

Volta Finance Limited (VTA / VTAS) – February 2023 monthly report

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Guernsey, 14 March 2023

AXA IM has published the Volta Finance Limited (the “Company” or “Volta Finance” or “Volta”) monthly report for February 2023. The full report is attached to this release and will be available on Volta’s website shortly (www.voltafinance.com).

PERFORMANCE and PORTFOLIO ACTIVITY

Volta Finance is pleased to report another positive performance in February at +1.7% after a strong January performance of +5.5% and thus a good start for 2023.

February performance reflected the carry of the portfolio during a relatively quiet month. In terms of defaults, over the month the rolling 12-month default rate increased by 0.2% (from 0.8 to 1%) in the US, while decreasing by 0.2% for European loans (from 0.4% to 0.2%). Current levels are significantly below the level projected by the rating agencies, with defaults expected to reach 2.5 to 4.5% for 2023. We are still being more constructive than that, and expect default rates to stay at the bottom of this range.

The Q4 2022 earnings season did again confirm our view that inflation can provide some benefits: selling prices are easier to adjust when overall prices move (compared to when they are flat), which helps transferring higher costs to clients and maintaining profitability. As a result, during February, earnings were better than expected.

February is a structurally weak month in terms of interest and cash flows collected from Volta’s assets: Volta received the equivalent of €1m of interests and coupons. However, over the usual rolling 6-month time frame, Volta received €22.2m of interests and coupons, ie. a 19.4% annualized cash flow to NAV.

Given that defaults are still materializing at a low pace, even if we are proven wrong and default rates reach the higher end of the above-mentioned range, we consider a materially negative impact on CLO Equity quarterly payments in 2023 as a remote risk.

In February, the volume of loan refinancings (amend-and-extend) increased again, enabling CLOs that are still reinvesting to increase the WAS (Weighted Average Spread) of their underlying loan books. All other things being equal, higher WAS means higher cashflows distributed to the Equity. As a result, we expect Volta cash flows to increase in the coming quarters.

Volta’s underlying sub asset classes monthly performances** were as follows: +0.8% for Bank Balance Sheet transactions, +3.7% for CLO Equity tranches, +2.2% for CLO Debt tranches; and -0.1% for Cash Corporate Credit and ABS (which represent circa 2.2% of the fund’s NAV).

No significant purchases were made in February. We think that some pricing weakness on loans will show in the coming months if we are confirmed to live longer with higher rates. Volta accumulated a bit of cash over the last 2 months and we hope this will allow us to make some good investments, at a discount, in the coming weeks/months.

As at the end of February 2023, Volta’s NAV was €229.1m or €6.26 per share.

**It should be noted that approximately 5.87% 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 5.32% as at 31 January 2023, 0.55% as at 30 September 2022.*



*** “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.*

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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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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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