CVC Credit Partners European Opportunities Limited

Summary

CVC Credit Partners European Opportunities Limited (the “Company” or “CCPEOL”) 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).

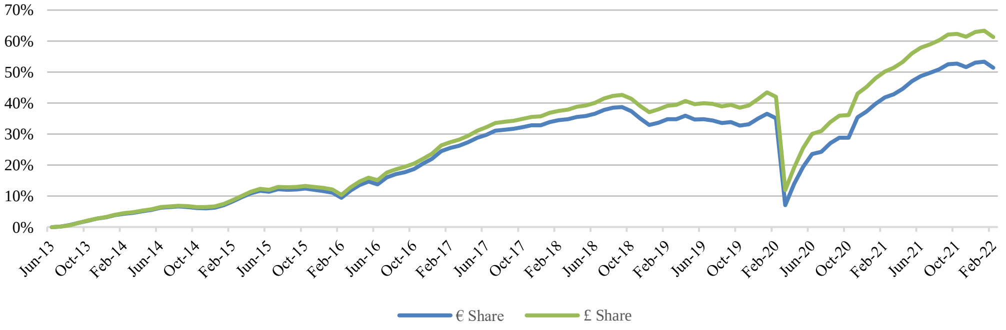
The Company’s investment policy is to invest predominantly in companies domiciled, or with material operations, in Western Europe across various industries. The Company’s investments are focused on Senior Secured Obligations of such companies, but investments are also made across the capital structure 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.

Investment Objectives

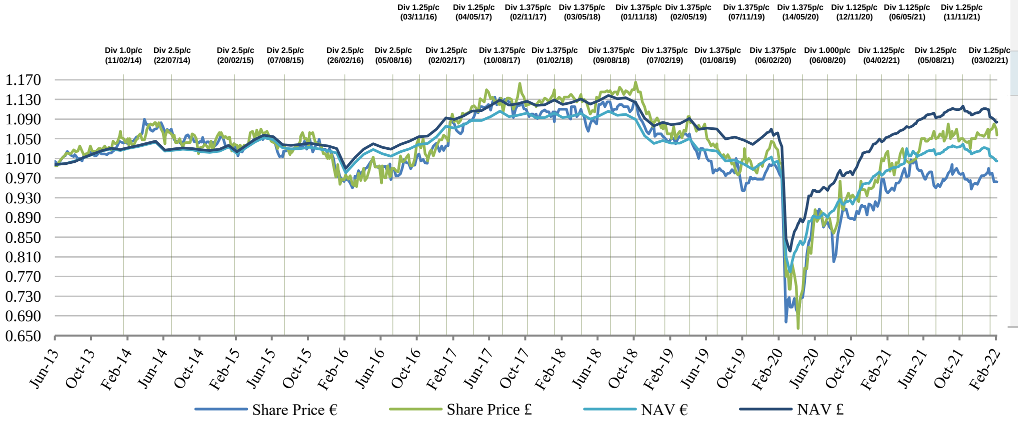
- CCPEOL is focused on capital preservation, and it seeks to generate high cash income via a stable and attractive dividend, as well as offer the potential for capital appreciation.
- It aims to provide shareholders with security, low volatility, liquidity, and low correlation with equities by investing in European sub-investment grade credit.

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



	1M	3M	YTD	1YR	3YRS	5YRS	ITD
€ Share	-1.31%	-0.11%	-1.05%	6.72%	12.33%	20.58%	51.37%
£ Share	-1.22%	-0.07%	-0.97%	7.41%	15.92%	26.59%	61.29%

Company Share Performance



February 2022

Share Price & NAV at 28 February 2022	EUR	GBP
Share Price[1]	0.9625	1.0575
NAV[2]	1.0035	1.0827
Total Net Assets[3]	109,631,953	147,826,649
Market Capitalisation	105,151,390	144,392,577

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		
Floating Rate Assets		83.3%
Fixed Rate Assets		15.2%
Other Assets		1.4%
Weighted Average Market Price[5]		94.5
Yield to Maturity[6]	EUR	8.8%
	GBP	9.5%
Current Yield[6]	EUR	8.0%
	GBP	8.7%
Weighted Average Fixed Rate Coupon		6.4%
Weighted Average Floating Rate plus Margin		4.7%

Note: All metrics exclude cash unless otherwise stated

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Note: Disclaimer & notes located at end of report

CVC

CVC Credit Partners European Opportunities Limited

Portfolio Manager

Pieter Staelens

Managing Director
19 years experience

Pieter joined CVC Credit in 2018. Pieter joined from Janus Henderson Investors in London where he was involved in various High Yield strategies and a credit long/short strategy. Prior to this, Pieter was at James Caird Asset Management, CQS, Remus Partners and Bear Stearns. Pieter is a graduate of the Université Catholique de Louvain in Belgium. He also holds an MSc in Finance, Economics and Econometrics from the Cass Business School and an MBA from the University of Pennsylvania.

Market and Portfolio Commentary

February was another volatile month for financial markets. The first half of the month was dominated by concerns around inflation and central banks reaction function. The Fed, BoE and even ECB guided towards a tightening monetary policy as inflation was higher and more persistent than initially expected. The second half of the month was dominated by the humanitarian tragedy in the Ukraine. This triggered severe sanctions against Russia which has an impact across multiple asset classes, with commodity markets in particular impacted. Brent Crude moved to above $100/bbl for the first time since 2014,[a] but we also saw large increases in gas prices, wheat, corn and aluminium as supply of these will be impacted by Russian sanctions. This is anticipated to lead to higher inflation and lower growth.

European Sub Investment Grade Highlights

February saw €4.52bn total loan new issuances in Europe, 47% below last year on the back of high market volatility induced by central banks policy as well as the Russia- Ukraine conflict. Year-to-date ("YTD") issuance stood at €17.3bn or 14% below last year. The average new issue spread in February has widened to E+426bps with 4.61% yield to maturity which compares with E+376bps and 3.92% same time last year, mainly as a result of the overall market volatility. HY issuance also slowed down to €10.8bn YTD a reduction of 59% vs. last year as the rates volatility is added to the geopolitical situation in Europe.[b]

The Credit Suisse Western European Leveraged Loan Index return, hedged to Euro, was at -0.9% for the month. Defensives -0.99% and cyclicals -0.84% in February. Interestingly, CCCs still outperformed in February with a return of +0.10% while BBs returned -0.80% and single Bs -1.04%. As at the end of February, the 3-year discount margin on the index was 459bps.

The Credit Suisse Western European High Yield Index, hedged to Euro, was down -2.92% on the back of investors' concerns around inflation and central bank policy compounded by the market volatility on the back of the Russian-Ukrainian conflict.[c]

Portfolio Commentary

Activity within the performing book remained elevated in February as we managed volatility in credit markets. Throughout the month, we managed risk by both adding and reducing exposure in an effort to optimize the book while capitalizing on the volatility. We added seven new names to the performing book, including a handful of names that we had previously been invested in. Our primary market participation was selective, deploying into four new names that offered attractive income relative to individual risk profiles. Within the secondary market, we added three new names to the book at attractive levels, while topping up on two existing positions on weaker days. In order to fund this deployment, we reduced risk across five positions while exiting four others, all trading at tight levels. This active trading allowed us to optimize the fund for current income and further expand our floating rate exposure, all while building discount. As of February close, performing credit (including cash) was 50.0% of the portfolio, trading at a weighted average price of 98.1 and a YTM of 4.9%, whilst delivering a 4.6% cash yield to the portfolio.

The credit opportunities book was similarly active throughout the month of February. Volatile markets have driven outsized risk movements, and as such, we continue to monitor the opportunity set for potential investments within the credit opportunities book. Throughout the month, we added to two existing positions at opportunistic levels, enhancing the convexity profile of each investment and the broader book. To fund those purchases, we exited one position at a premium to par, while the name had held in despite broader sector pressure. Additionally, we added one new name to the book during the month with an attractive, shorter-dated return profile. The structured products sleeve had one of its most active months in recent memory, both in terms of deal review and ultimate deployment. During the month, we participated in four individual new issue deals, adding to our BB, B, and Equity sleeves within the structured products book. This deployment followed extensive diligence around each deal, several conversations with respective managers, and gaining comfort around each individual risk profile. Additionally, we added to an existing CLO Equity position at a significant discount through successful participation in an auction. As of February close, credit opportunities was 50.0% of the portfolio, trading at a weighted average price of 90.8 and a YTM of 9.4%, whilst delivering a 7.9% cash yield to the portfolio.

Across the entire portfolio, as of February month end, the weighted average market price was 94.5, trading at a YTM of 9.1%, and delivering 8.3% cash yield (on a levered basis) versus a weighted average price of 96.5, YTM of 8.3% and cash yield of 7.9% as of December 2021. Floating rate instruments comprised 83.3% of the portfolio. Senior Secured 78.4%. The portfolio had a cash position of -1.3% (including leverage) with leverage at 1.3x assets.

With the conflict in the Ukraine becoming more dire by the day, we remain vigilant in our risk management as volatility continues. The team has been focused on identifying investment-level exposure to Russia and the Ukraine, and we continue to work as a team in managing risk. Similar to January, we continue to have a preference for floating rate instruments given the current interest rate environment globally, and this preference has aided in our YTD outperformance. We will maintain our proven investment approach with the dire geopolitical backdrop and imminent central bank policy tightening

Commentary Sources:

[a] Bloomberg

[b] LCD, an offering of S&P Global Market Intelligence – March 2022

[c] Credit Suisse

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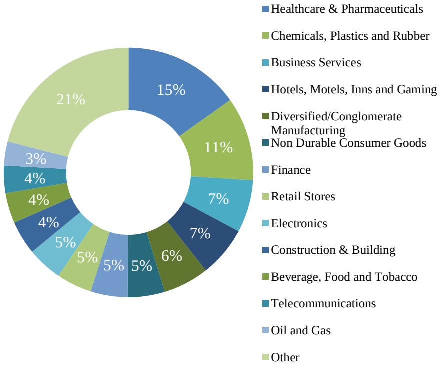
Investment Vehicle Portfolio Statistics as at 28 February 2022[5]

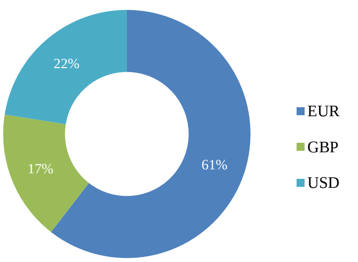
Top 5 Issuers

Issuer	% of Gross Assets	Industry	Country
Doncasters	5.7%	Diversified/Conglomerate Manufacturing	United Kingdom
Colouroz	3.8%	Chemicals, Plastics and Rubber	Germany
Civica	3.5%	Electronics	United Kingdom
Wella	3.2%	Cosmetics / Toiletries	Luxembourg
Hotelbed	2.4%	Leisure	Spain

Industry Exposure MV (%)



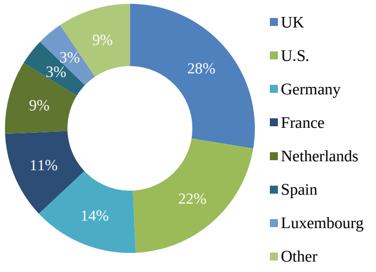
Currency Exposure MV (%)



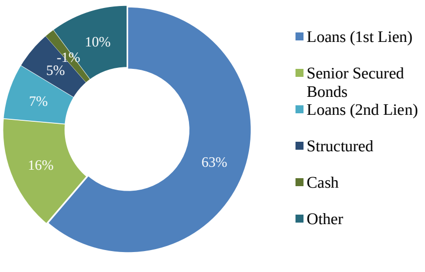
RepRisk ESG Rating[7] MV (%)

	MV (%)
AAA	22.2%
AA	39.7%
A	25.6%
BBB	6.3%
BB	0.9%
B	0.0%
CCC	0.0%
CC	0.0%
C	0.0%
D	0.0%
NR	5.3%
Total	100.0%

Geographic Exposure MV (%)



Asset Exposure MV (%)



Look Through Reporting[6,8] as at 28 February 2022

Rating Exposure

Rating	Average Spread Duration[9]	MV (€)	MV (%)
BB	6.51	9.5m	2%
B	4.31	261.7m	68%
CCC	2.65	78.5m	20%
NR	4.86	36.0m	9%

FX Exposure

Currency	MV (€)	MV (%)
EUR	233.4m	61%
GBP	65.6m	17%
USD	86.7m	22%

Interest Rate Exposure

Type	Duration	MV (€)	MV (%)
Floating	0.19	321.5m	83%
Fixed	3.34	58.8m	15%
Warrants	0.00	5.5m	1%

Note: Amounts may not add up to 100% due to rounding.

Notes & Assumptions:
- The sum of the market values may be larger than the NAV due to the effect of the investment vehicle leverage facility
- All duration and yield calculations are based on assets outstanding to maturity (no call or amortisation assumptions)
- Duration is calculated using the DURATION function in Excel, and includes approximations for interest rate duration for floating 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

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Important Information

Footnotes

[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
[4] NAV Total Return includes dividends reinvested
[5] Average market price of the portfolio weighted against the size of each position
[6] Current Yield including Investment Vehicle leverage
[7] The RepRisk Rating is a letter rating (AAA to D) that facilitates benchmarking and integration of ESG and business conduct risks. NR indicates exposure to issuers not currently monitored by RepRisk. Data as at 28 February 2022.
[8] Data excludes cash
[9] Averages are weighted by market value

Disclaimers

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The Company is regulated by the Jersey Financial Services Commission.

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