



M&G Credit Income Investment Trust

May 2023

Marketing communication for investment professionals only

Regulatory Disclosures*

M&G Credit Income Investment Trust

Risks associated with the Company

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

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

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

What is the M&G Credit Income Investment Trust?

Trust features are compelling in today's economic backdrop



**Floating
rate structure**

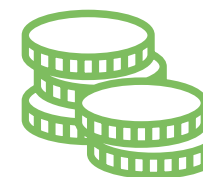
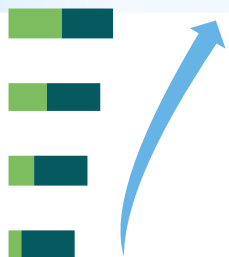
**Investment
grade quality**

**Low NAV
volatility**

**Diversifier to
public credit**

**Vast M&G
expertise**

**Cash+ stable
income stream**

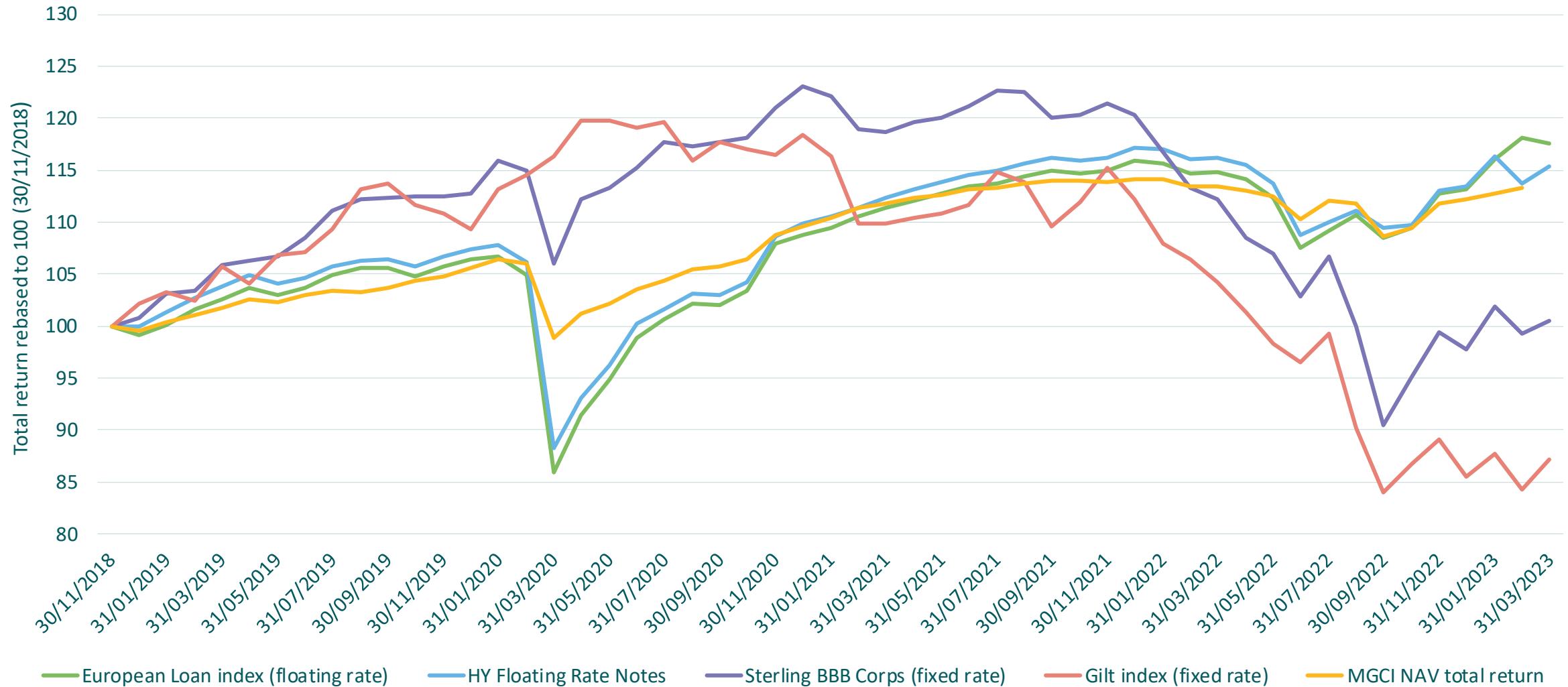


We aim to deliver floating rate, high yield-like returns with investment grade risk

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

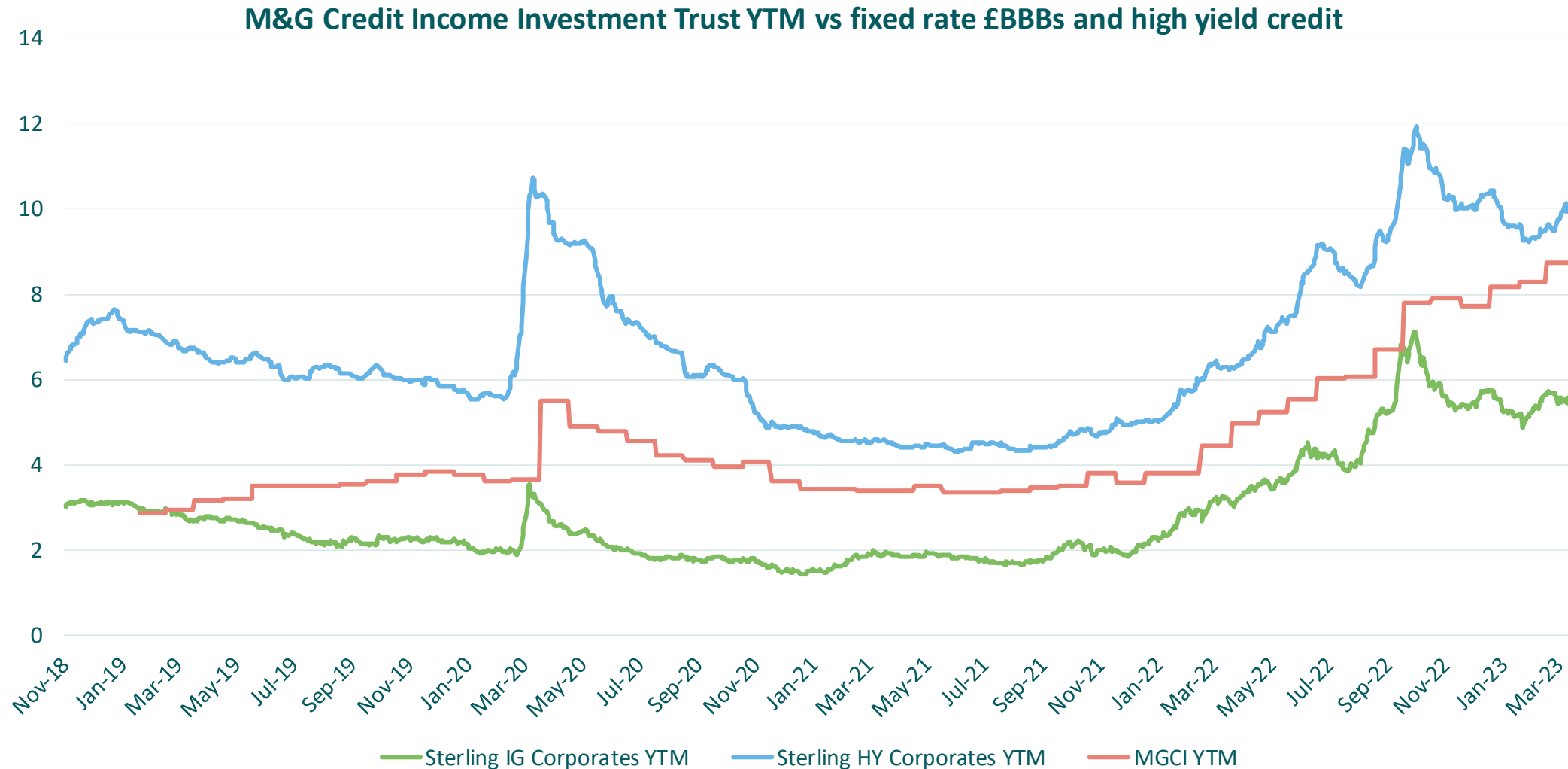


A trust that focuses on stable income streams



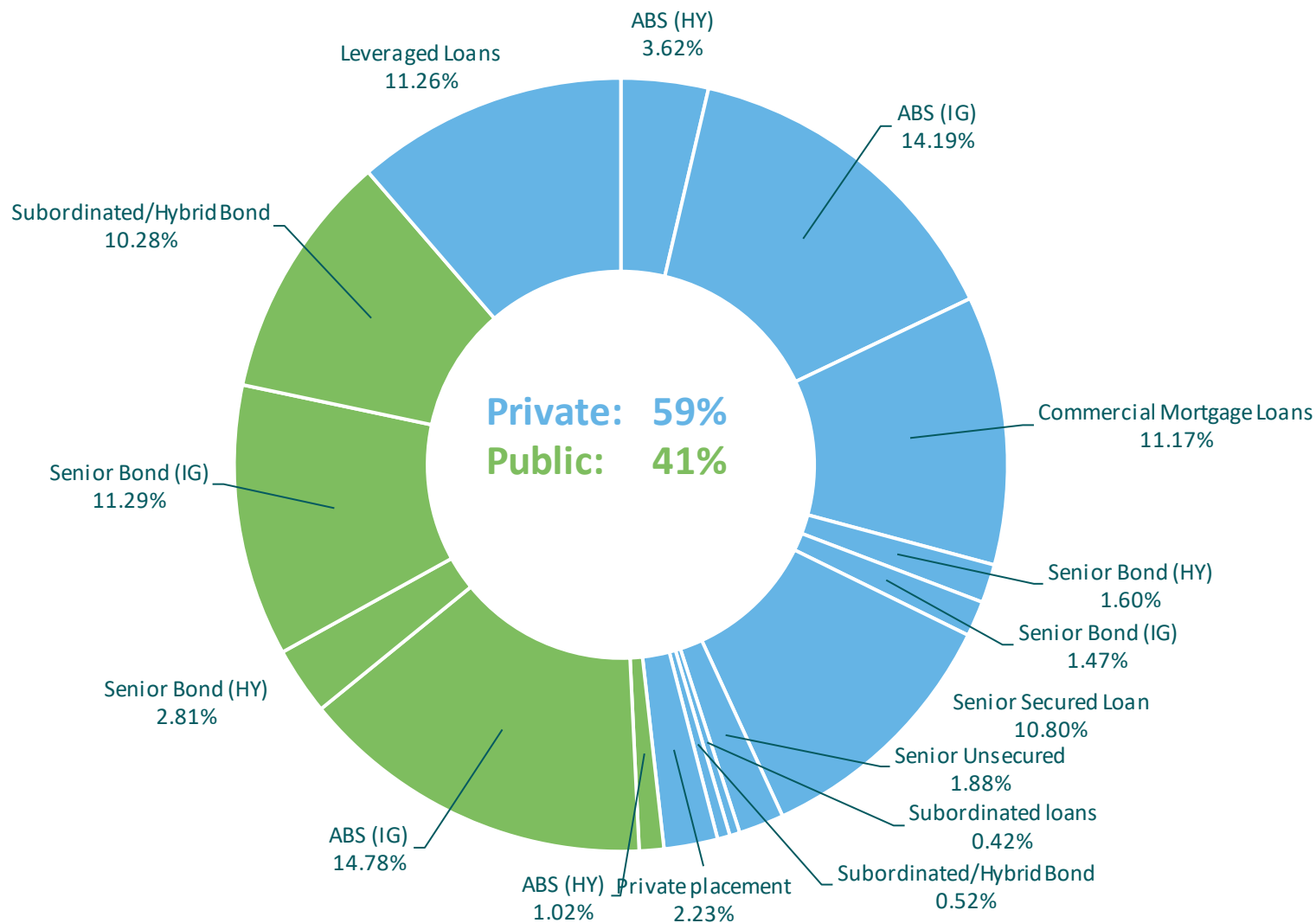
What does the trust do?

The trust provides high-yield like returns from **investment grade** assets



How do we aim to achieve our target return?

Create a diversified portfolio with a blend of public and private assets



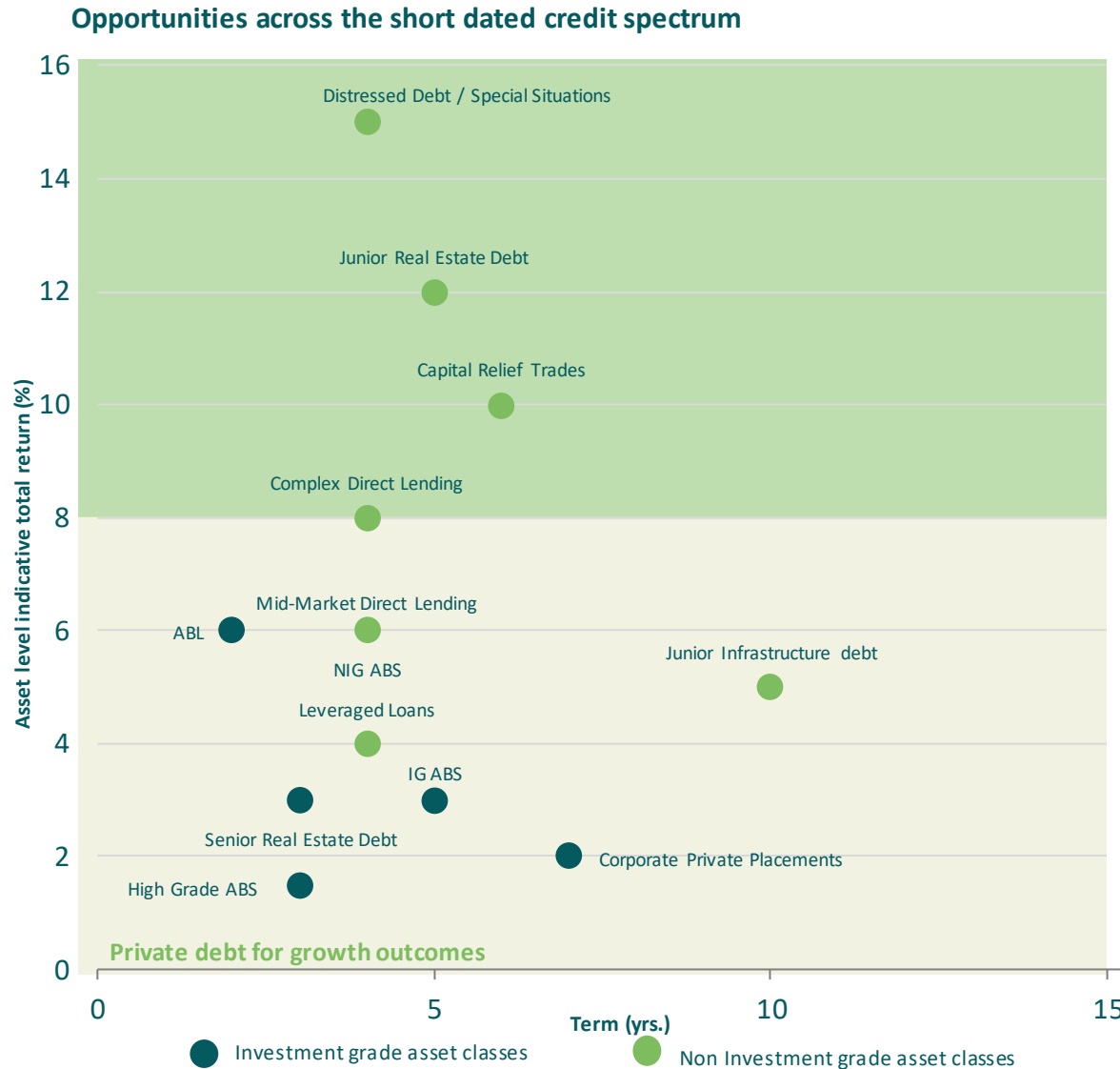
Past performance is not a guide to future performance

*Excluding: (i) the investment made to the M&G European Leveraged Loans Fund, (ii) 'D' rated exposure = 0.3%

Source: M&G, portfolio data as at 31 March 2023.

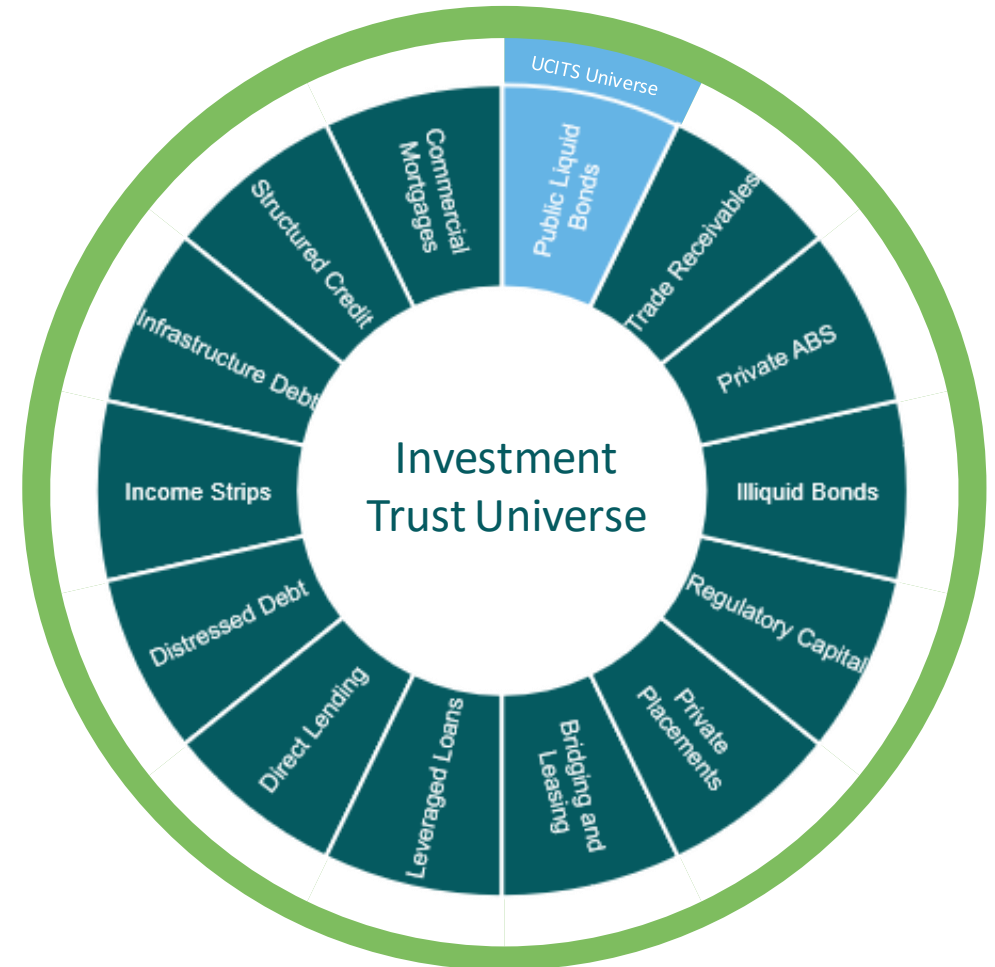
What differentiates the M&G Trust?

Private debt investment opportunities provide a wide variety of assets to build portfolios



Source: M&G, as at 31 October 2021. Indicative only.

The Investment Trust's investable universe



Private Transaction

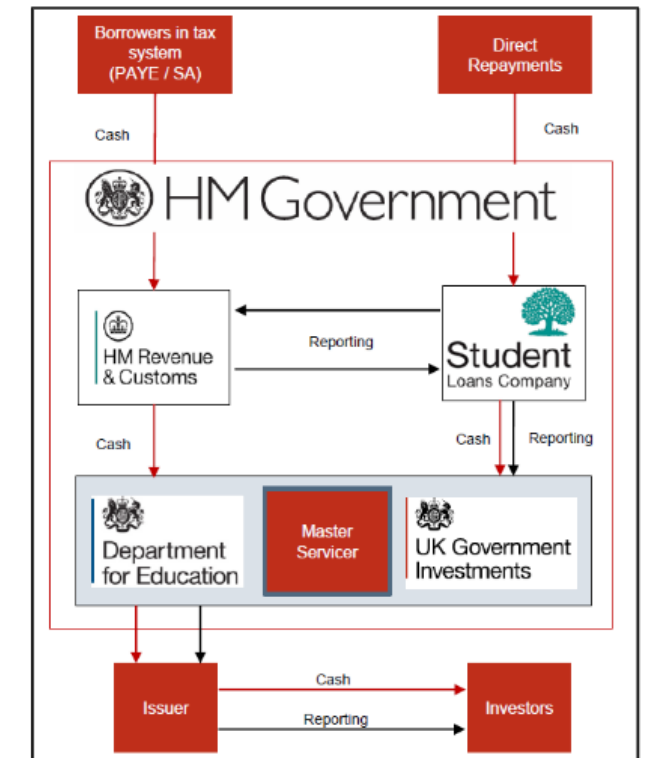
ICSL 2 B

- We hold £1.25m of ICSL 2 B, a quasi-private securitisation of UK student loans sponsored by the **Secretary of State for Education** in 2018. The transaction is an interesting piece of esoteric lending which acts as a good example of the type of income producing product that can be accessed with specialist credit expertise.

Year	Coupon	Nominal margin	RPI (year-on-year as of March of previous year)	M&G	Fitch	S&P
2019	4.75%	1.45%	3.30%	BBB-	BBB	BBB
2020	3.85%	1.45%	2.40%	BBB-	A	BBB
2021	4.05%	1.45%	2.60%	BBB-	A	BBB
2022	2.95%	1.45%	1.50%	BBB-	A	BBB
2023	10.45%	1.45%	9.00%	BBB+	A	BBB
2024	14.95%	1.45%	13.50%			

Source: Bloomberg, M&G plc

Strategy	Private
Issuance Type	Investment Grade ABS
CIIT Investment (GBP)	£1.25m
% of CIIT (as at 31/3/23)	0.8%
Key Aspects	- RPI referencing of the Class B bonds means that the next 2 coupons are 10.45% (Jul-2023) and 14.95% (Jul-2024) - The notes benefit from a high level of credit enhancement. - The pool has been positively selected by HMG (His Majesty's Government) - All compulsory repayments are collected by the HMRC through the PAYE or SA processes - Pays a coupon of RPI+1.45%
Date of Investment	4/12/18
M&G Credit Rating	BBB+
External Rating	S&P: BBB, Fitch: A



Corporate Direct Lending

Craft premium bakery & wholesaler

Investment Rationale

Opportunity	- Lending to the UK's largest artisanal bakery business, operating through a retail brand of high end neighbourhood bakeries and a premium wholesaler - Providing debt funding to support experienced sponsor backing a proven management team with significant equity injection
Business model	- Vertically integrated model delivers a higher quality, differentiated product offering vs. competitors, enabling menu flexibility, quality control and product innovation - Retail: Premium neighbourhood bakery offering superior quality bread and baked goods, coffee, and made-to-order hot food across 69 UK-based sites - Wholesale: UK's largest UK artisan bakery, (c.5x the size of its nearest competitor), selling handmade (sourdough bread, specialty bread, morning goods and pastries, cakes and sweets) and packaged (everyday / sliced bread, burger buns, hot dog buns, ciabatta, focaccia) to a diverse third party wholesale customer base as well retail sites.
Financial Profile	- Strong financial metrics, long term historical growth, and successful navigation of COVID - Demand for categories is strong; premium coffee, artisan products and baked goods continue to outstrip general market growth. "Best in class" operator with offering unmatched by competitors able to create unique EBITDA generation profile
Investor Protections	Maintenance covenants in place (gross leverage) through the loan life, call protection, and significant day-1 equity cheque from sponsor

Source: M&G, as at August 2021. ¹Fee paid by issuer, share received by funds will vary.



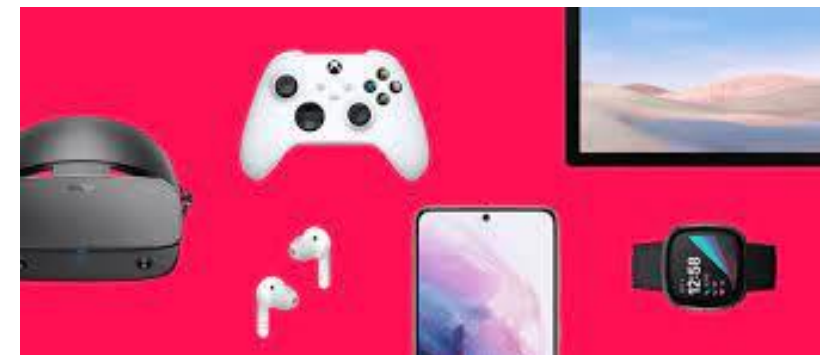
Key terms

M&G Total Investment	£75mn
M&G Rating	B+
Interest Margin	Sonia + 475bps
Upfront Fee	2.75% ¹
Tenor	7 years

Private Transactions

XxxX 2022 (A)

- We purchased £2.2m of the senior tranche in a bilateral securitisation with a leading European tech subscription platform offering customers a unique way of leasing tech products such as phones, tablets and laptops, but also extending to drones and cameras. The asset is rated A- and pays 1M Euribor +325bps.



Strategy	Private
Issuance Type	Senior secured bilateral loan
CIIT Investment (GBP)	£2.2m
% of CIIT (as at 30/6/22)	1.6%
Key Aspects	• Significant structural controls drive strong IG rating on senior tranche • High cash yield and excess spread to drive overcollateralisation; • M&G only facility which provides us with significant controls; • Customer default mitigated through a thorough underwriting process
Date of Investment	31/8/22
M&G Credit Rating	A-
External Rating	N/A

Recent Private Transactions

Project Winter

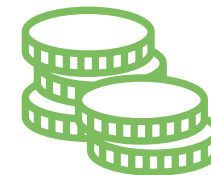
- We purchased £1m of the mezzanine loan in a commercial real estate transaction. The loan has a 72% LTV and is secured, paying a fixed coupon of 11.4% and is rated B internally.

Strategy	Private
Issuance Type	Junior Secured Term Loan
CIIT Investment (GBP)	£1m
% of CIIT (as at 31/3/23)	0.7%
Key Aspects	- Freehold office building ~60% let to Standard Chartered bank until 2037 – secure income to strong credit tenant - Refurbishment works contractually scheduled which will enhance “green building” credentials (key to attracting tenants) - BREEAM and EPC ratings are high and accord with current and future requirements, and likely to appeal to occupiers seeking buildings with “green” credentials. - Office market uncertainty mitigated by core City of London location - near multiple mainline rail and London Underground stations including access to the Elizabeth Line.
Date of Investment	16/3/23
M&G Credit Rating	B
External Rating	N/A

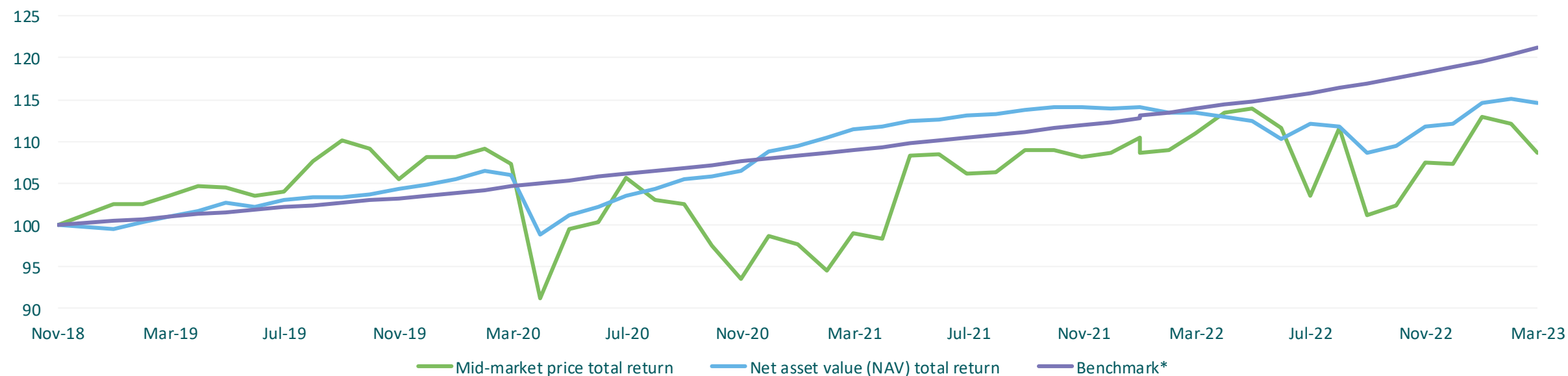


M&G Credit Income Investment Trust (MGCI)

Trust performance since inception



Total return



NAV total return (% p.a.)**	1 month	3 months	6 months	YTD	1 year	2 years	3 years	Since Inception***
M&G Credit Income Investment Trust (MGCI)	-0.42%	2.19%	5.60%	2.19%	1.12%	1.30%	5.08%	3.17%
Benchmark*	0.68%	1.92%	3.66%	1.92%	6.36%	5.27%	4.89%	4.48%

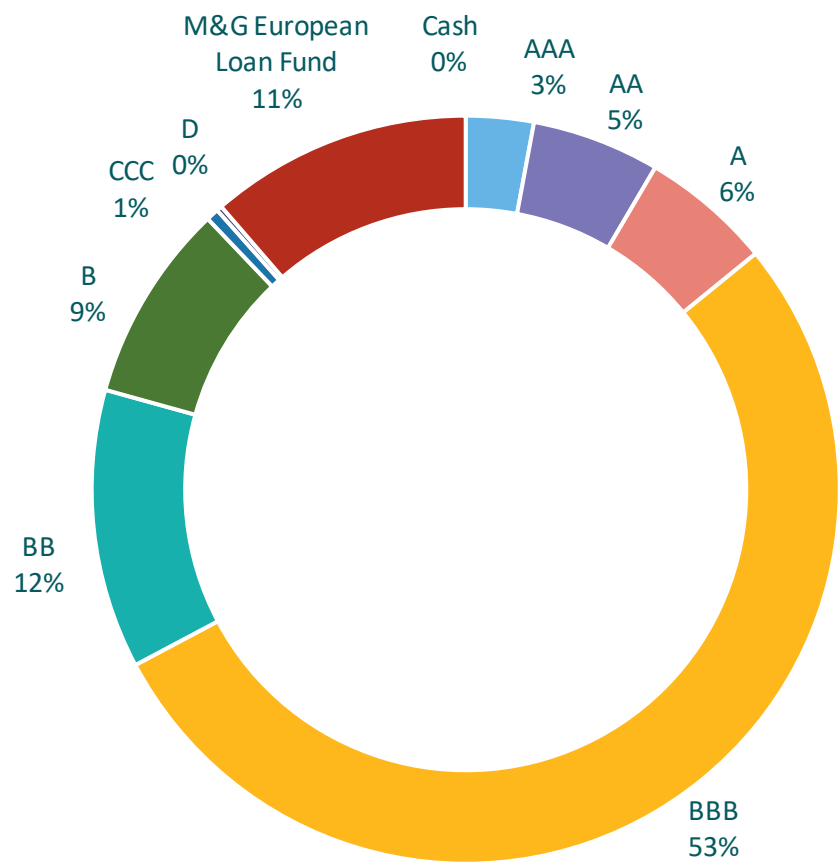
Calendar year NAV total return (% p.a.)**	2022	2021	2020	2019
M&G Credit Income Investment Trust (MGCI)	-1.74%	4.25%	3.75%	6.04%
Benchmark*	5.47%	4.09%	4.32%	3.34%

Past performance is not a guide to future performance

Source: M&G, 31 March 2023. * 3 Month Libor +2.5% from inception to 31/12/2019, 3 Month Libor + 4% from 1st January 2020 to December 2021, thereafter SONIA + 4%. **The total return calculation assumes that dividends paid to shareholders are reinvested at NAV at the time the shares are quoted ex-dividend. ***Trust inception 14 November 2018.

The UK's only fixed income investment trust with an overall investment grade rating

Create a diversified portfolio within credit ratings



Portfolio snapshot as at 31 March 2023

Name	Value
Number of Holdings	135
Yield to worst	9.11%
Weighted average coupon	6.6%
Modified duration	1.2
Spread duration	3.6
Weighted average life	4.5
Weighted average rating	BBB

Market Outlook

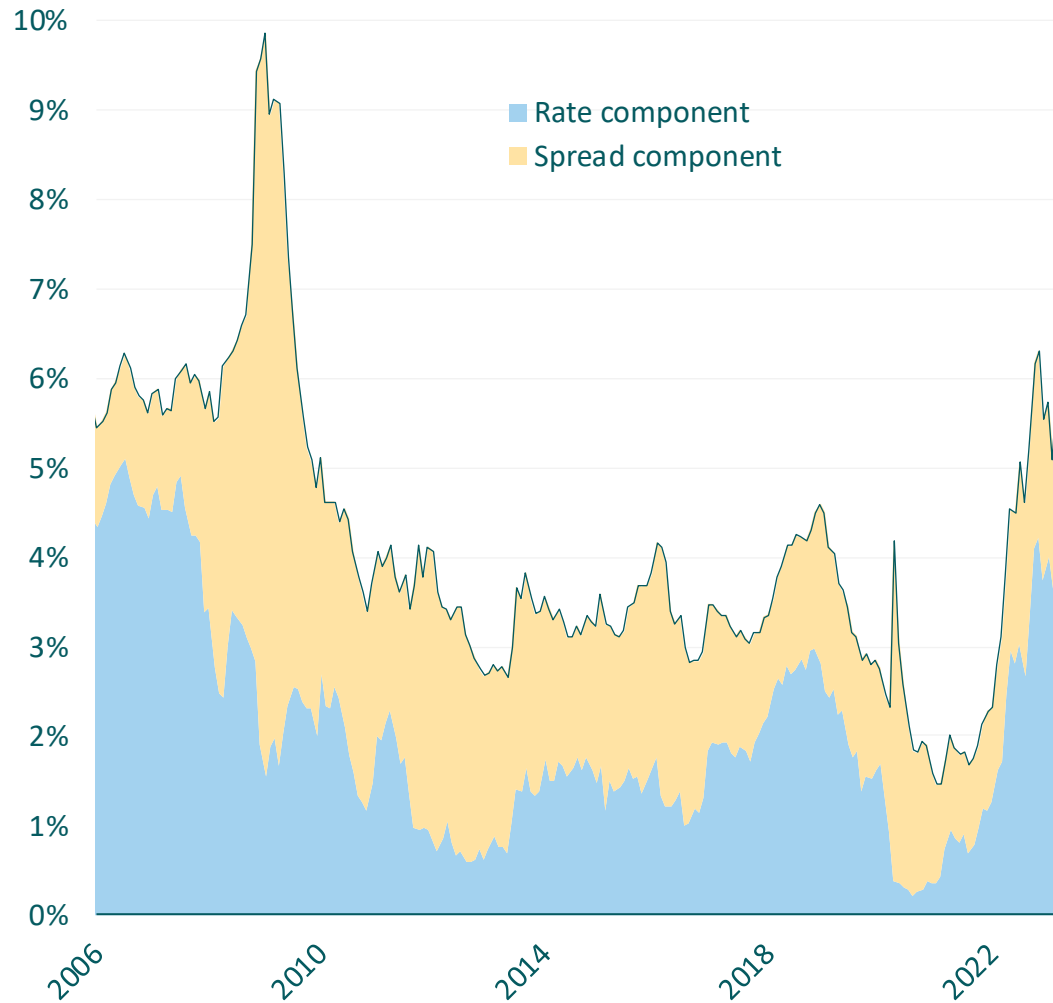


- Headwinds remain but the risk-adjusted returns offered by investment grade credit provide good downside protection and make this area of the market look attractive right now
- Technical elements (supply/demand imbalance, attractive all-in yields) remain supportive for credit spreads
- Growing dispersion in performance of European credit - selectivity and fundamental credit analysis now more important than ever
- Relative calm has returned to markets after banking turmoil in March – volatility and signs of market stress have eased
- Using volatility to source attractive opportunities

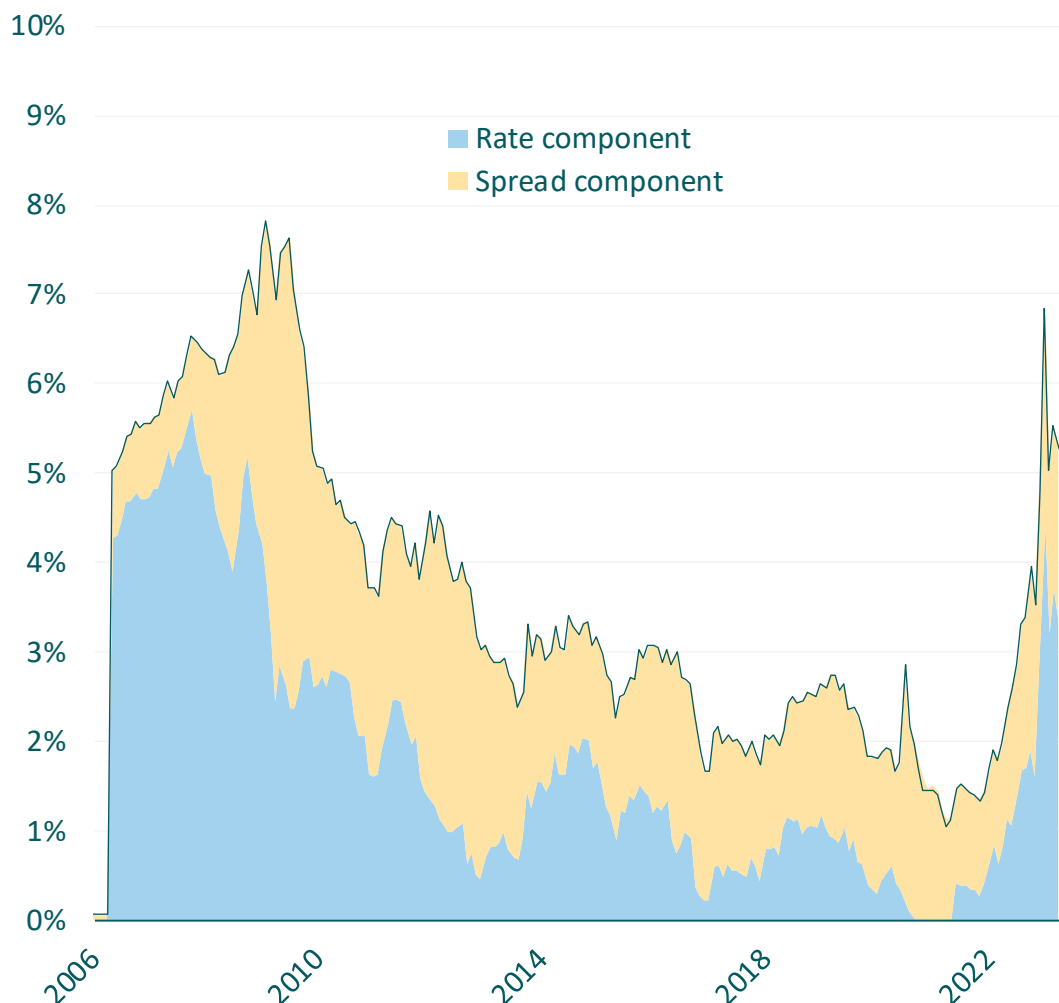
Corporate bonds yield are now the highest they have been in over 10 years

Investment Grade: yield components of US and UK credit

Investment Grade: yield components - 5 year treasuries and credit spread



Investment Grade: yield components - 5 year gilts and credit spread

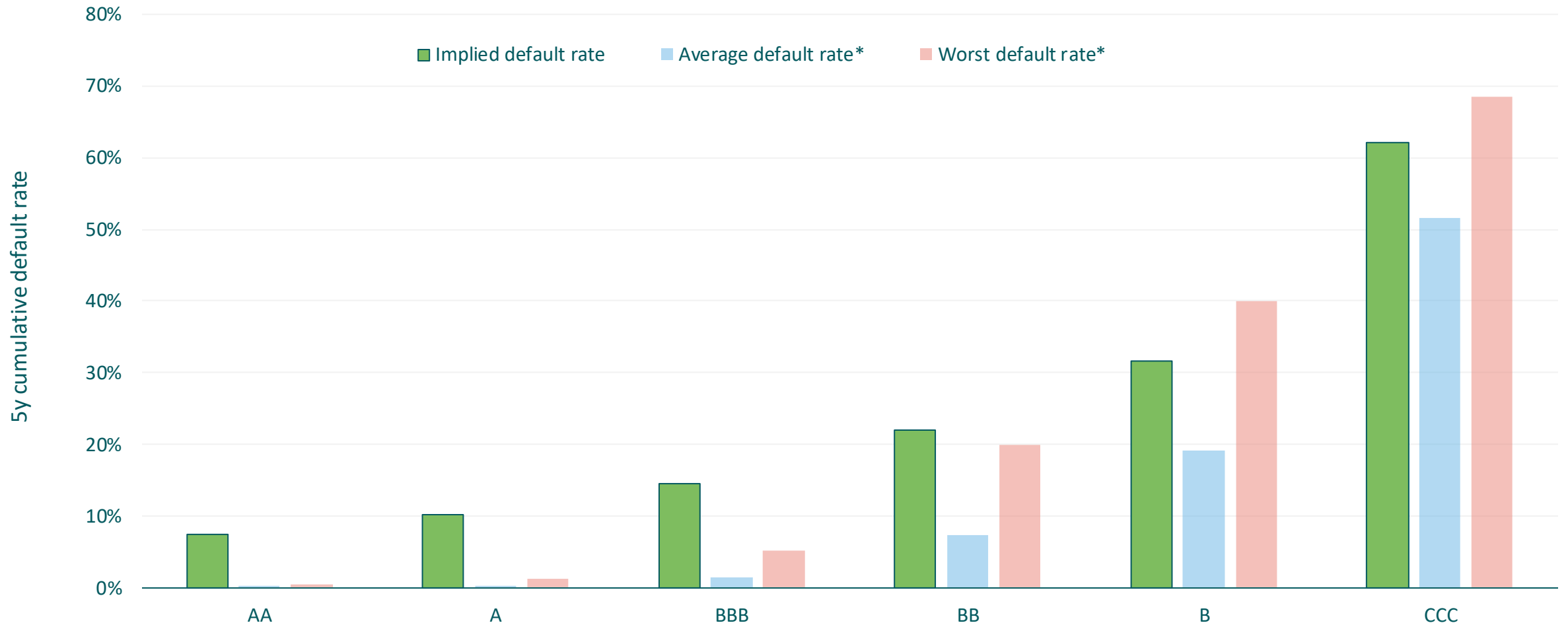


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Source: Bloomberg, 31 March 2023

IG credit now offering very attractive risk-weighted returns

Market pricing c.13% default rate for BBB bonds, whilst history tells us this is highly improbable



M&G Credit Income Investment Trust outlook



- Dividends to increase as SONIA rises in line with rates, mitigating rising inflation (70% of portfolio is floating rate)
- Focus on investing into BBB public corporates and higher quality ABS tranches
- Continue to add private assets where attractive returns are available – ability to invest across diverse range of public and private asset classes
- Paid down £25m debt facility: Maximum flexibility for future episodes of market volatility

Disclaimer

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