

Volta Finance Ltd

Monthly Report – August 2020



Data as of 31 Aug 2020

| | |
|------------------------|-----------------------------|
| Gross Asset Value | €214.6m |
| Liabilities | €2.5m |
| NAV | €212.1m |
| NAV per share | €5.80 |
| Outstanding Shares | 36.6m |
| Share Price (Euronext) | €4.23 |
| Share Price (LSE) | €4.30 |
| 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 | 2.1 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

5.7%
Annualised since inception¹
-1.2%
Annualised over 5 years¹
1.9%
1 month²

€212.1m

NAV as of August 2020

12.5%

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% | -1.2% | 1.9% | | | | | -21.0% |
| 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)

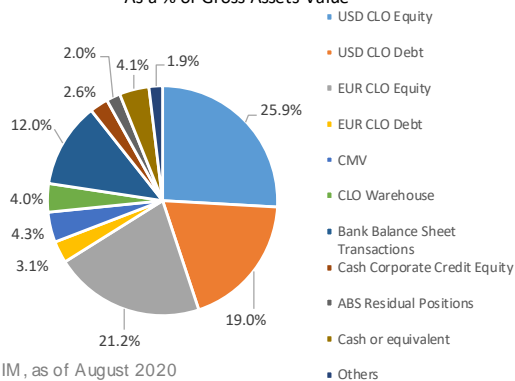
² Performance of published NAV (including dividend payments)

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 August 2020

Top 10 Underlying Exposures

| Issuer | % | Bloomberg Industry Group |
|----------------------------------|-------|--------------------------|
| Altice France SA/France | 0.59% | Telecommunications |
| Clarios Global LP | 0.45% | Auto Parts&Equipment |
| EG Group Ltd | 0.43% | Retail |
| Froneri International Ltd | 0.57% | Food |
| GTT Communications Inc | 0.36% | Telecommunications |
| Upfield BV | 0.45% | Food |
| Asurion LLC | 0.36% | Insurance |
| Virgin Media Secured Finance PLC | 0.35% | Media |
| Action Nederland BV | 0.27% | Retail |
| Paysafe Group Ltd | 0.27% | Internet |

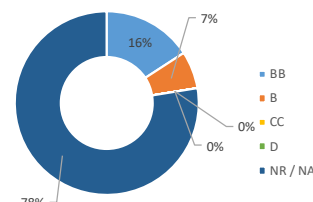
Source: Intex, Bloomberg, AXA IM Paris as of August 2020 – unaudited figures - not accounting for unsettled trades Figures expressed in % of the NAV

Historical Performance



Source: Bloomberg, as of August 2020

Portfolio Rating Breakdown



Source: AXA IM, as of August 2020

Volta Finance Ltd

Monthly Report – August 2020

Monthly Commentary

In August, the monthly performance of Volta is +1.9%. The performance may have been even higher but for USD weakness which had a negative impact close to -0.6%. The USD depreciated against EUR by 1.3% during the month while, after adjusting for hedging, Volta has a USD exposure of approximately 47%.

The monthly asset class performances** were in local currency: +0.3% for Bank Balance Sheet transactions, +3.5% for CLO Equity tranches; +2.9% for CLO Debt; +5.9% for Cash Corporate Credit deals (this bucket comprises funds that have a one-month delay in publishing their NAV); and +0.3% for ABS.

Now that all Q3 payments to our CLO equity positions have been made, we can confirm that all Volta's equity positions received their coupon payments with one minor exception – a very old position that breached its Interest Diversion test now that all the AAA and most of the AA tranches amortized.

For comparison, Wells Fargo reported*** that 24% of USD CLOs were suffering a breach of the Interest Diversion test at the end of July, leading to a diversion of cash flow from the equity position.

Equally encouraging, the August trustee reports show that for most of our positions, CLO managers were able to improve cushions on reinvestment tests and OC tests. We expect all our positions to receive their full payment in October (except for the very old one noted above). Payments in October are expected to be higher than in July as the technical reductions that led to lower cash flows in Q3 will partially reverse as there will be no further negative impact from interest rate declines and we will receive full payments on the European loans that elected in Q2 to switch to a 6-month Euribor basis.

In August, Volta received the equivalent of €1m in terms of Interest or Coupons from its assets. On a 6-month rolling basis, Volta received the equivalent of €17.0m as at the end of August. It is still representing a 16% annualised yield based on the end of August NAV.

Looking further into the future, our view is still that although default rates in both loan markets (US and Europe) are expected to increase, we expect them to increase slowly. In such a context, full payment of cash flows to our CLO Equity positions is expected to stay the norm. Although the COVID crisis had an economic impact that is roughly twice more severe than the consequences of the Sub-prime crisis and the GFC, the impact on CLO equity and CLO debt is expected to be much more reduced, thanks to a delay in default occurrences.

We observed, in August, a significant tightening in USD CLO senior tranche spreads (Europe was lagging). Our view is that it was the first sign of what we expect on a more long term basis: CLO senior tranches are gaining traction amongst investors and even if it is too early to figure out when it might happen, we are more and more confident that at some point in time we might have the opportunity to refinance or reset some of Volta positions to benefit from a better arbitrage in favor of our CLO equity positions. USD CLO AAA tranches were issued at Libor+130/135bps spread before the COVID crisis and we are now almost back to these levels.

Regarding the CLO warehouse held by Volta, we entered discussions with the arranging bank to transform this position into an actual CLO, targeting pricing by the end of September.

As at the end of August 2020, Volta's NAV was €212.1m or €5.80 per share.

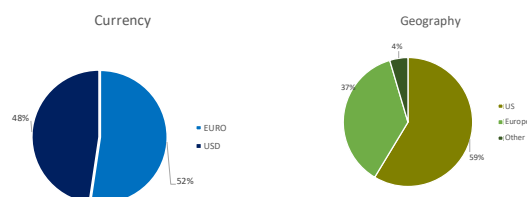
The month-end available cash position was €8.9m leaving some room for investments.

"It should be noted that approximately 10.6% 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 4.6% as at 31 July 2020 and 6.0% as at 30 June 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.*

**** "CLO: This Week Down in the OC" – Wells Fargo Research, August 2020*

Currency and Geography exposures (%)



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

Portfolio Composition by Asset Type

| Market Value (€m) | | Breakdown (% GAV) | |
|-----------------------|--------------|-----------------------------------|-------------|
| CLO | 166.1 | USD CLO Equity | 25.9% |
| | | USD CLO Debt | 19.0% |
| | | EUR CLO Equity | 21.2% |
| | | EUR CLO Debt | 3.1% |
| | | CMV | 4.3% |
| | | CLO Warehouse | 4.0% |
| Synthetic Credit | 25.7 | Synthetic Corporate Credit Equity | 0.0% |
| | | Synthetic Corporate Credit Debt | 0.0% |
| | | Bank Balance Sheet Transactions | 12.0% |
| Cash Corporate Credit | 5.5 | Cash Corporate Credit Equity | 2.6% |
| | | Cash Corporate Credit Debt | 0.0% |
| ABS | 8.3 | ABS Residual Positions | 2.0% |
| | | ABS Debt | 1.9% |
| Cash or equivalent | 8.9 | Cash or equivalent | 4.1% |
| GAV | 214.6 | | |
| Liability | - | Debt from Repurchase Agreement | 0.0% |
| Fees due | (2.5) | Fees due to Investment Manager | (1.2)% |
| Estimated NAV | 212.1 | Per Share | 5.80 |

Source: AXA IM, as of August 2020

Last Eighteen Months Performance Attribution



Source: AXA IM, as of August 2020

Volta Finance Ltd

Monthly Report – August 2020

Important Information

This monthly report 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 “Company”) whose portfolio is managed by AXA IM. This monthly report is intended only for the person to whom it has been delivered. By obtaining access to and reviewing this monthly report, you acknowledge and agree to be bound by the following: No part of this document may be reproduced in any manner without the prior written permission of AXA IM. This monthly report does not constitute or form part of any offer or invitation to sell or issue, or any solicitation of any offer to purchase or subscribe for, any shares or other securities of the Company whose portfolio is managed by AXA IM, or securities of any other entity (together, the “Securities”). The Securities described in this monthly report may not be eligible for sale in some states or countries and may not be suitable for all types of investors. Prospective investors are advised to seek expert legal, financial, tax and other professional advice before making any investment decision. Securities in the Company may not be offered or sold directly or indirectly into the United States or to U.S. Persons. Nor shall this monthly report or any part of it nor the fact of its distribution or publication (on the Company’s website or otherwise) form the basis of, or be relied on in connection with, any contract or investment decision in relation to the Securities. This monthly report does not constitute a recommendation to buy, sell or hold the Securities. The information contained herein is for information purposes only, does not purport to contain all the information that may be required to evaluate the Company or any other entity or their respective financial positions. This monthly report speaks only as of its date and neither AXA IM nor the Company is under any obligation to update the information contained herein. Certain information and estimates contained herein are originated by or derived from third parties and the accuracy and completeness of such information and estimates has not been verified. It should also be noted that the financial information contained herein has not been audited. No representation or warranty whatsoever, whether express or implied, is given by or on behalf of AXA IM, the Company, their affiliates, or their respective directors, officers or employees or any other person as to (a) the accuracy or completeness of the information or (b) the opinions contained in this monthly report. None of AXA IM, the Company, any of their affiliates, or their respective directors, officers or employees or any other person accepts any liability whatsoever for any such information or opinions. Nothing contained herein shall be relied upon as a promise or representation whether as to past or future performance of the Company, any other entity, any Securities or any asset class in the Company’s portfolio. 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 the Company, 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. No statement in this monthly report is intended to be nor may be construed as a profit forecast and there can be no assurance that the assumptions described herein, the returns and targets (including without limitation target portfolio composition) indicated herein will be achieved. The views and opinions expressed herein include forward-looking statements which may or may not be accurate. Forward-looking statements can be identified by words like “believe”, “expect”, “anticipate”, or similar expressions. You should not place undue reliance on forward-looking statements, which are current as of the date of this report. AXA IM disclaims any obligation to update or alter any forward-looking statements, whether as a result of new information, future events or otherwise. 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 Company 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. They follow the valuation policy of the Company as adapted from time to time in the best interests of the shareholders, taking into account the conditions of financial markets at that time. Volta qualifies as an alternative investment fund within the meaning of the AIFM Directive and is notified as such under the license held by AXA IM with the Autorité des Marchés Financiers (the “AMF”) in France.

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 92908 Paris – La Défense cedex – France, registered with the Nanterre Trade and Companies Register under number 353 534 506, a Portfolio Management Company, holder of AMF Approval no. GP 92-08, issued on 7 April 1992.

Contact:

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