

Volta Finance Limited: Net Asset Value as at 31 August 2022

Volta Finance Limited (VTA / VTAS) – August 2022 monthly report

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Guernsey, 13 September 2022

AXA IM has published the Volta Finance Limited (the “Company” or “Volta Finance” or “Volta”) monthly report for August. The full report is attached to this release and will be available on Volta’s website shortly (www.voltafinance.com).

PERFORMANCE and PORTFOLIO ACTIVITY

For the second consecutive month, August saw a recovery from the losses faced in Q2 2022 with the Ukrainian crisis. The fund gained +3.0%, mainly driven by CLO equity holdings.

Through asset classes, the monthly performances** were: +1.5% for Bank Balance Sheet transactions, +4.6% for CLO equity tranches; +3.3% for CLO debt; -0.9% for Cash Corporate Credit and ABS (together representing 2.3% of NAV).

In the footsteps of most markets the loan markets rallied again in August and therefore CLOs followed.

In August, CLO trustee reports are showing again that CLO managers are, on average, able to build some par, reinvesting the few prepayments in loans at discounts. – true for CLOs in RP. When considering risk measures, August was relatively stable but when considering broader credit markets we started seeing more upgrades than downgrades. Some deterioration may come regarding CLO risk metrics in the coming months (higher CCC bucket for example) but we still expect such deterioration to be smooth.

Very near the end of August we saw a few defaults materializing in the US loan market so that last-12-month default rate went from 0.3% at the end of July to 0.6% at the end of August. Knowing that the average annual historical default rate is in the area of 2.8%, we are still, for the time being, in a low default rate environment. At the end of August, the same measure was at 0.7% for European loans.

Our view is still that we may see more defaults materializing next year and we expect a default rates for 2023 to reach something in the area of 2% for the US, 3% for Europe. With this kind of default expectation the projected yield for Volta’s CLO book is slightly above 24% (based on the NAV; from the current share price we have a projected yield above 30%).

The kind of deterioration we expect should not cause any meaningful diversion of cash flows: we expect Volta to receive full coupons from all its positions for the second half of 2022 and for 2023.

In August, Volta received the equivalent of €1.5m in terms of interest and coupons. For the 6 months ended July 2022, Volta received €24.8m interest and coupons representing a 21.1% annualized cash flow to NAV.

During the month, Volta invested in a new CLO Equity in USD and participated in the warehouse attached to this position for a total of €2.7m equivalent. The projected IRR for this CLO Equity, incorporating the associated gain from the warehouse, is in the area of 17% IRR.

For the coming weeks, Volta will participate in one European CLO warehouse with the intention to roll into the CLO equity at issuance. Our investment thesis is to be able to buy European loans at a discount in Q4 2022 at a point in time when we expect to see some pressure on European Loans: we may see some warehouse liquidations at this point (some of the warehouses opened in Q4 2021, that have been unable to transform into a CLO in due time) while the loan market will have to face a poor Q3 earning season.

As at the end of August 2022, Volta's NAV was €233.9m or €6.39 per share.

**It should be noted that approximately 6.8% of Volta's GAV comprises investments for which the relevant NAVs as at the month-end date are normally available only after Volta's NAV has already been published. Volta's policy is to publish its NAV on as timely a basis as possible to provide shareholders with Volta's appropriately up-to-date NAV information. Consequently, such investments are valued using the most recently available NAV for each fund or quoted price for such subordinated notes. The most recently available fund NAV or quoted price was 6.4% as at 30 July 2022 and 0.4% as at 30 June 2022..*

*** "performances" of asset classes are calculated as the Dietz-performance of the assets in each bucket, taking into account the Mark-to-Market of the assets at period ends, payments received from the assets over the period, and ignoring changes in cross-currency rates. Nevertheless, some residual currency effects could impact the aggregate value of the portfolio when aggregating each bucket.*

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ABOUT VOLTA FINANCE LIMITED

Volta Finance Limited is incorporated in Guernsey under The Companies (Guernsey) Law, 2008 (as amended) and listed on Euronext Amsterdam and the London Stock Exchange's Main Market for listed securities. Volta's home member state for the purposes of the EU Transparency Directive is the Netherlands. As such, Volta is subject to regulation and supervision by the AFM, being the regulator for financial markets in the Netherlands.

Volta's investment objectives are to preserve capital across the credit cycle and to provide a stable stream of income to its shareholders through dividends. Volta seeks to attain its investment objectives predominantly through diversified investments in structured finance assets. The assets that the Company may invest in either directly or indirectly include, but are not limited to: corporate credits; sovereign and quasi-sovereign debt; residential mortgage loans; and, automobile loans. The Company's approach to investment is through vehicles and arrangements that essentially provide leveraged exposure to portfolios of such underlying assets. The Company has appointed AXA Investment Managers Paris an investment management company with a division specialised in structured credit, for the investment management of all its assets.

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AXA Investment Managers (AXA IM) is a multi-expert asset management company within the AXA Group, a global leader in financial protection and wealth management. AXA IM is one of the largest European-based asset managers with 2,460 professionals and €887 billion in assets under management as of the end of December 2021.

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The figures provided that relate to past months or years and past performance cannot be relied on as a guide to future performance or construed as a reliable indicator as to future performance. Throughout this review, the citation of specific trades or strategies is intended to illustrate some of the investment methodologies and philosophies of Volta Finance, as implemented by AXA IM. The historical success or AXA IM's belief in the future success, of any of these trades or strategies is not indicative of, and has no bearing on, future results.

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