

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

NOT FOR RELEASE, DISTRIBUTION OR PUBLICATION, IN WHOLE OR PART, IN OR INTO THE UNITED STATES

Guernsey, 15 July 2020

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

The following amendments have been made to the Net Asset Value as at 31 May 2020 announcement released on 10 June 2020 at 17:00:00hrs (BST), to subtract from the Net Asset Value the first interim dividend of €0.10 per share declared by the Company as the ex-dividend date was 21 May 2020.

Volta’s NAV as at the end of May 2020 has been adjusted from €204.6m to €200.9m and the NAV per share from €5.59 to €5.49.

The full amended text is shown below.

PERFORMANCE and PORTFOLIO ACTIVITY

May was the second month of good performance after April, helping further to recover the mark-to-market impact of the COVID-19 pandemic. Volta’s NAV* total return performance in May was +4.5%.

The monthly performances** were, in local currency: +1.9% for Bank Balance Sheet transactions, +5.7% for CLO Equity tranches; +5.8% for CLO Debt; -3.5% for Cash Corporate Credit deals (this bucket comprises of funds that have a one-month delay in publishing their NAV); and +0.8% for ABS.

At the end of the month, the average price for CLO Equity tranches was 42.6% and 38.3% respectively for USD and Euro positions, 63.2% for USD CLO debt (only one new Euro CLO debt position was purchased in the secondary market in May).

Even though almost all market participants revised downward the impact of the COVID 19 crisis in terms of the outlook for default for loans and high yield markets, prices for our holdings are still very depressed. We believe that there is more to come in terms of price appreciation. For example, the pricing of new CLO BB tranches tightened by almost 150bp between the last days of May and the time of writing this commentary.

Concerning defaults, at the end of May, the Last-12-Month default rate is close to 3.5% for US loans and slightly below 2% for European loans. Expectations for the end of 2020 are in the area of 5% for the U.S. and 3.5% for Europe (far lower than levels feared only a few weeks ago when some investors expected rates close to 10%).

In the same vein we are accumulating, day after day, evidence that the most active/solid CLO managers can re-arrange their books, sometimes being able to reduce the CCC bucket without any significant cost in terms of subordination (as measured by CLO Over Collateralization tests). Using May trustee reports as a reference, close to 20% of US CLOs were breaching their reinvestment test (the test that causes a partial diversion of the cash flow due to the equity tranche). None of the USD CLO Equity positions held in Volta were breaching such tests.

Volta resumed investing in May through the purchase of €3m nominal of a newly issued Euro BB CLO tranche. This tranche was purchased at 90% of par with a DM at 911bps. With a coupon formula at Euribor +725bps and when considering where the most recent Euro BB tranches have been priced, it is probably already trading close to par.



As at the end of May 2020, Volta's NAV was €200.9m or €5.49 per share. The Company will pay a 10 cents dividend per share to shareholders on 16th June.

The month-end cash position was €10.7m. Considering the payment of the dividend 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 is almost fully invested.

Regarding the medium to long term performance outlook, the most recent weeks have confirmed to us that we might have a pace of defaults that is almost compatible with the maintenance of full payments for Volta's CLO Equity position. It may be that some of our deals suffer from time to time some partial diversion of cash flows but, it is now expected to be the exception rather than the norm and highly attractive returns should be derived from the current portfolio in due course.

**It should be noted that approximately 11.8% 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 6.2% as at 30 April 2020, 5.6% 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.*

CONTACTS

For the Investment Manager

AXA Investment Managers Paris
Serge Demay
serge.demay@axa-im.com
+33 (0) 1 44 45 84 47

Company Secretary and Administrator

BNP Paribas Securities Services S.C.A, Guernsey Branch
guernsey.bp2s.volta.cosec@bnpparibas.com
+44 (0) 1481 750 853

Corporate Broker

Cenkos Securities plc
Andrew Worne
Daniel Balabanoff
Rob Naylor
+44 (0) 20 7397 8900

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.

ABOUT AXA INVESTMENT MANAGERS



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.

This press release is published by AXA Investment Managers Paris ("AXA IM"), in its capacity as alternative investment fund manager (within the meaning of Directive 2011/61/EU, the "AIFM Directive") of Volta Finance Limited (the "Volta Finance") whose portfolio is managed by AXA IM.

This press release is for information only and does not constitute an invitation or inducement to acquire shares in Volta Finance. Its circulation may be prohibited in certain jurisdictions and no recipient may circulate copies of this document in breach of such limitations or restrictions. This document is not an offer for sale of the securities referred to herein in the United States or to persons who are "U.S. persons" for purposes of Regulation S under the U.S. Securities Act of 1933, as amended (the "Securities Act"), or otherwise in circumstances where such offer would be restricted by applicable law. Such securities may not be sold in the United States absent registration or an exemption from registration from the Securities Act. Volta Finance does not intend to register any portion of the offer of such securities in the United States or to conduct a public offering of such securities in the United States.

This communication is only being distributed to and is only directed at (i) persons who are outside the United Kingdom or (ii) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "Order") or (iii) high net worth companies, and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as "relevant persons"). The securities referred to herein are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such securities will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this document or any of its contents. Past performance cannot be relied on as a guide to future performance.

This press release contains statements that are, or may be deemed to be, "forward-looking statements". These forward-looking statements can be identified by the use of forward-looking terminology, including the terms "believes", "anticipates", "expects", "intends", "is/are expected", "may", "will" or "should". They include the statements regarding the level of the dividend, the current market context and its impact on the long-term return of Volta Finance's investments. By their nature, forward-looking statements involve risks and uncertainties and readers are cautioned that any such forward-looking statements are not guarantees of future performance. Volta Finance's actual results, portfolio composition and performance may differ materially from the impression created by the forward-looking statements. AXA IM does not undertake any obligation to publicly update or revise forward-looking statements.

Any target information is based on certain assumptions as to future events which may not prove to be realised. Due to the uncertainty surrounding these future events, the targets are not intended to be and should not be regarded as profits or earnings or any other type of forecasts. There can be no assurance that any of these targets will be achieved. In addition, no assurance can be given that the investment objective will be achieved.

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.

Editor: AXA INVESTMENT MANAGERS PARIS, a company incorporated under the laws of France, having its registered office located at Tour Majunga, 6, Place de la Pyramide - 92800 Puteaux. AXA IMP is authorized by the *Autorité des Marchés Financiers* under registration number GP92008 as an alternative investment fund manager within the meaning of the AIFM Directive.
