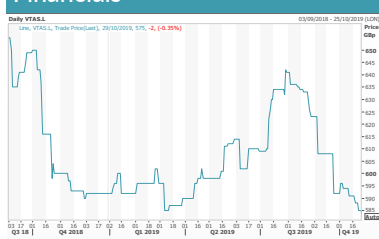


**Financials**


Source: Refinitiv

**Market data**

EPIC/TKR	VTA .NA, VTA.LN VTAS LN
Price (€)	6.56/6.64/585p
12m High (€)	7.32/7.28/655p
12m Low (€)	6.44/6.52/585p
Shares (m)	36.6
Mkt Cap (€m)	240
Trail. 12-mth. yield	9.5%
Free Float	70%
Market	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**

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

BNP: +44 1481 750853

[www.voltafinance.com](http://www.voltafinance.com)
**Key shareholders**

Axa Group	30.4%
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**Diary**

Mid'Nov	October estimated N/A/V
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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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In our 7 October report, *9%+ yield in uncertain times*, we reminded investors of Volta's many attractions, and examined what would be required for the Volta 9%+ yield to be seriously threatened. We noted the broad diversification of underlying cashflows, the consistency of income and monthly returns, and the manager's excellent track record. We also explored the business dynamics in a downturn and how investor sentiment could be less volatile with increased cov-lite documentation. The discount appears anomalous i) relative to peers, given Volta's track record and the issues identified above, ii) compared with historical averages, and iii) relative to its absolute track record.

- ▶ **Volta monthly report:** September NAV rose 0.4% (YTD 5.7%) to €7.69 per share. The local currency performances were positive in each asset class: +0.8% for Bank Balance Sheet transactions, +0.5% for CLO equity tranches, +0.2% for CLO debt, +2.4% for Cash Corporate Credit deals and +0.4% for ABS.
- ▶ **Peer September reports:** Blackstone GSO Loan Financing's € NAV rose 0.44% (YTD +4.3%), Fair Oaks Income's \$ NAV fell 0.05% (+0.1%), Marble Point's \$ NAV fell 0.8% (+4.65%), and TwentyFour Income Fund's £ NAV rose 0.6% (+3.9%). We reviewed Volta and its peers in our report, *Diving deep finds you the treasure*.
- ▶ **Valuation:** Volta trades at a 15% discount to NAV. Peer-CLO finance funds trade at a ca.8% 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, in our view.
- ▶ **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 9.5%, 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	42.0	35.2
Operating income	37.5	46.0	36.5	35.0	37.2	41.0	34.1
Inv. manager's fees	-4.1	-4.5	-4.3	-4.6	-4.6	-4.4	-4.5
Adj. perform. fees	-2.5	-3.5	-1.3	-1.2	-1.4	-2.1	-1.0
Total expenses	-7.9	-10.3	-7.2	-7.0	-0.9	-1.0	-1.0
Total comp. income	29.5	35.7	29.3	28.0	29.9	32.9	27.2
Statutory PTP	44.0	47.6	12.6	38.7	22.7	7.1	26.9
Underlying EPS (€)	0.82	0.98	0.80	0.77	0.82	0.90	0.74
NAV	273.6	299.2	289.3	305.5	305.7	290.6	295.3
S/P disc. to NAV	12%	20%	17%	21%	21%	17%	19%
Gearing	0%	9%	12%	12%	14%	12%	12%
Dividend yield	9.1%	9.5%	9.5%	9.5%	9.5%	9.5%	9.5%

Source: Hardman &amp; Co Research