

# Volta Finance Ltd

## Monthly Report – March 2021



### Data as of 31 Mar 2021

Gross Asset Value	€269.1m
Liabilities	€10.3m
NAV	€258.8m
NAV per share	€7.08
Outstanding Shares	36.6m
Share Price (Euronext)	€6.10
Share Price (LSE)	€6.10
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>8.6%</b>	<b>8.8%</b>	<b>1.1%</b>
Annualised since inception <sup>1</sup>	Annualised over 5 years <sup>1</sup>	1 month <sup>2</sup>

**€258.8m**

NAV as of March 2021

**7.2%**

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
2021	3.9%	1.0%	1.1%										<b>6.1%</b>
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%	<b>-5.7%</b>
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%	<b>6.8%</b>
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%	<b>0.0%</b>
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%	<b>6.7%</b>
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%	<b>16.0%</b>

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

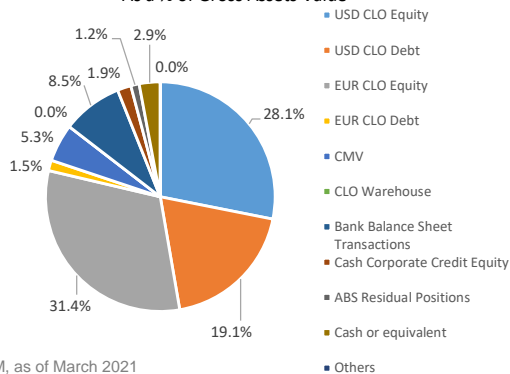
<sup>2</sup> Performance of published NAV (including dividend payments)

<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

As a % of Gross Assets Value



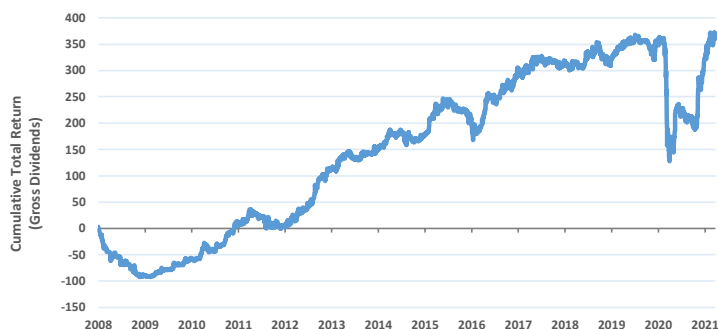
Source: AXA IM, as of March 2021

### Top 10 Underlying Exposures

Issuer	%	Bloomberg Industry Group
Altice France SA/France	0.76%	Telecommunications
EG Group Ltd	0.54%	Retail
Froneri International Ltd	0.51%	Food
Clarios Global LP	0.46%	Auto Parts&Equipment
Upfield BV	0.41%	Food
Action Nederland BV	0.37%	Retail
GTT Communications Inc	0.37%	Telecommunications
Verisure Holding AB	0.42%	Commercial Services
Asurion LLC	0.38%	Insurance
Virgin Media Secured Finance PLC	0.42%	Media

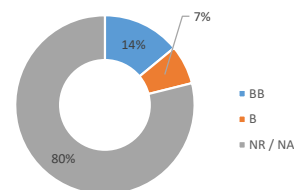
Source: Intex, Bloomberg, AXA IM Paris as of March 2021 – unaudited figures - not accounting for unsettled trades Figures expressed in % of the NAV

### Historical Performance



Source: Bloomberg, as of March 2021

### Portfolio Rating Breakdown



Source: AXA IM, as of March 2021

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### Monthly Commentary

Volta has continued to perform well with +1.1% in March, reaching 6.1% in Q1 2021. This time around, the performance was driven almost evenly by the solid performance from CLO equity tranches against a backdrop of uneven performance across broad credit markets, and by the US dollar appreciation. Even if it was less prevalent this month there remains uncertainty regarding the appropriate level for mid to long-term sovereign yields and it is weighing on most asset class performances. As Volta is predominantly invested in floating rate instruments, the negative impact of rising long-term rates was largely avoided.

The monthly asset class performances\*\* were: +0.6% for Bank Balance Sheet transactions, +1.6% for CLO equity tranches; -0.9% for CLO debt; +3.2% for Cash Corporate Credit deals (this bucket comprises funds that have a one-month delay in publishing their NAV); and -1.3% for ABS.

In terms of fundamentals, in March, trailing-12-month default rates declined again in loan markets (for the 5th consecutive month). As at the end of March, default rates were 3.2% and 2.0% respectively for US and European loans. We continue to expect defaults to continue materializing in loan markets through 2021 and 2022 but at a pace (probably between 2 and 4%) that is manageable for CLOs and should not trigger any cash flow diversions from the CLO equity positions held by the company.

In terms of cash flows, March is structurally a weak month for Volta. Interest and coupons received totaled the equivalent of €0.8m. On a 6-month rolling basis, Volta received the equivalent of €21.1m at the end of March (an increase of €0.5m since the end of February), representing a 16.3% annualised cash flow yield, based on the end March NAV. We still expect overall cash flows to continue to increase in the coming months/quarters.

In March Volta did not purchase new assets, although the equivalent of €0.3m was called by the US warehouse we invested in recently.

One significant source of out-performance for 2021 should be our ability to refinance (where only the most senior debt tranches are called to be re-issued at lower spread) or reset (where all the debt tranches are called and re-issued and the time-to-maturity of the deal is extended) some of Volta CLO positions. We estimate that these operations may lead to extra capital payments that may represent 1.5 to 2% of Volta's NAV per annum and the projected return of Volta's overall portfolio may increase accordingly by 1 to 1.5% per annum. As at the end of March, two positions have already been refinanced and we are working on the Reset of 2 other positions.

This combination of advantageous factors for our CLO Equity positions, which account now for a total of 65% of the NAV means that the outlook for 2021 and beyond remains favourable for Volta. We are still optimistic that the NAV could reach €7.50 per share in the medium term. This, combined with an estimated dividend close to 8% of NAV represents an attractive return stream, especially when considering the discount to NAV at which the shares are still trading.

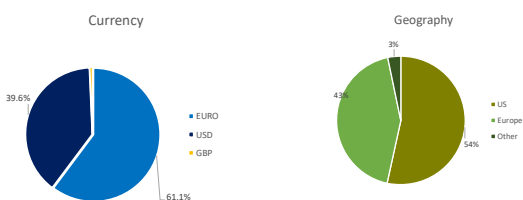
As at the end of March 2021, Volta's NAV was €258.8m or €7.08 per share.

The month-end cash position was €7.9m.

*\*It should be noted that approximately 8.4% 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 for 2.1% as at 28 February 2021, 5.2% as at 31 January 2021, 0.1% as at 31 December 2020, and 1.0% as at 30 September 2020.*

*\*\* "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 (%)



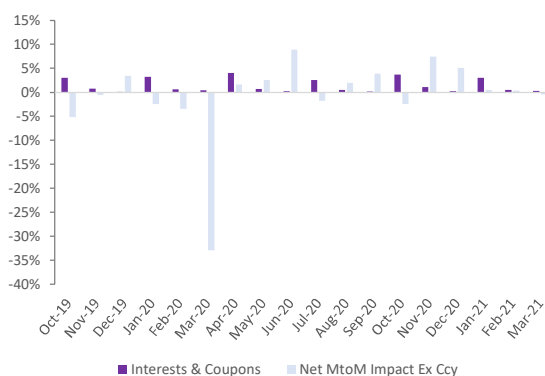
Source: AXA IM, as of March 2021 (% of NAV for ccy / % of GAV for geography)

### Portfolio Composition by Asset Type

Market Value (€m)		Breakdown (% GAV)	
CLO	229.9	USD CLO Equity	28.1%
		USD CLO Debt	19.1%
		EUR CLO Equity	31.4%
		EUR CLO Debt	1.5%
		CMV	5.3%
		CLO Warehouse	0.0%
Synthetic Credit	22.8	Synthetic Corporate Credit Equity	0.0%
		Synthetic Corporate Credit Debt	0.0%
		Bank Balance Sheet Transactions	8.5%
Cash Corporate Credit	5.2	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	7.9	Cash or equivalent	2.9%
<b>GAV</b>	<b>269.1</b>		
Liability	-	Debt from Repurchase Agreement	0.0%
Fees due	(10.3)	Fees due to Investment Manager	(3.8)%
<b>Estimated NAV</b>	<b>258.8</b>	<b>Per Share</b>	<b>7.08</b>

Source: AXA IM, as of March 2021

### Last Eighteen Months Performance Attribution



Source: AXA IM, as of March 2021

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