Volta Finance Limited (VTA / VTAS) – November 2018 monthly report

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Guernsey, 14 December 2018

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

PERFORMANCE and PORTFOLIO ACTIVITY

In November, Volta's Estimated NAV* total return performance was -1.4%, a performance in line with the negative performance of most credit and equity markets in November. The total return for the 11 months to the end of November was +4.9%.

This mainly reflected price decreases in two areas: Euro CLO Equity tranches (-4%) and CLO Debt tranches (-2%). The overall mark-to-market performances of Volta's asset classes in local currencies were: +1.4% for Bank Balance Sheet Transactions; -0.5% for USD CLO Equity tranches; -3.7% for Euro CLO Equity tranches; -1.8% for CLO Debt tranches; +0.6% for Cash Corporate Credit deals; and +0.5% for ABS.

During the month, the equivalent of €12.6m was invested in a new USD CLO debt tranche and two contributions to the existing warehouse and the existing CMV. On average and under market standard assumptions, the projected average IRR of all purchases was in the area of 12.6%.

Given the increasing uncertainty around the outcome of the UK's Brexit negotiations, it is worth highlighting Volta exposure to the UK:

1. European deals represent 32% of Volta's GAV;
2. The overall CLO bucket (incorporating CLO Equity, CLO Debt, CLO Warehouses and the CMV) represents 74.4% of Volta's GAV. The exposure to loans issued by UK entities is 3.9% of the underlying loan portfolio of this overall bucket. There is no exposure from USD CLOs and an average of 17% from Euro CLOs which, themselves, represent 17.1% of Volta GAV;
3. Volta has some exposure to the UK through its Regulatory Capital trade, being: one Irish SME position (2.1% of GAV) and another trade (2% of GAV) that has been sourced from a UK bank for which the exposure to UK large cap corporates is 30% of the underlying portfolio. The remainder of Volta's Bank Balance Sheet sub portfolio has exposure to UK corporates ranging between 0% and 10% (6 positions making 5% of GAV have no UK exposure out of 11 Regulatory Capital positions).

Overall Volta exposure to UK is 6% of its underlying risks.

It is difficult to assess the potential consequences of a hard Brexit but we can reasonably expect that it would cause an increase in the default rates of UK based corporates, given that most research suggests that the outcome would be a drop of between 5% and 7.5% in UK GDP. This kind of GDP drop is statistically in line with an annual default rate for the UK loan market in the area of 9 to 14%. As an example a 10% default rate on 17% of the underlying loan portfolio of the Euro CLO bucket, by itself, would be painful but would not cause any disruption in CLO Equity payments and could permit, through a contagion effect, the generation of higher cash flow through reinvestments in loans at a discount or with a higher spread. It is also worth noting that any rise in defaults would only occur with a lag.

In some ways, for the CLO positions, there may be similarity to the Oil & Gas crisis seen in 2015/2016 and the consequent impact on USD CLO positions. During these two years defaults from Oil & Gas and Metals & Mining represented 2.35% of the US loan market but this did not have any material impact on Volta's mid-term performance other than some mark-to-market volatility, mainly in Q1 2016.

In November, Volta generated the equivalent of €1.9m in interest and coupons net of repo costs (non-Euro amounts translated into Euro using end-of-month cross currency rates). This brings the total cash amount generated during the last six months in terms of interests and coupons to €19.9m.

As at the end of November 2018, Volta's Estimated NAV was €302.3m or €8.27 per share. The GAV stood at €350.4m.

**It should be noted that approximately 13.8% 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 10.1% as at 30 October 2018 and for 3.7% as at 28 September 2018. ** "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.*

This announcement contains information that is inside information for the purposes of the Market Abuse Regulation (EU) No. 596/2014. Upon the publication of this announcement via Regulatory Information Service this inside information is now considered to be in the public domain.

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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 766 investment professionals and €759 billion in assets under management as of the end of June 2018.

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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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