

## Volta Finance Limited - Net Asset Value as at 31 October 2022

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

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Guernsey, 14 November 2022

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

### PERFORMANCE and PORTFOLIO ACTIVITY

October was a mixed month for Structured Debt Markets as European CLO debt tranches experienced a price rebound - especially the ones that were significantly hit in September - while US CLO performances were slightly negative. As a result Volta’s net asset value (“NAV”) declined by -2.6% in October.

Diving into Volta’s underlying sub asset classes, monthly performances\*\* were as follow: +0.7% for Bank Balance Sheet transactions, -3.9% for CLO Equity tranches; +1.7% for CLO Debt tranches (driven by +6.2% on European CLO debt); and -0.4% for Cash Corporate Credit and ABS (which represent circa 2.3% of the fund’s NAV).

As for every quarter, October was an heavy month in terms of CLO Equity distributions. We were expecting relatively healthy ones across the board and our positions did deliver on that front. Volta received in October the equivalent of €9.1m in terms of interest and coupons. Over the usual 6-month-basis time frame Volta received €23.4m interest and coupons. A 22.3% annualized cash flow to NAV.

Looking at fundamentals, we continued to see slightly more downgrades than upgrades in both the US and the European loan markets, although at a very moderate pace. We have been highlighting for months through this channel of communication the fact that inflation *per se* can positively impact companies’ balance sheets. The release of Q3 earnings demonstrated once more that when revenues increase (in nominal amount) at a high pace, earnings can be maintained or even increased despite companies suffering from margin pressure. At the time of writing this publication, 90% of the S&P companies have reported their Q3 earnings; revenues are up 12.2% (from the previous quarter) allowing earnings to grow by “only” 3.9%.

In the meantime, this increase in revenues is eroding the real value of debt. We believe that the real value of debt for the average US company was basically eroded by 20% in the last two years when considering that from Q3 2020 to Q4 2022 the US GDP grew by 20% in nominal terms. This relationship between nominal growth and debt and the maintenance of healthy earnings can explain why rating agencies have so far been relatively slow (and they may be correct in doing so) in downgrading debt even though many companies do suffer or will suffer from higher interest rates.

Our view remains that the overall dynamics are still more favorable for the US relative to Europe. At the end of October, 12 months running default rates in Loans were still low at 0.4% in Europe and 0.8% in the US. We expect to see more deterioration in Europe than in the US in the coming quarters and consider it reasonable to see default rates move in the 2% area in the US and in the 3% area in Europe for 2023.

This kind of default pattern will not materially impact the distribution of interests by Volta’s assets in the near term. We believe that we can maintain a high level of coupons in the coming quarters and are actively looking to seize investment opportunities with the extra cash that is being generated.

We recently opened a European CLO Warehouse as part of this strategy. No loans have yet been purchased but we expect to start ramping assets in the near term to take advantage of significant price discounts and patiently build a very profitable CLO Equity position.

As at the end of October 2022, Volta’s NAV was €206.8m or €5.65 per share.

*\*It should be noted that approximately 1.5% 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 1.1% as at 30 September 2022, 0.4% was at 31 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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#### **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 2,460 professionals and €87 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.

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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#### Attachment

- | [Volta - Monthly Report - October 2022](#)