

# M&G Credit Income Investment Trust plc

**Half Year Report and unaudited Condensed Financial Statements  
for the six months ended 30 June 2021**

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# Investment objective and policy

## Investment objective

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

## Investment policy

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

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

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

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

## Investment restrictions

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

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

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

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

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

<sup>a</sup> Secured Debt Instruments are secured by a first or secondary fixed and/or floating charge.

<sup>b</sup> This limit excludes investments in G7 Sovereign Instruments.

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

The Company typically invests directly, but it also invests indirectly through collective investment vehicles which are managed by an M&G Entity. The Company may not invest more than 20% of Gross Assets in any one collective investment vehicle and not more than 40% of

# Investment objective and policy

Gross Assets in collective investment vehicles in aggregate. No more than 10% of Gross Assets may be invested in other investment companies which are listed on the Official List.

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

## Borrowings

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

## Hedging and derivatives

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

## Cash management

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

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

## Changes to the investment policy

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

## Investment strategy

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

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

# Company highlights

## 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.

## Key dates

Period end	30 June 2021	
2021 First interim dividend	Payment date	May 2021
2021 Second interim dividend	Payment date	August 2021

## Future dividend timetable

	Payment Date
2021 Third interim dividend	November 2021
2021 Fourth interim dividend	February 2022
2022 First interim dividend	May 2022
2022 Second interim dividend	August 2022

## Financial highlights

### Key data

	As at 30 June 2021 (unaudited)	As at 31 December 2020 (audited)
Net assets (£'000)	146,297	146,628
Net asset value (NAV) per Ordinary Share	102.04p	101.40p
Ordinary Share price (mid-market)	97.20p	92.00p
Discount to NAV <sup>a</sup>	4.74%	9.27%
Ongoing charges figure <sup>a</sup>	1.08% <sup>b</sup>	0.87%

### Return and dividends per Ordinary Share

	Six months ended 30 June 2021 (unaudited)	Year ended 31 December 2020 (audited)
Capital return	2.0p	1.3p
Revenue return	1.3p	2.9p
NAV total return <sup>a</sup>	3.3%	3.7%
Share price total return <sup>a</sup>	8.7%	(9.7)%
First interim dividend	0.74p	0.85p
Second interim dividend	0.76p <sup>c</sup>	0.77p
Third interim dividend	–	0.71p
Fourth interim dividend	–	1.95p <sup>c</sup>
Total dividends declared	1.50p	4.28p

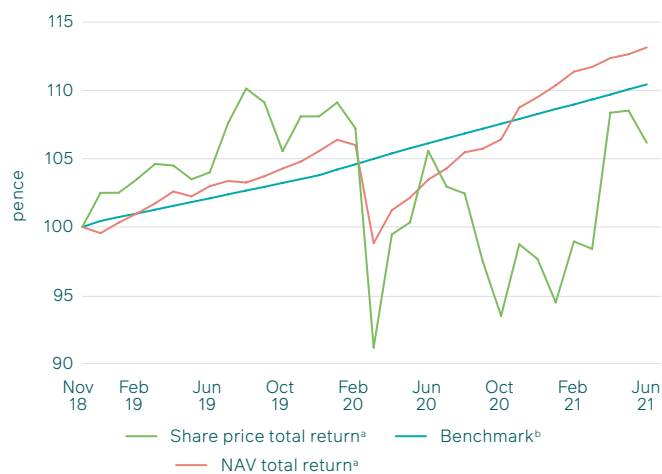
<sup>a</sup> Alternative performance measure. Please see pages 30 to 31 for further information.

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

<sup>c</sup> Paid after the period/year end. Please see note 6 on page 22 for further information.

# Company highlights

**Total returns**  
14 November 2018 = 100

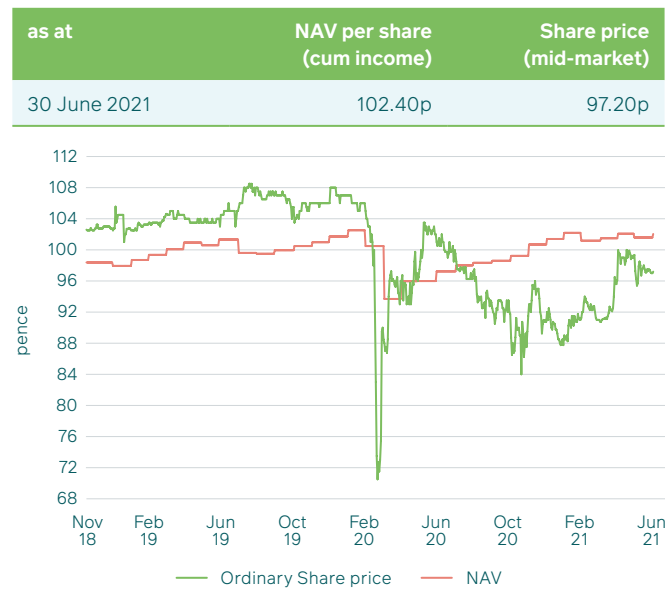


<sup>a</sup> Alternative performance measure. Please see pages 30 to 31 for further information.

<sup>b</sup> 3 Month LIBOR +2.50% from inception to 31 December 2019, thereafter 3 Month LIBOR +4.00%, compounded daily.

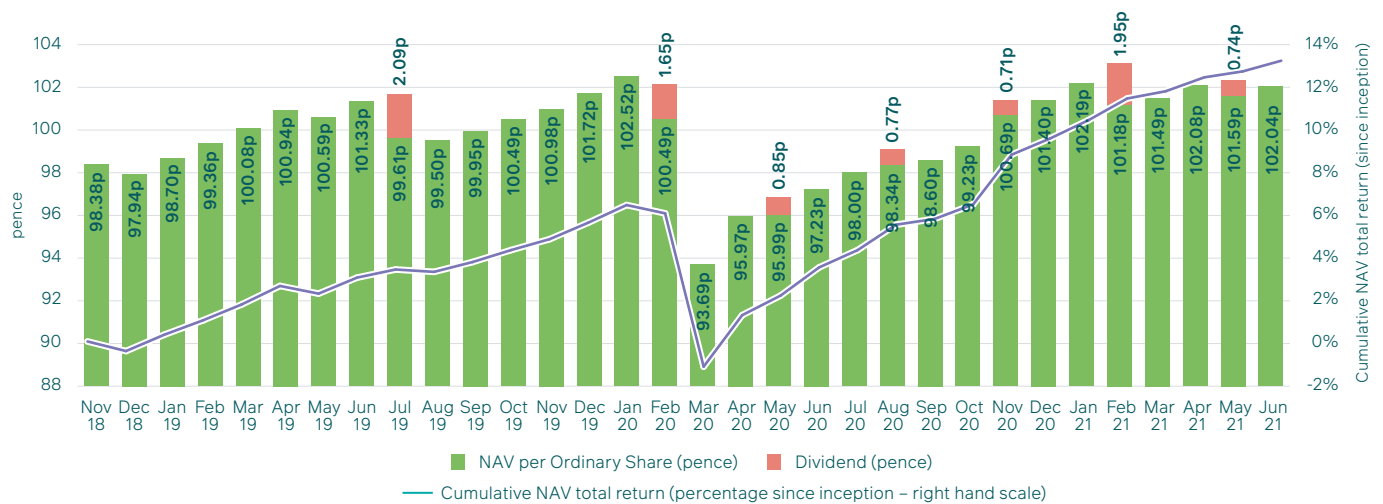
Source: M&G Statistics Department

**Ordinary Share price (mid-market) vs NAV**



Source: M&G and State Street as at 30 June 2021.

**NAV, dividend and NAV total return**



Source: M&G and State Street as at 30 June 2021

# Chairman's statement

## Performance

I am delighted that your Company continues to show returns above those originally targeted at its launch. The NAV total return for the half year to 30 June 2021 was 3.3%. Including dividends paid, the annualised NAV total return was 4.8% from inception to 30 June 2021. Your Board considers these to be strong performances, noting the relatively low risk in the underlying investments.

In the first quarter of the year markets were preoccupied by the risk of inflation and economic overheating which led to a global sell-off in government bonds. During this period the Company's short position in the 10 year gilt future successfully offset any pricing weakness related to interest rate risk in our holdings. By hedging interest rate risk and maintaining low duration our Investment Manager was able to negate the effect of rising risk-free rates on portfolio returns, allowing the Company to capture positive credit spread performance.

Although upward pressure on government bond yields cooled during the second quarter, sovereign debt markets remained volatile. As the period progressed, central banks began to discuss timelines for the tightening of monetary policy. Counterintuitively, government bond markets, led by the US, rallied to end the quarter at levels last seen at the end of February. Our Investment Manager was able to benefit from the strength of credit markets over this period to realise capital gains on the sale of bonds that had been purchased at much cheaper levels during 2020. These capital gains, along with low portfolio duration, contributed to the NAV outperforming fixed income indices such as the ICE BofA Sterling and Collateralised Index (down by 2.6%) and the ICE BofA European Currency Non-Financial High Yield 2% Constrained Index (up by 3.0%) over the period.

## Share buybacks and discount management

Your Board believes the volatility in the price of the Ordinary Shares has not reflected the stability and low volatility of the underlying NAV. On 30 April 2021, the

Company announced a 'zero discount' policy (the 'Policy') to seek to manage the discount or premium to NAV at which the Company's Ordinary Shares trade.

The Policy has been adopted because the Board believes that it is important for Shareholders to be able to benefit appropriately from the Company's investment objective which is to generate a regular and attractive level of income with low asset value volatility. The Company therefore will seek to ensure that the Ordinary Shares trade close to NAV in normal market conditions through a combination of Ordinary Share buybacks and the issue of new Ordinary Shares, or resale of Ordinary Shares held in treasury, where demand exceeds supply. Further issuance would allow the Company to take advantage of opportunities in the private debt markets as they arise, as well as to increase the size of the Company, which should reduce the ongoing charges figure and improve the liquidity of the Ordinary Shares.

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

The Company's Ordinary Share price traded at an average discount to NAV of 7.5% during the period from 2 January to 30 June 2021. On 30 June 2021 the Ordinary Share price was 97.20p, representing a 4.7% discount to NAV as at that date. As at 30 June 2021, 1,238,000 shares had been purchased as part of the Policy and were held in treasury.

## Board

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

# Chairman's statement

Your Board has commenced the search process for an additional non-executive Director and, in due course, will consider replacing Mark.

## Dividends and transition from LIBOR to SONIA

Your Company is currently paying three, quarterly interim dividends at an annual rate of LIBOR plus 3%, calculated by reference to the opening NAV as at 1 January 2021, adjusted for the payment of the last dividend in respect of the last financial year (adjusted opening NAV). In addition your Company will pay a variable, fourth interim dividend to be determined after the year end, which will take into account the net income over the whole financial year and, if appropriate, any capital gains. The Company paid dividends of 0.74p and 0.76p per Ordinary Share in respect of the quarters to 31 March 2021 and 30 June 2021 respectively.

The Company currently uses the average daily three-month LIBOR as its reference for the purposes of its targeted dividend rate. LIBOR is in the process of being phased out by 31 December 2021 in favour of a new measure called Sterling Overnight Index Average (SONIA).

Since the global financial crisis over a decade ago, banks have been making less use of the interbank lending market. This has raised the question of the robustness and reliability of some of the rates which arise from that process, particularly at the less frequently used maturity points. Additionally, LIBOR has faced concerns regarding its reputation, since manipulation of quotes for the rates by some market participants was discovered to have taken place around the time of the global financial crisis. Financial regulators need standard measures of market interest rates to be trusted and relevant and for the process used to calculate them to be credible, transparent and robust for the long term. Instead of quotations provided by a panel of banks, which is the process for the calculation of LIBOR, regulators have decided that benchmark rates must hereafter both be administered by central banks

and be based on actual transactions in deep and liquid markets. Introducing SONIA to replace LIBOR for sterling interest rates aims to achieve those objectives.

The key difference between the two measures is that LIBOR is forward-looking and SONIA is backward-looking: SONIA cannot be determined until the end of an agreed interest period.

Although SONIA gives a different result from LIBOR, based upon the performance of the two measures over the recent past, we do not expect our adoption of it to make a significant difference.

Your Board has, therefore, decided that it is in the best interests of Shareholders and the Company simply to substitute SONIA for LIBOR with effect from 1 January 2022 for the purpose of guidance on future dividends as well as for benchmarking the Company's investment performance.

The adoption of SONIA will not affect the way in which the portfolio is managed. Your Company's Investment Manager continues to believe that an annual total return, and thus ultimately a dividend yield, of LIBOR (and SONIA from January 2022) plus 4% will continue to be achievable although there can be no guarantee that this will occur in any individual year.

## Outlook

Your Company's portfolio (including irrevocable commitments) is now 58.9% invested in private (non-listed) assets, with an additional investment of some 10% in illiquid publicly listed assets which are intended to be held to maturity. Public bond valuations are currently expensive by historical standards and on a risk adjusted basis appear unattractive relative to the target return of the Company. Our Investment Manager will continue to grow the private asset portion of the portfolio to achieve additional returns compared to public markets, further progressing the yield of the portfolio.

The Company maintains access to an undrawn £25 million revolving credit facility which should enable us to weather any future market shocks while having the



# Chairman's statement

## Outlook (continued)

firepower to purchase suitable assets as they arise. We have not yet used this facility but it continues to provide a valuable source of additional liquidity.

Based upon income earned and gains on sales of securities already realised in the portfolio, we believe the Company is in a good position to achieve its return and dividend objectives, as set out above in the section entitled 'Dividends and transition from LIBOR to SONIA', for the current financial year.

**David Simpson**

Chairman

16 September 2021

# Investment manager's report

## Investment manager's report

We are pleased to report strong NAV total return performance of 3.3% in the first half of the year which leaves the Company currently ahead of its dividend target. For the period ended 30 June 2021, the Company had declared dividend payments of 1.50p per Ordinary Share (of which 0.74p per Ordinary Share was paid in May 2021 and 0.76p per Ordinary Share was paid in August 2021). The share price total return from 1 January to 30 June 2021 was 8.7%.

In the first half of 2021 financial markets focus changed from considering the risks associated with the shock caused by the global spread of the COVID-19 pandemic, to those posed by the huge fiscal and monetary stimulus which central banks provided as a response to that initial shock. Asset purchasing programmes succeeded in keeping borrowing costs low and corporate issuers of varying credit quality continued to have access to cheap levels of investor capital. Investors looking for increased returns were forced along the credit curve into 'riskier' sectors and in many cases, out of investment grade and into high yield credit. Against this backdrop, we continued to adopt a patient and prudent approach to deploying capital, with a focus on ensuring that returns were commensurate to underlying credit risk.

## Portfolio activity and positioning

The focus in markets during the early part of the year was the rise of inflation and the reaction of sovereign debt markets. The yield on the 10 year US Treasury almost doubled over the first quarter, whilst that of the 10 year UK gilt widened to approximately four times the level seen at the end of 2020 – at one point spiking to a near two-year high. In the Eurozone, the yield on the German 10 year bund touched its highest level since the onset of the pandemic. Whilst risk-free rates climbed higher, corporate credit spreads continued to tighten. Against this backdrop, the Company began the year cautiously positioned and continued to reduce risk over the period. The Company's short position in the 10 year gilt future successfully offset any depreciation in the

value of the portfolio's holdings resulting from the change in interest rates.

By contrast, volatility in credit markets remained subdued with central banks committed to providing monetary stimulus in the short term. Investment grade and high yield credit spreads continued to tighten over the period, reaching multi-year lows and finishing inside pre-COVID levels, testament to the success of central bank asset purchase programmes in suppressing corporate yields. Whilst this limited our ability to invest in large parts of the public market, we were able to sell into this strength and realise notable capital gains in the portfolio, whilst reinvesting proceeds into higher yielding private assets.

Despite elevated volumes of new issuance in both investment grade and high yield credit, portfolio activity in the second quarter of the year slowed. A high appetite for yield in public markets limited the amount of attractively priced deals, with most offering yields well inside the target return of the Company. However, the pipeline of potential private transactions has remained strong since the start of the year and in total over the period we added a further 9.2% of private and illiquid assets to the portfolio.

As at 30 June 2021, the funded private asset portion of the portfolio had increased to 50.9% (versus 44.1% at 31 December 2020) with an additional investment of 6% in Private Assets transacted after the period end, or committed to be drawn down beyond the date of this report. Further commitments of £2.9m (c.2%) since the period end are expected to take the Company's overall private asset exposure to approximately 58.9%.

## Outlook

As inflation continues to ramp up, fundamental credit analysis of issuers and their cash flow profiles will become more important than ever in assessing relative value. In such an environment, our extensive research capabilities of over 100 analysts covering public and private credit means we are well positioned to continue

# Investment manager's report

to seek the right investment opportunities for the portfolio.

There remain many risks on the horizon as we enter the second half of the year. Most notable of these is the spread of a more transmissible strain of the COVID-19 virus, the Delta variant, which is already leading to economic growth forecasts being revised. In some countries there remain heightened geopolitical risks, particularly discord between the US and China, recent cyber security attacks and continued friction between the UK and EU following the former's official exit from the European Union.

We view the main threat to market stability as the tapering of economic stimulus by central banks and how it is signalled to investors. Economies have rebounded more swiftly than anticipated and inflation in the UK and US has spiked notably beyond the long term target of 2%, with the latter far more pronounced due to its outsized fiscal stimulus. However, the recovery has been uneven with employment remaining below pre-pandemic levels and a premature pullback of accommodative monetary policy could damage the longer term economic recovery. The issue is complicated in that the risk is double edged, as continuing to provide fiscal stimulus to an already overheating economy could lead to undesirably high inflation for years to come, which may prove difficult to reverse. Therefore, the predominant theme in markets as we enter the second half of the year is the discussion on whether the current levels of inflation are 'transitory' (resulting from pent-up demand caused by social restrictions but expected to reduce over time) or 'persistent' (a structural shift indicating longer term inflationary trends.) The action of central banks in response to the challenge of the evolving inflationary environment looks set to have the biggest bearing on the path of the economic recovery as we continue through 2021 and into 2022.

If current market conditions persist, we will continue to increase the yield of the portfolio by selling public bonds, realising capital gains and reinvesting proceeds

into new private investment opportunities. This rotation into higher yielding private assets with stronger structural protections will further improve the credit quality of the portfolio. There is currently a healthy deal pipeline of private opportunities offering yields in line with our long term target.

**M&G Alternatives Investment Management Limited**

16 September 2021

# Portfolio analysis

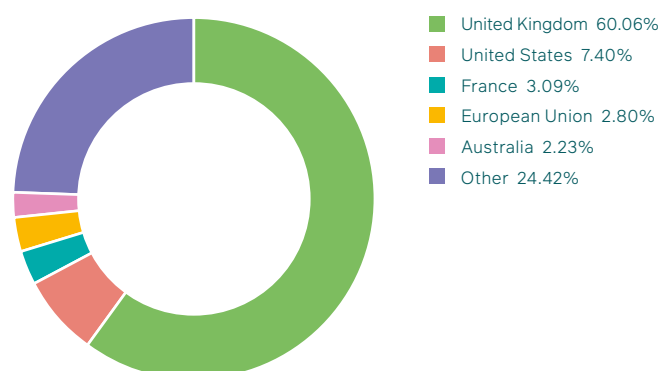
## Top 20 holdings

As at 30 June 2021	Percentage of portfolio of investments <sup>a</sup>
M&G European Loan Fund	12.16
Sonovate Limited Var. Rate 12 Apr 2022	1.80
Atlas 2020 1 Trust Var. Rate 30 Sep 2050	1.65
Westbourne 2016 1 WR Senior Var. Rate 30 Sep 2023	1.59
Delamare Finance FRN 1.279% 19/02/2029	1.59
Finance for Residential Social Housing 8.569% 4 Oct 2058	1.54
Hall & Woodhouse Var. Rate 30 Dec 2023	1.53
Signet Excipients Var. Rate 20 Oct 2025	1.42
Newday Partnership Funding 2017-1 FRN 0.8053% 15 Dec 2027	1.39
Regenter Myatt Field North Var. Rate 31 Mar 2036	1.35
Hammond Var. Rate 28 Oct 2025	1.32
Project Driver TL Var. Rate	1.32
RIN II FRN 1.778% 10 Sep 2030	1.26
Dragon Finance FRN 1.3665% 13 Jul 2023	1.14
Finance for Residential Social Housing 8.369% 4 Oct 2058	1.12
Lewisham Var. Rate 12 Feb 2023	1.10
NewRiver REIT 3.5% 7 Mar 2028	1.09
Marston's Issuer FRN 1.7083% 15 Oct 2031	1.07
Ripon Mortgages FRN 1.2814% 20 Aug 2056	1.05
Hammerson 6% 23 Feb 2026	1.04
<b>Total</b>	<b>37.53</b>

<sup>a</sup> Including cash on deposit and derivatives.

Source: State Street.

## Geographical exposure Percentage of portfolio of investments as at 30 June 2021<sup>a</sup>



<sup>a</sup> Excluding cash on deposit and derivatives.

Source: M&G and State Street as at 30 June 2021

## Portfolio overview

As at 30 June 2021	%
<b>Cash on deposit</b>	<b>3.20</b>
<b>Public</b>	<b>46.22</b>
Asset-backed securities	22.12
Bonds	24.10
<b>Private</b>	<b>50.86</b>
Asset-backed securities	6.72
Bonds	2.45
Investment funds	12.16
Loans	19.03
Private placements	0.99
Other	9.51
<b>Derivatives</b>	<b>(0.28)</b>
Debt derivatives	(0.17)
Forwards	(0.11)
<b>Total</b>	<b>100.00</b>

Source: State Street.

# Portfolio analysis

## Credit rating breakdown

As at 30 June 2021	%
<b>Unrated</b>	<b>(0.28)</b>
Derivatives	(0.28)
<b>Cash and investment grade</b>	<b>77.29</b>
Cash on deposit	3.20
AAA	5.52
AA+	1.85
AA	3.94
AA-	3.38
A+	0.21
A	0.65
A-	2.30
BBB+	8.71
BBB	12.94
BBB-	25.11
M&G European Loan Fund (ELF) (see note)	9.48
<b>Sub-investment grade</b>	<b>22.99</b>
BB+	4.33
BB	5.39
BB-	2.55
B+	1.77
B	2.96
B-	1.95
CCC+	0.64
CCC-	0.48
D	0.24
M&G European Loan Fund (ELF) (see note)	2.68
<b>Total</b>	<b>100.00</b>

Source: State Street.

Note: ELF is an open-ended fund managed by M&G that invests in leveraged loans issued by, generally, substantial private companies located in the UK and Continental Europe. ELF is not rated and the Investment Manager has determined an implied rating for this investment, utilising rating methodologies typically attributable to collateralised loan obligations. On this basis, 78% of the Company's investment in ELF has been ascribed as being investment grade, and 22% has been ascribed as being sub-investment grade. These percentages have been utilised on a consistent basis for the purposes of determination of the Company's adherence to its obligation to hold no more than 30% of its assets in below investment grade securities.

# Portfolio analysis

Top 20 holdings % as at 30 June 2021	Company description
<b>M&amp;G European Loan Fund</b> <b>12.16%</b>	Open-ended fund managed by M&G that invests in leveraged loans issued by, generally, substantial private companies located in the UK and Continental Europe. The fund's objective is to create attractive levels of current income for investors while maintaining relatively low volatility of NAV. (Private)
<b>Sonovate Limited Var. Rate 12 Apr 2022</b> <b>1.80%</b>	Bilateral loan to a company providing companies in the recruitment industry with an integrated service that incorporates placement management, invoicing and financing. (Private)
<b>Atlas 2020 1 Trust Var. Rate 30 Sep 2050</b> <b>1.65%</b>	Floating-rate, senior tranche of a bilateral RMBS transaction backed by a pool of Australian equity release mortgages. (Private)
<b>Westbourne 2016 1 WR Senior Var. Rate 30 Sep 2023</b> <b>1.59%</b>	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)
<b>Delamare Finance FRN 1.279% 19/02/2029</b> <b>1.59%</b>	Floating-rate, senior tranche of a CMBS secured by the sale and leaseback of 33 Tesco superstores and 2 distribution centres. (Public)
<b>Finance for Residential Social Housing 8.569%</b> <b>4 Oct 2058</b> <b>1.54%</b>	High grade (AA/Aa3), fixed-rate bond backed by cash flows from housing association loans. (Public)
<b>Hall &amp; Woodhouse Var. Rate 30 Dec 2023</b> <b>1.53%</b>	Bilateral loan to a regional UK brewer that manages a portfolio of 219 freehold and leasehold pubs. (Private)
<b>Signet Excipients Var. Rate 20 Oct 2025</b> <b>1.42%</b>	Fixed-rate loan secured against two large commercial premises in London, currently leased to 2 FTSE listed UK corporations. (Private)
<b>Newday Partnership Funding 2017-1 FRN 0.8053%</b> <b>15 Dec 2027</b> <b>1.39%</b>	High Grade ABS (AAA). UK Creditcard. 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)
<b>Regenter Myatt Field North Var. Rate 31 Mar 2036</b> <b>1.35%</b>	PFI (Private Finance Initiative) floating-rate, amortising term loan relating to the already completed refurbishment and ongoing maintenance of residential dwellings and communal infrastructure in the London borough of Lambeth. (Private)
<b>Hammond Var. Rate 28 Oct 2025</b> <b>1.32%</b>	Secured, bilateral real estate development loan backed by a combined portfolio of 2 office assets leased to an underlying roster of global corporate tenants (Private)
<b>Project Driver TL Var. Rate</b> <b>1.32%</b>	Senior term loan to a provider of hire purchase financing on used domestic motor vehicles to consumers in the UK. (Private)
<b>RIN II FRN 1.778% 10 Sep 2030</b> <b>1.26%</b>	Mixed CLO (AAA). Consists primarily of senior secured infrastructure finance loans managed by RREEF America L.L.C. (Public)
<b>Dragon Finance FRN 1.3665% 13 Jul 2023</b> <b>1.14%</b>	Floating-rate, subordinated tranche of a securitisation of the sale and leaseback of 10 supermarket sites sponsored by J Sainsbury plc ('Sainsbury's'). (Public)
<b>Finance for Residential Social Housing 8.369%</b> <b>4 Oct 2058</b> <b>1.12%</b>	High grade (AA), fixed rate bond backed by cash flows from housing association loans. (Public)

# Portfolio analysis

Top 20 holdings % as at 30 June 2021	Company description
<b>Lewisham Var. Rate 12 Feb 2023</b> <b>1.10%</b>	Senior secured, fixed-rate term loan funding the costs of acquiring and developing a site in Lewisham to provide 758-bed purpose-built student accommodation and 67 affordable housing units. (Private)
<b>NewRiver REIT 3.5% 7 Mar 2028</b> <b>1.09%</b>	NewRiver REIT PLC operates as a real estate investment trust investing in retail properties throughout the United Kingdom. Fixed, callable bond. Senior Unsecured. (Public)
<b>Marston's Issuer FRN 1.7083% 15 Oct 2031</b> <b>1.07%</b>	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)
<b>Ripon Mortgages FRN 1.2814% 20 Aug 2056</b> <b>1.05%</b>	High Grade ABS (AA+/Aaa). UK RMBS. The portfolio comprises buy-to-let loans originated by Bradford and Bingley and Mortgage Express, secured over residential properties located in England and Wales. (Public)
<b>Hammerson 6% 23 Feb 2026</b> <b>1.04%</b>	Hammerson plc develops, builds, and manages commercial buildings, offices, and shopping centres mainly operating throughout the United Kingdom, but also with investment and development activities in France and Germany. Senior unsecured, bullet bond. (Public)

# 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 5 to 9.

## Principal risks

The principal risks faced by the Company during the remaining six months of the year can be divided into various areas as follows:

- Market risk;
- Credit risk;
- Investment management performance risk;
- Liquidity risk;
- Dividend policy risk;
- Operational risk;
- Regulatory, legal and statutory risk: changes in laws, government policy or regulations; and
- Sustainability risk.

These are consistent with the principal risks described in more detail in Company's Annual Report and Financial Statements for the year ended 31 December 2020, which can be found in the Strategic Report on pages 17 to 22 and in note 14 on pages 95 to 98 and which are available on the website at:  
[www.mandg.co.uk/creditincomeinvestmenttrust](http://www.mandg.co.uk/creditincomeinvestmenttrust)

The Board continues to review the societal and economic impacts of governmental responses to the COVID-19 pandemic, as well as the operational risks that the pandemic poses to the Company and its service providers. The duration and ultimate impact of the pandemic remains difficult to predict and the Board will continue to monitor and report on material developments on an ongoing basis.

For further information on the impact of COVID-19 on the Company's principal risks and uncertainties, please refer to the Investment Manager's report on pages 8 to 9.

The Investment Manager and the Company's other third-party service providers have implemented appropriate business continuity plans and remain fully operational whilst their staff continue to predominantly work from home. Notwithstanding the overarching impact of COVID-19, in the view of the Board, the principal risks facing the Company since the previous report remain unchanged and these principal risks and uncertainties are equally applicable to the remaining six months of the financial year as they were to the six months under review.

## 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.

In assessing the going concern basis of accounting, the Directors have also considered the COVID-19 pandemic and the impact this may have on the Company's investments and the Company's NAV.

The Directors 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.



# Interim management report and statement of directors' responsibilities

## Related party disclosure and transactions with the Investment Manager

M&G Alternatives Investment Management Limited, as Investment Manager, is a related party to the Company. The management fee due to the Investment Manager for the period is disclosed in the condensed income statement and in note 3, and amounts outstanding at the period end are shown in note 8.

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 £17,458,741 and represented 12.16% of the Company's investment portfolio.

The Directors of the Company are related parties. The Chairman receives an annual fee of £41,000, the Chairman of the Audit Committee receives an annual fee of £35,750 and a non-executive Director receives an annual fee of £30,750. Mark Hutchinson was employed by M&G as Chair of Private Assets and the Company as a non-executive Director until 31 August 2021 and agreed to waive his fees.

There are certain situations where the Company undertakes purchase and sale transactions with other M&G managed funds. All such transactions are subject to the provisions of M&G's fixed income dealing procedures and prior approval by senior fixed income managers authorised by M&G to approve such trades. Trades are conducted on liquidity and pricing terms which at the relevant time are no worse than those available to the Company from dealing with independent third parties.

## 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 Financial Reporting Standard 104 (Interim Financial Reporting) and give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and
- this Interim management report, together with the Chairman's statement, Investment Manager's report and the 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 during the six months ended 30 June 2021 and their impact on the condensed set of financial statements; and a description of the principal risks 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 during the six months ended 30 June 2021 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 Half Year Report and unaudited condensed set of financial statements were approved by the Board of Directors on 16 September 2021 and the above responsibility statement was signed on its behalf by:

**David Simpson**  
Chairman

16 September 2021

# Condensed financial statements (unaudited)

## Condensed income statement

	Note	Six months ended 30 June 2021 (unaudited)			Six months ended 30 June 2020 (unaudited)			Year ended 31 December 2020 (audited)		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Net gains/(losses) on investments	7	–	541	541	–	(1,661)	(1,661)	–	2,714	2,714
Net gains/(losses) on derivatives	7	–	2,428	2,428	–	(2,701)	(2,701)	–	(1,368)	(1,368)
Net currency (losses)/gains		(36)	(140)	(176)	44	141	185	(7)	451	444
Income	3	2,735	–	2,735	2,451	–	2,451	5,195	–	5,195
Investment management fee		(451)	–	(451)	(355)	–	(355)	(714)	–	(714)
Other expenses		(254)	–	(254)	(294)	–	(294)	(464)	–	(464)
<b>Net return on ordinary activities before finance costs and taxation</b>		<b>1,994</b>	<b>2,829</b>	<b>4,823</b>	<b>1,846</b>	<b>(4,221)</b>	<b>(2,375)</b>	<b>4,010</b>	<b>1,797</b>	<b>5,807</b>
Finance costs	5	(61)	–	(61)	–	–	–	(24)	–	(24)
<b>Net return on ordinary activities before taxation</b>		<b>1,933</b>	<b>2,829</b>	<b>4,762</b>	<b>1,846</b>	<b>(4,221)</b>	<b>(2,375)</b>	<b>3,986</b>	<b>1,797</b>	<b>5,783</b>
Taxation on ordinary activities		–	–	–	–	–	–	–	–	–
<b>Net return attributable to Ordinary Shareholders after taxation</b>		<b>1,933</b>	<b>2,829</b>	<b>4,762</b>	<b>1,846</b>	<b>(4,221)</b>	<b>(2,375)</b>	<b>3,986</b>	<b>1,797</b>	<b>5,783</b>
<b>Net return per Ordinary Share (basic and diluted)</b>	<b>2</b>	<b>1.34p</b>	<b>1.96p</b>	<b>3.30p</b>	<b>1.40p</b>	<b>(3.20)p</b>	<b>(1.80)p</b>	<b>2.88p</b>	<b>1.30p</b>	<b>4.18p</b>

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 20 to 28 form an integral part of these condensed financial statements.

# Condensed financial statements (unaudited)

## Condensed statement of financial position

	Note	As at 30 June 2021 (Unaudited)		As at 30 June 2020 (unaudited)		As at 31 December 2020 (audited)	
		£'000	£'000	£'000	£'000	£'000	£'000
<b>Non-current assets</b>							
Investments at fair value through profit or loss	7		139,439		135,227		140,091
<b>Current assets</b>							
Derivative financial assets held at fair value through profit or loss	7	–		–		225	
Receivables	8	1,798		1,080		1,345	
Cash and cash equivalents	8	6,944		11,362		7,278	
		<b>8,742</b>		<b>12,442</b>		<b>8,848</b>	
<b>Current liabilities</b>							
Derivative financial liabilities held at fair value through profit or loss	7	(408)		(944)		–	
Payables	8	(1,476)		(5,992)		(2,311)	
		<b>(1,884)</b>		<b>(6,936)</b>		<b>(2,311)</b>	
<b>Net current assets</b>			<b>6,858</b>		<b>5,506</b>		<b>6,537</b>
<b>Net assets</b>			<b>146,297</b>		<b>140,733</b>		<b>146,628</b>
<b>Capital and reserves</b>							
Called up share capital	9		1,447		1,447		1,447
Share premium			42,217		42,208		42,217
Special distributable reserve	10		97,296		98,831		98,499
Capital reserve	9		4,313		(2,669)		3,349
Revenue reserve			1,024		916		1,116
<b>Total shareholders' funds</b>			<b>146,297</b>		<b>140,733</b>		<b>146,628</b>
<b>Net Asset Value per Ordinary Share (basic and diluted)</b>	<b>2</b>		<b>102.04p</b>		<b>97.23p</b>		<b>101.40p</b>

The notes on pages 20 to 28 form an integral part of these condensed financial statements.

Approved and authorised for issue by the Board of Directors on 16 September 2021 and signed on its behalf by:

**David Simpson**

Chairman

Company registration number: 11469317

16 September 2021

# Condensed financial statements (unaudited)

## Condensed statement of changes in equity

Six months ended 30 June 2021 (unaudited)	Called up Ordinary Share capital	Share premium	Special distributable reserve	Capital reserve	Revenue reserve	Total
Note	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 31 December 2020</b>	<b>1,447</b>	<b>42,217</b>	<b>98,499</b>	<b>3,349</b>	<b>1,116</b>	<b>146,628</b>
Purchase of Ordinary Shares to be held in treasury	–	–	(1,203)	–	–	(1,203)
Net return attributable to shareholders	–	–	–	2,829	1,933	4,762
Dividends paid	6	–	–	(1,865)	(2,025)	(3,890)
<b>Balance at 30 June 2021</b>	<b>1,447</b>	<b>42,217</b>	<b>97,296</b>	<b>4,313</b>	<b>1,024</b>	<b>146,297</b>

Six months ended 30 June 2020 (unaudited)	Called up Ordinary Share capital	Share premium	Special distributable reserve	Capital reserve	Revenue reserve	Total
Note	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 31 December 2019</b>	<b>1,300</b>	<b>28,229</b>	<b>99,000</b>	<b>1,968</b>	<b>1,735</b>	<b>132,232</b>
Issue of Ordinary Shares	9	147	13,979	–	–	14,126
Net return attributable to shareholders	–	–	–	(4,221)	1,846	(2,375)
Dividends paid	6	–	–	(416)	(2,665)	(3,250)
<b>Balance at 30 June 2020</b>	<b>1,447</b>	<b>42,208</b>	<b>98,831</b>	<b>(2,669)</b>	<b>916</b>	<b>140,733</b>

Year ended 31 December 2020 (audited)	Called up Ordinary Share capital	Share premium	Special distributable reserve	Capital reserve	Revenue reserve	Total
Note	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 31 December 2019</b>	<b>1,300</b>	<b>28,229</b>	<b>99,000</b>	<b>1,968</b>	<b>1,735</b>	<b>132,232</b>
Issue of Ordinary Shares	9	147	13,945	–	–	14,092
Purchase of Ordinary Shares to be held in treasury	–	–	(129)	–	–	(129)
Initial public offering costs written off	–	43	–	–	–	43
Net return attributable to shareholders	–	–	–	1,797	3,986	5,783
Dividends paid	6	–	–	(416)	(4,605)	(5,393)
<b>Balance at 31 December 2020</b>	<b>1,447</b>	<b>42,217</b>	<b>98,499</b>	<b>3,349</b>	<b>1,116</b>	<b>146,628</b>

The notes on pages 20 to 28 form an integral part of these condensed financial statements.

# Condensed financial statements (unaudited)

## Condensed cash flow statement

	Note	Six months ended 30 June 2021 (unaudited) £'000	Six months ended 30 June 2020 (unaudited) £'000	Year ended 31 December 2020 (audited) £'000
<b>Cash flows from operating activities</b>				
Net profit/(loss) before finance costs and taxation		4,823	(2,375)	5,807
<b>Adjustments for:</b>				
Net gains/(losses) on investments	7	(541)	1,661	(2,714)
Net gains/(losses) on derivatives	7	(2,428)	2,701	1,368
Decrease/(increase) in receivables		133	50	(253)
(Decrease) in payables		(165)	(341)	(96)
Purchases of investments <sup>a</sup>	7	(19,439)	(43,731)	(78,730)
Sales of investments <sup>a</sup>	7	22,437	37,644	68,430
<b>Net cash inflow/(outflow) from operating activities</b>		<b>4,820</b>	<b>(4,391)</b>	<b>(6,188)</b>
<b>Financing activities</b>				
Finance costs	5	(61)	–	(24)
Issue of Ordinary Shares		–	14,126	14,092
Initial public offering costs written off		–	–	43
Purchase of Ordinary Shares to be held in treasury		(1,203)	–	(129)
Dividend paid	6	(3,890)	(3,250)	(5,393)
<b>Net cash (outflow)/inflow from financing activities</b>		<b>(5,154)</b>	<b>10,876</b>	<b>8,589</b>
<b>(Decrease)/Increase in cash and cash equivalents</b>		<b>(334)</b>	<b>6,485</b>	<b>2,401</b>
Cash and cash equivalents at the start of the period/year		7,278	4,877	4,877
(Decrease)/Increase in cash and cash equivalents as above		(334)	6,485	2,401
<b>Cash and cash equivalents at the end of the period/year</b>	<b>8</b>	<b>6,944</b>	<b>11,362</b>	<b>7,278</b>

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

The notes on pages 20 to 28 form an integral part of these condensed financial statements.

# Condensed financial statements (unaudited)

## Notes to the condensed financial statements

### 1 Accounting policies

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 United Kingdom Accounting Standards, including Financial Reporting Standard 104 (FRS 104) Interim Financial Reporting issued by the Financial Reporting Council and the Statement of Recommended Practice (SORP) issued by the Association of Investment Companies (AIC) in October 2019 'Financial Statements of Investment Trust Companies and Venture Capital Trusts'.

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

The accounting policies applied to this condensed set of financial statements are consistent with those applied in the Annual Report and Financial Statements for the year ended 31 December 2020.

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.

### 2 Returns and net asset value (NAV)

	Six months ended 30 June 2021	Six months ended 30 June 2020	Year ended 31 December 2020
<b>Revenue return</b>			
Revenue return attributable to Ordinary Shareholders (£'000)	1,933	1,846	3,986
Weighted average number of shares in issue during the period/year	144,490,744	131,782,457	138,289,698
Revenue return per Ordinary Share (basic and diluted)	1.34p	1.40p	2.88p
<b>Capital return</b>			
Capital return attributable to Ordinary Shareholders (£'000)	2,829	(4,221)	1,797
Weighted average number of shares in issue during the period/year	144,490,744	131,782,457	138,289,698
Capital return per Ordinary Share (basic and diluted)	1.96p	(3.20)p	1.30p
<b>Net return</b>			
Net return per Ordinary Share (basic and diluted)	3.30p	(1.80)p	4.18p
<b>NAV per Ordinary Share</b>			
Net assets attributable to Ordinary Shareholders (£'000)	146,297	140,733	146,628
Number of shares in issue at period/year end	143,367,771	144,745,771	144,605,771
NAV per Ordinary Share	102.04p	97.23p	101.40p

# Condensed financial statements (unaudited)

## Notes to the condensed financial statements (continued)

### 3 Income

	Six months ended 30 June 2021 £'000	Six months ended 30 June 2020 £'000	Year ended 31 December 2020 £'000
<b>Income from investments</b>			
Interest income from Debt Instruments	2,421	2,180	4,633
Distributions from investment funds	260	227	468
Management fee rebate	51	36	78
	<b>2,732</b>	<b>2,443</b>	<b>5,179</b>
<b>Other income</b>			
Interest from cash and cash equivalents	3	8	16
	<b>2,735</b>	<b>2,451</b>	<b>5,195</b>

### 4 Expenses

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

### 5 Finance costs

	Six months ended 30 June 2021 £'000	Six months ended 30 June 2020 £'000	Year ended 31 December 2020 £'000
Commitment fee	37	–	15
Arrangement fees	6	–	3
Legal fees	18	–	6
	<b>61</b>	<b>–</b>	<b>24</b>

On 19 October 2020 the Company entered into a £25 million revolving credit facility agreement with State Street Bank International GmbH. As at 30 June 2021 no amounts were drawn down.

# Condensed financial statements (unaudited)

## Notes to the condensed financial statements (continued)

### 6 Dividends

	Six months ended 30 June 2021 £'000	Six months ended 30 June 2020 £'000	Year ended 31 December 2020 £'000
<b>Revenue</b>			
2019 second interim interest distribution of 1.33p	–	1,729	1,729
2020 first interim interest distribution of 0.72p	–	936	936
2020 second interim interest distribution of 0.63p	–	–	912
2020 third interim interest distribution of 0.71p	–	–	1,028
2020 fourth interim interest distribution of 0.77p	1,114	–	–
2021 first interim interest distribution of 0.63p	911	–	–
	<b>2,025</b>	<b>2,665</b>	<b>4,605</b>
<b>Capital</b>			
2019 second interim dividend of 0.32p	–	416	416
2020 first interim dividend of 0.13p	–	169	169
2020 second interim dividend of 0.14p	–	–	203
2020 fourth interim dividend of 1.18p	1,706	–	–
2021 first interim dividend of 0.11p	159	–	–
	<b>1,865</b>	<b>585</b>	<b>788</b>

On 27 July 2021 the Board declared a second interim dividend of 0.76p per Ordinary Share for the year ended 31 December 2021, which was paid on 27 August 2021 to Ordinary Shareholders on the register on 6 August 2021. The ex-dividend date was 5 August 2021.

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



# Condensed financial statements (unaudited)

## Notes to the condensed financial statements (continued)

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

	As at 30 June 2021 £'000	As at 30 June 2020 £'000	As at 31 December 2020 £'000
<b>Opening valuation</b>	<b>140,316</b>	<b>127,316</b>	<b>127,316</b>
<b>Analysis of transactions made during the period/year</b>			
Purchases at cost	18,769	49,011	80,084
Sale proceeds	(23,023)	(37,682)	(68,430)
Gains/(losses) on investments	2,969	(4,362)	1,346
<b>Closing valuation</b>	<b>139,031</b>	<b>134,283</b>	<b>140,316</b>
Closing cost	138,251	135,973	138,257
Closing investment holding gains/(losses)	780	(1,690)	2,059
<b>Closing valuation</b>	<b>139,031</b>	<b>134,283</b>	<b>140,316</b>

The company received £23,023,000 from investments sold in the six months period ended 30 June 2021 (30 June 2020: £37,682,000). The book cost of these investments when they were purchased was £21,836,000 (30 June 2020: £38,477,000). 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 30 June 2021 £'000	As at 30 June 2020 £'000	As at 31 December 2020 £'000
<b>Gains on investments</b>			
Net realised gains/(losses) on disposal of investments	541	(1,661)	2,714
Net gains/(losses) on derivatives	2,428	(2,701)	(1,368)
<b>Net gains/(losses) on investments</b>	<b>2,969</b>	<b>(4,362)</b>	<b>1,346</b>

	As at 30 June 2021 £'000	As at 30 June 2020 £'000	As at 31 December 2020 £'000
<b>Closing valuation</b>			
Investments at fair value through profit or loss	139,439	135,227	140,091
Derivative financial (liabilities)/assets held at fair value through profit or loss	(408)	(944)	225
<b>Closing valuation</b>	<b>139,031</b>	<b>134,283</b>	<b>140,316</b>

# Condensed financial statements (unaudited)

## Notes to the condensed financial statements (continued)

### 8 Receivables, Cash and cash equivalents and Payables

	As at 30 June 2021 £'000	As at 30 June 2020 £'000	As at 31 December 2020 £'000
<b>Receivables</b>			
Sales for future settlement	586	38	–
Accrued income	1,128	990	1,204
Prepaid expenses	33	12	41
Management fee rebate	51	40	82
Other receivables	–	–	18
<b>Total receivables</b>	<b>1,798</b>	<b>1,080</b>	<b>1,345</b>
<b>Cash and cash equivalents</b>			
Cash at bank	1,302	5,809	2,269
Amounts held at futures clearing houses	1,041	962	1,009
Cash on deposit	4,601	4,591	4,000
<b>Total cash and cash equivalents</b>	<b>6,944</b>	<b>11,362</b>	<b>7,278</b>
<b>Payables</b>			
Purchases for future settlement	684	5,280	1,354
Expenses payable and deferred income	351	343	278
Management fee payable	438	318	677
Other payables	3	51	2
<b>Total payables</b>	<b>1,476</b>	<b>5,992</b>	<b>2,311</b>

# Condensed financial statements (unaudited)

## Notes to the condensed financial statements (continued)

### 9 Called up share capital

	As at 30 June 2021		As at 30 June 2020		As at 31 December 2020	
	Number of shares	Nominal value £'000	Number of shares	Nominal value £'000	Number of shares	Nominal value £'000
<b>Ordinary Shares of 1p</b>						
Ordinary Shares in issue at the beginning of the period/year	144,605,771	1,446	130,000,001	1,300	130,000,001	1,300
Ordinary Shares issued during the period/year	–	–	14,745,770	147	14,745,770	147
Purchase of Ordinary Shares held in treasury	(1,238,000)	(12)	–	–	(140,000)	(1)
<b>Ordinary Shares in issue at the end of the period/year</b>	<b>143,367,771</b>	<b>1,434</b>	<b>144,745,771</b>	<b>1,447</b>	<b>144,605,771</b>	<b>1,446</b>
<b>Treasury Shares (Ordinary Shares of 1p)</b>						
Treasury Shares at the beginning of the period/year	140,000	1	–	–	–	–
Purchase of Ordinary Shares held in treasury	1,238,000	12	–	–	140,000	1
<b>Treasury Shares at the end of the period/year</b>	<b>1,378,000</b>	<b>13</b>	<b>–</b>	<b>–</b>	<b>140,000</b>	<b>1</b>
<b>Total Ordinary Shares in issue and in treasury at the end of the period/year</b>	<b>144,745,771</b>	<b>1,447</b>	<b>144,745,771</b>	<b>1,447</b>	<b>144,745,771</b>	<b>1,447</b>

The analysis of the capital reserve is as follows:

	Six months ended 30 June 2021			Six months ended 30 June 2020			Year ended 31 December 2020		
	Realised capital reserve £'000	Investment holding gains £'000	Total capital reserve £'000	Realised capital reserve £'000	Investment holding gains £'000	Total capital reserve £'000	Realised capital reserve £'000	Investment holding gains £'000	Total capital reserve £'000
Capital reserve at the beginning of the period/year	1,290	2,059	3,349	(265)	2,233	1,968	(265)	2,233	1,968
Gains/(losses) on realisation of investments at fair value	4,248	–	4,248	(439)	–	(439)	1,520	–	1,520
Realised currency gains during the period/year	(140)	–	(140)	141	–	141	451	–	451
Movement in unrealised losses	–	(1,279)	(1,279)	–	(3,923)	(3,923)	–	(174)	(174)
Dividends paid	(1,865)	–	(1,865)	(416)	–	(416)	(416)	–	(416)
<b>Capital reserve at the end of the period/year</b>	<b>3,533</b>	<b>780</b>	<b>4,313</b>	<b>(979)</b>	<b>(1,690)</b>	<b>(2,669)</b>	<b>1,290</b>	<b>2,059</b>	<b>3,349</b>

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.

# Condensed financial statements (unaudited)

## Notes to the condensed financial statements (continued)

### 10 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.

### 11 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 condensed income statement and in note 3, amounts outstanding at the period end are shown in note 8.

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 £17,458,741 (30 June 2020: £13,136,135) and represented 12.16% (30 June 2020: 9.53%) of the Company's investment portfolio.

The Directors of the Company are related parties. For further details of the annual fees payable to the Directors, please refer to the Related party disclosure and transactions with the Investment Manager section on page 15.

### 12 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).

# Condensed financial statements (unaudited)

## Notes to the condensed financial statements (continued)

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

	As at 30 June 2021				As at 30 June 2020				As at 31 December 2020			
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
<b>Financial assets at FVTPL</b>												
Debt Instruments	-	60,039	61,941	121,980	-	99,465	22,599	122,064	-	87,572	35,232	122,804
Investment in funds	-	17,459	-	17,459	-	13,163	-	13,163	-	17,287	-	17,287
Derivatives	-	151	-	151	-	-	-	-	-	-	-	-
<b>Financial liabilities at FVTPL</b>												
Derivatives	(238)	(321)	-	(559)	(107)	(837)	-	(944)	(369)	594	-	225
<b>Net fair value</b>	<b>(238)</b>	<b>77,328</b>	<b>61,941</b>	<b>139,031</b>	<b>(107)</b>	<b>111,791</b>	<b>22,599</b>	<b>134,283</b>	<b>(369)</b>	<b>105,453</b>	<b>35,232</b>	<b>140,316</b>

### Valuation techniques for Level 3

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

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

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

# Condensed financial statements (unaudited)

## Notes to the condensed financial statements (continued)

### 13 Capital commitments

There were outstanding unfunded investment commitments of £4,821,000 (30 June 2020: £3,720,000) at the period/year end.

	As at 30 June 2021 £'000	As at 30 June 2020 £'000	As at 31 December 2020 £'000
Bayswater RD Mercury Var. Rate 31 May 2024	2,235	–	–
Lewisham Var. Rate 12 Feb 2023	519	2,004	1,198
Greensky Var. Rate 11 Dec 2023	476	–	15
Jamshid Ventures Var. Rate 23 Jul 2023	328	–	786
Kaveh Ventures LLC Var. Rate 16 May 2022	323	–	–
Harmony Warehouse No 2 Var. Rate 31 Dec 2026	301	–	–
Sonovate Var. Rate 12 Apr 2022	280	560	560
Bayswater RD Mercury Var. Rate 1 May 2024	201	–	–
Valentine Senior Var. Rate 7 Mar 2022	133	133	133
Gate 1 Var. Rate 4 Jun 2022 (Junior)	21	167	110
Gate 1 Var. Rate 4 Jun 2022 (Senior)	4	165	94
Westbourne 2016 1 WR Senior Var. Rate 30 Sep 2023	–	597	598
Gate 2 Var. Rate 4 Jun 2021	–	94	–
	<b>4,821</b>	<b>3,720</b>	<b>3,494</b>

### 14 Half Year Report

The financial information contained in this Half Year Report does not constitute statutory accounts as defined in section 434 – 436 of the Companies Act 2006.

The financial information for the six months ended 30 June 2020 and 30 June 2021 has not been reviewed or audited by the Company's auditors.

The figures and financial information for the year ended 31 December 2020 have been extracted from the latest published audited financial statements, which have been filed with the Registrar of Companies. The report of the Auditor on those accounts was unqualified and did not contain a statement under sections 498(2) or (3) of the Companies Act 2006.

# Company information

## Directors (all non-executive)

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

\* Retired on 31 August 2021.

## AIFM and Investment Manager

M&G Alternatives Investment Management Limited  
(MAGAIM)<sup>1</sup>  
10 Fenchurch Avenue, London EC3M 5AG  
Website: [www.mandg.co.uk](http://www.mandg.co.uk)  
Telephone: +44 (0) 800 390 390

## Administrator

State Street Bank and Trust Company<sup>1</sup>  
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<sup>1</sup>  
The Atrium, Cannon Bridge House, 25 Dowgate Hill,  
London EC4R 2GA

## Solicitors

Herbert Smith Freehills LLP<sup>1</sup>  
Exchange House, Primrose Street, London EC2A 2EG

## Auditor

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

## Registrar and transfer office

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

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

## Depository

State Street Trustees Limited<sup>1</sup>  
20 Churchill Place, London E14 5HJ

## Custodian

State Street Bank and Trust Company<sup>1</sup>  
20 Churchill Place, London E14 5HJ

## Banker

State Street Bank International GmbH  
Brienner Straße 59, 03333 Munich, Germany

## Association of Investment Companies (AIC)

The Company is a member of the AIC, which publishes monthly statistical information in respect of member companies.

The AIC can be contacted on 020 7282 5555, [enquiries@theaic.co.uk](mailto:enquiries@theaic.co.uk) or visit the website: [www.theaic.co.uk](http://www.theaic.co.uk)

## Company website

[www.mandg.co.uk/creditincomeinvestmenttrust](http://www.mandg.co.uk/creditincomeinvestmenttrust)

<sup>1</sup> Authorised and regulated by the Financial Conduct Authority.

# Alternative performance measures

## Net Asset Value (NAV) per Ordinary Share

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

## Ongoing charges

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

	Six months ended 30 June 2021 £'000	Year ended 31 December 2020 £'000
<b>Ongoing charges are calculated with reference to the following figures:</b>		
Investment management fee	451	714
Other expenses <sup>a</sup>	291	479
<b>Total expenses for the period/year</b>	<b>742</b>	<b>1,193</b>
Annualised expenses	1,589	1,193
Average net assets over the period/ year	146,942	136,571
Ongoing charges	1.08% <sup>b</sup>	0.87%

<sup>a</sup> Includes the commitment fee on the revolving credit facility.

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

## Premium/discount to NAV

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

## Total return

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

## Share price total return

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

	Six months ended 30 June 2021 £'000	Year ended 31 December 2020 £'000
Opening share price	92.00p	106.00p
Dividend paid	2.69p	3.98p
Effect of dividend reinvested	0.13p	(0.21)p
Closing share price	97.20p	92.00p
Adjusted closing share price	100.02p	95.77p
Share price total return	8.7%	(9.7)%



# Alternative performance measures

## NAV total return

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

	Six months ended 30 June 2021 £'000	Year ended 31 December 2020 £'000
Opening NAV per share	101.40p	101.72p
Dividend paid	2.69p	3.98p
Effect of dividend reinvested	0.03p	0.15p
Closing NAV per share	102.04p	101.40p
Adjusted closing NAV per share	104.76p	105.53p
NAV total return	3.3%	3.7%

## Dividend yield

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

	Six months ended 30 June 2021 £'000	Year ended 31 December 2020 £'000
Dividends declared per Ordinary Share <sup>a</sup>	4.16p	4.28p
Ordinary Share price	97.20p	92.00p
Dividend yield	4.28%	4.65%

<sup>a</sup> Based on dividends declared in respect of the previous 12 months.

## Glossary

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

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

**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.

## Glossary

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

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

**Emerging economy or market** Economies in the process of rapid growth and increasing industrialisation. Investments in emerging markets are generally considered to be riskier than those in developed markets.

**Episode** A phase during which investors allow their emotions to affect their decision making, which can cause financial markets to move irrationally.

**Equities** Shares of ownership in a company.

**Ex-dividend, ex-distribution or XD date** The date on which declared distributions or dividends officially belong to underlying investors.

**Exposure** The proportion of an investment company invested in a particular share/fixed income security, sector/region, usually expressed as a percentage of the overall portfolio.

**Fixed income security** A loan in the form of a security, usually issued by a government or company, which normally pays a fixed rate of interest over a given time period, at the end of which the initial amount borrowed is repaid.

**Floating rate notes (FRNs)** Securities whose interest (income) payments are periodically adjusted depending on the change in a reference interest rate.

**Gearing** Is a measure of financial leverage that demonstrates the degree to which the Investment Trust's operations are funded by equity capital versus creditor financing.

**Gilts** Fixed income securities issued by the UK Government.

**Government bonds** Fixed income securities issued by governments, that normally pay a fixed rate of interest over a given time period, at the end of which the initial investment is repaid.

**Hard currency (bonds)** Refers to bonds denominated in a highly traded, relatively stable international currency, rather than in the bond issuer's local currency. Bonds issued in a more stable hard currency, such as the US dollar, can be more attractive to investors where there are concerns that the local currency could lose value over time, eroding the value of bonds and their income.

**Hedging** A method of reducing unnecessary or unintended risk.

**High yield bonds** Fixed income securities issued by companies with a low credit rating from a recognised credit rating agency. They are considered to be at higher risk of default than better quality, i.e. higher rated fixed income securities but have the potential for higher rewards. Default means that a company or government is unable to meet interest payments or repay the initial investment amount at the end of security's life.

**Index** An index represents a particular market or a portion of it, serving as a performance indicator for that market.

**Index-linked bonds** Fixed income securities where both the value of the loan and the interest payments are adjusted in line with inflation over the life of the security. Also referred to as inflation-linked bonds.

**Inflation** The rate of increase in the cost of living. Inflation is usually quoted as an annual percentage, comparing the average price this month with the same month a year earlier.

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

**Investment trust** An investment trust is a form of collective investment fund found mostly in the United Kingdom. Investment trusts are closed-end funds and are constituted as public limited companies.

**IRR** Internal Rate of Return.

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

**Issuer** An entity that sells securities, such as fixed income securities and company shares.

**Leverage** When referring to a company, leverage is the level of a company's debt in relation to its assets. A company with significantly more debt than capital is considered to be leveraged. It can also refer to an investment company that borrows money or uses derivatives to magnify an investment position.

**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.

## Glossary

**Local currency (bonds)** Refers to bonds denominated in the currency of the issuer's country, rather than in a highly traded international currency, such as the US dollar. The value of local currency bonds tends to fluctuate more than bonds issued in a hard currency, as these currencies tend to be less stable.

**Long position** Refers to ownership of a security held in the expectation that the security will rise in value.

**Macroeconomic** Refers to the performance and behaviour of an economy at the regional or national level. Macroeconomic factors such as economic output, unemployment, inflation and investment are key indicators of economic performance. Sometimes abbreviated to 'macro'.

**Maturity** The length of time until the initial investment amount of a fixed income security is due to be repaid to the holder of the security.

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

**Modified duration** A measure of the sensitivity of a fixed income security, also called a bond, or bond fund to changes in interest rates. The higher a bond or bond fund's modified duration, the more sensitive it is to interest rate movements.

**Monetary policy** A central bank's regulation of money in circulation and interest rates.

**Morningstar™** A provider of independent investment research, including performance statistics and independent investment company ratings.

**Near cash** Deposits or investments with similar characteristics to cash.

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

**NAV total return** A measure showing how the net asset value (NAV) per share has performed over a period of time, taking into account both capital returns and dividends paid to shareholders.

NAV total return is expressed as a percentage change from the start of the period. It assumes that dividends paid to shareholders are reinvested at NAV at the time the shares are quoted ex-dividend.

NAV total return shows performance which is not affected by movements in share price discounts and premiums. It also takes into account the fact that different investment companies pay out different levels of dividends.

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

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

**Ongoing charges figure** The ongoing charges figure includes charges for management of the fund; administration services; and services provided by external parties, which include depository, custody and audit, as well as incorporating the ongoing charges figure from funds held in the portfolio (taking into account any rebates). The ongoing charges figure (as a percentage of shareholders' funds) is an annualised rate calculated using average net assets over the period in accordance with the Association of Investment Companies' (AIC) recommended methodology.

**Options** Financial contracts that offer the right, but not the obligation, to buy or sell an asset at a given price on or before a given date in the future.

**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.

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

**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.

## Glossary

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

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

**Short position** A way for an Investment Manager to express his or her view that the market might fall in value.

**Short dated corporate bonds** Fixed income securities issued by companies and repaid over relatively short periods.

**Short dated government bonds** Fixed income securities issued by governments and repaid over relatively short periods.

**SONIA (Sterling overnight index average)** SONIA is an interest rate index administered by the Bank of England and based on actual transactions. It reflects the average interest rate that banks pay to borrow sterling overnight from other banks and institutional investors.

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

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

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

**Synthetic inflation-linked bonds** Refers to securities created using a combination of assets to simulate the characteristics of inflation-linked bonds. By buying inflation-linked government bonds and selling protection against companies defaulting on their debts, using credit default swaps, the combined synthetic investment will behave similarly to a physical inflation-linked bond, had one been issued. Synthetic inflation-linked bonds are usually created where a company does not have any inflation-linked bonds in issue.

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

**Total return** The term for the gain or loss derived from an investment over a particular period. Total return includes income (in the form of interest or dividend payments) and capital gains.

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

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

**Volatility** The degree to which a given security, investment company, fund, or index rapidly changes. It is calculated as the degree of deviation from the norm for that type of investment over a given time period. The higher the volatility, the riskier the security tends to be.

**Weighted average life (WAL)** The asset-weighted average number of years to final maturity of the portfolio, based on the final maturity for all assets/exposures.

**Yield** This refers to either the interest received from a fixed income security or to the dividends received from a share. It is usually expressed as a percentage based on the investment's costs, its current market value or its face value. Dividends represent a share in the profits of a company and are paid out to the Company's shareholders at set times of the year.

**Yield to maturity** The total return anticipated on the portfolio if the underlying bonds are held until maturity.

