month with the same month a year earlier.

Investment Association (IA)

The UK trade body that represents fund managers. It works with investment managers, liaising with government on matters of taxation and regulation, and also aims to help investors understand the industry and the investment options available to them.

Investment grade bonds

Fixed income securities issued by a company with a medium or high credit rating from a recognised credit rating agency. They are considered to be at lower risk from default than those issued by companies with lower credit ratings. Default means that a company or government is unable to meet interest payments or repay the initial investment amount at the end of a security's life.

Investment trust

An investment trust is a form of collective investment found mostly in the United Kingdom. Investment trusts are closed-end funds and are constituted as public limited companies.

Issuer

An entity that sells securities, such as fixed income securities and company shares.

Leverage

When referring to a company, leverage is the level of a company's debt in relation to its assets. A company with significantly more debt than capital is considered to be leveraged. It can also refer to a fund that borrows money or uses derivatives to magnify an investment position.

LIBOR

The three-month GBP London Interbank Borrowing Rate is the rate at which banks borrow money from each other (in UK pounds) for a three-month period.

Liquidity

A company is considered highly liquid if it has plenty of cash at its disposal. A company's shares are considered highly liquid if they can be easily bought or sold since large amounts are regularly traded.

Local currency (bonds)

Refers to bonds denominated in the currency of the issuer's country, rather than in a highly traded international currency, such as the US dollar. The value of local currency bonds tends to fluctuate more than bonds issued in a hard currency, as these currencies tend to be less stable.

Long position

Refers to ownership of a security held in the expectation that the security will rise in value.

M&G European Loan Fund ("ELF")

An open-ended fund managed by M&G that invests in leveraged loans issued by, generally, substantial private companies located in the UK and Continental Europe. ELF is not rated and the Investment Manager has determined an implied rating for this investment, utilising rating methodologies typically attributable to collateralised loan obligations. On this basis, 78% of the Company's investment in ELF has been ascribed as being investment grade, and 22% has been ascribed as being sub-investment grade. These percentages have been utilised on a consistent basis for the purposes of determination of the Company's adherence to its obligation to hold no more than 30% of its assets in below investment grade securities.

Macroeconomic

Refers to the performance and behaviour of an economy at the regional or national level. Macroeconomic factors such as economic output, unemployment, inflation and investment are key indicators of economic performance. Sometimes abbreviated to 'macro'.

Maturity

The length of time until the initial investment amount of a fixed income security is due to be repaid to the holder of the security.

Modified duration

A measure of the sensitivity of a fixed income security, also called a bond, or bond fund to changes in interest rates. The higher a bond or bond fund's modified duration, the more sensitive it is to interest rate movements.

Monetary policy

A central bank's regulation of money in circulation and interest rates.

Morningstar™

A provider of independent investment research, including performance statistics and independent fund ratings.

NAV Total Return

A measure showing how the net asset value (NAV) per share has performed over a period of time, taking into account both capital returns and dividends paid to shareholders.
NAV total return is expressed as a percentage change from the start of the period. It assumes that dividends paid to shareholders are reinvested at NAV at the time the shares are quoted ex-dividend.
NAV total return shows performance which is not affected by movements in share price discounts and premiums. It also takes into account the fact that different investment companies pay out different levels of dividends.

Near cash

Deposits or investments with similar characteristics to cash.

Net

The proportion of a fund invested in, for example, different sectors. Derivatives are included. The latter are financial instruments whose value, and price, are dependent on one or more underlying assets.

Net Asset Value (NAV)

A fund's net asset value is calculated by taking the current value of the fund's assets and subtracting its liabilities.

Non-Executive Director (NED)

A non-executive director is a member of a company's board of directors who is not part of the executive team. A non-executive director typically does not engage in the day-to-day management of the organization, but is involved in policymaking and planning exercises.

Ongoing Charges Figure (OCF)

Ongoing charges figure (as a percentage of shareholders' funds) is an annualised rate calculated using average net assets over the period in accordance with the AIC's recommended methodology.

Options

Financial contracts that offer the right, but not the obligation, to buy or sell an asset at a given price on or before a given date in the future.

Overweight

If a fund is 'overweight' a stock, it holds a larger proportion of that stock than the comparable index or sector.

Payment date

The date on which distributions will be paid by the fund to investors, usually the last business day of the month.

Physical

The fund's exposure excluding derivatives, which are financial instruments whose value, and price, is dependent on one or more underlying securities.

Private

Refers to assets that are not listed or traded on a recognized exchange.

Public

Refers to assets that are listed on and can be traded on a recognized exchange.

REIT (Real Estate Investment Trust)

A REIT is a company that owns, operates or finances income-producing real estate.

Retail Prices Index (RPI)

A UK inflation index that measures the rate of change of prices for a basket of goods and services in the UK, including mortgage payments and council tax.

Securitise/Securitisation

The creation and issuance of tradable securities, such as bonds, that are backed by the income generated by an illiquid asset or group of assets. By pooling a collection of illiquid assets, such as mortgages, securities backed by the mortgages' income payments can be packaged and sold to a wider range of investors.

Share price total return

Total return to shareholders, assuming all dividends received were reinvested at the mid-market price without transaction costs into the shares of the Company at the time the shares were quoted ex-dividend.

Short position

A way for a fund manager to express his or her view that the market might fall in value.

Short-dated corporate bonds

Fixed income securities issued by companies and repaid over relatively short periods.

Short-dated government bonds

Fixed income securities issued by governments and repaid over relatively short periods.

SONIA (Sterling overnight index average)

Aninterest rate index administered by the Bank of England and based on actual transactions. It reflects the average interest rate that banks pay to borrow sterling overnight from other banks and institutional investors.

Spread duration

A measure of the portfolio's sensitivity to changes in credit spreads. The higher a bond or bond fund's spread duration, the more sensitive it is to changes in credit spreads.

Sub-investment grade bonds

Fixed income securities issued by a company with a low rating from a recognised credit rating agency. They are considered to be at higher risk from default than those issued by companies with higher credit ratings. Default means that a company or government is unable to meet interest payments or repay the initial investment amount at the end of a security's life.

Swap

A swap is a derivative contract where two parties agree to exchange separate streams of cashflows. A common type of swap is an interest rate swap to hedge against interest rate risk.

Synthetic inflation-linked bonds

Refers to securities created using a combination of assets to simulate the characteristics of inflation-linked bonds. By buying inflation-linked government bonds and selling protection against companies defaulting on their debts, using credit default swaps, the combined synthetic investment will behave similarly to a physical inflation-linked bond, had one had been issued. Synthetic inflation-linked bonds are usually created where a company does not have any inflation-linked bonds in issue.

Total return

The term for the gain or loss derived from an investment over a particular period. Total return includes income (in the form of interest or dividend payments) and capital gains.

Valuation

The worth of an asset or company based on its current price.

Volatility

The degree to which a given security, fund, or index rapidly changes. It is calculated as the degree of deviation from the norm for that type of investment over a given time period. The higher the volatility, the riskier the security tends to be.

Weighted Average Life (WAL)

The asset-weighted average number of years to final maturity of the portfolio, based on the final maturity for all assets/exposures.

Yield

This refers to either the interest received from a fixed income security or to the dividends received from a share. It is usually expressed as a percentage based on the investment's costs, its current market value or its face value. Dividends represent a share in the profits of a company and are paid out to the company's shareholders at set times of the year.

Yield to maturity

The total return anticipated on the portfolio if the underlying bonds are held until maturity.

Contacts

mandgcredit@linkgroup.co.uk

www.mandg.co.uk/CreditIncomeInvestmentTrust

M&G Investments