M&G Credit Income Investment Trust plc

Annual Report and audited Financial Statements
for the period from incorporation
on 17 July 2018 to 31 December 2019

Company registration number: 11469317

M&G Credit Income Investment Trust plc

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M&G Credit Income Investment Trust plc

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Company summary

M&G Credit Income Investment Trust plc (the "Company") was incorporated on 17 July 2018 as a public company limited by shares. Admission to the London Stock Exchange's (LSE) main market for listed securities and dealings in its Ordinary Shares commenced on 14 November 2018. The Company is an investment trust within the meaning of section 1158 of the Corporation Tax Act (CTA) 2010. The Company's investment objective is to aim to generate a regular and attractive level of income with low asset value volatility.

Key dates

period end		31 December 2019
First interim dividend:	Ex-dividend	25 July 2019
	Share register close	26 July 2019
	Pay date	23 August 2019
Second interim dividend:	Ex-dividend	6 February 2020
	Share register close	7 February 2020
	Pay date	28 February 2020
Annual General Meeting		30 March 2020 at 13:30

Future dividend timetable

	Declaration date	Ex-dividend date	Payment date
First interim	April 2020	April 2020	May 2020
Second interim	July 2020	July 2020	August 2020
Third interim	October 2020	October 2020	November 2020
Fourth interim	January 2021	January 2021	February 2021

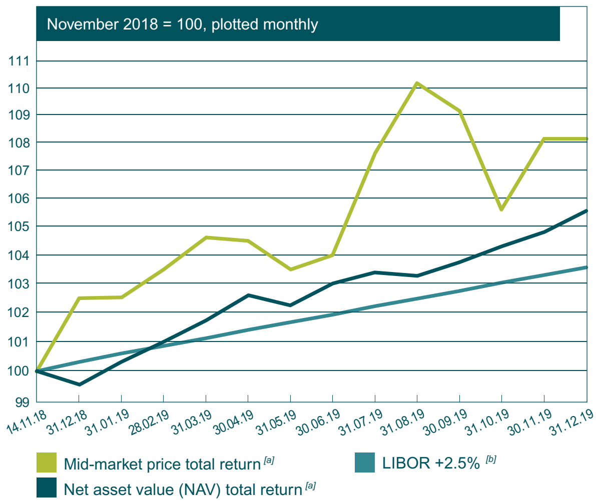
Financial highlights

Key data	as at 31 December 2019
Net assets (£'000)	£132,232
Net asset value (NAV) per Ordinary Share	101.72p
Mid-market price per Ordinary Share	106.00p
Premium to NAV [a]	4.21%
Ongoing charges figure [a] [b]	0.93%

Return per Ordinary Share	period[b] ended 31 December 2019
Capital return	2.7p
Revenue return	2.6p
NAV total return [a]	5.6%
Mid-market price total return [a]	8.2%
First interim dividend	2.09p
Second interim dividend	1.65p
Total dividends declared	3.74p

[a] Alternative Performance Measure. Please see page 77 for further information.
[b] From the date of Initial Public Offering (IPO) 14 November 2018.

Total returns

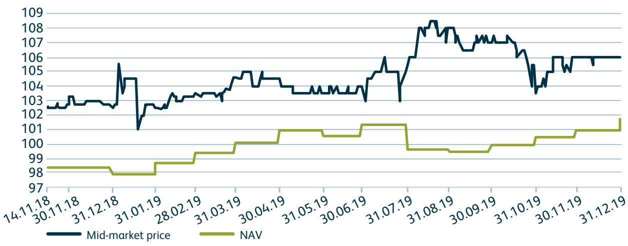


[a] Alternative performance measure. Please see page 77 for further information.
[b] LIBOR +2.5% has been chosen for comparison purposes as this was the dividend target for 2019.

Source: M&G Statistics Department.

Ordinary Share (mid-market price) vs NAV

as at	NAV per share (cum income)	Share price (mid-market)
31.12.19	101.72	106.00



Source: M&G and State Street as at 31 December 2019.

Past performance is not a guide to future performance.

M&G Credit Income Investment Trust plc

Chairman's statement

I am pleased to present the first annual report for M&G Credit Income Investment Trust plc (the "Company"). The Company, which was incorporated on 17 July 2018, raised £100,000,000 pursuant to its Initial Public Offering ("IPO") and its Ordinary Shares commenced trading on the main market of the London Stock Exchange on 14 November 2018. An additional 25,000,000 Ordinary Shares were placed on 31 January 2019, followed by further tap issues totalling 5,000,000 Ordinary Shares in May and June 2019.

Investment strategy

The Company aims to generate a regular and attractive level of income with low asset value volatility by investing in a diversified portfolio of public and private debt and debt-like instruments of which at least 70% is investment grade. The Company intends, over time, to be invested mainly in private debt instruments, which are those instruments not traded on a stock exchange and are typically issued to small groups of institutional investors. This part of the portfolio may include 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. Our investment manager's size, experience and reputation mean that it sees a high percentage of the available market but it only invests in those instruments which it believes are attractively priced: this takes time and is subject to market conditions.

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. Shareholders can expect their returns from this part of the portfolio to come from a combination of interest income and capital movements.

This annual report provides you with an array of information on your investments. Your Board believes that it is not acceptable to invest without reference to broader environmental, social and governance (ESG) factors. With this in mind, please do look at the disclosures on our investment manager's approach to ESG which appear on page 22 of this annual report.

Share issuance and premium management

Your Directors believe that it is in the interests of shareholders for the Company to increase its assets under management over time as this should reduce its ongoing charges figure and provide greater market liquidity and diversification for holders. The Company can do this by issuing additional Ordinary Shares or a new class of C Shares. In each case, new shares will only be issued when our investment manager has assured your Board of its confidence that suitable investments can be made in a timely fashion using the proceeds of such share issuance. The issue of new shares can also serve to manage the premium to NAV per Ordinary Share at which the Company's shares trade by meeting excess demand from investors that cannot be met by supply in the market. Ordinary Shares will only be issued at a price which enhances the NAV of the existing Ordinary Shares after all expenses.

On 31 January 2019, the Company announced that it had placed 25,000,000 additional Ordinary Shares in response to strong demand from the market, at an issue price of 101p per Ordinary Share: this represented a premium to NAV as at that date of 2.33%. The placing did not materially impact the investment programme, which was still in its infancy.

By May 2019, the Ordinary Share price premium to NAV was again at levels which your Directors considered high in light of the status of the investment programme. Further issues of Ordinary Shares were undertaken in May and June 2019 to satisfy market demand and to seek to manage the premium. An additional 5,000,000 Ordinary Shares were issued at a premium to the NAV of not less than 2%, thereby enhancing the NAV per Ordinary Share. Our investment manager considered the aggregate proceeds raised through these share issues manageable in executing the overall deployment programme of the Company. Since mid-June 2019, the share issuance programme has been paused until such time as our investment manager perceives there to be better value to be found in adding to the portfolio.

The Company's Ordinary Share price traded at an average premium to NAV of 4.64% during the period from IPO to 31 December 2019. On 31 December 2019, the Ordinary Share price was 106p, representing a 4.21% premium to NAV as at that date.

Investment performance

The opening NAV per Ordinary Share, being the gross proceeds of the IPO less the IPO expenses, was 98.38p. The opening NAV on 1 January 2019 was 97.94p per Ordinary Share and the NAV on 31 December 2019 was 101.72p per Ordinary Share: taken with the interim dividend of 2.09p announced on 18 July 2019, these show NAV total returns of 5.6% since the Company's launch and 6.0% for calendar year 2019.

The start of 2019 presented good investment opportunities in public markets as the Company's investment programme commenced. Our investment manager was able to take advantage of investment grade corporate bonds performing strongly in the first quarter of 2019, with credit spreads tightening. High yield markets also made significant gains. The improving market continued into the second quarter, which put downward pressure on yields generally, amid falling

M&G Credit Income Investment Trust plc

Chairman's statement

Investment performance (continued)

expectations for global economic growth. With investors maintaining confidence in the major central banks to take action to prevent a slowdown, credit spreads remained tight as investors chased yield. In contrast, private market opportunities were scarcer than anticipated in the first half of 2019.

During the second half of 2019, bond yields fell to new lows, credit spreads tightened further and unusual yield curves developed in an environment of high levels of political uncertainty.

Throughout the year, the flow of attractive opportunities to invest in private debt instruments was disappointing. We ended 2019 with only 16.6% of the portfolio in direct investments in this segment although these were supplemented by our holding in the M&G European Loan Fund, thereby giving us a total of 27.41% in higher yielding assets. Fortunately, the portfolio enjoyed significant capital gains over the period as a result of the market's yield compression. This more than made up for the lack of income in the short term and resulted in your Company's strong total return performance.

Dividends

Your Company announced a second dividend for 2019 of 1.65p, payable on 28 February 2020. This payment, in combination with the Company's first dividend of 2.09p per Ordinary Share (paid on 23 August 2019 for the period from its IPO on 14 November 2018 to 30 June 2019), is equivalent to the annualised rate of LIBOR plus 2.5% which was initially targeted: the total return for 2019, as detailed above, was comfortably in excess of this.

Your Directors have chosen to apply the 'streaming' regime to that part of the second dividend which was covered by the Company's interest income, net of expenses. Accordingly, the Company has designated 1.33p per Ordinary Share as an interest distribution and 0.32p per Ordinary Share as a dividend. The Company made use of reserves derived from capital gains to support the dividend, reflecting the investment performance of the Company's portfolio, where capital growth was stronger than anticipated, but yields lower. The Company's NAV per Ordinary Share as at 31 December 2019, adjusted for the payment of the second dividend, was 100.07p, an increase of 1.7% from its opening NAV of 98.38p per Ordinary Share as at IPO.

The Company uses the average daily three-month LIBOR as its reference for the purposes of its targeted dividend rate.

Outlook

Your Company has performed well since its IPO with over half of its total return coming from capital gains. These gains were principally a consequence of the tightening of the overall credit markets; unfortunately, the other effect of this is that cash income yields have reduced. This, taken with the smaller than expected number of attractive private debt opportunities, means that the annual dividend target of LIBOR plus 4% currently looks difficult to achieve in the near term. Your Board believes that it should pay dividends from income and prior capital gains. We propose to start the quarterly dividends for 2020 at the increased annual dividend rate of LIBOR plus 2.75%, calculated by reference to the opening NAV as at 1 January 2020, adjusted for the payment of the second dividend in respect of last year; we will plan to increase this as the Company's exposure to higher yielding private assets grows.

Our investment manager continues to believe that a total return, and thus ultimately a dividend yield, of LIBOR plus 4% is achievable over the longer term, based on its long experience of credit markets through the cycle. Our investment manager's annual management fee is being kept at the current level of 50bps per annum of your Company's net asset value for the time being instead of the originally agreed increase to 70bps. Your Directors are extremely supportive of our investment manager's conservative approach; it is not chasing yield at the expense of making the right investments. We have a strong portfolio and our investment manager remains confident that it will find attractive opportunities to increase yield while retaining a cautious and steady approach.

Annual General Meeting

Our annual general meeting will be held on Monday 30 March 2020 at 1.30pm at 10 Fenchurch Avenue, London EC3M 5AG. This will include a presentation from our investment manager on the performance of the Company and its future prospects. I very much hope that you will be able to join us.

David Simpson
Chairman

18 February 2020

M&G Credit Income Investment Trust plc

Investment manager's report

Investment manager's report

We are pleased to provide commentary on the factors that have impacted our investment approach since IPO, the challenges that we as investors have navigated and, above all, the performance and shape of the portfolio as we have sought to build it in accordance with the mandate agreed at IPO.

The Company was launched on 14 November 2018 amid volatile market conditions with asset price movements heavily influenced by geopolitical events and macroeconomic uncertainty. This uncertainty continued throughout 2019, resulting in periods of increased risk aversion and market turbulence.

We are delighted to be reporting strong performance against our key performance indicators. Full details are provided on page 12 of the Strategic Report. However, highlights include:

- delivering dividend payments per Ordinary Share of 3.74p (of which 2.09p per Ordinary Share was paid in August 2019 and 1.65p per Ordinary Share paid in February 2020);
- an annualised dividend yield since IPO of 3.13%;
- mid-market price total return of 8.2%; and
- net asset value total return of 5.6%.

On an annualised basis, this total return is comfortably in excess of the initial target of LIBOR plus 2.5% per annum.

As market conditions have changed throughout the period, our bottom-up, investment-by-investment approach has enabled us to respond accordingly. With a team of more than 100 credit analysts covering both the public and private markets, we are well placed to review opportunities as and when they arise. Leveraging this resource, our fund managers have continued to seek the right investment opportunities to build the portfolio steadily, with a view to delivering sustainable returns.

Deployment of funds and year-end portfolio positioning

Deployment of the cash raised at IPO and subsequent fundraisings in February, May and June 2019 was efficient. Many of the initial investments were intended to be a stepping stone until the right opportunities arose. Good examples of this were the asset-backed securities (ABS) transactions made at the end of 2018. These comprised mostly AAA and some AA rated mortgage-backed floating rate bonds and were ideal interim investments, being very low risk and easily tradeable.

During the first half of 2019, the performance of global markets recovered from the disappointing end to 2018. A general slowdown in economic growth and muted inflation led to dovish commentary by many central banks, suggesting that interest rates would remain on hold for the time being. This, combined with better-than-expected earnings for many companies in the final quarter of 2018, drove market sentiment. Given this backdrop, it proved challenging to meaningfully increase the yield of the portfolio. However, the Company had some success in finding illiquid assets that lagged the rally in credit markets. The availability of private debt opportunities was more constrained than anticipated.

Fixed income markets were generally stronger in the third quarter, underpinned by supportive central bank policies and further declines in government bond yields. Investment grade and high yield credit markets benefited from these moves. Yield curves became unusually shaped, with 10-year gilt yields falling below short-term reference rates. This resulted in duration risk being penalised rather than rewarded. With Brexit appearing no closer to a clear resolution, bond yields continued to fall to record lows and the yield curve developed a pronounced downward slope out to seven-year maturities. At this point, we started selling three- to eight-year fixed corporates and reinvesting in AAA floating rate ABS. In addition to realising some capital gains, we were able to pick up yield, reduce interest rate volatility and improve credit quality and liquidity. The overall impact of investment activity during the third quarter was to modestly increase the yield on the portfolio whilst reducing interest rate and spread duration against a backdrop of public bond yields falling by 30-40 bps.

The fourth quarter saw government bond yields rise and spreads tighten. Our interest rate hedge via gilt futures proved effective, and we took advantage of the tighter spreads to sell some longer dated fixed rate corporates – mostly in the financial sector – that had performed very well. These longer dated fixed rate bonds had been purchased towards the end of 2018, and the market rally at the end of the year enabled us to realise some attractive capital gains on these investments. We continued to look for attractive floating rate assets and we added £3m to our leveraged loan exposure as at 1 October, as they offered good relative value. The end of December saw increased private asset deal activity, but with greater uncertainty as to whether completion would be achieved before year-end. By investing in the M&G European Loan Fund we are able to gain access to the private European leveraged loan market which has proved to be typically more stable than traditional public debt markets and which has historically provided an attractive level of income on a risk vs return basis. In accessing this market via a collective rather than holding direct exposure to any one issuer, we are able to maintain the risk profile of the portfolio in line with the Company's objectives.

We consider the portfolio as at 31 December 2019 to be well diversified with respect to issuers and sectors, which provides a strong platform for building on during the course of 2020. Whilst only 27.41% of the portfolio was invested in private assets at the year-end, with the yield profile of the portfolio therefore lower than anticipated, we continue to strive to make the right investments for the delivery of long-term sustainable performance.

M&G Credit Income Investment Trust plc

Investment manager's report

Outlook

With public corporate bond yields at historic lows, rather than chasing yield, our inclination is to continue to be defensive in our approach. Substantial liquidity remains in the portfolio, in the form of AAA rated floating rate ABS, which should enable us to access further private deals when opportunities arise or take advantage of any opportunities should markets sell off. Our longer-term aims for the portfolio remain unchanged.

The global outlook continues to be uncertain and the UK, in particular, could be subject to considerable economic and political turbulence around its exit from the EU and trade negotiations. This will inevitably bring both challenges and opportunities.

M&G Alternatives Investment Management Limited

18 February 2020

M&G Credit Income Investment Trust plc

Portfolio analysis

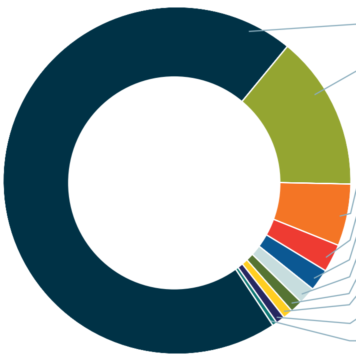
Top 20 holdings

as at 31 December 2019	Percentage of portfolio of investment (including cash on deposit and derivatives)
M&G European Loan Fund	10.81
Hall & Woodhouse 1% 30 Dec 2023	1.70
Sonovate Limited 1% 12 Apr 2021	1.59
Warwick Finance Residential Mortgages Number One 1.9996% 21 Sep 2049	1.54
Silverstone Master Issuer 1.1654% 21 Jan 2070	1.53
NewDay Partnership Funding 2017-1 1.4306% 15 Dec 2027	1.53
Paragon Mortgages No 25 1.4371% 15 May 2050	1.51
RIN II 3.7841% 10 Sep 2030	1.45
Brass No.6 1.1675% 16 Dec 2060	1.44
Marston's Issuer 2.35% 15 Oct 2031	1.37
Yorkshire Building Society 3.375% 13 Sep 2028	1.32
Westbourne 2016 1 WR Senior 1% 30 Sep 2023	1.30
Leeds Building Society 3.75% 25 Apr 2029	1.19
Gongga 1% 02 Aug 2025	1.17
Hammerson 6% 23 Feb 2026	1.16
Ripon Mortgages 2.0024% 20 Aug 2056	1.16
NewRiver REIT 3.5% 07 Mar 2028	1.15
Kennedy Wilson Europe Real Estate 3.95% 30 Jun 2022	1.12
Castell 2018-1 1.943% 25 Jan 2046	1.08
Finsbury Square 2018-2 1.7286% 12 Sep 2068	1.07
Total	**36.19**

Source: State Street.

Geographical exposure

as at 31 December 2019 — Percentage of portfolio of investments (excluding cash on deposit and derivatives)



Source: State Street.

Portfolio overview

as at 31 December 2019	%
Cash on deposit	1.85
Public	**70.34**
Asset-backed securities	37.66
Bonds	32.68
Private	**27.41**
Asset-backed securities	0.14
Bonds	0.81
Investment funds	10.81
Loans	11.28
Other	4.37
Derivatives	**0.40**
Debt derivatives	0.12
Forwards	0.28
Portfolio of investments	**100.00**

Source: State Street.

Credit rating breakdown

as at 31 December 2019	%
Unrated	**0.40**
Derivatives	0.40
Cash and investment grade	**79.85**
Cash on deposit	1.85
AAA	23.94
AA+	3.39
AA	4.16
AA-	2.54
A+	0.26
A	0.33
A-	1.02
BBB+	8.79
BBB	9.26
BBB-	15.88
M&G European Loan Fund ("ELF") (note)	8.43
Sub-investment grade	**19.75**
BB+	4.58
BB	4.47
BB-	2.81
B+	1.17
B	2.90
B-	1.44
M&G European Loan Fund ("ELF") (note)	2.38
Portfolio of investments	**100.00**

Source: State Street.

Note: ELF is an 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. 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.

M&G Credit Income Investment Trust plc

Portfolio analysis

Top 20 holdings %	Company description
M&G European Loan Fund **10.81%**	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.)
Hall & Woodhouse 1% 30 Dec 2023 **1.70%**	Bilateral loan to a regional UK brewer that manages a portfolio of 219 freehold and leasehold pubs. (Private.)
Sonovate Limited 1% 12 Apr 2021 **1.59%**	Bilateral loan to a company providing companies in the recruitment industry with an integrated service that incorporates placement management, invoicing and financing. (Private.)
Warwick Finance Residential Mortgages Number One 1.9996% 21 Sep 2049 **1.54%**	High grade ABS (AAA), UK RMBS. Mezzanine tranche of securitisation backed by portfolio of UK non-conforming residential mortgages originated by Co-operative Bank. (Public.)
Silverstone Master Issuer 1.1654% 21 Jan 2070 **1.53%**	High grade ABS (AAA). UK RMBS. Securitisation of residential British mortgage loans originated and/or acquired by Nationwide Building Society. (Public.)
NewDay Partnership Funding 2017-1 1.4306% 15 Dec 2027 **1.53%**	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.)
Paragon Mortgages No 25 1.4371% 15 May 2050 **1.51%**	High grade ABS (AAA). UK RMBS. Five-year revolving securitisation of a portfolio of UK buy-to-let mortgages in England and Wales, originated and serviced by Paragon. (Public.)
RIN II 3.7841% 10 Sep 2030 **1.45%**	Mixed CLO (AAA). Consists primarily of senior secured infrastructure finance loans managed by RREEF America L.L.C. (Public.)
Brass No.6 1.1675% 16 Dec 2060 **1.44%**	High grade ABS (AAA), UK RMBS. Senior tranche of securitisation backed by portfolio of UK residential mortgages originated by Accord Mortgages Ltd. (Public.)
Marston's Issuer 2.35% 15 Oct 2031 **1.37%**	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.)
Yorkshire Building Society 3.375% 13 Sep 2028 **1.32%**	Yorkshire Building Society provides banking services. The bank offers saving accounts, mortgages, savings, insurance, life plans, credit cards, loans and travel products to customers in the United Kingdom. This is a subordinated, fixed-to-floating callable bond. (Public.)
Westbourne 2016 1 WR Senior 1% 30 Sep 2023 **1.30%**	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.)

M&G Credit Income Investment Trust plc

Portfolio analysis

Top 20 holdings %	Company description
Leeds Building Society 3.75% 25 Apr 2029 **1.19%**	Leeds Building Society provides financial services. The company offers savings accounts, mortgages, life cover and home insurance services to customers in the United Kingdom. This is a subordinated, fixed-to-floating callable bond. (Public.)
Gongga 1% 02 Aug 2025 **1.17%**	Regulatory capital trade by a major international bank referencing a US$2bn portfolio of loans to companies domiciled in 36 countries. (Private.)
Hammerson 6% 23 Feb 2026 **1.16%**	The company develops, builds and manages commercial buildings, offices and shopping centres operating throughout the United Kingdom. It also has investment and development activities in France and Germany. Senior unsecured, fixed bond. (Public.)
Ripon Mortgages 2.0024% 20 Aug 2056 **1.16%**	High grade ABS (AA+/AAA). UK RMBS. The portfolio comprises buy-to-let loans originated by Bradford and Bingley and Mortgage Express, secured against residential properties located in England and Wales. (Public.)
NewRiver REIT 3.5% 07 Mar 2028 **1.15%**	NewRiver REIT PLC operates as a real estate investment trust investing in retail properties throughout the United Kingdom. Fixed, callable bond. Senior unsecured. (Public.)
Kennedy Wilson Europe Real Estate 3.95% 30 Jun 2022 **1.12%**	Kennedy Wilson Europe Real Estate Limited provides real estate services. The company focuses on investment management brokerage, research, auction, sales, research and development property services. Fixed, callable bond. Senior unsecured. (Public.)
Castell 2018-1 1.943% 25 Jan 2046 **1.08%**	High grade ABS (AAA), UK RMBS. Backed by a portfolio of mortgage loans originated by Optimum Credit Limited and secured against residential properties located in England, Wales and Scotland. (Public.)
Finsbury Square 2018-2 1.7286% 12 Sep 2068 **1.07%**	High grade ABS (AAA), UK RMBS. Backed by a portfolio comprising mortgage loans acquired by Koala Warehouse Limited and secured over residential properties located in England and Wales. (Public.)

M&G Credit Income Investment Trust plc

Strategic review

The Directors present the Strategic Report of the Company for the period ended 31 December 2019. 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 period 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. It 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 CTA 2010, subject to there being no serious breaches of regulations. 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.

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. This part of the portfolio may include Debt Instruments which are nominally quoted but are generally illiquid.

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 against, amongst other assets, residential and commercial mortgages, credit card receivables, auto loans, student loans, commercial loans and corporate loans;
- commercial mortgages;
- direct lending to SMEs, including lease finance and receivables financing;
- distressed debt opportunities to companies undergoing 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 will be hedged back to sterling.

Investment restrictions

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

Once fully invested, the Company's portfolio will comprise 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 may also invest indirectly through collective investment vehicles, which are expected to be managed or advised 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 that are listed on the Official List.

Unless otherwise stated, the above investment restrictions apply at the time of investment.

M&G Credit Income Investment Trust plc

Strategic review

Investment policy (continued)

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 would 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 (NAV), calculated at the time of draw down, but is typically not expected to exceed 20% of the Company's NAV.

Hedging and derivatives

The Company does 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 UK Listing Authority.

Investment process

The investment process for the Company consists of a number of stages: the decision to invest, monitoring of investments and ongoing engagement and divestment.

Investment decision-making is undertaken by the Investment Manager, who determine whether an investment is appropriate for the Company's investment mandate. Investments are only made after extensive research based on information, research and analysis from our in-house analysts and external sources. The investment process is designed to ensure that the risk and return profile of investments is fully understood.

Regular monitoring of investments enables determination of whether an investment remains appropriate. This includes monitoring the performance of investments by fund managers, analysts and internal control and governance processes. The Investment Manager proactively engages with relevant parties on any issue which may, potentially, affect an investment's ability to deliver sustainable performance in line with 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). This might be 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.

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):

	at IPO 14 November 2018	as at or period ending 31 December 2019
NAV per share	98.38p	101.72p
Mid-market price per Ordinary Share	100.00p	106.00p
Premium to NAV [a]	1.65%	4.21%
Annualised dividend yield	-	3.13%
Dividends declared per Ordinary Share		3.74p
Revenue return per Ordinary Share	-	2.6p
NAV total return [a]	-	5.6%
Mid-market price total return [a]	-	8.2%
Ongoing charges figure [a]	-	0.93%

[a] Alternative performance measures. Please see page 77 for further information.

Share price discount or premium to NAV

The share price premium to NAV as at 31 December 2019 was 4.21%. During the period from IPO the shares traded at an average premium to NAV of 4.64%.

Dividend yield

The Company paid its first dividend of 2.09p per Ordinary Share on 18 July 2019. A second dividend of 1.65p (in respect of the period ending 31 December 2019) will be paid on 28 February 2020. The annualised dividend yield for the period since IPO on the closing share price on 31 December 2019 was 3.13%.

Portfolio performance

In support of the Company's investment objective, the Board monitors the portfolio performance against a number of total return indices in public investment grade and high yield markets. These are not explicit benchmarks but provide relevant data for assessing the portfolio's performance.

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 5 and Investment Manager's report on pages 6 to 7.

M&G Credit Income Investment Trust plc

Strategic review

Key performance indicators (continued)

Ongoing charge

The Board reviews the costs of running the Company calculated using the Association of Investment Companies' (AIC) methodology for the ongoing charge. Full details are provided on page 77.

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. 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 and uncertainties

The Company is exposed to a variety of risks and uncertainties 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 risks facing the Company, together with a review of any new risks that may have arisen during the period, including those that would threaten its business model, future performance, solvency or liquidity. These risks are formally documented within the Company's key risk register, so that the risks identified and the controls in place to mitigate those risks can be monitored. The risks are assessed on the basis of the likelihood of them happening, the impact on the business if they were to occur and the effectiveness of the controls in place to mitigate them.

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

- **Market risk and credit 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.

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. Hedging instruments are used by the Investment Manager to manage foreign currency 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. Hedging instruments are used by the Investment Manager to manage interest rate 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.

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'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

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Strategic review

Risk management (continued)

Principal risks and uncertainties (continued)

• Market risk and credit risk (continued)

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 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 only transacts with parties that the Investment Manager considers to be reliable from a credit risk perspective.

• 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. Certain 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 lower 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.

• 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 - M&G Alternatives Investment Management Limited;
- preparation and maintenance of the Company's Financial Statements and maintenance of its records - State Street Bank and Trust Company;
- Company Secretarial and registrar services - Link Asset Services;
- worldwide custody of the Company's assets - State Street Bank and Trust Company; and
- safekeeping and depositary services - 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. Service provider oversight is conducted through ongoing interaction through the Management Engagement and Audit Committees and is formalised through an annual evaluation process.

• Dividend policy risk

The level of dividends that the Board will declare, and the extent to which those dividends comprise 'streamed' income on the one hand and capital profits on the other hand, 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.

M&G Credit Income Investment Trust plc

Strategic review

Risk management (continued)

Principal risks and uncertainties (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. 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.

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 risk to the company of failure to comply with MAR is mitigated by close Board oversight and monitoring through the compliance function at the Investment Manager.

UK exit from the European Union

The UK left the European Union (EU) on 31 January 2020 ("Brexit"). Following this date, the UK entered a transition period expected to last until 31 December 2020. During this period, the UK's trading relationship with the EU is expected to remain the same whilst a new trade and tariff arrangement is negotiated.

The negotiation of the UK's future trading relationship with the EU could create uncertainty in the UK and certain EU markets, which may lead to fluctuations in the performance of the Company, its NAV, and its earning and returns to Shareholders. It could also potentially make it more difficult for the Company to raise capital in the EU and/or increase the regulatory compliance burden on the Company. This could restrict the Company's future activities and thereby negatively affect returns. As such, it is not possible to state the impact that post-Brexit trade negotiations will have on the Company and its investments.

Emerging risks

The Board have considered the emerging risks for the Company and have not identified any supplementary material risk factors beyond those stated above.

Viability statement

The UK Financial Reporting Council (FRC) maintains the UK's Corporate Governance Code ("the Code") to promote high quality corporate governance and reporting. Under the Code, the Directors are required to state that in their opinion the Company's resources are adequate for it to continue in business for at least 12 months from the date of the Financial Statements and, therefore, it is appropriate that the Financial Statements be prepared on a going concern basis. This statement appears below.

The Directors are also required to assess the prospects for the Company over a longer period than the 12 months referred to in the going concern guidance and statement. The Directors have elected to review the viability of the Company for a four-year period up to the AGM of the Company to be held in 2024 by reference to the weighted average life of the Debt Instruments in the Company's portfolio and the potential need to return cash to Shareholders following the 2024 AGM.

In assessing the viability of the Company over this four-year period, the Directors have considered a number of factors. Most importantly, they have weighed the characteristics of a closed-end fund and the investment policy of the Company against the risks the Company faces as set out in this Strategic Report.

The Directors have assumed that neither the closed-ended structure of the Company, the investment policy it follows nor the risks it faces are likely to change substantially, or for the worse with respect to the viability of the Company, over the four-year period they have selected for the purposes of this viability statement. The Directors have also assumed that the Company will continue to 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 prior to, potentially, the 2024 exit 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 four years.

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Strategic review

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 67 to 69.

As at 31 December 2019, the Company's total assets less current liabilities were £132.23m. 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. 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.

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).

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 (i) 0.5% per annum of the prevailing published NAV until the end of the Company's first accounting period, the 31 December 2018; and (ii) 0.7% per annum of the prevailing published NAV thereafter.

The investment management fee was amended by way of a side letter to the Investment Management Agreement dated 22 October 2019 so that the fee payable will be retained at the annual rate of 0.5% beyond the 31 December 2019 until such time as the Board agrees that the portfolio is appropriately positioned to meet the Company's medium term annualised dividend target of LIBOR plus 4%.

Where the Company invests in a collective investment vehicle that is managed or advised by an M&G entity, the Investment Manager will reduce its investment management fee by the amount of any equivalent management fee that is charged to such collective investment vehicle or such entity will rebate its management fee such that the Investment Manager ensures the Company is not charged twice. The above arrangement will 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.

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Strategic review

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

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).

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 £250m, the fee will be calculated as if the NAV were £250m. 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 Asset Services 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 is for an initial period of one year from the date of Initial Admission and thereafter shall automatically renew 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.

Company Secretary

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

Under the terms of the Company Secretarial Services Agreement, the aggregate fees payable to Link Asset Services are currently £61,920 per annum. The Company Secretarial Agreement is for an initial period of 12 months and thereafter shall automatically renew 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 six 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.

Section 172 Statement

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

M&G Credit Income Investment Trust plc

Strategic review

Section 172 Statement (continued)

Overview (continued)

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 below discusses why these stakeholders are considered of importance to the Company and the actions taken to ensure that their interests are taken into account.

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Strategic review

Section 172 Statement (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 120 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 first and subsequent AGMs. Shareholders will have the opportunity to meet the Directors and Investment Manager and to address questions to them directly. The Investment Manager will attend the AGM and will provide a presentation on the Company's performance and the future outlook. 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 interim results 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 new 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. The Board decided to seek Shareholder approval at the forthcoming AGM to take advantage of the provisions of the Companies Act 2006 to allow electronic communications with its Shareholders, including making important documents available through its website. This would reduce the amount of printing the Company needs to undertake, which will have a positive impact on the environment.

M&G Credit Income Investment Trust plc

Strategic review

Section 172 Statement (continued)

Importance (continued)	Board engagement (continued)
	• **Shareholder meetings:** unlike trading companies one-to-one Shareholder meetings 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. 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, the Chairman seeks meetings with Shareholders who might wish to meet with him. • **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 to Shareholders if they have concerns that contact through the normal channel of the Chairman has failed to resolve or for which such contact is inappropriate. • **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 liquid 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.

M&G Credit Income Investment Trust plc

Strategic review

Section 172 Statement (continued)

Importance (continued)	Board engagement (continued)
Other stakeholders (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, 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 as appropriate.
Regulators (including third-party service party providers regulators) The Company can only operate with the approval of its regulators as 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 the own respective regulators.

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.

M&G Credit Income Investment Trust plc

Strategic review

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.

The Board seeks to appoint appropriate third-party service providers and evaluates their services on a regular basis as described on pages 16 and 17. 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.

Employees, human rights and social and community issues

The Board recognises certain requirement 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.

Board diversity

As at 31 December 2019, the Board of Directors of the Company comprised three male Directors and one female Director. The Board acknowledges the benefits of diversity, including gender diversity, and it remains committed to ensuring that the Company's Directors bring a wide range of skills, knowledge, experience, backgrounds and perspectives.

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 has a long-term track record of commitment to responsible investment principles, and became a signatory to the United Nations-supported PRI Association ("the PRI"), the world's leading organisational proponent of responsible investing, more than seven years ago. By virtue of that status, the Investment Manager has committed itself to adhering to the following overarching principles in the conduct of its investment management activities.

Principle 1: *We will incorporate ESG issues into investment analysis and decision-making processes.*

Principle 2: *We will be active owners and incorporate ESG issues into our ownership policies and practices.*

Principle 3: *We will seek appropriate disclosure on ESG issues by the entities in which we invest.*

Principle 4: *We will promote acceptance and implementation of the Principles within the investment industry.*

Principle 5: *We will work together to enhance our effectiveness in implementing the Principles.*

Principle 6: *We will each report on our activities and progress towards implementing the Principles.*

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 https://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. More information on the Investment Manager's approach to responsible investment can be found online at https://global.mandg.com/our-business/mandginvestments/responsible-investing-at-mandg-investments. Interested investors are invited to access the Investment Manager's ESG resources either through its website or through the Company's Directors as appropriate.

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.

M&G Credit Income Investment Trust plc

Strategic review

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 18 February 2020. The Chairman's Statement together with the Investment Manager's Report form part of this Strategic Report.

David Simpson
Chairman

18 February 2020

M&G Credit Income Investment Trust plc

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 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, both of which are listed on the London Stock Exchange. He is regulated in his personal capacity by the Jersey Financial Services Commission and is a member of AIMA.

Mark Hutchinson, non-executive Director. Appointed as a non-executive Director on 17 July 2018. Mark joined M&G in 1997 as chair of private assets and has overseen the start of a number of activities, including private placements, leveraged finance, project and infrastructure finance and structured credit. In addition, he started the initiative for purchasing properties with long leases for M&G's annuity funds in 2000. He continues to be involved in the development and growth of private assets within M&G.

Mark began his career in banking in 1980 with Midland Bank, going on to join Citibank and then, in 1995, Bank of America as a relationship manager for UK and global corporates.

Mark graduated from the University of Cambridge with a degree in Economics.

Barbara Powley, non-executive Director. 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. She brings to the Board her extensive knowledge of the investment trust sector and its regulatory requirements.

M&G Credit Income Investment Trust plc

Directors' report

The Directors are pleased to present the Annual Report and Financial Statements for the period ended 31 December 2019. 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 6 to 7 and information regarding environmental, social and governance issues can be found on pages 18 to 23.

Directors

The Directors in office during the period from 18 September 2018 to 31 December 2019 and at the date of this report, and their biographical details, are shown on page 24. Mark Hutchinson, who remains on the Board, was appointed from incorporation on 17 July 2018 and Oliver Riley served as a Director between 17 July 2018 and 18 September 2018.

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 period, other than Mark Hutchinson, who is Chair of Private Assets at M&G plc and is not therefore considered to be independent.

In the event of any conflict between his position as Chair of Private Assets of the Investment Manager, Mr Hutchinson will comply with the provisions in the Articles concerning the declaration of Directors' interests and authorisation of conflicts of interest and any other limits or conditions imposed by the Board.

Results and dividends

A summary of the Company's performance during the period ended 31 December 2019 and the outlook for the forthcoming year is set out in the Strategic Report on pages 6 to 7. The interim dividends paid and to be paid for the period ended 31 December 2019 are set out in note 6 to the Financial Statements.

Corporate governance

The Company's Corporate Governance Statement is set out on pages 29 to 40 and forms part of this report. Details regarding independent professional advice and insurance are set out in the Corporate Governance Statement on page 27.

Investment trust status

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

Share capital and issuance of shares

At a General Meeting of the Company held on 18 September 2018, the Company was authorised to allot shares as part of the Initial Issue and Placing Programme which have now completed and therefore the authorities have expired.

In addition, 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 was incorporated on 17 July 2018 with one Ordinary Share of £0.01, held by Mark Hutchinson. On 10 September 2018, the Company issued 50,000 Management Shares of £1.00 each, which were also held by Mark Hutchinson.

M&G Credit Income Investment Trust plc

Directors' report

Share capital and issuance of shares (continued)

On 14 November 2018, 100,000,000 Ordinary Shares of £0.01 each (with an aggregate nominal value of £1,000,000) were issued at a price of £1.00 per share under the initial placing and offer for subscription (including an intermediaries offer) by the Company. The Company commenced business on 14 November 2018 when the Ordinary Shares were listed on the premium segment of the Official List of the FCA and admitted to trading on the premium segment of the LSE's main market for listed securities. The 50,000 Management Shares were simultaneously redeemed and cancelled.

On 17 January 2019, the Company's block listing of 20,000,000 Ordinary Shares, to be listed and admitted to trading on the premium segment of the LSE's main market, became effective. During the period ended 31 December 2019, a total of 5,000,000 Ordinary Shares (with a nominal value of £50,000) were issued under this block listing. These shares were issued to the Company's broker Winterflood Securities Limited to satisfy market demand for the shares and to manage the premium to NAV at which the shares were trading at the time of issuance. Full details of the shares issued under the block listing are set out in note 10 to the Financial Statements.

As at the date of this report, a further 15,000,000 shares remain under the block listing.

On 31 January 2019, the Company placed 5,000,000 Ordinary Shares at £1.01 under its placing programme. The Placing was undertaken to provide a number of existing investors with the opportunity to increase their holdings in the Company, as well as to satisfy excess demand in the market. The net proceeds of the Placing have been invested in accordance with the Company's investment policy.

Cancellation of share premium

On 12 February 2019, the Company's share premium account of £99,000,001 was cancelled in order to create distributable reserves.

Purchase of own shares

At a General Meeting held on 18 September 2018, the Directors were granted the authority to buy back up to 18,737,500 Ordinary Shares, being 14.99% of the Ordinary Shares in issue at the time of admission of the Ordinary Shares to the LSE. No Ordinary Shares have been bought back under this authority. The authority will expire at the conclusion of the first AGM of the Company in 2020, when a resolution for its renewal will be proposed (see page 71 to 74 for further information).

Current share capital

As at 31 December 2019, and as at the date of this report, there are 130,000,001 Ordinary Shares in issue, none of which are 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 2019 were 130,000,001.

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; no agreements between holders of securities regarding their transfer known to the Company; and no agreements which the Company is party to that might affect its control following a successful takeover bid.

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 2019:

	Number of shares held	% of voting rights
Prudential Assurance Company	31,315,105	24.08

Prudential Assurance Company is a subsidiary of M&G plc.

The Company has not been informed of any changes to the above interests between 31 December 2019 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.

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 required under:

- Listing Rule 9.8.4(5) in relation to Mark Hutchinson waiving his Director's fee is set out on page 43; and
- Listing Rule 9.8.4(7) in relation to allotment of shares is set out on page 44.

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

M&G Credit Income Investment Trust plc

Directors' report

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.

Financial risk management

As noted on page 16, 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 15 and 16 of the Strategic Report.

Political donations

The Company made no political donations during the period to 31 December 2019 to organisations either within or outside the EU.

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 Notice of the AGM to be held on 30 March 2020 is set out on pages 71 to 74. Shareholders are being asked to vote on various items of business being:

(i) the receipt and acceptance of the Strategic Report, Directors' Report, Auditor's Report and the audited Financial Statements for the period ended 31 December 2019;

(ii) the receipt and approval of the Directors' Remuneration Report and the Directors' Remuneration Policy;

(iii) approval of the Company's dividend policy;

(iv) the election of Directors;

(v) the appointment of Deloitte LLP as Auditor and the authorisation of the Directors to determine the remuneration of the Auditor;

(vi) the purchase of own shares;

(vii) the holding of general meetings (other than AGMs) on not less than 14 clear days' notice; and

(viii) the authorisation of the Company to send communications to shareholders electronically.

The details about the resolutions are provided on pages 71 to 74.

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

As explained on page 25, authorities granted on 18 September 2018 remain in place and therefore the Directors will not seek any additional authorities at the forthcoming AGM.

Purchase of own shares

Resolution 11, a special resolution, will renew the Company's authority to make market purchases of up to 19,487,000 Ordinary Shares (being 14.99% of the issued share capital as at the date of the Notice of AGM or, if changed, 14.99% of the issued share capital 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.

Whilst the Directors have no present intention of using this authority, the Directors would use this authority in order to address any significant imbalance between the supply and demand for the Ordinary Shares and to manage any significant

M&G Credit Income Investment Trust plc

Directors' report

Purchase of own shares (continued)

discount to NAV at which Ordinary Shares may trade. Ordinary Shares will be repurchased only at prices below the NAV per ordinary share, which should have the effect of increasing the NAV per Ordinary Share for remaining Shareholders.

This authority, if approved by Shareholders, will expire at the AGM to be held in 2021, 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 12, 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 2021, when it is intended that a similar resolution will be proposed.

Electronic communications

The Company is seeking to take advantage of the provisions of the Companies Act 2006 to allow electronic communications with its Shareholders, including making important documents available through its website, and an ordinary resolution authorising this is included in the Notice of Annual General Meeting.

Resolution 13, if passed, would allow the Company to use electronic communications with Shareholders by placing documents such as the Annual Report on a website rather than sending them in hard copy. The Company will notify those Shareholders, who have elected for electronic communication, by post or email, if they have provided an email address, that the document is available on the Company's website. Shareholders can, however, ask for a hard copy of any document at any time.

If this resolution is passed, the new arrangements are expected to result in potential administrative, printing and postage cost savings for the Company, whilst preserving Shareholders' rights to receive hard copy documents if they so wish. In addition, the greater use of electronic communications would result in significant environmental benefits.

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

18 February 2020

M&G Credit Income Investment Trust plc

Corporate governance statement

Introduction

The Listing Rules and the Disclosure Guidance and Transparency Rules (Disclosure Rules) of the UK Listing Authority 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). 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). The Board has complied with the UK Corporate Governance Code published in July 2018 and hence are also in compliance with 2016 Code.

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 that the UK Code. 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 period ended 31 December 2019, 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, and as explained in the UK Code, 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.

For the majority of the period, the Company did not comply with the requirement to have a Senior Independent Director (SID). However, on 6 December 2019, Richard Boléat was appointed SID with immediate effect and the Company has been in compliance since. Whilst, at IPO, the Board felt that the role of SID was not relevant to an externally managed investment company, the Directors felt that the role gave Shareholders a clear point of contact, other than the Chairman, should it ever be required.

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

M&G Credit Income Investment Trust plc

Corporate governance statement

Board leadership and purpose

AIC Code Principle	Compliance statement
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 uncertainties and the sustainability of the Company's business model can be found in the Strategic Report on pages 13 to 15. 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 page 22 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 instruments. Over the longer term, it is expected that the Company will be mainly invested in private debt instruments. This part of the portfolio may 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 7. More detail regarding how the Company considers the long-term sustainable success of the Company can be found in the Section 172 statement on page 15. 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.

M&G Credit Income Investment Trust plc

Corporate governance statement

Board leadership and purpose (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 objectives. 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 45 to 47.
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 17 to 21. 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.

M&G Credit Income Investment Trust plc

Corporate governance statement

Division of responsibilities

AIC Code Principle	Compliance statement
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 objectives, 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 period by Richard Boléat as Senior Independent Director. This 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.

M&G Credit Income Investment Trust plc

Corporate governance statement

Division of responsibilities (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.	All of the Directors are non-executive and (with the exception of Mark Hutchinson who is the Chair of Private Assets at M&G plc) are 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 period under review the Board appointed Richard Boléat 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 page 38.
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.

M&G Credit Income Investment Trust plc

Corporate governance statement

Composition, succession and evaluation

AIC Code Principle	Compliance statement
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 can be found on page 39. 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; and • 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.
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 24 of this Report. These demonstrate the wide range of skills and experience that they bring to the Board. As part of the IPO process, each Director was appointed with a view to having a Board with a good combination of skills, experience and knowledge. This is reviewed as part of the annual evaluation process. In the future, when considering new appointments, the Board will review the skills of the Directors and seek to add persons with complementary skills or who possess skills and experience which fill any gaps in the Board's knowledge or experience and who can devote sufficient time to the Company to carry out their duties effectively. In addition, the Nomination Committee conducts annually a skills audit to enable the Board to identify any skill shortages to be filled by new Directors. As the Company was only formed in 2018, the Board does not currently have a formal policy requiring that Directors should stand down after a fixed period but will keep this under review as part of its ongoing succession planning deliberations, there is also no current policy on the tenure of the chairman.

M&G Credit Income Investment Trust plc

Corporate governance statement

Composition, succession and evaluation (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 period under review this was carried out by way of a questionnaire and subsequent 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. 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. As this will be the Company's first AGM, all Directors will submit themselves for election by shareholders. Subsequently all Directors will be subject to annual re-election by shareholders. More information regarding the proposed election of each Director can be found on page 71.

Audit, risk and internal control

AIC Code Principle	Compliance statement
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 continually 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 46.

M&G Credit Income Investment Trust plc

Corporate governance statement

Audit, risk and internal control (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 believe 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 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 since IPO 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 45 to 47, 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 Audit Committee report on page 47.

M&G Credit Income Investment Trust plc

Corporate governance statement

Remuneration

AIC Code Principle	Compliance statement
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 41 to 44, 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. All Directors own shares in the Company, all of which were purchased in the open market and using the Directors' own resources. Directors' fees were set at the time of the Company's IPO. The Remuneration Committee will periodically review the fees paid to the Directors and compare 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 41.
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.
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 proposed Remuneration Policy 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.

M&G Credit Income Investment Trust plc

Corporate governance statement

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 and David Simpson. 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 interim 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 45 to 47 of the Annual Report.

Management Engagement Committee

The Company has established a Management Engagement Committee which comprises David Simpson as Chairman, Richard Boléat and Barbara Powley. The Management Engagement Committee will meet at least once a year or more often if required. Its principal duties are to consider 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 Management Engagement Committee meets at least once a year. It will review annually the performance of the Investment Manager.

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.

M&G Credit Income Investment Trust plc

Corporate governance statement

Nomination Committee

The Company's Nomination Committee consists of Richard Boléat and Barbara Powley and is chaired by David Simpson. The Nomination Committee will meet 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 period to consider and approve the appointment of Richard Boléat as Senior Independent Director. Since the period end, it has met once to consider the results of the performance evaluation process, to formally recommend to the Board the election of all Directors at the forthcoming AGM and to discuss succession planning.

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.

It is the chairman's responsibility to ensure that the Directors have sufficient knowledge to fulfil their role and Directors are encouraged to participate in training courses where appropriate.

Remuneration Committee

The Company's Remuneration Committee consists of David Simpson and Richard Boléat and is chaired by Barbara Powley. The Remuneration Committee will meet 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.

The Remuneration Committee met once during the period to consider whether the current level of non-executive Director fees, which were agreed at IPO, remained appropriate. Following discussion it was agreed that the current fee structure remained appropriate for the year ending 31 December 2020 and that the Remuneration Policy would be drafted in line with this. Since the period end, it has met to consider the Remuneration Report and Remuneration Policy, which it recommended to be put to shareholders at the AGM.

The Remuneration Report including the proposed Remuneration Policy is set out on pages 41 to 44 of the Annual Report.

M&G Credit Income Investment Trust plc

Corporate governance statement

Meeting attendance

The number of scheduled Board, Audit Committee and Management Engagement Committee meetings held during the period ended 31 December 2019 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	2 / 2	1 / 1
Richard Boléat	5 / 5	5 / 5	1 / 1	2 / 2	1 / 1
Barbara Powley	5 / 5	5 / 5	1 / 1	2 / 2	1 / 1
Mark Hutchinson	5 / 5	-	-	-	-

A number of additional Board meetings were held by the Company during the period ended 31 December 2019. These meetings were held in respect of the Company's IPO in November 2018, agreeing the share placing and the block listing facility, approval of the monthly NAV and other ad hoc matters.

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

Nicola Lambourne

Link Company Matters Limited

Corporate Secretary

18 February 2020

M&G Credit Income Investment Trust plc

Directors' remuneration report

The Board presents the Directors' Remuneration Report for the period ended 31 December 2019. This Report is prepared in accordance with Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013. Resolutions to approve this Report and the Remuneration Policy will be proposed at the AGM of the Company to be held on 30 March 2020.

The law requires the Company's auditor to audit certain of the disclosures provided. Where disclosures have been audited, they are indicated as such. The auditor's opinion is included in their report on pages 49 to 58.

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 and Richard Boléat.

Each Director abstains from voting on his or her own individual remuneration. During the period and as part of the IPO process, the Board initially reviewed and agreed levels of Directors' remuneration whilst having regard to remuneration in other companies of comparable scale and complexity and market statistics generally.

During the period ended 31 December 2019, the annual fees were set out at the rate of £40,000 for the Chairman, £35,000 for the Chairman of the Audit Committee and £30,000 for a Director. Mark Hutchinson is employed by M&G as head of private assets and has agreed to waive his fee. No changes for these fee levels are proposed for the year ending 31 December 2020.

In accordance with the Companies Act 2006, the Company is required to obtain shareholder approval of its remuneration policy on a triennial basis. Ordinary resolutions will be put to shareholders at the forthcoming AGM to be held on 30 March 2020 to receive and approve the Directors' Remuneration Report and to receive and approve the Directors' Remuneration Policy. If approved by Shareholders, the Directors' Remuneration Policy will be effective immediately upon the passing of the resolution at the AGM. There are no significant changes expected in the way the proposed Remuneration Policy, if approved, will be implemented in the next 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.

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.

M&G Credit Income Investment Trust plc

Directors' remuneration report

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 incentives schemes or other performance-related benefits. There are no pension arrangements in place for the Directors of the Company.

Directors' fee levels per annum

Component	Role	Fee level per annum	Purpose of Remuneration
Annual fee	Chairman	£40,000	Commitment as Chairman[1]
Annual fee	Non- executive Director	£30,000	Commitment as non- executive Director
Additional fee	Chairman of the Audit Committee	£5,000	For additional responsibilities and time commitments[2]
Additional fee	All Directors	n/a	For extra or special services performed in their role as a Director[3]
Expenses	All Directors	n/a	Reimbursement of expenses incurred in the performance of duties as a Director

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

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

3 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 period.

M&G Credit Income Investment Trust plc

Directors' remuneration report

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.

Annual report on remuneration

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

Directors' remuneration for the period ended 31 December 2019 (audited)

The remuneration paid to the Directors from IPO to 31 December 2019 is set out in the single total figure table below:

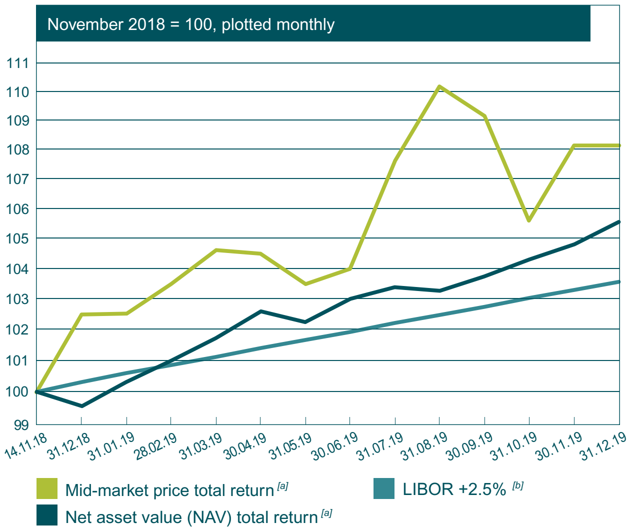
Director	Fees £	Taxable benefits[2] £	Total £
David Simpson	45,333	0	45,333
Richard Boléat	39,667	3,703	43,370
Mark Hutchinson[1]	0	0	0
Barbara Powley	34,000	4,718	38,718
	119,000	8,421	127,421

1 Mark Hutchinson is employed by M&G as Chair of Private Assets and has agreed to waive his fee.

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

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 LIBOR +2.5%. LIBOR +2.5% has been chosen for comparison purposes as this was the explicit dividend target for 2019.



[a] Alternative performance measure. Please see page 77 for further information.

[b] LIBOR +2.5% has been chosen for comparison purposes as this was the dividend target for 2019.

Source: M&G Statistics Department.

Relative importance of spend on pay

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

For the period ended 31 December	2019 £'000
Spent on Directors' fees[1]	128
Management fee and other expenses[2]	1,384
Dividend payments[2]	2,717

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

2 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 note 5 financial statements.

M&G Credit Income Investment Trust plc

Directors' remuneration report

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 2019 and 18 February 2020, the date of this report, are shown in the table below:

	Number of shares 31 December 2019	Number of shares 18 February 2020
David Simpson	25,000	25,000
Richard Boléat	10,000	10,000
Mark Hutchinson	20,000	20,000
Barbara Powley	15,365	15,365

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

Remuneration advisors

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

Implementation of Remuneration Policy in 2020

If approved, no changes to the Remuneration Policy are expected during 2020.

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 period to 31 December 2019:

(a) the major decisions on Directors' remuneration;

(b) any substantial changes relating to Directors' remuneration made during the period; and

(c) 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:

Barbara Powley

Chairman of the Remuneration Committee

18 February 2020

M&G Credit Income Investment Trust plc

Report of the audit committee

I am pleased to present the Audit Committee Report for the period ended 31 December 2019.

Role of the Audit Committee

The primary responsibilities of the Audit Committee are:

- to monitor the integrity and contents of the Company's interim reports, annual reports and 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 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 24.

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 Auditors to the Company. The Independent Auditors attend Audit Committee meeting as required. The Audit Committee reviews, with the Independent Auditors, the plan and scope of the audit prior to the audit, and the results of the audit after it is concluded. At least annually, the Audit Committee discusses any relevant matters with the Auditors 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.

Terms of reference

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

Matters considered during the period

Given that this has been the first full period of Company operations, the Audit Committee has been particularly busy in seeking to ensure that the Company's internal control systems and procedures, as principally detailed in the Company's Financial Position and Prospects Procedures established at IPO, have operated reliably and predictably. There have been inevitable instances where adjustments and accommodations have been necessary to align those requirements precisely with actual operational processes within the Investment Manager and the Administrator in particular. A series of constructive dialogues with those parties have resulted in the resultant gap analysis being satisfactorily addressed.

Alongside this, considerable time has been spent with relevant stakeholders in devising the form and content of this report. Of particular note is the reporting against section 172 of the Companies Act 2006 and the AIC's recently revised Corporate Governance Code, which has given rise to a range of additional disclosures beyond those which are currently market standard for an Investment Trust. This has required the support not only of all stakeholders, but also the ESG team lead within the Investment Manager.

In relation to the Company's financial statements which appear within the latter part of this Report, the key area of focus has

M&G Credit Income Investment Trust plc

Report of the audit committee

Matters considered during the period (continued)

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.

Significant Issues

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

1. The incorporation of narrative reports required by Section 172 of the Companies Act 2006 and the AIC Corporate Governance Code, 2018 edition;
2. Whether the analysis of principal and emerging 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;
3. The determination of fair value in respect of the Company's assets classified as levels 2 and 3 under the FRS102 fair value hierarchy;
4. The determination of the correct level of individual assets within the IFRS fair value hierarchy; 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.

Audit fees and non-audit services

An audit fee of £37,500 has been agreed in respect of the audit for the period ended 31 December 2019. An audit of the Initial Accounts for the period to 31 March 2019 was also undertaken for a fee of £10,000.

In accordance with the Company's non-audit services policy, as adopted by the Company on 26 April 2019, 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. The policy includes a list 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 period, the Auditor provided the following non-audit services: reporting accountant services for the Prospectus at the time of the Company's IPO for a fee of £68,000 and review of the Interim Report for the period to 31 December 2019 for a fee of £17,500.

These non-audit fees are significantly higher than the statutory audit fee due to the work involved in the Company's IPO and its first period. The level of non-audit fees is therefore expected to remain below this level in future.

Further information on the fees paid to the Auditor is set out in note 5 to the Financial Statements on page 65.

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 period 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.

M&G Credit Income Investment Trust plc

Report of the audit committee

Appointment of the Auditor

Following consideration of the performance of the Auditor, the services provided during the period 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.

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 period 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 13 to 15.

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 whistle-blowing 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.

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.

Richard Boléat
Chairman of the Audit Committee

18 February 2020

M&G Credit Income Investment Trust plc

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 3 to 23 inclusive (together with the sections of the Annual Report and Financial Statements incorporated by reference) and the Directors' Report on pages 25 to 28. Therefore, a separate management report has not been included.

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

The Directors are responsible for preparing the Annual Report and 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.

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

The Directors listed on page 76 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 [or loss] 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 and uncertainties that they face.

The 2018 UK Corporate Governance Code also requires Directors to ensure that the Annual Report and 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 Financial Statements fulfil these requirements. The process by which the Audit Committee has reached these conclusions is set out in the Corporate Governance Statement on pages 45 to 47. As a result, the Board has concluded that the Annual Report and Financial Statements for the period ended 31 December 2019, 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

18 February 2020

M&G Credit Income Investment Trust plc

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 2019 and of its profit for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 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 October 2019 "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 17.

The financial reporting framework that has been applied in their preparation is applicable law, 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 October 2019 "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 period are disclosed in note 5 to the financial statements. We confirm that the non-audit services prohibited by the FRC's Ethical Standard were not provided to the Company.

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

M&G Credit Income Investment Trust plc

Independent auditor's report

3. Summary of our audit approach

Key audit matters	The key audit matter that we identified in the current period was valuation and ownership of investments (excluding derivatives)
Materiality	The materiality that we used in the current period was £991,000 which was determined as 0.75% of net assets:
Scoping	Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.

4. Conclusions relating to going concern, principal risks and viability statement

4.1 Going concern

We have reviewed the Directors' statement in note 1a to the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements.

We considered as part of our risk assessment the nature of the Company, its business model and related risks including where relevant the impact of Brexit, the requirements of the applicable financial reporting framework and the system of internal control. We evaluated the Directors' assessment of the Company's ability to continue as a going concern, including challenging the underlying data and key assumptions used to make the assessment, and evaluated the Directors' plans for future actions in relation to their going concern assessment.

We are required to state whether we have anything material to add or draw attention to in relation to that statement required by Listing Rule 9.8.6R(3) and report if the statement is materially inconsistent with our knowledge obtained in the audit.

Going concern is the basis of preparation of the financial statements that assumes an entity will remain in operation for a period of at least 12 months from the date of approval of the financial statements.

We confirm that we have nothing material to report, add or draw attention to in respect of these matters.

M&G Credit Income Investment Trust plc

Independent auditor's report

4.2 Principal risks and viability statement

Based solely on reading the Directors' statements and considering whether they were consistent with the knowledge we obtained in the course of the audit, including the knowledge obtained in the evaluation of the Directors' assessment of the Company's ability to continue as a going concern, we are required to state whether we have anything material to add or draw attention to in relation to:

- the disclosures on pages 14 to 15 that describe the principal risks, procedures to identify emerging risks, and an explanation of how they are being managed or mitigated;
- the Directors' confirmation on page 47 that they have carried out a robust assessment of the principal and emerging risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity; or
- the Directors' explanation on page 15 as to how they have assessed the prospects of the Company over what period they have done so and why they consider that period to be appropriate and their statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We are also required to report whether the Directors' statement relating to the prospects of the Company required by Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.

Viability means the ability of the company to continue over the time horizon considered appropriate by the directors.

We confirm that we have nothing material to report, add or draw attention to in respect of these matters.

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.

M&G Credit Income Investment Trust plc

Independent auditor's report

5.1 Valuation and ownership of investments (excluding derivatives)

Key audit matter description	Of the investments held by the Company, £126,793,000 are key to its performance and account for majority of the total assets (95.1% as at 31 December 2019). Please see note 2(j) and note 7 of the Financial Statements. There is a risk that the investments disclosed in the accounts may not represent the property of the Company and may not be valued appropriately. 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 are not traded in an active market and there is no pricing information available from markets, therefore, the investments are valued using alternative methods, wherein judgements and assumptions are used in computations. This key audit matter is also included in the Report of the Audit Committee within the Annual Report as a significant issue.
How the scope of our audit responded to the key audit matter	We have performed the following procedures to test the ownership and valuation of the investment portfolio at 31 December 2019: • Obtained an understanding of controls over valuation and 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 traced 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.

M&G Credit Income Investment Trust plc

Independent auditor's report

How the scope of our audit responded to the key audit matter (continued)	**For valuation of quoted securities** • Agreed the valuation of 100% of investments to the closing bid prices published by an independent pricing source, including Bloomberg, Thomson Reuters and Markit; • For those investments priced with reference to broker quotes, obtained independent evidence from that source; • Assessed the 'depth' (i.e. volumes traded) of the pricing source and its implications for the levelling disclosure; and • Assessing the date of the 'last' price and Markit 'depth score' to determine whether the price is less reliable and challenging the management if the security should be classified as Level 3. **For valuation of unquoted securities** • Obtain the Company's discounted cash flow workings and perform a walkthrough to understand the methodology applied; • Review the original term sheets setting out the terms of the agreement with the counterparty; • Independently recalculate a sample of discounted cash flow valuations and review and challenge of the Company's inputs and assumptions (including spread and credit rating); • Independently verify the credit rating and credit spread at origination of the security, before assessing the appropriateness of management's assumptions on the change in spread and credit rating over the period from origination to year end; and • Assessed the implications of model assumptions on the levelling of each security for the fair value hierarchy.
Key observations	Based on the work performed we concluded that the valuation and ownership of investments is appropriate.

M&G Credit Income Investment Trust plc

Independent auditor's report

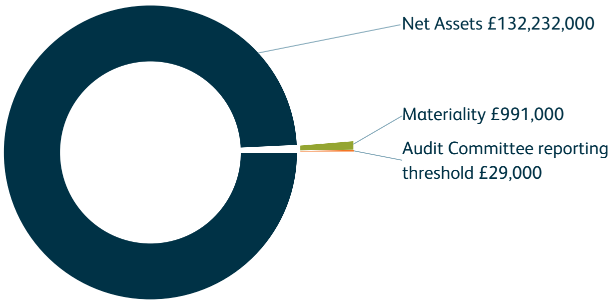
6. Our application of materiality

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	£991,000
Basis for determining materiality	0.75% of net assets
Rationale for the benchmark applied	Net assets has been chosen as a benchmark as it is considered the most relevant benchmark for investors and is a key driver of shareholder value.



Source: Deloitte.

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 65% of materiality for the 2019 audit. In determining performance materiality, we considered our risk assessment, including our assessment of the Company's overall control environment, period of the audit and significant changes in the business affecting our ability to forecast misstatement.

6.3 Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £29,000, 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.

As part of our risk assessment, we assessed the control environment in place at the administrator to the extent relevant to our audit.

7.2 Our consideration of the control environment

The administrator of the Company, State Street Bank and Trust Company, 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. We have, however, not relied on the controls report of the administrator.

M&G Credit Income Investment Trust plc

Independent auditor's report

8. Other information

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

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.

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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.

In this context, matters that we are specifically required to report to you as uncorrected material misstatements of the other information include where we conclude that:

- **Fair, balanced and understandable** – the statement given by the Directors that they consider the Annual Report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- **Audit committee reporting** – the section describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee; or
- **Directors' statement of compliance with the UK Corporate Governance Code** – the parts of the Directors' statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

We have nothing to report in respect of these matters.

M&G Credit Income Investment Trust plc

Independent auditor's report

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.

Details of the extent to which the audit was considered capable of detecting irregularities, including fraud and non-compliance with laws and regulations are set out below.

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.

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

We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and then design and perform audit procedures responsive to those risks, including obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion.

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;
- Results of our enquiries of management and the Audit Committee 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; and
  - the internal controls established to mitigate risk of fraud or non-compliance with laws and regulations.
- The matters discussed among the audit engagement team and involving relevant internal specialists, including valuations specialist 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 areas: valuation and ownership of investment (excluding derivatives), being a key performance indicator and an area of focus to users of the financial statements. 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 frameworks that the Company operates in, focusing on provision 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, UK Listing Rules, as well as the Company qualification as an Investment Trust under UK tax legislation.

M&G Credit Income Investment Trust plc

Independent auditor's report

11.2 Audit response to risks identified

As a result of performing the above, we identified the valuation and ownership of investments (excluding derivatives) as a key audit matter related to the 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, reviewing internal audit reports and reviewing correspondence with HMRC and the FCA;
- 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; and

we also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal valuation specialist, 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 period 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.

M&G Credit Income Investment Trust plc

Independent auditor's report

13. Matters on which we are required to report by exception

13.1 Adequacy of explanations received and accounting records

We have nothing to report in respect of these matters.

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.

13.2 Directors' remuneration

We have nothing to report in respect of these matters.

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.

14. Other matters

14.1 Directors' remuneration

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 the period ending 31 December 2019 and subsequent financial periods. The period of total uninterrupted engagement of the firm is one year.

14.2 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).

15. 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 CA (senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

Edinburgh

United Kingdom

19 February 2020

M&G Credit Income Investment Trust plc

Financial statements

Income statement

		period from 17 July 2018 to 31 December 2019		
		Revenue	Capital	Total
	Note	£'000	£'000	£'000
Net gains on investments	8	-	3,593	3,593
Net losses on derivatives	8	-	(221)	(221)
Net currency losses		(19)	(78)	(97)
Income	3	4,530	-	4,530
Investment management fee	4	(678)	-	(678)
Other expenses	5	(706)	-	(706)
Net return on ordinary activities before taxation		**3,127**	**3,294**	**6,421**
Taxation on ordinary activities	7	(1)	-	(1)
Net return attributable to Ordinary Shareholders after taxation		**3,126**	**3,294**	**6,420**
Net return per Ordinary Share (basic and diluted) [a]	**2**	**2.55p**	**2.69p**	**5.24p**

[a] Return figures have been calculated using weighted average shares for the period 14 November 2018 to 31 December 2019.

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 period.

The notes on pages 63 to 70 form an integral part of these Financial Statements.

M&G Credit Income Investment Trust plc

Financial statements

Statement of financial position

			as at 31 December 2019
	Note	£'000	£'000
Non-current assets			
Investments at fair value through profit or loss	8		126,793
Current assets			
Derivative financial assets held at fair value through profit or loss	8	523	
Other receivables	9	1,092	
Cash and Cash Equivalents	9	4,877	
		6,492	
Current liabilities			
Other payables	9	(1,053)	
Total current liabilities		**(1,053)**	
Net current assets			**5,439**
Total assets less current liabilities			**132,232**
Net assets			**132,232**
Capital and reserves			
Called up share capital	10		1,300
Share premium			28,229
Special distributable reserve	11		99,000
Capital reserve	10		1,968
Revenue reserve			1,735
Total shareholders' funds			**132,232**
Net Asset Value per Ordinary Share (basic and diluted)	**2**		**101.72p**

The notes on pages 63 to 70 form an integral part of these Financial Statements.

Approved and authorised for issue by the Board of Directors on 18 February 2020 and signed on its behalf by:

David Simpson

Chairman

Company registration number: 11469317

18 February 2020

M&G Credit Income Investment Trust plc

Financial statements

Statement of changes in equity

For the period from 17 July 2018 to 31 December 2019	Note	Called up Ordinary Share capital £'000	Share premium £'000	Special distributable reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Balance at 17 July 2018		-	-	-	-	-	-
Initial public offering cost		-	(1,592)	-	-	-	(1,592)
Ordinary Shares issued during the period	10	1,300	128,839	-	-	-	130,139
Cancellation of share premium		-	(99,000)	99,000	-	-	-
Cancellation of share premium costs		-	(18)	-	-	-	(18)
Net return attributable to shareholders		-	-	-	3,294	3,126	6,420
Dividends paid	6	-	-	-	(1,326)	(1,391)	(2,717)
Balance at 31 December 2019		**1,300**	**28,229**	**99,000**	**1,968**	**1,735**	**132,232**

The notes on pages 63 to 70 form an integral part of these Financial Statements.

M&G Credit Income Investment Trust plc

Financial statements

Cash flow statement

	Note	as at 31 December 2019 £'000
Cash flows from operating activities		
Net profit before taxation		6,421
Adjustments for:		
Gains on investments	8	(3,593)
Losses on derivatives	8	221
Increase in other receivables		(1,092)
Increase in other payables		1,053
Overseas withholding tax suffered		(1)
Purchases of investments	8	(167,659)
Sales of investments	8	43,715
Net cash inflow from operating activities		**(120,935)**
Financing activities		
Issue of Ordinary Shares		130,139
Initial public offering costs		(1,592)
Cancellation of share premium costs		(18)
Ordinary dividend paid	6	(1,391)
Interest distribution paid	6	(1,326)
Net cash inflow from financing activities		**125,812**
Increase in Cash and Cash Equivalents	**9**	**4,877**
Cash and Cash Equivalents at the start of the period		-
Increase in Cash and Cash Equivalents as above		4,877
Cash and Cash Equivalents at the end of the period	**9**	**4,877**

The notes on pages 63 to 70 form an integral part of these Financial Statements.

M&G Credit Income Investment Trust plc

Financial statements

Notes to the Financial Statements

1 Significant accounting policies

The Company is a public limited company incorporated 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 period from 17 July 2018 (the date of incorporation) to 31 December 2019.

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 October 2019 "Financial Statements of Investment Trust Companies and Venture Capital Trusts

The functional and presentational currency of the Company is pounds 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.

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.

M&G Credit Income Investment Trust plc

Financial statements

Notes to the Financial Statements

1 Significant accounting policies (continued)

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.

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 accrual basis as revenue or capital in accordance with the underlying scheme's distribution policy.

f) 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 period 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.

g) 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.

h) 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.

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 period end.

This reserve can also be used for distributions by way of a dividend.

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.

i) Investment management fees

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

j) 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 periods.

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

M&G Credit Income Investment Trust plc

Financial statements

Notes to the Financial Statements

1 Significant accounting policies (continued)

j) Accounting judgements, estimates and assumptions (continued)

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

2 Returns and net asset value (NAV)

	period from 17 July 2018 to 31 December 2019
Revenue return	
Revenue return attributable to Ordinary Shareholders (£'000)	£3,126
Weighted average number of shares in issue during the period [a]	122,606,191
Revenue return per Ordinary Share (basic and diluted)	2.55p
Shares in issue at period end	130,000,001
Revenue available for dividend	2.40p
Capital return	
Capital return attributable to Ordinary Shareholders (£'000)	£3,294
Weighted average number of shares in issue during the period [a]	122,606,191
Capital return per Ordinary Share (basic and diluted)	2.69p
Net return	
Net return per Ordinary Share (basic and diluted)	5.24p
NAV per Ordinary Share	
Net assets attributable to Ordinary Shareholders (£'000)	£132,232
Number of shares in issue at period end	130,000,001
Par value of shares in issue (£'000)	1,300
NAV per Ordinary Share	101.72p

[a] Return figures have been calculated using weighted average shares for the period 14 November 2018 (date of IPO) to 31 December 2019.

3 Income

	period from 17 July 2018 to 31 December 2019 £'000
Income from investments	
Interest income from Debt Instruments	3,865
Distributions from investment funds	444
Management fee rebate	74
	4,383
Other income	
Interest from Cash and Cash Equivalents	147
	4,530

4 Investment management fee

	period from 17 July 2018 to 31 December 2019 £'000
Investment management fee	678

The amount outstanding at the period end is shown in note 9.

The basis for calculating the investment management fee is set out on page 16.

5 Other expenses

	period from 17 July 2018 to 31 December 2019 £'000
Directors' fees	128
Legal fees	20
Printing and postage	23
Registrar's and secretarial fees	111
Admin fees	88
Broker fees	68
LSE block listing fee	78
Other	111
	627
Auditors' remuneration:	
- Audit services	58
- Non-audit services [a]	21
	706

[a] Non-audit fees payable to the auditor in respect of the interim review for the period 17 July 2018 to 30 June 2019 are £21,000 (including VAT).

In addition, non-audit service fees of £81,600 (including VAT) were paid to the auditor in the period in relation to the reporting accountant role for the Company's IPO, recognised in the share premium account.

M&G Credit Income Investment Trust plc

Financial statements

Notes to the Financial Statements

6 Dividends

	period from 17 July 2018 to 31 December 2019 £'000
Revenue	
Period ended 31 December 2019: first interim interest distribution of 1.07p	1,391
	1,391
Capital	
Period ended 31 December 2019: first interim dividend of 1.02p	1,326
	1,326

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

	period from 17 July 2018 to 31 December 2019 £'000
First interim interest distribution of 1.07p for the period ended 31 December 2019	1,391
First interim dividend of 1.02p for the period ended 31 December 2019	1,326
	2,717

On 29 January 2020, the Board declared a second interim dividend of 1.65p per Ordinary Share (1.33p as an interest distribution and 0.32p as an ordinary dividend) totalling £2,145,000, which will be paid on 28 February 2020 to Ordinary Shareholders on the register on 7 February 2020. The ex-dividend date was 6 February 2020.

The second interim dividend has not been included as a liability in these financial statements.

7 Taxation on ordinary activities

	Revenue £'000	Capital £'000	period from 17 July 2018 to 31 December 2019 £'000
Foreign tax	**1**	**-**	**1**

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:

	Revenue £'000	Capital £'000	period from 17 July 2018 to 31 December 2019 £'000
Net return on ordinary activities before taxation	3,127	3,294	6,421
Corporation tax at standard rate of 19.0%	594	626	1,220
Effects of:			
Net gains on investments	-	(683)	(683)
Net losses on derivatives	-	42	43
Irrecoverable overseas tax	1	-	1
Tax deductible interest distributions	(594)	-	(594)
Net foreign currencies losses	-	15	15
Total tax charge	**1**	**-**	**1**

As at 31 December 2019, the Company had unutilised management expenses of £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.

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

	as at 31 December 2019 £'000
Opening valuation	-
Analysis of transactions made during the period	
Purchases at cost	167,659
Sale proceeds received	(43,715)
Gains on investments	3,372
Closing valuation	**127,316**
Closing cost	125,083
Closing investment holding gains	2,233
Closing valuation	**127,316**

The company received £43,715,000 from investments sold in the period. The book cost of these investments when they were purchased was £41,832,000. 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 2019 £'000
Gains on investments	
Net realised gains on disposal of investments	3,593
Net losses on derivatives	(221)
Gains on investments	**3,372**

M&G Credit Income Investment Trust plc

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Notes to the Financial Statements

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

	as at 31 December 2019 £'000
Closing valuation	
Investments at fair value through profit or loss	126,793
Derivative financial assets held at fair value through profit or loss	523
Closing valuation	**127,316**

9 Other receivables, Cash and Cash Equivalents and other payables

	as at 31 December 2019 £'000
Other receivables	
Accrued income	1,005
Prepaid expenses	13
Management fee rebate	74
Total	**1,092**
Cash and Cash Equivalents	
Cash at bank	2,411
Amounts held at futures clearing houses	60
Cash on deposit	2,406
Total	**4,877**
Other payables	
Expenses payable	308
Management fee payable	678
Other payables	67
Total	**1,053**

10 Called up share capital

	Number of shares	as at 31 December 2019 £'000
Ordinary Shares of 1p		-
Ordinary Shares in issue at the beginning of the period	-	-
Ordinary Shares issued during the period	130,000,001	1,300
Ordinary Shares in issue at the end of the period	**130,000,001**	**1,300**

The analysis of the capital reserve is as follows:

	Realised capital reserve £'000	Investment holding gains £'000	Total capital reserve £'000
Gains on realisation of investments at fair value	1,139	-	1,139
Realised currency losses during the period	(78)	-	(78)
Unrealised gains	-	2,233	2,233
Dividends paid	(1,326)	-	(1,326)
As at 31 December 2019	**(265)**	**2,233**	**1,968**

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', 2019.

11 Special distributable reserve

The 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.

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 period is disclosed in the income statement, in note 4 and amounts outstanding at the period end are shown in note 9.

The Company holds an investment in M&G European Loan Fund which is managed by M&G Investment Management Limited. At the period end, this was valued at £14,018,558 and represented 10.81% 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 43 and 44. The balance of fees due to the Directors at the period end was £30,118.

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 period.

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

- 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

M&G Credit Income Investment Trust plc

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Notes to the Financial Statements

13 Financial instruments (continued)

Market risk (continued)

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 2019 are shown below.

	Euro £'000	2019 US dollar £'000
Debtors	80	8
Investments	9,434	6,582
Total foreign currency exposure on net monetary items	**9,514**	**6,590**

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 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 £797,000. A 5% decrease would have an equal and opposite effect.

	Increase in exchange rates 2019 £'000	Decrease in exchange rates 2019 £'000
Income statement		
Revenue return	(4)	4
Capital return	801	(801)
Total change to net return on ordinary activities after tax	**797**	**(797)**
Change to net assets attributable to shareholders	**797**	**(797)**

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 Instruments 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 there has been a sustained period of very low levels of central bank set interest rates. It is possible that central banks will raise their interest rates in the 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.

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 2019, the prevailing base rate was 0.75%. The decrease in interest rates illustrated below of 2% is reasonably possible based on observation of market conditions and historical 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 2019 £'000	Increase in interest rates 2019 £'000
Income statement		
Revenue return	13	(13)
Capital return	2,633	(2,633)
Total change to net return on ordinary activities after tax	**2,647**	**(2,647)**
Change to net assets attributable to shareholders	**2,647**	**(2,647)**

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Notes to the Financial Statements

13 Financial instruments (continued)

Market risk (continued)

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 historical 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 2019 £'000	Decrease in fair value 2019 £'000
Income statement		
Revenue return	(63)	63
Capital return	12,679	(12,679)
Total change to net return on ordinary activities after tax	**12,616**	**(12,616)**
Change to net assets attributable to Shareholders	**12,616**	**(12,616)**

Liquidity risk

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 period end, based on the earliest date on which payment can be required are as follows:

	Three months or less 2019 £'000	Total 2019 £'000
Creditors: amounts falling due within one year		
Other creditors	1,053	1,053
	1,053	**1,053**

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 firm enters into being unable to meet their 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.

Management of the risk is undertaken in the following way:

To mitigate this risk the AIFM follows the below process for private asset investments and monitoring.

- 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 period end.

	Balance sheet 2019 £'000	Maximum exposure 2019 £'000
Fixed assets		
Investments held at fair value through profit or loss	126,793	126,793
Current assets		
Other receivables	1,092	2,222
Cash and Cash Equivalents	4,877	38,966
Cash at bank and in hand	**132,762**	**167,981**

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.

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Notes to the financial statements

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 2019			
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets at FVTPL				
Debt Instruments	-	96,068	16,706	112,774
Investment in funds	-	14,019	-	14,019
Financial liabilities at FVTPL				
Derivatives	154	369	-	523
Net fair value	**154**	**110,456**	**16,706**	**127,316**

Sensitivity of Level 3 holdings to unobservable inputs

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 securities are valued at the price of recent investment and some are priced by a single broker quote, which is typically the traded broker, who provides an indicative mark.

Please see below breakdown of the fair value Level 3 disclosure table as at 31 December 2019:

Valuation technique	Closing fair value £'000
Discounted cashflow model	£979
Single broker	£3,790
Par value	£10,203
Recent transaction price	£1,734

15 Capital commitments

There were outstanding unfunded investment commitments of £2,675,000 at the period end.

	£'000
Gate 2 1% 04 Jun 2021	275
Gate 1 1% 04 Jun 2022 (Senior)	245
Gate 1 1% 04 Jun 2022 (Junior)	223
Microfinance Enhancement 1% 08 Nov 2024	774
Sonovate Limited 1% 12 Apr 2021	560
Westbourne 2016 1 WR Senior 1% 30 Sep 2023	598
	2,675

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 and the extent to which revenue in excess of that which is required to be distributed should be retained.

17 Post period end events

On 29 January 2020 the Board declared a second interim dividend of 1.65p per share amounting to £2,145,000 which will be paid on 28 February 2020 to Ordinary Shareholders on the register on 7 February 2020.

M&G Credit Income Investment Trust plc

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 first 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 1.30 pm on Monday, 30 March 2020 to consider and vote on the resolutions below.

Resolutions 1 to 10 and 13 (inclusive) will be proposed as ordinary resolutions and resolutions 11 to 12 (inclusive) will be proposed as special resolutions.

Ordinary resolutions

1. To receive and, if thought fit, to accept the Strategic Report, Directors' Report, Auditor's Report and the audited Financial Statements for the period ended 31 December 2019.
2. To receive and approve the Directors' Remuneration Report (excluding the Directors' Remuneration Policy) for the period ended 31 December 2019.
3. To receive and approve the Directors' Remuneration Policy.
4. 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, from 2020, such dividends are intended to be paid quarterly'.
5. To elect Mr David Simpson as a Director of the Company.
6. To elect Mr Richard Boléat as a Director of the Company.
7. To elect Mr Mark Hutchinson as a Director of the Company.
8. To elect Mrs Barbara Powley as a Director of the Company.
9. 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.
10. To authorise the Directors to determine the remuneration of the Auditor of the Company.

Special resolutions

11. 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 or, if changed, 14.99% of the Ordinary Shares in issue 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:

    a. 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

    b. 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 2021, 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.

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

M&G Credit Income Investment Trust plc

Notice of annual general meeting

Special business

Ordinary resolution

13. That the Company be authorised, subject to and in accordance with the provisions of the Companies Act 2006, to send, convey or supply all types of notices, documents or information to Shareholders by electronic means, including making such notices, documents or information available on a website.

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

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

18 February 2020

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 26 March 2020 (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/investor/funds/credit-income-investment-trust

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 Asset Services' general helpline team on 0371 664 0300. Calls cost 12p per minute plus your phone company's access charge. 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 Asset Services, PXS1, 34 Beckenham Road, Beckenham, Kent BR3 4ZF. 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 Asset Services' portal team on 0371 664 0391. Calls cost 12p per minute plus your phone company's access charge. 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

M&G Credit Income Investment Trust plc

Notice of annual general meeting

ADMINISTRATIVE NOTES IN CONNECTION WITH THE ANNUAL GENERAL MEETING (continued)

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 https://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 1.30pmon 26 March 2020. 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. **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.

12. **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 Asset Services as per the communication methods shown in note 9. 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.

13. **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 Asset Services, at the address shown in note 9. 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 Asset Services 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.

14. **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.

15. **Issued shares and total voting rights**

As at 17 February 2020, the Company's issued share capital comprised 130,000,001 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 17 February 2020 is 130,000,001. The website referred to in note 2 will include information on the number of shares and voting rights.

16. **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.

M&G Credit Income Investment Trust plc

Notice of annual general meeting

ADMINISTRATIVE NOTES IN CONNECTION WITH THE ANNUAL GENERAL MEETING (continued)

17. **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.

18. **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.

M&G Credit Income Investment Trust plc

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/investor/funds/credit-income-investment-trust. 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, 34 Beckenham Road, BR3 9ZA (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, 34 Beckenham Road, BR3 9ZA (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, 34 Beckenham Road, BR3 9ZA (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).

M&G Credit Income Investment Trust plc

Company information

Directors (all non-executive)

David Simpson (Chairman)
Richard Boléat (Chairman of the Audit Committee, Senior Independent Director)
Mark Hutchinson
Barbara Powley

AIFM and Investment Manager

M&G Alternatives Investment Management Limited (MAGAIM)
(Authorised and regulated by the Financial Conduct Authority)

10 Fenchurch Avenue, London EC3M 5AG
Website: www.mandg.co.uk
Telephone: +44 (0) 800 390 390

Administrator

State Street Bank and Trust Company
(Authorised and regulated by the Financial Conduct Authority)

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
(Authorised and regulated by the Financial Conduct Authority)

The Atrium, Cannon Bridge House, 25 Dowgate Hill,
London EC4R 2GA

Solicitors

Gowling WLG (UK) LLP
(Authorised and regulated by the Financial Conduct Authority)

4 More London Riverside, London SE1 2AU

Auditor

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

Registrar and transfer office

Link Asset Services
Shareholder Services Department
The Registry
34 Beckenham Road, Beckenham, Kent BR3 4TU
Telephone: 0871 664 0300
(calls will cost 12p per minute plus network charges)
Email: enquiries@linkgroup.co.uk
Website: www.linkassetservices.com

Depositary

State Street Trustees Limited
(Authorised and regulated by the Financial Conduct Authority)

20 Churchill Place, London E14 5HJ

Custodian

State Street Bank and Trust Company
20 Churchill Place, London E14 5HJ

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

https://www.mandg.co.uk/investor/funds/
credit-income-investment-trust/gb00bfyyl325

M&G Credit Income Investment Trust plc

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.

Ongoing charges

Ongoing charges represents the total of the investment management fee and all other operating expenses (excluding certain non-recurring items), expressed as a percentage of the average net assets (of the Company) over the reporting period.

	period [a] ended 31 December 2019 £'000
Ongoing charges are calculated with reference to the following figures:	
Investment management fee	678
Other expenses	706
Total expenses for the period	**1,384**
Annualised expenses	1,157
Average net assets over the period	124,401
Ongoing charges [a]	0.93%

[a] From the date of Initial Public Offering (IPO) 14 November 2018.

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 to the increase or decrease in the share price or NAV per share.

Mid-market price total return

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

	as at 31 December 2019
Opening mid-market price	100.00p
Dividend declared	2.09p
Effect of dividend reinvested	0.06p
Closing mid-market price	106.00p
Adjusted closing mid-market price	108.15p
Mid-market price total return	8.2%

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.

	as at 31 December 2019
Opening NAV per share	98.38p
Dividend declared	2.09p
Effect of dividend reinvested	0.04p
Closing NAV per share	101.72p
Adjusted closing NAV per share	103.85p
NAV total return	5.6%

M&G Credit Income Investment Trust plc

Glossary

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

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

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.

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

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

Developed economy / market: Well-established economies with a high degree of industrialisation, standard of living and security.

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

M&G Credit Income Investment Trust plc

Glossary

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.

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'.

M&G Credit Income Investment Trust plc

Glossary

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.

The AIC shows NAV total return 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 isn't affected by movements in 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 policymaking and planning exercises.

Official List: The Official List (or UKLA Official List) is the list maintained by the Financial Conduct Authority (acting in its capacity as the UK Listing 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 charge 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.

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.

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.

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.

Spread duration: A measure of the portfolio's sensitivity to changes in credit spreads.

M&G Credit Income Investment Trust plc

Glossary

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.

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.

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Shareholder information and analysis

Website

The Company's website is https://www.mandg.co.uk/investor/funds/credit-income-investment-trust/gb00bfyyl325 The site provides visitors with Company information and literature downloads.

Annual and Interim Reports

Copies of the Annual and Interim Reports may be obtained from the Company by visiting https://www.mandg.co.uk/investor/funds/credit-income-investment-trust/gb00bfyyl325

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 Asset Services. 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 76. 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 Asset Services on request from the address on page 76 or downloaded from their website www.signalshares.com. 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 2019/2020

period end	31 December 2019
Annual results	February
Annual General Meeting	March
Interim results	September
Dividends declared	January, April, July, October
Dividends paid	February, May, August, November

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 Shareholders	Percentage of total number of shareholders	Number of shares	Percentage of shares
1 - 5,000	20	15.87	62,482	0.05
5,001 - 10,000	8	6.35	68,329	0.05
10,001 - 50,000	28	22.22	606,151	0.47
50,001 - 100,000	4	3.18	337,285	0.26
100,001 - 500,000	28	22.22	8,354,457	6.43
500,001 - 1,000,000	13	10.32	8,479,241	6.52
1,000,001 - 5,000,000	20	15.87	40,914,833	31.47
5,000,001 - 50,000,000	5	3.97	71,177,223	54.75
		100	130,000,001	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.

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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 2019 are shown below.

	Gross method	Commitment method
Maximum permitted limit	300%	150%
Actual	127%	113%

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 https://docs.mandg.com/docs/CIIT/Company-Information-Investment-Disclosure-Document.pdf <https://docs.mandg.com/docs/CIIT/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.

Remuneration

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

The remuneration policies are designed to ensure that any relevant conflicts of interest can be managed appropriately at all times and that the remuneration of its staff is in line with the risk policies and objectives of the alternative investment funds it manages. Further details of the Remuneration Policy can be found here: https://www.mandg.com/about-us/policies-and-business-principles. M&G's Ltd Remuneration Policy and its implementation is reviewed on an annual basis, or more frequently where required, and is approved by the M&G Ltd 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 Ltd interpretation of currently available guidance on quantitative remuneration disclosures. As market or regulatory guidance evolves, M&G Ltd may consider it appropriate to make changes to the way in which quantitative disclosures are calculated. Members of staff and senior management 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 AIFM does not directly employ any staff members. However, for the financial year ended 31 December 2018, aggregate remuneration of £2,838,102 (£518,242 in respect of fixed remuneration and £2,319,860 in respect of variable remuneration) was paid to individuals whose actions may have a material impact on the risk profile of the AIFM, of which £65,514 related to senior management.

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