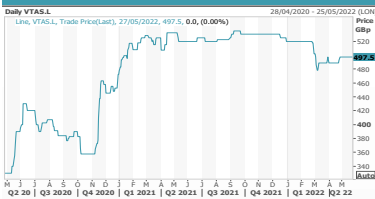


Closed End Investments


Source: Refinitiv

Market data

EPIC/TKR	VTA.NA, VTA.LN, VTAS LN
Price (€)	5.78/5.90/498p
12m high (€)	6.38/6.38/549p
12m low (€)	5.60/5.70/474p
NAV p/sh (Apr'22, €)	7.22
Discount to NAV	20%
Shares (m)	36.6
Mkt cap (€m)	211
2023E div. yield	10.6%
Free float	70%
Market (NL, UK)	AEX, LSE, LSE
Currency	€, €, GBP

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

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www.voltafinance.com
Key shareholders

AXA Group	30%
BNP WM	16%
BNP Securities Services	10%

Diary

9 June	Hardman Talks
Mid-Jun	May estimated NAV

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 brings to investors: i) relatively high total returns; ii) a high ongoing income (and we briefly summarised 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. The *half-year report* to January 2022 was released on 7 April 2022.

- ▶ **April factsheet:** Monthly asset class performances were +0.9% for CLO equity tranches, +0.5% for CLO debt, +0.8% for Bank Balance Sheet transactions and +0.7% for Cash Corporate Credit and ABS. Overall, NAV was up 2.3%, after +1.5% in March. Annualised six-month interest/coupons received were 17.0% of NAV.
- ▶ **Outlook comment:** "For the coming quarters, there are no signs that Volta may suffer from any diversion of cashflows from its CLO Equity positions. Receiving a continuing high level will allow us to take advantage of opportunities arising from the current market environment while paying a solid quarterly dividend."
- ▶ **Valuation:** Volta trades at a 20% 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 10.6% 2022E, 11.3% 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: 8.6% 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%	-26%	-29%
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	10.7%	10.7%	10.7%	9.0%	9.0%	10.6%	11.3%

*2017-21 actual NAV and share price, 2022-23 forecast NAV to current share price; Source: Hardman & Co Research