

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

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Guernsey, 12 January 2023

AXA IM has published the Volta Finance Limited (the “Company” or “Volta Finance” or “Volta”) monthly report for December 2022. The full report is attached to this release and will be available on Volta’s website shortly (www.voltafinance.com).

PERFORMANCE and PORTFOLIO ACTIVITY

After a very strong performance in November (+6.3%), December was slightly down with -1%, including the January dividend payment for which the record date was set in December.

Although CLO debt performed relatively well, Volta suffered from the underperformance of the USD against the Euro as well as slightly negative performances in December on Volta non-CLO exposures.

Volta’s underlying sub asset classes monthly performances** were as follow: -0.3% for Bank Balance Sheet transactions, +0.5% for CLO Equity tranches, +1.3% for CLO Debt tranches; and -3.6% for Cash Corporate Credit and ABS (which represent circa 2.3% of the fund’s NAV).

December usually is a relatively quiet month in terms of CLO Equity distributions. Over the month, Volta received the equivalent of €0.3m of interests and coupons. Over the usual 6-month-basis time frame Volta received €22.5m of interests and coupons, ie. a 21.1% annualized cash flow to NAV.

We purchased two European CLO Equity positions from the secondary market in December for a total nominal amount of €2.5m, at an average purchase price of 59.75%. The projected yield of said purchases is - under reasonable assumptions regarding future underlying losses - in the 22% context.

Fundamentals-wise, December saw significantly more downgrades than upgrades especially in the US Loan market. Even though we are still waiting for December trustee reports, expectations are that CCC/Caa1 loan buckets increased on average by 1.5 to 2% in the US through the course of the month.

In terms of default rates, we now have the full list of defaults for 2022. Default rates were still very low, at 0.4% for European Loans and 0.7% for US loans. After the invasion of Ukraine, rating agencies were forecasting 2022 default rates to reach between 2% and 2.5% for the US and European loan markets... We closed the year far from those levels.

As we regularly highlight in this report, the main reason for such low default rates is the benefit of inflation, despite the economic slowdown. When companies’ revenues are growing fast, even if said companies suffer from margins pressure, profits and EBITDA still manage to grow (at a lower pace than revenues but they still do grow on average).

When considering rating agencies and most banks’ research, default rates are expected to reach 3.5% to 5.5% for 2023. Our default rates view for 2023 still lands in the 3% area for both US and European Loans as we still believe that debt erosion (thanks to inflation) and significant increase in revenues will help avoiding some defaults ; despite the fact that margins are already under pressure and that they should remain under pressure for a few more quarters. Since the vast majority of loans are covenant lite, the deterioration of interest coverage ratios - while being a source of stress - do not mechanically lead to a default. It is the level of EBITDA and where rates will be when companies need to refinance their debt that will really matter. We do not see many companies that have to refinance in 2023.

Such kind of default pattern should not materially impact the distribution of interests of Volta’s assets in



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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.

As at the end of December 2022, Volta's NAV was €213.5m or €5.84 per share.

**It should be noted that approximately 6.6% 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 1.3% as at 30 November 2022, 4.7% was at 30 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.

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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