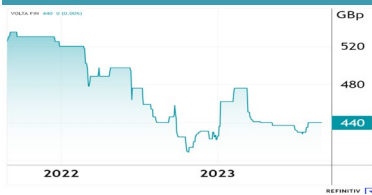


Closed End Investments


Source: Refinitiv

Market data

EPIC/TKR	VTA.NA, VTA.LN, VTAS LN
Price (€)	5.12/5.13/440p
12m high (€)	5.50/5.50/491p
12m low (€)	4.85/4.60/400p
NAV p/sh (Jul'23, €)	6.45
Discount to NAV	-21%
Shares (m)	36.6
Mkt cap (€m)	187
2022 div. yield	11.9%
Free float	70%
Market (NL, UK)	AEX, LSE, LSE
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	Graham Harrison, Stephen Le Page, Yedau Ogundele
Fund Managers	AXA IM Paris
Co. Sec./	BNP Paribas
Administrator	Securities Services SCA, Guernsey Branch
	BNP: +44 (0)1481 750853 www.voltafinance.com

Key shareholders

AXA Group	30%
BNP WM	16%
BNP Securities Services	11%

Diary

Mid-Sep	Aug estimated NAV
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Analyst

 Mark Thomas mt@hardmanandco.com

VOLTA FINANCE LIMITED

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In previous notes, we have highlighted why current conditions have a number of favourable aspects (see *Strong current position* below). The *July factsheet* reported a 15.2% YTD NAV return. Performance has been driven by “the carry of the CLO asset class (c.92% of Volta’s assets excluding cash), both from strong CLO Equity distributions as well as from the continued increase in base rates (Euribor and Libor/SOFR) for CLO debt tranches. Overall, macro sentiment was supportive through July with US and European central banks providing more dovish outlook as headline inflations tempered at the same time as GDP proved more resilient than expected. This supported risk assets including leveraged loans as well as CLO’.

- ▶ **Strong current position:** In *July*, Volta’s six-month cash receipts were a record €25.3m, 21.4% of NAV, reflecting low defaults (strong corporate cashflows and profitability), low locked-in CLO borrowing costs, CLOs being floating-rate investments, and Volta’s portfolio positioning over recent years into CLO equity.
- ▶ **Resilience going forward:** In our note, *R&A shining light on 20%+ IRR base-case scenarios*, we reviewed how Volta generated cashflows, and why defaults would rise – but not to the level built into loan prices. We highlighted Volta’s diversification and geographical exposure. We also noted that the R&A disclosure could help to understand these issues.
- ▶ **Valuation:** Volta trades at a double discount, with its share price at a 21% discount to NAV, and we believe its mark-to-market (MTM) NAV still includes a further sentiment-driven discount to the present value of expected cashflows. Volta targets an 8% of NAV dividend (11.5% 2023E 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 robust: 7.7% 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)	2019	2020	2021	2022	2023E	2024E
Coupons & dividend	42.0	39.4	41.8	42.9	45.0	40.9
Operating income	41.0	31.5	44.5	41.6	44.9	40.9
Inv. manager fees	(4.2)	(3.9)	(14.2)	(3.9)	(6.3)	(7.3)
Expenses	(1.0)	(1.0)	(1.0)	(1.0)	(1.0)	(1.0)
Total comp. income	32.9	25.8	35.2	33.4	35.8	32.6
Statutory PTP	7.1	(63.0)	76.8	(17.8)	29.9	33.9
Underlying EPS (€)	0.9	0.7	1.0	0.9	1.0	0.9
NAV per share (€)	7.94	5.69	7.28	6.22	6.45	6.78
S/P prem./disc (-) to NAV*	-12%	-23%	-17%	-16%	-21%	-25%
Gearing	12%	0%	0%	0%	0%	0%
Dividend (€)	0.62	0.52	0.52	0.61	0.59	0.60
Dividend yield	12.1%	10.2%	10.2%	11.9%	11.5%	11.7%

*2019-23 actual NAV and share price, 2024 forecast NAV to current share price
Source: Hardman & Co Research