

M&G Credit Income Investment Trust



Quarterly review as at 30 September 2025

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.

Dividend schedule

Period	Amount GBP
2019	3.74
2020	4.28
2021	4.04
2022	5.35
2023	7.96
2024	8.53
2025 Q1	1.96
2025 Q2	1.92
2025 Q3	1.89



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	GB00BFYL325
TIDM code	MGCI
Market capitalisation	£184.1m
Number of holdings	137
Dividend dates	Quarterly: Feb, May, Aug and Nov
Yield to maturity	7.85%
Modified duration	1.05
Spread duration	3.05
Weighted Average Life	3.16
Gearing	0.00%

Please see the glossary for an explanation of terms used.

Charges

Annual management charge	0.70%
Ongoing Charges Figure (OCF)	1.20%

Portfolio overview (%)

	Fund
Cash on deposit	3.22
Public	50.45
Asset backed securities	13.23
Bonds	14.26
Funds	22.96
Equity	0.00
Private	46.42
Asset backed securities	2.50
Bonds	3.01
Funds	12.59
Loans	16.16
Private Placements	1.29
Other	10.78
Equity	0.09
Derivatives	(0.09)
Debt derivatives	(0.01)
Forwards	(0.08)

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

Market review

The third quarter was largely a positive period for financial markets. Global stock markets continued to recover from the tariff-induced sell-off in April as trade tensions subsided, with gains also fuelled by strong corporate earnings, anticipation of Federal Reserve rate cuts, and continued enthusiasm around Artificial Intelligence (AI) and technology innovation. Bond market performance was more modest, with concerns about inflation and fiscal positions weighing on sentiment, particularly in Europe. In July, a month's delay in tariff implementation improved the mood music and preceded the eventual announcement of a series of bilateral trade agreements between the US and key partners. Deals with the EU, Japan, and South Korea helped calm uncertainty, with rates that were lower than originally announced, aiding risk assets to stabilise. However, the potential impact of US trade tariffs on the global economy remained a dominant theme for investors. Although there was little evidence of a tariff effect on economic data, as global growth remained broadly resilient, volatility remained a persistent undercurrent in markets, with investors weighing a range of unresolved macro risks and trade policy remaining a key source of uncertainty.

A disappointing US employment report in August showed virtually no net job growth even as inflation nudged slightly higher, which stoked fears of an economic slowdown. However, Federal Reserve (Fed) Chair Powell used a dovish speech at Jackson Hole to set the scene for the first Fed rate reduction of 2025, which duly arrived when the FOMC delivered a 0.25% cut at its September meeting. In the Eurozone, inflation hovered right around the ECB's 2% target, allowing policymakers to pause further easing with a hawkish bias. Growth indicators remained tepid, underscoring a 'flat but not collapsing' economy. The United Kingdom saw inflation hold at a painful 3.8% – the highest among G7 economies – which forced the Bank of England to hold off on more rate cuts after its summer easing. The MPC emphasized the difficult balancing act being faced, that while the UK economy is fragile (with very slow growth and rising unemployment), inflation remains far above target.

Manager commentary

In the third quarter of the year the Company delivered a NAV total return of +1.85% compared to the +2.05% returned by the benchmark. Underperformance was driven by defensive positioning in the portfolio which has meant foregoing yield in the short term as we await for market conditions to present, what in our opinion, are more attractive opportunities to add risk.

During the quarter we continued to see sustained demand for share issuance, with the Company's market capitalisation increasing by c.£10.7m. We added £8m to our exposure in the M&G Investment Grade ABS (IGABS) fund given its attractive risk-return characteristics and our desire to go up in credit quality. By way of comparison, the IGABS underlying portfolio has an average credit rating of AA and has offered a yield of 5.70%, which screens favourably to the majority of the sterling BBB corporate universe where yields have averaged approximately 5.5% for taking on notably more risk.

We invested selectively in new issues where there was still what we considered to be a 'decent' spread on offer (within the relative context of currently very expensive credit markets). We participated in both the Ford Motor euro (€0.8m) and sterling (£0.9m) new issues which printed at G+200bps for BBB- risk and the senior preferred bond from Finish bank Oma Saastopankki (£0.6m) which printed at EURIBOR+230bps for BBB risk. We also invested (£0.8m) in the new secured bond from Southern Water which printed at the wider end of recent investment grade new issues at G+270bps. Despite the well publicised ongoing issues in the sector, the company retains strong equity backing and there have been recent positive political and regulatory developments which are fundamentally constructive for the longer term sector outlook.

In the private market we deployed £4.2m over the quarter. This included £0.7m in the latest tranche from an existing microfinance borrower, £1m invested in a senior secured term loan to a UK-based IFA platform, and £1m in a senior secured term loan issued by a global leader of air pollution control and noise abatement solutions. We also added £1.5m to our position in SALIS 2019-1 (A) via an internal purchase from another M&G fund, making it one of the largest positions in the portfolio (£2.8m/1.6% of NAV). This is a Regulatory Capital deal for a credit linked note backed by a diversified portfolio of UK SME loans. We've held a position in the portfolio for a number of years and it has performed very well, hitting our 'sweet spot' in terms of risk-return – offering an implied spread of +420bps for (internally rated) BBB+ risk.

Sector breakdown (%)

	Trust
Funds	35.55
ABS (Assorted)	14.63
Real Estate Dev and Mgt	7.52
Banking	7.21
Non-Agency CMBS	5.36
Cash on Deposit	3.22
Investments and Misc Financial Services	3.14
Transport Infrastructure/Services	2.71
Mortgage Backed	2.20
Cons/Comm/Lease Financing	1.96
Life-Insurance	1.87
Diversified Capital Goods	1.51
Support-Services	1.41
Telecom - Wireless	1.40
Electric - Generation	1.07
Multi-Line Insurance	0.97
Auto Loans	0.91
REITs	0.80
Restaurants	0.71
Hotels	0.66
ABS Credit Cards	0.66
Machinery	0.57
Integrated Energy	0.56
Food - Wholesale	0.54
ABS Automobiles	0.54
Health Services	0.53
Pharmaceuticals	0.50
Gaming	0.41
Media Content	0.41
Specialty Retail	0.17
ABS Utilities	0.15
Tech Hardware and Equipment	0.14
ABS Airline Leases	0.09
Equity	0.01
Debt Derivatives	(0.01)
Forwards	(0.08)

Source: All data contained within the Factsheet is sourced from the Company administrator, State Street as at 30 September 2025.

Outlook

In the immediate term, the largest and most persistent impact of the tariff war on the global economy has been the creation of uncertainty and lasting damage to business confidence. Longer term effects remain hard to quantify and will take time to ripple through the global economy. Significantly, a confluence of additional risks also weigh on the outlook for the remainder of the year, including (but not limited to) upward pressure on inflation, geopolitical and conflict risk, rising bond yield term premia, the impacts of fiscal and broader policy dynamics, and the sustainability of the AI boom, all of which are serving to create a challenging and unpredictable investment backdrop.

Despite the considerable downside risks, a paradox exists between credit spreads and the economic outlook, with investors not being sufficiently compensated for the magnitude of these risks. Current levels of market exuberance certainly feel overdone and in our opinion investor aversion to bad news is leading to complacency. Credit spreads tightened even further over the prior quarter and at time of writing are at almost 20-year lows. BBB credit (the lowest rung of investment grade) currently offers barely 100 basis points additional return over sovereign benchmark yields. Tight credit spreads have been a persistent theme throughout much of the year and we maintain that such levels underprice corporate risk and are not adequately accounting for potential market stress. At this stage of the economic cycle we aren't attempting to make bold predictions around the direction of the global economy or specific outcomes – but what we are saying is that despite overall corporate fundamentals remaining stable, razor-thin credit spreads offer a low premium for taking on risk, making the market vulnerable to sharp corrections from economic or geopolitical shocks. We don't necessarily know what the catalyst for a wider market repricing will be, but we do know from experience that it's a matter of 'when' and not 'if'. Adding risk when it is expensive to do so can significantly erode long-term portfolio gains, and it is therefore essential to resist overexuberance and herd mentality, focussing instead on credit fundamentals and rational, long-term value.

Under these market conditions, where credit valuations are stretched, we believe that our flexibility in being able to invest across the breadth of both public and private markets can be a powerful differentiator in helping to generate what we feel are attractive risk-adjusted returns for our shareholders. It remains as important as ever that we maintain our patient and disciplined investment approach and at current valuations we will continue to keep the portfolio defensively positioned, prioritising credit quality over yield. This positioning is intended to shape the portfolio to be a net beneficiary of any future credit spread widening and market volatility, and whilst this may mean foregoing portfolio returns in the short term, in our opinion it is fundamental to driving strong performance over a longer term investment horizon. Should further market volatility give rise to attractive opportunities, we have access to a £40 million credit facility and a further £44 million invested in two AAA/AA-rated, daily dealing ABS funds, ready to be reallocated.

Credit rating breakdown (%)

	Trust
Unrated	0.00
Equity	0.09
Derivatives	-0.09
Cash and Investment grade	78.35
Cash on Deposit	3.22
AAA	5.72
AA	20.63
AA-	0.71
A+	1.35
A	3.10
A-	2.59
BBB+	7.47
BBB	11.42
BBB-	12.33
M&G European Loan Fund*	9.82
Non-investment grade	21.65
BB+	2.01
BB	4.34
BB-	3.02
B+	2.42
B	5.49
B-	0.53
CCC+	0.52
CCC	0.32
CC	0.17
D	0.05
M&G European Loan Fund*	2.77

*See glossary

Share Price vs NAV

As at	NAV p/s (cum income)	Share price
30 September 2025	93.63	95.80

Total Return



NAV total return (% p.a.)**	1 month	3 months	6 months	YTD	1 year	2 years	3 years	5 years	Since Inception***
M&G Credit Income Investment Trust	0.53%	1.85%	3.47%	4.88%	6.66%	8.26%	8.95%	5.84%	5.06%
Benchmark*	0.65%	2.05%	4.18%	6.40%	8.78%	9.18%	8.88%	7.08%	6.17%

Calendar year NAV total return (% p.a.)**	2024	2023	2022	2021	2020	2019
M&G Credit Income Investment Trust	8.08%	10.42%	-1.74%	4.25%	3.75%	6.04%
Benchmark*	9.50%	8.96%	5.47%	4.09%	4.32%	3.34%

Source: Morningstar Inc, State Street and M&G, as at 30 September 2025. 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%.

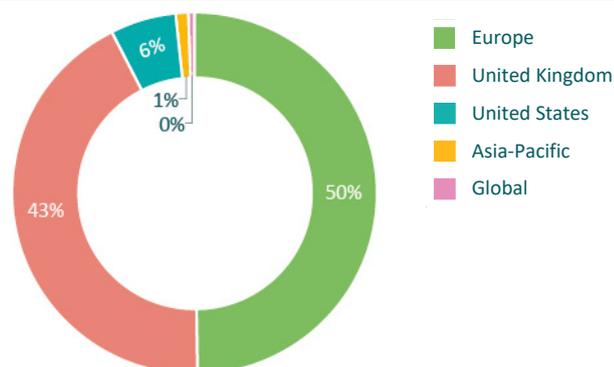
**The total return calculation assumes that dividends paid to shareholders are reinvested at NAV at the time the shares are quoted ex-dividend.

***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.

Past performance is not a guide to future performance.

Geographical split %



Source: M&G and State Street as at 30 September 2025.

 Top 20 holdings (%)

	Trust
M&G Investment Grade ABS Fund	17.24
M&G European Loan Fund (Prvt)	12.59
M&G Senior Asset Backed Credit Fund	5.72
Cash on Deposit	3.22
Delamare Finance 1.3066% 19 Feb 2029	1.73
ICSL 2 B RegS	1.59
SALIS 2019-1 A RegS (Prvt)	1.55
Serenissima SPV 5.625% 06/36 (Prvt)	1.46
Project Energy from Waste UK (Prvt)	1.07
Project Hammond (Prvt)	1.06
ICSL 1 B RegS	1.04
BSAM 1 1 RegS	1.02
Signet GBP Stretch Term Loan (Prvt)	0.98
ATLAS 2020 1 Trust AUD Note A2 (Prvt)	0.89
Whistler Finco 30 Nov 2028 (Prvt)	0.85
STCHB 7 A (Prvt)	0.84
GGSF T3 (Prvt)	0.83
MDCPS Fixed Term Note 2038 (Prvt)	0.82
Newriver REIT Plc 3.5% 03/07/28 Corp	0.80
FONTW 2020-1 A (Prvt)	0.76

(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 fund 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)

An interest 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

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