

Volta Finance Ltd

Monthly Report – May 2023



Data as of 31 May 2023

Gross Asset Value	€233.4m
Liabilities	€1.4m
NAV	€232.0m
NAV per share	€6.34
Outstanding Shares	36.6m
Share Price (Euronext)	€5.00
Share Price (LSE)*	€4.98
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	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

7.5%
Annualised since inception¹
3.3%
Annualised over 5 years¹
1.9%
1 month²

€232.0m

NAV as of May 2023

10.2%

Trailing 12-month Div. Yield³

Returns ²	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2023	5.5%	1.7%	-1.5%	3.0%	1.9%								11.0%
2022	1.7%	-3.9%	1.5%	2.3%	-11.8%	-4.6%	4.5%	2.8%	-7.2%	-2.6%	6.3%	-0.9%	-12.7%
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%

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

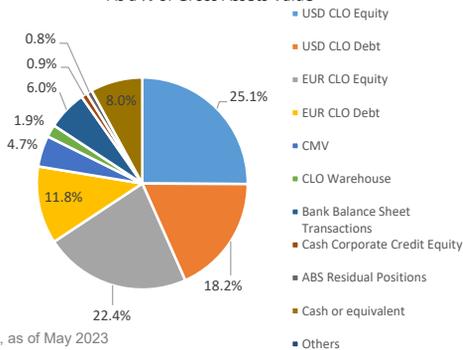
² Performance of published NAV (including dividend payments)

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 May 2023

Top 10 Underlying Exposures

Issuer	%	Bloomberg Industry Group
Altice France SA/France	0.79%	Telecommunications
Virgin Media Secured Finance PLC	0.57%	Media
EG Group Ltd	0.53%	Retail
Nidda Healthcare Holding GmbH	0.50%	Pharmaceuticals
Asurion LLC	0.46%	Insurance
McAfee LLC	0.40%	Computers
Laboratoire Cerba	0.40%	Healthcare-Services
BMC Software Inc	0.39%	Software
Masmovil Holdphone SA	0.37%	Telecommunications
Verisure Holding AB	0.37%	Commercial Services

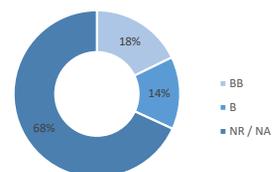
Source: Intex, Bloomberg, AXA IM Paris as of May 2023 – unaudited figures - not accounting for unsettled trades Figures expressed in % of the NAV

Historical Performance



Source: Bloomberg, as of May 2023

Portfolio Rating Breakdown



Source: AXA IM, as of May 2023

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Monthly Commentary

The performance of Volta Finance for the month of May was +1.88%. This strong performance does find its roots in the strong carry of the CLO asset class indeed, but it is above all the testimony that CLOs successfully managed to withstand the volatility induced by the recent troubles of the banking sector. On a year-to-date basis, Volta's performance reached +11.0% which we believe is a very decent start for the year.

Volta's underlying sub asset classes monthly performances** were as follows: -2.5% for Bank Balance Sheet transactions, +1.6% for CLO Equity tranches, +0.8% for CLO Debt tranches and -8.5% for Cash Corporate Credit and ABS (which represent slightly less than 2.0% of the fund's NAV). Unlike the last couple of months, being long USD against Euro was the right positioning and it contributed to circa 1% of the monthly performance.

The fund's performance is mainly driven by the solid cash flows paid by Volta's assets on a quarterly basis. May is usually a relatively quiet month in terms of payments as only €2.4m equivalent were collected although on a rolling-6-month basis Volta received the equivalent of €23.7m, ie. a 20.4% annualized cash flow to NAV.

The high pace at which interest rates hiked through the last 12 months generated some volatility regarding CLO Equity cash flows, especially for USD CLO during Q4 2022. Since rates are expected to stabilize, we believe cash flows should remain at a relative high level and eventually set a new record for Volta in the coming quarters.

These high cash flows are the consequences of our executive decision to increase our allocation to CLO Equity a few years ago as the cost of leverage was low. They are also a consequence of the current financial context as Loans trade at discount since the Ukrainian invasion and the start of the rapid rates-hike cycle. For instance, new loans have been issued sub-par with higher spreads while the pace of defaults remained relatively modest. As a result, CLOs fundamentals did not materially deteriorate, subordination levels were maintained (default costs being offset by the benefits of buying discounted Loans) and CLO equity benefited from a modest uptick in WAS (Weighted Average Spread of the underlying loan pools). We believe that those factors combined with higher interest rates may produce higher cashflow generations in the coming quarters.

Regarding default rates, our central prediction for 2023 is to close the year with higher but manageable default rates. They were at 0.6% in Europe and 1.6% in the US as of the end of May and we expect them to trend in the 1-1.5% context for Europe and 2-2.5% for the US. Such levels should not create any issue regarding CLO Equity quarterly payments (no interruption/diversion of payments in 2023 and most probably none in 2024 as well).

As at the end of May 2023, Volta's NAV was €232.0m or €6.34 per share.

**It should be noted that approximately 6.31% 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 6.31% as at 31 March 2023.*

*** "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 May 2023 (% of NAV for ccy / % of GAV for geography)

Portfolio Composition by Asset Type

Market Value (€m)		Breakdown (% GAV)	
CLO	196.6	USD CLO Equity	25.1%
		USD CLO Debt	18.2%
		EUR CLO Equity	22.4%
		EUR CLO Debt	11.8%
		CMV	4.7%
		CLO Warehouse	1.9%
Synthetic Credit	14.1	Synthetic Corporate Credit Equity	0.0%
		Synthetic Corporate Credit Debt	0.0%
		Bank Balance Sheet Transactions	6.0%
Cash Corporate Credit	2.1	Cash Corporate Credit Equity	0.9%
		Cash Corporate Credit Debt	0.0%
ABS	2.0	ABS Residual Positions	0.8%
		ABS Debt	0.0%
Cash or equivalent	18.6	Cash or equivalent	8.0%
GAV	233.4		
Liability	-	Debt from Repurchase Agreement	0.0%
Fees due	(1.4)	Fees due to Investment Manager	(0.6)%
Estimated NAV	232.0	Per Share	6.34

Source: AXA IM, as of May 2023

Last Eighteen Months Performance Attribution



Source: AXA IM, as of May 2023

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Contact:

For the Investment Manager
AXA Investment Managers Paris
Serge Demay
Serge.demay@axa-im.com
+33 (0) 1 44 45 84 47

Company Secretary and Administrator
BNP Paribas S.A., Guernsey Branch
guernsey.bp2s.volta.cosec@bnpparibas.com
+44 (0) 1481 750 853