

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

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Guernsey, 9 December 2020

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

PERFORMANCE and PORTFOLIO ACTIVITY

In November, the monthly performance of Volta was +7.2%, a solid performance following the announcements regarding the availability of vaccines against the COVID-19 pandemic. The performance was mainly driven by the CLO debt and equity buckets.

The monthly asset class performances** were in local currency: -1.1% for Bank Balance Sheet transactions, +11.0% for CLO equity tranches; +10.2% for CLO Debt; -2.8% for Cash Corporate Credit deals (this bucket comprises funds that have a one-month delay in publishing their NAV); and +0.2% for ABS.

Regarding Volta’s CLO equity positions, our conviction, pre-announcement of the vaccines, was that Volta could suffer limited diversion of cash flows for these positions. Considering that vaccination should allow faster economic recovery, it should reduce further the occurrence of loan defaults. Hence, the probability that Volta’s CLO equity suffers some diversion of cash flows is expected to have further decreased. Our view is now that there shouldn’t be an issue for Q1 2021. Going forward, cash diversion depends on the timing of default occurrences and loan upgrades/downgrades, but we are optimistic.

During recent months we have already observed more upgrades than downgrades (according to Moody’s at least) in the US loan market. S&P reports were more balanced. Our view is still that, after such a massive and systematic wave of downgrades, we might see, in 2021, more upgrades than downgrades in the US loan market. With vaccines available early next year, this may also be the case in Europe (economically speaking we consider the availability of vaccines is more important for Europe than for the US as Europe took stronger measures to contain the pandemic).

November is, as always, a relatively quiet month for interest and coupons. Volta received in November 2020 the equivalent of €2.5m. On a 6-month rolling basis, Volta received the equivalent of €18.0m as at the end of November, representing a 15.1% annualised yield, based on the end November NAV (even taking into account the strong increase in NAV).

For next year, thanks to expected loan price increases and CLO spreads decreases, we might see some good opportunities to call some of our oldest positions (we have two CLO equity positions that would need to be called as most of the leverage has already disappeared due to earlier loan amortizations) and to refinance or even reset the more recent positions. Any opportunity to improve the situation of our CLO Equity positions will be exploited.

As at the end of November 2020, Volta’s NAV was €238.1m or €6.51 per share.

The month-end available cash position was €11.8m.

**It should be noted that approximately 10.2% 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 9.0% as at 31 October 2020 and 1.2% as at 30 September 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.

ABOUT AXA INVESTMENT MANAGERS

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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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