



## Closed End Investments



Source: LSEG, 2026

## Market data

EPIC/TKR	VTA.NA, VTA.LN, VTAS LN
Price (€)	5.70/5.75/502p
12m high (€)	7.02/7.15/620p
12m low (€)	5.70/5.60/482p
NAV p/sh (Feb'26, €)	6.79
Disc. to NAV (%)	-16
Shares (m)	36.6
Mkt cap (€m)	209
Country of listing	NL/UK
Currency of listing	€/€/GBP
Market	AEX, LSE

## Description

Volta is a closed-ended, limited liability investment company that aims to provide a steady stream of quarterly dividends, pursuing exposure, predominantly, to Collateralised Loan Obligations (CLOs) and similar asset classes.

## Company information

Ind. Chair	Dagmar Kent Kershaw
Ind. NEDs	Simon Holden, Stephen Le Page, Yedau Ogundele
Fund Manager	Joanne Peacegood, BNP Paribas AM Europe
Co. sec./ Administrator	BNP Paribas Securities Services SCA, Guernsey
BNPP AM:	+44 (0)1481 750853
Website:	<a href="http://www.voltafinance.com">www.voltafinance.com</a>

## Key shareholders (31 July 2025)

AXA SA Bank	21.75%
BNP Paribas (for clients)	15.71%
AXA Framlington IM	8.23%
BNP Wealth Mgt.	5.97%

## Diary

Mid-Apr	Mar estimated NAV
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## Analyst

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# VOLTA FINANCE LIMITED

## Credit resilience from CLO structure and manager

The prices of loans that could be affected by recent events in the Middle East (e.g. surge in energy prices) have fallen. Additionally, concerns related to AI disruption following Anthropic's legal AI tool launch have penalised loans granted to software companies. In this note, we reiterate why Volta's exposure is limited, noting i) the protections embedded within CLO vehicles, ii) the manager's track record of better-than-CLO market risk management, driven by CLO manager selection and portfolio construction. In our view, Volta's modest share price reaction to the Anthropic news reflects its below-average risk exposure model.

- ▶ **CLO market protections:** CLOs have exhibited below corporate loan average losses because of the embedded incremental risk protections built into these structures. These include limits on average risk, concentration, covenant light, spread, average life and over-collateralisation as well as vehicle cash retention.
- ▶ **Volta better than market:** We highlight Volta's performance in major market risk events such as the GFC and the early stages of the pandemic and note how well it performed when there was company-specific news flow such as Altice. These all reflect the embedded risk controls in its large-scale, global manager.
- ▶ **Valuation:** Volta trades at a double discount: its share price is at a 16% discount to NAV, and we believe its MTM NAV still includes a further sentiment-driven discount to the present value of expected cashflows. Volta targets an 8% of NAV dividend (11% 2026E yield, on current share price).
- ▶ **Risks:** Credit risk is a key sensitivity. In this note, we examine the valuation of assets, highlighting the multiple controls to ensure validity. The NAV is exposed to sentiment towards its own and underlying markets. Volta's long dollar position is only partially hedged.
- ▶ **Investment summary:** Volta's NAV, and the discount to NAV, may be volatile over time. Fundamental long-term returns have been robust: 9.1% p.a. (dividend-reinvested basis) since inception. Volta's performance relative to that of its peers, and the market it operates in, has been strong. Returns on investments made after the financial crisis have been double those pre crisis.

## Financial summary and valuation (Hardman & Co adjusted basis)

Year-end Jul (€m)	2022	2023	2024	2025	2026E	2027E
Coupons & dividends	42.9	47.0	57.1	56.9	49.1	43.6
Operating income	41.6	44.1	51.5	29.4	42.7	37.2
Total inv. manager fees (stat.)	(3.9)	(5.6)	(10.1)	(7.5)	(7.4)	(6.3)
Other expenses	(1.0)	(1.0)	(1.0)	(1.0)	(1.0)	(1.0)
Total comp. inc.	33.4	35.2	41.0	23.5	34.2	29.9
Statutory PTP	(17.8)	27.0	45.0	35.4	35.1	30.7
Underlying EPS (€)	0.9	1.0	1.1	0.6	0.9	0.8
NAV per share (€)	6.22	6.45	7.13	7.49	7.83	8.02
S/P prem./disc. (-) to NAV*	-16%	-21%	-27%	-9%	-27%	-29%
Gearing	0%	0%	0%	0%	0%	0%
Dividend (€)	0.61	0.51	0.55	0.61	0.63	0.64
Dividend yield	10.0%	8.9%	9.6%	10.7%	11.0%	11.3%

\*2022-25 actual NAV and s/p, 2026-7E NAV to current s/p; Source: Hardman & Co Research

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# What makes the CLO market attractive for risk management

Absolute number of CLO tranche defaults small

To put CLOs into perspective, in S&P's report of the 4,322 ratings on CLO structures between the mid-1990s and 2009 (often called CLO 1.0s), only 40 tranches defaulted, 15 of which began life with an investment-grade rating (BBB- or higher). Credit controls in CLO structures were further enhanced post the GFC. From 2010 through end of fourth-quarter 2025 (so-called CLO 2.0s), S&P Global Ratings has rated over 21,000 classes from more than 2,200 US CLO 2.0 transactions, of which only 30 tranches have defaulted.<sup>1</sup> The absolute number of defaults is small.

Much better relative historical performance than comparable corporate loans

In its April 2022 report, *Understanding Structural Credit*<sup>2</sup>, Athene noted that there had been no defaults in investment-grade CLO debt in the previous decade (see chart below). In our 2023 report, *An easy guide to the benefits of CLOs*, we noted that losses under the Fed stress test scenario were 1/35th that of corporate loans.

Historical credit impairments pre-/post-2008, by type



Source: Athene Hardman & Co Research

Credit enhancement within CLO structures a key driver

In Appendix 2, we detail our previous research on Volta, which includes multiple notes on why the CLO market has delivered this performance. Specifically, we highlight *An easy guide to the benefits of CLOs* (18 April 2023) as well as our *initiation report* (5 September 2018). The core of CLOs is uncomplicated cashflows. Essentially, they are a pooling of loans into a vehicle, which funds itself by issuing a range of debt and equity. However, the pool has diversification, and, in our view more importantly, credit-enhancement features, which result in investors in CLO debt getting a better-than-average risk/return, and investors in CLO equity receiving double-digit returns.

<sup>1</sup> <https://www.spglobal.com/ratings/en/regulatory/article/220323-clo-spotlight-u-s-clo-defaults-as-of-march-17-2022-s12081628>

<sup>2</sup> The Athene report notes: Represents the average annual default rate of US products for all categories, except CLOs. CLOs represent the average of US CLO trailing 12-month impairment rate. However, 2001-10 CLO B impairments were based on the average of Moody's trailing 12-month impairments rates from Feb 2010-Dec 2010 as 12-month impairment data was not available prior to Feb 2010. 2001-10 includes a discounted buyback of a pre-GFC CLO tranche (current CLO documents prohibit such activity); the related CLO transaction performed as expected and repaid all of its debt at par with no underlying impairment. Source: Moody's Annual Default Study (February 2022). S&P Annual Global Structured Finance Default and Rating Transition Study (May 2021). Moody's Impairment and loss rates of Global CLOs (June 2021).

Ongoing risk profile of SPV is within known parameters, often leading to pre-emptive early action mitigating losses

Specifically, CLO creditworthiness is enhanced by a series of risk controls/features, which we also discussed in detail in our note *Volatility put into context* (24 June 2025). In summary:

- ▶ The structures have a number of tests to ensure that the ongoing metrics of the CLO are kept within known parameters. In addition to the risk parameters themselves acting as a good control mechanism, we note that the CLO managers actively manage their portfolios. This usually results in pre-emptive, early action to ensure there is no future breach of covenants, and early action usually leads to lower loss. *Inter alia*, the CLO vehicle tests usually include:
  - the weighted average risk factor (WARF);
  - over-collateralisation;
  - concentration limits by sector, geography and exposure – collateral pools in more recent CLOs exclude investments in assets other than corporate loans and a small portion of corporate bonds;
  - limits on factors like the percentage of a covenant light (cov-lite) portfolio;
  - weighted average spread (WAS); and
  - the weighted average life of the loans (WAL).
- ▶ There is a very limited maturity mismatch, with interest and principal repayments from assets matching CLO liabilities.
- ▶ The vast majority of the corporate loans are senior secured.
- ▶ Cash is retained in SPV/used to repay investment-grade debt if the level of collateral or interest cover falls below set levels.

Default rates in underlying loans forecast to improve, albeit lower spreads may constrain CLO manager's active portfolio management

Volta's NAV will be affected by changes in the value of the assets held by the CLO structures it invests in and, *prima facie*, rising defaults sees a lower value of CLO equity and debt. Looking at the creditworthiness of underlying loans, Moody's 2026 outlook was positive on credit risk noting "Supportive financing conditions from declining interest rates will bolster collateralized loan obligation (CLO) performance over the next year. Speculative-grade defaults will decline to 3.0% in the US and 2.4% in Europe by October 2026, down from 5.3% and 3.8% in October 2025."<sup>3</sup> The improving underlying market has put pressure on spreads, though, and CLO managers will be constrained by collateral quality tests in managing portfolios (replacing higher-spread historical loans with lower-spread new ones would, for example, drop the average spread, meaning that the WAS test could become an issue). Should events in the Middle East lead to sustained macro pressures, the default rate will rise, but we would also expect spreads to increase, reflecting the higher risk. Good managers may exploit any resulting mispricing.

<sup>3</sup> <https://www.moodys.com/web/en/us/insights/credit-risk/outlooks/global-leveraged-finance-and-clos.html>

## Why Volta is attractive within CLO market

### Manager has outperformed CLO market

In previous reports, we have highlighted that Volta's portfolio performance has been better than the CLO average. In particular, we draw readers' attention to pp3-4 and pp5-6 of our report [The benefits of having AXA IM as the manager](#) (7 December 2023). We believe Volta has continued to outperform the CLO market. Examples of this include:

### Lower cash diversion in COVID-19 pandemic

- ▶ Volta's [interim 2020 report](#) comment (as at July 2020) noted "none of our CLO Equity positions suffered a diversion of cash flow due to a breach of the reinvestment test (the test that protects CLO debt holders by diverting cashflow due to the equity tranche to purchase more assets in order to increase the subordination that protects debt holders)". This compares with 24% of \$ CLOs that were suffering a breach of the interest diversion test (for more detail see our note [Value added by active portfolio management](#) (15 September 2020)).<sup>4</sup>

### Smaller percentage exposure to Altice

- ▶ As reported in the [March 2024 monthly factsheet](#) Volta's exposure to Altice (which made an unexpected announcement that it was restructuring debts) was 0.8% of its portfolio. At the time, Volta's portfolio was weighted more to Europe (where the average CLO market-wide holding was 1.6% of the portfolio) than to the US (where CLOs still had a 0.5% weighting). While Volta has a French-based asset manager, it had a below-average exposure to this core French borrower. We also note the comment in that report that "Volta is not expected to suffer any diversion of cashflow as a result of Altice's downgrade, everything else being equal", which is testament to the strength of its investments.
- ▶ First Brands represented less than 10 bps of Volta aggregated underlying loan portfolio (against 0.21% and 0.19% of all US and EUR CLO collateral). This lower level of exposure was due to (i) BNPP AM's preference for high-quality diversified portfolios managed by managers focus on active trading, and (ii) BNPP AM own proactive management.

Volta's 2025 performance (+2.7%) was significantly affected by mix. While, as reported in the December 2025 Factsheet, US High Yield bonds returned +8.5% and Euro High Yield bonds achieved +5.2% the market wide returns for CLO equity tranches were 2.3% for EUR and -10.1% for US tranches.

### Top 10 exposure highly diversified with none in software sector

We note the top 10 exposures in the [latest factsheet](#) detailed below only account for 4.3% of the portfolio. There is a broad range of sectors in the list and the most at risk, McAfee is in cyber security which is expected to be less impacted by AI disruption than other software businesses (see [S&P study: AI Impact On Business And Technology Services: Di | S&P Global Ratings](#)). We note that, within sectors, there is a concentration on lower-risk subsectors; for example, Action, albeit in retail, is a rapidly expanding but very cash-generative supermarket chain across Europe.

<sup>4</sup> Volta stated the returns, which are based off Citi research.

**Diversified underlying portfolios, as shown by the top 10 exposure (Dec'25)**

Name	% portfolio	Sector
Virgin Media Secured Finance PLC	0.6%	Media
Action Holding BV	0.5%	Retail
Al Sirona Luxembourg Acquisition Sarl	0.5%	Pharmaceuticals
McAfee LLC	0.4%	Computers
Masorange Finco PLC	0.4%	Telecommunications
INEOS Group Holdings SA	0.4%	Chemicals
Nidda Healthcare Holding GmbH	0.4%	Pharmaceuticals
Clarios	0.4%	Telecommunications
Froneri International Ltd	0.4%	Food
Ahlsell AB	0.3%	Distribution/Wholesale

Source: Latest Volta factsheet, Hardman & Co Research

We believe there are a number of factors driving this superior performance. Of most note:

CLO manager selection reflects BNPP AM's massive scale in CLO market, with resource to analyse performance and access to whole market information flows

- ▶ Not all CLO managers deliver the same returns, and CLO manager selection has been a major factor in Volta's outperformance. Outperforming CLO managers are not only better at initial asset selection but also in their proactive management of the portfolio. Anticipating problems early and talking action can see a dramatically different loss. Volta's approach to manager selection is driven by the experience of the manager, and their through-cycle-loss experience in addition to the legal covenants built into structures. It is also critically dependent on the manager's huge scale, which allows it to deploy global resources and hire experts to manage risk as well as access information flows. Being an active CLO manager itself BNPP AM also brings a near-unique perspective to analysing other CLO managers. Such benefits are unavailable to smaller players. We explored this in more detail in *The benefits of having AXA IM as the manager* (7 December 2023).
- ▶ The manager's portfolio construction, again, reflects its deep resources in risk management. Volta is not directly managing underlying loan exposures and the active management by its CLO managers means positions can rapidly change. However, it does receive collated data and so can, if required, sell/buy new CLO positions to adjust its overall exposure. It does not disclose sector exposures because of the way managers change their exposures, but it does monitor them.

Change in control at manager not expected to affect how Volta is managed

AXA IM officially joined the BNP Paribas Group, as of 1 July 2025. We understand that the management of Volta is not expected to alter materially with this change of control.

The comments in this section refer to the performance of the underlying portfolio. We have in previous reports highlighted how market sentiment can impact on the valuation of the assets (and so the NAV) with over-reactions down on risk events only for losses to subsequently be recovered. Additionally, investor sentiment to Volta as an equity adds a further degree of share price volatility. In our view, over time, such noise does reverse, but the share price is likely to be volatile.

## Financials

### Our estimates are unchanged

Our forecasts are unchanged with this report. Investors will note that we expect spread contraction, with coupons as a percentage of average loans falling 3%-4% p.a. over the forecast period. Despite this pressure, the dividend remains well covered.

To derive our adjusted profit and loss, we strip out the capital movements, including i) unrealised gains/losses, ii) FX movements, and iii) net gains of IR derivatives. We have left in realised gains, which, although volatile, have been converted into cash, and some capital gains may be expected to form part of the normal course of business.

Hardman & Co adjusted profit and loss account									
Year-end Jul (€m)	2019	2020	2021	2022	2023	2024	2025	2026E	2027E
Coupons and dividends received	42.0	39.4	41.8	42.9	47.0	57.1	56.9	49.1	43.6
Net gains on sales	0.5	(7.0)	2.7	(1.3)	(3.4)	(6.8)	(28.6)	(7.5)	(7.5)
<b>Net gain on fin. assets at FV through P/L</b>	<b>42.5</b>	<b>32.4</b>	<b>44.5</b>	<b>41.7</b>	<b>43.6</b>	<b>50.4</b>	<b>28.3</b>	<b>41.7</b>	<b>36.1</b>
Interest expense on repo	(1.6)	(0.8)	-	-	-	-	-	-	-
Net bank interest & charges	0.1	0.0	(0.0)	(0.0)	0.5	1.1	1.1	1.1	1.1
<b>Operating income</b>	<b>41.0</b>	<b>31.5</b>	<b>44.5</b>	<b>41.6</b>	<b>44.1</b>	<b>51.5</b>	<b>29.4</b>	<b>42.7</b>	<b>37.2</b>
Inv. manager fees	(4.4)	(3.6)	(3.3)	(3.9)	(3.3)	(3.6)	(3.9)	(4.1)	(4.3)
Inv. manager performance fees	(2.1)	(0.6)	(4.6)	(3.0)	(4.3)	(5.5)	(0.7)	(3.1)	(1.7)
Directors' remuneration & expenses	(0.5)	(0.5)	(0.3)	(0.4)	(0.3)	(0.4)	(0.3)	(0.3)	(0.3)
Other expenses	(1.0)	(1.0)	(1.0)	(1.0)	(1.0)	(1.0)	(1.0)	(1.0)	(1.0)
Total expenses	(8.0)	(5.7)	(9.3)	(8.3)	(8.9)	(10.5)	(5.9)	(8.5)	(7.4)
<b>Profit and total comp. income</b>	<b>32.9</b>	<b>25.8</b>	<b>35.2</b>	<b>33.4</b>	<b>35.2</b>	<b>41.0</b>	<b>23.5</b>	<b>34.2</b>	<b>29.9</b>
<b>Adjusted EPS (€)</b>	<b>0.90</b>	<b>0.71</b>	<b>0.96</b>	<b>0.91</b>	<b>0.96</b>	<b>1.12</b>	<b>0.64</b>	<b>0.93</b>	<b>0.82</b>
<b>Dividend cover (x)</b>	<b>1.45</b>	<b>1.36</b>	<b>1.85</b>	<b>1.49</b>	<b>1.89</b>	<b>2.04</b>	<b>1.05</b>	<b>1.48</b>	<b>1.27</b>

Source: Volta, Hardman & Co Research

## Appendix 1: glossary

When looking at Volta, investors are likely to come across a number of technical terms. Here is an explanation of the most important terms:

Glossary	
Term	Meaning
ABS	Asset-backed securities.
ABS residual positions	Residual income positions, which are a sub-classification of ABS, backed by any of the following: residential mortgage loans; commercial mortgage loans; automobile loans; student loans; credit card receivables; or leases.
Bank Balance Sheet Transactions (BBST)	Synthetic transactions that permit banks to transfer part of their exposures, such as exposures to corporate loans, mortgage loans, counterparty risks, trade finance loans, or any classic and recurrent risks that banks take in conducting their core business.
Cash Corporate Credit (CCC)	Deal-structured credit positions, exposed predominantly to corporate credit risks by direct investments in cash instruments (loans and/or bonds).
Cash diversion	In periods of stress (typically measured by a specific deterioration in the proportion of the portfolio with worse-quality ratings), cash is diverted from being distributed to equity holders and is retained to provide additional protection for bondholders.
Cash waterfall	The clear priority in which income from the SPV is allocated to stakeholders.
CLOs or CLO	A collateralised loan obligation (CLO) is a single security backed by a pool of debt. CLOs are often corporate loans with low credit ratings, or loans taken out by PE firms to conduct leveraged buyouts.
CLO 1.0	The first vintage of modern CLOs (issued from mid- to late-1990s). It included some high-yield bonds, as well as loans, and was the standard CLO structure until the financial crisis struck in 2008. Now under 1% of CLOs in issue.
CLO 2.0	Issued 2010-14, in response to the financial crisis, by strengthening credit support and shortening the period in which loan interest and proceeds could be reinvested into additional loans.
CLO 3.0	Began in 2014 and aimed to further reduce risk by eliminating high-yield bonds and adhering to the post-GFC regulatory changes. Currently, few CLOs allow for investments into high-yield bonds, and those that do generally limit the exposure to 5%-10%. To compensate for the exposure to high-yield bonds, these CLOs have increased levels of subordination to better protect debt tranches.
Capitalised Manager Vehicle (CMV)	A CMV is a long-term, closed-ended structure, which is established to act as a CLO manager and to also provide capital in order to meet risk retention obligations when issuing a CLO, and also to provide warehousing capabilities.
CPR	Constant prepayment rate.
Refi	Consists in refinancing part, or all, of the debt tranches of a CLO, while operating very modest changes in the CLO documentation.
Reset	Consists in calling all the debt tranches of a CLO, remarketing a full new debt package, with new CLO documentation, almost as if it were a new CLO.
Synthetic Corporate Credit (SCC)	Structured credit positions predominantly exposed to corporate credit risks by synthetic contracts.
Underlying assets	The assets in which the company may invest, either directly or indirectly, include, but are not limited to, corporate credits, sovereign and quasi-sovereign debt, residential mortgage loans, commercial mortgage loans, automobile loans, student loans, credit card receivables, leases, and debt and equity interests in infrastructure projects.
Warehouse	A warehouse is a short-term structure put in place before a CLO happens in order to accumulate assets, in order, in turn, to facilitate the issue of the CLO. A warehouse is leveraged and can be marked to market.
Weighted average life of the loans (WAL);	The average length of time that each dollar of unpaid principal on a loan or an amortising bond remains outstanding.
Weighted average risk factor (WARF)	The WARF measure aggregates the credit ratings of the portfolio's holdings into a single rating. The credit rating letter rating corresponds to a numerical rating factor, which, in turn, corresponds to the 10-year probability of default. The WARF is determined by calculating the weighted average of these numerical factors.
Weighted average spreads (WAS)	A percentage equal to i) the Aggregate Funded Spread, divided by ii) the Aggregate Eligible Collateral Obligation Amount (excluding any interest that has been deferred and capitalised on any Deferrable Collateral Obligation).

Source: Hardman & Co Research

## Appendix 2: previous Hardman & Co research on Volta

Given the regulatory restrictions on distributing research on this company, the monthly book entry for Volta Finance can be accessed through our website, [Hardman & Co Research](#). More detailed research reports include:

- ▶ 2018: Our [initiation report](#) (5 September 2018).
- ▶ [Investment opportunities at this point of the cycle](#) (14 January 2019),
- ▶ Reports on the manager's [March 2019](#) and [June 2019](#) presentations,
- ▶ [9%+ yield in uncertain times](#) (7 October 2019).
- ▶ [Follow the money](#) (3 February 2020),
- ▶ [Q&A with Hardman analyst](#) (12 May 2020),
- ▶ [Value added by active portfolio management](#) (15 September 2020).
- ▶ [Volta's seven yield uplifts](#) (11 January 2021),
- ▶ [Re-Set, Re-Fi, Re-Light my Fire](#) (5 May 2021),
- ▶ [Yield \(10%, covered and growing\) + capital growth](#) (28 July 2021),
- ▶ [Simple Simon Says](#) (30 November 2021).
- ▶ [What Volta brings to investors](#) (17 February 2022),
- ▶ [Hardman presentation: Carpe Diem](#) (29 June 2022),
- ▶ [Cash is king and the king is rocking and rolling](#) (16 September 2022).
- ▶ [R&A shining light on 20%+ IRR base-case scenarios](#) (11 January 2023).
- ▶ [An easy guide to the benefits of CLOs](#) (18 April 2023).
- ▶ [The benefits of having AXA IM as the manager](#) (7 December 2023).
- ▶ [Insights from the Report and Accounts](#) (24 January 2024).
- ▶ [Putting the discount into perspective](#) (17 May 2024).
- ▶ [FY'24: another year of outperformance](#) (11 September 2024).
- ▶ [2024 experience bodes well for 2025](#) (17 February 2025).
- ▶ [Volatility put into context](#) (24 June 2025).
- ▶ [Liquid access to outperforming private credit](#) (3 October 2025)

Each link contains a click-through to our five-minute *Directors Talk* audio interviews, summarising each report. Regulatory announcements, such as the [December 2025 €0.145c quarterly dividend](#) can be found on the company's [LSE page](#).

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