CVC

CVC Income & Growth Limited

Summary

CVC Income & Growth Limited (the "Company" or "CVCIG") 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).

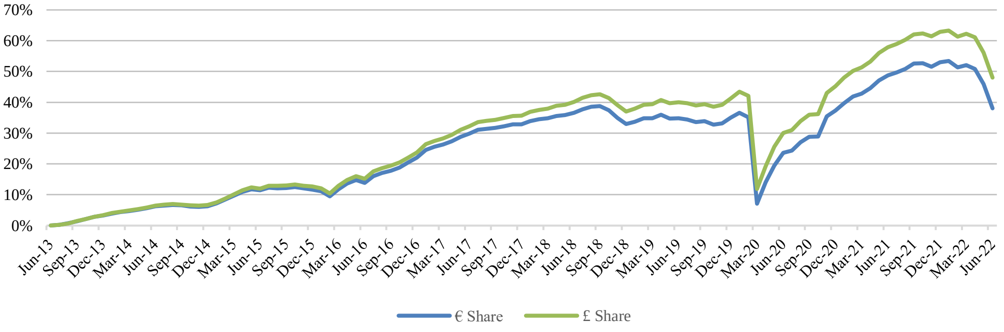
The Company's investment policy is to invest predominantly in companies domiciled, or with material operations, in Western Europe across various industries. The Company's investments are focused on Senior Secured Obligations of such companies, but investments are also made across the capital structure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

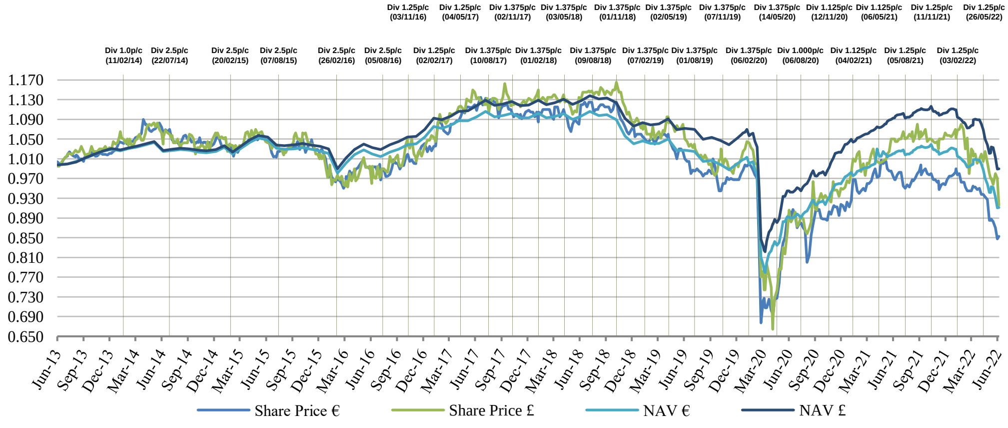
- CVCIG is focused on capital preservation, and it seeks to generate high cash income via a stable and attractive dividend, as well as offer the potential for capital appreciation.
- It aims to provide shareholders with security, low volatility, liquidity, and low correlation with equities by investing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

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



	1M	3M	YTD	1YR	3YRS	5YRS	ITD
€ Share	-5.41%	-9.19%	-9.74%	-7.16%	2.41%	6.38%	38.07%
£ Share	-5.22%	-8.77%	-9.14%	-6.24%	5.74%	11.89%	47.99%

Company Share Performance



June 2022

Share Price & NAV at 30 June 2022		
	EUR	GBP
Share Price[1]	0.8525	0.9160
NAV[2]	0.9033	0.9814
Total Net Assets[3]	97,313,175	131,078,587
Market Capitalisation	91,843,796	122,348,277

Company Information		
Vehicle Type	Closed-ended investment company	
Domicile	Jersey	
Inception Date	25 June 2013	
Market	London Stock Exchange	
LSE Identifier	EUR	CVCE
	GBP	CVCG
ISIN Code	EUR	JE00B9G79F59
	GBP	JE00B9MRHZ51
Website	ig.cvc.com	

Investment Vehicle Key Portfolio Statistics		
Floating Rate Assets		81.1%
Fixed Rate Assets		15.7%
Other Assets		3.2%
Weighted Average Market Price[5]		85.0
Yield to Maturity[6]	EUR	13.9%
	GBP	15.6%
Current Yield[6]	EUR	8.7%
	GBP	10.4%
Weighted Average Fixed Rate Coupon		6.3%
Weighted Average Floating Rate plus Margin		5.4%

Note: All metrics exclude cash unless otherwise stated

Asset Classification by Pricing Category	
3rd Party Pricing Service	94%
Broker Quotes	2%
Model Price	4%

Contact Us

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CVC Client & Product Solutions
cps@cvc.com

Note: Disclaimer & notes located at end of report

CVC Income & Growth Limited

Portfolio Manager

Pieter Staelens

Managing Director
20 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

June was yet another risk-off month as investors are weighing up the impact of inflation, the possibility of a hard landing and the ramifications of the Ukrainian war on global growth. The main worry from investors is that the cumulative impact of all these factors will lead to a recession. With US mortgage rates reaching a post 2008 high, disruption in gas supplies to Germany and on/off lockdowns in China, the near term visibility on the economy is fairly limited. Most asset classes finish the first half of 2022 materially down, including equities, credit and sovereign bonds. The only major asset classes that ended the first half in positive territory were oil and some other commodities.

European Sub Investment Grade Highlights

New issuance in both the European leveraged loan market and high yield market continues to be at very low levels given the overall uncertain macro outlook. In June, we saw €2.7bn loan issuance and €1.5bn high yield issuance. This brings the year-to-date (“YTD”) total to €28.1bn for loans and €15.2bn for High Yield. These are multi-year low numbers as issuers who don’t have to issue financing are waiting for better market conditions.[a]

The Credit Suisse Western European Leveraged Loan Index return, hedged to Euro, was at -3.07% for the month. CCCs in June were down –4.4%, single Bs -3.62% and BBs -1.22%. As at the end of June, the 3-year discount margin on the index was 725bps a 151bps widening since the end of May 2022.

The Credit Suisse Western European High Yield Index, hedged to Euro, was down -6.37% the sixth consecutive negative return month bringing YTD return to -14.9%.[b]

Portfolio Commentary

We’re at a point in the credit cycle where rising default rates feel more than priced in and the sell-off we have seen in the markets in June is likely more technical than fundamental. Banks continue to de-risk their balance sheets and actively sell loans in both the primary and secondary market, while investors don’t have sufficient cash balances to absorb this supply.

As a result of broader market volatility, the pace of new issuance remains slow, but the overhang of underwritten bridge loans remains fairly high. A challenged structured products primary market led to weakening loan prices throughout the month as investors are raising cash too. In response, our focus this month in the performing book was protecting the portfolio and managing risk accordingly. During the month, we reduced three positions, capitalizing on liquidity while rightsizing our risk as secondary prices declined. We also exited two positions during the month, one of which was the result of heightened credit risk as capital markets weakness may make a refinancing of the company’s short-dated capital structure more difficult. While we net reduced risk during the month, we maintain a keen eye on the drivers of demand for loan products – including a rebound in new CLO issuance – as we believe that performing loans offer attractive convexity upon a re-emergence of demand. As of June close, performing credit (including cash) was 46.8% of the portfolio, trading at a weighted average price of 88.8 and a YTM of 7.8%, whilst delivering a 5.3% cash yield to the portfolio.

The credit opportunities book remains a significant focus as the macroeconomic backdrop stands challenged. We managed existing risk during the month while monitoring the evolving opportunity set across the market. Despite a slight increase in the size of the opportunity set, the quality of the pool remains challenged, and as such, we did not add any new names to the credit opportunities book during the month. In June, we reduced one existing position that had not traded in several months, capitalizing on liquidity while rightsizing our exposure. We consistently screen new opportunities while maintaining keen focus on names owned across the CVC Credit platform that have faced operational pressure, and we are prepared to move quickly when attractive prospects arise. Within the structured products sleeve, we participated in the BB and B-rated paper of one new CLO issuance during the month. We also topped up on our exposure across a BB-rated position at a significant discount, further improving its convexity profile. We generally remain opportunistic in our approach to structured products deployment, and our selective style has further aided risk-adjusted returns. As of June close, credit opportunities was 53.2% of the portfolio, trading at a weighted average price of 81.9 and a YTM of 14.3%, whilst delivering an 9.1% cash yield to the portfolio.

Across the entire portfolio, as of June month end, the weighted average market price was 85.0, trading at a YTM of 13.9% (€ hedged) / 15.6% (£ hedged), and delivering 8.7% (€ hedged) / 10.4% (£ hedged) cash yield (on a levered basis) versus a weighted average price of 96.5, YTM of 8.3% and cash yield of 7.9% as of December 2021. Floating rate instruments comprised 81.1% of the portfolio. Senior Secured 71.2%. The portfolio had a cash position of 3.3% (including leverage) with leverage at 1.4x assets.

As summer months begin, macroeconomic and geopolitical uncertainty – met by central bank action globally – have contributed to continued market volatility. Against this backdrop, the performing book remains well-positioned for current income, and the credit opportunities book continues to offer attractive convexity. We will remain diligent in our investment approach while managing risk thoughtfully heading into the summer months.

Commentary Sources:

[a] Leveraged Commentary & Data (LCD) – July 2022

[b] Credit Suisse

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June 2022

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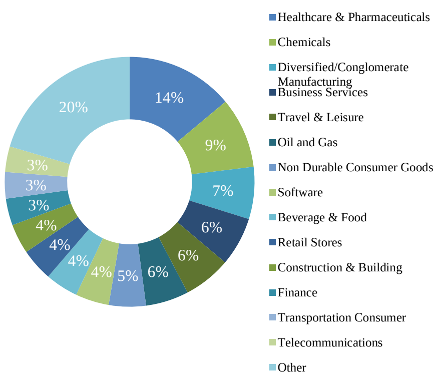
Investment Vehicle Portfolio Statistics as at 30 June 2022[5]

Largest 5 Issuers

Issuer	% of Gross Assets	Industry	Country
Doncasters	6.13%	Diversified/Conglomerate Manufacturing	United Kingdom
Civica	3.61%	Electronics	United Kingdom
Wella	3.06%	Cosmetics / Toiletries	Luxembourg
Colouroz	2.68%	Chemicals, Plastics and Rubber	Germany
Drive DeVilbiss	2.67%	Healthcare & Pharmaceuticals	U.S.

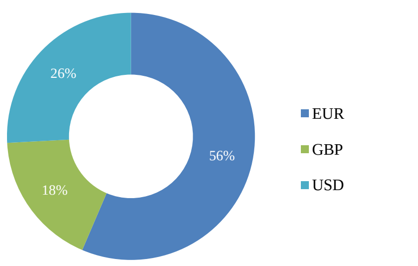
Industry Exposure

MV (%)



Currency Exposure

MV (%)

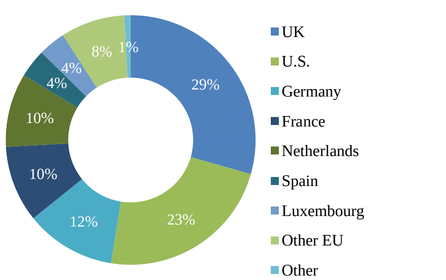


RepRisk ESG Rating[7]

RepRisk ESG Rating[7]	MV (%)
AAA	21.1%
AA	44.4%
A	24.0%
BBB	1.6%
BB	0.6%
B	0.0%
CCC	0.0%
CC	0.0%
C	0.0%
D	0.0%
NR	8.3%
Total	100.0%

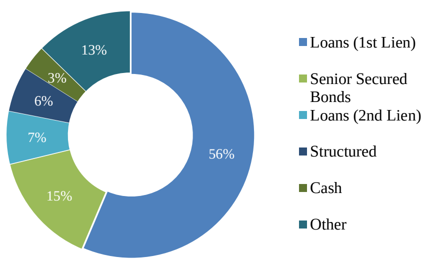
Geographic Exposure

MV (%)



Asset Exposure

MV (%)



Look Through Reporting[6,8] as at 30 June 2022

Rating Exposure

Rating	Average Spread Duration[9]	MV (€)	MV (%)
BB	6.54	14.3m	4%
B	3.98	202.1m	63%
CCC	2.44	72.2m	22%
NR	3.60	33.6m	10%

FX Exposure

Currency	MV (€)	MV (%)
EUR	181.8m	56%
GBP	57.1m	18%
USD	83.3m	26%

Interest Rate Exposure

Type	Duration	MV (€)	MV (%)
Floating	0.20	261.2m	81%
Fixed	3.05	50.5m	16%
Warrants	0.00	10.5m	3%

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 30 June 2022.
[8] Data excludes cash
[9] Averages are weighted by market value