2014 Annual Report

TETRAGON

Contents

Letter to Our Shareholders

Tetragon Financial Group Limited ("TFG" or the "Company") is a Guernsey closed-ended investment company traded on Euronext Amsterdam N.V. under the ticker symbol "TFG."(1) In this report, we provide an update on TFG's results of operations for the period ending 31 December 2014

Dear Fellow Shareholders,

2014 was another active year for TFG: the Company made significant achievements, especially at TFG Asset Management. Whilst not immediately visible in the 2014 returns, we believe that this is particularly relevant, as the ongoing evolution of that business is creating value – which we hope will be demonstrated in returns over the coming years. We will focus on some of the details of that value creation in this report.

We articulated the following goals for 2014:

1. **To deliver 10-15% Return on Equity ("RoE") per annum to shareholders(2):** TFG returned RoE of 6.6% in 2014. Given that global interest rates have been at historical lows, we would not have anticipated 2014 to be a peak RoE year, and whilst 6.6% is a positive figure, it is below our target range. On the positive side, TFG Asset Management did well; GreenOak Real Estate's(3) strong business development resulted in a material increase in the fair value of TFG's holding; and the Company's CLO 1.0 portfolio performed well. On the negative side, certain European equity investments held directly on the balance sheet suffered losses for the year.

2. **To reduce the proportion of TFG's capital that pays away fees to third-party managers:** The amount of capital that paid fees to external managers at 31 December 2014 was 33.6%, down from 53.4% at the end of 2013.(4)

3. **To grow client Assets Under Management ("AUM") and fee income within TFG Asset Management:** At 31 December 2014, TFG's AUM was $11.1 billion, up from $9.2 billion at 2013 year-end.(5) As of early 2015, AUM stands at $13.0 billion following the Equitix acquisition. Of note, LCM(6) launched three more new CLOs during the year; the GreenOak joint venture completed its fundraising for its U.S. Fund II ahead of its target, launched a new Spain fund, and began raising assets for its second Asian fund; and Polygon(7) continued to raise assets for its funds.

4 **To add further asset management businesses to the TFG Asset Management platform:** The Polygon Distressed fund launched by TFG Asset Management in late 2013 has performed strongly in 2014 and is well-positioned to raise external capital. TFG added two new businesses onto the platform in 2014: Equitix Holdings Limited ("Equitix"), an integrated core infrastructure asset management and primary project platform with AUM of approximately $2.0 billion (announced in October 2014 and closed on 2 February 2015); and Hawke's Point Resource Finance ("Hawke's Point"), a new start-up mining finance business established in the fourth quarter of 2014.

TFG ASSET MANAGEMENT'S IMPORTANCE TO TFG'S RESULTS CONTINUES TO GROW RAPIDLY

TFG aims to achieve its RoE target[8] through a combination of asset returns and asset management operating income. We believe the latter is becoming more important to the overall returns. To illustrate this, we have selected two charts.

Figure 1
Source: TFG

% of Consolidated Net Assets Managed Externally

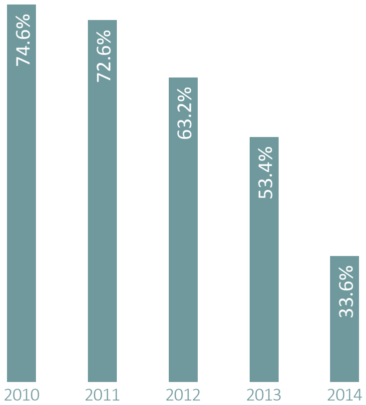
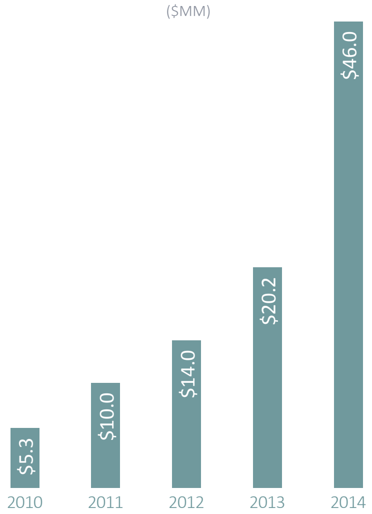


Figure 1 shows the percentage of TFG's assets managed by external managers. In 2007, at the time of its IPO, all of TFG's assets were invested with external managers. At year end 2014, 34% of TFG's assets were invested in external managers, with the majority of assets now being invested in funds or vehicles where TFG owns all or part of the asset manager (under the umbrella of TFG Asset Management). TFG expects this trend to continue as TFG Asset Management further diversifies and expands. Thus, the amount of fees paid away to external managers should also continue to decline.

In addition to saving fees that were previously paid away (TFG invests its own capital on a preferred-fee basis), TFG Asset Management allows TFG to receive fees from third parties, through its ownership of the asset management businesses. Figure 2 shows the growth in earnings that have derived from TFG Asset Management over the last five years.

Figure 2
Source: TFG

TFG AM Net Economic Income Before Tax*
($MM)



TFG's RoE is the aggregate of both the asset returns and TFG Asset Management, and thus we believe this growth is important to the future RoE of the business as a whole.

We are highlighting this for three further reasons:

1 **NAV or NAV per share may not fully reflect value for asset management businesses** (hence our earlier comment that we believe we have created value in 2014 that is not recognised in the 2014 RoE) and thus the value of TFG Asset Management may be greater than its NAV.

2 **It is the combination of returns on the asset and returns from owning the asset management company that is at the core of our business and a central tenet to our strategy.** The two streams are complementary as well as correlated.

3 **We believe that looking at the business this way makes it easier for investors and analysts to analyse and anticipate returns.** Instead of being seen as a "balance sheet with some operating businesses" we can increasingly be seen as "operating businesses supported by a strong balance sheet."

In light of these observations and developments, we present greater information on the asset management business than in previous reports, in order to provide greater clarity on the key drivers of TFG's performance.

EQUITIX

TFG completed the acquisition of Equitix Holdings Limited on 2 February 2015. The business was purchased (85% by TFG and 15% by existing management) for an enterprise value of £159.5 million, and partially financed by a £60 million bank facility made to the Equitix business.

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*Please refer to the Financial Highlights section, Figure 22, for a definition of Net Economic Income.

Whilst well established, Equitix and its asset class are young enough to have, in our view, strong potential for future growth. TFG believes the current management team, together with support from TFG Asset Management, and potentially TFG's capital, is well positioned to continue to build the business.

OTHER EVENTS

Also in 2014, the Company welcomed Frederic M. Hervouet as a non-executive independent director to the Board of Directors in July. He comes to TFG with over 17 years' experience in financial markets and asset management, and we believe he is a valuable addition to the existing team of independent directors.

In August 2014, the lawsuit filed by Omega Overseas Partners, Ltd. was dismissed in its entirety. We are very pleased to have this lawsuit behind us.

We are also pleased that some of our asset managers have been recognised by industry awards. Polygon hedge funds received three nominations for the 2014 EuroHedge Awards, with the Convertible Opportunity Fund winning the award for the Convertibles & Volatility category, the fund's third win in the last four years, and the Distressed Opportunities Fund nominated in the New Fund of the Year – Macro, Fixed Income, & Relative Value category.(9) In addition, GreenOak won the 2014 Real Estate Debt Manager of the Year Award at the Professional Pensions Investment Awards (PPIA).(10)

OUTLOOK

We have said in the past that TFG's sustainable return levels should fluctuate with LIBOR, and low LIBOR rates will likely mean lower RoE for TFG. It is worth noting that, as the proportion of CLOs in TFG's portfolio reduces over time, the explicit LIBOR effect could diminish accordingly, although this point is not straightforward as many loans have LIBOR floors. However, notwithstanding this potential reduction in TFG's explicit correlation to LIBOR, as with all financial assets, expected future returns always have an implicit correlation to "risk free" returns (i.e. government bond yields). Thus, with government bond yields at multi-year lows we are commensurately cautious on expectations for investment returns in 2015.

Despite this, there are a few points that should differentiate TFG's outlook. First, nearly all the assets and asset classes in which TFG invests and nearly all of TFG's asset managers are seeking to achieve "absolute" returns as opposed to returns "relative to a financial index"; and to the extent that they achieve this, TFG's aggregate returns should be less affected by fluctuations in major market indices.

Second, as highlighted earlier in this letter, TFG also receives the returns from the asset management businesses it owns. All of these TFG Asset Management businesses have growth plans for 2015 and beyond, and the Company is working hard to deliver value in these businesses, which, to some degree, will be independent of day-to-day financial market volatility.

Lastly, in addition to the existing TFG Asset Management businesses, the Company continues to look for new asset classes and new asset managers to buy, partner with, or grow from scratch. To date, this area of the business has successfully grown over the last few years, and we hope and expect continued progress in building value in this part of TFG.

With Regards,

The Board of Directors
27 February 2015

TFG Overview

Tetragon Financial Group Limited ("TFG") is a Guernsey closed-ended company traded on Euronext Amsterdam N.V. under the ticker symbol "TFG" that aims to provide stable returns to investors across various credit, equity, interest rate, inflation and real estate cycles. TFG's investment objective is to generate distributable income and capital appreciation.

To achieve this objective, TFG's current investment strategy is:

- To identify attractive asset classes and investment strategies.
- To identify asset managers it believes to be superior.
- To use the market experience of the Investment Manager(11) to negotiate favourable terms for its investments.
- To seek to own all, or a portion, of asset management companies with which it invests in order to enhance the returns achieved on its capital.

THROUGH THIS INVESTMENT STRATEGY, TFG HAS BECOME A DIVERSIFIED ALTERNATIVE ASSET MANAGEMENT BUSINESS THAT OWNS MAJORITY AND MINORITY STAKES IN ASSET MANAGERS AND USES ITS BALANCE SHEET TO INVEST IN, BUILD AND GROW THOSE BUSINESSES.

The Investment Manager seeks to identify asset classes that offer excess returns relative to their investment risk, or "intrinsic alpha." It analyses the risk/reward, correlation, duration and liquidity characteristics of each potential capital use to gauge its attractiveness and incremental impact on the Company.

The Investment Manager then seeks to find high-quality managers who invest in these asset classes; selects or structures suitable investment vehicles that optimise risk-adjusted returns for TFG's capital; and seeks for TFG to own a share of the asset management company. TFG aims to not only produce asset level returns, but also aims to enhance these returns with profits from owning asset management businesses that derive income from external investors. Thus, TFG seeks to use its balance sheet to facilitate the growth of TFG Asset Management to help create value for itself and for TFG shareholders.

Certain considerations when evaluating the viability of a potential asset manager typically include: performance track records; reputation; regulatory requirements; infrastructure needs; and asset gathering capacity. Potential profitability and scalability of the business are also important considerations. Additionally, the core capabilities, investment focus, and strategy of any new business should offer a complementary operating income stream to TFG Asset Management's existing businesses. The Investment Manager looks to mitigate potential correlated risks across TFG Asset Management's investment managers by diversifying its exposure across asset classes, investment vehicles, durations, and investor types, among other factors.

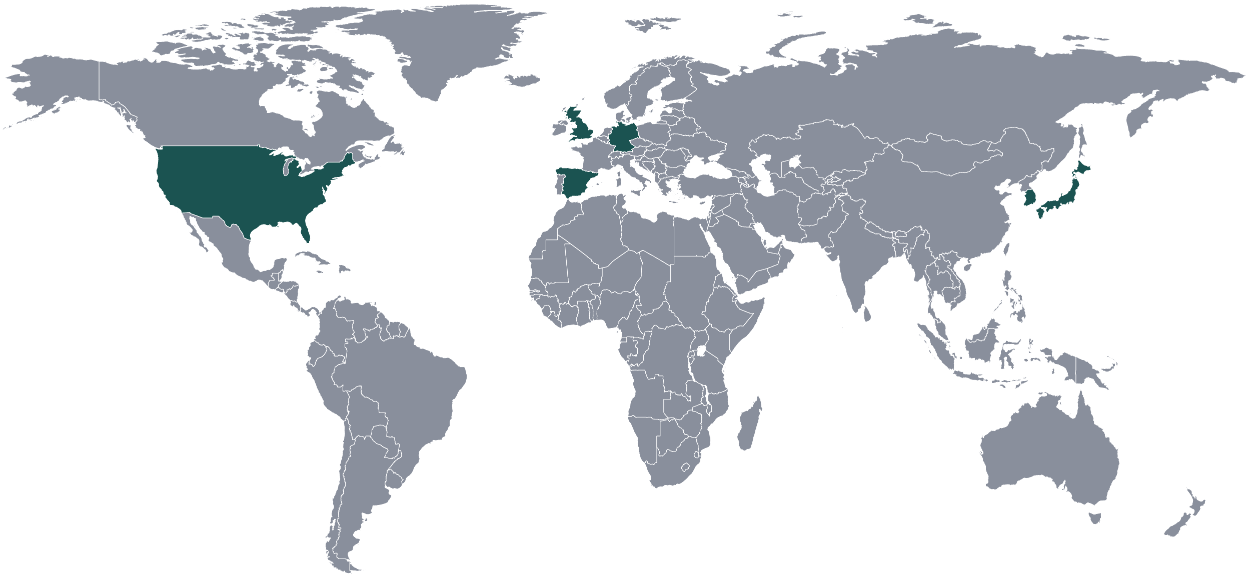
TFG's asset management businesses can operate autonomously, or on the TFG Asset Management platform. In either case, the objective is for them to benefit from an established infrastructure, which can assist in critical business management functions such as risk management, investor relations, financial control, technology, and compliance/legal matters, while maintaining entrepreneurial independence.

TFG's permanent capital base should increase the likelihood of success for this strategy of investing in alternative asset managers and the assets they manage, as its capital is available both for supporting operations of the management businesses and for co-investing, seeding or anchoring new investment funds of the managers. In this sense, TFG is not only an investor, but also a business builder.

By early 2015, TFG's global alternative asset management businesses had approximately $13.0 billion of assets under management (*pro forma*).(12) These businesses consisted of LCM Asset Management ("LCM"), the GreenOak Real Estate ("GreenOak") joint venture, Polygon Global Partners ("Polygon"), and Hawke's Point. TFG finalised the acquisition of Equitix Holdings Limited ("Equitix") in February 2015 and Equitix's AUM is included in the above figure.

Figure 3 (13)

LCM | GREENOAK | POLYGON | HAWKE'S POINT | equitix



$13B
Assets Under Management

190
Employees Globally

TFG
Euronext Listed

Shareholder Return

The numbers below show annualised total shareholder return to 31 December 2014, defined as share price appreciation including dividends reinvested, for the last year, the last three years, the last five years, and since the Company's initial public offering in April 2007.

Figure 4

+5%

ONE YEAR

2007 2008 2009 2010 2011 2012 2013 2014
IPO

+23%

THREE YEARS

2007 2008 2009 2010 2011 2012 2013 2014
IPO

+27%

FIVE YEARS

2007 2008 2009 2010 2011 2012 2013 2014
IPO

+7%

FROM IPO

2007 2008 2009 2010 2011 2012 2013 2014
IPO

Source: Bloomberg TRA function

LCM™

- LCM is a specialist in below-investment grade U.S. senior secured leveraged loans.
- The business was established in 2001 and has offices in New York and London.
- TFG acquired 75% of LCM in 2010 and the remainder in 2012.
- AUM was approximately $5.3 billion at 31 December 2014.
- Currently, LCM manages loan assets exclusively through CLOs, which are long-term, multi-year investment vehicles. The typical duration of a CLO, and thus LCM's management fee stream, depends on, among other things, the term of its reinvestment period (currently often four years for a new issue CLO), the prepayment rate of the underlying loan assets, as well as post-reinvestment period reinvestment flexibility and weighted average life constraints.
- CLO managers typically earn a management fee of 0.50% of total assets, and a performance fee of 20% over a CLO equity IRR hurdle.

Further information is available at www.lcmam.com.

GREENOAK™

- GreenOak is a real estate-focused principal investing, lending and advisory firm that seeks to create long-term value for its investors and provide strategic advice to its clients.
- The business was established in 2010 as a joint venture with TFG and has a presence in New York, London, Tokyo, Los Angeles, Luxembourg, Madrid, Munich, and Seoul.
- TFG owns 23% of the business and carries it at fair value.
- AUM was approximately $4.4 billion at 31 December 2014.
- GreenOak currently has funds with investments focused on the United States, Japan, Spain, and the United Kingdom.
- Funds are typically structured with management fees of 2% and carried interest over a preferred return. The funds generally have a multi-year investment period, with a fund term of seven years after the final close, with possible extensions subject to certain approvals.

Further information is available at www.greenoakrealestate.com.

POLYGON™

- Polygon manages open-ended hedge fund and private equity vehicles across a number of strategies.
- Polygon was established in 2002 and has offices in New York and London.
- TFG acquired 100% of the business in 2012.
- AUM was approximately $1.4 billion at 31 December 2014.
- Polygon manages funds focusing on the following strategies: European event-driven equities, global convertible bonds, mining company equities, and distressed securities. Polygon also manages a private equity vehicle comprised of certain illiquid investments. Each fund manager has its own CIO and investment team. Polygon's open-ended funds have capacity levels set which seek to optimize the investment opportunity. The liquidity of these products is calibrated to match the duration of the underlying investments.
- Fees in these products include a management fee that is generally between 1.5% and 2.0% and the typical performance fee or carried interest is 20%.

Further information is available at www.polygoninv.com.

equitix™

- Equitix is an integrated core infrastructure asset management and primary project platform.
- Equitix was established in 2007 and is based in London.
- TFG acquired 85% of the business in February 2015; over time, TFG's holding is expected to decline to approximately 74.8%. Management own the balance.
- AUM was approximately $2.0 billion at 31 December 2014.
- Since inception of the business, Equitix has raised over £1.2 billion across four UK-focused funds and managed accounts, investing in sectors including healthcare, education, utility infrastructure, social housing, renewable energy, transport, waste, and accommodation.
- Fees in this product include a management fee, and a carry interest fee that is over a hurdle currently set at 7.5%. The carried interest fee is typically 20% over the hurdle, and the management fee after the investment period is typically between 1.25% and 1.65%; during the investment period it has ranged between 0.95% and 2.0% on invested capital. The core funds also have an additional fee on committed capital of approximately 0.30%.

Further information is available at www.equitix.co.uk.

HAWKE'S POINT™

- Hawke's Point Resource Finance seeks to provide capital to companies in the mining and resource sectors.
- TFG established Hawke's Point in Q4 2014 and owns 100% of the business.
- Hawke's Point is currently actively evaluating a range of mine financing opportunities.

Board of Directors

TFG's Board of Directors is comprised of six members, four of whom are non-executive independent directors who have significant experience in asset management and financial markets. Biographies of the directors can be found in the appendix.

Rupert Dorey
(Independent Director)

Frederic Hervouet
(Independent Director)

David Jeffreys
(Independent Director)

Byron Knief
(Independent Director)

Reade Griffith

Paddy Dear

Key Metrics

KEY METRICS

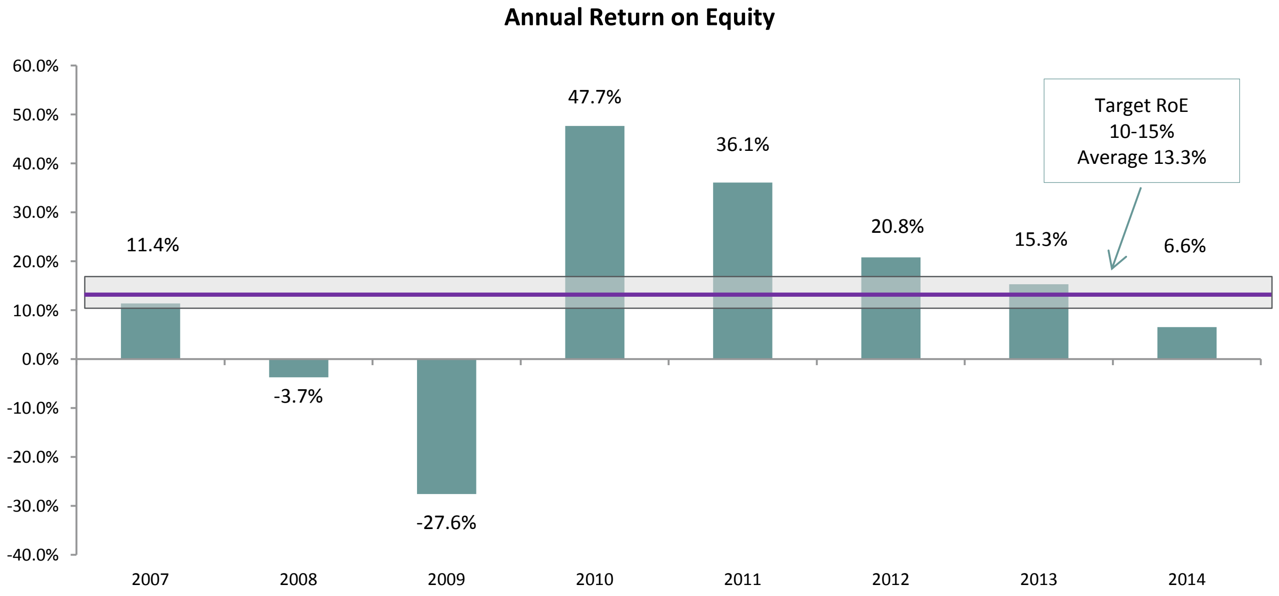
The Company focuses on four key metrics when assessing how value is being created for, and delivered to, TFG shareholders: Earnings, Net Asset Value ("NAV") per share, Dividends, and AUM. Drivers for each of the metrics are discussed in the following sections of the report.

EARNINGS - RETURN ON EQUITY ("RoE")

RoE for the full year was 6.6%, following a stronger Q4 compared to Q3 2014

TFG generated Net Economic Income[(14)] of $118.1 million in 2014, compared with $247.4 million in 2013, a fall of 52% year on year.

Figure 5

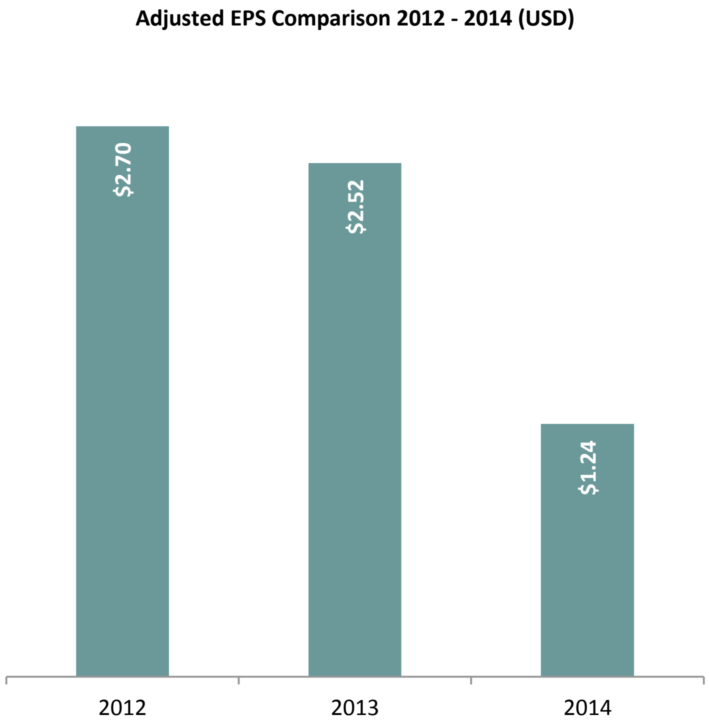


EARNINGS PER SHARE (“EPS”)

TFG generated an Adjusted EPS of $1.24 in 2014

After adding $0.26 of EPS in Q4, TFG closed the year with an adjusted EPS(15) of $1.24 in 2014 (2013: $2.52).

Figure 6



Further information on the drivers of the Company’s performance are examined in more detail later in this report.

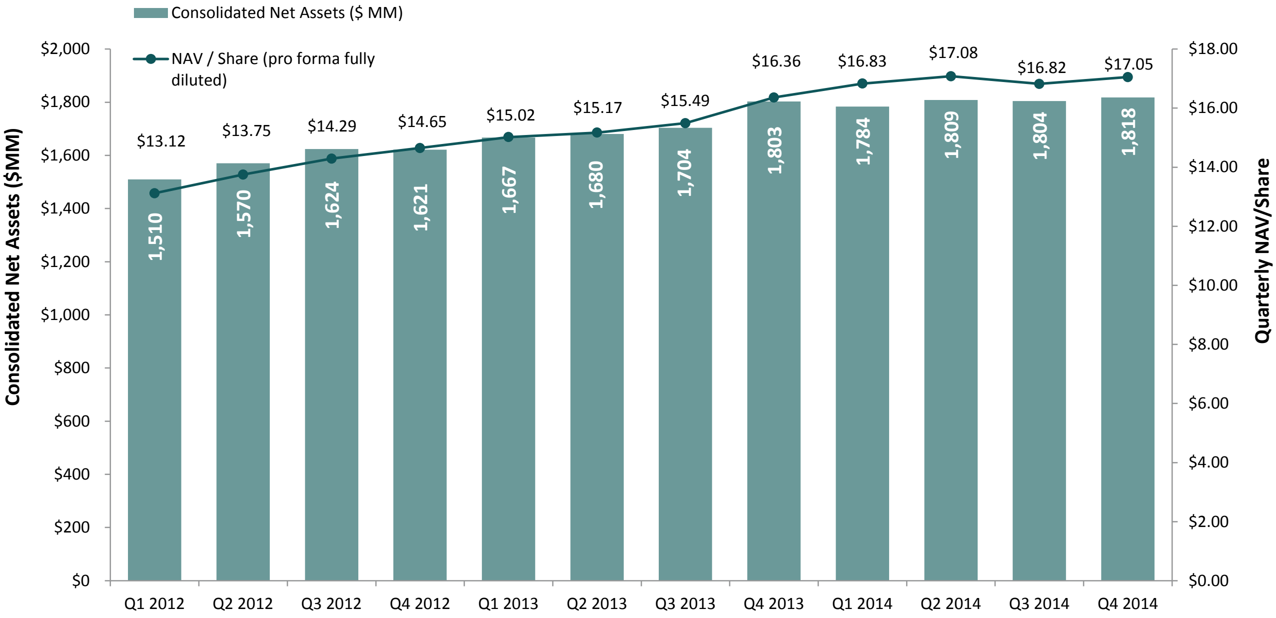
NAV PER SHARE

Pro Forma Fully Diluted NAV per Share ended the year at $17.05, up 4.2% on the year

- Total NAV for TFG rose to $1,818.5 million by the end of 2014 from $1,803.2 million at the end of 2013, which equated to Pro Forma Fully Diluted NAV per Share(16) of $17.05, up from $16.82 in Q3 2014.
- TFG's Fully Diluted NAV per share grew by $0.69 or 4.2% in 2014 after distributing dividends of $0.61 per share during the year.

Figure 7

TFG Consolidated Net Assets ($MM) and Pro Forma Fully Diluted NAV per Share(i)



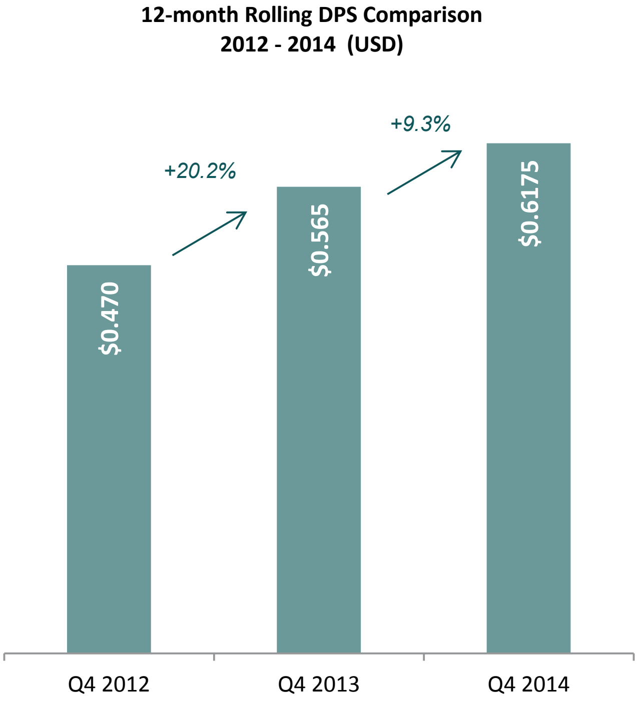
(i) Source: NAV per share based on TFG's financial statements as of the relevant quarter-end date. Please note that the Pro Forma Fully Diluted NAV per Share reported as of each quarter-end date excludes any shares held in treasury or in a subsidiary as of that date, but includes shares held in escrow which are expected to be released and incorporated into the U.S. GAAP NAV per Share over a five-year period and the number of shares corresponding to the applicable intrinsic value of the options issued to the Investment Manager at the time of the Company's IPO. Please see Figure 22 on page 34 for more details.

DIVIDENDS PER SHARE ("DPS")

TFG declared quarterly dividends for 2014 totalling $0.6175 per Share, a 9.3% increase on 2013

- TFG declared a Q4 2014 DPS of $0.1575, up from $0.155 in Q3 2014. On a rolling 12-month basis, the dividend of $0.6175 per share represents a 9.3% increase over the prior year and equated to a dividend yield of 6.2% on the year-end share price of $9.90.
- TFG continues to pursue a progressive dividend policy with a target payout ratio of 30-50% of normalised earnings. The Q4 2014 DPS of $0.1575 brings the cumulative DPS since TFG's IPO to $3.443.

Figure 8

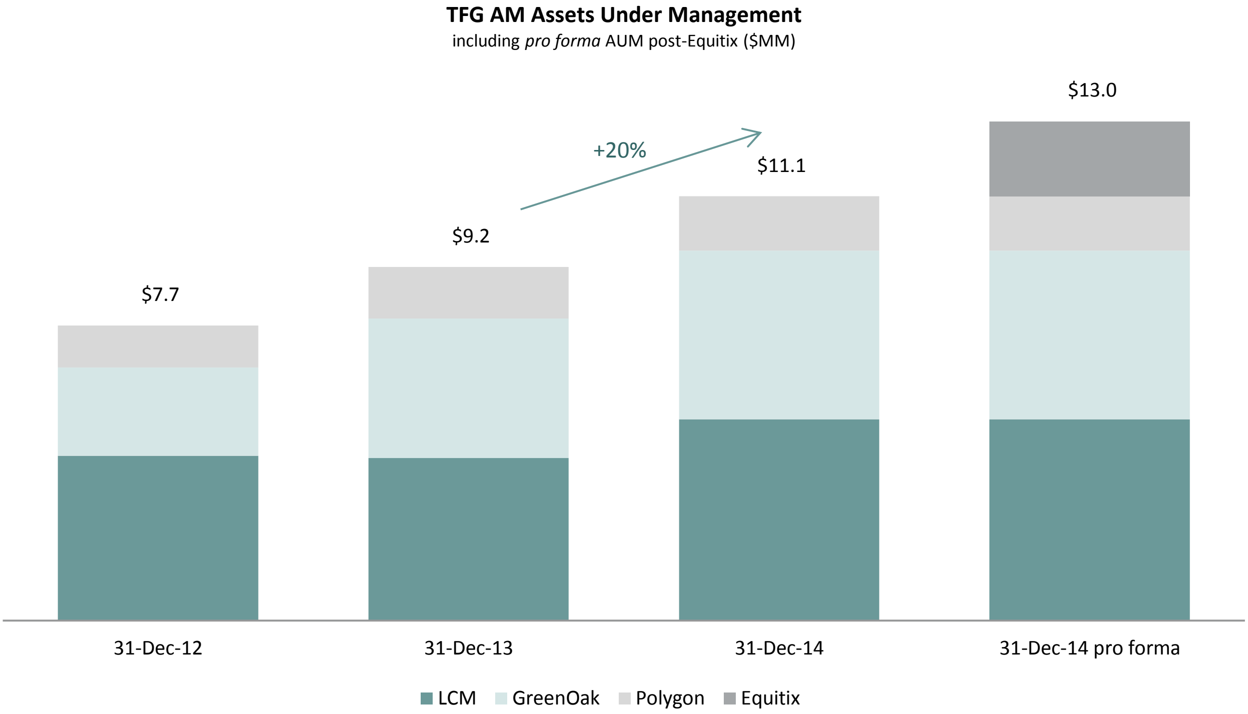


AUM GROWTH

TFG Asset Management grew its total AUM by 20% in 2014 as all business lines added fee-paying capital and ended the year with $11.1 billion of AUM

In addition, as a result of the acquisition of Equitix, TFG Asset Management will start 2015 with an additional $2.0 billion of AUM for a *pro forma* total of $13.0 billion, which is shown in Figure 9.

Figure 9(i)



(i) GreenOak AUM includes funds and advisory assets managed by GreenOak Real Estate, LP, a separately registered investment adviser under the U.S. Investment Advisers Act of 1940. Polygon AUM includes Polygon Recovery Fund LP, Polygon Convertible Opportunity Master Fund, Polygon European Equity Opportunity Master Fund and associated managed account, Polygon Mining Opportunity Master Fund, Polygon Global Equities Master Fund and Polygon Distressed Opportunities Master Fund, as calculated by the applicable fund administrator. Includes, where relevant, investments by Tetragon Financial Group Master Fund Limited. All data is at 31 December 2014.

2014 Year in Review

RETURNS BY ASSET TYPE AND TFG ASSET MANAGEMENT

Figure 10

Asset Type	2014 Net Assets ($MM)	Income[iv] 2014 ($MM)
U.S. CLO 1.0[i]	439.8	116.7
U.S. CLO 2.0[i]	258.8	29.7
European CLOs	120.1	22.7
U.S. Direct Loans	22.1	0.6
Hedges[ii]	0.6	(10.6)
Polygon Equity Funds	178.0	(3.2)
Polygon Credit, Convertibles & Distressed Funds	138.0	8.8
Other Equities, Credit, Convertibles & Distressed[iii]	85.0	(27.2)
Real Estate	88.3	10.1
TFG Asset Management	118.3	45.9

(i) "U.S. CLO 1.0" refers to U.S. CLOs issued before or during 2008. "U.S. CLO 2.0" refers to U.S. CLOs issued after 2008. The U.S. CLO 1.0 segment includes an investment in the BB tranche of a U.S. CLO 1.0 with fair value of $1.7 million.

(ii) "Hedges" refers to interest rate swaption hedges put in place in relation to certain interest rate risks relating to the CLO portfolio.

(iii) Assets characterised as "Other Equities, Credit, Convertibles, Distressed" consist of the fair value of, or capital committed to, investment assets held directly on the balance sheet.

(iv) TFG Asset Management income figure is "Net Economic Income Before Tax."

Figure 10 above shows the returns by asset type for 2014 and the returns for TFG Asset Management.

- CLOs again made the most significant contribution to EPS, although the CLO 1.0 portfolio continues to amortise down and yields on CLO equity dropped again during 2014.
- Sales of some CLO equity positions generated realised gains in the first half of the year.
- Both real estate investments and investments in Polygon credit and convertible funds generated improved returns year-on-year. The equity-focused investments, both through Polygon funds and directly on the balance sheet, generated losses on the year after a strong year in 2013 and indeed a strong start to 2014.

TFG Asset Management had a positive year in 2014, generating net economic income before tax of $45.9 million, and as a contribution to EPS this represented a 129% increase year-on-year. TFG Asset Management appears to have outperformed in the majority of its funds across asset classes; more details are provided later in this section. Furthermore, all of TFG Asset Management's businesses raised net new AUM during the year and made progress in growing their businesses.

Figure 11

TETRAGON FINANCIAL GROUP TFG Asset Management Statement of Operations 2013 - 2014		
	2014 $MM	**2013 $MM**
Fee income[(i)]	81.1	74.3
Interest income	0.2	0.3
Total income	**81.3**	**74.6**
Operating, employee and administrative expenses[(i)]	(58.2)	(47.1)
Net income - "EBITDA equivalent"	**23.1**	**27.5**
Unrealised gain on asset management stake[(ii)]	36.3	6.2
Performance fee allocation to TFM	(6.7)	(6.7)
Amortisation expense on management contracts	(6.8)	(6.8)
Net economic income before taxes	**45.9**	**20.2**

(i) Nets off cost of recovery on "Other fee income" against this cost contained in "Operating, employee, and administrative expenses." Operating costs also removes amortisation expense from the U.S. GAAP segmental report. Fee income includes amounts earned through third-party fee sharing arrangements. It also includes any fees earned through fees paid on investments made by TFG in Polygon hedge funds or other investment vehicles. TFG is able to invest at a preferred level of fees.

(ii) Includes an unrealised gain generated by a recalibration of the fair value of the 23% stake held in GreenOak. For accounting purposes TFG treats this stake as an investment carried at fair value rather than consolidating the underlying net assets and net income of this business.

Figure 11 shows the statement of operations for TFG Asset Management. The asset managers are at different stages of evolution and therefore different stages of profitability.

Revenues:

LCM is a relatively mature and stable business, although it is the Company's opinion that its AUM can continue to grow. 2014 was a very strong year for LCM as many of the older vintage CLOs paid performance fees.

GreenOak is still a young and growing business; and notwithstanding the fact that from a standing start in 2010 they have achieved over $4.0 billion of AUM, by the nature of their business, profits are mainly achieved when the carry is paid, which is normally several years after the initial investments are made.

Within Polygon, each fund operates as a separate entity with different funds at different stages of evolution and profitability. The Convertibles fund had a strong and profitable year and is keeping its capital constrained; European event-driven equities lost money in 2014 and thus did not earn any substantial performance fees; and the Distressed fund is early-stage so, whilst the fund had a good year of performance, TFG will not benefit from fee income until third-party assets are raised, which is planned for 2015.

Hawke's Point is a start up business, and thus losses are likely in the early years as the business is established.

Third-party fees from external managers made another contribution in 2014, albeit lower than in 2013.

Costs:

LCM had higher compensation costs associated with its profitability, as did the Polygon convertibles fund.

Start-up businesses, namely the Polygon distressed fund and Hawke's Point, had costs but no third-party revenues in 2014 as they are in the process of establishing their respective businesses.

Figure 12

TETRAGON FINANCIAL GROUP Analysis of Net Assets and 2014 Profitability by Business Segment			
Business Segment	**Net Asset Value** **$MM**	**Net Economic Income Before Tax** **$MM**	**EBITDA Equivalent** **$MM**
Investment Portfolio	1,716.6	84.8	N/A
TFG Asset Management (pre-Equitix)	118.3	45.9	23.1
Total	**1,834.9**	**130.7**	**23.1**

EXPOSURE TO ASSET MANAGERS

Given that external managers now only manage 34% of assets, the table below has been created to show TFG's exposure to each of TFG Asset Management's underlying asset managers, both in terms of the NAV of TFG monies invested in that asset manager's various funds, and the NAV of the carrying value of TFG's ownership of the asset manager itself. This illustrates a significant accounting difference between GreenOak, where TFG owns 23% and thus holds it on its balance sheet as an investment, and the other asset managers, where TFG owns a majority stake and thus consolidates the earnings and holds the asset at purchase price less amortisation. This is important as it is the combined exposure that is relevant from a risk perspective. In some cases, the NAV of the asset manager may not reflect the intrinsic value of the business: for example, under U.S. GAAP, the fair value of the LCM management contracts has amortised to zero since the business was purchased in 2010, whilst its AUM has more than doubled.

Figure 13

TFG Exposure to Asset Managers				
	TFG Investments in Products	**Carrying Value of Asset Manager**	**Total NAV**	**Percentage of Total NAV**
	($MM)	**($MM)**	**($MM)**	
LCM	230	0	230	12.7%
GreenOak	88	66	155	8.5%
Polygon	316	30	346	19.0%
Equitix(i)	0	137	137	7.5%
Hawke's Point	0	0	0	0.0%
Direct Investments(ii)	79	0	79	4.3%
External Managers	617	0	617	33.9%
Cash and Other(i)	233	22	255	14.0%
NAV	**1,563**	**255**	**1,818**	**100.0%**

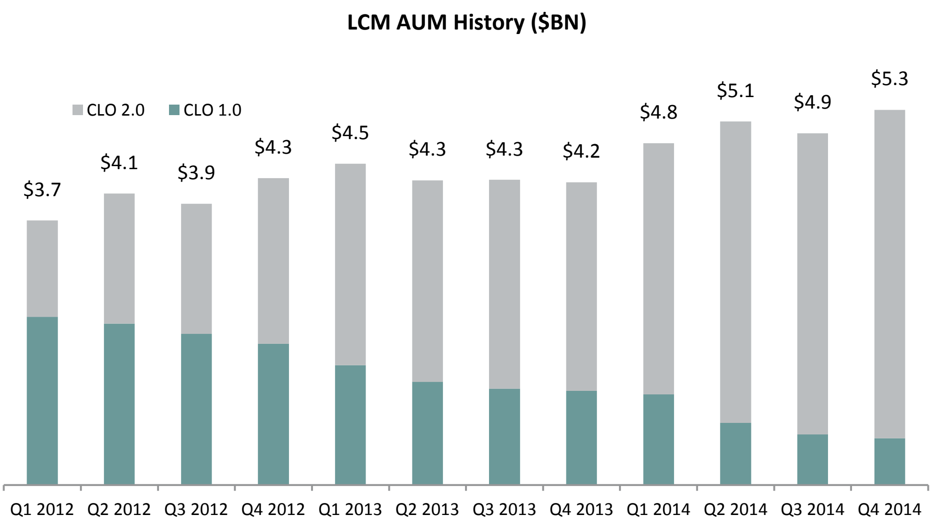
(i) Equitix and cash figures are *pro forma*.

(ii) Adjusted net assets of such investments consists of the fair value of, or capital committed to, investment assets held directly on the balance sheet.

BUSINESS OVERVIEWS

The following pages outline the progress of each business during 2014 in turn. All data is at 31 December 2014, unless otherwise stated.

LCM

<table>
<tr><td>Description of Business:</td><td>LCM is a specialist in below-investment grade U.S. broadly-syndicated leveraged loans.</td></tr>
<tr><td>Carrying Value of Asset Manager:</td><td>$0.0 million.</td></tr>
<tr><td>AUM:</td><td>$5.3 billion.
Figure 14


As in recent years, LCM's U.S. CLO 1.0 transactions continued to amortise during 2014. Despite this headwind, LCM's total CLO assets under management increased by approximately 24% year-over-year, ending 2014 at $5.3 billion, with 12 active CLOs under management. The LCM-managed CLOs issued during the year were:
• LCM XV, $600.0 million, 25 February 2014,
• LCM XVI, $700.0 million, 19 June 2014, and
• LCM XVII, $400.0 million, 15 October 2014.</td></tr>
<tr><td>Performance in 2014:</td><td>LCM performed well in 2014, with all of LCM's Cash Flow CLOs(17) that were still within their reinvestment periods continuing to pay senior and subordinated management fees. LCM's overall Oil & Gas segment loan exposure, which saw volatility during the fourth quarter, totalled approximately 3.4% of CLO AUM(18) as of 31 December 2014. This level was slightly below market-wide U.S. CLO exposure to Oil & Gas issuers, which stood at approximately 3.5% over a comparable period.(19) It is important to note that approximately 88.0% of LCM's CLO AUM at the end of 2014 consisted of CLO 2.0 transactions within which total Oil & Gas exposure totalled 3.5% versus 4.0% for all U.S. post-crisis CLOs.(20)
Among other things, LCM typically focuses on the stability of CLO overcollateralization ("O/C") levels and minimizing loan asset defaults and losses. For example, during 2014, no loans defaulted within any LCM Cash Flow CLOs (see page 44 for portfolio default rate information). This compares to a 12-month default rate of 3.2% for the broader U.S. leveraged loan market, according to S&P/LCD.(21) More importantly, the highest 12-month default rate incurred by LCM-developed and managed CLOs since its founding in 2001 was 1.9%, at year-end 2009.(22) This compares to the broader U.S. market level of 10.8% which was reached during Q4 2009.(23) TFG believes that LCM's default loss outperformance versus its peers may differentiate it from many other U.S. CLO managers, especially those without track records spanning multiple credit cycles, and thus should allow LCM to continue to raise CLO assets.</td></tr>
</table>

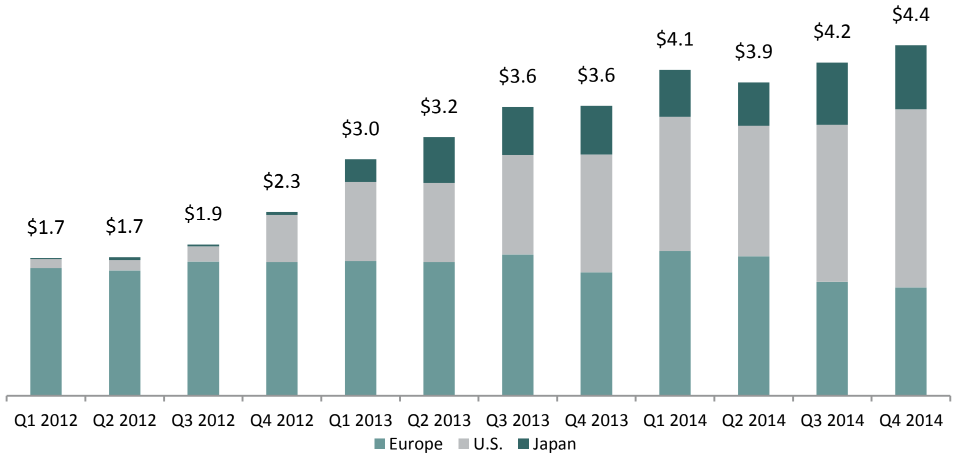
GREENOAK

<table>
<tr><td>Description of Business:</td><td>GreenOak is a real-estate focused principal investing and advisory firm.</td></tr>
<tr><td>Amount of TFG's Investment in Products:</td><td>$88.3 million.</td></tr>
<tr><td>Carrying Value of Asset Manager:</td><td>$66.5 million. The fair value of TFG's holding in GreenOak is determined primarily by reference to a private equity-style valuation framework in which a range of multiples is applied to GreenOak's projected earnings (EBITDA). The range for 2014 was 7-11 x and the selected point was the 65th centile in the range. This resulted in an increase in fair value from $34.1 million in Q2 2014 to $66.5 million at year-end 2014.</td></tr>
<tr><td>AUM:</td><td>

$4.4 billion.

Figure 15

GreenOak AUM History (i)($BN)



(i) Includes investment funds and advisory assets managed by GreenOak at 31 December 2014. TFG owns a 23% stake in GreenOak. AUM include all third-party interests and total projected capital investment costs.

During 2014, GreenOak completed its fundraising for its U.S. Fund II ahead of its target, launched a new Spain fund, continued to raise assets for its UK debt fund, and began raising assets for its second Japan fund. To date, GreenOak has raised approximately $2.6 billion of equity to invest in targeted strategies and assets.

</td></tr>
</table>

GREENOAK (continued)

AUM (continued):

Figure 16

	Investment Period	Equity Raised[i] ($MM)
United States		
Fund I & Co-Investments	2011-2013	356
Fund II & Co-Investments	2014 - Present	865
Other	2012	82
U.S. Sub-Total		**1,303**
Japan		
Fund I & Co-Investments	2012 - Present	325
Fund II closings to date	2015	105
Other	2011, 2013	7
Japan Sub-Total		**437**
Europe		
Fund I Spain closings to date	2014 - Present	215
Spain Separate Account	2013	86
London Investment Program	2012 - 2013	271
European Credit	2013 - 2014	330
Europe Sub-Total		**902**
TOTAL		**2,642**

(i) Source: GreenOak, as of 31 December 2014. Includes assets previously purchased by GreenOak but have been monetized.

Performance in 2014:

GreenOak continued to execute on its business strategy during 2014.

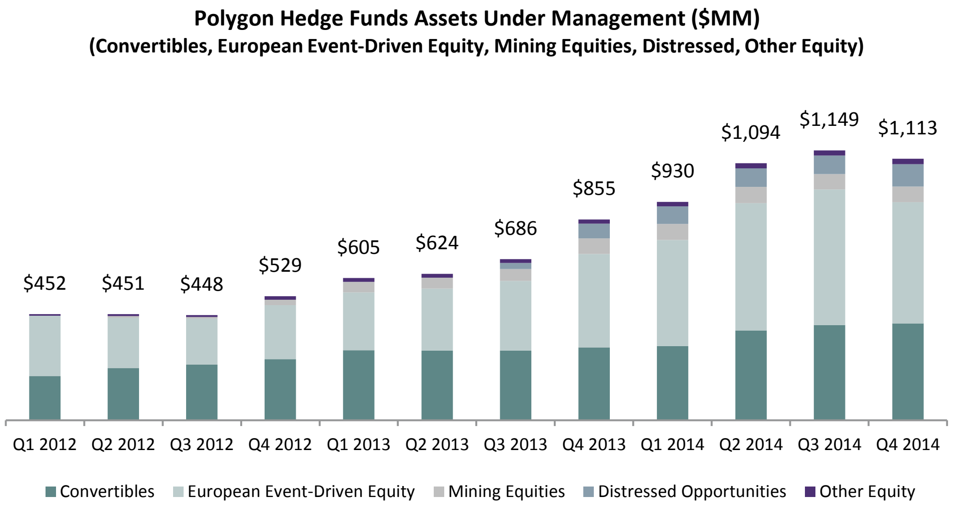
In the United States, U.S. Fund II had its final closing in September 2014, with total capital commitments of over $750 million. During the year, it completed eight investments of over $900 million in gross assets.

In Europe, GreenOak launched its Spain Fund in October 2014 and has closed €175 million of investor capital commitments to date. The UK Senior Debt Fund has closed £196 million to date.

In Japan, GreenOak invested over $600 million in gross assets and approximately $150 million in equity. It also generated over $50 million of profits for Japan Fund I via asset sales.

GreenOak won the 2014 Real Estate Debt Manager of the Year Award at the Professional Pensions Investment Awards (PPIA).(24)

POLYGON

Description of Business:	Polygon manages open-ended hedge fund and private equity vehicles across a number of strategies.
Amount of TFG's Investment in Products:	$315.9 million.
Carrying Value of Asset Manager:	$29.7 million.
AUM:	$1.4 billion for all funds; $1.1 billion for open strategies. Figure 17(i)  (i) Includes AUM for Polygon Convertible Opportunity Master Fund, Polygon European Equity Opportunity Master Fund and associated managed account, Polygon Mining Opportunity Master Fund, Polygon Global Equities Master Fund and Polygon Distressed Opportunities Master Fund, as calculated by the applicable fund administrator at 31 December 2014. Includes, where relevant, investments by Tetragon Financial Group Master Fund Limited.
Performance in 2014:	Performance for the hedge fund industry as a whole was generally muted in 2014, with returns for the HFRX Global Hedge Fund Index at 0.58% for the year.(25) Against this backdrop, all Polygon funds had positive net performance for the year, with the exception of the European event-driven equity strategy. Further details for each strategy are outlined over the next few pages.

POLYGON (continued)

Performance in 2014:

Figure 18(26)

Polygon Funds Summary

Fund	AUM at 31 Dec 2014 ($MM)	2014 Net Performance	Annualised Net LTD Performance
Convertibles(26.i)	413.0	13.9%	19.4%
European Event-Driven Equity(26.ii)	516.0	-3.2%	11.4%
Mining Equities(26.iii)	66.7	1.5%	2.2%
Distressed Opportunities(26.iv)	95.4	8.3%	9.4%
Other Equity(26.v)	22.4	21.1%	18.0%
Total AUM - Open Funds	**1,113.5**		
Private Equity Vehicle(26.vi)	304.0	-7.8%	2.6%
Total AUM	**1,417.5**		

Note: The AUM noted above includes investments in the relevant strategies by TFG, other than in respect of the Private Equity Vehicle, where there is no such investment. The Private Equity vehicle, at the time of the Polygon transaction and currently, remains a closed investment strategy. P&L for the Private Equity Vehicle was -$19.5 million in 2014, of which FX movements accounted for $19.0 million. Past performance or experience (actual or simulated) does not necessarily give a guide for the future and no representation is being made that the funds listed will or are likely to achieve profits or losses similar to those shown. Past performance or experience (actual or simulated) does not necessarily give a guide for the future and no representation is being made that the funds listed will or are likely to achieve profits or losses similar to those shown. All performance numbers provided herein reflects the actual net performance of the funds net of management and performance fees, as well as any commissions and direct expenses incurred by the funds, but before withholding taxes, and other indirect expenses. All returns include the reinvestment of dividends, if any. Differences in account size, timing of transactions and market conditions prevailing at the time of investment may lead to different results. Differences in the methodology used to calculate performance may also lead to different performance results than those shown.

Convertibles:

- Polygon's convertibles strategy invests primarily in convertible securities in Europe and North America.
- During 2014, the portfolio performed strongly with 2014 net performance of 13.9%, compared to the HFRX Convertible Arbitrage Index which returned -9.35% for the year; annualised net performance since inception in May 2009 has been 19.4% compared to 6.0% for the benchmark index.(27)
- The strategy received two nominations for 2014 EuroHedge Awards, winning the Convertibles & Volatility category, the third win in the last four years. It was also nominated for the Long-Term Performance – Macro, Fixed Income & Relative Value (5 years) category for the first time.(28)

POLYGON (continued)

European Event-Driven Equity:	• This strategy invests primarily in the major European equity markets, with an event-driven focus. • The strategy returned -3.2% net in 2014. This compares to the HFRX Event Driven Index which returned -4.1% in 2014; annualised net performance since inception in July 2009 has been 11.4% compared to 3.4% for the benchmark index.(29)
Mining Equities:	• This strategy focuses primarily in the equities of global mining companies, many of them based on gold. • The strategy posted net returns of 1.5% for 2014. This compares to the GDXJ Junior Gold Miners Index, which was down -22.9% in 2014; annualised net performance since inception in June 2012 has been 2.2% compared to -36.5% for the benchmark index.(30)
Distressed Opportunities:	• This strategy focuses on opportunities in companies undergoing, or about to undergo, balance sheet restructurings. The strategy was launched in September 2013 and the product continued to build out its portfolio of idiosyncratic names and began to market to external investors during Q4 2014. • Net performance in 2014 was 8.3%. This compares to the HFRX Distressed Restructuring Index, which returned 0.48% in 2014.(31) • The strategy received a nomination for New Fund of the Year – Macro, Fixed Income, & Relative Value category at the 2014 EuroHedge Awards.(32)
Other Equities:	• Assets under management in this category were $22.4 million at 31 December 2014. • These investments have returned 21.1% net performance through the end of 2014 and annualised performance from inception through to the end of 2014 was 18.0%.(33)
Private Equity:	This represents Polygon's portfolio of private and less-liquid public assets being sold down in a closed-ended investment vehicle. The fund has returned $515.0 million of cash to its partners since inception in March 2011, including $160.0 million in 2014. Performance in 2014 was mainly driven by foreign exchange moves, with approximately $19.0 million of the -$19.5 million investment return attributable to FX.(34) TFG has not invested directly in this product; however, it is the beneficiary of certain contracted management fee income.

EQUITIX

<table>
<tr><td>Description of Business:</td><td>Equitix is an integrated core infrastructure asset management and primary project platform.</td></tr>
<tr><td>Amount of TFG’s Investment in Products:</td><td>$0.0 million.</td></tr>
<tr><td>Carrying Value of Asset Manager:</td><td>$0.0 million at 31 December 2014; approximately $137.0 million (net of financing) at 2 February 2015.</td></tr>
<tr><td>AUM:</td><td>$2.0 billion (£1.3 billion) (<i>pro forma</i>)
Figure 19
<table>
<tr><th>Fund Name</th><th>AUM at 31 December 2014 ($MM)(i)</th></tr>
<tr><td>Equitix Fund I</td><td>162</td></tr>
<tr><td>Equitix Fund II</td><td>519</td></tr>
<tr><td>Equitix Fund III</td><td>789</td></tr>
<tr><td>Energy Efficiency Funds</td><td>343</td></tr>
<tr><td>Managed Accounts</td><td>156</td></tr>
<tr><td>Total Equitix AUM</td><td>1,966</td></tr>
</table>
(i) USD-GBP exchange rate at 31 December 2014.</td></tr>
<tr><td>Performance in 2014:</td><td>Given the recent closure of the acquisition, TFG will report on updates to any investments and developments in the business over the coming quarters.</td></tr>
</table>

HAWKE’S POINT RESOURCE FINANCE

Description of Business:	Hawke’s Point is a mining finance company established by TFG in Q4 2014.
Amount of TFG’s Investment in Products:	As this is a start-up business, there are not yet any investments on which to report.
Carrying Value of Asset Manager:	$0.0 million.

EXTERNAL MANAGERS

Description of Business:	External managers (primarily third-party CLO managers).
Amount of TFG's Investment in Products:	$616.7 million of which the major exposures are: U.S. CLO 1.0: $401.4 million, U.S. CLO 2.0: $87.2 million, European CLO: $120.1 million. In certain cases, TFG Asset Management receives asset management fee income derived from one-off and long-term fee sharing arrangements with third-party CLO managers.
Carrying Value of Asset Manager:	Not applicable.
AUM:	Not applicable.
Performance in 2014:	TFG's third-party-managed U.S. CLO 1.0 and 2.0 equity investments performed well during 2014, with all such CLOs passing their O/C tests as of the end of 2014.(35) The Company believes that it took advantage of supportive credit and technical loan market conditions to direct certain early optional redemptions, while other transactions continued to reinvest into loan assets and generate strong equity tranche cash flows. In aggregate, TFG's third-party-managed U.S. CLO equity investments generated cash flow of $267.6 million in 2014. TFG's European CLO equity investments totalled $120.1 million at the end of 2014, with all such CLOs managed by third parties. All European CLO investments were passing their O/C coverage tests at year-end.(36) During 2014, this portfolio segment generated cash flow of €33.5 million.

DIRECT BALANCE SHEET / CO-INVESTMENT OPPORTUNITIES

- Whilst TFG's Investment Manager does not make investment decisions at the various TFG Asset Management affiliated managers, it does sit on the various investment committees, and, in addition to investing in various funds, it also gets opportunities to make co-investments or additional investments. TFG may invest in opportunities directly from its balance sheet rather than through, for example, investments in other funds or collective investment schemes, when the Investment Manager sees an opportunity that fits its investment criteria, particularly where the structuring ability and the Company's long duration capital may give it a potential investment advantage. In some cases, TFG may also have exposure to the investment indirectly through fund investments.
- The net assets of this part of the portfolio at the end of 2014 were $78.8 million.(37) The vast majority of this is invested in publicly quoted equities.
- This segment of the portfolio experienced losses in 2014, primarily from European equity-related investments.

CASH

- As of the end of 2014, TFG continued to have no long-term debt. Investible Cash(38) grew over the year from approximately $218.8 million to $352.9 million, as the Company preserved cash in anticipation of funding certain investments, including the acquisition of Equitix.
- Cash flows from operations remained strong, with cash flows from operations reaching $290.4 million in 2014.

Balance Sheet Composition Overview

BALANCE SHEET COMPOSITION OVERVIEW

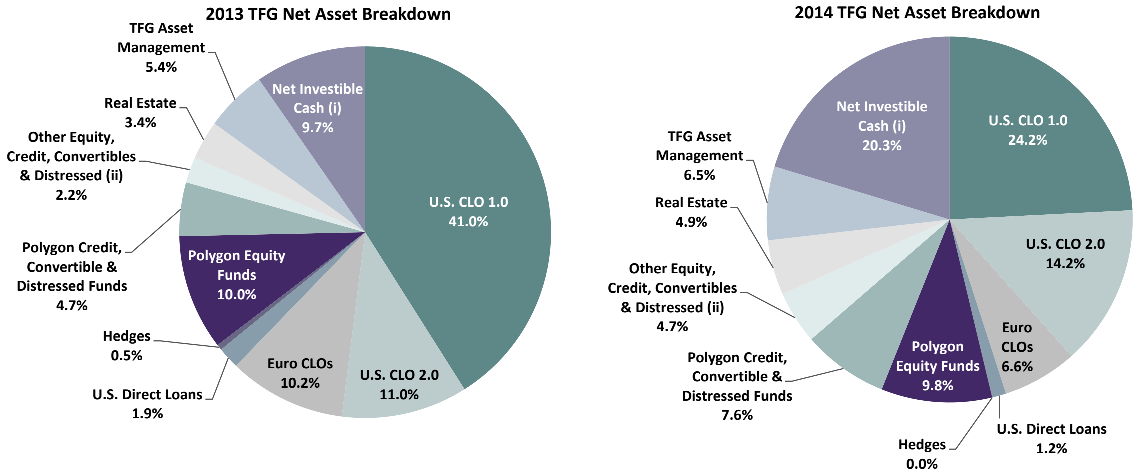
The Investment Manager seeks to invest TFG's capital in a manner consistent with the Company's goal of providing stable returns to its investors across various credit, equity, interest rate, inflation and real estate cycles. Given the long duration of many of the Company's assets, TFG's asset allocation methodology is not a fully dynamic, continuous process of risk adjustment, but is rather an evolution and diversification of income streams. The Investment Manager seeks to balance not just the risks and rewards of various asset classes, but also the risks and rewards of each asset manager that it owns.

2014 Net Asset Composition Review

Figures 20 and 21 illustrate the composition of TFG's net assets as of the end of 2014 and 2013. During the course of 2014, the Company's asset composition evolved in a manner consistent with recent historical trends and its intended asset allocation strategy.

- Key changes included continued reductions in the concentration of U.S. 1.0 and European CLOs, and growth in the share of U.S. 2.0 CLOs, real estate assets, and credit, convertible, and distressed investments.
- The decline in the share of U.S. 1.0 and European CLO transactions reflected post-reinvestment period structural de-leveraging of these transactions as well as selective early optional redemptions and outright secondary sales.
- Conversely, growth in the share of U.S. 2.0 CLOs, real estate assets, and credit, convertible, and distressed investments reflected additional investments into these asset classes (see details below).
- Additionally, the 2014 year-end Investible Cash balance grew both in absolute terms and as a percentage of total Net Assets. A significant share of this cash balance has been applied to the acquisition of Equitix post year-end.

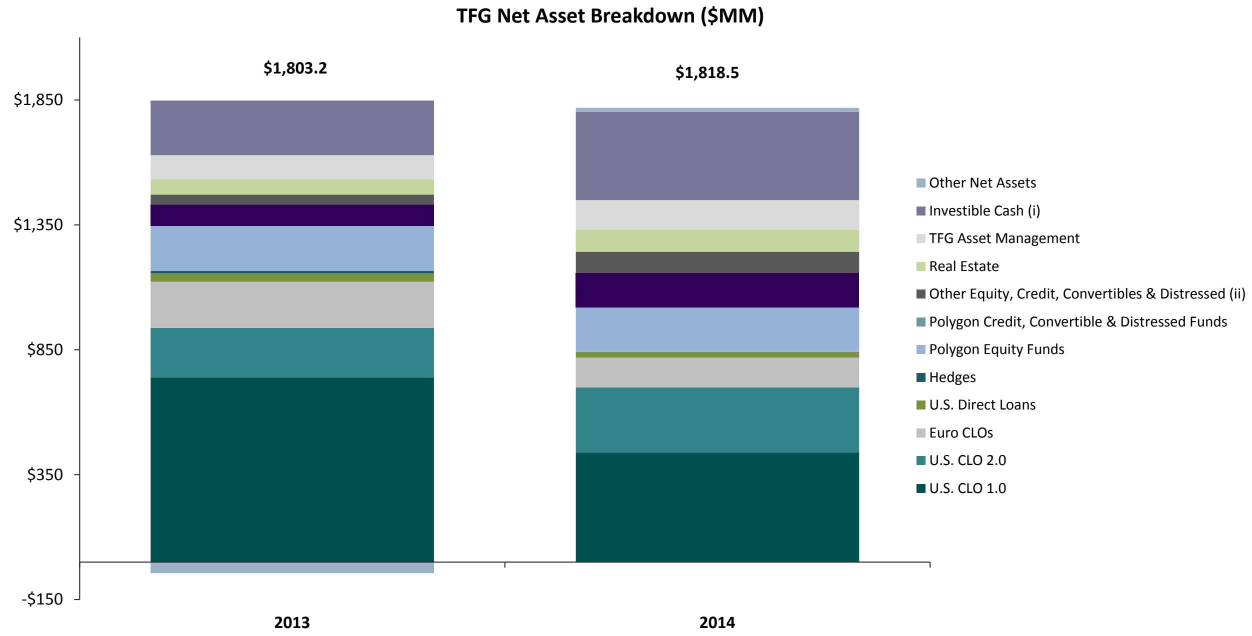
Figure 20



(i) Net Investible Cash consists of: (1) cash held directly by Tetragon Financial Group Master Fund Limited, (2) excess margin held by brokers associated with assets held directly by Tetragon Financial Group Master Fund Limited, and (3) cash held in certain designated accounts related to TFG's investments, which may only be used for designated purposes without incurring significant tax and transfer costs, net of "Other Net Assets."

(ii) Assets characterised as "Equities" consist of the fair value of investments in Polygon-managed equity funds as well as the fair value of, or capital committed to, equity assets (as applicable) held directly on TFG's balance sheet.

Figure 21



(i) Net Investible Cash consists of: (1) cash held directly by Tetragon Financial Group Master Fund Limited, (2) excess margin held by brokers associated with assets held directly by Tetragon Financial Group Master Fund Limited, and (3) cash held in certain designated accounts related to TFG's investments, which may only be used for designated purposes without incurring significant tax and transfer costs, net of "Other Net Assets."

(ii) Assets characterised as "Equities" consist of the fair value of investments in Polygon-managed equity funds as well as the fair value of, or capital committed to, equity assets (as applicable) held directly on TFG's balance sheet.

2014 Major New Investments

- **U.S. 2.0 CLOs**: In 2014, TFG acquired majority equity positions in three LCM-managed CLOs for a total cost of $84.3 million.
- **Real estate**: During 2014, TFG invested $77.0 million into GreenOak-managed real estate funds and vehicles primarily with exposure to commercial real estate in Tokyo, London, Spain, and gateway U.S. cities.
- **Polygon credit, convertible and distressed funds**: During 2014, TFG invested $45.0 million into Polygon-managed credit, convertible and distressed funds.
- **Equitix**: In October 2014, TFG announced a proposed acquisition of 85%(39) of Equitix Holdings Limited for a total enterprise value of £159.5 million, which was partially financed by a £60 million bank facility made to Equitix. The acquisition was completed on 2 February 2015.

2014 Major Asset Sales and Optional Redemptions

- U.S. 1.0 CLOs: During 2014, TFG sold eight U.S. CLO 1.0 transactions for total proceeds of $146.2 million. In addition, TFG exercised its optional call rights on five U.S 1.0 CLOs, generating unwind proceeds of $38.2 million to date. Certain of these transactions have not yet liquidated all of their underlying assets and the Company expects to receive additional proceeds from these redemptions in 2015.
- European CLOs: TFG sold one European CLO in the first half of 2014 for proceeds of €18.4 million. In addition, TFG initiated an optional early redemption of one European CLO late in 2014, which generated partial unwind proceeds of €4.7 million in January 2015 and which is expected to complete the unwind process during the remainder of the year.

TFG in the Community

TFG IN THE COMMUNITY

TFG believes that being a good citizen is an important part of doing business. It aims to contribute positively to the communities around it by participating in the following initiatives:

TFG Asset Management is the largest contributor to **BACIT Limited** (the Battle Against Cancer Investment Trust) a UK-based charitable investment vehicle. BACIT only invests where the relevant investment manager provides investment capacity on a ‘‘gross return’’ basis, meaning that BACIT and its subsidiaries (the “Group”) do not bear the impact of management or performance fees on its investments. This may be achieved by the relevant manager or fund agreeing not to charge management or performance fees, by rebating or donating back to the Group any management or performance fees charged or otherwise arranging for the Group to be compensated so as effectively to increase its investment return on the relevant investment by the amount of any such fees. BACIT does not charge its investors fees. However, it donates 1% of NAV each year to charity (50% to The Institute of Cancer Research and 50% to The BACIT Foundation). In addition, BACIT also intends to invest up to one per cent per annum of NAV to acquire interests in drug development and medical innovation projects undertaken by the Institute of Cancer Research or its subsidiaries in the field of cancer research and therapeutics which have the potential for commercial development and application. Further information on this initiative can be found on BACIT’s website, www.bacitltd.com.

TFG Asset Management also supports **Hedge Funds Care │Help for Children**, a charity for the prevention and treatment of child abuse. Hedge Funds Care, also known as Help For Children (HFC), is an international charity, supported largely by the hedge fund industry, whose sole mission is preventing and treating child abuse. Its main goals are to raise as much money as possible to fund the programs that do the preventing and treating of child abuse; and to showcase the philanthropy of the hedge fund and finance industries. Further information can be found at www.hfc.org.

In addition, TFG Asset Management is a corporate supporter of the **Royal Court Theatre**, its neighbour in London. The Royal Court bills itself as “the writer’s theatre” and has a particular mission to develop and cultivate new theatrical works from established and budding playwrights. Corporate sponsorships such as ours enable the Royal Court to support and develop exciting new plays. Further information can be found at www.royalcourttheatre.com.

2014 Financial Review

2014 FINANCIAL REVIEW

This section shows consolidated financial data incorporating TFG and its 100% subsidiary, Tetragon Financial Group Master Fund Limited (the "Master Fund"), and provides comparative data where applicable.(40)

Financial Highlights

Figure 22

TETRAGON FINANCIAL GROUP

Financial Highlights 2012 - 2014

	2014	2013	2012
U.S. GAAP net income ($MM)	$95.1	$224.3	$357.2
Net economic income ($MM)	$118.1	$247.4	$306.2
U.S. GAAP EPS	$1.00	$2.29	$3.15
Adjusted EPS	$1.24	$2.52	$2.70
Return on equity	6.6%	15.3%	20.8%
Net assets ($MM)	$1,818.5	$1,803.2	$1,621.4
U.S. GAAP number of shares outstanding (MM)	95.9	98.9	98.8
U.S. GAAP NAV per share	$18.96	$18.23	$16.41
Pro Forma number of shares outstanding (MM)	106.6	110.2	110.6
Pro Forma fully diluted NAV per share	$17.05	$16.36	$14.65
DPS	$0.6175	$0.565	$0.470

TFG uses, among others, the following metrics to understand the progress and performance of the business:

- **Net Economic Income ($118.1 million):** adds back to the U.S. GAAP net income ($95.1 million) the imputed 2014 share based employee compensation ($23.0 million), which is generated on an ongoing basis resulting from the 2012 Polygon transaction.
- **Return on Equity (6.6%):** Net Economic Income ($118.1 million) divided by Net Assets at the start of the year ($1,803.2 million).
- **Pro Forma Fully Diluted Shares (106.6 million):** adjusts the U.S. GAAP shares outstanding (95.9 million) for the impact of escrow shares used as consideration in the Polygon transaction and associated stock dividends (10.7 million).
- **Adjusted EPS ($1.24):** calculated as Net Economic Income ($118.1 million) divided by weighted-average U.S. GAAP shares(i) during the period (95.4 million).
- **Pro Forma Fully Diluted NAV per Share ($17.05):** calculated as Net Assets ($1,818.5 million) divided by Pro Forma Fully Diluted shares (106.6 million).(41)

(i) The time-weighted average daily U.S. GAAP Shares outstanding during the applicable year.

EPS Analysis 2013-2014

Figure 23

TETRAGON FINANCIAL GROUP

TFG Earnings per Share Analysis (2012 - 2014)

	2014	2013	2012
Investment portfolio segment			
U.S. CLO 1.0	$1.23	$1.74	$3.29
U.S. CLO 2.0	$0.31	$0.23	$0.14
European CLOs	$0.24	$0.89	$0.22
Hedges	($0.11)	$0.07	($0.05)
Other income	$0.01	$0.04	$0.08
Polygon Equity Funds	($0.03)	$0.20	$0.01
Polygon Credit, Convertibles & Distressed Funds	$0.09	$0.04	-
Other Equities, Credit, Convertibles, Distressed	($0.28)	$0.10	-
Real Estate	$0.11	$0.03	-
FX and Options	($0.04)	$0.03	($0.01)
Expenses	($0.64)	($0.97)	($1.07)
Net EPS investment portfolio	$0.89	$2.40	$2.61
Asset Management Segment - TFG AM	$0.48	$0.21	$0.12
Corporate Income taxes	($0.13)	($0.09)	($0.03)
Adjusted EPS	**$1.24**	**$2.52**	**$2.70**
Weighted Average Shares (millions)	95.4	98.0	113.3

Statement of Operations

Figure 24

TETRAGON FINANCIAL GROUP Annual Statement of Operations 2012 - 2014			
	2014 $MM	2013 $MM	2012 $MM
Interest income	152.5	204.8	235.6
Fee income	81.1	74.3	36.7
Other income - cost recovery	23.6	21.1	6.8
Dividend income	0.1	0.1	-
Investment income	**257.3**	**300.3**	**279.1**
Management and performance fees	(49.8)	(90.0)	(109.8)
Other operating and administrative expenses	(107.3)	(84.8)	(42.6)
Total operating expenses	**(157.1)**	**(174.8)**	**(152.4)**
Net investment income	**100.2**	**125.5**	**126.7**
Net change in unrealised appreciation in investments	(48.8)	105.1	186.3
Realised gain on investments	91.8	16.0	5.3
Realised and unrealised gains/(losses) from hedging and fx	(12.5)	9.6	(6.8)
Net realised and unrealised gains from investments and fx	**30.5**	**130.7**	**184.8**
Net economic income before tax and noncontrolling interest	**130.7**	**256.2**	**311.5**
Income tax	(12.6)	(8.8)	(3.6)
Noncontrolling interest	-	-	(1.7)
Net economic income	**118.1**	**247.4**	**306.2**

Performance Fee

A performance fee of $4.1 million was accrued in Q4 2014 in accordance with TFG's investment management agreement. In 2014, the Investment Manager earned performance fees of $22.8 million. The hurdle rate for the Q1 2015 incentive fee has been reset at 2.903458% (Q4 2014: 2.880458%) as per the process outlined in TFG's 2014 audited financial statements and in accordance with TFG's investment management agreement. Please see TFG's website, www.tetragoninv.com, and the 2014 TFG audited financial statements for more details on the calculation of this fee.

Statement of Operations by Segment

Figure 25

TETRAGON FINANCIAL GROUP Statement of Operations by Segment 2014	Investment Portfolio $MM	TFG AM $MM	Total $MM
Interest income	152.3	0.2	152.5
Fee income	-	81.1	81.1
Other income - cost recovery	-	23.6	23.6
Dividend income	0.1	-	0.1
Investment and management fee income	**152.4**	**104.9**	**257.3**
Management and performance fees	(43.1)	(6.7)	(49.8)
Other operating and administrative expenses	(18.6)	(88.7)	(107.3)
Total operating expenses	**(61.7)**	**(95.4)**	**(157.1)**
Net change in unrealised appreciation in investments	(85.2)	36.4	(48.8)
Realised gain on investments	91.8	-	91.8
Realised and unrealised losses from hedging, fx and options	(12.5)	-	(12.5)
Net realised and unrealised gains from investments and fx	**(5.9)**	**36.4**	**30.5**
Net economic income before tax	**84.8**	**45.9**	**130.7**

Balance Sheet

Figure 26

TETRAGON FINANCIAL GROUP Balance Sheet as at 31 December 2014 and 31 December 2013		
	2014 $MM	**2013 $MM**
Assets		
Investments, at fair value	1,356.2	1,533.0
Management contracts	29.7	36.5
Cash and cash equivalents	402.0	245.9
Amounts due from brokers	52.1	42.0
Derivative financial assets	19.2	15.2
Property, plant and equipment	0.1	0.3
Deferred tax asset and income tax receivable	10.0	8.3
Other receivables	33.4	26.5
Total assets	**1,902.7**	**1,907.7**
Liabilities		
Other payables and accrued expenses	54.5	79.8
Amounts payable on share options	12.3	10.7
Deferred tax liability and income tax payable	11.5	10.7
Derivative financial liabilities	5.9	3.3
Total liabilities	**84.2**	**104.5**
Net assets	**1,818.5**	**1,803.2**

Statement of Cash Flows

Figure 27

TETRAGON FINANCIAL GROUP Statement of Cash Flows 2012 - 2014	2014 $MM	2013 $MM	2012 $MM
Operating Activities			
Operating cash flows after incentive fees and before movements in working capital	290.9	375.6	368.2
Purchase of fixed assets	(0.1)	(0.4)	-
Change in payables / receivables	(0.4)	2.7	13.0
Cash flows from operating activities	**290.4**	**377.9**	**381.2**
Investment Activities			
Proceeds on sales of investments			
- Proceeds sale of CLOs	171.5	-	0.2
- Net proceeds from derivative financial instruments	-	8.1	2.0
- Proceeds sale of bank loans and maturity and prepayment of investments	17.3	102.6	84.6
- Proceeds on realisation of real estate investments	56.3	11.5	2.3
- Proceeds from GreenOak working capital repayment	5.1	-	-
Purchase of investments			
- Purchase of CLOs	(84.3)	(73.1)	(113.2)
- Purchase of bank loans	(1.4)	(22.4)	(90.1)
- Purchase of real estate investments	(77.0)	(43.5)	(23.5)
- Investments in asset managers	-	(0.5)	(2.7)
- Investments in Polygon Equity Funds	-	(115.0)	(45.0)
- Investments in Polygon Credit, Convertibles and Distressed Funds	(45.0)	(70.0)	(10.0)
- Investments in Other Equities, Credit, Convertibles and Distressed	(33.8)	(10.9)	-
- Net payment or purchase of derivative financial instruments	(28.8)	-	(8.3)
Cash flows from operating and investing activities (i)	**270.3**	**164.7**	**177.5**
Amounts due from broker	(10.2)	(28.9)	2.7
Net purchase of shares	(44.5)	(11.7)	(164.1)
Dividends paid to shareholders	(58.4)	(53.9)	(50.3)
Distributions paid to noncontrolling interest	-	-	(1.8)
Cash flows from financing activities	**(113.1)**	**(94.5)**	**(213.5)**
Net increase in cash and cash equivalents	157.2	70.2	(36.0)
Cash and cash equivalents at beginning of period	245.9	175.9	211.5
Effect of exchange rate fluctuations on cash and cash equivalents	(1.1)	(0.2)	0.4
Cash and cash equivalents at end of period	**402.0**	**245.9**	**175.9**

(i) The 2014 figure reconciles to the U.S. GAAP Statement of Cash flows, “net cash provided by operating activities” figure of $321.8 million, adjusted for “dividends paid to Feeder in lieu of incentive fee liability” ($51.5 million).

Net Economic Income to U.S. GAAP Reconciliation

Figure 28

Net Economic Income to U.S. GAAP Reconciliation	2014 $MM
Net economic income	**118.1**
Share based employee compensation	(23.0)
U.S. GAAP net income	**95.1**

TFG is primarily reporting earnings through a non-GAAP measurement called Net Economic Income.

The reconciliation on the table above shows the adjustment required to get from this measure of earnings to U.S. GAAP net income.

For the year ended 31 December 2014, the only adjusting line item is share-based employee compensation of $23.0 million.

Under ASC 805, TFG is recognizing the value of the shares given in consideration for the Polygon transaction as employee compensation over the period in which they are vesting. This mechanic and future vesting schedule are described in more detail in the Master Fund audited financial statements for the year ended 31 December 2014.

Appendices

APPENDICES

APPENDIX I

Directors' Statements

The Directors of TFG confirm that (i) this Annual Report constitutes the TFG management review for the year ended 31 December 2014 and contains a fair review of that period and (ii) the 2014 audited financial statements accompanying this Annual Report for TFG have been prepared in accordance with applicable laws and in conformity with U.S. generally accepted accounting principles.

APPENDIX II

Fair Value Determination of CLO Equity Investments

In accordance with the valuation policies set forth on TFG's website, the values of TFG's CLO equity investments are determined using a third-party cash flow modelling tool. The model contains certain assumption inputs that are reviewed and adjusted as appropriate to factor in how historic, current and potential market developments (examined through, for example, forward-looking observable data) might potentially impact the performance of TFG's CLO equity investments. Since this involves modelling, among other things, forward projections over multiple years, this is not an exercise in recalibrating future assumptions to the latest quarter's historical data.

Subject to the foregoing, when determining the U.S. GAAP-compliant fair value of TFG's portfolio, the Company seeks to derive a value at which market participants could transact in an orderly market and also seeks to benchmark the model inputs and resulting outputs to observable market data when available and appropriate.

Forward-looking CLO equity cash flow modelling assumptions unchanged at the end of Q4 2014:

The Investment Manager reviews and, when appropriate, adjusts in consultation with TFG's audit committee the CLO equity investment portfolio's modelling assumptions as described above. At the end of 2014, certain key assumptions relating to defaults, recoveries, prepayments and reinvestment prices were unchanged from the previous quarter. This was the case across both U.S. and European deals.

These key average assumption variables include the modelling assumptions disclosed as a weighted average (by U.S. dollar amount) of the individual deal assumptions, aggregated by geography (i.e. U.S. and European). Such weighted averages may change from month to month due to movements in the amortised costs of the deals, even without changes to the underlying assumptions. Each individual deal's assumptions may differ from this geographical average and vary across the portfolio.

The reinvestment price, assumptions about reinvestment spread and reinvestment life are also input into the model to generate an effective spread over LIBOR. Newer vintage CLOs may have a higher weighted-average reinvestment spread over LIBOR or shorter reinvestment life assumptions than older deals. Across the entire CLO portfolio, for those deals still in their reinvestment periods, the reinvestment price assumption of 100% for U.S. deals and European deals with their respective assumed weighted-average reinvestment spreads, generates an effective spread over LIBOR of approximately 294 bps on broadly syndicated U.S. loans. All middle market loan deals and European Loan deals are through the end of their reinvestment periods.

Figure 29

U.S. CLOs Modelling Assumption

Variable	Year	Current Assumptions
CADR		
	Until deal maturity	1.0x WARF-implied default rate (2.2%)
Recovery Rate		
	Until deal maturity	73%
Prepayment Rate		
	Until deal maturity	20.0% p.a. on loans; 0.0% on bonds
Reinvestment Price		
	Until deal maturity	100%

Figure 30

European CLOs Modelling Assumption

Variable	Year	Current Assumptions
CADR		
	Until deal maturity	1.0x WARF-implied default rate (2.1%)
Recovery Rate		
	Until deal maturity	68%
Prepayment Rate		
	Until deal maturity	20.0% p.a. on loans; 0.0% on bonds
Reinvestment Price		
	Until deal maturity	100%

Application of Discount Rate to Projected CLO Equity Cash Flows: U.S. CLO 1.0 Equity – discount rates unchanged

In determining the applicable rates to use to discount projected cash flows, an analysis of observable risk premium data is undertaken. For U.S. CLOs, observable risk premia such as BB and BBB CLO tranche spreads have been extremely stable at the current low levels.

For example, according to Citibank research, BB spreads were unchanged at 5.0% at the end of Q4 2014, compared with Q3 2014.

Market related information, such as broker research and bid lists, also tended to support the view that discount rates or yields had remained stable. Taking into account, among other things, the factors outlined above, this discount rate has been maintained at 12%.

European CLO Equity – discount rates unchanged

According to Citibank research, at the end of Q4 2014, European CLO 1.0 BB spreads were 5.9%, which was broadly unchanged on the end of the previous quarter end. At these levels, they are only 0.9% higher than the U.S. CLO 1.0 BB spreads (see above) and reflect a sustained compression of spreads between Europe and the U.S. over the last few quarters and maintaining a discount rate of 13% is consistent with this. The observable range of European risk premia over the U.S. equivalent, among other factors, will continue to be monitored in coming quarters.

U.S. CLO 2.0 Equity – seasoned deals now discounted at a standard rate of 11%; other deals discounted using deal IRR

The applicable discount rate for newer vintage deals has historically been determined with reference to each deal's specific IRR which, in the absence of other consistently available observable data points, was deemed to be the most appropriate indication of the current risk premium. In recent quarters, there has been an improved level of transparency and consistency of data available with respect to U.S. CLO 2.0 deals. Taking this into account, effective Q4 2014, seasoned CLO 2.0 deals (more than 12 months post purchase) will be discounted using a single generic rate, mirroring the approach for the 1.0 deals. Based on observable data for this sub-asset class as a whole, a rate of 11.0% has been determined to be the applicable rate. The deals affected by this change had a weighted average IRR of 11.4% at the end of Q4 2014, so moving to a generic discount rate of 11% has increased fair value by $2.2 million. For deals that were purchased within the last 12 months, the weighted average IRR was 13.1% at year-end. The Company will continue to monitor observable data on these newer vintage transactions in the coming quarters.

APPENDIX III

Additional CLO Portfolio Statistics

Each individual deal's metrics used in the calculation of the figures below will differ from the overall averages and vary across the portfolio.

Figure 31

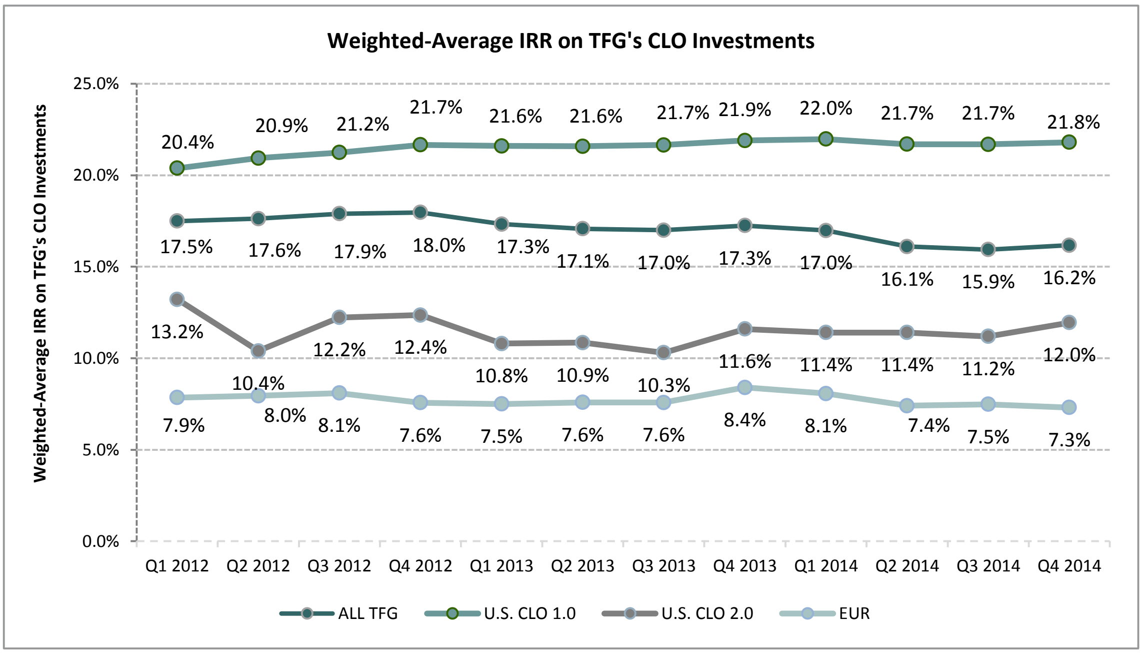
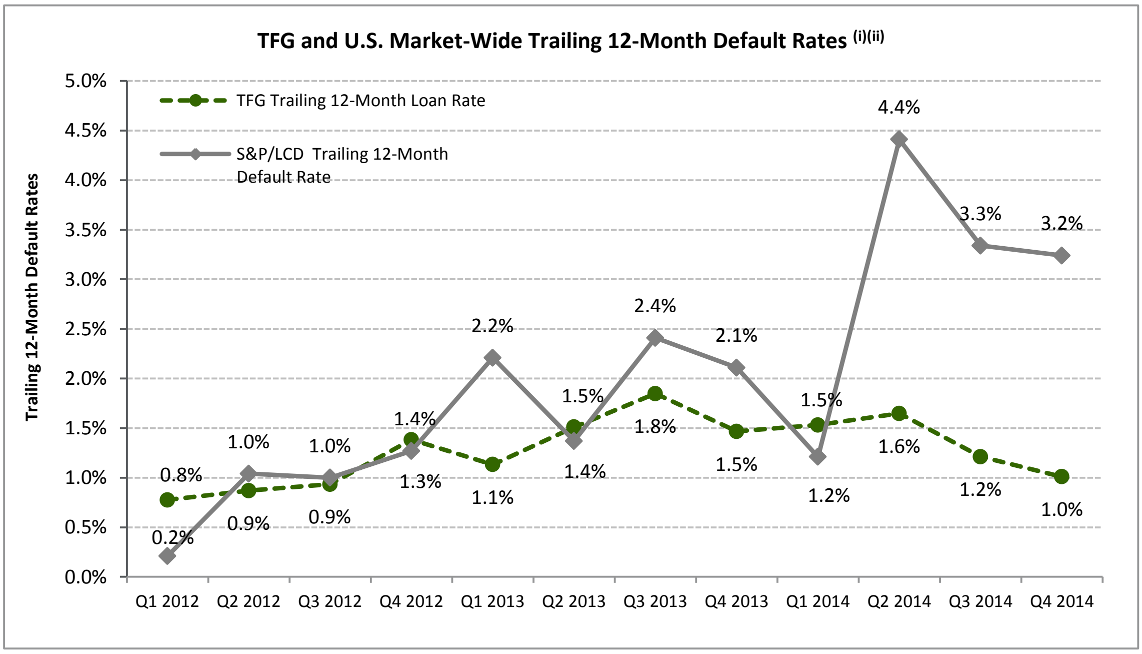


Figure 32



(i) The calculation of TFG's lagging 12-month corporate loan default rate does not include certain underlying investment collateral that was assigned a "Selective Default" rating by one or more of the applicable rating agencies. Such Selected Defaults are included the S&P/LCD lagging 12-month U.S. institutional loan default rate discussed above. Furthermore, TFG's CLO equity and direct loan investment portfolio includes approximately 15.6% CLOs with primary exposure to European senior secured loans and such loans are included in the calculation of TFG's corporate default rate.

(ii) Source: S&P/LCD Quarterly Review as of the outlined quarter-end date.

CLO PORTFOLIO CREDIT QUALITY

Figure 33

ALL CLOs	Q4 2014	Q3 2014	Q2 2014	Q1 2014	Q4 2013	Q3 2013	Q2 2013	Q1 2013	Q4 2012	Q3 2012	Q2 2012	Q1 2012
Caa1/CCC+ or Below Obligors:	3.3%	4.5%	3.7%	4.6%	5.4%	4.9%	5.0%	5.1%	6.0%	6.4%	5.7%	6.2%
WARF:	2,442	2,554	2,621	2,565	2,542	2,553	2,568	2,541	2,599	2,605	2,578	2,588

U.S. CLOs	Q4 2014	Q3 2014	Q2 2014	Q1 2014	Q4 2013	Q3 2013	Q2 2013	Q1 2013	Q4 2012	Q3 2012	Q2 2012	Q1 2012
Caa1/CCC+ or Below Obligors:	2.5%	4.4%	3.0%	3.4%	3.8%	3.9%	4.1%	4.0%	4.5%	4.9%	4.2%	4.8%
WARF:	2,347	2,489	2,556	2,544	2,513	2,534	2,550	2,510	2,524	2,528	2,491	2,504

EUR CLOs	Q4 2014	Q3 2014	Q2 2014	Q1 2014	Q4 2013	Q3 2013	Q2 2013	Q1 2013	Q4 2012	Q3 2012	Q2 2012	Q1 2012
Caa1/CCC+ or Below Obligors:	6.5%	4.8%	6.9%	9.4%	11.8%	9.1%	8.7%	9.7%	11.7%	12.2%	11.6%	11.1%
WARF:	2,826	2,819	2,894	2,650	2,658	2,631	2,642	2,670	2,896	2,903	2,910	2,900

CLO EQUITY PORTFOLIO DETAILS AS OF 31 DECEMBER 2014

Figure 34

Transaction(i)	Deal Type	Original Invest. Cost ($MM USD)(ii)	Deal Closing Date	Year of Maturity	End of Reinv Period	Wtd Avg Spread (bps)(iii)	Original Cost of Funds (bps)(iv)	Current Cost of Funds (bps)(v)	Current Jr-Most O/C Cushion(vi)	Jr-Most O/C Cushion at Close(vii)	Annualized (Loss) Gain of Cushion(viii)	IRR(ix)	ITD Cash Received as % of Cost(x)
Transaction 1	EUR CLO	37.5	2007	2024	2014	378	55	83	0.52%	3.86%	(0.44%)	0.3%	43.5%
Transaction 2	EUR CLO	29.7	2006	2023	2013	395	52	76	1.55%	3.60%	(0.25%)	9.9%	120.2%
Transaction 3	EUR CLO	22.2	2006	2022	2012	394	58	133	10.25%	5.14%	0.57%	11.4%	133.2%
Transaction 4	EUR CLO	33.0	2007	2023	2013	399	48	66	12.01%	5.76%	0.80%	15.1%	149.8%
Transaction 5	EUR CLO	36.9	2007	2022	2014	396	60	55	1.35%	5.74%	(0.59%)	10.9%	105.6%
Transaction 6	EUR CLO	33.3	2006	2022	2012	389	51	87	16.34%	4.70%	1.35%	5.3%	56.6%
Transaction 7	EUR CLO	38.5	2007	2023	2013	387	46	70	12.61%	3.64%	1.16%	6.4%	50.8%
Transaction 8	EUR CLO	26.9	2005	2021	2011	396	53	130	23.95%	4.98%	2.02%	8.4%	113.1%
Transaction 10	EUR CLO	27.0	2006	2022	2012	377	50	88	3.50%	4.54%	(0.12%)	0.6%	49.8%
Transaction 86	EUR CLO	3.6	2006	2022	2012	377	50	88	3.50%	3.11%	0.05%	8.7%	27.8%
EUR CLO Subtotal:		**288.6**				**390**	**52**	**84**	**8.73%**	**4.61%**	**0.46%**		**87.7%**
Transaction 11	US CLO	20.5	2006	2018	2012	297	45	60	11.87%	4.55%	0.88%	20.4%	195.3%
Transaction 12	US CLO	22.8	2006	2019	2013	326	46	62	12.93%	4.45%	1.04%	20.3%	194.6%
Transaction 13	US CLO	15.2	2006	2018	2012	304	47	58	8.65%	4.82%	0.45%	21.8%	219.6%
Transaction 14	US CLO	26.0	2007	2021	2014	334	49	57	2.93%	5.63%	(0.34%)	19.3%	203.5%
Transaction 15	US CLO	28.1	2007	2021	2014	398	52	49	3.70%	4.21%	(0.07%)	29.8%	261.1%
Transaction 16	US CLO	23.5	2006	2020	2013	367	46	53	4.97%	4.44%	0.06%	21.1%	221.0%
Transaction 17	US CLO	26.0	2007	2021	2014	307	40	40	4.80%	4.24%	0.07%	24.4%	221.4%
Transaction 18	US CLO	16.7	2005	2017	2011	284	45	58	12.86%	4.77%	0.88%	20.0%	207.8%
Transaction 19	US CLO	1.2	2005	2017	2011	284	45	58	12.86%	4.77%	0.88%	23.9%	202.1%
Transaction 20	US CLO	26.6	2006	2020	2012	384	52	105	10.17%	5.28%	0.60%	22.1%	207.4%
Transaction 21	US CLO	20.7	2006	2020	2012	367	53	110	7.45%	4.76%	0.32%	18.1%	185.4%
Transaction 22	US CLO	37.4	2007	2021	2014	386	53	59	4.30%	5.00%	(0.09%)	21.9%	205.3%
Transaction 24	US CLO	16.9	2006	2018	2012	356	46	69	14.23%	4.17%	1.20%	17.7%	190.3%
Transaction 25	US CLO	20.9	2006	2018	2013	377	46	72	20.01%	4.13%	1.98%	22.2%	207.8%
Transaction 26	US CLO	27.9	2007	2019	2013	399	43	67	15.75%	4.05%	1.50%	19.0%	189.0%
Transaction 29	US CLO	19.1	2005	2018	2011	475	66	N/A	N/A	4.82%	N/A	19.4%	210.6%
Transaction 30	US CLO	12.4	2006	2018	2012	385	67	211	15.26%	5.16%	1.18%	17.9%	181.4%
Transaction 32	US CLO	24.0	2007	2021	2014	307	59	59	4.20%	5.57%	(0.19%)	22.2%	203.4%
Transaction 33	US CLO	16.2	2006	2020	2012	360	56	204	13.81%	6.99%	0.77%	13.8%	167.8%
Transaction 34	US CLO	22.2	2006	2020	2012	358	50	82	10.04%	6.66%	0.42%	18.9%	197.7%
Transaction 36	US CLO	28.4	2007	2021	2013	355	46	70	3.52%	5.18%	(0.21%)	19.3%	184.7%
Transaction 38	US CLO	23.7	2007	2021	2013	297	42	70	11.52%	5.07%	0.83%	27.7%	242.5%
Transaction 40	US CLO	13.0	2006	2020	2011	361	39	99	N/A	N/A	N/A	20.9%	193.4%
Transaction 44	US CLO	22.3	2006	2018	2012	107	54	N/A	N/A	4.16%	N/A	10.1%	142.9%
Transaction 45	US CLO	23.0	2006	2018	2012	260	46	146	11.04%	4.46%	0.82%	7.9%	120.6%
Transaction 46	US CLO	21.3	2007	2019	2013	284	51	132	7.56%	4.33%	0.43%	6.8%	112.6%
Transaction 47	US CLO	28.3	2006	2021	2013	329	47	48	3.93%	4.34%	(0.05%)	22.8%	219.0%
Transaction 49	US CLO	12.6	2005	2017	2011	-	40	N/A	N/A	3.94%	N/A	11.1%	170.0%
Transaction 50	US CLO	12.3	2006	2018	2012	-	40	N/A	N/A	4.25%	N/A	12.6%	180.8%
Transaction 56	US CLO	23.0	2007	2019	2014	337	42	60	8.98%	4.53%	0.57%	22.1%	201.6%
Transaction 57	US CLO	0.6	2007	2019	2014	337	42	60	8.98%	4.53%	0.57%	47.1%	1179.0%
Transaction 58	US CLO	21.8	2007	2019	2014	338	49	62	5.69%	4.04%	0.22%	24.7%	217.7%

(continued)

CLO EQUITY PORTFOLIO DETAILS AS OF 31 DECEMBER 2014 (continued)

Figure 34 (continued)

Transaction(i)	Deal Type	Original Invest. Cost ($MM USD)(ii)	Deal Closing Date	Year of Maturity	End of Reinv Period	Wtd Avg Spread (bps)(iii)	Original Cost of Funds (bps)(iv)	Current Cost of Funds (bps)(v)	Current Jr-Most O/C Cushion(vi)	Jr-Most O/C Cushion at Close(vii)	Annualized (Loss) Gain of Cushion(viii)	IRR(ix)	ITD Cash Received as % of Cost(x)
Transaction 59	US CLO	0.4	2007	2019	2014	338	49	62	5.69%	4.04%	0.22%	51.8%	1710.5%
Transaction 61	US CLO	29.1	2007	2021	2014	319	45	46	2.37%	4.04%	(0.22%)	18.2%	175.1%
Transaction 63	US CLO	27.3	2007	2021	2013	354	53	66	3.79%	4.78%	(0.13%)	19.5%	196.7%
Transaction 64	US CLO	15.4	2007	2021	2013	367	38	47	N/A	N/A	N/A	23.2%	223.8%
Transaction 65	US CLO	26.9	2006	2021	2013	356	47	78	9.41%	4.96%	0.55%	14.6%	160.9%
Transaction 66	US CLO	21.3	2006	2020	2013	287	49	53	3.89%	4.05%	(0.02%)	23.0%	222.9%
Transaction 68	US CLO	19.3	2006	2020	2013	328	48	51	7.01%	4.41%	0.32%	28.0%	267.9%
Transaction 69	US CLO	28.2	2007	2019	2013	316	44	47	8.23%	5.61%	0.34%	26.9%	249.6%
Transaction 71	US CLO	1.7	2006	2018	2012	-	40	N/A	N/A	4.25%	N/A	27.3%	166.2%
Transaction 72	US CLO	4.8	2007	2019	2014	337	42	60	8.98%	4.53%	0.57%	17.9%	103.0%
Transaction 73	US CLO	1.9	2007	2019	2014	337	42	60	8.98%	4.53%	0.57%	17.9%	103.0%
Transaction 74	US CLO	5.5	2007	2019	2014	338	49	62	5.69%	4.04%	0.22%	21.2%	114.4%
Transaction 75	US CLO	32.7	2011	2022	2014	371	168	169	4.55%	4.05%	0.14%	11.7%	71.4%
Transaction 76	US CLO	1.9	2006	2018	2012	260	46	146	11.04%	2.43%	1.07%	35.5%	122.4%
Transaction 77	US CLO	14.5	2011	2023	2016	393	212	213	5.79%	5.04%	0.25%	13.7%	54.3%
Transaction 78	US CLO	22.9	2012	2023	2015	452	217	175	6.58%	4.00%	0.88%	16.7%	71.4%
Transaction 79	US CLO	19.4	2012	2022	2015	398	215	179	4.03%	4.00%	0.01%	9.0%	49.7%
Transaction 80	US CLO	22.7	2012	2022	2016	402	185	185	4.02%	4.17%	(0.06%)	11.0%	51.3%
Transaction 81	US CLO	21.7	2012	2024	2016	419	216	194	5.08%	4.00%	0.47%	9.4%	36.6%
Transaction 82	US CLO	25.4	2012	2022	2016	404	206	207	4.16%	4.00%	0.07%	8.1%	38.0%
Transaction 83	US CLO	20.8	2013	2025	2017	456	193	193	7.20%	6.17%	0.55%	14.4%	36.6%
Transaction 84	US CLO	24.6	2013	2023	2017	395	183	184	4.15%	4.02%	0.07%	16.0%	46.7%
Transaction 85	US CLO	1.0	2013	2025	2017	400	170	171	5.10%	5.01%	3.31%	9.6%	30.0%
Transaction 87	US CLO	23.0	2013	2026	2018	412	199	199	4.22%	4.00%	0.21%	5.8%	17.7%
Transaction 88	US CLO	30.1	2014	2024	2018	415	199	200	4.06%	4.02%	0.05%	12.1%	20.0%
Transaction 89	US CLO	33.6	2014	2026	2018	426	195	195	3.97%	3.96%	0.03%	14.1%	13.3%
Transaction 90	US CLO	20.7	2014	2026	2018	432	203	203	4.03%	4.00%	0.17%	13.1%	0.0%
US CLO Subtotal:		**1,151.1**				**349**	**89**	**101**	**6.45%**	**4.47%**	**0.32%**		**155.8%**
Total CLO Portfolio:		**1,439.7**				**357**	**81**	**98**	**6.91%**	**4.50%**	**0.35%**		**142.2%**

Notes

(i) Transactions are investments made on a particular investment date. Multiple transactions may be associated with the same tranche of the same CLO deal. Note that certain transactions may have been removed from the table above, as the remaining value of the assets of those CLOs is immaterial. TFG may continue to hold such transactions as of the date of this report.

(ii) The USD investment cost reflects a USD-EUR exchange rate fixed at a single historical rate to avoid the impact of skewed weightings and FX volatility over time. As such, the investment costs of European CLOs as shown in this table may not be comparable to the investments costs as shown in TFG's financial statements.

(iii) Par weighted-average spread over LIBOR or EURIBOR (as appropriate) of the underlying loan assets in each CLO's portfolio.

(iv) Notional weighted-average spread over LIBOR or EURIBOR (as appropriate) of the debt tranches issued by each CLO, as of the closing date of each transaction.

(v) Notional weighted-average spread over LIBOR or EURIBOR (as appropriate) of the debt tranches issued by each CLO, as of the most recent trustee report date.

(vi) The current junior-most O/C cushion is the excess (or deficit) of the junior-most O/C test ratio over the test requirement, as of the latest trustee report available as of the report date. Calculations are ignored and stated as “N/A” In certain cases where debt has been substantially, but not fully, repaid, resulting in a junior-most O/C test cushion that is not meaningful.

(vii) The junior-most O/C cushion at close is the excess (or deficit) of the junior-most O/C test ratio over the test requirement that was expected on each deal's closing date. Please note that two of TFG's investments are so called “par structures” which don't include a junior O/C test. They have been marked by an “N/A” in the relevant junior-most O/C test columns.

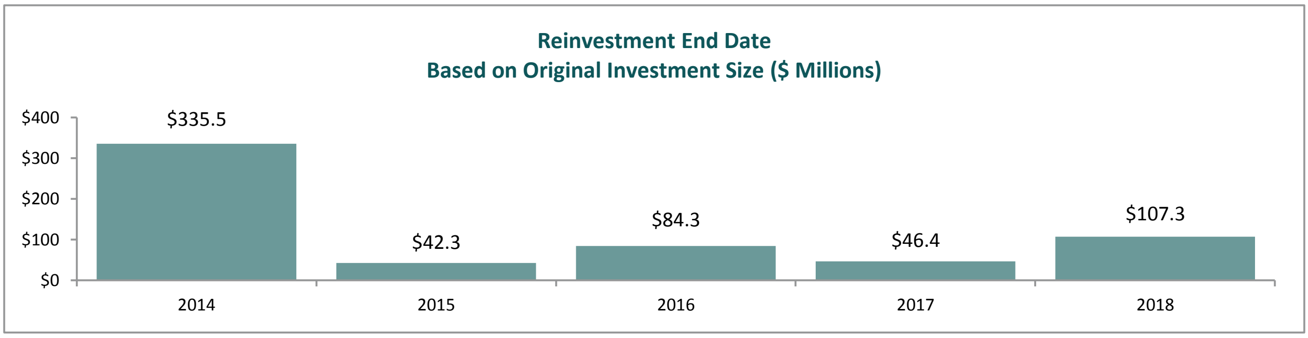
(viii) Calculated by annualising the change from the expected closing date junior-most O/C cushion to the current junior-most O/C cushion.

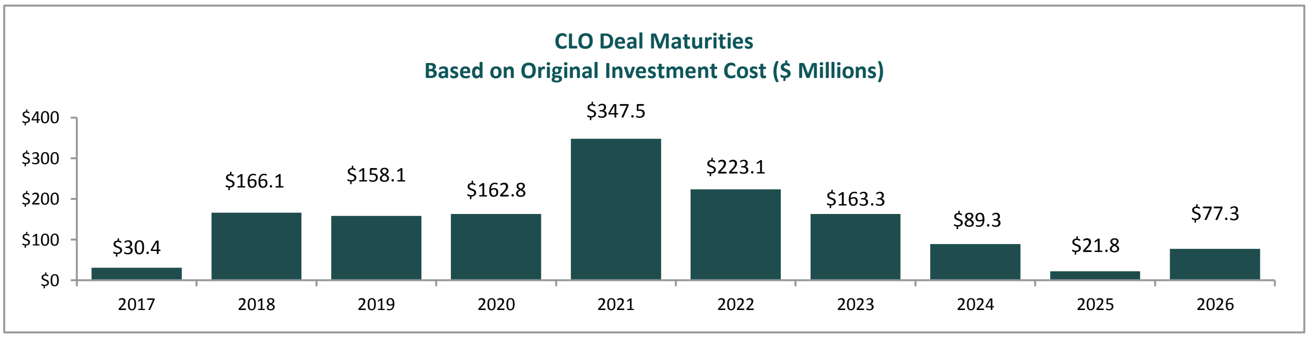
(ix) Calculated from TFG's investment date. Includes both historical cash flows received to-date and prospective cash flows expected to be received, based on TFG's base case modeling assumptions.

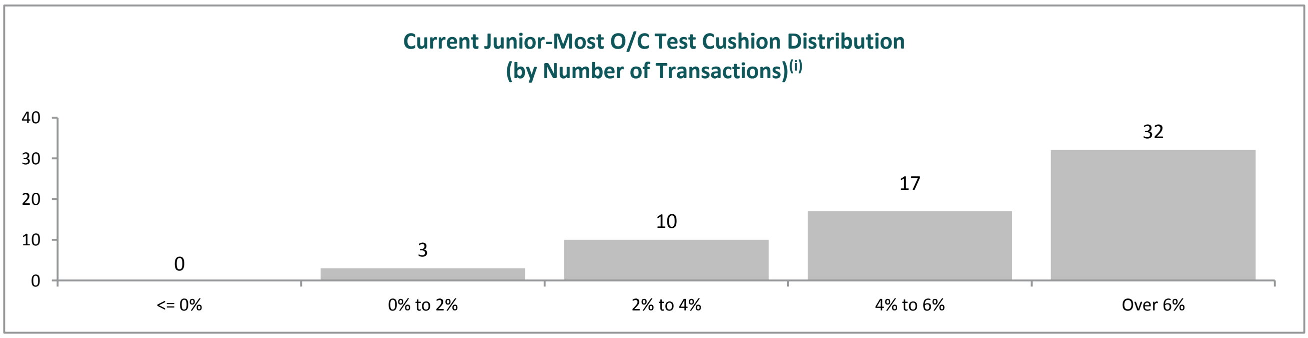
(x) Inception to report date cash flow received on each transaction as a percentage of its original cost.

CLO EQUITY PORTFOLIO DETAILS AS OF 31 DECEMBER 2014 (continued)

Figure 35







(i) The current junior-most O/C cushion is the excess (or deficit) of the junior-most O/C test ratio over the test requirement, as of the latest trustee report available as of the report date. Calculations are stated as “N/A” In certain cases where debt has been substantially, but not fully, repaid, resulting in a junior-most O/C test cushion that is not meaningful.

APPENDIX IV

Share Reconciliation and Shareholdings

Figure 36(42)

U.S. GAAP to Fully Diluted Shares Reconciliation	
	2014 Shares (MM)
Legal Shares Issued and Outstanding	**136.0**
Less: Shares Held In Subsidiary	(16.6)
Less: Shares Held In Treasury	(12.8)
Less: Escrow Shares(42.i)	(10.7)
U.S. GAAP Shares Outstanding	**95.9**
Add: Manager (IPO) Share Options(42.ii)	-
Add: Escrow Shares(42.i)	10.7
Pro Forma Fully Diluted Shares	**106.6**

Shareholdings

Persons affiliated with TFG maintain significant interests in TFG shares. For example, as of 31 December 2014, the following persons own (directly or indirectly) interests in shares in TFG in the amounts set forth below:

Mr. Reade Griffith*	7,637,046
Mr. Paddy Dear*	2,668,247
Mr. David Wishnow	346,262
Mr. Jeff Herlyn	273,652
Mr. Michael Rosenberg	123,964
Mr. Rupert Dorey	96,465

*The amounts set forth above in regards to Messrs. Griffith and Dear include their interests with respect to the Escrow Shares(42.i). In addition to the foregoing, as of 31 December 2014, certain employees of subsidiaries of TFG and other affiliated persons own in the aggregate approximately 3.9 million shares, including interests with respect to the Escrow Shares(42.i).

As previously disclosed, non-voting shares of TFG (together with accrued dividends and previously vested shares, (the “Vested Shares”) that were issued pursuant to TFG’s acquisition in October 2012 of TFG Asset Management L.P. (f/k/a Polygon Management L.P.) and certain of its affiliates (the “Polygon Transaction”) have vested with certain persons (other than Messrs. Griffith and Dear) (such persons, the “Sellers”), all of whom are employees or partners (“Employees”) of TFG-owned or affiliated entities, pursuant to the Polygon Transaction.

Certain of these Employees may from time to time enter into sales trading plans (each a, “Fixed Trading Plan”) providing for the sale of Vested Shares in the market or may otherwise sell their Vested Shares subject to applicable compliance policies. Applicable brokerage firms may be authorized to sell such TFG shares under the relevant Fixed Trading Plan pursuant to certain irrevocable instructions. Each Fixed Trading Plan is intended to comply with Rule 10b5-1 under the United States Securities Exchange Act of 1934, as amended. Each Fixed Trading Plan has been or will be approved by TFG in accordance with its applicable compliance policies.

For additional information regarding the Polygon Transaction and the future vesting schedule for shares issued thereunder, see Note 22 to the 2014 Tetragon Financial Group Master Fund Limited audited financial statements, included in the TFG 2014 Annual Report.

Rule 10b5-1 provides a “safe harbor” that is designed to permit individuals to establish a pre-arranged plan to buy or sell company stock if, at the time such plan is adopted, the individuals are not in possession of material, nonpublic information.

APPENDIX V

Additional Corporate Information

DESCRIPTION OF BUSINESS

TFG (company number 43321) is a Guernsey company traded on Euronext Amsterdam N.V. under the ticker symbol “TFG” that aims to provide stable returns to investors across various credit, equity, interest rate, inflation, and real estate cycles. The Company maintains two key business segments: an asset-management platform and an investment portfolio. Both business segments cover a broad range of assets including bank loans, real estate, equities, credit, convertible bonds and infrastructure.

TFG’s asset-management platform (“TFG Asset Management”) currently consists of Polygon Global Partners (“Polygon”), LCM Asset Management LLC (“LCM”), the GreenOak Real Estate L.P. (“GreenOak”) joint venture, Hawke’s Point and Equitix Holdings Limited (“Equitix”). TFG Asset Management L.P. is registered as an investment adviser under the U.S. Investment Advisers Act of 1940 and one of its investment management entities, Polygon Global Partners LLP, is authorised and regulated by the United Kingdom Financial Services Authority. The Company is seeking to realise the benefits of building and integrating existing and potentially new asset management businesses into the platform. In turn, the Company will continue to advance this effort throughout 2015, including by evaluating other asset managers.

TFG is registered in the public register of the Netherlands Authority for the Financial Markets (“AFM”) under section 1:107 of the Netherlands Financial Markets Supervision Act (“FMSA”) as a collective investment scheme from a designated country.

TFG’s investment objective is to generate distributable income and capital appreciation. To achieve this objective, Tetragon Financial Management LP (the “Investment Manager”) seeks to identify opportunities, assets and asset classes it believes to be attractive and asset managers it believes to be superior based on their track record and expertise. It also seeks to use the market experience of the Investment Manager to negotiate favourable transactions and terms for its investments in asset classes and in asset managers. As part of this current investment strategy, the Investment Manager may employ hedging strategies and leverage in seeking to provide attractive returns while managing risk.

INVESTMENT MANAGEMENT

Tetragon Financial Management LP has been appointed the investment manager of TFG and the Master Fund pursuant to an investment management agreement dated 26 April 2007 (the “Investment Management Agreement”). The management and control of the Investment Manager is vested in its general partner, Tetragon Financial Management GP LLC (the “General Partner”), which is responsible for all actions of the Investment Manager. The General Partner is directly or indirectly controlled by Reade Griffith, Alexander Jackson and Paddy Dear, who also control TFG’s voting shareholder. As the General Partner is responsible for all actions of the Investment Manager, any references to the Investment Manager in this Annual Report or in any of our disclosure shall be deemed to include a reference to the General Partner to the extent applicable. Mr. Griffith acts as the authorized representative of the General Partner and the Investment Manager.

The Investment Manager is registered as an investment adviser under the U.S. Investment Advisers Act of 1940.

The investment committee of the Investment Manager (the “Investment Committee”) currently consists of Jeffrey Herlyn, Michael Rosenberg, David Wishnow, Reade Griffith and Paddy Dear and is responsible for the investment management of the portfolio and the business. The Investment Committee currently sets forth the investment strategy and approves each significant investment by the Master Fund.

The risk committee of the Investment Manager (the “Risk Committee”) has the same composition as the Investment Committee. The Risk Committee is currently responsible for the risk management of the portfolio and the business and performs active and regular oversight and risk monitoring.

Polygon Global Partners LLP and Polygon Global Partners LP (together, the “Service Providers”) provide the Investment Manager with certain services in relation to the Company pursuant to a Services Agreement dated 30 April 2012. The Service Providers have been indirect subsidiaries of TFG since 28 October 2012, when TFG acquired TFG Asset Management L.P. and certain of its affiliates. The Service Providers also provide operating, infrastructure and administrative services to LCM and GreenOak and to various Polygon managers pursuant to applicable services agreements. Polygon Global Partners LLP is authorised and regulated by the United Kingdom Financial Services Authority.

In recognition of the work performed by the Investment Manager in successfully arranging the global offering and the associated raising of new capital for the Company, TFG granted to the Investment Manager options (the “Investment Management Options”) to purchase 12,545,330 of TFG’s Non-Voting Shares (before the application of potential anti-dilution) at an exercise price per share equal to the IPO offer price (U.S. $10). The Investment Management Options are fully vested and immediately exercisable on the date of admission to Euronext Amsterdam N.V. and will remain exercisable until the 10th anniversary of that date (i.e., 26 April 2017).

For more information on TFG’s investment manager, including a summary of key terms of the Investment Management Agreement, please refer to TFG’s website at www.tetragoninv.com.

CLO BUY-AND-HOLD STRATEGY

The emphasis of the Investment Manager's current CLO investment strategy for the company has been on the selection and structuring of investment positions that are then intended to be held for returns based on cash flows and other revenues to provide a stable stream of income for the company. The Investment Manager believes, for example, that its buy-and-hold strategy has allowed the company to take a long-term view on the expected cash flows from a CLO or other securitization vehicle. Market developments, however, have and may continue to, impact the fair value of a securitization vehicle and/or its underlying assets.

VALUATION

State Street (Guernsey) Limited serves as the Company's independent administrator and values the investments of the Master Fund on an ongoing basis. The NAV per Share is expected to fluctuate over time with the performance of TFG's investments. The NAV of TFG and the Master Fund and the NAV per Share are determined as at the close of business on the last business day of each fiscal quarter for purposes of calculating incentive fees. As TFG makes all of its investments through the Master Fund, TFG's NAV will equal the NAV of the Master Fund before any TFG specific liabilities, such as incentive fees. The Company's valuation policies are set forth on the Company's website at www.tetragoninv.com. The information on the "Valuation" page of the website supersedes any other disclosure by the Company with respect to such information. Subject to the foregoing, additional information with respect to TFG's or the Master Fund's valuation policies may be found in each Company's annual audited financial statements accompanying this Annual Report.

CERTAIN CORPORATE AND LISTING BACKGROUND

Shares of TFG (the "Shares") are publicly traded solely on Euronext Amsterdam N.V. under the ticker symbol "TFG". The Shares do not carry any voting rights other than limited voting rights in respect of variation of their class rights. The voting shares of TFG are owned by Polygon Credit Holdings II Limited, which is a non-U.S. affiliate of the Investment Manager. Polygon Credit Holdings II Limited is controlled by Reade Griffith, Alexander Jackson and Paddy Dear. The voting shares are not entitled to receive dividends.

The current exchange listing, corporate structure and governance and investment management arrangements of TFG were established to help foster the achievement of the Company's investment objective. In particular, at the time of its initial public offering and in consultation with the Company's underwriters and its legal and financial advisors, the Investment Manager concluded that Euronext Amsterdam N.V. is favourably suited to facilitate the Company's pursuit of its investment objective and to address relevant legal, regulatory, liquidity and other commercial considerations. Similarly, TFG's corporate structure and governance were designed to seek to position the Company to best serve its investment objective as well as to address a variety of relevant considerations, including applicable legal requirements. The expansion of TFG's asset management platform may help facilitate a potential listing in the United States over the longer-term, which TFG continues to explore. U.S. markets tend to offer better research coverage, liquidity and valuations.

DIVIDENDS AND OTHER DISTRIBUTIONS

The Company has sought to continue to return value to its shareholders, including through dividends and share repurchases.

Dividends:

TFG continues to pursue a progressive dividend policy with a target payout ratio of 30-50% of normalised earnings, based on the long-term target RoE of 10-15%.(43)

The Board of Directors will have the authority to declare dividend payments, based upon the recommendation of the Investment Manager, subject to the approval of the voting shares of TFG and adherence to applicable law, including the satisfaction of a solvency test as required pursuant to the Companies (Guernsey) Law, 2008, as amended.

The Investment Manager's recommendation with respect to the declaration of dividends (and other capital distributions) may be informed by a variety of considerations, including (i) the expected sustainability of the Company's cash generation capacity in the short and medium term, (ii) the current and anticipated performance of the Company, (iii) the current and anticipated operating and economic environment and (iv) other potential uses of cash ranging from preservation of the Company's investments and financial position to other investment opportunities.

TFG has and may continue to also pay scrip dividends currently conducted through an optional dividend reinvestment program. If the Board of Directors declares a cash dividend payable by TFG, they will also (in their capacity as directors of the Master Fund) declare an equal dividend per share payable concurrently by the Master Fund.

Share Repurchases:

TFG has and may also continue to engage in share repurchases in the market from time to time. Such purchases may at appropriate price levels below NAV represent an attractive use of TFG's excess cash and an efficient means to return cash to Shareholders. Any decision to engage in share repurchases will be made by the Investment Manager, upon consideration of relevant factors, and will be subject to, among other things, applicable law and profits at the time. The Company also continues to explore other methods of improving the liquidity of its shares.

REPORTING

In accordance with applicable regulations under Dutch law, TFG publishes monthly statements on its website for the benefit of its investors containing the following information: the total value of the investments of the Master Fund; a general statement of the composition of the investments of the Master Fund; and the number of legal issued and outstanding shares of TFG.

In addition, in accordance with the requirements of Euronext Amsterdam N.V. and applicable regulations under Dutch law, TFG provides annual and semi-annual reports to its shareholders, including year-end financial statements, which in the case of the financial statements provided in its annual reports, will be reported in accordance with U.S. GAAP and audited in accordance with international auditing standards as well as U.S. GAAS for regulatory purposes, if applicable. TFG also provides interim management statements to investors in accordance with section 5:25e of the FMSA. The NAV of TFG is available to investors on a monthly basis on the Company's website at www.tetragoninv.com.

APPENDIX VI

OTHER LEGAL MATTERS

On 18 June 2013, a shareholder derivative action was filed in United States District Court, Southern District of New York (the "Court"), against the six directors of the Company and the Master Fund, the Investment Manager, the principals of the Investment Manager and other affiliated entities by a purported shareholder of the Company (the "Action"). The Action made a series of allegations including with respect to the Acquisition (see Note 4 of the Master Fund 2014 Audited Financial Statements). The Company, the Master Fund and their Boards of Directors believed that the Action was factually and legally without merit. Accordingly, the defendants sought dismissal of the Action. On 7 August 2014, in an opinion by Judge Richard J. Sullivan, the Court dismissed the Action in its entirety finding that the plaintiffs had "failed to state a federal claim". The Court likewise refused to exercise its discretion to take cognizance of related claims asserted by the plaintiffs under Guernsey law. There has been no appeal of that ruling and the time for appeal has expired.

APPENDIX VII

BOARD OF DIRECTORS

Rupert Dorey has over 30 years of experience in financial markets. Mr. Dorey was at CSFB for 17 years from 1988 to 2005 where he specialised in credit related products, including derivative instruments where his expertise was principally in the areas of debt distribution, origination and trading, covering all types of debt from investment grade to high yield and distressed debt. He held a number of senior positions at CSFB, including establishing CSFB's high yield debt distribution business in Europe, fixed income credit product coordinator for European offices and head of UK Credit and Rates Sales. Since 2005, he has been acting in a Non-Executive Directorship capacity for a number of Hedge Funds, Private Equity & Infrastructure Funds, for both listed and unlisted vehicles. Mr. Dorey is a former President of the Guernsey Chamber of Commerce and is a member of the Institute of Directors.

Frederic Hervouet has over 17 years of experience in financial markets and hedge funds, including in multi-asset class investment and risk management, structured products and structured finance. Until September 2013, Mr. Hervouet was a Managing Director and Head of Commodity Derivatives Asia for BNP Paribas, where he was focused on trading, structuring and sales. Previously, Mr. Hervouet was a Director and Global Head of Sales at Diapason Commodities Management SA, a partner at Systeia Capital Management, which is now part of Amundi Asset Management, and a Director and Head of European Market Distribution at BAREP Asset Management, the hedge fund management subsidiary of Société Générale. Mr. Hervouet has a MSc in Applied Mathematics and International Finance and a Masters Degree (DESS) in Financial Markets, Commodities Markets and Risk Management from the Université Paris Dauphine. He is a member of the Institute of Directors (IoD) and of the Guernsey Chamber of Commerce. Mr. Hervouet who is based in Guernsey, is a Non-Executive, Independent Director.

David Jeffreys provides directorship services to a small number of fund groups. From 1993 until June 2004, Mr. Jeffreys was managing director of Abacus Fund Managers (Guernsey) Limited, where he was involved with private client trust arrangements, corporate administration, pension schemes and fund administration. He was a board member of Abacus' principal administration operating companies and served on the boards of various administrated client companies. Previously, Mr. Jeffreys worked as an auditor and accountant for 12 years with Coopers & Lybrand (and its predecessor firms). He has an undergraduate degree in Economics and Accounting from the University of Bristol and is a fellow of the Institute of Chartered Accountants in England and Wales. Mr. Jeffreys who is based in Guernsey, is a Non-Executive, Independent Director.

Byron Knief is Managing Director of Court Square Capital Advisor, LLC. Since 1989, he has raised and invested over $3 billion of capital through a series of mezzanine and leveraged debt funds. Prior to 1989, he ran a variety of businesses for Citigroup in the United States, Europe, Canada and Latin America. Mr. Knief received an undergraduate degree from Northwestern University and an MBA from Columbia University. He has served as a director on the boards of several public and private companies. Current corporate board memberships include DavCo Restaurants, Inc., JAC Products, Inc. and Olameter, Inc. He was also formerly a director of Polygon Global Opportunities Fund and certain of its affiliates. Mr. Knief's charitable board memberships include The Milbank Memorial Fund and The Mountain Top Arboretum. Mr. Knief who is based in the United States of America, is a Non-Executive, Independent Director.

Reade Griffith co-founded Polygon in 2002 and Tetragon Financial Management LP in 2005. He was previously the founder and chief executive officer of the European office of Citadel Investment Group, a multi-strategy hedge fund that he joined in 1998. He was a partner and senior managing director responsible for running the Global Event Driven arbitrage team of 25 people in Tokyo, London and Chicago for the firm. He was previously with Baker, Nye, where he was an analyst working on an arbitrage and special situations portfolio. Mr. Griffith holds a JD from Harvard Law School and an undergraduate degree in Economics from Harvard College. He also served as an officer in the U.S. Marine Corps and left as a Captain following the 1991 Gulf War. He is a Principal of Tetragon Financial Group Management LP. Mr. Griffith, who is based in the United Kingdom, is an Internal Director.

Paddy Dear co-founded Polygon in 2002 and Tetragon Financial Management LP in 2005. He was previously managing director and the global head of Hedge Fund Coverage for UBS Warburg Equities. As global head of Hedge Fund Coverage and Chairman of the Global Hedge Fund Committee, he was responsible for the delivery of all of the bank's products and services to hedge fund clients globally. He was on the board of UBS Netherlands, and was a member of both the European Equity Business Committee and the Extended Global Equity Business Committee. Prior to this, Mr. Dear was co-head of European sales trading, execution, arbitrage sales and flow derivatives. He had been with UBS since 1988, including six years in New York. Mr. Dear was in equity sales at Prudential Bache before UBS. Prior to moving into investment banking, Mr. Dear was a petroleum engineer with Marathon Oil Co. He received a Bachelor of Science in Petroleum Engineering from Imperial College in London. He is a Principal of Tetragon Financial Group Management LP. Mr. Dear, who is based in the United Kingdom, is an Internal Director.

APPENDIX VIII

RISK FACTORS

An investment in TFG (together with the Master Fund, the "company") involves substantial risks and uncertainties. Investors may review a more detailed description of these risks and uncertainties and others to which the company is subject on TFG's website at www.tetragoninv.com.

These risks and uncertainties include, among others, those listed below.

Risks Relating to the Company's Asset Management Platform

- As the company becomes more of a financial services firm that functions as a company that owns operating companies, it may face difficulties as it invests in asset classes in which it does not have substantial experience.
- The asset management business is intensely competitive, with competition based on a variety of factors, including investment performance, the quality of service provided to clients, investor liquidity and willingness to invest, fund terms (including fees), brand recognition and business reputation. Our asset management business competes with a number of private equity funds, specialized investment funds, hedge funds, funds of hedge funds and other sponsors managing pools of capital, as well as corporate buyers, traditional asset managers, commercial banks, investment banks and other financial institutions (including sovereign wealth funds).
- Asset management and financial advisory businesses are subject to extensive regulation, which affects the company's activities and creates the potential for significant liabilities and penalties. The possibility of increased regulatory focus could result in additional burdens on the company's business. Recent legislative and regulatory changes in the United States, such as the Dodd-Frank Act, and the European Union, such as the Alternative Investment Fund Managers Directive and the European Market Infrastructure Regulation, could adversely affect the company's business.
- As we have expanded and as we continue to expand the number and scope of our businesses, we increasingly confront potential conflicts of interest relating to our activities. Certain of our funds may have overlapping investment objectives, including funds that have different fee structures, and potential conflicts may arise with respect to our decisions regarding how to allocate investment opportunities among those funds. To the extent we fail to appropriately deal with any such conflicts, it could negatively impact our reputation and ability to raise additional funds or result in potential litigation against us.
- Poor performance of our managed investment funds and vehicles would cause a decline in our asset management revenue, income and cash flow, and could adversely affect our ability to raise capital for future investment funds.
- Our asset management business depends in part on our ability to raise capital from third-party clients. If we are unable to raise capital from third-party clients, we would be unable to collect management fees or deploy their capital into investments and potentially collect transaction fees or incentive fees, which would materially reduce our asset management revenue and cash flow.
- Misconduct of our employees or at our portfolio companies could harm us by impairing our ability to attract and retain clients and subjecting us to significant legal liability and reputational harm.
- The performance of LCM and, in turn, the company's operating results, may be negatively influenced by various factors, including the (i) performance of LCM-managed CLOs, which in general are subject to the same risks as the company's CLO investments and are currently the primary source of LCM's revenues and (ii) ability of LCM to retain key personnel, the loss of whom may negatively affect LCM's ability to provide asset and collateral management services in a fashion, and of a quality, consistent with its prior practice. Furthermore, the company's ownership of LCM may negatively impact certain aspects of the company's CLO investment strategy and as a result the company's performance as well as the company's ability to diversify its investments across multiple asset managers.
- The performance of Polygon and, in turn, the company's operating results, may be negatively influenced by various factors, including the (i) performance of Polygon-managed funds, and (ii) ability of Polygon to retain key personnel, the loss of whom may negatively affect Polygon's ability to provide asset management services in a fashion, and of a quality, consistent with its prior practice.
- GreenOak has a limited operating history and it may be unable to successfully operate its business or achieve its investment objectives.
- The company established Hawke's Point as a new start-up mining finance business in the fourth quarter of 2014. There is no assurance that Hawke's Point will find appropriate financing and investment opportunities, will raise third-party funds necessary to pursue opportunities or generate fee income, or that its investments in such opportunities will generate profitable returns in the future.
- Equitix has a limited operating history and the company has controlled Equitix for a short period. The company acquired Equitix in February 2015. The company may not achieve the growth and performance that it expects to achieve by acquiring Equitix, which may adversely affect the company's results of operations.
- As the company invests in new asset classes and as its asset mix changes, its revenues and profitability could be reduced.

Risks Relating to the Company's Investment Portfolio

- Many of the company's investments are in the form of highly subordinated securities, which are susceptible to losses of up to 100% of the initial investments, including losses resulting from changes in the financial rating ascribed to, or changes in the market value or fair value of, the underlying assets of an investment.
- CLO vehicles, which make up a large portion of the company's current investment portfolio generally invest in fixed income securities rated lower than Baa by Moody's or lower than BBB by S&P (or, if not rated, of comparable quality) and may be regarded as predominantly speculative with respect to the issuer's continuing ability to meet principal and interest payments. Moreover, market developments (including, without limitation, deteriorating economic outlook, rising defaults and rating agency downgrades) may impact the fair value of an investment and/or its underlying assets, as we experienced during the period from the third quarter of 2008 through the first half of 2009.
- Defaults, their resulting losses and other losses on underlying assets (including bank loans) may have a negative impact on the value of the company's portfolio and cash flows received. In addition, bank loans may require substantial workout negotiations or restructuring in the event of a default or liquidation which could result in a substantial reduction in the interest rate and/or principal.
- The modeled cash flow predictions and assumptions used to calculate the IRR and fair value of each CLO investment may prove to be inaccurate and require adjustment. Factors affecting the accuracy of such modeled cash flow predictions include: (1) uncertainty in predicting future market values of certain distressed asset types, (2) the inability to accurately model collateral manager behaviour and (3) the divergence of assumed variables from realised levels over the period covered by the model.
- Bank loans are generally subject to liquidity risks and, consequently, there may be limited liquidity if a Securitization Vehicle is required to sell or otherwise dispose of such bank loans.
- Many of the company's investments in securitization vehicles are and will be illiquid and have values that are susceptible to changes in the ratings and market values of such vehicles' underlying assets, which may make it difficult for the company to sell such holdings.
- The company may be exposed to counterparty risk, which could make it difficult for the company to collect on the obligations represented by investments and result in significant losses.
- The performance of many of the company's investments may depend to a significant extent upon the performance of its asset managers (internal and external).
- The company is subject to concentration risk in its investment portfolio, which may increase the risk of an investment in TFG.
- The company's CLO investments are subject to (i) interest rate risk, which could cause the company's cash flow, fair value of its assets and operating results to decrease and (ii) currency risk, which could cause the value of the company's CLO investments in U.S. Dollars to decrease regardless of the inherent value of the underlying investments.
- The Investment Manager may not be successful in the utilization of hedging and risk management transactions, which could subject the company's investment portfolio to increased risk or lower returns on its investments and in turn cause a decrease in the fair value of the company's assets.
- The ability of securitization vehicles in which the company invests to sell assets and reinvest the proceeds may be restricted, which may reduce the yield from the company's investment in those Securitization Vehicles.
- In connection with the transaction with GreenOak, the company will invest its capital, directly and indirectly, in certain real estate investments. Real estate investments are subject to various risks and fluctuations and cycles in value and demand, many of which are beyond the company's control.
- The real estate investments made, and to be made, by GreenOak are relatively difficult to sell quickly. Return of capital and realisation of gains, if any, from an investment generally will occur upon disposition or refinance of the underlying property. GreenOak may be unable to realise its investment objectives by sale, other disposition or refinance at attractive prices within any given period of time or may otherwise be unable to complete any exit strategy.
- The company invests a portion of its capital, directly and indirectly, in certain European-listed equity securities. Such investments are subject to various risks, many of which are beyond the company's control. Risks or events which could negatively affect such equity security investments include, but are not limited to: increased volatility in the market price and with respect to trading volume of the equity securities and increased uncertainty and government intervention in global financial markets.
- The company invests a portion of its capital, directly and indirectly, in certain mining-industry related equity securities, including through Hawke's Point. Such investments are subject to various risks, many of which are beyond the company's control. In addition to the risks discussed above associated with equity investments generally, risks or events which could negatively affect mining-industry related equity investments include, but are not limited to: exploration, developmental and operational risks.
- The company invests a portion of its capital, directly and indirectly, in certain convertible securities, mainly in the form of debt securities that can be exchanged for equity interests. Such investments are subject to various risks, many of which are beyond

the company's control. Risks or events which could negatively affect convertible security investments include, but are not limited to: declining credit quality of issuers of the convertible securities and increased volatility in the market price and with respect to trading volume of the underlying equity into which the convertible securities are convertible.

- The company invests a portion of its capital, directly and indirectly, in certain distressed opportunities. Such investments are subject to various risks, many of which are beyond the company's control. Risks or events which could negatively affect distressed opportunity investments include, but are not limited to: difficulty in obtaining information as to the true condition of the issuer; potential for abrupt and erratic market movements and above average price volatility of the securities; and potential for litigation.
- The company may invest or intends to invest a portion of its capital, directly or indirectly, in infrastructure projects through Equitix, which the company acquired in February 2015. Investments in infrastructure projects are subject to specific risks including, but not limited to: (i) construction risks, (ii) subcontractor risks, (iii) financing risks, (iv) governmental risks and (v) long time horizons.
- Direct investments in asset managers will expose the company's business to additional risks, including: a decline in the price of securities, a more complex regulatory environment and competition.

Risks Relating to TFG and the Master Fund

- TFG's principal source of cash will be the investments that it makes through the Master Fund. TFG's ability to pay dividends will depend on it receiving distributions from the Master Fund.
- Shareholders will not be able to terminate the company's investment management agreement. None of the Investment Manager or the Service Providers owe fiduciary duties to the shareholders of TFG.
- The shares of TFG may continue to trade below NAV. The NAV per Share will change over time with the performance of the company's investments and will be determined by the company's valuation principles. The fees payable to the Investment Manager will be based on NAV and changes in NAV, which will not necessarily correlate to changes in the market value of the shares of TFG.
- TFG and the Master Fund have approved a very broad investment objective and the Investment Manager will have substantial discretion when making investment decisions. In addition, the Investment Manager's strategies may not achieve the company's investment objective.
- TFG is an investment company that has been registered under the laws of Guernsey. The rights of its Shareholders and the fiduciary duties that the Board of Directors owes to TFG and the Shareholders are governed by Guernsey law and TFG's articles of incorporation. As a result, the rights of the Shareholders and the fiduciary duties that are owed to them and TFG may differ in material respects from the rights and duties that would be applicable if TFG were organized under the laws of a different jurisdiction or if it were not permitted to vary such rights and duties in its articles of incorporation.
- The liability of the Investment Manager is limited under the company's arrangements with it, and the company has agreed to indemnify the Investment Manager against claims that it may face in connection with such arrangements, which may lead the Investment Manager to assume greater risks when making investment related decisions than it otherwise would if investments were being made solely for its own account.
- TFG is not, and does not intend to become, regulated as an investment company under the Investment Company Act and related rules.
- The company may become involved in litigation that adversely affects the company's business, investments and results of operations.
- No formal corporate governance code applies to TFG under Dutch law and TFG will not be bound to comply with the U.K. Combined Code other than as set forth in its articles of incorporation.

Risks Relating to the Investment Manager and Services Providers and Affiliated Relationships

- The company's organizational, ownership and investment structure may create significant conflicts of interest that may be resolved in a manner which is not always in the best interests of the company or the shareholders of TFG.
- The company's success depends on its continued relationship with the Investment Manager and its principals. If this relationship were to end or the principals or other key professionals were to depart, it could have a material adverse effect on the company's business, investments and results of operations.
- The Investment Manager's compensation structure may encourage the Investment Manager to invest in high-risk investments.
- The liability of the Investment Manager to the company is limited and the company's indemnity of the Investment Manager may lead the Investment Manager to assume greater risks when making investment related decisions than it otherwise would.
- The Investment Manager may devote time and commitment to other activities.

Risks Relating to Taxation

- U.S. investors may suffer adverse tax consequences because TFG will be treated as a passive foreign investment company (a "PFIC") for U.S. federal income tax purposes.
- Investors may suffer adverse tax consequences if TFG or the Master Fund is treated as resident in the U.K. or the U.S. for tax purposes.

Risks Relating to the Shares

- Shares of TFG (the "Shares") do not carry any voting rights other than limited voting rights in respect of variation of their class rights. The holder of the voting shares of TFG will be able to control the composition of the Board of Directors and exercise extensive influence over TFG's and the Master Fund's business and affairs. Additional information on the organizational structure and corporate governance of TFG may be found on TFG's website at www.tetragoninv.com.
- The Shares are subject to legal and other restrictions on resale and the NYSE Euronext in Amsterdam trading market is less liquid than other major exchanges, which could affect the price of the Shares. TFG may decide in the future to list the Shares on a stock exchange other than NYSE Euronext in Amsterdam. There can be no assurance that an active trading market would develop on such an exchange.
- There are additional restrictions on the resale of Shares by Shareholders who are located in the United States or who are U.S. persons and on the resale of Shares by any Shareholder to any person who is located in the United States or is a U.S. person. These restrictions include that each Shareholder who is located in the United States or who is a U.S. person must be a "Qualified Purchaser" or a "Knowledgeable Employee" (each as defined in the Investment Company Act), and, accordingly, that Shares may be resold to a person located in the United States or who is a U.S. person only if such person is a "Qualified Purchaser" or a "Knowledgeable Employee" under the Investment Company Act. These restrictions may adversely affect overall liquidity of the Shares.
- Your ability to invest in the Shares or to transfer any Shares that you hold may be limited by restrictions imposed by ERISA regulations, TFG's articles of incorporation and other tax considerations.
- The company may issue additional securities that dilute existing holders of Shares, including as a result of the exercise of the Investment Management Options.

The foregoing is not a comprehensive list of the risks and uncertainties to which the company is subject.

SHAREHOLDER INFORMATION

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United States of America

General Partner of Investment Manager
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Channel Islands GY1 1WA

Legal Advisor (as to Dutch law)
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1082 MD Amsterdam
The Netherlands

Stock Listing
Euronext Amsterdam N.V.

Administrator and Registrar
State Street (Guernsey) Limited
1st Floor Dorey Court
Admiral Park
St. Peter Port, Guernsey
Channel Islands GY1 6HJ

ENDNOTES

TFG is not responsible for the contents of any third-party website noted in this Annual Report.

Shareholder Letter

(1) TFG invests substantially all its capital through a master fund, Tetragon Financial Group Master Fund Limited ("TFGMF"), in which it holds 100% of the issued non-voting shares. In this report, unless otherwise stated, we report on the consolidated business incorporating TFG and TFGMF. References to "we" or "our" are to Tetragon Financial Management LP, TFG's investment manager (the "Investment Manager").

(2) TFG's returns will most likely fluctuate with LIBOR. LIBOR directly flows through some of TFG's investments and, as it can be seen as the risk-free short-term rate, it should affect all of TFG's investments. In high-LIBOR environments, TFG should achieve higher sustainable returns; in low-LIBOR environments, TFG should achieve lower sustainable returns.

(3) GreenOak Real Estate, LP; hereinafter referred to in this report as "GreenOak." GreenOak is separately registered as an investment adviser under the U.S. Investment Advisers Act of 1940. TFG owns a 23% interest in GreenOak.

(4) The percentage of TFG's capital that is externally managed is calculated by dividing the sum of the U.S. GAAP fair value of all investment assets managed by parties other than TFG or its affiliates, by the total Net Asset Value of the Company.

(5) Includes GreenOak funds and advisory assets, AUM for Polygon Recovery Fund LP, Polygon Convertible Opportunity Master Fund, Polygon European Equity Opportunity Master Fund and associated managed account, Polygon Mining Opportunity Master Fund, Polygon Global Equities Master Fund and Polygon Distressed Opportunities Master Fund, as calculated by the applicable administrator for value date 31 December 2014. Also includes *pro forma* AUM for Equitix Holdings at 31 December 2014. Includes, where relevant, investments by Tetragon Financial Group Master Fund Limited. TFG Asset Management AUM as used in this report includes the assets under management of several investment advisers, including Tetragon Asset Management L.P., and GreenOak Real Estate, LP, each of which is an investment manager registered under the U.S. Investment Advisers Act of 1940.

(6) LCM Asset Management LLC, hereinafter referred to in this report as "LCM."

(7) Polygon Global Partners LP and Polygon Global Partners LLP and certain of their affiliates, hereinafter referred to in this report as "Polygon."

(8) Please see note 2.

(9) The Polygon Convertible Opportunity Fund won the 2014 EuroHedge Award in the Convertible & Volatility category. There were four other nominees for this award. The Polygon Convertible Opportunity Fund was nominated for the 2014 EuroHedge Award in the Long-Term Performance – Macro, Fixed Income & Relative Value (5 years) category. There were seven other nominees for this award. The Polygon Distressed Opportunities Fund was nominated for the 2014 EuroHedge Award in the New Fund of the Year – Macro, Fixed Income, & Relative Value category. There were seven other nominees for this award. The EuroHedge Award is organized by *EuroHedge* magazine, a publication of HedgeFund Intelligence. To be considered for an award, funds must submit performance data to the HedgeFund Intelligence database and have at least a 12-month track record history. The only exception to this rule is for new fund awards where a minimum seven-month track record is required; for these awards, the funds' whole performance history to date is taken into account. Winners are decided using an established methodology based upon a combination of Sharpe ratios and returns over the relevant time period. Nominations are decided by those funds in each peer group that achieve the strongest Sharpe ratios over 12 months, so long as they also beat the median returns in their relevant peer groups and are within 10% of their high-water marks. The eventual winners will be the funds that have the best returns, as long as they also have Sharpe ratios within 25% of the best Sharpe of the nominees in their relevant peer groups. Most of the award categories require a minimum asset level of at least $100 million. The only exceptions are the Emerging Manager & Smaller Fund and the New Fund of the Year awards, where the minimum is set at $30 million, and the Long-Term Performance awards, where the minimum asset level is $500 million. Further information about the award, including nomination and winning criteria, is available at www.hedgefundintelligence.com.

(10) GreenOak Real Estate was awarded the 2014 Real Estate Debt Manager of the Year Award at the Professional Pensions Investment Awards (PPIA). The PPIA awards process involved the shortlist being drawn up in association with Aon Hewitt, an investment consultant form, to highlight those asset managers who demonstrated both excellent performance and growth in assets under management. Shortlisted entrants were then asked to complete a questionnaire detailing how they differentiated themselves from their peers – detailing the product and client service innovations had made over the 12 months to 30 June 2014. The winners in each category were then decided by a panel of industry judges. Further information can be found at www.investmentawards.co.uk/static/methodology.

Tetragon Financial Group Overview

(11) Please see note 1.

(12) Please see note 5.

(13) Assets Under Management ("AUM") and "Employees Globally" include Equitix, which was acquired in February 2015, and the GreenOak joint venture.

Key Metrics

(14) Please refer to Financial Highlights on page 34 of this report for the definition of Net Economic Income.

(15) Please refer to Financial Highlights on page 34 of this report for the definition of Adjusted EPS.

(16) Please refer to Financial Highlights on page 34 of this report for the definition of Pro Forma Fully Diluted Shares and Pro Forma Fully Diluted NAV per Share.

2014 Year In Review

(17) The LCM III, LCM IV, LCM V, LCM VI, LCM IX, LCM X, LCM XI, LCM XII, LCM XIII, LCM XIV, LCM XV, LCM XVI, and LCM XVII CLOs are referred to as the "LCM Cash Flow CLOs." LCM-managed CLOs that are no longer outstanding are not included in the LCM Cash Flow CLO statistics. In addition, these statistics do not include the performance of certain transactions that were developed and previously managed by a third-party prior to being assigned to LCM, some of which continue to be managed by LCM.

(18) Source: LCM as of 31 December 2014. Reflects internal LCM classification as Oil & Gas exposure.

(19) Source: Wells Fargo Securities, "The CLO Salamagundi: Oil & Gas Exposure," 18 December 2014.

(20) Source: Wells Fargo Securities, "The CLO Salamagundi: Oil & Gas Exposure," 18 December 2014.

(21) Source: LCD Quarterly Review 4Q 2014: "Percentage of Outstanding Leveraged Loans in Default or Bankruptcy," 31 December 2014.

(22) Source: LCM Asset Management LLC as of 31 December 2014. Excludes certain transactions that were developed and previously managed by a third-party prior to being assigned to LCM, some of which continue to be managed by LCM.

(23) Source: LCD Quarterly Review 4Q 2014: "Percentage of Outstanding Leveraged Loans in Default or Bankruptcy," 31 December 2014.

(24) GreenOak Real Estate was awarded the 2014 Real Estate Debt Manager of the Year Award at the Professional Pensions Investment Awards (PPIA). The PPIA awards process involved the shortlist being drawn up in association with Aon Hewitt, an investment consultant form, to highlight those asset managers who demonstrated both excellent performance and growth in assets under management. Shortlisted entrants were then asked to complete a questionnaire detailing how they differentiated themselves from their peers – detailing the product and client service innovations had made over the 12 months to 30 June 2014. The winners in each category were then decided by a panel of industry judges. Further information can be found at www.investmentawards.co.uk/static/methodology.

(25) HFRX Global Hedge Fund Index, HFR Asset Management, LLC.

(26) Summary of Polygon Funds Assets Under Management

(i) The fund began trading with Class B shares, which carry no incentive fees, on 20 May 2009. Class A shares of the fund were first issued on 1 April 2010 and returns from inception through March 2010 have been *pro forma* adjusted to match the fund's Class A share terms as set forth in the Offering Memorandum (1.5% management fee, 20% incentive fee over a hurdle and other items, in each case, as set forth in the Offering Memorandum). AUM figure and net performance is for the Polygon Convertible Opportunity Master Fund as calculated by the applicable fund administrator.

(ii) The fund began trading 8 July 2009 with Class B shares which carry no incentive fee. Class A shares commenced trading on 1 December 2009. Returns from inception through November 2009 for Class A shares have been *pro forma* adjusted to match the fund's Class A share terms as set forth in the Offering Memorandum (1.5% management fee, 20% incentive fee and other items, in each case, as set forth in the offering Memorandum). From December 2009 to February 2011, the table reflects actual Class A share performance on the terms set forth in the Offering Memorandum. From March 2011, forward, the table reflects actual Class A1 share performance on the terms set forth in the Offering Memorandum. Class A1 share performance is equivalent to Class A share performance for prior periods. AUM figure and net performance is for the Polygon European Equity Opportunity Master Fund and associated managed account as calculated by the applicable fund administrators.

(iii) The fund began trading with Class B1 shares, which carry no incentive fees, on 1 June 2012. Returns through October 2013 have been *pro forma* adjusted to account for a 2.0% management fee, a 20% incentive fee, and non trading expenses capped at 1%, in each case, as set forth in the Offering Memorandum. Class A1 shares of the Fund were first issued on 1 November 2013. From November 2013, forward, performance reflects actual Class A1 share performance on the terms set forth in the Offering Memorandum. AUM figure and net performance is for the Polygon Mining Opportunity Master Fund as calculated by the applicable fund administrator.

(iv) The fund began trading on 2 September 2013. Class A shares of the fund were first issued in September 2013 and returns from inception through September 2014 have been adjusted to match the fund's class A share terms as set forth in the Offering Memorandum (1.5% management fee, 20% incentive fee and other items, in each case, as set forth in the Offering Memorandum). AUM figure and net performance is for the Polygon Distressed Opportunities Master Fund as calculated by the applicable fund administrator.

(v) The fund began trading with Class B/B1 shares, which carry no incentive fees, on 12 September 2011. Returns shown from inception through August 2013 have been *pro forma* adjusted to account for a 2.0% management fee and a 20% incentive fee, in each case, as to be set forth in further definitive documents. The fund began trading Class A shares, which are not new issue eligible, on 23 September 2011. Class A1 shares of the Fund, which are new issue eligible, were first issued on 1 November 2013, and returns from inception through October 2013 have been *pro forma* adjusted to match the Fund's Class A1 performance. AUM figure and net performance is for the Polygon Global Equities Master Fund as calculated by the applicable fund administrator.

(vi) The Private Equity Vehicle noted is the Polygon Recovery Fund L.P. ("PRF"). The manager of the PRF is a subsidiary of TFG. The management fees earned in respect of PRF are included in the TFG Asset Management business segment described herein. PRF is a limited-life vehicle seeking to dispose of its portfolio securities prior to the expiration of its term, recently extended to March 2016, and subject to a further one-year extension based on investor approval. Individual investor performance will vary based on their high water mark. Currently, the majority of Class C share class investors have not reached their high water mark, so their performance is the same as their gross performance. AUM figure and net performance is for PRF as calculated by the applicable fund administrator.

(27) The Polygon Convertible Opportunity Fund began trading with Class B shares, which carry no incentive fees, on 20 May 2009. Class A shares of the fund were first issued on 1 April 2010 and returns from inception through March 2010 have been *pro forma* adjusted to match the fund's Class A share terms as set forth in the Offering Memorandum (1.5% management fee, 20% incentive fee over a hurdle and other items, in each case, as set forth in the Offering Memorandum). From April 2010, forward, the reported returns reflect actual Class A share performance on the terms set forth in the Offering Memorandum. The return figures shown are final values as calculated by the applicable fund administrator. All performance numbers provided herein with respect to the Fund reflects the actual net performance of the Fund net of management and performance fees, as well as any commissions and direct expenses incurred by the Fund, but before withholding taxes, and other indirect expenses. All returns include the reinvestment of dividends, if any. Differences in account size, timing of transactions and market conditions prevailing at the time of investment may lead to different results. Differences in the methodology used to calculate performance may also lead to different performance results than those shown. Broad-based securities indices are unmanaged and are not subject to fees and expenses typically associated with managed accounts or investment funds. Investments cannot be made directly in a broad-based securities index. Past performance or experience (actual or simulated) does not necessarily give a guide for the future and no representation is being made that the funds listed will or are likely to achieve profits or losses similar to those shown. Any indices and other financial benchmarks are provided for illustrative purposes only. Comparisons to indices have limitations because, for example, indices have volatility and other material characteristics that may differ from the fund. Any index information contained herein is included to show general trends in the markets in the periods indicated, is not meant to imply that these indices are the only relevant indices, and is not intended to imply that the portfolio or investment was similar to any particular index either in composition or element of risk. The indices shown here have not been selected to represent appropriate benchmarks to compare an investor's performance, but rather are disclosed to allow for comparison of the investor's performance to that of certain well-known and widely-recognized indices. The volatility of the indices may be materially different from the individual performance attained by a specific investor. In addition, the Fund's holdings may differ significantly from the securities that comprise the indices. You cannot invest directly in an index. The HFRX RV: FI-Convertible Arbitrage Index (Bloomberg Code: HFRXCA) is compiled by HFR Hedge Fund Research Inc. Further information relating to index constituents and calculation methodology can be found at www.hedgefundresearch.com.

(28) The Polygon Convertible Opportunity Fund won the 2014 EuroHedge Award in the Convertible & Volatility category. There were four other nominees for this award. The Polygon Convertible Opportunity Fund was nominated for the 2014 EuroHedge Award in the Long-Term Performance – Macro, Fixed Income & Relative Value (5 years) category. There were seven other nominees for this award. The EuroHedge Award is organized by *EuroHedge* magazine, a publication of Hedge Fund Intelligence. To be considered for an award, funds must submit performance data to the HedgeFund Intelligence Database and have at least a 12-month track record history. The only exception to this rule is for new fund awards where a minimum seven-month track record is required; for these awards, the funds' whole performance history to date is taken into account. Winners are decided using an established methodology based upon a combination of Sharpe ratios and

returns over the relevant time period. Nominations are decided by those funds in each peer group that achieve the strongest Sharpe ratios over 12 months, so long as they also beat the median returns in their relevant peer groups and are within 10% of their high-water marks. The eventual winners will be the funds that have the best returns, as long as they also have Sharpe ratios within 25% of the best Sharpe of the nominees in their relevant peer groups. Most of the award categories require a minimum asset level of at least $100 million. The only exceptions are the Emerging Manager & Smaller Fund and the New Fund of the Year awards, where the minimum is set at $30 million, and the Long-Term Performance awards, where the minimum asset level is $500 million. Further information about the award, including nomination and winning criteria, is available at www.hedgefundintelligence.com.

(29) The Polygon European Equity Opportunity Fund began trading 8 July 2009 with Class B shares, which carry no incentive fee. Class A shares commenced trading on 1 December 2009. Returns from inception through November 2009 for Class A shares have been *pro forma* adjusted to match the fund's Class A share terms as set forth in the Offering Memorandum (1.5% management fee, 20% incentive fee and other items, in each case, as set forth in the offering Memorandum). From December 2009 to February 2011, reported performance reflects actual Class A share performance on the terms set forth in the Offering Memorandum. From March 2011, forward, the table reflects actual Class A1 share performance on the terms set forth in the Offering Memorandum. Class A1 share performance is equivalent to Class A share performance for prior periods. The return figures shown are final values as calculated by the applicable fund administrator. All performance numbers provided herein with respect to the Fund reflects the actual net performance of the Fund net of management and performance fees, as well as any commissions and direct expenses incurred by the Fund, but before withholding taxes, and other indirect expenses. All returns include the reinvestment of dividends, if any. Differences in account size, timing of transactions and market conditions prevailing at the time of investment may lead to different results. Differences in the methodology used to calculate performance may also lead to different performance results than those shown. Broad-based securities indices are unmanaged and are not subject to fees and expenses typically associated with managed accounts or investment funds. Investments cannot be made directly in a broad-based securities index. Past performance or experience (actual or simulated) does not necessarily give a guide for the future and no representation is being made that the funds listed will or are likely to achieve profits or losses similar to those shown. Any index information contained herein is included to show general trends in the markets in the periods indicated, is not meant to imply that these indices are the only relevant indices, and is not intended to imply that the portfolio or investment was similar to any particular index either in composition or element of risk. The indices shown here have not been selected to represent appropriate benchmarks to compare an investor's performance, but rather are disclosed to allow for comparison of the investor's performance to that of certain well-known and widely-recognized indices. The volatility of the indices may be materially different from the individual performance attained by a specific investor. In addition, the Fund's holdings may differ significantly from the securities that comprise the indices. You cannot invest directly in an index. The HFRX ED: Event Driven Index (Bloomberg Code: HFRXED) is compiled by HFR Hedge Fund Research Inc. Further information relating to index constituents and calculation methodology can be found at www.hedgefundresearch.com.

(30) The Polygon Mining Opportunity Fund began trading with Class B1 shares, which carry no incentive fees, on 1 June 2012. Returns shown here through October 2013 have been *pro forma* adjusted to account for a 2.0% management fee, a 20% incentive fee, and non trading expenses capped at 1%, in each case, as set forth in the Offering Memorandum. Class A1 shares of the Fund were first issued on 1 November 2013. From November 2013, forward, reported performance reflects actual Class A1 share performance on the terms set forth in the Offering Memorandum. The return figures shown are final values as calculated by the applicable fund administrator. All performance numbers provided herein with respect to the Fund reflects the actual net performance of the Fund net of management and performance fees, as well as any commissions and direct expenses incurred by the Fund, but before withholding taxes, and other indirect expenses. All returns include the reinvestment of dividends, if any. Differences in account size, timing of transactions and market conditions prevailing at the time of investment may lead to different results. Differences in the methodology used to calculate performance may also lead to different performance results than those shown. Broad-based securities indices are unmanaged and are not subject to fees and expenses typically associated with managed accounts or investment funds. Investments cannot be made directly in a broad-based securities index. Past performance or experience (actual or simulated) does not necessarily give a guide for the future and no representation is being made that the funds listed will or are likely to achieve profits or losses similar to those shown. Any index information contained herein is included to show general trends in the markets in the periods indicated, is not meant to imply that these indices are the only relevant indices, and is not intended to imply that the portfolio or investment was similar to any particular index either in composition or element of risk. The indices shown here have not been selected to represent appropriate benchmarks to compare an investor's performance, but rather are disclosed to allow for comparison of the investor's performance to that of certain well-known and widely-recognized indices. The volatility of the indices may be materially different from the individual performance attained by a specific investor. In addition, the Fund's holdings may differ significantly from the securities that comprise the indices. You cannot invest directly in an index. The HFRX Global Hedge Fund Index (Bloomberg Code: HFRXGL) is compiled by HFR Hedge Fund Research Inc. Further information relating to index constituents and calculation methodology can be found at www.hedgefundresearch.com. The Market Vectors Junior Gold Miners Index (Bloomberg Code: GDXJ) is compiled by Market Vectors Index Solutions, a subsidiary of Van Eck. Further information relating to index constituents and calculation methodology can be found at www.marketvectorsindices.com.

(31) The Polygon Distressed Opportunities Fund began trading on 2 September 2013. Returns shown are for offshore Class A shares, reflecting the terms set forth in the offering documents (2.0% management fee, 20% incentive fee and other items, in each case, as set forth in the offering documents) as calculated by the applicable fund administrator. All performance numbers provided herein with respect to the Fund reflects the actual net performance of the Fund net of management and performance fees, as well as any commissions and direct expenses incurred by the Fund, but before withholding taxes, and other indirect expenses. All returns include the reinvestment of dividends, if any. Differences in account size, timing of transactions and market conditions prevailing at the time of investment may lead to different results. Differences in the methodology used to calculate performance may also lead to different performance results than those shown. Broad-based securities indices are unmanaged and are not subject to fees and expenses typically associated with managed accounts or investment funds. Investments cannot be made directly in a broad-based securities index. Past performance or experience (actual or simulated) does not necessarily give a guide for the future and no representation is being made that the funds listed will or are likely to achieve profits or losses similar to those shown. Any index information contained herein is included to show general trends in the markets in the periods indicated, is not meant to imply that these indices are the only relevant indices, and is not intended to imply that the portfolio or investment was similar to any particular index either in composition or element of risk. The indices shown here have not been selected to represent appropriate benchmarks to compare an investor's performance, but rather are disclosed to allow for comparison of the investor's performance to that of certain well-known and widely-recognized indices. The volatility of the indices may be materially different from the individual performance attained by a specific investor. In addition, the Fund's holdings may differ significantly from the securities that comprise the indices. You cannot invest directly in an index. The HFRX DS: Distressed Restructuring Index (Bloomberg Code: HFRXDS) is compiled by HFR Hedge Fund Research Inc. Further information relating to index constituents and calculation methodology can be found at www.hedgefundresearch.com.

(32) The Polygon Distressed Opportunities Fund was nominated for the 2014 EuroHedge Award in the New Fund of the Year – Macro, Fixed Income, & Relative Value category. There were seven other nominees for this award. The EuroHedge Award is organized by *EuroHedge* magazine, a publication of Hedge Fund Intelligence. To be considered for an award, funds must submit performance data to the HedgeFund Intelligence Database and have at least a 12-month track record history. The only exception to this rule is for new fund awards where a minimum seven-month track record is required; for these awards, the funds' whole performance history to date is taken into account. Winners are decided using an established methodology based upon a combination of Sharpe ratios and returns over the relevant time period. Nominations are decided by those funds in each peer group that achieve the strongest Sharpe ratios over 12 months, so long as they also beat the median returns in their relevant peer groups and are within 10% of their high-water marks. The eventual winners will be the funds that have the best returns, as long as they also have Sharpe ratios within 25% of the best Sharpe of the nominees in their relevant peer groups. Most of the award categories require a minimum asset level of at least $100 million. The only exceptions are the Emerging Manager & Smaller Fund and the New Fund of the Year awards, where the minimum is set at $30 million, and the Long-Term Performance awards, where the minimum asset level is $500 million. Further information about the award, including nomination and winning criteria, is available at www.hedgefundintelligence.com.

(33) The Polygon Global Equities Fund began trading with Class B/B1 shares, which carry no incentive fees, on 12 September 2011. Returns shown from inception through August 2013 have been *pro forma* adjusted to account for a 2.0% management fee and a 20% incentive fee, in each case, as to be set forth in further definitive documents. The fund began trading Class A shares, which are not new issue eligible, on 23 September 2011. Class A1 shares of the Fund, which are new issue eligible, were first issued on 1 November 2013, and returns from inception through October 2013 have been *pro forma* adjusted to match the Fund's Class A1 performance. AUM figure and net performance is as calculated by the applicable fund administrator. All performance numbers provided herein with respect to the Fund reflects the actual net performance of the Fund net of management and performance fees, as well as any commissions and direct expenses incurred by the Fund, but before withholding taxes, and other indirect expenses. All returns include the reinvestment of dividends, if any. Differences in account size, timing of transactions and market conditions prevailing at the time of investment may lead to different results. Differences in the methodology used to calculate performance may also lead to different performance results than those shown. Broad-based securities indices are unmanaged and are not subject to fees and expenses typically associated with managed accounts or investment funds. Investments cannot be made directly in a broad-based securities index. Past performance or experience (actual or simulated) does not necessarily give a guide for the future and no representation is being made that the funds listed will or are likely to achieve profits or losses similar to those shown.

(34) The Private Equity Vehicle noted above is the Polygon Recovery Fund L.P. ("PRF"). The manager of the PRF is a subsidiary of TFG. The management fees earned in respect of PRF are included in the TFG Asset Management business segment described herein. PRF is a limited-life vehicle seeking to dispose of its portfolio securities prior to the expiration of its term, recently extended to March 2016, and subject to a further one-year extension based on investor approval. Individual investor performance will vary based on their high water mark. Currently the majority of Class C share class investors have not reached their high water mark, so their performance is the same as their gross performance. AUM figure and net performance is for PRF as calculated by the applicable fund administrator. All performance numbers provided herein with respect to the Fund reflects the actual net performance of the Fund net of management and performance fees, as well as

any commissions and direct expenses incurred by the Fund, but before withholding taxes, and other indirect expenses. All returns include the reinvestment of dividends, if any. Differences in account size, timing of transactions and market conditions prevailing at the time of investment may lead to different results. Differences in the methodology used to calculate performance may also lead to different performance results than those shown. Broad-based securities indices are unmanaged and are not subject to fees and expenses typically associated with managed accounts or investment funds. Investments cannot be made directly in a broad-based securities index.

(35) Based on the most recent trustee reports available as of 31 December 2014.

(36) Based on the most recent trustee reports available as of 31 December 2014.

(37) Adjusted net assets of such investments consists of the fair value of, or capital committed to, investment assets held directly on the balance sheet.

(38) Investible Cash consists of: (1) cash held directly by Tetragon Financial Group Master Fund Limited, (2) excess margin held by brokers associated with assets held directly by Tetragon Financial Group Master Fund Limited, and (3) cash held in certain designated accounts related to TFG's investments, which may only be used for designated purposes without incurring significant tax and transfer costs.

Balance Sheet Composition Overview

(39) TFG's 85% share of Equitix is expected to decline to approximately 74.8% over time.

Financial Review

(40) On occasion, figures may not total due to rounding.

(41) Pro Forma Fully Diluted NAV per Share seeks to reflect certain potential changes to the total non-voting shares over the next few years, which may be utilised in the calculation of NAV per Share. Specifically, the number of shares used to calculate U.S. GAAP NAV per Share has been adjusted to incorporate:

(i) The Escrow Shares, which have been used as consideration for the acquisition of Polygon and applicable stock dividends relating thereto, and which are held in escrow and are expected to be released and incorporated into the U.S. GAAP NAV per Share over the next three years.

(ii) The number of shares corresponding to the applicable intrinsic value of the options issued to the Investment Manager at the time of the company's IPO with a strike price of $10.00, to the extent such options are in the money at period end. The intrinsic value of the manager (IPO) share options is calculated as the excess of (x) the closing price of the shares as of the final trading day in the relevant period over (y) $10.00 (being the exercise price per share) times (z) 12,545,330 (being a number of shares subject to the options before the application of potential anti-dilution). The terms of exercise under the options allow for exercise using cash, as well as, with the consent of the board of the company, certain forms of cashless exercise. Each of these prescribed methods of exercise may give rise to the issuance of a different number of shares than the approach described herein. If the options were to be surrendered for their intrinsic value with the board's consent, rather than exercised, the number of shares issued would equal the intrinsic value divided by the closing price of the shares as of the final trading day in the relevant period. This approach has been selected because we currently believe it is more reasonably illustrative of a likely outcome if the options are exercised. The options are exercisable until 26 April 2017.

Appendix IV

(42) Pro Forma Fully Diluted NAV per Share seeks to reflect certain potential changes to the total non-voting shares over the next few years, which may be utilised in the calculation of NAV per Share. Specifically, the number of shares used to calculate U.S. GAAP NAV per Share has been adjusted to incorporate:

(i) The Escrow Shares, which have been used as consideration for the acquisition of Polygon and applicable stock dividends relating thereto, and which are held in escrow and are expected to be released and incorporated into the U.S. GAAP NAV per Share over the next three years.

(ii) The number of shares corresponding to the applicable intrinsic value of the options issued to the Investment Manager at the time of the company's IPO with a strike price of $10.00, to the extent such options are in the money at period end. The intrinsic value of the manager (IPO) share options is calculated as the excess of (x) the closing price of the shares as of the final trading day in the relevant period over (y) $10.00 (being the exercise price per share) times (z) 12,545,330 (being a number of shares subject to the options before the application of potential anti-dilution). The terms of exercise under the options allow for exercise using cash, as well as, with the consent of the board of the company, certain forms of cashless exercise. Each of these prescribed methods of exercise may give rise to the issuance of a different number of shares than the approach described herein. If the options were to be surrendered for their intrinsic value with the board's consent, rather than exercised, the number of shares issued would equal the intrinsic value divided by the closing price of the shares as of the final trading day in the relevant period. This approach has been selected because we currently believe it is more reasonably illustrative of a likely outcome if the options are exercised. The options are exercisable until 26 April 2017.

Appendix V

(43) TFG's returns will most likely fluctuate with LIBOR. LIBOR directly flows through some of TFG's investments and, as it can be seen as the risk-free short-term rate, it should affect all of TFG's investments. In high-LIBOR environments, TFG should achieve higher sustainable returns; in low-LIBOR environments, TFG should achieve lower sustainable returns.

An investment in TFG involves substantial risks. Please refer to the company's website at www.tetragoninv.com for a description of the risks and uncertainties pertaining to an investment in TFG.

This release does not contain or constitute an offer to sell or a solicitation of an offer to purchase securities in the United States or any other jurisdiction. The securities of TFG have not been and will not be registered under the U.S. Securities Act of 1933 (the "Securities Act"), as amended, and may not be offered or sold in the United States or to U.S. persons unless they are registered under applicable law or exempt from registration. TFG does not intend to register any portion of its securities in the United States or to conduct a public offer of securities in the United States. In addition, TFG has not been and will not be registered under the U.S. Investment Company Act of 1940, and investors will not be entitled to the benefits of such Act. TFG is registered in the public register of the Netherlands Authority for the Financial Markets under Section 1:107 of the FMSA as a collective investment scheme from a designated country. This release constitutes regulated information ("gereglementeerde informative") within the meaning of Section 1:1 of the FMSA.

AUDITED FINANCIAL STATEMENTS

TETRAGON FINANCIAL GROUP LIMITED

FOR THE YEAR ENDED 31 DECEMBER 2014

TETRAGON FINANCIAL GROUP LIMITED

AUDITED FINANCIAL STATEMENTS

For the year ended 31 December 2014

CONTENTS

TETRAGON FINANCIAL GROUP LIMITED

DIRECTORS’ REPORT

For the year ended 31 December 2014

The Directors present to the shareholders their report together with the audited financial statements for the year ended 31 December 2014.

THE COMPANY

Tetragon Financial Group Limited (the “Company”) was registered in Guernsey on 23 June 2005 as a company limited by shares, with registered number 43321. All voting shares of the Company are held by Polygon Credit Holdings II Limited (the “Voting Shareholder”). The Company continues to be registered and domiciled in Guernsey, and the Company's non-voting shares (the “Shares”) are listed on Euronext Amsterdam N.V. The Company acts as a feeder fund in a “master feeder structure” investing substantially all of its assets in Tetragon Financial Group Master Fund Limited (the “Master Fund”).

The Company aims to provide stable returns to investors across various credit, equity, interest rate, inflation and real estate cycles, and maintains two key business segments: an investment portfolio and an asset-management platform. Both segments cover a broad range of assets including bank loans, real estate, equities, credit, convertible bonds and infrastructure.

As at 31 December 2014, the Company’s asset-management platform (“TFG Asset Management”) consisted of Polygon Global Partners LP and Polygon Global Partners LLP (collectively with certain affiliates, “Polygon”), LCM Asset Management LLC (“LCM”), Hawke’s Point and the GreenOak Real Estate, LP (“GreenOak”) joint venture. The Fund finalized the acquisition of Equitix Holdings Limited in February 2015.

TFG Asset Management L.P. is registered as an investment adviser under the U.S. Investment Advisers Act of 1940 (the “Advisers Act”) and one of its investment management entities, Polygon Global Partners LLP, is authorised and regulated by the United Kingdom Financial Conduct Authority.

INVESTMENT OBJECTIVE

The Company’s investment objective is to generate distributable income and capital appreciation. To achieve this objective, Tetragon Financial Management LP (the “Investment Manager”) seeks to identify opportunities, assets and asset classes it believes to be attractive and asset managers it believes to be superior based on their track record and expertise. It also seeks to use the market experience of the Investment Manager to negotiate favorable transactions and terms for its investments in asset classes and in asset managers. As part of this current investment strategy, the Investment Manager may employ hedging strategies and leverage in seeking to provide attractive returns while managing risk.

RESULTS, ACTIVITIES AND FUTURE DEVELOPMENTS

The results of operations are set out on pages 9 to 10. A detailed review of activities and future developments is contained in the Investment Manager’s Report issued with these financial statements to the shareholders.

DIRECTORS

The Directors who held office during the year and up to the date of this report were:

Paddy Dear
Rupert Dorey*
Reade Griffith
David Jeffreys*
Byron Knief*
Greville Ward* (resigned 13 March 2014)
Frederic Hervouet* (appointed 23 July 2014)

* Independent non-executive Directors

The remuneration for Directors is determined by resolution of the Voting Shareholder. Effective 1 January 2014, each of the Directors' annual fee is US$ 100,000 (year ended 31 December 2013: US$ 75,000) as compensation for service on the Boards of Directors of both the Company and the Master Fund, which is paid by the Master Fund. Paddy Dear and Reade Griffith have waived their entitlement to a fee in respect of their services as Directors.

As of the fourth quarter 2014, the Directors have the option to elect to receive shares in the Company instead of the quarterly fee. For the fourth quarter, Frederic Hervouet has indicated that he wishes to receive shares and will be allocated these shares in the Company, which will be determined as part of the Q4 2014 dividend process (allocation in March 2015).

The Directors are entitled to be repaid by the Company for all travel, hotel and other expenses reasonably incurred by them in the discharge of their duties. None of the Directors has a contract with the Company or the Master Fund providing for benefits upon termination of employment.

SECRETARY

State Street (Guernsey) Limited held the office of Secretary throughout the year and up to the date of this report.

DIVIDENDS

The Board of Directors has the authority to declare dividend payments, based upon the recommendation of the Investment Manager, subject to the approval of the voting shares of the Company and adherence to applicable law including the satisfaction of a solvency test as stated under The Companies (Guernsey) Law, 2008. The Investment Manager's recommendation with respect to the declaration of dividends (and other capital distributions) may be informed by a variety of considerations, including (i) the expected sustainability of the Company's cash generation capacity in the short and medium term, (ii) the current and anticipated performance of the Company, (iii) the current and anticipated operating and economic environment and (iv) other potential uses of cash ranging from preservation of the Company's investments and financial position to other investment opportunities.

DIVIDENDS (continued)

The Directors declared a dividend amounting to US$ 0.15 per share for the Quarter Ended 31 December 2013, US$ 0.15 per share for the Quarter Ended 31 March 2014, US$ 0.155 for the Quarter Ended 30 June 2014 and US$ 0.155 for the Quarter Ended 30 September 2014. The total dividend declared during the year ended 31 December 2014 amounted to US$ 58.4 million or US$ 0.61 per share (31 December 2013: US$ 53.9 million or US$ 0.55 per share). On 25 February 2015, the Directors have declared a dividend US$ 0.1575 for the Quarter Ended 31 December 2014.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

The Companies (Guernsey) Law, 2008 requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in conformity with U.S. generally accepted accounting principles ("U.S. GAAP") 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 those financial statements the Directors are required to:

- Select suitable accounting policies and apply them consistently;
- Make judgments and 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 confirm that they have complied with the above requirements in preparing the financial statements.

The Directors are responsible for keeping of proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with The Companies (Guernsey) Law, 2008. They 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 are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website.

The Guernsey Financial Services Commission ("GFSC") has issued a Code of Corporate Governance (the "Code") which provides a framework that applies to all entities licensed by the GFSC or which are registered or authorised as a collective investment scheme under the Protection of Investors (Bailiwick of Guernsey) Law, 1987.

STATEMENT OF DIRECTORS' RESPONSIBILITIES (continued)

In conformity with the Code, the Company has prepared a self-assessment reflecting its nature, scale and complexity in order to assist the Directors in their annual consideration of the Code.

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

- The 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; and
- The financial statements, prepared in conformity with U.S. GAAP give a true and fair view of the assets, liabilities, financial position, results and cash flows of the Company.

DISCLOSURE OF INFORMATION TO AUDITOR

So far as each of the Directors is aware, there is no relevant audit information of which the Company's auditor is unaware, and each has taken all the steps he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

AUDITORS

KPMG Channel Islands Limited are the appointed independent auditors of the Company and they have expressed their willingness to continue in office. A resolution for the re-appointment of KPMG Channel Islands Limited as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

Signed on behalf of the Board of Directors by:

Rupert Dorey, Director
David Jeffreys, Director

Date: 25 February 2015

Independent auditor's report to the members of Tetragon Financial Group Limited

We have audited the financial statements of Tetragon Financial Group Limited (the "Company") for the year ended 31 December 2014 which comprise the Statements of Assets and Liabilities, the Statements of Operations, the Statements of Changes in Net Assets, the Statements of Cash Flows, the Financial Highlights and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and U.S. generally accepted accounting principles.

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.

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' Responsibilities set out on pages 4 and 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Board of Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2014 and of its net income for the year then ended;
- are in conformity with U.S. generally accepted accounting principles; and
- comply with the Companies (Guernsey) Law, 2008.

Independent auditor's report to the members of Tetragon Financial Group Limited (continued)

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.

Dermot A. Dempsey
for and on behalf of KPMG Channel Islands Limited
Chartered Accountants and Recognised Auditors, Guernsey

Date: 25 February 2015

TETRAGON FINANCIAL GROUP LIMITED

STATEMENTS OF ASSETS AND LIABILITIES
As at 31 December 2014

	Note	31 Dec 2014 US$ MM	31 Dec 2013 US$ MM
Assets			
Investment in the Master Fund	3	1,834.9	1,846.7
Total assets		1,834.9	1,846.7
Liabilities			
Accrued incentive fee	6	4.1	32.8
Amounts payable on share options	5	12.3	10.7
Total liabilities		16.4	43.5
Net assets		1,818.5	1,803.2
Equity			
Share capital	7	0.1	0.1
Share premium	8	929.4	963.2
Capital reserve in respect of share options	9	11.8	11.8
Share based employee compensation reserve	4, 13	31.4	17.6
Retained earnings	12	845.8	810.5
		1,818.5	1,803.2
Shares outstanding		**Millions**	**Millions**
Shares	7	95.9	98.9
Net Asset Value per share		US$ 18.96	US$ 18.23

The accompanying notes are an integral part of the financial statements.

Signed on behalf of the Board of Directors by:

Rupert Dorey, Director
David Jeffreys, Director

Date: 25 February 2015

STATEMENTS OF OPERATIONS

For the year ended 31 December 2014

	Note	Year ended 31 Dec 2014 US$ MM	Year ended 31 Dec 2013 US$ MM
Investment income allocated from the Master Fund			
Interest income		152.5	204.8
Fee income		81.1	74.3
Dividend income		0.1	0.1
Other income – cost recovery		23.6	21.1
Total investment income allocated from the Master Fund		257.3	300.3
Direct expenses			
Incentive fee	6	(22.8)	(64.9)
Total direct expenses		(22.8)	(64.9)
Operating expenses allocated from the Master Fund			
Employee costs		(61.7)	(50.0)
Management fees	9	(27.0)	(25.1)
Share based employee compensation	4	(23.1)	(23.1)
Legal and professional fees		(16.6)	(9.1)
Audit fees		(0.4)	(0.4)
Other operating and administrative expenses		(28.6)	(25.3)
Total operating expenses allocated from the Master Fund		(157.4)	(133.0)
Total operating expenses		(180.2)	(197.9)
Net investment income		77.1	102.4
Net increase in unrealized depreciation on:			
Share options	5	(1.6)	(4.1)
Net increase in unrealized depreciation arising from direct operations		(1.6)	(4.1)
Net realized and unrealized gain from investments and foreign currency allocated from the Master Fund			
Net realized gain / (loss) from:			
Investments		124.4	10.5
Derivative financial instruments		(36.3)	6.7
Foreign currency transactions		12.0	(5.3)
		100.1	11.9

TETRAGON FINANCIAL GROUP LIMITED

STATEMENTS OF OPERATIONS (continued)
For the year ended 31 December 2014

	Note	Year ended 31 Dec 2014 US$ MM	Year ended 31 Dec 2013 US$ MM
Net (decrease) / increase in unrealized (depreciation) / appreciation on:			
Investments		(52.2)	106.1
Derivative financial instruments		10.2	7.8
Translation of assets and liabilities in foreign currencies		(25.9)	8.9
		(67.9)	122.8
Net realized and unrealized gain from investments and foreign currencies allocated from the Master Fund		32.2	134.7
Net increase from operations before tax		107.7	233.0
Income and deferred tax expense		(12.6)	(8.8)
Net income		95.1	224.2
Earnings per Share			
Basic	11	US$ 1.00	US$ 2.29
Diluted	11	US$ 0.90	US$ 2.05
Weighted average Shares outstanding		**Millions**	**Millions**
Basic	11	95.4	98.0
Diluted	11	106.1	109.3

The accompanying notes are an integral part of the financial statements.

TETRAGON FINANCIAL GROUP LIMITED

STATEMENTS OF CHANGES IN NET ASSETS
For the year ended 31 December 2014

	Note	Year ended 31 Dec 2014 US$ MM	Year ended 31 Dec 2013 US$ MM
From operations:			
Total investment income		257.3	300.3
Total operating expenses		(180.2)	(197.9)
Net unrealized depreciation on share options		(1.6)	(4.1)
Net realized gain from investments and foreign currency allocated from the Master Fund		100.1	11.9
Net unrealized (loss) / gain from investments and foreign currency allocated from the Master Fund		(67.9)	122.8
Income and deferred tax expense		(12.6)	(8.8)
Net income		95.1	224.2
Share based employee compensation	4	23.1	23.1
Net increase in net assets resulting from operations		118.2	247.3
Dividends paid to shareholders	10	(58.4)	(53.9)
Issue of Shares	7	6.4	4.4
Purchase of Treasury Shares	7	(50.9)	(16.1)
Decrease in net assets resulting from net share transactions		(44.5)	(11.7)
Total increase in net assets		15.3	181.7
Net assets at start of year		1,803.2	1,621.5
Net assets at end of year		1,818.5	1,803.2

The accompanying notes are an integral part of the financial statements.

TETRAGON FINANCIAL GROUP LIMITED

STATEMENTS OF CASH FLOWS
For the year ended 31 December 2014

	Year ended 31 Dec 2014 US$ MM	Year ended 31 Dec 2013 US$ MM
Operating activities		
Net income	95.1	224.3
Adjustments for:		
Net unrealized depreciation on share options	1.6	4.1
Share based employee compensation reserve	23.1	23.1
Net unrealized depreciation / (appreciation) on investment in the Master Fund	11.8	(188.5)
Operating cash flows before movements in working capital	131.6	63.0
(Decrease) / increase in payables	(28.7)	2.6
Net cash provided by operating activities	102.9	65.6
Financing activities		
Issue of Shares	6.4	4.4
Purchase of Treasury Shares	(50.9)	(16.1)
Dividends paid to shareholders	(58.4)	(53.9)
Net cash used in financing activities	(102.9)	(65.6)
Net increase in cash and cash equivalents	-	-
Cash and cash equivalents at beginning of year	-	-
Cash and cash equivalents at end of year	-	-

The accompanying notes are an integral part of the financial statements.

FINANCIAL HIGHLIGHTS

For the year ended 31 December 2014

The following represents selected per Share operating performance of the Company, ratios to average net assets and total return information for the year ended 31 December 2014 and the year ended 31 December 2013.

	31 Dec 2014 US$	31 Dec 2013 US$
Per Share operating performance		
Net Asset Value at the start of the year	18.23	16.41
Net investment income (excluding incentive fee)	1.05	1.71
Incentive fee	(0.24)	(0.66)
Net realized and unrealized gain from investments and foreign currencies	0.32	1.33
Share based employee compensation	0.24	0.24
Dividends paid to shareholders	(0.61)	(0.55)
Income and deferred tax expense	(0.13)	(0.09)
Other capital transactions	0.10	(0.16)
Net Asset Value at the end of the year	18.96	18.23
Pro Forma Fully Diluted NAV per Share	**Millions**	**Millions**
Shares outstanding	95.9	98.9
Shares held in escrow	10.7	11.3
Pro Forma Fully Diluted Shares	106.6	110.2
Pro Forma Fully Diluted Net Asset Value per Share	US$ 17.05	US$ 16.36
Total return (NAV change before dividend payments and other capital transactions) before incentive fee	8.10%	19.40%
Incentive fee	(1.31%)	(4.03%)
Total return (NAV change before dividend payments and other capital transactions) after incentive fee	6.79%	15.37%
Ratios and supplemental data		
Ratio to average net assets:		
Operating expenses allocated from the Master Fund	(7.46%)	(6.52%)
Total operating expenses	(7.46%)	(6.52%)
Incentive fee	(1.27%)	(3.85%)
Net investment income	4.29%	6.07%

An individual shareholder's per Share operating performance and ratios may vary from the above based on the timing of capital transactions.

Note 1 General Information

The Company was registered in Guernsey on 23 June 2005 as a company limited by shares with registered number 43321. All voting shares of the Company are held by Polygon Credit Holdings II Limited (the "Voting Shareholder"). The Company continues to be registered and domiciled in Guernsey.

The registered office of the Company is 1st Floor Dorey Court, Admiral Park, St. Peter Port, Guernsey, Channel Islands, GY1 6HJ.

The Company's non-voting shares are listed on Euronext Amsterdam N.V.

Note 2 Significant Accounting Policies

Basis of Presentation

The financial statements give a true and fair view, are prepared in conformity with U.S. GAAP and comply with The Companies (Guernsey) Law, 2008.

The Company's investment in the Master Fund is valued based on the Net Asset Value ("NAV") per share obtained from the Master Fund's Administrator, which is the Company's interest in the Net Assets of the Master Fund. The performance of the Company is directly affected by the performance of the Master Fund.

The Company's Statements of Operations includes its allocated share of each type of gain, loss, income and expense of the Master Fund's Statements of Operations. Attached are the audited consolidated financial statements of the Master Fund, which are an integral part of these financial statements. As at 31 December 2014, the Company had 100% (31 December 2013: 100%) ownership interest in the Master Fund. As the Company owns 100% of the Master Fund and the audited consolidated financial statements of the Master Fund are attached, a separate Schedule of Investments for the Company has not been included.

For financial statement reporting purposes, the Company is an investment company and follows the measurement guidance set out in ASC 946, Financial Services – Investment Companies.

The accounting policies have been consistently applied by the Company during the year ended 31 December 2014 and are consistent with those used in the previous year.

The financial statements are presented in United States Dollars.

Note 2 Significant Accounting Policies (continued)

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and the accompanying notes, including the valuation of investments. The Company's management believes that the estimates made in preparing the financial statements are reasonable and prudent. Actual results could differ materially from these estimates.

Valuation of Investments

The value of the investment in the Master Fund is based on the NAV per share obtained from the Master Fund's Administrator.

Expenses

Expenses are recognized in the Statements of Operations on an accruals basis.

Taxation

The Company is exempt from Guernsey income tax under the Income Tax (Exempt Bodies) (Guernsey) Ordinance 1989 and is charged GBP 600 per annum.

In accordance with ASC Subtopic 740-10 – Income Taxes – Overall, the Company recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. There were no uncertain tax positions recognized at 31 December 2014 (31 December 2013: Nil).

Share Options

The fair value of the options granted to the Investment Manager at the time of the Company's initial public offering in 2007, was recognized as a charge to a reserve in respect of the share options, over the year in which the Investment Manager became unconditionally entitled to the options. The options were fully vested and immediately exercisable from the date of the grant, on 26 April 2007 and remain exercisable for ten years.

The fair value of options issued to certain founding partners of GreenOak are recognized as a liability in the Statements of Assets and Liabilities, as the options contain certain other performance conditions. Any subsequent change in the fair value is recognized through the Statements of Operations.

Note 2 Significant Accounting Policies (continued)

Dividend Expense

Dividend expense from Shares are recognized in the Statements of Changes in Net Assets.

Share Based Payments

Share-based compensation expense for all equity settled share-based payment awards granted is determined based on the grant-date fair value. The Company recognizes these compensation costs net of an estimated forfeiture rate, and recognizes compensation cost only for those Shares expected to meet the service and non-market performance vesting conditions, on a straightline basis over the requisite service period of the award. These compensation costs are determined at the aggregate grant level for service-based awards and at the individual vesting tranche level for awards with performance conditions.

When the Shares are actually issued the fair value of the Shares, as determined at the time of the award, is debited against the share based employee compensation reserve. Any associated stock dividends accrued on the original award are debited against retained earnings and credited to share capital and share premium using the value determined by the stock reference price at the date of each applicable dividend.

Treasury Shares

When share capital recognized as equity is repurchased the amount of the consideration paid, which includes directly attributable costs, is recognized as a deduction from equity. Repurchased Shares may be classified as treasury shares from an accounting perspective and are presented as a deduction from total equity. When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase in equity, and the resulting surplus or deficit on the transaction is transferred to or from retained earnings. Shares may also be transferred out of the Treasury Account and into a wholly owned subsidiary. Where this occurs the status of the Shares is unchanged from an accounting perspective and they are not included in the Shares outstanding on the Statements of Assets and Liabilities.

Note 3 Investment in the Master Fund

At the year end, the Master Fund held investments at fair value, management contracts, cash and cash equivalents, derivatives and other receivables and payables.

As at 31 December 2014, the Company had an investment of US$ 1,834.9 million in the Master Fund (31 December 2013: US$ 1,846.7 million).

Note 4 Share Based Payments

TFG Asset Management L.P. and certain of its affiliates, including Polygon's asset management businesses and infrastructure platform, along with Polygon's interests in LCM and GreenOak, were acquired on 28 October 2012 (the "Acquisition"), in exchange for consideration of approximately 11.7 million non-voting Shares to the sellers subject to certain vesting and forfeiture conditions (the "Aggregate Consideration"). The Aggregate Consideration shall be held in escrow (along with accrued stock dividends) until it is released over the period 2013 to 2017.

Under ASC 805 - Business Combinations ("ASC 805") these Shares are treated as payment for post combination services rather than upfront consideration, hence the initial consideration was determined to be nil, resulting in a bargain purchase. The expense is recognized in the Master Fund through the Statements of Operations, as well as reflecting the assets acquired and a reserve to reflect the capital contribution of the Shares from the Company. The Company has a share based compensation reserve and recognizes the expense indirectly as allocated from the Master Fund. The charge for the year ended 31 December 2014 amounted to US$ 23.1 million (31 December 2013: US$ 23.1 million).

Note 5 Share Options Issued to GreenOak Founders

On 16 September 2010, the Master Fund entered into a transaction with GreenOak whereby it received a 10% equity interest in GreenOak and agreed to provide, among other things, a working capital loan of up to US$ 10.0 million and a US$ 100.0 million co-investment commitment that is expected to fund up to a limited fixed percentage of any GreenOak sponsored investment program, with the Master Fund retaining the option to invest further amounts.

Under the terms of the transaction, the Company granted to the GreenOak founding partners ("Founders") options to purchase 3.9 million Shares (exercisable after 5 years and subject to further conditions) at a strike price of US$ 5.50. The aggregate fair value of the options granted at the transaction date was US$ 0.5 million. In order to reflect some key vesting requirements of the options which are not captured by the Black-Scholes model a 50% haircut was applied to the initial calculated valuation. This was derived as follows: restriction on transferability – 25%; requirement to repay working capital loan – 10%; exclusivity of Founders – 15%. These have been reviewed on a regular basis and as at 31 December 2014, the restriction on transferability is 5%, the requirement to repay the working capital loan is 5% and the exclusivity of Founders is 5%, reflecting the fact that the options are closer to their exercise dates. After this adjustment the haircut stands at 15% (31 December 2013: 20%).

The options are split approximately as follows: 50% exercisable 5 years after transaction date and expiring a year later; 25% exercisable 6 years after transaction date and expiring a year later; 25% exercisable 7 years after transaction date and expiring a year later.

At 31 December 2014, the fair value of the options was US$ 12.3 million (31 December 2013: US$ 10.7 million).

Note 6 Incentive Fee

The Company pays the Investment Manager an incentive fee for each Calculation Period (a period of three months ending on 31 March, 30 June, 30 September and 31 December in each year or as otherwise determined by the Directors) equal to 25% of the increase in the NAV of the Company during the Calculation Period (before deduction of any dividend paid or the amount of any redemptions or repurchases of the Shares (or other relevant capital adjustments) during such Calculation Period) above the Reference NAV (as defined below) plus the Hurdle (as defined below) for the Calculation Period. If the Hurdle is not met in any Calculation Period (and no incentive fee is paid), the shortfall will not carry forward to any subsequent Calculation Period.

The "Hurdle" for any Calculation Period will equal the Reference NAV multiplied by the Hurdle Rate (as defined below). The Hurdle Rate for any Calculation Period equals 3-month USD LIBOR determined as of 11:00 a.m. London time on the first London business day of the then current Calculation Period, plus the Hurdle Spread of 2.647858% in each case multiplied by the actual number of days in the Calculation Period divided by 365.

The "Reference NAV" is the greater of (i) NAV at the end of the Calculation Period immediately preceding the current Calculation Period and (ii) the NAV as of the end of the Calculation Period immediately preceding the Calculation Period referred to in clause (i). For the purpose of determining the Reference NAV at the end of a Calculation Period, NAV shall be adjusted by the amount of accrued dividends and the amounts of any redemptions or repurchase of the Shares (or other relevant capital adjustments) and incentive fees to be paid with respect to that Calculation Period.

The incentive fee in respect of each Calculation Period is calculated by reference to the NAV before deduction of any accrued incentive fee. If the Investment Management Agreement is terminated other than at the end of a Calculation Period, the date of termination will be deemed to be the end of the Calculation Period. The incentive fee is normally payable in arrears after the end of the Calculation Period.

The incentive fee for the year ended 31 December 2014 was US$ 22.8 million (31 December 2013: US$ 64.9 million). As at 31 December 2014, US$ 4.1 million was outstanding (31 December 2013: US$ 32.8 million).

Note 7 Share Capital

Authorized

The Company has an authorized share capital of US$ 1.0 million divided into 10 voting shares, having a par value of US$ 0.001 each and 999,999,990 non-voting Shares, each having a par value of US$ 0.001. Shares are issuable either as certificated shares or uncertificated shares, and in both cases as registered shares in accordance with applicable law.

Voting Shares

The 10 voting shares in issue were issued at par and are owned by the Voting Shareholder, which is a non-U.S. affiliate of the Investment Manager.

Note 7 Share Capital (continued)

Voting Shares (continued)

The voting shares are the only shares of the Company entitled to vote for the election of Directors and on all other matters put to a vote of shareholders, subject to the limited rights of the Shares described below. The voting shares are not entitled to receive dividends.

Shares

The Shares are not entitled to vote on any matter other than limited voting rights in respect of variation of their class rights. The Shares carry a right to any dividends or other distributions declared by the Company. The Shares are subject to certain transfer restrictions as set out in the Company's Memorandum and Articles of Incorporation.

The Directors, upon the recommendation of the Investment Manager and with prior approval of a resolution of voting shares, may allot, issue or otherwise dispose of Shares to such persons, at such times, for such consideration and on such terms and conditions as they deem necessary or desirable. There are no pre-emption rights attaching to any Shares.

The Directors, upon the recommendation of the Investment Manager, may grant options over the Shares. The Company may repurchase Shares and hold such repurchased Shares as Treasury Shares.

Share Transactions

	Voting Shares No.	Shares No. MM	Shares US$ MM
Shares in issue at 31 December 2012	10	98.8	0.1
Issued in lieu of stock dividend	-	0.4	-
Issued through release of tranche of Escrow Shares	-	1.2	-
Treasury Shares purchased during the year	-	(1.5)	-
Shares in issue at 31 December 2013	10	98.9	0.1
Issued in lieu of stock dividend	-	0.6	-
Issued through release of tranche of Escrow Shares	-	1.2	-
Treasury Shares purchased during the year	-	(4.9)	-
Shares in issue at 31 December 2014	10	95.9	0.1

Optional Stock Dividend

The Company has an Optional Stock Dividend Plan which offers investors an opportunity to elect to receive any declared dividend in the form of dividend shares at a reference price determined by calculating the five-day weighted average price post ex-dividend date.

Note 7 Share Capital (continued)

Optional Stock Dividend

During the year a total dividend of US$ 58.4 million (31 December 2013: US$ 53.9 million) was declared, of which US$ 52.0 million was paid out as a cash dividend (31 December 2013: US$ 49.5 million), and the remaining US$ 6.4 million (31 December 2013: US$ 4.4 million) was reinvested under the Optional Stock Dividend Plan.

Treasury Shares

The Company owns a subsidiary, TFG Holdings I, to which it may transfer, and has transferred, Shares previously held in a Treasury Account. Where this occurs the status of the Shares is unchanged from an accounting perspective and they are not included in the Shares outstanding on the Statements of Assets and Liabilities.

On 30 November 2007, the Company announced the implementation of a share repurchase program ("Program") of their outstanding Shares. This was renewed on several occasions, most recently on 14 January 2013 running until 30 April 2013 when it expired. As at 31 December 2014 there was no share repurchase program in place.

When the Program was in operation, the Master Fund had undertaken to repurchase an identical number of its own shares from the Company as and when it made these repurchases in the open market. The Master Fund matched the price per share paid by the Company. The shares are held in a Treasury Account or in a subsidiary, allowing them to potentially be resold back to the Company if it resells its own Shares back into the market at a later date. Whilst they are held by the Master Fund (whether directly or via a subsidiary), the Shares are neither eligible to receive dividends nor are they included in the Shares outstanding on the Statements of Assets and Liabilities.

On 11 March 2014, the Company and the Master Fund announced that under the terms of a “modified Dutch auction” tender offer (the “Tender Offer”) it had accepted for purchase approximately 4.9 million non-voting shares of the Company at a purchase price of US$ 10.30 per share and an aggregate cost of US$ 50.9 million, including applicable fees and expenses. The repurchased Shares were exchanged with the Company for the identical amount of Master Fund Shares and both sets of shares were transferred to the Treasury Account.

After giving effect to the Tender Offer, as at 31 December 2014, 16.6 million Shares are held in TFG Holdings I (31 December 2013: 16.6 million) and 12.8 million Shares in the Treasury Account (31 December 2013: 7.9 million), with an aggregate attributed cost of US$ 261.0 million (31 December 2013: US$ 210.1 million).

	Treasury Shares	**Shares held in subsidiary**
	Shares	**Shares**
	No. MM	**No. MM**
Treasury Shares at 31 December 2012	6.5	16.6
Treasury Shares purchased during the year	1.4	-
Treasury Shares at 31 December 2013	7.9	16.6
Treasury Shares purchased during the year	4.9	-
Treasury Shares at 31 December 2014	12.8	16.6

Note 8 Share Premium

	31 Dec 2014 US$ MM	31 Dec 2013 US$ MM
Balance at start of year	963.2	965.0
Premium arising on issuance of Shares	17.1	14.3
Discount arising from purchase of Shares	(50.9)	(16.1)
Balance at end of year	929.4	963.2

Note 9 Related Party Transactions

The Investment Manager is entitled to receive management fees equal to 1.5% per annum of the Net Asset Value of the Company payable monthly in advance prior to the deduction of any accrued incentive fee. All fees and expenses of the Company including the Management and Administration fees, but excluding incentive fees from the Investment Manager, are paid by the Master Fund and allocated fully to the Company. An incentive fee may be paid to the Investment Manager as disclosed in Note 6.

In recognition of the work performed by the Investment Manager in successfully arranging the global offering and the associated raising of new capital for the Company, in 2007 the Company granted to the Investment Manager options (the "Investment Management Options") to purchase approximately 12.5 million of the Company's Shares (before any application of potential anti-dilution) at an exercise price per share equal to the Offer Price (US$ 10.00). The Investment Management Options were fully vested and immediately exercisable on the date of admission to Euronext Amsterdam N.V. and will remain exercisable until the 10th anniversary of that date. The aggregate fair value of the options granted at the time of the global offering was US$ 11.8 million. The fair value of each option granted during 2007 was US$ 0.94 on the date of grant using the Binomial-pricing model with the following average assumptions: expected dividend yield 8%, risk-free interest rate of 5.306%, an expected life of 5 years and a volatility of 17.5%.

The Company invests substantially all of its assets in the Master Fund, a Guernsey based closed-ended investment company which has the same Investment Manager as the Company.

The remuneration for Directors shall be determined by resolution of the Voting Shareholder. Effective 1 January 2014, each of the Directors' annual fee is US$ 100,000 (year ended 31 December 2013: US$ 75,000) as compensation for service on the Boards of Directors of both the Company and the Master Fund. As of the fourth quarter 2014, the Directors have the option to elect to receive shares in the Company instead of the quarterly fee. For the fourth quarter, Frederic Hervouet has indicated that he wishes to receive shares and will be allocated these shares in the Company, which will be determined as part of the fourth quarter 2014 dividend process (allocation in March 2015). The Master Fund will pay the Directors' fees. Paddy Dear and Reade Griffith have waived their entitlement to a fee in respect of their services as Directors. The Directors are entitled to be repaid by the Company all travel, hotel and other expenses reasonably incurred by them in the discharge of their duties. None of the Directors has a contract with the Company or the Master Fund providing for benefits upon termination of employment.

The Voting Shareholder is an affiliate of the Investment Manager and holds all of the voting shares. As a result of its ownership and the degree of control that it exercises, the Voting Shareholder will be able to control the appointment

Note 9 Related Party Transactions (continued)

and removal of the Company's Directors (subject to applicable law). Affiliates of the Voting Shareholder also control the Investment Manager and, accordingly, control the Company's business and affairs.

Paddy Dear, Reade Griffith, and Rupert Dorey - all Directors of the Company and the Master Fund – maintained (directly or indirectly) interests in Shares of the Company as at 31 December 2014, with interests of 459,057 and 1,377,683 and 96,465 Shares respectively (31 December 2013: 386,413, 1,186,209 and 92,311 Shares respectively). Messrs, Griffith and Dear also have a (direct or indirect) interest in the Escrow Shares (as defined below).

As described in Note 4, TFG Asset Management L.P., including Polygon's asset management businesses and infrastructure platform, and interests in LCM and GreenOak, was acquired on 28 October 2012. The Shares issued in consideration are subject to vesting and forfeiture conditions and were held in escrow for release over the period 2013 to 2017. These escrow Shares are eligible to participate in the optional stock dividend program, and as a result of subsequent dividends, further Shares were added to the relevant escrow accounts. As part of the Acquisition, Messrs, Griffith and Dear, as founders of Polygon, were awarded consideration in Shares which would vest between 2015 and 2017.

In particular, Messrs, Griffith and Dear, were initially allocated 5,539,954 and 1,955,291 Shares, respectively, and these are currently held in escrow pending release between 2015 and 2017. As at 31 December 2014, 6,259,363 Shares were held in escrow on behalf of Mr. Griffith (31 December 2013: 5,908,198 Shares) and 2,209,190 on behalf of Mr. Dear (31 December 2013: 2,085,254 Shares).

It was also contractually agreed at the time of the Acquisition that they would be entitled to total annual compensation in respect of their executive role with the Company and its subsidiaries totaling not more than US$ 100,000 each.

During the year ended 31 December 2014 total compensation paid to them each in this capacity by the Master Fund was US$ 100,000.

Note 10 Dividends

	31 Dec 2014 US$ MM	31 Dec 2013 US$ MM
Quarter ended 31 December 2012 of US$ 0.135 per share	-	13.2
Quarter ended 31 March 2013 of US$ 0.135 per share	-	13.2
Quarter ended 30 June 2013 of US$ 0.14 per share	-	13.7
Quarter ended 30 September 2013 of US$ 0.14 per share	-	13.8
Quarter ended 31 December 2013 of US$ 0.15 per share	14.8	-
Quarter ended 31 March 2014 of US$ 0.15 per share	14.1	-
Quarter ended 30 June 2014 of US$ 0.155 per share	14.6	-
Quarter ended 30 September 2014 of US$ 0.155 per share	14.9	-
	58.4	53.9

Note 10 Dividends (continued)

The fourth quarter dividend of US$ 0.1575 per share was approved by the Directors on 25 February 2015 and has not been included as a liability in these financial statements.

Note 11 Earnings per Share

	Year ended 31 Dec 2014 US$ MM	Year ended 31 Dec 2013 US$ MM
The calculation of the basic and diluted earnings per share is based on the following data:		
Earnings for the purposes of basic earnings per share being net profit attributable to shareholders for the year	95.1	224.2
Weighted average number of Shares for the purposes of basic earnings per share	95.4	98.0
Effect of dilutive potential Shares:		
Share based employee compensation	10.7	11.3
Share options	-	-
Weighted average number of Shares for the purposes of diluted earnings per share	106.1	109.3

Diluted earnings per share is calculated by adjusting the weighted average number of Shares outstanding assuming conversion of all potential dilutive Shares. Share options and share based employee compensation are potential dilutive Shares.

In respect of share based employee compensation, it is assumed that all of the Shares currently held in escrow will be released, thereby increasing the weighted average number of Shares. This includes Shares which are scheduled to vest and be released between 2015 and 2017.

In respect of share options, the intrinsic value of the Shares issued to the Investment Manager in connection with the global offering in 2007 (see Note 9) is calculated using the Company's quoted Share price on the last business day prior to the year end. This is then converted into a number of Shares by dividing the aforementioned intrinsic value by the aforementioned quoted Share price. This will yield the number of Shares to include in the dilution calculation.

In respect of share options issued to GreenOak, there was no dilution as the conditions on these options have not been met at the reporting date of these financial statements.

Note 12 Retained Earnings

	31 Dec 2014 US$ MM	31 Dec 2013 US$ MM
Balance at start of year	810.5	640.7
Net increase in net assets resulting from operations for the year	95.1	224.3
Dividends paid	(58.4)	(53.9)
Stock dividends on Shares released from Escrow	(1.4)	(0.6)
Balance at end of year	845.8	810.5

Note 13 Share based employee compensation reserve

	31 Dec 2014 US$ MM	31 Dec 2013 US$ MM
Balance at start of year	17.6	3.8
Share based employee compensation	23.1	23.1
Release of Escrow Shares	(9.3)	(9.3)
Balance at end of year	31.4	17.6

Note 14 Other Matters

On 18 June 2013, a shareholder derivative action was filed in United States District Court, Southern District of New York (the "Court"), against the six directors of the Company and the Master Fund, the Investment Manager, the principals of the Investment Manager and other affiliated entities by a purported shareholder of the Company (the "Action"). The Action made a series of allegations including with respect to the Acquisition (see Note 4).

The Company, the Master Fund and their Boards of Directors believed that the Action was factually and legally without merit. Accordingly, the defendants sought dismissal of the Action. On 7 August 2014, in an opinion by Judge Richard J. Sullivan, the Court dismissed the Action in its entirety finding that the plaintiffs had "failed to state a federal claim". The Court likewise refused to exercise its discretion to take cognizance of related claims asserted by the plaintiffs under Guernsey law. There has been no appeal of that ruling and the time for appeal has expired.

Note 15 Subsequent Events

On 2 February 2015 the Company announced that it had completed its acquisition of Equitix Holdings Limited ("Equitix") from Cabot Square Capital LLP for an enterprise value of £159.5 million (US$ 239.9 million equivalent using the applicable spot rate on the acquisition date). This acquisition was financed in part by a new Equitix £60 million (US$ 90.2 million) bank facility.

Note 16 Recent changes to U.S. GAAP

Revenue from Contracts with Customers (ASC 606).
In May 2014, the FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers (Topic 606)." ASU No. 2014-09 provides comprehensive guidance on the recognition of revenue from customers arising from the transfer of goods and services. The ASU also provides guidance on accounting for certain contract costs, and requires new disclosures. ASU No. 2014-09 is effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. Early adoption is not permitted. The Company is still evaluating the effect of the ASU on its financial condition, results of operations, and cash flows.

Note 17 Approval of Financial Statements

The Directors approved the financial statements on 25 February 2015.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

TETRAGON FINANCIAL GROUP MASTER FUND LIMITED

FOR THE YEAR ENDED 31 DECEMBER 2014

TETRAGON FINANCIAL GROUP MASTER FUND LIMITED

AUDITED CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2014

CONTENTS

TETRAGON FINANCIAL GROUP MASTER FUND LIMITED

DIRECTORS' REPORT
For the year ended 31 December 2014

The Directors present to the shareholders their report together with the audited consolidated financial statements for the year ended 31 December 2014.

THE FUND

Tetragon Financial Group Master Fund Limited (the "Fund") was registered in Guernsey on 23 June 2005 as a company limited by shares, with registered number 43322. All voting shares of the Fund are held by Polygon Credit Holdings II Limited (the "Voting Shareholder"). The Fund continues to be registered and domiciled in Guernsey.

The Fund maintains two key business segments: an investment portfolio and an asset-management platform. Both segments cover a broad range of assets including bank loans, real estate, equities, credit, convertible bonds and infrastructure.

As at 31 December 2014, the Fund's asset-management platform ("TFG Asset Management") consisted of Polygon Global Partners LP and Polygon Global Partners LLP (collectively with certain affiliates, "Polygon"), LCM Asset Management LLC ("LCM"), Hawke's Point and the GreenOak Real Estate LP, ("GreenOak") joint venture. The Fund finalized the acquisition of Equitix Holdings Limited in February 2015.

TFG Asset Management L.P. is registered as an investment adviser under the U.S. Investment Advisers Act of 1940 and one of its investment management entities, Polygon Global Partners LLP, is authorised and regulated by the United Kingdom Financial Conduct Authority.

INVESTMENT OBJECTIVE

The Fund's investment objective is to generate distributable income and capital appreciation. To achieve this objective, Tetragon Financial Management LP (the "Investment Manager") seeks to identify opportunities, assets and asset classes it believes to be attractive and asset managers it believes to be superior based on their track record and expertise. It also seeks to use the market experience of the Investment Manager to negotiate favorable transactions and terms for its investments in asset classes and in asset managers. As part of this current investment strategy, the Investment Manager may employ hedging strategies and leverage in seeking to provide attractive returns while managing risk.

RESULTS, ACTIVITIES AND FUTURE DEVELOPMENTS

The results of operations are set out on page 8. A detailed review of activities and future developments is contained in the Annual Report issued with these consolidated financial statements to the shareholders of Tetragon Financial Group Limited (the "Feeder").

DIRECTORS

The Directors who held office during the year were:

Paddy Dear
Rupert Dorey*
Reade Griffith
David Jeffreys*
Byron Knief*
Greville Ward* (resigned 13 March 2014)
Frederic Hervouet* (appointed 23 July 2014)
* Independent non-executive Directors

The remuneration for Directors is determined by resolution of the Voting Shareholder. Effective 1 January 2014, each Directors' annual fee is US$ 100,000 (year ended 31 December 2013: US$ 75,000) as compensation for service on the Board of Directors of both the Fund and the Feeder and is paid by the Fund. Paddy Dear and Reade Griffith have waived their entitlement to a fee.

DIRECTORS (continued)

As of the fourth quarter 2014, the Directors have the option to elect to receive shares in the Feeder instead of the quarterly fee. For the fourth quarter, Frederic Hervouet has indicated that he wishes to receive shares and will be allocated these shares in the Feeder, which will be determined as part of the fourth quarter 2014 dividend process (allocation in March 2015).

The Directors are entitled to be repaid by the Fund for all travel, hotel and other expenses reasonably incurred by them in the discharge of their duties. None of the Directors has a contract with the Fund or the Feeder providing for benefits upon termination of employment.

DIVIDENDS

The Board of Directors has the authority to declare dividend payments, based upon the recommendation of the Investment Manager, subject to the approval of the voting shares of the Fund and adherence to applicable law including the satisfaction of a solvency test as stated under The Companies (Guernsey) Law, 2008. The Investment Manager's recommendation with respect to the declaration of dividends (and other capital distributions) may be informed by a variety of considerations, including (i) the expected sustainability of the Fund's cash generation capacity in the short and medium term, (ii) the current and anticipated performance of the Fund, (iii) the current and anticipated operating and economic environment and (iv) other potential uses of cash ranging from preservation of the Fund's investments and financial position to other investment opportunities. The Directors declared a dividend amounting to US$ 0.15 per share for the Quarter Ended 31 December 2013, US$ 0.15 per share for the Quarter Ended 31 March 2014, US$ 0.155 for the Quarter Ended 30 June 2014 and US$ 0.155 for the Quarter Ended 30 September 2014. The total dividend declared during the year ended 31 December 2014 amounted to US$ 58.4 million or US$ 0.61 per share (31 December 2013: US$ 53.9 million or US$ 0.55 per share). On 25 February 2015, the Directors have declared a dividend US$ 0.1575 for the Quarter Ended 31 December 2014.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

The Companies (Guernsey) Law, 2008, requires the Directors to prepare financial statements for each financial year. Under that law, they have elected to prepare the financial statements in conformity with U.S. generally accepted accounting principles ("U.S. GAAP") and applicable law.

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

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

- Select suitable accounting policies and apply them consistently;
- Make judgments and 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 Fund will continue in business.

The Directors are responsible for the keeping of proper accounting records which disclose with reasonable accuracy at any time the financial position of the Fund and to enable them to ensure that the financial statements comply with The Companies (Guernsey) Law, 2008. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Fund and to prevent and detect fraud and other irregularities.

STATEMENT OF DIRECTORS' RESPONSIBILITIES (continued)

The Directors confirm that they have complied with the above requirements.

DISCLOSURE OF INFORMATION TO AUDITOR

So far as each of the Directors is aware, there is no relevant audit information of which the Fund's auditor is unaware, and each has taken all the steps he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Fund's auditor is aware of that information.

AUDITORS

KPMG Channel Islands Limited are the appointed independent auditors of the Fund and they have expressed their willingness to continue in office. A resolution for the re-appointment of KPMG Channel Islands Limited as auditors of the Fund is to be proposed at the forthcoming Annual General Meeting.

Signed on behalf of the Board of Directors by:

Rupert Dorey, Director
David Jeffreys, Director

Date: 25 February 2015

Independent auditor's report to the members of Tetragon Financial Group Master Fund Limited

We have audited the consolidated financial statements (the "financial statements") of Tetragon Financial Group Master Fund Limited (the "Fund" or "Group") for the year ended 31 December 2014 which comprise the Consolidated Statements of Assets and Liabilities, the Consolidated Statements of Operations, the Consolidated Statements of Changes in Net Assets, the Consolidated Statements of Cash Flows, the Consolidated Condensed Schedule of Investments, the Financial Highlights and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and U.S. generally accepted accounting principles.

This report is made solely to the Fund'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 Fund'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 Fund and the Fund's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' Responsibilities set out on pages 3 and 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Board of Directors; and the overall presentation of the financial statements. In addition, we read all the financial and nonfinancial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 December 2014 and of its net income for the year then ended;

- are in conformity with U.S. generally accepted accounting principles; and

- comply with the Companies (Guernsey) Law, 2008.

Independent auditor's report to the members of Tetragon Financial Group Master Fund Limited (continued)

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 Fund 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.

Chartered Accountants
Guernsey

Date: 25 February 2015

TETRAGON FINANCIAL GROUP MASTER FUND LIMITED

CONSOLIDATED STATEMENTS OF ASSETS AND LIABILITIES
As at 31 December 2014

	Note	31 Dec 2014 US$ MM	31 Dec 2013 US$ MM
Assets			
Investments, at fair value (Cost US$ 1,916.4 million, 31 Dec 2013: US$ 2,005.8 million)	3	1,356.2	1,533.0
Management contracts	4	29.7	36.5
Cash and cash equivalents	6	402.0	245.9
Amounts due from brokers	8	52.1	41.9
Derivative financial assets	3, 7	19.2	15.2
Fixed assets	2	0.1	0.3
Deferred tax asset	16	10.0	7.7
Prepaid income tax	16	0.6	0.6
Other receivables	9	32.8	26.6
Total assets		1,902.7	1,907.7
Liabilities			
Derivative financial liabilities	3, 7	5.8	3.3
Other payables and accrued expenses	10	50.5	47.0
Income tax payable	16	2.9	0.6
Deferred tax liability	16	8.6	10.1
Total liabilities		67.8	61.0
Net assets		1,834.9	1,846.7
Equity			
Share capital	11	0.1	0.1
Share premium	12	888.6	922.4
Retained earnings	14	914.8	906.6
Capital contribution	15, 22	31.4	17.6
		1,834.9	1,846.7
Shares outstanding		**Millions**	**Millions**
Shares	11	95.9	98.9
Net Asset Value per share		US$ 19.13	US$ 18.67

The accompanying notes are an integral part of the consolidated financial statements.

Signed on behalf of the Board of Directors by:

Rupert Dorey, Director
David Jeffreys, Director

Date: 25 February 2015

TETRAGON FINANCIAL GROUP MASTER FUND LIMITED

CONSOLIDATED STATEMENTS OF OPERATIONS
For the year ended 31 December 2014

	Note	Year ended 31 Dec 2014 US$ MM	Year ended 31 Dec 2013 US$ MM
Interest income	17	152.5	204.8
Fee income	18	81.1	74.3
Other income – cost recovery	19	23.6	21.1
Dividend income		0.1	0.1
Investment income		257.3	300.3
Employee costs	24	(61.7)	(50.0)
Management fees	24	(27.0)	(25.1)
Share based employee compensation	22	(23.1)	(23.1)
Legal and professional fees	25	(16.6)	(9.1)
Audit fees		(0.4)	(0.4)
Other operating and administrative expenses	20	(28.6)	(25.3)
Operating expenses		(157.4)	(133.0)
Net investment income		99.9	167.3
Net realized and unrealized gain from investments and foreign currency			
Net realized gain / (loss) from:			
Investments		124.4	10.5
Derivative financial instruments		(36.3)	6.7
Foreign currency transactions		12.0	(5.3)
		100.1	11.9
Net (decrease) / increase in unrealized (depreciation) / appreciation on:			
Investments		(52.2)	106.1
Derivative financial instruments		10.2	7.8
Translation of assets and liabilities in foreign currencies		(25.9)	8.9
		(67.9)	122.8
Net realized and unrealized gain from investments and foreign currency		32.2	134.7
Net increase from operations before tax		132.1	302.0
Income and deferred tax expense	16	(12.6)	(8.8)
Net income		119.5	293.2

The accompanying notes are an integral part of the consolidated financial statements.

TETRAGON FINANCIAL GROUP MASTER FUND LIMITED

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
For the year ended 31 December 2014

	Note	Year ended 31 Dec 2014 US$ MM	Year ended 31 Dec 2013 US$ MM
From operations:			
Net investment income		99.9	167.3
Net realized gain from investments and foreign currency		100.1	11.9
Net (decrease) / increase in unrealized (depreciation) / appreciation on investments and translation of assets and liabilities in foreign currencies		(67.9)	122.8
Income and deferred tax expense	16	(12.6)	(8.8)
Net income after tax		119.5	293.2
Share based employee compensation	22	23.1	23.1
Net increase in net assets resulting from operations		142.6	316.3
Dividends paid to Feeder in lieu of incentive fee liability	13	(51.5)	(62.3)
Dividends paid to shareholders	13	(58.4)	(53.9)
Total distributions		(109.9)	(116.2)
Issue of Shares	11	6.4	4.4
Purchase of Treasury Shares	11	(50.9)	(16.1)
Decrease in net assets resulting from capital transactions		(44.5)	(11.7)
Total (decrease) / increase in net assets		(11.8)	188.4
Net assets at start of year		1,846.7	1,658.3
Net assets at end of year		1,834.9	1,846.7

The accompanying notes are an integral part of the consolidated financial statements.

TETRAGON FINANCIAL GROUP MASTER FUND LIMITED

CONSOLIDATED STATEMENTS OF CASH FLOWS
For the year ended 31 December 2014

	Year ended 31 Dec 2014 US$ MM	**Year ended 31 Dec 2013 US$ MM**
Operating activities		
Net income	119.5	293.2
Adjustments for:		
Realized gains on investments and derivatives	(88.1)	(17.2)
Cash received on investments in excess of interest income	216.7	254.3
Amortization on intangible assets	6.8	6.9
Depreciation on fixed assets	0.3	0.2
Share based employee compensation	23.1	23.1
Unrealized losses / (gains)	67.9	(122.8)
Deferred tax	(3.8)	0.2
Operating cash flows before movements in working capital	342.4	437.9
Increase in receivables	(6.2)	(11.5)
Increase in payables	5.8	14.1
Cash flows from operations	342.0	440.5
Purchase of fixed assets	(0.1)	(0.4)
Proceeds from sale / prepayment / maturity of investments	250.2	116.7
Net (payment) / proceeds on derivative financial instruments	(28.8)	5.5
Purchase of investments	(241.5)	(335.4)
Net cash provided by operating activities	321.8	226.9
Financing activities		
Amounts due from brokers	(10.2)	(28.9)
Proceeds from issue of Shares	6.4	4.4
Treasury Shares	(50.9)	(16.1)
Dividends paid to shareholders	(58.4)	(53.9)
Dividends paid to Feeder in lieu of incentive fee liability	(51.5)	(62.3)
Net cash used in financing activities	(164.6)	(156.8)
Net increase in cash and cash equivalents	157.2	70.1
Cash and cash equivalents at beginning of year	245.9	175.9
Effect of exchange rate fluctuations on cash and cash equivalents	(1.1)	(0.1)
Cash and cash equivalents at end of year	402.0	245.9

The accompanying notes are an integral part of the consolidated financial statements.

TETRAGON FINANCIAL GROUP MASTER FUND LIMITED

CONSOLIDATED CONDENSED SCHEDULE OF INVESTMENTS
As at 31 December 2014

Security Description	**Nominal MM**	**Cost US$ MM**	**Fair Value US$ MM**	**% of Net Assets**
United States CLO Equity				
Cayman Islands				
ABS and Structured Finance	18.4	17.6	-	-
Broadly Syndicated Senior Secured Loans	1,107.6	1,006.8	639.7	34.88%
CDOs Squared	17.3	16.6	-	-
Middle Market Senior Secured Loans	163.0	152.5	57.1	3.11%
	1,306.3	1,193.5	696.8	37.99%
European CLO Equity				
Ireland				
Broadly Syndicated Senior Secured Loans	100.4	121.5	53.0	2.89%
	100.4	121.5	53.0	2.89%
Luxembourg				
Broadly Syndicated Senior Secured Loans	71.1	84.3	46.8	2.55%
	71.1	84.3	46.8	2.55%
Netherlands				
Broadly Syndicated Senior Secured Loans	24.0	31.8	20.3	1.10%
	24.0	31.8	20.3	1.10%
United States CLO Mezzanine				
Cayman Islands				
Broadly Syndicated Senior Secured Loans	1.8	1.1	1.7	0.09%
	1.8	1.1	1.7	0.09%
Loans				
United States Broadly Syndicated Senior Secured Loans	22.4	22.0	22.1	1.20%
Global Unsecured Loan	5.5	5.5	6.4	0.35%
	27.9	27.5	28.5	1.55%
Listed Stock				
United Kingdom – Equity Investments		33.3	29.4	1.60%
		33.3	29.4	1.60%
Unlisted Stock				
Global Financial Real Estate Investment Manager		10.7	66.5	3.62%
Norway – Equity Investments		2.4	2.8	0.15%
		13.1	69.3	3.77%
Investment Funds				
United States – Real Estate		44.9	46.1	2.52%
Japan – Real Estate		21.4	20.3	1.09%
Netherlands – Real Estate		0.2	0.1	0.01%
Spain – Real Estate		10.9	9.5	0.52%
United Kingdom – Real Estate		12.7	12.3	0.67%
Global – Hedge Funds – Equities		61.0	63.3	3.45%
Polygon European Equity Opportunity Fund*		134.2	120.8	6.58%
Polygon Distressed Opportunities Fund**		90.0	95.5	5.21%
Global – Hedge Funds – Credit and Convertible Bonds		35.0	42.5	2.32%
		410.3	410.4	22.37%
Total Investments		**1,916.4**	**1,356.2**	**73.91%**

CONSOLIDATED CONDENSED SCHEDULE OF INVESTMENTS (continued)
As at 31 December 2014

Financial Derivative Instruments	**Fair Value US$ MM**	**% of Net Assets**
Interest Rate Swaptions	0.6	0.03%
Forward Foreign Currency Exchange Contracts	10.0	0.55%
Credit default swaps	(4.1)	(0.23)%
Equity Total Return Swaps	6.9	0.38%
Total Financial Derivative Instruments	13.4	0.73%
Cash and Cash Equivalents	402.0	21.91%
Other Assets and Liabilities	63.3	3.45%
Net Assets	1,834.9	100.00%

*The investment in the Polygon European Equity Opportunity Fund consists of 415,537 units in Class A, 242,483 units in Class B and 228,851 units in Class C as at 31 December 2014.

The stated objective of the Polygon European Equity Opportunity Fund is to seek superior risk adjusted returns. Its stated intention is to invest predominantly in European listed equity securities, but may also invest in other asset classes and in other non-European jurisdictions. Given the applicable notice, liquidity of up to 25% of the investment is available on a quarterly basis (subject to certain conditions), and the entire investment could be liquidated over four consecutive quarters.

** The investment in the Polygon Distressed Opportunities Fund consists of 432,676 units in Class A, 295,765 units in Class B, and 143,549 units in Class C at 31 December 2014.

The stated objective of the Polygon Distressed Opportunities Fund is to seek superior risk adjusted returns. It states that to achieve this objective, it will invest primarily in investments (directly or indirectly) in securities, instruments and assets that are either distressed or acquired from holders in distressed situations. With the applicable notice, liquidity of up to 25% of the investment is available on a quarterly basis (subject to certain conditions) subject to the redemption occurring at least 12 months after the purchase of the shares or units to be redeemed. Accordingly, the entire investment could be liquidated over four consecutive quarters subject to the conditions above.

TETRAGON FINANCIAL GROUP MASTER FUND LIMITED

CONSOLIDATED CONDENSED SCHEDULE OF INVESTMENTS (continued)
As at 31 December 2013

Security Description	**Nominal MM**	**Cost US$ MM**	**Fair Value US$ MM**	**% of Net Assets**
United States CLO Equity				
Cayman Islands				
ABS and Structured Finance	18.4	17.6	-	-
Broadly Syndicated Senior Secured Loans	1,221.0	1,104.9	798.6	43.25%
CDOs Squared	17.3	16.6	-	-
Middle Market Senior Secured Loans	245.2	227.4	137.5	7.45%
	1,501.9	1,366.5	936.1	50.70%
European CLO Equity				
Ireland				
Broadly Syndicated Senior Secured Loans	127.4	155.9	101.8	5.51%
	127.4	155.9	101.8	5.51%
Luxembourg				
Broadly Syndicated Senior Secured Loans	71.1	84.3	59.9	3.24%
	71.1	84.3	59.9	3.24%
Netherlands				
Broadly Syndicated Senior Secured Loans	24.0	31.8	22.6	1.23%
	24.0	31.8	22.6	1.23%
United States CLO Mezzanine				
Cayman Islands				
Broadly Syndicated Senior Secured Loans	1.8	1.1	1.7	0.09%
	1.8	1.1	1.7	0.09%
Loans				
United States Broadly Syndicated Senior Secured Loans	33.8	33.5	34.0	1.84%
Global Unsecured Loan	10.0	10.0	11.1	0.60%
	43.8	43.5	45.1	2.44%
Listed Stock				
United Kingdom – Equity Investments		10.9	11.2	0.61%
		10.9	11.2	0.61%
Unlisted Stock				
Global Financial Real Estate Investment Manager		10.7	28.4	1.54%
		10.7	28.4	1.54%
Investment Funds				
United States – Real Estate		26.7	27.0	1.45%
Japan – Real Estate		12.3	10.6	0.59%
United Kingdom – Real Estate		22.1	23.2	1.25%
Global – Hedge Funds – Equities		55.0	56.6	3.06%
Polygon European Equity Opportunity Fund*		105.0	124.6	6.74%
Global – Hedge Funds – Credit and Convertible Bonds		80.0	84.2	4.57%
		301.1	326.2	17.66%
Total Investments		**2,005.8**	**1,533.0**	**83.02%**

CONSOLIDATED CONDENSED SCHEDULE OF INVESTMENTS (continued)
As at 31 December 2013

Financial Derivative Instruments	**Fair Value US$ MM**	**% of Net Assets**
Interest Rate Swaptions	12.1	0.65%
Forward Foreign Currency Exchange Contracts	(3.3)	(0.17)%
Equity Total Return Swaps	3.1	0.16%
Total Financial Derivative Instruments	11.9	0.64%
Cash and Cash Equivalents	245.9	13.31%
Other Assets and Liabilities	55.9	3.03%
Net Assets	1,846.7	100.00%

*The investment in the Polygon European Equity Opportunity Fund consists of 515,988 units in Class A, 355,786 units in Class B and 154,838 units in Class C as at 31 December 2013.

The stated objective of the Polygon European Equity Opportunity Fund is to seek superior risk adjusted returns. Its stated intention is to invest predominantly in European listed equity securities, but may also invest in other asset classes and in other non-European jurisdictions. With the applicable notice, liquidity of up to 25% of the investment is available on a quarterly basis (subject to certain conditions), and the entire investment could be liquidated over four consecutive quarters.

TETRAGON FINANCIAL GROUP MASTER FUND LIMITED

FINANCIAL HIGHLIGHTS
For the year ended 31 December 2014 and 31 December 2013

The following represents selected per Share operating performance of the Fund, ratios to average net assets and total return information for the year ended 31 December 2014 and 31 December 2013.

	31 Dec 2014 US$	31 Dec 2013 US$
Per Share operating performance		
Net Asset Value at start of year	18.67	16.78
Net investment income	1.05	1.71
Net realized and unrealized gain from investments, derivatives and foreign currencies	0.34	1.37
Share based employee compensation	0.24	0.24
Dividends paid to shareholders	(1.15)	(1.19)
Income and deferred tax expense and noncontrolling interest	(0.13)	(0.09)
Other capital transactions	0.11	(0.15)
Net Asset Value at the end of the year	19.13	18.67
Pro Forma Fully Diluted NAV per Share		
	Millions	**Millions**
Shares outstanding	95.9	98.9
Shares held in escrow	10.7	11.3
Pro Forma Fully Diluted Shares	106.6	110.2
Pro Forma Fully Diluted Net Asset Value per Share	US$ 17.21	US$ 16.76
Return (NAV change before dividend payments and other capital transactions)	8.03%	19.25%
Ratios and supplemental data		
Ratio to average net assets:		
Total operating expenses	(7.39%)	(6.44%)
Net investment income	5.50%	9.80%

An individual shareholder's per Share operating performance and ratios may vary from the above based on the timing of capital transactions.

Note 1 General Information

The Fund was registered in Guernsey on 23 June 2005 as a company limited by shares, with registered number 43322. All voting shares of the Fund are held by Polygon Credit Holdings II Limited. The Fund continues to be registered and domiciled in Guernsey.

The Fund owns a number of operating business subsidiaries, including those resulting from the acquisition of TFG Asset Management L.P. and certain of its affiliates, including its asset management businesses (the "Acquisition"). The Fund consolidates in these financial statements, the income and expense and assets and liabilities of entities where appropriate, and in accordance with the accounting policy on consolidation detailed in Note 2.

The registered office of the Fund is 1st Floor Dorey Court, Admiral Park, St. Peter Port, Guernsey, Channel Islands GY1 6HJ.

Note 2 Significant Accounting Policies

Basis of Presentation

The consolidated financial statements give a true and fair view, are prepared in conformity with U.S. GAAP and comply with The Companies (Guernsey) Law, 2008.

For financial statement reporting purposes, the Fund is an investment company and follows Financial Services – Investment Companies (ASC 946).

The accounting policies have been consistently applied by the Fund during the year ended 31 December 2014 and are consistent with those used in the previous year.

The consolidated financial statements are presented in United States Dollars.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and the accompanying notes, including the valuation of investments. The Fund's management believes that the estimates made in preparing the consolidated financial statements are reasonable and prudent, however actual results could differ materially from these estimates.

Foreign Currency Translation

Transactions in foreign currencies are translated at the foreign currency exchange rate ruling at the date of the transaction. All assets and liabilities denominated in foreign currencies are translated to U.S. Dollars at the foreign currency closing exchange rate ruling at the reporting date. Foreign currency exchange differences arising on translation and realized gains and losses on disposals or settlements of monetary assets and liabilities are recognized in the Consolidated Statements of Operations.

Foreign currency exchange differences relating to derivative financial instruments are included in foreign currency transactions and translation of assets and liabilities in foreign currencies in the Consolidated Statements of Operations. All other foreign currency exchange differences relating to monetary items, including cash and cash equivalents and investments, are included in the foreign currency transactions and translation of assets and liabilities in foreign currencies in the Consolidated Statements of Operations.

Note 2 Significant Accounting Policies (continued)

Investment Transactions and Investment Income

Investment transactions are recorded on a trade date basis (the trade date is the date that an entity commits to purchase or sell an asset). Realized gains and losses from CLO equity and mezzanine securities, leveraged loans, forwards, investment funds, swaps, contracts for difference, listed stock, unlisted stock and derivatives are calculated on the identified historical cost basis. Interest income is recognized on an effective interest rate basis.

Financial Instruments

Investments in CLO equity tranche investments ("CLO equity"), at fair value

In the absence of an active market for the equity tranche investments in securitization vehicles, a mark to model approach has been adopted to determine their valuation. A third party valuation model that is used by the Investment Manager and the Administrator has been selected for this purpose.

The model contains characteristics of the securitization vehicle structure, including current assets and liabilities, based upon information derived by a specialist firm, from data sources such as the securitization vehicles' trustee reports. Key model inputs include projected defaults and recovery rates and reinvestment spreads for the relevant class of underlying collateral held in the securitization vehicle. These inputs are derived by reference to a variety of market sources, which are used by both the Investment Manager and the Administrator.

The model projects future cash flows which are discounted at the applicable rate in order to determine fair value. The model assumptions are reviewed on a regular basis and adjusted as appropriate to take into account any changes in observable data in relation to these inputs.

The Fund recognizes interest income and any impairment pursuant to "Recognition of Interest Income and Impairment on Purchased and Retained Beneficial Interests in Securitized Financial Assets" (ASC 325). ASC 325 sets forth rules for recognizing interest income and determining when an investment is impaired.

In accordance with ASC 325, the excess of the estimated future cash flows over the initial investment is the accretable yield (or the "IRR") which is recognized as interest income over the life of the investment using the effective yield method. Cash distributions received from investments under ASC 325 may not necessarily equal the income earned during any given year or period. The amortized cost of each investment is equal to the initial investment plus the yield accrued to date less all cash received to date less any write downs for impairment.

Investments in leveraged loans, at fair value

To the extent that the Fund's leveraged loans are exchange traded and are priced or have sufficient bid price indications from normal course trading at or around the valuation date (financial reporting date), such bid pricing will determine fair value. Pricing service marks from third party pricing services may be used as an indication of fair value, depending on the volume and reliability of the marks, sufficient and reasonable correlation of bid and ask quotes, and, most importantly, the level of actual trading activity.

Investments in CLO mezzanine tranche investments, at fair value

Investments in CLO mezzanine tranches are carried at fair value using the latest broker indicative bid prices. As the mezzanine tranches are marked-to-market, changes in the fair value are recognized immediately in the Consolidated Statements of Operations.

Note 2 Significant Accounting Policies (continued)

Financial Instruments (continued)

Investments in securities, listed stock, unlisted common stock and unsecured loans, at fair value

Investments in listed stock, unlisted common stock and unsecured loans are carried at fair value. Where applicable their cost price, the price at which any recent transaction in the security may have been effected and any other relevant factors may be considered, as well as valuation techniques which may be used by market participants.

Investments in unlisted investment funds, at fair value

Investments in unlisted investment funds are valued utilizing the net asset valuations provided by the managers of the underlying funds and / or their administrators. This approach is known as the “practical expedient” and has been applied in accordance with the Accounting Standards Update No. 2009-12 ("ASU 2009-12").

Forward currency contracts, at fair value

Forward currency contracts are recognized at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value. Fair values are based on observable foreign currency forward rates, recent market transactions, and valuation techniques, including discounted cash flow models, as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

The best evidence of fair value of a forward contract at initial recognition is the transaction price. Subsequent changes in the fair value of any forward contract are recognized immediately in the Consolidated Statements of Operations.

Interest rate swaptions, at fair value

This instrument combines the features of two other financial instruments, namely an option and an interest rate swap. A swaption involves writing / purchasing options to enter into a swap.

When the Fund purchases a swaption, a premium is paid by the Fund and the swaption is initially recognized at the amount of the premium. The swaption is subsequently marked-to-market to reflect the fair value of the swaption purchased, which is reported as an asset on the Consolidated Statements of Assets and Liabilities, and changes in the fair value are recognized immediately in the Consolidated Statements of Operations.

Swaps and Contracts for difference

The Fund enters into swaps and contracts for difference (“CFDs”) arrangements with financial institutions. Swaps and CFDs are typically traded on the OTC market. The arrangement generally involves an agreement by the Fund and a counterparty to exchange the difference between the opening and closing price of the position underlying the contract, which are generally on equity positions.

The fair value of the swap or CFD is derived by taking the difference between the quoted price of the underlying security and the contract price. Realized and unrealized gains and losses are included in the Consolidated Statements of Operations.

Credit default swaps

Credit default swaps are contracts in which the Fund pays or receives premium flows in return for the counterparty accepting or selling all or part of the risk of default or failure to pay of a reference entity on which the swap is written. Where the Fund has bought protection the maximum potential loss is the value of the premium flows the Fund is contracted to pay until maturity of the contract. Where the Fund has sold protection the maximum potential loss is the nominal value of the protection sold.

Note 2 Significant Accounting Policies (continued)

Financial Instruments (continued)

Credit default swaps (continued)

Credit default swaps are stated at fair value. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models, as appropriate. The net income or expense on the swap agreements entered into by the Fund is reflected in the Statements of Operations. Unrealized gains are reported as an asset and unrealized losses are reported as a liability in the Statements of Assets and Liabilities. Changes in the fair value are reflected in the Statements of Operations in the period in which they occur.

Fixed Assets

Fixed assets are stated at cost and depreciated on a straight-line basis over their estimated useful lives.

Cash and Cash Equivalents

Cash comprises current deposits with banks. Cash equivalents, short-term highly liquid investments that are readily convertible to known amounts of cash, 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.

Management Contracts

Management contracts providing investment management services to investment funds, accounts and other vehicles are amortized over their useful lives. Management contracts are stated at cost less accumulated amortization and impairment. The Fund reviews purchased intangible assets for impairment where there are events or changes in circumstance that indicate the carrying value of an asset may not be recoverable.

Amortization is recognized through profit or loss in the Consolidated Statements of Operations on a straight-line basis over the useful life of the agreements. The estimated useful life for the purposes of amortizing management contracts ranges from three to ten years.

Principles of Consolidation

The consolidated financial statements include the accounts of the Fund and its subsidiaries (collectively, the“Group”). All significant intercompany balances and transactions have been eliminated on consolidation.

Operating entities are consolidated where the Fund (i) has an economic interest in excess of 50%; (ii) is deemed to have control over the significant operational and financial decisions of the entity; and (iii) where the purpose of the operating entity is to provide services to the Fund rather than realize a gain on the sale of the investment.

Where the above conditions are not met, but the Fund owns an interest which is less than 50% but more than 20%, consideration is made as to the level of control which can be exercised. The Fund owns 23% of GreenOak, a real estate investment manager and certain of its affiliates. It has evaluated the nature of this ownership, including matters such as voting control, and determined that it does not exhibit significant influence or control over GreenOak and is therefore carrying this investment at fair value.

The Fund is the primary beneficiary of some securities which are considered variable interest entities (“VIE”). As the Fund is accounting for its investments at fair value in accordance with the accounting guidance in the AICPA Audit and Accounting Guide (2014): Investment Companies, all other investments in operating and non-operating entities are carried at fair value regardless of the level of control, consolidation of these entities is not required.

Note 2 Significant Accounting Policies (continued)

Principles of Consolidation (continued)

At 31 December 2014, the fair value of these VIEs is approximately US$ 1,227.4 million (31 December 2013: US$ 1,446.6 million). These are non-recourse securities with no contingent liabilities where the Fund's maximum loss exposure is capped at the current carrying value.

Business Combinations

Business combinations are accounted for using the acquisition method as at the acquisition date – i.e. when control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are substantive.

The excess of the fair value of purchase consideration over the fair values of these identifiable assets and liabilities is recorded as goodwill. When the excess is negative, a bargain purchase gain is recognized immediately in the Consolidated Statements of Operations.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Share Based Employee Compensation

Share-based compensation expense for all equity settled share-based payment awards granted is determined based on the grant-date fair value. The Fund recognizes these compensation costs net of an estimated forfeiture rate, and recognizes compensation cost only for those shares expected to meet the service and non-market performance vesting conditions, on a straightline basis over the requisite service period of the award. These compensation costs are determined at the aggregate grant level for service-based awards and at the individual vesting tranche level for awards with performance conditions.

The Feeder issues the shares to the employees or providers of employment like services whereas the Fund receives the related services, and consequently the share based payments expense is recognized as a capital contribution. When the shares are actually issued the fair value of the shares, as determined at the time of the award, is debited against capital contribution and credited against share capital and share premium. Any associated stock dividends accrued on the original award are debited against retained earnings and credited to share capital and share premium using the value determined by the stock reference price at the date of each applicable dividend.

Fee Income

Fee income from management contracts is usually derived from either a base management fee, which is typically based on assets under management, or an incentive or performance fee which is linked to the performance of the applicable investment fund, account or vehicle. Base management fees are recognized on an accruals basis. Incentive or performance fees are recognized only when they have crystalized, which is usually on an annual or otherwise defined basis.

Dividend Income

Dividend income is recorded on the ex-dividend date, or when the information becomes available to the Fund.

Other Income

Where investment management, operating, infrastructure and administrative services are contractually provided to external entities outside of the consolidated Group, these services, along with any associated direct costs are invoiced and recorded as other income. This income is recognized on an accruals basis.

Note 2 Significant Accounting Policies (continued)

Expenses

Expenses are recognized in the Consolidated Statements of Operations on an accruals basis.

Taxation

Income taxes, Fund

The Fund is exempt from Guernsey income tax under the Income Tax (Exempt Bodies) (Guernsey) Ordinance 1989 and is charged GBP 600 per annum. The Fund has consolidated U.S. and UK operating businesses which are subject to federal and local taxes as applicable.

Income taxes, Corporate Entities

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Deferred tax assets are recognized for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that is no longer probable that the related tax benefit will be realized.

In accordance with ASC Subtopic 740-10 – Income Taxes – Overall, the Fund recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. There were no uncertain tax positions recognized at 31 December 2014 or 31 December 2013.

Dividend Expense

Dividend expense from shares are recognized in the Consolidated Statements of Changes in Net Assets.

Note 3 ASC 820, Fair Value Measurements

The Fund has adopted the provisions of "Fair Value Measurements" (ASC 820). ASC 820 defines fair value as the price that the Fund would receive to sell an asset or pay to transfer a liability in an orderly transaction between market participants at the measurement date.

ASC 820 also establishes a framework for measuring fair value and a three level hierarchy for fair value measurement based upon the transparency of inputs to the valuation of an asset or liability. Inputs may be observable or unobservable and refer broadly to the assumptions that market participants would use in pricing the asset or liability.

The three levels of the fair value hierarchy are described below:

Level 1 -	Quoted in active markets for identical investments.
Level 2 -	Prices determined using other significant observable inputs. These may include quoted prices for similar securities, interest rates, prepayments spreads, credit risk and others.
Level 3 -	Unobservable inputs. Unobservable inputs reflect assumptions market participants would be expected to use in pricing the asset or liability.

Note 3 ASC 820, Fair Value Measurements (continued)

The following is a summary of investments by asset class, derivative financial instruments and level as of 31 December 2014 in valuing the Fund's assets and liabilities carried at fair value:

	Level 1 US$ MM	Level 2 US$ MM	Level 3 US$ MM	Total Fair Value US$ MM
CLO Equity Tranches	-	-	816.9	816.9
CLO Mezzanine	-	1.7	-	1.7
Broadly Syndicated Senior Secured Loans	-	22.1	-	22.1
Unsecured Loan	-	-	6.4	6.4
Unlisted Stock	-	-	69.3	69.3
Listed Stock	29.4	-	-	29.4
Investment funds	-	322.1	88.3	410.4
Interest rate swaptions	-	0.6	-	0.6
Forward foreign exchange contracts (asset)	-	11.5	-	11.5
Forward foreign exchange contracts (liability)	-	(1.5)	-	(1.5)
Credit default swaps	-	(4.1)	-	(4.1)
Equity total return swaps (asset)	-	7.1	-	7.1
Equity total return swaps (liability)	-	(0.2)	-	(0.2)
	29.4	359.3	980.9	1,369.6

There were no transfers of the Fund's assets between levels during the year ended 31 December 2014 or 31 December 2013.

The following is a summary of investments by asset class, derivative financial instruments and level as of 31 December 2013 in valuing the Fund's assets and liabilities carried at fair value:

	Level 1 US$ MM	Level 2 US$ MM	Level 3 US$ MM	Total Fair Value US$ MM
CLO Equity Tranches	-	-	1,120.4	1,120.4
CLO Mezzanine	-	1.7	-	1.7
Broadly Syndicated Senior Secured Loans	-	34.0	-	34.0
Unsecured Loan	-	-	11.1	11.1
Unlisted Stock	-	-	28.4	28.4
Listed Stock	11.2	-	-	11.2
Investment funds	-	265.4	60.8	326.2
Interest rate swaptions	-	12.1	-	12.1
Forward foreign exchange contracts (liability)	-	(3.3)	-	(3.3)
Equity total return swaps (asset)	-	3.2	-	3.2
Equity total return swaps (liability)	-	(0.1)	-	(0.1)
	11.2	313.0	1,220.7	1,544.9

Note 3 ASC 820, Fair Value Measurements (continued)

The following is a reconciliation of the Fund's assets in which significant unobservable inputs (Level 3) were used in determining fair value at 31 December 2014.

	CLO Equity Tranches US$ MM	Unsecured Loan US$ MM	Unlisted Stock US$ MM	Investment Funds US$ MM	Total US$ MM
Balance at start of year	1,120.4	11.1	28.4	60.8	1,220.7
Purchases of investments	84.3	-	2.4	77.0	163.7
Proceeds from sale of investments	(171.4)	(5.1)	-	(56.3)	(232.8)
Realized gain / change in unrealized appreciation	0.3	0.4	38.5	6.8	46.0
Amortization	(216.7)	-	-	-	(216.7)
Balance at end of year	816.9	6.4	69.3	88.3	980.9

The following is a reconciliation of the Fund's assets in which significant unobservable inputs (Level 3) were used in determining fair value at 31 December 2013.

	CLO Equity Tranches US$ MM	Unsecured Loan US$ MM	Unlisted Stock US$ MM	Investment Funds US$ MM	Total US$ MM
Balance at start of year	1,214.4	10.1	18.1	25.7	1,268.3
Purchases of investments	73.1	0.5	-	43.5	117.1
Proceeds from sale of investments	-	-	-	(11.4)	(11.4)
Realized gain / change in unrealized appreciation / (depreciation)	87.2	0.5	10.3	3.0	101.0
Amortization	(254.3)	-	-	-	(254.3)
Balance at end of year	1,120.4	11.1	28.4	60.8	1,220.7

Quantitative information about Level 3 Fair Value Measurements

Investments in securities	Balance at 31 December 2014 US$ MM	Valuation methodology	Unobservable inputs	Range
CLO Equity Tranches	816.9	Market standard model	See investments in CLO equity tranche investments	See (I) below
Unsecured Loan	6.4	Market standard model	Cost of financing for loan counterparty	3 - 6%
Common Stock	69.3	Market standard model	Price / earnings ratios Valuation as % of assets under management	7 - 11x 5.7 - 9.0%
		Broker marks	Discount to broker marks	10%
Investment Funds	88.3	Net asset value of underlying investment companies	Lock up period	N/A

Note 3 ASC 820, Fair Value Measurements (continued)

Investments in securities	**Balance at 31 December 2013 US$ MM**	**Valuation methodology**	**Unobservable inputs**	**Range**
CLO Equity Tranches	1,120.4	Market standard model	See investments in CLO equity tranche investments	See (I) below
Unsecured Loan	11.1	Market standard model	Cost of financing for loan counterparty	3 - 6%
Common Stock	28.4	Market standard model	Price / earnings ratios	6.5x - 10.5x
			Valuation as % of assets under management	3 - 5%
Investment Funds	60.8	Net asset value of underlying investment companies	Lock up period	N/A

The fair value of the level 3 investments are sensitive to the inputs used in the valuation process. The CLO equity valuations are sensitive to a number of different inputs to the third party model. For example, if the default rate assumption inputs were increased, assuming all other inputs were held constant, then the fair value would decrease.

Equally, if the discount rates applied to projected cash flows were increased, and similarly assuming all other inputs were held constant, then the fair value would also decrease.

The unsecured loan is valued with reference to an implied yield or cost of financing for the counterparty. If the implied yield were increased then the fair value of the loan would be reduced.

The common stock investment referenced in the table includes a 23% stake in GreenOak, which had a fair value of US$ 66.5 million at 31 December 2014 (31 December 2013: US$ 28.4 million) . As the GreenOak business has developed, certain market metrics such as multiples of earnings have become more relevant than others such as discounted cash flows. As at 31 December 2014, the primary market metric utilised was price / earnings multiples (as indicated in the table above). A range of market derived multiples was applied to projected profitability of GreenOak and a valuation was selected from the range of fair values calculated. Given the greater inherent uncertainty in an early stage business a fair value in the 65th percentile has been selected (i.e. in the lower half of the range). If the multiples applied to the projected profitability were decreased then the fair value range would also be decreased.

During 2014, the Fund also acquired shares in a Norwegian unlisted company, which has been valued with reference to marks received from two different brokers. After applying a 10% discount to the marks received, these shares had a fair value of US$ 2.8 million.

The collective investment schemes are valued using the net asset value of the underlying investment companies using the approach known as the “practical expedient”. This is in accordance with ASU 2009-12.

Quantitative information about Level 3 Fair Value Measurements

(1) CLO equity tranche investments

As disclosed in Note 2, a mark to model approach has been adopted to determine the value of the equity tranche CLO investments. As at 31 December 2014, some of the modeling assumptions used are disclosed below.

The modeling assumptions disclosed below are a weighted average (by U.S. Dollar amount) of the individual deal assumptions, aggregated by geography (i.e. U.S. and European). Each individual deal’s assumptions may differ from this geographical average and vary across the portfolio.

Note 3 ASC 820, Fair Value Measurements (continued)

U.S. CLO equity tranche investments –

	31 December 2014	**31 December 2013**
Constant Annual Default Rate ("CADR")	Approximately 2.2%, which is 1.0x the original Weighted Average Rating Factor ("WARF") derived base-case default rate for the life of the transaction.	Approximately 2.2%, which is 1.0x the original Weighted Average Rating Factor ("WARF") derived base-case default rate for the life of the transaction.
Recovery Rate	73%, which is 1.0x of the original base-case assumed weighted-average recovery rate, for the life of the transaction.	73%, which is 1.0x of the original base-case assumed weighted-average recovery rate, for the life of the transaction.
Prepayment Rate	20% p.a., the original base-case prepayment rate with a 0% prepayment rate on bonds throughout the life of the transaction.	20% p.a., the original base-case prepayment rate with a 0% prepayment rate on bonds throughout the life of the transaction.

	31 December 2014	**31 December 2013**
Reinvestment Price and Spread	Assumed reinvestment price is par for the life of the transaction, with an effective spread over LIBOR of approximately 294 bps on broadly U.S. syndicated loan deals which are still in their reinvestment periods. Middle Market loan deals are all through their reinvestment period.	Assumed reinvestment price is par for the life of the transaction, with an effective spread over LIBOR of approximately 289 bps on broadly U.S. syndicated loans and 328 bps on middle market loans for the life of the transaction. The average effective spread for deals still in their reinvestment periods is approximately 319 bps on broadly U.S. syndicated loans and 330 bps for middle market loan deals.

European CLO equity tranche investments -

	31 December 2014	**31 December 2013**
Constant Annual Default Rate ("CADR")	Approximately 2.1%, which is 1.0x the original WARF derived base-case default rate for the life of the transaction.	Approximately 2.6%, which is 1.25x the original WARF derived base-case default rate for 2014, changing to 2.1% or 1.0x the original base-case thereafter.
Recovery Rate	68%, which is 1.0x of the original base-case assumed weighted-average recovery rate, for the life of the transaction.	68%, which is 1.0x of the original base-case assumed weighted-average recovery rate, for the life of the transaction.
Prepayment Rate	20% p.a., the original base-case prepayment rate with a 0% prepayment rate on bonds throughout the life of the transaction.	20% p.a., the original base-case prepayment rate with a 0% prepayment rate on bonds throughout the life of the transaction.
Reinvestment Price and Spread	All European deals are through their reinvestment period.	The assumed reinvestment price is par for the life of the transaction with an effective spread over LIBOR of approximately 272 bps. The average effective spread for deals still in their reinvestment periods is approximately 278 bps.

Note 3 ASC 820, Fair Value Measurements (continued)

When determining the fair value of the equity tranches a discount rate is applied to the expected future cash flows derived from the third party valuation model. The discount rate applied to those future cash flows reflects the perceived level of risk that would be used by another market participant in determining fair value. In determining the discount rates to use an analysis of the observable risk premium data as well as the individual deal's structural strength and credit quality is undertaken.

As at 31 December 2014, for the pre-2010 vintage U.S. equity tranches, the Fund applies a 12.0% discount rate to the expected future cashflows (31 December 2013: 13.0%). The European equity tranches are all discounted at 13.0% (31 December 2013: 17.0%). For both U.S. and European deals the aforementioned discount rates represent a significant spread over observed yields on the applicable BB-rated CLO tranches for each geographical region at that date.

For the post-2010 vintage U.S. equity tranches, an increased level of transparency over certain data points and metrics associated with such deals has enabled the determination of a generic discount rate for this sub-asset class. As at 31 December 2014, a discount rate of 11.0% is applied to the future projected cash flows of seasoned U.S. 2.0 deals.

More recently issued U.S. 2.0 deals (within 12 months of deal closing) continue to be discounted at their respective deal IRRs. The weighted average IRR for deals discounted using deal specific IRRs was 13.1% at 31 December 2014. The IRRs for such deals ranged from 12.1% to 14.1% and the fair value of deals discounted using deal specific IRRs was 9.9% (31 December 2013: 17.7%) of the CLO equity portfolio by fair value.

Note 4 Management Contracts

During 2012, the Fund acquired TFG Asset Management L.P. and certain of its affiliates. Of the assets that were purchased, intangible assets consisting of management contracts for hedge funds and private equity funds were identified. These are tested for impairment on a regular basis and are amortized over an estimated useful life as detailed below.

31 December 2014

	Weighted average amortization period	**Gross carrying amount US$ MM**	**Weighted average outstanding amortization period**	**Accumulated amortization US$ MM**	**Net carrying amount US$ MM**
Amortizing intangible assets:					
Management contracts – hedge funds	10 years	34.3	7 years 10 months	7.4	26.9
Management contracts – private equity	3 years	10.2	10 months	7.4	2.8
Total		44.5		14.8	29.7

Note 4 Management Contracts (continued)

31 December 2013

	Weighted average amortization period	Gross carrying amount US$ MM	Weighted average outstanding amortization period	Accumulated amortization US$ MM	Net carrying amount US$ MM
Amortizing intangible assets:					
Management contracts – hedge funds	10 years	34.3	8 years 10 months	4.0	30.3
Management contracts – private equity	3 years	10.2	1 years 10 months	4.0	6.2
CLO Management contracts	3 years	0.3	1 month	0.3	-
Total		44.8		8.3	36.5

Aggregate amortization expense for amortizing intangible assets was US$ 6.8 million for the year ended 31 December 2014 (31 December 2013: US$ 6.9 million). Estimated annual amortization expense for the next eight years is US$ 6.3 million in 2015, US$ 3.4 million in years 2016 to 2021 and US$ 3.0 million in 2022.

Note 5 GreenOak

The Fund owns a 23% interest in GreenOak. It has determined that it does not have control or significant influence over the operational and financial decisions of GreenOak and is carrying both the investment in GreenOak and working capital loan at fair value.

The following table outlines the movement in fair value of the investment in GreenOak financial real estate manager:

	31 Dec 2014 US$ MM	31 Dec 2013 US$ MM
Opening fair value	28.4	18.1
Change in unrealized appreciation	38.1	10.3
Closing fair value	66.5	28.4

The Fund provided GreenOak with working capital of up to US$ 10.0 million in the form of a seven year non-recourse loan facility. Under the terms of this facility, the first US$ 5.0 million earns an annual interest rate of 3% and the balance earns an annual interest rate of 6%. During the year, GreenOak repaid US$ 5.1 million, with US$ 2.5 million being allocated against the 3% loan and US$ 2.6 million against the 6% loan.

The following table outlines the movement in the fair value of the unsecured working capital facility provided by the Fund to GreenOak.

	31 Dec 2014 US$ MM	31 Dec 2013 US$ MM
Opening fair value	11.1	10.1
Working capital contributed	-	0.5
Part repayment of working capital	(5.1)	-
Unrealized appreciation	0.4	0.5
Closing fair value	6.4	11.1

Note 6 Cash and Cash Equivalents

	31 Dec 2014 US$ MM	31 Dec 2013 US$ MM
Cash and current deposits with banks	372.7	237.9
Foreign currency cash with banks (cost: US$ 30.3 million (31 December 2013: US$ 7.9 million))	29.3	8.0
	402.0	245.9

Of this cash balance, approximately US$ 5.5 million was held with respect to certain capital requirements in regulated entities (31 December 2013: US$ 4.5 million).

Note 7 Financial Instruments with Off-Balance Sheet Risk and Concentration of Credit Risk

To the extent prices may be obtained on some or all of the Fund's assets, those prices may be extremely volatile, and will generally fluctuate due to a variety of factors that are inherently difficult to predict, including, but not limited to, changes in interest rates, prevailing credit spreads, general economic conditions, financial market conditions, domestic and international economic or political events, developments or trends in any particular industry, and the financial condition of the obligors of the Fund's assets.

The Fund's assets include securities or other financial instruments or obligations which are thinly traded or for which no market exists or which are restricted as to their transferability under applicable securities laws. The valuation of the CLO equity tranche investments is determined using a third-party cash flow modeling tool.

The model contains certain assumption inputs that are reviewed and adjusted as appropriate to factor in how historic, current and potential market developments (examined through, for example, forward-looking observable data) might potentially impact the performance of these CLO equity investments.

Since this involves modeling, among other things, forward projections over multiple years, this is not an exercise in recalibrating future assumptions to the latest quarter's historical data.

Subject to the foregoing, when determining the U.S. GAAP-compliant fair value of the CLO equity investments, the Fund seeks to derive a value at which market participants could transact in an orderly market and also seeks to benchmark the model inputs and resulting outputs to observable market data when available and appropriate. Although seeking to utilize, where possible, observable market data, for certain assumptions the Investment Manager may be required to make subjective judgements and forward-looking determinations, and its experience and knowledge is instrumental in the valuation process.

Further, because of overall size or concentration in particular markets of positions held by the Fund, the value at which its investments can be liquidated may differ, sometimes significantly, from the interim valuations arrived at.

A significant portion of the Fund's investments consist of interests in and / or economic exposures to limited recourse securities that are subordinated in right of payment and ranked junior to other securities that are secured by the same pool of assets. In the event of default by an issuer in relation to such investments holders of the issuer's more senior securities will be entitled to payments in priority to the Fund.

Some of the Fund's investments may also have structural features that divert payments of interest and / or principal to more senior classes secured by the same pool of assets when the delinquency or loss experience of the pool exceeds certain levels. This may lead to interruptions in the income stream that the Fund anticipates receiving from its investment portfolio. To the extent that actual losses on the underlying collateral exceed the level of assumed losses used to determine the fair value of the investment, the value of the investment may be reduced.

Some of the Fund's assets are held by a custodian and the Fund is exposed to the credit risk of this counterparty. The Fund has also entered into derivative transactions which results in exposure to counterparty credit risk. The counterparties to these derivative transactions are major financial institutions.

Note 7 Financial Instruments with Off-Balance Sheet Risk and Concentration of Credit Risk (continued)

As part of the Fund's current investment strategy it may employ hedging strategies and leverage in seeking to provide attractive returns from the portfolio while managing risk. The hedging strategy may include the use of single name or index credit hedges when and where appropriate as well as foreign exchange rate hedges and interest rate swaptions. This is reviewed on an on-going basis in order to seek to address identified risks to the extent practicable and in a cost effective manner. As at 31 December 2014 single name credit hedges with a notional of US$ 151.3 million were in place (31 December 2013: Nil).

As at 31 December 2014, the Fund had a number of forward foreign exchange contracts in place with original maturities ranging from three months to approximately five years. The Fund typically agrees to sell foreign currency and buy U.S. Dollars in order to hedge long non-U.S. Dollar investment positions. The total open balance as at the end of the year was net long U.S. Dollars US$ 206.9 million, having executed 59 transactions during the year at an average notional of US$ 22.2 million. (31 December 2013: net long U.S. Dollars US$ 186.4 million, having executed 17 transactions during the year at an average notional of US$ 34.8 million).

The Fund’s investments in leveraged loans through equity tranche investments in securitization vehicles generate LIBOR plus returns and are sensitive to interest rate levels and volatility. Although these vehicles are structured to hedge interest rate risk through the use of matched funding, there may be some difference between the timing of LIBOR resets on the liabilities and assets, which could have a negative effect on the amount of funds distributed to equity tranche holders.

Furthermore, in the event of a significant rising interest rate environment and / or economic downturn, loan defaults may increase and result in credit losses that may be expected to affect the Fund’s cash flow, fair value of its assets and operating results adversely. The Fund may utilize hedging instruments, such as interest rate swaptions, to try and mitigate interest rate tail risks.

As at 31 December 2014, the Fund has one long interest rate swaption contract with an out-of-the-money strike and a notional of US$ 250 million (31 December 2013: US$ 500 million). The primary purpose of this position is to act as a hedge in a rising interest rate environment, particularly with reference to the CLO portfolio.

The Fund did not have a significant concentration of credit risk exposure to leveraged loans at 31 December 2014 or 31 December 2013. No individual investment in leveraged loans exceeded 0.25% of the net assets as of these dates.

The Fund is exposed to credit risk through its investment in GreenOak investment funds and the working capital it has provided to GreenOak through a seven year non-recourse loan facility, maturing on 16 September 2017. Bankruptcy or insolvency of GreenOak may cause the Fund’s rights with respect to the investment funds to be delayed or limited.

The maximum exposure to GreenOak at 31 December 2014 and 31 December 2013 is disclosed on the Consolidated Condensed Schedule of Investments.

The Fund has made investments into certain collective investment schemes. These include real estate investment vehicles and hedge funds which have exposure to securities including equities, convertible bonds and derivatives. These underlying investments may be in securities or assets which are illiquid and / or in different geographies around the world. These investments may be subject to counterparty risk. Capital invested into the investment vehicles may be subject to lock ups and gates, or subject to the realization of the underlying investments and assets. The Fund has also made investments into equities which are directly held. These investments are subject to market and liquidity risk.

The Fund enters into swaps and CFDs with financial institutions. The Fund utilizes these swap or CFD agreements as an efficient means of hedging or of obtaining exposure to certain underlying investments. The Fund is subject to the risk of the inability or refusal to perform with respect to such contracts on the part of counterparties trading with it, as well as risks relating to the creditworthiness of the swap counterparty, market risk, liquidity risk and operations risk. Through swaps or CFDs the Fund can in effect be exposed to increases or decreases in the value of an equity or index or to decreases or increases in the value of a related equity or index.

Note 7 Financial Instruments with Off-Balance Sheet Risk and Concentration of Credit Risk (continued)

Depending on how they are used, the agreements may increase or decrease the overall volatility of the portfolio and performance of the Fund. During the year to 31 December 2014 the Fund had a weighted average notional exposure of US$ 259.2 million through swaps referencing underlying individual equity positions, compared to US$ 165.5 million in the period from June to December 2013. Prior to June 2013 the Fund did not have any open equity swap positions.

The Fund's investments that are denominated in currencies other than U.S. Dollar are subject to the risk that the value of such currency will decrease in relation to the U.S. Dollar. The Fund currently uses foreign exchange rate forwards to seek to hedge this currency risk in whole or in part, to the extent practicable and in a cost effective manner. As described above, the hedging strategy (including these currency hedges) is reviewed on an on-going basis. Details of the Fund's investment portfolio at the reporting date are disclosed in the Consolidated Condensed Schedule of Investments on pages 11 and 12.

The Fund is required to disclose the impact of offsetting assets and liabilities represented in the statements of assets liabilities to enable evaluation of the effect or potential effect of netting arrangements on its financial position for recognized assets and liabilities.

As of 31 December 2014, the Fund holds financial instruments and derivative instruments that are eligible for offset in the statements of assets and liabilities and are subject to a master netting arrangement. The master netting arrangement allows the counterparty to net any collateral held on behalf of the Fund or liabilities or payment obligations of the counterparty against any liabilities or payment obligations of the Fund to the counterparty.

The following table provides disclosure regarding the potential effect of offsetting of recognized assets presented in the statement of assets and liabilities:

			31 December 2014			
	Gross Amount of Recognized Assets	Gross Amounts Offset in the Statements of Assets and Liabilities	Net Amounts Presented in the Statements of Assets and Liabilities	Financial instruments eligible for netting	Cash Collateral received/ posted	Net Amount
Description	**US$ MM**	**US$ MM**	**US$ MM**	**US$ MM**	**US$ MM**	**US$ MM**
Assets						
Derivatives	19.2	-	19.2	(2.1)	-	17.1
Total	19.2	-	19.2	(2.1)	-	17.1
Liabilities						
Derivatives	5.8	-	5.8	(2.1)	(3.7)	-
Total	5.8	-	5.8	(2.1)	(3.7)	-

Note 7 Financial Instruments with Off-Balance Sheet Risk and Concentration of Credit Risk (continued)

			31 December 2013			
	Gross Amount of Recognized Assets	Gross Amounts Offset in the Statements of Assets and Liabilities	Net Amounts Presented in the Statements of Assets and Liabilities	Financial instruments eligible for netting	Cash Collateral received/ posted	Net Amount
Description	**US$ MM**	**US$ MM**	**US$ MM**	**US$ MM**	**US$ MM**	**US$ MM**
Assets						
Derivatives	15.2	-	15.2	-	-	15.2
Total	15.2	-	15.2	-	-	15.2
Liabilities						
Derivatives	3.3	-	3.3	-	(3.2)	0.1
Total	3.3	-	3.3	-	(3.2)	0.1

Note 8 Amounts Due From Brokers

The amounts due from brokers is cash pledged as collateral on the forward contracts and equity swaps. As at 31 December 2014, the collateral cash balance with UBS AG was US$ 2.0 million (31 December 2013: US$ 29.0 million), BNP Paribas was US$ 13.3 million (31 December 2013: US$ Nil) Morgan Stanley was US$ 1.4 million (31 December 2013: US$ Nil) and Bank of America Merrill Lynch was US$ 35.4 million (31 December 2013: US$ 13.0 million).

Note 9 Other Receivables

	31 Dec 2014 US$ MM	31 Dec 2013 US$ MM
Accrued fee income	12.1	11.3
Cost recovery receivable	2.2	2.1
Amounts due from affiliated funds	5.8	1.0
Prepayments	1.9	2.0
Rent deposits on properties	1.7	1.8
Other receivables	9.1	8.4
	32.8	26.6

Note 10 Other Payables and Accrued Expenses

	31 Dec 2014 US$ MM	31 Dec 2013 US$ MM
Employee costs	41.1	33.9
Amounts owing to former Polygon partners (see Note 24)	3.5	6.9
Other operating and administrative expenses	5.9	6.2
	50.5	47.0

Note 11 Share Capital

Authorized

The Fund has an authorized share capital of US$ 1.0 million divided into 10 voting shares, having a par value of US$ 0.001 each and 999,999,990 non-voting shares (which are the "Shares" referred to herein), having a par value of US$ 0.001 each.

Note 11 Share Capital (continued)

Voting Shares

All of the Fund's voting shares are issued at par and are beneficially owned by the Voting Shareholder, a non-U.S. affiliate of the Investment Manager. The voting shares will be the only shares entitled to vote for the election of Directors and on all other matters put to a vote of shareholders, subject to the limited rights of the Shares described below. The voting shares are not entitled to receive dividends.

Non-Voting Shares

The Shares carry a right to any dividends or other distributions declared by the Fund. The Shares are not entitled to vote on any matter other than limited voting rights in respect of variation of their own class rights.

Dividend Rights

Dividends may be paid to the holders of Shares at the sole and absolute discretion of the Directors. The voting shares carry no rights to dividends.

Share Transactions

	Voting Shares No.	Shares No. MM	Shares US$ MM
Shares in issue at 31 December 2012	10	98.8	0.1
Issued in lieu of stock dividend	-	0.4	-
Issued through release of tranche of Escrow Shares	-	1.2	-
Treasury Shares purchased during the year	-	(1.5)	-
Shares in issue at 31 December 2013	10	98.9	0.1
Issued in lieu of stock dividend	-	0.6	-
Issued through release of tranche of Escrow Shares	-	1.2	-
Treasury Shares purchased during the year	-	(4.9)	-
Shares in issue at 31 December 2014	10	95.9	0.1

Treasury Shares

The Fund owns a subsidiary, TFG Holdings I, to which it may transfer, and has transferred, Shares previously held in a Treasury Account. Where this occurs the status of the Shares is unchanged from an accounting perspective and they are not included in the Shares outstanding on the Consolidated Statements of Assets and Liabilities.

On 30 November 2007, the Feeder announced the implementation of a share repurchase program of their outstanding Shares. This was renewed on several occasions, most recently on 14 January 2013 running until 30 April 2013 when it expired. As at 31 December 2014, there was no share repurchase program in place.

When the program was in operation, the Fund undertook to repurchase an identical number of its own Shares from the Feeder as and when it made these repurchases in the open market.

The Fund matched the price per Share paid by the Feeder. The Shares are held in a Treasury Account or in a subsidiary allowing them to potentially be resold back to the Feeder if it resells its own shares back into the market at a later date. Whilst they are held by the Fund (whether directly or via a subsidiary), the Shares are neither eligible to receive dividends nor are they included in the Shares outstanding on the Statements of Assets and Liabilities.

Note 11 Share Capital (continued)

Treasury Shares (continued)

On 11 March 2014, the Feeder and the Fund announced that under the terms of a "modified Dutch auction" (the "Tender Offer") the Fund had accepted for purchase approximately 4.9 million Feeder non-voting shares at a purchase price of US$ 10.30 per share and an aggregate cost of US$ 50.9 million, including applicable fees and expenses. The repurchased shares, together with an equivalent number of Fund Shares that had been held by the Feeder, were transferred to the Treasury Account.

After giving effect to the Tender Offer, as at 31 December 2014, 16.6 million Shares are held in TFG Holdings I (31 December 2013: 16.6 million) and 12.8 million Shares in the Treasury Account (31 December 2013: 7.9 million) with an aggregate attributed cost of US$ 261.0 million (31 December 2013: US$ 210.1 million).

Treasury Share Transactions

	Treasury Shares Shares No. MM	Shares held in subsidiary Shares No. MM
Shares brought forward at 31 December 2012	6.5	16.6
Treasury Shares purchased during the year	1.4	-
Treasury Shares at 31 December 2013	7.9	16.6
Treasury Shares purchased during the year	4.9	-
Treasury Shares 31 December 2014	12.8	16.6

Note 12 Share Premium

	31 Dec 2014 US$ MM	31 Dec 2013 US$ MM
Balance at start of year	922.4	924.2
Premium arising from issuance of Shares	17.1	14.3
Discount arising from purchase of Shares	(50.9)	(16.1)
Balance at end of year	888.6	922.4

Note 13 Dividends

	31 Dec 2014 US$ MM '000	31 Dec 2013 US$ MM '000
Quarter ended 31 December 2012 of US$ 0.135 per share	-	13.2
Quarter ended 31 March 2013 of US$ 0.135 per share	-	13.2
Quarter ended 30 June 2013 of US$ 0.14 per share	-	13.7
Quarter ended 30 September 2013 of US$ 0.14 per share	-	13.8
Quarter ended 31 December 2013 of US$ 0.15 per share	14.8	-
Quarter ended 31 March 2014 of US$ 0.15 per share	14.1	-
Quarter ended 30 June 2014 of US$ 0.155 per share	14.6	-
Quarter ended 30 September 2014 of US$ 0.155 per share	14.9	-
	58.4	53.9

The fourth quarter dividend of US$ 0.1575 per share was approved by the Directors on 25 February 2015 and has not been included as a liability in these consolidated financial statements.

The Fund also pays a dividend to the Feeder that is sufficient to pay their incentive fee liability which in the year ended 31 December 2014 was US$ 51.5 million (31 December 2013: US$ 62.3 million).

Note 14 Retained Earnings

	31 Dec 2014 US$ MM	31 Dec 2013 US$ MM
Balance at start of year	906.6	730.1
Net income resulting from operations for the year	119.5	293.2
Dividends paid to shareholders	(58.4)	(53.9)
Stock dividends on Shares released from Escrow	(1.4)	(0.5)
Dividends paid to Feeder	(51.5)	(62.3)
Balance at end of year	914.8	906.6

Note 15 Capital contribution

	31 Dec 2014 US$ MM	31 Dec 2013 US$ MM
Balance at start of year	17.6	3.8
Capital contribution	23.1	23.1
Release of Feeder Escrow Shares	(9.3)	(9.3)
Balance at end of year	31.4	17.6

Note 16 Income and Deferred Tax Expense

Income tax for the year ended 31 December 2014 and 31 December 2013 consists of:

Year ended 31 December 2014:	Current US$ MM	Deferred US$ MM	Total US$ MM
U.S. Federal and local	14.7	(3.1)	11.6
UK	1.7	(0.7)	1.0
	16.4	(3.8)	12.6

Year ended 31 December 2013:	Current US$ MM	Deferred US$ MM	Total US$ MM
U.S. Federal and local	8.6	(6.6)	2.0
UK	-	6.8	6.8
	8.6	0.2	8.8

US$ 2.9 million of current tax was payable at the end of the year (31 December 2013: US$ 0.6 million) with US$ 0.6 million receivable (31 December 2013: US$ 0.6 million).

Tax Rate Reconciliation

Income tax expense was US$ 12.6 million for the year ended 31 December 2014 (31 December 2013: US$ 8.8 million), and differed from the amounts computed by applying the U.S. federal income tax of 35% to pretax increase in the net assets as a result of the following:

	31 Dec 2014 US$ MM	31 Dec 2013 US$ MM
Net increase in operations before tax	132.1	302.0
Computed “expected” tax expense at 35% (2013: 34%)	46.2	102.7
Deduction in income taxes resulting from:		
Income not subject to U.S. tax	(37.7)	(96.9)
State and local income taxes	4.1	3.0
Total income and deferred tax expense	12.6	8.8

Note 16 Income and Deferred Tax Expense (continued)

Deferred Tax

	31 Dec 2014 US$ MM	31 Dec 2013 US$ MM
Deferred tax assets		
Employee compensation payments	10.0	7.1
Loss carried forward	-	0.6
Total deferred tax assets	10.0	7.7
Deferred tax liabilities		
Undistributed earnings	0.8	0.6
Amortisation of intangible assets	7.8	9.5
Total deferred tax liabilities	8.6	10.1
Net deferred tax assets / (liabilities)	1.4	(2.4)

Deferred tax assets include US$ 10.0 million (31 December 2013: US$ 7.1 million) relating to amounts accrued for employee compensation in 2014 which will only be an allowable expense in 2015 for tax purposes.

US$ 7.8 million (31 December 2013: US$ 9.5 million) is being recognized as a deferred tax liability due to the amortisation on management contracts being a disallowable expense for tax purposes. This will be released over time as the management contracts are amortized. US$ 0.8 million has also been recognized as a liability with respect to applicable undistributed earnings at a withholding rate of 5%.

Note 17 Interest Income

	31 Dec 2014 US$ MM	31 Dec 2013 US$ MM
Debt securities – CLO equity tranches and mezzanine tranches	150.5	201.5
Debt securities – Leveraged loans	1.3	2.4
Debt securities – Unsecured loans	0.4	0.5
Cash and other	0.3	0.4
	152.5	204.8

Note 18 Fee Income

	31 Dec 2014 US$ MM	31 Dec 2013 US$ MM
Management fees		
CLO	33.1	41.5
Hedge Funds and private equity	28.5	20.0
Performance fees	19.5	12.8
	81.1	74.3

CLO management fee income generally comprises senior and subordinated fees and in aggregate these fees currently range from 25 bps to 50 bps per annum of collateral under management. In addition to fee income earned on CLOs directly managed it also includes fee income derived from a number of one-off and long-term fee sharing arrangements with third parties. In the year to 31 December 2014 these third party fees generated US$ 11.7 million (31 December 2013: US$ 20.3 million).

Hedge fund management fees charged to external investors are typically 150 bps of net assets under management and depending upon the applicable fund and share class certain other expenses may also be recovered. Management fees paid in connection with the private equity style vehicle are either 200 bps of net assets under management or a fixed declining management fee depending on the applicable class.

Note 18 Fee Income (continued)

Performance or incentive fees may be earned on hedge fund vehicles contingent upon the terms of each vehicle and the share class where applicable. They may also be earned through management of CLO vehicles once the vehicle has generated a specified return for the equity or subordinated tranche. During the year, such fees totaling US$ 19.5 million were earned (31 December 2013: US$ 12.8 million).

Where the Fund invests in Polygon hedge fund or other investment vehicles, it is able to invest at a preferred level of fees. The fees received by such affiliated managers from the Fund's investment are included and recognized in fee income reported in the Fund's Consolidated Statements of Operations. During the year, these fee income amounts were US$ 4.3 million of management fees (31 December 2013: US$ 0.6 million) and US$ 1.8 million of performance fees (31 December 2013: US$ 0.9 million). The Fund also invests on preferred fee terms with its other affiliated asset managers (i.e. LCM and GreenOak).

Where the Fund is seeding an investment vehicle or otherwise supporting its development, the vehicle's investment manager may also recharge certain additional costs or fee equivalents, to the Fund's investment in that vehicle. In 2014 the amount of fee equivalents recharged under these arrangements by Polygon hedge fund managers was US$ 7.0 million (2013: US$ 4.5 million).

Note 19 Other income

Summary of other income – cost recovery

	31 Dec 2014 US$ MM	31 Dec 2013 US$ MM
Employee costs	16.4	13.9
Legal and professional fees	0.4	0.8
Technology	2.5	1.8
Premises	3.3	3.0
Other	1.0	1.6
	23.6	21.1

Note 20 Other operating and administrative expenses

	31 Dec 2014 US$ MM	31 Dec 2013 US$ MM
Premises	9.5	8.3
Amortisation of intangible assets	6.8	6.8
Technology	6.3	5.2
Other	6.0	5.0
	28.6	25.3

Note 21 Segmental Reporting

Description of Segments

In pursuit of the Fund's investment objective to generate distributable income and capital appreciation, it currently maintains two key business segments: an investment portfolio and an asset-management platform.

Both business segments cover a broad range of assets including bank loans, real estate, equities, credit and convertible bonds. The Fund currently invests primarily through long-term funding vehicles such as collateralized loan obligations.

Note 21 Segmental Reporting (continued)

Segment Data

As at 31 December 2014, the asset management platform segment currently contains three investment manager businesses: Polygon, LCM and GreenOak. These three businesses provide investment management and other services to a number of investment funds, accounts, vehicles and other managers, including CLOs, hedge funds, real estate funds and a private equity vehicle.

The Polygon asset management business also has agreements to provide certain infrastructure and other services to the Investment Manager and certain affiliates as detailed in note 24. Some fee income is earned through certain short and long-term fee agreements with third parties.

The results for the year ended 31 December 2014 are presented to show the split of revenues, income and net income across the two business segments. The asset management segment incorporates the consolidated results of Polygon and LCM. The Fund owns 23% of GreenOak and is carrying this as an investment at fair value; consequently any unrealized gain or loss is being reflected through the applicable line in the asset management segment.

In arriving at the net income split between the two segments a number of assumptions have been made as to how the expenses of the consolidated business should be split. Expenses of the asset management segment include amortization of management contracts.

Year ended 31 December 2014:	**Investment portfolio US$ MM**	**Asset-management platform US$ MM**	**Total US$ MM**
Interest income	152.3	0.2	152.5
Fee income	-	81.1	81.1
Dividend income	0.1	-	0.1
Other income – cost recovery	-	23.6	23.6
Total segment income	152.4	104.9	257.3
Management fees and operating expenses	(61.7)	(95.4)	(157.1)
Realized and unrealized gains	(5.9)	36.4	30.5
Total segment net income before taxes	84.8	45.9	130.7

Year ended 31 December 2013:	**Investment portfolio US$ MM**	**Asset-management platform US$ MM**	**Total US$ MM**
Interest income	204.5	0.3	204.8
Fee income	-	74.3	74.3
Dividend income	0.1	-	0.1
Other income – cost recovery	-	21.1	21.1
Total segment income	204.6	95.7	300.3
Management fees and operating expenses	(93.1)	(81.7)	(174.8)
Realized and unrealized gains	124.4	6.2	130.6
Total segment net income before taxes	235.9	20.2	256.1

Note 21 Segmental Reporting (continued)

Reconciliation of segment net income before taxes to net income per the Consolidated Statements of Operations.

	Year ended 31 Dec 2014 US$ MM	Year ended 31 Dec 2013 US$ MM
Total segment net income before noncontrolling interest and taxes	130.7	256.1
Income and deferred tax expense	(12.6)	(8.8)
Share based employee compensation	(23.1)	(23.1)
Add back certain expenses and unrealized depreciation of the Feeder	24.5	69.0
Net income	119.5	293.2

Geographical Split of Revenues

The Fund does not formally monitor, for the purposes of controlling the business, the geographical split of income for either of the two segments. A geographical split of the fee income generated by the asset management can generally, however, be derived, by considering where the primary investment management service was provided. This is a subjective exercise and involves, in some cases, making determinations that the Fund has only made purely for the purpose of completing this table.

	31 December 2014		
Asset Management Segment	UK US$ MM	U.S. US$ MM	Total US$ MM
Fee income and cost recovery	44.9	59.8	104.7

	31 December 2013		
Asset Management Segment	UK US$ MM	U.S. US$ MM	Total US$ MM
Fee income and cost recovery	36.1	59.3	95.4

A geographical split of income for the Investment Portfolio has not been provided, although certain geographical information has been provided in the Consolidated Condensed Schedule of Investments on pages 11 to 14 and a geographic split of the investment portfolio is reported on a monthly basis.

Net Assets Split by Business Segment

The Fund also does not formally monitor or report internally on net assets split by business segment. For the purposes of compiling a split for this segmental note the Asset Management segment net assets are deemed to consist of the consolidated net assets of TFG Asset Management L.P. calculated in accordance with U.S. GAAP, the current carrying value of the management contracts and the fair value of the investment in GreenOak, with the remaining net assets being attributed to the Investment Portfolio segment.

	31 Dec 2014 US$ MM	31 Dec 2013 US$ MM
Investment Portfolio	1,716.6	1,760.5
Asset Management	118.3	86.2
Total	1,834.9	1,846.7

Note 22 Share Based Employee Compensation and Bargain Purchase

On 28 October 2012, TFG Asset Management L.P. and certain of its affiliates, were acquired in exchange for consideration of approximately 11.7 million non-voting shares of the Feeder to the sellers (the "Aggregate Consideration"). The Aggregate Consideration will be held in escrow (along with accrued stock dividends), by the escrow agent pursuant to the terms of the escrow agreement. The first tranche was released in 2013 and the remainder will be released over the period 2015 to 2017.

Under ASC 805 - Business Combinations ("ASC 805") these shares were treated as payment for post combination services rather than upfront consideration, hence the initial consideration was determined to be nil, resulting in a bargain purchase.

The assets and liabilities purchased were separately identified and an estimated fair value was calculated as at the acquisition date. The management contracts were classified as either Hedge Funds or Private Equity and an estimated fair value for these intangible assets was calculated by reference to applicable market methodologies such as percentage of assets under management, discounted cash flow analysis and price-earnings ratios.

The 13% interest in GreenOak was not consolidated, but classified as an investment to be held at fair value. This was also valued by reference to similar applicable market methodologies. As part of the transaction, the noncontrolling interest in LCM was treated as a transaction with the Fund in its capacity as owners and therefore no separate asset or goodwill is recognised as a result. The following table summarizes the estimated fair value of the assets acquired against the consideration recognized:

	US$ MM
Assets	
Management contracts – Hedge Funds	34.3
Management contracts – Private Equity	10.2
13% interest in GreenOak	10.2
LCM noncontrolling interest	-
	54.7
Net liabilities	-
Total identifiable net assets assumed	54.7
Consideration	-
Bargain purchase recognized in the consolidated statement of operation	54.7

The overall value of the Aggregate Consideration delivered to the escrow account for the sellers amounted to US$ 98.5 million based on a share price of US$ 8.43 at the close on the last business day prior to the transaction date. Polygon was acquired free of cash and debt.

The shares exchanged are subject to vesting and forfeiture conditions: in particular, all of the consideration due to Reade Griffith and Paddy Dear, Founders of Polygon, will vest between 2015 and 2017.

As the consideration is treated as share based payments under ASC 805, the Fund recognizes the individual compensation costs on a straight line basis over the relevant service period of each award if the vesting performance conditions are met. These are reflected in the Consolidated Statements of Operations as share based employee compensation and through Equity as a separate reserve. The charge for the year ended 31 December 2014 amounted to US$ 23.1 million (31 December 2013: US$ 23.1 million).

The table below shows the number of Feeder shares which are currently expected to vest over the period to 2017, including accrued stock dividends up to the end of 2014. These shares are all entitled to any future stock dividends prior to their release from escrow and so the actual amount of shares vesting each year may be higher. Upon the release of the Feeder shares from escrow, the Fund will issue an identical number of Shares to the Feeder.

Note 22 Share Based Employee Compensation and Bargain Purchase (continued)

Vesting Schedule – Shares as at 31 December 2014

	Shares '000	US$ '000
2015	4.5	23.1
2016	3.4	16.6
2017	2.8	12.6
	10.7	52.3

Vesting Schedule – Shares as at 31 December 2013

	Shares '000	US$ '000
2014	1.4	23.1
2015	4.0	23.1
2016	3.2	16.6
2017	2.7	12.6
	11.3	75.4

Note 23 Contingencies and Commitments

The Fund committed to provide a co-investment commitment of up to US$ 100.0 million into GreenOak investment vehicles. As at 31 December 2014, it had funded US$ 40.2 million of this commitment, (31 December 2013: US$ 26.3 million). The Fund has made investment commitments in several existing vehicles where only a partial capital drawdown has occurred to date. Not all of such commitments are applicable towards the original co-investment commitment of up to US$ 100.0 million. The Fund has estimated unfunded commitments of US$ 84.6 million in this respect (31 December 2013: US$ 31.8 million).

Future minimum lease payments under noncancelable operating leases as of 31 December 2014 are:

	31 Dec 2014 US$ MM	31 Dec 2013 US$ MM
2014	-	5.7
2015	5.5	5.7
2016	5.5	5.7
2017	4.8	5.0
2018	0.2	0.2
	16.0	22.3

During 2014, the amount paid with respect to such leases was US$ 5.7 million (31 December 2013: US$ 5.1 million).

Note 24 Related Party Transactions

The Feeder, a Guernsey based closed-ended investment company, invests substantially all of its assets in the Fund, and has the same Investment Manager as the Fund.

All fees and expenses of the Feeder and the Fund (including management fees), except for the incentive fees, are paid by the Fund and allocated to the Feeder. An incentive fee may be paid to the Investment Manager by the Feeder.

The remuneration for Directors shall be determined by resolution of the Voting Shareholder. Effective 1 January 2014, each of the Directors' annual fee is US$ 100,000 (year ended 31 December 2013: US$ 75,000) as compensation for service on the Boards of Directors of both the Feeder and the Fund. As of the fourth quarter 2014, the Directors have the option to elect to receive shares in the Feeder instead of the quarterly fee.

Note 24 Related Party Transactions (continued)

For the fourth quarter, Frederic Hervouet has indicated that he wishes to receive shares and will be allocated these shares in the Feeder, which will be determined as part of the fourth quarter 2014 dividend process (allocation in March 2015). The Fund will pay the Directors' fees. Paddy Dear and Reade Griffith have waived their entitlement to a fee in respect of their services as Directors. The Directors are entitled to be repaid by the Fund for all travel, hotel and other expenses reasonably incurred by them in the discharge of their duties. None of the Directors has a contract with the Feeder or the Fund providing for benefits upon termination of employment.

The Voting Shareholder, which holds all of the voting shares, was an affiliate of Polygon and continues to be an affiliate of the Investment Manager. As a result of its ownership and the degree of control that it exercises, the Voting Shareholder will be able to control the appointment and removal of the Fund's and Feeder's Directors (subject to applicable law). Affiliates of the Voting Shareholder also control the Investment Manager and, accordingly, control the Fund's business and affairs.

As described in Note 1, TFG Asset Management L.P., including Polygon's asset management businesses and infrastructure platform and interests in LCM and GreenOak, were acquired on 28 October 2012. As part of the Acquisition, Reade Griffith and Paddy Dear, as founders of Polygon, were awarded consideration in non-voting shares of the Feeder, which vest between 2015 and 2017.

It was contractually agreed as part of the Acquisition that to the extent any annual compensation actually paid to each of Mr. Griffith and Mr. Dear in respect of his employment with the Fund exceeds an annual base salary of US$ 100,000, they would promptly return such excess amount to the Fund. During the year ended 31 December 2014 total compensation paid to them each was US$ 100,000.

As at 31 December 2014, in connection to the Acquisition, US$ 3.5 million in aggregate is owed to Reade Griffith and Paddy Dear, directly or via an entity to which they may direct payment (31 December 2013: US$ 6.9 million). This payable primarily relates to the repayment of certain rent deposits funded through Polygon entities by Messrs Griffith and Dear before the Acquisition. Under the terms of the sale and purchase agreement relating to the Acquisition, Messrs Griffith and Dear retained the economic rights to such deposits.

Reade Griffith and Paddy Dear continue to hold membership interests in Polygon Global Partners LLP (the "UK Investment Manager" or "PGP LLP") which collectively entitle them to exercise all of the voting rights in respect of the UK Investment Manager. As part of the Acquisition, each of Mr. Griffith and Mr. Dear have agreed that he will (i) exercise his voting rights in a manner that is consistent with the best interests of the Fund and (ii) upon the request of the Fund, for nominal consideration, sell, transfer and deliver his membership interests in the UK Investment Manager to the Fund.

Polygon Global Partners LLP and Polygon Global Partners LP (the "Service Providers") provide operational, financial control, trading, marketing and investor relations, legal, compliance, administrative, payroll and employee benefits and other services to the Investment Manager in exchange for fees payable by the Investment Manager to the Services Providers. In addition, the Services Providers also provide certain operating, infrastructure and administrative services to GreenOak and Polygon Private Investment Partners LP, an affiliate of the Voting Shareholder, pursuant to applicable separate services agreements. PGP LLP is authorized and regulated by the United Kingdom Financial Conduct Authority. In the period, the amount recharged to these entities was US$ 21.9 million (31 December 2013: US$ 19.4 million). As at 31 December 2014, the amount receivable relating to these recharges was US$ 2.1 million (31 December 2013: US$ 1.9 million).

The Fund holds CLO equity investments in CLOs which are managed by LCM. During the year it purchased a portion of the equity tranche in LCM XV at a cost of US$ 30.1 million, a portion of equity tranche in LCM XVI at a cost of US$ 33.6 million and a portfolio of LCM XVII at a cost of US$ 20.7 million. In total, as at 31 December 2014, it held CLO equity tranche investments in 12 CLOs managed by LCM with a fair value of US$ 208.3 million (31 December 2013: US$ 159.6 million).

Note 24 Related Party Transactions (continued)

At 31 December 2014, the Fund held investments across several hedge funds managed by Polygon. These hedge funds employ investment strategies involving investing in equities, convertible bonds, credit and derivatives. As at 31 December 2014, the fair value of these investments was US$ 315.9 million (31 December 2013: US$ 265.4 million). The fees paid on these investments are disclosed as per Note 18.

The Fund owns a 23% equity interest in GreenOak. As part of the original transaction to acquire a share in GreenOak, the Fund provided a US$ 100.0 million coinvestment commitment and a US$ 10.0 million working capital loan commitment to GreenOak, with the Feeder issuing 3.9 million share options to the GreenOak founders. On 28 October 2012, as a result of the Acquisition the Fund increased its working capital loan commitment by an additional US$ 0.5 million by assuming the acquiree's remaining unfunded commitment. During the year there was a partial repayment of the working capital loan and the current notional outstanding is US$ 5.5 million.

The Fund has made investments across several real estate investment vehicles managed by GreenOak. As at 31 December 2014, these investments referenced real estate in the United States, Japan and Europe with a net asset value of US$ 88.3 million (31 December 2013: US$ 60.8 million). These investments are typically illiquid where the Fund will only receive distributions on liquidation of the investment vehicle's underlying assets and in some cases this may not be for several years. In addition, based on projected capital raised (subject to change), the Fund had estimated unfunded commitments of up to US$ 84.6 million with respect to the investment vehicles (31 December 2013: US$ 31.8 million).

Note 25 Other Matters

On 18 June 2013, a shareholder derivative action was filed in United States District Court, Southern District of New York (the "Court"), against the six directors of the Fund and the Feeder, the Investment Manager, the principals of the Investment Manager and other affiliated entities by a purported shareholder of the Feeder (the "Action"). The Action made a series of allegations including with respect to the Acquisition (see Note 4).

The Feeder, the Fund and their Boards of Directors believed that the Action was factually and legally without merit. Accordingly, the defendants sought dismissal of the Action. On 7 August 2014, in an opinion by Judge Richard J. Sullivan, the Court dismissed the Action in its entirety finding that the plaintiffs had "failed to state a federal claim". The Court likewise refused to exercise its discretion to take cognizance of related claims asserted by the plaintiffs under Guernsey law. There has been no appeal of that ruling and the time for appeal has expired.

During the year, the Fund incurred gross legal expenses of US$ 7.1 million in connection with the aforementioned Action, which includes amounts paid under applicable indemnification provisions with respect to the Directors, the Investment Manager and principals of the Investment Manager. At 31 December 2014, US$ 0.5 million (31 December 2013: US$ 1.4 million) was accrued as payable in the Consolidated Statements of Assets and Liabilities.

The Fund is seeking to recover from insurers costs relating to shareholder derivative actions, details of which were referred to in the 2011, 2012 and 2013 Fund consolidated financial statements and during the year US$ 1.0 million was received. Currently significant uncertainty remains as to what will be further recoverable from these efforts and therefore no additional amounts were accrued as at the reporting date.

Note 26 Subsequent Events

On 2 February 2015 the Feeder announced that it had completed its acquisition of Equitix Holdings Limited ("Equitix") from Cabot Square Capital LLP for an enterprise value of £159.5 million (US$ 239.9 million equivalent using the applicable spot rate on the acquisition date). This acquisition was financed in part by a new Equitix £60 million (US$ 90.2 million) bank facility.

Note 27 Recent changes to U.S. GAAP

In May 2014, the FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers (Topic 606)." ASU No. 2014-09 provides comprehensive guidance on the recognition of revenue from customers arising from the transfer of goods and services. The ASU also provides guidance on accounting for certain contract costs, and requires new disclosures. ASU No. 2014-09 is effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. Early adoption is not permitted. The Fund is still evaluating the effect of the ASU on its financial condition, results of operations, and cash flows.

Note 28 Approval of Financial Statements

The Directors approved the consolidated financial statements on 25 February 2015.