

# 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 <sup>4</sup>	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 inception<sup>1</sup>      **-1.2%** Annualised over 5 years<sup>1</sup>      **1.9%** 1 month<sup>2</sup>

**€212.1m**

NAV as of August 2020

**12.5%**

Trailing 12-month Div. Yield<sup>3</sup>

Returns <sup>2</sup>	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%					<b>-21.0%</b>
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%	<b>6.7%</b>
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%	<b>0.1%</b>
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%	<b>6.6%</b>
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%	<b>15.2%</b>
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%	<b>10.0%</b>

<sup>1</sup> Share (VTA.NA) performance (annualised figures with dividends re-invested). Source: Bbg (TRA function)

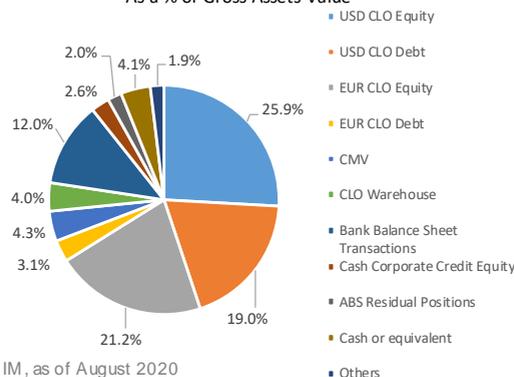
<sup>2</sup> Performance of published NAV (including dividend payments)

<sup>3</sup> Calculated as the most recent annual dividend payments versus the month-end share price (VTA.NA)

<sup>4</sup> 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

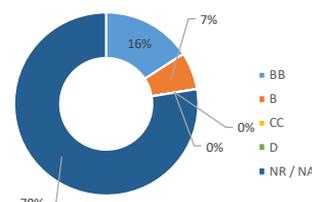
Source: Intex, Bloomberg, AXA IM Paris as of August 2020 – unaudited figures - not accounting for unsettled trades Figures expressed in % of the NAV

### Historical Performance



Source: Bloomberg, as of August 2020

### Portfolio Rating Breakdown



Source: AXA IM, as of August 2020

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### 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.

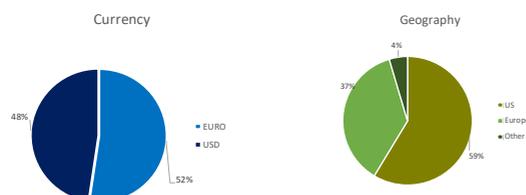
The month-end available cash position was €8.9m leaving some room for investments.

*"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%
<b>GAV</b>	<b>214.6</b>		
Liability	-	Debt from Repurchase Agreement	0.0%
Fees due	(2.5)	Fees due to Investment Manager	(1.2)%
<b>Estimated NAV</b>	<b>212.1</b>	<b>Per Share</b>	<b>5.80</b>

Source: AXA IM, as of August 2020

### Last Eighteen Months Performance Attribution



Source: AXA IM, as of August 2020

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