



**VOLTA FINANCE LIMITED**  
**INTERIM REPORT AND ACCOUNTS**  
**FOR THE PERIOD 1 AUGUST 2014 TO 31 JANUARY 2015**

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## FORWARD-LOOKING STATEMENTS

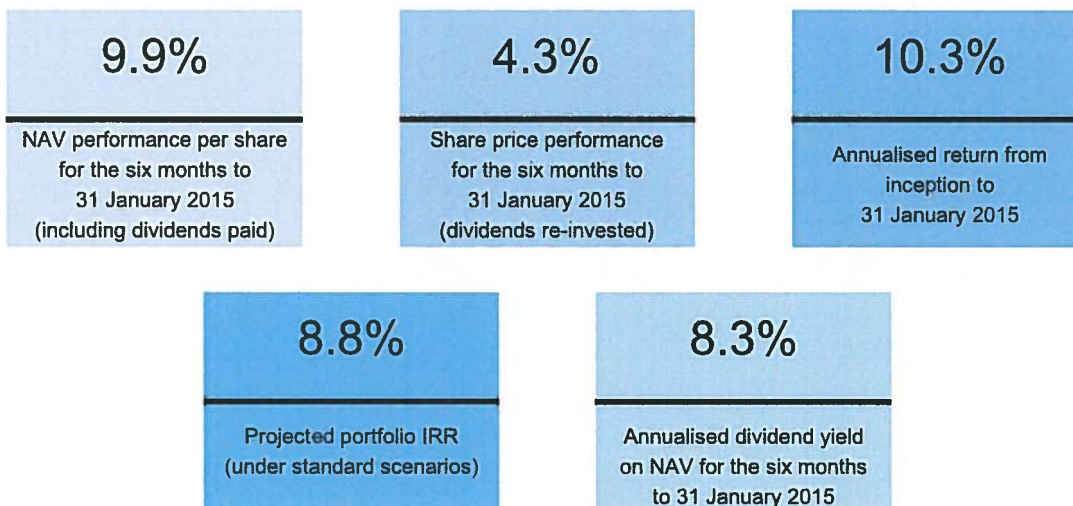
This report includes statements that are, or may be considered, "forward-looking statements". These forward-looking statements can be identified by the use of forward-looking terminology, including the terms "believes", "estimates", "anticipates", "plans", "expects", "targets", "aims", "intends", "may",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

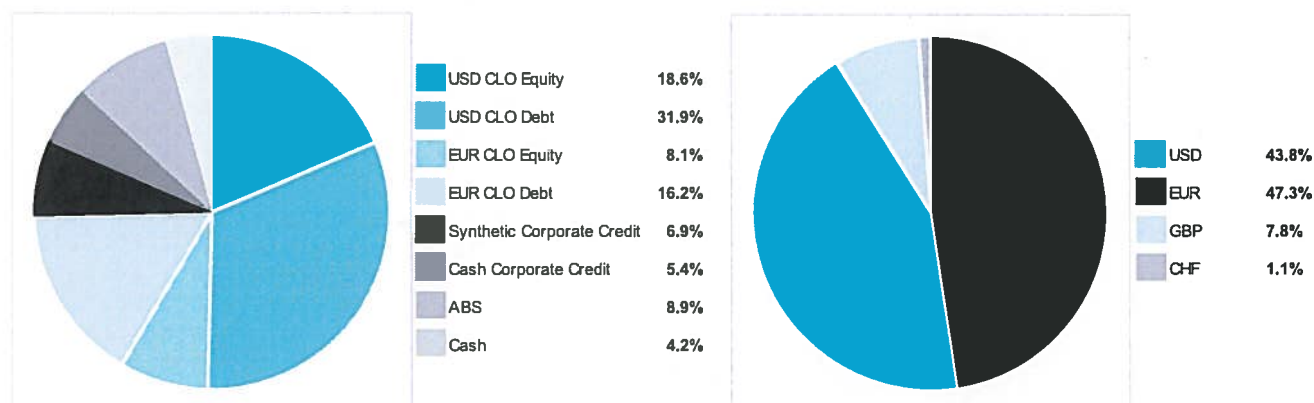
The Company qualifies all such forward-looking statements by these cautionary statements.

# VOLTA AT A GLANCE

The investment objectives of Volta Finance Limited (the "Company" or "Volta") are to preserve its capital and to provide a stable stream of income to its Shareholders through dividends that it expects to distribute on a semi-annual basis. The Company seeks to achieve its investment objectives through a multi-asset class investment strategy.



## ASSET ALLOCATION\* AND CURRENCY EXPOSURE\*\* AS A PERCENTAGE OF NAV AS AT 31 JANUARY 2015



\*This asset allocation includes all assets held as at 31 January 2015, but excludes uncalled commitments to purchase assets.

\*\*The currency exposure is presented after taking into account the effect of currency hedging.

Please see the Glossary on page 54 for further details on the terms used above.

# CHAIRMAN'S STATEMENT

Dear Shareholder,

I am pleased to report another period of excellent performance for our Company in the six-month period to 31 January 2015.

The net asset value ("NAV") per share rose by €0.44 or 5.9% during the six-month period to 31 January 2015, contributing to a total positive performance per share for the six-month period of €0.74 or 9.9%, after taking into account the dividend of €0.30 per share paid in December 2014. The share price also performed well over the semi-annual period, returning a total positive performance of 4.3% (dividends re-invested). It is gratifying that this strong investment performance continued to be accompanied by low levels of volatility during the period. It is also pleasing to note the narrowing of the discount to NAV in recent months. At the time of writing the share price discount to NAV has narrowed to approximately 11% from close to 20% last summer.

As in prior years, our Company continues to invest in assets that are principally exposed to corporate credit risk and continues to aim to provide stable dividend payments to its Shareholders.

In order to seek to maintain strong performance in the future, the Company has recently signed a Repurchase Agreement with Société Générale. This allows Volta to raise USD 30 million which will be invested principally in US CLO debt holdings. The intention is that Volta will borrow a further USD 30m through a similar transaction in the coming months. This should increase the implied IRR of the portfolio and boost the net yield.

The Company will continue to calculate and report a Gross Asset Value ("GAV") and the Company's investment restrictions will, where relevant, be measured and monitored in relation to GAV. However, in order to reflect the additional liabilities created by the repurchase agreement, the Company will also report a new measure on a monthly basis – an Estimated NAV (as defined in the Glossary on page 54).

I mentioned in my Chairman's Statement in the latest annual report that the Board had decided to form a new Risk Committee. The Committee is chaired by Paul Meader, who is an experienced investment manager. The Risk Committee has already met a number of times and the process has brought value and a sharper focus on the identification, management and, where possible, mitigation of investment related risks. We look forward to being able to report to you in some detail on the work of the Risk Committee in the annual report later in the year.

## PERFORMANCE

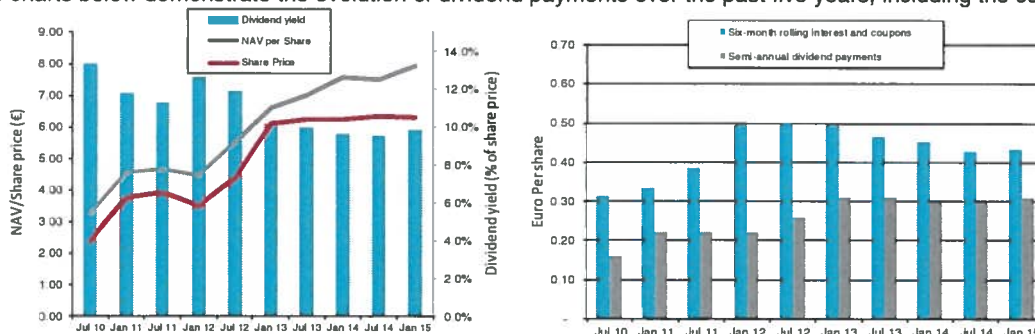
The performance for this semi-annual period is above the average performance of Volta since inception. Since inception in December 2006 to 31 January 2015 the Company generated a total return of 121.5% or 10.3% per annum (based upon the NAV with dividends re-invested).

The recent strong performance is, in part, due to the overweight position in USD-based assets in the Company's investment portfolio. It has been a clear strategy of our Investment Manager, for a number of years, to have an overweight position in US-based assets compared to Europe-based assets, as it was more confident in the stability and prospects of the US economy relative to the eurozone. The significant appreciation of the US dollar versus the euro during the semi-annual period resulted in a contribution of approximately €20.5 million to the NAV performance. A detailed comparison of the Company's performance against key indices is provided in the Investment Manager's Report.

## DIVIDEND

I am pleased to advise that, arising from this period's good performance, the Board of Volta has decided to pay an interim dividend of €0.31 per share, which amounts to €11.3 million, for the semi-annual period ended 31 January 2015 that will be payable to Shareholders on 7 April 2015. The Board has taken into consideration our Company's long-term objectives to seek to both preserve its capital and to pay a stable stream of dividends to its Shareholders. This latest interim dividend represents approximately 7.8% of the end of period NAV on an annualised basis and has been determined by taking into account all relevant factors, including the strong positive performance for the semi-annual period ended 31 January 2015, the projected IRR of Volta's existing assets and the projected IRR range of 8% to 11% within which our Investment Manager anticipates being able to source new investments during the foreseeable future.

The charts below demonstrate the evolution of dividend payments over the past five years, including the currently proposed dividend.



# CHAIRMAN'S STATEMENT

As for the prior dividend, the dividend payable on 7 April 2015 will be available only in cash as detailed in my Chairman's statement in the latest annual report. As market practice in connection with offering re-investment options to Shareholders which are compliant under the Alternative Investment Fund Managers Directive ("AIFMD") settles down, the Board will keep under review the option for offering a re-investment option for shareholders in the future.

## SHAREHOLDER COMMUNICATION

The Board and the Investment Manager remain committed to transparency and continue to offer a high level of information on our Company's assets and investment strategy on a regular basis.

In addition, over the period, our Investment Manager met with a number of Shareholders and had regular contact with equity analysts in order to improve the coverage of the Company by the financial community and to help improve the liquidity of our shares. As always, your Board welcomes feedback from Shareholders and remains available to address Shareholders' questions via conference calls such as the one to be held after the release of this report.

## LISTING ON THE LONDON STOCK EXCHANGE

The Company has announced that it is in the process of seeking to admit the shares of the Company to listing on the premium segment of the Official List of the UK Listing Authority and to trading on the Main Market of the London Stock Exchange. As set out in its announcement of 12 February 2015, the Board intends to convene an Extraordinary General Meeting of the Company shortly to seek shareholder approval to make changes to the Company's investment policy. The listing is currently expected to occur before the end of May 2015, subject to receipt of Shareholder approval at the Extraordinary General Meeting and the relevant regulatory consents.

The Board believes that a London listing will assist with improving liquidity in the Company's shares and will, over time, help to broaden the Shareholder base. As announced in December 2014, the Board will consider raising fresh capital only when the share price fully reflects the Company's NAV.

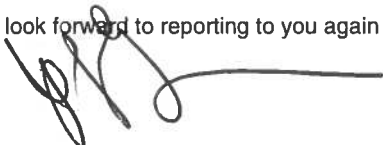
## OUTLOOK

Notwithstanding the improving global economic outlook, there are, as always, some developments that raise some concerns. Those concerns include the impact of the sharp decrease in oil prices, the significant appreciation of the US dollar, heightened geopolitical risk and the expectation of interest rate rises by the US Federal Reserve. As this all plays out, our Investment Manager may reconsider the balance of the portfolio between US assets and European assets. For a number of years it has tended to favour US assets, but this may change if it appears that these events may bring more uncertainties in the US than in Europe and may tend to rebalance prospective growth in favour of the eurozone.

In the last annual report we mentioned the tightening of credit spreads as a concern and, since then, some adjustments have taken place, especially in the US market. The current tightening of credit spreads in Europe, a direct consequence of the quantitative easing of the ECB, may also be an ongoing issue when sourcing assets. However, for the current financial year our Investment Manager remains confident of being able to source assets in the 8% to 11% projected IRR range, in line with what has been achieved recently. This target range is a few percent below what could be reasonably expected on a long-term basis. This is a direct consequence of a prolonged low interest rate environment but equally remains a highly attractive total return when weighed against the embedded risk profile of the portfolio.

There will of course be mark-to-market volatility but the asset quality and skill demonstrated by our Investment Manager since inception in 2006 should continue to reward our Company's Shareholders.

I look forward to reporting to you again in the annual report in the autumn of 2015.



**JAMES GILLIGAN**

Chairman

26 March 2015

# INVESTMENT MANAGER'S REPORT

On the invitation of the Board, this commentary has been provided by AXA Investment Management 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 our Investment Manager

- Projected returns on structured finance assets appear to have completed their normalisation process. For more than a year now, the projected yield of Volta's portfolio has been close to 9% and this level corresponds to the average projected IRR of our recent purchases. We do not foresee any reason why this should significantly change in the coming periods.
- For a number of years we have tended to favour US assets rather than European assets, mainly because we were more confident in the growth potential and stability of low default rates of the US economy relative to the eurozone. A by-product of this structural positioning has been a significant exposure to the US dollar, which was expected to appreciate against the euro. This is what has happened during the last six months. At the time of writing this report, it seems to us that some factors (the sharp decrease in oil prices, the significant US dollar appreciation and the US Federal Reserve being likely to increase rates at a time when the ECB is commencing its QE programme) are likely to result in a rebalancing of growth in favour of the eurozone, whilst also bringing some uncertainties for some areas of the US economy. A rebalancing of the portfolio has not yet been decided but it is something that we are actively considering.
- During the last six months we significantly rebalanced the portfolio from pre-crisis assets to more current assets. This produced some extra gains as credit curves are very steep at the moment in the structured finance area. We expect to be able to repeat such performance in the coming period.

## 1. OVERVIEW FOR THE SEMI-ANNUAL PERIOD ENDED 31 JANUARY 2015

Regarding the management of Volta's assets, this six-month period has been characterised by:

- pursuit of the rotation of Volta's portfolio from pre-2008 crisis assets to recently issued deals;
- some volatility in credit markets but without any significant consequences for Volta; and
- our ability to maintain cash flows from Volta's assets at a high level.

Regarding developments in structured finance:

- US CLO issuances reached a new record high in 2014, while European CLO issuances were still regaining momentum;
- European Bank Balance sheet transactions continued to be a very active market;
- issuances of ABS mezzanine debt and/or equity positions remained almost inexistent; and
- default rates for corporate entities were roughly stable.

As a consequence of the above, Volta continued to invest predominantly in assets with corporate credit exposures.

This period was again a very good period for Volta, as highlighted below:

- per share, including the December dividend payment, the six-month NAV performance was 9.9%;
- Volta's assets generated €15.8 million of interest or coupons over the semi-annual period, representing an annualised rate of 11.6% of Volta's NAV at the beginning of the period;
- interest and coupons received represented 1.4 times the dividend payment;
- Volta had a significant portfolio turnover. The equivalent of €50.7 million was invested and €56.9 million was sold or received as principal payments of maturing assets; and
- the average projected IRR of Volta's purchases made during the period was 9.5%, under standard assumptions made at the time of purchase.

# INVESTMENT MANAGER'S REPORT

## 2. PAST PERFORMANCE

The strong performance in terms of NAV per share is in line with the good fundamentals of Volta's assets and also reflects our ability to sell assets yielding below the 5% to 6% range in order to invest in assets yielding at least 8%.

AXA IM handles mandates ranging from low-risk/low-return profiles to high single-digit/low double-digit return profiles and, as a result, we are well placed to understand the dynamics of structured finance markets. Volta benefited from this experience in the semi-annual period under review, generating a performance well ahead of the projected IRR of its assets at the beginning of the period.

For a number of years, structured finance assets were priced with excessive caution following the blow-up of sub-prime assets and the severe financial stress that followed the bankruptcy of Lehman Brothers. We consider that we are now roughly back to "normal" conditions even if there remain some very good opportunities in structured finance relative to traditional credit markets.

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 bonds indices. As at the end of January 2015 the performance was as follows<sup>1</sup> (annualised figures):

|   | 1 year<br>% | 3 years<br>% | 5 years<br>% | Since<br>inception<br>% |
|---|-------------|--------------|--------------|-------------------------|
| GAV performance (including dividend payments)               | 12.7        | 28.6         | 29.2         | 1.4                     |
| <b>Share performance (dividends re-invested in shares)*</b> | <b>10.5</b> | <b>34.4</b>  | <b>49.0</b>  | <b>10.3</b>             |
| S&P 500 (dividends re-invested in shares)*                  | 14.3        | 17.4         | 15.6         | 6.5                     |
| MSCI European (dividends re-invested in shares)*            | 16.5        | 17.7         | 9.8          | 2.4                     |
| US High Yield Bonds (H0A0 index on Bloomberg)               | 2.5         | 7.6          | 8.7          | 7.8                     |
| European High Yield Bonds (HE00 index on Bloomberg)         | 5.9         | 11.6         | 10.0         | 8.0                     |

<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 to the future performance of the Company or the Investment Manager.

\* Figures given by Bloomberg using the TRA function.

Overall, the performance of an investor re-investing their dividend in the Company's shares (10.3% annualised return as at 31 January 2015 since Volta's launch in December 2006) can be favourably compared to the average performance of large equity indices and high yield bond indices referenced in the table above for the same period.

As a result of the significant performance of Volta's assets over the semi-annual period and over the last three years, AXA IM earned Performance Fees of €3.4 million for the semi-annual period ended 31 January 2015, as the performance was above the required performance threshold. No Performance Fees were earned for the semi-annual period ended 31 July 2014. Performance Fees are based on the performance of the assets, as measured by the NAV, and depend upon semi-annual and tri-annual performance measures (for more details on the calculation of Performance Fees please refer to Note 18 of the financial statements).

## 3. INVESTMENT PORTFOLIO

As at 31 January 2015, Volta held assets divided amongst four asset classes: CLOs, Synthetic Corporate Credit deals, Cash Corporate Credit transactions and ABS.

The vast majority of the portfolio's assets as at 31 January 2015 had exposure to underlying portfolios of corporate credit positions (loans, bonds and CDS issued by, or on, corporate entities).

# INVESTMENT MANAGER'S REPORT

Table 1 – Volta Finance asset allocation based on mark-to-market prices (based on GAV)\*

| Main asset class           | Sub-classification              | 31 January 2015 |   | 31 July 2014 |   |
|----------------------------|---------------------------------|-----------------|---|--------------|---|
|                            |                                 |                 | % |              | % |
| CLO                        | USD Equity tranches             | 18.6            |   | 17.0         |   |
|                            | EUR Equity tranches             | 3.1             |   | 4.1          |   |
|                            | USD Debt tranches               | 31.9            |   | 27.2         |   |
|                            | EUR Debt tranches               | 16.2            |   | 21.4         |   |
|                            | CLO warehouse                   | 5.0             |   | 2.7          |   |
| Synthetic Corporate Credit | Equity tranches                 | —               |   | —            |   |
|                            | Debt tranches                   | —               |   | 2.0          |   |
|                            | Bank Balance Sheet transactions | 6.9             |   | 5.7          |   |
| Cash Corporate Credit      | Equity tranches                 | 3.8             |   | 3.5          |   |
|                            | Debt tranches                   | 1.4             |   | 1.2          |   |
| ABS                        | Mortgage Residual positions     | 7.5             |   | 7.4          |   |
|                            | Debt tranches                   | 1.4             |   | 1.2          |   |
| Cash                       | —                               | 4.2             |   | 6.5          |   |

\* GAV of €289.9 million reported as at 31 January 2015 and GAV of €274.0 million reported as at 31 July 2014. The valuation of each asset class takes into account the valuation of the individual assets and of the derivatives hedging the asset class. Figures may not precisely add up to 100% due to rounding.

The majority of Volta's new investments during the semi-annual period were CLO tranches. As a result of this rotation, approximately 40% of Volta investments, as at 31 January 2015, were assets issued in the last three years, replacing assets issued before 2008.

A schedule of the Company's investments as at 31 January 2015 is presented in Note 21 of the financial statements.

Over the course of the semi-annual period ended 31 January 2015, the Company purchased or committed amounts for eleven different assets for an aggregate amount of the equivalent of €50.7 million (including €6.5 million relating to purchases that were unsettled as at 31 January 2015 and €10.4 million committed during the period but not yet called as at the end of January 2015), with a projected average IRR of 9.5% using standard assumptions:

- €19.1 million was used to purchase or was committed to purchase six CLO Debt tranches;
- €19.0 million was invested or was committed to invest in one CLO warehouse (the net investment in CLO warehouses as at 31 January 2015 was €14.3 million; the warehouse put in place in June 2014 was reimbursed in January 2015, at which time the new warehouse was ramping up; €4.7 million was committed to the new warehouse but not yet called as at 31 January 2015);
- €7.5 million was invested in a Bank Balance Sheet fund;
- €3.4 million was committed to invest in a new USD CLO equity; and
- €1.8 million was invested in a European loan fund (a further €5.7 million was committed to this fund but had not yet been called as at 31 January 2015).

During the semi-annual period, Volta received the equivalent of €56.9 million from the sale, maturity and amortisation of its assets.

On average, sold assets were yielding 4.6% at the time of the sale using the same standard assumptions used to compute the projected IRR of purchases.

Given current market conditions, we expect that Volta will be able to continue purchasing assets with projected IRRs in the 8% to 11% area for the forthcoming periods.

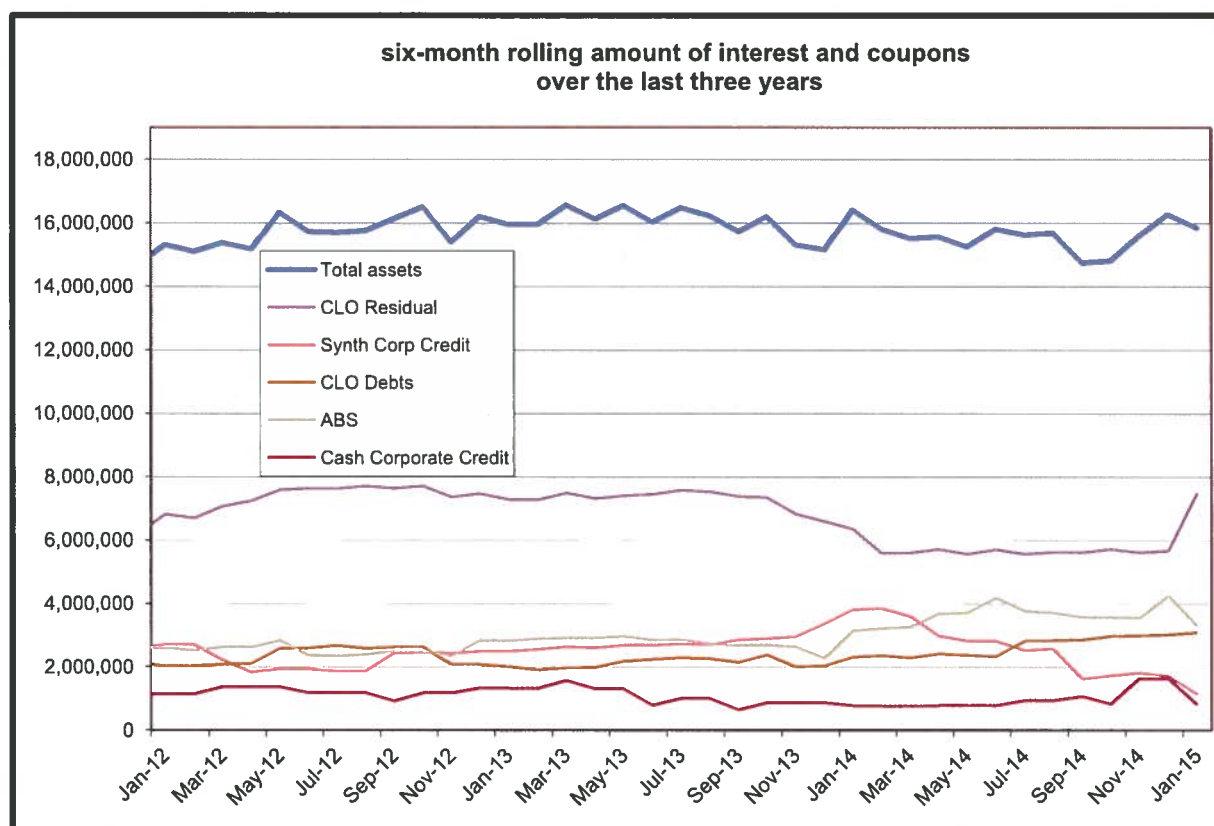


# INVESTMENT MANAGER'S REPORT

## GENERATION OF CASH FLOWS

Volta generated €15.8 million of interest and coupons during the semi-annual period, compared to an average of approximately €16 million per semi-annual period received during the two financial years ended 31 July 2014. This amount is higher than the forecast amount as at 31 July 2014 principally due to a one-off payment of €1.1 million received from the warehouse that closed in January 2015, which is included within CLO Equity in the chart below. Another warehouse was put in place in December 2014, which is currently expected to be closed prior to 31 July 2015; interest and coupon payments are again expected to amount to approximately €16 million during the forthcoming semi-annual period ending 31 July 2015.

On a more mid-term horizon, although the low level of prepayments in US loan markets during the second half of 2014 has prolonged the life of the USD CLO 1.0 equity positions that Volta holds, a modest decrease in the amount of interest and coupons to be received should be expected due to the fact that most of the CLO Equity positions from 2006 and 2007 vintages in the current portfolio have ended their re-investment periods and have started to experience a decrease in their coupon payments. In addition, some of these CLO equity positions could be called prior to their scheduled maturity dates.



# INVESTMENT MANAGER'S REPORT

## 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 2015 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 (years) | Comments  |
|----------------------------|---------------------------------|----------|-------------------|-----------------------|---|
| CLO                        | USD/EUR CLO Equity 1.0          | 15.4     | 10.1              | 4.8                   | Cash flows from these deals have started to diminish. Most of the USD deals are expected to be called in the coming 1.5 to 2.5 years.   |
|                            | USD/EUR CLO Equity 2.0          | 7.8      | 8.3               | 8.6                   | The attached 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            | 28.4     | 6.2               | 4.0                   | The projected IRR and WAL does not take into account the fact that these tranches can be called particularly the US ones. Depending on the timing of the call, projected IRRs could be 0.5% to 1.0% higher. |
|                            | USD/EUR CLO Debt 2.0            | 18.2     | 8.5               | 6.8                   | Medium to long-term investment asset class expected to deliver very stable performance.   |
|                            | CLO warehouse                   | 5.0      | 15.0              | 0.5                   | Very short-term deal (effective IRR heavily depends on the timing of CLO closing).  |
| Synthetic Corporate Credit | Bank Balance Sheet transactions | 6.9      | 9.5               | 3.5                   | One of the four deals in which Volta invested has been called earlier. The pipeline is strong enough to replace maturing assets and even grow the asset class at IRRs in the 9% to 10% range.               |
| Cash Corporate Credit      | Equity                          | 3.8      | 8.5               | 3.0                   | Very diversified asset class including two loan funds and one German SME deal.  |
|                            | Debt                            | 1.4      | 8.3               | 1.6                   | One emerging credit CDO with high subordination.  |
| ABS                        | Mortgage Residual positions     | 7.5      | 9.0               | 3.0                   | Projected IRR is based on relatively conservative projected cash flows that make it very robust.  |
|                            | ABS Debt                        | 1.4      | 11.0              | 3.0                   | A US mortgage debt fund co-managed by AXA IM and Ellington that produced annual performances circa 14% since inception in 2008.   |

These projections are for illustrative purposes only, 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 such calculations, the assets of Volta as at 31 January 2015 correspond to an IRR slightly below 9% when considering the standard assumption that the ratings, and hence weighted average rating factor ("WARF"), of a portfolio of corporate credit exposures appropriately reflect the probability of default on a medium to long-term basis.

On average, the projected IRRs above have remained very stable since the previous annual report and we believe that such returns remain attractive relative to either traditional credit markets or equity markets.

The above projected overall IRR does not take into account the potential for approximately 30% of Volta's assets, which are currently priced below par, to be called prior to the relevant scheduled maturity dates. If such CLO Debt tranches were to be called in advance of their scheduled amortisation dates, performance would be significantly improved.

This IRR is also based on the assumption that the CLO Equity tranches will suffer from defaults at the underlying loan portfolio in line with historical averages. During the last eight years, defaults occurred in the CLO selected for Volta by AXA IM at a pace significantly lower than the historical average as measured by the WARF of the underlying loan portfolio. The 8.3% average IRR shown above for the CLO 2.0 Equity tranches that we have purchased during the last two years does not take into account the added value that might be expected from the CLO managers we selected, nor the opportunity that the cost of debt for the CLO could be reduced through time. Taking these considerations into account, as well as the possibility that the CLO managers might refinance assets following the re-investment period, we expect an IRR between 9% and 12% for the CLO 2.0 Equity tranches that we have purchased so far.

## 4. OVERVIEW OF THE MAIN ASSET CLASSES OF VOLTA

The three main asset classes in which Volta is invested are: CLO tranches (debt and equity pieces); UK non-conforming residual positions (under the bucket "Mortgage Residual positions"); and Bank Balance Sheet transactions. Below are comments about the situation of the CLO market and the Bank Balance Sheet transaction market, as well as a comment on the situation of the UK non-conforming residual positions in which Volta is invested.

### CLO MARKET OVERVIEW

In 2014, CLO new issuances reached USD 124 billion for USD deals and EUR 15 billion for European deals. Consequently the global CLO market keeps growing. As at the end of 2014, the USD CLO market was a USD 380 billion market and the European CLO market was close to EUR 75 billion outstanding.

Under standard scenarios, the current projected returns for CLO tranches range from Libor+140bp for the AAA tranches to 10%+ returns for the equity pieces of CLO in both the US and Europe.

The CLO market could be split into two segments: CLOs issued prior to 2010, mainly in 2006 and 2007, which are referred to as "CLO 1.0" deals; and CLOs issued after 2010, mainly in 2012, 2013 and 2014, which are referred to as "CLO 2.0" deals. The main differences between CLO 1.0 and CLO 2.0 are as follows:

- the maturity schedule: the majority of CLO 1.0 transactions have passed their re-investment period ("RP"), meaning that these deals will amortise in the forthcoming two to four years and/or will be called earlier than their scheduled maturity dates. CLO 2.0 deals have longer maturities, although the debt tranches of the majority of CLO 2.0 deals could be refinanced two years after the CLO issuance; and
- the cost of debt: the cost of debt for CLO 1.0 is far below that for CLO 2.0. CLO 1.0 Equity tranches benefited from this feature in the years following the 2008 economic and financial crisis.

Hence, CLO 1.0 debt tranches are, when appropriately selected, priced to be reimbursed at par in the coming years. This should limit the price volatility of these assets. CLO 2.0 Debt tranches that are a longer-term investment can be more volatile like any classic long-term credit instrument.

# INVESTMENT MANAGER'S REPORT

Please see below the past performances of CLO Debt tranches:

| Annual returns | 2012   | 2013   | 2014  |
|----------------|--------|--------|-------|
| <b>CLO 1.0</b> |        |        |       |
| AAA            | 5.17%  | 2.47%  | 2.00% |
| AA             | 14.94% | 4.35%  | 2.66% |
| A              | 20.83% | 8.72%  | 3.46% |
| BBB            | 31.01% | 12.01% | 4.83% |
| BB             | 41.71% | 12.65% | 9.00% |
| <b>CLO 2.0</b> |        |        |       |
| AAA            | 3.86%  | 0.31%  | 1.25% |
| AA             | 9.38%  | 0.99%  | 0.64% |
| A              | 17.02% | 2.96%  | 1.15% |
| BBB            | 24.10% | 7.14%  | 2.70% |
| BB             | 29.16% | 10.82% | 1.85% |

Source: JP Morgan. CLOIE monitor.

For Volta, considering the risk/return profile of CLO 1.0 Debt tranches relative to CLO 2.0 Debt tranches, we decided to take our time before starting to invest in CLO 2.0 deals. The above performance table demonstrates that we were right not moving too early into CLO 2.0 Debt tranches as CLO 1.0 Debt tranches (most of our positions are originally rated BB tranches) outperformed them up to the end of 2014. We think that the timing is now appropriate for such rotation and we will continue increasing the allocation to CLO 2.0 deals (which represented circa 26% of Volta's portfolio as at the end of January 2015).

Please see below a breakdown of CLO Debt holdings as of the end of January 2015:

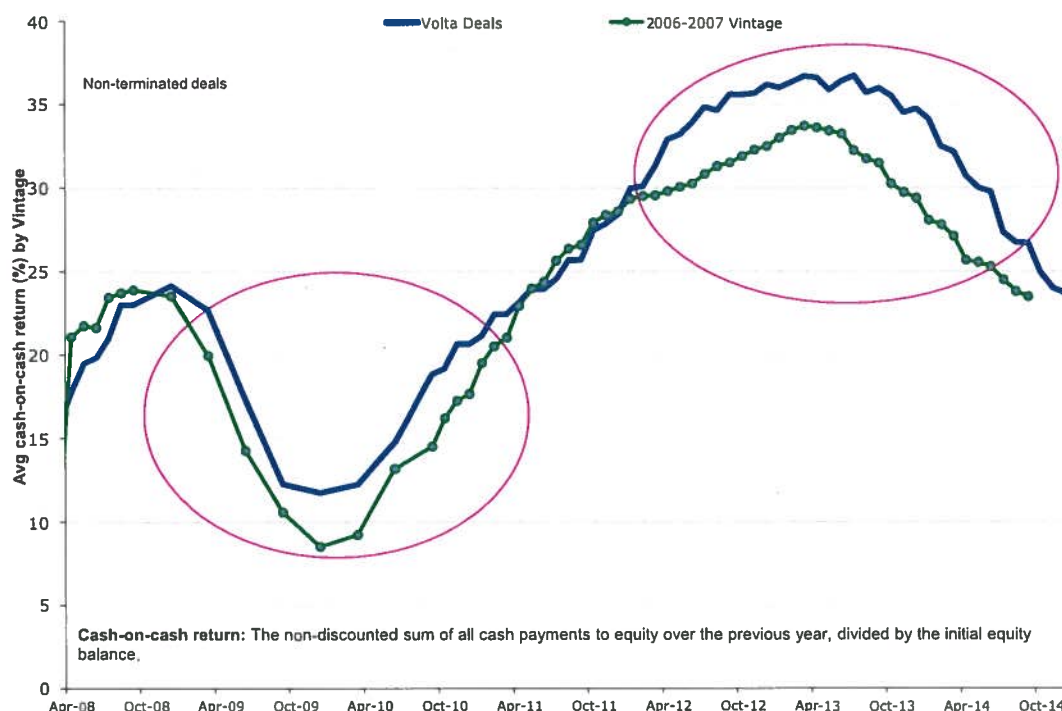
| CLO vintage | Original rating | Market value (€m) |           |
|-------------|-----------------|-------------------|-----------|
|             |                 | Euro deals        | USD deals |
| 1.0         | BBB             | 13.0              | 1.0       |
|             | BB              | 17.7              | 54.9      |
| 2.0         | BB              | 16.1              | 31.6      |
|             | B               | —                 | 4.7       |

When investing in CLO 1.0 Debt tranches, we favoured BBB tranches from euro deals and BB tranches from USD deals in line with the stronger ability of USD deals to maintain or improve subordination through time. Euro CLO 2.0 deals have been issued with a larger subordination for the BB tranches relative to USD deals, which made us more comfortable investing significant amounts in these tranches. We made two investments in B tranches of USD CLO 2.0 with CLO managers who have demonstrated above average capabilities in maintaining or improving debt subordination.

Regarding investment in equity tranches of CLO, the 2006/2007 vintage equity pieces of CLOs have, on average, been the best ever vintage for CLO Equity investments. Thanks to the fact that these CLOs benefited from a very cheap cost of funding (the average spread of the CLO Debt tranches) and the fact that these CLOs were able to re-invest in years 2009 to 2012 at discounted loan prices, the equity pieces of these CLOs have received very significant payments since the 2008/2009 crisis.

# INVESTMENT MANAGER'S REPORT

Please see below a comparison between the effective cash flows on the eight USD CLO Equity positions Volta acquired in 2006/2007 and the average cash flows of 2006/2007 USD CLO equities:



Source: Moody's Equity Score Report, December 2014 & Volta Finance Limited

This chart illustrates our added value when selecting CLO Equity tranches for Volta, being able to select deals that paid higher cash flows in difficult times (2009/2010) as well as in good times (2012/2013/2014).

Upon purchase in 2006/2007, these USD Equity tranches were expected to deliver a performance (measured as the IRR of the projected cash flows) in the 12% to 13% range under reasonable and standard assumptions. Thanks to the relevant managers' ability to take opportunities arising from the 2008/2009 crisis (no deleveraging and being able to re-invest in discounted loans after that), we now expect these tranches, on average, through their whole life, to have experienced a performance above 20%.

CLO 2.0 Equity tranches have a cost of leverage close to  $\text{Libor}+2.0\%$  (against circa  $\text{Libor}+0.5\%$  for CLOs issued in 2006/2007). Hence, it is unlikely that the overall performance of CLO 2.0 Equity tranches could end up being significantly above that which might have been assumed at the time of purchase, even if almost all CLO 2.0 Equity tranches benefit from the possibility of lowering their cost of funding by refinancing all or part of the Debt tranches. However, in today's market, and with a strong focus on selecting appropriate deals, it seems to us that some CLO 2.0 Equity tranches (in USD or in euro) can generate IRRs in the 9% to 12% range (under reasonable assumptions), which we believe is an acceptable expected performance.

During the semi-annual period we started investing in some Equity tranches of CLO 2.0 and we expect to do so again in the forthcoming semi-annual period.

Another way to obtain leveraged exposure to underlying corporate loans is to provide the capital for CLO warehousing. Changes in regulations have reduced the appetite of banks to provide such capital, so this kind of investment solution can now be considered. Volta invested USD 20.0 million in such a warehouse in June 2014. This warehouse closed in January with a realised IRR close to 12%. In November 2014, Volta committed €19.0 million to a European CLO warehouse. We expect this warehouse to deliver a performance of approximately 13 to 17%.

Considering the current cost of leverage for recently issued CLO equities, we currently consider CLO warehouses as an interesting substitute relative to CLO Equity tranches. However CLO warehouses are short-term investments and the risk profile is different from that on CLO Equity tranches; hence, Volta's exposure to CLO warehouses generally should not exceed 10% of NAV, although this percentage could be exceeded for a few weeks or months when rotating from one warehouse to another.

Some CLO warehousing transactions can include the option to purchase part of the equity piece of the finalised CLO.

# INVESTMENT MANAGER'S REPORT

## OVERVIEW ON BANK BALANCE SHEET TRANSACTIONS

New regulations and controls incentivise banks, particularly European banks, to strengthen their capital. For several years now there has been a regular source of opportunity for investors through what are known as Bank Balance Sheet transactions (transactions that permit the banks to optimise their cost of capital or reduce their capital need by transferring first loss or very junior risk attached to certain portions of their balance sheets). Such transactions permit access to sound and profitable banking activities, including, for example: loans to corporates (particularly SMEs); trade finance; real estate loans; and counterparty risk.

AXA IM has invested in these kinds of transactions for more than 15 years and has a significant presence in this market. At the time of writing this statement we see close to €4.0 billion of deals in the pipeline for 2015.

Volta obtains access to this asset class through its investment in two funds dedicated to these kinds of transactions (BCOF: Bank Capital Opportunity Fund and BDOF: Bank Deleveraging Opportunity Fund) and through co-investment with the other funds and mandates that we manage in this area.

So far, Volta has directly co-invested in four deals:

- one Swiss transaction;
- one Portuguese SME transaction;
- one transaction exposed to US HY corporate credit names; and
- one transaction exposed to the counterparty risk of large investment grade corporate names.

Since the sourcing of these four deals, the underlying credit performance so far has been better than the hypothesis we used when sourcing them. One of the transactions, paying a Euribor+13.0% coupon, was called in September 2014. These four deals were sourced with an average projected IRR close to 11%. Considering the pipeline that still exists for these kinds of transactions, it could be expected that Volta will continue gaining exposure to this asset class.

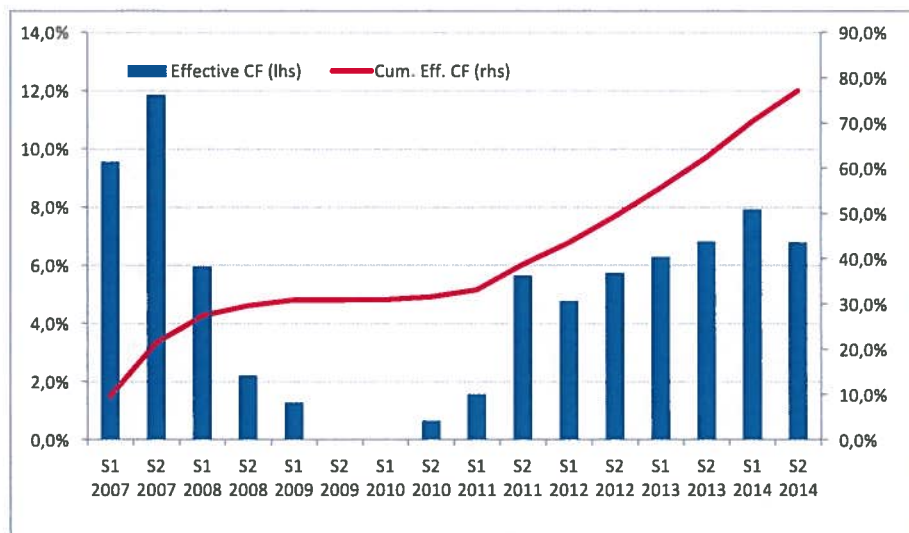
## OVERVIEW ON THE UK NON-CONFORMING RESIDUAL POSITIONS HELD BY VOLTA

These positions are residual positions from UK non-conforming mortgage ABS transactions.

The cash flows received depend on the number of mortgages that stay in the pool and that are currently paying. Hence, the main risk is refinancing of the underlying mortgages (mortgages that are refinanced leave the pool) and arrears (and then default) on the monthly payments.

# INVESTMENT MANAGER'S REPORT

Please see the chart below for a history of payments on the five positions held by Volta since 2006/2007:



At one stage during 2009/2010, arrears of payments on the underlying mortgages were so high that these positions stopped paying any cash flows. Since then, thanks to the easing of monetary policy in the UK and to directives from the UK government to mortgage servicers to favour keeping people in their homes instead of proceeding to foreclosures, the mortgagors have been able to repay part of their arrears of payments and these positions resumed paying cash flows. Payments received during the last six months were representing slightly more than 20% of end of July valuation for these five positions.

As at the end of January 2015, these positions were valued through a mark-to-model approach whereby we assumed that, on average, the pool of underlying mortgages will continue to behave for the next three years with roughly the same parameters that have been observed in recent years (few refinancing and few defaults) and then will suffer from refinancing and defaults. This model assumes, implicitly, that it is difficult to conceive what could be the pace of refinancing and defaults in more than three years' time for UK non-conforming mortgages and adopts a prudent view regarding refinancing and regarding arrears of payments/defaults if the Bank of England significantly increases its interest rates in the future.

## 5. FOREIGN EXCHANGE HEDGE STRATEGY

With Volta's base currency being euro, each investment denominated in another currency generates a currency exposure if it is not hedged. As at the end of January 2015, Volta had non-euro investments in CHF, GBP and USD.

Considering the size of the CHF investment (1.0% of the NAV) and the investments in GBP (7.5% of the NAV), Volta decided not to hedge the currency risk generated by these investments. Only the currency risk provided by USD investments is considered for hedging.

As outlined in previous reports, the Company faces the risk of being forced to sell assets to meet margin calls on its foreign exchange hedge transactions if the US dollar were to appreciate significantly. In order to limit this risk the Company uses currency options to reduce the level of cash that could be called by its currency swap counterparties when the dollar appreciates and also to reduce the amount of dollars sold forward. So far, this hedging strategy has been successful in helping the Company to avoid being forced to sell assets to meet margin calls. This liquidity risk is closely monitored by us under the supervision of the Board.

# INVESTMENT MANAGER'S REPORT

As at the end of January 2015 the Company's US dollar assets (including cash) were valued at approximately USD 196.8 million, US dollar forward sales represented USD 67.5 million and US dollar call options (financed by selling out of the money US dollar put options) represented USD 42.5 million. Overall, taking into account the delta on the options, Volta could be considered as having a USD 142.0 million (43.6% of NAV) long unhedged position to the USD. The currency exposures of the Company are expected to be very stable through time and are communicated in every monthly report so that investors can be aware of such exposures.

The contracts used to apply this strategy are collateralised with the Company's counterparty (Citibank). A net balance of €6.0 million was held by Citibank at the end of January 2015.

## 6. OUTLOOK

At the time of writing, our view is that we will continue for some time to live under what some strategists call the "New Normal": a period in the long-term economic cycle in which the involvement of and control from governments and central banks are high in order to limit economic and financial volatility because of the significant amount of debt that has been accumulated during the previous decades. The recent quantitative easing ("QE") from the ECB and the termination of the quantitative easing from the US Federal Reserve means that Europe is now more active in this "New Normal" regime than the US.

Economic agents that accumulated significant amounts of debt are typically households, governments and local state entities. Corporate entities, despite a recent and modest increase, still have amounts of debt in line or below the last ten to 20 years' most common measures (relative to EBITDA or enterprise value). This is the main reason why Volta focused so much on Corporate Credit Debt when pursuing re-investment strategies during the most recent years. One of the main targets of the New Normal regime is to favour an overall reduction of debts and we tend to consider that as supportive for investment in credit assets.

In our opinion, the strong and significant appreciation of the US dollar and the significant decline in oil prices are likely to bring some uncertainties for the US economy. We do recognise that these events are positive for the US consumer but it may imply some significant rebalancing in the relative situation of some economic sectors. Such rebalancing is a source of risk for equity and credit markets in the US. Taking this into account, together with the support provided by the ECB QE programme and the current weakness of the euro, we believe that some rebalancing of Volta's portfolio in favour of Europe should be considered.

We recognise a number of existing known risk factors, including excessive Bank Balance Sheets in China, geopolitical issues in the Middle East and Eastern Europe as well as the Greek situation, but we do not expect, at the time of writing, these uncertainties to impact the way developed economies are managed under the present regime.

Regarding structured finance markets and in relation to Volta's objectives, it is our view, for the coming year, that:

- The CLO market, in the US and in Europe, will continue to be very active, both in terms of new issuances and in terms of secondary trading. Thanks to various regulations, CLO Debt yields are still at attractive levels relative to historical levels and fundamental risks. This makes CLO 2.0 Equity tranches less attractive than the CLO 1.0 Equity tranches from the 2006/2007 vintage; however, we think that, selecting the appropriate CLO manager and the appropriate structure can permit achieving returns in the 9% to 12% range for some new CLO Equity tranches.
- When considering current housing prices and mortgage standards in the US, it seems to us that US mortgages constitute a compelling asset for securitisation. Yet there are few issuances in this area that permit a direct investment for Volta and this view materialised through the investment in a fund that we co-manage with Ellington in the US (St Bernard Opportunity Fund). We hope to see at some point a resumption of opportunities (in the primary market) in this area.
- Bank Balance Sheet transactions will continue to be a sizeable and interesting market, especially in Europe, for investors looking for returns in the area of 10%.



# INVESTMENT MANAGER'S REPORT

In March 2015, Volta entered into a repurchase agreement with Société Générale to leverage the most stable asset class in its portfolio, the USD CLO Debt assets. This transaction will permit Volta to receive USD 30 million, the majority of which will be re-invested in USD CLO Debt tranches in order to widen the portfolio of assets eligible for this transaction. The repurchase agreement has a scheduled maturity of five years. The intention is that Volta will borrow up to a further USD 30 million through a similar transaction in the coming months. Considering the way this repurchase agreement has been structured (if the counterparty wants to terminate the transaction, borrowed amounts will be reimbursed through scheduled payments with a six-month to one-year delay) and the cash generation of Volta's assets, we are comfortable that this transaction does not significantly increase the liquidity risk of Volta and permits the risk/return profile of Volta's portfolio to be improved.

For the forthcoming semi-annual period, Volta should continue to focus on corporate credit assets even if, from time to time, some opportunities may be seized outside this asset class. In particular, it could be reasonably expected that we will:

- continue investing in debt tranches of CLOs;
- from time to time, being highly selective in our choice, invest in some CLO equities;
- pursue investments in Bank Balance Sheet transactions; and
- continue entering into CLO warehouses (generally entering in a new one after the pricing of the previous one has been done).

When conducting the overall investment strategy, the Company pursues the following objectives:

- to maintain a high level of diversification of its portfolio with investments mainly exposed to corporate credit underlying risk through various formats (CLO, warehouses, synthetic and cash structures);
- to protect the principal amount of Volta's assets;
- to maintain the stability of ongoing interest and coupons received by the Company at a significant level; and
- to maintain a level of expected return in line with the Company's objectives.

One way to reach such objectives could be to add some fixed rate sensitivity when interest rates rise in future increases in base rates and to purchase protection against credit spread widening if at some point in time we foresee some turbulence in credit markets.

The Company has demonstrated its ability to continue to adapt its investment strategy during the semi-annual period under review, especially through an increase in the turnover of the portfolio in order to generate capital gains as discount margins tightened.

We consider that our responsibility as Volta's Investment Manager is to invest in assets that should be able to produce a stable revenue (to be distributed to shareholders) through investing and structuring investments adapted to the market situation. This has been illustrated during this six-month period through the investment in CLO warehouses and thereafter through the signing of a repurchase agreement. We will continue leveraging 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 to meet Volta's objectives.

## Disclosures required in accordance with the AIFMD

Information on the investment strategy, geographic and sector investment focus, and principal stock exposures is included in this report and Note 17 to the financial statements. A full list of portfolio holdings is included in Note 21 to the financial statements. None of the Company's assets are subject to special arrangements arising from their illiquid nature. Note 17 to the financial statements sets out the risk profile and risk management systems in place. There have been no changes to the risk management systems in place during the period under review and no breaches of any of the risk limits set, with no breach expected. There are no new arrangements for managing the liquidity of the Company or any material changes to the liquidity management systems and procedures employed by AXA IM.

## AXA INVESTMENT MANAGERS PARIS

26 March 2015

# CORPORATE SUMMARY

## THE COMPANY

Volta Finance Limited (the "Company", "Volta Finance" 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 Company is an authorised closed-ended collective investment scheme.

## INVESTMENT OBJECTIVES

The Company's investment objectives are to seek to preserve capital and to provide a stable stream of income to its Shareholders through dividends that it expects to distribute on a semi-annual basis. Subject to the risk factors that follow this Corporate Summary and in Note 17, the Company seeks to achieve its investment objectives through a multi-asset class investment strategy. The strategy focuses on direct and indirect investments in or exposures to a variety of assets selected for the purpose of generating overall stable and predictable cash flows for the Company, with a view to attaining the Company's investment objectives of preserving capital and providing a stable stream of income to Shareholders.

Whilst the Company's investment objectives remain unchanged, considering the discount to par at which some of the Company's assets have been purchased, part of the expected return for some of the Company's investments may come from back-loaded cash flows corresponding to principal payments in addition to expected ongoing cash flows. 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. There can be no assurance that the Company will achieve its investment objectives.

The Company's approach to investment is through vehicles and arrangements that essentially provide 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 underlying asset classes: CLO; Synthetic Corporate Credit; Cash Corporate Credit; and ABS. As at the semi-annual period end and throughout the semi-annual period, the Company held assets in its portfolio classified within each of these main asset types.

## THE INVESTMENT MANAGER

The Investment Manager 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 is an investment manager with a team of experts concentrating on the structured finance markets. AXA IM was appointed as the Company's Alternative Investment Fund Manager ("AIFM") in accordance with the EU AIFMD on 22 July 2014.

## ASSET VALUES

At 31 January 2015, the Company's NAV was €289.9 million, with the NAV per share amounting to €7.94. The Company publishes its NAV on a semi-annual basis and publishes its GAV monthly.

NAV is an expression of the total value of the Company that takes into account the current fair value of the Company's investment portfolio including accrued income and derivative positions and the amount of the Company's liabilities. The Company's NAV at 31 January 2015 can be seen in the Statement of Financial Position on page 24 ("Total Shareholders' equity" line).

GAV is an expression of the Company's value that takes into account the fair value of the Company's investment portfolio including accrued income and derivative positions less the amount of any financing received and less the estimated amount of accrued fees payable to the Investment Manager. GAV, which is published by the Company on a more frequent basis than NAV, may be a useful point of reference as the Company's NAV is published only semi-annually.

## SIGNIFICANT RELATED PARTY TRANSACTIONS

Investment management fee and performance fee payable to AXA IM are considered the most significant related party transactions of the Company. Further details of related parties and transactions with those parties are disclosed in note 18.

## DURATION

The Company has a perpetual life.

## WEBSITE

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

# CORPORATE SUMMARY

## LISTING INFORMATION

The Company's ordinary shares are listed on the NYSE Euronext Amsterdam Stock Exchange ("Euronext Amsterdam") (website: [www.euronext.com](http://www.euronext.com)).

The ISIN number of the Company's listed shares is GG00B1GHHH78.

The closing price of the Company's listed shares quoted on Euronext Amsterdam at 31 January 2015 was €6.30 per share.

The average closing price of the Company's listed shares quoted on Euronext Amsterdam over the semi-annual period ended 31 January 2015 was €6.29 per share.

As referred to in the Chairman's Statement, in addition to its listing on Euronext Amsterdam, the Company has announced that it is in the process of seeking to admit the shares of the Company to listing on the premium segment of the Official List of the UK Listing Authority and to trading on the Main Market of the London Stock Exchange.

The Company's listed shares are held through the book-entry system of Euroclear Nederland. In order to identify the Company's Shareholders, the Company may request the participating interest and certain other data of its Shareholders holding 0.5% or more of the Company's issued share capital of any institution (bank) admitted by Euroclear Nederland, intermediary or Shareholder. Such a request is subject to certain limitations. Currently no information regarding the identity of the Company's Shareholders is available.

## PROVISIONAL FINANCIAL CALENDAR

|               |   |
|---------------|---|
| 30 March 2015 | Announcement of results for the semi-annual period ended 31 January 2015 and publication of the 2015 interim report |
| 1 April 2015  | Ex-dividend date  |
| 2 April 2015  | Dividend record date  |
| 7 April 2015  | Dividend payment date   |
| 13 April 2015 | Investor conference call (at 10:30 CEST/09:30 BST – dial-in details to be announced)                                |

# PRINCIPAL RISK FACTORS

## SUMMARY

An investment in the Company's shares (the "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 document, 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 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.

### Risks relating generally to the Company and its investments

The Company's investment strategy involves a high degree of exposure to potential losses.

Prospective investors in the Shares must accept and be able to bear the risk of investment in assets bearing a high level of embedded leverage on various forms of credit.

Indeed, most of the Company's investments will be in subordinated securities and subordinated loans, or will be structured so as to create the risk/return profile of subordinated securities or loans, and so can be particularly susceptible to losses on underlying assets or from credit contracts.

Defaults or unexpected changes in the timing of cash flows or in recovery rates from the Company's investments may have a negative impact on the value of the Company's portfolio and its cash flows.

Many of the Company's investments will be illiquid or have limited liquidity, which can adversely affect valuations and realisations.

The Company is exposed to direct leverage resulting from the repurchase transaction that it entered into with Société Générale in March 2015.

If the Company breaches covenants under financing or investment agreements, it could be forced to sell assets or experience other disadvantages.

A decline in the value or credit profile of the Company's investments may result in margin calls being made on the Company.

Cross-default provisions in the Company's financing arrangements could result in a substantial loss for the Company.

Refinancing the Company's borrowings may be difficult and costly.

The Company may be required to post margin payments with respect to derivative transactions and/or financing transactions and/or may be required to pay cash amounts demanded to satisfy commitments on certain assets. In such circumstances, the limited liquidity of its assets may increase the risk of being unable to satisfy such requests.

The performance of many of the Company's investments may depend to a significant extent upon the performance of the servicers or portfolio managers of underlying asset portfolios. In some cases, the Company's investments will be subject to multiple layers of management and other fees.

The ability of the Company to implement its investment strategies and to achieve targeted returns may be limited by an inability to source appropriate investments in which to invest.

The Company will be subject to interest rate risk. Rising interest rates may adversely affect the market value of some of the Company's investments and the Company's cost of borrowing and declining interest rates may affect the return on available re-investment opportunities.

Hedging transactions may limit gains or result in losses.

The Company's investments will be subject to differing laws regarding creditors' rights and the enforceability of security.

The Company's investment portfolio may be subject to concentration risk.

The Company will be subject to market risk and credit risk.

The Company will be exposed to foreign exchange risk.

# PRINCIPAL RISK FACTORS

## Risks relating generally to the Company and its investments (continued)

The Company's reported net income may be volatile due to mark-to-market adjustments of portfolio positions.

The Company may invest in assets on terms that limit the Company's control over those assets.

The valuation of the Company's assets may depend upon significant judgements, estimates and assumptions that affect their reported values. Such judgements, estimates and assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. The realisable value of the Company's assets may differ significantly from these estimates.

## Risks relating to the Investment Manager

The Company's investment performance is heavily dependent on the Investment Manager.

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. However, the Company's investment performance is heavily dependent on the skills and judgement of the Investment Manager, which has significant discretion in the implementation of the Company's investment programme. In particular, the Company's performance will be dependent on the success of the Investment Manager's investment process. The Board has instructed the Investment Manager to conduct the Company's investment related activities in compliance with applicable law, the Company's investment objectives and guidelines and the Company's contractual undertakings.

There can be no assurance that the Investment Manager's past performance will be any guide to future performance or results.

## Potential tax risks

If withholding tax were imposed in respect of distributions or other payments on the Shares, the value of the Shares could be materially and adversely affected.

If the investment activities of the Company unexpectedly cause it to become subject to tax on a net income basis in any country, including France, the United Kingdom or the United States, the Company's financial condition and prospects could be materially and adversely affected.

If unanticipated withholding or excise taxes are imposed in respect of distributions or other payments on the Company's direct and indirect investments, the return on those investments could be materially and adversely affected.

The Company expects that US taxpayers generally would be subject to adverse US tax consequences in respect of their investment in the Shares under US tax rules applicable to "passive foreign investment companies".

US taxpayers should consult their own tax advisors regarding the US federal income tax consequences that would apply to them as actual and deemed owners of numerous passive foreign investment companies as a result of their investment in the Shares, including any US federal income tax elections that may be available to help mitigate such consequences. However, the Company is not obliged to provide investors or their advisors with such information that might be required for US tax reporting purposes and it does not intend to provide such information.

Guernsey has entered into an Intergovernmental Agreement ("IGA") with the US Treasury in order to comply with the US Foreign Account Tax Compliance Act ("FATCA") and has also entered into an Intergovernmental Agreement ("IGA") with the UK in order to comply with the UK's requirements for enhanced reporting of tax information in accordance with FATCA principles. Under such IGAs, the Company is regarded as a Foreign Financial Institution ("FFI") resident in Guernsey. As such, the Company is required to register as an FFI. According to the current draft UK/US IGA guidance notes, there will be a reduction of reporting requirements for listed companies, which should enable the Company to register as a deemed compliant FFI. However, it should be noted that the guidance notes may be subject to change prior to finalisation, which could potentially impact upon the Company and/or its Shareholders. Non-compliance with FATCA could potentially expose the Company to a US withholding tax on all proceeds from its US investments at the rate of 30%. The Company has registered under FATCA and has been assigned the following GIIN number: 8YKCK2.99999.SL.831. The Board continues to monitor developments in the rules and regulations arising from the implementation of FATCA in conjunction with its tax advisors.

## Regulatory risks

Any regulatory changes arising from implementation of the AIFMD, or any other relevant regulatory changes that impair the ability of the Investment Manager to manage the investments of the Company or limit the Company's ability to market future issuances of its Shares, may adversely affect the Company's ability to carry out its investment strategy and achieve its investment objectives.

The AIFMD applies to the Company to the extent that the Company is a managed fund of an authorised manager. The principal practical impact upon the Company arising to date from implementation of AIFMD have been the requirement for the Company to appoint a Depositary.

# 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

### **Directors**

James Gilligan – Chairman and Independent Director  
Joan Musselbrook – Independent Director  
Paul Meader – Senior Independent Director  
Paul Varotsis – Independent Director  
Stephen Le Page – Independent Director

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

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

### **Depositary**

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

### **Listing agent and paying agent**

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

### **Investment Manager**

**AXA Investment Managers Paris S.A.**  
Coeur Défense  
Tour B-La Défense 4  
100 Esplanade de Général de Gaulle  
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France

### **Corporate broker**

**Liberum Capital Limited**  
Ropemaker Place, Level 12  
25 Ropemaker Street  
London  
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United Kingdom

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

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

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

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

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

# STATEMENT OF DIRECTORS' RESPONSIBILITIES

## IN RESPECT OF THE FINANCIAL STATEMENTS

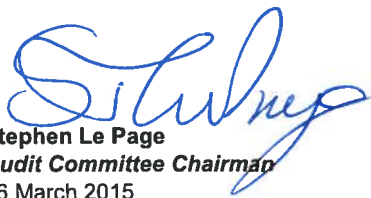
Each of the Directors, whose names and functions are listed on page 20, confirms that, to the best of their knowledge and belief:

- 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 2015, which contains a fair review of that period as required by Section 5:25d of the Financial Supervision Act of the Netherlands and includes:
  - (a) an indication of important events that have occurred during the first six months of the semi-annual period 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 semi-annual period; and
  - (b) information on the Company's investments and the circumstances on which the development of the Company's turnover and profitability depend to the extent that providing this information is not contrary to the Company's best interests.

This Statement of Directors' Responsibilities was approved by the Board of Directors on 26 March 2015 and was signed on its behalf by:



**James Gilligan**  
**Chairman**  
26 March 2015



**Stephen Le Page**  
**Audit Committee Chairman**  
26 March 2015

# INDEPENDENT REVIEW REPORT

## TO VOLTA FINANCE LIMITED

### 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 2015 which comprise the Unaudited Condensed Statement of Financial Position, the Unaudited Condensed Statement of Comprehensive Income, the Unaudited Condensed Statement of Changes in Shareholders' Equity and the Unaudited Condensed Statement of Cash Flows and the related explanatory Notes on pages 27 to 53. 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 letter dated 5 March 2015 to assist the Company in meeting the requirements of the Financial Supervision Act of Netherlands. 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.

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 International Accounting Standards Board. The unaudited condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 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 2015 is not prepared, in all material respects, in accordance with IAS 34 and Section 5:25d of the Financial Supervision Act of the Netherlands.

  
**Mark R Thompson**  
*For and on behalf of KPMG Channel Islands Limited*  
*Chartered Accountants and Recognised Auditor*  
*Gategny Court, Gategny Esplanade, St Peter Port, Guernsey GY1 1WR*  
26 March 2015

### Addendum to the Independent Review Report

- The maintenance and integrity of the Volta Finance Limited website is the responsibility of the Directors; the work carried out by the Auditor does not involve consideration of these matters and, accordingly, the Auditor accepts no responsibility for any changes that may have occurred to the financial statements or the Independent Review Report since they were initially presented on the website.
- Legislation in Guernsey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



**UNAUDITED CONDENSED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE PERIOD ENDED 31 JANUARY 2015**

|  |       | 1 August 2014<br>to<br>31 January 2015 | 1 August 2013<br>to<br>31 January 2014 |
|--|-------|--|--|
|  | Notes | €                                      | €                                      |
| <b>Operating income</b>  |       |  |  |
| Net gain on financial assets at fair value through profit or loss              |       | 40,117,339                             | 33,868,242                             |
| Deposit interest income  |       | 135                                    | 15,819                                 |
| Net foreign exchange (loss)/gain on retranslation of cash and cash equivalents |       | (1,175,827)                            | 402,458                                |
| Net (loss)/gain on derivatives   |       | (5,444,759)                            | 1,249,655                              |
|  |       | <b>33,496,888</b>                      | <b>35,536,174</b>                      |
| <b>Operating expenditure</b>   |       |  |  |
| Investment Management Fees   | 18    | (2,029,718)                            | (1,722,232)                            |
| Investment Manager Performance Fees  | 18    | (3,379,232)                            | (2,282,891)                            |
| Directors' remuneration and expenses   | 7     | (219,126)                              | (139,980)                              |
| Company secretarial, administration and accountancy fees                       | 6     | (147,167)                              | (131,683)                              |
| Audit and audit related fees   |       | (129,023)                              | (116,313)                              |
| Portfolio valuation and administration fees                                    |       | (13,579)                               | (42,235)                               |
| Legal fees   |       | (229,478)                              | (25,254)                               |
| Insurance  |       | (29,118)                               | (28,835)                               |
| Custodian fees   |       | (30,136)                               | (14,248)                               |
| Other operating expenses   |       | (138,141)                              | (111,429)                              |
|  |       | <b>(6,344,718)</b>                     | <b>(4,615,100)</b>                     |
| <b>Operating profit and total comprehensive income for the year</b>            |       | <b>27,152,170</b>                      | <b>30,921,074</b>                      |
| <b>Earnings per share</b>  |       |  |  |
| Basic and diluted  | 9     | €0.7441                                | €0.8649                                |
|  |       | <b>Number<br/>of shares</b>            | <b>Number<br/>of shares</b>            |
| <b>Weighted average number of shares outstanding</b>                           |       |  |  |
| Basic and diluted  | 9     | 36,490,452                             | 35,750,544                             |

**Other comprehensive income**

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

The Notes on pages 27 to 53 form part of these condensed interim financial statements.

**UNAUDITED CONDENSED STATEMENT OF FINANCIAL POSITION  
AS AT 31 JANUARY 2015**

|   |       | 31 January 2015    | 31 July 2014<br>(audited) |
|---|-------|--------------------|---------------------------|
|   | Notes | €                  | €                         |
| <b>ASSETS</b>   |       |                    |                           |
| Financial assets at fair value through profit or loss | 10    | 277,163,302        | 256,293,502               |
| Derivatives   | 11    | 275,636            | —                         |
| Trade and other receivables                           |       | 149,080            | 33,813                    |
| Cash and cash equivalents                             |       | 24,760,442         | 19,465,204                |
| <b>TOTAL ASSETS</b>                                   |       | <b>302,348,460</b> | <b>275,792,519</b>        |
| <b>EQUITY AND LIABILITIES</b>                         |       |                    |                           |
| <b>Capital and reserves</b>                           |       |                    |                           |
| Share capital   | 13    | —                  | —                         |
| Share premium   | 14    | 33,744,278         | 33,676,690                |
| Warrants  | 15    | 1,410,000          | 1,410,000                 |
| Other distributable reserves                          | 16    | 180,208,313        | 191,155,819               |
| Accumulated gain/(loss)                               | 16    | 74,558,357         | 47,406,187                |
| <b>TOTAL SHAREHOLDERS' EQUITY</b>                     |       | <b>289,920,948</b> | <b>273,648,696</b>        |
| <b>LIABILITIES</b>                                    |       |                    |                           |
| <b>Current liabilities</b>                            |       |                    |                           |
| Derivatives   | 11    | —                  | 170,327                   |
| Trade and other payables                              | 12    | 12,427,512         | 1,973,496                 |
| <b>TOTAL LIABILITIES</b>                              |       | <b>12,427,512</b>  | <b>2,143,823</b>          |
| <b>TOTAL EQUITY AND LIABILITIES</b>                   |       | <b>302,348,460</b> | <b>275,792,519</b>        |
| <b>Net asset value per share outstanding</b>          |       |                    |                           |
| Basic and diluted                                     |       | €7.9448            | €7.5011                   |

These financial statements on pages 23 to 53 were approved by the Board of Directors on 26 March 2015 and were signed on its behalf by:

  
**James Gilligan**  
Chairman

  
**Stephen Le Page**  
Audit Committee Chairman

The Notes on pages 27 to 53 form part of these condensed interim financial statements.

**UNAUDITED CONDENSED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY  
FOR THE PERIOD ENDED 31 JANUARY 2015**

|   | Notes      | Share<br>premium<br>€ | Warrants<br>€    | Other<br>distributable<br>reserves<br>€ | Accumulated<br>(loss)/gain<br>€ | Total<br>€         |
|---|------------|-----------------------|------------------|---|---------------------------------|--------------------|
| Balance at 31 July 2013 audited         |            | 28,437,336            | 1,410,000        | 213,087,057                             | 3,360,829                       | 246,295,222        |
| Total comprehensive income for the year |            | —                     | —                | —                                       | 30,921,074                      | 30,921,074         |
| Issue of ordinary shares to Directors   | 13, 14     | 48,600                | —                | —                                       | —                               | 48,600             |
| Scrip dividends paid                    | 13, 14, 16 | 3,676,968             | —                | (3,676,968)                             | —                               | —                  |
| Dividends paid in cash                  | 8, 16      | —                     | —                | (7,371,368)                             | —                               | (7,371,368)        |
| Sale of Treasury Shares                 | 13, 14     | 215,938               | —                | —                                       | —                               | 215,938            |
| <b>Balance at 31 January 2014</b>       |            | <b>32,378,842</b>     | <b>1,410,000</b> | <b>202,038,721</b>                      | <b>34,281,903</b>               | <b>270,109,466</b> |
| Balance at 31 July 2014 audited         |            | 33,676,690            | 1,410,000        | 191,155,819                             | 47,406,187                      | 273,648,696        |
| Total comprehensive income for the year |            | —                     | —                | —                                       | 27,152,170                      | 27,152,170         |
| Issue of ordinary shares to Directors   | 13, 14     | 67,588                | —                | —                                       | —                               | 67,588             |
| Dividends paid in cash                  | 8, 16      | —                     | —                | (10,947,506)                            | —                               | (10,947,506)       |
| <b>Balance at 31 January 2015</b>       |            | <b>33,744,278</b>     | <b>1,410,000</b> | <b>180,208,313</b>                      | <b>74,558,357</b>               | <b>289,920,948</b> |

The Notes on pages 27 to 53 form part of these condensed interim financial statements.

**UNAUDITED CONDENSED STATEMENT OF CASH FLOWS  
FOR THE PERIOD ENDED 31 JANUARY 2015**

|  | Notes | 1 August 2014 to<br>31 January 2015<br>€ | 1 August 2013 to<br>31 January 2014<br>€ |
|--|-------|--|--|
| <b>Cash flows used in operating activities</b>                                 |       |  |  |
| Total comprehensive income for the period                                      |       | 27,152,170                               | 30,921,074                               |
| Adjustments for:   |       |  |  |
| Net gain on financial assets at fair value through profit or loss              |       | (40,117,339)                             | (33,868,242)                             |
| Net loss/(gain) on derivatives   |       | 5,444,759                                | (1,234,284)                              |
| Net foreign exchange loss/(gain) on retranslation of cash and cash equivalents |       | 1,175,827                                | (402,458)                                |
| Increase in trade and other receivables  |       | (31,674)                                 | (13,798)                                 |
| Increase in trade and other payables   |       | 3,941,534                                | 525,337                                  |
| Directors' fees paid in the form of shares                                     |       | 67,588                                   | 48,600                                   |
| <b>Net cash used in operating activities</b>                                   |       | <b>(2,367,135)</b>                       | <b>(4,023,771)</b>                       |
| <b>Cash flows from investing activities</b>                                    |       |  |  |
| Net (payments)/receipts from margin accounts from foreign exchange derivative  |       | (5,890,722)                              | 1,776,774                                |
| Net settlement of derivative transactions                                      |       | —  | (15,371)                                 |
| Coupons and dividends received   | 5     | 15,760,527                               | 16,950,547                               |
| Purchase of investments  | 5     | (46,969,989)                             | (33,833,460)                             |
| Proceeds from sales and redemptions of investments                             | 5     | 56,885,890                               | 44,925,064                               |
| <b>Net cash from investing activities</b>                                      |       | <b>19,785,706</b>                        | <b>29,803,554</b>                        |
| <b>Cash flows used in financing activities</b>                                 |       |  |  |
| Dividends paid in cash   |       | (10,947,506)                             | (7,001,311)                              |
| Sale of Treasury Shares  | 13    | —  | 215,938                                  |
| <b>Net cash used in financing activities</b>                                   |       | <b>(10,947,506)</b>                      | <b>(6,785,373)</b>                       |
| <b>Net increase in cash and cash equivalents</b>                               |       | <b>6,471,065</b>                         | <b>18,994,410</b>                        |
| Cash and cash equivalents at the beginning of the period                       |       | 19,465,204                               | 9,737,841                                |
| Effect of exchange rate fluctuations on cash and cash equivalents              |       | (1,175,827)                              | 402,458                                  |
| <b>Cash and cash equivalents at the end of the period</b>                      |       | <b>24,760,442</b>                        | <b>29,134,709</b>                        |

**Net cash used in operating activities**

Net cash used in operating activities for the year of €2,367,135 (2014: €4,023,771) includes the following interest receipts:

|                  | 1 August 2014 to<br>31 January 2015<br>€ | 1 August 2013 to<br>31 January 2014<br>€ |
|------------------|--|--|
| Deposit interest | 135                                      | 15,819                                   |

The Notes on pages 27 to 53 form part of these condensed interim financial statements.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 JANUARY 2015

### 1. REPORTING ENTITY

The Company is a closed-ended limited liability company registered under the Companies (Guernsey) Law 2008 (as amended) with registered number 45747. The Company's shares are listed on Euronext Amsterdam. The registered office of the Company is Third Floor, La Plaiderie Chambers, La Plaiderie, St Peter Port, Guernsey GY1 1WG, Channel Islands.

The principal activity of the Company is investment in a diversified portfolio of structured finance assets. The Company's investment objectives are to seek to preserve capital and to provide a stable stream of income to its Shareholders through dividends that it expects to distribute on a semi-annual basis. Subject to the risk factors that are described in this annual report and financial statements (see Principal Risk Factors on pages 18 and 19 and Note 17), the Company's strategy focuses on direct and indirect investment in, and exposures to, a variety of assets selected for the purpose of generating cash flows for the Company. The Company's basic approach to investment in the underlying assets, as described in the Company's Corporate Summary, is to invest in vehicles and arrangements that essentially provide exposure to portfolios of Primary Underlying Assets. There can be no assurance that the Company will achieve its investment objectives.

The Directors have chosen not to present quarterly financial statements. Semi-annual unaudited condensed interim financial statements are prepared in addition to annual audited financial statements. The Directors of the Company also publish an interim management statement covering the period from the beginning of each interim period to the date of publication of such interim management statement, in accordance with the EU Transparency Directive.

### 2. BASIS OF PREPARATION

#### *a) 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 2014. The audited financial statements of the Company as at and for the year ended 31 July 2014 were prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

*New accounting standards, amendments to existing standards and/or new interpretations of existing standards (separately or together, "New Accounting Requirements") adopted during the current year*

The Directors have assessed the impact, or potential impact, of all New Accounting Requirements. In the opinion of the Directors, there are 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. Consequently, no other mandatory New Accounting Requirements are listed. The Company has not early adopted any New Accounting Requirements that are not mandatory.

*Non-mandatory New Accounting Requirements not yet adopted*

All 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.

#### *b) 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.

#### *c) 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.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 JANUARY 2015

### 2. BASIS OF PREPARATION (CONTINUED)

#### *d) 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 are included in the following:

- estimation uncertainty: Note 4 (Determination of fair values); and
- estimation uncertainty and critical judgements in applying accounting policies: Note 17 (Financial risk management).

### 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 2014.

### 4. DETERMINATION OF FAIR VALUES

A number of the Company's accounting policies and disclosures require the determination of fair values for financial assets and liabilities. Fair values have been determined based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the Notes specific to that asset or liability.

Financial assets for which market prices are available from a third party in a liquid market are valued monthly on the basis of such market prices. The majority of the Company's portfolio is valued on the basis of valuations received on a monthly basis from the arranging bank or another market participant. In many cases, 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 such prices where such prices are not considered to represent a reliable estimation of fair value. The 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. The 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 from the historical ones, the model assumptions will be adjusted accordingly as well as the discount rate used when reviewing the fair value of the Company's portfolio.

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.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 JANUARY 2015

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

Independent third parties have reviewed the valuations and/or valuation assumptions as at 31 January 2015 and have concluded that they were fair and reasonable.

In accordance with Volta's valuation policy, the Company's GAV and NAV as at 31 January 2015 were calculated using prices received from arranging banks or brokers for all assets except for those assets noted below:

| Asset   | % of NAV<br>as at 31<br>January<br>2015 | % of NAV<br>as at 31<br>July<br>2014 | Valuation methodology  |
|---|---|--------------------------------------|--|
| Promise Mobility                                      | 0.6%                                    | 0.7%                                 | Discounted projected cash flow model-based valuation using a discount rate of 12.0% (31 July 2014: 12.0%), an assumed default rate of 1.2% p.a. (31 July 2014: 1.2% p.a.) and a recovery rate of 55.0% (31 July 2014: 55.0%)   |
| Tennenbaum Opportunities Fund V                       | 2.6%                                    | 2.8%                                 | This is a fund that is valued using the net asset value as provided by the underlying fund manager   |
| Bank Capital Opportunity Fund                         | 1.9%                                    | 2.0%                                 | This is a fund that is valued using the net asset value as provided by the underlying fund manager   |
| St Bernard Opportunity Fund                           | 1.4%                                    | 1.2%                                 | This is a fund that is valued using the net asset value as provided by the underlying fund manager   |
| UK non-conforming mortgages<br>ABS residual positions | 7.5%                                    | 7.5%                                 | Discounted projected cash flow model-based valuation using a discount rate of 8.0% (31 July 2014: 10.0%) for Alba 2006-1, Alba 2006-2 and Alba 2007-1 and a discount rate of 10.0% (31 July 2014: 12.0%) for Eurosail and Newgate; the valuation assumptions used differ for each asset, the current assumed annual default rate ranging from 0.3% to 3.1% (31 July 2014: 0.3% to 3.1%), the assumed annual default rate during the five years ending on 31 January 2020 ranging from 2.7% to 8.0% (31 July 2014: 2.7% to 8.0%), and the constant prepayment rate ranging from 4.4% to 12.4% (31 July 2014: 4.4% to 12.4%) |
| Oak Hill European III Warehouse<br>transaction        | 5.0%                                    | —                                    | This is a warehouse transaction that is valued at the lower of: (i) the principal amount invested plus accrued income net of financing costs; and (ii) the mark-to-market value of the relevant proportion of the underlying portfolio plus accrued income net of financing costs  |
| Crescent European Specialty<br>Lending Fund LP        | 0.6%                                    | —                                    | This is a fund that is valued using the net asset value as provided by the underlying fund manager   |
| Bank Deleveraging Opportunities<br>Fund               | 2.6%                                    | —                                    | This is a fund that is valued using the net asset value as provided by the underlying fund manager   |
| <b>Total as a percentage of NAV</b>                   | <b>22.2%</b>                            | <b>14.2%</b>                         |  |

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 JANUARY 2015

### 5. PERFORMANCE MEASURES AND OPERATING SEGMENTS

The key measure of performance used by the Board to assess the Company's performance and to allocate resources is the GAV, which is prepared on a monthly basis by Sanne Group (Guernsey) Limited ("Sanne"). The GAV reported by Sanne includes: all of the assets in Volta's portfolio revalued to the month-end fair value, as adjusted for any amounts due to/from brokers; all of Volta's cash except for the small balances that are held on the Company's accounts at RBSI, which are maintained in order to facilitate the efficient payment of the Company's operating expenses; all open derivative positions revalued to the month-end fair value, net of any margin amounts paid or received; 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 and prepaid expenses. This GAV is published monthly by the Company. The table below shows a reconciliation between the measure of GAV used by the Board and published as at 31 January 2015 and that contained in the financial statements.

|  | 31 January 2015    |
|--|--------------------|
|  | €                  |
| Published GAV as at 31 January 2015                                      | 289,117,589        |
| Adjustments:   |                    |
| – correction to price of Wasatch CLO 2006-1                              | 1,387,633          |
| – update to price of Oak Hill European III Warehouse                     | 260,778            |
| – cash balances held at RBSI   | 195,159            |
| – prepayments of operating expenses                                      | 65,487             |
| – interest receivable on Lightpoint Pan-European CLO                     | 62,893             |
| – Performance Fee payable under accrual                                  | (220,037)          |
| – return of capital from Crescent European Specialty Lending Fund LP     | (441,788)          |
| – accrued expenses   | (506,766)          |
| <b>Net assets per Statement of Financial Position at 31 January 2015</b> | <b>289,920,948</b> |

The published GAV does not include cash held at RBSI, as this cash is primarily held to cover expenses payable and adjustments for prepaid expenses.

The Company's assets (excluding cash) held as at the year end and income recognised from investments during the period per geographical areas in which the Company is invested are presented in the table below:

|                       | 31 January 2015 |                                | 31 January 2014 |                                |
|-----------------------|-----------------|--------------------------------|-----------------|--------------------------------|
|                       | Assets held*    | Coupons and dividends received | Assets held*    | Coupons and dividends received |
|                       | %               | €                              | %               | €                              |
| UK                    | 7.5             | 3,267,800                      | 6.6             | 3,106,936                      |
| US                    | 54.7            | 8,669,087                      | 47.3            | 8,712,604                      |
| Europe (excluding UK) | 32.0            | 3,885,452                      | 32.3            | 5,106,248                      |
| Emerging markets      | 1.4             | 21,781                         | 1.2             | 24,759                         |
| <b>Total</b>          | <b>95.6</b>     | <b>15,844,120</b>              | <b>87.4</b>     | <b>16,950,547</b>              |

\* Assets held are shown as a percentage of GAV.

The Company is domiciled in Guernsey. However, none of the Company's investments are domiciled in Guernsey. Consequently no investment income is derived from Guernsey sources.

The Company does not hold any non-current assets other than financial instruments.

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

As stated in Note 3(i) of the Company's annual report to 31 July 2014, 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. However, certain financial information by asset class is presented below to supplement the information presented above in accordance with IFRS 8 in order to provide Shareholders with additional useful information.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 JANUARY 2015

### 5. PERFORMANCE MEASURES AND OPERATING SEGMENTS (CONTINUED)

Volta's coupons and dividends received on each asset class according to the Company's classification of its investments for investor reporting purposes are presented in the table below:

|  | Six months ended<br>31 January 2015 | Six months ended<br>31 July 2014 | Six months ended<br>31 January 2014 |
|--|-------------------------------------|----------------------------------|-------------------------------------|
|  | €                                   | €                                | €                                   |
| USD CLO Equity   | 6,267,297                           | 4,078,101                        | 5,172,056                           |
| EUR CLO Equity   | 1,214,079                           | 1,483,063                        | 1,537,831                           |
| USD CLO Debt   | 1,952,923                           | 1,517,122                        | 1,372,315                           |
| EUR CLO Debt   | 1,139,322                           | 1,406,596                        | 924,992                             |
| <b>CLO total</b>   | <b>10,573,621</b>                   | <b>8,484,882</b>                 | <b>9,007,194</b>                    |
| Synthetic Corporate Credit Equity                            | —                                   | —                                | 2,574,881                           |
| Synthetic Corporate Credit Debt                              | 4,488                               | 33,462                           | 35,681                              |
| Synthetic Corporate Credit – Bank Balance Sheet transactions | 1,144,353                           | 1,367,293                        | 1,422,556                           |
| <b>Synthetic Corporate Credit total</b>                      | <b>1,148,841</b>                    | <b>1,400,755</b>                 | <b>4,033,118</b>                    |
| Cash Corporate Credit Equity                                 | 792,627                             | 767,671                          | 753,154                             |
| Cash Corporate Credit Debt                                   | 21,781                              | 23,524                           | 24,759                              |
| <b>Cash Corporate Credit total</b>                           | <b>814,408</b>                      | <b>791,195</b>                   | <b>777,913</b>                      |
| ABS – Mortgage Residual positions                            | 3,267,800                           | 3,692,633                        | 3,101,702                           |
| ABS Debt   | 39,450                              | 49,138                           | 30,620                              |
| <b>ABS total</b>   | <b>3,307,250</b>                    | <b>3,741,771</b>                 | <b>3,132,322</b>                    |
| <b>Total coupons and dividends received</b>                  | <b>15,844,120</b>                   | <b>14,418,603</b>                | <b>16,950,547</b>                   |

The fair value of Volta's investments as at the semi-annual period end is presented in the table below by asset class:

|  | 31 January 2015    | 31 July 2014       | 31 January 2014    |
|--|--------------------|--------------------|--------------------|
|  | €                  | €                  | €                  |
| USD CLO Equity   | 53,885,891         | 53,915,874         | 43,600,106         |
| EUR CLO Equity   | 23,343,152         | 11,293,146         | 10,476,538         |
| USD CLO Debt   | 92,233,551         | 74,598,413         | 62,756,417         |
| EUR CLO Debt   | 46,831,688         | 58,642,006         | 61,769,950         |
| <b>CLO total</b>   | <b>216,294,282</b> | <b>198,449,439</b> | <b>178,603,011</b> |
| Synthetic Corporate Credit Equity                            | 10                 | 968                | 8,376,948          |
| Synthetic Corporate Credit Debt                              | —                  | 5,438,007          | 6,666,901          |
| Synthetic Corporate Credit – Bank Balance Sheet transactions | 20,025,017         | 15,579,515         | 17,266,029         |
| <b>Synthetic Corporate Credit total</b>                      | <b>20,025,027</b>  | <b>21,018,490</b>  | <b>32,309,878</b>  |
| Cash Corporate Credit Equity                                 | 11,060,592         | 9,617,282          | 10,258,575         |
| Cash Corporate Credit Debt                                   | 4,011,818          | 3,420,476          | 3,362,981          |
| <b>Cash Corporate Credit total</b>                           | <b>15,072,410</b>  | <b>13,037,758</b>  | <b>13,621,556</b>  |
| ABS – Mortgage Residual positions                            | 21,631,582         | 20,401,709         | 18,925,793         |
| ABS Debt   | 4,140,001          | 3,386,106          | 6,168,970          |
| <b>ABS total</b>   | <b>25,771,583</b>  | <b>23,787,815</b>  | <b>25,094,763</b>  |
| <b>Total investments</b>                                     | <b>277,163,302</b> | <b>256,293,502</b> | <b>249,629,208</b> |

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 JANUARY 2015

### 5. OPERATING SEGMENTS (CONTINUED)

Volta's investment purchases during the period, excluding commitments to be paid after the period end, are presented in the table below by asset class:

|  | Six months ended<br>31 January 2015 | Six months ended<br>31 July 2014 | Six months ended<br>31 January 2014 |
|--|-------------------------------------|----------------------------------|-------------------------------------|
|  | €                                   | €                                | €                                   |
| USD CLO Equity   | 10,854,311                          | 10,996,957                       | —                                   |
| EUR CLO Equity   | 14,250,000                          | 1,960,001                        | 5,637,085                           |
| USD CLO Debt   | 19,101,159                          | 13,950,559                       | 12,039,751                          |
| EUR CLO Debt   | —                                   | —                                | 16,156,624                          |
| <b>CLO total</b>   | <b>44,205,470</b>                   | <b>26,907,517</b>                | <b>33,833,460</b>                   |
| Synthetic Corporate Credit – Bank Balance Sheet transactions | 7,500,000                           | —                                | —                                   |
| <b>Synthetic Corporate Credit total</b>                      | <b>7,500,000</b>                    | <b>—</b>                         | <b>—</b>                            |
| ABS Debt   | 1,777,000                           | —                                | —                                   |
| <b>ABS total</b>   | <b>1,777,000</b>                    | <b>—</b>                         | <b>—</b>                            |
| <b>Total purchases</b>                                       | <b>53,482,470</b>                   | <b>26,907,517</b>                | <b>33,833,460</b>                   |

Volta's investment sales proceeds and redemption proceeds received during the period are presented in the table below by asset class:

|  | Six months ended<br>31 January 2015 | Six months ended<br>31 July 2014 | Six months ended<br>31 January 2014 |
|--|-------------------------------------|----------------------------------|-------------------------------------|
|  | €                                   | €                                | €                                   |
| USD CLO Equity   | 18,486,035                          | 776,556                          | 450,123                             |
| EUR CLO Equity   | 319,524                             | 302,138                          | 288,860                             |
| USD CLO Debt   | 16,426,667                          | 3,608,806                        | 6,153,132                           |
| EUR CLO Debt   | 12,475,914                          | 2,905,202                        | 8,729,177                           |
| <b>CLO total</b>   | <b>47,708,140</b>                   | <b>7,592,702</b>                 | <b>15,621,292</b>                   |
| Synthetic Corporate Credit Equity                            | —                                   | 8,412,809                        | 11,499,251                          |
| Synthetic Corporate Credit Debt                              | 5,601,965                           | 1,362,776                        | 15,635,806                          |
| Synthetic Corporate Credit – Bank Balance Sheet transactions | 2,651,225                           | 673,233                          | 1,305,233                           |
| <b>Synthetic Corporate Credit total</b>                      | <b>8,253,190</b>                    | <b>10,448,818</b>                | <b>28,440,290</b>                   |
| Cash Corporate Credit Equity                                 | 924,560                             | —                                | —                                   |
| <b>Cash Corporate Credit total</b>                           | <b>924,560</b>                      | <b>—</b>                         | <b>—</b>                            |
| ABS – Mortgage Residual positions                            | —                                   | 284,931                          | —                                   |
| ABS Debt   | —                                   | 3,322,737                        | 863,482                             |
| <b>ABS total</b>   | <b>—</b>                            | <b>3,607,668</b>                 | <b>863,482</b>                      |
| <b>Total sales and redemption proceeds</b>                   | <b>56,885,890</b>                   | <b>21,649,188</b>                | <b>44,925,064</b>                   |

### 6. COMPANY SECRETARIAL, ADMINISTRATION, ACCOUNTANCY AND PORTFOLIO ADMINISTRATION FEES

Sanne acts as Company Secretary, Administrator, Registrar 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, Registrar and Secretarial Agreement. The amount charged to the Company under the terms of this agreement during the period was €147,167 (2014: €131,683).

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 JANUARY 2015

### 7. DIRECTORS' REMUNERATION AND EXPENSES

|   | 1 August 2014 to<br>31 January 2015 | 1 August 2013 to<br>31 January 2014 |
|---|-------------------------------------|-------------------------------------|
|   | €                                   | €                                   |
| Directors' fees (cash element)                              | 145,374                             | 94,500                              |
| Directors' fees (equity element, settled during the period) | 34,113                              | 20,250                              |
| Directors' fees (equity element, settled after the period)  | 33,475                              | 20,250                              |
| Directors' expenses   | 6,164                               | 4,980                               |
|   | <b>219,126</b>                      | <b>139,980</b>                      |

None of the Directors have any direct personal financial interest in any of the Company's investments other than indirectly through their shareholding in the Company.

### 8. DIVIDENDS

The following dividends have been proposed and/or paid during the semi-annual period ended 31 January 2015 and during prior periods:

|  | Dividend per share |
|--|--------------------|
|  | €                  |
| <b>Dividend for the semi-annual period ended 31 January 2015 (proposed)</b>    | <b>0.31</b>        |
| Dividend for the semi-annual period ended 31 July 2014 (paid 9 December 2014)  | 0.30               |
| Dividend for the semi-annual period ended 31 January 2014 (paid 22 April 2014) | 0.30               |
| Dividend for the semi-annual period ended 31 July 2013 (paid 30 December 2013) | 0.31               |
| Dividend for the semi-annual period ended 31 January 2013 (paid 24 April 2013) | 0.31               |

### 9. EARNINGS PER SHARE ("EPS")

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

|  | 1 August 2014<br>to 31 January<br>2015 | 1 August 2013<br>to 31 January<br>2014 |
|--|--|--|
|  | €                                      | €                                      |
| <b>Profit for the purposes of basic EPS being net profit attributable to equity holders</b>      | <b>27,152,170</b>                      | <b>30,921,074</b>                      |
|  | <b>Number</b>                          | <b>Number</b>                          |
| Weighted average number of ordinary shares for the purposes of basic earnings per share          | 36,490,452                             | 35,750,544                             |
| Dilutive effect of warrants (exercisable at €10 per share)                                       | —                                      | —                                      |
| <b>Weighted average number of ordinary shares for the purposes of diluted earnings per share</b> | <b>36,490,452</b>                      | <b>35,750,544</b>                      |

The average market price, based on closing prices quoted on Euronext Amsterdam, for one ordinary share during the semi-annual period ended 31 January 2015 was €6.29 (€6.19 during the semi-annual period ended 31 January 2014).

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 JANUARY 2015

### 10. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

|   | Six months ended<br>31 January 2015 | Six months ended<br>31 July 2014 | Six months ended<br>31 January 2014 |
|---|-------------------------------------|----------------------------------|-------------------------------------|
|   | €                                   | €                                | €                                   |
| Fair value brought forward  | 256,293,502                         | 249,629,208                      | 238,701,867                         |
| Purchases   | 53,482,470                          | 26,907,517                       | 44,551,346                          |
| Sale and redemption proceeds received   | (56,885,890)                        | (21,649,188)                     | (50,541,700)                        |
| Realised and unrealised movement in fair value, including accrued income and dividends receivable | 24,273,220                          | 1,405,965                        | 16,917,695                          |
| Fair value carried forward  | 277,163,302                         | 256,293,502                      | 249,629,208                         |

### 11. DERIVATIVES

Foreign exchange swaps and options are classified as financial instruments at fair value through profit or loss and are held to hedge some of the currency exposure generated by US dollar assets held by the Company (see Note 17). The hedge has been put in place 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 Citigroup, with a margin requirement being applicable upon revaluation of such transactions. The balance on the margin account is offset against the value of the foreign exchange derivative transactions open as at the year end.

|   | 31 January 2015 | 31 July 2014     |
|---|-----------------|------------------|
|   | €               | €                |
| Revaluation of foreign exchange forward and option positions    | (5,694,364)     | (422,848)        |
| Net margin amount paid as at the period end                     | 5,970,000       | 240,000          |
| Net carrying value of the foreign exchange derivative positions | 275,636         | (182,848)        |
| Revaluation of US Treasury Note option positions                | —               | 12,521           |
| <b>Net carrying value of derivative positions</b>               | <b>275,636</b>  | <b>(170,327)</b> |

### 12. TRADE AND OTHER PAYABLES

|  | 31 January 2015   | 31 July 2014     |
|--|-------------------|------------------|
|  | €                 | €                |
| Amounts due to broker settled after the period end | 6,512,481         | —                |
| Investment Management Fees                         | 2,029,033         | 1,901,438        |
| Investment Manager Performance Fees                | 3,379,232         | (412,465)        |
| Directors' fees (cash payable)                     | 78,130            | 86,762           |
| Directors' fees (shares payable)                   | 33,484            | 37,184           |
| Accrued expenses and other payables                | 395,152           | 360,577          |
|  | <b>12,427,512</b> | <b>1,973,496</b> |

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 JANUARY 2015

### 13. SHARE CAPITAL

#### Authorised

|   | 31 January 2015<br>Number of shares | 31 July 2014<br>Number of shares |
|---|-------------------------------------|----------------------------------|
| Ordinary shares of no par value each                                | Unlimited                           | Unlimited                        |
| Class B convertible ordinary share of no par value                  | 1                                   | 1                                |
| Class C non-voting convertible ordinary shares of no par value each | Unlimited                           | Unlimited                        |

With respect to voting rights at general meetings of the Company, the ordinary shares and Class B share confer on the holder of such shares the right to one vote for each share held, whilst the holders of Class C shares do not have the right to vote.

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. The Investment Manager has agreed with the Company in the Investment Management Agreement that it will retain any Class C shares issued to it for a period of at least two years from the date of issuance of such shares. If sold to a party unaffiliated with the Investment Manager, the Class C shares will be convertible into ordinary shares.

Each class of share ranks pari passu with each other with respect to participation in the profits and losses of the Company. The Directors consider recommendation of a dividend on a semi-annual basis, 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). The Company may declare such dividends as are recommended by the Board of Directors.

#### Issued and fully paid

|   | Number of<br>ordinary shares<br>in issue | Number of<br>Class B shares<br>in issue | Number of<br>Class C shares<br>in issue | Total number<br>of shares<br>in issue | Warrants:<br>potential number<br>of shares |
|---|--|---|---|---------------------------------------|--|
| Balance at 31 July 2013                         | 34,447,187                               | 1                                       | 871,157                                 | 35,318,345                            | 3,000,000                                  |
| Issued to Directors during the period           | 7,876                                    | —                                       | —                                       | 7,876                                 | —  |
| Scrip dividends paid                            | 624,273                                  | —                                       | —                                       | 624,273                               | —  |
| Class C shares issued                           | —  | —                                       | 322,575                                 | 322,575                               | —  |
| <b>Balance at 31 January 2014</b>               | <b>35,079,336</b>                        | <b>1</b>                                | <b>1,193,732</b>                        | <b>36,273,069</b>                     | <b>3,000,000</b>                           |
| Issued to Directors during the period           | 10,098                                   | —                                       | —                                       | 10,098                                | —  |
| Scrip dividends paid                            | 198,080                                  | —                                       | —                                       | 198,080                               | —  |
| <b>Balance at 31 July 2014</b>                  | <b>35,287,514</b>                        | <b>1</b>                                | <b>1,193,732</b>                        | <b>36,481,247</b>                     | <b>3,000,000</b>                           |
| Issued to Directors during the period           | 10,443                                   | —                                       | —                                       | 10,443                                | —  |
| Conversion of Class C shares to ordinary shares | 548,435                                  | —                                       | (548,435)                               | —                                     | —  |
| <b>Balance at 31 January 2015</b>               | <b>35,846,392</b>                        | <b>1</b>                                | <b>645,297</b>                          | <b>36,491,690</b>                     | <b>3,000,000</b>                           |

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 JANUARY 2015

### 13. SHARE CAPITAL (CONTINUED)

The IPO of ordinary shares on 20 December 2006 was priced at €10 per share. The following ordinary shares have subsequently been issued: as at 31 January 2015 an aggregate amount of 429,375 shares had been issued to the Directors on a quarterly basis in respect of 30% of their fees, of which 10,443 were issued during the period; an aggregate amount of 2,240,302 shares were issued in respect of scrip dividends; and a private placement of 2,628,280 shares was made in May 2013. During the period, shares were issued as follows: 10,443 ordinary shares were issued to the Directors in respect of their fees at the following prices per share: €6.59 and €6.34.

### 14. SHARE PREMIUM ACCOUNT

|                                       | Ordinary shares<br>€ | Class B share<br>€ | Class C shares<br>€ | Total<br>€        |
|---------------------------------------|----------------------|--------------------|---------------------|-------------------|
| Balance at 31 July 2013               | 22,464,347           | —                  | 5,972,989           | 28,437,336        |
| Issued to Directors during the period | 48,600               | —                  | —                   | 48,600            |
| Scrip dividends paid                  | 3,676,968            | —                  | —                   | 3,676,968         |
| Treasury Shares sold                  | 215,938              | —                  | —                   | 215,938           |
| Balance at 31 January 2014            | 26,405,853           | —                  | 5,972,989           | 32,378,842        |
| Issued to Directors during the period | 64,800               | —                  | —                   | 64,800            |
| Scrip dividends paid                  | 1,233,048            | —                  | —                   | 1,233,048         |
| Balance at 31 July 2014               | 27,703,701           | —                  | 5,972,989           | 33,676,690        |
| Issued to Directors during the period | 67,588               | —                  | —                   | 67,588            |
| Scrip dividends paid                  | —                    | —                  | —                   | —                 |
| <b>Balance at 31 January 2015</b>     | <b>27,771,289</b>    | <b>—</b>           | <b>5,972,989</b>    | <b>33,744,278</b> |

The share premium account represents the issue proceeds received, or value attributed, from 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.

### 15. WARRANTS

|   | 31 January 2015 | 31 July 2014 |
|---|-----------------|--------------|
| Number of warrants issued at IPO (1:1 exercisable for Class C shares) | 3,000,000       | 3,000,000    |
| Value of warrants at IPO  | €1,410,000      | €1,410,000   |
| Exercise price  | €10             | €10          |
| Exercise period – start date  | 01/12/2008      | 01/12/2008   |
| Exercise period – end date  | 31/12/2016      | 31/12/2016   |
| Closing price of ordinary shares at period end                        | €6.30           | €6.33        |
| Theoretical value per warrant if exercised at period end              | —               | —            |
| Dilutive effect of warrants   | —               | —            |

The warrants were issued to the Investment Manager upon the closing of the IPO. The warrants give the Investment Manager the right to acquire an amount of Class C shares equivalent to 10% of the number of shares in issue immediately following the closing, at an exercise price per share equal to the offer price of €10 per share. The warrants became exercisable after 30 November 2008 and will cease to be exercisable after 31 December 2016.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 JANUARY 2015

### 16. RESERVES

|   | Accumulated (loss)/gain<br>€ | Other distributable<br>reserves<br>€ |
|---|------------------------------|--------------------------------------|
| At 31 July 2013                           | 3,360,829                    | 213,087,057                          |
| Total comprehensive income for the period | 30,921,074                   | —                                    |
| Scrip dividends paid                      | —                            | (3,676,968)                          |
| Dividends paid                            | —                            | (7,001,311)                          |
| Dividends payable                         | —                            | (370,057)                            |
| As at 31 January 2014                     | 34,281,903                   | 202,038,721                          |
| At 31 July 2014                           | 47,406,187                   | 191,155,819                          |
| Total comprehensive income for the period | 27,152,170                   | —                                    |
| Scrip dividends paid                      | —                            | —                                    |
| Dividends paid in cash                    | —                            | (10,947,506)                         |
| At 31 January 2015                        | 74,558,357                   | 180,208,313                          |

The accumulated loss 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 Guernsey company law prevailing at that time and the Company's Articles of Association. 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 tests as prescribed under the law and the Directors make the appropriate solvency declaration.

### 17. FINANCIAL RISK MANAGEMENT

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies are reviewed regularly to reflect changes in market conditions and the Company's activities. Below is a non-exhaustive summary of the risks that the Company is exposed to as a result of its use of financial instruments:

#### **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 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 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. 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;

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 JANUARY 2015

### 17. FINANCIAL RISK MANAGEMENT (CONTINUED)

#### *Fair value estimation (continued)*

- 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.

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 2015 and 31 July 2014:

|  | 31 January 2015 |              |              | Total<br>€  |
|--|-----------------|--------------|--------------|-------------|
|  | Level 1<br>€    | Level 2<br>€ | Level 3<br>€ |             |
| Financial assets at fair value through profit or loss: |                 |              |              |             |
| – securities   | —               | —            | 277,163,302  | 277,163,302 |
| – derivatives  | —               | 275,636      | —            | 275,636     |
|  | —               | 275,636      | 277,163,302  | 277,438,938 |

|   | 31 July 2014 |              |              | Total<br>€  |
|---|--------------|--------------|--------------|-------------|
|   | Level 1<br>€ | Level 2<br>€ | Level 3<br>€ |             |
| Financial assets at fair value through profit or loss:      |              |              |              |             |
| – securities  | —            | —            | 256,293,502  | 256,293,502 |
| Financial liabilities at fair value through profit or loss: |              |              |              |             |
| – derivatives   | —            | (170,327)    | —            | (170,327)   |
|   | —            | (170,327)    | 256,293,502  | 256,123,175 |

All of the Company's investments are classified within Level 3 as they have significant unobservable inputs and they may trade infrequently. As observable prices are not available for these securities, the Company has used valuation techniques (see Note 4) to derive their fair value. Foreign exchange 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.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 JANUARY 2015

### 17. FINANCIAL RISK MANAGEMENT (CONTINUED)

#### Fair value estimation (continued)

The following table represents the movement in Level 3 instruments for the period ended 31 January 2015 by asset class:

|                  | Fair value as<br>at 1 August<br>2014 | Purchases  | Sale and<br>redemption<br>proceeds | Gains on sales | Unrealised<br>movement in<br>fair value | Fair value as at<br>31 January<br>2015 |
|------------------|--------------------------------------|------------|------------------------------------|----------------|---|--|
|                  | €                                    | €          | €                                  | €              | €                                       | €                                      |
| CLO – USD Equity | 53,915,874                           | 10,854,311 | (18,486,035)                       | 3,479,197      | 4,122,544                               | 53,885,891                             |
| CLO – EUR Equity | 11,293,146                           | 14,250,000 | (319,524)                          | (208,969)      | (1,671,501)                             | 23,343,152                             |
| CLO – USD Debt   | 74,598,413                           | 19,101,159 | (16,426,667)                       | 2,089,405      | 12,871,241                              | 92,233,551                             |
| CLO – EUR Debt   | 58,642,006                           | —          | (12,475,914)                       | 262,008        | 403,588                                 | 46,831,688                             |
| SCC Equity       | 968                                  | —          | —                                  | —              | (958)                                   | 10                                     |
| SCC Debt         | 5,438,007                            | —          | (5,601,965)                        | 163,958        | —                                       | —                                      |
| SCC BBS          | 15,579,515                           | 7,500,000  | (2,651,225)                        | (113,083)      | (290,190)                               | 20,025,017                             |
| CCC Equity       | 9,617,282                            | 1,777,000  | (924,560)                          | —              | 590,870                                 | 11,060,592                             |
| CCC Debt         | 3,420,476                            | —          | —                                  | —              | 591,342                                 | 4,011,818                              |
| ABS Residual     | 20,401,709                           | —          | —                                  | —              | 1,229,873                               | 21,631,582                             |
| ABS Debt         | 3,386,106                            | —          | —                                  | —              | 753,895                                 | 4,140,001                              |
|                  | 256,293,502                          | 53,482,470 | (56,885,890)                       | 5,672,516      | 18,600,704                              | 277,163,302                            |

The appropriate fair value classification level is reviewed for each of the Company's investments at each year end. Any transfers into or out of a particular fair value classification level is 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 year. All of the unrealised movement in fair value disclosed in the table above relates to investments held as at 31 January 2015.

#### 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 2015 that seems reasonable considering the current market environment and the nature of the Company's assets' main underlying risks. 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 manager, the sensitivity analyses are not necessarily based upon the assumptions used by such arranging banks/market participants/underlying fund managers 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 are not the most relevant in the current environment. For example, the sensitivity to interest rates is inter-dependent 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. Whilst 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 18 and 19.

#### 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 to:

(i) the rate of occurrence of defaults at the underlying loan portfolio level. The base case scenario is to project defaults in line with the historical average default rate (circa 2.8% per year). A reasonably possible change in the default rate is considered to be a possible increase to 1.5 times the historical average (a decrease to 0.5 times the historical average 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 historical average is also presented in the table below.

(ii) the rate of occurrence of prepayments as measured by the constant prepayment rate ("CPR") at the underlying loan portfolio level. The base case scenario is to project a CPR in line with the historical average CPR (circa 30% per year for the US and 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 the US and from 25% to 10% for Europe. The impact of the CPR is very linear so that the impact of an opposite test would be likely to result in an equal and opposite impact.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 JANUARY 2015

### 17. FINANCIAL RISK MANAGEMENT (CONTINUED)

#### Sensitivity analysis (continued)

| 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 35% 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 Equity 1.0 | 15.2%    | (3.7%)   | (0.6%)        | (7.9%)   | (1.2%)        | 4.9%  | 0.7%          |
| USD/EUR CLO Equity 2.0 | 6.6%     | (3.3%)   | (0.2%)        | (5.0%)   | (0.3%)        | (1.8%)  | (0.1%)        |
| USD/EUR CLO Debt 1.0   | 28.0%    | (2.6%)   | (0.7%)        | (5.1%)   | (1.4%)        | 0.4%  | 0.1%          |
| USD/EUR CLO Debt 2.0   | 20.0%    | (0.2%)   | (0.1%)        | (0.5%)   | (0.1%)        | (0.2%)  | —             |
| All CLO tranches       | 69.8%    |  | (1.6%)        |  | (3.0%)        |   | 0.7%          |

As presented above, a reasonably possible increase in the default rate in the underlying loan portfolios would be detrimental to both debt and equity tranches, although the impact on the CLO 2.0 tranches would be less than the impact on the CLO 1.0 tranches; a decrease in the CPR would have a generally positive impact on the CLO 1.0 tranches and would have a generally negative impact on the CLO 2.0 tranches.

#### Synthetic Corporate Credit Bank Balance Sheet transactions

The investments within this asset class (representing 6.9% 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 or decrease in defaults would be likely to lead to a 1.5% decrease or increase in the average prices of these assets, respectively. The effect to GAV is negligible.

#### Cash Corporate Credit Equity transactions

As at 31 January 2015, the Company held three investments in this asset class (Tennenbaum, Crescent European Loan Fund and Promise Mobility, representing 2.6%, 0.6% and 0.6% of the GAV respectively). These assets have exposures to diversified portfolios of investment grade and sub-investment grade corporate credits. One of the main risks associated with these assets is the occurrence of defaults in the underlying portfolio. The Directors believe it is reasonable to test the sensitivity of these assets to a change in the occurrence of defaults. For Tennenbaum the test has been calibrated as an increase/decrease in the level of defaults equivalent to one year of projected defaults as measured by the WARF, for the first year to come, keeping the projected future losses unchanged for the following years (i.e. an immediate "jump to default" equivalent to one year of defaults at the historical average default rate). Such an increase in the level of defaults would be likely to decrease the price by 3.7% and decrease the GAV by 0.1%. Such a decrease in the level of defaults would be likely to increase the price by 3.7% and increase the GAV by 0.1%. For Promise Mobility the test has been calibrated as an increase/decrease of 25% in the default rate. Such an increase in the level of defaults would be likely to decrease the price by 25% and decrease the GAV by 0.2%. Such a decrease in the level of defaults would be likely to increase the price by 25% and increase the GAV by 0.2%. The Crescent European Loan Fund is still in its investing phase and therefore no sensitivity analysis has been performed.

#### Cash Corporate Credit Debt transactions

As at 31 January 2015, the Company had one investment in this asset class (ICE 1). This investment (representing 1.4% of the GAV) benefits from a very high level of seniority relative to losses that could occur in the underlying portfolio and is consequently not sensitive to any reasonably possible changes in assumptions.

#### ABS Mortgage Residual positions

As at 31 January 2015, the main risk associated with the UK non-conforming positions held by the Company (representing 7.5% of the GAV) is the level of credit losses in the underlying collateral. Considering the losses observed over the past semi-annual period, the Directors believe it is reasonable to test an increase/decrease of 25% in the projected annual losses in the underlying portfolio relative to the projected losses used to value the assets. If the projected losses on the UK non-conforming underlying portfolio were to increase by such amount, the fair value of these assets would be likely to decrease by 10.4% and would decrease the GAV by 0.8%. A decrease of 25% in projected losses would have an equal but opposite effect to the fair value of these assets and to the GAV.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 JANUARY 2015

### 17. FINANCIAL RISK MANAGEMENT (CONTINUED)

#### *Sensitivity analysis (continued)*

##### *ABS Debt positions*

As at 31 January 2015, the Company held only one investment in this asset class, St Bernard Opportunity Fund (representing 1.4% 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 2015 and over the last twelve months, St Bernard's volatility was 1.9% for an annual performance of 8.4% (the respective figures since inception of this fund are 5.8% volatility for an annualised performance of 14.0%). The Directors believe that this gives a reasonable indication of the risk profile of this investment.

##### *Valuation risk*

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

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 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 all or part of the contributors for such information were to experience significant business difficulties or were to suspend relative market activities. This could affect the timing and determination process when 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 by the Company would be negatively impacted even by a modest increase in the USD Libor and 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 risks is advisable.

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

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 JANUARY 2015

### 17. FINANCIAL RISK MANAGEMENT (CONTINUED)

The tables below summarise the effective interest rates applicable to the Company's cash and cash equivalents as at the end of the year. It should be noted that the Company no longer computes an effective interest figure for its investments held. Consequently, the Company no longer calculates the effective interest rates applicable to its investments. For further details of the projected internal rate of return ("IRR"), as estimated using standard historical assumptions, please see Section 3 of 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 analysis.

#### Interest rate profile as at 31 January 2015

|  | Interest charging<br>basis    | Effective interest rate<br>%  | Amount<br>€        |
|--|-------------------------------|-------------------------------|--------------------|
| <b>Financial assets</b>                                      |                               |                               |                    |
| Cash and cash equivalents:                                   |                               |                               |                    |
| EUR deposit accounts   | Floating                      | Eonia – 25bp                  | 11,617,120         |
| USD deposit accounts   | Floating                      | Overnight USD Libor – 25bp    | 11,705,534         |
| GBP deposit accounts   | Floating                      | Sonia – 40bp                  | 1,101,723          |
| CHF deposit accounts   | Floating                      | Overnight CHF Libor – 25bp    | 336,065            |
|  |                               |                               | <b>24,760,442</b>  |
| <b>Financial assets at fair value through profit or loss</b> |                               |                               |                    |
| USD CLO Equity   | Floating                      | N/A – Subordinated securities | 53,885,891         |
| EUR CLO Equity   | Floating                      | N/A – Subordinated securities | 23,343,152         |
| USD CLO Debt   | USD Libor plus margin         | 2.3%                          | 92,233,551         |
| EUR CLO Debt   | Euribor plus margin           | 2.2%                          | 46,831,688         |
| SCC Equity   | Floating                      | N/A – Subordinated securities | 10                 |
| SCC Debt   | USD Libor/Euribor plus margin | 0.2%                          | —                  |
| SCC BBS  | Floating                      | N/A – Subordinated securities | 20,025,017         |
| CCC Equity   | Floating                      | N/A – Subordinated securities | 11,060,592         |
| CCC Debt   | USD Libor plus margin         | 0.6%                          | 4,011,818          |
| ABS – Mortgage Residual positions                            | Floating                      | N/A – Subordinated securities | 21,631,582         |
| ABS Debt   | USD Libor/Euribor plus margin | 1.0%                          | 4,140,001          |
|  |                               |                               | <b>277,163,302</b> |

#### Interest rate profile as at 31 July 2014

|  | Interest charging<br>basis    | Effective interest rate<br>%  | Amount<br>€        |
|--|-------------------------------|-------------------------------|--------------------|
| <b>Financial assets</b>                                      |                               |                               |                    |
| Cash and cash equivalents:                                   |                               |                               |                    |
| EUR deposit accounts   | Floating                      | Eonia – 25bp                  | 8,088,879          |
| USD deposit accounts   | Floating                      | Overnight USD Libor – 25bp    | 10,620,912         |
| GBP deposit accounts   | Floating                      | Sonia – 40bp                  | 581,914            |
| CHF deposit accounts   | Floating                      | Overnight CHF Libor – 25bp    | 173,499            |
|  |                               |                               | <b>19,465,204</b>  |
| <b>Financial assets at fair value through profit or loss</b> |                               |                               |                    |
| USD CLO Equity   | Floating                      | N/A – Subordinated securities | 53,915,874         |
| EUR CLO Equity   | Floating                      | N/A – Subordinated securities | 11,293,146         |
| USD CLO Debt   | USD Libor plus margin         | 4.5%                          | 74,598,413         |
| EUR CLO Debt   | Euribor plus margin           | 4.2%                          | 58,642,006         |
| SCC Equity   | Floating                      | N/A – Subordinated securities | 968                |
| SCC Debt   | USD Libor/Euribor plus margin | 0.5%                          | 5,438,007          |
| SCC BBS  | Floating                      | N/A – Subordinated securities | 15,579,515         |
| CCC Equity   | Floating                      | N/A – Subordinated securities | 9,617,282          |
| CCC Debt   | USD Libor plus margin         | 1.4%                          | 3,420,476          |
| ABS – Mortgage Residual positions                            | Floating                      | N/A – Subordinated securities | 20,401,709         |
| ABS Debt   | USD Libor/Euribor plus margin | 1.7%                          | 3,386,106          |
|  |                               |                               | <b>256,293,502</b> |

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 JANUARY 2015

### 17. FINANCIAL RISK MANAGEMENT (CONTINUED)

#### Currency risk

The Company's accounts are presented in euro, the Company's functional currency, whilst investments are made and realised in 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 expected to be the US dollar and British pound sterling, 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 risks 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 2015 the Investment Manager has put into place arrangements to hedge into euro part of its 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 exposure associated with the British pound sterling-denominated residuals of asset-backed securities is unhedged as at the end of January 2015 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 and monitored by the Board through the quarterly business report under normal circumstances, or more frequently in periods of high market volatility.

#### Currency risk profile as at 31 January 2015

|   | Denominated<br>in EUR<br>€ | Denominated<br>in USD<br>€ | Denominated<br>in GBP<br>€ | Denominated<br>in CHF<br>€ | Total<br>€   |
|---|----------------------------|----------------------------|----------------------------|----------------------------|--------------|
| Financial assets at fair value through profit or loss | 90,079,548                 | 162,661,679                | 21,631,588                 | 2,790,487                  | 277,163,302  |
| Cash and cash equivalents                             | 11,617,120                 | 11,705,534                 | 1,101,723                  | 336,065                    | 24,760,442   |
| Trade and other receivables                           | 126,598                    | 20,700                     | 1,782                      | —                          | 149,080      |
| Derivative contracts                                  | 275,636                    | —                          | —                          | —                          | 275,636      |
| Trade and other payables                              | (5,676,951)                | (6,560,982)                | (189,579)                  | —                          | (12,427,512) |
|   | 96,421,951                 | 167,826,931                | 22,545,514                 | 3,126,552                  | 289,920,948  |

The following foreign exchange swaps and options were unsettled as at 31 January 2015:

| Description of open positions                                 | Nominal amount<br>USD | Average strike price<br>\$/€ |
|---|-----------------------|------------------------------|
| Forward foreign exchange contracts (USD sold forward vs. EUR) | 67,500,000            | 1.29                         |
| Long position – USD calls vs. EUR                             | 42,500,000            | 1.12                         |
| Short position – USD puts vs. EUR                             | 42,500,000            | 1.37                         |
| Long position – USD puts vs. EUR                              | 42,500,000            | 1.53                         |
|   |                       | Unrealised gain<br>€         |
| Aggregate revaluation gain                                    |                       | (5,694,364)                  |
| Margin accounts balance – amounts paid                        |                       | 5,970,000                    |
| Unsettled amount receivable                                   |                       | 275,636                      |

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 JANUARY 2015

### 17. FINANCIAL RISK MANAGEMENT (CONTINUED)

#### Currency risk (continued)

Currency risk profile as at 31 July 2014

|   | Denominated<br>in EUR<br>€ | Denominated<br>in USD<br>€ | Denominated<br>in GBP<br>€ | Denominated<br>in CHF<br>€ | Total<br>€  |
|---|----------------------------|----------------------------|----------------------------|----------------------------|-------------|
| Financial assets at fair value through profit or loss | 85,938,379                 | 147,373,978                | 20,401,709                 | 2,579,436                  | 256,293,502 |
| Cash and cash equivalents                             | 8,088,879                  | 10,620,912                 | 581,914                    | 173,499                    | 19,465,204  |
| Trade and other receivables                           | 33,414                     | —                          | 399                        | —                          | 33,813      |
| Trade and other payables                              | (1,873,437)                | (23,543)                   | (76,516)                   | —                          | (1,973,496) |
| Derivative contracts                                  | (182,848)                  | 12,521                     | —                          | —                          | (170,327)   |
|   | 92,004,387                 | 157,983,868                | 20,907,506                 | 2,752,935                  | 273,648,696 |

The following foreign exchange swaps and options were unsettled as at 31 July 2014:

| Description of open positions                                 | Nominal amount<br>USD | Average strike price<br>\$/€ |
|---|-----------------------|------------------------------|
| Forward foreign exchange contracts (USD sold forward vs. EUR) | 67,500,000            | 1.35                         |
| Long position – USD calls vs. EUR                             | 42,500,000            | 1.20                         |
| Short position – USD puts vs. EUR                             | 42,500,000            | 1.44                         |
| Long position – USD puts vs. EUR                              | 42,500,000            | 1.62                         |
|   |                       | Unrealised gain<br>€         |
| Aggregate revaluation gain                                    |                       | (410,327)                    |
| Margin accounts balance – amounts paid                        |                       | 240,000                      |
| Unsettled amount receivable                                   |                       | (170,327)                    |

#### Credit risk and counterparty risk

Credit 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 and cash and cash equivalents.

The ABS positions could be split into two different sub-classes: a position in a fund mainly investing in US Residential Mortgage-Backed Securities ("RBMS") debt tranches (St Bernard Opportunity Fund), representing 16.1% of the fair value of this asset class; and five residual income positions backed by UK non-conforming residential loans, representing 83.9% of the fair value of this asset class. During the semi-annual period, no particular events affected either Pangaea or St Bernard Opportunity Fund. At the year end, the valuation of the five UK non-conforming residual positions reflects the approach that recently observed cash flows, being the result of extra payments at the underlying level, might last for five years.

The Cash Corporate Credit assets include three positions: one loan fund (Tennenbaum), one residual position exposed to German SME loans (Promise Mobility) and an originally AA-rated tranche of a CDO exposed to emerging market credit positions (ICE). During the semi-annual period, no particular events affected the situation of any of these three positions.

The positions in the CLO asset class are residual or mezzanine debt tranches of CLOs, which, being term leveraged structures at a fixed margin, can generate more excess payments through re-investments when markets are under stress than under normal circumstances. Overall, for the ten US dollar and euro transactions that have been held since early/mid 2007, the effective cash flows available for the owner of the residual positions have increased significantly throughout the crisis as a result of the significant increase of the weighted average spread of the underlying portfolios.

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) that exceeds the principal amount of the outstanding CLO debt tranches at any point in time. The average remaining principal amount of the eleven classic residual positions held by Volta was approximately unchanged as at 31 January 2015 compared to 31 July 2014. All of the positions in this bucket 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

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 JANUARY 2015

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 also benefit from some of their intrinsic features, mainly the ability to re-invest diverted amounts and prepayments.

### 17. FINANCIAL RISK MANAGEMENT (CONTINUED)

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

As at 31 January 2015, the Company held 39 positions in debt tranches of CLOs accounting for 48.1% of Volta's end-of-year GAV. With the exception of one investment that is unrated but could be considered equivalent to a BB-rated tranche taking into account its level of subordination, 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.

Five of these positions (Adagio III, Centurion, Apidos, Black Diamond and Tara Hill) have structural features that could generate some early payments of principal in the event of stressed conditions arising in the underlying portfolios, which might be beneficial to the Company, considering these positions were bought significantly below par.

The Synthetic Corporate Credit Bank Balance Sheet transactions represented 6.9% of Volta's end-of-period GAV. No particular events in the period affected the situation of these positions. Through these synthetic deals the Company is exposed to the credit of the counterparty of such deals.

The table below takes into account losses of principal amounts that could not be recouped for Corporate Credit and ABS; residual tranches of CLOs are accounted for by their remaining principal amount; and US dollar principal amounts are translated to euro using the end-of-period cross rate.

|   | January<br>2015 | July 2014    | January<br>2014 | July 2013    | January<br>2013 | July 2012    |
|---|-----------------|--------------|-----------------|--------------|-----------------|--------------|
| CLO Equity  | 77.2            | 65.2         | 55.1            | 45.2         | 44.2            | 54.9         |
| CLO Debt  | 139.1           | 133.2        | 132.6           | 123.8        | 111.6           | 106.9        |
| Synthetic Corporate Credit Equity                       | —               | —            | 8.3             | 18.9         | 21.4            | 18.9         |
| Synthetic Corporate Credit Debt                         | —               | 5.4          | 6.8             | 23.2         | 22.9            | 24.3         |
| Bank Balance Sheet transactions                         | 20.0            | 15.6         | 16.3            | 17.7         | 10.7            | 7.0          |
| Cash Corporate Credit equity                            | 11.1            | 9.6          | 14.0            | 14.0         | 16.6            | 18.5         |
| Cash Corporate Credit debt                              | 4.0             | 3.4          | 3.7             | 3.8          | 3.7             | 4.1          |
| ABS   | 25.8            | 23.8         | 25.8            | 18.4         | 9.9             | 10.7         |
| Cash and derivative positions                           | 24.8            | 19.5         | 24.4            | 11.4         | 6.5             | 3.9          |
| <b>Total principal (including cash)</b>                 | <b>301.8</b>    | <b>275.7</b> | <b>287.0</b>    | <b>276.4</b> | <b>247.5</b>    | <b>249.2</b> |
| Change before currency conversion impact                | 6.8             | (7.4)        | 12.9            | 25.8         | 11.7            | 8.6          |
| Effect of conversion into euro at the end of the period | 19.3            | (3.9)        | (2.3)           | 3.1          | (13.4)          | 9.9          |
| <b>Principal amount per share (euro)</b>                | <b>8.27</b>     | <b>7.81</b>  | <b>7.91</b>     | <b>7.83</b>  | <b>7.69</b>     | <b>7.95</b>  |

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 founded on diversifying credit risk by pursuing investments in assets that are expected to generate cash flows from underlying portfolios that have at the time of purchase, in aggregate, diverse characteristics such as low historical default rates and/or high expected recovery rates in the event of default and/or significant granularity.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 JANUARY 2015

### 17. FINANCIAL RISK MANAGEMENT (CONTINUED)

#### *Credit risk, including counterparty risk (continued)*

The Company may invest in total return swaps, credit default swaps and other derivatives with various financial institution counterparties for purposes of 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. As at the semi-annual period end, the Company's derivative counterparties were Citibank New York, Citibank N.A., London Branch and Goldman Sachs International. Substantially all of the cash held by the Company is held at State Street Bank. Bankruptcy or insolvency by State Street Corporation may cause the Company's rights with respect to the cash held at State Street Bank to be delayed or limited. The Company monitors its risk by monitoring the credit rating of State Street Bank, as reported by Moody's, Standard and Poor's or Fitch, and analyses any information that could imply deterioration in State Street Bank's financial position. The current long-term issuer credit ratings assigned to Citigroup Inc, Goldman Sachs International and State Street Bank by each of Moody's, Standard & Poor's and Fitch respectively are as follows: Citigroup Inc: Baa2 (stable), A- (negative outlook) and A (stable); Goldman Sachs: Baa1 (stable), A (negative outlook) and A (stable); and State Street Bank A1 (stable), AA- (stable) and AA- (stable).

The Company may have more than 20% of its gross assets invested in the instruments of one or more special purpose vehicles. The Company's investment guidelines establish criteria for synthetic arrangements entered into by the Company and require specific Board approval for investments in excess of certain limits. Those criteria, and Board approval for certain investment exposures, 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, 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.

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

| Main asset class           | Detailed classification           | As at 31 January 2015 |   | As at 31 July 2014 |   |
|----------------------------|-----------------------------------|-----------------------|---|--------------------|---|
|                            |                                   |                       | % |                    | % |
| CLO                        | USD CLO Equity                    | 18.6                  |   | 19.7               |   |
|                            | EUR CLO Equity                    | 8.1                   |   | 4.1                |   |
|                            | USD CLO Debt                      | 31.9                  |   | 27.1               |   |
|                            | EUR CLO Debt                      | 16.2                  |   | 21.4               |   |
| Synthetic Corporate Credit | Synthetic Corporate Credit Equity | —                     |   | —                  |   |
|                            | Synthetic Corporate Credit Debt   | —                     |   | 2.0                |   |
|                            | Bank Balance Sheet transactions   | 6.9                   |   | 5.7                |   |
| Cash Corporate Credit      | Cash Corporate Credit Equity      | 3.8                   |   | 3.5                |   |
|                            | Cash Corporate Credit Debt        | 1.4                   |   | 1.2                |   |
| ABS                        | Mortgage Residual positions       | 7.5                   |   | 7.4                |   |
|                            | ABS Debt                          | 1.4                   |   | 1.2                |   |
| Cash                       | —                                 | 4.2                   |   | 6.5                |   |



## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 JANUARY 2015

### 17. FINANCIAL RISK MANAGEMENT (CONTINUED)

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

The table above shows exposures to asset type based on mark-to-market prices (based on originally reported GAV). As at 31 January 2015, reported GAV amounted to €289.9 million (31 July 2014: €274.0 million). Figures may not add up to 100% due to rounding. For further information regarding the Company's exposures to individual transactions and to individual investment managers, please refer to Note 21.

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 of the Company's CLO Equity tranches as at 31 January 2015 were:

| <b>Issuer name</b>                | <b>Industry group</b> | <b>Average exposure of CLO Equity tranches (%)</b> |
|-----------------------------------|-----------------------|--|
| First Data Corporation            | Software              | 2.4  |
| Huntsman International LLC        | Chemicals             | 1.2  |
| Asurion LLC/CA                    | Insurance             | 1.0  |
| Ziggo                             | Telecommunications    | 0.8  |
| Calpine Corporation               | Electric              | 0.8  |
| The Hertz Corp                    | Commercial services   | 0.8  |
| Avaya Inc.                        | Telecommunications    | 0.8  |
| Kinetic Concepts                  | Healthcare services   | 0.7  |
| NRG Energy                        | Electric              | 0.7  |
| HCA Inc.                          | Healthcare services   | 0.7  |
| Drillships Financing Holding      | Oil and gas           | 0.7  |
| Sabre                             | Leisure time          | 0.7  |
| Aramark Services Inc.             | Food                  | 0.7  |
| Univision Communications Inc.     | Media                 | 0.6  |
| Wide Open West Finance            | Media                 | 0.6  |
| CHS/Community Health Systems Inc. | Healthcare services   | 0.6  |
| Ineos US Finance LLC              | Chemicals             | 0.6  |
| Mediacom                          | Media                 | 0.6  |
| PQ                                | Chemicals             | 0.6  |
| Valeant Pharmaceuticals           | Pharmaceuticals       | 0.6  |

Based on the current weighting of CLO Equity positions (26.7% of GAV), the default of one underlying loan representing 1% of all the CLO Equity underlying portfolios would cause a decline of approximately 0.9% of current GAV, which would occur upon liquidation of the relevant CLO Equity tranches (assuming a standard recovery rate of 65% 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, including mortgage-backed securities, and leveraged loans) 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.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 JANUARY 2015

### 17. FINANCIAL RISK MANAGEMENT (CONTINUED)

#### 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 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 and monitored by the Board through the quarterly business report under normal circumstances, or more frequently in periods of high market volatility.

#### Maturity profile

The following tables show the legal maturity of the securities:

##### Maturity profile as at 31 January 2015

|  | Within one year<br>€ | One to five years<br>€ | Over five years<br>€ |
|--|----------------------|------------------------|----------------------|
| <b>Financial assets</b>                                |                      |                        |                      |
| Cash and cash equivalents                              | 24,760,442           | —                      | —                    |
| Derivative contracts                                   | 275,636              | —                      | —                    |
| Financial assets at fair value through profit and loss | 27,099,285           | 63,817,460             | 186,246,562          |
| Trade and other receivables                            | 149,080              | —                      | —                    |
|  | <b>52,284,443</b>    | <b>63,817,460</b>      | <b>186,246,562</b>   |
| <b>Financial liabilities</b>                           |                      |                        |                      |
| Trade and other payables                               | (12,427,512)         | —                      | —                    |
|  | <b>(12,427,512)</b>  | —                      | —                    |

##### Maturity profile as at 31 July 2014

|  | Within one year<br>€ | One to five years<br>€ | Over five years<br>€ |
|--|----------------------|------------------------|----------------------|
| <b>Financial assets</b>                                |                      |                        |                      |
| Cash and cash equivalents                              | 19,465,204           | —                      | —                    |
| Financial assets at fair value through profit and loss | 48,815,269           | 72,448,376             | 135,029,857          |
| Trade and other receivables                            | 33,813               | —                      | —                    |
|  | <b>68,314,286</b>    | <b>72,448,376</b>      | <b>135,029,857</b>   |
| <b>Financial liabilities</b>                           |                      |                        |                      |
| Derivative contracts                                   | (170,327)            | —                      | —                    |
| Trade and other payables                               | (1,973,496)          | —                      | —                    |
|  | <b>(2,143,823)</b>   | —                      | —                    |

#### 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 on the Company's assets. However, the Company has also entered into a direct leverage transaction with recourse through a repurchase contract with Société Générale, which was entered into subsequent to the period end, as further disclosed in Note 20. This transaction may increase the Company's liquidity needs.

#### 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 loss 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.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 JANUARY 2015

### 18. 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 €78,130 (31 July 2014: €86,762) had been accrued but not paid. Directors' fees to be paid in shares of €33,484 (31 July 2014: €37,184) had been accrued but not paid and Directors' expenses of €812 (31 July 2014: €1,035) had been accrued but not paid.

As at 31 January 2015, the Directors of the Company controlled 1.25% (31 July 2014: 1.16%) 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 Manager earned Management Fees of €2,029,718 (semi-annual period ended 31 January 2014: €1,722,232). As at 31 January 2015, Management Fees of €2,029,033 were outstanding (semi-annual period ended 31 January 2014: €1,722,232).

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 Performance Fee charge recognised in the Statement of Comprehensive Income for the semi-annual period ended 31 January 2015 was €3,379,232 (semi-annual period ended 31 January 2014: €2,282,891). The Performance Fee for the semi-annual period ended 31 January 2014 was overpaid by €412,465. This amount was offset against the Management Fee payable to the Investment Manager for the semi-annual period ended 31 July 2014. As at 31 January 2015, Performance Fees of €3,379,232 were outstanding (semi-annual period ended 31 January 2014: €2,282,891).

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 (currently on an ACT/360 basis, proposed basis to be ACT/ACT).

\*\*\* 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.

As stated in the Investment Manager's Report, the Investment Manager also acts as Investment Manager for the following of the Company's investments: Adagio III CLO PLC Class E Notes; Adagio III CLO PLC Class C Notes; Oryx European CLO B.V.; Adagio II CLO PLC Class D Notes; Prelude Credit Alpha PLC; Bank Capital Opportunity Fund; Cadenza; St Bernard Opportunity Fund (Series 3 and 4); Opera Structured Credit; Allegro II CLO Warehouse; and Bank Deleveraging Opportunities Fund.

Except for the investment in Allegro II CLO Warehouse and Bank Deleveraging Opportunities Fund, the Investment Manager earns, or earned, 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 ARIA III, Bank Capital Opportunity Fund, Cadenza, St Bernard Credit Opportunity Fund and the original purchases of first loss tranches of Jazz III, 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.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 JANUARY 2015

### 18. RELATED PARTY DISCLOSURE (CONTINUED)

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

Except for the Company's investments in 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 2015, AXA Group Investors and AXA Assurances Vie Mutuelle together held 24.9% (31 July 2014: 25.0%) of the voting shares in the Company and funds managed by AXA IM for third-party investors owned 5.5% (31 July 2014: 5.5%) of the voting shares in the Company. AXA IM did not hold any voting shares in the Company for its own account as at 31 January 2015. AXA IM held 645,297 Class C shares as at 31 January 2015.

### 19. COMMITMENTS

As at 31 January 2015, the Company had entered into the following commitments:

- to subscribe a further EUR 5.7 million to the Crescent European Loan Fund; and
- to subscribe a further EUR4.7 million to the Oak Hill Warehouse.

### 20. SUBSEQUENT EVENTS

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

- on 3 March 2015, the Company entered into a direct leverage transaction with recourse through a repurchase contract with Société Générale.

### 21. INVESTMENT PORTFOLIO

The Company invests in financial instruments issued by special purpose vehicles. None of the Company's investments are considered to represent controlling interests in any such special purpose vehicle. A full list of the Company's investments is presented in the table below.

| Issuer                                       | ISIN         | Investment manager                   | Main classification        | Sub-classification | Currency | Value in EUR | Percentage of investment portfolio to NAV |
|--|--------------|--------------------------------------|----------------------------|--------------------|----------|--------------|---|
| Oak Hill Warehouse                           | —            | Oak Hill                             | CLO                        | Equity             | EUR      | 14,510,779   | 5.24%                                     |
| Wasatch CLO 2006-1 Subordinated Notes        | USG94608AB57 | Invesco                              | CLO                        | Equity             | USD      | 11,563,604   | 4.17%                                     |
| Black Diamond 2013-1 Subordinated Notes      | USG11476AB76 | Black Diamond Capital Management LLC | CLO                        | Equity             | USD      | 9,804,076    | 3.54%                                     |
| Bank Deleveraging Opportunity Fund           | USG11496AA73 | AXA IM Paris                         | Synthetic Corporate Credit | Bank Balance Sheet | EUR      | 7,616,100    | 2.75%                                     |
| Tennenbaum Opportunities Fund V              | TOF5         | Tennenbaum Capital Partners, LLC     | Cash Corporate Credit      | Equity (fund)      | USD      | 7,584,554    | 2.74%                                     |
| CIFC 2007-3 Class D Notes – BB Debt          | USG2189NAA93 | CIFC                                 | CLO                        | Debt               | USD      | 7,305,939    | 2.64%                                     |
| Black Diamond 2006-1 Class E Notes – BB debt | XS0282504280 | Black Diamond Capital Management LLC | CLO                        | Debt               | USD      | 7,208,470    | 2.60%                                     |
| Northwoods Capital 2007-8 Subordinated Notes | USG6666RAB18 | Angelo Gordon                        | CLO                        | Equity             | USD      | 7,065,230    | 2.55%                                     |
| Batallion CLO 2007-1 Class E Notes – BB debt | USG08889AF79 | Brigade Capital Management           | CLO                        | Debt               | USD      | 6,743,664    | 2.43%                                     |

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| Issuer  | ISIN         | Investment manager                   | Main classification        | Sub-classification | Currency | Value in EUR | Percentage of investment portfolio |
|---|--------------|--------------------------------------|----------------------------|--------------------|----------|--------------|------------------------------------|
| Adagio III CLO Class E Notes – BB debt                | XS0262683971 | AXA IM Paris                         | CLO                        | Debt               | EUR      | 6,657,103    | 2.40%                              |
| ALBA 2006-2 PLC residual income securities            | XS0271780651 | Oakwood                              | ABS                        | Residual           | GBP      | 6,620,893    | 2.39%                              |
| Richmond Park CLO Class D Notes – BB debt             | XS1000874302 | GSO Blackstone                       | CLO                        | Debt               | EUR      | 6,429,100    | 2.32%                              |
| Acas CLO 2013-1 Class E Notes – BB debt               | USG0067AAA81 | ACAM                                 | CLO                        | Debt               | USD      | 6,354,400    | 2.29%                              |
| ALBA 2007-1 PLC residual income securities            | XS0301709621 | Oakwood                              | ABS                        | Residual           | GBP      | 6,054,737    | 2.36%                              |
| CIFC 2007-2 Class D Notes – BB debt                   | USG21899AA00 | CIFC                                 | CLO                        | Debt               | USD      | 6,002,353    | 2.17%                              |
| CIFC 2006-2 B2L – BB debt                             | XS0279835614 | CIMC                                 | CLO                        | Debt               | USD      | 5,650,662    | 2.04%                              |
| Carlyle HY PART IX Subordinated Notes                 | KYG1908R1048 | Carlyle                              | CLO                        | Equity             | USD      | 5,414,071    | 1.95%                              |
| Bank Capital Opportunity Fund                         | LU0648070216 | AXA IM Paris                         | Synthetic Corporate Credit | Bank Balance Sheet | EUR      | 5,390,500    | 1.94%                              |
| Black Diamond 2013-1 Class D Notes – BB debt          | USG11476AA93 | Black Diamond Capital Management LLC | CLO                        | Debt               | USD      | 5,335,952    | 1.93%                              |
| Oak Hill ECP 2007-2                                   | XS0300349379 | Oak Hill                             | CLO                        | Debt               | EUR      | 5,190,782    | 1.87%                              |
| Acas CLO 2014-2 E - BB debt                           | USG00677AA51 | ACAM                                 | CLO                        | Debt               | USD      | 4,896,589    | 1.77%                              |
| Golden Tree Loan Opp. 2007-4 Subordinated Notes       | USG39607AC37 | Golden Tree                          | CLO                        | Equity             | USD      | 4,696,330    | 1.69%                              |
| Newgate Funding PLC 2006-2 residual income securities | XS0259286101 | Mortgage Plc                         | ABS                        | Residual           | GBP      | 4,679,223    | 1.69%                              |
| Acas CLO 2014-1 Class E Notes – BB debt               | USG00673AA48 | ACAM                                 | CLO                        | Debt               | USD      | 4,659,468    | 1.68%                              |
| ICG 2014-2 Class E                                    | USG47075AA76 | ICG Capital                          | CLO                        | Debt               | USD      | 4,610,556    | 1.66%                              |
| St Bernard Opportunity Fund                           | QS0011132394 | AXA IM Paris                         | ABS                        | Debt (fund)        | USD      | 4,140,001    | 1.49%                              |
| Limerock 1 Class D Notes – BB debt                    | USG55001AH71 | Invesco                              | CLO                        | Debt               | USD      | 4,080,047    | 1.47%                              |
| Sands Point 2006-1 Subordinated Notes                 | USG7800DAA93 | Guggenheim                           | CLO                        | Equity             | USD      | 4,040,616    | 1.46%                              |
| Batallion CLO 2007-1 Subordinated Notes               | USG08887AA27 | Brigade Capital Management           | CLO                        | Equity             | USD      | 4,031,755    | 1.45%                              |
| ICE 1 Emerging CLO – A3 – AA Debt                     | USG4746PAD09 | ICE Canyon LLC                       | Cash Corporate Credit      | Debt               | USD      | 4,011,818    | 1.45%                              |

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 JANUARY 2015**

| Issuer   | ISIN         | Investment manager                   | Main classification        | Sub-classification | Currency | Value in EUR | Percentage of investment portfolio |
|--|--------------|--------------------------------------|----------------------------|--------------------|----------|--------------|------------------------------------|
| Jubilee 1 Class D Notes – BBB Debt             | XS0292633533 | Alcentra                             | CLO                        | Debt               | EUR      | 3,832,200    | 1.38%                              |
| Arese 2013-6 Class E Notes – BB debt           | XS0951555530 | Arese Europe                         | CLO                        | Debt               | EUR      | 3,623,600    | 1.31%                              |
| Euro Galaxy 2013-3 Class E Notes – BB debt     | XS0996455472 | Pinnebridge (aka AIG)                | CLO                        | Debt               | EUR      | 3,549,375    | 1.28%                              |
| Caravela 3                                     | XS0945192762 | European Bank                        | Synthetic Corporate Credit | Bank Balance Sheet | EUR      | 3,422,065    | 1.23%                              |
| Dorchester Park 2015-1 Sub                     | USG28175AC40 | GSO Blackstone                       | CLO                        | Equity             | USD      | 3,367,180    | 1.21%                              |
| Black Diamond 2014-1 Class D – BB debt         | USG11496AA73 | Black Diamond Capital Management LLC | CLO                        | Debt               | USD      | 3,221,860    | 1.16%                              |
| Dorchester Park 2015-1 F – B debt              | USG28175AB66 | GSO Blackstone                       | CLO                        | Debt               | USD      | 3,145,301    | 1.13%                              |
| Venture 2007-9 Class E Notes – BB debt         | USG93352AA33 | MJX                                  | CLO                        | Debt               | USD      | 3,113,135    | 1.12%                              |
| Centurion 2005-10 Class E Notes – BB debt      | USG2066PAA24 | River Source Investments LLC         | CLO                        | Debt               | USD      | 3,074,058    | 1.11%                              |
| Black Diamond 2012-1 Class D Notes – BB debt   | USG1146TAA00 | Black Diamond Capital Management LLC | CLO                        | Debt               | USD      | 3,003,099    | 1.08%                              |
| Arese 2013-6 Subordinated Notes                | XS0951556850 | Arese Europe                         | CLO                        | Equity             | EUR      | 3,000,000    | 1.08%                              |
| Sierra 2006-2 B2L – BB debt                    | XS0276546065 | Apidos Capital Management            | CLO                        | Debt               | USD      | 2,912,788    | 1.05%                              |
| Eurosail 2006-1 PLC residual income securities | XS0254441081 | SPML                                 | ABS                        | Residual           | GBP      | 2,836,385    | 1.02%                              |
| Cordatus 2007-1 Class E Notes – BB debt        | XS0304113235 | CVC                                  | CLO                        | Debt               | EUR      | 2,814,000    | 1.02%                              |
| Clock Finance 2013                             | XS0908245037 | Major European Bank                  | Synthetic Corporate Credit | Bank Balance Sheet | CHF      | 2,790,487    | 1.01%                              |
| CELF 2005-2 Class D Notes – BBB debt           | XS0233121234 | Carlyle Europe                       | CLO                        | Debt               | EUR      | 2,720,400    | 0.98%                              |
| ACAS 2012-1 Class E Notes – BB debt            | USG00669AA28 | ACAM                                 | CLO                        | Debt               | USD      | 2,609,919    | 0.94%                              |
| Adagio III Class D Notes – BBB debt            | XS0262683203 | AXA IM Paris                         | CLO                        | Debt               | EUR      | 2,608,288    | 0.94%                              |
| Carlyle GMSE 2013-1 Class E Notes – BB debt    | XS0941552407 | Carlyle                              | CLO                        | Debt               | EUR      | 2,480,250    | 0.89%                              |
| Laurelin 2 Class D Notes – BBB debt            | XS0305010711 | Golden Tree Asset Management LP      | CLO                        | Debt               | EUR      | 2,470,168    | 0.89%                              |
| Euro Galaxy 2006-1 Class E Notes – BB debt     | XS0264792234 | AIG Global Investments               | CLO                        | Debt               | EUR      | 2,439,250    | 0.88%                              |

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 JANUARY 2015**

| Issuer   | ISIN         | Investment manager                   | Main classification        | Sub-classification | Currency | Value in EUR | Percentage of investment portfolio |
|--|--------------|--------------------------------------|----------------------------|--------------------|----------|--------------|------------------------------------|
| Oak Hill ECP 2007-2 Subordinated Notes         | XS0300349700 | Oak Hill                             | CLO                        | Equity             | EUR      | 1,950,000    | 0.70%                              |
| Cordatus 2014-III Subordinated Notes           | XS1052142608 | CVC                                  | CLO                        | Equity             | EUR      | 1,860,000    | 0.67%                              |
| Promise Mobility 2006-1                        | DE000A0LDYP7 | IKB                                  | Cash Corporate Credit      | Equity             | EUR      | 1,755,726    | 0.63%                              |
| Crescent European Specialty Lending Fund LP    | QS0001117686 | Crescent Capital Group               | Cash Corporate Credit      | Equity (fund)      | EUR      | 1,720,314    | 0.62%                              |
| Duane Street 2006-3 Class E Notes – BB debt    | USG29281AA33 | Citi Capital Advisor                 | CLO                        | Debt               | USD      | 1,713,717    | 0.62%                              |
| ICG 2014-3 D                                   | USG47071AA62 | ICG Capital                          | CLO                        | Debt               | USD      | 1,558,827    | 0.56%                              |
| ACAS CLO 2013-1 Class F Notes – B debt         | USG0067AAB64 | ACAM                                 | CLO                        | Debt               | USD      | 1,536,143    | 0.55%                              |
| Lightpoint CLO V Subordinated Notes            | USG5487GAG31 | Neuberger Berman                     | CLO                        | Equity             | USD      | 1,506,370    | 0.54%                              |
| ALBA 2006-1 PLC residual income securities     | XS0255043050 | Oakwood                              | ABS                        | Residual           | GBP      | 1,440,347    | 0.52%                              |
| Adagio II Class D Notes – BBB debt             | XS0237058424 | AXA IM Paris                         | CLO                        | Debt               | EUR      | 1,411,050    | 0.51%                              |
| Apidos 2006-Q Class E Notes – BB debt          | USG04879AA34 | Apidos Capital Management            | CLO                        | Debt               | USD      | 1,307,618    | 0.47%                              |
| Lightpoint Pan-European CLO Subordinated Notes | XS0282169803 | Neuberger Berman                     | CLO                        | Equity             | EUR      | 1,170,000    | 0.42%                              |
| Galaxy 2006-VII Subordinated Notes             | USG25796AB20 | AIG                                  | CLO                        | Equity             | USD      | 1,169,652    | 0.42%                              |
| Century 2007-14 Class C Notes – BBB debt       | USG20669AA83 | Lightpoint                           | CLO                        | Debt               | USD      | 1,032,705    | 0.37%                              |
| Opera Structured Credit                        | XS0244258272 | AXA IM Paris                         | CLO                        | Equity             | EUR      | 852,377      | 0.31%                              |
| Prelude  | XS0205131013 | AXA IM Paris                         | CLO                        | Equity             | USD      | 806,640      | 0.29%                              |
| Aquarius                                       | XS0870021366 | Major European Bank                  | Synthetic Corporate Credit | Bank Balance Sheet | USD      | 805,866      | 0.29%                              |
| Octagon 2007 Class D Notes – BB debt           | USG67245AF09 | Octagon Investment Partners          | CLO                        | Debt               | USD      | 634,935      | 0.23%                              |
| Leopard IV Class E Notes – BB debt             | XS0251752472 | M&G Investment Management Ltd        | CLO                        | Debt               | EUR      | 606,125      | 0.22%                              |
| Black Diamond 2005-2 E1 – BB debt              | XS0232465202 | Black Diamond Capital Management LLC | CLO                        | Debt               | USD      | 521,346      | 0.19%                              |
| Denali Capital 2005-V Subordinated Notes       | USG62553AA35 | Denali Capital LLC                   | CLO                        | Equity             | USD      | 420,366      | 0.15%                              |

# GLOSSARY

Definitions and explanations of methodologies used:

“ABS” – asset-backed securities.

“AIFM” – Alternative Investment Fund Manager, appointed in accordance with AIFMD.

“AXA IM” – AXA Investment Managers Paris S.A.

“Annual return since inception to 31 January 2015” – as reported by Bloomberg using the “TRA” function.

“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.

“Cash Corporate Credit” deals – structured credit positions predominantly exposed to corporate credit risks by direct investments in cash instruments (loans and/or bonds).

“CLOs” or “CLO” – Collateralised Loan Obligations.

“Dividend yield on NAV” – calculated as annualised total dividends paid during the semi-annual period divided by the NAV as at 31 July 2014.

“Estimated NAV” - Estimated NAV is an expression of the Company’s value that only takes into account the following: the fair value of the Company’s investment portfolio; cash held at the Depositary bank and sub-custodian banks; amounts payable under the terms of any financing transactions; amounts due to or from brokers with respect to investment purchases or sales; the value of any derivative positions, net of any margin amounts paid or received; coupons and/or dividends due but not yet received, where the amount of such coupons and/or dividends is known or may be reliably estimated; the estimated amounts due to the Investment Manager in respect of Investment Management Fees and Performance Fees; and, such other adjustments as may be considered appropriate from time to time to ensure that the Estimated NAV provides a reasonable approximation of the Company’s Net Asset Value. The Estimated NAV does not include: accrued income where such income cannot be reliably estimated; cash held on the Company’s bank accounts that are held to facilitate the payment of the Company’s operating expenses, as this cash is transferred to such bank accounts from the Company’s bank accounts held at the Depositary only when required to pay expenses; accruals for expenses payable, but not yet paid as at the valuation date; and, adjustments for expenses prepaid as at the valuation date.

“GAV” – Gross Asset Value is an expression of the Company’s value that only takes into account the following: the fair value of the Company’s investment portfolio; cash held at the Depositary bank and sub-custodian banks; amounts due to or from brokers with respect to investment purchases or sales; the value of any derivative positions, net of any margin amounts paid or received; coupons and/or dividends due but not yet received, where the amount of such coupons and/or dividends is known or may be reliably estimated; and, such other adjustments as may be considered appropriate from time to time to ensure that the GAV provides a reasonable basis for measuring the restrictions set out in the Investment Guidelines. The GAV does not include: accrued income where such income cannot be reliably estimated; cash held on the Company’s bank accounts that are held to facilitate the payment of the Company’s operating expenses, as this cash is transferred to such bank accounts from the Company’s bank accounts held at the Depositary only when required to pay expenses; accruals for expenses payable, but not yet paid as at the valuation date; and, adjustments for expenses prepaid as at the valuation date.

“IRR” – internal rate of return.

“Mortgage Residual Positions” – residual income positions backed by UK non-conforming residential loans, which are a sub-classification of asset-backed securities (“ABS”).

“NAV performance per share” – calculated as the increase in NAV per share plus the total dividends paid per share during the semi-annual period as a percentage of the NAV per share as at 31 July 2014.

“Projected portfolio IRR” – calculated as the projected future return on Volta’s portfolio as at 31 January 2015 under standard historical assumptions.

“Share price performance” – the percentage increase in the share price plus the total dividends paid per share during the semi-annual period, with such dividends re-invested in the shares. The figure was obtained from Bloomberg using the TRA function.

“Synthetic Corporate Credit” deals – structured credit positions predominantly exposed to corporate credit risks by synthetic contracts.

“WARF” – weighted average ratings factor, which gives an indication of the probability of default.