

Volta Finance Ltd

Monthly Report – June 2023



Data as of 30 Jun 2023

Gross Asset Value	€233.6m
Liabilities	€1.7m
NAV	€231.9m
NAV per share	€6.34
Outstanding Shares	36.6m
Share Price (Euronext)	€5.00
Share Price (LSE)*	€4.98
Tickers	VTA.NA VTA.LN VTAS.LN
ISIN	GG00B1GHHH78

Fund Facts

Launch Date	Dec-2006
Fund Domicile	Guernsey
Listing and Trading	AEX LSE
Type of Fund	Closed-ended
Dividend	Quarterly
Dividend Cover ⁴	2.5 times
Base currency	EUR
Asset types	Corporate Credit and ABS

Background and Investment Objective

AXA Investment Managers Paris (“AXA IM”) has been the Investment Manager of Volta Finance Limited (“Volta”) since inception. 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. For this purpose, Volta pursues a multi-asset investment strategy on deals, vehicles and arrangements that provide leveraged exposure to target Underlying Assets (including corporate credit, residential and commercial mortgages, auto and student loans, credit card and lease receivables).

Fund Performance

7.5%	2.5%	0.0%
Annualised since inception ¹	Annualised over 5 years ¹	1 month ²

€231.9m

NAV as of June 2023

10.2%

Trailing 12-month Div. Yield³

Returns ²	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2023	5.5%	1.7%	-1.5%	3.0%	1.9%	0.0%							11.0%
2022	1.7%	-3.9%	1.5%	2.3%	-11.8%	-4.6%	4.5%	2.8%	-7.2%	-2.6%	6.3%	-0.9%	-12.7%
2021	3.9%	1.0%	1.1%	2.1%	0.4%	2.2%	1.9%	-0.5%	1.9%	1.2%	1.0%	0.3%	17.9%
2020	1.1%	-2.6%	-32.4%	5.7%	4.5%	6.9%	-1.2%	1.9%	4.8%	1.6%	7.2%	4.3%	-5.7%
2019	3.1%	0.4%	0.5%	1.9%	1.4%	-1.0%	0.5%	-1.5%	0.4%	-2.6%	0.4%	3.3%	6.8%
2018	-0.4%	0.7%	-0.2%	0.9%	2.4%	0.2%	0.6%	1.2%	-0.4%	1.3%	-1.4%	-4.8%	0.0%

¹ Share (VTA.NA) performance (annualised figures with dividends re-invested). Source: Bbg (TRA function)

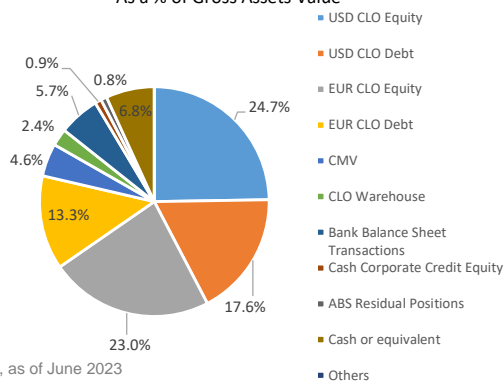
² Performance of published NAV (including dividend payments)

³ Calculated as the most recent annual dividend payments versus the month-end share price (VTA.NA)

⁴ Calculated as total income divided by the most recent annual dividend payments

Asset Breakdown

As a % of Gross Assets Value



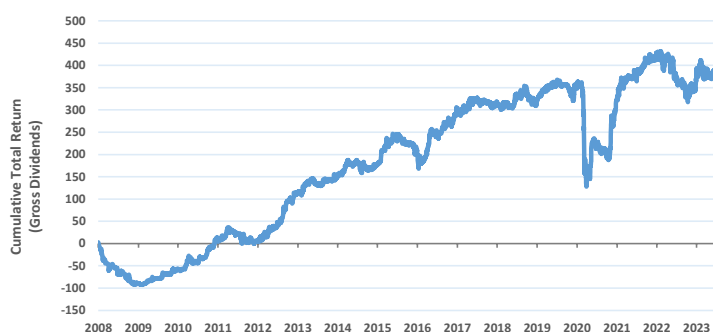
Source: AXA IM, as of June 2023

Top 10 Underlying Exposures

Issuer	%	Bloomberg Industry Group
Altice France SA/France	0.78%	Telecommunications
Virgin Media Secured Finance PLC	0.58%	Media
EG Group Ltd	0.54%	Retail
Nidda Healthcare Holding GmbH	0.54%	Pharmaceuticals
Asurion LLC	0.46%	Insurance
BMC Software Inc	0.41%	Software
Laboratoire Cerba	0.40%	Healthcare-Services
McAfee LLC	0.40%	Computers
Verisure Holding AB	0.38%	Commercial Services
Solera Holdings Inc	0.36%	Software

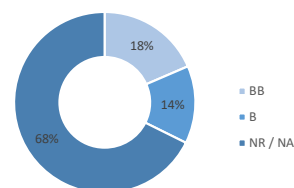
Source: Intex, Bloomberg, AXA IM Paris as of June 2023 – unaudited figures - not accounting for unsettled trades Figures expressed in % of the NAV

Historical Performance



Source: Bloomberg, as of June 2023

Portfolio Rating Breakdown



Source: AXA IM, as of June 2023

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Monthly Commentary

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 reminder, 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.

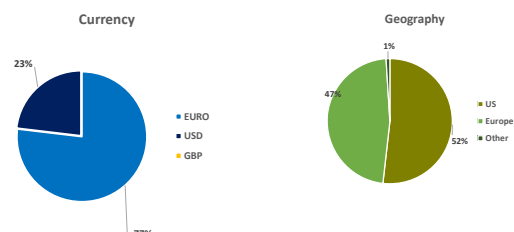
We believe that those factors combined with higher interest rates may produce higher cashflow generations in the coming quarters.

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.*

Currency and Geography exposures (%)



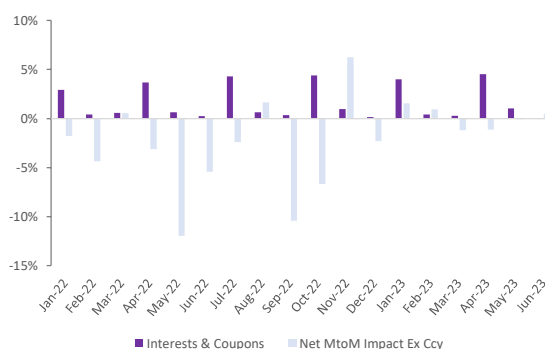
Source: AXA IM, as of June 2023 (% of NAV for ccy / % of GAV for geography)

Portfolio Composition by Asset Type

Market Value (€m)		Breakdown (% GAV)	
CLO	200.2	USD CLO Equity	24.7%
		USD CLO Debt	17.6%
		EUR CLO Equity	23.0%
		EUR CLO Debt	13.3%
		CMV	4.6%
		CLO Warehouse	2.4%
Synthetic Credit	13.4	Synthetic Corporate Credit Equity	0.0%
		Synthetic Corporate Credit Debt	0.0%
		Bank Balance Sheet Transactions	5.7%
Cash Corporate Credit	2.1	Cash Corporate Credit Equity	0.9%
		Cash Corporate Credit Debt	0.0%
ABS	2.0	ABS Residual Positions	0.8%
		ABS Debt	0.0%
Cash or equivalent	15.9	Cash or equivalent	6.8%
GAV	233.6		
Liability	-	Debt from Repurchase Agreement	0.0%
Fees due	(1.7)	Fees due to Investment Manager	(0.7)%
Estimated NAV	231.9	Per Share	6.34

Source: AXA IM, as of June 2023

Last Eighteen Months Performance Attribution



Source: AXA IM, as of June 2023

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