

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

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Guernsey, 13 December 2022

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

PERFORMANCE and PORTFOLIO ACTIVITY

November was a strong month for Volta with a performance of +6.3%.

It is mainly due to the solid performance of Volta’s CLO Equity positions, especially European ones, catching-up following months of underperformances but it is also due to better-than-expected recoveries on specific distressed names held in Volta’s loan funds.

Diving into Volta’s underlying sub asset classes, monthly performances** were as follow: +1.7% for Bank Balance Sheet transactions, +7.2% for CLO Equity tranches (+16.8% for European CLO Equity tranches); +2.5% for CLO Debt tranches; and +44.4% for Cash Corporate Credit and ABS (which represent circa 2.3% of the fund’s NAV).

November is usually a relatively quiet month in terms of CLO Equity distributions. Volta received in November the equivalent of €2.1m in terms of interests and coupons. Over the usual 6-month-basis time frame Volta received €23.9m of interests and coupons. A 21.8% annualized cash flow to NAV.

Over the month, we purchased a European CLO Equity position (€2m nominal, purchased at 56%) with a projected yield in the 24% context (under reasonable assumptions).

There are still slightly more downgrades than upgrades in both the US and the European loan markets, although at a very moderate pace. In terms of default rates, we have been, for the-last-12-month measure, at 0.4% default rate for European loans and 0.7% for US loans. After the invasion of Ukraine, rating agencies were forecasting 2022 default rates to be between 2% and 2.5% for the US and European loan markets. We are one month from the end of the year and still far from such levels.

Rating agencies currently forecast default rates between 4% and 5.5% for 2023. Our default rates view for 2023 still lands in the 2% to 3% area for both US and European loans.

Such kind of default pattern should not materially impact the distribution of interests of Volta’s assets in the near term. We believe that we can maintain a high level of coupons in the coming quarters and are actively looking to seize investment opportunities with the extra cash that is being generated.

Despite being relatively constructive and convinced that, at current prices, there is a lot of long-term value in Volta portfolio, we believe the recession that everybody expect in 2023 might be more pronounced than what we have in mind. We decided to hedge part of this risk by adding some overlay in terms of duration. We built some positions recently and Volta is long duration on a 4 years Euro swap for the equivalent of 0.8 years of duration (at 2.85% yield level) and long T-notes at roughly 3.9% yield level for circa 2 years of duration.

The idea here is to consider that if we are wrong on the fundamental scenario and if things get worse than our current anticipations, rates will very likely decrease, generating positive performances on our duration overlay positions. At the time of writing this comment we have a mark-to-market gain in the 0.6% area.



As at the end of November 2022, Volta's NAV was €219.8m or €6.01 per share.

**It should be noted that approximately 6.9% 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 6.3% as at 31 October 2022, 0.6% was at 30 September 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.*

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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.

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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.

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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