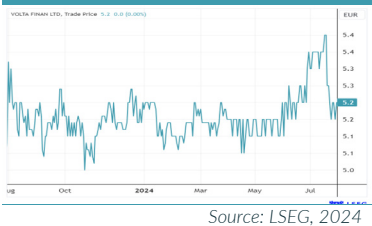


The Monthly

Closed End Investments



Market data

EPIC/TKR	VTA.NA, VTA.LN, VTAS LN
Price (€)	5.20/5.23/430p
12m high (€)	5.40/5.40/468p
12m low (€)	5.00/4.78/404p
NAV p/sh (Jun'24, €)	7.21
Disc. to NAV (%)	-28
Shares (m)	36.6
Mkt cap (€m)	190
2023 div. yield (%)	9.8
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	Stephen Le Page, Yedau Ogundele Joanne Peacegood
Fund Managers	AXA IM Paris
Co. Sec./	BNP Paribas
Administrator	Securities Services SCA, Guernsey Branch

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www.voltafinance.com

Key shareholders

AXA SA Bank	21.75%
BNP Paribas	15.28%
AXA Framlington IM	8.23%
BNP Wealth Mgt.	5.50%

Diary

Mid-Aug	Jul estimated NAV
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Analyst

Mark Thomas mt@hardmanandco.com

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In our note, *Putting the discount into perspective*, we noted Volta's share price discount to NAV (28%) is now back to the levels seen in the early stages of the pandemic. This appears anomalous with the 9.9% total shareholder return in the first half of 2024, 15 consecutive months of positive performance, annualised cashflows of 21% of June NAV, and the consensus outlook. It is well above the structured debt finance and ex-3i all investment company averages (11% and 14%, respectively). In our note, we examined what might be driving investor concerns that either the current NAV is unrealistic or that it cannot be achieved, concluding that they are more sentiment- than reality-driven; and, as such, they may be less likely to be sustained.

- ▶ **Current market conditions:** Loan fundamentals in both Europe and the US remained strong, with default rates sub 1.5% in both regions, and less than 10% of both loan markets trading at a price below 90% of par. The primary CLO markets continued to show strong momentum, with significant issuance in the US and Europe. Spreads tightened across the capital structure.
- ▶ **May'24 factsheet:** The June return was 0.3% (YTD: 9.8%), the 15th consecutive positive month. CLO debt performance was +1.35% (equity -0.45%). For context, YTD US High Yield returned +2.6%, while European High Yield +3.13%. Annualised cash receipts (in 1H'24) were 21% of NAV (broadly stable since early 2023).
- ▶ **Valuation:** Volta trades at a double discount: its share price is at a 28% 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% 2024E 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: 8.1% 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)	2020	2021	2022	2023	2024E	2025E
Coupons & dividend	39.4	41.8	42.9	47.0	39.7	47.2
Operating income	31.5	44.5	41.6	44.1	60.2	52.8
Inv. manager fees	(3.9)	(14.2)	(3.9)	(5.6)	(11.1)	(9.5)
Expenses	(1.0)	(1.0)	(1.0)	(1.0)	(1.0)	(1.0)
Total comp. income	25.8	35.2	33.4	35.2	48.0	42.2
Statutory PTP	(63.0)	76.8	(17.8)	27.0	49.3	43.5
Underlying EPS (€)	0.7	1.0	0.9	1.0	1.3	1.2
NAV per share (€)	5.69	7.28	6.22	6.45	7.27	7.88
S/P prem./disc (-) to NAV*	-23%	-17%	-16%	-21%	-28%	-34%
Gearing	0%	0%	0%	0%	0%	0%
Dividend (€)	0.53	0.51	0.57	0.51	0.53	0.58
Dividend yield	10.2%	9.8%	11.0%	9.8%	10.2%	11.2%

*2020-23 actual NAV and share price, 2024-25 forecast NAV to current share price.

Source: Hardman & Co Research