

# 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)

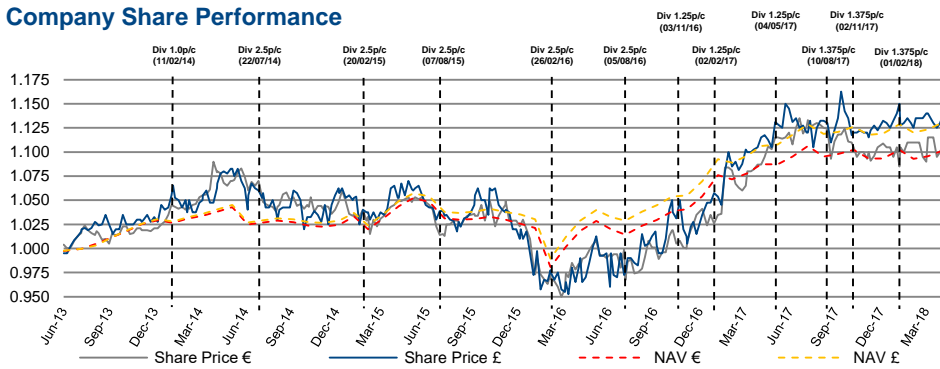
EUR Share	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2018	0.8%	0.4%	0.2%	0.6%									2.1%
2017	2.1%	0.8%	0.6%	0.9%	1.2%	0.8%	1.0%	0.2%	0.2%	0.4%	0.4%	0.0%	8.8%
2016	-0.4%	-1.6%	2.2%	1.6%	1.0%	-0.8%	1.9%	0.9%	0.6%	0.9%	1.4%	1.3%	9.3%
2015	0.8%	1.2%	1.2%	1.2%	0.8%	-0.4%	0.8%	-0.2%	0.1%	0.2%	-0.3%	-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%	0.7%	0.4%	3.2%

GBP Share	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2018	0.9%	0.5%	0.3%	0.6%									2.2%
2017	2.2%	0.8%	0.6%	0.9%	1.3%	0.9%	1.0%	0.3%	0.2%	0.5%	0.5%	0.1%	9.7%
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%	0.7%	0.5%	3.3%

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

## Company Share Performance



## Investment Vehicle Manager Market & Portfolio Commentary

Geopolitical headlines continued to unsettle markets in April - in particular, the prospect of a "trade war" between the US and China, and an escalation of tensions between the US and Russia over Syria. Concurrently, the earnings season in the US is exceeding expectations, which supported the momentum to push developed market equities higher over the month. There is a perception that inflationary risks are starting to put pressure on global bond prices, with the US 10-year Treasury yield briefly touching 3% for the first time in over four years.<sup>a</sup>

The global recovery continued to be supported by the improvement in the labour market. Eurozone unemployment fell to 8.5% with very positive momentum across Italy, France and Spain. The stronger labour market drove consumer confidence, with retail sales growing 1.8% year-on-year. The Q1 ECB lending survey was strong, suggesting that the ECB's accommodative monetary policy is still providing a significant boost to growth.<sup>a</sup>

The contrasting outlook for inflation between the US and the Eurozone suggests that monetary policy will remain divergent. Despite some risks related to trade restrictions, geopolitical noise and expectations of tighter monetary policy, markets should remain on track with stable performance thanks to signs that the global economy is continuing to expand, inflation is only rising gradually, and earnings growth is healthy.

### Highlights

- In April, leveraged credit issuance in Europe remained strong at €16.0bn (€14.0bn in April 2017), split €5.5bn loans (€6.4bn in April 2017) and €10.5bn HY bonds (€7.7bn in April 2017). YTD issuance of €71.7bn (€74.3bn YTD April 2017) comprised €41.6bn loans (€41.7bn YTD April 2017) and €30.1bn HY bonds (€32.6bn YTD April 2017).<sup>b</sup> The YTD volume has been utilised 65% for acquisitions, 29% for refinancings with the balance for recapitalisations.<sup>c</sup>
- Institutional term loans' YTM edged wider through the first 4 months of the year, sitting at 3.92% for April compared with 3.75% for January (3.90% February and 3.97% March). April 2018 was still tighter than April 2017 which was 3.98% (January 2017 started at 4.19%).<sup>b</sup>
- In European HY, single-B new issue YTM's tightened from January 2018 of 5.87% to 4.92% in March, then increased to 6.31% in April with heightened risk awareness (an overall widening of 44bps from January 2018 pricing). We have also seen yields widen in the double-B space, moving from 2.55% YTM in January 2018 to 3.98% for April (+143bps). April's YTM for single and double-B were 124bps and 40bps wide respectively of where they were pricing in April 2017.<sup>b</sup>

The Credit Suisse Western European HY Index hedged to Euro was up with a return of 0.56% for the month and down 0.19% year to date. The Credit Suisse Western European Leveraged Loan Index hedged to Euro was up with a return of 0.47% for the month and up 1.37% year to date. The portfolio performed well through the quarter as we remained defensively positioned into these periods of volatility - holding cash and remaining weighting to senior secured floating rate issuers in large liquid capital structures.

The pipeline for larger transactions in the new issue loan market continued to build and it is expected that there will be a pickup in activity as we move towards the middle of the year. This will continue to provide the flow for the portfolio to seek relative value opportunities in the performing credit portfolio. Within the month, the theme to reposition out of USD income assets and into new issue EUR assets continued. A positive technical in the European loan market should provide stable core income to the portfolio supported by both the fundamentals as well as demand.

The opportunistic portfolio activity through the month was focused on adding new positions as well as actively managing the existing book. Expectations are that this segment of the portfolio will support the ongoing performance of the overall strategy as exit events evolve and fundamentals improve.

As of April close, performing credit held a 53% allocation with a weighted average price of 99.8, trading at a YTM of 4.5%, and delivering 4.5% cash interest to the portfolio. The portfolio maintained a 47% allocation to the credit opportunities strategy at the close of the month, with a weighted average price of 92.0, trading at a YTM of 9.3%, and delivering 6.6% cash interest to the portfolio.

At the end of April, floating rate instruments comprised 90.1% of the portfolio. The current yield was 5.9% (gross) with a weighted average market price of the portfolio of 95.6. The cash position was 10.7%.

### Sources

<sup>a</sup> JPM - May 2018 | <sup>b</sup> S&P LCD | <sup>c</sup> S&P LCD Global View - May 2018

## April 2018

### Share Price & NAV at 30 April 2018

	EUR	GBP
Share Price <sup>1</sup>	1.1100	1.1400
NAV <sup>2</sup>	1.1018	1.1311
Total Net Assets <sup>3</sup>	133,634,459	340,379,412

Market Capitalisation	EUR	GBP
	134,623,931	343,047,730

<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

GBP CCPG

ISIN Code: EUR JE00B9G79F59

GBP JE00B9MRHZ51

Website: www.ccpeol.com

## Investment Vehicle Key Portfolio Statistics

Percentage of Portfolio in Floating Rate Assets: 90.1%

Percentage of Portfolio in Fixed Rate Assets: 9.8%

Percentage of Portfolio in Other: 0.1%

Weighted Average Price<sup>5</sup>: 95.6

Yield to Maturity<sup>a</sup>: 7.1%

Current Yield: 5.9%

Weighted Average Fixed Rate Coupon<sup>b</sup>: 7.7%

Weighted Average Floating Rate plus Margin: 5.0%

Note: All metrics exclude cash unless otherwise stated

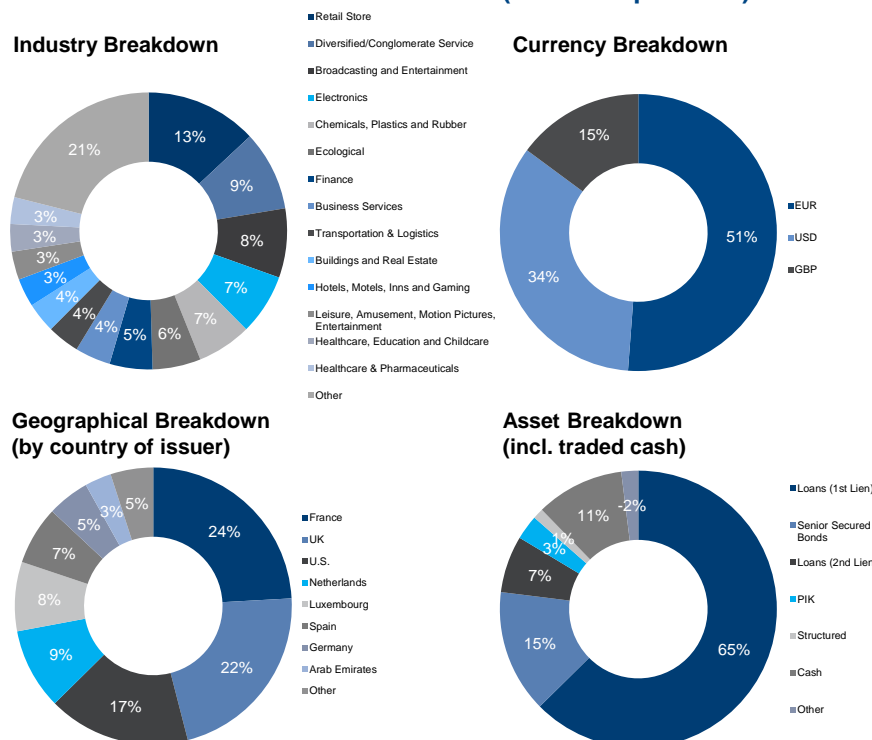
<sup>5</sup> Average market price of the portfolio weighted against the size of each position

## Contacts

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Note: Disclaimer & notes overleaf

## Investment Vehicle Portfolio Statistics (as at 30 April 2018)<sup>3</sup>



## Investment Vehicle Portfolio Statistics<sup>3</sup> (as at 30 April 2018)

### 5 Largest Issuers

Issuer	% of GAV	Industry	Country
Saur	4.9	Ecological	France
Ceva	3.3	Transport & Logistics	UK
Camaieu	2.9	Retail	France
Ambac	2.7	Finance	U.S.
Dubai World	2.7	Diversified/Conglomerate Service	UAE

## Look Through Reporting<sup>6,8</sup> (as at 30 April 2018)

### Spread Exposure

Rating	Average Spread Duration <sup>7</sup>	Market Value (EUR)	Market Value (%)
BBB	5.00	9,069,401	2%
BB	5.93	20,205,794	3%
B	4.61	341,086,915	57%
CCC	2.17	73,436,874	12%
NR	3.44	157,639,833	26%

### FX Exposure

Currency	Market Value (EUR)	Market Value (%)
EUR	307,687,806	51%
GBP	88,151,410	15%
USD	205,599,601	34%

### Interest Rate Exposure

Type	Duration	Market Value (EUR)	Market Value (%)
Floating	0.16	520,321,622	87%
Fixed	4.82	80,697,041	13%
Other	0.00	420,154	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

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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