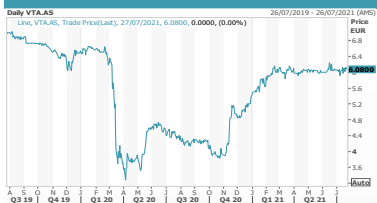


Closed End Investments


Source: Refinitiv

Market data

| EPIC/TKR | VTA.NA, VTA.LN, VTAS LN |
|----------------------|-------------------------|
| Price (€) | 6.08/6.05/520p |
| 12m High (€) | 6.10/6.20/546p |
| 12m Low (€) | 3.84/3.80/357p |
| NAV p/sh (Jun'21, €) | 7.28 |
| Disc. to NAV (%) | 16% |
| Shares (m) | 36.6 |
| Mkt Cap (€m) | 222 |
| 2021 yield | 8.6% |
| Free Float | 70% |
| Market (NL, UK) | AEX, LSE |

Description

Volta Finance (Volta) 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

| | |
|------------------------|------------------------------------------------------------------|
| Ind. Chairman | Paul Meader |
| Ind. Non-Executive | Graham Harrison |
| Directors | Dagmar Kent Kershaw, Stephen Le Page, Paul Varotsis |
| Fund Managers | Serge Demay, AXA IM Paris A Martin-Min, François Touati |
| Co. Sec./Administrator | BNP Paribas Securities Services SCA, Guernsey Branch |

BNP: +44 1481 750 853

www.voltafinance.com
Key shareholders (31 Jul'20)

| | |
|-----------|-----|
| Axa Group | 30% |
| BNP WM | 16% |
| Deutsche | 6% |
| Citibank | 6% |

Diary

| | |
|------------|-------------------|
| Mid-Aug'21 | Jul estimated NAV |
|------------|-------------------|

Analyst

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VOLTA FINANCE LIMITED

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In our 5 May 2021 note, *Re-Set, Re-Fi, Re-Light my Fire*, we explored how favourable market conditions mean that CLO vehicles can re-finance debt cheaply, enhancing the value of Volta's equity positions, and expected to lift total returns by 1%-1.5% p.a. for several years. Our latest report, *Yield (10%, covered and growing) + capital growth*, notes this will further increase dividend cover (Hardman & Co FY'21E: 1.8x) and generate capital returns through a growing NAV. The latter, in turn, will see the dividend grow (Hardman & Co FY'22E yield: 10.2%). Despite this favourable outlook, Volta still trades at a 16% discount to NAV, albeit down from March 2020 highs.

- ▶ **Volta monthly report:** Its *June 2021 report* showed that Volta's NAV increased by 2.2% (YTD: 11.3%). By asset type, it was +1.9% for CLO equity tranches, -0.7% for CLO debt, +8.4% for Cash Corporate Credit deals and ABS (this bucket has a one-month delay in publishing its NAV), and +1.6% for Bank Balance Sheet transactions.
- ▶ **Monthly commentary:** The monthly commentary highlighted Wind River 2019-1, where Volta was able to lead a successful reset and extract a ca.25% non-annualised distribution at the equity level, in addition to a 16bp decrease in weighted average cost of debt. Annualised cashflow is 18% of June NAV.
- ▶ **Valuation:** Volta trades at a 16% discount to NAV (which is subject to significant external input and oversight). The relative discounts to Fair Oaks and Marblepoint seem anomalous, as, over the long term, Volta has delivered a better NAV performance. Volta aims for 8% NAV distribution (8.6% yield on current share price).
- ▶ **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 both the NAV and the discount to NAV reflect sentiment. This may be expected to normalise over time, and we note that BGLF's model-based approach saw its NAV drop by only a third that of Volta in March 2020. Fundamental long-term returns have been good: 8.5% p.a. (dividend re-invested basis) since inception. Volta's performance relative to its peers has been strong, and returns for investments made after the financial crisis were double those in prior years.

Financial summary and valuation (Hardman & Co adjusted basis)

| Year-end Jul (€m) | 2017 | 2018 | 2019 | 2020 | 2021E | 2022E | 2023E |
|---------------------|-------|-------|-------|-------|-------|-------|-------|
| Coupons & dividend | 33.2 | 38.5 | 42.0 | 39.4 | 42.3 | 45.2 | 45.4 |
| Operating income | 35.0 | 37.0 | 41.0 | 31.5 | 44.4 | 46.4 | 46.2 |
| Inv. manager's fees | -4.6 | -4.6 | -4.4 | -3.6 | -8.7 | -9.0 | -8.2 |
| Expenses | -0.8 | -0.9 | -1.0 | -1.0 | -1.0 | -1.0 | -1.0 |
| Total comp. income | 28.0 | 29.7 | 32.9 | 25.8 | 35.1 | 37.1 | 37.0 |
| Statutory PTP | 38.7 | 22.7 | 7.1 | -63.0 | 78.6 | 41.2 | 38.3 |
| Underlying EPS (€) | 0.77 | 0.81 | 0.90 | 0.71 | 0.96 | 1.01 | 1.01 |
| NAV per share (€) | 8.36 | 8.36 | 7.94 | 5.69 | 7.32 | 7.83 | 8.23 |
| S/P disc. to NAV* | -11% | -15% | -12% | -23% | -17% | -22% | -26% |
| Gearing | 12% | 14% | 12% | 0% | 15% | 16% | 17% |
| Dividend | 0.62 | 0.62 | 0.62 | 0.52 | 0.52 | 0.61 | 0.65 |
| Dividend yield | 10.2% | 28.9% | 10.2% | 8.6% | 8.6% | 10.1% | 10.7% |

*2017-20 actual NAV and share price, 2021-23 forecast NAV to current share price;

Source: Hardman & Co Research