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.

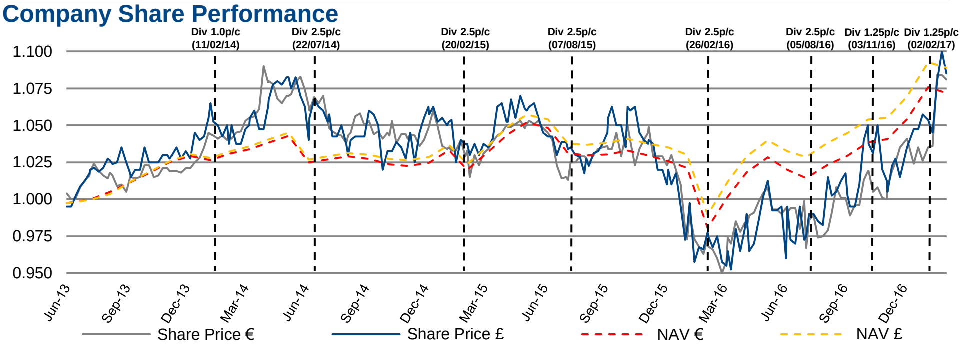
Company NAV Total Return Performance[4] (since inception)

EUR Share	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2017	2.1%	0.8%											**2.9%**
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
2017	2.2%	0.8%											**3.0%**
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

February started with 3 central bank meetings:

(i) the Bank of Japan increased growth expectations for the next 2 years;
(ii) the Bank of England kept interest rates on hold at 0.25%, left its asset purchase programme unchanged, and increased its UK economic growth forecasts for 2017 to 2.0% (from the 0.8% growth forecast made in August 2016); and
(iii) the U.S. Federal Reserve started the month with broadly neutral messaging increasing the market probability of a March rate hike.

Across Europe, with positive European economic data and uplifting central bank disclosure, UK gilts and German Bunds gained 3.2% and 1.6% respectively, while equity markets hit record highs with global indices' all in positive returns for the month. The FTSE 100 rallied 3.1%, with European indices not far behind at 2.6%. In the U.S., the earnings season continued this positive theme. The majority of companies which reported during the month exceeded earnings estimates, although fewer beat revenue estimates, resulting in the S&P 500 gaining 4.0% in the month.[a]

The clear focus going into Q2'17 is European politics. In France, projected outcomes for the second round of French elections have Emmanuel Macron victorious over Marine Le Pen. As experienced with the 2016 U.S. and Brexit results, polling data does not always guide to the end result giving markets a lot to think about as these campaigns continue through to May.

The European HY market opened in February with €6.9bn of new issuance — the largest monthly supply since September 2016. YTD, the €12.3bn of HY volume shows how much the market has changed from 12 months ago, when only €1.6bn was raised. With this, the 3-month rolling average yield of new issue, single-B issuers, remained slightly above 6%, while BB credit yields continued to head towards 3%, strongly indicating which segment of the market investors feel comfortable with in the current market environment.[b]

Across the European Loan market, refinancing continued to dominate, comprising 55.7% of the YTD volume. Although February's volume of €5.7bn was down from the €11.1bn seen in January, even with the effect of surging repayments, the par amount outstanding in the S&P European Leveraged Loan Index ("ELLI") has continued to increase. On the demand side, CLO issuance totalled €1.2bn in the first 2 months of 2017. Add into this 2016's market, when €16.8bn of CLOs were issued against just €18.0bn in outstandings, and it is clear to see why secondary prices continue to increase. The average YTM for single-B rated TLBs reached 4.16% to the end of February on a 3-month rolling basis, down from the 2016 high of 5.96% in April 2016, and almost 200bps inside HY. On an absolute basis, there has been larger yield compression in the European market versus the U.S. Since October 2015, yields have compressed by 1.48% in Europe, compared to 0.88% for those priced in the U.S.[b]

As widely discussed in market commentaries, the default expectations in Europe remained relatively benign. The S&P ELLI default rate on a lagging 12-month basis fell to a 9-month low of 2.04%. The share of performing loans trading below 80 — a price often used as a benchmark of distress — was 2.04% at the end of February, down from 2.63% at the end of January.[b]

The Credit Suisse Western European HY Index hedged to Euro was up with a return of 1.21% for the month and 1.94% year to date. The Credit Suisse Western ELLI hedged to Euro was up with a return of 0.46% for the month and 1.47% year to date.

The performing strategy continued to actively trade and allocate into a seemingly relentless flow of repricing activity. Through this period of increased repricing activity, the strategy is expected to:

(i) diversify holdings to both capture the market demand by trading the new issue market, reduce exposure to some core holdings which are trading at premiums;
(ii) marginally increase the portfolio's weighting to US performing credit to capture the increasing yield environment; and
(iii) position the portfolio in this segment with a view to allocating back to Europe when there is volatility which we do anticipate through 2017.

The all in spread of the performing portfolio following January's re-pricing activity tightened from 4.9% as of December 31 2016 to 4.8%. The current YTM across the segment remains in line with our target, however it has tightened from 4.9% as of December 31 2016 to 4.6% as of month end.

The credit opportunities segment continued to focus on scaling a number of new opportunistic positions, as well as managing into the exit events for names that have traded well through 2016 and early 2017. Given the move in the spreads across loan market, there has been renewed focus on the cash flows to European 2.0 CLO equity as the arbitrage tightens up. It is anticipated that exposure to this segment will reduce. The current YTM across the credit opportunities segment of the portfolio is 11.3% trading at a market price of 88.9%.

Gross invested assets ended the month at 1.2x. Performing credit closed the month at 54.7% of the portfolio and credit opportunities at 45.3%. The YTM of the total portfolio remains within our target return range at 7.8%.

At the end of February, floating rate instruments comprised 89.1% of the portfolio and the current yield was 6.3% (gross).

Sources
[a] JP Morgan
[b] S&P LCD

February 2017

Share Price & NAV at 28 February 2017

	EUR	GBP
Share Price[1]	1.0810	1.0850
NAV[2]	1.0718	1.0891
Total Net Assets[3]	131,500,154	225,308,735
Market Capitalisation	132,629,064	224,461,104

[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	89.1%
Percentage of Portfolio in Fixed Rate Assets	10.9%
Weighted Average Price[5]	94.5
Yield to Maturity[8]	7.8%
Current Yield	6.3%
Weighted Average Fixed Rate Coupon[8]	6.7%
Weighted Average Floating Rate plus Margin	5.0%

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

Contacts

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Note: Disclaimer overleaf

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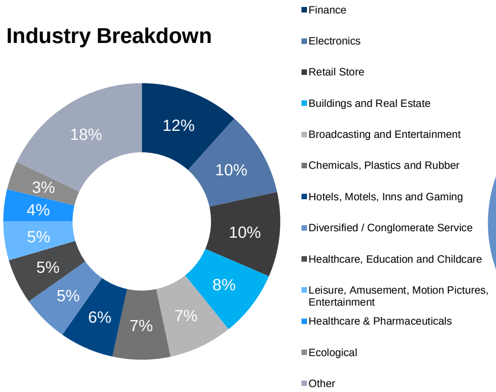
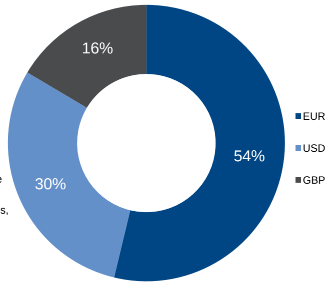
Investment Vehicle Portfolio Statistics (as at 28 February 2017)[3]

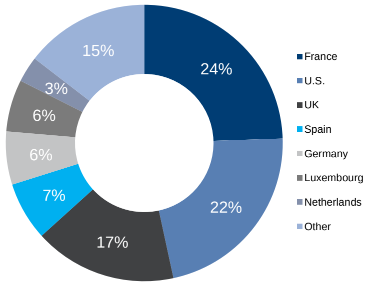
Industry Breakdown



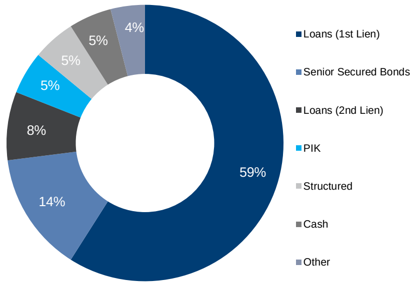
Currency Breakdown



Geographical Breakdown (by country of issuer)



Asset Breakdown (incl. traded cash)



Investment Vehicle Portfolio Statistics[3]

5 Largest Issuers

Issuer	% of GAV	Industry	Country
Ambac	3.9	Finance	US
Consolis	3.4	Buildings & Real Estate	France
Dell	3.1	Electronics	US
Numericable	3.1	Broadcasting & Entertainment	France
Saur	3.0	Ecological	France

Look Through Reporting[6,8]

Spread Exposure

Rating	Average Spread Duration[7]	Market Value (EUR)	Market Value (%)
BB	4.26	34,747,958	7%
B	4.70	279,000,970	57%
CCC	2.47	18,484,106	4%
NR	3.97	154,469,546	32%

FX Exposure

Currency	Market Value (EUR)	Market Value (%)
EUR	253,581,958	52%
GBP	76,643,079	16%
USD	156,477,544	32%

Interest Rate Exposure

Type	Duration	Market Value (EUR)	Market Value (%)
Floating	0.14	415,919,403	85%
Fixed	6.21	70,681,933	15%
Other	0.00	101,245	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