M&G Credit Income Investment Trust plc

Annual Report and audited Financial Statements for the year ended 31 December 2021

Company registration number: 11469317

M&G Credit Income Investment Trust

An investment trust from the fixed income experts

M&G Credit Income Investment Trust plc (the "Company") seeks to generate high-quality, reliable income from a diversified credit portfolio, while seeking to preserve investors' capital through low net asset value (NAV) volatility. The Company has the flexibility to invest in both public and private debt, which allows individual investors to access potential opportunities normally only available to large institutions. By investing in these specialised areas, we can construct a predominantly investment grade-quality portfolio with the potential to produce superior income to traditional bond funds without compromising on credit quality. This is thanks to M&G's leading market position and decades of experience in private lending, which enables them to source deals unavailable to most other asset managers. Through the Company's closed-ended structure, investors can benefit from holding these private assets to their maturity, whilst retaining access to their capital via the Company's public listing.

Why invest in the Company?

4%+

Seeks to pay dividends of 4% above cash[a]

which move in line with interest rates and help to protect against inflation

High-quality, reliable income

sourced primarily from private credit, with 70%+ of the portfolio invested in investment grade-quality assets

Stable capital value

of private assets, which are typically held to maturity, compared to other investments that can offer similar income, such as equities and high yield bonds

Higher income potential

than comparably rated bond portfolios thanks to M&G's ability to source private credit deals

Investment trust structure

allows investors to buy and sell the Company's shares to suit their circumstances without affecting the underlying portfolio

Zero discount policy

designed to enable investors to buy and sell shares at close to NAV

M&G's track record in public and private debt

£202 billion bonds AUM

M&G is one of the UK's largest credit investors, with leading positions in private lending markets, creating potential opportunities unavailable to other managers

Since 1997

M&G has developed a rigorous and selective investment process based on more than two decades' experience in private debt markets

136 analysts

M&G has built one of Europe's largest in-house credit research teams, which provides extensive resources required to identify and analyse potential deals

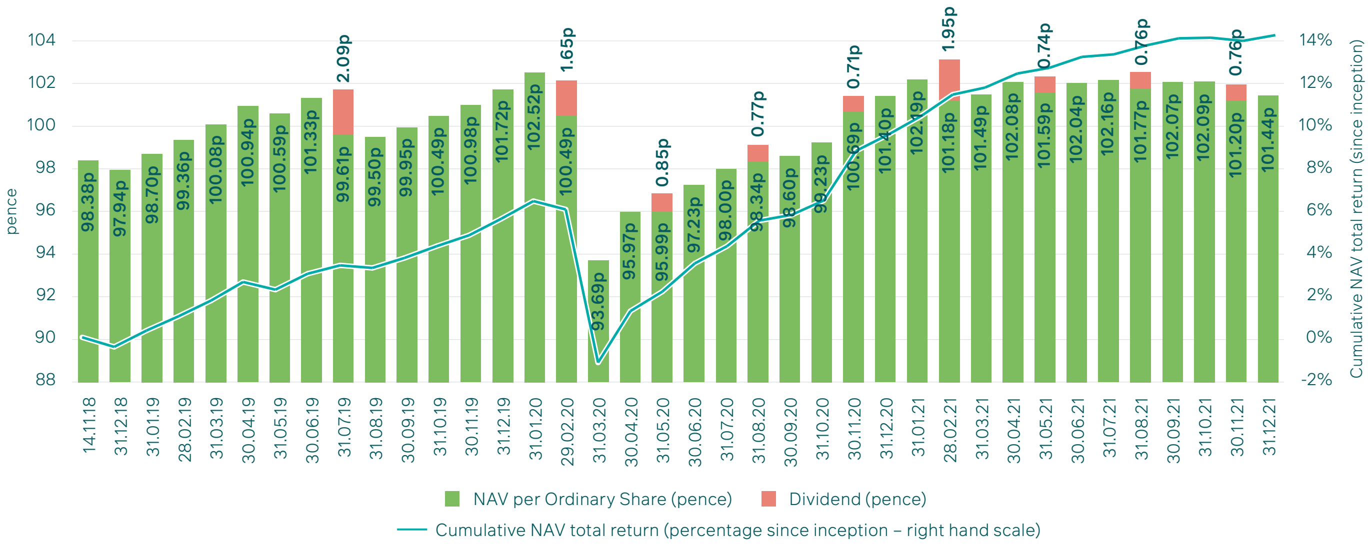
[a] Based on the SONIA (Sterling Overnight Index Average) interest rate benchmark administered by the Bank of England.

Contents

Company highlights

NAV, dividend and NAV total return

The Company has continued to generate stable dividend returns even during periods of market instability.



Source: M&G and State Street as at 31 December 2021

Financial highlights

Key data

	As at 31 December 2021	As at 31 December 2020
Net assets (£'000)	143,759	146,628
Net asset value (NAV) per Ordinary Share	101.44p	101.40p
Ordinary Share price (mid-market)	99.5p	92.0p
Discount to NAV[a]	1.9%	9.3%
Ongoing charges figure[a]	1.10%[b]	0.87%

Return and dividends per Ordinary Share

	Year ended 31 December 2021	Year ended 31 December 2020
Capital return	1.5p	1.3p
Revenue return	2.7p	2.9p
NAV total return[a]	4.3%	3.7%
Share price total return[a]	13.0%	(9.7)%
Total dividends declared	4.04p[c]	4.28p

[a] Alternative performance measure. Please see pages 112 to 113 for further information.

[b] The increase in the ongoing charges figure mainly shows the annualised effect of the increase in the investment management fee from 0.5% to 0.7% per annum. This increase in fee took effect on 1 April 2021, reflecting the fact that the portfolio is now appropriately positioned with regard to the Company's dividend target set at launch.

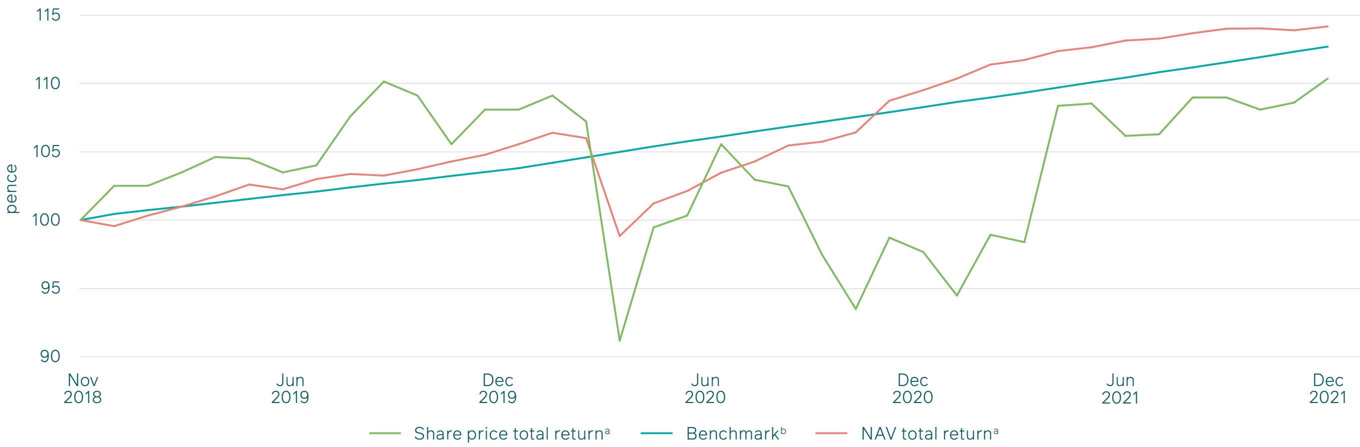
[c] The annualised dividend yield for each year was LIBOR plus 4% and reduction in dividends declared in 2021 related to reduction in average LIBOR during the current year.

Company highlights

Total returns

NAV total return increased in 2021 as the portfolio continued to capture positive credit performance throughout the year whilst mitigating the effect of rising interest rates.

14 November 2018 = 100

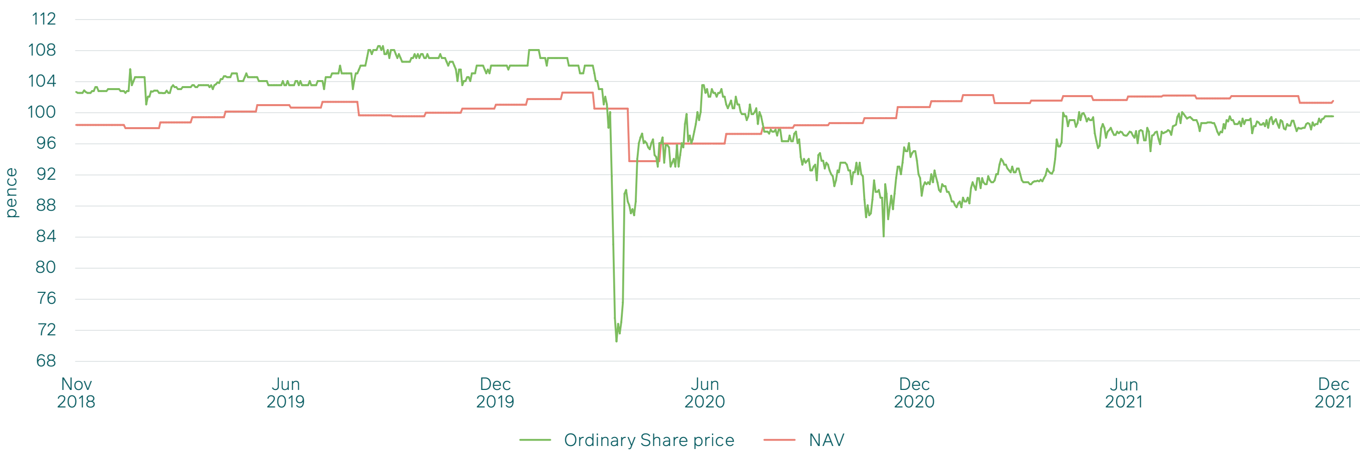


[a] Alternative performance measure. Please see pages 112 to 113 for further information.
[b] 3 Month LIBOR +2.5% from inception to 31 December 2019, thereafter 3 Month LIBOR +4%, compounded daily.
Source: M&G

Ordinary Share price (mid-market) vs NAV

There has been a notable narrowing of the share price discount to NAV over the course of the year. The Board implemented a "zero discount policy" in April 2021.

As at	NAV per share (cum income)	Share price (mid-market)
31 December 2021	101.44p	99.5p



Source: M&G and State Street as at 31 December 2021.

Chairman's statement

Performance

I am delighted to report that your Company has again exceeded the performance originally targeted at its Initial Public Offering (IPO). This target was to achieve an annualised dividend yield of LIBOR plus 2.5% (on the 100p issue price) from launch until 31 December 2019 and of LIBOR plus 4% (on the opening net asset value (NAV) per Ordinary Share) thereafter (our benchmark). We have met this target whilst also increasing the Company's NAV.

Your Company's NAV at its launch on 14 November 2018, being the gross proceeds of the IPO less the IPO expenses, was 98.38p per Ordinary Share. The opening NAV on 1 January 2021 (adjusted for the last dividend for 2020) was 99.45p per Ordinary Share and the NAV on 31 December 2021 (adjusted for the last dividend for 2021) was 99.66p per Ordinary Share. Including dividends paid, the annualised NAV total return was 4.3% since launch, whilst our benchmark return was 3.9%. NAV total return for the year to 31 December 2021 was 4.3%, compared to our benchmark return of 4.1%.

Over the year, the portfolio outperformed comparably rated public indices such as the ICE BofA Sterling and Collateralised Index (down by 3.0%) and the ICE BofA European Currency Non-Financial High Yield 2% Constrained Index (up by 3.3%). This shows our Investment Manager's skill in generating a stable and attractive level of income whilst maintaining low asset value volatility.

2021's benign credit but volatile sovereign debt markets provided challenging conditions in which to generate returns. The start of the year saw an increase in government bond yields, prompted by investor concerns over the risks associated with inflation and economic overheating. At the same time, corporate credit spreads tightened to inside pre-pandemic levels, buoyed by the support offered by central bank bond purchasing programmes. This reduced the pool of both primary and secondary public investment opportunities that met the risk adjusted return profile of the Company. The continued tightening in credit markets did, however, allow our Investment Manager to sell down corporate public bonds into the market strength, realising pleasing capital gains. Proceeds were reinvested into higher yielding private assets which both improved the credit quality of the portfolio and generated income in excess of comparably rated public bonds.

In the latter part of the year, inflation reached multi-decade highs in core economies, as disruption to global supply chains and soaring energy prices began to exert pressure on corporate margins. After stabilising over the summer months, government bond yields resumed their climb higher into the final quarter of the year. By hedging interest rate risk and maintaining low modified duration (low sensitivity to interest rate movements), our Investment Manager offset the effect of rising risk-free rates on the portion of portfolio returns derived from fixed income securities.

Share buybacks and discount management

At the beginning of the year, your Board was concerned that the volatility in the price of the Ordinary Shares was not reflecting the stability and low volatility of the underlying NAV. On 30 April 2021, we announced a 'zero discount' policy (the 'Policy') to seek to manage the discount or premium to NAV at which the Company's Ordinary Shares trade.

Your Company has undertaken a number of share buybacks pursuant to the Policy. In addition, our Investment Manager has held meetings over course of the year with both existing and potential investors. Pleasingly, these endeavours, coupled with a more positive market backdrop, have led to a narrowing of the discount to NAV at which the Ordinary Shares trade.

Chairman's statement

Share buybacks and discount management (continued)

The Company's Ordinary Share price traded at an average discount to NAV of 5.4% during the year ended 31 December 2021. On 31 December 2021 the Ordinary Share price was 99.5p, representing a 1.9% discount to NAV as at that date. As at 31 December 2021, 2,882,749 shares had been purchased as part of the Policy and were held in treasury. A further 1,350,000 shares have been purchased into treasury since then. To date no shares have been reissued from treasury.

As outlined in the Company's Prospectus at the time of the IPO, before the Company's fifth Annual General Meeting in 2024, the Board will formulate and submit proposals (which may constitute a tender offer or other method of distribution) to provide Shareholders with an opportunity to realise the value of their Ordinary Shares at Net Asset Value per Ordinary Share less costs. In all circumstances, the Board will seek to balance the interests of both continuing Shareholders and those electing to realise their investment with a view to minimising any reduction in the overall size of the Company.

Board

Mark Hutchinson retired from the Board on 31 August 2021. This coincided with Mark leaving his role as Chair of Private Assets at M&G Alternatives Investment Management Limited, your Company's Investment Manager. Your Board thanks him for his wise counsel, commitment and for his considerable contribution since the inception of the Company.

On 25 October 2021, we welcomed Jane Routledge to the Board. Jane has spent 30 years in marketing and communications roles in the investment management sector, communicating with pension fund, intermediary and private investor audiences. She has worked in a number of investment management businesses, including Schroders, Invesco and Hermes Fund Managers.

Dividends and transition from LIBOR to SONIA

Your Company paid dividends in respect of the year ended 31 December 2021 in accordance with the target set at launch: these totalled 4.04p per Ordinary Share. This represented a dividend yield of LIBOR plus 4% on the opening NAV as at 1 January 2021, adjusted for the dividend paid on 26 February 2021; and a dividend yield of 4.1% on the Ordinary Share price on 31 December 2021. Total dividends paid since launch have been fully covered by earnings derived from income and capital gains.

The Company has, since inception, used average daily three-month sterling LIBOR as its reference for the purpose of its dividend rate. As at 31 December 2021, in line with an industry-wide change, LIBOR ceased to exist and a new measure called Sterling Overnight Index Average (SONIA) has been adopted. A full description of the change was contained in the Half Year Report for the six months ended 30 June 2021.

The Board believes that it should pay dividends from income and prior capital gains (including accumulated capital gains from previous years). It therefore plans to continue with three, quarterly interim dividends in respect of each financial year plus 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 first three interim quarterly dividends to be paid in respect of the 2022 financial year will be paid at an annual rate of SONIA plus 3%, calculated by reference to the opening NAV as at 1 January 2022, and adjusted by the payment of the last dividend in respect of 2021.

Chairman's statement

Outlook

Your Company's portfolio (including irrevocable commitments) is now 62% invested in private (non-listed) assets, with an additional investment of some 11% in illiquid publicly listed assets which are intended to be held to maturity. As at 31 December 2021, your Company's portfolio was 85% invested in floating rate instruments and the remaining 15% of fixed rate exposure was hedged against falls in value from rising interest rates. With rates set to rise further in 2022, SONIA should also rise accordingly, which would see dividends paid by the Company increase during the course of the year, mitigating the effects of rising inflation on portfolio returns.

The Company maintains access to an undrawn £25 million revolving credit facility which should enable us to weather any future market shocks whilst having the firepower to purchase suitable assets as they become available.

The market volatility arising from Russia's shocking invasion of Ukraine on 24 February 2022 has seen credit spreads start to widen meaningfully, with public bond valuations beginning to look attractive again relative to the target return of the Company. Our Investment Manager is also seeing a healthy pipeline of private asset opportunities. It will remain flexible in adding risk to the portfolio from both public and private markets as and when it sees value.

We are all saddened by the developments following the invasion. The longer term economic consequences of the situation are difficult to quantify as much will depend on the length of the conflict and on any changes in geopolitical relations. The Investment Manager has confirmed that the portfolio has no direct exposure to issuers in Russia, Ukraine, or Belarus. However, it has identified a small indirect exposure via a handful of issuers who derive some portion of their revenue from these countries. This exposure is not considered material. The Investment Manager is taking, and will continue to take, all necessary actions to ensure compliance with applicable sanctions, laws and regulations, including those of the US, UK and EU.

Our Investment Manager believes that an annual total return, and thus ultimately a dividend yield, of SONIA plus 4% will continue to be achievable in the future although there can be no guarantee that this will occur in any individual year.

David Simpson
Chairman

23 March 2022

Investment manager's report

Investment manager's report

We are pleased to provide commentary on the factors that have impacted our investment approach over the last year, with particular reference to the performance and composition of the portfolio as we have sought to build it in accordance with the mandate agreed at IPO.

Fixed income asset classes began the year having recovered most, if not all, of the losses incurred from the market disruption following the onset of the COVID-19 pandemic in March 2020. Asset purchasing programmes succeeded in keeping borrowing costs low and corporate issuers of varying credit quality continued to have access to cheap investor capital. Corporate defaults fell sharply in 2021 (compared with 2020 and 2019) as the continued economic recovery and ample liquidity offset the effects of COVID-19 and supply chain disruptions, labour shortages and high inflation. This contributed to unusually benign credit conditions throughout the year which have continued into 2022. Investors looking for increased returns were forced down the credit curve into 'riskier' sectors and in many cases, out of investment grade and into high yield credit. This caused corporate credit spreads to grind tighter for much of the year, reaching multi-year lows by the end of the third quarter.

By contrast, the year saw upward pressure on government bond yields gain momentum as investor concerns over the spread of the Delta variant and a slowdown in economic growth were overtaken by those of inflation and economic overheating, which led to increased volatility in rates markets. As inflation figures continued to surprise to the upside, reaching multi-decade highs, investors increasingly questioned the "transitory" inflation narrative set forth by central banks. The 10 year UK gilt climbed above one percent for the first time since the onset of the pandemic and ensuing market turmoil in March 2020.

Investment grade and high yield spreads widened slightly into the year end, following concerns over supply bottlenecks and increased energy prices reducing economic growth and company margins. In addition, the emergence of details of a new COVID variant, Omicron, in late November also contributed to spreads widening. The potential return to COVID related economic disruption led to a repricing in markets as investors moved away from risk assets and into safer havens such as government bonds. Fears over the new variant eased into the year's close and investor focus shifted back to central bank action and signalling for the path of monetary policy in 2022.

Portfolio activity and positioning

The focus in public markets for much of the year was the rise of inflation and the reaction of sovereign debt markets. Whilst risk-free rates climbed higher, corporate credit spreads ground even tighter, reflecting investors' benign view of the credit outlook amid ample liquidity and continued policy support. Against this backdrop, the Company began the year cautiously positioned and continued to reduce risk over the period. The Company's short position in the 10 year gilt future successfully offset any depreciation in the value of the portfolio's holdings resulting from the change in interest rates.

In contrast to the market in government interest rates, volatility in credit remained subdued with central banks committed to providing monetary stimulus in the short term and corporate balance sheets strengthened by proceeds from record debt issuance during 2020. As investment grade and high yield credit spreads continued to tighten during the year, our appetite to invest in large parts of the public market remained limited. We were able to take advantage of this market strength to sell down public bonds and realise notable capital gains in the portfolio, whilst reinvesting proceeds into higher yielding private assets.

Investment manager's report

Portfolio activity and positioning (continued)

In the private market, transactions continued to offer attractive illiquidity premia to comparable public issues, providing high quality income which contributed significantly to strong portfolio performance. The resilience and adaptability of the asset class during the ongoing COVID-19 pandemic has proved its value in balancing out the more variable and lower-returning public markets.

As the year progressed, bond purchases in the public market remained selective as valuations in both Investment Grade and High Yield continued to look expensive by historical standards, on a risk-adjusted basis. We continued to reduce risk, taking advantage of the sustained strength in credit markets to sell down bonds that were purchased at much wider spreads during 2020 following the initial shock of the COVID-19 pandemic. These were bonds that had tightened in to offer yields well inside our long-term return objective and their sale also enabled us to realise further capital gains. We continued reinvesting proceeds from public bond sales into higher yielding private assets with strong structural protections which improved the credit quality of the portfolio. Toward the end of the year we purchased the senior, AAA rated tranches in some of the new issue CLOs, which appeared attractively priced relative to investment grade corporate bonds.

We transacted a notable number of private deals over the course of the year, across various asset types offering exposure to a diverse range of sectors, all of which offered a significant spread increase versus public comparators. As at 31 December 2021, the funded private asset portion of the portfolio had increased to 56.5% (versus 44.1% at 31 December 2020) with an additional investment of 5.3% in private assets transacted after the period end, or committed to be drawn down beyond the date of this report. This is expected to take the Company's overall private asset exposure to approximately 61.8%.

Outlook

In 2022, the key theme for markets will be inflation and the reaction of central banks, whilst the wide reaching economic implications of Russia's invasion of Ukraine has added additional complexity to any decision making.

Recent central bank signalling has been hawkish, indicating that combatting inflation is currently the main priority and is viewed with greater emphasis than a deteriorating growth backdrop. At the end of 2021, the Federal Reserve announced that its pandemic bond buying programme would end in March 2022 and market expectations are for its policy rate to increase by six additional 25bps hikes to reach 1.9% by the end of 2022. Correspondingly, the market is also pricing six additional 25bps interest rate increases from the Bank of England which would see its base rate reach 2.1% by the end 2022. Both the Federal Reserve and Bank of England have signalled they will soon begin reducing the size of their balance sheets (quantitative tightening) with the latter announcing that £20 billion of sterling corporate bonds would be sold back into the market. This has seen risk-free rates climb higher whilst credit spreads have simultaneously widened, with overall bond yields moving notably higher as a result. These shifts in monetary policy are viewed by many investors as being overly-aggressive and have contributed to heightened volatility in bond markets.

Russia's attack on Ukraine on 24 February 2022 has sparked considerable volatility in both equity and credit markets and complicated the path of monetary policy, given the threat to global economic growth at a time of already record inflation and the potential risk of stagflation. The commodity shock induced by the crisis has already seen a surge in the price of crude oil, natural gas and metals such as copper and nickel which, in addition to increased supply chain disruption, is creating further upward inflationary pressure.

Investment manager's report

Outlook (continued)

The early part of the year has seen credit yields increase. Against a backdrop of tighter borrowing conditions and rising input costs, corporate margins look set to be squeezed and company balance sheets will be put under increasing pressure. Corporate credit analysis and selectivity will be key as market conditions in 2022 have already proved to be far less benign than 2021. If current conditions continue, we will seek to increase the yield of the portfolio by selling our cash proxy ABS holdings and reinvesting proceeds into new private investment opportunities and attractively priced investment grade corporate bonds. The rotation into private assets with stronger structural protections will provide stability of capital value. Volatility in public credit markets also presents the Investment Manager with the potential opportunity to add bonds into the portfolio with risk adjusted returns that are more in line with the Company's long term objective. The Company's access to the £25 million credit facility also provides the Investment Manager with additional scope to take advantage of any further volatility. The current pipeline of private asset opportunities looks very healthy, with a number of deals in the process of being negotiated that we are hopeful of completing in the first half of the year.

M&G Alternatives Investment Management Limited
23 March 2022

Portfolio analysis

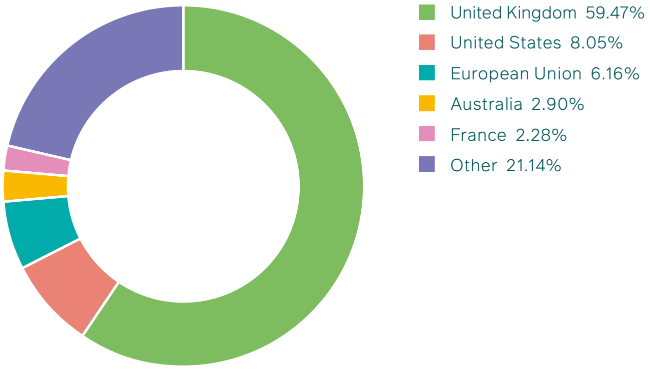
Top 20 holdings

As at 31 December 2021	Percentage of portfolio of investments[a]
M&G European Loan Fund	12.45
Sonovate Limited Var. Rate 12 Apr 2022	2.04
Westbourne 2016 1 WR Senior Var. Rate 30 Sep 2023	1.63
Delamare Finance FRN 1.279% 19 Feb 2029	1.62
Atlas 2020 1 Trust Var. Rate 30 Sep 2050	1.61
Hall & Woodhouse Var. Rate 30 Dec 2023	1.56
Lewisham Var. Rate 12 Feb 2023	1.50
Finance for Residential Social Housing 8.569% 4 Oct 2058	1.48
PE Fund Finance III Var. Rate 16 Dec 2022	1.44
Newday Partnership Funding 2017-1 FRN 0.8053% 15 Dec 2027	1.42
Signet Excipients Var. Rate 20 Oct 2025	1.40
Hammond Var. Rate 28 Oct 2025	1.35
Regenter Myatt Field North Var. Rate 31 Mar 2036	1.33
RIN II FRN 1.778% 10 Sep 2030	1.31
Dragon Finance FRN 1.3665% 13 Jul 2023	1.20
CIFC European Funding Var. Rate 23 Nov 2034	1.19
NewRiver REIT 3.5% 7 Mar 2028	1.08
Marston's Issuer FRN 1.7083% 15 Oct 2031	1.07
Finance for Residential Social Housing 8.369% 4 Oct 2058	1.07
Ripon Mortgages FRN 1.2814% 20 Aug 2056	1.07
Total	**38.82**

[a] Including cash on deposit and derivatives.

Source: State Street.

Geographical exposure
Percentage of portfolio of investments as at 31 December 2021[a]



[a] Excluding cash on deposit and derivatives.

Source: M&G and State Street as at 31 December 2021

Portfolio overview

As at 31 December 2021	%
Cash on deposit	**0.43**
Public	**42.66**
Asset-backed securities	25.78
Bonds	16.88
Private	**56.47**
Asset-backed securities	6.14
Bonds	2.46
Investment funds	12.45
Loans	22.37
Private placements	2.21
Other	10.84
Derivatives	**0.44**
Debt derivatives	(0.03)
Forwards	0.47
Total	**100.00**

Source: State Street.

Portfolio analysis

Credit rating breakdown

As at 31 December 2021	%
Unrated	**0.44**
Derivatives	0.44
Cash and investment grade	**74.54**
Cash on deposit	0.43
AAA	9.62
AA+	1.69
AA	5.92
AA-	0.73
A+	0.83
A	0.65
A-	2.12
BBB+	10.60
BBB	13.17
BBB-	19.07
M&G European Loan Fund (ELF) (see note)	9.71
Sub-investment grade	**25.02**
BB+	4.12
BB	5.79
BB-	2.46
B+	4.26
B	3.29
B-	1.67
CCC-	0.48
D	0.21
M&G European Loan Fund (ELF) (see note)	2.74
Total	100.00

Source: State Street.

Note: ELF is 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.

Portfolio analysis

Top 20 holdings % as at 31 December 2021	Company description
M&G European Loan Fund **12.45%**	Open-ended fund managed by M&G which invests in leveraged loans issued by, generally, substantial private companies located in the UK and Continental Europe. The fund's objective is to create attractive levels of current income for investors while maintaining relatively low volatility of NAV. (Private)
Sonovate Limited Var. Rate 12 Apr 2022 **2.04%**	Bilateral loan to a company providing companies in the recruitment industry with an integrated service that incorporates placement management, invoicing and financing. (Private)
Westbourne 2016 1 WR Senior Var. Rate 30 Sep 2023 **1.63%**	Westbourne provides working capital finance to SMEs in the UK. The company is focused on small borrowers and has employed an advanced technology platform for the application, underwriting and monitoring of loans. (Private)
Delamare Finance FRN 1.279% 19 Feb 2029 **1.62%**	Floating-rate, senior tranche of a CMBS secured by the sale and leaseback of 33 Tesco superstores and 2 distribution centres. (Public)
Atlas 2020 1 Trust Var. Rate 30 Sep 2050 **1.61%**	Floating-rate, senior tranche of a bilateral RMBS transaction backed by a pool of Australian equity release mortgages. (Private)
Hall & Woodhouse Var. Rate 30 Dec 2023 **1.56%**	Bilateral loan to a regional UK brewer that manages a portfolio of 219 freehold and leasehold pubs. (Private)
Lewisham Var. Rate 12 Feb 2023 **1.50%**	Senior secured, fixed-rate term loan funding the costs of acquiring and developing a site in Lewisham to provide 758-bed purpose-built student accommodation and 67 affordable housing units. (Private)
Finance for Residential Social Housing 8.569% 4 Oct 2058 **1.48%**	High grade (AA/Aa3), fixed-rate bond backed by cash flows from housing association loans. (Public)
PE Fund Finance III Var. Rate 16 Dec 2022 **1.44%**	Senior secured commitment providing NAV facility financing to a private equity firm investing in debt and equity special situations across Europe. (Private)
Newday Partnership Funding 2017-1 FRN 0.8053% 15 Dec 2027 **1.42%**	High Grade ABS (AAA). UK Credit card. Securitisation of a portfolio of designated consumer credit card, store card and instalment credit accounts initially originated or acquired by NewDay Ltd in the UK. (Public)
Signet Excipients Var. Rate 20 Oct 2025 **1.40%**	Fixed-rate loan secured against 2 large commercial premises in London, currently leased to 2 FTSE listed UK corporations. (Public)
Hammond Var. Rate 28 Oct 2025 **1.35%**	Secured, bilateral real estate development loan backed by a combined portfolio of 2 office assets leased to an underlying roster of global corporate tenants. (Private)
Regenter Myatt Field North Var. Rate 31 Mar 2036 **1.33%**	PFI (Private Finance Initiative) floating-rate, amortising term loan relating to the already completed refurbishment and ongoing maintenance of residential dwellings and communal infrastructure in the London borough of Lambeth. (Private)
RIN II FRN 1.778% 10 Sep 2030 **1.31%**	Mixed CLO (AAA). Consists primarily of senior secured infrastructure finance loans managed by RREEF America L.L.C. (Public)
Dragon Finance FRN 1.3665% 13 Jul 2023 **1.20%**	Floating-rate, subordinated tranche of a securitisation of the sale and leaseback of 10 supermarket sites sponsored by J Sainsbury plc ("Sainsbury's"). (Public)

Portfolio analysis

Top 20 holdings % as at 31 December 2021	Company description
CIFC European Funding Var. Rate 23 Nov 2034 1.19%	Mixed CLO (AAA) backed by a portfolio of senior loan obligations, mezzanine loan obligations and high yield bonds managed by CIFC Asset Management Europe Ltd. (Public)
NewRiver REIT 3.5% 7 Mar 2028 1.08%	NewRiver REIT PLC operates as a real estate investment trust investing in retail properties throughout the United Kingdom. Fixed, callable bond. Senior Unsecured. (Public)
Marston's Issuer FRN 1.7083% 15 Oct 2031 1.07%	Marston's PLC is a leading independent brewing and pub retailing business. Marston's Issuer PLC operates as a special purpose entity on behalf of Marstons PLC, formed for the purpose of issuing debt securities to repay existing credit facilities, refinance indebtedness, and for acquisition purposes. (Public)
Finance for Residential Social Housing 8.369% 4 Oct 2058 1.07%	High grade (AA), fixed rate bond backed by cash flows from housing association loans. (Public)
Ripon Mortgages FRN 1.2814% 20 Aug 2056 1.07%	High Grade ABS (AA+/Aaa). UK RMBS. The portfolio comprises buy-to-let loans originated by Bradford and Bingley and Mortgage Express, secured over residential properties located in England and Wales. (Public)

Strategic review

The Directors present the Strategic Review Report of the Company for the year ended 31 December 2021. The Strategic Report aims to provide Shareholders with the information to assess how the Directors have performed their duty to promote the success of the Company during the year under review.

Business and status of the Company

The Company was incorporated on 17 July 2018 and the Initial Public Offering (IPO) of the Company's shares took place on 14 November 2018.

The Company is registered in England and Wales as a public limited company and is an investment company within the terms of Section 833 of the Companies Act 2006. The principal activity of the Company is to carry on business as an investment trust.

The Company has been approved by HM Revenue & Customs as an authorised investment trust under Sections 1158 and 1159 of the Corporation Tax Act 2010. In the opinion of the Directors, the Company is directing its affairs so as to enable it to continue to qualify for such approval.

The Company's shares have a listing on the premium segment of the Official List of the FCA and trade on the London Stock Exchange's (LSE) main market for listed securities.

Investment objective

The Company aims to generate a regular and attractive level of income with low asset value volatility.

Investment policy

The Company seeks to achieve its investment objective by investing in a diversified portfolio of public and private debt and debt-like instruments ("Debt Instruments"). Over the longer term, it is expected that the Company will be mainly invested in private Debt Instruments, which are those instruments not quoted on a stock exchange.

The Company operates an unconstrained investment approach and investments may include, but are not limited to:

- Asset-backed securities, backed by a pool of loans secured on, amongst other things, residential and commercial mortgages, credit card receivables, auto loans, student loans, commercial loans and corporate loans;
- Commercial mortgages;
- Direct lending to small and mid-sized companies, including lease finance and receivables financing;
- Distressed debt opportunities to companies going through a balance sheet restructuring;
- Infrastructure-related debt assets;
- Leveraged loans to private equity owned companies;
- Public Debt Instruments issued by a corporate or sovereign entity which may be liquid or illiquid;
- Private placement debt securities issued by both public and private organisations; and
- Structured credit, including bank regulatory capital trades.

The Company invests primarily in Sterling denominated Debt Instruments. Where the Company invests in assets not denominated in Sterling, it is generally the case that these assets are hedged back to Sterling.

Strategic review

Investment policy (continued)

Investment restrictions

There are no restrictions, either maximum or minimum, on the Company's exposure to sectors, asset classes or geography. The Company, however, achieves diversification and a spread of risk by adhering to the limits and restrictions set out below.

The Company's portfolio comprises a minimum of 50 investments.

The Company may invest up to 30% of Gross Assets in below investment grade Debt Instruments, which are those instruments rated below BBB- by S&P or Fitch or Baa3 by Moody's or, in the case of unrated Debt Instruments, which have an internal M&G rating below BBB-.

The following restrictions will also apply at the individual Debt Instrument level which, for the avoidance of doubt, does not apply to investments to which the Company is exposed through collective investment vehicles:

Rating	Secured Debt Instruments (% of Gross Assets)[a]	Unsecured Debt Instruments (% of Gross Assets)
AAA	5%	5%[b]
AA/A	4%	3%
BBB	3%	2%
Below investment grade	2%	1%

[a] Secured Debt Instruments are secured by a first or secondary fixed and/or floating charge.

[b] This limit excludes investments in G7 Sovereign Instruments.

For the purposes of the above investment restrictions, the credit rating of a Debt Instrument is taken to be the rating assigned by S&P, Fitch or Moody's or, in the case of unrated Debt Instruments, an internal rating by M&G. In the case of split ratings by recognised rating agencies, the second highest rating will be used.

The Company typically invests directly, but it also invests indirectly through collective investment vehicles which are managed by an M&G Entity. The Company may not invest more than 20% of Gross Assets in any one collective investment vehicle and not more than 40% of Gross Assets in collective investment vehicles in aggregate. No more than 10% of Gross Assets may be invested in other investment companies which are listed on the Official List.

Unless otherwise stated, the above investment restrictions are to be applied at the time of investment.

Borrowings

The Company is managed primarily on an ungeared basis although the Company may, from time to time, be geared tactically through the use of borrowings. Borrowings will principally be used for investment purposes, but may also be used to manage the Company's working capital requirements or to fund market purchases of Shares. Gearing represented by borrowing will not exceed 30% of the Company's Net Asset Value, calculated at the time of draw down, but is typically not expected to exceed 20% of the Company's Net Asset Value.

Hedging and derivatives

The Company will not employ derivatives for investment purposes. Derivatives may however be used for efficient portfolio management, including for currency hedging.

Cash management

The Company may hold cash on deposit and may invest in cash equivalent investments, which may include short- term investments in money market-type funds ("Cash and Cash Equivalents").

There is no restriction on the amount of Cash and Cash Equivalents that the Company may hold and there may be times when it is appropriate for the Company to have a significant Cash and Cash Equivalents position. For the avoidance of doubt, the restrictions set out above in relation to investing in collective investment vehicles do not apply to money market type funds.

Changes to the investment policy

Any material change to the Company's investment policy set out above will require the approval of Shareholders by way of an ordinary resolution at a general meeting and the approval of the Financial Conduct Authority (FCA).

Strategic review

Investment strategy

The Company seeks to achieve its investment objective by investing in a diversified portfolio of public and private debt and debt-like instruments of which at least 70% is investment grade. The Company is mainly invested in private debt instruments. This part of the portfolio generally includes debt instruments which are nominally quoted but are generally illiquid. Most of these will be floating rate instruments, purchased at inception and with the intention to be held to maturity or until prepaid by issuers; shareholders can expect their returns from these instruments to come primarily from the interest paid by the issuers.

The remainder of the Company's portfolio is invested in cash, cash equivalents and quoted debt instruments, which are more readily available and which can generally be sold at market prices when suitable opportunities arise. These instruments may also be traded to take advantage of market conditions. Fixed rate instruments will often be hedged in order to protect the portfolio from adverse changes in interest rates. Shareholders can expect their returns from this part of the portfolio to come from a combination of interest income and capital movements.

Investment process

The investment process for the Company consists principally of three stages: the decision to invest, monitoring and ongoing engagement and finally divestment.

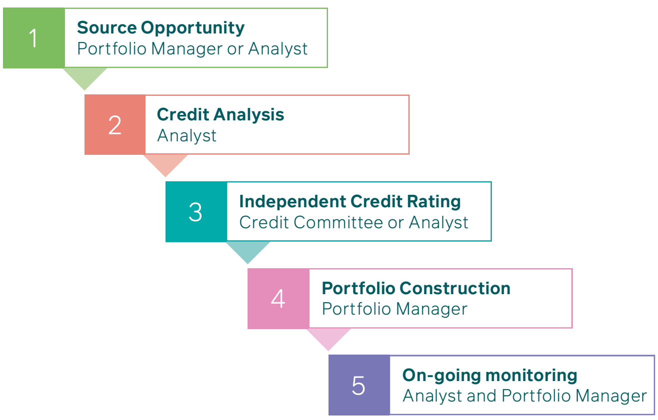
Investment decision-making is undertaken by the Investment Manager, based on extensive research and credit analysis by the Investment Manager's large and experienced teams of 136 in-house analysts who specialise in public and private debt markets. This rigorous in depth analysis is fundamental to understanding the risk and return profile of potential investments.

Regular monitoring is carried out to ensure that continued holding of an investment remains appropriate. This includes monitoring the performance of investments by fund managers, analysts and internal control and governance processes. The Investment Manager engages with relevant stakeholders on any issues which may, potentially, affect an investment's ability to deliver sustainable performance in line with those expectations.

At some point, the Investment Manager may decide to divest from an investment (or the investment may complete in line with agreed terms, including pre-payment), although typically, private investments are held to their full maturity. Divestment can occur for a variety of reasons including; the investment being no longer suitable for the investment mandate, the outcome of engagement being unsatisfactory or as a result of the investment team's valuation assessment. Investment decision making is only undertaken by the fund managers designated by the Investment Manager.

As part of the investment process, full consideration is given to sustainability risks, as set out in more detail on pages 35 to 36.

Investment process overview



Strategic review

Key performance indicators

In order to measure the success of the Company in meeting its objectives and policy, and to evaluate the performance of the Investment Manager, the Directors take into account the following key performance indicators (KPIs):

	As at or year ended 31 December 2021	As at or year ended 31 December 2020
NAV per share	101.44p	101.40p
Ordinary Share price (mid-market)	99.5p	92.0p
Discount to NAV[a]	1.9%	9.3%
Annualised dividend yield[a]	4.1%	4.7%
Dividends declared per Ordinary Share	4.04p	4.28p
Revenue return per Ordinary Share	2.7p	2.9p
NAV total return[a]	4.3%	3.7%
Share price total return[a]	13.0%	(9.7)%
Ongoing charges figure[a]	1.10%[b]	0.87%

[a] Alternative performance measure. Please see pages 112 to 113 for further information.

[b] The increase in the ongoing charges figure mainly shows the annualised effect of the increase in the investment management fee from 0.5% to 0.7% per annum. This increase in fee took effect on 1 April 2021, reflecting the fact that the portfolio is now appropriately positioned with regard to the Company's dividend target set at launch.

Share price discount or premium to NAV

The share price discount to NAV as at 31 December 2021 was 1.9% (31 December 2020: 9.3%). During the year to 31 December 2021 the shares traded at an average discount to NAV of 5.4%.

Dividend yield

The Company paid dividends during the year on a quarterly basis. The fourth dividend of 1.95p per Ordinary Share in respect of the period ended 31 December 2020 was paid on 26 February 2021.

The first quarterly dividend in respect of the year ended 31 December 2021 of 0.74p per Ordinary Share was paid on 28 May 2021. The second quarterly dividend of 0.76p per Ordinary Share was paid on 27 August 2021 and the third quarterly dividend of 0.76p per Ordinary Share was paid on 26 November 2021.

The fourth quarterly dividend of 1.78p per Ordinary Share was paid on 25 February 2022. The total dividend declared per share for the year ended 31 December 2021 was 4.04p (year ended 31 December 2020: 4.28p).

The annualised dividend yield for the year was 4.1%, based on the closing share price on 31 December 2021 (2020: 4.7%).

Portfolio performance

In support of the Company's investment objective, the Board monitors the portfolio performance against the benchmark of a NAV total return of SONIA[a] plus 4% per annum. In addition, performance is assessed against a number of total return indices in public investment grade and high yield markets.

In addition, progress of deployment of funds into private assets is monitored alongside the balance of fixed to floating rate coupons, yield to maturity and modified duration of the portfolio. Further details are provided in the Chairman's statement on pages 4 to 6 and Investment Manager's report on pages 7 to 9.

[a] LIBOR plus 4% for the year ended 31 December 2021.

Ongoing charges

The Board reviews the costs of running the Company calculated using the Association of Investment Companies' (AIC) methodology for the ongoing charges. Full details are provided on page 112.

Risk management

Role of the Board

The Directors have overall responsibility for risk management and internal control within the Company. They recognise that risk is inherent in the Company's operation and that effective risk management is an important element in the success of the organisation. The Directors have delegated responsibility for the assurance of the risk management process and the review of mitigating controls to the Audit Committee.

Strategic review

Risk management (continued)

The Directors, when setting the risk management strategy, also determine the nature and extent of the significant risks and their risk appetite in implementing this strategy.

In arriving at its judgement of what risks the Company faces, the Board has considered the Company's operations in the light of the following factors:

- the nature and extent of risks it regards as acceptable for the Company to bear in line with its overall business objective;
- the threat of such risks becoming reality;
- the Company's ability to reduce the incidence and impact of risk on its performance;
- the cost to the Company and benefits related to the review of risk and associated controls of the Company; and
- the extent to which the third-party service providers operate the relevant controls.

Principal risks

The Company is exposed to a variety of risks that could cause the valuation of its assets and/or the income from the investment portfolio to fluctuate. The Board, through delegation to the Audit Committee, has undertaken a robust assessment and review of the principal and emerging risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity. Accordingly, the Audit Committee has taken into consideration the risks posed to the Company by the societal and economic impacts of governmental responses to the ongoing COVID-19 pandemic and considered the impact on the Company's net asset value and performance.

The pandemic has triggered, and may continue to trigger, increased volatility in terms of global risk asset valuations as well as presenting operational challenges for the Company's service providers as they respond to various limitations on free movement of staff imposed by governments across the world. The Board continues to receive regular reporting from the Company's major service providers and does not anticipate a fall in the level of service. The duration and ultimate impact of the pandemic is not presently possible to predict and the Board will continue to monitor and report on material developments on an ongoing basis.

These risks are formally documented in the Company's risk register, so that the risks identified and the controls in place to mitigate those risks can be monitored. The Audit Committee reviews and discusses potential new and emerging risks to the Company including those identified by the Investment Manager. Any new or emerging risks that are identified and that are considered to be of significance are also included in the Company's risk register together with any mitigating actions required.

The Board will continue to assess these risks on an ongoing basis. In relation to the UK Code, the Board is confident that the procedures that the Company has put in place are sufficient to ensure that the necessary monitoring of risks and controls has been carried out throughout the reporting period.

The key risks identified by the Board, and the associated key mitigants and controls, are set out below:

Strategic review

Risk management (continued)

Key Risk	Key Mitigants and Controls
Market risk Market risk embodies the potential for both losses and gains and includes foreign currency risk, interest rate risk and price risk. Market risk mainly arises from uncertainty about future values of financial instruments influenced by price, currency and interest rate movements. It represents the potential gain or loss that the Company may suffer through holding market positions in investments in the face of market movements. Market risk includes the potential impact of events that are outside the Company's control, such as the COVID-19 pandemic.	Key mitigants and controls are set out in the sub-headings below.
Foreign currency risk Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company is exposed to risks that the exchange rate of its reporting currency relative to other currencies may change in a manner that has an effect on the value of the portion of the Company's assets which are denominated in currencies other than its own reporting currency.	The Company fully hedges non-base currency investments at time of purchase using spot and forward foreign exchange contracts which are rolled forward periodically. Non-base currency exposure is monitored on an ongoing basis via internal systems, with hedging maintained at approximately +/-20bps tolerance.
Interest rate risk Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's investments are in some cases subject to interest rate risk. In relation to fixed-rate obligations, when interest rates decline, the values can be expected to rise, and, conversely, when interest rates rise, the value of fixed-rate obligations can be expected to decline.	The Company uses gilt futures contracts to mitigate interest rate risk with portfolio duration monitored on an ongoing basis via internal systems and adjusted accordingly. Market conditions since launch have seen the Company maintain an average modified duration of between 1-1.5 years. There are no restrictions regarding the level of duration the Company can maintain however its Investment Objective outlines commitment to low asset value volatility.

Strategic review

Risk management (continued)

Key Risk (continued)	**Key Mitigants and Controls** (continued)
Market price risk Market price risk includes changes in market prices, other than those arising from foreign currency or interest rate risk, which may affect the value of investments, such as macroeconomic and geopolitical events and trends, and sectoral influences. As the Company invests in public and private debt instruments, it is regularly exposed to market risk and the value of the Company's portfolio fluctuates in response to developments in financial markets.	The Board has put in place limits on the Company's gearing, portfolio concentration and use of derivatives, which it believes to be appropriate to keep the Company's investment portfolio adequately diversified and to manage risk.
Credit risk Because of its investment strategy, the Company is also materially exposed to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The main concentration to which the Company is exposed arises from the Company's investments in Debt Instruments. The Company is also exposed to counterparty credit risk on trading derivative products, Cash and Cash Equivalents, amounts due from brokers and other receivable balances.	The Company's policy to manage this risk is to invest no more than 30% of the Company's assets in Debt Instruments that have a minimum credit rating below BBB- (or equivalent). Within the above limit, the Company may also invest in unrated assets where a rating is assigned by the Investment Manager using an internal methodology that is based on the categorisations used by rating agencies. When new investment opportunities arise, a detailed credit review is undertaken by the Investment Manager. A fundamental qualitative and quantitative assessment of both business and financial risk, supported by appropriate financial modelling, alongside a review of the corporate structure and issuance document form the basis of the credit review. On an ongoing basis, the Investment Manager monitors the Company's investments against a variety of measures including financial performance and their progress against a variety of covenants. The Company only transacts with parties that the Investment Manager considers to be suitable from a credit risk perspective.

Strategic review

Risk management (continued)

Key Risk (continued)	**Key Mitigants and Controls** (continued)
Investment management performance risk Other than in respect of market risk, the performance of the Company's portfolio of assets depends primarily on the investment strategy, asset allocation and stock selection decisions taken by the Investment Manager within the parameters and constraints imposed by the Company's investment policy.	The Investment Manager applies a 'three lines of defence' model for risk management, incorporating the individual fund manager and line management; independent risk and compliance functions and reporting structures; and internal audit. Measures and tools such as volatility estimation, value at risk analysis and stress testing are used in order to better understand risk concentrations within the portfolio.
Liquidity risk The Company invests in public and private debt instruments. Some of these investments may be difficult to value or realise (if at all). The market price that is achievable for such investments may ultimately therefore be different than the carrying values of these assets as reflected in the Company's reported NAV per Ordinary Share from time to time.	As the Company is closed-ended, it is not exposed to the same risks of liquidity mismatch that are inherent in the management of portfolios owned by open-ended funds. This enables the Company to invest in assets that have limited or no secondary market liquidity in order to seek to capture the additional yield that is generally available compared to more liquid instruments. Before the Company's fifth AGM in 2024, the Board will submit to Shareholders proposals to enable them to realise the value of their Ordinary Shares. The Board monitors the liquidity profile of the Company's assets on a quarterly basis through the receipt of an asset liquidity analysis from the Investment Manager.
Dividend policy risk The level of dividends that the Board will declare will be dependent largely on the performance of the Company's investment portfolio over time and the market conditions that exist during relevant performance periods. Apart from asset selection and market conditions, factors that may also affect performance include, inter alia, the Company's level of gearing, its accounting policies, changes in variable interest rates, the level of loan or bond prepayments and a change in the tax treatment of the interest received by the Company.	The Investment Manager runs a dividend projection model that is regularly reviewed by the Board.

Strategic review

Risk management (continued)

Key Risk (continued)	**Key Mitigants and Controls** (continued)
Operational risk In common with most other investment trusts, the Company has no executive directors, no executive management and no employees. The Company delegates key operational tasks to third-party service providers that are specialists in their fields as follows: • Management of the Company's investment portfolio to M&G Alternatives Investment Management Limited • Preparation and maintenance of the Company's Financial Statements and maintenance of its records to State Street Bank and Trust Company • Company Secretarial Services to Link Company Matters Limited • Registrar services to Link Group • Worldwide custody of the Company's assets to State Street Bank and Trust Company • Safekeeping and depositary services to State Street Trustees Limited Failure by any service provider to carry out its obligations to the Company in accordance with the terms of its appointment could have a materially detrimental impact on the operation of the Company or administration of its investments. The termination of the Company's relationship with any third-party service provider or any delay in appointing a replacement for such service provider could disrupt the business of the Company materially and could have a material adverse effect on the Company's performance.	Due diligence is undertaken before contracts are entered into with third-party service providers. Thereafter, service provider oversight is conducted through ongoing interaction with the Management Engagement and Audit Committees and is formalised through an annual evaluation process. Most third party service providers produce internal control reports to provide assurance regarding the effective operation of internal controls as reported on by their reporting accountants. These reports are provided to the Audit Committee for review by the Investment Manager's Supplier Management Team. The Committee would seek further representations from the service providers if not satisfied with the effectiveness of their control environment. The Management Engagement and Audit Committees also consider the business continuity arrangements of the Company's key service providers and review these as part of the review of the Company's risk register. In respect of the risks posed by the COVID-19 pandemic in terms of the ability of service providers to function effectively, the key service providers have reviewed their operations. Having considered their arrangements and reviewed service levels since the crisis has evolved, the Committees and Board are confident that a good level of service has been and will be maintained.

Strategic review

Risk management (continued)

Key Risk (continued)	**Key Mitigants and Controls** (continued)
Regulatory, legal and statutory risk: changes in laws, government policy or regulations The Company is subject to laws, government policy and regulations enacted by national and local governments. Any change in the law, regulation or government policy affecting the Company may have a material adverse effect on the value of its investments, its ability to carry on its business and successfully pursue its investment policy and on its earnings and returns to Shareholders. In particular, the Company is required to comply with certain requirements that are applicable to listed closed- ended investment companies, including Section 1158 of the Corporation Tax Act 2010. Any failure to comply may potentially result in a loss of investment trust company status. The Company must comply with the Listing Rules, Prospectus Rules, the Disclosure Guidance and Transparency Rules, the Market Abuse Regulation (MAR) and the rules of the London Stock Exchange. Any failure in future to comply with any future changes to such rules and regulations may result in the shares being suspended from trading on the London Stock Exchange. MAR can be defined as Regulation (EU) No 596/2014 of the European Parliament on market abuse, otherwise known as the Market Abuse Regulation, or "MAR". It requires the Board of the Company to adopt certain processes to ensure that, inter alia, price sensitive information must be, subject to certain exemptions, promptly disclosed to the public via a regulatory news service in order to ensure an orderly market in the Company's shares.	The Company mitigates any such failure by delegating key operational tasks to specialist third-party service providers combined with close oversight and monitoring through the Audit Committee. The Investment Manager monitors investment movements, the level and type of forecast income and expenditure and the amount of proposed dividends to ensure that the provisions of Chapter 4 of Part 24 of the Corporation Tax Act 2010 are not breached. The results are reported to the Board at each meeting. Compliance with the accounting rules affecting investment trusts is also carefully and regularly monitored. The Company Secretary, Investment Manager and the Company's professional advisers provide regular reports to the Board in respect of compliance with all applicable rules and regulations. The Board and the Investment Manager also monitor changes in government policy and legislation which may have an impact on the Company. The risk to the Company of failure to comply with MAR is mitigated by close Board oversight and monitoring through the compliance function and controls monitoring team at the Investment Manager.
Sustainability risk Sustainability risk means exposure to an environmental, social or governance ("ESG") event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of an investment.	Please refer to the 'Sustainability risk and investment process' section on pages 35 to 36 for further details.

Strategic review

Key Risk (continued)	Key Mitigants and Controls (continued)
Russia-Ukraine risk Whilst stock selection decisions taken by the Investment Manager have always required careful consideration of geopolitical risks, the severity and wide reaching economic implications of Russia's invasion of Ukraine, warrant focus on a stand-alone basis. Economic sanctions as well as the disruption to business activity in the region are set to create both first and second order effects across a wide range of sectors, particularly in mainland Europe. The inflationary effects of rising commodity prices also threaten to impact the operations, productivity and profitability of businesses whilst restricting wider economic growth. The Company's portfolio has no direct investment exposure in Russia, Ukraine or Belarus.	• Sanction Controls – All private assets undergo pre-trade screening by the financial crime team, ensuring that all Company investments adhere to relevant financial crime compliance rules, including anti-money laundering and international sanction rules. Additionally, for our publicly traded investments, pre-trade restrictions are applied into our trading systems to promptly reflect any international sanction announcements. • Credit Research – The Investment Manager's in-house credit research team has conducted analysis to identify investments that may have exposure to Russia, Ukraine or Belarus. Whilst the Company's portfolio has no direct investment exposure in these countries, further analysis has identified some investments that may be affected, although the look-through exposure at portfolio level is immaterial. • The Company's investment strategy does not lead it to invest directly in Emerging Market assets.

Viability statement

Ahead of the Company's fifth annual general meeting in 2024, the Board will formulate and submit to Shareholders proposals (which may constitute a tender offer or other method of distribution) to provide Shareholders with an opportunity to realise the value of their Ordinary Shares at NAV per Ordinary Share less costs. In all circumstances, the Board will seek to balance the interests of both continuing Shareholders and those electing to realise their investment with a view to minimising any reduction in the overall size of the Company.

The Directors remain confident in the Company's ability to achieve its investment objective. On this basis and notwithstanding the value realisation opportunity in 2024, the Directors have elected to review the viability of the Company for a five-year period. This is linked to the weighted average life of the Debt Instruments in the Company's portfolio.

In assessing the viability of the Company over this five-year period, the Directors have considered the current position of the Company and a number of factors. Most importantly, they have weighed the characteristics of a closed-ended fund and the investment policy of the Company against the risks the Company faces as set out in this Strategic Report. The Directors have evaluated scenarios of current and possible future circumstances including the uncertainty of the potential duration of the COVID-19 pandemic, its impact on the global economy and the prospects for the Company's portfolio.

The Directors have assumed that neither the closed-ended structure of the Company, its investment policy nor the risks it faces are likely to change substantially, or for the worse with respect to the viability of the Company, over the five-year period they have selected for the purposes of this viability statement. The Directors have also assumed that the Company will continue to

Strategic review

Viability statement (continued)

maintain a sufficient level of liquidity and to generate substantial income for the foreseeable future in order to meet its liabilities. As the Directors are ultimately responsible for ensuring that the investment policy of the Company is followed by the Investment Manager, they are confident in making these assumptions about the future of the Company.

The Company is an investment trust, not a trading company, and it invests in a diversified portfolio. As a closed-ended fund, it is not subject to redemptions by Shareholders other than, potentially, the 2024 value realisation opportunity.

The Company's portfolio also generates substantial levels of income to meet its expenses, which are largely fixed overheads that represent a small percentage of its net assets. Based on their assessment of the nature of the Company, its investment policy and financial resources, the Directors have a reasonable expectation that the Company will be able to continue in operation and to meet its liabilities as they fall due over the next five years.

Going concern statement

The activities of the Company, together with the factors likely to affect its future development, including its performance, financial position, cash flows and liquidity position, are described in the Strategic Report.

In addition, the Company's policies and processes for managing its key financial risks are described in note 13 on pages 97 to 101.

As at 31 December 2021, the Company's total assets less current liabilities were £143.76 million (31 December 2020: £146.63 million and total current assets less current liabilities were £4.3 million (31 December 2020: £6.5 million). The Directors have reviewed the financial projections of the Company from the date of this report, which shows that the Company will be able to generate sufficient cash flows in order to meet its liabilities as they fall due.

As a consequence, the Directors believe that the Company continues to be well placed to manage its business risks successfully. In assessing the going concern basis of accounting, the Directors have also considered the COVID-19 pandemic and the impact this may have on the Company's investments and the Company's NAV. The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and for a period of 12 months from the date of the approval of this Annual Report. Accordingly, they continue to adopt the going concern basis in preparing this Annual Report and Accounts.

Investment management and third-party service provider arrangements

The Board has overall responsibility for the Company's activities, including the review of investment activity and performance and the control and supervision of all suppliers of services to the Company, including the Investment Manager. It is also responsible for the determination of the Company's investment policy and strategy and the Company's system of internal and financial controls, including ensuring that commercial risks and financing needs are properly considered and that the obligations of a public limited company are adhered to.

To assist the Board in the operations of the Company, arrangements have been put in place to delegate authority for the performance of day-to-day operations of the Company to the Investment Manager and other third-party service providers. The Board has appointed the Investment Manager to manage the Company's investment portfolio within guidelines set by the Board.

The Investment Manager is in frequent contact with the Board and supplies the Directors with regular updates on the Company's activities and detailed reports at each Board meeting.

Strategic review

Investment management and third-party service provider arrangements (continued)

Investment Manager

The Company has appointed M&G Alternatives Investment Management Limited (the "Investment Manager") to act as the Company's Alternative Investment Fund Manager (AIFM) for the purposes of the AIFM Directive and, accordingly, the Investment Manager is responsible for providing discretionary portfolio management and risk management services to the Company.

The Investment Management Agreement dated 26 September 2018 is for an initial term of five years from 14 November 2018 and thereafter subject to termination on not less than six months' written notice by either party. The Investment Management Agreement can be terminated at any time in the event of the insolvency of the Company or the Investment Manager or in the event that the Investment Manager ceases to be authorised and regulated by the FCA (if required to be so authorised and regulated to continue to carry out its duties under the Investment Management Agreement).

The Investment Manager is entitled to receive from the Company an investment management fee, which is calculated and paid quarterly in arrears at an annual rate of 0.7% per annum of the prevailing published NAV. The investment management fee was increased from 0.5% to 0.7% on 1st April 2021 to reflect the Board's consensus that the portfolio was appropriately positioned to meet the Company's medium term annualised dividend target of LIBOR plus 4%, as outlined in the Investment Management Agreement.

Where the Company invests in a collective investment vehicle that is managed or advised by an M&G entity, such as the M&G European Loan Fund, the Investment Manager reduces its investment management fee by the amount of any equivalent management fee that is charged to such collective investment vehicle or such entity rebates its management fee such that the Investment Manager ensures the Company is not charged twice. The above arrangement does not apply to any other fees or expenses charged to the Company or any such entity in which it invests.

The Investment Manager is also entitled to be paid half of any arrangement fee charged by the Company to the issuer of a Debt Instrument in which the Company invests. The balance of any arrangement fee is retained by the Company.

Continuing appointment of Investment Manager

As at the date of this Report, the Directors are of the opinion that the Investment Manager has executed the Company's investment strategy according to the Board's expectations. Accordingly, the Directors believe that the continuing appointment of M&G Alternatives Investment Management Limited as the Investment Manager of the Company, on the terms agreed, is in the best interests of the Company and its Shareholders as a whole.

Administrator

Under an Administration Agreement dated 26 September 2018, the Company has appointed State Street Bank and Trust Company to act as administrator. The administrator provides day-to-day administration of the Company and is also responsible for the Company's general administrative functions, including the calculation and publication of the NAV and maintenance of the Company's accounting and statutory records.

The Administration Agreement is terminable, inter alia, upon not less than six months' written notice. The Administration Agreement is also terminable immediately upon the occurrence of certain standard events, including the insolvency of the Company or the Administrator or a party committing a material breach of the Administration Agreement (where such breach has not been remedied within 30 calendar days of written notice being given).

Strategic review

Investment management and third-party service provider arrangements (continued)

Depositary

Under a Depositary Agreement dated 26 September 2018, the Company has also appointed State Street Trustees Limited as depositary to provide depositary services to the Company, which will include safekeeping of the assets of the Company. The Depositary is permitted to delegate (and authorise its delegates to sub-delegate) the safekeeping of the assets of the Company.

The Administrator and Depositary are entitled to a combined fee (the "State Street Fee"). The State Street Fee shall be up to 0.08% of the NAV per annum. The fee is subject to a minimum rate, whereby if the NAV is less than £250 million, the fee will be calculated as if the NAV were £250 million. The State Street Fee is calculated monthly and payable monthly in arrears.

Custodian

The Depositary has delegated safekeeping duties as set out in the AIFM Directive and the FCA Handbook to State Street Bank & Trust Company, whom it has appointed as global sub-custodian.

Registrar

The Company entered into a Registrar Agreement dated 26 September 2018 with Link Group to provide registrar services in relation to the transfer and settlement of shares. Under the agreement, the Registrar is entitled to a fee calculated on the basis of the number of Shareholders and the number of transfers processed (exclusive of any VAT). In addition, the Registrar is entitled to certain other fees for ad hoc services rendered from time to time. The Registrar Agreement was originally for an initial period of one year from the date of Initial Admission and thereafter automatically renews for successive periods of 12 months unless or until terminated by either party (a) at the end of the initial period, provided written notice is given to the other party at least 6 months prior to the end of the initial period or (b) at the end of any successive 12-month period, provided written notice is given to the other party at least six months prior to the end of such successive 12-month period.

In April 2021 the Company entered into a new Registrar Agreement with Link Group to provide registrar services in relation to the transfer and settlement of shares.

Effective from 1 May 2021, under the terms of the agreement a fixed annual fee of £13,000 (exclusive of VAT) will be payable. The Registrar Agreement is for a period of three years until 30 April 2024 when the fee will increase in line with the Retail Prices Index (RPI).

Company Secretary

The Company entered into a Company Secretarial Services Agreement dated 26 September 2018 appointing Link Company Matters Limited ("Company Matters") as Company Secretary to provide the company secretarial functions required by the Companies Act.

Following the initial period of 12 months the Company Secretarial Agreement automatically renewed, and continues to review, for successive periods of 12 months unless or until terminated by either party at the end of any successive 12-month period, provided written notice is given to the other party at least six months prior to the end of such successive 12-month period.

Pursuant to the terms of the Company Secretarial Services Agreement, Company Matters have applied an annual inflationary increase at the rate of the Retail Prices Index prevailing at the time. With effect from 1 June 2021, the aggregate fee payable to Company Matters was £65,780 (exclusive of VAT).

Strategic review

Section 172 Statement: promoting the success of the Company

Overview

The Directors' overarching duty is to act in good faith and in a way that is the most likely to promote the success of the Company as set out in Section 172 of the Companies Act 2006. In doing so, Directors must take into consideration the interests of the various stakeholders of the Company and the impact the Company has on the community and the environment; take a long-term view on consequences of the decisions they make; and aim to maintain a reputation for high standards of business conduct and fair treatment between the members of the Company.

Fulfilling this duty naturally supports the Company in achieving its investment objective and helps to ensure that all decisions are made in a responsible and sustainable way. In accordance with the requirements of the Companies (Miscellaneous Reporting) Regulations 2018, the Company explains how the Directors have discharged their duty under Section 172 below.

To ensure that the Directors are aware of and understand their duties, they are provided with the relevant information as part of their induction, as well as receiving regular and ongoing updates and training on the relevant matters. They also have continued access to the advice and services of the Company Secretary and, when deemed necessary, the Directors can seek independent professional advice.

The schedule of Matters Reserved for the Board, as well as the Terms of Reference of its committees are reviewed on at least an annual basis and further describe the Directors' responsibilities and obligations, and include any statutory and regulatory duties. The Audit Committee has the responsibility for the ongoing review of the Company's risk management systems and internal controls and, to the extent that they are applicable, risks related to the matters set out in Section 172 are included in the Company's risk register and are subject to periodic and regular reviews and monitoring.

Decision-making

The Board considers the impact that any material decision will have on all relevant stakeholders to ensure that it is making a decision that promotes the long-term success of the Company, whether this be in relation to dividends, new investment opportunities, potential future fundraisings etc.

Stakeholders

The Board seeks to understand the needs and priorities of the Company's stakeholders and these are taken into account during all its discussions and as part of its decision-making. The Board has considered which parties should be deemed to be stakeholders of the Company. As the Company is an externally managed investment company and does not have any employees or customers, its key stakeholders comprise its Shareholders, regulators (including service party regulators) and service providers. The section on the following page discusses why these stakeholders are considered of importance to the Company and the actions taken to ensure that their interests are taken into account.

Strategic review

Section 172 Statement: promoting the success of the Company (continued)

Importance	Board engagement
Shareholders Continued Shareholder support and engagement are critical to the continued existence of the Company and the successful delivery of its long-term strategy. Before the Company's fifth Annual General Meeting in 2024, the Board will formulate and submit to Shareholders proposals (which may constitute a tender offer or other method of distribution) to provide Shareholders with an opportunity to realise the value of their Ordinary Shares at the then prevailing NAV per Ordinary Share less costs. In all circumstances, the Board will seek to balance the interests of both continuing Shareholders and those electing to realise their investment.	The Company has over 200 Shareholders, including institutional and retail investors. The Board is committed to maintaining open channels of communication and to engage with Shareholders in a manner they find most meaningful in order to gain an understanding of their views. These include the channels below. **AGM:** The Company welcomes and encourages attendance and participation from Shareholders at its AGMs and when possible, Shareholders will have the opportunity to meet the Directors and the Investment Manager and to address questions to them directly. The Company values any feedback and questions it may receive from Shareholders ahead of and during the AGM and will take action or make changes, when and as appropriate. **Publications:** the Annual Report and Half Year Report are made available on the Company's website and the Annual Report is circulated to Shareholders. This information is supplemented by the monthly calculation and publication of the NAV per share which is announced via the regulatory news service of the London Stock Exchange. In addition, a monthly factsheet and/or a quarterly newsletter is published by the Investment Manager on the Company's website. Feedback and/or questions that the Company receives from Shareholders help the Company evolve its reporting, aiming to render the reports and updates transparent and understandable. **Shareholder meetings:** unlike trading companies, one-to-one Shareholder meetings usually take the form of a meeting with the Investment Manager rather than members of the Board. Feedback from all substantive meetings between the Investment Manager and Shareholders is shared with the Board. During the year there were 24 meetings with Shareholders. The Chairman, the Chairman of the Audit Committee or other members of the Board are available to meet with Shareholders to understand their views on governance and the Company's performance where they wish to do so. With assistance from the Investment Manager and Broker during the year, the Chairman wrote to Shareholders, offering to meet with Shareholders or discuss any questions or observations they may have had.

Strategic review

Section 172 Statement: promoting the success of the Company (continued)

Importance (continued)	**Board engagement** (continued)
	Shareholder concerns: in the event that Shareholders wish to raise issues or concerns with the Board, they are welcome to do so at any time by writing to the Chairman at the registered office. The Senior Independent Director is also available as an intermediary to Shareholders. **Investor relations updates:** at every Board meeting, the Directors receive updates from the Company's broker on the share trading activity, share price performance and any Shareholders' feedback, as well as an update from the Investment Manager.
Other stakeholders **The Investment Manager** Holding the Company's shares offers investors a publicly traded investment vehicle through which they can obtain exposure to the Company's diversified portfolio. The Investment Manager's performance is critical for the Company to successfully deliver its investment strategy and meet its objective.	Maintaining a close and constructive working relationship with the Investment Manager is crucial, as the Board and the Investment Manager both aim to continue to achieve consistent, long-term returns in line with the Company's investment objective. Important components in the collaboration with the Investment Manager, representative of the Company's culture include those listed below. • Encouraging open, honest and collaborative discussions at all levels, allowing time and space for original and innovative thinking • Ensuring that the impact on the Investment Manager is fully considered and understood before any business decision is made • Ensuring that any potential conflicts of interest are avoided or managed effectively The Board holds detailed and intensive discussions with the Investment Manager on all key strategic and operational topics on an ongoing basis. In addition to a monthly call there have been numerous meetings on a range of topics including the zero-discount policy. Beyond this, there are regular discussions by email and calls on various operational matters.

Strategic review

Section 172 Statement: promoting the success of the Company (continued)

Importance (continued)	**Board engagement** (continued)
The Administrator, the Company Secretary, the Registrar, the Depositary, the Custodian and the Broker In order to function as an investment trust with a listing on the premium segment of the official list of the FCA and trade on the London Stock Exchange's (LSE) main market for listed securities, the Company relies on a diverse range of reputable advisors for support in meeting all relevant obligations.	The Board maintains regular contact with its key external providers and receives regular reporting from them through the Board and committee meetings, as well as outside of the regular meeting cycle. Their advice, as well as their needs and views are routinely taken into account. The Management Engagement Committee formally assesses their performance, fees and continuing appointment at least annually to ensure that the key service providers continue to function at an acceptable level and are appropriately remunerated to deliver the expected level of service. The Audit Committee reviews and evaluates the control environments in place at each service provider and assesses the effectiveness through review of the annual assurance reports from each organisation. This reporting is supplemented by the view of the Investment Manager's Supplier Management Team regarding the control environments in operation at the providers. Interactions take place at least monthly including the approval of the NAV, review of forecasts and management accounts.
Regulators (including third-party service providers' regulators) The Company can only operate with the approval of its regulators and its third-party service providers' regulators who have a legitimate interest in how the Company operates in the market and how it treats its Shareholders.	The Company regularly considers how it meets various regulatory and statutory obligations and follows voluntary and best practice guidance. It also gives full consideration to how any governance decisions it makes can have an impact on its stakeholders, both in the shorter and in the longer term. The Company's service providers provide regular reporting to the Company in respect of their interaction with their own respective regulators.
Lenders Availability of funding and liquidity are crucial to the Company's ability to take advantage of investment opportunities as they arise.	Considering how important the availability of funding is, the Company aims to demonstrate to lenders that it is a well-managed business, and in particular, that the Board focuses regularly and carefully on the management of risk. The Board has worked with the Investment Manager to agree the terms of the revolving credit facility.

Strategic review

Section 172 Statement: promoting the success of the Company (continued)

Importance (continued)	**Board engagement** (continued)
Institutional investors and proxy advisers The evolving practice and support of the major institutional investors and proxy adviser agencies are important to the Directors, as the Company aims to maintain its reputation for high standards of corporate governance, which contributes to its long-term sustainable success.	Recognising the principles of stewardship, as promoted by the UK Stewardship Code, the Board welcomes engagement with all of its investors. The Board recognises that the views, questions from, and recommendations of many institutional investors and proxy adviser agencies provide a valuable feedback mechanism and play a part in highlighting Shareholders' evolving expectations and concerns. These are important factors for the Board in delivering the Company's strategy.

The above mechanisms for engaging with stakeholders are kept under review by the Directors and will be discussed on a regular basis at Board meetings to ensure that they remain effective.

Examples of the Board's principal decisions taken during the year, and how the Board fulfilled its duties under Section 172 of the Act, and the related engagement activities are set out below.

Principal decision	Long-term impact	Stakeholder considerations and engagement
The Board announced its intention to implement a "zero discount" policy.	Through the implementation of this policy, the Company will seek to ensure that the shares trade close to NAV where possible.	The Board had concerns regarding the Company's discount to NAV, and in April 2021 announced the decision to implement a "zero discount" policy to manage the discount, or premium, to NAV. The Board believes that it is important for Shareholders to be able to benefit appropriately from the Company's investment objective which is to generate a regular and attractive level of income with low asset value volatility. The Company therefore seeks to ensure that the Ordinary Shares trade close to NAV in normal market conditions through a combination of Ordinary Share buybacks and the issue of new Ordinary Shares, or resale of Ordinary Shares held in treasury, where demand exceeds supply.

Strategic review

Section 172 Statement: promoting the success of the Company (continued)

Importance (continued)		**Board engagement** (continued)
The Company renewed the agreement for a revolving credit facility of £25 million with State Street Bank International GmbH.	In line with its approach to balance sheet management, the Company has renewed its agreement for a one-year multicurrency revolving credit facility of £25 million.	The Board regularly reviews the Company's cash position and commitments taking into consideration the impact on Shareholders. The facility will be used to support the long-term growth of the Company and in particular to fund investments. The facility increases the Company's net liquid resources available for future deployment, including dividend payments to Shareholders and any repurchase of the Company's issued share capital. The terms of the credit facility with State Street Bank International GmbH contain covenants with which the Company is regularly required to confirm to State Street Bank International GmbH that it has remained compliant.
New appointment to the Board.	Continuing to develop and evolve the Board so that it contains an appropriate mix of skills, diversity and experience is important to promote the long-term success of the Company.	During the year, the Nomination Committee carried out a successful search process for a new non-executive director, resulting in the appointment of Jane Routledge as an Independent Non-Executive Director on 25 October 2021. The Board agreed this appointment would promote the long-term interests of the Company and further enhance the range of skills and experience of the Board members.

Culture

The Directors are of the opinion that establishing and maintaining a healthy corporate culture amongst the Board and in its interaction with the Investment Manager, Shareholders and other stakeholders will support the delivery of its purpose, values and strategy. The Board seeks to promote a culture of openness, transparency and integrity through ongoing dialogue and engagement with its stakeholders, principally the Investment Manager.

The Board strives to ensure that its culture is in line with the Company's purpose, values and strategy and will consider this through its annual evaluation processes. Further information relating to the Company's values is provided in the Corporate Governance Statement on page 45. There are also policies and procedures in place to assist with maintaining a culture of good governance that include those relating to Directors' dealings in the Company's shares, conflicts of interest, bribery and tax evasion.

The Board seeks to appoint appropriate third-party service providers and evaluates their services on a regular basis as described on pages 25 to 27. Their ongoing appointments are not only reflective of their performance by reference to their contractual and service level obligations, but also take into account the extent to which their individual corporate cultures align with those of the Company. The Board considers the culture of the Investment Manager and other stakeholders, including their policies, practices and behaviour, through regular reporting from these stakeholders and in particular during the annual review of the performance and continuing appointment of all service providers.

Strategic review

Employees, human rights and social and community issues

The Board recognises certain requirements under the Companies Act 2006 to detail information about human rights, employees and community issues, including information about any policies it has in relation to these matters and the effectiveness of these policies. These requirements are not in practice applicable to the Company as it has no employees, all the Directors are non-executive and it has outsourced all operational functions to third-party service providers. The Company has therefore not reported further in respect of these provisions.

Under listing rule 15.4.29(R), the Company, as a closed-ended investment fund, is exempt from complying with the Task Force on Climate-related Financial Disclosures.

Board diversity

As at 31 December 2021, the Board of Directors of the Company comprised two male directors and two female directors. The Board is an enthusiastic supporter of diversity in its composition, recognising that it brings additional benefits to the Company and its stakeholders beyond specialist skills, knowledge, experience, backgrounds and perspectives. As a result, the Board's views on diversity principles are aligned with those expressed in the Hampton-Alexander Review regarding the proportion of women on boards and also the Parker Review about ethnic representation on boards, amongst other published commentaries. It is the intention of the Board to work towards enhancement of its diversity alongside the maintenance of key skillsets as the Company grows its size over the medium term, and developments in this area will be reported to stakeholders periodically.

It is the Board's policy that any future Board appointments will be made on the basis of merit against the specific criteria for the role being offered and there will be no discrimination on the grounds of gender, race, ethnic or national origins, religion, sexual orientation, age or disabilities.

Environmental, social and governance (ESG) issues

The Company has no employees, property or activities other than investments, so its direct environmental impact is minimal. In carrying out its activities and in its relationships with service providers and their employees, the Company aims to conduct itself responsibly, ethically and fairly.

The day-to-day management of the Company's investing activities is delegated to the Investment Manager.

The Investment Manager's ESG investment principles, detailed below are used to inform and guide all investments made as an asset manager.

1. For all investments, we take into consideration environmental, social and governance ("ESG") factors that have the potential to have a material financial impact. In addition, for ESG-related funds/ mandates we take into consideration ESG strategies as necessary to deliver the specific objectives as defined in the fund documentation/ investment mandate.
2. For all investments, we believe consideration of the implications for society and the environment to be part of investment stewardship and in line with our fiduciary duty to our customer.
3. We take a long-term approach, keeping in mind customer time horizons, the urgency of individual ESG issues and delivery of the firm's ESG priorities and commitments.
4. We identify ESG themes and risk factors and incorporate them into our general investment and risk management processes.

Strategic review

Environmental, social and governance (ESG) issues (continued)

5. We are active investors and believe in active management, preferring stock selection, engagement and voting (where relevant) over exclusion. Our aim is to invest in the solution not the problem, therefore as a responsible investor we seek to support companies transitioning towards the creation of a more sustainable economy.
6. As an investor we are politically neutral, we do not engage in political contributions, nor do we have a direct affiliation with any political party in any country. We are committed to working with our stakeholders, including our investee companies, to help fight slavery, human trafficking, child labour or any other abuse of human rights. Therefore, we take into consideration politics where they impact human rights, the rule of law, fairness and equality, and where local and/or geo-political risk impacts the risk return profile of an investment.
7. Where an investment, either by the nature of its business or by the nature of the investee company's activities or behaviours, breaches our core values, we will assess the investment under our exclusion process. Where we believe engagement and voting has been or will be ineffective in influencing positive change, we may exclude the company from our portfolios.
8. We review our ESG approach regularly in order to align with scientific and technological improvements, changes in the global economy, and the evolution of good practice, sustainability and ethics.
9. We aspire to produce research of the highest quality for our investment teams, generating market leading proprietary research and data, integrating ESG into the investment process across all asset classes.
10. We recognise the complexity in identifying and addressing the drivers of ESG issues, given the interdependence of ESG factors, some of which are inherently subjective and where available data may not be of high quality. In such cases we adopt a pragmatic approach, balancing the implications for the economy, society and the environment where available information is not objective or reliable.
11. We are providers of capital to investee companies, and are not responsible for the day-to-day management of those companies. However, we are cognisant of the need to encourage good corporate governance and sustainable business practices and, if necessary, vote for changes to board composition where this is not the case.

The full ESG Investment Policy document is available at www.mandgplc.com/our-business/mandg-investments/responsible-investing-at-mandg-investments

As a signatory member to the PRI, the Investment Manager is committed to providing detailed ESG transparency to market participants in relation to its business activities. The most recent transparency report is available at www.unpri.org/signatory-directory/mandg-investments/1483.article

Given its commitment to responsible investment, the Investment Manager has allocated significant human and financial capital to the implementation of the PRI principles.

Sustainability risk and investment process

The Board believes that sustainability risk can have a material impact on long-term investment outcomes. Sustainability risk means exposure to an environmental, social or governance ("ESG") event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of an investment. The Company's goal is to generate the best possible risk adjusted returns for investors, taking into account all

Strategic review

Sustainability risk and investment process (continued)

factors that influence investment performance, and therefore ESG issues are incorporated into investment decisions wherever they have a potentially meaningful impact on risk or return.

ESG factors themselves are, generally, non-financial considerations that may impact the risk, volatility and long-term return of individual investments, as well as markets as a whole. Individual investments can have both a positive and negative impact on society and the environment.

In certain contexts, ESG factors may be referred to as sustainability factors. Due to the nature of its stated investment strategy, the Company does not seek to actively promote ESG factors and does not seek to maximise portfolio alignment with ESG factors, but it nevertheless remains exposed to sustainability risks.

Impacts on the Company following the occurrence of a sustainability risk event may be numerous and will vary depending on the specific investment risk, geographical region and asset class. In general, where a sustainability risk event occurs in respect of an individual asset, there is the potential for a negative impact on, or an entire loss of, its value.

The following types of sustainability risks have the potential to materially impact the returns of the Company over time:

- Environmental factors, which include, but are not limited to, the ability of investee companies to mitigate and adapt to climate change, the potential for higher carbon prices, exposure to increasing water scarcity and potential for higher water prices, waste management challenges, and impact on global and local ecosystems.
- Social risks, which include, but are not limited to, product safety, supply chain management and labour standards, health and safety and human rights, employee welfare, data & privacy concerns and increasing technological regulation.
- Governance aspects, which include, but are not limited to, board composition and effectiveness, management incentives, management quality, ethnic and gender diversity, and stakeholder alignment.

The potential impacts of sustainability risk events on the Company's portfolio include degradation of issuer cashflow and consequent inability to meet debt servicing obligations, and inability to continue to actively and competitively participate in its chosen markets.

Sustainability risks may also affect the credit quality of an issuer. The Company has exposure to higher-yielding private debt arrangements, which may include debt securities of smaller companies, some of which may be privately owned, and thus may be less transparent in respect of environmental, social and governance and sustainability-related disclosures.

In order to ensure that sustainability risks are properly considered within the investment decision making and risk monitoring processes, to the extent that they represent potential or actual material risks and/or opportunities for maximising long-term risk-adjusted returns, the Investment Manager follows a series of environmental, social and governance investment principles described in the Investment Manager's ESG Principles Statement, which can be accessed via the Investment Manager's website.

At its quarterly meeting held on 1 February 2022, the Company resolved to approve the implementation of M&G plc's Thermal Coal Policy. This will come into effect from 27 April 2022.

M&G plc's Thermal Coal Policy seeks to exclude companies that are either unable or unwilling to transition away from thermal coal within the necessary timelines to keep the earth's average warming within the targets set by the Paris Agreement.

The portfolio of the Company does not currently have any assets that are failing the policy and require divestment.

Strategic review

Greenhouse gas emissions

The Company has no greenhouse gas emissions to report from its operations, nor does it have responsibility for any other emission-producing sources under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013.

Modern slavery

The Company, as an investment vehicle, does not provide goods or services in the normal course of business and does not have customers. The Directors consider that the Company is thus not required to make a slavery or human trafficking statement under the Modern Slavery Act 2015. The Board considers the Company's supply chains, dealing predominantly with professional advisers and service providers in the financial services industry, to be low risk in relation to this matter.

Approval

The Strategic Report was approved by the Board at its meeting on 23 March 2022. The Chairman's Statement together with the Investment Manager's Report form part of this Strategic Report.

David Simpson
Chairman

23 March 2022

Directors

David Simpson, Chairman. Appointed as a non-executive Director on 18 September 2018. David Simpson is a qualified solicitor and was a partner at KPMG for 15 years until 2013, culminating as global head of M&A. Before that he spent 15 years in investment banking, latterly at Barclays de Zoete Wedd Ltd. He is chairman of Ecofin Global Utilities and Infrastructure Trust plc, a non-executive director of Aberdeen New India Investment Trust PLC, a non-executive Director of the British Geological Survey and a non-executive Director of ITC Limited, a major listed Indian company. David graduated from the University of Cambridge with a degree in Economics and Law.

Richard Boléat FCA, Audit Committee Chairman and Senior Independent Director. Appointed as a non-executive Director on 18 September 2018. Richard Boléat is a Fellow of the Institute of Chartered Accountants in England & Wales, having trained with Coopers & Lybrand in Jersey and the United Kingdom. After qualifying in 1986, he subsequently worked in the Middle East, Africa and the UK for a number of commercial and financial services groups before returning to Jersey in 1991. He was formerly a Principal of Channel House Financial Services Group from 1996 until its acquisition by Capita Group plc (‘Capita’) in September 2005. Richard led Capita’s financial services client practice in Jersey until September 2007, when he left to establish Governance Partners, L.P., an independent corporate governance practice. Alongside his roles at the Company, he currently acts as Chairman of CVC Credit Partners European Opportunities Limited and SME Credit Realisation Fund Limited and is a non-executive Director of Third Point Investors Limited, all of which are listed on the London Stock Exchange. He is regulated in his personal capacity by the Jersey Financial Services Commission.

Barbara Powley, Appointed as a non-executive Director on 18 September 2018. Barbara Powley is a chartered accountant with over 30 years’ experience in the investment trust industry. Prior to her retirement in March 2018 she was a director in BlackRock’s closed-ended funds team from 2005 with responsibility for the oversight and administration of BlackRock’s stable of investment trusts. From 1996 to 2005, she had a similar role at Fidelity. Barbara graduated from the University of York with a degree in Mathematics and Economics. On 18 November 2020, Barbara was appointed as non-executive Director of Montanaro UK Smaller Companies Investment Trust plc. She brings to the Board her extensive knowledge of the investment trust sector and its regulatory requirements.

Jane Routledge, Appointed as a non-executive Director on 25 October 2021. Jane Routledge has spent 30 years in marketing & communications roles in the investment management sector, communicating with pension fund, intermediary and private investor audiences. She has worked in a number of investment management businesses, including Schroders, Invesco and Hermes Fund Managers. Most recently, she spent 8 years to December 2019 as a partner in Seven Investment Management, building and leading its marketing function across all channels to market. She has years of experience in strategic and operational brand development, lead acquisition, and client and employee engagement as well as extensive experience of creating and leading client-facing functions in fast growing organisations.

Jane is currently a non-executive director of Cumbria Education Trust, a multi academy trust which runs 12 schools across the northwest of England. She graduated from the University of Cambridge with a degree in Modern & Medieval Languages, and has a Masters degree in Organisational Psychology from the University of London.

Directors' report

The Directors are pleased to present the Annual Report and audited Financial Statements for the year ended 31 December 2021.

In accordance with the Companies Act 2006 (as amended), the Listing Rules and the Disclosure Guidance and Transparency Rules, the Corporate Governance Statement, Directors' Remuneration Report, Report from the Audit Committee and the Statement of Directors' Responsibilities should be read in conjunction with one another and the Strategic Report. As permitted by legislation, some of the matters normally included in the Directors' Report have instead been included in the Strategic Report, as the Board considers them to be of strategic importance. Therefore, a review of the business of the Company, recent events and outlook can be found on pages 7 to 9 and information regarding environmental, social and governance issues can be found on pages 34 to 35.

Directors

The Directors in office during the year and at the date of this report, with the exception of Mark Hutchinson who retired during the year, are shown on page 38 together with their biographical details. None of the Directors or any persons connected with them had a material interest in the transactions and arrangements of, or the agreement with, the Investment Manager during the year.

Results and dividends

A summary of the Company's performance during the year ended 31 December 2021 and the outlook for the forthcoming year is set out in the Strategic Report on pages 7 to 9.

The interim dividends paid for the year ended 31 December 2021 are set out in note 7 to the Financial Statements.

Corporate governance

The Company's Corporate Governance Statement is set out on pages 44 to 56 and forms part of this report.

Investment trust status

The Company has received approval from HM Revenue & Customs (HMRC) as an authorised investment trust under Sections 1158 and 1159 of the Corporation Tax Act 2010, subject to the Company continuing to meet the eligibility conditions. The Directors are of the opinion that the Company has conducted its affairs in compliance with such approval and intends to continue doing so.

Current share capital

As at 31 December 2021 there were 141,723,022 Ordinary Shares in issue, excluding 3,022,749 Ordinary Shares held in treasury.

At the date of this report, there are 140,373,022 Ordinary Shares in issue, excluding 4,372,749 held in treasury. At General Meetings of the Company, Shareholders are entitled to one vote on a show of hands and, on a poll, to one vote for every share held.

The total voting rights of the Company as at 31 December 2021 were 141,723,022.

There are no restrictions concerning the transfer of securities in the Company or on voting rights; no special rights with regard to control attached to securities and no agreements between holders of securities regarding their transfer known to the Company.

Change of Control

There are no agreements to which the Company is party that might be affected by a change of control of the Company except for the agreement in relation to the Company's credit facility. The Company entered into a £25 million Facility Agreement with State Street Bank International GmbH, expiring on 17 October 2022. This agreement could alter or terminate on the change of control of the Company. Further information is disclosed in note 6 to the financial statements.

Directors' report

Share issues

At a General Meeting of the Company held on 18 September 2018, the Directors were granted the following authorities which will expire on 18 September 2023:

i. The Directors were generally and unconditionally authorised in accordance with Section 551 of the Companies Act to exercise all the powers of the Company to allot up to 400,000,000 Ordinary Shares and/or C Shares in aggregate. Such authority will expire at the end of the period of five years from the date of passing of the resolution, save that the Company may, at any time prior to the expiry of such authority, make an offer or enter into an agreement that would or might require Shares to be allotted in pursuance of such offer or agreement as if such authority had not expired.

ii. The Directors were generally empowered (pursuant to Sections 570 and 573 of the Companies Act) to allot Shares and to sell Shares from treasury for cash pursuant to the authority referred to in paragraph (i) above as if Section 561 of the Companies Act did not apply to any such allotment or sale. Such power will expire at the end of the period of five years from the date of passing of the resolution, save that the Company may, at any time prior to the expiry of such power, make an offer or enter into an agreement which would or might require the Shares to be allotted or sold from treasury after the expiry of such power and the Directors may allot or sell from treasury equity securities in pursuance of such an offer or agreement as if such power had not expired.

The Company has a block listing of 14,203,384 Ordinary Shares, as the balance of an initial application for a block listing of 20,000,000 Ordinary Shares listed and admitted to trading on the premium segment of the LSE's main market on 17 January 2019. During the year ended 31 December 2021, no shares were issued under the block listing. The shares may be issued from time to time for cash and in accordance with the Company's Articles of Association, provided that such issues are made at prices of not less than the prevailing net asset value per share.

Purchase of own shares

The current authority to repurchase up to 14.99% of the Company's issued share capital to be held in treasury or for cancellation was granted to the Directors on 9 June 2021 and will expire at the conclusion of the 2022 Annual General Meeting when a resolution for its renewal will be proposed (see page 106 for further information).

On 18 November 2020, the Company announced that it had given instructions to Winterflood Securities Limited ("Winterflood") to purchase the Company's shares pursuant to the authority by Shareholders at the previous Annual General Meeting. On 30 April 2021, the Company announced its intention to implement a "zero discount" policy to seek to manage the discount or premium to net asset value and gave instructions to Winterflood to implement the policy on the Board's behalf. During the year ended 31 December 2021, the Company bought back a total of 2,882,749 shares (2020:140,000) to be held in treasury at an average price of 97.5p per share (2020: 91.6p) representing total consideration of £2,810,635 (2020: £128,175).

Substantial shareholdings

The Company has been informed of the following latest notifiable interests in the voting rights of the Company, in accordance with Disclosure Guidance and Transparency Rule 5.1.2, as at 31 December 2021:

Directors' report

Substantial shareholdings (continued)

	Number of shares held	% of voting rights at 31 December 2021
M&G plc	38,830,132	27.4
Alder Investment Management Limited	7,877,039	5.6
EFG Private Bank Limited	7,226,335	5.1
Brewin Dolphin Limited	7,106,845	5.0
SG Kleinwort Hambros Bank Limited	5,732,836	4.0

The Company has not been informed of any changes to the above interests between 31 December 2021 and the date of this Report.

Articles of Association

The Company's Articles of Association may only be amended by a special resolution at a General Meeting of the Shareholders. The Articles of Association were amended by special resolution of the shareholders at the AGM held on 9 June 2021, to introduce increased flexibility for the Directors to determine the time and place of General Meetings and the manner in which they are conducted.

Requirements of the listing rules

Listing Rule 9.8.4 requires the Company to include certain information in a single identifiable section of the Annual Report or a cross-reference table indicating where the information is set out.

The information is set out as follows:

- Listing Rule 9.8.4(5). The information required in relation to Mark Hutchinson waiving his Director's fee is explained on page 60; and
- Listing Rule 9.8.4(10). As Chair of Private Assets at M&G plc prior to his retirement, Mark Hutchinson was deemed to have an interest in the Company's management agreement.

There were no other contracts of significance subsisting during the year under review to which the Company is a party and in which a Director of the Company is or was materially interested, or between the Company and a controlling shareholder.

The Directors confirm that there are no additional disclosures to be made in relation to Listing Rule 9.8.4.

Qualifying third-party indemnity provisions

Under the Company's articles of association, the Directors are provided, subject to the provisions of UK legislation and at the discretion of the Board, with an indemnity in respect of liabilities which they may sustain or incur in connection with their appointment. This indemnity was in force during the year and remains in force as at the date of this report. Apart from this, there are no qualifying third-party indemnity provisions or qualifying pension scheme indemnity provisions that would require disclosure.

Auditor

The Directors who held office at the date of approval of the Directors' Report confirm that, so far as they are aware, there is no relevant audit information of which the Company's Auditor is unaware and each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's Auditor is aware of that information.

Deloitte LLP has expressed its willingness to continue in office as Auditor of the Company and resolutions for its appointment and for the Directors to determine its remuneration will be proposed at the forthcoming AGM.

Directors' report

Financial risk management

As noted on page 25, information about the Company's financial risk management objectives and policies is set out in note 13 of the Financial Statements.

Going concern and viability statement

The going concern statement and viability statement can be found on pages 24 and 25 of the Strategic Report.

Political donations

The Company made no political donations during the year to 31 December 2021 to organisations.

Directors' and Officers' liability insurance

Directors' and Officers' liability insurance cover is maintained by the Company, at its expense, on behalf of the Directors.

AGM

The Directors are pleased to invite Shareholders to attend the third Annual General Meeting of the Company, at the offices of M&G Alternatives Investment Management Limited, subject to any restrictions relating to COVID-19 which may be in force at the time.

The Notice of AGM to be held on 8 June 2022 is set out on pages 105 to 109. Shareholders are being asked to vote on various items of business as follows:

- The receipt and acceptance of the Strategic Report, Directors' Report, Auditor's Report and the audited Financial Statements for the year ended 31 December 2021
- The receipt and approval of the Directors' Remuneration Report
- Approval of the Company's dividend policy
- The election and re-election of Directors
- The appointment of Deloitte LLP as Auditor and the authorisation of the Directors to determine the remuneration of the Auditor
- The purchase of own shares
- The holding of general meetings (other than AGMs) on not less than 14 clear days' notice

The details about the resolutions are provided on pages 105 to 109.

Dividend policy

By way of a resolution granted on 18 September 2018, the Directors are authorised to declare and pay all dividends as interim dividends without the need for the prior approval of the Company's shareholders. However, regarding Corporate Governance best practices relating to the payment of interim dividends, without shareholder approval of a final annual dividend, the Board has decided to seek express approval of its dividend policy. The Company's dividend policy remains unchanged to that disclosed in the IPO Prospectus published on 26 September 2018 which stated that the Company intends to distribute at least 85% of its distributable income earned in each financial year by way of dividends and that, from 2020, such dividends are intended to be paid quarterly.

Authority to allot Ordinary Shares and to sell shares from treasury for cash

As explained on page 40, the authorities granted on 18 September 2018 remain in place and therefore the Directors will not seek any additional authorities at the forthcoming AGM.

Directors' report

Purchase of own shares

Resolution 10, a special resolution, will renew the Company's authority to make market purchases of up to 21,041,915 Ordinary Shares (being 14.99% of the issued share capital as at the date of the Notice of AGM, excluding any treasury shares, or, if changed, 14.99% of the issued share capital, excluding any treasury shares, immediately following the passing of the resolution), either for cancellation or placing into treasury at the determination of the Directors. Purchases of Ordinary Shares will be made within guidelines established from time to time by the Board. Any purchase of Ordinary Shares would be made only out of the available cash resources of the Company.

The maximum price which may be paid for an Ordinary Share must not be more than the higher of (i) 5.0% above the average of the mid-market value of the Ordinary Shares for the five business days before the purchase is made, or (ii) the higher of the price of the last independent trade and the highest current independent bid for the Ordinary Shares. The minimum price which may be paid is £0.01 per Ordinary Share.

This authority, if approved by Shareholders, will expire at the AGM to be held in 2023, when a resolution for its renewal will be proposed.

Notice period for General Meetings

In terms of the Companies Act 2006, the notice period for General Meetings (other than an AGM) is 21 clear days' notice unless the Company: (i) has gained shareholder approval for the holding of General Meetings on 14 clear days' notice by passing a special resolution at the most recent AGM; and (ii) offers the facility for all shareholders to vote by electronic means.

The Company would like to preserve its ability to call General Meetings (other than an AGM) on less than 21 clear days' notice. The shorter notice period proposed by Resolution 11, a special resolution, would not be used as a matter of routine, but only where the flexibility is merited by the business of the meeting and is thought to be in the interests of Shareholders as a whole. The approval will be effective until the date of the AGM to be held in 2023, when it is intended that a similar resolution will be proposed.

Directors' recommendation

The Directors consider each resolution being proposed at the AGM to be in the best interests of the Company and shareholders as a whole and they unanimously recommend that all shareholders vote in favour of them, as they intend to do in respect of their own beneficial shareholdings.

By order of the Board

Link Company Matters Limited
Company Secretary

23 March 2022

Corporate governance statement

Introduction

The Listing Rules and the Disclosure Guidance and Transparency Rules (Disclosure Rules) of the FCA require listed companies to disclose how they have adhered to the principles and followed the recommended provisions of the corporate governance code to which the issuer is subject.

The Board has considered the Principles and Provisions of the AIC Code of Corporate Governance (AIC Code), published In February 2019. The AIC Code addresses the Principles and Provisions set out in the UK Corporate Governance Code (the UK Code) issued by the Financial Reporting Council (FRC), as well as setting out additional principles and recommendations on issues that are of specific relevance to investment trusts.

The Board considers that reporting against the Principles and Provisions of the AIC Code, which has been endorsed by the FRC, provides more relevant information to shareholders than the UK Code. The terms of the FRC's endorsement mean that AIC members who report against the AIC Code fully meet their obligations under the UK Code and the related disclosure requirements contained in the Listing Rules. The AIC Code is available on the AIC website (www.theaic.co.uk). It includes an explanation of how the AIC Code adapts the Principles and Provisions set out in the UK Code to make them relevant for investment companies. The UK Code can be viewed at www.frc.org.uk

Throughout the year ended 31 December 2021, the Company has complied with the provisions of the AIC Code and the relevant provisions of the UK Code, except as set out below.

The UK Code includes provisions relating to the role of the chief executive, executive directors' remuneration and the need for an internal audit function. For the reasons set out in the AIC Guide, the Board considers that these provisions are not relevant to the position of the Company, being an externally managed investment company. In particular, all of the Company's day-to-day management and administrative functions are outsourced to third parties. As a result, the Company has no executive Directors, employees or internal operations. The Company has therefore not reported further in respect of these provisions.

The Principles of the AIC Code

The AIC Code is made up of 17 principles split into five sections:

- Board leadership and purpose
- Division of responsibilities
- Composition, succession and evaluation
- Audit, risk and internal control
- Remuneration

Corporate governance statement

The Principles of the AIC Code (continued)

AIC Code Principle	Compliance statement
Board leadership and purpose	
A. A successful company is led by an effective board, whose role is to promote the long-term sustainable success of the Company, generating value for shareholders and contributing to wider society.	The Board considers the Company's long-term sustainable success as its main focus and all decisions are considered from this point of view. As outlined below, the Company is run with a very clear culture and values which are embedded into everything the Company does. As part of this the opportunities and risks faced by the business are considered, monitored and assessed on a regular basis, both in terms of potential and emerging risks that the business may face. More detail regarding the principal risks and the sustainability of the Company's business model can be found in the Strategic Report on pages 18 to 24. In addition, the Company, through the Investment Manager, has a strong, long-term commitment to a responsible investment methodology, which expressly considers the interests of wider society within the Investment Manager's investment processes. Details can be found on pages 34 to 36 of the Strategic Report.
B. The Board should establish the Company's purpose, values and strategy, and satisfy itself that these and its culture are aligned. All directors must act with integrity, lead by example and promote the desired culture.	The purpose of the Company is the investment objective which is to generate a regular and attractive level of income with low asset value volatility. It seeks to do this by investing in a diversified portfolio of public and private debt and debt-like instruments. The Company is mainly invested in private debt instruments. This part of the portfolio will generally include Debt Instruments which are nominally quoted but are generally illiquid. The strategy that the Board follows in order to execute this is outlined in the Strategic Report on pages 4 to 9. More detail regarding how the Company considers the long-term sustainable success of the Company can be found in the Section 172 statement on pages 28 to 33. The Board adopts key values that are embedded in the culture of the business and are important to any investment decision made by the Company. These values and culture also drive how the Board and its relationship with the Investment Manager proceed. These are to: • invest in a manner consistent with the PRI Principles; • ensure all business decisions are made once all potential impacts on relevant stakeholders are fully understood; • encourage open, honest and collaborative discussions at all levels in Board meetings, with Shareholders and with other stakeholders; and • seek to avoid or manage any potential conflicts of interest. The values and culture of the business are considered as part of the annual board evaluation process to ensure that they remain a key focus that all decisions are based on.

Corporate governance statement

The Principles of the AIC Code (continued)

AIC Code Principle	Compliance statement
C. The Board should ensure that the necessary resources are in place for the Company to meet its objectives and measure performance against them. The Board should also establish a framework of prudent and effective controls, which enable risk to be assessed and managed.	The Board and the Management Engagement Committee regularly review the performance of the Company and the performance and resources of the Investment Manager to ensure that the Company can continue to meet its investment objective. The Board assesses the performance of the Investment Manager in a number of different ways, including through the KPIs. The Audit Committee is responsible for assessing and managing risks and further information about how this is done can be found in the Report of the Audit Committee on pages 64 to 68.
D. In order for the Company to meet its responsibilities to shareholders and stakeholders, the Board should ensure effective engagement with, and encourage participation from, these parties.	The Board understands its responsibilities to Shareholders and other stakeholders and considers the expressed opinions of all such parties when making any material decision. The Board considers that, other than Shareholders, their other key stakeholders are their third-party service providers and the Investment Manager in particular. The Management Engagement Committee considers the relationship with all third-party service providers on at least an annual basis and there is an ongoing dialogue with the Investment Manager to ensure views are aligned. More information regarding how the Board engages with stakeholders and considers the impact that any material decision will have on relevant shareholders can be found in the Section 172 statement on pages 28 to 33. Representatives of the Investment Manager regularly meet institutional shareholders to discuss strategy and to understand their issues and concerns and, if applicable, to discuss corporate governance issues. The results of such meetings are reported at the following Board meeting. Regular reports on investor sentiment and industry issues from the Company's broker are submitted to the Board. Any substantive communications regarding major corporate issues would be discussed by the Board taking into account representations from the Investment Manager, the auditor, legal advisers, the broker and the Company Secretary.

Corporate governance statement

The Principles of the AIC Code (continued)

AIC Code Principle	Compliance statement
Division of responsibilities	
F. The chair leads the Board and is responsible for its overall effectiveness in directing the Company. They should demonstrate objective judgement throughout their tenure and promote a culture of openness and debate. In addition, the chair facilitates constructive board relations and the effective contribution of all non-executive directors, and ensures that directors receive accurate, timely and clear information.	There is a clear division of responsibility between the Chairman, the Directors, the Investment Manager and the Company's other third-party service providers. The Chairman is responsible for leading the Board, ensuring its effectiveness in all aspects of its role and is responsible for ensuring that all Directors receive accurate, timely and clear information. The Board meets regularly throughout the year and representatives of the Investment Manager are in attendance, when appropriate, at each meeting and most Committee meetings. The Board has agreed a schedule of matters specifically reserved for decision by the Board. This includes establishing the investment objective, strategy and benchmarks, the permitted types or categories of investment, the markets in which transactions may be undertaken, the level of permitted gearing and borrowings, the amount or proportion of the assets that may be invested in any category of investment or in any one investment, and the Company's treasury and share buyback policies. The Board, at its regular meetings, undertakes reviews of key investment and financial data, revenue projections and expenses, analyses of asset allocation, transactions and performance comparisons, share price and net asset value performance, gearing, marketing and shareholder communication strategies, the risks associated with pursuing the investment strategy and industry issues. The review of the performance of the Chairman was carried out during the year by Richard Boléat as Senior Independent Director. It was concluded that the Directors believed the Chairman encouraged good debate, ensured all Directors were involved in discussions and that the Board as a whole was working well.

Corporate governance statement

The Principles of the AIC Code (continued)

AIC Code Principle	Compliance statement
G. The Board should consist of an appropriate combination of directors (and, in particular, independent non-executive directors) such that no one individual or small group of individuals dominates the Board's decision making.	During the year Mark Hutchinson retired and therefore all of the Directors are non-executive and are now independent of the Investment Manager and the other service providers. A majority of the Board will at all times be independent of the Investment Manager. The Chairman, David Simpson, was independent of the Investment Manager at the time of his appointment and remains so. Each Director is not a director of another investment company managed by the Company's Investment Manager, nor has any Board member been an employee of the Company or any of its service providers. The Board evaluation concluded that each Director provides a valuable contribution to Board meeting discussions and exercises appropriate levels of challenge and debate. During the year under review, Richard Boléat acted as Senior Independent Director of the Company.
H. Non-executive directors should have sufficient time to meet their board responsibilities. They should provide constructive challenge, strategic guidance, offer specialist advice and hold third party service providers to account.	As part of the Board evaluation process, the contributions of each Director, as well as the time commitments made by each board member are considered and reviewed. Directors' other commitments are regularly reviewed and any new appointments are considered by the other Directors to ensure there is no conflict of interest or risk of overboarding. As explained above, it was concluded that each Director provided appropriate levels of challenge and provided the Company and the Investment Manager with guidance and advice when required. The Management Engagement Committee reviews the performance and cost of the Company's third-party service providers on an annual basis. More information regarding the work of the Management Engagement Committee can be found on pages 54 to 55.
I. The Board, supported by the Company Secretary, should ensure that it has the policies, processes, information, time and resources it needs in order to function effectively and efficiently.	The Directors have access to the advice and services of the Company Secretary through its appointed representative who is responsible to the Board for ensuring that Board procedures are followed and that applicable rules and regulations are complied with. The Company Secretary is also responsible for ensuring good information flows between all parties.

Corporate governance statement

The Principles of the AIC Code (continued)

AIC Code Principle	Compliance statement
Composition, succession and evaluation	
J. Appointments to the Board should be subject to a formal, rigorous and transparent procedure, and an effective succession plan should be maintained. Both appointments and succession plans should be based on merit and objective criteria and, within this context, should promote diversity of gender, social and ethnic backgrounds, cognitive and personal strengths.	The Board has established a Nomination Committee, comprising all the independent Directors. This Committee will lead the appointment process of new Directors as and when vacancies arise and as part of the Directors' ongoing succession plans. More information regarding the work of the Nomination Committee and the appointment of Jane Routledge can be found on page 55. The Board has adopted a diversity policy, which acknowledges the benefits of greater diversity and remains committed to ensuring that the Company's Directors bring a wide range of skills, knowledge, experience, backgrounds and perspectives to the Board. Whilst the Board does not feel that it would be appropriate to set targets as all appointments are made on merit, the following objectives for the appointment of Directors have been established: • All Board appointments will be made on merit, in the context of the skills, knowledge and experience that are needed for the Board to be effective. • Long lists of potential non-executive Directors should include diverse candidates of appropriate merit. The Company is committed to ensuring that any board vacancies are filled by the most qualified candidates.

Corporate governance statement

The Principles of the AIC Code (continued)

AIC Code Principle	Compliance statement
K. The Board and its committees should have a combination of skills, experience and knowledge. Consideration should be given to the length of service of the Board as a whole and membership regularly refreshed.	The Directors' biographical details are set out on page 38 of this Report. These demonstrate the wide range of skills and experience that they bring to the Board. The Board carried out a skills audit during the year and will continue to do so on an annual basis concurrently with the Board evaluation. Board membership was refreshed during the year with the retirement of Mark Hutchinson and the appointment of Jane Routledge further enhancing the skills and experience provided to the Company. The Board has adopted a Tenure Policy for all Directors, including the Chairman, which states that the Board believes that it is an advantage to have the continuous contribution of Directors over a period of time during which they are able to develop awareness and insight of the Company and thereby be able to make a valuable contribution to the Board as a whole. The Board believes that recommendations for re-election should be on an individual basis following a rigorous review which assesses the contribution made by the Director concerned, and takes into account the need for regular refreshment and diversity. The Board believes that it is appropriate for a Director to serve for up to nine years following their initial election, and it is expected that Directors will stand down from the board by the conclusion of the AGM following that period.

Corporate governance statement

The Principles of the AIC Code (continued)

AIC Code Principle	Compliance statement
L. Annual evaluation of the Board should consider its composition, diversity and how effectively members work together to achieve objectives. Individual evaluation should demonstrate whether each director continues to contribute effectively.	The Board has agreed to evaluate its own performance and that of its Committees, Chairman and Directors on an annual basis. For the year under review this was carried out by way of a questionnaire and subsequent individual discussions. The Chairman led the assessment, which covered the functioning of the Board as a whole, the effectiveness of the Board Committees and the independence and contribution made by each Director. The Chairman discussed the responses with each Director individually. The Chairman absented himself from the Board's review of his effectiveness as the Company Chairman, and this review was led by Richard Boléat, the Senior Independent Director. Ms Routledge was excluded from this year's review as she had recently been appointed. Following this review, the Board is satisfied that the structure, mix of skills and operation of the Board is effective and relevant for the Company. The individual performance of each Director standing for election has been evaluated and it is recommended that shareholders vote in favour of their election at the AGM. Directors are subject to annual re-election by shareholders and accordingly, all Directors will submit themselves for re-election by shareholders at the forthcoming Annual General Meeting. More information regarding the proposed election of each Director can be found on page 105.
Audit, risk and internal control	
M. The Board should establish formal and transparent policies and procedures to ensure the independence and effectiveness of external audit functions and satisfy itself on the integrity of financial and narrative statements.	The Audit Committee has put in place a non-audit services policy, which ensures that any work outside the scope of the standard audit work requires prior approval by the Audit Committee. This enables the Committee to ensure that the external auditors remain fully independent. In addition, the Audit Committee carries out a review of the performance of the external auditor on an annual basis. Feedback from other third parties, including the Investment Manager, is included as part of this assessment to ensure the Audit Committee takes into account the views of different parties who have a close working relationship with the external auditor. The Audit Committee monitors press coverage in relation to the external auditor to ensure that any matters of concern in relation to the external auditor's activities generally are identified promptly. Further information regarding the work of the Audit Committee can be found on page 64 to 68.

Corporate governance statement

The Principles of the AIC Code (continued)

AIC Code Principle	Compliance statement
N. The Board should present a fair, balanced and understandable assessment of the Company's position and prospects.	The Audit Committee has considered the Annual Report and Accounts as a whole and believes that the document presents a fair, balanced and understandable assessment of the Company's position and prospects. In particular, the Committee has considered the language used in the document to ensure technical terminology is avoided to the extent possible, or where used it is suitably explained.
O. The Board should establish procedures to manage risk, oversee the internal control framework, and determine the nature and extent of the principal risks the Company is willing to take in order to achieve its long-term strategic objectives.	The Audit Committee reviews reports from the principal service providers on compliance and the internal and financial control systems in operation and relevant independent audit reports thereon. The Audit Committee has carried out a review of the effectiveness of the Company's systems of internal control as they have operated during the year under review and up to the date of approval of the Annual Report. Given the nature of the business, the Company is reliant on its service providers and their internal controls. The Audit Committee reviews the Investment Manager's and Administrator's compliance and control systems in operation insofar as they relate to the affairs of the Company. As set out in more detail in the Report of the Audit Committee on pages 64 to 68, the Company has in place a detailed system for assessing the adequacy of those controls. The Audit Committee's internal control oversight focus is described in more detail in the Report of the Audit Committee on pages 67 to 68.

Corporate governance statement

The Principles of the AIC Code (continued)

AIC Code Principle	Compliance statement
Remuneration	
P. Remuneration policies and practices should be designed to support strategy and promote long-term sustainable success.	As outlined in the Remuneration Report on pages 57 to 63, the Company follows the recommendation of the AIC Code that non-executive Directors' remuneration should reflect the time commitment and responsibilities of the role. The Company's policy is that the remuneration of non-executive Directors should reflect the experience of the Board as a whole and be determined with reference to comparable organisations and appointments. Directors are not eligible for bonuses, share options, long-term incentive schemes or other performance related benefits as the Board does not believe that this is appropriate for non-executive Directors. The Remuneration Policy is therefore designed to attract and retain high quality Directors, whilst ensuring that Directors remain focused and incentivised to promote the long-term sustainable success of the Company. As at the date of this Report, all Directors own shares in the Company. All shares were purchased in the open market and using the Directors' own resources. Directors' fees were initially set at the time of the Company's IPO. The Remuneration Committee annually reviews the fees paid to the Directors and compares these with the fees paid by the Company's peer group and the investment trust industry generally, taking into account the time commitment and responsibility of each Board member. More information regarding the work of the Remuneration Committee can be found in the Remuneration Report on page 57.
Q. A formal and transparent procedure for developing policy remuneration should be established. No director should be involved in deciding their own remuneration outcome.	The Remuneration Policy has been developed with reference to comparable organisations and appointments. There is an agreed fee which all non-executive Directors receive (irrespective of experience or tenure) and an additional fee for the role of Audit Committee Chairman. There is also an agreed fee for the role of Chairman. Any changes to the Chairman's fee are considered by the Remuneration Committee as a whole, with the exception of the Chairman who excuses himself from this part of the meeting.

Corporate governance statement

The Principles of the AIC Code (continued)

AIC Code Principle	Compliance statement
R. Directors should exercise independent judgement and discretion when authorising remuneration outcomes, taking account of company and individual performance, and wider circumstances.	Any decision with regard to remuneration is taken after considering the performance of the Company and the current market conditions. The Remuneration Committee has no current intention to change the Remuneration Policy, as approved by shareholders at the 2020 Annual General Meeting, for the foreseeable future. If any significant changes to the Remuneration Policy were to be considered, the Remuneration Committee would consult with shareholders and seek external advice before proposing any such changes. For any changes to be effective the Remuneration Policy would be proposed for approval at a General Meeting, if necessary outside of the statutory requirement to seek shareholder consent to the Remuneration Policy on a triennial basis.

Board Committees

The Board has agreed a schedule of matters specifically reserved for decision by the full Board, subject to which the Board has delegated specific duties to Committees of the Board which operate within written terms of reference. Link Company Matters Limited acts as Company Secretary to each Committee. No persons other than the Committee members are entitled to attend Committee meetings unless formally invited by the Committee. Copies of the terms of reference for Board Committees are available from the Company Secretary and on the Company's website.

The Board has also adopted a procedure for Directors, in the furtherance of their duties, to take independent professional advice at the expense of the Company.

Audit Committee

The Audit Committee comprises Richard Boléat FCA as Chairman, Barbara Powley, David Simpson and Jane Routledge. The Audit Committee meets at least four times a year. As David Simpson was independent on appointment and provides significant input into Audit Committee meetings, the Directors believe it is appropriate for him to be a member of the Audit Committee, despite his role as Chairman of the Board. In particular, the Board considers that the Audit Committee as a whole has competence relevant to the sector and the Board is satisfied that at least one member of the Audit Committee has recent and relevant financial experience. The Board considers that the members of the Audit Committee have the requisite skills and experience to fulfil the responsibilities of the Audit Committee. The Audit Committee examines the effectiveness of the Company's control systems. It reviews the Half Year and Annual Reports and also receives information from the Investment Manager. It reviews the scope, results, cost effectiveness, independence and objectivity of the external auditor. The Audit Committee has set out a formal Report on pages 64 to 68 of the Annual Report.

Management Engagement Committee

The Management Engagement Committee consists of Richard Boléat, Barbara Powley, Jane Routledge and is chaired by David Simpson. The Management Engagement Committee meets at least once a year or more often if required. Its principal duties are to consider

Corporate governance statement

Management Engagement Committee (continued)

the terms of appointment of the Investment Manager and other service providers and it will annually review those appointments and the terms of engagement.

The Committee considers the quality, cost and remuneration method of the service provided by the Investment Manager against its contractual obligations and the Board receives regular reports on compliance with the Investment Restrictions it has set. It also considers the performance analysis provided by the Investment Manager.

The Management Engagement Committee also reviews the arrangements with, and the services provided by, the Custodian to ensure that the safeguarding of the Company's assets and security of the shareholders' investment is being maintained.

The Management Engagement Committee will review, at least annually, the performance of all of the Company's third-party service providers, including the level and structure of fees payable and the length of the notice period, to ensure that they remain competitive and in the best interests of Shareholders, as well as reviewing service providers' anti-bribery and corruption policies to address the provisions of the Bribery Act 2010, together with their policies on whistleblowing and cyber crime prevention.

Nomination Committee

The Company's Nomination Committee consists of Richard Boléat, Barbara Powley and Jane Routledge and is chaired by David Simpson. The Nomination Committee meets at least once a year or more often if required. Its principal duties will be to advise the Board on succession planning bearing in mind the balance of skills, knowledge and experience existing on the Board and will make recommendations to the Board in this regard. The Nomination Committee advises the Board on its balance of relevant skills, experience, gender, race, ages and length of service of the Directors serving on the Board. All appointments to the Board will be made in a formal and transparent matter.

The Nomination Committee met once during the year ended 31 December 2021 to formally recommend to the Board the re-election of all Directors at the 2021 AGM. In addition the Nomination Committee met a further three times to consider and engage the services of Nurole, an external search consultancy, in the search for an additional Non-Executive Director and subsequently to recommend to the Board the appointment of Jane Routledge as a Non-Executive Director. The external search consultancy had no connection with the Company or individual Directors.

New appointees to the Board will be provided with a full induction programme. This programme will cover the Company's investment strategy, policies and practices.

The Directors are also given key information on the Company's regulatory and statutory requirements as they arise, including information on the role of the Board, matters reserved for its decision, the terms of reference for the Board Committees, the Company's corporate governance practices and procedures and the latest financial information.

Remuneration Committee

The Company's Remuneration Committee consists of David Simpson, Richard Boléat and Jane Routledge and is chaired by Barbara Powley. The Remuneration Committee meets at least once a year or more often if required. The Remuneration Committee's main functions include: (i) agreeing the policy for the remuneration of the Directors and reviewing any proposed changes to the policy; (ii) reviewing and considering ad hoc payments to the Directors in relation to duties undertaken over and above normal business; and (iii) appointing independent professional remuneration advice.

Corporate governance statement

Remuneration Committee (continued)

The Remuneration Committee met once during the year to consider whether the current level of non-executive Director fees remained appropriate. The Committee agreed that Director fees would increase in line with inflation since the Company's launch, with effect from 1 January 2021. Further details can be found in the Directors' Remuneration Report on page 57. Since the year end, the Remuneration Committee has met to consider the Remuneration Report which it recommended to be put to the shareholders at the AGM. In addition, the Committee agreed that Director fees would increase in line with inflation, with effect from 1 January 2022. Further details can be found in the Directors' Remuneration Report on page 57.

The Remuneration Report is set out on pages 57 to 63 of the Annual Report.

Meeting attendance

The number of scheduled Board and Board Committee meetings held during the year ended 31 December 2021 and the attendance of the individual Directors is shown below:

	Board	Audit Committee	Nomination Committee	Management Engagement Committee	Remuneration Committee
David Simpson	5/5	5/5	1/1	1/1	1/1
Richard Boléat	5/5	5/5	1/1	1/1	1/1
Barbara Powley	5/5	5/5	1/1	1/1	1/1
Mark Hutchinson[a]	3/3	n/a	n/a	n/a	n/a
Jane Routledge[b]	1/1	1/1	n/a	n/a	n/a

[a] Mark Hutchinson retired on 31 August 2021.

[b] Jane Routledge was appointed on 25 October 2021.

The Board meets at least four times a year to review investment performance, financial reports and other reports of a strategic nature. Board and Board Committee meetings are also held on an ad hoc basis to consider particular issues as they arise. Key representatives of the Investment Manager attend each meeting and between these meetings there is regular contact with the Chairman and other Directors where appropriate.

Following the year end, one meeting of each of the Nomination Committee, Management Engagement Committee and the Remuneration Committee and two meetings of the Audit Committee took place at which all Committee members were present.

Link Company Matters Limited
Corporate Secretary

23 March 2022

Directors' remuneration report

The Board presents the Directors' Remuneration Report for the year ended 31 December 2021. This Report is prepared in accordance with Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013.
A resolution to approve this Report will be proposed at the AGM of the Company to be held on 8 June 2022.
The law requires the Company's auditor to audit certain disclosures provided. Where disclosures have been audited, they are indicated as such. The auditor's opinion is included in their report on pages 71 to 81.

Statement from the Chairman of the Remuneration Committee

Directors' remuneration is determined by the Remuneration Committee, at its discretion within an aggregate ceiling of £300,000 per annum, as set out in the Company's Articles of Association.
The Remuneration Committee's main functions include: (i) agreeing the policy for the remuneration of the Directors and reviewing and proposing changes to the policy; (ii) reviewing and considering ad hoc payments to the Directors in relation to duties undertaken over and above normal business; and (iii) appointing independent professional remuneration advisors. The Remuneration Committee consists of myself, David Simpson, Richard Boléat and Jane Routledge.

Each Director abstains from voting on his or her own individual remuneration.

During the year ended 31 December 2021, the annual fees were set out at the rate of £41,000 for the Chairman, £35,750 for the Chairman of the Audit Committee and £30,750 for a Director. The Board's remuneration is considered annually. Following a review, it was agreed that effective from 1 January 2022, the fees would be increased in line with inflation, accordingly the fees of the Chairman would increase to £43,000, the Chairman of the Audit Committee to £37,500 and the other Directors to £32,250.

In accordance with the Companies Act 2006, the Company is required to obtain shareholder approval of its remuneration policy on a triennial basis. An ordinary resolution for the approval of the remuneration policy as set out below was put to members at the 2020 Annual General Meeting. It is the intention of the Board that the policy on remuneration will continue to apply for the current financial year.

Remuneration policy

The Company follows the recommendation of the AIC Code that non-executive Directors' remuneration should reflect the time commitment and responsibilities of the role. The Company's policy is that the remuneration of non-executive Directors should reflect the experience of the Board as a whole and be determined with reference to comparable organisations and appointments. The Board also considers the average rate of inflation during the period since the last fee increase and reviews the level of remuneration in comparison with other investment trusts of a similar size and/or mandate, as well as taking account of any data published by the AIC to ensure that fees are in line with industry practice. This comparison, together with consideration of any alteration in non-executive Directors' responsibilities, is used to review whether any change in remuneration is necessary.

All Directors are non-executive, appointed under the terms of letters of appointment. There are no service contracts in place. The Company has no employees.

The fees for the non-executive Directors are determined within the limits (not to exceed £300,000 per annum) set out in the Company's Articles of Association, or any greater sum that may be determined by special resolution of the Company. Directors are not eligible for bonuses, share options, long-term incentive schemes or other performance-related benefits as the Board does not believe that this is appropriate for non-executive Directors. There are no pension arrangements or retirement benefits in place for the Directors of the Company.

Directors' remuneration report

Remuneration policy (continued)

Under the Company's Articles of Association, if any Director is called upon to perform or render any special duties or services outside their ordinary duties as a Director, they may be paid such reasonable additional remuneration as the Board, or any committee authorised by the Board, may from time to time determine.

The Directors are entitled to be repaid all reasonable travelling, hotel and other expenses properly incurred by them in or about the performance of their duties as Director, including any expenses incurred in attending meetings of the Board or any committee of the Board or general meetings of the Company.

Directors' and Officers' liability insurance cover is maintained by the Company on behalf of the Directors.

Directors' remuneration components

The components of the remuneration package for the Company's non-executive Directors, which comprise the Directors' Remuneration Policy, are set out below:

Remuneration type	Description and approach to determination
Fixed fees	Annual fees are set for each of the Directors, taking into account the wider industry and individual skills, time commitment and experience. When making recommendations for any changes in fees, the Committee will also consider wider factors such as the average rate of inflation over the period since the previous review, and the level and any change in complexity of the Directors' responsibilities (including additional time commitments as a result of increased regulatory or corporate governance requirements). These fees shall not exceed £300,000 per annum, divided between the Directors as they may determine. Directors do not participate in discussions relating to their own fee.
Additional fees	If any Director, being willing and having been called upon to do so, shall render or perform extra or special services of any kind, including services on any Committee of the Board, or shall travel or reside abroad for any business or purposes of the Company, he or she shall be entitled to receive such sum as the Board may think fit for expenses, and also such remuneration as the Board may think fit, either as a fixed sum or otherwise, and such remuneration may, as the Board shall determine, be either in addition to or in substitution for any other remuneration he or she may be entitled to receive.
Expenses	The Directors shall be entitled to be paid all expenses properly incurred by them in attending General Meetings or separate meetings of the holders of any class of shares or meetings of the Board or Committees of the Board or otherwise in or with a view to the performance of their duties.
Other	Directors are not eligible for bonuses, share options or long-term incentive schemes or other performance-related benefits. There are no pension arrangements in place for the Directors of the Company.

Directors' remuneration report

Remuneration policy (continued)

Directors' fee levels per annum (effective from 1 January 2022)

Component	Role	Fee level per annum	Purpose of Remuneration
Annual fee	Chairman	£43,000	Commitment as Chairman[a]
Annual fee	Non-executive Director	£32,250	Commitment as non- executive Director
Additional fee	Chairman of the Audit Committee	£5,250	For additional responsibilities and time commitments[b]
Additional fee	All Directors	n/a	For extra or special services performed in their role as a Director[c]
Expenses	All Directors	n/a	Reimbursement of expenses incurred in the performance of duties as a Director

[a] The Chairman of the Board is paid a higher fee than the other Directors to reflect the more onerous role.

[b] The Chairman of the Audit Committee is paid a higher fee than the other Directors to reflect the more onerous role.

[c] Additional fees would only be paid in exceptional circumstances in relation to the performance of extra or special services. No such fees have been paid in the current year.

Fees are reviewed annually in accordance with the above policy. The fee for any new Director appointed to the Board will be determined on the same basis. The Company is committed to ongoing Shareholder dialogue and any views expressed by Shareholders on the fees being paid to Directors would be taken into consideration by the Board when reviewing the Directors' Remuneration Policy and in the annual review of Directors' fees.

Compensation will not be made upon early termination of appointment.

Directors' remuneration report

Annual report on remuneration

The report below provides Shareholders with an understanding of how the Company has implemented the Remuneration Policy.

Directors' remuneration (audited)

The remuneration paid to the Directors for the years ending 31 December 2021 and 31 December 2020 is set out in the single total figure table below:

Director	Year ended 31 December 2021			Year ended 31 December 2020		
	Fees £	Taxable benefits[a] £	Total £	Fees £	Taxable benefits[a] £	Total £
David Simpson	41,000	18	41,018	40,000	102	40,102
Richard Boléat	35,750	2,729	38,479	35,000	1,708	36,708
Mark Hutchinson[b]	–	–	–	–	–	–
Barbara Powley	30,750	2,145	32,895	30,000	2,974	32,974
Jane Routledge[c]	5,716	0	5,716	–	–	–
	113,216	**4,892**	**118,108**	**105,000**	**4,784**	**109,784**

All fees are at a fixed rate and there is no variable remuneration. Fees are pro-rated where a change takes place during a financial year. There were no payments to third parties included in the fees referred to in the table above. There are no further fees to disclose as the Company has no employees, chief executive or executive directors.

a Reimbursement of expenses incurred in the performance of duties as a Director.

b While a Director of the Company, Mark Hutchinson was employed by M&G as Chair of Private Assets and had agreed to waive his fee. He retired on 31 August 2021.

c Jane Routledge was appointed on 25 October 2021.

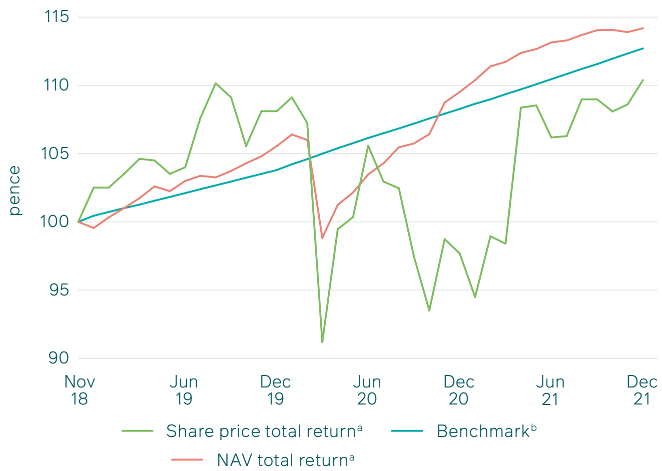
Directors' remuneration report

Annual report on remuneration (continued)

Company performance

The graph below compares the total return to holders of Ordinary Shares since they were first admitted to trading on the LSE, compared to a return of 3 Month LIBOR +2.5% from inception to 31 December 2019, thereafter 3 Month LIBOR +4%. LIBOR plus target rates have been chosen for comparison purpose as these were the dividend targets for the stated period.

14 November 2018 = 100



[a] Alternative performance measure. Please see pages 112 to 113 for further information.
[b] 3 Month LIBOR +2.5% from inception to 31 December 2019, thereafter 3 Month LIBOR +4%, compounded daily.

Source: M&G

Relative importance of spend on pay

The table below shows the proportion of the Company's income spent on pay.

for the year ended 31 December	2021 £'000	2020 £'000	Change £'000
Spent on Directors' fees[a]	118	110	8
Management fee and other expenses[b]	1,395	1,178	217
Dividend payments[b]	6,066	5,393	673
Costs of repurchasing Ordinary Shares	2,829	129	2,700

[a] As the Company has no employees, the total spent on remuneration comprises fees and taxable benefits paid to Directors.

[b] The items listed in the table above are as required by the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 ss.20 with the exception of the management fee and other expenses, which have been included because the Directors believe it will help shareholders' understanding of the relative importance of the amount spent on pay. The figures for this measure are the same as those shown in notes 4 and 5 to the Financial Statements.

Annual percentage change in Directors' remuneration

The following table sets out the annual percentage change in Directors' fees for the years ending 31 December 2021 and 31 December 2022. Directors' fees were unchanged in the period from inception to 31 December 2020.

Director	% from 2021 to 2022	% from 2020 to 2021
David Simpson (Chairman)	4.9	2.5
Richard Boléat (Audit Committee Chairman)	4.9	2.1
Barbara Powley	4.9	2.5
Jane Routledge[a]	4.9	–
Mark Hutchinson[b]	–	–

[a] Jane Routledge was appointed as a Director on 25 October 2021, the percentage shown is the increase on a full-year basis.

[b] While a Director of the Company, Mark Hutchinson was employed by M&G as Chair of Private Assets and had agreed to waive his fee. He retired on 31 August 2021.

Directors' remuneration report

Annual report on remuneration (continued)

Directors' interests (audited)

The Company's Articles of Association do not require a Director to own shares in the Company. The interests of the Directors and any connected persons in the Ordinary Shares of the Company at 31 December 2020 and 31 December 2021 are shown in the table below.

	Number of shares 31 December 2021	Number of shares 31 December 2020
David Simpson	25,000	25,000
Richard Boléat	20,000	10,000
Barbara Powley[a]	16,673	15,978
Jane Routledge[b]	–	–

The information in the above table has been audited.

[a] Barbara Powley purchased an additional 308 shares on 11 March 2022.

[b] Jane Routledge purchased 19,696 shares on 20 January 2022.

All of the holdings of the Directors are beneficial.

None of the Directors or any person connected with them had a material interest in the Company's transactions, arrangements or agreements during the year.

Remuneration advisors

The Company has not sought the advice or service of any outside person in respect of consideration of Directors' remuneration.

Consideration of shareholders' views

An ordinary resolution to approve the Remuneration Report is put to shareholders at each Annual General Meeting. Shareholders also have the opportunity to comment on and raise any questions in respect of the remuneration policy at the meeting. To date, no shareholders have expressed an opinion on the remuneration policy. Should there be a substantial vote against any resolution proposed at the Annual General Meeting, the reasons for the vote would be sought and action taken. In the event that the vote was against resolutions in relation to the Directors' remuneration, further details would be provided in future Directors' Remuneration Reports.

Shareholder voting

The Directors' Remuneration Report for the year ended 31 December 2020 and the Directors' Remuneration Policy were approved by shareholders at the Annual General Meetings held on 9 June 2021 and 25 June 2020 respectively. The votes cast were as follows:

	Directors' remuneration report		Directors' remuneration policy	
	Number of votes	% of votes cast	Number of votes	% of votes cast
For	58,261,018	99.97	51,299,823	100.00
Against	16,325	0.03	0	–
Total votes cast	**58,277,343**	**100.00**	**51,299,823**	**100.00**
Number of votes withheld	5,198	–	–	–

Directors' remuneration report

Annual report on remuneration (continued)

Approval

On behalf of the Board and in accordance with Part 2 of Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, I confirm that the above Report on Remuneration Implementation summarises, as applicable, for the year to 31 December 2021:

- The major decisions on Directors' remuneration.
- Any substantial changes relating to Directors' remuneration made during the year.
- The context in which the changes, if any, occurred and decisions have been taken.

The Directors' Remuneration Report was approved by the Board and signed on its behalf by:

H

Barbara Powley
Chairman of the Remuneration Committee

23 March 2021

Report of the Audit Committee

I am pleased to present the Report of the Audit Committee for the year ended 31 December 2021.

Role of the Audit Committee

The primary responsibilities of the Audit Committee are:

- to monitor the integrity and contents of the Company's Half Year reports, Annual reports and audited Financial Statements and accounting policies, and to review compliance with regulatory and financial reporting requirements;
- to advise the Board, where requested, on whether the Annual Report and audited Financial Statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy;
- to review the principal risks facing the Company that would threaten its business model, future performance, solvency or liquidity, and to review the effectiveness of the Company's internal controls and risk management systems;
- to assess the prospects of the Company for the next 12 months and to consider its longer term viability;
- to review the Company's internal financial controls and review the adequacy and effectiveness of the Company's risk management systems;
- to consider annually whether there is a need for the Company to have its own internal audit function;
- to oversee the selection process of possible new appointees as external auditor;
- to make recommendations to the Board in relation to the appointment, re-appointment and removal of the Auditor, including the approval of its remuneration and terms of engagement;
- to review the adequacy and scope of the external audit;
- to consider the independence, objectivity and effectiveness of the Auditor and the effectiveness of the audit; and
- to approve any non-audit services to be provided by the Auditor and the fees paid for such services.

Composition of the Audit Committee and resources

All of the independent non-executive Directors of the Company are members of the Audit Committee. I am a Fellow of the Institute of Chartered Accountants in England and Wales, and have more than 30 years' financial sector and accounting experience and therefore consider myself to have recent and relevant financial and investment experience sufficient to chair the Audit Committee. I consider that the Audit Committee as a whole has competence relevant to the investment trust sector. Details of the Committee Members' experience are given in the biographical information on page 38.

As the Company has no employees, there is no dedicated resource available to the Audit Committee. However, representatives from the Investment Manager are invited to attend and present on issues as required.

The Audit Committee also has direct access to Deloitte LLP, who act as Auditor to the Company. The Independent Auditor attends Audit Committee meetings as required. The Audit Committee reviews, with the Independent Auditor, the plan and scope of the audit prior to its start, and the results after it is concluded. At least annually, the Audit Committee discusses any relevant matters with the Auditor privately without the presence of the Investment Manager.

The Audit Committee is authorised to use whatever resources are required to fulfil its duties including seeking independent legal or other professional advice.

Report of the Audit Committee

Terms of reference

The Committee operates within defined terms of reference which are available on the Company's website.

Matters considered during the year

During the year under review, the Audit Committee has ensured the effective assessment of the Company's evolving risk environment, particularly given the continued challenging effects of the COVID-19 pandemic on the market for the majority of the year with markets recovering towards the end of the year. Rigorous evaluation and close oversight of the Company's risk matrix has been undertaken together with the Company's internal control systems. The Committee regularly ensures that those internal control systems established at IPO are maintained and updated as necessary and receives confirmations from third party providers in this regard. In addition, the Committee has closely assessed the Company's ability to meet its financial obligations over the next 12 months and the ongoing viability of the Company, with particular regard to the ongoing effects of COVID-19. In particular, the Committee has given close consideration to the forward-looking elements of the Company's statements, noting the changes on the horizon and being clear on the assumptions made in regard to those.

In relation to the Company's financial statements which appear within the latter part of this Report, the key area of focus has inevitably been on the valuation of those financial instruments where there is no ready market, which comprise a material part of the Company's portfolio of securities. The Committee regards as a key duty the obtaining of ongoing comfort that the process behind the valuation of such instruments is robust, consistent, reliable and able to withstand external scrutiny. This is particularly critical given the regular publication of the Company's net asset value, which incorporates the output from these processes. The Committee, after due and detailed enquiry, is satisfied that these processes are fit for purpose.

Following the year-end audit, an in depth review of the effectiveness of the audit process, including an assessment of the quality of the audit, the handling of the key judgments by the auditor, and the auditor's response to questions from the Committee was carried out, the results of which are detailed on page 66 of this report. In order to assess the year-end processes of the Company, the views and findings of all third party service providers involved in the processes were discussed, considered and later presented to the Committee.

Significant issues

The significant issues considered by the Committee in relation to the Annual Report and audited Financial Statements were:

1. Whether the analysis of principal risks faced by the Company as set out in the Strategic Report adequately captures and explains all key risks in a manner which enables Shareholders to properly understand the risks faced by the Company;
2. The determination of fair value in respect of the Company's assets classified as levels 2 and 3 under the FRS102 fair value hierarchy, particularly given the disruption to the normal functioning of markets for asset classes in which the Company invests as a consequence of the COVID-19 pandemic;
3. The determination of the correct level of individual assets within the FRS102 fair value hierarchy;
4. The risk that the global economic disruption caused by COVID-19 will affect the Company's ability to continue in operation due to the impact on market valuations of portfolio companies or the ability of key service providers (including the Manager, the Depositary, the Custodian, the Administrator, the Registrar and Broker) to maintain business continuity and continue to provide appropriate service levels; and
5. A critical review and appraisal of the form and content of the Full Year Report to seek to ensure that it is fair, balanced and understandable.

Report of the Audit Committee

Audit fees and non-audit services

An audit fee of £52,000 exclusive of VAT has been agreed in respect of the audit for the year ended 31 December 2021 (2020: £45,000 exclusive of VAT).

In accordance with the Company's Non-Audit Services Policy, as updated and adopted by the Company on 26 October 2020, the Audit Committee reviews the scope and nature of all proposed non-audit services before engagement, to ensure that auditor independence and objectivity are safeguarded. Pursuant to the introduction of the Revised Ethical Standard 2019, the policy includes a 'whitelist' of non-audit services which may be provided by the Auditor provided there is no apparent threat to independence, as well as a list of services which are prohibited.

Non-audit services are capped at 70.0% of the average of the statutory audit for the preceding three years.

During the year ended 31 December 2021, the Auditor provided only one non-audit service, an agreed upon procedures on the Half Year Report for the period to 30 June 2021 for a fee of £10,500 exclusive of VAT (2020: £10,000 exclusive of VAT).

Further information on the fees paid to the Auditor is set out in note 5 to the Financial Statements on page 91.

Effectiveness of the external audit

The Audit Committee monitors and reviews the effectiveness of the external audit carried out by the Auditor, including a detailed review of the audit plan and the audit results report, and makes recommendations to the Board on the appointment, re-appointment, remuneration and terms of engagement of the Auditor. This review takes into account the experience and tenure of the audit partner and team, the nature and level of services provided, and confirmation that the Auditor has complied with independence standards. Any concerns with the effectiveness of the external audit process would be reported to the Board.

Independence and objectivity of the Auditor

The Committee has considered the independence and objectivity of the Auditor and has conducted a review of non-audit services which the Auditor has provided during the year under review. The Committee receives an annual assurance from the Auditor that its independence is not compromised by the provision of such non-audit services.

The Committee is satisfied that the Auditor's objectivity and independence is not impaired by the performance of these non-audit services and that the Auditor has fulfilled its obligations to the Company and its shareholders.

Deloitte LLP has been the Auditor to the Company since launch in 2018. No tender for the audit of the Company has been undertaken. The Committee will review the continuing appointment of the Auditor on an annual basis and give regular consideration to the Auditor's fees and independence, along with matters raised during each audit.

Appointment of the Auditor

Following consideration of the performance of the Auditor, the services provided during the year and a review of its independence and objectivity, the Committee has recommended to the Board the appointment of Deloitte LLP as Auditor to the Company.

In accordance with the requirements relating to the appointment of auditors, the Company would need to conduct an audit tender no later than for the financial year beginning 1 January 2028. Even if no change is made to the audit firm appointed, the audit partner changes at least every five years.

Report of the Audit Committee

Internal controls and risk management

The Board, through the Audit Committee, is responsible for ensuring that suitable internal control systems to prevent and detect fraud and error are designed and implemented by the third-party service providers to the Company and is also responsible for reviewing the effectiveness of such controls.

The Board confirms that there is an ongoing process for identifying, evaluating and managing the principal risks faced by the Company in line with the FRC's Guidance on Risk Management, Internal Control and Related Financial and Business Reporting published in September 2014 and the FRC's Guidance on Audit Committees published in April 2016. This process has been in place for the year under review and up to the date of approval of this report, and accords with the guidance.

In particular, it has reviewed and updated the process for identifying and evaluating the significant risks affecting the Company and policies by which these risks are managed. The risks of any failure of such controls are identified in a risk matrix and a schedule of key risks, which are regularly reviewed by the Board and which identify the likelihood and severity of the impact of such risks and the controls in place to minimise the probability of such risks occurring.

Where reliance is placed on third parties to manage identified risks, those risks are matched to appropriate controls reported in the relevant third-party service provider's annual report on controls. The principal risks identified by the Board are set out in the Strategic Report on pages 18 to 24.

The following are the key components which the Company has in place to provide effective internal control:

- The Board has agreed clearly defined investment criteria, which specify levels of authority and exposure limits. Reports on compliance with these criteria are regularly reviewed by the Board.
- The Board has a procedure to ensure that the Company can continue to be approved as an investment company by complying with Sections 1158/1159 of the Corporation Tax Act 2010.
- The Investment Manager and Administrator prepare forecasts and management accounts which allow the Board to assess the Company's activities and to review its performance.
- The contractual agreements with the Investment Manager and other third-party service providers, and adherence to them, are regularly reviewed.
- The services and controls at the Investment Manager and at other third-party service providers are reviewed at least annually.
- The Audit Committee receives and reviews assurance reports on the controls of all third-party service providers, including the Administrator.

Internal control systems are designed to meet the Company's particular needs and the risks to which it is exposed. They do not eliminate the risk of failure to achieve business objectives and, by their nature, can only provide reasonable and not absolute assurance against misstatement or loss.

As the Company has no employees, it does not have a whistleblowing policy and procedure in place. The Company delegates its main functions to third-party service providers, each of whom report on their policies and procedures to the Audit Committee.

Report of the Audit Committee

Internal audit function

The Audit Committee believes that the Company does not require an internal audit function, principally because the Company delegates its day-to-day operations to third parties, which are monitored by the Committee, and which provide control reports on their operations at least annually.

My thanks go to all the individuals who have generously committed their time up to the publication of this report in contributing to the successful completion of the Committee's work program to date. I would very much welcome feedback from Shareholders on the form and content of this Annual Report and audited Financial Statements.

H

Richard Boléat
Chairman of the Audit Committee

23 March 2022

Management report and Directors' responsibilities statement

Management report

Listed companies are required by the FCA's Disclosure Guidance and Transparency Rules (the "Rules") to include a management report in their Financial Statements. This information is included in the Strategic Report on pages 7 to 37 inclusive (together with the sections of the Annual Report and audited Financial Statements incorporated by reference) and the Directors' Report on pages 39 to 43. Therefore, a separate management report has not been included.

Statement of Directors' responsibilities in respect of the Annual Report and audited Financial Statements

The Directors are responsible for preparing the Annual Report and audited Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that complies with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Management report and Directors' responsibilities statement

Responsibility statement of the Directors in respect of the annual financial report

The Directors listed on page 111 confirm that to the best of their knowledge:

- the Financial Statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit of the Company taken as a whole; and
- the Strategic Report/Directors' Report include a fair review of the development and performance of the business and the position of the issuer, together with a description of the principal risks that they face.

The 2018 UK Corporate Governance Code also requires Directors to ensure that the Annual Report and audited Financial Statements are fair, balanced and understandable. In order to reach a conclusion on this matter, the Board has requested that the Audit Committee advise on whether it considers that the Annual Report and audited Financial Statements fulfil these requirements. The process by which the Audit Committee has reached these conclusions is set out in the Report of the Audit Committee on pages 64 to 68. As a result, the Board has concluded that the Annual Report and audited Financial Statements for the year ended 31 December 2021, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position, performance, business model and strategy.

On behalf of the Board

David Simpson
Chairman

23 March 2022

Independent auditor's report

Independent auditor's report to M&G Credit Income Investment Trust plc (the "Company")

Report on the audit of the Financial Statements

1 Opinion

In our opinion the financial statements of M&G Credit Income Investment Trust plc (the 'Company'):

- Give a true and fair view of the state of the Company's affairs as at 31 December 2021 and of its profit for the year then ended;
- Have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Statement of Recommended Practice issued by the Association of Investment Companies in April 2021 "Financial Statements of Investment Trust Companies and Venture Capital Trusts"; and
- Have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, which comprise:

- The income statement;
- The statement of financial position;
- The statement of changes in equity;
- The cash flow statement; and
- The related notes 1 to 16.

The financial reporting framework that has been applied in their preparation is applicable law, United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice) and the Statement of Recommended Practice issued by the Association of Investment Companies ('SORP') in April 2021 "Financial Statements of Investment Trust Companies and Venture Capital Trusts".

2 Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services provided to the Company for the year are disclosed in Note 5 to the financial statements. We confirm that we have not provided any non-audit services prohibited by the FRC's Ethical Standard to the Company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independent auditor's report

Report on the audit of the Financial Statements (continued)

3 Summary of our audit approach

Key audit matters	The key audit matter that we identified in the current year was valuation and ownership of investments (excluding derivatives).
Materiality	The materiality that we used in the current year was £1.44 million which was determined on the basis of 1% of net assets.
Scoping	Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.
Significant changes in our approach	There has been no significant changes to our approach from the prior period.

4 Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the Directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included:

- Assessing the liquidity and the ability of the Investment Manager to trade in the investment portfolio in order to cover operational expenditure as it falls due;
- Assessing the impact of COVID-19 considerations on the Company's investment and the Company's net asset value; and
- Assessing the appropriateness of the going concern disclosures included within the financial statements.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In relation to the reporting on how the Company has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

5 Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent auditor's report

Report on the audit of the Financial Statements (continued)

5.1 Valuation and ownership of investments (excluding derivatives)

Key audit matter description	The investments held by the Company (excluding derivatives), £139.5 million (2020: £140.1 million) are key to its performance and account for the majority of the total assets, i.e., 96.3% at 31 December 2021 (2020: 94%). There is a risk that the investments disclosed in the financial statements may not represent the property of the Company and/or may not be valued appropriately. The activities of the Company's operations are outsourced to the administrator, State Street. Investments are key drivers to the net asset value of the Company and materially manipulating the valuation of the Company's investments via applying the incorrect share price, units or shares owned would directly affect the net asset value of the Company. Investment management fees are directly linked to performance of the net asset value. It follows that there is an incentive for the Investment Manager to manipulate the net asset value as, this improves the Company's performance, thereby benefiting higher income for Investment Manager. The quoted investments are valued using independent pricing sources and there is little judgement involved. The unquoted investments, which are classified as Level 3 within fair value hierarchy are not traded in an active market and there is no pricing information available from markets, therefore, the investments are valued using alternative methods such as discounted cash flow valuations and by reference to broker quotes, wherein judgements and assumptions (including spread and credit rating) are used in computations. Refer to note 1b to the financial statements for the accounting policy on investments and details of the investments are disclosed in note 9 to the financial statements.

Independent auditor's report

Report on the audit of the Financial Statements (continued)

How the scope of our audit responded to the key audit matter

For ownership of investments

We have performed the following procedures to test the ownership of the investment portfolio at 31 December 2021:

- Obtained an understanding of relevant controls at the administrator, State Street, over the ownership of investments;
- Agreed 100% of the portfolio of investments to confirmations received directly from the State Street depositary team;
- For direct loans recorded as investments, we have vouched a sample of drawdowns for each loan to bank statements; and
- Tested the recording of a sample of purchases and sales of investments by tracing the cash movements to bank statements.

We have performed the following procedures to test the valuation of the investment portfolio at 31 December 2021:

For valuation of quoted investments

- Obtained an understanding of relevant controls at the administrator, State Street, over the valuation of quoted investments;
- Agreed the valuation of 100% of investments to the closing bid prices published by an independent pricing source, including Bloomberg, Thomson Reuters and Markit; and
- Assessed the 'depth' (i.e. volumes traded) of the pricing source and its implications for the levelling disclosure.

For valuation of unquoted investments

- Obtained an understanding of relevant controls at the Company, over the valuation of unquoted investments;
- Obtained the Company's discounted cash flow workings and performed a walkthrough to understand the methodology applied;
- Reviewed the original term sheets setting out the terms of the agreement with the counterparty;
- Recalculated a sample of discounted cash flow valuations and assessed the inputs and assumptions;

Independent auditor's report

Report on the audit of the Financial Statements (continued)

	• Checked whether the credit rating and credit spread at origination of the investment have been approved by the Board, before independently assessing the appropriateness of management's assumptions on the change in spread and credit rating over the period from origination to year end; • Assessed the implications of model assumptions on the levelling of each investment for the fair value hierarchy; and • For those investments priced with reference to broker quotes, obtained independent evidence such as broker report.
Key observations	Based on the work performed we concluded that the valuation and ownership of investments (excluding derivatives) were appropriate.

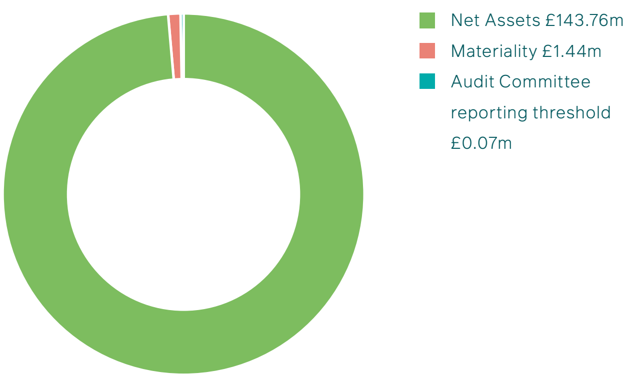
6 Our application of materiality

6.1 Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Materiality	£1.44 million (2020: £1.47 million)
Basis for determining materiality	1% (2020: 1%) of net assets
Rationale for the benchmark applied	Net assets has been chosen as a benchmark as it is the main focus for investors and is a key driver of shareholder value.



Source: Deloitte

Independent auditor’s report

Report on the audit of the Financial Statements (continued)

6.2 Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Performance materiality was set at 70% of materiality for the 2021 audit (2020: 65%). We have increased our performance materiality in current year to 70% as we no longer believe there to be an increased risk in the Company’s operating environment caused by COVID-19, which led to us reducing performance materiality in prior year. In determining performance materiality, we considered factors including:

- Our risk assessment, including our assessment of the Company’s overall control environment; and
- Our experience from previous audits, which has indicated a low number of corrected and uncorrected misstatements identified in prior periods.

6.3 Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £0.07 million (2020: £0.07 million), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7 An overview of the scope of our audit

7.1 Scoping

Our audit was scoped by obtaining an understanding of the entity and its environment, including internal control and assessing the risks of material misstatement through quantitative and qualitative factors relating to each account balance, class of transactions and disclosure. Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.

7.2 Our consideration of the control environment

As part of our risk assessment, we assessed the control environment in place at the administrator to the extent relevant to our audit. As part of this we relied upon the controls report of the administrator and adopted a controls reliance approach with respect to investments (valuation and ownership).

7.3 Our consideration of climate-related risks

In planning our audit, we have considered the potential impact of climate change on the Company’s business and its financial statements. The Company continues to develop its assessment of the potential impacts of environmental, social and governance (“ESG”) related risks as outlined on page 34. As a part of our audit, we held discussions to understand the process of identifying climate-related risks, the determination of mitigating actions and the impact on the Company’s financial statements. We performed our own qualitative risk assessment of the potential impact of climate change on the Company’s account balances and classes of transactions.

Independent auditor's report

Report on the audit of the Financial Statements (continued)

8 Other information

The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information contained within the Annual Report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

9 Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

10 Auditor's responsibilities for the audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Independent auditor’s report

Report on the audit of the Financial Statements (continued)

11 Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

11.1 Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- The nature of the industry and sector, control environment and business performance including the design of the Company’s remuneration policies, key drivers for remuneration, bonus levels and performance targets;
- Results of our enquiries of the management and the Directors about their own identification and assessment of the risks of irregularities;
- Any matters we identified having obtained and reviewed the Company’s documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- The matters discussed among the audit engagement team and relevant internal specialists including valuation specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following area: the valuation and ownership of quoted investments. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory framework that the Company operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act, Listing Rules and UK tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the Company’s ability to operate or to avoid a material penalty. This included the requirements of the United Kingdom’s Financial Conduct Authority (FCA).

Independent auditor's report

Report on the audit of the Financial Statements (continued)

11.2 Audit response to risks identified

As a result of performing the above, we identified valuation and ownership of investments (excluding derivatives) as a key audit matter related to potential risk of fraud. The key audit matters section of our report explains the matter in more detail and also describes the specific procedures we performed in response to that key audit matter.

In addition to the above, our procedures to respond to risks identified included the following:

- Reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- Enquiring of management and the Audit Committee concerning actual and potential litigation and claims;
- Performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- Reading minutes of meetings of those charged with governance; and
- In addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

12 Opinions on other matters prescribed by the Companies Act 2006

In our opinion the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- The information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- The strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic report or the Directors' report.

Independent auditor’s report

Report on other legal and regulatory requirements (continued)

13 Corporate Governance Statement

The Listing Rules require us to review the Directors’ statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Company’s compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- The Directors’ statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 25;
- The Directors’ explanation as to its assessment of the Company’s prospects, the period this assessment covers and why the period is appropriate set out on page 25;
- The Directors’ statement on fair, balanced and understandable set out on pages 39 to 43;
- The board’s confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 18;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems set out on page 51 and
- The section describing the work of the Audit Committee set out on page 54.

14 Matters on which we are required to report by exception

14.1 Adequacy of explanations received and accounting records Under the Companies Act 2006 we are required to report to you if, in our opinion: • We have not received all the information and explanations we require for our audit; or • Adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or • The financial statements are not in agreement with the accounting records and returns.	**We have nothing to report in respect of these matters.**
14.2 Directors’ remuneration Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of Directors’ remuneration have not been made or the part of the Directors’ Remuneration Report to be audited is not in agreement with the accounting records and returns.	**We have nothing to report in respect of these matters.**

Independent auditor's report

Report on other legal and regulatory requirements (continued)

15 Other matters which we are required to address

15.1 Auditor tenure

Following the recommendation of the Audit Committee, we were appointed by the Board of Directors on 18 September 2018 to audit the financial statements for year ending 31 December 2019 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is three years, covering the years ending 31 December 2019 to 31 December 2021.

15.2 Consistency of the audit report with the additional report to the Audit Committee

Our audit opinion is consistent with the additional report to the Audit Committee we are required to provide in accordance with ISAs (UK).

16. Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Chris Hunter

Chris Hunter CA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Edinburgh
United Kingdom

23 March 2022

Financial statements

Income statement

	Note	Year ended 31 December 2021 Revenue £'000	Year ended 31 December 2021 Capital £'000	Year ended 31 December 2021 Total £'000	Year ended 31 December 2020 Revenue £'000	Year ended 31 December 2020 Capital £'000	Year ended 31 December 2020 Total £'000
Net (losses)/gains on investments	9	–	(545)	(545)	–	2,714	2,714
Net gains/(losses) on derivatives	9	–	2,837	2,837	–	(1,368)	(1,368)
Net currency (losses)/gains		(51)	(145)	(196)	(7)	451	444
Income	3	5,565	–	5,565	5,195	–	5,195
Investment management fee	4	(965)	–	(965)	(714)	–	(714)
Other expenses	5	(548)	–	(548)	(464)	–	(464)
Net return on ordinary activities before finance costs and taxation		**4,001**	**2,147**	**6,148**	**4,010**	**1,797**	**5,807**
Finance costs	6	(122)	–	(122)	(24)	–	(24)
Net return on ordinary activities before taxation		**3,879**	**2,147**	**6,026**	**3,986**	**1,797**	**5,783**
Taxation on ordinary activities	8	–	–	–	–	–	–
Net return attributable to Ordinary Shareholders after taxation		**3,879**	**2,147**	**6,026**	**3,986**	**1,797**	**5,783**
Net return per Ordinary Share (basic and diluted)	**2**	**2.70p**	**1.49p**	**4.19p**	**2.88p**	**1.30p**	**4.18p**

The total column of this statement represents the Company's profit and loss account. The "Revenue" and "Capital" columns represent supplementary information provided under guidance issued by the Association of Investment Companies.

All revenue and capital items in the above statement derive from continuing operations.

The Company has no other comprehensive income and therefore the net return on ordinary activities after taxation is also the total comprehensive income for the year.

The notes on pages 86 to 104 form an integral part of these Financial Statements.

Financial statements

Statement of financial position

		As at 31 December 2021		As at 31 December 2020	
	Note	£'000	£'000	£'000	£'000
Non-current assets					
Investments at fair value through profit or loss	9		139,501		140,091
Current assets					
Derivative financial assets held at fair value through profit or loss	9	631		225	
Receivables	10	1,241		1,345	
Cash and cash equivalents	10	3,473		7,278	
		5,345		**8,848**	
Current liabilities					
Payables	10	(1,087)		(2,311)	
		(1,087)		**(2,311)**	
Net current assets			**4,258**		**6,537**
Net assets			**143,759**		**146,628**
Capital and reserves					
Called up share capital	11		1,447		1,447
Share premium			42,217		42,217
Special distributable reserve			95,670		98,499
Capital reserve	11		3,473		3,349
Revenue reserve			952		1,116
Total shareholders' funds			**143,759**		**146,628**
Net Asset Value per Ordinary Share (basic and diluted)	**2**		**101.44p**		**101.40p**

The notes on pages 86 to 104 form an integral part of these Financial Statements.

Approved and authorised for issue by the Board of Directors on 23 March 2022 and signed on its behalf by:

David Simpson
Chairman

Company registration number: 11469317

23 March 2022

Financial statements

Statement of changes in equity

Year ended 31 December 2021	Note	Called up Ordinary Share capital £'000	Share premium £'000	Special distributable reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Balance at 31 December 2020		**1,447**	**42,217**	**98,499**	**3,349**	**1,116**	**146,628**
Purchase of Ordinary Shares to be held in treasury		–	–	(2,829)	–	–	(2,829)
Net return attributable to shareholders		–	–	–	2,147	3,879	6,026
Dividends paid	7	–	–	–	(2,023)	(4,043)	(6,066)
Balance at 31 December 2021		**1,447**	**42,217**	**95,670**	**3,473**	**952**	**143,759**

Year ended 31 December 2020	Note	Called up Ordinary Share capital £'000	Share premium £'000	Special distributable reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Balance at 31 December 2019		**1,300**	**28,229**	**99,000**	**1,968**	**1,735**	**132,232**
Issue of Ordinary Shares	11	147	13,945	–	–	–	14,092
Purchase of Ordinary Shares to be held in treasury		–	–	(129)	–	–	(129)
Initial public offering costs written off		–	43	–	–	–	43
Net return attributable to shareholders		–	–	–	1,797	3,986	5,783
Dividends paid	7	–	–	(372)	(416)	(4,605)	(5,393)
Balance at 31 December 2020		**1,447**	**42,217**	**98,499**	**3,349**	**1,116**	**146,628**

The notes on pages 86 to 104 form an integral part of these Financial Statements.

Financial statements

Cash flow statement

	Note	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
Cash flows from operating activities			
Net profit before finance costs and taxation		6,148	5,807
Adjustments for:			
Net losses/(gains) on investments	9	545	(2,714)
Net (gains)/losses on derivatives	9	(2,837)	1,368
Decrease/(increase) in receivables		104	(253)
Increase/(decrease) in payables		130	(96)
Purchases of investments[a]	9	(42,088)	(78,730)
Sales of investments[a]	9	43,210	68,430
Net cash inflow/(outflow) from operating activities		**5,212**	**(6,188)**
Financing activities			
Finance costs	6	(122)	(24)
Issue of Ordinary Shares		–	14,092
Initial public offering costs written off		–	43
Purchase of Ordinary Shares to be held in treasury		(2,829)	(129)
Dividend paid	7	(6,066)	(5,393)
Net cash (outflow)/inflow from financing activities		**(9,017)**	**8,589**
(Decrease)/increase in cash and cash equivalents	**10**	**(3,805)**	**2,401**
Cash and cash equivalents at the start of the year		7,278	4,877
(Decrease)/increase in cash and cash equivalents as above		(3,805)	2,401
Cash and cash equivalents at the end of the year	**10**	**3,473**	**7,278**

[a] Receipts from the sale of, and payments to acquire investment securities have been classified as components of cash flows from operating activities because they form part of the Company's dealing operations.

The notes on pages 86 to 104 form an integral part of these Financial Statements.

Financial statements

Notes to the Financial Statements

1 Significant accounting policies

The Company is a public limited company incorporated in the United Kingdom and registered in England and Wales, with the registered office of Beaufort House, 51 New North Road, Exeter EX4 4EP.

The significant accounting policies, as set out below, have all been applied consistently throughout the year and the preceding year.

a) Basis of accounting

The Financial Statements have been prepared on a going concern basis under the historical cost convention, modified to include certain items at fair value, and in accordance with United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice) and the Statement of Recommended Practice issued by the Association of Investment Companies ('SORP') in April 2021 "Financial Statements of Investment Trust Companies and Venture Capital Trusts".

The Directors believe that the Company has adequate resources to continue in operational existence for the foreseeable future and for at least the next 12 months from the date of approval of these financial statements. In forming this opinion, the Directors have considered the potential impact of COVID-19 and viability of the Company. The Directors have reviewed the liquidity of the investment portfolio, financial projections, the level of income and expenses, and key service providers' operational resilience in making their assessment. Further information is given in the Viability Statement (unaudited) on pages 24 to 25 and the Going Concern Statement on page 25.

The functional and presentational currency of the Company is pound sterling because that is the currency of the primary economic environment in which the Company operates.

All values are recorded to nearest thousands, unless otherwise stated.

b) Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument.

Financial liabilities are classified according to the substance of the contractual arrangements entered into.

Financial assets and liabilities

All financial assets and liabilities are classified as at fair value through profit or loss (FVTPL) and are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar Debt Instrument.

Changes in the fair value of financial instruments held at FVTPL and gains and losses on disposal are recognised as capital.

Financial assets and liabilities are offset in the statement of financial position only when there exists a legally enforceable right to set off the recognised amounts and the Company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

With the exception of some hedging instruments, other Debt Instruments not meeting conditions of being 'basic' financial instruments are measured at FVTPL.

Financial statements

Notes to the Financial Statements (continued)

Commitments to make and receive loans that meet the conditions mentioned above are measured at cost (which may be nil) less any impairment. They are recorded and disclosed at the date of the legal commitment and recognised upon funding.

Financial assets are derecognised only when (a) the contractual rights to the cash flows from the financial asset expire or are settled, (b) the Company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or (c) the Company, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

Derivative financial instruments
Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in the Income Statement. Derivative returns are recognised as revenue or capital depending on their nature.

Fair value measurement
The best evidence of fair value is a quoted price for an identical asset in an active market. When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the market is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, the fair value is estimated by using a valuation technique.

c) Impairment of assets

Assets, other than those measured at fair value, are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss as described below.

Non-financial assets
An asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

Where indicators exist for a decrease in impairment loss previously recognised for assets other than goodwill, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

d) Tax

Current tax is accounted for at the appropriate rate of corporation tax. The tax accounting treatment follows the principal amounts involved.

Deferred tax is recognised in respect of all timing differences between the treatment of certain items for tax and accounting purposes that have originated but not reversed at the balance sheet date.

Due to the Company's status as an investment trust company and the intention to continue meeting the conditions required to obtain approval in the foreseeable future, the Company has not provided deferred tax on any capital gains and losses arising on the revaluation or disposal of investments.

Financial statements

Notes to the Financial Statements (continued)

e) Income and expenses

Interest from Debt Instruments is recognised as revenue by reference to the coupon payable adjusted to spread any premium or discount on purchase over its remaining life. Other interest income is recognised as revenue on an accruals basis. Income from investment funds is recognised in revenue when the right to receive it is established. Expenses not incidental to the purchase or sale of investments are recognised on an accruals basis and charged to revenue. Rebate of management fees incurred by investment funds managed by M&G Alternatives Investment Management Limited are recognised on an accruals basis as revenue or capital in accordance with the underlying scheme's distribution policy.

f) Finance cost

Finance costs are recognised on an accruals basis and are charged to revenue.

g) Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date.

Other exchange differences are recognised in profit or loss in the year in which they arise.

All gains and losses on the translation of foreign currency are recognised as revenue or capital in the Income Statement depending on the underlying nature of the transactions.

h) Cash and cash equivalents

Cash and cash equivalents are defined as cash and short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to insignificant risk of change in value.

They also include unfunded commitments on investments not classified under financial assets.

i) Share capital and reserves

Called up Ordinary Share capital

Called up Ordinary Share capital represents the nominal value of Ordinary Shares issued.

Share premium

Share premium represents the excess over nominal value of shares issued, net of expenses of the share issue, except where amounts have been cancelled in accordance with Section 610 of the Companies Act 2006 and transferred to special distributable reserve.

Special distributable reserve

Share premium of £99,000,001 was cancelled on 12 February 2019 and transferred to the special distributable reserve, in accordance with Section 610 of the Companies Act 2006. The Company may, at the discretion of the Board, pay all or part of any future dividends out of this special distributable reserve, taking into account the Company's investment objective. The costs of repurchasing Ordinary Shares has been funded by the special distributable reserve.

Financial statements

Notes to the Financial Statements (continued)

Capital reserve

Capital reserve reflects any:

- gains or losses on the disposal of investments;
- exchange differences of a capital nature;
- increases and decreases in the fair value of investments held at the year end.

This reserve can also be used for distributions by way of a dividend and for funding the cost of repurchasing Ordinary Shares.

Revenue reserve

Revenue reserve reflects all income and expenditure which are recognised in the revenue column of the Income Statement and is distributable by way of dividends. It can also be used for funding the cost of repurchasing Ordinary Shares.

j) **Investment management fees**

Investment management fees are recognised on an accruals basis and are charged to revenue.

k) **Accounting judgements, estimates and assumptions**

The preparation of the Financial Statements requires the Directors to make judgements, estimates and assumptions that affect the amounts recognised in the Financial Statements. However, uncertainty about these judgements, assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in future years.

Whilst estimates are based on best judgement using information and financial data available the actual outcome may differ from these estimates.

No significant judgements, estimates or assumptions have been required in the preparation of the accounts for the current year.

Financial statements

Notes to the Financial Statements (continued)

2 Returns and net asset value (NAV)

	Year ended 31 December 2021	Year ended 31 December 2020
Revenue return		
Revenue return attributable to Ordinary Shareholders (£'000)	3,879	3,986
Weighted average number of shares in issue during the year	143,757,774	138,289,698
Revenue return per Ordinary Share (basic and diluted)	2.70p	2.88p
Capital return		
Capital return attributable to Ordinary Shareholders (£'000)	2,147	1,797
Weighted average number of shares in issue during the year	143,757,774	138,289,698
Capital return per Ordinary Share (basic and diluted)	1.49p	1.30p
Net return		
Net return per Ordinary Share (basic and diluted)	4.19p	4.18p
NAV per Ordinary Share		
Net assets attributable to Ordinary Shareholders (£'000)	143,759	146,628
Number of shares in issue at year end	141,723,022	144,605,771
NAV per Ordinary Share	101.44p	101.40p

3 Income

	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
Income from investments		
Interest income from Debt Instruments	4,936	4,633
Distributions from investment funds	521	468
Management fee rebate	105	78
	5,562	**5,179**
Other income		
Interest from cash and cash equivalents	3	16
	5,565	**5,195**

Financial statements

Notes to the Financial Statements (continued)

4 Investment management fee

	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
Investment management fee	965	714

The amount outstanding at the year end is shown in note 10.

The basis for calculating the investment management fee is set out on page 89.

5 Other expenses

	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
Revenue expenses		
Directors' fees	118	110
Legal fees	5	7
Printing and postage	5	–
Registrar's and secretarial fees	94	102
Administration fees	76	77
Broker fees	62	57
Other	113	45
	473	**398**
Auditors' remuneration:		
– Audit services	62	54
– Non-audit services[a]	13	12
	548	**464**

[a] Non-audit fees (including VAT) payable to the auditor in respect of the agreed upon procedures on the Half Year Report as of 30 June 2021 are £12,600 (30 June 2020: £12,000). The agreed upon procedures did not constitute an audit engagement or a review of the Half Year Report.

Financial statements

Notes to the Financial Statements (continued)

6 Finance costs

	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
Commitment fee	75	15
Arrangement fees	13	3
Legal fees	34	6
	122	**24**

On 19 October 2020 the Company entered into a £25 million revolving credit facility agreement with State Street Bank International GmbH. On 18 October 2021 the Company renewed the credit facility on the existing terms, with the new credit facility expiring on 17 October 2022. As at 31 December 2021 no amounts were drawn down.

7 Dividends

	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
Revenue		
2019 second interim interest distribution of 1.33p	–	1,729
2020 first interim interest distribution of 0.72p	–	936
2020 second interim interest distribution of 0.63p	–	912
2020 third interim interest distribution of 0.71p	–	1,028
2020 fourth interim interest distribution of 0.77p	1,114	–
2021 first interim interest distribution of 0.63p	911	–
2021 second interim interest distribution of 0.71p	1,017	–
2021 third interim interest distribution of 0.70p	1,001	–
	4,043	**4,605**
Capital		
2019 second interim dividend of 0.32p	–	416
2020 first interim dividend of 0.13p	–	169
2020 second interim dividend of 0.14p	–	203
2020 fourth interim dividend of 1.18p	1,706	–
2021 first interim dividend of 0.11p	159	–
2021 second interim dividend of 0.05p	72	–
2021 third interim dividend of 0.06p	86	–
	2,023	**788**

Financial statements

Notes to the Financial Statements (continued)

Set out below are the total dividends paid and proposed in respect of the year, which forms the basis on which the requirements of Sections 1158-1159 of the Corporation Tax Act 2010 are considered.

	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
Interest distributions paid of 2.04p (2020: 2.06p)	2,929	2,876
Dividend distributions paid of 0.22p (2020: 0.27p)	317	372
Interest distributions declared of 0.67p (2020: 0.77p)	941	1,114
Dividend distributions declared of 1.11p (2020: 1.18p)	1,558	1,706
	5,745	**6,068**

On 26 January 2022 the Board declared a fourth interim dividend of 1.78p per Ordinary Share for the year ended 31 December 2021, which was paid on 25 February 2022 to Ordinary Shareholders on the register on 4 February 2022. The ex-dividend date was 3 February 2022. The amount shown in the table above for distributions declared is based on 140,373,022 Ordinary Shares in issue.

In accordance with FRS 102, Section 32, 'Events After the End of the Reporting Period', the 2021 fourth interim dividend has not been included as a liability in this set of financial statements.

8 Taxation on ordinary activities

	Year ended 31 December 2021			Year ended 31 December 2020		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Foreign tax	–	–	–	–	–	–

The corporation tax rate was 19.0%. The tax charge for the year differs from the charge resulting from applying the standard rate of corporation tax in the UK for an investment trust company. The differences are explained below:

	Year ended 31 December 2021			Year ended 31 December 2020		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Net return on ordinary activities before taxation	**3,879**	**2,147**	**6,026**	**3,986**	**1,797**	**5,783**
Corporation tax at standard rate of 19.0%	737	408	1,145	757	341	1,098
Effects of:						
Net losses/(gains) on investments	–	103	103	–	(516)	(516)
Net (gains)/losses on derivatives	–	(539)	(539)	–	260	260
Tax deductible interest distributions	(737)	–	(737)	(757)	–	(757)
Net foreign currencies losses/(gains)	–	28	28	–	(85)	(85)
Total tax charge	–	–	–	–	–	–

Financial statements

Notes to the Financial Statements (continued)

As at 31 December 2021, the Company had unutilised management expenses of £nil (2020: £nil) carried forward. Due to the Company's status as an investment trust and the intention to continue to meet the conditions required to obtain approval in the foreseeable future, the Company has not provided deferred tax on capital gains and losses arising on the revaluation or disposal of investments.

9 Investments held at fair value through profit or loss (FVTPL)

	As at 31 December 2021 £'000	As at 31 December 2020 £'000
Opening valuation	**140,316**	**127,316**
Analysis of transactions made during the year		
Purchases at cost	40,734	80,084
Sale proceeds	(43,210)	(68,430)
Gains on investments	2,292	1,346
Closing valuation	**140,132**	**140,316**
Closing cost	139,848	138,257
Closing investment holding gains	284	2,059
Closing valuation	**140,132**	**140,316**

The Company received £43,210,000 (2020: £68,430,000) from investments sold in the year. The book cost of these investments when they were purchased was £41,575,000 (2020: £65,840,000). These investments have been revalued over time and until they were sold any unrealised gains/losses were included in the fair value of the investments.

	As at 31 December 2021 £'000	As at 31 December 2020 £'000
Gains on investments		
Net (losses)/gains on disposal of investments	(545)	2,714
Net gains/(losses) on derivatives	2,837	(1,368)
Gains on investments	**2,292**	**1,346**

	As at 31 December 2021 £'000	As at 31 December 2020 £'000
Closing valuation		
Investments at fair value through profit or loss	139,501	140,091
Derivative financial assets held at fair value through profit or loss	631	225
Closing valuation	**140,132**	**140,316**

Financial statements

Notes to the Financial Statements (continued)

10 Receivables, cash and cash equivalents and Payables

	As at 31 December 2021 £'000	As at 31 December 2020 £'000
Receivables		
Accrued income	1,108	1,204
Prepaid expenses	53	41
Management fee rebate	80	82
Other receivables	–	18
Total receivables	**1,241**	**1,345**
Cash and cash equivalents		
Cash at bank	2,526	2,269
Amounts held at futures clearing houses	345	1,009
Cash on deposit	602	4,000
Total cash and cash equivalents	**3,473**	**7,278**
Payables		
Purchases for future settlement	–	1,354
Expenses payable and deferred income	314	278
Management fee payable	771	677
Other payables	2	2
Total payables	**1,087**	**2,311**

11 Called up share capital

	As at 31 December 2021		As at 31 December 2020	
	Number of shares	Nominal value £'000	Number of shares	Nominal value £'000
Ordinary Shares of 1p				
Ordinary Shares in issue at the beginning of the year	144,605,771	1,446	130,000,001	1,300
Ordinary Shares issued during the year	–	–	14,745,770	147
Purchase of Ordinary Shares held in treasury	(2,882,749)	(29)	(140,000)	(1)
Ordinary Shares in issue at the end of the year	**141,723,022**	**1,417**	**144,605,771**	**1,446**
Treasury Shares (Ordinary Shares of 1p)				
Treasury Shares at the beginning of the year	140,000	1	–	–
Purchase of Ordinary Shares held in treasury	2,882,749	29	140,000	1
Treasury Shares at the end of the year	**3,022,749**	**30**	**140,000**	**1**
Total Ordinary Shares in issue and in treasury at the end of the year	**144,745,771**	**1,447**	**144,745,771**	**1,447**

Financial statements

Notes to the Financial Statements (continued)

The analysis of the capital reserve is as follows:

	Year ended 31 December 2021			Year ended 31 December 2020		
	Realised capital reserve £'000	Investment holding gains £'000	Total capital reserve £'000	Realised capital reserve £'000	Investment holding gains £'000	Total capital reserve £'000
Capital reserve at the beginning of the year	1,290	2,059	3,349	(265)	2,233	1,968
Gains on realisation of investments at fair value	4,067	–	4,067	1,520	–	1,520
Realised currency (losses)/gains during the year	(145)	–	(145)	451	–	451
Movement in unrealised gains	–	(1,775)	(1,775)	–	(174)	(174)
Dividends paid	(2,023)	–	(2,023)	(416)	–	(416)
Capital reserve at the end of the year	**3,189**	**284**	**3,473**	**1,290**	**2,059**	**3,349**

The above split in capital reserve is shown in accordance with provisions of the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts', 2021.

12 Related party transactions

M&G Alternatives Investment Management Limited, as Investment Manager, is a related party to the Company. The management fee payable to the Investment Manager for the year is disclosed in the income statement, in note 4 and amounts outstanding at the year end are shown in note 10.

The Company holds an investment in M&G European Loan Fund which is managed by M&G Investment Management Limited. At the year end this was valued at £17,519,827 (2020: £17,287,306) and represented 12.45% (2020: 11.98%) of the Company's investment portfolio.

The Directors of the Company are related parties. The details of the fees payable to Directors and details of Directors' shareholdings are given in the Directors' Remuneration Report on pages 60 and 62.

Financial statements

Notes to the Financial Statements (continued)

13 Financial instruments

In pursuing the Company's objectives, the Company accepts market price risk and interest rate risk, in relation to the portfolio of investments. Since the Company's investment objectives are to deliver returns over the long term, transactions with the sole intention of realising short-term returns are not undertaken.

The quantitative data disclosed is representative of the Company's exposure to risk throughout the year.

The AIFM attempts to gain the best and most consistent returns for clients via the following:

- a bottom-up approach, centred around a detailed evaluation of individual investments; and
- diversification across issuer, to minimise the impact of default.

Portfolio management decisions are based on an in-house credit assessment and instrument rating which is carried out by the AIFM's credit analysts.

Market risk

Market risk embodies the potential for both losses and gains and includes foreign currency risk, interest rate risk and price risk, which are discussed in detail under separate headings within this note.

Market risk arises mainly from uncertainty about future values of financial instruments influenced by other price, currency and interest rate movements. It represents the potential loss the Company may suffer through holding market positions in investments in the face of market movements.

Management of market risk

The Board meets formally at least four times a year with the Investment Manager to review, inter alia, the Company's strategy and performance, the composition of the investment portfolio and the management of risk. The investment management team has responsibility for monitoring the portfolio, which is selected in accordance with the Company's investment objective and seeks to ensure that any investments meet an acceptable risk/reward profile.

Market risk arising from foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The fair values of the Company's monetary items which have foreign currency exposure at 31 December 2021 are shown below.

	2021				2020		
	Australian dollar £'000	Euro £'000	New Zealand dollar £'000	US dollar £'000	Australian dollar £'000	Euro £'000	US dollar £'000
Debtors	14	112	–	53	18	163	61
Investments	4,059	14,319	2,312	15,210	4,198	15,710	14,802
Total foreign currency exposure on net monetary items	**4,073**	**14,431**	**2,312**	**15,263**	**4,216**	**15,873**	**14,863**

Financial statements

Notes to the Financial Statements (continued)

The Company is exposed to risks that the exchange rate of its reporting currencies relative to other currencies may change in a manner which has an adverse effect on the value of the portion of the Company's assets which are denominated in currencies other than their own currencies. Typically, the fund manager will substantially hedge these risks using foreign exchange forward contracts.

The following table illustrates the sensitivity of revenue and capital return on ordinary activities after tax and net assets attributable to Shareholders to an increase of or decrease of 5% in exchange rates. A 5% increase in the value of the fund's currency exposure would have the effect of increasing the return and net assets by £1,786,000 (2020: £1,727,000). A 5% decrease would have an equal and opposite effect.

	Increase in exchange rates 2021 £'000	Decrease in exchange rates 2021 £'000	Increase in exchange rates 2020 £'000	Decrease in exchange rates 2020 £'000
Income statement				
Revenue return	(9)	9	(9)	9
Capital return	1,795	(1,795)	1,736	(1,736)
Total change to net return on ordinary activities after tax	**1,786**	**(1,786)**	**1,727**	**(1,727)**
Change to net assets attributable to shareholders	**1,786**	**(1,786)**	**1,727**	**(1,727)**

Market risk arising from interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company's investments may be subject to interest rate risk. When interest rates decline, the value of fixed rate obligations can be expected to rise, and conversely when interest rates rise, the value of fixed rate obligations can be expected to decline. In general, if prevailing interest rates fall significantly below the interest rates on any Debt Investments held by the Company, such investments are more likely to be the subject of prepayments than if prevailing rates remain at or above the rates borne by such investments.

Since the global financial crash of 2007-08 there has been a sustained period of very low levels of central bank-set interest rates. It is expected that central banks will raise their interest rates in the near future. For investments that have a fixed rate of return, any such interest rate rises may negatively impact the returns on the investments and the returns realised by the investors.

Financial statements

Notes to the Financial Statements (continued)

The following table illustrates the sensitivity of revenue and capital return on ordinary activities after tax and net assets attributable to shareholders to an increase or decrease of 2% in interest rates. As at 31 December 2021 the prevailing base rate was 0.25%. The decrease in interest rates illustrated below of 2% is reasonably possible based on observation of market conditions and historic trends. The sensitivity analysis is based on the Company's bond holdings at each reporting date, with all other variables held constant.

	Decrease in interest rates 2021 £'000	Increase in interest rates 2021 £'000	Decrease in interest rates 2020 £'000	Increase in interest rates 2020 £'000
Income statement				
Revenue return	14	(14)	15	(15)
Capital return	2,859	(2,859)	2,947	(2,947)
Total change to net return on ordinary activities after tax	**2,874**	**(2,874)**	**2,962**	**(2,962)**
Change to net assets attributable to shareholders	**2,874**	**(2,874)**	**2,962**	**(2,962)**

Market risk arising from other price risk

Market price risk includes changes in market prices, other than those arising from interest rate risk, which may affect the value of investments.

The following table illustrates the sensitivity of revenue and capital return on ordinary activities after tax and net assets attributable to shareholders to an increase or decrease of 10% in the fair value of the Company's investments. This level of change is considered to be reasonably possible based on observation of market conditions and historic trends. The sensitivity analysis is based on the Company's investments at each reporting date, with all other variables held constant.

	Increase in fair value 2021 £'000	Decrease in fair value 2021 £'000	Increase in fair value 2020 £'000	Decrease in fair value 2020 £'000
Income statement				
Revenue return	(70)	70	(70)	70
Capital return	13,950	(13,950)	14,009	(14,009)
Total change to net return on ordinary activities after tax	**13,880**	**(13,880)**	**13,939**	**(13,939)**
Change to net assets attributable to shareholders	**13,880**	**(13,880)**	**13,939**	**(13,939)**

Financial statements

Notes to the Financial Statements (continued)

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company invests in illiquid public and private Debt Instruments. Such investments may be difficult to value or realise (if at all) and therefore the market price that is achievable for such investments might be lower than the valuation of these assets and as reflected in the Company's published NAV per Ordinary Share.

The contractual maturities of the financial liabilities at the year end, based on the earliest date on which payment can be required are as follows:

	Three months or less 2021 £'000	Total 2021 £'000	Three months or less 2020 £'000	Total 2020 £'000
Creditors: amounts falling due within one year				
Purchases awaiting settlement	–	–	1,354	1,354
Other creditors	1,087	1,087	957	957
	1,087	**1,087**	**2,311**	**2,311**

Credit risk

Credit risk is the risk that one party to a financial instrument or contract will cause a financial loss for the other party by failing to discharge an obligation. In the case of invested assets this is the potential for the reduction in the value of investments which relates to the risk of an issuer being unable to meet its obligations, whilst for trading activities this relates to the risk that the counterparty to any contract the Company enters into being unable to meet its obligations causing loss.

The Investment Manager maintains a credit risk policy and standards which set out the assessment and measurement of credit risk, compliance with which is monitored, and exposures and breaches are reported daily by the Risk team. The policy is reviewed on an annual basis to ensure that it remains fit for purpose and relevant to changes in the risk environment.

Investment mandates specify explicitly the counterparty risk appetite for cash on deposit, foreign exchange and OTC trading whilst other counterparty risk is taken for the purposes of efficient portfolio management and reduction in risk.

Financial statements

Notes to the Financial Statements (continued)

Management of counterparty risk

To mitigate counterparty risk, the AIFM follows the standards below:

- Preference for 'high-quality' rated counterparties, mainly banks with short-term A1/P1 ratings and banks rated A or better.
- Limited exposure to each counterparty to diversify risk.
- Collateral taken from counterparties and posted against their default where appropriate.
- Regular monitoring of counterparty rating.
- Capability to rapidly reduce exposure on adverse market intelligence.
- Trading on Delivery Versus Payment (DVP) basis.

Credit risk exposure

The following amounts shown in the statement of financial position represent the maximum exposure to credit risk at the year end.

	Balance sheet 2021 £'000	Maximum exposure 2021 £'000	Balance sheet 2020 £'000	Maximum exposure 2020 £'000
Fixed assets				
Investments held at fair value through profit or loss	139,501	140,321	140,091	141,602
Current assets				
Other receivables	1,241	3,106	1,345	2,834
Cash and cash equivalents	3,473	6,944	7,278	11,362
Cash at bank and in hand	**144,215**	**150,371**	**148,714**	**155,798**

No debtors are past their due date and none have been written down or deemed to be impaired.

Fair values of financial assets and financial liabilities

All financial assets and liabilities are either carried at fair value or the amount in the Statement of Financial Position is a reasonable approximation of fair value.

Financial statements

Notes to the Financial Statements (continued)

14 Fair value hierarchy

Under FRS 102 an entity is required to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy shall have the levels stated below.

- **Level 1:** quoted prices (unadjusted) in active markets for identical assets or liabilities.
- **Level 2:** other significant observable inputs (including quoted prices for similar investments, interest rates, prepayments, credit risk, spread premium, credit ratings etc).
- **Level 3:** significant unobservable inputs (including the Company's own assumptions in determining the fair value of investments, discounted cashflow model or single broker quote).

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

The determination of what constitutes 'observable' requires significant judgement by the Company. The Company considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary and provided by independent sources that are actively involved in the relevant market.

The financial assets measured at FVTPL are grouped into the fair value hierarchy as follows:

	As at 31 December 2021				As at 31 December 2020			
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets at FVTPL								
Debt Instruments	–	54,382	67,599	121,981	–	87,572	35,232	122,804
Investment in funds	–	17,520	–	17,520	–	17,287	–	17,287
Financial liabilities at FVTPL								
Derivatives	(36)	667	–	631	(369)	594	–	225
Net fair value	**(36)**	**72,569**	**67,599**	**140,132**	**(369)**	**105,453**	**35,232**	**140,316**

Financial statements

Notes to the Financial Statements (continued)

Valuation techniques for Level 3

The debt investments within the Company utilise a number of valuation methodologies such as a discounted cash flow model, which will use the relevant credit spread and underlying reference instrument to calculate a discount rate. Unobservable inputs typically include spread premiums and internal credit ratings.

Some debt instruments are valued at par and are monitored to ensure this represents fair value for these instruments. On a monthly basis these instruments are assessed to understand whether there is any evidence of market price movements, including impairment or any upcoming refinancing.

In addition, some are priced by a single broker quote, which is typically the traded broker, who provides an indicative mark.

Level 3 reconciliation

The following table shows a reconciliation of all movements in fair value of financial instruments categorised within Level 3 between the beginning and the end of the financial year:

	Level 3 31 December 2021 GBP £'000	Level 3 31 December 2020 GBP £'000
Financial assets at FVTPL		
Opening balance	35,232	16,706
Net realised losses	(549)	(293)
Purchases	25,320	21,313
Sales	(7,477)	(2,786)
Transfer in/(out) Level 3	15,073	292
Closing balance	**67,599**	**35,232**

During the year ended 31 December 2021, following a review of M&G's internal guidance for fair value levelling, certain portfolio constituents were transferred from Level 2 to Level 3 in recognition of the level of unobservable inputs that were necessarily applied to their valuation.

Financial statements

Notes to the Financial Statements (continued)

15 Capital commitments

There were outstanding unfunded investment commitments of £2,866,000 (2020: £3,494,000) at the year end.

	As at 31 December 2021 £'000	As at 31 December 2020 £'000
Bayswater RD Mercury Var. Rate 31 May 2024	1,862	–
Intu (SGS) Finco Limited Var. Rate 31 Mar 2024	229	–
Bayswater RD Mercury Var. Rate 1 May 2024	173	–
Kaveh Ventures LLC Var. Rate 16 May 2022	163	–
Valentine Senior Var. Rate 7 Mar 2022	133	133
Jamshid Ventures Var. Rate 23 Jul 2023	125	786
Alchemy Copyrights Var. Rate 16 Dec 2022	109	–
Bread Holdings Var. Rate 1 Sep 2028	72	–
Lewisham Var. Rate 12 Feb 2023	–	1,198
Westbourne 2016 1 WR Senior Var. Rate 30 Sep 2023	–	598
Sonovate Var. Rate 12 Apr 2021	–	560
Gate 1 Var. Rate 4 Jun 2022 (Junior)	–	110
Gate 1 Var. Rate 4 Jun 2022 (Senior)	–	94
Greensky Var. Rate 11 Dec 2023	–	15
	2,866	**3,494**

16 Capital management policies and procedures

The Company's capital management objectives are:

- to ensure that the Company will be able to continue as a going concern; and
- 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 instruments.

The capital of the Company consists of equity, comprising issued capital, reserves and retained earnings.

The Board monitors and reviews the broad structure of the Company's capital on an ongoing basis. This review includes:

- the nature and planned level of gearing, which takes account of the Investment Manager's views on the market;
- the issue and buy back share capital within limits set by the shareholders in general meeting; and
- the extent to which revenue in excess of that which is required to be distributed should be retained.

Notice of Annual General Meeting

This document is important and requires your immediate attention. If you are in any doubt as to what action you should take, you are recommended to seek your own financial advice from your stockbroker or other independent adviser authorised under the Financial Services and Markets Act 2000 immediately.

If you have sold or otherwise transferred all of your shares in M&G Credit Income Investment Trust plc, please forward this document as soon as possible to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

NOTICE IS HEREBY GIVEN that the second ANNUAL GENERAL MEETING (AGM) of M&G Credit Income Investment Trust plc will be held at the offices of M&G Alternatives Investment Management Limited, 10 Fenchurch Avenue, London EC3M 5AG at 11:30 am on Wednesday, 8 June 2022 to consider and vote on the resolutions below.

Resolutions 1 to 9 (inclusive) will be proposed as ordinary resolutions and resolutions 10 and 11 (inclusive) will be proposed as special resolutions.

Ordinary business

1. To receive and, if thought fit, to accept the Strategic Report, Directors' Report, Auditor's Report and the audited Financial Statements for the year ended 31 December 2021.
2. To receive and approve the Directors' Remuneration Report (excluding the Directors' Remuneration Policy) for the year ended 31 December 2021.
3. To approve the Company's dividend policy that the Company intends to distribute at least 85% of its distributable income earned each financial year by way of dividends and that, until the conclusion of the next general meeting at which financial statements are laid before the Company, such dividends are intended to be paid quarterly.
4. To re-elect Mr David Simpson as a Director of the Company.
5. To re-elect Mr Richard Boléat as a Director of the Company.
6. To re-elect Mrs Barbara Powley as a Director of the Company.
7. To elect Ms Jane Routledge as a Director of the Company.
8. To appoint Deloitte LLP as Auditor to the Company, to hold office from the conclusion of this meeting until the conclusion of the next general meeting at which financial statements are laid before the Company.
9. To authorise the Audit Committee to determine the remuneration of the Auditor of the Company.

Notice of Annual General Meeting

Special resolutions

10. THAT, the Company be authorised in accordance with Section 701 of the Act to make market purchases (within the meaning of Section 693(4) of the Act) of Ordinary Shares provided that the maximum number of Ordinary Shares authorised to be purchased will be up to 14.99% of the Ordinary Shares in issue at the date of this Notice, excluding any treasury shares, or, if changed, 14.99% of the Ordinary Shares in issue, excluding any treasury shares, immediately following the passing of this resolution. The minimum price which may be paid for an Ordinary Share is £0.01. The maximum price which may be paid for an Ordinary Share must not be more than the higher of:

- 5.0% above the average of the mid-market value of the Ordinary Shares for the five business days before the purchase is made; or
- the higher of the price of the last independent trade and the highest current independent bid for the Ordinary Shares.

Such authority will expire at the AGM of the Company to be held in 2023, save that the Company may contract to purchase Ordinary Shares under the authority thereby conferred prior to the expiry of such authority, which contract will or may be executed wholly or partly after the expiry of such authority and may purchase Ordinary Shares in pursuance of such contract.

This resolution revokes and replaces all unexercised authorities previously granted to the Directors to make market purchases of Ordinary Shares.

All Ordinary Shares purchased pursuant to the above authority shall be either:

- held, sold, transferred or otherwise dealt with as treasury shares in accordance with the provisions of the Act; or
- cancelled immediately upon completion of the purchase.

11. THAT, a General Meeting, other than an AGM, may be called on not less than 14 clear days' notice.

Registered Office:
Beaufort House, 51 New North Road
Exeter EX4 4EP

By Order of the Board of Directors
Link Company Matters Limited
Company Secretary

23 March 2022

Notice of Annual General Meeting

ADMINISTRATIVE NOTES IN CONNECTION WITH THE ANNUAL GENERAL MEETING

1. **Entitlement to attend and vote**

   To be entitled to attend and vote at the Meeting (and for the purposes of the determination by the Company of the votes that may be cast in accordance with Regulation 41 of the Uncertified Securities Regulations 2001), only those members registered in the Company's register of members at close of business on 6 June 2022 (or, if the Meeting is adjourned, close of business on the date which is two business days before the adjourned Meeting) shall be entitled to attend and vote at the Meeting. Changes to the register of members of the Company after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the Meeting.

2. **Website giving information regarding the Meeting**

   Information regarding the Meeting, including the information required by Section 311A of the Act, is available from www.mandg.co.uk/creditincomeinvestmenttrust

3. **Attending in person**

   If you wish to attend the Meeting in person, please bring some form of identification.

4. **Appointment of proxies**

   If you are a member of the Company at the time set out in note 1 above, you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at the Meeting. You can appoint a proxy only using the procedures set out in these notes and the notes to the proxy form.

5. A proxy does not need to be a member of the Company but must attend the Meeting to represent you. If you wish your proxy to speak on your behalf at the Meeting you will need to appoint your own choice of proxy (not the Chairman) and give your instructions directly to them.

6. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, please indicate on your proxy submission how many shares it relates to.

7. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the Resolution. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the Meeting.

8. **Appointment of proxy using hard copy proxy form**

   A hard copy form of proxy has not been sent to you but you can request one directly from the registrars, Link Group's general helpline team on 0371 664 0300. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 09:00-17:30, Monday to Friday excluding public holidays in England and Wales. You can also request via email at shareholderenquiries@linkgroup.co.uk or via postal address at Link Group, PXS 1, Link Group, Central Square, 29 Wellington Street, Leeds, LS1 4DL. In the case of a member that is a company, the proxy form must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the proxy form is signed (or a duly certified copy of such power or authority) must be included with the proxy form. For the purposes of determining the time for delivery of proxies, no account has been taken of any part of a day that is not a working day.

9. **Appointment of a proxy online**

   You may submit your proxy electronically using the Share Portal service at www.signalshares.com Shareholders can use this service to vote or appoint a proxy online. The same voting deadline of 48 hours (excluding non-working days) before the time of the meeting applies. Shareholders will need to use the unique personal identification Investor Code ("IVC") printed on your share certificate. If you need help with voting online, please contact our Registrar, Link Group's portal team on 0371 664 0391. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 09:00-17:30, Monday to Friday excluding public holidays in England and Wales. You can also email shareholderenquiries@linkgroup.co.uk

Notice of Annual General Meeting

10. Appointment of proxies through CREST

CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the Meeting and any adjournment(s) of it by using the procedures described in the CREST Manual (available from www.euroclear.com/site/public/EUI). CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf. In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a CREST Proxy Instruction) must be properly authenticated in accordance with Euroclear UK & Ireland Limited's (EUI) specifications and must contain the information required for such instructions, as described in the CREST Manual. The message must be transmitted so as to be received by the issuer's agent (ID: RA10) by 11.30am on 6 June 2022. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.

CREST members and, where applicable, their CREST sponsors or voting service providers should note that EUI does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time.

In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5) (a) of the Uncertificated Securities Regulations 2001.

11. Proxymity

If you are an institutional investor you may be able to appoint a proxy electronically via the Proxymity platform. For further information regarding Proxymity, please go to www.proxymity.io Your proxy must be lodged by 11.30am on 6 June 2022 in order to be considered valid. Before you can appoint a proxy via this process you will need to have agreed to Proxymity's associated terms and conditions. It is important that you read these carefully as you will be bound by them and they will govern the electronic appointment of your proxy.

12. Appointment of proxy by joint members

In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding, the first-named being the most senior.

13. Changing proxy instructions

To change your proxy instructions simply submit a new proxy appointment using the methods set out above. Note that the cut-off times for receipt of proxy appointments (see above) also apply in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded. Where you have appointed a proxy using the hard-copy proxy form and would like to change the instructions using another hard-copy proxy form, please contact Link Group as per the communication methods shown in note 8. If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.

14. Termination of proxy appointments

In order to revoke a proxy instruction, you will need to inform the Company by sending a signed hard copy notice clearly stating your intention to revoke your proxy appointment to Link Group, at the address shown in note 8. In the case of a member that is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company.
Any power of attorney or any other authority under which the revocation notice is signed, or a duly certified copy of such power or authority, must be included with the revocation notice. The revocation notice must be received by Link Group no later than 48 hours before the Meeting. If you attempt to revoke your proxy appointment but the revocation is received after the time specified then, subject to the paragraph directly below, your proxy appointment will remain valid. Appointment of a proxy does not preclude you from attending the Meeting and voting in person. If you have appointed a proxy and attend the Meeting in person, your proxy appointment will automatically be terminated.

15. Corporate representatives

A corporation that is a member can appoint one or more corporate representatives who may exercise, on its behalf, all its powers as a member provided that no more than one corporate representative exercises powers over the same share.

Notice of Annual General Meeting

16. Issued shares and total voting rights

As at 23 March 2022, the Company's issued share capital (excluding 4,372,749 treasury shares) comprised 140,373,022 Ordinary Shares of 0.01p each. Each Ordinary Share carries the right to one vote at a General Meeting of the Company and, therefore, the total number of voting rights in the Company on 23 March 2022 is 140,373,022. The website referred to in note 2 will include information on the number of shares and voting rights.

17. Questions at the Meeting

Under Section 319A of the Act, the Company must answer any question you ask relating to the business being dealt with at the Meeting unless:

- answering the question would interfere unduly with the preparation for the Meeting or involve the disclosure of confidential information;
- the answer has already been given on a website in the form of an answer to a question; or
- it is undesirable in the interests of the Company or the good order of the Meeting that the question be answered.

18. Website publication of audit concerns

Under Section 527 of the Companies Act 2006, shareholders meeting the threshold requirements set out in that section have the right to require the Company to publish on a website a statement setting out any matter relating to: (i) the audit of the Company's financial statements (including the Auditor's Report and the conduct of the audit) that are to be laid before the Meeting; or (ii) any circumstances connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual financial statements and reports were laid in accordance with Section 437 of the Companies Act 2006 (in each case) that the shareholders propose to raise at the relevant meeting. The Company may not require the shareholders requesting any such website publication to pay its expenses in complying with Sections 527 or 528 of the Companies Act 2006. Where the Company is required to place a statement on a website under Section 527 of the Companies Act 2006, it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the Meeting for the relevant financial year includes any statement that the Company has been required under Section 527 of the Companies Act 2006 to publish on a website.

19. Documents on display

Copies of the letters of appointment of the Directors of the Company and a copy of the Articles of Association of the Company will be available for inspection at the registered office of the Company from the date of this notice until the end of the Meeting.

Shareholder communications

The majority of shareholders choose to receive Annual Reports and Notices of meetings electronically. This has a number of advantages for the Company and its shareholders. It increases the speed of communication, saves you time and reduces print and distribution costs and our impact on the environment.

Company law requires that the Company asks shareholders to consent to the receipt of communications electronically and via a website[a]. Please note that if you consent to website publication you will continue to be notified in writing and through the release of an announcement on the London Stock Exchange each time the Company places a statutory communication on the website. Annual Reports and other documents which are required to be sent to shareholders ('shareholder information') are published on our website at www.mandg.co.uk/creditincomeinvestmenttrust If you consent, the website will be the way in which you access all future shareholder information.

Please note that you still have the right to request hard copies of shareholder information at no charge.

- If you would like to receive notifications by email, you can register your email address via the Share Portal www.signalshares.com or write to FREEPOST SAS, 29 Wellington Street, LS1 4DL (no stamp or further address detail is required). Please write in BLOCK CAPITALS.
- If you would like to receive shareholder information by means of a website, there is nothing more you need to do. You will be notified by post when shareholder information has been placed on the website.
- If you would like to receive shareholder information in hard copy form, you can register your request via the Share Portal www.signalshares.com or write to FREEPOST SAS, 29 Wellington Street, LS1 4DL (no stamp or further address detail is required). Please write in BLOCK CAPITALS.

Please note that if you hold your shares corporately or in a CREST account, you are not able to use the Share Portal to inform us of your preferred method of communication and should instead write to FREEPOST SAS, 29 Wellington Street, LS1 4DL (no stamp or further address detail is required). Please write in BLOCK CAPITALS.

If we do not receive a reply from you within 28 days of the date of dispatch of this notice, you will be deemed to have consented to website publication of shareholder information and you will not receive hard copies of shareholder information in the post.

[a] The Company reserves the right to send hard copy documents to shareholders where, for example, overseas securities laws do not permit electronic communication or in other circumstances where the Company considers that electronic delivery may not be appropriate.

Additional shareholder information

Arrange to have your dividends paid direct into your bank account

This means that:

- Your dividend reaches your bank account on the payment date.
- It is more secure – cheques can sometimes get lost in the post.
- You don't have the inconvenience of depositing a cheque.
- Helps reduce cheque fraud.

If you have a UK bank account you can sign up for this service on Signal shares (by clicking on 'your dividend options' and following the on screen instructions).

Company information

Directors (all non-executive)
David Simpson (Chairman)
Richard Boléat (Chairman of the Audit Committee, Senior Independent Director)
Barbara Powley
Jane Routledge[a]

[a] Appointed on 25 October 2021.

AIFM and Investment Manager
M&G Alternatives Investment Management Limited (MAGAIM)[b]
10 Fenchurch Avenue, London EC3M 5AG
Website: www.mandg.co.uk
Telephone: +44 (0) 800 390 390

Administrator
State Street Bank and Trust Company[b]
20 Churchill Place, London E14 5HJ

Company Secretary and registered office
Link Company Matters Limited
Beaufort House, 51 New North Road, Exeter EX4 4EP
Telephone: 01392 477 500

Broker
Winterflood Securities Limited[b]
The Atrium, Cannon Bridge House, 25 Dowgate Hill, London EC4R 2GA

Solicitors
Herbert Smith Freehills LLP[b]
Exchange House, Primrose Street, London EC2A 2EG

Auditor
Deloitte LLP
Saltire Court, 20 Castle Street, Edinburgh EH1 2DB

Registrar and transfer office
Link Group
Shareholder Services Department
10th Floor, Central Square, 29 Wellington Street, Leeds LS1 4DL

Telephone: 0371 664 0300
(Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 09:00 – 17:30, Monday to Friday excluding public holidays in England and Wales).
Email: shareholderenquiries@linkgroup.co.uk
Website: www.linkgroup.eu

Depositary
State Street Trustees Limited[b]
20 Churchill Place, London E14 5HJ

Custodian
State Street Bank and Trust Company[b]
20 Churchill Place, London E14 5HJ

Banker
State Street Bank International GmbH
Brienner Straße 59, 0333 Munich, Germany

Association of Investment Companies (AIC)
The Company is a member of the AIC, which publishes monthly statistical information in respect of member companies.

The AIC can be contacted on 020 7282 5555, enquiries@theaic.co.uk or visit the website: www.theaic.co.uk

Company website
www.mandg.co.uk/creditincomeinvestmenttrust

[b] Authorised and regulated by the Financial Conduct Authority.

Alternative performance measures

Net Asset Value (NAV) per Ordinary Share

The NAV, also described as shareholders' funds, is the value of the Company's assets less its liabilities. The NAV per Ordinary Share is calculated by dividing the NAV by the number of Ordinary Shares in issue (excluding treasury shares).

Ongoing charges

Ongoing charges represent the total of the investment management fee and all other operating expenses (excluding non-recurring items, certain finance costs and cost of buying back or issuing shares), expressed as a percentage of the average net assets (of the Company) over the reporting year.

	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
Ongoing charges are calculated with reference to the following figures:		
Investment management fee	965	714
Other expenses[a]	623	479
Total expenses for the year	**1,588**	**1,193**
Annualised expenses	1,605	1,193
Average net assets over the year	146,173	136,571
Ongoing charges	1.10%[b]	0.87%

[a] Includes the commitment fee on the revolving credit facility.

[b] The increase in the ongoing charges figure mainly shows the annualised effect of the increase in the investment management fee from 0.5% to 0.7% per annum. This increase in fee took effect on 1 April 2021, reflecting the fact that the portfolio is now appropriately positioned with regard to the Company's dividend target set at launch.

Premium/discount to NAV

The premium is the amount by which the share price of an investment trust exceeds the NAV per Ordinary Share. The discount is the amount by which the NAV per Ordinary Share exceeds the share price of an investment trust. The premium/discount is normally expressed as a percentage of the NAV per Ordinary Share.

Total return

Total return is the return to shareholders that measures the combined effect of any dividends paid in the period with the increase or decrease in the share price or NAV per share.

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.

	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
Opening share price	92.0p	106.0p
Dividend paid	4.21p	3.98p
Effect of dividend reinvested	0.26p	(0.21)p
Closing share price	99.5p	92.0p
Adjusted closing share price	104.0p	95.8p
Share price total return	13.0%	(9.7)%

Alternative performance measures

NAV total return

Total return on NAV per share assuming dividends paid by the Company were reinvested into the shares of the Company at the NAV per share at the time the shares were quoted ex-dividend.

	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
Opening NAV per share	101.40p	101.72p
Dividend paid	4.21p	3.98p
Effect of dividend reinvested	0.06p	0.15p
Closing NAV per share	101.44p	101.40p
Adjusted closing NAV per share	105.71p	105.53p
NAV total return	4.3%	3.7%

Dividend yield

The annual dividend expressed as a percentage of the share price.

	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
Dividends declared per Ordinary Share[a]	4.04p	4.28p
Ordinary Share price	99.5p	92.0p
Dividend yield	4.1%	4.7%

[a] Based on dividends declared in respect of the previous 12 months.

Glossary

Adjusted opening NAV The opening NAV, adjusted for the payment of the last dividend in respect of the previous financial year.

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

ABS (Asset backed security) A security whose income payments and value are derived from and collateralised 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.

Association of Investment Companies (AIC) The UK trade body that represents investment 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.

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.

Callable bond A bond that can be redeemed (in other words, called) by the issuer before its maturity date. The price at which the issuer buys back the bond is normally higher than its issue price. A bond is usually called when interest rates fall, so that the issuer can refinance its debt at the new, lower interest rates.

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.

CTA Corporation Tax Act.

Closed-ended A term used to describe an investment company whose capital is fixed and whose shares are not generally redeemable at the option of a holder.

CMBS (Commercial mortgage-backed security) A type of asset-backed security which is collateralised by a commercial real estate asset, either a single property, or - more often - a portfolio of several properties.

Comparative sector A group of investment companies with similar investment objectives and/or types of investment, as classified by bodies such as the AIC or Morningstar™. Sector definitions are mostly based on the main assets an investment company should invest in, and may also have a geographic focus. Sectors can be the basis for comparing the different characteristics of similar investment companies, 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.

Convertible bonds Fixed income securities that can be exchanged for predetermined amounts of company shares at certain times during their life.

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 a 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.

Debt instrument A formal contract that a government, a business or an individual can use to borrow money. Debt instruments outline the detailed conditions of the loan, such as the amount and schedule of payment of interest, the length of time before the principal is paid back, or any guarantees (collateral) that the borrower offers. Any type of debt can be a debt instrument – from bonds and loans to credit cards.

Glossary

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 or 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.

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 or dividends officially belong to underlying investors.

Exposure The proportion of an investment company 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, i.e. 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 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 found mostly in the United Kingdom. Investment trusts are closed-end funds and are constituted as public limited companies.

IRR Internal Rate of Return.

IPO Initial Public Offering. The process of offering shares of a private corporation to the public.

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 an investment company that borrows money or uses derivatives to magnify an investment position.

Glossary

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.

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.

Mezzanine tranche A generally small layer of corporate debt positioned between the senior tranche (mostly AAA) and a junior tranche (unrated, typically called equity tranche).

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 investment company ratings.

Near cash Deposits or investments with similar characteristics to cash.

Net asset value (NAV) An investment company's NAV is calculated by taking the current value of its assets and subtracting its liabilities.

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.

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 organisation, but is involved in policy making and planning exercises.

Official List The Official List (or UKLA Official List) is the list maintained by the Financial Conduct Authority in accordance with Section 74(1) of the Financial Services and Markets Act 2000 (the Act) for the purposes of Part VI of the Act.

Ongoing charges figure The ongoing charges figure includes charges for management of the fund; administration services; and services provided by external parties, which include depository, custody and audit, as well as incorporating the ongoing charges figure from funds held in the portfolio (taking into account any rebates). The 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 Association of Investment Companies' (AIC) 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.

Ordinary Share Ordinary Share is the only class of shares issued and benefits from all the income and capital growth in the portfolio.

Overweight If an investment company is 'overweight' in a stock, it holds a larger proportion of that stock than the comparable index or sector.

Payment date The date on which dividends will be paid by the investment company to investors.

Private debt instruments These instruments not traded on a stock exchange and typically issued to small groups of institutional investors.

Public debt instruments These instruments refers to assets that are listed on a recognised 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.

Glossary

Revolving credit facility A line of credit (essentially a loan agreement) is established between a bank and a business from which the business can draw funds at any time as needed. The bank sets a ceiling for the loan.

RMBS (Residential mortgage-backed security) A type of asset-backed security which is collateralised by a portfolio of residential properties.

Securitise/securitisation The creation and issuance of tradeable 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.

Senior tranche The highest tranche of a debt security, i.e. the one deemed least risky. Any losses on the value of the security are only experienced in the senior tranche once all other tranches have lost all their value. For this relative safety, the senior tranche pays the lowest rate of interest.

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 an Investment 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.

SMEs (Small and medium-sized enterprise) A business defined in the United Kingdom by reference to staff headcount (less than 250 employees) and annual turnover (less than £25 million).

SONIA (Sterling overnight index average) SONIA is 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.

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 cash flows. 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 been issued. Synthetic inflation-linked bonds are usually created where a company does not have any inflation-linked bonds in issue.

Tap issuance programme A method of share issuance whereby the company issues shares over a period of time, rather than in one sale. A tap issue allows the company to make its shares available to investors when market conditions are most favourable.

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.

Treasury shares Shares that the company bought back from the marketplace and it keeps in its treasury; they do not count for the distribution of dividends or the calculation of earnings per share or net asset value per share. Also known as treasury stock.

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

Volatility The degree to which a given security, investment company, 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.

Shareholder information and analysis

Website

The Company's website is www.mandg.co.uk/creditincomeinvestmenttrust The site provides visitors with Company information and literature downloads.

Annual and Half Year Reports

Copies of the Annual and Half Year Reports may be obtained from the Company by visiting www.mandg.co.uk/creditincomeinvestmenttrust

Share prices and NAV information

The Company's Ordinary Shares of 1p each are quoted on the London Stock Exchange's (LSE) main market for listed securities:

Ordinary 0.1p shares SEDOL number: BFYYL32 ISIN: GB00BFYYL325

Ticker: MGCI

LEI: 549300E9W63X1E5A3N24

The codes above may be required to access trading information relating to the Company on the internet.

The Company's NAV per share is released monthly to the London Stock Exchange and published on the Company's website.

Investing in the Company

The Company's shares can be bought or sold through a stockbroker or other financial intermediary. The Ordinary Shares are permissible assets for a self-invested personal pension (SIPPs) and a small self-administered scheme (SSAS) and are "qualifying investments" for the stocks and shares component of an Individual Savings Account (ISA). Individuals wishing to invest in Shares through an ISA, SIPP or SSAS should, however, contact their professional advisers regarding their eligibility.

Share register enquiries

The register for the Ordinary Shares is maintained by Link Group. In the event of queries regarding your holding, please contact the Registrar on 0371 664 0300.

Changes of name and/or address must be notified in writing to the Registrar, at the address shown on page 111. You can check your shareholding and find practical help on transferring shares or updating your details at www.signalshares.com

Dividends

Shareholders who wish to have dividends paid directly into a bank account rather than by cheque to their registered address can complete a mandate form for the purpose. Mandate forms may be obtained from Link Group on request from the address on page 111 or downloaded from their website www.signalshares.com Alternatively If you have a UK bank account you can sign up for this service on Signal Shares, if you have already registered you can log in to record your bank account details. Once logged in, click on 'Manage your account' at the top of the screen and then select 'Payment Preferences' to record your bank details.

If you haven't registered you can do so and update your bank details immediately. Go to the home screen and follow the link under 'Register an account'. You'll need to enter your investor code, surname and postcode.

The Company operates the BACS system for the payment of dividends. Where dividends are paid directly into shareholders' bank accounts, dividend tax vouchers are sent to shareholders' registered addresses.

Key dates

Annual results	March
Annual General Meeting	June
Half Year results	September
Dividends declared	January, April, July, October

Shareholder information and analysis

Association of Investment Companies

The Company is a member of the AIC, which publishes monthly statistical information in respect of member companies. The AIC can be contacted on 020 7282 5555, enquiries@theaic.co.uk or visit the website: www.theaic.co.uk

Company registration

Registered in England and Wales. Company registration number 11469317.

Enquiries

Shareholders can contact the Company Secretary, Link Company Matters Limited at: mandg@linkgroup.co.uk

Shareholder breakdown

Size of shareholding	Number of share-holders	% of total number of share-holders	Number of shares	% of shares
1 – 5,000	20	9.66	54,591	0.04
5,001 – 10,000	23	11.11	172,603	0.12
10,001 – 50,000	83	40.10	2,267,645	1.57
50,001 – 100,000	12	5.80	833,779	0.58
100,001 – 500,000	26	12.56	6,708,087	4.63
500,001 – 1,000,000	13	6.28	9,253,750	6.39
1,000,001 – 5,000,000	25	12.07	56,508,747	39.04
5,000,001 – 50,000,000	5	2.42	68,946,569	47.63
		100.00		100.00

Shareholder warning

Many companies are aware that their shareholders have received unsolicited phone calls or correspondence concerning investment matters. These calls typically come from fraudsters operating in 'boiler rooms' offering investors shares that often turn out to be worthless or non-existent, or an inflated price for shares they own. While high profits are promised, those who buy or sell shares in this way usually lose their money.

These fraudsters can be very persistent and extremely persuasive. Shareholders are therefore advised to be very wary of any unsolicited advice, offers to buy shares at a discount or offers of free company reports.

It is very unlikely that either the Company or the Company's Registrar would make unsolicited telephone calls to shareholders and that any such calls would relate only to official documentation already circulated to shareholders and never in respect of investment 'advice'.

If you have been contacted by an unauthorised firm regarding your shares, you can report this using the FCA helpline on 0800 111 6768 or by using the share fraud reporting form at www.fca.org.uk/consumers/scams

Other regulatory disclosures

Alternative Investment Fund Managers ('AIFM') Directive

In accordance with the AIFMD, information in relation to the Company's leverage, pre-investment disclosures and the remuneration of the Company's AIFM are required to be made available to investors.

Leverage

For the purpose of the Alternative Investment Fund Manager (AIFM) Directive, leverage is any method that increases the Company's exposure, including the borrowing of cash and the use of derivatives.

It is expressed as the ratio of the Company's exposure to its NAV. This exposure must be calculated in two ways, the 'gross method' and the 'commitment method'.

Under the gross method, exposure represents the sum of the absolute values of all positions, so as to give an indication of overall exposure. Under the commitment method, exposure is calculated in a similar way, but after netting off hedges which satisfy certain strict criteria.

The Company's maximum and actual leverage levels at 31 December 2021 are shown below.

	Gross method	Commitment method
Maximum permitted limit	300%	150%
Actual	138%	110%

Pre-investment disclosures

The AIFMD requires certain information to be made available to investors in AIFs before they invest and requires that material changes to this information be disclosed in the Annual Report of each AIF. An Investor Disclosure Document, which sets out information on the Company's investment strategy and policies, leverage, risk, liquidity, administration, management, fees, conflicts of interest and other shareholder information is available on the website at www.mandg.com/dam/investments/common/gb/en/documents/funds-literature/credit-income-investment-trust/company-information-investment-disclosure-document.pdf

There have been no material changes (other than those reflected in these Financial Statements) to this information requiring disclosure. Any information requiring immediate disclosure pursuant to the AIFMD will be disclosed to the London Stock Exchange through a primary information provider.

Other regulatory disclosures

Remuneration

In line with the requirements of the Alternative Investment Fund Managers Directive ("AIFMD"), M&G Alternatives Investment Management Limited (the "AIFM") is subject to a remuneration policy which is consistent with the principles outlined in the European Securities and Markets Authority guidelines on sound remuneration policies under the AIFMD.

The remuneration policy is designed to ensure that any relevant conflicts of interest can be managed appropriately at all times and that the remuneration of employees is in line with the risk policies and objectives of the alternative investment funds managed by the AIFM. Further details of the remuneration policy can be found here: www.mandgplc.com/our-business/mandg-investments/mandg-investments-business-policies. The remuneration policy and its implementation is reviewed on an annual basis, or more frequently where required, and is approved by the M&G plc Board Remuneration Committee.

The AIFM is required under the AIFMD to make quantitative disclosures of remuneration. These disclosures are made in line with M&G's interpretation of currently available guidance on quantitative remuneration disclosures. As market or regulatory guidance evolves, M&G may consider it appropriate to make changes to the way in which quantitative disclosures are calculated.

The 'Identified Staff' of M&G Alternatives Investment Management Limited are those who could have a material impact on the risk profile of M&G Alternatives Investment Management Limited or the AIFs it manages (including M&G Credit Income Investment Trust plc) and generally includes senior management, risk takers and control functions. 'Identified Staff' typically provide both AIFMD and non-AIFMD related services and have a number of areas of responsibility. Therefore, only the portion of remuneration for those individuals' services which may be attributable to the AIFM is included in the remuneration figures disclosed. Accordingly the figures are not representative of any individual's actual remuneration.

The amounts shown below reflect payments made in respect of the financial year ended 31 December 2021.

	Fixed Remuneration £'000	Variable Remuneration (incl. carried interest) £'000	Total £'000
Senior Management	793	7,834	8,627
Other Identified Staff	3,137	13,986	17,123