Volta Finance Limited (VTA) – December 2015 monthly report

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Guernsey, 25 January 2015

PERFORMANCE

At the end of December 2015, the Estimated NAV of Volta Finance Limited (the "Company", "Volta Finance" or "Volta") was €285.7m or €7.82 per share, a decrease of €0.31 per share, an amount corresponding exactly with the 31 cents per share dividend payment paid on 14 December 2015. Taking into account this dividend payment, the monthly performance is flat.

The NAV performance for the calendar year 2015, including the April and December dividend payments, was +10.0%. This was an encouraging performance given the negative returns generated by many credit markets.

The GAV stood at €329.0m at the end of December 2015.

The 10% annual performance for 2015 was achieved despite some significant spread widening in credit markets in the second half of 2015. Valuations at the end of December already reflected a significant level of this stress. For example, as at the end of December:

- Volta's USD CLO Equity tranches were priced, on average, at 53.9% of par (significantly below the 75.5% average price recorded at the end of June 2015). These assets were valued at €42.9m at the end of December and generated cash flows of €2.9m in the last 3 months (October/November/December), implying an annualised yield in excess of 26% of the end of December valuation.
- Volta's USD CLO Debt tranches were priced, on average, at 86.8% of par (compared with 95.4% at the end of June 2015).

For 2016, the view of our Investment Manager is that a significant level of stress is already discounted into the current prices of Volta's holdings. Further, current pricing more than discounts the Investment Manager's expectation for defaults in the US loan market to increase from the current low levels towards average historical levels of around 3% by the end of 2016, rising modestly higher in 2017. This expectation accounts for a significant proportion of defaults to be concentrated in the oil & gas industry sector. As a result, AXA IM do not anticipate a significant increase in the volatility of the Company's NAV for 2016.

The Company has only modest exposure within its CLO portfolio (which accounts for 73% of the GAV) to the oil & gas sector. Based on data extracted from Intex, 2.62% of the underlying loans of this portion of the portfolio are exposed to the oil & gas sector. Mining and extraction account for a further 0.89%. The rest of the portfolio comprises RMBS exposures or bank balance sheet transactions with European banks. The vast majority of the oil & gas exposure is through CLO debt that benefits from significant subordination to actual losses. This reflects the Company's conservative management stance to limit reinvestments in US Equity 2.0 CLO.

USD CLO Equity tranches have been historically the best asset class for Volta and for years our preferred asset class when targeting 10%+ return, but CLO Equity positions from 2.0 deals (with the most material exposure to oil & gas) represented only 5.6% of the GAV as of the end of 2015.

MARKET REVIEW AND PORTFOLIO ACTIVITY

In December, credit markets were shaky again, with a negative performance from corporate credit bonds and the US and the European loan markets.

On average during the last 6 months, the average mark-to-market decline in prices was roughly compensated by the strong cash flows received.

In December, mark-to-market variations* of Volta's asset classes were: +0.1% for Synthetic Corporate Credit deals; -0.7% for CLO Equity tranches; -0.8% for CLO Debt tranches, +1.6% for Cash Corporate Credit deals; and, +35.8% for ABS. The performance of the ABS bucket is due to the upward revaluation of the UK non-conforming positions following the sale of one of the 3 positions at a significant gain. The 2 remaining positions represent 5% of Volta's GAV as of the end of December 2015.

During the month, the US Dollar depreciated by 2.8% against the Euro, contributing negatively to the overall performance. However, following the previous recent strength in the Dollar against the Euro the Company had increased its currency hedging and the Company's exposure to the Dollar has been reduced somewhat, standing at 32% of the Estimated NAV as at the end of December.

In December, Volta received the equivalent of €1.2m 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 €11.9m. Cash or cash equivalent instruments, at the end of December, totalled €5.8m and, accordingly, Volta could be considered as being very close to being fully invested.

In December, Volta took the opportunity of the widening of spreads on CLO tranches to sell part of its 1.0 CLO debt tranches (which are relatively insensitive to the current spread widening) and purchase more recent transactions at attractive, deeper discount margins.

In December, sales and amortisation of CLO debt (2 USD CLO positions and 1 Euro position) totalled €8.1m and purchases totalled €3.9m (one USD CLO debt and one Euro CLO equity). Using our standard assumptions, the two purchases have a projected IRR slightly above 10%.

In addition, in December Volta also purchased two bank balance sheet positions and one very junior debt position from a Spanish auto loan securitization for a total of €12m. On average and under our standard assumptions these assets have a projected IRR close to 11%.

Over the last 6 months, the Company's NAV has been largely stable, despite significant stress in credit and equity markets. This has been achieved thanks to the relatively conservative approach adopted over recent years, combined with the breadth and flexibility of Volta's mandate, which enables us to be selective and opportunistic. This has enabled alpha to be generated on a consistent basis.

The November and December trades reflect the fact that, with the spread widening observed, it now makes sense to rotate the portfolio out of short term (and lower yielding) assets into more volatile and higher yielding assets, that volatility primarily reflecting longer maturity dates.

In order to illustrate how the portfolio evolved during the last 6 months, the projected IRR of the largest bucket in Volta, USD CLO Debt, moved from 8.6% as of the end of June 2015 to 11.9% as of the end of December 2015 (using our standard assumptions). This projected IRR does not take into account the leverage through our repurchase agreement with Societe Generale, which will further enhance the projected IRR.

AXA IM continues 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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"anticipated", "expects", "intends", "is/are expected", "may", "will" or "should". They include the statements regarding the level of the dividend, the current market context and its impact on the long-term return of Volta's investments. By their nature, forward-looking statements involve risks and uncertainties and readers are cautioned that any such forward-looking statements are not guarantees of future performance. Volta Finance's actual results, portfolio composition and performance may differ materially from the impression created by the forward-looking statements. Volta Finance does not undertake any obligation to publicly update or revise forward-looking statements.

Any target information is based on certain assumptions as to future events which may not prove to be realised. Due to the uncertainty surrounding these future events, the targets are not intended to be and should not be regarded as profits or earnings or any other type of forecasts. There can be no assurance that any of these targets will be achieved. In addition, no assurance can be given that the investment objective will be achieved.

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