

# CVC Credit Partners European Opportunities Limited



## 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<sup>4</sup> (since inception)

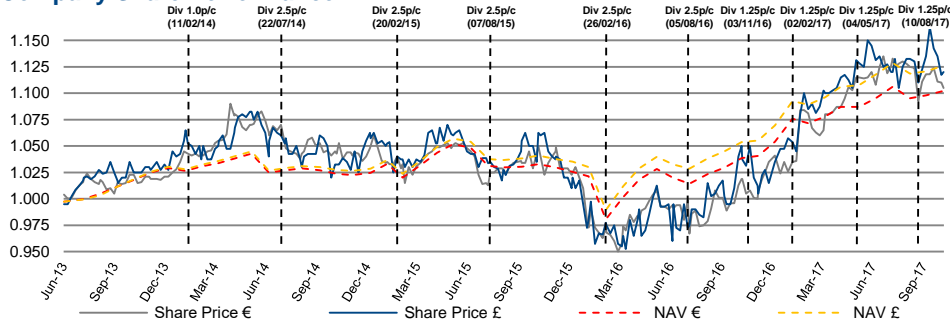
| EUR Share | Jan   | Feb   | Mar  | Apr  | May  | Jun   | Jul  | Aug   | Sep   | Oct   | Nov   | Dec   | YTD  |
|-----------|-------|-------|------|------|------|-------|------|-------|-------|-------|-------|-------|------|
| 2017      | 2.1%  | 0.8%  | 0.6% | 0.9% | 1.2% | 0.8%  | 1.0% | 0.2%  | 0.2%  | 0.4%  |       |       | 8.4% |
| 2016      | -0.4% | -1.6% | 2.2% | 1.6% | 1.0% | -0.8% | 1.9% | 0.9%  | 0.6%  | 0.9%  | 1.4%  | 1.3%  | 9.3% |
| 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%  | 0.4%  | 3.2% |

| GBP Share | Jan   | Feb   | Mar  | Apr  | May  | Jun   | Jul  | Aug   | Sep   | Oct   | Nov   | Dec   | YTD  |
|-----------|-------|-------|------|------|------|-------|------|-------|-------|-------|-------|-------|------|
| 2017      | 2.2%  | 0.8%  | 0.6% | 0.9% | 1.3% | 0.9%  | 1.0% | 0.3%  | 0.2%  | 0.5%  |       |       | 9.0% |
| 2016      | -0.5% | -1.5% | 2.3% | 1.7% | 1.0% | -0.7% | 2.1% | 0.9%  | 0.6%  | 0.9%  | 1.3%  | 1.4%  | 9.8% |
| 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%  | 0.5%  | 3.3% |

<sup>4</sup>NAV Total Return includes dividends reinvested

## Company Share Performance



## Investment Vehicle Manager Market & Portfolio Commentary

There were a number of key events that drove market sentiment through October - (i) continued positive global GDP and employment data - in particular a strong recovery in Europe, (ii) the extension of ECB support into Q3 2018 (albeit at lower levels), (iii) strong US employment and consumer data, which all eclipsed the political upheavals in Catalonia. Developed market equities gained 2.6% in the month making for YTD returns of 15.9%, while emerging market equities gained 3.9% pushing YTD returns to 28.7%. Commodities gained 2.1% with an upward pull from Brent Crude oil which increased 7% over the month as developments in the middle east took precedence.<sup>a</sup>

European leveraged credit in October saw very strong issuance, with €14.4bn of HY bonds and €11.3bn of loans coming to the market. With just 2 months of the year to go, European HY has already topped €80bn, making this the busiest year for bond issuance since S&P LCD began keeping data on the market in 2006, and 80% higher than 2016. Loan new issuance has also exceeded €73bn which is up 80% on 2016 YTD volumes.<sup>b</sup>

Across the European loan market, the core theme through the month was an increase in BB rated corporates returning to the market to reprice their capital structures. This pushed margins down to a record low of E+250 (with a 0% floor) range. Due to this issuance, the impact on the rolling 3-month average TLB YTM in Europe fell to 3.80%, from 4.16% as at the end of September.<sup>b</sup> Refinancings now account for 47% YTD volumes, up from 41% to the end of September and opportunistic financings—dividend recaps plus refinancings—to 59% for the year.<sup>c</sup>

On the back of positive overall economic data and continued ECB support, single-B 3-month rolling average new issue spread closed October at 5.24%, down from 5.34% vs the 3-month September average, while the comparable BB new issuance cleared the market at 3.16%, down from 3.42% at September.<sup>c</sup>

There has been a lot of focus on leverage levels in the new issue market. Data compiled by S&P shows that senior leverage has increased gradually through 2017 to 4.6x, a level last seen in 2007. However, total leverage is below the 2007 historic high, at 5x, and has shown little movement since 2014.<sup>d</sup>

The Credit Suisse Western European HY Index hedged to the Euro was up, with a return of 0.90% for the month and up 6.88% for year to date. Furthermore, The Credit Suisse European Leveraged Loan Index was up with a return of 0.33% for the month, and up 3.22% year to date.

Portfolio activity through the month in performing credit was to trade the new issue flow and manage the repricing volumes. The focus for this segment leading into the year end will be to hold the most liquid floating rate senior secured exposures to capital structures in higher rated corporate issuers so as to maintain a defensive position in the current tight market environment. The current cash yield to the performing portfolio is 4.6%, trading at a weighted average market price of 99.3% and a YTM of 4.6%.

Across credit opportunities the month saw activity across existing positions where there was volatility associated with U.S. retail and Puerto Rico. The current cash yield to the credit opportunities portfolio ended the month at 6.4%, trading at a weighted average market price of 91.8% and a YTM of 8.8%.

Performing credit closed the month at 54.6% of the portfolio (including cash), and credit opportunities at 45.4%. Our exposure to HY fixed rate remained very low at 8.4% (including short exposure). At the end of the month Senior Secured Assets comprised 87% of the portfolio; floating rate instruments comprised 88.3% of the portfolio.

Gross invested assets within the Investment Vehicle ended the month at 1.2x, by virtue of drawings under the Investment Vehicle's leverage facility. The cash position was 6.5%. The current yield of the portfolio was 6.1% with a weighted average market price of the portfolio of 95.5.

### Sources

<sup>a</sup> JP Morgan – 1 November 2017

<sup>b</sup> S&P LCD Global View – 3 November 2017

<sup>c</sup> S&P LCD European Playbook – 1 November 2017

<sup>d</sup> S&P LCD European Quarterly Wrap – Q3 2017

## October 2017

### Share Price & NAV at 31 October 2017

|                               | EUR         | GBP         |
|-------------------------------|-------------|-------------|
| Share Price <sup>1</sup>      | 1.1050      | 1.1200      |
| NAV <sup>2</sup>              | 1.1023      | 1.1261      |
| Total Net Assets <sup>3</sup> | 139,679,216 | 326,479,872 |
| Market Capitalisation         | 140,024,432 | 324,702,941 |

<sup>1</sup> Share price provided as at the closing month-end market mid-price

<sup>2</sup> Opening NAV was 0.997, after initial costs

<sup>3</sup> 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<br>GBP CCPG                 |
| ISIN Code      | EUR JE00B9G79F59<br>GBP JE00B9MRHZ51 |
| Website        | www.ccpeol.com                       |

### Investment Vehicle Key Portfolio Statistics

|   |       |
|---|-------|
| Percentage of Portfolio in Floating Rate Assets | 88.3% |
| Percentage of Portfolio in Fixed Rate Assets    | 11.7% |
| Weighted Average Price <sup>5</sup>             | 95.5  |
| Yield to Maturity <sup>8</sup>                  | 6.7%  |
| Current Yield                                   | 6.1%  |
| Weighted Average Fixed Rate Coupon <sup>8</sup> | 7.1%  |
| Weighted Average Floating Rate plus Margin      | 4.9%  |

Note: All metrics exclude cash unless otherwise stated

<sup>5</sup> Average market price of the portfolio weighted against the size of each position

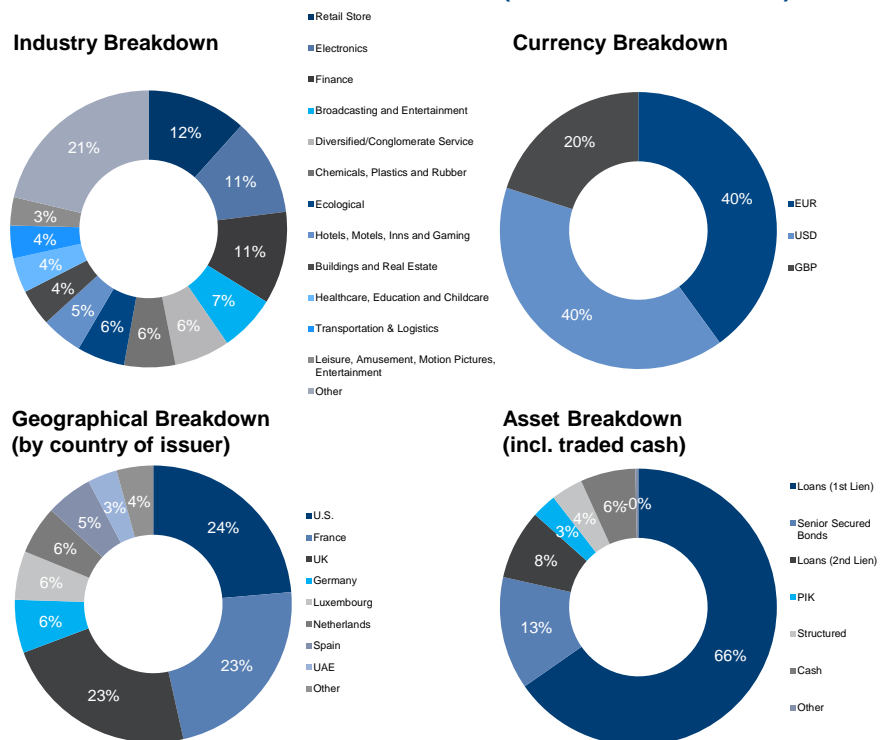
## Contacts

**Richard Boleat, Chairman**  
richard.boleat@CCPEOL.com

**Investment Vehicle Manager**  
vehiclemanager@cvc.com

Note: Disclaimer overleaf

## Investment Vehicle Portfolio Statistics (as at 31 October 2017)<sup>3</sup>



## Investment Vehicle Portfolio Statistics<sup>3</sup> (as at 31 October 2017)

### 5 Largest Issuers

| Issuer      | % of GAV | Industry              | Country |
|-------------|----------|-----------------------|---------|
| Saur        | 5.0      | Ecological            | France  |
| Ceva        | 3.4      | Transport & Logistics | UK      |
| Camaieu     | 3.4      | Retail                | France  |
| Ambac       | 3.3      | Finance               | U.S.    |
| Dubai World | 3.1      | Finance               | UAE     |

## Look Through Reporting<sup>6,8</sup> (as at 31 October 2017)

### Spread Exposure

| Rating | Average Spread Duration <sup>7</sup> | Market Value (EUR) | Market Value (%) |
|--------|--------------------------------------|--------------------|------------------|
| BB     | 4.11                                 | 64,956,056         | 12%              |
| B      | 4.71                                 | 312,882,189        | 55%              |
| CCC    | 3.55                                 | 45,028,044         | 8%               |
| NR     | 3.47                                 | 140,768,043        | 25%              |

### FX Exposure

| Currency | Market Value (EUR) | Market Value (%) |
|----------|--------------------|------------------|
| EUR      | 236,800,193        | 42%              |
| GBP      | 107,122,130        | 19%              |
| USD      | 219,712,009        | 39%              |

### Interest Rate Exposure

| Type     | Duration | Market Value (EUR) | Market Value (%) |
|----------|----------|--------------------|------------------|
| Floating | 0.17     | 480,382,785        | 85%              |
| Fixed    | 4.80     | 83,189,973         | 15%              |
| Other    | 0.00     | 61,574             | 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

### Disclaimer

This Report is directed only at: (i) persons having professional experience in matters relating to investments who fall within the definition of "investment professionals" in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005; or (ii) high net worth bodies corporate, unincorporated associations and partnerships and trustees of high value trusts as described in Article 49(2) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 and persons who receive this document who do not fall within (i) or (ii) above should not rely on or act upon this document.

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The Company is regulated by the Jersey Financial Services Commission.

The Credit Suisse Western European HY Index and The Credit Suisse European Leveraged Loan Index, are monthly return indices designed to be an objective proxy for the investable universe for the Western European High Yield and Leveraged Loan markets. These indices may not necessarily be indicative of the investment strategies for the funds advised by CVC Credit. Assets and securities contained within indices are different than the assets and securities contained in CVC Credit's investment vehicles and will therefore have different risk and reward profiles. The returns of the indices are provided solely as an illustration of the market and economic conditions generally prevailing during the periods shown. Indices are not investments, are not professionally managed and do not reflect deductions for fees or expenses.

<sup>6</sup> Data excludes cash

<sup>7</sup> Averages are weighted by market value

<sup>8</sup> Excluding short positions