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

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Guernsey, 10 July 2020

AXA IM has published the Volta Finance Limited (the "Company" or "Volta Finance" or "Volta") monthly report for June. The full report is attached to this release and will be available on Volta's website shortly (www.voltafinance.com).

PERFORMANCE and PORTFOLIO ACTIVITY

June delivered another month of strong performance after May and April, helping further to recover the mark-to-market impact of the COVID-19 pandemic. Accounting for the €0.10 per share dividend paid 16th of June, Volta's NAV* total return performance in June was +6.9%.

With the increased confidence around cash flows from underlying assets over the medium term, not only was the Company able to restore the dividend ordinarily payable in April but has further declared a dividend of €0.11 per share payable on 29th July 2020, which is a return to the Company's original payment timetable.

The monthly performances** were, in local currency: +0.8% for Bank Balance Sheet transactions, +9.5% for CLO Equity tranches; +13.0% for CLO Debt; -0.6% for Cash Corporate Credit deals (this bucket compromises of funds that have a one-month delay in publishing their NAV); and -6.2% for ABS.

At the end of the month, the average price for USD CLO debt was 71.8%. All the company's USD CLO debt positions are receiving their coupons in full, none of them has been downgraded and 10 of them are "Watch Neg" either with Moody's or S&P (none with Fitch). We continue to be highly confident that all these positions will go through the current crisis without any loss and continue to think that the latest prices do not reflect the embedded value of these positions.

Regarding our CLO Equity positions, the July cash flow payments are due over the coming weeks. Of all our positions, only one is expected to suffer a diversion of cash flow in July. It is a position from 2013 that has already significantly amortized. In normal market conditions, this position would have been called as the arbitrage in favor of the equity is less and less attractive now that all the original AAA debt tranche has been prepaid.

Of the other CLO equity positions, 3 out of 46 came close to breaching a reinvestment test but all three have now seen improvement in May and June and now have larger cushions.

So far, the consequences of the COVID-19 crisis are being smoothed through time as the increase in default rates is very slow. This means that CLO managers have more time to re-arrange portfolios to avoid diversion of cash flows and generate added value.

There has been widespread comment that private equity funds raised billions of new capital in recent months. For Loans and CLOs, it means that we should expect an acceleration of M&A activity over the coming months. Some loans, even some trading at a discount, will be called at par and that will permit an acceleration in reinvestment opportunities for CLO managers. As a reminder, in 2009 even though default rates peaked near 10%, the prepayment rate in the US loan market was close to 10% rising to nearly 20% in 2010.

This comment is not to suggest that the future is rosy but it might be far less dark than it appeared just a few months ago and less gloomy than current CLO pricing suggests.

As usual, June was a quiet month in terms of interest and cash flows received with only the equivalent of €0.6m received. On a six-month basis, we are still close to Volta's historical high with the equivalent of €21.5m received as at the end of June.

In June Volta invested €4.1m through one newly issued EUR BB CLO tranche and additional capital was called by the existing CMV.

As at the end of June 2020, Volta's NAV was €214.9m or €5.87 per share.

The month-end cash position was €4.3m. Considering the payment of the dividend in July and the necessity to maintain a working capital balance to cover potential margin calls from currency hedging positions and further capital calls from pre-existing investments, Volta was almost fully invested as of the end of June. With the cash flows due in July, Volta will have again some room for investments.

**It should be noted that approximately 11.4% 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 NAV on as timely a basis as possible 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 5.7% as at 31 May 2020, 5.7% as at 31 March 2020.*

*** "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 753 investment professionals and €801 billion in assets under management as of the end of April 2020.

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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.

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