

Volta Finance Ltd

Monthly Report – August 2022



Data as of 31 Aug 2022

Gross Asset Value	€236.4m
Liabilities	€2.5m
NAV	€233.9m
NAV per share	€6.39
Outstanding Shares	36.6m
Share Price (Euronext)	€5.22
Share Price (LSE)*	€5.23
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	2.2 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

7.7%	2.1%	2.8%
Annualised since inception ¹	Annualised over 5 years ¹	1 month ²

€233.9m

NAV as of August 2022

10.9%

Trailing 12-month Div. Yield³

Returns ²	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2022	1.7%	-3.9%	1.5%	2.3%	-11.8%	-4.6%	4.5%	2.8%					-8.3%
2021	3.9%	1.0%	1.1%	2.1%	0.4%	2.2%	1.9%	-0.5%	1.9%	1.2%	1.0%	0.3%	17.9%
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%

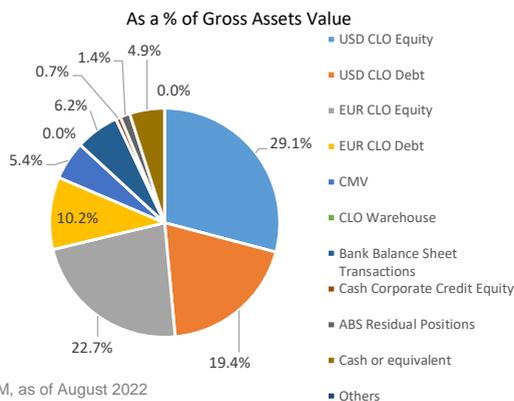
¹ Share (VTA.NA) performance (annualised figures with dividends re-invested). Source: Bbg (TRA function)

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 August 2022

Top 10 Underlying Exposures

Issuer	%	Bloomberg Industry Group
Altice France SA/France	0.85%	Telecommunications
EG Group Ltd	0.52%	Retail
Virgin Media Secured Finance PLC	0.51%	Media
Clarios Global LP	0.38%	Auto Parts&Equipment
Nidda Healthcare Holding GmbH	0.39%	Pharmaceuticals
Masmovil Holdphone SA	0.40%	Telecommunications
Froneri International Ltd	0.37%	Food
BMC Software Inc	0.36%	Software
Asurion LLC	0.46%	Insurance
McAfee LLC	0.41%	Computers

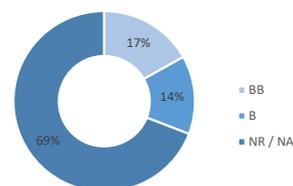
Source: Intex, Bloomberg, AXA IM Paris as of August 2022 – unaudited figures - not accounting for unsettled trades Figures expressed in % of the NAV

Historical Performance



Source: Bloomberg, as of August 2022

Portfolio Rating Breakdown



Source: AXA IM, as of August 2022

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Monthly Commentary

For the second consecutive month, August saw a recovery from the losses faced in Q2 2022 with the Ukrainian crisis. The fund gained +3.0%, mainly driven by CLO equity holdings.

Through asset classes, the monthly performances** were: +1.5% for Bank Balance Sheet transactions, +4.6% for CLO equity tranches; +3.3% for CLO debt; -0.9% for Cash Corporate Credit and ABS (together representing 2.3% of NAV).

In the footsteps of most markets the loan markets rallied again in August and therefore CLOs followed.

In August, CLO trustee reports are showing again that CLO managers are, on average, able to build some par, reinvesting the few prepayments in loans at discounts. – true for CLOs in RP. When considering risk measures, August was relatively stable but when considering broader credit markets, we started seeing more upgrades than downgrades. Some deterioration may come regarding CLO risk metrics in the coming months (higher CCC bucket for example) but we still expect such deterioration to be smooth.

Very near the end of August we saw a few defaults materializing in the US loan market so that last-12-month default rate went from 0.3% at the end of July to 0.6% at the end of August. Knowing that the average annual historical default rate is in the area of 2.8%, we are still, for the time being, in a low default rate environment. At the end of August, the same measure was at 0.7% for European loans.

Our view is still that we may see more defaults materializing next year and we expect a default rates for 2023 to reach something in the area of 2% for the US, 3% for Europe. With this kind of default expectation, the projected yield for Volta's CLO book is slightly above 24% (based on the NAV; from the current share price we have a projected yield above 30%).

The kind of deterioration we expect should not cause any meaningful diversion of cash flows: we expect Volta to receive full coupons from all its positions for the second half of 2022 and for 2023.

In August, Volta received the equivalent of €1.5m in terms of interest and coupons. For the 6 months ended July 2022, Volta received €24.8m interest and coupons representing a 21.1% annualized cash flow to NAV.

During the month, Volta invested in a new CLO Equity in USD and participated in the warehouse attached to this position for a total of €2.7m equivalent. The projected IRR for this CLO Equity, incorporating the associated gain from the warehouse, is in the area of 17% IRR.

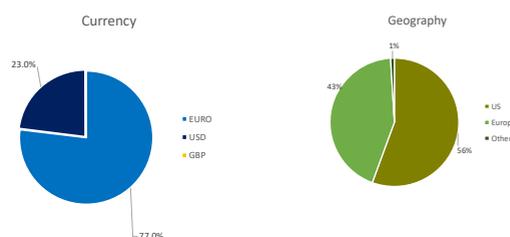
For the coming weeks, Volta will participate in one European CLO warehouse with the intention to roll into the CLO equity at issuance. Our investment thesis is to be able to buy European loans at a discount in Q4 2022 at a point in time when we expect to see some pressure on European Loans: we may see some warehouse liquidations at this point (some of the warehouses opened in Q4 2021, that have been unable to transform into a CLO in due time) while the loan market will have to face a poor Q3 earning season.

As at the end of August 2022, Volta's NAV was €233.9m or €6.39 per share.

**It should be noted that approximately 6.8% 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 6.4% as at 30 July 2022 and 0.4% as at 30 June 2022.*

*** "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 (%)



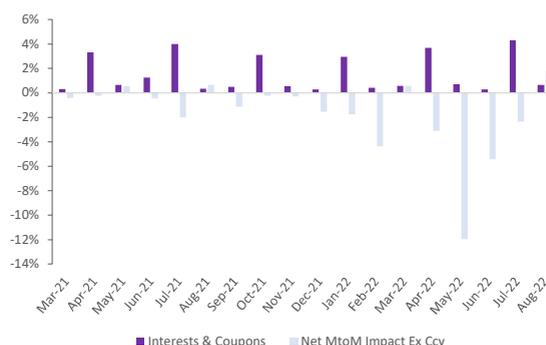
Source: AXA IM, as of August 2022 (% of NAV for ccy / % of GAV for geography)

Portfolio Composition by Asset Type

Market Value (€m)		Breakdown (% GAV)	
CLO	205.4	USD CLO Equity	29.1%
		USD CLO Debt	19.4%
		EUR CLO Equity	22.7%
		EUR CLO Debt	10.2%
		CMV	5.4%
		CLO Warehouse	0.0%
Synthetic Credit	14.6	Synthetic Corporate Credit Equity	0.0%
		Synthetic Corporate Credit Debt	0.0%
		Bank Balance Sheet Transactions	6.2%
Cash Corporate Credit	1.6	Cash Corporate Credit Equity	0.7%
		Cash Corporate Credit Debt	0.0%
ABS	3.2	ABS Residual Positions	1.4%
		ABS Debt	0.0%
Cash or equivalent	11.6	Cash or equivalent	4.9%
GAV	236.4		
Liability	-	Debt from Repurchase Agreement	0.0%
Fees due	(2.5)	Fees due to Investment Manager	(1.0)%
Estimated NAV	233.9	Per Share	6.39

Source: AXA IM, as of August 2022

Last Eighteen Months Performance Attribution



Source: AXA IM, as of August 2022

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