

# Volta Finance Ltd

## Monthly Report – October 2021



### Data as of 31 Oct 2021

Gross Asset Value	€281.1m
Liabilities	€13.1m
NAV	€268.0m
NAV per share	€7.33
Outstanding Shares	36.6m
Share Price (Euronext)	€6.28
Share Price (LSE)*	€6.20
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>8.9%</b>	<b>6.7%</b>	<b>1.2%</b>
Annualised since inception <sup>1</sup>	Annualised over 5 years <sup>1</sup>	1 month <sup>2</sup>
<b>€268.0m</b>		<b>8.6%</b>
NAV as of October 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%	1.0%	1.1%	2.1%	0.4%	2.2%	1.9%	-0.5%	1.9%	1.2%			<b>16.4%</b>
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%	<b>-5.7%</b>
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%	<b>6.8%</b>
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%	<b>0.0%</b>
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%	<b>6.7%</b>
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%	<b>16.0%</b>

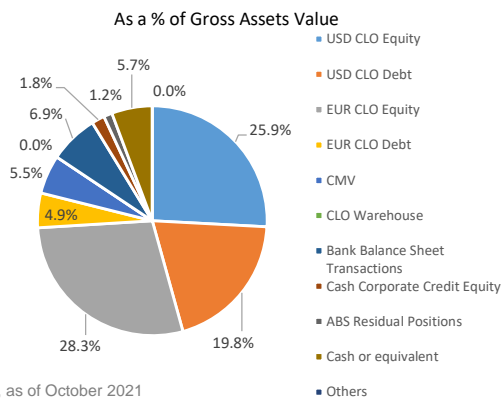
<sup>1</sup> Share (VTA.NA) performance (annualised figures with dividends re-invested). Source: Bbg (TRA function)

<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



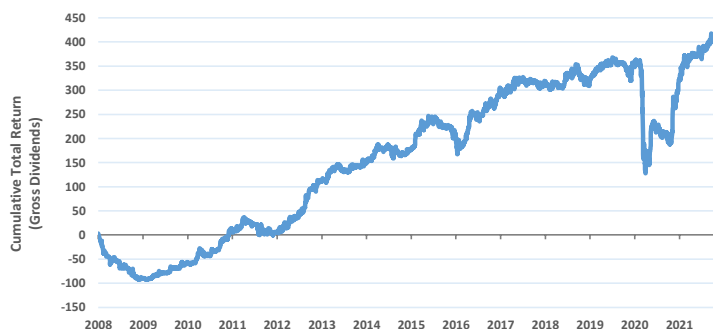
Source: AXA IM, as of October 2021

### Top 10 Underlying Exposures

Issuer	%	Bloomberg Industry Group
Altice France SA/France	0.79%	Telecommunications
EG Group Ltd	0.60%	Retail
Virgin Media Secured Finance PLC	0.55%	Media
Clarius Global LP	0.45%	Auto Parts&Equipment
Froneri International Ltd	0.49%	Food
Asurion LLC	0.48%	Insurance
Upfield BV	0.38%	Food
GTT Communications Inc	0.35%	Telecommunications
BMC Software Inc	0.39%	Software
Action Nederland BV	0.33%	Retail

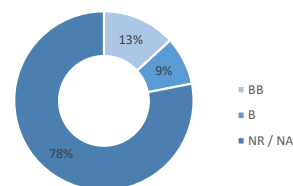
Source: Intex, Bloomberg, AXA IM Paris as of October 2021 – unaudited figures - not accounting for unsettled trades Figures expressed in % of the NAV

### Historical Performance



Source: Bloomberg, as of October 2021

### Portfolio Rating Breakdown



Source: AXA IM, as of October 2021

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### Monthly Commentary

October's performance was positive at 1.2%. The year-to-date total return of the Company is 16.4%.

This good performance was mainly driven by the high volume of cash flows we received from our assets in October. Turning to the details, the monthly asset class performances\*\* were: +0.6% for Bank Balance Sheet transactions, +1.8% for CLO equity tranches; +1.0% for CLO debt; -0.2% for Cash Corporate Credit and ABS (together representing 3.0% of NAV).

As usual, October is a relatively high-volume month in terms of interest and coupons with the equivalent of €8.5m being received. On a 6-month rolling basis to the end of October, Volta received the equivalent of €26.4m. This was a new high for Volta, representing a 19.7% annualised cash flow yield, based on the end of the month NAV.

With ongoing cash flows continuing at a pace close to or higher than 20% (annualised), Volta's strategy is providing a performance that is very different from other double-digit performing assets like common equities. Our performance is mainly dependent on the current and ongoing cashflows rather than a multiple-like PE ratio that may be affected by an upward revision in the level of yields.

Regarding Volta's current main exposure, our performance is firstly dependent on default rates in loan markets. In this respect, we were expecting some improvement after the stress of the Covid Crisis. It is fair to say that the decline in the rates was faster than expected. At the end of October, the 12-month default rate was at 0.2% for US loans and 0.8% for European loans. Companies can more easily refinance their debt and M&A activity is frequently providing an exit strategy to some of the stocks that suffered the most from the Covid crisis. Whatever the exit strategy being pursued so far, many loans found a way to refinance and the maturity wall is being extended towards 2027-2028, reducing significantly the probability of default for the coming few years. The conclusion of this is that we are very constructive at least for 2022 and 2023. At some point, we expect to see the default rate slightly higher but considering the pace at which loans are refinancing, it is difficult to imagine default rates being significantly above 1.5% in the next two years. We are back to a classic post-crisis situation: billions that have been made available in the economic/financial systems are providing prolonged support to the type of assets we are investing in.

In October, Volta crystallized an opportunity that we locked in several months ago. We led the pricing of a European CLO in Q3 2020 and obtained the right to require the issuance of a B tranche on this deal at 95% of par. This tranche has been issued and purchased by Volta in October while we are almost certain this CLO will be reset (and the B tranche being called at par) in December with a settlement in January 2022, the next payment date for this CLO. In addition, we purchased two BB tranches in CLO, one European equity tranche, and are still working on opening a new US CLO warehouse to benefit from the large supply in the US loan market (which is preventing loan spread tightening).

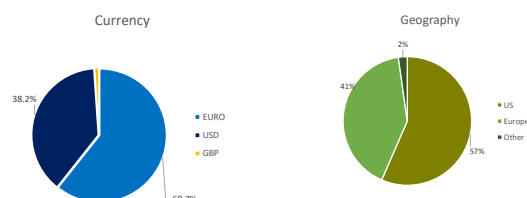
As at the end of October Volta held about €3m of cash available for re-investment.

As at the end of October 2021, Volta's NAV was €268.0m or €7.33 per share.

*\*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 notes. The most recently available fund NAV or quoted price was 1.7% as at 30 September 2021, 5.5% as at 31 July 2021, and 0.8% as at 30 June 2021.*

*\*\* "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 (%)



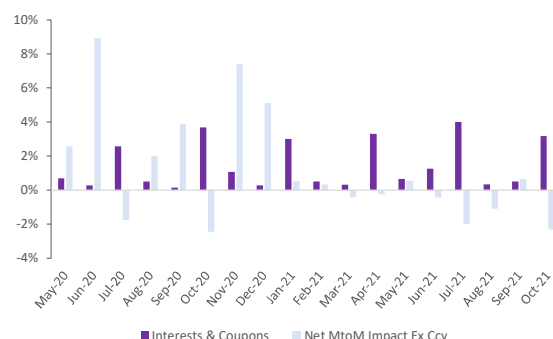
Source: AXA IM, as of October 2021 (% of NAV for ccy / % of GAV for geography)

### Portfolio Composition by Asset Type

Market Value (€m)		Breakdown (% GAV)	
CLO	237.1	USD CLO Equity	25.9%
		USD CLO Debt	19.8%
		EUR CLO Equity	28.3%
		EUR CLO Debt	4.9%
		CMV	5.5%
		CLO Warehouse	0.0%
Synthetic Credit	19.4	Synthetic Corporate Credit Equity	0.0%
		Synthetic Corporate Credit Debt	0.0%
		Bank Balance Sheet Transactions	6.9%
Cash Corporate Credit	5.1	Cash Corporate Credit Equity	1.8%
		Cash Corporate Credit Debt	0.0%
ABS	3.4	ABS Residual Positions	1.2%
		ABS Debt	0.0%
Cash or equivalent	16.0	Cash or equivalent	5.7%
<b>GAV</b>	<b>281.1</b>		
Liability	-	Debt from Repurchase Agreement	0.0%
Fees due	(13.1)	Fees due to Investment Manager	(4.7)%
<b>Estimated NAV</b>	<b>268.0</b>	<b>Per Share</b>	<b>7.33</b>

Source: AXA IM, as of October 2021

### Last Eighteen Months Performance Attribution



Source: AXA IM, as of October 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](mailto:guernsey.bp2s.volta.cosec@bnpparibas.com)  
+44 (0) 1481 750 853