

Volta Finance Ltd

Monthly Report – November 2018



Data as of 30 November 2018

Gross Asset Value	€350.4m
Estimated liabilities	€48.1m
Estimated NAV	€302.3m
Estimated NAV per share	€8.27
Outstanding Shares	36.6m
Share Price (Euronext)	€6.68
Share Price (LSE)	€6.63

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	1.6 times
Base currency	EUR
Assets 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

+9.4%	+11.7%	-1.4%
Annualised since inception ¹	Annualised over 5 years ¹	1 month ²

€302.3m	+9.3%
Estimated NAV as of November 2018	Trailing 12-month Div. Yield ³

Returns ²	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2018	-0.4%	0.7%	-0.2%	+0.9%	+2.4%	+0.2%	+0.6%	+1.2%	-0.4%	+1.3%	-1.4%		4.9%
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%	5.5%	2.8%	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%
2013	3.6%	1.5%	2.5%	0.1%	4.1%	-0.7%	3.1%	2.0%	0.7%	2.4%	2.9%	1.3%	25.3%

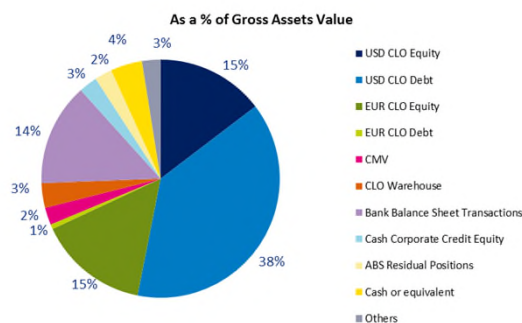
¹ Share (VTA.NA) performance (annualised figures with dividends re-invested). Source: Bbg (TRA function)

² Performance of published Estimated 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



Source: AXA IM, as of November 2018

Top 10 Underlying Exposures

Issuer	%	Bloomberg Industry Group
Altice France SA/France	0,77%	Media
Ziggo Bond Co BV	0,38%	Media
Texas Competitive Electric Holdings Co LLC	0,33%	Electric
CenturyLink Inc	0,35%	Telecommunications
TransDigm Inc	0,33%	Aerospace/Defense
Asurion LLC	0,31%	Insurance
Calpine Corp	0,33%	Electric
Albertson's LLC	0,31%	Food
EG Group Ltd	0,29%	Retail
Dell International LLC/Old	0,28%	Household Products/Wares

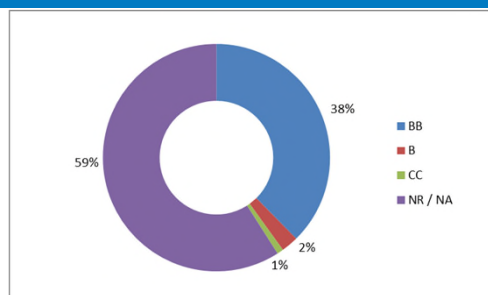
Source: Intex, Bloomberg, AXA IM Paris as of November 2018 – unaudited figures - not accounting for unsettled trades Figures expressed in % of the Estimated NAV

Historical Performance



Source: Bloomberg, as of November 2018

Portfolio Rating Breakdown



Source: AXA IM, as of November 2018

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Monthly Commentary

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:

European deals represent 32% of Volta's GAV; 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; 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.

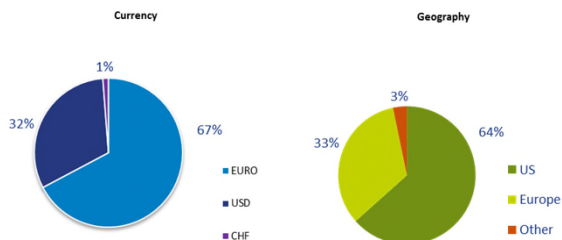
In November, Volta generated the equivalent of €1.9m in interest and coupons net of repo costs (non-Euro amounts translated into Euro using end-of-month cross currency rates). This brings the total cash amount generated during the last six months in terms of interests and coupons to €19.9m.

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.*

Currency and Geography exposures (%)



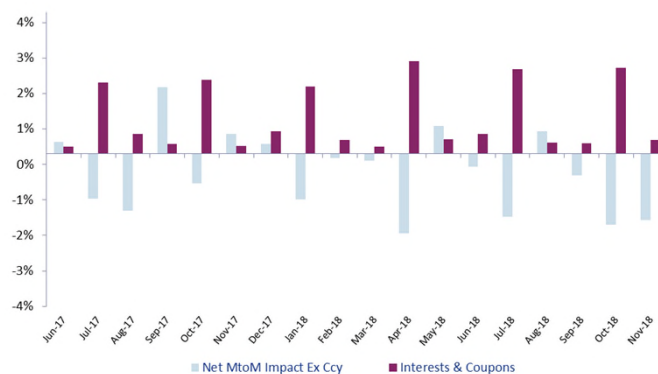
Source: AXA IM, as of November 2018 (% of NAV for ccy / % of GAV for geography)

Portfolio Composition by Asset Type

Market Value (€m)		Breakdown (% GAV)	
CLO	260,8	USD CLO Equity	14,6%
		USD CLO Debt	38,5%
		EUR CLO Equity	14,9%
		EUR CLO Debt	0,7%
		CMV	2,4%
		CLO Warehouse	3,3%
Synthetic Corporate Credit	48,7	Synthetic Corporate Credit Equity	0,0%
		Bank Balance Sheet Transactions	13,9%
Cash Corporate Credit	8,8	Cash Corporate Credit Equity	2,5%
		Cash Corporate Credit Debt	0,0%
ABS	17,1	ABS Residual Positions	2,4%
		ABS Debt	2,5%
Cash or equivalent	15,1	Cash or equivalent	4,3%
GAV	350,4		
Liability	(44,6)	Debt from Repurchase Agreement	(12,7%)
Fees due	(3,5)	Fees due to Investment Manager	(1,0%)
Estimated NAV	302,3	Per Share	8,27

Source: AXA IM, as of November 2018

Last Eighteen Months Performance Attribution



Source: AXA IM, as of November 2018

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