

Volta Finance Ltd

Monthly Report – December 2020



Data as of 31 Dec 2020

Gross Asset Value	€252.5m
Liabilities	€8.5m
NAV	€244.0m
NAV per share	€6.67
Outstanding Shares	36.6m
Share Price (Euronext)	€5.40
Share Price (LSE)	€5.10
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	2.5 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

7.8%	5.9%	4.3%
Annualised since inception ¹	Annualised over 5 years ¹	1 month ²

€244.0m

NAV as of December 2020

8.1%

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%	4.8%	1.6%	7.2%	4.3%	-5.7%
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%	6.8%
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%	0.0%
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%	6.7%
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%	16.0%
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%

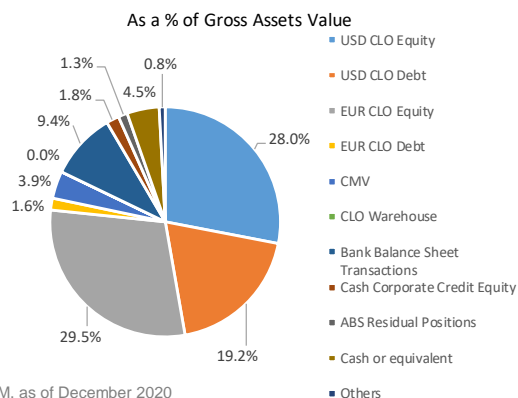
¹ Share (VTA.NA) performance (annualised figures with dividends re-invested). Source: Bbg (TRA function)

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



Source: AXA IM, as of December 2020

Historical Performance



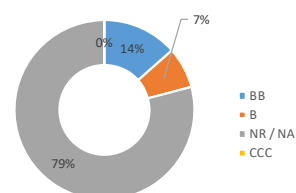
Source: Bloomberg, as of December 2020

Top 10 Underlying Exposures

Issuer	%	Bloomberg Industry Group
Altice France SA/France	0.69%	Telecommunications
Clarios Global LP	0.48%	Auto Parts&Equipment
EG Group Ltd	0.42%	Retail
GTT Communications Inc	0.41%	Telecommunications
Froneri International Ltd	0.43%	Food
Upfield BV	0.39%	Food
Virgin Media Secured Finance PLC	0.43%	Media
Action Nederland BV	0.31%	Retail
Paysafe Group Ltd	0.26%	Internet
Ziggo Bond Co BV	0.29%	Media

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

Portfolio Rating Breakdown



Source: AXA IM, as of December 2020

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Monthly Commentary

In December, the monthly performance of Volta was +4.3% dividend payable included, another strong performance following the announcements regarding the availability of vaccines against the COVID-19 pandemic. The performance was mainly driven once again by the CLO debt and equity buckets. This brings the performance for the full year to -5.7%. Whilst it is, of course, disappointing to have generated a negative return for the year as a whole, the recovery from the lows at the end of March has been very strong, with a gain of 41.8% in the last 9-month period. As noted below, we anticipate a solid performance in 2021.

The monthly asset class performances** were in euro: -0.2% for Bank Balance Sheet transactions, +9.7% for CLO equity tranches; +5.9% for CLO Debt; +0.5% for Cash Corporate Credit deals (this bucket comprises funds that have a one-month delay in publishing their NAV); and -0.9% for ABS.

The continuing strong performance of CLO equity positions reinforces our conviction that we may be able to refinance or even reset some of our CLO equity positions in 2021. This would reduce the average cost of debt that constitutes the embedded leverage for our CLO equity positions. As the WAS (Weighted Average Spread) of the underlying loan pools is still increasing and might continue to increase in the coming quarters thanks to repayments of existing loans, we can reasonably expect that cash flows from our CLO equity positions will increase through 2021.

In 2020, despite the COVID-19 pandemic, almost 19% of the US loans prepaid, reducing occurrences of default and allowing CLO managers to reinvest in loans at discount or in new loans with higher spreads. We expect loan prepayments to be higher still in 2021, near 25% for the US and 20% in Europe. This will further improve the performance of our CLO equity positions.

Turning to default rates, December marked the second successive month in which the trailing 12-month default rate declined in the US. Our view continues to be that the COVID pandemic will continue to generate defaults in both the US and the European loan markets, probably for a few years, but at a manageable pace.

As in prior years, January should be a solid month for CLO equity cash flows to Volta.

In December 2020 interest and coupons received totaled the equivalent of €0.7m for Volta. On a 6-month rolling basis, Volta received the equivalent of €18.1m as at the end of December, representing a 14.8% annualised cash flow yield, based on the end December NAV (even taking into account the strong increase in NAV). We expect this amount to increase in the coming months.

This combination of advantageous factors for our CLO Equity positions, which account for a total of 61% of the NAV, alongside the likelihood of further spread compression in CLO Debt and other positions means that the outlook for 2021 and beyond is favorable for Volta. There will, no doubt, be ongoing bouts of volatility in markets but we are optimistic that the NAV should reach €7.00 per share at some point in 2021 and then to €7.50 per share in the medium term which, combined with a dividend close to 8% of NAV represents an attractive return stream especially when considering the discount to the NAV at which the shares are currently trading.

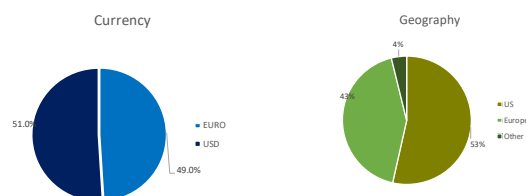
As at the end of December 2020, Volta's NAV was €244.0m or €6.67 per share after the payment of €0.12 dividend in December.

The month-end available cash position was €7.0m.

**It should be noted that approximately 8.0% 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 3.0% as at 30 November 2020, 3.9% as at 31 October 2020, and 1.1% 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.*

Currency and Geography exposures (%)



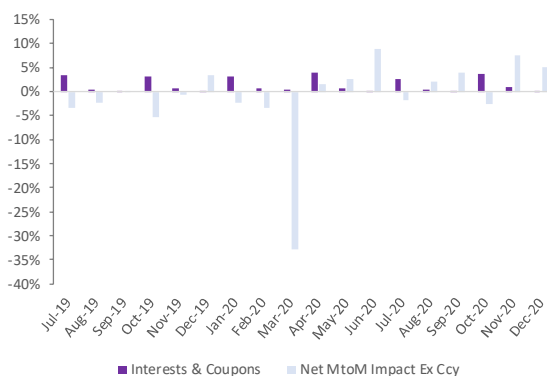
Source: AXA IM, as of December 2020 (% of NAV for ccy / % of GAV for geography)

Portfolio Composition by Asset Type

Market Value (€m)		Breakdown (% GAV)	
CLO	207.5	USD CLO Equity	28.0%
		USD CLO Debt	19.2%
		EUR CLO Equity	29.5%
		EUR CLO Debt	1.6%
		CMV	3.9%
		CLO Warehouse	0.0%
Synthetic Credit	23.7	Synthetic Corporate Credit Equity	0.0%
		Synthetic Corporate Credit Debt	0.0%
		Bank Balance Sheet Transactions	9.4%
Cash Corporate Credit	4.5	Cash Corporate Credit Equity	1.8%
		Cash Corporate Credit Debt	0.0%
ABS	5.4	ABS Residual Positions	1.3%
		ABS Debt	0.8%
Cash or equivalent	11.4	Cash or equivalent	4.5%
GAV	252.5		
Liability	-	Debt from Repurchase Agreement	0.0%
Fees due	(8.5)	Fees due to Investment Manager	(3.4)%
Estimated NAV	244.0	Per Share	6.67

Source: AXA IM, as of December 2020

Last Eighteen Months Performance Attribution



Source: AXA IM, as of December 2020

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