

Volta Finance Ltd

Monthly Report – February 2021



Data as of 28 Feb 2021

Gross Asset Value	€263.8m
Liabilities	€7.7m
NAV	€256.1m
NAV per share	€7.00
Outstanding Shares	36.6m
Share Price (Euronext)	€6.04
Share Price (LSE)	€6.05
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	2.3 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

8.5%	10.2%	1.0%
Annualised since inception ¹	Annualised over 5 years ¹	1 month ²

	€256.1m	7.3%											
	NAV as of February 2021	Trailing 12-month Div. Yield ³											
Returns ²	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2021	3.9%	1.0%											4.9%
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%

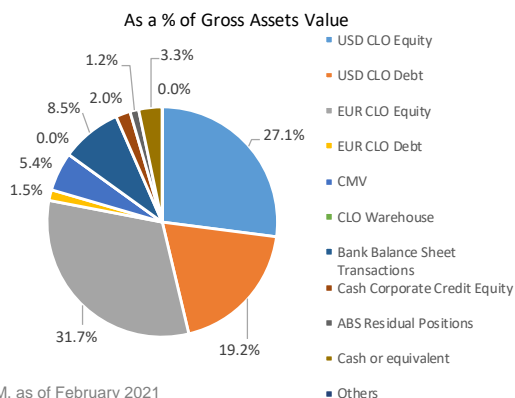
¹ Share (VTA.NA) performance (annualised figures with dividends re-invested). Source: Bbg (TRA function)

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)

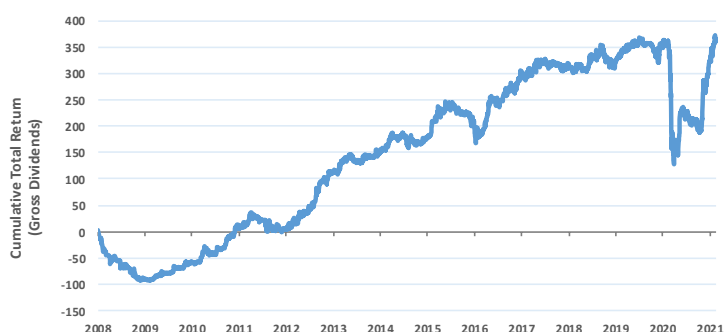
⁴ Calculated as total income divided by the most recent annual dividend payments

Asset Breakdown



Source: AXA IM, as of February 2021

Historical Performance



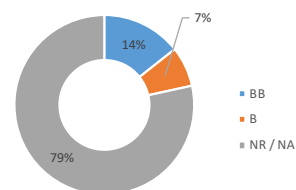
Source: Bloomberg, as of February 2021

Top 10 Underlying Exposures

Issuer	%	Bloomberg Industry Group
Altice France SA/France	0.77%	Telecommunications
EG Group Ltd	0.55%	Retail
Froneri International Ltd	0.52%	Food
Clarios Global LP	0.47%	Auto Parts&Equipment
Upfield BV	0.44%	Food
Action Nederland BV	0.37%	Retail
GTT Communications Inc	0.38%	Telecommunications
Asurion LLC	0.39%	Insurance
Virgin Media Secured Finance PLC	0.41%	Media
Biogroup-LCD SCM	0.34%	Commercial Services

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

Portfolio Rating Breakdown



Source: AXA IM, as of February 2021

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Monthly Commentary

Volta has continued to perform well with +1.0% in February, following +3.9% in January. This is despite headwinds in equity and public credit markets which were hesitating in front of growing uncertainty regarding the appropriate level for mid to long-term yields. As Volta is predominantly invested in floating rate instruments, the negative impact of rising long-term rates was largely avoided.

The monthly asset class performances** were: -0.7% for Bank Balance Sheet transactions, +1.5% for CLO equity tranches; +0.6% for CLO debt; +16.7% for Cash Corporate Credit deals (this bucket comprises funds that have a one-month delay in publishing their NAV); and 0.0% for ABS. The strong performance of the Cash Corporate Credit bucket reflects a sharp upwards revision to the valuation of illiquid and credit-sensitive positions in one US loan fund in which Volta has been invested since 2006. The main driver for this outperformance is the sharp monetary and fiscal stimuli currently in place in the US. However, the impact was not material for Volta as this bucket represents only 2% of Volta's NAV.

In terms of fundamentals, in February, trailing-12-month defaults rates declined in loan markets (for the 4th consecutive month). As at the end of February default rates were 3.2% and 2.1% respectively for US and European loans, way below the 13% and 10% rates that were originally forecasted by rating agencies for Q1 2021 when trying to measure the consequences of the Covid-19 crisis back in Q2 2020. Defaults are expected to continue materializing in loan markets through 2021 and 2022 but at a pace (probably between 2 and 4%) that is manageable for CLOs and should not trigger any cash flow diversions from the CLO equity positions held by the company.

A major theme for Volta in 2021, will be the refinancing (where only the most senior debt tranches are called to be re-issued at lower spread) or reset (where all the debt tranches are called and re-issued and the deal is extended) of several CLO positions. When looking across all our CLO Equity positions (circa 65% of the assets including the CMV), roughly two-thirds of the related CLOs are good candidates for refi/reset. The resultant gain to the equity tranche and thus Volta could be substantial. We estimate that these operations may lead to extra capital payments that may represent 1.5 to 2% of Volta's NAV per annum and the projected return of Volta's overall portfolio may increase accordingly by 1 to 1.5% per annum. We are already working on one refi and one reset and we anticipate more to come along during the year.

In terms of cash flows, February is structurally a weak month for Volta. Interest and coupons received totaled the equivalent of €1.3m. On a 6-month rolling basis, Volta received the equivalent of €20.6m at the end of February (an increase of €0.2m since the end of January), representing a 16.1% annualised cash flow yield, based on the end February NAV. We expect overall cash flows to continue to increase in the coming months/quarters.

In February we purchased one US CLO equity position in the secondary market for a total of €1.9m. On average and under standard assumptions, the projected yield for this purchase was close to 14% (not including potential upside in 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 means that the outlook for 2021 and beyond is favorable for Volta. We are still optimistic that the NAV can reach €7.50 per share in the medium term. This, combined with an estimated dividend close to 8% of NAV represents an attractive return stream, especially when considering the discount to NAV at which the shares are still trading.

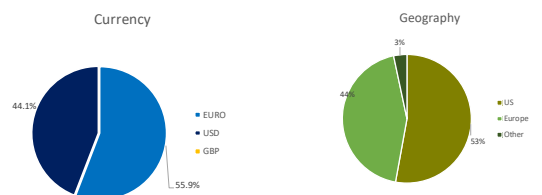
As at the end of February 2021, Volta's NAV was €256.1m or €7.00 per share.

The month-end cash position was €8.6m.

"It should be noted that approximately 10.3% 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 notes. The most recently available fund NAV or quoted price was for 9.1% as at 31 January 2021, 0.1% 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.*

Currency and Geography exposures (%)



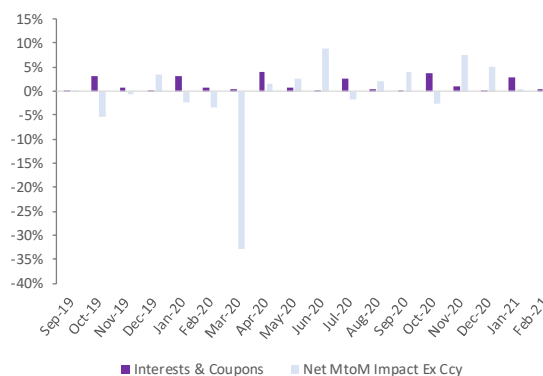
Source: AXA IM, as of February 2021 (% of NAV for ccy / % of GAV for geography)

Portfolio Composition by Asset Type

Market Value (€m)		Breakdown (% GAV)	
CLO	224.1	USD CLO Equity	27.1%
		USD CLO Debt	19.2%
		EUR CLO Equity	31.7%
		EUR CLO Debt	1.5%
		CMV	5.4%
		CLO Warehouse	0.0%
Synthetic Credit	22.4	Synthetic Corporate Credit Equity	0.0%
		Synthetic Corporate Credit Debt	0.0%
		Bank Balance Sheet Transactions	8.5%
Cash Corporate Credit	5.3	Cash Corporate Credit Equity	2.0%
		Cash Corporate Credit Debt	0.0%
ABS	3.3	ABS Residual Positions	1.2%
		ABS Debt	0.0%
Cash or equivalent	8.6	Cash or equivalent	3.3%
GAV	263.8		
Liability	(0.0)	Debt from Repurchase Agreement	0.0%
Fees due	(7.7)	Fees due to Investment Manager	(2.9)%
Estimated NAV	256.1	Per Share	7.00

Source: AXA IM, as of February 2021

Last Eighteen Months Performance Attribution



Source: AXA IM, as of February 2021

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Contact:

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