Volta Finance Ltd
Monthly Report – April 2020

Data as of 30 avr 2020

Gross Asset Value	€207,1m
Liabilities	€11,4m
NAV	€195,7m
NAV per share	€5,35
Outstanding Shares	36,6m
Share Price (Euronext)	€3,92
Share Price (LSE)	€3,80
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]	2,5 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

4,9%
Annualised since inception[1]

-3,8%
Annualised over 5 years[1]

5,7%
1 month[2]

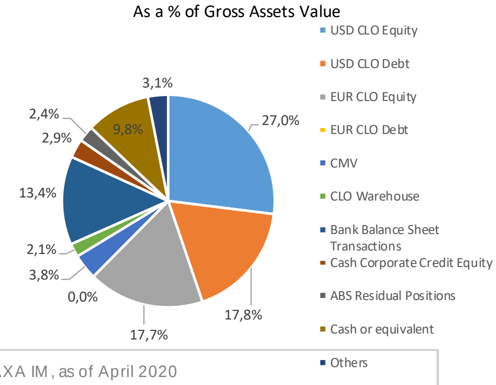
€195,7m
NAV as of April 2020

12,0%
Trailing 12-month Div. Yield[3]

Returns[2]	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2020	1,1%	-2,6%	-32,4%	5,7%									**-29,7%**
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



Source: AXA IM , as of April 2020

Top 10 Underlying Exposures

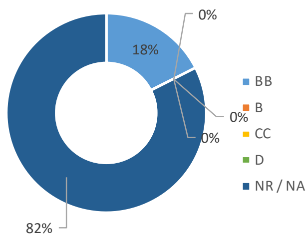
Issuer	%	Bloomberg Industry Group
Altice France SA/France	0,57%	Telecommunications
Clarios Global LP	0,46%	Auto Parts&Equipment
EG Group Ltd	0,44%	Retail
Asurion LLC	0,37%	Insurance
Upfield BV	0,35%	Food
GTT Communications Inc	0,32%	Telecommunications
Froneri International Ltd	0,38%	Food
Verisure Holding AB	0,29%	Commercial Services
Paysafe Group Ltd	0,27%	Internet
CenturyLink Inc	0,31%	Telecommunications

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

Historical Performance

Source: Bloomberg, as of April 2020

Portfolio Rating Breakdown



Source: AXA IM , as of April 2020

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Monthly Commentary

In April, after the significant mark to market impact of the COVID-19 crisis in March, we had a modest rebound in terms of valuation. Volta's NAV* total return performance in April was +5.7%.

The monthly performances** were, in local currency: +0.3% for Bank Balance Sheet transactions, +10.0% for CLO Equity tranches; +12.1% for CLO Debt; -9,9% for Cash Corporate Credit deals (this bucket compromises of funds that have one-month delay in publishing their NAV); and +0.6% for ABS.

At the end of the month, the average price for CLO Equity tranches was 43.0% and 33.4% respectively for USD and Euro positions, 59.7% for USD CLO debt (no Euro CLO debt positions were held by Volta).

These general market prices mark downs incorporate the expectation that a number of CLO Equity tranches will start suffering partial diversion of cash flows as early as in July, the next quarter payment dates for most positions, with further deterioration in October due to the increasing excess CCC bucket in CLOs. For Volta's positions specifically we have identified, at present, only one position that might suffer a partial diversion of cash flow in July. If this remains the case, Volta's positions should significantly outperform the wider market for July cash flow receipts. Rating agencies recently confirmed that they have already reviewed their ratings for 80 to 90% of loans and certainly the pace of loan downgrades has significantly reduced during the recent weeks, lowering the probability that Volta will suffer additional unexpected diversion of cash flows in July.

Now that April trustee reports have been collected, it appears that 20% of the USD CLO Equity universe suffered a partial or full diversion of cash flows in April. None of Volta positions saw any diversion and cash flows were received in full on all positions. The average CCC/Caa3 bucket is now 8% for S&P and 6% for Moody's with levels of around 3% less for EUR deals. That said, even though European CLO Equity outperformed USD CLO Equity in April, the average price for EUR CLO Equity positions is still far below that for USD deals. We believe that this reflects the lower liquidity and lower risk appetite in Europe than in the US.

As mentioned in our interim communication of 24th March, our first priority was to secure Volta's liquidity and solvency. Whilst, as at the end of April the repurchase agreement was still in place for $10m, this has now been repaid. Given the modest level of commitments to existing positions and the very low level of currency hedging still in place, the liquidity demands on the Company can now be met comfortably from expected cash flows. Overall in April, Volta received €7.9m from coupons and interest, with the decline accounted for solely by falling short term interest rates.

Therefore, the Company has been able to declare a dividend. At the end of March, ratings agencies were downgrading loans at an unprecedented pace and considerable uncertainty existed for the Company regarding cash flows and the economic outlook. Now that the full April cash flows have been received and the acute liquidity and volatility conditions seen in late March have eased, the Company has declared a dividend of €0.10 per share, payable 16th of June, which corresponds to roughly 8% of the latest NAV. The balance of net cash flows received, other than a modest working capital balance, will be re-invested.

As at the end of April 2020, Volta's NAV was €195,7m or €5,35 per share (including €20,4m in cash). The GAV stood at €207,1m with nearly €11,4m liabilities.

Regarding the medium to long term performance outlook, our view is that rating agencies, will continue to downgrade loans through to the end of 2020, even if the pace of downgrades reduces somewhat. Therefore, the CCC bucket will continue to increase. In April defaults began to pick up in both the US and European credit markets. Including loans and bonds, Moody's recorded 35 defaults in the US YTD of which 15 were in April; in Europe there have been 7 YTD of which 5 were in April. We expect this trend to continue. Rating agencies are forecasting default rates to reach between 5 and 10% for the US loan market in 2020 but recognize, as we have noted previously, that defaults might be spread through time.

This scenario means that we might find in the USD CLO market (situation is expected to be better in Europe), that many CLOs are near breaching either the Reinvestment test (when breached, 50% of the amount that should have been paid to the Equity is diverted to be reinvested) or the most Junior OC test (when breached, 100% of the amount that should have been paid to the Equity is diverted to reimburse the most senior debt tranche) while strongly benefiting from loan reinvestment at discount (before the OC test is breached or once it is cured).

Typically, a CLO suffering, through a given year, 3% default (with 50% recovery) but being able to reinvest 15% of the portfolio in loans at an average 90% purchase price, might not see any deterioration of its tests (all other things being equal). Although it is speculative, it seems plausible that the most active and solid CLO managers might navigate through this environment (defaults spread through years with loans trading at discount as well for years) without causing too much pain to CLO Equity investors. For the moment and for the foreseeable future, with the positions we hold in Volta performing better than the broad market, we might be able to follow this hypothetical path.

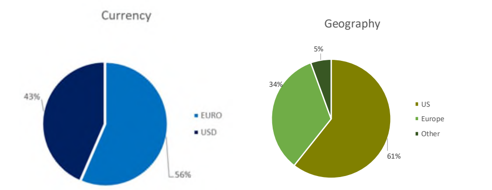
**It should be noted that approximately 19.5% of Volta's GAV comprises investments for which the relevant NAVs as at the month-end date are normally available only after Volta's NAV has already been published. Volta's policy is to publish its own NAV on as timely a basis as possible in order to provide 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 13.0% as at 31 March 2020, 4.2% as at 31 December 2019 and 2.2% 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.*

Portfolio Composition by Asset Type

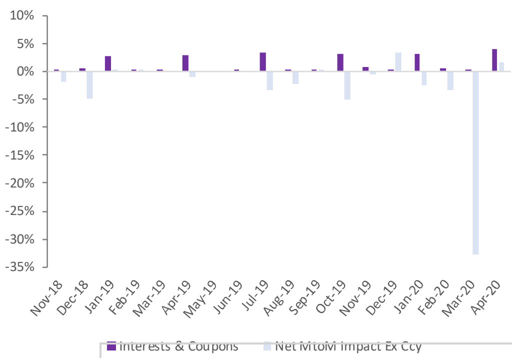
Market Value (€m)		Breakdown (% GAV)	
CLO	141,6	USD CLO Equity	27,0%
		USD CLO Debt	17,8%
		EUR CLO Equity	17,7%
		EUR CLO Debt	0,0%
		CMV	3,8%
		CLO Warehouse	2,1%
Synthetic Credit	27,9	Synthetic Corporate Credit Equity	0,0%
		Synthetic Corporate Credit Debt	0,0%
		Bank Balance Sheet Transactions	13,4%
Cash Corporate Credit	5,9	Cash Corporate Credit Equity	2,9%
		Cash Corporate Credit Debt	0,0%
ABS	11,4	ABS Residual Positions	2,4%
		ABS Debt	3,1%
Cash or equivalent	20,4	Cash or equivalent	9,8%
GAV	**207,1**		
Liability	(8,3)	Debt from Repurchase Agreement	(4,0)%
Fees due	(3,2)	Fees due to Investment Manager	(1,5)%
Estimated NAV	**195,7**	**Per Share**	**5,35**

Currency and Geography exposures (%)



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

Last Eighteen Months Performance Attribution



Source: AXA IM, as of April 2020

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