# VOLTA FINANCE LIMITED

## HALF-YEARLY FINANCIAL REPORT

## FOR THE PERIOD 1 AUGUST 2022 TO 31 JANUARY 2023

# CONTENTS

# VOLTA AT A GLANCE

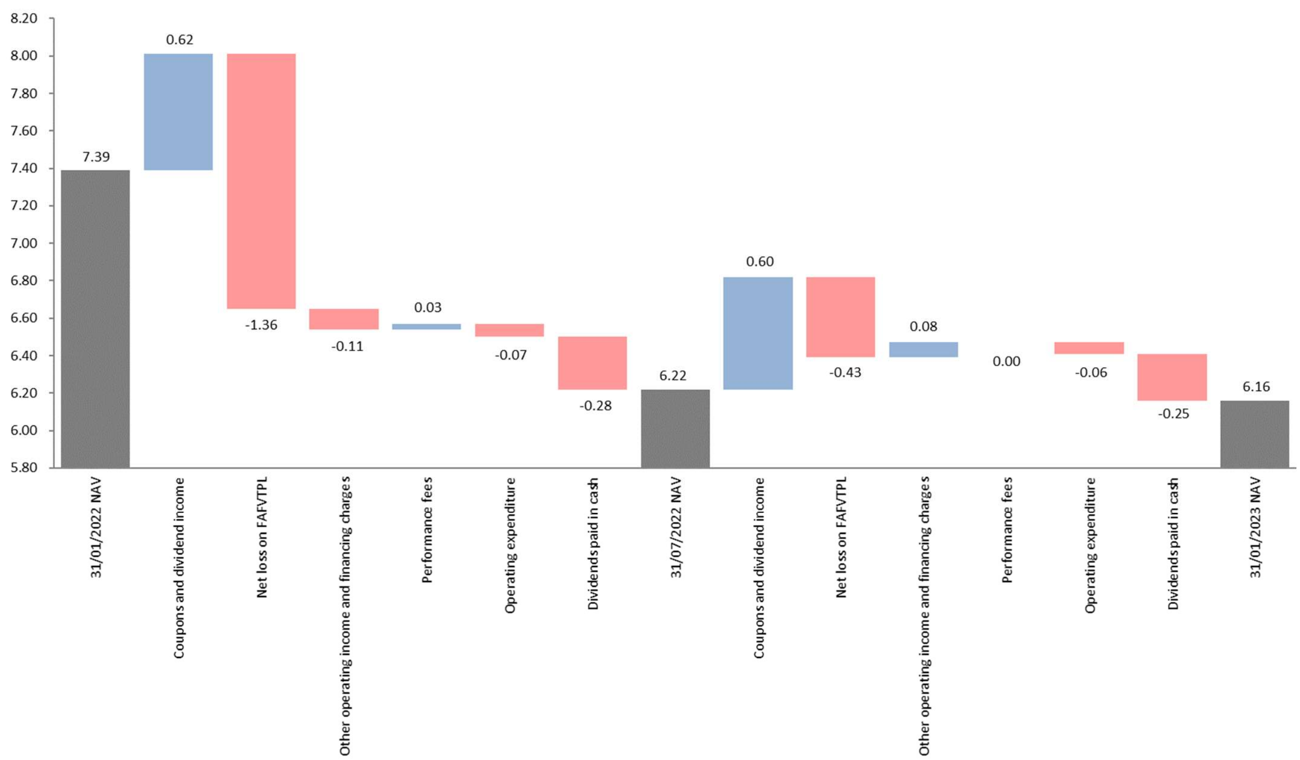
The investment objectives of the Company are to preserve its capital across the credit cycle and to provide a stable stream of income to its Shareholders through dividends that it expects to distribute on a quarterly basis. The Company currently seeks to achieve its investment objectives by pursuing exposure predominantly to CLO's and similar asset classes. A more diversified investment strategy across structured finance assets may be pursued opportunistically. The Company measures and reports its performance in Euro.

- NAV per Share as at 31 January 2023: €6.1573
- Dividend per Share for the six months to 31 January 2023: €0.25
- Share price as at 31 January 2023: €5.22

**Key performance indicators**

| | | |
|---|---|---|
| 3.2% | 4.9% | 2.1% |
| NAV Total Return[1] (with dividends re-invested at NAV) for the six months to 31 January 2023 | Share Price Total Return[1,3] (with dividends re-invested at Share price) for the six months to 31 January 2023 | Annualised ongoing charges[2] ratio for the six months to 31 January 2023 |
| 26.0% | 9.2% | (15.2)% |
| Projected Portfolio IRR[1] (under standard AXA IM scenarios) | Dividend Yield[1] based on the Share price as at 31 January 2023 | Discount[1] between Share price and NAV per Share as at 31 January 2023 |

**NAV performance analysis for the periods ended 31 January 2023 and 31 July 2022 – contributions to NAV change (Euro per share)**




[1] Refer to the glossary on pages 39 to 40 for an explanation of the terms used above and elsewhere within this report. The calculation methodology of each APM has been disclosed on pages 36 to 38.
[2] The Company's annualised ongoing charges are calculated according to the methodology outlined on page 37 and differ to the costs disclosed within the Company's KIDs which follow the methodology prescribed by the PRIIPs rules. The Company's most current KIDs are available on the Company' website.
[3] Source: Bloomberg

# CHAIR'S STATEMENT

Dear Shareholders

The past six months have been challenging on a global scale – macroeconomic and geopolitical headwinds, war in Europe, soaring inflation in the world's leading economies and a cost-of-living squeeze have impacted individuals, companies and governments. Financial markets have continued to be eventful and at times it has seemed that the only certainty is uncertainty.

Against this backdrop, we remain optimistic about the second half of our financial year. The Company's portfolio is performing well, with strong cash flow generation in excess of 21% per annum and we have continued to maintain our dividend of 8% of NAV, which equates to a 9.2% 2023 yield on the current Share price. It is disappointing that in the first half of our financial year, the Company's NAV and Share price have fallen marginally from €6.22 to €6.16 and from €5.24 to €5.22 respectively, however we see significant value upside in those current levels. We believe the Company is trading at a double discount: our Share price trades at a discount to NAV, and also the mark to market NAV figure includes a further sentiment-driven discount to the present value of expected cash flows.

Financial markets have been highly volatile in the last six months since our financial year end on 31 July 2022. Equities have fallen and then risen in most markets, although the NASDAQ remains down on the period and whilst oil prices have reduced from the highs of June 2022, they remain at significantly elevated levels compared to long term averages. The most notable changes have been in bond markets, where after more than a decade of ultra-low interest rates, central banks have been compelled to introduce multiple rate hikes in an attempt to choke off inflation. As at 31 January 2023, German 10 year government bond rates are now practically 3 times their level at the end of July 2022 (2.44% vs 0.82%) and the UK is almost double (3.52% vs 1.81%).

The leveraged loan asset class has nonetheless remained resilient through this period and exhibited better price stability than similarly-rated high yield bonds due to its floating rate nature and extremely short duration. Defaults remain extremely low at 1.0% and whilst the level of defaults will undoubtedly rise, projections of 2.5% (S&P's) for US loans and 2.5% (Fitch's) for European loans in the coming year are still markedly below those experienced in previous downturns and credit cycles. Many market commentators believe that defaults in 2023 will be more concentrated in the second half and early YTD experience appears to support this. Loan borrowers have enjoyed many years of low rates and flexible financing terms, which means they are going into these more difficult times from a position of relative strength.

Many borrowers are undeniably starting to feel the impact of recession and a downturn in consumer and government spending. Short term supply issues in raw materials have started to ease and are expected to continue to do so as China re-opens post COVID-19, but inflation is impacting costs, particularly for wages and energy and the financial health of borrowers is closely aligned with their ability to pass through costs, along with ultimate demand for their products and services. Consumer-driven businesses such as retail and leisure are out of favour, but even non-cyclical consumer sectors such as food are under pressure.

CLO issuance was subdued in 2022, with issuance down over 30% on the prior year and no refinance or reset activity post April 2022. The second half was particularly quiet as many buyers chose to sit on the side-lines awaiting greater clarity and market stability. Additionally in the UK, the disastrous mini-budget of the short lived Truss government led to widespread selling of highly rated CLO and structured credit paper as pension funds scrambled to match their liabilities from their most liquid assets, creating an overhang of paper in the market and causing spread levels to blow out.

Economic theory tells us that it is much harder to make attractive returns in efficient, perfectly functioning markets. So, whilst the environment may be more challenging than in recent years, it also presents opportunities for our Investment Managers:

- The Company's portfolio is performing well with very high levels of cash flow generated. Loans are floating rate instruments and when rates rise, so do the cash receipts into a CLO (of course, that rise in interest rates puts pressure on borrowers and is a contributing factor in defaults, so careful analysis becomes even more important);
- defaults are low (0.4% in the Euro portfolio and 0.7% in the US portfolio) and even the most bearish analysts are anticipating default levels significantly below where the market is pricing risk, leading to our belief that this market is pricing inefficiently and offers opportunity;
- the portfolio is highly diversified by geography and industry, which helps maintain portfolio quality when industries suffer sectoral downturns;
- CLO managers have been focusing on building and maintaining cushion against the potential for downgrades and breaches of stress tests. Market volatility has allowed them in many cases to rotate out of lower quality credits and into more favoured names; and
- The Company has a best-in-class management team in AXA IM who are highly experienced in different market conditions. We share AXA IM's view that current markets have mispriced credit risk and that this offers interesting value propositions. Manager and security selection are key, as is active management and monitoring of the portfolio and our managers continue to selectively make new investments in primary and secondary markets.

# CHAIR'S STATEMENT (CONTINUED)

We find ourselves in interesting times. With so much uncertainty and negative news flow, it would be easy to run for cover in 'safe' asset classes and avoid higher-octane strategies such as CLOs. If the last six months has shown us anything, it is that safety can be deceptive as inflation has eroded the value of cash and low-yielding government bonds have fallen in value as rates rose. In times like these, we should expect volatility across financial markets but the skilful will find opportunities through market inefficiencies and cash generation will provide cushion to financial shocks. I thank you for your continued support and please do not hesitate to contact me through the Company Secretary.

**Dagmar Kershaw**
*Chair*
5 April 2023

# INVESTMENT MANAGER'S REPORT

At the invitation of the Board, this commentary has been provided by AXA Investment Managers ("AXA IM") Paris as Investment Manager of Volta. This commentary is not intended to, nor should be construed as, providing investment advice. Potential investors in the Company should seek independent financial advice and should not rely on this communication in evaluating the merits of investing in the Company. The commentary is provided as a source of information for Shareholders of the Company but is not attributable to the Company.

**KEY MESSAGES FROM THE INVESTMENT MANAGER**

Since the end of July 2022, we continued evolving in a challenging environment causing some stress as well as opportunities:

- CLO metrics have seen a few changes through the period:
  - While default rates have stayed low, CCC loan buckets have been moving up by circa 1%.
  - Par balance of CLO portfolios increased thanks to loan investments at discount to par by CLO managers. This enables CLO equity to build some cushion against future defaults.
- Even though we expect to see an increase in default rates (mostly in 2023), according to our base case scenario, we expect neither an interruption of the Company's incoming cash flows nor any significant deterioration in terms of projected yield (losses due to defaults are expected to be roughly compensated by reinvestments in loans at discount or into new loans with higher spread).
- Thanks to the very high dividend coverage of the Company, we are generating excess cash to seize opportunities that are currently yielding far above the Company's usual target return. Typically, during the semi-annual period, the Company invested €4.1m in 4 different CLO equity positions with a projected yield of around 20%.

In terms of fundamentals, rating agencies and most market participants are expecting the default rate for loans to increase in 2023 relative to 2022 targeting between 2.5% and 4.5% default rate both for US and European loans.

We still believe that this year we will end up on the lower side of this range for 3 reasons:

- These projections are derived from models in which a usual parameter is the form of the yield curve. Historically speaking (for the last 40 years at least), the US yield curve has never been so inverted mechanically carrying the implicit message that a severe recession with a lot of defaults awaits us. To us, such an inverted yield curve reflects the message of the FED to fight inflation by increasing rates far above what they consider the long-term target.
- When looking at the number of loans trading at a significant discount or being rated CCC/Caa or lower, it concerns only 4% to 6% of the loans as of today. This statistic is much more in line with the idea that for the next 2 years, we may face 2% to 3% defaults, rather than 4% or 5% in the coming 12 months.
- Most bank and rating agency research papers regarding the situation of loans and projection of defaults, rightly point out the fact that companies issuing loans are and will suffer from a higher cost of debt. Nonetheless, they do not at all address the fact that there is some benefit from inflation: mechanical erosion of the existing debt and far more possibility to increase selling prices to maintain some beneficial margin than in a context in which prices were almost flat for years.

The above reasoning already provided good results in 2022:

- Quarter after quarter earnings (on average) surprised sentiments on the upper side (again for Q4 2022 earnings which continue being published at the time of writing are better than expected).
- After the Ukrainian invasion, rating agencies adopted higher loan default rate projections for 2022, forecasting a 2% to 2.5% default rate, whereas we ended up with a 0.4% default rate in Europe and 0.7% for US loans for the whole of 2022.

Regarding the benefit of inflation, one should remember that the longest period with relatively few defaults for high-yield debt (bonds and loans) is from 1972 to 1985. Which is in fact the last period with significantly higher-than-average inflation.

Month after month, the likelihood that the current crisis may have relatively little impact on Volta's performance is growing thanks to the following:

- Default rates are still and may stay in a manageable range (in line with historical average)
- Reinvestment opportunities are counterbalancing some of the losses that may occur from defaults

We are cognizant of the fact that the macro environment is not immune from other risks including the impact of 'regionalisation' and supply chain changes, the long-term effects of COVID-19 on employment, or the impact of higher energy costs (especially for Europe and in the context of ESG policies implementation by institutional investors). Still, we view most CLO managers having these themes on their radar screen and positioning the underlying loan portfolios to navigate in such a context.

Regarding the loan asset class, we are also closely monitoring the move from LIBOR to SOFR within our CLO portfolios. While many comment on the potential disappearance of the spread adjustment that goes with the change of benchmark, we would rather highlight that the change in tenor at the option of each borrower and the resulting mismatch between asset and liabilities rates have had and should still have a higher impact on CLO equity cash flows. It is worth mentioning as well that the current volatile environment allows an increase in the WAS (Weighted Average Spread) of our CLO portfolio by 6bps in the 6 months period despite being a period with very few new issuances in the loan market. We can reasonably expect WAS to increase by 15 to 20bps in 2023 as we expect seeing much more loan refinancing and new issues (with a higher spread) in 2023. As a result, we believe the change from LIBOR to SOFR is by no means a game changer within CLO portfolios even though we pay great attention that CLO managers act with the greatest stewardship to defend our interests.

Considering all that, the Company continues to pivot towards pure CLO investments benefiting from the high cash flows associated with a larger CLO equity bucket. We view this strategy as offering transparency and simplicity to our shareholders relative to an allocation mixing different and sometimes less transparent asset classes.

# INVESTMENT MANAGER'S REPORT (CONTINUED)

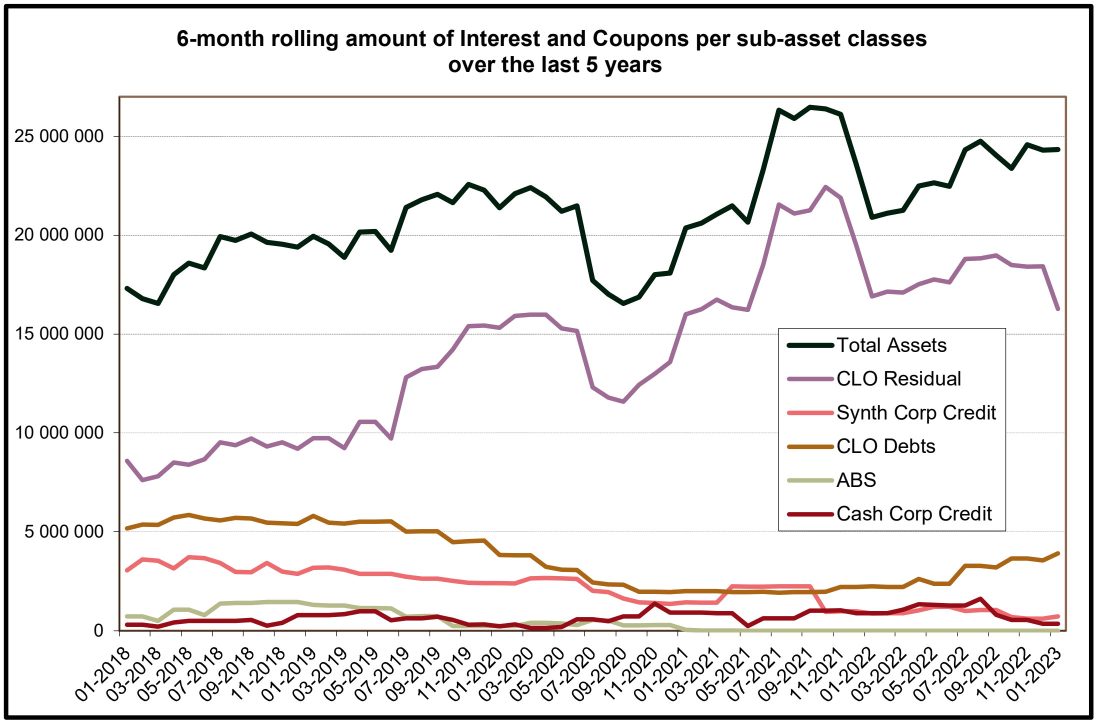
We are not certain yet if our shareholders have grasped the new level of simplicity although Volta shares outperformed the NAV performance by 1.6% exhibiting some discount compression.

In this challenging environment in which there is one dominating factor (interest rate hikes), being invested in floating instruments is certainly a positive characteristic of the Company's investment proposition. However, at some point in time, adding some duration (through overlay) may help reduce risk and increase future performances as we are back to interest rate levels that may decrease significantly in case of sharp economic deterioration.

**GENERATION OF CASH FLOWS**

Volta's assets generated €24.3 million of interest or coupons over the semi-annual period (an annualized 21.4% of the beginning of the period NAV).

Basically, the higher focus on CLO debt and Equity is successful in generating higher cash flows even though there was a bit of volatility in terms of incoming cash flows during COVID and the last quarter of 2022 due to rate hikes (many loans are paying on LIBOR 1m basis, a lower rate than LIBOR 3m when rates are raising and expected to raise):




It is worth noting that we have started to see the benefit of the rate increase when considering the cash flows generated by CLO debt: they are increasing month after month since the beginning of 2022 and should continue to do so.

Under market standard scenarios, the Company should continue to receive a significant amount of interest and coupons relative to its NAV in 2023. As far as we are concerned, we do not see any good reason to change the current balance between CLO debt and CLO Equity. Having roughly one-third in CLO debt and 2 third in CLO equity allows Volta to generate solid cash flows and to seize opportunities thanks to a significant dividend cover.

A significant portion of the non-CLO positions are Bank Balance sheet positions that are, for the vast majority, leveraged first loss positions, like CLO equity. AXA IM aims to replace such leveraged credit positions with CLO equities that exhibit a more front-loaded cashflow profile but with the potential for higher volatility.

**TESTING PROJECTED IRR**

Our main view is that we are going to see more downgrades than upgrades both in the US and European loan markets in 2023. This will cause an increase in CLO CCC/Caa buckets (the weight of CCC loans inside CLO loan pools) and an increase in default rates by the end of the year.

By the end of January 2023, the trailing 12-month default rates were 0.4% and 0.7% for European and US Loans respectively. Knowing that the average annual default rate for the last decades was in the 2.8% area, we are still far below such levels (still in a low default rate environment).

As noted earlier we expect default rates to reach 2 to 3% for US and European loans in 2023 hence we decided to run several scenarios to understand the level of risk for Volta's CLO book:

# INVESTMENT MANAGER'S REPORT (CONTINUED)

- Base Case: an instantaneous 2% increase in CCC bucket and defaults to materialise in relation with such CCC bucket and current WARF (Weighted Average Risk Factor that measures the average rating of each loan pool). On average for all positions (mixing USD and EUR positions) it was causing 2.5% default rate every year for the next 3 years
- Stress 1: an instantaneous 4% increase in CCC bucket (some CLOs will then exceed the classic 7.5% authorised CCC bucket) and defaults to materialise in relation with such CCC bucket and current WARF. On average for all positions (mixing USD and EUR positions) it was causing 3.9% default rate every year
- Stress 2: an instantaneous 7% increase in CCC bucket (all CLOs will then exceed the classic 7.5% authorised CCC bucket) and defaults to materialise in relation with such CCC bucket and current WARF. On average for all positions (mixing USD and EUR positions) it was causing 5.9% default rate every year

Below are the results of the tests that we carried out in February 2023 using these 3 scenarios (for all positions we start from their current situation and shock them with the above parameters):

| | Projected Yield (From NAV value) | | |
|---|---|---|---|
| | Base Case | Stress 1 | Stress 2 |
| USD Equity | 30.4% | 25.7% | 15.6% |
| EUR Equity | 31.9% | 28.0% | 20.4% |
| USD Debt | 19.5% | 15.6% | 15.6% |
| EUR Debt | 16.1% | 14.8% | 14.8% |
| Average for CLOs | **26.0%** | **22.3%** | **17.1%** |

With the base case scenario, no position is suffering any diversion of payments and the projected IRR for Volta CLO book is close to 26% (from the end of January NAV). Considering the fact that the share price is trading at a significant discount from the NAV, the projected IRR for shareholders is higher than 30%.

Taking "stress 1" into account, there is a little diversion of cashflows for some CLO Equity positions and the few EUR B rated CLO debts that Volta holds are suffering some delay in their coupon payments so that the projected IRR declines, on average, for the whole CLO book, to a still very attractive 22.3%

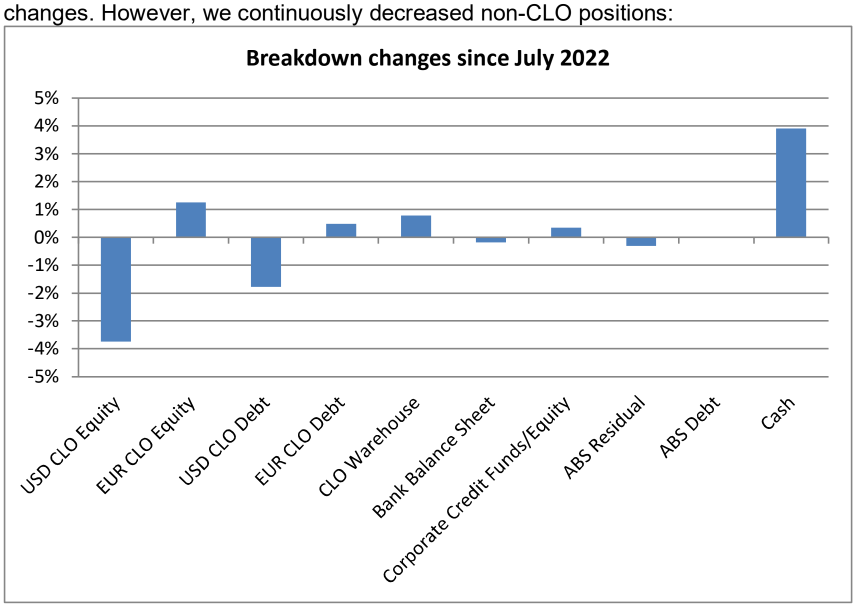
We must consider very punitive assumptions to reach below 20% projected IRR. Under "Stress 2" the level of default over the next 2 years is greater than what was seen during the GFC.

Our base case scenario is confirmed by current loan prices: at the end of January 2023 loan prices are close to 94% (in line with 2% to 3% default rates for the next few years) and the percentage of below 80% price loans is still very modest (in the 6% area).

As such, this should not significantly erode Volta's long-term performance and may indeed offer some reinvestment opportunities. We are in a period of uncertainty (the length of the quantitative tightening from central banks mainly) that have already resulted in higher credit spreads (including loans) for some time which is often a positive outcome for CLO equity holders (thanks to reinvestments in underlying loan pools paying higher spread).

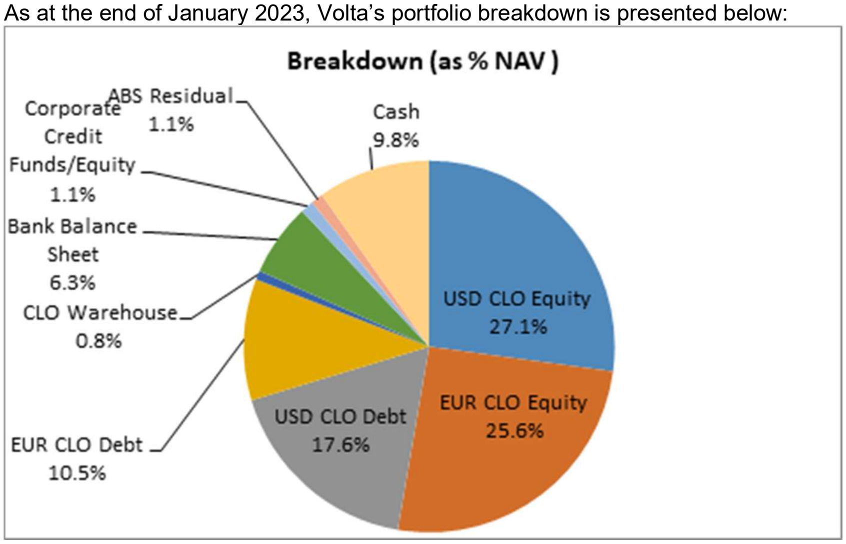
**PORTFOLIO REBALANCING**

There has been no significant change since the end of July 2022. Most of the changes below are due to relative market value changes. However, we continuously decreased non-CLO positions:



# INVESTMENT MANAGER'S REPORT (CONTINUED)

As at the end of January 2023, Volta's portfolio breakdown is presented below:




We continue to prefer USD CLO debt relative to EUR CLO debt as US loan portfolios are more diversified and liquid so on a long-term basis USD CLO debt tends to be of a higher quality than EUR CLO debt. We vividly witnessed this during the COVID-19 crisis: the ability of US CLO managers to rearrange portfolios, after the initial shock, was superior to European CLO managers. Regarding CLO equity, the arbitrage is slightly better in Europe, so this lower manoeuvrability is roughly compensated by higher cash flows.

From the end of May, when US 10-year government bonds approximately reached 3% we started adding some duration to the portfolio using futures and options on the T-Notes, we also entered into a short payer swaption in Euro. The purpose of this long-duration position is to be able to compensate for potential credit loss if the economic situation was to be more severe than what we expect. Taking the current interest rate levels, we are convinced that there is enough room for interest rate cuts, thus, we foresee some solid performance from this duration overlay.

These positions are actively managed and represent nearly 2.5 years of duration by the end of January 2023 and have been improved through active trading over the period. At the end of January 2023, the breakeven for the US T-note position corresponds to nearly 4% yield on the US 10-year government bonds. In Europe, the position corresponds to a four-and-a-half-year swap in which Volta is paying Euribor 6 month and receiving 3%.

These positions cost nearly 0.4% performance at the end of January 2023 since the end of July 2022 after +0.6% gains during the previous semi-annual period.

Thus far these positions have been relatively modest, although providing some gains (at the end of January 2023 since inception in May 2022). If our conviction that embarking on more duration makes even more sense, we may add more to these positions. In the past, Volta had entered into these kinds of positions (in Q4 2016 and in the second half of 2018), each time with a gain. As long-term players in credit markets, we recognize the historical positive contribution of duration to credit portfolios, and we are convinced adding duration to Volta should help if and when things deteriorate on the credit front.

**CURRENCY EXPOSURE**

For many years (since the GFC) we have limited our exposure to margin calls that might come from hedging non-Euro currency risks. Structurally, we have been selling forward USD against Euro to limit Volta's USD exposure despite having circa 60% of our assets in USD.

As a result, for years, Volta was roughly hedging half of its currency exposure coming from USD assets. From the end of July to September, we progressively increased the volume of our hedge while the USD was appreciating against Euro to lock in part of the performance Volta gained from having a long USD position. With some weakness on the USD side in the last quarter of the period, this position generated a slightly negative performance for Volta through this semi-annual period (after a significant positive contribution in the previous period).

We believe that this strategy (partially limiting USD exposures to avoid potential margin calls that such hedging implies) is the right balance between the need to limit the impact of USD variation and the need to keep more cash to face potential margin calls from currency hedges.

# INVESTMENT MANAGER’S REPORT (CONTINUED)

**OVERALL OUTLOOK**

Our intention is clearly to continue simplifying Volta by reinvesting in CLO debt and Equity positions.

After the very volatile 2022 year, we expect 2023 to have a year of stabilization/consolidation even for loans and CLOs even though 2023 is expected to be a year of deterioration for loans (more downgrades and more defaults). Historically speaking it is relatively frequent to observe solid performances from CLO debt or equity positions when defaults are materializing as loan defaults are generally a lag effect of economic weaknesses.

Considering the very high level of payments that Volta’s CLO portfolio is delivering and the significant premium at which CLO debt and equity are priced, almost one year after the Ukrainian invasion and after such a massive tightening from central banks we expect Volta to generate a solid performance from January 2023 to the end of July 2023.

We expect to see far less volatility from interest rates in the coming months/quarters than what has been observed in 2022. This lower volatility may also apply to credit asset classes like CLO debt and Equity.

As a result, we continue having a constructive view on Volta performance for the coming quarters.

**ENVIRONMENTAL, SOCIAL AND GOVERNANCE (“ESG”)**

AXA IM has been engaged in Responsible Investment for over two decades joining and being an active member of various initiatives as outlined below:


AXA IM is still ahead of responsible investment practices according to PRI official report with a 84/100 score for Invesment & Stewardship Policy in 2021 (while the median score was 60/100)

**AXA IM retains its position as the number one asset manager in Continental Europe, and are committed to responsible investment in the Hirschel & Kramer (H&K) Responsible Investment Brand Index 2021 (RIBI) due to continuous dedication to responsible investment topics and strategies.**

In relation to Volta investments, we continue to make good progresses. Since 2021, we imposed a long list of Industry Exclusions to all new CLO investments we sourced in the Primary market. In 2022, we complemented this approach by a systematic selection of CLO managers that implement critical ESG measures to pursue being both a responsible investor and employer. In 2022 all the CLO managers we work with have been audited relative to their ESG practices. Although we consider a broad range of criteria we favour CLO managers that have:

- already signed and implemented a recognized international standard regarding responsible investment (UNPRI or UK Stewardship or equivalent);
- in place a program to limit their carbon foot print or committed to net-zero carbon initiative;
- in place (and are able to demonstrate that it has an impact) an active program to develop inclusion and diversity amongst their employee; and
- accepted to restrict their loan investments by excluding at least 7 out of the following 10 investment restrictions (International norms and standards; Controversial weapons; Non sustainable palm oil; Thermal coal; Artic oil; Soft commodities; Tobacco; Coal; Land use, Biodiversity and Forest; Oil and Gas).

Managers that do not satisfy *at least* two *of the first* three *criteria*, and that do not restrict their loan investments as mentioned above are considered as "laggards". In 2022 we did not invest with managers we consider as laggards and Volta exposure to such laggards is 0.5% of NAV as of end of January 2023 and consists of 2 positions from the same manager held from 2013 and 2015. All CLO managers we work with in the recent years have signed for UNPRI and are implementing ESG measures through their investment process.

While there are differences regarding what can be considered as 'best practices' we can testify that all the CLO managers that we work with in the most recent years, share our view that taking into account non-financial sustainability risks is key when selecting credits. CLO managers tend to avoid lending money to companies that may have difficulties in refinancing themselves because of future controversies.

As at 31 January 2023, the Company does not hold any non-CLO positions that finance restricted investments mentioned above. When considering the CLO positions:

- 50% do not incorporate any exclusions (mostly deals being issued prior 2019) but for which CLO managers (except one) apply now some ESG restrictions
- 16.7% incorporate between 1 and 4 exclusions
- 4.5% incorporate between 5 and 9 exclusions
- 10.7% incorporate between 10 and 14 exclusions
- 18.1% incorporate more than 15 exclusions

As a result and for example, Volta CLO exposure to some controversial industries regarding CO2 emissions are the following:

- 0.001% to coal mining
- 0.46% to non-alternative Electric generation (the vast majority from Oil&Gas)
- 0.62% to Oil&Gas Production/Refining/Marketing/Exploration/Drilling

We have recently contracted with a provider of key performance indicators for loans, which will cover the vast majority of the underlying loans in which the Company invests. We will continue to pursue positive ESG outcomes from our investment approach and look to providing investors with future updates.

**AXA INVESTMENT MANAGERS PARIS**
5 April 2023

# EXECUTIVE SUMMARY

**Introduction**
This report is designed to provide information about the Company's business and results for the six month period ended 31 January 2023. It should be read in conjunction with the Chair's Statement and the Investment Manager's Report which give a detailed review of investment activities for the period and an outlook for the future.

**Company Summary**
The Company is a limited liability company registered in Guernsey under the Companies (Guernsey) Law 2008 (as amended) with registered number 45747. The registered office of the Company is BNP Paribas House, St Julian's Avenue, St Peter Port, Guernsey, GY1 1WA, Channel Islands.

The Company is an authorised closed-ended collective investment scheme in Guernsey, pursuant to the Protection of Investors (Bailiwick of Guernsey) Law, 2020 (as amended). The Company's Ordinary Shares are listed on Euronext Amsterdam and on the premium segment of the Official List of the UK Listing Authority and are admitted to trading on the Main Market of the London Stock Exchange. The Company's home member state for the purposes of the EU Transparency Directive is the Netherlands. As such, the Company is subject to regulation and supervision by AFM, being the financial markets supervisor in the Netherlands.

**Purpose, investment objectives and strategy**
The Company exists to provide Shareholders with access to a broad range of structured credit investments and is actively managed by AXA IM. Harnessing AXA IM's expertise, the Company currently invests predominantly in CLOs and similar asset classes with the objective of providing Shareholders with a regular and high level of income and the prospect of modest capital gains over the investment cycle. A more diversified strategy across structured finance assets may be pursued opportunistically.

The Company's investment objectives are to seek to preserve capital across the credit cycle and to provide a stable stream of income to its Shareholders through dividends that it expects to distribute on a quarterly basis.

Subject to the risk factors described in the 'Principal and Emerging Risk Factors' section and in note 15 of the Company's Audited Annual Financial Statements for the year ended 31 July 2022, the Company currently seeks to attain its investment objectives by pursuing exposure predominantly through investment in CLOs and similar structured finance assets. The Company's investment strategy focuses on direct and indirect investments in and exposures to, a variety of assets selected for the purpose of generating cash flows for the Company. The assets that the Company may invest in either directly or indirectly include, but are not limited to, corporate credits; sovereign and quasi-sovereign debt; residential mortgage loans; commercial mortgage loans; automobile loans; student loans; credit card receivables; leases; and debt and equity interests in infrastructure projects.

The Company's approach to investment is through vehicles and arrangements that essentially provide leveraged exposure to portfolios of such Underlying Assets. In this regard, the Company reviews the investment strategy adopted by AXA IM on a quarterly basis. The current investment strategy is to concentrate on CLO Investments (Debt/Equity/Warehouses). There can be no assurance that the Company will achieve its investment objectives.

**Director interests**
The Board comprises four independent Directors: Graham Harrison, Stephen Le Page, Yedau Ogoundele and Dagmar Kershaw. All the Directors are members of the Nomination Committee, Management Engagement Committee and Remuneration Committee. All of the Directors, with the exception of Dagmar Kershaw, are members of the Audit Committee.

As at 31 January 2023, the Directors held the following number of Ordinary Shares in the Company:

| Director | Director holdings in the Company's Ordinary Shares |
|---|---|
| Graham Harrison | 26,592 |
| Stephen Le Page | 43,838 |
| Yedau Ogoundele | 1,196 |
| Dagmar Kershaw | 4,744 |

No Director has any other material interest in any contract to which the Company is a party. Information on each Director is shown on pages 33 and 34.

# EXECUTIVE SUMMARY (CONTINUED)

**Director interests (Continued)**

**Table of Directors Remuneration**

| Component | Director | Fee entitlement for the financial year ended 31 July 2023 (€) | Purpose of reward |
|---|---|---|---|
| Annual fee | Chair of the Board:<br><br>All other Directors: | €100,000<br><br>€70,000 | For commitments as non-executive Directors |
| Additional annual fee | Chair of the Audit Committee<br>Chair of the Remuneration Committee<br>Chair of the Nominations Committee<br>Chair of the Management Engagement Committee<br>Senior Independent Director | €15,000<br>None<br>None<br>None<br>None | For additional responsibilities and time commitment |

Further information on the Directors' remuneration is detailed in note 6.

**Principal and Emerging risks and uncertainties**

When considering the total return of the Company, the Directors take account of the risks that have been taken in order to achieve that return. The Directors have carried out a robust assessment of the principal and emerging risks facing the Company including those which would threaten its business model, future performance, solvency or liquidity.

The following risk factors have been identified:

<u>Strategic risks</u>

*Credit risk*

- The risk that underlying loans or financial assets within the investment portfolio deteriorate, leading to defaults or investment losses, a reduction in cash flows receivable and a fall in the Company's NAV; and
- The risk that a counterparty defaults leading to a financial loss for the Company.

*Market risk*

- The impact of movements in market prices, interest rates and foreign exchange rates on cash flows receivable and the Company's NAV;
- The risk of severe market disruption leading to impairment of the market value and/or liquidity of the Company's investment portfolio; and
- When Repo arrangements are in place, the market value of the collateral required to be posted by the Company, is significantly higher than the amount of the Repo, due to the application of haircuts. In the event of market disruption, the amount of collateral that would be required could increase significantly and a failure to provide such additional collateral may result in forced sales.

*Re-investment risk*

- The ability to re-invest in investments that maintain the targeted level of returns at an acceptable level of risk.

<u>Preventable risks</u>

*Liquidity and going concern risk*

- The risk that the Company is unable to meet its payment obligations and is unable to continue as a going concern for the next twelve months.

*Valuation of assets*

- The risk that the Company's assets are incorrectly valued.

*Investment Manager risk*

- The risk that the Investment Manager may execute its investment strategy poorly. The risk that the Investment Manager resigns, goes out of business or exits the Company's asset classes.

*Key person risk*

- The risk that senior investment professionals of the Investment Manager resign and are not replaced by personnel of an equal calibre and experience.

*Legal and regulatory risk*

- The risk that changes in the legal and regulatory environment, including changes in tax rules or interpretation, might adversely affect the Company, such as changes in regulations governing asset classes that could impair the Company's ability to hold or re-invest in appropriate assets and lead to impairment in value and or performance of the Company.

# EXECUTIVE SUMMARY (CONTINUED)

**Principal and Emerging risks and uncertainties (Continued)**
Preventable risks (Continued)

*Operational risk*
- The risk that the Company, through its service providers, fails to meet its contractual and/or legal or regulatory reporting obligations, resulting in sanctions, financial penalties and/or reputational damage.
- The risk that service providers will be disrupted by factors outside of their control such as lockdowns, outages or other widespread unforeseen events.

Emerging risks
*Climate change/ESG risk*
- Climate change may impact individual borrowers adversely and may also have adverse macroeconomic impacts such as higher inflation. There is also the possibility of distortions to capital flows.
- The risk that the Company, through AXA IM, does not engage sufficiently with managers around ESG factors, and invests in managers and assets which fail to meet contractual, legal and/or reporting standards around ESG factors. Such assets could be deemed ineligible in their CLO funds, and suffer reductions in market value.

*LIBOR transition to SOFR*
- The transition from LIBOR to SOFR raises potential risks around asset pricing and cash flows. However, the impact on valuation is expected to be modest and transitory.

The Board and the IM have considered the potential impact of sanctions on the Company and do not believe that current sanctions would have a material impact on the Company. The IM has confirmed to the Board that no underlying investments are directly subject to sanctions. The IM also considered stress tests, in relation to the impact of sanctions, on underlying investments and believes that the overall effect will not be notable.

**The Investment Manager**
AXA IM is a multi-expert asset management company within the AXA Group, a global leader in financial protection and wealth management, which has a team of experts concentrating on the structured finance markets. AXA IM is one of the largest European-based asset managers with 2,623 professionals and €817 billion in assets under management as at the end of September 2022.

AXA IM is authorised by the AMF as an investment management company and its activities are governed by Article L. 532-9 of the French Code Monétaire et Financier. AXA IM was appointed as the Company's AIFM in accordance with the EU AIFMD on 22 July 2014.

**Performance measurement and Key Performance Indicators**
The Directors meet regularly to review performance and risk against a number of key measures.

*Total return*
The Board regularly reviews NAV and NAV total return, the performance of the portfolio as well as income received and Share price of the Company. The Directors regard the Company's NAV total return as being the overall measure of value delivered to Shareholders over the long term. NAV total return is calculated based on NAV growth of the Company with dividends reinvested at NAV.

NAV total return was 3.2% for the six month period ended 31 January 2023. Please refer to page 1 for NAV and share price total return analyses.

*Annualised ongoing charges*
The annualised ongoing charges are a measure of the annualised total recurring expenses incurred by the Company expressed as a percentage of the average Shareholders' funds over the year. The Board regularly reviews the ongoing charges and monitors all Company expenses.
Refer to page 37 for methodology of calculation.

*Premium / discount*
The Directors review the trading prices of the Company's Ordinary Shares and compare them against their NAV to assess quantum and volatility in the discount of the Ordinary Share prices to their NAVs during the year. Please refer to page 1 for further analysis.

**Environmental, social and governance issues**
The Company itself has only a very small footprint in the local community and only a very small direct impact on the environment. However, the Board acknowledges that it is imperative that everyone contributes to local and global sustainability. The nature of the Company's investments is such that they do not provide a direct route to influence investees in ESG matters in many areas, but the Board and the Investment Manager work together to ensure that such factors are carefully considered and reflected in investment decisions, as outlined elsewhere in these financial statements.

Board members do travel, partly to meetings in Guernsey, and partly elsewhere on Company business, including for the annual due diligence visits to AXA IM in Paris and to BNP Paribas in Jersey. The Board considers this essential in overseeing service providers and safeguarding stakeholder interests. The Board will minimise travel by the use of conference calls whenever good governance permits.

For further information regarding the Company's approach to environmental, social and governance issues, please refer to the ESG Section within the Investment Manager's Report on page 8 and 9.

**Life of the Company**
The Company has a perpetual life.

**Future strategy**
The Board continues to believe that the investment strategy and policy adopted is appropriate for and is capable of meeting the Company's objectives. The overall strategy remains unchanged and it is the Board's assessment that the Investment Manager's resources are appropriate to properly manage the Company's investment portfolio in the current and anticipated investment environment. Refer to the Investment Manager's report on pages 4 to 9 for details regarding performance to date of the investment portfolio and the main trends and factors likely to affect those investments.

**Going concern**
Under the Listing Rules, the AIC Code and applicable regulation, the Directors are required to satisfy themselves that it is reasonable to assume that the Company is a going concern and to identify any material uncertainties to the Company's ability to continue as a going concern for at least 12 months from the date of approving the financial statements.

The Directors have considered the state of financial market conditions at the period end date and subsequently. As expected, the impact of the global COVID-19 pandemic and the war in Ukraine on the Company's cash flows has not been material. The Company has no direct exposure to any of the banks which have experienced difficulties to date, although the possibility of contagion and/or increased default cannot be ignored. However, the Board and the Investment manager are of the view that any impact on cash inflows will not be noteworthy. In addition, as outlined in previous reports, appropriate steps can be taken to minimise cash out flows.

The incidence and impact of defaults in the Underlying Assets is hard to predict but are likely to rise, although it should be noted that recent default levels are far below those originally forecast and also below those used in the Investment Managers' models. However, the Directors have concluded that any reasonably foreseeable fall in cash inflows would not have a material impact on the Company's ability to meet its liabilities as they fall due. Therefore, after making appropriate enquiries, the Directors are of the opinion that the Company remains a going concern and are satisfied that it is appropriate to continue to adopt the going concern basis in preparing the Company's financial statements.

**Related parties**
Refer to note 17 for information on related party transactions.

# STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors confirm that to the best of their knowledge:

- the unaudited condensed financial statements contained within the Half-Yearly Financial Report have been prepared in accordance with IAS 34 - *Interim Financial Reporting* as required by the Financial Conduct Authority ("FCA") through the Disclosure Guidance and Transparency Rule ("DTR") 4.2.4R;

- the combination of the Chair's Statement, Investment Manager's Report, the Executive Summary and notes to the condensed financial statements includes a fair review of the information required by:

(a) Section 5:25d of the Financial Supervision Act of the Netherlands;

(b) DTR 4.2.7R of the DTR, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and

(c) DTR 4.2.8R of the DTR, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or the performance of the Company during that period; and any changes in the related party transactions described in the last Annual Financial Report that could do so.

This Statement of Directors' Responsibilities was approved by the Board of Directors on 5 April 2023 and was signed on its behalf by:

**Dagmar Kershaw**
*Chair*

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

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

# CONDENSED STATEMENT OF COMPREHENSIVE INCOME

**FOR THE PERIOD ENDED 31 JANUARY 2023**

| | Notes | 1 August 2022 to 31 January 2023 (Unaudited) € | 1 August 2021 to 31 January 2022 (Unaudited) € |
|---|---|---|---|
| **Operating income and financing charges** | | | |
| Net gain on financial assets at fair value through profit or loss | 5 | 6,269,154 | 22,287,253 |
| Net foreign exchange gain/(loss) including net gain/(loss) on foreign exchange derivatives, but excluding net foreign exchange gain/(loss) on financial assets at fair value through profit or loss | | 4,531,763 | (4,224,312) |
| Net (loss)/gain on interest rate derivatives | | (1,889,331) | 40,847 |
| Net bank interest income | | 144,754 | 281,850 |
| | | 9,056,340 | 18,385,638 |
| **Operating expenditure** | | | |
| Investment Manager management fees | 17 | (1,693,321) | (1,957,193) |
| Investment Manager performance fees | 17 | - | (1,153,791) |
| Operating expenses | 6 | (639,931) | (603,327) |
| | | (2,333,252) | (3,714,311) |
| **Comprehensive income** | | 6,723,088 | 14,671,327 |
| Basic and diluted earnings per Ordinary Share | 8 | €0.1838 | €0.4011 |

**Other comprehensive income**

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

The notes on pages 19 to 32 form part of these condensed financial statements.

# CONDENSED STATEMENT OF FINANCIAL POSITION

**AS AT 31 JANUARY 2023**

| | Notes | 31 January 2023 (Unaudited) € | 31 July 2022 (Audited) € |
|---|---|---|---|
| **ASSETS** | | | |
| Financial assets at fair value through profit or loss | 10 | 202,968,978 | 214,055,782 |
| Derivatives at fair value through profit or loss | | 5,686,676 | 2,983,580 |
| Trade and other receivables | 11 | 72,131 | 90,415 |
| Cash and cash equivalents | | 22,220,323 | 16,785,254 |
| Balances due from broker - margin accounts | | 1,122,840 | 8,995,192 |
| **TOTAL ASSETS** | | **232,070,948** | **242,910,223** |
| **EQUITY AND LIABILITIES** | | | |
| **Capital and reserves** | | | |
| Share capital | 14 | - | - |
| Share premium | 14 | 35,808,120 | 35,808,120 |
| Other distributable reserves | 15 | 10,640,113 | 19,775,011 |
| Accumulated gain | 15 | 178,787,732 | 172,064,644 |
| **TOTAL SHAREHOLDERS' EQUITY** | | **225,235,965** | **227,647,775** |
| **LIABILITIES** | | | |
| Derivatives at fair value through profit or loss | | 4,729,509 | 9,323,607 |
| Trade and other payables | 12 | 2,105,474 | 5,938,841 |
| **TOTAL LIABILITIES** | | **6,834,983** | **15,262,448** |
| **TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES** | | **232,070,948** | **242,910,223** |
| | | | |
| NAV per Ordinary Share | 9 | €6.1573 | €6.2232 |

These condensed financial statements on pages 15 to 32 were approved by the Board of Directors on 5 April 2023 and were signed on 5 April 2023 on its behalf by:

**Dagmar Kershaw**
*Chair*

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

The notes on pages 19 to 32 form part of these condensed financial statements.

# CONDENSED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
### FOR THE PERIOD ENDED 31 JANUARY 2023

| | Notes | Share premium € | Other distributable reserves € | Accumulated gain € | Total € |
|---|---|---|---|---|---|
| **Balance at 31 July 2022 (Audited)** | | **35,808,120** | **19,775,011** | **172,064,644** | **227,647,775** |
| Total comprehensive income for the period | | - | - | 6,723,088 | 6,723,088 |
| Net settlement of Director fees share based payments at a discount to NAV | 15 | - | 7,799 | - | 7,799 |
| Dividends paid in cash | 7,15 | - | (9,142,697) | - | (9,142,697) |
| **Balance at 31 January 2023 (Unaudited)** | | **35,808,120** | **10,640,113** | **178,787,732** | **225,235,965** |

| | Notes | Share premium € | Other distributable reserves € | Accumulated gain € | Total € |
|---|---|---|---|---|---|
| **Balance at 31 July 2021 (Audited)** | | **35,808,120** | **40,611,183** | **189,912,817** | **266,332,120** |
| Total comprehensive income for the period | | - | - | 14,671,327 | 14,671,327 |
| Net settlement of Director fees share based payments at a discount to NAV | | - | 7,550 | - | 7,550 |
| Dividends paid in cash | 7 | - | (10,615,195) | - | (10,615,195) |
| **Balance at 31 January 2022 (Unaudited)** | | **35,808,120** | **30,003,538** | **204,584,144** | **270,395,802** |

The notes on pages 19 to 32 form part of these condensed financial statements.

# CONDENSED STATEMENT OF CASH FLOWS

**FOR THE PERIOD ENDED 31 JANUARY 2023**

| | Notes | **1 August 2022 to 31 January 2023 (Unaudited) €** | **1 August 2021 to 31 January 2022 (Unaudited) €** |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Comprehensive income | | 6,723,088 | 14,671,327 |
| Adjustments for: | | | |
| Net gain on financial assets at fair value through profit or loss | 5 | (6,269,154) | (22,287,253) |
| Net foreign exchange (gain)/loss on revaluation of derivatives | | (4,531,763) | 1,293,216 |
| Net loss on revaluation of interest rate derivatives | | 1,889,331 | - |
| Net settlement of Director fees share based payments | 15 | 7,799 | 7,550 |
| Coupon and dividends received | | 22,132,709 | 19,474,542 |
| Increase in trade and other receivables, excluding amounts due from brokers and interest receivable | | (34,214) | (102,657) |
| (Decrease)/increase in trade and other payables, excluding amounts due to brokers | | (333,366) | 1,850,758 |
| **Net cash generated from operating activities** | | 19,584,430 | 14,907,483 |
| **Cash flows from investing activities** | | | |
| Purchases of financial assets at fair value through profit or loss | | (11,258,379) | (39,271,326) |
| Proceeds from sales and redemptions of financial assets at fair value through profit or loss | | 3,034,125 | 31,153,096 |
| Net settlement on derivative instruments | | 3,217,590 | - |
| **Net cash used in investing activities** | | (5,006,664) | (8,118,230) |
| **Cash flows from financing activities** | | | |
| Dividends paid to Shareholders | 7,15 | (9,142,697) | (10,615,195) |
| **Net cash used in financing activities** | | (9,142,697) | (10,615,195) |
| **Net increase/(decrease) in cash and cash equivalents** | | 5,435,069 | (3,825,943) |
| Cash and cash equivalents at the beginning of the period | | 16,785,254 | 18,219,413 |
| **Cash and cash equivalents at the end of the period** | | 22,220,323 | 14,393,470 |

The notes on pages 19 to 32 form part of these condensed financial statements.

# NOTES TO THE CONDENSED FINANCIAL STATEMENTS
## FOR THE PERIOD ENDED 31 JANUARY 2023

### 1. GENERAL INFORMATION
Information regarding the Company and its activities is provided in the Executive Summary section on page 10.

### 2. ACCOUNTING POLICIES
#### 2.1 Basis of preparation
The Half-Yearly Financial Report has been prepared in accordance with Section 5.25d of the Financial Supervision Act of the Netherlands, the Disclosure Guidance and Transparency Rules ("DTR") of the Financial Conduct Authority ("FCA") and IAS 34 – *Interim Financial Reporting*. The Half-Yearly Financial Report has also been prepared using the same accounting policies applied for the Annual Financial Report for the year ended 31 July 2022, which was prepared in accordance with IFRS issued by the International Accounting Standards Board and interpretations issued by the IFRS Interpretations Committee and applicable law. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

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

There have been no changes in accounting policies during the period.

#### *2.2 New standards, amendments and interpretations issued and effective for the financial year beginning 1 August 2022*

A number of amendments and interpretations to existing standards have been issued during the period ended 31 January 2023 that are not relevant to the Company's operations and therefore have no impact on the Company's condensed financial statements.

### 3. SEGMENTAL REPORTING
The Directors view the operations of the Company as one operating segment, being investment in a diversified portfolio of structured finance assets. All significant operating decisions are based upon analysis of the Company's investments as one segment. The financial results from this segment are equivalent to the financial results of the Company as a whole, which are evaluated regularly by the chief operating decision-maker (the Board with insight from the Investment Manager).

### 4. DETERMINATION OF FAIR VALUES
A number of the Company's accounting policies and disclosures require the determination of fair values for financial assets which have been determined based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in note 10.

The valuation methodologies applied, which includes the consideration of the impact of COVID-19, if any, and the war in Ukraine on valuations as applicable, to the Company's financial assets other than recently purchased securities for which up-to-date market prices are unavailable are as follows:

- CLO Equity and Debt securities are valued using prices obtained from an independent pricing source, JP Morgan PricingDirect. The prices obtained from JP Morgan PricingDirect are derived from observed traded prices where these are available, but may be based upon non-binding quoted prices received by JP Morgan PricingDirect from arranging banks or other market participants, or a combination thereof, where observed traded prices are unavailable.
- Fund investments are valued at NAV.
- Warehouse transactions are valued at the lower of: (i) the principal amount invested plus accrued income net of financing costs; and (ii) the mark-to-market value of the relevant proportion of the underlying portfolio, taking into account the buffer provided by the gross arranger fee compared to the net arranger fee commonly paid in the market, plus accrued income net of financing costs.
- The majority of other investments including CMV are valued on a mark-to-model basis using discounted projected cash flow valuations.

Where securities have been purchased less than one month prior to the relevant reporting date and up-to-date market prices are otherwise unavailable, such securities will be valued at cost plus accrued interest, if applicable.

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

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

The Investment Manager reviews the market prices received from third parties for reasonableness against its own valuation models and may adjust the prices where such prices are not considered to represent a reliable estimation of fair value. Such adjustments are very rare, are only made after investigating the reasons underlying any differences identified and are also subject to approval by the Investment Manager's internal risk function. No such adjustments were made to prices as at 31 January 2023 (31 July 2022: No such adjustment were made to prices). The Investment Manager's fair value calculations for the residual and debt tranche investments in securitisation vehicles are sensitive to the following key model inputs: default rates; recovery rates; prepayment rates; and reinvestment profiles. The Investment Manager's initial model assumptions are reviewed on a regular basis with reference to both current and projected data. In the case of a material change in the actual key model inputs, the model assumptions will be adjusted accordingly. The discount rate used by the Investment Manager when reviewing the fair value of the Company's portfolio is subject to similar review and adjustment in light of actual experience.

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

JP Morgan PricingDirect provide pricing for directly held CLO Debt and CLO Equity tranches, which in aggregate represented 84.0% as at 31 January 2023 (31 July 2022: 82.7%) of the Company's financial assets at fair value through profit or loss.

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

As at the date of publication of the Company's NAV as at 31 January 2023, approximately 1.8% (31 July 2022: 7.5%) of the Company's financial assets at fair value through profit or loss comprised investments for which the relevant NAVs as at the month-end date were not yet available.

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

In accordance with the Company's valuation policy, the Company's financial assets at fair value through profit or loss as at 31 January 2023 was calculated using prices received from JP Morgan PricingDirect for all assets except for those assets noted below:

| Asset classes | % of financial assets at fair value through profit or loss as at 31 January 2023 (Unaudited) | % of financial assets at fair value through profit or loss as at 31 July 2022 (Audited) | Valuation methodology |
|---|---|---|---|
| SCC BBS | 4.8% | 4.7% | Discounted projected cash flow model-based valuation using discount rates within a range of 8.0% to 12.0% (31 July 2022: 8.0% to 12.0%), constant default rates within a range of 0.3% to 3.0% (31 July 2022: 0.3% to 3.0%), prepayment rates within a range of 0.0% to 25.0% (31 July 2022: 0.0% to 25.0%) and recovery rates within a range of 51.0% to 63.0% (31 July 2022: 51.0% to 63.0%). |
| Investments in funds (includes CCC Equity and SCC BBS positons) | 2.0% | 1.6% | Valued using the most recent valuation statements, or capital account statements where applicable, provided by the respective underlying fund administrators, as adjusted for any cash flows received/paid between that date and 31 January 2023 in respect of distributions/calls respectively. |
| SSC REO | 1.5% | 1.5% | Discounted projected cash-flow model-based valuation using a yield of 13.0% (31 July 2022: 13.0%). Each month, forward cash-flows are updated, sold properties and promissory sales are forced to their sales prices, all based on the latest investor reports and internal hypothesis.<br>The hypothesis used includes (i) HPI curve is limited to the assets (<10% of the remaining portfolio) viewed by the servicer as the most likely to benefit from market price increase. These assets are modelled as benefiting from 2% HPI appreciation per annum for residential assets & 1% for non-residential. All other assets have no Home Price Index appreciation (ie flat valuation compared to the original valuation of the asset) (ii) Timing (31 January 2023: Initial Business Plan timing plus six-month additional delay for properties not sold, but that should have been, under initial Business Plan) (31 July 2022: Initial Business Plan timing plus six-month additional delay for properties not sold, but that should have been, under initial Business Plan). |
| Recently purchased assets | 0.0% | 1.6% | Being purchased within less than one month of the relevant reporting date, these assets were valued at cost which is considered the most appropriate fair value for newly acquired assets. |
| CLO Warehouse | 0.9% | 0.0% | Warehouse transactions are valued at the lower of: (i) the principal amount invested plus accrued income net of financing costs; and (ii) the mark-to-market value of the relevant proportion of the underlying portfolio, taking into account the buffer provided by the gross arranger fee compared to the net arranger fee commonly paid in the market, plus accrued income net of financing costs. |
| ABS Residual | 1.1% | 1.5% | Discounted projected cash flow model-based valuation using a discount rate of 9.0% on the weighted average life of contractual cash flows (31 July 2022: 9.0%) for Fintake European Leasing DAC. |
| CLO – CMV | 5.3% | 5.9% | CMV is valued using a Discounted Cash Flow model based on cash flow projection considering market and comparable transactions parameters. |
| Fee Rebates | 0.4% | 0.5% | Fee rebates are valued using a Discounted Cash Flow model based on cash flow projection considering market and comparable transactions parameters |
| **Total as a percentage of NAV** | **16.0%** | **17.3%** | |

### 5. PUBLISHED NAV RECONCILIATION AND NAV PERFORMANCE ANALYSIS

The following table represents the net gain on financial assets at fair value through profit or loss by asset class for the period from 1 August 2022 to 31 January 2023:

| | **Realised gain/(loss) on sales and redemptions on financial assets at fair value through profit or loss €** **(Unaudited)** | **Unrealised gain/(loss) on financial assets at fair value through profit or loss €** **(Unaudited)** | **Coupon and dividend income €** **(Unaudited)** | **Net gain/(loss) on financial assets at fair value through profit or loss €** **(Unaudited)** |
|---|---|---|---|---|
| CLO – USD Equity | - | (9,633,002) | 6,588,950 | (3,044,052) |
| CLO – EUR Equity | 12,658 | (1,155,080) | 8,014,623 | 6,872,201 |
| CLO – USD Debt | - | (4,480,351) | 2,591,058 | (1,889,293) |
| CLO – EUR Debt | - | 832,270 | 1,302,486 | 2,134,756 |
| CLO – CMV | - | (1,536,501) | 1,175,554 | (360,947) |
| CLO Warehouse | 44,316 | 23,625 | 88,842 | 156,783 |
| SCC BBS | (1,200,913) | 963,603 | 738,478 | 501,168 |
| CCC Equity | (8,757) | 1,038,068 | 58,182 | 1,087,493 |
| ABS Residual | - | (727,600) | 1,538,645 | 811,045 |
| | **(1,152,696)** | **(14,674,968)** | **22,096,818** | **6,269,154** |

The following table represents the net gain on financial assets at fair value through profit or loss by asset class for the period from 1 August 2021 to 31 January 2022:

| | **Realised gain/(loss) on sales and redemptions on financial assets at fair value through profit or loss €** **(Unaudited)** | **Unrealised gain/(loss) on financial assets at fair value through profit or loss €** **(Unaudited)** | **Coupon and dividend income €** **(Unaudited)** | **Net gain/(loss) on financial assets at fair value through profit or loss €** **(Unaudited)** |
|---|---|---|---|---|
| CLO – USD Equity | 717,288 | 424,727 | 6,506,628 | 7,648,643 |
| CLO – EUR Equity | 343,705 | (3,906,299) | 7,308,343 | 3,745,749 |
| CLO – USD Debt | 120,202 | 3,554,545 | 1,936,422 | 5,611,169 |
| CLO – EUR Debt | 291,500 | (1,271) | 261,231 | 551,460 |
| CLO – CMV | - | 290,194 | 1,028,563 | 1,318,757 |
| CLO Warehouse | - | 13,050 | 124,595 | 137,645 |
| SCC BBS | 299,185 | 1,915,891 | 835,599 | 3,050,675 |
| CCC Equity | (24,565) | 365,662 | 267,258 | 608,355 |
| ABS Residual | - | (385,200) | - | (385,200) |
| | 1,747,315 | 2,271,299 | 18,268,639 | 22,287,253 |

## 6. OPERATING EXPENSES

| | Notes | 1 August 2022 to 31 January 2023 € (Unaudited) | 1 August 2021 to 31 January 2022 € (Unaudited) |
|---|---|---|---|
| Directors' remuneration and expenses | 6.1 | (164,772) | (189,728) |
| Legal fees | | (10,097) | (26,116) |
| Administration fees | 6.2 | (131,456) | (132,336) |
| Audit fees, audit related and non-audit related fees | | (82,632) | (89,341) |
| Insurance fees | | (28,488) | (14,374) |
| Depositary fees | | (21,863) | (26,963) |
| Other operating expenses | | (200,623) | (124,469) |
| **Total** | | (639,931) | (603,327) |

*6.1 Directors' remuneration and expenses*

| | 1 August 2022 to 31 January 2023 € (Unaudited) | 1 August 2021 to 31 January 2022 € (Unaudited) |
|---|---|---|
| Directors' fees (cash element, settled during the period) | (113,750) | (70,000) |
| Directors' fees (cash element, settled after the period-end) | - | (62,810) |
| Directors' fees (equity element, settled during the period) | (26,519) | (30,000) |
| Directors' fees (equity element, settled after the period-end) | (24,375) | (26,918) |
| Directors' expenses (settled during the period) | (128) | - |
| **Total** | (164,772) | (189,728) |

Each Director continues to receive 30% of their Director's fee in the forms of shares. The remaining 70% of the fees are paid quarterly in cash. As previously reported, the Directors' remuneration shares are purchased in the secondary market. Thus at current levels of discount between the NAV per share and the share price, the true cost to the Company is approximately 5% less than the amount quoted above. By applying this approach the Board have relinquished their right to Director's remuneration of €7,799 during the six month period ended 31 January 2023 (six months ended 31 January 2022: €7,550). Refer to note 15 for "Net settlement of Directors fees share based payment".

Should the shares trade at a premium to NAV in the future, the Directors may seek to amend the policy. These fee arrangements will be next reviewed in June 2023.

*6.2 Administration fees*

On 31 October 2018, the Company signed an agreement with BNP Paribas (the "Administrator") to provide administrative, compliance oversight and company secretarial services to the Company. Under the administration agreement, the Administrator will be entitled to a minimum annual fixed fee for fund administration services and company secretarial and compliance services. These fees are paid monthly in arrears. Ad hoc other administration services are chargeable on a time cost basis. In addition, the Company will reimburse the Administrator for any out of pocket expenses.

During the six month ended 31 January 2023, administration fees incurred were €131,456 (six months ended 31 January 2022: €132,336).

## 7. DIVIDENDS

The following dividends have been declared and paid during the six month period ended 31 January 2023 and during the prior year ended 31 July 2022:

**Paid and declared during the six month period ended 31 January 2023:**

| Date Declared | Ex-dividend Date | Payment Date | Amount per Ordinary Share € | Total amount paid € |
|---|---|---|---|---|
| 08/12/2022 | 29/12/2022 | 26/01/2023 | 0.12 | 4,389,199 |
| 20/09/2022 | 29/09/2022 | 20/10/2022 | 0.13 | 4,753,498 |
| | | | | **9,142,697** |

**Paid and declared during the year ended 31 July 2022:**

| Date Declared | Ex-dividend Date | Payment Date | Amount per Ordinary Share € | Total amount paid € |
|---|---|---|---|---|
| 07/07/2022 | 14/07/2022 | 28/07/2022 | 0.13 | 4,755,587 |
| 16/03/2022 | 24/03/2022 | 28/04/2022 | 0.15 | 5,487,917 |
| 09/12/2021 | 16/12/2021 | 27/01/2022 | 0.15 | 5,487,531 |
| 15/09/2021 | 23/09/2021 | 30/09/2021 | 0.14 | 5,119,996 |
| | | | | **20,851,031** |

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

## 8. BASIC AND DILUTED EARNINGS PER ORDINARY SHARE

| | 1 August 2022 to 31 January 2023 € (Unaudited) | 1 August 2021 to 31 January 2022 € (Unaudited) |
|---|---|---|
| **Total comprehensive income for the period** | 6,723,088 | 14,671,327 |
| **Basic and diluted earnings per Ordinary Share** | 0.1838 | 0.4011 |
| | Number | Number |
| **Weighted average number of Ordinary Shares during the period** | 36,580,580 | 36,580,580 |

## 9. NAV PER ORDINARY SHARE

| | 31 January 2023 € (Unaudited) | 31 July 2022 € (Audited) |
|---|---|---|
| **NAV** | 225,235,965 | 227,647,775 |
| **NAV per Ordinary Share** | 6.1573 | 6.2232 |
| | Number | Number |
| **Number of Ordinary Shares at period/year end** | 36,580,580 | 36,580,580 |

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

Financial assets at fair value through profit or loss are measured at fair value and changes therein are recognised in the Condensed Statement of Comprehensive Income.

| | 31 January 2023 € (Unaudited) | 31 July 2022 € (Audited) |
|---|---|---|
| **Fair value brought forward** | 214,055,782 | 259,049,217 |
| Purchases | 7,758,379 | 52,792,837 |
| Sale and redemption proceeds | (3,017,519) | (50,203,284) |
| Net loss on financial assets at fair value through profit or loss | (15,827,664) | (47,582,988) |
| **Fair value carried forward** | 202,968,978 | 214,055,782 |

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

| | 31 January 2023 € (Unaudited) | 31 July 2022 € (Audited) |
|---|---|---|
| Realised gain on sales and redemptions on financial assets at fair value through profit or loss | 56,974 | 1,992,578 |
| Realised loss on sales and redemptions on financial assets at fair value through profit or loss | (1,209,670) | (3,248,970) |
| Unrealised gain on financial assets at fair value through profit or loss | 5,360,352 | 9,244,099 |
| Unrealised loss on financial assets at fair value through profit or loss | (20,035,320) | (55,570,695) |
| Net loss on financial assets at fair value through profit or loss | **(15,827,664)** | **(47,582,988)** |

**Fair value hierarchy**
IFRS 13 – 'Fair Value Measurement' requires an analysis of investments valued at fair value based on the reliability and significance of information used to measure their fair value.

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

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities. Investments, whose values are based on quoted market prices in active markets and are therefore classified within Level 1, include active listed equities. The quoted price for these instruments is not adjusted;

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

- Level 3 – inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

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

Transfers between levels are determined based on changes to the significant inputs used in the fair value estimation. The Company recognises transfers between levels of the fair value hierarchy as at the end of the reporting period during which the change has occurred. Further information about the fair value hierarchy is disclosed below.

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 2023 and 31 July 2022:

| | 31 January 2023 | | | |
|---|---|---|---|---|
| | Level 1 € (Unaudited) | Level 2 € (Unaudited) | Level 3 € (Unaudited) | Total € (Unaudited) |
| Financial assets at fair value through profit or loss: – Securities | - | - | 202,968,978 | 202,968,978 |
| Financial assets at fair value through profit or loss: – Derivatives | 535,407 | 5,151,269 | - | 5,686,676 |
| Financial liabilities at fair value through profit or loss: – Derivatives | - | (4,729,509) | - | (4,729,509) |
| | **535,407** | **421,760** | **202,968,978** | **203,926,145** |

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

**Fair value hierarchy (Continued)**

| | 31 July 2022 | | | |
|---|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** | **Total** |
| | **€ (Audited)** | **€ (Audited)** | **€ (Audited)** | **€ (Audited)** |
| Financial assets at fair value through profit or loss: – Securities | - | - | 214,055,782 | 214,055,782 |
| Financial assets at fair value through profit or loss: – Derivatives | 372,505 | 2,611,075 | - | 2,983,580 |
| Financial liabilities at fair value through profit or loss: – Derivatives | (410,660) | (8,912,947) | - | (9,323,607) |
| | **(38,155)** | **(6,301,872)** | **214,055,782** | **207,715,755** |

The majority of the Company's investments are classified within Level 3 as they have significant unobservable inputs and they may trade infrequently. The sources of these fair values are not considered to be publicly available information. The remaining investments are classified within Level 2 as the unobservable input parameters within these valuations are not considered to be significant. The Company has determined the fair values of its investments as described in note 4. The Company's foreign exchange derivatives held as at the reporting date (open foreign exchange swaps and options positions) are classified within Level 2 as their prices are not publicly available, but are derived from information that is publicly available. The Company's interest rate derivatives held as at 31 January 2023 (open futures) are classified within Level 1 as their prices are publicly available and they are exchange traded.

**Financial assets at fair value through profit or loss reconciliation**

The following table represents the movement in Level 3 instruments for the six month period ended 31 January 2023:

| | **€ (Unaudited)** |
|---|---|
| **Fair value at 1 August 2022** | **214,055,782** |
| Purchases | 7,758,379 |
| Sale and redemption proceeds | (3,017,519) |
| Realised gain on sales and redemptions on financial assets at fair value through profit or loss | (1,152,696) |
| Unrealised gain on financial assets at fair value through profit or loss | (14,674,968) |
| **Fair value at 31 January 2023** | **202,968,978** |

The following table represents the movement in Level 3 instruments for the year ended 31 July 2022:

| | **€ (Audited)** |
|---|---|
| **Fair value at 1 August 2021** | **243,046,716** |
| Purchases | 52,550,337 |
| Sale and redemption proceeds | (43,900,122) |
| Realised loss on sales and redemptions on financial assets at fair value through profit or loss | (904,812) |
| Unrealised loss on financial assets at fair value through profit or loss | (46,486,792) |
| Assets transferred out from level 2 to level 3 | 9,750,455 |
| **Fair value at 31 July 2022** | **214,055,782** |

The appropriate fair value classification level is reviewed for each of the Company's investments at each period end. Any transfers into or out of a particular fair value classification level are recognised at the beginning of the period following such re-classification at the fair value as at the date of re-classification. There were no such transfers between fair value classifications levels during the six month period ended 31 January 2023 (31 July 2022: there were 3 CLO Debt positions which transferred from level 2 to level 3). The transfer was considered appropriate because the unobservable input parameters within these valuations are not considered to be significant).

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

**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 2023 that is reasonable considering the current market environment and the nature of the main risks underlying the Company's assets. This sensitivity analysis presents an approximation of the potential effects of events that could have been reasonably expected to occur as at the reporting date. Where valuations were based upon prices received from arranging banks or other market participants, or on a NAV provided by the underlying fund administrator, the sensitivity analyses are not necessarily based upon the assumptions used by such sources as these are not made available to the Company, as explained in note 4.

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

***CLO tranches***

Two of the main risks associated with CLO tranches are the occurrence of defaults and prepayments in the underlying portfolio.

The Directors believe it is reasonable to test the sensitivity of these assets to the following reasonably plausible changes to the base case scenarios, which have been derived from historically observed default rates and prepayment rates:

*The rate of occurrence of defaults at the underlying loan portfolio level.*

The base case scenario is to project the rate of occurrence of defaults at the underlying loan portfolio level at 2.0% per year which was assumed to approximate the market consensus projected default rate as at 31 January 2023, with an exception for newly issued (less than 12 months) deals for which a default rate at zero is set (base case scenario as at 31 July 2022: 2.0% per year, with an exception for newly issued (less than 12 months) deals for which a default rate was set at zero). A reasonably plausible change in the default rate is considered to be an increase to 1.5 times the base case default rate (a decrease to 0.5 times the base case default rate would have approximately an equal and opposite impact, so this is not presented in the table below). For further information, the projected impact of a change in the default rate to 2.0 times the base case default rate is also presented in the table below.

*The rate of occurrence of prepayments is measured by the CPR at the underlying loan portfolio level.*

The base case scenario is to project a CPR at circa 20% per year for the US and Europe. The Directors consider that reasonably plausible changes in the CPR would be a decrease in the CPR of the underlying loan portfolios from 20% to 10% for the US and Europe. The impact of the CPR is approximately linear, so the impact of an opposite test would be likely to result in an equal and opposite impact. The projected impact of a decrease in CPR from 20% to 10% for the US and Europe is detailed in the below table.

The increase in default rate and the decrease in CPR is combined with an increase in discount margin (DM) at which projected cash flows might be discounted in such scenario. In the below table DM (both for CLO debt and CLO equity positions) has been widened by 300 bps for the first scenario & 500 bps for the second scenario, while a shock was cause in terms of stress (increase in CCC bucket combined with an increase in defaults) in order to generate a scenario in line a 1.5 and a 2 time "base case scenario" default rate. We also stress a decrease of the CPR from 20% to 10% coupled with 150bps DM increase to illustrate sensitivity to this simple assumption.

***As at 31 January 2023***

| | | Impact of an increase in default rate to 1.5x base case scenario | | Impact of an increase in default rate to 2.0x base case scenario | | Decrease in CPR from 20% to 10% for US and Europe | |
|---|---|---|---|---|---|---|---|
| **Asset class** | **% of NAV** | **Price impact** | **Impact on NAV** | **Price impact** | **Impact on NAV** | **Price impact** | **Impact on NAV** |
| USD CLO Equity | 24.4% | (9.7)% | (2.4)% | (34.2)% | (8.3)% | (5.8)% | (1.4)% |
| EUR CLO Equity | 23.0% | (9.6)% | (2.2)% | (27.1)% | (6.2)% | (7.5)% | (1.7)% |
| USD CLO Debt | 17.5% | (12.7)% | (2.2)% | (19.9)% | (3.5)% | (6.7)% | (1.2)% |
| EUR CLO Debt | 10.5% | (15.1)% | (1.6)% | (23.3)% | (2.4)% | (7.9)% | (0.8)% |
| **All CLO tranches** | **75.4%** | | **(8.4)%** | | **(20.4)%** | | **(5.1)%** |

**10. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)**
**Sensitivity analysis (continued)**
**CLO tranches (continued)**

***As at 31 July 2022***

| | | Impact of an increase in default rate to 1.5x base case scenario | | Impact of an increase in default rate to 2.0x base case scenario | | Decrease in CPR from 20% to 10% for US and Europe | |
|---|---|---|---|---|---|---|---|
| **Asset class** | **% of NAV** | **Price impact** | **Impact on NAV** | **Price impact** | **Impact on NAV** | **Price impact** | **Impact on NAV** |
| USD CLO Equity | 27.7% | (15.0)% | (4.2)% | (35.6)% | (9.9)% | (10.3)% | (2.9)% |
| EUR CLO Equity | 22.1% | (12.4)% | (2.8)% | (29.6)% | (6.5)% | (8.0)% | (1.8)% |
| USD CLO Debt | 19.3% | (18.4)% | (3.5)% | (25.6)% | (4.9)% | (6.4)% | (1.2)% |
| EUR CLO Debt | 10.0% | (17.2)% | (1.7)% | (25.6)% | (2.6)% | (7.9)% | (0.8)% |
| **All CLO tranches** | **79.1%** | | **(12.2)%** | | **(23.9)%** | | **(6.7)%** |

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

Sensitivity of the CMV position should be inferred from US and European CLO Equity sensitivity analysis.

***Synthetic Corporate Credit Bank Balance Sheet transactions***
The investments within this asset class (representing 5.0% (31 July 2022: 5.1%) of the NAV) are first-loss exposures to diversified portfolios of investment grade and sub-investment grade corporate credits. The Directors consider a reasonably plausible change in then currently assumed default rate to be a decrease to 0.5 times or an increase of 1.5 times. Such a change in defaults would be likely to lead to a 2.1% increase or 7.7% decrease respectively in the average prices of these assets, thereby leading to a 0.1% increase or 0.4% decrease respectively in the NAV (31 July 2022: decrease in historical default rate to 0.5x with a price impact of 1.9% with a 0.1% increase in the NAV; increase in default rate to 1.5x with a price impact of (7.1)% with a 0.4% decrease in the NAV).

***As at 31 January 2023***

| | | Impact of a decrease in assumed default rate to 0.5x | | Impact of an increase in assumed default rate to 1.5x | |
|---|---|---|---|---|---|
| **Asset class** | **% of NAV** | **Price impact** | **Impact on NAV** | **Price impact** | **Impact on NAV** |
| SCC – BBS | 5.0% | 2.1% | 0.1% | (7.7)% | (0.4)% |

***As at 31 July 2022***

| | | Impact of a decrease in assumed default rate to 0.5x | | Impact of an increase in assumed default rate to 1.5x | |
|---|---|---|---|---|---|
| **Asset class** | **% of NAV** | **Price impact** | **Impact on NAV** | **Price impact** | **Impact on NAV** |
| SCC – BBS | 5.1% | 1.9% | 0.1% | (7.1)% | (0.4)% |

***Synthetic Credit – Real Estate Owned Transactions***
The Portuguese REO investment comprises residential properties through the country, gathered by the bank through the resolution of its NPL processes and then sold on a portfolio basis. The investment is levered through a financing facility. Should the Portuguese HPI drop by 5%, the NAV of the Company would go down by 6.5bps (31 July 2022: 10bps). Should the HPI increase by 5%, the NAV of the Company would increase by 6.4bps (31 July 2022: 10bps).

***Cash Corporate Credit Equity transactions***
As at 31 January 2023, the Company held two investments in this asset class (Tennenbaum Opportunities Fund V and Crescent European Specialty Lending Fund, representing 0.6% and 0.6% of the NAV, respectively) (31 July 2022: Tennenbaum Opportunities Fund V and Crescent European Specialty Lending Fund, representing 0.3% and 0.5% of the NAV, respectively). These assets have exposures to diversified portfolios of investment grade and sub-investment grade corporate credits. The Directors consider that the main risks associated with these assets are the occurrence of defaults in the underlying portfolio and/or the severity of any such defaults as well as change in enterprise value regarding any equity derived from any restructuring event.

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

**Sensitivity analysis (continued)**

***Cash Corporate Credit Equity* transactions (continued)**

Tennenbaum Opportunities Fund V has a short remaining life, given that the fund is due to mature during October 2023. More than 88.1% of its current portfolio comprises unlisted equities (the largest equity representing 88.0% of the fund) while the remainder comprises corporate debt positions. A sensitivity analysis is difficult to model as most of the value may be derived from the exit price the Tennenbaum Opportunities Fund V investment manager may be able to achieve for the underlying assets. As such, the value of this investment is principally dependent on revenue and EBITDA multiples applied to the equity assets. A decrease in revenue and EBITDA multiples would decrease the value of the investment.

Crescent European Specialty Lending Fund is fully drawn down and in its amortising period. As the largest investment represents circa 44.0% of its current portfolio (31 July 2022: 24.6%), a default of this investment with a 60% recovery rate (31 July 2022: 60%) would lead to a 10 basis points drop (31 July 2022: 5 basis point) in the Company’s NAV.

***ABS Residual positions***

As at 31 January 2023, the Company held one investment in this asset class (Fintake European Leasing DAC, representing 1.1% of the NAV) (31 July 2022: representing 1.4% of the NAV).

For Fintake European Leasing DAC, the main risk associated with this position is considered to be the level of credit losses in the underlying French leases collateral. A WAL extension of 6 months would result in a drop by less than 1bps (31 July 2022: 100bps). An opposite WAL reduction would have a symmetrical impact.

### 11. TRADE AND OTHER RECEIVABLES

| | 31 January 2023 € (Unaudited) | 31 July 2022 € (Audited) |
|---|---|---|
| Prepayments and other receivables | 72,131 | 37,917 |
| Interest receivable | - | 35,892 |
| Amounts due from brokers | - | 16,606 |
| | **72,131** | **90,415** |

### 12. TRADE AND OTHER PAYABLES

| | 31 January 2023 € (Unaudited) | 31 July 2022 € (Audited) |
|---|---|---|
| Investment Manager management fees | 1,693,321 | 1,957,675 |
| Directors’ fees (cash payable) | - | 4,128 |
| Directors’ fees (shares payable) | 24,375 | 26,520 |
| Amounts due to brokers | - | 3,500,000 |
| Accrued expenses and other payables | 387,778 | 450,518 |
| | **2,105,474** | **5,938,841** |

### 13. SHARE CAPITAL

| | 31 January 2023 Number of Shares (Unaudited) | 31 July 2022 Number of Shares (Audited) |
|---|---|---|
| Ordinary Shares of no par value each | Unlimited | Unlimited |
| Class B convertible Ordinary Share of no par value | 1 | 1 |
| Class C non-voting convertible Ordinary Shares of no par value each | Unlimited | Unlimited |

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

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

### 13. SHARE CAPITAL (CONTINUED)

There are no Class C shares currently in issue and there is currently no mechanism by which any Class C shares can be issued in the future (31 July 2022: Nil Class C shares in issue).

***Issued and fully paid***

| | Number of Ordinary Shares in issue | Number of Class B shares in issue | Number of Class C shares in issue | Total number of shares in issue |
|---|---|---|---|---|
| **Balance at 31 July 2021 (Audited)** | **36,580,580** | **1** | **-** | **36,580,581** |
| Issued to Directors during the year | - | - | - | - |
| **Balance at 31 July 2022 (Audited)** | **36,580,580** | **1** | **-** | **36,580,581** |
| Issued to Directors during the period | - | - | - | - |
| **Balance at 31 January 2023 (Unaudited)** | **36,580,580** | **1** | **-** | **36,580,581** |

The Directors of the Company receive 30 percent of their Director's fee in the form of shares purchased on the secondary market The Company purchased the following Ordinary Shares on the secondary market during the half-year ended 31 January 2023:

- 1 August 2022: 4,362 Ordinary Shares at an average price of €5.24 per share.
- 1 November 2022: 4,202 Ordinary Shares at an average price of €4.80 per share.

Ordinary Shares purchased on the secondary market during the year ended 31 July 2022:
- 2 August 2021: 3,651 Ordinary Shares at an average price of €6.17 per share.
- 1 November 2021: 4,144 Ordinary Shares at an average price of €6.38 per share.
- 31 January 2022: 3,703 Ordinary Shares at an average price of €6.28 per share.
- 3 May 2022: 3,506 Ordinary Shares at an average price of €6.00 per share.

Please refer to page 10 for information on Director holdings in the Company's Ordinary Shares.

### 14. SHARE PREMIUM

| | Ordinary Shares € | Class B share € | Class C shares € | Total € |
|---|---|---|---|---|
| **Balance at 31 July 2021 (Audited)** | **35,808,120** | **-** | **-** | **35,808,120** |
| Issued to Directors during the year | - | - | - | - |
| **Balance at 31 July 2022 (Audited)** | **35,808,120** | **-** | **-** | **35,808,120** |
| Issued to Directors during the period | - | - | - | - |
| **Balance at 31 January 2023 (Unaudited)** | **35,808,120** | **-** | **-** | **35,808,120** |

The share premium account represents the issue proceeds received from, or value attributed to, the issue of share capital, except for the share premium amount of €285,001,174 arising from the Company's initial issue of share capital upon its IPO, which was transferred to other distributable reserves on 26 January 2007, following approval by the Royal Court of Guernsey (see note 15).

### 15. RESERVES

| | Other distributable reserves € | Accumulated gain € |
|---|---|---|
| **At 31 July 2021 (Audited)** | 40,611,183 | 189,912,817 |
| Total comprehensive loss for the year | - | (17,848,173) |
| Net settlement of Director fees share based payments | 14,859 | - |
| Dividends paid in cash | (20,851,031) | - |
| **At 31 July 2022 (Audited)** | 19,775,011 | 172,064,644 |
| Total comprehensive income for the period | - | 6,723,088 |
| Net settlement of Director fees share based payments | 7,799 | - |
| Dividends paid in cash | (9,142,697) | - |
| **At 31 January 2023 (Unaudited)** | **10,640,113** | **178,787,732** |

**15. RESERVES (CONTINUED)**

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

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

**16. FINANCIAL RISK MANAGEMENT**

***Capital risk management***

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

The Company's other financial risk management objectives and policies are consistent with those disclosed in the Company's Audited Annual Financial Statements for the year ended 31 July 2022.

**17. RELATED PARTIES**

***Transactions with Directors***

For disclosure of Directors' remuneration, please see note 6. As at the six month period ended 31 January 2023, Directors' fees to be paid in cash of €nil (31 July 2022: €4,128) had been accrued but not paid. Directors' fees to be paid in shares of €24,375 (31 July 2022: €26,520) had been accrued, but not paid and Directors' expenses of €nil (31 July 2022: €nil) had been accrued but not paid.

As at 31 January 2023, the Directors of the Company owned 0.21% (31 July 2022: 0.32%) of the voting shares of the Company.

***Transactions with the Investment Manager***

AXA IM is entitled to receive from the Company an investment manager fee equal to the aggregate of:

a. an amount equal to 1.5% of the lower of NAV and €300 million; and

b. if the NAV is greater than €300 million, an amount equal to 1.0% of the amount by which the NAV of the Company exceeds €300 million.

The investment management fee is calculated for each six month period ending on 31 July and 31 January of each year on the basis of the Company's NAV as of the end of the preceding period and payable semi-annually in arrears. The investment management fee payable to AXA IM is subject to reduction for investments in AXA IM Managed Products as set out in the Company's Investment Guidelines. During the six month period ended 31 January 2023, the investment management fees earned were €1,693,321 (six month period ended 31 January 2022: €1,957,193). Investment management fees accrued but unpaid as at 31 January 2023 were €1,693,321 (31 July 2022: €1,957,675).

Under the amended and restated IMA, the Investment Manager is also entitled to receive a performance fee of 20% of any NAV outperformance over an 8% hurdle on an annualised basis, subject to a high-water mark and adjustments for dividends paid, share issuances, redemptions and buybacks. The performance fee will be calculated and paid annually in respect of each twelve-month month period ending on 31 July (each an "Incentive Period"). Notwithstanding the foregoing, performance fees payable to AXA IM in respect of any Incentive Period shall not exceed 4.99% of the NAV at the end of such Incentive Period.

During the six month period ended 31 January 2023, the performance fees earned were €nil (six month period ended 31 January 2022: €1,153,791). Performance fees accrued but unpaid as at 31 January 2023 were €nil (31 July 2022: €nil).

The Investment Manager also acts as investment manager for the following of the Company's investments held as at the year-end which together represented 3.67% of NAV as at 31 January 2023: Adagio V CLO DAC Subordinated Notes; Adagio VI CLO DAC Subordinated Notes; Adagio VII CLO DAC Subordinated Notes; Adagio VIII CLO DAC Subordinated Notes; Bank Capital Opportunity Fund and Bank Deleveraging Opportunity Fund. (31 July 2022: 3.67% of NAV: Adagio V CLO DAC Subordinated Notes; Adagio VI CLO DAC Subordinated Notes; Adagio VII CLO DAC Subordinated Notes; Adagio VIII CLO DAC Subordinated Notes; Bank Capital Opportunity Fund and Bank Deleveraging Opportunity Fund).

The investments in Bank Capital Opportunity Fund and Bank Deleveraging Opportunity Fund are classified as AXA IM Managed Products and the investments in Adagio V CLO DAC Subordinated Notes, Adagio VI CLO DAC Subordinated Notes, Adagio VII CLO DAC Subordinated Notes and Adagio VIII CLO DAC Subordinated Notes are classified as Restricted AXA IM Managed Products.

The Investment Manager earns investment management fees, including incentive fees where applicable, directly from each of the above investment vehicles, in addition to its investment management fees earned from the Company. However, with respect to AXA IM Managed Products, there is no duplication of investment management fees as adjustment for these investments is made in the calculation of the investment management fees payable by the Company such that AXA IM earns investment management fees only at the level of the Company.

### 17. RELATED PARTIES (CONTINUED)
***Transactions with the Investment Manager***

Due to the fact that the Company's investments in Adagio V CLO DAC Subordinated Notes, Adagio VI CLO DAC Subordinated Notes, Adagio VII CLO DAC Subordinated Notes and Adagio VIII CLO DAC Subordinated Notes are classified as Restricted AXA IM Managed Products, AXA IM earns investment management fees at the level of the Restricted AXA IM Managed Product rather than at the Company level. It is, however possible for AXA IM to earn incentive fees at the level of both the Restricted AXA IM Managed Product and the Company.

Except for the Company's Restricted AXA IM Managed Products and AXA IM Managed Products, (as detailed above), 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.

AXA group held 27.50% (31 July 2022: 29.98%) of the voting shares in the Company as at 31 January 2023 and 27.50% as at the date of approval of this report.

### 18. COMMITMENTS
As at 31 January 2023, the Company had the following uncalled commitments outstanding:

a. Crescent European Specialty Lending Fund (a Cash Corporate Credit Equity transaction exposed to sub-investment grade corporate credits) – €1,983,409 (31 July 2022: €1,994,698) remaining commitment from an original commitment of €7,500,000; and

b. Aurium XI CLO Warehouse - €12,250,000 (31 July 2021: n/a) remaining commitment from an original commitment of €14,000,000.

### 19. SUBSEQUENT EVENTS
Management has evaluated subsequent events for the Company from 1 February 2023 to 5 April 2023, the date the condensed financial statements were available to be issued. The following points are pertinent:

On 2 February 2023, the Company purchased 4,174 Ordinary shares of no par value in the Company at an average price of €5.35 per share. These Ordinary shares purchased in the secondary market were transferred to the Directors as part payment of their Directors' fees, as allocated below:

Graham Harrison - 899 Ordinary shares
Stephen Le Page – 1,092 Ordinary shares
Dagmar Kershaw – 1,284 Ordinary shares
Yedau Ogoundele - 899 Ordinary shares

On 15 March 2023, the Company declared a quarterly interim dividend of €0.13 per share amounting to approximately €4.76 million. The ex-dividend date was 23 March 2023 with a record date of 24 March 2023 and a payment date on 27 April 2023.

On 21 March 2023, the Company made a further drawdown of €140,000 from Aurium XI CLO Warehouse. As at 5 April 2023, the remaining uncalled commitment was €12,110,000.

## BOARD OF DIRECTORS
### FOR THE PERIOD ENDED 31 JANUARY 2023

# BOARD OF DIRECTORS (CONTINUED)
## FOR THE PERIOD ENDED 31 JANUARY 2023

### 01. Dagmar Kent Kershaw
***Chair and Independent Director – appointed 30 June 2021***

Ms Kent Kershaw has over 25 years' experience in financial markets, leading and developing fund management and alternative debt businesses. She headed Prudential M&G's debt private placement activities, and launched its Structured Credit business in 1998, which she led for ten years. In 2008, she joined Intermediate Capital Group to head its European and Australian credit business including institutional funds, CLOs, direct lending and hedge funds. Since 2017, she has held non-executive positions and is currently a director of Brooks Macdonald plc and Aberdeen Smaller Companies Income Trust Plc, and a Senior Advisor to Strategic Value Partners. Ms Kent Kershaw holds a BA in Economics and Economic History from York University.

### 02. Stephen Le Page
***Independent Director - appointed 16 October 2014***

Mr Le Page has served as a non-executive director on a number of boards since his retirement from his role as Senior Partner (equivalent to Executive Chair) of PwC in the Channel Islands in 2013. Throughout his thirty year career with that firm he worked with many different types of financial organisation as both auditor and advisor, particularly with both listed and unlisted investment companies. He is currently the Audit Committee Chair of five London listed funds. Mr Le Page is a Fellow of the Institute of Chartered Accountants in England and Wales and a Chartered Tax Advisor. He is a past president of the Guernsey Society of Chartered and Certified Accountants and a past Chair of the Guernsey International Business Association.

### 03. Yedau Ogoundele
***Independent Director - appointed 1 July 2022***

Ms Ogoundele has over 25 years' experience in financial markets, developing fixed income activities and leading financial services businesses. She was Europe, the Middle East and Africa's Head of Market Specialists at Bloomberg, then headed an enterprise sales department. Previously, she worked for over 17 years in investment banking at Credit Agricole CIB and Natixis in various roles including head of credit structuring where she specialised in CLO structuring and secondary loan trading. Since 2021, she has worked as a senior advisor for financial institutions and advises investors, asset managers, and corporates on fundraising and risk management solutions. She is currently an independent director of a pan-African financial institution. Ms Ogoundele holds a Master's degree in Management & Finance from EM Lyon Business School.

### 04. Graham Harrison
***Independent Director - appointed 19 October 2015***

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

# COMPANY INFORMATION

**Volta Finance Limited**
Company registration number: 45747
(Guernsey, Channel Islands)

**Registered office**
BNP Paribas House
St Julian's Avenue St Peter Port Guernsey
GY1 1WA
Channel Islands

Website: www.voltafinance.com

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

**Administrator and Company Secretary**
***BNP Paribas S.A., Guernsey Branch***[1]
BNP Paribas House
St Julian's Avenue St Peter Port Guernsey
GY1 1WA
Channel Islands

**Corporate Broker and Corporate Finance Advisor**
***Cenkos Securities plc***
6.7.8 Tokenhouse Yard London EC2R 7AS
United Kingdom

**Depositary**
***BNP Paribas S.A., Guernsey Branch***[1]
BNP Paribas House
St Julian's Avenue St Peter Port Guernsey
GY1 1WA
Channel Islands

**Independent Auditor**
***KPMG Channel Islands Limited***
Glategny Court Glategny Esplanade St Peter Port
Guernsey GY1 1WR
Channel Islands

**Legal advisors as to English Law**
***Herbert Smith Freehills LLP***
Exchange House
Primrose Street London EC2A 2EG
United Kingdom

**Listing agent (Euronext Amsterdam)**
***ING Bank N.V.***
Bijlmerplein 888
1102 MG Amsterdam The Netherlands

**Legal advisors as to Dutch Law**
***De Brauw Blackstone Westbroek N.V.***
Claude Debussylaan 80
PO Box 75084
1070 AB Amsterdam The Netherlands

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

**Legal advisors as to Guernsey Law**
***Mourant Ozannes***
Royal Chambers
St Julian's Avenue
St Peter Port Guernsey GY1 4HP
Channel Islands

[1] BNP Paribas S.A. Guernsey Branch is regulated by the Guernsey Financial Services Commission.

**Listing Information**
The Company's Ordinary Shares are listed on Euronext Amsterdam and the premium segment of the London Stock Exchange's Main Market for listed securities. The ISIN number of the Company's listed shares is GG00B1GHHH78 and the tickers for the relevant markets are listed below:

- Euronext Amsterdam Stock Exchange, Euro quote: VTA.NA
- London Stock Exchange, Euro quote: VTA.LN
- London Stock Exchange, Sterling quote: VTAS.LN

# ALTERNATIVE PERFORMANCE MEASURES DISCLOSURES
## FOR THE PERIOD ENDED 31 JANUARY 2023

**Alternative performance measures disclosure**
In accordance with ESMA Guidelines on APMs the Board has considered what APMs are included in the Half-yearly Financial Report and financial statements which require further clarification. An APM is defined as a financial measure of historical or future financial performance, financial position, or cash flows, other than a financial measure defined or specified in the applicable financial reporting framework. APMs included in the financial statements, which are unaudited and outside the scope of IFRS, are deemed to be as follow:

**NAV total return**
NAV total return per share is calculated as the movement in the NAV per share plus the total dividends paid per share during the period, with such dividends paid being re-invested at NAV, as a percentage of the NAV per share as at period end.

The six months period NAV total return is calculated over the period 1 August 2022 to 31 January 2023.

NAV total return summarises the Company's true growth over time while taking into account both capital appreciation and dividend yield.

NAV total return per share has been calculated as follows:

| | **1 August 2022 to 31 January 2023 €** | **1 August 2021 to 31 January 2022 €** |
|---|---|---|
| Opening NAV per share as disclosed in the SOFP | 6.2232 | 7.2807 |
| Closing NAV per share as disclosed in the SOFP | 6.1573 | 7.3918 |
| | (0.0659) | 0.1111 |
| **Capital return per share (%)** | **(1.1)%** | **1.5%** |
| Dividends paid during the year as disclosed above | 0.2500 | 0.2900 |
| **Impact of dividend re-investment (%)** | **4.3%** | **4.1%** |
| NAV total return per share | 0.1841 | 0.4011 |
| **NAV total return per share (%)** | **3.2%** | **5.6%** |

**Share Price total return**
Share price total return is calculated as the movement in the share price plus the total dividends paid per share during the period end, with such dividends paid being re-invested at the share price, as a percentage of the share price as at period end.

Share Price total return per share has been calculated as follows:

| | **1 August 2022 to 31 January 2023 €** | **1 August 2021 to 31 January 2022 €** |
|---|---|---|
| Opening share price per Euronext | 5.24 | 6.02 |
| Closing share price per Euronext | 5.22 | 6.20 |
| | (0.02) | 0.18 |
| **Share price movement (%)** | **(0.4)%** | **3.0%** |
| Dividends paid during the year as disclosed above | 0.25 | 0.29 |
| **Impact of dividend re-investment (%)** | **5.3%** | **4.8%** |
| Share Price total return | 0.23 | 0.47 |
| **Share Price total return (%)** | **4.9%** | **7.8%** |

**Annualised ongoing charges**
The annualised ongoing charges ratio for the period ended 31 January 2023 was 2.1% (year ended 31 July 2022: 2.0%). The AIC's methodology for calculating an ongoing charges figure is based on annualised ongoing charges of €4,604,646 (31 July 2022: €5,042,648) divided by average NAV in the period of €218,577,955 (31 July 2022: €255,788,186).

*Calculating ongoing charges*
The ongoing charges are based on actual costs incurred in the year excluding any non-recurring fees in accordance with the AIC methodology. Expense items have been excluded in the calculation of the ongoing charges figure when they are not deemed to meet the following AIC definition:

"Ongoing charges are those expenses of a type which are likely to recur in the foreseeable future, whether charged to capital or revenue, and which relate to the operation of the investment company as a collective fund, excluding the costs of acquisition/disposal of investments, financing charges and gains/losses arising on investments. Ongoing charges are based on costs incurred in the year as being the best estimate of future costs."

Please refer below for annualised ongoing charges reconciliation for the six month period ended 31 January 2023 and year ended 31 July 2022:

| | **31 January 2023 €** | **31 July 2022 €** |
|---|---|---|
| Expenses included in the calculation of annualised ongoing charges figures, in accordance with AIC's methodology: | | |
| Management fees | (3,386,643) | (3,914,867) |
| Legal and professional fees | (599,962) | (228,264) |
| Administration fees | (259,691) | (638,203) |
| Sundry expenses | (358,350) | (261,314) |
| **Total annualised ongoing charges for the year** | **(4,604,646)** | **(5,042,648)** |

*Calculating an average NAV*
The AIC's methodology for calculating average NAV for the purposes of the ongoing charges figure is to use the average of NAV at each NAV calculation date. On this basis the average NAV figure has been calculated using the monthly published NAVs over the six month period ended 31 January 2023 and year ended 31 July 2022.

**Internal Rate of Return**
The Internal Rate of Return is calculated as the gross projected future return on the Company's investment portfolio as at 31 January 2023 under standard AXA IM assumptions. As at 31 January 2023 the IRR is 26.0% (31 July 2022: 24.5%).

The IRR is calculated using projected cash flows and a DCF model from the investment portfolio, which are consistent with the Company's accounting policies.

**Dividend yield**
Dividend yield is calculated by annualising the last dividend paid during the six month period ended 31 January 2023 and 31 July 2022, divided by the share price as at 31 January 2023 and 31 July 2022 respectively.

Dividend yield is calculated to measure the Company's distribution of dividends to the Company's Ordinary Shareholders relative to share price to allow comparability to other companies in the market.

Dividend yield is calculated as follows:

| | **31 January 2023** |
|---|---|
| Last Dividends declared and paid for the period ended 31 January 2023 | €0.12 |
| **Annualised Dividend for the 12 month period ended 31 January 2023** | €0.48 |
| Share price as at 31 January 2023 | €5.22 |
| **Dividend Yield** | **9.2%** |

| | **31 July 2022** |
|---|---|
| Last Dividends declared and paid for the year ended 31 July 2022 | €0.13 |
| **Annualised Dividend for the year ended 31 July 2022** | €0.52 |
| Share price as at 31 July 2022 | €5.24 |
| **Dividend Yield** | **9.9%** |

**NAV to market price discount / premium**

The NAV per share is the value of all the Company's assets, less any liabilities it has, divided by the total number of Ordinary Shares. However, because the Company's Ordinary Shares are traded on the Euronext Amsterdam and London Stock Exchange, the share price may be lower or higher than the NAV. The difference is known as a discount or premium. The Company's discount / premium to NAV is calculated by expressing the difference between the share price (closing price)[1] and the NAV per share on the same day compared to the NAV per share on the same day.

The discount or premium per Ordinary Share is a key indicator of the discrepancy between the market value and the intrinsic value of the Company.

At 31 January 2023, the Company's Ordinary Shares traded at €5.22 on the Euronext Amsterdam (31 July 2022: €5.24). The Ordinary Shares traded at a discount of 15.2% (31 July 2022: discount of 15.8%) to the NAV per Ordinary Share of €6.1573 (31 July 2022: €6.2232).

1 - Source: Bloomberg

# GLOSSARY

Definitions and explanations of methodologies used:

| Terms | Definitions |
|---|---|
| ABS | Asset-backed securities. |
| ABS Residual positions | Residual income positions, which are a sub-classification of ABS, being backed by any of the following: residential mortgage loans; commercial mortgage loans; automobile loans; student loans; credit card receivables; or leases. |
| AIC | the Association of Investment Companies, of which the Company is a member. |
| AIC Code | the AIC Code of Corporate Governance effective from 1 January 2019. |
| AFM | the Netherlands Authority for the Financial Markets (the “Autoriteit Financiële Markten” or “AFM”), being the financial markets supervisor in the Netherlands. |
| AIFM | Alternative Investment Fund Manager, appointed in accordance with the AIFMD. |
| AIFMD | the Alternative Investment Fund Managers Directive. |
| APM | Alternative performance measure. We assess our performance using a variety of measures that are not specifically defined under IFRS as adopted by the EU and are therefore termed alternative performance measures. The APMs that we use may not be directly comparable with those used by other companies. The APMs disclosed in the Half-yearly Financial Report and Annual Report and Audited Financial Statements reflect those measures used by management to measure performance. These APMs provide readers with important additional information and will enable comparability of performance in future periods. |
| Articles | the Articles of Incorporation of the Company. |
| AXA IM, Investment Manager or Manager | AXA Investment Managers Paris S.A. |
| BBS | 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. |
| BNP Paribas | BNP Paribas S.A. Guernsey Branch. |
| Board | the Board of Directors of the Company. |
| CCC or Cash Corporate Credit | Deals structured credit positions predominantly exposed to corporate credit risks by direct investments in cash instruments (loans and/or bonds). |
| CCC Equity | Cash Corporate Credit Equity. |
| Cenkos, Corporate Broker or Broker | Cenkos Securities plc. |
| CLOs or CLO | Collateralised Loan Obligations. |
| Company or Volta | Volta Finance Limited, a limited liability company registered in Guernsey under the Companies (Guernsey) Law 2008 (as amended) with registered number 45747. |
| CMV or Capitalised Manager Vehicle | a CMV is a long-term closed-ended structure which is established to act as a CLO manager and to also provide capital in order to meet risk retention obligations when issuing a CLO and also to provide warehousing capabilities. |
| CPR | Constant prepayment rate. |
| DAC | Designated Activity Company. |
| Discount - APM | Calculated as the NAV per share as at 31 January 2023 less the Company’s closing share price on Euronext Amsterdam as at that date, divided by the NAV per share as at that date. |
| Dividend Yield - APM | Last quarter dividend paid during the six month period ended 31 January 2023 annualised, divided by the share price as at 31 January 2023. |
| DM | Discount Margin. |
| ESMA | European Securities and Markets Authority |
| ESG | Environmental, social and governance. |
| Euronext Amsterdam | Euronext in Amsterdam, a regulated market of Euronext Amsterdam N.V. |
| EU | European Union. |
| EU PRIIPs rules | The European Union rules in relation to packaged retail and insurance- based investment products. |
| Financial period | The period from 1 August 2022 to 31 January 2023. |
| Financial year or FY | The period from 1 August 2021 to 31 July 2022. |
| GFC | Global Financial Crisis 2008. |

# GLOSSARY (CONTINUED)

| | |
|---|---|
| Half-yearly periods | The period from 1 August 2022 to 31 January 2023 and/or the period from 1 February 2022 to 31 July 2022. |
| HPI | House price index. |
| IFRS | International Financial Reporting Standards |
| IMA | Investment Management Agreement. |
| IRR | Internal rate of return. |
| JP Morgan PricingDirect | An independent valuation service which is a wholly-owned subsidiary of JPMorgan Chase & Co. |
| NASDAQ | National Association of Securities Dealers Automated Quotations |
| NAV | Net asset value. |
| NAV Total Return - APM | NAV total return per share as at period end 31 January 2023 is calculated as the movement in the NAV per share plus the total dividends paid per share during the financial period / financial year, with such dividends paid being re-invested at NAV, as a percentage of the opening NAV per share. |
| NPL | Non-performing loan. |
| Ordinary Shares | Ordinary Shares of no par value in the share capital of the Company. |
| Projected portfolio IRR | Calculated as the gross projected future return on Volta's investment portfolio as at 31 January 2023 under standard market assumptions. |
| REO | Real Estate Owned. |
| Repo | Repurchase agreement entered into with Société Générale. |
| Reset | Consist in calling all the debt tranches of a CLO, re-marketing a full new debt package, with new CLO documentation, almost as if it is a new CLO. |
| SCC BBS | Synthetic Corporate Credit Bank Balance Sheet. |
| Share or Shares | All classes of the shares of the Company in issue. |
| Shareholder | Any Ordinary Shareholder. |
| Share Price Total Return - APM | The percentage increase or decrease in the share price on Euronext Amsterdam plus the total dividends paid per share during the reference period, with such dividends re-invested in the shares. Obtained from Bloomberg using the TRA function. |
| SOFP | Statement of Financial Position. |
| SCC or Synthetic Corporate Credit | Structured credit positions predominantly exposed to corporate credit risks by synthetic contracts. |
| Underlying Assets | The underlying assets principally targeted for direct and indirect investment (collectively, the "Underlying Assets") consist of corporate credits (investment grade, sub-investment grade and unrated); sovereign and quasi-sovereign debt; residential mortgage loans; commercial mortgage loans; automobile loans; student loans; credit card receivables; and leases. |
| US | United States. |
| Warehouse | a Warehouse is a short-term structure put in place before a CLO happens in order to accumulate assets in order to facilitate the issue of the CLO. A Warehouse is leveraged and can be marked to market. |
| WAL | Weighted average life. |
| YTD | Year to date |