

Volta Finance Ltd

Monthly Report – October 2019



Data as of 31 oct 2019

| | |
|------------------------|-----------------------------|
| Gross Asset Value | €313.3m |
| Liabilities | €39.3m |
| NAV | €274.0m |
| NAV per share | €7.49 |
| Outstanding Shares | 36.6m |
| Share Price (Euronext) | €6.50 |
| Share Price (LSE) | €6.62 |
| 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 | 1.8 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

9.0% Annualised since inception¹ **10.4%** Annualised over 5 years¹ **-2.6%** 1 month²

€274.0m

9.5%

NAV as of October 2019

Trailing 12-month Div. Yield³

| Returns ² | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | Year |
|----------------------|-------|-------|-------|-------|------|-------|-------|-------|-------|-------|-------|-------|--------------|
| 2019 | 3.1% | 0.4% | 0.5% | 1.9% | 1.4% | -1.0% | 0.5% | -1.5% | 0.4% | -2.6% | | | 3.1% |
| 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% | 0.1% |
| 2017 | 1.3% | 0.9% | 0.9% | -0.5% | 0.6% | 0.1% | -0.2% | 0.4% | 0.6% | 1.7% | 0.1% | 0.6% | 6.6% |
| 2016 | -4.0% | -2.9% | 4.1% | 2.0% | 1.3% | -0.9% | 6.2% | 2.1% | 1.4% | 2.0% | 2.7% | 1.4% | 15.2% |
| 2015 | 3.7% | 1.3% | 3.1% | 1.7% | 1.6% | -0.7% | 0.1% | -0.6% | -1.7% | 0.1% | 1.1% | 0.1% | 10.0% |
| 2014 | 2.7% | -1.6% | 0.8% | 0.7% | 1.5% | 0.7% | 1.3% | 1.3% | 2.4% | 0.4% | 1.7% | 0.3% | 12.4% |

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

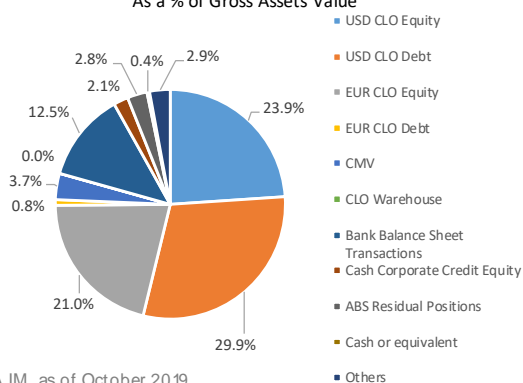
² Performance of published NAV (including dividend payments)

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 October 2019

Historical Performance



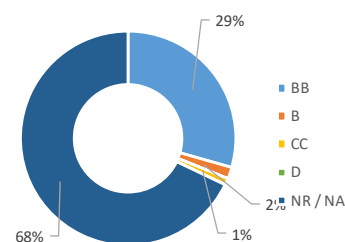
Source: Bloomberg, as of October 2019

Top 10 Underlying Exposures

| Issuer | % | Bloomberg Industry Group |
|----------------------------|-------|--------------------------|
| Altice France SA/France | 0.72% | Telecommunications |
| Panther BF Aggregator 2 LP | 0.45% | Auto Parts&Equipment |
| EG Group Ltd | 0.42% | Retail |
| CenturyLink Inc | 0.37% | Telecommunications |
| Asurion LLC | 0.35% | Insurance |
| Berry Global Inc | 0.33% | Packaging&Containers |
| TransDigm Inc | 0.36% | Aerospace/Defense |
| Upfield BV | 0.33% | Food |
| Paysafe Group Ltd | 0.29% | Internet |
| Nouryon Finance BV | 0.30% | Chemicals |

Source: Intex, Bloomberg, AXA IM Paris as of October 2019 – unaudited figures - not accounting for unsettled trades Figures expressed in % of the NAV

Portfolio Rating Breakdown



Source: AXA IM, as of October 2019

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Monthly Commentary

In October, Volta's NAV* total return performance was -2.6%. The YTD performance is 3.1%.

This relatively modest performance YTD is mostly due to the widening of discount margins in the CLO market although there has been a significant difference in the recent performances of CLO debt and CLO Equity.

Indeed, the monthly performances ** of the sub-asset classes were the following, in local currency: +0.7% for Bank Balance Sheet transactions, -1.0% for CLO Equity tranches; -3.5% for CLO Debt; -4.9% for Cash Corporate Credit deals; and +0.3% for ABS.

This month again, CLO Equity positions outperformed CLO Debt (mostly USD BB tranches). Taking a longer term perspective at the respective performances, for the last 6 months (excluding the market rebound of the first 4 months of the year) CLO Debt performed -3.5%, CLO equity, -1.3%. YTD, including the beginning of year nice rebound, CLO Debt performed +2.9%, CLO Equity +5.5%.

These simple measures of past performances seem to validate our strategic decision, developed for the last 18 months, to continuously increase the CLO Equities relative to the CLO Debt. Our view is that we are entering a more complex environment (more downgrades than upgrades in loan markets have been observed in 2019, default rates are expected to increase at some point (but not to an alarming level), loan spreads might widen in conjunction) and the best way to benefit from this environment is to invest in CLO equity tranches instead of CLO BB debt. The price drawdown between CLO Debt and CLO Equity might be comparable, as it has been the case in previous periods of stress, but CLO Equity is paying far higher cashflows and is able to benefit (through reinvestments in loans at discount or new loans with higher spread) from this kind of environment on a medium to long term horizon.

In line with that we were able to purchase 3 CLO Equity positions (at discounted prices) in October (add-ons to existing positions) for the equivalent of €8.5m. On average these positions were purchased at 66.6% of par with a projected yield above 15%. We sold two CLO debt positions.

During October, most of our CLO equity positions paid a cashflow. 24 CLO Equity positions, that were valued as at the end of September for the equivalent of €102.8m paid the equivalent of €5.7m; an annualized return at 22.1%.

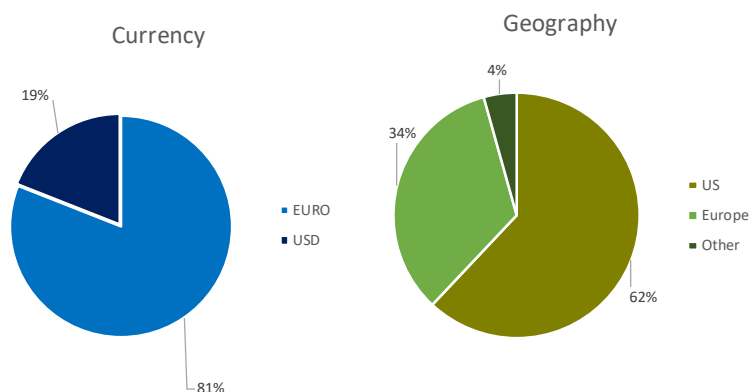
Overall in the month, Volta received the equivalent of €8.4m in terms of interest and cash flows from its assets. On a rolling 6-month basis we were at €21.5m; an annualized yield at 15.6% of the end of month NAV.

As at the end of October 2019, Volta's NAV was €274,0m or €7.49 per share. The GAV stood at €313.3m.

**It should be noted that approximately 11.9% 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 10.7% as at 30 September 2019 and for 1.2% as at 28 June 2019.*

*** "monthly performances" are 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.*

Currency and Geography exposures (%)



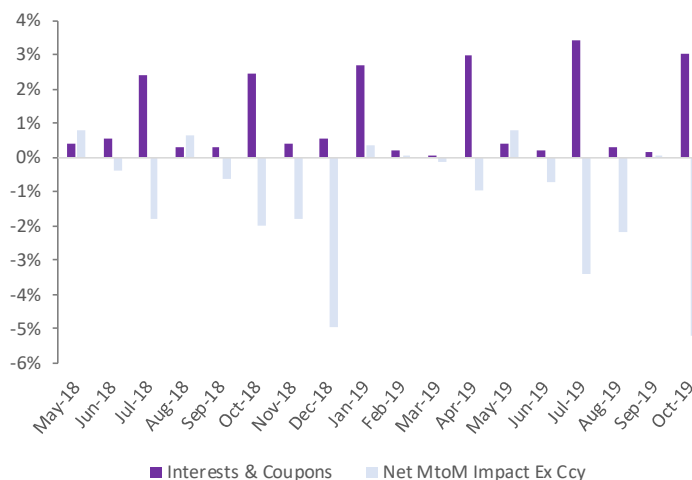
Source: AXA IM, as of October 2019 (%of NAV for ccy / %of GAV for geography)

Portfolio Composition by Asset Type

| Market Value (€m) | | Breakdown (% GAV) | |
|-----------------------|--------------|-----------------------------------|-------------|
| CLO | 248.7 | USD CLO Equity | 23.9% |
| | | USD CLO Debt | 29.9% |
| | | EUR CLO Equity | 21.0% |
| | | EUR CLO Debt | 0.8% |
| | | CMV | 3.7% |
| | | CLO Warehouse | 0.0% |
| Synthetic Credit | 39.3 | Synthetic Corporate Credit Equity | 0.0% |
| | | Synthetic Corporate Credit Debt | 0.0% |
| | | Bank Balance Sheet Transactions | 12.5% |
| Cash Corporate Credit | 6.4 | Cash Corporate Credit Equity | 2.1% |
| | | Cash Corporate Credit Debt | 0.0% |
| ABS | 17.7 | ABS Residual Positions | 2.8% |
| | | ABS Debt | 2.9% |
| Cash or equivalent | 1.2 | Cash or equivalent | 0.4% |
| GAV | 313.3 | | |
| Liability | (36.1) | Debt from Repurchase Agreement | (11.5)% |
| Fees due | (3.2) | Fees due to Investment Manager | (1.0)% |
| Estimated NAV | 274.0 | Per Share | 7.49 |

Source: AXA IM, as of October 2019

Last Eighteen Months Performance Attribution



Source: AXA IM, as of October 2019

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