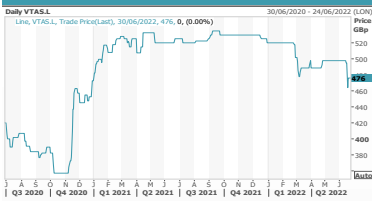


Closed End Investments


Source: Refinitiv

Market data

EPIC/TKR	VTA.NA, VTA.LN, VTAS LN
Price (€)	5.48/5.60/476p
12m high (€)	6.38/6.38/549p
12m low (€)	5.30/5.50/464p
NAV p/sh (May'22, €)	6.37
Discount to NAV	14%
Shares (m)	36.6
Mkt cap (€m)	200
2023E div. yield	10.9%
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, Yedau Ogundele
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

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

Diary

Mid-Jul	Jun estimated NAV
---------	-------------------

Analyst

 Mark Thomas +44 (0)203 693 7075
mt@hardmanandco.com

VOLTA FINANCE LIMITED

THIS DOCUMENT IS NOT AVAILABLE TO 'U.S. PERSONS', NOR TO PARTIES WHO ARE NOT CONSIDERED 'RELEVANT PERSONS' IN THE UNITED KINGDOM, NOR SHOULD IT BE TAKEN, TRANSMITTED OR DISTRIBUTED, DIRECTLY OR INDIRECTLY, TO EITHER OF THESE CATEGORIES.

In our note, *Hardman presentation: Carpe Diem*, we summarised the manager's 15 June Hardman Talks presentation, *Seizing opportunities in volatile times*. The key messages were i) refi/reset helped build annualised cashflows to a high-teen percentage of NAV, more than double the dividend payout, which should allow the NAV to grow over the medium term, ii) most underlying loans are floating rate, and so income will rise with interest rates, and iii) the net US exposure is positive in risky times. The presentation showed how strong the corporate market is and that, while defaults will rise, they start from a low point. There will be mark-to-market (MTM) volatility, but long-term cashflows are good.

- ▶ **How the manager adds value:** AXA IM has ca.\$21bn of CLO assets under management, giving it the scale required to invest in people and control systems. Its presence gives invaluable market knowledge, positioning and pricing power. As the listed vehicle, Volta is a very visible and important part of this portfolio.
- ▶ **May monthly report:** In May, the CLO market experienced a brutal price adjustment, reversing four months of solid outperformance relative to classic credit and equity markets. However, cashflows remain extremely robust, with six-month interest and coupons equivalent to 19.3% annualised cashflow to NAV.
- ▶ **Valuation:** Volta trades at a 14% 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 10.9% 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: 8.6% 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	47.5
Operating income	35.0	37.0	41.0	31.5	44.5	46.4	48.5
Inv. manager's fees	(5.7)	(4.2)	(4.2)	(3.9)	(14.2)	(4.0)	(8.8)
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	38.7
Statutory PTP	38.7	22.7	7.1	(63.0)	76.8	(8.7)	40.0
Underlying EPS (€)	0.8	0.8	0.9	0.7	1.0	1.0	1.1
NAV per share (€)	8.4	8.4	7.9	5.7	7.3	6.4	6.9
S/P disc. to NAV*	-11%	-15%	-12%	-23%	-17%	-15%	-21%
Gearing	12%	14%	12%	0%	0%	19%	20%
Dividend (€)	0.62	0.62	0.62	0.52	0.52	0.61	0.60
Dividend yield	11.3%	11.3%	11.3%	9.5%	9.5%	11.1%	10.9%

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