

# Volta Finance Ltd

## Monthly Report – January 2021



### Data as of 31 Jan 2021

Gross Asset Value	€260.2m
Liabilities	€6.8m
NAV	€253.5m
NAV per share	€6.93
Outstanding Shares	36.6m
Share Price (Euronext)	€5.64
Share Price (LSE)	€5.80
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>	2.4 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

<b>8.1%</b>	<b>8.0%</b>	<b>3.9%</b>
Annualised since inception <sup>1</sup>	Annualised over 5 years <sup>1</sup>	1 month <sup>2</sup>

<b>€253.5m</b>	<b>7.8%</b>
NAV as of January 2021	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
2021	3.9%												3.9%
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%

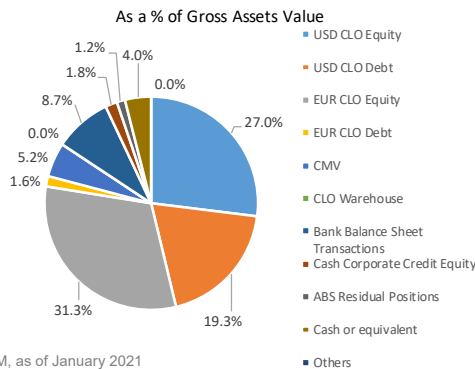
<sup>1</sup> Share (VTA.NA) performance (annualised figures with dividends re-invested). Source: Bbg (TRA function)

<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



Source: AXA IM, as of January 2021

### Top 10 Underlying Exposures

Issuer	%	Bloomberg Industry Group
Altice France SA/France	0.74%	Telecommunications
EG Group Ltd	0.55%	Retail
Froneri International Ltd	0.57%	Food
Clarios Global LP	0.48%	Auto Parts&Equipment
Upfield BV	0.47%	Food
GTT Communications Inc	0.41%	Telecommunications
Action Nederland BV	0.38%	Retail
Virgin Media Secured Finance PLC	0.45%	Media
Ziggo Bond Co BV	0.32%	Media
Lumen Technologies Inc	0.35%	Telecommunications

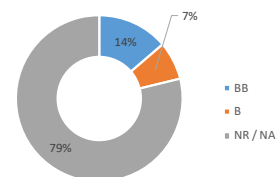
Source: Intex, Bloomberg, AXA IM Paris as of January 2021 – unaudited figures - not accounting for unsettled trades Figures expressed in % of the NAV

### Historical Performance



Source: Bloomberg, as of January 2021

### Portfolio Rating Breakdown



Source: AXA IM, as of January 2021

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### Monthly Commentary

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).

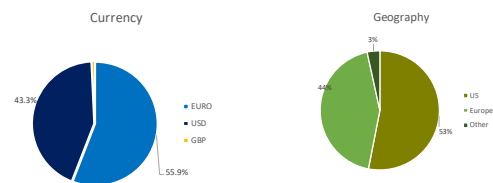
This combination of advantageous factors for our CLO Equity positions, which account now for a total of 65% of the NAV, alongside the likelihood of further spread compression in CLO Debt and other positions means that the outlook for 2021 and beyond is favorable for Volta. There will, no doubt, be ongoing 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.*



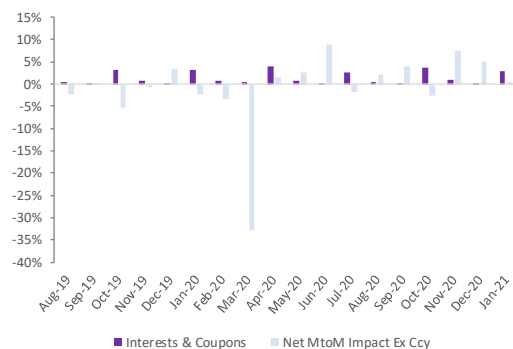
Source: AXA IM, as of January 2021 (% of NAV for ccy / % of GAV for geography)

### Portfolio Composition by Asset Type

Market Value (€m)		Breakdown (% GAV)	
CLO	219.4	USD CLO Equity	27.0%
		USD CLO Debt	19.3%
		EUR CLO Equity	31.3%
		EUR CLO Debt	1.6%
		CMV	5.2%
		CLO Warehouse	0.0%
Synthetic Credit	22.7	Synthetic Corporate Credit Equity	0.0%
		Synthetic Corporate Credit Debt	0.0%
		Bank Balance Sheet Transactions	8.7%
Cash Corporate Credit	4.6	Cash Corporate Credit Equity	1.8%
		Cash Corporate Credit Debt	0.0%
ABS	3.3	ABS Residual Positions	1.2%
		ABS Debt	0.0%
Cash or equivalent	10.3	Cash or equivalent	4.0%
<b>GAV</b>	<b>260.2</b>		
Liability	-	Debt from Repurchase Agreement	0.0%
Fees due	(6.8)	Fees due to Investment Manager	(2.6)%
<b>Estimated NAV</b>	<b>253.5</b>	<b>Per Share</b>	<b>6.93</b>

Source: AXA IM, as of January 2021

### Last Eighteen Months Performance Attribution



Source: AXA IM, as of January 2021

## Volta Finance Ltd Monthly Report – January 2021

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