

Volta Finance Limited (VTA / VTAS) – April 2023 monthly report

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Guernsey, 12 May 2023

AXA IM has published the Volta Finance Limited (the “Company” or “Volta Finance” or “Volta”) monthly report for April 2023. The full report is attached to this release and will be available on Volta’s website shortly (www.voltafinance.com).

PERFORMANCE and PORTFOLIO ACTIVITY

Volta Finance’s performance in April was +3.02%; a solid return which confirmed that CLOs are relatively immune to the recent issues of the banking sector. The performance also stands at strong +8.9% year to date, a very good start for 2023.

Volta’s underlying sub asset classes monthly performances** were as follows: +3.8% for Bank Balance Sheet transactions, +3.4% for CLO Equity tranches, +2.0% for CLO Debt tranches and +9.1% for Cash Corporate Credit and ABS (which represent circa 2.0% of the fund’s NAV).

As hinted just above, the performances of all Volta’s sub-asset classes confirmed our view that those have no direct connections with the recent issues that shook the banking segment. We believe that the Credit Suisse situation was very specific hence would not lead to a wider contagion in Europe. We also believed that even though we may occasionally see some US regional banks in need of a rescue plan - most likely of far smaller size than SVB or First Republic - we shall not expect any domino effect in the US financial system either.

Looking at the macro implications of the above, our view is still that we may see US regional banks pushed to reduce some of the support they used to provide to specific businesses in the quarters/years to come. The areas under most scrutiny seem to be the CRE one as well as local/small businesses and it is reasonable to expect that a reduction in financial support will impact access to credit for these players. It may marginally increase the overall cost of credit for a substantial chunk of the US economy although we expect this to be partially offset by lower-than-expected interest rates.

In the end, the impacts for loans (those are broadly syndicated credits and do not depending on US regional banks) could be neutral: on one hand pressure from higher cost of credit but on the other hand the FED may stop hiking rates in May thus reducing the pressure from interest rate hikes on interest coverage ratios.

We still consider that the most likely scenario for 2023 is to close the year with higher but manageable default rates: from current 0.6% in Europe and 1.3% in the US at the end of April toward something in the 1/1.5% context for European loans and 2/2.5% for US loans. The levels, even modestly higher levels, may not cause any issue for CLO Equity quarterly payments (no interruption/diversion of payments in 2023 and most probably in 2024 as well).

Except for one deal that we did in April, with a significant rebate regarding the price we paid, all Volta CLO Equity are from pre-Ukrainian invasion vintages, the vast majority of them were refinanced/reset in 2021 and benefit from a cheap cost of leverage (in the 170bps area, relative to close to 300bps for the most recent CLOs). This cheap cost of leverage is the main driver of Volta quarterly cashflows and future performances.

In April, Volta received the equivalent of €10.3m of interests and coupons. Through the last 6 months, Volta received €23.4m of interests and coupons, ie. a 20.5% annualized cash flow to NAV.



VOLTA FINANCE
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In April, we purchased one USD CLO Equity position as well as the BB tranche of the same deal (for a total of \$9.4m), plus the BB and the B tranche of a European CLO (for a total of €2.2m). Those debt tranches were purchased with projected IRR between 12.5 and 15% while the CLO Equity tranche was purchased with a projected IRR in the 13%. The Equity position was purchased under the assumption that such projected return will be significantly improved in 18/24 months when being able to reset the transaction with a lower cost of leverage.

As at the end of April 2023, Volta's NAV was €227.7m or €6.22 per share.

**It should be noted that approximately 10.23% 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 3.73% as at 14 April 2023, 6.04% as at 31 March 2023, 0.46% as at 31 December 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 its capital across the credit cycle and to provide a stable stream of income to its Shareholders through dividends that it expects to distribute on a quarterly basis. The Company currently seeks to achieve its investment objectives by pursuing exposure predominantly to CLO's and similar asset classes. A more diversified investment strategy across structured finance assets may be pursued opportunistically. 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 2,623 professionals and €817 billion in assets under management as of the end of September 2022.

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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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