



Source: Refinitiv

Market data	
EPIC/TKR	VTA .NA, VTA.LN VTAS LN
Price (€)	6.60/6.53/554p
12m High (€)	6.74/7.04/642p
12m Low (€)	6.04/6.14/515p
Shares (m)	36.6
Mkt Cap (€m)	241
Trail. 12-mth. yield	9.4%
Free Float	70%
Market	AEX, LSE

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	
Independent Chairman	Paul Meader
Independent Non-Executive Directors	Graham Harrison Stephen Le Page Atosa Moini Paul Varotsis
Fund Managers	Serge Demay AXA IM Paris 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' Jan	Dec. estimated NAV

Analyst	
Mark Thomas	020 7194 7622 mt@hardmanandco.com

VOLTA FINANCE LIMITED

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As shown below, in 2019, Volta continued to outperform its CLO peer averages, although its absolute performance reflected the continued challenging market conditions, especially in 2H'19. Looking forward, we note that the six-month annualised income yield is currently running at a record 16.3% and, over time, it is this income yield, not capital volatility, that will pay the dividend (current shareholder dividend yield nearly 10%). We believe the capital movements reflect volatile market price movements and that the dividend is not being paid out of ongoing reduction in capital. Over time, recognition of this may make Volta more attractive to income funds.

- ▶ **Volta monthly report:** November NAV rose 0.4% (YTD 3.5%) to €7.52 per share. The local currency performances were positive in all asset classes: +1.0% for Bank Balance Sheet transactions, +0.9% for CLO equity tranches, +0.8% for CLO debt, +0.7% for Cash Corporate Credit deals and +0.2% for ABS.
- ▶ **Peer November reports:** Blackstone GSO Loan Financing's € NAV rose 0.46% (YTD +5.0%), Fair Oaks Income's \$ NAV fell 0.43% (one year -4.83%), Marble Point's \$ NAV rose 0.4% (YTD +0.69%) and TwentyFour Income Fund's £ NAV rose 0.1% (one year +3.7%). We reviewed Volta's peers in our report, *Diving deep finds you the treasure*.
- ▶ **Valuation:** Volta trades at a 15% discount to NAV. Peer-CLO finance funds trade at a ca.8% 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, in our view.
- ▶ **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 prospective yield is 9.4%, and we believe is generated by predictable income streams.

Financial summary and valuation (Hardman & Co adjusted basis)							
Year-end Jul (€m)	2014	2015	2016	2017	2018	2019	2020E*
Coupons & dividend	31.4	33.7	34.7	33.2	38.5	42.0	35.2
Operating income	37.5	46.0	36.5	35.0	37.2	41.0	34.1
Inv. manager's fees	-4.1	-4.5	-4.3	-4.6	-4.6	-4.4	-4.5
Adj. perform. fees	-2.5	-3.5	-1.3	-1.2	-1.4	-2.1	-1.0
Total expenses	-7.9	-10.3	-7.2	-7.0	-0.9	-1.0	-1.0
Total comp. income	29.5	35.7	29.3	28.0	29.9	32.9	27.2
Statutory PTP	44.0	47.6	12.6	38.7	22.7	7.1	26.9
Underlying EPS (€)	0.82	0.98	0.80	0.77	0.82	0.90	0.74
NAV	273.6	299.2	289.3	305.5	305.7	290.6	295.3
S/P disc. to NAV	12%	19%	17%	21%	21%	17%	18%
Gearing	0%	9%	12%	12%	14%	12%	12%
Dividend yield	9.1%	9.4%	9.4%	9.4%	9.4%	9.4%	9.4%

*Under review; Source: Hardman & Co Research