

Volta Finance Limited - Net Asset Value(s) as at 31 December 2020

Volta Finance Limited (VTA / VTAS) – December 2020 monthly report

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Guernsey, 13 January 2021

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

PERFORMANCE and PORTFOLIO ACTIVITY

In December, the monthly performance of Volta was +4.3% dividend payable included, another strong performance following the announcements regarding the availability of vaccines against the COVID-19 pandemic. The performance was mainly driven once again by the CLO debt and equity buckets. This brings the performance for the full year to -5.7%. Whilst it is, of course, disappointing to have generated a negative return for the year as a whole, the recovery from the lows at the end of March has been very strong, with a gain of 41.8% in the last 9-month period. As noted below, we anticipate a solid performance in 2021.

The monthly asset class performances** were in euro: -0.2% for Bank Balance Sheet transactions, +9.7% for CLO equity tranches; +5.9% for CLO Debt; +0.5% for Cash Corporate Credit deals (this bucket comprises funds that have a one-month delay in publishing their NAV); and -0.9% for ABS.

The continuing strong performance of CLO equity positions reinforces our conviction that we may be able to refinance or even reset some of our CLO equity positions in 2021. This would reduce the average cost of debt that constitutes the embedded leverage for our CLO equity positions. As the WAS (Weighted Average Spread) of the underlying loan pools is still increasing and might continue to increase in the coming quarters thanks to repayments of existing loans, we can reasonably expect that cash flows from our CLO equity positions will increase through 2021.

In 2020, despite the COVID-19 pandemic, almost 19% of the US loans prepaid, reducing occurrences of default and allowing CLO managers to reinvest in loans at discount or in new loans with higher spreads. We expect loan prepayments to be higher still in 2021, near 25% for the US and 20% in Europe. This will further improve the performance of our CLO equity positions.

Turning to default rates, December marked the second successive month in which the trailing 12-month default rate declined in the US. Our view continues to be that the COVID pandemic will continue to generate defaults in both the US and the European loan markets, probably for a few years, but at a manageable pace.

As in prior years, January should be a solid month for CLO equity cash flows to Volta.

In December 2020 interest and coupons received totaled the equivalent of €0.7m for Volta. On a 6-month rolling basis, Volta received the equivalent of €18.1m as at the end of December, representing a 14.8% annualised cash flow yield, based on the end December NAV (even taking into account the strong increase in NAV). We expect this amount to increase in the coming months.

This combination of advantageous factors for our CLO Equity positions, which account for a total of 61% of the NAV, alongside the likelihood of further spread compression in CLO Debt and other positions means that the outlook for 2021 and beyond is favorable for Volta. There will, no doubt, be ongoing bouts of volatility in markets but we are optimistic that the NAV should reach €7.00 per share at some point in 2021 and then to €7.50 per share in the medium term which, combined with a dividend close to 8% of NAV represents an attractive return stream especially when considering the discount to the NAV at which the shares are currently trading.

As at the end of December 2020, Volta’s NAV was €244.0m or €6.67 per share after the payment of €0.12 dividend in December.

The month-end available cash position was €7.0m.

**It should be noted that approximately 8.0% 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 note. The most recently available fund NAV or quoted price was for 3.0% as at 30 November 2020, 3.9% as at 31 October 2020, and 1.1% as at 30 September 2020.*

*** “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.

ABOUT AXA INVESTMENT MANAGERS

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 753 investment professionals and €801 billion in assets under management as of the end of April 2020.

This press release is published by AXA Investment Managers Paris ("AXA IM"), in its capacity as alternative investment fund manager (within the meaning of Directive 2011/61/EU, the "AIFM Directive") of Volta Finance Limited (the "Volta Finance") whose portfolio is managed by AXA IM.

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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.

The valuation of financial assets can vary significantly from the prices that the AXA IM could obtain if it sought to liquidate the positions on behalf of the Volta Finance due to market conditions and general economic environment. Such valuations do not constitute a fairness or similar opinion and should not be regarded as such.

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