**Volta Finance Limited (VTA) – November 2015 monthly report**

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*Guernsey, 18 December 2015*

**PERFORMANCE**

At the end of November 2015, the Estimated NAV of Volta Finance Limited (the "Company", "Volta Finance" or "Volta") was €296.7m or €8.13 per share, an increase of €0.10 per share, or +1.2%, since the end of October 2015.

The YTD NAV performance for the 2015 calendar year, including the April dividend paid, stood at +10.0% as at the end of November.

The GAV stood at €344.4m at the end of November.

On 14 December 2015, the Company paid a further dividend of 31 cents per share, to shareholders on the register on 4 December 2015. On an ex-dividend basis, the Estimated NAV at 30 November 2015 would have been €7.82 per share.

Volta's share price has seen some weakness in recent weeks, commencing in late November and continuing into December. At the time of writing, the share price is trading at around a 19% discount to this ex-dividend Estimated NAV. This widening discount probably reflects the recent weakness and stress in the US loan market, the high yield markets and the broader credit markets.

We would note that valuations at the end of November already reflected a significant level of this stress. For example, as at the end of November:

- Volta's USD CLO Equity tranches were priced, on average, at 55.1% of par (significantly below the 75.5% average price recorded at the end of June 2015). These assets were valued at €45.1m at the end of November and generated cash flows of €2.9m in the last 3 months (September/October/November), implying an annualised yield in excess of 26% of the end of November valuation.
- Volta's USD CLO Debt tranches are priced, on average, at 88.5% of par (compared with 95.4% at the end of June 2015).

The view of AXA IM, is that the current stress in the US loan and other credit markets reflects the expectation of an increase in default rates in the US loan market from prevailing levels, which are far below the historical average, to be closer to historical average levels by end 2016 - mid 2017. This potential turn in the credit markets seems to have taken some participants by surprise. However, this has been AXA's central scenario for some time. Accordingly the portfolio has been orientated to retain a significant portion of 1.0 CLO tranches (which have less sensitivity to episodes of stress such as that currently being experienced), to be very selective in our exposure to CLO Equity tranches and to increase the exposure to European assets.

The key question from here is whether this expected increase in default rates is the sign of the turn of the present credit cycle, with broad implications, or the consequence of few sectorial issues, such as the energy and materials crisis and the difficulties for some retailers to adapt to the on-line consumerism. Our current view is that the latter explanation is the more likely and that current low prices in the US loan market offer good investment opportunities.

Although we expect the US loan market to see an increase of default rates to reach, or even slightly exceed, the historical average level by the end of 2017, this should not have, in our present opinion, a significant impact on Volta's expected CLO cash flows.

## MARKET REVIEW AND PORTFOLIO ACTIVITY

In November, credit markets were shaky again, with a negative performance of both corporate credit bonds and the US and the European loan markets.

On average during the last 4 months, declines in prices were roughly compensated by cash flows received. This month again, mark-to-market variations* of Volta's asset classes were not significantly down nor up: -1.4% for Synthetic Corporate Credit deals; -0.9% for CLO Equity tranches; +0.3% for CLO Debt tranches, 0.0% for Cash Corporate Credit deals; and, +0.6% for ABS. During the month, the US Dollar appreciated by 4.2% against the Euro, contributing positively to the overall performance. However, following the recent strength in the Dollar against the Euro we increased our currency hedging and the Company's exposure to the Dollar has been reduced somewhat standing at 36.5% of the Estimated NAV as at the end of November.

In November, Volta received the equivalent of €1.8m in interest and coupons (non-Euro amounts translated into Euro using end-of-month cross currency rates) bringing the total cash amount received in terms of interest and coupons during the last six months to €13.3m. Cash or cash equivalent instruments, at the end of November was at €21.6m. Accounting for the December dividend payment, Volta could be considered as having approximatively €6m available to deploy.

In November Volta did not execute any trades in anticipation of better opportunities in due course. We anticipate that we will continue to sell part of the 1.0 tranches and purchase more recent transactions at deeper discount margins.

Overall we continue to see opportunities in several structured credit sectors including mezzanine or equity tranches of CLOs, RMBS tranches as well as tranches of Cash or Synthetic Corporate Credit portfolios.

** "Mark-to-market variation" is calculated as the Dietz-performance of the assets in each bucket, taking into account the Mark-to-Market of the assets at month-end, 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 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 €694 billion in assets under management as of the end of June 2015. AXA IM employs approximately 2,360 people around the world.

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