



# M&G Credit Income Investment Trust

May 2022

## Glossary of terms

<https://www.mandg.com/investments/private-investor/en-gb/help-centre/glossary>

# Regulatory Disclosures\*

## M&G Credit Income Investment Trust

### Risks associated with the Company

- The value of investments will fluctuate, which will cause share prices to fall as well as rise and you may not get back the original amount you invested. There is no guarantee that the Company's Investment Objective will be achieved.
- The Company may be exposed to the possibility that a debtor will not meet its repayment obligations.
- Changes in interest rates may adversely affect the market value of some of the Company's investments.
- Debt instruments may be repaid by issuers at short notice: as a result it may be difficult for the Company to reinvest capital at an attractive price or at all, which may affect it adversely.
- A variety of factors, such as market conditions, liquidity concerns or Company performance may lead to a reduction in trading volume or shares trading at a discount to their net asset value. Shareholders may also be unable to realise their investment at quoted prices or at all.

*Please note this is not an exhaustive list, please refer to the risk section in the Prospectus for further details*

- We are unable to give financial advice. If you are unsure about the suitability of your investment, speak to your financial adviser.
- The views expressed in this document should not be taken as a recommendation, advice or forecast

# Biography

## Adam English - Fund Manager



Adam joined M&G Investments in 1999 and is a fund manager for Prudential's Life and Annuity Funds and the M&G Credit Income Investment Trust. Adam manages investment grade and high yield portfolios across both public and private markets.

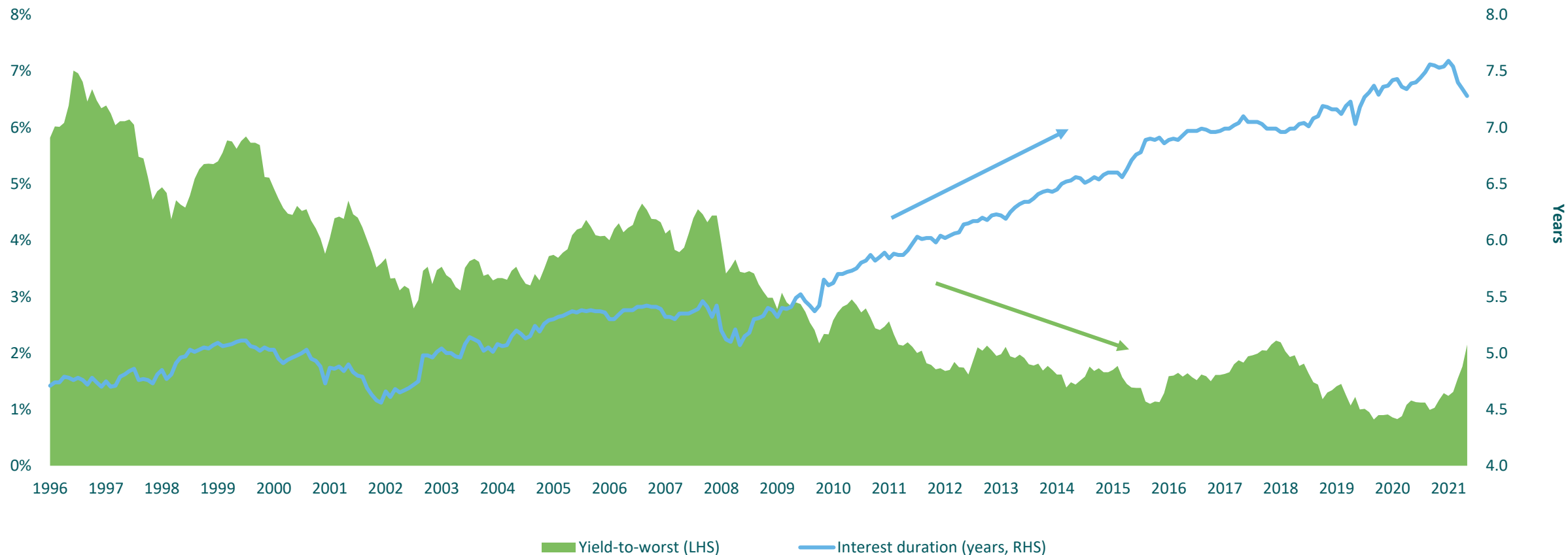
Before joining M&G, Adam worked for the United Bank of Kuwait. Whilst there, he worked within the credit and high yield departments, with representation on the bank's Credit Committee. Prior to this, he worked for Price Waterhouse, gaining membership of the Institute of Chartered Accountants in England and Wales.

Adam graduated from Christ Church College, Oxford University with a degree in Physics and is a CFA charter-holder.

# Low yield, low return world

## Low return world advocates for more active approach

Bloomberg Global Aggregate Corporate Index yield-to-worst and interest rate duration



In today's environment, we believe a highly flexible approach to fixed income investing is required

# M&G Credit Income Investment Trust

## Why now?



**Floating  
rate structure**

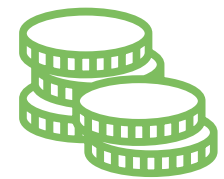
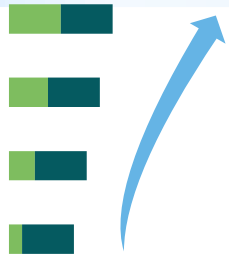
**Investment  
grade quality**

**Low NAV  
volatility**

**Diversifier to  
public credit**

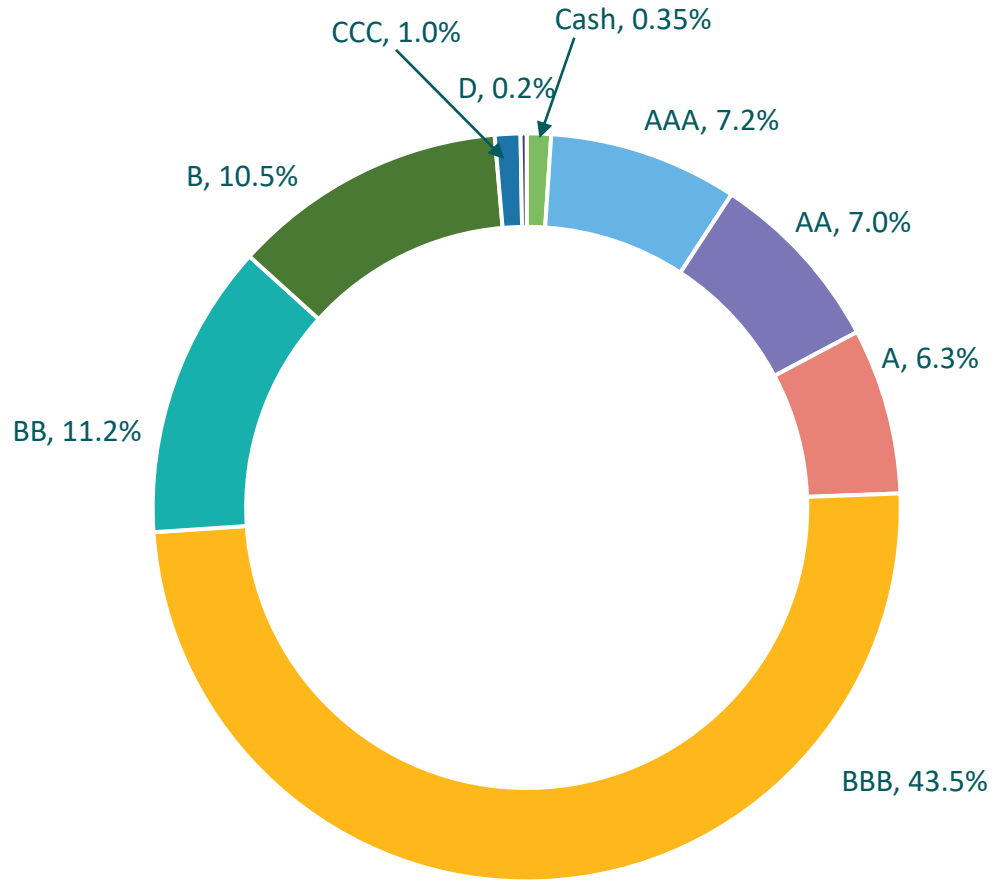
**Vast M&G  
expertise**

**Cash+ stable  
income stream**



**We aim to deliver floating rate, high yield-like returns with investment grade risk**

The UK's only fixed income investment trust with an overall investment grade rating  
 A fund comprising physical public and private assets



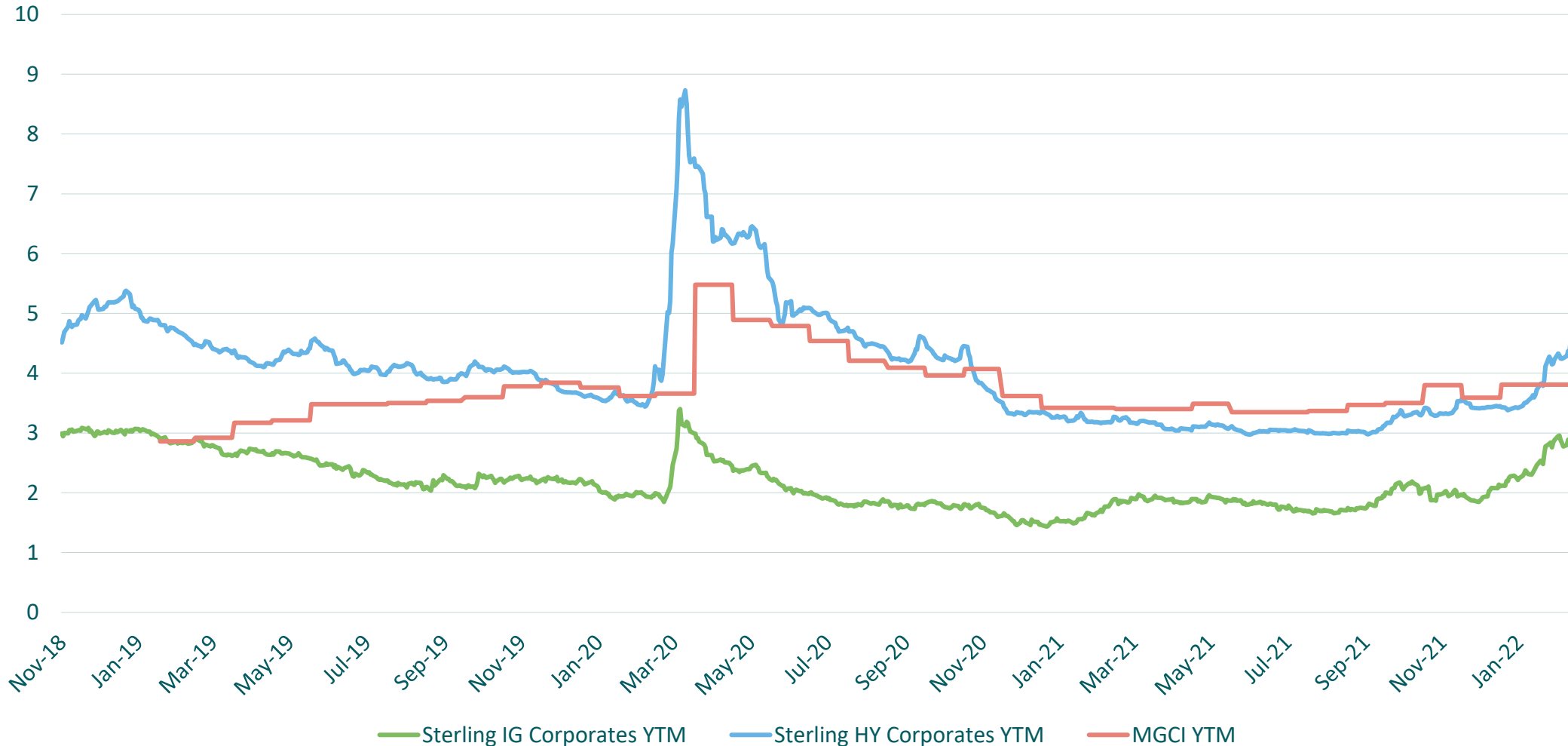
Portfolio snapshot as at 31 March 2022

Name	Value
Number of Holdings	167
Yield to maturity	4.96
Weighted average coupon	4.37
Modified duration	1.06
Spread duration	3.74
Weighted average life	4.15
Weighted average rating	BBB
*in addition, as at 31 March 2022 the company also holds 12.5% in the M&G European Leverage Loan Fund	



# Provides high-yield like returns from **investment grade** assets

## M&G Credit Income Investment Trust YTM vs fixed rate £BBBs and high yield credit

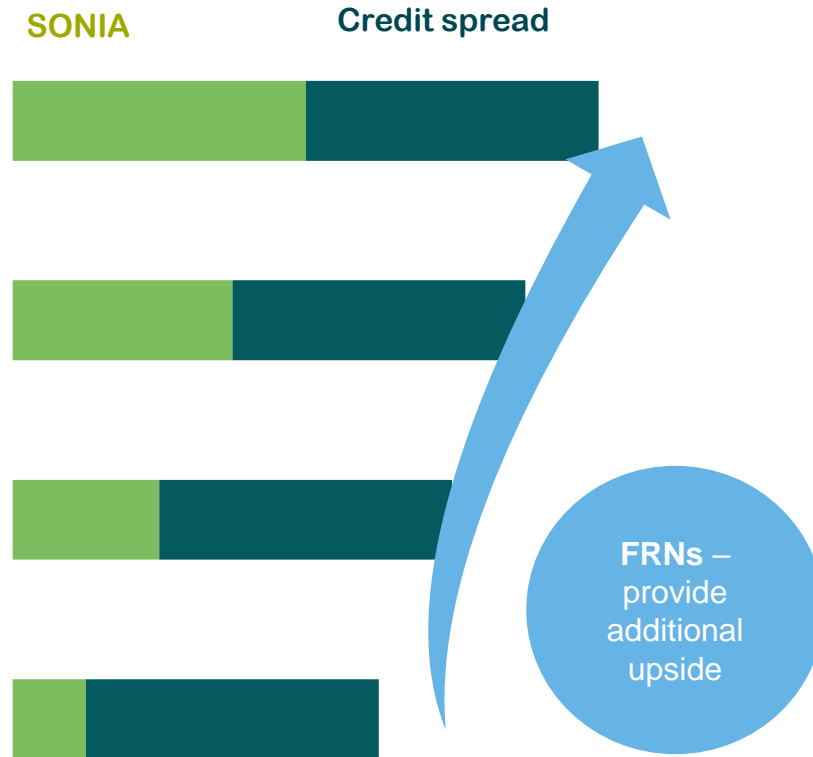


.Source: M&G, Bloomberg, 25 March 2022 YTM Yield to Maturity



# Floating rate income stream increase as interest rates rise

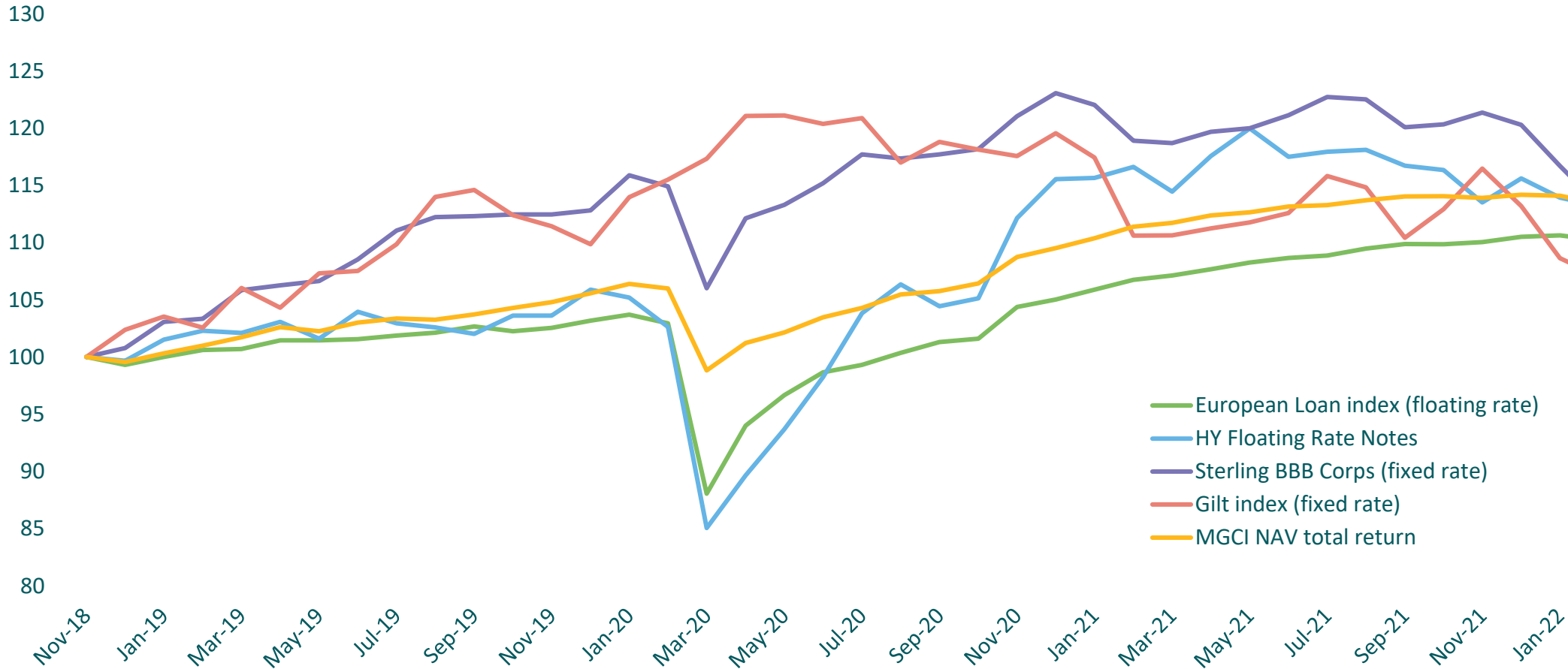
The fixed credit component therefore has limited interest rate risk



# A blend of public and private credit provides overall lower NAV volatility



A trust that focuses on stable income streams

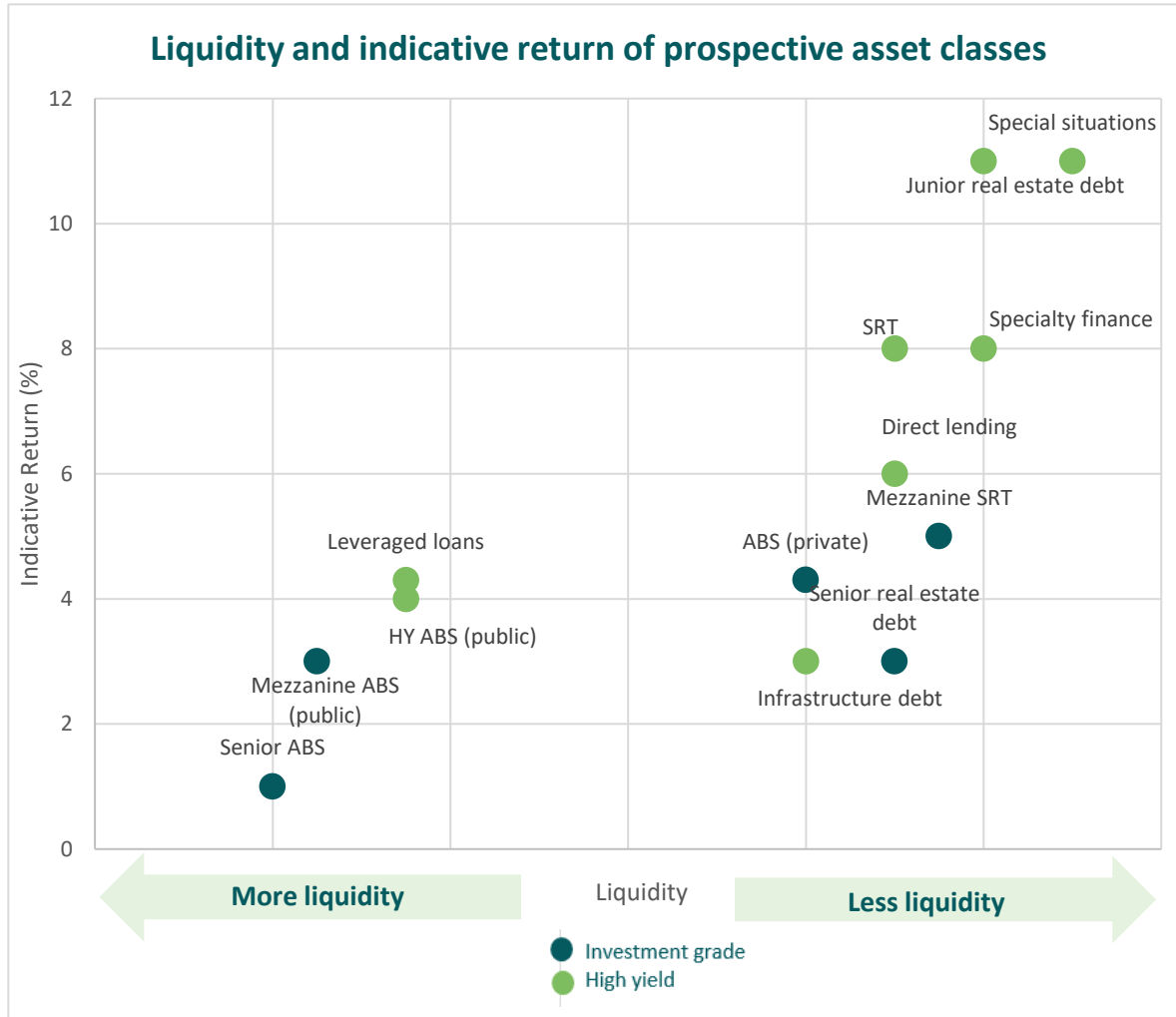


# Private debt investment opportunities provide diversification

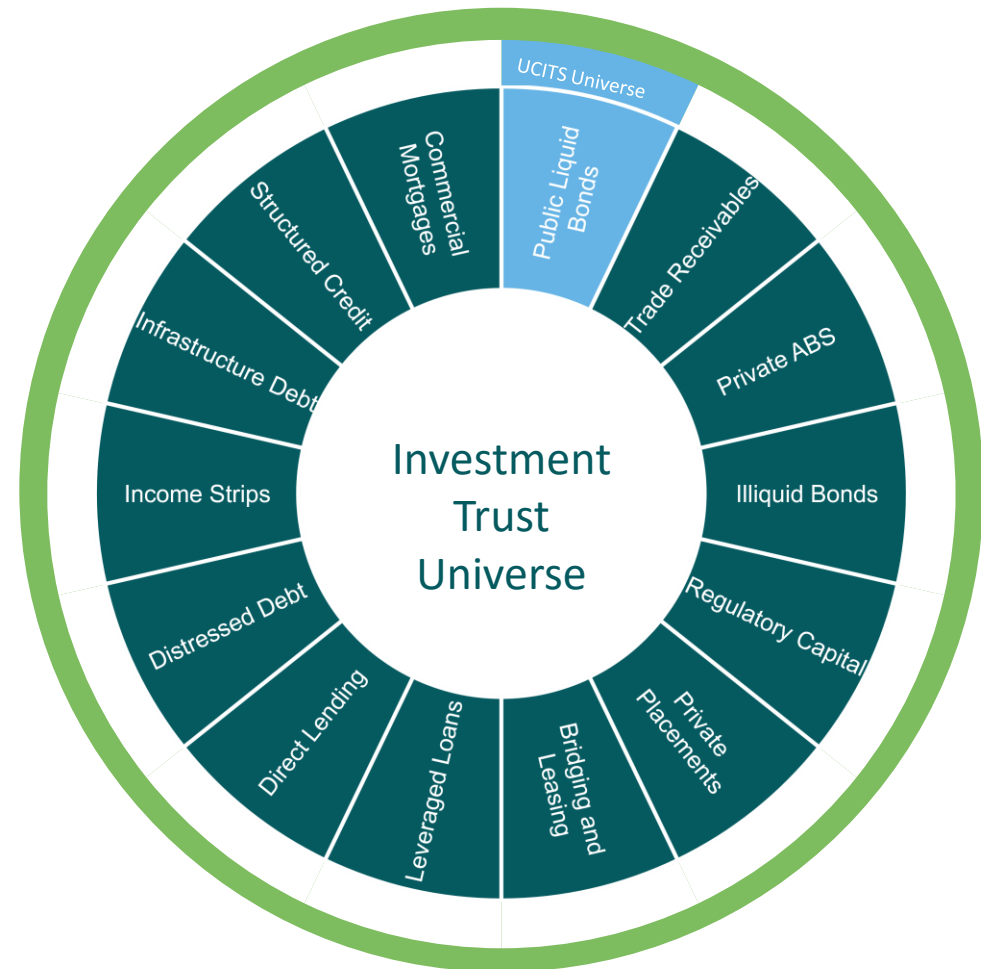
## Wide variety of assets to build portfolios



Opportunities across the private credit spectrum



The investment trust's investable universe





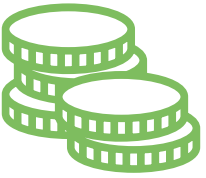
# Harnessing the vast capability of fixed income investment resources

## M&G's 295 fixed income investment professionals

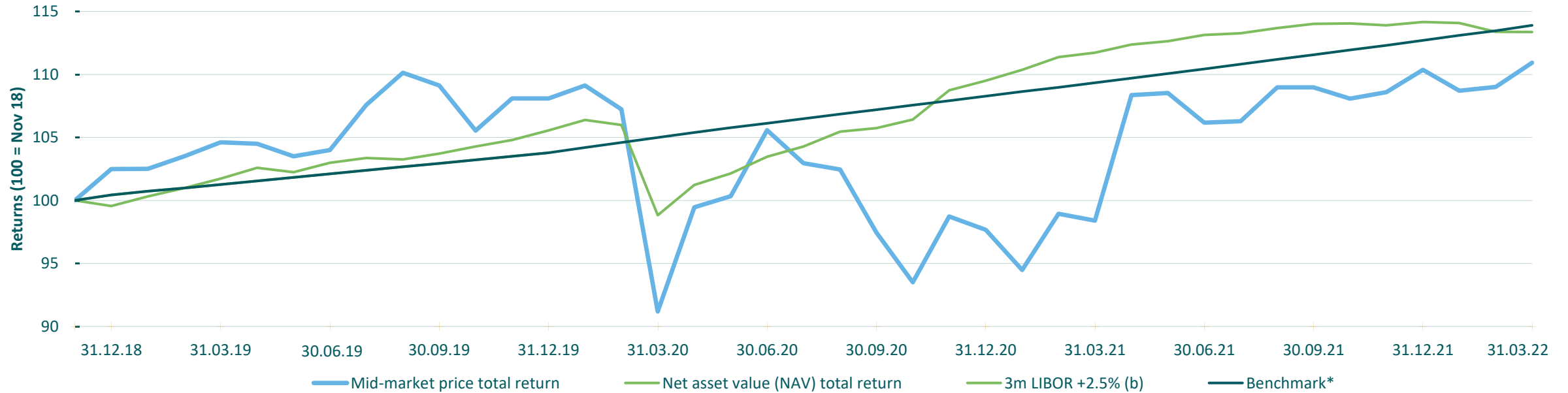
Rob Marshall Head of Research & Stewardship and Sustainability		Anthony Balestrieri Head of U.S. Office	Jim Leaviss, CIO Public Fixed Income		William Nicoll, CIO Private and Alternative Assets		
<b>Public Credit Research</b>	<b>Stewardship &amp; Sustainability</b>	<b>US Fund Management</b>	<b>Institutional Clients Fund Management</b>	<b>Wholesale Clients Fund Management</b>	<b>Private Corporate Credit</b>	<b>Catalyst</b>	<b>Data Analytics</b>
Rob Marshall +38	Michael Posnansky +14	Erica Tully Kelvin Sanchez	David Lloyd +22	Stefan Isaacs +27	Catherine Ross +62	Alex Seddon +21	Stephen Coghill +3
<b>US Public Credit Research*</b>	<b>Shared Operational Resource</b>				<b>ABS Fund Management</b>	<b>Real Estate Income</b>	<b>Real Estate Finance</b>
Afrim Ponick +6	<b>US Fixed Income Dealers</b>		<b>Fixed Income Dealers</b>		James King +10	William Nicoll & Tony Brown +12	Dan Riches & Duncan Batty +13
	Sam Fusco +3		David Walker +6		<b>Consumer Finance</b>	<b>Restructuring &amp; Debt Solutions</b>	<b>Management &amp; Strategy</b>
					Jerome Henrion +5	Andrew Amos +21	Mike Nicholson Rosie Brydon Kellie Crane

# M&G Credit Income Investment Trust (MGCI)

## Trust performance since inception



### Total return



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
M&G Credit Income Investment Trust (MGCI)	4.25%	3.75%	6.04%
Benchmark*	4.09%	4.32%	3.34%

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.

# Key fund information

## M&G Credit Income Investment Trust



✓ **Floating rate structure to minimise interest rate sensitivity** (duration range 1 to 1.5 years)



✓ Provides exposure to high-quality, **investment grade credit**



✓ **Low NAV volatility** portfolio by design, holding private assets to maturity



✓ **Diversification** relative to traditional bond funds provided by private debt holdings



✓ Draws on M&G's public and private credit research **expertise and resources**

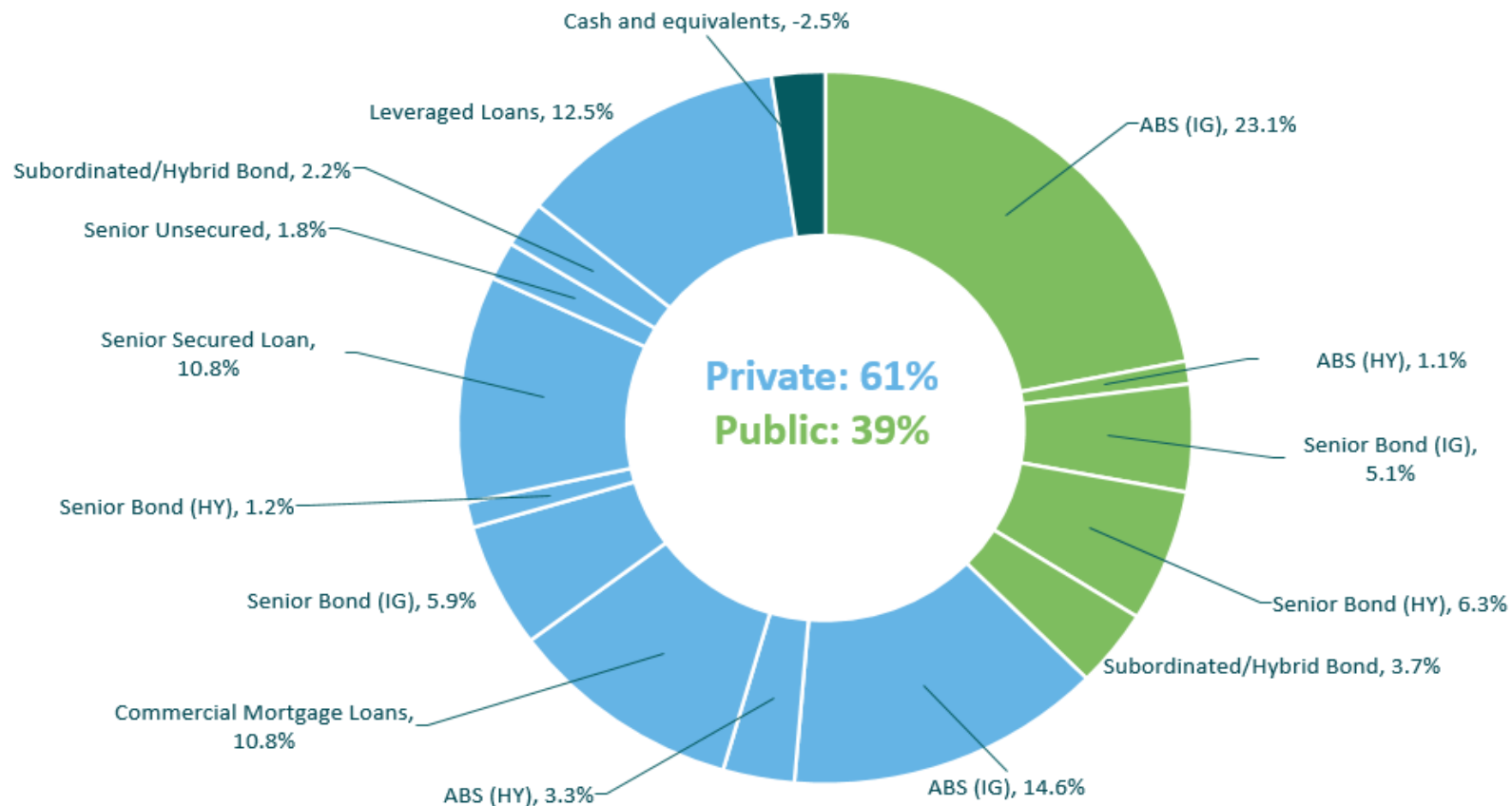


✓ Aims to deliver a **stable income stream** of cash +4% per annum



# M&G Credit Income Investment Trust (MGCI)

## Diversified portfolio with a blend of public and private assets



Past performance is not a guide to future performance

\*Excluding: (i) the investment made to the M&G European Leveraged Loans Fund, (ii) 'D' rated exposure = 0.24%

Source: M&G, portfolio data as at 31 March 2022.

# Looking ahead in 2022

## Company outlook

- Dividends to increase as SONIA rises in line with rates, mitigating rising inflation (85% of portfolio is floating rate)
- Continue to rotate the portfolio into private assets, with four new private credit facilities funded in the quarter
- Comfortable with the SONIA + 4% p.a. dividend target, supported by a growing distributable buffer as we realise capital gains on the disposal of public assets
- Scope to further increase yield subject to any wider market volatility: starting from relatively defensive position, inclined to add risk into portfolio as/when credit spreads widen
- £25m debt facility remains undrawn and will be used opportunistically according to where we see relative value

## Market outlook

- Inflation likely to be more persistent going forward given market crisis, continued supply chain disruption, increasing oil price and heightened volatility
- Central banks grapple between controlling high and rising inflation and the potential for global growth declines from increasing energy prices
- Higher inflation and less accommodative central banks will create greater dispersion between regions. Being active in selection will be key in 2022
- Spreads offering some good opportunities after the recent sell off in public markets
- Private debt is becoming an increasingly important diversifier in a world of low yields and rising rates

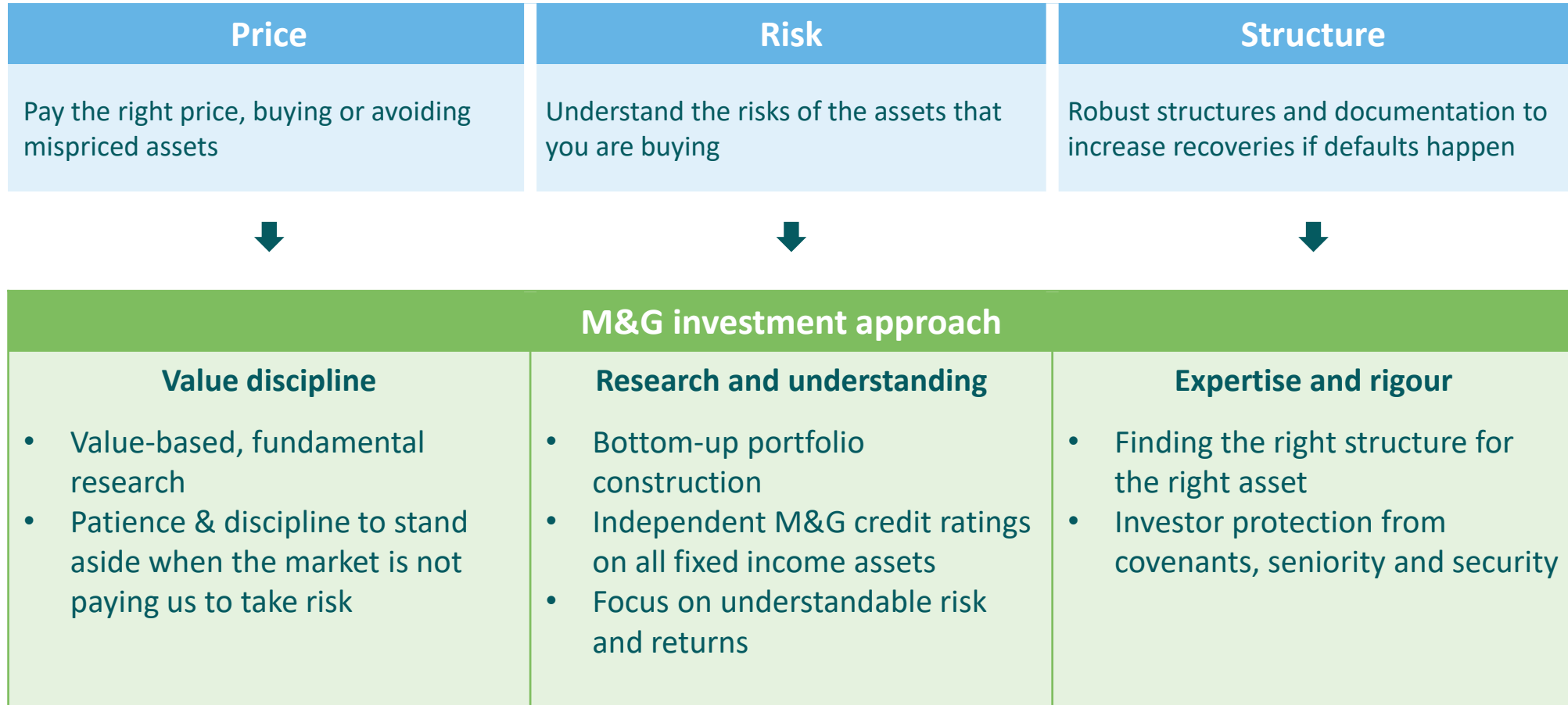




 **M&G** Appendix  
Investments

# M&G private asset investment philosophy and approach

## How to get private debt investing right



# Breadth of resources to add client value

Resource to source and analyse private assets for clients and insurance company parent

William Nicoll CIO Private and Alternative Assets		
500+ highly skilled investment professionals dedicated to private and alternative assets		
Private Credit	Catherine Ross	67
Restructuring & Debt Solutions	Andrew Amos	22
Real estate finance	Duncan Batty & Dan Riches	22
ABS and Consumer Finance	James King & Jerome Henrion	13
Real Estate	Tony Brown	260
Infrastructure Equity (Infracapital)	Martin Lennon & Ed Clarke	59
Alternative investments	Michael Howard	27
Catalyst	Alex Seddon*	21

Scale provides unrivalled access

Culture of innovation – asset sourcing off the beaten track

Strong alignment of interest

Public Research Team	Global Research & Investment Analytics	<ul style="list-style-type: none"> <li>63 people across London and US</li> </ul>
Rob Marshall	Stewardship & Sustainability	<ul style="list-style-type: none"> <li>15 people with specialist ESG integration, impact, corporate finance and climate research teams</li> </ul>

# Fund Financing Transaction

## NAV facility to fund GP investment activity

### Investment Rationale

Opportunity	<ul style="list-style-type: none"> <li>Multi-draw end of life NAV facility financing bolt-on M&amp;A for an existing portfolio of special situation assets</li> <li>Short term lending against a portfolio that is mature and 85% invested, moving towards run down (Dec-22)</li> <li>Financing offers the GP an IRR enhancing route to maximise fund asset value</li> </ul>
Conservative structure	<ul style="list-style-type: none"> <li>Low advance lending rate of 12.5% LTV applied to eligible assets only</li> <li>Comprehensive set of borrow base controls and covenants, with eligible drawdowns subject to concentration limits, NAV performance, as well as the valuations of underlying assets</li> <li>Non-compliance triggers drawstop controls limiting further drawdowns, with a 100% cash sweep following any covenant breach</li> </ul>
Security package	<ul style="list-style-type: none"> <li>Facility is senior secured against fund collateral account to which all dividends, distributions and liquidation proceeds from fund investments are required to be paid</li> <li>Powers to enforce on the collateral account in the event of default</li> </ul>
Risk and mitigants	<ul style="list-style-type: none"> <li>Given the structure and controls in place, stress testing demonstrated that the Fund would have to erode -85% of its remaining value for any capital losses to be suffered</li> <li>Asset underperformance mitigated by the historic performance of the fund and track record of the GP (4 vintages of special situation funds with a 23 year operating history)</li> </ul>



### Key terms

M&G total investment	£15mn
M&G rating	BB
Coupon	BOE+675bps on drawn balance BOE+100bps on undrawn balance
Transaction payment	75bps <sup>1</sup>
Tenor	1.5 years

# Consumer Loan Warehouse in New Zealand

## Revolving securitisation warehouse supporting the origination of online personal loans

Investment Rationale	
Opportunity	<ul style="list-style-type: none"> <li>Investment in a warehouse provided to an online personal loan lender. Loans are accessed for a mixture of purposes, including debt consolidation and home improvements.</li> <li>Technologically enabled platform whose personalised approach to responsible lending is underpinned by their 'big data' driven underwriting processes</li> </ul>
Originator	<ul style="list-style-type: none"> <li>Lender is both an experienced originator and servicer with a track record of low defaults</li> <li>Maintained underwriting discipline with delinquency rates remaining low during COVID-19, approval rates declined by up to 18% in the period, and maximum available loan size has also been limited</li> </ul>
Structural protections	<ul style="list-style-type: none"> <li>Advance rate/borrowing base structure ensures that total loan availability is controlled</li> <li>Comprehensive set of borrowing base controls, with strict eligibility criteria (e.g. exclusion of any loan in arrears) and portfolio concentration limits in place to maintain portfolio quality. These are tested frequently to capture non-compliance / underperformance</li> <li>Performance triggers in place linked to delinquency rates, asset under-performance will lead to an early amortisation event, preventing leakage to equity</li> </ul>
Alignment of interest	<ul style="list-style-type: none"> <li>Company retains a 10.5% first loss tranche in the capital structure, ensuring strong alignment with lenders</li> </ul>
Strength of the consumer	<ul style="list-style-type: none"> <li>The NZ government has focused its resources during COVID on supporting the solvency of the average consumer</li> <li>Consumers have demonstrated robust default performance through downturns</li> </ul>



Key Terms	Class A	Class B	Class C
Jurisdiction	New Zealand	-	-
M&G Investment	NZ\$ 144m	NZ\$ 22m	NZ\$ 13m
M&G Rating	A	BBB-	BB-
GBP Spread Equivalent	249bps	427bps	700bps
Transaction payment <sup>1</sup>	50bps	50bps	50bps
Expected Term	4 years	4 years	4 years

# Disclaimer

This financial promotion is issued by M&G Alternatives Investment Management Limited which is authorised and regulated by the Financial Conduct Authority. This communication is only intended for and will be only distributed to persons resident in jurisdictions where such distribution or availability would not be contrary to local laws or regulations. The registered office and principal place of business of the Company is Beaufort House, 51 New North Road, Exeter EX4 4EP. The Company was incorporated with the name M&G Credit Income Investment Trust plc in England and Wales on 17 July 2018 with registered number 11469317.