M&G Credit Income Investment Trust

M&G Investments

Quarterly review as at 30 September 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	£122.87m
Number of holdings	140
Dividend dates	Quarterly: Feb, May, Aug and Nov
Yield to maturity	9.06%
Modified duration	1.20
Spread duration	3.25
Weighted Average Life	3.97
Gearing	0.00%

Please see the glossary for an explanation of terms used.

Charges

Annual management charge	0.70%
Ongoing charges figure (OCF)	1.23%

Portfolio overview (%)

	Fund
Cash on deposit	0.43
Public	**43.05**
Asset backed securities	17.16
Bonds	22.93
Funds*	2.97
Private	**57.01**
Asset backed securities	5.15
Bonds	2.75
Funds	13.02
Loans	22.47
Private Placements	2.23
Other	11.38
Derivatives	**(0.49)**
Debt derivatives	0.09
Forwards	(0.58)

*Investment is in M&G Senior Asset Backed Credit Fund which invests in senior ABS tranches with an average credit rating of AAA. The fund serves as a cash proxy and as such has been classified as 'public'

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

Market review

The third quarter was characterised by a shift in financial markets toward an acceptance that central banks would keep interest rates elevated for a prolonged period. This saw government bond yields hit fresh multi-year highs while investors pulled back from risk assets. The period had started on a positive footing as a notable deceleration in inflation in Europe and the US saw soft landing expectations drive a strong rally in risk assets, supported by lots of good news all round from an economic standpoint. As the period progressed however, the early summer optimism lost momentum as concerns grew over a new era of higher interest rates and central banks' determination to bring inflation under control with restrictive policies weighed heavily. In the US, fiscal positioning and growing debt levels, not to mention a credit downgrade by ratings agency Fitch, dented investor appetite for US Treasuries, which contributed to the significant climb higher in yields. Eurozone and UK government bonds sold off also, although the latter proved slightly more resilient, outperforming other core sovereign debt over the period. UK corporate bonds were stronger over the quarter compared to the previous period and versus regional rivals (US and Europe), boosted by broadly flat government bond yields and some tightening of credit spreads.

With rates likely to stay 'high for longer', attention focused on the potential lagged effects of rate rises on economic activity. The US economy remained resilient in the period, with GDP data showing growth at an annual rate of 2.1% for the second quarter, partly as wage growth supported consumer spending. The UK economy expanded 0.2% in the second quarter from the previous quarter and retail sales rose in August. Revised data showed that the UK economy was now bigger than its pre-pandemic size, and having long been identified as the worst performing economy among G7 countries since the Covid-19 pandemic, also showed that the UK had actually outperformed both Germany and France over the same period. There were fresh signs of frailty in the Euro-area economy as a succession of weak economic data releases pointed to a slowdown in activity, leading to concerns that the single-currency bloc could be heading for recession.

Manager commentary

Pleasingly the Company delivered another quarter of strongly positive performance. The Company's NAV total return in Q3 was +3.10% which outperformed comparative fixed income indices such as the ICE BofA Sterling Corporate and Collateralised Index (+2.22%) and the ICE BofA High Yield Index (+1.72%). Performance was driven by a relatively equal combination of income and capital gains. Our short position in UK 10 year gilt futures continued to mitigate against the negative effect of rising interest rates, allowing returns to capture the positive contribution of a tightening in portfolio credit spreads over the quarter. Our strategy of combining higher yielding private assets alongside a smaller allocation to mainly investment grade, public credit whilst maintaining low duration has proved to be very successful over the past 12 months, with the Company's 1-year NAV total return 10.35% as at the end of September.

It was a relatively quiet quarter for portfolio activity and although we are reluctant to chase yield at current credit spread levels, we did continue to add risk selectively. Senior unsecured positions in financial bonds have performed well for us recently and we took the opportunity to add similar positions in Virgin Money in the secondary market and Principality at new issue. Following recent private asset repayments, we invested £4m into the daily dealing M&G Senior Asset Backed Credit Fund. The fund invests in a diversified pool of investment grade ABS, predominantly in senior tranches with 80% or more expected to be of a credit rating of at least AA- or higher. The current average credit rating of the portfolio is AAA and it returns at present approximately SONIA+150bps. We will use the fund as a cash-park vehicle while we wait for attractively priced public and private opportunities to arise. In September we completed the secondary market purchase of two tranches (£1.3m) in a public securitisation which was issued by Telereal in 2008 to fund the sale and leaseback transaction of British Telecom telephone exchanges. The B7 and C1 notes were purchased at 90 and 91 respectively giving all-in yields of more than 10% for BBB risk. We also sold our bonds from public high yield borrower Oriflame, with the outlook becoming particularly negative and the turnaround story looking increasingly difficult to execute.

Sector breakdown (%)

	Trust
Funds	15.99
ABS (Assorted)	15.61
Real Estate Dev and Mgt	14.68
Banking	8.47
Non-Agency CMBS	8.10
Investments and Misc Financial Services	4.50
Mortgage Backed	4.09
Cons/Comm/Lease Financing	3.51
Life-Insurance	2.67
REITs	2.01
Telecom - Wireless	1.62
Support-Services	1.58
ABS Automobiles	1.55
Electric - Integrated	1.43
Electronics	1.21
Health Services	1.19
Transport Infrastructure/Services	1.15
Beverage	1.03
Restaurants	0.95
Media Content	0.91
ABS Utilities	0.82
Multi-Line Insurance	0.79
Specialty Retail	0.76
Integrated Energy	0.68
Food - Wholesale	0.65
Automakers	0.59
ABS Credit Cards	0.58
Property and Casualty Insurance	0.54
Electric - Generation	0.52
Tech Hardware and Equipment	0.44
Cash on Deposit	0.43
Oil Field Equipment and Services	0.40
Food and Drug Retail	0.38
Brokerage	0.31
ABS Airline Leases	0.20
Gaming	0.17
Debt Derivatives	0.09
Forwards	(0.58)

Source: All data contained within the Factsheet is sourced from the Company administrator, State Street as at 30 September 2023.

Outlook

Despite the disinflationary progress seen over the third quarter, a straight line return to a 2% inflation target seems improbable and recent notable increases in oil and natural gas prices have already resulted in upside surprises in UK and US CPI data. If the last two months are any indication of future inflation, core US CPI will likely end the year well above the Fed's target, necessitating interest rates to remain in restrictive territory as they look to wrestle stubborn inflation back under control. Labour force pressure, strikes and wage growth have been established as prominent features of the macro landscape in the short term and will complicate the job of policymakers as they attempt to prevent inflation from becoming embedded. That said, the lagged effect from rate hiking cycles is starting to be felt in the real economy and lending conditions in both the US and Europe have tightened considerably in the second half of the year and are in line with levels historically only observed around recessions.

High debt accompanied by high interest rates is an unhealthy dynamic that will ramp up stress within the economy. While policy rates remain elevated, the inherent risk is that something, somewhere in the financial system will break. So far issuers in corporate debt markets have been fairly well insulated from the rise in interest rates with many having termed out debt maturities at lower interest rates in previous years. However, if central banks do as they have been signalling and keep interest rates higher for longer, the inflection point is fast approaching when many issuers are forced to refinance large debt piles at significantly higher coupons and defaults will almost certainly increase over the next two years.

With Europe still reeling from Russia's invasion of Ukraine, a dramatic escalation in geopolitical tensions in the Middle East has added another layer of complexity to an already uncertain economic outlook. It is too early to say what impact the Israeli-Palestinian conflict will have on global supply chains and energy prices, with much depending on how much the war escalates between the two countries and whether it spreads out into a broader regional conflict. Should the situation develop and involve other global players and allies, the potential human and economic cost would have significant ramifications on a global scale.

We remain cautious on adding risk at current credit spread levels but we are positioned to move quickly should market volatility present opportunities, supported by the Company's undrawn £25m credit facility. Economic indicators are showing a deterioration in financial conditions although we are yet to really see this reflected in credit market pricing except at the riskiest end of the spectrum. Under current market conditions we will continue to look to rotate out of lower yielding public bonds and into private credit as and when new transactions become available, capturing the illiquidity premium which has been re-established over the course of the year.

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
2023 Q2	1.93

Credit rating breakdown (%)

	Trust
Unrated	**(0.49)**
Derivatives	(0.49)
Cash and Investment grade	**78.54**
Cash On Deposit	0.43
AAA	5.88
AA+	0.15
AA	5.06
AA-	0.25
A+	1.80
A	1.30
A-	3.84
BBB+	12.73
BBB	16.11
BBB-	22.01
M&G European Loan Fund*	8.96
Non-investment grade	**21.94**
BB+	5.40
BB	2.63
BB-	3.92
B+	2.40
B	4.44
B-	0.40
C	0.00
D	0.22
M&G European Loan Fund*	2.53

*See glossary

Share Price vs NAV

As at	NAV p/s (cum income)	Share price
30 September 2023	95.13	86.80

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	0.96%	3.10%	4.50%	6.79%	10.35%	2.50%	4.25%	3.77%
Benchmark *	0.76%	2.31%	4.46%	6.47%	8.28%	6.52%	5.70%	4.95%

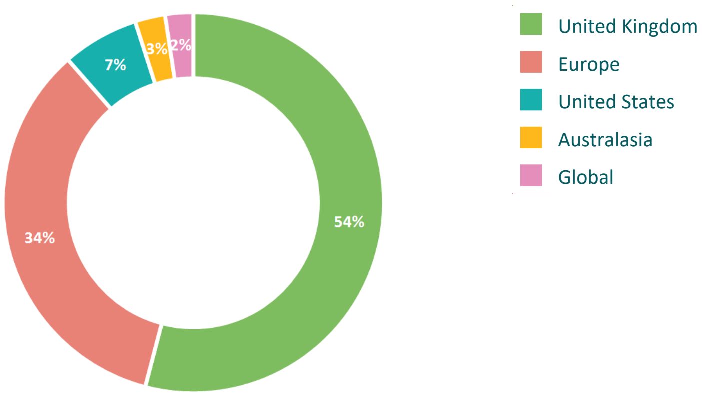
Calendar year NAV total return (%, p.a.)**	2022	2021	2020	2019
M&G Credit Income Investment Trust	-1.74%	4.25%	3.75%	6.04%
Benchmark *	5.47%	4.09%	4.32%	3.34%

Source: Morningstar Inc, State Street and M&G, as at 30 September 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 Split %



Source: M&G and State Street as at 30 September 2023.

Top 20 holdings (%)

	Trust
M&G European Loan Fund (Prvt)	11.49
M&G Senior Asset Backed Credit Fund	2.97
Project Mercury Term Loan (Prvt)	1.87
Delamare Finance 1.3066% 19 Feb 2029	1.76
M&G Lion Credit Opportunity Fund IV (Prvt)	1.53
PE Fund Finance III Var. Rate 16 Dec 2022 (Prvt)	1.51
RIN II LTD (A) A 144A	1.48
Project Hammond (Prvt)	1.42
BSAM 1 1 RegS	1.37
Regenter Myatt Field North GBP Term Loan (Prvt)	1.30
ATLAS 2020 1 Trust AUD Note A2 (Prvt)	1.26
Signet GBP Stretch Term Loan (Prvt)	1.23
Grover Term Loan A (Prvt)	1.22
GONGG 1 (A) A RegS	1.21
CBNA T12 Mezz (Prvt)	1.21
Aria EUR Term Loan A (Prvt)	1.20
STCHB 7 A (Prvt)	1.19
ICSL 1 B RegS	1.17
Finance for Residential Social Housing 8.569% 04 Oct 2058	1.13
Hall & Woodhouse Var. Rate 30 Dec 2023 (Prvt)	1.09

(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