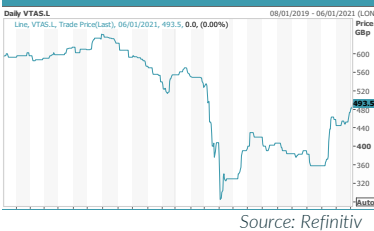


Financials

Market data

	VTANA, VTALN, VTAS LN
EPIC/TKR	
Price (€)	5.50/5.45/493.5p
12m High (€)	6.74/7.04/642p
12m Low (€)	3.20/3.38/285p
NAV p/sh Nov (€)	6.51
Shares (m)	36.6
Mkt Cap (€m)	201
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

www.voltafinance.com

Key shareholders (31 July 2020)

Axa Group	30%
BNP WM	16%
Deutsche	6%
Citibank	6%

Diary

Mid-Feb'21	Jan estimated NAV
------------	-------------------

Analyst

Mark Thomas 020 3692 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.

Volta offers investors a big dividend yield uplift because of six income yield uplifts its business delivers. These include i) structured debt yield better than mainstream debt; ii) CLO yield advantages over structured debt; iii) Volta's flexible mandate and yield advantage over the CLO market as whole; iv) current re-investments at an above-average yield advantage over the market; v) re-investment offering a material pick-up against maturing business; and vi) the potential further pick-up in Volta's dividend as its assets' valuations approach expected cashflows rather than having sentiment-driven discounts. The NAV discount appears anomalous to these returns.

- ▶ **Volta monthly report:** In Nov'20, Volta's NAV rose by 7.2% (YTD -10%). CLO debt was up 10% and equity tranches up 11% (77% of portfolio), bank balance sheet transactions fell 1% (10%). Volta noted more upgrades than downgrades in the US loan market. Six-month rolling cashflow was 15% yield on NAV.
- ▶ **Outlook:** Volta has seen a sharp re-bounce in NAV since end-March 2020 (€5.06 to €6.51 p/share end-November), and its dividend has yet to catch up with the rising NAV. We believe further NAV accretion is likely as residual sentiment unwinds, which would increase the dividend even further.
- ▶ **Valuation:** Volta trades at a 16% discount to NAV (which is 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 aims for 8% NAV distribution (on current discount 9.5% yield).
- ▶ **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)	2016	2017	2018	2019	2020	2021E	2022E
Coupons & dividend	34.7	33.2	38.5	42.0	39.4	35.3	43.9
Operating income	36.5	35.0	37.0	41.0	31.5	37.4	44.7
Inv. manager's fees	-4.3	-4.6	-4.6	-4.4	-3.6	-4.3	-4.6
Expenses	-0.9	-0.8	-0.9	-1.0	-1.0	-1.0	-1.0
Total comp. income	29.3	28.0	29.7	32.9	25.8	28.6	35.5
Statutory PTP	12.6	38.7	22.7	7.1	-63.0	97.7	40.3
Underlying EPS (€)	0.80	0.77	0.81	0.90	0.71	0.78	0.97
NAV	289	306	306	291	208	287	304
S/P disc. to NAV*	-14%	-11%	-15%	-12%	-23%	-30%	-34%
Gearing	12%	12%	14%	12%	0%	14%	13%
Dividend	0.62	0.62	0.62	0.62	0.52	0.52	0.63
Dividend yield	11.3%	11.3%	11.3%	11.3%	9.5%	9.5%	11.5%

*2016-20 actual NAV & share price, 2021-21 forecast NAV to current share price. Source: Hardman & Co Research