

Volta Finance Ltd

Monthly Report – December 2019



Data as of 31 déc 2019

Gross Asset Value	€311.4m
Liabilities	€33.1m
NAV	€278.3m
NAV per share	€7.61
Outstanding Shares	36.6m
Share Price (Euronext)	€6.54
Share Price (LSE)	€6.51
Tickers	VTA.NA VTA.LN VTAS.LN
ISIN	GG00B1GHHH78

Fund Facts

Launch Date	Dec-2006
Fund Domicile	Guernsey
Listing and Trading	AEX LSE
Type of Fund	Closed-ended
Dividend	Quarterly
Dividend Cover ⁴	1.8 times
Base currency	EUR
Asset types	Corporate Credit and ABS

Background and Investment Objective

AXA Investment Managers Paris (“AXA IM”) has been the Investment Manager of Volta Finance Limited (“Volta”) since inception. 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. For this purpose, Volta pursues a multi-asset investment strategy on deals, vehicles and arrangements that provide leveraged exposure to target Underlying Assets (including corporate credit, residential and commercial mortgages, auto and student loans, credit card and lease receivables).

Fund Performance

9.2% Annualised since inception¹ **10.5%** Annualised over 5 years¹ **3.3%** 1 month²

€278.3m

9.5%

NAV as of December 2019

Trailing 12-month Div. Yield³

Returns ²	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2019	3.1%	0.4%	0.5%	1.9%	1.4%	-1.0%	0.5%	-1.5%	0.4%	-2.6%	0.4%	3.3%	6.7%
2018	-0.4%	0.7%	-0.2%	0.9%	2.4%	0.2%	0.6%	1.2%	-0.4%	1.3%	-1.4%	-4.8%	0.1%
2017	1.3%	0.9%	0.9%	-0.5%	0.6%	0.1%	-0.2%	0.4%	0.6%	1.7%	0.1%	0.6%	6.6%
2016	-4.0%	-2.9%	4.1%	2.0%	1.3%	-0.9%	6.2%	2.1%	1.4%	2.0%	2.7%	1.4%	15.2%
2015	3.7%	1.3%	3.1%	1.7%	1.6%	-0.7%	0.1%	-0.6%	-1.7%	0.1%	1.1%	0.1%	10.0%
2014	2.7%	-1.6%	0.8%	0.7%	1.5%	0.7%	1.3%	1.3%	2.4%	0.4%	1.7%	0.3%	12.4%

¹ Share (VTA.NA) performance (annualised figures with dividends re-invested). Source: Bbg (TRA function)

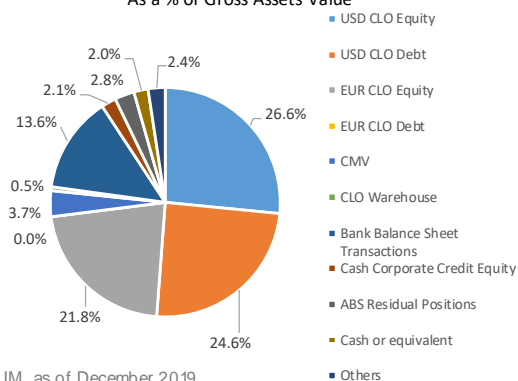
² Performance of published NAV (including dividend payments)

³ Calculated as the most recent annual dividend payments versus the month-end share price (VTA.NA)

⁴ Calculated as total income divided by the most recent annual dividend payments

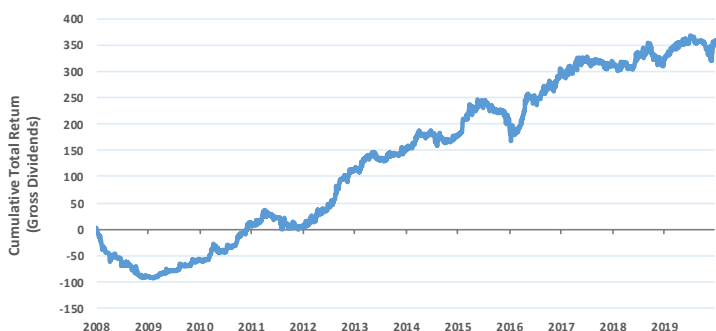
Asset Breakdown

As a % of Gross Assets Value



Source: AXA IM, as of December 2019

Historical Performance



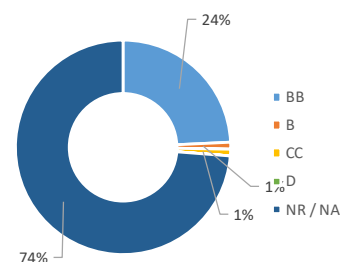
Source: Bloomberg, as of December 2019

Top 10 Underlying Exposures

Issuer	%	Bloomberg Industry Group
Altice France SA/France	0.67%	Telecommunications
Panther BF Aggregator 2 LP	0.45%	Auto Parts&Equipment
EG Group Ltd	0.40%	Retail
CenturyLink Inc	0.39%	Telecommunications
Asurion LLC	0.37%	Insurance
Upfield BV	0.32%	Food
Berry Global Inc	0.36%	Packaging&Containers
Virgin Media Secured Finance PLC	0.32%	Media
GTT Communications Inc	0.29%	Telecommunications
Paysafe Group Ltd	0.27%	Internet

Source: Intex, Bloomberg, AXA IM Paris as of December 2019 – unaudited figures - not accounting for unsettled trades Figures expressed in % of the NAV

Portfolio Rating Breakdown



Source: AXA IM, as of December 2019

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Monthly Commentary

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.

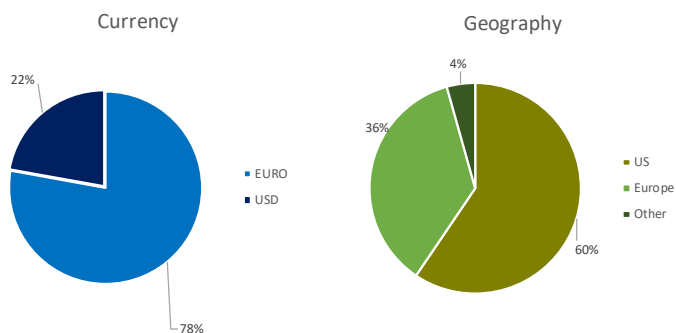
During the month, Volta received the equivalent of €0.3m in terms of interest and cash flows from its assets. On a rolling 6-month basis we were at €21.9m; an annualised yield at 15.7% of the end of month NAV. This is amongst the highest levels seen for many years for Volta in terms of its ability to 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.*

Currency and Geography exposures (%)



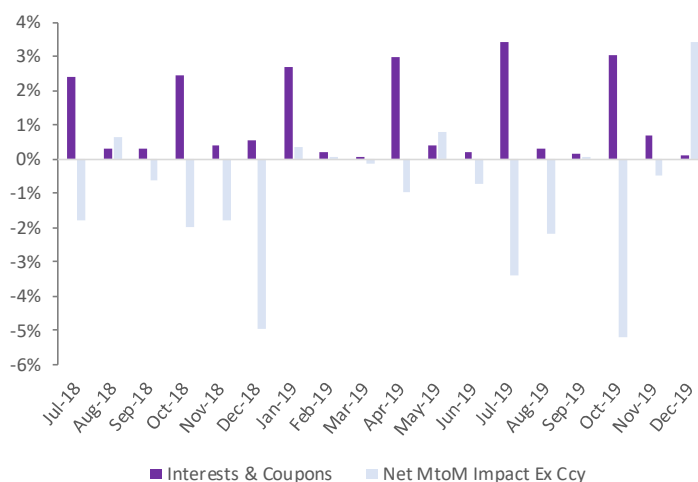
Source: AXA IM, as of December 2019 (%of NAV for ccy / %of GAV for geography)

Portfolio Composition by Asset Type

Market Value (€m)		Breakdown (% GAV)	
CLO	238.7	USD CLO Equity	26.6%
		USD CLO Debt	24.6%
		EUR CLO Equity	21.3%
		EUR CLO Debt	0.0%
		CMV	3.7%
		CLO Warehouse	0.5%
Synthetic Credit	42.3	Synthetic Corporate Credit Equity	0.0%
		Synthetic Corporate Credit Debt	0.0%
		Bank Balance Sheet Transactions	13.6%
Cash Corporate Credit	6.4	Cash Corporate Credit Equity	2.1%
		Cash Corporate Credit Debt	0.0%
ABS	17.6	ABS Residual Positions	2.8%
		ABS Debt	2.9%
Cash or equivalent	6.3	Cash or equivalent	2.0%
GAV	311.4		
Liability	(31.2)	Debt from Repurchase Agreement	(10.0)%
Fees due	(1.9)	Fees due to Investment Manager	(0.6)%
Estimated NAV	278.3	Per Share	7.61

Source: AXA IM, as of December 2019

Last Eighteen Months Performance Attribution



Source: AXA IM, as of December 2019

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