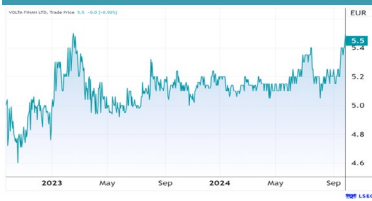


**Closed End Investments**


Source: LSEG, 2024

**Market data**

EPIC/TKR	VTA.NA, VTA.LN, VTAS LN
Price (€)	5.40/5.25/430p
12m high (€)	5.40/5.40/468p
12m low (€)	5.05/4.78/404p
NAV p/sh (Aug'24, €)	7.14
Disc. to NAV (%)	-24
Shares (m)	36.6
Mkt cap (€m)	198
2023 div. yield (%)	9.4
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	
<a href="http://www.voltafinance.com">www.voltafinance.com</a>	

**Key shareholders**

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

**Diary**

Mid-Oct	Sep estimated NAV
---------	-------------------

**Analyst**

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

# VOLTA FINANCE

**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 our note, *FY'24: another year of outperformance* we highlighted that Volta's monthly to its FY-end of July reported an NAV total return of 19.7%, while annualised cash receipts are 22% of the July NAV, consistent with levels seen since mid'22. For 16 consecutive months, it has generated positive NAV returns. Our note details 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%. The discount appears to be anomalous with such a performance.

- ▶ **August factsheet:** The strong FY performance has continued with a 17<sup>th</sup> consecutive month of positive NAV return. The YTD return, at +10.9%, compares with US and Euro High Yield indices, which returned +6.3% and 5.6%, respectively. Annualised cash generation has risen to 23% of NAV. August saw returns of 1.8% and 0.5% for CLO equity and debt tranches, respectively.
- ▶ **Value added by AXA IM:** AXA IM scale brings i) specialist expertise to identify mis-priced opportunities and manage risk, ii) a broad network with informational advantages, and iii) business introduction and pricing opportunities. We also highlight its portfolio construction/asset selection.
- ▶ **Valuation:** Volta trades at a double discount: its share price is at a 24% 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 (9.8% 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: 8.0% 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	46.1
Operating income	31.5	44.5	41.6	44.1	53.7	51.6
Inv. manager fees	(3.9)	(14.2)	(3.9)	(5.6)	(9.8)	(9.3)
Expenses	(1.0)	(1.0)	(1.0)	(1.0)	(1.0)	(1.0)
Total comp. income	25.8	35.2	33.4	35.2	42.8	41.3
Statutory PTP	(63.0)	76.8	(17.8)	27.0	44.1	42.5
Underlying EPS (€)	0.7	1.0	0.9	1.0	1.2	1.1
NAV per share (€)	5.69	7.28	6.22	6.45	7.13	7.72
S/P prem./disc (-). to NAV*	-23%	-17%	-16%	-21%	-24%	-30%
Gearing	0%	0%	0%	0%	0%	0%
Dividend (€)	0.53	0.51	0.57	0.51	0.53	0.57
Dividend yield	9.8%	9.4%	10.6%	9.4%	9.8%	10.6%

\*2020-24 actual NAV and share price, 2025 forecast NAV to current share price.  
Source: Hardman & Co Research