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	0.63%	2.77%	18.92%	18.80%	23.19%	23.59%	66.80%
£ Share	0.74%	3.12%	19.92%	20.02%	27.32%	30.98%	82.14%

November 2023

Share Price & NAV at 30 November 2023	EUR	GBP
Share Price[1]	0.9350	1.0450
NAV[2]	0.9841	1.0874
Total Net Assets[3]	95,022,728	129,311,600
Market Capitalisation	90,277,759	124,267,384

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		78.9%
Fixed Rate Assets		18.6%
Other Assets		2.4%
Weighted Average Market Price[5]		89.0
Yield to Maturity[6]	EUR	15.2%
	GBP	16.7%
Current Yield[6]	EUR	13.5%
	GBP	14.9%
Weighted Average Fixed Rate Coupon		7.2%
Weighted Average Floating Rate plus Margin		8.7%

Note: All metrics exclude cash unless otherwise stated

Contact Us

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CVC Client & Product Solutions
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Note: Disclaimer & notes located at end of report

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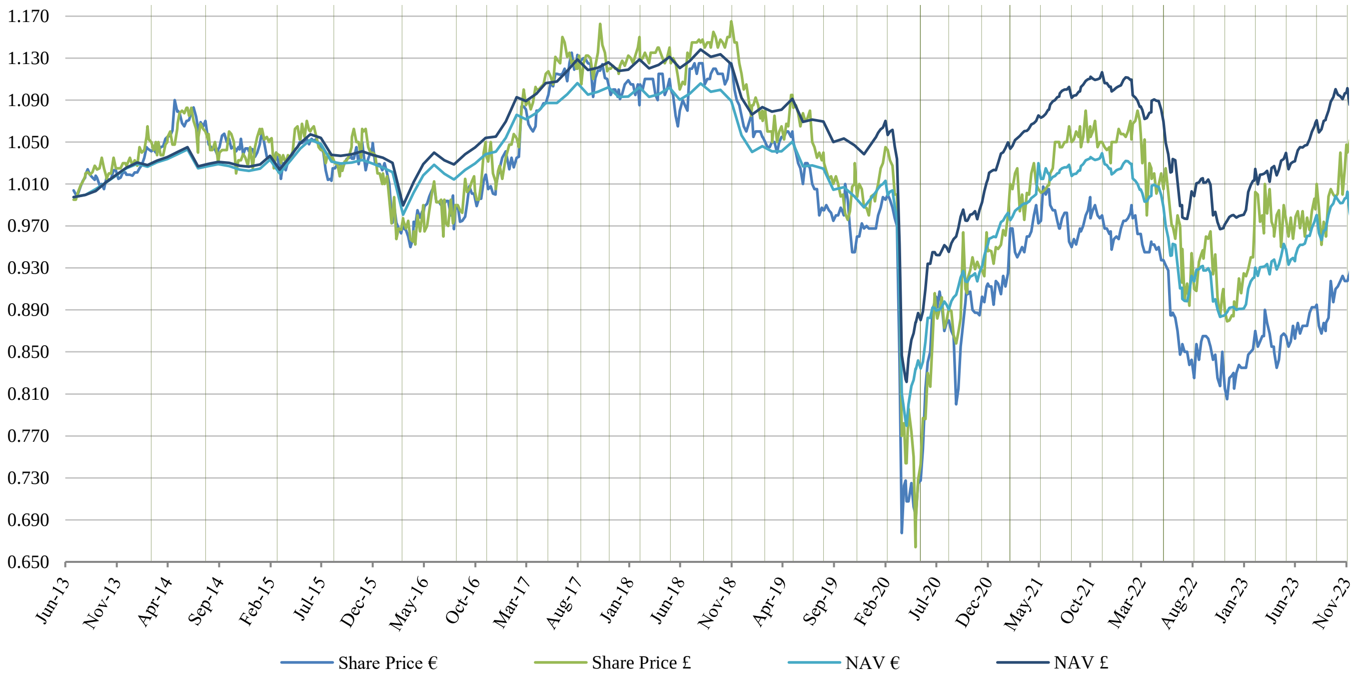
Company Share Performance



Vertical lines in chart denote periodical dividend distributions. Please reference the table below for historical distribution information.

Historical Dividend Distribution

Date	Dividend
11/02/14	1.0 p/c
22/07/14	2.5 p/c
20/02/15	2.5 p/c
07/08/15	2.5 p/c
26/02/16	2.5 p/c
05/08/16	2.5 p/c
03/11/16	1.25 p/c
02/02/17	1.25 p/c
04/05/17	1.25 p/c
10/08/17	1.375 p/c
02/11/17	1.375 p/c
01/02/18	1.375 p/c
03/05/18	1.375 p/c
09/08/18	1.375 p/c
01/11/18	1.375 p/c
07/02/19	1.375 p/c
02/05/19	1.375 p/c
01/08/19	1.375 p/c

Date	Dividend
07/11/19	1.375 p/c
06/02/20	1.375 p/c
14/05/20	1.375 p/c
06/08/20	1.0 p/c
12/11/20	1.125 p/c
04/02/21	1.125 p/c
06/05/21	1.125 p/c
05/08/21	1.25 p/c
11/11/21	1.25 p/c
03/02/22	1.25 p/c
26/05/22	1.25 p/c
04/08/22	1.25 p/c
03/11/22	1.50 p/c
09/02/23	2.5 p/1.75 c
11/05/23	1.875 p/1.750c
10/08/23	1.875 p/1.750c
10/11/23	1.875 p/1.750c

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Portfolio Manager

Pieter Staelens

Managing Director
21 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

November saw the largest calendar month decline in US 10-year treasury yields since the GFC with a 70bps peak to trough retracement (source: Goldman Sachs) as investors are increasingly convinced that central banks were at the end of their hiking cycle. With macro data, in particular in the US, relatively resilient, financial markets are increasingly pricing in a soft landing, leading to a 9.1% gain in the S&P 500. Markets are now pricing in considerable rate cuts for 2024. Commodity markets seem however less convinced about a soft landing with Brent crude down -5.2% in the month and gold prices hitting a 6-month high, closing above $2,000/oz.

European Sub Investment Grade Highlights[a,b]

Primary activity remained strong in November 2023, with a material rebound in HY issuances after a drought in October due to intense rate volatility. New loan issuances totaled €6.1Bn in November 2023, down sequentially from November 2023 level of €7.8Bn but above November 2022 level of €4.2Bn. European HY issuances recovered to €4.7Bn in November 2023, compared to €0.6Bn in November 2023 and €0.7Bn in November 2022. Primary activity in 2023 continues to be dominated by amend and extend transactions and refinancings as well as dividend recap to a smaller extent, as new M&A activity remains muted. The average spread for Term Loan Bs stood at +441ps and yield to maturity at 9.1%. We are starting to hear that M&A activity is picking up and 2024 pipeline is building up as Sponsors are trying to exit businesses and realise their investments. As such, this should translate into new primary deals in 1H24.

The Credit Suisse Western European Leveraged Loan Index return, hedged to Euro, recovered to positive territory in November 2023 at +0.97% (Year-to-date ("YTD") +11.14%). Defensives were +1% and cyclicals +0.94% in November (YTD +10.53% / +11.75%). BBs returned +1.03%, while single Bs return was 1.01% and CCCs -1.36% (YTD +7.85% / +11.87% / +9.14%). As at the end of November, the 3-year discount margin on the index was 526bps. The Credit Suisse Western European High Yield Index return, hedged to Euro, rebounded strongly in November 2023 at 3.13% (YTD +9.36%).

Portfolio Commentary

We continued to optimise the portfolio during November in terms of risk/reward across performing credit and credit opportunities. On the performing credit side, we started reducing a position in a company that could be impacted by further advances in Artificial Intelligence. Even though we don't have any near term concerns, this is a fairly large position that could come under pressure in the future. We also noticed some major divergence in pricing in a loan of a supplier to the telecom industry between the EUR and the US$ loans. We reduced some exposure to the EUR loan and moved into the $ loan at a cash price that was 4.75 points lower. We reduced some exposure to a chemicals business at around par given the headwinds that industry is facing, and exited our final position in a manufacturing business given headwinds on order intake and weakening cash flows and we replaced these assets with High Yield bonds in gaming and media companies. Finally we participated in the loan extension of a veterinary care business where the new loans are paying Sonia + 5.75%, which is north of 10% all in coupon with some up front fees.

On the credit opportunities side, we added to a position in a UK specialty mortgage lender, where we think we could see a near term refinancing, which should lead to some nice capital gains given the bonds still trade well below par. We also added to a position in a shipping company, where the bonds have lagged the market despite fairly low credit risk as the company has long term visibility on revenues. We also repositioned ourselves in our largest position in the fund, where the term loans now offer limited upside but the subordinated loans offer considerable upside in case of an M&A event. We exited a position in the short dated bonds of a French telecom company. The company had disappointing Q3 results out. While we still think the company will be able to refinance its short term maturities, a tender for these bonds at below par is now more likely than a take-out at par, leaving limited upside with considerable downside if earnings continue to deteriorate. Finally, we initiated a position in a subsurface imaging and satellite mapping business where we see upside in the capital structure from potential asset sales and a recovery in earnings.

Across the entire portfolio, as of November month end, the weighted average market price was 89.0, trading at a yield to maturity ("YTM") of 15.2% (€ hedged) / 16.7% (£ hedged) and delivering a 13.5% (€ hedged) / 14.9% (£ hedged) running cash yield. This compares to a weighted average price of 83.6 and YTM of 18.5% (€ hedged) / 20.2% (£ hedged) as of December 2022. Floating rate instruments comprised 78.9% of the portfolio while 75.4% was invested in senior secured assets. The portfolio had a cash position of 2.2% (including leverage) at the end of the month.

Commentary Sources:

[a] Credit Suisse

[b] Pitchbook LCD – December 2023

November 2023

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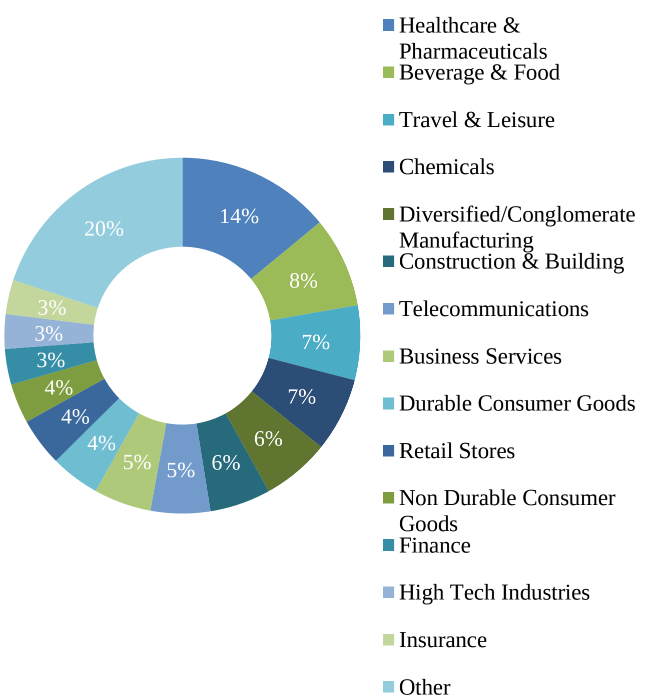
Investment Vehicle Portfolio Statistics as at 30 November 2023[5]

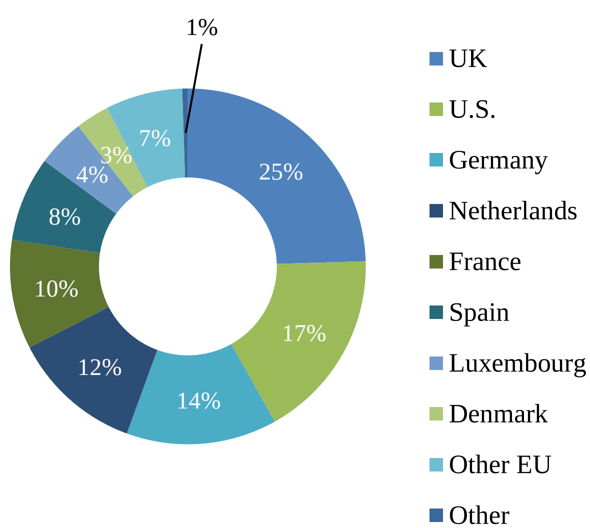
Top 10 Issuers

Issuer	% of Gross Assets	Industry	Country
Doncasters	5.61%	Diversified / Conglomerate Manufacturing	United Kingdom
Ekaterra	3.14%	Beverages & Food	Netherlands
Keter	2.99%	Durable Consumer Goods	Netherlands
Wella	2.97%	Non-Durable Consumer Goods	United Kingdom
Hotelbeds	2.63%	Travel & Leisure	Spain
Colouroz	2.59%	Chemicals	Germany
D&G	2.37%	Insurance	United Kingdom
Kirk Beauty	2.21%	Retail Store	Germany
Drive Devilbiss	2.14%	Healthcare & Pharmaceuticals	United States
Mangrove	2.07%	Diversified / Conglomerate Manufacturing	United States

Industry Exposure MV (%)



Geographic Exposure MV (%)



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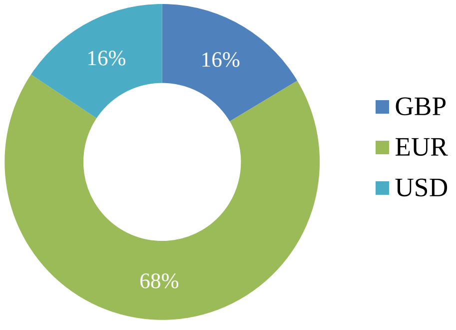
Investment Vehicle Portfolio Statistics as at 30 November 2023[5]

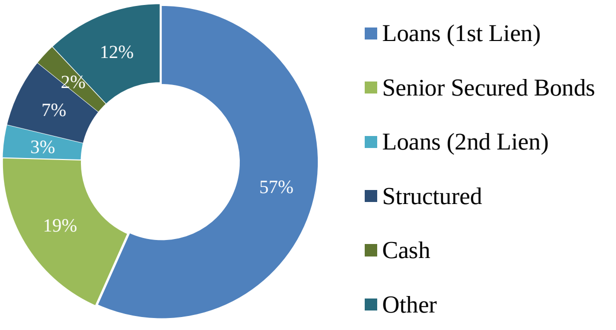
Currency Exposure

MV (%)



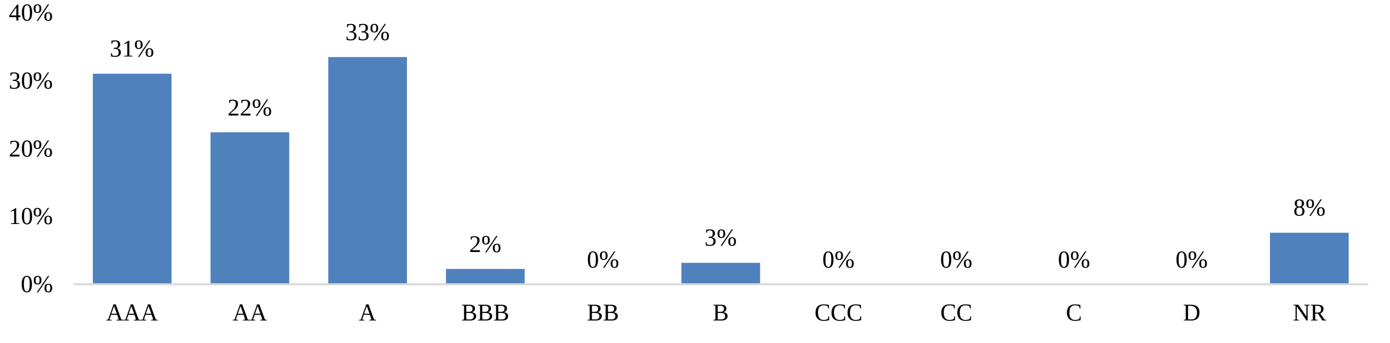
Asset Exposure

MV (%)



RepRisk ESG Rating[8]

MV (%)



Look Through Reporting[9] as at 30 November 2023

Rating Exposure

Rating	Average Spread Duration[10]	MV (€)	MV (%)
BBB	4.35	1.5m	0%
BB	5.40	26.5m	8%
B	3.62	198.1m	62%
CCC	1.70	62.0m	19%
NR	3.89	31.3m	10%

Rating Exposure

Type	Duration	MV (€)	MV (%)
Floating	0.14	252.1m	79%
Fixed	2.72	59.5m	19%
Warrants	0.00	7.7m	2%

FX Exposure

Currency	MV (€)	MV (%)
EUR	217.0m	68%
GBP	52.4m	16%
USD	50.0m	16%

Notes & Assumptions:

- The sum of the market values may be larger than the NAV due to the effect of the 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

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

CVC

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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 November 2023.
[8] Data excludes cash
[9] Averages are weighted by market value

Disclaimers

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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.