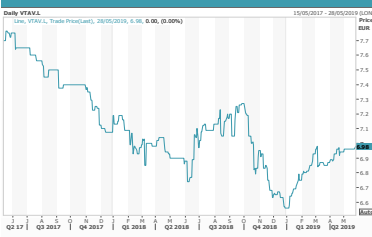


Financials


Source: Refinitiv

Market data

EPIC/TKR	VTA .NA, VTA.LN VTAS LN*
Price (€)	7.00/6.96/612p
12m High (€)	7.32/7.28/655p
12m Low (€)	6.46/6.52/590p
Shares (m)	36.6
Mkt Cap (€m)	256
Trail. 12-mth. yield	8.9%
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	Serge Demay
AXA IM Paris	A Martin-Min François Touati
Co. Sec. /Administrator	BNP Paribas Securities Services SCA, Guernsey Branch

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www.voltafinance.com
Key shareholders

Axa Group	30.4%
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Diary

Mid-Jun'19	May 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) the 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, and iii) the flexible mandate and significant cash generation from coupons, dividends and maturities mean that the portfolio can be quickly re-positioned if market conditions change. This note follows our 14 January 2019 review, *Investment Opportunities at this point of the cycle*.

- ▶ **Volta monthly report:** In April, Volta's NAV rose 1.9% (YTD 6%), taking it to €8.02 per share. The monthly performance by major asset class were CLO Equity tranches (+3.0%), bank balance sheet transactions (+0.9%) and CLO debt tranches (+0.4%). The performances of Volta's other asset classes in local currencies were +0.5% for Cash Corporate Credit deals and +1.1% for ABS.
- ▶ **Peers' April reports:** Blackstone GSO Loan Financing's (MTM valuation) € NAV was up 1.25% (YTD 1.7%). Fair Oaks Income's \$ NAV was up 2.16% (YTD 4.1%). Marble Point saw a 4.05% \$ NAV increase (YTD 12.09%). TwentyFour Income Fund's £ NAV rose 0.44% (YTD 1.96%). Carador is in wind-up. We reviewed Volta and its peers in our 25 February 2019 report, *Diving deep finds you the treasure*.
- ▶ **Valuation:** Volta trades at a 13% discount to NAV. Peer-CLO finance funds trade at a ca.7% 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 5 Sept 2018 *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.10% 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. manager's 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	6%	14%	11%	16%	16%	18%	21%
Gearing	0%	9%	12%	12%	14%	14%	13%
Dividend yield	8.6%	8.9%	8.9%	8.9%	8.9%	8.9%	8.9%

Source: Hardman & Co Research