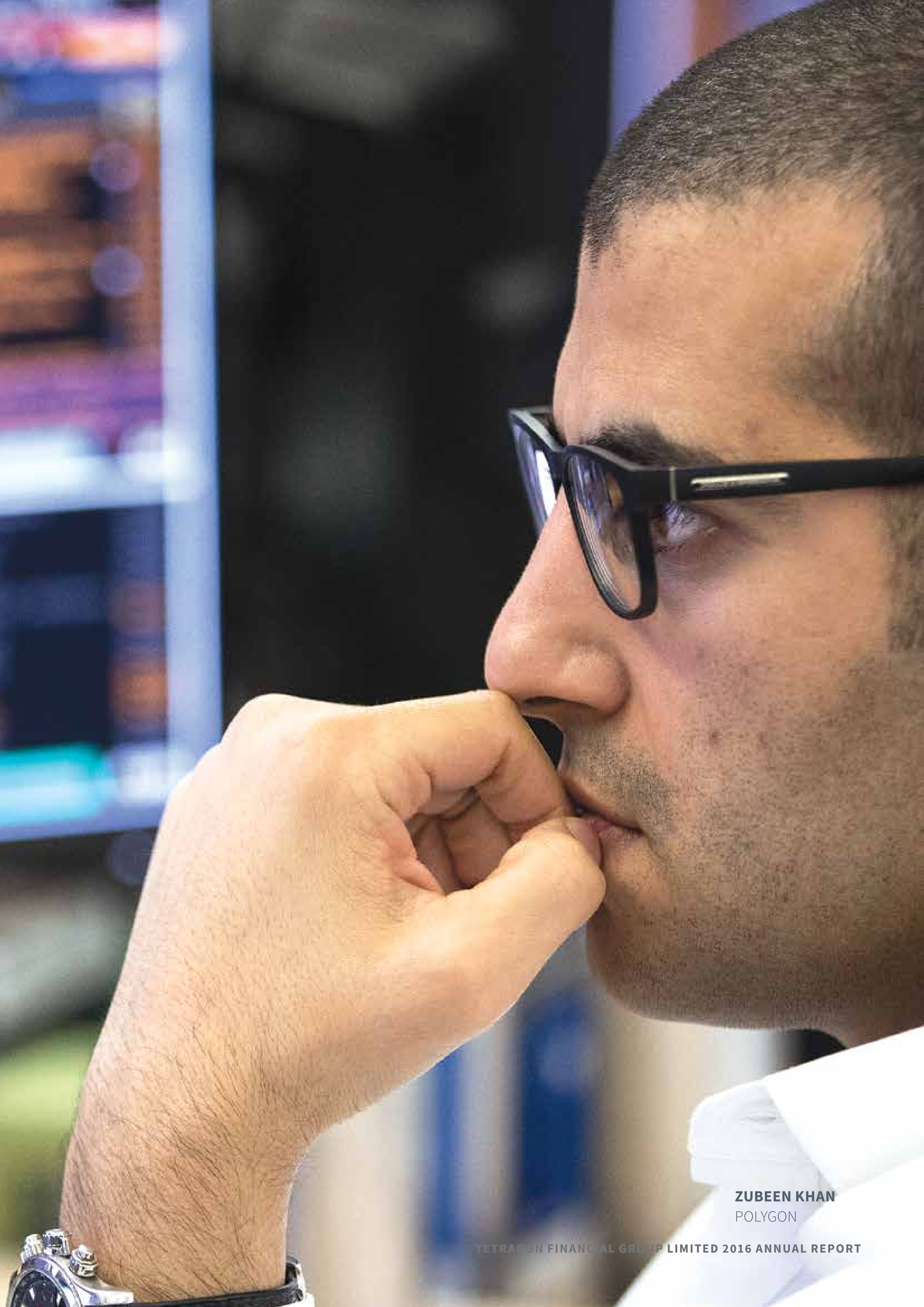
2016 Annual Report

TETRAGON FINANCIAL GROUP LIMITED

Contents


ZUBEEN KHAN
POLYGON

TETRAGON[1] is a closed-ended investment company that invests in a broad range of assets, including bank loans, real estate, equities, credit, convertible bonds and infrastructure and TFG Asset Management, a diversified alternative asset management business. Where sensible, through TFG Asset Management, Tetragon seeks to own all, or a portion, of asset management companies with which it invests in order to enhance the returns achieved on its capital. Tetragon'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 is traded on Euronext in Amsterdam N.V. and on the Specialist Fund Segment of the main market of the London Stock Exchange.

MORNINGSTAR™*

aic The Association of Investment Companie

To view company updates visit:
www.tetragoninv.com

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

*See note on page 7.

DOMINIC LYNCH
POLYGON

Delivering Results Since 2005[1]

NAV Per Share Total Return[2]

+8.5%
ONE YEAR
to 31 December 2016

+36%
THREE YEARS
to 31 December 2016

+87%
FIVE YEARS
to 31 December 2016

+189%
SINCE APRIL 2007 IPO
to 31 December 2016

Investment Returns/Return on Equity (RoE)[3]

10-15%
ROE TARGET
Annualised Range

12.7%
AVERAGE ROE
Since April 2007 IPO

6.3%
2016 ROE
31 December 2016

Share Price Total Return[4]

+33%
ONE YEAR
to 31 December 2016

+48%
THREE YEARS
to 31 December 2016

+164%
FIVE YEARS
to 31 December 2016

+139%
SINCE APRIL 2007 IPO
to 31 December 2016

Dividends

5.5%
DIVIDEND YIELD
31 December 2016

2x
DIVIDEND COVER[5]
31 December 2016

9.4%
QUARTERLY DIVIDEND FIVE-YEAR CAGR
Per annum
to 31 December 2016

Building Value

$1.9B
NET ASSET VALUE
31 December 2016

Alignment

24%
PRINCIPAL & EMPLOYEE OWNERSHIP[6]
31 December 2016

Notes

Page 5:

As of 31 December 2016, Tetragon has an overall five-star Morningstar Rating, as well as five stars over both three and five years.

Morningstar, Inc. rates investments from one to five stars based on how well they have performed in comparison to similar investments, after adjusting for risk and accounting for all relevant sales charges. Within each Morningstar Category, the top 10% of investments receive five stars, the next 22.5% four stars, the middle 35% three stars, the next 22.5% two stars, and the bottom 10% receive one star. Investments are rated for up to three time periods – 3, 5, and 10 years – and these ratings are combined to produce an overall rating. Investments with less than three years of history are not rated. Morningstar states that ratings are objective and based entirely on a mathematical evaluation of past performance.

Tetragon has subscribed to Morningstar Essentials™, for which it has paid a fee to enable it to use the Morningstar Rating™ on Tetragon's website and other investor materials.

Further information is available on Morningstar's website at http://www.morningstar.co.uk/.

Page 6:

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

(2) NAV Per Share total return to 31 December 2016, for the last year, the last three years, the last five years, and since Tetragon's initial public offering in April 2007 as sourced from Bloomberg. NAV Per Share Total Return is determined in accordance with the "NAV total return performance" calculation as set forth on the Association of Investment Companies (AIC) website. Tetragon's NAV Per Share total return is determined for any period by calculating, as a percentage return on the Fully Diluted NAV Per Share (NAV Per Share) at the start of such period, (i) the change in NAV Per Share over such period, plus (ii) the aggregate amount of any dividends per share paid during such period, with any dividend deemed reinvested at the NAV Per Share at the month end date closest to the applicable ex-dividend date (i.e., so that the amount of any dividend is increased or decreased by the same percentage increase or decrease in NAV Per Share from such ex-dividend date through to the end of the applicable period). NAV Per Share is calculated as Net Assets divided by Fully Diluted Shares Outstanding. Please refer to page 49 for further details.

(3) Tetragon seeks to deliver 10-15% Return on Equity (RoE) per annum to shareholders. Tetragon's returns will most likely fluctuate with LIBOR. LIBOR directly flows through some of Tetragon's investments and, as it can be seen as the risk-free short-term rate, it should affect all of Tetragon's investments. In high-LIBOR environments, Tetragon should achieve higher sustainable returns; in low-LIBOR environments, Tetragon should achieve lower sustainable returns.

(4) Total shareholder return to 31 December 2016, defined as share price appreciation including dividends reinvested, for the last year, the last three years, the last five years, and since Tetragon's initial public offering in April 2007.

(5) EPS divided by Dividends per Share at 31 December 2016.

(6) Shareholdings at 31 December 2016 of the principals of Tetragon's investment manager and employees of TFG Asset Management, including all deferred compensation arrangements. Please refer to the 2016 Audited Tetragon Financial Group Master Fund Limited financial statements for more details of these arrangements.

Company Highlights

Tetragon aims to provide stable returns to investors across various credit, equity, interest rate, inflation and real estate cycles.

FIGURE 1

Tetragon Financial Group - Performance Summary			
	31 December 2016	31 December 2015	Change
Net Assets	$1,934.9m	$1,987.3m	$(52.4)m
Fully Diluted NAV Per Share	$20.01	$19.08	$0.93
Share Price[1]	$12.30	$9.91	$2.39
Dividend	**$0.6725**	**$0.6475**	**$0.0250**
Ongoing Charges[2]	1.64%	1.70%	-
Investment Returns/Return on Equity[3]			**6.3%**
NAV Per Share Total Return[4]			**8.5%**
Share Price Total Return[5]			32.7%
Tetragon Hurdle: LIBOR +2.65%[6]			3.4%
MSCI ACWI Index[7]			8.5%
FTSE All-Share Index Total Return[7]			16.8%

FIGURE 2

Tetragon's NAV Per Share Total Return and Share Price Since IPO

(1) Based on TFG.NA.
(2) The Ongoing Charges figure comprises all direct recurring expenses to Tetragon expressed as a percentage of average Net Assets, and includes the annual management fee of 1.5%.
(3) Please see Note 3 on page 7.
(4) Please see Note 2 on page 7.
(5) Please see Note 4 on page 7.
(6) Cumulative return determined on a quarterly compounding basis using the actual Tetragon quarterly incentive fee LIBOR-based hurdle rate. In the period from IPO to June 2008 this was 8%; thereafter, the hurdle has been determined using the three- month USD LIBOR rate on the first day of each calendar quarter plus a spread of 2.647858%.
(7) 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 an appropriate benchmark to compare an investor's performance, but rather is 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, Tetragon's holdings may differ significantly from the securities that comprise the indices. The MSCI ACWI captures large and mid cap representation across 23 Developed Markets and 23 Emerging Markets countries. With 2,484 constituents, the index covers approximately 85% of the global investable equity opportunity set. Further information relating to the index constituents and calculation methodology can be found at https://www.msci.com/acwi. The FTSE All-Share Index represents 98-99% of UK market capitalisation and is the aggregate of the FTSE 100, FTSE 250 and FTSE Small Cap indices. Further information relating to the index constituents and calculation methodology can be found at http://www.ftse.com/products/indices/uk.

Strategic Review

PAUL GANNON
CHIEF FINANCIAL OFFICER

Letter to Our Shareholders

We are pleased to report that 2016 was a good year in a number of respects for Tetragon – with an investment return on equity (RoE) of 6.3%, a NAV Per Share total return of 8.5% and a share price total return of 32.7%. Although Tetragon's RoE is below the company's target of 10-15%, that target is over the long-term investment cycle; Tetragon's 10-year average RoE is 12.7%. Furthermore, as has been said before, Tetragon may achieve lower sustainable returns in a low-LIBOR environment.

The year was characterised by significant political events – Brexit, the election of Donald Trump – and yet, despite the uncertainty and volatility introduced by these events, many global equity indices were near or above all-time highs. In addition, central banks continued to support economies through monetary easing, with the yield on U.S. 10-year Treasuries reaching 2.4%. Globally, roughly $11 trillion of global debt was trading with negative yields by the end of the year. Investors, many looking for yield, continued to purchase fixed income instruments, from investment grade to high yield. Although Tetragon's investment manager does not believe that any macro-economic environment is "easy", the current state of increased political uncertainty and more fully-priced assets underscores the investment manager's view that Tetragon's current portfolio of predominantly alternative investments may help to minimise various emerging risks in global capital markets. We expect the company's portfolio, over the long term, to continue to compare favourably relative to broad indices of risk assets and also believe that the company's portfolio may perform well across a wide range of different macro-economic environments.

Tetragon's investment manager takes a deliberate approach to investment opportunities. It believes that one of the best ways to generate attractive returns, particularly in the context of alternative investments, is to focus on capacity-constrained strategies. Where sensible, the investment manager has pursued those opportunities through the company's own asset management business, leveraging Tetragon's capital and TFG Asset Management's infrastructure, investment teams and risk management processes.

The three largest contributors to performance in 2016 were the company's allocations to CLOs, the Equitix[1] business that is part of TFG Asset Management, and investments made directly on Tetragon's balance sheet described as "other equities and credit". In addition, all of the company's major asset classes were positive.

TFG Asset Management's major contributor was Equitix, which continued its strong investment performance and asset raising. Also of note, TFG Asset Management continues to grow Tetragon Credit Income Partners (TCIP), which is the general partner of Tetragon Credit Income II (TCI II), a private equity vehicle that, among other things, makes investments in CLOs created by CLO managers to comply with risk retention rules. TCI II currently has $300.4 million of commitments from third-party investors and Tetragon. Tetragon intends to continue to access primary CLO equity investments through TCI II (and subsequent vehicles of this type).

The performance of the company's largest hedge fund investments was particularly strong, outperforming the HFRI benchmark indices in most instances. TFG Asset Management's Polygon[2] funds were recognised for a number of industry awards for their performance in 2016. The Polygon Convertible Opportunity Fund won the EuroHedge Award in the Convertibles & Volatility category for the fourth time in the last six years and was also awarded Alt Credit Europe's "Convertible Arbitrage" award; the Polygon Distressed Opportunity Fund was nominated for performance awards by EuroHedge, Alt Credit U.S. and Allocator Investor's Choice; and Polygon won the Alt Credit Europe "Management Firm of the Year" award and was nominated for the EuroHedge "Management Firm of the Year" award for the first time.[3]

Tetragon's share price outpaced its NAV Per Share total return, with the share price rising by 33% on a total-return basis. Despite this outperformance, the shares still traded at a 39% discount to NAV Per Share at year-end. The company and its investment manager believe that a principal focus of activity should be on the generation of an attractive NAV Per Share total return. If the company can continue to do so, we hope that Tetragon's share price will more fully reflect its NAV Per Share.

(continued)

Together with Tetragon's corporate brokers, Stifel Nicolaus Europe and Cantor Fitzgerald Europe, the investment manager has embarked on an effort to increase investor awareness of the company. Bloomberg and Morningstar now publish data relevant to closed-ended investment companies, and Tetragon has joined the Association of Investment Companies (AIC), the trade body for closed-ended investment companies. Tetragon also has commissioned Edison Investment Research Limited (Edison) to publish a report regarding the company and expects Edison to publish updates on a quarterly basis. The investment manager focused on the U.K. broking community and a number of brokers have issued research and desk notes. In addition, the investment manager continues to meet broadly with shareholders; efforts which will continue in 2017.

In 2016, the NAV Per Share total return was boosted by share repurchases totaling $157.8 million (or 14.9 million shares). Tetragon is approaching its tenth anniversary as a public company. During that time, it has returned $543.2 million to shareholders via share repurchases. At the end of the year, inclusive of these share repurchases, net cash levels in the company are $390.6 million or 20% of the NAV. Although these cash levels may seem high, the investment manager believes that these levels are prudent as cash is retained for a series of uses such as: investment commitments or expectations (e.g., GreenOak(4) $90.9 million, TCI II $46.1 million, Hawke's Point(5) $100 million); new businesses; opportunistic investments and acquisitions; dividends; and fees. Cash management has been helped by the addition of another $75 million to the revolving credit facility in the third quarter of 2016, bringing the total facility to $150 million.

The fourth quarter dividend was announced at 17.25 cents per share, bringing the full-year 2016 dividend to 67.25 cents per share, which is a 3.9% increase on 2015. Using the year-end share price of $12.30, this gives a yield of 5.5%. Since its IPO in 2007, Tetragon has declared cumulative dividends of $4.78 per share.

> The principals of Tetragon's investment manager and employees of TFG Asset Management collectively now beneficially own or have exposure to approximately 24% of Tetragon's listed shares...

The principals of Tetragon's investment manager and employees of TFG Asset Management collectively now beneficially own or have exposure to approximately 24% of Tetragon's listed shares (including through deferred long-term compensation plans for employees of TFG Asset Management). The investment manager believes that this ownership creates an alignment of interest between the investment manager and TFG Asset Management employees and Tetragon shareholders.

On 23 December 2016, Tetragon announced that effective for the accounting periods ending on and after 31 December 2016, the company will adopt the International Financial Reporting Standards as adopted by the European Union (IFRS) as the accounting standard for preparing and reporting Tetragon's accounts. One benefit of this change is that instead of presenting both "Fair Value" and audited U.S. GAAP NAV performance metrics, Tetragon will now be able to present a single set of audited IFRS NAV performance metrics. We hope that investors will find the report and accounts simpler and more informative. Tetragon also plans to change the reporting cycle throughout the year, providing more information on a monthly basis, and no longer publishing the first and third quarter reports. Investor calls will be held, going forward, on a semi-annual cycle.

As announced in June 2016, Mr. William P. Rogers Jr. joined Tetragon's board of directors upon the resignation of Mr. Byron Knief. Mr. Rogers and the remaining board members have all been re-elected for 2017.

Throughout 2016, we had the opportunity to meet and speak with many of our shareholders, both long-term and new, and greatly appreciate the time that our shareholders have made available. We look forward to continuing this engagement and hope to see many of you at Tetragon's annual investor day that is scheduled to be held in London on 8 March 2017.

(continued)

Outlook

Tetragon's investment manager remains positive on the outlook for CLOs and it expects that recently-implemented risk retention regulations may dampen new CLO issuance. This may keep CLO liabilities relatively inexpensive and help loan spreads to widen, both of which would benefit CLO equity investors such as Tetragon. Furthermore, the investment manager believes that the exposure profile of CLO equity in a macro-economic environment of potentially rising interest rates and wider credit spreads effectively provides the company with a short credit spread investment – which may be a useful exposure should spreads begin to increase from currently tight levels.

The investment manager also remains optimistic regarding the company's exposure to event-driven equities, distressed opportunities and convertible bonds through its hedge fund investments. With respect to Tetragon's European event-driven investments specifically, there are potentially compelling valuations among smaller-cap, non-index equities which have generally lagged larger cap peers through years of capital outflows from Europe. M&A activity may continue to help catalyze revaluations in this space as cross-border bidders seek to pick up attractively-priced European assets. In distressed opportunities, where Tetragon invests in a capacity-constrained fund, there may be an opportunity for an increase in restructuring opportunities as lower-quality corporates – which have benefitted from a relatively easy and inexpensive high-yield issuance environment – may be under refinancing pressure in a rising interest rate environment.

TFG Asset Management continues to seek to grow its existing businesses through performance and growth in assets under management (AUM). In addition the investment manager continues to look for new asset classes and new asset managers to add to the TFG Asset Management platform.

With Regards,

THE BOARD OF DIRECTORS

2 March 2017

Notes:

(1) Equitix Holdings Limited, referred to in this report as "Equitix".

(2) 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, referred to in this report as "Polygon". Polygon Global Partners LLP is authorised and regulated by the United Kingdom Financial Conduct Authority.

3) The Polygon Convertible Opportunity Fund won the 2016 EuroHedge Award in the Convertibles & Volatility category. There were four other nominees for this award. The Polygon Distressed Opportunities Fund was nominated for the 2016 EuroHedge Award in the Event Driven & Distressed category. There were eight other nominees for this award. Polygon Global Partners LLP was nominated for the EuroHedge "Management Firm of the Year" award. There were four 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 Hedge Fund Intelligence Database and have at least a 12-month track record history. 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 ratio of the nominees in their relevant peer groups. Further information about the award, including nomination and winning criteria, is available at www.hedgefundintelligence.com. The Polygon Convertible Opportunity Fund won the "2016 Convertible Fund of the Year Award" at the Alt Credit Intelligence European Performance Awards. There were two other nominees for this award. Polygon Global Partners LLP won the "2016 Manager of the Year" at the Alt Credit Intelligence European Performance Awards. The Alt Credit Intelligence European Performance Awards are compiled by Alt Credit Intelligence, a publication of Pageant Media. Information about the award, including nomination and winning criteria, is available at https://www.eiseverywhere.com/ehome/196180/443123/.

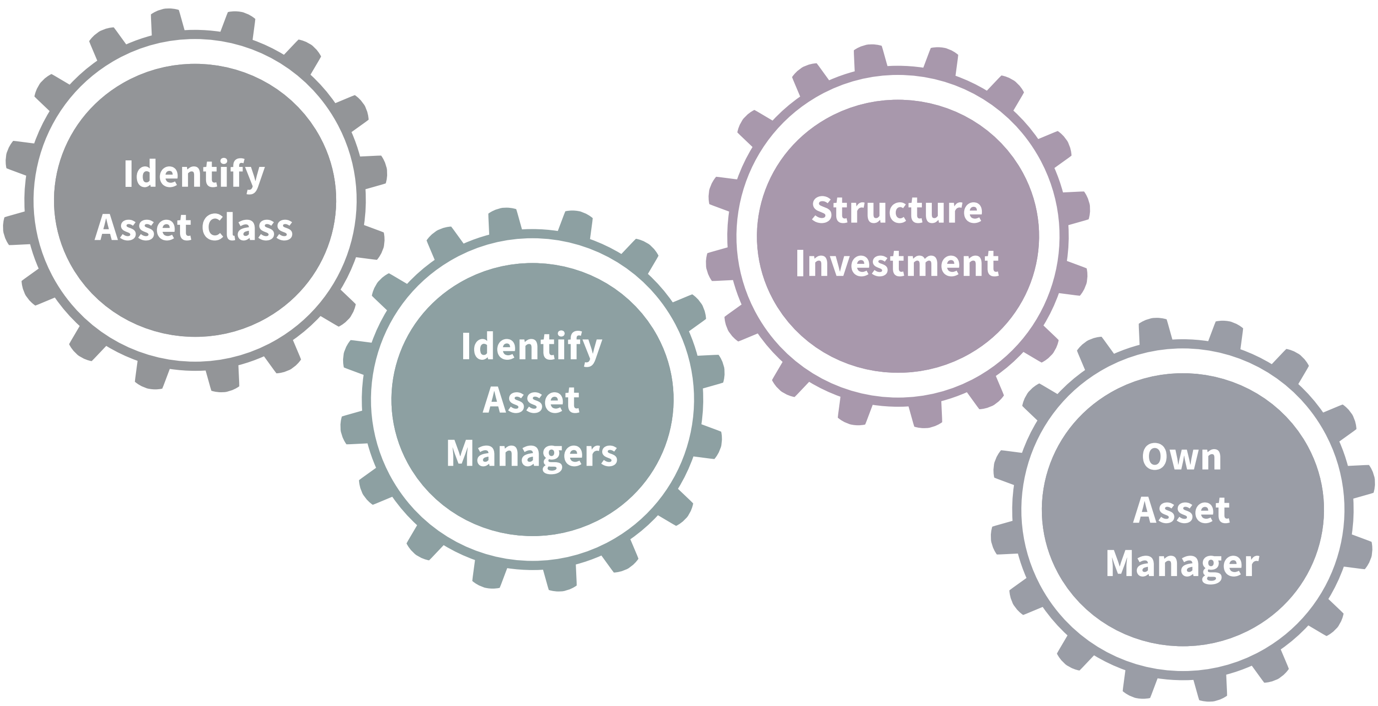
(4) GreenOak Real Estate, LP, is referred to in this report as "GreenOak". Tetragon owns a 23% interest in GreenOak.

(5) Hawke's Point, an asset management company focused on mining finance, referred to in this report as "Hawke's Point".

Investment Objective & Strategy

Tetragon is a closed-ended investment company that invests in a broad range of assets, including bank loans, real estate, equities, credit, convertible bonds and infrastructure and TFG Asset Management, a diversified alternative asset management business. Where sensible, through TFG Asset Management, Tetragon seeks to own all, or a portion, of asset management companies with which it invests in order to enhance the returns achieved on its capital. Tetragon'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 is traded on Euronext in Amsterdam N.V.(1) and on the Specialist Fund Segment(2) of the main market of the London Stock Exchange. For more information please visit the company's website at www.tetragoninv.com.

Tetragon's NAV as of 31 December 2016 was approximately $1.9 billion.



(1) Euronext in Amsterdam is a regulated market of Euronext Amsterdam N.V., (Euronext Amsterdam).

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

To achieve Tetragon's investment objective of generating distributable income and capital appreciation, the company'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 Tetragon's investment manager to negotiate favourable terms for its investments.
- To own, where sensible, all, or a portion of, asset management companies with which it invests in order to enhance the returns achieved on its capital.

In addition, the current investment strategy is to continue to grow TFG Asset Management – as Tetragon'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, Tetragon's investment manager 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 Tetragon's capital; and/or seeks for Tetragon (via TFG Asset Management) to own a share of the asset management company. Tetragon 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 asset management 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. Tetragon's 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.

Tetragon'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.

Key Performance Metrics

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

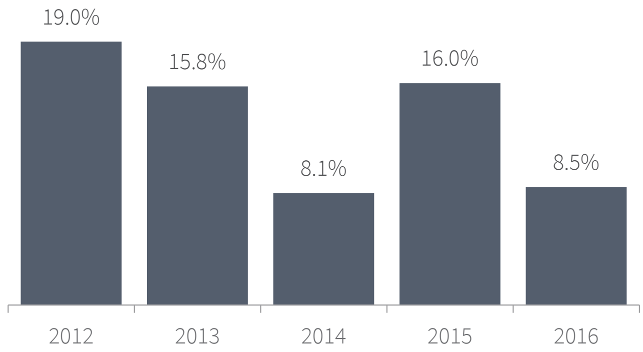
- **NAV Per Share**
- **Investment Returns/Return on Equity**
- **Dividends**

Fully Diluted NAV Per Share

Fully Diluted NAV Per Share (NAV Per Share) was $20.01 at 31 December 2016. NAV Per Share Total Return was 8.5% for 2016.

FIGURE 3

NAV Per Share Total Return 2012-2016



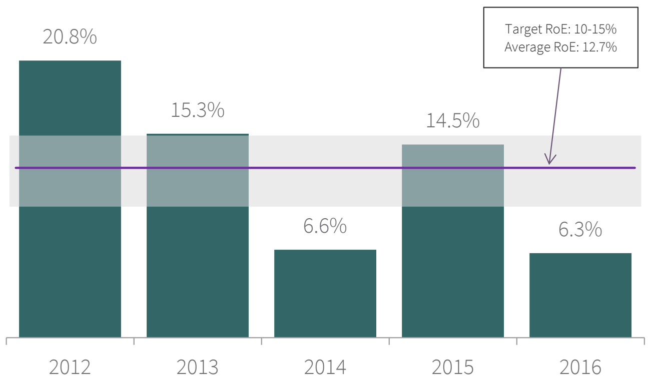
Investment Returns/Return on Equity*

RoE for 2016 was 6.3%. Earnings Per Share (EPS) for 2016 was $1.37.

*Average RoE is calculated from Tetragon'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%. Tetragon seeks to deliver 10-15% RoE per annum to shareholders. Tetragon's returns will most likely fluctuate with LIBOR. LIBOR directly flows through some of Tetragon's investments and, as it can be seen as the risk-free short-term rate, it should affect all of Tetragon's investments. In high-LIBOR environments, Tetragon should achieve higher sustainable returns; in low-LIBOR environments, Tetragon should achieve lower sustainable returns.

FIGURE 4

Return on Equity 2012-2016



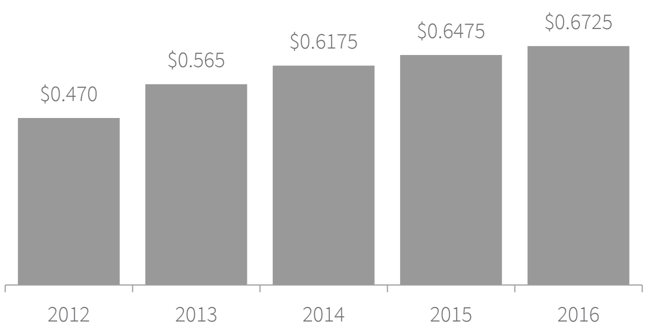
Dividends Per Share (DPS)**

Tetragon declared a Q4 2016 dividend of $0.1725 per share, for a full year dividend payout of $0.6725 per share, continuing the company's progressive dividend policy, which targets a payout ratio of 30-50% of normalised earnings. The cumulative DPS declared since Tetragon's IPO is $4.7575.

**Tetragon amended the terms of its Optional Stock Dividend Plan and Director Share Issue Program to permit the company to satisfy its obligations thereunder by transferring non-voting shares of Tetragon that are being held by it as treasury shares.

FIGURE 5

Dividend Per Share Comparison 2012-2016 (USD)

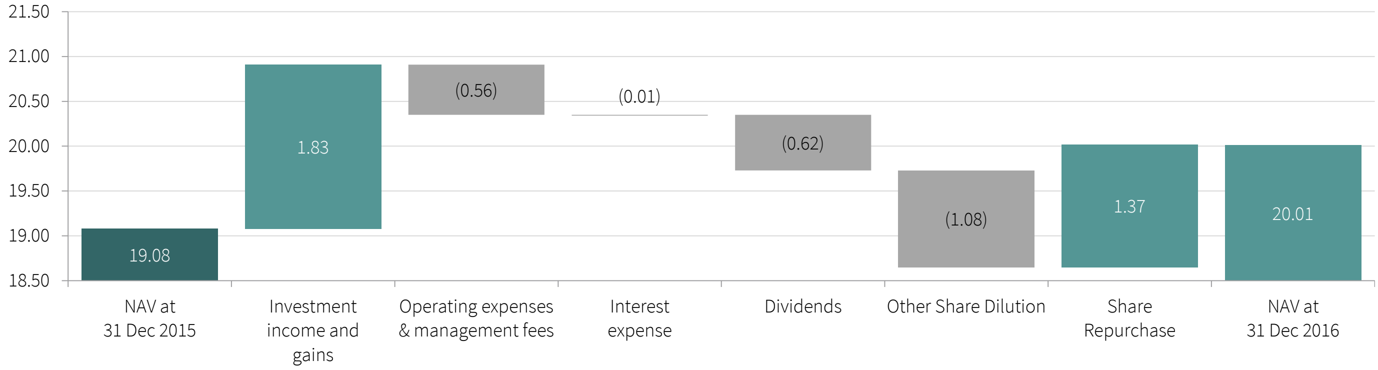


Investment Review

Tetragon's Fully Diluted NAV Per Share increased from $19.08 per share as at 31 December 2015 to $20.01 per share as at 31 December 2016. Figure 6 below shows the contributions to that performance. Investment income contributed $1.83 per share (more detail is set forth in Figures 7 and 10). Operating expenses and manager fees reduced NAV Per Share by ($0.56) with a further ($0.01) per share reduction due to interest expense. On the capital side, dividends reduced NAV Per Share by ($0.62). The fully diluted number of shares in issue changed over the year with additional dilution due to, amongst other things scrip dividends, additional recognition of equity-based compensation shares, increased calculated dilution with respect to share options as a result of the increase in the Tetragon share price and dilution associated with the deferred incentive fee paid to the investment manager. Taken in aggregate, this increased share dilution resulted in a reduction in NAV Per Share of ($1.08). Lastly, share repurchases at discounts to NAV added $1.37 per share. See Figure 30 for a full breakdown of the fully diluted shares outstanding.

FIGURE 6

Year on Year NAV Per Share Progression(i)



(i) With the exception of share repurchases, all of the Fully Diluted NAV Per Share movements in the table are determined by reference to the average fully diluted share count during the year (100.4 million shares). The contribution from share repurchases is determined by reference to the specific number of fully diluted shares at the time of each share repurchase transaction.

Net Asset Breakdown Summary

The table below shows a breakdown of the composition of Tetragon's NAV at 31 December 2015 and 31 December 2016, and the factors contributing to the changes in NAV over the year.

Investment performance generated $184.1 million of gross returns and was positive for all the asset classes, as can be seen in Figure 7 below. CLOs continued to perform well, assisted by a generally benign default environment in the United States; hedge funds were positive across the strategies, particularly noteworthy given the hedge fund industry's performance in 2016; real estate recorded another positive year with a number of buildings sold during 2016 in the United States and Japan in particular. TFG Asset Management's main positive contribution was from Equitix. Lastly, "Other equities and credit", which comprises investments directly on the balance sheet (i.e., not through an investment vehicle), were positive again in 2016.

Note that notwithstanding the positive investment performance, the total NAV declined during the year as cash was returned to investors via cash dividends and share repurchases as shown in Figure 6 above.

FIGURE 7

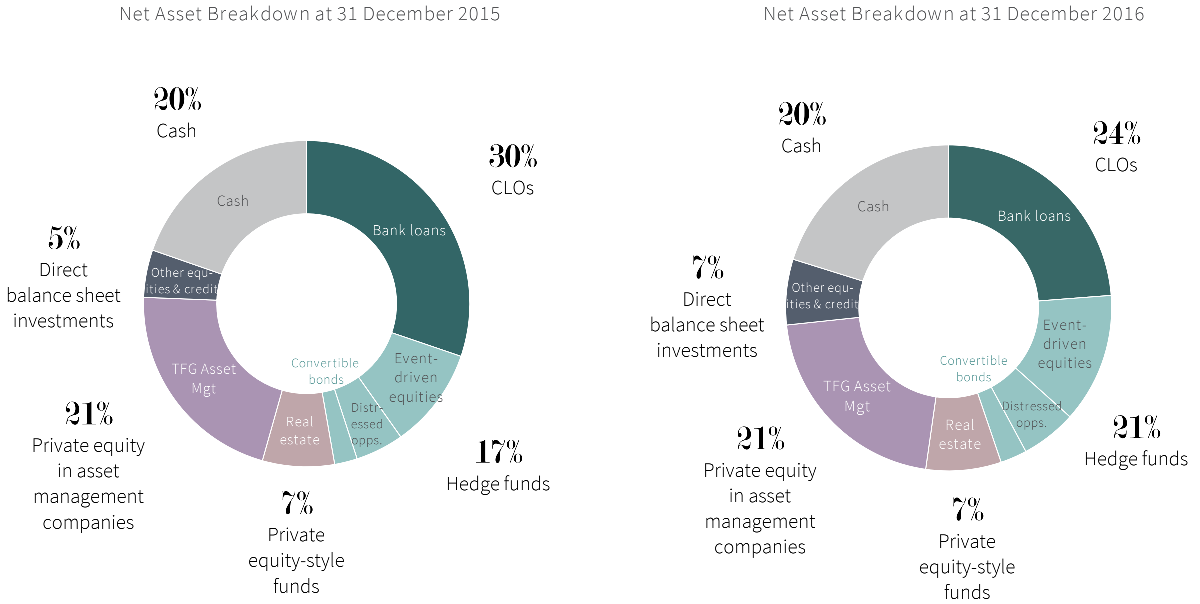
Asset Classes	Investment Structure	NAV at 31 Dec 2015 ($millions)	Additions(i)	Disposals/ Receipts(i)	Gains/ Losses	NAV at 31 Dec 2016 ($millions)
Bank loans	CLOs	600.8	31.2	(271.9)	99.9	460.0
Event-driven equities, distressed opportunities and convertible bonds	Hedge funds	338.1	42.0	-	26.4	406.5
Real estate	Private equity-style funds	141.7	37.0	(43.2)	9.0	144.5
TFG Asset Management	Private equity in asset management companies	422.1	-	(35.9)	21.6	407.8
Other equities and credit	Direct balance sheet investments	93.6	27.4	(22.5)	27.0	125.5
Cash		391.0	-	(0.6)	0.2	390.6
Total		**1,987.3**	**137.6**	**(374.1)**	**184.1**	**1,934.9**

(i) Any gains or losses on foreign exchange hedging instruments attributable to a particular strategy or sub-asset class have been included in "additions" or "disposals/ receipts" respectively. For example, where a hedging gain or loss is made, this will result in either cash being received or paid, or cash being receivable or payable, which is equivalent to a receipt or disposal.

Net Asset Composition Summary

As can be seen from Figure 8 below, Tetragon's asset class allocation has changed little over the year. The descriptions outside each chart refer to the structure of the investment vehicle through which Tetragon has made its investments.

FIGURE 8[1]



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

Top 10 Holdings as of 31 December 2016

Figure 9 below describes Tetragon's top ten holdings by value.

FIGURE 9

	Holding	Asset Class	Investment Structure	Fair Value ($millions)	% of NAV
1	Polygon European Equity Opportunity Fund	Event-driven equities	Hedge fund	192.9	10.0%
2	Equitix	TFG Asset Management	Private equity in asset management company	172.5	8.9%
3	Polygon Distressed Opportunities Fund	Distressed opportunities	Hedge fund	106.5	5.5%
4	LCM	TFG Asset Management	Private equity in asset management company	106.2	5.5%
5	GreenOak Real Estate	TFG Asset Management	Private equity in asset management company	67.0	3.5%
6	Polygon	TFG Asset Management	Private equity in asset management company	59.7	3.1%
7	Polygon Convertible Opportunity Fund	Convertible bonds	Hedge fund	51.0	2.6%
8	GreenOak U.S. II Fund	Real estate	Private equity-style fund	38.0	2.0%
9	Polygon Mining Opportunity Fund	Event-driven equities	Hedge fund	36.6	1.9%
10	LCM XIX LP	Bank loans	CLO	32.8	1.7%
	Total				**44.6%**

Detailed Investment Review

Figure 10 is a new table that breaks out more detail showing the effect of capital flows and performance gains and losses on the NAV of each asset class during the course of 2016; more detailed commentary for each asset class follows.

FIGURE 10

Asset Class	NAV at 31 December 2015 ($ millions)	Additions(i)	Disposals/ Receipts(i)	Gains/ Losses	NAV at 31 December 2016 ($ millions)	% of NAV
Bank loans						
U.S. CLOs (non-LCM)	318.3	-	(154.3)	46.3	210.3	10.9%
U.S. CLOs (LCM)	224.1	15.3	(81.7)	44.3	202.0	10.4%
European CLOs	58.5	-	(33.9)	8.5	31.6	1.6%
TCI II (U.S. multi-manager CLO equity)	-	15.9	(0.5)	0.7	16.1	0.8%
Event-driven equities						
Polygon European Equity Opportunity Fund	139.9	42.0	-	11.0	192.9	10.0%
Polygon Mining Opportunity Fund	38.1	-	-	(1.5)	36.6	1.9%
Polygon Global Equities Fund	20.3	-	-	(0.8)	19.5	1.0%
Distressed opportunities						
Polygon Distressed Opportunities Fund	95.1	-	-	11.4	106.5	5.5%
Convertible bonds						
Polygon Convertible Opportunity Fund	44.8	-	-	6.2	51.0	2.6%
Real estate						
GreenOak U.S. funds & co-investments	47.4	18.7	(15.3)	1.5	52.3	2.7%
GreenOak Europe funds & co-investments	34.4	10.5	(18.4)	5.3	31.7	1.6%
GreenOak Asia funds & co-investments	29.9	3.9	(7.6)	2.6	28.8	1.5%
Other real estate	26.3	2.0	-	(0.6)	27.7	1.4%
GreenOak debt funds	3.8	1.9	(1.9)	0.2	3.9	0.2%
TFG Asset Management						
Equitix	173.9	-	(32.6)	31.2	172.5	8.9%
LCM	110.2	-	(2.6)	(1.4)	106.2	5.5%
GreenOak	70.0	-	(0.7)	(2.3)	67.0	3.5%
Polygon	67.0	-	-	(7.3)	59.7	3.1%
Hawke's Point	0.8	-	-	(0.0)	0.8	0.0%
TCIP	0.3	-	-	1.4	1.6	0.1%
Other equities & credit(ii)						
Other equities	90.5	19.1	(16.6)	25.9	118.9	6.2%
Other credit	3.0	8.3	(5.8)	1.1	6.6	0.3%
Cash						
Net cash(iii)	391.0		(0.6)	0.2	390.6	20.2%
Total	**1,987.3**	**137.6**	**(374.0)**	**184.1**	**1,934.9**	**100.0%**

(i) Any gains or losses on foreign exchange hedging instruments attributable to a particular strategy or sub-asset class have been included in "additions" or "disposals/ receipts" respectively. For example, where a hedging gain or loss is made, this will result in either cash being received or paid, or cash being receivable or payable, which is equivalent to a receipt or disposal.

(ii) Assets characterised as "Other Equities & Credit" consist of investment assets held directly on the balance sheet.

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

Bank Loans - Through CLOs

Tetragon continues to invest in CLOs by taking majority positions in the equity tranches. CLOs had a good year overall with performance largely shaped by a number of key themes: (i) continued amortisation of older vintage U.S. and European CLOs as they exited and/or moved further beyond their reinvestment periods; (ii) early optional redemption or sale of older vintage CLOs during the latter half of the year to monetise rising loan prices and reduce the "tail risk" of the CLO portfolio, (iii) execution of refinancing and "reset" transactions on a number of U.S. CLO 2.0 transactions to improve their ongoing equity arbitrage levels, and (iv) rising U.S. LIBOR rates and tightening nominal loan spreads in the context of a relatively benign credit environment. These themes are explored in turn in a more detailed segmentation of Tetragon's CLO portfolio below.

– U.S. CLOs (non-LCM[1]): This portion of the portfolio performed well during 2016, generating $46.3 million of income, despite facing the headwinds of rising LIBOR rates and tightening nominal loan spreads. U.S. LIBOR rose steadily in the second half of the year, with 3 Month LIBOR reaching 1.0% and 1 Month LIBOR exceeding 0.75% by the end of the year. Given the prevalence of "LIBOR floors" within the underlying loan portfolios, which were generally struck at 0.75%-1.0%, rising LIBOR rates had a negative effect on U.S. CLO equity distributions until spot LIBOR rates exceeded the average "LIBOR floor" levels. This is because until spot LIBOR rates exceeded average LIBOR floor levels, they represented a direct 1:1 reduction in the effective loan spread earned by the CLOs' loan portfolios, while the cost of funding on the CLOs' liabilities (priced based on 3-Month LIBOR and re-set quarterly) continued to rise with spot LIBOR rates. In addition, nominal U.S. leveraged loan spread tightening also had the effect of reducing the amount of CLO equity distributions, which was partially offset by a benign loan default environment.

  In this context, Tetragon focused on managing the wind-down path of its seasoned U.S. CLOs and on optimising their ongoing equity arbitrage levels. In the latter half of 2016, Tetragon took advantage of supportive loan and CLO market conditions to execute early optional redemptions of four non-LCM managed U.S. CLO transactions and to sell one non-LCM managed U.S. CLO position. All such redemptions and sales were executed above fair value levels, generating realised gains for the portfolio and bringing forward expected future cash flows thereby reducing the "tail-risk" of this segment of the portfolio. The net effect of these redemptions, sales, and the natural amortisation of CLOs drove a 34% reduction in the NAV of Tetragon's non-LCM managed U.S. CLO investments versus the end of 2015. As of the end of 2016, Tetragon held approximately $147.2 million in fair value of non-LCM 1.0 U.S. CLOs which we expect to continue to amortise in the near-term.

  Tetragon also sought to increase the value of its investments by improving the excess interest distributable to the equity investments via CLO debt refinancing transactions and resets. During 2016, Tetragon reset one non-LCM managed transaction extending its reinvestment period and related duration metrics by four years. Tetragon also refinanced the liabilities of a non-LCM managed U.S. CLO transaction in January of 2017 reducing its weighted-average cost of funds by approximately 23 basis points.

  As of the end of 2016, all of Tetragon's non-LCM managed U.S. CLOs were compliant with their junior-most O/C tests.[2]

– U.S. CLOs (LCM): LCM CLOs also performed well in 2016, generating $44.3 million of income; all of the transactions remained compliant with their junior most O/C tests throughout the year. During Q1 2016, Tetragon made two opportunistic secondary LCM CLO equity purchases and as loan market conditions improved, Tetragon sought to monetise the loan price rally by exercising the optional redemption rights on three LCM transactions that were past their reinvestment periods. The execution of all such redemptions was accretive, generating proceeds in excess of pre-redemption fair market levels. These call activities as well as the structural amortisation of LCM CLOs resulted in a 10% reduction in the fair value of LCM CLOs at the end of 2016 as compared with the end of 2015. As of the end of 2016, Tetragon held approximately $2.8 million in fair value of LCM 1.0 U.S. CLOs, which we expect to continue to amortise in the near-term.

  Additionally, during Q4 2016, Tetragon successfully refinanced the liabilities of an LCM transaction, reducing its weighted average cost of funds by approximately 19 basis points and "reset" an earlier vintage LCM CLO whereby the CLO's debt tranches were refinanced and its reinvestment period, maturity, weighted average life and other related duration metrics were extended by four and a half years.

– European CLOs: Tetragon's European CLO portfolio generated $8.5 million of income as it continued to amortise during 2016 as the fair value of the European CLO positions declined by approximately 46% from the prior year-end. As with the U.S. CLO segment, this reduction in exposure was achieved via a combination of natural amortisation as well as the exercise of an optional redemption on one transaction. As of the end of 2016, Tetragon held approximately $31.6 million in fair value of European CLOs, which we expect to continue to amortise in the near-term. All of Tetragon's European CLOs were in compliance with their junior-most O/C tests as of the end of Q4 2016.[3]

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

(2) Based on the most recent trustee reports available as of 31 December 2016.

(3) Based on the most recent trustee reports available as of 31 December 2016.

- TCI II: TCI II is the multi-manager CLO equity investment vehicle established by TCIP, a 100% owned subsidiary of TFG Asset Management. As of 31 December 2016, Tetragon's commitment to TCI II stood at $62 million with $15.9 million funded.

  During the year, the vehicle continued to raise capital and ramp its portfolio. As of 31 December 2016, TCI II held six CLO equity investments, with three transactions managed by LCM and three deals managed by TCI Capital Management LLC (TCICM) and sub-advised by TCICM's sub-advisory partners: NYL Investors LLC, Symphony Asset Management LLC, and Columbia Management Investment Advisers, LLC.

  The performance of the vehicle's existing investments was positive during the year, with no payment defaults on any underlying loans within TCI II's CLOs. With average LIBOR floors on loan assets now below current LIBOR levels, any future rate increases should, all things being equal, have a positive effect on CLO equity cash flows. We believe that CLO equity may provide a natural interest rate and inflation hedge as it gives investors an effective return over 3 Month LIBOR, which may prove an increasingly valuable feature in the context of tightening monetary policy and relatively rich asset valuations in fixed income and other asset classes.

Event-driven equities, distressed opportunities and convertible bonds - through hedge funds

Tetragon invests in event-driven equities, distressed opportunities and convertible bonds though hedge funds. As at year-end 2016, all these investments are through Polygon-managed hedge funds.

Event-driven equities

- Polygon European Equity Opportunity Fund: Tetragon's largest exposure in this investment category is through an investment in the Polygon European Equity Opportunity Fund, which is a strategy focused on event-driven investing. M&A-related trades, accounting for over 40% of the portfolio in 2016, were the main driver of performance. These gains were somewhat offset by corporate restructuring trades where certain positions were impacted by disappointing results announcements and some short-term nervousness after the outcome of the "Brexit" referendum in June. In line with the fund's investment philosophy, performance drivers were generally from company-specific catalysts.

- Polygon Mining Opportunity Fund: The investment in the mining equity strategy resulted in a small loss for 2016. During 2016, Polygon came to believe that, despite generating attractive levels of alpha, the fund might not be able to deliver such returns in a consistent and sustainable manner. Polygon was also concerned that the opportunity set among mining companies and mining-related businesses might not be large enough to support the desired level of diversification within the portfolio. In light of the foregoing concerns, amongst others, Polygon concluded that it would be in the best interests of investors to wind down the fund, and informed its investors of this decision in late December 2016. Tetragon (along with all fund investors) expects to receive distributions of cash from its investment in full by the end of 2017.

- Polygon Global Equities Fund: Tetragon's allocation to this strategy this strategy remains small in relation to its other hedge fund investments. This strategy focuses mainly on global capital markets dislocation; the investment made a small loss in 2016.

Distressed opportunities

- Polygon Distressed Opportunities Fund: Tetragon's investment in Polygon's distressed strategy was the largest contributor among Tetragon's hedge fund investments. Polygon has specifically sought to avoid exposure to commodities names over the boom-and-bust commodity cycle of the last two years which it believes has helped the fund to avoid the accompanying volatility that commodity-related investments have produced over this period.

Convertible bonds

- Polygon Convertible Opportunity Fund: The strategy remains focused on capital structure relative value trades with specific rerating catalysts, is tightly hedged and broadly diversified. 2016 was another good year for Tetragon's investment in this Polygon fund.

Real Estate - primarily through private equity-style funds

Tetragon holds most of its investments in real estate through GreenOak-managed funds and co-investment vehicles. The majority of these GreenOak funds are private equity-style funds concentrating on opportunistic investments in commercial property investments based on local knowledge and experience in each target market. These investments all showed positive returns in 2016. During the year, Tetragon made some additional capital contributions to existing investment programs across Europe, the United States and Asia. In addition, Tetragon realised approximately $38.5 million in capital and income through distributions from a number of GreenOak-managed investment programs.

- GreenOak U.S.: Net income was primarily generated from U.S. Fund I, which continued to sell assets, as well as from a single property investment vehicle, which sold its New York asset and distributed the proceeds. U.S. Fund I was established in 2011 and focuses on commercial real estate debt recapitalisation opportunities mainly focused on office, retail and hospitality properties.

- GreenOak Europe: Net income was generated across a number of different programs, including real estate vehicles in the UK and Spain. GreenOak's Europe funds are mainly focused on realising value from value opportunities in southern Europe.
- GreenOak Asia: Sales of assets and associated distributions from the Japan Fund I drove net income in Asia. GreenOak's Asian investments focus primarily on deep value, high-quality commercial opportunities in Tokyo and Osaka, mainly in the retail, hospitality and multi-family residential sectors.
- Other: In addition to the commercial real estate investments through GreenOak-managed real estate funds described above, Tetragon also has investments in commercial farmland in Paraguay. Tetragon has structured individual managed accounts for each of several farms. These investment vehicles are managed by Scimitar, a specialist manager in South American farmland. These farms were bought during 2015 and 2016 and are currently valued at $27.7 million, which is cost plus capital expenditure. The loss to date reflects ongoing fees and expenses.

TFG Asset Management - through private equity in asset management companies

- TFG Asset Management: Tetragon's investment in TFG Asset Management, which comprises a diverse portfolio of alternative asset managers, recorded an investment gain of $21.6 million during 2016. Tetragon's investment in Equitix made a significant positive contribution during the year of approximately $31.2 million, as an increase in fair value in local currency was locked in to U.S. dollars through the use of forward currency hedges. This gain reflected the underlying positive performance of this business and the growth in AUM that happened during the year. The value of Tetragon's investment in TCIP also increased as it continues to deliver against its business plan for its first vehicle, TCI II. Tetragon's investments in GreenOak and LCM had small unrealised losses during 2016, reflecting a combination of factors, including the application of less favourable market multiples or discount rates, and a more conservative view on elements of projected performance this year. Tetragon's investment in Polygon made a somewhat larger loss during the year as its fair value declined. A combination of a lower EBITDA caused by slower-than-anticipated AUM growth and reduced "market multiples" as used by the valuation agent resulted in a reduction in the carrying value of this investment over the course of 2016. We continue to believe that the underlying economics and momentum of these businesses remain positive, as measured by, among other things, EBITDA and AUM growth, as described in the TFG Asset Management section in this report. Please see Note 5 in the audited 2016 Tetragon Financial Group Master Fund Limited financial statements for further details on the basis for determining the fair value of the TFG Asset Management investment. Additionally, please see Figure 21 for TFG Asset Management's *pro forma* operating results and associated commentary.

Other Equities and Credit

Most of Tetragon's investments are made either through investment vehicles managed externally or by managers within TFG Asset Management. However, occasionally Tetragon will make investments directly on its balance sheet reflecting single strategy ideas: either co-investing with some of its underlying managers or simply idiosyncratic investments. During 2016, these investments primarily comprised public equities.

- Other Equities: These assets generated net income of $25.9 million during 2016 across a number of different investments, all of which were profitable during the year. The largest drivers of return were event-driven positions in Europe that have been held for a number of years.
- Other Credit: This segment included a £3.0 million loan to GreenOak in connection with its acquisition of Grafton Advisors, a UK property adviser. This loan was repaid during Q4 2016.

Cash

Tetragon's net cash balance at 31 December 2016 was $390.6 million. The cash is held approximately 50% in secured arrangements, lent by a tri-party repurchase arrangement using Bank of New York Mellon as the tri-party agent. The other 50% is held in unsecured arrangements, and Tetragon's operating cash balance is held at State Street. All of Tetragon's cash is held at highly rated banking institutions, in on-demand arrangements, thereby ensuring that it is not exposed to any term risk.

The company actively manages its cash levels to cover future commitments and to enable it to capitalise on opportunistic investments and new business opportunities. During the year, the company used $137.6 million of cash to make investments, $45.9 million to pay dividends, and $157.8 million to repurchase shares. Future cash commitments are approximately $237.0 million, comprising: investment commitments (GreenOak $90.9 million, TCI II $46.1 million); potential investments (Hawke's Point $100 million); and ongoing dividends and fees.

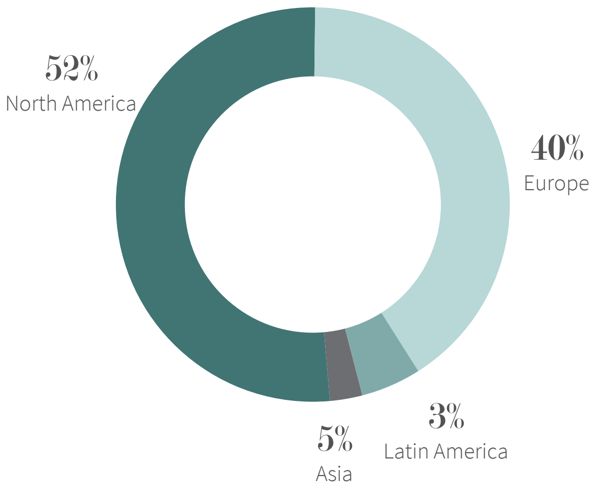
Tetragon currently has a $150.0 million revolving credit facility in place, of which $38.0 million has been drawn.

Further Portfolio Metrics

Geographic Exposure:

FIGURE 11

Geographical Exposure at 31 December 2016



Assumptions:

- Event-driven equities, distressed opportunities, convertible bonds, and other equities and credit investments are based on the geographies of the underlying portfolio assets.
- U.S. CLOs and TCI II are 100% U.S.
- European CLOs are 100% Europe.
- GreenOak Real Estate (TFG Asset Management) treated as 1/3 Europe, 1/3 U.S., 1/3 Asia
- Polygon (TFG Asset Management) treated as 80% Europe, 20% U.S.
- LCM (TFG Asset Management) treated as 100% U.S.
- Equitix (TFG Asset Management) treated as 100% Europe.
- TCIP (TFG Asset Management) treated as 100% U.S.

Currency Exposure:

Tetragon is a U.S. dollar-based fund and reports all of its metrics in U.S. dollars. All investments denominated in other currencies are hedged to U.S. dollars.

Risk Factors

Principal Risks

The principal risks facing Tetragon as a listed investment company are both financial and operational in nature, and ultimately relate to both Tetragon's issued and outstanding non-voting shares as well as its investment portfolio. The financial risks inherent in its portfolio are primarily market-related or are otherwise relevant to particular asset classes. Operational risks include those related to Tetragon's organisational structure, investment manager, legal and regulatory environment, taxation and other areas where internal or external factors could result in financial or reputational loss.

The risks and uncertainties highlighted below are supplemented and described in further detail on Tetragon's website at:
http://www.tetragoninv.com/investors/risk-factors.

Financial Risks

Risks Relating to Investing in Tetragon's Shares

The market price of Tetragon's non-voting shares may fluctuate significantly and may bear no correlation to Tetragon's NAV, and holders may not be able to resell their Tetragon shares at or above the price at which these were purchased. In addition to portfolio-level and operational risks highlighted below, factors that may cause the price of Tetragon's shares to vary include:

- Changes in Tetragon's financial performance and prospects or in the financial performance and prospects of companies engaged in businesses that are similar to Tetragon's business.
- Changes in the underlying values of Tetragon's investments.
- Illiquidity in the market for Tetragon shares, including given due to the liquidity of the Euronext Amsterdam N.V. exchange and the Specialist Fund Segment of the Main Market of the London Stock Exchange.
- Speculation in the press or investment community regarding Tetragon's business or investments, or factors or events that may directly or indirectly affect its business or investments.
- A loss of a major funding source. If Tetragon breaches the covenants under its financing agreements it could be forced to sell assets at price less than fair value.
- A further issuance of shares or repurchase of shares by Tetragon.
- Dividends declared by Tetragon.
- Broad market fluctuations in securities markets that in general have experienced extreme volatility often unrelated to the operating performance or underlying asset value of particular companies or partnerships.
- General economic trends and other external factors.
- Sales of Tetragon shares by other shareholders.
- The ability to invest in Tetragon shares or to transfer any shares may be limited by restrictions imposed by ERISA regulations and Tetragon's articles of incorporation.

Risks Relating to Tetragon's Investment Portfolio

Tetragon'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 a general matter, the portfolio is exposed to the risk that the fair value of these investments will fluctuate.

Risks Relating to TFG Asset Management

TFG Asset Management, as one of Tetragon's investments, has risks particular to an asset management business. These include:

- The asset management business is intensely competitive.
- The performance of TFG Asset Management may be negatively influenced by various factors, including the (i) performance of managed funds and accounts, (ii) ability to raise capital from third-party clients and (iii) ability to retain key personnel.
- Certain of TFG Asset Management's businesses have a limited or no operating history.
- The asset management business is subject to extensive regulation.
- Misconduct of TFG Asset Management employees or at the companies in which TFG Asset Management has invested could harm TFG Asset Management by impairing its ability to attract and retain clients and subjecting it to significant legal liability and reputational harm.
- Failure by TFG Asset Management to deal appropriately with conflicts of interest in its investment business could damage its reputation and adversely affect its businesses.
- Tetragon's investment in TFG Asset Management is illiquid.

(continued)

Risks Relating to Other Tetragon Portfolio Investments

Tetragon otherwise currently invests or expects to invest its capital, directly and indirectly, in:

1. bank loans, generally through subordinated, residual tranches of CLOs;
2. real estate, generally through its joint venture with GreenOak;
3. equity securities, particularly in event-driven strategies, generally through the Polygon European Equity Opportunity Fund;
4. convertible securities, mainly in the form of debt securities that can be exchanged for equity interests, including through the Polygon Convertible Opportunity Fund;
5. distressed opportunities securities and instruments, including through the Polygon Distressed Opportunities Fund;
6. infrastructure projects through Equitix Holdings Limited; and
7. mining-industry related equity securities and instruments, including through Hawke's Point.

These portfolio investments are subject to various risks, many of which are beyond Tetragon's control, including:

- These securities are susceptible to losses of up to 100% of the initial investments.
- The performance of these investments may significantly depend upon the performance of the asset manager of funds or products in which Tetragon invests.
- Tetragon may be exposed to counterparty risk.
- The fair value of investments, including illiquid investments, may prove to be inaccurate and require adjustment.
- Adverse changes in international, national or local economic and other conditions could negatively affect investments.
- Tetragon is subject to concentration and geographic risk in its investment portfolio.
- Tetragon's investments are subject to interest rate risk, which could cause its cash flow, the fair value of its investments and its operating results to decrease.
- Tetragon's investments are subject to currency risks, which could cause the value of its investments in U.S. dollars to decrease regardless of the inherent value of the underlying investments.
- The utilisation of hedging and risk management transactions may not be successful, which could subject Tetragon's investment portfolio to increased risk or lower returns on its investments and in turn cause a decrease in the fair value of its assets.
- Tetragon engages in over-the-counter trading, which has inherent risks of illiquid markets, wide bid/ask spreads and market disruption.
- Leverage and financing risk and the use of options, futures, short sales, swaps, forwards and other derivative instruments potentially magnify losses in equity investments.
- Market illiquidity could negatively affect these investments.

Operational Risks

Risks Relating to Organisational Structure

Tetragon has approved a very broad investment objective and the investment manager has substantial discretion when making investment decisions. In addition, the investment manager's strategies may not achieve Tetragon's investment objective.

Tetragon's listed shares do not carry any voting rights other than limited voting rights in respect of variation of their class rights. Tetragon's voting shares are owned by Polygon Credit Holdings II Limited which is a non-U.S. affiliate of Tetragon's investment manager and is ultimately controlled by Reade Griffith and Paddy Dear, who also control the investment manager. Tetragon's voting shares control the composition of the Board of Directors and exercise extensive influence over Tetragon's business and affairs.

Under Tetragon's articles of incorporation, a majority of its directors are required to be independent (Independent Directors), satisfying in all material respects the U.K. Corporate Governance Code definition of that term. However, because the Board of Directors may generally take action only with the approval of five of its directors, the Board of Directors generally are not able to act without the approval of one or more directors who are affiliated with the holder of Tetragon's voting shares. The holder of the voting shares has the right to amend Tetragon's articles of incorporation to change these provisions regarding Independent Directors. As a result of these provisions, the Independent Directors are limited in their ability to exercise influence over Tetragon's business and affairs.

Tetragon's organisational, ownership and investment structure creates significant conflicts of interest that may be resolved in a manner which is not always in the best interests of Tetragon or its shareholders.

Tetragon's directors and its administrator may have conflicts of interest in the course of their duties.

The listed Tetragon entity does not have any operations, and its only source of cash will be the investments that it makes through the Tetragon Master Fund. Its ability to pay its expenses and dividends will depend on it receiving distributions from the Tetragon Master Fund.

(continued)

Risks Relating to Tetragon's Investment Manager

Tetragon's success depends on its continued relationship with its 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 Tetragon's business, investments and results of operations.

Tetragon is reliant on the skill and judgment of its investment manager in valuing and determining an appropriate purchase price for its investments. Any determinations of value that differ materially from the values Tetragon realises at the maturity of the investments or upon their disposal will likely have a negative impact on Tetragon and its share price.

Tetragon's arrangements with its investment manager were negotiated in the context of an affiliated relationship and may contain terms that are less favourable than those which otherwise might have been obtained from unrelated parties in an arm's-length negotiation.

The holders of Tetragon's listed shares will not be able to terminate its Investment Management Agreement with the investment manager, and the Investment Management Agreement may only be terminated by Tetragon in limited circumstances.

The liability of Tetragon's investment manager is limited under Tetragon's arrangements with it, and Tetragon 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.

The investment manager does not owe fiduciary duties to Tetragon shareholders. However, these contractual limitations do not constitute a waiver of any obligations that the investment manager has under applicable law, including the U.S. Investment Advisers Act of 1940 and related rules.

The investment manager may devote time and commitment to other activities.

The fees payable to the investment manager are based on changes in Tetragon's NAV, which will not necessarily correlate to changes in the market value of its listed shares.

Tetragon's compensation structure with its investment manager may encourage the investment manager to invest in high risk investments. The management fee payable to the investment manager also creates an incentive for it to make investments and take other actions that increase or maintain Tetragon's NAV over the near term even though other investments or actions may be more favourable.

The compensation of the investment manager's personnel contains significant performance-related elements, and poor performance by Tetragon or any other entity for which the investment manager provides services may make it difficult for Tetragon's investment manager to retain staff.

Tetragon's investment manager relies on two entities that are part of TFG Asset Management for a broad range of services to support its activities. The services include (i) infrastructure services such as operations, financial control, trading, marketing and investor relations, legal, compliance, office administration, payroll and employee benefits and (ii) services relating to the dealing in and management of investments, arrangement of deals and advising on investments. TFG Asset Management has implemented a cost-allocation methodology with the objective of allocating service-related costs, including to Tetragon's investment manager, in a consistent, fair, transparent and commercially based manner. TFG Asset Management then charges fees to Tetragon's investment manager for the services allocated to it on a cost-recovery basis that is designed to achieve full recovery of the allocated costs. Tetragon'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.

There are conflicts of interest created by contemporaneous trading by Tetragon's investment manager and investment managers that are part of TFG Asset Management.

Risks Relating to Tetragon's Legal Environment and Regulation

Changes in laws or regulations or accounting standards, or a failure to comply with any laws and regulations or accounting standards, may adversely affect Tetragon's business, investments and results of operations.

Tetragon has and may become involved in litigation that may adversely affect Tetragon's business, investments and results of operations.

No formal corporate governance code applies to Tetragon under Dutch law and Tetragon will not be bound to comply with the U.K. Corporate Governance Code other than as set forth in its articles of incorporation.

The rights of the non-voting shareholders and the fiduciary duties owed by the Board of Directors to Tetragon will be governed by Guernsey law and its articles of incorporation and may differ from the rights and duties owed to companies under the laws of other countries.

(continued)

Tetragon's shares are subject to restrictions on transfers to certain shareholders located in the United States or who are U.S. persons, which may impact the price and liquidity of the shares.

Tetragon is not, and does not intend to become, regulated as an investment company under the U.S. Investment Company Act of 1940 and related rules.

Risks Relating to Taxation

United States investors may suffer adverse tax consequences because Tetragon is treated as a passive foreign investment company (PFIC) for U.S. federal income tax purposes.

Changes to tax treatment of derivative instruments may adversely affect Tetragon and certain tax positions it may take may be successfully challenged.

Investors may suffer adverse tax consequences if Tetragon is treated as resident in the United Kingdom or the United States for tax purposes.

Governance

MICHAEL WOODHOUSE
OPERATIONS

Tetragon's Board of Directors

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

RUPERT DOREY
Independent Director

Rupert Dorey is a member of the Tetragon Board of Directors and Audit Committee. Mr. Dorey has over 30 years of experience in financial markets. Mr. Dorey was at CSFB for 17 years from 1988 to 2005 where he specialised in credit related products, including derivative instruments where his expertise was principally in the areas of debt distribution, origination and trading, covering all types of debt from investment grade to high yield and distressed debt. He held a number of senior positions at CSFB, including establishing CSFB's high yield debt distribution business in Europe, Fixed Income Credit Product Coordinator for European offices and Head of UK Credit and Rates Sales. Since 2005, he has been acting in a non-executive directorship capacity for a number of hedge funds, private equity and infrastructure funds, for both listed and unlisted vehicles. Mr. Dorey is a former President of the Guernsey Chamber of Commerce and is a member of the Institute of Directors. Mr. Dorey is based in Guernsey.

FREDERIC M. HERVOUET
Independent Director

Frederic Hervouet is a member of the Tetragon Board of Directors and Audit Committee. Mr. Hervouet has over 17 years of experience in financial markets and hedge funds, including in multi-asset class investment and risk management, structured products and structured finance. Until September 2013, Mr. Hervouet was a Managing Director and Head of Commodity Derivatives Asia for BNP Paribas, where he was focused on trading, structuring and sales. Previously, Mr. Hervouet was a Director and Global Head of Sales at Diapason Commodities Management SA, a partner at Systeia Capital Management, which is now part of Amundi Asset Management, and a Director and Head of European Market Distribution at BAREP Asset Management, the hedge fund management subsidiary of Société Générale. Mr. Hervouet has a MSc in Applied Mathematics and International Finance and a 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 and of the Guernsey Chamber of Commerce. Mr. Hervouet is based in Guernsey.

DAVID JEFFREYS
Independent Director

David Jeffreys is a member of the Tetragon Board of Directors and Audit Committee. Mr. Jeffreys provides directorship services to a small number of fund groups. From 1995 until 2010 Mr. Jeffreys 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, Mr. Jeffreys was managing director of Abacus Fund Managers (Guernsey) Limited, where he was involved with private client trust arrangements, corporate administration, pension schemes and fund administration. He was a board member of Abacus' principal administration operating companies and served on the boards of various administrated client companies. Previously, Mr. Jeffreys worked as an auditor and accountant for 12 years with Coopers & Lybrand (and its predecessor firms). He has an undergraduate degree in Economics and Accounting from the University of Bristol and is a fellow of the Institute of Chartered Accountants in England and Wales. Mr. Jeffreys is based in Guernsey.

WILLIAM P. ROGERS, JR.
Independent Director

William P. Rogers, Jr. is a member of the Tetragon Board of Directors and Audit Committee. Mr. Rogers retired from the Corporate Department of Cravath, Swaine & Moore LLP in December 2015 after 36 years at the firm. His practice encompassed the representation of both corporate and financial institution clients in a wide variety of matters, including international securities offerings, corporate governance and SEC compliance matters, mergers and acquisitions, and derivative financial products. He was repeatedly cited as one of the United States' leading practitioners in capital markets by, among others, Chambers USA: America's Leading Lawyers for Business; Chambers Global: The World's Leading Lawyers for Business; The Legal 500; and IFLR1000. Mr. Rogers regularly advised a wide variety of clients, including Royal Dutch Shell plc, Bacardi Limited, Time Warner Inc., Northrop Grumman Corporation, CBS Corporation, INEOS Group Limited, Tetragon Financial Group Limited, Costamare Inc., priceline.com Incorporated, FactSet Research Systems Inc., Morgan Stanley, Citigroup, GasLog Ltd. and Goldman Sachs. He also regularly advised corporate clients on derivatives matters, including the implications of the new Dodd-Frank swaps regulation. He was involved in the formation of the International Swaps and Derivatives Association (ISDA) and, prior to his move to London, regularly represented ISDA on legislative, regulatory and documentation matters. Mr. Rogers was born in Bronxville, New York. He received a B.A. from Union College in 1972 and a J.D. from Case Western Reserve School of Law in 1978. From 1998 to 2001, he served as the Managing Partner of Cravath's Corporate Department and, from 2001 to 2007, headed the firm's London office. Mr. Rogers is based in New York.

READE GRIFFITH

Reade Griffith co-founded Polygon in 2002 and the investment manager of Tetragon in 2005. He is a Principal of the investment manager, a member of the Tetragon Board of Directors, the Head of the investment manager's Investment Committee, Risk Committee and Executive Committee, the CIO of Polygon's European Event-Driven Equities strategy, a member of the Investment & Management Committee of TCIP and Tetragon Credit Income II L.P. He was previously the founder and chief executive officer of the European office of Citadel Investment Group, a multi-strategy hedge fund that he joined in 1998. He was a partner and senior managing director responsible for running the Global Event-Driven arbitrage team in Tokyo, London and Chicago for the firm. He was previously with Baker, Nye, where he was an analyst working on an arbitrage and special situations portfolio. Mr. Griffith holds a JD 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. Mr. Griffith is based in London.

PADDY DEAR

Paddy Dear co-founded Polygon in 2002 and the investment manager of Tetragon in 2005. He is a Principal of the investment manager, a member of the Tetragon Board of Directors, the Co-Head of TFG Asset Management, a member of the investment manager's Investment Committee, Risk Committee and Executive Committee, a member of the Investment & Management Committee of TCIP and Tetragon Credit Income II L.P. Mr. Dear was previously a Managing Director and the Global Head of Hedge Fund Coverage for UBS Warburg Equities. Prior to this, he was co-head of European sales trading, execution, arbitrage sales and flow derivatives. He had been with UBS since 1988, including six years in New York. Mr. Dear was in equity sales at Prudential Bache before joining UBS and started his career as a petroleum engineer with Marathon Oil Co. Mr. Dear holds a BSc degree in Petroleum Engineering from Imperial College in London. Mr. Dear is based in London.

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

The structure, and practices and committees of the Board of Directors of each of Tetragon and the Tetragon 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 Tetragon and the Tetragon 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 Tetragon's website at http://www.tetragoninv.com/investors/risk-factors.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 Tetragon'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 Tetragon and the Tetragon Master Fund

Each member of Tetragon's and the Tetragon Master Fund's Boards of Directors is elected annually by the holder of Tetragon'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 Tetragon'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 Tetragon and the Tetragon Master Fund

The Boards of Directors of Tetragon and the Tetragon 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 Tetragon's voting shares.

The Directors are responsible for the management of Tetragon and the Tetragon Master Fund. They have delegated to the investment manager certain functions, including broad discretion to adopt an investment strategy to implement Tetragon'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 of such Director's interests 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 Tetragon or the Tetragon Master Fund or in which Tetragon or the Tetragon 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 Tetragon or the Tetragon Master Fund or in which Tetragon of the Tetragon Master Fund is otherwise interested; and (c) shall not be accountable to Tetragon or the Tetragon 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

The Board of Directors (continued)

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 Tetragon or the Tetragon 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 Tetragon or the Tetragon 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 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 Tetragon and the Tetragon Master Fund from a financial point of view.

Certain Corporate Governance Rules

Tetragon and the Tetragon Master Fund are required to comply with all provisions of The Companies (Guernsey) Law, 2008 relating to corporate governance to the extent the same are applicable and relevant to Tetragon's activities. In particular, each Director must seek to act in accordance with the "Code of Practice-Company Directors" and the Tetragon Master Fund must seek to apply the "Code of Corporate Governance" issued by the Guernsey Financial Services Commission. Tetragon reports against the AIC Corporate Governance Guide for Investment Companies and, as such, is deemed to meet the provisions of the Code of Corporate Governance issued by the Guernsey Financial Services Commission. No formal corporate governance code applies to Tetragon or the Tetragon Master Fund under Dutch law.

Indemnity

Each present and former Director or officer of Tetragon and the Tetragon 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 Tetragon or the Tetragon Master Fund. In addition, the Directors may authorise the purchase or maintenance by Tetragon and the Tetragon Master Fund for any Director or officer or former Director or officer of Tetragon or the Tetragon Master Fund of any insurance, in respect of any liability which would otherwise attach to the Director or officer or former Director or officer.

The Audit Committee

The Audit Committee of Tetragon currently comprises the four Independent Directors and is responsible for, among other items, assisting and advising Tetragon's Board of Directors with matters relating to Tetragon's accounting and financial reporting processes and the integrity and audits of Tetragon'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 Tetragon's and the Tetragon Master Fund's independent auditor, the audit and non-audit fees charged by the independent auditor and the adequacy of Tetragon's and the Tetragon Master Fund's internal accounting controls.

The Investment Manager

Tetragon Financial Management LP has been appointed the investment manager of Tetragon and the Tetragon Master Fund pursuant to an investment management agreement dated 26 April 2007. The investment manager'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 Tetragon's voting shares and are the voting members of the investment manager's Investment and Risk Committees. Reade Griffith acts as the authorised representative of the general partner and the investment manager.

Its Investment Committee is responsible for the investment management of Tetragon and the Tetragon 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 Tetragon and the Tetragon Master Fund and approves each significant investment by them.

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

The investment manager's Executive Committee oversees all key non-investment and risk activities of the investment manager and currently consists of Reade Griffith, Paddy Dear, David Wishnow, Stephen Prince, Paul Gannon, Sean Côté and Greg Wadsworth.

Summary of Key Terms of Tetragon's Investment Management Agreement

Under the terms of the Investment Management Agreement, the investment manager has full discretion to invest the assets of Tetragon and the Tetragon Master Fund in a manner consistent with the investment objective of Tetragon. The investment manager 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 the investment manager in its discretion. The investment manager 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 Tetragon or the Tetragon Master Fund giving notice to the investment manager or the investment manager giving notice to Tetragon or the Tetragon 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 Tetragon Master Fund, Tetragon or any investor in the Tetragon Master Fund or Tetragon 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 Tetragon or the Tetragon Master Fund, in the absence of fraud or wilful misconduct on the part of an indemnified party, and Tetragon and the Tetragon 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.

The investment manager may act as investment manager or advisor to any other person, so long as its services to Tetragon or the Tetragon Master Fund are not materially impaired thereby, and need not disclose to Tetragon or the

Tetragon 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 Tetragon or the Tetragon 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 Tetragon or the Tetragon Master Fund.

The investment manager is authorised to enter into transactions on behalf of Tetragon and the Tetragon 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 of Directors of Tetragon and the Tetragon 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 recognised investment bank, auditing firm or other appropriate professional firm substantively to the effect that the financial terms of the transaction are fair to Tetragon and the Tetragon Master Fund from a financial point of view.

Management and Incentive Fees; Expenses.

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

The investment manager is entitled to receive management fees equal to one and one-half percent (1.5%) per annum of the NAV of Tetragon 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 Tetragon Master Fund.

Tetragon 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 Tetragon 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 Tetragon.

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).

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 Tetragon Master Fund.

An incentive fee of $7.1 million was accrued in Q4 2016 in accordance with Tetragon's investment management agreement. The hurdle rate for the Q1 2017 incentive fee has been reset at 3.646578% (Q4 2016: 3.505748%) as per the process outlined above and in accordance with Tetragon's investment management agreement.

The NAV determined in accordance with IFRS includes carrying investments in TFG Asset Management businesses at fair value rather than being consolidated, which was how

The investment manager (continued)

they were previously treated under U.S. GAAP. The result of the foregoing has been an increase in NAV and an incentive fee payable of U.S.$25.1 million. The investment manager has agreed to accept payment of this portion of the incentive fee in the form of non-voting shares, which will be held in escrow until 31 December 2021 or, at the Manager's option, the earlier occurrence of a realisation event with respect to these TFG Asset Management business, and subject to a "clawback" mechanism should the NAV of the TFG Asset Management businesses decline at the end of the escrow period.

Tetragon and the Tetragon 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. Tetragon and the Tetragon 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, Tetragon granted to the investment manager options to purchase 12,545,330 of Tetragon'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 of Tetragon's non-voting shares to Euronext Amsterdam and will remain exercisable until the 10th anniversary of that date (i.e., 26 April 2017). None of the options have been exercised. The options, if exercised, will be settled by Tetragon on a cashless basis by issuing to the investment manager the net shares (based on the then-current share price) resulting from such exercise.

The Investment Manager's Role with Respect to TFG Asset Management.

The investment manager's responsibilities with respect to Tetragon and the Tetragon Master Fund include, *inter alia*:

- investing and reinvesting the assets of Tetragon and the Tetragon Master Fund in securities, derivatives and other financial instruments and other investments of whatever nature and committing the assets of Tetragon and the Tetragon 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 Tetragon'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 Tetragon and the Tetragon 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 Tetragon and the Tetragon 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 Tetragon Master Fund, and, as such, the investment manager is responsible for exercising any of the Tetragon Master Fund's voting or similar rights with respect to TFG Asset Management, as is true for the Tetragon Master Fund's other investments. As with any other category of investments, the investment manager is also responsible for decisions with respect to acquisitions and dispositions by the Tetragon Master Fund of asset management businesses – as investment decisions with respect to the Tetragon Master Fund's cash or other assets.[1] 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 Tetragon 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. The investment manager is responsible for any decision to invest cash into any fund or other vehicle managed by a TFG Asset Management business[2] 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.

The investment manager has, since its inception, relied on two Polygon entities[3] for a broad range of services to support its activities.[4]

Following Tetragon's 28 October 2012 acquisition of Polygon Management L.P., these entities have been part of TFG Asset Management. The services provided to the investment manager under a Services Agreement by TFG Asset Management, through these entities, include infrastructure 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 Tetragon'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 the investment manager, in a consistent, fair, transparent and commercially based manner.[5]

TFG Asset Management then charges fees to the investment manager for the services allocated to the investment manager on a cost-recovery basis designed to achieve full recovery of the allocated costs. In 2016 the total amount recharged to the investment manager was $14.0 million.

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.[6]

Consequently, one of the most critical cost allocations relates 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 the investment manager) 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 the investment manager (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 the investment manager. 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 used to process monthly cost allocations. Such allocations are invoiced monthly to users of the TFG Asset Management platform that are not owned by TFG Asset Management, including the investment manager, 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 investment manager (continued)

TFG Asset Management's auditors, reporting directly to Tetragon's Audit Committee, are currently engaged to periodically test that the costs allocated to (and therefore recovered from) the investment manager have been properly calculated in accordance with the approved cost-allocation methodology. Tetragon'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.

(1) The investment manager has determined that Tetragon'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.

(2) The investment manager is also responsible for selecting third-party managers who invest in asset classes appropriate for the Tetragon Master Fund.

(3) 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.

(4) 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 Tetragon'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 the investment manager.

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

(6) Employee compensation will also include TFG Asset Management's long-term incentive plan and its other equity-based awards.

TETRAGON FINANCIAL GROUP LIMITED
DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2016

The Directors present to the shareholders their report together with the audited financial statements for the year ended 31 December 2016.

THE COMPANY AND ITS INVESTMENT OBJECTIVE

Tetragon Financial Group Limited was registered in Guernsey on 23 June 2005 as a company limited by shares, with registered number 43321. All voting shares of Tetragon are held by Polygon Credit Holdings II Limited. Tetragon continues to be registered and domiciled in Guernsey, and Tetragon's non-voting shares are listed on Euronext in Amsterdam, a regulated market of Euronext Amsterdam N.V., (ticker symbol: TFG.NA) and on the Specialist Fund Segment of the main market of the London Stock Exchange plc (ticker symbol: TFG.LN). Tetragon acts as a feeder fund in a "master feeder structure" investing substantially all of its assets in Tetragon Financial Group Master Fund Limited. The registered office of Tetragon is 1st Floor, Dorey Court, Admiral Park, St. Peter Port, Guernsey, Channel Islands, GY1 6HJ.

Tetragon'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 Tetragon 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 2016, TFG Asset Management consisted of Polygon Global Partners LP and Polygon Global Partners LLP (Polygon), LCM Asset Management LLC (LCM), Equitix Holdings Limited (Equitix), Hawke's Point, Tetragon Credit Income Partners (TCIP) and the GreenOak Real Estate LP (GreenOak).

TFG Asset Management LP and Tetragon Financial Management L.P., Tetragon's investment manager, are both registered as investment advisers under the U.S. Investment Advisers Act of 1940, and two of its investment management entities, Polygon Global Partners LLP and Equitix Investment Management Limited, are authorized and regulated by the United Kingdom Financial Conduct Authority.

RESULTS, ACTIVITIES AND FUTURE DEVELOPMENTS

The results of operations are set out on pages 80 to 81 of the Tetragon 2016 Audited Financial Statements. A detailed review of activities and future developments is contained in the Annual Report issued with these financial statements to the shareholders.

On 28 September 2016, Tetragon became a member of the Association of Investment Companies (AIC), the trade body for closed-ended investment companies.

On 23 December 2016, Tetragon and the Tetragon Master Fund announced that, effective for accounting periods ending on or after 31 December 2016, Tetragon has adopted International Financial Reporting Standards as adopted by the European Union (IFRS) as the accounting framework for preparing Tetragon's reporting, audited financial statements and to calculate the NAV for the purposes of determining the fees payable to the investment manager. Further information regarding this change in accounting framework can be found in Notes 2 and 4 of these financial statements.

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* (resigned 14 June 2016)

William Rogers Jr.* (appointed 14 June 2016)

* Independent Directors

(continued)

The remuneration for Directors is determined by resolution of Tetragon's voting shareholder. Each of the Directors' annual fee is U.S.$100,000 (2015: U.S.$100,000) as compensation for service on the Boards of Directors of both Tetragon and the Tetragon Master Fund, which is paid in quarterly instalments by the Tetragon 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 Tetragon instead of their quarterly Director's fee. With respect to the year ending 31 December 2016, Frederic Hervouet has elected to receive shares and he received 2,893 Tetragon shares in relation to the fourth quarter fee of 2015 and such shares were issued in the first quarter of 2016. Frederic also received 2,538 shares in relation to the first quarter's fee, 2,472 shares in relation to the second quarter's fee and 2,254 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 2016 dividend process.

The Directors are entitled to be repaid by Tetragon 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 Tetragon or the Tetragon 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 Tetragon 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 Tetragon's cash generation capacity in the short and medium term, (ii) the current and anticipated performance of Tetragon, (iii) the current and anticipated operating and economic environment and (iv) other potential uses of cash ranging from preservation of Tetragon's investments and financial position to other investment opportunities.

The Directors declared a dividend amounting to U.S.$0.1650 per non-voting share for the Quarter Ended 31 December 2015, U.S.$0.1650 per non-voting share for the Quarter Ended 31 March 2016, U.S.$0.1675 per non-voting share for the Quarter Ended 30 June 2016 and U.S.$0.1675 per non-voting share for the Quarter Ended 30 September 2016. The total dividend declared during the year ended 31 December 2016 amounted to U.S.$61.9 million or U.S.$0.6650 per non-voting share (31 December 2015: U.S.$62.5 million or U.S.$0.64 per non-voting share). On 28 February 2017, the Directors have declared a dividend U.S.$ 0.1725 per non-voting share for the Quarter Ended 31 December 2016.

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 accordance with IFRS 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.

(continued)

The Directors are responsible for keeping of proper accounting records that 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.

Tetragon is required to comply with all provisions of Guernsey company law relating to corporate governance to the extent the same are applicable and relevant to its activities. In particular, each Director must seek to act in accordance with the "Code of Practice – Company Directors" and Tetragon must seek to apply the "Code of Corporate Governance" issued by the Guernsey Financial Services Commission. Tetragon reports against the AIC Corporate Governance Guide for Investment Companies and, as such, is deemed to meet the provisions of the Code of Corporate Governance issued by the Guernsey Financial Services Commission. No formal corporate governance code applies to Tetragon Master Fund under Dutch Law.

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 Tetragon'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 Tetragon'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:

Frederic Hervouet, Director
David Jeffreys, Director

Date: 28 February 2017

Directors' Statements

The Directors of Tetragon confirm that (i) this Annual Report constitutes the Tetragon management review for the year ended 31 December 2016 and contains a fair review of that period and (ii) the 2016 audited financial statements accompanying this Annual Report for Tetragon have been prepared in accordance with applicable laws and in accordance with IFRS as adopted by the European Union.

The AIC Code

In September 2016, Tetragon became a member of The Association of Investment Companies (AIC), the trade body for closed-ended investment companies. Founded in 1932, the AIC represents approximately 350 members across a broad range of closed-ended investment companies, incorporating investment trusts and other closed ended investment companies. Tetragon is classified by the AIC in its Flexible Investment sector as a company whose policy allows it to invest in a range of asset types. The AIC has indicated that the sector may assist investors and advisers to more easily find and compare those investment companies which have the ability to invest in a range of assets and allow investors to compare investment companies with similar open-ended funds.

The AIC has a Code of Corporate Governance (AIC Code) which sets out a framework of best practice in respect of the governance of investment companies. The Board of Directors of Tetragon considers that reporting against the principles and recommendations of the AIC Code, and by reference to the AIC Corporate Governance Guide for Investment Companies (which incorporates the UK Corporate Governance Code), will provide better information to shareholders.

Corporate Governance Report

AIC Code Principle	Compliance Statement
1. The Chairman should be independent.	There is no permanent Chairman, but a chairman is elected for each meeting of the Board of Directors. An experienced Independent Director usually performs the role of chairman. All Directors have the opportunity to declare conflicts of interest at each meeting of the Board of Directors; such conflicts or potential conflicts are recorded in the relevant board minutes.
2. A majority of the board should be independent of the manager.	Tetragon's Articles of Incorporation require not less than a majority of the Directors to be Independent Directors. Currently two-thirds of the Board of Directors (four out of six) are Independent Directors. 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. Corporate Governance Code in all material respects. The Board of Directors has undertaken an evaluation of the independence of each of the four Independent Directors.
3. Directors should be submitted for re- election at regular intervals. Nomination for re-election should not be assumed but based on disclosed procedures and continued satisfactory performance	Directors are submitted for re-election by the Voting Shareholder at the AGM and the procedures for re- election are disclosed in Tetragon's Annual Report and on the Tetragon website. All vacancies on the Board of Directors may be filled and additional Directors may be appointed by 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 Voting Shareholder. 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 or a certain tenure as a Director. The Board of Directors evaluates its performance and effectiveness by open discussion in board meetings from time to time.
4. The board should have a policy on tenure, which is disclosed in the annual report.	Tetragon does not operate a maximum threshold for tenure, nor any guaranteed tenure.

Corporate Governance Report (continued)

AIC Code Principle	Compliance Statement
5. There should be full disclosure of information about the board.	Tetragon will continue to comply with this recommendation and include biographies of the Directors in the Tetragon Annual Report. Biographies are also included on Tetragon's website. The Board of Directors has established an Audit Committee comprising the four Independent Directors and normally chaired by David Jeffreys, a qualified accountant. The Audit Committee is responsible for, among other items, assisting and advising the Board of Directors with matters relating to Tetragon's accounting and financial reporting processes and the integrity and audits of Tetragon'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 Tetragon's independent accountants, the audit and non-audit fees charged by the independent accountants and the adequacy of internal accounting controls. The Board of Directors has not deemed it necessary to appoint a Nomination Committee, Remuneration Committee or a Management Engagement Committee. The Directors' Statements can be found on page 41 of this Annual Report. Tetragon is required to comply with all provisions of Guernsey company law relating to corporate governance to the extent the same are applicable and relevant to Tetragon's activities. In particular, each Director must seek to act in accordance with the "Code of Practice – Company Directors" and the Tetragon Master Fund must seek to apply the "Guernsey Finance Sector Code of Corporate Governance" issued by the Guernsey Financial Services Commission. Tetragon reports against the AIC Corporate Governance Guide for Investment Companies and, as such, is deemed to meet the provisions of the Code of Corporate Governance issued by the Guernsey Financial Services Commission. No formal corporate governance code applies to Tetragon under Dutch law.
6. The board should aim to have a balance of skills, experience, length of service and knowledge of the company.	The current Board of Directors has an appropriate balance of skills, experience, length of service and knowledge of the company. Bryon Knief left the board in 2016 and William J. Rogers, Jr. was appointed in his place. The Board of Directors conducts an annual assessment to ensure the compliance with the Guernsey Finance Sector Code of Corporate Governance including assessing compliance with requirements for the Board of Directors to is comprised of an appropriate balance of skills, knowledge and competence. The Board of Directors is made up of a broad range of professionally qualified or industry experienced personnel with relevant and suitable academic and professional backgrounds including a majority being Independent Directors. The Board of Directors believes this is a good blend of skill sets that is relevant to Tetragon's activities.
7. The board should undertake a formal and rigorous annual evaluation of its own performance and that of its committees and individual directors.	The Board of Directors evaluates its own performance and effectiveness, including that of individual Directors and committees, by open discussion in Board meetings.

Corporate Governance Report (continued)

AIC Code Principle	Compliance Statement
8. Director remuneration should reflect their duties, responsibilities and the value of their time spent.	No remuneration committee has been appointed by the company. The remuneration for Directors is determined by resolution of the Voting Shareholder. Currently, the Directors' annual fee is $100,000, in compensation for service on the Boards of Directors of both Tetragon and the Tetragon Master Fund. The Tetragon Master Fund pays the Directors' fees. The Directors affiliated with the Voting Shareholder have waived their entitlement to a fee. The Directors are entitled to be repaid for all travel, hotel and other expenses reasonably incurred by them in the discharge of their duties. None of the Directors has a contract providing for benefits upon termination of employment. In addition, Tetragon maintains appropriate directors' and officers' liability insurance in respect of legal action against its Directors on an on-going basis. Details of the Directors' remuneration and indemnity arrangements are described on page 39 of this report and under the headings Governance: Board of Directors: Compensation/ Indemnity on Tetragon's website.
9. The independent directors should take the lead in the appointment of new directors and the process should be disclosed in the annual report.	William J. Rogers, Jr. was appointed to the Board of Directors in 2016. Each Director is appointed annually by the Voting Shareholder in accordance with the process disclosed on Tetragon's website and on page 30 of this report. The Board of Directors has determined that each of the four Independent Directors satisfies the standards for independence contained in The U.K. Corporate Governance Code in all material respects.
10. Directors should be offered relevant training and induction.	The Directors are offered training and induction. The Independent Directors have visited the investment manager's offices and met with key personnel. In addition, the Directors are regularly (at least quarterly) provided with updated, detailed information regarding the investment manager.
11. The Chairman (and the board) should be brought into the process of structuring a new launch at an early stage.	The Risk Committee of the investment manager is responsible for the risk management of Tetragon and the Tetragon Master Fund portfolio and performs active and regular oversight and risk monitoring. The risk committee has the same composition as the investment committee. The investment manager's Executive Committee oversees all key non-investment and risk activities of the investment manager and currently consists of Reade Griffith, Paddy Dear, David Wishnow, Stephen Prince, Paul Gannon, Sean Côté and Greg Wadsworth. Under the terms of the Investment Management Agreement, the investment manager has full discretion to invest in a manner consistent with the investment objective of Tetragon. The investment manager 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 the investment manager in its discretion. The investment manager is authorised to enter into transactions on behalf of Tetragon with persons who are affiliates of the investment manager, provided that in connection with any such transaction that exceeds $5 million aggregate investment, the investment manager *(continued)*

Corporate Governance Report (continued)

AIC Code Principle	Compliance Statement
(continued) 11. The Chairman (and the board) should be brought into the process of structuring a new launch at an early stage.	*(continued)* obtains either (i) the approval of a majority of the members of the Board of Directors of Tetragon 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 recognised investment bank, auditing firm or other appropriate professional firm substantively to the effect that the financial terms of the transaction are fair to Tetragon and the Tetragon Master Fund from a financial point of view. In practice, transactions with a related-party component have only ever proceeded with the unanimous approval of all of the Independent Directors. The key terms of the Investment Management Agreement are summarised on Tetragon's website and on pages 33 and 34 of this report.
12. Boards and managers should operate in a supportive, co-operative and open environment.	The process operates as described between the investment manager and the Board of Directors. Tetragon's website explains the governance structure operated by Tetragon and also contains a statement of Tetragon's commitments to Corporate Responsibility. Although Tetragon's Independent Directors visit the managers' offices from time to time they are necessarily external to the investment manager's office environment.
13. The primary focus at regular board meetings should be a review of investment performance and associated maters, such as gearing, asset allocation, marketing/investor relations, peer group information and industry issues.	Tetragon's investment objective is to generate distributable income and capital appreciation. Tetragon's investment strategy to achieve that investment objective is stated in this Annual Report (page 13) and on its website (under the heading Investment Strategy). The investment manager provides a detailed investment report to the Board of Directors at quarterly board meetings across all key investment matrices including performance and allocation. The Investment Manger also provides a risk management update to the Board of Directors at quarterly meetings. Industry issues are raised and discussed. Directors also have the opportunity to discuss these and any other matters with the investment manager outside of meetings of the Board of Directors as appropriate.
14. Boards should give sufficient attention to overall strategy.	The Board of Directors does not hold separate strategy meetings, but overall strategy is discussed in detail at quarterly meetings of the Board of Directors and at ad hoc board meetings when required.
15. The board should regularly review both the performance of, and contractual arrangements with, the Manager (or executives of a self - managed company).	The Board of Directors regularly considers reports from the investment manager at quarterly meetings. Tetragon's administrator, State Street Guernsey Limited (SSGL), circulates ad hoc updates from Tetragon's regulator, the GFSC, and SSGL's compliance function monitors performance within relevant Guernsey laws and GFSC rules and advises the Board of Directors of any issues or likely issues (generally on a quarterly basis).

Corporate Governance Report (continued)

AIC Code Principle	Compliance Statement
16. The board should agree policies with the manager covering key operational issues.	The Board of Directors has delegated to the investment manager certain functions, including broad discretion to adopt an investment strategy and key operational issues. However, certain matters are specifically reserved for the Board of Directors under Tetragon's Articles of Incorporation and the Board of Directors monitors the investment manager's performance through quarterly and, where appropriate, ad hoc, board meetings. As a closed-ended investment vehicle Tetragon is not subject to group policies.
17. Boards should monitor the level of the share price discount or premium (if any) and, if desirable, take action to reduce it.	The Board of Directors considers detailed reports from the investment manager at each quarterly board meeting (including updates from Tetragon's corporate brokers) which address this area. The Board of Directors and the investment manager have been, and will continue to be, proactive in addressing the discount as demonstrated by strategic actions over time.
18. The board should monitor and evaluate other service providers.	The Board of Directors has delegated the monitoring and evaluation of service providers to the investment manager subject to review and consideration at meetings of the Board of Directors. The Audit Committee, comprising only the Independent Directors, satisfies itself as to the independence and effectiveness of Tetragon's auditors.
19. The board should regularly monitor the shareholder profile of the company and put in place a system for canvassing shareholder views and for communicating the board's views to shareholders.	The investment manager has been delegated responsibility for monitoring the shareholder profile of Tetragon and has in place a system for canvassing shareholder views and communicating views to the shareholders. The investment manager holds regular investor calls and an annual investor day. The investment manager provides the Board of Directors with comprehensive shareholder reports and corporate broker updates and analysis at meetings of the Board of Directors.
20. The board should normally take responsibility for, and have a direct involvement in, the content of communications regarding major corporate issues even if the manager is asked to act as spokesman.	All major corporate communications are reviewed and approved by the Directors.
21. The board should ensure that shareholders are provided with sufficient information for them to understand the risk/reward balance to which they are exposed by holding the Class A Shares.	Tetragon's investment strategy and risk factors are set out in detail on Tetragon's website and in this Annual Report.

Additional Information

Dividends and other distributions

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

Dividends:

Tetragon 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%.(1)

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 Tetragon 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 Tetragon'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.

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

Share Repurchases:

Tetragon has engaged, and may 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 Tetragon's excess cash and an efficient means by which to return such 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. Tetragon also continues to explore other methods of improving the liquidity of its shares.

Reporting

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

In addition, in accordance with the requirements of Euronext Amsterdam and applicable regulations under Dutch law, Tetragon 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 IFRS and audited in accordance with international auditing standards as well as U.S. GAAS for regulatory purposes, if applicable. The NAV of Tetragon is available to investors on a monthly basis on the company's website at www.tetragoninv.com.

Statement Regarding Non-Mainstream Pooled Investments (NMPI)

Tetragon notes the UK Financial Conduct Authority (FCA) rules relating to the restrictions on the retail distribution of unregulated collective investment schemes and close substitutes (referred to as "non-mainstream pooled investments"), which came into effect on 1 January 2014.

Tetragon has received appropriate legal advice that confirms that Tetragon's shares do not constitute NMPI under the FCA's rules and are, therefore, excluded from the FCA's restrictions that apply to non-mainstream pooled investment products.

Tetragon expects that it will continue to conduct its affairs in such a manner that Tetragon's shares will continue to be excluded from the FCA's rules relating to NMPI.

(1) Tetragon seeks to deliver 10-15% Return on Equity (RoE) per annum to shareholders. Tetragon's returns will most likely fluctuate with LIBOR. LIBOR directly flows through some of Tetragon's investments and, as it can be seen as the risk-free short-term rate, it should affect all of Tetragon's investments. In high-LIBOR environments, Tetragon should achieve higher sustainable returns; in low-LIBOR environments, Tetragon should achieve lower sustainable returns.

2016 Financial Review

ABHISHEK AGRAWAL and SANTOS PALACIOS
POLYGON

2016 Financial Review

This section shows consolidated financial data for Tetragon and the Tetragon Master Fund. In this section, where applicable, the comparative data stated is as reported by Tetragon in its previous Annual Reports. The financial data and metrics have not been restated to reflect what they would have been had Tetragon reported under IFRS at the time.

FIGURE 12

Financial Highlights

Tetragon Financial Group Financial Highlights Through 2014 - 2016	2016	2015	2014
Reported GAAP net income ($MM)	$116.5	$127.3	$95.1
Fair Value net income ($MM)	$125.9	$263.9	$118.1
Reported GAAP EPS	$1.26	$1.31	$1.00
Fair Value EPS	$1.37	$2.72	$1.24
Fair Value return on equity	6.3%	14.5%	6.6%
Net Assets ($MM)	$1,934.9	$1,987.3	$1,818.5
GAAP number of shares outstanding (millions)	87.1	95.9	95.9
NAV Per Share	$22.21	$20.73	$18.96
Fully diluted shares outstanding (millions)	96.7	104.2	106.6
Fully diluted NAV Per Share	$20.01	$19.08	$17.05
NAV Per Share total return	8.5%	16.0%	8.1%
DPS	$0.6725	$0.6475	$0.618

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

- **Net Income ($125.9 million)**: Please see Figure 13 for a breakdown of this.
- **Return on Equity (6.3%)**: Net Income ($125.9 million) divided by Net Assets at the start of the year ($1,987.3 million).
- **Fully Diluted Shares Outstanding (96.7 million)**: Adjusts the IFRS or GAAP shares[(i)] outstanding (87.1 million) for various dilutive factors (9.6 million shares). Please see Figure 30 for more details.
- **EPS ($1.37)**: Calculated as Net Income ($125.9 million) divided by weighted-average IFRS or GAAP shares[(i)] during the period (92.1 million).
- **Fully Diluted NAV Per Share ($20.01)**: Calculated as Net Assets ($1,934.9 million) divided by Fully Diluted Shares Outstanding (96.7 million).

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

Adoption of IFRS

As previously announced, Tetragon has adopted IFRS as the accounting standard for preparing and reporting its audited financial statements, and this has resulted in all of its investments now being carried at fair value. This accounting methodology is equivalent to the one used by Tetragon to determine its Fair Value NAV as reported in prior periods and, therefore, the reported NAV and the IFRS NAV are now equivalent. Going forward, this should mean that Tetragon's reported net assets are equivalent to its audited net assets.

In addition, Tetragon will calculate its NAV on the basis of IFRS for purposes of determining fees payable to the investment manager. As a result of an increase in Tetragon's NAV as of 31 December 2016 relating to the NAV of certain TFG Asset Management businesses being determined in accordance with IFRS, an incentive fee of $25.1 million will be payable to the investment manager. The investment manager has agreed to accept payment of this incentive fee in the form of deferred 2,018,270 Tetragon shares.(1) From an accounting perspective in relation to this deferred fee, there is no liability included in the net assets (for both IFRS and reported NAV) but there is a dilution for the full amount of the shares in the diluted share count. In prior periods, when Tetragon had reported fair value net assets and NAV Per Share, it had accounted for the equivalent incentive fee on the expectation of cash settlement and therefore as a liability, rather than as deferred shares. On a like-for-like basis, the current treatment of this fee, compared to previously, results in an increase in net assets (+$25.1 million), but a reduction in NAV Per Share on a fully diluted basis (-$0.16 per share).

(1) The deferred Tetragon shares will be held in escrow until 31 December 2021 or, at the investment manager's option, the earlier occurrence of a realisation event with respect to these TFG Asset Management businesses, and subject to a "clawback" mechanism should the NAV of these TFG Asset Management businesses decline at the end of the escrow period.

Consolidated Statement of Comprehensive Income

FIGURE 13

Tetragon Financial Group Consolidated Statement of Comprehensive Income 2015 - 2016	**2016 ($millions)**	**2015 ($millions)**
Net gain on financial assets at fair value through profit or loss	167.5	-
Net gain on derivative financial assets and liabilities	14.9	-
Interest income	1.7	134.7
Fee income	-	34.2
Other income - cost recovery	-	9.9
Insurance recovery	-	9.8
Dividend income	-	0.1
Investment income	**184.1**	**188.7**
Management and performance fees	(49.8)	(92.3)
Other operating and administrative expenses	(6.9)	(43.6)
Interest expense	(1.5)	-
Amortisation of intangible assets	-	(29.7)
Total operating expenses	**(58.2)**	**(165.6)**
Net Investment income	**125.9**	**23.1**
Net change in unrealised appreciation in investments	-	157.4
Realised gain on investments	-	90.5
Realised and unrealised losses from hedging and fx	-	(6.2)
Net realised and unrealised gains from investments and fx	**-**	**241.7**
Net income before tax	**125.9**	**264.8**
Income tax	-	(0.9)
Net income	**125.9**	**263.9**

This table shows a consolidated view of the annual comprehensive income for both Tetragon and the Tetragon Master Fund.

For the full year 2016, the difference between net income as shown here and IFRS net income on a consolidated basis is the removal of share-based compensation of $9.4 million relating to the 2012 acquisition of TFG Asset Management LP.

This has been excluded from the net income here, as it is considered by Tetragon to be an acquisition cost rather than an ongoing expense. The full year 2015 comparative column reflects the Fair Value Statement of Operations as reported at the time.

Consolidated Statement of Financial Position

FIGURE 14

Tetragon Financial Group Consolidated Statement of Financial Position as at 31 December 2015 and 2016	2016 ($millions)	2015 ($millions)
ASSETS		
Investments	1,487.4	1,543.0
Cash and cash equivalents	425.2	402.7
Amounts due from brokers	51.0	59.9
Derivative financial assets	22.2	19.4
Other receivables	0.6	3.1
Total assets	**1,986.4**	**2,028.1**
LIABILITIES		
Other payables and accrued expenses	9.4	36.0
Loans and Borrowings	38.0	-
Deferred tax liability and income tax payable	-	4.1
Derivative financial liabilities	4.1	0.7
Total Liabilities	**51.5**	**40.8**
NET ASSETS	**1,934.9**	**1,987.3**

This table shows a consolidated view of the Financial Position of Tetragon and the Tetragon Master Fund.

Although the consolidated net assets are identical to the IFRS net assets reported by Tetragon Financial Group Limited, the split between investments and cash is different. Under IFRS, certain investments and cash contained within non-investment fund-controlled subsidiaries are aggregated as an investment and reported at fair value.

Instead, this table looks through to the underlying investments and cash, and accounts for each separately, at fair value. This approach has the impact of increasing cash by $32.6 million and decreasing investments by $32.6 million. This treatment is consistent with how Tetragon has reported these investments in prior periods.

Statement of Cash Flows Through 2014 - 2016

FIGURE 15

Tetragon Financial Group
Statement of Cash Flows Through 2014 and 2016

	2016 ($millions)	2015 ($millions)	2014 ($millions)
OPERATING ACTIVITIES			
Operating cash flows after incentive fees and before movements in working capital	220.7	315.0	290.9
Purchase of fixed assets	-	(0.1)	(0.1)
Decrease / (increase) in amount due from brokers	8.9	(7.8)	(10.2)
Decrease in net receivables	(1.1)	(19.6)	(0.4)
Cash flows from operating activities	**228.5**	**287.5**	**280.2**
INVESTMENT ACTIVITIES			
Proceeds on sales of investments			
- Proceeds from sale of CLOs	33.0	6.5	171.5
- Net proceeds from derivative financial instruments	14.2	7.7	-
- Proceeds from investments	10.9	73.3	17.3
- Proceeds from realisation of real estate investments	38.5	46.8	56.3
- Proceeds from GreenOak working capital repayment	-	6.4	5.1
Purchase of investments			
- Purchase of CLOs	(31.2)	(62.4)	(84.3)
- Purchase of loans	(8.3)	-	(1.4)
- Purchase of real estate investments	(36.0)	(81.4)	(77.0)
- Investments in asset managers	-	(133.1)	-
- Investments in European Equity Opportunity Fund	(42.0)	(5.0)	-
- Investments in Convertible Opportunity Fund	-	-	(15.0)
- Investments in Distressed Opportunities Fund	-	(5.0)	(30.0)
- Investments in Other	(19.3)	(22.0)	(62.6)
Cash flows from operating and investing activities	**188.3**	**119.3**	**260.1**
Proceeds from issue of Shares	0.1	0.1	-
Net purchase of shares	(157.8)	(60.9)	(50.9)
Dividends paid to shareholders	(45.9)	(50.5)	(52.0)
Borrowings	38.0	-	-
Cash flows from financing activities	**(165.6)**	**(111.3)**	**(102.9)**
Net increase in cash and cash equivalents	22.7	8.0	157.2
Cash and cash equivalents at beginning of period	402.7	402.0	245.9
Adjustment to cash balance upon deconsolidation	-	(7.6)	-
Effect of exchange rate fluctuations on cash and cash equivalents	(0.2)	0.3	(1.1)
Cash and cash equivalents at end of period	**425.2**	**402.7**	**402.0**

IFRS Consolidated Comprehensive Statement of Income to U.S. GAAP Consolidated Statement of Operations Reconciliation*

FIGURE 16

Tetragon Financial Group IFRS Consolidated Comprehensive Statement of Income to U.S. GAAP Consolidated Statement of Operations Reconciliation 2016			
	IFRS ($millions)	**Adjustments ($millions)**	**U.S. GAAP ($millions)**
Net gain on financial assets at fair value through profit or loss	167.5	(167.5)	-
Net gain on derivative financial assets and liabilities	14.9	(14.9)	-
Interest income	1.7	105.0	106.7
Fee income	-	72.7	72.7
Other income - cost recovery	-	15.4	15.4
Dividend income	-	4.1	4.1
Investment income	**184.1**	**14.8**	**198.9**
Management and performance fees	(49.8)	(3.1)	(52.9)
Other operating and administrative expenses	(6.9)	(80.2)	(87.1)
Share based employee compensation	(9.4)	(13.6)	(23.0)
Interest expense	(1.5)	-	(1.5)
Amortisation of intangible assets	-	(3.4)	(3.4)
Total operating expenses	**(67.6)**	**(100.3)**	**(167.9)**
Net Investment income	**116.5**	**(85.5)**	**31.0**
Net change in unrealised appreciation in investments	-	43.7	43.7
Realised gain on investments	-	44.2	44.2
Realised and unrealised losses from hedging and fx	-	(2.9)	(2.9)
Net realised and unrealised gains from investments and fx	**-**	**85.0**	**85.0**
Net income before tax	**116.5**	**(0.5)**	**116.0**
Income tax	-	0.8	0.8
Net income	**116.5**	**0.3**	**116.8**

This table reconciles Tetragon's IFRS Consolidated Statement of Comprehensive Income to Tetragon's 2016 U.S. GAAP Consolidated Statement of Operations.

IFRS net income derives from an aggregation of the net income of Tetragon and the Tetragon Master Fund.

The consolidated U.S. GAAP net income has been prepared on the assumption that (i) Tetragon and the Tetragon Master Fund are investment companies, and (ii) that the Polygon, LCM, Hawke's Point and TCIP businesses are all considered "service providers" and have been consolidated rather than reported at fair value.

This basis of presentation is consistent with the basis of presentation in the 2015 Audited Financial Statements.

*The 2016 U.S. GAAP assumptions, and net income and expenses are unaudited.

IFRS Consolidated Comprehensive Statement of Financial Position to U.S. GAAP Consolidated Statement of Assets and Liabilities Reconciliation*

FIGURE 17

Tetragon Financial Group
IFRS Consolidated Statement of Financial Position to U.S. GAAP Consolidated Statement of Assets and Liabilities Reconciliation
as at 31 December 2016

	IFRS ($millions)	Adjustments ($millions)	U.S. GAAP ($millions)
ASSETS			
Investments	1,520.0	(201.8)	1,318.2
Intangible assets	-	20.0	20.0
Cash and cash equivalents	392.6	65.6	458.2
Amounts due from brokers	51.0	-	51.0
Derivative financial assets	22.2	-	22.2
Fixed assets	-	0.6	0.6
Deferred tax assets and income tax receivable	-	7.9	7.9
Other receivables	0.6	31.7	32.3
Total assets	**1,986.4**	**(76.0)**	**1,910.4**
LIABILITIES			
Other payables and accrued expenses	9.4	42.3	51.7
Loans and Borrowings	38.0	-	38.0
Deferred tax liability and income tax payable	-	7.7	7.7
Derivative financial liabilities	4.1	-	4.1
Total Liabilities	**51.5**	**50.0**	**101.5**
NET ASSETS	**1,934.9**	**(126.0)**	**1,808.9**

This table reconciles Tetragon's IFRS Consolidated Statement of Financial Position to Tetragon's 2016 U.S. GAAP Consolidated Statement of Assets and Liabilities.

The consolidated U.S. GAAP net income has been prepared on the assumption that (i) Tetragon and the Tetragon Master Fund are investment companies and (ii) that the Polygon, LCM, Hawke's Point and TCIP businesses are all considered "service providers" and have been consolidated rather than fair valued.

This basis of presentation is consistent with the basis of presentation in the 2015 Audited Financial Statements.

*The 2016 U.S. GAAP assumptions, assets and liabilities are unaudited.

Other Information

GUILLAUME WOLFF and MANUELA RATH
LCM

TFG Asset Management

FIGURE 18[1]

Bank Loans

LCM™

LCM Asset Management – a CLO asset management company.

$6.6 billion

- LCM currently manages 14 CLOs

Real Estate Joint Venture

GREENOAK™

The GreenOak Real Estate joint venture – a real estate-focused principal investing, lending and advisory firm.

$7.1 billion

- Japan Fund I
- Asia Fund II
- UK Debt Fund I
- Europe Fund I Spain
- U.S. Fund I
- U.S. Fund II
- Global Advisory
- Grafton Advisors

Hedge Funds & Private Equity

POLYGON™

Polygon Global Partners – a manager of open-ended hedge fund and private equity vehicles across a number of strategies.

$1.6 billion

- European Equity Opportunity Fund
- Convertible Opportunity Fund
- Mining Opportunity Fund
- Global Equities Fund
- Distressed Opportunities Fund
- Recovery Fund

Infrastructure

equitix™

Equitix – an integrated core infrastructure asset management and primary project platform.

$2.5 billion

- Fund I
- Fund II
- Fund III
- Fund IV
- Managed Account
- Energy Saving Investments
- Energy Efficiency Fund

Mining Finance

HAWKE'S POINT™

Hawke's Point – an asset management company focused on mining finance that seeks to provide capital to companies in the mining and resource sectors.

Startup

CLO Equity

TCIP™

Tetragon Credit Income Partners (TCIP) – TCIP acts a general partner of a private equity vehicle focusing on CLO investments created by CLO managers to comply with risk retention rules, including majority stakes in CLO equity tranches.

$0.3 billion

- Tetregon Credit Income II L.P.

Bank Loans

TCICM™

TCI Capital Management LLC - (TCICM) – a CLO loan manager.

$1.4 billion

(1) 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.

$20B

ASSETS UNDER MANAGEMENT[2]

31 December 2016

OFFICE LOCATIONS

London | New York

Plus GreenOak locations

260

APPROX HEADCOUNT

Including GreenOak

GLOBAL OPERATING PLATFORM

TFG Asset Management Overview

One of Tetragon's significant investments is TFG Asset Management, a diversified alternative asset manager that owns majority and minority private equity stakes in asset management companies. As at 31 December 2016, TFG Asset Management comprised LCM, the GreenOak joint venture, Polygon, Equitix, Hawke's Point, TCIP and TCICM. TFG Asset Management has approximately $19.5 billion of AUM(2) and approximately 260 employees globally. Figure 19 shows the breakdown of the AUM by business and Figure 20 depicts the growth of that AUM over the last five years. Each of the asset managers on the platform is privately held.

TFG Asset Management comprises:

- **LCM Asset Management** – a CLO asset management company.
- 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** – an asset management company focused on mining finance that seeks to provide capital to companies in the mining and resource sectors.
- **Tetragon Credit Income Partners (TCIP)** – TCIP acts a general partner of a private equity vehicle that focuses on CLO investments created by CLO managers to comply with risk retention rules, including majority stakes in CLO equity tranches.
- **TCI Capital Management LLC (TCICM)** – a CLO loan manager.

AUM for TFG Asset Management as of 31 December 2016 totalled approximately $19.5 billion.(2)

FIGURE 19(2)
TFG Asset Management AUM by Business
at 31 December 2016 ($billions)

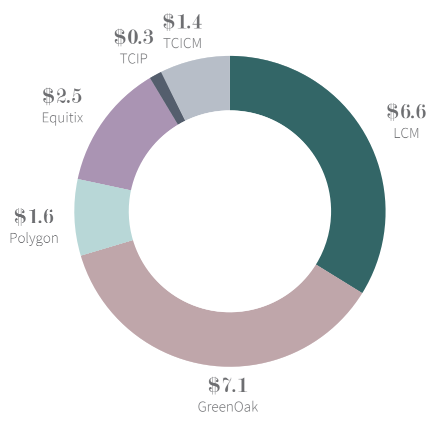
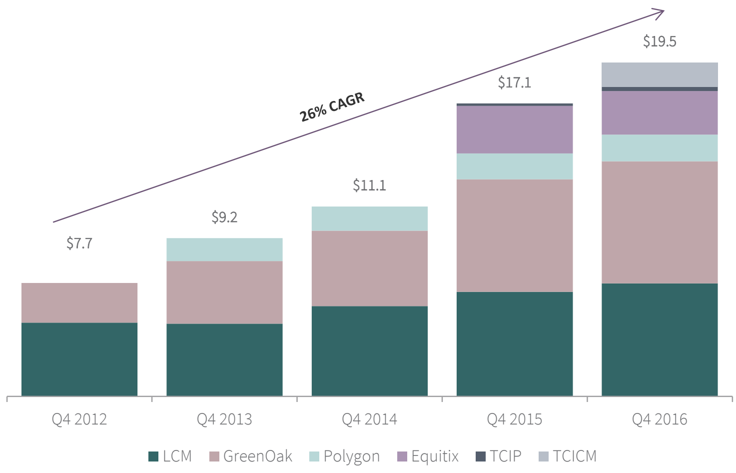


FIGURE 20(2)
TFG Asset Management AUM
at 31 December 2012-2016 ($billions)



(2) 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, TCI II, and TCICM as calculated by the applicable administrator for value date 31 December 2016. Includes, where relevant, investments by the Tetragon Master Fund and TCI II (in the case of LCM and TCICM). TFG Asset Management AUM as used in this report includes the AUM 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. TCICM utilises the investment expertise of certain third-party sub-advisors to assist in the management of its CLOs. Such sub-advisors will typically earn a substantial portion of the management fees from the CLOs.

FIGURE 21

TFG Asset Management Overview (continued)

Tetragon Financial Group TFG Asset Management Pro Forma Statement of Operations (excluding GreenOak)(i)	2016 ($millions)	2015 ($millions)	2014 ($millions)
Management fee income	64.9	55.0	42.9
Performance and success fees(ii)	55.1	52.1	19.0
Other fee income	16.3	19.1	19.2
Interest income	2.7	2.4	0.2
Total income	**139.0**	**128.6**	**81.3**
Operating, employee and administrative expenses	(83.3)	(75.4)	(58.2)
Minority Interest	(8.7)	(6.6)	0.0
Net income - "EBITDA equivalent"	**47.0**	**46.6**	**23.1**

(i) This table includes the income and expenses attributable to Tetragon'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 Tetragon's acquisition of Equitix. Although Tetragon 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 Tetragon backed out through the minority interest line. GreenOak is not included. The EBITDA equivalent is a non-GAAP measure and is designed to reflect the operating performance of the TFG Asset Management businesses rather than what was reflected in Tetragon's financial statements.

(ii) The performance and success fees include some realised and unrealised 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 the reporting date. Similar amounts, if any, from LCM are recognised when received. Tetragon is generally able to invest at a preferred level of fees. Success fees also include fees earned by Equitix on successfully completing certain primary projects and delivering de-risked investments into their secondary funds; these are recognised once Equitix is entitled to recover them.

- **Overview:** Figure 21 shows a *pro forma* statement of operations that reflects the operating performance of the majority-owned asset management companies within TFG Asset Management. GreenOak, in which Tetragon holds a minority interest, is not currently included in the calculation of *pro forma* EBITDA. Included in the fee income includes some amounts which was earned on capital invested in certain funds by Tetragon. During 2016, this included $4.8 million of management fees and $3.6 million of performance and success fees.
- **EBITDA:** During Q4 2016, TFG Asset Management's EBITDA was $16.6 million, resulting in a year-to-date 2016 EBITDA equivalent of $47.0 million. This represents a small increase over the 2015 full year EBITDA and reflects a strong end to the year. Total income grew 8% year on year, and although operating expenses also grew at a similar rate, management fee income outstripped both by growing at 18%. We believe that this growth in management fees is an indication of an improvement in the quality of income.
- **Management fee income:** Management fee income continued to increase year on year as shown in Figure 21. In particular, fee income generated in the Equitix business grew as capital was invested, thereby earning full fees, and fee-paying AUM increased in new fund vehicles.
- **Performance and success fees:** Performance and success fees have also grown year on year. In this case, performance fees from the hedge funds were the key drivers of the increase, which more than offset a decline in the U.S. Dollar value of Equitix primary fee income, which, in local currency, did not change year on year.
- **Other fee income:** This category includes a number of different income streams, including third-party CLO management fee income relating to certain U.S. CLO 1.0 transactions. As expected and previously noted, this stream continued to decline as these transactions amortised down. Income generated by Equitix on certain management services contracts, increased year on year as this business continued to grow. Other fee income also includes certain cost recoveries from Tetragon relating to seeded Polygon hedge funds. The cost recoveries decreased year on year, although the teams supporting those seeded funds continued to grow. As these businesses mature and build third-party capital, we expect that such cost recoveries should decrease.
- **Operating expenses:** This category of expenses was $7.9 million higher in 2016 than 2015, reflecting a number of different factors, which were discussed in the Q3 2016 report. Firstly, TCIP is a new and growing business that was not recording any material level of expenses during the comparable period in 2015. Secondly, Equitix continues to grow its business, including the management services segment, resulting in an increase in both costs and revenues. Finally, TFG Asset Management continued to invest by increasing headcount in a number of areas, which will support any continued growth of the platform.

TFG Asset Management Company Overviews

The following pages provide a summary of each asset management company and a review of AUM growth and underlying strategies and investment vehicles.

All data is at 31 December 2016, unless otherwise stated.

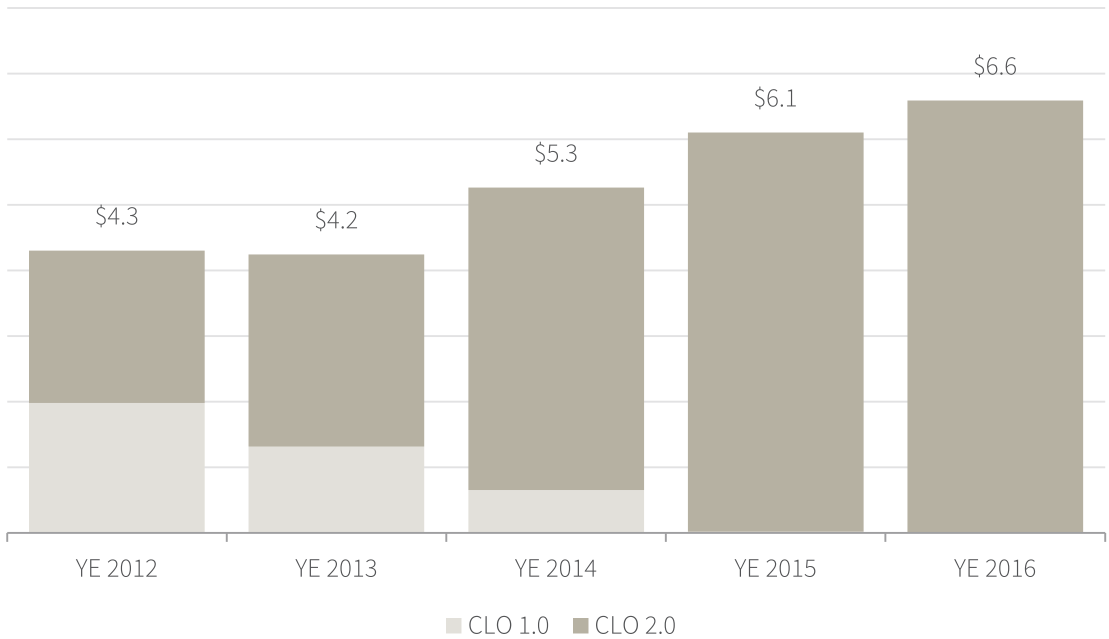
Description of Business

LCM™

- 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.
- Tetragon owns 100% of LCM.
- Further information on LCM is available at www.lcmam.com.

FIGURE 22
LCM AUM History(i) ($billions)

LCM's AUM was $6.6 billion at 31 December 2016.



(i) Includes, where relevant, investments from the Tetragon Master Fund and TCI II.

TFG Asset Management Company Overviews (continued)

Description of Business

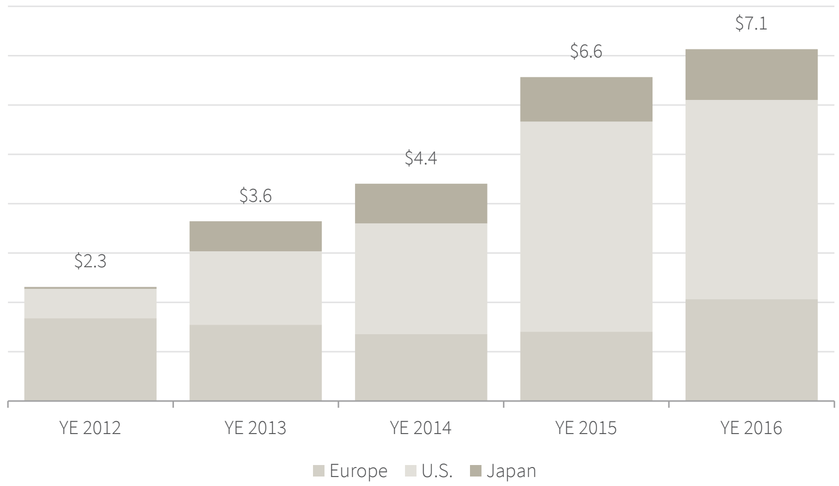
GREENOAK™

- GreenOak is a real estate-focused principal investing, lending and advisory firm that seeks to create long-term value for its investors and provide strategic advice to its clients.
- The business was established in 2010 as a joint venture with Tetragon and has a presence in New York, London, Tokyo, Los Angeles, Madrid, and Seoul.
- Tetragon owns 23% of the joint venture.
- GreenOak currently has funds with investments focused on the United States, Japan, Spain, and the United Kingdom.
- Further information on GreenOak is available at www.greenoakrealestate.com.

FIGURE 23

GreenOak AUM History[(i)] ($billions)

GreenOak's AUM was $7.1 billion at 31 December 2016.



(i) Includes investment funds and advisory assets managed by GreenOak at 31 December 2016. Tetragon owns a 23% stake in GreenOak. AUM includes all third-party interests and total projected capital investment costs.

FIGURE 24

GreenOak Real Estate Investment Vehicles

Region	Vehicle	Investment Period	Equity Raised ($m)[(i)]	Assets Acquired ($m)[(ii)]
United States	U.S. Fund I & Co-Investments	2011-2013	356	1,314
	U.S. Fund II & Co-Investments	2013-2016	924	2,477
	U.S. Fund III	2017-present	340	--
	425 Park/Other	2012-2015	738	1,544
	U.S. Subtotal		**2,358**	**5,335**
Europe	UK Investment Program	2012-2015	296	420
	Spanish Tactical Program	2013-2014	86	172
	Europe Fund I (Spain) & Co-Investments	2014-2016	349	607
	Europe Fund II & Co-Investments	2016-present	180	126
	Credit/Senior Debt Program	2013-present	1,514	488[(iii)]
	Europe Subtotal		**2,425**	**1,813**
Asia	Japan Fund I & Co-Investments	2012-2014	324	1,297
	Asia Fund II & Co-Investments	2015-pres	748	511
	Other	2011-2015	53	128
	Asia Subtotal		**1,125**	**1,936**
TOTAL			**5,908**	**9,084**

(i) Local currencies converted to USD based on exchange rate at time of closings. Source :GreenOak. (ii) Represents all-in cost as of 31 December 2016 for assets acquired by GreenOak from inception to date. Includes final all-in cost of assets purchased that have since been monetised. (iii) Loans committed.

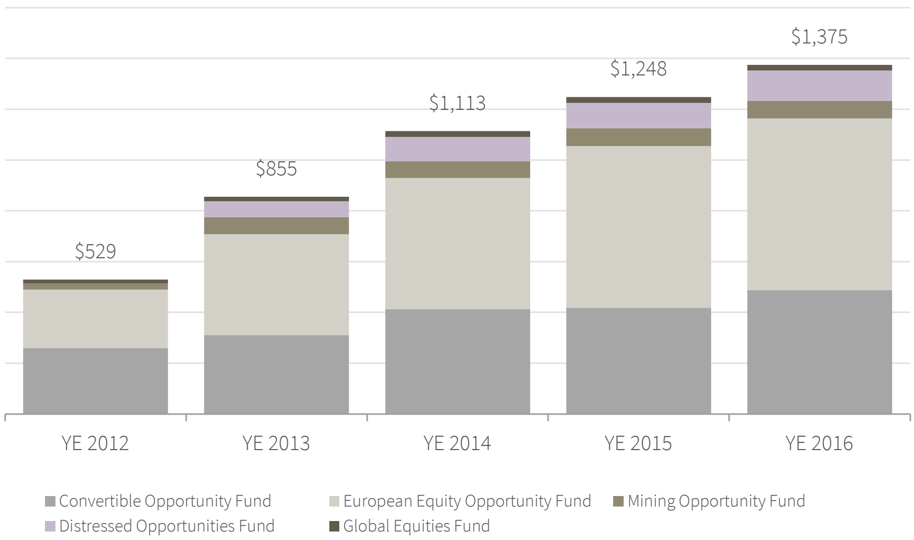
Description of Business

- 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.
- Tetragon owns 100% of the business.
- Further information on Polygon is available at www.polygoninv.com.

FIGURE 25

Polygon AUM History(i) ($millions)

Polygon's AUM was $1.6 billion for all funds and $1.4 billion for open strategies at 31 December 2016.



(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 2012, 2013, 2014, 2015, and 2016. Includes, where relevant, investments by the Tetragon Master Fund.

FIGURE 26

Polygon Funds Summary*				
Fund	**AUM at 31 Dec 2016 ($millions)(1)**	**Q4 2016 Net Performance**	**2016 Net Performance**	**Annualised Net LTD Performance**
Convertible Opportunity Fund(2)	$487.5	2.5%	12.0%	16.4%
European Equity Opportunity Fund(3)	$675.9	(2.8%)	6.7%	10.6%
Mining Opportunity Fund(4)	$69.6	(12.3%)	2.4%	3.1%
Distressed Opportunities Fund(5)	$119.6	2.6%	14.3%	7.2%
Global Equities Fund(6)	$22.3	0.6%	3.3%	13.5%
Total AUM - Open Funds	**$1,374.8**			**Estimated approx. LTD Multiple**
Recovery Fund(7)	$176.3	N/A	N/A	1.86x
TOTAL AUM	**$1,551.1**			

**Please see the next page for important notes.*

Notes

(1) The AUM noted includes investments in the relevant strategies by Tetragon, other than in respect of the Recovery Fund, where there is no such investment. The Recovery Fund, 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. Except as otherwise noted, all performance numbers provided herein reflect 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.

(2) 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 and AUM 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. (i) The fund began trading with Class B shares, which carry no incentive fees, on 20 May 2009.

(3) 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 and AUM 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.

(4) 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 and AUM figures 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.

(5) 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 Memorandum (2.0% management fee, 20% incentive fee and other items, in each case). The return and AUM figures 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.

(6) 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.

(7) The manager of the Polygon Recovery Fund L.P. (PRF) is a subsidiary of Tetragon. 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. PRF's term was extended to March 2018 with a potential further one year extension thereafter. 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. P&L in 2016 for PRF was -$13.1 million before FX movements of -$8.1 million, and net P&L was therefore -$21.2 million. P&L is +$139.4 million from closing date net asset value before FX movements of -$47.3 million, and net P&L was therefore +$11.7 million. PRF is generally precluded from hedging FX exposure. PRF has made life to date distributions of approximately $630 million to its partners. The estimated approximate LTD multiple is based on the fund's year-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 1.72 x. 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.

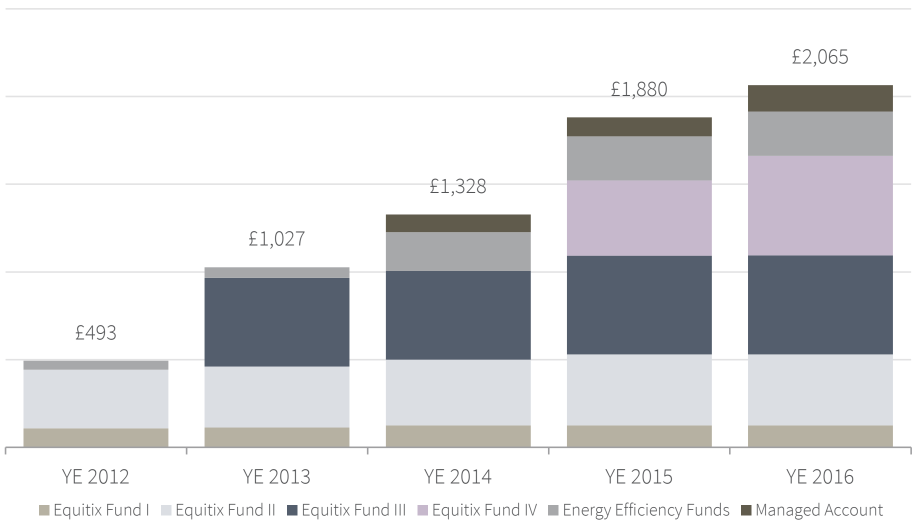
Description of Business

- Equitix is an integrated core infrastructure asset management and primary project platform.
- Equitix was established in 2007 and is based in London.
- Tetragon owns 85% of the business; over time, Tetragon's economic interest is expected to decline to approximately 74.8%. Equitix management owns 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.
- Further information on Equitix is available at www.equitix.co.uk.

FIGURE 27

Equitix AUM History(i) (£millions)

Equitix's AUM was £2.1 billion ($2.5 billion(i)) at 31 December 2016.



(i)USD-GBP exchange rate at 31 December 2016.

Description of Business

- Hawke's Point is an asset management company focused on mining finance, established by TFG Asset Management in 2014 that seeks to provide capital to companies in the mining and resource sectors.
- TFG Asset Management owns 100% of the business.
- Hawke's Point is currently actively evaluating a range of mine financing opportunities.

TFG Asset Management Company Overviews (continued)

Description of Business

TCIP™

TCICM™

- TCIP acts as a general partner of a private equity vehicle that, among other things, makes investments in CLOs relating to risk retention rules.[i]
- The business was established at the end of 2015 and is managed out of New York and London.
- Tetragon 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).
- TCI Capital Management LLC (TCICM) is a specialist in below-investment grade U.S. broadly-syndicated leveraged loans. TCICM was established as a Delaware limited liability company in November 2015 and is a subsidiary of TCI II and recently commenced operations. It acts as a CLO collateral manager and sponsor for certain CLO investments. It utilises, and has access to, the TFG Asset Management platform, including personnel from Polygon Global Partners and LCM Asset Management LLC.
- Currently, TCICM manages loan assets exclusively through CLOs (which includes warehouse vehicles created in anticipation of future CLOs), which are long-term, multi-year investment vehicles. At this time, TCICM utilises, and expects to continue to utilise, the investment expertise of certain third-party sub-advisors to assist in the management of its CLOs. Such sub-advisors will typically earn a substantial portion of the management fees from the CLOs.
- Further information on TCIP and TCICM is available at www.tetragoninv.com.

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

Committted Capital and AUM[i]:

TCI II's total committed capital was $253.4 million at 31 December 2016. In January, TCI II complete its fourth close, bringing total committed capital to over $300 million.

TCI II invests in CLOs managed by LCM and TCICM.

As of 31 December 2016, TCICM had AUM of approximately $1.4 billion.

(i) Includes, where relevant, investments from TCI II. TCICM utilises, and expects to continue to utilise, the investment expertise of certain third-party sub-advisors to assist in the management of its CLOs. Such sub-advisors will typically earn a substantial portion of the management fees from the CLOs.

Corporate Responsibility

Tetragon 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:

Syncona Limited

TFG Asset Management continues to be the largest contributor to Syncona Limited ("Syncona", formerly known as BACIT Limited) a UK-based charitable investment vehicle.[1] Syncona invests in what they describe as "leading long only and alternative investment funds with proven managers and across multiple asset classes and life science investments." It intends to be invested in at least 15 distinct investments or managed account strategies, with the composition of the investment portfolio varying over time. Many of these investments are made on a "gross return" basis, meaning Syncona and its subsidiaries do not bear the impact of management or performance fees on its investments. Investing on a "gross return basis" is achieved by the relevant manager or fund agreeing not to charge Syncona management or performance fees. Syncona creates and invests in standalone life sciences companies. To capture the significant value opportunity in UK life science and medical innovation, Syncona intends to hold and finance its life science investments until they reach commercialisation. In addition, Syncona holds a majority interest in the CRT Pioneer Fund (the "Pioneer Fund"), a venture capital fund with exclusive rights to certain innovations emerging from Cancer Research UK. Syncona donates 0.3% of its NAV each year to charity (50% to The Institute of Cancer Research and 50% to The BACIT Foundation). Further information on this initiative can be found on the company's website, www.synconaltd.com.

Hedge Funds Care | Help for Children

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.

Royal Court Theatre

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.

Alternative Investment Management Association (AIMA) and Hedge Fund Standards Board (HFSB)

TFG Asset Management's Polygon business is a member of the Alternative Investment Management Association and is a signatory of the Standards of the Hedge Fund Standards Board.

ESG Policies

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: www.equitix.co.uk/sri.html.

(1) As of BACIT Limited's November 2016 Factsheet.

Historical Share Repurchases

FIGURE 28

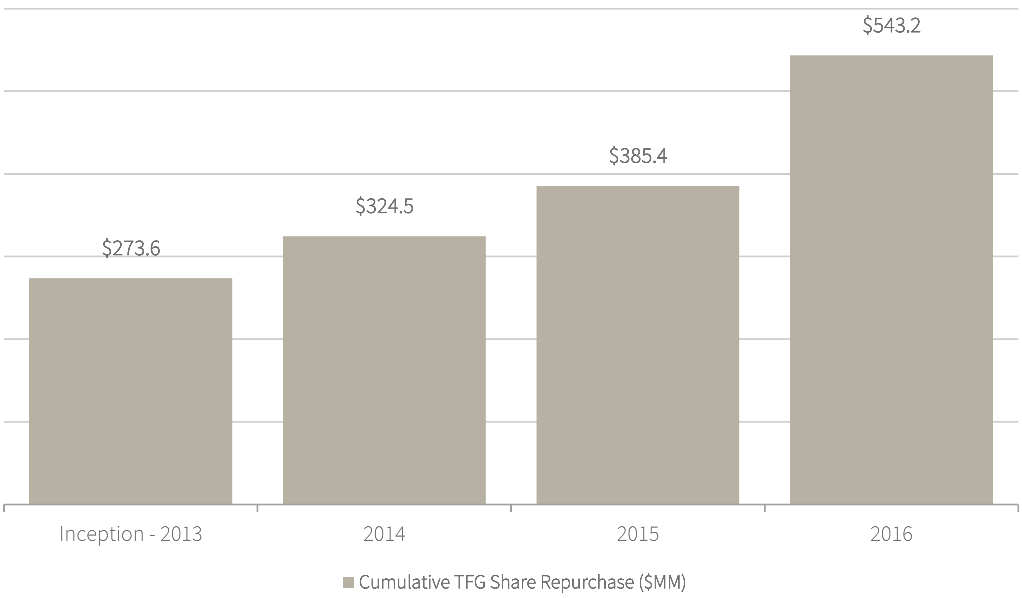
Tetragon Share Repurchase History

Tetragon Financial Group Share Repurchase History				
Year	**Amount repurchased $millions**	**Cumulative amount ($millions)**	**Number of shares ($millions)**	**Cumulative number of shares ($millions)**
2007	$2.2	$2.2	0.3	0.3
2008	$12.4	$14.5	2.6	2.9
2009	$6.6	$21.2	2.4	5.3
2010	$25.5	$46.7	5.7	11.0
2011	$35.2	$81.9	5.1	16.1
2012	$175.6	$257.5	18.7	34.8
2013	$16.1	$273.6	1.4	36.2
2014	$50.9	$324.5	4.9	41.1
2015	$60.9	$385.4	6.0	47.1
2016	$157.8	$543.2	14.9	62.0
TOTAL	**$543.2**		**62.0**	

Share Repurchases:

The below graph shows historical share repurchases by Tetragon from inception to 31 December 2016.(1)

FIGURE 29



(1) Tetragon has engaged, and may 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 Tetragon's excess cash and an efficient means to return such 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. Tetragon also continues to explore other methods of improving the liquidity of its shares.

Share Reconciliation and Shareholdings

FIGURE 30

IFRS to Fully Diluted Shares Reconciliation	2016 shares (millions)
Legal Shares Issued and Outstanding	**139.7**
Less: Shares Held in Subsidiary	-
Less: Shares Held in Treasury	(43.3)
Less: Total Escrow Shares[1.i]	(9.3)
IFRS Shares Outstanding	**87.1**
Add: Dilution for Share Options[1.ii]	3.4
Add: Dilution for Deferred Incentive Fee payable in Shares	2.0
Add: Certain Escrow Shares[1.iii]	3.2
Add: Dilution for equity-based awards[1.iv]	0.9
Fully Diluted Shares Outstanding	**96.7**

Shareholdings

Persons affiliated with Tetragon maintain significant interests in Tetragon shares. For example, as of 31 December 2016, the following persons own (directly or indirectly) interests in shares in Tetragon in the amounts set forth below:

Individual	Shareholding at 31 December 2016
Mr. Reade Griffith[2]	10,786,601
Mr. Paddy Dear[2]	3,595,220
Mr. David Wishnow	347,286
Mr. Jeff Herlyn	170,904
Mr. Rupert Dorey	144,410
Mr. Michael Rosenberg	175,593
Mr. Frederic Hervouet	30,419
Mr. William Rogers	1,000
Other Tetragon / Polygon employees	3,192,175
Equity-based awards[3]	5,097,936

(1.i) The Total Escrow Shares of 9.3 million consists of 3.2 million shares which have been used as consideration for the acquisition of Polygon and applicable stock dividends relating thereto, as well as 6.1 million shares held in a separate escrow account in relation to equity-based compensation.

(1.ii) This comprises: a) The number of shares corresponding to the applicable intrinsic value of the options issued to the investment manager at the time of Tetragon's IPO with a strike price of $10.00, to the extent such options are in the money at period end. At the reporting date, this was 0.7 million shares. 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 Tetragon, 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. b) The number of shares corresponding to the applicable intrinsic value of the remaining unexercised options issued to the GreenOak Founders in relation to the acquisition of a 10% stake in GreenOak in September 2010. At the reporting date, this was 0.9 million. 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) 1,954,120 (being a number of shares subject to the options.

(1.iii) Certain Escrow Shares (3.2 million), 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 NAV Per Share over the next two years.

(continued on next page)

Share Reconciliation and Shareholdings (continued)

(1.iv) Dilution in relation to equity-based awards by TFG Asset Management for certain senior employees. At the reporting date, this was 0.9 million. 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. Please see Equity Based Compensation Plans on page 74 for more details.

(2) 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 2016, certain employees of subsidiaries of Tetragon and other affiliated persons own in the aggregate approximately 3.2 million shares, including interests with respect to the Escrow Shares, in each case, however, excluding any Tetragon shares held by the GreenOak principals or employees.

As previously disclosed, non-voting shares of Tetragon (together with accrued dividends and previously vested shares, (the “Vested Shares”)) that were issued pursuant to Tetragon’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), all of whom are employees or partners of Tetragon-owned or affiliated entities, pursuant to the Polygon Transaction.

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 Tetragon shares in the market, or may otherwise sell their Vested Shares or purchase Tetragon shares, subject to applicable compliance policies. Applicable brokerage firms may be authorised to purchase or sell Tetragon 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 Tetragon 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 16 to the 2016 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, non-public information.

Prior to publicly announcing their Q4 2016 tender offer, Tetragon (through the Tetragon Master Fund) entered into an agreement to repurchase approximately 593,653 non-voting shares of Tetragon (plus scrip dividend shares payable in respect of the Q3 2016 dividend) held by Michael Humphries, a manager of certain Polygon funds, in connection with the winding up of a swap transaction between the Tetragon Master Fund and Michael Humphries with respect to the relative values of Tetragon shares and interests in the Polygon funds following the acquisition of Polygon in 2012. The purchase price for these shares of $11.03 was determined on the basis of the volume-weighted average price per share for the first 10 trading days in November 2016.

(3) Equity-based awards are intended to give certain senior employees of TFG Asset Management long-term exposure to Tetragon stock (with vesting subject to forfeiture and certain restrictions). Where shares have vested but not yet been released they have been removed from this line and included in shares owned by “Other Tetragon/Polygon employees”. Please see page 74 for further details.

Additional CLO Portfolio Statistics

FIGURE 31

Tetragon's CLO Portfolio Details as of 31 December 2016

Transaction[i]	Deal Type	Status[ii]	Primary or Secondary Investment[iii]	Original Invest. Cost ($MM USD)[iv]	Deal Closing Date	Year of Maturity	End of Reinv Period	Wtd Avg Spread (bps)[v]	Original Cost of Funds (bps)[vi]	Current Cost of Funds (bps)[vii]	Current Jr-Most O/C Cushion[viii]	Jr-Most O/C Cushion at Close[ix]	Annualized (Loss) Gain of Cushion[x]	IRR[xi]	ITD Cash Received as % of Cost[xii]
Transaction 1	EUR CLO	Outstanding	Primary	37.5	2007	2024	2014	348	55	223	10.4%	3.9%	0.7%	-	54.1%
Transaction 2	EUR CLO	Outstanding	Primary	29.7	2006	2023	2013	359	52	123	4.6%	3.6%	0.1%	9.7%	143.7%
Transaction 5	EUR CLO	Outstanding	Primary	36.9	2007	2022	2014	397	60	91	7.5%	5.7%	0.2%	10.8%	149.7%
Transaction 10	EUR CLO	Outstanding	Primary	27.0	2006	2022	2012	347	50	165	19.1%	4.5%	1.4%	1.0%	60.8%
Transaction 86	EUR CLO	Outstanding	Secondary	3.6	2006	2022	2012	347	50	165	19.1%	3.1%	1.5%	8.8%	51.1%
EUR CLO Subtotal (outstanding transactions only):				134.7				364	54	152	10.3%	4.4%	0.6%	5.5%	101.3%
Transaction 13	U.S. CLO	Outstanding	Primary	15.2	2006	2018	2012	314	47	108	24.8%	4.8%	1.9%	21.8%	243.9%
Transaction 14	U.S. CLO	Outstanding	Primary	26.0	2007	2021	2014	346	49	129	6.1%	5.6%	0.1%	19.2%	233.6%
Transaction 15	U.S. CLO	Outstanding	Primary	28.1	2007	2021	2014	350	52	96	7.0%	4.2%	0.3%	29.7%	310.9%
Transaction 16	U.S. CLO	Called	Primary	23.5	2006	2020	2013	NA	46	NA	NA	4.4%	NA	22.7%	288.0%
Transaction 22	U.S. CLO	Outstanding	Primary	37.4	2007	2021	2014	359	53	128	13.2%	5.0%	0.8%	21.9%	239.5%
Transaction 32	U.S. CLO	Outstanding	Primary	24.0	2007	2021	2014	316	59	98	6.7%	5.6%	0.1%	22.2%	245.9%
Transaction 34	U.S. CLO	Called	Primary	22.2	2006	2020	2012	NA	50	NA	NA	6.7%	NA	19.6%	243.9%
Transaction 36	U.S. CLO	Outstanding	Primary	28.4	2007	2021	2013	309	46	127	7.3%	5.2%	0.2%	18.8%	205.3%
Transaction 47	U.S. CLO	Outstanding	Primary	28.3	2006	2021	2013	348	47	75	2.1%	4.3%	(0.2%)	22.6%	255.0%
Transaction 61	U.S. CLO	Outstanding	Primary	29.1	2007	2021	2014	352	45	90	5.2%	4.0%	0.1%	17.8%	202.8%
Transaction 63	U.S. CLO	Outstanding	Primary	27.3	2007	2021	2013	336	53	213	14.6%	4.8%	1.0%	19.3%	214.8%
Transaction 64	U.S. CLO	Called	Primary	15.4	2007	2021	2013	NA	38	NA	NA	NA	NA	25.6%	365.6%
Transaction 66	U.S. CLO	Outstanding	Primary	21.3	2006	2020	2013	309	49	102	9.2%	4.0%	0.5%	22.9%	254.8%
Transaction 68	U.S. CLO	Outstanding	Primary	19.3	2006	2020	2013	307	48	62	12.1%	4.4%	0.8%	28.4%	315.1%
Transaction 69	U.S. CLO	Outstanding	Primary	28.2	2007	2019	2013	324	44	94	35.6%	5.6%	3.1%	27.0%	287.0%
Transaction 75	U.S. CLO	Called	Primary	32.7	2011	2022	2014	NA	168	NA	NA	4.0%	NA	14.2%	154.8%
Transaction 77	U.S. CLO	Outstanding	Primary	14.5	2011	2023	2016	343	212	246	13.7%	5.0%	1.7%	11.2%	80.3%
Transaction 78	U.S. CLO	Outstanding	Primary	22.9	2012	2023	2015	338	217	179	5.6%	4.0%	0.3%	16.6%	109.9%
Transaction 79	U.S. CLO	Called	Primary	19.4	2012	2022	2015	NA	215	NA	NA	4.0%	NA	10.2%	137.2%
Transaction 80	U.S. CLO	Called	Primary	22.7	2012	2022	2016	NA	185	NA	NA	4.2%	NA	11.9%	140.1%
Transaction 81	U.S. CLO	Outstanding	Primary	21.7	2012	2024	2016	356	216	193	3.7%	4.0%	(0.1%)	7.5%	66.4%
Transaction 82	U.S. CLO	Outstanding	Primary	25.4	2012	2022	2016	353	206	173	2.5%	4.0%	(0.3%)	8.6%	69.0%
Transaction 83	U.S. CLO	Outstanding	Primary	20.8	2013	2025	2017	382	193	215	5.2%	6.2%	(0.2%)	14.4%	77.0%
Transaction 84	U.S. CLO	Outstanding	Primary	24.6	2013	2023	2017	350	183	199	3.1%	4.0%	(0.2%)	19.0%	87.7%
Transaction 85	U.S. CLO	Outstanding	Primary	1.0	2013	2025	2017	349	170	171	4.5%	5.0%	(0.1%)	10.3%	72.9%
Transaction 87	U.S. CLO	Outstanding	Primary	23.0	2013	2026	2018	357	199	199	3.3%	4.0%	(0.2%)	5.1%	53.0%
Transaction 88	U.S. CLO	Outstanding	Primary	30.1	2014	2024	2018	349	199	200	2.7%	4.0%	(0.5%)	11.3%	60.3%
Transaction 89	U.S. CLO	Outstanding	Primary	33.6	2014	2026	2018	353	195	195	2.8%	4.0%	(0.5%)	13.3%	57.7%
Transaction 90	U.S. CLO	Outstanding	Primary	20.7	2014	2026	2018	360	203	178	3.2%	4.0%	(0.4%)	13.7%	42.5%
Transaction 91	U.S. CLO	Outstanding	Primary	27.8	2015	2027	2019	363	215	209	2.6%	4.0%	(0.8%)	13.0%	38.1%
Transaction 92	U.S. CLO	Outstanding	Primary	34.6	2015	2027	2020	362	199	199	3.3%	4.0%	(0.5%)	14.8%	34.0%
Transaction 93	U.S. CLO	Outstanding	Secondary	6.1	2015	2027	2019	363	215	209	2.6%	3.6%	(0.6%)	14.3%	18.7%
Transaction 94	U.S. CLO	Outstanding	Secondary	6.6	2014	2026	2018	353	215	195	2.8%	3.3%	(0.2%)	12.5%	18.5%
Transaction 95	U.S. CLO	Outstanding	Primary	2.6	2016	2029	2022	375	194	194	4.4%	4.4%	0.0%	13.4%	0.0%
US CLO Subtotal (outstanding transactions only):				628.5				345	126	155	7.7%	4.5%	0.2%	17.5%	154.0%
Total CLO Portfolio (outstanding transactions only):				763.2				348	114	154	8.2%	4.5%	0.3%	15.4%	144.7%

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. The transactions continue to be held as of the date of this report.

(ii) "Outstanding" refers to investments in CLOs which have not yet been optionally redeemed, sold, or wound down to less-than-material remaining expected value. "Called" refers to investments in CLOs where Tetragon initiated or approved an optional redemption, and "wound down" refers to CLOs which have amortised or repaid without an optional redemption, in both cases with less-than-material remaining expected value.

(iii) "Primary" refers to investments made in the new issuance CLO market, whereas "Secondary" refers to investments made after the original issue date of the CLO.

(iv) 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 Tetragon's financial statements.

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

(vi) 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.

(vii) 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.

(viii) 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.

(ix) 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 (or date of purchase, if later). Please note that two of Tetragon's investments are so called "par structures" which don't include a junior-most O/C test. They have been marked by an "N/A" in the relevant junior-most O/C test columns.

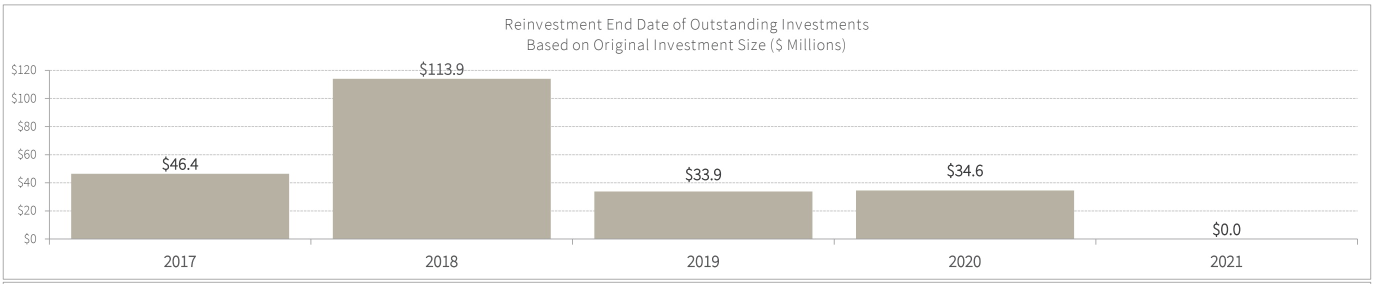
(x) Calculated by annualizing the change from the expected closing date junior-most O/C cushion to the current junior-most O/C cushion.

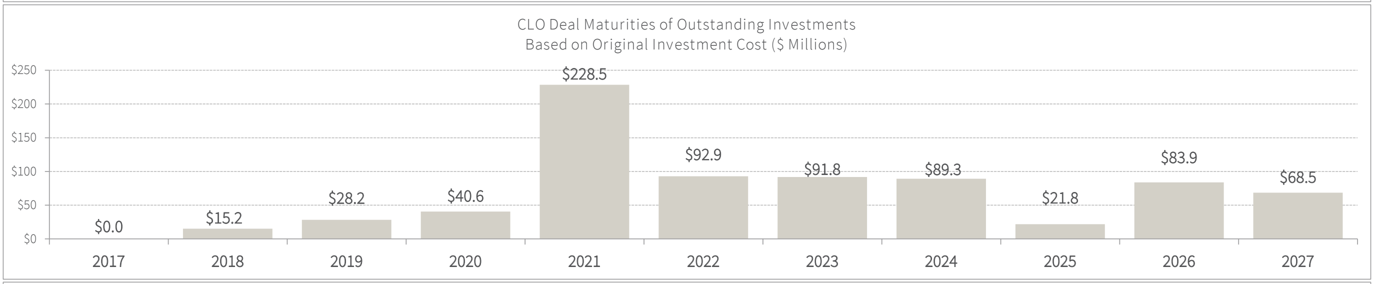
(xi) Calculated from Tetragon's investment date. For outstanding investments, includes both historical cash flows received to-date and prospective cash flows expected to be received, based on Tetragon's base case modelling assumptions. Refer to www.tetragoninv.com for more information on Tetragon's modelling assumptions and methodology. For all other investments, includes only historical realised cash flows received to date.

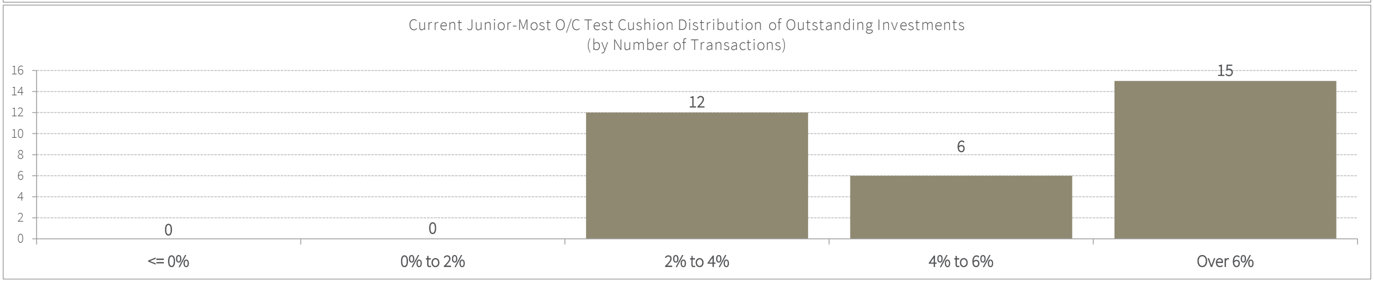
(xii) Inception to report date cash flow received on each transaction as a percentage of its original cost.

Additional CLO Portfolio Statistics (continued)

FIGURE 32







Fair Value Determination of CLO Equity Investments

In accordance with the valuation policies set forth on Tetragon's website, the values of Tetragon'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 impact the performance of Tetragon'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 IFRS compliant fair value of Tetragon'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.

U.S. 1.0 CLO Equity – discount rates reduced from 12% to 11%

In determining the applicable rates to use to discount projected cash flows, an analysis of observable risk premium data is undertaken. These data points include the absolute and relative levels of spreads on the BBB and BB tranches, as well as observable generic equity yield ranges for the applicable asset sub-class. Taken in aggregate, it was concluded that these data points for U.S. 1.0 CLOs supported a recalibration to a lower discount rate of 11%, which is in line with the rate applied to seasoned U.S. 2.0 CLOs. The impact of this change was to increase fair value by $3.0 million.

U.S. 2.0 CLO Equity – discount rates unchanged at 11.0%

European CLO Equity – discount rates reduced from 13% to 11%

Similar to the U.S. CLOs, the discount rate analysis for European 1.0 CLOs includes an analysis of observable risk premium data. European BB-rated tranche yields are broadly in-line with the same tranche yields for U.S. 1.0 CLOs, and the observable generic equity yield range for this sub asset class indicates that the mid-point has decreased by approximately a couple of percentage points since the first half of the year. When viewed as a whole, it was concluded that these data points for European CLOs supported a recalibration to a lower discount rate of 11%, which is in line with the rate applied to both seasoned U.S. 2.0 CLOs and U.S. 1.0 CLOs. The impact of this change was to increase fair value by $1.9 million.

FIGURE 33

U.S. CLOs Modelling Assumption		
Variable	**Year**	**Current Assumptions**
CADR	Until deal maturity	1.0x WARF-implied default rate (2.3%)
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%
European CLOs Modelling Assumption		
Variable	**Year**	**Current Assumptions**
CADR	Until deal maturity	1.0x WARF-implied default rate (2.1%)
Recovery Rate	Until deal maturity	68%
Prepayment Rate	Until deal maturity	20.0% p.a. on loans; 0.0% on bonds
Reinvestment Price	Until deal maturity	100%
Discount Rates		
CLO Type	**Q4 2016**	**Q4 2015**
U.S. 1.0	11.0%	12.0%
European 1.0	11.0%	13.0%
U.S. 2.0 - seasoned	11.0%	11.0%
U.S. 2.0 - less than 12 months old	Deal IRR	Deal IRR

Certain Regulatory Information

This annual report is made public by means of a press release, which contains inside information within the meaning of Article 7(1) of the EU Market Abuse Regulation, and has been filed with the Netherlands Authority for the Financial Markets (Autoriteit Financiële Markten). In addition, this report is also made available to the public by way of publication on the Tetragon website (www.tetragoninv.com).

An investment in Tetragon 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 Tetragon.

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 Tetragon have not been and will not be registered under the U.S. Securities Act of 1933, 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. Tetragon 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, Tetragon 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. Tetragon 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.

Tetragon shares are subject to legal and other restrictions on resale and the Euronext Amsterdam and SFS 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 Tetragon 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.

Equity-Based Compensation Plans

In the fourth quarter of 2015, Tetragon bought back approximately 5.65 million of its non-voting shares in a tender offer to hedge against (or otherwise offset the future impact of) grants of shares under an equity-based long-term incentive plan and other equity awards by TFG Asset Management for certain senior employees (excluding the principals of the investment manager).

Awards under the long-term incentive plan, along with other equity-based awards, are typically spread over multiple vesting dates up to 2024 which may vary for each employee and are subject to forfeiture provisions. The arrangements may also include additional periods, beyond the vesting dates, during which employees gain exposure to the performance of the Tetragon shares, but the shares are not issued to the employees. Such periods may range from one to five years beyond the vesting dates. The shares underlying these equity-based incentive programs typically will be held in escrow until they vest and will be eligible to receive shares under the Tetragon Optional Stock Dividend Plan (DRIP Shares).

As Tetragon has contributed these shares, under IFRS TFG Asset Management is considered to be the settling entity and as a result in Tetragons' accounts the imputed value of the shares contributed to escrow is recorded as a credit to a share-based compensation reserve in the year in which the shares were acquired for this purpose. For the purposes of determining the Fully Diluted NAV Per Share, the dilutive effect of the equity-based compensation plans will be reflected in the fully diluted share count over the life of the plans. Such dilution will include, among other things and in addition to the award shares, any DRIP Shares and shares that will be required to cover employer taxes. At the end of 2016, approximately 0.9 million shares were included in the fully diluted share count.

Shareholder Information

Registered Office of Tetragon and the Tetragon Master Fund
Tetragon Financial Group Limited
Tetragon Financial Group Master Fund Limited
1st Floor Dorey Court
Admiral Park
St. Peter Port, Guernsey
Channel Islands GY1 6HJ

Investment Manager
Tetragon Financial Management LP
399 Park Avenue, 22nd Floor
New York, NY 10022
United States of America

General Partner of Investment Manager
Tetragon Financial Management GP LLC
399 Park Avenue, 22nd Floor
New York, NY 10022
United States of America

Investor Relations
Yuko Thomas
ir@tetragoninv.com

Press Inquiries
Prosek Partners
Andy Merrill / Ryan Fitzgibbon
pro-tetragon@prosek.com

Auditors
KPMG Channel Islands Limited
Glategny Court,
Glategny Esplanade
St. Peter Port, Guernsey
Channel Islands GY1 1WR

Sub-Registrar and CREST Transfer Agent
Computershare Investor Services (Guernsey) Limited
1st Floor, Tudor House
Le Bordage
St Peter Port, Guernsey
Channel Islands GY1 1DB

Legal Advisor (as to U.S. law)
Cravath, Swaine & Moore LLP
Worldwide Plaza
825 Eighth Avenue
New York, NY 10019
United States of America

Legal Advisor (as to Guernsey law)
Ogier
Redwood House
St. Julian's Avenue
St. Peter Port, Guernsey
Channel Islands GY1 1WA

Legal Advisor (as to Dutch law)
De Brauw Blackstone Westbroek N.V.
Claude Debussylaan 80
1082 MD Amsterdam
The Netherlands

Stock Listing

- Euronext in Amsterdam, a regulated market of Euronext Amsterdam N.V.
- London Stock Exchange (Specialist Fund Segment)

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

Audited Financial Statements

ELIZABETH RASSKAZOVA
POLYGON

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 2016 which comprise the Statement of Financial Position, the Statement of Profit or Loss and Other Comprehensive Income, the Statement of Changes in Equity, the Statement of Cash Flows, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards as adopted by the European Union.

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 page 39, 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 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 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 2016 and of its results for the year then ended;
- are in accordance with International Financial Reporting Standards as adopted by the European Union; and
- comply with the Companies (Guernsey) Law, 2008.

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 28, 2017

An investment in Tetragon 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 Tetragon.

This release contains inside information within the meaning of Article 7(1) of the EU Market Abuse Regulation.

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 Tetragon have not been and will not be registered under the U.S. Securities Act of 1933, 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. Tetragon 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, Tetragon 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. Tetragon is registered in the public register of the Netherlands Authority for the Financial Markets under Section 1:107 of the Financial Markets Supervision Act as a collective investment scheme from a designated country.

Tetragon is not responsible for the contents of any third-party website noted in this report.

TETRAGON FINANCIAL GROUP LIMITED
TETRAGON FINANCIAL GROUP MASTER FUND LIMITED
2016 AUDITED FINANCIAL STATEMENTS

TETRAGON FINANCIAL GROUP LIMITED

STATEMENT OF FINANCIAL POSITION
As at 31 December 2016

	Note	31 Dec 2016 US$ MM	31 Dec 2015 US$ MM	1 Jan 2015 US$ MM
Assets				
Financial asset at fair value through profit or loss	5	1,942.0	2,020.2	1,959.2
Total assets		1,942.0	2,020.2	1,959.2
Liabilities				
Accrued incentive fee	9	7.1	32.8	28.7
Total liabilities		7.1	32.8	28.7
Net assets		1,934.9	1,987.4	1,930.5
Equity				
Share capital	10	0.1	0.1	0.1
Share premium		1,344.0	1,307.2	1,253.8
Treasury shares		(530.5)	(385.4)	(324.5)
Capital reserve in respect of share options		12.0	12.3	12.3
Share-based employee compensation reserve	7	100.0	90.5	47.6
Retained earnings		1,009.3	962.7	941.2
		1,934.9	1,987.4	1,930.5
Shares outstanding		Millions	Millions	Millions
Number of shares	10	87.1	95.9	95.9
Net Asset Value per share		US$ 22.21	US$ 20.72	US$ 20.13

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

Signed on behalf of the Board of Directors by:

Frederic Hervouet,
Director

David Jeffreys,
Director

Date: 28 February 2017

TETRAGON FINANCIAL GROUP LIMITED

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2016

	Note	Year ended 31 Dec 2016 US$ MM	Year ended 31 Dec 2015 US$ MM
Net gain on financial asset at fair value through profit or loss	5	138.5	130.9
Total revenue		138.5	130.9
Incentive fee	9	(22.0)	(39.4)
Total operating expenses		(22.0)	(39.4)
Profit and total comprehensive income for the year		116.5	91.5
Earnings per Share			
Basic	13	US$ 1.26	US$ 0.94
Diluted	13	US$ 1.09	US$ 0.87
Weighted average shares outstanding		Millions	Millions
Basic	13	92.1	97.1
Diluted	13	106.8	105.5

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

TETRAGON FINANCIAL GROUP LIMITED

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2016

	Issued shares US$ MM	Share premium US$ MM	Retained earnings US$ MM	Treasury shares US$ MM	Capital reserve US$ MM	Share-based reserve US$ MM	Total US$ MM
As at 1 January 2015	0.1	1,253.8	941.2	(324.5)	12.3	47.6	1,930.5
Profit and total comprehensive income for the year	-	-	91.5	-	-	-	91.5
Transactions with owners recognized directly in equity							
Share-based employee compensation	-	-	-	-	-	76.6	76.6
Shares released from Escrow	-	33.8	-	-	-	(33.8)	-
Cash dividends	-	-	(50.5)	-	-	-	(50.5)
Stock dividends	-	12.0	(12.0)	-	-	-	-
Dividends on shares released from Escrow	-	7.5	(7.5)	-	-	-	-
Issue of shares	-	0.1	-	-	-	-	0.1
Purchase of treasury shares	-	-	-	(60.9)	-	-	(60.9)
Total	-	53.4	(70.0)	(60.9)	-	42.9	(34.6)
As at 31 December 2015	0.1	1,307.2	962.7	(385.4)	12.3	90.5	1,987.4

	Issued shares US$ MM	Share premium US$ MM	Retained earnings US$ MM	Treasury shares US$ MM	Capital reserve US$ MM	Share-based reserve US$ MM	Total US$ MM
As at 1 January 2016	0.1	1,307.2	962.7	(385.4)	12.3	90.5	1,987.4
Profit and total comprehensive income for the year	-	-	116.5	-	-	-	116.5
Transactions with owners recognized directly in equity							
Deferred incentive fee	-	-	-	-	-	25.1	25.1
Shares released from Escrow	-	25.0	-	-	-	(25.0)	-
Dividends on shares released from Escrow	-	8.1	(8.1)	-	-	-	-
Share-based employee compensation	-	-	-	-	-	9.4	9.4
Cash dividends	-	-	(45.9)	-	-	-	(45.9)
Stock dividends	-	11.4	(16.0)	4.6	-	-	-
Issue of shares	-	0.1	-	-	-	-	0.1
Purchase of treasury shares	-	-	-	(157.8)	-	-	(157.8)
Capital reserve in respect of share options	-	(7.8)	-	8.1	(0.3)	-	-
Total	-	36.8	(69.9)	(145.1)	(0.3)	9.5	(169.0)
As at 31 December 2016	0.1	1,344.0	1,009.3	(530.5)	12.0	100.0	1,934.9

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

TETRAGON FINANCIAL GROUP LIMITED

STATEMENT OF CASH FLOWS
For the year ended 31 December 2016

	Year ended 31 Dec 2016 US$ MM	Year ended 31 Dec 2015 US$ MM
Operating activities		
Dividend received from Master Fund to finance the dividend liability to Shareholders	45.9	50.5
Dividend received from Master Fund to settle the incentive fee liability	22.6	35.2
Incentive fee paid	(22.6)	(35.2)
	45.9	50.5
Investing activities		
Proceeds from redemption of shares of Master Fund	157.8	60.9
	157.8	60.9
Financing activities		
Purchase of treasury shares	(157.8)	(60.9)
Dividends paid to Shareholders*	(45.9)	(50.5)
	(203.7)	(111.4)
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$ 61.9 million (2015: US$ 62.5 million) with value equivalent to US$ 16.0 million (2015: US$ 12.0 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.

Note 1 Corporate Information

The Company was registered and incorporated in Guernsey on 23 June 2005 as a company limited by shares, with registered number 43321. The registered office of the Company is 1st Floor Dorey Court, Admiral Park, St. Peter Port, Guernsey, Channel Islands, GY1 6HJ. The Company continues to be registered and domiciled in Guernsey.

The nature of the Company's operations, its principal activities and Voting Shareholder are detailed in the Directors' Report.

These separate financial statements of the Company are its only financial statements.

Note 2 Significant Accounting Policies

Statement of Compliance

The financial statements of the Company have been prepared in accordance with IFRS and comply with The Companies (Guernsey) Law, 2008 and give a true and fair view.

Basis of Preparation

The financial statements have been prepared on a historical cost basis, except for investments held at fair value through profit or loss ("FVTPL") that have been measured at fair value.

The accounting policies have been consistently applied to all periods presented in these financial statements.

The financial statements are presented in United States Dollars ("USD"), which is the functional currency of the Company, expressed in USD millions as the Board of Directors determined that this reflects the Company's primary economic environment.

In previous financial years the financial statements of the Company were prepared in accordance with applicable US Generally Accepted Accounting Principles ("US GAAP"). Information on the effect of the transition to IFRS is detailed in Note 4, First Time Adoption of IFRS.

The Company is an investment entity and, as such, does not consolidate the entities it controls where they are deemed to be investments, in accordance with IFRS 10. Instead, interests in subsidiaries are classified as FVTPL. Investments in associates are also classified as FVTPL. Refer to Note 3 Significant Accounting Judgments, Estimates and Assumptions for the judgments and assumptions made in determining that the Company meets the definition of an investment entity.

After making enquiries and given the nature of the Company and its investment, the Directors are satisfied that it is appropriate to continue to adopt the going concern basis in preparing these Financial Statements and, after due consideration, the Directors consider that the Company is able to continue for the foreseeable future and at least twelve months from the date of this report.

Financial Asset at Fair Value through Profit or Loss

The Company's investment in Tetragon Financial Group Master Fund Limited ("Master Fund") is classified as financial asset at FVTPL and is measured at fair value.

The Company's Statement of Comprehensive Income includes its net gain or loss on investment in the Master Fund. The audited financial statements of the Master Fund are attached. As at 31 December 2016, the Company had 100% (31 December 2015: 100%) economic ownership interest in the Master Fund.

Note 2 Significant Accounting Policies (continued)

Fair Value Measurement

The value of the investment in the Master Fund is 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. Based on management's assessment, NAV represents the fair value of the investment. The performance of the Company is directly affected by the performance of the Master Fund.

Net Gain / (Loss) on Financial Assets at FVTPL

Net gains or losses on financial assets at FVTPL are changes in the fair value of financial assets at FVTPL.

Expenses

Expenses are recognized in the Statement of Comprehensive Income on an accruals basis.

Taxation

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

Dividend distribution

Dividends from shares are recognized in the statement of changes in equity, when the shareholders' right to receive the payment is established.

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 the capital reserve. 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 the capital reserve in respect of share options.

If and when the share options are exercised there will be a transfer from the capital reserve to the share capital and share premium accounts or treasury shares.

Share-based Payment Transactions

Share-based compensation expense for all equity settled share-based payment awards granted is determined based on the grant-date fair value. The entity receiving the services (e.g., Master 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 graded vesting basis over the requisite service period of the award. These compensation costs are determined at the individual vesting tranche level for serviced-based awards.

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, or treasury shares, where appropriate. Any associated stock dividends accrued on the original award are debited against retained earnings and credited to share capital and share premium, or treasury shares, where appropriate using the value determined by the stock reference price at the date of each applicable dividend.

Note 2 Significant Accounting Policies (continued)

Joint arrangements

The Master Fund entered into a joint arrangement with the Company through the establishment of TFG Holdings I. The Master Fund and the Company each transferred shares previously held as treasury shares 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 Statement of Financial Position.
During 2016, TFG Holdings I was closed, with all shares held transferred to treasury shares account.

Operating Segments

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the Company's chief operating decision makers and for which discrete financial information is available. The chief operating decision makers for the Company are the Investment Manager and the Directors. The Company has considered the information reviewed by the Company's chief operating decision makers and determined that there is only one operating segment in existence.

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.

New standards issued but not yet effective

The Company has considered all the standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company’s financial statements. Standards and interpretations that are relevant to the Company are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

IFRS 9 *Financial instruments*

In July 2014, the IASB issued the final version of IFRS 9 *Financial Instruments* that replaces IAS 39 *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required, but the provision of comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.
The Company plans to adopt the new standard on the required effective date. The Company expects that this standard will not have a significant impact on the financial statements as it expects to continue measuring at fair value all financial assets currently held at fair value.

Note 3 Significant accounting judgments, estimates and assumptions

The preparation of the Company’s financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts recognized in the financial statements and disclosure of contingent liabilities. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Note 3 Significant accounting judgments, estimates and assumptions (continued)

Judgments

In the process of applying the Company's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognized in the financial statements:

Assessment as investment entity

Entities that meet the definition of an investment entity within IFRS 10 are required to measure their subsidiaries at fair value through profit or loss rather than consolidate them. The criteria which define an investment entity are, as follows:

- An entity that obtains funds from one or more investors for the purpose of providing those investors with investment management services;
- An entity that commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- An entity that measures and evaluates the performance of substantially all of its investments on a fair value basis.

In determining whether the Company meets the definition of an investment entity, the Company considered the master-feeder structure as a whole. In particular, when assessing the existence of investment exit strategies and whether the Company has more than one investment, the Company takes into consideration the fact that the Master Fund was formed in connection with the Company in order to hold investments on behalf of the Company.

The Company concluded that the Company and the Master Fund each meet the definition of an investment entity. Consequently, the Company concluded that the Company should not consolidate the Master Fund and therefore measures its investment at FVTPL.

Estimates and assumptions

The key estimate is the fair value of the Master Fund. Information about assumptions and estimation uncertainties that have significant risk of resulting in a material adjustment in the year ended 31 December 2016 is included in Note 6.

Note 4 First time adoption of IFRS

These financial statements, for the year ended 31 December 2016, are the first the Company has prepared in accordance with IFRS. For periods up to and including the year ended 31 December 2015, the Company prepared its financial statements in accordance with US GAAP. Accordingly, the Company has prepared financial statements that comply with IFRS applicable as at 31 December 2016, together with the comparative period data for the year ended 31 December 2015, as described in the summary of significant accounting policies. In preparing the financial statements, the Company's opening Statement of Financial Position was prepared as at 1 January 2015, the Company's date of transition to IFRS. This note explains the principal adjustments made by the Company in restating its US GAAP financial statements, including the Statement of Financial Position as at 1 January 2015 and the financial statements for the year ended 31 December 2015.

Exemptions applied

IFRS 1, *First-Time Adoption of International Financial Reporting Standards*, allows first-time adopters exemptions from the retrospective application of certain requirements under IFRS. None of the areas where retrospective revisions are precluded apply to the Company and therefore, the Company has not applied any of these exemptions.

Note 4 First time adoption of IFRS (continued)

Reconciliation of equity

Share premium and treasury shares balances are shown separately on the face of the Statement of Financial Position under IFRS. These balances were netted off in Share Premium account under US GAAP. As a result of Master Fund presenting its financial statements under IFRS, the NAV of the Master Fund and subsequently the carrying value in Company's Statement of Financial Position has increased.

Under US GAAP, share options issued to GreenOak founders were carried in capital reserve at their fair value on vesting date of US$ 16.3 million. Under IFRS, these share options are carried in capital reserve at their fair value at grant date of US$ 0.5 million.

Under US GAAP, the Company recognized share-based compensation expense for each award on a straight line basis whereas IFRS requires the share-based compensation expense to be recognized on a graded vesting basis where an award has multiple tranches. Although this does not impact the overall charge or the number of shares awarded, where awards are granted in multiple tranches it does have the effect of accelerating the expense recognition in the early years of the arrangements. In relation to the expense associated with the acquisition of TFG Asset Management, (described in detail in Note 7) US$ 16.3 million of the total value of US$ 98.5 million would have been recognized earlier under IFRS in the period from acquisition to 31 December 2014 with a corresponding increase in the Share-Based Compensation Reserve. Furthermore, under IFRS there was a reduction of US$ 2.8 million relating to share-based compensation expense in the Master Fund for the year ended 31 December 2015. The Company credits the expense recognized by the Master Fund in share-based compensation reserve.

The following table presents the accounting effect by time period arising from the adoption of IFRS on share-based employee compensation concerning the acquisition of TFG Asset Management.

	2012 US$MM	2013 US$MM	2014 US$MM	2015 US$MM	2016 US$MM	2017 US$MM	Total US$MM
Share-based compensation expense under US GAAP (straight line basis)	3.8	23.1	23.1	22.0	15.9	10.5	98.5
Share-based compensation expense under IFRS (graded vesting basis)	6.1	34.9	25.3	19.2	9.4	3.5	98.5
P&L difference by year	2.3	11.8	2.2	(2.8)	(6.5)	(7.0)	-
Cumulative difference	2.3	14.1	16.3	13.5	7.0	-	

Reconciliation of total comprehensive income

Under US GAAP, the statement of comprehensive income presented the income and expense line items allocated from the Master Fund. Under IFRS, these line items were not presented, instead “net gain on financial assets at fair value through profit or loss” from the investment in the Master Fund was recognized. The net gain on Master Fund recognized under IFRS is different from US GAAP due to the change in NAV of the Master Fund on first-time adoption of IFRS in its financial statements.

Under US GAAP ASC 718 *Equity-based Payments to Employees*, shares granted to TFG Asset Management for equity-based awards were recognized on a straight line basis with nil charge in the year to 31 December 2015. Under IFRS, these awards were treated as contribution to the investment in Master Fund and the full value of award, US$ 57.4 million, debited to investment in Master Fund with a corresponding credit to share-based compensation reserve. This resulted in a reduction of profits for the year ended 31 December 2015 of US$ 57.4 million. There was no effect on the NAV.

Note 4 First time adoption of IFRS (continued)

Reconciliation of total comprehensive income (continued)

The change from US GAAP to IFRS also impacted the incentive fees payable to the Investment Manager. Please refer to Note 9 for details of the change in incentive fees.

Reconciliation of statement of cash flows

The transition from US GAAP to IFRS has not had a material impact on the statement of cash flows.

Note 5 Fair value measurement

Fair value hierarchy

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows:

- 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.

As at 31 December 2016, 2015, and 1 January 2015, the fair value measurement of shares held by the Company in the Master Fund is categorized in Level 3.

The fair value hierarchy of the Master Fund's financial assets and liabilities are disclosed in the audited financial statements of the Master Fund.

Level 3 reconciliation

The following is a reconciliation of the Company's assets in which significant unobservable inputs (Level 3) were used in determining fair value at 31 December 2016 and 31 December 2015.

	31 December 2016 US$ MM	31 December 2015 US$ MM
Balance at start of year	2,020.2	1,959.2
Additions	9.5	76.7
Redemption of Master Fund's shares	(157.8)	(60.9)
Realized gain and change in unrealized appreciation	70.1	45.2
Balance at end of year	1,942.0	2,020.2
Total gains and losses for the period included in profit or loss for assets held at the end of the reporting period	54.0	33.2

Dividend income from the Master Fund amounted to US$ 84.5 million (2015: US$ 97.7 million).

Note 5 Fair value measurement (continued)

Valuation technique

The level in the fair value hierarchy within which the fair value measurement is categorized in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

The determination of what constitutes observable requires significant judgement by the Company. The Company considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The Company's investment in the Master Fund has been valued on the basis of the NAV of the Master Fund without adjustment, which the Company believes is an appropriate measurement of fair value as at the year end date. The investment in Master Fund does not have any redemption restriction.

The Company's investment in the Master Fund is classified as Level 3 (2015: Level 3) due to the fact that the NAV of the Master Fund was not observable on the market.

The Master Fund prepares its financial statements and NAV under IFRS and the period of the financial statements is co-terminus with the Company. As the value of the Master Fund is not based on a valuation model, no sensitivity analysis in respect of valuation model assumptions can be provided. However, if the NAV of the Master Fund moved up or down by 1%, the NAV of the Company would move up or down by US$ 19.4 million with a corresponding change in the Statement of Comprehensive Income through net gain on financial assets at fair value through profit or loss.

Note 6 Financial Risk Review

All of the Company's financial assets are invested in the shares of Master Fund. The Company can redeem the Master Fund shares without restrictions but subject to approval from the Voting Shareholder which is the same entity for the Company and the Master Fund.

The Company's investment in the Master Fund is subject to the following risks:

Market Risk

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

(i) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company does not hold any interest bearing securities and as such it is not directly exposed to significant interest rate risk. The Company will incur indirect exposure to interest rate risk, whereby the value of a security may fluctuate as a result of a change in interest rates through its investment in the Master Fund.

The Master Fund's exposure to interest rate risk is detailed in Note 8 of the Master Fund's financial statements.

Note 6 Financial Risk Review (continued)

(ii) Currency Risk

The Company's only investment in the Master Fund is denominated in US Dollars which is also the functional currency of the Company. The Master Fund invests in Euro, Sterling, Norwegian Krone and Japanese Yen in addition to US Dollar. The Master Fund's exposure to currency risk rate risk is detailed in Note 8 of the Master Fund's financial statements.

(iii) Other Price Risk

Other price risk arises in respect of the Company's investment in the shares issued by the Master Fund. The fair value of the investment at 31 December 2016 was US$ 1,942.0 (2015: US$ 2,020.2).

As at 31 December 2016, a reasonably possible strengthening in the price of the shares in Master Fund of 1% will increase the net assets and profit and total comprehensive income by US$ 19.4 million for (31 December 2015: US$ 20.2 million). A weakening of price by 1% will have an equal but opposite effect.

Liquidity Risk

The Company does not maintain a bank account. The Company's only liability is to pay incentive fees to the Investment Manager. The Company receives dividends from the Master Fund to fulfil this liability. The Master Fund holds sufficient cash to pay a dividend to cover this liability.

Management of liquidity risk in Master Fund is detailed in Note 8 of the Master Fund's financial statements.

Note 7 Share-Based Payments

On 28 October 2012, TFG Asset Management LP and certain of its affiliates, were acquired by the Master Fund in exchange for consideration of approximately 11.7 million non-voting shares of the Company to the sellers (the "Aggregate Consideration").

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 to 2016 with the remainder being released over the period 2017.

Under IFRS 3 Business Combination, these shares were treated as payment for post combination services rather than upfront consideration and have been accounted for under IFRS 2 *share-based Payments* ("IFRS 2"). The Master Fund recognizes the individual compensation costs on a graded vesting basis over the relevant service period of each award if the vesting performance conditions are met. The Company settles the shares and recognizes this as an equity settled transaction through the share-based employee compensation reserve. The charge for the year ended 31 December 2016 amounted to US$ 9.4 million (31 December 2015: US$ 19.2 million).

In December 2015, the Company implemented some equity-based compensation plans for certain senior employees of TFG Asset Management. In aggregate, these awards are spread over multiple vesting dates, up to and including 2024, although they may vary for each employee and are also subject to forfeiture provisions. The arrangements may also include additional periods, beyond the vesting dates, during which employees gain exposure to the performance of the Company's shares, but the shares are not issued to the employees. Such periods may range from one to five years beyond the vesting dates. The shares underlying these equity-based incentive programs typically will be held in escrow until they vest and will be eligible to receive shares under the Company's optional stock dividend plan.

Note 7 Share-Based Payments (continued)

The Company has accounted for this plan as equity-settled group share-based compensation under IFRS 2. The entities receiving the services, affiliates of TFG Asset Management, recognize the expense in their financial statements. The Company has granted 5.7 million shares to TFG Asset Management in December 2015 and held them in an escrow account. In 2015, the Company recognized the full value of the award of US$ 57.4 million as increase in investment in Master Fund with a corresponding credit to share-based compensation reserve. None of the shares related to this plan were issued to the employees in the year to 31 December 2016 (31 December 2015: nil).

Please refer to note 10 for movements in shares held in escrow.

The table below shows the number of non-vesting Company shares which are currently expected to vest over the period to 2017, including accrued stock dividends up to the end of December 2016. 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 non-vesting Company shares from escrow, the Master Fund will issue an identical number of shares to the Company.

Vesting Schedule – Shares as at 31 December 2016

	Shares MM	US$ MM
2017	3.2	12.6
	3.2	12.6

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

Note 8 Share Options Issued to GreenOak Founders

On 16 September 2010, the Master Fund entered into a transaction with GreenOak whereby the Master Fund 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 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 IAS 32 *Financial Instruments: Presentation*, the share options issued are classified as equity as capital reserve in respect of share options.

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

During the year to 31 December 2016, 0.8 million (31 December 2015: nil) shares with fair value at grant date of US$ 0.3 million, were issued as a result of options being exercised.

Note 9 Incentive Fee

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

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

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

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

The NAV determined in accordance with IFRS includes carrying certain investments in TFG Asset Management businesses at fair value rather than being consolidated, which was how they were previously treated under U.S. GAAP. The result of the foregoing has been an increase in NAV and an incentive fee payable of US$ 25.1 million.

The Investment Manager has agreed to accept payment of this portion of the incentive fee in the form of shares, which will be held in escrow until 31 December 2021 or, at the Manager's option, the earlier occurrence of a realization event with respect to these TFG Asset Management business, and subject to a "clawback" mechanism should the NAV of the TFG Asset Management businesses decline at the end of the escrow period. The expense has been recognized in full in the year in which the NAV event occurred through equity and the share-based compensation reserve.

The incentive fee for the year ended 31 December 2016 was US$ 22.0 million (31 December 2015: US$ 39.4 million). As at 31 December 2016, US$ 7.1 million was outstanding (31 December 2015: US$ 32.8 million).

Note 10 Share Capital

Authorized

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

Voting shares

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

Note 10 Share Capital (continued)

Voting shares (continued)

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

Shares

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

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

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

Share Transactions

	Voting Shares No.	Non-Voting Shares No. MM	Shares US$ MM
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
Issued in lieu of stock dividend	-	1.5	-
Issued through release of tranche of Escrow shares	-	3.8	-
Issue through exercise of GreenOak options	-	0.8	-
Shares purchased during the year	-	(14.9)	-
Shares in issue at 31 December 2016	10	87.1	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$ 61.9 million (31 December 2015: US$ 62.5 million) was declared, of which US$ 45.9 million was paid out as a cash dividend (31 December 2015: US$ 50.5 million), and the remaining US$ 16.0 million (31 December 2015: US$ 12.0 million) was reinvested under the Optional Stock Dividend Plan.

Treasury Shares and Share Repurchases

On 30 November 2007, the Company announced the implementation of a share repurchase program of their outstanding shares and this was renewed on several occasions. As at 31 December 2016, there was no share repurchase program in place.

Note 10 Share Capital (continued)

Treasury Shares and Share Repurchases (continued)

When the program was in operation, the Master Fund undertook to repurchase an identical number of its own shares from the Company as and when the Company repurchased its own shares in the open market. The Master Fund matched the price per share paid by the Company. The shares are held in treasury shares allowing them to potentially be resold back to the Company if it resells its own shares back into the market at a later date. Although they are held by the Master Fund and the Company, the shares are neither eligible to receive dividends nor are they included in the shares outstanding on the Statement of Financial Position.

During 2016, the Company and the Master Fund announced that under the terms of two “modified Dutch auctions”, the Company had accepted for purchase approximately 14.3 million Company non-voting shares at an aggregate cost of US$ 151.1 million, including applicable fees and expenses of US$ 1.1 million. Additionally, the Fund entered into an agreement to repurchase 0.6 million shares for US$ 6.7 million from Michael Humphries, a manager of certain Polygon funds, in connection with the winding up of a swap transaction between him and the Fund with respect to the relative values of the Feeder’s shares and interest in the Polygon funds following the acquisition of Polygon in 2012. The Company exchanged an equivalent number of Master Fund shares for the Company shares which had been repurchased.

Escrow Shares

As part of the acquisition of TFG Asset Management, 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 Company shares, the Master Fund agreed to issue an identical number of shares to the Company. During the year 3.8 million shares (31 December 2015: 4.7 million shares) were issued to the Company as a result of an equivalent number of shares being released from escrow.

Of these approximately 3.0 million (31 December 2015: 4.0 million) shares were deemed to be in relation to the original Company escrow shares, and a value of US$ 25.0 million (31 December 2015: US$ 33.8 million) was debited against share-based compensation reserves, using the transaction share price of US$ 8.43.

In addition, approximately 0.4 million shares (31 December 2015: 0.7 million shares) were deemed to be related to the stock dividends awarded on the original shares released and an amount of US$ 8.1 million (31 December 2015: US$ 7.5 million) was released against Retained Earnings, based on the stock reference price at each applicable dividend date.

A second escrow account was opened during 2015 to hold shares which will form part of an equity-based awards program for certain employees of TFG Asset Management. These shares are eligible to participate in the stock dividend and during the period, 0.3 million (2015: nil) shares were allocated to this account, resulting in a total of 6.0 million shares as at 31 December 2016 (31 December 2015: 5.7 million).

Note 10 Share Capital (continued)

Escrow Shares (continued)

	Treasury Shares	Shares held in TFG Holdings I	Escrow shares – TFG Asset Management acquisition	Escrow Shares - LTIP
	Shares No. MM	Shares No. MM	Shares No. MM	Shares No. MM
Shares brought forward at 31 December 2014	12.8	16.6	10.7	-
Shares purchased during the year	-	0.4	-	5.7
Stock Dividend	-	-	0.6	-
Vested and released	-	-	(4.7)	-
Shares at 31 December 2015	12.8	17.0	6.6	5.7
Shares purchased during the year	4.3	10.0	-	-
Stock Dividend	-	-	0.4	0.3
Transfer to Treasury	27.0	(27.0)	-	-
Other transactions settled from Treasury	(0.8)	-	-	-
Vested and released	-	-	(3.8)	-
Shares at 31 December 2016	43.3	-	3.2	6.0

Capital Reserve

The capital reserve is in relation to the GreenOak and Investment Manager options. Please see note 11 for details regarding these share options.

Share-Based Compensation Reserve

The balance in share-based compensation reserve is related to the grant of shares related to acquisition of TFG Asset Management and the equity-based compensation plan of TFG Asset Management.

Note 11 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 9.

In recognition of the work performed by the Investment Manager in successfully arranging the global offering and the associated raising of new capital for the Company, in 2007 the Company granted to the Investment Manager options (the "Investment Management Options") to purchase approximately 12.5 million of the Company's shares (before any application of potential anti-dilution) at an exercise price per share equal to the Offer Price (US$ 10.00).

The Investment Management Options were fully vested and immediately exercisable on the date of admission to Euronext Amsterdam N.V. and will remain exercisable until 26 April 2017. 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 five 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.

Note 11 Related-Party Transactions (continued)

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.

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.

With respect to the year ended 31 December 2016, Frederic Hervouet has elected to receive shares and received 2,538 shares in relation to the first quarter's fee, 2,472 shares in relation to the second quarter's fee and 2,254 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 2016 dividend process.

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, Frederic Hervouet and William Rogers - all Directors of the Company and the Master Fund – maintained (directly or indirectly) interests in shares of the Company as at 31 December 2016, with interests of 2,576,801, 8,411,075, 144,410, 30,419 and 1,000 shares respectively (31 December 2015: 1,401,647, 3,752,486, 102,717, 10,133 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 7, TFG Asset Management., 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, Reade Griffith and Paddy Dear, as founders of Polygon, were awarded consideration in shares which vest between 2015 and 2017.

In particular, Reade Griffith and Paddy 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 2016, 2,375,526 shares were held in escrow on behalf of Reade Griffith (31 December 2015: 4,443,375 shares) and 838,419 on behalf of Paddy Dear (31 December 2015: 1,568,250 shares).

It was contractually agreed as part of the Acquisition that to the extent any annual compensation actually paid to each of Reade Griffith and Paddy Dear in respect of his employment with Master Fund and its subsidiaries exceeds an annual base salary of US$ 100,000, they would promptly return such excess amount to the Master Fund. During the year ended 31 December 2016 total compensation paid to them each in aggregate was US$ 100,000 (31 December 2015: US$ 100,000).

Note 12 Dividends

	31 Dec 2016 US$ MM	31 Dec 2015 US$ MM
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
Quarter ended 31 December 2015 of US$ 0.165 per share	15.9	-
Quarter ended 31 March 2016 of US$ 0.165 per share	16.1	-
Quarter ended 30 June 2016 of US$ 0.1675 per share	14.6	-
Quarter ended 30 September 2016 of US$ 0.1675 per share	15.3	-
	61.9	62.5

The fourth quarter dividend of US$ 0.1725 per share was approved by the Directors on 28 February 2017.

Note 13 Earnings per Share

	Year ended 31 Dec 2016 US$ MM	Year ended 31 Dec 2015 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	116.5	91.5
Weighted average number of shares for the purposes of basic earnings per share	92.1	97.1
Effect of dilutive potential shares:		
Share-based employee compensation – TFG Asset Management acquisition	3.2	6.6
Share-based employee compensation – equity based awards	6.0	-
Share options	3.5	1.7
Deferred incentive fee shares	2.0	-
Weighted average number of shares for the purposes of diluted earnings per share	106.8	105.5

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 – TFG Asset Management acquisition, 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 in 2017.

In respect of share options, the intrinsic value of the options 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.

Note 13 Earnings per Share (continued)

In respect of share options issued to GreenOak, (see Note 8) a similar intrinsic value calculation is used to determine the number of shares to include in the dilution calculation.

Note 14 Segment information

The Company has adopted IFRS 8 *Operating Segments*. The standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes.

For management purposes, the Company is organized into one main operating segment – its investment portfolio - which invests, either directly or via fund vehicles in a range of alternative asset classes including equity securities, debt instruments, real estate, infrastructure, loans and related derivatives. The Company's investment activities are all determined by the Investment Manager in accordance with the Company's investment objective. All of the Company's activities are interrelated, and each activity is dependent on the others. Accordingly, all significant operating decisions are based upon analysis of the Company as one segment. The financial results from this segment are equivalent to the financial statements of the Company as a whole.

The shares in issue are in the US Dollar. The Company's only investment is in Master Fund which is domiciled in Guernsey. The Master Fund's investment geographical exposure is as follows:

Region	31 Dec 2016	31 Dec 2015
North America	51.6%	56.0%
Europe	40.8%	36.8%
Asia	5.0%	4.8%
Latin America	2.6%	2.4%

Note 14 Subsequent Events

The Directors have evaluated the period up to 28 February 2017, 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 statements.

Note 15 Approval of Financial Statements

The Directors approved and authorized for issue the financial statements on 28 February 2017.

TETRAGON FINANCIAL GROUP MASTER FUND LIMITED

DIRECTORS' REPORT
For the year ended 31 December 2016

The Directors present to the shareholders their report together with the audited financial statements for the year ended 31 December 2016.

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 is a closed-ended investment company that invests in a broad range of assets, including bank loans, real estate, equities, credit, convertible bonds and infrastructure and TFG Asset Management ("TFG Asset Management"), a diversified alternative asset management business. Where sensible, through TFG Asset Management, the Fund seeks to own all, or a portion, of asset management companies with which it invests in order to enhance the returns achieved on its capital. 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.

As at 31 December 2016, TFG Asset Management's investments 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, Tetragon Credit Income Partners ("TCIP") and the GreenOak Real Estate ("GreenOak").

TFG Asset Management and Tetragon Financial Management L.P., the Fund's investment manager (the "Investment Manager"), are both registered as investment advisers under the U.S. Investment Advisers Act of 1940, and two of TFG Asset Management's investment management entities, Polygon Global Partners LLP and Equitix Investment Management Limited, are authorised and regulated by the United Kingdom Financial Conduct Authority.

RESULTS, ACTIVITIES AND FUTURE DEVELOPMENTS

The results of operations are set out on page 80. A detailed review of activities and future developments is contained in the Annual Report issued with these financial statements to the shareholders of Tetragon Financial Group Limited (the "Feeder").

On 28 September 2016, the Feeder became a member of the Association of Investment Companies (the "AIC"), the trade body for closed ended investment companies.

On 23 December 2016, the Fund announced that, for its 31 December 2016 Financial Statements and subsequently, the Fund would for the first time adopt International Financial Reporting Standards as adopted by the European Union ("IFRS") as the accounting framework for preparing the Fund and the Feeder's respective financial statements and the Fund would calculate the Net Asset Value of the Feeder on the basis of IFRS, as applied to the Feeder for the purposes of determining the fees payable to the Investment Manager. Further information regarding this change in accounting framework can be found in Notes 2 and 4 of these financial statements.

DIRECTORS

The Directors who held office during the year were:

Paddy Dear
Rupert Dorey*
Reade Griffith
Frederic Hervouet*
David Jeffreys*
Byron Knief* (resigned 14 June 2016)
William Rogers Jr.* (appointed 14 June 2016)
* Independent 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 instalments by the Fund. Paddy Dear and Reade Griffith have waived their entitlement to a Director's fee.

The Directors have the option to elect to receive shares in the Feeder instead of their quarterly Director's fee. With respect to the year ended 31 December 2016, Frederic Hervouet has elected to receive shares and he received 2,538 shares in relation to the first quarter's fee, 2,472 shares in relation to the second quarter's fee and 2,254 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 Shareholder 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$ 0.1650 per Share for the Quarter Ended 31 December 2015, US$ 0.1650 per Share for the Quarter Ended 31 March 2016, US$ 0.1675 per Share for the Quarter Ended 30 June 2016 and US$ 0.1675 per Share for the Quarter Ended 30 September 2016. The total dividend declared during the year ended 31 December 2016 amounted to US$ 61.9 million or US$ 0.6650 per Share (31 December 2015: US$ 62.5 million or US$ 0.6400 per Share). On 28 February 2017, the Directors have declared a dividend amounting to US$ 0.1725 per Share for the Quarter Ended 31 December 2016.

The Fund paid a dividend of US$ 22.6 million (31 December 2015: US$ 35.2 million) to the Feeder in lieu of incentive fees liability.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

DIRECTORS' REPORT (continued)
For the year ended 31 December 2016

STATEMENT OF DIRECTORS' RESPONSIBILITIES (continued)

The Companies (Guernsey) Law, 2008, requires the Directors to prepare financial statements for each financial year. Accordingly, the Directors have elected to prepare the financial statements in conformity with IFRS 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 the relevant financial 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.

The Master Fund is required to comply with all provisions of Guernsey company law relating to corporate governance to the extent the same are applicable and relevant to its activities. In particular, each Director must seek to act in accordance with the "Code of Practice – Company Directors" and the Master Fund must seek to apply the "Code of Corporate Governance" issued by the Guernsey Financial Services Commission. Tetragon reports against the AIC Corporate Governance Guide for Investment Companies and, as such, is deemed to meet the provisions of the Code of Corporate Governance issued by the Guernsey Financial Services Commission. No formal corporate governance code applies to the Master Fund under Dutch Law.

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:

Frederic Hervouet,
Director
Date: 28 February 2017

David Jeffreys,
Director

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

We have audited the financial statements of Tetragon Financial Group Master Fund Limited (the "Fund") for the year ended 31 December 2016 which comprise the Statement of Financial Position, the Statement of Comprehensive Income, the Statement of Changes in Equity, the Statement of Cash Flows, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards as adopted by the European Union.

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 101 and 102, 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 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 Fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the 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 Fund's affairs as at 31 December 2016 and of its profit for the year then ended;
- are in accordance with International Financial Reporting Standards as adopted by the European Union; 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.

KPMG Channel Islands Limited
Chartered Accountants, Guernsey

28 February 2017

TETRAGON FINANCIAL GROUP MASTER FUND LIMITED

STATEMENT OF FINANCIAL POSITION
As at 31 December 2016

	Note	31 Dec 2016 US$ MM	31 Dec 2015 US$ MM	1 Jan 2015 US$ MM
Assets				
Financial assets at fair value through profit or loss	5	1,520.0	1,584.1	1,532.0
Derivative financial assets	8	22.2	19.4	19.2
Other receivables and prepayments	9	0.6	0.2	6.9
Amounts due from brokers	10	51.0	59.9	52.1
Cash and cash equivalents	11	392.6	360.3	359.8
Total assets		1,986.4	2,023.9	1,970.0
Liabilities				
Loans and borrowings	13	38.0	-	-
Derivative financial liabilities	8	4.1	0.7	5.8
Other payables and accrued expenses	12	2.3	3.0	5.0
Total liabilities		44.4	3.7	10.8
Net assets		1,942.0	2,020.2	1,959.2
Equity				
Share capital	14	0.1	0.1	0.1
Share premium		1,311.1	1,266.5	1,213.1
Treasury shares	14	(538.6)	(385.4)	(324.5)
Retained earnings		1,151.9	1,105.9	1,022.9
Capital contribution		17.5	33.1	47.6
		1,942.0	2,020.2	1,959.2
Shares outstanding		Millions	Millions	Millions
Number of shares	14	87.1	95.9	95.9
Net Asset Value per share		US$ 22.29	US$ 21.07	US$ 20.43

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

Signed on behalf of the Board of Directors by:

Frederic Hervouet,
Director

David Jeffreys,
Director

Date: 28 February 2017

TETRAGON FINANCIAL GROUP MASTER FUND LIMITED

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2016

	Note	Year ended 31 Dec 2016 US$ MM	Year ended 31 Dec 2015 US$ MM
Net gain on non-derivative financial assets at fair value through profit or loss	2	167.5	223.8
Net gain on derivative financial assets and liabilities	2	14.9	10.7
Insurance recovery	19	-	9.8
Interest income		1.7	0.3
Net foreign exchange gain		-	0.5
Total revenue		184.1	245.1
Management fees	18	(27.8)	(28.3)
Share-based employee compensation	16	(9.4)	(19.2)
Legal and professional fees		(4.0)	(5.5)
Audit fees		(0.3)	(0.4)
Other operating and administrative expenses	18	(2.6)	(3.4)
Operating expenses		(44.1)	(56.8)
Operating profit before finance costs		140.0	188.3
Finance costs	13	(1.5)	-
Profit and total comprehensive income for the year		138.5	188.3

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

TETRAGON FINANCIAL GROUP MASTER FUND LIMITED

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2016

	Share capital US$ MM	Share premium US$ MM	Treasury shares US$ MM	Retained earnings US$ MM	Capital contribution US$ MM	Total US$ MM
As at 1 January 2015	0.1	1,213.1	(324.5)	1,022.9	47.6	1,959.2
Profit and total comprehensive income for the year	-	-	-	188.3	-	188.3
Transactions with owners recognized directly in equity						
Stock dividends	-	12.0	-	(12.0)	-	-
Shares released from Escrow	-	33.8	-	-	(33.8)	-
Dividends on shares released from Escrow	-	7.5	-	(7.5)	-	-
Share-based compensation	-	-	-	-	19.2	19.2
Dividends paid to shareholders	-	-	-	(50.5)	-	(50.5)
Dividends paid to Feeder in lieu of incentive fee liability	-	-	-	(35.2)	-	(35.2)
Issue of shares		0.1				0.1
Purchase of treasury shares	-	-	(60.9)	-	-	(60.9)
Total	-	53.4	(60.9)	(105.3)	(14.5)	(127.3)
As at 31 December 2015	0.1	1,266.5	(385.4)	1,105.9	33.1	2,020.2

	Share capital US$ MM	Share premium US$ MM	Treasury shares US$ MM	Retained earnings US$ MM	Capital contribution US$ MM	Total US$ MM
As at 1 January 2016	0.1	1,266.5	(385.4)	1,105.9	33.1	2,020.2
Profit and total comprehensive income for the year	-	-	-	138.5	-	138.5
Transactions with owners recognized directly in equity						
Stock dividends	-	11.4	4.6	(16.0)	-	-
Shares released from Escrow	-	25.0	-	-	(25.0)	-
Dividends on shares released from Escrow	-	8.1	-	(8.1)	-	-
Share-based compensation	-	-	-	-	9.4	9.4
Dividends paid to shareholders	-	-	-	(45.9)	-	(45.9)
Dividends paid to Feeder in lieu of incentive fee liability	-	-	-	(22.6)	-	(22.6)
Issue of shares	-	0.1	-	-	-	0.1
Purchase of treasury shares	-	-	(157.8)	-	-	(157.8)
Total	-	44.6	(153.2)	(92.5)	(15.6)	(216.7)
As at 31 December 2016	0.1	1,311.1	(538.6)	1,151.9	17.5	1,942.0

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

TETRAGON FINANCIAL GROUP MASTER FUND LIMITED

STATEMENT OF CASH FLOWS
For the year ended 31 December 2016

	Year ended 31 Dec 2016 US$ MM	Year ended 31 Dec 2015 US$ MM
Operating activities		
Profit for the year	138.5	188.3
Adjustments for:		
Gains on investments and derivatives	(37.3)	(71.3)
Amortization of CLOs	132.7	220.9
Share-based employee compensation	9.4	19.2
Operating cash flows before movements in working capital	243.3	357.1
(Increase) / decrease in receivables	(0.4)	6.8
Decrease in payables	(0.7)	(2.0)
Decrease / (increase) in amounts due from brokers	8.9	(7.8)
Cash generated from operating activities	251.1	354.1
Investing activities		
Proceeds from sale / prepayment / maturity of investments	87.0	93.2
Net proceeds on derivative financial instruments	14.2	7.6
Purchase of investments	(131.8)	(307.9)
Net cash used in investing activities	(30.6)	(207.1)
Financing activities		
Proceeds from loans and borrowings	38.0	-
Proceeds from issue of shares	0.1	0.1
Repurchase of shares	(157.8)	(60.9)
Dividends paid to shareholders*	(45.9)	(50.5)
Dividends paid to Feeder in lieu of incentive fee liability	(22.6)	(35.2)
Net cash used in financing activities	(188.2)	(146.5)
Net increase in cash and cash equivalents	32.3	0.5
Cash and cash equivalents at beginning of year	360.3	359.8
Cash and cash equivalents at end of year	392.6	360.3

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

* The gross dividend payable to shareholders was US$ 61.9 million (2015: US$ 62.5 million) with a value equivalent to US$ 16.0 million (2015: US$ 12.0 million) elected to be taken by the dividend recipient in shares rather than cash.

Note 1 Corporate Information

The Fund was registered and incorporated in Guernsey on 23 June 2005 as a company limited by shares, with registered number 43322. The registered office of the Fund is 1st Floor Dorey Court, Admiral Park, St. Peter Port, Guernsey, Channel Islands, GY1 6HJ. The Fund continues to be registered and domiciled in Guernsey.

The nature of the Fund's operations, its principal activities and voting shareholder are detailed in the Directors' Report.

Information on the Feeder, the Fund's ultimate parent company, is presented in Note 18, Related-Party Disclosures.

Note 2 Significant Accounting Policies

Statement of Compliance

The financial statements of the Fund have been prepared in accordance with IFRS and comply with The Companies (Guernsey) Law, 2008 and give a true and fair view.

Basis of Preparation

The financial statements have been prepared on a historical cost basis, except for derivative financial instruments and certain non-derivative financial assets and financial liabilities held at fair value through profit or loss ("FVTPL") that have been measured at fair value.

The accounting policies have been consistently applied to all periods presented in these financial statements.

The financial statements are presented in United States Dollars ("USD"), which is the functional currency of the Fund, expressed in USD millions (unless otherwise noted). The Share Capital of the Fund and the majority of its investments are denominated in USD. Most of the expenses and fees paid by the Fund are in USD. Hence, the Board of Directors determined that USD as functional and presentational currency reflects the Fund's primary economic environment.

In previous financial years the financial statements of the Fund were prepared in accordance with applicable US Generally Accepted Accounting Principles ("US GAAP"). Information on the effect of the transition to IFRS is detailed in Note 4, First Time Adoption of IFRS.

The Fund is an investment entity and, as such, does not consolidate the entities it controls where they are deemed to be investments, in accordance with IFRS 10. Instead, interests in subsidiaries are classified as FVTPL. Investments in associates are also classified as FVTPL. Refer to Note 3 Significant Accounting Judgments, Estimates and Assumptions for the judgments and assumptions made in determining that the Fund meets the definition of an investment entity.

Foreign Currency Translation

Transactions in foreign currencies are translated to the Fund's functional currency at the foreign currency exchange rate ruling at the date of the transaction.

All assets and liabilities denominated in foreign currencies are translated to USD 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 as net foreign exchange gain / (loss) in the Statement of Comprehensive Income except for those arising on financial instruments at FVTPL and derivative instruments which are recognized as component of net gain or loss on financial assets and liabilities at FVTPL.

Note 2 Significant Accounting Policies (continued)

Financial Instruments

(i) Classification

The Fund classifies its financial assets and financial liabilities at initial recognition into the following categories, in accordance with IAS 39 *Financial Instruments: Recognition and Measurement* ("IAS 39") and other relevant standards.

Financial assets and liabilities at FVTPL

The category of financial assets and liabilities at FVTPL is sub-divided into:

- Financial assets and liabilities held for trading under IAS 39: financial assets are classified as held for trading if they are acquired with the expectation of being sold and / or re-purchased in the near term. This category includes derivatives. Financial liabilities attached to derivative instruments are classified as held for trading. The Fund's policy is not to apply hedge accounting.
- Financial instruments designated as at FVTPL upon initial recognition under IAS 39: investments in CLOs, loans, unlisted stock and investment funds and vehicles. These financial assets and liabilities are designated upon initial recognition on the basis that they are part of a group of financial assets that are managed and have their performance evaluated on a fair value basis, in accordance with the risk management and investment strategies of the Fund.
- Other financial instruments at FVTPL:
  - Investment in subsidiaries: In accordance with the exemption under IFRS 10 *Consolidated Financial Statements*, as an investment entity the Fund does not consolidate subsidiaries which are managed as investments in the financial statements. Investments in subsidiaries are accounted for as financial instruments at FVTPL.
  - Investment in associates: In accordance with the exemption within IAS 28 *Investments in Associates and Joint Ventures*, the Fund does not account for its investments in associates using the equity method. Instead, the Fund has determined that it qualifies to elect to measure its investments in associates at FVTPL.

Financial assets at amortized cost

- Loans and receivables: loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Fund includes in this category cash and cash equivalents, amounts due from broker, receivable for securities sold and other sundry receivables.

Other financial liabilities at amortized cost

This category includes all financial liabilities, other than those classified as at FVTPL. The Fund includes in this category loans and borrowings and other short-term payables.

(ii) Recognition

The Fund recognizes a financial asset or a financial liability when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place (regular way trades) are recognized on the trade date (i.e., the date that the Fund commits to purchase or sell the asset).

Note 2 Significant Accounting Policies (continued)

(iii) Initial measurement

Financial assets and financial liabilities, for subsequent measurement at FVTPL, are recorded in the Statement of Financial Position at fair value. All transaction costs for such instruments are recognized immediately through profit or loss.

Financial assets and liabilities (other than those classified as at FVTPL) are measured initially at their fair value adjusted for any directly attributable incremental costs of acquisition or issue.

(iv) Subsequent measurement

After initial measurement, the Fund re-measures financial instruments which are classified as at FVTPL at fair value. Subsequent changes in the fair value of those financial instruments are recorded in net gain or loss on financial assets and liabilities at FVTPL in the Statement of Comprehensive Income.

Loans and receivables are carried at amortized cost less any allowance for impairment with any impairment losses arising being included in profit or loss.

Financial liabilities, other than those classified as at FVTPL, are measured at amortized cost using the effective interest method.

(v) Derecognition

A financial asset (or, where applicable, a part of a financial asset or a part of a group of similar financial assets) is derecognized where (i) the rights to receive cash flows from the asset have expired, or (ii) the Fund has either transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a pass-through arrangement and in either cases in (ii):

(a) the Fund has transferred substantially all of the risks and rewards of the asset; or

(b) the Fund has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Fund has transferred its right to receive cash flows from an asset (or has entered into a pass-through arrangement), and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Fund's continuing involvement in the asset. In that case, the Fund also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Fund has retained.

The Fund derecognizes a financial liability when the obligation under the liability is discharged, cancelled or expired.

(vi) Impairment

The Fund assesses at each reporting date whether a financial asset, except those classified as FVTPL, is impaired. A financial asset is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred loss event) and that loss event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Note 2 Significant Accounting Policies (continued)

Fair value measurement

The Fund measures all its investments and derivatives, at fair value at each reporting date.

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or, in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to the Fund. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted price (bid price for long positions and ask price for short positions), without any deduction for transaction costs. A market is regarded as “active” if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an on-going basis.

For all other financial instruments not traded in an active market, the fair value is determined by using valuation techniques deemed to be appropriate in the circumstances. Valuation techniques include using recent arm’s length market transactions adjusted as necessary, and reference to the current market value of another instrument that is substantially the same, discounted cash flow analysis making as much use of available and supportable market data as possible and third party valuation models.

For assets and liabilities that are measured at fair value on a recurring basis, the Fund identifies transfers between levels in the hierarchy by re-assessing the categorization (based on the lowest level input that is significant to the fair value measurement as a whole), and deems transfers to have occurred at the end of each reporting period.

Amounts due from brokers

Amounts due from brokers include margin accounts which represent cash pledged as collateral on the forward contracts and equity swaps. Refer to the accounting policy for loans and receivables for recognition and measurement.

Cash and cash equivalents

Cash comprises current deposits with banks. Cash equivalents comprise of short-term highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

Net gain or loss on financial assets and liabilities at FVTPL

Net gains or losses on financial assets and liabilities at FVTPL are changes in the fair value of financial assets and liabilities at FVTPL and include interest and foreign exchange gains or losses.

Interest Income

Interest income arising on cash balances and tri-party repurchase agreements are recognised in the Statement of Comprehensive Income using the effective interest method.

Expenses

Expenses and fees, including Directors’ fees, are recognized through profit or loss in the Statement of Comprehensive Income on an accruals basis.

Note 2 Significant Accounting Policies (continued)

Taxation

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.

Dividend distribution

Dividends from shares are recognized in the Statement of Changes in Equity, when the shareholders' right to receive the payment is established.

Share-based payment transactions

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 graded vesting basis over the requisite service period of the award. These compensation costs are determined at the individual vesting tranche level for serviced-based awards.

Where the Feeder issues the shares to the employees or providers of employment like services and the Fund is deemed to receive the related services, the Fund recognizes share-based payments expense in the Statement of Comprehensive Income and corresponding capital contribution in equity.

The Feeder has entered into share-based employee reward schemes with the Fund's subsidiary, TFG Asset Management L.P. The Fund has accounted for this in TFG Asset Management where the service is being provided.

Joint arrangements

The Fund entered into an arrangement with the Feeder through the establishment of TFG Holdings I. The Fund and the Feeder transferred shares previously held as treasury shares 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 Statement of Financial Position.

During 2016, TFG Holdings I was closed, with all shares held transferred to treasury shares account.

New standards issued but not yet effective

A number of new standards and amendments to the standards are effective for annual periods beginning after 1 January 2017 and earlier adoption is permitted; however the Fund has not early applied the new or amended standards in preparing these financial statements. The standards potentially relevant to the Fund are discussed below. The Fund does not plan to adopt these standards early.

IFRS 9 *Financial instruments*

In July 2014, the IASB issued the final version of IFRS 9 *Financial Instruments* that replaces IAS 39 *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required, but the provision of comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

Note 2 Significant Accounting Policies (continued)

New standards issued but not yet effective (continued)

The Fund plans to adopt the new standard on the required effective date. Given the majority of the Fund's assets are classified as FVTPL, the Fund expects no significant impact on its Statement of Financial Position and Statement of Comprehensive Income.

(a) Classification and measurement

The Fund does not expect a significant impact on its balance sheet from applying the classification and measurement requirements of IFRS 9. It expects to continue measuring at fair value all financial assets currently held at fair value.

Other receivables are held to collect contractual cash flows. Thus, the Fund expects that these will continue to be measured at amortized cost under IFRS 9. However, the Fund will analyze the contractual cash flow characteristics of those instruments in more detail before concluding whether all those instruments meet the criteria for amortized cost measurement under IFRS 9.

(b) Impairment

IFRS 9 requires the Fund to record expected credit losses on financial assets not measured at FVTPL, either on a 12-month or lifetime basis. Given the limited exposure of the fund to credit risk on such financial assets, this amendment is not expected to have a significant impact on the financial statements.

(c) Hedge accounting

The Fund has not applied hedge accounting under IAS 39 and will not apply hedge accounting under IFRS 9 either.

IAS 7 Disclosure Initiative – Amendments to IAS 7

The amendments to IAS 7 *Statement of Cash Flows* are part of the IASB's Disclosure Initiative and require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On initial application of the amendment, entities are not required to provide comparative information for preceding periods.

These amendments are effective for annual periods beginning on or after 1 January 2017, with early application permitted. Application of amendments will result in additional disclosure provided by the Fund.

Note 3 Significant Accounting Judgments, Estimates and Assumptions

The preparation of the Fund's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts recognized in the financial statements and disclosure of contingent liabilities. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Judgments

In the process of applying the Fund's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognized in the financial statements:

Note 3 Significant Accounting Judgments, Estimates and Assumptions (continued)

Investment entity status

Entities that meet the definition of an investment entity within IFRS 10 are generally required to measure their subsidiaries at FVTPL rather than consolidate them. IFRS 10.27 defines an investment entity as an entity that:

- obtains funds from one or more investors for the purpose of providing those investors with investment management services;
- commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- measures and evaluates the performance of substantially all of its investments on a fair value basis.

The Fund's investment objective is to generate distributable income and capital appreciation.

The Fund reports to its investors via monthly, semi-annual and annual investor information, and to its management, via internal management reports, on a fair value basis. All investments are reported at fair value to the extent allowed by IFRS in the Fund's annual reports. The Fund has a documented exit strategy for all of its investments.

The Fund was formed as part of a Master-Feeder structure and therefore, referencing IFRS 10.IE15, the Fund considers itself and the Feeder together when evaluating its status under IFRS 10. The Fund has also concluded that it meets certain additional characteristics of an investment entity, either directly or indirectly through the Master-Feeder structure, in that it has more than one investment; the Fund's ownership interests are predominantly in the form of equities or similar securities; the Feeder has more than one investor; and it has investors who are not related parties. The Fund has therefore concluded that it meets the definition of an investment entity. These conclusions will be reassessed on an annual basis.

Assessment of investment funds and CLOs as structured entities

The Fund has also assessed whether the funds in which it invests should be classified as structured entities. The Fund has considered the voting rights and other similar rights afforded to investors in these funds, including, among other things, the rights to remove the fund manager or to redeem holdings. The Fund has concluded as to whether these rights are the dominant factor in controlling the funds, or whether the contractual agreement with the fund manager is the dominant factor in controlling these funds. The Fund has concluded that investment funds are structured entities because the relevant activities are directed by means of the contractual agreement rather than the voting rights or other similar rights.

The Fund has concluded that CLOs in which it invests, meet the definition of structured entities because:

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

Note 3 Significant Accounting Judgments, Estimates and Assumptions (continued)

Assessment of investment funds and CLOs as structured entities (continued)

The Fund also assessed whether the structured entities should be considered as subsidiaries. To meet the definition of a subsidiary under IFRS 10, the investor has to control the investee within the meaning of IFRS 10. The Fund controls an investee if it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. As all investments are measured at FVTPL, the assessment is only of relevance to the disclosures arising under IFRS 12 *Disclosure of Interest in Other Entities*.

The Fund has concluded that certain CLOs and investment funds in which it is invested are considered to be subsidiaries since the Fund has control over the decisions made by the managers of such investments. However, such subsidiary undertakings are still deemed to be part of the overall investment pool and are therefore measured at FVTPL.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below. The Fund based its assumptions and estimates on parameters available when the financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Fund. Such changes are reflected in the assumptions when they occur.

Measurement of fair values

For detailed information on the fair value of financial instruments including information on their leveling please refer to Note 5.

Note 4 First Time Adoption of IFRS

These financial statements, for the year ended 31 December 2016, are the first the Fund has prepared in accordance with IFRS. For periods up to and including the year ended 31 December 2015, the Fund prepared its financial statements in accordance with US GAAP. Accordingly, the Fund has prepared financial statements that comply with IFRS applicable as at 31 December 2016, together with the comparative period data for the year ended 31 December 2015, as described in the summary of significant accounting policies. In preparing the financial statements, the Fund's opening Statement of Financial Position was prepared as at 1 January 2015, the Fund's date of transition to IFRS. This note explains the principal adjustments made by the Fund in restating its US GAAP financial statements, including the Statement of Financial Position as at 1 January 2015 and the financial statements for the year ended 31 December 2015.

Exemptions applied

IFRS 1, *First-Time Adoption of International Financial Reporting Standards*, allows first-time adopters exemptions from the retrospective application of certain requirements under IFRS. None of the areas where retrospective revisions are precluded apply to the Fund and therefore, the Fund has not applied any of these exemptions.

Note 4 First Time Adoption of IFRS (continued)

Reconciliation of equity as at 1 January 2015 (date of transition to IFRS)

	Note	US GAAP as at 1Jan 2015 US$ MM	IFRS Adjustments US$ MM	IFRS as at 1 Jan 2015 US$ MM
Assets				
Investments, at fair value	A	1,356.2	175.8	1,532.0
Management contracts	A	29.7	(29.7)	-
Cash and cash equivalents	E	402.0	(42.2)	359.8
Amounts due from brokers		52.1	-	52.1
Derivative financial assets		19.2	-	19.2
Fixed assets	A	0.1	(0.1)	-
Deferred tax asset	A	10.0	(10.0)	-
Prepaid income tax	A	0.6	(0.6)	-
Other receivables	A	32.8	(25.9)	6.9
Total assets		1,902.7		1,970.0
Liabilities				
Derivative financial liabilities		5.8	-	5.8
Other payables and accrued expenses	A	50.5	(45.5)	5.0
Income tax payable	A	2.9	(2.9)	-
Deferred tax liability	A	8.6	(8.6)	-
Total liabilities		67.8		10.8
Net assets		1,834.9		1,959.2
Equity				
Share capital		0.1	-	0.1
Share premium		1,213.1	-	1,213.1
Treasury shares		(324.5)	-	(324.5)
Retained earnings		914.8	108.1	1,022.9
Capital contribution	C	31.4	16.2	47.6
		1,834.9		1,959.2

Note 4 First Time Adoption of IFRS (continued)

Reconciliation of equity as at 31 December 2015

	Note	US GAAP as at 31 Dec 2015 US$ MM	IFRS Adjustments US$ MM	IFRS as at 31 Dec 2015 US$ MM
Assets				
Investments, at fair value	A	1,364.7	219.4	1,584.1
Management contracts	A	23.4	(23.4)	-
Cash and cash equivalents	E	440.4	(80.1)	360.3
Amounts due from brokers		59.9	-	59.9
Derivative financial assets		19.4	-	19.4
Fixed assets	A	0.5	(0.5)	-
Deferred tax asset	A	9.2	(9.2)	-
Prepaid income tax	A	-	-	-
Other receivables	A	21.5	(21.3)	0.2
Total assets		1,939.0		2,023.9
Liabilities				
Derivative financial liabilities		0.7	-	0.7
Other payables and accrued expenses	A	48.5	(45.5)	3.0
Income tax payable	A	5.8	(5.8)	-
Deferred tax liability	A	6.6	(6.6)	-
Total liabilities		61.6		3.7
Net assets		1,877.4		2,020.2
Equity				
Share capital		0.1	-	0.1
Share premium		1,266.5	-	1,266.5
Treasury shares		(385.4)	-	(385.4)
Retained earnings		976.6	129.3	1,105.9
Capital contribution	C	19.6	13.5	33.1
		1,877.4		2,020.2

Note 4 First Time Adoption of IFRS (continued)

Reconciliation of total comprehensive income for the year ended 31 December 2015

	Note	US GAAP for the year ended 31 Dec 2015 US$ MM	IFRS Adjustments US$ MM	IFRS for the year ended 31 Dec 2015 US$ MM
Net gain on non-derivative financial assets at FVTPL	B	-	223.8	223.8
Net gain on derivative financial assets and liabilities	B	-	10.7	10.7
Interest income	D	134.7	(134.4)	0.3
Fee income		70.2	(70.2)	-
Other income – cost recovery	A	17.3	(17.3)	-
Other income		0.1	(0.1)	-
Insurance recovery	A	9.8	-	9.8
Net foreign exchange gain		-	0.5	0.5
Investment income		232.1		245.1
Employee costs	A	(58.6)	58.6	-
Management fees		(28.3)	-	(28.3)
Share-based employee compensation	C	(22.0)	2.8	(19.2)
Legal and professional fees		(7.2)	1.7	(5.5)
Amortization on intangible assets	A	(6.3)	6.3	-
Audit fees		(0.4)	-	(0.4)
Other operating and administrative expenses		(21.2)	17.8	(3.4)
Operating expenses		(144.0)		(56.8)
Net realized and unrealized gain / (loss) from investments and foreign currency				
Net realized gain / (loss) from:				
Investments	B	82.7	(82.7)	-
Derivative financial instruments	B	4.8	(4.8)	-
Foreign currency transactions	B	4.9	(4.9)	-
Net (decrease) / increase in unrealized (depreciation) / appreciation on:				
Investments	B	(0.3)	0.3	-
Derivative financial instruments	B	8.0	(8.0)	-
Translation of assets and liabilities in foreign currencies	B	(11.1)	11.1	-
Net realized and unrealized gain from investments and foreign currency		89.0		-
Net increase from operations before tax		177.1		188.3
Income and deferred tax expense		(10.1)	10.1	-
Total comprehensive income		167.0		188.3

Note 4 First Time Adoption of IFRS (continued)

Notes to the reconciliation of equity as at 1 January 2015 and 31 December 2015 and total comprehensive income for the year ended 31 December 2015

A Investment entity

When the Fund reported under US GAAP, certain controlled subsidiaries were deemed to be “service providers” to the Fund as they were managing investments of the Fund. Such controlled subsidiary service providers were therefore consolidated, despite both the Fund’s status as an investment company under US GAAP and the fact that such subsidiaries were considered to be investments by the Investment Manager. This accounting treatment was applied to Polygon, LCM, Hawke’s Point and TCIP. As a result the operating expenses and income from such businesses were included in the Statement of Operations under US GAAP.

IFRS 10.31 requires an investment entity that has subsidiaries (i.e., a parent investment entity (“Parent IE”)) to generally measure its investments in subsidiaries at FVTPL. Generally, the Parent IE does not consolidate its subsidiaries, with one limited exception specified in paragraph 32 of IFRS 10. IFRS 10.32 specifies that a Parent IE consolidates subsidiaries (a) that are not investment entities; and (b) whose main purpose and activities are providing services that relate to the Parent IE’s investment activities. The formerly consolidated entities within TFG Asset Management are managed as investments and their main purpose and activities are not to provide services to the Fund’s investment activities. Consequently they are accounted for at fair value under IFRS 10.31. Therefore the various adjustments marked “A” relate to the de-consolidation of subsidiaries and their measurement instead at FVTPL.

B Gain or loss on investments at FVTPL and derivative transactions

Under US GAAP, the realized and unrealized portion of gain or loss from investments and foreign currency transaction were shown separately. Under IFRS, a separate disclosure of realized and unrealized gains and losses and related foreign exchange movements from financial instruments measured at FTVPL is not required. Therefore, the Fund now does not present these separately and presents them together under two lines being net gain / (loss) on financial assets at FVTPL and net gain / (loss) on derivative financial assets and liabilities in the Statement of Comprehensive Income.

C Share-based employee compensation

Under US GAAP, the Fund recognized share-based compensation expense for each award on a straight line basis, whereas IFRS requires the share-based compensation expense to be recognized on a graded vesting basis where an award has multiple tranches. Although this does not impact the overall charge or the number of shares awarded, where awards are granted in multiple tranches it does have the effect of accelerating the expense recognition in the early years of the arrangements. In relation to the expense associated with the acquisition of TFG Asset Management (described in detail in Note 16), US$16.3 million of the total value of US$ 98.5 million would have been recognized earlier under IFRS in the period from acquisition to 31 December 2014 with a corresponding increase in the Share-Based Compensation Reserve. Furthermore, under IFRS there was a reduction of US$ 2.8 million relating to share-based compensation in the Statement of Comprehensive Income for the year ended 31 December 2015.

The following table presents the accounting effect by time period arising from the adoption of IFRS on share-based employee compensation concerning the acquisition of TFG Asset Management.

Note 4 First Time Adoption of IFRS (continued)

C Share-based employee compensation (continued)

	2012 US$MM	2013 US$MM	2014 US$MM	2015 US$MM	2016 US$MM	2017 US$MM	Total US$MM
Share-based compensation expense under US GAAP (straight line basis)	3.8	23.1	23.1	22.0	15.9	10.5	98.5
Share-based compensation expense under IFRS (graded vesting basis)	6.1	34.9	25.3	19.2	9.4	3.5	98.5
P&L difference by year	2.3	11.8	2.2	(2.8)	(6.5)	(7.0)	-
Cumulative difference	2.3	14.1	16.3	13.5	7.0	-	

D Interest Income

Under US GAAP, in accordance with ASC 325, an effective yield was determined for each CLO investment, based on the IRR of each such investment. At each coupon date, such IRRs were recalculated and the new IRR was used to recognize interest income on each investment until the following coupon date using the effective yield method. Other returns on each CLO investment were then reported as a realized or unrealized gain or loss on investments.

Under IFRS, no such effective yield is calculated on CLO equity investments and therefore no interest income is reported separately. Instead the total return for each CLO investment is reported under "Net gain / (loss) on financial assets and financial liabilities at fair value through profit or loss".

E Statement of Cash Flows

Following de-consolidation of subsidiaries as discussed in Note A above, the IFRS Statement of Cash Flows no longer presents the related cash flows from previously consolidated subsidiaries.

Note 5 Financial Assets and Liabilities at Fair Value through Profit and Loss

Fair value hierarchy

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows:

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

Note 5 Financial Assets and Liabilities at Fair Value through Profit and Loss

Fair value hierarchy (continued)

The following table shows financial instruments measured at fair value by the level in fair value hierarchy as of 31 December 2016:

Recurring fair value measurement of assets and liabilities

Financial assets at FVTPL	Level 1 US$ MM	Level 2 US$ MM	Level 3 US$ MM	Total Fair Value US$ MM
CLO Equity Tranches	-	-	443.7	443.7
CLO Mezzanine	-	1.8	-	1.8
Loans	-	6.6	-	6.6
Listed Stock	12.7	-	-	12.7
Unlisted Stock	-	18.3	25.0	43.3
Investment funds and vehicles	-	369.9	234.2	604.1
TFG Asset Management (note 7)	-	-	407.8	407.8
Total financial assets at FVTPL	12.7	396.6	1,110.7	1,520.0
Financial assets held for trading				
Forward foreign exchange contracts (asset)	-	11.1	-	11.1
Equity total return swaps (asset)	-	11.1	-	11.1
Total financial assets held for trading	-	22.2	-	22.2
Financial liabilities held for trading				
Forward foreign exchange contracts (liability)	-	(3.2)	-	(3.2)
Credit default swaps	-	(0.9)	-	(0.9)
Total financial liabilities held for trading	-	(4.1)	-	(4.1)

The following table shows financial instruments measured at fair value by the level in fair value hierarchy as of 31 December 2015:

Recurring fair value measurement of assets and liabilities

Financial assets at FVTPL	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	-	3.0
Unlisted Stock	-	10.0	21.5	31.5
Investment funds and vehicles	-	299.7	226.9	526.6
TFG Asset Management	-	-	422.2	422.2
Total financial assets at FVTPL	-	314.4	1,269.7	1,584.1
Financial assets held for trading				
Forward foreign exchange contracts (asset)	-	10.8	-	10.8
Credit default swaps	-	1.0	-	1.0
Equity total return swaps (asset)	-	7.6	-	7.6
Total financial assets held for trading		19.4	-	19.4
Financial liabilities held for trading				
Forward foreign exchange contracts (liability)	-	(0.7)	-	(0.7)
Total financial liabilities held for trading	-	(0.7)	-	(0.7)

Note 5 Financial Assets and Liabilities at Fair Value through Profit and Loss (continued)

The following table shows financial instruments measured at fair value by the level in fair value hierarchy as of 1 January 2015:

Recurring fair value measurement of assets and liabilities

Financial assets at FVTPL	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	-	22.1
Unlisted Stock	-	2.8	-	2.8
Listed Stock	29.4	-	-	29.4
Investment funds and vehicles	-	278.3	142.6	420.9
TFG Asset Management		-	238.2	238.2
Total financial assets at FVTPL	29.4	304.9	1,197.7	1,532.0
Financial assets held for trading				
Interest rate swaptions	-	0.6	-	0.6
Forward foreign exchange contracts (asset)	-	11.5	-	11.5
Equity total return swaps (asset)	-	7.1	-	7.1
Total financial assets held for trading	-	19.2		19.2
Financial liabilities held for trading				
Forward foreign exchange contracts (liability)	-	(1.5)	-	(1.5)
Credit default swaps	-	(4.1)	-	(4.1)
Equity total return swaps (liability)	-	(0.2)	-	(0.2)
Total financial liabilities held for trading	-	(5.8)	-	(5.8)

Transfers between levels

During the year ended 31 December 2015, an unlisted stock valued at US$ 10 million transferred from level 3 to level 2 as a result of a regularly observable price becoming available. The transfer between levels is reflected at the end of the period.

There were no transfers between level 1 and level 2 during the years 2016, 2015 and 2014.

Other financial assets and liabilities

For all other financial assets and liabilities, the carrying value is an approximation of fair value, including other receivables, amounts due from brokers, cash and cash equivalents and other payables.

Valuation process (framework)

State Street (Guernsey) Limited serves as TFG's independent administrator and values the investments of the Fund on an ongoing basis in accordance with the valuation principles and methodologies approved by the Audit Committee of independent directors from time to time. For certain investments, such as TFG Asset Management, a third party valuation agent is also used. However, the Board of Directors is responsible for the valuations and may, at its discretion, permit any other method of valuation to be used if it considers that such method of valuation better reflects value and is in accordance with IFRS.

Note 5 Financial Assets and Liabilities at Fair Value through Profit and Loss (continued)

Level 3 reconciliation

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 2016.

	CLO Equity Tranches US$ MM	Unlisted Stock US$ MM	Investment Funds and Vehicles US$ MM	TFG Asset Management US$ MM	Total US$ MM
Balance at start of year	599.1	21.5	226.9	422.2	1,269.7
Purchases of investments	15.3	-	52.9	-	68.2
Proceeds from sale of investments	(33.0)	-	(48.0)	-	(81.0)
Realized (loss) / gain and change in unrealized (depreciation) / appreciation	(5.0)	3.5	2.4	(14.4)	(13.5)
Amortization*	(132.7)	-	-	-	(132.7)
Balance at end of year	443.7	25.0	234.2	407.8	1,110.7
Total gains and losses for the period included in profit or loss for assets held at the end of the reporting period	99.9	3.5	2.4	(14.4)	91.4

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	Unlisted Stock US$ MM	Investment Funds and Vehicles US$ MM	TFG Asset Management US$ MM	Total US$ MM
Balance at start of year	816.9	-	142.6	238.2	1,197.7
Purchases of investments	62.4	20.2	76.7	133.1	292.4
Proceeds from sale of investments	(6.5)	-	(10.1)	(3.3)	(19.9)
Realized (loss) / gain and change in unrealized (depreciation) / appreciation	(40.2)	1.3	17.7	54.2	33.0
Amortization*	(233.5)	-	-	-	(233.5)
Balance at end of year	599.1	21.5	226.9	422.2	1,269.7
Total gains and losses for the period included in profit or loss for assets held at the end of the reporting period	91.9	1.3	11.5	54.2	158.9

* Amortization for CLOs is the deemed repayment of principal

Unrealised gains / losses arising on level 3 assets are included in net gains on financial assets at fair value through profit or loss.

Note 5 Financial Assets and Liabilities at Fair Value through Profit and Loss (continued)

Valuation techniques

CLO equity tranches

A mark to model approach using discounted cash flow analysis ("DCF 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, 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 judgments and forward-looking determinations, and its experience and knowledge is instrumental in the valuation process.

As at 31 December 2016, key modeling assumptions used are disclosed below. The modeling assumptions disclosed below are a weighted average (by USD 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 –

Constant Annual Default Rate ("CADR")	Approximately 2.3% (2015: 2.2%, 2014: 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% (2015: 73%, 2014: 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. (2015: 20%, 2014: 20%), 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 365 bps (2015: 375, 2014: 294) on broadly U.S. syndicated loan deals which are still in their reinvestment periods. Middle Market loan deals are all through their reinvestment period.

Note 5 Financial Assets and Liabilities at Fair Value through Profit and Loss (continued)

Valuation techniques (continued)

CLO equity tranches (continued)

European CLO equity tranche investments –

Constant Annual Default Rate ("CADR")	Approximately 2.1% (2015: 2.1%, 2014: 2.1%), which is 1.0x the original WARF-derived base-case default rate for the life of the transaction.
Recovery Rate	68% (2015: 68%, 2014: 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. (2015: 20%, 2014: 20%), 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.

At 31 December 2016, when determining the fair value of the equity tranches, a discount rate of 11% (or the deal IRR if the deal was less than 12 months old for U.S. 2.0 CLOs) 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.

At 31 December 2015 and 1 January 2015, the Fund applied 12.0%, 11.0% (or the deal IRR if the deal was less than 12 months old for U.S. 2.0 CLOs) and 13.0% for the U.S. 1.0 CLO, the U.S. 2.0 CLO and the European equity tranches, respectively.

Sensitivity Analysis:

The discount rate used has a significant impact on the fair value of CLO equity tranches. A reasonable possible alternative assumption is to use a discount rate of 10% and 12%. Changing the discount rate to 10% and keeping all other variables constant would increase the net assets and profits by US$ 12.2 million. An increase of the discount rate to 12% would result in a reduction of NAV and profits by US$ 14.3 million.

TFG Asset Management (private equity in asset management companies)

The Fund holds majority and minority private equity stakes in asset management companies that are part of TFG Asset Management. The valuation calculation for these investments was prepared by a third party valuation specialist engaged by the Fund's Audit Committee. Equitix, LCM and Polygon are valued using combination of DCF approach and quoted market multiples ("Market Multiple Approach") based on comparable companies to determine an appropriate valuation range. GreenOak is valued using Market Multiple Approach and cross-checked using blended EBITDA.

The DCF Approach estimates the value of each business based on the value of the cash flows the business is expected to generate in the future. The DCF Approach estimates the enterprise value of the investments by discounting estimates of expected future free cash flows to the company (to both equity and debt holders), and the terminal value, at a weighted average cost of capital ("WACC") that captures the risk inherent in the projections. From the enterprise value derived by the DCF Approach, net debt is deducted to arrive at the equity value. An adjustment is made to account for a discount for lack of liquidity ("DLOL"), generally in range of 15% to 20%.

Note 5 Financial Assets and Liabilities at Fair Value through Profit and Loss (continued)

Valuation techniques (continued)

TFG Asset Management (continued)

The Market Multiple Approach applies a multiple considered to an appropriate and reasonable indicator of value to certain metrics of the business, such as earnings or asset under management, to derive the equity value. The multiple applied in each case is derived by considering the multiples of quoted comparable companies. The multiple is then adjusted to ensure that it appropriately reflects the specific business being valued, considering its business activities, geography, size, competitive position in the market, risk profile, and earnings growth prospects of the business. The valuation specialist considered a multiple of price-to-assets under management, and / or a multiple of earnings such as EBITDA, to perform this analysis.

Certain business lines in TFG Asset Management are in an early stage of their development and therefore they have low levels of assets under management and a limited record of profitability. In these cases, the valuation specialist has determined that, while a low or zero value might be applied to such a business due to the level of uncertainty, a market participant might also ascribe value to the existence of a functioning team with infrastructure and they might be willing to pay the cost incurred in establishing the team.

The following table shows the unobservable inputs used by third party valuation specialist in valuing various investments within TFG Asset Management. Please see note 7 for more information on these investments.

Investment	Valuation methodology	Significant unobservable inputs
Equitix	DCF and Market Multiples, Debt at par + accrued interest	Discount rate 9.5%, EBITDA multiple 6.0x, DLOL 15% (2015: 9.5%, 5.8x, 15%; 2014: 9.5%, 5.8x, 15%)
LCM	DCF and Market Multiples	Discount rate 11.5%, P/AUM multiple 1.6%, DLOL 15% (2015: 12.5%, 1.7%, 15%; 2014: 12.5%, 1.7%, 15%)
Polygon	DCF and Market Multiples	Discount rate 12.5%, EBITDA multiple 7.0x, DLOL 20% (2015: 13%, 7.7x, 20%; 2014: 13%, 7.7x, 20%)
GreenOak	Market Multiples	Blended EBITDA multiple 11.7x (2015: 12.0x, 2014: 12.0x)

Note 5 Financial Assets and Liabilities at Fair Value through Profit and Loss (continued)

Valuation techniques (continued)

Sensitivity Analysis:

For the investments listed above, changing one or more of the assumptions to a reasonably possible alternatives would have the following effects on the net assets and profits:

Investment	Favorable	Unfavorable
Equitix	US$ 17.5m EBITDA multiple 6.5x , 40% primary unsecured revenues, 75% fund management unsecured revenues	(US$ 17.5m) EBITDA multiple 5.5x , 30% primary unsecured revenues, 50% fund management unsecured revenues
LCM	US$ 15.8m P/AUM multiple 1.9%, Discount rate 10.5%	(US$ 15.8m) P/AUM multiple 1.4%, Discount rate 12.5%
Polygon	US$ 4.1m EBITDA multiple 7.4x , Discount rate 12%	(US$ 4.1m) EBITDA multiple 6.6x , Discount rate 13%
GreenOak	US$ 2.0m Carry revenue multiple 1.5x and probability of recurrence of carry 20%	(US$ 2.0m) Carry revenue multiple 1.0x and probability of recurrence of carry 15%

Investment Funds and Vehicles

Investments in unlisted investment funds are valued utilizing the net asset valuations provided by the managers of the underlying funds and / or their administrators, where based on management assessment these valuations are the fair value of these investments. In determining any adjustments necessary to the net asset valuations, management has considered the date of the valuation provided, evidence of trading for open ended funds and redemption restrictions. No adjustment was deemed material following this review.

Sensitivity analysis:

A 1% increase in net asset value of the funds included in level 3 will increase net assets and profits of the Fund by US$ 2.4 million. A decrease in net asset value of the funds will have an equal and opposite effect.

Unlisted stock

The unlisted stock investment 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.

Listed stock

For listed stock, the closing exchange price is utilized as the fair value price.

Note 5 Financial Assets and Liabilities at Fair Value through Profit and Loss (continued)

Valuation techniques (continued)

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.

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.

Swaptions

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.

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.

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.

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 the DCF Approach, as appropriate. Unrealized gains are reported as an asset and unrealized losses are reported as a liability in the Statement of Financial Position.

Note 5 Financial Assets and Liabilities at Fair Value through Profit and Loss (continued)

Valuation techniques (continued)

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 hours' 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 repurchase agreements is recorded as cash and cash equivalents in the Statement of Financial Position, with interest receivable accrued and recognized as interest income in the Statement of Comprehensive Income.

Note 6 Interest in Other Entities

Investment in unconsolidated structured entities

IFRS 12 defines a structured entity as an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to the administrative tasks only and the relevant activities are directed by means of contractual agreements. Disclosures are required where an interest is held in a structured entity and where, for example, the investor has been involved in the setting up of the structured entity and the investor would have exposure to potential losses or costs over and above the amount actually invested.

As explained in note 2, the Fund considers the fund investments and its investments in CLOs to meet the definition of a structured entity.

The Fund holds various investments in CLOs and investment funds. The fair value of the CLOs and investment funds is recorded in the "Financial assets at fair value through profit or loss" line in the Statement of Financial Position. The Fund's maximum exposure to loss from these investments is equal to their total fair value. Once the Fund has disposed of its holding in any of these investments, the Fund ceases to be exposed to any risk from that investment. The Fund has not provided, and would not be required to provide any financial support to these investees. The investments are non-recourse.

Below is a summary of the Fund's holdings in subsidiary unconsolidated structured entities:

As at 31 December 2016:

	No. of investments	Range of nominal US$ MM	Average nominal US$ MM	Fair value of Fund's Holding US$ MM
CLO Equity				
U.S. CLOs*	15	33.0 - 721.1	457.6	202.0
Investment Funds				
		Total GAV		
Equities		US$ MM		
Polygon European Equity Opportunity Fund**	1	455.3	n/a	192.9
Polygon Mining Opportunity Fund**	1	69.6	n/a	36.6
Polygon Global Equities Fund**	1	22.3	n/a	19.5
Credit				
Polygon Distressed Opportunities Fund**	1	119.6	n/a	106.5
Polygon Convertible Opportunity Fund**	1	487.5	n/a	50.9
Tetragon Credit Income II**	1	66.0	n/a	16.1

Note 6 Interest in Other Entities (continued)

As at 31 December 2015:	No. of investments	Range of nominal US$ MM	Average nominal US$ MM	Fair value of Fund's Holding US$ MM
CLO Equity				
U.S. CLOs*	19	33.0 - 721.1	320.1	224.1
Investment Funds				
Equities		Total GAV US$ MM		
Polygon European Equity Opportunity Fund**	1	443.9	n/a	139.9
Polygon Mining Opportunity Fund**	1	70.0	n/a	38.1
Polygon Global Equities Fund**	1	23.2	n/a	20.3
Credit				
Polygon Distressed Opportunities Fund**	1	100.0	n/a	95.1
Polygon Convertible Opportunity Fund**	1	417.9	n/a	44.8

As at 1 January 2015:	No. of investments	Range of nominal US$ MM	Average nominal US$ MM	Fair value of Fund's Holding US$ MM
CLO Equity				
U.S. CLOs*	19	10.2 - 721.1	376.4	208.3
Investment Funds				
Equities		Total GAV US$ MM		
Polygon European Equity Opportunity Fund**	1	350.2	n/a	120.8
Polygon Mining Opportunity Fund**	1	66.7	n/a	37.6
Polygon Global Equities Fund**	1	22.4	n/a	19.5
Credit				
Polygon Distressed Opportunities Fund**	1	96.3	n/a	95.5
Polygon Convertible Opportunity Fund**	1	413.0	n/a	42.5

*This includes all U.S. CLOs deemed to be controlled by the Fund. U.S. CLOs are domiciled in Cayman Islands.

** Polygon Hedge Funds and Tetragon Credit Income II ("TCI II") are domiciled in the Cayman Islands. Given the applicable notice, liquidity up to 25% of the investment in Polygon Hedge Funds is available on a quarterly basis (subject to certain conditions), and the entire investment could be liquidated over four consecutive quarters.

Please refer to Note 17 for details of unfunded capital commitments.

Note 6 Interest in Other Entities (continued)

Below is a summary of the Fund's holding in non-subsidiary unconsolidated structured entities:

As at 31 December 2016:

	No. of investments	Range of nominal US$ MM	Average nominal US$ MM	Fair value of Fund's Holding US$ MM
CLO Equity				
U.S. CLOs*	27	22.2 - 417.2	153.8	208.5
European CLOs*	6	36.4 - 213.0	103.8	31.6
		Total AUM US$ MM		
Real Estate				
GreenOak – U.S.**	5	4,037.0	n/a	52.3
GreenOak – Europe **	9	2,062.6	n/a	35.8
GreenOak – Asia**	3	1,029.2	n/a	28.8
Other Real Estate	4	27.7	n/a	27.7

As at 31 December 2015:

	No. of investments	Range of nominal US$ MM	Average nominal US$ MM	Fair value of Fund's Holding US$ MM
CLO Equity				
U.S. CLOs*	33	22.2 - 483.1	209.3	316.6
European CLOs*	8	36.4 - 296.7	121.9	58.5
		Total AUM US$ MM		
Real Estate				
GreenOak – U.S.**	6	4,252.5	n/a	47.4
GreenOak – Europe **	8	1,408.0	n/a	38.2
GreenOak – Asia**	4	905.1	n/a	29.9
Other Real Estate	4	26.3	n/a	26.3

As at 1 January 2015:

	No. of investments	Range of nominal US$ MM	Average nominal US$ MM	Fair value of Fund's Holding US$ MM
CLO Equity				
U.S. CLOs*	47	18.2 - 513.7	231.9	486.5
European CLOs*	10	118.8 - 486.3	242.1	120.1
		Total AUM US$ MM		
Real Estate				
GreenOak – U.S.**	7	2,239.8	n/a	46.1
GreenOak – Europe **	6	1,359.5	n/a	21.9
GreenOak – Asia**	4	805.9	n/a	20.3

* Includes all externally managed CLOs that are outside the Fund's control. U.S. CLOs are domiciled in Cayman Islands. European CLOs are domiciled in Ireland, Luxembourg and Netherlands.

** GreenOak funds hold real estate investments in the U.S., Japan and various countries in Europe. The full scale of the region presented above contains all assets under management in structured entities. The number of vehicles where the Fund has investments is listed above. The Fund's investment in these funds can only be redeemed in the form of capital distributions when the underlying real estate assets are sold.

Please refer to Note 17 for details of unfunded capital commitments.

Note 7 TFG Asset Management

TFG Asset Management is a diversified alternative asset management business that owns majority and minority private equity stakes in asset management companies. The Fund owns 100% holdings and voting rights in TFG Asset Management. As at 31 December 2016, TFG Asset Management investments were comprised of LCM, Polygon, Equitix, Hawke's Point, TCIP and a minority stake in GreenOak.

	31 Dec 2016 US$ MM	31 Dec 2015 US$ MM	1 Jan 2015 US$ MM
Equitix	172.5	173.9	-
LCM	106.2	110.2	99.8
Polygon	59.7	67.0	68.6
GreenOak	67.0	70.0	69.8
TCIP	1.6	0.3	-
Hawke's Point	0.8	0.8	-
Investments in TFG Asset Management	407.8	422.1	238.2

LCM

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. 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) and the prepayment rate of the underlying loan assets, as well as post-reinvestment period reinvestment flexibility and weighted average life constraints.

The Fund owns 100% of LCM through its investment in TFG Asset Management.

Polygon

Polygon manages open-ended hedge fund and private equity vehicles across a number of strategies. Polygon was established in 2002 and has offices in New York and London.

The Fund owns 100% of the Polygon business through its investment in TFG Asset Management.

Equitix

Equitix is an integrated core infrastructure asset management and primary project platform. Equitix was established in 2007 and is based in London. 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 of £60.0 million (US$ 92.3 million) before fees 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.

Note 7 TFG Asset Management (continued)

Hawke's Point

Hawke's Point is a mining finance company which seeks to provide capital to companies in the mining and resource sectors. TFG Asset Management established Hawke's Point in the fourth quarter of 2014 and the Fund owns 100% of Hawke's Point through its investment in TFG Asset Management.

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. The business was established at the end of 2015 and is managed out of New York and London.

The Fund owns 100% of TCIP through its investment in TFG Asset Management.

GreenOak

GreenOak is a real estate-focused principal investing, lending and advisory firm that seeks to create long-term value for its investors and provide strategic advice to its clients . The business was established in 2010 and has a presence in New York, London, Tokyo, Los Angeles, Madrid and Seoul. The Fund, through its investment in TFG Asset Management, owns a 23% interest (2015: 23%) in GreenOak.

Note 8 Financial Risks Review

Financial Risk Review:

The Fund has exposure to the following risks from financial instruments:

- Credit risk;
- Liquidity risk; and
- Market risks

This note presents information about the Fund's objectives, policies and processes for measuring and managing risk.

Risk Management Framework:

The Fund's 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. The Fund's investment strategy is to seek to identify asset classes that offer excess returns relative to their investment risk, or 'intrinsic alpha'.

The Investment Manager analyses the risk/reward, correlation, duration and liquidity characteristics of each potential capital use to gauge its attractiveness and increment impact on the Fund. As part of the Fund's investment strategy, the Investment Manager may employ hedging strategies and leverage in seeking to provide attractive returns while managing risk.

The Investment Manager's risk committee is responsible for risk management of the Fund and performs active and regular oversight and risk monitoring.

Credit risk

'Credit risk' is the risk with a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into the Fund, resulting in a financial loss to the Fund. It arises principally from the loan portfolio held, and also from derivative financial assets, cash and cash equivalents and balances due from brokers.

Note 8 Financial Risks Review (continued)

Credit risk (continued)

Credit risk is monitored on an ongoing basis by the Investment Manager in accordance with the policies and procedures in place.

The Fund's activities may give rise to settlement risk. 'Settlement risk' is the risk of loss due to the failure of an entity to honour its obligations to deliver cash, securities or other assets as contractually agreed.

For the majority of transactions, the Fund mitigates this risk by conducting settlements through a broker to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations. The Fund conducts diligence on its brokers and financing counterparties before entering into trading or financing relationships. The Fund also actively monitors and manages settlement risk by diversifying across counterparties and by monitoring developments in the perceived creditworthiness of financing counterparties.

The carrying value of financial assets through profit or loss, derivatives, other receivables, amounts due from brokers and cash and cash equivalents, as disclosed in the Statement of Financial Position, represents the Fund's maximum credit exposure, hence, no separate disclosure is provided.

i. Analysis of Credit Quality

The Fund's exposure to credit risk arises in respect of the following financial instruments:

Cash and cash equivalents

The cash and cash equivalents, including reverse sale and repurchase agreements, are held with three (2015: one) financial institutions with credit ratings between A and BBB+ (S&P). The Investment Manager monitors these credit ratings and spreads of credit default swaps on a daily basis and actively moves balances between counterparties when deemed appropriate.

Amounts due from brokers

Balances due from brokers represent margin accounts, cash collateral for borrowed securities and sales transactions awaiting settlement. Credit risk relating to unsettled transactions is considered small due to the short settlement period involved and the high quality of the brokers used. As at the reporting date, the balance was concentrated among three brokers (2015: three) with S&P's credit ratings between A and BBB+ (2015: A and BBB+). Please refer to Note 10 for a breakdown of balances held with each broker.

Loans portfolio

The Fund is exposed to Equitix through a combination of a mezzanine loan, loan notes and equity investment that it holds with respect to this entity. The loans are subordinated to another third party loan and in the event of bankruptcy or insolvency of Equitix, this may impact the amount that is recoverable with respect to these loans. The maximum aggregate exposure to Equitix is disclosed in Note 7.

The Fund also has investments in debt securities of US$ 6.6 million (2015: US$ 3.0 million) with Moody's credit ratings between B2 and Caa1 (2015: B2 and Caa1).

CLOs

The Fund's portfolio is partly invested in CLO equity tranches which are subject to potential non-payment risk. The Fund will be in a first loss position with respect to realized losses on the collateral in each CLO investment.

Note 8 Financial Risks Review (continued)

i. Analysis of Credit Quality (continued)

The Investment Manager assesses the credit risk of the CLOs on a look-through basis to the underlying loans in each CLO investment. The Investment Manager seeks to provide diversification in terms of underlying assets, geography and CLO managers.

Derivatives

The table below shows an analysis of derivative financial assets and liabilities outstanding at 31 December 2016.

	Derivative assets		Derivative liabilities	
	Fair Value US$ MM	Notional	Fair Value US$ MM	Notional
OTC	22.2	411.5	(4.1)	363.5

The table below shows an analysis of derivative financial assets and liabilities outstanding at 31 December 2015.

	Derivative assets		Derivative liabilities	
	Fair Value US$ MM	Notional	Fair Value US$ MM	Notional
OTC	19.4	695.4	(0.7)	30.1

The table below shows an analysis of derivative financial assets and liabilities outstanding at 1 January 2015.

	Derivative assets		Derivative liabilities	
	Fair Value US$ MM	Notional	Fair Value US$ MM	Notional
OTC	19.2	685.8	(5.8)	187.6

ii. Concentration of credit risk

The Fund's credit risk is concentrated in cash and cash equivalents and Equitix through the loan that it has made to that entity. The table below shows a breakdown of credit risk per investment type:

Investment Type	31 Dec 2016	31 Dec 2015
CLOs	45%	54%
Cash and cash equivalents	40%	33%
Equitix loan	14%	13%
Other loans	1%	-%
Total	100%	100%

None of the Fund's financial assets were considered to be past due or impaired in 2016, 2015 and 2014.

iii. Collateral and other credit enhancements, and their financial effects

The Fund mitigates the credit risk of derivatives and reverse sale and repurchase agreements through collateral management including master netting agreements.

Derivative transactions are either transacted on an exchange, or entered into under International Derivative Swaps and Dealers Association ("ISDA") master netting agreements. Under ISDA master netting agreements in certain circumstances, for example, when a credit event such as a default occurs, all outstanding transactions under the agreement are terminated, the termination value is assessed and only a single net amount is due or payable in settlement of all transactions. The amount of collateral accepted in respect of derivative assets is shown in Note 8(iv).

The Fund's reverse sale and repurchase transactions are covered by master agreements with netting terms similar to those of ISDA master netting agreements.

Note 8 Financial Risks Review (continued)

iii. Collateral and other credit enhancements, and their financial effect (continued)

The table below shows the amount of reverse sale and repurchase agreements.

	31 Dec 2016 US$ MM	31 Dec 2015 US$ MM
Receivables from reverse sale and repurchase agreements	201.0	225.0

No individual trades are under-collaterized.

Collateral accepted includes investment-grade securities that the Fund is permitted to sell or repledge. The Fund has not recognized these securities in the Statement of Financial Position.

iv. Offsetting financial assets and liabilities

The Fund has not offset any financial assets and financial liabilities in the Statement of Financial Position. The disclosures set out in the tables below include financial assets and financial liabilities that are subject to an enforceable master netting or similar agreement that covers financial instruments.

31 Dec 2016						
Description	Gross Amount of Recognized Assets / Liabilities US$ MM	Gross Amounts Offset in the Statement of Financial Position US$ MM	Net Amounts Presented in the Statement of Financial Position US$ MM	Financial instruments eligible for netting US$ MM	Cash Collateral received/ posted US$ MM	Net Amount US$ MM
Assets						
Derivatives	22.2	-	22.2	(4.1)	-	18.1
Total	22.2	-	22.2	(4.1)	-	18.1
Liabilities						
Derivatives	4.1	-	4.1	(4.1)	-	-
Total	4.1	-	4.1	(4.1)	-	-

Note 8 Financial Risks Review (continued)

iv. Offsetting financial assets and liabilities (continued)

31 Dec 2015

Description	Gross Amount of Recognized Assets / Liabilities US$ MM	Gross Amounts Offset in the Statement of Financial Position US$ MM	Net Amounts Presented in the Statement of Financial Position 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)	-	-

1 Jan 2015

Description	Gross Amount of Recognized Assets / Liabilities US$ MM	Gross Amounts Offset in the Statement of Financial Position US$ MM	Net Amounts Presented in the Statement of Financial Position 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
Derivatives	5.8	-	5.8	(2.1)	(3.7)	-
Total	5.8	-	5.8	(2.1)	(3.7)	-

Liquidity risk

'Liquidity risk' is the risk that the Fund will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or other financial assets.

The Fund's policy and the Investment Manager's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due.

The Fund's financial assets include some investments which are considered illiquid. These investments include TFG Asset Management, CLO Equity tranches, real estate funds and vehicles and unlisted equities. The Fund also holds investments in hedge funds and private equity funds, which are subject to redemption restrictions such as notice periods and, in certain circumstances, redemption gates. As a result, the Fund may not be able to liquidate these investments readily.

Note 8 Financial Risks Review (continued)

Liquidity risk (continued)

The Fund's liquidity risk is managed on a daily basis by the Investment Manager in accordance with the policies and procedures in place. The Fund also has access to a revolving credit facility of US$ 150.0 million. Details of the facility and the undrawn and drawn balance are disclosed in Note 13.

The Fund is not exposed to the liquidity risk of meeting shareholder redemptions as the Fund's capital is in the form of non-redeemable shares.

The following were the contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted.

31 Dec 2016	Within 1 month US$ MM	1 – 3 months US$ MM	3 months – 1 year US$ MM	1 – 5 years US$ MM	Greater than 5 years US$ MM	Total US$ MM
Derivative financial liabilities – Credit default swaps	-	-	-	0.9	-	0.9
Derivative financial liabilities – Forward foreign currency exchange contracts	0.2	1.3	1.7	-	-	3.2
Loans and borrowings	-	-	-	38.0	-	38.0
Expenses payable	2.3	-	-	-	-	2.3
	2.5	1.3	1.7	38.9	-	44.4

31 Dec 2015	Within 1 month US$ MM	1 – 3 months US$ MM	3 months – 1 year US$ MM	1 – 5 years US$ MM	Greater than 5 years US$ MM	Total US$ MM
Derivative financial liabilities – Forward foreign currency exchange contracts	-	0.7	-	-	-	0.7
Expenses payable	3.0	-	-	-	-	3.0
	3.0	0.7	-	-	-	3.7

1 Jan 2015	Within 1 month US$ MM	1 – 3 months US$ MM	3 months – 1 year US$ MM	1 – 5 years US$ MM	Greater than 5 years US$ MM	Total US$ MM
Derivative financial liabilities – Credit default swaps	-	-	-	-	4.1	4.1
Derivative financial liabilities – Total return equity swaps	0.2	-	-	-	-	0.2
Derivative financial liabilities – Forward foreign currency exchange contracts	-	0.7	0.8	-	-	1.5
Expenses payable	5.0	-	-	-	-	5.0
	5.2	0.7	0.8	-	4.1	10.8

Note 8 Financial Risks Review (continued)

Liquidity risk (continued)

The tables below analyse the Fund's financial derivative instruments that will be settled on a gross basis into relevant maturity groupings based on the remaining period at the financial year end date to the contractual maturity date.

	Inflows				Outflows			
	Within 1 month US$ MM	1 – 3 months US$ MM	3 months – 1 year US$ MM	1 – 5 years US$ MM	Within 1 month US$ MM	1 – 3 months US$ MM	3 months – 1 year US$ MM	1 – 5 years US$ MM
31 Dec 2016	92.6	87.0	236.2	-	(90.7)	(84.7)	(232.5)	-
31 Dec 2015	244.0	74.7	36.3	9.4	(236.3)	(73.7)	(35.4)	(8.9)
1 Jan 2015	140.1	77.8	29.3	10.4	(133.7)	(74.4)	(29.2)	(10.3)

The Fund manages its liquidity risk by holding sufficient cash and cash equivalents to meet its financial liabilities. Cash and cash equivalents balance as at reporting date and as percentage of NAV is disclosed in the table below:

	31 Dec 2016	31 Dec 2015	1 Jan 2015
Cash and cash equivalents (U.S.$ MM)	392.6	360.3	359.8
Percentage of NAV	20.22%	17.83%	18.36%

Market Risk

'Market risk' is the risk that changes in market prices, such as interest rates, foreign exchange rates, equity prices and credit spreads, will affect the Fund's income or the fair value of its holdings of financial instruments.

The Fund's strategy for the management of market risk is driven by the Fund's investment objective of generating distributable income and capital appreciation.

The Fund employs hedging strategies, from time to time as deemed necessary, to manage its exposure to foreign currency, interest rate and other price risks. The Fund does not apply hedge accounting.

i. Interest Rate Risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments.

The fair value of certain Fund's investments may be significantly affected by changes in interest rates. The Fund's investments in leveraged loans through CLOs and TCI II generate LIBOR plus returns and are sensitive to interest rate levels and volatility. Although CLOs are structured to hedge interest rate risk to some degree through the use of matched funding, there may be some difference between the timing of LIBOR resets on the liabilities and assets of a CLO, which could have a negative effect on the amount of funds distributed to residual tranche holders. In addition, many obligors have the ability to choose their loan base from among various terms of LIBOR and the Prime Rate thereby generating an additional source of potential mismatch. Furthermore, in the event of a significant rising interest rate environment and / or economic downturn, loan defaults may increase and result in credit losses that may be expected to affect Tetragon's cash flow, fair value of its assets and operating results adversely.

Change in interest rates may also affect the value of the Fund's investment in Polygon Convertible Opportunity Fund ("PCOF") and the Polygon Distressed Opportunities Fund ("PDOF", together the "Polygon Funds"). Generally, the value of convertible bonds and other fixed rate instruments will change inversely with changes in interest rates. The investment managers of the Polygon Funds manage interest rate risk by, among other things, entering into interest rate swaps and other derivatives as and when required.

Note 8 Financial Risks Review (continued)

i. Interest Rate Risk (continued)

The table below shows the sensitivity analysis for interest rates movement on the investment portfolio held by the Fund.

	Fair Value as at 31 Dec 2016 US$ MM	Effects of +100bps Change in Interest rate on net assets US$ MM	Effects of -100bps Change in Interest rate on net assets US$ MM
U.S. CLOs 1.0	151.8	4.6	2.4
U.S. CLOs 2.0	260.6	10.9	18.2
European CLOs	31.6	(0.9)	(0.2)
PCOF	51.0	(0.8)	0.9
PDOF	106.5	(2.1)	2.7
TCI II	16.1	1.1	0.7
	617.6	12.8	24.7

ii. Currency Risk

The Fund invests in financial instruments and enters into transactions that are denominated in currencies other than its functional currency, primarily in Euro (“EUR”), Sterling (“GBP”), Norwegian Krone (“NOK”) and Japanese Yen (“JPY”).

Consequently, the Fund is exposed to risk that the exchange rate of its currency relative to other foreign currencies may change in a manner that has an adverse effect on the fair value or future cash flows of the Fund’s financial assets or financial liabilities denominated in currencies other than USD.

The Fund hedges against its currency risk, mainly by employing forward currency contracts. The currency exposure is monitored and managed on a daily basis.

Exposure:
At the reporting date, the carrying amount of the Fund’s net financial assets and financial liabilities held in individual foreign currencies, expressed in USD and as a percentage of its net assets, were as follows. The sensitivity analysis sets out the effect on the net assets and profit for the year of reasonably possible weakening of USD against EUR, GBP, NOK and JPY by 5%. The analysis assumes that all other variables, in particular interest rates, remain constant.

	31 Dec 2016			
	Net Monetary and Non-Monetary Assets and Liabilities US$ MM	Forward foreign currency exchange hedging US$ MM	Net exposure US$ MM	Effect of +/- 5% on exchange rate US$ MM
EUR	61.9	(61.9)	-	-
GBP	263.0	(242.3)	20.7*	(1.0)
NOK	18.3	(19.9)	(1.6)	0.1
JPY	16.0	(16.3)	(0.3)	-
	359.2	(340.4)	18.8	0.9

Note 8 Financial Risks Review (continued)

ii. Currency Risk (continued)

	31 Dec 2015			
	Net Monetary and Non-Monetary Assets and Liabilities US$ MM	Forward foreign currency exchange hedging US$ MM	Net exposure US$ MM	Effect of +/- 5% on exchange rate US$ MM
EUR	97.9	(97.7)	0.2	-
GBP	202.7	(188.9)	13.8*	(0.7)
NOK	10.9	(9.8)	1.1	(0.1)
JPY	15.4	(16.5)	(1.1)	0.1
	326.9	(312.9)	14.0	(0.7)

	1 Jan 2015			
	Net Monetary and Non-Monetary Assets and Liabilities US$ MM	Forward foreign currency exchange hedging US$ MM	Net exposure US$ MM	Effect of +/- 5% on exchange rate US$ MM
EUR	151.4	(144.0)	7.4*	0.4
GBP	44.7	(44.3)	0.4	-
NOK	2.8	(2.8)	-	-
JPY	4.2	(4.3)	(0.1)	-
	203.1	(195.4)	7.7	0.4

A strengthening of the USD against the above currencies would have resulted in an equal but opposite effect to the amounts shown above.

*These exposures have arisen primarily due to a difference in timing between determining the year end value of level 3 investments and executing the relevant currency hedge.

iii. Other Price Risk

'Other price risk' is the risk that the fair value of the financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether caused by factors specific to an individual investment or its issuer or by factors affecting all instruments traded in the market.

The Investment Manager manages the Fund's price risk and monitors its overall market positions on a regular basis in accordance with Fund's investment objectives and policies.

Note 8 Financial Risks Review (continued)

iii. Other Price Risk (continued)

The following table sets out the concentration of the investment assets and liabilities, excluding derivatives held by the Fund as at the reporting date.

Asset Class	% of net assets as at 31 Dec 2016	% of net assets as at 31 Dec 2015	% of net assets as at 1 Jan 2015
CLO Equity Tranches	22.8%	29.7%	41.7%
CLO Mezzanine	0.1%	0.1%	0.1%
Loans	0.3%	0.2%	1.1%
Listed Stock	0.7%	-	1.5%
Unlisted Stock	2.2%	1.6%	0.1%
Investment funds and vehicles	31.1%	26.1%	21.5%
TFG Asset Management	21.0%	20.9%	12.2%

The Investment Manager reviews the above percentages on a monthly basis against the limits which are set and reviewed periodically. Please refer to Note 5 for a sensitivity analysis of fair value of investments.

Note 9 Other Receivables and Prepayments

	31 Dec 2016 US$ MM	31 Dec 2015 US$ MM	1 Jan 2015 US$ MM
Prepayments	0.1	0.1	0.1
Interest receivables	0.1	0.1	0.5
Other receivables	0.4	-	6.3
	0.6	0.2	6.9

Other receivables and prepayments are expected to be settled within 12 months.

Note 10 Amounts Due From Brokers

The amounts due from brokers is cash pledged as collateral on the forward contracts and equity swaps. The following table details amount held by brokers.

	31 Dec 2016 US$ MM	31 Dec 2015 US$ MM	1 Jan 2015 US$ MM
UBS AG	11.2	10.7	2.0
BNP Paribas	8.8	10.3	13.3
Morgan Stanley	-	1.4	1.4
Bank of America Merrill Lynch	31.0	37.5	35.4
	51.0	59.9	52.1

Note 11 Cash and Cash Equivalents

	31 Dec 2016 US$MM	31 Dec 2015 US$ MM	1 Jan 2015 US$ MM
Cash and current deposits with banks	392.6	360.3	359.8
	392.6	360.3	359.8

Note 11 Cash and Cash Equivalents (continued)

Of this cash balance, US$ 201.0 million relates to amounts loaned to counterparties and secured against collateral through tri-party agreements (31 December 2015: US$ 225.0 million; 1 January 2015: US$ Nil). These all have at least overnight liquidity.

Certain controlled subsidiaries, related to real estate investments, owned by the Fund contain cash and cash equivalents balance of US$ 32.6 million as at 31 December 2016 (31 December 2015: US$ 42.4 million; 1 January 2015: US$ 12.1 million). This cash balance is included in the fair value of these subsidiaries.

Note 12 Other Payables and Accrued Expenses

	31 Dec 2016	31 Dec 2015	1 Jan 2015
	US$ MM	US$ MM	US$ MM
Accrued expenses	2.3	3.0	5.0
	2.3	3.0	5.0

All other payables and accrued expenses are due within one year.

Note 13 Credit Facility

On 5 April 2016, the Fund obtained an unsecured US$ 75.0 million revolving credit facility (the “Revolving Credit Facility”) with a stated maturity date of 1 October 2019. This stated maturity date will automatically be extended by six months on 1 April and 1 October in each year unless the lender provides a written notice to the Fund withholding consent to such an extension.

During the third quarter, the Fund increased the size of its Revolving Credit Facility from US$ 75.0 million to US$150.0 million with the addition of a second lender to the facility.

The facility is subject to a minimum usage fee which is equivalent to a 4% coupon on 25% of the total notional amount of the facility. In addition, there is a non-usage fee of 1% which is applied to the undrawn notional amount, excluding the notional amount which is subject to the minimum usage fee. Any drawn portion will incur interest at a rate of 1M US LIBOR plus a spread of 4%.

During the year, the Fund utilised US$ 38.0 million of the credit facility. As at 31 December 2016, US$ 112.0 million of the facility remained undrawn.

Note 14 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.

Share Transactions

	Voting Shares No.	Non-Voting Shares No. MM	Shares US$ MM
Shares in issue at 1 January 2015	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
Issued in lieu of stock dividend	-	1.6	-
Issued through release of tranche of Escrow shares	-	3.2	-
Issue through exercise of GreenOak options	-	0.7	-
Shares purchased during the year	-	(14.3)	-
Shares in issue at 31 December 2016	10	87.1	0.1

Treasury Shares

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 2016, there was no share repurchase program in place.

Note 14 Share Capital (continued)

Treasury Shares (continued)

When the program was in operation, the Fund undertook to repurchase an identical number of its own shares from the Feeder as and when the Feeder repurchased its own shares in the open market. The Fund matched the price per Share paid by the Feeder. The shares are held in Treasury shares 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, the shares are neither eligible to receive dividends nor are they included in the shares outstanding on the Statement of Financial Position.

During 2016, the Feeder and the Fund announced that under the terms of two “modified Dutch auction” tender offers (the “Tender Offers”), the Fund had accepted for purchase approximately 14.3 million Feeder non-voting shares at an aggregate cost of US$ 151.1 million, including applicable fees and expenses of US$ 1.1 million. Additionally, the Fund entered into an agreement to repurchase 0.6 million shares for US$ 6.7 million from Michael Humphries, a manager of certain Polygon funds, in connection with the winding up of a swap transaction between him and the Fund with respect to the relative values of the Feeder's shares and interest in the Polygon funds following the acquisition of Polygon in 2012. The Feeder exchanged an equivalent number of Fund shares for the Feeder shares which had been repurchased.

Escrow Shares

As part of the acquisition of TFG Asset Management, the Aggregate Consideration (as defined in Note 16) 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 3.8 million shares (31 December 2015: 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 3.0 million shares (31 December 2015: 4.0 million shares) were deemed to be in relation to the original Feeder escrow shares, and a value of US$ 25.0 million (31 December 2015: US$ 33.8 million) was debited against Capital Contribution, using the transaction share price of US$ 8.43.

In addition, approximately 0.8 million shares (31 December 2015: 0.7 million shares) were deemed to be related to the stock dividends awarded on the original shares released and an amount of US$ 8.1 million (31 December 2015: US$ 7.5 million) was released against Retained Earnings, based on the stock reference price at each applicable dividend date.

Other Share Transactions

	Treasury Shares Shares No. MM	Shares held in TFG Holdings I* Shares No. MM
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
Shares purchased during the year	4.3	10.0
Shares transferred to Treasury	27.0	(27.0)
Other transactions settled from Treasury	(0.8)	-
Shares at 31 December 2016	**43.3**	-

* TFG Holdings I was closed during 2016.

Note 14 Share Capital (continued)

Capital Management

The Fund's capital is represented by the ordinary share capital, share premium, and accumulated retained earnings, as disclosed in the Statement of Financial Position. The Fund's capital is managed in accordance with its investment objective of generating distributable income and capital appreciation which aims to provide stable returns to investors across various credit, equity, interest rate, inflation and real estate cycles.

The Fund is not subject to externally imposed capital requirements and has no legal restrictions on the issue, repurchase or resale of its shares.

Note 15 Dividends

	31 Dec 2016 US$ MM	31 Dec 2015 US$ MM
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
Quarter ended 31 December 2015 of US$ 0.165 per share	15.9	-
Quarter ended 31 March 2016 of US$ 0.165 per share	16.1	-
Quarter ended 30 June 2016 of US$ 0.1675 per share	14.6	-
Quarter ended 30 September 2016 of US$ 0.1675 per share	15.2	-
	61.9	62.5

The fourth quarter dividend of US$ 0.1725 per share was approved by the Directors on 28 February 2017 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 its incentive fee liability. In the year ended 31 December 2016, US$ 22.6 million (31 December 2015: US$ 35.2 million) was paid.

Note 16 Share-based Payment Plan

On 28 October 2012, TFG Asset Management L.P. and certain of its affiliates, were acquired by the Fund in exchange for consideration of approximately 11.7 million non-voting shares of the Feeder, with an aggregate fair value at grant date of US$ 98.5 million, to the sellers (the "Aggregate Consideration").

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 to 2016 with the remainder to be released in 2017, as set out in the following table.

	2012	2013	2014	2015	2016	2017	Total
Vesting schedule of Aggregate Consideration escrow shares (million shares)	0	1.2	1.2	3.7	3.0	2.5	11.7

These shares were treated as payment for post combination services rather than upfront consideration and have been accounted for under IFRS 2 *Share-based Payments*. The Fund recognizes the individual compensation costs on a graded vesting basis over the relevant service period of each award. These are reflected in the Statement of Comprehensive Income as share-based employee compensation and through Equity as a capital contribution. The charge for the year ended 31 December 2016 amounted to US$ 9.4 million (31 December 2015: US$ 19.2 million).

Note 16 Share-based Payment Plan (continued)

	2012	2013	2014	2015	2016	2017	Total
Share-based compensation expense under IFRS (graded vesting basis) (US$ mm)	6.1	34.9	25.3	19.2	9.4	3.5	98.5

Movements during the year
The following tables illustrate the movements in shares during the year:

	31 Dec 2016 Shares MM	31 Dec 2015 Shares MM
Balance at 1 January	6.6	10.7
New awards	-	-
Vested during the period	(3.8)	(4.7)
Stock dividends	0.4	0.6
Balance at 31 December	3.2	6.6

The table below shows the number of Feeder shares which are currently expected to vest over the next year, including accrued stock dividends up to the end of December 2016. 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 Dec 2016

	Shares MM	US$ MM
2017	3.2	12.6
	3.2	12.6

Vesting Schedule – Shares as at 31 Dec 2015

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

The Fund also pays one of its directors in the form of shares in the Feeder. Please refer to the Director's report and Note 18 for details of this payment.

Note 17 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 2016, in relation to this particular co-investment commitment, GreenOak had given the Fund notice totaling US$ 101.4 million across multiple investment vehicles, of which US$ 60.6 million had actually been drawn down and funded (31 December 2015: US$ 51.2 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$ 90.9 million in respect of GreenOak investment vehicles (31 December 2015: US$ 103.8 million). The total actual amount ultimately drawn may be lower than this estimated maximum amount.

Note 17 Contingencies and Commitments (continued)

The Fund has committed capital to Tetragon Credit Income II LP. As at 31 December 2016, total committed capital by the Fund is US$ 62.0 million (31 December 2015: US$ 35.0 million, 1 January 2015: US$ Nil). As at 31 December 2016, the Fund has total unfunded commitments of US$ 46.1 million (31 December 2015: US$ 35.0 million, 1 January 2015: US$ Nil).

Note 18 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. The Feeder is the parent company of the Fund, as it owns 100% of the Fund's shares.

All fees and expenses of the Feeder and the Fund (including management fees paid to the Investment Manager), except for the incentive fees, are paid by the Fund and allocated to the Feeder. Any incentives fees are paid to the Investment Manager by the Feeder. During year ended 31 December 2016, US$ 22.0 million (31 December 2015: US$ 39.6 million) was paid as incentive fees.

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 non-voting shares in the Feeder instead of the quarterly fee.

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.

With respect to the year ended 31 December 2016, Frederic Hervouet has elected to receive shares and received 2,538 shares in relation to the first quarter's fee, 2,472 shares in relation to the second quarter's fee and 2,254 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 2016 dividend process.

The Voting Shareholder, which holds all of the voting shares of the Fund, is 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 which owns Polygon's asset management businesses and infrastructure platform and interests in LCM and GreenOak, was acquired on 28 October 2012 (the "Acquisition"). As part of the Acquisition, Reade Griffith and Paddy Dear, as founders of Polygon, were awarded consideration in non-voting shares of the Feeder, which vest between 2015 and 2017.

It was contractually agreed as part of the Acquisition that to the extent any annual compensation actually paid to each of Reade Griffith and Paddy 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 2016 total compensation paid to them each in aggregate was US$ 100,000 (31 December 2015: US$ 100,000).

Reade Griffith and Paddy Dear continue to hold membership interests in Polygon Global Partners LLP (the "U.K. Investment Manager") which collectively entitle them to exercise all of the voting rights in respect of the U.K. 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 U.K. Investment Manager to the Fund.

Note 18 Related-Party Transactions (continued)

The U.K. Investment Manager 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 Service Providers. One of these entities, the U.K. Investment Manager, 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 Service Providers also provide infrastructure services to GreenOak and operating, infrastructure and administrative services to Polygon Private Investment Partners LP, an affiliate of the Voting Shareholder, pursuant to applicable separate services agreements. The Service Providers are held at fair value.

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$ 14.0 million (31 December 2015: US$ 13.9 million), GreenOak US$ 0.6 million (31 December 2015: US$ 2.4 million) and Polygon Private Investment Partners LP US$ 0.2 million (31 December 2015: US$ 0.1 million).

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.

The Fund holds CLO equity investments in CLOs which are managed by LCM. In total, as at 31 December 2016, it held CLO equity tranche investments in 14 CLOs managed by LCM with a fair value of US$ 202.0 million (31 December 2015: US$ 208.3 million).

At 31 December 2016, 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$ 406.4 million (31 December 2015: US$ 338.1 million).

The Fund owns a 23% equity interest in GreenOak. As part of the original transaction to acquire an ownership stake in GreenOak, the Fund provided a US$ 100.0 million co-investment 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 2016, these investments referenced real estate in the United States, Japan and Europe with a combined net asset value of US$ 116.7 million (31 December 2015: US$ 115.4 million). These investments are typically illiquid, and the Fund will only receive distributions on liquidation of the investment vehicle's underlying assets, which in some cases 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$ 90.9 million with respect to the investment vehicles (31 December 2015: US$ 103.8 million).

TCIP is the general partner of TCI II. The Fund owns 100% of TCIP. As at 31 December, the Fund's investment in TCI II is fair valued at US$ 16.1 million (31 December 2015: nil). Please refer to note 17 for details of unfunded commitment related to TCI II.

Note 19 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's audited financial statements. During the year to 31 December 2015, US$ 9.8 million was received. The Fund did not receive any amount in the year to 31 December 2016 and does not expect to recover any further costs in relation to these actions.

Note 20 Subsequent Events

The Directors have evaluated the period up to 28 February 2017, 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 21 Approval of Financial Statements

The Directors approved and authorized for issue the financial statements on 28 February 2017.

TETRAGON FINANCIAL GROUP MASTER FUND LIMITED

CONDENSED SCHEDULE OF INVESTMENTS
As at 31 December 2016

Security Description	Nominal MM	Cost US$ MM	Fair Value US$ MM	% of Net Assets
United States CLO Equity				
Cayman Islands				
Broadly Syndicated Senior Secured Loans	1,004.5	917.9	390.9	20.13%
Middle Market Senior Secured Loans	133.2	123.9	21.2	1.09%
	1,137.7	1,041.8	412.1	21.22%
European CLO Equity				
Ireland				
Broadly Syndicated Senior Secured Loans	78.3	94.0	13.8	0.71%
	78.3	94.0	13.8	0.71%
Luxembourg				
Broadly Syndicated Senior Secured Loans	71.1	84.2	7.5	0.38%
	71.1	84.2	7.5	0.38%
Netherlands				
Broadly Syndicated Senior Secured Loans	24.0	31.8	10.3	0.53%
	24.0	31.8	10.3	0.53%
United States CLO Mezzanine				
Cayman Islands				
Broadly Syndicated Senior Secured Loans	1.8	1.1	1.8	0.09%
	1.8	1.1	1.8	0.09%
Loans				
United States Broadly Syndicated Senior Secured Loans	6.4	6.6	6.6	0.34%
	6.4	6.6	6.6	0.34%
Listed Stock				
United Kingdom – Equity Investments		12.5	12.7	0.65%
		12.5	12.7	0.65%
Unlisted Stock				
Norway – Equity Investments		5.3	18.3	0.94%
United States – Private Equity		20.0	25.0	1.30%
		25.3	43.3	2.24%
Investment Funds and Vehicles				
United States – Real Estate		42.9	90.3	4.66%
Japan – Real Estate		19.8	30.7	1.58%
Latin America – Real Estate		30.0	27.7	1.43%
Spain – Real Estate		8.5	9.4	0.48%
United Kingdom – Real Estate		20.8	18.5	0.95%
Cayman Islands – CLO Equity Fund		15.9	16.1	0.83%
United Kingdom – Private Equity		5.2	4.9	0.25%
Global – Hedge Funds – Equities		55.0	56.1	2.89%
Polygon European Equity Opportunity Fund		181.2	192.9	9.93%
Polygon Distressed Opportunities Fund		95.0	106.5	5.48%
Global – Hedge Funds – Credit and Convertible Bonds		35.0	51.0	2.63%
		509.3	604.1	31.11%
TFG Asset Management				
United Kingdom Infrastructure Asset Management Business		132.9	172.5	8.89%
Global Financial Real Estate Manager		10.7	67.0	3.45%
Global Hedge Fund Manager		49.9	59.7	3.07%
United States CLO Manager		44.0	106.2	5.47%
Other		-	2.4	0.12%
		237.5	407.8	21.00%
Total Investments		**2,044.1**	**1,520.0**	**78.27%**

TETRAGON FINANCIAL GROUP MASTER FUND LIMITED

CONDENSED SCHEDULE OF INVESTMENTS
As at 31 December 2016

Financial Derivative Instruments		
Forward Foreign Currency Exchange Contracts	7.9	0.41%
Credit default swaps	(0.9)	(0.04%)
Equity Total Return Swaps	11.1	0.57%
Total Financial Derivative Instruments	18.1	0.94%
Cash and Cash Equivalents	392.6	20.22%
Other Assets and Liabilities	11.3	0.57%
Net Assets	1,942.0	100.00%

TETRAGON FINANCIAL GROUP MASTER FUND LIMITED

CONDENSED SCHEDULE OF INVESTMENTS – (continued)
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	25.34%
CDOs Squared	17.3	16.6	-	0.00%
Middle Market Senior Secured Loans	133.2	123.9	29.8	1.48%
	1,294.0	1,186.9	540.6	26.82%
European CLO Equity				
Ireland				
Broadly Syndicated Senior Secured Loans	100.4	121.5	20.3	1.01%
	100.4	121.5	20.3	1.01%
Luxembourg				
Broadly Syndicated Senior Secured Loans	71.1	84.3	23.3	1.16%
	71.1	84.3	23.3	1.16%
Netherlands				
Broadly Syndicated Senior Secured Loans	24.0	31.8	14.9	0.74%
	24.0	31.8	14.9	0.74%
United States CLO Mezzanine				
Cayman Islands				
Broadly Syndicated Senior Secured Loans	1.8	1.1	1.7	0.08%
	1.8	1.1	1.7	0.08%
Loans				
United States Broadly Syndicated Senior Secured Loans	3.4	3.4	3.0	0.15%
	3.4	3.4	3.0	0.15%
Unlisted Stock				
Norway – Equity Investments		3.7	10.0	0.49%
United States – Equity Investments		20.2	21.5	1.07%
		23.9	31.5	1.56%
Investment Funds and Vehicles				
United States – Real Estate		43.7	68.3	3.39%
Japan – Real Estate		31.3	50.4	2.50%
Latin America – Real Estate		28.1	26.2	1.30%
Spain – Real Estate		12.8	12.5	0.62%
United Kingdom – Real Estate		27.6	25.7	1.27%
Global – Hedge Funds – Equities		60.9	64.0	3.18%
Polygon European Equity Opportunity Fund		139.2	139.7	6.94%
Polygon Distressed Opportunities Fund		95.0	95.1	4.72%
Global – Hedge Funds – Credit and Convertible Bonds		35.0	44.7	2.22%
		473.6	526.6	26.14%
TFG Asset Management				
United Kingdom Infrastructure Asset Management Business		132.8	173.9	8.61%
Global Financial Real Estate Manager		10.7	70.0	3.46%
Global Hedge Fund Manager		49.9	67.0	3.32%
United States CLO Manager		44.0	110.2	5.45%
Other		-	1.1	0.05%
		237.4	422.2	20.89%
Total Investments		2,163.9	1,584.1	78.41%

TETRAGON FINANCIAL GROUP MASTER FUND LIMITED

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	0.50%
Credit default swaps	7.6	0.38%
Equity Total Return Swaps	1.0	0.05%
Total Financial Derivative Instruments	18.7	0.93%
Cash and Cash Equivalents	360.3	17.83%
Other Assets and Liabilities	57.1	2.83%
Net Assets	2,020.2	100.00%

TETRAGON FINANCIAL GROUP MASTER FUND LIMITED

CONDENSED SCHEDULE OF INVESTMENTS – (continued)
As at 1 January 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	-	-
Broadly Syndicated Senior Secured Loans	1,107.6	1,006.8	639.7	32.65%
CDOs Squared	17.3	16.6	-	-
Middle Market Senior Secured Loans	163.0	152.5	57.1	2.91%
	1,306.3	1,193.5	696.8	35.56%
European CLO Equity				
Ireland				
Broadly Syndicated Senior Secured Loans	100.4	121.5	53.0	2.71%
	100.4	121.5	53.0	2.71%
Luxembourg				
Broadly Syndicated Senior Secured Loans	71.1	84.3	46.8	2.39%
	71.1	84.3	46.8	2.39%
Netherlands				
Broadly Syndicated Senior Secured Loans	24.0	31.8	20.3	1.04%
	24.0	31.8	20.3	1.04%
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	1.13%
	22.4	22.0	22.1	1.13%
Listed Stock				
United Kingdom – Equity Investments		33.3	29.4	1.50%
		33.3	29.4	1.50%
Unlisted Stock				
Norway – Equity Investments		2.4	2.8	0.14%
		2.4	2.8	0.14%
Investment Funds and Vehicles				
United States – Real Estate		44.9	49.5	2.53%
Japan – Real Estate		21.4	27.5	1.40%
Spain – Real Estate		10.9	9.5	0.48%
United Kingdom – Real Estate		12.7	12.3	0.63%
Global – Hedge Funds – Equities		61.0	63.3	3.23%
Polygon European Equity Opportunity Fund		134.2	120.8	6.17%
Polygon Distressed Opportunities Fund		90.0	95.5	4.87%
Global – Hedge Funds – Credit and Convertible Bonds		35.0	42.5	2.17%
		410.1	420.9	21.48%
TFG Asset Management				
Global Financial Real Estate Manager		14.0	69.8	3.56%
Global Hedge Fund Manager		49.9	68.6	3.50%
United States CLO Manager		44.0	99.8	5.10%
		107.9	238.2	12.16%
Total Investments		2,007.9	1,532.0	78.20%

TETRAGON FINANCIAL GROUP MASTER FUND LIMITED

CONDENSED SCHEDULE OF INVESTMENTS – (continued)
As at 1 January 2015

Financial Derivative Instruments	Fair Value US$ MM	% of Net Assets
Interest Rate Swaptions	0.6	0.03%
Forward Foreign Currency Exchange Contracts	10.0	0.51%
Credit Default Swaps	(4.1)	(0.21)%
Equity Total Return Swaps	6.9	0.35%
Total Financial Derivative Instruments	13.4	0.68%
Cash and Cash Equivalents	359.8	18.36%
Other Assets and Liabilities	54.0	2.76%
Net Assets	1,959.2	100.00%