

# M&G Credit Income Investment Trust plc

Proposed initial public offering of shares in a new UK-listed investment trust that will target income from debt investments that are not easily accessible to individual investors

## Target long-term dividend

**LIBOR +4%**  
a year\*

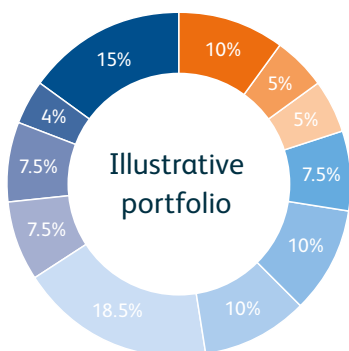
## Diversification

**100+** holdings\*\* | **≥70%** investment grade assets\*\*\*

## Experience

**24** years average relevant experience of fund managers | **122** credit analysts

The M&G Credit Income Investment Trust (“the Company”) aims to provide regular and attractive income with low asset value volatility by investing in a diversified portfolio of public and private credit opportunities, meaning a range of different types of lending to companies or governments.



- Unique opportunity to invest in private and illiquid assets not available in the standard UCITS format
- Long-term investment approach allows for a value approach across markets and cycles
- M&G has particular expertise in fixed income with c.£188 billion under management as at 30.06.18 split c.£151 billion in public and c.£37 billion in private credit

Asset	Different types of debt the company can invest in
10% Public liquid bonds	Publicly listed bonds usually issued by governments or companies (including high yield corporate bonds) which normally pay a fixed rate of interest over a given time period, at the end of which the bond is repaid.
5% Subordinated/hybrid debt	Debt which has similar features to an ordinary bond but has equity-like characteristics eg convertible bonds which can be influenced by movements of the stock into which it is convertible.
5% Public/private asset backed securities	Bonds which are secured against a pool of non-traditional assets such as credit card debt, auto loans or mortgage obligations.
10% Public illiquid bonds	Bonds which cannot be sold quickly in a secondary market and so offer greater returns to compensate for this illiquidity.
10% Private placements	A private alternative for raising capital made by businesses directly, with a select number of accredited lenders.
18.5% Commercial mortgages	Loans secured against commercial property.
7.5% Infrastructure debt	Financing for new and existing infrastructure projects including renewable energy and transport infrastructure.
7.5% Structured credit	For example, regulated capital trades which involve the purchasing of the higher-yielding element of a bank's corporate loan book.
4% Distressed debt	Distressed debt opportunities to companies going through a balance sheet restructuring.
15% Leveraged loans and direct lending	Senior secured loans to private equity owned companies, typically below investment grade, and loans provided directly to mid-sized UK businesses.

### 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 objectives will be achieved. The Company may be exposed to the possibility that a debtor will not meet their repayment obligations. Changes in interest rates may adversely affect the market value of some of the Company's investments. Loans may be prepaid by issuers at short notice, as a result it may be difficult for the Company to locate and reinvest capital at an attractive price or at all, which may affect the Company adversely. As shares trade via the secondary market, trading volumes may reduce, or shares may trade at a discount to their respective net asset value, due to a variety of factors, such as market conditions, liquidity concerns or fund performance. Shareholders may also be unable to realise their investment at quoted market prices or at all. Please note this is not an exhaustive list, you should ensure you understand the risk profile of the products or services you plan to purchase. This is an advertisement and any investment in the Company should only be made on the basis of information contained in the prospectus to be published by the Company and which will be available from the Company's registered office when published.

\*Target only and not a profit forecast and there can be no assurance that such a target will be met.

\*\*50 minimum/100+ expected.

\*\*\*Assets which have a credit rating of at least BBB- by S&P or Fitch or Baa3 by Moody's or, in the case of unrated assets, a comparable internal rating by M&G.

## Reasons to consider investing

- Access to investment in new asset classes, not previously available to retail investors which offer excess premia before wider market adoption
- **No strict sector or asset class allocations, nor redemption requirements, allowing for discipline, patience and flexibility**
- Information advantage through M&G's extensive **credit research and origination** capability, sourcing public and private assets that offer relative value
- Potential to enhance returns through gearing and use of revenue reserves to **smooth distributions to shareholders**

### Summary

Company name	M&G Credit Income Investment Trust plc
Listing	Premium segment of the Official List and Main Market of the London Stock Exchange
Investment objective	Aims to generate a regular and attractive level of income with low asset value volatility
Investment policy	Investing in a diversified portfolio of public and private debt and debt-like instruments
Geography	The Company will be invested primarily in sterling-denominated assets
Target long-term dividend	3m LIBOR + 4.0%* pa (3m LIBOR + 2.5% in the initial accounting period to 31.12.19)
Dividend policy	Semi-annual dividends paid until 31.12.19, then quarterly thereafter
Gearing policy	Used for tactical investment purposes and liquidity management (limit of 30% NAV, typically not expected to exceed 20% NAV)

Valuations/reporting	Monthly NAV calculation
Discount control	Liquidity window every five years and standard share buy-back authority ( $\leq 14.99\%$ annually)
Board	Chairman and three other NEDs
Target IPO size	£250 million Placing programme for up to 400 million ordinary/C shares for 12 months following prospectus publication
Management fee	70 bps per year of the prevailing NAV (discounted to 50 bps in the initial accounting period)
Issue price	100 pence
Timetable	Offer for subscription closes: 07.11.18 Intermediaries offer closes: 07.11.18 Placing closes: 08.11.18 Admission: 14.11.18

\*Target dividend during the initial accounting period to 31.12.19 of 3m LIBOR +2.5% annualised while assets are transitioned into long-term portfolio weightings. Target only and not a profit forecast and there can be no assurance that such a target will be met.

## Glossary

### 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.

### Convertible bonds

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

### 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.

### Dividends

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.

### 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. Also referred to as a bond.

### Gearing

Is the level of a company's debt in relation to its assets.

### 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, ie 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.

### 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 found mostly in the United Kingdom. Investment trusts are closed-end funds and are constituted as public limited companies.

### 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.

## Glossary (continued)

### Liquidity

A company's shares are considered highly liquid if they can be easily bought or sold since large amounts are regularly traded.

### Net asset value (NAV)

A fund or company's net asset value is calculated by taking the current value of the fund or company's assets and subtracting its liabilities.

### 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 organization, but is involved in policymaking and planning exercises.

### Volatility

The degree to which a given security, 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.

## Contact

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