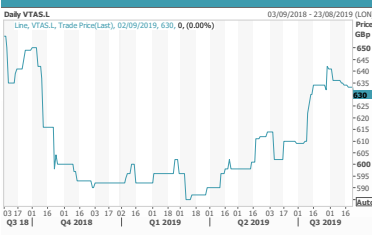


**Financials**

**Market data**

EPIC/TKR	VTA .NA, VTA.LN VTAS LN*
Price (€)	6.90/6.89/633p
12m High (€)	7.32/7.28/655p
12m Low (€)	6.46/6.52/590p
Shares (m)	36.6
Mkt Cap (€m)	252
Trail. 12-mth. yield	9.0%
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**

Independent Chairman	Paul Meader
Independent Non- Executive Directors	Graham Harrison Stephen Le Page Atosa Moini Paul Varotsis
Fund Managers AXA IM Paris	Serge Demay A Martin-Min François Touati
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	30.4%
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**Diary**

Mid' Sep	August estimated NAV
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**Analyst**

Mark Thomas	020 7194 7622 <a href="mailto:mt@hardmanandco.com">mt@hardmanandco.com</a>
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# VOLTA FINANCE LIMITED

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The NAV has risen 6.9% since the end of 2018; slightly above the average run rate over the past five years (9.6% p.a.). In the past month the discount has widened from 12% to 13% a similar trend to the peer average (discount widened 5% to 7%). In our *Directors Talk interview*, we highlighted why we believe Volta has the right approach to valuation (e.g. all its CLO positions, ca 75% of gross asset value use an independent pricing provider not prices from arranging banks), 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.

- ▶ **Volta monthly report:** July NAV rose 0.5% (YTD 6.9%), to €7.94 per share with the \$ appreciation against Euro being the main driver. The performances in local ccy were: +1.0% for Bank Balance Sheet transactions, +0.8% for CLO Equity; -0.3% for CLO Debt; -4.4% for Cash Corporate Credit deals; and +0.5% for ABS.
- ▶ **Peer April reports:** Blackstone GSO Loan Financing's € NAV fell 1.6% (YTD 3.8%), Fair Oaks Income's \$ NAV rose 1.54% (4.0%), Marble Point's \$ NAV fell 0.3% (9.9%) and TwentyFour Income Fund's £ NAV rose 0.6% (3.6%). We reviewed Volta and its peers in our report, *Diving deep finds you the treasure*.
- ▶ **Valuation:** Volta trades at a 13% discount to NAV. Peer-CLO finance funds trade at a ca.7% 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.
- ▶ **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 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	39.1	41.0
Operating income	37.5	46.0	36.5	35.0	37.2	40.8	42.8
Inv. manager's fees	-4.1	-4.5	-4.3	-4.6	-4.6	-4.7	-4.8
Adj. perform. fees	-2.5	-3.5	-1.3	-1.2	-1.4	-2.1	-2.3
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	32.8	34.4
Statutory PTP	44.0	47.6	12.6	38.7	22.7	32.4	34.1
Underlying EPS (€)	0.82	0.98	0.80	0.77	0.82	0.90	0.94
NAV	273.6	299.2	289.3	305.5	305.7	315.6	327.2
S/P disc. to NAV	8%	16%	13%	17%	17%	20%	22%
Gearing	0%	9%	12%	12%	14%	14%	13%
Dividend yield	8.7%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%

Source: Hardman & Co Research