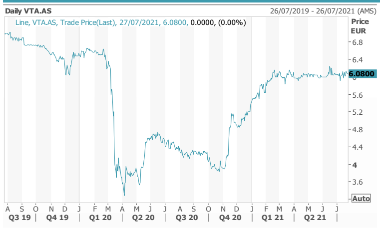
HARDMAN & CO.

Closed End Investments



Source: Refinitiv

Market data

EPIC/TKR	**VTA.NA, VTA.LN VTAS LN**
Price (€)	**6.08/6.05/520p**
12m High (€)	6.10/6.20/538p
12m Low (€)	3.58/3.60/327p
Shares (m)	36.6
Mkt Cap (€m)	222
2022E div. yield	10.1%
Latest NAV (Jun'21, €)	7.28
Discount to NAV	16%
Country of listing	NL/UK
Market	AEX, LSE

Description

Volta is a closed-ended, limited-liability investment company that pursues a diversified investment strategy across structured finance assets (primarily Collateralised Loan Obligations, CLOs).

Company information

Ind. Chairman	Paul Meader
Independent Non-Executive Directors	Graham Harrison, Dagmar Kershaw, Stephen Le Page, Paul Varotsis,
Fund Managers (AXA IM Paris)	Serge Demay, A Martin-Min, François Touati
Co. sec./ Administrator	BNP Paribas Securities Services SCA, Guernsey
Website	*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

Mark Thomas 020 3693 7075

mt@hardmanandco.com

VOLTA FINANCE LIMITED

Yield (10%, covered and growing) + capital growth

In our note, *Re-Set, Re-Fi, Re-Light my Fire,* published on 5 May 2021, we explored how favourable market conditions mean that CLO vehicles can re-finance debt cheaply. This enhances the value of Volta's CLO equity positions, which have been increased substantially in recent years, and is expected to lift total returns by 1%-1.5% p.a. for several years. The higher cashflow further backs an already covered dividend, with a 2022E yield of 10.1%. With returns above the cost of the dividend, the NAV is growing (supporting further dividend growth). With income and capital growth appealing to a range of investors, the discount to NAV may narrow.

- **Re-set/Re-fi opportunity:** Volta has already seen nine positions re-finance, at savings of 15bps-27bps. 20 positions could benefit, seeing the expected total returns rise by 1%-1.5% p.a. Where CLO debts are re-financing at lower rates, there are multi-year gains. Introducing new debt structures can see one-off gains.
- **Lower-than-expected defaults:** In FY'21, the rolling 12-month global default rate has been falling, and, in May, it was 1.7%. We think this is below most market forecasts for FY'21. CLO vehicles have rules and restrictions, which mean their defaults have typically been around half the wider market average.
- **Valuation:** Volta trades at a double discount: its share price is at a 16% discount to NAV, and we believe its mark-to-market NAV includes a further sentiment-driven discount (5%-10%) to the present value of expected cashflows. Volta targets an 8% of NAV dividend (10.1% 2022E yield on current share price).
- **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,* in September 2018. The NAV is exposed to 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.8.5% p.a. (dividend-re-invested basis) since initiation. With above-average returns on recent re-investments, the portfolio's past six-month cashflow (annualised) yield is 18.0%. We expect 1.6x adjusted and 1.8x statutory dividend cover in 2022E.

Financial summary and valuation (Hardman & Co adjusted basis)

Year-end Jul (€m)	2017	2018	2019	2020	2021E	2022E	2023E
Coupons & dividends	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. mgr.'s fees (stat.)	-5.7	-4.2	-4.2	-3.9	-8.7	-9.0	-8.2
Other 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

IMPORTANT INFORMATION

Due to legal restrictions, the information in this document is not available to any person who is a "U.S. person" (as defined below) or to any person who is physically present in the United States, and it is available only to persons who are "relevant persons" (as defined below) for U.K. regulatory purposes.

A "U.S. person" is:

- any natural person resident in the United States;
- 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
- any partnership or corporation if:
    - organised or incorporated under the laws of any foreign jurisdiction; and
    - formed by a "U.S. person" principally for the purpose of investing in securities not registered under the U.S. Securities Act, unless it is organised or incorporated, and owned, by accredited investors (as defined in the rules of the U.S. Securities and Exchange Commission) who are not natural persons, estates or trusts.

"Relevant persons" are (i) persons who are outside the United Kingdom or (ii) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "Order") or (iii) high net worth companies, and other persons to whom it may lawfully be communicated, falling within Article 49(2) (a) to (d) of the Order. The securities of the Company are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such securities will be engaged in only with relevant persons. Any person who is not a relevant person should not access, or seek to act or rely on, this report or any of its contents.

This document should not be taken, transmitted or distributed, directly or indirectly, to "U.S. persons" as defined above nor to parties that are not "relevant persons" as defined above. In reading this document the readers also acknowledge that they have read and understood the notices set forth above and the disclaimers contained in the document.

If you are not a "relevant person" or you are a "U.S. person", you should not have received or accessed this document and accordingly should return this document as soon as possible and take no further action. Any investment or investment activity to which this document relates is only available to "relevant persons". By accepting receipt of this document, each recipient is deemed to confirm, represent and warrant to Hardman & Co that it is a "relevant person" and that it is not a "US person", and accordingly a person to whom this document can be lawfully communicated.

Summary of the positive re-financing opportunity

We will not repeat all our note, *Re-Set, Re-Fi, Re-Light my Fire* here, but the key message is that market conditions are allowing CLO structures to refinance/restructure their debt at lower rates/on improved terms, while their asset pricing remains broadly unchanged. The margin is thus widening, with most of the benefit falling straight down to CLO equity holders like Volta.

Overall, two thirds of Volta's CLO equity positions expected to be Re-fi or Re-set in coming 12 months, with typical savings in 20bps-50bps range

In its *interim results report* to end-January 2021, Volta highlighted the following opportunities:

- Two US$ positions are amortising, and no Re-fi/Re-set can be considered.
- Two US$ positions have an overall very low cost of debt.
- Nine US$ positions are candidates for Re-fi/Re-set. For six of them, the gain on the overall cost of debt can be from 20bps to 40bps and, for three of them, the gain can be even higher. There is the possibility to include a B-tranche in the structure to receive an extra payment.
- 15 European positions have been issued with a B-tranche (the norm in Europe is to have a B-tranche), 10 of which are good candidates for a Re-fi or a Re-set, with a gain on the cost of debt ranging from 20bps to 50bps. Three European positions have been, on purpose, issued without a B-tranche. Under current conditions, a B-tranche can be issued, and the amount raised can be paid to the equity position, and the gain in terms of cost of debt can be in the area of 40bps.

Nearly half the deals have concluded. Some benefits come in one-off gains, but most will come from higher levels of CLO dividends paid over several multi-years. Only limited of latter seen to date.

As noted above, at the time of writing, nearly half of these structures had already completed their re-financing. The returns are up-streamed to Volta in two ways. Where there is simply a re-pricing down of debt costs, this generates higher ongoing profitability at the CLO, and this is up-streamed to Volta via dividend coupons over several years. To date, only a few months of such payments from the limited number of re-financing have been seen, with most of the benefit still to come. Where the re-financing involves restructuring the debt (and including B-tranches, which were not present before), there is the opportunity for a larger, single gain/up-streamed cash payment. 2021 will benefit from this. 2022 and 2023 are not likely to see many one-off gains, but they will receive the higher coupons for the whole period.

If average uplift is 30bps, this would increase returns earned on equity positions by more than a fifth, and total fund returns by 1%-1.5% p.a.

Most CLO structures are highly geared, and debt typically accounts for between 9x and 10x the amount of equity. *Ceteris paribus*, a 30bp reduction in the cost of debt thus results in an increase of 270bps to 300bps equity returns, because of this leverage. If the equity were earning 14% p.a. returns before the re-financing, it would generate 17% after the restructuring (assuming a 10x leveraged structure after) – an increase in returns of more than a fifth. With CLO equity accounting for 58.6% of the end-June portfolio, such re-financing is expected, therefore, to add 1%-1.5% p.a. to the total fund returns for several years to come.

Opportunities for Volta investors

We see four distinct opportunities for Volta investors, all of which are enhanced by the superior returns generated from CLO re-financing. First, it makes the high yield even more secure. Secondly, with returns well above the dividend payout, we forecast that the NAV will grow, generating potential capital gains for investors. Thirdly, the dividend payout policy is 8% of NAV, so, as the NAV increases, investors should benefit from a higher dividend payout. Fourthly, the secure income, capital gains and rising yield may encourage a closing of the high discount to NAV.

High yield

Volta's dividend policy is to pay a quarterly dividend at a rate of ca.8% annualised of NAV. With the share price at a discount of 16% to the NAV, this equates to a dividend yield of 9.3%. As we outline below, we expect a growing dividend, and our FY'23 forecast yield on the current share price is thus 10.7%.

Ongoing interest/coupons covers Volta's FY'22E dividend 1.6x, statutory cover including gains, 1.8x

We believe that investors not only want an income but want as secure an income as possible. On our numbers, in FY'22E, Volta will receive coupons and dividends amounting to ca.€45m (with more volatile gains assumed to be €7.5m). After costs and interest paid of €11m, this €35m of recurring cashflow is available to pay the dividend, which we expect to be €22m in FY'22E (i.e. adjusted cover 1.6x). On a statutory basis, including fair value realised and unrealised gains, we forecast FY'22 cover at 1.8x. With a rising dividend into FY'23E, we have a projected yield of 10.7%, covered 1.6x on a statutory basis and 1.5x on the adjusted basis.

NAV growth

On our estimates, the NAV increases from €7.32 end-July 2021, to €7.83 end-July 2022, to €8.23 end-July 2023. This is a simple reflection of the fact that returns are higher than the dividend payments.

NAV growth fuels higher dividends

As the dividend policy is to pay out 8% of NAV (annualised) on a quarterly basis, we are forecasting a dividend rising from €0.52 in FY'21, to €0.61 in FY'22, to €0.65 in FY'23. The yield on the current share price thus increases from 8.6%, to 10.1%, to 10.7%, respectively.

With income and capital growth, potential for closing of discount to NAV

In the past, Volta has been a high-yielding stock, the primary appeal of which, we believe, has been to investors wanting income. Now, it is not only more appealing to them (higher cover and a growing dividend) but also offers some capital gains. We note that the discount to NAV (16%) is above the level at which Volta generally traded in the years before the pandemic. With the growing NAV, this discount should widen further (on our estimated and the current price, it would be 26% by July 2023).

NAV recovery affected by elimination of MTM volatility

Volta marks to market, and so saw sharp fall during COVID-19 crisis, reflecting sentiment-driven falls in asset prices

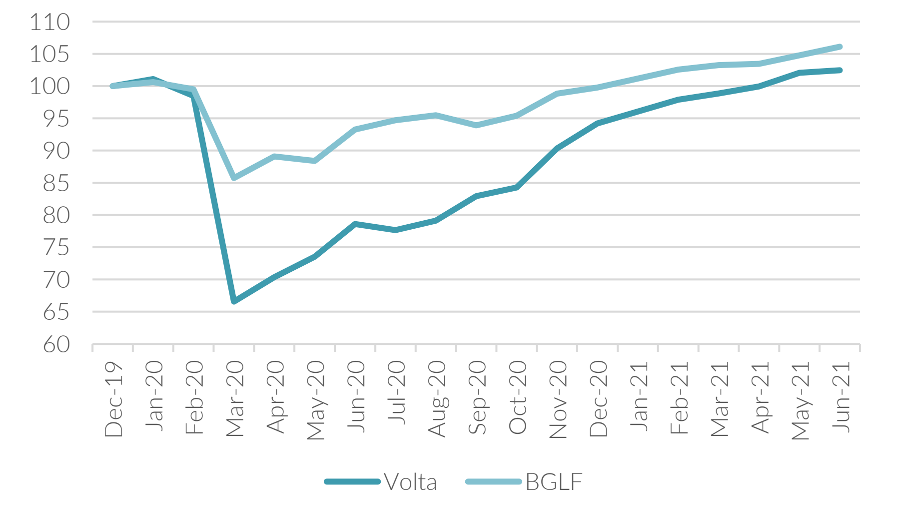
In previous reports, we have highlighted the impact of accounting on Volta's NAV. As a brief summary, Volta marks to market its assets, and so captures any illiquidity and sentiment volatility in them, leading to sharp falls in periods of distress, followed by rapid recoveries as market sentiment normalises. We believe this NAV volatility also has an impact on sentiment to the shares, leading to wider discounts on the lower NAV at times of distress. We believe that the recovery in NAV since March 2020 is driven by the elimination of this sentiment discount on underlying assets, and the re-financing gains are largely an incremental opportunity from here.

BGLF's mark-to-model approach saw NAV fall by roughly a third as much as Volta's mark-to-market approach in March 2021. Most of difference has been recouped as sentiment improved.

To assess the impact of accounting on recent performance, we can compare the NAV reported by Volta with that of Blackstone Loan Financing (BGLF), which uses a mark-to-model approach.

- As can be seen in the chart below, in March 2020, Volta's NAV fell 32.4%, while BGLF's fell by only 13.8%. The mark-to-model approach fell by just over a third of the level of the mark-to-market approach.
- As sentiment improved through the year, the mark-to-market approach saw higher gains than the mark-to-model one. Volta significantly outperformed BGLF in May (+5.3%), September (+6.4%), November (+3.6%) and December (+3.3%). Over the course of time, the gap between the two approaches has narrowed significantly.

Volta and BGLF NAV indexed to December 2019 at 100



Source: Monthly factsheets from Volta and BGLF, Hardman & Co Research

Scenario options

FX

Dollar depreciation in 2H'20 adversely affected NAV

Volta's NAV performance has felt the impact of exchange rates. If the € appreciates against the $, converting $ assets sees a falling € value. In spring 2020, the exchange rate was ca.€1 to $1.08, since when the € has appreciated 9% to its current level (€1: $1.18). The chart below shows the $ movement and that the current level is high by recent historical standards.

€ to $ exchange rate, January 2015 to January 2021

Source: Refinitiv, Hardman & Co Research

Given current balance sheet positioning and likely hedges, $ appreciation of €1: $1.10 would see 2%+ NAV gain

In June 2021, approximately 40% of Volta's assets were in $, up from 25% in January 2020. Historically, Volta hedged around half its US exposure, but the increase in the cost of hedging in the COVID-19 crisis saw this reduced to around a third. We understand that, at present, a 6% $ appreciation (i.e. to €1:$1.10) would mean an NAV gain of just over 2%. We do not build such exchange rates into our numbers but rather flag it here as a potential gain.

Below expected default rates

March 2020 rating agency default forecasts ca.4x actual levels seen in March 2021

Like Volta, we expect defaults to continue to materialise in 2021/22, but the pace will be materially less than expected a year ago, and should thus be totally manageable within CLO structures. As an example, rating agencies were, at one point, forecasting 12%-14% annual default rates in 2021 for US loans. 2020 ended with just 4.6% defaults. By the end of May 2021, the trailing 12-month default rates declined again in loan markets (for the fifth consecutive month), to 1.7%, respectively, for both US and European loans. We believe most modelling still assumes 2% and 4% for 2021 (Volta's latest reported base case was 2% p.a., except for newly issued deals, where it sets a default rate at zero for the first year). We outlined, in our most recent note, why defaults had been so low (government support, cov-lite documentation, more pro-activity by borrowers, strong, PE-backed borrowers), but further improvements in defaults could also see upside to the numbers as the CLO structures would be more profitable, allowing further dividends to CLO equity holders such as Volta.

Post crisis has been a good time to invest in CLOs

We expect improving returns but not to same degree as post the GFC

We have previously highlighted how the investment returns post the GFC were roughly double those achieved in the years immediately before the crisis. As in that crisis, there has been substantial support from governments and central banks, and sentiment has created strong re-investment opportunities. Unlike last time, though, the period when a total system failure looked possible was short. The extreme market reactions were headed off by the speed and scale of policy responses, and the re-investment opportunity window was both smaller and shorter. AXA IM advises that CLO Equity was paying 30%-40% (of par) per year (as, from 2007 to 2013, loan spreads moved from ca.230bps to ca.425bps, with CLO cost of debt for 2006/07 vintages at ca.50bps). This time, the global market moved from ca.13% to ca.15% (of par).

Downside from further COVID-19 waves

We cannot predict probability of major, new COVID-19 wave, but, like for like, on evidence currently available, we believe effect on Volta would be less dramatic

Further waves of COVID-19 cannot be excluded, as there have been rising cases in many countries and new variants evolving. It appears probable that the market reaction will be negative to this news flow, albeit, given the experience of FY'20, the reaction may not be as sharp. In particular, we note the strength of policy response and commitment to it, the lessons already learnt in terms of managing in the crisis, the speed of recovery in sentiment and the probable effectiveness of vaccines making the likelihood of total lockdowns less probable. We cannot predict the probability of a major COVID-19 new wave, but, like for like, on the evidence currently available, we believe the effect on Volta would be less dramatic.

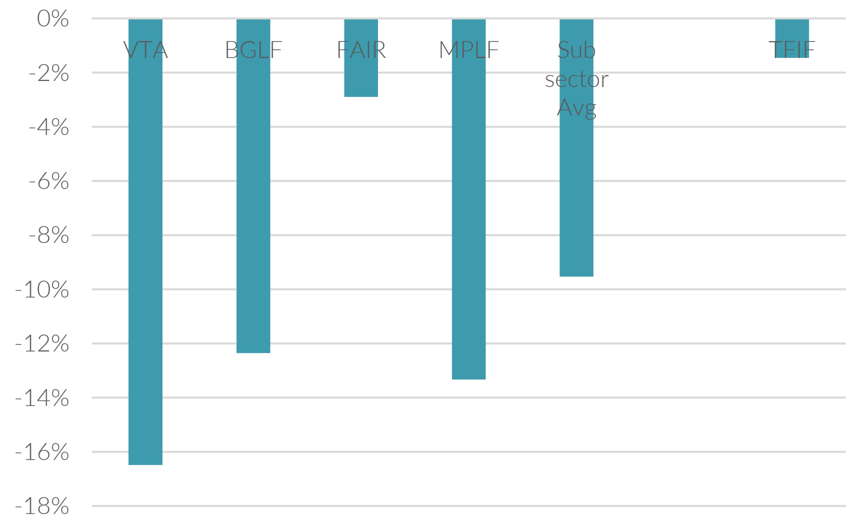
Valuation

Volta trades at a double discount: its share price is at a 16% discount to NAV, and we believe its mark-to-market NAV includes a further sentiment-driven discount (5%-10%) to the present value of expected cashflows.

Discount larger than peers on same accounting basis

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 previous reports, this relative discount appears anomalous.

Current share price discount to latest 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 (MPLF); priced 27 July 2021

Financials

We have introduced 2023 forecasts, which show continued strong growth in NAV and a rising dividend.

Profit and loss account (statutory)									
Year-end Jul (€m)	2015	2016	2017	2018	2019	2020	2021E	2022E	2023E
Coupons and dividends received	33.7	34.7	33.2	38.5	42.0	39.4	42.3	45.2	45.4
Net gains on sales	12.6	2.7	3.1	0.0	0.5	-7.0	2.5	2.5	2.5
Unrealised gains and losses	21.0	-18.5	4.7	-5.7	-18.2	-87.9	42.5	5.0	1.5
Net gain on fin. assets at FV through P/L	67.2	18.9	40.9	32.7	24.4	-55.5	87.3	52.7	49.4
Net FX	-8.2	0.3	5.6	-2.0	-11.6	-1.4	1.6	0.0	0.0
Net gain on IR derivatives	0.0	0.0	0.4	-0.9	1.6	0.0	0.0	0.0	0.0
Interest expense on repo	-0.2	-0.9	-1.1	-1.4	-1.6	-0.8	-0.4	-1.4	-1.6
Net bank int. & charges	0.0	-0.1	-0.1	-0.1	0.1	0.0	0.0	0.0	0.0
Operating income	58.8	18.2	45.7	28.4	12.8	-57.7	88.5	51.4	47.7
Inv. manager's fees	-3.9	-4.1	-4.1	-4.2	-4.2	-3.9	-3.4	-4.0	-4.3
Inv. manager's performance fees	-5.0	0.0	-1.5	0.0	0.0	0.0	-5.3	-4.9	-3.9
Directors' remuneration & expenses	-0.5	-0.6	-0.5	-0.5	-0.5	-0.5	-0.4	-0.4	-0.4
Other expenses	-1.8	-0.9	-0.8	-1.0	-1.0	-0.9	-0.9	-0.9	-0.9
Total expenses	-11.2	-5.6	-6.9	-5.7	-5.7	-5.3	-9.9	-10.2	-9.4
Profit and total comp. income	47.6	12.6	38.7	22.7	7.1	-63.0	78.6	41.2	38.3
Avg. no shares for EPS calculation (m)	36.5	36.5	36.5	36.56	36.59	36.61	36.61	36.61	36.61
Statutory EPS (€)	1.31	0.34	1.06	0.62	0.19	-1.72	2.15	1.13	1.05
Total dividend (€)	0.62	0.62	0.62	0.62	0.62	0.52	0.52	0.61	0.65

Source: Volta, Hardman & Co Research

Adjusted profit and loss

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									
Year-end Jul (€m)	2015	2016	2017	2018	2019	2020	2021E	2022E	2023E
Coupons and dividends received	33.7	34.7	33.2	38.5	42.0	39.4	42.3	45.2	45.4
Net gains on sales	12.6	2.7	3.1	0.0	0.5	-7.0	2.5	2.5	2.5
Net gain on fin. assets at FV through P/L	46.2	37.4	36.2	38.5	42.5	32.4	44.8	47.7	47.9
Interest expense on repo	-0.2	-0.9	-1.1	-1.4	-1.6	-0.8	-0.4	-1.4	-1.6
Net bank interest & charges	0.0	-0.1	-0.1	-0.1	0.1	0.0	0.0	0.0	0.0
Operating income	46.0	36.5	35.0	37.0	41.0	31.5	44.4	46.4	46.2
Inv. manager's fees	-4.5	-4.3	-4.6	-4.6	-4.4	-3.6	-3.4	-4.0	-4.3
Inv. manager's performance fees	-3.5	-1.3	-1.2	-1.3	-2.1	-0.6	-4.6	-3.9	-3.5
Directors' remuneration & expenses	-0.5	-0.6	-0.5	-0.5	-0.5	-0.5	-0.4	-0.4	-0.4
Other expenses	-1.8	-0.9	-0.8	-0.9	-1.0	-1.0	-1.0	-1.0	-1.0
Total expenses	-10.3	-7.2	-7.0	-7.2	-8.0	-5.7	-9.4	-9.3	-9.2
Profit and total comp. income	35.7	29.3	28.0	29.7	32.9	25.8	35.1	37.1	37.0
Adjusted EPS (€)	0.98	0.80	0.77	0.81	0.90	0.71	0.96	1.01	1.01
Dividend cover (x)	1.58	1.29	1.24	1.31	1.45	1.36	1.84	1.65	1.55

Source: Volta, Hardman & Co Research

Balance sheet and cashflow

Financial assets are growing strongly through a combination of a robust recovery in unrealised losses and the re-introduction of conservative levels of gearing.

Balance sheet

@ 31 Jul (€m)	2015	2016	2017	2018	2019	2020	2021E	2022E	2023E
Financial assets at FV through P/L	307.3	324.1	321.3	325.7	325.5	201.7	301.6	324.0	342.8
Derivatives	0.0	1.2	0.7	1.3	0.8	2.8	2.8	2.8	2.8
Trade and other receivables	38.1	5.0	0.3	12.9	5.5	0.0	0.0	0.0	0.0
Cash and cash equivalents	0.4	10.9	37.1	20.5	14.5	9.7	9.5	11.0	11.6
Total assets	345.8	341.3	359.4	360.4	346.2	214.2	313.8	337.7	357.2
Loan financing under repos	27.3	40.3	38.1	42.7	35.9	0.0	40.0	45.0	50.0
Interest payable on loan financing	0.1	0.1	0.1	0.2	0.2	0.0	0.1	0.2	0.2
Derivatives	0.3	0.0	0.0	0.1	0.3	2.8	2.8	2.8	2.8
Trade and other payables	19.0	11.6	15.6	11.7	19.2	3.2	3.2	3.2	3.2
Total liabilities	46.6	52.0	53.8	54.7	55.7	6.0	46.1	51.2	56.2
Net assets	299.2	289.3	305.5	305.7	290.6	208.2	267.7	286.6	301.0
Period-end no. shares (m)	36.5	36.5	36.5	36.6	36.6	36.6	36.6	36.6	36.6
NAV per share (€)	8.20	7.92	8.36	8.36	7.94	5.69	7.32	7.83	8.23
Total debt to NAV	9%	12%	12%	14%	12%	0%	15%	16%	17%

Source: Volta, Hardman & Co Research

Cashflow

Year-end Jul (€m)	2015	2016	2017	2018	2019	2020	2021E	2022E	2023E
Total comprehensive income	47.6	12.6	38.7	22.7	7.1	-63.0	78.6	41.2	38.3
Net gain on financial assets at FV in P&L	-67.2	-18.9	-40.9	-32.7	-24.4	55.5	-87.3	-52.7	-49.4
Net movm't. in unreal. gain on reval. derivs.	0.1	-1.5	0.5	-0.5	0.7	0.6	0.3	0.3	0.3
Interest expense on repos	0.2	0.9	1.1	1.4	1.6	0.8	0.4	1.4	1.6
FX losses on re-translation repos	-0.9	-0.3	-2.2	0.4	2.0	0.9	0.0	0.0	0.0
(Increase)/decrease in trade receivables	0.0	0.0	-0.1	0.1	-3.2	3.2	0.0	0.0	0.0
Increase/(decrease) in trade payables	2.0	-1.5	1.6	-1.7	0.1	-0.3	0.0	0.0	0.0
Directors'/other fees paid in cash	0.2	0.1	0.1	0.2	0.1	0.0	0.0	0.0	0.0
Net cash inflow/(outflow) from op. acts.	-18.0	-8.5	-1.0	-10.3	-15.9	-2.4	-8.1	-9.9	-9.1
Cashflow from investing activities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Coupons and dividends recd.	33.3	33.6	34.4	38.0	42.2	39.9	42.3	45.2	45.4
Change in margin/deriv. sett.	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Purchase of financial assets	-99.3	-127.0	-109.0	-138.8	-117.8	-68.1	-173.1	-133.1	-133.1
Proceeds from sales of financial assets	96.9	84.9	125.5	114.2	118.2	83.0	118.0	118.0	118.0
Net cash inflow/outflow from invest. acts.	30.9	-8.5	50.9	13.4	42.7	54.8	-12.7	30.2	30.3
Cashflows from financing activities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Dividends paid	-22.3	-22.6	-22.7	-22.7	-22.3	-19.4	-19.0	-22.4	-23.9
Net sales of shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Proceeds from repos	28.2	13.3	0.0	4.2	-8.8	-36.8	40.0	5.0	5.0
Interest paid on repos	-0.1	-0.8	-1.1	-1.3	-1.7	-1.0	-0.4	-1.4	-1.6
Net cash inflow from financing activities	5.8	-10.2	-23.7	-19.7	-32.8	-57.2	20.5	-18.8	-20.5
Net increase in cash and cash equivalents	18.7	-27.2	26.2	-16.6	-6.0	-4.8	-0.3	1.5	0.7
Opening cash and cash equivalents	19.5	38.1	10.9	37.1	20.5	14.5	9.7	9.5	11.0
Effect of FX	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Closing cash and cash equivalents	38.1	10.9	37.1	20.5	14.5	9.7	9.5	11.0	11.6

Source: Volta, Hardman & Co Research

Disclaimer

Hardman & Co provides professional independent research services and all information used in the publication of this report has been compiled from publicly available sources that are believed to be reliable. However, no guarantee, warranty or representation, express or implied, can be given by Hardman & Co as to the accuracy, adequacy or completeness of the information contained in this research and they are not responsible for any errors or omissions or results obtained from use of such information. Neither Hardman & Co, nor any affiliates, officers, directors or employees accept any liability or responsibility in respect of the information which is subject to change without notice and may only be correct at the stated date of their issue, except in the case of gross negligence, fraud or wilful misconduct. In no event will Hardman & Co, its affiliates or any such parties be liable to you for any direct, special, indirect, consequential, incidental damages or any other damages of any kind even if Hardman & Co has been advised of the possibility thereof.

This research has been prepared purely for information purposes, and nothing in this report should be construed as an offer, or the solicitation of an offer, to buy or sell any security, product, service or investment. The research reflects the objective views of the analyst(s) named on the front page and does not constitute investment advice. However, the companies or legal entities covered in this research may pay us a fixed fee in order for this research to be made available. A full list of companies or legal entities that have paid us for coverage within the past 12 months can be viewed at http://www.hardmanandco.com/legals/research-disclosures. Hardman may provide other investment banking services to the companies or legal entities mentioned in this report.

Hardman & Co has a personal dealing policy which restricts staff and consultants' dealing in shares, bonds or other related instruments of companies or legal entities which pay Hardman & Co for any services, including research. No Hardman & Co staff, consultants or officers are employed or engaged by the companies or legal entities covered by this document in any capacity other than through Hardman & Co.

Hardman & Co does not buy or sell shares, either for their own account or for other parties and neither do they undertake investment business. We may provide investment banking services to corporate clients. Hardman & Co does not make recommendations. Accordingly, they do not publish records of their past recommendations. Where a Fair Value price is given in a research note, such as a DCF or peer comparison, this is the theoretical result of a study of a range of possible outcomes, and not a forecast of a likely share price. Hardman & Co may publish further notes on these securities, companies and legal entities but has no scheduled commitment and may cease to follow these securities, companies and legal entities without notice.

The information provided in this document is not intended for distribution to, or use by, any person or entity in any jurisdiction or country where such distribution or use would be contrary to law or regulation or which would subject Hardman & Co or its affiliates to any registration requirement within such jurisdiction or country.

Some or all alternative investments may not be suitable for certain investors. Investments in small and mid-cap corporations and foreign entities are speculative and involve a high degree of risk. An investor could lose all or a substantial amount of his or her investment. Investments may be leveraged and performance may be volatile; they may have high fees and expenses that reduce returns. Securities or legal entities mentioned in this document may not be suitable or appropriate for all investors. Where this document refers to a particular tax treatment, the tax treatment will depend on each investor's particular circumstances and may be subject to future change. Each investor's particular needs, investment objectives and financial situation were not taken into account in the preparation of this document and the material contained herein. Each investor must make his or her own independent decisions and obtain their own independent advice regarding any information, projects, securities, tax treatment or financial instruments mentioned herein. The fact that Hardman & Co has made available through this document various information constitutes neither a recommendation to enter into a particular transaction nor a representation that any financial instrument is suitable or appropriate for you. Each investor should consider whether an investment strategy of the purchase or sale of any product or security is appropriate for them in the light of their investment needs, objectives and financial circumstances.

This document constitutes a 'financial promotion' for the purposes of section 21 Financial Services and Markets Act 2000 (United Kingdom) ('FSMA') and accordingly has been approved by Capital Markets Strategy Ltd which is authorised and regulated by the Financial Conduct Authority (FCA).

(Disclaimer Version 8 – Effective from August 2018)

Status of Hardman & Co's research under MiFID II

Some professional investors, who are subject to the new MiFID II rules from 3rd January 2018, may be unclear about the status of Hardman & Co research and, specifically, whether it can be accepted without a commercial arrangement. Hardman & Co's research is paid for by the companies, legal entities and issuers about which we write and, as such, falls within the scope of 'minor non-monetary benefits', as defined in the Markets in Financial Instruments Directive II.

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…'

The fact that Hardman & Co is commissioned to write the research is disclosed in the disclaimer, and the research is widely available.

The full detail is on page 26 of the full directive, which can be accessed here: https://ec.europa.eu/transparency/regdoc/rep/3/2016/EN/3-2016-2031-EN-F1-1.PDF

In addition, it should be noted that MiFID II's main aim is to ensure transparency in the relationship between fund managers and brokers/suppliers, and eliminate what is termed 'inducement', whereby free research is provided to fund managers to encourage them to deal with the broker. Hardman & Co is not inducing the reader of our research to trade through us, since we do not deal in any security or legal entity.

research@hardmanandco.com

1 Frederick's Place
London
EC2R 8AE
www.hardmanandco.com

+44 (0) 20 3693 7075