

Volta Finance Ltd

Monthly Report – October 2022



Data as of 31 Oct 2022

Gross Asset Value	€207.9m
Liabilities	€1.1m
NAV	€206.8m
NAV per share	€5.65
Outstanding Shares	36.6m
Share Price (Euronext)	€4.75
Share Price (LSE)*	€4.72
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	2,2 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

7.1%	0.7%	-2.6%
Annualised since inception ¹	Annualised over 5 years ¹	1 month ²

	€206.8m						11.8%						
	NAV as of October 2022						Trailing 12-month Div. Yield ³						
Returns ²	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2022	1.7%	-3.9%	1.5%	2.3%	-11.8%	-4.6%	4.5%	2.8%	-7.2%	-2.6%			-17.1%
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%

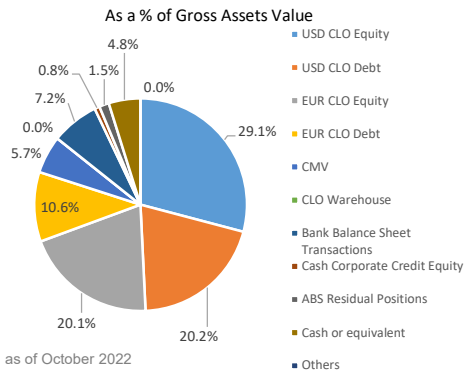
¹ Share (VTA.NA) performance (annualised figures with dividends re-invested). Source: Bbg (TRA function)

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



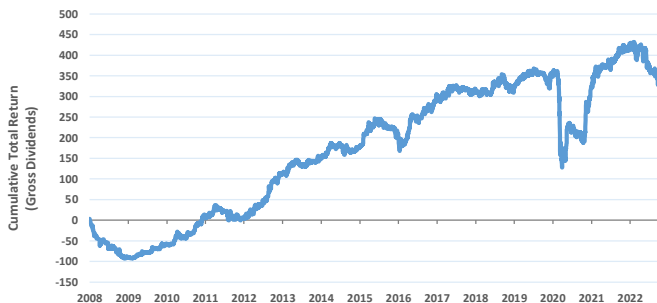
Source: AXA IM, as of October 2022

Top 10 Underlying Exposures

Issuer	%	Bloomberg Industry Group
Altice France SA/France	0.71%	Telecommunications
EG Group Ltd	0.47%	Retail
Virgin Media Secured Finance PLC	0.51%	Media
Nidda Healthcare Holding GmbH	0.37%	Pharmaceuticals
Clarios Global LP	0.37%	Auto Parts&Equipment
Froneri International Ltd	0.35%	Food
BMC Software Inc	0.35%	Software
Verisure Holding AB	0.35%	Commercial Services
Laboratoire Cerba	0.33%	Healthcare-Services
Asurion LLC	0.45%	Insurance

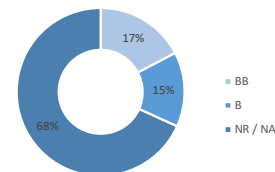
Source: Intex, Bloomberg, AXA IM Paris as of October 2022 – unaudited figures - not accounting for unsettled trades Figures expressed in % of the NAV

Historical Performance



Source: Bloomberg, as of October 2022

Portfolio Rating Breakdown



Source: AXA IM, as of October 2022

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Monthly Commentary

October was a mixed month for Structured Debt Markets as European CLO debt tranches experienced a price rebound - especially the ones that were significantly hit in September - while US CLO performances were slightly negative. As a result, Volta's net asset value ("NAV") declined by -2.6% in October.

Diving into Volta's underlying sub asset classes, monthly performances** were as follow: +0.7% for Bank Balance Sheet transactions, -3.9% for CLO Equity tranches; +1.7% for CLO Debt tranches (driven by +6.2% on European CLO debt); and -0.4% for Cash Corporate Credit and ABS (which represent circa 2.3% of the fund's NAV).

As for every quarter, October was a heavy month in terms of CLO Equity distributions. We were expecting relatively healthy ones across the board and our positions did deliver on that front. Volta received in October the equivalent of €9.1m in terms of interest and coupons. Over the usual 6-month-basis time frame Volta received €23.4m interest and coupons. A 22.3% annualized cash flow to NAV.

Looking at fundamentals, we continued to see slightly more downgrades than upgrades in both the US and the European loan markets, although at a very moderate pace. We have been highlighting for months through this channel of communication the fact that inflation per se can positively impact companies' balance sheets. The release of Q3 earnings demonstrated once more that when revenues increase (in nominal amount) at a high pace, earnings can be maintained or even increased despite companies suffering from margin pressure. At the time of writing this publication, 90% of the S&P companies have reported their Q3 earnings; revenues are up 12.2% (from the previous quarter) allowing earnings to grow by "only" 3.9%.

In the meantime, this increase in revenues is eroding the real value of debt. We believe that the real value of debt for the average US company was basically eroded by 20% in the last two years when considering that from Q3 2020 to Q4 2022 the US GDP grew by 20% in nominal terms. This relationship between nominal growth and debt and the maintenance of healthy earnings can explain why rating agencies have so far been relatively slow (and they may be correct in doing so) in downgrading debt even though many companies do suffer or will suffer from higher interest rates.

Our view remains that the overall dynamics are still more favorable for the US relative to Europe. At the end of October, 12 months running default rates in Loans were still low at 0.4% in Europe and 0.8% in the US.

We expect to see more deterioration in Europe than in the US in the coming quarters and consider it reasonable to see default rates move in the 2% area in the US and in the 3% area in Europe for 2023.

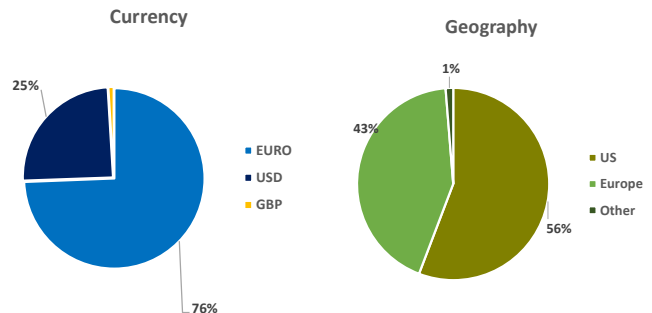
This kind of default pattern will not materially impact the distribution of interests by Volta's assets in the near term. We believe that we can maintain a high level of coupons in the coming quarters and are actively looking to seize investment opportunities with the extra cash that is being generated.

We recently opened a European CLO Warehouse as part of this strategy. No loans have yet been purchased but we expect to start ramping assets in the near term to take advantage of significant price discounts and patiently build a very profitable CLO Equity position.

As at the end of October 2022, Volta's NAV was €206.8m or €5.65 per share.

"It should be noted that approximately 1.5% 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 1.1% as at 30 September 2022, 0.4% was at 31 July 2022 and 0.4%.

*** "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.*



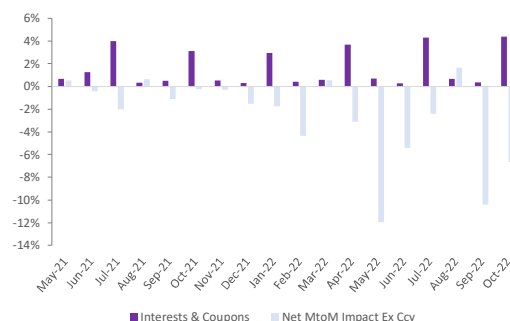
Source: AXA IM, as of October 2022 (% of NAV for ccy / % of GAV for geography)

Portfolio Composition by Asset Type

Market Value (€m)		Breakdown (% GAV)	
CLO	178.2	USD CLO Equity	29.1%
		USD CLO Debt	20.2%
		EUR CLO Equity	20.1%
		EUR CLO Debt	10.6%
		CMV	5.7%
		CLO Warehouse	0.0%
Synthetic Credit	15.0	Synthetic Corporate Credit Equity	0.0%
		Synthetic Corporate Credit Debt	0.0%
		Bank Balance Sheet Transactions	7.2%
Cash Corporate Credit	1.6	Cash Corporate Credit Equity	0.8%
		Cash Corporate Credit Debt	0.0%
ABS	3.1	ABS Residual Positions	1.5%
		ABS Debt	0.0%
Cash or equivalent	10.0	Cash or equivalent	4.8%
GAV	207.9		
Liability	-	Debt from Repurchase Agreement	0.0%
Fees due	(1.1)	Fees due to Investment Manager	(0.5)%
Estimated NAV	206.8	Per Share	5.65

Source: AXA IM, as of October 2022

Last Eighteen Months Performance Attribution



Source: AXA IM, as of October 2022

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Important Information

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