

# Volta Finance Ltd

## Monthly Report – December 2018


**Data as of 31 December 2018**

<b>Gross Asset Value</b>	€329.8m
<b>Liabilities</b>	€47.6m
<b>NAV</b>	€282.2m
<b>NAV per share</b>	<b>€7.71</b>
<b>Outstanding Shares</b>	36.6m
<b>Share Price (Euronext)</b>	€6.60
<b>Share Price (LSE)</b>	€6.56
<b>Tickers</b>	VTA.NA VTA.LN VTAS.LN
<b>ISIN</b>	GG00B1GHHH78

**Fund Facts**

<b>Launch Date</b>	Dec-2006
<b>Fund Domicile</b>	Guernsey
<b>Listing and Trading</b>	AEX LSE
<b>Type of Fund</b>	Closed-ended
<b>Dividend</b>	Quarterly
<b>Dividend Cover<sup>4</sup></b>	1.7 times
<b>Base currency</b>	EUR
<b>Assets types</b>	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).

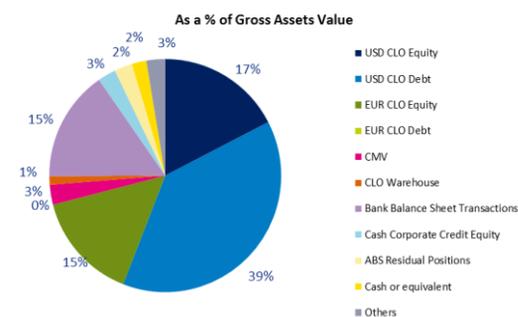
**Fund Performance**

<b>+9.2%</b>	<b>+11.2%</b>	<b>-4.8%</b>
Annualised since inception <sup>1</sup>	Annualised over 5 years <sup>1</sup>	1 month <sup>2</sup>

<b>€282.2m</b>	<b>+9.4%</b>
NAV as of December 2018	Trailing 12-month Div. Yield <sup>3</sup>

Returns <sup>2</sup>	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%	-4.8%	<b>0.1%</b>
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%	<b>6.6%</b>
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%	<b>15.2%</b>
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%	<b>10.0%</b>
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%	<b>12.4%</b>
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%	<b>25.3%</b>

<sup>1</sup> Share (VTA.NA) performance (annualised figures with dividends re-invested). Source: Bbg (TRA function)  
<sup>2</sup> Performance of published NAV (including dividend payments)  
<sup>3</sup> Calculated as the most recent annual dividend payments versus the month-end share price (VTA.NA)  
<sup>4</sup> Calculated as total income divided by the most recent annual dividend payments

**Asset Breakdown**


Source: AXA IM, as of December 2018

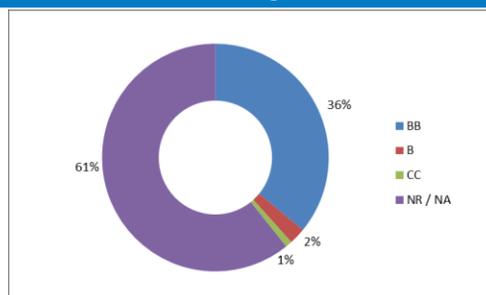
**Top 10 Underlying Exposures**

Issuer	%	Bloomberg Industry Group
Altice France SA/France	0,65%	Media
TransDigm Inc	0,35%	Aerospace/Defense
Ziggo Bond Co BV	0,32%	Media
CenturyLink Inc	0,35%	Telecommunications
Calpine Corp	0,33%	Electric
Texas Competitive Electric Holdings Co LLC	0,30%	Electric
Asurion LLC	0,28%	Insurance
Dell International LLC/Old	0,27%	Household Products/Wares
Albertson's LLC	0,28%	Food
EG Group Ltd	0,25%	Retail

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

**Historical Performance**


Source: Bloomberg, as of December 2018

**Portfolio Rating Breakdown**


Source: AXA IM, as of December 2018

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### Monthly Commentary

In December, Volta's NAV\* total return performance was -4.8%, in line with the negative performance of most credit and equity markets in December. The NAV performance for 2018 as a whole was +0.1%, compared with US High Yield (-2.3% for Ice BofAML index), US loan market (+0.5% S&P/LSTA Index) or broad equity indices (-4.4% for S&P, -11.4% for MSCI Euro).

The negative performance in December mainly reflected price decreases in CLO tranches, both debt and equity tranches. The overall mark-to-market performances of Volta's asset classes in local currencies were: -0.4% for Bank Balance Sheet Transactions; -5.7% for CLO Equity tranches; -5.9% for CLO Debt tranches; -0.3% for Cash Corporate Credit deals; and -0.2% for ABS.

The significant price decline in CLO debt and CLO equity tranches reflected the mark-to-market price declines seen during the month for underlying USD or European loans (respectively -2.9% and -1.0% according to the LSTA index) rather than any change in underlying defaults. As a result of the price declines, the average price of Volta's USD CLO debt bucket was around 91%, a level not seen since the end of July 2016 following the Brexit vote. There is no evidence of any deterioration of the credit quality of underlying positions. Indeed, given the low level of defaults, the subordination of the debt positions is improving through the passage of time. During the first 2 weeks of January the average price of USD CLO BB debt rebounded by 1.5%.

We took the opportunity of the December price declines to purchase more assets, deploying the surplus cash balances previously held. The equivalent of €21.8m was invested (one USD BB CLO, one USD Equity CLO, one bank balance sheet transaction and some contributions to the existing CMV and warehouse). On average and under market standard assumptions, the projected average IRR of all purchases was in the area of 11.6%. We sold the equivalent of €6.7m as well during the month (3 CLO debt positions and one bank balance sheet transaction). As at the end of December 2018, Volta was fully invested, in anticipation of a possible market rebound.

In the US and European loan markets the retail sector is the largest industry contributing to defaults (on a twelve month basis, as at the end of December 2018, LCD measured 1.6% and 0.1% default rates in US and in Europe, far below historical average). Like many market participants, we expect that the retail sector will continue to be a major contributor to loan defaults in 2019. However, Volta's exposure to the retail sector is limited, at only 3.8% of Volta's underlying assets. Generally, the quality of Volta's retail assets is also considered to be higher than the broader market. By way of example, the largest three exposures to retail (0.20% of Volta underlying assets) are Bass Pro, Staples Inc. and Michaels Stores. In all three cases, the loans trade at a higher price than the market average price for retail loans. Volta's largest retail loan trading at significant discount to par (in the area of 80% to par) represent 0.12% of Volta underlying assets, being Douglas Holdings (European retail perfumes/cosmetics).

As noted in last month's report, Volta has a limited exposure to Sterling & the UK (6% of underlying credits are from UK based companies) and so would be unlikely to suffer materially from direct losses in relation with the Brexit (taking into account the 5 to 7.5% drop in GDP that many economist, including the BoE, expect from the most adverse scenario around Brexit).

### Portfolio Composition by Asset Type

Market Value (€m)		Breakdown (% GAV)	
CLO	247,1	USD CLO Equity	17,4%
		USD CLO Debt	38,5%
		EUR CLO Equity	15,1%
		EUR CLO Debt	0,0%
		CMV	2,8%
		CLO Warehouse	1,2%
Synthetic Corporate Credit	50,8	Synthetic Corporate Credit Equity	0,0%
		Bank Balance Sheet Transactions	15,4%
Cash Corporate Credit	8,3	Cash Corporate Credit Equity	2,5%
		Cash Corporate Credit Debt	0,0%
ABS	16,9	ABS Residual Positions	2,5%
		ABS Debt	2,6%
Cash or equivalent	6,7	Cash or equivalent	2,0%
<b>GAV</b>	<b>329,8</b>		
Liability	(43,8)	Debt from Repurchase Agreement	(13,3)%
Fees due	(3,9)	Fees due to Investment Manager	(1,2)%
<b>Estimated NAV</b>	<b>282,2</b>	<b>Per Share</b>	<b>7,71</b>

Source: AXA IM, as of December 2018

In December, Volta generated the equivalent of €1.6m 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 €19.7m.

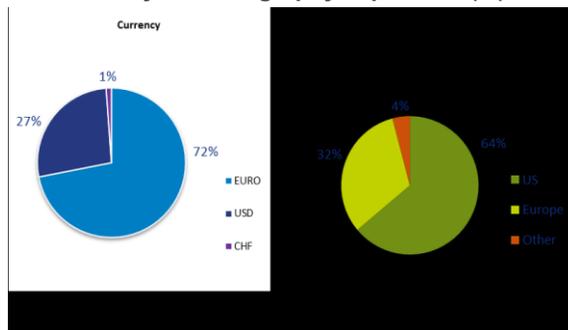
As at the end of December 2018, Volta's NAV was €282.2m or €7.71 per share. The GAV stood at €329.8m.

On 11th December 2018, the Board of Volta announced that it considered the company's shares to qualify as an "excluded security" under the Financial Conduct Authority's rules regarding distribution of non-mainstream pooled investments (NMPI) noting, nonetheless that financial advisers should seek their own advice on the matter.

*"It should be noted that approximately 11.3% 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 7.2% as at 30 November 2018 and for 4.1% as at 28 September 2018.*

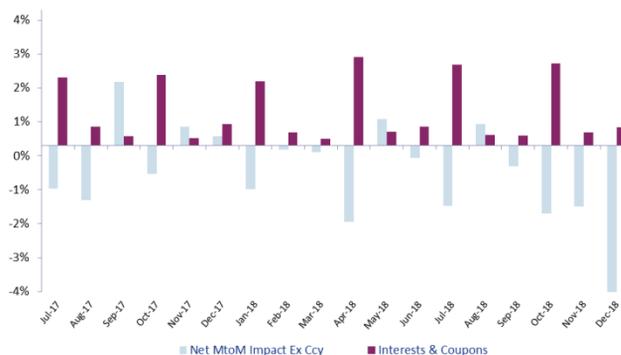
*\*\* "Mark-to-market variation" is calculated as the Dietz-performance of the assets in each bucket, taking into account the Mark-to-Market of the assets at month-end, payments received from the assets over the period, and ignoring changes in cross currency rates. Nevertheless, some residual currency effects could impact the aggregate value of the portfolio when aggregating each bucket.*

### Currency and Geography exposures (%)



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

### Last Eighteen Months Performance Attribution



Source: AXA IM, as of December 2018

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