CVC Income & Growth Limited

July 2022

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).

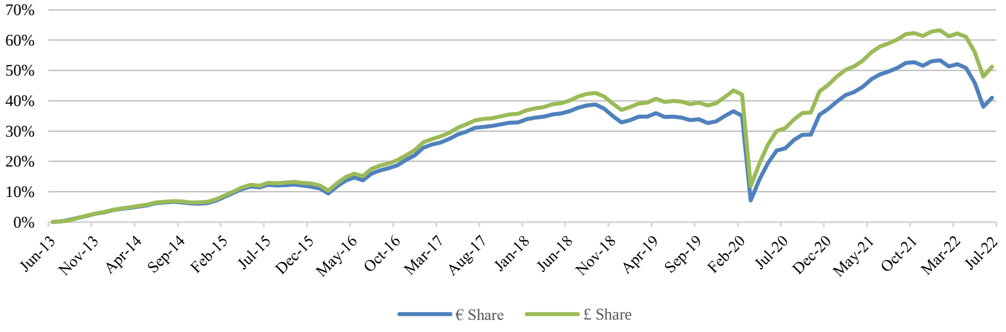
The Company's investment policy is to invest predominantly in companies domiciled, or with material operations, in Western Europe across various industries. The Company's investments are focused on Senior Secured Obligations of such companies, but investments are also made across the capital structure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

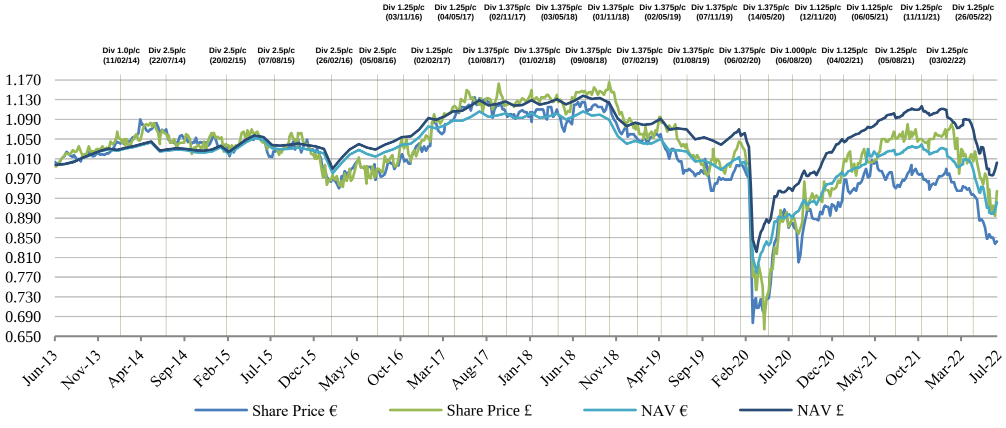
- CVCIG is focused on capital preservation, and it seeks to generate high cash income via a stable and attractive dividend, as well as offer the potential for capital appreciation.
- It aims to provide shareholders with security, low volatility, liquidity, and low correlation with equities by investing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

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



	1M	3M	YTD	1YR	3YRS	5YRS	ITD
€ Share	2.11%	-6.49%	-7.84%	-5.81%	4.90%	7.57%	40.99%
£ Share	2.21%	-6.07%	-7.13%	-4.81%	8.27%	13.26%	51.26%

Company Share Performance



July 2022

Share Price & NAV at 31 July 2022	EUR	GBP
Share Price[1]	0.8425	0.9440
NAV[2]	0.9224	1.0031
Total Net Assets[3]	99,375,066	133,977,706
Market Capitalisation	90,766,449	126,088,181

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		83.6%
Fixed Rate Assets		13.3%
Other Assets		3.1%
Weighted Average Market Price[5]		86.3
Yield to Maturity[6]	EUR	13.8%
	GBP	15.7%
Current Yield[6]	EUR	9.1%
	GBP	10.9%
Weighted Average Fixed Rate Coupon		6.1%
Weighted Average Floating Rate plus Margin		5.3%

Note: All metrics exclude cash unless otherwise stated

Contact Us

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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

July 2022 may be remembered as the month in which ECB brought deposit rates to 0% after 8 years in negative territory. Inflation prints continued to surpass to the upside across the world but some macro indicators including jobs data, food and commodity prices and housing activity signal that we may be close to peak inflation levels. Central banks remained firm in their policy to tackle inflation which included a further 75bps by the Fed and 50bps hike by the ECB during the month as well as establishing a Transmission Protection Instrument to help prevent a new sovereign crisis. As fears of a recession mount, the market is starting to discount a less hawkish policy at some point in the future.

Fundamentals remain fairly robust - over half of the S&P 500 companies have reported so far and 60% beat on top line while 73% beat expectations on earnings. We've seen similar trends in Europe with just over half of STXE 600 companies having reported so far and 76% beat on top line but only 50% beat earnings expectations.[a] US GDP came out at -0.9%, the second consecutive quarter of negative growth, which is the traditional definition of a recession, while GDP data in Europe surprised to the upside with +0.7% growth.[a]

European Sub Investment Grade Highlights

July was a strong month for the European loan market as the Credit Suisse Western European Leveraged Loan Index return, hedged to Euro, was at +2.37% for the month. Defensives were +2.82% and cyclicals +1.94%% in July. CCCs in July were up +1.54%, single Bs +2.66% and BBs +2.19%. As at the end of July, the 3-year discount margin on the index was 651bps. The Credit Suisse Western European High Yield Index, hedged to Euro, was up +4.45% breaking the trend of six consecutive negative return month (Year-to-Date ("YTD") -11.1%) as investors priced in a less hawkish approach by central banks.[b]

Primary loan issuance remained low in July vs. historical levels however there is a sequential improvement in the loan market reaching €6.4bn new issuance in July, vs. €2.6bn in June. This brings YTD issuance to €34.4bn, down materially from the €95.3bn in the first seven months of 2021, which was a record year. High Yield issuance in Europe continues to be negligeable at €1.3bn versus €8.9bn a year ago. YTD high yield issuance stands at €16.5bn of which over half was done before the Russian invasion of Ukraine. At the end of July 2022, total high yield issuance was €85.5bn.[c]

Portfolio Commentary

July was a month of two halves. In the first half of the month, the European loan market continued the downwards trend that we saw in May and June. As discussed in previous months, we believe that the majority of the downwards move can really be explained by market technicals (supply/demand imbalance) rather than fundamentals. This was evidenced in the second half of July when it became clear that bank trading desks didn't have much inventory, and that primary issuance wasn't going to happen, the market started recovering and rallied quite hard into month end. The structured credit market also came back and we saw CLO issuance pick up in the second half of the month.

During the month, we added some risk both in the performing credit book and in the credit opportunities book. In the performing credit book, we added to some high conviction names, that were trading at a discount to par and where we believe we can get some good income. Even though primary was slow during the month, we participated in one new primary deal, which is a European healthcare name we as a platform are very familiar with. The loans priced with a coupon of E+525 and a considerable OID, to make the all-in yield to maturity around 8.4%.

We also remain active on the credit opportunities side where, on two occasions, we sold some long held $ denominated bonds back to the company at a premium to the market price. The cost of hedging $ bonds had gone up and we managed to re-deploy this freed up capital into better floating rate opportunities, with a lower entry price and higher FX-adjusted coupon. As the European high yield market rallied faster than the loan market, we used the opportunity to sell some fixed rate high yield bonds into the floating rate loans of the same issuer – but at a lower cash entry price thereby improving the convexity on the portfolio. Finally, we added to a number of positions where the sell-off in the market allowed us to lower our average entry price into some positions.

Across the entire portfolio, as of July month end, the weighted average market price was 86.3, trading at a YTM of 13.8% (€ hedged) / 15.7% (GBP hedged) and delivering a 9.1% (EUR hedged)/ 10.9% (GBP hedged) running cash yield, versus a weighted average price of 96.5, YTM of 8.3% and 7.9% as of December 2021. The increase in YTM is partially due to an increase in base rates, and partially due to the lower average cash price across the portfolio. Floating rate instruments comprised 83.6% of the portfolio while 73.4% was invested in senior secured assets. The portfolio had a cash position of 1.3% (including leverage) with leverage at 1.4x assets.

July 2022 was also the month where 3M Euribor turned positive for the first time since 2015. Most European loans have a 0% Euribor floor but with 3M Euribor closing the month at 0.23%, the EUR share class benefits for the first time in 7 years from positive base rates. The market currently prices in further ECB rate hikes which should lead to a further positive impact on the income generated by the fund. August is usually a quiet month in European loan markets. However, there is still a lot of macroeconomic and geopolitical uncertainty out there and a lack of liquidity in markets can sometimes create additional volatility in August. Against this backdrop, we believe we are well positioned to continue to generate income, whilst the weighted average cash price provides upside potential.

Finally it's worth noting that towards the end of July, the leverage facility was refinanced with a different bank, resulting in a lower cost of capital.

Commentary Sources:

[a] Bloomberg

[b] Credit Suisse

[c] LCD – August 2022

CVC

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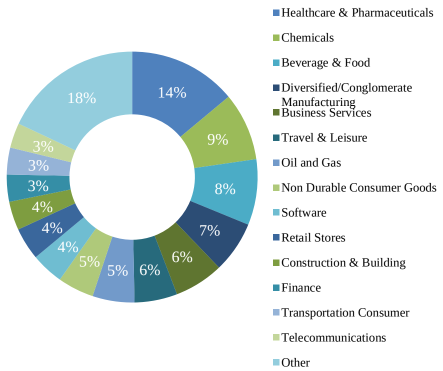
Investment Vehicle Portfolio Statistics as at 31 July 2022[5]

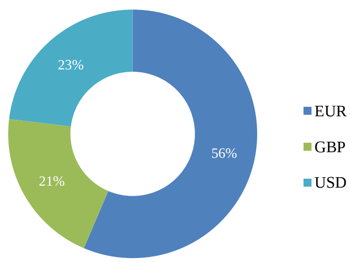
Largest 5 Issuers

Issuer	% of Gross Assets	Industry	Country
Doncasters	6.16%	Diversified/Conglomerate Manufacturing	United Kingdom
Civica	3.56%	Software	United Kingdom
Ekaterra	3.42%	Beverages & Food	Netherlands
Wella	3.05%	Non-Durable Consumer Goods	United Kingdom
Drive DeVilbiss	2.60%	Healthcare & Pharmaceuticals	U.S.

Industry Exposure MV (%)



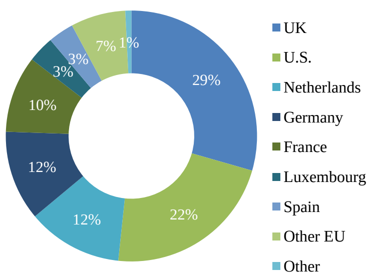
Currency Exposure MV (%)



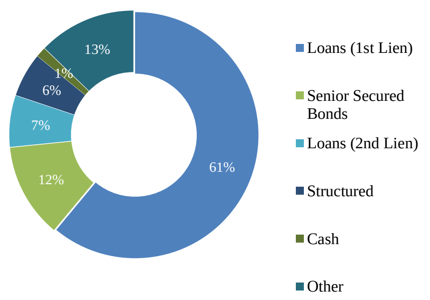
RepRisk ESG Rating[7] MV (%)

AAA	21.4%
AA	46.3%
A	21.0%
BBB	3.4%
BB	0.0%
B	0.0%
CCC	0.0%
CC	0.0%
C	0.0%
D	0.0%
NR	7.9%
Total	100.0%

Geographic Exposure MV (%)



Asset Exposure MV (%)



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

Rating Exposure

Rating	Average Spread Duration[9]	MV (€)	MV (%)
BB	7.46	12.1m	4%
B	4.02	220.6m	65%
CCC	2.37	73.2m	21%
NR	3.29	35.1m	10%

Interest Rate Exposure

Type	Duration	MV (€)	MV (%)
Floating	0.20	285.2m	84%
Fixed	3.19	45.2m	13%
Warrants	0.00	10.6m	3%

Note: Amounts may not add up to 100% due to rounding.

FX Exposure

Currency	MV (€)	MV (%)
EUR	192.4m	56%
GBP	69.9m	21%
USD	78.7m	23%

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

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