VOLTA FINANCE LIMITED

INTERIM REPORT AND ACCOUNTS

FOR THE PERIOD 1 AUGUST 2017 TO 31 JANUARY 2018

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Volta Finance Limited (the "Company" or "Volta") is a closed-ended limited liability investment company that pursues a diversified investment strategy across structured finance assets.

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FORWARD-LOOKING STATEMENTS

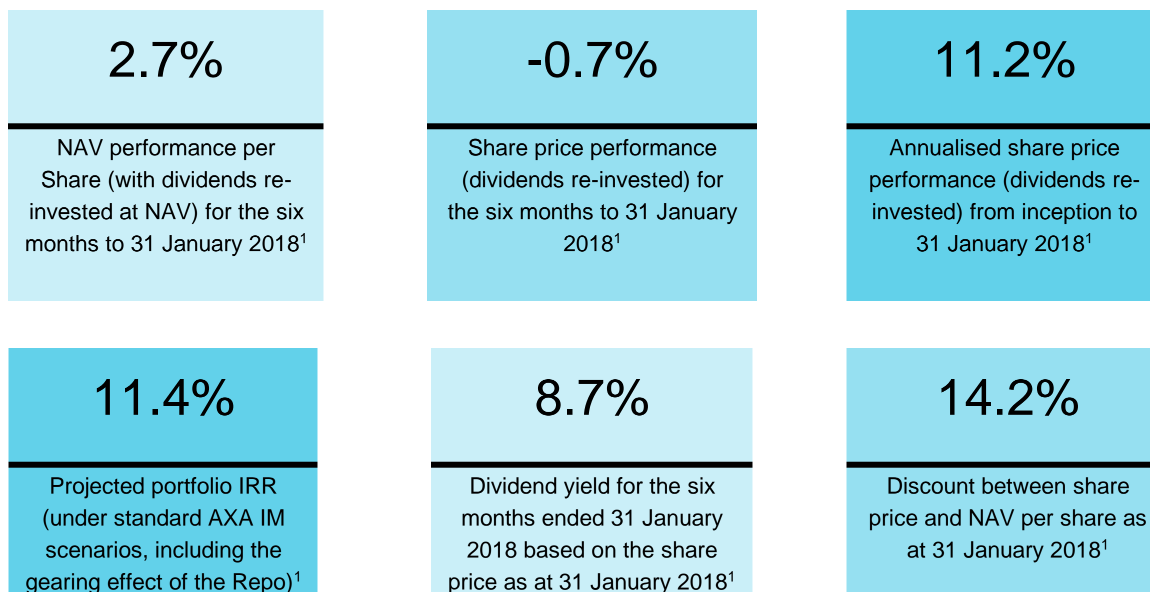
This report includes statements that are, or may be considered, "forward-looking statements". These forward-looking statements can be identified by the use of forward-looking terminology, including the terms "believes", "estimates", "anticipates", "plans", "expects", "targets", "aims", "intends", "may", "will", "can", "can achieve", "would" or "should" or, in each case, their negative or other variations or comparable terminology. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this report, including in the Chairman's Statement. They include statements regarding the intentions, beliefs or expectations of the Company or the Investment Manager concerning, among other things, the investment objectives and investment policies, financing strategies, investment performance, results of operations, financial condition, liquidity prospects, dividend policy and targeted dividend levels of the Company, the development of its financing strategies and the development of the markets in which it, directly and through special purpose vehicles, will invest and issue securities and other instruments. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Forward-looking statements are not guarantees of future performance. The Company's actual investment performance, results of operations, financial condition, liquidity, dividend policy and dividend payments and the development of its financing strategies may differ materially from the impression created by the forward-looking statements contained in this document. In addition, even if the investment performance, results of operations, financial condition, liquidity, dividend policy and dividend payments of the Company and the development of its financing strategies are consistent with the forward-looking statements contained in this document, those results or developments may not be indicative of results or developments in subsequent periods. Important factors that may cause differences include, but are not limited to: changes in economic conditions generally and in the structured finance and credit markets particularly; fluctuations in interest and currency exchange rates, as well as the degree of success of the Company's hedging strategies in relation to such changes and fluctuations; changes in the liquidity or volatility of the markets for the Company's investments; declines in the value or quality of the collateral supporting any of the Company's investments; legislative and regulatory changes and judicial interpretations; changes in taxation; the Company's continued ability to invest its cash in suitable investments on a timely basis; the availability and cost of capital for future investments; the availability of suitable financing; the continued provision of services by the Investment Manager and the Investment Manager's ability to attract and retain suitably qualified personnel; and competition within the markets relevant to the Company.

These forward-looking statements speak only as at the date of this report. Subject to its legal and regulatory obligations (including under the rules of Euronext Amsterdam, the UK Listing Authority and the London Stock Exchange) the Company expressly disclaims any obligations to update or revise any forward-looking statement (whether attributed to it or any other person) contained herein to reflect any change in expectations with regard thereto or any change in events, conditions or circumstances on which any statement is based.

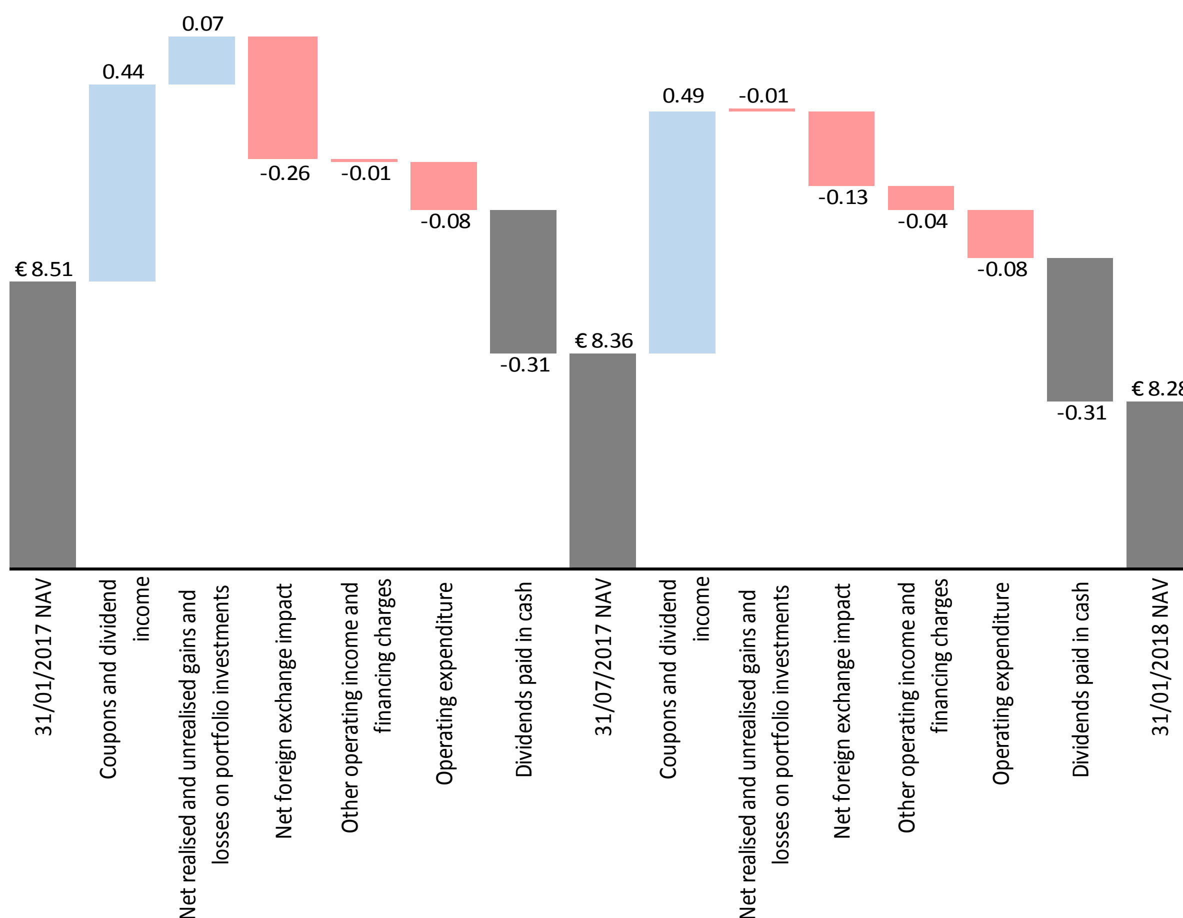
The Company qualifies all such forward-looking statements by these cautionary statements. Please keep these cautionary statements in mind while reading this report.

VOLTA AT A GLANCE

The investment objectives of Volta are to preserve its capital across the credit cycle and to provide a stable stream of income to its Shareholders through dividends that it expects to distribute on a quarterly basis. Volta seeks to achieve its investment objectives by pursuing a diversified investment strategy across structured finance assets. Volta measures and reports its performance in euro.



NAV PERFORMANCE ANALYSIS FOR THE SIX MONTH PERIODS ENDED 31 JANUARY 2018 AND 31 JULY 2017 – CONTRIBUTIONS TO NAV CHANGE (EUROS PER SHARE)



[1] Please see the glossary on pages 49 to 50 for an explanation of the terms used above and elsewhere within this report.

CHAIRMAN'S STATEMENT

Dear Shareholder

When I wrote to you in the autumn of last year some caution seemed merited towards the ebullience in financial markets. Subsequently, this enthusiasm has, indeed, been tempered. Government bond yields have risen sharply in some regions, most particularly the United States, and "risk assets" such as equities have seen an increase in volatility. Against this backdrop, the net asset value ("NAV") total return of Volta, at 2.7% for the six months to 31 January 2018 (and an estimated gain of 0.7% in February 2018) is respectable, if below the long-term target run-rate of returns.

More disappointing, however, is the share price total return of -0.7% for the six months to 31 January 2018. This reflects a widening of the discount of the share price to NAV to 14.2% as at that date. Despite efforts to bring Volta to the attention of a wider audience and ongoing attempts to address any structural impediments to an improved share price rating, so far this has not been reflected in a narrower share price discount. I would note in this context the recent reduced ratings across a broad peer group of income-orientated listed investment funds including direct Company peers. So Volta's de-rating is not unique. That said, the Board, Investment Manager and broker have recently discussed this and we will redouble our efforts in the coming year. In my meetings with some Shareholders there has been a suggestion that our Company should commence either a regular tender at NAV or repurchase shares in the market. These mechanisms can be a double-edged sword, as some have found to their cost. However, they have a time and a place. The Board are active in their consideration and will use such discount control measures if they believe them to be in the best interests of Shareholders as a whole.

Before we become too glum, it is important to remember that Volta's share price, with dividends reinvested, has generated an annualised return of 11.2% since inception in 2006. It also offers a dividend yield of 8.7% on the share price as at 31 January 2018. More importantly, this dividend is comfortably covered from income and coupons received on the underlying portfolio. In an environment where cash rates in euro are still negative, this is a highly attractive yield, particularly given the risk profile embedded in the underlying portfolio. As I have noted previously, it is the extent and quality of these cash flows that will, ultimately, drive total returns, not the vagaries of investor sentiment. Further, these cash flows come from a variety of different sources. Volta's diversification can sometimes be a hindrance to understanding the nuances of the Company. However, that diversification is a real strength, particularly when compared to our peers.

Before moving on from performance, I wanted to discuss the impact of exchange rates on NAV returns. Volta does not fully hedge all non-euro exposure back into euro. This is intentional. There is an attraction to a fully hedged portfolio as it should produce smoother short-term returns. However, it introduces two material disadvantages. The first is cash drag as it is necessary to hold a larger proportion of assets in cash to provide liquidity to meet potential margin calls on hedging. With cash rates negative and our underlying investments generating over 10% per annum, cash drag can be a material detractor to long-term returns. The second issue is that any sharp movements in exchange rates can trigger an unexpected liquidity crisis, with the portfolio becoming partially unhedged as counterparties forcibly close out positions. Many companies have found this out the hard way, sometimes with cataclysmic consequences.

With much of our Company's investment universe in US dollars, it is exposure to the dollar that is the principal issue for Volta. Volta maintains a net US dollar exposure of between 20% and 40% of NAV and provides regular reporting on the prevailing exposure so that Shareholders can, if they wish, account for this in their own currency exposures and act accordingly in the short term. Longer-term analysis shows that variability in returns from exchange rates in the short term has simply come out in the wash for Volta. Therefore, hedging all of the foreign currency exposure, with the attendant risk and detraction from return, does not make sense. This reporting period though was one where US dollar weakness caused a performance drag. During the period, Volta's exposure to the US dollar averaged around 33.4% and this acted as a detractor of around -1.6% to total returns in the six month period.

As detailed in the Investment Manager's report commencing on page 4, there has been a gradual evolution of the portfolio during the period but, in general, risk levels have remained stable. In addition to the coupons and interest already discussed, the portfolio has received strong capital repayments during the period. Finding attractive, risk adjusted returns has become more challenging as credit spreads have continued to tighten and so the Manager has been generally content to run cash levels slightly higher than usual, awaiting opportunities. Some good opportunities have arisen, including additional bank balance sheet exposure, a recent increase in CLO Equity exposure and, most notably, the investment into a Capitalised Manager Vehicle, as I reported in the last annual financial statements. Post the period end, Volta has also opened a new Warehouse exposure. The point of noting these is to highlight the very varied exposures taken by Volta. Volta is far from a low-risk investment but, within the constraints of investing in credit exposure, has diversified and varied sources of return. Further, unlike its peers, the Company can allocate to the most attractive sources of return depending upon the prevailing environment. When combined with the skill of AXA IM as Investment Manager, this flexibility should provide some buffer to the downside risks when, ultimately, the next credit downturn arrives.

CHAIRMAN'S STATEMENT

As has now become commonplace, regulatory change has continued apace. Most notably, a recent judgement has overturned the risk retention regulations in the US. The exact impact of this ruling is still fully to be determined but it is likely to return Volta, which can purchase only securities that are in compliance with EU regulations, to the position prevailing a few years ago. It is not yet clear the extent to which this will restrict the investment universe or impact embedded returns. The Investment Manager and Board are watching the situation closely and I hope to be able to report to you more fully in my Chairman's Statement in the autumn. The other significant regulatory development has been the introduction of PRIIPS and MiFID II at the turn of the year. The most visible impact of this is the publication of the Company's Key Information Document ("KID") which you can find on the website. As some of you may have read, KIDs have prompted some controversy across the industry and many debate the suitability of the prescriptive format and calculations. Suffice to say, I would recommend that, in order to gain a true and balanced perspective, all investors and prospective investors should read our KID alongside other important publications, such as these financial statements, rather than taking any single document in isolation.

Looking forward, synchronised global growth should be highly supportive for credit assets, providing that inflation does not see a major resurgence. For now, that seems unlikely and so fundamentals should be favourable for Volta for 2018. Further, given that Volta's interest rate exposures are largely floating rate, gently rising global interest rates should prove beneficial to total returns, as long as defaults do not move meaningfully higher. That said, tight credit spreads leave little room for error and event risk, particularly political, is increasing. Therefore, the risk of mark-to-market losses remains meaningful but the underlying cash flows from the portfolio should remain strong and it is these that should drive positive NAV returns in the medium to long term. With a renewed focus on narrowing the share price discount, these two factors should produce strong Shareholder value over time.

Paul Meader
Chairman
27 March 2018

INVESTMENT MANAGER'S REPORT

At the invitation of the Board, this commentary has been provided by AXA Investment Managers Paris S.A. ("AXA IM") as Investment Manager of Volta. The commentary is not intended to constitute, and should not be construed as, investment advice. Potential investors in the Company should seek their own independent financial advice and may not rely on this communication in evaluating the merits of investing in the Company. The commentary is provided as a source of information for Shareholders of the Company but is not attributable to the Company.

Key messages from the Investment Manager

Volta's NAV performance per share was 2.7% for the semi-annual period (dividends re-invested in the NAV).

- Interest and coupons were still strong contributors to the performance (5.8% of Volta's beginning-of-period NAV) but the mark-to-market performance was impacted by the remaining currency exposure (a negative contribution estimated at 1.6% for the semi-annual period).
- We were again able to source investment opportunities in line with our target return, with an average projected yield on purchases near 10.5%.
- Performance in the near future is expected to come from the ongoing cash flows of the assets, our ability to increase the level of cash flows by increasing the CLO Equity bucket and our ability to extract value from refinancing or resetting of CLOs.

Just as importantly, the returns generated in the semi-annual period have continued to be produced with controlled levels of risk. Based on monthly NAV performance, the Sharpe ratio (excess return generated above risk-free rates relative to the volatility of returns) of Volta was at 1.6 for the last 3 years, reflecting the benefit that we are able to extract for our Shareholders from the breadth of the investment strategy. This compares favourably with global equity, bond and credit markets, as well as our peers. Our ability to build a portfolio mixing assets with various dynamics and volatilities has enabled us to source opportunities and to deliver a robust performance over the long term.

UNDERSTANDING THE PERFORMANCE FOR THE SEMI-ANNUAL PERIOD ENDED 31 JANUARY 2018

As usual, the primary contributor to the performance were the ongoing cash flows received from our assets. This time, contributions from realised and unrealised gains were modest. The performance for the semi-annual period can be attributed as follows (figures are expressed as a percentage of the NAV as at the end of July 2017):

Interest and coupons received	5.8%
Realised gains	0.1%
Unrealised losses	-0.1%
Currency impact, net of effect of FX hedging	-1.6%
Financing costs and other hedging costs	-0.6%
Operating expenses	-0.9%
Net total return	2.7%

It is apparent that Volta's asset performance for this semi-annual period was basically on target, but the overall performance was negatively impacted by our remaining currency exposure. For many years, we have chosen not to fully hedge the currency risk arising from our USD assets in order to avoid the risk of significant margin calls arising from the hedge. This was detrimental during this six-month period but was beneficial during the previous annual period and we continue to believe that, over the long term, currency exposure should not be a significant driver of Volta's overall performance.

INVESTMENT MANAGER'S REPORT

During this semi-annual period the performances of our main buckets according to internal performance attribution estimates and before taking into account the effect of currency exposure were as follows:

Asset Class	Estimated semi-annual performance	Average Weight
Bank Balance Sheet Transactions	3.6%	15.2%
USD CLO Equity	2.9%	12.8%
Euro CLO Equity	4.2%	14.4%
USD CLO Debt	5.9%	39.6%
Euro CLO Debt	1.5%	2.4%
Cash Corporate Credit	10.2%	2.5%
ABS	3.8%	4.3%

Clearly, the best buckets were Cash Corporate Credit, USD CLO Debt and Euro CLO Equity. During the previous annual period from August 2016 to July 2017, our main decisions in terms of overall allocation were to increase exposure to Euro CLO Equity and to continue to maintain the significant exposure to USD CLO Debt. The drivers of these good performances were: for USD CLO Debt, the spread compression on CLO Debt and the fact that a significant number of CLO Debt tranches which had previously been trading below par were repaid at par (the tranches being refinanced at a lower spread); for Euro CLO Equity, the low level of defaults in the European loan market and the benefit from CLO refinancing or resetting. For our Cash Corporate Credit bucket, the good performance was mainly due to the good performance of one very old position during recent months which is not necessarily expected to be replicated in the future.

It is worth mentioning that, for three years now, we have had leverage in place on a portion of our USD CLO Debt bucket, which has magnified the positive contribution of this bucket to Volta's overall performance.

Once again, **Volta has been able to benefit from the breadth of its investment strategy, maintaining an attractive projected yield on its assets while delivering a solid performance**. It is worth mentioning that, for many years now, Volta's projected IRR on its assets has been in the area of 10% but, thanks to the ability to trade the portfolio and the various dynamics of its assets, we have been able to achieve a 10%+ net performance as shown above (before the impact of residual currency exposures).

OVERALL LONG-TERM PAST PERFORMANCE

For many years, the strong performance in terms of NAV per share has been in line with the strong fundamentals of Volta's assets, our ability to benefit from the flexible mandate that governs Volta's investment approach and also reflects our ability to sell or leverage the most stable part of our portfolio.

INVESTMENT MANAGER'S REPORT

As a listed fund investing mainly in US dollar and euro corporate assets, Volta's performance can be compared with both equity and high yield bond or loan indices. As at the end of January 2018 the performance was as follows[1] (annualised figures):

	1 year %	5 years %	Since Volta's inception %
NAV performance (including dividends paid and re-invested at NAV)	5.0	13.3	6.2
Share performance (dividends re-invested in shares)*	**4.8**	**14.0**	**11.2**
S&P 500 (total return)*	9.8	18.0	9.5
MSCI European (total return)*	17.2	11.3	4.1
US High Yield Bonds (H0A0 Index)*	6.6	5.6	7.4
US Loans Market (S&P LSTA Index)*	4.5	4.0	4.7
European High Yield Bonds (HE00 Index)*	6.4	6.4	7.3
European Loans Market (S&P ELLI Index)*	3.4	5.3	4.2

[1] No statement in this comparative table is intended to be nor may be construed as a profit forecast. The figures provided relate to previous months or years and past performance is neither a guide to future returns nor a reliable indicator of the future performance of the Company or the Investment Manager.

* Figures given by Bloomberg using the Total Return Analysis ("TRA") function. Each index is measured in its local currency.

Overall, the performance of an investor re-investing their dividends in the Company's shares (11.2% annualised return as at 31 January 2018 since Volta's launch in December 2006) can be favourably compared to the performance of the large equity indices and high yield bond or loan indices referenced in the table above for the same period.

Since the financial crisis of 2008/2009, Volta's portfolio has been significantly reshaped and, for the last five years, we have been able to perform strongly with low volatility. The volatility of the Monthly NAV performances over this period has been far below the volatility of classic equity indices, while delivering comparable returns.

We frequently compare Volta with other listed vehicles that operate roughly in the same investment space: Carador Income Fund (CIFU), Fair Oaks Income (FAIR), Blackstone/GSO Loan Financing (BGLF) and TwentyFour Income Fund (TFIF). The performance and volatility of Volta compared to these four listed funds for the last three years (based on published NAV per share and dividend payments, from end of January 2015 to end of January 2018) was as follows:

Based on published NAV per share and dividends	Volta (€)	Carador ($)	FAIR ($)	BGLF (€)	TFIF (£)
Annualised performance (3 years)	9.7%	5.4%	12.5%	7.5%	5.7%
Annualised volatility (3 years)	6.1%	9.5%	10.9%	2.9%	5.4%
Sharpe Ratio (3 years)	**1.6**	**0.6**	**1.2**	**2.6**	**1.1**

The above Sharpe Ratios are illustrative and have been computed by AXA IM for information purposes only, using monthly NAV and dividends published on Bloomberg and using 3 month Euribor or Libor rates as the risk free rate. The 3 year period (from end of January 2015 to end of January 2018) corresponds to the longest available given the inception dates of the funds. The funds to which Volta is compared have their own investment objectives, constraints, guidelines, horizon, liquidity and other features that may significantly differ from the ones for Volta. This fund list has been determined by AXA IM in consultation with a pool of brokers. AXA IM disclaims any responsibility or liability for the performance of such funds and does not represent that the information provided in respect of such funds is accurate, complete and relevant for assessing in relative or absolute terms the performance of Volta.

Volta's Sharpe Ratio is higher than that of the majority of its competitors, with only BGLF, which uses a mark-to-model valuation methodology when computing its NAV, having a better Sharpe Ratio (but a lower performance).

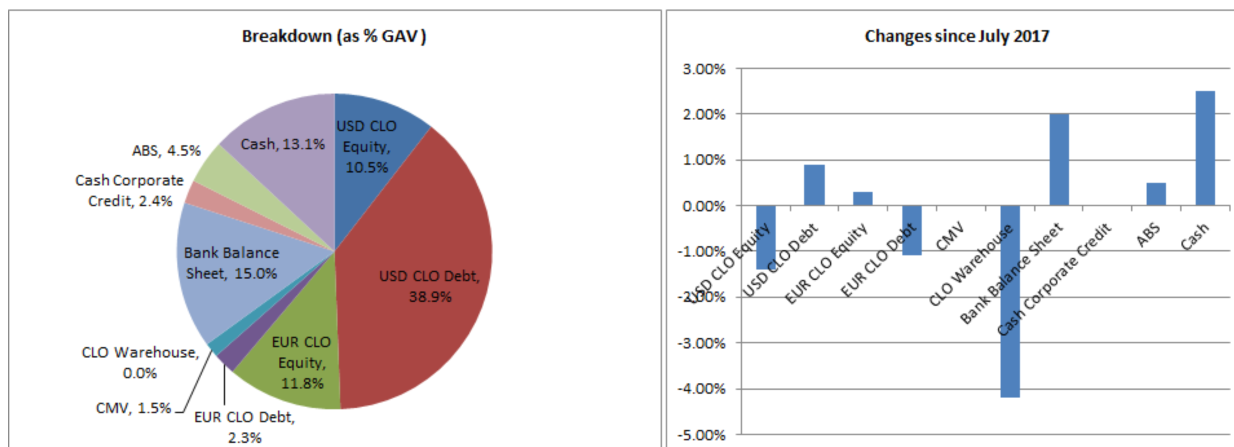
INVESTMENT MANAGER'S REPORT

VOLTA PORTFOLIO POSITIONING AS AT 31 JANUARY 2018

During the semi-annual period under review we:

- Continued to increase the size of the Bank Balance Sheet transaction bucket; and
- Modestly decreased the size of our Euro CLO Debt bucket

The decrease of the CLO Warehouse bucket and the increase in cash were due to the fact that our last CLO Warehouse closed very late in December 2017 and we had been waiting for the opening of a new CLO Warehouse, which opened in February 2018.



The modest changes during this six-month period were in line with what was done during the previous annual period and our fundamental view that:

- The tightening on CLO Debt tranches encourages us to diminish the size of this bucket. We started by decreasing the Euro CLO Debt bucket as we perceived more value in USD CLO Debt assets but, if spread tightening continues, we may also decrease the USD CLO Debt bucket. When and if this happens, we would of course correspondingly decrease the amount of leverage we have in place on these tranches.
- The tightening on CLO Debt tranches, almost mechanically, means that there is more value on CLO Equity tranches but we had refrained from increasing our CLO Equity bucket because there was still some value on CLO Debt. However, now that CLO Debt has further tightened, we will increase the CLO Equity bucket. Another reason to purchase more CLO Equity tranches is the fact that the strong appetite that currently exists for CLO Debt, especially on the senior tranches, means that new CLO documentation incorporates much more favorable terms for equity tranches than previously as senior Debt holders are more flexible than before. These terms mainly concern the provision of more flexibility in terms of re-investment capabilities and a greater ability to pay to the equity tranche the capital gains that could be generated by the CLO manager.
- It continues to make sense to invest in Bank Balance Sheet transactions. These assets, despite the fact they yield slightly below Volta's target, provide a lot of diversification as the underlying risks differ from the credit risk underlying our CLO positions and bring some stability to our NAV. Clearly, it makes sense to increase concurrently the CLO Equity bucket and the Bank Balance Sheet bucket.

PROJECTED IRR ON VOLTA'S PORTFOLIO

As at the end of January 2018, considering reasonable and standard assumptions, Volta's assets had a projected yield in the area of 10.5%.

Volta continues to leverage a portion of its CLO Debt bucket and this leverage ($50 million of debt at the end of January 2018) improves the projected yield of the whole portfolio by roughly 0.9% to 11.4%.

This projected yield is based on the assumption that the CLO Equity tranches will suffer from defaults at the underlying loan portfolio level in line with historical averages. During the last ten years, defaults in the CLOs selected for Volta by AXA IM occurred at a pace significantly below the historical average as measured by the WARF of the underlying loan portfolio. Taking these considerations into account, as well as the optionality that exists with CLO Equity positions (the possibility to refinance/reset the transactions in order to benefit from a better arbitrage), the overall performance of Volta's portfolio could be 1% to 2% in excess of the above projected yield.

INVESTMENT MANAGER'S REPORT

Unfortunately, as the prices of CLO Debt tranches are currently relatively close to par, there is little chance that trading CLO Debt positions will add much value during the next annual period although the high level of Volta's cash flows allows us to benefit from opportunities that might arise in the event of volatility (as was the case in Q1 2016).

In terms of credit performance, it is notable that Volta's underlying credit portfolio did not suffer particularly during the semi-annual period. As usual, some defaults occurred in the underlying credit portfolios but at a pace that was below the standard projected default rate that we use when modelling our assets and that did not affect significantly the projected return of our assets. Cash flows from our assets have modestly increased and we do not foresee, at the time of writing, any significant change in the expected cash flows from Volta's portfolio except a further modest increase due to higher interest rates and to the increasing portion of CLO Equity tranches.

CURRENCY EXPOSURE

During the period, we managed very smoothly the currency hedge of Volta's USD assets back into euro. Very simplistically and almost mechanically, we increased the amount of the hedge when the US dollar appreciated and reduced it when the US dollar depreciated somewhat. Typically, through the semi-annual period, Volta's USD exposure went from 30.9% at the end of July 2017 (1.18 USD/EUR) to 35.9% at the end of January 2018 (1.24 USD/EUR). Because of the liquidity risk that accompanies a full hedge (being fully hedged could mean facing significant margin calls), Volta has tolerated a residual USD exposure for years. Our intention is not to manage this position actively except for the very simple type of management that has been performed again this year (simply reducing USD exposure if the US dollar appreciates and vice versa). Considering the magnitude of the USD exposure of Volta and the historical mean-reverting behaviour of USD/EUR cross rates, we do not expect the currency exposure of Volta to be the main driver, through the cycle, of Volta's performance. Clearly, the contribution of currency risk to Volta's performance has been very modest since Volta's inception more than 11 years ago.

OUTLOOK FOR THE NEXT ANNUAL PERIOD

For the next annual period Volta's performance should be based mainly on the ongoing cash flows generated by our assets. We can expect some contribution from our ability to trade some of our positions (specifically CLO Debt, which is the most liquid portion of the portfolio) but we clearly target to generate some gains from the still very positive dynamic that exists on CLO senior tranches. Although we are not positioned on these tranches, the reality is that it permits sourcing and rearranging better terms for our CLO Equity positions. When we are in the situation of refinancing or resetting a CLO (for which we hold the CLO Equity tranche) we can often extract some value for our equity position. This value can take the simple form of an extra capital payment to the equity tranche and/or better terms for the CLO Equity position (a lower cost of debt and/or documentation which is more favourable to the equity). Most of the time, these better terms are reflected through the mark-to-market value of the CLO Equity position.

Like every reasonable investor, we are alert for signs of imbalances that could cause volatility. We identified the US administration and the possibility of some interest rate volatility as potential sources of volatility for our markets. However, none of this has really materialised so far. There are, of course, still concerns (the end of QE in the US and later in Europe, Brexit, the threat to classic retail businesses from on-line sales, political instability in the Middle East, etc.) but we cannot see, at the time of writing, anything that is expected to be of significant impact to Volta's portfolio.

Our strong belief is that success in this kind of environment is likely to come from:

- the effectiveness of portfolio diversification (being the main reason to increase our Bank Balance Sheet transaction bucket);
- the high level of cash flows from our assets, which is key to be able to re-invest at discounted prices in the event of market volatility; and
- the maintenance of a bifurcated portfolio, mixing long-term assets that are able to go through a full credit cycle (CLO Equity with a long re-investment period) with more short-term and liquid positions (e.g. some of the CLO Debt positions).

Strategically, we expect to continue increasing the Bank Balance Sheet transaction bucket and the CLO Equity bucket (favouring "controlling positions") during the next annual period.

Globally, we will tend to decrease the number of positions, although maintaining a high level of diversification in order to increase the value that can be added from deals "restructuring" (refinancing / resetting / calls / repackaging). CLO warehousing transactions are part of this strategy.

INVESTMENT MANAGER'S REPORT

We consider that our mandate as Volta's Investment Manager is to invest in assets that should be able to produce stable revenue (which can support attractive distributions to Shareholders) through investing in assets and structuring investments that are adapted to the prevailing market circumstances. We will continue to draw upon the experience of our teams in the structured finance department of AXA IM and their ability to take advantage of investment opportunities across the different segments of the structured finance markets in order to meet Volta's objectives.

AXA INVESTMENT MANAGERS PARIS

27 March 2018

PRINCIPAL RISK FACTORS

SUMMARY

An investment in the Company's shares is suitable only for sophisticated investors who are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses (which may equal the whole amount invested) that may result. The Company offers no assurance that its investment objectives will be achieved. Prospective investors should carefully review and evaluate the descriptions of risk and the other information contained in this report, as well as their own personal circumstances, and consult with their financial and tax advisors before making a decision to invest in the shares.

Prospective investors should be aware that the value of the shares may decrease, any dividend income from them may not reach targeted levels or may decline, and investors may not get back their invested capital. In addition, the market price of the shares may be significantly different from the underlying value of the Company's net assets. The NAV of the Company as determined by it from time to time may be at a level higher than the amount that could be realised if the Company were liquidated.

The following principal risks and uncertainties are those that the Company believes are material, but these risks and uncertainties may not be the only ones that the Company and its Shareholders may face. Additional risks and uncertainties, including those that the Company is not aware of or currently views as insignificant, may also result in decreased revenues, increased expenses or other events that could result in a decline in the value of the shares. A more comprehensive list of the risks faced by the Company may be found in the Summary Document that is posted on the Company's website.

Strategic risks

These are the investment risks the Company chooses to take in order to meet its performance objectives. The Board has defined limits for various metrics in order to monitor and control the following strategic risks, which are reviewed by the Risk Committee on at least a quarterly basis. The Board also reviews regularly the broad investment environment and receives detailed reports, including scenario analysis, from the Investment Manager on the economic outlook and potential impact on the Company's performance.

Principal risks	Impact, tolerance, controls and mitigation
Default risk – The risk that underlying loans or financial assets within the investment portfolio default, leading to investment losses, a reduction in cash flows receivable and a fall in the Company's NAV.	Depending on the severity of any increase in default rates, particularly the duration of any such increase, the impact of underlying asset default risk could potentially be high. However, the Company is expected to be able to tolerate a short-term spike in defaults without any material impact on the Company. Default risk is monitored and managed by the Investment Manager through active portfolio management and is mitigated by the Company's broadly diversified investment portfolio. Individual and aggregated exposure limits and tolerances in relation to credit risk are set by the Company and reviewed regularly. Because most CLOs and some other investments in the Company's portfolio are actively managed and the Company invests at various levels in the capital structure of CLOs, the aggregate net credit exposure across the portfolio to underlying names cannot be fully controlled. However, the Investment Manager periodically provides granular impact analysis of credit exposure to the larger underlying obligors in order to allow the Board to be satisfied that the portfolio remains broadly diversified and that this risk remains at a tolerable level.
The risk that a counterparty defaults leading to a financial loss for the Company.	The Company has a moderate credit exposure to counterparties through derivatives, the Repo and cash deposits. On rare occasions, there may be short-term exposure via settlement processes. Limits are set for individual counterparty exposures. The Investment Manager monitors these limits and provides compliance reports thereon to the Risk Committee. The Investment Manager also monitors the quality and appropriateness of counterparties, upon which it performs regular due diligence.
Market risk – The impact of movements in market prices, interest rates and foreign exchange rates on cash flows receivable and the Company's NAV.	The impact of market risk on the Company's ability to achieve its investment objectives could potentially be high. While the Company is well positioned to tolerate short-term market volatility and/or lack of liquidity, sharp falls in market prices would require more eligible collateral to be posted under the Repo at relatively short notice and a prolonged severe drop in NAV could ultimately trigger the termination of the Repo. Market risk is therefore monitored closely and is managed and mitigated as far as possible by the Investment Manager through active portfolio management, the maintenance of a diversified investment portfolio and use of the flexibility of the Company's investment policy, which permits the Investment Manager to switch between asset classes and levels of risk. Given that the Company's investments have floating interest rate characteristics, risk arising from interest rate volatility is modest. The Investment Manager carefully manages the Company's foreign exchange exposure hedging through derivatives to balance the partial mitigation of the impact of foreign exchange fluctuations upon the NAV with the need to ensure that any margin obligations can be met comfortably. The Risk Committee has set foreign exchange exposure tolerances and derivative margin tolerances.

PRINCIPAL RISK FACTORS

Strategic risks (continued)	
Principal risks	Impact, tolerance, controls and mitigation
Market risk (continued) – The risk of severe market disruption leading to impairment of the market value and/or liquidity of the Company's investment portfolio. The market value of the collateral posted by the Company under the Repo is significantly higher than the amount of the loan due to the application of haircuts. The amount of collateral that would be required could increase significantly in the event of market disruption.	The Company is well positioned to be able to tolerate prolonged market disruption, as occurred in 2008/2009, due to the fact that the Company is financed mostly by equity on which it is able to exercise discretion regarding dividend payments and the fact that the Company's debt financing through the Repo transaction is relatively small and structured in a way that should enable repayment in an orderly manner if required. The Board monitors overall leverage levels and the Risk Committee oversees soft limits applicable to the Repo and associated collateralisation. The Investment Manager monitors on a daily basis the collateral requirements under the Repo and ensures that a suitable amount of available cash and other liquid assets is available at all times to respond to any requirement to post additional collateral. The liquidity of the Company is controlled through limits set and monitored by the Investment Manager and by the Risk Committee. The Risk Committee and the Board require timely exception reporting from the Investment Manager upon any breach relating to these limits.
Re-investment risk – The ability to re-invest in investments that maintain the targeted level of returns at an acceptable level of risk.	The potential impact of this risk is considered to be moderate in that it would not be felt immediately, given the medium-term nature of the Company's portfolio. The Company fully tolerates this risk in order to achieve its investment objectives. In the Board's opinion, the ability of the Company and the Investment Manager to mitigate this risk is necessarily limited by external factors. Nevertheless, the Investment Manager is alert to the need to anticipate and respond to market and regulatory developments. Taking into account the reputation, size and presence in the market of the Investment Manager, which provide increased exposure to investment opportunities, and the Company's flexible investment mandate, the Board believes that this risk is mitigated as far as reasonably possible. The Board is aware of the risk of "creep" in risk tolerance in order to maintain returns in less favourable market environments and regularly challenges the Investment Manager on this point.

Preventable risks These are the risks that the Board believes should be substantially mitigated by the Company's controls. The Board has defined limits for various metrics in order to monitor and control the following preventable risks, which are reviewed by the Risk Committee on at least a quarterly basis.	
Principal risks	Impact, tolerance, controls and mitigation
Liquidity and going concern – The risk that the Company is unable to meet its payment obligations and is unable to continue as a going concern for the next twelve months.	If the Company were to be unable to meet its obligations as they fell due, the impact on the Company would be severe, although this risk is remote. Consequently, the Company monitors this risk and the potential threats to the liquidity of the portfolio. The availability of liquid resources is a high priority for both the Risk Committee and the Board. On a day-to-day basis, the Investment Manager monitors cash flow and payment obligations carefully and retains sufficient cash and/or liquid assets available to meet its obligations. The Investment Manager also monitors and reports to the Risk Committee on the market liquidity of the portfolio. Cash demands may arise from collateralisation and payment obligations under the Repo, margin calls and other payment obligations on hedging agreements and any other derivatives the Company might enter into, drawdowns on investment commitments and other payment obligations such as ongoing expenses.
Operational risk – The risk that the Company, through its service providers, fails to meet its contractual and/or legal or regulatory reporting obligations, resulting in sanctions, financial penalties and/or reputational damage.	The potential impact of this risk is considered to range from low to high, depending on the particular obligation. Regardless of the level of risk, the Company has a very low tolerance level for operational risk. The Company relies upon the procedures and controls at its third-party service providers and carries out regular due diligence to ensure that those procedures and controls are working effectively. The Board monitors the operational performance of all its main service providers and requires them to report any material breaches related to the Company immediately. The Board also carries out periodic due diligence visits to key service providers, including the Investment Manager, the Depositary and the Administrator.

PRINCIPAL RISK FACTORS

Preventable risks (continued)	
Principal risks	Impact, tolerance, controls and mitigation
Valuation of assets – The risk that the Company's assets are incorrectly valued.	Whilst there might be no immediate direct impact on the Company from incorrect valuation of the Company's assets in its monthly Estimated NAV reports and annual and interim financial reports, this is considered to be a high risk area due to the potential impact on the Company's share price and actions that could arise from the provision to the market of materially inaccurate valuation data. Any material valuation error is reported to investors. The Company's accounting policies for the valuation of its assets are described in Note 4 in the financial statements.
Investment Manager risks – The risk that the Investment Manager may execute its investment strategy poorly. Key person risk – The risk that the Investment Manager resigns, goes out of business or exits the Company's asset classes.	This risk is mitigated by the fact that the Investment Manager is part of a very large organisation with deep resources. It manages a number of other funds in the same asset classes as the Company and has a strong track record over a long period in the Company's asset classes. The Investment Manager has large teams and deep resources of skills to replace key individuals. The Investment Manager must give six months' notice before resigning which would help mitigate the disruption caused by any need to appoint a new manager.

External risks These are risks that are largely outside of the Company's control, but of which investors should be cognisant.	
Principal risks	Impact, tolerance, controls and mitigation
Legal and regulatory risk – The risk that changes in the legal and regulatory environment, including changes in tax rules or interpretation, might adversely affect the Company, such as changes in regulations governing asset classes that could impair the Company's ability to hold or re-invest in appropriate assets and lead to impairment in value and or performance of the Company.	The impact of legal and regulatory change, including tax change, could potentially be high. The Investment Manager continuously monitors the legal and regulatory environment in which the Company operates in order to enable the Company to continue to adapt to any legal and regulatory changes by investing in new asset classes and/or new investment structures in response to such changes. The Investment Manager and the Administrator report to the Board at least semi-annually regarding any relevant upcoming regulatory and tax changes and on an ad hoc basis if appropriate.
Brexit – Risks arising from the proposed departure of the United Kingdom from the European Union.	In the Investment Manager's opinion there are currently no significant foreseeable risks to the Company from this event. However, the Board are monitoring developments closely with the assistance of the Investment Manager and the Administrator.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors confirm that to the best of their knowledge:

- the unaudited condensed set of interim financial statements has been prepared in accordance with IAS 34 *Interim Financial Reporting*;
- the Chairman's Statement and the Investment Manager's Report constitute Volta's interim management report for the six-month period ended 31 January 2018, and includes a fair review of the information required by:
  - (a) Section 5:25d of the Financial Supervision Act of the Netherlands;
  - (b) DTR 4.2.7R of the Disclosure Guidance and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the unaudited condensed set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
  - (c) DTR 4.2.8R of the Disclosure Guidance and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or the performance of Volta during that period; and any changes in the related party transactions described in the last annual report that could do so.

This Statement of Directors' Responsibilities was approved by the Board of Directors on 27 March 2018 and was signed on its behalf by:

Paul Meader	**Stephen Le Page**
Chairman	*Chairman of the Audit Committee*
4 April 2018	

Footnote:
The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website, and for the preparation and dissemination of the Company's financial statements. Legislation in Guernsey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INDEPENDENT REVIEW REPORT TO VOLTA FINANCE LIMITED

Conclusion

We have been engaged by Volta Finance Limited (the "Company") to review the unaudited condensed set of financial statements in the half-yearly financial report for the six months ended 31 January 2018 of the Company which comprises the Unaudited Condensed Statement of Comprehensive income, the Unaudited Condensed Statement of Financial Position, the Unaudited Condensed Statement of Changes in Shareholders' Equity, and the Unaudited Condensed Statement of Cash Flows and the related explanatory notes.

Based on our review, nothing has come to our attention that causes us to believe that the unaudited condensed set of financial statements in the half-yearly financial report for the six months ended 31 January 2018 is not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting,* Section 5:25d of the Financial Supervision Act of the Netherlands and the Disclosure Guidance and Transparency Rules (the "DTR") of the UK's Financial Conduct Authority (the "FCA").

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. We read the other information contained in the half-yearly financial report and consider whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half-yearly financial report in accordance with Section 5:25d of the Financial Supervision Act of the Netherlands and the DTR of the UK FCA.

As disclosed in Note 2, the annual financial statements of the Company are prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IASB"). The Directors are responsible for preparing the condensed set of financial statements included in the half-yearly financial report in accordance with IAS 34.

Our responsibility

Our responsibility is to express to the Company a conclusion on the unaudited condensed set of financial statements in the half-yearly financial report based on our review.

The purpose of our review work and to whom we owe our responsibilities

This report is made solely to the Company in accordance with the terms of our engagement letter to assist the Company in meeting the requirements of Section 5:25d of the Financial Supervision Act of the Netherlands and the DTR of the UK FCA. Our review has been undertaken so that we might state to the Company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company for our review work, for this report, or for the conclusions we have reached.

Steven D. Stormonth
For and on behalf of KPMG Channel Islands Limited
Chartered Accountants, Guernsey
4 April 2018

UNAUDITED CONDENSED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 31 JANUARY 2018

	Notes	**1 August 2017 to 31 January 2018 €**	1 August 2016 to 31 January 2017 €
Operating income and financing charges			
Net gain on financial assets at fair value through profit or loss	5	**7,244,393**	42,018,119
Net foreign exchange gain/(loss), including net gains/(losses) on foreign exchange derivatives, but excluding net foreign exchange gains/(losses) on financial assets at fair value through profit or loss		**5,475,177**	(4,561,865)
Net (loss)/gain on interest rate derivatives		**(797,568)**	164,450
Interest expense on repurchase agreement	12	**(595,094)**	(540,416)
Net bank interest expense and charges		**(76,788)**	(35,081)
		11,250,120	37,045,207
Operating expenditure			
Investment Management fees	20	**(2,125,948)**	(2,013,786)
Investment Manager Performance Fees	20	**—**	(1,528,163)
Directors' remuneration and expenses	7	**(254,669)**	(194,513)
Legal fees		**(57,059)**	(78,040)
Company secretarial, administration and accountancy fees	8	**(159,978)**	(139,826)
Audit, audit related and non-audit related fees		**(63,813)**	(62,224)
Insurance		**(19,177)**	(15,548)
Depositary fees		**(75,023)**	(46,962)
Portfolio valuation and administration fees		**(6,000)**	(7,366)
Other operating expenses		**(134,684)**	(118,805)
		(2,896,351)	(4,205,233)
Profit and total comprehensive income for the period		**8,353,769**	32,839,974
Earnings per share			
Basic and diluted earnings per share	10	**€0.2285**	**€0.8988**

			Number of Shares
Weighted average number of shares outstanding			
Basic and diluted	10	**36,555,199**	36,537,551

Other comprehensive income

There were no items of other comprehensive income in either the current period or prior period.

The Notes on pages 19 to 43 form part of these unaudited condensed financial statements.

UNAUDITED CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 31 JANUARY 2018

	Notes	**31 January 2018 €**	31 July 2017 (audited) €
ASSETS			
Financial assets at fair value through profit or loss	11	**303,039,201**	321,283,914
Derivatives	13	**531,517**	697,538
Trade and other receivables	14	**1,987,902**	282,620
Cash and cash equivalents		**43,342,217**	37,087,141
TOTAL ASSETS		**348,900,837**	359,351,213
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	16	**—**	—
Share premium	17	**35,620,083**	35,544,715
Other distributable reserves	18	**112,265,014**	123,596,736
Accumulated gain	18	**154,716,896**	146,363,127
TOTAL SHAREHOLDERS' EQUITY		**302,601,993**	305,504,578
LIABILITIES			
Loan financing received under repurchase agreement	12	**40,270,000**	38,101,500
Interest payable on loan financing	12	**157,099**	143,405
Trade and other payables	15	**5,871,745**	15,601,730
TOTAL LIABILITIES		**46,298,844**	53,846,635
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**348,900,837**	359,351,213
NAV per share outstanding			
Basic and diluted		**€8.2774**	€8.3589

These financial statements on pages 15 to 43 were approved by the Board of Directors on 27 March 2018 and were signed on its behalf by:

Paul Meader
Chairman
4 April 2018

Stephen Le Page
Chairman of the Audit Committee

The Notes on pages 19 to 43 form part of these unaudited condensed interim financial statements.

UNAUDITED CONDENSED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE PERIOD ENDED 31 JANUARY 2018

	Notes	Share premium €	Warrants €	Other distributable reserves €	Accumulated gain €	Total €
Balance at 31 July 2016 (audited)		33,989,102	1,410,000	146,252,956	107,628,039	289,280,097
Total comprehensive income for the period		—	—	—	32,839,974	32,839,974
Issue of Ordinary Shares to Directors	16, 17	81,000	—	—	—	81,000
Expiry of warrants	16, 17	1,410,000	(1,410,000)	—	—	—
Dividends paid in cash	9, 18	—	—	(11,326,859)	—	(11,326,859)
Balance at 31 January 2017		35,480,102	—	134,926,097	140,468,013	310,874,212
Balance at 31 July 2017 (audited)		35,544,715	—	123,596,736	146,363,127	305,504,578
Total comprehensive income for the period		—	—	—	**8,353,769**	**8,353,769**
Issue of Ordinary Shares to Directors	16, 17	**75,368**	—	—	—	**75,368**
Dividends paid in cash	9, 18	—	—	**(11,331,722)**	—	**(11,331,722)**
Balance at 31 January 2018		**35,620,083**	—	**112,265,014**	**154,716,896**	**302,601,993**

The Notes on pages 19 to 43 form part of these unaudited condensed interim financial statements.

UNAUDITED CONDENSED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 31 JANUARY 2018

	1 August 2017 to 31 January 2018 €	1 August 2016 to 31 January 2017 €
Cash flows used in operating activities		
Profit and total comprehensive income for the period	**8,353,769**	32,839,974
Adjustments for:		
Net gain on financial assets at fair value through profit or loss	**(7,244,393)**	(42,018,119)
Net movement in unrealised loss/(gain) on revaluation of derivatives	**166,021**	(672,291)
Interest expense on repurchase agreement	**595,094**	540,416
Foreign exchange (gain)/loss on retranslation of repurchase agreement	**(2,081,181)**	1,453,500
(Increase)/decrease in trade and other receivables, excluding amounts due from brokers	**(1,555,508)**	6,347
(Decrease)/increase in trade and other payables, excluding amounts due to brokers	**(1,640,386)**	1,541,943
Directors' fees paid in the form of shares	**75,368**	81,000
Net cash used in operating activities	**(3,331,216)**	(6,227,230)
Cash flows from investing activities		
Coupons and dividends received	**17,657,133**	17,980,261
Purchases of financial assets at fair value through profit or loss	**(64,717,980)**	(44,544,124)
Proceeds from sales and redemptions of financial assets at fair value through profit or loss	**64,310,580**	68,065,617
Net cash from investing activities	**17,249,733**	41,501,754
Cash flows used in financing activities		
Dividends paid	**(11,331,722)**	(11,326,859)
Proceeds from loan financing under repurchase agreement	**4,249,681**	—
Interest paid on repurchase agreement	**(581,400)**	(512,996)
Net cash used in financing activities	**(7,663,441)**	(11,839,855)
Net increase in cash and cash equivalents	**6,255,076**	23,434,669
Cash and cash equivalents at the beginning of the period	**37,087,141**	10,925,201
Cash and cash equivalents at the end of the period	**43,342,217**	34,359,870

The Notes on pages 19 to 43 form part of these unaudited condensed interim financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 JANUARY 2018

1. REPORTING ENTITY

Information regarding the Company and its activities is provided in the Corporate Summary on pages 44 and 45.

The Directors have chosen not to present quarterly financial statements nor interim management statements. Semi-annual unaudited condensed interim financial statements are prepared in addition to annual audited financial statements.

2. BASIS OF PREPARATION

a) Statement of going concern

The Directors have considered the state of financial market conditions at the period-end date and subsequently and have concluded that any reasonably foreseeable adverse future investment performance would not have a material impact on the Company's ability to meet its liabilities as they fall due. After making appropriate enquiries, the Directors are therefore of the opinion that the Company remains a going concern and are satisfied that it is appropriate to continue to adopt the going concern basis in preparing the Company's financial statements.

b) Statement of compliance

These unaudited condensed interim financial statements have been prepared in accordance with IAS 34 – "Interim Financial Reporting". These unaudited condensed interim financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the audited financial statements of the Company as at and for the year ended 31 July 2017. The audited financial statements of the Company as at and for the year ended 31 July 2017 were prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations issued by the IFRS Interpretations Committee and applicable law.

New accounting standards, amendments to existing standards and/or new interpretations of existing standards (separately or together, "New Accounting Requirements")

The Directors have assessed the impact, or potential impact, of all New Accounting Requirements. In the opinion of the Directors, there were no mandatory New Accounting Requirements applicable in the current period that had any material effect on the reported performance, financial position or disclosures of the Company. The Company did not early adopt any New Accounting Requirements during the period that were not mandatory. In the Directors' opinion, there were no non-mandatory New Accounting Requirements that, if adopted, would have had any material effect on the reported performance, financial position or disclosures of the Company. Consequently, no mandatory New Accounting Requirements are listed.

Non-mandatory New Accounting Requirements not yet adopted

The Company has not early adopted any New Accounting Requirements that are not mandatory except for IFRS 9, which was adopted for the year ended 31 July 2014 and has continued to be applied subsequently. All other non-mandatory New Accounting Requirements are either not yet permitted to be adopted, or would have no material effect on the reported performance, financial position or disclosures of the Company and consequently have neither been adopted nor listed.

c) Basis of measurement

These financial statements have been prepared on a historical cost basis except for the revaluation of financial instruments classified or designated at fair value through profit or loss. The methods used to measure fair value are further disclosed in Note 4.

d) Functional and presentational currency

These financial statements are presented in euro (rounded to the nearest whole euro), which is the Company's functional and presentational currency. In the Directors' opinion, the euro is the Company's functional currency as the Company has issued its share capital denominated in euro and the Company partially hedges the projected cash flows from its US dollar investments such that its principal exposure is to the euro.

e) Use of estimates and judgements

The preparation of financial statements in accordance with IFRS requires the Board to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities and income and expense. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on a semi-annual basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following:

- Note 4 – Determination of fair values; and
- Note 19 – Financial risk management.

2. BASIS OF PREPARATION

f) Presentation of assets and liabilities in the Unaudited Condensed Statement of Financial Position

Assets and liabilities are presented in order of increasing liquidity.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied by the Company in these unaudited condensed interim financial statements are the same as those applied by the Company in its audited financial statements for the year ended 31 July 2017 and have been applied consistently to all periods presented in these financial statements.

4. DETERMINATION OF FAIR VALUES

A number of the Company's accounting policies and disclosures require the determination of fair values for financial assets which have been determined based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in Note 19.

All CLO Debt securities are valued using prices obtained from an independent pricing source, Pricing Direct. This valuation methodology has been adopted for valuing Volta's CLO Debt securities in the Estimated NAVs and financial reports from February 2016 to date. The prices obtained from Pricing Direct are derived from observed traded prices where these are available, but may be based upon non-binding quoted prices received by Pricing Direct from arranging banks or other market participants, or a combination thereof, where observed traded prices are unavailable. The valuation methodology applied to the Company's financial assets other than CLO Debt, fund investments (see below), CLO Warehouse and CMV is as follows: where non-binding quoted market prices are available from a third party such as the arranging bank or other market participants, financial assets are valued monthly on the basis of such market prices; where such market prices are not available, financial assets are valued monthly on a mark-to-model basis. The majority of the Company's portfolio (excluding its CLO Debt securities) is valued on the basis of non-binding quoted prices received on a monthly basis from the arranging bank or other market participants. Fund investments are valued using the NAV provided by the underlying fund administrator.

Regarding non-binding quoted prices, it is likely that the arranging bank or market participant determines the valuation based on pricing models, which may or may not produce values that correspond to the prices that the Company could obtain if it sought to liquidate such positions. Such valuations generally involve subjective judgements on key model inputs, particularly default and recovery rates, and may not be uniform. Banks and other market participants may be unwilling to disclose all or any of the key model inputs or discount rates that have been used to produce such valuations and it is currently standard market practice to withhold such information. In such circumstances, the valuation continues to be sourced from such arranging bank, or other market participant, despite the lack of information on valuation assumptions.

The Investment Manager reviews the market prices received from third parties for reasonableness against its own valuation models and may adjust the prices where such prices are not considered to represent a reliable estimation of fair value. The Investment Manager's fair value calculations for the residual and debt tranche investments in securitisation vehicles are sensitive to the following key model inputs: default rates; recovery rates; and prepayment rates. Their initial model assumptions are reviewed on a regular basis with reference to both current and projected data. In the case of a material change in the actual key model inputs, the model assumptions will be adjusted accordingly. The discount rate used by the Investment Manager when reviewing the fair value of the Company's portfolio is subject to similar review and adjustment in light of actual experience.

For certain investments targeted by the Company, the secondary trading market may be illiquid or may sometimes become illiquid. As a result, at such times there may be no regularly reported market prices for these investments. In addition, there may not be an agreed industry standard methodology for valuing the investments (e.g. in the case of residual income positions of asset-backed securitisations). In the absence of an active market for an investment and where a financial asset does not involve an arranging bank, or another market participant that is willing to provide valuations on a monthly basis, or if an arranging bank is unwilling to provide valuations, a mark-to-model approach has been adopted by the Investment Manager to determine the valuation. Such pricing models generally involve a number of valuation assumptions, many of which are based on subjective judgements. Key model inputs include (but are not limited to): asset spreads; expected defaults; expected recovery rates; and the price of uncertainty or liquidity through the interest rate at which expected cash flows are discounted. These inputs are derived by reference to a variety of market sources. The method of valuation depends on the nature of the asset.

An independent third party has been engaged by the Board to review the valuations and/or valuation assumptions for CLO Debt and CLO Equity tranches, which in aggregate represent a majority of the Company's investment portfolio as at 31 January 2018 (63.5% of the Company's GAV) (31 July 2017: 64.8%), and have concluded that they were fair and reasonable.

Volta's policy is to publish its Estimated NAV on a timely basis in order to provide Shareholders with appropriately up-to-date NAV information. However, the underlying NAVs as at the relevant month-end date for the fund investments held by Volta are normally available only after Volta's Estimated NAV has already been published. Consequently, such investments in funds are valued using the most recently available NAV for each fund.

4. DETERMINATION OF FAIR VALUES (CONTINUED)

As at the date of publication of its Estimated NAV as at 31 January 2018, approximately 12.4% of Volta's Estimated NAV comprised investments for which the relevant NAVs as at the month-end date were not yet available, being as at 31 December 2017 for 9.3% of Volta's Estimated NAV and as at 30 September 2017 for 3.1% of Volta's Estimated NAV. Subsequent to the Estimated NAV publication date, up-to-date NAV information was received for all such investments except for Crescent European Specialty Lending Fund and the CMV, representing 1.2% and 1.7% of Volta's NAV respectively, for which NAVs are available only as at each calendar quarter end date, with the latest available NAVs for these investments being as at 30 September 2017 as at the date of approval of these financial statements. Such investments are valued in the Unaudited Condensed Statement of Financial Position using the relevant up-to-date NAV for each investment.

In accordance with Volta's valuation policy, the Company's GAV and NAV as at 31 January 2018 were calculated using prices received from Pricing Direct or from arranging banks or other market participants for all assets except for those assets noted below:

Asset	**% of NAV as at 31 January 2018**	% of NAV as at 31 July 2017	Valuation methodology
SCC BBS – BBS 2013-1*, BBS 2015-1*, BBS 2015-3*, BBS 2015-4*, BBS 2016-1*, BBS 2017-1*, BBS 2017-2*, BBS 2017-3*, BBS 2017-4*	**12.1%**	8.6%	Discounted projected cash flow model-based valuation using discount rates within a range of 8% to 12% (2017: 5% to 12%), constant default rates within a range of 0.3% to 4.1% (2017: 0.5% to 1.4%), prepayment rates within a range of 0% to 15% (2017: 0% to 10%) and recovery rates within a range of 33% to 64% (2017: 50% to 64%).
Investments in funds – Bank Deleveraging Opportunity Fund, St Bernard Opportunity Fund, Tennenbaum Opportunities Fund V, Bank Capital Opportunity Fund and Crescent European Specialty Lending Fund	**10.5%**	11.9%	Valued using the NAV provided by the underlying fund administrators.
ABS Residual – SANCF* and Fintake European Leasing DAC*	**2.6%**	2.1%	Discounted projected cash flow model-based valuation using a discount rate of 11% (2017: 11%) for SANCF and 9% for Fintake European Leasing DAC.
CMV	**1.7%**	1.0%	Valued using the NAV provided by the underlying fund administrator.
Recently purchased assets	**1.1%**	3.7%	Being purchased within less than one month of the relevant reporting date, these assets were valued at cost.
European CLO Warehouse transaction	—	4.9%	Warehouse transactions are valued at the lower of: (i) the principal amount invested plus accrued income net of financing costs; and (ii) the mark-to-market value of the relevant proportion of the underlying portfolio, taking into account the probability of the success or failure of the CLO issuance, plus accrued income net of financing costs. No Warehouse transactions were held as at 31 January 2018.
Total as a percentage of NAV	**28.0%**	32.2%	

* The investments in SANCF, Fintake European Leasing DAC, BBS 2013-1, BBS 2015-1, BBS 2015-3, BBS 2015-4, BBS 2016-1, BBS 2017-1, BBS 2017-2, BBS 2017-3 and BBS 2017-4 are valued at the lower of the result from the discounted projected cash flow and par value plus accrued interest.

5. PUBLISHED ESTIMATED NAV RECONCILIATION AND NAV PERFORMANCE ANALYSIS

The key measure used by the Board to assess the Company's performance is the monthly Estimated NAV, which is prepared on a monthly basis together with the GAV by Sanne Group (Guernsey) Limited ("Sanne"). The published Estimated NAV includes: all of the assets in the Company's portfolio revalued to the month-end fair value, as adjusted for any amounts due to/from brokers; all of the Company's cash except for the balances that are held on the Company's accounts at Royal Bank of Scotland International ("RBSI"), which are maintained in order to facilitate the efficient payment of the Company's operating expenses and which are normally very small balances; all open derivative positions revalued to the month-end fair value, net of any margin amounts paid or received; a deduction for the liability due under the Repo, including accrued interest thereon; and an estimate of the amount payable as at the month end to the Investment Manager with respect to Management Fees and, if applicable, Performance Fees, but excludes the Company's other liabilities. The published GAV includes all of the foregoing except for the deductions for the liability due under the Repo and any accrued interest thereon and also excludes the deduction for the liability due to the Investment Manager. The Estimated NAV and the GAV are published monthly by the Company. The table below shows a reconciliation between the Estimated NAV used by the Board and published as at 31 January 2018 and that contained in these financial statements.

	31 January 2018 €	31 July 2017 €
Published Estimated NAV	303,050,252	305,126,814
Adjustments:		
– Cash balances held at RBSI	187,595	215,319
– Prepayments of operating expenses	29,869	10,781
– Accruals for expenses not taken into account in the published Estimated NAV	(296,768)	(293,817)
– Amendments to valuations used in the published Estimated NAV	(386,589)	316,062
– Adjustments to valuations of investments to use the up-to-date underlying NAVs	17,634	129,419
NAV per Unaudited Condensed Statement of Financial Position	302,601,993	305,504,578

On a monthly basis, in addition to the published Estimated NAV, the Investment Manager now publishes an initial estimate of Volta's Estimated NAV (the "Early Estimated NAV") on or around eight days following the relevant month-end date. The first such Early Estimated NAV was published in March 2017 with respect to the February 2017 Estimated NAV. The Early Estimated NAV is published for information purposes only in order to provide investors with more timely information.

The following table represents an analysis of NAV performance for the following periods:

		For the period from 1 August 2017 to 31 January 2018 €		For the year ended 31 July 2017 €
NAV as at the beginning of the period		**305,504,578**		289,280,097
Coupons and dividends income	**17,806,907**		33,170,689	
Net gains on sales of financial assets at fair value through profit and loss	**219,440**		3,079,254	
Unrealised movement in fair value of financial assets at fair value through profit and loss	**(10,781,954)**		4,650,034	
Net gain on financial assets at fair value through profit and loss		**7,244,393**		40,899,977
Other operating income and financing charges		**4,005,727**		4,769,801
Operating expenditure		**(2,896,351)**		(6,934,690)
Profit and total comprehensive income		**8,353,769**		38,735,088
Issue of Ordinary Shares to Directors in respect of Directors' fees		**75,368**		145,613
Dividends paid in cash		**(11,331,722)**		(22,656,220)
NAV as at the end of the period		**302,601,993**		305,504,578

5. PUBLISHED ESTIMATED NAV RECONCILIATION AND NAV PERFORMANCE ANALYSIS (CONTINUED)

The following table represents the net gain on financial assets at fair value through profit and loss by asset class for the period 1 August 2017 to 31 January 2018:

	Net gains/(losses) on sales and redemptions	**Unrealised movement in fair value**	**Coupons and dividends**	**Net gain on financial assets at fair value through profit and loss**
	€	**€**	**€**	**€**
CLO – USD Equity	**(233,666)**	**(3,845,304)**	**3,658,183**	**(420,787)**
CLO – EUR Equity	**—**	**(1,921,775)**	**4,161,267**	**2,239,492**
CLO – USD Debt	**700,563**	**(2,521,746)**	**4,773,966**	**2,952,783**
CLO – EUR Debt	**(37,422)**	**29,050**	**282,201**	**273,829**
CLO – CMV	**—**	**(264,957)**	**220,727**	**(44,230)**
CLO Warehouse	**(9,000)**	**—**	**847,749**	**838,749**
SCC BBS	**(180,326)**	**(1,929,607)**	**2,826,009**	**716,076**
CCC Equity	**(20,709)**	**2,677**	**230,569**	**212,537**
ABS Residual	**—**	**(204,615)**	**687,770**	**483,155**
ABS Debt	**—**	**(125,677)**	**118,466**	**(7,211)**
	219,440	**(10,781,954)**	**17,806,907**	**7,244,393**

The following table represents the net gain on financial assets at fair value through profit and loss by asset class for the period 1 August 2016 to 31 January 2017:

	Net gains/(losses) on sales and redemptions	Unrealised movement in fair value	Coupons and dividends	Net gain on financial assets at fair value through profit and loss
	€	€	€	€
CLO – USD Equity	—	1,986,902	4,266,466	6,253,368
CLO – EUR Equity	(98,800)	2,260,880	3,027,200	5,189,280
CLO – USD Debt	1,408,032	15,046,542	4,925,163	21,379,737
CLO – EUR Debt	1,402,899	1,760,100	804,220	3,967,219
CLO Warehouse	—	—	552,023	552,023
SCC BBS	—	57,285	2,199,104	2,256,389
CCC Equity	—	1,127,041	284,788	1,411,829
CCC Debt	444,995	—	38,398	483,393
ABS Residual	(1,061,506)	3,653	813,686	(244,167)
ABS Debt	172,042	516,406	80,600	769,048
	2,267,662	22,758,809	16,991,648	42,018,119

6. OPERATING SEGMENTS

The Board has considered the requirements of IFRS 8 – “Operating Segments”. The Board is responsible for the determination of the Company’s investment objectives and investment guidelines and has overall responsibility for overseeing the Company’s activities, including oversight of the activities of the Investment Manager. In addition, the Board is fully responsible for the appointment and/or removal of the Investment Manager. Accordingly, the Board is deemed to be the “Chief Operating Decision Maker” of the Company. In the Board’s opinion, the Company is engaged in a single segment of business, being investment in a diversified portfolio of structured finance assets.

The Company is domiciled in Guernsey. However, none of the Company’s investments are domiciled in Guernsey.

The Company does not hold any non-current assets.

The Company did not hold any investments that individually represented more than 10% of the Company’s income.

7. DIRECTORS' REMUNERATION AND EXPENSES

	1 August 2017 to 31 January 2018 €	1 August 2016 to 31 January 2017 €
Directors' fees (cash element)	**175,525**	133,000
Directors' fees (equity element, settled during the period)	**37,613**	30,000
Directors' fees (equity element, settled after the period end)	**37,613**	27,000
Directors' expenses	**3,918**	4,513
	254,669	194,513

8. COMPANY SECRETARIAL, ADMINISTRATION, ACCOUNTANCY AND PORTFOLIO ADMINISTRATION FEES

Sanne acts as Company Secretary, Administrator and Portfolio Administrator. Company secretarial, administration, accountancy and portfolio administration fees are incurred and billed on a time cost basis in accordance with Sanne's standard fee scales, subject to an annual cap of GBP 220,000 (2017: GBP 220,000) with respect to the activities and responsibilities as set out in the Administration, Secretarial and Portfolio Administration Agreement. Additional administration fees totalling €35,160 (2017: €11,946) were incurred with respect to matters outside the scope of the Administration, Secretarial and Portfolio Administration Agreement during the current period.

9. DIVIDENDS

The following dividends have been declared and/or paid during the semi-annual period ended 31 January 2018 and during prior periods:

	Dividend per share €
Dividend paid on 21 December 2017	0.16
Dividend paid on 28 September 2017	0.15
Dividend paid on 29 June 2017	0.16
Dividend paid on 30 March 2017	0.15
Dividend paid on 22 December 2016	0.16
Dividend paid on 27 September 2016	0.15

The Directors consider recommendation of a dividend having regard to various considerations, including the financial position of the Company and the solvency test as required by the Companies (Guernsey) Law 2008 (as amended). Subject to compliance with Section 304 of that law, the Board may at any time declare and pay dividends.

10. EARNINGS PER SHARE ("EPS")

The calculation of the basic and diluted EPS is based on the following information:

	1 August 2017 to 31 January 2018 €	1 August 2016 to 31 January 2017 €
Profit for the purposes of basic EPS, being net profit attributable to equity holders	**8,353,769**	32,839,974

	Number	Number
Weighted average number of Ordinary Shares for the purposes of basic EPS	**36,555,199**	36,537,551
Dilutive effect of Ordinary Shares subject to warrants	**—**	—
Weighted average number of Ordinary Shares for the purposes of diluted earnings per share	**36,555,199**	36,537,551

The average market price, based on closing prices quoted on Euronext Amsterdam, for one Ordinary Share during the semi-annual period ended 31 January 2018 was €7.28 (€7.12 during the semi-annual period ended 31 January 2017).

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial instruments at fair value through profit or loss are measured at fair value and changes therein are recognised in profit or loss.

	Six months ended 31 January 2018 €	Six months ended 31 July 2017 €	Six months ended 31 January 2017 €
Fair value brought forward	**321,283,914**	315,078,207	324,141,161
Purchases	**56,628,381**	75,928,904	35,445,774
Sale and redemption proceeds	**(64,310,580)**	(52,426,014)	(69,535,199)
Net realised and unrealised movement in fair value, including accrued income and dividends receivable that are included in the investment fair values	**(10,562,514)**	(17,297,183)	25,026,471
Fair value carried forward	**303,039,201**	321,283,914	315,078,207

	Six months ended 31 January 2018 €	Six months ended 31 January 2017 €
Realised gains on sales of financial assets	**749,441**	3,428,689
Realised losses on sales of financial assets	**(530,001)**	(1,161,027)
Unrealised gains in fair value of financial assets	**1,042,634**	29,549,381
Unrealised losses in fair value of financial assets	**(11,824,588)**	(6,790,572)
Net realised and unrealised movement in fair value of investments	**(10,562,514)**	25,026,471

Investments subject to restrictions due to being pledged as security under the repurchase agreement, as further detailed in Note 12 below.

	31 January 2018 €	31 July 2017 €
Pledged assets	**72,339,224**	68,742,489
Unpledged assets	**230,699,977**	252,541,425
Fair value carried forward	**303,039,201**	321,283,914

12. LOAN FINANCING RECEIVED UNDER REPURCHASE AGREEMENT

	31 January 2018 €	31 July 2017 €
Loan financing received under repurchase agreement ("Repo")	**40,270,000**	38,101,500

The Company has entered into a Repo under the terms of which the counterparty Société Générale ("SG") provided the Company with finance through the purchase of a portfolio of USD CLO Debt securities which are subject to repurchase each quarter. Interest is payable on amounts drawn under the Repo at the relevant three-month USD Libor rate plus a margin of 1.50%. The Company initially drew down $30.0 million on 16 March 2015 and subsequently drew down a further $15.0 million on 18 September 2015 and a further $5.0 million on 15 December 2017. The proceeds from the Repo were principally used to purchase further USD CLO Debt securities.

As at 31 January 2018, the collateral provided by the Company under the Repo comprised USD CLO Debt securities with an aggregate market value of €72.3 million ($89.8 million). As at 31 July 2017, the collateral comprised USD CLO Debt securities with an aggregate market value of €68.7 million ($81.2 million).

The scheduled final repurchase date is 15 December 2022. However, on any business day, either the Company or SG may give notice to terminate the Repo. In such event, the collateral shall be repurchased in the following tranches: one-third after six calendar months; one-third after nine calendar months; and the final third after twelve calendar months. The Company may, at any time, submit a request to SG to substitute any pledged securities with other securities, provided that (i) such proposed securities are acceptable by SG in its sole discretion and (ii) the parties agree on the relevant base individual haircut applicable to such proposed securities.

Interest incurred under the Repo during the financial period totalled €595,094 (period ended 31 January 2017: €540,416) and accrued unpaid interest under the Repo as at 31 January 2018 was €157,099 (as at 31 July 2017: €143,405).

13. DERIVATIVES

Foreign exchange swaps and options are held to hedge some of the currency exposure generated by US dollar assets held by the Company (see Note 19). The hedge has been structured taking into account the fact that derivative positions, such as simple foreign exchange swaps, could cause the Company to require cash to fund margin calls on those positions. Considering this, the Company decided to use foreign exchange call and put options to limit the liquidity risk that could be created in the event of significant margin calls. As a consequence of this limitation, there is no certainty that hedging some of the currency exposure generated by US dollar assets could continue to be performed in the future in case of high volatility in the US dollar/euro cross rate. Foreign exchange derivatives are entered into with Citibank, Merrill Lynch and Crédit Agricole, with a margin requirement being applicable upon revaluation of such transactions. The balance on the margin account is included within the total value of the foreign exchange derivative transactions open as at the period end as presented in the Unaudited Condensed Statement of Financial Position.

During the period, the Investment Manager utilised interest rate derivative positions on US Treasury Notes with Goldman Sachs in order to hedge against US interest rate movements, with a margin requirement being applicable upon revaluation of such transactions.

As at 31 January 2018, there were four (31 July 2017: eight) forward foreign exchange positions, sixteen (31 July 2017: sixteen) foreign exchange option positions, and three (31 July 2017: two) interest rate derivative positions open.

	31 January 2018 €	31 July 2017 €
Revaluation of foreign exchange forward and option positions:		
– Citibank	—	(367,965)
– Merrill Lynch	**1,475,668**	171,130
– Crédit Agricole	**3,437,974**	5,190,681
Net margin amount as at the period end:		
– Citibank	—	250,000
– Merrill Lynch	**(1,190,000)**	—
– Crédit Agricole	**(3,600,000)**	(4,800,000)
Net carrying value of foreign exchange derivative positions	**123,642**	443,846
Unrealised (loss) gain on interest rate derivative positions:		
– Goldman Sachs	**(937,535)**	55,565
Net margin amount as at the period end:		
– Goldman Sachs	**1,345,410**	198,127
Net carrying value of interest rate derivative positions	**407,875**	253,692
Net carrying value of derivative positions	**531,517**	697,538

14. TRADE AND OTHER RECEIVABLES

	31 January 2018 **€**	31 July 2017 €
Prepayments and other receivables	**35,890**	102,287
Interest receivable	**330,107**	180,333
Amounts receivable on sales, redemptions and distributions	**1,621,905**	—
	1,987,902	282,620

15. TRADE AND OTHER PAYABLES

	31 January 2018 **€**	31 July 2017 €
Investment Management Fees	**2,125,948**	2,127,638
Investment Manager Performance Fees	—	1,528,163
Directors' fees (cash payable)	**87,619**	88,097
Directors' fees (shares payable)	**37,756**	37,756
Amounts due to brokers	**3,381,285**	11,470,884
Accrued expenses and other payables	**239,137**	349,192
	5,871,745	15,601,730

16. SHARE CAPITAL

Authorised

	31 January 2018 **Number of Shares**	31 July 2017 Number of Shares
Ordinary Shares of no par value each	**Unlimited**	Unlimited
Class B convertible Ordinary Share of no par value	**1**	1
Class C non-voting convertible Ordinary Shares of no par value each	**Unlimited**	Unlimited

With respect to voting rights at general meetings of the Company, the Ordinary Shares and Class B share confer on the holder of such shares the right to one vote for each share held, while the holders of Class C shares do not have the right to vote. Each class of share ranks pari passu with each other with respect to participation in the profits and losses of the Company.

The Class B share is identical in all respects to the Company's Ordinary Shares, except that it entitles the holder of the Class B share (an affiliate of AXA S.A.) to elect a single Director to the Company's Board of Directors. At such time as the holdings of the AXA Group investors decline to less than 5% of the Company's equity capitalisation (with the Class B share and the other issued and outstanding Ordinary Shares and Class C shares taken together), the Class B share shall be converted to an Ordinary Share.

There are no Class C shares currently in issue, with the final remaining Class C shares having been converted into Ordinary Shares on 3 May 2016, and there is currently no mechanism by which any Class C shares can be issued in the future.

16. SHARE CAPITAL (CONTINUED)

Issued and fully paid

	Number of Ordinary Shares in issue	Number of Class B shares in issue	Number of Class C shares in issue	Total number of shares in issue	Warrants: potential number of shares
Balance at 31 July 2016	36,528,548	1	—	36,528,549	3,000,000
Issued to Directors during the period	11,773	—	—	11,773	—
Expiration of warrants	—	—	—	—	(3,000,000)
Balance at 31 January 2017	36,540,321	1	—	36,540,322	—
Issued to Directors during the period	8,145	—	—	8,145	—
Balance at 31 July 2017	36,548,466	1	—	36,548,467	—
Issued to Directors during the period	**9,052**	**—**	**—**	**9,052**	**—**
Balance at 31 January 2018	**36,557,518**	**1**	**—**	**36,557,519**	**—**

As at 31 January 2018, an aggregate amount of 179,164 (31 July 2017: 170,560) Ordinary Shares had been issued to the current Directors on a quarterly basis in respect of 30% of their fees. A total of 9,052 Ordinary Shares were issued to Directors during the period, which includes 8,604 shares issued to the current directors and 448 shares issued to a former director who resigned during the previous financial year ended 31 July 2017. Shares were issued to the Directors in respect of their fees during the period at an Estimated NAV of €8.37 and €8.28 per share. The warrants expired at nil value on 31 December 2016.

As at 31 January 2018 and 31 July 2017, the Company held no treasury shares.

17. SHARE PREMIUM ACCOUNT

	Ordinary Shares €	Class B share €	Class C shares €	Total €
Balance at 31 July 2016	33,989,102	—	—	33,989,102
Issued to Directors during the period	81,000	—	—	81,000
Conversion of Class C Shares to Ordinary Shares	1,410,000	—	—	1,410,000
Balance at 31 January 2017	35,480,102	—	—	35,480,102
Issued to Directors during the period	64,613	—	—	64,613
Balance at 31 July 2017	35,544,715	—	—	35,544,715
Issued to Directors during the period	**75,368**	—	—	**75,368**
Balance at 31 January 2018	**35,620,083**	—	—	**35,620,083**

The share premium account represents the issue proceeds received from, or value attributed to, the issue of share capital, except for the share premium amount of €285,001,174 arising from the Company's initial issue of share capital upon its IPO, which was transferred to other distributable reserves on 26 January 2007, following approval by the Royal Court of Guernsey (see Note 18).

The reserve balance standing to the credit of the warrants account was transferred to the share premium account upon expiry of the warrants at nil value on 31 December 2016.

18. RESERVES

	Accumulated gain €	Other distributable reserves €
At 31 July 2016	107,628,039	146,252,956
Total comprehensive income for the period	32,839,974	—
Dividends paid in cash	—	(11,326,859)
At 31 January 2017	140,468,013	134,926,097
At 31 July 2017	146,363,127	123,596,736
Total comprehensive income for the period	**8,365,213**	—
Dividends paid in cash	—	**(11,331,722)**
At 31 January 2018	**154,728,340**	**112,265,014**

The accumulated gain reserve represents all profits and losses recognised through the Unaudited Condensed Statement of Comprehensive Income to date.

Other distributable reserves represent the balance transferred from the share premium account on 26 January 2007, less dividends paid. The initial purpose of this reserve was to create a reserve from which dividend payments could be paid under the law prevailing at that time and the Company's Articles. However, the Companies (Guernsey) Law 2008 (as amended) became effective from 1 July 2008. Under this law, dividends may now be paid from any source, provided that a company satisfies the relevant solvency test as prescribed under the law and the Directors make the appropriate solvency declaration.

19. FINANCIAL RISK MANAGEMENT

The Board of Directors has established a Risk Committee to which it has delegated its responsibilities for reviewing and monitoring the effectiveness of the Company's risk management and internal control procedures pertaining to the investment portfolio. Nevertheless, the Board retains overall responsibility for the Risk Committee's activities and for the establishment and oversight of the Company's risk management framework. The Risk Committee's responsibilities and activities are described in the Risk Committee Report in the annual report and accounts 2017.

Market risk

Market risk is the risk of changes in market prices, such as foreign exchange rates, interest rates, credit spreads and equity prices, affecting the Company's income and/or the value of its holdings in financial instruments.

The Company's exposure to market risk is reflected through movements in the value of its investments.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimising return. The Company's strategy for the management of market risk is driven by its investment objective to preserve capital across the credit cycle and to provide a stable stream of income to its Shareholders through dividends by investing in a variety of assets selected for the purpose of generating overall stable and predictable cash flows. The Company's exposure to market risk is managed on a daily basis by the Investment Manager.

The Company seeks to mitigate market risk by pursuing where possible a diversified investment strategy involving direct and indirect investments in a number of asset types that naturally tend to involve a diversification of underlying market risk. The Company uses derivatives to manage its exposure to foreign currency risks and may also use derivatives from time to time to manage its exposure to interest rate and credit risks. The instruments used include interest rate swaps, forward contracts, futures and options. The Company does not apply hedge accounting. The Company's market positions are reviewed on a quarterly basis by the Board of Directors.

19. FINANCIAL RISK MANAGEMENT (CONTINUED)

Fair value estimation

The Company classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities. Investments, whose values are based on quoted market prices in active markets and are therefore classified within Level 1, include active listed equities. The quoted price for these instruments is not adjusted;
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within Level 2. As Level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information; and
- Level 3 – inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability. The determination of what constitutes "observable" requires significant judgement by the Company. The Company considers observable data to be market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary and provided by independent sources that are actively involved in the relevant market.

The following tables analyse, within the fair value hierarchy, the Company's financial assets and liabilities (by class, excluding cash and cash equivalents, trade and other receivables and trade and other payables) measured at fair value at 31 January 2018 and 31 July 2017:

	31 January 2018			
	Level 1	**Level 2**	**Level 3**	**Total**
	€	**€**	**€**	**€**
Financial assets at fair value through profit or loss: – Securities	**—**	**—**	**303,039,201**	**303,039,201**
Financial assets at fair value through profit or loss: – Derivatives	**407,875**	**123,642**	**—**	**531,517**
	407,875	**123,642**	**303,039,201**	**303,570,718**

	31 July 2017			
	Level 1	Level 2	Level 3	Total
	€	€	€	€
Financial assets at fair value through profit or loss: – Securities	—	—	321,283,914	321,283,914
Financial assets at fair value through profit or loss: – Derivatives	253,692	443,846	—	697,538
	253,692	443,846	321,283,914	321,981,452

All of the Company's investments are classified within Level 3 as they have significant unobservable inputs and they may trade infrequently. The Company has determined the fair values of its investments as described in Note 4. The sources of these fair values are not considered to be publicly available information. The Company's foreign exchange derivatives held as at the reporting date (open foreign exchange swaps and options positions) are classified within Level 2 as their prices are not publicly available but are derived from information that is publicly available. The Company's interest rate derivatives held as at the reporting date (open futures and options positions) are classified within Level 1 as their prices are publicly available.

19. FINANCIAL RISK MANAGEMENT (CONTINUED)

Fair value estimation (continued)

The following table represents the movement in Level 3 instruments for the period ended 31 January 2018:

	€
Fair value at 1 August 2017	**321,283,914**
Purchases	**56,628,381**
Sale and redemption proceeds	**(64,310,580)**
Net gains for the period on assets sold excluding interest and coupons received	**219,440**
Unrealised movement in fair value including accrued interest and coupons	**(10,781,954)**
Fair value at 31 January 2018	**303,039,201**

The following table represents the movement in Level 3 instruments for the year ended 31 July 2017:

	€
Fair value at 1 August 2016	324,141,161
Purchases	111,374,678
Sale and redemption proceeds	(121,961,213)
Net gains for the period on assets sold excluding interest and coupons received	3,079,254
Unrealised movement in fair value including accrued interest and coupons	4,650,034
Fair value at 31 July 2017	321,283,914

The appropriate fair value classification level is reviewed for each of the Company's investments at each period end. Any transfers into or out of a particular fair value classification level are recognised at the beginning of the period following such re-classification at the fair value as at the date of re-classification. There were no such transfers between fair value classification levels during the period or during the prior year. All of the unrealised movements in fair value disclosed in the tables above relate to investments held as at 31 January 2018 and 31 July 2017, respectively.

Sensitivity analysis

In the opinion of the Directors, the following analysis gives an approximation of the sensitivity of the different asset classes to market risk as at 31 January 2018 that is reasonable considering the current market environment and the nature of the main risks underlying the Company's assets. This sensitivity analysis presents an approximation of the potential effects of events that could have been reasonably expected to occur as at the reporting date. Where valuations were based upon prices received from arranging banks or other market participants, or on a NAV provided by the underlying fund administrator, the sensitivity analyses are not necessarily based upon the assumptions used by such sources as these are not made available to the Company, as explained in Note 4.

The sensitivity of the fair values of most of the assets held by the Company to the traditional risk variables is not the most relevant in the current environment. For example, the sensitivity to interest rates is interdependent with other, more significant, market variables. This analysis reflects the sensitivity to some of the most relevant determinants of the risks associated with each asset class. While every effort has been made to assess the pertinent risk factors, there is no assurance that all the risk factors have been considered. Other risk factors could become large determinants of the fair value.

CLO tranches

Two of the main risks associated with CLO tranches are the occurrence of defaults and prepayments in the underlying portfolio. The Directors believe it is reasonable to test the sensitivity of these assets to the following reasonably plausible changes to the base case scenarios, which have been derived from historically observed default rates and prepayment rates:

(i) The rate of occurrence of defaults at the underlying loan portfolio level. The base case scenario is to project defaults at circa 2.0% per year (base case scenario as at 31 July 2017: 2.8% per year). A reasonably plausible change in the default rate is considered to be an increase to 1.5 times the base case default rate (a decrease to 0.5 times the base case default rate would have approximately an equal and opposite impact, so this is not presented in the table below). For further information, the projected impact of a change in the default rate to 2.0 times the base case default rate is also presented in the table below.

(ii) The rate of occurrence of prepayments is measured by the constant prepayment rate ("CPR") at the underlying loan portfolio level. The base case scenario is to project a CPR at circa 30% per year for the US and circa 25% for Europe. The Directors consider that reasonably plausible changes in the CPR would be a decrease in the CPR of the underlying loan portfolios from 30% to 15% for the US and from 25% to 10% for Europe. The impact of the CPR is approximately linear, so the impact of an opposite test would be likely to result in an equal and opposite impact.

19. FINANCIAL RISK MANAGEMENT (CONTINUED)

Sensitivity analysis (continued)

As at 31 January 2018

		Impact of an increase in default rate to 1.5x historical average		**Impact of an increase in default rate to 2.0x historical average**		**Decrease in CPR from 30% to 15% for US and from 25% to 10% for Europe**	
Asset class	**% of GAV**	**Price impact**	**Impact on GAV**	**Price impact**	**Impact on GAV**	**Price impact**	**Impact on GAV**
USD/EUR CLO 1.0 Equity	**1.7%**	**(16.5%)**	**(0.3%)**	**(17.6%)**	**(0.3%)**	**(0.1%)**	**0.0%**
USD/EUR CLO 2.0 Equity	**20.6%**	**(21.5%)**	**(4.4%)**	**(37.1%)**	**(7.6%)**	**(5.8%)**	**(1.2%)**
USD/EUR CLO 2.0 Debt	**41.2%**	**(2.7%)**	**(1.1%)**	**(3.0%)**	**(1.2%)**	**0.0%**	**0.0%**
All CLO tranches	**63.5%**		**(5.8%)**		**(9.1%)**		**(1.2%)**

As at 31 July 2017

		Impact of an increase in default rate to 1.5x historical average		Impact of an increase in default rate to 2.0x historical average		Decrease in CPR from 30% to 15% for US and from 25% to 10% for Europe	
Asset class	% of GAV	Price impact	Impact on GAV	Price impact	Impact on GAV	Price impact	Impact on GAV
USD/EUR CLO 1.0 Equity	3.7%	(2.5%)	(0.1%)	(4.9%)	(0.2%)	1.7%	0.1%
USD/EUR CLO 2.0 Equity	19.7%	(14.8%)	(2.9%)	(28.4%)	(5.6%)	(6.2%)	(1.2%)
USD/EUR CLO 2.0 Debt	41.4%	0.4%	0.2%	0.4%	0.2%	0.4%	0.2%
All CLO tranches	64.8%		(2.8%)		(5.6%)		(0.9%)

As presented above, a reasonably plausible increase in the default rate in the underlying loan portfolios would be likely to have negligible impact on the debt tranches of CLO, but would be detrimental to equity tranches; a decrease in the CPR would negatively impact the debt tranches (as principal payment will occur later) and would positively impact equity tranches as shown above (in such an event excess cash flows to the equity tranches would last longer).

No useful sensitivity information can be derived for the CMV transaction at this stage.

Synthetic Corporate Credit Bank Balance Sheet transactions
The investments within this asset class (representing 15.0% of the GAV) are first-loss exposures to diversified portfolios of investment grade and sub-investment grade corporate credits. The Directors consider a reasonably plausible change in the default rate to be an increase or decrease to 1.5 times or 0.5 times the historical average default rate. Such an increase in defaults would be likely to lead to an 11.1% decrease in the average prices of these assets, thereby leading to a 1.7% decrease in the GAV. An equal and opposite decrease in defaults as referred to above would be likely to lead to a 11.1% increase in the average prices of these assets, thereby leading to a 1.7% increase in the GAV.

As at 31 January 2018

		Impact of an increase in default rate to 1.5x historical average		**Impact of a decrease in default rate to 0.5x historical average**	
Asset class	**% of GAV**	**Price impact**	**Impact on GAV**	**Price impact**	**Impact on GAV**
SCC – BBS	**15.0%**	**(11.1%)**	**(1.7%)**	**11.1%**	**1.7%**

As at 31 July 2017

		Impact of an increase in default rate to 1.5x historical average		Impact of a decrease in default rate to 0.5x historical average	
Asset class	% of GAV	Price impact	Impact on GAV	Price impact	Impact on GAV
SCC – BBS	13.0%	(12.6%)	(1.6%)	12.6%	1.6%

19. FINANCIAL RISK MANAGEMENT (CONTINUED)

Sensitivity analysis (continued)

Cash Corporate Credit Equity transactions
As at 31 January 2018, the Company held two investments in this asset class (Tennenbaum Opportunities Fund V and Crescent European Specialty Lending Fund, representing 1.4% and 1.0% of the GAV, respectively) (31 July 2017: Tennenbaum Opportunities Fund V and Crescent European Specialty Lending Fund, representing 1.4% and 1.1% of the GAV, respectively). These assets have exposures to diversified portfolios of investment grade and sub-investment grade corporate credits. The Directors consider that the main risks associated with these assets are the occurrence of defaults in the underlying portfolio and/or the severity of any such defaults.

Tennenbaum has a short remaining life, given that the fund is due to mature during October 2018. More than 50% of its current portfolio comprises unlisted equities while the remainder comprises corporate debt positions. A sensitivity analysis is difficult to model as most of the value may be derived from the exit price the Investment Manager may be able to achieve for the assets. As such, the value of this investment is dependent on default rates and discount rates applied to the corporate debt assets and revenue and EBITDA multiples applied to the equity assets. An increase in default or discount rates may decrease the value of the investment while an increase in revenue and EBITDA multiples may increase the value of the investment.

Crescent European Specialty Lending Fund is not yet fully drawn down and is consequently not yet fully invested as at 31 January 2018. Consequently, the Directors do not believe that it is feasible to test the sensitivity of the value of this investment.

ABS Residual positions
As at 31 January 2018, the Company held two investments in this asset class (Fintake European Leasing DAC and SANCF 2014-1 Class E, representing 1.4% and 0.9% of the GAV, respectively) (31 July 2017: Fintake European Leasing DAC and SANCF 2014-1 Class E, representing 1.0% and 0.8% of the GAV, respectively).

For Fintake European Leasing DAC, the main risk associated with this position is considered to be the level of credit losses in the underlying French leases collateral. No useful sensitivity can be derived yet as this position is still in the ramp-up phase (i.e. it is not yet fully invested).

For SANCF 2014-1 Class E, the main risk associated with this position is considered to be the rate of occurrence of prepayments in the underlying Spanish auto loans collateral. The Directors consider that an increase in the CPR at the underlying portfolio level from 10% to 20% is reasonably plausible and would be likely to decrease the price by 1.5% and decrease the GAV by an insignificant amount.

ABS Debt positions
As at 31 January 2018, the Company held one investment in this asset class (St Bernard Opportunity Fund) (31 July 2017: one, i.e. St Bernard Opportunity Fund) representing 2.2% of the GAV (31 July 2017: 2.2%).

St Bernard is a complex fund and it has not been feasible for the Company to determine a simple stress test that could be implemented. Nevertheless, for the period from the inception of this fund to 31 January 2018, the average annual volatility has been 5.0% for an annualised performance of 11.5% (the respective figures over the last twelve months were volatility of 1.2% for an annual performance of 7.3%). The Investment Manager believes that this gives a reasonable indication of the risk profile of this investment.

Valuation risk
The markets for many of the Company's investments, including residual income positions, are illiquid. Accordingly, many of the Company's investments are or will be illiquid. In periods of market uncertainty or distress, the markets for the Company's investments may become increasingly illiquid or even cease to function effectively for a period of time. In addition, investments that the Company may purchase in privately negotiated (also called "over-the-counter" or "OTC") transactions may not be registered under relevant securities laws or otherwise may not be freely tradable, rendering them less liquid than other investments. Tax or other attributes of securities or loans in which the Company invests may make them attractive to only a limited range of investors. There may also be contractual or other restrictions on transfers of the Company's investments. As a result of these and other factors, the Company's ability to vary its portfolio in a timely fashion and to receive a fair price in response to changes in economic and other conditions may be limited and the Company may be forced to hold investments for an indefinite period of time or until their maturity or early redemption.

Furthermore, where the Company acquires investments for which there is not a readily available market, the Company's ability to obtain reliable information about the resale value of such investments or the risks to which such investments are exposed may be limited. Illiquidity contributes to uncertainty about the values ascribed to investments when NAV determinations are made, which can cause those determinations to vary from amounts that could be realised if the Company were to seek to liquidate its investments. The Company could also face some difficulties when collecting reliable information about the value of its assets if some or all of the participants in the relevant market were to experience significant business difficulties or were to suspend their market activities. This could affect both the timing and the process for assessing the value of the Company's investments.

Although the Company and its agents are able to refer to reported OTC trading prices and prices from brokers when valuing its investments, for most investments the Company's pricing sources frequently need to rely on financial pricing models based on assumptions concerning a number of variables, some of which involve subjective judgements and may not be uniform.

19. FINANCIAL RISK MANAGEMENT (CONTINUED)

Valuation risk (continued)

If the Company were unable to collect reliable information about the value of its assets the Investment Manager has agreed to provide a monthly valuation based on pricing models. The Company engages an independent third party to review semi-annually the main assumptions employed by the Investment Manager and to report the fairness and reasonableness of those assumptions and valuations to the Portfolio Administrator and the Company.

Interest rate risk

Changes in interest rates can affect the Company's net interest income, which is the difference between the interest income earned on interest earning investments and the interest expense incurred on interest bearing liabilities. Changes in the level of interest rates can also affect, among other things, the Company's ability to acquire loans and investments, the value of its investments and the Company's ability to realise gains from the settlement of such assets.

The CLO Equity tranches held by the Company would be negatively impacted even by a modest increase in the USD Libor or Euribor rates as these assets currently benefit from the existence of Libor and Euribor floors attached to underlying loans. Conversely, any increase in such interest rates would benefit the Company's floating rate assets.

The Company may enter into hedging transactions for the purposes of efficient portfolio management, where appropriate, to protect its investment portfolio from interest rate fluctuations. These instruments may be used to hedge as much of the interest rate risk as the Investment Manager determines is in the best interests of the Company, given the cost of such hedges. The Company may bear a level of interest rate risk that could otherwise be hedged when the Investment Manager believes, based on all relevant facts, that bearing such risk is advisable. During the period, the Investment Manager used US interest rate derivative positions with Goldman Sachs to hedge against US interest rate movements.

Interest rate risk is analysed by the Investment Manager on a daily basis and is communicated to and monitored by the Board through the quarterly business report.

It should be noted that the Company does not present an effective interest figure for its investments held and therefore does not calculate the effective interest rates applicable to its investments. In the Directors' opinion, it is not feasible to accurately estimate the effective interest rates applicable to many of the Company's financial assets. In the Directors' opinion, market interest rate risk on the Company's investments is not considered to be material when compared to the risk factors that are considered to be significant, as described in the sensitivity analyses given earlier.

Currency risk

The Company's accounts are presented in euro, the Company's functional and reporting currency, while investments are made and realised in both euro and other currencies. Changes in rates of exchange may have an adverse effect on the reported value, price or income of the investments. A change in foreign currency exchange rates may adversely impact reported returns on the Company's non-euro denominated investments. The Company's principal non-euro currency exposures are currently expected to be the US dollar and Swiss francs, but this may change over time.

The Company's policy is to partially hedge its currency risk on an overall portfolio basis. The Company may bear a level of currency risk that could otherwise be hedged where the Investment Manager considers that bearing such risk is advisable or is in the best interest of the Company considering the liquidity risk that is attached to any derivative contracts that could be used (e.g. margin calls on those contracts). At the end of January 2018 the Investment Manager had put into place arrangements to hedge into euro part of the US dollar exposure associated with the US dollar-denominated assets. In order to reduce the risk of having to post a potentially unlimited amount of cash with respect to forward euro/US dollar foreign exchange swaps, the Investment Manager has capped and floored those amounts using short to mid-term options. Consequently, there is no guarantee that hedging the currency exposure generated by US dollar assets can continue to be performed in the future if volatility in the US dollar/euro cross rate is very high.

The exposures associated with the Swiss franc-denominated Synthetic Corporate Credit Bank Balance Sheet transactions are unhedged as at the end of January 2018 and at the end of July 2017 given the limited amount of exposure, representing 0.9% of GAV (2017: 2.2% of GAV).

Currency risk, and any associated liquidity risk, is analysed by the Investment Manager on a daily basis and is communicated to and monitored by the Board through the quarterly business report.

19. FINANCIAL RISK MANAGEMENT (CONTINUED)

Currency risk (continued)

Currency risk profile as at 31 January 2018	Denominated in EUR €	Denominated in USD €	Denominated in GBP €	Denominated in CHF €	Total €
Financial assets at fair value through profit or loss	**92,765,302**	**206,821,335**	**—**	**3,452,564**	**303,039,201**
Derivative contracts	**66,979,493**	**(66,447,976)**	**—**	**—**	**531,517**
Trade and other receivables	**1,775,574**	**195,136**	**17,192**	**—**	**1,987,902**
Cash and cash equivalents	**26,161,290**	**11,764,756**	**101,782**	**5,314,389**	**43,342,217**
Loan financing received under repurchase agreement	**—**	**(40,270,000)**	**—**	**—**	**(40,270,000)**
Interest payable on loan financing	**—**	**(157,099)**	**—**	**—**	**(157,099)**
Trade and other payables	**(2,316,938)**	**(3,381,284)**	**(168,681)**	**(4,842)**	**(5,871,745)**
	185,364,721	**108,524,868**	**(49,707)**	**8,762,111**	**302,601,993**

The following foreign exchange swaps and options were unsettled as at 31 January 2018:

Description of open positions	Nominal amount USD	Average strike price $/€
Forward foreign exchange contracts (USD sold forward vs. EUR)	**125,000,000**	**1.18**
Long position – USD calls vs. EUR	**68,500,000**	**1.05**
Short position – USD puts vs. EUR	**68,500,000**	**1.25**

	Valuation of foreign exchange derivative positions €
Aggregate revaluation gain	**4,913,642**
Margin accounts balance – amounts paid	**(4,790,000)**
Unsettled amount receivable	**123,642**

The impact of an appreciation or depreciation in foreign exchange rates on the NAV has been measured at the underlying portfolio level. The Directors consider a change in foreign exchange rates by 10% to be a reasonably plausible change.

Currency rate sensitivity as at 31 January 2018	Impact of an appreciation in foreign exchange rates by 10%		Impact of a depreciation in foreign exchange rates by 10%	
	Price impact on NAV	Percentage impact on NAV	Price impact on NAV	Percentage impact on NAV
CHF/EUR	**876,211**	**0.3%**	**(876,211)**	**(0.3%)**
USD/EUR	**10,568,357**	**3.5%**	**(10,413,639)**	**(3.4%)**

19. FINANCIAL RISK MANAGEMENT (CONTINUED)

Currency risk (continued)

Currency risk profile as at 31 July 2017	Denominated in EUR €	Denominated in USD €	Denominated in GBP €	Denominated in CHF €	Total €
Financial assets at fair value through profit or loss	112,078,738	201,353,696	—	7,851,480	321,283,914
Derivative contracts	64,986,940	(64,289,402)	—	—	697,538
Trade and other receivables	123,672	154,857	4,091	—	282,620
Cash and cash equivalents	29,341,162	6,952,465	96,272	697,242	37,087,141
Loan financing received under repurchase agreement	—	(38,101,500)	—	—	(38,101,500)
Interest payable on loan financing	—	(143,405)	—	—	(143,405)
Trade and other payables	(3,942,786)	(11,470,883)	(188,061)	—	(15,601,730)
	202,587,726	94,455,828	(87,698)	8,548,722	305,504,578

The following foreign exchange swaps and options were unsettled as at 31 July 2017:

Description of open positions	Nominal amount USD	Average strike price $/€
Forward foreign exchange contracts (USD sold forward vs. EUR)	115,000,000	1.11
Long position – USD calls vs. EUR	68,500,000	0.99
Short position – USD puts vs. EUR	68,500,000	1.18

	Valuation of foreign exchange derivative positions €
Aggregate revaluation gain	4,993,846
Margin accounts balance – amounts paid	(4,550,000)
Unsettled amount receivable	443,846

The impact of an appreciation or depreciation in foreign exchange rates on the NAV has been measured at the underlying portfolio level. The Directors consider a change in foreign exchange rates by 10% to be a reasonably plausible change.

Currency rate sensitivity as at 31 July 2017	Impact of an appreciation in foreign exchange rates by 10%		Impact of a depreciation in foreign exchange rates by 10%	
	Price impact on NAV	Percentage impact on NAV	Price impact on NAV	Percentage impact on NAV
CHF/EUR	854,872	0.3%	(854,872)	(0.3%)
USD/EUR	7,961,200	2.6%	(10,258,400)	(3.4%)

Credit risk and counterparty risk

Credit and counterparty risk is the risk of financial loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The carrying amounts of financial assets best represent the maximum credit risk exposure at the reporting date. At the reporting date, the Company's financial assets exposed to credit risk are financial assets at fair value through profit or loss, open foreign exchange contracts, interest rate derivatives and cash and cash equivalents. The Company is exposed to counterparty risk regarding the performance of Société Générale under the terms of the Repo. The aggregate value of the Company's securities pledged as security under the Repo which are therefore exposed to such counterparty risk is disclosed in Note 12.

19. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk and counterparty risk (continued)

The positions in the CLO asset class are residual or mezzanine debt tranches of CLOs, which may suffer losses depending upon the level of losses that occur in the underlying loan portfolio and the rate at which such losses might occur. Residual tranches are the first tranche in a CLO capital structure that would suffer losses, followed by mezzanine tranches according to their relative levels of seniority. However, being term leveraged structures at a fixed margin, it is possible for residual tranches to generate more excess payments through re-investments when markets are under stress for relatively short periods than under normal circumstances. A residual position on a CLO also gives access to the amount that remains in the structure once the debt tranches are paid back (at maturity if the normal process of deleveraging the structure takes place, sooner if the deal is called by the residual holders). It can be possible to measure the principal amount of the underlying loan portfolios (defaulted loans are valued at their market value) against the principal amount of the outstanding CLO Debt tranches at any point in time.

Most currently held CLO residual positions have been issued after 2010 with a higher cost of debt than the ones issued before the crisis. In addition to being negatively exposed to an increase in default rates, to an increase in the percentage of assets rated CCC or below and to a significant decrease in underlying loan prices, these positions are much more sensitive to any spread tightening that could occur in the underlying loan portfolios compared to residual positions of CLO issued before the financial crisis. Nonetheless, the spread tightening impact can also be mitigated through a refinancing or reset of the CLO liabilities at any point in time after the end of the CLO non-call period.

As at 31 January 2018, the Company held 40 positions in debt tranches of CLOs (31 July 2017: 36) accounting for 41.1% of Volta's end-of-period GAV (31 July 2017: 41.4%). The investments in debt tranches of CLOs have been in tranches initially rated between BB (second loss position) and BBB (generally third loss position). These positions, as for the residual holdings, have cash flows that are sensitive to the level of defaults and the percentage of assets rated CCC or lower in the underlying loan portfolio. Nevertheless, these tranches are structured to be able to absorb a higher level of defaults in the underlying loans portfolio than residual holdings, given their second, third and even higher loss ranking.

Each CLO Debt asset held by the Company, at the time of purchase, was expected to repay its principal in full at maturity and was expected to be able to sustain a certain level of stress. Depending on the ability to find opportunities in the market and on the timing of the purchases, the Company has been able to purchase assets with different levels of initial subordination and IRR.

As at the reporting date, the Company held no CLO Warehouse investments. However, subsequent to the reporting date, the Company committed USD 20m to a first-loss Warehouse position for a US CLO to be issued. The targeted return from this investment is in the mid-teens over four to six months. It is a five times leveraged exposure to the US leveraged loan asset class and, as such, is anticipated to benefit from the leveraged carry of the investment but is exposed to mark-to-market risk. Should the CLO market be shut down or the leveraged loan market experience a high level of volatility, some or all of the investment may be lost.

The Company is also exposed to a global Capitalised Manager Vehicle which is exposed to similar risks as CLO Equity and Warehouse exposures. The targeted return from the investment is in the mid to high-teens for a six to nine-year weighted average life. In addition to the first-loss Warehouse and CLO Equity risks defined above, it is also exposed to liquidity risk and to regulation risk given that a change in regulation in the US or in Europe could alter the business purpose of the entity and imply either a limited drawing of the Company's committed capital or even certain levels of restructuring costs. The potential impact on the Company from the recent US Ruling that managers of CLOs are not subject to credit risk retention rules under the Dodd-Frank Act is still fully to be determined but it is likely to return Volta, which can purchase only securities that are in compliance with EU regulations, to the position prevailing a few years ago. As it is capitalising a single entity, it is also incorporating correlation risks between the various sub-investments as well as a strong reliance on key people and processes inside each CLO manager's entity. The ABS positions comprise three different investments: a position in a fund mainly investing in US RMBS debt tranches (St Bernard Opportunity Fund), representing 49.3% of the fair value of this asset class and 2.2% of the GAV; a junior debt position in a Spanish auto loan securitisation (SANCF 2014-1 Class E), representing 19.3% of the fair value of this asset class and 0.9% of the GAV; and one French lease's ABS Residual position (Fintake European Leasing DAC), representing 31.4% of the fair value of this asset class and 1.4% of the GAV.

During the financial period, no particular events affected any of the Company's ABS positions.

The Cash Corporate Credit assets include two positions: one loan fund (Tennenbaum) and one private debt fund (Crescent). The Synthetic Corporate Credit bucket comprises first-loss positions in credit portfolios, representing 15.0% of the GAV. No particular events during the financial period affected the situation of these positions.

As previously stated, the Company is subject to credit risk with respect to its investments. The Company and its Investment Manager seek to mitigate credit risk by actively monitoring the Company's portfolio of investments and the underlying credit quality of its holdings. The Company's multi-asset-class investment strategy is designed to diversify credit risk by pursuing investments in assets that are expected to generate cash flows from underlying portfolios that have, in aggregate at the time of purchase, diverse characteristics such as low historical default rates and/or high expected recovery rates in the event of default and/or significant granularity.

As previously stated, the Company has entered into a repurchase agreement with Société Générale, which is over-collateralised as disclosed in Notes 11 and 12. Bankruptcy or insolvency by Société Générale may cause the Company's rights with respect to the assets subject to the repurchase agreement to be delayed or limited.

19. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk and counterparty risk (continued)

Substantially all of the cash held by the Company is held at State Street Bank and Trust Company in the name of State Street Custody Services (Guernsey) Limited ("State Street"). Bankruptcy or insolvency by State Street may cause the Company's rights with respect to the cash held there to be delayed or limited. In order to limit the Company's exposure to any single counterparty, the Board has requested that the Investment Manager should avoid holding cash balances in excess of 6% of GAV at State Street or in excess of 3% of GAV at any other single counterparty, other than on a short-term basis if necessary. Cash in excess of this level for any significant length of time is invested in short-term money market funds, short-term government treasury bills or other cash equivalents.

The Company may invest in forward foreign currency transactions, foreign currency options, total return swaps, credit default swaps and other derivatives with various financial institution counterparties for the purposes of hedging or securing investment exposure to portfolios of diverse underlying reference obligations. The Company is exposed to counterparty credit risk in respect of these transactions. The Investment Manager employs various techniques to limit actual counterparty credit risk, including the requirement for cash margin payments or receipts for foreign currency derivative transactions on a weekly basis, or more frequently during periods of high volatility. As at the financial period end, the Company's derivative counterparties were Crédit Agricole Corporate and Investment Bank ("Crédit Agricole"); Merrill Lynch International ("Merrill Lynch"); and Goldman Sachs International ("Goldman Sachs").

The Company monitors its counterparty risk by monitoring the credit ratings of Crédit Agricole, Merrill Lynch, Société Générale, State Street and Goldman Sachs, as reported by Standard & Poor's, Moody's or Fitch, and analyses any information that could imply deterioration in the financial position of its counterparties. The current long-term issuer credit ratings assigned to each of these counterparties are as follows:

	Credit ratings assigned by the ratings agencies as at the reporting date		
Counterparties	Moody's	Standard & Poor's	Fitch
Crédit Agricole	A1 (stable)	A (stable)	A+ (stable)
Merrill Lynch	—	A+ (stable)	A (stable)
Société Générale	A2 (stable)	A (stable)	A (stable)
State Street Bank	A1 (stable)	A (stable)	AA- (stable)
Goldman Sachs	A1 (stable)	A+ (stable)	A (stable)

The Company's investment guidelines establish criteria for certain investment exposures and synthetic arrangements entered into by the Company that are intended to limit the investment risk of the Company. Shareholders should, however, be prepared to bear the risks of direct and indirect investment in special purpose structured finance vehicles and arrangements, which often involve reliance on techniques intended to achieve bankruptcy remoteness and protection through security arrangements that may not function as intended in unexpected scenarios.

Risk relating to derivatives

The Company's transactions using derivative instruments and any credit default or total return swap arrangements or other synthetic investments entered into by the Company or any of its funding vehicles may involve certain additional risks, including counterparty credit risk. Moreover, as referred to in the preceding paragraph, the Company has established criteria for synthetic arrangements that are intended to limit its investment risk. Certain derivative transactions into which the Company may enter may be sophisticated and innovative and as a consequence may involve tax or other risks that may be misjudged.

Concentration risk

The Company may be exposed at any given time to any one corporate credit, counterparty, industry, region, country or asset class or to particular services or asset managers (in addition to the Investment Manager). As a result it may therefore be exposed to a degree of concentration risk. However, the Board considers that the Company is, in general, very diversified and that concentration risk is therefore not significant.

Nevertheless, the Company monitors the concentration of its portfolio and from time to time and, as long as market opportunities and liquidity permit, might rebalance its investment portfolio accordingly, although there can be no assurance that it will succeed. This is because in a stressed situation, which may be characterised by high volatility in the value of the Company's assets and/or significant changes in the market expectation of default rates and/or significant changes in the liquidity of its assets, the ability of the Company to mitigate its concentration risk could be significantly affected.

As the Company invests primarily in structured finance assets, it is exposed to concentration risks at two levels: direct concentration risk from the Company's positions in particular deals/transactions and indirect concentration risk arising from the exposures underlying those positions.

19. FINANCIAL RISK MANAGEMENT (CONTINUED)

Concentration risk (continued)

A measure of the direct exposure to certain asset types as at the reporting date is given below:

Main asset class	Detailed classification	As at 31 January 2018 % (based on GAV)	As at 31 July 2017 % (based on GAV)
CLO	USD CLO Equity	**10.5**	11.9
	EUR CLO Equity	**11.8**	11.5
	USD CLO Debt	**38.9**	38.0
	EUR CLO Debt	**2.3**	3.4
	CMV	**1.5**	1.0
	EUR CLO Warehouse	**0.0**	4.2
Synthetic Corporate Credit	Bank Balance Sheet transactions	**15.0**	13.0
Cash Corporate Credit	Cash Corporate Credit Equity	**2.4**	2.4
ABS	ABS Residual positions	**2.3**	1.8
	ABS Debt	**2.2**	2.2
Cash	(includes other liquid assets)	**13.1**	10.6

Indirect exposures to underlying concentrations can be complex and will vary by asset type and factors such as subordination. In general, the Company's investment portfolio is well diversified. The Company's principal concentration exposures are derived from its positions in CLO Equity tranches. Based on reports provided to the Investment Manager, the largest 20 underlying exposures aggregated across all the Company's CLO Equity tranches were as follows (exposures stated as the gross exposure of the underlying CLO collateral pool, i.e. before taking into account the effect of leverage due to the relative subordination of the CLO tranche held by the Company):

As at 31 January 2018

Issuer name	Industry group	Average exposure of CLO Equity tranches % of GAV
Altice Financing	Telecommunications	0.65%
TransDigm	Aerospace/defence	0.38%
Ziggo Secured Finance	Telecommunications	0.38%
Dell International	Computers	0.38%
Asurion	Insurance	0.31%
ION Media Networks	Media	0.31%
Calpine Corporation	Utilities	0.30%
First Data Corporation	Software	0.30%
Advantage Sales and Marketing	Advertising	0.28%
Springer Science & Business	Media	0.27%
Ineos Group / Styrolution Group	Chemicals	0.26%
CenturyLink	Telecommunications	0.26%
Travelport	Technology	0.25%
Allnex & Cy SCA (Monarch/Allnex)	Chemicals	0.25%
Albertson's	Consumer Staples	0.24%
HGIM	Industrial	0.24%
Texas Competitive Electric	Utilities	0.23%
BMC Software Finance	Software	0.22%
Change Healthcare Holdings	Healthcare	0.22%
USAGM	Services	0.22%

19. FINANCIAL RISK MANAGEMENT (CONTINUED)

Concentration risk (continued)

As at 31 July 2017

Issuer name	Industry group	Average exposure of CLO Equity tranches % of GAV
Altice Financing	Telecommunications	0.62%
Ineos Group	Chemicals	0.55%
Dell International	Computers	0.52%
Ziggo Secured Finance	Telecommunications	0.49%
TransDigm	Aerospace/defence	0.41%
Calpine	Utilities	0.39%
Allnex & Cy SCA (Monarch/Allnex)	Chemicals	0.37%
First Data Corporation	Software	0.33%
Asurion	Insurance	0.32%
ION Media Networks	Media	0.32%
Macdermid Inc.	Chemicals	0.31%
Advantage Sales & Marketing	Advertising	0.31%
Telenet Communications	Telecommunications	0.31%
Springer Science & Business	Media	0.28%
Valeant Pharmaceuticals	Pharmaceuticals	0.27%
Scientific Games	Entertainment	0.26%
Sabre Industries	Telecommunications	0.26%
Oberthur Technologies	Computers	0.26%
US Renal Care	Healthcare services	0.25%
Bass Pro Group	Retail	0.24%

Based on the current weighting of CLO Equity positions (22.3% of GAV) (31 July 2017: 23.4% of GAV), the default of one underlying loan representing 1% of all the CLO Equity underlying portfolios would cause a decline of approximately 0.78% (31 July 2017: 0.75%) of current GAV, which would occur upon liquidation of the relevant CLO Equity tranches (assuming a standard recovery rate of 65% (31 July 2017: 70%) and that CLO Equity positions represent, on average, a ten times leverage on the underlying loan portfolios). At the time of such default the impact on GAV would be mitigated by the fact that CLO Equity valuations take into account not only the liquidation value but also the ongoing payments from these positions. As a result, the Company has limited exposure to indirect concentration risk. Accumulation of defaults at the level of the underlying credit portfolios represents a greater risk to the Company.

Re-investment risk

Some of the Company's investments (e.g. ABS) may be particularly sensitive to the interest rate environment, with a general decline in prevailing rates of interest tending to promote faster rates of repayment of fixed-rate obligations. Unexpected accelerations in the rate of repayments can cause the value of such investments to decline and may leave the Company with excess cash to re-invest in a low interest rate environment. One virtue of having a multi-asset-class strategy is that the flexibility exists to reallocate among asset classes in such cases.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. Many of the assets in which the Company invests are illiquid. Changes in market sentiment may make significant portions of the Company's investment portfolio rapidly more illiquid, particularly with regard to types of assets for which there is not a broad well-established trading market or for which such a market is linked to a fewer number of market participants. Portfolio issuers and borrowers may experience changes in circumstance that adversely affect their liquidity, leading to interruptions in cash flows. The Company can seek to manage liquidity needs by borrowing but turns in market sentiment may make credit expensive or unavailable. Liquidity may also be addressed by selling assets in the Company's portfolio but selling assets may in some circumstances be significantly disadvantageous for the Company or even almost impossible if liquidity were to disappear for the Company's assets. In addition, the Company has entered into a Repo transaction under which a significant proportion of its most liquid assets have been provided as collateral to the Repo counterparty, as further disclosed in Notes 11 and 12. Consequently, the Company would be unlikely to be able to sell these assets at short notice. In the event of such adverse liquidity conditions the Company might be unable to fund margin calls on its derivative positions and might consequently be unable to fund the payment of dividends. Liquidity risk is analysed by the Investment Manager on a daily basis and is communicated to and monitored by the Board through the quarterly business report.

19. FINANCIAL RISK MANAGEMENT (CONTINUED)

Maturity profile

The following tables show the legal maturity of the securities:

Maturity profile as at 31 January 2018

	Within one year €	One to five years €	Over five years €	Total €
Financial assets				
Financial assets at fair value through profit and loss	**6,595**	**20,512,202**	**282,520,404**	**303,039,201**
Derivative contracts	**531,517**	**—**	**—**	**531,517**
Trade and other receivables	**1,987,902**	**—**	**—**	**1,987,902**
Cash and cash equivalents	**43,342,217**	**—**	**—**	**43,342,217**
	45,868,231	**20,512,202**	**282,520,404**	**348,900,837**
Financial liabilities				
Loan financing received under the Repo	**27,369,496**	**13,843,670**	**—**	**41,213,166**
Interest payable on loan financing	**157,099**	**—**	**—**	**157,099**
Trade and other payables	**5,871,745**	**—**	**—**	**5,871,745**
	33,398,340	**13,843,670**	**—**	**47,242,010**

The maturity profile for financial assets as shown in the table above and the table below is presented on a fair value basis whereas the maturity profile for financial liabilities is presented on a contractual cash flow basis. The apparent mismatch between the Company's financial assets and liabilities due within one year is not considered to represent an actual shortfall in short-term funds available to meet the Company's short-term liabilities due to the notice and repayment period provisions applicable to the Company's loan financing received under the Repo, as detailed in Note 12.

Maturity profile as at 31 July 2017

	Within one year €	One to five years €	Over five years €	Total €
Financial assets				
Financial assets at fair value through profit and loss	103,620	31,845,804	289,334,490	321,283,914
Derivative contracts	697,538	—	—	697,538
Trade and other receivables	282,620	—	—	282,620
Cash and cash equivalents	37,087,141	—	—	37,087,141
	38,170,919	31,845,804	289,334,490	359,351,213
Financial liabilities				
Loan financing received under the Repo	25,875,907	13,079,802	—	38,955,709
Interest payable on loan financing	143,405	—	—	143,405
Trade and other payables	15,601,730	—	—	15,601,730
	41,621,042	13,079,802	—	54,700,844

Risks relating to leveraged exposure

The Company's investment strategy involves a high degree of exposure to the risks of leverage. Investors in the Company must accept and be able to bear the risk of investment in a highly leveraged investment portfolio. Predominantly the leverage is provided through investment in structured leveraged instruments (embedded leverage) with no recourse to the Company's assets, but the Company may also participate in direct leverage transactions with recourse and consequent increased liquidity needs such as the $50 million drawn down under the Repo (31 July 2017: $45 million), as detailed in Note 12.

19. FINANCIAL RISK MANAGEMENT (CONTINUED)

Capital risk management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the Company. The Company's capital is represented by the Ordinary Shares, share premium account, other distributable reserves and accumulated gain reserve. The capital of the Company is managed in accordance with its investment policy, in pursuit of its investment objectives. The Company seeks to attain its investment objectives by pursuing a multi-asset-class investment strategy. The investment strategy focuses on direct and indirect investments in, and exposures to, a variety of assets selected for the purpose of generating cash flows for the Company. The Board of Directors also monitors the level of dividends to Ordinary Shareholders.

There were no changes in the Company's approach to capital management during the period.

20. RELATED PARTIES DISCLOSURE

Transactions with Directors and the Investment Manager

For disclosure of Directors' remuneration, please see Note 7. As at the period end, Directors' fees to be paid in cash of €87,619 (31 July 2017: €88,097) had been accrued but not paid. Directors' fees to be paid in shares of €37,756 (31 July 2017: €37,756) had been accrued but not paid and Directors' expenses of €nil (31 July 2017: €1,748) had been accrued but not paid.

As at 31 January 2018, the Directors of the Company controlled 0.63% (31 July 2017: 0.60%) of the voting shares of the Company.

As announced on 2 October 2017, the Company agreed a revised Management Fee and Performance Fee basis with its Investment Manager, under an amended and restated Investment Management Agreement ("IMA") which is effective from 1 August 2017.

Under the revised fee basis, AXA IM is entitled to receive from the Company a Management Fee equal to the aggregate of:

- an amount equal to 1.5% of the lower of NAV and €300 million; and
- if the NAV is greater than €300 million, an amount equal to 1.0% of the amount by which the NAV of the Company exceeds €300 million.

The Management Fee is calculated for each six-month period ending on 31 July and 31 January of each year on the basis of the Company's NAV as of the end of the preceding period and payable semi-annually in arrears. The Management Fee payable to AXA IM is subject to reduction for investments in AXA IM Managed Products as set out in the Company's Investment Guidelines. Under the previous IMA, the Investment Manager was previously entitled to receive a Management Fee from the Company at a rate of 1.5% per annum on the whole of the Company's NAV. During the semi-annual period, the Investment Management Fees earned were €2,125,948 (semi-annual period ended 31 January 2017: €2,013,786). Investment Management Fees accrued but unpaid as at 31 January 2018 were €2,125,948 (31 July 2017: €2,127,638).

Under the amended and restated IMA, the Investment Manager is also entitled to receive a Performance Fee of 20% of any NAV outperformance over an 8% hurdle on an annualised basis, subject to a high-water mark and adjustments for dividends paid, share issuances, redemptions and buybacks. The Performance Fee will be calculated and paid annually in respect of each twelve-month month period ending on 31 July (each an "Incentive Period"). Notwithstanding the foregoing, Performance Fees payable to AXA IM in respect of any Incentive Period shall not exceed 4.99% of the NAV at the end of such Incentive Period. During the semi-annual period ended 31 January 2018, there were no Performance Fees earned (semi-annual period ended 31 January 2017: €1,528,163).

Under the previous IMA, the Investment Manager was entitled to receive a Performance Fee on a more complex basis that was described in detail in the annual report for the year ended 31 July 2017.

The Investment Manager also acts as investment manager for the following of the Company's investments held as at the period end which together represented 11.8% of NAV as at 31 January 2018: Adagio V CLO DAC Subordinated Notes; Adagio VI CLO DAC Subordinated Notes; Allegro CLO III Class E Notes; Allegro CLO IV Class E Notes; Bank Capital Opportunity Fund; Bank Deleveraging Opportunity Fund; Opera Structured Credit; Prelude Credit Alpha PLC; and St Bernard Opportunity Fund (Series 6). Each of these investments is classified as AXA IM Managed Product except for Adagio V CLO DAC Subordinated Notes and Adagio VI CLO DAC Subordinated Notes, which are classified as Restricted AXA IM Managed Products.

The Investment Manager earns Investment Management Fees, including incentive fees where applicable, directly from each of the above investment vehicles, in addition to its Investment Management Fees earned from the Company. However, with respect to the Company's investments in Bank Deleveraging Opportunity Fund, Bank Capital Opportunity Fund and St Bernard Opportunity Fund, there is no duplication of Investment Management Fees as adjustment for these investments is made in the calculation of the Investment Management Fees payable by the Company such that AXA IM earns Investment Management Fees only at the level of the Company.

Due to the fact that the Company's investment in Adagio V CLO DAC Subordinated Notes and Adagio VI CLO DAC Subordinated Notes is classified as Restricted AXA IM Managed Products, AXA IM earns Investment Management Fees at the level of the Restricted AXA IM Managed Product rather than at the Company level. Therefore, it is possible for AXA IM to earn incentive fees at the level of both the Restricted AXA IM Managed Product and the Company.

20. RELATED PARTIES DISCLOSURE (CONTINUED)

Transactions with Directors and the Investment Manager (continued)

Except for the Company's investments in Adagio V CLO DAC Subordinated Notes and Adagio VI CLO DAC Subordinated Notes, Bank Deleveraging Opportunity Fund, Bank Capital Opportunities Fund and St Bernard Opportunity Fund, all other investments in products managed by the Investment Manager were made by way of secondary market purchases on a bona fide arm's length basis from parties unaffiliated with the Investment Manager. Therefore, the Company pays Investment Management Fees with respect to these investments calculated in the same way as if the investment manager of these deals were an independent third party.

As at 31 January 2018, AXA S.A. group investors and AXA Assurances Vie Mutuelle together held 24.9% (31 July 2017: 24.9%) of the voting shares in the Company and AXA IM held 5.4% (31 July 2017: 5.5%) of the voting shares in the Company on behalf of funds managed by AXA IM for third-party investors. AXA IM did not hold any voting shares in the Company for its own account as at 31 January 2018 and as at 31 July 2017.

21. COMMITMENTS

As at 31 January 2018, the Company had the following uncalled commitments outstanding:

- Capitalised Manager Vehicle – $13,559,352 (31 July 2017: $16,053,333) remaining commitment from an original commitment of $20,000,000;
- Crescent European Specialty Lending Fund (a Cash Corporate Credit Equity transaction exposed to sub-investment grade corporate credits) – €3,941,319 (31 July 2017: €3,787,825) remaining commitment from an original commitment of €7,500,000; and
- Fintake European Leasing DAC (an ABS Residual transaction exposed to French leases) – €5,564,000 (31 July 2017: €7,276,000) remaining commitment from an original commitment of €10,700,000.

22. SUBSEQUENT EVENTS

Since the end of the financial period, no particular event has materially affected the Company. However, the following points are pertinent:

- the Company purchased three USD CLO Debt tranches for the equivalent of €10.7 million;
- the Company committed USD 20 million to a new USD CLO Warehouse and was drawn for USD 5 million of this commitment for the equivalent of €4.0 million;
- a further drawdown of €0.3 million was called on the Company's investment in Crescent European Specialty Lending Fund;
- a further drawdown of the equivalent of €0.3 million was called on the Company's investment in the Capitalised Manager Vehicle; and
- on 22 February 2018, the Company declared a quarterly interim dividend of €0.15 per share payable in March 2018, amounting to €5.5 million.

CORPORATE SUMMARY

THE COMPANY

Volta Finance Limited (the "Company" or "Volta") is a closed-ended limited liability company registered in Guernsey under the Companies (Guernsey) Law 2008 (as amended) with registered number 45747. The registered office of the Company is Third Floor, La Plaiderie Chambers, La Plaiderie, St Peter Port, Guernsey GY1 1WG, Channel Islands.

The Company is an authorised collective investment scheme in Guernsey, pursuant to the Protection of Investors (Bailiwick of Guernsey) Law, 1987 (as amended). The Company's Ordinary Shares are listed on Euronext Amsterdam and, in addition, on the premium segment of the Official List of the UK Listing Authority and are admitted to trading on the Main Market of the London Stock Exchange ("LSE"). Volta's home member state for the purposes of the EU Transparency Directive is the Netherlands. As such, Volta is subject to regulation and supervision by the Netherlands Authority for the Financial Markets (the "Autoriteit Financiële Markten" or "AFM"), being the financial markets supervisor in the Netherlands.

INVESTMENT OBJECTIVES

The Company's investment objectives are to seek to preserve capital across the credit cycle and to provide a stable stream of income to its Shareholders through dividends that it expects to distribute on a quarterly basis. Subject to the risk factors that are described in the Principal Risk Factors section and in Note 19, it seeks to attain its investment objectives predominantly through investment in a diversified portfolio of structured finance assets. The Company's investment strategy focuses on direct and indirect investments in, and exposures to, a variety of assets selected for the purpose of generating cash flows for the Company. The assets that the Company may invest in either directly or indirectly include, but are not limited to, corporate credits; sovereign and quasi-sovereign debt; residential mortgage loans; commercial mortgage loans; automobile loans; student loans; credit card receivables; leases; and debt and equity interests in infrastructure projects (the "Underlying Assets").

The Company's approach to investment is through vehicles and arrangements that essentially provide leveraged exposure to portfolios of such Underlying Assets. In this regard, the Company reviews the investment strategy adopted by AXA IM on a quarterly basis. The current investment strategy is to concentrate on the following asset classes: CLO; Synthetic Corporate Credit; Cash Corporate Credit; and ABS. There can be no assurance that the Company will achieve its investment objectives.

THE INVESTMENT MANAGER

AXA IM is a multi-expert asset management company within the AXA Group, a global leader in financial protection and wealth management, which has a team of experts concentrating on the structured finance markets. AXA IM is authorised by the Autorité des Marchés Financiers (the "AMF") as an investment management company and its activities are governed by Article L. 532-9 of the French Code Monétaire et Financier. AXA IM was appointed as the Company's Alternative Investment Fund Manager ("AIFM") in accordance with the EU Alternative Investment Fund Management Directive ("AIFMD") on 22 July 2014.

ASSET VALUES

At 31 January 2018, the Company's NAV was €302.6 million, with the NAV per share amounting to €8.2774. The Company publishes its NAV on a semi-annual basis and publishes its GAV and Estimated NAV monthly.

NAV is an expression of the total value of the Company that takes into account the current fair value of the Company's investments, accruals for debtors and the amount of the Company's liabilities. The Company's NAV at 31 January 2018 can be seen in the Unaudited Condensed Statement of Financial Position on page 16 ("Total Shareholders' equity" line).

GAV is an expression of the Company's value that takes into account the fair value of the Company's assets less the estimated amount of accrued fees payable to the Investment Manager. GAV is used as the reference against which the Company's investment restrictions are measured. Estimated NAV is an expression of the Company's value that takes into account the fair value of the Company's assets less both the amount of any debt finance owed by the Company and the estimated amount of accrued fees payable to the Investment Manager. Estimated NAV, which is published by the Company on a more frequent basis than NAV, may be a useful point of reference.

ONGOING CHARGES PERCENTAGE

The Company's ongoing charges percentage (previously commonly referred to as a total expense ratio or TER), based upon the ongoing expenses incurred during the financial year ended 31 July 2017 and the Company's net asset values as at 31 July 2017 and 31 July 2016, was 1.83%. This figure includes only the fees, charges and expenses borne directly by the Company.

DURATION

The Company has a perpetual life.

CORPORATE SUMMARY

WEBSITE

The Company's website address is www.voltafinance.com.

LISTING INFORMATION

The Company's Ordinary Shares are listed on Euronext Amsterdam (website: www.euronext.com) and the premium segment of the London Stock Exchange's Main Market for listed securities (website: www.londonstockexchange.com). The ISIN number of the Company's listed shares is GG00B1GHHH78 and the ticker for both markets is VTA.

As at 31 January 2018, the closing prices of the Company's listed shares were as follows:

- Euronext Amsterdam – €7.10 per share; and
- London Stock Exchange – €7.09 per share.

The Company's primary central securities depositary is CREST. Shares are eligible for settlement through the CREST and Euroclear Netherlands settlement systems.

As at 31 January 2018, so far as the Directors are aware, no person other than those listed below and those parties disclosed in Note 20 to the financial statements was interested, directly or indirectly, in 5% or more of the issued share capital in the Company:

Registered Shareholder	Number of Ordinary Shares held	Percentage of Ordinary Shares held
Euroclear Nominees Limited	21,112,962	57.8
The Bank of New York (Nominees) Limited	6,144,067	16.8
Securities Services Nominees Limited	3,270,839	8.9

Pursuant to regulatory filings: BNP Paribas S.A. held 3,875,000 Ordinary Shares amounting to 12.9% of the voting shares in the Company as at 20 December 2007; Amundi held 2,663,036 Ordinary Shares amounting to 7.4% of the voting shares in the Company as at 11 February 2015; and City Financial Investment Company held 1,089,772 Ordinary Shares amounting to 3.0% of the voting shares in the Company as at 3 March 2015. As the Company cannot be certain of the registered name under which these Shareholders hold their interests in Volta, the Company cannot currently verify whether or not such interests are represented in the above list of Shareholders holding 5% or more of the Company's issued share capital. Shareholdings held by AXA S.A. group investors, AXA Assurances Vie Mutuelle and AXA IM are disclosed in Note 20 to the financial statements.

None of the above Shareholders have Shareholder rights that are different from those of other holders of the Company's Ordinary Shares, except for the holder of the Class B share, an affiliate of AXA S.A., which has the right to appoint a Director to the Board.

PROVISIONAL FINANCIAL CALENDAR

4 April 2018	Announcement of results for the semi-annual period ended 31 January 2018 and publication of the 2018 interim report.

BOARD OF DIRECTORS

BOARD OF DIRECTORS

01. Graham Harrison
Independent Director
Mr Harrison is co-founder and Group Managing Director of ARC Group Limited, a specialist investment advisory and research company. ARC was established in 1995 and provides investment advice to ultra-high net worth families, complex trust structures, charities and similar institutions. Mr Harrison has fund board experience spanning a wide range of asset classes including hedge funds, commodities, property, structured finance, equities, bonds and money market funds. Prior to setting up ARC, he worked for HSBC in its corporate finance division, specialising in financial engineering. Mr Harrison is a Chartered Wealth Manager and a Chartered Fellow of the Chartered Institute of Securities and Investment. He holds a BA in Economics from the University of Exeter and an MSc in Economics from the London School of Economics.

02. Stephen Le Page
Independent Director
Mr Le Page was a partner with PricewaterhouseCoopers in the Channel Islands from 1994 until September 2013. During his career with that firm he worked with many different types of financial organisation as both auditor and advisor, and he also served as the senior partner of the firm, effectively carrying out the role of chief executive and leading considerable growth in the business. Mr Le Page is a Fellow of the Institute of Chartered Accountants in England and Wales and a Chartered Tax Advisor. He is a past president of the Guernsey Society of Chartered and Certified Accountants and a past Chairman of the Guernsey International Business Association. Mr Le Page holds a number of other non-executive roles.

03. Paul Meader
Chairman and Independent Director
Mr Meader is an independent director of investment companies, insurers and investment funds. Until the autumn of 2012 he was Head of Portfolio Management for Canaccord Genuity, based in Guernsey, prior to which he was Chief Executive of Corazon Capital, Guernsey. He has nearly 30 years' experience in financial markets in London, Dublin and Guernsey, holding senior positions in portfolio management and trading. Prior to joining Corazon Capital he was Managing Director of Rothschild's Swiss private banking subsidiary in Guernsey. Mr Meader is a Chartered Fellow of the Chartered Institute of Securities & Investments, a past Commissioner of the Guernsey Financial Services Commission and past Chairman of the Guernsey International Business Association. He is a graduate of Hertford College, Oxford.

04. Atosa Moini
Independent Director
Ms Moini retired from Goldman Sachs International in September 2016 where she was Head of Origination and Distribution of Asset-backed Products and Loans in EMEA and previous to that she was Co-Head of EMEA Credit Sales. Ms Moini was also a member of the Securities Division Client and Business Standards Committee. Ms Moini has extensive product origination and distribution experience across a wide range of asset classes including corporate and leverage loans, corporate bonds, CLOs and asset-backed products in the real estate, transportation and renewable energies sectors. Ms Moini has an MBA from the London Business School and a BA Honours Degree in Industrial Engineering from the University of Surrey.

05. Paul Varotsis
Senior Independent Director
Mr Varotsis was a partner at Reoch Credit Partners LLP until March 2011 where he worked as a consultant for financial institutions and advised investors, asset managers, intermediaries and software vendors on structured credit solutions. Mr Varotsis was Director of CDOs at Barclays Capital from 2002 to 2004. Prior to that, he was Executive Director, Structured Credit Trading, at Lehman Brothers from 2000 to 2002 and spent approximately ten years (1991 to 2000) at Chase Manhattan Bank and its predecessors; his last position at Chase was Head of Credit and Capital Management (Europe, Africa, Middle East). He was European Chairman of the ISDA committee that participated in the drafting of the 2003 Credit Derivatives Definitions and advised the Bank of England and other regulators on the appropriate framework for the market's development. Mr Varotsis holds an MBA from the Stanford Graduate School of Business, a diplôme from the Institut d'Études Politiques de Paris and a diplôme from the Institut Supérieur de Gestion.

MANAGEMENT, ADMINISTRATION AND ADVISORS

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(Guernsey, Channel Islands)

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Website: www.voltafinance.com

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Registrar
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Hilgrove Street
St Helier
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Channel Islands

GLOSSARY

Definitions and explanations of methodologies used:

Term	Definition
“ABS”	asset-backed securities.
“AGM”	Annual General Meeting.
“ABS Residual positions”	residual income positions, which are a sub-classification of ABS, being backed by any of the following: residential mortgage loans; commercial mortgage loans; automobile loans; student loans; credit card receivables; or leases.
“AIC”	the Association of Investment Companies, of which the Company is a member.
“AIC Code”	the AIC Code of Corporate Governance for Guernsey Companies.
“AFM”	the Netherlands Authority for the Financial Markets (the “Autoriteit Financiële Markten” or “AFM”), being the financial markets supervisor in the Netherlands.
“AIFM”	Alternative Investment Fund Manager, appointed in accordance with the AIFMD.
“AIFMD”	the Alternative Investment Fund Managers Directive.
"Articles"	the Articles of Incorporation of the Company.
“AXA IM”	AXA Investment Managers Paris S.A.
“Bank Balance Sheet transactions”	synthetic transactions that permit banks to transfer part of their exposures such as exposures to corporate loans, mortgage loans, counterparty risks, trade finance loans or any classic and recurrent risks banks take in conducting their core business.
“Beta”	a security's beta is a measure of the volatility of the security compared to the volatility of the relevant market.
“Board”	the Board of Directors of the Company.
“Cash Corporate Credit” deals	structured credit positions predominantly exposed to corporate credit risks by direct investments in cash instruments (loans and/or bonds).
“Cenkos”	Cenkos Securities plc.
“CLOs” or “CLO”	Collateralised Loan Obligations.
“CLO 1.0”	Collateralised Loan Obligations issued from 2004 (or earlier) up to 2009.
“CLO 2.0”	Collateralised Loan Obligations issued from 2010 to date.
“Capitalised Manager Vehicle” or “CMV”	a CMV is a long-term closed-ended structure which is established to act as a CLO manager and to also provide capital in order to meet risk retention obligations when issuing a CLO and also to provide warehousing capabilities.
“Discount”	calculated as the NAV per share as at 31 January 2018 less Volta’s closing share price on Euronext Amsterdam as at that date, divided by the NAV per share as at that date.
“Dividend yield”	calculated as total dividends paid during the financial period divided by the share price as at 31 January 2018.
“Euronext Amsterdam”	Euronext in Amsterdam, a regulated market of Euronext Amsterdam N.V.
“Estimated NAV”	full details of Volta’s Estimated NAV calculation methodology are presented on page 22.
“Financial period”	the period from 1 August 2017 to 31 January 2018.
“Financial year”	the period from 1 August 2016 to 31 July 2017.
“FRC”	Financial Reporting Council (United Kingdom).
“GAV”	the GAV calculation methodology is described in Note 5 on page 22.
“IRR”	internal rate of return.
“Memorandum”	the Memorandum of Incorporation of the Company.
“MiFID II”	the revised Markets in Financial Instruments Directive, which took effect in January 2018, is a new EU legislative framework that aims to improve the functioning of financial markets and strengthen investor protection.
“NAV”	net asset value.
“NAV performance”	calculated as the increase in the NAV per share plus the total dividends paid per share during the financial period / financial year, with such dividends paid being re-invested at NAV, as a percentage of the NAV per share as at 31 January 2018.
“PRIIPs”	Packaged Retail and Insurance-based Investment Products (PRIIPs) Regulation, which took effect on 1 January 2018, aims to encourage efficient EU markets by helping investors to better understand and compare the key features, risk, rewards and costs of different PRIIPs, through access to a short and consumer-friendly Key Information Document (KID).
“Projected portfolio IRR”	calculated as the projected future return on Volta’s investment portfolio as at 31 January 2018 under standard AXA IM assumptions, after taking into account the effect of direct leverage from the Repo on the overall investment portfolio returns.
“QE”	quantitative easing.
“Repo”	repurchase agreement entered into with Société Générale.

GLOSSARY

“RMBS”	residential mortgage-backed securities, which are a sub-classification of ABS.
“semi-annual periods”	the period from 1 August 2017 to 31 January 2018 and/or the period from 1 February 2017 to 31 July 2017.
“Share” or “Shares”	all classes of the shares of the Company in issue.
“Share price performance”	the percentage increase or decrease in the share price on Euronext Amsterdam plus the total dividends paid per share during the financial period / financial year, with such dividends re-invested in the shares. Obtained from Bloomberg using the TRA function.
“Sharpe Ratio”	The Sharpe Ratio is a measure of risk-adjusted return and is calculated as the average return earned, based on the published monthly Estimated NAVs as adjusted for dividends paid, in excess of three-month Euribor, as an assumed risk-free rate, per unit of volatility or total risk (measured as the standard deviation of the adjusted monthly Estimated NAVs).
“SME”	small and medium-sized enterprises.
“Synthetic Corporate Credit” deals	structured credit positions predominantly exposed to corporate credit risks by synthetic contracts.
“Underlying Assets”	the underlying assets principally targeted for direct and indirect investment (collectively, the "Underlying Assets") consist of corporate credits (investment grade, sub-investment grade and unrated); sovereign and quasi-sovereign debt; residential mortgage loans; commercial mortgage loans; automobile loans; student loans; credit card receivables; and leases.
“US GAAP”	Generally Accepted Accounting Principles in the United States of America.
“Warehouse”	a Warehouse is a short-term structure put in place before a CLO happens in order to accumulate assets in order to facilitate the issue of the CLO. A Warehouse is leveraged and can be marked to market.
“WARF”	weighted average ratings factor, giving an indication of the probability of default.
“WAL”	weighted average life.