

**Closed End Investments**


Source: Refinitiv

**Market data**

EPIC/TKR	VTA.NA, VTA.LN, VTAS LN
Price (€)	<b>6.12/6.15/520p</b>
12m High (€)	6.38/6.38/546p
12m Low (€)	5.60/5.65/482p
NAV p/sh (Dec'21, €)	7.27
Discount to NAV	16%
Shares (m)	36.6
Mkt Cap (€m)	224
2023E div. yield	10.6%
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. NEDs	Graham Harrison, Dagmar Kent Kershaw, Stephen Le Page
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 750853 <a href="http://www.voltafinance.com">www.voltafinance.com</a>

**Key shareholders (31 Jul'20)**

AXA Group	30%
BNP WM	16%
Deutsche	6%
Citibank	6%

**Diary**

Mid-Feb	Jan estimated NAV
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**Analyst**

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# VOLTA FINANCE LIMITED

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In our note, *Simple Simon Says*, we explored three aspects of Volta's portfolio, highlighting their simplification – simplified. Firstly, unless there is a compelling, opportunistic case, new investments will be in CLO structures only, and not in other structured finance instruments – the asset mix is being simplified. Second, there should be an increased weighting to AXA IM-managed CLO vehicles, reflecting good performance and lower fees – the manager mix is being simplified. Third, we detailed why CLOs are, at heart, simple cashflow structures, which should be viewed as such, free from the terminology that could confuse a clear story.

- ▶ **December Factsheet:** The total return for the full calendar year to December was 17.9%. “Once again this month, the performance of Volta's portfolio bore little correlation to wider markets: loan cash flows remained resilient”. Six-month rolling receipts were equivalent to a 17.7% annualised cash yield on end-December NAV.
- ▶ **Outlook:** “...companies rolling their debt, and the maturity wall for loan markets to continue migrating to 2028/2029 so that it is reasonable to expect default rates to stay relatively low in 2022 (and probably 2023). The consequence would be that Volta would continue receiving high cash flows from its investments.”
- ▶ **Valuation:** Volta trades at a 16% discount to NAV (which is subject to significant external input and oversight). The relative discount to Fair Oaks seems anomalous, as, over the long term, Volta has delivered a better NAV performance. Volta aims for 8% NAV distribution (dividend yield 10.0% 2022E, 10.6% 2023E).
- ▶ **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: 8.8% p.a. (dividend reinvested 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	2021	2022E	2023E
Coupons & dividend	33.2	38.5	42.0	39.4	41.8	45.1	44.6
Operating income	35.0	37.0	41.0	31.5	44.5	46.4	45.7
Inv. manager's fees	(5.7)	(4.2)	(4.2)	(3.9)	(14.2)	(9.0)	(8.1)
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	35.2	37.1	36.6
Statutory PTP	38.7	22.7	7.1	(63.0)	76.8	41.3	38.0
Underlying EPS (€)	0.8	0.8	0.9	0.7	1.0	1.0	1.0
NAV per share (€)*	8.4	8.4	7.9	5.7	7.3	7.8	8.2
S/P disc. to NAV**	-11%	-15%	-12%	-23%	-17%	-22%	-25%
Gearing	12%	14%	12%	0%	0%	16%	17%
Dividend (€)	0.62	0.62	0.62	0.52	0.52	0.61	0.65
Dividend yield	10.1%	10.1%	10.1%	8.5%	8.5%	10.0%	10.6%

\*July 2021 NAV updated, detailed profit and loss to follow with results, \*\*2017-22 actual NAV and share price, 2022-23 forecast NAV to current share price; Source: Hardman & Co Research