

## 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
2019	0.5%	0.8%	0.0%	0.9%	-0.9%	0.1%	-0.3%	-0.6%	0.2%	-0.9%	0.4%	1.4%	1.6%
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
2019	0.7%	0.9%	0.2%	1.0%	-0.7%	0.2%	-0.2%	-0.6%	0.3%	-0.6%	0.5%	1.5%	3.1%
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%

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

## Company Share Performance



## Investment Vehicle Manager Market & Portfolio Commentary

2019 ended on a strong tone with a rally in most asset classes. This was driven by the confirmation of 'phase one' of a trade deal between the US and China, the Conservative party securing a large majority in the UK elections, and a further stabilisation in global PMIs. Equities rallied strongly on the back of this and the S&P 500 ended the year at all-time highs, with the total return up 31.5% for the year.

### European Sub Investment Grade Highlights

Total loan issuance in Europe was €0.82bn in a seasonally slow month. This brings total issuance for 2019 to €80.95bn, down from €97.20bn in 2018 and €120.40bn in 2017. Total High Yield ("HY") issuance was €3.24bn in December, which brings total issuance for the full year to €74.13bn, up from €63.47bn in 2018 but still below the record issuance of €93.55bn in 2017.<sup>a</sup>

- December leverage issuance was €4.06bn, well ahead of the market-driven weak new issuance of €1.69bn of Last Year ("LY"). For context, the size of new issue in December 2017 was €10.50bn. A comparison of monthly volumes shows €0.82bn in loans versus €1.69bn LY, and €3.24bn in HY versus nil LY.<sup>a</sup>
- 2019 loan volumes have been 54% acquisition and 45% refinancing, with the balance for general corporate purposes. Euro denominated issuance comprised 94% of the volumes for the year, GBP 5% and 1% others. Deal volume has been 21% France, 17% UK, 11% United States, 11% Spain and 10% Netherlands. Industry volume has been 18% healthcare, 10% chemicals, 8% entertainment & leisure, 8% services & leasing and 6% computers & electronics.<sup>a</sup>
- 2019 bond volumes have been 69% refinancing and 16% M&A, with the balance for general corporate purposes. Sources of funding were 51% secured and 49% unsecured, with the balance being subordinated bonds. Composition was 93% Euro, 6% GBP, with the balance being others. YTD issuance has been 53% BB, 33% B and 7% split with the balance being others. Deal volume has been 17% UK, 15% France, 11% Germany, 10% United States and 9% Italy.<sup>a</sup>
- TL B new issue spreads in December were E+372bps, in a similar range to what has been seen throughout 2019. Average net leverage was stable at 5.18x, which is 0.33x lower than LY and compares with 4.9-5.8x which we have seen during 2019.<sup>a</sup>
- In the HY space, single B debt issued in the last 3 months priced at 4.70% yield, which compares with 6.74% for Q4 2018 (204bps tighter) and 4.82% for Q3 2019. For the BB space the YTM on a rolling 3-month basis was 3.13%, 82bps tighter than the new issue for Q4 2018 of 3.95%. The spread between BB and B new issue has come in from 279bps in Q4 2018, to 194bps in Q3 2019 and now just 157bps in Q4 2019.<sup>a</sup>

The Credit Suisse Western European Leveraged Loan Index hedged to EUR was up with a return of 0.75% in December, bringing total 2019 returns to 5.03%, compared to only 0.55% return for the full year 2018. The Credit Suisse Western European High Yield Index hedged to EUR returned 1.22% for the month, bringing total 2019 returns to 11.05%, compared to -3.85% return in 2018.

Across the performing segment of the credit portfolio, as we ended the year, activity continued to be opportunistic in the primary flow as well as positioning the portfolio in the secondary markets, which remain well supported. Duration in fixed income continued to compress, with the portfolio continuing to hold performing HY issuers in the single B range where we expect to see further positive performance in 2020, as this segment of the ratings spectrum catches up to the BB index.

Within the credit opportunities portfolio, the month focused on adding to existing names where we are confident on positive events in the coming months, often where we have worked through a process or situation affording us an attractive entry point. We maintained our higher than typical allocation to the European single B and BB CLO paper, as these remain well priced and structured, at wides versus the liquid HY market.

The strategy at the start of the year to increase the core allocation to higher quality performing loans (in particular higher rated assets) through the year benefited underlying performance. In addition, as lower rated more difficult corporate credits in the credit opportunities space continued to suffer from limited risk appetite from market participants, as well as longer than anticipated restructuring processes, the portfolio activity was exclusively focused on allocating to existing positions directionally for positive contributions to performance in the future. As per the monthly reviews through Q4, these are beginning to support the overall strategy performance, which we are hopeful will continue into 2020.

As of December close, performing credit (including cash) was at 61.3% of the portfolio with a weighted average price of 99.8, trading at a YTM of 4.6%, delivering 4.3% cash yield to the portfolio. Credit opportunities was at 38.7%, closing the month at a weighted average price of 88.6, trading at a YTM of 9.5%, and delivering 6.8% cash yield to the portfolio.

Floating rate instruments comprised 86.7% of the portfolio. Senior Secured 76.0%. The current yield is 5.7% (gross) with a weighted average market price of the portfolio of 94.7 versus 90.4 as at 31 December 2018. The cash position was 11.5% compared to 15.3% as of the start of the year.

Sources  
<sup>a</sup>S&P LCD – January 2020

## December 2019

### Share Price & NAV at 31 December 2019

	EUR	GBP
Share Price <sup>1</sup>	0.9675	0.9935
NAV <sup>2</sup>	1.0013	1.0534
Total Net Assets <sup>3</sup>	131,442,170	343,618,405
Market Capitalisation	127,009,157	324,081,937

<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 86.7%

Percentage of Portfolio in Fixed Rate Assets 10.3%

Percentage of Portfolio in Other 3.0%

Weighted Average Price<sup>5</sup> 94.7

Yield to Maturity<sup>8</sup> 6.6%

Current Yield 5.7%

Weighted Average Fixed Rate Coupon<sup>8</sup> 7.7%

Weighted Average Floating Rate plus Margin<sup>8</sup> 4.8%

Note: All metrics exclude cash unless otherwise stated

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

Asset Classification by Pricing Category

3<sup>rd</sup> Party Pricing Service 96%

Broker Quotes 0%

Model Price 4%

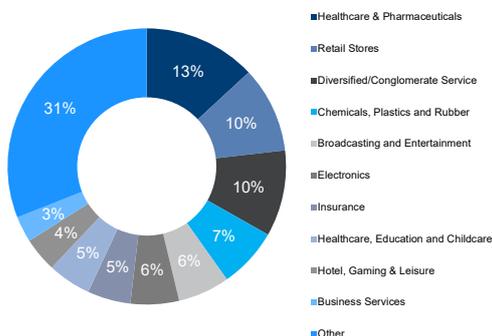
## Contacts

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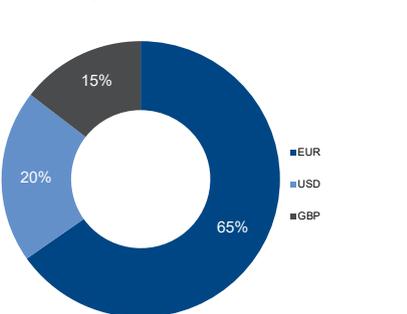
Note: Disclaimer & notes overleaf

## Investment Vehicle Portfolio Statistics (as at 31 December 2019)<sup>3</sup>

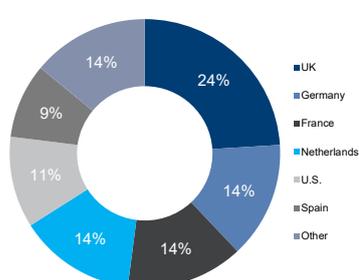
### Industry Breakdown



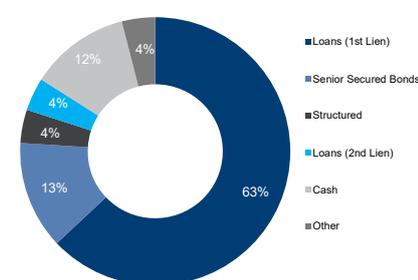
### Currency Breakdown



### Geographical Breakdown (by country of issuer)



### Asset Breakdown (incl. traded cash)



## Investment Vehicle Portfolio Statistics<sup>3</sup> (as at 31 December 2019)

### 5 Largest Issuers

Issuer	% of GAV	Industry	Country
Civica	2.7	Electronics	UK
Concordia	2.7	Healthcare & Pharmaceuticals	UK
Swissport	2.5	Diversified/Conglomerate Service	Switzerland
Doncasters	2.4	Diversified/Conglomerate Service	UK
Dubai World	2.3	Diversified/Conglomerate Service	UAE

## Look Through Reporting<sup>6,8</sup> (as at 31 December 2019)

### Spread Exposure

Rating	Average Spread Duration <sup>7</sup>	Market Value (EUR)	Market Value (%)
AAA	9.94	3,297,175	1%
BB	7.19	24,924,901	4%
B	4.32	396,736,703	70%
CCC	1.54	62,984,368	11%
NR	4.55	80,207,935	14%

### FX Exposure

Currency	Market Value (EUR)	Market Value (%)
EUR	366,626,661	65%
GBP	80,121,182	14%
USD	121,403,239	21%

### Interest Rate Exposure

Type	Duration	Market Value (EUR)	Market Value (%)
Floating	0.16	482,609,345	85%
Fixed	4.32	69,090,988	12%
Other	0.00	16,450,749	3%

### 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