

## M&amp;G Credit Income Investment Trust plc

## Annual Financial Report for the period from incorporation on 17 July 2018 to 31 December 2019

The full Annual Report and Accounts will shortly be available via the Company's website at [www.mandg.co.uk/creditincomeinvestmenttrust](http://www.mandg.co.uk/creditincomeinvestmenttrust) or by contacting the Company Secretary on telephone number 020 7954 9529.

The Directors present the results of the Company for the period from incorporation on 17 July 2018 to 31 December 2019.

## Financial highlights

Key data	as at
	31 December 2019
Net assets (£'000)	£132,232
Net asset value (NAV) per Ordinary Share	101.72p
Mid-market price per Ordinary Share	106.00p
Premium to NAV <sup>[a]</sup>	4.21%
Ongoing charges figure <sup>[b][c]</sup>	0.93%

Return per Ordinary Share	period [b] ended
	31 December 2019
Capital return	2.7p
Revenue return	2.6p
NAV total return <sup>[d]</sup>	5.6%
Mid-market price total return <sup>[d]</sup>	8.2%
First interim dividend	2.09p
Second interim dividend	1.65p
Total dividends declared	3.74p

<sup>a</sup> Alternative Performance Measure. Please see full Annual Report and Accounts for further information.

<sup>b</sup> From the date of Initial Public Offering (IPO) 14 November 2018.

## Chairman's Statement

I am pleased to present the first annual report for M&G Credit Income Investment Trust plc (the "Company"). The Company, which was incorporated on 17 July 2018, raised £100,000,000 pursuant to its Initial Public Offering ("IPO") and its Ordinary Shares commenced trading on the main market of the London Stock Exchange on 14 November 2018. An additional 25,000,000 Ordinary Shares were placed on 31 January 2019, followed by further tap issues totalling 5,000,000 Ordinary Shares in May and June 2019.

## Investment strategy

The Company aims to generate a regular and attractive level of income with low asset value volatility by investing in a diversified portfolio of public and private debt and debt-like instruments of which at least 70% is investment grade. The Company intends, over time, to be invested mainly in private debt instruments, which are those instruments not traded on a stock exchange and are typically issued to small groups of institutional investors. This part of the portfolio may include 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. Our investment manager's size, experience and reputation mean that it sees a high percentage of the available market but it only invests in those instruments which it believes are attractively priced: this takes time and is subject to market conditions.

The remainder of the Company's portfolio is invested in cash, cash equivalents and quoted debt instruments, which are more readily available and which can generally be sold at market prices when suitable opportunities arise. These instruments may also be traded to take advantage of market conditions.

Shareholders can expect their returns from this part of the portfolio to come from a combination of interest income and capital movements.

This annual report provides you with an array of information on your investments. Your Board believes that it is not acceptable to invest without reference to broader environmental, social and governance (ESG) factors. With this in mind, please do look at the disclosures on our investment manager's approach to ESG which appear below.

## Share issuance and premium management

Your Directors believe that it is in the interests of shareholders for the Company to increase its assets under management over time as this should reduce its ongoing charges figure and provide greater market liquidity and diversification for holders. The Company can do this by issuing additional Ordinary Shares or a new class of C Shares. In each case, new shares will only be issued when our investment manager has assured our Board of its confidence that suitable investments can be made in a timely fashion using the proceeds of such share issuance. The issue of new shares can also serve to manage the premium to NAV per Ordinary Share at which the Company's shares trade by meeting excess demand from investors that cannot be met by supply in the market. Ordinary Shares will only be issued at a price which enhances the NAV of the existing Ordinary Shares after all expenses.

On 31 January 2019, the Company announced that it had placed 25,000,000 additional Ordinary Shares in response to strong demand from the market, at an issue price of 101p per Ordinary Share: this represented a premium to NAV as at that date of 2.33%. The placing did not materially impact the investment programme, which was still in its infancy.

By May 2019, the Ordinary Share price premium to NAV was again at levels which your Directors considered high in light of the status of the investment programme. Further issues of Ordinary Shares were undertaken in May and June 2019 to satisfy market demand and to seek to manage the premium.

An additional 5,000,000 Ordinary Shares were issued at a premium to the NAV of not less than 2%, thereby enhancing the NAV per Ordinary Share. Our investment manager considered the aggregate proceeds raised through these share issues manageable in executing the overall deployment programme of the Company. Since mid-June 2019, the share issuance programme has been paused until such time as our investment manager perceives there to be better value to be found in adding to the portfolio.

The Company's Ordinary Share price traded at an average premium to NAV of 4.64% during the period from IPO to 31 December 2019. On 31 December 2019, the Ordinary Share price was 106p, representing a 4.21% premium to NAV as at that date.

## Investment performance

The opening NAV per Ordinary Share, being the gross proceeds of the IPO less the IPO expenses, was 98.38p. The opening NAV on 1 January 2019 was 97.94p per Ordinary Share and the NAV on 31 December 2019 was 101.72p per Ordinary Share: taken with the interim dividend of 2.09p announced on 18 July 2019, these show NAV total returns of 5.6% since the Company's launch and 6.0% for calendar year 2019.

The start of 2019 presented good investment opportunities in public markets as the Company's investment programme commenced. Our investment manager was able to take advantage of investment grade corporate bonds performing strongly in the first quarter of 2019, with credit spreads tightening. High yield markets also made significant gains. The improving market continued into the second quarter, which put downward pressure on yields generally, amid falling expectations for global economic growth. With investors maintaining confidence in the major central banks to take action to prevent a slowdown, credit spreads remained tight as investors chased yield. In contrast, private market opportunities were scarcer than anticipated in the first half of 2019.

During the second half of 2019, bond yields fell to new lows, credit spreads tightened further and unusual yield curves developed in an environment of high levels of political uncertainty.

Throughout the year, the flow of attractive opportunities to invest in private debt instruments was disappointing. We ended 2019 with only 16.6% of the portfolio in direct investments in this segment although these were supplemented by our holding in the M&G European Loan Fund, thereby giving us a total of 27.41% in higher yielding assets. Fortunately, the portfolio enjoyed significant capital gains over the period as a result of the market's yield compression. This more than made up for the lack of income in the short term and resulted in your Company's strong total return performance.

## Dividends

Your Company announced a second dividend for 2019 of 1.65p, payable on 28 February 2020. This payment, in combination with the Company's first dividend of 2.09p per Ordinary Share (paid on 23 August 2019 for the period from its IPO on 14 November 2018 to 30 June 2019), is equivalent to the annualised rate of LIBOR plus 2.5% which was initially targeted: the total return for 2019, as detailed above, was comfortably in excess of this.

Your Directors have chosen to apply the 'streaming' regime to that part of the second dividend which was covered by the Company's interest income, net of expenses. Accordingly, the Company has designated 1.33p per Ordinary Share as an interest distribution and 0.32p per Ordinary Share as a dividend. The Company made use of reserves derived from capital gains to support the dividend, reflecting the investment performance of the Company's portfolio, where capital growth was stronger than anticipated, but yields lower. The Company's NAV per Ordinary Share as at 31 December 2019, adjusted for the payment of the second dividend, was 100.07p, an increase of 1.7% from its opening NAV of 98.38p per Ordinary Share as at IPO.

The Company uses the average daily three-month LIBOR as its reference for the purposes of its targeted dividend rate.

## Outlook

Your Company has performed well since its IPO with over half of its total return coming from capital gains. These gains were principally a consequence of the tightening of the overall credit markets; unfortunately, the other effect of this is that cash income yields have reduced. This, taken with the smaller than expected number of attractive private debt opportunities, means that the annual dividend target of LIBOR plus 4% currently looks difficult to achieve in the near term. Your Board believes that it should pay dividends from income and prior capital gains. We propose to start the quarterly dividends for 2020 at the increased annual dividend rate of LIBOR plus 2.75%, calculated by reference to the opening NAV as at 1 January 2020, adjusted for the payment of the second dividend in respect of last year; we will plan to increase this as the Company's exposure to higher yielding private assets grows.

Our investment manager continues to believe that a total return, and thus ultimately a dividend yield, of LIBOR plus 4% is achievable over the longer term, based on its long experience of credit markets through the cycle. Our investment manager's annual management fee is being kept at the current level of 50bps per annum of your Company's net asset value for the time being instead of the originally agreed increase to 70bps. Your Directors are extremely supportive of our investment manager's conservative approach; it is not chasing yield at the expense of making the right investments. We have a strong portfolio and our investment manager remains confident that it will find attractive opportunities to increase yield while retaining a cautious and steady

approach.

#### Annual General Meeting

Our annual general meeting will be held on Monday 30 March 2020 at 1.30pm at 10 Fenchurch Avenue, London EC3M 5AG. This will include a presentation from our investment manager on the performance of the Company and its future prospects. I very much hope that you will be able to join us.

David Simpson

Chairman

18 February 2020

#### Investment manager's report

We are pleased to provide commentary on the factors that have impacted our investment approach since IPO, the challenges that we as investors have navigated and, above all, the performance and shape of the portfolio as we have sought to build it in accordance with the mandate agreed at IPO.

The Company was launched on 14 November 2018 amid volatile market conditions with asset price movements heavily influenced by geopolitical events and macroeconomic uncertainty. This uncertainty continued throughout 2019, resulting in periods of increased risk aversion and market turbulence.

We are delighted to be reporting strong performance against our key performance indicators. Full details are provided below. However, highlights include:

- delivering dividend payments per Ordinary Share of 3.74p (of which 2.09p per Ordinary Share was paid in August 2019 and 1.65p per Ordinary Share paid in February 2020);
- an annualised dividend yield since IPO of 3.13%; and
- mid-market price total return of 8.2%; and
- net asset value total return of 5.6%.

On an annualised basis, this total return is comfortably in excess of the initial target of LIBOR plus 2.5% per annum.

As market conditions have changed throughout the period, our bottom-up, investment-by-investment approach has enabled us to respond accordingly. With a team of more than 100 credit analysts covering both the public and private markets, we are well placed to review opportunities as and when they arise.

Leveraging this resource, our fund managers have continued to seek the right investment opportunities to build the portfolio steadily, with a view to delivering sustainable returns.

#### Deployment of funds and year-end portfolio positioning

Deployment of the cash raised at IPO and subsequent fund raisings in February, May and June 2019 was efficient. Many of the initial investments were intended to be a stepping stone until the right opportunities arose. Good examples of this were the asset-backed securities (ABS) transactions made at the end of 2018. These comprised mostly AAA and some AA rated mortgage-backed floating rate bonds and were ideal interim investments, being very low risk and easily tradeable.

During the first half of 2019, the performance of global markets recovered from the disappointing end to 2018. A general slowdown in economic growth and muted inflation led to dovish commentary by many central banks, suggesting that interest rates would remain on hold for the time being. This, combined with better-than-expected earnings for many companies in the final quarter of 2018, drove market sentiment. Given this backdrop, it proved challenging to meaningfully increase the yield of the portfolio. However, the Company had some success in finding illiquid assets that lagged the rally in credit markets.

The availability of private debt opportunities was more constrained than anticipated. Fixed income markets were generally stronger in the third quarter, underpinned by supportive central bank policies and further declines in government bond yields. Investment grade and high yield credit markets benefited from these moves. Yield curves became unusually shaped, with 10-year gilt yields falling below short-term reference rates. This resulted in duration risk being penalised rather than rewarded. With Brexit appearing no closer to a clear resolution, bond yields continued to fall to record lows and the yield curve developed a pronounced downward slope out to seven-year maturities. At this point, we started selling three- to eight-year fixed corporates and reinvesting in AAA floating rate ABS. In addition to realising some capital gains, we were able to pick up yield, reduce interest rate volatility and improve credit quality and liquidity. The overall impact of investment activity during the third quarter was to modestly increase the yield on the asset portfolio whilst reducing interest rate and spread duration against a backdrop of public bond yields falling by 30-40 bps.

The fourth quarter saw government bond yields rise and spreads tighten. Our interest rate hedge via gilt futures proved effective, and we took advantage of the tighter spreads to sell some longer dated fixed rate corporates - mostly in the financial sector - that had performed very well. These longer dated fixed rate bonds had been purchased towards the end of 2018, and the market rally at the end of the year enabled us to realise some attractive capital gains on these investments. We continued to look for attractive floating rate assets and we added £3m to our leveraged loan exposure as at 1 October, as they offered good relative value. The end of December saw increased private asset deal activity, but with greater uncertainty as to whether completion would be achieved before year-end. By investing in the M&G European Loan fund we are able to gain access to the private European leveraged loan market which has proved to be typically more stable than traditional public debt markets and which has historically provided an attractive level of income on a risk vs return basis. In accessing this market via a collective rather than holding direct exposure to any one issuer, we are able to maintain the risk profile of the portfolio in line with the Company's objectives.

We consider the portfolio as at 31 December 2019 to be well diversified with respect to issuers and sectors, which provides a strong platform for building on during the course of 2020. Whilst only 27.41% of the portfolio (including the investment in collective loans) was invested in private assets at the year-end, with the yield profile of the portfolio therefore lower than anticipated, we continue to strive to make the right investments for the delivery of long-term sustainable performance.

#### Outlook

With public corporate bond yields at historic lows, rather than chasing yield, our inclination is to continue to be defensive in our approach. Substantial liquidity remains in the portfolio, in the form of AAA rated floating rate ABS, which should enable us to access further private deals when opportunities arise or take advantage of any opportunities should markets sell off. Our longer-term aims for the portfolio remain unchanged.

The global outlook continues to be uncertain and the UK, in particular, could be subject to considerable economic and political turbulence around its exit from the EU and trade negotiations. This will inevitably bring both challenges and opportunities.

#### M&G Alternatives Investment Management Limited

18 February 2020

#### Portfolio analysis

##### Top 20 holdings

as at 31 December 2019	Percentage of portfolio of investment (including cash on deposit and derivatives)
M&G European Loan Fund	10.81
Hall & Woodhouse 1% 30 Dec 2023	1.70
Sonnate Limited 1% 12 Apr 2021	1.59
Warwick Finance Residential Mortgages Number One 1.9996% 21 Sep 2049	1.54
Silverstone Master Issuer 1.1654% 21 Jan 2070	1.53
NewDay Partnership Funding 2017-1 1.4306% 15 Dec 2027	1.53
Paragon Mortgages No 25 1.4371% 15 May 2050	1.51
RIN I 3.7841% 10 Sep 2030	1.45
Brass No.6 1.1675% 16 Dec 2060	1.44
Marston's Issuer 2.35% 15 Oct 2031	1.37
Yorkshire Building Society 3.375% 13 Sep 2028	1.32
Westbourne 2016 1 WR Senior 1% 30 Sep 2023	1.30
Leeds Building Society 3.75% 25 Apr 2029	1.19
Gongga 1% 02 Aug 2025	1.17
Hammerson 6% 23 Feb 2026	1.16
Ripon Mortgages 2.0024% 20 Aug 2056	1.16
NewRiver REIT 3.5% 07 Mar 2028	1.15
Kennedy Wilson Europe Real Estate 3.95% 30 Jun 2022	1.12
Castell 2018-1 1.943% 25 Jan 2046	1.08
Finsbury Square 2018-2 1.7286% 12 Sep 2068	1.07
<b>Total</b>	<b>36.19</b>

Source: State Street

#### Geographical exposure

##### as at 31 December 2019 Percentage of portfolio of investments (excluding cash on deposit and derivatives)

United Kingdom	70.26%
Global	14.37%
United States	5.76%
France	2.61%
Germany	2.05%
Italy	1.60%
Netherlands	1.17%
Switzerland	0.92%
European Union	0.83%
Hong Kong	0.43%
	100.0%

#### Portfolio overview

as at 31 December 2019	%
Cash on deposit	1.85

<b>Public</b>	<b>70.34</b>
Asset backed securities	37.66
Bonds	32.68
<b>Private</b>	<b>27.41</b>
Asset backed securities	0.14
Bonds	0.81
Investment funds	10.81
Loans	11.28
Other	4.37
<b>Derivatives</b>	<b>0.40</b>
Debt derivatives	0.12
Forwards	0.28
<b>Portfolio of investments</b>	<b>100.00</b>

Source: State Street

#### Credit rating breakdown

as at 31 December 2019	%
<b>Unrated</b>	<b>0.40</b>
Derivatives	0.40
<b>Cash and investment grade</b>	<b>79.85</b>
Cash on deposit	1.85
AAA	23.94
AA+	3.39
AA	4.16
AA-	2.54
A+	0.26
A	0.33
A-	1.02
BBB+	8.79
BBB	9.26
BBB-	15.88
M&G European Loan Fund ("ELF") (note)	8.43
<b>Sub-investment grade</b>	<b>19.75</b>
BB+	4.58
BB	4.47
BB-	2.81
B+	1.17
B	2.90
B-	1.44
M&G European Loan Fund ("ELF") (note)	2.38
<b>Portfolio of investments</b>	<b>100.00</b>

Source: State Street

Note: ELF is an 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. 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.

#### Top 20 holdings %

	<b>Company description</b>
<b>M&amp;G European Loan Fund</b> 10.81%	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>Hall &amp; Woodhouse 1% 30 Dec 2023</b> 1.70%	Bilateral loan to a regional UK brewer that manages a portfolio of 219 freehold and leasehold pubs. (Private.)
<b>Sonovate Limited 1% 12 Apr 2021</b> 1.59%	Bilateral loan to a company providing companies in the recruitment industry with an integrated service that incorporates placement management, invoicing and financing. (Private.)
<b>Warwick Finance Residential Mortgages Number One 1.9996% 21 Sep 2049</b> 1.54%	High grade ABS (AAA), UK RMBS. Mezzanine tranche of securitisation backed by portfolio of UK non-conforming residential mortgages originated by Co-operative Bank. (Public.)
<b>Silverstone Master Issuer 1.1654% 21 Jan 2070</b> 1.53%	High grade ABS (AAA), UK RMBS. Securitisation of residential British mortgage loans originated and/or acquired by Nationwide Building Society. (Public.)
<b>NewDay Partnership Funding 2017-1 1.4306% 15 Dec 2027</b> 1.53%	High grade ABS (AAA), UK credit card. Securitisation of a portfolio of designated consumer credit card, store card and instalment credit accounts initially originated or acquired by NewDay Ltd in the UK. (Public.)
<b>Paragon Mortgages No 25 1.4371% 15 May 2050</b> 1.51%	High grade ABS (AAA), UK RMBS. Five-year revolving securitisation of a portfolio of UK buy-to-let mortgages in England and Wales, originated and serviced by Paragon. (Public.)
<b>RIN II 3.7841% 10 Sep 2030</b> 1.45%	Mixed CLO (AAA). Consists primarily of senior secured infrastructure finance loans managed by RREEF America L.L.C. (Public.)
<b>Brass No.6 1.1675% 16 Dec 2060</b> 1.44%	High grade ABS (AAA), UK RMBS. Senior tranche of securitisation backed by portfolio of UK residential mortgages originated by Accord Mortgages Ltd. (Public.)
<b>Marston's Issuer 2.35% 15 Oct 2031</b> 1.37%	Marston's PLC is a leading independent brewing and pub retailing business. Marston's Issuer PLC operates as a special purpose entity on behalf of Marstons PLC, formed for the purpose of issuing debt securities to repay existing credit facilities, refinance indebtedness, and for acquisition purposes. (Public.)
<b>Yorkshire Building Society 3.375% 13 Sep 2028</b> 1.32%	Yorkshire Building Society provides banking services. The bank offers saving accounts, mortgages, savings, insurance, life plans, credit cards, loans and travel products to customers in the United Kingdom. This is a subordinated, fixed-to-floating callable bond. (Public.)
<b>Westbourne 2016 1 WR Senior 1% 30 Sep 2023</b> 1.30%	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>Leeds Building Society 3.75% 25 Apr 2029</b> 1.19%	Leeds Building Society provides financial services. The company offers savings accounts, mortgages, life cover and home insurance services to customers in the United Kingdom. This is a subordinated, fixed-to-floating callable bond. (Public.)
<b>Gongga 1% 02 Aug 2025</b> 1.17%	Regulatory capital trade by a major international bank referencing a US\$2bn portfolio of loans to companies domiciled in 36 countries. (Private.)
<b>Hammerson 6% 23 Feb 2026</b> 1.16%	The company develops, builds and manages commercial buildings, offices and shopping centres operating throughout the United Kingdom. It also has investment and development activities in France and Germany. Senior unsecured, fixed bond. (Public.)
<b>Ripon Mortgages 2.0024% 20 Aug 2056</b> 1.16%	High grade ABS (AA+/AAA), UK RMBS. The portfolio comprises buy-to-let loans originated by Bradford and Bingley and Mortgage Express, secured against residential properties located in England and Wales. (Public.)
<b>NewRiver REIT 3.5% 07 Mar 2028</b> 1.15%	NewRiver REIT PLC operates as a real estate investment trust investing in retail properties throughout the United Kingdom. Fixed, callable bond. Senior unsecured. (Public.)
<b>Kennedy Wilson Europe Real Estate 3.95% 30 Jun 2022</b> 1.12%	Kennedy Wilson Europe Real Estate Limited provides real estate services. The company focuses on investment management brokerage, research, auction, sales, research and development property services. Fixed, callable bond. Senior unsecured. (Public.)
<b>Castell 2018-1 1.943% 25 Jan 2046</b> 1.08%	High grade ABS (AAA), UK RMBS. Backed by a portfolio of mortgage loans originated by Optimum Credit Limited and secured against residential properties located in England, Wales and Scotland. (Public.)
<b>Finsbury Square 2018-2 1.7286% 12 Sep 2068</b> 1.07%	High grade ABS (AAA), UK RMBS. Backed by a portfolio comprising mortgage loans acquired by Koala Warehouse Limited and secured over residential properties located in England and Wales. (Public.)

## Strategic Review

The Directors present the Strategic Report of the Company for the period ended 31 December 2019. The Strategic Report aims to provide Shareholders with the information to assess how the Directors have performed their duty to promote the success of the Company during the period under review.

### Business and status of the Company

The Company was incorporated on 17 July 2018 and the Initial Public Offering (IPO) of the Company's shares took place on 14 November 2018. It is registered in England and Wales as a public limited company and is an investment company within the terms of section 833 of the Companies Act 2006. The principal activity of the Company is to carry on business as an investment trust. The Company has been approved by HM Revenue & Customs as an authorised investment trust under sections 1158 and 1159 of the CTA 2010, subject to there being no serious breaches of regulations. In the opinion of the Directors, the Company is directing its affairs so as to enable it to continue to qualify for such approval.

The Company's shares have a listing on the premium segment of the Official List of the FCA and trade on the London Stock Exchange's (LSE) main market for listed securities.

### 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. This part of the portfolio may include Debt Instruments which are nominally quoted but are generally illiquid.

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 against, amongst other assets, residential and commercial mortgages, credit card receivables, auto loans, student loans, commercial loans and corporate loans;
- commercial mortgages;
- direct lending to SMEs, including lease finance and receivables financing;
- distressed debt opportunities to companies undergoing 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 will be 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 looks to achieve diversification and a spread of risk by adhering to the limits and restrictions set out below.

Once fully invested, the Company's portfolio will comprise 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%

[a] Secured Debt Instruments are secured by a first or secondary fixed and/or floating charge.

[b] 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 may also invest indirectly through collective investment vehicles, which are expected to be managed or advised 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 aggregate. No more than 10% of gross assets may be invested in other investment companies that are listed on the Official List.

Unless otherwise stated, the above investment restrictions apply 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 would 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 (NAV), calculated at the time of draw down, but is typically not expected to exceed 20% of the Company's NAV.

### Hedging and derivatives

The Company does 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 UK Listing Authority.

### Investment process

The investment process for the Company consists of a number of stages: the decision to invest, monitoring of investments and ongoing engagement and divestment.

Investment decision-making is undertaken by the Investment Manager, who determine whether an investment is appropriate for the Company's investment mandate. Investments are only made after extensive research based on information, research and analysis from our in-house analysts and external sources. The investment process is designed to ensure that the risk and return profile of investments is fully understood.

Regular monitoring of investments enables determination of whether an investment remains appropriate. This includes monitoring the performance of investments by fund managers, analysts and internal control and governance processes. The Investment Manager proactively engages with relevant parties on any issue which may, potentially, affect an investment's ability to deliver sustainable performance in line with 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). This might be 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.

### Key performance indicators

In order to measure the success of the Company in meeting its objectives and policy, and to evaluate the performance of the Investment Manager, the Directors take into account the following key performance indicators (KPIs):

	at IPO 14 November 2018	as at or period ending 31 December 2019
NAV per share	98.38p	101.72p
Mid-market price per Ordinary Share	100.00p	106.00p
Premium to NAV <sup>[a]</sup>	1.65%	4.21%
Annualised dividend yield	-	3.13%
Dividends declared per Ordinary Share	3.74p	
Revenue return per Ordinary Share	-	2.6p
NAV total return <sup>[a]</sup>	-	5.6%
Mid-market price total return <sup>[a]</sup>	-	8.2%
Ongoing charges figure <sup>[a]</sup>	-	0.93%

[a] Alternative performance measures.

### Share price discount or premium to NAV

The share price premium to NAV as at 31 December 2019 was 4.21%. During the period from IPO the shares traded at an average premium to NAV of 4.64%.

#### Dividend yield

The Company paid its first dividend of 2.09p per Ordinary Share on 18 July 2019. A second dividend of 1.65p (in respect of the period ending 31 December 2019) will be paid on 28 February 2020. The annualised dividend yield for the period since IPO on the closing share price on 31 December 2019 was 3.13%.

#### Portfolio performance

In support of the Company's investment objective, the Board monitors the portfolio performance against a number of total return indices in public investment grade and high yield markets. These are not explicit benchmarks but provide relevant data for assessing the portfolio's performance.

In addition, progress of deployment of funds into private assets is monitored alongside the balance of fixed to floating rate coupons, yield to maturity and modified duration of the portfolio. Further details are provided in the Chairman's statement and Investment Manager's reports above.

#### Ongoing charge

The Board reviews the costs of running the Company calculated using the Association of Investment Companies' (AIC) methodology for the ongoing charge.

#### Risk management

##### Role of the Board

The Directors have overall responsibility for risk management and internal control within the Company. They recognise that risk is inherent in the Company's operation and that effective risk management is an important element in the success of the organisation. The Directors have delegated responsibility for the assurance of the risk management process and the review of mitigating controls to the Audit Committee. The Directors, when setting the risk management strategy, also determine the nature and extent of the significant risks and their risk appetite in implementing this strategy.

In arriving at its judgement of what risks the Company faces, the Board has considered the Company's operations in the light of the following factors:

- the nature and extent of risks it regards as acceptable for the Company to bear in line with its overall business objective;
- the threat of such risks becoming reality;
- the Company's ability to reduce the incidence and impact of risk on its performance;
- the cost to the Company and benefits related to the review of risk and associated controls of the Company; and
- the extent to which the third-party service providers operate the relevant controls.

#### Principal risks and uncertainties

The Company is exposed to a variety of risks and uncertainties that could cause the valuation of its assets and/or the income from the investment portfolio to fluctuate. The Board, through delegation to the Audit Committee, has undertaken a robust assessment and review of the principal risks facing the Company, together with a review of any new risks that may have arisen during the period, including those that would threaten its business model, future performance, solvency or liquidity. These risks are formally documented within the Company's key risk register, so that the risks identified and the controls in place to mitigate those risks can be monitored. The risks are assessed on the basis of the likelihood of them happening, the impact on the business if they were to occur and the effectiveness of the controls in place to mitigate them.

The key risks identified by the Board, and the associated key mitigants and controls, are set out below:

##### Market risk and credit risk

Market risk embodies the potential for both losses and gains and includes foreign currency risk, interest rate risk and price risk. Market risk mainly arises from uncertainty about future values of financial instruments influenced by price, currency and interest rate movements. It represents the potential gain or loss that the Company may suffer through holding market positions in investments in the face of market movements.

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company is exposed to risks that the exchange rate of its reporting currency relative to other currencies may change in a manner that has an effect on the value of the portion of the Company's assets which are denominated in currencies other than its own reporting currency. Hedging instruments are used by the Investment Manager to manage foreign currency risk.

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's investments are in some cases subject to interest rate risk. In relation to fixed rate obligations, when interest rates decline, the values can be expected to rise, and, conversely, when interest rates rise, the value of fixed rate obligations can be expected to decline. Hedging instruments are used by the Investment Manager to manage interest rate risk.

Market price risk includes changes in market prices, other than those arising from foreign currency or interest rate risk, which may affect the value of investments, such as macroeconomic and geopolitical events and trends, and sectoral influences.

As the Company invests in public and private debt instruments, it is regularly exposed to market risk and the value of the Company's portfolio fluctuates in response to developments in financial markets. The Board has put in place limits on the Company's gearing, portfolio concentration and use of derivatives, which it believes to be appropriate to keep the Company's investment portfolio adequately diversified and to manage risk.

Because of its investment strategy, the Company is also materially exposed to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The main concentration to which the Company is exposed arises from the Company's investments in Debt Instruments. The Company's policy to manage this risk is to invest no more than 30% of the Company's assets in Debt Instruments that have a minimum credit rating below BBB- (or equivalent). Within the above limit, the Company may also invest in unrated assets where a rating is assigned by the Investment Manager using an internal methodology that is based on the categorisations used by rating agencies. When new investment opportunities arise, a detailed credit review is undertaken by the Investment Manager. A fundamental qualitative and quantitative assessment of both business and financial risk, supported by appropriate financial modelling, alongside a review of the corporate structure and issuance document form the basis of the credit review. On an ongoing basis, the Investment Manager monitors the Company's investments against a variety of measures including financial performance and their progress against a variety of covenants.

The Company is also exposed to counterparty credit risk on trading derivative products. Cash and Cash Equivalents, amounts due from brokers and other receivable balances. The Company only transacts with parties that the Investment Manager considers to be reliable from a credit risk perspective.

##### Investment management performance risk

Other than in respect of market risk, the performance of the Company's portfolio of assets depends primarily on the investment strategy, asset allocation and stock selection decisions taken by the Investment Manager within the parameters and constraints imposed by the Company's investment policy. The Investment Manager applies a three lines of defence model for risk management, incorporating the individual fund manager and line management; independent risk and compliance functions and reporting structures; and internal audit. Measures and tools such as volatility estimation, value at risk analysis and stress testing are used in order to better understand risk concentrations within the portfolio.

##### Liquidity risk

The Company invests in public and private debt instruments. Certain of these investments may be difficult to value or realise (if at all). The market price that is achievable for such investments may ultimately therefore be lower than the carrying values of these assets as reflected in the Company's reported NAV per Ordinary Share from time to time.

As the Company is closed-ended, it is not exposed to the same risks of liquidity mismatch that are inherent in the management of portfolios owned by open-ended funds. This enables the Company to invest in assets that have limited or no secondary market liquidity in order to seek to capture the additional yield that is generally available compared to more liquid instruments.

Before the Company's fifth AGM in 2024, the Board will submit to Shareholders proposals to enable them to realise the value of their Ordinary Shares. The Board monitors the liquidity profile of the Company's assets on a quarterly basis through the receipt of an asset liquidity analysis from the Investment Manager.

##### Operational risk

In common with most other investment trusts, the Company has no executive directors, no executive management and no employees. The Company delegates key operational tasks to third-party service providers that are specialists in their fields, as follows:

- management of the Company's investment portfolio - M&G Alternatives Investment Management Limited;
- preparation and maintenance of the Company's Financial Statements and maintenance of its records - State Street Bank and Trust Company;
- Company Secretarial and registrar services - Link Asset Services;
- worldwide custody of the Company's assets - State Street Bank and Trust Company; and
- safekeeping and depositary services - State Street Trustees Limited.

Failure by any service provider to carry out its obligations to the Company in accordance with the terms of its appointment could have a materially detrimental impact on the operation of the Company or administration of its investments. The termination of the Company's relationship with any third-party service provider or any delay in appointing a replacement for such service provider could disrupt the business of the Company materially and could have a material adverse effect on the Company's performance. Service provider oversight is conducted through ongoing interaction through the Management Engagement and Audit Committees and is formalised through an annual evaluation process.

##### Dividend policy risk

The level of dividends that the Board will declare, and the extent to which those dividends comprise 'streamed' income on the one hand and capital profits on the other hand, will be dependent largely on the performance of the Company's investment portfolio over time and the market conditions that exist during relevant performance periods. Apart from asset selection and market conditions, factors that may also affect performance include, inter alia, the Company's level of gearing, its accounting policies, changes in variable interest rates, the level of loan or bond prepayments and a change in the tax treatment of the interest received by the Company. The Investment Manager runs a dividend projection model that is regularly reviewed by the Board.

##### Regulatory, legal and statutory risk: changes in laws, government policy or regulations

The Company is subject to laws, government policy and regulations enacted by national and local governments. Any change in the law, regulation or government policy affecting the Company may have a material adverse effect on the value of its investments, its ability to carry on its business and successfully pursue its investment policy and on its earnings and returns to Shareholders. In particular, the Company is required to comply with certain requirements that are applicable to listed closed-ended investment companies, including section 1158 of the Corporation Tax Act 2010. Any failure to comply may potentially result in a loss of investment trust company status. The Company must comply with the Listing Rules, Prospectus Rules, the Disclosure Guidance and Transparency Rules, the Market Abuse Regulation (MAR) and the rules of the London Stock Exchange. Any failure in future to comply with any future changes to such rules and regulations may result in the Shares being suspended from trading on the London Stock Exchange. The Company mitigates any such failure by delegating key operational tasks to specialist third-party service providers combined with close oversight and monitoring through the Audit Committee.

MAR can be defined as Regulation (EU) No 596/2014 of the European Parliament on market abuse, otherwise known as the Market Abuse Regulation, or "MAR". It requires the Board of the Company to adopt certain processes to ensure that, inter alia, price sensitive information must be, subject to certain exemptions, promptly disclosed to the public via a regulatory news service in order to ensure an orderly market in the Company's shares. The risk to the company of failure to comply with MAR is mitigated by close Board oversight and monitoring through the compliance function at the Investment Manager.

#### UK exit from the European Union

The UK left the European Union (EU) on 31 January 2020 ("Brexit"). Following this date, the UK entered a transition period expected to last until 31 December 2020. During this period, the UK's trading relationship with the EU is expected to remain the same whilst a new trade and tariff arrangement is negotiated.

The negotiation of the UK's future trading relationship with the EU could create uncertainty in the UK and certain EU markets, which may lead to fluctuations in the performance of the Company, its NAV, and its earning and returns to Shareholders. It could also potentially make it more difficult for the Company to raise capital in the EU and/or increase the regulatory compliance burden on the Company. This could restrict the Company's future activities and thereby negatively affect returns. As such, it is not possible to state the impact that post-Brexit trade negotiations will have on the Company and its investments.

#### Emerging risks

The Board have considered the emerging risks for the Company and have not identified any supplementary material risk factors beyond those stated above.

#### Viability statement

The UK Financial Reporting Council (FRC) maintains the UK's Corporate Governance Code ("the Code") to promote high quality corporate governance and reporting. Under the Code, the Directors are required to state that in their opinion the Company's resources are adequate for it to continue in business for at least 12 months from the date of the Financial Statements and, therefore, it is appropriate that the Financial Statements be prepared on a going concern basis. This statement appears below.

In accordance with provision C.2.2 of the 2016 Code, the Directors are also required to assess the prospects for the Company over a longer period than the 12 months referred to in the going concern guidance and statement. The Directors have elected to review the viability of the Company for a four-year period up to the AGM of the Company to be held in 2024 by reference to the weighted average life of the Debt Instruments in the Company's portfolio and the potential need to return cash to Shareholders following the 2024 AGM.

In assessing the viability of the Company over this four-year period, the Directors have considered a number of factors. Most importantly, they have weighed the characteristics of a closed- end fund and the investment policy of the Company against the risks the Company faces as set out in this Strategic Report.

The Directors have assumed that neither the closed-ended structure of the Company, the investment policy it follows nor the risks it faces are likely to change substantially, or for the worse with respect to the viability of the Company, over the four- year period they have selected for the purposes of this viability statement. The Directors have also assumed that the Company will continue to maintain a sufficient level of liquidity and to generate substantial income for the foreseeable future in order to meet its liabilities. As the Directors are ultimately responsible for ensuring that the investment policy of the Company is followed by the Investment Manager, they are confident in making these assumptions about the future of the Company.

The Company is an investment trust, not a trading company, and it invests in a diversified portfolio. As a closed-ended fund, it is not subject to redemptions by Shareholders prior to, potentially, the 2024 exit opportunity. The Company's portfolio also generates substantial levels of income to meet its expenses, which are largely fixed overheads that represent a small percentage of its net assets. Based on their assessment of the nature of the Company, its investment policy and financial resources, the Directors have a reasonable expectation that the Company will be able to continue in operation and to meet its liabilities as they fall due over the next four years.

#### Going concern statement

The activities of the Company, together with the factors likely to affect its future development, including its performance, financial position, cash flows and liquidity position, are described in the Strategic Report.

In addition, the Company's policies and processes for managing its key financial risks are described in note 13 below.

As at 31 December 2019, the Company's total assets less current liabilities were £132.23m. The Directors have reviewed the financial projections of the Company from the date of this report, which shows that the Company will be able to generate sufficient cash flows in order to meet its liabilities as they fall due.

As a consequence, the Directors believe that the Company continues to be well placed to manage its business risks successfully. The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and for a period of 12 months from the date of the approval of this Annual Report. Accordingly, they continue to adopt the going concern basis in preparing this Annual Report and Accounts.

#### Investment management and third-party service provider arrangements

The Board has overall responsibility for the Company's activities, including the review of investment activity and performance, and the control and supervision of all suppliers of services to the Company, including the Investment Manager. It is also responsible for the determination of the Company's investment policy and strategy and the Company's system of internal and financial controls, including ensuring that commercial risks and financing needs are properly considered and that the obligations of a public limited company are adhered to.

To assist the Board in the operations of the Company, arrangements have been put in place to delegate authority for the performance of day-to-day operations of the Company to the Investment Manager and other third-party service providers. The Board has appointed the Investment Manager to manage the Company's investment portfolio within guidelines set by the Board.

The Investment Manager is in frequent contact with the Board and supplies the Directors with regular updates on the Company's activities and detailed reports at each Board meeting.

#### Investment Manager

The Company has appointed M&G Alternatives Investment Management Limited (the "Investment Manager") to act as the Company's Alternative Investment Fund Manager (AIFM) for the purposes of the AIFM Directive and, accordingly, the Investment Manager is responsible for providing discretionary portfolio management and risk management services to the Company.

The Investment Management Agreement dated 26 September 2018 is for an initial term of five years from 14 November 2018 and thereafter subject to termination on not less than six months' written notice by either party. The Investment Management Agreement can be terminated at any time in the event of the insolvency of the Company or the Investment Manager or in the event that the Investment Manager ceases to be authorised and regulated by the FCA (if required to be so authorised and regulated to continue to carry out its duties under the Investment Management Agreement).

Under the Investment Management Agreement, the Investment Manager is entitled to receive from the Company an investment management fee, which is calculated and paid quarterly in arrears at an annual rate of (i) 0.5% per annum of the prevailing published NAV until the end of the Company's first accounting period, the 31 December 2018; and (ii) 0.7% per annum of the prevailing published NAV thereafter.

The investment management fee was amended by way of a side letter to the Investment Management Agreement dated 22 October 2019 so that the fee payable will be retained at the annual rate of 0.5% beyond the 31 December 2019 until such time as the Board agrees that the portfolio is appropriately positioned to meet the Company's medium term annualised dividend target of LIBOR plus 4%.

Where the Company invests in a collective investment vehicle that is managed or advised by an M&G entity, the Investment Manager will reduce its investment management fee by the amount of any equivalent management fee that is charged to such collective investment vehicle or such entity will rebate its management fee such that the Investment Manager ensures the Company is not charged twice. The above arrangement will not apply to any other fees or expenses charged to the Company or any such entity in which it invests.

The Investment Manager is also entitled to be paid half of any arrangement fee charged by the Company to the issuer of a Debt Instrument in which the Company invests. The balance of any arrangement fee is retained by the Company.

#### Continuing appointment of Investment Manager

As at the date of this Report, the Directors are of the opinion that the Investment Manager has executed the Company's investment strategy according to the Board's expectations. Accordingly, the Directors believe that the continuing appointment of M&G Alternatives Investment Management Limited as the Investment Manager of the Company, on the terms agreed, is in the best interests of the Company and its Shareholders as a whole.

#### Administrator

Under an Administration Agreement dated 26 September 2018, the Company has appointed State Street Bank and Trust Company to act as administrator. The administrator provides day-to-day administration of the Company and is also responsible for the Company's general administrative functions, including the calculation and publication of the NAV and maintenance of the Company's accounting and statutory records.

The Administration Agreement is terminable, inter alia, upon not less than six months' written notice. The Administration Agreement is also terminable immediately upon the occurrence of certain standard events, including the insolvency of the Company or the Administrator or a party committing a material breach of the Administration Agreement (where such breach has not been remedied within 30 calendar days of written notice being given).

#### Depository

Under a Depository Agreement dated 26 September 2018, the Company has also appointed State Street Trustees Limited as depository to provide depository services to the Company, which will include safekeeping of the assets of the Company. The Depository is permitted to delegate (and authorise its delegates to sub-delegate) the safekeeping of the assets of the Company.

The Administrator and Depository are entitled to a combined fee (the "State Street Fee"). The State Street Fee shall be up to 0.08% of the NAV per annum. The fee is subject to a minimum rate, whereby if the NAV is less than £250m, the fee will be calculated as if the NAV were £250m. The State Street Fee is calculated monthly and payable monthly in arrears.

#### Custodian

The Depository has delegated safekeeping duties as set out in the AIFM Directive and the FCA Handbook to State Street Bank & Trust Company, whom it has appointed as global sub-custodian.

#### Registrar

The Company entered into a Company Secretarial Agreement dated 26 September 2018 appointing Link Asset Services as Company Secretary to provide and settlement of shares. Under the agreement, the Registrar is entitled to a fee calculated on the basis of the number of Shareholders and the number of transfers processed (exclusive of any VAT). In addition, the Registrar is entitled to certain other fees for ad hoc services rendered from time to time. The Registrar Agreement is for an initial period of one year from the date of initial Admission and thereafter shall automatically renew for successive periods of 12 months unless or until terminated by either party (a) at the end of the initial period, provided written notice is given to the other party at least 6 months prior to the end of the initial period or (b) at the end of any successive 12-month period, provided written notice is given to the other party at least six months prior to the end of such successive 12-month period.

#### Company Secretary

The Company entered into a Company Secretarial Agreement dated 26 September 2018 appointing Link Asset Services as Company Secretary to provide

the company secretarial functions required by the Companies Act.

Under the terms of the Company Secretarial Services Agreement, the aggregate fees payable to Link Asset Services are currently £61,920 per annum. The Company Secretarial Agreement is for an initial period of 12 months and thereafter shall automatically renew for successive periods of 12 months unless or until terminated by either party (a) at the end of the initial period, provided written notice is given to the other party at least six months prior to the end of the initial period or (b) at the end of any successive 12-month period, provided written notice is given to the other party at least six months prior to the end of such successive 12-month period.

## Section 172 Statement

### Overview

The Directors' overarching duty is to act in good faith and in a way that is the most likely to promote the success of the Company as set out in Section 172 of the Companies Act 2006. In doing so, Directors must take into consideration the interests of the various stakeholders of the Company and the impact the Company has on the community and the environment; take a long-term view on consequences of the decisions they make; and aim to maintain a reputation for high standards of business conduct and fair treatment between the members of the Company.

Fulfilling this duty naturally supports the Company in achieving its investment objective and helps to ensure that all decisions are made in a responsible and sustainable way. In accordance with the requirements of the Companies (Miscellaneous Reporting) Regulations 2018, the Company explains how the Directors have discharged their duty under Section 172 below.

To ensure that the Directors are aware of and understand their duties, they are provided with the relevant information as part of their induction, as well as receiving regular and ongoing updates and training on the relevant matters. They also have continued access to the advice and services of the Company Secretary and, when deemed necessary, the Directors can seek independent professional advice. The schedule of Matters Reserved for the Board, as well as the Terms of Reference of its committees, are reviewed on at least an annual basis and further describe the Directors' responsibilities and obligations, and include any statutory and regulatory duties. The Audit Committee has the responsibility for the ongoing review of the Company's risk management systems and internal controls and, to the extent that they are applicable, risks related to the matters set out in Section 172 are included in the Company's risk register and are subject to periodic and regular reviews and monitoring.

### Decision-making

The Board considers the impact that any material decision will have on all relevant stakeholders to ensure that it is making a decision that promotes the long-term success of the Company, whether this be in relation to dividends, new investment opportunities, potential future fund raisings etc.

### Stakeholders

The Board seeks to understand the needs and priorities of the Company's stakeholders and these are taken into account during all its discussions and as part of its decision-making. The Board has considered which parties should be deemed to be stakeholders of the Company. As the Company is an externally managed investment company and does not have any employees or customers, its key stakeholders comprise its Shareholders, regulators (including service party regulators) and service providers. The section below discusses why these stakeholders are considered of importance to the Company and the actions taken to ensure that their interests are taken into account.

#### Importance

#### Board engagement

##### Shareholders

Continued Shareholder support and engagement are critical to the continued existence of the Company and the successful delivery of its long-term strategy.

Before the Company's fifth annual general meeting in 2024, the Board will formulate and submit to Shareholders proposals (which may constitute a tender offer or other method of distribution) to provide Shareholders with an opportunity to realise the value of their Ordinary Shares at the then prevailing NAV per Ordinary Share less costs. In all circumstances, the Board will seek to balance the interests of both continuing Shareholders and those electing to realise their investment.

The Company has over 120 Shareholders, including institutional and retail investors. The Board is committed to maintaining open channels of communication and to engage with Shareholders in a manner they find most meaningful in order to gain an understanding of their views. These include the channels below.

- **AGM:** the Company welcomes and encourages attendance and participation from Shareholders at its first and subsequent AGMs. Shareholders will have the opportunity to meet the Directors and Investment Manager and to address questions to them directly. The Investment Manager will attend the AGM and will provide a presentation on the Company's performance and the future outlook. The Company values any feedback and questions it may receive from Shareholders ahead of and during the AGM and will take action or make changes, when and as appropriate.
- **Publications:** the Annual Report and interim results are made available on the Company's website and the Annual Report is circulated to Shareholders. This information is supplemented by the monthly calculation and publication of the NAV per share which is announced via the regulatory news service of the London Stock Exchange. In addition, a monthly factsheet and/or a quarterly newsletter is published by the Investment Manager on the Company's website. Feedback and/or questions that the Company receives from Shareholders help the Company evolve its reporting, aiming to render the reports and updates transparent and understandable. The Board decided to seek Shareholder approval at the forthcoming AGM to take advantage of the provisions of the Companies Act 2006 to allow electronic communications with its Shareholders, including making important documents available through its website. This would reduce the amount of printing the Company needs to undertake, which will have a positive impact on the environment.
- **Shareholder meetings:** unlike trading companies one- to-one Shareholder meetings take the form of a meeting with the Investment Manager rather than members of the Board. Feedback from all substantive meetings between the Investment Manager and Shareholders is shared with the Board. The Chairman, the Chairman of the Audit Committee or other members of the Board are available to meet with Shareholders to understand their views on governance and the Company's performance where they wish to do so. With assistance from the Investment Manager, the Chairman seeks meetings with Shareholders who might wish to meet with him.
- **Shareholder concerns:** in the event that Shareholders wish to raise issues or concerns with the Board, they are welcome to do so at any time by writing to the Chairman at the registered office. The Senior Independent Director is also available to Shareholders if they have concerns that contact through the normal channel of the Chairman has failed to resolve or for which such contact is inappropriate.
- **Investor relations updates:** at every Board meeting, the Directors receive updates from the Company's broker on the share trading activity, share price performance and any Shareholders' feedback, as well as an update from the Investment Manager.

##### Other stakeholders

###### The Investment Manager

Holding the Company's shares offers investors a liquid investment vehicle through which they can obtain exposure to the Company's diversified portfolio. The Investment Manager's performance is critical for the Company to successfully deliver its investment strategy and meet its objective.

Maintaining a close and constructive working relationship with the Investment Manager is crucial, as the Board and the Investment Manager both aim to continue to achieve consistent, long-term returns in line with the Company's investment objective. Important components in the collaboration with the Investment Manager, representative of the Company's culture include those listed below.

- Encouraging open, honest and collaborative discussions at all levels, allowing time and space for original and innovative thinking.
- Ensuring that the impact on the Investment Manager is fully considered and understood before any business decision is made.
- Ensuring that any potential conflicts of interest are avoided or managed effectively.

The Board holds detailed and intensive discussions with the investment manager on all key strategic and operational topics on an ongoing basis.

###### The Administrator, the Company Secretary, the Registrar, the Depositary, the Custodian and the Broker

In order to function as an investment trust with a listing on the premium segment of the official list of the FCA and trade on the London Stock Exchange's (LSE) main market for listed securities, relies on a diverse range of reputable advisors for support in meeting all relevant obligations.

The Board maintains regular contact with its key external providers and receives regular reporting from them through the Board and committee meetings, as well as outside of the regular meeting cycle. Their advice, as well as their needs and views are routinely taken into account. The Management Engagement Committee formally assesses their performance, fees and continuing appointment at least annually to ensure that the key service providers continue to function at an acceptable level and are appropriately remunerated to deliver the expected level of service. The Audit Committee reviews and evaluates the control environments in place at each service provider as appropriate.

Regulators (including third-party service providers regulators)

The Company can only operate with the approval of its regulators as its third-party service providers' regulators who have a legitimate interest in how the Company operates in the market and how it treats its Shareholders.

The Company regularly considers how it meets various regulatory and statutory obligations and follows voluntary and best practice guidance. It also gives full consideration to how any governance decisions it makes can have an impact on its stakeholders, both in the shorter and in the longer term. The Company's service providers provide regular reporting to the Company in respect of their interaction with the own respective regulators.

The above mechanisms for engaging with stakeholders are kept under review by the Directors and will be discussed on a regular basis at Board meetings to ensure that they remain effective.

### Culture

The Directors are of the opinion that establishing and maintaining a healthy corporate culture amongst the Board and in its interaction with the Investment Manager, Shareholders and other stakeholders will support the delivery of its purpose, values and strategy. The Board seeks to promote a culture of openness, transparency and integrity through ongoing dialogue and engagement with its stakeholders, principally the Investment Manager.

The Board strives to ensure that its culture is in line with the Company's purpose, values and strategy.

The Board seeks to appoint appropriate third-party service providers and evaluates their services on a regular basis. Their ongoing appointments are not only reflective of their performance by reference to their contractual and service level obligations, but also take into account the extent to which their individual corporate cultures align with those of the Company. The Board considers the culture of the Investment Manager and other stakeholders, including their policies, practices and behaviour, through regular reporting from these stakeholders and in particular during the annual review of the performance and continuing appointment of all service providers.

#### **Employees, human rights and social and community issues**

The Board recognises certain requirement under the Companies Act 2006 to detail information about human rights, employees and community issues, including information about any policies it has in relation to these matters and the effectiveness of these policies. These requirements are not in practice applicable to the Company as it has no employees, all the Directors are non-executive and it has outsourced all operational functions to third-party service providers. The Company has therefore not reported further in respect of these provisions.

#### **Board diversity**

As at 31 December 2019, the Board of Directors of the Company comprised three male Directors and one female Director. The Board acknowledges the benefits of diversity, including gender diversity, and it remains committed to ensuring that the Company's Directors bring a wide range of skills, knowledge, experience, backgrounds and perspectives.

#### **Environmental, social and governance (ESG) issues**

The Company has no employees, property or activities other than investments, so its direct environmental impact is minimal. In carrying out its activities and in its relationships with service providers and their employees, the Company aims to conduct itself responsibly, ethically and fairly.

The day-to-day management of the Company's investing activities is delegated to the Investment Manager.

The Investment Manager has a long-term track record of commitment to responsible investment principles, and became a signatory to the United Nations-supported PRI Association ("the PRI"), the world's leading organisational proponent of responsible investing, more than seven years ago. By virtue of that status, the Investment Manager has committed itself to adhering to the following overarching principles in the conduct of its investment management activities.

**Principle 1: We will incorporate ESG issues into investment analysis and decision-making processes.**

**Principle 2: We will be active owners and incorporate ESG issues into our ownership policies and practices.**

**Principle 3: We will seek appropriate disclosure on ESG issues by the entities in which we invest.**

**Principle 4: We will promote acceptance and implementation of the Principles within the investment industry.**

**Principle 5: We will work together to enhance our effectiveness in implementing the Principles.**

**Principle 6: We will each report on our activities and progress towards implementing the Principles.**

As a signatory member to the PRI, the Investment Manager is committed to providing detailed ESG transparency to market participants in relation to its business activities. The most recent transparency report is available at <https://www.unpri.org/signatory-directory/mandg-investments/1483.article>.

Given its commitment to responsible investment, the Investment Manager has allocated significant human and financial capital to the implementation of the PRI principles. More information on the Investment Manager's approach to responsible investment can be found online at <https://global.mandg.com/our-business/mandg-investments/responsible-investing-at-mandg>. Interested investors are invited to access the Investment Manager's ESG resources either through its website or through the Company's Directors as appropriate.

#### **Greenhouse gas emissions**

The Company has no greenhouse gas emissions to report from its operations, nor does it have responsibility for any other emission-producing sources under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013.

#### **Modern slavery**

The Company, as an investment vehicle, does not provide goods or services in the normal course of business and does not have customers. The Directors consider that the Company is thus not required to make a slavery or human trafficking statement under the Modern Slavery Act 2015. The Board considers the Company's supply chains, dealing predominantly with professional advisers and service providers in the financial services industry, to be low risk in relation to this matter.

#### **Approval**

The Strategic Report was approved by the Board at its meeting on 18 February 2020. The Chairman's Statement together with the Investment Manager's Report form part of this Strategic Report.

**David Simpson**  
Chairman

18 February 2020

#### **Statement of Directors' responsibilities in respect of the Annual Report and Financial Statements**

The Directors are responsible for preparing the Annual Report and Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that complies with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

#### **Responsibility statement of the Directors in respect of the annual financial report**

The Directors confirm that to the best of their knowledge:

- the Financial Statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit [or loss] of the company taken as a whole; and
- the Strategic Report/Directors' Report include a fair review of the development and performance of the business and the position of the issuer, together with a description of the principal risks and uncertainties that they face.

The 2018 UK Corporate Governance Code also requires Directors to ensure that the Annual Report and Financial Statements are fair, balanced and understandable. In order to reach a conclusion on this matter, the Board has requested that the Audit Committee advise on whether it considers that the Annual Report and Financial Statements fulfil these requirements. The process by which the Audit Committee has reached these conclusions is set out in the Corporate Governance Statement in the full Annual Report. As a result, the Board has concluded that the Annual Report and Financial Statements for the period ended 31 December 2019, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position, performance, business model and strategy.

On behalf of the Board

**David Simpson**  
Chairman  
18 February 2020

#### **NON-STATUTORY ACCOUNTS**

The financial information set out below does not constitute the Company's statutory accounts for the period from 17 July 2018 to 31 December 2019 but is derived from those accounts. The statutory accounts will be delivered to the Registrar of Companies in due course. The Auditors have reported on those accounts; their report was (i) unqualified, (ii) did not include a reference to any matters to which the Auditors drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under Section 496 (2) or (3) of the Companies Act 2006. The text of the Auditors' report can be found in the Company's full Annual Report and Accounts at [www.mandg.co.uk/creditincomeinvestmenttrust](http://www.mandg.co.uk/creditincomeinvestmenttrust)

## Income statement

	Period from 17 July 2018 to 31 December 2019			
	Note	Revenue £'000	Capital £'000	Total £'000
Net gains on investments	8	-	3,593	3,593
Net losses on derivatives	8	-	(221)	(221)
Net currency losses		(19)	(78)	(97)
Income	3	4,530	-	4,530
Investment management fee	4	(678)	-	(678)
Other expenses	5	(706)	-	(706)
<b>Net return on ordinary activities before taxation</b>		<b>3,127</b>	<b>3,294</b>	<b>6,421</b>
Taxation on ordinary activities	7	(1)	-	(1)
<b>Net return attributable to Ordinary Shareholders after taxation</b>		<b>3,126</b>	<b>3,294</b>	<b>6,420</b>
<b>Net return per Ordinary Share (basic and diluted) [a]</b>	<b>2</b>	<b>2.55p</b>	<b>2.69p</b>	<b>5.24p</b>

[a] Return figures have been calculated using weighted average shares for the period 14 November 2018 to 31 December 2019.

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 below form an integral part of these Financial Statements.

## Statement of financial position

	as at 31 December 2019		
	Note	£'000	£'000
<b>Non-current assets</b>			
Investments at fair value through profit or loss	8	126,793	
<b>Current assets</b>			
Derivative financial assets held at fair value through profit or loss	8	523	
Other receivables	9	1,092	
Cash and Cash Equivalents	9	4,877	
		<b>6,492</b>	
<b>Current liabilities</b>			
Other payables	9	(1,053)	
<b>Total current liabilities</b>		<b>(1,053)</b>	
<b>Net current assets</b>		<b>5.439</b>	
<b>Total assets less current liabilities</b>		<b>132,232</b>	
<b>Net assets</b>		<b>132,232</b>	
<b>Capital and reserves</b>			
Called up share capital	10	1,300	
Share premium		28,229	
Special distributable reserve	11	99,000	
Capital reserve	10	1,968	
Revenue reserve		1,735	
<b>Total shareholders' funds</b>		<b>132,232</b>	
<b>Net Asset Value per Ordinary Share (basic and diluted)</b>	<b>2</b>	<b>101.72p</b>	

The notes below form an integral part of these Financial Statements.

Approved and authorised for issue by the Board of Directors on 18 February 2020 and signed on its behalf by:

David Simpson

Chairman

Company registration number: 11469317

## Statement of changes in equity

For the period from 17 July 2018 to 31 December 2019

	Note	Called up Ordinary Share capital £'000	Share premium £'000	Special distributable reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
<b>Balance at 17 July 2018</b>							
Initial public offering cost		-	(1,592)	-	-	-	(1,592)
Ordinary Shares issued during the period	10	1,300	128,839	-	-	-	130,139
Cancellation of share premium		-	(99,000)	99,000	-	-	-
Cancellation of share premium costs		-	(18)	-	-	-	(18)
Net return attributable to shareholders		-	-	-	3,294	3,126	6,420
Dividends paid	6	-	-	-	(1,326)	(1,391)	(2,717)
<b>Balance at 31 December 2019</b>		<b>1,300</b>	<b>28,229</b>	<b>99,000</b>	<b>1,968</b>	<b>1,735</b>	<b>132,232</b>

## Cash flow statement

	as at 31 December 2019	
	Note	£'000
<b>Cash flows from operating activities</b>		
Net profit before taxation		6,421
<b>Adjustments for:</b>		
Gains on investments	8	(3,593)
Losses on derivatives	8	221
Increase in other receivables		(1,092)
Increase in other payables		1,053
Overseas withholding tax suffered		(1)
Purchases of investments	8	(167,659)
Sales of investments	8	43,715
<b>Net cash inflow from operating activities</b>		<b>(120,935)</b>
<b>Financing activities</b>		
Issue of Ordinary Shares		130,139
Initial public offering costs		(1,592)
Cancellation of share premium costs		(18)
Ordinary dividend paid	6	(1,391)
Interest distribution paid	6	(1,326)
<b>Net cash inflow from financing activities</b>		<b>125,812</b>
<b>Increase in Cash and Cash Equivalents</b>	<b>9</b>	<b>4,877</b>
Cash and Cash Equivalents at the start of the period		-
Increase in Cash and Cash Equivalents as above		4,877
<b>Cash and Cash Equivalents at the end of the period</b>	<b>9</b>	<b>4,877</b>

## Notes to the Financial Statements

### 1. Significant accounting policies

The Company is a public limited company incorporated in England and Wales, with the registered office of Beaufort House, 51 New North Road, Exeter EX4 4EP.

The significant accounting policies, as set out below, have all been applied consistently throughout the period from 17 July 2018 (the date of incorporation) to 31 December 2019.

#### a) Basis of accounting

The 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 FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice) and the Statement of Recommended Practice issued by the Association of Investment Companies (SORP) in October 2019 "Financial Statements of Investment Trust Companies and Venture Capital Trusts".

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.

**b) Financial instruments**

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument.

Financial liabilities are classified according to the substance of the contractual arrangements entered into.

**Financial assets and liabilities**

All financial assets and liabilities are classified as at fair value through profit or loss (FVTPL), and are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar Debt instrument.

Changes in the fair value of financial instruments held at FVTPL and gains and losses on disposal are recognised as capital.

Financial assets and liabilities are offset in the statement of financial position only when there exists a legally enforceable right to set off the recognised amounts and the Company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

With the exception of some hedging instruments, other Debt Instruments not meeting conditions of being 'basic' financial instruments are measured at FVTPL.

Commitments to make and receive loans that meet the conditions mentioned above are measured at cost (which may be nil) less any impairment. They are recorded and disclosed at the date of the legal commitment and recognised upon funding.

Financial assets are derecognised only when (a) the contractual rights to the cash flows from the financial asset expire or are settled, (b) the Company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or (c) the Company, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

**Derivative financial instruments**

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in the Income Statement. Derivative returns are recognised as revenue or capital depending on their nature.

**Fair value measurement**

The best evidence of fair value is a quoted price for an identical asset in an active market. When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the market is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, the fair value is estimated by using a valuation technique.

**c) Impairment of assets**

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

**Non-financial assets**

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

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

**d) Tax**

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

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

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

**e) Income and expenses**

Interest from Debt Instruments is recognised as revenue by reference to the coupon payable adjusted to spread any premium or discount on purchase over its remaining life. Other interest income is recognised as revenue on an accruals basis. Income from investment funds is recognised in revenue when the right to receive it is established. Expenses not incidental to the purchase or sale of investments are recognised on an accruals basis and charged to revenue. Rebate of management fees incurred by investment funds managed by M&G Alternatives Investment Management Limited are recognised on an accrual basis as revenue or capital in accordance with the underlying scheme's distribution policy.

**f) Foreign currency**

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date.

Other exchange differences are recognised in profit or loss in the period in which they arise.

All gains and losses on the translation of foreign currency are recognised as revenue or capital in the Income Statement depending on the underlying nature of the transactions.

**g) Cash and Cash Equivalents**

Cash and Cash Equivalents are defined as cash and short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to insignificant risk of change in value.

They also include unfunded commitments on investments not classified under financial assets.

**h) Share capital and reserves**

**Called up ordinary share capital**

Called up ordinary share capital represents the nominal value of Ordinary Shares issued.

**Share premium**

Share premium represents the excess over nominal value of shares issued, net of expenses of the share issue, except where amounts have been cancelled in accordance with section 610 of the Companies Act 2006 and transferred to special distributable reserve.

**Special distributable reserve**

Share premium of £99,000,001 was cancelled on 12 February 2019 and transferred to the special distributable reserve, in accordance with section 610 of the Companies Act 2006. The Company may, at the discretion of the Board, pay all or part of any future dividends out of this special distributable reserve, taking into account the Company's investment objective.

**Capital reserve**

- Capital reserve reflects any:
- gains or losses on the disposal of investments;
- exchange differences of a capital nature;
- increases and decreases in the fair value of investments held at the period end.

This reserve can also be used for distributions by way of a dividend.

**Revenue reserve**

Revenue reserve reflects all income and expenditure which are recognised in the revenue column of the Income Statement and is distributable by way of dividends.

**i) Investment management fee**

Investment management fees are recognised on an accruals basis and are charged to revenue.

**j) Accounting judgements, estimates and assumptions**

The preparation of the financial statements requires the Directors to make judgements, estimates and assumptions that affect the amounts recognised in the financial statements. However, uncertainty about these judgements, assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Whilst estimates are based on best judgement using information and financial data available the actual outcome may differ from these estimates.

No significant judgements, estimates or assumptions have been required in the preparation of the accounts for the current period..

## 2 Returns and net asset value (NAV)

period from  
17 July 2018 to  
31 December  
2019

### Revenue return

Revenue return attributable to Ordinary Shareholders (£'000)	£3.126
Weighted average number of shares in issue during the period [a]	122,606,191
Revenue return per Ordinary Share (basic and diluted)	2.55p
Shares in issue at period end	130,000,001
Revenue available for dividend	2.40p

### Capital return

Capital return attributable to Ordinary Shareholders (£'000)	£3.294
Weighted average number of shares in issue during the period [a]	122,606,191
Capital return per Ordinary Share (basic and diluted)	2.69p

### Net return

Net return per Ordinary Share (basic and diluted)	5.24p
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### NAV per Ordinary Share

Net assets attributable to Ordinary Shareholders (£'000)	£132,232
Number of shares in issue at period end	130,000,001
Par value of shares in issue (£'000)	1,300
NAV per Ordinary Share	101.72p

a. Return figures have been calculated using weighted average shares for the period 14 November 2018 (date of IPO) to 31 December 2019.

## 3. Income

period from  
17 July 2018 to  
31 December 2019  
£'000

Income from investments	
Interest income from Debt Instruments	3,865
Distributions from investment funds	444
Management fee rebate	74
	4,383

### Other income

Interest from Cash and Cash Equivalents	147
	4,530

## 4. Investment management fee

period from  
17 July 2018 to  
31 December 2019  
£'000

Investment management fee	678
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## 5 Other expenses

period from  
17 July 2018 to  
31 December 2019  
£'000

Directors' fees	128
Legal fees	20
Printing and postage	23
Registrar's and secretarial fees	111
Admin fees	88
Broker fees	68
LSE block listing fee	78
Other	111
	627

### Auditors' remuneration:

- Audit services	58
- Non-audit services [a]	21
	706

In addition, non-audit service fees of £81,600 (including VAT) were paid to the auditor in the period in relation to the reporting accountant role for the Company's IPO, recognised in the share premium account.

## 6 Dividends

period from  
17 July 2018 to  
31 December 2019  
£'000

Revenue	
Period ended 31 December 2019: first interim interest distribution of 1.07p	1,391
	1,391
Capital	
Period ended 31 December 2019: first interim dividend of 1.02p	1,326
	1,326

Set out below are the total dividends in respect of the period, which forms the basis on which the requirements of Sections 1158-1159 of the Corporation Tax Act 2010 are considered.

period from  
17 July 2018 to  
31 December 2019  
£'000

First interim interest distribution of 1.07p for the period ended 31 December 2019	1,391
First interim dividend of 1.02p for the period ended 31 December 2019	1,326
	2,717

On 29 January 2020, the Board declared a second interim dividend of 1.65p per Ordinary Share (1.33p as an interest distribution and 0.32p as an ordinary dividend) totalling £2,145,000 which will be paid on 28 February 2020 to Ordinary Shareholders on the register on 7 February 2020. The ex- dividend date was 6 February 2020.

The second interim dividend has not been included as a liability in these financial statements.

## 7 Taxation on ordinary activities

Revenue Capital period from  
£'000 £'000 17 July 2018 to  
31 December 2019 £'000

Foreign tax	1	-	1
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The corporation tax rate was 19.0%. The tax charge for the year differs from the charge resulting from applying the standard rate of corporation tax in the UK for an investment trust company. The differences are explained below.

Revenue Capital period from  
£'000 £'000 17 July 2018 to  
31 December 2019 £'000

Net return on ordinary activities before taxation	3,127	3,294	6,421
Corporation tax at standard rate of 19.0%	594	626	1,220
Effects of:			
Net gains on investments	-	(683)	(683)
Net losses on derivatives	-	42	43
Irrecoverable overseas tax	1	-	1
Tax deductible interest distributions	(594)	-	(594)
Net foreign currencies losses	-	15	15
<b>Total tax charge</b>	<b>1</b>	<b>-</b>	<b>1</b>

As at 31 December 2019, the Company had unutilised management expenses of £nil carried forward. Due to the Company's status as an investment trust and the intention to continue to meet the conditions required to obtain approval in the foreseeable future, the Company has not provided deferred tax on capital gains and losses arising on the revaluation or disposal of investments.

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

as at 31 December 2019  
£'000

<b>Opening valuation</b>	<b>-</b>
<b>Analysis of transactions made during the period</b>	
Purchases at cost	167,659
Sale proceeds received	(43,715)
Gains on investments	3,372
<b>Closing valuation</b>	<b>127,316</b>
 Closing cost	125,083
Closing investment holding gains	2,233
<b>Closing valuation</b>	<b>127,316</b>

The company received £43,715,000 from investments sold in the period. The book cost of these investments when they were purchased was £41,832,000. 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 31 December 2019  
£'000

<b>Gains on investments</b>	
Net realised gains on disposal of investments	3,593
Net losses on derivatives	(221)
<b>Gains on investments</b>	<b>3,372</b>

as at 31 December 2019  
£'000

<b>Closing valuation</b>	
Investments at fair value through profit or loss	126,793
Derivative financial assets held at fair value through profit or loss	523
<b>Closing valuation</b>	<b>127,316</b>

#### 9. Other receivables, Cash and Cash Equivalents and other payables

as at 31 December 2019  
£'000

<b>Other receivables</b>	
Accrued income	1,005
Prepaid expenses	13
Management fee rebate	74
<b>Total</b>	<b>1,092</b>

<b>Cash and Cash Equivalents</b>	
Cash at bank	2,411
Amounts held at futures clearing houses	60
Cash on deposit	2,406
<b>Total</b>	<b>4,877</b>

<b>Other payables</b>	
Expenses payable	308
Management fee payable	678
Other payables	67
<b>Total</b>	<b>1,053</b>

#### 10 Called up share capital

Number of shares as at 31 December 2019  
£'000

<b>Ordinary Shares of 1p</b>	
Ordinary Shares in issue at the beginning of the period	-
Ordinary Shares issued during the period	130,000,001
<b>Ordinary Shares in issue at the end of the period</b>	<b>130,000,001</b>

The analysis of the capital reserve is as follows:

	Realised capital reserve £'000	Investment holding gains £'000	Total capital reserve £'000
Gains on realisation of investments at fair value	1,139	-	1,139
Realised currency losses during the period	(78)	-	(78)
Unrealised gains	-	2,233	2,233
Dividends paid	(1,326)	-	(1,326)
<b>As at 31 December 2019</b>	<b>(265)</b>	<b>2,233</b>	<b>1,968</b>

The above split in capital reserve is shown in accordance with provisions of the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts', 2019.

#### 11 Special distributable reserve

The share premium of £99,000,001 was cancelled on 12 February 2019 and transferred to the special distributable reserve, in accordance with section 610 of the Companies Act 2006. The Company may, at the discretion of the Board, pay all or part of any future dividends out of this special distributable reserve, taking into account the Company's investment objective.

#### 12 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 income statement, in note 4 and amounts outstanding at the period end are shown in note 9.

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 £14,018,558 and represented 10.81% of the Company's investment portfolio.

The Directors of the Company are related parties. The details of the fees payable to Directors and details of Directors' shareholdings are given in the Directors' Remuneration Report in the full Annual Report and Accounts. The balance of fees due to the Directors at the period end was £30,118.

#### 13 Financial instruments

In pursuing the Company's objectives, the Company accepts market price risk and interest rate risk, in relation to the portfolio of investments. Since the Company's investment objectives are to deliver returns over the long term, transactions with the sole intention of realising short-term returns are not undertaken.

The quantitative data disclosed is representative of the Company's exposure to risk throughout the period.

The AIFM attempts to gain the best and most consistent returns for clients via:

- a bottom-up approach, centred around a detailed evaluation of individual investments; and
- diversification across issuer to minimise the impact of default.

Portfolio management decisions are based on an in-house credit assessment and instrument rating which is carried out by the AIFM's credit analysts.

#### Market risk

Market risk embodies the potential for both losses and gains and includes foreign currency risk, interest rate risk and price risk, which are discussed in detail under separate headings within this note.

Market risk arises mainly from uncertainty about future values of financial instruments influenced by other price, currency and interest rate movements. It represents the potential loss the Company may suffer through holding market positions in investments in the face of market movements.

#### Management of market risk

The Board meets formally at least four times a year with the Investment Manager to review, inter alia, the Company's strategy and performance, the composition of the investment portfolio and the management of risk. The investment management team has responsibility for monitoring the portfolio, which is selected in accordance with the Company's investment objective and seeks to ensure that any investments meet an acceptable risk/reward profile.

#### Market risk arising from foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The fair values of the Company's monetary items which have foreign currency exposure at 31 December 2019 are shown below.

	Euro £'000	2019 US dollar £'000
Debtors	80	8
Investments	9,434	6,582
<b>Total foreign currency exposure on net monetary items</b>	<b>9,514</b>	<b>6,590</b>

The Company is exposed to risks that the exchange rate of its reporting currencies relative to other currencies may change in a manner which has an adverse effect on the value of the portion of the Company's assets which are denominated in currencies other than their own currencies. Typically the fund manager will substantially hedge these risks using foreign exchange forward contracts.

The following table illustrates the sensitivity of revenue and capital return on ordinary activities after tax and net assets attributable to Shareholders to an increase or decrease of 5% in exchange rates. A 5% increase in the value of the fund's currency exposure would have the effect of increasing the return and net assets by £797,000. A 5% decrease would have an equal and opposite effect.

	Increase in exchange rates 2019 £'000	Decrease in exchange rates 2019 £'000
<b>Income statement</b>		
Revenue return	(4)	4
Capital return	801	(801)
<b>Total change to net return on ordinary activities after tax</b>	<b>797</b>	<b>(797)</b>
<b>Change to net assets attributable to shareholders</b>	<b>797</b>	<b>(797)</b>

#### Market risk arising from interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company's investments may be subject to interest rate risk. When interest rates decline, the value of fixed rate obligations can be expected to rise, and conversely when interest rates rise, the value of fixed-rate obligations can be expected to decline. In general, if prevailing interest rates fall significantly below the interest rates on any Debt Instruments held by the Company, such investments are more likely to be the subject of prepayments than if prevailing rates remain at or above the rates borne by such investments.

Since the global financial crash there has been a sustained period of very low levels of central bank set interest rates. It is possible that central banks will raise their interest rates in the future. For investments that have a fixed rate of return, any such interest rate rises may negatively impact the returns on the investments and the returns realised by the investors.

The following table illustrates the sensitivity of revenue and capital return on ordinary activities after tax and net assets attributable to Shareholders to an increase or decrease of 2% in interest rates. As at 31 December 2019, the prevailing base rate was 0.75%. The decrease in interest rates illustrated below of 2% is reasonably possible based on observation of market conditions and historical trends. The sensitivity analysis is based on the Company's bond holdings at each reporting date, with all other variables held constant.

	Decrease in interest rates 2019 £'000	Increase in interest rates 2019 £'000
<b>Income statement</b>		
Revenue return	13	(13)
Capital return	2,633	(2,633)
<b>Total change to net return on ordinary activities after tax</b>	<b>2,647</b>	<b>(2,647)</b>
<b>Change to net assets attributable to shareholders</b>	<b>2,647</b>	<b>(2,647)</b>

#### Market risk arising from other price risk

Market price risk includes changes in market prices, other than those arising from interest rate risk, which may affect the value of investments.

The following table illustrates the sensitivity of revenue and capital return on ordinary activities after tax and net assets attributable to shareholders to an increase or decrease of 10% in the fair value of the Company's investments. This level of change is considered to be reasonably possible based on observation of market conditions and historical trends. The sensitivity analysis is based on the Company's investments at each reporting date, with all other variables held constant.

	Increase in fair value 2019 £'000	Decrease in fair value 2019 £'000
<b>Income statement</b>		
Revenue return	(63)	63
Capital return	12,679	(12,679)
<b>Total change to net return on ordinary activities after tax</b>	<b>12,616</b>	<b>(12,616)</b>
<b>Change to net assets attributable to Shareholders</b>	<b>12,616</b>	<b>(12,616)</b>

#### Liquidity risk

The Company invests in illiquid public and private debt instruments. Such investments may be difficult to value or realise (if at all) and therefore the market price that is achievable for such investments might be lower than the valuation of these assets and as reflected in the Company's published NAV per Ordinary Share.

The contractual maturities of the financial liabilities at the period end, based on the earliest date on which payment can be required are as follows:

	Three months or less 2019 £'000	Total 2019 £'000
<b>Creditors: amounts falling due within one year</b>		
Other creditors	1,053	1,053
	<b>1,053</b>	<b>1,053</b>

#### Credit risk

Credit risk is the risk that one party to a financial instrument or contract will cause a financial loss for the other party by failing to discharge an obligation. In the case of invested assets this is the potential for the reduction in the value of investments which relates to the risk of an issuer being unable to meet its obligations, whilst for trading activities this relates to the risk that the counterparty to any contract the firm enters into being unable to meet their obligations causing loss.

The Investment Manager maintains a credit risk policy and standards which set out the assessment and measurement of credit risk, compliance with which is monitored, and exposures and breaches are reported daily by the risk team. The policy is reviewed on an annual basis to ensure that it remains fit for purpose and relevant to changes in the risk environment.

Investment mandates specify explicitly the counterparty risk appetite for cash on deposit, foreign exchange and OTC trading whilst other counterparty risk is taken for the purposes of efficient portfolio management and reduction in risk.

#### Management of the risk is undertaken in the following way:

To mitigate this risk the AIFM follows the below process for private asset investments and monitoring.

- Preference for 'high-quality' rated counterparties, mainly banks with short-term A1/P1 ratings and banks rated A or better.
- Limited exposure to each counterparty to diversify risk.
- Collateral taken from counterparties and posted against their default where appropriate.
- Regular monitoring of counterparty rating.
- Capability to rapidly reduce exposure on adverse market intelligence.
- Trading on Delivery Versus Payment (DVP) basis.

#### Credit risk exposure

The following amounts shown in the statement of financial position, represent the maximum exposure to credit risk at the period end.

	Balance sheet 2019 £'000	Maximum exposure 2019 £'000
<b>Fixed assets</b>		
Investments held at fair value through profit or loss	126,793	126,793

<b>Current assets</b>			
Other receivables	1,092	2,222	
Cash and Cash Equivalents	4,877	38,966	
<b>Cash at bank and in hand</b>	<b>132,762</b>	<b>167,981</b>	

No debtors are past their due date and none have been written down or deemed to be impaired.

#### Fair values of financial assets and financial liabilities

All financial assets and liabilities are either carried at fair value or the amount in the statement of financial position is a reasonable approximation of fair value.

#### 14 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 level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

The determination of what constitutes 'observable' requires significant judgement by the Company. The Company considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary and provided by independent sources that are actively involved in the relevant market.

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

as at 31 December 2019

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
<b>Financial assets at FVTPL</b>				
Debt Instruments	-	96,068	16,706	112,774
Investment in funds	-	14,019	-	14,019
<b>Financial liabilities at FVTPL</b>				
Derivatives	154	369	-	523
<b>Net fair value</b>	<b>154</b>	<b>110,456</b>	<b>16,706</b>	<b>127,316</b>

#### Sensitivity of Level 3 holdings to unobservable inputs

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 securities are valued at the price of recent investment and some are priced by a single broker quote, which is typically the traded broker, who provides an indicative mark.

Please see below breakdown of the fair value Level 3 disclosure table as at 31 December 2019:

Valuation technique	Closing fair value
Discounted cashflow model	£978,824
Single broker	£3,790,167
Par value	£10,202,498
Recent transaction price	£1,734,345

#### 15 Capital commitments

There were outstanding unfunded investment commitments of £2,675,000 at the period end.

	£'000
Gate 2 1% 04 Jun 2021	275
Gate 1 1% 04 Jun 2022 (Senior)	245
Gate 1 1% 04 Jun 2022 (Junior)	223
Microfinance Enhancement 1% 08 Nov 2024	774
Sonovate Limited 1% 12 Apr 2021	560
Westbourne 2016 1 WR Senior 1% 30 Sep 2023	598
	<b>2,675</b>

#### 16 Capital management policies and procedures

The Company's capital management objectives are:

- to ensure that the company will be able to continue as a going concern; and
- to generate a regular and attractive level of income with low asset value volatility by investing in a diversified portfolio of public and private debt instruments.

The capital of the company consists of equity, comprising issued capital, reserves and retained earnings.

The board monitors and reviews the broad structure of the company's capital on an ongoing basis. This review includes the nature and planned level of gearing, which takes account of the Investment Manager's views on the market and the extent to which revenue in excess of that which is required to be distributed should be retained.

#### 17 Post period end events

On 29 January 2020 the Board declared a second interim dividend of 1.65p per share amounting to £2,145,000 which will be paid on 28 February 2020 to Ordinary Shareholders on the register on 7 February 2020.

#### Company information

##### Directors (all non-executive)

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

##### AIFM and Investment Manager

M&G Alternatives Investment Management Limited (MAGAIM)  
(Authorised and regulated by the Financial Conduct Authority)  
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  
(Authorised and regulated by the Financial Conduct Authority)  
20 Churchill Place, London E14 5HU

##### 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  
(Authorised and regulated by the Financial Conduct Authority)  
The Atrium, Cannon Bridge House, 25 Dowgate Hill,  
London EC4R 2GA

##### Solicitors

Gowling WLG (UK) LLP  
(Authorised and regulated by the Financial Conduct Authority)  
4 More London Riverside, London SE1 2AU

##### Auditor

Deloitte LLP

**Registrar and transfer office**

Link Asset Services  
Shareholder Services Department  
The Registry  
34 Beckenham Road, Beckenham, Kent BR3 4TU  
Telephone: 0871 664 0300  
(calls will cost 12p per minute plus network charges)  
Email: [enquiries@linkgroup.co.uk](mailto:enquiries@linkgroup.co.uk)  
Website: [www.linkassetservices.com](http://www.linkassetservices.com)

**Depository**

State Street Trustees Limited  
(Authorised and regulated by the Financial Conduct Authority)  
20 Churchill Place, London E14 5HU

**Custodian**

State Street Bank and Trust Company  
20 Churchill Place, London E14 5HU

**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)

**Glossary**

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

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

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

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

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

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

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

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

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

**CTA:** Corporation Tax Act.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**IRR:** Internal Rate of Return.

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

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

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

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

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

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

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

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

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

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

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

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

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

**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. The AIC shows NAV total return 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 isn't affected by movements in 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 policymaking and planning exercises.

**Official List:** The Official List (or UKLA Official List) is the list maintained by the Financial Conduct Authority (acting in its capacity as the UK Listing 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 depositary, custody and audit, as well as incorporating the ongoing charge figure from funds held in the portfolio (taking into account any rebates). The ongoing charges figure (as a percentage of shareholders' funds) is an annualised rate calculated using average net assets over the period in accordance with the Association of Investment Companies' (AIC) recommended methodology.

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

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

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

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

**Public:** Refers to assets that are listed on a recognised exchange.

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

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

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

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

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

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

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

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

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

**Swap:** A swap is a derivative contract where two parties agree to exchange separate streams of 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.

**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.

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Category Code: ACS  
TIDM: MGCI  
LEI Code: 549300E9W63X1E5A3N24  
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