CVC Credit Partners European Opportunities Limited

CVC Credit Partners

Summary

CVC Credit Partners European Opportunities Limited (the "Company") is a Jersey closed-ended investment company limited by shares.

The Company's shares are traded on the Main Market of the London Stock Exchange (LSE).

The Company's investment policy is to invest predominantly in companies domiciled, or with material operations, in Western Europe across various industries. The Company's investments are focused on Senior Secured Obligations of such companies, but investments are also made across the capital structure of such borrowers.

The Company invests through Compartment A of CVC European Credit Opportunities S.à r.l. (the "Investment Vehicle"), a European credit opportunities investment vehicle managed by CVC Credit Partners Investment Management Limited.

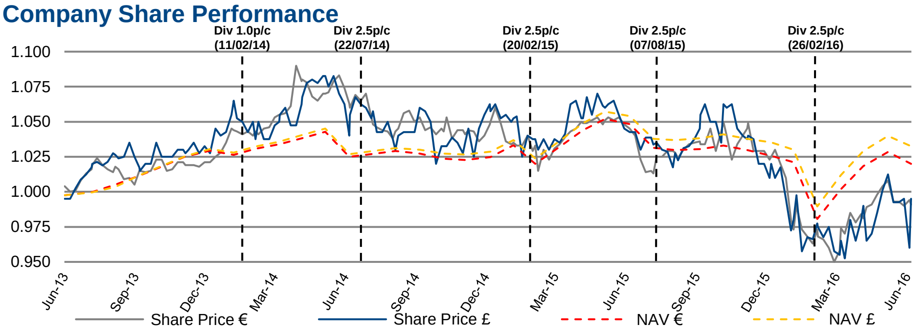
Company NAV Total Return Performance[4] (since inception)

EUR Share	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2016	-0.4%	-1.6%	2.2%	1.6%	1.0%	-0.8%							**1.9%**
2015	0.8%	1.2%	1.2%	1.2%	0.8%	-0.4%	0.8%	-0.2%	0.1%	0.2%	-0.3%	-0.4%	**5.1%**
2014	0.7%	0.4%	0.3%	0.4%	0.4%	0.7%	0.2%	0.2%	-0.2%	-0.3%	-0.1%	0.2%	**3.0%**
2013							0.2%	0.5%	0.6%	0.7%	0.7%	0.4%	**3.2%**

GBP Share	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2016	-0.5%	-1.5%	2.3%	1.7%	1.0%	-0.7%							**2.2%**
2015	0.8%	1.2%	1.2%	1.2%	0.8%	-0.3%	0.8%	-0.1%	0.1%	0.3%	-0.3%	-0.2%	**5.6%**
2014	0.7%	0.4%	0.3%	0.5%	0.4%	0.6%	0.2%	0.2%	-0.1%	-0.3%	-0.1%	0.2%	**3.3%**
2013							0.2%	0.4%	0.8%	0.7%	0.7%	0.5%	**3.3%**

[4] NAV Total Return includes dividends reinvested

Company Share Performance



Investment Vehicle Manager Market & Portfolio Commentary

The full implications of the UK's vote to leave the European Union (EU) will not be fully known for a number of years. This uncertainty alone is likely to have some negative economic effects across global growth (and in particular the UK) as investment decisions may be stalled. A government reshuffle at Downing Street, the possibility of an increase in fiscal austerity, and an increased risk of Scotland leaving the UK demonstrate the ramifications of the vote. Commentators have suggested that the UK's departure from the EU will be on unfavourable terms to discourage similar moves from other European nations, for whom an EU exit could have more dramatic consequences for the global economy.[a]

The market impact leading into the end of June was meaningful - sterling fell 10% against the dollar over the year and 7% over the quarter. Government bonds continued to grind tighter with the UK 10-year gilt yield down very sharply to 0.9% having started the year close to 2%, and the quarter at 1.4%. The US and Bund have followed with the US 10-year ending the month at 1.47% (38bps tighter than the start of the month) and the 10-year Bund providing a negative yield.[b]

The European Central Bank (ECB) continues to stand behind the European recovery, and its bond purchase programme should help limit financial contagion from the Brexit vote. Risk of political contagion is hard to judge, but a recent Ipsos MORI poll showed that less than 50% of people in Italy, Spain, France and Germany would support an exit from the EU.[c] With unemployment still high, but falling, and credit demand and supply improving, the European economic recovery appears to still be in the relatively early stages. Brexit means growth will be weaker than otherwise anticipated and the baseline scenario remains that the Eurozone will continue to grow.

Across Performing Credit, new-issue volume for 2016 is significantly down year on year. Combined loan and bond issuance amounted to €54.2bn, according to S&P, split €30.2bn from loans and €24.0bn from bonds. This compares to €83.8bn in the same period 2015, split €38.1bn from loans and €45.8bn from bonds - 35% behind 2015 volumes. New-issue European Term Loan yields peaked in April 2016 at just over 6% for single-B transactions however, as of late June 2016, the average yield dropped back to 5.5%. Much of the yield compression in H1 2016 was due to refinancings and opportunistic deals from strong borrowers, who were able to clear with c. 4% yield, whereas most new buyouts had to pay upwards of 5-6% by the close of Q2 2016. Driven by ECB policy stimulus, H1 2016 new-issuance was dominated by low yielding double-Bs clearing in the 350bps range. Single-Bs followed the tightening theme where the 3-month average yield ended the quarter at 5.79% - a record low and an 87bps fall from Q1 2016.[d]

Credit Opportunities has seen a relatively slow start to the year given the volatility of the credit markets. Disposition activity remained focused on assets which had not cleared in 2015 and on situations which had already moved to stressed / distressed buyers in previous quarters. The volatility across the Credit Opportunities segment was most acute in February and in June, as fluctuations in energy prices and events surrounding Brexit were followed by significant mark to market moves, on the back of very little trading activity. This price instability emphasised the stress on the credit markets and the pricing risk created by the lack of liquidity.

The Credit Suisse Western European HY Index was down with a return of -0.46% for the month, but up +3.48% year to date. The CS Western ELLI was down with a return of -0.60% for the month and up +2.28% year to date.

As discussed in previous monthly reports, going into June the Investment Vehicle Manager had adopted a more conservative approach to positioning. Expectations were that if Brexit did not happen, the market would not move significantly higher however, if it were to occur, there would be an initial mark to market movement in both GBP assets and those within the Credit Opportunities segment of the portfolio. Positioning into the vote included:

(i) increased exposure to European Performing Credit as the market technical remained evenly balanced;

(ii) increased cash balances towards the end of the month to allow the portfolio to take advantage of the anticipated volatility;

(iii) focusing GBP exposures predominantly within the Performing Credit strategy (in leading domestic exposures as well as large cross border transactions) with issuers with strong credit fundamentals; and

(iv) maintaining limited exposure to fixed rate, liquid, high yield assets – in particular USD cross border positions which the Investment Vehicle Manager anticipated would see risk off sentiment to European credits as uncertainty persisted.

The immediate post-Brexit market movements were in a very illiquid environment where broker dealers pulled marks back on little to no trading. The portfolio responded as anticipated under a Brexit scenario with GBP Performing Credit names being marked back anything from 1-2 points and Credit Opportunities seeing some larger moves, one of which drove a large percentage of the negative performance through the period. All GBP positions continued to hold a solid fundamental credit thesis given their global cross border cashflows, or as clear leaders within the domestic market. As of writing this note, the portfolio has recouped the mark-to-market losses associated with the event and more.

Through active management of the Performing Credit segment of the portfolio in 2016 the Investment Vehicle Manager has increased the cash income of the segment with core income yields increasing to 5.6% by the end of June versus 5.4% as at the start of the year.

The weighting of the Credit Opportunities segment of the portfolio closed the quarter at 48% versus 45% at the start of the year. Despite the low activity in the period, the portfolio did add to this segment in existing positions collated in the last 12-18 months. The Investment Vehicle Manager believes that it has positioned the portfolio well within this segment across a number of names trading at discounts which carry near term exit horizons which will drive strong underlying fund performance in 2016. As the momentum across the Credit Opportunities segment has continued to build, the Investment Vehicle Manager has increased the portfolio's exposure, which now provides a weighted average yield of 10.7% in June versus 10.9% at the start of the year.

The on-going themes of bank focusing on capital ratios through asset disposition and the institutional loan market filling the funding requirements across performing and opportunistic credit continues and the Investment Manger continues to build on its pipeline across the strategy.

Floating rate instruments comprised 90.2% of the portfolio. Current yield at month-end was 6.9%.

June 2016

Share Price & NAV at 30 June 2016

	EUR	GBP
Share Price[1]	0.9910	0.9950
NAV[2]	1.0199	1.0325
Total Net Assets[3]	167,128,465	270,456,296
Market Capitalisation	162,393,672	260,631,663

[1] Share price provided as at the closing month-end market mid-price
[2] Opening NAV was 0.997, after initial costs
[3] Includes the impact of the utilisation of the Investment Vehicle's leverage facility and its currency hedging strategy in relation to the underlying portfolio

Company Information

Vehicle Type	Closed-ended investment company
Domicile	Jersey
Inception Date	25 June 2013
Market	London Stock Exchange
LSE Identifier	EUR CCPE
	GBP CCPG
ISIN Code	EUR JE00B9G79F59
	GBP JE00B9MRHZ51
Website	www.ccpeol.com

Investment Vehicle Key Portfolio Statistics

Percentage of Portfolio in Floating Rate Assets	90.2%
Percentage of Portfolio in Fixed Rate Assets	9.8%
Weighted Average Price[5]	87.9
Yield to Maturity[8]	8.3%
Current Yield	6.9%
Weighted Average Fixed Rate Coupon[8]	8.1%
Weighted Average Floating Rate plus Margin	5.2%

Note: All metrics exclude cash unless otherwise stated
[5] Average market price of the portfolio weighted against the size of each position

Assets Classification by Pricing Category (Q2'16)

Markit Pricing Service	87%
Broker Quotes	13%
Model Price	0%

Contacts

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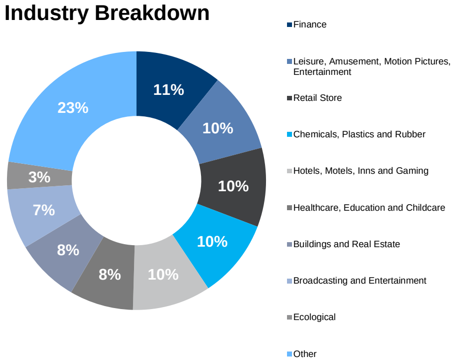
Note: Disclaimer overleaf

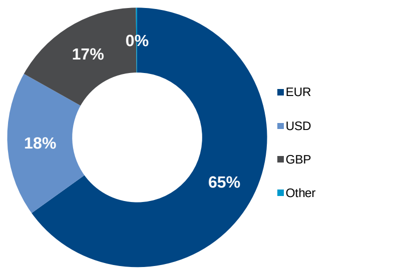
[a] The Telegraph – "What happens now the UK has voted Brexit – and what is Article 50?"
[b] Bloomberg Markets data
[c] Ipsos MORI Brexit Poll – May 2016
[d] S&P LCD European Quarterly Wrap - Q2 2016

Investment Vehicle Portfolio Statistics (as at 30 June 2016)[3]

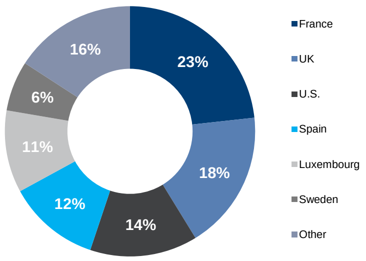
Industry Breakdown



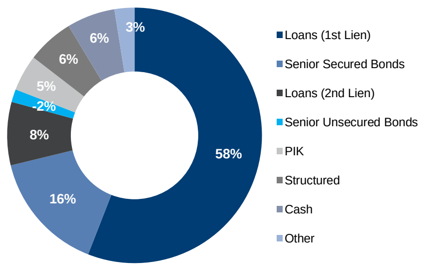
Currency Breakdown



Geographical Breakdown (by country of issuer)



Asset Breakdown (incl. traded cash)



Investment Vehicle Portfolio Statistics[3]

5 Largest Issuers

Issuer	% of GAV	Industry	Country
Zodiac	4.4	Leisure	France
Euro Garages	3.5	Retail Store	UK
Tipico	3.3	Gaming	Luxembourg
Saur	3.0	Ecological	France
Consolis	2.8	Buildings & Real Estate	France

Look Through Reporting[6,8]

Spread Exposure

Rating	Average Spread Duration[7]	Market Value (EUR)	Market Value (%)
BB	4.87	29,516,922	5%
B	4.64	328,445,303	60%
CCC	2.68	18,680,810	4%
NR	3.31	170,476,974	31%

FX Exposure

Currency	Market Value (EUR)	Market Value (%)
EUR	343,595,288	63%
GBP	86,503,978	16%
USD	116,228,566	21%
Other	792,177	0%

Interest Rate Exposure

Type	Duration	Market Value (EUR)	Market Value (%)
Floating	0.16	468,410,042	86%
Fixed	5.08	78,648,735	14%
Warrants	0.00	61,232	0%

Notes & Assumptions:

- The sum of the market values may be larger than the NAV due to the effect of the Investment Vehicle's leverage facility
- All duration and yield calculations are based on assets outstanding to maturity (no call or amortisation assumptions)
- Duration is calculated using DURATION function in Excel, and includes approximations for floating rate assets using comparable fixed rate assets
- Rating is based on the average corporate rating from S&P and Moody's
- Certain assets such as CLO equity tranches are assumed to have zero spread and interest rate duration
- The duration for non-equity CLO tranches is based on a WAL of 5 years after the end of the reinvestment period

[6] Data excludes cash
[7] Averages are weighted by market value
[8] Excluding short positions