# VOLTA FINANCE LIMITED

## ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 31 JULY 2023

# CONTENTS

# VOLTA AT A GLANCE

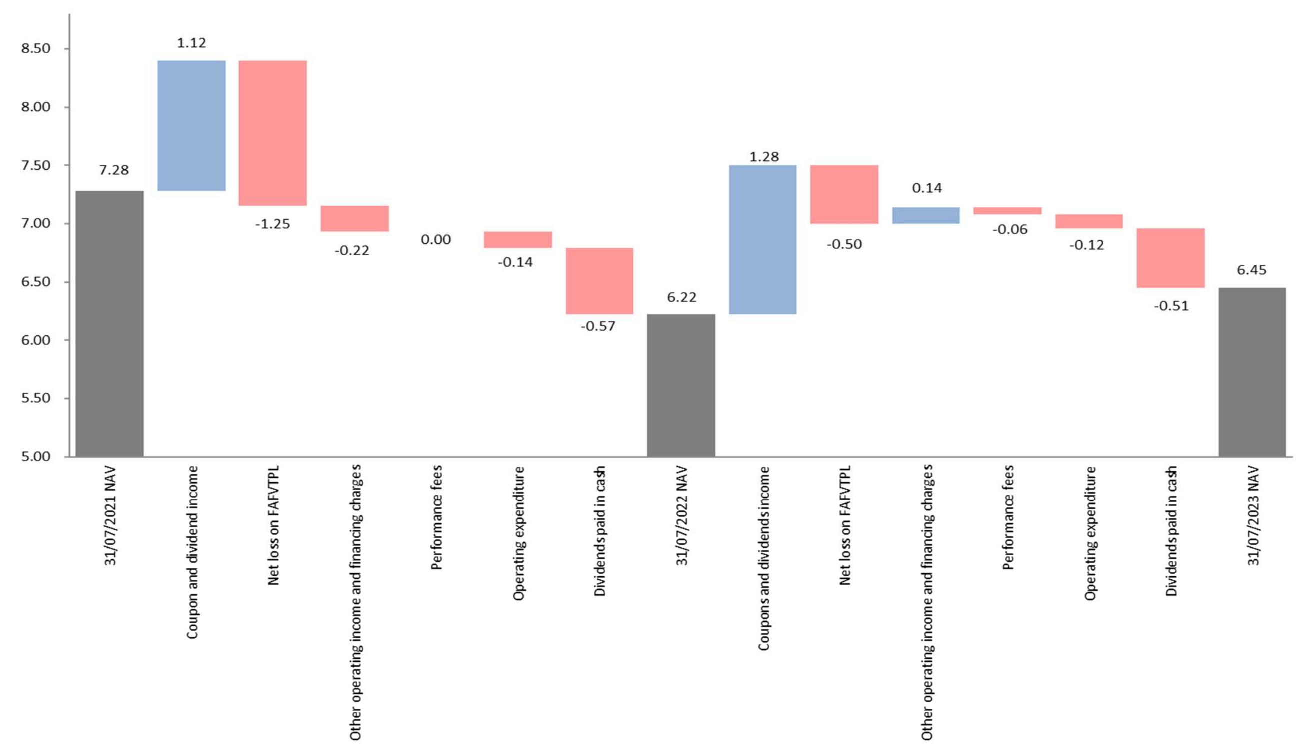
The investment objectives of Volta are to seek to preserve its capital across the credit cycle and to provide a stable stream of income to its Shareholders through dividends that it expects to distribute on a quarterly basis. Volta currently seeks to achieve its investment objectives by pursuing exposure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

- NAV per share as at 31 July 2023: €6.4510 (31 July 2022: €6.2232)
- Dividend per share for the twelve months to 31 July 2023: €0.51 (31 July 2022: €0.57)
- Share price as at 31 July 2023: €5.08 (31 July 2022: €5.24)

**Key Performance Indicators**

| | | |
|---|---|---|
| 12.7% (31 July 2022: (7.3)%) | 7.4% (31 July 2022: (4.3)%) | 2.02% (31 July 2022: 1.97%) |
| NAV total return[1] (with dividends re-invested at NAV) for the twelve months to 31 July 2023 and 31 July 2022. | Share price total return[1,3] (with dividends re-invested at share price) for the twelve months to 31 July 2023 and 31 July 2022. | Principal ongoing charges [2] ratio for the twelve months to 31 July 2023 and 31 July 2022. |
| 21.8% (31 July 2022: 24.5%) | 10.2% (31 July 2022: 9.9%) | (21.3)% (31 July 2022: (15.8)%) |
| Projected portfolio IRR[1] (under standard AXA IM scenarios) | Dividend yield[1] for the year ended 31 July 2023 and 31 July 2022 based on the share price as at 31 July 2023 and 31 July 2022 | Discount[1] between share price and NAV per share as at 31 July 2023 and 31 July 2022 |

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




[1] Refer to the glossary on pages 85 and 86 for an explanation of the terms used above and elsewhere within this report. The calculation methodology of each APM has been disclosed on pages 78 to 79.
[2] The Company's ongoing charges are calculated according to the methodology outlined on page 78 and differ to the costs disclosed within the Company's KIDs which follow the methodology prescribed by PRIIPs rules. The Company's most current KID is available on the Company's website. The ongoing charges ratio (including performance fees) for the year ended 31 July 2023 was 3.04% (31 July 2022: 1.97%).
[3] Source: Bloomberg

# CHAIR'S STATEMENT

Dear Shareholders

In writing about Volta's past year and the one ahead, I was reminded of Warren Buffett's words - "In the business world, the rear-view mirror is always clearer than the windshield". And whilst we have the benefit of a sparklingly clear view on the past year, it feels as if the markets are having plenty of fun in throwing mud at our forward-facing windscreen.

We are undoubtedly living in uncertain times, as COVID-19 era public spending has been reined in and governments start to ponder how the borrowing will be repaid; heightened geopolitical tensions around Russia, Ukraine, China and Taiwan amongst others; inflationary pressures which are proving to be unexpectedly sticky; and economic slowdown threatening recession in many regions of the world.

Higher interest rates and inflation have led to a paradoxical environment, where good economic news remains bad news for markets as it suggests stronger growth which is likely to keep inflation high and requires interest rates to be higher for longer to tackle a robust economy.

Through these uncertain times, Volta's portfolio has remained resilient. The NAV per share has grown to €6.45 at 31 July 2023, an increase of 3.7% on the €6.22 recorded at 31 July 2022, and the dividend has been maintained at 8.0% of NAV, equating to a yield of 10.2% based on the share price of €5.08 at 31 July 2023. The share price has fared less well and has fallen by 3.1% to €5.08 at 31 July 2023 from €5.24 a year previously. Whilst this is disappointing, it is against a backdrop of significant widening in investment trust discounts and widespread falls in share prices – the sector average discount now stands at 16.5% compared to 5.3% a year ago. Whilst Volta is not an investment trust, it trades in line with the sector and has been impacted as such that our discount was 21.3% at the year end.

I believe that such a high discount is also paradoxical. The CLO market is pricing effectively as shown by the NAV (and I would remind you that Volta's CLO assets are valued using specialist, external market pricing providers, not internal models), but the investment trust market is suffering a torrid period. Volta's share price does not appear to take into account the strong cashflows and regular income that the portfolio is generating - annual cashflows are running at 21.2% currently and higher interest rates have flowed through to cashflows, as CLOs are predominantly a floating rate asset class. Whilst I and the Board struggle to understand the high discount, we continue to monitor it closely, along with Volta's other indicators of financial health, and we believe that the Company offers excellent value at these pricing levels.

Turning to the CLO market, the underlying assets in Volta's portfolio continue to perform well. Defaults in European and US leveraged loans remain at historically low levels of 1.5% and 1.75% respectively and the forecasted uptick in default rates is proving slow to materialise. Whilst defaults have increased slightly from their artificially low, COVID-19 -liquidity era days, CLO portfolios are as yet showing few signs of stress and are largely in compliance.

CLO issuance has been muted in recent months as the cost of debt issuance has risen, but market expectations are for $80 - $100bn of issuance across the US and €18 - 20bn of issuance across- the Europe in 2023. There are few liquidity or maturity issues worrying CLO managers so many are choosing to wait until the arbitrage is more in their favour. At the risk of repeating myself, I would like to reiterate comments that I made last year, which continue to hold true: CLOs are a sophisticated asset class with a number of moving parts, but history of over 20 years of CLO investing shows that in challenging markets, the structures function in the manner that they are planned to do. Sentiment may affect market pricing of the underlying assets and Volta's share price, but the payment priorities and structural protections embedded in these funds hold firm and good fundamental credit investments will continue to perform.

We have welcomed a new member of the Board, Joanne Peacegood, who joined as a non-executive director on 1 July 2023. Ms Peacegood is a chartered accountant who brings a wealth of experience in asset management, listed companies, investment trusts and particularly in alternative assets and complex valuations. We believe her skills will be extremely valuable and complementary to the current Board. This means that we have a Board of five directors on a temporary basis for succession planning purposes, prior to the expected departure of Graham Harrison who is nearing the end of his nine-year tenure.

After 16 years with AXA IM, Senior Portfolio Manager and Head of CLO Investments Serge Demay has decided to leave the firm and retire at the end of October 2023. The Board would like to say goodbye with huge thanks to Serge, we wish him a very happy and full retirement with many adventures to come. His previous responsibilities have been taken over by François Touati and The Duy Nguyen, co-heads of Secured Finance within the Alternative Credit Business line of AXA IM Alts, with François taking over the role of Serge of Senior Portfolio Manager for Volta Finance Limited. François and The Duy are experienced investment professionals with respectively more than 20 and 16 years of experience in managing ABS & CLOs with François working on Volta since 2011. Serge has been part of the team until the end of October and where he continued to support both François and The Duy into this transition. Both François and The Duy are directly reporting to Christophe Fritsch, Global Head of Alternative Credit, who reports to Déborah Shire, Deputy Head of AXA IM Alts. AXA IM Alts is one of the longest-established, most experienced and high-quality teams in the CLO market globally, and we are confident that Francois, The Duy and their team will continue to identify some of the best opportunities for Volta to create value in the years ahead.

# CHAIRMAN'S STATEMENT (CONTINUED)

In closing, I remain excited about the strong cashflows that Volta generates and the high cash dividends that it pays, the inherent structure and strength of the CLO asset class, and the diversification and asset picking skill that our manager brings. In an economic environment where most mainstream asset classes are under pressure, our belief in Volta as an access vehicle to this alternative asset class remains robust. I thank you for your continued support and please do not hesitate to contact me through the Company Secretary.

Dagmar Kershaw
*Chair*
9 November 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.

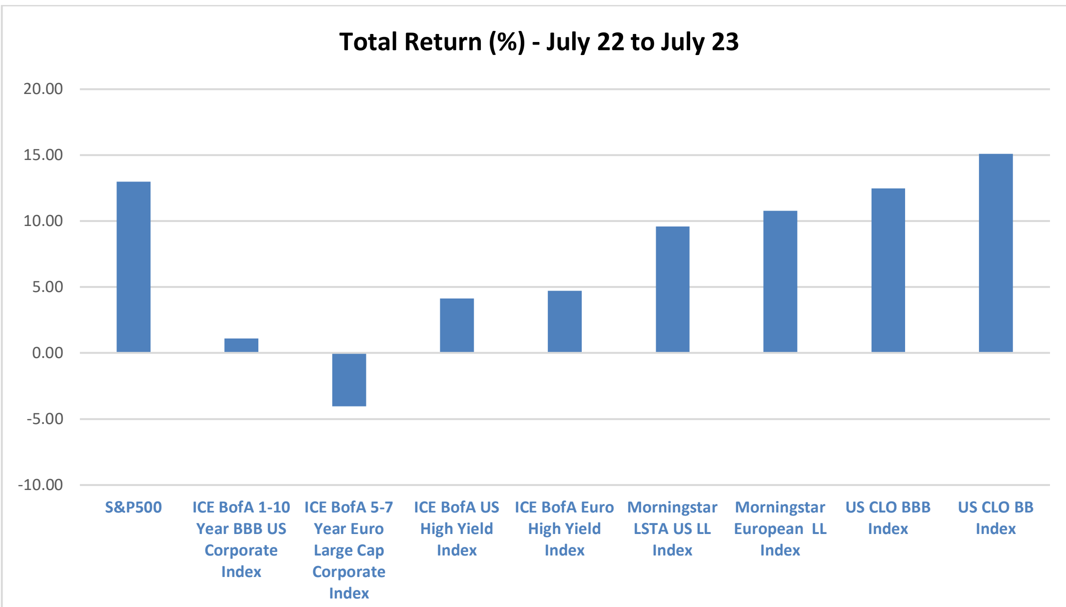
**KEY MESSAGES FROM THE INVESTMENT MANAGER**

**1. Macro review**

Over the financial year, the macro picture has been more constructive than most market participants views:

- US GDP proved to be resilient, led by strong consumer spending and active US labour market at the same time as the Biden administration pushed forward the re-onshoring / nearshoring of activities;
- European markets have been pricing the Ukrainian conflict as a regional issue (i.e. a low contagion probability to other European countries seems to be priced in for now);
- China reopening post Covid lockdowns has not resulted in additional global growth. To the contrary, lower demand from China propped up recession in Germany;
- The fight against inflation from central banks has been ongoing but has not yet ended with the US Federal Reserve increasing rates from 2.25-2.5% to 5.25-5.5% while the European Central Bank moved rates from negative to 3.5-3.75%; and
- Quantitative tightening also begun with the Fed reducing its balance sheet by circa 45% down to $7.5Trn[1] as well as tighter lending standards.

Over the period, despite the banking turmoil in Q1 2023, appetite for risk assets increased with S&P500 returning close to 13% while bond markets kept on being volatile. The US HY market benefited from circa 100bps of spread tightening in addition to attractive carry while loans benefited from the greatest post GFC price appreciation, partly driven by their floating rate nature and the increase in base rates.




Source: AXA IM Alts / Bloomberg – July 2023

**2. Loan asset class review**

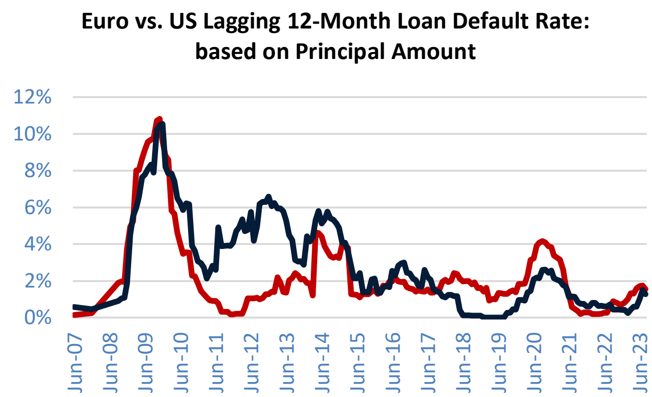
Regarding the loan asset class, the last 12 months were a bifurcated year as fears around loan and warehouse overhangs on bank balance sheet materialized through Q3 2022 but then receded as GDP kept on being resilient despite the elevated inflation figures and the higher cost of borrowing: in a nutshell, US loan prices started the year at 93.47%, moved down to 91.7% at the end of September before rallying to 94.14% at the end of our financial year. The same holds true for Europe which moved from 91.95% down to 88.13% on October 13th and ended the year at 95.27%. Forward yield on leverage loans went from 8% up to c.9-10% fuelled by higher rates with 1st lien loan discount margin kept around 500bps. Primary loan issuance activity kept on being thin with little M&A and refinancings to energize market activity.

Looking at fundamentals, companies fared better than expected: top line and EBITDA growth were kept in positive territory, helping the default rates stay below historical averages: at the time of writing, rolling last 12 months default rate in the US stands at 1.55% while it is at 1.27% in Europe. It is true that EBITDA growth is now coming close to nil while interest expenses are going up paving the way for further loan downgrades as well as future defaults, in line with mixed results from companies through Q2 23 earnings season.

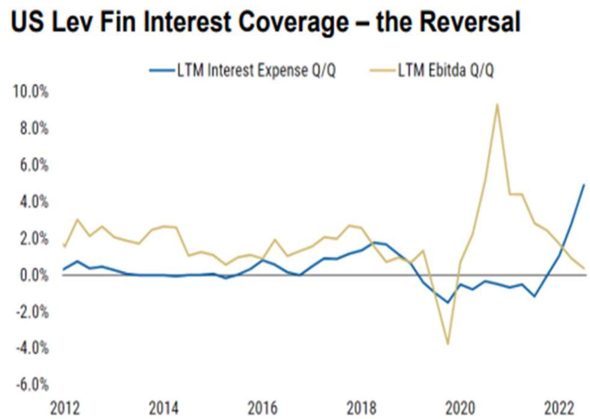
[1] source: Bloomberg / US Treasuries+ MBS & Agency securities

# INVESTMENT MANAGER’S REPORT (CONTINUED)

Nonetheless, the ‘higher rates for longer’ is, in our view, now mostly priced in as any firm with reduced interest coverage ratio or with any short term need for Capital Expenditure (CAPEX) is now on the radar screen of our CLO managers. According to our understanding, many companies have also been partially hedging their floating rate debt liabilities, providing some headroom through the past period.

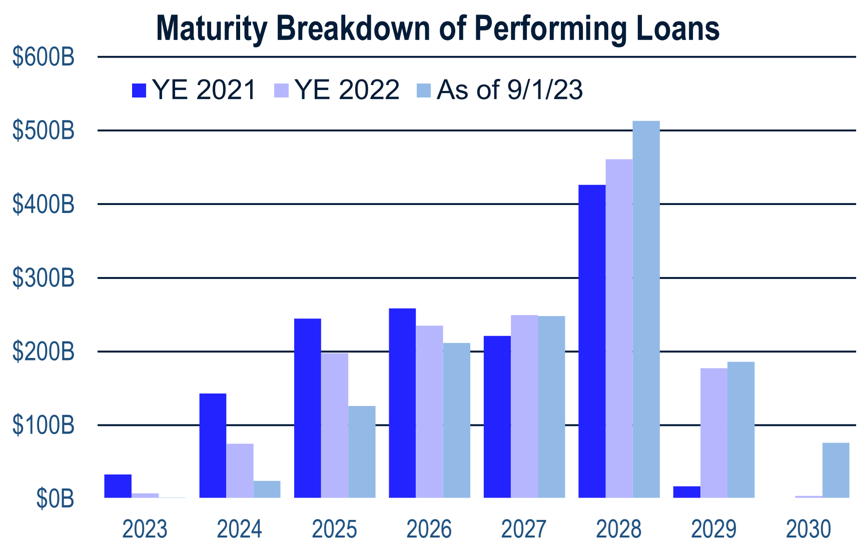



Source: AXA IM, Pitchbook LCD – September 2023




Source: Bloomberg, Morgan Stanley Research

Clearly, another key topic regarding default rates is the maturity wall: given that the leverage loan universe is fully covenant-lite, outside of bank Revolving Credit Facility lines, monetary defaults mostly occur at a time where companies start having liquidity issues and are running out of cash. A large part of the double-digit default rate during the GFC was due to companies hitting into their maturity wall. As a result we see positively, as anticipated, that this maturity is currently being pushed away either through loan-for-bonds takeout or through amend-and-extend activity: only $24Bn of loans are still due to mature in 2024 (€4Bn in Europe) compared to $143Bn in YE 2021. As a reminder, amend-and-extend processes are market activities through which the existing lender base agrees for extension of the maturity of a corporate loan in exchange of additional spread concession and without any change to the existing documentation. These types of ‘cashless’ rolls are beneficial to CLO equities as 1/ it reduces near term default risk - everything else being equal, 2/ keep the CLO invested and 3/ increase marginally the weighted average spread of a CLO portfolio.




Source: AXA IM, Pitchbook LCD – September 2023

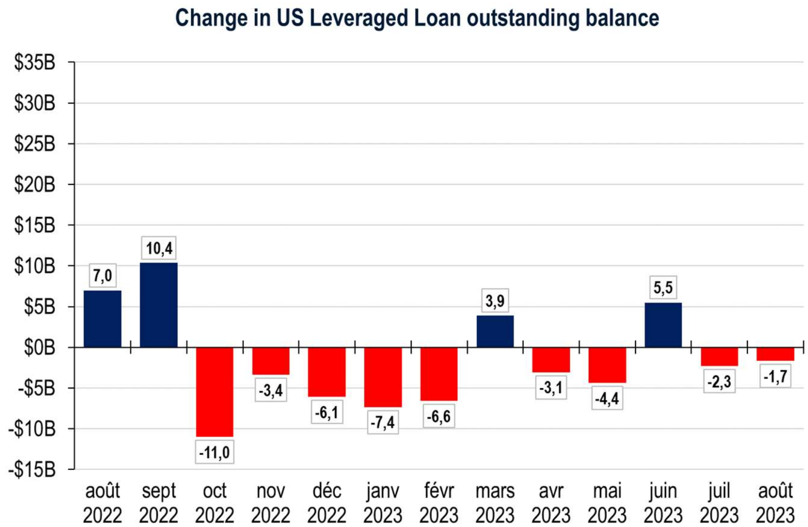
In addition to the help of the bond market in refinancing some high quality issuers of the leveraged loan market, the increased size available in Private Credit to finance individual borrowers also proved to be beneficial to the loan market. On top of underwriting overhang deals sitting on banks’ balance sheets in 2022, Private Credit lenders have been shopping in a sub-segment of broadly syndicated loans, namely ‘B-‘ and ‘CCC’ rated issuers. Some of the latest examples are Hyland Software ($3.4Bn deal), a Thomas Bravo deal refinanced by Golub, Ares, Blue Owl & Oak Hill (source: Bloomberg) or Finastra ($5.3Bn deal) where Vista is getting a unitranche refinancing done through multiple different direct lenders. In the medium term, the current dynamic questions the approach private equity and companies will retain in order to address the cost/benefits of both markets.

All-in, based on the above, we still expect loan default rates to reach 2.5-3% at the end of this year and to increase slightly over 2024 as a result of the combined impact of minimal GDP growth, higher cost of capital and some maturities coming due.

# INVESTMENT MANAGER'S REPORT (CONTINUED)

Alongside increased default rates, recovery rates were put under pressure compared to historical norms: according to BofA, "the average recovery rate for 2023 bankruptcy related defaults has declined meaningfully to ~25% on average"[1] while long-term historical 1st lien recovery rate has been in the 60-70% context[2]. The loan market being covenant-lite, the last few years saw sponsors being creative trying to find out ways either to push the can down the road before triggering any default (to the point where liquidity of the company is in questions), to carve-out some value from the collateral package or distress funds to look to prime existing lenders when the company needed additional financing. While lenders are adapting to such loopholes in loan documentations, CLO managers have been trying to adapt through additional documentation protections alongside ability inside new CLO to participate in restructurings as a way to protect value for CLO Equity investors. Still, we find that some of the recently very low recovery rates are linked to 'zombie' companies as "60% of Bankruptcy filings this year have occurred in borrowers who are either filing for bankruptcy the 2nd (or even 3rd time) or have gone through an out of court restructuring earlier" [3]. We still believe that generally CLO managers will be in a position to mitigate the par burn through thorough documentation review, active engagement into workouts and with Private Equity sponsors as well as active trading. As a result, we still believe that a long term average of 50-60% recovery rate should be the norm when running prospective scenarios.

Turning to loan prepayments, the disconnect between buyer and seller valuations when looking to buy or sell a company kept M&A activity as well as LBO refinancings at pretty low levels (close to levels only seen through the GFC). This droves the loan market into net negative issuance and is now providing support for loan prices.




Source: PitchBook | LCD, Morningstar LSTA US Leveraged Loan Index

**3. CLO Market review**

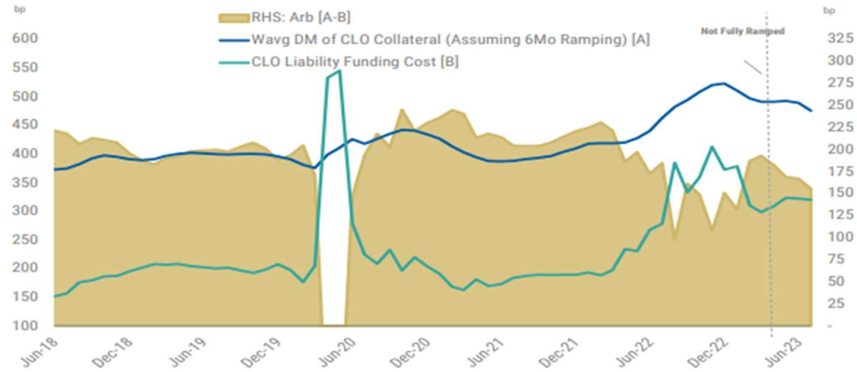
Through the financial year, the CLO primary issuance felt by c.40% in the US and 30% in Europe due to CLO AAA tranches widening from c.165bps in the US market to c. 235bps at the end of Q4 2022. The latter widening was led by multiple factors including:

- Lack of appetite from US banks given retail investors turning from bank deposit into Money Market Funds as well as large unrealized losses stemming from fixed rated assets held on their books (both aspects resulted in the regional bank meltdown and into the SVB collapse)
- Denominator effect sharply reshaping investor target allocation as illiquid assets increased mechanically on the balance sheet compared to liquid bond portfolios following their decline in value
- Capped appetite from Japanese investors given increased costs to hedge dollar investments back to Yen

This put pressure on CLO arbitrage (difference between CLO assets yield and CLO liabilities yield) and while ability to buy loans at discount still enables to provide a double digit internal rate of return, attractive arbitrage became more difficult to secure as secondary market prices were volatile and leveraged loan primary market pretty limited.

[1] Source: BofA, CLO Weekly: CLO Returns: such a cute BB; Loan/CLOs Performance update – Global, 8 September 2023
[2] Source: S&P Global LossStats, Pitchbook LCD – data from 1987 to 31 December 2022
[3] Source: BofA, CLO Weekly: CLO Returns: such a cute BB; Loan/CLOs Performance update – Global, September 8th, 2023

**New Issue European Arb: CLO Liability Funding Cost vs. Weighted-Average DM of CLO Collateral**




Source: Morgan Stanley Research, S&P LCD. Note: We assume a ramping period of six months. In the first three months, we assume a weighted average DM of collateral consisting of 80% new issue loans and 20% loans from the secondary market. Then, we assume an even 50/50 mix of new issue and secondary loans. We then take the average of the above calculated DMs from each half to calculate the collateral DM.

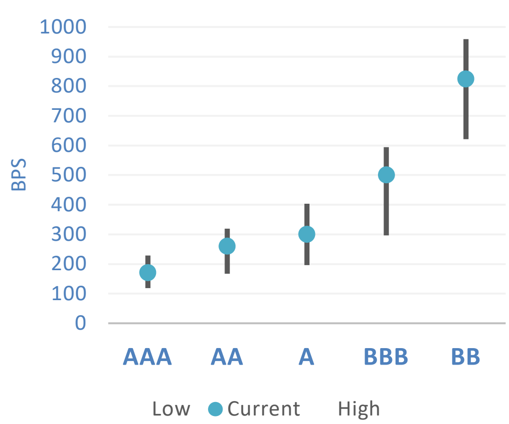
The lack of leverage loan issuance as well as CLO printing being in slow motion led not only negative net issuance in the loan market but also to an increased number of CLO coming out of their reinvestment period: we currently estimate that c.40% of existing CLO being outside of their reinvestment period by year end. The resulting amortization of AAA tranches should provide money back to investors with ability to renew CLO activity at tighter spreads later down the road.

Regarding CLO Equity payments, the 1st half of the year was impacted by 1-month/3-month basis on Libor in the US, reducing payments to 12-14% payments annualized depending on vintage while the 2nd half improved to c.16-20%. Surely, the move from Libor to SOFR that will show in Q3 cashflows is likely to have some negative impact but the impact of higher rates should be a mitigant factor alongside side many loans now including a Credit Adjustment Spread.

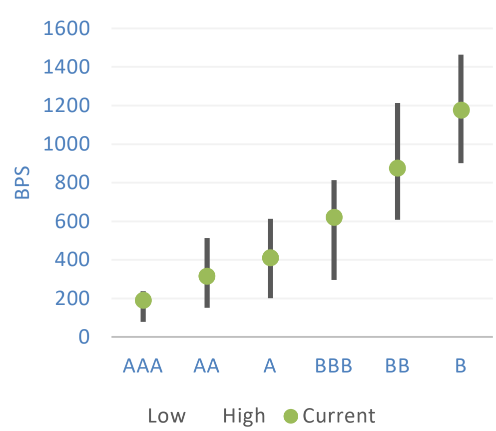
From a CLO debt perspective, CLO debt prices followed the same pattern as leverage loans, helped by increasing rates, though as it is often the case with a little bite lag: CLO BBB and BB tranches moved respectively from 7.5% and 12% forward yield to 8.7% and 13.5% as of July 2023 according to JP Morgan Pricing Direct.

Through the last few months, CLO AAA tranches started rallying as arranging banks were able to syndicate transactions to multiple buyers while some could also anchor a good chunk of the AAA tranches. Lower down the capital structure, mezzanine tranches kept on tightening as well with European CLO mezzanine debt tranches outperforming (given a lower starting point resulting from the Ukrainian war). We believe that the current technical of the loan and CLO markets should imply further spread compression over the medium term.

**US New Issue Generic DM ranges in the past 24 months and Month-End Levels**




**European New Issue Generic DM ranges in the past 24 months and Month-End Levels**



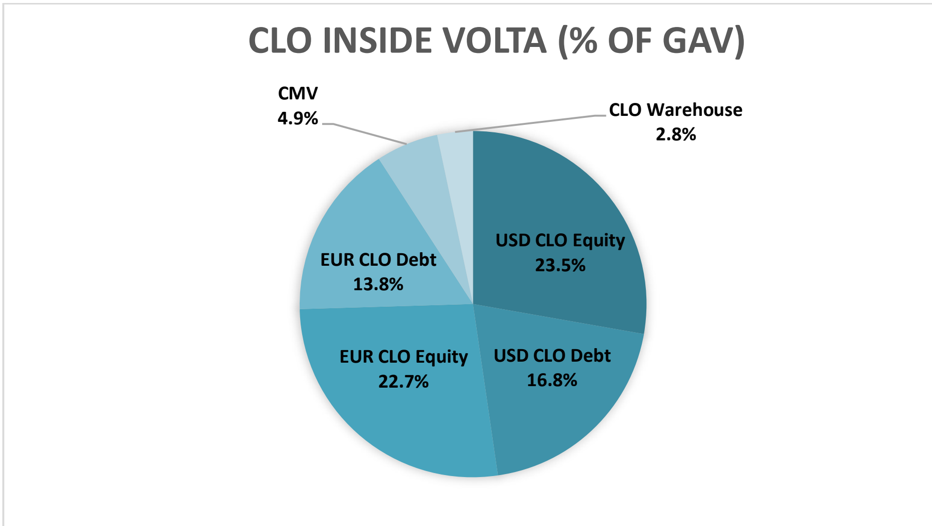

Source: AXA IM, Morgan Stanley July 2023 CLO Tracker

# INVESTMENT MANAGER'S REPORT (CONTINUED)

**4. Portfolio Review**

As at 31 of July 2023, Volta's portfolio is 92%[1] made of CLO with the rest of the portfolio being mainly invested in regulatory capital transactions. It corresponds to 85 different investments and over 1750 different issuers[2].

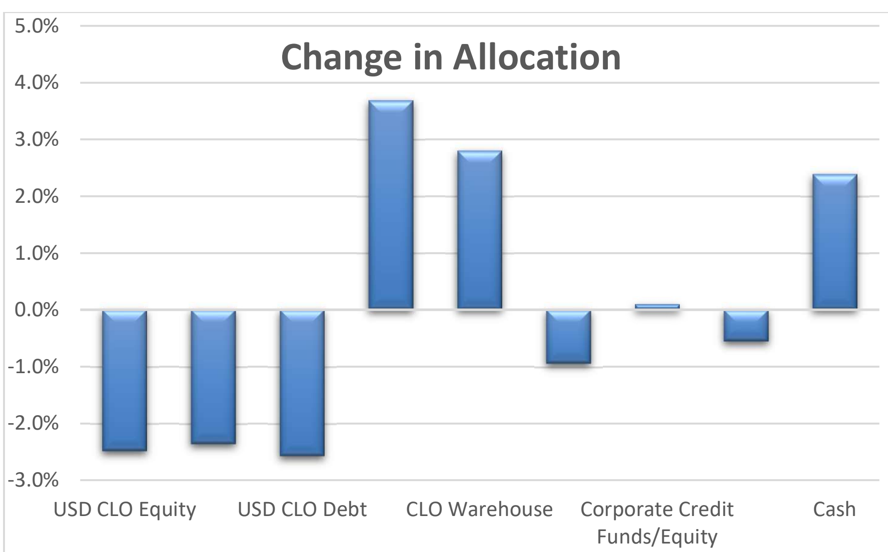
In terms of projected yield, based on end of July 2023 prices, the projected yield in EUR of Volta's invested assets is 21.8%. Focusing on Volta CLO investments, it is split across 33 different CLO managers with the following breakdown:




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.

Over the last 12 months, the Company invested c.€39.9m (17.5% of its YE 2022 NAV) into:

- 3 warehouse investments for a total amount of €19.4m equivalent. In the US, we favoured short term warehouse investments on already ramped portfolio as a way to participate in the CLO Equity primary market. In Europe, we planned a patient ramp with the manager in order to be able to seize opportunities both in the primary and secondary loan markets. This should translate into an attractive CLO Equity investment for Volta in the next few months.
- 2 US CLO Equity in the primary market for a total amount of $7.1m that are resulting from the above warehouse investments. Those transactions will be able to be refinanced with 1-1.5 years with a lower cost of capital.
- 1 US CLO debt for $3.76m with a target return of 13.5% and benefiting from a 1.5 year non-call protection.
- 3 European CLO Equity in the secondary market for a total amount of €2.6m. These purchases were made on an opportunistic basis with a focus on the deals benefiting from the longest reinvestment possible with clean portfolios
- 7 European CLO debt tranches for a total amount of €7.8m as we viewed European CLO debt tranches being cheap to US CLO debts. 6 of these 7 purchases were made in the primary market.




[1] Outside of cash and other expenses
[2] Source: AXA IM, IntexCalc as of July 2023

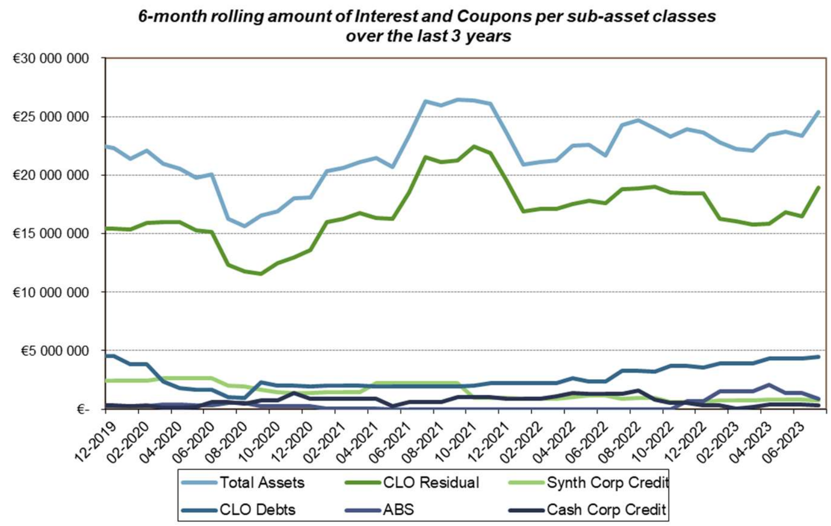
# INVESTMENT MANAGER'S REPORT (CONTINUED)

At the time of writing, we receive an early prepayment on a bank Balance Sheet transaction, further reducing the exposure to this asset class down to c.3% (including cash). This cash will be reinvested either into CLO tranches or into the funding of our current warehouse commitments.

Regarding our ESG journey, we are glad to report that all investments made through the year includes some industry exclusions and engagement of CLO managers into ESG discussions. The average ESG score of Volta's purchased assets through 2023 stands at 7.35 (10 being the highest grade and 0 the lowest) while we rate the overall CLO book invested by Volta at 5.09. See 'ESG Considerations' below for more information.

**GENERATION OF CASH FLOWS**

Volta's assets generated €25.4 million of interest or coupons over the semi-annual period (an annualized 21.5% of the beginning of the period NAV).




This high cashflow generation is not only coming from our exposure to one third of CLO debt tranches that are offering a floating rate exposure with a 16.8% target yield based on 31 July 2023 valuations but also from the two-third of our portfolio that are still providing very strong cashflow distributions.

CLO Equity cashflow generation through the year were helped by reduced mismatch between 1-month and 3-month Libor as well as amend-and-extend processes that improved the weighted average spread of CLO asset pools and thus CLO Equity distributions: on average, over the period, our weighted average spread captured 8.5bps increase (including post reinvestment CLO exposures). This is translating into an absolute 1% increase in CLO Equity distributions, everything else being equal compared to last year. Please find below the Net Interest Margin (NIM)[1] of our CLO Equities ranked by end of reinvestment period.

| ISIN | Type | Deal Name | Weight (% of NAV) | Currency | Tranche Closing Date | Reinv End Date | Cost of liabilities (%) | 2023 Weighted Average Spread (%) | 2023 NIM (%) | 2022 Weighted Average Spread (%) | Net NIM Increase[2] |
|---|---|---|---|---|---|---|---|---|---|---|---|
| USG93AAAAB19 | Equity | Vibrant CLO XVI | 2.5% | USD | May-23 | Apr-28 | 2.77 | 4.16 | 1.39 | 4.16 | 0% |
| USG0489FAC35 | Equity | Apidos CLO XLI | 0.7% | USD | Sep-22 | Oct-27 | 2.73 | 3.86 | 1.13 | 3.86 | 0% |
| USG8657KAB38 | Equity | Symphony CLO XXXIII | 2.1% | USD | Jun-22 | Apr-27 | 1.95 | 3.69 | 1.74 | 3.69 | 0% |
| XS2433716276 | Equity | Bilbao CLO IV | 0.3% | EUR | Mar-22 | Mar-27 | 1.80 | 4.15 | 2.35 | 3.95 | 9% |
| XS2243572737 | Equity | Dryden 79 Euro CLO | 2.9% | EUR | Dec-20 | Jan-27 | 1.96 | 4.13 | 2.17 | 4.06 | 3% |
| USG8838EAB95 | Equity | Wind River 2019-1 CLO | 3.0% | USD | Apr-19 | Jul-26 | 2.00 | 3.69 | 1.69 | 3.70 | -1% |
| USG6S37FAB92 | Equity | Neuberger Berman Loan Advisers CLO 42 | 0.9% | USD | Jun-21 | Jul-26 | 1.80 | 3.69 | 1.89 | 3.2 | 4% |
| XS2241395867 | Equity | RRE 5 Loan Management | 1.9% | EUR | Oct-20 | Jul-26 | 1.59 | 3.95 | 2.36 | 3,78 | 8% |
| XS1531387295 | Equity | Oak Hill European Credit Partners V | 1.9% | EUR | Jan-17 | Jun-26 | 1.92 | 3.98 | 2.06 | 3.76 | 12% |
| XS2402443902 | Equity | Jubilee CLO 2021-XXV | 0.5% | EUR | Dec-21 | May-26 | 1.81 | 4.12 | 2.31 | 3.81 | 15% |
| XS1941079516 | Equity | Bilbao CLO II | 3.1% | EUR | Apr-19 | Feb-26 | 1.72 | 4.07 | 2.35 | 3.73 | 17% |

[1] Net Interest Margin (NIM) being the difference between the Weighted Average Spread of the CLO pool and the cost of liabilities
[2] Net NIM Increase being defined as the relative difference between the 2022 NIM and the 2023 NIM

| | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **XS2132750899** | Equity | CVC Cordatus Loan Fund XVII | 0.5% | EUR | Jun-20 | Nov-25 | 1.78 | 3.95 | 2.17 | 3.80 | 7% |
| **XS1860201976** | Equity | Hayfin Emerald CLO I | 0.2% | EUR | Sep-18 | Sep-25 | 1.63 | 3.92 | 2.29 | 3.86 | 3% |
| **XS1512782993** | Equity | BlackRock European CLO 2 | 0.6% | EUR | Dec-16 | Jul-25 | 1.74 | 3.79 | 2.05 | 3.60 | 10% |
| **USG7486QAB98** | Equity | Regatta XVI Funding | 1.5% | USD | Dec-19 | Jan-25 | 2.20 | 3.38 | 1.18 | 3.16 | 23% |
| **XS2113705722** | Equity | Sound Point Euro CLO III Funding | 1.1% | EUR | Mar-20 | Oct-24 | 1.73 | 3.99 | 2.26 | 3.76 | 11% |
| **XS2083215363** | Equity | North Westerly CLO VI | 0.5% | EUR | Jan-20 | Aug-24 | 2.01 | 3.91 | 1.90 | 3.67 | 14% |
| **USG9404RAC00** | Equity | Vibrant CLO XI | 3.0% | USD | Aug-19 | Jul-24 | 1.96 | 3.47 | 1.51 | 3.47 | 0% |
| **XS2054623256** | Equity | Adagio VIII CLO | 0.7% | EUR | Nov-19 | Apr-24 | 1.84 | 3.87 | 2.03 | 3.63 | 13% |
| **USG28502AC93** | Equity | Dryden 70 CLO | 3.3% | USD | Dec-18 | Jan-24 | 1.92 | 3.64 | 1.72 | 3.35 | 20% |
| **USG86500AB45** | Equity | Symphony CLO XXIII | 1.3% | USD | Nov-20 | Nov-23 | 1.78 | 3.59 | 1.81 | 3.48 | 6% |
| **USG9403QAB52** | Equity | Voya CLO 2018-3 | 3.4% | USD | Oct-18 | Oct-23 | 1.89 | 3.46 | 1.57 | 3.41 | 3% |

Regarding the rate environment, we started managing a short payer swaptions in Euro in Q2 2022. These positions had a negative contribution of -0.2% performance at the end of July 2023. It represents less than 1 years of duration. Fundamentally, we believe that what may really affect Volta's performance isn't inflation or rate increase but a recession and defaults materialization. If such a negative situation was to improve, we are convinced that central banks would turn supportive at some point in time and that this position will provide more ability for the Company to reinvest.

**CURRENCY EXPOSURE**

Our currency strategy is to limit our currency exposure to cover for any potential margin call by hedging non-Euro currency risk. Structurally, we have been selling forward USD against Euro to limit Volta's USD exposure despite having circa 55% of our assets in USD. Through the year, in line with last year expectations, we increased our hedges on USD investments, moving residual exposure to USD assets from c.30% down to c.23% as EUR appreciated. We are conscious being fully hedged (having no more USD exposure) would be too costly in terms of cash to be kept covering potential margin calls. We believe that we were right to accept some volatility coming from the remaining currency exposure instead of suffering from the cash drag on a long-term basis.

**5. Portfolio Stress scenarios**

Looking at potential stress scenario for our CLO portfolio, we have decided to run the following scenarios to understand the level of risk inside Volta's CLO book:

- 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 2.6% 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 5.1% default rate every year
- Stress 2: an instantaneous 6% 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 July 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 | 20.6% | 6.0% | 4.1% |
| EUR Equity | 29.6% | 13.7% | 9.0% |
| USD Debt | 19.0% | 18.2% | 14.7% |
| EUR Debt | 14.2% | 14.2% | 13.9% |
| Average for CLOs | **21.8%** | **12.5%** | **9.7%** |

With the base case scenario, no position is suffering any diversion of payments and the projected IRR for Volta CLO book is close to 21.8% (from the end of July 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 27%.

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 attractive 12.5%.

Under "Stress 2" the level of default over the next 2 years would be greater than what was seen during the GFC. In this scenario, the IRR will be dependent on the reinvestment opportunities and the level of discount associated.

# INVESTMENT MANAGER'S REPORT (CONTINUED)

**6. ESG Considerations**

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


AXA IM's first Responsible Investment mandate was awarded in 1998, AXA IM then became UN PRI signatory on the 29th of May 2007 and has received since then a (A+) rating – the highest – 7 times. AXA IM was still rated A+ following a full review from UN PRI in 2021 (UN PRI since then abandoned this ratings approach). AXA IM is also a founding member of the Net Zero Asset Managers initiative and was awarded best-in-class ("Avant-Gardist rank") by H&K Responsible Investment Brand (2020) recognising that both its commitments and the architecture that is in place are industry leading.

In terms of engagement, AXA IM rely on its stewardship strategy to push investee companies to address key ESG risks and implement best practice. Lots of efforts have been made to engage directly with issuers globally, as can be seen in the graph below:

| Engagement Approach | Number of engagements in 2022 | Number of issuers engaged in 2022 |
|---|---|---|
| Sustainability dialogue | 239 | 222 |
| Engagement with objective | 357 | 289 |
| **Total engagements** | **596** | **480*** |

Source: AXA IM, end-2022.
*28 issuers were engaged through both approaches during the year.

As a result, the share of Responsible Investment within AXA IM's AUMs has noticeably grown over the years. As of 30/06/2022, 87% of AXA IM's AUMs (within Equities, Fixed Income and Multi-Asset) classified as Article 8 & 9 under SFDR.

In relation to Volta investments, a similar statement can be made as progress on that front has been steady over the last few years. Two main axes have been actioned to achieve a better ESG coverage in Volta's investment landscape: implementing relevant and comprehensive Industry Exclusions as well as encouraging CLO Managers to adopt best practices.

# INVESTMENT MANAGER'S REPORT (CONTINUED)

AXA IM is systematically pushing for industry exclusions when investing in new CLO positions. To have a pragmatic approach, we separated our exclusion list in two. The first part of the list references our mandatory exclusions which we impose to all Primary investment: Controversial Weapons, Thermal Coal, Oil & Gas (sands/shale and tight reservoirs), Arctic Oil, Non-Sustainable Palm oil, Soft-Commodity trading, Land Use Biodiversity & Forests, UNGC violations, Tobacco and Coal mining. If those exclusions are not met, no investment will take place. The second part of the exclusion list – although not mandatory - is highly recommended and deals with Endangered Wildlife, Animal Welfare, Private Prisons, Gambling, Predatory/Pay-Day Lending, Opioid, Banned Pesticides/hazardous Chemicals, Pornography & Prostitutions and Civilian Weapons. It is fair to recognise that we have no difficulties imposing the first list and a significant portion of the second list to European CLO managers although, despite significant improvements, it is still challenging to gain acceptance from US CLO managers for such exclusions[1].

Since the beginning of 2021, all new CLOs we invested in through the primary market have incorporated most of the above exclusions. AXA IM's exclusion list evolved over the years with newer investment scoring much better than older ones as they have more substantial exclusion wordings.

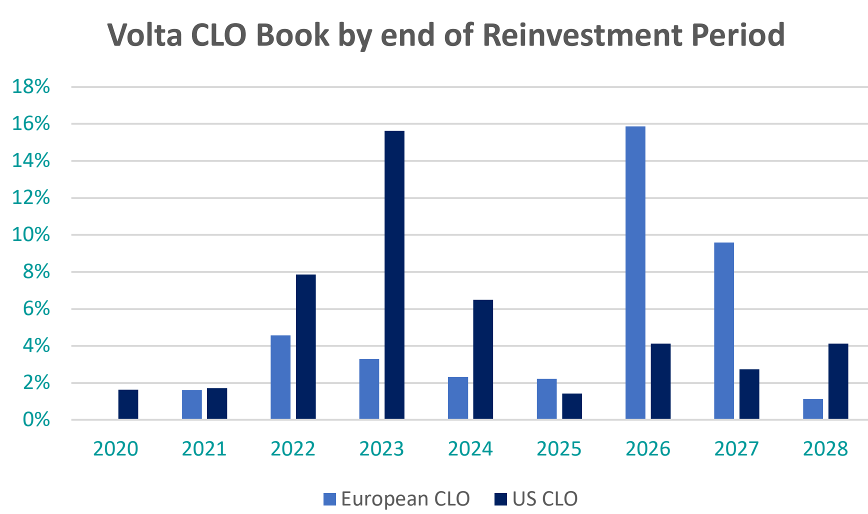
In parallel, we are conducting meetings with CLO managers to update our understanding of their practices regarding ESG/Responsible Investment practices. As of 2023, we now cover 100% of our overall CLO AUM after 80% at the end of 2022.

Through these meetings and the pressure we are exerting on third-party CLO managers, not only we promote what we consider best practices, but we are also trying to limit downside risks for our investors. While there are some disagreements regarding what should be considered as 'best practices' we can testify that all the CLO managers that we work with share our view that selecting credits with non-financial sustainability risks must be incorporated into the investment process. Lending money to companies that may find difficulties in financing their businesses in the coming years because of sustainability-related matters should be avoided. On top of the traditional financial measures of profitability/growth, CLO managers have developed tools/processes to avoid lending to companies that may be at the centre of future controversies. It is now fully part of our risk-management processes.

**7. Outlook and investment strategy**

From today's perspective, at the time of writing, the probability of a US recession over the next 12 months is reduced (AXA IM now expects US GDP to end 2023 at 1.4% before moving to 0.6% next year[2]) while headline inflation is declining as well, with energy prices cooling (including lack of traction from China). Euro and UK zone should maintain a sluggish growth at 0.4-0.5% / 0.2-0.3% respectively over the next 2 years with probability of a slight recession still on the agenda. Regarding inflation, despite US payrolls decelerating, core elements such as wages could prove stickier and now prop up a 'higher for longer' rate debate across US and European markets. To be fair, central banks have now moved to a 'data dependant' pattern regarding future hikes while rate markets are now pricing a 'pivot' to happen through H1 2024: this is almost one year later compared to last year.

This should prove positive for Volta: default rates should be kept around historical levels (between 2.5- 3.5%) over the next year in case of a soft-landing scenario while higher for longer rates should benefit our floating rate assets. The likelihood of rate stability should enable more Private Equity activity enabling a return of leveraged finance transactions to support the need for leverage and of CLO creation. With a slightly better position compared to the market averages, 36% of Volta's CLO portfolio is to reach end of its reinvestment period by the end of 2023. We are thus looking to extend the average reinvestment period of the book through some rotation as CLO Equities are better equipped to deal with volatility through their reinvestment period.




[1] Please refer to [Sustainability Policies and Reports | AXA IM Corporate (axa-im.com)] for more information regarding AXA IM Sustainability policies

[2] Sorce AXA IM Research, 'Ahead after the first half…', Monthly Investment Strategy, July 2023

# INVESTMENT MANAGER'S REPORT (CONTINUED)

In this environment, given the high level of cash generation coming from the portfolio, we are looking to be opportunistic with investments in CLO debt tranches, CLO Equities and first losses warehouse investments and look to deliver performance through strong cashflow generation from the portfolio as well as realize some pull-to-par on debt investments.

**AXA INVESTMENT MANAGERS PARIS**
9 November 2023

# STRATEGIC REPORT

**Introduction**
This report is designed to provide information about the Company's business and results for the year ended 31 July 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 year 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 LSE. Volta's home member state for the purposes of the EU Transparency Directive is the Netherlands. As such, Volta is subject to regulation and supervision by 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 actively managed by AXA IM. Harnessing AXA IM's expertise, the Company currently invests in predominantly 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 that are described in the 'Principal and Emerging Risk Factors' section on pages 22 to 25 and in Note 15, the Company currently seeks to attain its investment objectives as described above. 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.

**Principal and emerging risks and uncertainties**
The principal and emerging risks and uncertainties faced by the Company are described within the 'Principal and Emerging Risk Factors' section of the Annual Report on pages 22 to 25 and Note 15 in the financial statements.

**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 2,600 professionals and €824 billion in assets under management as at the end of December 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 the NAV and NAV total return, the performance of the portfolio as well as income received and the 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, on a total return basis, was 12.7% for the year ended 31 July 2023. Please refer to page 1 for NAV and share price total return analysis.

*Ongoing charges*
The ongoing charges are a measure of the 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 78 for the methodology of the calculation.

# STRATEGIC REPORT (CONTINUED)

**Performance measurement and Key Performance Indicators (continued)**
*Premium / discount*
The Directors review the trading prices of the Company's Ordinary shares and compare them against their NAVs 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. Otherwise, the Board seeks to minimise travel by using video conferences 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 pages 11 and 12.

**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 13 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 year-end date and subsequently. Whilst macro-economic and political events (inflation, rising interest rates, the war in Ukraine) have put pressure on the borrowers underlying the Company's portfolio, their impact to date has been small and is expected to remain immaterial in the foreseeable future. In particular, the impact on the Company's cash flows is not expected to be material and appropriate steps, as outlined in previous reports, can be taken to minimise cash out flows.

The incidence and impact of defaults in the Underlying Assets are hard to predict but are likely to rise, although it should be noted that recent default levels are below those originally forecast. 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.

**Viability statement**
In accordance with the provisions of the AIC Code, the Directors have assessed the viability of the Company over a period of four years from the date of approval of this report. In making this assessment, the Directors have taken into account the impact that various plausible adverse scenarios might be expected to have on the Company's cash flows and its ability to meet its liabilities on a timely basis.

The starting point for this analysis was the Company's current financial position; current market conditions; the principal risks facing the Company, as described within the Principal Risk Factors section of the Annual Report on pages 22 to 25; the risks arising from the Company's financial instruments as set out in Note 15 in the financial statements, and their potential impact on the Company.

A four year forecasting period was considered to be appropriate, given the life cycle of the Company's particular investment universe and the structure and investment objectives of the Company, as it represents the time within which at least 50% of the value of the portfolio might be reasonably expected to have been realised naturally despite unfavourable market conditions.

# STRATEGIC REPORT (CONTINUED)

**Viability statement (continued)**
In making their assessment of the Company's prospects, the Directors have focused their attention on those risks impacting the carrying value and liquidity of the Company's investment portfolio and the Company's ability to generate cash from its activities, and thereby to enable it to meet its payment obligations as they fall due, including under derivatives contracts, as well as to continue to pay a stream of dividends in accordance with its investment objectives. The Directors consider that the greatest risks to the Company's ability to generate cash, and to the carrying value of its investments, would be a combination of inter alia: a significant and rapid appreciation on the US Dollar; a sustained increase in the default rate of the credit investments and/or Underlying Assets of the portfolio; and/or any change in market conditions which resulted in severe, prolonged damage to the liquidity and market value of the investment portfolio.

The Directors have considered income, expenditure and NAV projections for the Company, firstly under a base case that incorporates the impact of the current economic downturn and potential recession, then under various stress test scenarios that are considered to be severe but plausible and including scenarios where default levels were modelled to peak at a level higher than those previously experienced by the Company during the GFC and to persist for longer than the heightened default levels that were experienced by the Company at that time.

Specific variables adjusted to account for the impact of the ongoing economic downturn and potential recession included: using S&P pessimistic forward 12 month default rates for speculative grade issuers; eliminating any lag in the timing of the downturn; making no distinction between the performance of US and European CLO markets; assuming one or two industry sectors become severely stressed; and modelling the impact of +/- 20% moves in the Euro US Dollar exchange rate.

Under no plausible scenario modelled did the Company become cash flow insolvent but the modelling made two key assumptions: firstly, it was assumed that the portfolio would react to changes in underlying factors in a similar way to that experienced in the past; and secondly, the Directors made the assumption that the Investment Manager would be able to actively and conservatively manage the portfolio during the downturn.

The Directors noted that under various plausible adverse scenarios, while neither of the Company's objectives of providing a stable income stream and preserving capital across the credit cycle may be met, projected income exceeded projected expenses over the period.

The Directors note that the Company's shares trade at a discount to NAV. They actively monitor the discount and communicate regularly with Shareholders on this subject. In making their assessment of viability, the Directors have assumed that Shareholders will continue to recognise the value provided by the Company and will not petition to wind up the Company. The Directors have also assumed that no unforeseen change in, or change in interpretation of, the regulations and laws to which the Company is subject will have a materially negative impact upon its viability.

The Directors therefore confirm that they have performed a robust assessment of the viability of the Company over the four-year period from 31 July 2023, taking into account their assessment of the principal risks facing the Company, including those risks that would threaten its business model, future performance, solvency or liquidity.

The Directors, after due consideration and in the absence of any unforeseen circumstances, confirm that they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the four-year period of their assessment.

# STRATEGIC REPORT (CONTINUED)

**Section 172(1) statement**
Through adopting the AIC Code, the Board acknowledges its duty to comply with Section 172 of the UK Companies Act 2006 and to act in a way that promotes the success of the Company for the benefit of its Shareholders as a whole, having regard to (amongst other things):

a) consequences of any decision in the long-term;
b) the interests of the Company's employees;
c) the need to foster business relationships with suppliers, customers and others;
d) impact on community and environment;
e) maintaining reputation; and
f) acting fairly as between members of the Company.

The Board considers this duty to be inherent within the culture of the Company and a part of its decision-making process.

The Company's culture is one of openness, transparency and inclusivity. Respect for the opinions of its diverse stakeholders features foremost as does its desire to implement its operations in a sustainable way, conducive to the long term success of the Company.

Information on how the Board has engaged with its stakeholders and promoted the success of the Company, through the decisions it has taken during the year, whilst having regard to the above, is outlined below.

The example outcomes below outline decisions taken during the year which the Board believes have the greatest impact on the Company's long term success. The Board considers the factors outlined under Section 172 and the wider interests of stakeholders as a whole in all decisions it takes on behalf of the Company.

**Stakeholder engagement**
The Company is an externally managed investment company, has no employees and as such is operationally quite simple. The Board does not believe that the Company has any material stakeholders other than those set out in the following table:

| Issues that matter to them | | |
|---|---|---|
| **Investors** | **Service providers** | **Community and environment** |
| • Performance and liquidity of the shares<br>• Growth and liquidity of the Company | • Reputation of the Company<br>• Compliance with law and regulation<br>• Remuneration | • Compliance with law and regulation<br>• Impact of the Company and its activities on third parties |
| **Engagement process** | | |
| **Investors** | **Service providers** | **Community and environment** |
| • Annual General Meeting<br>• Frequent meetings with investors by brokers and the Investment Manager and subsequent reports to the Board<br>• Monthly factsheets<br>• Key Information Document<br>• Publication of paid for research | • The main two service providers – AXA IM and BNP Paribas – engage with the Board in face to face meetings quarterly, giving them direct input to Board discussions.<br>• The Board also considers the interests of the Corporate Broker.<br>• All service providers are asked to complete a questionnaire annually which includes feedback on their interaction with the Company, and the Board normally undertakes an annual visit to AXA IM in Paris and to BNP Paribas in Jersey. | • The Company itself has only a very small footprint in the local community and only a very small direct impact on the environment.<br>• However, the Board acknowledges that it is imperative that everyone contributes to local and global sustainability. |

# STRATEGIC REPORT (CONTINUED)

**Stakeholder engagement (continued)**

<table>
<tr><th colspan="3">Rationale and example outcomes</th></tr>
<tr><th>Investors</th><th>Service providers</th><th>Community and environment</th></tr>
<tr>
<td><ul><li>Clearly investors are the most important stakeholder for the Company. Most of our engagement with investors is about “business as usual” matters, but has also included discussions about the discount of the share price to the NAV. The major decisions arising from this have been:<br>- to seek to ensure long term value<br>- to seek greater liquidity for the Company’s shares, and<br>- Simplifying the structure of the portfolio held</li><li>In addition, the Board has focussed on valuation of assets, a key priority for Shareholders. As a result, it has adopted in recent years a more sophisticated valuation methodology for the CMV investment and to engage JP Morgan PricingDirect for all CLO valuations, thus ensuring a more robust and reliable methodology than previously. The Board also spent considerable time focused on the valuation of Fintake and REO during the year.</li></ul></td>
<td><ul><li>The Company relies on service providers entirely as it has no systems or employees of its own. During the year, the Board held discussion with AXA IM regarding both the breadth of the mandate and fees. The Board believes that the Company dealt fairly and transparently with AXA IM and balanced the requirements of all stakeholders through constructive dialogue.</li><li>The Board always seeks to act fairly and transparently with all service providers, and this includes such aspects as prompt payment of invoices.</li></ul></td>
<td><ul><li>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 the document.</li><li>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. Otherwise, the Board seeks to minimise travel by using video conferences whenever good governance permits.</li></ul></td>
</tr>
</table>

Engagement processes are kept under regular review. Investors and other interested parties are encouraged to contact the Company via guernsey.bp2s.volta.cosec@bnpparibas.com on these or any other matters.

The Strategic Report was approved by the Board of Directors on 9 November 2023 and signed on its behalf by:

Dagmar Kershaw
*Chair*

Stephen Le Page
*Chair of the Audit Committee*

# REPORT OF THE DEPOSITARY TO THE SHAREHOLDERS

As Depositary, we are responsible for carrying out duties set out in Article 21 paragraphs (7) (8) and (9) of the AIFMD and can confirm that monitoring has taken place to ensure that AXA IM (the AIFM) is compliant with Article 21 paragraphs (7) (8) and (9) for the year ended 31 July 2023 and that we have no matters of concern to report.

**BNP Paribas S.A., Guernsey Branch**
BNP Paribas House
St Julian's Avenue
St Peter Port
Guernsey
GY1 1WA
9 November 2023

# REPORT OF THE DIRECTORS

The Directors present their Annual Report and the Audited Financial Statements for the year ended 31 July 2023. In the opinion of the Directors, the Annual Report and Audited Financial Statements taken as a whole are fair, balanced and understandable and provide the information necessary for Shareholders to assess the Company's position and performance, business model and strategy.

**Culture of the Company**
The Board recognises that its tone and culture are important and will greatly impact its interactions with Shareholders and service providers as well as the development of long-term shareholder value. The importance of sound ethical values and behaviours are crucial to the ability of the Company to achieve its corporate objectives successfully.

The Board individually and collectively seeks to act with diligence, honesty and integrity. It encourages its members to express differences of perspective and to challenge but always in a respectful, open, cooperative and collegiate fashion. The Board encourages diversity of thought and approach and chooses its members with this approach in mind. The corporate governance principles that the Board has adopted are designed to ensure the Company delivers long term value to its Shareholders and treats all Shareholders equally. All Shareholders are encouraged to have an open dialogue with the Board.

**Share capital**
The Company's share capital consists of an unlimited number of shares of no par value. As at 31 July 2023, the Company's issued share capital was 36,580,580 shares (31 July 2022: 36,580,580 shares). In accordance with the provisions of the Articles of the Company, there is in issue 1 Class B convertible Ordinary share of no par value which is issued to the Investment Manager and gives them the right to elect (or remove) one member of the Board.

**Results and dividends**
During the financial year, the Company's NAV increased by €8.3 million or €0.2278 per share (2022: decreased by €38.7 million or €1.058 per share). The net comprehensive profit for the year, amounted to €27.0 million (2022: €17.9 million loss).

During the year, the Directors declared the following quarterly dividends: €0.13 per share paid in October 2022; €0.12 per share paid in January 2023; €0.13 per share paid in April 2023; and €0.13 per share paid in August 2023.

**Share repurchase programme**
At the 2022 AGM, held on 7 December 2022, the Directors were granted authority to repurchase 5,483,429 shares (being equal to 14.99% of the aggregate number of shares in issue at the date of the 2022 AGM notice). This authority, which has not been used, will expire at the upcoming 2023 AGM. The Directors intend to seek annual renewal of this authority from Shareholders.

**Authority to allot**
At the 2022 AGM, the Directors were granted authority to allot up to 3,658,058 shares (being not more than 10% of the shares in issue at the date of the 2022 AGM notice). This authority, which has not been used, will expire at the 2023 AGM. The Directors intend to seek annual renewal of this authority from Shareholders.

**Alternative Investment Fund Managers Directive**
The AIFMD seeks to regulate managers of AIFs that are marketed or managed in the European Economic Area. In compliance with the AIFMD, the Company has appointed AXA IM to act as its AIFM and BNP Paribas has been appointed to act as its Depositary. Refer to the legal and regulatory disclosures section on pages 80 and 81 for further information.

**Directors**
The Directors who held office during the financial year and up to the date of approval of this report are listed on page 82 and 83.

Refer to the Directors' Remuneration Report on pages 33 and 34 for the Directors' interests in the Company's share capital as at the current time and at the financial year end.

**Shareholders' interests**
As at 31 July 2023, so far as the Directors are aware, no person other than those listed below and those parties disclosed in Note 17 to the financial statements was interested, directly or indirectly, in 5% or more of the issued share capital in the Company:

| Registered Shareholder | Number of Ordinary shares held | Percentage of Ordinary shares held |
|---|---|---|
| AXA S.A Bank | 7,955,720 | 21.75% |
| BNP Paribas | 5,589,462 | 15.28% |
| AXA Framlington Investment Managers | 3,009,988 | 8.23% |
| BNP Paribas Wealth Management | 2,013,428 | 5.50% |

None of the above Shareholders have Shareholder rights that are different from those of other holders of the Company's Ordinary shares, except for the holder of the Class B share, an affiliate of AXA S.A., which has the right to elect (or remove) one member of the Board . This right is not currently being exercised.

# REPORT OF THE DIRECTORS (CONTINUED)

**Disclosure of information to Auditor**
The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's Auditor is unaware and each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's Auditor is aware of that information.

**Independent Auditor**
Following their re-appointment at the 2022 Annual General Meeting, KPMG served as Auditor during the financial year and has expressed its willingness to continue in office.

**Financial risk management objectives and policies**
The Board is responsible for the Company's system of risk management and internal control and meets regularly in the form of periodic Board meetings to assess the effectiveness of such controls in managing and mitigating risk.

The Board confirms that it has reviewed the effectiveness of the Company's system of risk management and internal control for the year ended 31 July 2023, and to the date of approval of this Annual Report.

The key financial risks that the Directors believe the Company is exposed to include credit risk, liquidity risk, market risk, interest rate risk, valuation risk and foreign currency risk. Please refer to Note 15 in the financial statements for reference to financial risk management disclosures, which explain in further detail the above risk exposures and the policies and procedures in place to monitor and mitigate these risks.

The Administrator has established an internal control framework to provide reasonable, but not absolute, assurance on the effectiveness of the internal controls operated on behalf of its clients. The effectiveness of these controls is assessed by the Administrator's compliance and risk departments on an on-going basis and by periodic review by external parties. The Administrator's Fund Compliance Manager, acting on behalf of the Company, presents an assessment of their review to the Board in line with the compliance monitoring programme on a quarterly basis which has revealed no matters of concern.

**Events after the reporting date**
The Directors are not aware of any developments that might have a material effect on the operations of the Company in subsequent financial periods not already disclosed in this report or Note 19 of the financial statements.

The Report of the Directors was approved by the Board of Directors on 9 November 2023 and signed on its behalf by:

Dagmar Kershaw
*Chair*

Stephen Le Page
*Chair of the Audit Committee*

# PRINCIPAL AND EMERGING RISK FACTORS

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

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

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

Recent relatively large rises in interest rates have been identified by the Board as an emerging risk, and their impact on the Company is expected to emerge through increased default rates of the underlying borrowers and consequent reduction in value of the portfolio and in the cash flows from it. However, after due consideration, the Board has concluded that this risk and its consequences are adequately addressed by the existing framework and do not therefore require any additional action, only heightened awareness.

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

| **Principal risks** | **Impact, tolerance, controls and mitigation** |
|---|---|
| ***Credit risk –***<br>The risk that the credit quality of the underlying loans or financial assets within the investment portfolio deteriorates, leading to defaults and/or investment losses, a reduction in cash flows receivable and a fall in the Company's NAV.<br><br>The risk that a counterparty defaults leading to a financial loss for the Company. | Depending on the severity of any decline in credit quality, particularly the duration of any such change, the impact of underlying asset credit and/or default risk could potentially be high. However, the Company is expected to be able to tolerate a short-term spike in defaults without any material impact on the Company. Credit risk is monitored and managed by the Investment Manager through active portfolio management and is mitigated by the Company's broadly diversified investment portfolio. Individual and aggregated exposure limits and tolerances in relation to credit risk are set by the Company and reviewed regularly. Because most CLOs and some other investments in the Company's portfolio are actively managed and the Company invests at various levels in the capital structure of CLOs, the aggregate net credit exposure across the portfolio to underlying names cannot be fully mitigated. However, the Investment Manager periodically provides granular impact analysis of credit exposure to the larger underlying obligors in order to allow the Board to be satisfied that the portfolio remains broadly diversified and that this risk remains at a tolerable level.<br><br>The Company has a moderate credit exposure to counterparties through inter alia: derivatives; repurchase agreements; and cash deposits. On rare occasions, there may be short-term exposure via settlement processes. Limits are set for individual counterparty exposures. The Investment Manager monitors these limits and provides compliance reports thereon to the Board. The Investment Manager also monitors the quality and appropriateness of counterparties, upon which it performs regular due diligence. |
| ***Market risk –***<br>The impact of movements in market prices, interest rates and foreign exchange rates on cash flows receivable and the Company's NAV. | The impact of market risk on the Company's ability to achieve its investment objectives could potentially be high. When repurchase agreements 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. Likewise, a combination of a sharp downturn in asset prices with sharp rise in the US Dollar would result in an FX margin call that might create a liquidity squeeze and result in assets being sold at distressed levels. Thus, both market and FX risk are monitored closely and these risks are managed and mitigated as far as possible by the Investment Manager through active portfolio management, the maintenance of a diversified investment portfolio and use of the flexibility of the Company's investment policy, which permits the Investment Manager to switch between asset classes and levels of risk. |

# PRINCIPAL AND EMERGING RISK FACTORS (CONTINUED)

| **Strategic risks (continued)** | |
|---|---|
| **Principal risks** | **Impact, tolerance, controls and mitigation** |
| ***Market risk (continued) –*** The impact of movements in market prices, interest rates and foreign exchange rates on cash flows receivable and the Company's NAV (continued). | Given that the Company's investments have floating interest rate characteristics, the direct risk arising from interest rate volatility is modest. The Investment Manager carefully manages the Company's foreign exchange exposure hedging through derivatives to balance the partial mitigation of the impact of foreign exchange fluctuations upon the NAV with the need to ensure that any margin obligations can be met comfortably. The Board has set foreign exchange exposure tolerances and derivative margin tolerances. |
| The risk that unhedged currency exposures may lead to volatility in the Company's NAV; | The Company invests in both EUR and USD markets, and maintains that flexibility to be able to access the full range of investment opportunities. However if the USD exposure is not fully hedged, this could lead to volatility in the Company's NAV due to changes in FX rates. The Investment Manager mitigates this risk through hedging a significant portion of the FX risk, and monitors the unhedged exposure of the portfolio on a consistent basis. |
| The risk of severe market disruption leading to impairment of the market value and/or liquidity of the Company's investment portfolio. | The Company is well positioned to be able to tolerate prolonged market disruption, as occurred in 2008/2009, due to the fact that the Company is currently financed by equity on which it is able to exercise discretion regarding dividend payments. The Company may utilise debt financing through entering into repurchase agreements. The Board monitors overall leverage levels and soft limits applicable to any Repo and associated collateralisation. |
| ***Re-investment risk –*** The ability to re-invest in investments that maintain the targeted level of returns at an acceptable level of risk. | The potential impact of this risk is considered to be moderate in that it would not be felt immediately, given the medium-term nature of the Company's portfolio. The Company fully tolerates this risk in order to achieve its investment objectives. In the Board's opinion, the ability of the Company and the Investment Manager to mitigate this risk is necessarily limited by external factors. Nevertheless, the Investment Manager is alert to the need to anticipate and respond to market and regulatory developments. Taking into account the reputation, size and presence in the market of the Investment Manager, which provide increased exposure to investment opportunities, and the Company's flexible investment mandate, the Board believes that this risk is mitigated as far as reasonably possible. The Board is aware of the risk of "creep" in risk tolerance in order to maintain returns in less favourable market environments and regularly challenges the Investment Manager on this point. |

**Preventable risks**

These are the risks that the Board believes should be substantially mitigated by the Company's controls. The Board has defined limits for various metrics in order to monitor and control the following preventable risks, which are reviewed by the Board on at least a quarterly basis.

| **Principal risks** | **Impact, tolerance, controls and mitigation** |
|---|---|
| **Liquidity and going concern –** The risk that the Company is unable to meet its payment obligations and is unable to continue as a going concern for the next twelve months. | If the Company were unable to meet its obligations as they fell due, the impact on the Company would be severe, although this risk is remote. Consequently, the Company monitors this risk and the potential threats to the liquidity of the portfolio. The availability of liquid resources is a high priority for the Board. On a day-to-day basis, the Investment Manager monitors cash flow and payment obligations carefully and retains sufficient cash and/or liquid assets available to meet its obligations. The Investment Manager also monitors and reports to the Board on the market liquidity of the portfolio. Cash demands may arise from collateralisation and payment obligations under any Repo, FX margin calls and other payment obligations on hedging agreements and any other derivatives the Company might enter into, drawdowns on investment commitments and other payment obligations such as ongoing expenses. |
| **Operational Risk –** The risk that the Company, through its service providers, fails to meet its contractual and/or legal or regulatory reporting obligations, resulting in sanctions, financial penalties and/or reputational damage. | The Board has considered the potential impact of failure to meet its contractual, legal and regulatory obligations. To this end, the Board carries out annual due diligence visits with the Company's Investment Manager and Administrator to discuss processes and identify areas for improvement. |

# PRINCIPAL AND EMERGING RISK FACTORS (CONTINUED)

| **Preventable risks (continued)** | |
|---|---|
| **Principal risks** | **Impact, tolerance, controls and mitigation** |
| **Operational Risk (continued) –** The risk that service providers will be disrupted by factors outside of their control such as lockdowns, outages or other widespread unforeseen events. | The impact of governments' responses to the COVID-19 pandemic was an emerging risk but thus far has been successfully managed. Lockdown meant that service providers needed to invoke business recovery plans and adjust ways of working, but risks appear to have been mitigated without significant impact. This has been successfully achieved thus far by all service providers. |
| **Valuation of assets –** The risk that the Company's assets are incorrectly valued. | Whilst there might be immediate direct impact on the Company from incorrect valuation of the Company's assets in its monthly NAV reports and annual and interim financial reports, this is considered to be a high risk area due to the potential impact on the Company's share price and actions that could arise from the provision to the market of materially inaccurate valuation data. Any material valuation error is reported to investors. The Company's accounting policies for the valuation of its assets are described in Note 3 in the financial statements. The Company's NAVs are calculated based on valuations provided independently by JP Morgan PricingDirect for the majority of positions. |
| **Investment Manager risks –** The risk that the Investment Manager may execute its investment strategy poorly. | This risk is mitigated by the fact that the Investment Manager is part of a very large organisation with deep resources. It manages a number of other funds in the same asset classes as the Company and has a strong track record over a long period in the Company's asset classes. |
| **Key person risk –** The risk that the Investment Manager resigns, goes out of business or exits the Company's asset classes. | The Investment Manager has large teams and deep resources of skills to replace key individuals.<br><br>The Investment Manager must give three months' notice before resigning which would help mitigate the disruption caused by any need to appoint a new Investment Manager. |
| **Legal and regulatory risk –** The risk that changes in the legal and regulatory environment, including changes in tax rules or interpretation, might adversely affect the Company, such as changes in regulations governing asset classes that could impair the Company's ability to hold or re-invest in appropriate assets and lead to impairment in value and or performance of the Company. | The impact of legal and regulatory change, including tax change, could potentially be high. The Investment Manager continuously monitors the legal and regulatory environment in which the Company operates in order to enable the Company to continue to adapt to any legal and regulatory changes by investing in new asset classes and/or new investment structures in response to such changes.<br><br>The Investment Manager reports to the Board at least semi-annually regarding any relevant upcoming regulatory and tax changes and on an ad hoc basis if appropriate.<br><br>The Company also has an agreement with Fidal who assist with tax items as and when required. |
| **Emerging Risks** | **Impact, tolerance, controls and mitigation** |
| **ESG Risks –** 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 consideration of such risks is embedded within the Investment Manager's ESG policy. |

# PRINCIPAL AND EMERGING RISK FACTORS (CONTINUED)

| Emerging Risks (continued) | Impact, tolerance, controls and mitigation |
| --- | --- |
| **ESG Risks *(continued)* –**<br>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. | The Company is exposed to the impact of a mismanagement or failure to recognise potential ESG issues at portfolio company level, industry level, service provider and Board level, which could damage the reputation and standing of the Company and ultimately affect its investment performance.<br><br>The Board has increased its oversight of service providers, particularly the Investment Manager. The Investment Manager has ESG policies in place and actively engages with underlying managers to assess their ESG credentials. The Board will continue its close oversight of these processes to ensure that they are adequate and continue to be developed in accordance with regulation and best practice. |
| **LIBOR transition to SOFR –**<br>The transition from LIBOR to SOFR raises potential risks around asset pricing and cash flows. | The impact on valuation is expected to be modest and transitory. |
| **Sanctions Risk –**<br>The risk that the Company's assets will be in scope of international sanctions. | The Board and the Investment Manager 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 Investment Manager has confirmed to the Board that no underlying investments are directly subject to sanctions. The Investment Manager also considered stress tests, in relation to the impact of sanctions, on underlying investments and believes that the overall effect will not be notable. |

# CORPORATE GOVERNANCE REPORT

The Company is a member of the AIC and has elected to follow the AIC Code of Corporate Governance 2019. The AIC Code has been endorsed by the FRC as an alternative means for their members to meet their obligations in relation to the UK Code. The Company is not required to apply the Dutch Corporate Governance Code.

**The Board**

*The Board and its responsibilities*

The Board is responsible for the determination of the Company's investment objectives, investment guidelines and dividend policy and has overall responsibility for overseeing the Company's activities. The Investment Manager has full discretion to make and implement decisions concerning the investments and other assets held by the Company within the guidelines and policies set by the Prospectus and amplified by the Board.

During the year under review, the Board consisted of four Directors up until 1 July 2023 when Ms Peacegood was appointed as an independent non-executive director. Refer to pages 82 and 83 for the biographies of each Director, as at year end, which demonstrates their professional knowledge and experience.

The Company's day-to-day activities are delegated to third parties, including the Investment Manager, the Administrator and the Depositary. The Company has entered into formal agreements with each of its service providers. Under the terms of the Investment Management Agreement, the Investment Manager is responsible for the management of the Company's investment portfolio, subject to the Company's investment guidelines and the overall supervision of the Board. The responsibilities of BNP Paribas, in respect of its duties as the Administrator, including its duties as Company Secretary, are governed by an Administration Agreement and its duties as current Depositary are set out in a Depositary Agreement.

The Board has established the Management Engagement Committee which monitors the performance of each of its service providers on a regular basis and reviews their performance on a formal basis at least annually (See Management Engagement Committee section on page 27). The Directors have also reviewed the effectiveness of the risk management and internal control systems, including material financial, operational and compliance controls (including those relating to the financial reporting process) and no significant failings or weaknesses were identified.

*Board diversity*

The Board has due regard for the benefits of experience and diversity in its membership, including gender and ethnicity and strives to achieve the right balance of individuals who have the knowledge and skillset to aid the effective functioning of the Board and maximise Shareholder return while mitigating the risk exposure of the Company. The Board is committed to ensuring that any vacancies arising are filled by the most qualified candidates who have complementary skills or who possess the skills and experience which fill any gaps in the Board's knowledge or experience irrespective of gender, race or creed. The Company has no employees.

The below tables set out the Board's composition as at 31 July 2023, in terms of gender identity and ethnic background. The below text compares this against the targets prescribed by LR 9.8.6R (9)(a).

| | Number of Board members | Percentage of the Board | Senior positions on the Board (Senior Independent Director and Chair) |
|---|---|---|---|
| **Men** | 2 | 40% | **Stephen Le Page** – Chair of the Audit Committee and Senior Independent Director |
| **Women** | 3 | 60% | **Dagmar Kershaw** – Chair of the Board |

| | Number of Board members | Percentage of the Board | Senior positions on the Board (Senior Independent Director and Chair) |
|---|---|---|---|
| **White British or other White (including minority-white groups)** | 4 | 80% | **Stephen Le Page** – Chair of the Audit and Risk Committee<br>**Dagmar Kershaw** – Chair of the Board |
| **Black/African/Caribbean/Black British** | 1 | 20% | N/A |

At present, the Company is compliant with LR 9.8.6R (9)(a) which targets (i) at least 40% of board members to be women (ii) at least one senior Board position is held by a woman and (iii) at least one board member is from a minority ethnic background.

During the year under review, the Board chose to participate in the Board Apprentice Scheme, which aims to give appropriate individuals first hand board experience through observation of the workings and dynamics of boards. The Board selected one board apprentice, who has attended the Company's meetings and received relevant documentation. The Board views this as a valuable exercise in mentoring accomplished individuals to be future directors, fostering equality and developing board culture. The Board intends to continue to participate in such scheme.

*Board independence, composition and tenure*

All of the Directors are non-executive. Mr Le Page acts as the Senior Independent Director. Ms Kershaw acts as the Chair of the Board.

# CORPORATE GOVERNANCE REPORT (CONTINUED)

Each of the Directors are independent from the Investment Manager and satisfy the independence criteria as set out in the AIC Code and as adopted by the Board as follows:

- the independent Board members may not be Directors, employees, partners, officers or professional advisors to the Investment Manager or any AXA Group companies or any other funds that are managed by the Investment Manager or managed by any other company in the AXA Group;
- the independent Board members may not have a business relationship with the Investment Manager or any AXA Group companies that is material to the members (although they may acquire and hold AXA Group insurance, investment and other products on the same terms as those available to other parties unaffiliated with AXA Group); and
- the independent Board members may not receive remuneration from the Investment Manager or any AXA Group companies (although they may acquire and hold AXA Group insurance, investment and other products on the same terms as those available to other parties unaffiliated with the AXA Group and they may accept commissions or other payments from parties entering into transactions with AXA Group companies as long as those commissions and payments are on market terms and are not material to the members).

As of 9 November 2023, Mr Le Page has served on the Board for just over 9 years. In the Board's opinion, Mr Le Page continues to demonstrate objective and independent thought processes during his dealings with the rest of the Board and with the Investment Manager, and is therefore considered to be independent, notwithstanding his long service.

The Board reviews at least annually whether there are other factors that potentially affect the independence of Directors or involve meaningful conflicts of interest for them with the Company.

*Committees of the Board*
Audit, Nomination, Management Engagement and Remuneration Committees have been established by the Board. Each Committee has formally delegated duties, responsibilities and terms of reference, which are published on the Company's website.

*Audit Committee*
Refer to the Audit Committee's separate report on pages 31 to 32 for details of its composition, responsibilities and activities.

*Nomination Committee*
The Nomination Committee currently comprises Mr Harrison, Ms Kershaw (Chair), Mr Le Page, Ms Ogoundele, and Ms Peacegood. Only Independent Directors may serve on the Nomination Committee. The Committee meets at least once each year and considers the size, structure, skills and composition of the Board. The Committee considers retirements, re-appointments and appointments of additional or replacement Directors.

The Nomination Committee has considered the question of Board tenure and has concluded that there should not be a specific maximum time in position for a director or chair. Instead, the Committee keeps under review the balance of skills of the Board and the knowledge, experience, length of service and performance of the Directors and focuses on maintaining the right mix of skills and a balance between bringing in new Directors with fresh ideas and preserving corporate knowledge and experience. When recommending new Directors for appointment to the Board, diversity of gender, age, ethnicity and cultural background are taken into consideration in accordance with the Company's diversity policy. In compliance with the AIC Code each Director stands for annual re-election.

The Board annually conducts a formal self-assessment of its performance including each of its Committees. The results are consolidated into a report which is presented to the Nomination Committee. Ms Kershaw also conducts formal performance evaluations with each member of the Board and Mr Le Page, as Senior Independent Director, conducts a formal performance evaluation of the Chair. The evaluations include a discussion and evaluation of any training or development requirements. These performance evaluations are reported to the Committee and it has been concluded that each such Board member has demonstrated during their current terms of office that they continued to demonstrate satisfactory independence; positively added to the balance of skills of the Board; have current and relevant expertise; effectively contribute to the Board; and demonstrate commitment to the Company's business. Accordingly, the Nomination Committee has recommended that the Board should propose each Director for re-election to the Board at the forthcoming AGM.

During the year, as disclosed elsewhere in this report, Ms Peacegood joined the Board. Her appointment is part of the succession plan for the Board as a whole, and as part of this plan, Mr Graham Harrison does not intend to stand for re-election at the AGM of the Company to be held on 24 December 2023. Mr Harrison has served on the Board since 2015.

*Management Engagement Committee*
The Management Engagement Committee currently comprises Mr Harrison (Chair), Ms Kershaw, Mr Le Page, Ms Ogoundele and Ms Peacegood. Only Independent Directors may serve on the Management Engagement Committee. The Committee meets at least once each year and the primary purpose of the Committee is to review the performance of, and contractual arrangements with, the Investment Manager and other third party service providers of the Company (other than the external auditor) on a periodic basis, with the aim of evaluating performance, identifying any weaknesses and ensuring value for money for the Company's Shareholders.

The Management Engagement Committee held one meeting during the year ended 31 July 2023.

# CORPORATE GOVERNANCE REPORT (CONTINUED)

*Remuneration Committee*
The Remuneration Committee currently comprises Mr Harrison (Chair), Ms Kershaw, Mr Le Page, Ms Ogoundele and Ms Peacegood. Only Independent Directors may serve on the Remuneration Committee. The Committee meets at least once each calendar year to review the remuneration of the Directors and make recommendations to the Board in this respect.

The Committee held one meeting during the year ended 31 July 2023.

*Committee composition and terms of reference*
The composition of the aforementioned Committees and their terms of reference are kept under periodic review. The terms of reference of each of the Committees require that appointments to the Committee shall be for as long as that person remains as a Director or until otherwise removed, subject always to the satisfactory demonstration of independence as a Board member. On 7 July 2023 Ms Peacegood was appointed to the Audit, Nomination, Management Engagement and Remuneration Committees.

**Attendance at scheduled meetings of the Board and its committees**

| | Board meetings | Audit Committee | Nomination Committee | Remuneration Committee | Management Engagement Committee |
|---|---|---|---|---|---|
| G Harrison | 6/6 | 6/6 | 2/2 | 1/1 | 1/1 |
| D Kershaw | 6/6 | 6/6 | 2/2 | 1/1 | 1/1 |
| S Le Page | 6/6 | 6/6 | 2/2 | 1/1 | 1/1 |
| Y Ogoundele | 6/6 | 6/6 | 2/2 | 1/1 | 1/1 |
| J Peacegood | 1/1 | - | - | - | - |

*Directors' professional development*
The Board believes that keeping up-to-date with key credit industry developments is essential for the Directors to maintain and enhance their effectiveness. The Chair is responsible for agreeing and reviewing with each Director their training and development needs and all Directors receive other relevant training as necessary.

When a new Director is appointed to the Board, they are provided with all relevant information regarding the Company and their duties and responsibilities as a Director. In addition, a new Director will also spend time with representatives of the Investment Manager, Administrator and Company Secretary in order to learn about their processes and procedures, as deemed applicable.

The Board is confident that all its members have the knowledge, ability and experience to perform the functions required of a Director of the Company.

**Relationship with the Investment Manager**
Under the terms of the Investment Management Agreement, the Investment Manager is responsible for the management of the Company's investment portfolio, subject to the Company's investment guidelines and the overall supervision of the Board.

The Investment Management Agreement states that the Company may engage in portfolio transactions (e.g. the purchase or sale of securities) with the Investment Manager acting on a principal basis and cross-trades between the Company and accounts or funds for which the Investment Manager acts as discretionary Investment Manager and are authorised provided they comply with the policies and procedures developed by the Investment Manager in order to eliminate or mitigate conflicts of interest and to ensure that the Company is treated in an equitable manner. In order to identify, prevent or manage and follow up any conflict of interest, the Investment Manager has set up a conflict of interest policy that is available on the following website: www.axa-im.fr.

The Company publishes its portfolio composition on its website on a monthly basis.

The Board receives and considers reports regularly from the Investment Manager, with ad hoc reports and information supplied to the Board as required. The Investment Manager reports against the Company's investment guidelines and has systems in place to monitor cash flow and the liquidity risk of the Company. The Investment Manager and the Administrator also ensure that all Directors receive, in a timely manner, all relevant management, regulatory and financial information. Representatives of the Investment Manager and Administrator attend each Board meeting as required, enabling the Directors to probe further on matters of concern.

The Board, the Investment Manager and the Administrator operate in a supportive, co-operative and open environment.

*Performance of the Investment Manager*
The Board reviews the performance of the Investment Manager on a regular basis and considers whether or not the continued appointment of the Investment Manager is in the best interests of the Company. The continued appointment of the Investment Manager was most recently reviewed and agreed by the Management Engagement Committee on 19 September 2023. If the Company elects to terminate the appointment of the Investment Manager without cause and without giving the Investment Manager two years' advance notice, the Company may do so upon not less than 60 days' prior written notice, but will be required to pay a termination fee to the Investment Manager. The termination fee shall be to compensate the Investment Manager for the Management Fees and Incentive Fees that the Investment Manager might have earned had the appointment of the Investment Manager not been terminated prior to the end of the two-year notice period.

# CORPORATE GOVERNANCE REPORT (CONTINUED)

The Board believes that the investment management fees are competitive with other investment companies with similar investment mandates. The key terms of the Investment Management Agreement and the investment management fee charged by the Investment Manager are set out in Note 17.

**Board meetings**
*Primary focus*
The Board meets regularly throughout the year and a representative of the Investment Manager is in attendance at all times when the Board meets to review the performance of the Company's investments. The Chair with assistance from the Investment Manager is responsible for ensuring that the Directors receive accurate, timely and clear information which is discussed at Board meetings. The Chair encourages open debate to foster a supportive and co-operative approach for all participants.

The Board applies its primary focus on the following:

- investment performance, ensuring that investment objectives and strategy of the Company are met;
- ensuring investment holdings are in line with the Company's investment guidelines;
- reviewing and monitoring financial risk management, operating cash flows and budgets of the Company;
- reviewing share buyback and treasury share policy; and
- reviewing and monitoring of the key risks to which the Company is exposed as set out in the Strategic Report.

At each relevant meeting the Board undertakes reviews of key investment and financial data, transactions and performance comparisons, share price and NAV performance, marketing and Shareholder communication strategies, peer group information and industry issues.

*Overall strategy*
The Board meets regularly to discuss the investment objective, policy and approach of the Company to ensure sufficient attention is given to the overall strategy of the Company. The Board considers the Company's investment objectives, their continuing relevance and whether the investment policy continues to meet those Company's investment objectives. In particular the Board considered ways to attract more investors to help reduce the level of discount. The Board and the Manager have begun simplifying the structure of the Company by pursuing exposure predominantly through investment in CLOs and similar asset classes.

*Monitoring and evaluation of performance of and contractual arrangements with service providers*
The Board, with support from the Management Engagement Committee, is responsible for reviewing on a regular basis the performance of the Investment Manager and the Company's other third party service providers.

The Management Engagement Committee ensures all service providers comply with the Bribery Act 2010 and the Prevention of Corruption (Bailiwick of Guernsey) Law, 2003. They also ensure that service providers' cyber security arrangements are sufficient to ensure their continued competitiveness and effectiveness and that performance is satisfactory and in accordance with the terms and conditions of the respective appointments.

As part of the Board's evaluation it reviews on an annual basis the contractual arrangements with the Investment Manager and major service suppliers.

During this review, no material weaknesses were identified and overall the Board confirmed its satisfaction with the services and advice received.

The Directors have adopted a procedure whereby they are required to report any potential acts of bribery and corruption in respect of the Company to BNP Paribas as the designated manager for GFSC purposes.

**Shareholder communications**
The main method of communication with Shareholders is through the Half-Yearly Report and Annual Report which aim to give Shareholders a clear and transparent understanding of the Company's objectives, strategy and results. This information is supplemented by the publication of the monthly NAVs of the Company's Ordinary shares on Euronext Amsterdam and the LSE.

The Company's website is regularly updated with monthly reports and provides further information about the Company, including the Company's financial reports and announcements. The maintenance and integrity of the Company website is the responsibility of the Directors, which has been delegated to the Administrator. Legislation in Guernsey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Information published on the internet is accessible in many countries with different legal requirements relating to the preparation and dissemination of financial statements and users of the Company's website are responsible for informing themselves of how the requirements in their own countries may differ from those of Guernsey.

Shareholders are able to contact the Board via the dedicated e-mail address (guernsey.bp2s.volta.cosec@bnpparibas.com) of the Company or by post via the Company Secretary. Alternatively, Shareholders are able to contact the Investment Manager directly via the contact details as published in the Company's monthly reports. In addition, regular meetings are conducted by the Company's Broker and Investment Manager with Shareholders and other interested parties.

As a consequence, the Board receives appropriate updates from the Company Secretary, Broker and from the Investment Manager to keep it informed of Shareholders' sentiment and analysts' views.

# CORPORATE GOVERNANCE REPORT (CONTINUED)

**Statement of Compliance with the AIC Code of Corporate Governance**
The Directors place a high degree of importance on ensuring that high standards of corporate governance are maintained and have therefore chosen to comply with the provisions of the AIC Code of Corporate Governance published in February 2019.

The Board has considered the principles and provisions of the AIC Code. The AIC Code addresses all the principles and provisions set out in the UK Corporate Governance Code, as well as setting out additional provisions on issues that are of specific relevance to Investment Companies.

The Board considers that reporting against the principles and provisions of the AIC Code provides more relevant information to stakeholders. The AIC Code is available on the AIC website www.theaic.co.uk.

The Company has complied with all the principles and provisions of the AIC Code during the year ended 31 July 2023 except the new companies (provision 21), which is not applicable.

Set out below is where stakeholders can find further information within the Annual Report about how the Company has complied with the various principles and provisions of the AIC Code.

| | |
|---|---|
| **1. Board leadership and purpose** | |
| Purpose | On page 14 |
| Strategy | On page 14 |
| Values and culture | On page 17 |
| Shareholder Engagement | Shareholder communications on page 29 |
| Stakeholder Engagement | Section 172 statement on page 17 |
| **2. Division of responsibilities** | |
| Director Independence | On page 26 |
| Board meetings | Board and Committee Meetings with Director Attendance on page 28 |
| Relationship with Investment Manager | Investment Manager and Investment Manager Review on page 28 |
| Management Engagement Committee | Management Engagement Committee on page 27. |
| **3. Composition, succession and evaluation** | |
| Nomination Committee | Nomination Committee on page 27 |
| Director re-election | Board Composition on page 27 |
| Board evaluation | Board Evaluation on page 27 |
| **4. Audit, risk and internal control** | |
| Audit Committee | Audit Committee on page 31 and 32 |
| Emerging and principal risks | Principal Risks and Uncertainties on pages 22 to 25 |
| Risk management and internal control systems | Internal Controls on page 31 |
| Going concern statement | Going Concern on page 15 |
| Viability statement | Viability Statement on pages 15 and 16 |
| **5. Remuneration** | |
| Directors' Remuneration Report | On pages 33 and 34 |

# AUDIT COMMITTEE REPORT

The Audit Committee presents its report for the year ended 31 July 2023.

**Terms of reference**
The Board has established terms of reference for the Audit Committee governing its responsibilities, authorities and composition (as stated in the Corporate Governance Report, the Company applies the AIC Code and accordingly the terms of reference of the Audit Committee comply with the AIC Code). Those terms of reference are available on the Company's website.

**Delegation of duties**
The Company has no employees as all day-to-day operational functions, including investment management, financial reporting, risk management and internal control, have been outsourced to various service providers. However, the Audit Committee retains full responsibility for the oversight of the control processes of those service providers.

**Composition**
The Audit Committee currently comprises Mr Harrison, Mr Le Page (Chair), Ms Ogoundele and Ms Peacegood. Only Independent Directors may serve on the Audit Committee and members of the Audit Committee shall have no links with the Company's Auditor. Mr Le Page and Ms Peacegood both have recent and relevant financial experience, with both having worked at PricewaterhouseCoopers in the Channel Islands, and having served on the Audit Committees of several companies since leaving that firm and to date. The other members of the Audit Committee have the knowledge and experience necessary to discharge their duties.

**Activities**
During the financial year ended 31 July 2023, the Audit Committee met on six occasions and met with the Auditor on two of those occasions. In addition, the Chair of the Audit Committee has met separately with the Audit Partner responsible for the Company's audit on a number of further occasions. The Audit Committee also conducted due diligence visits to BNP Paribas in Jersey, where the Company's day to day administration and accounting is carried out (prior to Ms Peacegood joining the Committee) and to the Investment Manager in Paris.

**Financial reporting risk area**
The Audit Committee receives and reviews the Company's annual and interim reports and financial statements, including the reports of the Investment Manager and Auditor (Annual Financial statements only) contained therein. In the Audit Committee's opinion, the principal risk of misstatement in the Company's financial reporting arises from the valuation of its investments. In order to mitigate this risk, the Company's Administrator, overseen by the Committee:

- obtains a copy of the prices supplied by a third party for the purposes of valuing the interim and year end holdings of investments in CLO debt and CLO equity, and ensures that such prices agree to prices used by the Company to value its investments;
- compares the fund valuations used in the Company's financial reporting to net asset value reports received from the relevant fund administrators and, when audited annual financial statements are available for each fund, compares the relevant net asset value reports to such audited financial statements; and
- in addition, the Committee supported by BNP Paribas, reviews the Investment Manager's determination of the value of the Company's holdings in other components of the portfolio to ensure that such valuations are reasonable, consistent with their knowledge of the investments concerned and appropriate for inclusion in the financial statements.

The Audit Committee reviews these items and the Investment Manager's valuation assumptions prior to the publication of the Company's annual and interim reports. In carrying out the review of the valuations included in this report the Board has discussed the valuation sources and process with relevant staff members of AXA IM and BNP Paribas, and during the due diligence visit in July 2023. The results of these activities were satisfactory and the Audit Committee has concluded that the investment valuations in this report are fairly stated in accordance with the Company's accounting policies.

**Other financial reporting areas**
The Audit Committee has also reviewed the Company's accounting policies applied in the preparation of its annual and interim reports together with the relevant critical judgements, estimates and assumptions and has determined that these are in compliance with IFRS and are appropriate to the Company's circumstances.

The Audit Committee has reviewed and challenged the materiality levels applied by the Auditor to both the financial statements as a whole and to individual items and is satisfied that these materiality levels are appropriate.

**Internal control**
The Audit Committee focuses on ensuring that effective systems of internal financial and non-financial control are maintained and closely monitors the Company's third-party service providers in this regard. As the Company's accounting functions are delegated to third parties, the Company does not have an internal audit function. The internal control environment of the Company is the product of control systems operated by its third-party service providers, together with the oversight exercised by the Audit Committee. To help satisfy itself as to the existence and efficacy of material controls affecting the Company, the Audit Committee requests its key third-party service providers to complete an annual questionnaire and reviews the responses provided to the questions contained therein. The Audit Committee has also obtained the latest ISAE 3402 Type II controls reports on the Company's Investment Manager and on its Administrator.

# AUDIT COMMITTEE REPORT (CONTINUED)

## External audit

The Auditor, KPMG, presents its audit plan to the Audit Committee prior to each audit. KPMG provided the Audit Committee with an overview of their audit strategy and plan for the year ended 31 July 2023 at a meeting on 7 July 2023. KPMG advised that it considered the valuation of investments to be a significant area of their audit given that it represents the majority of the net assets of the Company.

After carrying out a detailed assessment of KPMG's performance, service level and quality during the 2022 financial year, the Audit Committee concluded that KPMG's performance continued to be highly satisfactory. Consequently, the Audit Committee recommended the reappointment of KPMG as the Company's auditor.

The Audit Committee and KPMG have worked together to ensure that the independence and objectivity of the Auditor and the quality of the audit are maintained. In its formal communications with the Audit Committee, KPMG confirms its compliance with all applicable quality, independence and ethical requirements, including, among other things, ensuring periodic rotation of the lead audit partner, who is subject to rotation after five years of service. The Audit Committee has formally reviewed this confirmation, which includes a summary of KPMG's controls to ensure compliance with professional and regulatory standards, and has also noted that no non-audit services have been provided during the year. The Audit Committee has concluded from this review, and in light of its knowledge and experience gained through the actual performance of KPMG's work, that the Auditor remains independent and objective and the audit remains of high quality.

**Non-audit services policy**

It is the Board's intention that services other than audit will not be obtained from the external audit firm, unless there would be considerable advantage to the Company or its Shareholders by so doing. Suitable safeguards against any possible impairment of independence of the Auditor would be implemented in the unlikely event they were retained for such work. The Board has in any event adopted a policy in respect of non-audit services which closely follows that recommended by the AIC. No non-audit fees were incurred during the year ended 31 July 2023 (31 July 2022: nil).

**Conclusion on Annual Report**

The Audit Committee has reviewed the Company's financial reports as a whole to ensure that they appropriately describe the Company's activities and to ensure that all statements contained in them are consistent with the Company's financial results and their expectations. Accordingly, the Audit Committee was able to advise the Board that the Annual Report and Audited Financial Statements are fair, balanced and understandable and provide the information necessary for Shareholders to assess the Company's performance, business model and strategy.

Stephen Le Page
*Chair of the Audit Committee*
9 November 2023

# DIRECTORS' REMUNERATION REPORT

This report describes how the Board has applied the principles of the AIC Code relating to Directors' remuneration.

There was one change to the Board during the financial year ended 31 July 2023; Ms Peacegood was appointed as a Director on 1 July 2023.

All Directors, aside from Mr Harrison, will stand for reappointment at the forthcoming AGM to be held on the 24 December 2023.

**Table of Directors remuneration**

| Component | Director | Fee entitlement for 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><br>None | For additional responsibilities and time commitment |

Each Director continues to receive 30% of their Director's fee in the form 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. Should the shares trade at a premium to NAV in the future, the Directors may seek to amend the policy in the future.

The Directors are required to retain their shares for at least one year from their respective dates of issuance. During fiscal year 2023 no Director sold any of their shares. In addition to these fees, the Company reimburses all reasonable travel and other incidental expenses incurred by the Directors in the performance of their duties.

The total amounts of Directors' remuneration for the financial year ended 31 July 2023 are shown in the table below.

| Director | Cash<br>€ | Shares[1]<br>€ | Total<br>€ |
|---|---|---|---|
| G Harrison | 49,000 | 21,000 | 70,000 |
| S Le Page | 59,500 | 25,500 | 85,000 |
| D Kershaw | 70,000 | 30,000 | 100,000 |
| Y Ogoundele | 49,000 | 21,000 | 70,000 |
| J Peacegood | 4,128 | 1,769 | 5,897 |
| **Total Directors' remuneration (Note 5)** | **231,628** | **99,269** | **330,897** |
| Settlement of Directors fees share based payment[2] | - | (14,058) | (14,058) |
| **True cost of Director's remuneration for the year** | **231,628** | **85,211** | **316,839** |

[1]Director remuneration (equity settlement) based on NAV per share.
[2] During the year ended 31 July 2023, the settlement of Directors fees share based payment was €14,058 being made up of €13,988 Net settlement of Directors fees share based payment (refer to Note 14) and €70 transaction fee which forms part of "Other operating expenses" in the Statement of Comprehensive Income (page 42).

# DIRECTORS' REMUNERATION REPORT (CONTINUED)

The Directors' interests in the Company's share capital are as follows:

| | Number of shares at 31 July 2022 | Shares purchased on secondary market[1] | Shares purchased directly | Number of shares at 31 July 2023 | Shares purchased on secondary market[1] after year end | Number of shares at 9 November 2023 |
|---|---|---|---|---|---|---|
| G Harrison | 24,824 | 3,536 | none | 28,360 | 1,634 | 29,994 |
| S Le Page | 41,690 | 4,295 | none | 45,985 | 1,985 | 47,970 |
| D Kershaw | 2,526 | 4,744 | none | 7,270 | 2,335 | 9,605 |
| Y Ogoundele | Nil | 2,964 | none | 2,964 | 1,634 | 4,598 |
| J Peacegood[2] | Nil | Nil | none | Nil | 1,085 | 1,085 |

[1] Shares purchased on the secondary market represent the shares purchased by the Company on the secondary market and transferred to the Directors as part payment of the Directors' fees.
[2] Ms Peacegood was appointed as Director with effect from 1 July 2023.

The current Directors continue to hold these shares and no disposals of shares have been made by them to date. All remuneration of the Directors is set out above and there was no performance related compensation. None of the Directors is subject to a service contract under which any compensation would be payable upon loss of office.

Graham Harrison
*Chair of the Remuneration Committee*
9 November 2023

# STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report, including the Directors' Report and the financial statements in accordance with applicable law and regulations.

The Companies (Guernsey) Law, 2008 (as amended) requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with IFRS as issued by the IASB and applicable law.

The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies (Guernsey) Law, 2008 (as amended). They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The Directors confirm that they have complied with the above requirements in preparing the financial statements and that to the best of their knowledge and belief:

- this Annual Report includes a fair review of the development and performance of the business and the position of the Company together with a description of the principal risks and uncertainties that the Company faces;
- the Financial Statements, prepared in accordance with IFRS adopted by the IASB and interpretations issued by the IFRIC, give a true and fair view of the assets, liabilities, financial position and results of the Company; and
- the Annual Report and Financial Statements, taken as a whole, provides the information necessary to assess the Company's position and performance, business model and strategy and is fair, balanced and understandable.

This Statement of Directors' Responsibilities was approved by the Board of Directors on 9 November 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 financial statements. Legislation in Guernsey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VOLTA FINANCE LIMITED

## *Our opinion is unmodified*

We have audited the financial statements of Volta Finance Limited (the "Company"), which comprise the statement of financial position as at 31 July 2023, the statements of comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

### *In our opinion, the accompanying financial statements:*

- give a true and fair view of the financial position of the Company as at 31 July 2023, and of the Company's financial performance and cash flows for the year then ended;
- are prepared in accordance with International Financial Reporting Standards; and
- comply with the Companies (Guernsey) Law, 2008.

## *Basis for opinion*

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard as required by the Crown Dependencies' Audit Rules and Guidance. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

## *Key audit matters: our assessment of the risks of material misstatement*

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In arriving at our audit opinion above, the key audit matter was as follows (unchanged from 2022):

| | The risk | Our response |
|---|---|---|
| Financial assets at fair value through profit or loss ("Investments") | Valuation of investments | Our audit procedures included: |
| €220,300,413 (2022: €214,055,782)<br><br>Refer to the Audit Committee Report on page 31, note 2.4 accounting policies, note 3 Determination of fair values and note 9 Financial assets at fair value through profit or loss. | ***Basis:***<br><br>The Company invests in a portfolio of investments representing (93.4%) (2022: 94.0%) of the Company's net asset value.<br><br>These investments are valued using recognised valuation methodologies disclosed in note 3 to the financial statements.<br><br>***Risk:***<br><br>The valuation of the Company's Investments is considered a significant area of our audit in view of the significance of the estimates and judgements that may be involved in the determination of their fair value and given that it represents the majority of the net assets.<br><br>The Investments are subject to a risk of fraud and error and have a high degree of estimation uncertainty giving rise to a | **Control evaluation:**<br><br>We assessed the design and implementation of the control over the valuation of the Company's Investments.<br><br>**Challenging managements' Investments valuation, including the use of our KPMG valuation specialist, as applicable, we:**<br><br>• held discussions with the Investment Manager to understand and assess the appropriateness of the valuation methodologies applied;<br>• assessed the scope of the Valuation Agent's review and the methodology applied by them in determining their reference prices, and assessed the objectivity, capabilities and competence of the Valuation Agent to provide those reference prices used in the Company's valuation;<br>• obtained the Valuation Agent's valuation report and agreed the reference prices therein to the valuations utilised by the Company for CLO debt and CLO equity positions;<br>• determined independent reference prices for all CLO debt and a risk based selection of CLO equity positions either by obtaining external pricing sources where available, or through the use of fundamental |

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VOLTA FINANCE LIMITED (CONTINUED)

| | The risk | Our response |
|---|---|---|
| | potential range of reasonable outcomes greater than our materiality for the financial statements as a whole. | cash flow modelling, sourcing key inputs and assumptions used, such as the default rates, discount margins and prepayment rates, from observable market data;<br>• for a value driven sample of synthetic corporate credits we utilised market accepted modelling techniques sourcing key inputs, such as credit default spreads and recovery rates, from observable market data to determine independent reference prices;<br>• considered formal independent third party bid offers and market transactions in close proximity to the year-end, assessed their appropriateness as being representative of fair value and agreed the price to supporting documentation;<br>• determined independent reference prices for the underlying warehouse loan and bond positions and recalculated the value attributable to the Company; and<br>• obtained independent confirmations from third party administrators of the net asset value of the Company's fund investments as at 31 July 2023 (or latest available date). Where non coterminous confirmations are received, we considered whether further adjustments, such as calls and distributions, were required to be made.<br>Assessing disclosures:<br>We also considered the Company's accounting policy (see note 2.1 d) in relation to the use of estimates and judgements in determining the fair value of Investments, the Company's Investment valuation policies and fair value disclosures (see notes 2.4, 3 and 9) for compliance with IFRS. |

## *Our application of materiality and an overview of the scope of our audit*

Materiality for the financial statements as a whole was set at €4,640,000, determined with reference to a benchmark of net assets of €235,983,088, of which it represents approximately 2.0% (2022: 2.0%).

In line with our audit methodology, our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level the risk that individually immaterial misstatements in individual account balances add up to a material amount across the financial statements as a whole. Performance materiality for the Company was set at 75% (2022: 75%) of materiality for the financial statements as a whole, which equates to €3,480,000. We applied this percentage in our determination of performance materiality because we did not identify any factors indicating an elevated level of risk.

We reported to the Audit Committee any corrected or uncorrected identified misstatements exceeding €232,000, in addition to other identified misstatements that warranted reporting on qualitative grounds.

Our audit of the Company was undertaken to the materiality level specified above, which has informed our identification of significant risks of material misstatement and the associated audit procedures performed in those areas as detailed above.

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VOLTA FINANCE LIMITED (CONTINUED)

## *Going concern*

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements (the "going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the Company's business model and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period. The risks that we considered most likely to affect the Company's financial resources or ability to continue operations over this period was the availability of capital to meet operating costs and other financial commitments.

We considered whether this risk could plausibly affect the liquidity in the going concern period by comparing severe, but plausible downside scenarios that could arise from this risk individually and collectively against the level of available financial resources indicated by the Company's financial forecasts.

We considered whether the going concern disclosure in note 2.2 to the financial statements gives a full and accurate description of the directors' assessment of going concern.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the the Company's ability to continue as a going concern for the going concern period; and
- we have nothing material to add or draw attention to in relation to the directors' statement in the notes to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Company's use of that basis for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Company will continue in operation.

## *Fraud and breaches of laws and regulations – ability to detect*

## *Identifying and responding to risks of material misstatement due to fraud*

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- enquiring of management as to the Company's policies and procedures to prevent and detect fraud as well as enquiring whether management have knowledge of any actual, suspected or alleged fraud;
- reading minutes of meetings of those charged with governance; and
- using analytical procedures to identify any unusual or unexpected relationships.

As required by auditing standards, and taking into account possible incentives or pressures to misstate performance and our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries, and the risk of bias in accounting estimates such as valuation of unquoted investments. On this audit we do not believe there is a fraud risk related to revenue recognition because the Company's revenue streams are simple in nature with respect to accounting policy choice, and are easily verifiable to external data sources or agreements with little or no requirement for estimation from management. We did not identify any additional fraud risks.

We performed procedures including:

- identifying journal entries and other adjustments to test based on risk criteria and comparing any identified entries to supporting documentation;
- incorporating an element of unpredictability in our audit procedures; and
- assessing significant accounting estimates for bias

Further detail in respect of valuation of unquoted investments is set out in the key audit matter section of this report.

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VOLTA FINANCE LIMITED (CONTINUED)

*Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations*

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our sector experience and through discussion with management (as required by auditing standards), and from inspection of the Company's regulatory and legal correspondence, if any, and discussed with management the policies and procedures regarding compliance with laws and regulations. As the Company is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

The Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

The Company is subject to other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or impacts on the Company's ability to operate. We identified financial services regulation as being the area most likely to have such an effect, recognising the regulated nature of the Company's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

*Context of the ability of the audit to detect fraud or breaches of law or regulation*

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remains a higher risk of non-detection of fraud, as this may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

## *Other information*

The directors are responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## *Disclosures of emerging and principal risks and longer term viability*

We are required to perform procedures to identify whether there is a material inconsistency between the directors' disclosures in respect of emerging and principal risks and the viability statement, and the financial statements and our audit knowledge. we have nothing material to add or draw attention to in relation to:

- the directors' confirmation within the Viability Statement (pages 15 and 16) that they have carried out a robust assessment of the emerging and principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity;
- the emerging and principal risks disclosures describing these risks and explaining how they are being managed or mitigated;
- the directors' explanation in the Viability Statement (pages 15 and 16) as to how they have assessed the prospects of the Company, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We are also required to review the Viability Statement, set out on pages 15 and 16 under the Listing Rules. Based on the above procedures, we have concluded that the above disclosures are materially consistent with the financial statements and our audit knowledge.

# INDEPENDENT AUDITOR’S REPORT TO THE MEMBERS OF VOLTA FINANCE LIMITED (CONTINUED)

## *Corporate governance disclosures*

We are required to perform procedures to identify whether there is a material inconsistency between the directors’ corporate governance disclosures and the financial statements and our audit knowledge.

Based on those procedures, we have concluded that each of the following is materially consistent with the financial statements and our audit knowledge:

- the directors’ statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Company’s position and performance, business model and strategy;
- the section of the annual report describing the work of the Audit Committee, including the significant issues that the audit committee considered in relation to the financial statements, and how these issues were addressed; and
- the section of the annual report that describes the review of the effectiveness of the Company’s risk management and internal control systems.

We are required to review the part of Corporate Governance Statement relating to the Company’s compliance with the provisions of the UK Corporate Governance Code specified by the Listing Rules for our review. We have nothing to report in this respect.

## *We have nothing to report on other matters on which we are required to report by exception*

We have nothing to report in respect of the following matters where the Companies (Guernsey) Law, 2008 requires us to report to you if, in our opinion:

- the Company has not kept proper accounting records; or
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations, which to the best of our knowledge and belief are necessary for the purpose of our audit.

## *Respective responsibilities*

### *Directors' responsibilities*

As explained more fully in their statement set out on page 35, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

### *Auditor's responsibilities*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor’s report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC’s website at www.frc.org.uk/auditorsresponsibilities.

## *The purpose of this report and restrictions on its use by persons other than the Company's members as a body*

This report is made solely to the Company’s members, as a body, in accordance with section 262 of the Companies (Guernsey) Law, 2008. Our audit work has been undertaken so that we might state to the Company’s members those matters we are required to state to them in an auditor’s report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company’s members, as a body, for our audit work, for this report, or for the opinions we have formed.

# INDEPENDENT AUDITOR’S REPORT TO THE MEMBERS OF VOLTA FINANCE LIMITED (CONTINUED)

## *Report on Regulatory Requirements*

### *European Single Electronic Format (“ESEF”)*

The Company has prepared its annual report in ESEF. The requirements for this format are set out in the Commission Delegated Regulation (EU) 2019/815 with regard to regulatory technical standards on the specification of a single electronic reporting format (these requirements are hereinafter referred to as: the RTS on ESEF).

In our opinion, the annual report prepared in the XHTML format, including the financial statements as included in the reporting package by the Company, has been prepared in all material respects in accordance with the RTS on ESEF.

The directors are responsible for preparing the annual report including the financial statements in accordance with the RTS on ESEF, whereby the directors combine the various components into a single reporting package. Our responsibility is to obtain reasonable assurance for our opinion whether the annual report in this reporting package, is in accordance with the RTS on ESEF.

Our procedures included amongst others:

- obtaining an understanding of the Company's financial reporting process, including the preparation of the annual report in XHTML format;
- examining whether the annual report in XHTML format is in accordance with the RTS on ESEF.

**Dermot Dempsey**
**For and on behalf of KPMG Channel Islands Limited**
*Chartered Accountants and Recognised Auditors*
*Guernsey*

9 November 2023

# STATEMENT OF COMPREHENSIVE INCOME

**FOR THE YEAR ENDED 31 JULY 2023**

| | Notes | 1 August 2022 to 31 July 2023 € | 1 August 2021 to 31 July 2022 € |
|---|---|---|---|
| **Operating income/(loss) and financing charges** | | | |
| Net gain/(loss) on financial assets at fair value through profit or loss | 4 | 28,864,239 | (4,655,709) |
| 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 | | 8,860,282 | (8,581,270) |
| Net (loss)/gain on interest rate derivatives | | (4,416,619) | 497,784 |
| Net bank interest income/(expense) | | 525,417 | (28,273) |
| | | 33,833,319 | (12,767,468) |
| **Operating expenditure** | | | |
| Investment Manager management fees | 17 | (3,341,218) | (3,914,867) |
| Investment Manager performance fees | 17 | (2,289,213) | - |
| Operating expenses | 5 | (1,228,912) | (1,165,838) |
| | | (6,859,343) | (5,080,705) |
| **Total comprehensive income/(loss)** | | 26,973,976 | (17,848,173) |
| Basic and diluted earnings/(loss) per Ordinary share | 7 | €0.7374 | (€0.4879) |

**Other comprehensive income**
There were no items of other comprehensive income in either the current year or prior year.

The Notes on pages 46 to 77 form part of these financial statements.

# STATEMENT OF FINANCIAL POSITION

**AS AT 31 JULY 2023**

| | Notes | 31 July 2023 € | 31 July 2022 € |
|---|---|---|---|
| **ASSETS** | | | |
| Financial assets at fair value through profit or loss | 9 | 220,300,413 | 214,055,782 |
| Derivatives at fair value through profit or loss | | 6,382,316 | 2,983,580 |
| Trade and other receivables | 10 | 120,240 | 90,415 |
| Cash and cash equivalents | | 22,577,210 | 16,785,254 |
| Balances due from broker – margin accounts | | 5,130,000 | 8,995,192 |
| **TOTAL ASSETS** | | 254,510,179 | 242,910,223 |
| **EQUITY AND LIABILITIES** | | | |
| **Capital and reserves** | | | |
| Share capital | 12 | - | - |
| Share premium | 13 | 35,808,120 | 35,808,120 |
| Other distributable reserves | 14 | 1,136,348 | 19,775,011 |
| Accumulated gain | 14 | 199,038,620 | 172,064,644 |
| **TOTAL SHAREHOLDERS' EQUITY** | | 235,983,088 | 227,647,775 |
| **LIABILITIES** | | | |
| Derivatives at fair value through profit or loss | | 5,264,057 | 9,323,607 |
| Trade and other payables | 11 | 7,093,034 | 5,938,841 |
| Balances due to broker – margin accounts | | 6,170,000 | - |
| **TOTAL LIABILITIES** | | 18,527,091 | 15,262,448 |
| **TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES** | | 254,510,179 | 242,910,223 |
| NAV per Ordinary share | 8 | €6.4510 | €6.2232 |

These financial statements on pages 42 to 77 were approved and authorised for issue by the Board of Directors on 9 November 2023 and were signed on its behalf by:

**Dagmar Kershaw**
*Chair*

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

The Notes on pages 46 to 77 form part of these financial statements.

# STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
## FOR THE YEAR ENDED 31 JULY 2023

| | Notes | Share premium € | Other distributable reserves € | Accumulated gain € | Total € |
|---|---|---|---|---|---|
| **Balance at 31 July 2021** | | **35,808,120** | **40,611,183** | **189,912,817** | **266,332,120** |
| Comprehensive loss for the year | | - | - | (17,848,173) | (17,848,173) |
| Net settlement of Directors fees share based payment at a discount to NAV | 14 | - | 14,859 | - | 14,859 |
| Dividends paid in cash | 6,14 | - | (20,851,031) | - | (20,851,031) |
| **Balance at 31 July 2022** | | **35,808,120** | **19,775,011** | **172,064,644** | **227,647,775** |
| Comprehensive income for the year | | - | - | 26,973,976 | 26,973,976 |
| Net settlement of Directors fees share based payment at a discount to NAV | 14 | - | 13,988 | - | 13,988 |
| Dividends paid in cash | 6,14 | - | (18,652,651) | - | (18,652,651) |
| **Balance at 31 July 2023** | | **35,808,120** | **1,136,348** | **199,038,620** | **235,983,088** |

The Notes on pages 46 to 77 form part of these financial statements.

# STATEMENT OF CASH FLOWS

## FOR THE YEAR ENDED 31 JULY 2023

| | Notes | 1 August 2022 to 31 July 2023 € | 1 August 2021 to 31 July 2022 € |
|---|---|---|---|
| **Cash flows generated from operating activities** | | | |
| Comprehensive income/(loss) | | 26,973,976 | (17,848,173) |
| Adjustments for: | | | |
| - Net (gain)/loss on financial assets at fair value through profit or loss | 4 | (28,864,239) | 4,655,709 |
| - Net foreign exchange (gain)/loss on revaluation of derivatives | | (8,860,282) | 8,581,270 |
| - Net loss/(gain) on revaluation of interest rate derivatives | | 4,416,619 | (497,784) |
| - Net settlement of Directors fees share based payment | 14 | 13,988 | 14,859 |
| Coupons and dividends received | | 46,987,096 | 44,267,998 |
| Decrease/(increase) in trade and other receivables, excluding amounts due from brokers and interest receivable | 10 | 11,218 | (13,287) |
| Increase/(decrease) in trade and other payables, excluding amounts due to brokers | 11 | 2,041,693 | (10,505,154) |
| **Net cash generated from operating activities** | | 42,720,069 | 28,655,438 |
| **Cash flows generated from investing activities** | | | |
| Purchases of financial assets at fair value through profit or loss | | (40,523,934) | (51,232,837) |
| Proceeds from sales and redemptions of financial assets at fair value through profit or loss | | 15,227,903 | 51,253,519 |
| Net income/(settlement) on derivative instruments | | 7,020,569 | (9,259,248) |
| **Net cash used in investing activities** | | (18,275,462) | (9,238,566) |
| **Cash flows used in financing activities** | | | |
| Dividends paid to Shareholders | 6 | (18,652,651) | (20,851,031) |
| **Net cash used in financing activities** | | (18,652,651) | (20,851,031) |
| **Net increase/(decrease) in cash and cash equivalents** | | 5,791,956 | (1,434,159) |
| Cash and cash equivalents at the beginning of the year | | 16,785,254 | 18,219,413 |
| **Cash and cash equivalents at the end of the year** | | 22,577,210 | 16,785,254 |

The Notes on pages 46 to 77 form part of these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

**FOR THE YEAR ENDED 31 JULY 2023**

**1. GENERAL INFORMATION**

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 LSE. Volta's home member state for the purposes of the EU Transparency Directive is the Netherlands. As such, Volta is subject to regulation and supervision by AFM, being the financial markets supervisor in the Netherlands.

**2. ACCOUNTING POLICIES**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to the years presented.

**2.1 Basis of preparation**

***a) Statement of compliance***

The financial statements of the Company, which give a true and fair view, and comply with the Companies (Guernsey) Law, 2008 (as amended) and have been prepared in accordance with IFRS issued by the IASB and interpretations issued by the IFRS Interpretations Committee and applicable law. Certain comparative disclosures were amended to conform to current year presentation.

***b) Basis of measurement***

These financial statements have been prepared on a historical cost convention basis, except for the revaluation of financial instruments classified at fair value through profit or loss. The methods used to measure fair value are further disclosed in Note 3.

***c) Functional and presentation currency***

These financial statements are presented in Euro (rounded to the nearest whole Euro), which is the Company's functional and presentation currency. In the Directors' opinion, the Euro is the Company's functional currency as the Company has issued its share capital denominated in Euro and the Company partially hedges the principal of its US Dollar investments such that its principal exposure is to the Euro.

***d) Use of estimates and judgements***

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

The estimates and underlying assumptions are reviewed on an ongoing basis, and include consideration of the current economic and geopolitical environment. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements include the determination of the fair value as described in:

- Note 2.4(b) - Recognition, measurement and derecognition of financial assets
- Note 3 – Determination of fair values; and
- Note 15 – Financial risk management.

***(e) New standards, amendments and interpretations***

A number of amendments and interpretations to existing standards have come into effect during the year ended 31 July 2023 that are not relevant to the Company's operations and therefore have no impact on the Company's financial statements.

***(f) Standards, amendments and interpretations issued but not yet effective***

There are no other standards, amendments to standards and interpretations that are issued but not yet effective, that will significantly affect the Company's financial statements.

## 2. ACCOUNTING POLICIES (CONTINUED)

### 2.2 Going concern

***Statement of going concern***

The Directors have considered the state of financial market conditions at the period end date and subsequently. Whilst macro-economic and political events (inflation, rising interest rates, the war in Ukraine) have put pressure on the borrowers underlying the Company's portfolio, their impact to date has been small and is expected to remain immaterial in the foreseeable future. In particular, the impact on the Company's cash flows is not expected to be material and appropriate steps, as outlined in previous reports, 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.

***2.3 Foreign currencies***

Transactions in foreign currencies are initially translated at the foreign currency exchange rate ruling at the date of the transaction. Monetary assets and monetary liabilities denominated in foreign currencies are retranslated to Euro at the foreign currency closing exchange rate ruling at the reporting date.

Foreign currency exchange differences arising on retranslation of monetary items are recognised in the Statement of Comprehensive Income under the heading of "Net foreign exchange 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".

For the purposes of foreign currency retranslation, all of the Company's investments are considered to represent monetary items as all such investments are considered to be readily convertible into money, or money's worth.

### 2.4 Financial instruments

***Financial assets***

***(a) Classification***

The Company classifies its investments and derivative financial instruments (as applicable – refer below) as financial assets at fair value through profit or loss. Financial assets also include cash and cash equivalents as well as trade and other receivables which are measured at amortised cost.

***(b) Recognition, measurement and derecognition***

*Financial assets at fair value through profit or loss*

While the Company holds the majority of its investments for long periods in order to collect the contractual cash flows arising therefrom, it will not necessarily hold its investments until maturity. Instead the Company will sell such investments if other investments with better risk/reward profiles are identified. In addition, debt investments may be purchased at a significant discount or premium to par. Therefore, in the opinion of the Directors, the Company's business model as defined by IFRS 9 is to manage its investments on a fair value basis. Consequently, the Company is required to classify its investments as financial assets at fair value through profit or loss. Upon initial recognition, attributable transaction costs are recognised in the Statement of Comprehensive Income when incurred. Financial assets at fair value through profit or loss are measured at fair value and changes therein are recognised in the Statement of Comprehensive Income.

*Derivatives*

The Company holds derivative financial instruments to minimise its exposure to foreign exchange risks and from time to time may also hold derivative financial instruments to manage its exposure to interest rate risks or for economic leveraging. Derivatives are classified as financial assets or financial liabilities at fair value through profit or loss and are initially recognised at fair value; attributable transaction costs are recognised in the Statement of Comprehensive Income when incurred. Subsequent to initial recognition, derivatives are measured at fair value and changes therein are recognised in the Statement of Comprehensive Income. The fair values of derivative transactions are measured at their market prices at the reporting date.

Financial assets are initially recognised in the Company's Statement of Financial Position when the Company becomes party to the contractual provisions of a given instrument. Routine purchases and sales of financial instruments are recognised on the trade date. Gains and losses are recognised from that date. Interest accrued as at the date of acquisition is included within the cost of an investment and interest accrued as at the date of sale is included within the sale proceeds for an investment.

Financial assets are derecognised when the contractual rights to cash flows from the assets expire or the Company transfers the financial assets and substantially all of the risks and rewards of ownership have been transferred.

**2. ACCOUNTING POLICIES (CONTINUED)**
**2.4 Financial Instruments (Continued)**
***Financial Liabilities***
***(a) Classification***
The Company classifies its loan financing received under the repurchase agreement at amortised cost and derivative financial instruments (as applicable – refer above) as financial liabilities at fair value through profit or loss. Financial liabilities also include interest payable on loan financing and trade and other payables which are measured at amortised cost.

***(b) Recognition, measurement and derecognition***
Financial liabilities are recognised initially at fair value plus any directly attributable incremental costs of acquisition or issue and are subsequently carried at amortised cost. Financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled or expires.

***2.5 Share capital***
*Ordinary shares, Class B Ordinary share and Class C Ordinary shares (together the "Ordinary shares")*
The Company's Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of Ordinary shares and share options are recognised as a deduction in equity and are charged to the share premium account. The initial set-up costs of the Company were charged to the share premium account.

***2.6 Cash and cash equivalents***
Cash and cash equivalents include cash in hand, money market funds and deposits held at call with banks. Cash equivalents, which may include US Treasury Bills, are short term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

Cash collateral provided in respect of derivatives is not included in cash and cash equivalents but disclosed as "Balances due to/from broker - margin accounts" in the Statement of Financial Position.

***2.7 Net gain/(loss) on financial assets at fair value through profit or loss***
The net gain/(loss) on financial assets at fair value through profit or loss comprises interest income on funds invested, dividend income, net realised gains and/or losses on disposal of financial assets, net positive and/or negative changes in the fair value of financial assets at fair value through profit or loss and foreign exchange retranslation gains and/or losses. Income from CLOs is recognised on an accruals basis and form part of Financial assets at fair value through profit or loss balance.

The net realised gain/(loss) on financial assets at fair value through profit or loss are calculated as the difference between the total sale or redemption proceeds received, including accrued interest if applicable, and the fair value of the relevant financial asset as at the beginning of the financial year or its cost including accrued interest if purchased during the financial year. Interest income is recognised on the due date of such income. Dividend income is recognised in the Statement of Comprehensive Income on the date the Company's right to receive payments is established, which is usually the ex-dividend date.

***2.8 Operating expenses***
Operating expenses are recognised on an accruals basis and are recognised in the Statement of Comprehensive Income.

***2.9 Taxation***
The Company has applied for and been granted exemption from liability to income tax in Guernsey under the Income Tax (Exempt Bodies) (Guernsey) Ordinance, 1989 as amended by the Director of Income Tax in Guernsey for the current period. Exemption must be applied for annually and will be granted, subject to the payment of an annual fee, which is currently fixed at £1,200 per applicant, provided the Company qualifies under the applicable legislation for exemption.

It is the intention of the Directors to conduct the affairs of the Company so as to ensure that it continues to qualify for exempt company status for the purposes of Guernsey taxation.

***2.10 Dividends payable***
Dividends to Shareholders are recorded through the Statement of Changes in Shareholders' Equity when they are declared to Shareholders.

***2.11 Segment 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).

## 2. ACCOUNTING POLICIES (CONTINUED)

### *2.12 Share-based payment transactions*

The Directors of the Company each receive 30% of their Director's fee for any year in the form of Ordinary shares. The share-based payment awards vest immediately as the Directors are not required to satisfy a specified vesting period before becoming unconditionally entitled to the instruments granted.

Whilst the Company's Ordinary shares continue to trade at a discount to the most recently available NAV, the Directors receive 30% of their fees in respect of any year in the form of Ordinary shares purchased on the secondary market. The number of Ordinary shares purchased on the secondary market is determined using the most recently available NAV. These are recognised as a Directors' fee within Operating Expenses with a corresponding increase in equity. The Directors may seek to amend the policy, should the Ordinary shares trade at a premium to NAV in the future, resulting in a loss to the Company.

### *2.13 Earnings per Share*

The Company presents basic and diluted EPS data for its Ordinary Shares. Basic and diluted EPS is calculated by dividing the profit or loss attributable to Ordinary Shareholders by the weighted average number of Ordinary Shares outstanding during the year.

### *2.14 Offsetting*

Financial assets and liabilities are offset and the net amount is reported within assets and liabilities where there is a legally enforceable right to set-off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

## 3. 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 15.

The valuation methodologies applied, which includes the consideration of 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.
- The REO position is valued using an independent third party bid price. One BBS transaction (Colonnade 2017-1) is valued at par plus accrued based on information received of early repayment to occur in August 2023.
- Fund investments are valued at NAV as of the year end, except the CMV which is valued under a sum-of-the parts method with all CLO equities investments valued based on JP Morgan PricingDirect (in line with CLO Equities directly held by the Company).
- 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 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.

The Investment Manager reviews the 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 at 31 July 2023 (31 July 2022: no such adjustments 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.

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

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 represent 82.3% as at 31 July 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 July 2023, approximately 1.6% (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.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**FOR THE YEAR ENDED 31 JULY 2023**

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

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

| Asset classes | % of financial assets at fair value through profit or loss as at 31 July 2023 | % of financial assets at fair value through profit or loss as at 31 July 2022 | Valuation methodology |
|---|---|---|---|
| SCC BBS | 4.4% | 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%). One BBS transaction (Colonnade 2017-1) is valued at par plus accrued based on information received of early repayment to occur in August 2023. |
| Investments in funds (includes ABS debt, CCC equity and SCC BBS positions) | 1.6% | 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 July 2023 in respect of distributions/calls respectively. |
| SSC REO | 1.0% | 1.5% | Valued at the bid price received by a 3rd party investor with knowledge of the transaction. Based on a Discounted projected cash-flow model-based valuation, this bid is equivalent to a yield of 16.0%. As at 31 July 2022, a discounted projected cash-flow model-based valuation using a yield of 19.0% was used. |
| Recently purchased assets | 1.2% | 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 | 3.1% | 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 | 0.9% | 1.5% | Discounted projected cash flow model-based valuation using a discount rate of 8.96% 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% | Valued under a sum-of-the parts method with all CLO equities investments valued based on JP Morgan PricingDirect (in line with CLO Equities directly held by the Company). As at 31 July 2022, CMV was valued using a Discounted Cash Flow model based on cash flow projection considering market and comparable transactions parameters. |
| Fee Rebates | 0.2% | 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 | 17.7% | 17.3% | |

**4. 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 year ended 31 July 2023:

| | Net realised (loss)/gain on sales and redemptions on financial assets at fair value through profit or loss | Net unrealised (loss)/gain on financial assets at fair value through profit or loss | Coupon and dividend income | Net gain/(loss) on financial assets at fair value through profit or loss |
|---|---|---|---|---|
| | € | € | € | € |
| CLO – USD equity | (1,957,164) | (12,189,853) | 15,736,843 | 1,589,826 |
| CLO – EUR equity | 37,656 | 1,190,507 | 15,725,802 | 16,953,965 |
| CLO – USD debt | - | (7,132,957) | 5,397,539 | (1,735,418) |
| CLO – EUR debt | - | 2,375,399 | 2,983,061 | 5,358,460 |
| CLO – CMV | - | (220,485) | 2,233,463 | 2,012,978 |
| CLO Warehouse | 168,217 | 768,882 | 975,858 | 1,912,957 |
| SCC BBS | (1,668,852) | 706,891 | 1,477,600 | 515,639 |
| CCC equity | (12,552) | 909,405 | 100,438 | 997,291 |
| ABS Residual | - | (1,155,600) | 2,414,141 | 1,258,541 |
| | (3,432,695) | (14,747,811) | 47,044,745 | 28,864,239 |

The following table represents the net loss on financial assets at fair value through profit or loss by asset class for the year ended 31 July 2022:

| | Net realised (loss)/gain on sales and redemptions on financial assets at fair value through profit or loss | Net unrealised (loss)/gain on financial assets at fair value through profit or loss | Coupon and dividend income | Net (loss)/gain on financial assets at fair value through profit or loss |
|---|---|---|---|---|
| | € | € | € | € |
| CLO – USD equity | (763,226) | (10,203,581) | 16,970,092 | 6,003,285 |
| CLO – EUR equity | 382,272 | (33,492,593) | 16,330,561 | (16,779,760) |
| CLO – USD debt | (665,484) | 1,300,684 | 4,140,111 | 4,775,311 |
| CLO – EUR debt | 248,100 | (5,160,354) | 1,349,568 | (3,562,686) |
| CLO – CMV | - | (2,065,602) | 2,067,992 | 2,390 |
| CLO Warehouse | 152,662 | - | 311,528 | 464,190 |
| SCC BBS | (575,787) | 3,181,916 | 1,437,430 | 4,043,559 |
| CCC equity | (34,929) | 284,134 | 319,997 | 569,202 |
| ABS Residual | - | (171,200) | - | (171,200) |
| | (1,256,392) | (46,326,596) | 42,927,279 | (4,655,709) |

### 5. OPERATING EXPENSES

| | Notes | 1 August 2022 to 31 July 2023 € | 1 August 2021 to 31 July 2022 € |
|---|---|---|---|
| Directors' remuneration and expenses | 5.1 | (331,025) | (361,862) |
| Legal fees | | (14,690) | (26,116) |
| Administration fees | 5.2 | (256,490) | (276,341) |
| Audit fees, audit related and non-audit related fees | 5.3 | (163,542) | (157,415) |
| Insurance fees | | (57,528) | (41,758) |
| Depositary fees | | (52,534) | (53,654) |
| Other operating expenses | | (353,103) | (248,692) |
| | | (1,228,912) | (1,165,838) |

*5.1 Directors' remuneration and expenses*

| | 1 August 2022 to 31 July 2023 € | 1 August 2021 to 31 July 2022 € |
|---|---|---|
| Directors' fees (cash element, settled during the year) | 231,628 | 248,319 |
| Directors' fees (cash element, settled after the year end) | - | 4,128 |
| Directors' fees (equity element, settled during the year) | 73,125 | 81,672 |
| Directors' fees (equity element, settled after the year end) | 26,144 | 26,520 |
| Directors' expenses (settled during the year) | 128 | 1,223 |
| | 331,025 | 361,862 |

Each Director continues to receive 30% of their Director's fee in the form 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 €13,988 (31 July 2022: €14,859). Refer to Note 14 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 in the future.

Refer to the Directors Remuneration Report on page 33 for more detail regarding annual rates.

*5.2 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 year ended 31 July 2023, administration fees incurred were €256,490 (31 July 2022: €276,341).

*5.3 Audit fees, audit related and non-audit related fees*

The audit fee expensed for the financial year ended 31 July 2023 is €163,542 (31 July 2022: €157,415). There were no non-audit services provided to the Company by the Auditor or its affiliates during the year (31 July 2022: £nil).

## 6. DIVIDENDS

The following dividends were declared and paid during the years ended 31 July 2023 and 31 July 2022:

Paid and declared during the year ended 31 July 2023:

| Date Declared | Ex-dividend Date | Payment Date | Amount per Ordinary Share € | Total amount paid € |
|---|---|---|---|---|
| 10/07/2023 | 20/07/2023 | 03/08/2023 | 0.13 | 4,755,203 |
| 15/03/2023 | 23/03/2023 | 27/04/2023 | 0.13 | 4,754,752 |
| 08/12/2022 | 29/12/2022 | 26/01/2023 | 0.12 | 4,389,199 |
| 20/09/2022 | 29/09/2022 | 20/10/2023 | 0.13 | 4,753,497 |
| | | | | **18,652,651** |

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.

## 7. BASIC AND DILUTED EARNINGS/(LOSS) PER ORDINARY SHARE

| | 1 August 2022 to 31 July 2023 € | 1 August 2021 to 31 July 2022€ |
|---|---|---|
| Total comprehensive income/(loss) for the year | 26,973,976 | (17,848,173) |
| Basic and diluted earnings/(loss) per Ordinary share | 0.7374 | (0.4879) |

| | Number | Number |
|---|---|---|
| Weighted average number of Ordinary shares during the year | 36,580,580 | 36,580,580 |

## 8. NAV PER ORDINARY SHARE

| | 31 July 2023 € | 31 July 2022 € |
|---|---|---|
| Net asset value | 235,983,088 | 227,647,775 |
| Net asset value per Ordinary share | 6.4510 | 6.2232 |

| | Number | Number |
|---|---|---|
| Number of Ordinary shares at year end | 36,580,580 | 36,580,580 |

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**FOR THE YEAR ENDED 31 JULY 2023**

**9. 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 Statement of Comprehensive Income.

| | 31 July 2023 € | 31 July 2022 € |
|---|---|---|
| **Fair value brought forward** | 214,055,782 | 259,049,217 |
| Purchases | 39,636,434 | 52,792,837 |
| Sale and redemption proceeds | (15,211,297) | (50,203,284) |
| Net loss on financial assets at fair value through profit or loss (excluding coupon and dividend income) | (18,180,506) | (47,582,988) |
| **Fair value carried forward** | 220,300,413 | 214,055,782 |

| | 31 July 2023 € | 31 July 2022 € |
|---|---|---|
| Realised gain on sales and redemptions on financial assets at fair value through profit or loss | 213,063 | 1,992,578 |
| Realised loss on sales and redemptions on financial assets at fair value through profit or loss | (3,645,758) | (3,248,970) |
| Unrealised gain on financial assets at fair value through profit or loss | 11,441,676 | 9,244,099 |
| Unrealised loss on financial assets at fair value through profit or loss | (26,189,487) | (55,570,695) |
| Net loss on financial assets at fair value through profit or loss (excluding coupon and dividend income) | (18,180,506) | (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 beginning of the reporting period during which the change has occurred. Further information about the fair value hierarchy is disclosed below.

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

**Fair value hierarchy (Continued)**

The following tables analyse, within the fair value hierarchy, the Company's financial assets and liabilities (by class, excluding cash and cash equivalents, trade and other receivables and trade and other payables) measured at fair value at 31 July 2023 and 31 July 2022:

| | 31 July 2023 | | | |
|---|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** | **Total** |
| | **€** | **€** | **€** | **€** |
| Financial assets at fair value through profit or loss: – Securities | - | - | 220,300,413 | 220,300,413 |
| Financial assets at fair value through profit or loss: – Derivatives | - | 6,382,316 | - | 6,382,316 |
| Financial liabilities at fair value through profit or loss: – Derivatives | - | (5,264,057) | - | (5,264,057) |
| | **-** | **1,118,259** | **220,300,413** | **221,418,672** |

| | 31 July 2022 | | | |
|---|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** | **Total** |
| | **€** | **€** | **€** | **€** |
| 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** |

All 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 Company has determined the fair values of its investments as described in Note 3. 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, such as quoted forward exchange rates. The Company's interest rate derivatives (open futures and options positions) are classified within Level 1 as their prices are publicly available and they are exchange traded (no interest rate derivative positions were held as at 31 July 2023).

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

The following table represents the movement in Level 3 instruments for the year ended 31 July 2023:

| | **€** |
|---|---|
| **Fair value at 1 August 2022** | **214,055,782** |
| Purchases | 39,636,434 |
| Sale and redemption proceeds | (15,211,297) |
| Realised loss on sales and redemptions on financial assets at fair value through profit or loss | (3,432,695) |
| Unrealised loss on financial assets at fair value through profit or loss | (14,747,811) |
| **Fair value at 31 July 2023** | **220,300,413** |

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

| | **€** |
|---|---|
| **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) |
| Transfer of assets from level 2 to level 3 | 9,750,455 |
| **Fair value at 31 July 2022** | **214,055,782** |

**9. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)**

**Financial Assets at fair value through profit or loss reconciliation (Continued)**

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

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 July 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 analysis are not necessarily based upon the assumptions used by such sources as these are not made available to the Company, as explained in Note 3.

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 losses 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 losses 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 July 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 300bps for the first scenario & 500bps 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 a 150bps DM increase to illustrate sensitivity to this simple assumption.

**As at 31 July 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 | 23.9% | (20.9)% | (4.9)% | (49.0)% | (11.4)% | (8.9)% | (2.1)% |
| EUR CLO equity | 23.1% | (11.9)% | (2.7)% | (36.6)% | (7.7)% | (7.0)% | (1.6)% |
| USD CLO debt | 17.1% | (12.2)% | (2.1)% | (22.6)% | (3.8)% | (6.4)% | (1.1)% |
| EUR CLO debt | 14.0% | (15.4)% | (2.1)% | (23.8)% | (3.3)% | (8.0)% | (1.1)% |
| **All CLO tranches** | **78.1%** | | **(11.8)%** | | **(26.2)%** | | **(5.9)%** |

**9. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (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 CLOs. 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 4.7% at 31 July 2023 (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 0.04% increase or (0.22)% decrease respectively in the average prices of these assets, thereby leading to (0.01)% 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 July 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 | 4.7% | 0.05% | 0.0% | (0.2)% | (0.01)% |

**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 throughout Portugal, 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. Volta received a third party bid on the REO position. It is still to be noted the position is fully illiquid. As such, 1% change in price would have an impact on Volta's NAV of 1bp.

***Cash Corporate Credit Equity transactions***
As at 31 July 2023, the Company held two investments in this asset class (Tennenbaum Opportunities Fund V and Crescent European Specialty Lending Fund, with each representing 0.5% and 0.4% of the NAV) (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 severity of any such defaults as well as change in enterprise value regarding any equity derived from any restructuring event.

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

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

Tennenbaum Opportunities Fund V has a short remaining life, given that the fund is due to mature in October 2024. More than 97.9% of its current portfolio comprises unlisted equities (the largest equity representing 45.0% 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's 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 amortisation period. As the largest investment represents circa 31.9% 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 5bps drop (31 July 2022: 5bps) in the Company's NAV. Should the NAV of Crescent European Specialty Lending Fund increase (or decrease) by 5%, the NAV of the Company would increase (or decrease) by 2bps.

***ABS Residual positions***

As at 31 July 2023, the Company held one investment in this asset class (Fintake European Leasing DAC, representing 0.8% of the NAV) (31 July 2022: representing 1.4% of the NAV).

For Fintake European Leasing DAC, the main risk associated with this position at this point in time 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 140bps (31 July 2022: 100bps). An opposite WAL reduction would have a symmetrical impact.

### 10. TRADE AND OTHER RECEIVABLES

| | 31 July 2023<br>€ | 31 July 2022<br>€ |
|---|---|---|
| Prepayments and other receivables | 26,699 | 37,917 |
| Interest receivable | 93,541 | 35,892 |
| Amounts due from brokers | - | 16,606 |
| | **120,240** | **90,415** |

### 11. TRADE AND OTHER PAYABLES

| | 31 July 2023<br>€ | 31 July 2022<br>€ |
|---|---|---|
| Investment Manager management fees | 1,647,896 | 1,957,675 |
| Investment Manager performance fees | 2,289,213 | - |
| Directors' fees (cash payable) | - | 4,128 |
| Directors' fees (shares payable) | 26,144 | 26,520 |
| Amounts due to brokers | 2,612,500 | 3,500,000 |
| Accrued expenses and other payables | 517,281 | 450,518 |
| | **7,093,034** | **5,938,841** |

### 12. SHARE CAPITAL

***Authorised share capital***

| | 31 July 2023 Number of shares | 31 July 2022 Number of shares |
|---|---|---|
| Ordinary shares of no par value each | **Unlimited** | **Unlimited** |
| Class B convertible Ordinary share of no par value | **1** | **1** |
| Class C non-voting convertible Ordinary shares of no par value each | **Unlimited** | **Unlimited** |

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

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

There are no Class C shares currently in issue 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 held).

***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** | 36,580,580 | 1 | - | 36,580,581 |
| Issued to Directors during the year | - | - | - | - |
| **Balance at 31 July 2022** | 36,580,580 | 1 | - | 36,580,581 |
| Issued to Directors during the year | - | - | - | - |
| **Balance at 31 July 2023** | 36,580,580 | 1 | - | 36,580,581 |

The Directors of the Company receive 30 percent of his or her 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 year ended 31 July 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.
- 1 February 2023: 4,174 Ordinary Shares at an average price of €5.35 per share.
- 28 April 2023: 4,035 Ordinary Shares at an average price of €5.00 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.

As at 31 July 2023 and 31 July 2022, the Company held no treasury shares. Refer to page 34 for information on Director holdings in the Company's Ordinary shares.

### 13. SHARE PREMIUM ACCOUNT

| | Ordinary shares € | Class B share € | Class C shares € | Total € |
|---|---|---|---|---|
| **Balance at 31 July 2021** | **35,808,120** | **-** | **-** | **35,808,120** |
| Issued to Directors during the year | - | - | - | - |
| **Balance at 31 July 2022** | **35,808,120** | **-** | **-** | **35,808,120** |
| Issued to Directors during the year | - | - | - | - |
| **Balance at 31 July 2023** | **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 14).

### 14. RESERVES

| | Other distributable reserves € | Accumulated gain € |
|---|---|---|
| **At 31 July 2021** | 40,611,183 | 189,912,817 |
| Total comprehensive loss for the year | - | (17,848,173) |
| Net settlement of Directors fees share based payment | 14,859 | - |
| Dividends paid in cash | (20,851,031) | - |
| **At 31 July 2022** | **19,775,011** | **172,064,644** |
| Total comprehensive income for the year | - | 26,973,976 |
| Net settlement of Directors fees share based payment | 13,988 | - |
| Dividends paid in cash | (18,652,651) | - |
| **At 31 July 2023** | **1,136,348** | **199,038,620** |

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 can 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.

### 15. FINANCIAL RISK MANAGEMENT

The main risks arising from the Company's financial instruments are market risk, valuation risk, interest rate risk, currency risk, credit risk, counterparty risk, concentration risk and liquidity risk.

**Market risk**

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

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

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

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

### 15. FINANCIAL RISK MANAGEMENT (CONTINUED)

**Valuation risk**

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

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

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

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

**Interest rate risk**

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

The CLO equity tranches held by the Company would be negatively impacted by an increase in interest rates due to a mismatch between the assets and liabilities base rate fixing date. In addition, Companies can elect at each reset of base rate, to use either 1 month, 3 month or 6 month option depending on the loan documentation. Conversely, any increase in such interest rates would generally benefit the Company's floating rate assets.

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

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

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

**15. FINANCIAL RISK MANAGEMENT (CONTINUED)**

**Currency risk**

Currency risk is the risk that the values of the Company's assets and liabilities are adversely affected by changes in the values of foreign currencies by reference to the Company's functional currency.

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

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

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

| **Currency risk profile as at 31 July 2023** | **Denominated in EUR €** | **Denominated in USD €** | **Denominated in GBP €** | **Total €** |
|---|---|---|---|---|
| Financial assets at fair value through profit or loss | 102,974,038 | 117,326,375 | - | 220,300,413 |
| Derivative contracts - assets | 6,382,316 | - | - | 6,382,316 |
| Derivative contracts - liabilities | (5,264,057) | - | - | (5,264,057) |
| Trade and other receivables | 18,130 | 93,540 | 8,570 | 120,240 |
| Cash and cash equivalents | 6,649,456 | 15,925,024 | 2,730 | 22,577,210 |
| Balances due from broker – margin accounts | 5,130,000 | | | 5,130,000 |
| Balances due to broker – margin accounts | (6,170,000) | - | - | (6,170,000) |
| Trade and other payables | (6,881,377) | - | (211,657) | (7,093,034) |
| | 102,838,506 | 133,344,939 | (200,357) | 235,983,088 |

The following foreign exchange swaps and options were unsettled as at 31 July 2023:

| Description of open positions | **Nominal amount USD** | **Average strike price $/€** |
|---|---|---|
| Forward foreign exchange contracts (USD sold forward vs. EUR) | 120,000,000 | 1.09 |
| Forward foreign exchange contracts (EUR sold forward vs. USD) | 10,000,000 | 1.09 |
| Long position – USD calls vs. EUR | 80,000,000 | 0.99 |
| Short position – USD puts vs. EUR | 80,000,000 | 1.16 |

| | **Gross amounts recognised €** | **Net amounts with each broker €** | **Related amounts not offset in the statement of financial position (balances due from/to broker – margin accounts) €** | **Net amount €** |
|---|---|---|---|---|
| Derivative contracts - assets | 6,382,316 | 5,687,921 | (6,170,000) | (482,079) |
| Derivative contracts - liabilities | (5,264,057) | (4,569,658) | 5,130,000 | 560,342 |

### 15. FINANCIAL RISK MANAGEMENT (CONTINUED)

**Currency risk (Continued)**

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

| Currency rate sensitivity as at 31 July 2023 | Impact of an appreciation in foreign exchange rates by 10% vs € | | Impact of a depreciation in foreign exchange rates by 10% vs € | |
|---|---|---|---|---|
| | Price impact on NAV | Percentage impact on NAV | Price impact on NAV | Percentage impact on NAV |
| USD/EUR | 5,926,335 | 2.51% | (7,049,639) | (2.99)% |

| Currency risk profile as at 31 July 2022 | Denominated in EUR € | Denominated in USD € | Denominated in GBP € | Denominated in CHF € | Total € |
|---|---|---|---|---|---|
| Financial assets at fair value through profit or loss | 84,643,438 | 129,412,344 | - | - | 214,055,782 |
| Derivative contracts – assets | 2,611,075 | 372,505 | - | - | 2,983,580 |
| Derivative contracts – liabilities | (8,912,947) | (410,660) | - | - | (9,323,607) |
| Trade and other receivables | 44,689 | 31,507 | 14,219 | - | 90,415 |
| Cash and cash equivalents | 5,609,056 | 11,012,991 | 163,207 | - | 16,785,254 |
| Balances due from broker – margin accounts | 6,650,000 | 2,345,192 | - | - | 8,995,192 |
| Trade and other payables | (5,778,753) | - | (160,088) | - | (5,938,841) |
| | 84,866,558 | 142,763,879 | 17,338 | - | 227,647,775 |

The following foreign exchange swaps and options were unsettled as at 31 July 2022:

| Description of open positions | Nominal amount USD | Average strike price $/€ |
|---|---|---|
| Forward foreign exchange contracts (USD sold forward vs. EUR) | 125,000,000 | 1.11 |
| Long position – USD calls vs. EUR | 80,000,000 | 1.03 |
| Short position – USD puts vs. EUR | 80,000,000 | 1.18 |

| | Gross amounts recognised € | Net amounts with each broker € | Related amounts not offset in the statement of financial position (balances due from broker – margin accounts) € | Net amount € |
|---|---|---|---|---|
| Derivative contracts – assets | 2,983,580 | - | - | - |
| Derivative contracts – liabilities | (9,323,607) | (6,340,027) | 8,995,192 | 2,655,165 |

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

| Currency rate sensitivity as at 31 July 2022 | Impact of an appreciation in foreign exchange rates by 10% vs € | | Impact of a depreciation in foreign exchange rates by 10% vs € | |
|---|---|---|---|---|
| | Price impact on NAV | Percentage impact on NAV | Price impact on NAV | Percentage impact on NAV |
| USD/EUR | 792,545 | 0.35% | (13,148,000) | (5.78)% |

### 15. FINANCIAL RISK MANAGEMENT (CONTINUED)

**Credit counterparty risk**

Credit and counterparty risk is the risk of financial loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The carrying amounts of financial assets best represent the maximum credit risk exposure at the reporting date. At the reporting date, the Company's financial assets exposed to credit risk are financial assets at fair value through profit or loss, open foreign exchange contracts, interest rate derivatives and cash and cash equivalents.

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

CLO residual positions are negatively exposed to an increase in default rates, to an increase in the percentage of assets rated CCC or below and to a significant decrease in underlying loan prices. Nonetheless, the spread tightening impact can also be mitigated through a refinancing or reset of the CLO liabilities at any point in time after the end of the CLO non-call period.

As at 31 July 2023, the Company directly held 25 positions in debt tranches of CLOs (31 July 2022: 20) accounting for 31.1% of Volta's end-of-year NAV (31 July 2022: 29.5%). The investments in debt tranches of CLOs have been in tranches initially rated between BB (second loss position) and BBB (generally third loss position). These positions, as for the residual holdings, have cash flows that are sensitive to the level of defaults and the percentage of assets rated CCC or lower in the underlying loan portfolio. Nevertheless, these tranches are structured to be able to absorb a higher level of defaults in the underlying loans portfolio than residual holdings, given their second, third and even higher loss ranking.

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

As at the year ended 31 July 2023, the Company held one (31 July 2022: nil) CLO Warehouse investments.

The Company is also exposed to a Capitalised Manager Vehicle which is exposed to similar risks as CLO equity and Warehouse exposures globally. The targeted return from the investment is in the mid to high-teens for a six to nine-year weighted average life. In addition to the CLO equity risks defined above, it is also exposed to liquidity risk and to regulation risk given that a change in regulation in the US or in Europe could alter the business purpose of the entity or certain levels of restructuring costs. As it is capitalising a single entity, it is also incorporating correlation risks between the various sub-investments as well as a strong reliance on key people and processes inside each CLO manager's entity.

The ABS positions comprise of one (31 July 2022: one) investment: French leases ABS Residual position (Fintake European Leasing DAC), representing 100.0% (31 July 2022: 100.0%) of the fair value of this asset class and 0.8% (31 July 2022: 1.4%) of the NAV.

The Cash Corporate Credit assets include two positions: one loan fund (Tennenbaum) and one private debt fund (Crescent). The Synthetic Corporate Credit bucket comprises first-loss positions in credit portfolios, representing 5.7% (31 July 2022: 6.5%) of the NAV. There have not been any credit event on loan fund positions during the year.

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

On 1 August 2018, the Company appointed BNP Paribas as Depositary and, subsequently, all of the Company's cash is held with BNP Paribas. Bankruptcy or insolvency by BNP Paribas may cause the Company's rights with respect to the cash held there to be delayed or limited. To limit the Company's exposure to any single counterparty, the Board has requested that the Investment Manager should avoid holding cash balances in excess of 6% of GAV at BNP Paribas, or in excess of 3% of GAV at any other single counterparty, other than on a short-term basis if necessary. Cash in excess of this level for any significant length of time is invested in short-term money market funds, short-term government treasury bills or other cash equivalents.

**15. FINANCIAL RISK MANAGEMENT (CONTINUED)**

**Credit counterparty risk (Continued)**

The Company may invest in forward foreign currency transactions, foreign currency options, total return swaps, credit default swaps and other derivatives with various financial institution counterparties for the purposes of hedging or securing investment exposure to portfolios of diverse underlying reference obligations. The table below shows an analysis of derivative assets and derivative liabilities outstanding at 31 July.

| | Derivative assets | | Derivative liabilities | |
|---|---|---|---|---|
| | Fair Value / EUR Equivalent | Notional amount € | Fair Value / EUR | Notional amount € |
| **31 July 2023** | | | | |
| Foreign exchange forward derivatives | 3,172,752 | 86,476,140 | (638,193) | (33,206,259) |
| Foreign exchange option derivatives | 174,690 | 72,681,021 | (1,020,000) | (72,681,021) |
| Swaptions | - | - | (537,559) | (65,000,000) |
| Interest rate swaps | 3,034,874 | 97,500,000 | (3,068,305) | (97,500,000) |
| | **6,382,316** | **256,657,161** | **(5,264,057)** | **(268,387,280)** |

| | Derivative assets | | Derivative liabilities | |
|---|---|---|---|---|
| | Fair Value / EUR Equivalent | Notional amount € | Fair Value / EUR Equivalent | Notional amount € |
| **31 July 2022** | | | | |
| Foreign exchange forward derivatives | 155,885 | 31,125,081 | (7,992,472) | (81,651,082) |
| Foreign exchange option derivatives | 2,455,190 | 78,454,447 | (378,700) | (78,454,447) |
| Swaptions | - | - | (541,775) | (65,000,000) |
| Foreign exchange interest rate derivatives | 372,505 | 16,943 | (410,660) | (47,300) |
| | **2,983,580** | **109,596,471** | **(9,323,607)** | **(225,152,829)** |

The Company has not offset any financial assets and financial liabilities in the Statement of Financial Position.

The Company is exposed to counterparty credit risk in respect of these transactions. The Investment Manager employs various techniques to limit actual counterparty credit risk, including the requirement for cash margin payments or receipts for foreign currency derivative transactions on a weekly basis, or more frequently during years of high volatility. As at and during the financial year end, the Company's derivative counterparties were Crédit Agricole Corporate, Barclays Bank Plc and Citi Bank.

The Company monitors its counterparty risk by monitoring the credit ratings of Crédit Agricole, Barclays Bank, Citi Bank, Goldman Sachs, and BNP Paribas as reported by Standard & Poor's, Moody's or Fitch, and analyses any information that could imply deterioration in the financial position of its counterparties.

The current long-term issuer credit ratings assigned to each of these counterparties as at 31 July 2023 are as follows:

| Counterparties | Moody's | Standard & Poor's | Fitch |
|---|---|---|---|
| Crédit Agricole | Aa2 (stable) | AA- (stable) | AA- (stable) |
| Barclays Bank Plc | Baa1 (stable) | BBB+ (stable) | A (stable) |
| Citibank | A3 (stable) | BBB+ (stable) | A (stable) |
| Goldman Sachs | A2 (stable) | BBB+ (stable) | A (stable) |
| BNP Paribas | Aa3 (stable) | A+ (stable) | AA- (stable) |

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

**15. FINANCIAL RISK MANAGEMENT (CONTINUED)**

**Risk relating derivatives**

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

**Concentration risk**

Concentration risk is risk of loss in value of an investment portfolio if an individual or group of exposures move together in an unfavourable direction. The Company may be exposed at any given time to any one corporate credit, counterparty, industry, region, country or asset class or to particular services or asset managers (in addition to the Investment Manager). As a result it may therefore be exposed to a degree of concentration risk. However, the Board considers that the Company is, in general, very diversified and that concentration risk is therefore not significant.

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

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

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

| Main asset class | Detailed classification | As at 31 July 2023 % (based on NAV) | As at 31 July 2022 % (based on NAV) |
|---|---|---|---|
| CLO | USD CLO equity | 23.9 | 28.1 |
| | EUR CLO equity | 23.1 | 22.3 |
| | USD CLO debt | 17.1 | 19.4 |
| | EUR CLO debt | 14.0 | 10.1 |
| | CMV | 5.0 | 5.6 |
| | CLO Warehouse | 2.8 | - |
| Synthetic Corporate Credit | Bank Balance Sheet transactions | 5.7 | 6.5 |
| Cash Corporate Credit | Cash Corporate Credit Equity | 0.9 | 0.8 |
| ABS | ABS Residual | 0.8 | 1.4 |
| | ABS debt | - | - |
| Net position | (includes cash, other liquid assets and trade payables) | 6.7 | 5.8 |

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**FOR THE YEAR ENDED 31 JULY 2023**

**15. FINANCIAL RISK MANAGEMENT (CONTINUED)**
**Concentration risk (Continued)**

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

| **As at 31 July 2023**<br>Issuer name | Industry group | Average exposure to individual issuers in the underlying CLO equity sub- portfolios as a % of Volta's NAV | Average exposure to individual issuers in the underlying CLO equity sub- portfolios as a % of Volta's total CLO equity positions |
|---|---|---|---|
| Altice France SA/France | Telecommunications | 0.85% | 1.8% |
| EG Group Ltd | Retail | 0.66% | 1.4% |
| Virgin Media Secured Finance PLC | Media | 0.65% | 1.4% |
| Nidda Healthcare Holding GmbH | Pharmaceuticals | 0.61% | 1.3% |
| Asurion LLC | Insurance | 0.51% | 1.1% |
| Emeria Europe SAS | Real Estate | 0.47% | 1.0% |
| BMC Software Inc | Software | 0.46% | 1.0% |
| Upfield BV | Food | 0.46% | 1.0% |
| McAfee LLC | Computers | 0.46% | 1.0% |
| Verisure Holding AB | Commercial Services | 0.45% | 1.0% |
| IVC Acquisition Ltd | Pharmaceuticals | 0.43% | 0.9% |
| Masmovil Holdphone SA | Telecommunications | 0.45% | 0.9% |
| Laboratoire Cerba | Healthcare-Services | 0.42% | 0.9% |
| United Group BV | Internet | 0.41% | 0.9% |
| Nouryon Finance BV | Chemicals | 0.41% | 0.9% |
| Auris Luxembourg III Sarl | Healthcare- Products | 0.41% | 0.9% |
| Solera Holdings Plc | Software | 0.40% | 0.9% |
| Biogroup-LCD SCM | Commercial Services | 0.39% | 0.8% |
| INEOS Group Holdings SA | Chemicals | 0.38% | 0.8% |
| Altice Financing SA | Media | 0.37% | 0.8% |

**15. FINANCIAL RISK MANAGEMENT (CONTINUED)**
**Concentration risk (Continued)**

| **As at 31 July 2022**<br>Issuer name | Industry group | Average exposure to individual issuers in the underlying CLO equity sub- portfolios as a % of Volta's NAV | Average exposure to individual issuers in the underlying CLO equity sub- portfolios as a % of Volta's total CLO equity positions |
|---|---|---|---|
| Altice France SA/France | Telecommunications | 1.01% | 2.0% |
| Carestream Health Inc | Healthcare-Products | 0.77% | 1.5% |
| EG Group Ltd | Retail | 0.70% | 1.4% |
| Virgin Media Secured Finance PLC | Media | 0.61% | 1.2% |
| Clarios Global LP | Auto Parts&Equipment | 0.52% | 1.0% |
| Nidda Healthcare Holding GmbH | Pharmaceuticals | 0.52% | 1.0% |
| Masmovil Holdphone SA | Telecommunications | 0.50% | 1.0% |
| Froneri International Ltd | Food | 0.50% | 1.0% |
| Philadelphia Energy Solutions Refining and Marketing LLC | Oil&Gas | 0.49% | 1.0% |
| BMC Software Inc | Software | 0.48% | 1.0% |
| Asurion LLC | Insurance | 0.44% | 0.9% |
| McAfee LLC | Computers | 0.43% | 0.9% |
| Upfield BV | Food | 0.41% | 0.8% |
| Magic Newco LLC | Software | 0.41% | 0.8% |
| Verisure Holding AB | Commercial Services | 0.40% | 0.8% |
| Telenet International Finance Luxembourg SA | Telecommunications | 0.37% | 0.7% |
| Ziggo Bond Co BV | Media | 0.35% | 0.7% |
| Laboratoire Cerba | Healthcare-Services | 0.35% | 0.7% |
| Amer Sports Oy | Leisure Time | 0.35% | 0.7% |
| United Group BV | Internet | 0.34% | 0.7% |

Based on the current weighting of CLO equity positions 46.3% of NAV (31 July 2022: 57.9% of NAV), the default as at 31 July 2023 of one underlying loan representing for example 1.0% (31 July 2022: 1.0%) of all the CLO equity underlying portfolios would have caused a decline of approximately 2.7% (31 July 2022: 2.0%) of NAV on a mark-to-market basis, assuming: liquidation of the relevant CLO equity tranches rather than the continuation of ongoing cash flow receipts from such CLO equity tranches; a standard recovery rate on the defaulted loan of 65.0% (31 July 2022: 65.0%); and, that CLO equity positions represent, on average, approximately a ten times leverage on the underlying loan portfolios. In practice, at the time of such default, it is likely that the impact on NAV would be mitigated by the fact that CLO equity valuations take into account the ongoing payments from these positions as well as the liquidation value. As a result, the Company has limited exposure to indirect concentration risk. Accumulation of defaults at the level of the underlying credit portfolios represents a greater risk to the Company.

**Re-investment risk**
A majority of the Company's directly held investments (CLO debt, most of the Bank Balance Sheet transactions and CLO equity positions) may be sensitive to spread compression. Spread compression in the loan market might increase the prepayment rate of loans causing the underlying loan portfolio of CLOs to carry a lower spread and then leading to lower ongoing cash flows for the CLO equity positions. This may be counter-balanced by the ability of CLOs to refinance and/or reset the cost of their liabilities in order to re-establish better terms for the CLO equity position. CLO debt and Bank Balance Sheet transactions are issued with a non-call period (usually between two and three years), after such non-call period, in the event of spread compression in these markets, Volta might experience these assets being called and might face the challenge of reinvesting in a context of a lower spread environment. One virtue of having a multi-asset-class strategy is that flexibility exists to re-allocate between asset classes in such cases.

**15. FINANCIAL RISK MANAGEMENT (CONTINUED)**

**Liquidity risk**

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

All liabilities of the Company are due within one financial year.

***Risks relating to leveraged exposure***

The Company's investment strategy involves a high degree of exposure to the risks of leverage. Investors in the Company must accept and be able to bear the risk of investment in a highly leveraged investment portfolio. Predominantly the leverage is provided through investment in structured leveraged instruments (embedded leverage) with no recourse to the Company's assets, but the Company may also participate in direct leverage transactions with recourse and consequent increased liquidity needs such as the loan financing received under the Repo in prior years.

***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 shares, share premium account, other distributable reserves and accumulated gain reserve. The capital of the Company is managed in accordance with its investment policy, in pursuit of its investment objectives. The Company seeks to attain its investment objectives by pursuing a multi-asset-class investment strategy. The investment strategy focuses on direct and indirect investments in, and exposures to, a variety of assets selected for the purpose of generating cash flows for the Company. The Board of Directors also monitors the level of dividends to Ordinary Shareholders.

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

### 16. INTERESTS IN OTHER ENTITIES

**Interests in unconsolidated structured entities**

IFRS 12 defines a structured entity as an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to the administrative tasks only and the relevant activities are directed by means of contractual agreements.

A structured entity often has some of the following features or attributes:

A) restricted activities;
B) a narrow and well defined objective;
C) insufficient equity to permit the structured entity to finance its activities without subordinated financial support; and
D) financing in the form of multiple contractually linked instruments that create concentrations of credit or other risks.

**Involvement with unconsolidated structured entities**

The Company has concluded that positions in which it invests, that are not subsidiaries for financial reporting purposes, meet the definition of unconsolidated structured entities because:

- the voting rights in the positions are not the dominant rights in deciding who controls them, as they relate to administrative tasks only;
- each of the positions activities are restricted by its prospectus; and
- the positions have narrow and well-defined objectives to provide investment opportunities to investors.

The Company's purpose is to provide access to various forms of underlying credit assets and it does this by investing in various entities which are structured in such a way as to enable the Company to obtain access to a diversified pool of such assets. These entities are created and promoted by various parties (and sometimes by the Company's own investment manager), to facilitate such access by various investors, but never solely for the Company's benefit. The Company's maximum notional holding out of all the notional holdings of any single entity is 33.3%. Other than uncalled commitments totalling €10.0m, the Company has no contingent liabilities to any of these entities or to other participants in them, nor does it provide financial support, or intend to provide financial support, to any party. The Company fair values all such structured entities and so the maximum loss it can suffer is capped at the current carrying value plus uncalled commitments.

IFRS 12 requires certain information to be disclosed in respect of "unconsolidated structured entities" to enable users of its financial statements to evaluate:

- the nature of, and risks associated with, its interests in an unconsolidated structured entity; and
- the effects of those interests on its financial position, financial performance and cash flows.

The Directors believe that such information is provided in various places in these financial statements, and in the paragraph above, but the following table summarises the information required by IFRS 12 in respect of the principal classes of structured entities held by the Company.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**FOR THE YEAR ENDED 31 JULY 2023**

**16. INTERESTS IN OTHER ENTITIES (CONTINUED)**

**Interests in unconsolidated structured entities (Continued)**

Below is a summary of the Company's holdings in non-subsidiary unconsolidated structured entities as at 31 July 2023:

| Structured Entity ("SE") | Line item in the statement of financial position | Nature | No of Investments | Range of the size of SEs Notional in €m | Average Notional of SEs in €m | Company's Holding Fair Value in €m | % of Total Financial Assets at Fair Value through Profit or Loss | Maximum exposure to losses and commitments in €m | Other* |
|---|---|---|---|---|---|---|---|---|---|
| **Mezzanine Note CLOs** | | | | | | | | | |
| North America | | | | | | | | | |
| Country of Incorporation: Cayman Islands | Financial assets at FVTPL | Broadly Syndicated sub-Investment Grade Secured Loans | 12 | 348-562 | 424 | 36.8 | 16.7% | 36.8 | Non-recourse |
| Europe | | | | | | | | | |
| Country of Incorporation: Jersey | Financial assets at FVTPL | Broadly Syndicated sub-Investment Grade Secured Loans | 1 | 361 | 361 | 3.7 | 1.7% | 3.7 | Non-recourse |
| Country of Incorporation: Ireland | Financial assets at FVTPL | Broadly Syndicated sub-Investment Grade Secured Loans | 12 | 372-505 | 434 | 33.0 | 15.0% | 33.0 | Non-recourse |
| **Total Mezzanine Note CLOs** | **Financial assets at FVTPL** | | **25** | | | **73.5** | **33.4%** | **73.5** | |
| **Income Note CLOs** | | | | | | | | | |
| North America | | | | | | | | | |
| Country of Incorporation: Cayman Islands | Financial assets at FVTPL | Broadly Syndicated sub-Investment Grade Secured Loans | 15 | 32-552 | 380 | 42.7 | 19.4% | 42.7 | Non-recourse |
| Country of Incorporation: Cayman Islands | Financial assets at FVTPL | Middle Market sub-Investment Grade Secured Loans | 1 | 383 | 383 | 2.4 | 1.1% | 2.4 | Non-recourse |
| Europe | | | | | | | | | |
| Country of Incorporation: Jersey | Financial assets at FVTPL | Middle Market sub-Investment Grade Secured Loans | 3 | 361-447 | 391 | 10.9 | 4.9% | 10.9 | Non-recourse |
| Country of Incorporation: Ireland | Financial assets at FVTPL | Broadly Syndicated sub-Investment Grade Secured Loans | 20 | 259-549 | 417 | 50.0 | 22.7% | 50.0 | Non-recourse |
| Country of Incorporation: Luxembourg | Financial assets at FVTPL | Real Estate properties | 1 | 17.0 | 17.0 | 2.2 | 1.0% | 2.2 | Non-recourse |
| Country of Incorporation: Netherlands | Financial assets at FVTPL | Broadly Syndicated sub-Investment Grade Secured Loans | 3 | 358-416 | 395 | 4.2 | 1.9% | 4.2 | Non-recourse |
| **Total Income Note CLOs** | **Financial assets at FVTPL** | | **43** | | | **112.4** | **51.0%** | **112.4** | |

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## FOR THE YEAR ENDED 31 JULY 2023

| Structured Entity ("SE") | Line item in the statement of financial position | Nature | No of Investments | Range of the size of SEs Notional in €m | Average Notional of SEs in €m | Company's Holding Fair Value in €m | % of Total Financial Assets at Fair Value through Profit or Loss | Maximum exposure to losses and commitments in €m | Other* |
|---|---|---|---|---|---|---|---|---|---|
| **Investment Funds** | | | | | | | | | |
| North America | | | | | | | | | |
| Country of Incorporation: United States | Financial assets at FVTPL | Directly originated sub-Investment Grade Secured Loans and Residential Mortgage Backed Securities | 1 | 94.8 | 94.8 | 1.1 | 0.5% | 1.1 | Non-recourse |
| Country of Incorporation: Cayman Islands | Financial assets at FVTPL | Directly originated sub-Investment Grade Secured Loans and Residential Mortgage Backed Securities | 1 | 13.3 | 13.3 | 1.0 | 0.5% | 1.0 | Non-recourse |
| Europe | | | | | | | | | |
| Country of Incorporation: France | Financial assets at FVTPL | Leases to corporates | 1 | 36.8 | 36.8 | 1.9 | 0.9% | 1.9 | Non-recourse |
| Country of Incorporation: Ireland | Financial assets at FVTPL | Subordinated Notes | 1 | 16.9 | 16.9 | 6.7 | 3.0% | 6.7 | Non-recourse |
| Country of Incorporation: Jersey | Financial assets at FVTPL | Subordinated Notes | 1 | 544.6 | 544.6 | 11.9 | 5.3% | 11.9 | Non-recourse |
| **Total Investment Funds** | **Financial assets at FVTPL** | | **5** | | | **22.6** | **10.2%** | **22.6** | **Non-recourse** |
| **Total** | | | **73** | | | **208.5** | **94.6%** | **208.5** | |

As at 31 July 2023, the Company did not hold any subsidiaries.

The Company has a percentage range of 0.01% - 33.3% notional holding out of the entire outstanding notional balances of the structured entities as at 31 July 2023.

During the financial year ended 31 July 2023, the Company did not provide financial support to the unconsolidated structured entities and has no intention of providing financial or other support. The assessment was done for the Company as a whole.

* The investments are non-recourse securities with no contingent liabilities, where the Company's maximum loss is capped at the current carrying value.

### 16. INTERESTS IN OTHER ENTITIES (CONTINUED)

**Interests in unconsolidated structured entities (Continued)**

Below is a summary of the Company's holdings in non-subsidiary unconsolidated structured entities as at 31 July 2022:

| Structured Entity ("SE") | Line item in the statement of financial position | Nature | No of Investments | Range of the size of SEs Notional in €m | Average Notional of SEs in €m | Company's Holding Fair Value in €m | % of Total Financial Assets at Fair Value through Profit or Loss | Maximum exposure to losses and commitments in €m | Other* |
|---|---|---|---|---|---|---|---|---|---|
| **Mezzanine Note CLOs** | | | | | | | | | |
| North America | | | | | | | | | |
| Country of Incorporation: Cayman Islands | Financial assets at FVTPL | Broadly Syndicated sub-Investment Grade Secured Loans | 12 | 401-608 | 492 | 44.1 | 20.6% | 44.1 | Non-recourse |
| Europe | | | | | | | | | |
| Country of Incorporation: Ireland | Financial assets at FVTPL | Broadly Syndicated sub-Investment Grade Secured Loans | 8 | 390-505 | 440 | 22.9 | 10.7% | 22.9 | Non-recourse |
| **Total Mezzanine Note CLOs** | **Financial assets at FVTPL** | | **20** | | | **67.0** | **31.3%** | **67.0** | **Non-recourse** |
| **Income Note CLOs** | | | | | | | | | |
| North America | | | | | | | | | |
| Country of Incorporation: Cayman Islands | Financial assets at FVTPL | Broadly Syndicated sub-Investment Grade Secured Loans | 15 | 36-602 | 415 | 54.1 | 25.3% | 54.1 | Non-recourse |
| Country of Incorporation: Cayman Islands | Financial assets at FVTPL | Middle Market sub-Investment Grade Secured Loans | 1 | 442 | 442 | 3.6 | 1.7% | 3.6 | Non-recourse |
| Europe | | | | | | | | | |
| Country of Incorporation: Jersey | Financial assets at FVTPL | Middle Market sub-Investment Grade Secured Loans | 1 | 395 | 395 | 5.6 | 2.6% | 5.6 | Non-recourse |
| Country of Incorporation: Ireland | Financial assets at FVTPL | Broadly Syndicated sub-Investment Grade Secured Loans | 18 | 65-549 | 396 | 46.6 | 21.8% | 46.6 | Non-recourse |
| Country of Incorporation: Luxembourg | Financial assets at FVTPL | Real Estate properties | 1 | 14.8 | 14.8 | 3.2 | 1.5% | 3.2 | Non-recourse |
| **Structured Entity ("SE")** | **Line item in the statement of financial position** | **Nature** | **No of Investments** | **Range of the size of SEs Notional in €m** | **Average Notional of SEs in €m** | **Company's Holding Fair Value in €m** | **% of Total Financial Assets at Fair Value through Profit or Loss** | **Maximum exposure to losses and commitments in €m** | **Other*** |
| Country of Incorporation: Netherlands | Financial assets at FVTPL | Broadly Syndicated sub-Investment Grade Secured Loans | 3 | 361-417 | 396 | 3.7 | 1.7% | 3.7 | Non-recourse |
| **Total Income Note CLOs** | **Financial assets at FVTPL** | | **39** | | | **116.8** | **54.6%** | **116.8** | **Non-recourse** |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **Investment Funds** | | | | | | | | | | |
| North America | | | | | | | | | | |
| Country of Incorporation: United States | Financial assets at FVTPL | Directly originated sub-Investment Grade Secured Loans and Residential Mortgage Backed Securities | 1 | 268.6 | 268.6 | 0.6 | 0.3% | 0.6 | Non-recourse | |
| Country of Incorporation: Cayman Islands | Financial assets at FVTPL | Directly originated sub-Investment Grade Secured Loans and Residential Mortgage Backed Securities | 1 | 16.7 | 16.7 | 1.3 | 0.6% | 1.3 | Non-recourse | |
| Europe | | | | | | | | | | |
| Country of Incorporation: France | Financial assets at FVTPL | Leases to corporates | 1 | 36.8 | 36.8 | 3.1 | 1.5% | 3.1 | Non-recourse | |
| Country of Incorporation: Jersey | Financial assets at FVTPL | Subordinated Notes | 1 | 588 | 588 | 12.7 | 5.9% | 12.7 | Non-recourse | |
| **Total Investment Funds** | **Financial assets at FVTPL** | | **4** | | | **17.7** | **8.3%** | **17.7** | **Non-recourse** | |
| **Total** | | | **63** | | | **201.5** | **94.1%** | **201.5** | | |

As at 31 July 2022, the Company did not hold any subsidiaries.

The Company has a percentage range of 0.01% - 33.3% notional holding out of the entire outstanding notional balances of the structured entities as at 31 July 2022.

During the financial year ended 31 July 2022, the Company did not provide financial support to the unconsolidated structured entities and has no intention of providing financial or other support. The assessment was done for the Company as a whole.

* The investments are non-recourse securities with no contingent liabilities, where the Company's maximum loss is capped at the current carrying value.

## 17. RELATED PARTIES

**Transactions with Directors**

For disclosure of Directors' remuneration, refer to Note 5. As at the year ended 31 July 2023, Directors' fees to be paid in cash of €nil had been accrued but not paid (31 July 2022: €4,128). Directors' fees to be paid in shares of €26,144 (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 July 2023, the Directors of the Company owned 0.24% (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 year, the investment management fees incurred were €3,341,218 (year ended 31 July 2022: €3,914,867). Investment management fees accrued but unpaid as at 31 July 2023 were €1,647,896 (year ended 31 July 2022: €1,957,675).

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 year, performance fees incurred were €2,289,213 (year ended 31 July 2022: €nil). Performance fees accrued but unpaid as at 31 July 2023 were €2,289,213 (year ended 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 3.20% of NAV as at 31 July 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; 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 investment in Bank Deleveraging Opportunity Fund are classified as AXA IM Managed Product 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.

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 July 2023 and 27.50% as at the date of approval of this report.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**FOR THE YEAR ENDED 31 JULY 2023**

**18. COMMITMENTS**
As at 31 July 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;
b) Aurium XI CLO Warehouse - €8,053,500 (31 July 2022: 12,250,000) remaining commitment from an original commitment of €14,000,000

**19. SUBSEQUENT EVENTS**
Management has evaluated subsequent events for the Company from 1 August 2023 to 9 November 2023, the date the financial statements were available to be issued. No particular event has materially affected the Company. However, the following points are pertinent:

On 1 August 2023, the Company purchased 4,124 Ordinary shares of no par value in the Company at an average price of €5.14 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 - 828 Ordinary shares
Stephen Le Page – 1,006 Ordinary shares
Dagmar Kershaw – 1,183 Ordinary shares
Yedau Ogoundele - 828 Ordinary shares
Joanne Peacegood - 279 Ordinary shares

In August 2023, BBS Colonnade Global 2017-1 was fully redeemed at par. The Company received a total proceeds of $8,000,000 on 7 August 2023 from this early redemption.

In August 2023 and September 2023, the Company made a further drawdown of €2,222,500 and €1,534,400 from Aurium XI CLO Warehouse. As at 9 November 2023, the remaining uncalled commitment was €4,296,600.

On 20 September 2023, Aurium XI CLO Warehouse priced into a European CLO and is expected to close on 21 November 2023.

On 20 September 2023, the Company declared a quarterly interim dividend of €0.13 per share, which was paid on 12 October 2023, amounting to €4.76 million.

On 1 November 2023, the Company purchased 4,549 Ordinary shares of no par value in the Company at an average price of €5.09 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 - 806 Ordinary shares
Stephen Le Page – 979 Ordinary shares
Dagmar Kershaw – 1,152 Ordinary shares
Yedau Ogoundele - 806 Ordinary shares
Joanne Peacegood - 806 Ordinary shares

The Company entered into two new warehouses post year end, with commitments of $8,000,000 and $11,500,000 respectively. As at 9 November 2023, the remaining uncalled commitments were $6,000,000 and $10,593,675 respectively.

# ALTERNATIVE PERFORMANCE MEASURES DISCLOSURE

## FOR THE YEAR ENDED 31 JULY 2023

**Alternative performance measures disclosure**
In accordance with ESMA Guidelines on APMs the Board has considered what APMs are included in the Annual 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 follows:

**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 higher or lower 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 July 2023, the Company's Ordinary shares traded at €5.08 on the Euronext Amsterdam (31 July 2022: €5.24). The Ordinary shares traded at a discount of 21.3% (31 July 2022: discount of 15.8%) to the NAV per Ordinary share of €6.4510 (31 July 2022: €6.2232).

**Ongoing charges**
The principal ongoing charges ratio (excluding performance fees) for the year ended 31 July 2023 was 2.02% (31 July 2022: 1.97%) and the ongoing charges ratio (including performance fees) for the year ended 31 July 2023 was 3.04% (31 July 2022: 1.97%). The AIC's methodology for calculating an ongoing charges figure is based on annualised ongoing charges (refer to table below) divided by average NAV in the period of €224,097,239 (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 the principal ongoing charges (excluding performance fees) and the ongoing charges (including performance fees) reconciliation for the years ended 31 July 2023 and 31 July 2022:

| | **31 July 2023 €** | **31 July 2022 €** |
|---|---|---|
| Expenses included in the calculation of ongoing charges figures, in accordance with AIC's methodology: | | |
| Management fees | (3,341,218) | (3,914,867) |
| Legal and professional fees | (277,815) | (228,264) |
| Administration fees | (587,515) | (638,203) |
| Sundry expenses | (313,056) | (261,314) |
| **Total principal ongoing charges for the year** | **(4,519,604)** | **(5,042,648)** |
| Performance fees | (2,289,213) | - |
| **Total ongoing charges for the year (including performance fees)** | **(6,808,817)** | **(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 years ended 31 July 2023 and 31 July 2022.

**Internal Rate of Return**
The Internal Rate of Return is calculated as the gross projected future return on Volta's investment portfolio as at 31 July 2023 under standard AXA IM assumptions. As at 31 July 2023, the IRR is 21.8% (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.

[1] - Source: Bloomberg

# ALTERNATIVE PERFORMANCE MEASURES DISCLOSURE (CONTINUED)

## FOR THE YEAR ENDED 31 JULY 2023

**Dividend Yield**

Dividend yield is calculated by annualising the last dividend paid during the financial period, divided by the share price as at year end.

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 July 2023** |
|---|---|
| Last Dividends declared and paid for the year ended 31 July 2023 | 0.13 |
| **Annualised Dividend for the year ended 31 July 2023** | 0.52 |
| Share price as at 31 July 2023 | 5.08 |
| **Dividend Yield** | **10.2%** |

| | **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 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 financial year, with such dividends paid being re-invested at NAV, as a percentage of the NAV per share as at year end.

The one year NAV total return is calculated over the period 1 August 2022 to 31 July 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 July 2023 €** | **1 August 2021 to 31 July 2022 €** |
|---|---|---|
| Opening NAV per share as disclosed in the SOFP | 6.2232 | 7.2807 |
| Closing NAV per share as disclosed in the SOFP | 6.4510 | 6.2232 |
| | 0.2278 | (1.0575) |
| **Capital return per share (%)** | **3.7%** | **(14.5%)** |
| Dividends paid during the year | 0.5100 | 0.5700 |
| **Impact of dividend re-investment (%)** | **9.0%** | **7.2%** |
| NAV total return per share | 0.7378 | (0.4875) |
| **NAV total return per share (%)** | **12.7%** | **(7.3%)** |

**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 financial year, with such dividends paid being re-invested at the share price, as a percentage of the share price as at year end.

Share Price Total Return per share has been calculated as follows:

| | **1 August 2022 to 31 July 2023 €** | **1 August 2021 to 31 July 2022 €** |
|---|---|---|
| Opening share price per Euronext | 5.24 | 6.02 |
| Closing share price per Euronext | 5.08 | 5.24 |
| | (0.16) | (0.78) |
| **Share price movement (%)** | **(3.1%)** | **(13.0%)** |
| Dividends paid during the year | 0.51 | 0.57 |
| **Impact of dividend re-investment (%)** | **10.5%** | **8.7%** |
| Share Price total return | 0.35 | (0.21) |
| **Share Price total return (%)** | **7.4%** | **(4.3%)** |

# LEGAL AND REGULATORY DISCLOSURES

**Alternative Investment Fund Managers Directive**
The AIFM Directive seeks to regulate managers of AIFs that are marketed or managed in the European Economic Area. In compliance with the AIFMD, the Company has appointed AXA IM to act as its AIFM and appointed BNP Paribas to act as its Depositary.

AXA IM is authorised to act as the Company's AIFM by the AMF in France. In order to maintain such authorisation and to be able to continue to undertake this role, AXA IM is required to comply with various obligations prescribed under the AIFMD. In conformity with Article 53 of the Commission delegated regulation (EU) No. 231/2013, AXA IM has established appropriate policies and procedures regarding the credit risk of each of the structured credit positions (positions arising from the securitisation of underlying exposures) held by Volta, in order to monitor information regarding the performance of the underlying exposures on a timely basis and to manage such credit risk where applicable and possible. Such policies and procedures are considered as being appropriate to the risk/return profile of these positions. AXA IM also regularly implements stress tests on these positions.

Information on the investment strategy, geographic and sector investment focus, and principal exposures is included in the Investment Manager's Report and Note 15 to the financial statements. None of the Company's assets are subject to special arrangements arising from their illiquid nature, where "special arrangements" refers to arrangements such as side pockets, gates or other similar arrangements, whereby the rights of some investors, usually over certain assets, differ from those of other investors. Note 15 to the financial statements and the Principal Risk Factors section commencing on page 22 of this report describe the risk profile and risk management systems in place.

Certain regulatory changes have arisen from the implementation of the AIFMD that may, in some circumstances, impair the ability of the Investment Manager to manage the investments of the Company and this may adversely affect the Company's ability to carry out its investment strategy and achieve its investment objectives. In addition, the AIFMD may limit the Company's ability to market future issuances of its shares in some EU jurisdictions. Certain EU member states may impose stricter rules or interpretations of the AIFM Directive on the AIFM in respect of the marketing of shares than those either required under the AIFMD or as interpreted by other EU member states, as the Company is a non-EU AIF. The Board and the Company's advisors will continue to monitor implications of the AIFM Directive.

**Staffing and remuneration disclosures regarding the AIFM**

***Remuneration paid for the calendar year 2022 and 2021 to all AXA Investment Managers Group personnel, split into fixed and variable remuneration paid (1)***

| | 2022 Total | 2021 Total |
|---|---|---|
| Fixed remuneration(2) (€ million) | 248.6 | 234.9 |
| Variable remuneration(3) (€ million) | 309.5 | 274.8 |
| Number of staff(4) | 2,675 | 2,537 |

***Aggregate remuneration paid and/or awarded(1) for the calendar year 2022 and 2021 to senior management and members of staff whose actions have a material impact on the risk profile of Volta***

| | Managers and other employees having a direct impact on the risk profile of Volta | Other senior executives | 2021 Total |
|---|---|---|---|
| Fixed remuneration(2) and variable(3) remuneration (€ million) | 107.9 | 99.8 | 207.7 |
| Number of staff(4) | 224 | 88 | 312 |

| | Managers and other employees having a direct impact on the risk profile of Volta | Other senior executives | 2022 Total |
|---|---|---|---|
| Fixed remuneration(2) and variable(3) remuneration (€ million) | 154.0 | 86.0 | 240.0 |
| Number of staff(4) | 277 | 62 | 339 |

Notes:
(1) Information on remuneration does not include employer contributions.
(2) Fixed remuneration comprises the base salary and all other components of fixed remuneration paid in the calendar year.
(3) Variable remuneration comprises discretionary, immediate and deferred elements of variable pay and includes:
- amounts allocated on account of the performance of the previous year and paid out in full during the calendar year (variable, non-deferred remuneration);
- amounts allocated on account of the performance of previous years and the calendar year and paid out in instalments subject to maintaining the performance over several years (variable deferred remuneration); and
- long term incentive bonuses awarded by the AXA Group.
(4) The total number of employees includes permanent and temporary contracts other than internships at calendar year.

# LEGAL AND REGULATORY DISCLOSURES (CONTINUED)

**FORWARD-LOOKING STATEMENTS**

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

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

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

# BOARD OF DIRECTORS





# BOARD OF DIRECTORS (CONTINUED)

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

**05. Joanne Peacegood**
**Independent Director - appointed 1 July 2023**
Ms Peacegood has over 20 years of experience in the asset management sector across a range of asset classes and including Listed Companies and Investment Trusts. Prior to becoming a non-executive director, Ms Peacegood worked for PwC in the Channel Islands, UK and Canada and was responsible for leading teams to deliver both audit and controls engagements to hundreds of reputable clients. Ms Peacegood specialised in alternative assets and has significant experience in auditing complex valuations. Ms Peacegood also has 10 years' experience in risk and quality, focusing on how businesses respond to the ever-changing regulatory requirements, risk assessments and assessing the internal control environment. Ms Peacegood is a Fellow of the Institute Of Chartered Accountants In England And Wales, graduating with an Honours degree in Accounting and holds the Institute of Directors Diploma. Ms Peacegood is the immediate past Chair of the Guernsey Investment & Fund Association Executive Committee and is the Deputy Chair of the Guernsey International Business Association Council. Ms Peacegood resides in Guernsey.

# 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

**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

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

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

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

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

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

**Corporate Broker and Corporate Finance Advisor**
***Cavendish Securities plc***
***(previously known as Cenkos Securities plc)***
6.7.8 Tokenhouse Yard
London
EC2R 7AS
United Kingdom

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

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

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

[1] BNP Paribas S.A., Guernsey Branch is regulated by the GFSC

**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

# GLOSSARY

Definitions and explanations of methodologies used:

| Terms | Definitions |
|---|---|
| ABS | Asset-backed securities. |
| AGM | Annual General Meeting. |
| ABS Residual positions | Residual income positions, which are a sub-classification of ABS, being backed by any of the following: residential mortgage loans; commercial mortgage loans; automobile loans; student loans; credit card receivables; or leases. |
| AIC | the Association of Investment Companies, of which the Company is a member. |
| AIC Code | the AIC Code of Corporate Governance 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. |
| AIF | Alternative Investment Fund |
| AIFM | Alternative Investment Fund Manager, appointed in accordance with the AIFMD. |
| AIFMD | the Alternative Investment Fund Managers Directive. |
| AMF | The Autorité des Marchés Financiers is the stock market regulator in France. |
| 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 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.<br>The calculation methodology of each APM has been disclosed on pages 78 to 79. |
| Articles | the Articles of Incorporation of the Company. |
| Auditors | KPMG Channel Islands Limited |
| 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. |
| Cavendish, Corporate Broker or Broker | Cavendish 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. |
| Discount - APM | Calculated as the NAV per share as at 31 July 2023 less Volta’s closing share price on Euronext Amsterdam as at that date, divided by the NAV per share as at that date. |
| Dividend Yield - APM | Last quarter dividend paid during the financial period 31 July 2023 annualised, divided by the share price as at 31 July 2023. |
| DM | Discount Margin. |
| Enterprise value | a Measure of the company's total value. |
| EPS | Earnings per share. |
| Euronext Amsterdam | Euronext in Amsterdam, a regulated market of Euronext Amsterdam N.V. |
| EU | The European Union. |
| FAFVTPL/ | Financial assets at fair value through profit and loss. |
| FED | United States’ Federal Reserve |
| Fidal | Largest leading independent business law firm in France. |
| Financial year | The period from 1 August 2022 to 31 July 2023. |
| FRC | Financial Reporting Council (United Kingdom). |
| FVTPL | Fair value through profit and loss |
| GAV | Gross Asset Value includes: all of the assets in the Company’s portfolio revalued to the month-end fair value, as adjusted for any amounts due to/from brokers/counterparties; all of the Company’s cash; all open derivative positions revalued to the month-end fair value, net of any margin amounts paid or received. |
| GFC | Global Financial Crisis 2008. |
| GFSC | Guernsey Financial Services Commission. |
| HPI | House price index. |
| IASB | International Accounting Standards Board. |
| IFRIC | International Financial Reporting Interpretations Committee. |
| IFRS | International Financial Reporting Standards. |
| IFRS 9 | International Financial Reporting Standards 9, “Financial Instruments”. |
| IRR | Internal rate of return. |
| JP Morgan Pricing Direct | An independent valuation service which is a wholly-owned subsidiary of JPMorgan Chase & Co. |
| KPMG | KPMG Channel Islands Limited. |
| Memorandum | the Memorandum of Incorporation of the Company. |
| N/a | Not applicable. |
| NAV | Net asset value. |
| NAV Total Return - APM | NAV total return per share is calculated as the movement in the NAV per share plus the total dividends paid per share during the financial year, with such dividends paid being re-invested at NAV, as a percentage of the NAV per share as at year end. |

# GLOSSARY (CONTINUED)

| | |
|---|---|
| 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 July 2023 under standard AXA IM assumptions. |
| Prospectus | Final prospectus dated 4 December 2006. |
| Refi | Consist in refinancing part or all of the debt tranches of a CLO while operating very modest changes in the CLO documentation. |
| 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. |
| SSC or Synthetic Corporate Credit | Structured credit positions predominantly exposed to corporate credit risks by synthetic contracts. |
| Underlying Assets | 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. |
| UK code | UK Corporate Governance Code 2018, effective from 1 January 2019. |
| US | United States of America. |
| USD | United States Dollar. |
| 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. |

# NOTICE OF MEETING

**Volta Finance Limited**
A closed-ended limited liability company registered in Guernsey under the Companies (Guernsey) Law, 2008 (as amended) with registered number 45747 and registered with the Netherlands Authority for the Financial Markets pursuant to Section 1:107 of the Dutch Financial Markets Supervision Act (the "Company").

**Notice of the sixteenth Annual General Meeting of the Company**
In accordance with the Company's Articles of Incorporation (the "Articles"), notice is hereby given that the sixteenth Annual General Meeting of the Company will be held at the Company's registered office, BNP Paribas House, St Julian's Avenue, St Peter Port, Guernsey GW1 1WA, Channel Islands, at 14:00hrs GMT on Wednesday 6 December 2023.

**Agenda**

***Ordinary business***

**To consider and, if thought fit, pass the following as Ordinary Resolutions:**

(1) To adopt the audited financial statements of the Company for the year ended 31 July 2023, including the reports of the Board of Directors of the Company (the "Board") and the Auditor (together the "Accounts").

(2) To re-appoint KPMG Channel Islands Limited of Glategny Court, Glategny Esplanade, St Peter Port, Guernsey GY1 1WR as the Company's Auditor to hold office until the conclusion of the next AGM.

(3) To authorise the Board to negotiate and fix the remuneration of the Auditor in respect of the year ending 31 July 2023.

(4) To re-elect Dagmar Kershaw as an Independent Director of the Company.

(5) To re-elect Stephen Le Page as an Independent Director of the Company.

(6) To re-elect Yedau Ogoundele as an Independent Director of the Company.

(7) To elect Joanne Peacegood as an Independent Director of the Company

(8) To approve the quarterly dividend policy of paying approximately 8% of NAV per annum, absent of a notable change in circumstances, with a dividend payment date in January, April, July and October.

***Special Business***

**To consider and, if thought fit, pass the following as Special Business:**

## *Special Resolution*

(9) **THAT** in accordance with Article 5(7) of the Articles, the Board be and is hereby authorised to issue equity securities (within the meaning of the Articles) as if Article 5(2) of the Articles did not apply to any such issue, provided that this power shall be limited to the issue of up to a maximum number of 3,658,058 Ordinary shares (being not more than 10% of the number of Ordinary shares in issue as at the date of this notice) or such other number being not more than 10% of the Ordinary shares in issue at the date of the AGM, whether in respect of the sale of shares held as treasury shares, the issue of newly created shares or the grant of rights to subscribe for, or convert securities into, shares which, in accordance with the Listing Rules, could only be issued at or above net asset value per share (unless offered pro rata to existing Shareholders or pursuant to further authorisation by Shareholders). This authority will expire on the conclusion of the next AGM of the Company unless previously renewed, varied or revoked by the Company at a general meeting, save that the Company shall be entitled to make offers or agreements before the expiry of such power which would or might require equity securities to be allotted after such expiry and the Directors shall be entitled to allot equity securities pursuant to any such offer or agreement as if the power conferred hereby had not expired. For further information, please see Note 9.

## *Ordinary Resolutions*

(10) That the Company be generally and unconditionally authorised to make market purchases, for the purposes of Section 315 of the Companies (Guernsey) Law, 2008 (as amended), of Ordinary shares in the Company on such terms and in such manner as the Directors may from time to time determine, provided that:

(a) the maximum number of Ordinary shares hereby authorised to be acquired is 5,483,429, representing not more than 14.99% of the issued Ordinary share capital of the Company as at the date of this notice;

(b) the minimum price (excluding expenses) payable by the Company for each Ordinary share is €0.01. The maximum price (excluding expenses) which may be paid for any such Ordinary share is the higher of (i) an amount equal to 105% of the average of the middle market quotations for an Ordinary share in the Company as derived from The London Stock Exchange Daily Official List for the five business days immediately preceding the day on which such share is contracted to be purchased; and (ii) the amount stipulated by Article 3(2) of the EU Buy-back and Stabilisation Regulation (2016/1052/EU) being the higher of the price of the last independent trade and the highest current independent bid for an Ordinary share in the Company on the trading venues where the market purchases by the Company pursuant to the authority conferred by this resolution will be carried out (provided that (ii) shall not apply where the purchases would not bear the risk of breaching the prohibition on market abuse);

(c) the authority hereby conferred shall expire at the end of the next Annual General Meeting of the Company unless previously renewed, varied or revoked by the Company in general meeting; and

# NOTICE OF MEETING (CONTINUED)

(d) the Company may make a contract to purchase the Ordinary shares under the authority hereby conferred prior to the expiry of such authority, which contract will or may be executed wholly or partly after the expiry of such authority, and may purchase its Ordinary shares in pursuance of any such contract.

* See directors' biographies on page 83.

**Notes**

1. The Company's Accounts were published on 10 November 2023.
2. Copies of the Company's Memorandum and Articles of Incorporation and its 2023 Accounts are available for inspection at the Company's registered office during normal business hours and are available on request free of charge from the Company Secretary, BNP Paribas S.A., Guernsey Branch, BNP Paribas House, St Julian's Avenue, St Peter Port, Guernsey GY1 1WA, Channel Islands (guernsey.bp2s.volta.cosec@bnpparibas.com) and from the Listing Agent, ING Bank N.V., Bijlmerplein 888, 1102 MG Amsterdam, The Netherlands, or from the Company's website (www.voltafinance.com).
3. Only those investors holding Ordinary shares as at 14:00hrs GMT on 5 December 2023 shall be entitled to attend and/or exercise their voting rights attached to such shares at the AGM.
4. Investors holding Ordinary shares via a broker/nominee who wish to attend or to exercise the voting rights attached to the shares at the AGM should contact their broker/nominee as soon as possible.
5. Should the Class B Shareholder being entitled to vote wish to attend or exercise the voting rights attached to the share at the AGM they should contact the Company Secretary as soon as possible.
6. A Shareholder who is entitled to attend, speak and vote at the AGM is entitled to appoint one or more proxies to attend, speak and vote instead of him or her. A proxy need not be a member of the Company.
7. More than one proxy may be appointed provided each proxy is appointed to exercise the rights attached to different shares.
8. The quorum requirements for the conduct of Ordinary Business and Special Business are set out under Article 17 of the Articles.
9. In accordance with the Articles, the notice period for an AGM of the Company is 21 clear calendar days (plus 24 hours deemed service of notice).
10. Article 5 of the Articles requires that where Ordinary shares are issued, or rights to subscribe for, or convert any securities into, Ordinary shares are granted, wholly for cash, or where Ordinary shares are sold out of treasury wholly for cash, either Shareholder approval must be sought to make a non-pre-emptive offer or a pre-emptive offer must be made to all existing Shareholders.
11. Electronic receipt of proxies:
    CREST members who wish to appoint and/or give instructions to a proxy or proxies through the CREST electronic proxy appointment service may do so for the Annual General Meeting and any adjournment(s) thereof by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

    In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (the CREST Proxy Instruction) must be properly authenticated in accordance with Euroclear UK & Ireland Limited's ("Euroclear') specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by Computershare Investor Services (Guernsey) Limited (CREST participant 3RA50) by no later than 14:00hrs GMT on Monday 4 December 2023. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which Computershare Investor Services (Guernsey) Limited is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

    CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions, it is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s) to procure that his or her CREST sponsor or voting service provider(s) take(s)) such action as is necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this regard, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) or the Uncertified Securities Regulations 2001.

For and on behalf of
**BNP Paribas S.A., Guernsey Branch**
*Company Secretary*
10 November 2023