

Volta Finance Ltd

Monthly Report – March 2023

Monthly Commentary

Including the dividend to be paid in April (but had record date in March) Volta Finance performance in March is -1.5% which is a relatively good performance in such context. For the first quarter of the year the performance stands at +5.8%, a very good start for 2023.

Volta's underlying sub asset classes monthly performances** were as follows: +0.8% for Bank Balance Sheet transactions, -2.8% for CLO Equity tranches, -3.4% for CLO Debt tranches; and +2.9% for Cash Corporate Credit and ABS (which represent circa 2.2% of the fund's NAV).

We highlighted in previous monthly reports that we have been building (and trading) a long duration overlay for several months. As explained, we are convinced that rates are globally back to levels from which one could anticipate interest rates cuts in reaction to potential economic shocks. This is exactly what happened in March with the Credit Suisse story and the bail-out of some US Regional banks: government bonds recorded solid performances on both sides of the Atlantic. As of the start of March, Volta overlay duration was in the area of 3 years (long US five-notes contracts and fixed receiver on European swaps) and it contributed to circa 2% of the March's performance. As a result, we took some significant profits on this duration overlay, taking the overlay in the area of 1 year of duration at the end of March.

Our view regarding the March events is as follow – while the CS situation was very specific and should not spread to the wider European banking system, we believe that what happened with the US Regional banks is much more concerning. It is clear to us that there is a need for higher regulation there while the competition between US banks deposits and US monetary funds is much more acute than in Europe. Consequently, we may see some US regional banks pushed to reduce some of the support they used to provide to specific businesses in the quarters/years to come. The areas under most scrutiny seem to be the CREs one as well as local/small businesses, and it is reasonable to expect that a reduction in their financial support will have economic impacts. Access to credit may reduce while the cost of credit for a substantial chunk of the US economy will most likely be higher, although we expect this to be partially offset by lower-than-expected interest rates.

We see no direct impact of these banking issues for CLOs. Underlying loan portfolios are located in SPVs (Special Purpose Vehicle) that sit outside banks' balance sheets. CS was a modest player in Loan origination and the US regional banks are not involved in US Loan origination either. CLOs holdings in US regional banks are also very modest (below 1.5% of the CLO market according to the research we read). The only area that may be under some pressure is the Middle Market CLO one. Indeed, companies that finance themselves through Middle Market loans are usually local and relatively small, hence most likely customers of regional banks (in the form of deposit, paycheck, revolver facilities, ...). There has been no particular market reaction and MML CLOs did not underperform their BSL cousins for now. Note that Volta do not own MML CLO debts and our exposure to MML CLO equity is 1.1% of NAV.

March is a structurally weak month in terms of interest and cash flows collected from Volta's assets: Volta received the equivalent of €0.6m of interests and coupons. However, over the usual rolling 6-month time frame, Volta received €22.1m of interests and coupons, i.e. a 19.2% annualized cash flow to NAV.

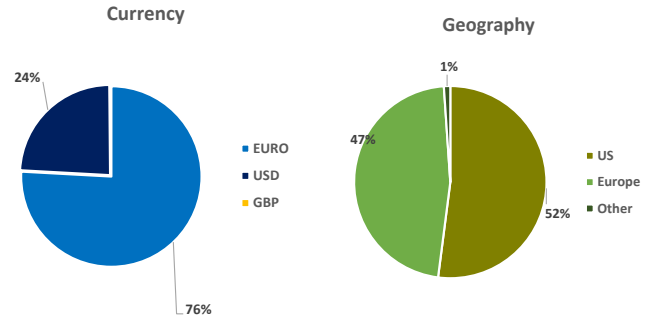
No significant purchases were made in March. We think that some pricing weakness on Loans will show in the coming months. Volta accumulated a bit of cash over the last 3 months, and we hope this will allow us to make some good investments, at a discount, in the coming weeks/months.

As at the end of March 2023, Volta's NAV was €221.0m or €6.04 per share.

"It should be noted that approximately 6.99% 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 5.86% as at 28 February 2023, 0.57% as at 31 January 2023, 0.56% as 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.*

Currency and Geography exposures (%)



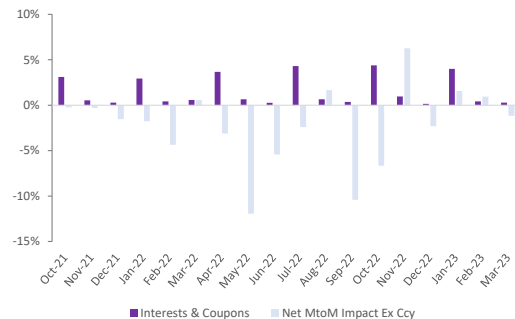
Source: AXA IM, as of March 2023 (% of NAV for ccy / % of GAV for geography)

Portfolio Composition by Asset Type

Market Value (€m)		Breakdown (% GAV)	
CLO	183.7	USD CLO Equity	24.3%
		USD CLO Debt	17.1%
		EUR CLO Equity	23.3%
		EUR CLO Debt	10.9%
		CMV	4.5%
		CLO Warehouse	1.0%
Synthetic Credit	14.2	Synthetic Corporate Credit Equity	0.0%
		Synthetic Corporate Credit Debt	0.0%
		Bank Balance Sheet Transactions	6.3%
Cash Corporate Credit	2.5	Cash Corporate Credit Equity	1.1%
		Cash Corporate Credit Debt	0.0%
ABS	2.4	ABS Residual Positions	1.1%
		ABS Debt	0.0%
Cash or equivalent	23.6	Cash or equivalent	10.4%
GAV	226.5		
Liability	-	Debt from Repurchase Agreement	0.0%
Fees due	(5.5)	Fees due to Investment Manager	(2.4)%
Estimated NAV	221.0	Per Share	6.04

Source: AXA IM, as of March 2023

Last Eighteen Months Performance Attribution



Source: AXA IM, as of March 2023

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