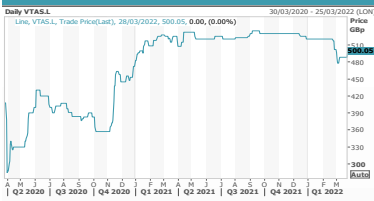


Closed End Investments


Source: Refinitiv

Market data

EPIC/TKR	VTA.NA, VTA.LN, VTA.LN
Price (€)	5.98/5.90/488p
12m high (€)	6.38/6.38/549p
12m low (€)	5.70/5.70/474p
NAV p/sh (Feb'22, €)	7.10
Discount to NAV	16%
Shares (m)	36.6
Mkt cap (€m)	218
2023E div. yield	10.9%
Free float	70%
Market (NL, UK)	AEX, LSE

Description

Volta Finance (Volta) 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. NEDs	Graham Harrison, Dagmar Kent Kershaw, Stephen Le Page
Fund Managers	Serge Demay, AXA IM Paris A Martin-Min, François Touati
Co. Sec./ Administrator	BNP Paribas Securities Services SCA, Guernsey Branch
BNP: +44 (0)1481 750853	
www.voltafinance.com	

Key shareholders (31 Jul'20)

AXA Group	30%
BNP WM	16%
Deutsche	6%
Citibank	6%

Diary

Mid-Apr	Mar estimated NAV
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Analyst

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VOLTA FINANCE LIMITED

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In our note, *What Volta brings to investors*, we explored three things that Volta has brought to both UK and European investors: i) it has given investors relatively high total returns; ii) it provides a higher ongoing income (and we briefly summarise recent reports on cash generation and strong dividend cover); and iii) Volta is uncorrelated to benchmark bonds, an asset class that investors may have considered for income. Volta's CLO investments may not be to every investor's taste, and there are risks (Volta marks to market, which is not adopted by all peers); these traits are noteworthy. A **€0.15 quarterly dividend** (8% NAV annualised) was declared on 16 March 2022.

- ▶ **February Factsheet:** Monthly asset class performances were -5.6% for CLO equity tranches (Europe -10.2%), -2.9% for CLO debt (Europe -4.6%), -0.2% for Bank Balance Sheet transactions and +0.8% for Cash Corporate Credit and ABS. The US was resilient, with Europe affected by the Ukrainian crisis. Overall NAV was down 3.9%.
- ▶ **Russia/Ukraine exposure:** There is no direct exposure. Some companies have part of their income or some production sites in these two countries. The most exposed is a pharmaceutical company (14% of revenue). Wider effects are likely to see rising defaults. VTA assumes European effects will be like COVID-19 (3%+ in 2023).
- ▶ **Valuation:** Volta trades at a 16% discount to NAV (which is subject to significant external input and oversight). The relative discount to Fair Oaks seems anomalous, as, over the long term, Volta has delivered a better NAV performance. Volta aims for 8% NAV distribution (dividend yield 10.2% 2022E, 10.9% 2023E).
- ▶ **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 BGLF's model-based approach saw its NAV drop by only a third that of Volta in March 2020. Fundamental long-term returns have been good: 8.7% p.a. (dividend reinvested basis) since inception. Volta's performance relative to its 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)	2017	2018	2019	2020	2021	2022E	2023E
Coupons & dividend	33.2	38.5	42.0	39.4	41.8	45.1	44.6
Operating income	35.0	37.0	41.0	31.5	44.5	46.4	45.7
Inv. manager's fees	(5.7)	(4.2)	(4.2)	(3.9)	(14.2)	(9.0)	(8.1)
Expenses	(0.8)	(0.9)	(1.0)	(1.0)	(1.0)	(1.0)	(1.0)
Total comp. income	28.0	29.7	32.9	25.8	35.2	37.1	36.6
Statutory PTP	38.7	22.7	7.1	(63.0)	76.8	41.3	38.0
Underlying EPS (€)	0.8	0.8	0.9	0.7	1.0	1.0	1.0
NAV per share (€)*	8.4	8.4	7.9	5.7	7.3	7.8	8.2
S/P disc. to NAV**	-11%	-15%	-12%	-23%	-17%	-23%	-27%
Gearing	12%	14%	12%	0%	0%	16%	17%
Dividend (€)	0.62	0.62	0.62	0.52	0.52	0.61	0.65
Dividend yield	10.4%	10.4%	10.4%	8.7%	8.7%	10.2%	10.9%

*July 2021 NAV updated; detailed profit and loss to follow with results; **2017-22 actual NAV and share price, 2022-23 forecast NAV to current share price; Source: Hardman & Co Research