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.

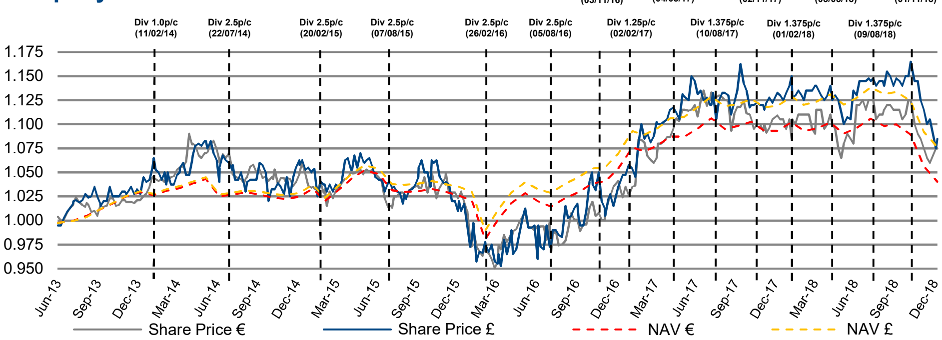
Company NAV Total Return Performance[4] (since inception)

EUR Share	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2018	0.8%	0.4%	0.2%	0.6%	0.2%	0.6%	0.9%	0.5%	0.2%	-1.0%	-1.8%	-1.5%	**0.1%**
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%	0.3%	0.6%	1.0%	0.6%	0.2%	-0.8%	-1.6%	-1.5%	**1.0%**
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%**

[4] NAV Total Return includes dividends reinvested

Company Share Performance



Investment Vehicle Manager Market & Portfolio Commentary

The final quarter of 2018 was difficult for all risk assets globally, due to, amongst other things, the impact of rising US Central Bank interest rates, a sharp slowdown in Eurozone business confidence, weaker Chinese growth, and rising geopolitical concerns (including Brexit, Italian politics and the ongoing trade conflict between the US and China). All of these elements resulted in the volatility experienced in particular through November and December.

Across the US, markets focused on a US late cycle theme. Tax cuts earlier in the Trump administration helped boost growth and corporate earnings but investors are aware that the fiscal stimulus may fade beyond the first half of 2019. Following the aggressive stance on rates in October, Fed chairman Powell moved to indicating that rates were "just below" the range of estimates for neutral, which was not enough to calm markets in December.

In Europe, business surveys moved closer towards the level that has historically been consistent with a slowdown in the pace of growth and potentially indicating contraction. Political tensions added to the sharp fall in Italian and French business surveys, and Germany, albeit still growing, also appears to be slowing. Part of the reason for the slowdown in Europe has been a sharp decline in the manufacturing sector's new export orders, which appears attributable, at least in part, to a slowdown in demand from China.

Against this backdrop, credit markets also struggled through the quarter, with the combination of Q4 2018 being the most illiquid as dealers and arrangers experienced slow activity, and outflows across risk assets (HY and Loans in the US in particular). This negative technical across the market heightened volatility. As of the end of December 2018, 0.3% of the loan market across the US and Europe was trading above par, in comparison to 64.9% as of the end of September 2018.[a]

European Sub Investment Grade Highlights

- December leverage issuance stalled owed to the market volatility, hitting just €440m of new issuance (€10.5bn Last Year ("LY")), split €440m from loans (€4.4bn) and zero High Yield ("HY") (€6.1bn). Year To Date ("YTD") issuance of €159.4bn (€214.0bn LY) comprises €95.9bn loans (€120.4bn) and €63.5bn HY (€93.6bn).[b]
- 2018 loan volumes have been 71% acquisition, 20% refinancing with the balance being recaps. Euro denominated issuance comprised 90% of the volumes, and GBP 9%. Largest industry issuers were Healthcare (14.4%), Computers & Electronics (13.6%), Retail (10.7%), Services (10.7%) and Food & Beverage (9.9%). Cov-Lite deals, as a share of Institutional loan volumes, reached 88%, up from 76% in 2017 and 60% in 2016.[b]
- 2018 bond volumes have been 54% refinancing, 33% acquisitions with the balance being recaps and general corporate purposes.[b]
- TL B new issue spreads in December were E+381bps which compares with E+364bps at the start of the year. Average net leverage was 5.51x, in line with 5.56x at the start of the year, despite having seen this drop to 5.28x during H1 2018 (with new issuance ranging between E+357 and E+376bps during the same period).[b]
- In the HY space, single B new issue YTM on a rolling 3-month basis ended the year 143bps wider, at 6.74%, than where we started the year, at 5.31%. BB new issue started the year at a YTM of 2.91%, and now sits at 3.95%, up 104bps over the 12 months. The BB - B spread differential had widened to c. 300bps compared to its historic 200 - 250bps range, and now sits at 279bps.[b]

The Credit Suisse Western European HY Index hedged to Euro was down with a return of (0.94)% for the month taking YTD returns down to (3.85)%. The Credit Suisse European Leveraged Loan Index hedged to Euro was down (1.26)% for the month and up 0.55% for 2018.

Throughout the quarter, portfolio management followed the theme: (i) reducing exposures in segments of the portfolio which we anticipated to see mark-to-market volatility where HY or loan outflows persisted in size; (ii) understanding the impact on our positioning in relation to active managers in the space who experienced significant drawdowns and redemptions into year end; (iii) allocating selectively to existing positions within liquid capital structures; (iv) maintaining cash positions, reducing portfolio volatility, and being prepared to allocate if the market dislocates significantly; and (v) increasing short positioning as a risk management tool to reduce the volatility experienced through the month.

The performing credit market experienced very limited primary activity in the month. Across secondary, as the market became more and more stressed with the US taking the lead, portfolio activity focused on reducing weaker credits anticipated to "re-price" under a more difficult market outlook, and seek to reallocate into the primary markets which are expected to be pricing at more attractive spreads in 2019.

Positioning in the opportunistic segment of the strategy was targeted to add to long positions which saw mark-to-market volatility in the month, as well as manage the short positioning across the portfolio, i.e. closing out positions which traded lower on volatility as well as initiating new short exposures in the month at higher prices. The mark-to-market volatility in the credit opportunities segment of the portfolio was led by GBP exposures as Brexit risk increased, continued noise in French retail where public activism continued, as well as US exposures as the US loan and HY markets saw accelerated outflows technically pushing the market lower.

2018 will be a year remembered as the worst performing year in credit since 2008 where both Investment Grade and HY across Europe and the US resulted in negative performance for the year. Our view on credit fundamentals remains stable through 2019 as we anticipate central banks to reassess tightening actions as global growth slows. In this environment, the active approach to portfolio management of this strategy will benefit from an increase in global yields in the performing credit portfolio as well as to take advantage of volatility to increase the upside through the credit opportunities exposure underpinning our return targets.

As of December close, performing credit (including cash) holds a 64% allocation with a weighted average price of 98.5, trading at a YTM of 4.9%, delivering 4.7% cash interest to the portfolio. Credit opportunities maintained a 36% allocation to the strategy closing the month at a weighted average price of 81.0, trading at a YTM of 11.0%, delivering 7.5% cash interest to the portfolio.

At the end of December, floating rate instruments comprised 86.5% of the portfolio. The current yield is 5.8% (gross) with a weighted average market price of the portfolio of 90.4. Cash position was 15%.

Please note that UK Reporting Fund Status information for the years ended 31 December 2016, 31 December 2015, 31 December 2014 and 31 December 2013 has been amended. Further information can be found on the investor information page of the Company website – www.ccpeol.com.

December 2018

Share Price & NAV at 31 December 2018

	EUR	GBP
Share Price[1]	1.0750	1.0850
NAV[2]	1.0404	1.0762
Total Net Assets[3]	130,913,946	366,589,932
Market Capitalisation	135,267,398	369,585,792

[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	86.5%
Percentage of Portfolio in Fixed Rate Assets	12.8%
Percentage of Portfolio in Other	0.7%
Weighted Average Price[5]	90.4
Yield to Maturity[8]	7.7%
Current Yield	5.8%
Weighted Average Fixed Rate Coupon[8]	7.9%
Weighted Average Floating Rate plus Margin[8]	5.1%

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

Asset Classification by Pricing Category

3rd Party Pricing Service	99%
Broker Quotes	0%
Model Price	1%

Contacts

Richard Boleat, Chairman
richard.boleat@CCPEOL.com

Note: Disclaimer & notes overleaf

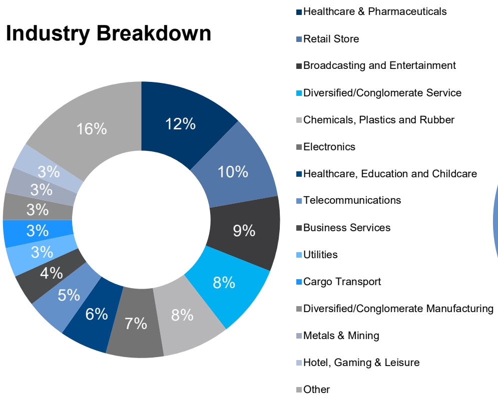
Sources
[a] JPM
[b] S&P LCD – January 2018

CVC Credit Partners European Opportunities Limited

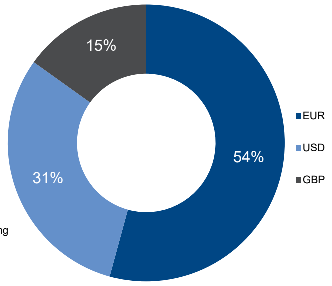
CVC CREDIT PARTNERS

Investment Vehicle Portfolio Statistics (as at 31 December 2018)[3]

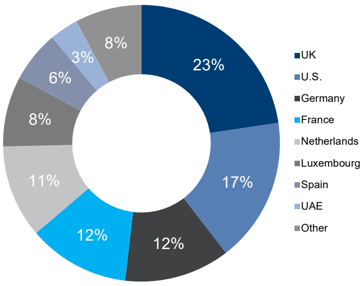
Industry Breakdown



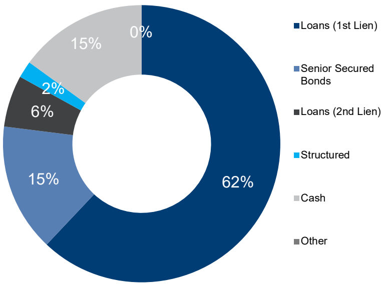
Currency Breakdown



Geographical Breakdown (by country of issuer)



Asset Breakdown (incl. traded cash)



Investment Vehicle Portfolio Statistics[3] (as at 31 December 2018)

5 Largest Issuers

Issuer	% of GAV	Industry	Country
Dubai World	2.8	Diversified/Conglomerate Service	UAE
Civica	2.7	Electronics	UK
Celsa	2.6	Metals & Mining	Spain
Nidda Healthcare	2.6	Healthcare & Pharmaceuticals	Germany
Ambac	2.2	Finance	U.S.

Look Through Reporting[6,8] (as at 31 December 2018)

Spread Exposure

Rating	Average Spread Duration[7]	Market Value (EUR)	Market Value (%)
BB	5.79	20,233,216	4%
B	4.55	343,074,498	61%
CCC	1.83	53,197,967	9%
NR	4.54	144,202,023	26%

FX Exposure

Currency	Market Value (EUR)	Market Value (%)
EUR	318,480,716	57%
GBP	80,304,943	14%
USD	161,922,045	29%

Interest Rate Exposure

Type	Duration	Market Value (EUR)	Market Value (%)
Floating	0.16	459,020,827	82%
Fixed	4.53	98,843,191	18%
Other	0.00	2,843,686	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