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).

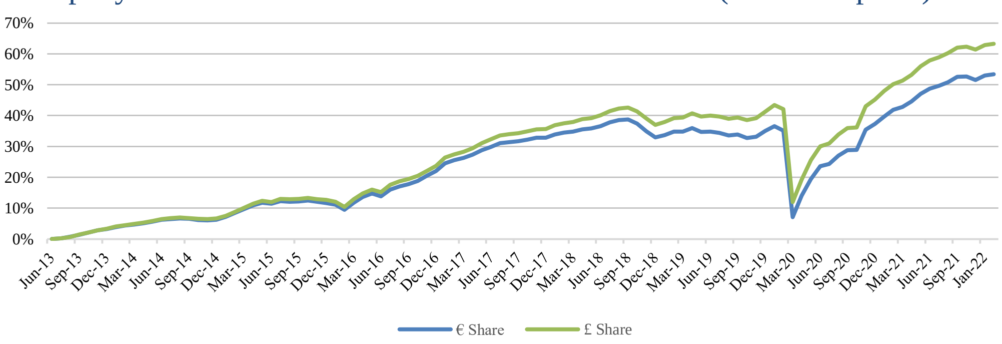
The Company's investment policy is to invest predominantly in companies domiciled, or with material operations, in Western Europe across various industries. The Company's investments are focused on Senior Secured Obligations of such companies, but investments are also made across the capital structure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

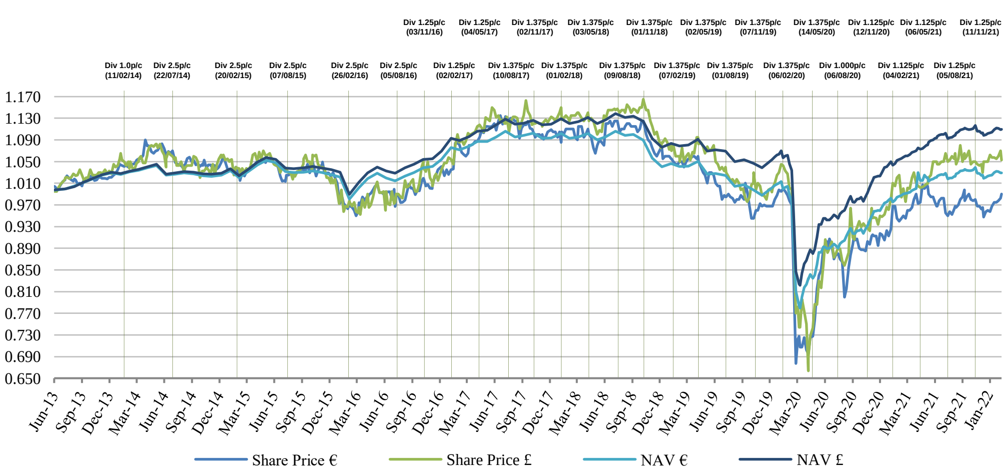
- CCPEOL is focused on capital preservation, and it seeks to generate high cash income via a stable and attractive dividend, as well as offer the potential for capital appreciation.
- It aims to provide shareholders with security, low volatility, liquidity, and low correlation with equities by investing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

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



	1M	3M	YTD	1YR	3YRS	5YRS	ITD
€ Share	0.26%	0.46%	0.26%	9.78%	14.77%	23.14%	53.38%
£ Share	0.25%	0.59%	0.25%	10.35%	18.37%	29.21%	63.29%

Company Share Performance



January 2022

Share Price & NAV at 31 January 2022	EUR	GBP
Share Price[1]	0.9900	1.0525
NAV[2]	1.0293	1.1086
Total Net Assets[3]	112,444,602	151,369,071
Market Capitalisation	108,155,715	143,709,870

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		81.3%
Fixed Rate Assets		17.2%
Other Assets		1.5%
Weighted Average Market Price[5]		96.5
Yield to Maturity[6]	EUR	7.8%
	GBP	8.6%
Current Yield[6]	EUR	7.4%
	GBP	8.2%
Weighted Average Fixed Rate Coupon		6.4%
Weighted Average Floating Rate plus Margin		4.9%

Note: All metrics exclude cash unless otherwise stated

Contact Us

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Note: Disclaimer & notes located at end of report

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January 2022

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

2022 started off with a volatile January. A number of the main Central Banks struck a hawkish tone during the month which put pressure on financial markets. However, we saw some recovery in the second half of the month. One of the main underperformers was the NASDAQ at -8.98% (-16.3% at the lows) as the pressure on rate-sensitive tech stocks mounted. The Euro Stoxx 600 was only down -3.81% (-6.82%) at the lows. One of the best performing asset classes in January was Brent Crude, up +17.3% for the month, and above $90/barrel for the first time since 2014.[a]

European Sub Investment Grade Highlights
January saw €13.28bn total loan new issuances in Europe, up 15% vs. the €11.57bn issued in the same month last year. Based on announced transactions and the strong M&A momentum, 2022 is anticipated to be another busy year in terms of issuance volumes. The average new issue spread in January was E+431bps with 4.29% yield to maturity which compares with E+386bps and 4.08% same time last year. The HY market was quieter due to investors' concerns around inflation and central bank policy across the globe, we saw €6.98bn of bond issuance during the month, which is 45% below the issuance levels January 2021.[b]

The Credit Suisse Western European Leveraged Loan Index return, hedged to Euro, was at +0.29% for the month. Defensives (+0.26%) just under cyclicals (+0.33%) in January. CCCs in January were up +0.28%, BBs +0.21%; Bs +0.31%. As at the end of January, the 3-year discount margin on the index was 412bps. The Credit Suisse Western European High Yield Index, hedged to Euro, was down -1.65% on the back of investors' concerns around inflation and central bank policy.[c]

Portfolio Commentary

January marked an eventful start of the year within the performing book. Trading volumes remained elevated during a volatile month across risk markets globally driven by central bank posturing, and amplified by increasing geopolitical risk. During the month, we exited ten individual positions within the performing book across names trading at tight levels. Additionally, we reduced exposure in seven positions, also trading at tight levels. Many of the positions that we reduced or exited were in fixed-rate high yield bonds, a subset of credit markets that ultimately realized significant underperformance relative to floating-rate instruments during the month. On the deployment side, the primary market still offers attractive income relative to secondary, and as such, we continue to parse through new issue opportunities diligently. In January, we added three new names to the performing book. One new name was assessed in conjunction with the broader CVC Credit team, serving as a testament to the benefit of scale and the strength of our platform. As of January close, performing credit (including cash) was 51.0% of the portfolio, trading at a weighted average price of 99.3 and a YTM of 4.6%, whilst delivering a 4.5% cash yield to the portfolio.

The credit opportunities book continues to be a great focus of the team amidst volatile markets. As recent volatility has driven outsized movement in trading levels, we constantly monitor the opportunity set in an effort to identify attractive potential investments for the book. We will utilize our proven investment approach in making deployment decisions in light of this volatility. During the month, we added two new names to the credit opportunities book. We entered into one of these new names as part of the deal review completed across the CVC Credit platform, which resulted in deployment across both performing and credit opportunities sleeves. To fund this deployment, we exited three positions during the month, all of which were sourced at cheaper levels and offered constrained convexity at current prices. The structured products sleeve was also active during the month, with reviews of several investment opportunities resulting in the addition of one new name to the book. We acquired a portion of attractively-priced BB-rated CLO paper in the primary market backing a manager that we have a close relationship with. We continue to like this part of the market as risk/reward looks interesting while limiting the duration risk. As of January close, credit opportunities was 49.0% of the portfolio, trading at a weighted average price of 92.8 and a YTM of 8.9%, whilst delivering a 7.8% cash yield to the portfolio.

Across the entire portfolio, as of January month end, the weighted average market price was 96.1, trading at a YTM of 8.2%, 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 81.3% of the portfolio. Senior Secured 76.2%. The portfolio had a cash position of -0.3% (including leverage) with leverage at 1.3x assets.

With the new year underway, we are comfortably positioned against an unstable macroeconomic and geopolitical backdrop. The performing book remains well-positioned for current income, and the credit opportunities book continues to offer convexity. In light of market volatility, we will maintain strict diligence in our analysis of new investment opportunities, while managing existing risk with great focus.

<u>Commentary Sources:</u>

[a] Deutsche Bank

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

[c] Credit Suisse

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January 2022

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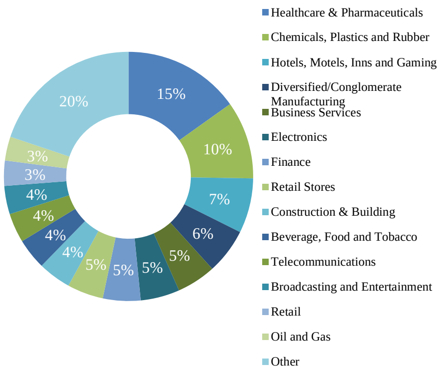
Investment Vehicle Portfolio Statistics as at 31 January 2022[5]

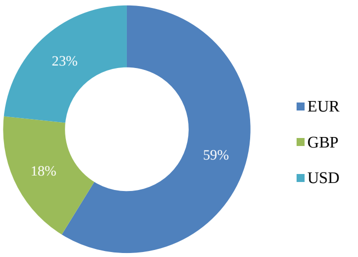
Top 5 Issuers

Issuer	% of Gross Assets	Industry	Country
Doncasters	5.5%	Diversified/Conglomerate Manufacturing	United Kingdom
Colouroz	3.8%	Chemicals, Plastics and Rubber	Germany
Civica	3.4%	Electronics	United Kingdom
Wella	2.4%	Cosmetics / Toiletries	Luxembourg
Douglas	2.4%	Retail	Germany

Industry Exposure MV (%)



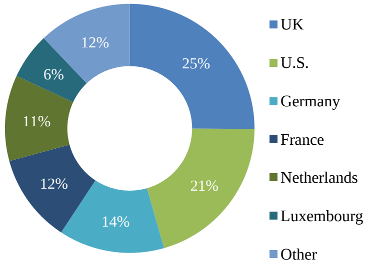
Currency Exposure MV (%)



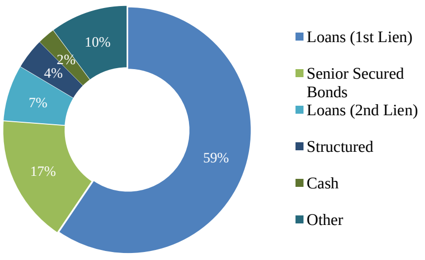
RepRisk ESG Rating[7] MV (%)

	MV (%)
AAA	25.2%
AA	39.9%
A	23.6%
BBB	6.8%
BB	0.4%
B	0.0%
CCC	0.0%
CC	0.0%
C	0.0%
D	0.0%
NR	4.1%
Total	100.0%

Geographic Exposure MV (%)



Asset Exposure MV (%)



Look Through Reporting[6,8] as at 31 January 2022

Rating Exposure

Rating	Average Spread Duration[9]	MV (€)	MV (%)
BB	6.94	8.3m	2%
B	4.26	255.6m	67%
CCC	2.62	84.6m	22%
NR	4.36	31.2m	8%

FX Exposure

Currency	MV (€)	MV (%)
EUR	223.3m	59%
GBP	67.8m	18%
USD	88.6m	23%

Interest Rate Exposure

Type	Duration	MV (€)	MV (%)
Floating	0.20	308.9m	81%
Fixed	3.36	65.3m	17%
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 31 January 2022.
[8] Data excludes cash
[9] Averages are weighted by market value

Disclaimers