Volta Finance Limited (VTA / VTAS) – February 2020 monthly report

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Guernsey, 11 March 2020

AXA IM has published the Volta Finance Limited (the "Company" or "Volta Finance" or "Volta") monthly report for February. 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 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.*

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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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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 739 investment professionals and €750 billion in assets under management as of the end of March 2019.

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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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