



**VOLTA FINANCE LIMITED**  
INTERIM REPORT AND ACCOUNTS  
FOR THE PERIOD 1 AUGUST 2016 TO 31 JANUARY 2017

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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

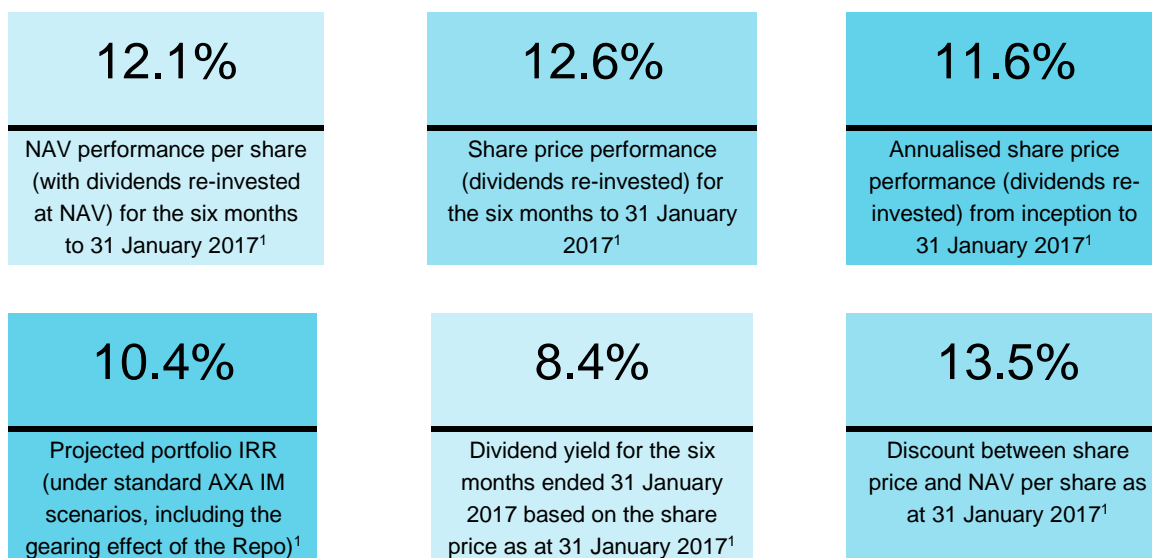
This report includes statements that are, or may be considered, “forward-looking statements”. These forward-looking statements can be identified by the use of forward-looking terminology, including the terms “believes”, “estimates”, “anticipates”, “plans”, “expects”, “targets”, “aims”, “intends”, “may”, “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.

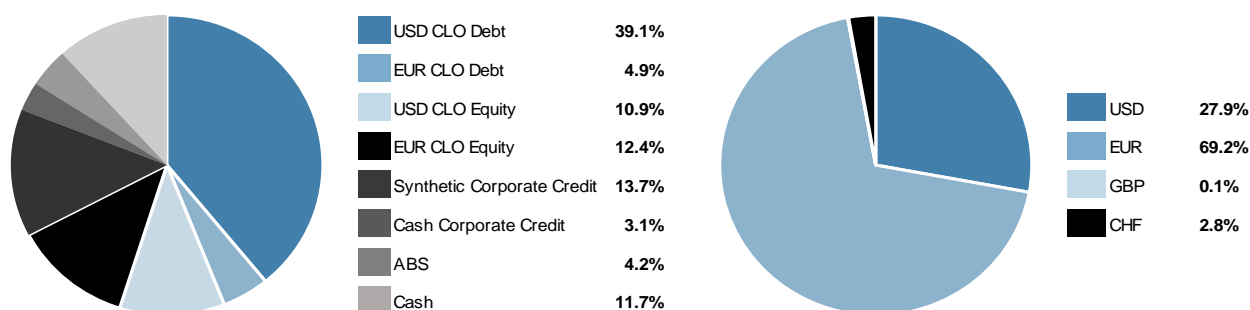
The Company qualifies all such forward-looking statements by these cautionary statements. Please keep these cautionary statements in mind while reading this report.

# 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.



## ASSET ALLOCATION<sup>2</sup> AND CURRENCY EXPOSURE<sup>3</sup> AS AT 31 JANUARY 2017



<sup>1</sup> Please see the Glossary on page 46 for an explanation of the terms used above and elsewhere within this report.

<sup>2</sup> The asset allocation is presented as a percentage of gross assets and includes all assets held as at 31 January 2017, but excludes uncalled commitments to purchase assets. Cash is presented as the net cash balance available as at 31 January 2017, net of amounts due to and from brokers, coupons receivable and revaluation of derivative positions.

<sup>3</sup> The currency exposure is presented as a percentage of NAV after taking into account the effect of currency hedging.

# CHAIRMAN'S STATEMENT

Dear Shareholder

What a difference a year can make: when I wrote to you this time last year, investment markets were in some turmoil. Credit markets, in particular, had suffered as worries mounted over global growth, deflation and negative interest rates. I expressed then some cautious optimism that markets had overreacted and the turmoil offered opportunities to capitalise on returns for the future.

One year on and the mood has most certainly changed, despite a number of unexpected events such as Brexit and the election of Donald Trump. Over the past twelve months, expectations have turned to stronger economic growth, higher interest rates and inflationary forces reasserting themselves. In part this reflects a changing political landscape where fiscal stimulus is gaining traction over austerity and quantitative easing. However, it also seems likely that the world economy is finally coming close to healing some of the wounds of the global financial crisis. Certainly if the history of similar events is any guide, then the timing of this economic recovery is roughly on schedule. Accompanying this, markets have shifted from despair towards something approaching euphoria. Such euphoria can sometimes presage a bumpier road ahead for markets.

I am pleased to be able to report that our Company has been able to capitalise successfully upon this change of mood. Over the past six months under review, the net asset value ("NAV") per share has risen by 12.1% (after accounting for dividends paid) and over twelve months this rises to 22.4%. This is an excellent performance.

It is encouraging that this period has also seen some further narrowing in the share price discount to NAV. As a result, the share price total return over this six month period has been 12.6% and over twelve months 33.4%. This narrowing discount probably reflects, in part, the strong investment performance and, in part, recent efforts to meet with investors by AXA IM, the Investment Manager, and Cenkos, the newly appointed corporate broker.

Volta's strong credentials and the fact that the peer group is trading at around NAV means that there is an opportunity to narrow the discount towards zero and further enhance shareholder returns. The Board is very focused on this outcome and has addressed this via a number of measures over the last year in response to the needs of shareholders. These include a move to quarterly dividends, the ability to elect to receive dividends in Sterling and improvements in reporting. That said, it is apparent from my own meetings with Shareholders that Volta is still not widely enough known in the market. Further engagement with investors will be a focus for the coming year.

Over recent months there have been a number of changes in the portfolio, as described in more detail in the Investment Manager's Report on page 3. I would particularly highlight the rotation of the portfolio from CLO 1.0 to CLO 2.0 assets, further investment in Warehouses and an initial allocation to a Capitalised Manager Vehicle. These changes mean that, whilst credit spreads have narrowed sharply, the expected returns and cash flows in Volta have remained relatively stable.

At this half year point, AXA IM has adopted a more cautious stance and is awaiting better opportunities to re-invest cash proceeds. This ability to be selective and nimble across the whole spectrum of structured credit, rather than the narrower focus of many peers, is a real differentiator of Volta. As investors become more aware of the benefits of the Company's diversified approach and the resilience of the cash flows that underpin the high dividend yield, our experience is that caution turns to enthusiasm. We just need to spread the word and are active in so doing.

I noted in my statement accompanying the 2016 Annual Report and Accounts that Joan Musselbrook had indicated her intention to retire during 2017 after ten years as a Director. We have commenced a process to identify a suitable successor. Joan has indicated her intention is to retire before the end of the financial year in July and I anticipate being able to report to you on the appointment of her successor in the coming months.

It is said that prediction is difficult, especially about the future. That remains as true as ever as I sit writing this to you. There are many reasons to be cautious about the outlook for markets, both political and economic. Most particularly, US economic policy is in flux, interest rates are beginning to rise and Europe faces a number of political challenges. In the short term, Volta cannot be immune to any turbulence in markets that may result. But turbulence presents opportunities. The cash flows that, ultimately, drive returns to shareholders remain robust and attractive and short-term falls provide excellent re-investment opportunities, as we saw a year ago. This should underpin long-term returns, sustain the dividend and ensure that Volta remains an attractive and relevant investment vehicle.

I look forward to reporting to you more fully in the autumn in the Annual Report and Accounts.

**Paul Meader**

*Chairman*

28 March 2017

# 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 of 12.1% for the six months from 1 August 2016 to 31 January 2017 (the "semi-annual period") was strong again. On an annual basis, from the end of January 2016 to the end of January 2017, Volta's performance (NAV performance per share at 22.4%) is far greater than that of US and European equity and credit markets. The annualised performance for Shareholders since inception of Volta as at the end of January 2017 was 11.6%.
- During the semi-annual period, our assets continued to produce significant cash flows (net of Repo costs) of €16.5 million or 10.7% of the end of period NAV on an annualised basis.
- During the six-month period we continued to rotate the portfolio. We sold assets for an aggregate euro equivalent amount of €40.4 million (at a projected future average yield at sale of 5.2%) and **purchased assets or committed to purchase assets for an aggregate euro equivalent amount of €53.3 million (with a projected yield at purchase of 12.9%)**.
- As at the end of January 2017, the projected portfolio IRR of our assets, including the effect of the \$45.0 million repurchase facility, was 10.4%. Relative to a share price in the area of €7.40, the gross **projected return on Volta's Shares is close to 11.6%**.

Overall, through the semi-annual period, **Volta has been able to benefit from the breadth of its mandate, maintaining an attractive projected yield of its assets while delivering a solid performance**. It is worth mentioning that Volta's projected portfolio IRR has been in the area of 10% for several years now. However, thanks to our ability to trade the portfolio and the various dynamics of Volta's assets, it has been possible to achieve a net performance considerably in excess of 10%, as seen in the table overleaf.

**Thanks to the diversification of our assets**, periods such as 2016, exhibiting some volatility but no fundamental or significant credit issues, are positive for Volta on a medium-term basis, being able to rotate some of the portfolio from low "beta" assets to higher beta assets whenever volatility occurs.

Over the next six months, we acknowledge some uncertainties (the new US administration, the end of the monetary easing cycle in the US, the implementation of Brexit and political uncertainties in Europe) but we continue to expect these issues to have modest impacts on an already softer economic environment. In our view, the pace of corporate credit defaults both in Europe and in the US is expected to be relatively stable for 2017. Our conviction is that the Company's current and prospective investments largely discount the actual consequences that we expect from the current economic environment, although we are conscious that market volatility could rise from time to time. We expect this environment to continue being supportive for Volta.

## OVERVIEW OF THE SEMI-ANNUAL PERIOD ENDED 31 JANUARY 2017

This period was marked by considerable portfolio activity against a backdrop of increasing volatility in prices and spreads in credit markets. During this period, Volta:

- **invested the equivalent of €34.8 million in nine assets at an average projected yield of 12.9%** (two CLO Debt assets, five CLO Equity assets, one Bank Balance Sheet transaction and one CLO Warehouse transaction);
- sold 13 assets for the equivalent of €40.4 million at an average projected yield of 5.2%;
- had 11 assets called or that matured (fully or partially) for the equivalent of €29.1 million and subscribed the equivalent of €0.6 million to an asset to which it had previously committed to invest; and
- committed to invest \$20.0 million (€18.5 million euro equivalent as at 31 January 2017) in a CLO Capitalised Manager Vehicle ("CMV") transaction (nil drawn down as at 31 January 2017).

Volta continued to rotate its portfolio from pre-2008 crisis assets to more recently issued deals in order to increase the projected IRR of the overall portfolio. This trading activity was core in producing a performance in excess of the previously projected yield of Volta's portfolio.

# INVESTMENT MANAGER'S REPORT

During the period, we increased the currency hedge of the USD assets back into euro given the strong US dollar appreciation against the euro, with net exposure standing at circa 28% USD exposure at the end of January 2017. The US dollar exposure through the six-month period generated an estimated uplift to the Company's NAV of 1.2%. The residual GBP and CHF exposures that existed did not make any significant contribution to the performance.

During the semi-annual period, Volta continued to invest predominantly in assets with corporate credit exposures and rotated the portfolio in favour of CLO Equity and Bank Balance Sheet transactions, while reducing the size of the CLO Debt bucket. During the period, Volta invested €9.1 million into a CLO Warehouse transaction with a European CLO manager that closed during the period and which has permitted Volta to invest a significant amount in the CLO Equity tranche arising from this Warehouse with favourable terms.

With the tightening of CLO Debt spreads we see increasing value in CLO Equity positions (fundamentally, CLO Equity benefits from a lower cost of leverage). Bank Balance Sheet transactions, although yielding towards the lower range of Volta's portfolio, provide significant diversification and stability to the overall portfolio.

It is worth mentioning that Volta's underlying credit portfolio did not suffer particularly during the six-month period. As usual, some defaults occurred in the underlying credit portfolio but at a pace that is far below the standard projected default rate that we use when modelling Volta's assets.

## OVERALL PAST PERFORMANCE

The positive performance in terms of NAV per share for the annual period is in line with the good fundamentals of Volta's assets and 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.

As a listed company 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 2017 the performance was as follows<sup>1</sup> (annualised figures):

	1 year	5 years	Since Volta's inception
	%	%	%
NAV performance (including dividends paid and re-invested at NAV)	22.4	23.0	6.4
<b>Share performance (dividends re-invested in Shares)*</b>	<b>33.4</b>	<b>27.7</b>	<b>11.6</b>
S&P 500 (total return)*	19.9	14.0	7.1
MSCI European (total return)*	11.1	11.6	2.7
US High Yield Bonds (H0A0 Index)*	20.8	7.0	7.5
US Loans Market (S&P LSTA Index)*	11.8	4.8	4.7
European High Yield Bonds (HE00 Index)*	11.1	8.9	7.4
European Loans Market (S&P ELLI Index)*	5.0	6.1	4.2

<sup>1</sup> 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.

Overall, the performance of an investor re-investing their dividends in the Company's Shares (11.6% annualised return as at 31 January 2017 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, at 8.7%, has been far below the volatility of classic equity indices, although delivering greater performance.

# INVESTMENT MANAGER'S REPORT

## VOLTA PORTFOLIO AS AT 31 JANUARY 2017

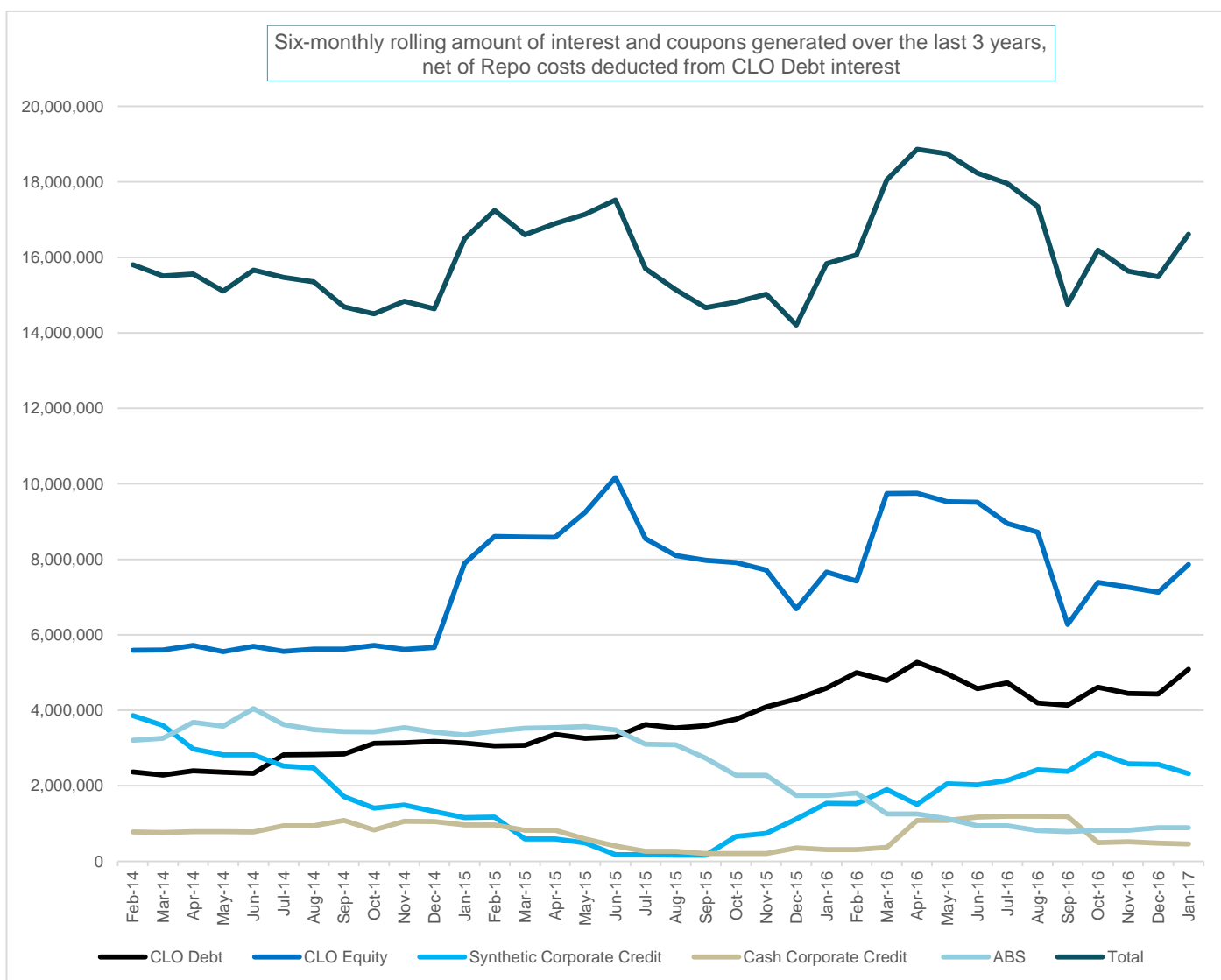
As at the end of January 2017, Volta held assets divided among four asset classes: CLOs, Synthetic Corporate Credit deals, Cash Corporate Credit deals and ABS. An analysis of Volta's asset allocation is presented in the "At a glance" section on page 1 of the interim report.

The vast majority of the portfolio's assets had exposure to underlying portfolios of corporate credit positions (loans, bonds and CDS issued by, or on, corporate entities).

During the period we:

- continued investing in Bank Balance Sheet transactions which bring diversification to the portfolio and are less sensitive to the kind of credit market volatility that occurred during the most recent years;
- favoured euro CLO Equity tranches relative to US ones, as we expect the European loan market to be more stable than the US one; and
- divested from EUR CLO Debt tranches where such assets had rallied towards par with the spread tightening.

It is worth noting that the rotation of the portfolio from older CLO Debt tranches to more recently issued ones has contributed significantly to the increase in interest and coupons received from our CLO Debt assets. CLO Debt tranches are now a significant and growing contributor to the cash flows received:



# INVESTMENT MANAGER'S REPORT

As at the end of January 2017, approximately 80% of Volta's investments were assets issued in the last five years, replacing assets issued before 2008. The vast majority of the "old" assets in the portfolio are expected to be more volatile than the average portfolio and are expected to be sold to benefit from market volatility upon the occurrence of such event.

## PROJECTED IRR ON VOLTA'S PORTFOLIO

In order to give Shareholders an understandable and comparable perspective regarding Volta's asset valuations, projected returns on Volta's assets as of the end of January 2017 are provided below with some comments. These projected returns are based on standard assumptions regarding default rates, recovery rates and prepayment rates of underlying asset classes.

Main asset class	Sub-asset class	% of GAV	Projected IRR (%)*	Projected WAL/ duration (years)	Comments
CLO	USD/EUR CLO Equity 1.0	6.3%	12.9%	1.0	Cash flows from these deals are diminishing. WAL may be lower if deals are called earlier.
	USD/EUR CLO Equity 2.0	17.0%	10.8%	4.4	The projected IRR does not take into account the performance of CLO managers in avoiding default in the current environment nor the possibility of reducing the liability cost of these CLOs.
	USD/EUR CLO Debt 1.0	6.1%	6.5%	1.1	The projected IRR and WAL only assume calls when there is no more arbitrage available for the Equity. Depending on the timing of the call, projected IRRs could be 0.5% to 1.0% higher. The projected IRR also does not take account of the impact of the use of the Repo facility.
	USD/EUR CLO Debt 2.0	37.9%	8.6%	4.1	The projected IRR and WAL are based upon the assumption that these tranches will be called two years after the end of the re-investment period of each CLO. The projected IRR does not take account of the impact of the Repo facility.
	CLO Warehouse	0.0%	N/A	N/A	No Warehouse at the end of this period.
Synthetic Corporate Credit	Bank Balance Sheet transactions	13.7%	10.1%	4.2	Very diversified asset class.
Cash Corporate Credit	Equity	3.1%	8.0%	1.5	Very diversified asset class including two loan funds and one German SME deal.
	Debt	0.0%	N/A	N/A	The sole asset in this asset class was sold in October 2016.
ABS	Residual positions	1.8%	15.0%	3.0	A Spanish auto loan transaction and a French lease transaction. The sole remaining UK RMBS residual asset was sold in December 2016.
	ABS Debt	2.4%	10.0%	5.0	Mix of US RMBS.

\* Projected returns have been estimated only for those assets for which such projections are considered to be feasible (representing 88.3% of the GAV). These projections are for illustrative purposes only, and are based on a number of assumptions and should not be regarded as profit or earnings forecasts. In addition, changes to current market conditions may cause changes to certain of the assumptions, which could produce different results, less favourable to investors. Accordingly, no representation or warranty is made that any simulation will happen or any asset will perform or will be sold in accordance with these projections.



# INVESTMENT MANAGER'S REPORT

According to the calculations on the previous page, the overall projected IRR on Volta's assets as at the end of January 2017, prior to taking into account the effect of using the Repo facility, was approximately 9.4% (using the standard assumption that the ratings, and hence the WARF, of a portfolio of corporate credit exposures appropriately reflects the probability of default on a medium to long-term basis).

Taking into account the \$45.0 million (or 13.4% of NAV) direct leverage that Volta had in place as at the end of January 2017 via the Repo, **the projected yield on the Company's NAV is close to 10.4%.**

This IRR is also 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 nine 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 possibility that the CLO managers might refinance assets following their re-investment period, we could foresee an IRR between approximately 11% and 14% for the CLO 2.0 Equity tranches that we have purchased so far.

It is worth mentioning that during the semi-annual period the spread of CLO debt tranches tightened significantly, especially the most senior tranches (original AAA down to original BBB). This had no direct consequences for Volta as Volta does not own these types of tranches but may have some indirect consequences: some CLO transactions may refinance part of these tranches to benefit from a lower cost of funding or even reset the CLO (all tranches are called and the same loan portfolio is used to set up a new CLO with the same CLO Equity holders). This refinancing/reset activity is positive for the existing CLO Equity positions and could also be positive for the performance of some CLO Debt positions (those being called at par while trading below par before the announcement of the refinancing or the reset). For CLO Debt it could result in a one-off gain (an immediate capital gain) but with a detrimental aspect going forward (a reinvestment in an asset at lower spread); for CLO Equity the possibility to lower the cost of funding would definitely represent a gain. Volta has been able to benefit several times during the semi-annual period from this refinancing/reset activity.

## OUTLOOK FOR THE REMAINDER OF 2017

As previously stated, Volta benefited from its ability to rotate from low beta assets to higher beta assets during the first quarter of 2016, when credit markets offered solid investment opportunities. We still have in the portfolio a bucket of low beta assets that could be easily sold to benefit from reinvestment opportunities if some volatility were to materialise in future. Our sentiment is that, at the time of writing, we do not see early signs that we are at the end of the economic cycle either for the US or for Europe but it is clear that the monetary cycle has turned in the US and could also turn this year in Europe (less quantitative easing). This change could be a source of market volatility.

Strategically, we think that Volta will continue to increase its CLO Equity bucket during 2017 to benefit from the spread tightening that has already occurred on CLO Debt tranches and that we expect to continue, thanks to the growing appetite that exists for this type of asset. In line with the most recent CLO Equity investments made by Volta, it is expected that Volta will deploy these investments through a limited number of positions, favouring "controlling positions" that permit the possibility of increasing the projected yield of such investments. CLO Warehouse transactions are expected to contribute to this strategy.

During the semi-annual period, Volta was able to invest in assets with, on average, a projected IRR in the area of 12.9%. We expect to continue to be able to capitalise on the same kinds of opportunities in the future, focusing mainly on:

- CLO Equity positions (with the support of CLO Warehouse transactions from time to time);
- vehicles created for the purpose of satisfying the retention rule for CLOs such as CMVs;
- Bank Balance Sheet transactions; and
- CLO Debt tranches as long as the spread makes sense for Volta.

When conducting the overall investment strategy, the Company seeks to pursue the following objectives:

- to maintain a high level of diversification of its portfolio with investments mainly exposed to underlying corporate credit risk through both debt and equity positions in various formats (CLO, Warehouses, synthetic and cash structures);
- to protect the principal amount of Volta's assets through the credit cycle;
- to maintain the stability of ongoing interest and coupons received by the Company at a significant level;
- to maintain a level of expected return in line with the Company's objectives; and
- to manage the Company's liquid resources in order to be able to meet its payment obligations.

# INVESTMENT MANAGER'S REPORT

One way to achieve such objectives could be to add some fixed-rate sensitivity once term rates rise from current levels and to purchase protection against credit spread widening if at some point in time we foresee some turbulence in credit markets. Typically some duration has been added in November and December 2016 following the hike in US interest rates. Some profit has been taken in January and the position represents a modest 0.4 years of duration as of the end of January 2017.

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. This has been illustrated during this period through the investment, as an example, in European CLO Equity tranches or in Bank Balance Sheet transactions. 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**

28 March 2017

# 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.

<b>Strategic risks</b>	
<p>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.</p>	
<u>Principal risks</u>	<u>Impact, tolerance, controls and mitigation</u>
<p><b>Default risk –</b> 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.</p> <p>The risk that a counterparty defaults leading to a financial loss for the Company.</p>	<p>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.</p> <p>The Company has a moderate amount of 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 and reports to the Risk Committee on these limits, the quality and appropriateness of counterparties (upon which it does regular due diligence) and compliance.</p>
<p><b>Market risk –</b> The impact of movements in market prices, interest rates and foreign exchange rates on cash flows receivable and the Company's NAV.</p>	<p>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.</p> <p>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.</p>

# PRINCIPAL RISK FACTORS

<b>Strategic risks (continued)</b>	
<u>Principal risks</u>	<u>Impact, tolerance, controls and mitigation</u>
<p>Market risk (continued) –</p> <p>The risk of severe market disruption leading to impairment of the market value and/or liquidity of the Company's investment portfolio.</p> <p>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.</p>	<p>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.</p> <p>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.</p>
<p>Re-investment risk –</p> <p>The ability to re-invest in investments that maintain the targeted level of returns at an acceptable level of risk.</p>	<p>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, thereby reducing the probability of this risk adversely impacting the Company. 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.</p>

<b>Preventable risks</b>	
<p>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.</p>	
<u>Principal risks</u>	<u>Impact, tolerance, controls and mitigation</u>
<p>Liquidity and going concern –</p> <p>The risk that the Company is unable to meet its payment obligations and is unable to continue as a going concern for the next 12 months.</p>	<p>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; and other payment obligations such as ongoing expenses.</p>
<p>Operational risk –</p> <p>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.</p>	<p>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 receives detailed annual reports on operational performance from all its main service providers and requires them to report any 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.</p>

# PRINCIPAL RISK FACTORS

<b>Preventable risks (continued)</b>	
<u>Principal risks</u>	<u>Impact, tolerance, controls and mitigation</u>
<p>Valuation of assets –</p> <p>The risk that the Company's assets are incorrectly valued.</p>	<p>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 very 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.</p>
<p>Investment Manager risks –</p> <p>The risk that the Investment Manager may execute its investment strategy poorly.</p> <p>Key person risk.</p> <p>The risk that the Investment Manager resigns, goes out of business or exits the Company's asset classes.</p>	<p>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.</p> <p>The Investment Manager has large teams and deep resources of skills to replace key individuals.</p> <p>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.</p>

<b>External risks</b>	
These are risks that are largely outside of the Company's control, but of which investors should be cognisant.	
<u>Principal risks</u>	<u>Impact, tolerance, controls and mitigation</u>
<p>Legal and regulatory risk –</p> <p>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.</p>	<p>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.</p> <p>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.</p>

# STATEMENT OF DIRECTORS' RESPONSIBILITIES

Each of the Directors, whose names and functions are listed on page 44, confirms that, to the best of their knowledge and belief:

- the unaudited condensed set of interim financial statements has been prepared in accordance with IAS 34 – “Interim Financial Reporting” and gives a true and fair view of the assets, liabilities, financial position and performance of the Company; and
- the Chairman’s Statement and the Investment Manager’s Report constitute Volta’s interim management report for the six-month period ended 31 January 2017, which contains a fair review of that period as required by Section 5:25d of the Financial Supervision Act of the Netherlands and a fair review of the information required by 4.2.7R and 4.2.8R of the FCA’s Disclosure Guidance and Transparency Rules and includes an indication of important events that have occurred during the first six months of the financial year and the effect thereof on the interim financial statements, and a description of the principal risks and uncertainties in the remaining six months of the financial year.

This Statement of Directors’ Responsibilities was approved by the Board of Directors on 28 March 2017 and was signed on its behalf by:

**Paul Meader**  
*Chairman*  
28 March 2017

**Stephen Le Page**  
*Chairman of the Audit Committee*

## **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

## Introduction

We have been engaged by the Company to review the unaudited condensed set of financial statements in the half-yearly financial report for the six months ended 31 January 2017 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. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the unaudited condensed set of financial statements.

This report is made solely to the Company in accordance with the terms of our engagement to assist the Company in meeting the requirements 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 "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.

## 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 ("IFRS") as issued by the International Accounting Standards Board. The unaudited condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with IAS 34 – "*Interim Financial Reporting*" ("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.

## 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 half-yearly financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) 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.

## Conclusion

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 2017 is not prepared, in all material respects, in accordance with IAS 34, Section 5:25d of the Financial Supervision Act of the Netherlands and the DTR of the UK FCA.

## Steven D Stormonth

*For and on behalf of KPMG Channel Islands Limited*

*Chartered Accountants*

*Glategny Court, Glategny Esplanade, St Peter Port, Guernsey GY1 1WR*

*28 March 2017*

**UNAUDITED CONDENSED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE PERIOD ENDED 31 JANUARY 2017**

	Notes	1 August 2016 to 31 January 2017 €	1 August 2015 to 31 January 2016 €
<b>Operating income and financing charges</b>			
Net gain/(loss) on financial assets at fair value through profit or loss		42,018,119	(8,924,226)
Net foreign exchange 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		(4,561,865)	(2,480,787)
Net gain on interest rate derivatives		164,450	—
Interest expense on repurchase agreement	12	(540,416)	(396,920)
Net bank interest expense and charges		(35,081)	(26,501)
		<b>37,045,207</b>	<b>(11,828,434)</b>
<b>Operating expenditure</b>			
Investment Management Fees	20	(2,013,786)	(2,190,067)
Investment Manager Performance Fees	20	(1,528,163)	—
Directors' remuneration and expenses	7	(194,513)	(235,014)
Legal fees		(78,040)	(24,606)
Company secretarial, administration and accountancy fees	8	(139,826)	(148,403)
Audit, audit related and non-audit related fees		(62,224)	(86,950)
Insurance		(15,548)	(32,652)
Depositary fees		(46,962)	(108,227)
Portfolio valuation and administration fees		(7,366)	(11,539)
Other operating expenses		(118,805)	(152,448)
		<b>(4,205,233)</b>	<b>(2,989,906)</b>
<b>Total comprehensive income/(loss) for the period</b>		<b>32,839,974</b>	<b>(14,818,340)</b>
<b>Earnings per share</b>			
Basic and diluted earnings/(loss) per share	10	€0.8988	(€0.4058)
		<b>Number of Shares</b>	<b>Number of Shares</b>
<b>Weighted average number of Shares outstanding</b>			
Basic and diluted	10	36,537,551	36,513,159

**Other comprehensive income**

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

The Notes on pages 18 to 40 form part of these unaudited condensed interim financial statements.



**UNAUDITED CONDENSED STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 JANUARY 2017**

	Notes	31 January 2017 €	31 July 2016 (audited) €
<b>ASSETS</b>			
<b>Current assets</b>			
Financial assets at fair value through profit or loss	11	315,078,207	324,141,161
Derivatives	13	1,909,080	1,236,789
Cash and cash equivalents		34,359,870	10,925,201
Trade and other receivables	14	5,437,418	4,962,796
<b>TOTAL ASSETS</b>		<b>356,784,575</b>	<b>341,265,947</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Share capital	16	—	—
Share premium	17	35,480,102	33,989,102
Warrants	16, 17	—	1,410,000
Other distributable reserves	18	134,926,097	146,252,956
Accumulated gain	18	140,468,013	107,628,039
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>310,874,212</b>	<b>289,280,097</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Loan financing received under repurchase agreement	12	41,728,500	40,275,000
Interest payable on loan financing	12	142,380	114,960
Trade and other payables	15	4,039,483	11,595,890
<b>TOTAL LIABILITIES</b>		<b>45,910,363</b>	<b>51,985,850</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>356,784,575</b>	<b>341,265,947</b>
<b>NAV per share outstanding</b>			
Basic and diluted		<b>€8.5077</b>	<b>€7.9215</b>

These financial statements on pages 14 to 40 were approved by the Board of Directors on 28 March 2017 and were signed on its behalf by:

**Paul Meader**  
*Chairman*

**Stephen Le Page**  
*Chairman of the Audit Committee*

The Notes on pages 18 to 40 form part of these unaudited condensed interim financial statements.

**UNAUDITED CONDENSED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY  
FOR THE PERIOD ENDED 31 JANUARY 2017**

	Notes	Share premium €	Warrants €	Other distributable reserves €	Accumulated gain €	Total €
Balance at 31 July 2015 (audited)		33,840,763	1,410,000	168,894,228	95,043,127	299,188,118
Total comprehensive loss for the period		—	—	—	(14,818,340)	(14,818,340)
Issue of Ordinary Shares to Directors	16, 17	69,214	—	—	—	69,214
Dividends paid in cash	9, 18	—	—	(11,319,885)	—	(11,319,885)
<b>Balance at 31 January 2016</b>		<b>33,909,977</b>	<b>1,410,000</b>	<b>157,574,343</b>	<b>80,224,787</b>	<b>273,119,107</b>
Balance at 31 July 2016 (audited)		<b>33,989,102</b>	<b>1,410,000</b>	<b>146,252,956</b>	<b>107,628,039</b>	<b>289,280,097</b>
Total comprehensive income for the period		—	—	—	<b>32,839,974</b>	<b>32,839,974</b>
Issue of Ordinary Shares to Directors	16, 17	<b>81,000</b>	—	—	—	<b>81,000</b>
Expiry of warrants	16, 17	<b>1,410,000</b>	<b>(1,410,000)</b>	—	—	—
Dividends paid in cash	9, 18	—	—	<b>(11,326,859)</b>	—	<b>(11,326,859)</b>
<b>Balance at 31 January 2017</b>		<b>35,480,102</b>	<b>—</b>	<b>134,926,097</b>	<b>140,468,013</b>	<b>310,874,212</b>

The Notes on pages 18 to 40 form part of these unaudited condensed interim financial statements.

**UNAUDITED CONDENSED STATEMENT OF CASH FLOWS  
FOR THE PERIOD ENDED 31 JANUARY 2017**

	1 August 2016 to 31 January 2017 €	1 August 2015 to 31 January 2016 €
<b>Cash flows used in operating activities</b>		
Total comprehensive income/(loss) for the period	32,839,974	(14,818,340)
Adjustments for:		
Net (gain)/loss on financial assets at fair value through profit or loss	(42,018,119)	8,924,226
Net movement in unrealised loss on revaluation of derivatives	(672,291)	(172,839)
Interest expense on repurchase agreement	540,416	396,920
Foreign exchange loss on retranslation of repurchase agreement	1,453,500	648,000
Decrease/(increase) in trade and other receivables, excluding amounts due from brokers	6,347	(7,904)
Increase/(decrease) in trade and other payables, excluding amounts due to brokers	1,541,943	(1,331,232)
Directors' fees paid in the form of Shares	81,000	69,214
<b>Net cash used in operating activities</b>	<b>(6,227,230)</b>	<b>(6,291,955)</b>
<b>Cash flows from/(used in) investing activities</b>		
Coupons and dividends received	17,980,261	15,732,424
Purchase of financial assets at fair value through profit or loss	(44,544,124)	(65,663,108)
Proceeds from sales and redemptions of financial assets at fair value through profit or loss	68,065,617	32,866,535
<b>Net cash from/(used in) investing activities</b>	<b>41,501,754</b>	<b>(17,064,149)</b>
<b>Cash flows (used in)/from financing activities</b>		
Dividends paid	(11,326,859)	(11,319,885)
Proceeds from loan financing under repurchase agreement	—	13,579,500
Interest paid on repurchase agreement	(512,996)	(350,003)
<b>Net cash (used in)/from financing activities</b>	<b>(11,839,855)</b>	<b>1,909,612</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>23,434,669</b>	<b>(21,446,492)</b>
Cash and cash equivalents at the beginning of the period	10,925,201	38,133,120
<b>Cash and cash equivalents at the end of the period</b>	<b>34,359,870</b>	<b>16,686,628</b>

The Notes on pages 18 to 40 form part of these unaudited condensed interim financial statements.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 JANUARY 2017

## 1. REPORTING ENTITY

Information regarding the Company and its activities is provided in the Corporate Summary on page 41.

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 impact 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 2016. The audited financial statements of the Company as at and for the year ended 31 July 2016 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.

*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, as disclosed in the audited financial statements for the year ended 31 July 2014. 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.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 JANUARY 2017

### 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 2016 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 and fund investments (see below) 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 the 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.

Independent third parties have been engaged by the Board to review the valuations and/or valuation assumptions for the majority of the Company's investment portfolio as at 31 January 2017 and have concluded that they were fair and reasonable.

Volta's policy is to publish its Estimated NAV as timely as possible 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.

As at the date of publication of its Estimated NAV as at 31 January 2017, approximately 12.0% of Volta's Estimated NAV comprised investments in funds for which the relevant NAVs as at the month-end date were not yet available, being as at 30 September 2016 for 1.0% of Volta's Estimated NAV and as at 31 December 2016 for 11.0% of Volta's Estimated NAV. Subsequent to the Estimated NAV publication date, up-to-date NAV information was received for all fund investments except for Crescent European Speciality Lending Fund, representing 1.0% of Volta's NAV, for which the latest available NAV remained as at 30 September 2016 as at the date of approval of these financial statements. Consequently, such investments in funds are valued in the Statement of Financial Position using the up-to-date NAV for each fund.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 JANUARY 2017

### 4. DETERMINATION OF FAIR VALUES (CONTINUED)

In accordance with Volta's valuation policy, the Company's GAV and NAV as at 31 January 2017 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 2017	% of NAV as at 31 July 2016	Valuation methodology
ABS Residual – SANCF* and Fintake European Leasing DAC*	2.1%	1.1%	Discounted projected cash flow model-based valuation using a discount rate of 11% (2016: 11%) for SANCF. Fintake European Leasing DAC is still within the ramp-up phase (i.e. not yet fully invested) and as a result continues to be valued at cost.
ABS Residual – ALBA 2006-2	—	2.3%	Sold during the period (2016: discounted projected cash flow model-based valuation using a discount rate of 8%).
CCC Equity – Promise Mobility	0.6%	0.6%	Discounted projected cash flow model-based valuation using a discount rate of 12% (2016: 12%) and a recovery rate of 45% (2016: 45%).
SCC BBS – BBS 2015-1*, BBS 2015-2*; BBS 2015-3*; BBS 2015-4*, BBS 2016-1* and BBS 2017-1*	8.8%	6.8%	Discounted projected cash flow model-based valuation using discount rates within a range of 5% to 12% (2016: 5% to 12%), constant default rates within a range of 0.5% to 1.1% (2016: 0.5% to 1.1%), prepayment rates within a range of 0% to 20% (2016: 0% to 20%) and recovery rates within a range of 56% to 67% (2016: 56% to 63%).
Investments in funds – Bank Deleveraging Opportunity Fund, St Bernard Opportunity Fund, Tennenbaum Opportunities Fund V, Bank Capital Opportunity Fund and Crescent European Speciality Lending Fund	12.1%	12.6%	Valued using the NAV provided by the underlying fund administrators.
Recently purchased assets	—	3.2%	Being purchased either within less than one month of the relevant reporting date, or being purchased within less than six months of the relevant reporting date and being still within the ramp-up phase (i.e. not yet fully invested), these assets were valued at cost.
<b>Total as a percentage of NAV</b>	<b>23.6%</b>	<b>26.6%</b>	

\* The investments in SANCF, Fintake European Leasing DAC, BBS 2015-1, BBS 2015-3, BBS 2015-4 and BBS 2017-1 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

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 on the next page shows a reconciliation between the Estimated NAV used by the Board and published as at 31 January 2017 and that contained in these financial statements.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 JANUARY 2017

### 5. PUBLISHED ESTIMATED NAV RECONCILIATION (CONTINUED)

	31 January 2017 €
Published Estimated NAV at 31 January 2017	310,767,253
Adjustments:	
– Cash balances held at RBSI	244,834
– Prepayments of operating expenses	29,478
– Accruals for expenses not taken into account in the published Estimated NAV	(491,755)
– Adjustments to valuations of funds to use the up-to-date underlying NAVs as at 31 January 2017	324,402
<b>NAV per Statement of Financial Position at 31 January 2017</b>	<b>310,874,212</b>

### 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 2016 to 31 January 2017 €	1 August 2015 to 31 January 2016 €
Directors’ fees (cash element)	133,000	157,295
Directors’ fees (equity element, settled during the period)	30,000	36,214
Directors’ fees (equity element, settled after the period end)	27,000	31,125
Directors’ expenses	4,513	10,380
	<b>194,513</b>	<b>235,014</b>

### 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 with respect to the activities and responsibilities as set out in the Administration, Secretarial and Portfolio Administration Agreement. Additional administration fees totalling EUR 11,946 were incurred with respect to matters outside the scope of the Administration, Secretarial and Portfolio Administration Agreement during the current period.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 JANUARY 2017

### 9. DIVIDENDS

The following dividends have been declared and/or paid during the semi-annual period ended 31 January 2017 and during prior periods:

	Dividend per share €
<b>Quarterly dividend (to be paid on 30 March 2017)</b>	<b>0.15</b>
Quarterly dividend (paid on 22 December 2016)	0.16
Quarterly dividend (paid on 27 September 2016)	0.15
Dividend for the semi-annual period ended 31 January 2016 (paid on 19 April 2016)	0.31
Dividend for the semi-annual period ended 31 July 2015 (paid on 14 December 2015)	0.31

On 12 August 2016, the Company announced that the expected frequency of its dividend distributions would be quarterly from September 2016 onwards. 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 2016 to 31 January 2017 €	1 August 2015 to 31 January 2016 €
<b>Profit/(loss) for the purposes of basic EPS, being net profit attributable to equity holders</b>	<b>32,839,974</b>	<b>(14,818,340)</b>
	<b>Number</b>	<b>Number</b>
Weighted average number of Ordinary Shares for the purposes of basic EPS	<b>36,537,551</b>	36,513,159
Dilutive effect of Ordinary Shares subject to warrants (exercisable at €10 per share)	—	—
<b>Weighted average number of Ordinary Shares for the purposes of diluted earnings per share</b>	<b>36,537,551</b>	36,513,159

The average market price, based on closing prices quoted on Euronext Amsterdam, for one Ordinary Share during the semi-annual period ended 31 January 2017 was €7.12 (€6.04 during the semi-annual period ended 31 January 2016).



## NOTES TO THE FINANCIAL STATEMENTS FOR THE 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.

	<b>Six months ended 31 January 2017</b>	Six months ended 31 July 2016	Six months ended 31 January 2016
	€	€	€
Fair value brought forward	<b>324,141,161</b>	299,556,508	307,310,444
Purchases	<b>35,445,774</b>	70,483,654	50,633,987
Sale and redemption proceeds received	<b>(69,535,199)</b>	(55,602,359)	(32,866,535)
Realised and unrealised movement in fair value, including accrued income and dividends receivable that are included in the investment fair values	<b>25,026,471</b>	9,703,358	(25,521,388)
Fair value carried forward	<b>315,078,207</b>	324,141,161	299,556,508

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

	<b>31 January 2017</b>	31 July 2016
	€	€
Pledged assets	<b>79,151,402</b>	77,137,130
Unpledged assets	<b>235,926,805</b>	247,004,031
Fair value carried forward	<b>315,078,207</b>	324,141,161

### 12. LOAN FINANCING RECEIVED UNDER REPURCHASE AGREEMENT

	<b>31 January 2017</b>	31 July 2016
	€	€
Loan financing received under repurchase agreement ("Repo")	<b>41,728,500</b>	40,275,000

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 1.70%. The Company initially drew down USD 30.0 million on 16 March 2015 and drew down a further USD 15.0 million on 18 September 2015. The proceeds from the Repo were principally used to purchase further USD CLO Debt securities.

As at 31 January 2017, the purchased securities and additional collateral comprised USD CLO Debt securities with an aggregate market value of EUR 79.2 million (USD 85.4 million). As at 31 July 2016, the collateral comprised USD CLO Debt securities with an aggregate market value of EUR 77.1 million (USD 86.2 million).

The scheduled final repurchase date is 18 March 2020. 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 paid under the Repo during the financial period totalled €512,996 (period ended 31 January 2016: €350,003) and accrued unpaid interest under the Repo as at 31 January 2017 was €142,380 (as at 31 July 2016: €114,960).

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 JANUARY 2017

### 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 year end as presented in the Statement of Financial Position.

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

	31 January 2017 €	31 July 2016 €
Revaluation of foreign exchange forward and option positions:		
– Citibank	(1,313,520)	478,432
– Merrill Lynch	66,474	(39,380)
– Crédit Agricole	(884,452)	307,737
Net margin amount paid as at the period end:		
– Citibank	1,410,000	490,000
– Crédit Agricole	1,100,000	—
Net carrying value of foreign exchange derivative positions	378,502	1,236,789
Unrealised loss on interest rate derivative positions:		
– Goldman Sachs	(79,870)	—
Realised gain on interest rate derivatives:		
– Goldman Sachs	242,681	—
Net margin amount paid as at the period end:		
– Goldman Sachs	1,367,767	—
Net carrying value of interest rate derivative positions	1,530,578	—
<b>Net carrying value of derivative positions</b>	<b>1,909,080</b>	<b>1,236,789</b>

### 14. TRADE AND OTHER RECEIVABLES

	31 January 2017 €	31 July 2016 €
Prepayments and other receivables	29,478	35,825
Interest receivable	407,940	1,396,553
Amounts due from brokers	5,000,000	3,530,418
	<b>5,437,418</b>	<b>4,962,796</b>

### 15. TRADE AND OTHER PAYABLES

	31 January 2017 €	31 July 2016 €
Investment Management Fees	2,013,786	1,934,696
Investment Manager Performance Fees	1,528,163	—
Directors' fees (cash payable)	63,000	119,000
Directors' fees (Shares payable)	27,000	51,000
Amounts due to brokers	—	9,098,350
Accrued expenses and other payables	407,534	392,844
	<b>4,039,483</b>	<b>11,595,890</b>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 JANUARY 2017

### 16. SHARE CAPITAL

#### Authorised

	31 January 2017 Number of Shares	31 July 2016 Number of Shares
Ordinary Shares of no par value each	<b>Unlimited</b>	Unlimited
Class B convertible Ordinary Share of no par value	<b>1</b>	1
Class C non-voting convertible Ordinary Shares of no par value each	<b>Unlimited</b>	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 will entitle 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.

The Class C Shares are non-voting Shares but in all other respects have the same rights and entitlements as the Ordinary Shares. Class C Shares were previously issued to the Investment Manager in respect of 50% of any Performance Fees payable under the terms of the Investment Management Agreement that was effective until 31 July 2014. All of the Class C Shares that were previously issued have been converted to Ordinary Shares upon sale by the Investment Manager to a party unaffiliated with the Investment Manager. Consequently, no Class C Shares are currently in issue, with the final remaining Class C Shares converted into Ordinary Shares on 3 May 2016. There is currently no mechanism by which any Class C Shares will ever be issued in the future as any Performance Fees are payable entirely in the form of cash under the terms of the Investment Management Agreement that is currently effective.

#### 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 2015	36,001,342	1	504,717	36,506,060	3,000,000
Issued to Directors during the period	9,702	—	—	9,702	—
Conversion of Class C Shares to Ordinary Shares	174,057	—	(174,057)	—	—
Balance at 31 January 2016	36,185,101	1	330,660	36,515,762	3,000,000
Issued to Directors during the period	12,787	—	—	12,787	—
Conversion of Class C Shares to Ordinary Shares	330,660	—	(330,660)	—	—
Balance at 31 July 2016	<b>36,528,548</b>	<b>1</b>	<b>—</b>	<b>36,528,549</b>	<b>3,000,000</b>
Issued to Directors during the period	<b>11,773</b>	<b>—</b>	<b>—</b>	<b>11,773</b>	<b>—</b>
Expiration of warrants	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(3,000,000)</b>
<b>Balance at 31 January 2017</b>	<b>36,540,321</b>	<b>1</b>	<b>—</b>	<b>36,540,322</b>	<b>—</b>

As at 31 January 2017, an aggregate amount of 299,191 (31 July 2016: 287,418) Ordinary Shares had been issued to the current Directors on a quarterly basis in respect of 30% of their fees, of which 11,773 were issued during the period; these Shares were issued to the Directors in respect of their fees during the period at €6.80 and €7.02 per share. The warrants expired at nil value on 31 December 2016.

As at 31 January 2017 and at 31 July 2016, the Company held nil treasury Shares.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 JANUARY 2017

### 17. SHARE PREMIUM ACCOUNT

	Ordinary Shares €	Class B Share €	Class C Shares €	Total €
Balance at 31 July 2015	30,611,938	—	3,228,825	33,840,763
Issued to Directors during the period	69,214	—	—	69,214
Conversion of Class C Shares to Ordinary Shares	1,574,326	—	(1,574,326)	—
Balance at 31 January 2016	32,255,478	—	1,654,499	33,909,977
Issued to Directors during the period	79,125	—	—	79,125
Conversion of Class C Shares to Ordinary Shares	1,654,499	—	(1,654,499)	—
Balance at 31 July 2016	<b>33,989,102</b>	—	—	<b>33,989,102</b>
Issued to Directors during the period	<b>81,000</b>	—	—	<b>81,000</b>
Expiry of warrants	<b>1,410,000</b>	—	—	<b>1,410,000</b>
<b>Balance at 31 January 2017</b>	<b>35,480,102</b>	—	—	<b>35,480,102</b>

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.

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 2015	95,043,127	168,894,228
Total comprehensive loss for the period	(14,818,340)	—
Dividends paid in cash	—	(11,319,885)
At 31 January 2016	80,224,787	157,574,343
At 31 July 2016	<b>107,628,039</b>	<b>146,252,956</b>
Total comprehensive income for the period	<b>32,839,974</b>	—
Dividends paid in cash	—	(11,326,859)
<b>At 31 January 2017</b>	<b>140,468,013</b>	<b>134,926,097</b>

The accumulated gain reserve represents all profits and losses recognised through the 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.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 JANUARY 2017

### 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 2016.

#### **Market risk**

Market risk is the risk of changes in market prices, such as foreign exchange rates, interest rates 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 comes mainly from movements in the value of its investments. Changes in credit spreads may further affect the Company's net equity or net income directly through their impact on unrealised gains or losses on investments within the portfolio and therefore the Company's ability to make gains on such investments, or indirectly through their impact on the Company's ability to borrow and access capital (and its cost of capital).

The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimising the return on risk. 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 market risk is managed on a daily basis by the Investment Manager in accordance with the policies and procedures in place.

The Company intends to mitigate market risk generally 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 generally intends to structure synthetic investment exposures so as to mitigate credit exposure to its counterparties insofar as is feasible. The Company's market positions are monitored on a quarterly basis by the Board of Directors. 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 risks. The instruments used include interest rate swaps, forward contracts, futures and options. The Company does not apply hedge accounting.

#### **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 that 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.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 JANUARY 2017

### 19. FINANCIAL RISK MANAGEMENT (CONTINUED)

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 2017 and 31 July 2016:

	31 January 2017			
	Level 1	Level 2	Level 3	Total
	€	€	€	€
Financial assets at fair value through profit or loss:				
– Securities	—	—	315,078,207	315,078,207
Financial assets at fair value through profit or loss:				
– Derivatives	—	1,909,080	—	1,909,080
	—	1,909,080	315,078,207	316,987,287

	31 July 2016			
	Level 1	Level 2	Level 3	Total
	€	€	€	€
Financial assets at fair value through profit or loss:				
– Securities	—	—	324,141,161	324,141,161
Financial assets at fair value through profit or loss:				
– Derivatives	—	1,236,789	—	1,236,789
	—	1,236,789	324,141,161	325,377,950

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 used prices from an independent pricing source, Pricing Direct, for all CLO Debt securities. The Company has used prices from market participants supported by valuation models developed by the Investment Manager for the majority of the remainder of the Company's investments, whilst fund investments are valued using the NAV provided by the underlying fund administrator and the Company has used a mark-to-model approach for the remaining investments to derive their fair value (see Note 4). The sources of these fair values are not considered to be publicly available information. Foreign exchange and interest rate derivatives (open option positions and open foreign exchange swaps) are included within Level 2 as their prices are not publicly available but are derived from information that is publicly available.

The following table represents the movement in Level 3 instruments for the period ended 31 January 2017:

	€
Fair value at 1 August 2016	324,141,161
Purchases	35,445,774
Sale and redemption proceeds	(69,535,199)
Net gains for the period on assets sold excluding interest and coupons received	2,267,662
Unrealised movement in fair value including accrued interest and coupons	22,758,809
Fair value at 31 January 2017	315,078,207

The following table represents the movement in Level 3 instruments for the year ended 31 July 2016:

	€
Fair value at 1 August 2015	307,310,444
Purchases	121,117,641
Sale and redemption proceeds	(88,468,894)
Net gains for the period on assets sold excluding interest and coupons received	2,722,843
Unrealised movement in fair value including accrued interest and coupons	(18,540,873)
Fair value at 31 July 2016	324,141,161

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 JANUARY 2017

### 19. FINANCIAL RISK MANAGEMENT (CONTINUED)

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 movement in fair value disclosed in the tables above relates to investments held as at 31 January 2017 and 31 July 2016 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 2017 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 quoted 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. For additional information please refer to the non-exhaustive list presented in the Principal Risk Factors on pages 9 to 11.

#### 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 possible changes:

- (i) The rate of occurrence of defaults at the underlying loan portfolio level. The base case scenario is to project defaults at circa 2.8% per year. A reasonably possible 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 possible changes in the CPR would be a decrease in the CPR of the underlying loan portfolios from 30% to 15% for 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.

Asset class	% of GAV	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	
		Price impact	Impact on GAV	Price impact	Impact on GAV	Price impact	Impact on GAV
USD/EUR CLO 1.0 Equity	6.3%	(1.2%)	(0.1%)	(2.5%)	(0.2%)	2.5%	0.2%
USD/EUR CLO 2.0 Equity	17.0%	(20.0%)	(3.4%)	(34.0%)	(5.8%)	(4.1%)	(0.7%)
USD/EUR CLO 1.0 Debt	6.1%	—	—	—	—	—	—
USD/EUR CLO 2.0 Debt	37.9%	(0.8%)	(0.3%)	(1.0%)	(0.4%)	0.5%	0.2%
All CLO tranches	67.3%		(3.8%)		(6.4%)		(0.3%)

As presented above, a reasonably possible 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).

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 JANUARY 2017

### 19. FINANCIAL RISK MANAGEMENT (CONTINUED)

#### *Sensitivity analysis (continued)*

##### *Synthetic Corporate Credit Bank Balance Sheet transactions*

The investments within this asset class (representing 13.7% of the GAV) are first-loss exposures to diversified portfolios of investment grade and sub-investment grade corporate credits. The Directors consider a reasonably possible change in the default rate to be a possible 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 a 9.3% decrease in the average prices of these assets, thereby leading to a 1.3% decrease in the GAV. An equal and opposite decrease in defaults as referred to above would be likely to lead to a 9.3% increase in the average prices of these assets, thereby leading to a 1.3% increase in the GAV.

Asset class	% of GAV	Impact of an increase in default rate to 1.5x historical average		Impact of a decrease in default rate to 0.5x historical average	
		Price impact	Impact on GAV	Price impact	Impact on GAV
SCC – BBS	13.7%	(9.3%)	(1.3%)	9.3%	1.3%

##### *ABS Residual positions*

As at 31 January 2017, the Company held two investments in this asset class (Fintake European Leasing DAC and SANCF 2014-1 Class E, representing 1.0% and 0.9% 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 possible and would be likely to decrease the price by 1.0% and decrease the GAV by an insignificant amount.

##### *Cash Corporate Credit Equity transactions*

As at 31 January 2017, the Company held three investments in this asset class (Tennenbaum Opportunities Fund V, Crescent European Specialty Lending Fund and Promise Mobility, representing 1.8%, 0.9% and 0.5% 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. Approximately 40% of the 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 2017. Consequently, the Directors do not believe that it is feasible to test the sensitivity of the value of this investment.

As at 31 January 2017, the only remaining assets held by Promise Mobility were defaulted assets. Consequently, the valuation of Promise Mobility is sensitive only to the severity of the eventual losses incurred on such assets; however, as these assumptions are very specific, a sensitivity for Promise Mobility is difficult to model.

##### *ABS Debt positions*

As at 31 January 2017, the Company held one investment in this asset class (St Bernard Opportunity Fund) representing 2.4% of the GAV.

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. However, it should be noted that, as at 31 January 2017 and over the last twelve months, St Bernard's volatility was 1.8% for an annual performance of 2.2% (the respective figures since inception of this fund are 5.2% volatility for an annualised performance of 12.0%). The Investment Manager believes that this gives a reasonable indication of the risk profile of this investment.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 JANUARY 2017

### 19. FINANCIAL RISK MANAGEMENT (CONTINUED)

#### **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 investment is 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 over-the-counter 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.

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 independent third parties 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 opened 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. For further details of the projected IRR, as estimated using standard historical assumptions, please see the "Projected IRR on Volta's portfolio" section in the Investment Manager's Report. 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.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 JANUARY 2017

### 19. FINANCIAL RISK MANAGEMENT (CONTINUED)

#### 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 2017 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 2017 given the limited amount of exposure.

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.

<i>Currency risk profile as at 31 January 2017</i>	Denominated in EUR €	Denominated in USD €	Denominated in GBP €	Denominated in CHF €	Total €
Financial assets at fair value through profit or loss	107,470,988	199,148,058	—	8,459,161	315,078,207
Derivative contracts	81,948,447	(80,039,367)	—	—	1,909,080
Cash and cash equivalents	24,597,024	9,110,193	330,166	322,487	34,359,870
Trade and other receivables	5,029,505	392,372	15,541	—	5,437,418
Loan financing received under repurchase agreement	—	(41,728,500)	—	—	(41,728,500)
Interest payable on loan financing	—	(142,380)	—	—	(142,380)
Trade and other payables	(3,921,083)	(1,391)	(117,009)	—	(4,039,483)
	215,124,881	86,738,985	228,698	8,781,648	310,874,212

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

Description of open positions	Nominal amount USD	Average strike price \$/€
Forward foreign exchange contracts (USD sold forward vs. EUR)	110,000,000	1.11
Long position – USD calls vs. EUR	65,000,000	0.99
Short position – USD puts vs. EUR	65,000,000	1.19

	Valuation of foreign exchange derivative positions €
Aggregate revaluation gain	(2,131,498)
Margin accounts balance – amounts paid	2,510,000
Unsettled amount receivable	378,502

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 JANUARY 2017

### 19. FINANCIAL RISK MANAGEMENT (CONTINUED)

#### Currency risk (continued)

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 possible change.

#### Currency rate sensitivity as at 31 January 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	878,165	0.3%	(878,165)	(0.3%)
USD/EUR	9,329,000	3.0%	(8,794,000)	(2.8%)

#### Currency risk profile as at 31 July 2016

	Denominated in EUR €	Denominated in USD €	Denominated in GBP €	Denominated in CHF €	Total €
Financial assets at fair value through profit or loss	110,449,631	198,749,110	6,535,737	8,406,683	324,141,161
Derivative contracts	63,432,129	(62,195,340)	—	—	1,236,789
Cash and cash equivalents	4,167,379	5,976,992	627,245	153,585	10,925,201
Trade and other receivables	4,962,796	—	—	—	4,962,796
Loan financing received under repurchase agreement	—	(40,275,000)	—	—	(40,275,000)
Interest payable on loan financing	—	(114,960)	—	—	(114,960)
Trade and other payables	(11,389,793)	(2,685)	(203,412)	—	(11,595,890)
	171,622,142	102,138,117	6,959,570	8,560,268	289,280,097

The following foreign exchange swaps and options were unsettled as at 31 July 2016:

Description of open positions	Nominal amount USD	Average strike price \$/€
Forward foreign exchange contracts (USD sold forward vs. EUR)	102,000,000	1.11
Long position – USD calls vs. EUR	63,000,000	1.06
Short position – USD puts vs. EUR	63,000,000	1.13
		Valuation of derivative positions €
Aggregate revaluation gain		746,789
Margin accounts balance – amounts paid		490,000
Unsettled amount receivable		1,236,789

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 possible change.

#### Currency rate sensitivity as at 31 July 2016

	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	856,027	0.3%	(856,027)	(0.3%)
GBP/EUR	695,957	0.2%	(695,957)	(0.2%)
USD/EUR	9,062,000	3.1%	(9,046,000)	(3.1%)

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 JANUARY 2017

### 19. FINANCIAL RISK MANAGEMENT (CONTINUED)

#### ***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.

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.

Overall, for the US dollar and euro transactions that continue to be held since early/mid 2007 the effective cash flows available for the owner of the residual positions increased significantly throughout the financial crisis as a result of the significant increase of the weighted average spread of the underlying portfolios. Such positions are 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. However, they strongly benefit from a historically cheap cost of leverage that was locked in before the 2008 crisis and they may also benefit from some of their intrinsic features, mainly the ability to re-invest diverted amounts and prepayments.

As at 31 January 2017, the Company held 34 positions in debt tranches of CLOs accounting for 44.0% of Volta's end-of-year GAV. 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 asset, 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.

The ABS positions comprise three different investments: a position in a fund mainly investing in US RMBS debt tranches (St Bernard Opportunity Fund), representing 56.7% of the fair value of this asset class and 2.4% of the GAV; a junior debt position in a Spanish auto loan securitisation (SANCF 2014-1 Class E), representing 20.4% of the fair value of this asset class and 0.9% of the GAV; and one French leases ABS Residual position (Fintake European Leasing DAC), representing 22.9% of the fair value of this asset class and 1.0% of the GAV.

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

The Cash Corporate Credit assets include three positions: one loan fund (Tennenbaum), one private debt fund (Crescent) and one residual position exposed to German SME loans (Promise Mobility). During the financial period, no particular events affected the situation of any of these three positions. The German SME loan position was finally redeemed in March 2017, after the end of the semi-annual period. The Synthetic Corporate Credit bucket comprises first-loss positions in credit portfolios, representing 13.7% 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 Note 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.

Substantially all of the cash held by the Company is held at 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.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 JANUARY 2017

### 19. FINANCIAL RISK MANAGEMENT (CONTINUED)

#### ***Credit risk and counterparty risk (continued)***

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 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 Citibank N.A., London Branch ("Citibank"); Crédit Agricole Corporate and Investment Bank ("Crédit Agricole"); Merrill Lynch International ("Merrill Lynch"); and Goldman Sachs International ("Goldman Sachs").

The Company monitors its risk by monitoring the credit ratings of Citibank, 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:

Counterparties	Credit ratings assigned by the ratings agencies as at the reporting date		
	Moody's	Standard & Poor's	Fitch
Citibank	A1 (stable)	A+ (stable)	A+ (stable)
Crédit Agricole	A1 (stable)	A (stable)	A (positive)
Merrill Lynch	—	A+ (stable)	A (stable)
Société Générale	A2 (stable)	A (stable)	A (stable)
State Street Bank	Aa1 (stable)	AA- (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.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 JANUARY 2017

### 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	As at
		31 January 2017 % (based on GAV)	31 July 2016 % (based on GAV)
CLO	USD CLO Equity	10.9	10.9
	EUR CLO Equity	12.4	10.4
	USD CLO Debt	39.1	40.2
	EUR CLO Debt	4.9	10.5
Synthetic Corporate Credit	Bank Balance Sheet transactions	13.7	12.2
Cash Corporate Credit	Cash Corporate Credit Equity	3.1	3.0
	Cash Corporate Credit Debt	—	1.2
ABS	ABS Residual positions	1.8	3.8
	ABS Debt	2.4	2.8
Cash	(Net of amounts due to brokers)	11.7	5.0

The table above shows exposures to asset type based on mark-to-market prices (based on GAV). Figures may not add up to 100% due to rounding.

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 as at 31 January 2017 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):

Issuer name	Industry group	Average exposure of CLO Equity tranches % of GAV
Altice Financing	Telecommunications	0.73%
Ziggo Secured Finance	Telecommunications	0.71%
Compass Group/Compass Diversified	Banking, Finance & Real Estate	0.70%
Ineos Group	Chemicals	0.70%
First Data	Software	0.63%
Dell International	Household Products	0.55%
Valeant Pharmaceuticals	Pharmaceuticals	0.52%
TransDigm	Aerospace/Defence	0.52%
Calpine	Utilities	0.46%
Springer Science & Business	Media	0.45%
MACDERMID INC	Chemicals	0.41%
Advantage Sales & Marketing	Advertising	0.37%
Asurion	Insurance	0.35%
US Renal Care	Healthcare-Services	0.33%
DTZ US Borrower	Real Estate	0.33%
Acosta	Advertising	0.32%
Sabre	Leisure Time	0.32%
Albertson's	Food	0.32%
AI Chem & CY SCA (Monarch/Allnex)	Chemicals	0.31%
Ortho-Clinical Diagnostics	Healthcare-Products	0.30%

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 JANUARY 2017

### 19. FINANCIAL RISK MANAGEMENT (CONTINUED)

#### **Concentration risk (continued)**

Based on the current weighting of CLO Equity positions (23.3% of GAV), the default of one underlying loan representing 1% of all the CLO Equity underlying portfolios would cause a decline of approximately 2.0% of current GAV, which would occur upon liquidation of the relevant CLO Equity tranches (assuming a standard recovery rate of 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. Accumulating defaults at the level of the underlying credit portfolios, direct concentration, 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 Note 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.

#### **Maturity profile**

The following tables show the legal maturity of the securities:

*Maturity profile as at 31 January 2017*

	Within one year €	One to five years €	Over five years €	Total €
<b>Financial assets</b>				
Cash and cash equivalents	34,359,870	—	—	34,359,870
Financial assets at fair value through profit and loss	1,998,351	69,447,181	243,632,675	315,078,207
Derivative contracts	1,909,080	—	—	1,909,080
Trade and other receivables	5,437,418	—	—	5,437,418
	<b>43,704,719</b>	<b>69,447,181</b>	<b>243,632,675</b>	<b>356,784,575</b>
<b>Financial liabilities</b>				
Loan financing received under repurchase agreement	28,287,408	14,286,084	—	42,573,492
Interest payable on loan financing	142,380	—	—	142,380
Trade and other payables	4,039,483	—	—	4,039,483
	<b>32,469,271</b>	<b>14,286,084</b>	<b>—</b>	<b>46,755,355</b>

The maturity profile for financial assets as shown in the table above and the table overleaf is presented on a fair value basis whereas the maturity profile for financial liabilities is presented on a contractual cash flow basis.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 JANUARY 2017

### 19. FINANCIAL RISK MANAGEMENT (CONTINUED)

#### *Maturity profile (continued)*

Maturity profile as at 31 July 2016

	Within one year €	One to five years €	Over five years €	Total €
<b>Financial assets</b>				
Cash and cash equivalents	10,925,201	—	—	10,925,201
Financial assets at fair value through profit and loss	2,181,682	50,840,987	271,118,492	324,141,161
Derivative contracts	1,236,789	—	—	1,236,789
Trade and other receivables	4,962,796	—	—	4,962,796
	19,306,468	50,840,987	271,118,492	341,265,947
<b>Financial liabilities</b>				
Loan financing received under repurchase agreement	27,251,576	13,745,734	—	40,997,310
Interest payable on loan financing	114,960	—	—	114,960
Trade and other payables	11,595,890	—	—	11,595,890
	38,962,426	13,745,734	—	52,708,160

#### *Risks relating to leveraged exposure*

The Company's investment strategy involves a high degree of exposure to the risks of leverage. Investors in the Shares 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 USD 45 million drawn down under the Repo, as detailed in Note 12.

#### *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, although investments made during the year were predominantly concentrated in assets leveraging corporate credit exposures. 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 PARTY 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 €63,000 (31 July 2016: €119,000) had been accrued but not paid. Directors' fees to be paid in Shares of €27,000 (31 July 2016: €51,000) had been accrued but not paid and Directors' expenses of €161 (31 July 2016: €161) had been accrued but not paid.

As at 31 January 2017, the Directors of the Company controlled 0.93% (31 July 2016: 0.88%) of the voting Shares of the Company.

Under the Investment Management Agreement, the Investment Manager is entitled to receive a Management Fee from the Company at a rate of 1.5% per annum on the Company's NAV, calculated for each semi-annual period ending on 31 July and 31 January on the basis of the Company's NAV at the end of the preceding period and payable semi-annually in arrears. During the semi-annual period the Investment Management Fees earned were €2,013,786 (semi-annual period ended 31 January 2016: €2,190,067). Investment Management Fees accrued but unpaid as at 31 January 2017 were €2,013,786 (31 July 2016: €1,934,696).



## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 JANUARY 2017

### 20. RELATED PARTY DISCLOSURE (CONTINUED)

#### *Transactions with Directors and the Investment Manager (continued)*

The Investment Manager is entitled to receive a Performance Fee from the Company if the Company's NAV increases during a semi-annual period by an amount that exceeds a specified threshold ("Threshold A") and if the cumulative amount of the NAV increase, if any, over the most recent six semi-annual periods exceeds another specified threshold ("Threshold B"). The formula is set out below.

The formula is to pay Performance Fees equal to the lesser of A and B below:

- A: X% of the amount by which the NAV\* increase, if any, over the latest semi-annual period exceeds Threshold A; and
- B: X% of the cumulative amount over the most recent six semi-annual periods by which the NAV\* increase, if any, exceeds Threshold B (minus any Performance Fees already paid for the first five semi-annual periods).

X% is defined as 15% if the NAV plus cumulative dividends paid since the IPO as at the beginning of the period is below cumulative capital raised since the IPO, or 20% if the NAV plus cumulative dividends paid as at the beginning of the period is above cumulative capital raised. Threshold A is defined as the greater of (i) 8%\*\* of the cumulative capital raised and (ii) 10%\*\* of the NAV\*\*\* at the beginning of the semi-annual period.

Threshold B is defined as the greater of (i) 8%\*\* of the cumulative capital raised and (ii) 8%\*\* of the average NAV\*\*\* as at the beginning of each of the most recent six semi-annual periods.

\* As adjusted for dividends paid in cash; new Shares issued for cash; and expenses paid by issuance of Shares over the period.

\*\* Calculated on an annualised basis (ACT/ACT basis).

\*\*\* As adjusted for dividends paid in cash and new Shares issued for cash.

The formula will generate a Performance Fee payable to the Investment Manager based solely on the NAV performance of a single semi-annual period only if the cumulative performance over three years is greater than Threshold B. Any such Performance Fee payable will be paid entirely in cash.

During the semi-annual period Performance Fees of €1,528,163 were earned (semi-annual period ended 31 January 2016: €nil), which were unpaid as at 31 January 2017.

As stated in the Investment Manager's Report, the Investment Manager also acts as investment manager for the following of the Company's investments held as at the period end: Bank Deleveraging Opportunity Fund; Bank Capital Opportunity Fund; St Bernard Opportunity Fund (Series 6); Allegro CLO III Class D and E Notes; Adagio V Equity Subordinated Notes; Allegro CLO IV Class E Notes; Opera Structured Credit; and Prelude Credit Alpha PLC.

The Investment Manager earns Investment Management Fees 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.

Except for the Company's investments in 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 2017, AXA S.A. group investors and AXA Assurances Vie Mutuelle together held 24.9% (31 July 2016: 24.9%) of the voting Shares in the Company and AXA IM held 5.5% (31 July 2016: 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 2017.

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 JANUARY 2017**

### **21. COMMITMENTS**

As at 31 January 2017, the Company had the following uncalled commitments outstanding:

- Crescent European Specialty Lending Fund (a Cash Corporate Credit Equity transaction exposed to sub-investment grade corporate credits) – €4,502,002 (31 July 2016: €5,107,259) remaining commitment from an original commitment of €7,500,000;
- Fintake European Leasing DAC (an ABS Residual transaction exposed to French leases) – €7,276,000 (31 July 2016: €7,276,000) remaining commitment from an original commitment of €10,700,000; and
- Capitalised Manager Vehicle – \$20,000,000.

### **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 has purchased seven USD CLO Debt tranches for the equivalent of €15.9 million;
- One EUR CLO Debt tranche redeemed for €2.5 million;
- One Cash Corporate Credit Equity deal redeemed for €0.4 million; and
- Three drawdowns for an aggregate amount of \$6.4 million were called on the Company's investment in the Capitalised Manager Vehicle.

# 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. 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 Investment Managers Paris (the “Investment Manager” or “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 2017, the Company's NAV was €310.9 million, with the NAV per share amounting to €8.5077. 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 2017 can be seen in the Statement of Financial Position on page 15 (“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.

## DURATION

The Company has a perpetual life.

# CORPORATE SUMMARY

## WEBSITE

The Company's website address is [www.voltafinance.com](http://www.voltafinance.com).

## LISTING INFORMATION

The Company's Ordinary Shares are listed on Euronext Amsterdam (website: [www.euronext.com](http://www.euronext.com)) and the premium segment of the London Stock Exchange's Main Market for listed securities (website: [www.londonstockexchange.com](http://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 2017, the closing prices of the Company's listed Shares were as follows:

- Euronext Amsterdam – €7.36 per share; and
- London Stock Exchange – €7.39 per share.

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

As at 31 January 2017, 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	20,694,185	56.6
The Bank of New York (Nominees) Limited	5,551,317	15.2
Securities Services Nominees Limited	2,000,000	5.5

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

29 March 2017	Announcement of results for the semi-annual period ended 31 January 2017 and publication of the 2017 interim report
30 March 2017	Next quarterly dividend payment date

# 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 and is also Chair of the Multiple Sclerosis Society Guernsey branch.

## **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. Joan Musselbrook**

### ***Independent Director***

Ms Musselbrook was Managing Director at MBIA UK Insurance Limited, a leading financial guarantor and provider of other specialised financial services. She was responsible for most of MBIA's structured finance business in Europe, including CDOs and ABS. She began her career at NatWest's international division in 1985 and remained with the NatWest Group in various positions until 2000, at which time she was a Director of the Asset Securitisation Group at Greenwich NatWest, with particular responsibility for CDOs. She joined MBIA Assurance S.A. as a Director in 2000 and was Managing Director of MBIA UK Insurance Limited from 2004 to 2006. Ms Musselbrook is a member of the Institute of Directors and holds a degree from the University of Oxford.

## **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

## **Volta Finance Limited**

Company registration number: 45747  
(Guernsey, Channel Islands)

### **Registered office**

Third Floor, La Plaiderie Chambers  
La Plaiderie  
St Peter Port  
Guernsey GY1 1WG  
Channel Islands  
Tel: +44 (0)1481 739810  
E-mail: voltafinance@sannegroup.com  
Website: www.voltafinance.com

### **Company Secretary, Administrator and Portfolio Administrator**

**Sanne Group (Guernsey) Limited**  
Third Floor, La Plaiderie Chambers  
La Plaiderie  
St Peter Port  
Guernsey GY1 1WG  
Channel Islands

### **Depository**

**State Street Custody Services (Guernsey) Limited**  
PO Box 238  
Dorey Court, Admiral Park  
St Peter Port  
Guernsey GY1 3PF  
Channel Islands

### **Legal advisors as to English Law**

**Herbert Smith Freehills LLP**  
Exchange House  
Primrose Street  
London EC2A 2EG  
United Kingdom

### **Legal advisors as to Dutch Law**

**De Brauw Blackstone Westbroek N.V.**  
Claude Debussylaan 80  
PO Box 75084  
1070 AB Amsterdam  
The Netherlands

### **Legal advisors as to Guernsey Law**

**Mourant Ozannes**  
1 Le Marchant Street  
St Peter Port  
Guernsey GY1 4HP  
Channel Islands

### **Investment Manager**

**AXA Investment Managers Paris S.A.**  
Tour Majunga La Défense  
6 Place de la Pyramide  
92800 Puteaux  
France

### **Corporate broker and corporate finance advisor**

**Cenkos Securities plc**  
6.7.8 Tokenhouse Yard  
London  
EC2R 7AS  
United Kingdom

### **Independent Auditor**

**KPMG Channel Islands Limited**  
Gategny Court  
Gategny Esplanade  
St Peter Port  
Guernsey GY1 1WR  
Channel Islands

### **Listing agent (Euronext Amsterdam)**

**ING Bank N.V.**  
Bijlmerplein 888  
1102 MG Amsterdam  
The Netherlands

### **Registrar**

**Computershare Investor Services (Guernsey) Limited**  
C/o Queensway House  
Hilgrove Street  
St Helier  
Jersey JE1 1ES  
Channel Islands

## GLOSSARY

Definitions and explanations of methodologies used:

"ABS"	asset-backed securities.
"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; leases.
"AFM"	the Netherlands Authority for the Financial Markets (the "Autoriteit Financiële Markten" or "AFM"), being the financial markets supervisor in the Netherlands.
"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 2017 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 2017.
"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 20.
"Financial period"	the period from 1 August 2016 to 31 January 2017.
"Financial year"	the period from 1 August 2016 to 31 July 2017.
"GAV"	the GAV calculation methodology is described in Note 5 on pages 20 and 21.
"IRR"	internal rate of return.
"NAV"	net asset value.
"NAV performance"	calculated as the increase in the published Estimated NAV per share plus the total dividends paid per share during the financial period, with such dividends paid being re-invested at NAV, as a percentage of the NAV per share as at 31 January 2017.
"Projected portfolio IRR"	calculated as the projected future return on Volta's investment portfolio as at 31 January 2017 under standard AXA IM assumptions, after taking into account the effect of direct leverage from the Repo on the overall investment portfolio returns.
"Repo"	repurchase agreement entered into with Société Générale ("SG").
"RMBS"	residential mortgage-backed securities, which are a sub-classification of ABS.
"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, with such dividends re-invested in the Shares. Obtained from Bloomberg using the TRA function.
"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.
"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.