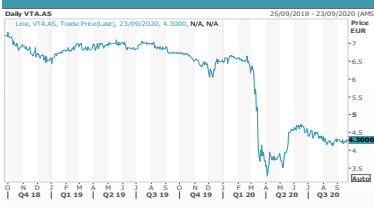


**Financials**


Source: Refinitiv

**Market data**

EPIC/TKR	VTA.NA, VTA.LN, VTAS LN
Price (€)	4.30/4.30/384p
12m High (€)	6.74/7.04/642p
12m Low (€)	3.20/3.38/285p
NAV p/sh Aug (€)	5.80
Shares (m)	36.6
Mkt Cap (€m)	157
2020E 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**

Ind. Chairman	Paul Meader
Ind. Non-Executive	Graham Harrison
Directors	Stephen Le Page
Fund Managers	Paul Varotsis
AXA IM Paris	Serge Demay
	A Martin-Min
	François Touati
Co. Sec./Administrator	BNP Paribas Securities
	Services SCA, Guernsey Branch
	BNP: +44 1481 750853
	<a href="http://www.voltafinance.com">www.voltafinance.com</a>

**Key shareholders**

Axa Group	30%
BBVA Madrid & BNP WM	7%
Ironside Partners & Deutsche	6%

**Diary**

Mid-Oct	Sep estimated NAV
Oct	Results to end-July

**Analyst**

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# VOLTA FINANCE LIMITED

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In our 15 September note, *Value added by active portfolio management*, we explored Volta's portfolio positioning (increasing CLO equities and reducing CLO debt). We showed how this delivered relative resilience amid the COVID-19 crisis. AXA IM selected investments i) whose price reflected a downturn, ii) of recent vintage, and iii) in defensive sectors. Volta marks to market its investments, and has suffered from sentiment-driven effects. Annualised received cashflows, though, represent 16% of August NAV, and market conditions have been improving. We also examined the upside optionality that Volta's portfolio provides to any further recovery.

- ▶ **Relative resilience to Jul'20:** Volta has increased its CLO equity weighting since summer 2018. It bought positions where prices already reflected a downturn, which were recent structures and in defensive sectors. These positions showed less volatility than debt positions, and Volta has outperformed its peers.
- ▶ **Upside optionality:** Potential upside could come from i) improving trends in CLO markets, with rising asset prices, greater volumes and widening spreads, ii) normalisation of sentiment discounts on both assets and Volta's shares, iii) Volta shares aligning with other corporate debt vehicles, and iv) a rising dividend.
- ▶ **Valuation:** Volta trades at a 26% discount to NAV (subject to significant external input and oversight). The relative discounts to Fair Oaks and Marblepoint seem anomalous, as, over the long term, Volta has delivered a better NAV performance. Volta declared a €0.11 dividend on 21 September, and aims for 8% NAV distribution.
- ▶ **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: pre-COVID-19, ca.11% p.a. (dividend re-invested basis) over five years. 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)	2015	2016	2017	2018	2019	2020E	2021E
Coupons & dividends	33.7	34.7	33.2	38.5	42.0	42.3	28.3
Operating income	46.0	36.5	35.0	37.0	41.0	41.3	27.3
Inv. Manager's fees	-4.5	-4.3	-4.6	-4.6	-4.4	-3.6	-1.5
Adj. perform. fees	-3.5	-1.3	-1.2	-1.3	-2.1	-2.6	-1.5
Total expenses	-1.8	-0.9	-0.8	-0.9	-1.0	-1.0	-1.0
Total comp. income	35.7	29.3	28.0	29.7	32.9	33.6	22.7
Statutory PTP	47.6	12.6	38.7	22.7	7.1	-67.7	86.1
Underlying EPS (€)	0.98	0.80	0.77	0.81	0.90	0.92	0.62
NAV	299	289	306	306	291	208	276
S/P prem./disc. to NAV	-47%	-46%	-49%	-49%	-46%	-24%	-43%
Gearing	9%	12%	12%	14%	12%	0%	0%
Dividend yield	14.4%	14.4%	14.4%	14.4%	14.4%	9.5%	11.9%

Note: 2020 NAV actual but awaiting results for other lines. Source: Hardman & Co Research