

**Closed End Investments**


Source: LSEG, 2024

**Market data**

EPIC/TKR	VTA.NA, VTA.LN, VTAS LN
Price (€)	5.40/5.40/440p
12m high (€)	5.40/5.40/468p
12m low (€)	5.05/4.78/404p
NAV p/sh (Sep'24, €)	7.16
Disc. to NAV (%)	-25
Shares (m)	36.6
Mkt cap (€m)	198
FY'24 div. yield (%)	10.2
Market (NL, UK)	AEX, LSE, LSE
Free Float	70%
Currency	€, €, GBP

**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. Chair	Dagmar Kent Kershaw
Ind. NEDs	Stephen Le Page, Yedau Ogundele Joanne Peacegood
Fund Managers	AXA IM Paris
Co. Sec./	BNP Paribas
Administrator	Securities Services SCA, Guernsey Branch

BNP: +44 (0)1481 750853

[www.voltafinance.com](http://www.voltafinance.com)
**Key shareholders (31 July 2024)**

AXA SA Bank	21.75%
BNP Paribas	16.01%
AXA Framlington IM	8.23%
BNP Wealth Mgt.	5.91%

**Diary**

Mid-Nov	Oct estimated NAV
5 Dec	AGM

**Analyst**

 Mark Thomas [mt@hardmanandco.com](mailto:mt@hardmanandco.com)

# VOLTA FINANCE LIMITED

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In our note, *FY'24: another year of outperformance*, we highlighted that Volta's monthly to its FY-end of July reported a NAV total return of 19.7%, while annualised cash receipts are 22% of the July NAV, consistent with levels seen since mid'22. In this note, we detail the different elements that have driven this performance. We note both positive markets and incremental value added by the manager. To put Volta's returns into perspective, YTD to end-July, there has been a +10.8% total NAV return, more than twice the level of high-yield debt markets (US and Europe), which returned ca.4.5%. For 18 consecutive months, now, it has generated positive NAV returns. The discount appears to be anomalous with such a performance.

- ▶ **September factsheet:** The strong FY performance has continued with an 18<sup>th</sup> consecutive month of positive NAV return. The YTD return is +13.5%: +2.3% in September alone (monthly returns of 4.1% and 1.4% for CLO equity and debt tranches, respectively). Annualised cash generation is now 23% of NAV.
- ▶ **Report and accounts:** We direct readers to the portfolio review (pages 6/7) and the stress testing (page 8/9) of the *2024 Report and accounts*, which were released at the end of October. The former shows AXA IM actively managing exposures, and the latter that positive returns are expected across all scenarios.
- ▶ **Valuation:** Volta trades at a double discount: its share price is at a 25% discount to NAV, and we believe its mark-to-market approach includes a sentiment-driven discount to the expected cashflows. Volta targets an 8% of NAV annual dividend, with €0.145 announced for the most recent quarter (10.2% FY'24 investor yield).
- ▶ **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 both the NAV and the discount to NAV may be volatile over time. We note the closest competitor to Volta has had a more stable NAV valuation due to a different asset valuation approach. Fundamental long-term returns have been robust: 8.4% p.a. (dividend reinvested basis) since inception. Volta's performance relative to that of 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)	2021	2022	2023	2024	2025E	2026E
Coupons & dividend	41.8	42.9	47.0	57.1	55.6	58.9
Operating income	44.5	41.6	44.1	51.5	61.7	65.0
Inv. manager fees	(14.2)	(3.9)	(5.6)	(10.1)	(11.3)	(11.9)
Expenses	(1.0)	(1.0)	(1.0)	(1.0)	(1.0)	(1.0)
Total comp. income	35.2	33.4	35.2	41.0	49.3	52.1
Statutory PTP	76.8	(17.8)	27.0	45.0	50.5	53.3
Underlying EPS (€)	1.0	0.9	1.0	1.1	1.3	1.4
NAV per share (€)	7.28	6.22	6.45	7.13	7.93	8.74
S/P prem./disc (-) to NAV*	-17%	-16%	-21%	-27%	-32%	-38%
Gearing	0%	0%	0%	0%	0%	0%
Dividend (€)	0.51	0.57	0.51	0.55	0.59	0.65
Dividend yield	9.4%	10.6%	9.4%	10.2%	10.8%	12.0%

\*2021-24 actual NAV and share price, 2025-26 forecast NAV to current share price.

Source: Hardman &amp; Co Research