



Volta Finance Limited (VTA / VTAS) – June 2023 monthly report

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Guernsey, 13 July 2023

AXA IM has published the Volta Finance Limited (the “Company” or “Volta Finance” or “Volta”) monthly report for June 2023. 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 May, the June performance of Volta Finance settled for a modest -0.0%. Looking back at the fund’s performance for the first half of the year though, Volta returned +11% which we believe is a very strong number.

The performance of Volta was supported by the generous carry that CLOs offer indeed, but it was ultimately the confirmation that the asset class successfully managed to withstand the volatility induced by rates and the banking sector jitters.

Volta’s underlying sub asset classes monthly performances** were as follow: -3.7% for Bank Balance Sheet transactions, +1.9% for CLO Equity tranches, +0.5% for CLO Debt tranches and 0% for Cash Corporate Credit and ABS (which represent slightly less than 2.0% of the fund’s NAV). This month, being long USD against Euro was detrimental to the performance and contributed to circa -0.5% of the monthly performance.

The fund’s performance is mainly driven by the solid cash flows paid by Volta’s assets on a quarterly basis. June is usually a very quiet month in terms of payments but on a rolling-6-month basis Volta received the equivalent of €23.5m, ie. a 20.1% annualized cash flow to NAV. We expect a very solid month in July in terms of CLO Equity payments as we observed yet again that CLO managers were able to -modestly- increase the WAS (Weighted Average Spread) of their underlying loan pools (mainly using loan prepayments proceeds to re-deploy in fresh loans with higher spreads).

In terms of risk, a bit more defaults materialized both in the European and in the US loan market in June. At the end of June 2023, the usual measure of default rate was respectively at 1.0% and 1.7% for European and US loans (we ended 2022 with respectively 0.4 and 0.7%). This evolution, although negative, is still in line with our view that loan default rates should increase in 2023 but at a pace that will remain manageable and that will not significantly impact CLO equity distributions). For the remainder, we believe that 2023 default rates should remain below 2% in Europe and below 3% in the US.

As expected, we are now clearly seeing a bias toward higher prepayment rates for both US and European loan market. After nearly 10% prepayment rate in 2022 we are now running prepayments at a pace that is closer to 15%. We can illustrate how strategic prepayments are to CLO structures with some simple Math. Taking the assumption that loan reinvestments are implemented at a cash price of 96px on average, said prepayments (investors get 100px back) generate 0.60% of par creation per year $((100-96)\% * 15\%)$. When using a conservative 50% recovery rate for defaults, 0.6% of par creation can essentially compensate 1.2% defaults per year. We believe that this mechanism of par creation has been essential in supporting CLO managers to absorb part of the stress observed in the last 15 months.

For sure, this mechanism alone will not insulate CLOs from the expected increase in default rates, but it will contribute to soften their impact and to eventually maintain Equity payments. Since we see more loans maturing in 2025/26 rather than 2024, we expect such prepayment rate to get to 20% in 2024, which shall generate even more par creation next year. It shall also help increasing WAS of the



underlying loan pools and ultimately support CLO Equity payments.

We believe that those factors combined with higher interest rates may produce higher cashflow generations in the coming quarters.

As of end of June 2023, Volta's NAV was €231.9m, i.e. €6.34 per share.

**It should be noted that approximately 6.18% 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 1.13% as at 31 May 2023, 5.05% as at 31 March 2023.*

*** "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 its capital across the credit cycle and to provide a stable stream of income to its Shareholders through dividends that it expects to distribute on a quarterly basis. The Company currently seeks to achieve its investment objectives by pursuing exposure predominantly to CLO's and similar asset classes. A more diversified investment strategy across structured finance assets may be pursued opportunistically. 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 2,623 professionals and €817 billion in assets under management as of the end of September 2022.

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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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