Seeking high-quality income to help protect against inflation

M&G Credit Income Investment Trust

M&G fixed income
April 2022

- Many investors are seeking alternatives to traditional bond funds to help protect their portfolios against rising interest rates and inflation.
- The M&G Credit Income Investment Trust aims to deliver an annual dividend of 4% above cash, which rises or falls in line with interest rates, from an investment grade-quality portfolio of both public and private debt.
- This is made possible by M&G's position as one of the UK and Europe's largest investors in private debt, built on decades of experience and supported by one of the region's largest in-house credit research teams. This gives us access to private lending deals that are unavailable to individual investors and other large institutions.

The value of investments will fluctuate, which will cause prices to fall as well as rise. There is no guarantee the trust will achieve its objective, and you may not get back the original amount you invested. The views expressed in this document should not be taken as a recommendation, advice or forecast. Past performance is not a guide to future performance.

M&G Credit Income Investment Trust

Annual dividend target of **4% above cash*** that rises or falls in line with interest rates

Underlying investments offer protection by paying **variable interest rates**

Potential stable income from private debt, which we typically **hold to maturity**

High-quality debt, with over 70% of the portfolio considered investment grade

Vast M&G experience. We are **Europe's 3rd largest private debt fundraiser** with one of the region's largest in-house credit research teams, comprising **136 analysts**

** The interest rate available on cash, as measured by the Bank of England Sterling Overnight Index Average (SONIA)*

Investors seek protection against rising interest rates and inflation

A core part of many investment portfolios is the traditional bond fund, which typically invests in high-quality (investment grade) bonds issued by governments and corporations. However, these types of investment do not usually cope well with rising interest rates and inflation.

When interest rates rise, a bond that pays investors a fixed regular amount is likely to fall in price, as investors typically sell these bonds to obtain higher income elsewhere.

Meanwhile, the income currently received from investment grade government and corporate bonds is well below inflation, which means investors' incomes are falling in real terms.

Many investments that provide higher income to protect against inflation can increase portfolio risks. These include higher credit risks, which mean there is a greater chance of underlying investments defaulting, and higher volatility, which means an investment's value fluctuates more over the short term. Common inflation hedges that possess these attributes include company shares (equities), real estate and high yield corporate bonds.

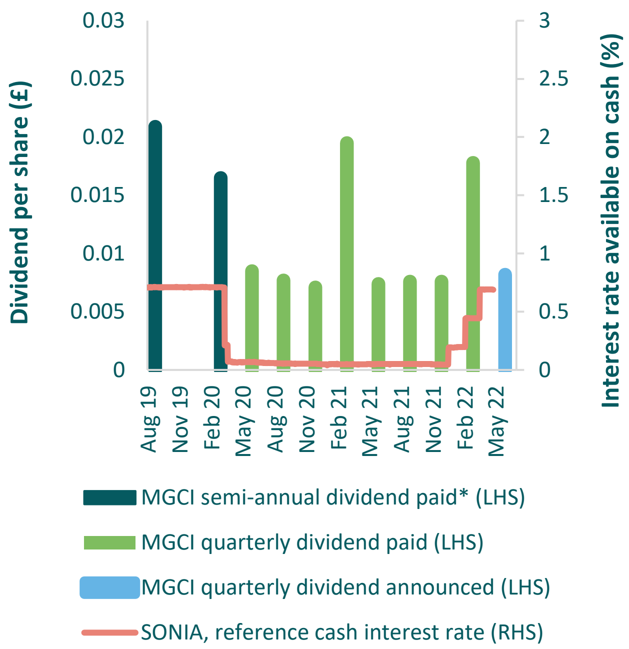
An alternative potential solution is to invest in a broader range of investment grade-quality physical credit instruments. This can involve investing in privately held companies and specialised areas of public debt markets.

The potential advantage for investors that these assets can offer higher income than traditional government and corporate bonds, without increasing those aforementioned risks. However, constructing a diversified portfolio of this type is only possible for a limited number of investment managers that have the scale, networks, experience and expertise to do so.

The M&G Credit Income Investment Trust

The M&G Credit Income Investment Trust is designed for investors who want to increase their income without exposing their portfolios to more volatile assets. Our dividend income target of 4% above cash interest rates is significantly higher than would be available from a portfolio based purely on investment grade core government and corporate bonds. This target will also rise in line with any potential future interest rates based on the Bank of England's SONIA reference rate.

Quarterly income above cash interest rates*



Past performance is not a guide to future performance.

Source: M&G, Bank of England, as at 31 March 2022.

** As set out at the Initial Public Offering (IPO), during the initial investment period to 31 December 2019, the trust operated a temporary, semi-annual dividend target of 2.5%pa above cash rates, with a long-term quarterly dividend target of 4%pa above cash rates thereafter.*

Flexible strategy

We manage the portfolio using a highly flexible investment mandate, which allows us to invest in whichever areas of public and private debt markets we feel offer the best potential value for investors at that particular moment. If potential returns on public government and corporate bonds increase, it is likely that the portfolio manager would increase the trust's allocation to these assets in favour of private debt, and vice-versa.

Expertise

Our position as one of the UK and Europe's leading private debt investors gives us access to deals that are unavailable to individual investors and other large institutions. This is because we are a lender of choice for many private institutions looking to raise capital, thanks to our decades of experience, having invested in these markets since 1997; our extensive resources, with 136 in-house credit research analysts; and our deep expertise, which allows us to negotiate directly with borrowers and helps us to invest only in deals that we believe provide the right balance of potential risks and rewards for our investors.

Investment trust structure

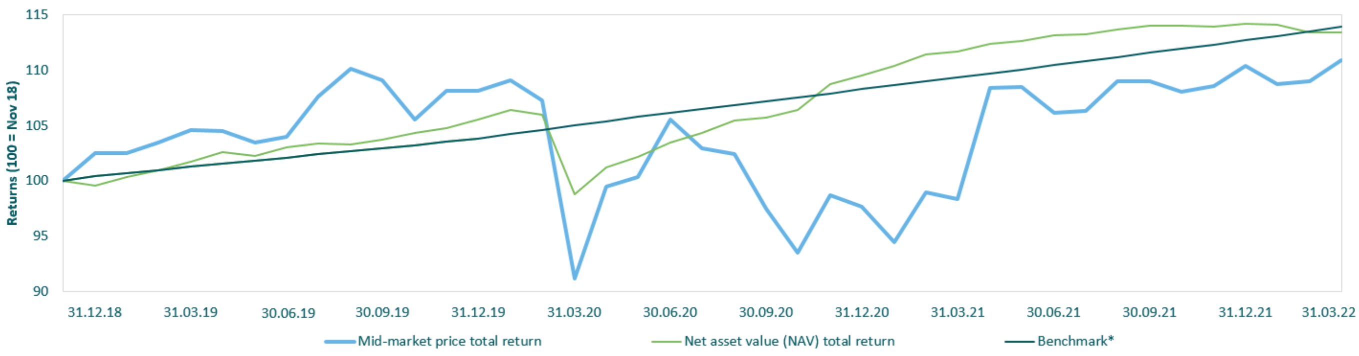
By using a closed-ended investment trust structure, we can construct a portfolio that includes private debt instruments (including loans and bonds) with a view to holding many of these assets until they mature – in other words, the loan or bond principal is fully repaid, along with all due interest payments. This contrasts with open-ended funds, which are not suitable for private debt, as this type of structure forces an investment manager to buy and sell assets on the open market on a daily basis – even if they otherwise would not have done – in order to manage client money flowing in and out of the fund.

In an investment trust, individual investors still have liquidity – in other words, access to their capital – because the trust's shares are listed on the secondary public market. The M&G Credit Income Investment Trust's shares are listed on the main market of the London Stock Exchange, which means they can buy shares from or sell shares to other investors at any time

This buying and selling of shares on the secondary market does not affect the underlying investments in the trust or the way in which we manage the portfolio, while allowing individual investors to increase or decrease the amount they have invested in the trust at any given moment to suit their own circumstances.

Adam English
Portfolio Manager
M&G Credit Income Investment Trust
April 2022

Performance since inception



NAV total return (%, p.a.)**	1 month	3 months	6 months	YTD	1 year	2 years	3 years	Since Inception***
M&G Credit Income Investment Trust (MGCI)	-0.01%	-0.70%	-0.57%	-0.70%	1.48%	7.11%	3.68%	3.79%
Benchmark*	0.38%	1.07%	2.11%	1.07%	4.18%	4.16%	4.00%	3.93%

Calendar year NAV total return (%, p.a.)**	2021	2020	2019	2018	2017
M&G Credit Income Investment Trust (MGCI)	4.25%	3.75%	6.04%	N/A	N/A
Benchmark*	4.09%	4.32%	3.34%	N/A	N/A

Past performance is not a guide to future performance.

Source: M&G, 31 March 2022. * 3 Month Libor +2.5% from inception to 31/12/2019, 3 Month Libor + 4% from 1st January 2020 to December 2021, thereafter SONIA + 4%. **The total return calculation assumes that dividends paid to shareholders are reinvested at NAV at the time the shares are quoted ex-dividend. ***Trust inception 14 November 2018.

Glossary

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

Benchmark (Target) A benchmark, such as an index or sector, which the fund managers aim to match or exceed. The managers have freedom in choosing the securities and strategy by which they do so.

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

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. Also referred to by investors as “credit.”

Coupon The interest paid by the government or company that has raised a loan by selling bonds. It is usually a fixed amount, calculated as a percentage of the total loan and paid out at regular intervals.

Credit The borrowing capacity of an individual, company or government. The term is also used by investors as a synonym for fixed income securities issued by companies (corporate bonds) and for any type of loan given to a company.

Credit rating An assessment by a credit rating agency 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 non-payment. A low rating indicates high risk of non-payment. Standard & Poor’s, Fitch and Moody’s are the three most prominent credit rating agencies.

Credit research The process of evaluating a fixed income security (bond) in order to ascertain the ability of the borrower to meet its debt obligations. This research seeks to identify the appropriate level of risk of non-payment associated with investing in that particular bond.

Credit risk Risk that a financial obligation will not be paid and a loss will result for the lender.

Default risk Risk that a debtholder will not receive interest and full repayment of the loan when due.

Dividend A share in the profits of a company, paid out to the company's shareholders at set times of the year.

Duration risk The risk that the price of a fixed income security (bond) or bond fund will change sharply when interest rates change. The longer the duration of a bond or bond fund, the more sensitive and therefore at risk it is to changes in interest rates.

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 that of the same month a year earlier.

Initial public offering (IPO) The first sale of shares by a private company to the public.

Investment Trust Company A form of closed-ended fund traded on the public markets. The number of shares in issue is fixed and the share price fluctuates either above or below the book value of the underlying assets.

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

Net asset value (NAV) The current value of the fund's assets minus its liabilities.

Real return The return on an investment, adjusted for changes in prices in an economy (inflation).

Total return The gain or loss derived from an investment over a particular period, including income and price appreciation in that period. Income can be in the form of interest for bonds or dividend payments for shares.

Volatility The degree to which the price of a given security, fund, or index 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.

Yield to maturity (bond) The yield to maturity of a bond is an estimate of the annualised return over the life of the bond if the bond is held until maturity and assuming that all payments (interest and principal) are made as scheduled. It is the bond's internal rate of return, which is the interest rate used to discount all the cashflows of the bond so that their present values sum up to the price at which the bond currently trades in the market.

M&G Investments

www.mandg.com/investments