Closed-Ended Investments

Source: Refinitiv

Market data

EPIC/TKR	VTA .NA, VTA.LN VTAS LN
Price (p)	6.64/6.70/595p
12m High (p)	7.32/7.28/655p
12m Low (p)	6.46/6.52/585p
Shares (m)	36.6
Mkt Cap (£m)	243
Div. Yield (%)	9.2%
Discount to NAV (%)	15%
Market	AEX, LSE

Description

Volta is a closed-ended, limited-liability investment company that pursues 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
Independent Chairman	Paul Meader

Key shareholders, 31 May 2109

AXA Group	30%

Diary

Mid Oct	September estimated NAV

Analyst

Mark Thomas 020 7194 7622
mt@hardmanandco.com

VOLTA FINANCE LIMITED

9%+ yield in uncertain times

In this note, we remind investors of Volta's many attractions, and examine what would be required for the Volta 9%+ yield to be seriously threatened. We note the broad diversification of underlying cashflows, the consistency of income and monthly returns, and the manager's excellent track record. We also explore the business dynamics in a downturn and how investor sentiment may be less volatile with increased cov-lite documentation. The discount appears anomalous relative to peers given Volta's track record and the issues identified above.

- **Value-added:** Volta's flexible mandate allows it to nimbly exploit whichever part of the structured credit market is offering optimal risk-adjusted returns. The manager has the scale to access all deals, as well as invest heavily in risk controls and obtain the deepest market understanding. The five-year return is 10.8% p.a.

- **Yield and sustainability:** The trailing yield is 9.2% and, critically, this is covered by interest and coupon cashflows, which continue whatever short-term noise is thrown into the pot. The income is generated from a diversified portfolio and has consistently delivered returns. There will be noise, but look to the cashflow.

- **Valuation:** Volta trades at a 15% discount to NAV. Peer-structured finance funds, and a range of other debt funds, on average, trade at smaller discounts. Volta has delivered faster NAV growth than its immediate peers and in-line/lower volatility, making this absolute and relative discount an anomaly.

- **Risks:** Credit risk is a key sensitivity. We examined the valuation of assets, highlighting the multiple controls to ensure its validity, in our *initiation note* last September. 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. Long-term returns have been good: ca.10% p.a. returns (dividend reinvested basis) over five years. The current portfolio-expected NAV return is broadly similar. The 2019/20E dividend yield of 9.2% will be covered, in our view, by predictable income streams.

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	37.0	36.1
Operating income	37.5	46.0	36.5	35.0	37.0	38.5	37.7
Inv. manager's fees	-4.1	-4.5	-4.3	-4.6	-4.6	-4.4	-4.5
Adj. performance fees	-2.5	-3.5	-1.3	-1.2	-1.4	-1.7	-1.7
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	29.7	31.1	30.1
Statutory PTP	44.0	47.6	12.6	38.7	22.7	7.3	29.8
Underlying EPS (€)	0.82	0.98	0.80	0.77	0.81	0.85	0.82
NAV	273.6	299.2	289.3	305.5	305.7	290.5	297.8
S/P disc. to NAV	10%	18%	15%	20%	20%	15%	17%
Gearing	0%	9%	12%	12%	14%	15%	14%
Dividend yield	8.9%	9.2%	9.2%	9.2%	9.2%	9.2%	9.2%

Source: Hardman & Co Research.

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- any partnership or corporation organised or incorporated under the laws of the United States;
- any estate of which any executor or administrator is a “U.S. person”;
- any trust of which any trustee is a “U.S. person”;
- any agency or branch of a foreign entity located in the United States;
- any non-discretionary account or similar account (other than an estate or trust) held by a dealer or other fiduciary for the benefit or account of a “U.S. person”;
- any discretionary account or similar account (other than an estate or trust) held by a dealer or other fiduciary organised, incorporated, or (if an individual) resident in the United States; and
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Executive summary

Volta's investments are primarily in the Collateralised Loan Obligation (CLO) market and related areas. In our initiation *Delivering the structured finance Opportunity*, published on 5 September 2018, we aimed to unravel some of that market's complexity. In this note, we remind investors of the key issues and in particular the high-yield, the diversity of the group supporting that yield, its robust balance sheet and good corporate governance.

Critical to understand that cashflows are driven by hugely diversified portfolio of underlying corporate credit

Looking through the terminology, Volta earns returns predominantly from corporate credit with the income on Volta's investments coming from a hugely diversified portfolio of underlying borrowers. The cash to pay Volta's dividends comes from many, and varied sources. AXA IM's skill in picking the right underlying assets is crucial to performance and there is a long-term track record of delivery on this. We believe the complexities that deter some investors create opportunities for a manager, like AXA IM, with a deep market understanding and significant scale.

Key attractions: 10.8% p.a. returns over past five years (to end-July); well controlled risks; flexible mandate to optimise returns; and buying at a greater NAV discount than peers, 9.2% dividend yield covered by predictable income streams

We highlight the following core conclusions from our earlier reports:

- long-term returns above peers and benchmarks;
- risks well controlled with the ideal bell-shaped distribution of monthly NAV;
- returns have been earned from predictable sources like interest and coupons from loans and bonds, which more than cover the high (9.2%) dividend yield;
- a flexible mandate to optimise returns depending on market conditions;
- leverages AXA IM's competitive advantages;
- a discount of 15% to NAV, a level above peers and historical levels.

The potential risks in investing in Volta.

Credit risk hugely diversified

- In the credit risk section, we demonstrate Volta's hugely diversified portfolio by individual borrowers (700+ in total, top-five holdings representing just 2.02% of portfolio), by sector, by geography, and by macroeconomic sensitivity.

Sentiment can create volatility but also creates opportunities

- With assets marked to market, changes in sentiment can have a dramatic effect and market prices can diverge from expected cashflows. While this creates short-term volatility, greater asset mis-pricing, potentially increases returns (CLOs originated in 2007 earned ca.2x the level of 2004 deals).

Favourable conditions in underlying markets make re-investment challenging, but flexible mandate means Volta can invest in areas benefiting from these conditions

- When economic conditions are favourable (as they have been for some time), loan yields fall, credit covenants ease and existing loans repayments increase. This makes earning comparable returns on re-investment more challenging. Volta's flexible mandate means it can access value-added areas (e.g. warehousing or CLO equity portions which benefit from these conditions).
- In the valuation section, we detail the multiple checks and balances in Volta's approach noting asset sales have been in line with the accounting value.

Other risks: i) gearing has been kept modest and structured to ensure there are no forced sales of assets at a discount; ii) interest rate sensitivity is complex but at current levels is likely to be broadly neutral; and iii) changes in FX rates can have a short-term impact as Volta does not fully hedge its net long $ position.

High yield and its sustainability

We will not repeat all the points we made about the sustainability of the dividend in our initiation but rather highlight to investors the following:

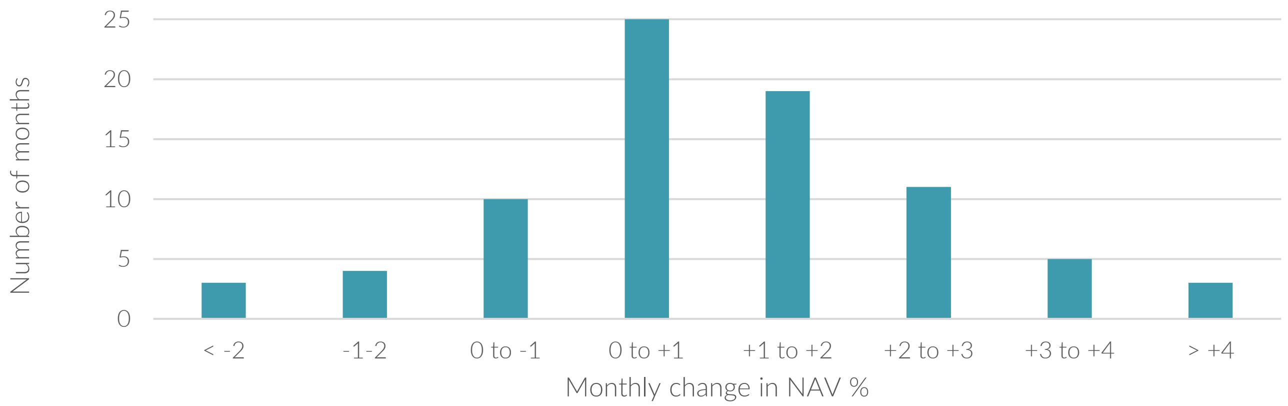
Underlying risk to 700+ corporates

- The underlying corporate exposures now total more than 700. The largest underlying exposure is 0.69% of NAV (top 5 = 2.3%).

Monthly return distribution is ideal bell-shaped curve

- The distribution of monthly NAV performance continues to show the ideal bell curve with the majority of months delivering +0-1% or +1-2% NAV growth.

Distribution of monthly returns since January 2013



Source: Volta monthly factsheets

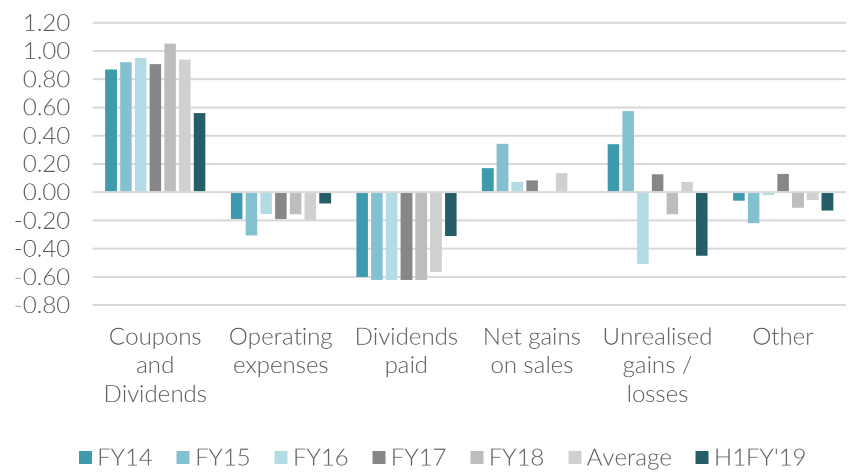
Sharpe ratio better than peers

- Another measure of risk-adjusted return is the Sharpe ratio (the average return earned in excess of the risk-free rate per unit of volatility or total risk). Volta's Sharpe ratio has consistently been and remains above peers.

Consistent cashflow from interest and coupons more than covers dividend

- Since our initiation note, the FY'18 and 1HFY'19 report and accounts continue to show the incredibly consistent coupon and dividend income and operating expenses contributions, which more than cover dividends. There is some volatility around realised and unrealised gains but this merely creates temporary noise around the core message of sustainable income.

Contributions to NAV per share change (€) 2014-18 and 1HFY'19



Source: Volta report and accounts

Cash generation at record levels

- The total cash amount generated during the six months to end-August 2019 in terms of interest and coupons reached €21.6m, an annualised 14.9% yield to closing NAV. This is a further new high for this measure of Volta's performance, reflecting the increasing share of CLO Equity positions in Volta's portfolio.

Diversification by issuer and instrument

- The concentration by issuer is also highly diversified – the biggest single issue is 3.7% of GAV and the top 5 make up just 17% of the total.
- There is significant diversity by type of instrument (as at 31 August, US CLO debt 34% gross asset value, US CLO Equity 24%, European CLO Equity 18%, European CLO Equity 1%, Bank Balance sheet Transactions 11.5%). A full description of these asset classes was given in our initiation.

Manager with proven track record, scale and deep market intelligence

- AXA IM has an excellent track record with substantial operations in structured finance providing a strong negotiating position on deals and financing, deep market intelligence and the scale to invest heavily in risk control functions and technical skills.

Outlook in downturn

Key issue is degree to which spreads widen against rise in impairments; likely to see more opportunities in volatile markets

We reviewed the outlook for sustainability of income and dividends in our note *Investment opportunities at this point of the cycle*. In summary, we see the key considerations are:

- Potential for spreads to widen and so ongoing income from re-investments is likely to increase.
- More mis-pricing opportunities are likely to arise with volatile markets.
- Volta has a track record of lower-than-market average losses.
- The book is highly diversified and totally different from that entering the financial crisis.

Cov-lite likely to see fewer defaults with positive effect on sentiment

- The rise in cov-lite documentation may be expected to materially reduce the probability of default (albeit increasing the loss in the event of default). While the net effect of these two is currently unclear, lower rates of default are likely to reduce some of the excessive sentiment-driven volatility seen in the past.

Impairments are likely to rise and unclear effect on sentiment

- On the downside, rising defaults are likely to see MTM losses and, critically, calling the extent to which sentiment may over-react can be challenging.

Management been positioning for downturn for some time

- We note that management has been positioning for a turn in the cycle for some time with the 2018 Report and Accounts Chairman's statement noting "as I have also emphasised many times, whilst any financial markets downturn will manifest itself in shorter term, mark-to-market capital erosion, it is unlikely to erode materially the Company's strong cash flows. Whatever the short-term vagaries of markets, these strong cash flows underpin our long-term returns"
- We note the confidence of the board is reflected in its shareholdings. Not only have board members taken part of their fees in shares but they have been open market purchases as well.

We specifically reviewed why Volta has increased its equity CLO positions in our note *Manager's Hardman & Co Forum presentation,* published on 26 July 2019. It is driven by the rise in spreads compared with impairments and taking a simplistic example should the spread on each of the loans increase by, say, 1.5% to 7.5%, but the cost of credit rise by 1% of loans, the return to equity holders would rise from 20% to 25%.

Woodford read-across

The problems with Woodford Asset Management closing its flagship fund to withdrawals and Natixis's H20 funds (ca.30% outflows in a week) mean it is appropriate to consider what potential read-across there may be for Volta and, in particular, why it is different from these investment companies. In summary, we believe there is no financial read-across; that there may be a business opportunity gaining assets from open-ended funds, but that there may also be downside from sentiment to illiquid investments and valuation. We have done this review in every major investment company report and there is nothing unusual about Volta in our doing it here too.

No financial read-across

No financial read-across, as Volta has permanent capital, structurally liquid assets a visibly independent board, no asset contagion, minimal dependency on platform distribution and relatively robust liquidity in the shares

The key issues are:

- The permanent capital in closed-ended funds, and carefully structured gearing all mean that Volta will not be – and very importantly will not be perceived to be – a forced seller of assets at distressed prices.
- We understand the bucket of "illiquid" assets (assets that by nature cannot be sold overnight) is currently only 16% of Volta's assets. There could be price implications in being a forced seller, and liquidity in a crisis may be poor, but the nature of the assets is not structurally illiquid as is the case for equity in private companies.
- The Board of Volta (see *Appendix*) is experienced, well balanced and independent from the manager.
- The other issues arising from these situations also do not appear material. In particular, we note that: i) there is no asset pricing contagion risk, as Volta's assets were not held by either Woodford or H20; and ii) platform distribution had not been a material source of business.
- Around 75% of Volta's assets are valued from external price feeds, not originating banks. While there is still an element of judgement (so all assets Level 3 accounted), this input plus the controls exerted by an independent board and external oversight mean its ongoing valuation should prove robust. Ultimately, a conservative management and board is likely to adopt conservative accounting. We recognise, though, that sentiment may still doubt any Level 3 accounted NAV over that where the assets have a liquid market.
- It is unclear what, if any, liquidity constraints may be applied to institutional investors' holdings of publicly quoted shares. Anecdotally, we have heard that some managers (especially multi-asset managers) are facing restrictions from their compliance departments based off the liquidity of their holdings and there may be additional regulatory requirements on the degree of liquidity, as is seen in the US. We believe the market will focus on exchange-traded volumes. The recent annual turnover on the LSE is ca.£20m and on the AEX ca.€17m. In total, annual trading volumes are thus ca.15%-20% of the group. With no large shareholders other than AXA IM, we do not think that changes in regulations are likely to be a material constraint on Volta's share price performance.

May see a shift towards closed-ended vehicles;...

Once the dust has settled and any new regulations are in place, the benefit of being a long-established, closed-ended investment company are likely to be visible. We believe sentiment may lead to a preference for such structures and Volta is thus well positioned to benefit from any such move.

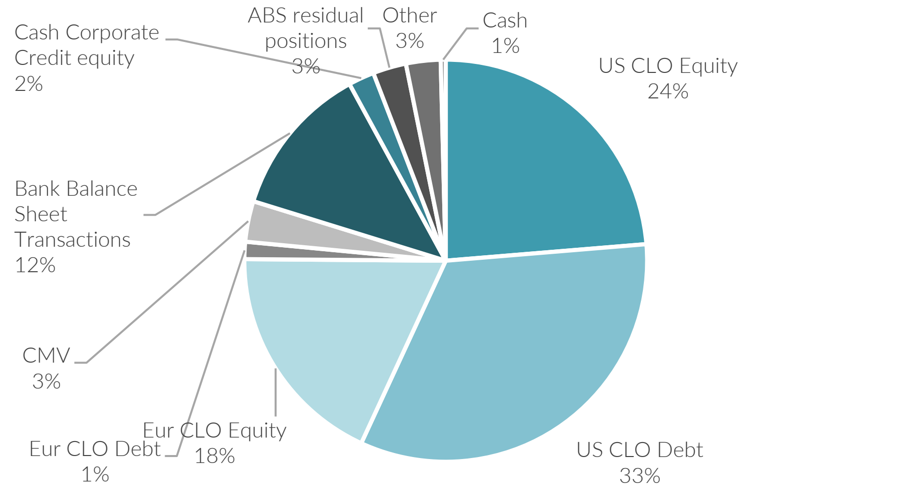
...however, investor appetite for illiquid, unquoted investments may lessen, and market sentiment may be hard to call

We see two downsides from the Woodford situation: firstly, investor appetite for illiquid investments may wane, and clearly all PE investment companies will be affected by this; secondly, market sentiment can be hard to predict. The August 2007 stopping of withdrawals from two BNP Paribas hedge funds is seen by many as a significant event foretelling the lack of trust between financial institutions and the subsequent financial crisis.

Current portfolio and market conditions

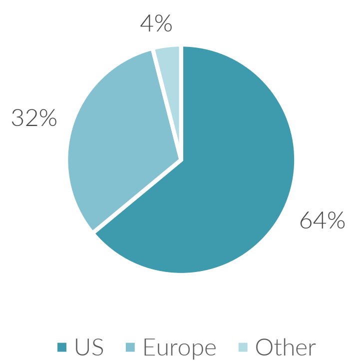
As can be seen in the chart below, Volta's current portfolio is dominated by CLO positions (where the underlying risk is hundreds of individual corporates). It has been positioned with the downturn in mind and, compared with recent years, is more weighted to CLO Equity and less in debt. The rating mix and geographical spread are broadly in line with historical positioning. As usual, the currency mix of lending (80% $) is higher than the geographical breakdown with a significant amount of European debt denominated in dollars.

Portfolio by asset breakdown (% Gross Asset Value)

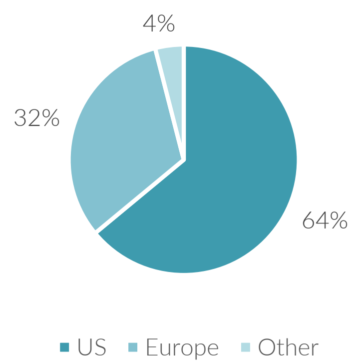


Source: Volta monthly factsheets

Rating breakdown (%)



Geographical breakdown (%)



Source: Volta monthly factsheets

Current market conditions

In its August monthly commentary, Volta noted:

Volta comments on effect of risk in August plus opportunities going forward

"On average the prices of the CLO equity positions were contaminated by the overall increase in risk premium in credit markets with the increasing tension between US and China and the gesticulations around Brexit. At the time of writing it seems that, regarding Brexit, with the clock ticking down towards the 31 October 2019 deadline and a no-deal Brexit apparently off the agenda, the uncertainty risk premium may begin to unwind to the benefit of valuations of our European CLO positions going forward. The recent easing from the ECB might also support the valuation of our assets going forward." The global risk on/off is, in our view, likely to remain volatile.

"The main thing that happened in the CLO markets during the recent weeks is a significant tightening of Euro CLO AAA tranche spread. It might open the door for refinancing or reset of existing European CLO liabilities to the benefit of our CLO Equity positions."

FairOaks notes benign credit environment, in-line issuance but low trading volumes of CLO equity positions

The FairOaks August monthly report noted the continued benign credit environment "There were no defaults in the US leveraged loan index in August and the 12 month default rate decreased from 1.32% in July to 1.29% in August."

It also commented on the broadly in-line level of current issuance but low trading volumes. "Although the amount of CLO equity listed in BWIC auctions was close to historical levels 222 million in Aug 19 compared to 297 million in Aug 18 and 269 million average for August over the last five years), traded volumes were low and only 67 million traded across 9 positions 5 As a comparison, in Aug 18 177 million traded across 31 CLO equity positions."

MarblePoint notes underlying loan prices falling

MarblePoint's August monthly report noted: "Leveraged loan prices declined throughout August as retail fund outflows persisted amidst a dovish consensus on future rates and macro uncertainty driven by concerns over economic expansion and trade. New issue loan volume in August was seasonally muted as issuers and dealers prepared for a traditionally more active post-holiday calendar. The average price of the CSLLI moved down to 96.29% as at 31 August 2019 from 97.02% as at 31 July 2019. Net retail fund outflows increased in August with $4.1billion of outflows exceeding the $3.2billion in July according to JPMorgan and marking the highest monthly tally since January. CLO formation in August remained healthy considering the summer holiday seasonal slowdown with $7.3billion of new issuance. While lower loan prices and macro uncertainty have contributed to lower valuations for CLO equity positions, we continue to believe the cash generative abilities of actively managed CLO equity may be enhanced through periods of volatility."

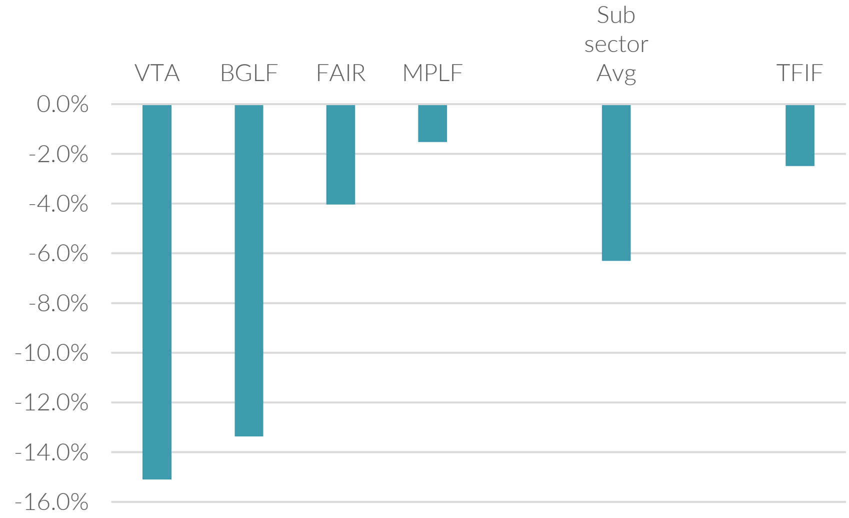
Valuation

Discount to NAV

Discount materially larger than most peers in structured debt fund space

Compared with its structured debt peers, on market price to NAV, Volta is trading at a material discount. Given the historical performance, risk profile and portfolio mixes identified in the sections below, this relative discount appears anomalous.

Current share price discount to May NAV for Volta and peers



Source: Hardman & Co Research Monthly reports for Volta (VTA), TwentyFour Income Fund (TFIF), Fair Oaks Income Fund (FAIR), Blackstone/GCO Loan Financing Ltd (BGLF) and Marble Point Loan Financing; priced 4 October 2019

Triggers for market re-evaluation of discount

Historically, dramatic reductions in discount to NAV generated by share price increases; these have been driven by a mix of market sentiment and company-specific issues

The share price discount to NAV is wider than long-term historical and peer average levels. This could reflect a number of possible drivers, each of which we discuss below. We believe that the most likely driver of long-term share price growth, and a reduction in the discount to NAV, is the delivery of the expected total shareholder returns and the market having greater confidence in their sustainability over the medium term. Looking at the portfolio as it stands, the most critical feature will be delivery of returns as credit default increases. As discussed earlier, in the near term, a modest deterioration of credit is likely to see much greater opportunities for higher-return re-investment, as the yield of all loans will increase. In addition to this macro development, we note the following.

Broadening awareness of Volta

► The Board has taken several steps to broaden knowledge of the company and so ensure that there is a better understanding of the real (NAV) volatility. The UK listing (VTA) was partially to do this, and saw a positive reaction. On 3 September 2018, Volta added a sterling listing (VTAS) to its Euro listing on the UK exchange. We note that Volta has engaged multiple sponsored research houses to distribute the message to the widest possible audience. We sense that the Board has an appetite to expand the fund, which should materially assist with the limited share price liquidity and, with that, we expect an active engagement with existing and potential shareholders in a range of forums. Improving awareness and the associated liquidity should help reduce the discount.

On 11 December 2018, Volta announced it believed it was an excluded security under NMPI rules, and so IFAs could recommend it to retail shareholders.

We note Volta's announcement on 11 December 2018 that, after due enquiry, it was the opinion of the Board that the company's shares qualified as an "excluded security" under the non-mainstream pooled investments ("NMPI") rules, and were thus excluded from the FCA's restrictions applying to NMPIs. The Board believes, therefore, that independent financial advisers can recommend the company's shares to retail investors (although this comes with the usual legal caveat that financial advisers should seek their own advice on this issue).

Volta's KID disclosure not driven by business performance. Greater understanding of the business could see less share price volatility.

- The Key Information Document (KID) disclosure may be a relative dis-incentive to potential investors, with Volta having a longer hold period and greater sensitivity than peers. As noted above, the historical NAV performance does not justify the historical share price volatility. As the market gets a broader appreciation of how Volta's multi-manager approach has delivered, and is likely to deliver, returns, there might be less share price volatility and KID disclosure more in line with peers.

Checks and balances in place to ensure validity of monthly NAV. Less reliant than some on mark-to-model due to both portfolio mix and valuation approaches.

- The discount could reflect concerns that the NAV is not truly representative of the value of the business, because the modelling/valuation assumptions do not reflect a realisable value. We detailed in our initiation note of September 2018 why we believe Volta adopts appropriate valuation techniques. It is worth noting that the most illiquid assets, for which modelling is important, form a lower proportion of the group than is the case for most of Volta's peers.

Buyback possible but only as part of long-term programme

- The Board is active in its consideration of a tender at NAV/repurchases in the market (which would be at a significant discount to NAV if executed at current prices). It says it will use such discount control measures if it believes them to be in the best interests of shareholders, noting "these mechanisms can be a double-edged sword". On the upside, it creates a buyer for the shares, and it could be perceived as putting a cap on the discount, which the market might then close itself. It is likely to reduce the discount in the short term. On the downside, it could create liquidity problems, the capital could be better deployed in the fund (subject to the level of discount), it shrinks the business, and so worsens the total expense ratio, and it sends a very mixed message, especially if, as seems likely over the medium term, Volta has new investment opportunities and comes to market for further equity funding. Accordingly, we note that the policy, as described in the 2018 R&A, is to "make the Company more attractive to new investors". We believe the Board would use a buyback as part of a long-term strategy, rather than a short-term "sticking plaster".

Volta delivered better short-term returns => portfolio positioning does not justify discount

- Volta has delivered 5.3% NAV year-to-date (ahead of most peers), suggesting that its portfolio positioning does not justify a discount. Further delivery of returns could trigger a rating re-evaluation, in our view.

Increased market confidence of sustainability of returns through weaker credit market conditions

- We believe that performance over the past five years (10.8% p.a.) reflects the favourable macroeconomic environment, with limited credit defaults, CLO debt, which had been purchased at a discount being redeemed at par, and positive sentiment towards CLO investment generally. Looking forward, while Volta has accessed high-return re-investments, it might take delivery of NAV to convince all in the market that such returns are sustainable. This might take more time (and effort) than Volta benefiting from the rising sentiment in good markets.

Financials

We have not changed any of our forecasts with this updated note. The 2019 Profit and Loss has been driven by the disclosed NAV, which we have assumed is primarily driven by unrealised losses. More details will be available with the Report and Accounts shortly.

Profit & Loss account

Year-end Jul (€m)	2013	2014	2015	2016	2017	2018	2019E	2020E
Coupons and dividends received	**0.0**	**31.4**	**33.7**	**34.7**	**33.2**	**38.5**	**37.0**	**36.1**
Net gains on sales	0.0	6.1	12.6	2.7	3.1	0.0	3.0	3.0
Unrealised gains and losses	0.0	12.2	21.0	-18.5	4.7	-5.7	-25.1	0.0
Net gain on fin. assets at FV through P/L	**79.2**	**49.7**	**67.2**	**18.9**	**40.9**	**32.7**	**14.9**	**39.1**
Net FX	-0.5	1.6	-8.2	0.3	5.6	-2.0	0.0	0.0
Net gain on IR derivatives	2.3	-0.3	0.0	0.0	0.4	-0.9	0.0	0.0
Interest expense on repo	0.0	0.0	-0.2	-0.9	-1.1	-1.4	-1.4	-1.4
Net bank int. & charges	0.0	0.0	0.0	-0.1	-0.1	-0.1	-0.1	-0.1
Operating income	**81.0**	**50.9**	**58.8**	**18.2**	**45.7**	**28.4**	**13.5**	**37.7**
Inv. manager's fees	-2.6	-3.6	-3.9	-4.1	-4.1	-4.2	-4.6	-4.7
Inv. manager's performance fees	-7.7	-1.9	-5.0	0.0	-1.5	0.0	0.0	-1.6
Directors' renumeration & expenses	-0.4	-0.4	-0.5	-0.6	-0.5	-0.5	-0.5	-0.5
Other expenses	-1.1	-1.0	-1.8	-0.9	-0.8	-1.0	-1.0	-1.0
Total expenses	**-11.8**	**-6.9**	**-11.2**	**-5.6**	**-6.9**	**-5.7**	**-6.2**	**-7.9**
Profit and total comp. income	69.2	44.0	47.6	12.6	38.7	22.7	7.3	29.8
Avg. no shares for EPS calculation (m)	32.8	36.1	36.5	36.5	36.5	36.56	36.59	36.61
Statutory EPS (p)	2.11	1.22	1.31	0.34	1.06	0.62	0.20	0.81
Total dividend (p)	0.62	0.60	0.62	0.62	0.62	0.62	0.62	0.62

Source: Volta, Hardman & Co Research

To derive our adjusted profit and loss, we strip out the capital movements, including: i) unrealised gains/losses; ii) FX movements; and iii) net gain of IR derivatives. We have left in realised gains, which, although volatile, have been converted into cash, and some capital gains might be expected to form part of the normal course of business. We have also backdated the current management fee structure and adjusted it to the new level of profitability.

Hardman & Co adjusted profit and loss account (€m)

Year-end Jul (€m)	2014	2015	2016	2017	2018	2019E	2020E
Coupons and dividends received	31.4	33.7	34.7	33.2	38.5	37.0	36.1
Net gains on sales	6.1	12.6	2.7	3.1	0.0	3.0	3.0
Net gain on fin. assets at FV through P/L	**37.5**	**46.2**	**37.4**	**36.2**	**38.5**	**40.0**	**39.1**
Interest expense on repo	0.0	-0.2	-0.9	-1.1	-1.4	-1.4	-1.4
Net bank interest & charges	0.0	0.0	-0.1	-0.1	-0.1	-0.1	-0.1
Operating income	**37.5**	**46.0**	**36.5**	**35.0**	**37.0**	**38.5**	**37.7**
Inv. manager's fees	-4.1	-4.5	-4.3	-4.6	-4.6	-4.4	-4.5
Inv. manager's performance fees	-2.5	-3.5	-1.3	-1.2	-1.3	-1.7	-1.7
Directors' renumeration & expenses	-0.4	-0.5	-0.6	-0.5	-0.5	-0.5	-0.5
Other expenses	-1.0	-1.8	-0.9	-0.8	-0.9	-0.9	-0.9
Total expenses	-7.9	-10.3	-7.2	-7.0	-7.2	-7.4	-7.5
Profit and total comp. income	**29.5**	**35.7**	**29.3**	**28.0**	**29.7**	**31.1**	**30.1**
Adjusted EPS (€)	**0.82**	**0.98**	**0.80**	**0.77**	**0.81**	**0.85**	**0.82**
Dividend cover (x)	**1.36**	**1.58**	**1.29**	**1.24**	**1.31**	**1.37**	**1.33**

Source: Volta, Hardman & Co Research

Balance sheet

@ 31 Jul (€m)	2013	2014	2015	2016	2017	2018	2019E	2020E
Financial assets at FV through P/L	238.7	256.3	307.3	324.1	321.3	325.7	334.6	342.6
Derivatives	1.6	0.0	0.0	1.2	0.7	1.3	1.3	1.3
Trade and other receivables	0.0	0.0	38.1	5.0	0.3	12.9	2.9	2.9
Cash and cash equivalents	9.7	19.5	0.4	10.9	37.1	20.5	6.4	5.6
Total assets	**250.1**	**275.8**	**345.8**	**341.3**	**359.4**	**360.4**	**345.2**	**352.5**
Loan financing under repos	0.0	0.0	27.3	40.3	38.1	42.7	42.7	42.7
Interest payable on loan financing	0.0	0.0	0.1	0.1	0.1	0.2	0.2	0.2
Derivatives	0.0	0.2	0.3	0.0	0.0	0.1	0.1	0.1
Trade and other payables	3.8	2.0	19.0	11.6	15.6	11.7	11.7	11.7
Total liabilities	**3.8**	**2.1**	**46.6**	**52.0**	**53.8**	**54.7**	**54.7**	**54.7**
Net assets	**246.3**	**273.6**	**299.2**	**289.3**	**305.5**	**305.7**	**290.5**	**297.8**
Period-end no. shares (m)	35.3	36.5	36.5	36.5	36.5	36.6	36.6	36.6
NAV per share (€)	6.97	7.50	8.20	7.92	8.36	8.36	7.94	8.13
Total debt to NAV	0%	0%	9%	12%	12%	14%	15%	14%

Source: Volta, Hardman & Co Research

Cashflow

Year-end Jul (€m)	2013	2014	2015	2016	2017	2018	2019E	2020E
Total comprehensive income	69.2	44.0	47.6	12.6	38.7	22.7	7.3	29.8
Net gain on financial assets at FV in P/L	-79.2	-49.7	-67.2	-18.9	-40.9	-32.7	-14.9	-39.1
Net movement in unrealised gain on revln. derivatives	-2.3	0.3	0.1	-1.5	0.5	-0.5	0.0	0.0
Interest expense on repos	0.5	-1.6	0.2	0.9	1.1	1.4	1.4	1.4
FX losses on re-translation repos	0.0	0.0	-0.9	-0.3	-2.2	0.4	0.0	0.0
(Increase)/decrease in trade receivables	-1.3	-1.8	0.0	0.0	-0.1	0.1	0.0	0.0
Increase/(decrease) in trade payables	0.1	0.1	2.0	-1.5	1.6	-1.7	0.0	0.0
Directors/other fees paid in cash	5.4	0.0	0.2	0.1	0.1	0.2	0.2	0.2
Net cash inflow/(outflow) from op activities	**-7.6**	**-8.6**	**-18.0**	**-8.5**	**-1.0**	**-10.3**	**-6.1**	**-7.8**
Cashflow from investing activities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Coupons and dividends recd.	32.7	31.4	33.3	33.6	34.4	38.0	36.0	36.1
Change in margin/deriv. sett.	1.7	1.5	0.0	0.0	0.0	0.0	0.0	0.0
Purchase of financial assets	-46.5	-71.5	-99.3	-127.0	-109.0	-138.8	-153.8	-153.8
Proceeds from sales of financial assets	24.2	72.2	96.9	84.9	125.5	114.2	133.8	148.8
Net cash outflow from investing activities	**12.1**	**33.6**	**30.9**	**-8.5**	**50.9**	**13.4**	**16.0**	**31.1**
Cashflows from financing activities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Dividends paid	-15.3	-17.0	-22.3	-22.6	-22.7	-22.7	-22.7	-22.7
Net sales of shares	15.8	0.2	0.0	0.0	0.0	0.0	0.0	0.0
Proceeds from repos	0.0	0.0	28.2	13.3	0.0	4.2	0.0	0.0
Interest paid on repos	0.0	0.0	-0.1	-0.8	-1.1	-1.3	-1.4	-1.4
Net cash inflow from financing activities	**0.6**	**-16.8**	**5.8**	**-10.2**	**-23.7**	**-19.7**	**-24.0**	**-24.0**
Net increase in cash and cash equivalents	**5.1**	**8.2**	**18.7**	**-27.2**	**26.2**	**-16.6**	**-14.1**	**-0.7**
Opening cash and cash equivalents	**5.2**	**9.7**	**19.5**	**38.1**	**10.9**	**37.1**	**20.5**	**6.4**
Effect of FX	**-0.5**	**1.6**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Closing cash and cash equivalents	**9.7**	**19.5**	**38.1**	**10.9**	**37.1**	**20.5**	**6.4**	**5.6**

Source: Volta, Hardman & Co Research

Company matters

Registration

Volta Finance Limited is a closed-ended limited liability company registered in Guernsey under the Companies (Guernsey) Law, 2008 (as amended) with registered number 45747. The registered office of the Company is Third Floor, La Plaiderie Chambers, La Plaiderie, St Peter Port, Guernsey GY1 1WG, Channel Islands.

The company is an authorised collective investment scheme in Guernsey, under The Protection of Investors (Bailiwick of Guernsey) Law, 1987, as amended. The company's ordinary shares are listed on the Euronext Amsterdam Stock Exchange and on the premium segment of the Official List of the UK Listing Authority trading on the Main Market of the London Stock Exchange ("LSE"). The ISIN number of the company's listed shares is GG00B1GHHH78 and the ticker for both markets is VTA.

Volta's home member state for the purposes of the EU Transparency Directive is the Netherlands. As such, Volta is subject to regulation and supervision by the Netherlands Authority for the Financial Markets (the "Autoriteit Financiële Markten" or "AFM"), being the financial markets supervisor in the Netherlands.

Board of Directors

Paul Meader – Chairman and Independent Director

"Mr Meader is an independent director of investment companies, insurers and investment funds. Until the autumn of 2012 he was Head of Portfolio Management for Canaccord Genuity, based in Guernsey, prior to which he was Chief Executive of Corazon Capital, Guernsey. He has over 30 years' experience in financial markets in London, Dublin and Guernsey, holding senior positions in portfolio management and trading. Prior to joining Corazon Capital he was Managing Director of Rothschild's Swiss private banking subsidiary in Guernsey. Mr Meader is a Chartered Fellow of the Chartered Institute of Securities & Investments, a past Commissioner of the Guernsey Financial Services Commission and past Chairman of the Guernsey International Business Association. He is a graduate of Hertford College, Oxford."

Paul Varotsis – Senior Independent Director

"Mr Varotsis was a partner at Reoch Credit Partners LLP until March 2011 where he worked as a consultant for financial institutions and advised investors, asset managers, intermediaries and software vendors on structured credit solutions. Mr Varotsis was Director of CDOs at Barclays Capital from 2002 to 2004. Prior to that, he was Executive Director, Structured Credit Trading, at Lehman Brothers from 2000 to 2002 and spent approximately ten years (1991 to 2000) at Chase Manhattan Bank and its predecessors; his last position at Chase was head of Credit and Capital Management (Europe Africa Middle East). He was European Chairman of the ISDA committee that participated in the drafting of the 2003 Credit Derivatives Definitions and advised the Bank of England and other regulators on the appropriate framework for the market's development. Mr Varotsis holds an MBA from the Stanford Graduate School of Business, a diplôme from the Institut d'Études Politiques de Paris and a diplôme from the Institut Supérieur de Gestion."

Graham Harrison – Independent Director

"Mr Harrison is co-founder and Group Managing Director of ARC Group Limited, a specialist investment advisory and research company. ARC was established in 2002 and provides investment advice to ultra-high net worth families, complex trust structures, charities and similar institutions. Mr Harrison has fund board experience spanning a wide range of asset classes including hedge funds, commodities, property, structured finance, equities, bonds and money market funds. Prior to setting up ARC, he worked for HSBC in its corporate finance division, specialising in financial engineering. Mr Harrison is a Chartered Wealth Manager and a Chartered Fellow of the Chartered Institute of Securities and Investment. He holds a BA in Economics from Exeter University and an MSc in Economics from the London School of Economics."

Atosa Moini – Independent Director

"Ms Moini (48) retired from Goldman Sachs International in September 2016 where she was Head of Origination and Distribution of Asset Backed Products and Loans in EMEA and previous to that she was Co-Head of EMEA Credit Sales. Ms Moini was also a member of the Securities Division Client and Business Standards Committee. Ms Moini has extensive product origination and distribution experience across a wide range of asset classes including corporate and leverage loans, corporate bonds, CLOs and asset backed products in real estate, transportation and renewable energies sectors. Ms Moini has an MBA from the London Business School and a BA Honours Degree in Industrial Engineering from the University of Surrey."

Stephen Le Page – Independent Director

"Mr Le Page was a partner with PricewaterhouseCoopers in the Channel Islands from 1994 until September 2013. During his career with that firm he worked with many different types of financial organisation as both auditor and advisor, and he also served as the senior partner of the firm, effectively carrying out the role of chief executive and leading considerable growth in the business. Mr Le Page is a Fellow of the Institute of Chartered Accountants in England and Wales and a Chartered Tax Advisor. He is a past president of the Guernsey Society of Chartered and Certified Accountants and a past Chairman of the Guernsey International Business Association. Mr Le Page holds a number of other non-executive roles, including a role advising the States of Guernsey, and is also Chair of the Multiple Sclerosis Society Guernsey branch."

Manager

Serge Demay – Senior Portfolio Manager, Head of CLO investments, CFA Charterholder

"Mr. Demay joined AXA Investment Managers in 2007 as the Structured Finance Division's Head of Multi-management, covering multi-assets products. He joined AXA IM from CAAM where he spent twelve years. From 2001 to 2007, he was senior manager of the fixed income and diversified portfolios in the multi-management team, and from 1996 to 2001 he was one of the senior managers of the Global Bond team of CAAM. He started his career in 1992 in the financial research department at CCF before joining the market floor as fixed income market strategist. Mr. Demay completed two Masters degrees in Applied Mathematics and Economics at the University of Toulouse as well as an undergraduate degree in Mathematics and Econometrics."

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(Disclaimer Version 8 – Effective from August 2018)

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In particular, Article 12(3) of the Directive states: 'The following benefits shall qualify as acceptable minor non-monetary benefits only if they are: (b) 'written material from a third party that is commissioned and paid for by a corporate issuer or potential issuer to promote a new issuance by the company, or where the third party firm is contractually engaged and paid by the issuer to produce such material on an ongoing basis, provided that the relationship is clearly disclosed in the material and that the material is made available at the same time to any investment firms wishing to receive it or to the general public…'

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The full detail is on page 26 of the full directive, which can be accessed here: http://ec.europa.eu/finance/docs/level-2-measures/mifid-delegated-regulation-2016-2031.pdf

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