

# 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)

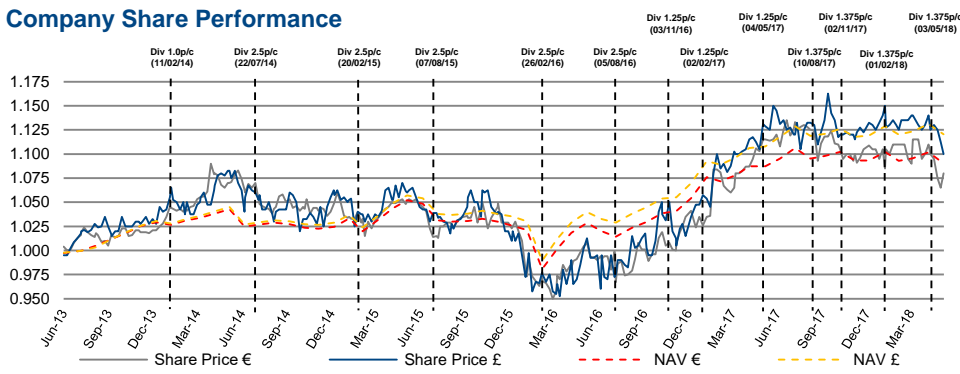
EUR Share	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2018	0.8%	0.4%	0.2%	0.6%	0.2%								2.3%
2017	2.1%	0.8%	0.6%	0.9%	1.2%	0.8%	1.0%	0.2%	0.2%	0.4%	0.4%	0.0%	8.8%
2016	-0.4%	-1.6%	2.2%	1.6%	1.0%	-0.8%	1.9%	0.9%	0.6%	0.9%	1.4%	1.3%	9.3%
2015	0.8%	1.2%	1.2%	1.2%	0.8%	-0.4%	0.8%	-0.2%	0.1%	0.2%	-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%	0.3%								2.6%
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

May headlined once again how sensitive the market is to political upheaval. The combination of US global trade policies, North Korea and Iran, the addition of a new populist government in Italy and the prospect of a no confidence vote against Spain's prime minister Mariano Rajoy all triggered moments of investor concern.

Our base expectations remain as per the start of the year - where the broad macro outlook remains relatively supportive and with inflation slow, interest rate normalisation looks set to be gradual. In Europe, the labour market looks to be strengthening further supporting consumer confidence data which remains at 17 year highs and in the US, the concern of accelerated rate hikes have abated for now.

Beneath this relatively calm surface there are a number of sectors which continue to face challenging market conditions, driven by cyclical and structural issues with sector specific issues rather than overall market conditions driving stressed opportunities. In particular, the consumer and retail sectors in the UK have proven to be particularly vulnerable where a number of high profile corporates have entered into CVAs (Company Voluntary Arrangements) to address legacy property issues and reduce the size of their real estate portfolio and lease costs.

### Highlights

- May leverage issuance remains strong at €14.8bn (€9.9bn Last Year ("LY")), split €10.4bn loans (€6.2bn LY) and €4.4bn High Yield ("HY") (€3.7bn LY). YTD issuance of €85.7bn (€84.3bn LY) comprises €51.2bn loans (€48.0bn) and €34.5bn HY (€36.3bn). YTD loan volumes have been 67% acquisition, 26% refinancing with the balance being recapitalisations. YTD bond volumes have been 62% refinancing, 27% acquisitions with the balance being recapitalisations and general corporate purposes.<sup>a</sup>
- TL B YTM edged wider through the first 5 months of the year, sitting at 3.94% for May compared with 3.75% for January. May 2018 is in line with the 3.98% for the same month LY (January 2017 started at 4.19%).<sup>a</sup>
- In the HY space, single B new issue YTM's on a rolling 3 month basis widened out by 25bps during the month to 6.04%, while BB widened out by a lesser extent (+15bps) to 3.85%. This compares with 5.45% & 2.79% at the start of the year (+59bps & +106bps) and 5.22% & 3.01% yield profiles this time last year (+82bps & +84bps). B vs. BB spread differential at 220bps for May is level with this time last year, but 45bps tighter than the start of the year.<sup>a</sup>

The Credit Suisse Western European HY Index hedged to Euro was down with a return of (0.88%) for the month and down (1.07%) for year to date. The Credit Suisse European Leveraged Loan Index was up with a return of 0.03% for the month and up 1.40% year to date.

The Performing Credit segment of the portfolio has spent recent months working through the new issue flow. Despite large market issuance, portfolio activity through May remained low as secondary and primary market opportunities driven by HY volatility were becoming more attractive. The focus for this segment remains to be allocating to high quality and liquid floating rate senior secured capital structures to generate stable income and to maintain a defensive position in the current tight market environment. The current cash yield to the Performing Credit portfolio is 4.4%, trading at a weighted average market price of 99.6 and a YTM of 4.5%.

Performing Credit closed the month at 47.6% of the portfolio (including cash), and Credit Opportunities at 52.4%.

Across Credit Opportunities, the portfolio continued to increase its exposure to recently initiated positions as well as working on exit events anticipated in the next 2 quarters. The current cash yield to the Credit Opportunities portfolio ended at 6.6%, trading at a weighted average market price of 91.9 and a YTM of 10.2%.

At the end of May, floating rate instruments comprised 90.0% of the portfolio. The current yield was 6.5% (gross) with a weighted average market price of the portfolio of 95.3. The cash position was 2.9%.

### Sources

<sup>a</sup> S&P LCD - May 2018, June 2018

## May 2018

### Share Price & NAV at 31 May 2018

	EUR	GBP
Share Price <sup>1</sup>	1.0800	1.1100
NAV <sup>2</sup>	1.0902	1.1204
Total Net Assets <sup>3</sup>	132,229,317	337,133,604
Market Capitalisation	130,988,928	334,017,099

<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 90.0%

Percentage of Portfolio in Fixed Rate Assets 10.0%

Percentage of Portfolio in Other 0.0%

Weighted Average Price<sup>5</sup> 95.3

Yield to Maturity<sup>a</sup> 7.6%

Current Yield 6.5%

Weighted Average Fixed Rate Coupon<sup>b</sup> 7.6%

Weighted Average Floating Rate plus Margin 5.3%

Note: All metrics exclude cash unless otherwise stated

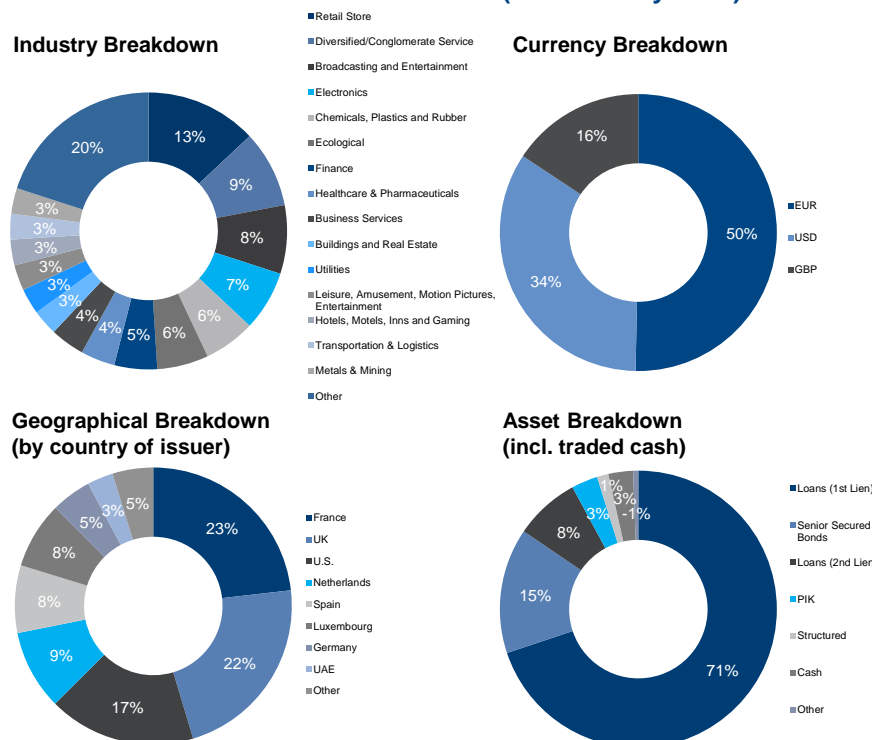
<sup>5</sup> Average market price of the portfolio weighted against the size of each position

## Contacts

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Note: Disclaimer & notes overleaf

## Investment Vehicle Portfolio Statistics (as at 31 May 2018)<sup>3</sup>



## Investment Vehicle Portfolio Statistics<sup>3</sup> (as at 31 May 2018)

### 5 Largest Issuers

Issuer	% of GAV	Industry	Country
Saur	5.1	Ecological	France
Camaieu	3.1	Retail	France
Zodiac	3.1	Leisure	France
Ceva	3.0	Transport & Logistics	UK
Ambac	2.9	Finance	U.S.

## Look Through Reporting<sup>6,8</sup> (as at 31 May 2018)

### Spread Exposure

Rating	Average Spread Duration <sup>7</sup>	Market Value (EUR)	Market Value (%)
BB	5.56	28,985,213	5%
B	4.44	347,716,863	56%
CCC	2.15	50,563,650	8%
NR	3.38	192,741,797	31%

### FX Exposure

Currency	Market Value (EUR)	Market Value (%)
EUR	312,095,309	50%
GBP	95,981,575	16%
USD	211,930,639	34%

### Interest Rate Exposure

Type	Duration	Market Value (EUR)	Market Value (%)
Floating	0.11	536,457,673	87%
Fixed	4.70	83,286,954	13%
Other	0.00	262,896	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