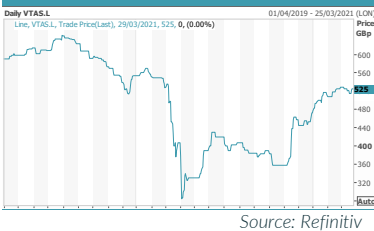


**Financials**

**Market data**

	VT.A.NA, VT.A.LN, VTAS LN
EPIC/TKR	
Price (€)	6.06/6.10/525p
12m High (€)	6.10/6.20/538p
12m Low (€)	3.28/3.05/300p
NAV p/sh Jan (€)	7.00
Disc. to NAV (%)	13%
Shares (m)	36.6
Mkt Cap (€m)	221
2021 yield	8.6%
Free Float	70%
Market (NL, UK)	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](http://www.voltafinance.com)

**Key shareholders (31 Jul'20)**

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

**Diary**

Mid-Apr'21	Mar estimated NAV
------------	-------------------

**Analyst**

Mark Thomas 020 3693 7075  
[mt@hardmanandco.com](mailto: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.**

A major theme for Volta in 2021 will be the refinancing (where only the most senior debt tranches are called to be re-issued at lower spread) or reset (where all the debt tranches are called and re-issued and the deal is extended) of several CLO positions. The re-pricing down of CLO debt tranches is good for equity positions and roughly two-thirds of Volta's CLO equity positions (which make up 65% of the book) are likely to benefit. The resultant gains could be substantial - Volta estimates that these may add 1.0% to 1.5% to its return p.a. Six-month, rolling cashflows represent an annualised 16.1% of February NAV, representing strong support for the dividend.

- ▶ **Volta monthly report:** In *February 2021*, Volta's NAV increased by 1.0%. By asset type, it was +1.5% for CLO equity tranches, +0.6% for CLO debt, +16.7% for Cash Corporate Credit deals (this bucket has a one-month delay in publishing its NAV), and -0.7% for Bank Balance sheet transactions.
- ▶ **Market outlook:** In February, trailing-12-month defaults rates declined in loan markets (for the fourth consecutive month). Default rates were 3.2% and 2.1%, respectively, for US and European loans, way below the 13% and 10% rates that were originally forecasted by rating agencies trying to measure COVID-19 effects.
- ▶ **Valuation:** Volta trades at a 13% 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 (8.5% current share price).
- ▶ **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 per share (€)	7.92	8.36	8.36	7.94	5.69	7.84	8.31
S/P disc. to NAV*	-14%	-11%	-15%	-12%	-23%	-23%	-27%
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	10.2%	10.2%	10.2%	10.2%	8.6%	8.6%	10.5%

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