

Financials



Market data

EPIC/TKR	VTA .NA, VTA.LN VTAS LN *
Price (€)	6.60/6.56/594p
12m High (€)	7.32/7.28/655p
12m Low (€)	6.46/6.52/590p
Shares (m)	36.6
Mkt Cap (£m)	241
Trail. 12-mth. yield	9.4%
Free Float*	70%
Market	AEX, LSE

* Listing 03 September 2018

Description

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

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%
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Diary

Late Jan	Dec monthly report
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Analyst

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VOLTA FINANCE LIMITED

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While 2018 proved a challenging market, Volta still delivered YTD NAV performance to end-November of ca.5% (well ahead of most peers). Market uncertainty, however, has seen a further widening of its discount to NAV, to ca.20%. Looking forward to 2019, it is likely that defaults may rise through the course of year. This is also likely to widen credit spreads and increase the number of mis-pricing opportunities in the market. The effect of increased returns on new investments needs to be balanced against likely MTM movements driven by credit. The discount to NAV is unusually high, and Volta has a good track record of delivering returns, although some volatility may be expected in 2019.

- ▶ **Volta monthly report:** In November, Volta's NAV fell 1.4%, taking it to €8.27 per share and the YTD performance to +4.9% (well above peers – see below). US CLO equity holdings are 15% of the portfolio, taking total CLO equity holdings to over 30% (ca.4% above average past three years). Euro CLO debt is down to 1% (3% below average). Cash, at 4%, is ca.3% below average. The UK is ca.6% of risk exposures.
- ▶ **Peers' November reports:** Carador saw a 4.65% fall in its \$ NAV (YTD -1.52%). It is now in wind-up mode. Fair Oaks Income's \$ NAV was down 3.4% (1 year - 5.6%). Blackstone GSO Loan Financing said that its more marked to model € NAV was flat (YTD 6.85%). TwentyFour Income Fund's NAV fell 1.28% (YTD 2.42%). Marble Point reported a 8.45% \$ monthly loss (-8.48% since February IPO).
- ▶ **Valuation:** Volta trades at a 20% discount to NAV. Peer-structured finance funds trade at a ca.7% discount, with some at premiums up to 9% over NAV. In recent months and over the medium term, Volta has delivered better NAV performance than its immediate peers and in-line volatility, making this 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 may be sentiment-driven, share price volatility. However, long-term returns have been good: ca.13% p.a. (dividend re-invested basis) over five years. The current portfolio expected NAV return is over 10%. The historical yield is 9.4%, and we believe is covered by predictable income streams in 2019.

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. managers' 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	12%	20%	17%	21%	21%	24%	26%
Gearing	0%	9%	12%	12%	14%	14%	13%
Dividend yield	9.1%	9.4%	9.4%	9.4%	9.4%	9.4%	9.4%

Source: Hardman & Co Research