

Volta Finance Ltd

Monthly Report – February 2020



Data as of 29 Feb 2020

Gross Asset Value	€308.4m
Liabilities	€34.5m
NAV	€273.9m
NAV per share	€7.49
Outstanding Shares	36.6m
Share Price (Euronext)	€6.18
Share Price (LSE)	€6.17
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	1.9 times
Base currency	EUR
Asset 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

8.6% Annualised since inception¹ **6.8%** Annualised over 5 years¹ **-2.6%** 1 month²

€273.9m

10.0%

NAV as of February 2020

Trailing 12-month Div. Yield³

Returns ²	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2020	1.1%	-2.6%											-1.6%
2019	3.1%	0.4%	0.5%	1.9%	1.4%	-1.0%	0.5%	-1.5%	0.4%	-2.6%	0.4%	3.3%	6.7%
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%	0.1%
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%	6.2%	2.1%	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%

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

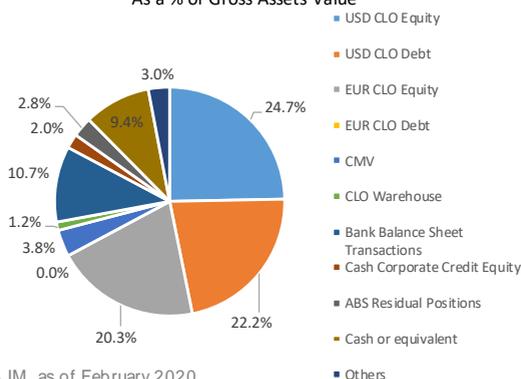
² Performance of published NAV (including dividend payments)

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

As a % of Gross Assets Value



Source: AXA IM, as of February 2020

Historical Performance



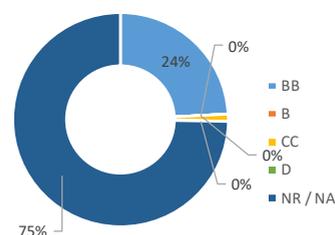
Source: Bloomberg, as of February 2020

Top 10 Underlying Exposures

Issuer	%	Bloomberg Industry Group
Altice France SA/France	0.63%	Telecommunications
Panther BF Aggregator 2 LP	0.47%	Auto Parts&Equipment
EG Group Ltd	0.41%	Retail
Asurion LLC	0.36%	Insurance
Upfield BV	0.33%	Food
GTT Communications Inc	0.30%	Telecommunications
Paysafe Group Ltd	0.27%	Internet
Verisure Holding AB	0.29%	Commercial Services
Berry Global Inc	0.33%	Packaging&Containers
Virgin Media Secured Finance PLC	0.30%	Media

Source: Intex, Bloomberg, AXA IM Paris as of February 2020 – unaudited figures - not accounting for unsettled trades Figures expressed in % of the NAV

Portfolio Rating Breakdown



Source: AXA IM, as of February 2020

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Monthly Commentary

In February, Volta's NAV* total return performance was -2.6%.

The monthly performances** were, in local currency: +0.8% for Bank Balance Sheet transactions, -3.8% for CLO Equity tranches; -2.1% for CLO Debt; -0.1% for Cash Corporate Credit deals; and +0.4% for ABS.

We sold two CLO debt positions (one BB and one B rated tranche) before the market was impacted by the spreading of the COVID-19 crisis. We also refrained from investing the circa €11m cash we received from our assets in January and February.

As a result of that, at the end of February cash or cash equivalents represent close to 10% of the NAV.

In March, performance is expected, once again, to be negative despite the benefits of diversification across the portfolio – by way of example, the bank balance sheet transaction bucket produced a positive performance in February.

Beyond the current volatility we have to think about the lessons and the consequences from the current COVID-19 crisis for our fund:

- In terms of price reaction with recent episodes of price volatility, we did not see particular signs of panic or abnormal behaviour. At the time of writing, BB CLO and Equity CLO tranches prices have fallen very much in line with underlying loan market prices with usual betas (between 2 and 3);
- In terms of market liquidity, as we would have anticipated, liquidity was significantly better for US loans than for European loans. This has meant that the ability of CLO managers to adapt their loan book to the current situation has been far greater for US CLOs than for EUR CLOs. This is the principal reason why we have no positions in EUR CLO debt;
- In terms of fundamentals, we were expecting 2020 to be a challenging year once again for loan markets and, like 2019, we were expecting to have again in the area of 2.5 downgrades for every upgrade in underlying credits. With the COVID-19 crisis it could be reasonably expected that even more downgrades will occur, which will place price pressures on B/B- rated loans.

When considering the impact in terms of defaults it is important to note that, for many years, loans have been issued without maintenance covenants (cov-lite loans). Most Generally, investors have considered that as a weakness. We always claimed that it had at least one benefit: giving more time to companies to go through a temporary trough in activity. The current situation is one such where being "cov-lite" might help.

It is far too early to form a clear view on the long-term impact of the crisis but the clear mantra of European and the US governments is to take measures that will limit the spread of the virus while having the least possible impact on business activity. It is also very clear that most governments will support companies going through the crisis, for instance by permitting delayed tax payments.

For the moment, considering the level of uncertainty we have decided to refrain from investing the current cash balance. The choice we made several quarters ago to favour CLO Equity relative to CLO Debt and to reduce the repo and hence the leveraging of CLO Debt was correct. If the current crisis permits CLO managers to reinvest in loans at discounted prices or with higher spreads, we should see higher cash flows from our CLO Equities before suffering the possible consequences of the crisis.

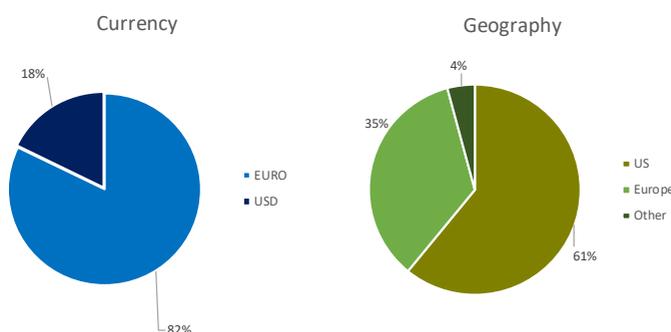
One of the reasons for our preference for CLOs (relative to many other ABS businesses) is again playing out in our favour: loans are issued by wide range companies that are representative of the overall economy. When there is a risk we might suffer some losses (due to loan defaults or a very large number of downgrades), governments and central banks mitigate this risk because of the macro impact associated with that risk. It is clearly not an insurance that losses will always be avoided but it is a strong mitigant regarding the risk associated with our investments.

As at the end of February 2020, Volta's NAV was €273.9m or €7.49 per share. The GAV stood at €308.4m.

**It should be noted that approximately 11.0% 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 6.0% as at 31 January 2020, 3.8% as at 31 December 2019 and 1.2% as at 30 September 2019.*

*** "performances" of asset classes are calculated as the Dietz-performance of the assets in each bucket, taking into account the Mark-to-Market of the assets at period ends, 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 (%)



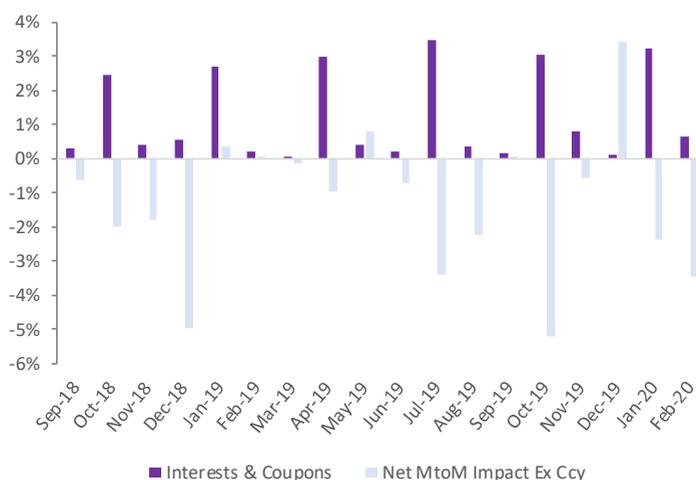
Source: AXA IM, as of February 2020 (%of NAV for ccy / %of GAV for geography)

Portfolio Composition by Asset Type

Market Value (€m)		Breakdown (% GAV)	
CLO	222.4	USD CLO Equity	24.7%
		USD CLO Debt	22.2%
		EUR CLO Equity	20.3%
		EUR CLO Debt	0.0%
		CMV	3.8%
		CLO Warehouse	1.2%
Synthetic Credit	33.0	Synthetic Corporate Credit Equity	0.0%
		Synthetic Corporate Credit Debt	0.0%
		Bank Balance Sheet Transactions	10.7%
Cash Corporate Credit	6.2	Cash Corporate Credit Equity	2.0%
		Cash Corporate Credit Debt	0.0%
ABS	17.9	ABS Residual Positions	2.8%
		ABS Debt	3.0%
Cash or equivalent	28.9	Cash or equivalent	9.4%
GAV	308.4		
Liability	(32.0)	Debt from Repurchase Agreement	(10.4)%
Fees due	(2.5)	Fees due to Investment Manager	(0.8)%
Estimated NAV	273.9	Per Share	7.49

Source: AXA IM, as of February 2020

Last Eighteen Months Performance Attribution



Source: AXA IM, as of February 2020

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