M&G Credit Income Investment Trust plc

Interim Report and unaudited Condensed Financial Statements for the period ended 30 June 2019 (covering the period from incorporation of the Company)

M&G INVESTMENTS

Company registration number: 11469317

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Company summary

M&G Credit Income Investment Trust plc was incorporated on 17 July 2018 as a public company limited by shares. Admission to the stock exchange and dealings in its Ordinary Shares commenced on 14 November 2018. M&G Credit Income Investment Trust plc ("The Company") is an investment trust within the meaning of section 1158 of the 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		30 June 2019
First interim dividend:	Ex-dividend	25 July 2019
	Share register close	26 July 2019
	First pay date	23 August 2019
Annual General Meeting		30 March 2020

Future dividend timetable

	Declaration date	Ex-dividend date	Payment date
Second interim	January 2020	January 2020	February 2020
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

for the period [a] ended or as at	30 June 2019
Net asset value (NAV) per Ordinary Share	101.33p
Ordinary Share price (mid-market)	104.00p
Premium to NAV	2.63%
Net assets (£'000)	131,732
Capital return per Ordinary Share	1.55p
Revenue return per Ordinary Share	1.20p
First interim dividend per share	2.09p
Ongoing charges figure [b]	0.92%

[a] from the date of IPO, 14 November 2018.

[b] 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.

M&G Credit Income Investment Trust plc

Chairman's statement

I am pleased to present the first Interim Report for M&G Credit Income Investment Trust plc (the "Company"). The Company, which was incorporated on 17 July 2018, raised £100 million 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.

Investment strategy overview

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% will be investment grade. The portfolio is diversified with respect to issuers and industry sectors. The Company is targeting an annualised dividend yield of LIBOR plus 2.5% for the period from IPO to 31 December 2019 and LIBOR plus 4% thereafter.

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 a small group of institutional investors. This part of the portfolio will include debt instruments which are nominally quoted but are illiquid and rarely traded. Most of these will be floating rate instruments, purchased at inception and with the intention to be held to maturity; shareholders can expect their returns from these 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 depends upon 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 be sold when suitable private opportunities arise. These instruments will 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.

Investment performance

The opening NAV per Ordinary Share, being the gross proceeds of the IPO less the IPO expenses, was 98.38p.

Debt markets were volatile at the end of 2018, at the time of the Company's IPO, but recovered at the start of 2019. This period 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 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 fewer than our initial projections and only 14.22% of the portfolio was invested in private securities by the end of the period under review. Helpfully, however, the investment manager was also able to invest an additional approximately 13% of the portfolio into the less liquid end of the public securities market at attractive yields with a long-term investment view. That said, the combination of reduced spreads in the liquid public markets, and a higher proportion of the portfolio than originally anticipated remaining invested in lower yielding securities, resulted in a lower level of interest income than had originally been expected.

Fortunately, as a consequence of the reduction in yields over the period, higher than expected valuation growth has been achieved by the portfolio, thereby compensating for the lower level of income. The NAV on 30 June 2019 was 101.33p per Ordinary Share: this represented an estimated return of 2.98% since the Company's launch, putting the Company on track to meet its dividend target of LIBOR plus 2.5% for the full year.

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 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.

M&G Credit Income Investment Trust plc

Chairman's statement

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 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 4.15% during the period from IPO to 30 June 2019. On 30 June 2019, the Ordinary Share price was 104p, representing a 2.63% premium to NAV per Ordinary Share as at that date.

Dividends

On 18 July 2019, the Company announced its first dividend of 2.09p per Ordinary Share for the period from its IPO on 14 November 2018 to 30 June 2019, in line with the Company's LIBOR plus 2.5% annualised dividend target. Your Directors have chosen to apply the 'streaming' regime to that part of the dividend payment which was covered by the Company's interest income, net of expenses. Accordingly, the Company has designated 1.07p per Ordinary Share as an interest distribution and 1.02p per Ordinary Share as a dividend. As a result, the Company made use of capital reserves to support the dividend. This reflected the non-income 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 30 June 2019, adjusted for the amount of the first dividend, was 99.24p, representing an increase of 0.87% from its opening NAV of 98.38p per Ordinary Share at IPO.

The Company uses the average daily three-month LIBOR as its reference rate for the purposes of its targeted dividend yield. This means that dividend payments for any particular year are likely to fluctuate in line with changes in LIBOR.

Your Board will continue to monitor the capacity of the Company to meet the target dividend considering credit market conditions and the Company's performance. The Board continues to target an annualised dividend for the period to 31 December 2019 of LIBOR plus 2.5%.

Outlook

The Company's portfolio has performed satisfactorily since inception. The global economic outlook is uncertain owing to a range of factors such as Brexit, central bank policy and potential trade wars. This should present buying opportunities for the Company.

Your Board considers that the Ordinary Share price premium to NAV remains high in light of the status of the investment programme. If this continues, the Company intends to issue further shares as and when circumstances permit.

David Simpson
Chairman

12 September 2019

M&G Credit Income Investment Trust plc

Investment manager's report

The Company was launched on 14 November 2018 amid volatile market conditions with market moves dominated by geopolitical events and macroeconomic uncertainty. UK economic growth slowed at the end of 2018, mainly reflecting softer global conditions and the wider Brexit uncertainties.

Increased risk aversion and volatility amid continuing trade tensions between China and the US increased investors' appetite for safe haven assets. As a result, government bond yields compressed while credit spreads widened.

These circumstances created some attractive opportunities for the Company in certain sectors of the public debt market. Banks, property companies and insurers had all widened significantly and the Company made several investments in these sectors at the start of the deployment programme.

At the end of 2018, the largest investment by the Company was in asset-backed securities ("ABS") and comprised mostly AAA rated and some AA rated mortgage-backed floating rate bonds. These had widened to attractive levels and were ideal interim investments being very low risk and easily tradeable. In the private arena, the Company invested 7.12% in the M&G European Loan Fund and executed one sterling-denominated private transaction with exposure to telecoms infrastructure ground leases, and another listed but effectively private US dollar deal for a tranched credit-linked note. By the end of 31 December 2018, approximately 60.83% of the proceeds raised at IPO had been invested.

Global markets recorded a strong start to 2019, recovering from their disappointing performance in the previous quarter. The bulk of the gains were seen in the first two months of the year, with January particularly strong as worries about faltering global economic growth dominated once again. US job creation came to a near halt, with non-farm payrolls for the month of February recording its weakest gain in more than a year, while in Europe, manufacturing activity across the eurozone was the worst in five years. The slowdown in economic growth and generally muted inflation led to dovish commentary from many central banks alluding 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.

With 39.17% of the Company still held in cash, the priority was to get these proceeds invested in appropriate assets as quickly as possible. This proved to be harder than the previous period as investors returned from the Christmas break with more confidence and more cash to put to work. This greater risk appetite combined with disappointing economic growth saw bond yields decline and caused spreads to tighten quite sharply, especially in the most attractive assets. In the credit markets, high yield bonds recorded some of the best returns.

At the beginning of February 2019, the Company received a cash inflow of £25 million as a result of the first placing that created an additional 25,000,000 Ordinary Shares. This had the effect of lowering the interest rate and spread duration and also the weighted average life (WAL) of the portfolio. The Company invested approximately £17 million (£12 million into public instruments and £5 million into private assets) during February which partially offset the impact on the portfolio's spread duration and WAL.

The Company had some success in finding illiquid assets that had lagged the rally in credit markets, investing in senior floating rate tranches of public securitisation and a property debenture. In terms of private debt opportunities, the Company added to the leveraged loan exposure by deploying a further £4 million into the M&G European Loan Fund in the first quarter of 2019 and completed on a £1 million mezzanine real estate loan transaction yielding 7.10%.

The second quarter of 2019 was also positive for public bond markets, rounding off a very strong first half of the year. This was despite significant volatility during May, caused by renewed trade war concerns after US President Trump escalated disputes with China and Mexico. Nervous investors sought safety in core government bonds with yields declining meaningfully. This flight to safety, together with the prospect of lower interest rates, saw asset prices appreciate considerably as global bond markets powered higher. Consequently, yields on 10-year government bonds in Japan and Germany fell below zero into negative territory and in the US, 10-year bond yields returned to 2%, having traded at over 3% less than a year ago. UK corporate bonds also delivered steady returns over the period, notwithstanding spells of volatility in UK credit markets amid the ongoing political uncertainty relating to Brexit.

Given the market backdrop it was not an easy quarter in which to meaningfully increase the yield of the portfolio. As public bonds became less attractive, the Company increasingly relied on private assets to increase the yield, which takes more time. By the end of the period under review, the cash position had been reduced to just under 8.37% and the portfolio yield had been increased by around 30 bps to 3.48% in conditions where market yields fell by about the same amount.

Since the Company started its investment programme, it has increased its floating rate exposure and slightly reduced the spread duration, WAL and modified duration with the sale of relatively longer dated fixed rate public bonds that had performed well since purchase, thereby crystallising the gains.

The Company was also able to close on a number of private transactions in the second quarter of 2019 at attractive yields. Funding took place in the period for an small and medium-sized enterprise ("SME") funding platform loan yielding 5.75% for

M&G Credit Income Investment Trust plc

Investment manager's report

the BBB- rated senior tranche and 11.5% for the single B- rated mezzanine tranche. The Company also completed a private purchase related to a Central London development finance project which is projected to provide an IRR of around 9% across BBB- and B- rated tranches, as well as £1.5 million of a private receivables financing facility offering LIBOR plus 4% for a BB+ rated credit.

Over the course of May and June 2019, the Company issued a further 5,000,000 Ordinary Shares through its tap issuance programme to take the total number of shares in issue to 130,000,001, with a market capitalisation of £135.2 million as at 30 June 2019.

Based on the period from its IPO on 14 November 2018 to 30 June 2019, the Company announced its first interim dividend of 2.09p on 18 July 2019. The total return of the Company since inception was 2.99% with capital appreciation of asset values proving a more significant driver of performance during a period in which yield compression and tightening credit spreads created difficult conditions in which to generate the levels of cash income forecast prior to the Company's launch.

Outlook

With public corporate bond yields falling further, rather than chasing yield, our inclination currently is to be defensive, and we have continued to sell more of our longer dated fixed rate corporates to fund new shorter dated floating rate investments, which will gradually increase the portfolio's yield and reduce the spread duration. There is a pipeline of new private investments which, if fully realised, will utilise the remaining cash holdings. The global outlook remains uncertain and the UK, in particular, could be subject to considerable economic and political turbulence around its prospective exit from the EU later this year. There remains substantial liquidity in the portfolio, in the form of AAA-rated floating rate ABS to take advantage of any opportunities should markets sell off.

M&G Alternatives Investment Management Limited

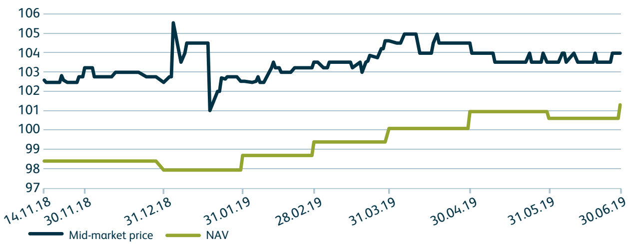
12 September 2019

M&G Credit Income Investment Trust plc

Company statistics

Share price vs NAV

as at	NAV per share (cum-income)	Share price (mid-market)
30.06.19	101.33	104.00

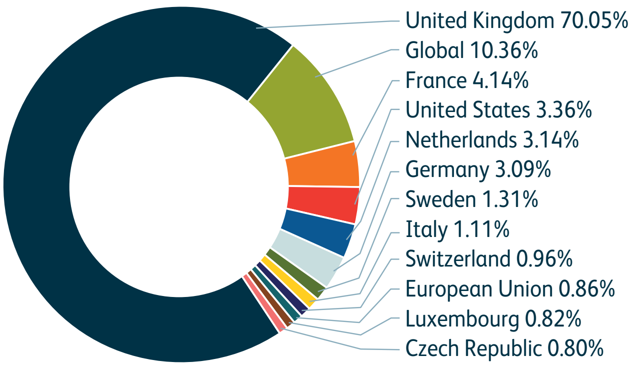


Source: M&G and State Street as at 30 June 2019.

Past performance is not a guide to future performance.

Geographical exposure

as at 30 June 2019	Percentage of portfolio of investments (excluding cash on deposit and derivatives)



Charges

as at 30 June	2019
Investment management charge [a]	0.50%
Ongoing charges figure	0.92%

[a] From January 2020 the annual investment management charge will increase to 0.70%.

Portfolio overview

as at 30 June 2019	%
Cash on deposit	8.37
Public	**77.83**
Asset backed securities	26.85
Bonds	50.98
Private	**14.22**
Bonds	0.79
Investment funds	8.38
Loans	5.05
Derivatives	**(0.42)**
Debt derivatives	(0.20)
Forwards	(0.22)
Portfolio of investments	100.00

Credit rating breakdown

as at 30 June 2019	%
Cash on deposit	8.37
Investment grade	**66.64**
AAA	18.74
AA+	0.59
AA	4.97
AA-	1.23
A+	0.27
A	3.10
A-	4.22
BBB+	10.58
BBB	13.33
BBB-	9.61
Sub-investment grade	**24.99**
BB+	5.19
BB	3.54
BB-	2.10
B+	0.90
B	3.71
B-	0.84
CCC+	0.75
Unrated	7.96
Portfolio of investments	100.00

Top 10 holdings

as at 30 June 2019	%
M&G European Loan Fund	8.38
Brass NO 6 1% 16 Dec 2060	1.61
Warwick Finance Residential Mortgages No One 1% 21 Sep 2049	1.53
Silverstone Master Issuer 1% 21 Jan 2070	1.51
Newday Partnership Funding 2017-1 1% 15 Dec 2027	1.51
Marston's Issuer 1% 15 Oct 2031	1.34
Castell 2018-1 1% 25 Jan 2046	1.34
Charter Mortgage Funding 2018-1 1% 12 Jun 2055	1.27
Yorkshire Building Society 1% 13 Sep 2028	1.22
Paragon Mortgages No 25 1% 15 May 2050	1.20

M&G Credit Income Investment Trust plc

Principal risks and uncertainties

Principal risks associated with the Company

The Directors have carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency and liquidity, and believe those principal risks facing the Company are as summarised below along with, where appropriate, the steps taken by the Board to monitor and mitigate such risks.

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 or 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 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 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.

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 Companys investments in debt securities. The Company's policy to manage this risk is to invest at least 70% of the Company's assets in debt securities that have a minimum credit rating of BBB- (or equivalent). Within the above limit, the Company may also invest in unrated assets where a rating is assigned by the Investment Manager using an internal methodology that is based on the categorisations used by rating agencies. When new investment opportunities arise, a detailed credit review is undertaken by the Investment Manager. A fundamental qualitative and quantitative assessment of both business and financial risk, supported by appropriate financial modelling, alongside a review of 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.

As the Company invests in public and private debt and debt-like instruments, it is regularly exposed to market risk and the value of the Company's portfolio can fluctuate, particularly over the short term, in response to developments in financial markets. The Board has put in place limits on the Company's gearing, portfolio concentration, and the use of derivatives which it believes to be appropriate to ensure that the Company's investment portfolio is adequately diversified and to manage risk.

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 better to 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 therefore be lower than the carrying values of these assets as reflected in the Company's reported Net Asset Value 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 or order to seek to capture the additional yield that is generally available compared to more liquid instruments.

Before the Company's fifth annual general meeting in 2024, the Board will submit to Shareholders proposals to enable them to realise the value of their Ordinary Shares; accordingly, the Board will put in place appropriate arrangements to monitor the liquidity of the Company's investments.

M&G Credit Income Investment Trust plc

Principal risks and uncertainties

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 which are specialists in their fields: the management of the Company's investment portfolio to the Investment Manager, M&G Alternatives Investment Management Limited; the preparation and maintenance of the Company's Financial Statements and maintenance of its records to the Administrator and Company Secretary, State Street Bank and Trust Company and Link Company Matters Limited, respectively; the worldwide custody of the Company's assets to State Street Bank and Trust Company; and the safekeeping and oversight services to State Street Trustees Limited as Depositary.

Dividend policy risk

The Company has indicated that, subject to the usual performance, market and working capital criteria, it intends to pay its shareholders regular quarterly dividends from 2020 onwards and is targeting an annualised dividend return of LIBOR plus 2.5% in respect of the period from initial public offering to 31 December 2019, and LIBOR plus 4% thereafter. The level of dividends that the Board will declare, and the extent that 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.

Board risk oversight

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. In relation to dividend policy, the Board closely monitors the Company's net return forecast, including each component revenue and expense line item as prepared by the Administrator and the Investment Manager, for each quarterly Board meeting. These reports are discussed in detail to assess the Investment Manager's level of confidence in the future performance profile of the portfolio and to identify the risk of -any dividend shortfall relative to expectations. Additionally, the Board reviews the performance of its third-party service providers and their risk control procedures on a regular basis as well as the terms on which they provide services to the Company.

Going concern

In accordance with the latest guidance issued by the Financial Reporting Council, the Directors have undertaken and documented a rigorous assessment of whether the Company is a going concern. The Directors considered all available information when undertaking the assessment.

The Directors believe that the Company has appropriate financial resources to enable it to meet its day-to-day working capital requirements and the Directors believe that the Company is well placed to continue to manage its business risks.

The Directors consider that the Company has adequate resources to continue in operational existence for the next 12 months. For this reason they continue to adopt the going concern basis of accounting in preparing these condensed financial statements.

M&G Credit Income Investment Trust plc

Condensed financial statements (unaudited)

Condensed income statement

		period from 17 July 2018 to 30 June 2019		
		Revenue	Capital	Total
	Note	£'000	£'000	£'000
Net gains on investments	5	-	2,842	2,842
Net losses on derivatives	5	-	(1,105)	(1,105)
Net currency gains		2	66	68
Income	3	2,144	-	2,144
Investment management fee		(350)	-	(350)
Other expenses	4	(396)	-	(396)
Net return on ordinary activities before taxation		**1,400**	**1,803**	**3,203**
Taxation on ordinary activities		-	-	-
Net return attributable to Ordinary Shareholders		**1,400**	**1,803**	**3,203**
Net return per Ordinary Share (basic and diluted) [a]	**2**	**1.20p**	**1.55p**	**2.75p**

[a] Return figures have been caculated using weighted average shares for the period 14 November 2018 to 30 June 2019.

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

The Company has no recognised gains and losses other than those shown above and therefore no Statement of Comprehensive Income has been presented.

The accompanying notes form an integral part of these condensed financial statements.

M&G Credit Income Investment Trust plc

Condensed financial statements (unaudited)

Condensed statement of financial position

	Note	£'000	as at 30 June 2019 £'000
Non-current assets			
Investments at fair value through profit or loss	5		120,868
Current assets			
Other receivables	6	1,363	
Cash and cash equivalents	6	12,792	
		14,155	
Current liabilities			
Derivative financial liabilities held at fair value through profit or loss	5	(558)	
Other payables	6	(2,733)	
Total current liabilities		**(3,291)**	
Net current assets			**10,864**
Total assets less current liabilities			**131,732**
Net assets			**131,732**
Capital and reserves			
Called up share capital			1,300
Share premium			28,229
Special distributable reserve	8		99,000
Capital reserve			1,803
Revenue reserve			1,400
Total shareholders' funds			131,732
Net Asset Value per Ordinary Share	2		**101.33p**

The accompanying notes form an integral part of these condensed financial statements.

Approved and authorised for issue by the Board of Directors on 12 September 2019 and signed on its behalf by:

David Simpson

Chairman

Company registration number: 11469317

12 September 2019

M&G Credit Income Investment Trust plc

Condensed financial statements (unaudited)

Condensed statement of changes in equity

for the period from 17 July 2018 to 30 June 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		-	-	-	-	-	-
Net return attributable to shareholders		-	-	-	1,803	1,400	3,203
Ordinary Shares issued during the period		1,300	128,839	-	-	-	130,139
Initial public offering cost		-	(1,592)	-	-	-	(1,592)
Cancellation of share premium	8	-	(99,000)	99,000	-	-	-
Cancellation of share premium costs		-	(18)		-	-	(18)
Balance at 30 June 2019		**1,300**	**28,229**	**99,000**	**1,803**	**1,400**	**131,732**

The accompanying notes form an integral part of these condensed financial statements.

M&G Credit Income Investment Trust plc

Condensed financial statements (unaudited)

Condensed cash flow statement

	as at 30 June 2019 £'000
Cash flows from operating activities	
Net profit before taxation	3,203
Adjustments for:	
Gains on investments	(2,842)
Losses on derivatives	1,105
Purchases of investments [a]	(129,022)
Sales of investments [a]	12,562
Increase in other receivables	(1,363)
Increase in other payables	620
Net cash outflow from operating activities	**(115,737)**
Financing activities	
Issue of Ordinary Shares	130,139
Initial public offering costs	(1,592)
Cancellation of share premium costs	(18)
Net cash inflow from financing activities	**128,529**
Increase in cash and cash equivalents	**12,792**
Cash and cash equivalents at the start of the period	-
Increase in cash as above	12,792
Cash and cash equivalents at the end of the period	**12,792**

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

The accompanying notes form an integral part of these condensed financial statements.

M&G Credit Income Investment Trust plc

Condensed financial statements (unaudited)

Notes to the condensed financial statements

1 Significant accounting policies

The significant accounting policies are summarised below. They have all been applied consistently throughout the period from 17 July 2018 (the date of incorporation) to 30 June 2019.

a) Basis of accounting

The condensed 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 Financial Reporting Standard 104 (FRS 104) issued by the Financial Reporting Council and the Statement of Recommended Practice: 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' (AIC SORP) issued by the Association of Investment Companies in November 2014 and updated in January 2017 and February 2018.

The annual Financial Statements will be prepared in accordance with Financial Reporting Standard 102 (FRS 102) and the AIC SORP.

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.

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 and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

Financial assets and liabilities

All financial assets and liabilities are initially measured at the transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss (FVTPL), which 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.

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.

Debt instruments which meet the conditions of being 'basic' financial instruments as defined in FRS 102.11.9 are subsequently measured at amortised cost using the effective interest method.

Debt instruments that have no stated interest rate (and do not constitute financing transactions) and are classified as payable or receivable within one year are initially measured at an undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

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 which 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.

Equity instruments

Equity instruments issued by the Company are recorded at the fair value of cash or other resources received or receivable, net of direct issue costs.

Derivative financial instruments

The Company uses derivative financial instruments to reduce exposure to foreign exchange risk and interest rate movements. The Company does not hold or issue derivative financial instruments for speculative purposes.

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 profit or loss immediately. 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.

M&G Credit Income Investment Trust plc

Condensed financial statements (unaudited)

Notes to the condensed financial statements

1 Significant accounting policies (continued)

c) Impairment of assets

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

Non-financial assets

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

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

d) Tax

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

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

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

e) Recognition of income and expenses

Interest from debt securities 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 are 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. Fees incurred in investment funds managed by M&G are rebated and recognised as revenue or capital in accordance with the underlying funds' 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.

2 Returns and net asset value

	period from 17 July 2018 to 30 June 2019
Revenue return	
Revenue return attributable to Ordinary Shareholders (£'000)	1,400
Weighted average number of shares in issue during the period [a]	116,639,258
Revenue return per Ordinary Share (basic and diluted)	1.20p
Shares in issue at the end of the period	130,000,001
Revenue available for dividend	1.08p
Capital return	
Capital return attributable to Ordinary Shareholders (£'000)	1,803
Weighted average number of shares in issue during the period [a]	116,639,258
Capital return per Ordinary Share (basic and diluted)	1.55p
Total return	
Total return per Ordinary Share (basic and diluted)	2.75p
Net Asset Value per Ordinary Share	
Net assets attributable to shareholders (£'000)	131,732
Number of shares in issue at period end	130,000,001
Par value of shares in issue (£'000)	1,300
Net Asset Value per Ordinary Share	101.33p

[a] Return figures have been calculated using weighted average shares for the period 14 November 2018 (date of IPO) to 30 June 2019.

3 Income

	period from 17 July 2018 to 30 June 2019 £'000
Revenue from investments	
Interest income from debt instruments	1,748
Distributions from investment funds	240
Management fee rebate	36
	2,024
Other revenue	
Interest from cash and cash equivalents	120
	2,144

M&G Credit Income Investment Trust plc

Condensed financial statements (unaudited)

Notes to the condensed financial statements

4 Expenses

Non-audit fees payable to the auditor in respect of the interim review for the period 17 July 2018 to 30 June 2019 are £17,500.

In addition, non-audit service fees of £68,000 were paid to the auditor in the period in relation to the reporting accountant role for the Company's IPO. Audit fees of £10,000 were paid to the auditor in the period for the audit of the initial accounts, which were filed to support the declaration of the Company's first dividend.

5 Investments and derivatives at fair value through profit or loss ("FVTPL")

	as at 30 June 2019 £'000
Opening valuation	**–**
Acquisitions at cost	**131,135**
Disposal proceeds	(12,562)
Losses on disposal of investments and derivatives	(177)
Disposals at cost	**(12,739)**
Closing cost	118,396
Add: unrealised gains	1,914
Closing valuation	**120,310**
Investments at FVTPL	120,868
Derivative investments at FVTPL	(558)
Closing valuation	**120,310**

	period from 17 July 2018 to 30 June 2019 £'000
Gains on investments and derivatives	
Net realised gains on disposal of investments	370
Movement in unrealised gains on investments	2,472
Net gains on disposal of investments	**2,842**
Net realised losses on derivatives	(547)
Movement in unrealised loss on derivatives	(558)
Net losses on derivatives	**(1,105)**
	1,737

6 Other receivables, cash and cash equivalents and other payables

	as at 30 June 2019 £'000
Other receivables	
Accrued income	1,299
Prepaid expenses	28
Management fee rebate	36
	1,363
Cash and cash equivalents	
Cash at bank	1,168
Amounts held at futures clearing houses	631
Cash equivalents	10,993
	12,792
Other payables	
Purchases for future settlement	2,113
Expenses payable	192
Management fee payable	350
Other payables	78
	2,733

7 Dividends

On 18 July 2019, the Board declared a first interim dividend of 2.09p per Ordinary Share (1.07p as an interest distribution and 1.02p as an ordinary dividend) totalling £2,717,000 which was paid on 23 August 2019 to Ordinary Shareholders on the register on 26 July 2019. The ex-dividend date was 25 July 2019.

8 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.

9 Related parties

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 condensed income statement, in note 3 and amounts outstanding at the period end are shown in note 6.

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 £11,009,000 and represented 8.38% of the Company's investment portfolio.

The Directors of the Company are related parties. Fees paid to Directors are included in other expenses in the condensed income statement.

M&G Credit Income Investment Trust plc

Condensed financial statements (unaudited)

Notes to the condensed financial statements

10 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 following levels:

- 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, etc.); or
- Level 3: significant unobservable inputs (including the Company's own assumptions in determining the fair value of investments).

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

	as at 30 June 2019			
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets at FVTPL				
Debt instruments	-	103,673	6,186	109,859
Investment in funds	-	11,009	-	11,009
Financial liabilities at FVTPL				
Derivatives	(267)	(291)	-	(558)
Net fair value	**(267)**	**114,391**	**6,186**	**120,310**

11 Capital commitments

There were outstanding unfunded investment commitments of £3.3m at the end of the period.

	£'000
Westbourne 2016 1 WR Senior 1% 30 Sep 2023	1,807
Gate 2 1% 04 Jun 2022	566
Sonovate Limited 1% 12 Apr 2021	383
Gate 1 1% 04 Jun 2022 (Senior)	319
Gate 1 1% 04 Jun 2022 (Junior)	269
	3,344

12 Interim Report

The financial information contained in this Interim Report does not constitute statutory accounts as defined in section 434 - 436 of the Companies Act 2006. As this is the Company's first accounting period, annual statutory financial statements have not yet been filed with the Registrar of Companies. Initial accounts for the period to 31 March 2019 have been filed with the Registrar of Companies.

The auditor has reviewed the financial information for the period 17 July 2018 to 30 June 2019 pursuant to the Auditing Practices Board guidance on Review of Interim Financial Information. The review report of the auditor is on page 19.

The interim financial statements were authorised for issue in accordance with a resolution of the Directors on X September 2019.

M&G Credit Income Investment Trust plc

Independent auditor's review report

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

We have been engaged by the Company to review the condensed set of financial statements in the interim financial report for the period 17 July 2018 to 30 June 2019, which comprises the Condensed Income Statement, the Condensed Statement of Financial Position, the Condensed Statement of Changes in Equity, the Condensed Cash Flow Statement and related notes 1 to 12. We have read the other information contained in the interim financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council. Our work has been undertaken so that we might state to the Company those matters we are required to state to it in an independent review 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, for our review work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The interim financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the interim financial report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 1, the annual financial statements of the Company are prepared in accordance with United Kingdom Generally Accepted Accounting Practice (including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"). The condensed set of financial statements included in this interim financial report have been prepared in accordance with Financial Reporting Standard 104 "Interim Financial Reporting".

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the interim financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the interim financial report for the period 17 July 2018 to 30 June 2019 is not prepared, in all material respects, in accordance with Financial Reporting Standard 104 and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Deloitte LLP

Statutory Auditor

Edinburgh

United Kingdom

12 September 2019

M&G Credit Income Investment Trust plc

Interim management report and statement of directors' responsibilities

Interim management report

The important events that have occurred during the period under review, the key factors influencing the financial statements and the principal factors that could impact the remaining six months of the financial period are set out in the Chairman's statement and the Investment manager's report on pages 6 to 7. The principal risks and uncertainties facing the Company are detailed on page 9.

Statement of directors' responsibilities

The Directors confirm that to the best of their knowledge:

- the condensed set of financial statements has been prepared in accordance with FRS 104 (Interim Financial Reporting) and give a true and fair view of the assets, liabilities, financial position and return of the Company; and
- the Interim Report and condensed set of financial statements include a fair review of the information required by:
    a. DTR 4.2.7R of the Disclosure Guidance and Transparency Rules, being an indication of important events that have occurred since incorporation to 30 June 2019 and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the period; and
    b. DTR 4.2.8R of the Disclosure Guidance and Transparency Rules, being related party transactions that have taken place since incorporation to 30 June 2019 and that have materially affected the financial position or performance of the Company during that period; and any changes in the related party transactions that could do so.

The Interim Report was approved by the Board of Directors and the above responsibility statement was signed on its behalf by:

David Simpson

Chairman

12 September 2019

M&G Credit Income Investment Trust plc

Company information

Directors (all non-executive)

David Simpson (Chairman)
Richard Boléat (Chairman of the Audit Committee)
Mark Hutchinson
Barbara Powley

AIFM and investment manager

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

Administrator

State Street Bank and Trust Company
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
The Atrium, Cannon Bridge House, 25 Dowgate Hill,
London EC4R 2GA

Solicitors

Gowling WLG (UK) LLP
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
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

www.mandg.co.uk/creditincomeinvestmenttrust

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.

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.

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.

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.

M&G Credit Income Investment Trust plc

Glossary

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'.

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).

M&G Credit Income Investment Trust plc

Glossary

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

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

Ongoing charges figure: The Ongoing charges figure includes charges for the following items: management of the fund, administration services, 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).

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: Refers to assets that are not listed on a recognised exchange.

Public: 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.

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

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

Synthetic inflation-linked bonds: Refers to securities created using a combination of assets to simulate the characteristics of inflation-linked bonds. By buying inflation-linked government bonds and selling protection against companies defaulting on their debts, using credit default swaps, the combined synthetic investment will behave similarly to a physical inflation-linked bond, had one 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.

M&G Credit Income Investment Trust plc

Glossary

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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