EDISON

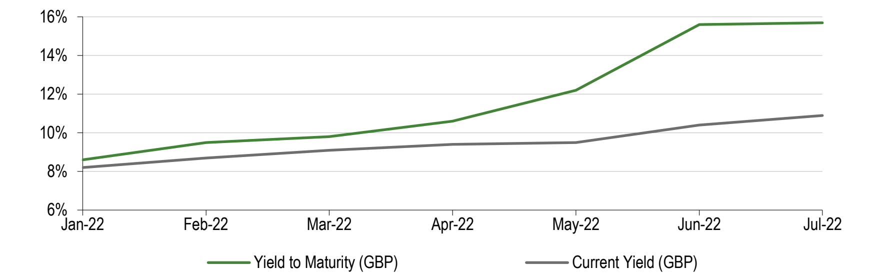
CVC Income & Growth

Uncertainty creates opportunity

Investment trusts

CVC Income & Growth's (CVC IG; formerly Credit Partners European Opportunities) share price and NAV have been affected by the turbulent markets. The two classes of shares (euro and sterling) are down 6% and 5% over the last 12 months, with NAV total negative returns of 5% and 7%, respectively. At the same time, CVC IG's asset quality has been holding up and yields have been boosted by the floating rate nature of leveraged loans. At current prices, CVC IG's portfolio has a yield to maturity (YTM) of 13.8% (euros) and 15.7% (sterling). Current (running cash) yields are 9.1% and 10.9%, which gives space for a dividend increase (current dividend yields are 5.3% and 5.8%) if the board wished to do so. Looking ahead, continued market volatility is likely given the uncertainty regarding inflation, the central banks' actions on interest rates and the overall impact on economies. However, since most of CVC IG's assets are senior and secured and leveraged loan recovery rates are typically 60–75%, the market valuation seems to be quite cautious in our opinion.

CVC IG's yield to maturity and current yield have climbed significantly



Source: Refinitiv

Why invest in leveraged loans now?

Most leveraged loans are floating: their coupon rates go up with policy rate increases. This is an advantage with rising inflation expectations. Elevated market volatility and macroeconomic concerns have resulted in relatively high investment yields that are reflecting investor sentiment rather than just potential asset write-downs and therefore offer good upside once sentiment improves.

The analyst's view

In the midst of this uncertainty there are some key positives: consumers have a relatively high stock of savings, unemployment is low and corporate balance sheets are relatively robust. We expect central banks to remain pragmatic as they were during the COVID-19 crisis and fight inflation but to be mindful of the health of the economy as well.

Valuation: Dividend yield 5.3%/5.8%

CVC IG shares are trading on a 7% discount to NAV (the discount averaged 1.1% until the COVID-19 pandemic). Dividend yields of 5.3% (sterling) and 5.8% (euros) are comfortably funded. CVC IG provides conversion facilities, active trading in treasury shares and the semi-annual tender facility (subject to a specified limit).

NOT INTENDED FOR PERSONS IN THE EEA

12 September 2022

Price	**94p/€0.87**
Market cap	**£125m/€93m**
AUM	**£136m/€100m**
NAV per share	101p*/€0.93**
Fair value excluding income at 31 August 2022	
Discount to NAV	6.9%*/6.5%**
Yield	5.3%*/5.8%**
Ordinary shares in issue	133.6m*/107.7m**
*CVCG; **CVCE	€1.14/£
Codes	CVCG/CVCE
Primary exchange	LSE
AIC sector	Debt – Loans and Bonds

Gearing

Gross and net gearing at CVC IG level	0.0%

Fund objective

CVC Income & Growth (CVC IG), formerly named CVC Credit Partners European Opportunities, is a closed-end investment company, domiciled in Jersey and listed in London. It invests through a Luxembourg vehicle, CVC European Credit Opportunities (CEC), aiming to provide investors with regular income and capital appreciation from a diversified portfolio of predominantly Western European sub-investment grade debt instruments. The portfolio is split into two pools: performing credit and credit opportunities. CVC IG has two classes of shares: sterling shares (CVCG, formerly CCPG) and euro shares (CVCE, formerly CCPE) traded on the LSE.

Bull points

- Investment manager has 15 years' experience.
- Debt specialist with relatively unconstrained mandate, so can invest in situations where technicals diverge from fundamentals.
- High yields at current entry prices in the context of mostly secured debt investments.

Bear points

- Higher default rate risk with economic downturn.
- Inflation risks could lead to higher interest rates, which could hurt corporate loan quality.
- Macroeconomic shocks can affect risk perception.

Analyst

Pedro Fonseca +44 (0)20 3077 5700

investmenttrusts@edisongroup.com

Edison profile page

CVC Income & Growth is a research client of Edison Investment Research Limited

Market outlook

Inflation centre stage

The post-pandemic economic rebound was progressing nicely with good tailwinds, albeit with the shadow of inflation lurking. However, inflation has reared its head in 2022 to a greater extent than anticipated (see Exhibit 1) and this has been made worse by events such as the Ukraine war and China's COVID-19 lockdowns. The result is the prospect of higher interest rates than initially forecast by markets at the beginning of the year and a deterioration of macroeconomic conditions.

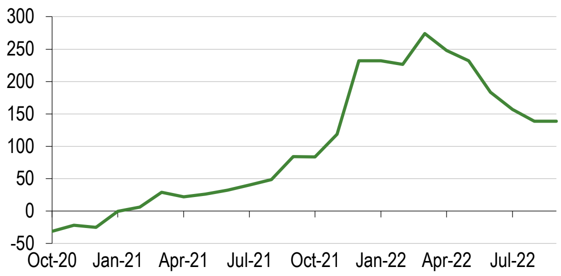
The European Central Bank (ECB) hiked interest rates by 75bp on 8 September and signalled that it could raise rates by another 75bp in the next meeting. The Bank of England (BOE) is expected to raise rates by 50–75bp when it meets next week (the market is pricing in 50% for 50bp and 50% for 75bp). The overnight index swaps are currently pricing in policy rates of 2.4% and 4.3% for the ECB and BOE respectively, by mid-2023 (Exhibit 4).

The debate continues regarding how much of current inflation is transient and how much will feed into more permanent expectations. Refinitiv-collected consensus for 2023 inflation for the eurozone currently stands at 4.2%, with 6.7% for the UK. The trend (Exhibit 2) has been clearly upwards.

At the same time, we are starting to see some inflationary pressures weaken (food prices have dropped for the last five months according to the United Nations' Food and Agriculture Organization). There is also little doubt the cost pressures on the supply chain will drop as issues start to resolve. The impact of the Ukrainian crisis is difficult to predict, especially in relation to natural gas prices.

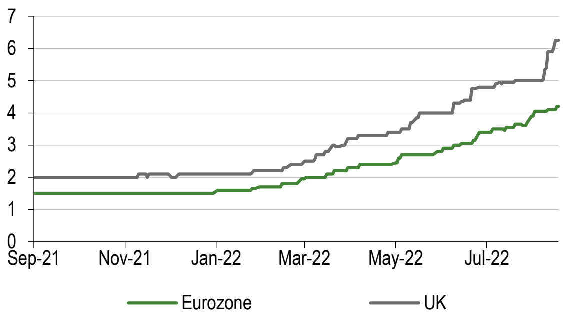
We note that the Citibank Europe Inflation Surprise Index (Exhibit 1) has been coming down from its peak, however the surprise bias is still for higher inflation.

Exhibit 1: Citibank Europe Inflation Surprise Index



Source: Refinitiv

Exhibit 2: Eurozone and UK 2023 consensus inflation forecasts (%)



Source: Refinitiv

Credit quality outlook affected

The stage is set for a significant decline in real wages, which, along with higher interest rates for companies and consumers, will have an impact on economic growth.

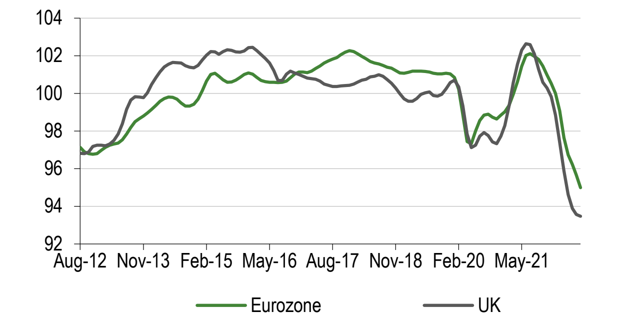
The US economy is already in a technical recession, and this could likely occur in Europe as well, possibly felt more in 2023. Companies are being hit with the double penalty of more challenging operating conditions and higher (and tighter) funding costs.

Fitch Ratings sees default rates of 2.5% and 3.0% in its base scenario in European leveraged loans in 2022 and 2023, according to its 'European At-Risk Leveraged Credit' report from June 2022. This climbs to 4% and 5% for 2022 and 2023 in its 'severe' scenario. However, we note that Fitch does not expect a severe near-term recession that would lead to 'wholesale credit downgrades', unlike the pandemic impact in H120.

In its report, 'Global Credit Conditions Q3 2022' (28 June 2022), S&P Global Ratings (S&P) identified top risks including the impact of supply shocks on inflation and earnings, geopolitical risk and funding market dislocation as central banks raise rates to fight inflation. It rated these risks 'high' and 'worsening'. S&P forecasts European default rates to 'double in Q1 2023, potentially reaching 5–6% in a downside scenario'.

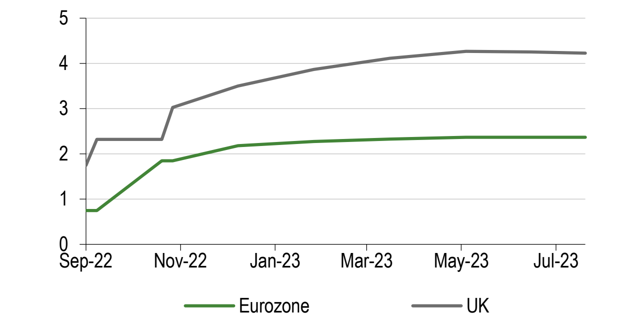
We expect all this bearishness to have an effect on issuance, although companies that come to the market will likely have to offer interesting yields to investors to be successful.

Exhibit 3: Consumer confidence index (OECD)



Source: Refinitiv

Exhibit 4: Eurozone and UK policy rate expectations (%)

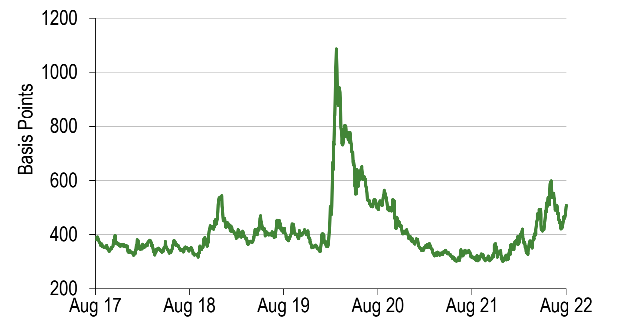


Source: Refinitiv. Note: Based on overnight index swaps.

Markets have reacted

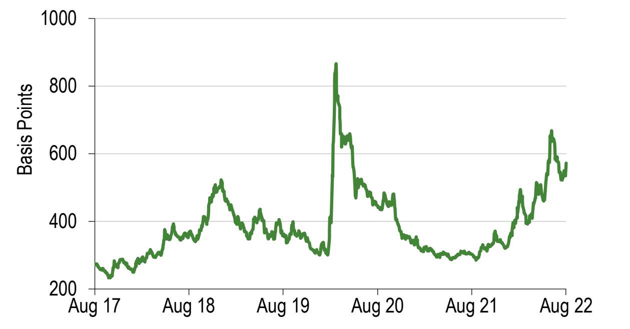
The ICE BofA Euro High Yield Index has more than doubled since August 2021 (from 292bp) when there was greater optimism as the COVID-19 recovery progressed and leveraged loans proved resilient during the pandemic. The index reached 668bp in early July 2022 and was 575bp on 2 September 2022. As part of the risk-off mood in the market, the US dollar has now reached euro parity and the £/US$ pair is now trading at $1.15 (from $1.41 in June 2021).

Exhibit 5: ICE BofA US High Yield Index



Source: Refinitiv

Exhibit 6: ICE BofA Euro High Yield Index



Source: Refinitiv

Positives help create opportunity

Credit quality is likely to be aided during the current downturn by consumers' high stock of savings, low unemployment and the relatively robust corporate balance sheets coming into the slowdown.

Markets indicate central banks are likely to remain pragmatic by fighting inflation while keeping the economies ticking over. Central banks (particularly the ECB) might be comfortable with inflation running a bit higher than in recent years (when it was very low) as long as the signalling to the market is done well and they are not perceived to be falling behind the curve in fighting inflation. The ECB will be mindful of potential fragmentation in borrowing costs within the euro area, as reflected in market expectations of lower forecasted ECB policy rates than in the UK.

Typically, a leverage loan default has a 60–75% recovery rate. Therefore, in a scenario of 5–6% defaults this would result in about 1.2–2.4% actual losses. This suggests the market may have overdone the correction given the current yields of some investments. CVC IG's portfolio has a YTM of 13.8% (euro hedged) and 15.7% (sterling hedged). There seems to be significant room for investment upside in CVC IG's shares on this basis.

The fund manager: CVC Credit Partners

CVC Credit Partners is a subsidiary of CVC Capital Partners, a global investment manager with nearly US$133bn of assets under management (US$34bn in credit) at September 2022, specialising in private equity and private debt. CVC Capital Partners employs more than 250 investment professionals across 25 offices worldwide, with 64 focused on credit investments. The investment manager maintains a database of more than 4,000 credits from which it selects investment opportunities for its various portfolios based on in-depth fundamental analysis.

Manager's view: Cautious, but opportunities increasing

While acknowledging the current economic and market headwinds, the manager sees most of the significant decline in asset prices explained by 'market technicals (supply/demand imbalance)' reasons rather than 'fundamentals'. This allows room for significant corrections as sentiment improves.

CEC also points out in its commentary that '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'. Furthermore, CEC believes that 'as fears of a recession mount, the market is starting to discount a less hawkish policy at some point in the future'.

As such, although it remains cautious, CEC is taking advantage of current market dislocation to add high-conviction names to its portfolio, both in the performing credit and credit opportunities books at attractive yields. It expects markets to remain volatile due to the 'macroeconomic and geopolitical uncertainty out there and a lack of liquidity in markets'. The CEC internal estimate is for defaults of 1.5–2.5% for Europe in 2023.

CEC views leveraged loans as containing a 'partial hedge' against inflation since most of these assets are at floating rates. It continues to see the fund as 'comfortably positioned' for 'an unstable macroeconomic and geopolitical backdrop'. The performing credit book is expected to deliver good income, while credit opportunities 'continue to be a great focus of the team amid volatile markets'.

Asset allocation

Portfolio positioning

CEC's base strategy is to target a broadly balanced allocation across performing and opportunistic instruments. This strategy has continued following the fund's change of name to CVC Income & Growth. However, the company no longer discloses the weights and yields in these buckets, focusing instead on the total fund yield. In the last month that the split was disclosed (June 2022) it was 53% credit opportunities and 47% performing instruments.

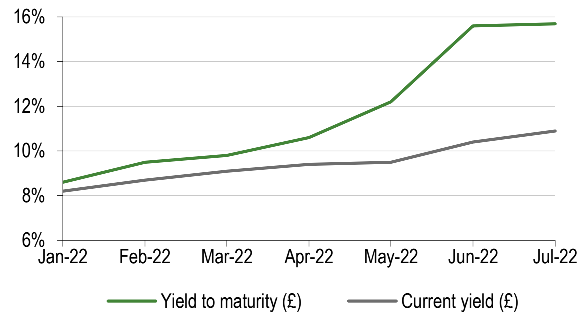
Yields have climbed significantly

CEC has now started to disclose the yield of the sterling and euro hedged portfolios. Exhibits 7 and 8 show the evolution this year and the significant increase in the portfolios' yields resulting from not only the falling asset prices (although this is the key impact), but also the benefit from the floating rate nature of most of its investments. The YTM in the euro portfolio has risen from 7.8% at the end of January this year (before the Ukrainian conflict started in February) to 13.8% at the end of July. It is a similar story in the sterling portfolio, from 8.6% to 15.7%.

Room for more dividends

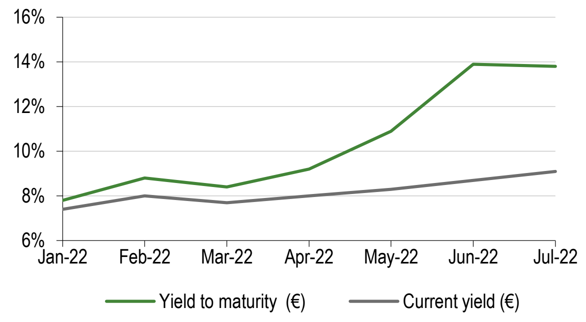
The floating rate nature of these investments has boosted the fund's current (cash) yield in the euro and sterling funds from 7.4% and 8.2% in January to 9.1% and 10.9% in July, respectively. These higher current yields give some space for the fund's board to consider increasing dividends, in our opinion.

Exhibit 7: YTM and cash yield – GBP



Source: CVC Income & Growth

Exhibit 8: YTM and cash yield – euro



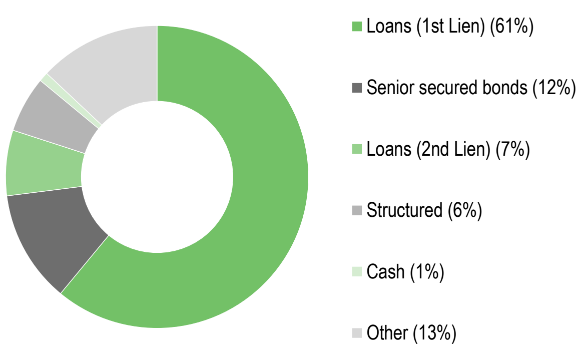
Source: CVC Income & Growth

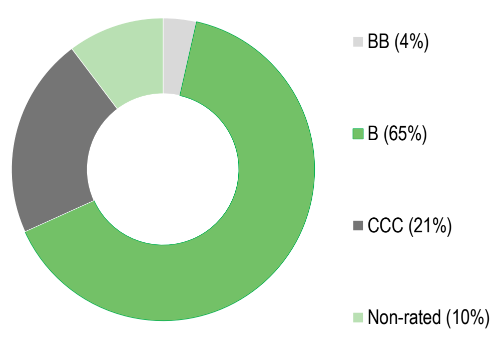
Exhibit 9 shows the portfolio breakdown by asset type and ratings. The ratings breakdown has been stable over 2022. However, in July 2022 the fund reduced its position in high-yield bonds as prices were stronger that month, cutting the exposure from 15% in June to 12%. Correspondingly, the leveraged loans weight increased from 56% to 61%. Defensive assets (first-lien loans, senior secured bonds and cash) make up 74% of the portfolio. However, we note that defensive assets comprised 88% and 85% of all assets at the end of December 2020 and January 2021, respectively. This reflects CEC's view regarding investment opportunities in the current market dislocation.

As of end January 2022, 56% of the fund was in euros, 21% in sterling and 23% in US dollars.

Exhibit 9: Portfolio analysis

Asset breakdown at 31 July 2022	Loan rating breakdown at 31 July 2022





Source: CVC Income & Growth

Over the last 12 months, the most significant change in the country weightings has been the increase in the UK from 22% to 29% and a decrease in the weight to the Netherlands from 17% to 12%, as shown in Exhibit 10.

Exhibit 10: Portfolio geographic exposure by country of issuer

	End-July 2022	End-July 2021	Change (pp)
UK	29%	22%	+7
US	22%	19%	+3
Germany	12%	11%	+1
Netherlands	12%	17%	-5
France	10%	11%	-1
Luxembourg	3%	3%	
Spain	3%	4%	-1
Other EU	7%	N/S	
Other	1%	14%	
Total	**100%**	**100%**	

Source: CVC Income & Growth, Edison Investment Research. Note: N/S = not separately stated; this was included in 'other'.

Exhibit 11 details the breakdown of the portfolio's industry exposure, which continues to be broad, illustrating the diversified nature of CEC's portfolio. Over the last 12 months, the more significant move has been the increase in beverage and food to 8% from previously not separately stated and the reduction of travel and leisure from 10% to 6%.

Exhibit 11: Portfolio industry exposure

	Portfolio end-January 2022	Portfolio end-January 2021	Change (pp)
Healthcare & pharmaceuticals	14%	15%	-1
Chemicals, plastics & rubber	9%	8%	+1
Beverage & food	8%	N/S	
Diversified/conglomerate manufacturing	7%	5%	+2
Business services	6%	4%	+2
Travel & leisure	6%	10%	-4
Oil and gas	5%	N/S	
Non-durable consumer goods	5%	5%	
Software	4%	N/S	+2
Retail stores	4%	N/S	
Construction & building	4%	N/S	
Finance	3%	5%	-2
Transportation Consumer	3%	N/S	
Telecommunications	3%	4%	-1
Other	18%	44%	-26

Source: CVC Income & Growth, Edison Investment Research. Note: N/S, not separately stated; may be included in 'other'.

Exhibit 12: Top five issuers (at end-July 2022)

Company	Country	Sector	Portfolio weight %	
			July 2022	July 2021*
Doncasters	UK	Diversified/conglomerate manufacturing	6.2	4.9
Civica	UK	Software	3.6	3.6
Ekaterra	Netherlands	Beverages & food	3.4	N/A
Wella	UK	Non-durable consumer goods	3.1	N/A
Drive DeVilbiss	US	Healthcare & pharmaceuticals	2.6	N/A
			18.8	

Source: CVC Income & Growth, Edison Investment Research, Refinitiv. Note: *N/A where not in end-July 2021 top five.

Performance

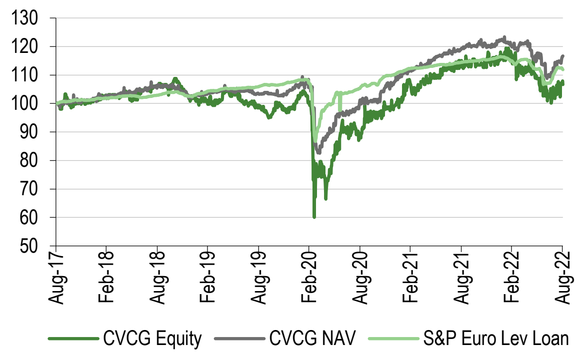
CVCG and CVCE shares have delivered total returns over the 12 months to 2 September 2022 of negative 6% and 5%, respectively. The NAV returns have been 7% and 8%, respectively, over the same period.

Although CVC IG has outperformed over the longer term, it has underperformed over the last 12 months, as shown in Exhibits 13 to 15.

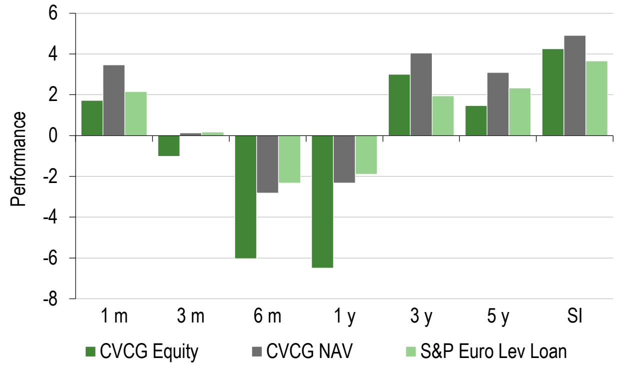
We note that as CVC IG's portfolio consists of both loans and bonds (sourced from Europe and the United States), none of the indices presented in Exhibit 14 is a perfect comparator.

Exhibit 13: Investment company performance to 31 August 2022

Price, NAV and index total return performance, five-years rebased



CVCG price, NAV and index total return performance, annualised (%)



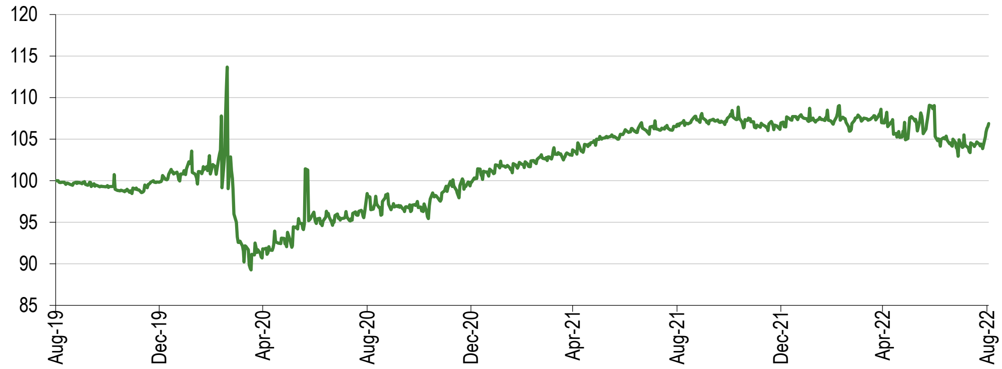
Source: Refinitiv, Edison Investment Research. Note: Three- and five-year performance figures annualised. Since inception: June 2013

Exhibit 14: CVCG share price and NAV total return performance, relative to indices (%)

	One month	Three months	Six months	One year	Three years	Five years
Price relative to S&P Euro Lev Loan	(0.4)	(1.2)	(3.8)	(4.7)	3.1	(4.2)
NAV relative to S&P Euro Lev Loan	1.3	(0.0)	(0.5)	(0.4)	6.3	3.7
Price relative to ICE BofA Euro HY EU & Western Europe	(5.4)	(1.9)	(2.3)	(1.7)	9.7	14.9
NAV relative to ICE BofA Euro HY EU & Western Europe	(3.7)	(0.7)	1.1	2.7	13.1	24.4

Source: Refinitiv, Edison Investment Research. Note: Data to 31 August 2022. Geometric calculation

Exhibit 15: CVCG NAV total return performance relative to S&P European Leveraged Loan Index over three years



Source: Refinitiv

Peer group comparison

Exhibit 16 compares CVC IG's performance to the sector average and two of its closest peers. CVC IG has outperformed the sector average across the various periods shown except over the last 12 months. CVC IG has outperformed NB Global Floating Rate Income and underperformed Axiom European Financial Debt Fund. We note that even these two peers have differences; for example, Axiom focuses just on debt from financial institutions, which is usually more subordinated than CVC IG's investments and, unsurprisingly, Axiom's fund has had greater volatility in its performance.

CVC IG's ongoing charge is above average for the sector but we note that it does not charge performance fees like some of its peers (which in the current market conditions are presumably not being paid). CVC IG's dividend yields are currently below the sector average.

Although CVC IG does not charge a performance fee or use leverage (as shown in Exhibit 16 in the data from Morningstar), they are both applied at the investment vehicle level as discussed later in the note.

Exhibit 16: Selected peer group at 5 September 2022*

% unless stated	Market cap (£m)	NAV TR 1 year	NAV TR 3 year	NAV TR 5 year	Ongoing charge	Perf. fee	Discount/ premium (ex-par)	Net gearing	Dividend yield
CVC Income & Growth (CVCG) sterling**	**125.4**	**(3.7)**	**10.4**	**14.6**	**1.6**	**No**	**(6.6)**	**100**	**5.3**
CVC Income & Growth (CVCE) euros**	**93.2**	**(5.0)**	**6.9**	**8.8**	**1.6**	**No**	**(6.3)**	**100**	**5.8**
Axiom European Financial Debt Fund	81.7	(2.7)	19.3	28.1	1.5	Yes	(5.4)	(26)	6.7
NB Global Floating Rate Income	175.1	(9.6)	7.0	13.5	1.1	No	(9.3)	96	7.1
Subgroup average (2 funds)	**128.4**	**(6.1)**	**13.2**	**20.8**	**1.3**		**(7.3)**	**35**	**6.9**
Sector average (10 funds)	**117.3**	**1.6**	**1.4**	**3.4**	**1.2**		**(11.8)**	**86**	**6.4**
CVCG rank in peer group	2	2	2	2	1		3	1	3
CVCE rank in peer group	3	3	4	4	1		2	1	3

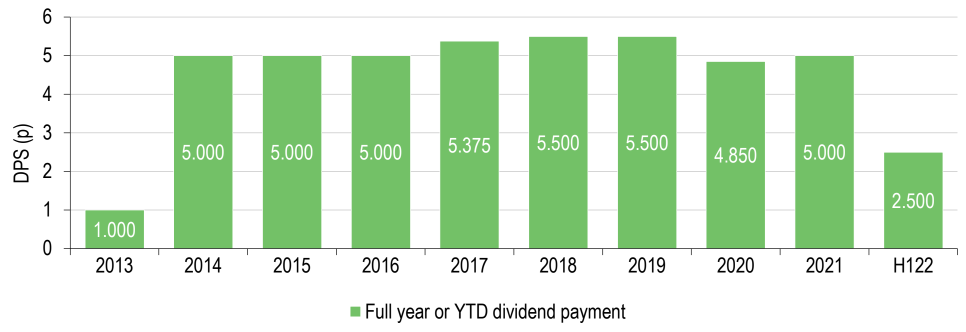
Source: Morningstar, CVC IG, Edison Investment Research. Note: *Performance to 31 August 2022. TR = total return in sterling terms (CVCE in euro terms; CVCG shares are hedged back to euros). Net gearing is total assets less cash and equivalents as a percentage of net assets (100 = ungeared). **At the CVC IG level, a performance fee is charged and leverage is applied at the investment vehicle level.

Dividend policy and record

CVC IG raised its target annual dividend from 4.5p for CVCG and 4.5c for CVCE to 5.0p and 5.0c respectively in April 2021. This increase was underpinned by CVC IG's strong portfolio performance and better market conditions at the time. This change came 12 months after CEC had reduced its target from 5.5p/5.5c to 4.0p/4.0c due to the pandemic. At the time, the board said it would retain the 8% total return target and that it planned to raise the dividend when market conditions justified it. CEC had already raised the dividend to 4.5p/4.5c in September 2020.

Dividends are paid quarterly in February, May, August and November. A scrip dividend (the facility to receive additional shares rather than a cash dividend payment) was suspended in October 2019 due to limited interest from shareholders.

Exhibit 17: Dividend payments per share



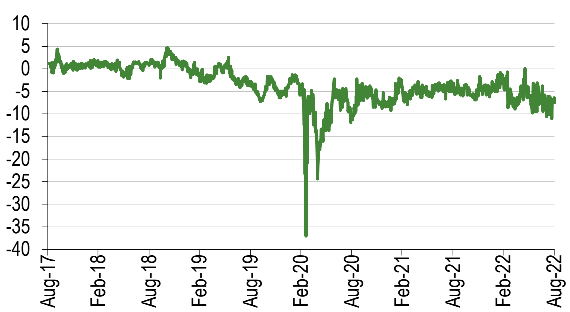
Source: CVC IG

Discount

CVC IG operates a contractual tender system and a conversion facility between sterling and euro share classes, both now done on a semi-annual basis, and may issue shares from treasury in response to market demand. The chart below is for sterling shares (CVCG); repurchases include tendered shares and repurchases, and allotments include share conversions and the placing of treasury shares.

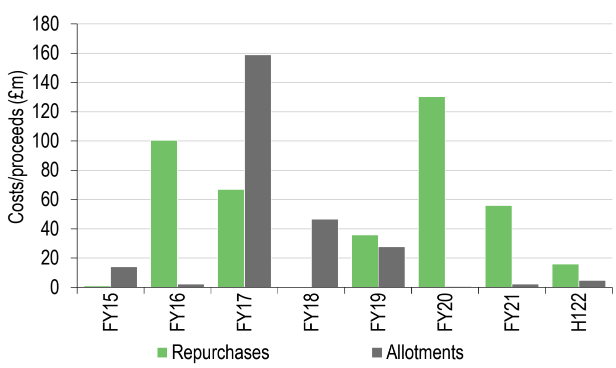
CVC IG's conversion facilities minimise NAV discount/premium fluctuations. Since inception, CVCG shares have traded at an average discount of 1.1% to cum-income NAV until end-February 2020, before the COVID-19 crisis, with the discount widening in more distressed environments. During the COVID-19 crisis, the discount was as high as 38% on 19 March 2020. The discount then declined to between 2% and 6% as confidence rose while pandemic concerns ebbed. However, the greater market turbulence this year has seen the discount in a 5–10% range since March.

Exhibit 18: CVCG share price premium/discount to NAV (cum-income) over five years (%)



Source: Refinitiv, Edison Investment Research

Exhibit 19: Buybacks and issuance



Source: Morningstar, Edison Investment Research

Fund profile

CVC IG was launched in June 2013 and is a Jersey-domiciled, London-listed, closed-end investment company with a focus on opportunities in leveraged credit. It invests solely in a Luxembourg-based investment vehicle, CEC, via preferred equity certificates (PECs). CEC has an actively managed portfolio of sub-investment-grade debt assets with an annual turnover of c 100%, which also involves trading within an issuer's debt structure (ie assets with different maturities, currencies and seniority). Its portfolio is divided into two main pools: performing credit (assets acquired at close to par with the intention of generating returns from recurring interest payments/coupons) and credit opportunities (discounted assets with revaluation potential).

The investment manager is sometimes involved in restructuring activities to unlock the revaluation potential of credit opportunities investments. Returns come from a mixture of income and capital appreciation, with target aggregate gross returns of 8–12% pa (4–7% pa from the performing portfolio and 7–20% pa from the credit opportunities portfolio). Around 5% pa is expected from the income component. The investment vehicle focuses mostly on senior assets in the capital structure of the issuer: first-lien loans and senior secured bonds (73% of NAV at end-July 2022).

The portfolio is skewed towards floating rate assets and issuers domiciled (or with the majority of operations) in Western Europe. CEC invests in large-cap companies (minimum EBITDA of €50m), which had a weighted average EBITDA of more than €300m and which we believe still provide higher secondary liquidity and stronger credit fundamentals, leading to lower default rates in times of economic downturn.

At the AGM on 18 May 2022, shareholders approved raising the limit on investing in collaterised loan obligations from 7.5% to 20%.

Pieter Staelens is the portfolio manager. He is a managing director of CVC Credit's Performing Credit team based in London and joined CVC in 2018. Before joining CVC, he worked at Janus Henderson Investors in London, where he was involved in various high-yield strategies and a credit long/short strategy.

Gearing

There is no gearing at the CVC IG level, but the investment vehicle may gear up to 100% of net assets. At end December 2021, the investment vehicle had borrowings of 30.3% of NAV (December 2020: 27.7%). The manager disclosed that it changed its leverage facility in July to a different bank, and it was refinanced at a lower (undisclosed) cost of capital. It was previously at 1.35% plus Euribor.

Fees and charges

CVC IG is a self-managed fund that delegates investment management to CVC Credit Partners, which also manages the investment vehicle. We calculated the ongoing charge at an annualised 1.6% in FY21 versus 1.5% in FY20. This included an annual management fee of 1.0% pa, charged at the investment vehicle level. CEC's operating expenses are not accounted for in these ongoing charge calculations and instead are reflected in the value of PECs held by CVC IG. A performance fee (subject to a high-water mark) of 15% of excess returns may be paid at investment vehicle level if total annual returns exceed 5%.

In April 2021, the board voted to reduce the management fee from 1.0% to 0.9% of NAV, effective 1 May 2021. The new fee structure allows for further step-down reductions if assets under management (AUM) increase beyond certain levels. The current ratchet marks are €500m, €750m and €1bn AUM. The management fee drops by 5bp at each point with a floor at 0.75% pa.

Capital structure

CVC IG is a Jersey-domiciled, closed-end investment company with an unlimited life. However, the company intends to wind up in 2031 (subject to the investment manager's decision to extend it). CVC IG's board would also be required to propose a continuation vote if the average discount to NAV exceeded 10% over any rolling 12-month period or if net assets fall below €75m.

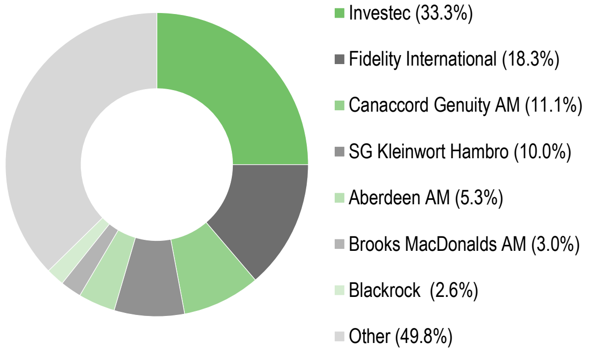
CVC IG has two share classes: sterling shares (CVCG, 133.6m shares in issue) and euro shares (CVCE, 107.7m). CVCE shares carry one voting right compared with 1.17 for each CVCG share. The company actively manages its capital structure to reflect investor demand by running a quarterly tender facility, a monthly currency conversion facility, and purchasing and selling treasury shares. CVCG shares are hedged back to euros to eliminate exchange rate volatility.

Before the exceptional market turbulence in March 2020, investors could every quarter tender up to 24.99% of shares for repurchase at a price close to NAV. In April 2020, the board won approval to allow this quarterly limit to be reduced to a minimum of 10%. However, so far, all requested tenders have been executed. This was further changed in the May 2022 AGM and the tender has been moved to a semi-annual basis with a 25% annual and 15% semi-annual limit.

CVCG shares can be converted into CVCE shares and vice versa and following the same AGM this can be done on a semi-annual (previously monthly) basis. To facilitate this, CVC IG actively trades its treasury shares and may issue new shares to meet investor demand, which effectively minimises the discount (since CVC IG's launch in June 2013 it has averaged 0.1%).

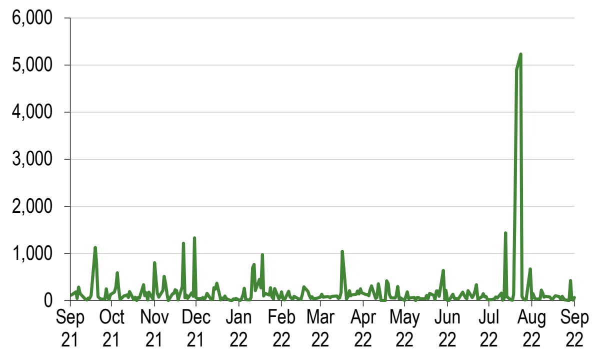
There are no loans at the CVC IG level although, as previously mentioned, the investment vehicle itself uses gearing.

Exhibit 17: Major shareholders (August 2022)



Source: Refinitiv

Exhibit 21: Average daily volume, CVCG (£000s)



Source: Refinitiv

General disclaimer and copyright

This report has been commissioned by CVC Income & Growth and prepared and issued by Edison, in consideration of a fee payable by CVC Income & Growth. Edison Investment Research standard fees are £60,000 pa for the production and broad dissemination of a detailed note (Outlook) following by regular (typically quarterly) update notes. Fees are paid upfront in cash without recourse. Edison may seek additional fees for the provision of roadshows and related IR services for the client but does not get remunerated for any investment banking services. We never take payment in stock, options or warrants for any of our services.

Accuracy of content: All information used in the publication of this report has been compiled from publicly available sources that are believed to be reliable, however we do not guarantee the accuracy or completeness of this report and have not sought for this information to be independently verified. Opinions contained in this report represent those of the research department of Edison at the time of publication. Forward-looking information or statements in this report contain information that is based on assumptions, forecasts of future results, estimates of amounts not yet determinable, and therefore involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of their subject matter to be materially different from current expectations.

Exclusion of Liability: To the fullest extent allowed by law, Edison shall not be liable for any direct, indirect or consequential losses, loss of profits, damages, costs or expenses incurred or suffered by you arising out or in connection with the access to, use of or reliance on any information contained on this note.

No personalised advice: The information that we provide should not be construed in any manner whatsoever as, personalised advice. Also, the information provided by us should not be construed by any subscriber or prospective subscriber as Edison's solicitation to effect, or attempt to effect, any transaction in a security. The securities described in the report may not be eligible for sale in all jurisdictions or to certain categories of investors.

Investment in securities mentioned: Edison has a restrictive policy relating to personal dealing and conflicts of interest. Edison Group does not conduct any investment business and, accordingly, does not itself hold any positions in the securities mentioned in this report. However, the respective directors, officers, employees and contractors of Edison may have a position in any or related securities mentioned in this report, subject to Edison's policies on personal dealing and conflicts of interest.

Copyright: Copyright 2022 Edison Investment Research Limited (Edison).

Australia

Edison Investment Research Pty Ltd (Edison AU) is the Australian subsidiary of Edison. Edison AU is a Corporate Authorised Representative (1252501) of Crown Wealth Group Pty Ltd who holds an Australian Financial Services Licence (Number: 494274). This research is issued in Australia by Edison AU and any access to it, is intended only for 'wholesale clients' within the meaning of the Corporations Act 2001 of Australia. Any advice given by Edison AU is general advice only and does not take into account your personal circumstances, needs or objectives. You should, before acting on this advice, consider the appropriateness of the advice, having regard to your objectives, financial situation and needs. If our advice relates to the acquisition, or possible acquisition, of a particular financial product you should read any relevant Product Disclosure Statement or like instrument.

New Zealand

The research in this document is intended for New Zealand resident professional financial advisers or brokers (for use in their roles as financial advisers or brokers) and habitual investors who are 'wholesale clients' for the purpose of the Financial Advisers Act 2008 (FAA) (as described in sections 5(c) (1)(a), (b) and (c) of the FAA). This is not a solicitation or inducement to buy, sell, subscribe, or underwrite any securities mentioned or in the topic of this document. For the purpose of the FAA, the content of this report is of a general nature, is intended as a source of general information only and is not intended to constitute a recommendation or opinion in relation to acquiring or disposing (including refraining from acquiring or disposing) of securities. The distribution of this document is not a 'personalised service' and, to the extent that it contains any financial advice, is intended only as a 'class service' provided by Edison within the meaning of the FAA (i.e. without taking into account the particular financial situation or goals of any person). As such, it should not be relied upon in making an investment decision.

United Kingdom

This document is prepared and provided by Edison for information purposes only and should not be construed as an offer or solicitation for investment in any securities mentioned or in the topic of this document. A marketing communication under FCA Rules, this document has not been prepared in accordance with the legal requirements designed to promote the independence of investment research and is not subject to any prohibition on dealing ahead of the dissemination of investment research.

This Communication is being distributed in the United Kingdom and is directed only at (i) persons having professional experience in matters relating to investments, i.e. investment professionals within the meaning of Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the 'FPO') (ii) high net-worth companies, unincorporated associations or other bodies within the meaning of Article 49 of the FPO and (iii) persons to whom it is otherwise lawful to distribute it. The investment or investment activity to which this document relates is available only to such persons. It is not intended that this document be distributed or passed on, directly or indirectly, to any other class of persons and in any event and under no circumstances should persons of any other description rely on or act upon the contents of this document.

This Communication is being supplied to you solely for your information and may not be reproduced by, further distributed to or published in whole or in part by, any other person.

United States

Edison relies upon the 'publishers' exclusion' from the definition of investment adviser under Section 202(a)(11) of the Investment Advisers Act of 1940 and corresponding state securities laws. This report is a bona fide publication of general and regular circulation offering impersonal investment-related advice, not tailored to a specific investment portfolio or the needs of current and/or prospective subscribers. As such, Edison does not offer or provide personal advice and the research provided is for informational purposes only. No mention of a particular security in this report constitutes a recommendation to buy, sell or hold that or any security, or that any particular security, portfolio of securities, transaction or investment strategy is suitable for any specific person.

Frankfurt +49 (0)69 78 8076 960
Schumannstrasse 34b
60325 Frankfurt
Germany

London +44 (0)20 3077 5700
280 High Holborn
London, WC1V 7EE
United Kingdom

New York +1 646 653 7026
1185 Avenue of the Americas
3rd Floor, New York, NY 10036
United States of America

Sydney +61 (0)2 8249 8342
Level 4, Office 1205
95 Pitt Street, Sydney
NSW 2000, Australia