M&G Credit Income Investment Trust plc (MGCI)
Quarterly Review

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M&G CREDIT INCOME INVESTMENT TRUST PLC

(the "Company")

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Quarterly Review

The Company announces that its quarterly review as at **31 March 2025** is now available, a summary of which is provided below. The full quarterly review is available on the Company's website at:

https://www.mandg.com/dam/investments/common/gb/en/documents/funds-literature/credit-income-investment-trust/mandg_credit-income-investment-trust_quarterly-review_gb_eng.pdf

Market Review
Financial markets experienced significant turbulence and volatility in the first quarter of 2025, as investors reacted to President Trump's tariff campaign, fiscal policy shifts in Europe and a ground-breaking new Chinese AI model. Economic growth in most major economies slowed considerably, reflecting the impact of uncertain global trade policies and fluctuating market conditions, and despite moderating, inflation in major economies remained above central bank targets. The US economy experienced a deceleration, with GDP growing at an annual rate of 2.4% from October to December, down from 3.1% in the prior quarter. In the UK, GDP grew by 0.1% in the fourth quarter of 2024 after remaining stagnant in the third quarter. Companies began reporting higher prices and waning demand, echoing a number of economists' forecasts which highlighted the growing risk of stagflation and rising odds of recession. Reflecting the spike in negative sentiment, in March US consumer confidence fell to the lowest level in four years as economic concerns and economic policy uncertainty took its toll.

The America First Policy Directive of the Trump administration also saw the suspension of all military US aid to Ukraine whilst numerous negative soundbites cast doubt on the US's willingness to defend its NATO allies. This prompted a drastic reprioritisation of defence spending in Europe with direct implications for greater government borrowing by EU bloc members. Germany announced a historic fiscal package and debt brake change which will allow for higher defence and infrastructure spending and is expected to stimulate economic growth and address the country's contracting economy. 10-year bund and gilt yields both reached their highest levels in over a year, with the former experiencing its sharpest one day sell-off since German reunification in 1990. The most notable event of the quarter in the UK was Chancellor Rachel Reeves' Spring Statement. In contrast to the Autumn budget, it was largely positively received by markets, containing substantial spending cuts.

Manager Commentary
In the first quarter of the year the Company delivered a NAV total return of +1.36% compared to the +2.13% returned by the benchmark. Underperformance was driven by a softening in credit which saw spreads widen over the period, as markets digested tariff implications and expectations for weakening growth resulting from a global trade war. Despite this, the portfolio performed approximately in line with the ICE BofA 1-3 Year BBB Sterling Corporate Index (+1.54%), whilst outperforming both the BofA Sterling Corporate and Collateralised Index (+0.54%) and the ICE BofA European Currency Non-Financial High Yield 2% Constrained Index (+0.69%).

After a positive start to the year, credit spreads moved consistently wider from February onwards as risk-off sentiment took hold. However, such widening should be viewed in the context of longer-term historical levels, with credit spreads only retracing the grind tighter we saw in late 2024, having reached post-GFC tights in January of this year. We have started to see more daily volatility, with the tariff headlines creating notable uncertainty and the credit markets generally feeling nervous despite remaining orderly. However, the lack of more severe price action during the quarter suggests market participants are still presuming that through negotiations the worst of the tariffs can be avoided and indeed we are far from episodic levels despite the steady bleed wider in credit spreads.

Despite the volatility in public bond markets, having come into the year defensively positioned (as we have been for some time on relative value concerns), we were happy to maintain our focus on deploying capital into private assets, investing £7m across 4 assets during the quarter. Two of these were taps of existing facilities which we know well: A securitised note backed by an agricultural lending programme and a senior floating rate tranche in a microfinance debt fund backed by DFIs (Development Finance Institutions) where we took the opportunity to upsize our holding. The third was a Direct Lending loan to a UK hospitality chain which operates all-day cafes, bars and restaurants across the UK. We also deployed an additional £3m into the M&G European Loan fund as we like the defensive characteristics provided by diversification in the underlying portfolio whilst the vehicle also gives access to the the return benefits available in the leverage loan market.

During the quarter, the Company increased its market cap by £6.5m following a successful placing and retail share offering. We have initially invested the additional cash into the AA-rated M&G Investment Grade ABS fund whilst we wait for a number of private transactions which we have already indicated appetite for, to fund in Q2.

Outlook
After decades of relatively stable geoeconomics, characterised by increasing globalisation, recent political developments represent a rather seismic paradigm shift, ushering in a new phase of what can be termed "geoeconomic fragmentation". The trade and defence policy shifts of the Trump administration have upended the well established international order, enacting a global economic realignment which is seeing historical alliances reshaped. The already rapid escalation of President Trump's tariff war has seen a notable weakening in US equity and credit, with uncertainty on the extent of the tariffs and the scope of retaliatory action, spooking investors and causing market volatility to spike. Financial markets are still in the nascent stages of comprehending the impact to global trade and what shape the new world order will take, however the chaotic policy "yo-yoing" from the US makes assessing this with any degree of accuracy virtually impossible at this point in time.

Whilst the longer term consequences of tariff tremors and the extent to which second order effects will ripple through the broader economy are difficult to quantify, when it comes to investing in credit we will continue to follow the same fundamentally driven, bottom-up and value-based investment approach we always have. Within this framework we will look to deploy capital into assets we expect to perform and be resilient through any market cycle. Whilst tariff uncertainty adds a complex dynamic to such an assessment, our experience in credit markets and deep internal research capability leaves us well positioned to navigate these choppy waters. We would note, however, that despite recent spread widening (and a more notable acceleration post the quarter end following the sweeping tariff hikes announced on "Liberation Day"), viewed over a longer term horizon, public sterling credit is still screening expensively and there remains a distinct lack of compensation for default risk currently priced into investment-grade credit spreads. Our expectation for wider macro uncertainty to continue to weigh on markets means we intend to keep the portfolio defensively positioned in the near term. Should credit spreads continue to widen, we may be presented with an attractive re-entry point to reengage meaningfully with the public market, should the returns on offer move slowly into alignment with our own views of relative value.

We believe that during times of market volatility our flexibility in being able to invest across the breadth of both public and private markets can be a powerful differentiator in generating what we feel are the most attractive risk-adjusted returns for our shareholders. We begin 2025 with a healthy and diverse pipeline of private investment opportunities which we hope to add to the portfolio in the coming months. Should further market volatility give rise to attractive opportunities, we have access to a £25m credit facility and a further £32m invested in two AAA/AA-rated, daily dealing ABS funds, ready to be reallocated.

MUFG Corporate Governance Limited
Company Secretary

29 April 2025

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The content of the Company's web-pages and the content of any website or pages which may be accessed through hyperlinks on the Company's web-pages, other than the content of the Update referred to above, is neither incorporated into nor forms part of the above announcement.

For further information in relation to the Company please visit: https://www.mandg.com/investments/private-investor/en-gb/investing-with-mandg/investment-options/mandg-credit-income-investment-trust

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