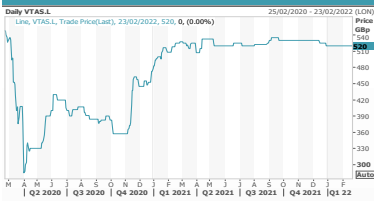


**Closed End Investments**


Source: Refinitiv

**Market data**

EPIC/TKR	VTA.NA, VTA.LN, VTAS LN
Price (€)	6.20/6.08/520p
12m High (€)	6.38/6.38/546p
12m Low (€)	5.80/5.65/482p
NAV p/sh (Jan'22, €)	7.39
Discount to NAV	16%
Shares (m)	36.6
Mkt cap (€m)	227
2023E div. yield	10.5%
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. NEDs	Graham Harrison, Dagmar Kent Kershaw, Stephen Le Page
Fund Managers	Serge Demay, AXA IM Paris A Martin-Min, François Touati
Co. Sec./ Administrator	BNP Paribas Securities Services SCA, Guernsey Branch
BNP: +44 (0)1481 750853	
<a href="http://www.voltafinance.com">www.voltafinance.com</a>	

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

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

**Diary**

Mid-Mar	Feb estimated NAV
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**Analyst**

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# VOLTA FINANCE LIMITED

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In our note, *What Volta brings to investors*, we explored three things that Volta has brought to both UK and European investors since it listed on the UK stock market on 28 May 2015: i) it has given investors relatively high total returns; ii) it provides a higher ongoing income (and we briefly summarise recent reports on cash generation and strong dividend cover); and iii) Volta is uncorrelated to benchmark bonds, an alternative asset class that investors may have considered for income. While Volta's CLO investments may not be to every investor's taste, and there are risks (Volta marks to market, which is not adopted by all peers), these three traits are noteworthy.

- ▶ **Returns:** Since 20 May 2015, Volta has generated total shareholder returns (TSRs) of 58%, against European and UK stock markets' TSRs of ca.40%. Returns from 10-year government bond holdings over the period have been between 10% and 24%, varying by country. Volta's returns have been above those of major asset classes.
- ▶ **Income/correlations:** Volta is bought primarily for income. It not only offers a superior income to benchmark bonds, but the gap has increased significantly. Importantly, there is no correlation in the total return between Volta and this asset class, giving investor portfolios a diversification to their returns.
- ▶ **Valuation:** Volta trades at a 16% discount to NAV (which is subject to significant external input and oversight). The relative discount to Fair Oaks seems anomalous, as, over the long term, Volta has delivered a better NAV performance. Volta aims for 8% NAV distribution (dividend yield 9.9% 2022E, 10.5% 2023E).
- ▶ **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: 8.8% p.a. (dividend reinvested basis) since inception. 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)	2017	2018	2019	2020	2021	2022E	2023E
Coupons & dividend	33.2	38.5	42.0	39.4	41.8	45.1	44.6
Operating income	35.0	37.0	41.0	31.5	44.5	46.4	45.7
Inv. manager's fees	(5.7)	(4.2)	(4.2)	(3.9)	(14.2)	(9.0)	(8.1)
Expenses	(0.8)	(0.9)	(1.0)	(1.0)	(1.0)	(1.0)	(1.0)
Total comp. income	28.0	29.7	32.9	25.8	35.2	37.1	36.6
Statutory PTP	38.7	22.7	7.1	(63.0)	76.8	41.3	38.0
Underlying EPS (€)	0.8	0.8	0.9	0.7	1.0	1.0	1.0
NAV per share (€)*	8.4	8.4	7.9	5.7	7.3	7.8	8.2
S/P disc. to NAV**	-11%	-15%	-12%	-23%	-17%	-21%	-24%
Gearing	12%	14%	12%	0%	0%	16%	17%
Dividend (€)	0.62	0.62	0.62	0.52	0.52	0.61	0.65
Dividend yield	10.0%	10.0%	10.0%	8.4%	8.4%	9.9%	10.5%

\*July 2021 NAV updated, detailed profit and loss to follow with results, \*\*2017-22 actual NAV and share price, 2022-23 forecast NAV to current share price; Source: Hardman & Co Research