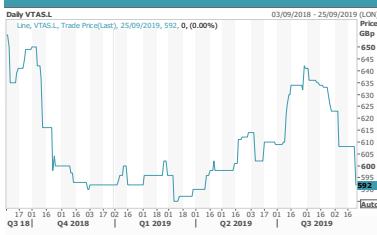


Financials


Source: Refinitiv

Market data

EPIC/TKR	VTA .NA, VTA.LN VTAS LN*
Price (€)	6.72/6.76/608p
12m High (€)	7.32/7.28/655p
12m Low (€)	6.44/6.52/585p
Shares (m)	36.6
Mkt Cap (€m)	246
Trail. 12-mth. yield	9.2%
Free Float	70%
Market	AEX, LSE

*Listing Q3 September 2018

Description

Volta Finance is a closed-ended, limited liability investment company with a diversified investment strategy across structured finance assets (primarily CLOs). It aims to provide a stable stream of income through quarterly dividends.

Company information

Independent Chairman	Paul Meader
Independent Non-Executive Directors	Graham Harrison Stephen Le Page Atosa Moini Paul Varotsis
Fund Managers	Serge Demay
AXA IM Paris	A Martin-Min François Touati
Co. Sec. /Administrator	BNP Paribas Securities Services SCA, Guernsey Branch

BNP: +44 1481 750853

www.voltafinance.com
Key shareholders

Axa Group	30.4%
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Diary

Mid'Oct	Sep estimated NAV
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Analyst

Mark Thomas	020 7194 7622 mt@hardmanandco.com
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VOLTA FINANCE LIMITED

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In our *Directors Talk interview*, we highlighted why we believe Volta has the right approach to valuation, corporate governance, and how it manages its liquidity to never be a forced seller of assets. The latter is through its permanent capital structure and only having 16% of assets, which, by nature, could not be sold overnight. As can be seen by the August NAV performance, there is sensitivity to rising market-wide risk premiums on CLO equity positions. Management notes the recent weeks' significant tightening of Euro CLO AAA tranche spreads. This may open the door for refinancing or resetting of existing European CLO liabilities to the benefit of CLO equity positions in due course.

- ▶ **Volta monthly report:** August NAV fell 0.5% (YTD 5.3%) to €7.82 per share. The local currency performances were +0.8% for Bank Balance Sheet transactions, -2.6% for CLO equity tranches (market-wide increase in risk premium), -0.6% for CLO debt, -1.2% for Cash Corporate Credit deals and +0.5% for ABS.
- ▶ **Peer August reports:** Blackstone GSO Loan Financing's € NAV fell 2.7% (YTD up 3.9%), Fair Oaks Income's \$ NAV fell 3.8% (0.2%), Marble Point's \$ NAV fell 4.0% (5.5%), and TwentyFour Income Fund's £ NAV fell 0.3% (3.3%). We reviewed Volta and its peers in our report, *Diving deep finds you the treasure*.
- ▶ **Valuation:** Volta trades at a 14% discount to NAV. Peer-CLO finance funds trade at a ca.6% discount. In recent months and over the medium term, Volta has delivered a better NAV performance than its immediate peers and in-line volatility, making this relative discount anomalous, in our view.
- ▶ **Risks:** Credit risk is a key sensitivity (Volta has a widely-diversified portfolio). We examined the valuation of assets, highlighting the multiple controls to ensure its validity, in our *initiation note*. NAV is affected by sentiment towards its own and underlying markets. Volta's long \$ position is only partially hedged.
- ▶ **Investment summary:** Volta is an investment for sophisticated investors, as there could be sentiment-driven, share price volatility. However, long-term returns have been good: nearly 10% p.a. (dividend re-invested basis) over five years. The current portfolio-expected NAV return is more than 10%. The historical yield is more than 9.0%, and we believe is covered by predictable income streams in 2019E.

Financial summary and valuation (Hardman & Co adjusted basis)

Year-end Jul (€m)	2014	2015	2016	2017	2018	2019E	2020E
Coupons & dividend	31.4	33.7	34.7	33.2	38.5	37.0	36.1
Operating income	37.5	46.0	36.5	35.0	37.2	38.5	37.7
Inv. manager's fees	-4.1	-4.5	-4.3	-4.6	-4.6	-4.4	-4.5
Adj. perform. fees	-2.5	-3.5	-1.3	-1.2	-1.4	-1.7	-1.7
Total expenses	-7.9	-10.3	-7.2	-7.0	-0.9	-0.9	-0.9
Total comp. income	29.5	35.7	29.3	28.0	29.9	31.1	30.1
Statutory PTP	44.0	47.6	12.6	38.7	22.7	7.3	29.8
Underlying EPS (€)	0.82	0.98	0.80	0.77	0.82	0.85	0.82
NAV	273.6	299.2	289.3	305.5	305.7	290.5	297.8
S/P disc. to NAV	10%	18%	15%	20%	20%	15%	17%
Gearing	0%	9%	12%	12%	14%	15%	14%
Dividend yield	8.9%	9.2%	9.2%	9.2%	9.2%	9.2%	9.2%

Source: Hardman & Co Research