

# M&G Credit Income Investment Trust plc

**Half Year Report and unaudited Condensed Financial Statements  
for the six months ended 30 June 2022**

# M&G Credit Income Investment Trust

## An investment trust from the fixed income experts

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

## Why invest in the Company?

4%+

### Seeks to pay dividends of 4% above cash<sup>a</sup>

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



### High-quality, reliable income

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



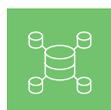
### Stable capital value

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



### Higher income potential

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



### Investment trust structure

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



### Zero discount policy

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

## M&G’s track record in public and private debt

### £200 billion bonds AUM

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

### Since 1997

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

### 135 analysts

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

<sup>a</sup> Based on the SONIA (Sterling Overnight Index Average) interest rate benchmark administered by the Bank of England.

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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 Gross Assets in collective investment vehicles in

# Investment objective and policy

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.

## Investment process

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

Investment decision-making is undertaken by the Investment Manager, based on extensive research and credit analysis by the Investment Manager's large and experienced teams of 135 in-house analysts who specialise in public and private debt markets. This rigorous in depth analysis is fundamental to understanding the risk and return profile of potential investments.

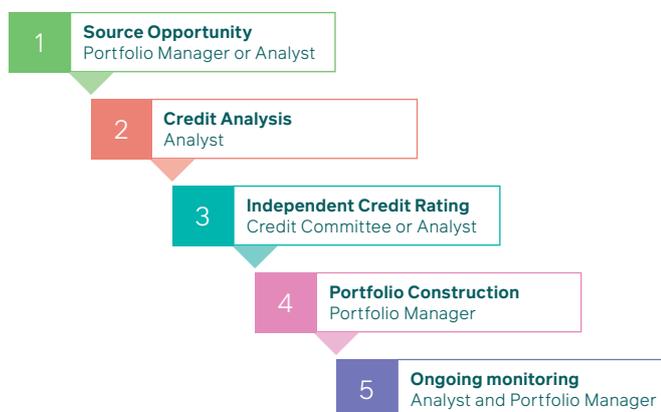
# Investment objective and policy

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

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

As part of the investment process, full consideration is given to sustainability risks, which are set out in more detail on pages 35 to 36 of the Annual Report and audited financial statements for the year ended 31 December 2021.

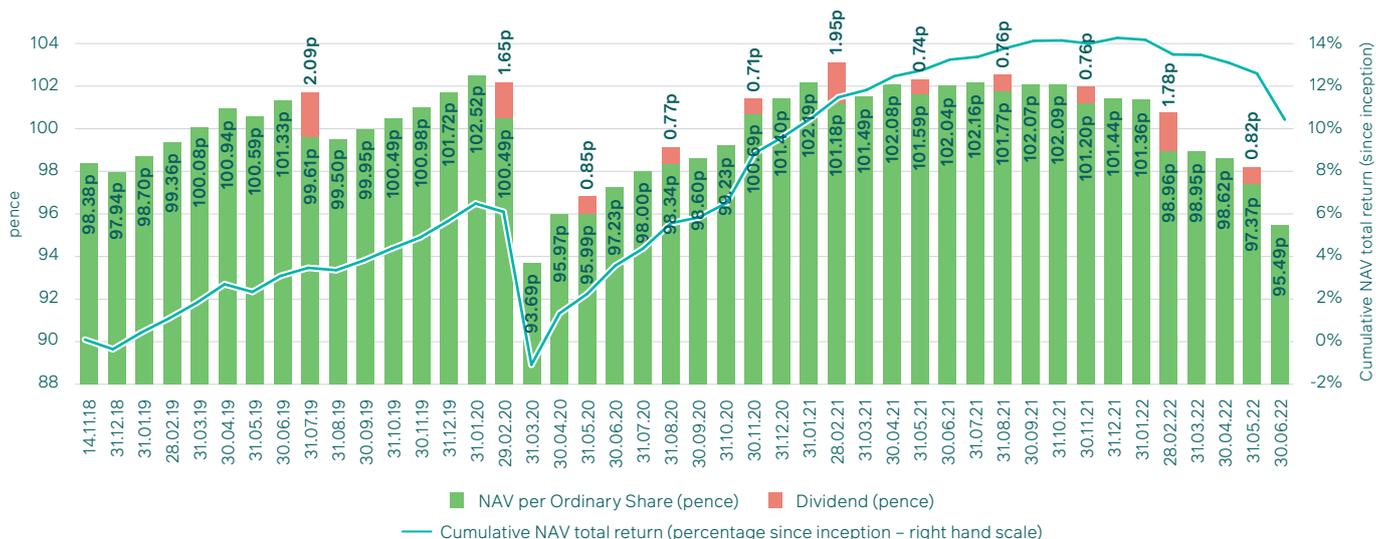
## Investment process overview



# Company highlights

## NAV, dividend and NAV total return

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



Source: M&G and State Street as at 30 June 2022

## Financial highlights

### Key data

	As at 30 June 2022 (unaudited)	As at 31 December 2021 (audited)
Net assets (£'000)	136,679	143,759
Net asset value (NAV) per Ordinary Share	95.49p	101.44p
Ordinary Share price (mid-market)	98.0p	99.5p
Premium/(Discount) to NAV <sup>a</sup>	2.6%	(1.9)%
Ongoing charges figure <sup>a</sup>	1.20%	1.10%

### Return and dividends per Ordinary Share

	Six months ended 30 June 2022 (unaudited)	Year ended 31 December 2021 (audited)
Capital return	(5.2)p	1.5p
Revenue return	1.8p	2.7p
NAV total return <sup>a</sup>	(3.4)%	4.3%
Share price total return <sup>a</sup>	1.1%	13.0%
Total dividends declared	1.78p	4.04p

<sup>a</sup> Alternative performance measure. Please see pages 32 to 33 for further information.

# Company highlights

## Total returns

The NAV total return decreased in H1 2022, principally reflecting the negative effect of widening credit spreads on the value of bonds in the portfolio.

14 November 2018 = 100



<sup>a</sup> Alternative performance measure. Please see pages 32 to 33 for further information.

<sup>b</sup> 3 Month LIBOR +2.5% from inception to 31 December 2019, 3 Month Libor +4% from 1 January 2020 to December 2021, thereafter SONIA +4%.

Source: M&G

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

The share price began the year at a discount to NAV but traded at a premium from April onwards, during which time the Company reissued shares in line with its “zero discount” policy.

As at	NAV per share (cum income)	Share price (mid-market)
30 June 2022	95.49p	98.0p



Source: M&G and State Street as at 30 June 2022.

# Chairman's statement

## Performance

Your Company performed robustly through a very difficult period for bond and equity markets. It was the worst first half of the year for developed market equities in over fifty years, whilst sovereign and corporate U.S. and European bonds experienced record losses. The Company's NAV total return for the half year to 30 June 2022 was -3.4% which compared favourably to the performance of fixed income indices such as the ICE BofA Sterling and Collateralised Index (-14.17%) and the ICE BofA European Currency Non-Financial High Yield 2% Constrained Index (-15.25%).

The beginning of 2022 had already been dominated by sharply higher inflation in developed economies prior to the Russian invasion of Ukraine. However, the invasion greatly compounded the global inflation problem given the economic importance of both countries in food and energy supply chains. A combination of the conflict, inflation and higher official rates drove government bond yields higher and saw credit spreads move wider over the first quarter. Our Investment Manager continued to hedge interest rate risk and maintain low duration which negated the effect of rising risk-free rates. That said, the wider credit spreads lead to modestly negative portfolio returns.

The second quarter saw market sentiment vary between growth and inflation concerns. The combination of growth concerns and an uncertain path for monetary policy saw both investment grade and high yield credit spreads continue to sell off notably as the quarter progressed, which impacted valuations and saw most government and credit indices end the period with sharply negative year-to-date returns. The low duration and investment grade credit quality of your Company's portfolio contributed to its significant outperformance of the relevant indices.

## Share buybacks and discount management

Your board remains committed to seek to ensure that the Ordinary Shares trade close to NAV in normal market conditions through buybacks and issuance of Ordinary Shares. Since the start of the year, the Company has undertaken a number of share buybacks and share issuances pursuant to the 'zero discount' policy initially announced on 30 April 2021. The first quarter saw the share price trade at a discount to NAV although it moved to trade at a premium from mid-April until the period end. The Company issued a net 1,415,000 shares from treasury in order to satisfy demand in the market. The Company's Ordinary Share price traded at an average discount to NAV of 0.5% during the period ended 30 June 2022. On 30 June 2022 the Ordinary Share price was 98p, representing a 2.6% premium to NAV as at that date. As at 30 June 2022, 1,607,749 shares were held in treasury with an additional net 650,000 shares repurchased since the period end.

## Dividends

Your Company is currently paying three, quarterly interim dividends at an annual rate of SONIA plus 3%, calculated by reference to the adjusted opening NAV as at 1 January 2022. 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, together with the board's view of the ability of the portfolio to deliver our longer-term objectives. The Company paid dividends of 0.82p and 0.96p per Ordinary Share in respect of the quarters to 31 March 2022 and 30 June 2022 respectively.

Your Company's Investment Manager continues to believe that an annual total return, and thus ultimately a dividend yield, of SONIA plus 4% will continue to be achievable although there can be no guarantee that this will occur in any individual year.

# Chairman's statement

## Outlook

Even though the Company's year-to-date NAV total return has been affected by the volatility in credit markets, our Investment Manager believes that current market conditions provide a good opportunity to position the portfolio to deliver increased yield over the longer term. Your board notes that this was also achieved with great success after the market setback in 2020.

Your Company's portfolio (including irrevocable commitments) is now 62% invested in private (not listed) assets, with an additional investment of some 12% in illiquid publicly listed assets which are intended to be held to maturity. Whilst our Investment Manager will continue to grow the private asset portion of the portfolio in line with the Company's longer term strategy, it currently sees opportunity to add public bonds into the portfolio at yields that are attractive, relative to the target return of the Company. The Investment Manager recently drew £4 million of the Company's available £25 million revolving credit facility in order to take advantage of the pronounced volatility and enhanced returns available in the public bond market. Subsequently, a further £1 million was drawn down.

Your board believes that the Company remains well positioned to achieve its return and dividend objectives, as set out above in the section entitled 'Dividends'.

**David Simpson**

Chairman

22 September 2022

# Investment manager's report

## Investment manager's report

We are pleased to provide commentary on the factors that have impacted our investment approach since the start of the year, looking in particular at the performance and composition of the portfolio built in accordance with the Company's investment policy.

So far 2022 has been one of the worst years on record for bond markets. In fact, financial markets ended the first half of the year with nearly all asset classes (public bonds, sovereign bonds, equities) suffering material losses. The market narrative thus far and one set to extend through the remainder of the year can best be characterised in one word – inflation. 2021 saw extraordinary demand for goods and services as countries emerged from winter lockdowns with record levels of household savings accumulated during 2020 as consumers stockpiled spending firepower. At the same time, ongoing measures to contain the spread of the Covid-19 virus had caused disruption to global supply chains which resulted in a shortage of available goods and commodities. These simultaneous supply and demand shocks created considerable upwards inflationary pressure. Additionally, the post-pandemic reaction of central banks was to allow inflation temporarily to overshoot their well-established long term target of 2% in order to boost economic growth and reduce unemployment. This confluence of factors saw 2022 begin with inflation across developed economies already at multi-year highs, albeit with a path of interest rate hikes plotted to bring this supposedly “transitory” inflation under control. However, inflation has proved more entrenched and persistent than anticipated, confirming the fears of many market participants - that central banks had fallen behind the curve (i.e. not raising interest rates at a pace fast enough to keep up with inflation). The situation was greatly exacerbated following Russia's shocking invasion of neighbouring Ukraine in February. Economic damage from the war in Ukraine has been a significant factor in the slowdown in global growth in 2022 and has greatly compounded the global inflation problem. Fuel and food prices have increased rapidly, hitting vulnerable populations in low-income countries hardest. The end result is an inflation problem far starker than previously

forecast and populations facing a cost of living crisis that has crushed consumer confidence and seen companies slash profit guidance for 2022.

Against this backdrop, central banks have been forced to embark on more aggressive paths of monetary policy normalisation despite the risk of leading economies into stagflation or recession. Market expectations of future official interest rate increases have changed substantially since the start of the year both in the magnitude and timing of the expected rate rises, with multiple increases now anticipated across major markets throughout the remainder of the year, alongside a faster run-down of asset purchase programmes. Market sentiment has become split between growth and inflation concerns, driving volatility in government bond markets as investors grapple with constantly changing forward guidance and an uncertain outlook. The combination of growth concerns and an uncertain path for monetary policy has seen both investment grade and high yield credit spreads sell off (widen) notably in the first half of the year, significantly decreasing bond valuations.

## Portfolio positioning

We entered the year with the Company's portfolio relatively defensively positioned, as credit spreads remained at levels where, in our opinion, investors were not being compensated adequately for taking on risk. Simply put, bond valuations looked expensive in the context of the prevailing economic headwinds and heightened macroeconomic uncertainty. In light of this, portfolio activity in the early part of the year saw us sell down BBB and BB bonds that offered very little spread over risk free rates. We redeployed proceeds into a handful of credit specific public opportunities as well as adding further private exposure via a senior secured term loan to the UK's leading and only full-service provider of temporary traffic lights and related products. Investor concerns over inflation had already caused credit spreads to widen notably prior to Russia's invasion of Ukraine, and the economic implications of the invasion accelerated the sell off. With bond returns beginning to look attractive again, we reduced holdings in AAA cash proxy ABS and redeployed proceeds into

# Investment manager's report

higher yielding, BBB-rated public bonds with good credit fundamentals. We were able to purchase these bonds at valuations which appeared attractive relative to historical levels. In our opinion, the most compelling risk-adjusted returns were to be found in Real Estate Investment Trusts, banking and insurance subordinated debt and hybrid bonds. Our flexibility in being able to invest across different markets and fixed income asset classes saw us add selectively in investment grade dollar credit which, given the more aggressive path of interest rate hikes signalled by the Federal Reserve, looked cheap on a relative value basis (vs sterling credit). We hedged our US rate exposure using 30 year Treasury futures, in accordance with the wider portfolio strategy of running with low interest rate sensitivity (duration). In line with the Company's core investment objective we have continued to increase the portfolio's allocation to private assets over the period. These assets are not immune to the headwinds faced by public bonds but typically provide greater stability of capital via stronger structural protections, particularly during times of market stress. Private debt can also be an important diversifier to returns available in public fixed income markets. £5.6m (c.3% of NAV) was invested into a diverse range of private opportunities during the first half of the year, including a facility for a leading provider of high end audio systems; a bilateral real estate loan for the acquisition and refurbishment of an office block in London Victoria; and the mezzanine tranche in a regulatory capital transaction backed by a diversified portfolio of UK small and medium enterprise business loans.

## Outlook

It is now clear that inflation is more embedded and broad-based than previously forecast and can no longer be considered transitory. We believe contributors such as rent and wage growth along with structural factors in the economy are supportive of persistently higher inflation for the foreseeable future. In the UK, the fastest rate of real wage destruction since 1997 has contributed to political and worker unrest, with forecasts predicting the fall in mean disposable income will be the worst for at least a century. Soaring energy prices are creating

unprecedented challenges for businesses already facing a convergence of input cost pressures, whilst simultaneously impairing household finances, affecting both sides of the supply-demand dynamic. Businesses will need to adapt to a new operating environment where margins are squeezed by higher input costs and consumer demand is lower as inflation diminishes household purchasing power.

At a global level, geopolitical developments remain central to the economic outlook given the inextricable link with the path of inflation. The economic implications of the ongoing Russia-Ukraine war are widespread, whilst tensions between China and the U.S. over Taiwan continue to escalate. The consequences of both situations should see an acceleration in the trend toward deglobalisation, which will only serve to create additional inflationary pressure. There is also a risk of EU political fragmentation on issues such as the relationship with Russia, particularly given the uneven distribution of economic vulnerability amongst member states, which could create dissent within the bloc and complicate the path of future policy.

Central banks continue to ramp up their hawkish rhetoric, with policy makers from Europe and the U.S. unequivocal in their message that fighting inflation is the primary mandate and they will do what is required to bring it under control. Uncertainty being the nemesis of markets means the lack of clarity over future monetary policy should see volatility in both sovereign and corporate bond markets continue for some time whilst seeking to achieve that goal. In the short to medium term it is difficult to foresee a return to the type of ultra-loose monetary policy that has underpinned the financial system in developed markets over the past decade or so. Undoubtedly, a prolonged period of higher all-in bond yields and wider credit spreads would be attractive for income investors, albeit selectivity and detailed credit analysis will remain key.

Although credit spreads have widened out notably since the start of the year, in our opinion the market isn't fully pricing in the toxic cocktail of restrictive financing conditions, lower corporate profitability, and an extended period of low or no growth. In the current environment we favour going up in credit quality rather

# Investment manager's report

than reaching for yield. We have been opportunistically purchasing recent public new issues which were attractively priced to secondary curves, with some issuers paying up to meet financing needs and to manage future debt profiles.

The predominantly floating rate nature of our underlying portfolio and low modified duration means the Company is well positioned for a rising interest rate environment, or one in which rates remain elevated. We expect current market conditions to provide attractive opportunities to deploy capital as we continue to be both patient and selective in our approach.

**M&G Alternatives Investment Management Limited**

22 September 2022

# Portfolio analysis

## Top 20 holdings

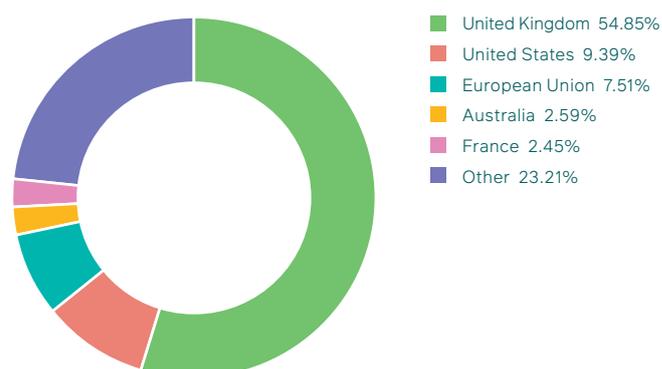
As at 30 June 2022	Percentage of portfolio of investments <sup>a</sup>
M&G European Loan Fund	11.92
Delamare Finance FRN 2.5112% 19 Feb 2029	1.73
Westbourne 2016 1 WR Senior Var. Rate 30 Sep 2023	1.69
Hall & Woodhouse Var. Rate 30 Dec 2023	1.63
Lewisham Var. Rate 12 Feb 2023	1.56
PE Fund Finance III Var. Rate 16 Dec 2022	1.51
RIN II FRN 3.3377% 10 Sep 2030	1.50
Millshaw SAMS No. 1 Var. Rate 15 Jun 2054	1.49
Hammond Var. Rate 28 Oct 2025	1.41
Atlas 2020 1 Trust Var. Rate 30 Sep 2050	1.38
Finance for Residential Social Housing 8.569% 4 Oct 2058	1.38
Income Contingent Student Loans 1 2002-2006 FRN 2.76% 24 Jul 2056	1.36
Regenter Myatt Field North Var. Rate 31 Mar 2036	1.35
Signet Excipients Var. Rate 20 Oct 2025	1.32
Luminis 4.9268% 23 Sep 2025	1.21
Gongga 5.6849% 2 Aug 2025	1.20
CIFC European Funding Var. Rate 23 Nov 2034	1.20
Citibank FRN 0.01% 25 Dec 2029	1.19
Pumpkin Finance Var. Rate 15 Dec 2031	1.17
Dragon Finance FRN 1.8303% 13 Jul 2023	1.13
<b>Total</b>	<b>38.33</b>

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

Source: State Street.

## Geographical exposure

Percentage of portfolio of investments as at 30 June 2022



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

Source: M&G and State Street as at 30 June 2022

## Portfolio overview

As at 30 June 2022	%
<b>Public</b>	<b>40.86</b>
Asset-backed securities	19.72
Bonds	21.14
<b>Private</b>	<b>59.35</b>
Asset-backed securities	7.38
Bonds	2.11
Investment funds	11.92
Loans	23.82
Private placements	2.21
Other	11.91
<b>Derivatives</b>	<b>(0.21)</b>
Debt derivatives	0.25
Forwards	(0.46)
<b>Total</b>	<b>100.00</b>

Source: State Street.

# Portfolio analysis

## Credit rating breakdown

As at 30 June 2022	%
<b>Unrated</b>	<b>(0.21)</b>
Derivatives	(0.21)
<b>Cash and investment grade</b>	<b>74.12</b>
AAA	5.70
AA+	0.17
AA	3.54
AA-	0.97
A+	1.61
A	1.78
A-	2.69
BBB+	8.89
BBB	18.21
BBB-	21.26
M&G European Loan Fund (ELF) (see note)	9.30
<b>Sub-investment grade</b>	<b>26.09</b>
BB+	3.73
BB	4.05
BB-	3.24
B+	5.20
B	4.40
B-	1.68
CCC+	0.47
CCC-	0.45
D	0.25
M&G European Loan Fund (ELF) (see note)	2.62
<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 2022	Company description
<b>M&amp;G European Loan Fund</b> <b>11.92%</b>	Open-ended fund managed by M&G which invests in leveraged loans issued by, generally, substantial private companies located in the UK and Continental Europe. The fund's objective is to create attractive levels of current income for investors while maintaining relatively low volatility of NAV. (Private)
<b>Delamare Finance FRN 2.5112% 19 Feb 2029</b> <b>1.73%</b>	Floating-rate, senior tranche of a CMBS secured by the sale and leaseback of 33 Tesco superstores and 2 distribution centres. (Public)
<b>Westbourne 2016 1 WR Senior Var. Rate 30 Sep 2023</b> <b>1.69%</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>Hall &amp; Woodhouse Var. Rate 30 Dec 2023</b> <b>1.63%</b>	Bilateral loan to a regional UK brewer that manages a portfolio of 219 freehold and leasehold pubs. (Private)
<b>Lewisham Var. Rate 12 Feb 2023</b> <b>1.56%</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>PE Fund Finance III Var. Rate 16 Dec 2022</b> <b>1.51%</b>	Senior secured commitment providing NAV facility financing to a private equity firm investing in debt and equity special situations across Europe. (Private)
<b>RIN II FRN 3.3377% 10 Sep 2030</b> <b>1.50%</b>	Mixed CLO (AAA). Consists primarily of senior secured infrastructure finance loans managed by RREEF America L.L.C. (Public)
<b>Millshaw SAMS No. 1 Var. Rate 15 Jun 2054</b> <b>1.49%</b>	Floating-rate, single tranche of an RMBS backed by shared-appreciation mortgages. (Public)
<b>Hammond Var. Rate 28 Oct 2025</b> <b>1.41%</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>Atlas 2020 1 Trust Var. Rate 30 Sep 2050</b> <b>1.38%</b>	Floating-rate, senior tranche of a bilateral RMBS transaction backed by a pool of Australian equity release mortgages. (Private)
<b>Finance for Residential Social Housing 8.569%</b> <b>4 Oct 2058</b> <b>1.38%</b>	High grade (AA/Aa3), fixed-rate bond backed by cash flows from housing association loans. (Public)
<b>Income Contingent Student Loans 1 2002-2006</b> <b>FRN 2.76% 24 Jul 2056</b> <b>1.36%</b>	Floating-rate, mezzanine tranche of a portfolio comprising of income-contingent repayment student loans originally advanced by the UK Secretary of State for Education. (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>Signet Excipients Var. Rate 20 Oct 2025</b> <b>1.32%</b>	Fixed-rate loan secured against 2 large commercial premises in London, currently leased to 2 FTSE listed UK corporations. (Public)
<b>Luminis 4.9268% 23 Sep 2025</b> <b>1.21%</b>	Floating-rate, mezzanine tranche of a regulatory capital transaction backed by a portfolio of predominantly revolving facilities extended to blue chip corporates in the Americas and EMEA. (Private)

# Portfolio analysis

Top 20 holdings % as at 30 June 2022	Company description
<b>Gongga 5.6849% 2 Aug 2025</b> <b>1.20%</b>	Structured Credit trade by Standard Chartered referencing a US\$2bn portfolio of loans to companies domiciled in 36 countries. (Private)
<b>CIFC European Funding Var. Rate 23 Nov 2034</b> <b>1.20%</b>	Mixed CLO (AAA) backed by a portfolio of senior loan obligations, mezzanine loan obligations and high yield bonds managed by CIFC Asset Management Europe Ltd. (Public)
<b>Citibank FRN 0.01% 25 Dec 2029</b> <b>1.19%</b>	Floating-rate, mezzanine tranche of a regulatory capital transaction backed by a portfolio of loans to large global corporates, predominantly in North America. (Private)
<b>Pumpkin Finance Var. Rate 15 Dec 2031</b> <b>1.17%</b>	Senior secured, floating rate facility granted within the context of the UK Government's CBILS scheme to support UK small businesses through the COVID pandemic. (Private)
<b>Dragon Finance FRN 1.8303% 13 Jul 2023</b> <b>1.13%</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)

# 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 7 to 11.

## 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;
- Sustainability risk; and
- Russia-Ukraine risk.

These are consistent with the principal risks described in more detail in the Company's Annual Report and Financial Statements for the year ended 31 December 2021, which can be found in the Strategic Report on pages 18 to 24 and in note 13 on pages 97 to 101 and which are available on the website at: [www.mandg.co.uk/creditincomeinvestmenttrust](http://www.mandg.co.uk/creditincomeinvestmenttrust)

Since the writing of the Annual Report and Financial Statements, the geo-political and macro-economic environment has been impacted by commodity price inflation in Europe, influenced by tactical constraints in flows of natural gas from Russia. The key mitigants and controls remain in place for 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.

In assessing the going concern basis of accounting, the Directors have also considered the Russian invasion of Ukraine 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.

## 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 £16,101,058 and represented 11.92% of the Company's investment portfolio.

# Interim management report and statement of directors' responsibilities

The Directors of the Company are related parties. The Chairman receives an annual fee of £43,000, the Chairman of the Audit Committee receives an annual fee of £37,500 and each non-executive Director receives an annual fee of £32,250.

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 2022 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 2022 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 22 September 2022 and the above responsibility statement was signed on its behalf by:

**David Simpson**  
Chairman

22 September 2022

# Condensed financial statements (unaudited)

## Condensed income statement

	Note	Six months ended 30 June 2022 (unaudited)			Six months ended 30 June 2021 (unaudited)			Year ended 31 December 2021 (audited)		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Net (losses)/gains on investments	7	–	(5,875)	(5,875)	–	541	541	–	(545)	(545)
Net (losses)/gains on derivatives	7	–	(1,164)	(1,164)	–	2,428	2,428	–	2,837	2,837
Net currency gains/(losses)		216	(278)	(62)	(36)	(140)	(176)	(51)	(145)	(196)
Income	3	3,174	–	3,174	2,735	–	2,735	5,565	–	5,565
Investment management fee		(487)	–	(487)	(451)	–	(451)	(965)	–	(965)
Other expenses		(351)	–	(351)	(254)	–	(254)	(548)	–	(548)
<b>Net return on ordinary activities before finance costs and taxation</b>		<b>2,552</b>	<b>(7,317)</b>	<b>(4,765)</b>	<b>1,994</b>	<b>2,829</b>	<b>4,823</b>	<b>4,001</b>	<b>2,147</b>	<b>6,148</b>
Finance costs	5	(57)	–	(57)	(61)	–	(61)	(122)	–	(122)
<b>Net return on ordinary activities before taxation</b>		<b>2,495</b>	<b>(7,317)</b>	<b>(4,822)</b>	<b>1,933</b>	<b>2,829</b>	<b>4,762</b>	<b>3,879</b>	<b>2,147</b>	<b>6,026</b>
Taxation on ordinary activities		–	–	–	–	–	–	–	–	–
<b>Net return attributable to Ordinary Shareholders after taxation</b>		<b>2,495</b>	<b>(7,317)</b>	<b>(4,822)</b>	<b>1,933</b>	<b>2,829</b>	<b>4,762</b>	<b>3,879</b>	<b>2,147</b>	<b>6,026</b>
<b>Net return per Ordinary Share (basic and diluted)</b>	<b>2</b>	<b>1.77p</b>	<b>(5.19)p</b>	<b>(3.42)p</b>	<b>1.34p</b>	<b>1.96p</b>	<b>3.30p</b>	<b>2.70p</b>	<b>1.49p</b>	<b>4.19p</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 22 to 30 form an integral part of these condensed financial statements.

# Condensed financial statements (unaudited)

## Condensed statement of financial position

	Note	As at 30 June 2022 (unaudited)		As at 30 June 2021 (unaudited)		As at 31 December 2021 (audited)	
		£'000	£'000	£'000	£'000	£'000	£'000
<b>Non-current assets</b>							
Investments at fair value through profit or loss	7		135,398		139,439		139,501
<b>Current assets</b>							
Derivative financial assets held at fair value through profit or loss	7		–		–		631
Receivables	8	1,534		1,798		1,241	
Cash and cash equivalents	8	4,221		6,944		3,473	
		<b>5,755</b>		<b>8,742</b>		<b>5,345</b>	
<b>Current liabilities</b>							
Derivative financial liabilities held at fair value through profit or loss	7	(293)		(408)		–	
Payables	8	(4,181)		(1,476)		(1,087)	
		<b>(4,474)</b>		<b>(1,884)</b>		<b>(1,087)</b>	
<b>Net current assets</b>			<b>1,281</b>		<b>6,858</b>		<b>4,258</b>
<b>Net assets</b>			<b>136,679</b>		<b>146,297</b>		<b>143,759</b>
<b>Capital and reserves</b>							
Called up share capital	9		1,447		1,447		1,447
Share premium			42,257		42,217		42,217
Special distributable reserve			97,027		97,296		95,670
Capital reserve	9		(5,473)		4,313		3,473
Revenue reserve			1,421		1,024		952
<b>Total shareholders' funds</b>			<b>136,679</b>		<b>146,297</b>		<b>143,759</b>
<b>Net Asset Value per Ordinary Share (basic and diluted)</b>	<b>2</b>		<b>95.49p</b>		<b>102.04p</b>		<b>101.44p</b>

The notes on pages 22 to 30 form an integral part of these condensed financial statements.

Approved and authorised for issue by the Board of Directors on 22 September 2022 and signed on its behalf by:

**David Simpson**

Chairman

Company registration number: 11469317

22 September 2022

# Condensed financial statements (unaudited)

## Condensed statement of changes in equity

Six months ended 30 June 2022 (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 2021</b>	<b>1,447</b>	<b>42,217</b>	<b>95,670</b>	<b>3,473</b>	<b>952</b>	<b>143,759</b>
Ordinary Shares issued from treasury	–	40	2,681	–	–	2,721
Purchase of Ordinary Shares to be held in treasury	–	–	(1,324)	–	–	(1,324)
Net return attributable to shareholders	–	–	–	(7,317)	2,495	(4,822)
Dividends paid	6	–	–	(1,629)	(2,026)	(3,655)
<b>Balance at 30 June 2022</b>	<b>1,447</b>	<b>42,257</b>	<b>97,027</b>	<b>(5,473)</b>	<b>1,421</b>	<b>136,679</b>

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>

Year ended 31 December 2021 (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 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	–	–	(2,829)	–	–	(2,829)
Net return attributable to shareholders	–	–	–	2,147	3,879	6,026
Dividends paid	6	–	–	(2,023)	(4,043)	(6,066)
<b>Balance at 31 December 2021</b>	<b>1,447</b>	<b>42,217</b>	<b>95,670</b>	<b>3,473</b>	<b>952</b>	<b>143,759</b>

The notes on pages 22 to 30 form an integral part of these condensed financial statements.

# Condensed financial statements (unaudited)

## Condensed cash flow statement

	Note	Six months ended 30 June 2022 (unaudited) £'000	Six months ended 30 June 2021 (unaudited) £'000	Year ended 31 December 2021 (audited) £'000
<b>Cash flows from operating activities</b>				
Net (loss)/profit before finance costs and taxation		(4,765)	4,823	6,148
<b>Adjustments for:</b>				
Net losses/(gains) on investments	7	5,875	(541)	545
Net losses/(gains) on derivatives	7	1,164	(2,428)	(2,837)
(Increase)/decrease in receivables		(293)	133	104
Increase/(decrease) in payables		517	(165)	130
Purchases of investments <sup>a</sup>	7	(21,608)	(19,439)	(42,088)
Sales of investments <sup>a</sup>	7	22,173	22,437	43,210
<b>Net cash inflow/(outflow) from operating activities</b>		<b>3,063</b>	<b>4,820</b>	<b>5,212</b>
<b>Financing activities</b>				
Finance costs	5	(57)	(61)	(122)
Ordinary Shares issued from treasury		2,721	-	-
Purchase of Ordinary Shares to be held in treasury		(1,324)	(1,203)	(2,829)
Dividend paid	6	(3,655)	(3,890)	(6,066)
<b>Net cash (outflow)/inflow from financing activities</b>		<b>(2,315)</b>	<b>(5,154)</b>	<b>(9,017)</b>
<b>Increase/(decrease) in cash and cash equivalents</b>		<b>748</b>	<b>(334)</b>	<b>(3,805)</b>
Cash and cash equivalents at the start of the period/year		3,473	7,278	7,278
Increase/(decrease) in cash and cash equivalents as above		748	(334)	(3,805)
<b>Cash and cash equivalents at the end of the period/year</b>	<b>8</b>	<b>4,221</b>	<b>6,944</b>	<b>3,473</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 22 to 30 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 July 2022 '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 2021.

In the current period the Company has started reissuing shares held in Treasury. Where Ordinary Shares held in Treasury shares are subsequently reissued, the sales proceeds up to the purchase price of the shares will be transferred to the special distributable reserve or capital reserve and the excess of the sales proceeds over the purchase price will be transferred to the share premium.

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 2022	Six months ended 30 June 2021	Year ended 31 December 2021
<b>Revenue return</b>			
Revenue return attributable to Ordinary Shareholders (£'000)	2,495	1,933	3,879
Weighted average number of shares in issue during the period/year	141,027,443	144,490,744	143,757,774
Revenue return per Ordinary Share (basic and diluted)	1.77p	1.34p	2.70p
<b>Capital return</b>			
Capital return attributable to Ordinary Shareholders (£'000)	(7,317)	2,829	2,147
Weighted average number of shares in issue during the period/year	141,027,443	144,490,744	143,757,774
Capital return per Ordinary Share (basic and diluted)	(5.19)p	1.96p	1.49p
<b>Net return</b>			
Net return per Ordinary Share (basic and diluted)	(3.42)p	3.30p	4.19p
<b>NAV per Ordinary Share</b>			
Net assets attributable to Ordinary Shareholders (£'000)	136,679	146,297	143,759
Number of shares in issue at period/year end	143,138,022	143,367,771	141,723,022
NAV per Ordinary Share	95.49p	102.04p	101.44p

# Condensed financial statements (unaudited)

## Notes to the condensed financial statements (continued)

### 3 Income

	Six months ended 30 June 2022 £'000	Six months ended 30 June 2021 £'000	Year ended 31 December 2021 £'000
<b>Income from investments</b>			
Interest income from Debt Instruments	2,809	2,421	4,936
Distributions from investment funds	306	260	521
Management fee rebate	51	51	105
	<b>3,166</b>	<b>2,732</b>	<b>5,562</b>
<b>Other income</b>			
Interest from cash and cash equivalents	8	3	3
	<b>3,174</b>	<b>2,735</b>	<b>5,565</b>

### 4 Expenses

There were no Non-audit fees payable to the auditor as of 30 June 2022. 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 were £12,600. The agreed upon procedures did not constitute an audit engagement or a review of the Half Year Report.

### 5 Finance costs

	Six months ended 30 June 2022 £'000	Six months ended 30 June 2021 £'000	Year ended 31 December 2021 £'000
Commitment fee	37	37	75
Arrangement fees	6	6	13
Legal fees	14	18	34
	<b>57</b>	<b>61</b>	<b>122</b>

On 19 October 2020 the Company entered into a £25 million revolving credit facility agreement with State Street Bank International GmbH. On 18 October 2021 the Company renewed the credit facility on the existing terms, with the new credit facility expiring on 17 October 2022. As at 30 June 2022 no amounts were drawn down.

Subsequent to the period end on 6 July 2022, £4 million was drawn down from the revolving credit facility agreement, and a further £1 million was drawn down on 13 September 2022. Both were at a daily rate of SONIA plus a spread of 1.25%.

# Condensed financial statements (unaudited)

## Notes to the condensed financial statements (continued)

### 6 Dividends

	Six months ended 30 June 2022 £'000	Six months ended 30 June 2021 £'000	Year ended 31 December 2021 £'000
<b>Revenue</b>			
2020 fourth interim interest distribution of 0.77p	–	1,114	1,114
2021 first interim interest distribution of 0.63p	–	911	911
2021 second interim interest distribution of 0.71p	–	–	1,017
2021 third interim interest distribution of 0.70p	–	–	1,001
2021 fourth interim interest distribution of 0.67p	941	–	–
2022 first interim interest distribution of 0.77p	1,085	–	–
	<b>2,026</b>	<b>2,025</b>	<b>4,043</b>
<b>Capital</b>			
2020 fourth interim dividend of 1.18p	–	1,706	1,706
2021 first interim dividend of 0.11p	–	159	159
2021 second interim dividend of 0.05p	–	–	72
2021 third interim dividend of 0.06p	–	–	86
2021 fourth interim dividend of 1.11p	1,558	–	–
2022 first interim dividend of 0.05p	71	–	–
	<b>1,629</b>	<b>1,865</b>	<b>2,023</b>

On 26 July 2022 the Board declared a second interim dividend of 0.96p per Ordinary Share for the year ended 31 December 2022, which was paid on 26 August 2022 to Ordinary Shareholders on the register on 5 August 2022. The ex-dividend date was 4 August 2022.

In accordance with FRS 102, Section 32, 'Events After the End of the Reporting Period', the 2022 second interim dividend has not been included as a liability in this condensed 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 2022 £'000	As at 30 June 2021 £'000	As at 31 December 2021 £'000
<b>Opening valuation</b>	<b>140,132</b>	<b>140,316</b>	<b>140,316</b>
<b>Analysis of transactions made during the period/year</b>			
Purchases at cost	24,185	18,769	40,734
Sale proceeds	(22,173)	(23,023)	(43,210)
(Losses)/gains on investments	(7,039)	2,969	2,292
<b>Closing valuation</b>	<b>135,105</b>	<b>139,031</b>	<b>140,132</b>
Closing cost	141,583	138,251	139,848
Closing investment holding (losses)/gains	(6,478)	780	284
<b>Closing valuation</b>	<b>135,105</b>	<b>139,031</b>	<b>140,132</b>

The Company received £22,173,000 from investments sold in the six month period ended 30 June 2022 (six months ended 30 June 2021: £23,023,000). The book cost of these investments when they were purchased was £22,209,000 (six months ended 30 June 2021: £21,836,000). 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 2022 £'000	As at 30 June 2021 £'000	As at 31 December 2021 £'000
<b>Gains on investments</b>			
Net (losses)/gains on investments	(5,875)	541	(545)
Net (losses)/gains on derivatives	(1,164)	2,428	2,837
<b>Net (losses)/gains on investments</b>	<b>(7,039)</b>	<b>2,969</b>	<b>2,292</b>

	As at 30 June 2022 £'000	As at 30 June 2021 £'000	As at 31 December 2021 £'000
<b>Closing valuation</b>			
Investments at fair value through profit or loss	135,398	139,439	139,501
Derivative financial (liabilities)/assets held at fair value through profit or loss	(293)	(408)	631
<b>Closing valuation</b>	<b>135,105</b>	<b>139,031</b>	<b>140,132</b>

# Condensed financial statements (unaudited)

## Notes to the condensed financial statements (continued)

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

	As at 30 June 2022 £'000	As at 30 June 2021 £'000	As at 31 December 2021 £'000
<b>Receivables</b>			
Sales for future settlement	–	586	–
Accrued income	1,380	1,128	1,108
Prepaid expenses	23	33	53
Management fee rebate	131	51	80
<b>Total receivables</b>	<b>1,534</b>	<b>1,798</b>	<b>1,241</b>
<b>Cash and cash equivalents</b>			
Cash at bank	3,670	1,302	2,526
Amounts held at futures clearing houses	551	1,041	345
Cash on deposit	–	4,601	602
<b>Total cash and cash equivalents</b>	<b>4,221</b>	<b>6,944</b>	<b>3,473</b>
<b>Payables</b>			
Purchases for future settlement	2,577	684	–
Expenses payable and deferred income	344	351	314
Management fee payable	1,258	438	771
Other payables	2	3	2
<b>Total payables</b>	<b>4,181</b>	<b>1,476</b>	<b>1,087</b>

# Condensed financial statements (unaudited)

## Notes to the condensed financial statements (continued)

### 9 Called up share capital

	As at 30 June 2022		As at 30 June 2021		As at 31 December 2021	
	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	141,723,022	1,417	144,605,771	1,446	144,605,771	1,446
Ordinary Shares issued during the period/year	2,765,000	28	–	–	–	–
Purchase of Ordinary Shares held in treasury	(1,350,000)	(14)	(1,238,000)	(12)	(2,882,749)	(29)
<b>Ordinary Shares in issue at the end of the period/year</b>	<b>143,138,022</b>	<b>1,431</b>	<b>143,367,771</b>	<b>1,434</b>	<b>141,723,022</b>	<b>1,417</b>
<b>Treasury Shares (Ordinary Shares of 1p)</b>						
Treasury Shares at the beginning of the period/year	3,022,749	30	140,000	1	140,000	1
Ordinary Shares issued from treasury during the period/year	(2,765,000)	(28)	–	–	–	–
Purchase of Ordinary Shares held in treasury	1,350,000	14	1,238,000	12	2,882,749	29
<b>Treasury Shares at the end of the period/year</b>	<b>1,607,749</b>	<b>16</b>	<b>1,378,000</b>	<b>13</b>	<b>3,022,749</b>	<b>30</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 2022			Six months ended 30 June 2021			Year ended 31 December 2021		
	Realised capital reserve £'000	Investment holding (losses) £'000	Total capital reserve £'000	Realised capital reserve £'000	Investment holding (losses) £'000	Total capital reserve £'000	Realised capital reserve £'000	Investment holding (losses) £'000	Total capital reserve £'000
Capital reserve at the beginning of the period/year	3,189	284	3,473	1,290	2,059	3,349	1,290	2,059	3,349
(Losses)/gains on realisation of investments at fair value	(277)	–	(277)	4,248	–	4,248	4,067	–	4,067
Realised currency losses during the period/year	(278)	–	(278)	(140)	–	(140)	(145)	–	(145)
Movement in unrealised losses	–	(6,762)	(6,762)	–	(1,279)	(1,279)	–	(1,775)	(1,775)
Dividends paid	(1,629)	–	(1,629)	(1,865)	–	(1,865)	(2,023)	–	(2,023)
<b>Capital reserve at the end of the period/year</b>	<b>1,005</b>	<b>(6,478)</b>	<b>(5,473)</b>	<b>3,533</b>	<b>780</b>	<b>4,313</b>	<b>3,189</b>	<b>284</b>	<b>3,473</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', 2022.

# Condensed financial statements (unaudited)

## Notes to the condensed financial statements (continued)

### 10 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 £16,101,058 (30 June 2021: £17,458,741) and represented 11.92% (30 June 2021: 12.16%) 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 16.

### 11 Fair value hierarchy

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

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

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

	As at 30 June 2022				As at 30 June 2021				As at 31 December 2021			
	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	-	47,723	71,574	119,297	-	60,039	61,941	121,980	-	54,382	67,599	121,981
Investment in funds	-	16,101	-	16,101	-	17,459	-	17,459	-	17,520	-	17,520
Derivatives	338	65	-	403	-	151	-	151	-	667	-	667
<b>Financial liabilities at FVTPL</b>												
Derivatives	-	(696)	-	(696)	(238)	(321)	-	(559)	(36)	-	-	(36)
<b>Net fair value</b>	<b>338</b>	<b>63,193</b>	<b>71,574</b>	<b>135,105</b>	<b>(238)</b>	<b>77,328</b>	<b>61,941</b>	<b>139,031</b>	<b>(36)</b>	<b>72,569</b>	<b>67,599</b>	<b>140,132</b>

# Condensed financial statements (unaudited)

## Notes to the condensed financial statements (continued)

### Valuation techniques for Level 3

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

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

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

### 12 Capital commitments

There were outstanding unfunded investment commitments of £2,812,000 (30 June 2021: £4,821,000) at the period/year end.

	As at 30 June 2022 £'000	As at 30 June 2021 £'000	As at 31 December 2021 £'000
Bayswater RD Mercury Var. Rate 31 May 2024	1,293	2,235	1,862
Project Grey Var. Rate 30 Apr 2025 (Senior)	642	-	-
Project Grey Var. Rate 30 Apr 2025 (Junior)	371	-	-
Intu (SGS) Finco Limited Var. Rate 31 Mar 2024	229	-	229
Bayswater RD Mercury Var. Rate 1 May 2024	137	201	173
Kaveh Ventures LLC Var. Rate 22 Mar 2024	82	323	163
Jamshid Ventures Var. Rate 23 Jul 2023	58	328	125
Lewisham Var. Rate 12 Feb 2023	-	519	-
Greensky Var. Rate 11 Dec 2023	-	476	-
Harmony Warehouse No 2 Var. Rate 31 Dec 2026	-	301	-
Sonovate Var. Rate 12 Apr 2022	-	280	-
Valentine Senior Var. Rate 7 Mar 2022	-	133	133
Alchemy Copyrights Var. Rate 16 Dec 2022	-	-	109
Bread Holdings Var. Rate 1 Sep 2028	-	-	72
Gate 1 Var. Rate 4 Jun 2022 (Junior)	-	21	-
Gate 1 Var. Rate 4 Jun 2022 (Senior)	-	4	-
	<b>2,812</b>	<b>4,821</b>	<b>2,866</b>

# Condensed financial statements (unaudited)

## Notes to the condensed financial statements (continued)

### 13 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 2022 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 2021 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)  
Barbara Powley  
Jane Routledge

## AIFM and Investment Manager

M&G Alternatives Investment Management Limited  
(MAGAIM)<sup>a</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>a</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>a</sup>  
The Atrium, Cannon Bridge House,  
25 Dowgate Hill, London EC4R 2GA

## Solicitors

Herbert Smith Freehills LLP<sup>a</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>a</sup>  
20 Churchill Place, London E14 5HJ

## Custodian

State Street Bank and Trust Company<sup>a</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>a</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 2022 £'000	Year ended 31 December 2021 £'000
<b>Ongoing charges are calculated with reference to the following figures:</b>		
Investment management fee	487	965
Other expenses <sup>a</sup>	338	623
<b>Total expenses for the period/year</b>	<b>825</b>	<b>1,588</b>
Annualised expenses	1,663	1,605
Average net assets over the period/ year	139,049	146,173
Ongoing charges	1.20%	1.10%

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

## 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 2022	Year ended 31 December 2021
Opening share price	99.5p	92.0p
Dividend paid	2.60p	4.21p
Effect of dividend reinvested	0.03p	0.26p
Closing share price	98.0p	99.5p
Adjusted closing share price	100.63p	104.0p
Share price total return	1.1%	13.0%

# 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 2022	Year ended 31 December 2021
Opening NAV per share	101.44p	101.40p
Dividend paid	2.60p	4.21p
Effect of dividend reinvested	(0.06)p	0.06p
Closing NAV per share	95.49p	101.44p
Adjusted closing NAV per share	98.03p	105.71p
NAV total return	(3.4)%	4.3%

## Dividend yield

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

	Six months ended 30 June 2022	Year ended 31 December 2021
Dividends declared per Ordinary Share <sup>a</sup>	4.32p	4.04p
Ordinary Share price	98.0p	99.5p
Dividend yield	4.4%	4.1%

<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.

**ABS (Asset backed security)** A security whose income payments and value are derived from and collateralised by a specified pool of underlying assets.

**Asset class** Category of assets, such as cash, company shares, fixed income securities and their sub-categories, as well as tangible assets such as real estate.

**Association of Investment Companies (AIC)** The UK trade body that represents investment managers. It works with investment managers, liaising with government on matters of taxation and regulation, and also aims to help investors understand the industry and the investment options available to them.

**Basis points (bps)** A common unit of measure for interest rates and other percentages in finance. One basis point is equal to 1/100th of 1%, or 0.01%, or 0.0001, and is used to denote the percentage change in a financial instrument.

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

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

**Capital** Refers to the financial assets, or resources, that a company has to fund its business operations.

**Capitalisation** The total market value of all of a company's outstanding shares.

**CTA** Corporation Tax Act.

**CLO (Collateralised loan obligation)** Actively managed investment vehicle which issues rated tranches of debt from AAA-B and an unrated equity tranche. Underlying assets are predominantly made up of leveraged loans and high yield bonds.

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

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

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

**Consumer Prices Index (CPI)** An index used to measure inflation, which is the rate of change in prices for a basket of goods and services. The contents of the basket are meant to be representative of products and services we typically spend our money on.

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

**Corporate bonds** Fixed income securities issued by a company. They are also known as bonds and can offer higher interest payments than bonds issued by governments as they are often considered more risky.

**Credit** The borrowing capacity of an individual, company or government. More narrowly, the term is often used as a synonym for fixed income securities issued by companies.

**Credit default swaps (CDS)** Are a type of derivative, namely financial instruments whose value, and price, are dependent on one or more underlying assets. CDS are insurance-like contracts that allow investors to transfer the risk of a fixed income security defaulting to another investor.

**Credit rating** An independent assessment of a borrower's ability to repay its debts. A high rating indicates that the credit rating agency considers the issuer to be at low risk of default; likewise, a low rating indicates high risk of default. Standard & Poor's, Fitch and Moody's are the three most prominent credit rating agencies. Default means that a company or government is unable to meet interest payments or repay the initial investment amount at the end of a security's life.

**Credit spread** The difference between the yield of a corporate bond, a fixed income security issued by a company, and a government bond of the same life span. Yield refers to the income received from an investment and is expressed as a percentage of the investment's current market value.

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

## Glossary

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

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

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

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

**ECB (European Central Bank)** Central bank of the 19 European Union countries which have adopted the euro.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**IRR** Internal Rate of Return.

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

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

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

## Glossary

**LIBOR** The three-month GBP London Interbank Borrowing Rate is the rate at which banks borrow money from each other (in UK pounds) for a three-month period.

**Liquidity** A company is considered highly liquid if it has plenty of cash at its disposal. A company's shares are considered highly liquid if they can be easily bought or sold since large amounts are regularly traded.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**REIT (real estate investment trust)** A REIT is a company that owns, operates or finances income-producing real estate.

**Retail Prices Index (RPI)** A UK inflation index that measures the rate of change of prices for a basket of goods and services in the UK, including mortgage payments and council tax.

## Glossary

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

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

**Securitise/securitisation** The creation and issuance of tradeable securities, such as bonds, that are backed by the income generated by an illiquid asset or group of assets. By pooling a collection of illiquid assets, such as mortgages, securities backed by the mortgages' income payments can be packaged and sold to a wider range of investors.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

