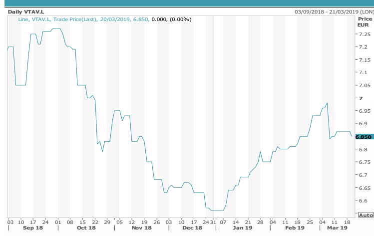
HARDMAN & CO.

21 March 2019

Financials



Source: Eikon Thomson Reuters

Market data

EPIC/TKR	VTA .NA, VTA.LN VTAS LN *
Price (€)	6.90/6.85/587p
12m High (p)	7.32/7.28/655p
12m Low (p)	6.46/6.52/585p
Shares (m)	36.6
Mkt Cap (€m)	252
Trail 12-mth. yield	9.0%
Free Float	70%
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

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www.voltafinance.com

Key shareholders

AXA Group	30%

Diary

Mid-April	March Monthly report

Analyst

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VOLTA FINANCE LIMITED

Manager's March 2019 presentation

Serge Demay, from Fund Manager AXA IM, gave an investor presentation on 7 March. 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 create re-investment opportunities. (iii) The flexible mandate means the portfolio can be quickly re-positioned if market conditions change. The management and board experienced the financial crisis.

- **Current portfolio:** Given market pricing, the opportunity for CLO vehicles to enhance their liability profiles to the benefit of CLO equity investors, and ongoing yields, Volta has been raising the proportion of CLO equity over debt.

- **Outlook:** The flexible mandate, and significant ongoing cash generation from coupons, dividends and maturities mean Volta can re-position its portfolio relatively quickly, even before selling assets. Weaker market-wide covenants may see fewer defaults and less near-term sentiment over-reaction as a result.

- **Valuation:** Volta trades at a 14% 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 (Volta has a widely diversified portfolio). We examined the valuation of assets, highlighting the multiple controls to ensure its validity in our *initiation note* in 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. However, long-term returns have been good: ca.11% p.a. returns (dividend reinvested basis) over five years. The current portfolio expected NAV return is broadly similar. The yield is 9.0% and will be covered, in our view, by predictable income streams.

Financial summary and valuation (Hardman & Co adjusted basis)

Year-end July (€m)	2014	2015	2016	2017	2018	2019E	2020E
Coupons & dividend	31.4	33.7	34.7	33.2	38.5	37.0	38.8
Operating income	37.5	46.0	36.5	35.0	37.0	38.5	40.4
Inv. managers' fees	-4.1	-4.5	-4.3	-4.6	-4.6	-4.6	-4.7
Adj. perform fees	-2.5	-3.5	-1.3	-1.2	-1.4	-1.7	-1.9
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	29.7	30.9	32.4	29.7
Statutory PTP	44.0	47.6	12.6	38.7	22.7	30.8	32.3
Underlying EPS (€)	0.82	0.98	0.80	0.77	0.82	0.85	0.89
NAV	273.6	299.2	289.3	305.5	305.7	314.0	323.8
S/P disc. to NAV	8%	16%	13%	17%	17%	20%	22%
Gearing	0%	9%	12%	12%	14%	14%	13%
Dividend yield	8.7%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%

Source: Hardman & Co Research

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Market view

Serge gave the following market view:

"Many signs that we are at the end of the economic/Credit cycles…

- Unemployment rate is low
- Modest wage inflation
- Credit spread volatility Is increasing

…but no signs that a downturn is coming

- Economic growth is already below potential
- No real inflation (especially on commodities)
- Central bank rates are not punitive
- Speculative grade bond yield already in the area of 7% (limiting appetite for credit)
- In 2018, for example, approximately 2 rating upgrades for 1 downgrade in 2018 for Speculative Grade (Moody's)

As always, there are many risks (Brexit/Emerging countries difficulties/China slowdown/Trump/Middle East/ …) but we have no reason to think that it's going to degenerate in 2019.

Undoubtedly the quality of loans has weakened

- 80% of US loans are cove-lite loans
- Most documentation allows issuance add-on (limited size)
- Some documentations are weak in terms of securities (in reality it is rare)
- In the primary market, EBITDA adjustments are frequent

It has some clear consequences (for a given economic pattern)

- Lower default rates (i.e. far less covenant breach), a far greater ability for companies to go through a difficult period
- Lower recovery (default will occur a later stage of the deterioration)
- Higher loan price volatility (no spread adjustments)

But, also some unknowns

- Does "less default" time and "lower recovery" change the "expected losses"?
- Are we going to see more downgrades to "CCC or below"?"

Hardman comments

Rising defaults likely. Speed of increase will depend on macroeconomic factors and policy responses, which already appear to favour stimulus

We concur with the manager's view that defaults are likely to rise from their current below-historical averages and that for this rise to be dramatically accelerated it would take an unknown event of significant size. While the final outcomes of Brexit/trade talks have some potential for volatility, they are known risks and, at least to a certain degree, priced in. We also note the ECB policy response on 7 March, which appears to provide stimulus in the light of weaker data.

Weaker covenants increase loss in the event of default but may reduce probability of default. A slower increase in defaults may reduce some sentiment over-reaction

Our market feedback is that cove-lite documentation has not only weakened in terms of issuance add-ons, EBITDA leverage and the use of adjusted EBITDA, but there has also been a noticeable reduction in covenants around asset sales. A senior credit officer suggested the effectiveness of covenants is now weaker than in 2007. We concur with management's view that, ceteris paribus, this will see lower defaults rates and lower recoveries (with a net unknown impact on expected ultimate loss). Part of the unknown effect is how many companies will be able to survive for longer because of the covenants and if they do so will they then be able to recover with greater benefit from looser fiscal/monetary policies. The effect on sentiment to CLO stocks is also unclear. We believe that lower defaults are highly likely to be well received and that there would be less over-reaction on the downside as a consequence. We suspect that the offsetting negative sentiment that may be expected from lower recovery rates could be delayed until there is more visibility of the actual numbers. We are more optimistic, therefore, than management that sentiment-driven volatility will be reduced following weakened covenants.

Portfolio positioning (Jan 2019)

Portfolio composition by asset type (%)

	Jan-16	Jul-16	Jan-17	Jul-17	Jan-18	July-18	Jan 19	Average
US CLO equity	13	11	11	13	11	12	17	12
US CLO debt	33	41	39	39	39	39	38	39
Eur CLO equity	5	11	12	12	12	13	15	12
Eur CLO debt	13	11	5	3	2	2	1	4
CMV	0	0	0	0	2	2	3	1
CLO warehouse	5	0	0	4	0	4	2	2
Bank balance sheet transactions	13	13	14	13	15	15	13	14
Cash corporate credit equity	4	3	3	3	3	3	2	3
Cash corporate credit debt	1	1	0	0	0	0	0	0
ABS residual positions	7	4	2	2	2	3	3	3
ABS debt	1	3	2	3	2	2	3	2
Cash	5	2	12	8	12	6	5	7

Source: Hardman & Co Research; Volta Monthly Reports

The favourable credit environment has reduced re-investment opportunities in CLO debt. It creates opportunities for CLOs to manage their liabilities and this upside means some CLO equity holders can be net beneficiaries. Amid gentle credit deterioration outlook, Volta has been selectively increasing CLO equity exposure.

The table above shows the trend in the portfolio since 2016. The key message is that Volta has a flexible mandate, which allows it to focus investments in different asset classes to optimise returns. With its current outlook of a gentle decline in credit but nothing dramatic, together with current pricing of much CLO debt at or around par, the opportunities in those securities are below average. In contrast, these conditions offer some prospects in CLO equity as the CLO vehicles have the opportunity to lock in long-term low-cost, low-covenant borrowing. Each vehicle faces a different dynamic between how these market trends affect its loan assets and the opportunities from re-financing its liabilities and value that can be created by selecting CLO equities, which are likely to see a net benefit from these trends. Hence the weighting to equities is currently above the average.

In terms of other asset classes, the manager noted:

"*CLO warehousing and CLO Equity*

Changes in bank regulation as well as the strong support from central banks to financial markets have created an incentive to enter in the business of CLO warehousing. To date 10 warehouses have been executed (with CLO pricing in due time) and a further one opened at the end of October. This strategically allows access to CLO equity with enhanced terms (i.e. CLO manager and arranging bank rebates)

Capitalized Manager Vehicle

Volta invested in a CMV targeting both US and Euro deals

Leveraging the most stable and liquid part of Volta's portfolio (USD CLO debt tranches)

Volta has been able to put in place a repurchase facility with the following characteristics: (i) $50m borrowed; and (ii) 5Y maturity, if stopped, the borrowed amounts are reimbursed with scheduled maturity from 6 to 12 months post notice

Bank Balance Sheet transactions

This market has been active for several years and has been relatively immune from the "hunt for yield". Margins are still there. We will continue increasing this bucket as European banks still need to save "capital" through this kind of transactions".

Strategy for the future

Volta's flexible mandate means it can react to market conditions and re-position portfolio if outlook changes. Normal coupons, maturities and sales see about a third of portfolio convert to cash each year and this can be accelerated.

The portfolio is obviously positioned based on the manager's view of the current economic outlook. A differentiating factor for Volta, though, is the flexibility that its mandate offers to re-position the portfolio in the event that conditions do not materialise as expected. We forecast annual cash generation from coupons and dividends of ca.€37m-€39m (over 10% of portfolio). In addition, in 2017/2018, normal redemptions and sales have been just over a third of the portfolio per year. With such a rapid churn generating cash equivalent to nearly half the portfolio, even before a strategic re-positioning, the portfolio can be quickly re-allocated if required.

Managing the portfolio in a downturn

Speculating on the effect of a downturn is exactly that, speculation. We can only take the portfolio as its stands and not predict with any accuracy what the management response might be, how quickly there could be a downturn or the degree to which sentiment might over-react to the underlying news flow. The issue was discussed at the manager's presentation and we note:

Flexible mandate important

- Management believes its flexible mandate is a significant competitive advantage in uncertain economic conditions. This is entirely logical in that those with limited mandates may only have the choice between cash and limited asset classes. We note that the Bank balance sheet transactions are, for example, expected to be a low credit exposure class and not all CLO funds invest in them.

Experience of crises

- Both the investment management and directors have experienced the financial crisis working in the same industry and as such have seen both the reality and sentiment factors at play.

Re-investment opportunity

- Some of the best returns are available when the market is mis-pricing risk. Looking at the market as a whole, the median annual IRR on US CLO tranches in 2007 was double that of 2004 and over 4x that of 2003. AXA IM has beaten the market for these tranches, and shown less volatility (see table below).

US CLO tranches median annual IRR to June 2017 (%)

Vintage	2001	2002	2003	2004	2005	2006	2007
Wells Fargo Market Data	7.6	10.5	3.6	8.0	14.2	16.4	17.7
AXA IM	16.2	20.4	10.9	12.2	14.9	18.4	21.2

Source: AXA IM

Lower fees give investors a bigger cushion

- There is a much lower take from the CLO structurers than in the past with more thus being in the hands of the investor. Anecdotally, the comment was that in the past the arranger of deals could take up to a fifth of the value up front. Volta commented that, in a recent deal, because of AXA's prior involvement and size of its commitment, it did not pay the arranger for its stake at all. More common were fees of ca.1-2%.

Gearing modest and structured to avoid forced sale

- Gearing has been kept modest and committed long term. The structure of its Repos is such that it could be fully re-paid from expected coupons and there would thus be no forced sale of assets. More assets could have to be segregated as security but a key driver to loss (the forced sale at a distressed price) should be avoided.

CLO equity pricing much lower than debt => different risk/reward profile

- Management noted that, assuming an 8% peak scenario, you could expect CLO equity tranches to fall from ca.80% to 40-45% while BBB tranches might fall from 95% to 55-60%. Taking account of ongoing cashflows (BBB tranche ca.6%, CLO equity 13-16%) the net difference is modest.

Some other snippets

AXA IM as competitive advantage

The presentation also emphasised the benefits from AXA IM in terms of scale, negotiating power, market intelligence and experience.

Beaten benchmarks

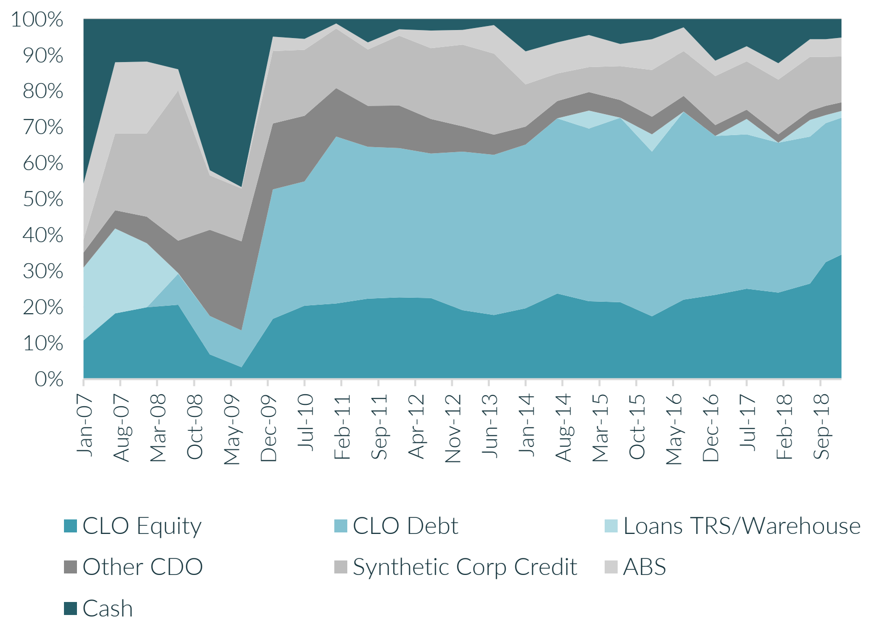
It also highlighted how, on a dividend re-invested basis, its share price performance over 5 years (11.1%) beats the S&P (10.9%), MSCI European (5.7%), US high yield bonds (H0A) Index 4.6%). Since inception, the beat has been greater. Given market conditions, it is also noteworthy that Volta has beaten the index in the past year too.

Better Sharpe ratio than peers

This return has not come from taking excessive risk with Volta's Sharpe ratio being higher than peers over the past 3 & 5 years. Readers of our previous reports will know we also show this graphically by comparing the monthly returns generated by Volta and its peers.

The portfolio is fundamentally different from 2007 in mix, concentration and risk profile.

Evolution of portfolio since financial crisis



Source: Hardman & Co Research Note Marble Point from listing.

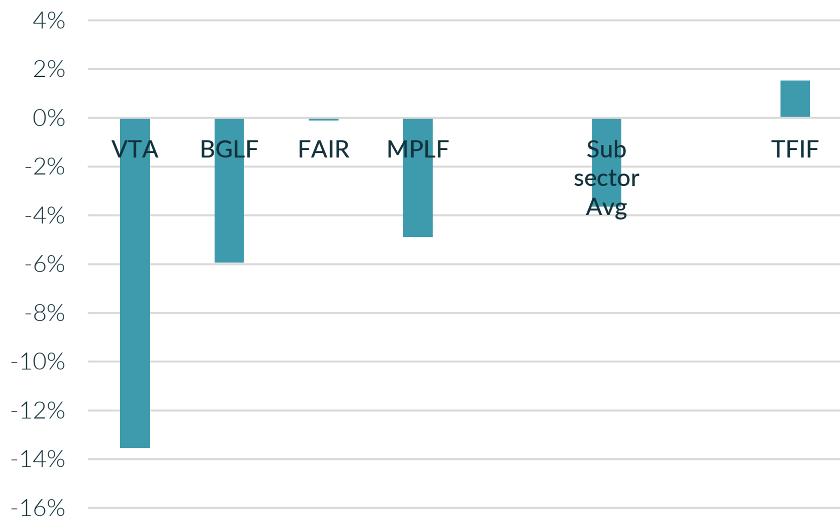
Valuation

Discount to NAV

Discount materially larger than 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 January NAV for Volta and peers



Source: Hardman & Co Research Monthly reports for Volta (VTA), Carador (CIFU), TwentyFour Income Fund (TFIF), Fair Oaks Income Fund (FAIR), Blackstone/GCO Loan Financing Ltd (BGLF), and Marble Point Loan Financing Priced: 21 March 2019

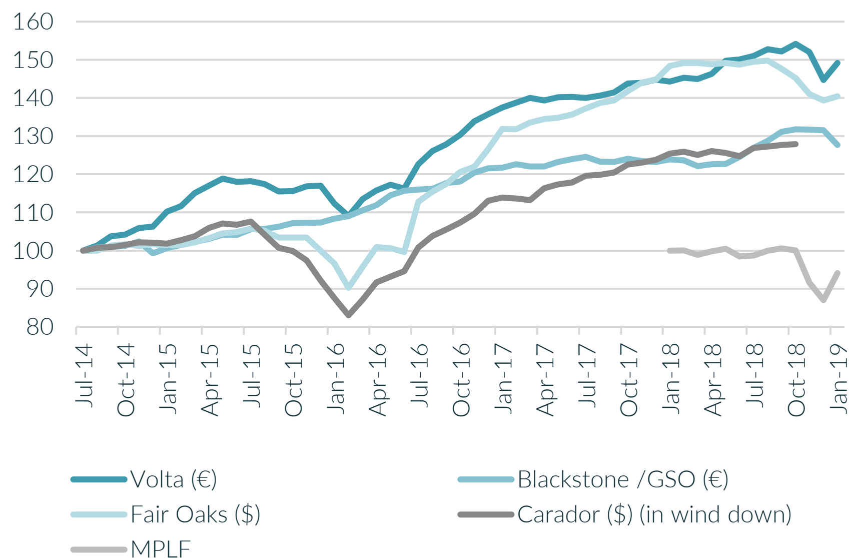
NAV performance relative to peers

NAV performance has been at top end of peer range

The Figure below shows the cumulative performance of the funds most closely aligned to Volta based on the NAV as reported since July 2014 (a date reflecting the longest time available for public information for this group). It is impossible for us to re-translate the NAV on a constant currency basis as we do not know what the effect of hedging and different currency funding polices would be. However, if we assumed totally unhedged positions, the FX would increase the performance of Carador and Fair Oaks since this date.

- Fair Oaks would have outperformed; however, this is solely attributable to the performance in the month of July 2016 when, as can be seen in the Figure below, Fair Oaks delivered an exceptional 13% in one month (nearly twice the level of any other fund in any month since July 2014). Fair Oaks noted “significant increases in both of the Master Fund's equity and mezzanine positions”, but we have no further details.

Performance indexed to July 2014, reported currency basis



Source: Hardman & Co Research Note Marble Point from listing.

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 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. 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:

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 was partially to do this and saw a positive reaction. On 3 September 2018, Volta added a sterling listing to its Euro listing on the UK exchange. We note that Volta has recently engaged multiple sponsored research houses to distribute the message to the widest possible audience. We sense the board has 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 fora. Improving awareness and the associated liquidity should help reduce the discount.

11 December, Volta announced it believes it is an excluded security under NMPI rules and so IFAs can recommend it to retail shareholders.

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

Volta Key Information Document disclosure not driven by business performance. Greater understanding of the business could see less share price volatility.

- The Key Information Document disclosure could be seen as 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, 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 detail in our initiation note in September 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 in most peers. We also note that the very stable performance in Blackstone's NAV is inconsistent with peers and partially reflects its mark-to-model valuation – in periods of stress, this is likely to give Blackstone a higher NAV and in favourable environments a lower one.

Buyback 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 can 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 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 a faster NAV growth than its marking-to-market peers since the end of 2017 suggesting its portfolio positioning with less CLO Equity does not justify a discount. Further delivery of returns could trigger a rating re-evaluation.

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

- We believe that performance over the past five years reflects the favourable macroeconomic environment with limited credit defaults, CLO debt, which had been purchased at a discount being redeemed at par, and a 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.

- We note the announcement by Carador on 28 August that it would put a possible orderly wind down to shareholders (with an opportunity to elect to roll over its holding in the company's shares into Blackstone/GSO Loan Financing Limited (TIDM: BGLF) for those wishing to keep CLO exposure). We believe this is driven by company-specific factors inter alia noting its performance has been behind Volta's, the different portfolio mix with returns generated from a different asset mix, and the dividend cut earlier in 2018. A continuation of Volta's historical delivery would generate good long-term returns for shareholders and we do not expect such a development here (noting of course that an orderly wind down, subject to the administration cost, would see the discount eliminated assuming the valuations are correct).

Financials

We have not changed any of our forecasts with this update.

Profit and loss account (€m)								
Year-end July	2013	2014	2015	2016	2017	2018	2019E	2020E
Coupons and dividend recd.	**0.0**	**31.4**	**33.7**	**34.7**	**33.2**	**38.5**	**37.0**	**38.8**
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	0.0	0.0
Net gain on fin. assets at FV through P/L	**79.2**	**49.7**	**67.2**	**18.9**	**40.9**	**32.7**	**40.0**	**41.8**
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**	**38.6**	**40.4**
Inv. managers' fees	-2.6	-3.6	-3.9	-4.1	-4.1	-4.2	-4.6	-4.7
Inv. managers' performance fees	-7.7	-1.9	-5.0	0.0	-1.5	0.0	-1.6	-1.8
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**	**-7.8**	**-8.1**
Profit and total comp. income	69.2	44.0	47.6	12.6	38.7	22.7	30.8	32.3
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	0.84	0.88
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 in to 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 adjusted profit and loss account (€m)							
Year-end July	2014	2015	2016	2017	2018	2019E	2020E
Coupons and dividend recd.	31.4	33.7	34.7	33.2	38.5	37.0	38.8
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**	**41.8**
Interest expense on repo	0.0	-0.2	-0.9	-1.1	-1.4	-1.4	-1.4
Net bank int. & 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**	**40.4**
Inv. managers' fees	-4.1	-4.5	-4.3	-4.6	-4.6	-4.6	-4.7
Inv. managers' performance fees	-2.5	-3.5	-1.3	-1.2	-1.3	-1.6	-1.8
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	-7.6	-7.9
Profit and total comp. income	**29.5**	**35.7**	**29.3**	**28.0**	**29.7**	**30.9**	**32.4**
Adjusted EPS (€)	**0.82**	**0.98**	**0.80**	**0.77**	**0.81**	**0.85**	**0.89**
Dividend cover (x)	**1.36**	**1.58**	**1.29**	**1.24**	**1.31**	**1.36**	**1.43**

Source: Volta, Hardman & Co Research

Balance sheet (€m)								
@ 31 July	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	359.7	367.7
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	4.8	6.6
Total assets	250.1	275.8	345.8	341.3	359.4	360.4	368.7	378.5
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	314.0	323.8
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	8.58	8.85
Total debt to NAV	0%	0%	9%	12%	12%	14%	14%	13%

Source: Volta, Hardman & Co Research

Cashflow (€m)								
Year-end July	2013	2014	2015	2016	2017	2018	2019E	2020E
Total comprehensive income	69.2	44.0	47.6	12.6	38.7	22.7	30.8	32.3
Net gain on financial assets at FV in P/L	-79.2	-49.7	-67.2	-18.9	-40.9	-32.7	-40.0	-41.8
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	-7.7	-8.0
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	38.8
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	33.8
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	-15.7	1.8
Opening cash and cash equivalents	5.2	9.7	19.5	38.1	10.9	37.1	20.5	4.8
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	4.8	6.6

Source: Volta, Hardman & Co Research

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