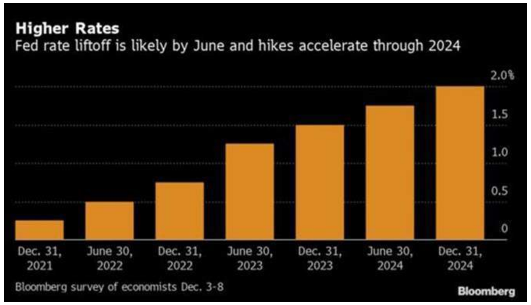
CVP 2022 Market Outlook (Part 2), February 18, 2022

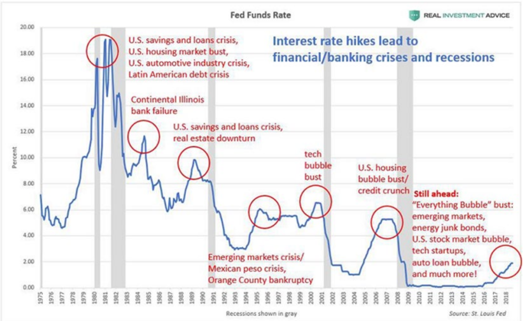
Focusing on Leveraged Loans and Opportunistic Credit as Interest Rates and Default Risks Rise

Note: We are presenting our 2022 Market Outlook in two parts:
Part 1 (published on January 6th) focused on our Economic Outlook and the implications of inflation and rising interest rates on the markets and economy.
Part 2 focuses more specifically on the Corporate Credit markets, the likelihood of a new Credit Default Cycle and the implications and opportunities related to it.

In Part 1 of our 2022 Outlook, we said:

- ***We expect the recent, negative economic developments, especially the rise of inflation and the Fed's hawkish response to it, to create significant economic headwinds and possibly usher in a new recession. When these economic challenges are taken into consideration with the current, over-extended conditions in the corporate debt and equity markets, we believe that it's increasingly likely that a major market dislocation and perhaps a new Bear market will develop in 2022.***
- *As we enter the year…Speculative excesses are now pervasive across the markets, resulting in heightened volatility and leaving the markets more vulnerable to a sharp and severe dislocation…*
- ***Fed Rate hikes have preceded every U.S. Recession for the past 80 years.** As the Fed raises interest rates and cuts its open market purchases of bonds, access to the credit markets becomes more restricted to consumers and businesses. This credit tightening reduces consumer and business spending, thereby leading the economy into a recession…**Recessions have always been tied to significant declines in corporate earnings and major Stock Market corrections or collapses.***





CVP 2022 Market Outlook, Part 2: Focusing on Leveraged Loans and Opportunistic Credit as Interest Rates and Default Risks Rise

As 2022 gets underway, there hasn't been much good news for investors. December's inflation spike worsened in January, pushing market interest rates and credit spreads higher and reinforcing the likelihood of rate hikes by the Fed. Meanwhile, the risk of a Russian invasion of Ukraine has escalated materially, which has serious implications for global trade and GDP growth for this year and beyond. **Considering that we started 2022 at/near "peak" equity market valuation, we aren't that surprised that the NASDAQ and S&P 500 are already down 13.4% and 8.8%.** As discussed in detail in Part 1 of our Outlook, the markets would need to correct by 30% or more this year in order to have valuations that are consistent with historical norms.

No panic yet, investors are seemingly focused now on rising interest rates, but not a Bear market or a recession. Investors are currently focusing on "rotations" of investments, rather than "exits" and monetizations. In credit, we are seeing a rotation out of longer-duration fixed income into shorter duration and floating rate loans. In equities, there is a rotation out of growth stocks into value stocks. Although the markets have been volatile in recent weeks, investor fear is fairly limited right now. Credit spreads have just begun to widen out and equities are still trading at high valuation multiples. If and as the markets trade lower, we expect to see more fear develop in the markets, which would accelerate selling.

To read the full market outlook, please contact CVP at info@cvp7.com.

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Market indices may have materially different exposure to distressed or performing credits and index results do not necessarily correlate with those of the Fund. There are limitations in using financial indices for comparison purposes because, among other reasons, such indices exclude dividends and may have different fees, structures, volatility, strategy weighting, diversification and other material characteristics (such as number or type of instrument or security). Index performance numbers may be preliminary and are subject to change. Index comparisons are for general reference only.

DISCLOSURE – INDEX DESCRIPTIONS

The S&P 500® is widely regarded as the best single gauge of large-cap U.S. equities. There is over USD 7.8 trillion benchmarked to the index, with index assets comprising approximately USD 2.2 trillion of this total. The index includes 500 leading companies and captures approximately 80% coverage of available market capitalization. The returns referenced in the performance comparisons in this presentation relate to the S&P500 Total Return sub-index, with dividends reinvested.

The Bloomberg Barclays US Aggregate Bond Index is a broad-based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, MBS (agency fixed-rate and hybrid ARM pass-throughs), ABS and CMBS (agency and non-agency).

The S&P CoreLogic Case-Shiller U.S. National Home Price NSA Index is a composite of single-family home price indices for the nine U.S. Census divisions and is calculated monthly. It is included in the S&P CoreLogic Case-Shiller Home Price Index Series which seeks to measure changes in the total value of all existing single-family housing stock.

The HFRI® Indices family is produced by Hedge Fund Research. HFRI Event Driven Distressed/Restructuring Index is a composite of Distressed/Restructuring strategies which employ an investment process focused on corporate fixed income instruments, primarily on corporate credit instruments of companies trading at significant discounts to their value at issuance or obliged (par value) at maturity as a result of either formal bankruptcy proceeding or financial market perception of near term proceedings. Managers are typically actively involved with the management of these companies, frequently involved on creditors' committees in negotiating the exchange of securities for alternative obligations, either swaps of debt, equity or hybrid securities. Managers employ fundamental credit processes focused on valuation and asset coverage of securities of distressed firms; in most cases portfolio exposures are concentrated in instruments which are publicly traded, in some cases actively and in others under reduced liquidity but in general for which a reasonable public market exists. In contrast to Special Situations, Distressed Strategies employ primarily debt (greater than 60%) but also may maintain related equity exposure.

Credit Suisse (“CS”) Leveraged Loan (“LL”) is an index designed to mirror the investable universe of the $US-denominated leveraged loan market. The index inception is January 1992. The index frequency is monthly. New loans are added to the index on their effective date if they qualify according to the following criteria: Loans must be rated “5B” or lower; only fully- funded term loans are included; the tenor must be at least one year; and the Issuers must be domiciled in developed countries (Issuers from developing countries are excluded). Fallen angels are added to the index subject to the new loan criteria. Loans are removed from the index when they are upgraded to investment grade, or when they exit the market (for example, at maturity, refinancing or bankruptcy workout). Note that issuers remain in the index following default. Total return of the index is the sum of three components: principal, interest, and reinvestment return. The cumulative return assumes that coupon payments are reinvested into the index at the beginning of each period.

The CS Distressed Loan Index is a sub-index of CS LL, designed to mirror the distressed sector of the $US-denominated leveraged loan market. The Distressed Loan Index is designed to include only those loan facilities priced 90 or lower at the beginning of each measurement period.

Other sub-indices include those related to specific ratings, for example those that include only loan facilities rated CCC (called “CS Leveraged Loan CCC Index”).

The Credit Suisse High Yield Index is designed to mirror the investable universe of the $US-denominated high yield debt market. The index inception is January 1986. The index frequency is daily, weekly and monthly. New issues are added to the index on their issuance date if they qualify according to the following criteria: Issues are publicly registered in the US or issued under SEC Rule 144a. The minimum amount outstanding (par value) is $75 million for publicly registered issues or 144a issues with registration rights. 144a issues without registration rights must have a minimum amount outstanding of $150 million and must be issued by an issuer domiciled in a developed country. Issues must be rated "5B" or lower. That is, the highest Moody’s/S&P ratings are Baa1/BB+ or Ba1/BBB+. Issues must be $US-denominated straight corporate debt, including cashpay, zero-coupon, stepped-rate and pay-in-kind (PIK) bonds. Floating-rate and convertible bonds and preferred stock are not included. If an issuer has more than two issues outstanding, only the two most liquid issues are included in the index.

Sub-indices include those related to specific ratings, for example those that include only issues rated CCC (called “CS HY CCC Index”).