



# 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).

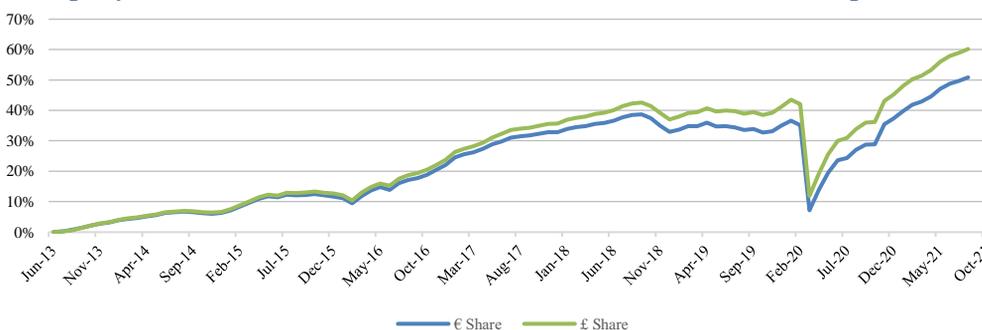
The Company’s investment policy is to invest predominantly in companies domiciled, or with material operations, in Western Europe across various industries. The Company’s investments are focused on Senior Secured Obligations of such companies, but investments are also made across the capital structure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

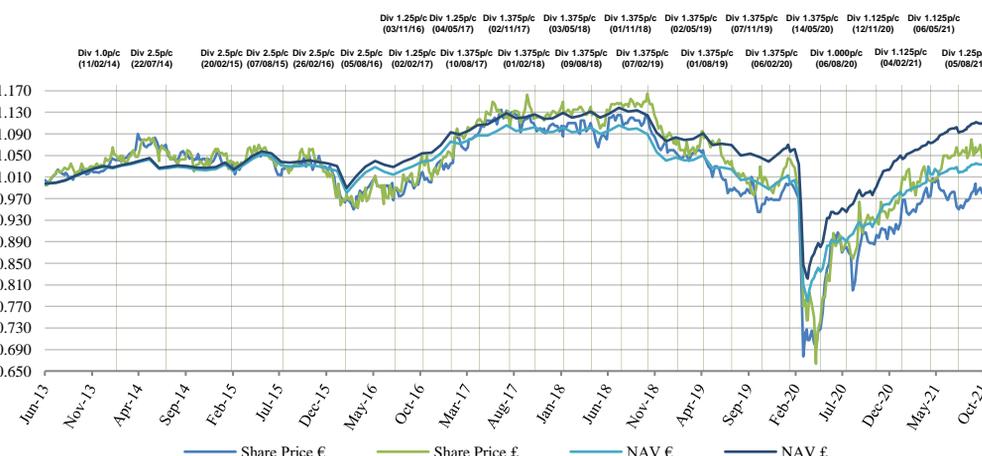
- CCPEOL is focused on capital preservation, and it seeks to generate high cash income via a stable and attractive dividend, as well as offer the potential for capital appreciation.
- It aims to provide shareholders with security, low volatility, liquidity, and low correlation with equities by investing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

## Company NAV Total Return Cumulative Performance<sup>4</sup> (since inception)



|         | 1M    | 3M    | YTD    | 1YR    | 3YRS   | 5YRS   | ITD    |
|---------|-------|-------|--------|--------|--------|--------|--------|
| € Share | 0.09% | 2.00% | 11.19% | 18.47% | 11.12% | 28.54% | 52.67% |
| £ Share | 0.17% | 2.14% | 11.79% | 19.23% | 14.82% | 34.78% | 62.32% |

## Company Share Performance



## October 2021

| Share Price & NAV at 31 October 2021                                    |                                 |              |
|---|---------------------------------|--------------|
|   | EUR                             | GBP          |
| Share Price <sup>1</sup>  | 0.9975                          | 1.0500       |
| NAV <sup>2</sup>  | 1.0370                          | 1.1145       |
| Total Net Assets <sup>3</sup>   | 119,717,327                     | 164,357,983  |
| Market Capitalisation   | 112,844,344                     | 154,841,254  |
| 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  | 77.8%                           |              |
| Fixed Rate Assets   | 20.7%                           |              |
| Other Assets  | 1.5%                            |              |
| Weighted Average Market Price <sup>5</sup>                              | 96.9                            |              |
| Yield to Maturity <sup>6</sup>  | 8.0%                            |              |
| Current Yield <sup>6</sup>  | 7.7%                            |              |
| 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>           |                                 |              |
| Contact Us  |                                 |              |
| <b>Richard Boleat, Chairman</b><br>richard.boleat@CCPEOL.com            |                                 |              |
| <b>CVC Credit Investor Relations</b><br>creditinvestorrelations@cvc.com |                                 |              |
| <i>Note: Disclaimer &amp; 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

October 2021 was another volatile month for financial markets. One of the top performing asset classes during the month was WTI which was +11.4% for the month, thereby extending year-to-date (“YTD”) gains to 72.2%.<sup>a</sup> Other commodities, including key industrial bellwether copper and agricultural prices such as wheat futures were also up considerably for the month.<sup>a</sup> These moves of course put into question the transitory nature of the inflation we’re seeing, and as a result, rates markets were volatile again this month. Equities markets rebounded strongly though from the September losses and the S&P 500 closed the month at a new all-time high.<sup>b</sup>

### European Sub Investment Grade Highlights

Total loan issuance during the month of October was €10.75bn, compared to €5.0bn same month last year and €7.4bn average monthly issuances in October since 2010. The average new issue spread has been widening gradually in recent months now reaching E+408.68 with 4.41% yield to maturity after compressing to +376bps and 3.92% in February 2021, respectively. The YTD loan issuance now stands at a record €117.7bn, considerably more than the €59.6bn issuance we saw in the first ten months of 2020. On the HY side, we saw €11.2bn of bond issuance during the month, bringing YTD issuance to €108bn.<sup>c</sup>

The Credit Suisse Western European Leveraged Loan Index return, hedged to Euro, returned +0.14% for the month, which brings YTD returns to +4.04%. Defensives (+0.12%) marginally underperformed cyclicals (+0.16%). CCCs outperformed all other rating categories at +0.51% while BBs returned +0.02% and single Bs +0.13%.

The Credit Suisse Western European High Yield Index, hedged to Euro, was down -0.67% for the month bringing YTD returns to +3.39%. The Yield to Worst on this index is now 3.47% with a spread to worst of 367bps.<sup>d</sup>

### Portfolio Commentary

The performing book saw increased turnover and further optimization during the month of October. Primary market activity remains robust, and we participated in a number of deals offering attractive current income relative to issuer risk profiles. Through the primary market, we added three new names to the portfolio during the month, while also participating in one refinancing and one add-on of an existing name. We also participated in the buyout financing of an existing issuer that was acquired by a large global asset manager. Credit markets saw notable intra-month volatility in spite of the consistent rally across equities during the month, and we used the opportunity to reduce certain names trading at or above our view of fair value. We also initiated various switches, including a rotation out of loans into bonds of the same issuer capturing attractive spread differential, as well as a switch out of an issuer’s USD-denominated loan into its pari-passu EUR loan. This trading activity served to optimize the performing book for attractive current income while maintaining a similar level of risk. As of October close, performing credit (including cash) was 47.7% of the portfolio, trading at a weighted average price of 99.6 and a YTM of 4.6%, whilst delivering a 4.5% cash yield to the portfolio.

The credit opportunities book continues to be a focus of the global team as the softening macroeconomic outlook presents pockets of volatility. With this backdrop in mind, we reduced some higher-beta exposure at attractive levels, crystalizing gains in certain names that were sourced at lower levels. We exited one credit opportunities position during the month, as market conditions may prove to make a refinancing difficult for the issuer over the next 12 months. With elevated volatility across the market, we remain focused on identifying attractive opportunities and continue to screen new names diligently. The structured products book saw an uptick in activity during the month of October. We held a successful auction, through which we monetized two CLO equity positions and two CLO BB positions at attractive levels. We re-deployed a portion of the proceeds into new issue BB’s offering attractive spread and discount, and expect to re-deploy into additional attractive CLO equity and mezzanine opportunities in the near term. As of October close, credit opportunities was 52.3% of the portfolio, trading at a weighted average price of 94.3 and a YTM of 8.6%, whilst delivering a 7.5% cash yield to the portfolio.

Across the entire portfolio, as of October month end, the weighted average market price was 96.9, trading at a YTM of 8.0%, and delivering 7.7% 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 77.8% of the portfolio. Senior Secured 80.7%. The portfolio had a cash position of -2.2% (including leverage) with leverage at 1.3x assets.

The fund continues to outperform relevant benchmarks as the penultimate month of 2021 begins. With an uptick in macroeconomic volatility, we believe the performing book remains well-positioned from a risk perspective while providing attractive current income. The credit opportunities book continues to offer convexity, and we will maintain our diligent investment approach while managing existing risk and screening new names. Overall, we believe the reduced risk in the credit opportunities sleeve given some of the increased volatility, which gives us some dry powder to redeploy in new opportunities in the near to medium term.

### Commentary Sources:

<sup>a</sup> Deutsche Bank

<sup>b</sup> Bloomberg

<sup>c</sup> LCD, an offering of S&P Global Market Intelligence – November 2021

<sup>d</sup> Credit Suisse

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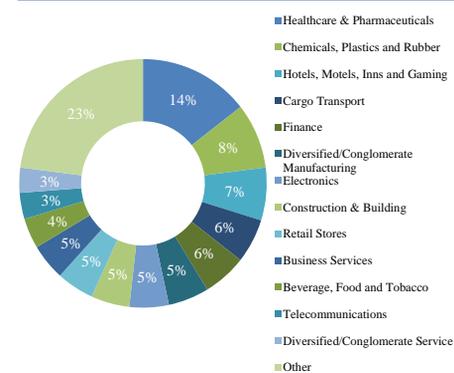
Investment Vehicle Portfolio Statistics as at 31 October 2021<sup>5</sup>

### Top 5 Issuers

| Issuer     | % of Gross Assets | Industry                               | Country        |
|------------|-------------------|--|----------------|
| Doncasters | 5.3%              | Diversified/Conglomerate Manufacturing | United Kingdom |
| Colouroz   | 3.7%              | Chemicals, Plastics and Rubber         | Germany        |
| Civica     | 3.4%              | Electronics                            | United Kingdom |
| D&G        | 2.5%              | Financial Intermediaries               | United Kingdom |
| Douglas    | 2.4%              | Retailer (except food & drug)          | Germany        |

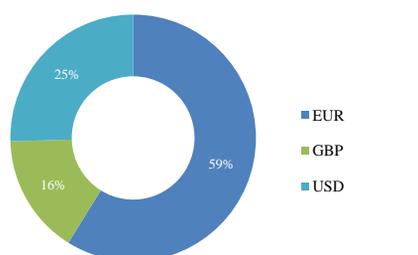
### Industry Exposure

MV (%)



### Currency Exposure

MV (%)



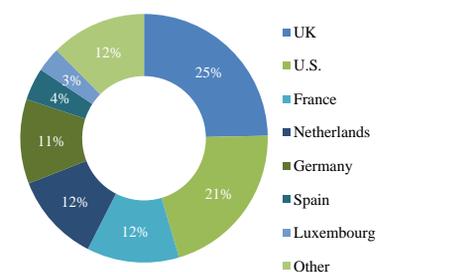
### RepRisk ESG Rating<sup>7</sup>

MV (%)

|              |               |
|--------------|---------------|
| AAA          | 40.8%         |
| AA           | 36.7%         |
| A            | 11.9%         |
| BBB          | 7.3%          |
| BB           | 0.0%          |
| B            | 0.0%          |
| CCC          | 0.0%          |
| CC           | 0.0%          |
| C            | 0.0%          |
| D            | 0.0%          |
| NR           | 3.3%          |
| <b>Total</b> | <b>100.0%</b> |

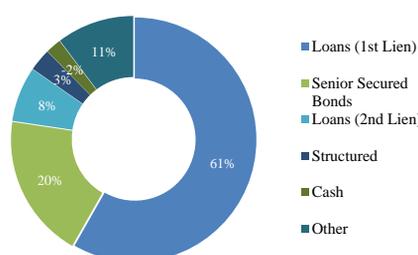
### Geographic Exposure

MV (%)



### Asset Exposure

MV (%)



## Look Through Reporting<sup>6,8</sup> as at 31 October 2021

### Rating Exposure

| Rating | Average Spread Duration <sup>9</sup> | MV (€) | MV (%) |
|--------|--------------------------------------|--------|--------|
| BB     | 6.33                                 | 6.2m   | 1%     |
| B      | 4.42                                 | 262.9m | 63%    |
| CCC    | 2.80                                 | 104.4m | 25%    |
| NR     | 3.64                                 | 43.5m  | 10%    |

### Interest Rate Exposure

| Type     | Duration | MV (€) | MV (%) |
|----------|----------|--------|--------|
| Floating | 0.17     | 324.4m | 78%    |
| Fixed    | 3.62     | 86.3m  | 21%    |
| Warrants | 0.00     | 6.2m   | 1%     |

### FX Exposure

| Currency | MV (€) | MV (%) |
|----------|--------|--------|
| EUR      | 245.3m | 59%    |
| GBP      | 65.6m  | 16%    |
| USD      | 106.1m | 25%    |

#### 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

# CVC Credit Partners European Opportunities Limited

## Important Information

### Footnotes

- <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
- <sup>4</sup> NAV Total Return includes dividends reinvested
- <sup>5</sup> Average market price of the portfolio weighted against the size of each position
- <sup>6</sup> Current Yield including Investment Vehicle leverage

- <sup>7</sup> 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 31 October 2021.
- <sup>8</sup> Data excludes cash
- <sup>9</sup> 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.