

Volta Finance Limited - Net Asset Value(s) as at 31 December 2019

Volta Finance Limited (VTA / VTAS) – December 2019 monthly report

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Guernsey, 10 January 2020

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, Volta’s NAV* total return performance was +3.3%, bringing the gain for 2019 as a whole to 6.7%. During the year, the share price total return was greater, at 8.5% as the discount to NAV narrowed. This discount narrowing, whilst modest, was pleasing and may well reflect the considerable efforts during the year to improve shareholder communications and bring Volta to a wider audience.

All the performance in 2019 reflected cashflows from the underlying assets and the consequent dividend payments to shareholders. Dividends totaled €0.62 per share during 2019, paid in 4 quarterly installments. Based on the end of 2018 NAV per share of €7.71, this represents a dividend yield of over 8%. In contrast, mark-to-market prices of Volta’s assets declined modestly during the year, reflecting the conditions in the underlying loan markets. A little over 80% of the Company’s assets are CLO debt or equity tranches.

Through 2019, Volta’s portfolio has been significantly rotated as we utilised our broad mandate across the structured credit universe to seek out the best opportunities. We significantly increased the CLO Equity bucket (from 36.4% to 52.6%, including CMV and warehouses) at the expense of CLO debt. We also reduced the size of the Repo we have on CLO debt from \$50m to \$35m to limit our sensitivity to price volatility.

By way of illustration, in 2019, USD CLO Debt (not taking into account the benefit of the Repo leverage) performed** 9.1% (in USD terms) relative to 13.3% for USD CLO Equity. The third largest asset class of the portfolio, EUR CLO equity positions, performed** less, 6.9%, although it is fair to recognize that this lower performance partially reflects interest rate differentials given that it is in EUR terms.

For 2020, whilst we expect loan markets to continue to face some challenges, particularly a greater number of downgrades than upgrades (the ratio was close to 3 to 1 in 2019), we still do not expect default rates to increase significantly. In this context, CLO Equity, although being the first loss position, is the only tranche that can benefit from loan market price volatility through reinvestments inside CLO loan portfolios.

In December, we invested the equivalent of €3.3m through commitments to existing positions (the European CLO warehouse that was opened in July and the latest regulatory capital trade). On average, based on standard assumptions, these positions were purchased with a projected yield close to 13.5%. We sold five CLO debt positions (3 BB rated USD tranches and 2 B rated EUR tranches) for the equivalent of €12.4m in order to finance the end of December dividend payment and to reduce by \$5m the amount borrowed through our repurchase agreement.

During the month, Volta received the equivalent of €0.3m in terms of interest and cash flows from its assets. On a rolling 6-month basis we were at €21.9m; an annualised yield at 15.7% of the end of month NAV. This is amongst the highest levels seen for many years for Volta in terms of its ability to generate cash flows from its assets. In January, some of the most recent CLO Equity purchases will pay a cashflow for the first time, adding to this measure of performance.

As at the end of December 2019, Volta’s NAV was €278.3m or €7.61 per share. The GAV stood at €311.4m.

**It should be noted that approximately 13.0% 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 own NAV on as timely a basis as possible in order 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 5.1% as at 30 September 2019 and for 7.9% as at 29 November 2019.*

*** “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 739 investment professionals and €750 billion in assets under management as of the end of March 2019.

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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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