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VOLTA FINANCE LIMITED

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NAV has risen 6.4% since the beginning of the year – somewhat above the average run rate over the past five years (9.6% p.a.). With a rise in the share price over the past month, the discount has closed from 16% to 12% now. We reviewed the questions raised by investors following Serge Demay's (Fund Manager AXA IM) presentation at the Hardman & Co 17 June 2019 Forum in our note, *Manager's Hardman forum presentation,* published on 26 June. In our *Directors Talk interview,* we also highlighted why we believe Volta has the right approach to valuation and corporate governance, and how it manages its liquidity to never be a forced seller of assets.

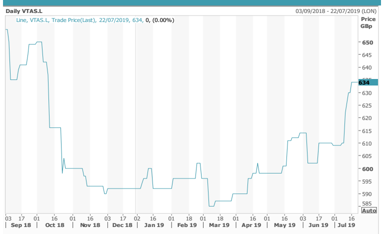
- **Volta monthly report:** June NAV fell 1.0% (YTD 6.4%), to €7.90 per share. Half the drop was due to the $ depreciation over the month. PricingDirect is now used for 76% of the portfolio, including CLO equity positions, allowing an earlier disclosure of the monthly NAV (target 8-10 business days post month-end).
- **Peer April reports:** Blackstone GSO Loan Financing's € NAV fell 0.15% (YTD 5.37%), Fair Oaks Income's $ NAV fell 1.63% (2.4%), Marble Point's $ NAV fell 1.0% (10.2%) and TwentyFour Income Fund's £ NAV rose 0.37% (3.0%). Carador is in wind-up. We reviewed Volta and its peers in our report, *Diving deep finds you the treasure*.
- **Valuation:** Volta trades at a 12% discount to NAV. Peer-CLO finance funds trade at a ca.5% discount. In recent months and over the medium term, Volta has delivered a better NAV performance than its immediate peers and in-line volatility, making this relative discount anomalous.
- **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 there could be sentiment-driven, share price volatility. However, long-term returns have been good: nearly 10% p.a. (dividend re-invested basis) over five years. The current portfolio-expected NAV return is more than 10%. The historical yield is 8.9%, and we believe is covered by predictable income streams in 2019E.

Financial summary and valuation (Hardman & Co adjusted basis)

Year-end Jul (€m)	2014	2015	2016	2017	2018	2019E	2020E
Coupons & dividend	31.4	33.7	34.7	33.2	38.5	39.1	41.0
Operating income	37.5	46.0	36.5	35.0	37.2	40.8	42.8
Inv. manager's fees	-4.1	-4.5	-4.3	-4.6	-4.6	-4.7	-4.8
Adj. perform. fees	-2.5	-3.5	-1.3	-1.2	-1.4	-2.1	-2.3
Total expenses	-7.9	-10.3	-7.2	-7.0	-0.9	-0.9	-0.9
Total comp. income	29.5	35.7	29.3	28.0	29.9	32.8	34.4
Statutory PTP	44.0	47.6	12.6	38.7	22.7	32.4	34.1
Underlying EPS (€)	0.82	0.98	0.80	0.77	0.82	0.90	0.94
NAV	273.6	299.2	289.3	305.5	305.7	315.6	327.2
S/P disc. to NAV	7%	15%	12%	16%	16%	19%	21%
Gearing	0%	9%	12%	12%	14%	14%	13%
Dividend yield	8.6%	8.9%	8.9%	8.9%	8.9%	8.9%	8.9%

Source: Hardman & Co Research

Financials



Source: Refinitiv

Market data

EPIC/TKR	VTA .NA, VTA.LN VTAS LN*
Price (€)	7.02/7.02/634p
12m High (€)	7.32/7.28/655p
12m Low (€)	6.46/6.52/590p
Shares (m)	36.6
Mkt Cap (€m)	255
Trail. 12-mth. yield	8.9%
Free Float	70%
Market	AEX, LSE

**Listing 03 September 2018*

Description

Volta Finance 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

Independent Chairman	Paul Meader
Independent Non-Executive Directors	Graham Harrison Stephen Le Page Atosa Moini Paul Varotsis
Fund Managers AXA IM Paris	Serge Demay A Martin-Min François Touati
Co. Sec. /Administrator	BNP Paribas Securities Services SCA, Guernsey Branch

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Key shareholders

Axa Group	30.4%

Diary

Mid'Aug	July estimated NAV

Analyst

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