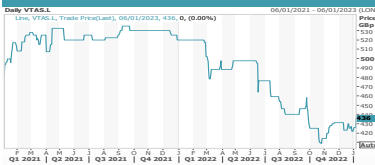


**Closed End Investments**


Source: Refinitiv

**Market data**

EPIC/TKR	VTA.NA, VTA.LN, VTA LN
Price (€)	4.99/4.89/426p
12m high (€)	5.54/6.30/536p
12m low (€)	4.55/4.60/400p
NAV p/sh (Nov'22, €)	6.01
Discount to NAV	-17%
Shares (m)	36.6
Mkt cap (€m)	183
2023E div. yield	11.8%
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. Chairman	Dagmar Kent Kershaw
Ind. NEDs	Graham Harrison, Stephen Le Page, Yedau Ogundele
Fund Managers	Serge Demay, A Martin-Min, François Touati
AXA IM Paris	BNP Paribas
Co. Sec./ Administrator	Securities Services SCA, Guernsey Branch

BNP: +44 (0)1481 750853

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

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

**Diary**

Mid-Jan	Dec estimated NAV
---------	-------------------

**Analyst**

Mark Thomas +44 (0)203 693 7075  
[mt@hardmanandco.com](mailto:mt@hardmanandco.com)

# VOLTA FINANCE LIMITED

**THIS DOCUMENT IS NOT AVAILABLE TO 'U.S. PERSONS', NOR TO PARTIES WHO ARE NOT CONSIDERED 'RELEVANT PERSONS' IN THE UNITED KINGDOM, NOR SHOULD IT BE TAKEN, TRANSMITTED OR DISTRIBUTED, DIRECTLY OR INDIRECTLY, TO EITHER OF THESE CATEGORIES.**

In considering the 2023 outlook, we believe the factors identified in our note, *Cash is king and the king is rocking and rolling*, published on 16 September 2022, continue to apply. Volta is generating cashflows well over 20% of NAV annualised. This has been achieved by the manager's asset allocation and increased CLO equity income, driven by both market conditions increasing revenue and low default rates. While defaults will rise from here, we, rating agencies and Volta expect the increase to be manageable. Volta has reduced risk with diversification and geographical exposure. Volta's recent report and account disclosure gave some stress tests, which concluded "We must consider very punitive assumptions to fall below 20% projected IRR".

- ▶ **Nov'22 Factsheet:** "Rating agencies currently forecast default rates between 4% and 5.5% for 2023. Our default rates view for 2023 still lands in the 2% to 3% area for both US and European loans." CLO equity positions rose 7.2% and debt 2.5%. Annualised receipts were 21.8% of NAV. Cash was €18m, out of NAV E €220m.
- ▶ **2022 resilience:** "In terms of default rates, ..., for the last-12-month measure, at 0.4% default rate for European loans and 0.7% for US loans. After the invasion of Ukraine, rating agencies were forecasting 2022 default rates to be between 2% and 2.5% for the US and European loan markets." Volta has once again outperformed.
- ▶ **Valuation:** Volta trades at a 17% 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 11.8% 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: 7.3% 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	47.1	51.6
Operating income	41.0	31.5	44.5	41.6	45.4	50.7
Inv. manager's fees	(4.2)	(3.9)	(14.2)	(3.9)	(8.2)	(9.2)
Expenses	(1.0)	(1.0)	(1.0)	(1.0)	(1.0)	(1.0)
Total comp. income	32.9	25.8	35.2	33.4	36.2	40.5
Statutory PTP	7.1	(63.0)	76.8	(17.8)	37.5	41.8
Underlying EPS (€)	0.9	0.7	1.0	0.9	1.0	1.1
NAV per share (€)	7.9	5.7	7.3	6.2	6.7	7.2
S/P prem./disc (-) to NAV*	-12%	-23%	-17%	-16%	-25%	-31%
Gearing	12%	0%	0%	0%	21%	19%
Dividend (€)	0.62	0.52	0.52	0.61	0.59	0.61
Dividend yield	12.4%	10.4%	10.4%	12.2%	11.8%	12.1%

\*2019-22 actual NAV and share price, 2023-24 forecast NAV to current share price

Source: Hardman &amp; Co Research