

Volta Finance Ltd

Monthly Report – March 2020



Data as of 31 mar 2020

Gross Asset Value	€197.1m
Liabilities	€12.0m
NAV	€185.1m
NAV per share	€5.06
Outstanding Shares	36.6m
Share Price (Euronext)	€3.71
Share Price (LSE)	€4.00
	VTA.NA
Tickers	VTA.LN
	VTAS.LN
ISIN	GG00B1GHHH78

Fund Facts

Launch Date	Dec-2006
Fund Domicile	Guernsey
	AEX
Listing and Trading	LSE
Type of Fund	Closed-ended
Dividend	Quarterly
Dividend Cover ⁴	2.6 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

4.5% Annualised since inception¹ **-4.7%** Annualised over 5 years¹ **-32.4%** 1 month²

€185.1m

NAV as of March 2020

12.7%

Trailing 12-month Div. Yield³

Returns ²	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2020	1.1%	-2.6%	-32.4%										-33.5%
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%	6.7%
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%

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

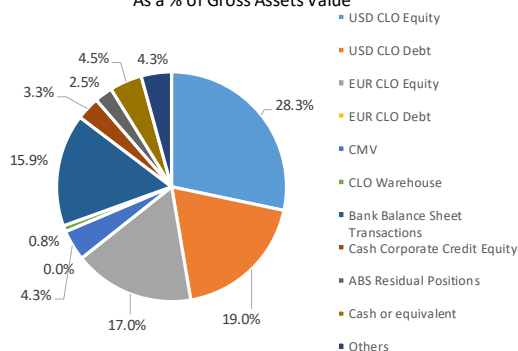
² Performance of published NAV (including dividend payments)

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 March 2020

Top 10 Underlying Exposures

Issuer	%	Bloomberg Industry Group
Altice France SA/France	0.50%	Telecommunications
Clarios Global LP	0.42%	Auto Parts&Equipment
EG Group Ltd	0.39%	Retail
Asurion LLC	0.36%	Insurance
Froneri International Ltd	0.52%	Food
Upfield BV	0.39%	Food
GTT Communications Inc	0.26%	Telecommunications
Verisure Holding AB	0.23%	Commercial Services
Paysafe Group Ltd	0.23%	Internet
Virgin Media Secured Finance PLC	0.27%	Media

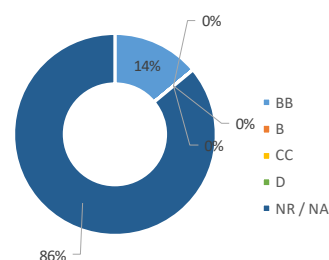
Source: Intex, Bloomberg, AXA IM Paris as of March 2020 – unaudited figures - not accounting for unsettled trades Figures expressed in % of the NAV

Historical Performance



Source: Bloomberg, as of March 2020

Portfolio Rating Breakdown



Source: AXA IM, as of March 2020

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Monthly Commentary

In March, the impact of the COVID-19 crisis was very material on Volta, with the Company's NAV* falling by -32.4%.

The monthly performance** in local currency was: -4.5% for Bank Balance Sheet transactions, -36.9% for CLO Equity tranches; -41.3% for CLO Debt; +0.1% for Cash Corporate Credit deals (this bucket comprises funds that have one-month delay in publishing their NAV); and -11.9% for ABS.

Considering the above market reactions, the strategy that was in place for several quarters already to prefer CLO equity positions instead of leveraging CLO debt tranches permitted avoiding an even larger impact from the pandemic.

At the end of the month, average prices for CLO Equity tranches were 43.6% and 28.9% respectively for USD and Euro positions, 54.3% for USD CLO debt (Volta does not hold Euro CLO debt).

These prices incorporate what we consider as a highly probable assumption that some CLO Equity positions will start suffering partial diversion of cash flows as early as July and that this might become more pronounced in October due to the likely increase of the excess CCC bucket in CLOs.

The lower average price for EUR CLO Equity relative to USD CLO Equity is, we believe, the reflection of lower liquidity and risk appetite in Europe than in the US for this type of assets, as the industries of bigger concern like energy and gaming have significant lower weightings in Europe than in the US.

As mentioned in our interim communication on 24th March, our first priority was to secure Volta's balance sheet. A number of positions had been sold prior to the crisis but an additional four positions were sold (three CLO Debt and one ABS) for a total of €9.7m to face margin calls from currency hedging and amounts drawn from previous investments. These positions generated a loss of €4.9m (0.13 cents per share) relative to the end February valuation. We also reduced significantly the amount of currency hedging to avoid margin calls and, at the end of March, Volta had almost enough cash to fully close its repurchase agreement. April is a month with large cashflows from our assets. We expect this to result in a comfortable net cash cushion following the repo repayment.

As announced on 2nd April, the decision was taken to cancel the dividend due for payment at the end of April. This was a precautionary measure to ensure adequate cash resources given the uncertainty around the cash flow receipts in April. However, both the Board of Volta and AXA IM are committed to reinstating dividend payments as soon as possible.

As at the end of March 2020, Volta's NAV was €185.1m or €5.06 per share (including €9m in cash). The GAV stood at €197.1m with nearly €12m liabilities, principally being the repo which is expected to be repaid by the end of April.

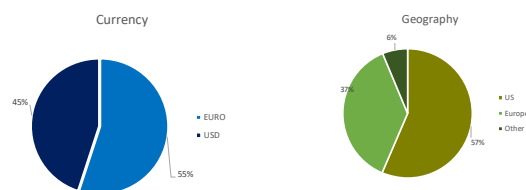
Regarding longer term performance, it is, as yet, too early to say with certainty how this crisis will impact Volta's cash flows and NAV. However, it is reasonable to expect that:

- Rating agencies will continue to downgrade underlying loans so that the CCC bucket in the underlying loan portfolios will on average exceed the typical 7.5% authorized level. Our view is that the CCC buckets, on average, might reach c. 15% on average in the CLO underlying leveraged loan market. Depending on realized losses and loans in default, such levels would trigger diversion of payments due to CLO Equity. In 2009 Volta faced a similar situation and, in that period, Volta's portfolio outperformed significantly the average market. We will keep you informed about how Volta's positions are performing relative to market.
- Most rating agencies/economic researchers envisage that the COVID-19 crisis might cause defaults in high yield corporate names to rise to around 10% (not accounting for the recession impact), in line with the Global Financial Crisis, 12 years ago. One of the differences though should be the pace at which defaults will occur. During the GFC we had, in the US, a spike of defaults in 2009 and then almost a normal situation in 2010. This time, as the vast majority of loans are covenant light, companies are not pushed into default rapidly and have more time to survive the EBITDA reductions that the COVID-19 crisis is causing. Adding to that the massive governmental and central bank support that is being implemented the pattern regarding defaults might be significantly different from the GFC with a few years of above average default rates but without a brutal 2009-like spike. Should the covenant-lite issuers be kept alive (though with very high leverage), the resulting default pattern from all those actions would be better for CLO Equity positions and for Volta as it gives more time for reinvestments at discount (inside and outside CLOs).

"It should be noted that approximately 15.5% 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 9.0% as at 29 February 2020, 4.3% as at 31 December 2019 and 2.2% as at 30 September 2019.

*** "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 (%)



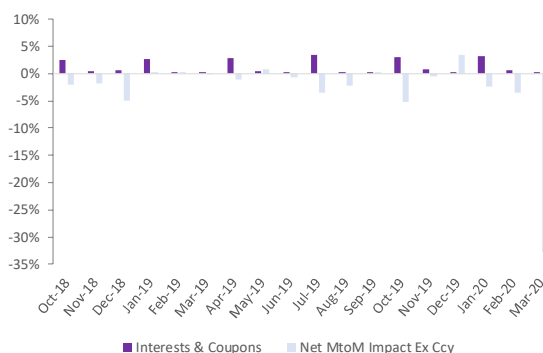
Source: AXA IM, as of March 2020 (% of NAV for ccy / % of GAV for geography)

Portfolio Composition by Asset Type

Market Value (€m)		Breakdown (% GAV)	
CLO	136.8	USD CLO Equity	28.3%
		USD CLO Debt	19.0%
		EUR CLO Equity	17.0%
		EUR CLO Debt	0.0%
		CMV	4.3%
		CLO Warehouse	0.8%
Synthetic Credit	31.3	Synthetic Corporate Credit Equity	0.0%
		Synthetic Corporate Credit Debt	0.0%
		Bank Balance Sheet Transactions	15.9%
Cash Corporate Credit	6.5	Cash Corporate Credit Equity	3.3%
		Cash Corporate Credit Debt	0.0%
ABS	13.4	ABS Residual Positions	2.5%
		ABS Debt	4.3%
Cash or equivalent	9.0	Cash or equivalent	4.5%
GAV	197.1		
Liability	(9.1)	Debt from Repurchase Agreement	(4.6%)
Fees due	(2.9)	Fees due to Investment Manager	(1.5%)
Estimated NAV	185.1	Per Share	5.06

Source: AXA IM, as of March 2020

Last Eighteen Months Performance Attribution



Source: AXA IM, as of March 2020

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