

# Volta Finance Ltd

## Monthly Report – February 2022



### Data as of 28 Feb 2022

Gross Asset Value	€262.8m
Liabilities	€2.9m
NAV	€259.9m
NAV per share	€7.10
Outstanding Shares	36.6m
Share Price (Euronext)	€6.10
Share Price (LSE)*	€6.03
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 <sup>4</sup>	2.3 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

<b>8.7%</b>	<b>5.5%</b>	<b>-3.9%</b>
Annualised since inception <sup>1</sup>	Annualised over 5 years <sup>1</sup>	1 month <sup>2</sup>
<b>€259.9m</b>		<b>9.3%</b>
NAV as of February 2022		Trailing 12-month Div. Yield <sup>3</sup>

Returns <sup>2</sup>	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2022	1.7%	-3.9%											-2.3%
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%
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%	6.7%

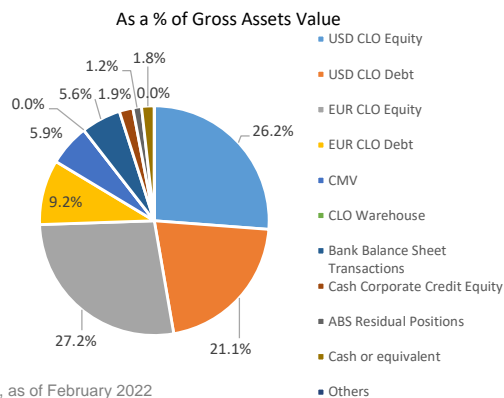
<sup>1</sup> Share (VTA.NA) performance (annualised figures with dividends re-invested). Source: Bbg (TRA function)

<sup>2</sup> Performance of published NAV (including dividend payments)

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

<sup>4</sup> Calculated as total income divided by the most recent annual dividend payments

### Asset Breakdown



Source: AXA IM, as of February 2022

### Historical Performance



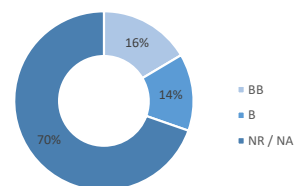
Source: Bloomberg, as of February 2022

### Top 10 Underlying Exposures

Issuer	%	Bloomberg Industry Group
Altice France SA/France	0.79%	Telecommunications
EG Group Ltd	0.59%	Retail
Virgin Media Secured Finance PLC	0.51%	Media
Asurion LLC	0.45%	Insurance
Clarios Global LP	0.40%	Auto Parts&Equipment
Froneri International Ltd	0.43%	Food
Lumen Technologies Inc	0.34%	Telecommunications
BMC Software Inc	0.39%	Software
Upfield BV	0.35%	Food
Masmovil Holdphone SA	0.36%	Telecommunications

Source: Intex, Bloomberg, AXA IM Paris as of February 2022 – unaudited figures - not accounting for unsettled trades Figures expressed in % of the NAV

### Portfolio Rating Breakdown



Source: AXA IM, as of February 2022

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### Monthly Commentary

At the end of February, the consequences of the Ukrainian invasion were beginning to be felt in the credit markets. February performance was -3.9% after a +1.7% performance in January.

This negative performance was mainly driven by the mark-to-market impact on European CLO tranches (-10.2% for European CLO Equity and -4.6% for European CLO debts). It is fair to say that at this point, the US CLO market has been less affected by the current Ukrainian situation. Also, Volta has for many years been long USD against EUR knowing that being long USD may act as a hedge against market turbulence. In February, EUR was stable versus USD but it has moved lower recently and we expect the long USD position to provide some relief in March (c.+0.8% on March NAV at the time of publishing this release).

Turning to the broad asset classes, the monthly performances\*\* were: +0.8% for Bank Balance Sheet transactions, -5.6% for CLO equity tranches; -2.9% for CLO debt; -0.2% for Cash Corporate Credit and ABS (together representing 3.0% of NAV).

Regarding the impact of the Ukrainian crisis on Volta, one big unknown is the duration of the evolving commodity crisis. When looking at Volta's underlying assets there are not any direct exposures to Russian or Ukrainian companies but Volta does have some exposures to companies that have part of their revenues or have some production sites in these two countries. However, it is worthwhile noting that CLOs tend to hold loans issued by companies of lower size, having mechanically less revenues out of Europe/UK/NorthAmerica than many global players in classic fixed income credit markets. Another mitigant is that we are just exiting from the Covid crisis and all the stress it generated so that most companies have much more cash than a few years ago.

In the European loan universe, there are very few companies with more than 10% of revenues reliant on production capacities in Russia or Ukraine: according to our information, the most exposed European company from this point of view is Stada, a pharmaceutical company, is deemed having c.14% of its revenues in Russia as well as 2 production sites. As a result, the direct consequences of the current crisis and sanctions are not expected to be material from a credit risk perspective in CLO tranches.

However, the impact of an emerging commodity crisis may well prove significant.

Businesses that are heavily dependent on energy or some food commodities are going to suffer. Depending on the length of the commodity squeeze, the capacity of such companies to pass through cost increases, and the extent of government actions seeking to shield consumers from price spikes, default rates may well rise. We currently expect the impact might be comparable to the impact from the Covid crisis (at worst, in Europe the trailing 12-month default rate reached 2.8% in October 2020). The European loan default rate is currently at 0.6% and may reach 3% or more in 2023. If the commodity crisis was to last for several years. It would likely have a significant impact on overall economic growth and delay or even cancel interest rate hikes.

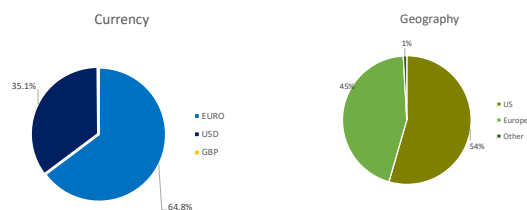
To end up with a more positive tone, this commodity crisis clearly will take time to develop so Volta cashflows can continue to be reasonably estimated for the next couple of quarters. For the 6 months ended February 2022, Volta received €21.1m interest and coupons representing a 16.3% annualized return on NAV. This strong cash flow continues to underpin Volta's dividend and provides useful reinvestment opportunities.

As at the end of February 2021, Volta's NAV was €259.9m or €7.10 per share.

*\*It should be noted that approximately 8.5% 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 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 7.9% as at 31 January 2022 and 0.6% as at 30 September 2021.*

*\*\* "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 (%)



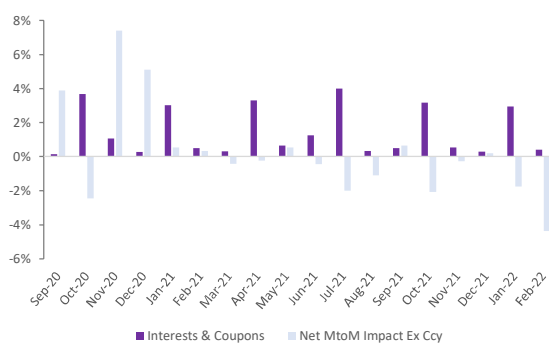
Source: AXA IM, as of February 2022 (% of NAV for ccy / % of GAV for geography)

### Portfolio Composition by Asset Type

Market Value (€m)		Breakdown (% GAV)	
CLO	235.2	USD CLO Equity	26.2%
		USD CLO Debt	21.1%
		EUR CLO Equity	27.2%
		EUR CLO Debt	9.2%
		CMV	5.9%
		CLO Warehouse	0.0%
Synthetic Credit	14.7	Synthetic Corporate Credit Equity	0.0%
		Synthetic Corporate Credit Debt	0.0%
		Bank Balance Sheet Transactions	5.6%
Cash Corporate Credit	4.9	Cash Corporate Credit Equity	1.9%
		Cash Corporate Credit Debt	0.0%
ABS	3.2	ABS Residual Positions	1.2%
		ABS Debt	0.0%
Cash or equivalent	4.7	Cash or equivalent	1.8%
<b>GAV</b>	<b>262.8</b>		
Liability	-	Debt from Repurchase Agreement	0.0%
Fees due	(2.9)	Fees due to Investment Manager	(1.1)%
<b>Estimated NAV</b>	<b>259.9</b>	<b>Per Share</b>	<b>7.10</b>

Source: AXA IM, as of February 2022

### Last Eighteen Months Performance Attribution



Source: AXA IM, as of February 2022

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