

Volta Finance Limited (VTA / VTAS) – February 2022 monthly report

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Guernsey, 11 March 2022

AXA IM has published the Volta Finance Limited (the “Company” or “Volta Finance” or “Volta”) monthly report for February. The full report is attached to this release and will be available on Volta’s website shortly (www.voltafinance.com).

PERFORMANCE and PORTFOLIO ACTIVITY

At the end of February, the consequences of the Ukrainian invasion were beginning to be felt in the credit markets. February performance was -3.9% after a +1.7% performance in January.

This negative performance was mainly driven by the mark-to-market impact on European CLO tranches (-10.2% for European CLO Equity and -4.6% for European CLO debts). It is fair to say that at this point, the US CLO market has been less affected by the current Ukrainian situation. Also, Volta has for many years been long USD against EUR knowing that being long USD may act as a hedge against market turbulence. In February, EUR was stable versus USD but it has moved lower recently and we expect the long USD position to provide some relief in March (c.+0.8% on March NAV at the time of publishing this release).

Turning to the broad asset classes, the monthly performances** were: +0.8% for Bank Balance Sheet transactions, -5.6% for CLO equity tranches; -2.9% for CLO debt; -0.2% for Cash Corporate Credit and ABS (together representing 3.0% of NAV).

Regarding the impact of the Ukrainian crisis on Volta, one big unknown is the duration of the evolving commodity crisis. When looking at Volta’s underlying assets there are not any direct exposures to Russian or Ukrainian companies but Volta does have some exposures to companies that have part of their revenues or have some production sites in these two countries. However, it is worthwhile noting that CLOs tend to hold loans issued by companies of lower size, having mechanically less revenues out of Europe/UK/NorthAmerica than many global players in classic fixed income credit markets. Another mitigant is that we are just exiting from the Covid crisis and all the stress it generated so that most companies have much more cash than a few years ago.

In the European loan universe, there are very few companies with more than 10% of revenues reliant on production capacities in Russia or Ukraine: according to our information, the most exposed European company from this point of view is Stada, a pharmaceutical company, is deemed having c.14% of its revenues in Russia as well as 2 production sites. As a result, the direct consequences of the current crisis and sanctions are not expected to be material from a credit risk perspective in CLO tranches.

However, the impact of an emerging commodity crisis may well prove significant.

Businesses that are heavily dependent on energy or some food commodities are going to suffer. Depending on the length of the commodity squeeze, the capacity of such companies to pass through cost increases, and the extent of government actions seeking to shield consumers from price spikes, default rates may well rise. We currently expect the impact might be comparable to the impact from the Covid crisis (at worst, in Europe the trailing 12-month default rate reached 2.8% in October 2020). The European loan default rate is currently at 0.6% and may reach 3% or more in 2023. If the commodity crisis was to last for several years. It would likely have a significant impact on overall economic growth and delay or even cancel interest rate hikes.

To end up with a more positive tone, this commodity crisis clearly will take time to develop so Volta cashflows can continue to be reasonably estimated for the next couple of quarters. For the 6 months ended February 2022, Volta received €21.1m interest and coupons representing a 16.3% annualized



return on NAV. This strong cash flow continues to underpin Volta's dividend and provides useful reinvestment opportunities.

As at the end of February 2021, Volta's NAV was €259.9m or €7.10 per share.

**It should be noted that approximately 8.5% 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 7.9% as at 31 January 2022 and 0.6% as at 30 September 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.*

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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.

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 2,460 professionals and €887 billion in assets under management as of the end of December 2021.

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The figures provided that relate to past months or years and past performance cannot be relied on as a guide to future performance or construed as a reliable indicator as to future performance. Throughout this review, the citation of specific trades or strategies is intended to illustrate some of the investment methodologies and philosophies of Volta Finance, as implemented by AXA IM. The historical success or AXA IM's belief in the future success, of any of these trades or strategies is not indicative of, and has no bearing on, future results.

The valuation of financial assets can vary significantly from the prices that the AXA IM could obtain if it sought to liquidate the positions on behalf of the Volta Finance due to market conditions and general economic environment. Such valuations do not constitute a fairness or similar opinion and should not be regarded as such.

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