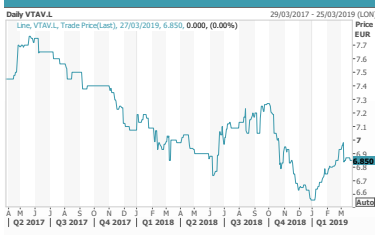


Financials


Source: Eikon Thomson Reuters

Market data

EPIC/TKR	VTA .NA, VTA.LN VTAS LN*
Price (€)	6.82/6.85/587p
12m High (€)	7.32/7.28/655p
12m Low (€)	6.46/6.52/590p
Shares (m)	36.6
Mkt Cap (€m)	249
Trail. 12-mth. yield	9.1%
Free Float	70%
Market	AEX, LSE

*Listing 03 September 2018

Description

Volta Finance 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

Independent Chairman	Paul Meader
Independent Non- Executive Directors	Graham Harrison Stephen Le Page Atosa Moini Paul Varotsis
Fund Managers 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

Axa Group	30.4%
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Diary

Mid-Apr'19	March estimated NAV
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Analyst

Mark Thomas	020 7194 7622 mt@hardmanandco.com
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VOLTA FINANCE LIMITED

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On 21 March 2019, we published a review entitled *Manager's March 2019 presentation*. The key takeaways were: (i) Flexible mandate means it can exploit whichever element of the CLO market offers the best opportunity. This is likely to see further allocations to CLO equity tranches in the near term. (ii) The credit cycle is likely to turn but this should be gentle and creates re-investment opportunities. (iii) The flexible mandate and significant cash generation from coupons, dividends and maturities means the portfolio can be quickly re-positioned if market conditions change. This note follows our 14 January review *Investment Opportunities at this point of the cycle*.

- ▶ **Volta monthly report:** In February, Volta's NAV rose 0.4% (after the 3.1% rise in January) taking it to €7.98 per share. The Bank Balance Sheet Transactions (13% of portfolio) are less volatile and rose by 1.2%. CLO debt tranches were up 3.6% (38% of portfolio). In local currency terms, CLO equity tranches fell 0.4% (32% of portfolio). Volta is effectively fully invested and leverage is being reduced.
- ▶ **Peers' January reports:** Blackstone GSO Loan Financing said that its more marked to model € NAV was up 1.9%. Fair Oaks Income's \$ NAV was up 0.2%. Marble Point saw a 0.88% \$ NAV monthly rise. TwentyFour Income Fund's £ NAV rose 0.74%. Carador is now in wind-up mode. We reviewed Volta and its peers in our 25 February 2019 report "*Diving deep finds you the treasure*".
- ▶ **Valuation:** Volta trades at a 12% discount to NAV. Peer-structured finance funds trade at a ca.4% discount. In recent months and over the medium term, Volta has delivered a better NAV performance than its immediate peers and in-line volatility, making this discount anomalous.
- ▶ **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 there could be sentiment-driven, share price volatility. However, long-term returns have been good: ca.11% p.a. (dividend re-invested basis) over five years. The current portfolio expected NAV return is over 10%. The historical yield is 8.9% and we believe is covered by predictable income streams in 2019E.

Financial summary and valuation (Hardman & Co adjusted basis)

Year-end Jul (€m)	2014	2015	2016	2017	2018	2019E	2020E
Coupons & dividend	31.4	33.7	34.7	33.2	38.5	39.1	41.0
Operating income	37.5	46.0	36.5	35.0	37.2	40.8	42.8
Inv. managers' fees	-4.1	-4.5	-4.3	-4.6	-4.6	-4.7	-4.8
Adj. perform. fees	-2.5	-3.5	-1.3	-1.2	-1.4	-2.1	-2.3
Total expenses	-7.9	-10.3	-7.2	-7.0	-0.9	-0.9	-0.9
Total comp. income	29.5	35.7	29.3	28.0	29.9	32.8	34.4
Statutory PTP	44.0	47.6	12.6	38.7	22.7	32.4	34.1
Underlying EPS (€)	0.82	0.98	0.80	0.77	0.82	0.90	0.94
NAV	273.6	299.2	289.3	305.5	305.7	315.6	327.2
S/P disc. to NAV	9%	17%	14%	18%	18%	21%	23%
Gearing	0%	9%	12%	12%	14%	14%	13%
Dividend yield	8.8%	9.1%	9.1%	9.1%	9.1%	9.1%	9.1%

Source: Hardman & Co Research