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.

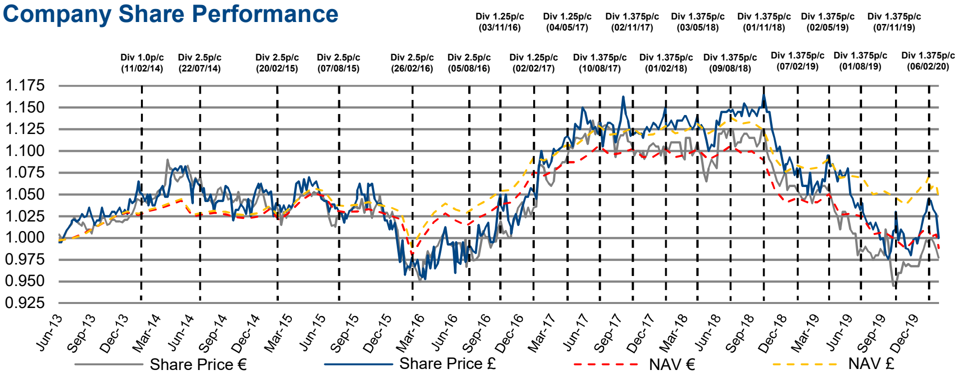
The Company invests through Compartment A of CVC European Credit Opportunities S.à r.l. (the “Investment Vehicle”), a European credit opportunities investment vehicle managed by CVC Credit Partners Investment Management Limited.

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

EUR Share	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2020	1.2%	-1.1%											**0.1%**
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**
2020	1.6%	-1.0%											**0.6%**
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%**

[4] NAV Total Return includes dividends reinvested

Company Share Performance



Investment Vehicle Manager Market & Portfolio Commentary

In February, it became obvious that the Covid-19 virus is more than a Chinese issue and turned into a global issue. However, it was really only in the last week of the month, coinciding with a surge of cases in Italy, that the market began to factor in the seriousness of the situation. There is a lot of uncertainty in financial markets about how quickly the virus will spread, the mortality rate and the impact on global growth. Many markets experienced their largest weekly declines since the last financial crisis.

European Sub Investment Grade Highlights

Total issuance in the leveraged loan market was €9.84bn in February which is up from the €7.98bn issued in February 2019. This brings YTD issuance to an impressive €29.06bn, which is nearly three times the €9.82bn that was issued in the first two months of Last Year (“LY”). In the European High Yield (“HY”) space, there was €6.41bn issuance during the month, well ahead of the €2.65bn that was issued in February LY. This brings YTD issuance to €19.40bn, compared to only €4.65bn issuance in the first two months of LY. It’s worth noting though that a couple of loan refinancings were pulled towards the end of February as markets started focussing on the severity of the Coronavirus.[a]

- February total leverage issuance was €16.25bn, well ahead of the market-driven new issuance of €10.63bn LY. For context, the size of new issue in February 2018 was €17.09bn.[a]
- 2020 loan volumes have been 56% acquisition and 44% refinancing. Euro denominated issuance comprised 97% of the volumes for the month with the balance being GBP. Deal volume has been 26% UK, 21% Germany, 15% France and 13% Netherlands. Industry volume has been 18% healthcare, 15% services & leasing, 14% food and beverage and 13% telecom.[a]
- 2020 bond volumes have been 81% refinancing and 18% M&A, with the balance for general corporate purposes. Sources of funding were 65% secured and 35% unsecured. Composition was 94% Euro with the balance being GBP. YTD issuance has been 33% BB, 50% B, 8% split, with the balance being others. Deal Volume has been 24% Netherlands, 15% France, 14% Germany and 10% Serbia.[a]
- TL B new issue spreads in February were E+348bps, continuing a theme of tightening seen since August 2019 when new issue spreads were 394bps. Average net leverage was stable versus last month, at 5.42x, which is 0.34x lower than LY, however higher than the general range of 4.9-5.4x which we have seen in the previous 6 months.[a]
- In the HY space, single B debt issued in the last 3 months priced at 4.02% yield, which compares with 6.74% for Q4 2018 (272bps tighter) and 4.70% for Q4 2019. For the BB space the YTM on a rolling 3-month basis was 2.77%, 118bps 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 157bps in Q4 2019 and to now just 125bps for last three months ending February 2020.[a]

The Credit Suisse Western European Leveraged Loan Index, hedged to Euro, was -1.03% in February bringing YTD returns to -0.52%. Interestingly CCC’s outperformed during the month with a return of -0.69% compared to -0.79% for BBs and -1.17% for Bs. The Credit Suisse Western European High Yield Index, hedged to Euro, was -1.78% in February bringing YTD returns to -1.66%. Cyclicals (-2.08%) underperformed defensives (-1.02%), while energy (-4.53%) was the clear underperformer given the move in oil prices.

The month of February was a tale of two halves. During the first half of the month, the performing credit book continued to see strong flows in both the US and European loan markets, driven by both new deals and a wave of repricing action by borrowers across the rating spectrum. As the market tightened up, allocation or rotation into new issue assets remained very selective, focusing on appropriately structured and priced credit. Fixed income credits were opportunistic in issuance, with long dated and compressed yields taking advantage of the lower for longer mentality of risk-free rates. Within the credit opportunities portfolio, we were focused on increasing our structured credit exposures as pricing relative to the wider HY space for strong issuers looks mispriced. The existing book was well positioned to support performance in the coming months, and we looked to add where supply could be found at attractive levels.

As we moved into the back half of the month, it became evident that the Coronavirus and its impact had spread beyond the shores of China and was now becoming a global problem. In our performing book, we took selective risk off in names exposed to sectors such as leisure and travel alongside those with weaker liquidity profiles. The credit opportunities portfolio sold positions in some of the less liquid structured product assets which had tightened in the year. The exposures in this segment of the strategy, being idiosyncratic, are expected to deliver target returns despite broader market sentiment.

As of February close, performing credit (including cash) was at 54.2% of the portfolio with a weighted average price of 97.3, trading at a YTM of 4.7%, delivering 4.4% cash yield to the portfolio. Credit opportunities was at 45.8%, closing the month at a weighted average price of 89.6, trading at a YTM of 8.5%, and delivering 7.0% cash yield to the portfolio.

Floating rate instruments comprised 85.2% of the portfolio. Senior Secured 81.1%. The current yield is 6.8% (gross) with a weighted average market price of the portfolio of 94.0 as at 29th February 2020. The cash position was at 4.6% compared to 13.2% as of the start of the year.

February 2020

Share Price & NAV at 29 February 2020

	EUR	GBP
Share Price[1]	0.9775	1.0000
NAV[2]	0.9886	1.0457
Total Net Assets[3]	128,727,460	259,918,343
Market Capitalisation	127,287,749	248,565,956

[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	85.2%
Percentage of Portfolio in Fixed Rate Assets	11.8%
Percentage of Portfolio in Other	3.1%
Weighted Average Price[5]	94.0
Yield to Maturity[8]	6.5%
Current Yield	6.8%
Weighted Average Fixed Rate Coupon[8]	8.8%
Weighted Average Floating Rate plus Margin[8]	4.8%

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 & notes overleaf

Sources

[a] LCD, an offering of S&P Global Market Intelligence – March 2020

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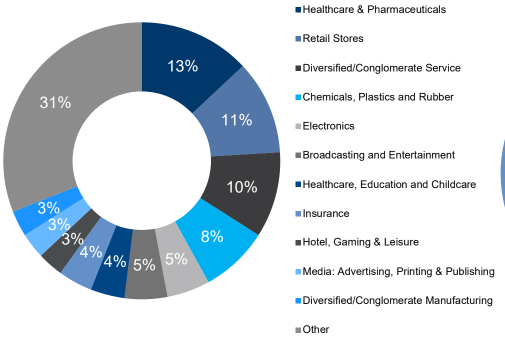
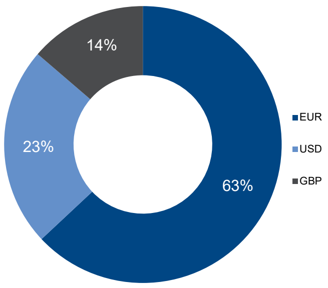
Investment Vehicle Portfolio Statistics (as at 29 February 2020)[3]

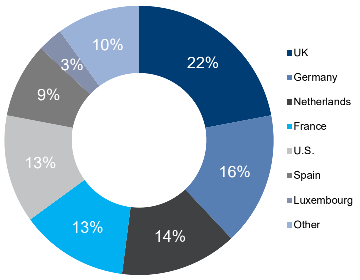
Industry Breakdown



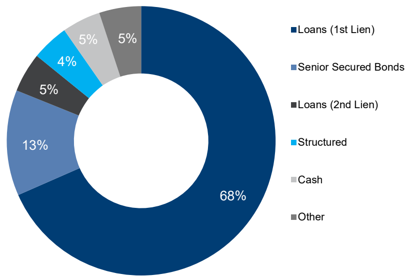
Currency Breakdown



Geographical Breakdown (by country of issuer)



Asset Breakdown (incl. traded cash)



Investment Vehicle Portfolio Statistics[3] (as at 29 February 2020)

5 Largest Issuers

Issuer	% of GAV	Industry	Country
Concordia	3.0	Healthcare & Pharmaceuticals	UK
Doncasters	2.8	Diversified/Conglomerate Service	UK
Civica	2.7	Electronics	UK
Dubai World	2.6	Diversified/Conglomerate Service	UAE
Kirk Beauty	2.6	Retail Stores	Germany

Look Through Reporting[6,8] (as at 29 February 2020)

Spread Exposure

Rating	Average Spread Duration[7]	Market Value (EUR)	Market Value (%)
AAA	9.78	3,132,647	1%
BB	8.02	14,963,514	3%
B	4.21	350,735,322	69%
CCC	1.43	60,392,162	12%
NR	4.67	76,549,265	15%

FX Exposure

Currency	Market Value (EUR)	Market Value (%)
EUR	318,998,382	63%
GBP	69,150,585	14%
USD	117,623,943	23%

Interest Rate Exposure

Type	Duration	Market Value (EUR)	Market Value (%)
Floating	0.13	430,398,769	85%
Fixed	4.67	59,964,618	12%
Other	0.00	15,409,523	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

[6] Data excludes cash
[7] Averages are weighted by market value
[8] Excluding short positions