Volta Finance Limited (VTA / VTAS) – December 2018 monthly report

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Guernsey, 18 January 2019

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

PERFORMANCE and PORTFOLIO ACTIVITY

In December, Volta's NAV* total return performance was -4.8%, in line with the negative performance of most credit and equity markets in December. The NAV performance for 2018 as a whole was +0.1%, compared with US High Yield (-2.3% for Ice BofAML index), US loan market (+0.5% S&P/LSTA Index) or broad equity indices (-4.4% for S&P, -11.4% for MSCI Euro).

The negative performance in December mainly reflected price decreases in CLO tranches, both debt and equity tranches. The overall mark-to-market performances of Volta's asset classes in local currencies were: -0.4% for Bank Balance Sheet Transactions; -5.7% for CLO Equity tranches; -5.9% for CLO Debt tranches; -0.3% for Cash Corporate Credit deals; and -0.2% for ABS.

The significant price decline in CLO debt and CLO equity tranches reflected the mark-to-market price declines seen during the month for underlying USD or European loans (respectively -2.9% and -1.0% according to the LSTA index) rather than any change in underlying defaults. As a result of the price declines, the average price of Volta's USD CLO debt bucket was around 91%, a level not seen since the end of July 2016 following the Brexit vote. There is no evidence of any deterioration of the credit quality of underlying positions. Indeed, given the low level of defaults, the subordination of the debt positions is improving through the passage of time. During the first 2 weeks of January the average price of USD CLO BB debt rebounded by 1.5%.

We took the opportunity of the December price declines to purchase more assets, deploying the surplus cash balances previously held. The equivalent of €21.8m was invested (one USD BB CLO, one USD Equity CLO, one bank balance sheet transaction and some contributions to the existing CMV and warehouse). On average and under market standard assumptions, the projected average IRR of all purchases was in the area of 11.6%. We sold the equivalent of €6.7m as well during the month (3 CLO debt positions and one bank balance sheet transaction). As at the end of December 2018, Volta was fully invested, in anticipation of a possible market rebound.

In the US and European loan markets the retail sector is the largest industry contributing to defaults (on a twelve month basis, as at the end of December 2018, LCD measured 1.6% and 0.1% default rates in US and in Europe, far below historical average). Like many market participants, we expect that the retail sector will continue to be a major contributor to loan defaults in 2019. However, Volta's exposure to the retail sector is limited, at only 3.8% of Volta's underlying assets. Generally, the quality of Volta's retail assets is also considered to be higher than the broader market. By way of example, the largest three exposures to retail (0.20% of Volta underlying assets) are Bass Pro, Staples Inc. and Michaels Stores. In all three cases, the loans trade at a higher price than the market average price for retail loans. Volta's largest retail loan trading at significant discount to par (in the area of 80% to par) represent 0.12% of Volta underlying assets, being Douglas Holdings (European retail perfumes/cosmetics).

As noted in last month's report, Volta has a limited exposure to Sterling & the UK (6% of underlying credits are from UK based companies) and so would be unlikely to suffer materially from direct losses in relation with the Brexit (taking into account the 5 to 7.5% drop in GDP that many economists, including the BoE, expect from the most adverse scenario around Brexit).

In December, Volta generated the equivalent of €1.6m in interest and coupons net of repo costs (non-Euro amounts translated into Euro using end-of-month cross currency rates). This brings the total cash amount generated during the last six months in terms of interests and coupons to €19.7m.

As at the end of December 2018, Volta's NAV was €282.2m or €7.71 per share. The GAV stood at €329.8m.

On 11th December 2018, the Board of Volta announced that it considered the company's shares to qualify as an "excluded security" under the Financial Conduct Authority's rules regarding distribution of non-mainstream pooled investments (NMPI) noting, nonetheless that financial advisers should seek their own advice on the matter.

**It should be noted that approximately 11.3% 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 own NAV on as timely a basis as possible in order 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 note. The most recently available fund NAV or quoted price was for 7.2% as at 30 November 2018 and for 4.1% as at 28 September 2018. ** "Mark-to-market variation" is calculated as the Dietz-performance of the assets in each bucket, taking into account the Mark-to-Market of the assets at month-end, 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.*

This announcement contains information that is inside information for the purposes of the Market Abuse Regulation (EU) No. 596/2014. Upon the publication of this announcement via Regulatory Information Service this inside information is now considered to be in the public domain.

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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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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 766 investment professionals and €759 billion in assets under management as of the end of June 2018.

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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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