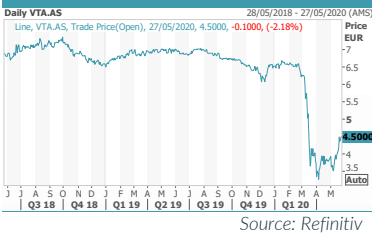


**Financials**

**Market data**

EPIC/TKR	VTA .NA, VTAL.N, VTAS LN*
Price (€)	4.50/4.25/390p
12m High (€)	6.74/7.04/642p
12m Low (€)	3.20/3.38/285p
Shares (m)	36.6
Mkt Cap (€m)	164
Prop. 12-mth. yield	10.2%
Free Float	70%
Market	AEX, LSE

\*Listing 03 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**

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

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[www.voltafinance.com](http://www.voltafinance.com)

**Key shareholders**

Axa Group	30%
BBVA Madrid & BNP WM	7%
Ironside Partners & Deutsche	6%

**Diary**

Mid-Jun'20	May estimated NAV
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**Analyst**

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# VOLTA FINANCE LIMITED

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On 12 May, we published a [Q&A with Hardman analyst](#). We provided investors with a detailed Q&A with Volta's Directors and Manager on the key issues, structured into i) risk management (exposed sectors where loans are typically >30% below par make up just 10% of the portfolio, solvency is strong, and there appears to still be a liquid market at a modest discount for many assets), ii) re-investment opportunities, and iii) the revised dividend prospects. Volta marks to market most of its assets and captures both "real" losses and investor sentiment (ca. two thirds of March's losses), which may reverse over the next year or two.

- ▶ **Volta monthly report:** In April, Volta's NAV rose by 5.7% (March decline 32.4%, YTD decline 30%). CLO debt tranches were up 12% (18% of portfolio), CLO equity rose 10% (45%), bank balance sheet transactions rose 0.3% (13%), and ABS positions rose 0.6% (6%). Cash is now 10% of GAV.
- ▶ **April peer reports:** Blackstone GSO Loan Financing's € NAV rose 1.95% (YTD, but uses mark-to-model accounting basis), Fair Oaks Income's \$ NAV rose 13% (one year -46%), TwentyFour Income Fund's £ NAV fell 1.55% (one year -14%, includes residential mortgages).
- ▶ **Valuation:** Volta trades at a 16% discount to NAV. Its NAV is subject to significant external input and oversight. The relative discounts to FAIR and MPLF appear anomalous as, over the long term, Volta has delivered a better NAV performance. Volta declared a €0.1 dividend on 11 May, and is aiming for 8% NAV distribution.
- ▶ **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 both the NAV and the discount to NAV reflect sentiment. This may be expected to normalise over time, and we note that the model-based approach of BGLF saw its NAV drop by only a third that of Volta in March 2020. Fundamental long-term returns have been good: pre-COVID-19, ca.11% p.a. (dividend re-invested basis) over five years. Performance relative to peers has been strong, and returns for investments made after the financial crisis were double those in prior years.

**Financial summary and valuation (Hardman & Co adjusted basis)**

Year-end Jul (€m)	2015	2016	2017	2018	2019	2020E	2021E
Coupons & dividends	33.7	34.7	33.2	38.5	42.0	42.3	25.5
Operating income	46.0	36.5	35.0	37.0	41.0	41.3	24.4
Inv. manager's fees	-4.5	-4.3	-4.6	-4.6	-4.4	-3.4	-1.5
Adj. perform. fees	-3.5	-1.3	-1.2	-1.3	-2.1	-2.6	-1.3
Total expenses	-1.8	-0.9	-0.8	-0.9	-1.0	-1.0	-1.0
Total comp. income	35.7	29.3	28.0	29.7	32.9	33.8	20.1
Statutory PTP	47.6	12.6	38.7	22.7	7.1	-89.7	83.3
Underlying EPS (€)	0.98	0.80	0.77	0.81	0.90	0.92	0.55
NAV	299.2	289.3	305.5	305.7	290.6	186.0	252.6
S/P disc. to NAV	45%	43%	46%	46%	43%	11%	35%
Gearing	9%	12%	12%	14%	12%	0%	0%
Dividend yield	13.8%	13.8%	13.8%	13.8%	13.8%	9.1%	10.2%

Source: Hardman & Co Research