Volta Finance Limited (VTA / VTAS) – January 2021 monthly report

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Guernsey, 9 February 2021

AXA IM has published the Volta Finance Limited (the “Company” or “Volta Finance” or “Volta”) monthly report for January. 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 line with the second half of 2020, 2021 is starting well for Volta with a January performance at +3.9%. Although most equity markets were hesitating between the positive but limited progress in terms of vaccination and the resurgence of the Covid-19 pandemic with its new variants, CLO markets were continuing to perform well based on more optimistic market views.

For example, in December, Moody’s upgraded 38 US CLO debt tranches and put on watch for potential upgrade 188 more. Fitch announced in January that it may consider positive revisions in the coming weeks or months following an overall review of the consequences of the Covid-19 crisis. Around year-end, new forecasts for default rates for the US and European loan markets were published and they were again revised downward. Although we are conscious that this default cycle is far from over (we still expect defaults in relation to the pandemic to spread at least to the end of 2022), default rates can be expected to be in the area of 3 to 4% per year. This level is clearly manageable for CLO managers. In the US, for the third consecutive month, we saw a decrease of the trailing 12-month default rate measure to 3.4% (2.1% in Europe).

As a consequence, Volta’s January performance was driven by its CLO buckets. The monthly asset class performances** were in euro: +-1.2% for Bank Balance Sheet transactions, +5.9% for CLO equity tranches; +4.1% for CLO Debt; +0.7% for Cash Corporate Credit deals (this bucket comprises funds that have a one-month delay in publishing their NAV); and +0.8% for ABS.

For months we have been highlighting that one consequence of the spread compression on CLO debt is to open the door for CLO refinancing and reset to reduce the average cost of debt that constitutes the embedded leverage for CLO equity positions. As of the end of January 2021, the total cost of debt for CLOs is at its lowest level for the last 2 years and, for Volta, we have started the process of refinancing or resetting some CLOs where we control the equity tranche. Combining US and European CLO markets, January 2021 was the most active January month in recent memory for CLO Refi and Reset activity and we expect the full year to remain very active.

In terms of cash flows, January was a solid month for Volta. Interest and coupons received totaled the equivalent of €7.6m. On a 6-month rolling basis, Volta received the equivalent of €20.4m to the end of January, representing a 16.1% annualised cash flow yield, based on the end January NAV (even taking into account the increase in NAV). We expect this income to increase in the coming months.

In January we purchased two recently issued European CLO equity positions in the secondary market for a total of €6.8m. On average and under standard assumptions, the projected yield of these purchases was close to 10.5 (not including potential upside in the case of Refi/Reset).

This combination of advantageous factors for our CLO Equity positions, which account now for a total of 65% 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. This, combined with an estimate dividend close to 8% of NAV represents an attractive return stream especially when considering the discount to the NAV at which the shares are still trading.

As at the end of January 2021, Volta's NAV was €253.5m or €6.93 per share.

The month-end available cash position was €10.3m.

**It should be noted that approximately 3.0% 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 1.9% as at 31 December 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.*

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

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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.

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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.

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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.

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