

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

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Guernsey, 13 October 2022

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

PERFORMANCE and PORTFOLIO ACTIVITY

This month, the structured debt market has been significantly impacted by the “liquidity” crunch resulting in the Volta net asset value (“NAV”) declining by -7.2%, totally reversing the +7.2% NAV uplift seen in July/August.

Examining the underlying sub asset classes, the monthly performances** were: +1.3% for Bank Balance Sheet transactions, -5.6% for CLO equity tranches; -8.7% for CLO debt; and -0.2% for Cash Corporate Credit and ABS (together representing 2.3% of NAV).

It is our view that the downdraft in pricing in the second half of September is the direct result of many investors having to face huge margin calls from currency hedging and/or from synthetic duration management (LDI: Liability Driven Investing) and becoming forced sellers in order to generat cash, in a context of new record high currency and interest rates volatility.

Volta avoided needing to raise cash through selling assets at distressed prices as it accumulated sufficient cash in August.

In the CLO markets, we saw a spike in BWIC lists (Bids Wanted In Competition) sometimes with very a very short time response window (less than a few hours); the usual practice, in normal market conditions, is to ask for bids for the next day.

As a consequence, CLO debt prices in particular have been temporarily depressed even though there was still almost no trade regarding CLO equity tranches as the vast majority of the BWIC was for AAA or AA tranches of CLO debts with a high focus on European CLO debt.

Looking at fundamentals, as expected, in September there have been more downgrades of loans than upgrades but the overall quantum is still relatively low. There has been no significant increase in the proportion of CCC loans in CLOs and the CLO loan default rate remains very low (0.4% in Europe and 0.9% in the US for the last 12 months).

For the next month the focus will be on earnings publication for Q3 2022 but the overall outlook is not expected to change: we continue to expect for next year an increase in loan market default rates but not to a level that is would cause diversion of cash flows for CLO Equity positions in 2023. Volta is expected to receive in October all its cash flows from its CLO Equity position. We expect to continue to generate a high level of coupons we are looking to seize investment opportunities from the current liquidity crisis.

Last week we opened a European CLO Warehouse. No loans have yet been purchased but we expect to purchase some loans in the coming weeks/months at significant discount in order to form, later on, a very profitable CLO Equity position from this warehouse.



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In September, Volta received the equivalent of €0.8m in terms of interest and coupons. For the 6 months ended September 2022, Volta received €24m interest and coupons representing a 22.4% annualized cash flow to NAV.

As at the end of September 2022, Volta's NAV was €212.3m or €5.80 per share.

**It should be noted that approximately 7.2% 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 1.0% as at 31 August 2022, 5.7% was at 31 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.*

CONTACTS

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

Corporate Broker

Cenkos Securities plc

Andrew Worne

Daniel Balabanoff

+44 (0) 20 7397 8900

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.

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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.

This press release is published by AXA Investment Managers Paris ("AXA IM"), in its capacity as alternative investment fund manager (within the meaning of Directive 2011/61/EU, the "AIFM Directive") of Volta Finance Limited (the "Volta Finance") whose portfolio is managed by AXA IM.



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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.

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