

Volta Finance Ltd

Monthly Report – June 2020



Data as of 30 June 2020

Gross Asset Value	€216.8m
Liabilities	€1.9m
NAV	€214.9m
NAV per share	€5.87
Outstanding Shares	36.6m
Share Price (Euronext)	€4.55
Share Price (LSE)	€4.55
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	2.8 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

6.1% Annualised since inception¹ **-1.2%** Annualised over 5 years¹ **6.9%** 1 month²

€214.9m

NAV as of June 2020

9.2%

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%	-32.4%	5.7%	4.5%	6.9%							-21.6%
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)

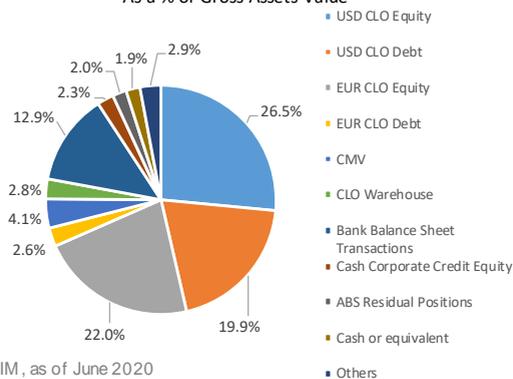
² Performance of published NAV (including dividend payments)

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 June 2020

Historical Performance



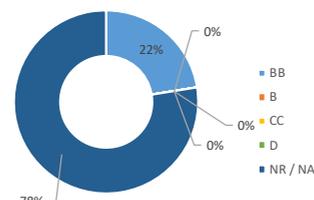
Source: Bloomberg, as of June 2020

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	0.45%	Retail
Upfield BV	0.42%	Food
Froneri International Ltd	0.50%	Food
GTT Communications Inc	0.36%	Telecommunications
Asurion LLC	0.37%	Insurance
Paysafe Group Ltd	0.27%	Internet
Verisure Holding AB	0.31%	Commercial Services
Virgin Media Secured Finance PLC	0.34%	Media

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

Portfolio Rating Breakdown



Source: AXA IM, as of June 2020

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Monthly Commentary

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 comprises 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.

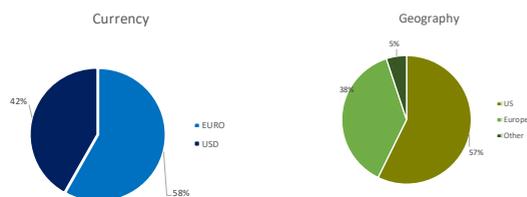
As at the end of June 2020, Volta's NAV was €214.9m or €5.87 per share.

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 March 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.*

Currency and Geography exposures (%)



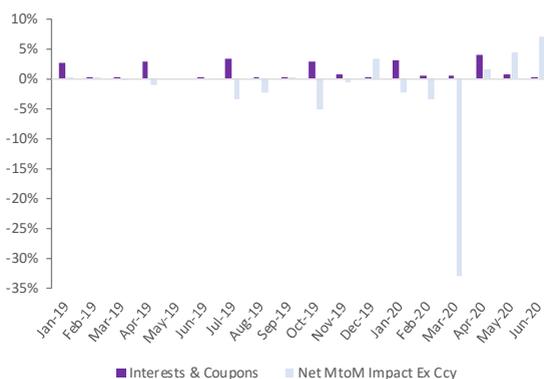
Source: AXA IM, as of June 2020 (%of NAV for ccy / %of GAV for geography)

Portfolio Composition by Asset Type

Market Value (€m)		Breakdown (% GAV)	
CLO	169.0	USD CLO Equity	26.5%
		USD CLO Debt	19.9%
		EUR CLO Equity	22.0%
		EUR CLO Debt	2.6%
		CMV	4.1%
		CLO Warehouse	2.8%
Synthetic Credit	28.0	Synthetic Corporate Credit Equity	0.0%
		Synthetic Corporate Credit Debt	0.0%
		Bank Balance Sheet Transactions	12.9%
Cash Corporate Credit	5.0	Cash Corporate Credit Equity	2.3%
		Cash Corporate Credit Debt	0.0%
ABS	10.6	ABS Residual Positions	2.0%
		ABS Debt	2.9%
Cash or equivalent	4.2	Cash or equivalent	1.9%
GAV	216.8		
Liability	-	Debt from Repurchase Agreement	0.0%
Fees due	(1.9)	Fees due to Investment Manager	(0.9)%
Estimated NAV	214.9	Per Share	5.87

Source: AXA IM, as of June 2020

Last Eighteen Months Performance Attribution



Source: AXA IM, as of June 2020

Volta Finance Ltd

Monthly Report – June 2020

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