

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).

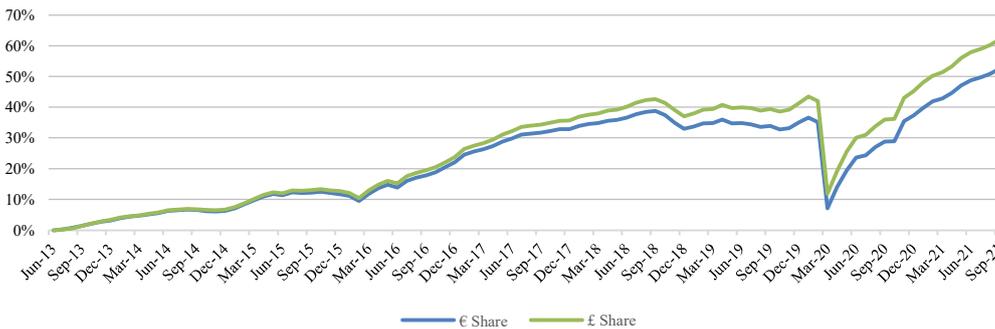
The Company’s investment policy is to invest predominantly in companies domiciled, or with material operations, in Western Europe across various industries. The Company’s investments are focused on Senior Secured Obligations of such companies, but investments are also made across the capital structure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

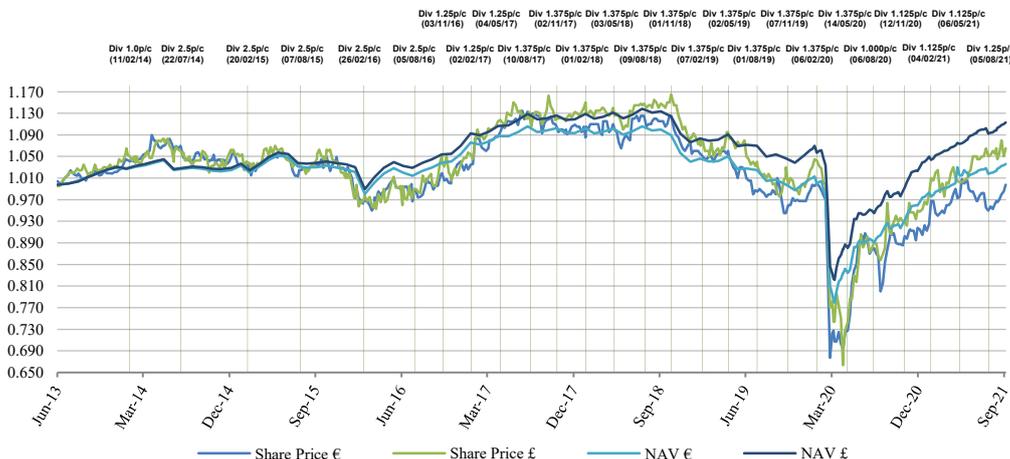
- CCPEOL is focused on capital preservation, and it seeks to generate high cash income via a stable and attractive dividend, as well as offer the potential for capital appreciation.
- It aims to provide shareholders with security, low volatility, liquidity, and low correlation with equities by investing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

Company NAV Total Return Cumulative Performance⁴ (since inception)



	1M	3M	YTD	1YR	3YRS	5YRS	ITD
€ Share	1.12%	2.57%	11.09%	18.45%	9.96%	29.55%	52.54%
£ Share	1.15%	2.67%	11.60%	19.22%	13.66%	35.71%	62.04%

Company Share Performance



September 2021

Share Price & NAV at 30 September 2021		
	EUR	GBP
Share Price ¹	0.9975	1.0650
NAV ²	1.0361	1.1126
Total Net Assets ³	119,912,884	174,531,202
Market Capitalisation	115,442,776	167,066,729
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	78.5%	
Fixed Rate Assets	20.1%	
Other Assets	1.4%	
Weighted Average Market Price ⁵	97.2	
Yield to Maturity ⁶	8.0%	
Current Yield ⁶	7.8%	
Weighted Average Fixed Rate Coupon	6.7%	
Weighted Average Floating Rate plus Margin	5.0%	
<i>Note: All metrics exclude cash unless otherwise stated</i>		
Asset Classification by Pricing Category		
3 rd Party Pricing Service	94%	
Broker Quotes	2%	
Model Price	4%	
Contact Us		
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CVC Credit Investor Relations creditinvestorrelations@cvc.com		
<i>Note: Disclaimer & notes located at end of report</i>		

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

September was a softer month for financial markets. There were a number of things that kept investors awake. On top of Covid infections and the debate about the direction of travel for inflation, a couple of newer concerns were thrown into the mix. The Evergrande default led to questions about downside risks to the Chinese economy and potential contagion to other parts of the world. We also saw a big spike in European natural gas prices which nearly doubled in the month and fuel shortages in the UK. Global food prices climbed back to near the highest in a decade as a result of changing weather patterns, shortage of workers and higher shipping costs.^a Furthermore, an increasing number of Central Banks are turning hawkish with US treasuries experiencing the worst monthly performance since February.^b Finally, discussions about the US debt ceiling didn't really make much progress. As a result, most major equity indices were down for the month, ending a run of seven consecutive months of positive performance.^b

European Sub Investment Grade Highlights

Total loan issuance during the month of September was €9.0bn, compared to €7.0bn in the same month last year. This represents a slightly slower restart post summer - for instance, September 2019 saw €9.7bn in new loan issuance. The average new issue spread was E+402.44 with 4.23% yield to maturity, which compares with E+428.75 and 4.78% in September last year. The year to date ("YTD") loan issuance now stands at a record €104.6bn, considerably more than the €54.6bn issuance we saw in the first nine months of 2020. On the high yield side, we saw €6.8bn of bond issuance during the month, bringing YTD issuance to €93.6bn. We are well on track to have a record year of issuance in each of the European leveraged loan and high yield markets.^c

The Credit Suisse Western European Leveraged Loan Index return, hedged to Euro, was at +0.44% for the month, which brings YTD returns to +3.90%. Defensives (+0.36%) underperformed cyclicals (+0.52%). CCCs outperformed all other rating categories at +1.56% while BBs returned +0.32%, single Bs +0.35% and unrated companies +0.63%. As at the end of September, the 3-year discount margin on the index was 403bps. The Credit Suisse Western European High Yield Index, hedged to Euro, was up 0.11% for the month bringing YTD returns to +4.09%.^d

During the month of September, activity across the performing book was again driven by a healthy primary market. With elevated sponsor activity, we have seen a significant uptick in acquisition, recapitalization, and dividend-related issuance. We participated in four new deals during the month that we felt offered attractive current income relative to issuer risk profiles; two of these issuers are new to the portfolio. In order to fund these opportunities, we exited three positions at levels we believed were at or above fair value. Additionally, optimization remains a focus of the performing book on the trading side, both in the form of outright purchases and sales, as well as capital structure switches. The book remains well-positioned for current income as the final quarter of 2021 begins. As of September close, performing credit (including cash) was 47.6% of the portfolio, trading at a weighted average price of 100.0 and a YTM of 4.3%, whilst delivering a 4.3% cash yield to the portfolio.

The credit opportunities book also saw elevated deployment and trading activity during the month. We added two new names to the credit opportunities book while also adding risk across four existing positions throughout the month, across both primary and secondary markets. To fund this deployment, we de-risked a position following a partial par repayment after a successful maturity extension. We also exited two positions during the month, one of which was sold into the respective company's tender offer. With elevated activity across both new issue and secondary markets, the team remains focused on identifying attractive ideas and optimizing the credit opportunities book for capital appreciation. Within the structured products book, we exited a BB position near par after rolling into the paper at a discount as part of a reset in June. We will look to re-deploy this capital into new issue BB's offering greater discount and spread in the near term. As of September close, credit opportunities was 52.4% of the portfolio, trading at a weighted average price of 94.8 and a YTM of 8.6%, whilst delivering a 7.7% cash yield to the portfolio.

Across the entire portfolio, as of September month end, the weighted average market price was 97.2, trading at a YTM of 8.0%, and delivering 7.8% cash yield (on a levered basis) versus a weighted average price of 93.6, YTM of 7.0% and cash yield of 6.6% as of December 2020. Floating rate instruments comprised 78.5% of the portfolio. Senior Secured 76.0%. The portfolio had a cash position of 2.2% (including leverage) with leverage at 1.3x assets.

The fund continues to outperform relevant benchmarks heading into the final quarter of 2021. The performing book is well-positioned for current income, and the credit opportunities book maintains convexity and capital appreciation potential. With recent macroeconomic uncertainty driving a pickup in volatility across global risk markets, and concurrent heavy levels of new issuance, we will remain diligent in our investment approach.

Commentary Sources:

^a Bloomberg

^b Deutsche Bank Research, September and Q3 2021 Performance Review – 1 October 2021

^c LCD, an offering of S&P Global Market Intelligence – October 2021

^d Credit Suisse

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Investment Vehicle Portfolio Statistics³ as at 30 September 2021

Top 5 Issuers

Issuer	% of Gross Assets	Industry	Country
Doncasters	4.9%	Diversified/Conglomerate Manufacturing	United Kingdom
Colouroz	3.7%	Chemicals, Plastics and Rubber	Germany
Civica	3.3%	Electronics	United Kingdom
D&G	2.4%	Finance	United Kingdom
Douglas	2.4%	Retail Stores	Germany

Industry Exposure	MV (%)	Currency Exposure	MV (%)	RepRisk ESG Rating ⁷	MV (%)
				AAA	41.3%
				AA	36.1%
				A	12.0%
				BBB	4.8%
				BB	1.6%
				B	0.0%
				CCC	0.0%
				CC	0.0%
				C	0.0%
				D	0.0%
				NR	4.3%
				Total	100.0%

Look Through Reporting^{6,8} as at 30 September 2021

Rating Exposure

Rating	Average Spread Duration ⁹	MV (€)	MV (%)
BB	6.66	7.3m	2%
B	4.40	252.0m	61%
CCC	2.84	109.9m	27%
NR	4.12	42.8m	10%

Interest Rate Exposure

Type	Duration	MV (€)	MV (%)
Floating	0.17	323.6m	79%
Fixed	3.37	82.7m	20%
Warrants	0.00	5.7m	1%

FX Exposure

Currency	MV (€)	MV (%)
EUR	249.1m	60%
GBP	53.7m	13%
USD	109.2m	27%

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 30 September 2021.

⁸ Data excludes cash

⁹ Averages are weighted by market value

Disclaimers

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.