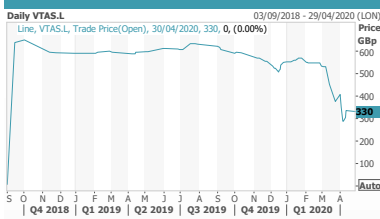


Financials


Source: Refinitiv

Market data

EPIC/TKR	VTA .NA, VTA.LN VTAS LN*
Price (€)	3.85/3.80/330p
12m High (€)	6.74/7.04/642p
12m Low (€)	3.20/3.38/285p
Shares (m)	36.6
Mkt Cap (€m)	141
Trail. 12-mth. yield	12.7%
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

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www.voltafinance.com
Key shareholders

Axa Group	30.4%
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Diary

Mid-May'20	April 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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Volta's March monthly report reported a 32.4% drop in NAV – better than most of its peers. We believe the price falls reflect both economic realities (the likelihood of higher defaults, rating downgrades seeing partial diversion of cashflows from CLO equity positions) and sentiment effects exaggerating these realities. We note that BGLF's mark-to-model NAV, which looks through sentiment, fell by only 14%. Volta is managing its cashflows (e.g. dividend cut) to ensure liquidity through the crisis, but also to take re-investment opportunities. Returns from investments post the financial crisis were about twice those in the years immediately before.

- ▶ **Volta monthly report:** In March, Volta's NAV declined by 32.4%. The bank balance sheet transactions (16% of portfolio) fell 4.5% and ABS positions (7% portfolio) by 11.9%. CLO debt tranches were down 41% (19% of portfolio) while CLO equity tranches (45% portfolio) fell 37%. Cash is now 4.5% of GAV.
- ▶ **Peers' January reports:** Blackstone GSO Loan Financing said that its more marked-to-model € NAV fell 14%. Fair Oaks Income's \$ NAV fell 50% while Marble Point fell 45%. TwentyFour Income Fund's (with a greater proportion of residential mortgages) £ NAV fell 16%. Carador is now in wind-up mode.
- ▶ **Valuation:** Volta trades at a 17% discount to NAV. Its NAV is subject to significant external input and oversight. The relative discount to FAIR and MPLF appear anomalous as, over the long term, Volta has delivered a better NAV performance. With a different accounting approach, comparisons with BGLF have limited value.
- ▶ **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 is likely to be sentiment-driven, share price volatility. However, long-term returns have been good: pre-COVID-19, ca.11% p.a. (dividend re-invested basis) over five years. Performance relative to peers has been strong and returns for investments made after the financial crisis were double those in prior years. Both the NAV and the discount to NAV reflect sentiment, with the model-based approach of a competitor seeing it report a drop in NAV only half that of Volta.

Financial summary and valuation (Hardman & Co adjusted basis)

Year-end Jul (€m)	2015	2016	2017	2018	2019	2020E	2021E
Coupons & dividend	33.7	34.7	33.2	38.5	42.0	42.3	27.3
Operating income	46.0	36.5	35.0	37.0	41.0	41.3	26.3
Inv. managers' fees	-4.5	-4.3	-4.6	-4.6	-4.4	-3.3	-1.5
Adj. perform. fees	-3.5	-1.3	-1.2	-1.3	-2.1	-2.7	-1.8
Total expenses	-1.8	-0.9	-0.8	-0.9	-1.0	-1.0	-1.0
Total comp. income	35.7	29.3	28.0	29.7	32.9	33.9	21.4
Statutory PTP	47.6	12.6	38.7	22.7	7.1	-91.8	18.9
Underlying EPS (€)	0.98	0.80	0.77	0.81	0.90	0.92	0.59
NAV	299.2	289.3	305.5	305.7	290.6	176.6	173.3
S/P disc. to NAV	53%	52%	54%	54%	52%	21%	20%
Gearing	9%	12%	12%	14%	12%	20%	21%
Dividend yield	16.3%	16.3%	16.3%	16.3%	16.3%	0.0%	16.3%

Source: Hardman & Co Research