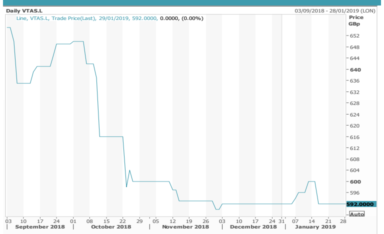
Financials



Source: Eikon Thomson Reuters

Market data

EPIC/TKR	VTA .NA, VTA.LN VTAS LN *
Price (€)	6.80/6.75/592p
12m High (€)	7.32/7.28/655p
12m Low (€)	6.46/6.52/590p
Shares (m)	36.6
Mkt Cap (£m)	248
Trail. 12-mth. yield	9.1%
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%

Diary

Mid-Feb'19	Jan estimated NAV

Analyst

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VOLTA FINANCE LIMITED

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On 14 January, we published a review entitled *Investment opportunities at this point of the cycle*. We aimed to provide a balanced view between the threats and opportunities Volta faces at this stage of the cycle. While MTM losses are likely to increase, and some of the market prices of Volta's holdings will not reflect their long-term value, there are upsides. We note that (i) spreads are likely to widen, (ii) more mis-pricing opportunities are likely to emerge, (iii) Volta has a broad diversification and a good credit track record, and (iv) its profile is very different from 2007-08. The long-term cashflows on which dividends depend may increase, not decrease.

- **Volta monthly report:** In December, Volta's NAV fell 4.8%, taking it to €7.71 per share and the YTD performance to 0.1%. In volatile markets, the key local currency MTM performances were CLO equity tranches -5.7% (33% of portfolio) and CLO debt tranches -5.9% (39% of portfolio). As expected, the Bank Balance Sheet Transactions (15% of portfolio) have less volatility and fell by just 0.4%.
- **Peers' December reports:** Carador saw a 9.1% fall in its $ NAV (YTD -10.5%). It is now in wind-up mode. Fair Oaks Income's $ NAV was down 1.2% (1 year +0.5%). Blackstone GSO Loan Financing said that its more marked to model € NAV was flat (YTD +6.7%). TwentyFour Income Fund's £ NAV fell 0.1% (YTD +2.33%). Marble Point reported a 4.98% $ NAV monthly loss (-13.04% since February IPO).
- **Valuation:** Volta trades at a 12% discount to NAV. Peer-structured finance funds trade at a ca.4% discount, with one at a premium of 0.4% over NAV. 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 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.11% p.a. (dividend re-invested basis) over five years. The current portfolio expected NAV return is over 10%. The historical yield is 9.1%, 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	9%	17%	14%	19%	19%	21%	23%
Gearing	0%	9%	12%	12%	14%	14%	13%
Dividend yield	8.8%	9.1%	9.1%	9.1%	9.1%	9.1%	9.1%

Source: Hardman & Co Research