TETRAGON
2015 Annual Report

Contents

TFG: Delivering Results Since 2005[(1)(i)]

Figure 1

RETURNS

ROE TARGET[(ii)]
10-15%
Annualised range

AVERAGE ROE[(iii)]
13.5%
Since April 2007 IPO

2015 ROE
14.5%
31 December 2015

SHAREHOLDER RETURNS[(iv)]

ONE YEAR
+7%
to 31 December 2015
FTSE All-Share: +1%

THREE YEARS
+7%
Per annum
to 31 December 2015
FTSE All-Share: +7%

FIVE YEARS
+18%
Per annum
to 31 December 2015
FTSE All-Share: +6%

SINCE APRIL 2007 IPO
+7%
Per annum
to 31 December 2015
FTSE: All-Share: +4%

RETURNING VALUE

DIVIDEND YIELD
7%
31 December 2015

2015 DIVIDEND COVER[(v)]
4x
31 December 2015

DIVIDEND GROWTH
FIVE-YEAR CAGR
13%
Per annum
to 31 December 2015

BUILDING VALUE

FAIR VALUE NAV[(vi)]
$2B
31 December 2015

FULLY DILUTED FAIR VALUE NAV PER SHARE[(vii)]
$19
31 December 2015

ALIGNMENT

PRINCIPAL & EMPLOYEE OWNERSHIP[(viii)]
19%
Q1 2016

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.NA" and (as of 9 November 2015) on the Specialist Fund Market[2] of the London Stock Exchange under ticker symbol "TFG.LN". In this report, we provide an update on TFG's results of operations for the period ending 31 December 2015.[3]

Dear Fellow Shareholders,

The Company made a number of significant achievements in 2015, which was otherwise a challenging year for many investment strategies and a difficult market environment as a whole. TFG posted strong annual Return on Equity ("RoE") growth, both on a like-for-like basis and on a Fair Value[4] basis. TFG Asset Management, TFG's diversified alternative asset management business, has continued its growth through active capital raising into existing businesses, the launch of new businesses and acquisitions. TFG also undertook several important initiatives to enhance shareholder value.

ROE AND FAIR VALUE ROE GROWTH[5]

Throughout the industry in 2015, investment performance across asset classes was generally negative and where positive, returns were in many cases only modest. Against that backdrop, we are pleased that the total return to TFG shareholders was +6.6%[6] for the year, with those results not fully reflecting the positive performance of the underlying business, which had a Fair Value RoE of 14.5%. In fact, all but one of TFG's asset classes and underlying investment strategies posted positive returns during the year, with TFG Asset Management, U.S. CLOs, European event-driven equities and global real estate investments, in particular, delivering strong positive performance. A portion of the growth of Fair Value RoE in 2015 was attributable to the inclusion of the Fair Value of certain TFG Asset Management assets (LCM[7], Polygon[8] and Hawke's Point[9]) that have otherwise been consolidated under U.S. GAAP and, as such, reflects value, whilst reported in 2015, that has actually been built over the last three years.

Both CLO 1.0 investments (approximately $56 million of Fair Value Net Income[10] in 2015) and CLO 2.0 investments (approximately $30 million of Fair Value Net Income) performed well. The European CLOs (all pre-crisis deals) had positive returns, but continued to underperform their U.S. equivalents. 2015 marked a turning point in TFG's CLO investing, where total investments in CLO 2.0 deals exceeded investments in CLO 1.0s for the first time as the Company continued to invest in new CLO 2.0s while CLO 1.0s continued to amortise. Event-driven equities produced a particularly strong performance (approximately $67 million of Fair Value Net Income). We were pleased that in a year that was difficult for many hedge funds, the event-driven hedge fund strategy generated double-digit returns. The global real estate allocation also contributed approximately $25 million of Fair Value Net Income. The only negative performer was the distressed strategy, where TFG has approximately $100 million invested, with the strategy down 2.2% net for the year. TFG continues to hold cash representing just under 20% of Fair Value Net Asset Value ("Fair Value NAV") at year end. This cash balance is held to fund not only existing investment commitments but also new investments, as well as dividends, fees payable to Tetragon Financial Management LP ("TFM" or the "Investment Manager") and other potential uses of cash.

(Continued)

CONTINUED GROWTH AT TFG ASSET MANAGEMENT

As announced in 2015, TFG's investment manager is continuing to grow TFG Asset Management with a view to a planned initial public offering and listing of shares of TFG Asset Management in the next three to five years. To that end, TFG Asset Management continues to execute against key benchmarks: increased EBITDA, growth in assets under management ("AUM"), positive performance of the underlying strategies and the addition of new managers to the platform.

During the year, TFG Asset Management's EBITDA increased by 102% to $46.6 million, with Fair Value Net Income of approximately $185 million for the year. TFG Asset Management's aggregate AUM grew 54% to $17.1 billion[(11)], with LCM, the GreenOak joint venture[(12)] and Equitix[(13)] as significant contributors to this growth. The underlying funds managed by the TFG Asset Management platform generally performed well against their peers.[(14)] And two of Polygon's hedge funds were nominated for 2015 EuroHedge Awards.[(15)] TFG Asset Management added two new businesses in 2015: in February, TFG completed its acquisition of Equitix, an integrated core infrastructure asset management and primary project platform; and in the fourth quarter, TFG Asset Management launched Tetragon Credit Income Partners (TCIP)[(16)], which is the general partner of a private equity vehicle that, among other things, makes investments in CLOs relating to risk retention rules. TFG is a core investor in the vehicle, which had its first close in November 2015 with committed capital of $142.9 million (of which TFG was $35 million). By investing alongside third-party investors in one or more TCIP private equity vehicles, TFG (which owns TCIP as general partner), is also potentially able to further diversify its CLO equity holdings across multiple CLO managers and increase its return on equity on those investments as TCIP receives fees for its investment services.

The Fair Value of TFG Asset Management as at 31 December 2015 was approximately $422 million, with LCM and Polygon shown at Fair Value for the first time during Q3 2015, and with the Fair Value for Equitix growing by approximately $41 million during the year.

INITIATIVES TO ENHANCE SHAREHOLDER VALUE:

During the year, TFG embarked on several initiatives intended to enhance shareholder value.

- Stephen Prince joined as Co-Head of TFG Asset Management and TFM's Head of North America. Stephen joined from Silver Creek Capital Management LLC, a $7 billion alternative investment firm, where he most recently served as Deputy Chief Investment Officer and Chair of the Investment Committee. Stephen is focusing on helping to build value at TFG as it continues to seek to grow TFG Asset Management organically and through acquisitions, attract investment talent and optimise risk-adjusted returns for TFG's capital.

- TFG retained Stifel Nicolaus Europe Ltd. and Cantor Fitzgerald Europe as new joint corporate brokers to the Company in 2015. The Company is working with its new brokers to bring TFG's story to a broader investor group.

- TFG's shares were admitted for trading on the Specialist Fund Market ("SFM") of the London Stock Exchange on 9 November 2015 (ticker: TFG.LN). TFG believes that the principal benefits of having this additional trading venue should be improved liquidity through access to a broader investor base and expanded analyst coverage. TFG will maintain its listing on Euronext in Amsterdam[(17)]. In conjunction with the SFM admission, the Investment Manager has conducted multiple meetings with potential shareholders in 2015 and early 2016 in London, Edinburgh and Amsterdam.

- In December, TFG purchased 6 million TFG non-voting shares at $10 per share in a tender offer using a modified Dutch auction structure. Substantially all of the TFG shares acquired in the tender offer are being held to hedge against (or otherwise offset the future impact of) grants of shares under long-term incentive compensation awards by TFG Asset Management for certain long-standing and senior employees.

(Continued)

- As of Q1 2016, principal and employee holdings of TFG's non-voting shares (including through incentive compensation arrangements) increased to approximately 19% of the outstanding shares, thereby continuing to increase the alignment with shareholders.
- TFG's website has been redesigned.
- TFG hosted its annual Investor Day in London on 17 November 2015. The event was webcast live and the replay can be viewed on our website, www.tetragoninv.com.
- The fourth quarter dividend was declared at $16.5 cents per share, making $64.75 cents for the full year, an increase of 4.9% on 2014. This gives a current dividend yield of approximately 7%.

CURRENT POSITIONING OF TFG'S PORTFOLIO:

We believe that TFG's portfolio is currently well-positioned, with many not easily replicated investments and with an appropriate level of cash. The Investment Manager continues to seek uncorrelated, alpha-generating strategies in which to deploy TFG's capital. The Investment Manager then seeks to find high-quality managers who invest in these asset classes and strategies; selects or structures suitable investment vehicles that optimise risk-adjusted returns for TFG's capital; and, where appropriate, seeks for TFG, through TFG Asset Management, 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 the Company. The results of this strategy are reflected in the list of TFG's top ten holdings shown in Figure 2.

(Continued)

Figure 2

TOP TEN HOLDINGS AT 31 DECEMBER 2015

	Holding	Investment Type	Description	Fair Value $MM	% of Fair Value NAV
1	Equitix (Manager)	Asset Manager	£1.9 Bn UK infrastructure fund asset manager	173.9	8.7%
2	Polygon European Equity Opportunity Fund	Fund Investment - Equities	European event driven equity hedge fund	139.9	7.0%
3	LCM (Manager)	Asset Manager	$5.9 Bn CLO manager	110.2	5.5%
4	Polygon Distressed Opportunities Fund	Fund Investment - Credit	Distressed opportunities hedge fund	95.1	4.8%
5	GreenOak Real Estate (Manager)	Asset Manager	$6.6 Bn global real estate asset manager	70.0	3.5%
6	Polygon (Manager)	Asset Manager	$1.5 Bn hedge fund manager	67.0	3.4%
7	Polygon Convertible Opportunity Fund	Fund Investment - Credit	Event driven credit hedge fund	44.8	2.2%
8	Polygon Mining Opportunities Fund	Fund Investment - Equities	Mining-related equity hedge fund	38.1	1.9%
9	LCM XIX LP	Fund Investment - CLO Equity	US broadly syndicated corporate loans (CLO)	32.5	1.6%
10	LCM XVI LP	Fund Investment - CLO Equity	US broadly syndicated corporate loans (CLO)	29.8	1.5%
	TOTAL				**40.3%**

OUTLOOK:

The past several years have witnessed unprecedented monetary easing resulting in historically low interest rates globally. Although in low-LIBOR environments, TFG may achieve lower sustainable returns, TFG is generally invested, including through the ownership of the relevant asset managers, in strategies that are seeking "absolute" returns rather than returns "relative to a financial index". We believe that TFG's performance in 2015 reflects this approach. During 2016, we are hopeful that our mix of asset classes and investment strategies will continue to produce what we believe are generally uncorrelated returns.

In terms of TFG Asset Management, despite increasing global uncertainty, it is continuing to seek to increase AUM across the platform. In addition, the Investment Manager continues to look for new asset classes and new asset managers to add to the TFG Asset Management platform. To date, through attractive performance, strong fundraising and good performance, the business has successfully grown.

In closing, we believe that TFG's portfolio, including TFG Asset Management, is well positioned to provide continued growth in 2016.

With Regards,

The Board of Directors
29 February 2016

TFG Overview

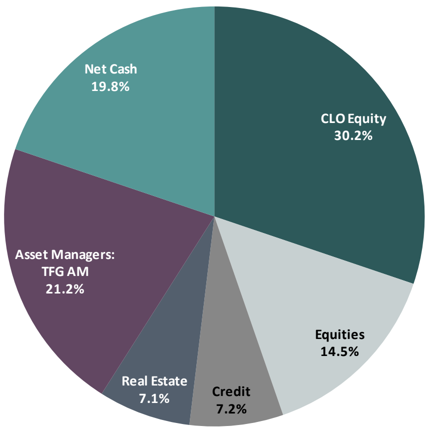
Tetragon Financial Group Limited ("TFG") is a Guernsey closed-ended company traded on Euronext Amsterdam N.V. under the ticker symbol "TFG.NA" and (as of 9 November 2015) on the Specialist Fund Market of the London Stock Exchange under ticker symbol "TFG.LN".

TFG's investment objective is to generate distributable income and capital appreciation. It aims to provide stable returns to investors across various credit, equity, interest rate, inflation and real estate cycles. The company's investment portfolio comprises a broad range of assets, including a diversified alternative asset management business, TFG Asset Management, and covers bank loans, real estate, equities, credit, convertible bonds and infrastructure.

TFG's Fair Value NAV as of 31 December 2015 was approximately $2.0 billion. Figure 3 shows the company's current net asset breakdown including TFG Asset Management at full estimated Fair Value.

Figure 3[(i)(ii)]

Fair Value Net Asset Breakdown at 31 December 2015



(i) Net 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 and Liabilities."

(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. Please see Figure 10 for further details on asset composition.

To achieve TFG's investment objective of generating distributable income and capital appreciation, 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 TFM, TFG's investment manager, to negotiate favourable terms for its investments.**
- **Through TFG Asset Management, and where sensible, 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.**

In addition, TFM's current investment strategy is to continue to grow TFG Asset Management – as TFG's diversified alternative asset management business – with a view to a possible initial public offering and listing of its shares.

As part of its investment strategy, TFM may employ hedging strategies and leverage in seeking to provide attractive returns while managing risk.

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.

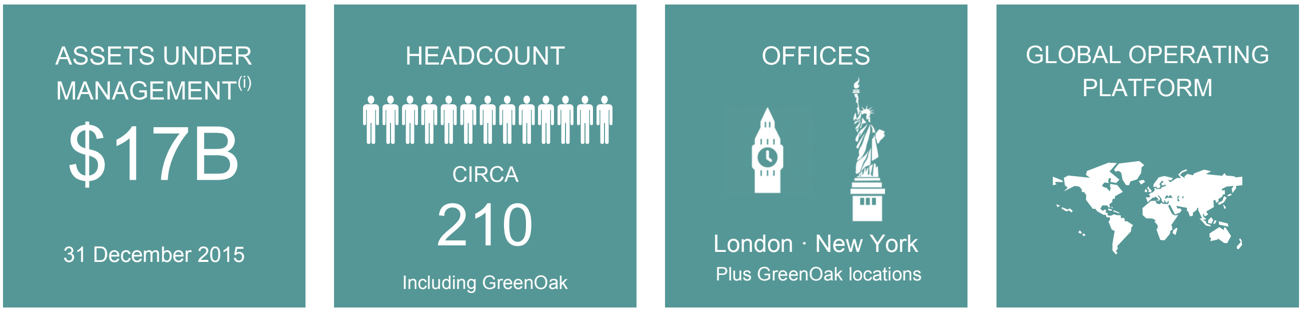
The Investment Manager then seeks to find high-quality managers who invest in these asset classes; selects or structures suitable investment vehicles that optimise risk-adjusted returns for TFG's capital; and/or seeks for TFG (via TFG Asset Management) to own a share of the asset management company. TFG aims to not only produce asset level returns, but also aims to enhance these returns with capital appreciation and investment income from its investments in asset management businesses that derive income from external investors.

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 ASSET MANAGEMENT

Figure 4



	LCM™	GREENOAK™	POLYGON™	equitix™	HAWKE'S POINT™	TCIP™
	Bank Loans	Real Estate Joint Venture	Hedge Funds & Private Equity	Infrastructure	Mining Finance	CLO Equity
Approx. AUM	**$6.1 billion(ii)**	**$6.6 billion(iii)**	**$1.5 billion(iv)**	**$2.8 billion(v)**	**Start up(vi)**	**$0.1 billion(vii)**
	• LCM currently manages 14 CLOs	• Japan Fund I • Asia Fund II • UK Debt Fund I • Europe Fund I Spain • US Fund I • US Fund II • Global Advisory	• European Equity Opportunity Fund • Convertible Opportunity Fund • Mining Opportunity Fund • Global Equities Fund • Distressed Opportunities Fund • Recovery Fund	• Fund I • Fund II • Fund III • Fund IV • Managed Account • Energy Saving Investments • Energy Efficiency Fund		• Tetragon Credit Income II L.P. • TCI Capital Management

(i)(ii)(iii)(iv)(v)(vi)(vii) Products/mandates listed are not necessarily open for new investment and are not an offer to sell or a solicitation of an offer to purchase securities in the United States or any other jurisdiction, but to illustrate the TFG Asset Management platform strategy.

TFG Asset Management consists of:

- **LCM ASSET MANAGEMENT** – a CLO loan manager.
- **The GREENOAK REAL ESTATE** joint venture – a real estate-focused principal investing, lending and advisory firm.
- **POLYGON GLOBAL PARTNERS** – a manager of open-ended hedge fund and private equity vehicles across a number of strategies.
- **EQUITIX** – an integrated core infrastructure asset management and primary project platform.
- **HAWKE'S POINT** – a business that seeks to provide capital to companies in the mining and resource sectors.
- **TETRAGON CREDIT INCOME PARTNERS (TCIP)** – TCIP acts as a general partner of a private equity vehicle that, among other things, makes investments in CLOs relating to risk retention rules.

Assets under management for TFG Asset Management as of 31 December 2015 totalled approximately $17.0 billion.[18]

Board of Directors

TFG's Board of Directors is comprised of six members, four of whom are Independent Directors who have significant experience in asset management and financial markets. Biographies of the directors can be found in Appendix IX.

Rupert Dorey
Independent Director

Frederic M. Hervouet
Independent Director

David Jeffreys
Independent Director

Byron Knief
Independent Director

Reade Griffith

Paddy Dear

Key Metrics

Key Metrics

The Company focuses on the following key metrics when assessing how value is being created for, and delivered to, TFG shareholders:

- **Earnings : Fair Value Return on Equity and Fair Value EPS;**
- **NAV per share; and**
- **Dividends.**

As noted in the Letter to Shareholders, TFG's Key Metrics have been modified, effective from Q3 2015, to incorporate the value that is being created in TFG Asset Management on a consistent Fair Value basis using valuations provided by an independent valuation specialist reporting to the Audit Committee. The resulting Fair Value metrics are described in this section and further detail on the drivers for each of the Fair Value metrics is discussed in the following sections of the report.

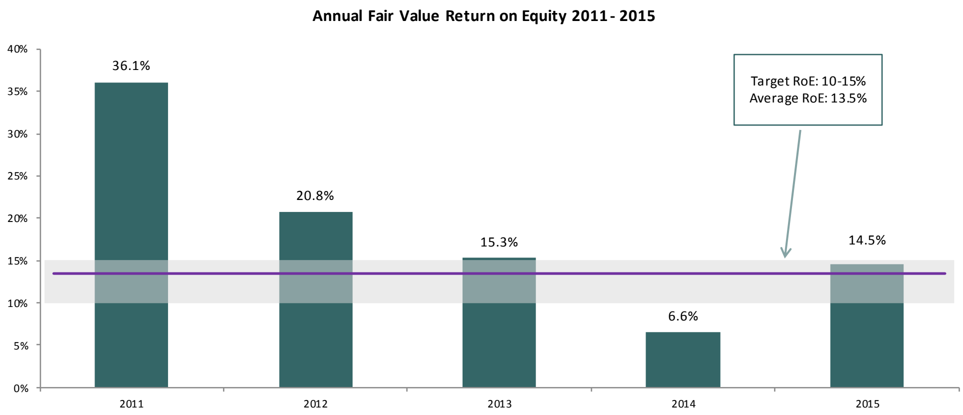
EARNINGS – FAIR VALUE RETURN ON EQUITY ("Fair Value RoE")

Fair Value RoE for 2015 was 14.5%, close to the top of TFG's long-term target range of 10-15%,[19] enhanced by the move to fair value-based metrics in Q3 2015

Following a challenging environment for investing in Q3, TFG ended the year strongly, with Fair Value Net Income[20] of $35.5 million in the quarter and $263.9 million for the full year. This equated to a full year Fair Value RoE of 14.5% which included the impact of an uplift in the Fair Value of TFG Asset Management representing 6.3% ($114.6 of net income net of fees).

Stand out performers in 2015 were CLOs, Polygon's equity funds, "other equity" investments, real estate and TFG Asset Management, each of which is described in more detail later in the report.

Figure 5[i]



(i) Average RoE is calculated from TFG's IPO in 2007. 2015 RoE includes a fair value adjustment for certain TFG Asset Management businesses, the value of which has accumulated over several years. Consequently the full year return of 14.5% is not prepared on a like for like basis with prior years. Like for like performance for 2015 was 8.2%.

ROE TARGET

10-15%

Annualised range

AVERAGE ROE

13.5%

Since April 2007 IPO

2015 ROE

14.5%

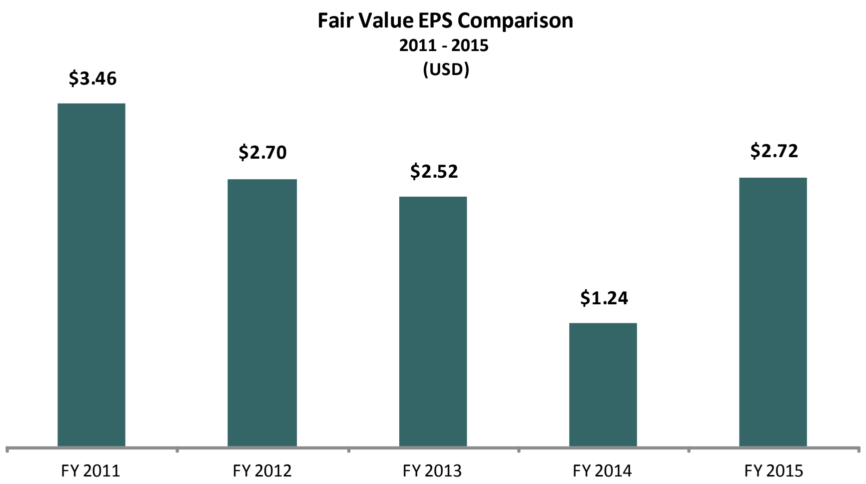
31 December 2015

FAIR VALUE EARNINGS PER SHARE ("Fair Value EPS")

TFG generated a Fair Value EPS[21] of $2.72 in 2015

The Fair Value Net Income of $263.9 million resulted in an EPS of $2.72, of which $1.18 related to the move to fair value accounting for elements of TFG Asset Management. The underlying EPS performance of $1.54 represents a 24% increase over the corresponding period in 2014.

Figure 6



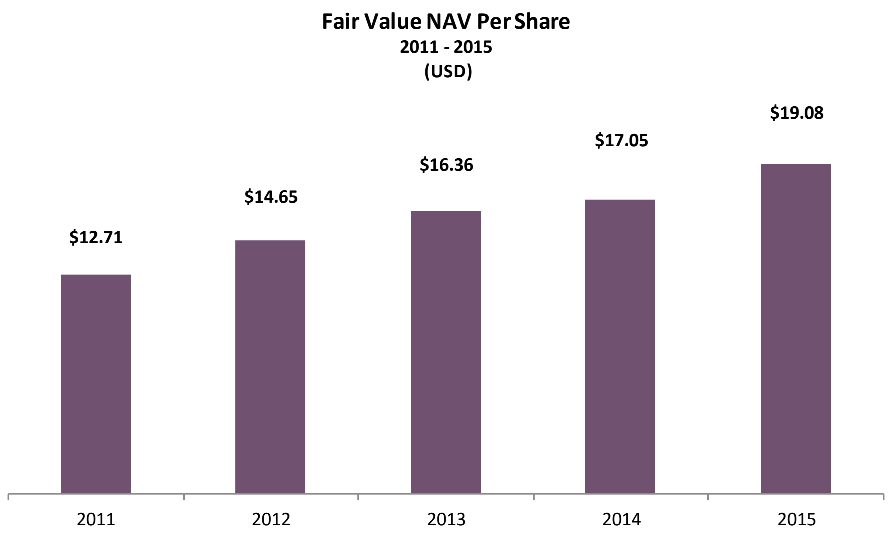
Further detailed information on the drivers of the Company's performance is provided later in this report.

FULLY DILUTED FAIR VALUE NAV PER SHARE

Fully Diluted Fair Value NAV per Share was $19.08 at the end of 2015, up 11.9% from the end of Q4 2014

- Total Fair Value NAV for TFG rose to $1,987.3 million at 31 December 2015, which equated to Fully Diluted Fair Value NAV per Share(22) of $19.08.
- The 11.9% growth recorded in the year is after distributing dividends of $0.64 during that period.

Figure 7(i)



(i) Source: Fully Diluted Fair Value NAV per share based on TFG's financial statements as of 31 December of each of the years shown. Please see Figure 22 on page 33 for more details on the calculation of Fully Diluted Fair Value NAV Per Share.

FAIR VALUE NAV

$2B

31 December 2015

FAIR VALUE
NAV PER SHARE

$19

31 December 2015

NAV PER SHARE GROWTH

+12%

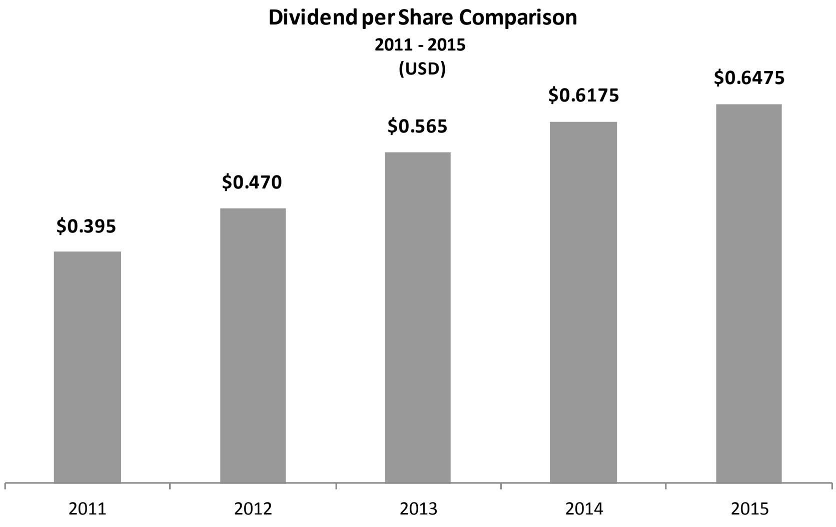
2015

DIVIDENDS PER SHARE ("DPS")

TFG increased its quarterly dividend to 16.50 cents per share in Q4 2015 from 16.25 cents the prior quarter

- TFG declared a Q4 2015 DPS of $0.165, an increase on the level declared for Q2 and Q3 2015. On a rolling 12-month basis, the dividend of $0.6475 per share represents a 4.9% increase over the prior 12-month period and equated to an annualised dividend yield of 6.5% on the 31 December 2015 share price of $9.91.
- This dividend declaration continues TFG's progressive dividend policy, which targets a payout ratio of 30-50% of normalised earnings. The Q4 2015 DPS of $0.165 brings the cumulative DPS declared since TFG's IPO to $4.09.

Figure 8



DIVIDEND YIELD

7%

31 December 2015

2015 DIVIDEND COVER

4x

31 December 2015

DIVIDEND GROWTH
FIVE-YEAR CAGR

13%

Per annum
to 31 December 2015

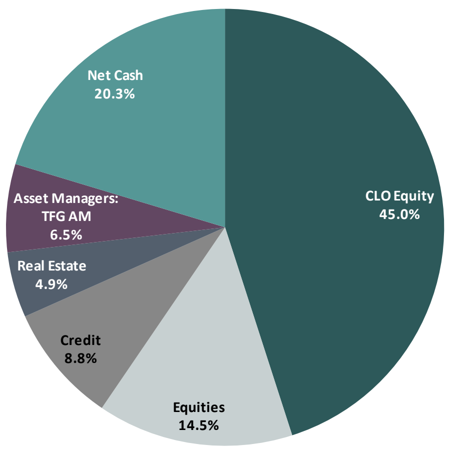
2015 In Review

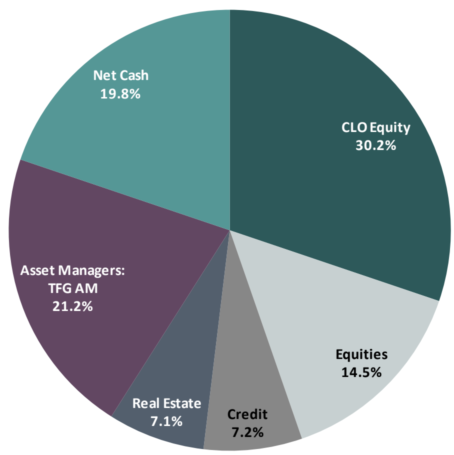
2015 In Review

The figure below illustrates the composition of TFG's Fair Value net assets as of 31 December 2015 and 31 December 2014.

Figure 9[(i)(ii)]

Fair Value Net Asset Composition Summary[(i)(ii)]





(i) Net 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 and Liabilities."

(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. Please see Figure 10 for further details on asset composition.

The table below highlights the fair value of TFG's ten top holdings as of 31 December 2015.

Figure 10

Top 10 Holdings at 31 December 2015

Holding	Investment Type	Description	Fair Value $MM	% of Fair Value NAV
1 Equitix (Manager)	Asset Manager	£1.9 Bn UK infrastructure fund asset manager	173.9	8.7%
2 Polygon European Equity Opportunity Fund	Fund Investment - Equities	European event driven equity hedge fund	139.9	7.0%
3 LCM (Manager)	Asset Manager	$5.9 Bn CLO manager	110.2	5.5%
4 Polygon Distressed Opportunities Fund	Fund Investment - Credit	Distressed opportunities hedge fund	95.1	4.8%
5 GreenOak Real Estate (Manager)	Asset Manager	$6.6 Bn global real estate asset manager	70.0	3.5%
6 Polygon (Manager)	Asset Manager	$1.5 Bn hedge fund manager	67.0	3.4%
7 Polygon Convertible Opportunity Fund	Fund Investment - Credit	Event driven credit hedge fund	44.8	2.2%
8 Polygon Mining Opportunities Fund	Fund Investment - Equities	Mining-related equity hedge fund	38.1	1.9%
9 LCM XIX LP	Fund Investment - CLO Equity	US broadly syndicated corporate loans (CLO)	32.5	1.6%
10 LCM XVI LP	Fund Investment - CLO Equity	US broadly syndicated corporate loans (CLO)	29.8	1.5%
TOTAL				**40.3%**

NET ASSET BREAKDOWN AND INCOME FOR 2015

Figure 11

Asset Category	Asset Subcategory	2015 Fair Value Net Assets ($MM)	2015 Fair Value Net Income ($MM)	Q4 2015 Fair Value Net Income ($MM)	2014 Fair Value Net Income ($MM)
CLO Equity	U.S. CLO 1.0[(i)]	260.6	55.7	14.4	116.7
CLO Equity	U.S. CLO 2.0[(i)]	281.7	30.2	1.6	29.7
CLO Equity	European CLOs	58.5	6.0	0.9	22.7
Equities	Equity Funds	198.3	15.3	9.6	(3.2)
Equities	Other Equities[(ii)]	90.5	51.6	4.2	(27.1)
Credit	Convertible Bond Fund	44.8	2.3	0.6	5.4
Credit	Distressed Fund	95.1	(5.4)	(0.6)	3.3
Credit	Direct Loans	3.0	1.0	0.3	1.3
Real Estate	Real Estate	141.7	25.2	(2.5)	10.1
Asset Management	TFG Asset Management[(iii)]	422.1	185.2	26.3	55.0
Net Cash	Net Cash	391.0	0.1	-	-
Net Cash	Corporate Fees and Expenses	NA	(92.2)	(17.5)	(69.1)
Net Cash	Net Hedge PnL and Taxes	NA	(11.1)	(1.8)	(26.7)
		1,987.3	**263.9**	**35.5**	**118.1**

(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) Assets characterised as "Other Equities" consist of the Fair Value of, or capital committed to, investment assets held directly on the balance sheet.

(iii) The TFG Asset Management income figure includes the consolidated net income before tax of Polygon, LCM and Hawke's Point to 30 June 2015, and changes in the Fair Value of those investments from 1 July to 31 December 2015. The income relating to investments in Equitix and GreenOak reflects the changes in the carrying value of these equity investments, and in the case of Equitix, interest income and changes in Fair Value connected to the loans held.

Figure 11 above shows Fair Value Net Assets and Fair Value Net Income by asset class for Q4 2015 and full year 2015, compared to 2014.

- **U.S. CLO 1.0:** TFG's U.S. CLO 1.0 investments continued to make a positive contribution to the Company's earnings during 2015, producing $55.7 million of income for the year, despite a pick-up in credit market volatility, particularly in energy and commodity related credits. The average remaining expected duration of this segment of the portfolio declined in 2015 due to continued post-reinvestment period structural deleveraging, optional redemptions, and one asset sale, driving an approximate 41% reduction in the fair value of TFG's U.S. CLO 1.0 investments. The aggregate fair value of the U.S. CLO 1.0 portfolio is now below that of the U.S. CLO 2.0 portfolio. As of the end of 2015, all of TFG's U.S. CLO 1.0 deals were passing their junior-most O/C tests.[(23)]

- **U.S. CLO 2.0:** TFG's U.S. CLO 2.0 investments performed well in 2015 generating income of $30.2 million for the year. As with U.S. CLO 1.0 investments, the CLO 2.0 segment faced oil/gas and commodity credit related headwinds as well as a handful of idiosyncratic defaults. The second half of the year also saw leveraged loan spreads widen with the average single-B institutional U.S. loan spread rising by more than 26% from the lows registered earlier in the year.[(24)] We believe this allowed our CLO managers to reinvest into loans at lower prices and wider effective spreads, increasing the potential arbitrage available to our CLO equity investments (all else being equal). Certain of our managers also focused on recalibrating the overall credit risk composition of their respective portfolios, by making opportunistic sales and substitutions. As of the end of 2015, all of TFG's U.S. CLO 2.0s were in compliance with their junior-most O/C tests.[(25)]

- **European CLO:** TFG's European CLO investments generated positive returns on the year, recording $6.0 million of income. As with the U.S. CLO 1.0 portfolio, we continued to see amortization of these European CLOs and undertook certain optional redemptions, reducing the U.S. dollar fair value by over 50%. The vast majority of these optional calls were finalised during the year and TFG has received the net redemption proceeds. At the end of 2015, all of TFG's European CLOs were in compliance with their junior-most O/C tests. [(26)]

(continued)

- **Equity Funds:** Polygon's event-driven equity investments generated Fair Value Net Income of $15.3 million during 2015, compared to a loss of $3.2 million in 2014. Fair Value Net Income generated in Q4 2015 was $9.6 million, a turnaround from a challenging Q3. Polygon's European event-driven strategy returned 10.3% net during 2015, and its mining equity vehicle returned 6.2% net; the HFRX Event-Driven index[(27)] was down 6.94% in 2015 by comparison. Please refer to page 26 for further details on the performance of the individual funds.

- **Other Equities:** These assets had positive returns of $4.2 million in Q4 2015, and full year fair value net income of $51.6 million for 2015.

- **Convertible Fund:** The contribution from Polygon's convertible fund investment had fair value net income of $0.6 million during Q4 2015, and full year net income of $2.3 million. The fund's performance was up 4.56% net during 2015, compared to -0.12% for the HFRX Convertible Index.[(28)] Please refer to page 26 for further details on the fund's performance.

- **Distressed Fund:** This asset subcategory had a loss of $0.6 million during Q4 2015 and a loss of $5.4 million for the full year. Polygon's distressed fund performance was down 2.2% net during 2015, compared to the HFRX Distressed Index which was down 11.1% net in 2015; 6.7% of this drawdown was during Q4 alone.[(29)] It should be noted that the net loss attributable from TFG's investment in the Distressed Fund also reflects start up costs for this aspect of the asset management business. Please refer to page 26 for further details on the fund's performance.

- **Real Estate:** Despite a loss of $2.5 million during the quarter, real estate investments contributed $25.2 million to net income during 2015, with the majority of the year's contribution coming from U.S. and Japanese investments. Overall, approximately $17.3 million of cash was returned during the quarter bringing the life-to-date cash returned to $106.1 million on the GreenOak-managed investments.

- **TFG Asset Management:** TFG's investment in TFG Asset Management generated $26.3 million of capital appreciation and investment income during the fourth quarter, as the valuations of these investments were recalibrated. The main contributors were increases in the carrying value of TFG's investments in Equitix and LCM as both businesses continued to grow their AUM and profitability. For further information on the basis for determining the Fair Value of the TFG Asset Management investment, please see Appendix IV. TFG Asset Management's *pro forma* operating results are set out in Figure 15.

- **Net Cash:** TFG held $391 million of Fair Value in net cash at 31 December 2015. The Company actively manages its cash levels to cover future commitments and to enable it to capitalise on opportunistic investments.

Figure 12

TFG Asset Management - Net Income Q4 2015			
Business	**Fair Value Q4 2015 ($MM)**	**Fair Value Q3 2015 ($MM)**	**Fair Value Movement ($MM)**
Equitix	173.9	161.6	12.3
GreenOak Joint Venture	70.0	67.0	3.0
Hawke's Point	0.8	0.8	0.0
TCIP	0.3	0.0	0.3
LCM	110.2	104.4	5.8
Polygon	67.0	68.6	(1.6)
Change in Fair Value	**422.1**	**402.3**	**19.8**
Other TFGAM investment income and impact of currency hedge on Equitix			6.5
Total Capital Appreciation and Investment Income			26.3

2015 Major New Investments

- **U.S. CLO 2.0:** In 2015, TFG acquired majority equity positions in two LCM-managed CLOs for a total cost of $62.4 million. During Q4 2015, TFG made a capital commitment of $35.0 million to Tetragon Credit Income II L.P. ("TCI II"), a new vehicle focused on CLO investments relating to risk retention rules. TCIP acts as the general partner of TCI II. Although no capital was drawn from TFG before the end of 2015, TCI II had made its first investment into LCM XX Limited Partnership, to which TFG has exposure on a look-through basis.
- **Real Estate:** During 2015, TFG invested $81.4 million into various real estate funds and vehicles which focus on a variety of geographical areas including the Americas, Europe, and Asia.
- **Equitix:** In February 2015, TFG completed the acquisition of 85%[30] of Equitix Holdings Limited for a total enterprise value of £159.5 million.

2015 Major Asset Sales and Optional Redemptions

- **U.S. CLO 1.0:** During 2015, TFG sold one U.S. CLO 1.0 transaction for total proceeds of $6.5 million. In addition, TFG exercised its optional call rights on 11 U.S 1.0 CLOs, generating unwind proceeds of $67.1 million through the end of 2015. 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 2016.
- **European CLOs:** TFG initiated an optional early redemption of two European CLOs in 2015, which generated partial unwind proceeds of €23.1 million during the year. The Company expects to receive additional liquidation payments from the redemptions in 2016.
- **Real Estate:** During 2015, TFG received approximately $49.7 million in return of capital and income on certain investments in GreenOak-managed real estate vehicles; of this, $2.9 million was received in 2016.

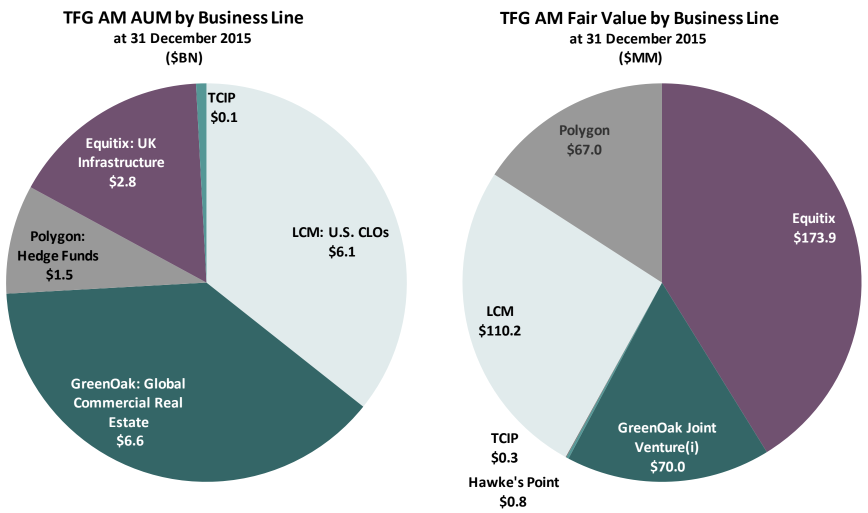
TFG Asset Management Overview

TFG Asset Management Overview

One of TFG's significant investments is TFG Asset Management, a diversified alternative asset management business that owns majority and minority stakes in asset managers. At 31 December 2015, TFG Asset Management comprised LCM, the GreenOak joint venture, Polygon, Equitix, Hawke's Point and TCIP (please see Figure 13 for the breakdown of AUM and Fair Value by business line). TFG Asset Management has approximately $17.0 billion of assets under management(31) and approximately 210 employees globally. Figure 14 depicts the growth of that AUM over the last five years.

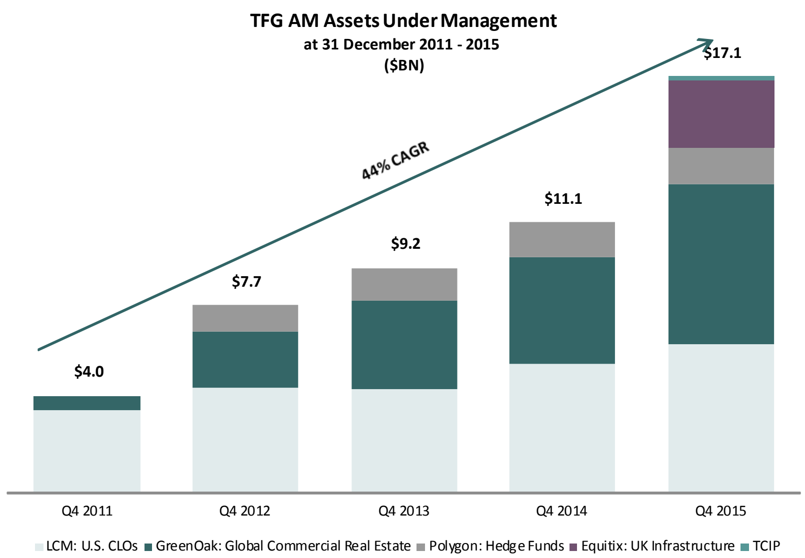
During 2015, TFG Asset Management performed well, generating Fair Value Net Income of $185.2 million during the year, compared to $55.0 million in 2014. The total Fair Value Net Assets of TFG Asset Management was $422.1 million at 31 December 2015. Each of the underlying businesses increased its AUM during the year and the amount of fee income generated; see Figure 15 for details. We are hopeful for continuing positive progress during 2016.

Figure 13(32)



(i) The Fair Value of TFG's 23% stake.

Figure 14(33)



EBITDA

$47M

31 December 2015

EBITDA GROWTH

+102%

2014 - 2015

AUM

$17B

31 December 2015

AUM GROWTH

+54%

2015

TFG ASSET MANAGEMENT PRO-FORMA EBITDA (Ex-GreenOak)

Figure 15

TETRAGON FINANCIAL GROUP TFG Asset Management Pro Forma Statement of Operations (excluding GreenOak)			
	2015[(i)] $MM	2014 $MM	2013 $MM
Management fee income	55.0	42.9	36.8
Performance and success fees[(ii)]	52.1	19.0	12.8
Other fee income	19.1	19.2	24.7
Interest income	2.4	0.2	0.3
Total income	**128.6**	**81.3**	**74.6**
Operating, employee and administrative expenses	(75.4)	(58.2)	(47.1)
Minority Interest	(6.6)	0.0	0.0
Net income - "EBITDA equivalent"	**46.6**	**23.1**	**27.5**

(i) The above table includes the income and expenses attributable to TFG's majority owned businesses, Polygon, LCM and Equitix during that period. In the case of Equitix this only covers the period from 2 February 2015, the date of the closing of TFG's acquisition of Equitix. Although TFG currently has an 85% effective economic share of its business, 100% of Equitix's income and expenses are reflected with the 15% not attributable to TFG backed out through the minority interest line. GreenOak is not included. The EBITDA equivalent is a non-GAAP measure and is designed to show the performance of the TFG Asset Management businesses rather than what is reflected in TFG's U.S. GAAP financial statements.

(ii) The performance and success fees include some realised Polygon performance fees. These represent the fees calculated by the applicable administrator of the relevant Polygon funds, in accordance with the applicable fund constitutional documents, when determining NAV at year end. Similar amounts, if any, from LCM and GreenOak are recognised when received. TFG is able to invest at a preferred level of fees.

- **Overview:** Figure 15 shows a *pro forma* statement of operations which reflects the operating performance of the majority-owned asset management companies within TFG Asset Management. Although they are currently reported under U.S. GAAP, partially at Fair Value and partially on a consolidated basis, the aim of also presenting the underlying performance in this way is to give investors insight into a key driver behind that valuation. GreenOak, in which TFG holds a minority interest, is not included in the *pro forma* EBITDA currently.

- **EBITDA:** EBITDA equivalent for the majority-owned TFG Asset Management businesses rose by 102% in 2015 compared with 2014, accelerated in large part by the inclusion of Equitix from the start of February 2015.

- **Management fee income:** Management fee income continued to increase with the growth of the TFG Asset Management businesses. Fee-paying capital increased significantly year on year, both through organic growth of the Polygon and LCM businesses and, notably, from the acquisition of Equitix which added approximately $2.0 billion of fee-paying AUM from early February onwards. See Figures 13 and 14 for further information on TFG Asset Management's AUM.

- **Performance and success fees:** Compared to last year, performance and success fees have increased significantly – by 174% – boosted by the addition of Equitix to TFG Asset Management. After a challenging third quarter for performance, TFG Asset Management finished the year with a strong Q4, with particularly strong performances from both the Primary and Secondary businesses within Equitix, from realised performance fees generated by LCM and from performance fees relating to certain of Polygon's hedge funds, as described earlier in this report.

- **Other fee income:** This category includes third party CLO management fee income, all of which relates to U.S. CLO 1.0 transactions, which continued to decline in line with expectations as these transactions amortised down. In addition, it includes certain cost recoveries from TFG relating to seeded Polygon hedge funds and management services revenues earned by Equitix. The cost recoveries, which are described in more detail in the TFG Asset Management Overview section of this report, decreased slightly year on year although the teams supporting the seeded funds continued to grow. As these businesses mature and build third party capital, such cost recoveries should reduce. This category also includes fee income generated by Equitix on certain management services contracts, which is a growing part of the Equitix business.

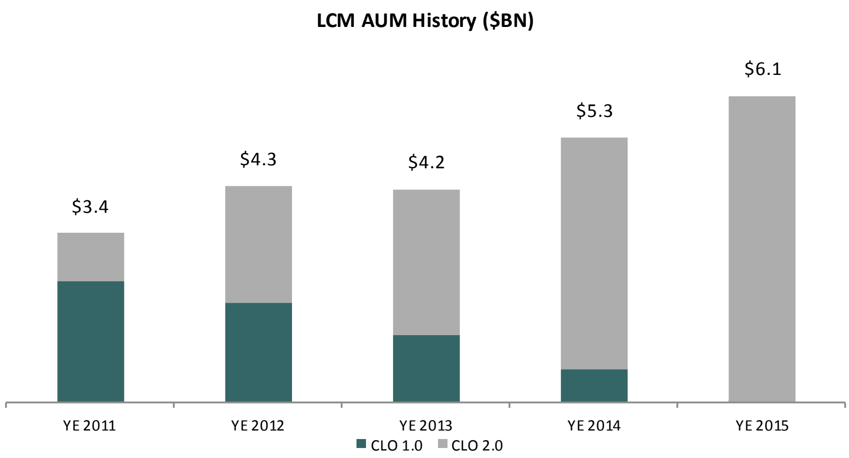
- **Operating expenses:** Operating expenses rose by approximately 30% in 2015 compared to 2014, largely driven by the addition of the Equitix business in early 2015, plus additions to the teams supporting the growing Polygon and Hawke's Point businesses.

BUSINESS OVERVIEWS

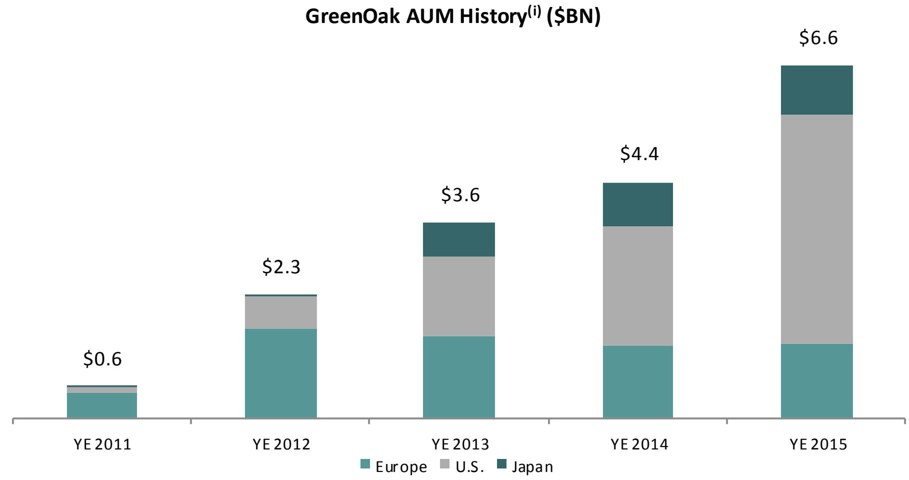
The following pages provide a summary of each asset management business and a 2015 review of AUM growth and underlying strategy / investment vehicle performance.

All data is at 31 December 2015, unless otherwise stated.

LCM™

Description of Business:	• LCM is a specialist in below-investment grade U.S. broadly-syndicated leveraged loans. • The business was established in 2001 and has offices in New York and London. • TFG owns 100% of LCM. • 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 typically four to five 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 up to 0.50% of total assets, and a performance fee of 20% over a CLO equity IRR hurdle. • Further information on LCM is available at www.lcmam.com.
Amount of TFG's Investment in Products:	$227.1 million. TFG held equity investments with total fair value of $224.1 million (U.S. CLO 1.0: $12.2 million, U.S. CLO 2.0: $211.8 million) in LCM-managed CLOs. LCM additionally manages a portfolio of U.S. broadly-syndicated leveraged loans held directly on TFG's balance sheet. At year-end 2015, the fair value of these loans was $3.0 million.
AUM:	Figure 16  LCM's AUM is $6.1 billion, compared to $5.9 billion at the end of Q3 2015 and $5.3 billion at the end of 2014. During 2015, three new issue LCM-managed CLOs were closed, representing $1.7 billion in AUM (at the time of issuance). The LCM-managed CLOs issued during the year were: • LCM XVIII, $610 million, 31 March 2015; • LCM XIX, $618 million, 28 July 2015; • LCM XX, $509 million, 13 November 2015
Performance in 2015:	LCM continued to perform well in 2015, despite certain oil and gas-related realised and unrealised losses. During the year, LCM had defaults in three obligors (which includes one which was a technical default due to an exchange offer by the issuer) across all of the CLOs it manages, representing less than 0.2% of its AUM at the end of the year. As of the end of the year, all of LCM's Cash Flow CLOs[34] that were still within their reinvestment periods remained in compliance with their coverage tests, continuing to pay senior and subordinated management fees and to generate cash flows for their equity tranches.

GREENOAK™

Description of Business:	• 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, Madrid and Seoul. • TFG owns 23% of the business. • 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 1.5%-2.0% 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 on GreenOak is available at www.greenoakrealestate.com.
Amount of TFG's Investment in Products:	$115.4 million.
AUM:	Figure 17  (i) Includes investment funds and advisory assets managed by GreenOak at 31 December 2015. TFG owns a 23% stake in GreenOak. AUM includes all third-party interests and total projected capital investment costs. AUM is $6.6 billion. During 2015, GreenOak completed its fundraise of its Europe Fund I with total commitments of €250 million, closed Asia II in excess of $500 million, and raised assets for a variety of projects such as 425 Park Avenue in the United States. GreenOak also continues to generate advisory fees across its various regions. Since its inception, GreenOak has raised approximately $3.7 billion of equity to invest in targeted strategies and assets, acquired 113 assets representing approximately 13 million square feet of space and $6.8 billion of real estate value within its target markets.

GREENOAK (continued)

AUM, continued

Figure 18

($MM)		Investment Period	Equity Raised[i]
United States			
	Fund I & Co-Investments	2011 - 2013	356
	Fund II & Co-Investments	2014 - Present	865
	425 Park/Other	2012	513
	U.S. Sub-Total		**1,734**
Asia			
	Fund I & Co-Investments	2012 - Present	324
	Fund II & Co-Investment to date	2015 - Present	597
	Other	2011, 2013	44
	Japan Sub-Total		**965**
Europe			
	Europe Fund I	2014 - Present	271
	Spanish Separate Account	2014	86
	UK Investment Program	2012 - Present	303
	European Credit	2013 - Present	361
	Europe Sub-Total		**1,021**
TOTAL			**3,720**

(i) Source: GreenOak, as of 31 December 2015. Includes assets previously purchased by GreenOak that have been monetised.

Performance in 2015:

GreenOak-managed vehicles continue to perform well across their European, U.S., and Asian businesses. In particular, U.S. Fund I and Japan Fund I are now starting to monetise significant parts of their portfolios, with both funds currently projected to exceed expected IRRs.

In the United States, GreenOak raised $630 million of equity; invested $675 million of equity; closed eight investments; and purchased approximately $1.7 billion of real estate on an all-in cost basis. The company returned more fund equity to investors than it invested during the year, having disposed of a number of assets. Inception to date, GreenOak's U.S. business has invested in and committed to 36 transactions totalling $4.7 billion of asset value, with $1.6 billion of equity invested.

In Europe, GreenOak completed its fundraise of Europe Fund I with total commitments of €250 million; it invested over €190 million across 14 investments and in its Debt Fund I; and made six loans for a total commitment of £55 million, bringing the total from inception to nearly £150 million.

In Asia, GreenOak closed in excess of $500 million for Asia Fund II plus $100 million of co-invest capital; invested $170 million in equity between Japan Fund I and Asia Fund II; and closed on seven transactions totalling over $550 million on an all-in cost basis. Inception to date, GreenOak Asia has invested and committed to $1.8 billion of asset value (cost basis) with $420 million of equity.

GreenOak also continued to realise advisory revenues across all of its regions. Since the company's inception, GreenOak has monetised approximately $1.9 billion of stabilised assets in GreenOak funds and separate accounts.

POLYGON™

Description of Business:

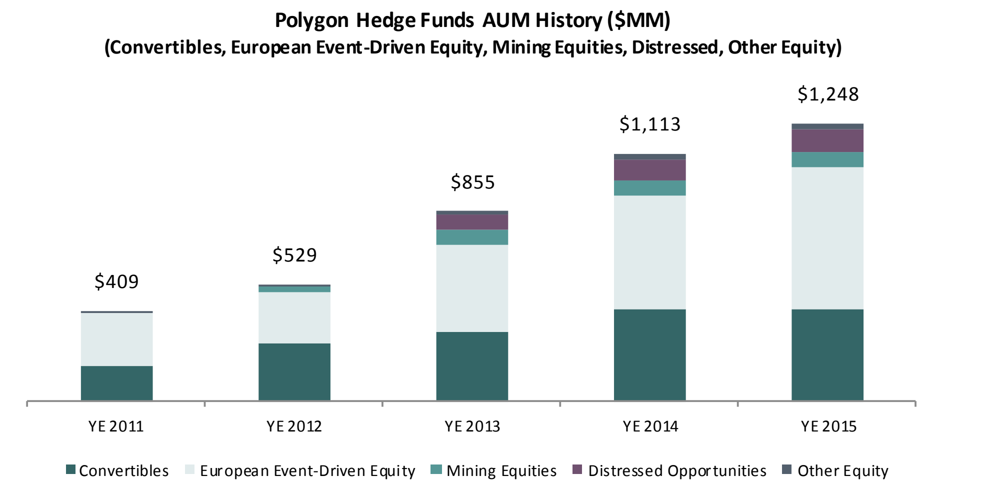
- Polygon manages open-ended hedge fund and private equity vehicles across a number of strategies.
- Polygon was established in 2002 and has offices in New York and London.
- TFG owns 100% of the business.
- Fees in these products include a management fee that is generally between 1.5% and 2.0% and the typical performance fee or carried interest is 20%.
- Further information on Polygon is available at www.polygoninv.com.

Amount of TFG's Investment in Products:

$338.1 million.

AUM:

Figure 19[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 2011, 2012, 2013, 2014, and 2015. Includes, where relevant, investments by Tetragon Financial Group Master Fund Limited.

AUM is $1.5 billion for all funds; $1.2 billion for open strategies.

POLYGON (continued)

Performance in 2015:

Figure 20[35]

Polygon Funds Summary

Fund		AUM at 31 Dec 2015 ($MM)	Q4 2015 Net Performance	2015 Net Performance	Annualised Net LTD Performance
Convertibles[35.i]	$	417.9	1.0%	4.5%	17.1%
European Event-Driven Equity[35.ii]	$	637.0	5.2%	10.3%	11.2%
Mining Equities[35.iii]	$	70.0	5.1%	6.2%	3.3%
Distressed Opportunities[35.iv]	$	100.0	-1.2%	-2.2%	4.3%
Other Equity[35.v]	$	23.2	1.5%	9.6%	16.0%
Total AUM - Open Funds	**$**	**1,248.1**			**Estimated approx. LTD Multiple**
Private Equity Vehicle[35.vi]	$	262.4	N/A	N/A	1.9x
Total AUM	**$**	**1,510.5**			

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.

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. Except as otherwise noted, 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.

P&L in 2015 for the Private Equity Vehicle was $26.9 million through to 31 December 2015 before FX movements of -$18.5 million. P&L is +$152.4 million from closing date net asset value before FX movements of -$39.2 million. The fund is generally precluded from hedging FX exposure. The fund has made life to date distributions of $565 million to its partners. The estimated approximate LTD multiple is based on the fund's quarter end net asset value and historical distributions and other returns over an original aggregate purchase price for the fund's initial assets of approximately $459 million and excludes the effects of FX and certain assets purchased through recycled capital. The estimated approximate LTD multiple including those two items (FX and recycled capital) would be 1.9x. Each of these multiples will be different from the multiples reflected for specific limited partners in the fund, which would be calculated with respect to relevant class of partners in accordance with the fund's limited partnership agreement.

Convertibles:

- Polygon's convertibles strategy invests primarily in convertible securities in Europe and North America.
- 2015 net performance was 4.5%, compared to the HFRX Convertible Arbitrage Index which returned -0.12% for the same period; annualised net performance since inception in May 2009 has been 17.1% compared to 5.1% for the benchmark index.[36]

European Event-Driven Equity:

- Polygon's European Event-Driven strategy invests primarily in the major European equity markets, with an event-driven focus.
- The strategy returned 10.3% net during 2015. This compares to the HFRX Event Driven Index which returned -6.9% for the same period; annualised net performance since inception in July 2009 has been 11.2% compared to 1.8% for the benchmark index.[37]

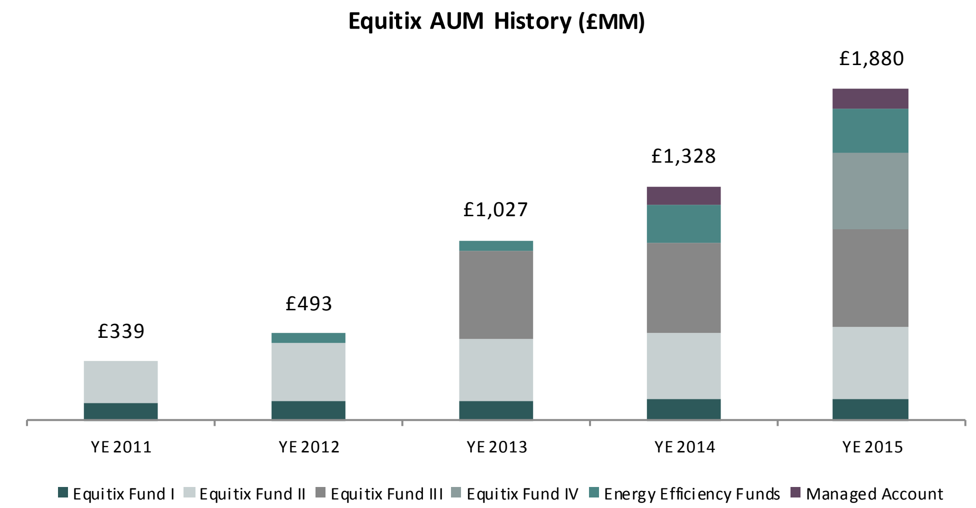
Mining Equities:

- Polygon's Mining Equities strategy focuses primarily in the equities of global mining companies, many of them based on gold.
- The strategy posted net returns of 6.2% for 2015, versus the GDXJ Junior Gold Miners Index, which was down 19.7% for the same period; annualised net performance since inception in June 2012 has been 3.3% compared to -32.2% for the benchmark index.[38]

POLYGON (continued)

Distressed Opportunities:	• Polygon's Distressed strategy focuses on opportunities in companies undergoing, or about to undergo, balance sheet restructurings. • Net performance during 2015 was -2.2%. This compares to the HFRX Distressed Restructuring Index, which has returned -11.1% for the same period. Annualised net performance since inception in September 2013 has been 4.3% for the fund, versus the benchmark index return of -4.3%.[39]
Other Equities:	• These investments returned 9.6% net performance during 2015 and annualised performance from inception to 31 December 2015 was 16.0%.[40]
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 $565 million of cash to its partners since inception in March 2011, including $50.0 million during 2015. Performance in 2015 was affected by foreign exchange moves; P&L for 2015 was +$26.9 million; FX movements accounted for -$18.5 million, leading to net P&L of $8.4 million. Life to date, gross P&L is +$152.4 million excluding FX; FX movements accounted for -$39.2 million, and thus net P&L was $113.2 million.[41] TFG has not invested directly in this product; however, TFG Asset Management is the beneficiary of certain contracted management fee income.

equitix™

Description of Business:	• Equitix is an integrated core infrastructure asset management and primary project platform. • Equitix was established in 2007 and is based in London. • TFG owns 85% of the business; over time, TFG's holding is expected to decline to approximately 74.8%. Management own the balance. • Equitix typically invests in infrastructure projects in the United Kingdom with long-term revenue streams across the healthcare, education, social housing, highways & street lighting, offshore transmission and renewable and waste sectors. • 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 on Equitix is available at www.equitix.co.uk.
Amount of TFG's Investment in Products:	TFG has exposure to the performance of Equitix funds indirectly through its ownership of the company as Equitix holds certain GP interests in the funds it manages. As at 31 December 2015, these interests were valued at £12.5 million ($18.4 million).
AUM:	Figure 21  AUM is £1.9 billion ($2.8 billion)(i), compared to £1.3 billion at the end of 2014. (i) USD-GBP rate as at 31 December 2015.
Performance in 2015:	Equitix Fund I is cash generative and fully invested across 21 projects, Equitix Fund II is cash generative and fully invested across 35 projects and EF III is cash generative and fully invested/committed across 45 projects; all are delivering stable yields to investors. The Equitix Energy Efficiency Funds are in their investment period and are 70% committed to a diversified portfolio of projects; the portfolio is cash generative. The Equitix Managed Account is fully invested/committed and the portfolio is cash generative. Equitix Fund IV is in the process of fund raising and expected soon to reach its target with a significant proportion of capital invested/committed to date.

HAWKE'S POINT™

Description of Business:	• Hawke's Point is a mining finance company established by TFG in Q4 2014 which seeks to provide capital to companies in the mining and resource sectors. • TFG Asset Management 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.
Amount of TFG's Investment in Products:	In 2015, there were no investments on which to report.
AUM:	Not applicable.

TCIP™

Description of Business:	• TCIP acts as a general partner of a private equity vehicle that, among other things, makes investments in CLOs relating to risk retention rules.[42] • The business was established at the end of 2015 and is managed out of New York and London. • TFG owns 100% of the business. • TCIP currently acts as general partner of Tetragon Credit Income II L.P. ("TCI II"), which focuses on CLO investments relating to risk retention rules, including majority stakes in CLO equity tranches of transactions managed by LCM or sub-advised by third-party CLO managers. TCI II is structured with a management fee and carried interest over a preferred return (each on non-LCM investments). It has a multi-year investment period and a term of seven years (subject to potential extensions and otherwise as required by applicable regulatory requirements).
Amount of TFG's Investment in Products:	$35.0 million of committed capital.
AUM:	TCI II had its first close in November 2015 with committed capital of $142.9 million.
Performance in 2015:	TCI II made its first investment during Q4 2015, a majority stake in the equity tranche of LCM XX Limited Partnership. The TCIP team is focused on a near term pipeline of potential investments and third-party CLO sub-advisory arrangements.

Corporate Responsibility

Corporate Responsibility

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.
- TFG Asset Management's Polygon business is a member of the **Alternative Investment Management Association ("AIMA")** and is a signatory of the Standards of the **Hedge Fund Standards Board ("HFSB").**
- Equitix, one of TFG Asset Management's businesses, has adopted specific initiatives regarding Environmental, Social and Governance ("ESG") policies, by incorporating ESG policy and requesting socially responsible analysis and reporting within corporate governance of the projects they own and manage through all of their Funds. Furthermore, Equitix has a fund dedicated to making investments within the energy efficiency sector, which will make a direct contribution to the reduction of energy consumption and greenhouse gas emissions. Equitix is a signatory of the **United Nations Principles of Responsible Investment** (www.unpri.org) and a member of the **UK Sustainable Investment and Finance Association** (www.uksif.org). Please visit the Equitix website for further information: http://www.equitix.co.uk/sri.html.

2015 Financial Review

2015 Financial Review

This section shows consolidated financial data incorporating TFG and its 100% subsidiary, Tetragon Financial Group Master Fund Limited (the "Master Fund"), adjusted from Q3 2015 to reflect the Fair Value of TFG Asset Management's businesses which are consolidated under U.S. GAAP, and provides comparative data where applicable.(43)

Financial Highlights

Figure 22

TETRAGON FINANCIAL GROUP Financial Highlights Through 2013 - 2015			
	2015	2014	2013
U.S. GAAP net income ($MM)	$127.3	$95.1	$224.3
Fair Value Net income ($MM)	$263.9	$118.1	$247.4
U.S. GAAP EPS	$1.31	$1.00	$2.29
Fair Value EPS	$2.72	$1.24	$2.52
Fair Value Return on equity	14.5%	6.6%	15.3%
Fair Value Net Assets ($MM)	$1,987.3	$1,818.5	$1,803.2
U.S. GAAP number of shares outstanding (MM)	95.9	95.9	98.9
Fair Value NAV per share	$20.73	$18.96	$18.23
Pro Forma number of shares outstanding (MM)	104.2	106.6	110.2
Fully diluted Fair Value NAV per share	$19.08	$17.05	$16.36
DPS	$0.6475	$0.6175	$0.565

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

- **Fair Value Net Income ($263.9 million):** Adds back to the U.S. GAAP net income ($127.3 million) the imputed 2015 share based compensation ($22.0 million), which is generated on an ongoing basis resulting from the 2012 Polygon transaction and the Fair Value adjustment ($114.6 million) attributable to Polygon, LCM, Hawke's Point and TCIP which are currently consolidated under U.S. GAAP but are reflected in TFG's key metrics as if they are held at Fair Value and not consolidated. Please see Appendix V for further details.
- **Fair Value Return on Equity (14.5%):** Fair Value Net Income ($263.9 million) divided by Net Assets at the start of the year ($1,818.5 million).
- **Pro Forma Fully Diluted Shares (104.2 million):**(44) 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 (together, 6.6 million) and for the potential impact of share options issued (1.7 million). These options represent the intrinsic value of shares available for the GreenOak Founders as at the end of 2015 (1.7 million) plus potential impact of options issued to TFG's investment manager at the time of TFG's IPO (0.0 million). See also Figure 40.
- **Fair Value EPS ($2.72):** Calculated as Fair Value Net Income ($263.9 million) divided by weighted-average U.S. GAAP shares[i] during the period (97.1 million).
- **Fully Diluted Fair Value NAV per Share ($19.08):**(44) Calculated as Fair Value Net Assets ($1,987.3 million) divided by Pro Forma Fully Diluted shares (104.2 million).

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

Fair Value EPS Analysis 2013-2015

Figure 23

TETRAGON FINANCIAL GROUP TFG Fair Value Earnings per Share Analysis Through 2013 - 2015			
	2015	2014	2013
Investment portfolio segment			
U.S. CLO 1.0	$0.58	$1.23	$1.74
U.S. CLO 2.0	$0.31	$0.31	$0.23
European CLOs	$0.06	$0.24	$0.89
Equity Funds	$0.16	($0.03)	$0.20
Other Equities	$0.53	($0.28)	$0.10
Convertible Bond Fund	$0.02	$0.05	$0.02
Distressed Fund	($0.06)	$0.04	$0.02
Direct Loans	$0.01	$0.01	$0.04
Real Estate	$0.26	$0.11	$0.03
TFG Asset Management (fair value basis)	$1.91	$0.48	$0.21
FX, Options and Hedges	($0.10)	($0.15)	$0.10
Corporate Expenses	($0.95)	($0.64)	($0.97)
Corporate Income Taxes	($0.01)	($0.13)	($0.09)
Fair Value EPS	**$2.72**	**$1.24**	**$2.52**
Weighted Average Shares (MM)	97.1	95.4	98.0

Statement of Operations (Fair Value Basis)

Figure 24

TETRAGON FINANCIAL GROUP Fair Value Statement of Operations Through 2013 - 2015			
	2015 $MM	2014 $MM	2013 $MM
Interest income	134.7	152.5	204.8
Fee income	34.2	81.1	74.3
Other income - cost recovery	9.9	23.6	21.1
Insurance recovery	9.8	1.0	2.1
Dividend income	0.1	0.1	0.1
Investment income	**188.7**	**258.3**	**302.4**
Management and performance fees	(92.3)	(49.8)	(90.0)
Other operating and administrative expenses	(43.6)	(101.5)	(80.1)
Amortisation of intangible assets	(29.7)	(6.8)	(6.8)
Total operating expenses	**(165.6)**	**(158.1)**	**(176.9)**
Net investment income	**23.1**	**100.2**	**125.5**
Net change in unrealised appreciation in investments	157.4	(48.8)	105.1
Realised gain on investments	90.5	91.8	16.0
Realised and unrealised losses from hedging and fx	(6.2)	(12.5)	9.6
Net realised and unrealised gains from investments and fx	**241.7**	**30.5**	**130.7**
Net income before tax	**264.8**	**130.7**	**256.2**
Income tax	(0.9)	(12.6)	(8.8)
Net income	**263.9**	**118.1**	**247.4**

Performance Fee

A performance fee of $4.7 million was accrued in Q4 2015 in accordance with TFG's investment management agreement. In 2015, the Investment Manager earned performance fees of $35.8 million. The hurdle rate for the Q1 2016 incentive fee has been reset at 3.259558% (Q4 2015: 2.971858%) as per the process outlined in TFG's 2015 audited financial statements and in accordance with TFG's investment management agreement. Please see TFG's website, www.tetragoninv.com, and the 2015 TFG audited financial statements for more details on the calculation of this fee.

Balance Sheet (Fair Value Basis)

Figure 25

TETRAGON FINANCIAL GROUP Fair Value Balance Sheet as at 31 December 2013, 2014, and 2015			
	2015 $MM	2014 $MM	2013 $MM
Assets			
Investments, at fair value	1,543.0	1,356.2	1,533.0
Intangible assets	-	29.7	36.5
Cash and cash equivalents	402.7	402.0	245.9
Amounts due from brokers	59.9	52.1	42.0
Derivative financial assets	19.4	19.2	15.2
Fixed Assets	-	0.1	0.3
Deferred tax asset and income tax receivable	-	10.0	8.3
Other receivables	3.1	33.4	26.5
Total assets	**2,028.1**	**1,902.7**	**1,907.7**
Liabilities			
Other payables and accrued expenses	36.0	54.5	79.8
Amounts payable on share options	-	12.3	10.7
Deferred tax liability and income tax payable	4.1	11.5	10.7
Derivative financial liabilities	0.7	5.9	3.3
Total liabilities	**40.8**	**84.2**	**104.5**
Net assets	**1,987.3**	**1,818.5**	**1,803.2**

See Appendix V for the reconciliation between the U.S. GAAP consolidated balance sheet and the balance sheet prepared on a Fair Value basis.

Statement of Cash Flows[(i)]

Figure 26

TETRAGON FINANCIAL GROUP Fair Value Statement of Cash Flows Through 2013 - 2015			
	2015 $MM	2014 $MM	2013 $MM
Operating Activities			
Operating cash flows after incentive fees and before movements in working capital	315.0	290.9	375.6
Purchase of fixed assets	(0.1)	(0.1)	(0.4)
Amounts due from broker	(7.8)	(10.2)	(28.9)
Change in (payables) / receivables	(19.6)	(0.4)	2.7
Cash flows from operating activities	**287.5**	**280.2**	**349.0**
Investment Activities			
Proceeds on sales of investments			
- Proceeds from sale of CLOs	6.5	171.5	-
- Net proceeds from derivative financial instruments	7.7	-	8.1
- Proceeds from investments	73.3	17.3	102.6
- Proceeds from realisation of real estate investments	46.8	56.3	11.5
- Proceeds from GreenOak working capital repayment	6.4	5.1	-
Purchase of investments			
- Purchase of CLOs	(62.4)	(84.3)	(73.1)
- Purchase of bank loans	-	(1.4)	(22.4)
- Purchase of real estate investments	(81.4)	(77.0)	(43.5)
- Investments in asset managers	(133.1)	-	(0.5)
- Investments in Equity Funds	(5.0)	-	(115.0)
- Investments in Convertible Bond Fund	-	(15.0)	(10.0)
- Investments in Distressed Fund	(5.0)	(30.0)	(60.0)
- Investments in Other	(22.0)	(62.6)	(10.9)
Cash flows from operating and investing activities	**119.3**	**260.1**	**135.8**
Proceeds from issue of Shares	0.1	-	-
Net purchase of shares	(60.9)	(50.9)	(16.1)
Dividends paid to shareholders	(50.5)	(52.0)	(49.5)
Cash flows from financing activities	**(111.3)**	**(102.9)**	**(65.6)**
Net increase in cash and cash equivalents	8.0	157.2	70.2
Cash and cash equivalents at beginning of period	402.0	245.9	175.9
Adjustment to cash balance upon deconsolidation	(7.6)	-	-
Effect of exchange rate fluctuations on cash and cash equivalents	0.3	(1.1)	(0.2)
Cash and cash equivalents at end of period	**402.7**	**402.0**	**245.9**

(i) The gross dividend payable to shareholders was US$ 62.5 million (2014: US$ 58.4 million, 2013: US$ 53.9 million) with a value equivalent to US$ 12.0 million (2014: US$ 6.4 million, 2013: US$ 4.4 million) elected to be taken by the dividend recipient in shares rather than cash.

Fair Value Net Income to U.S. GAAP Reconciliation

Figure 27

Fair Value Net Income to U.S. GAAP Reconciliation	
	2015 $MM
Fair Value Net Income	**263.9**
Fair Value Adjustments	(114.6)
Share based compensation	(22.0)
U.S. GAAP net income	**127.3**

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

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

1. Adjustment one takes into account a Fair Value adjustment of $114.6 million for Polygon, LCM, Hawke's Point and TCIP as if they were de-consolidated and held at Fair Value rather than consolidated as they currently are for U.S. GAAP purposes. Further details are provided in Appendix IV.

2. Adjustment two removes share based compensation of $22.0 million as, under ASC 805, TFG is recognizing the value of the shares given in consideration for the Polygon transaction as compensation over the period in which they are vesting. This mechanic and future vesting schedule are described in more detail in the 2015 TFG audited financial statements.

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 2015 and contains a fair review of that period and (ii) the 2015 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

Certain Regulatory Information

This Performance Report constitutes TFG's annual financial report as required pursuant to Section 5:25c of the Dutch Financial Markets Supervision Act ("FMSA"). Pursuant to Section 5:25c and 5:25m of the FMSA, this report is made public by means of a press release and has been filed with the Netherlands Authority for the Financial Markets (Autoriteit Financiële Markten) and also made available to the public by way of publication on the TFG website (www.tetragoninv.com).

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 informatie") within the meaning of Section 1:1 of the FMSA.

TFG shares (the "Shares") are subject to legal and other restrictions on resale and the Euronext Amsterdam N.V. and SFM trading markets are less liquid than other major exchanges, which could affect the price of the Shares.

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 of 1940), 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 of 1940. These restrictions may adversely affect overall liquidity of the Shares.

APPENDIX III

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.

The below modelling assumptions are unchanged from last quarter.

Figure 28

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 29

U.S. CLOs Modelling Assumption

Variable	Year	Current Assumptions
CADR	**Until deal maturity**	1.0x WARF-implied default rate (2.1%)
Recovery Rate	**Until deal maturity**	67%
Prepayment Rate	**Until deal maturity**	20.0% p.a. on loans; 0.0% on bonds
Reinvestment Price	**Until deal maturity**	100%

Figure 30

Discount Rates

CLO Type	Q4 2015	Q4 2014
U.S. 1.0	12.0%	12.0%
European 1.0	13.0%	13.0%
U.S. 2.0 - seasoned	11.0%	11.0%
U.S. 2.0 - less than 12 months old	Deal IRR	Deal IRR

APPENDIX IV

Fair Value Determination In TFG Asset Management

In accordance with the accounting guidance in the AICPA Audit and Accounting Guide (2015): Investment Companies (the "Guide"), as an Investment Company, TFG carries all of its investments at Fair Value. However, as outlined in section 7.10 of the Guide, operating entities should be consolidated where TFG (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 Investment Company (i.e., TFG) rather than realise a gain on the sale of the investment. As at 31 December 2015, this consolidation exemption was applied to TFG's holdings in Polygon, LCM and Hawke's Point (the "Consolidated Businesses") because these businesses were managing some of TFG's investment capital and thus could be deemed to be providing services to TFG. In contrast, Equitix is not managing TFG's capital so is not subject to point (iii) above, and GreenOak is minority-owned so is not subject to points (i) or (ii) above.

The resultant inconsistency of treatment under U.S. GAAP of the businesses in TFG Asset Management is potentially confusing to the reader of TFG's financial statements, particularly since the determination and articulation in Q3 2015 of the "IPO Strategy"[45] for TFG Asset Management, which confirmed that the primary commercial purpose for TFG Asset Management, including the Consolidated Businesses, is to be held as an investment for capital appreciation, in line with TFG's investment objective. Consequently, from Q3 2015, TFG has prepared and presented its non-GAAP financial metrics and performance information using a consistent Fair Value basis for all of TFG Asset Management. Some of the differences resulting from the presentation of non-GAAP metrics are reconciled in Appendix V.

TFG's investments in the TFG Asset Management businesses are considered to be "Level 3" investments in the U.S. GAAP valuation hierarchy and the Audit Committee of TFG, comprising the Independent Directors, has engaged third-party valuation specialists to determine an indicative valuation for each of these businesses. These valuations have been adopted for the purposes of reporting the Fair Value impact in TFG's non-GAAP metrics as at 31 December 2015.

Figure 31 sets out the valuation approach utilised for each of the businesses as well as the range of market metrics utilised in determining Fair Value. Both management and performance fees ("Fees") continue to be calculated based on the U.S. GAAP measure of Net Asset Value and thus the non-GAAP adjustments do not currently impact the Fees payable to the Manager.

Figure 31

Valuation approach to TFG's investments in TFG Asset Management						
Investment	TFG holding	Fair Value ($MM)	Valuation approach	Ranges utilised: Discount Rate	Multiple	Value as % of AUM
Equitix	75% & Debt	173.9	Quoted market multiples and cross-check to recent transaction. Debt at par + accrued interest	9.5% 15% Discount for Lack of Liquidity ("DLOL")	5.3 x - 6.3 x EBITDA 20% discount built-in	N/A
GreenOak	23%	70.0	Quoted market multiples and cross-check using blended EBITDA and quoted market multiples	N/A	11.7 x- 12.3 x Adjusted EBITDA	N/A
LCM	100%	110.2	Discounted cash flow analysis, cross checked to market multiples	11.5%-13.5% 15% Discount for Lack of Liquidity ("DLOL")	N/A	1.6% -1.9% DLOL built-in
Polygon	100%	67.0	Discounted cash flow analysis, cross checked to market multiples	12%-14% 20% DLOL	7.7 x EBITDA DLOL built-in	3.8 x - 4.3 x DLOL built-in
Hawke's Point	100%	0.8	Replacement cost basis	N/A	N/A	N/A
TCIP	100%	0.3	Discounted cash flow analysis	12.5%-14.5% 15% Discount for Lack of Liquidity ("DLOL")	N/A	N/A

APPENDIX V

Reconciliation Between U.S. GAAP and Fair Value Basis

This section describes how the non-GAAP Fair Value adjustments relating to LCM, Polygon, Hawke's Point and TCIP have been made to the U.S. GAAP financials to arrive at the Key Performance Metrics.

Figure 32 details the impact of such a change in accounting treatment for LCM, Polygon and Hawke's Point in terms of carrying value and performance fees.

In arriving at the imputed performance fee, the change in NAV is adjusted by the full amortisation of the remaining base cost ($29.9 million) of the purchase of 25% of LCM in 2012. Previously, this was being amortised on a straight-line basis over 10 years, and each quarter an applicable adjustment is made to reduce the performance fees payable to the investment manager.

Figure 32

TFG Asset Management - Impact of Use of Fair Value Metrics on Consolidated Businesses

	Fair Value 31-Dec-15 ($MM)	U.S. GAAP Consolidated Value 31-Dec-15 ($MM)	Change ($MM)
Polygon	67.0	23.4	43.6
LCM	110.2	-	110.2
Hawke's Point	0.8	-	0.8
TCIP	0.3	-	0.3
Net assets of consolidated businesses	-	17.8	(17.8)
Deferred tax liability re intangible assets	-	(5.8)	5.8
Fair Value impact gross of imputed performance fee	**178.3**	**35.4**	**142.9**

	$MM
Gross change in NAV for purposes of incentive fee calculation	142.9
Full amortisation of LCM base cost	(29.9)
NAV for purposes of incentive fee calculation	113.0
Imputed performance fee	28.3
Fair Value impact net of imputed performance fee	114.6

APPENDIX V *(continued)*

Reconciliation Between U.S. GAAP and Fair Value Basis *(continued)*

Figure 33 shows a reconciliation between the Statement of Operations prepared on a full Fair Value basis and on a U.S. GAAP basis. We assume that the date of notional de-consolidation was the start of Q3 2015, the quarter in which the IPO Strategy, and thus the change in the purpose for the expanded TFG Asset Management, was confirmed.

In addition to adding in the unrealised Fair Value as detailed in Figure 32, the reconciliation shows the removal of the operating P&L for H2 2015, and the reversal of certain balance sheet items relating to Polygon, LCM, Hawke's Point or TCIP. Such items include the remaining intangible asset balance relating to Polygon's management contracts and a reversal of a deferred tax liability.

We adjust for notional performance fees of $28.3 million as calculated in Figure 32.

In addition, as in prior periods, we back out share-based compensation of $22.0 million as, under ASC 805, TFG is recognizing the value of the shares given in consideration for the Polygon transaction as compensation over the period in which they are vesting. This mechanic and future vesting schedule are described in more detail in the 2015 Master Fund audited financial statements.

Figure 33

TETRAGON FINANCIAL GROUP

Fair Value to U.S. GAAP Statement of Operations Reconciliation Through 2015

	Fair Value Net Economic Income $MM	Fair Value Adjustments $MM	Share Based Compensation $MM	U.S. GAAP $MM
Interest income	134.7	-	-	134.7
Fee income	34.2	36.0	-	70.2
Other income - cost recovery	9.9	7.4	-	17.3
Insurance recovery	9.8	-	-	9.8
Dividend income	0.1	-	-	0.1
Investment income	**188.7**	**43.4**	**-**	**232.1**
Management and performance fees	(92.3)	28.3	-	(64.1)
Other operating and administrative expenses	(43.6)	(43.8)	(22.0)	(109.4)
Amortisation of intangible assets	(29.7)	23.4	-	(6.3)
Total operating expenses	**(165.6)**	**7.9**	**(22.0)**	**(179.8)**
Net investment income	**23.1**	**51.3**	**(22.0)**	**52.3**
Net change in unrealised appreciation in investments	157.4	(156.7)	-	0.7
Realised gain on investments	90.5	-	-	90.5
Realised and unrealised losses from hedging and fx	(6.2)	-	-	(6.2)
Net realised and unrealised gains from investments and fx	**241.7**	**(156.7)**	**-**	**85.0**
Net income before tax	**264.8**	**(105.4)**	**(22.0)**	**137.3**
Income tax	(0.9)	(9.2)	-	(10.1)
Net income	**263.9**	**(114.6)**	**(22.0)**	**127.3**

APPENDIX V *(continued)*

Reconciliation Between U.S. GAAP and Fair Value Basis *(continued)*

Figure 34 shows a reconciliation between the Balance Sheet prepared on a full Fair Value basis and on a U.S. GAAP basis. As noted above, we assume that the date of notional de-consolidation was the start of Q3 2015, the quarter in which the IPO Strategy, and thus the purpose for the expanded TFG Asset Management – to be held as an investment for IPO – was confirmed.

In addition to adding in the unrealised Fair Value of $178.3 million as detailed in Figure 32, the reconciliation shows the removal of certain balance sheet items relating to Polygon, LCM, Hawke's Point and TCIP, including the value of Polygon's un-amortised management contracts ($23.4 million), cash of $37.7 million held in TFG Asset Management, a small amount of fixed assets, a deferred tax asset and receivables, which mainly relate to cost recoveries. On the liability side, we reverse certain accrued expenses including compensation and add back a notional performance fee of $28.3 million relating to the Fair Value adjustment as detailed in Figure 32.

Figure 34

TETRAGON FINANCIAL GROUP

Fair Value to U.S. GAAP Balance Sheet Reconciliation as at 31 December 2015

	Fair Value $MM	Fair Value Adjustments $MM	U.S. GAAP $MM
Assets			
Investments, at fair value	1,543.0	(178.3)	1,364.7
Intangible assets	-	23.4	23.4
Cash and cash equivalents	402.7	37.7	440.4
Amounts due from brokers	59.9	-	59.9
Derivative financial assets	19.4	-	19.4
Fixed Assets	-	0.5	0.5
Deferred tax asset and income tax receivable	-	9.2	9.2
Other receivables	3.1	18.4	21.5
Total assets	**2,028.1**	**(89.1)**	**1,939.0**
Liabilities			
Other payables and accrued expenses	36.0	17.2	53.2
Deferred tax liability and income tax payable	4.1	8.3	12.4
Derivative financial liabilities	0.7	-	0.7
Total liabilities	**40.8**	**25.5**	**66.3**
Net assets	**1,987.3**	**(114.6)**	**1,872.7**

APPENDIX VI

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 35

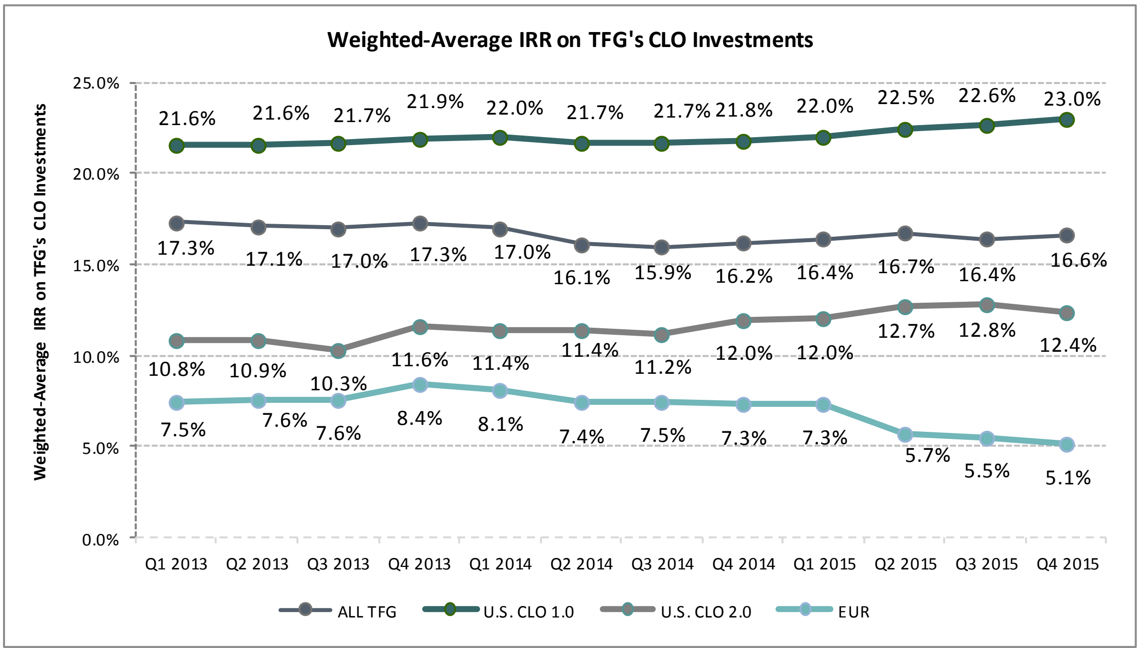
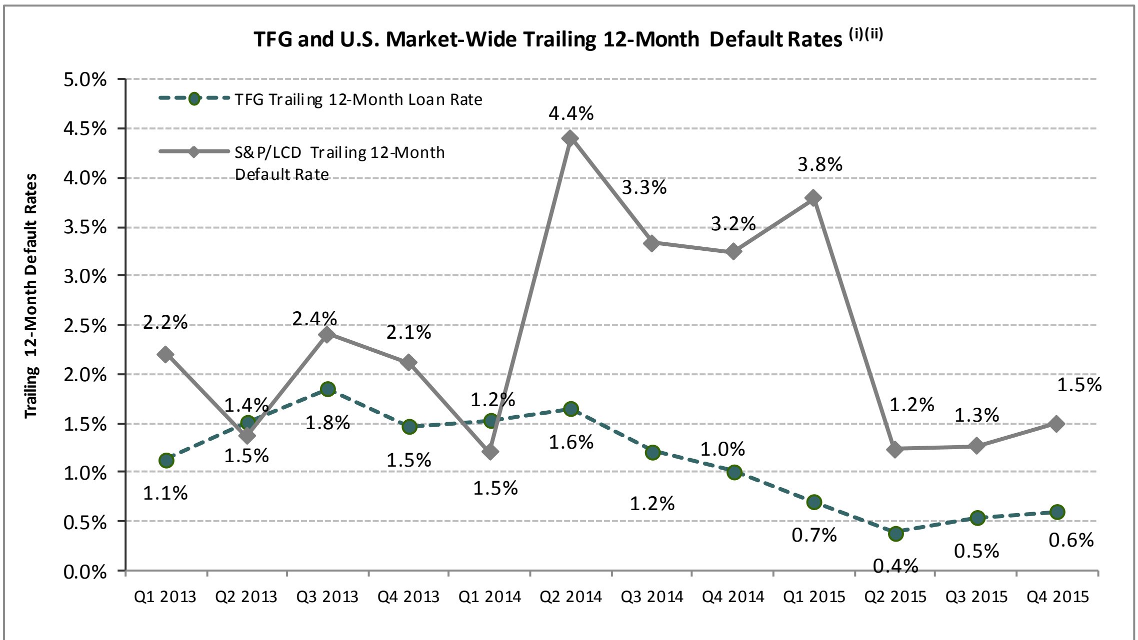


Figure 36



(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 10.5% 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.

Additional CLO Portfolio Statistics (continued)

CLO PORTFOLIO CREDIT QUALITY

Figure 37

ALL CLOs	Q1 2013	Q2 2013	Q3 2013	Q4 2013	Q1 2014	Q2 2014	Q3 2014	Q4 2014	Q1 2015	Q2 2015	Q3 2015	Q4 2015
Caa1/CCC+ or Below Obligors:	5.1%	5.0%	4.9%	5.4%	4.6%	3.7%	4.5%	3.3%	3.2%	4.5%	3.8%	3.5%
WARF:	2,541	2,568	2,553	2,542	2,565	2,621	2,554	2,442	2,350	2,507	2,488	2,549

U.S. CLOs	Q1 2013	Q2 2013	Q3 2013	Q4 2013	Q1 2014	Q2 2014	Q3 2014	Q4 2014	Q1 2015	Q2 2015	Q3 2015	Q4 2015
Caa1/CCC+ or Below Obligors:	4.0%	4.1%	3.9%	3.8%	3.4%	3.0%	4.4%	2.5%	2.2%	2.6%	2.5%	2.9%
WARF:	2,510	2,550	2,534	2,513	2,544	2,556	2,489	2,347	2,257	2,402	2,399	2,540

EUR CLOs	Q1 2013	Q2 2013	Q3 2013	Q4 2013	Q1 2014	Q2 2014	Q3 2014	Q4 2014	Q1 2015	Q2 2015	Q3 2015	Q4 2015
Caa1/CCC+ or Below Obligors:	9.7%	8.7%	9.1%	11.8%	9.4%	6.9%	4.8%	6.5%	7.2%	12.8%	10.0%	6.4%
WARF:	2,670	2,642	2,631	2,658	2,650	2,894	2,819	2,826	2,729	2,974	2,888	2,592

CLO EQUITY PORTFOLIO DETAILS AS OF 31 DECEMBER 2015

Figure 38

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	351	55	149	6.20%	3.86%	0.27%	-	51.1%
Transaction 2	EUR CLO	29.7	2006	2023	2013	384	52	104	3.21%	3.60%	(0.04%)	10.1%	135.1%
Transaction 5	EUR CLO	36.9	2007	2022	2014	396	60	69	5.29%	5.74%	(0.05%)	11.2%	131.0%
Transaction 7	EUR CLO	38.5	2007	2023	2013	388	46	104	21.08%	3.64%	1.99%	3.4%	60.7%
Transaction 10	EUR CLO	27.0	2006	2022	2012	356	50	131	13.74%	4.54%	0.98%	1.1%	56.8%
Transaction 86	EUR CLO	3.6	2006	2022	2012	356	50	131	13.74%	3.11%	1.13%	9.1%	42.6%
EUR CLO Subtotal:		**173.2**				**375**	**53**	**111**	**10.13%**	**4.26%**	**0.66%**		**85.3%**
Transaction 11	US CLO	20.5	2006	2018	2012	288	45	131	52.09%	4.55%	5.11%	20.8%	202.4%
Transaction 12	US CLO	22.8	2006	2019	2013	333	46	132	54.22%	4.45%	5.43%	20.8%	202.8%
Transaction 13	US CLO	15.2	2006	2018	2012	304	47	67	11.51%	4.82%	0.71%	21.9%	234.3%
Transaction 14	US CLO	26.0	2007	2021	2014	332	49	74	4.43%	5.63%	(0.14%)	19.2%	222.5%
Transaction 15	US CLO	28.1	2007	2021	2014	390	52	60	4.27%	4.21%	0.01%	29.8%	291.6%
Transaction 16	US CLO	23.5	2006	2020	2013	360	46	63	6.55%	4.44%	0.22%	21.1%	238.3%
Transaction 17	US CLO	26.0	2007	2021	2014	300	40	41	4.63%	4.24%	0.04%	24.7%	250.7%
Transaction 22	US CLO	37.4	2007	2021	2014	380	53	76	6.44%	5.00%	0.16%	21.9%	226.6%
Transaction 24	US CLO	16.9	2006	2018	2012	389	46	118	39.80%	4.17%	3.80%	17.9%	199.9%
Transaction 32	US CLO	24.0	2007	2021	2014	304	59	71	4.27%	5.57%	(0.16%)	22.2%	229.8%
Transaction 34	US CLO	22.2	2006	2020	2012	372	50	143	16.14%	6.66%	1.05%	18.7%	207.9%
Transaction 36	US CLO	28.4	2007	2021	2013	344	46	83	4.82%	5.18%	(0.04%)	19.4%	199.2%
Transaction 47	US CLO	28.3	2006	2021	2013	330	47	57	4.27%	4.34%	(0.01%)	22.7%	240.6%
Transaction 56	US CLO	23.0	2007	2019	2014	611	42	N/A	56.96%	4.53%	5.97%	22.6%	249.2%
Transaction 57	US CLO	0.6	2007	2019	2014	611	42	N/A	56.96%	4.53%	5.97%	49.2%	1574.9%
Transaction 61	US CLO	29.1	2007	2021	2014	345	45	55	2.70%	4.04%	(0.15%)	17.9%	192.9%
Transaction 63	US CLO	27.3	2007	2021	2013	353	53	105	7.83%	4.78%	0.36%	19.4%	209.5%
Transaction 64	US CLO	15.4	2007	2021	2013	359	38	56	N/A	N/A	N/A	23.2%	245.1%
Transaction 65	US CLO	26.9	2006	2021	2013	340	47	119	19.49%	4.96%	1.60%	15.3%	173.2%
Transaction 66	US CLO	21.3	2006	2020	2013	289	49	66	4.25%	4.05%	0.02%	22.8%	243.4%
Transaction 68	US CLO	19.3	2006	2020	2013	319	48	54	8.83%	4.41%	0.49%	28.3%	295.7%
Transaction 69	US CLO	28.2	2007	2019	2013	319	44	53	11.30%	5.61%	0.65%	27.0%	272.8%
Transaction 72	US CLO	4.8	2007	2019	2014	611	42	N/A	56.96%	4.53%	5.97%	19.5%	149.0%
Transaction 73	US CLO	1.9	2007	2019	2014	611	42	N/A	56.96%	4.53%	5.97%	19.5%	149.0%
Transaction 75	US CLO	32.7	2011	2022	2014	366	168	193	7.41%	4.05%	0.74%	11.2%	84.0%
Transaction 77	US CLO	14.5	2011	2023	2016	385	212	214	4.04%	5.04%	(0.25%)	12.0%	70.0%
Transaction 78	US CLO	22.9	2012	2023	2015	407	217	176	5.68%	4.00%	0.43%	16.6%	94.3%
Transaction 79	US CLO	19.4	2012	2022	2015	379	215	184	3.86%	4.00%	(0.04%)	8.4%	66.8%
Transaction 80	US CLO	22.7	2012	2022	2016	392	185	185	3.19%	4.17%	(0.27%)	10.6%	69.1%
Transaction 81	US CLO	21.7	2012	2024	2016	416	216	193	3.37%	4.00%	(0.19%)	7.3%	52.4%
Transaction 82	US CLO	25.4	2012	2022	2016	396	206	207	3.54%	4.00%	(0.14%)	9.5%	52.7%
Transaction 83	US CLO	20.8	2013	2025	2017	447	193	193	6.48%	6.17%	0.11%	14.5%	60.0%
Transaction 84	US CLO	24.6	2013	2023	2017	391	183	184	3.93%	4.02%	(0.03%)	16.5%	69.1%
Transaction 85	US CLO	1.0	2013	2025	2017	394	170	171	4.87%	5.01%	(0.05%)	9.9%	52.9%
Transaction 87	US CLO	23.0	2013	2026	2018	402	199	199	3.20%	4.00%	(0.39%)	3.7%	35.4%
Transaction 88	US CLO	30.1	2014	2024	2018	390	199	200	3.54%	4.02%	(0.26%)	11.5%	41.8%
Transaction 89	US CLO	33.6	2014	2026	2018	407	195	195	3.56%	3.96%	(0.26%)	13.7%	36.5%
Transaction 90	US CLO	20.7	2014	2026	2018	414	203	200	3.95%	4.00%	(0.04%)	13.2%	24.3%
Transaction 91	US CLO	27.8	2015	2027	2019	425	215	212	3.82%	4.00%	(0.23%)	14.9%	15.5%
Transaction 92	US CLO	34.6	2015	2027	2020	425	199	199	4.05%	3.99%	0.13%	16.1%	12.6%
US CLO Subtotal:		**892.5**				**375**	**111**	**126**	**10.47%**	**4.45%**	**0.65%**		**154.4%**
Total CLO Portfolio:		**1,065.7**				**375**	**102**	**123**	**10.42%**	**4.42%**	**0.65%**		**143.1%**

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.

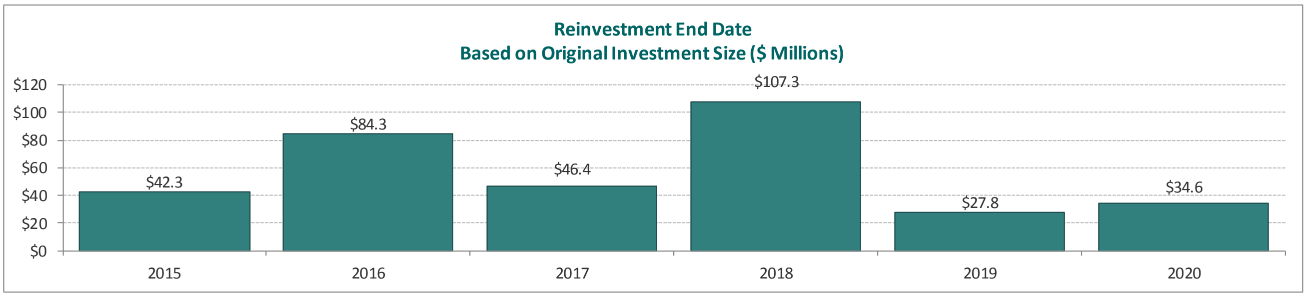
(viii) Calculated by annualising the change from the expected closing date junior-most O/C cushion to the current junior-most O/C cushion.

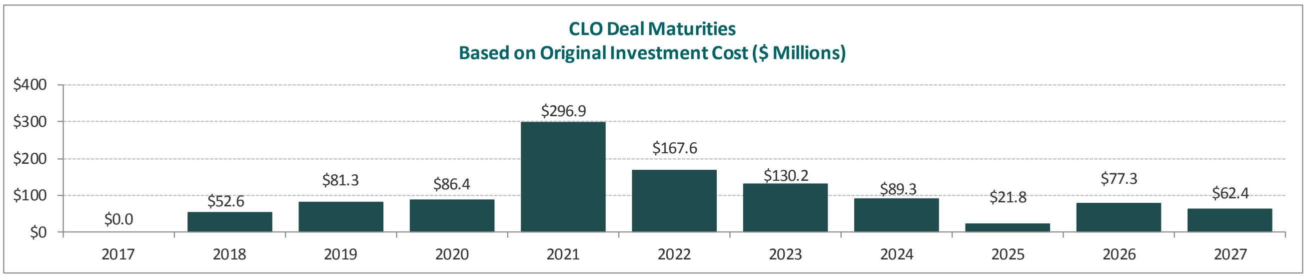
(ix) Calculated from TFG's investment date. Includes both historical cash flows received to-date and prospective cash flows expected to be received, based on TFG's base case modelling assumptions.

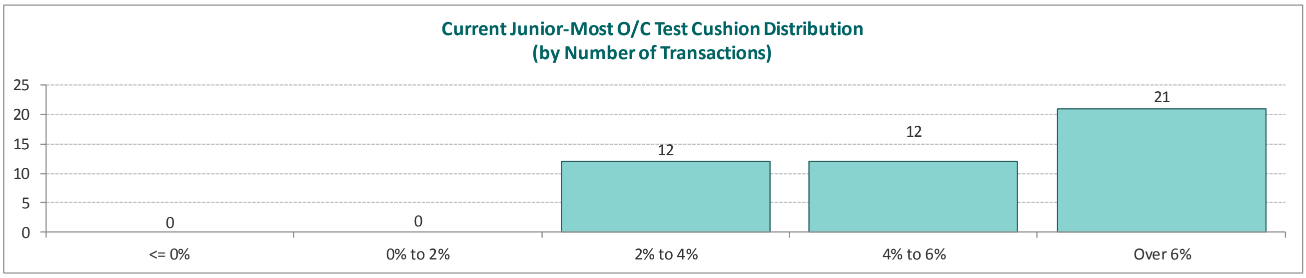
(x) Inception to report date cash flow received on each transaction as a percentage of its original cost.

CLO EQUITY PORTFOLIO DETAILS AS OF 31 DECEMBER 2015 (continued)

Figure 39







(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 VII

Share Reconciliation and Shareholdings

Figure 40[46]

U.S. GAAP to Fully Diluted Shares Reconciliation	
	2015 Shares (MM)
Legal Shares Issued and Outstanding	**137.8**
Less: Shares Held In Subsidiary	(17.0)
Less: Shares Held In Treasury	(12.8)
Less: Escrow Shares [46.i]	(12.1)
U.S. GAAP Shares Outstanding	**95.9**
Add: Dilution for Share Options	1.7
Add: Escrow Shares [46.i]	6.6
Pro Forma Fully Diluted Shares	**104.2**

Shareholdings

Persons affiliated with TFG maintain significant interests in TFG shares. For example, as of 31 December 2015, the following persons own (directly or indirectly) interests in shares in TFG in the amounts set forth below:

Mr. Reade Griffith*	8,195,861
Mr. Paddy Dear*	2,969,897
Mr. David Wishnow	243,894
Mr. Jeff Herlyn	170,904
Mr. Rupert Dorey	102,717
Mr. Michael Rosenberg	68,052
Mr. Frederic Hervouet	10,133
Long Term Incentive Programme ("LTIP") and other equity-based awards[47]	5,650,000

*The amounts set forth above in regards to Messrs. Griffith and Dear include their interests with respect to the Escrow Shares. In addition to the foregoing, as of 31 December 2015, certain employees of subsidiaries of TFG and other affiliated persons own in the aggregate approximately 3.3 million shares, including interests with respect to the Escrow Shares, in each case, however, excluding any TFG shares held by the GreenOak principals or employees.

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 Sellers agreed to sell to Messrs. Griffith and Dear and certain employees of TFG Asset Management on 29 October 2015 an aggregate of approximately 0.26 million Vested Shares at a price equal to the tender offer clearing price of $10. Messrs. Griffith and Dear acquired acquire in aggregate approximately 0.12 million Vested Shares and these are included in their shareholdings disclosed above.

Certain of these persons may from time to time enter into purchases or sales trading plans (each a, "Fixed Trading Plan") providing for the sale of Vested Shares or the purchase of TFG shares in the market, or may otherwise sell their Vested Shares or purchase TFG shares, subject to applicable compliance policies. Applicable brokerage firms may be authorised to purchase or sell 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 2015 Tetragon Financial Group Master Fund Limited audited financial statements.

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 VIII

Additional Corporate Information

DESCRIPTION OF BUSINESS

TFG (company number 43321) is a Guernsey closed-ended company traded on Euronext Amsterdam N.V. under the ticker symbol "TFG.NA" and on the Specialist Fund Market of the London Stock Exchange under the symbol "TFG.LN".

TFG's investment objective is to generate distributable income and capital appreciation. It aims to provide stable returns to investors across various credit, equity, interest rate, inflation and real estate cycles. The company's investment portfolio comprises a broad range of assets, including a diversified alternative asset management business, TFG Asset Management, and covers bank loans, real estate, equities, credit, convertible bonds and infrastructure.

TFG's asset-management platform, TFG Asset Management, consists of LCM, the GreenOak joint venture, Polygon, Equitix, Hawke's Point, and TCIP. TFG Asset Management 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.

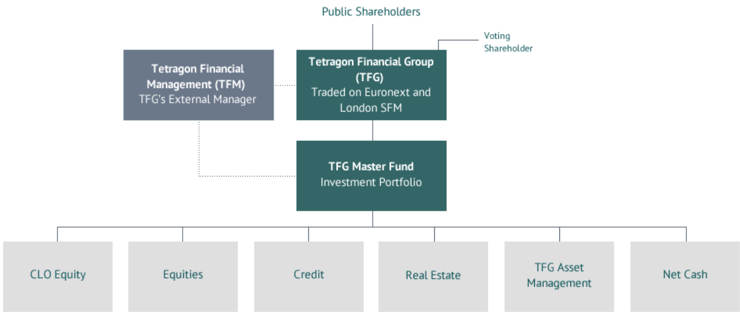
TFG is registered in the public register of the Netherlands Authority for the Financial Markets under section 1:107 of the FMSA as a collective investment scheme from a designated country.

ORGANISATIONAL STRUCTURE

TFG currently invests through a "master-feeder" structure whereby TFG's only direct investment is in shares of Tetragon Financial Group Master Fund Limited, or the TFG Master Fund.

Figure 41

Group Structure



TFG has an authorised share capital of $1,000,000 divided into 10 voting shares, having a par value of $0.001 each, and 999,999,990 non-voting shares. The 10 voting shares in issue were issued at par and are owned by Polygon Credit Holdings II Limited, which is a non-U.S. affiliate of TFG's investment manager and is ultimately controlled by Reade Griffith and Paddy Dear.

TFG's voting shares are the only shares of TFG entitled to vote for the election of TFG's and the Master Fund's boards of directors and on all other matters, subject to the limited rights of the shares described in TFG's Memorandum and Articles of Incorporation. TFG's voting shares are not entitled to receive dividends.

Except as described in TFG's Memorandum and Articles of Incorporation, the non-voting shares are not entitled to vote on any matter. The non-voting shares carry a right to any dividends or other distributions declared by TFG.

INVESTMENT MANAGEMENT

Tetragon Financial Management LP, or TFM, 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"). TFM's general partner, Tetragon Financial Management GP LLC, is responsible for all actions of the investment manager. The general partner is ultimately controlled by Reade Griffith and Paddy Dear, who also control the holder of TFG's voting shares and are the voting members of TFM's Investment and Risk Committees. Reade Griffith acts as the authorised representative of the general partner and TFM.

TFM's Investment Committee is responsible for the investment management of TFG and the Master Fund portfolio and currently consists of Reade Griffith, Paddy Dear, Jeffrey Herlyn, Michael Rosenberg, David Wishnow and Stephen Prince. The Investment Committee determines the investment strategy of TFG and the Master Fund and approves each significant investment by them.

TFM's Risk Committee is responsible for the risk management of TFG and the Master Fund portfolio and performs active and regular oversight and risk monitoring. The risk committee has the same composition as the investment committee.

TFM's Executive Committee oversees all key non-investment and risk activities of TFM and currently consists of Reade Griffith, Paddy Dear, David Wishnow, Stephen Prince, Phil Bland, Sean Côté and Greg Wadsworth.

(Continued)

Additional Corporate Information (continued)

SUMMARY OF KEY TERMS OF TFG'S INVESTMENT MANAGEMENT AGREEMENT

Under the terms of the Investment Management Agreement, TFM has full discretion to invest the assets of TFG and the Master Fund in a manner consistent with the investment objective of TFG. TFM has the authority to determine the investment strategy to be pursued in furtherance of the investment objective, which strategy may be changed from time to time by TFM in its discretion. TFM is authorised to delegate its functions under the Investment Management Agreement.

The Investment Management Agreement continues in full force and effect unless terminated (i) by the investment manager at any time upon 60 days' notice or (ii) immediately upon TFG or the Master Fund giving notice to the Investment Manager or the Investment Manager giving notice to TFG or the Master Fund in relation to such entity in the event of (a) the party in respect of which notice has been given becoming insolvent or going into liquidation (other than a voluntary liquidation for the purpose of reconstruction or amalgamation upon terms previously approved in writing by the other party) or a receiver being appointed over all or a substantial part or of its assets or it becoming the subject of any petition for the appointment of an administrator, trustee or similar officer, (b) a party committing a material breach of the Investment Management Agreement which causes a material adverse effect to the non-breaching party and (if such breach shall be capable of remedy) not making good such breach within 30 days of service upon the party in breach of notice requiring the remedy of such breach or (c) fraud or wilful misconduct in the performance of a party's duties under the Investment Management Agreement.

The Investment Management Agreement provides that none of the Investment Manager, its affiliates or their respective members, managers, partners, shareholders, directors, officers and employees (including their respective executors, heirs, assigns, successors or other legal representatives) (each, as an indemnified party) will be liable to the Master Fund, TFG or any investor in the Master Fund or TFG for any liabilities, obligations, losses (including, without limitation, losses arising out of delay, mis-delivery or error in the transmission of any letter, cable, telephonic communication, telephone, facsimile transmission or other electronic transmission in a readable form), damages, actions, proceedings, suits, costs, expenses (including, without limitation, legal expenses), claims and demands suffered in connection with the performance by the investment manager of its obligations under the Investment Management Agreement or otherwise in connection with the business and operations of TFG or the Master Fund, in the absence of fraud or wilful misconduct on the part of an indemnified party, and TFG and the Master Fund have each agreed to indemnify each indemnified party against any such liabilities, obligations, losses, damages, actions, proceedings, suits, costs, expenses, claims and demands, except as may be due to the fraud or wilful misconduct of the indemnified party.

TFM may act as investment manager or advisor to any other person, so long as its services to TFG or the Master Fund are not materially impaired thereby, and need not disclose to TFG or the Master Fund anything that comes to its attention in the course of its business in any other capacity than as investment manager. The Investment Manager is not liable to account for any profit earned or benefit derived from advice given by the investment manager to other persons. The Investment Manager will not be liable to TFG or the Master Fund for any loss suffered in connection with the Investment Manager's decision to offer investments to any other person, or failure to offer investments to TFG or the Master Fund.

The Investment Manager is authorised to enter into transactions on behalf of TFG and the Master Fund with persons who are affiliates of the investment manager, provided that in connection with any such transaction that exceeds $5 million of aggregate investment, the investment manager obtains either (i) the approval of a majority of the members of the Board Directors of TFG and the Master Fund that do not have a material interest in such transaction (whether as part of a Board of Directors resolution or otherwise) or (ii) an opinion from a recognized investment bank, auditing firm or other appropriate professional firm substantively to the effect that the financial terms of the transaction are fair to TFG and the Master Fund from a financial point of view.

MANAGEMENT AND INCENTIVE FEES; EXPENSES

All fees and expenses of TFG and the Master Fund, except for the incentive fees for TFM as investment manager (as described below), will be paid by the Master Fund, including management fees relating to the administration of TFG.

The Investment Manager is entitled to receive management fees equal to one and one-half percent (1.5%) per annum of the net asset value (NAV) of TFG payable monthly in advance prior to the deduction of any accrued incentive fees. No separate management fees are payable with respect to the NAV of the Master Fund.

TFG will also pay to the Investment Manager an incentive fee for each Calculation Period (as defined below) equal to 25% of the increase in the NAV of TFG during the Calculation Period (before deduction of any dividend paid or the amount of any redemptions or repurchases of Shares (or other relevant capital adjustments) during such Calculation Period) above (i) the Reference NAV (as defined below) plus (ii) 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.

A "Calculation Period" is a period of three months ending on March 31, June 30, September 30 and December 31 of each year, or as otherwise determined by the Board of Directors of TFG.

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 ending three months earlier than the Calculation Period referred to in clause (i). For the purposes of determining Reference NAV at the end of a Calculation Period, NAV shall be adjusted by the amount of accrued dividends and amounts of any redemptions or repurchases of Shares (or other relevant capital adjustments) and incentive fees to be paid with respect to that Calculation Period.

The "Hurdle" for any Calculation Period will equal (i) the Reference NAV multiplied by (ii) the Hurdle Rate (defined below).

(Continued)

Additional Corporate Information (continued)

The “Hurdle Rate” for any Calculation Period equals 3-month U.S. Dollar 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 (x) the actual number of days in the Calculation Period divided by (y) 365.

The incentive fee in respect of each Calculation Period is calculated by reference to the increase in NAV of the Shares before deduction of any accrued incentive fee. The incentive fee is normally payable in arrears within 14 calendar days of the end of the Calculation Period. 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 Investment Manager does not charge separate fees based on the NAV of the Master Fund.

TFG and the Master Fund generally bear all costs and expenses directly related to their investments or prospective investments, such as brokerage commissions, interest on debit balances or borrowings, custodial fees and legal and consultant fees. TFG and the Master Fund also generally bear all out-of-pocket costs of administration including accounting, audit, administrator and legal expenses, costs of any litigation or investigation involving their activities, costs associated with reporting and providing information to existing and prospective investors and the costs of liability insurance.

INVESTMENT MANAGER OPTIONS

In recognition of the work performed by the Investment Manager in successfully arranging the 2007 global offering and the associated raising of new capital for the company, TFG granted to the investment manager options to purchase 12,545,330 of TFG's non-voting shares (subject to the application of customary anti-dilution provisions) at an exercise price per share equal to the IPO offer price (U.S. $10.00). These options became fully vested and immediately exercisable as of the date of admission to the Euronext Amsterdam N.V. and will remain exercisable until the 10th anniversary of that date (i.e., 26 April 2017). None of the options have been exercised.

THE INVESTMENT MANAGER’S ROLE WITH RESPECT TO TFG ASSET MANAGEMENT

TFM’s responsibilities with respect to TFG and the Master Fund include, *inter alia*:

- investing and reinvesting the assets of TFG and the TFG Master Fund in securities, derivatives and other financial instruments and other investments of whatever nature and committing the assets of TFG and the Master Fund in relation to agreements with entities, issuers and counterparties;
- holding cash balances or investing them directly in any short-term investments, and reinvesting any income earned thereon in accordance TFG’s investment strategy;
- purchasing, holding, selling, transferring, exchanging, mortgaging, pledging, hypothecating and otherwise acting to acquire and dispose of and exercise all rights, powers, privileges and other incidents of ownership or possession with respect to investments held or owned by TFG and the TFG Master Fund, with the objective of the preservation, protection and increase in value thereof;
- exercising any voting or similar rights attaching to investments purchased on behalf of TFG and the TFG Master Fund;
- borrowing or raising monies from time to time without limit as to amount or manner and time of repayment;
- engaging consultants, attorneys, independent accountants or such other persons as the investment manager may deem necessary or advisable; and
- entering into any other contracts or agreements in connection with any of the foregoing activities.

TFG Asset Management is an investment of the Master Fund, and, as such, TFM, as the investment manager, is responsible for exercising any of the Master Fund’s voting or similar rights with respect to TFG Asset Management, as an investment. As with any other category of investments, TFM is also responsible for decisions with respect to acquisitions and dispositions by the Master Fund of asset management businesses – as investment decisions with respect to the Master Fund’s cash or other assets.[(48)] Following the acquisition of an asset management business, that business then becomes a part of TFG Asset Management.

TFG Asset Management seeks to generate income and value from its asset management businesses by having these businesses manage third-party investor capital. TFG Asset Management has an internal management team that is responsible for the TFG Asset Management business as a whole, including the oversight of its various asset management businesses as they form and grow the funds that they manage, and is responsible for its own costs.

The Master Fund may invest in the various funds and other vehicles managed by a TFG Asset Management business. It may also provide financial support to any fund managed by a TFG Asset Management business (such as a “seeding” arrangement), or provide equity, loans or other financial support to TFG Asset Management or its asset management businesses. TFM is responsible for any decision to invest cash into any fund or other vehicle managed by a TFG Asset Management business[(49)] and is also responsible for decisions regarding financial support for TFG Asset Management.

SERVICES AGREEMENT BETWEEN THE INVESTMENT MANAGER AND CERTAIN SUBSIDIARIES OF TFG ASSET MANAGEMENT

TFM has, since its inception, relied on two Polygon entities[(50)] for a broad range of services to support its activities.[(51)]

Following TFG’s 28 October 2012 acquisition of Polygon Management L.P., these entities have been part of TFG Asset Management. The services provided to TFM under a Services Agreement by TFG Asset Management, through these entities, include infrastructure

(Continued)

services such as operations, financial control, trading, marketing and investor relations, legal, compliance, office administration, payroll and employee benefits. One of those entities, Polygon Global Partners LLP, which is authorised and regulated by the United Kingdom Financial Conduct Authority, also provides services relating to the dealing in and management of investments, arrangement of deals and advising on investments.

COST RECOVERY BY TFG ASSET MANAGEMENT FOR SERVICES PROVIDED TO TFG'S INVESTMENT MANAGER

TFG Asset Management, through its Polygon subsidiaries, has implemented a cost-allocation methodology with the objective of allocating service-related costs, including to TFM, in a consistent, fair, transparent and commercially-based manner.[(52)]

TFG Asset Management then charges fees to TFM for the services allocated to TFM on a cost-recovery basis that is designed to achieve full recovery of the allocated costs.

Most of the costs related to these services are directly or indirectly attributable to personnel or "human capital", with compensation typically being the largest single cost.[(53)]

Consequently, one of the most critical cost allocations is related to professionals' time, which is commonly expressed as Full Time Equivalents or "FTEs". On a monthly basis, each TFG Asset Management employee, directly or via their team head, provides a breakdown of the approximate percentage of time spent supporting the various businesses for the previous month (this excludes certain functions such as office management and technology that are charged to business users on a standard basis (e.g., space used or global headcount) which removes any need on the part of those teams to allocate their FTEs to business lines). TFG Asset Management employees should not be incentivised to either over or under allocate to any business as their time allocation is not a consideration in the determination of their overall compensation. Once allocated percentages are determined and agreed, a FTE is derived. Personnel costs (excluding bonuses) of each function are calculated using a standard costing methodology, which includes a standard add-on for employment taxes and standard employee benefits. Bonuses are charged to each business line (including TFM) based on the FTE allocation described above.

In addition to FTE costs, there are a number of other costs that reflect the use of resources by TFG Asset Management personnel on behalf of TFM (in addition to the other TFG Asset Management businesses), including real property costs, technology, travel and entertainment and market data. A standard cost methodology is used to allocate these costs across the various business lines that are supported, including TFM. The setting of standard costs is designed to reflect what those costs would be on an arm's-length basis. The methodology is designed to create consistency in order to provide a fair allocation of resource costs to all businesses.

Employee FTE data is collated and is used to process monthly cost allocations. Such allocations are invoiced monthly to users of the TFG Asset Management platform which are not owned by TFG Asset Management, including TFM, or allocated within the TFG Asset Management general ledger for businesses owned by TFG Asset Management.

TFG Asset Management cost allocation methodology is documented and updated annually by TFG Asset Management's finance team in consultation with its legal and compliance teams and is approved each year by TFG Asset Management's executive committee.

The methodology used to allocate costs forms part of the preparation of the financial statements of TFG and the Master Fund and is therefore within the terms of reference of TFG's Audit Committee. TFG's auditors, reporting directly to TFG's Audit Committee, are currently employed under an agreed upon procedures assignment to periodically test that the costs allocated to (and therefore recovered from) TFM have been properly calculated in accordance with the approved cost-allocation methodology. TFG's Independent Directors, who are specifically mandated to approve, among other things, related-party transactions, are required to approve the methodology for allocating costs and in their sole discretion the application of that methodology as part of their oversight processes. As such, the annual cost allocation methodology update and the actual annual cost allocations that result based on these cost methodology policies and procedures are separately approved by the Independent Directors.

For additional information, please see TFG's Financial Statements.

VALUATION

State Street (Guernsey) Limited serves as the TFG'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.

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%.[(54)]

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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. The NAV of TFG is available to investors on a monthly basis on the Company's website at www.tetragoninv.com.

APPENDIX IX

Board of Directors and the Audit Committee

THE BOARD OF DIRECTORS

The Board of Directors currently comprises six directors, of which four are Independent Directors.

Rupert Dorey has over 30 years of experience in financial markets. Rupert 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. Rupert is a former President of the Guernsey Chamber of Commerce and is a member of the Institute of Directors. Rupert is based in Guernsey and is a Non-Executive, Independent Director.

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, Frederic was a Managing Director and Head of Commodity Derivatives Asia for BNP Paribas, where he was focused on trading, structuring and sales. Previously, Frederic 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. Frederic has a MSc in Applied Mathematics and International Finance and a Master's 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. Frederic is based in Guernsey and is a Non-Executive, Independent Director.

David Jeffreys provides directorship services to a small number of fund groups. From 1995 until 2010 David worked with EQT, a Scandinavian based private equity group, acting as a director of each of its Fund general partners and, from 2006, establishing and serving as Managing Director of EQT Funds Management Limited, its Guernsey based management and administration office. Between 1993 and June 2004, David 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, David 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. David is based in Guernsey and 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. Byron 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. Byron's charitable board memberships include The Milbank Memorial Fund and The Mountain Top Arboretum. Byron is based in New York and 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 former 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 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. Reade holds a JD degree 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. At Polygon, he is primarily focused on the trading businesses and risk management. Reade is based in London and 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, Paddy 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, Paddy 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. Paddy was in equity sales at Prudential Bache before joining UBS. Prior to working in investment banking, he was a petroleum engineer with Marathon Oil Co. Paddy holds an undergraduate degree in Petroleum Engineering from Imperial College in London. His responsibilities at Polygon include risk management, overseeing Polygon's non-trading activities, managing investment bank interfaces and relationships and new business development. Paddy is based in London and is an Internal Director.

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Board of Directors and the Audit Committee (continued)

THE AUDIT COMMITTEE

The Audit Committee of TFG is responsible for, among other items, assisting and advising TFG's Board of Directors with matters relating to TFG's accounting and financial reporting processes and the integrity and audits of TFG's financial statements. The Audit Committee is also responsible for reviewing and making recommendations with respect to the plans and results of each audit engagement with TFG's and the Master Fund's independent accountants, the audit and non-audit fees charged by the independent accountants and the adequacy of TFG's and the Master Fund's internal accounting controls.

Size, Independence and Composition of the Board of Directors of TFG and the Master Fund

The structure, and practices and committees of the Board of Directors of each of TFG and the Master Fund, including matters relating to the size, independence and composition of the Board of Directors, the election and removal of members of the Board of Directors, requirements relating to board action and the powers delegated to board committees, are governed by each entity's respective Memorandum and Articles of Incorporation.

Each of TFG and the Master Fund has six directors (referred to herein as the Directors). Subject as set out below and as elsewhere described in the risk factors found on TFG's website at http://www.tetragoninv.com/investor/riskfactors.aspx, not less than a majority of the Directors are independent. A Director will be an "Independent Director" if the Board of Directors determines that the person satisfies the standards for independence contained in the U.K. Combined Code in all material respects. If the death, resignation or removal of an Independent Director results in the Board of Directors having less than a majority of Independent Directors, the vacancy must be filled promptly. Pending the filling of such vacancy, the Board of Directors may temporarily consist of less than a majority of Independent Directors and those Directors who do not meet the standards for independence may continue to hold office. A Director who is not an Independent Director will not be required to resign as a Director as a result of an Independent Director's death, resignation or removal. In addition, the TFG's Memorandum and Articles of Incorporation prohibit the Board of Directors from consisting of a majority of Directors who are resident in the United Kingdom.

Election and Removal of Directors of TFG and the Master Fund

Each member of TFG's and the Master Fund's Boards of Directors is elected annually by the holder of TFG's voting shares. All vacancies on the Board of Directors including by reason of death or resignation may be filled, and additional Directors may be appointed, by a resolution of the Voting Shareholder.

A Director may be removed from office for any reason by notice requesting resignation signed by all other Directors then holding office, if the Director is absent from four successive meetings without leave expressed by a resolution of the Directors or for any reason by a resolution of the holder of TFG's voting shares. A Director will also be removed from the Board of Directors if he becomes bankrupt, if he becomes of unsound mind, if he becomes a resident of the United Kingdom and such residency results in a majority of the Board of Directors being residents of the United Kingdom or if he becomes prohibited by law from acting as a Director. A Director is not required to retire upon reaching a certain age.

Action by the Board of Directors of TFG and the Master Fund

The Boards of Directors of TFG and the Master Fund may take action in a duly convened meeting, for which a quorum is five Directors, or by a written resolution signed by at least five Directors. When action is to be taken by the Board of Directors, the affirmative vote of five of the Directors then holding office is required for any action to be taken. As a result, the Board of Directors will not be able to act without the affirmative vote of one of the directors affiliated with the holder of TFG's voting shares.

The Directors are responsible for the management of TFG and the Master Fund. They have delegated to the Investment Manager certain functions, including broad discretion to adopt an investment strategy to implement TFG's investment objective. However, certain matters are specifically reserved for the Board of Directors under the Memorandum and Articles of Incorporation.

Transactions in which a Director has an Interest

Provided that a Director has disclosed to the other Directors the nature and extent of any interests of his in accordance with the Companies (Guernsey) Law, 2008, as amended, a Director, notwithstanding his office: (a) may be a party to, or otherwise interested in, any transaction or arrangement with TFG or the Master Fund or in which TFG or the Master Fund is otherwise interested; (b) may be a director or other officer of, or employed by, or a party to any transaction or arrangement with, or otherwise interested in, any body corporate promoted by TFG or the Master Fund or in which TFG of the Master Fund is otherwise interested; and (c) shall not be accountable to TFG or the Master Fund for any benefit derived from any such transaction or arrangement or from any interest in any such body corporate, and no such transaction or arrangement shall be void or voidable on the ground of any such interest or benefit or because such Director is present at or participates in the meeting of the Directors that approves such transaction or arrangement, provided that (i) the material facts as to the interest of such Director in such transaction or arrangement have been disclosed or are known to the Directors and the Directors in good faith authorise the transaction or arrangement and (ii) the approval of such transaction or arrangement includes the votes of a majority of the Directors that are not interested in such transaction or such transaction is otherwise found by the Directors (before or after the fact) to be fair to TFG or the Master Fund as of the time it is authorised. Under the Investment Management Agreement, the Directors have authorised the Investment Manager to enter into transactions on behalf of TFG or the Master Fund with persons who are affiliates of the Investment Manager, provided that in connection with any such transaction that exceeds $5 million of aggregate investment the Investment Manager informs the Directors of such transaction and obtains either (i) the approval of a majority of the Directors that

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do not have a material interest in such transaction or (ii) an opinion from a recognised investment bank, auditing firm or other appropriate professional firm substantively to the effect that the financial terms of the transaction are fair to TFG and the Master Fund from a financial point of view.

Compensation

The remuneration for Directors is determined by resolution of the holder of TFG's voting shares. Currently, the Directors' annual fee is $100,000, in compensation for service on the Boards of Directors of both TFG and the Master Fund. The Master Fund pays Directors' fees. The Directors affiliated with the Voting Shareholder have waived their entitlement to a fee. The Directors are entitled to be repaid by TFG for all travel, hotel and other expenses reasonably incurred by them in the discharge of their duties. Directors of the Master Fund are compensated and reimbursed on the same basis. None of the Directors has a contract with TFG or the Master Fund providing for benefits upon termination of employment.

Certain Corporate Governance Rules

TFG and the Master Fund are required to comply with all provisions of Guernsey company law relating to corporate governance to the extent the same are applicable and relevant to TFG's activities. In particular, each Director must seek to act in accordance with the "Code of Practice-Company Directors" and "Code of Corporate Governance" issued by the Guernsey Financial Services Commission. No formal corporate governance code applies to TFG or the Master Fund under Dutch law.

Indemnity

Each present and former Director or officer of TFG and the Master Fund is indemnified against any loss or liability incurred by the Director or officer by reason of being or having been a Director or officer of TFG or the Master Fund. In addition, the Directors may authorise the purchase or maintenance by TFG and the Master Fund for any Director or officer or former Director or officer of TFG or the Master Fund of any insurance, in respect of any liability which would otherwise attach to the Director or officer or former Director or officer.

APPENDIX X

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, specialised 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.

(Continued)

Risk Factors (continued)

- TFG Asset Management has organized Tetragon Credit Income Partners Ltd. ("TCIP") in connection with the company's efforts to deploy capital and resources intended to assist CLO collateral managers (including LCM) in satisfying recent "risk retention" rules which were promulgated by U.S. federal regulators pursuant to the Dodd-Frank Act (the "U.S. Risk Retention Rules") and/or similar rules promulgated by the European Union (the "E.U. Risk Retention Rules"). The company, together with certain third parties, is a significant investor in TCIP's affiliated investment vehicle. There can be no assurance that the U.S. Risk Retention Rules or the E.U. Risk Retention Rules will not change or be interpreted by regulators in a manner such that TCIP's proposed transactions and arrangements do not facilitate compliance with the U.S. Risk Retention Rules and/or the E.U. Risk Retention Rules, or in a manner that otherwise precludes the contemplated transactions or arrangements. If the structures and arrangements established by TCIP were, in the future, determined to subject TCIP, its affiliated investment vehicle, any other TFG affiliate or any third-party manager to unacceptable regulatory risk, TCIP's ability to make investments would likely be severely and negatively limited and arrangements with third-party managers may be terminated as a result.
- 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.

(Continued)

Risk Factors (continued)

- 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 organised 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.

(Continued)

Risk Factors (continued)

- 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 Euronext Amsterdam N.V. and SFM trading markets are 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 Euronext in Amsterdam and SFM. 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.

(Continued)

Shareholder Information

Registered Office of TFG and the Master Fund
Tetragon Financial Group Limited
Tetragon Financial Group Master Fund Limited
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General Partner of Investment Manager
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Legal Advisor (as to U.S. law)
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United States of America

Legal Advisor (as to Guernsey law)
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Redwood House
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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.
London Stock Exchange (Specialist Fund Market)

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 report.

TFG: Delivering Results Since 2005

(1) (i) TFG commenced investing as an open-ended investment company in 2005, before its IPO in April 2007.

(ii) TFG seeks to deliver 10-15% Fair Value RoE per annum to shareholders. 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.

(iii) Average RoE is calculated from TFG's IPO in 2007. 2015 RoE includes a fair value adjustment for certain TFG Asset Management businesses, the value of which has accumulated over several years. Consequently the full year return of 14.5% is not prepared on a like for like basis with prior years. Like for like performance for 2015 was 8.2%. Please refer to page 33 for a definition of Fair Value RoE and Appendix V for more details.

(iv) Annualised total shareholder return to 31 December 2015, defined as share price appreciation including dividends reinvested, for the last year, the last three years, the last five years, and since TFG's initial public offering in April 2007. Source: Bloomberg TRA function.

(v) Fair Value EPS divided by Dividends per Share at 31 December 2015.

(vi) The vast majority of TFG's investments are held at fair value in accordance with U.S. GAAP. The fair value basis for TFG's key performance metrics adjusts U.S. GAAP to also include the fair value of certain TFG Asset Management businesses that are currently consolidated under U.S. GAAP. The fair values used are as determined by TFG's Audit Committee based on information provided by an independent valuation specialist. The consistent use of fair value across all investments is hereinafter referred to in this report as "Fair Value". Fair Value Key Metrics such as Fair Value RoE and Fair Value NAV are also adjusted to reflect incentive fees that would otherwise have arisen if these Fair Values were actually reflected in the U.S. GAAP accounting for TFG's financial statements. Please refer to Appendices IV and V for further details.

(vii) Fully Diluted Fair Value NAV per share as defined on page 33 of this report.

(viii) Partner & Employee shareholdings at 31 December 2015, including all deferred compensation arrangements. Please refer to the 2015 Audited Tetragon Financial Group Master Fund Limited financial statements for more details of these arrangements.

Letter to Shareholders

(2) TFG's 'home Member State' for the purposes of the EU Transparency Directive (Directive 2004/109/EC) is the Netherlands.

(3) 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" are to Tetragon Financial Management LP, TFG's investment manager (the "Investment Manager").

(4) Please see Note (1)(vi).

(5) Please see Note (1)(ii).

(6) Annualised total shareholder return from 1 January to 31 December 2015, defined as share price appreciation including dividends reinvested. Source: Bloomberg TRA function.

(7) LCM Asset Management LLC, a CLO loan manager that is part of TFG Asset Management, hereinafter referred to in this report as "LCM".

(8) Polygon Global Partners LP and Polygon Global Partners LLP (and certain of their affiliates), managers of open-ended hedge fund and private equity vehicles across a number of strategies that are part of TFG Asset Management, hereinafter referred to in this report as "Polygon". Polygon Global Partners LLP is authorised and regulated by the United Kingdom Financial Conduct Authority.

(9) Hawke's Point, a mining finance company that is part of TFG Asset Management, hereinafter referred to in this report as "Hawke's Point".

(10) Please refer to Financial Highlights on page 33 of this report for the definition of Fair Value Net Income.

(11) Includes GreenOak funds and advisory assets, LCM, 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, Polygon Distressed Opportunities Master Fund, Equitix, and Tetragon Credit Income II L.P. ("TCI II") as calculated by the applicable administrator for value date 31 December 2015. 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, each of which is an investment manager registered under the U.S. Investment Advisers Act of 1940. Figures for GreenOak and TCI II may also include committed capital.

(12) GreenOak Real Estate, LP, hereinafter referred to in this report as “GreenOak”. TFG owns a 23% interest in GreenOak.

(13) Equitix Holdings Limited, hereinafter referred to in this report as “Equitix”.

(14) Please refer to the “Business Overviews” in the TFG Asset Management Overview section of this report for further information on performance benchmarks.

(15) The Polygon Convertible Opportunity Fund was nominated for the 2015 EuroHedge Award in the Convertibles & Volatility category. There were four other nominees for this award. The Polygon European Equity Opportunity Fund was nominated for the 2015 EuroHedge Award in the Event Driven and Distressed category. There were five other nominees for this award. The EuroHedge Award is organised 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. Most of the award categories require a minimum asset level of at least $100 million. Further information about the award, including nomination and winning criteria, is available at www.hedgefundintelligence.com.

(16) Tetragon Credit Income Partners, hereinafter referred to in this report as “TCIP”.

(17) Euronext in Amsterdam is a regulated market of Euronext Amsterdam N.V. (“Euronext Amsterdam”). As is the case for Euronext Amsterdam, the SFM is a regulated market for the purposes of the Markets in Financial Instruments Directive.

TFG Overview

(18) Please see Note 11.

Key Metrics

(19) Please see note (1)(ii).

(20) Please refer to Financial Highlights on page 33 of this report for the definition of Fair Value Net Income.

(21) Please refer to Financial Highlights on page 33 of this report for the definition of Fair Value EPS.

(22) Please refer to Financial Highlights on page 33 of this report for the definition of Pro Forma Fully Diluted Shares and Fully Diluted Fair Value NAV per Share.

2015 in Review

(23) Based on the most recent trustee reports available as of 31 December 2015.

(24) “LCD Leveraged Lending Review,” S&P, Q4 2015.

(25) Based on the most recent trustee reports available as of 31 December 2015.

(26) Based on the most recent trustee reports available as of 31 December 2015.

(27) 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-recognised indices. The volatility of the indices may be materially different from the individual performance attained by a specific investor. In addition, the Funds’ 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.

(28) 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-recognised indices. The volatility of the indices may be materially different from the individual performance attained by a specific investor. In addition, the Funds' 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.

(29) 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-recognised indices. The volatility of the indices may be materially different from the individual performance attained by a specific investor. In addition, the Funds' 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.

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

TFG Asset Management Overview

(31) Please see Note 11.

(32) Please see Note 11.

(33) Please see Note 11.

(34) 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, LCM XVII, LCM XVIII, LCM XIX, and LCM XX 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.

(35) (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. It is contemplated that PRF's term will be extended to March 2018 with a potential further one year extension thereafter 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. The AUM figure for PRF is as calculated by the applicable fund administrator.

(36) 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-recognised 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.

(37) 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-recognised 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.

(38) 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-recognised 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.

(39) 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-recognised 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.

(40) 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.

(41) 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. It is contemplated that PRF's term will be extended to March 2018 with a potential for a further one year extension thereafter, 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.

(42) For additional information on the company's CLO equity investments, including its buy and hold strategy, please see refer to http://www.tetragoninv.com/portfolio/clo-equity.

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

(44) Fair Value 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 two 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.

(iii) The number of shares corresponding to the applicable intrinsic value of the options issued to the GreenOak Founders in relation to the acquisition of a 10% stake in GreenOak in September 2010. The intrinsic value of the GreenOak 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) $5.50 (being the exercise price per share) times (z) 3,908,241 (being a number of shares subject to the options). Previously, As there were a number of contingent elements to the vesting of these options, including the repayment of the working capital loan and continued service provision to GreenOak by the Founders, in accordance with U.S. GAAP, the options were carried as a liability in the balance sheet of TFG Limited. Using a Black-Scholes model, these were revalued at each reporting date, and changes in the valuation were reflected through the Statement of Operations. On 15 September 2015 the options vested, and as a result of vesting, all contingent elements to the options, other than market price, were removed. Under ASC 815, once the vesting conditions were met, the options were reclassified to equity. The accounting result of this is that a liability of $16.3 million was reclassified to the capital reserve in respect of share options, and accordingly these share options are now incorporated into this dilution calculation.

(iv) In December 2015, TFG purchased 6 million TFG non-voting shares at $10 per share in a tender offer using a modified Dutch auction structure. Approximately 5.65 million shares acquired in the tender offer are being held to hedge against (or otherwise offset the future impact of) grants of shares under the LTIP and other equity-based awards by TFG Asset Management for certain senior employees. Commencing from when the equity awards under the Plans are effective, the fully diluted share count will start to be increased to reflect the level of shares "earned" under the LTIP and other equity-based awards. The basis and pace of recognition is expected to match the rate at which service is being provided to TFG Asset Management in relation to these shares.

Appendix IV

(45) TFM has determined that it will continue to grow TFG Asset Management, as TFG's diversified alternative asset management business, with a view to a planned initial public offering and listing of shares of TFG Asset Management in the next three to five years (referred to as the "IPO Strategy").

Appendix VII

(46) For (46.i) please see Note 44(i).

(47) The LTIP and other equity-based awards are intended to give certain senior employees of TFG Asset Management long-term exposure to TFG stock (with vesting subject to forfeiture and certain restrictions).

Appendix VIII

(48) TFM has determined that TFG's current investment strategy is to continue to grow TFG Asset Management with a view to a possible initial public offering and listing of its shares.

(49) TFM is also responsible for selecting third-party managers who invest in asset classes appropriate for the TFG Master Fund.

(50) These Polygon entities also provide infrastructure services to LCM and the GreenOak joint venture, infrastructure and investment management services to Hawke's Point and the TCI General Partner, and oversight services with respect to Equitix.

(51) Polygon Private Investment Partners LP, an investment management entity in which Reade Griffith and Paddy Dear have an interest and that was not included in TFG's 28 October 2012 acquisition of Polygon Management L.P., also continues to rely on TFG Asset Management for certain services to support its activities. TFG Asset Management employs a cost allocation and recovery methodology from Polygon Private Investment Partners LP that is the same as the cost allocation and recovery methodology applied to TFM.

(52) This cost allocation methodology also applies to the other TFG Asset Management businesses to which the Polygon entities provide services.

(53) Employee compensation will also include TFG Asset Management's LTIP and its other equity-based awards. The cost of purchasing the TFG shares which are being held to hedge against grants under such incentive programmes includes the principal and interest payable on a loan from the TFG Master Fund to TFG Asset Management.

(54) Please see Note (1)(ii).

AUDITED FINANCIAL STATEMENTS

TETRAGON FINANCIAL GROUP LIMITED

FOR THE YEAR ENDED 31 DECEMBER 2015

TETRAGON FINANCIAL GROUP LIMITED

AUDITED FINANCIAL STATEMENTS
For the year ended 31 December 2015

CONTENTS

DIRECTORS' REPORT
For the year ended 31 December 2015

The Directors present to the shareholders their report together with the audited financial statements for the year ended 31 December 2015.

THE COMPANY AND ITS INVESTMENT OBJECTIVE

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. (ticker symbol: TFG.NA). On 9 November 2015, the Company announced the successful admission ("Admission") of its non-voting shares to trading on the Specialist Fund Market of the London Stock Exchange plc ("SFM") (ticker symbol: TFG.LN). 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's investment objective is to generate distributable income and capital appreciation. It aims to provide stable returns to investors across various credit, equity, interest rate, inflation and real estate cycles. The Master Fund's investment portfolio comprises a broad range of assets, including a diversified alternative asset management business, TFG Asset Management, and covers bank loans, real estate, equities, credit, convertible bonds and infrastructure.

As at 31 December 2015, TFG Asset Management consisted of Polygon Global Partners LP and Polygon Global Partners LLP (collectively with certain affiliates, "Polygon"), LCM Asset Management LLC ("LCM"), Equitix Holdings Limited ("Equitix"), Hawke's Point, the GreenOak Real Estate LP ("GreenOak") joint venture and Tetragon Credit Income Partners ("TCIP").

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 authorized and regulated by the United Kingdom Financial Conduct Authority. The registered office of the Fund is 1st Floor Dorey Court, Admiral Park, St. Peter Port, Guernsey, Channel Islands, GY1 6HJ.

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 Annual 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
Frederic Hervouet*
David Jeffreys*
Byron Knief*

* Independent non-executive Directors

The remuneration for Directors is determined by resolution of the Voting Shareholder. Each of the Directors' annual fee is US$ 100,000 (year ended 31 December 2014: US$ 100,000) 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.

The Directors have the option to elect to receive Shares in the Company instead of the quarterly fee. With respect to the quarter ending 31 December 2015, Frederic Hervouet has elected to receive Shares and he received 2,564 Shares in relation to the first quarter's fee, 2,354 Shares in relation to the second quarter's fee and 2,495 Shares in relation to the third quarter's fee. The number of Shares issued instead of the fee for the fourth quarter will be determined as part of the fourth quarter 2015 dividend process.

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$ 0.1575 per Share for the quarter ended 31 December 2014, US$ 0.1575 per Share for the Quarter Ended 31 March 2015, US$ 0.1625 per Share for the Quarter Ended 30 June 2015 and US$ 0.1625 per Share for the Quarter Ended 30 September 2015. The total dividend declared during the year ended 31 December 2015 amounted to US$ 62.5 million or US$ 0.64 per Share (31 December 2014: US$ 58.4 million or US$ 0.61 per Share). On 25 February 2016, the Directors declared a dividend US$ 0.165 per Share for the Quarter Ended 31 December 2015.

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 2016

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 2015 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 the 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 2015 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.

Lee C. Clark
For and on behalf of KPMG Channel Islands Limited
Chartered Accountants and Recognised Auditors
Guernsey

February 25, 2016

TETRAGON FINANCIAL GROUP LIMITED

STATEMENTS OF ASSETS AND LIABILITIES
As at 31 December 2015

	Note	31 Dec 2015 US$ MM	31 Dec 2014 US$ MM
Assets			
Investment in the Master Fund	2	1,877.4	1,834.9
Total assets		1,877.4	1,834.9
Liabilities			
Accrued incentive fee	5	4.7	4.1
Amounts payable on share options	4	-	12.3
Total liabilities		4.7	16.4
Net assets		1,872.7	1,818.5
Equity			
Share capital	6	0.1	0.1
Share premium	7	921.9	929.4
Capital reserve in respect of share options	4, 8	28.1	11.8
Share based employee compensation reserve	3, 12	19.6	31.4
Retained earnings	11	903.0	845.8
		1,872.7	1,818.5
Shares outstanding		**Millions**	**Millions**
Shares	6	95.9	95.9
Net Asset Value per share		US$ 19.54	US$ 18.96

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 2016

TETRAGON FINANCIAL GROUP LIMITED

STATEMENTS OF OPERATIONS
For the year ended 31 December 2015

	Note	Year ended 31 Dec 2015 US$ MM	Year ended 31 Dec 2014 US$ MM
Investment income allocated from the Master Fund			
Interest income		134.7	152.5
Fee income		70.2	81.1
Other income – cost recovery		17.3	23.6
Insurance recovery		9.8	1.0
Dividend income		0.1	0.1
Total investment income allocated from the Master Fund		232.1	258.3
Direct expenses			
Incentive fee	5	(35.8)	(22.8)
Total direct expenses		(35.8)	(22.8)
Operating expenses allocated from the Master Fund			
Employee costs		(58.6)	(61.7)
Management fees	8	(28.3)	(27.0)
Share based employee compensation	3	(22.0)	(23.1)
Legal and professional fees		(7.2)	(17.6)
Amortization on intangible assets		(6.3)	(6.8)
Audit fees		(0.4)	(0.4)
Other operating and administrative expenses		(21.2)	(21.8)
Total operating expenses allocated from the Master Fund		(144.0)	(158.4)
Total operating expenses		(179.8)	(181.2)
Net investment income		52.3	77.1
Net decrease in unrealized depreciation on:			
Share options	4	(3.9)	(1.6)
Net decrease in unrealized depreciation arising from direct operations		(3.9)	(1.6)
Net realized and unrealized gain from investments and foreign currency allocated from the Master Fund			
Net realized gain / (loss) from:			
Investments		82.7	124.4
Derivative financial instruments		4.8	(36.3)
Foreign currency transactions		4.9	12.0
		92.4	100.1

TETRAGON FINANCIAL GROUP LIMITED

STATEMENTS OF OPERATIONS (continued)
For the year ended 31 December 2015

	Note	Year ended 31 Dec 2015 US$ MM	Year ended 31 Dec 2014 US$ MM
Net (decrease) / increase in unrealized (depreciation) / appreciation on:			
Investments		(0.3)	(52.2)
Derivative financial instruments		8.0	10.2
Translation of assets and liabilities in foreign currencies		(11.1)	(25.9)
		(3.4)	(67.9)
Net realized and unrealized gain from investments and foreign currencies allocated from the Master Fund		89.0	32.2
Net increase from operations before tax		137.3	107.7
Income and deferred tax expense allocated from the Master Fund		(10.1)	(12.6)
Net income		127.3	95.1
Earnings per Share			
Basic	10	US$ 1.31	US$ 1.00
Diluted	10	US$ 1.21	US$ 0.90
Weighted average Shares outstanding		**Millions**	**Millions**
Basic	10	97.1	95.4
Diluted	10	105.5	106.1

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 2015

	Note	Year ended 31 Dec 2015 US$ MM	Year ended 31 Dec 2014 US$ MM
From operations:			
Total investment income		232.1	257.3
Total operating expenses		(179.8)	(180.2)
Net unrealized depreciation on share options		(3.9)	(1.6)
Net realized gain from investments and foreign currency allocated from the Master Fund		92.4	100.1
Net unrealized gain / (loss) from investments and foreign currency allocated from the Master Fund		(3.4)	(67.9)
Income and deferred tax expense		(10.1)	(12.6)
Net income		127.3	95.1
Share based employee compensation	3	22.0	23.1
Net increase in net assets resulting from operations		149.3	118.2
Dividends paid to shareholders	9	(50.5)	(52.0)
Issue of Shares	6	0.1	-
Purchase of Treasury Shares	6	(60.9)	(50.9)
Capital reserve in respect of Share Options	4	16.3	-
Decrease in net assets resulting from net share transactions		(44.5)	(50.9)
Total increase in net assets		54.3	15.3
Net assets at start of year		1,818.5	1,803.2
Net assets at end of year		1,872.7	1,818.5

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 2015

	Year ended 31 Dec 2015 US$ MM	Year ended 31 Dec 2014 US$ MM
Operating activities		
Net income	127.3	95.1
Adjustments for:		
Net unrealized depreciation on share options	3.9	1.6
Share based employee compensation expense	22.0	23.1
Net unrealized (depreciation) / appreciation on investment in the Master Fund	(42.5)	11.8
Operating cash flows before movements in working capital	110.7	131.6
Increase / (decrease) in payables	0.6	(28.7)
Net cash provided by operating activities	111.3	102.9
Financing activities		
Issue of Shares	0.1	-
Purchase of Treasury Shares	(60.9)	(50.9)
Dividends paid to shareholders*	(50.5)	(52.0)
Net cash used in financing activities	(111.3)	(102.9)
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.

*The gross dividend payable to shareholders was US$ 62.5 million (2014: US$ 58.4 million) with value equivalent to US$ 12.0 million (2014: US$ 6.4 million) being taken by the dividend recipient in Shares rather than cash.

** The Company does not maintain any bank accounts or cash balances. All cash transactions take place within the Master Fund.

FINANCIAL HIGHLIGHTS

For the year ended 31 December 2015

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 2015 and the year ended 31 December 2014.

	31 Dec 2015	31 Dec 2014
	US$	US$
Per Share operating performance		
Net Asset Value at the start of the year	18.96	18.23
Net investment income (before incentive fee)	0.91	1.05
Incentive fee	(0.37)	(0.24)
Net realized and unrealized gain from investments and foreign currencies	0.87	0.32
Share based employee compensation	0.23	0.24
Dividends paid to shareholders	(0.52)	(0.61)
Income and deferred tax expense	(0.10)	(0.13)
Other capital transactions	(0.44)	0.10
Net Asset Value at the end of the year	19.54	18.96
Pro Forma Fully Diluted NAV per Share	**Millions**	**Millions**
Shares outstanding	95.9	95.9
Shares held in escrow	6.6	10.7
Share options	1.7	-
Pro Forma Fully Diluted Shares	104.2	106.6
Pro Forma Fully Diluted Net Asset Value per Share	US$ 17.97	US$ 17.05
Total return (NAV change before dividend payments and other capital transactions) before incentive fee	10.07%	8.10%
Incentive fee	(1.95%)	(1.31%)
Total return (NAV change before dividend payments and other capital transactions) after incentive fee	8.12%	6.79%
Ratios and supplemental data		
Ratio to average net assets:		
Operating expenses allocated from the Master Fund	(6.46%)	(7.46%)
Total operating expenses	(6.46%)	(7.46%)
Incentive fee	(1.89%)	(1.27%)
Net investment income	2.78%	4.29%

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

Note 1 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 2015, the Company had 100% (31 December 2014: 100%) economic ownership interest in the Master Fund. As the Company's only asset is 100% of the non-voting shares 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 2015 and are consistent with those used in the previous year.

The 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 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.

Note 1 Significant Accounting Policies (continued)

Taxation

The Company is exempt from Guernsey income tax under the Income Tax (Exempt Bodies) (Guernsey) Ordinance 1989 and is charged GBP 1,200 per annum (31 December 2014: GBP 600).

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 2015 (31 December 2014: 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 also recognized through a capital reserve in respect of share options. Previously, because of contingent elements, other than linked to market price, they were recognized as a liability in the Statements of Assets and Liabilities. More details are included in Note 4.

If and when the share options are exercised the share capital and share premium accounts will be increased by the applicable capital reserve.

Dividend Expensse

Dividend expense from Shares is 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.

Note 1 Significant Accounting Policies (continued)

Share Based Payments (continued)

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 and credited to 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.

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 TFG Holdings I, an entity established through a joint arrangement with the Master Fund. 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 2 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 2015, the Company had an investment of US$ 1,877.4 million in the Master Fund (31 December 2014: US$ 1,834.9 million).

Note 3 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 2015 amounted to US$ 22.0 million (31 December 2014: US$ 23.1 million).

Note 4 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 (vesting 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.

On 15 September 2015 the options vested, and as a result of vesting, all contingent elements to the options, other than market price, were removed. Under ASC 815, once the vesting conditions were met, the options were reclassified to equity. The accounting result of this is that a liability of US$ 16.3 million was reclassified to the capital reserve in respect of share options. US$ 16.3 million was the deemed fair value of the options at the time of vesting and was determined by using a Black-Scholes model (31 December 2014: US$ 12.3 million).

The options are split approximately as follows: 50% are exercisable from 1 January 2016, expiring a year later; 25% are exercisable from 1 January 2017, expiring a year later; 25% are exercisable from 1 January 2018, expiring a year later.

Note 5 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.

Note 5 Incentive Fee (continued)

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 2015 was US$ 35.8 million (31 December 2014: US$ 22.8 million). As at 31 December 2015, US$ 4.7 million was outstanding (31 December 2014: US$ 4.1 million).

Note 6 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.

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.

Note 6 Share Capital (continued)

Share Transactions

	Voting Shares No.	Shares No. MM	Shares US$ MM
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	-
Shares purchased during the year	-	(4.9)	-
Shares in issue at 31 December 2014	10	95.9	0.1
Issued in lieu of stock dividend	-	1.2	-
Issued through release of tranche of Escrow Shares	-	4.7	-
Shares purchased during the year	-	(6.0)	-
Shares in issue at 31 December 2015	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.

During the year a total dividend of US$ 62.5 million (31 December 2014: US$ 58.4 million) was declared, of which US$ 50.5 million was paid out as a cash dividend (31 December 2014: US$ 52.0 million), and the remaining US$ 12.0 million (31 December 2014: US$ 6.4 million) was reinvested under the Optional Stock Dividend Plan.

Treasury Shares and Share Repurchases

The Company has entered into a joint arrangement with the Master Fund through the establishment of TFG Holdings I. The Company may transfer, and has transferred, Shares previously held in a Treasury Account to TFG Holdings I. 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. As at 31 December 2015, 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 TFG Holdings I, 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 Company (whether directly or via TFG Holdings I), the Shares are neither eligible to receive dividends nor are they included in the Shares outstanding on the Statements of Assets and Liabilities.

Note 6 Share Capital (continued)

Treasury Shares and Share Repurchases (continued)

On 15 December 2015, 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 6.0 million non-voting shares of the Company at a purchase price of US$ 10.00 per share and an aggregate cost of US$ 60.9 million, including applicable fees and expenses. The repurchased Shares were exchanged with the Company for the identical amount of Master Fund Shares. Of the repurchased shares, 5.65m shares were transferred to an escrow account (see below) and the remainder were transferred to TFG Holdings I.

As at 31 December 2015, 17.0 million Shares are held in TFG Holdings I (31 December 2014: 16.6 million) and 12.8 million Shares in the Treasury Account (31 December 2014: 12.8 million), with an aggregate attributed cost of US$ 264.6 million (31 December 2014: US$ 261.0 million).

Escrow Shares

As part of the Acquisition to acquire TFG Asset Management, the Aggregate Consideration of 11.7 million Shares was moved to an escrow account where they were to be held before being released in conjunction with the agreed vesting schedule, subject to certain forfeiture conditions. During the year, 0.6 million Shares were added to the account due to stock dividends, whilst 4.7 million shares were released in accordance with the vesting terms and schedule, leaving 6.6 million Shares in the account as at 31 December 2015 (31 December 2014: 10.7 million). As a result of the release of 4.7 million shares, a value of US$ 33.8 million was debited against the Share Based Employee Compensation Reserve, which represented approximately 4.0 million Shares relating to the original escrow shares valued at the transaction share price of US$ 8.43. In addition, approximately 0.7 million Shares released relating to stock dividends awarded on the original shares released was debited against Retained Earnings, with the value being determined using the stock reference price at each applicable dividend date (US$ 7.5 million). The remaining Shares, which remain eligible for stock dividends, are expected to be released in 2016 and 2017, subject to the conditions described above.

Additionally, a second escrow account was opened during 2015. This is intended to hold Shares which will form part of a long term incentive plan (“LTIP”) for certain employees of TFG Asset Management. During 2015, 5.65 million shares were moved into this account and going forward, these shares will be eligible to participate in the stock dividend. As at 31 December 2015, the terms and operation of this LTIP had yet to be finalized.

Note 6 Share Capital (continued)

Other Share Transactions

	Treasury Shares Shares No. MM	Shares held in TFG Holdings I Shares No. MM	Escrow shares – TFG AM acquisition Shares No. MM	Escrow Shares - LTIP Shares No. MM
Shares brought forward at 31 December 2013	7.9	16.6	11.3	-
Shares purchased during the year	4.9	-	-	-
Stock Dividend	-	-	0.7	-
Vested and released	-	-	(1.2)	-
Shares at 31 December 2014	12.8	16.6	10.7	-
Shares purchased during the year	-	0.4	-	-
Shares repurchased for use in LTIP	-	-	-	5.7
Stock Dividend	-	-	0.6	-
Vested and released	-	-	(4.7)	-
Shares at 31 December 2015	12.8	17.0	6.6	5.7

Note 7 Share Premium

	31 Dec 2015 US$ MM	31 Dec 2014 US$ MM
Balance at start of year	929.4	963.2
Premium arising on issuance of Shares	53.4	17.1
Discount arising from purchase of Shares	(60.9)	(50.9)
Balance at end of year	921.9	929.4

Note 8 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 5.

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).

Note 8 Related Party Transactions (continued)

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. Each of the Directors' annual fee is US$ 100,000 as compensation for service on the Boards of Directors of both the Company and the Master Fund. The Directors have the option to elect to receive Shares in the Company instead of the quarterly fee. With respect to the year ending 31 December 2015, Frederic Hervouet has elected to receive Shares and he received 2,564 Shares in relation to the first quarter's fee, 2,354 Shares in relation to the second quarter's fee and 2,495 Shares in relation to the third quarter's fee. The number of Shares issued instead of the fee for the fourth quarter will be determined as part of the fourth quarter 2015 dividend process. 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 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, Rupert Dorey and Frederic Hervouet - all Directors of the Company and the Master Fund – maintained (directly or indirectly) interests in Shares of the Company as at 31 December 2015, with interests of 1,401,647, 3,752,486, 102,717 and 10,133 Shares respectively (31 December 2014: 459,057, 1,377,683, 96,465 and Nil 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 are 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 will vest between 2015 and 2017.

Note 8 Related Party Transactions (continued)

In particular, Messrs, Griffith and Dear were initially allocated 5,539,954 and 1,955,291 Shares, respectively, and these are held in escrow pending release between 2015 and 2017. As at 31 December 2015, 4,443,375 Shares were held in escrow on behalf of Mr. Griffith (31 December 2014: 6,259,363 Shares) and 1,568,250 on behalf of Mr. Dear (31 December 2014: 2,209,190 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 2015 total compensation paid to them each in this capacity by the Master Fund was US$ 100,000 (31 December 2014: US$ 100,000).

Note 9 Dividends

	31 Dec 2015 US$ MM	31 Dec 2014 US$ MM
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
Quarter ended 31 December 2014 of US$ 0.1575 per share	15.1	-
Quarter ended 31 March 2015 of US$ 0.1575 per share	15.2	-
Quarter ended 30 June 2015 of US$ 0.1625 per share	15.7	-
Quarter ended 30 September 2015 of US$ 0.1625 per share	16.5	-
	62.5	58.4

The fourth quarter dividend of US$ 0.165 per share was approved by the Directors on 25 February 2016.

Note 10 Earnings per Share

	Year ended 31 Dec 2015 US$ MM	Year ended 31 Dec 2014 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	127.3	95.1
Weighted average number of Shares for the purposes of basic earnings per share	97.1	95.4
Effect of dilutive potential Shares:		
Share based employee compensation	6.6	10.7
Share options	1.7	-
Weighted average number of Shares for the purposes of diluted earnings per share	105.5	106.1

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 2016 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 8) 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, (see Note 4) a similar intrinsic value calculation is used to determine the number of Shares to include in the dilution calculation.

Note 11 Retained Earnings

	31 Dec 2015 US$ MM	31 Dec 2014 US$ MM
Balance at start of year	845.8	810.5
Net increase in net assets resulting from operations for the year	127.3	95.1
Dividends paid	(62.5)	(58.4)
Stock dividends on Shares released from Escrow	(7.5)	(1.4)
Balance at end of year	903.0	845.8

Note 12 Share based employee compensation reserve

	31 Dec 2015 US$ MM	31 Dec 2014 US$ MM
Balance at start of year	31.4	17.6
Share based employee compensation	22.0	23.1
Release of Escrow Shares	(33.8)	(9.3)
Balance at end of year	19.6	31.4

Note 13 Subsequent Events

The Directors have evaluated the period up to 25 February 2016, which is the date the financial statements were approved, and have concluded that there are no material events that require disclosure or adjustment to the financial statements.

Note 14 Approval of Financial Statements

The Directors approved the financial statements on 25 February 2016.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

TETRAGON FINANCIAL GROUP MASTER FUND LIMITED

FOR THE YEAR ENDED 31 DECEMBER 2015

TETRAGON FINANCIAL GROUP MASTER FUND LIMITED

AUDITED CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2015

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TETRAGON FINANCIAL GROUP MASTER FUND LIMITED

DIRECTORS' REPORT
For the year ended 31 December 2015

The Directors present to the shareholders their report together with the audited consolidated financial statements for the year ended 31 December 2015.

THE FUND AND ITS INVESTMENT OBJECTIVE

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

The Fund's investment objective is to generate distributable income and capital appreciation. It aims to provide stable returns to investors across various credit, equity, interest rate, inflation and real estate cycles. The company's investment portfolio comprises a broad range of assets, including a diversified alternative asset management business, TFG Asset Management, and covers bank loans, real estate, equities, credit, convertible bonds and infrastructure.

As at 31 December 2015, TFG Asset Management consisted of Polygon Global Partners LP and Polygon Global Partners LLP (collectively with certain affiliates, "Polygon"), LCM Asset Management LLC ("LCM"), Equitix Holdings Limited ("Equitix"), Hawke's Point, the GreenOak Real Estate LP ("GreenOak") joint venture and Tetragon Credit Income Partners ("TCIP").

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.

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
Frederic Hervouet*
David Jeffreys*
Byron Knief*
* Independent non-executive Directors

The remuneration for Directors is determined by resolution of the Voting Shareholder. Each Director's annual fee is US$ 100,000 as compensation for service on the Board of Directors of both the Fund and the Feeder and is paid in quarterly installments by the Fund. Paddy Dear and Reade Griffith have waived their entitlement to a fee.

DIRECTORS (continued)

The Directors have the option to elect to receive Shares in the Feeder instead of the quarterly fee. With respect to the year ending 31 December 2015, Frederic Hervouet has elected to receive Shares and he received 2,564 Shares in relation to the first quarter's fee, 2,354 Shares in relation to the second quarter's fee and 2,495 Shares in relation to the third quarter's fee. The number of Shares issued instead of the fee for the fourth quarter will be determined as part of the fourth quarter dividend process.

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$ 0.1575 per Share for the Quarter Ended 31 December 2014, US$ 0.1575 per Share for the Quarter Ended 31 March 2015, US$ 0.1625 per Share for the Quarter Ended 30 June 2015 and US$ 0.1625 per Share for the Quarter Ended 30 September 2015. The total dividend declared during the year ended 31 December 2015 amounted to US$ 62.5 million or US$ 0.64 per Share (31 December 2014: US$ 58.4 million or US$ 0.61 per Share). On 25 February 2016, the Directors have declared a dividend US$ 0.165 per Share for the Quarter Ended 31 December 2015.

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 2016

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 2015 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 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 the 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 2015 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

25 February 2016

TETRAGON FINANCIAL GROUP MASTER FUND LIMITED

CONSOLIDATED STATEMENTS OF ASSETS AND LIABILITIES
As at 31 December 2015

	Note	31 Dec 2015 US$ MM	31 Dec 2014 US$ MM
Assets			
Investments, at fair value (Cost US$ 2,070.0 million, 31 Dec 2014: US$ 1,916.4 million)	2	1,364.7	1,356.2
Management contracts	5	23.4	29.7
Cash and cash equivalents	8	440.4	402.0
Amounts due from brokers	9	59.9	52.1
Derivative financial assets	2, 3	19.4	19.2
Fixed assets	1	0.5	0.1
Deferred tax asset	17	9.2	10.0
Prepaid income tax	17	-	0.6
Other receivables	10	21.5	32.8
Total assets		1,939.0	1,902.7
Liabilities			
Derivative financial liabilities	2, 3	0.7	5.8
Other payables and accrued expenses	11	48.5	50.5
Income tax payable	17	5.8	2.9
Deferred tax liability	17	6.6	8.6
Total liabilities		61.6	67.8
Net assets		1,877.4	1,834.9
Equity			
Share capital	12	0.1	0.1
Share premium	13	881.1	888.6
Retained earnings	15	976.6	914.8
Capital contribution	16, 22	19.6	31.4
		1,877.4	1,834.9
Shares outstanding		**Millions**	**Millions**
Shares	12	95.9	95.9
Net Asset Value per share		US$ 19.58	US$ 19.13

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 2016

TETRAGON FINANCIAL GROUP MASTER FUND LIMITED

CONSOLIDATED STATEMENTS OF OPERATIONS
For the year ended 31 December 2015

	Note	Year ended 31 Dec 2015 US$ MM	Year ended 31 Dec 2014 US$ MM
Interest income	18	134.7	152.5
Fee income	19	70.2	81.1
Other income – cost recovery	20	17.3	23.6
Insurance recovery	25	9.8	1.0
Dividend income		0.1	0.1
Investment income		232.1	258.3
Employee costs	24	(58.6)	(61.7)
Management fees	24	(28.3)	(27.0)
Share based employee compensation	22	(22.0)	(23.1)
Legal and professional fees		(7.2)	(17.6)
Amortization on intangible assets	5	(6.3)	(6.8)
Audit fees		(0.4)	(0.4)
Other operating and administrative expenses	21	(21.2)	(21.8)
Operating expenses		(144.0)	(158.4)
Net investment income		88.1	99.9
Net realized and unrealized gain / (loss) from investments and foreign currency			
Net realized gain / (loss) from:			
Investments		82.7	124.4
Derivative financial instruments		4.8	(36.3)
Foreign currency transactions		4.9	12.0
		92.4	100.1
Net (decrease) / increase in unrealized (depreciation) / appreciation on:			
Investments		(0.3)	(52.2)
Derivative financial instruments		8.0	10.2
Translation of assets and liabilities in foreign currencies		(11.1)	(25.9)
		(3.4)	(67.9)
Net realized and unrealized gain from investments and foreign currency		89.0	32.2
Net increase from operations before tax		177.1	132.1
Income and deferred tax expense	17	(10.1)	(12.6)
Net income		167.0	119.5

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 2015

	Note	Year ended 31 Dec 2015 US$ MM	Year ended 31 Dec 2014 US$ MM
From operations:			
Net investment income		88.1	99.9
Net realized gain from investments and foreign currency		92.4	100.1
Net decrease in unrealized depreciation on investments and translation of assets and liabilities in foreign currencies		(3.4)	(67.9)
Income and deferred tax expense	17	(10.1)	(12.6)
Net income after tax		167.0	119.5
Share based employee compensation	22	22.0	23.1
Net increase in net assets resulting from operations		189.0	142.6
Dividends paid to Feeder in lieu of incentive fee liability	14	(35.2)	(51.5)
Dividends paid to shareholders	14	(50.5)	(52.0)
Total distributions		(85.7)	(103.5)
Issue of Shares	12	0.1	-
Purchase of Treasury Shares	12	(60.9)	(50.9)
Decrease in net assets resulting from capital transactions		(60.8)	(50.9)
Total increase / (decrease) in net assets		42.5	(11.8)
Net assets at start of year		1,834.9	1,846.7
Net assets at end of year		1,877.4	1,834.9

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 2015

	Year ended 31 Dec 2015 US$ MM	Year ended 31 Dec 2014 US$ MM
Operating activities		
Net income	167.0	119.5
Adjustments for:		
Realized gains on investments and derivatives	(72.8)	(88.1)
Cash received on investments in excess of interest income	220.8	216.7
Amortization on intangible assets	6.3	6.8
Share based employee compensation	22.0	23.1
Unrealized losses	3.4	67.9
Deferred tax	(1.2)	(3.8)
Operating cash flows before movements in working capital	345.5	342.1
Decrease / (increase) in receivables	14.1	(6.2)
Increase in payables	(2.1)	3.5
Income tax	3.5	2.3
Amounts due from brokers	(7.8)	(10.2)
Cash flows from operations	353.2	331.5
(Purchase) / sale of fixed assets	(0.3)	0.2
Proceeds from sale / prepayment / maturity of investments	133.0	250.2
Net proceeds / (payment) on derivative financial instruments	7.7	(28.8)
Purchase of investments	(309.0)	(241.5)
Net cash provided by operating activities	184.6	311.6
Financing activities		
Proceeds from issue of Shares	0.1	-
Treasury Shares	(60.9)	(50.9)
Dividends paid to shareholders*	(50.5)	(52.0)
Dividends paid to Feeder in lieu of incentive fee liability	(35.2)	(51.5)
Net cash used in financing activities	(146.5)	(154.4)
Net increase in cash and cash equivalents	38.1	157.2
Cash and cash equivalents at beginning of year	402.0	245.9
Effect of exchange rate fluctuations on cash and cash equivalents	0.3	(1.1)
Cash and cash equivalents at end of year	440.4	402.0

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

* The gross dividend payable to shareholders was US$ 62.5 million (2014: US$ 58.4 million) with a value equivalent to US$ 12.0 million (2014: US$ 6.4 million) elected to be taken by the dividend recipient in Shares rather than cash.

TETRAGON FINANCIAL GROUP MASTER FUND LIMITED

CONSOLIDATED CONDENSED SCHEDULE OF INVESTMENTS
As at 31 December 2015

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	-	0.00%
Broadly Syndicated Senior Secured Loans	1,125.1	1,028.8	510.8	27.21%
CDOs Squared	17.3	16.6	-	0.00%
Middle Market Senior Secured Loans	133.2	123.9	29.8	1.59%
	1,294.0	1,186.9	540.6	28.80%
European CLO Equity				
Ireland				
Broadly Syndicated Senior Secured Loans	100.4	121.5	20.3	1.08%
	100.4	121.5	20.3	1.08%
Luxembourg				
Broadly Syndicated Senior Secured Loans	71.1	84.3	23.3	1.24%
	71.1	84.3	23.3	1.24%
Netherlands				
Broadly Syndicated Senior Secured Loans	24.0	31.8	14.9	0.79%
	24.0	31.8	14.9	0.79%
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 Kingdom Loan Notes*	79.5	119.7	130.1	6.93%
United Kingdom Mezzanine Loan*	7.7	10.7	11.4	0.61%
United States Broadly Syndicated Senior Secured Loans	3.4	3.4	3.0	0.16%
	90.6	133.8	144.5	7.70%
Unlisted Stock				
Global Financial Real Estate Investment Manager		10.7	70.0	3.72%
Norway – Equity Investments		3.7	10.0	0.53%
United Kingdom – Infrastructure Asset Manager*		2.4	32.4	1.73%
United States – Equity Investments		20.2	21.5	1.15%
		37.0	133.9	7.13%
Investment Funds and Vehicles				
United States – Real Estate		43.7	47.4	2.52%
Japan – Real Estate		31.3	29.9	1.59%
Latin America – Real Estate		28.1	26.3	1.40%
Spain – Real Estate		12.8	12.5	0.67%
United Kingdom – Real Estate		27.6	25.6	1.37%
Global – Hedge Funds – Equities		60.9	64.0	3.41%
Polygon European Equity Opportunity Fund**		139.2	139.9	7.44%
Polygon Distressed Opportunities Fund***		95.0	95.1	5.07%
Global – Hedge Funds – Credit and Convertible Bonds		35.0	44.8	2.39%
		473.6	485.5	25.86%
Total Investments		**2,070.0**	**1,364.7**	**72.69%**

CONSOLIDATED CONDENSED SCHEDULE OF INVESTMENTS (continued)
As at 31 December 2015

Financial Derivative Instruments	Fair Value US$ MM	% of Net Assets
Forward Foreign Currency Exchange Contracts	10.1	0.54%
Credit default swaps	7.6	0.40%
Equity Total Return Swaps	1.0	0.05%
Total Financial Derivative Instruments	18.7	0.99%
Cash and Cash Equivalents	440.4	23.46%
Other Assets and Liabilities	53.6	2.86%
Net Assets	1,877.4	100.00%

* The securities held in Loan Notes, Mezzanine Loan and Infrastructure Asset Manager are the component parts of the Fund's investment in Equitix. See note 6 for more details.

**The investment in the Polygon European Equity Opportunity Fund consists of 436,051 units in Class A, 252,169 units in Class B and 230,084 units in Class C as at 31 December 2015.

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 456,562 units in Class A, 311,764 units in Class B, and 151,069 units in Class C at 31 December 2015.

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. Given 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.

CONSOLIDATED CONDENSED SCHEDULE OF INVESTMENTS (continued)
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 and Vehicles				
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. Given 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

FINANCIAL HIGHLIGHTS
For the year ended 31 December 2015 and 31 December 2014

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 2015 and 31 December 2014.

	31 Dec 2015	31 Dec 2014
	US$	US$
Per Share operating performance		
Net Asset Value at start of year	19.13	18.67
Net investment income	0.91	1.05
Net realized and unrealized gain from investments, derivatives and foreign currencies	0.92	0.34
Share based employee compensation	0.23	0.24
Dividends paid to shareholders	(0.88)	(1.15)
Income and deferred tax expense	(0.10)	(0.13)
Other capital transactions	(0.63)	0.11
Net Asset Value at the end of the year	19.58	19.13
Pro Forma Fully Diluted NAV per Share		
	Millions	Millions
Shares outstanding	95.9	95.9
Shares held in escrow	6.6	10.7
Pro Forma Fully Diluted Shares	102.5	106.6
Pro Forma Fully Diluted Net Asset Value per Share	US$ 18.32	US$ 17.21
Return (NAV change before dividend payments and other capital transactions)	10.25%	8.03%
Ratios and supplemental data		
Ratio to average net assets:		
Total operating expenses	(6.41%)	(7.39%)
Net investment income	4.63%	5.50%

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

Note 1 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 2015 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.

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 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.

Note 1 Significant Accounting Policies (continued)

Financial Instruments (continued)

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

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"). At each individual coupon date, the IRR is recalculated and the new IRR is used to recognize interest income on that particular investment until the following coupon date 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.

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

Investments in listed stock, unlisted stock and unsecured loans are carried at fair value. For listed stock, the closing exchange price is utilized as the fair value price. For unlisted securities, their cost price, the price at which any recent transaction in the security may have been effected and any other applicable 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 ASU 820.

Note 1 Significant Accounting Policies (continued)

Financial Instruments (continued)

Investments in real estate, at fair value

Investments where the primary purpose is to seek exposure to real estate are either made through an unlisted investment fund structure (see "investments in unlisted investment funds, at fair value") or, where the Fund is the sole or majority investor in a company or partnership, which either directly or indirectly holds this exposure.

The Fund's interests are valued by reference to net asset valuations provided by the investment advisor for the investment and/or its administrator. The underlying real estate is revalued periodically but typically no more frequently than on an annual basis.

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. Premiums paid on the purchase of swaptions which expire unexercised are treated as realized losses.

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 1 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.

Tri-Party repurchase agreements

In a tri-party repurchase agreement, the Fund lends cash to a third party secured against collateral posted by the borrower to a collateral agent.

At any point the Fund can recall the loan with twenty-four hour's notice. Failure to deliver the cash will be considered an event of default, enabling the Fund to take delivery of the collateral posted with the collateral agent.

Due to the highly liquid nature of these instruments, the amount being lent through these tri-party repos is recorded as cash and cash equivalents in the Statements of Assets and Liabilities, with interest receivable accrued and recognized as interest income in the Statement of Operations.

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 comprised of 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

The cost of purchasing management contracts which provide 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

In accordance with the accounting guidance in the AICPA Audit and Accounting Guide (2015): Investment Companies (the "Guide"), as an Investment Company, the Fund carries all investments at fair value, with the exception of the investments detailed in the paragraph below.

Note 1 Significant Accounting Policies (continued)

Principles of Consolidation (continued)

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. This consolidation exemption, as outlined in section 7.10 of the Guide, currently applies to the Fund's holdings in Polygon, LCM , Hawke's Point and TCIP (the "subsidiaries").

These 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.

During the year, the Fund purchased an 85% economic stake in Equitix, an infrastructure asset management business. This investment does not meet requirement (iii) of the exemption outlined above and is therefore carried at fair value.

The Fund owns 23% of GreenOak, a real estate investment manager and certain of its affiliates. It does not meet any of the conditions of the exemption outlined above and is carried 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 (2015): Investment Companies, all other investments in operating and non-operating entities are carried at fair value regardless of the level of control. Consolidation of such entities is not required.

At 31 December 2015, the fair value of these VIEs is approximately US$ 1,084.6 million (31 December 2014: US$ 1,227.4 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.

Note 1 Significant Accounting Policies (continued)

Share Based Employee Compensation (continued)

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.

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 1,200 per annum (31 December 2014: GBP 600). 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.

Note 1 Significant Accounting Policies (continued)

Income taxes, Corporate Entities (continued)

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 2015 or 31 December 2014.

Dividend Expense

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

Note 2 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.

The following is a summary of investments by asset class, derivative financial instruments and level as of 31 December 2015 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	-	-	599.1	599.1
CLO Mezzanine	-	1.7	-	1.7
Loans	-	3.0	141.5	144.5
Unlisted Stock	-	10.0	123.9	133.9
Forward foreign exchange contracts (asset)	-	10.8	-	10.8
Forward foreign exchange contracts (liability)	-	(0.7)	-	(0.7)
Credit default swaps	-	1.0	-	1.0
Equity total return swaps (asset)	-	7.6	-	7.6
Investments measured at Net Asset Value	-	-	-	485.5
	-	33.4	864.5	1,383.4

During the year ended 31 December 2015, an unlisted stock transferred from level 3 to level 2 as a result of a regularly published price becoming available. Additionally, under FASB 2015-07, the Fund evaluated the guidance to exclude certain investments from fair value hierarchy and elected to adopt the new disclosure "Investments measured at Net Asset Value". The 2014 comparatives have been adjusted to conform.

Note 2 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
Loans	-	22.1	6.4	28.5
Unlisted Stock	-	-	69.3	69.3
Listed Stock	29.4	-	-	29.4
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)
Investments measured at Net Asset Value	-	-	-	410.4
	29.4	37.2	892.6	1,369.6

Investments measured at Net Asset Value:
The Fund holds investments in investment funds and vehicles which have been valued using the net asset value of the underlying investment companies. This approach is known as the "practical expedient" and is in accordance with ASC820. In addition, in line with issued guidance, the Fund has opted to remove these investments from disclosure within the levelling hierarchy. See Note 27 for more detail.

As at 31 December 2015, the Fund held US$ 485.5 million in such investments (31 December 2014: US$ 410.4 million) of which US$ 343.8 million was held in open ended hedge fund vehicles (31 December 2014: US$ 322.1 million). Given applicable notice, typically liquidity in these vehicles is such that 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. In addition, as at 31 December 2015, the Fund held investments in closed ended real estate investment funds and vehicles with a fair value of US$ 141.7 million (31 December 2014: US$ 88.3 million). These investments are typically held in structures where liquidity is primarily dependent upon the sooner of the liquidation of the underlying investments and the stated maturity of the vehicle. It is not uncommon for the expected maturity to exceed five years from the initial investment.

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 2015.

	CLO Equity Tranches US$ MM	Loans US$ MM	Unlisted Stock US$ MM	Total US$ MM
Balance at start of year	816.9	6.4	69.3	892.6
Purchases of investments	62.4	130.7	22.6	215.7
Proceeds from sale of investments	(6.5)	(6.4)	-	(12.9)
Transfers out of level 3	-	-	(10.0)	(10.0)
Realized (loss) / gain and change in unrealized (depreciation) / appreciation	(40.2)	10.8	42.0	12.6
Amortization	(233.5)	-	-	(233.5)
Balance at end of year	599.1	141.5	123.9	864.5

Note 2 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	Loans US$ MM	Unlisted Stock US$ MM	Total US$ MM
Balance at start of year	1,120.4	11.1	28.4	1,159.9
Purchases of investments	84.3	-	2.4	86.7
Proceeds from sale of investments	(171.4)	(5.1)	-	(176.5)
Realized gain / change in unrealized appreciation	0.3	0.4	38.5	39.2
Amortization	(216.7)	-	-	(216.7)
Balance at end of year	816.9	6.4	69.3	892.6

Quantitative information about Level 3 Fair Value Measurements

Investments in securities	Balance at 31 December 2015 US$ MM	Valuation methodology	Unobservable inputs	Range
CLO Equity Tranches	599.1	Market standard model	See investments in CLO equity tranche investments	See below
Loans	141.5	Market standard model	Cost of financing for loan counterparty	LIBOR +6% - 12%
Unlisted Stock – Global Financial Real Estate Investment Manager	70.0	Market standard model	Enterprise Value/EBITDA	12x
Unlisted Stock – UK Infrastructure Asset Manager	32.4	Market standard model	Discounted Cash Flows	9.5%
		Market standard model	Enterprise Value/EBITDA	5.8x
Unlisted Stock – U.S. Private Equity Investments	21.5	Cost adjusted by available data points	See unlisted stock	

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 below
Loans	6.4	Market standard model	Cost of financing for loan counterparty	3 - 6%
Unlisted Stock – Global Financial Real Estate Investment Manager	66.5	Market standard model	Price / earnings ratios Valuation as % of assets under management	7 - 11x 5.7 - 9.0%
Unlisted Stock – Norwegian Private Placement	2.8	Broker marks	Discount to broker marks	10%

Note 2 ASC 820, Fair Value Measurements (continued)

The fair values 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 and vice versa.

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 and vice versa.

Loans
The loan investments relate to two tranches of loans advanced to Equitix as part of its acquisition by the Fund. A mezzanine loan of £7.7 million (US$ 11.5 million) was advanced at a rate of LIBOR+6%.

Loan notes with a notional value of £79.5 million (US$ 124.9 million) and a coupon of 12% were also issued by Equitix to the Fund as part of the transaction. Both the loan notes and the mezzanine loan have been valued at fair value plus accrued interest.

Unlisted stock
The unlisted stock investment includes a 23% stake in GreenOak which had a fair value of US$ 70.0 million at 31 December 2015 (31 December 2014: US$ 66.5 million). The primary metric utilized to determine this valuation was an Enterprise Value/EBITDA multiple of 12x adjusted EBITDA. The valuation calculation was prepared by a third party valuation specialist. Given the methodology utilized, if the multiple applied to the adjusted EBITDA was decreased then the fair value would also decrease.

It also includes the Fund's investment in the equity of Equitix. Both a Discounted Cash Flow ("DCF") and an Enterprise Value/EBITDA multiple were utilised by a third party valuation specialist to determine a valuation of US$ 32.4 million. This assumed that the Fund's economic interest in Equitix is 74.8%, which is the level that it is expected to decline to over time, with management owning the remainder. For the DCF a discount rate of 9.5% was applied to determine the enterprise value before a 15% discount for lack of liquidity was applied. The Enterprise Value/EBITDA multiple was 5.8x. As with the GreenOak valuation, if the multiple applied to the EBITDA decreased then so would the fair value. If the discount rate applied to future cash flows was increased then the fair value would decrease.

The unlisted stock investment also includes two private equity investments and these have been valued by reference to recently available data points. For the first investment this includes an implied valuation by reference to a new round of funding. For the second investment this includes a valuation document produced for the company by an investment bank.

CLO equity tranches

As disclosed in Note 1, a mark to model approach has been adopted to determine the value of the equity tranche CLO investments. 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.

Note 2 ASC 820, Fair Value Measurements (continued)

CLO equity tranches (continued)

As at 31 December 2015, 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.

U.S. CLO equity tranche investments –

	31 December 2015	**31 December 2014**
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.
Reinvestment Price and Spread	Assumed reinvestment price is par for the life of the transaction, with an effective spread over LIBOR of approximately 375 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 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.

European CLO equity tranche investments -

	31 December 2015	**31 December 2014**
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 2.1%, which is 1.0x the original WARF derived base-case default rate for the life of the transaction.
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.	All European deals are through their reinvestment period.

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.

Note 2 ASC 820, Fair Value Measurements (continued)

As at 31 December 2015, for the pre-2010 vintage U.S. equity tranches, the Fund applied a 12.0% discount rate to the expected future cashflows (31 December 2014: 12.0%). The European equity tranches are all discounted at 13.0% (31 December 2014: 13.0%). 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 2015, a discount rate of 11.0% is applied to the future projected cash flows of seasoned U.S. CLO 2.0 deals.

More recently-issued U.S. CLO 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 15.6% at 31 December 2015 (31 December 2014: 13.1%). The IRRs for such deals ranged from 14.9% to 16.1% (31 December 2014: 12.1% to 14.1%) and the fair value of deals discounted using deal specific IRRs was 9.8% (31 December 2014: 9.9%) of the CLO equity portfolio by fair value.

Note 3 Derivatives

The fund uses derivative financial instruments to either gain new economic exposure to an underlying asset or to hedge an existing economic exposure.

As at 31 December 2015, 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$ 323.0 million, having executed 73 transactions during the year at an average notional of US$ 10.5 million. (31 December 2014: 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).

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, liquidity, interest rate, fx 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. 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 2015, the Fund had a weighted average notional exposure of US$ 215.2 million through swaps referencing underlying individual equity positions (31 December 2014: US$ 259.2 million).

The Fund enters into credit default swaps in order to hedge certain risks or economic exposures. As at 31 December 2015, the Fund had single name credit default protection of US$ 65.2 million notional with an average notional of US$ 16.3 million, having executed seven transactions during the year. By comparison as at 31 December 2014, the Fund had purchased single name credit default protection of US$ 151.3 million notional with an average notional of US$ 15.1 million and having executed 10 transactions during the year.

Note 4 Financial Instruments with Off-Balance Sheet and Concentration of Credit Risk

The Fund holds certain investments in CLO equity tranches which 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.

Note 4 Financial Instruments with Off-Balance Sheet and Concentration of Credit Risk (continued)

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.

The Fund has also 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 is exposed to credit risk through its investment in GreenOak investment funds and bankruptcy or insolvency of GreenOak may cause the Fund's rights with respect to the investment funds to be delayed or limited.

The Fund is also exposed to Equitix through a combination of the mezzanine loan, loan notes and equity investment that it holds with respect to this entity. The loans are subordinate to another third party loan and in the event of bankruptcy or insolvency of Equitix this may impact upon the amount which is recoverable with respect to these loans. The maximum aggregate exposure to Equitix is disclosed in Note 6.

The Fund is exposed to counterparty risk in a number of ways. Some of the Fund's assets, including cash and cash equivalents are held by a custodian and other financial institutions, and the Fund is exposed to the credit risk of these counterparties. The Fund has also entered into derivative transactions which results in credit exposure to the applicable counterparties. Concentration risk could arise as a result, notwithstanding the fact that the derivative counterparties are major financial institutions. This risk is monitored on an ongoing basis and is managed through collateral management including master netting agreements.

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 2015, 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.

Note 4 Financial Instruments with Off-Balance Sheet and Concentration of Credit Risk (continued)

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

	31 December 2015					
Description	Gross Amount of Recognized Assets US$ MM	Gross Amounts Offset in the Statements of Assets and Liabilities US$ MM	Net Amounts Presented in the Statements of Assets and Liabilities US$ MM	Financial instruments eligible for netting US$ MM	Cash Collateral received/ posted US$ MM	Net Amount US$ MM
Assets						
Derivatives	19.4	-	19.4	(0.7)	-	18.7
Total	19.4	-	19.4	(0.7)	-	18.7
Liabilities						
Derivatives	0.7	-	0.7	(0.7)	-	-
Total	0.7	-	0.7	(0.7)	-	-

	31 December 2014					
Description	Gross Amount of Recognized Assets US$ MM	Gross Amounts Offset in the Statements of Assets and Liabilities US$ MM	Net Amounts Presented in the Statements of Assets and Liabilities US$ MM	Financial instruments eligible for netting US$ MM	Cash Collateral received/ posted US$ MM	Net Amount 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 5 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.

Note 5 Management Contracts (continued)

These are tested for impairment on a regular basis and are amortized over an estimated useful life as detailed below.

31 December 2015	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	6 years 10 months	10.9	23.4
Management contracts – private equity	3 years	10.2	-	10.2	-
Total		44.5		21.1	23.4

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

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

Note 6 Equitix

On 2 February 2015, the Fund completed the acquisition of Equitix for a total enterprise value of £159.5 million (US$ 239.9 million). After giving effect to all aspects of the sale and purchase agreement, the total consideration was £160.4 million (US$ 241.2 million) with the Fund directly funding £88.3 million (US$ 132.8 million) and the remainder being funded through an external loan before fees of £60.0 million (US$ $92.3m) and a rollover of certain purchase consideration by the Equitix management team.

The Fund's investment is structured through the holding of a mezzanine loan, 12% 'A' loan notes and an equity stake. Although the Fund currently effectively receives 85% of the economics through the percentage of loan notes that it holds, upon repayment of the loan notes its effective economic equity share would be expected to decline to 74.8%, with the Equitix management team owning the balance.

The purchase agreement also provided for some additional contingent consideration of up to £15.0 million, payable in early 2017 and subject to Equitix outperforming certain elements of its business plan. This contingent payment, should it become payable, will be contractually due from Equitix rather than the Fund and therefore is not an obligation of the Fund.

Note 6 Equitix (continued)

	31 Dec 2015 Cost US$ MM	31 Dec 2015 Fair Value US$ MM
Loan notes	119.7	130.1
Mezzanine loan	10.7	11.4
Equity	2.4	32.4
Total	132.8	173.9

Note 7 GreenOak

The Fund owns a 23% interest in GreenOak which it carries at fair value.

The following table outlines the movement in fair value of the investment in GreenOak.

	31 Dec 2015 US$ MM	31 Dec 2014 US$ MM
Opening fair value	66.5	28.4
Change in unrealized appreciation	3.5	38.1
Closing fair value	70.0	66.5

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 earned an annual interest rate of 3% and the balance earned an annual interest rate of 6%. During the year, GreenOak repaid the remaining balance on the 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 2015 US$ MM	31 Dec 2014 US$ MM
Opening fair value	6.4	11.1
Unrealized appreciation	0.1	0.4
Paydown of loan	(6.5)	(5.1)
Closing fair value	-	6.4

Note 8 Cash and Cash Equivalents

	31 Dec 2015 US$ MM	31 Dec 2014 US$ MM
Cash and current deposits with banks	412.9	372.7
Foreign currency cash with banks (cost: US$ 28.3 million (31 December 2014: US$ 30.3 million))	27.5	29.3
	440.4	402.0

Of this cash balance, US$ 225.0 million relates to amounts loaned to counterparties and secured against collateral through tri-party agreements (31 December 2014: US$ Nil). These all have at least overnight liquidity. In addition, approximately US$ 5.5 million was held with respect to certain capital requirements in regulated entities (31 December 2014: US$ 5.5 million).

Note 9 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 2015, the collateral cash balance with UBS AG was US$ 10.7 million (31 December 2014: US$ 2.0 million), BNP Paribas was US$ 10.3 million (31 December 2014: US$ 13.3 million) Morgan Stanley was US$ 1.4 million (31 December 2014: US$ 1.4 million) and Bank of America Merrill Lynch was US$ 37.5 million (31 December 2014: US$ 35.4 million).

Note 10 Other Receivables

	31 Dec 2015 US$ MM	31 Dec 2014 US$ MM
Accrued fee income	10.6	12.1
Cost recovery receivable	-	2.2
Amounts due from affiliated funds	-	5.8
Prepayments	2.3	1.9
Rent deposits on properties	1.6	1.7
Other receivables	7.0	9.1
	21.5	32.8

Note 11 Other Payables and Accrued Expenses

	31 Dec 2015 US$ MM	31 Dec 2014 US$ MM
Employee costs	39.6	41.1
Amounts owing to former Polygon partners (see Note 23)	3.5	3.5
Other operating and administrative expenses	5.4	5.9
	48.5	50.5

Note 12 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.

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.

Note 12 Share Capital (continued)

Share Transactions

	Voting Shares No.	Shares No. MM	Shares US$ MM
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	-
Shares purchased during the year	-	(4.9)	-
Shares in issue at 31 December 2014	10	95.9	0.1
Issued in lieu of stock dividend	-	1.2	-
Issued through release of tranche of Escrow Shares	-	4.8	-
Shares purchased during the year	-	(6.0)	-
Shares in issue at 31 December 2015	10	95.9	0.1

Treasury Shares

The Fund has entered into a joint arrangement with the Feeder through the establishment of TFG Holdings I. The Fund may transfer, and has transferred, Shares previously held in a Treasury Account to TFG Holdings I. 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 and this was renewed on several occasions. As at 31 December 2015, 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 TFG Holdings I 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 TFG Holdings I), the Shares are neither eligible to receive dividends nor are they included in the Shares outstanding on the Statements of Assets and Liabilities.

On 15 December 2015, 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 6.0 million Feeder non-voting shares at a purchase price of US$ 10.00 per share and an aggregate cost of US$ 60.9 million, including applicable fees and expenses. The Feeder exchanged an equivalent number of Fund Shares for the Feeder shares which had been repurchased. Of those 6.0 million Shares, 0.35 million Shares were transferred to TFG Holdings I and the remainder were cancelled.

As at 31 December 2015, 17.0 million Shares are held in TFG Holdings I (31 December 2014: 16.6 million) and 12.8 million Shares in the Treasury Account (31 December 2014: 12.8 million) with an aggregate attributed cost of US$ 264.6 million (31 December 2014: US$ 261.0 million).

Escrow Shares

As part of the acquisition to acquire TFG Asset Management (see Note 22), the Aggregate Consideration of 11.7 million Feeder shares was moved to an escrow account where they were to be held before being released in conjunction with the agreed vesting schedule, subject to certain forfeiture conditions. Upon the release of the Feeder shares, the Fund agreed to issue an identical number of Shares to the Feeder. During the year 4.7 million Shares were issued to the Feeder as a result of an equivalent number of Feeder Shares being released from escrow. Of these approximately 4.0 million Shares were deemed to be in relation to the original Feeder escrow shares, and a value of US$ 33.8 million was debited against Capital Contribution, using the transaction share price of US$ 8.43.

Note 12 Share Capital (continued)

Escrow Shares (continued)

In addition, approximately 0.7 million shares were deemed to be related to the stock dividends awarded on the original shares released and an amount of US$ 7.5 million was released against Retained Earnings, based on the stock reference price at each applicable dividend date.

Additionally the Feeder opened a second escrow account during 2015. This is intended to hold Shares which will form part of a long term incentive plan for certain employees of TFG Asset Management and during 2015, 5.65 million shares were moved into this account. As and when these Feeder shares are released, the Fund has agreed to issue an identical number of Shares to the Feeder.

Other Share Transactions

	Treasury Shares Shares No. MM	Shares held in TFG Holdings I Shares No. MM
Shares brought forward at 31 December 2013	7.9	16.6
Shares purchased during the year	4.9	-
Shares at 31 December 2014	12.8	16.6
Shares purchased during the year	-	0.4
Shares at 31 December 2015	12.8	17.0

Note 13 Share Premium

	31 Dec 2015 US$ MM	31 Dec 2014 US$ MM
Balance at start of year	888.6	922.4
Premium arising from issuance of Shares	53.4	17.1
Discount arising from purchase of Shares	(60.9)	(50.9)
Balance at end of year	881.1	888.6

Note 14 Dividends

	31 Dec 2015 US$ MM	31 Dec 2014 US$ MM
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
Quarter ended 31 December 2014 of US$ 0.1575 per share	15.1	-
Quarter ended 31 March 2015 of US$ 0.1575 per share	15.2	-
Quarter ended 30 June 2015 of US$ 0.1625 per share	15.7	-
Quarter ended 30 September 2015 of US$ 0.1625 per share	16.5	-
	62.5	58.4

The fourth quarter dividend of US$ 0.165 per share was approved by the Directors on 25 February 2016 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. In the year ended 31 December 2015, US$ 35.2 million (31 December 2014: US$ 51.5 million) was paid.

Note 15 Retained Earnings

	31 Dec 2015 US$ MM	31 Dec 2014 US$ MM
Balance at start of year	914.8	906.6
Net income resulting from operations for the year	167.0	119.5
Dividends paid to shareholders	(62.5)	(58.4)
Stock dividends on Shares released from Escrow	(7.5)	(1.4)
Dividends paid to Feeder	(35.2)	(51.5)
Balance at end of year	976.6	914.8

Note 16 Capital contribution

	Note	31 Dec 2015 US$ MM	31 Dec 2014 US$ MM
Balance at start of year		31.4	17.6
Capital contribution relating to share based compensation	1	22.0	23.1
Release of Feeder Escrow Shares		(33.8)	(9.3)
Balance at end of year		19.6	31.4

Note 17 Income and Deferred Tax Expense

Income tax for the year ended 31 December 2015 and 31 December 2014 consists of:

Year ended 31 December 2015:	Current US$ MM	Deferred US$ MM	Total US$ MM
U.S. Federal and local	12.0	0.6	12.6
UK	(0.7)	(1.8)	(2.5)
	11.3	(1.2)	10.1

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

US$ 5.8 million of current tax was payable at the end of the year (31 December 2014: US$ 2.9 million) with US$ Nil receivable (31 December 2014: US$ 0.6 million).

Tax Rate Reconciliation

Income tax expense was US$ 10.1 million for the year ended 31 December 2015 (31 December 2014: US$ 12.6 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 2015 US$ MM	31 Dec 2014 US$ MM
Net increase in operations before tax	177.1	132.1
Computed "expected" tax expense at 35% (2014: 35%)	62.0	46.2
Deduction in income taxes resulting from:		
Income not subject to U.S. tax	(55.1)	(37.7)
State and local income taxes	3.2	4.1
Total income and deferred tax expense	10.1	12.6

Note 17 Income and Deferred Tax Expense (continued)

Deferred Tax

	31 Dec 2015 US$ MM	31 Dec 2014 US$ MM
Deferred tax assets		
Employee compensation payments	9.2	10.0
Loss carried forward	-	-
Total deferred tax assets	9.2	10.0
Deferred tax liabilities		
Undistributed earnings	0.8	0.8
Intangible assets	5.8	7.8
Total deferred tax liabilities	6.6	8.6
Net deferred tax assets	2.6	1.4

Deferred tax assets include US$ 9.2 million (31 December 2014: US$ 10.0 million) relating to amounts accrued for employee compensation in 2015 which will only be an allowable expense in 2016 for tax purposes.

US$ 5.8 million (31 December 2014: US$ 7.8 million) is being recognized as a deferred tax liability due to the amortization 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 18 Interest Income

	31 Dec 2015 US$ MM	31 Dec 2014 US$ MM
Debt securities – CLO equity tranches and mezzanine tranches	119.5	150.5
Debt securities – Loans	0.6	1.3
Debt securities – Unsecured loans	14.4	0.4
Cash and other	0.2	0.3
	134.7	152.5

Note 19 Fee Income

	31 Dec 2015 US$ MM	31 Dec 2014 US$ MM
Management fees		
CLO	30.3	33.1
Hedge Funds and private equity	25.6	28.5
Performance fees	14.3	19.5
	70.2	81.1

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 recurring fee sharing arrangements with third parties. In the year to 31 December 2015 these third party fees generated US$ 8.6 million (31 December 2014: US$ 11.7 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 19 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$ 14.3 million were earned (31 December 2014: US$ 19.5 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$ 4.4 million of management fees (31 December 2014: US$ 4.3 million) and US$ 1.8 million of performance fees (31 December 2014: US$ 1.8 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 2015 the amount of fee equivalents recharged under these arrangements by Polygon hedge fund managers was US$ 6.5 million (2014: US$ 7.0 million).

Note 20 Other income

These include costs which are allocated to, and recovered from, the Investment Manager, GreenOak and Polygon Private Investment Partners LP pursuant to applicable separate services agreements, as well as the recovery of certain premises related costs from third party tenants.

See Note 24 for a full explanation of the cost allocation methodology as well as the amounts charged to each of the related parties.

	31 Dec 2015 US$ MM	31 Dec 2014 US$ MM
Employee costs	12.1	16.4
Legal and professional fees	0.3	0.4
Technology	1.6	2.5
Premises	2.5	3.3
Other	0.8	1.0
	17.3	23.6

Note 21 Other operating and administrative expenses

	31 Dec 2015 US$ MM	31 Dec 2014 US$ MM
Premises	8.9	9.5
Technology	6.0	6.3
Other	6.3	6.0
	21.2	21.8

Note 22 Share Based Employee Compensation

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").

Note 22 Share Based Employee Compensation (continued)

The Aggregate Consideration is held in escrow (along with accrued stock dividends), by the escrow agent pursuant to the terms of the escrow agreement. The first tranches were released in 2013, 2014 and 2015 with the remainder to be released over the period 2016 and 2017.

Under ASC 805 - Business Combinations ("ASC 805") these shares were treated as payment for post combination services rather than upfront consideration. 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 2015 amounted to US$ 22.0 million (31 December 2014: 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 December 2015. 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.

Vesting Schedule – Shares as at 31 December 2015

	Shares MM	US$ MM
2016	3.6	16.6
2017	3.0	12.6
	6.6	29.2

Vesting Schedule – Shares as at 31 December 2014

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

Note 23 Contingencies and Commitments

On 16 September 2010, the Fund committed to GreenOak to provide a co-investment commitment of up to US$ 100.0 million into GreenOak investment vehicles. As at 31 December 2015, in relation to this particular co-investment commitment, GreenOak had given the Fund notice totalling US$ 79.5 million across multiple investment vehicles, of which US$ 51.2 million had actually been drawn down and funded (31 December 2014: US$ 40.2 million). In certain cases, the Fund has also made additional commitments outside of the co-investment agreement and in aggregate, the Fund has estimated total unfunded commitments of US$ 103.8 million in respect of GreenOak investment vehicles (31 December 2014: US$ 84.6 million). The total actual amount ultimately drawn may be lower than this estimated maximum amount.

Future minimum lease payments under noncancelable operating leases as of 31 December 2015 are:

	31 Dec 2015 US$ MM	31 Dec 2014 US$ MM
2015	-	5.5
2016	5.3	5.5
2017	5.5	4.8
2018	3.0	0.2
2019	2.8	-
2020	2.8	-
2021	2.8	-
2022	2.5	-
	24.7	16.0

Note 23 Contingencies and Commitments (continued)

During 2015, the amount paid with respect to such leases was US$ 5.4 million (31 December 2014: US$ 5.7 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. Each of the Directors' annual fee is US$ 100,000 as compensation for service on the Boards of Directors of both the Feeder and the Fund. The Directors have the option to elect to receive shares in the Feeder instead of the quarterly fee.

With respect to the year ending 31 December 2015, Frederic Hervouet has elected to receive Shares and received 2,564 Shares in relation to the first quarter's fee, 2,354 Shares in relation to the second quarter's fee and 2,495 Shares in relation to the third quarter's fee. The number of Shares issued instead of the fee for the fourth quarter will be determined as part of the fourth quarter 2015 dividend process.

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.

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 (the "Acquistion"). 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 2016 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 2015 total compensation paid to them each in aggregate was US$ 100,000 (31 December 2014: US$ 100,000).

As at 31 December 2015, in connection with 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 2014: US$ 3.5 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 has 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.

Note 24 Related Party Transactions (continued)

Reade Griffith and Paddy Dear also hold membership interests in Pace Cayman Holdco Limited ("Pace Holdco"), an entity through which the Fund ultimately owns its equity stake in Equitix. These membership interests collectively entitle them to exercise all of the voting rights in respect of Pace Holdco. Each of Mr. Griffith and Mr. Dear has 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 Pace Holdco to the Fund.

Polygon Global Partners LLP and Polygon Global Partners LP (together 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. One of these entities, Polygon Global Partners LLP, which is authorized and regulated by the United Kingdom Financial Conduct Authority, also provides services to the Investment Manager relating to the dealing in and management of investments, arranging of deals and advising on investments. 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.

TFG Asset Management, through the Service Providers has implemented a cost-allocation methodology with the objective of allocating service-related costs, including to the Investment Manager. TFG Asset Management then charges fees for the services allocated on a cost-recovery basis that is designed to achieve full recovery of the allocated costs. In the year the amount recharged to the Investment Manager was US$ 13.9m (31 December 2014: US$ 16.4 million), GreenOak US$ 2.4 million (31 December 2014: US$ 5.4 million) and Polygon Private Investment Partners LP US$ 0.1 million (31 December 2014: US$ 0.1 million). As at 31 December 2015, the amount (payable) / receivable relating to these recharges was US$ (0.1) million (31 December 2014: US$ 2.1 million).

The Fund holds CLO equity investments in CLOs which are managed by LCM. During the year end it purchased a portion of the equity tranche in LCM XVIII at a cost of US$ 27.8 million and LCM XIX at a cost of US$ 34.6 million. In total, as at 31 December 2015, it held CLO equity tranche investments in 14 CLOs managed by LCM with a fair value of US$ 224.1 million (31 December 2014: US$ 208.3 million).

At 31 December 2015, 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 2015, the fair value of these investments was US$ 338.1 million (31 December 2014: US$ 315.9 million). The fees paid on these investments are disclosed as per Note 20.

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 2015, the working capital loan was fully repaid.

The Fund has made investments across several real estate investment vehicles managed by GreenOak. As at 31 December 2015, these investments referenced real estate in the United States, Japan and Europe with a combined net asset value of US$ 115.4 million (31 December 2014: US$ 88.3 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$ 103.8 million with respect to the investment vehicles (31 December 2014: US$ 84.6 million).

Note 25 Other Matters

The Fund has recovered from insurers costs relating to shareholder derivative actions, details of which were referred to in note 25 of the 2014 Fund audited consolidated financial statements. During the year US$ 9.8 million was received (31 December 2014: US$ 1.0 million). The Fund does not expect to recover any further costs in relation to these actions.

Note 26 Subsequent Events

The Directors have evaluated the period up to 25 February 2016, which is the date that the financial statements were approved, and have concluded that there are no material events that require disclosure or adjustment to the financial statement.

Note 27 Recent changes to U.S. GAAP

In May 2015, the Financial Accounting Standards Board ("FASB") issued guidance to address diversity in practice related to how certain investments measured at net asset value ("NAV") are reported within the financial statement footnotes. The new guidance removes the requirement to categorise investments measured under the current NAV practical expedient within the fair value hierarchy for all investments. The amendments also remove the requirement to make certain disclosures for all investments that are eligible to be measured at fair value using the NAV practical expedient.

Rather, those disclosures are limited to investments for which the entity has elected to measure the fair value using that practical expedient. The guidance will be effective in the first quarter of 2016 and is required to be applied retrospectively, although early adoption is permitted. The Fund has evaluated the effect of this guidance and has opted to early adopt with the results of this change being disclosed in Note 2.

In August 2014, the FASB issued guidance to address diversity in the accounting for differences in the measurement of the fair values of financial assets and liabilities of consolidated financing VIEs. The new guidance provides an alternative for consolidated financing VIEs to elect: (1) to measure their financial assets and liabilities separately under existing U.S. GAAP for fair value measurement with any differences in such fair values reflected in earnings; or (2) to measure both their financial assets and liabilities using the more observable of the fair value of the financial assets or the fair value of the financial liabilities. The guidance will be effective in the first quarter of 2016, with early adoption permitted. The Fund is evaluating the effect of this guidance on its financial statements.

Note 28 Approval of Financial Statements

The Directors approved the consolidated financial statements on 25 February 2016.