2017 Annual Report

TETRAGON FINANCIAL GROUP LIMITED

Contents

SVEN KROGIUS
LEGAL, REGULATORY & COMPLIANCE

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, private equity, infrastructure and TFG Asset Management, a diversified alternative asset management business. Where appropriate, 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.

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 8.

Delivering Results Since 2005[1]

NAV PER SHARE TOTAL RETURN[2]

9.0%	11.1%	11.4%	11.3%	215%
2017 FULL YEAR	THREE YEARS ANNUALISED	FIVE YEARS ANNUALISED	SINCE IPO ANNUALISED	SINCE IPO

INVESTMENT RETURNS/RETURN ON EQUITY[3]

8.9%	10-15%	12.4%
2017 ROE	ROE TARGET	ANNUAL AVERAGE SINCE IPO

DIVIDENDS

$0.1775	$0.7000	5.2%	3x	8.3%
Q4 2017 DIVIDEND	2017 DIVIDENDS	DIVIDEND YIELD	DIVIDEND COVER[4]	DIVIDEND 5-YEAR CAGR

NET ASSET VALUE

$2.0 billion

31 DECEMBER 2017

OWNERSHIP[5]

27%

PRINCIPAL & EMPLOYEE OWNERSHIP AT 31 DECEMBER 2017

(1) (2) (3) (4) (5) Please see important notes on page 8.

2017 Snapshot

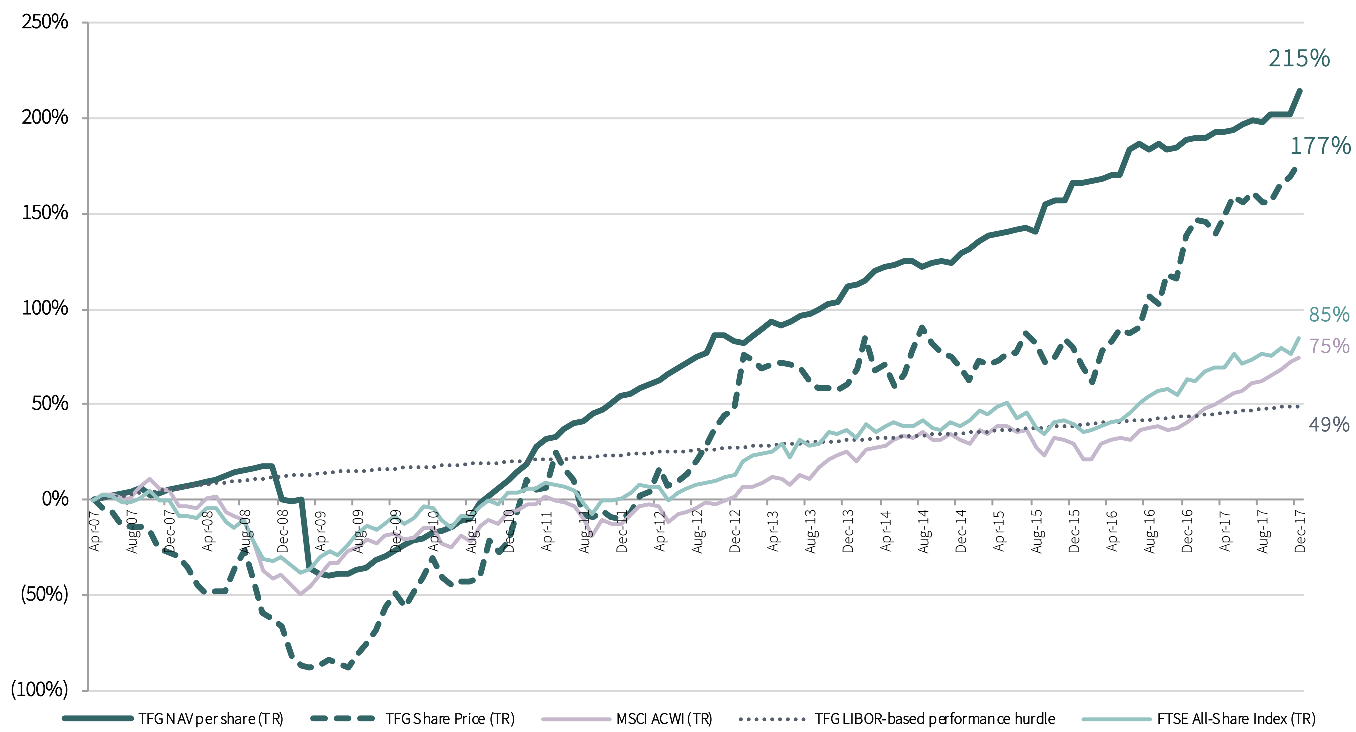
Tetragon aims to provide stable returns to investors across various credit, equity, interest rate, inflation and real estate cycles.

FIGURE 1

Tetragon Financial Group - Performance Summary			
	31 December 2017	31 December 2016	Change
Net Assets	$1,994.5m	$1,934.9m	$59.6m
Fully Diluted NAV Per Share	$21.08	$20.01	$1.07
Share Price(1)	$13.55	$12.30	$1.25
Dividend	**$0.7000**	**$0.6725**	**$0.0275**
Ongoing Charges(2)	1.74%	1.64%	
Investment Returns/Return on Equity(3)			**8.9%**
NAV Per Share Total Return(4)			**9.0%**
Share Price Total Return(5)			16.3%
Tetragon Hurdle: LIBOR +2.65%(6)			3.9%
MSCI ACWI Index Total Return(7)			24.6%
FTSE All-Share Index Total Return(7)			13.1%

FIGURE 2

Tetragon's NAV Per Share Total Return and Share Price Since IPO to 31 December 2017



(1) (2) (3) (4) (5) (6) (7) Please see important notes on page 8.

Notes

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As of 31 December 2017, 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 www.morningstar.co.uk/.

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

(2) NAV per share total return (NAV Total Return) to 31 December 2017, for the last year, the last three years, the last five years, and since Tetragon's initial public offering in April 2007. NAV 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 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 53 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) EPS divided by Dividends per Share at 31 December 2017.

(5) Shareholdings at 31 December 2017 of the principals of Tetragon's investment manager and employees of TFG Asset Management, including all deferred compensation arrangements. Please refer to the 2017 Audited Tetragon Financial Group Master Fund Limited financial statements for more details of these arrangements.

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(1) Based on TFG.NA.

(2) Annual calculation as at 31 December 2017. The ongoing charges figure is calculated as defined by the AIC, and 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 for Page 6.

(4) Please see Note 2 for Page 6.

(5) 2017 total shareholder return, defined as share price appreciation including dividends reinvested, as sourced from Bloomberg.

(6) Cumulative return determined on a quarterly compounding basis using the actual Tetragon quarterly incentive fee LIBOR based hurdle rate.

(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, the Fund'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 24 Emerging Markets countries. With 2,499 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 www.ftse.com/products/indices/uk.

Strategic Review

FARBOUD TAVANGAR
LCM

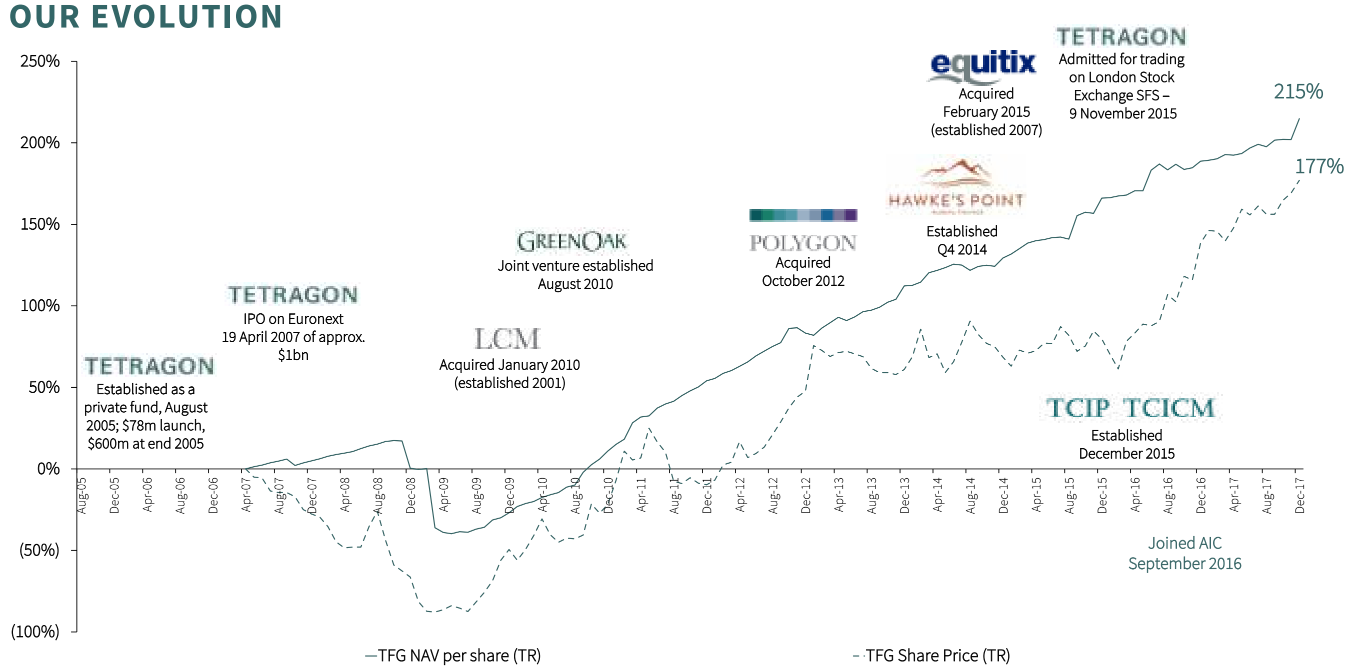
Letter to Our Shareholders

In 2017, Tetragon delivered an investment return on equity (RoE) of 8.9%, a NAV Per Share total return of 9.0%, and the share price total return was 16.3%. It also declared 70 cents of dividends per share for the year. We are pleased with the company's performance given the continued low LIBOR environment during the year and the fact that the company has maintained conservative cash balances (representing approximately 17.9% of NAV at year end). Since Tetragon's initial public offering in 2007, Tetragon's average annual RoE has been 12.4%, which remains within the company's target of 10-15%. Additionally, over the past ten years the company has returned $1.2 billion to shareholders in the form of share repurchases and dividends.

Financial markets globally produced strong returns during the year. The MSCI ACWI Index[1] was up 24.6%. High-yield credit spreads – a measure of credit conditions reflected by the difference between the yield of U.S. Treasury bonds and that of riskier bonds – ended the year at 3.4% which helped generate profits for those invested in the credit markets. The solid performance of these and other asset classes was likely due to a number of positive economic developments: the U.S. economy continued its recovery that began in 2009; other major economies showed various degrees of growth or recovery; unemployment rates continued to fall in many countries; and, worldwide, inflation generally remained in check, which meant that central bankers were able to maintain their loose monetary policies.

Active investing requires considering fundamentals relative to asset prices. At times, asset prices are so disconnected from fundamentals – often when asset prices are distressed – that investors are offered a highly attractive risk/reward opportunity and capital deployment decisions become easier. Notwithstanding rising asset prices, this does not seem to be one of those times. Applying a range of valuation metrics, we seem to be in the upper ranges of historic asset prices – Robert Shiller's analysis of U.S. equity prices, for example, submits that the S&P is trading at about a 100% premium to the long-run median.[2] However, there are several reasons to believe that global fundamentals will continue to improve, and as a result, that asset prices (while perhaps stretched) may continue to rise. On the other hand, valuations may be so high that prospective returns in global markets may be modest or negative even if corporate earnings continue to grow.

OUR EVOLUTION



Source: Bloomberg, Tetragon. Label numbers have been rounded.

"Since Tetragon's initial public offering in 2007, Tetragon's average annual RoE has been 12.4%, which remains within the company's target of 10-15%. Additionally, over the past ten years the company has returned $1.2 billion to shareholders in the form of share repurchases and dividends."

– Paddy Dear, Co-Founder of Tetragon's investment manager

Tetragon's investment manager has attempted to construct a portfolio that can generate positive returns in a variety of economic environments. It also takes the view that, particularly in the current environment, a portfolio diversified by asset class, geography, strategy and liquidity has a greater likelihood of producing returns within the company's long-term target. Certainly, there may be market conditions in the future where the risk/reward of a particular asset class is such that the we will favour a slightly less diversified portfolio; however, we do not believe that we are in that environment right now.

The portfolio's performance in 2017 exemplified this approach. First, gains were broad-based, with many different drivers of performance across the portfolio. Second, the investment manager, through its management of a number of limited partnership investments and through the company's ownership of TFG Asset Management, was able to source and invest in a number of discrete and profitable direct balance sheet investments.

There were four asset classes and three investments that each produced more than $10 million in gains during the year. These included Equitix[3] and LCM[4] which are part of TFG Asset Management; allocations to CLO equity; direct private equity; equity investments; credit investments; and the company's allocation to the Polygon European Equity Opportunity Fund managed by Polygon[5]. It should be noted that we have decided to break out and provide more information regarding Tetragon's private equity investments (historically, these investments were part of "other equities and credit"). Among the asset classes mentioned above, two are worth highlighting.

During the year, direct investments produced nearly 25% of Tetragon's investment income. These direct investments ran the gamut from private equity positions in two growth companies (one of which was monetised during the year), several distressed credit positions and a number of listed equities investments. These positions often have the following attributes in common: (1) there is a strong degree of investment confidence regarding the potential risk and reward (where, for example, the situation has sourcing, legal or evaluation complexity); and (2) the long-term nature of Tetragon's capital puts the company in a favourable position versus other potential investors. The investment manager will continue to seek out these opportunities and will strive for an investment process that is as replicable as practicable around these types of investments.

TFG Asset Management businesses produced nearly 43% of the company's investment income during the year, with the bulk of the gains coming from Equitix and LCM. The Equitix business continues to grow and execute better than its business plan targets. Between that and favourable market multiples in the sector, Equitix increased in value by more than $54 million during the year. Equitix also completed the refinancing of its existing debt facilities in 2017, resulting in £67.8 million of proceeds to Tetragon. LCM increased in value during the year by almost $40 million, due to its continued execution against its business plan, higher multiples in its sector, and changes to the U.S. corporate tax rate. Additionally, TFG Asset Management's CLO equity business, TCIP[6], continues to gain traction. In May 2017, TCIP's TCI II[7] investment vehicle had its final close, and in December, its next investment vehicle, TCI III[8] had its first close. The TCIP strategy now has over $600 million of committed capital. In February of this year a U.S. Appellate Court issued an important decision that may result in U.S. risk retention requirements no longer applying to collateral managers of open market CLOs. Although this decision may have a major impact on the regulatory framework for CLO managers in the United States, we do not expect it to materially affect our CLO equity business, including our TCIP strategy, which has since inception been based on investing in majority stakes in primary CLO equity.

As we have spoken and written about in the past, where appropriate, the investment manager looks for the company to own a portion of the asset managers in which it invests. Whether these businesses operate autonomously or on the TFG Asset Management platform, the objective is for these businesses 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. These businesses can also benefit from investment capital, working capital and strategic resources. During the year, the investment manager saw over 100 new asset management opportunities. Through these opportunities and through organic growth of existing businesses on the platform, Tetragon seeks 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 over the next several years. Ultimately, the size of TFG Asset Management, market conditions, and other factors will dictate the execution of this possible option.

Since the inception of TFG Asset Management with Tetragon's acquisition of LCM in 2010, Tetragon's alternative asset management platform has grown to have six distinct asset management brands and aggregate client assets of $23 billion, with approximately 300 employees and main offices in New York and London. The investment manager's approach in growing TFG Asset Management, like with its other investments, takes into account the risk and reward of the opportunity and seeks to generate an attractive return on capital. As in all capital allocation activities, not all investments produce results within expectations. Within TFG Asset Management, maintaining the discipline to close businesses that do not perform to their business plan is as important as finding new businesses to add to the platform. Towards the end of 2017, TFG Asset Management elected to close the Polygon Distressed Opportunities Fund. Although the fund's returns from inception were positive and attractive on a relative basis to its peers, we determined that Tetragon's expected returns as an investor in the fund and as an owner of its investment manager, in light of other current uses of its capital, did not support continuing its investment in the fund and maintaining the manager as part of the TFG Asset Management platform.

Tetragon's share price total return rose by 16.3% during the year. The share price ended the year at a 36% discount to its NAV per share, which compares to a discount of 39% at the end of 2016. As has been articulated in the past, the company and its investment manager continue to believe that the primary focus of activity should be relative to Tetragon's key performance metrics and less with the share price *per se*. Notwithstanding that, we continue to meet broadly with long term and new shareholders, having travelled to Bristol, Exeter, Leeds, York, Dublin, Toronto, Liverpool and Manchester for the first time, in addition to meeting with investors in London and New York. These meetings have been well-received and, as a result, we intend to continue this programme. Tetragon's annual investor day is scheduled to be held in London during October 2018, where we hope to see many of you. Additionally, the company expects to offer a sterling quote in 2018.

> "Tetragon's investment manager has attempted to construct a portfolio that can generate positive returns in a variety of economic environments. It also takes the view that, particularly in the current environment, a portfolio diversified by asset class, geography, strategy and liquidity has a greater likelihood of producing returns within the company's long-term target."
>
> – Reade Griffith, Co-Founder of Tetragon's investment manager

Principal and employee ownership increased during 2017 to 27% of the company's shares. According to a Canaccord Genuity "Skin in the Game" research piece, this is the second highest amongst 279 UK-listed companies.[9] We believe that this ownership creates an alignment of interest between the investment manager, TFG Asset Management and Tetragon shareholders.

In the fourth quarter, the company repurchased 4.9 million of its shares for $66.4 million (including applicable fees and expenses). At the end of the year, net cash balances were $357.2 million, or 17.9% of the company's NAV. Notwithstanding that high cash balances have the effect of muting the company's Iinvestment returns, we believe these cash balances

> "There is a particular and uncommon set of attributes that drive Tetragon's ability to build asset management businesses: long duration investment capital, global infrastructure within TFG Asset Management, and Tetragon's experience in building asset management businesses."
>
> – Stephen Prince, Head of TFG Asset Management

are prudent to fund both known and unknown investment opportunities. Prospectively, the manager expects the following approximate investment commitments, including: GreenOak[10] $126.0 million, TCI III $65.0 million, Hawke's Point[11] $87.2 million, and two private equity commitments totalling $8.6 million. Additionally, it maintains these cash levels to fund new businesses, opportunistic investments and acquisitions, dividends and fees. The company still maintains its $150 million revolver, of which $38 million has been drawn.

The fourth quarter dividend was announced at 17.75 cents per share, bringing the full-year 2017 dividend to 70 cents per share, which is a 4.1% increase on 2016. Using the year-end share price of $13.55[12], this gives a yield of 5.2%. Dividend coverage at the end of the year was 3x. As a reminder, Tetragon's progressive dividend policy targets a payout ratio of 30-50% of normalised earnings.

Outlook

The investment manager remains positive on its allocations to CLO equity. In the current environment, there are a number of aspects to CLO equity which we find attractive. First, with reasonable near-term expectations of higher interest rates, CLO equity provides investors with relatively short duration, and therefore less sensitivity to potentially rising interest rates. Additionally, CLO equity provides investors with optionality on spread widening. With fixed liabilities and floating-rate assets, CLO equity can benefit from spread widening, provided loan defaults are well-managed.

We also remain optimistic about the allocation to European event-driven equities. The economic recovery in Europe still remains a few years behind that of the United States, with margins in Europe having room to expand further and with an increasingly stable political background. Although positive performance from the allocation to European event-driven equities is not contingent upon a strong economic backdrop (and in fact the investment has been profitable during weak economic times and/or unstable political environments), the manager believes that a more favourable economic environment could provide a tailwind to the strategy.

We will continue to seek out balance sheet investments that are idiosyncratic, across debt and equity, both private and public. In addition, as noted above, the investment manager plans to continue building out its direct investing capabilities to further take advantage of the deal flow generated by its third-party manager relationships.

TFG Asset Management continues to seek to grow its existing businesses through performance and growth in assets under management. There is a particular and uncommon set of attributes that drive Tetragon's ability to build asset management businesses: long-duration investment capital, global infrastructure within TFG Asset Management, and Tetragon's experience in building asset management businesses. Tetragon has the ability to focus on the most sensible compelling business opportunities at any time, taking into account valuation and the current investment environment.

We are optimistic that these four areas of focus above, as well as many of the company's other allocations, positions the company well for the coming year.

With Regards,

THE BOARD OF DIRECTORS

27 February 2018

Notes:

(1) Please see Note 7 on page 8.

(2) www.multpl.com/shiller-pe/

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

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

(5) 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.

(6) Tetragon Credit Income Partners Limited, referred to in this report as “TCIP”, is the holding company of the general partner entities for the TCI II and TCI III investment vehicles.

(7) Tetragon Credit Income II L.P.

(8) Tetragon Credit Income III L.P.

(9) “Investment Companies - Skin in the game”, Canaccord Genuity, 21 February 2017.

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

(11) Hawke’s Point Manager LP, an asset management company focused on mining finance, referred to in this report as “Hawke’s Point”.

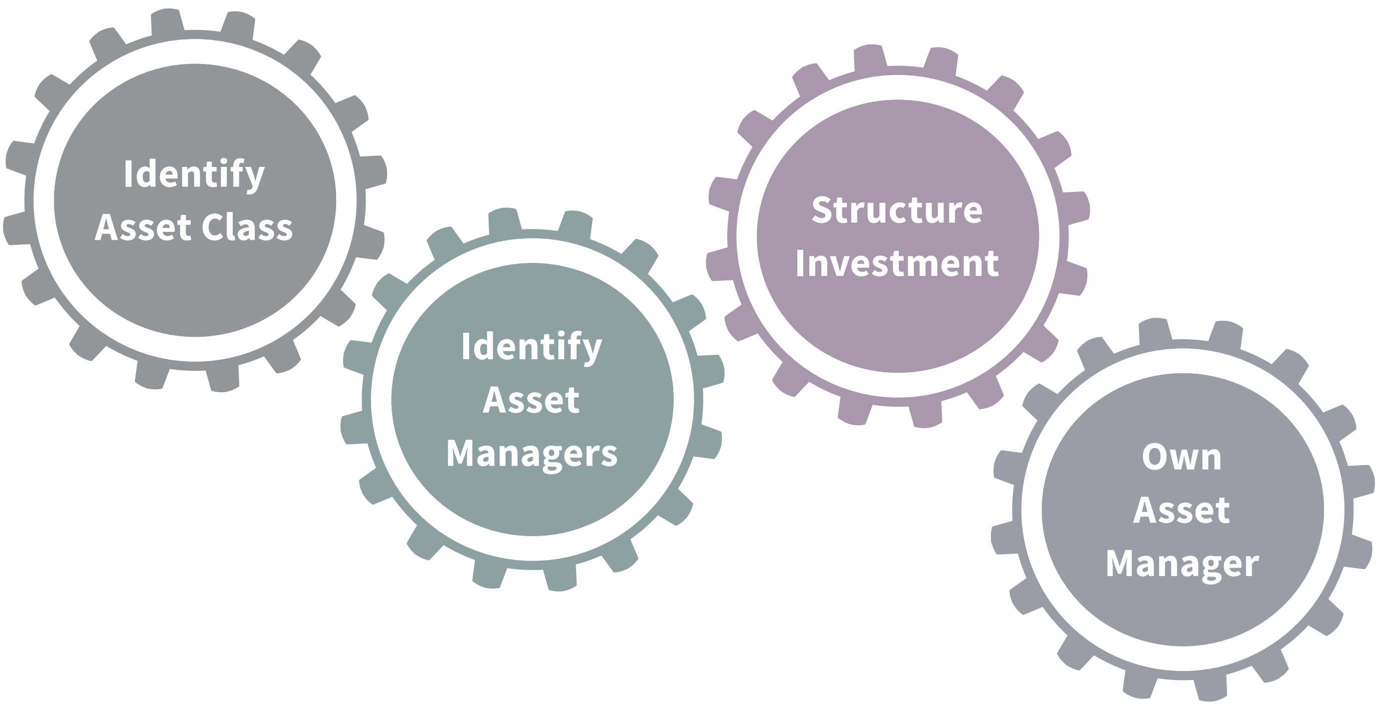
(12) TFG NA share price at 29 December 2017.

INVESTMENT WEEK
INVESTMENT COMPANY OF THE YEAR AWARDS 2017
FINALIST

Tetragon Financial Group was nominated for the 2017 Investment Company of the Year Award in the “Flexible” category. There were five other nominees for this award. The Investment Company of the Year Award is organised by *Investment Week* magazine, a publication of Incisive Media, in association with the AIC (Association of Investment Companies). Investment companies are nominated by the award organisers using performance data provided by the AIC, using Morningstar Data, and FE Limited. Shortlists are constructed using a mixture of AIC data/research as well as from the submissions made by managers in the sector categories. As with the sector categories, winners are decided during the qualitative judging process. Submission for consideration for this category is by invitation only. Full details of the award methodology are available at www.investmentcompanyawards.com/static/methodology.

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, private equity, infrastructure and TFG Asset Management, a diversified alternative asset management business. Where appropriate, 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.



(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 appropriate, 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:

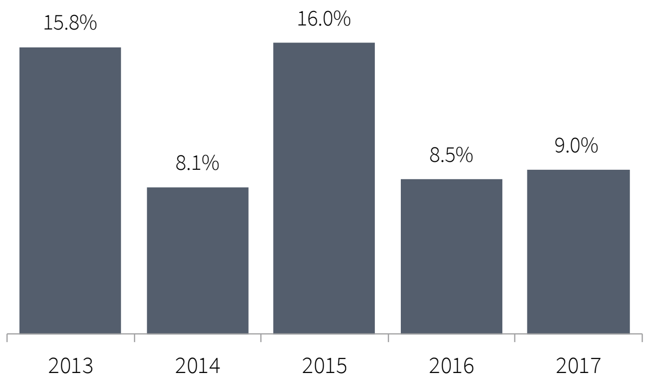
- **NAV Per Share**
- **Investment Returns/Return on Equity**
- **Dividends**

Fully Diluted NAV Per Share

Fully Diluted NAV per share (NAV per share) was $21.08 at 31 December 2017. NAV per share total return was 9.0% for 2017.

FIGURE 3

NAV Per Share Total Return 2013-2017



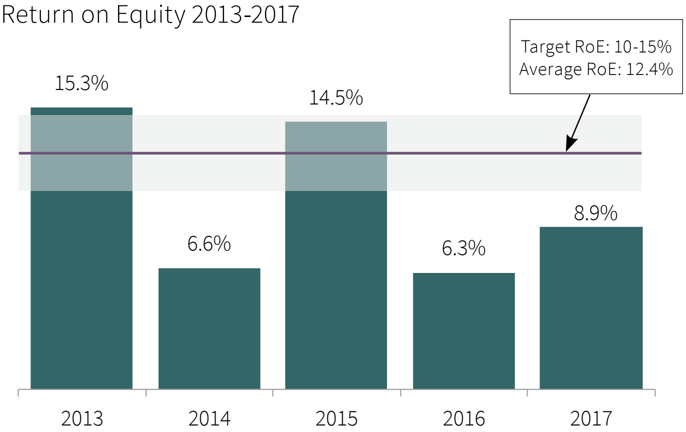
Investment Returns/Return on Equity*

RoE for 2017 was 8.9%. Earnings Per Share (EPS) for 2017 was $1.90.

*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 2013-2017

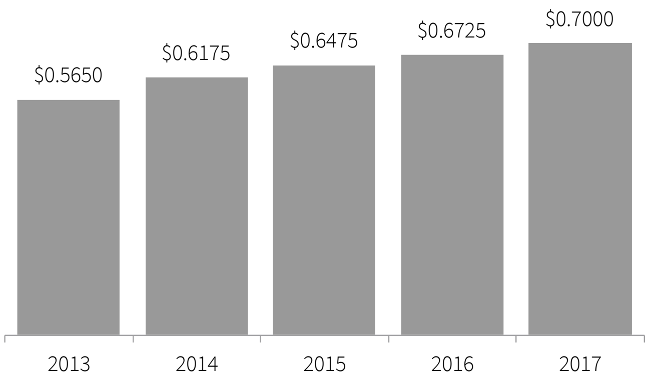


Dividends Per Share (DPS)

Tetragon declared a Q4 2017 dividend of $0.1775 per share, for a full year dividend payout of $0.7000 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 $5.4575.

FIGURE 5

Dividend Per Share Comparison 2013-2017 (USD)



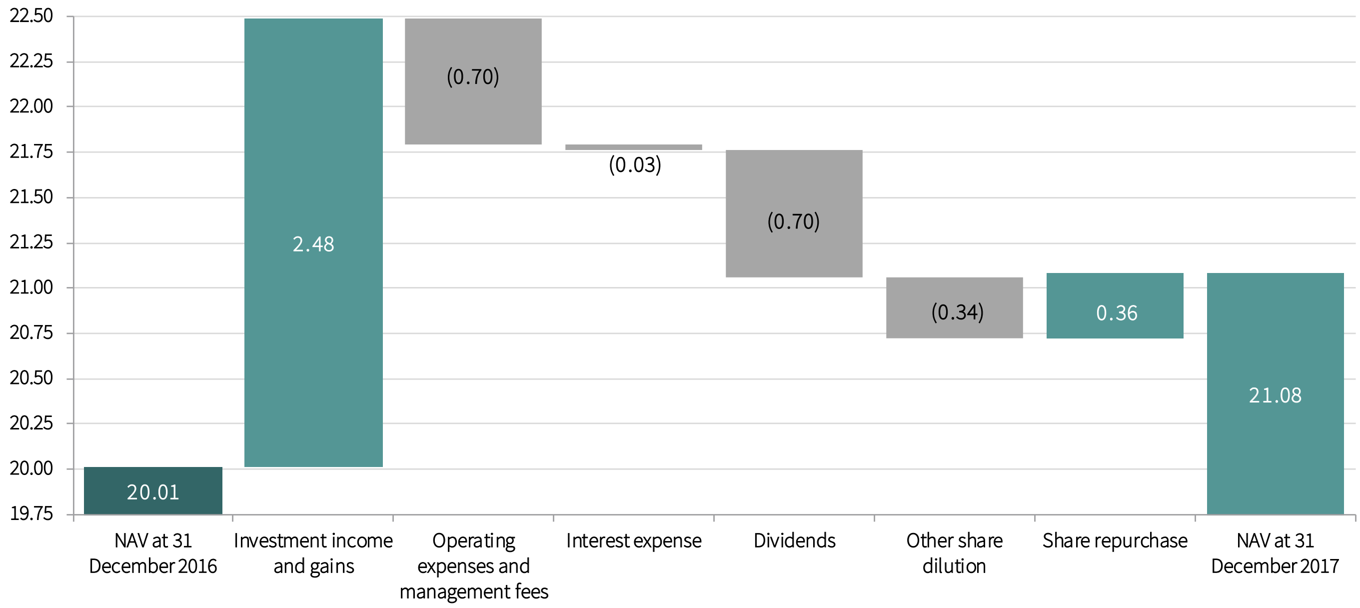
Investment Review

NAV Per Share

Tetragon's Fully Diluted NAV Per Share increased from $20.01 per share as at 31 December 2016 to $21.08 per share as at 31 December 2017. Figure 6 below shows the contributions to that performance.

FIGURE 6

Year on Year NAV Per Share Progression (USD)(i)



(i) Progression from 31 December 2016 to 31 December 2017 is an aggregate of each of the 12 months' NAV progressions. With the exception of share repurchases, all of the aggregate monthly Fully Diluted NAV Per Share movements in the table are determined by reference to the fully diluted share count at the start of each month.

Net Asset Breakdown Summary

Net Asset Breakdown Summary

The table shows a breakdown of the composition of Tetragon's NAV at 31 December 2016 and 31 December 2017, and the factors contributing to the changes in NAV over the period.

FIGURE 7

All figures below are in millions of U.S. dollars.

Asset Classes(i)	Investment Structure	NAV at 31 Dec 2016	Additions(ii)	Disposals/ Receipts(ii)	Gains/ Losses	NAV at 31 Dec 2017
Bank loans	CLOs	460.0	115.4	(243.3)	42.3	374.4
Event-driven equities, distressed opportunities, convertible bonds and quantitative strategies	Hedge funds	406.5	55.0	(35.4)	23.7	449.8
Real estate	Private equity-style funds	144.5	63.1	(57.6)	12.3	162.3
TFG Asset Management	Private equity in asset management companies	407.8	12.9	(94.4)	104.4	430.7
Private equity	Private equity funds and direct balance sheet investments	29.9	51.2	(13.4)	11.1	78.8
Other equities and credit	Direct balance sheet investments	95.6	41.2	(38.6)	43.1	141.3
Net cash		390.6	-	(39.1)	5.7	357.2
Total		**1,934.9**	**338.8**	**(521.8)**	**242.6**	**1,994.5**

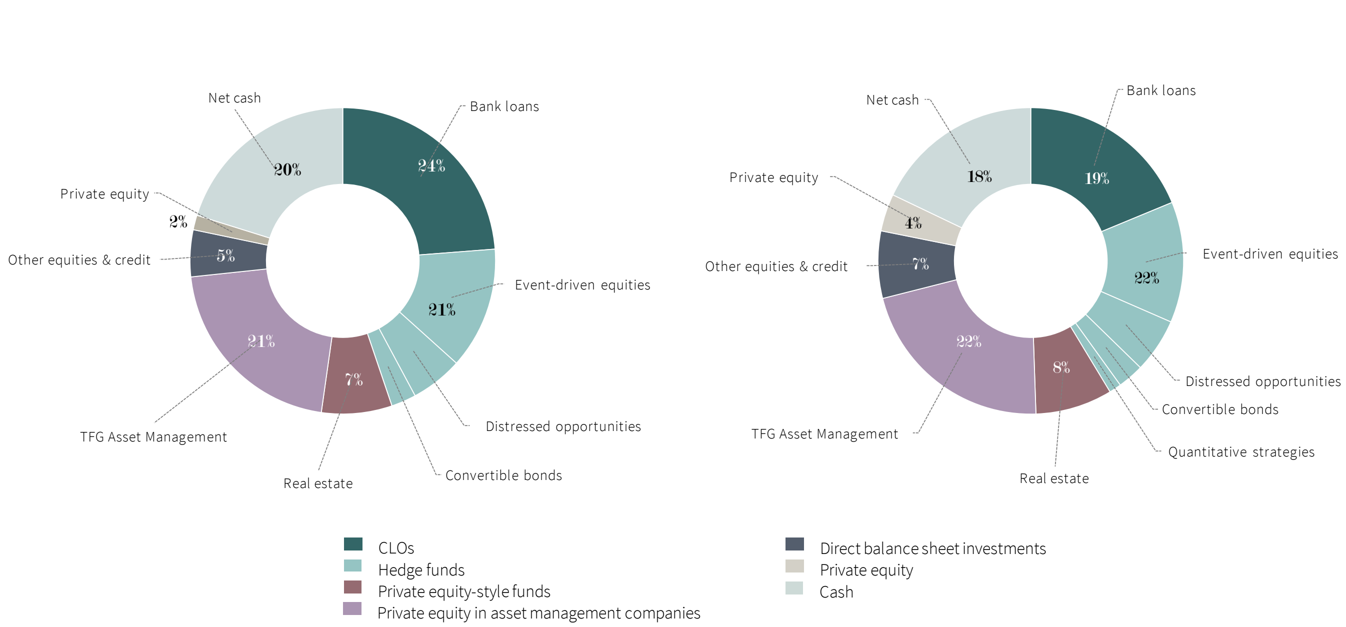
(i) The asset class 'private equity' was previously included within 'other equities and credit'.

(ii) 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. Bank loans and net cash have declined, with all other asset classes marginally increasing their share of NAV. The descriptions outside each chart refer to the asset class or strategy, and the coloured legend shows the structure of the investment vehicle through which Tetragon has made its investments.

FIGURE 8[(i)]



(i) 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, some of 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 by Value as of 31 December 2017

FIGURE 9

	Holding	Asset Class	Investment Structure	Value ($millions)	% of NAV
1	Polygon European Equity Opportunity Fund	Event-driven equities	Hedge fund	234.8	11.8%
2	Equitix	TFG Asset Management	Private equity in asset management company	152.2	7.6%
3	LCM	TFG Asset Management	Private equity in asset management company	144.3	7.2%
4	Polygon Distressed Opportunities Fund	Distressed opportunities	Hedge fund	114.6	5.7%
5	GreenOak Real Estate	TFG Asset Management	Private equity in asset management company	69.6	3.5%
6	TCI II	Bank loans	CLO fund	68.1	3.4%
7	Polygon	TFG Asset Management	Private equity in asset management company	56.0	2.8%
8	Polygon Convertible Opportunity Fund	Convertible bonds	Hedge fund	55.3	2.8%
9	Private investment	Private equity	Direct balance sheet investment	41.9	2.1%
10	GreenOak US II Fund	Real estate	Private equity-style fund	38.7	1.9%
	Total				**48.8%**

Detailed Investment Review

Figure 10 breaks out more detail showing the effect of capital flows and performance gains and losses on the NAV of each asset class during 2017; more detailed commentary for each asset class follows.

FIGURE 10

Asset Class	NAV at 31 Dec 2016 ($ millions)	Additions(i)	Disposals/ Receipts(i)	Gains/ Losses	NAV at 31 Dec 2017 ($ millions)	% of NAV
Bank loans						
U.S. CLOs (LCM)	202.0	45.7	(84.2)	28.4	191.9	9.6%
U.S. CLOs (non-LCM)	210.3	8.3	(114.2)	2.7	107.1	5.4%
TCI II	16.1	58.6	(8.8)	2.2	68.1	3.4%
European CLOs	31.6	2.8	(36.1)	9.0	7.3	0.4%
Event-driven equities						
Polygon European Equity Opportunity Fund	192.9	30.0	-	11.9	234.8	11.8%
Polygon Global Equities Fund	19.5	-	-	0.1	19.6	1.0%
Polygon Mining Opportunity Fund	36.6	-	(35.4)	(1.2)	-	0.0%
Distressed opportunities						
Polygon Distressed Opportunities Fund	106.5	-	-	8.1	114.6	5.7%
Convertible bonds						
Polygon Convertible Opportunity Fund	51.0	-	-	4.3	55.3	2.8%
Quantitative strategies						
QT Fund Ltd	-	25.0	-	0.5	25.5	1.3%
Real estate						
GreenOak U.S. funds & co-investments	52.3	7.4	(8.7)	4.1	55.1	2.8%
GreenOak Europe funds & co-investments	31.7	36.1	(20.5)	0.3	47.7	2.4%
GreenOak Asia funds & co-investments	28.8	12.6	(25.3)	7.8	23.9	1.2%
GreenOak debt funds	3.9	4.9	(3.1)	0.5	6.2	0.3%
Other real estate	27.7	2.1	-	(0.4)	29.4	1.5%
TFG Asset Management						
Equitix	172.5	12.9	(87.4)	54.2	152.2	7.6%
LCM	106.2	-	(1.2)	39.3	144.3	7.2%
GreenOak	67.0	-	(5.8)	8.4	69.6	3.5%
Polygon	59.7	-	-	(3.7)	56.0	2.8%
TCIP	1.6	-	-	6.2	7.8	0.4%
Hawke's Point	0.8	-	-	-	0.8	0.0%
Private equity						
Direct	25.0	15.0	(13.2)	16.8	43.6	2.2%
Funds & co-investments	4.9	36.2	(0.2)	(5.7)	35.2	1.8%
Other equities & credit(ii)						
Other equities	89.0	13.5	(19.2)	24.0	107.3	5.4%
Other credit	6.6	27.7	(19.4)	19.1	34.0	1.7%
Cash						
Net cash(iii)	390.6	-	(39.1)	5.7	357.2	17.9%
Total	**1,934.9**	**338.8**	**(521.8)**	**242.6**	**1,994.5**	**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. For certain contracts for difference (CFD), gross value or required margin is used. Under IFRS, these CFDs are held at fair value which is the unrealised gain or loss at the reporting date.

(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, some of 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. The CLO portfolio (made up of 22 direct transactions that were still outstanding at the end of the year and two investments in CLO investment vehicles underlying the TCIP business) was a steady performer during 2017, with the year characterised by low credit losses in the underlying loan portfolios and spread tightening, for both loans and CLO debt tranches. Tetragon's trailing 12-month loan default rate for its directly held CLO investments ended the year at 1.8%.(1) This compares to the broader U.S. market's default rate of 2.1%, which remains below its recent historical average of 2.7% since the end of 2007.(2) Asset spreads for Tetragon's direct CLO portfolio ended the year at 313 bps over LIBOR (see Figure 30 for more details).

With loan asset and CLO liability spreads falling during the year, Tetragon exercised optional redemption and refinance rights on certain CLO transactions in order to either monetise higher loan prices or to decrease the CLO debt costs of our investments that were still in their reinvestment periods. Tetragon also made new U.S. CLO investments both via the TCIP platform and directly.

We continue to view CLOs as an attractive tool to gain long-term exposure to the bank loan asset class. Furthermore, we believe that taking majority equity positions may allow Tetragon to enhance its returns by controlling optional redemptions, refinancings, indenture amendments, and other certain CLO structural features.

- U.S. CLOs (LCM): LCM CLOs produced $28.4 million of income in 2017 and the fair value of this segment declined by 5%. All LCM CLO transactions were compliant with their junior-most overcollateralisation tests ("O/C") tests as of the end of 2017.(3)

  During 2017, Tetragon exercised optional redemption rights on two LCM CLOs. Tetragon also made investments in the majority of the equity tranche of one new issue LCM-managed CLO during the year and add-on investments in the equity tranche of one LCM-managed CLO that was "reset" (restructuring of an existing CLO that refinances its liabilities and increases the duration of the reinvestment period and structure). Finally, we also refinanced the debt tranches of one LCM-managed CLO during 2017.

  As with non-LCM CLOs, we expect to make most of our new issue LCM CLO equity investments via the TCIP platform, but continue to look for opportunities to optimise the capital structures of existing LCM CLOs (whether through a refinancing of the debt tranches or a "reset") or to make new issue investments directly, when appropriate.

- U.S. CLOs (non-LCM): Non-LCM-managed CLOs generated $2.7 million of income in 2017. The fair value of this segment declined by 46% from the prior year-end, driven by the natural amortisation of deals and our exercise of optional redemption rights. At the end of 2016, pre-crisis CLOs made up over 70% of this segment, compared to 53% at the end of 2017. Such deals were well past the end of their reinvestment periods and significantly de-leveraged. Thus, the fair value gains (income) for such assets were dependent on their net liquidation values, which were, on average, in line with their fair values at the end of 2016, rather than excess spread generation.

  As of the end of 2017, all non-LCM CLOs were compliant with their junior-most overcollateralisation tests.(4)

  Tetragon exercised optional redemption rights on six non-LCM CLOs in 2017, and we continue to expect the fair value of this segment to reduce further in the near term. No new non-LCM investments or "reset" transactions were made by Tetragon directly in 2017.

- TCI II and TCI III: TCI II and TCI III are the CLO investment vehicles established by TCIP, a 100% owned subsidiary of TFG Asset Management. As of 31 December 2017, Tetragon's commitment to TCI II was $70.0 million, which was fully funded by year-end. During 2017, Tetragon's investment in TCI II generated $2.2 million in income.

  TCI II made its final CLO investment in November 2017. With CLO liability spreads tightening dramatically over the year, we believe that TCI II will seek to refinance certain of its transactions' CLO liabilities as their non-call periods end.

  On 18 December 2017, TCIP's newly-established CLO investment vehicle, TCI III, had a first close of $254.8 million. Tetragon's commitment to TCI III was $65.0 million, which was undrawn as of the end of 2017. Shortly before the end of the year, TCI III made a commitment to purchase the majority of the equity tranche of a LCM-managed CLO, which closed on 23 January 2018.

- European CLOs: European CLOs had income of $9.0 million in 2017. As of the end of the year, the total fair value of this segment stood at $7.3 million, down 77% from the end of 2016, as we continued to exercise our optional redemption rights on investments in this segment. As of the end of 2017, all of our European CLOs have sold materially all of their underlying loan assets and we expect to receive our final cash distributions from these investments over the next few months.

(1) Based on the most recent trustee reports available as of 31 December 2017.
(2) Source: S&P/LCD Quarterly Review Q4 2017.
(3) Based on the most recent trustee reports available as of 31 December 2017. Throughout this report, we refer to overcollateralisation or "O/C" tests, which are CLO-specific tests that measure the par amount of underlying CLO collateral (adjusted in certain cases for defaults or other "stressed" asset types) against the par value of the rated CLO debt tranches. The failure of an overcollateralisation test generally results in the temporary cessation of cash flows to the CLO's equity tranche.
(4) Based on the most recent trustee reports available as of 31 December 2017.

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

Tetragon invests in event-driven equities, distressed opportunities, convertible bonds and quantitative strategies through hedge funds. At year-end 2017, these investments are primarily through Polygon-managed hedge funds.

Event-driven equities

- Polygon European Equity Opportunity Fund: This investment, which focuses on event-driven European equity strategies, represents Tetragon's largest position at year end. Tetragon added $30.0 million to this position in Q4 2017. The fund had a strong first half, driven by M&A and corporate restructuring trades; the second half was more challenging as there was some pressure on Greek bank trades, which began to recover in December. News flow at the end of the year was dominated by corporate activity developments in the market. M&A trades remained the largest strategy type in the fund at approximately 43% of the book.

- Polygon Global Equities Fund: Tetragon's allocation to this strategy remains small in relation to its other hedge fund investments. The investment was flat during 2017.

- Polygon Mining Opportunity Fund: The fund completed its liquidation schedule ahead of the targeted timeframe and made its final distribution to investors in November. Tetragon received $35.4 million as a result and had a zero balance in this position at year-end.

Distressed opportunities

- Polygon Distressed Opportunities Fund: The investment in the Distressed Opportunities Fund generated a net income of $8.1 million for the year. After trading flat for most of the year, 2017 net performance in its flagship share class ended up 8.9%, driven by gains in December based on positive events in its position in the Cobalt International Energy strategy.

Convertible bonds

- Polygon Convertible Opportunity Fund: Tetragon's investment in this fund continues to produce consistent, low volatility gains for the portfolio, with a Sharpe ratio of 2.7 from the fund's inception to 31 December 2017. In February 2018, the fund won the 2017 EuroHedge Award in the Convertibles and Volatility category; it is the fifth time it has won this category, having been nominated seven times. In addition, it was nominated for the second time in the Long-Term Performance (5 years): Macro, Fixed Income & Relative Value category.[5] The fund continues to focus on idiosyncratic trades which seek to exploit relative value capital structural mispricings most commonly found in complex, underfollowed, or poorly understood securities.

Quantitative Strategies

- QT Fund Ltd: Tetragon initiated this position in a third party-managed quantitative hedge fund in February 2017. The QT Fund aims to deliver uncorrelated, low volatility returns by developing and deploying systematic data-driven investment strategies and is managed by a team at Credit Suisse. Performance from point of investment through 31 December 2017 is slightly positive.

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 targeting middle-market opportunities in the United States, Europe and Asia, where GreenOak believes it can increase value and produce positive unlevered returns by sourcing off-market opportunities where it sees pricing discounts and market inefficiencies.

- GreenOak U.S. funds and co-investments: In the United States, GreenOak seeks to identify market dislocation and inefficiencies in major coastal gateway cities where it can acquire underperforming assets in dynamic submarkets. Property types have included office, multifamily, retail and hotel properties in New York, Los Angeles, Boston, San Francisco, Washington, D.C. and Miami. In 2017, these investments generated net income of $4.1 million for Tetragon, driven by a combination of the upward revaluation and sales of certain investment properties in U.S. Fund II.

(5) The Polygon Convertible Opportunity Fund won the 2017 EuroHedge Award in the "Convertibles & Volatility" category. There were three other nominees for this award. The Polygon Convertible Opportunity Fund was nominated for the 2017 EuroHedge Award in the "Long Term Performance (5 years) – Macro, Fixed Income & Relative Value" category. There were seven 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 of the nominees in their relevant peer groups. Further information about the award, including nomination and winning criteria, is available at www.hedgefundintelligence.com.

- GreenOak Europe funds and co-investments: GreenOak's Europe-focused products primarily target distressed opportunities and deep value acquisitions in markets with solid underlying fundamentals. The majority of assets acquired by GreenOak's European team since the firm's inception are concentrated in London, Madrid, Barcelona and Milan, with the remaining assets located in other established cities throughout Spain and the United Kingdom. Many of the investments focus on office space and logistics. An increase in value was recognised on a certain Madrid-based commercial property, partially offset by decreased valuation on a London property. Europe Fund II requested an initial capital call from investors, in which Tetragon participated.
- GreenOak Asia funds and co-investments: The Asia-focused GreenOak investments primarily target investment opportunities in Tokyo and other major urban markets in Japan, focusing on balance sheet restructurings and other distress-related factors that motivate sellers. With net income of $7.8 million, Asia-based investments were the most significant drivers of net income for Tetragon's investment gains in real estate during 2017. GreenOak Japan Fund I saw gains from the sale of a certain investment property and from the refinancing of investments in Okinawa-based resort hotels. In Q3 2017, the last remaining investment in Japan Fund I was sold, as was one of the assets in GreenOak Asia II, resulting in distributions to investors, including Tetragon.
- GreenOak debt funds: GreenOak provides loans secured by commercial real estate throughout the United Kingdom and Europe and focuses on transitional assets or locations; repositioning or redeveloping plays; rapid reaction debt; higher leverage loans and subordinated loans. Tetragon's investments in this segment are currently small relative to its other real estate investments; $0.5 million of net income was generated in 2017.
- Other real estate: In addition to the commercial real estate investments through GreenOak-managed real estate funds, Tetragon also has investments in commercial farmland in Paraguay, via individual managed accounts managed by Scimitar, a specialist manager in South American farmland. The loss to date shown in Figure 10 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 $104.4 million during 2017, with positive contributions from most of the businesses.

- Equitix: Tetragon's investment in Equitix made a significant positive contribution of $54.2 million, which reflected a number of factors, including continued strong performance of the business. In July, Equitix Fund IV hit its hard cap and raised £758 million of commitments. Fund IV was selected as one of five "Unlisted Infrastructure Funds to Watch" by the 2017 Preqin Performance Monitor in October.[6] Capital raising assumptions have increased based on Equitix moving ahead of its capital raising target. In addition, market multiples in the sector have moved positively during the year. In Q3 2017, Equitix refinanced its existing external debt, resulting in $87.4 million being distributed to Tetragon. Equitix had limited exposure and impact relating to the Carillion bankruptcy announced in January 2018.
- LCM: LCM was the next most significant contributor with an investment gain of $39.3 million, driven by a combination of factors. A continuation of its ability to issue deals and raise capital, with a lower than market average default rate, combined with a positive move in average market multiples in the sector increased the enterprise value. In addition, there was a positive valuation impact from the reduced federal tax rate in the United States, which became effective on 1 January 2018.
- GreenOak: The investment in GreenOak recorded a gain of $8.4 million, which reflected the crystallisation and distribution of carried interest from early vintage investments as well as continued growth of the business, despite a slight downward trend in market multiples in the sector. GreenOak's performance remained strong through the year, being ahead of budgeted net recurring profit projections.

(6) Equitix Fund IV was named as one of the infrastructure market's likely top-performing funds by the 2017 Preqin Performance Monitor in April 2017. The Fund was selected as one of five 'Unlisted Infrastructure Funds to Watch' with a current multiple of 1.48x. Preqin's Infrastructure Online features net-to-LP performance data for more than 220 named unlisted infrastructure funds. To determine which funds to watch over the coming year, Preqin takes the returns generated by vintage 2014-2016 funds that have at least 20% of their committed capital called up. Of the 38 funds fitting the criteria, the five funds that generated the highest net multiple were selected. Further information about the Preqin "Infrastructure Funds to Watch" is available at https://www.preqin.com/blog/0/18032/infrastructure-funds-to-watch.

- Polygon: Tetragon's investment in Polygon recorded an investment loss of $3.7 million, reflecting the impact on profitability of lower than forecast performance and capital raising.
- TCIP: In May, TCI II had its final close with total capital committed of $350 million, and as at year end, the vehicle has deployed all of its capital. This flowed through to a higher fair value for TCIP, the holding company of the general partners of the vehicles, which increased by $6.2 million. In December, TCI III had a first close of $254.8 million and it is expected that it will start to have a positive impact on valuation from Q1 2018.
- Hawke's Point: The NAV of this business currently remains small, and the valuation is unchanged year on year, although we continue to have a substantial investment commitment to Hawke's Point.

Please see Note 4 in the 2017 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, for further colour on the underlying performance of the asset managers please see Figure 18 for TFG Asset Management's *pro forma* operating results and associated commentary.

Private Equity

As mentioned in the Letter to Shareholders, we have decided to break private equity investments out as a separate asset class, with sub-categories of "fund investments" and "direct". These investments were previously part of the "other equities" line item in Figure 10.

- Direct: Investments in direct private equity stakes generated net income of $16.8 million in 2017. This category currently comprises two investments in growth companies in North America, one of which was partially monetised in 2017.
- Funds: At 31 December 2017, Tetragon had a small (less than 2% of NAV) allocation to investments in various private equity funds, including some managed by third parties and a first investment in Hawke's Point in an early-stage gold miner. This asset class generated a loss of $5.7 million in 2017. New commitments were made in Q4 2017 to two third party-managed funds focusing on technology companies.

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 which it believes are attractive, but may be unsuitable for inclusion in TFG Asset Management vehicles. We believe this ability to invest flexibly is a benefit of Tetragon's structure. This category was a strong performer in 2017, with total net income of $43.1 million.

- Other equities: This segment generated net income of $24.0 million, with all but one of five investments generating positive returns. These investments comprised European-listed public equities; private equity investments, which were previously in this category, have been moved to "private equity: direct".
- Other credit: All three investments in this segment, comprising loans and corporate bonds, generated positive returns in 2017.

Cash

Tetragon's net cash balance, which is cash adjusted for net liabilities, was $357.2 million at 31 December 2017. Approximately 62% of the cash is held in secured arrangements. The remaining balance is held in unsecured arrangements, with Tetragon's operating cash balance 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 2017, the company used $338.8 million of cash to make investments and $47.2 million to pay dividends. Future cash commitments are approximately $286.8 million, comprising: hard and soft investment commitments (GreenOak $126.0 million, Hawke's Point $87.2 million, TCI III $65.0 million and private equity funds $8.6 million).

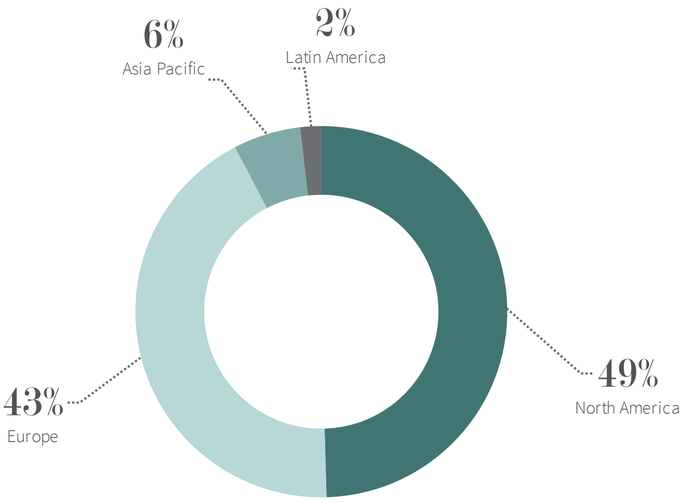
Tetragon currently has a $150.0 million revolving credit facility in place, of which $38.0 million has been drawn.

Further Portfolio Metrics

Geographic Exposure:

FIGURE 11

Geographical Exposure at 31 December 2017



Assumptions:

- Event-driven equities, distressed opportunities, convertible bonds, quantitative strategies, private equity 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, financing 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 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 fluctuates 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 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 bank loans, real estate, equities, credit, convertible bonds, private equity, infrastructure and TFG Asset Management, a diversified alternative asset management business. 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 private equity in 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.

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 private equity-style funds and 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,
6. private equity, through fund investments and direct investments.
7. infrastructure projects through Equitix Holdings Limited;
8. 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.
– These investments may be subject to medium and long-term commitments with restrictions on redemptions or returns of capital.

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.

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 reports against the AIC Corporate Governance Guide for Investment Companies (which incorporates the UK Corporate Governance Code) on a voluntary basis only.

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.

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's shares are not intended for European retail investors. Tetragon anticipates that its typical investors will be institutional and professional investors who wish to invest for the long term in a predominantly income-producing investment and who have experience in investing in financial markets and collective investment undertakings and are capable themselves of evaluating the merits and risks of Tetragon shares and who have sufficient resources both to invest in potentially illiquid securities and to be able to bear any losses (which may equal the whole amount invested) that may result from the investment.

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

PEYTON COLEMAN
OFFICE MANAGEMENT

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. He 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 18 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 (IoD) and of the Guernsey Chamber of Commerce. He 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. He 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. He is based in New York.

READE GRIFFITH

Reade Griffith co-founded the investment manager of Tetragon in 2005 and Polygon in 2002. He is a member of Tetragon's Board of Directors, the head of the investment manager's Investment Committee and Risk Committee, and the CIO of Polygon's European Event-Driven Equities strategy, in addition to other roles. Mr. Griffith 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. Prior to that, he was with Baker, Nye, where he was an analyst working on an arbitrage and special situations portfolio. Mr. Griffith holds an A.B. degree in Economics from Harvard College and a J.D. degree from Harvard Law School. Mr. Griffith is currently a member of the Financial Sector Forum at the Bank of England and the Dean's Advisory Board at Harvard Law School. Mr. Griffith also served as an officer in the U.S. Marine Corps and left as a Captain following the 1991 Gulf War. He is based in London.

PADDY DEAR

Paddy Dear co-founded the investment manager of Tetragon in 2005 and Polygon in 2002. He is a member of Tetragon's Board of Directors and a member of the investment manager's Investment Committee and Risk Committee, in addition to other roles. Mr. Dear was previously a Managing Director and the Global Head of Hedge Fund Coverage for UBS Warburg Equities. Prior to that, 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. He is based in London.

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

The structure, 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 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 holder of Tetragon's voting shares.

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 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.

Compensation

The remuneration for Directors is determined by resolution of the holder of Tetragon's voting shares. 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 Directors' fees. The Directors affiliated with the holder of Tetragon's voting shares have waived their entitlement to a fee. 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. Directors of the Tetragon Master Fund are compensated and reimbursed on the same basis. None of the Directors has a contract with Tetragon or the Tetragon Master Fund providing for benefits upon termination of employment.

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.

TFM'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. (In Tetragon's initial public offering in April 2007, the Hurdle Rate was fixed at 8% per annum for the 12-month period following IPO with it then being adjusted as specified above. The referenced hurdle spread of 2.647858% is the difference between 8% and the average three-month U.S. Dollar LIBOR at 11:00 a.m. London time on the 20 London business days preceding the IPO pricing date.)

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 $13.9 million was accrued in Q4 2017 in accordance with TFG's investment management agreement. The hurdle rate for the Q1 2018 incentive fee has been reset at 4.344788% (Q4 2017: 3.983418%) as per the process outlined above and in accordance with TFG's investment management agreement.

The investment manager (continued)

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 they were previously treated under U.S. GAAP. The result of the foregoing was an increase in NAV and an incentive fee payable of U.S.$25.1 million recognised in previous periods. 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.

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 2017 the total amount recharged to the investment manager was $17.3 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's 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.

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.

The investment manager (continued)

Notes:

(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 2017

The Directors present to the shareholders their report together with the audited financial statements for the year ended 31 December 2017.

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 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 bank loans, real estate, equities, credit, convertible bonds, private equity, infrastructure and TFG Asset Management, a diversified alternative asset management business.

As at 31 December 2017, TFG Asset Management investments consisted of Polygon Global Partners LP and Polygon Global Partners LLP, LCM Asset Management LLC, Equitix Holdings Limited, Hawke's Point Manager LP, Tetragon Credit Income Partners Limited and GreenOak Real Estate LP.

TFG Asset Management LP and Tetragon Financial Management LP, 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 authorised and regulated by the United Kingdom Financial Conduct Authority.

RESULTS, ACTIVITIES AND FUTURE DEVELOPMENTS

The results of operations are set out on page 2 of the Tetragon 2017 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.

DIRECTORS

The Directors who held office during the year were:

Paddy Dear

Rupert Dorey*

Reade Griffith

Frederic Hervouet*

David Jeffreys*

William Rogers Jr.*

*Independent Directors

The remuneration for Directors is determined by resolution of the holder of Tetragon's voting shares. Each of the Director's annual fee is US$ 100,000 as compensation for service on the Board 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 Director's fee.

The Directors have the option to elect to receive shares in Tetragon instead of their quarterly Director's fee. With respect to the year ended 31 December 2017, Frederic Hervouet has elected to receive shares in lieu of his full compensation as director. William Rogers has elected to receive shares in lieu of half of his compensation from Q1 2017. During the year, Frederic Hervouet and William Rogers received 7,879 and 2,938 shares respectively. 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 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 holder of Tetragon's voting shares 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 US$ 0.1725 per share for the Quarter Ended 31 December 2016, US$ 0.1725 per share for the Quarter Ended 31 March 2017, US$ 0.1750 per share for the Quarter Ended 30 June 2017 and US$ 0.1750 per share for the Quarter Ended 30 September 2017. On 26 February 2018, the Directors have declared a dividend amounting to US$ 0.1775 per share for the Quarter Ended 31 December 2017. The total dividend declared for the year ended 31 December 2017 amounted to US$ 0.7000 per share (31 December 2016: US$ 0.6725 per share).

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. Accordingly, the Directors have elected to prepare the financial statements in conformity with International Financial Reporting Standards as adopted by the EU and applicable law.

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

In preparing these 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;
- assess Tetragon's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate Tetragon or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for the keeping of proper accounting records which disclose with reasonable accuracy at any time the financial position of Tetragon and to enable them to ensure that the financial statements comply with the Companies (Guernsey) Law, 2008. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of Tetragon 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 Tetragon's website, and for the preparation and dissemination of the financial statements. Legislation in Guernsey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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.

The financial statements, prepared in accordance with IFRS, give a true and fair view of the assets, liabilities, financial position, results and cash flows of Tetragon as required by the Disclosure Guidance and Transparency Rules ("DTR") 4.1.12R and by the Section 5.25c of the Financial Supervision Act of the Netherlands and are in compliance with the requirements set out in the Companies (Guernsey) Law, 2008 as amended.

The annual report includes a fair review of the information required by DTR 4.1.8R and DTR 4.1.11R of the Disclosure Guidance and Transparency Rules and the Financial Supervision Act of the Netherlands, which provides an indication of important events that have occurred since the end of the financial year and the likely future development of Tetragon and a description of principal risks and uncertainties during the year.

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.

AUDITOR

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

Signed on behalf of the Board of Directors by:

Rupert Dorey, Director
David Jeffreys, Director

Date: 26 February 2018

Directors' Statements

The Directors of Tetragon confirm that (i) this Annual Report constitutes the Tetragon management review for the year ended 31 December 2017 and contains a fair review of that period and (ii) the 2017 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 of Corporate Governance

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. Tetragon's reporting against the principles and recommendations of the AIC Code is also set out on Tetragon's website at www.tetragoninv.com/site-services/aic/aic-code.

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 holder of Tetragon's voting shares 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 holder of Tetragon's voting shares. 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 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 45 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 "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. The Board of Directors conducts an annual assessment of Compliance with the Guernsey Finance Sector Code of Corporate Governance including assessing compliance with requirements for the Board of Directors to comprise 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 holder of Tetragon's voting shares. 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 holder of Tetragon's voting shares 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 42 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 holder of Tetragon's voting shares in accordance with the process disclosed on Tetragon's website and on page 34 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 37 and 38 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 matters, 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 on page 15 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 manager 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.

2017 Financial Review

GREG WADSWORTH
BUSINESS DEVELOPMENT

2017 Financial Review

This section shows consolidated financial data for Tetragon and the Tetragon Master Fund. 2015 comparatives remain as reported in the 2015 Annual Report.

FIGURE 12

Financial Highlights

Tetragon Financial Group Financial Highlights Through 2015 - 2017			
	2017	**2016**	**2015**
Reported GAAP Net income ($MM)	$167.8	$116.5	$127.3
Fair Value Net income ($MM)	$171.3	$125.9	$263.9
Reported GAAP EPS	$1.86	$1.26	$1.31
Fair Value EPS	$1.90	$1.37	$2.72
Fair Value Return on equity	8.9%	6.3%	14.5%
Net Assets ($MM)	$1,994.5	$1,934.9	$1,987.3
GAAP number of shares outstanding (MM)	90.1	87.1	95.9
NAV per share	$22.13	$22.21	$20.73
Fully diluted shares outstanding (MM)	94.6	96.7	104.2
Fully diluted NAV per share	$21.08	$20.01	$19.08
NAV per share total return	9.0%	8.5%	16.0%
DPS	$0.7000	$0.6725	$0.6475

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

- **Net Income ($171.3 million):** This is after making an adjustment to IFRS net income of $3.5 million. Please see Figure 13 for more details and a breakdown of the net income.
- **Return on Equity (8.9%):** Net Income ($171.3 million) divided by Net Assets at the start of the year ($1,934.9 million).
- **Fully Diluted Shares Outstanding (94.6 million):** Adjusts the IFRS or GAAP shares outstanding (90.1 million) for various dilutive factors (4.5 million shares). Please see Figure 28 for more details.
- **EPS ($1.90):** Calculated as Net Income ($171.3 million) divided by the time-weighted average IFRS or GAAP shares during the period (90.0 million).
- **Fully Diluted NAV Per Share ($21.08):** Calculated as Net Assets ($1,994.5 million) divided by Fully Diluted Shares Outstanding (94.6 million).

Consolidated Statement of Comprehensive Income

FIGURE 13

Tetragon Financial Group Consolidated Statement of Comprehensive Income Total Year 2016 - Total Year 2017	**2017 ($millions)**	**2016 ($millions)**
Net gain on financial assets at fair value through profit or loss	247.9	167.5
Net (loss) / gain on derivative financial assets and liabilities	(11.0)	14.9
Other income	5.7	1.7
Investment income	**242.6**	**184.1**
Management and incentive fees	(61.8)	(49.8)
Other operating and administrative expenses	(6.4)	(6.9)
Interest expense	(3.1)	(1.5)
Total operating expenses	**(71.3)**	**(58.2)**
Net income	**171.3**	**125.9**

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

For 2017, the difference between net income as shown here and IFRS net income on a consolidated basis is the removal of share-based compensation of $3.5 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 2016 comparative column reflects the IFRS net income on a consolidated basis also adjusted to remove share-based compensation expense of $9.4 million.

During the period, an incentive fee of $32.2 million was expensed, of which $13.9 million remains outstanding at 31 December 2017.

Consolidated Statement of Financial Position

FIGURE 14

Tetragon Financial Group Consolidated Statement of Financial Position as at 31 December 2016 and 31 December 2017		
	2017 ($millions)	**2016 ($millions)**
ASSETS		
Investments	1,583.4	1,487.4
Cash and cash equivalents	395.5	425.2
Amounts due from brokers	57.2	51.0
Derivative financial assets	17.4	22.2
Other receivables	2.1	0.6
Total assets	**2,055.6**	**1,986.4**
LIABILITIES		
Other payables and accrued expenses	(16.5)	(9.4)
Loans and borrowings	(38.0)	(38.0)
Derivative financial liabilities	(6.6)	(4.1)
Total Liabilities	**(61.1)**	**(51.5)**
NET ASSETS	**1,994.5**	**1,934.9**

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 $30.0 million (2016: $32.6 million) and decreasing investments by $30.0 million (2016: $32.6 million). This treatment is consistent with how Tetragon has reported these investments in prior periods. The net assets of $1,994.5 million are after accruing for an incentive fee of $13.9 million.

Other Information

MAUREEN WAINWRIGHT
RESEARCH

TFG Asset Management

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 2017, TFG Asset Management comprised LCM, the GreenOak joint venture, Polygon, Equitix, Hawke's Point, TCIP and TCICM. TFG Asset Management has approximately $23.0 billion of AUM[1] and approximately 300 employees globally. Each of the asset managers on the platform is privately held.

FIGURE 15[1]

LCM™	LCM Asset Management – a CLO asset management company. **$6.5 billion**
GREENOAK™	The GreenOak Real Estate joint venture – a real estate-focused principal investing, lending and advisory firm. **$7.6 billion**
POLYGON™	Polygon Global Partners – a manager of open-ended hedge fund and private equity vehicles across a number of strategies. **$1.6 billion**
equitix™	Equitix – an integrated core infrastructure asset management and primary project platform. **$3.6 billion**
HAWKE'S POINT™ MINING FINANCE	Hawke's Point – an asset management company focused on mining finance that seeks to provide capital to companies in the mining and resource sectors. **$7.5 millon**
TCIP™	Tetragon Credit Income Partners (TCIP) – the holding company of the general partner entities of two private equity vehicles focusing on CLO investments, including majority stakes in CLO equity tranches. **$0.6 billion**
TCICM™	TCI Capital Management LLC (TCICM) – a CLO loan management business.[2] **$3.1 billion**

$23B

ASSETS UNDER MANAGEMENT[2]
31 December 2017

OFFICE LOCATIONS
London | New York
Plus GreenOak locations

300

APPROX HEADCOUNT
Including GreenOak

GLOBAL OPERATING PLATFORM

(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. AUM 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 Global Equities Master Fund, Polygon Distressed Opportunities Master Fund, Equitix, TCI II, TCI III and TCICM as calculated by the applicable administrators for value date 31 December 2017. 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 assets under management of several investment advisers, including Tetragon Asset Management
L.P., and GreenOak, each of which is an investment manager registered under the U.S. Investment Advisers Act of 1940. Figures for GreenOak and TCIP 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.

(2) TCICM consists of TCI Capital Management II LLC and TCI Capital Management LLC, both of which are CLO managers.

TFG Asset Management Overview

Figure 16 shows the breakdown of the AUM by business and Figure 17 depicts the growth of that AUM over the last five years. AUM for TFG Asset Management as of 31 December 2017 totalled approximately $23.0 billion.(i)

FIGURE 16(i)
TFG Asset Management AUM by Business
at 31 December 2017 ($billions)

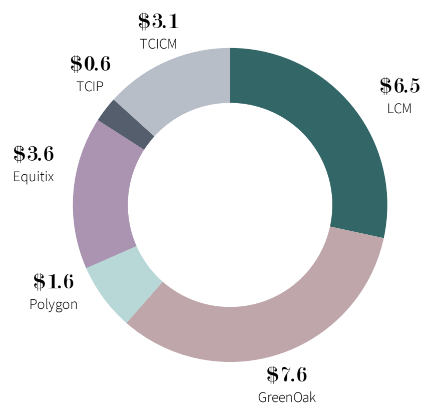
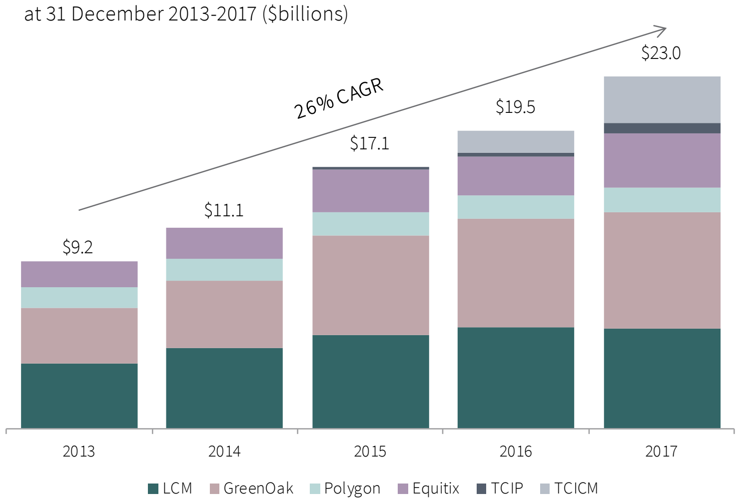


FIGURE 17(i)
TFG Asset Management AUM
at 31 December 2013-2017 ($billions)



(i) Please see Note 1 on page 57.

FIGURE 18

Tetragon Financial Group
TFG Asset Management Pro Forma Statement of Operations (excluding GreenOak)(i)

	2017 ($millions)	2016 ($millions)	2015 ($millions)
Management fee income	74.8	64.9	55.0
Performance and success fees(ii)	45.8	55.1	52.1
Other fee income	12.4	16.3	19.1
Interest income	4.1	2.7	2.4
Total income	**137.1**	**139.0**	**128.6**
Operating, employee and administrative expenses	(83.5)	(83.3)	(75.4)
Minority interest	(7.4)	(8.7)	(6.6)
Net income - "EBITDA equivalent"	**46.2**	**47.0**	**46.6**

(i) This table includes the income and expenses attributable to Tetragon's majority owned businesses, Polygon, LCM, Equitix, Hawke's Point and TCIP 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 is or 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 pays a mix of full and preferred fees on its investments in TFG Asset Management-managed investment vehicles. Tetragon pays full management and performance fees on its investments in the open Polygon funds. 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 18 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. The fee income includes some amounts which were earned on capital invested in certain funds by Tetragon. During 2017, this included $7.2 million of management fees and $4.7 million of performance and success fees.
- **EBITDA:** In 2017, TFG Asset Management's EBITDA was $46.2 million, compared with $47.0 million for 2016, i.e. fairly flat year on year. Underpinning the EBITDA was a continued improvement in the quality of income on both an absolute and relative basis, with management fees now representing 55% of total income compared to 47% in the prior year.
- **Management fee income:** Management fee income continued to grow, increasing by 15% year on year, with all of the businesses contributing to this growth. Of note, Equitix management fee income increased by 20% as AUM continued to grow, TCIP started earning fees as capital was put to work in TCI II, and Hawke's Point also started to earn management fees. The combined increase in fees across these three businesses was responsible for approximately 80% of the uptick. Polygon management fees also increased as a result of a number of factors, including an increase in AUM. As of 1 May 2017, Tetragon pays full fees on its investments in the Polygon European Equity Opportunity Fund, Polygon Convertible Opportunity Fund and Polygon Distressed Opportunities Fund.
- **Performance and success fees:** Unlike management fee income, performance and success fees can be quite volatile in nature and subject to timing differences. Equitix primary fee income declined by $3.6 million, which reflects partly timing and partly a reduction in the number of closed transactions. Polygon performance fees were $2.8 million lower, reflecting lower performance in the two largest funds, whilst LCM performance fees were also down $2.7 million. CLO performance fees are typically back-ended and subject to an IRR hurdle, so this stream is particularly variable.
- **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 segment continued to decline as these transactions amortised down, accounting for the $1.5 million decline in the "other fee income" category. "Other fee income" also includes certain cost recoveries from Tetragon relating to seeded Polygon hedge funds. The cost recoveries decreased by $3.5 million during the year, largely due to Tetragon migrating to paying full management fees (see the "management fee income" section above). Partially offsetting these decreases, income generated by Equitix on certain management services contracts increased period on period as this business continued to grow.
- **Operating expenses:** These were slightly lower than the reported number for 2016, although most expense lines were broadly similar. In terms of compensation expense, however, there was a slight shift from bonus to base, reflecting both headcount growth in the Equitix business as well a reduction in discretionary bonuses in certain businesses.

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 2017, unless otherwise stated.

Description of Business

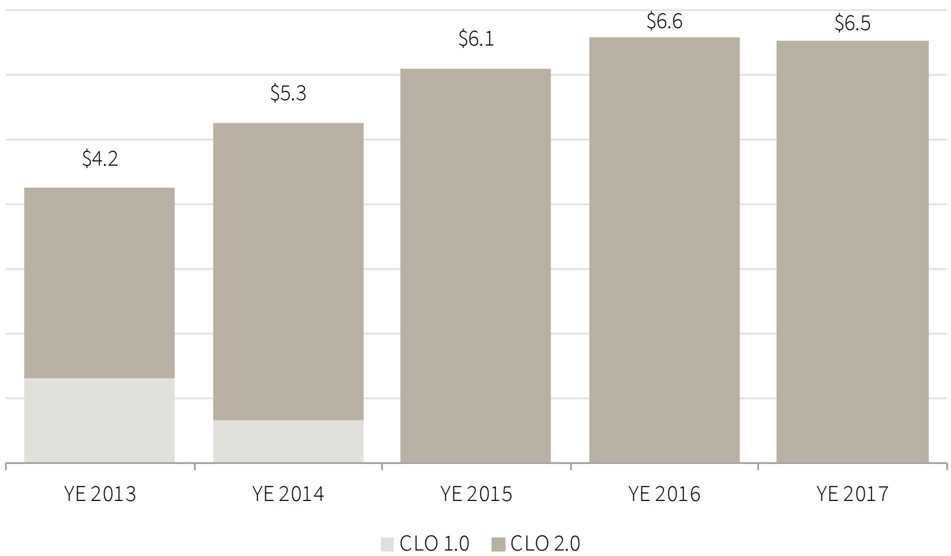
LCM™

- 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.
- Currently, LCM manages loan assets exclusively through CLOs, which are long-term, multi-year investment vehicles. The typical duration of a CLO, and thus LCM's management fee stream, depends on, among other things, the term of its reinvestment period (currently typically four to five years for a new issue CLO), the prepayment rate of the underlying loan assets, as well as post-reinvestment period reinvestment flexibility and weighted average life constraints.
- Further information on LCM is available at www.lcmam.com.

FIGURE 19

LCM AUM History(i) ($billions)

LCM's AUM was $6.5 billion at 31 December 2017.



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

Products

- LCM currently manages 16 CLOs.

Description of Business

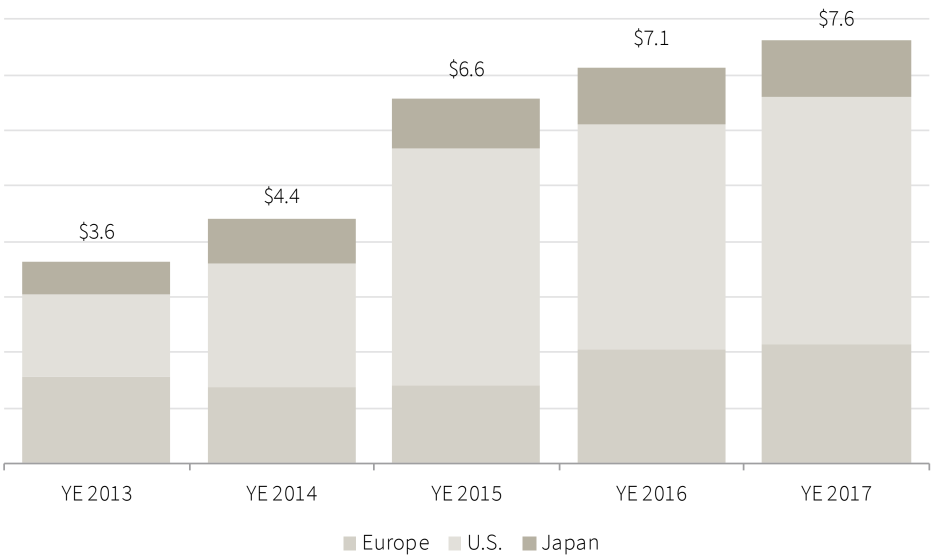
GREENOAK™

- 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 20

GreenOak AUM History(i) ($billions)

GreenOak's AUM was $7.6 billion at 31 December 2017.



(i) Includes investment funds and advisory assets managed by GreenOak at 31 December 2017. Tetragon owns a 23% stake in GreenOak. AUM includes all third-party interests and total projected capital investment costs.

Products

- Europe Fund I (Spain)
- Europe Fund II
- Europe Senior Debt Fund
- UK Active Income Fund
- UK Senior Debt Fund
- UK Senior Debt Fund II
- Japan Fund I
- Asia Fund II
- U.S. Fund I
- U.S. Fund II
- U.S. Fund III
- U.S. Core Plus Fund
- Global advisory
- Grafton Partners
- Co-investment vehicles

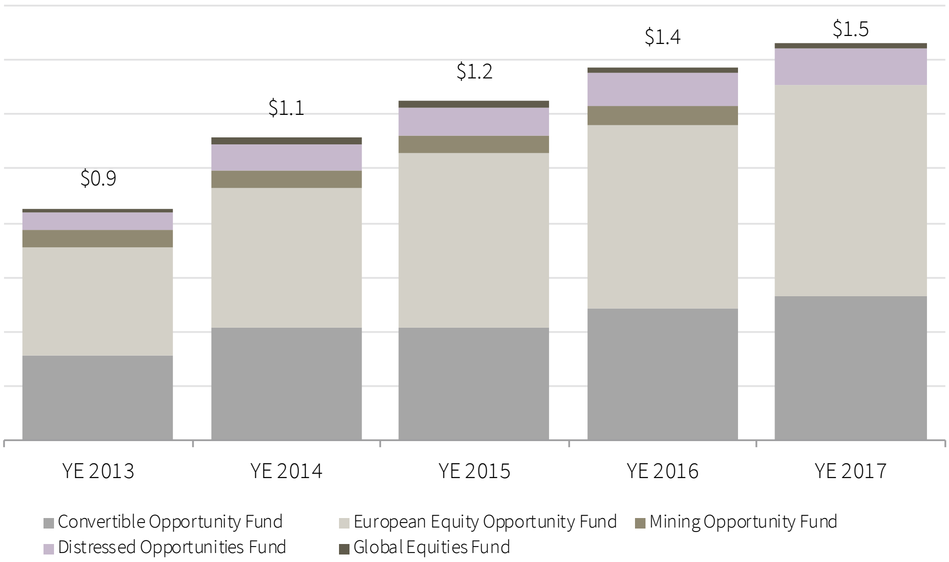
Description of Business

- 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 21

Polygon AUM History(i) ($billions)

Polygon's AUM was $1.6 billion for all funds and $1.5 billion for open strategies at 31 December 2017.



(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 2013, 2014, 2015, 2016, and 31 December 2017. Includes, where relevant, investments by the Tetragon Master Fund. The Polygon Mining Opportunity Fund was closed in Q4 2017.

FIGURE 22

Polygon Funds Summary*

Fund	AUM at 31 Dec 2017 ($millions)(1)	2017 Net Performance	Annualised Net LTD Performance
Convertible Opportunity Fund(2)	532.5	7.9%	15.4%
European Equity Opportunity Fund(3)	777.4	5.4%	10.0%
Distressed Opportunities Fund(4)	133.1	8.9%	7.6%
Global Equities Fund5)	22.4	6.8%	12.4%
Total AUM - Open Funds	**1,465.5**		**Estimated approx. LTD multiple**
Recovery Fund(6)	130.0	NA	1.91x
TOTAL AUM	**1,595.5**		

**Please see the next page for important 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. For each of the funds shown, the return and AUM figures are final values as calculated by the applicable fund administrator. All performance numbers provided herein reflects the actual net performance of each fund net of management and performance fees, as well as any commissions and direct expenses incurred by each 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.

(2) The Polygon Convertible Opportunity Fund began trading with Class B shares, which carry no incentive fees, on 20 May 2009. Class D shares of the Fund were first issued on 1 July 2017 and returns from inception through June 2017 have been *pro forma* adjusted to match the Fund's Class D 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).

(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.

(4) 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).

(5) 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.

(6) 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 2019. 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. PRF's P&L for 2017 was +$23.1 million (excluding FX); FX movements accounted for +10.5 million, and net P&L was therefore +$33.7 million; P&L life-to-date (from closing date March 2011 net asset value) was $162.6 million (excluding FX); FX movements accounted for ($36.8) million, and net P&L was therefore up $125.8 million. PRF is generally precluded from hedging FX exposure. The fund has made life to date distributions of approximately $710 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 1.79 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.

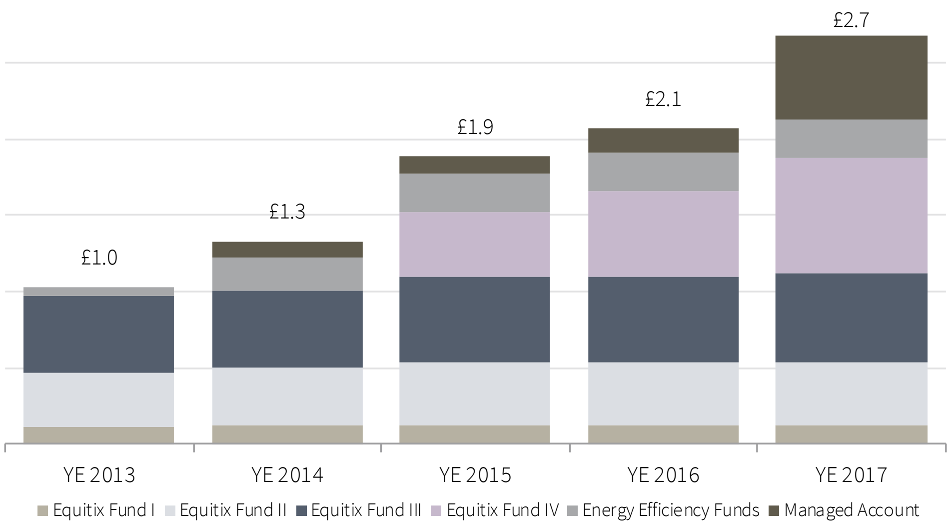
Description of Business

- 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 and street lighting, offshore transmission and renewable and waste sectors.
- Further information on Equitix is available at www.equitix.co.uk.

FIGURE 23

Equitix AUM History (£billions)

Equitix's AUM was £2.7 billion ($3.6 billion) at 31 December 2017.(i)



(i) USD-GBP exchange rate at 31 December 2017.

Products

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

TFG Asset Management Company Overviews (continued)

Description of Business

HAWKE'S POINT™
MINING FINANCE

- Hawke's Point is an asset management company focused on mining finance that seeks to provide capital to companies in the mining and resource sectors.
- Hawke's Point was established in 2014 and is based in London and New York.
- Tetragon owns 100% of the business.
- Hawke's Point invested in its first mine financing project in an early stage gold miner in Q1 2017.

Hawke's Point AUM

Hawke's Point's AUM was $7.5 million at 31 December 2017.

Description of Business

TCIP™

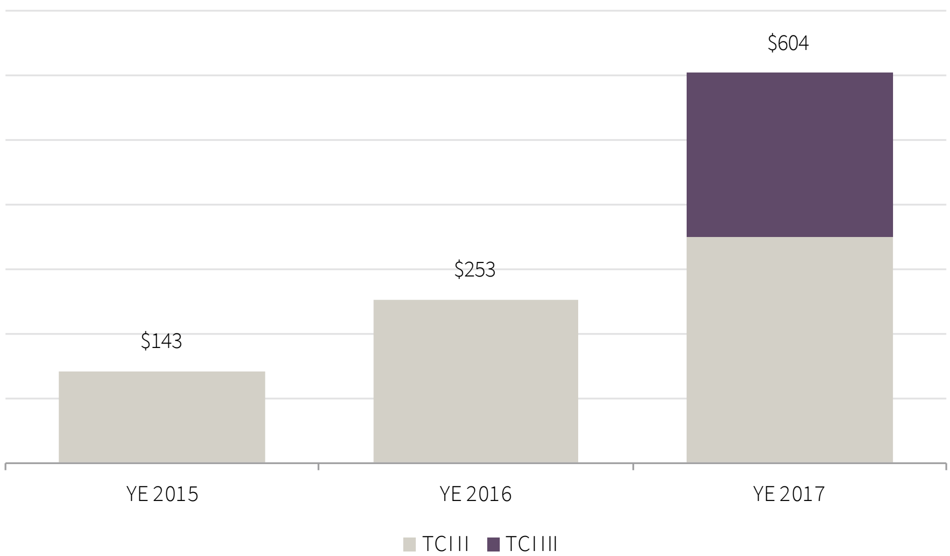
- TCIP is the holding company of the general partner entities of certain private equity vehicles focusing on CLO investments, including majority stakes in CLO equity tranches.[i]
- The business was established at the end of 2015 and is managed out of New York and London.
- Tetragon owns 100% of the business.
- TCIP currently owns two entities, which act as general partner of Tetragon Credit Income II L.P. (TCI II) and Tetragon Credit Income III L.P. (TCI III) respectively. TCIP focuses on CLO investments, including majority stakes in CLO equity tranches of transactions managed by LCM or sub-advised by third-party CLO managers. The vehicles are structured with a management fee and carried interest over a preferred return (and in the case of TCI II solely on non-LCM investments) with multi-year investment period and a term of seven years (subject to potential extensions and otherwise as required by applicable regulatory requirements).
- TCI II and TCI III invest in CLOs managed by LCM and TCICM.
- Further information on TCIP 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/bank-loans-via-clos.

FIGURE 24

TCIP Committed Capital History ($millions)

TCI II and TCI III's total committed capital was $604.4 million in aggregate at 31 December 2017.



Products

- Tetragon Credit Income II L.P.
- Tetragon Credit Income III L.P.

Description of Business

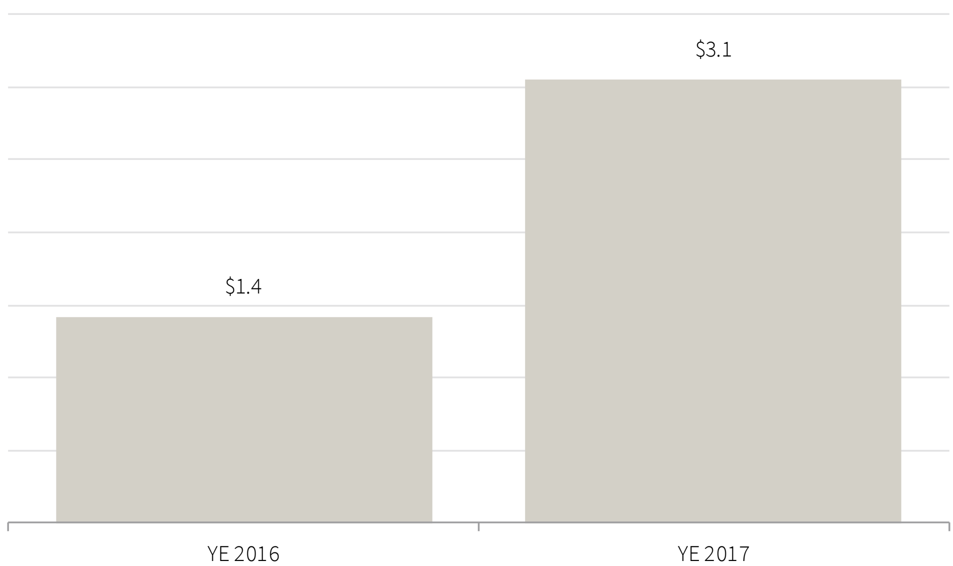
TCICM™

- The TCICM business is a specialist in below-investment grade U.S. broadly-syndicated leveraged loans. TCICM consists of TCI Capital Management II LLC, which was established as a Delaware limited liability company in November 2015 and is a subsidiary of Tetragon Credit Income II L.P and TCI Capital Management LLC, which was established as a Delaware limited liability company in September 2017. The TCICM business acts as a CLO collateral manager for certain CLO investments. It utilises, and has access to, the TFG Asset Management platform, including personnel from Polygon and LCM.
- Tetragon owns 100% of the business.
- 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 TCICM is available at www.tetragoninv.com.

FIGURE 25

TCICM AUM History(i) ($billions)

As of 31 December 2017, TCICM had AUM of approximately $3.1 billion.(i)



(i) Includes, where relevant, investments from TCI II and TCI III. 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.

Products

- TCICM currently manages six 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 a major contributor to Syncona Limited ("Syncona", formerly known as BACIT Limited) a UK-based charitable investment vehicle.(1) Syncona is a leading FTSE 250 company focused on investing in and building global leaders in life science. The company states that their vision is "to deliver transformational treatments to patients in truly innovative areas of healthcare while generating attractive returns for shareholders." Their current investment portfolio consists of seven investee companies in life science and a range of fund investments, with the statement, "Our funds portfolio seeks to generate superior returns by investing in long only and alternative investment funds. This represents a productively deployed evergreen funding base, which enables us to take a long-term approach to investing in life science as we target the best new opportunities and support our existing portfolio investee companies to grow and succeed." Syncona is aligned with two of the premium charitable funders in UK science, The Wellcome Trust, original founder of Syncona, and Cancer Research UK, both of which are significant shareholders in their business. Syncona donates 0.3% of its Net Asset Value to a range of charities each year. 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.

(1) As of Syncona's Interim Results Report, 22 November 2017.

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 Standards Board for Alternative Investments (SBAI)

TFG Asset Management's Polygon business is a member of the Alternative Investment Management Association and is a signatory of the Standards of the Standards Board for Alternative Investments (formerly known as 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 manages the Energy Efficiency 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. The target of this fund is to reduce GHG emissions by at least one tonne CO_2e per £2,000 invested. 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.

Share Repurchases & Distributions

Tetragon Share Repurchase History

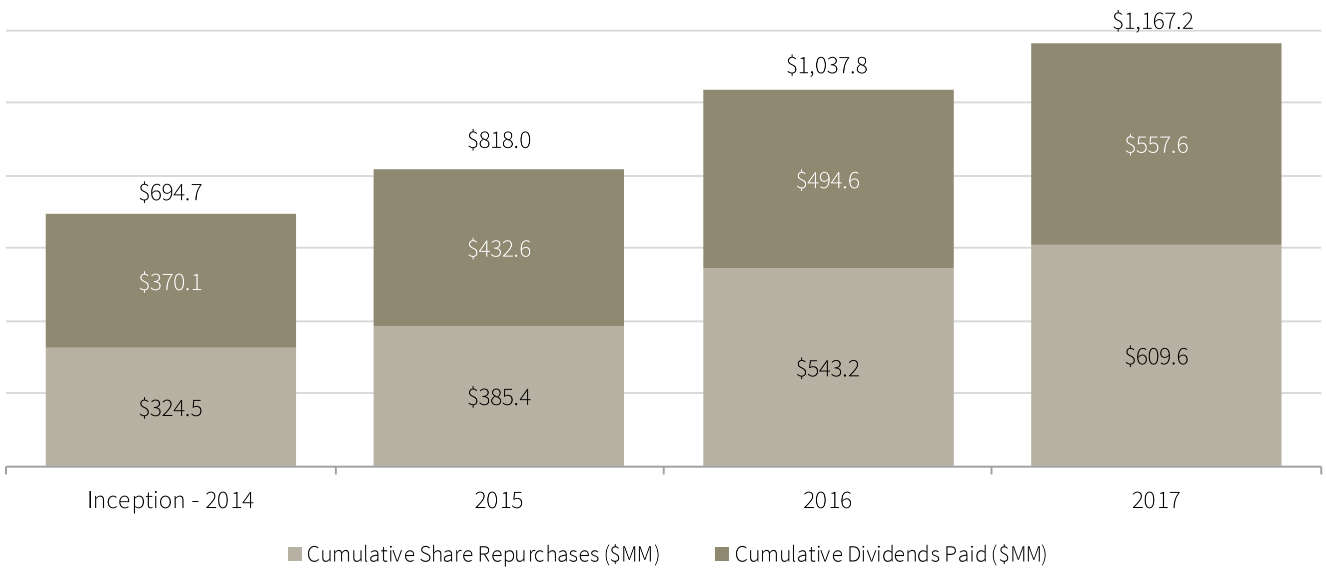
FIGURE 26

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
2017	$66.4	$609.6	4.9	66.9
TOTAL	**$609.6**		**66.9**	

Share Repurchases and Dividend Distributions

The below graph shows cumulative historical share repurchases and dividends distributed by Tetragon from inception to 31 December 2017 in millions of U.S. dollars.[1]

FIGURE 27



(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. Cumulative dividends paid includes the cash and stock dividends paid to shareholders, but excludes dividends declared on shares held in escrow.

Share Reconciliation and Shareholdings

FIGURE 28[1]

IFRS to Fully Diluted Shares Reconciliation	2017 shares (millions)
Legal Shares Issued and Outstanding	**139.7**
Less: Shares Held in Treasury	41.3
Less: Total Escrow Shares[1.i]	8.3
IFRS Shares Outstanding	**90.1**
Add: Dilution for Share Options[1.ii]	0.6
Add: Certain Escrow Shares[1.iii]	2.1
Add: Dilution for equity-based awards[1.iv]	1.8
Fully Diluted Shares Outstanding	**94.6**

Shareholdings

Persons affiliated with Tetragon maintain significant interests in Tetragon shares. For example, as of 31 December 2017, the following persons own (directly or indirectly) interests in shares in Tetragon in the amounts set forth below:

FIGURE 29

Individual	Shareholding at 31 December 2017
Mr. Reade Griffith	11,868,998
Mr. Paddy Dear	4,044,303
Mr. David Wishnow	749,144
Mr. Jeff Herlyn	575,883
Mr. Michael Rosenberg	575,080
Mr. Rupert Dorey[2]	160,812
Mr. Frederic Hervouet	50,574
Mr. William Rogers	3,938
Other Tetragon/Polygon Employees	2,380,292
Equity-based awards[3]	5,535,163

(1.i) The Total Escrow Shares of 8.3 million consists of 6.2 million shares held in a separate escrow account in relation to equity-based compensation; 2.1 million shares held in a separate escrow account relating to deferred incentive fees payable to the manager.

(1.ii) 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 0.6 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) 977,058 (being a number of shares subject to the options). This approach has been selected because this reflects the way in which the options have been exercised to date. Should the GreenOak Founders all separately choose to exercise and settle the gross amount of shares, the dilution amount would be 1.0 million shares.

(1.iii) This comprises 2.1 million shares held in a separate escrow account relating to deferred incentive fees payable to the manager.

(1.iv) Dilution in relation to equity-based awards by TFG Asset Management for certain senior employees. At the reporting date, this was 1.8 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. 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. 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.

(2) Includes amounts held by children in a shared household.

(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 30

Tetragon's CLO Portfolio Details at 31 December 2017

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 2	EUR CLO	Wound Down	Primary	29.7	2006	2023	2013	NA	52	NA	NA	3.6%	NA	9.8%	148.2%
Transaction 5	EUR CLO	Called	Primary	36.9	2007	2022	2014	NA	60	NA	NA	5.7%	NA	11.5%	199.6%
EUR CLO Subtotal:				66.5				NA	56	NA	NA	4.8%	NA	10.7%	176.7%
Transaction 13	U.S. CLO	Wound Down	Primary	15.2	2006	2018	2012	NA	47	NA	NA	4.8%	NA	23.0%	293.9%
Transaction 14	U.S. CLO	Wound Down	Primary	26.0	2007	2021	2014	NA	49	NA	NA	5.6%	NA	20.2%	261.7%
Transaction 15	U.S. CLO	Called	Primary	28.1	2007	2021	2014	NA	52	NA	NA	4.2%	NA	32.1%	346.5%
Transaction 32	U.S. CLO	Called	Primary	24.0	2007	2021	2014	NA	59	NA	NA	5.6%	NA	23.4%	249.9%
Transaction 47	U.S. CLO	Outstanding	Primary	28.3	2006	2021	2013	360	47	148	7.8%	4.3%	0.3%	23.8%	260.8%
Transaction 61	U.S. CLO	Outstanding	Primary	29.1	2007	2021	2014	353	45	271	24.5%	4.0%	1.9%	18.1%	204.9%
Transaction 68	U.S. CLO	Outstanding	Primary	19.3	2006	2020	2013	244	48	123	27.5%	4.4%	2.1%	30.1%	321.8%
Transaction 69	U.S. CLO	Outstanding	Primary	28.2	2007	2019	2013	215	44	365	NA	5.6%	NA	28.8%	290.5%
Transaction 78	U.S. CLO	Outstanding	Primary	22.9	2012	2023	2015	257	217	228	8.6%	4.0%	0.8%	15.4%	113.6%
Transaction 81	U.S. CLO	Outstanding	Primary	21.7	2012	2024	2016	287	216	217	6.5%	4.0%	0.5%	6.1%	72.7%
Transaction 82	U.S. CLO	Called	Primary	25.4	2012	2022	2016	NA	206	NA	NA	4.0%	NA	10.9%	141.4%
Transaction 83	U.S. CLO	Outstanding	Primary	20.8	2013	2029	2021	341	193	215	4.2%	6.2%	(0.4%)	13.2%	87.0%
Transaction 84	U.S. CLO	Outstanding	Primary	24.6	2013	2027	2021	322	183	199	4.0%	4.0%	0.0%	19.4%	101.4%
Transaction 85	U.S. CLO	Outstanding	Primary	1.0	2013	2025	2017	316	170	175	5.5%	5.0%	0.1%	8.9%	87.9%
Transaction 87	U.S. CLO	Outstanding	Primary	23.0	2013	2026	2018	338	199	176	2.2%	4.0%	(0.5%)	4.4%	68.1%
Transaction 88	U.S. CLO	Outstanding	Primary	30.1	2014	2030	2022	320	199	179	3.9%	4.0%	(0.0%)	14.5%	74.6%
Transaction 96	U.S. CLO	Outstanding	Secondary	2.7	2017	2030	2022	320	199	179	3.9%	3.0%	1.4%	10.8%	7.1%
Transaction 97	U.S. CLO	Outstanding	Primary	9.9	2017	2030	2022	320	178	179	3.9%	3.9%	(0.1%)	12.9%	8.2%
Transaction 89	U.S. CLO	Outstanding	Primary	33.6	2014	2026	2018	315	195	146	3.0%	4.0%	(0.3%)	14.6%	73.2%
Transaction 90	U.S. CLO	Outstanding	Primary	20.7	2014	2026	2018	326	203	178	3.7%	4.0%	(0.1%)	13.0%	61.3%
Transaction 91	U.S. CLO	Outstanding	Primary	27.8	2015	2027	2019	321	215	208	3.0%	4.0%	(0.4%)	11.5%	54.4%
Transaction 92	U.S. CLO	Outstanding	Primary	34.6	2015	2027	2020	320	199	199	3.6%	4.0%	(0.2%)	13.0%	49.4%
Transaction 93	U.S. CLO	Outstanding	Secondary	6.1	2015	2027	2019	321	215	208	3.0%	3.6%	(0.2%)	11.4%	35.6%
Transaction 94	U.S. CLO	Outstanding	Secondary	6.6	2014	2026	2018	315	215	146	3.0%	3.3%	(0.1%)	14.2%	35.5%
Transaction 95	U.S. CLO	Outstanding	Primary	2.6	2016	2029	2022	336	194	194	4.4%	4.4%	(0.1%)	11.7%	13.1%
Transaction 98	U.S. CLO	Outstanding	Primary	33.2	2017	2030	2022	327	178	178	4.6%	4.5%	0.1%	12.6%	12.6%
Transaction 99	U.S. CLO	Outstanding	Primary	8.3	2017	2030	2022	356	164	164	4.5%	4.5%	(0.0%)	11.8%	0.0%
U.S. CLO Subtotal:				553.7				313	145	200	7.0%	4.4%	0.2%	17.0%	142.1%
Total CLO Portfolio:				620.2				313	135	200	7.0%	4.4%	0.2%	16.3%	145.8%

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.

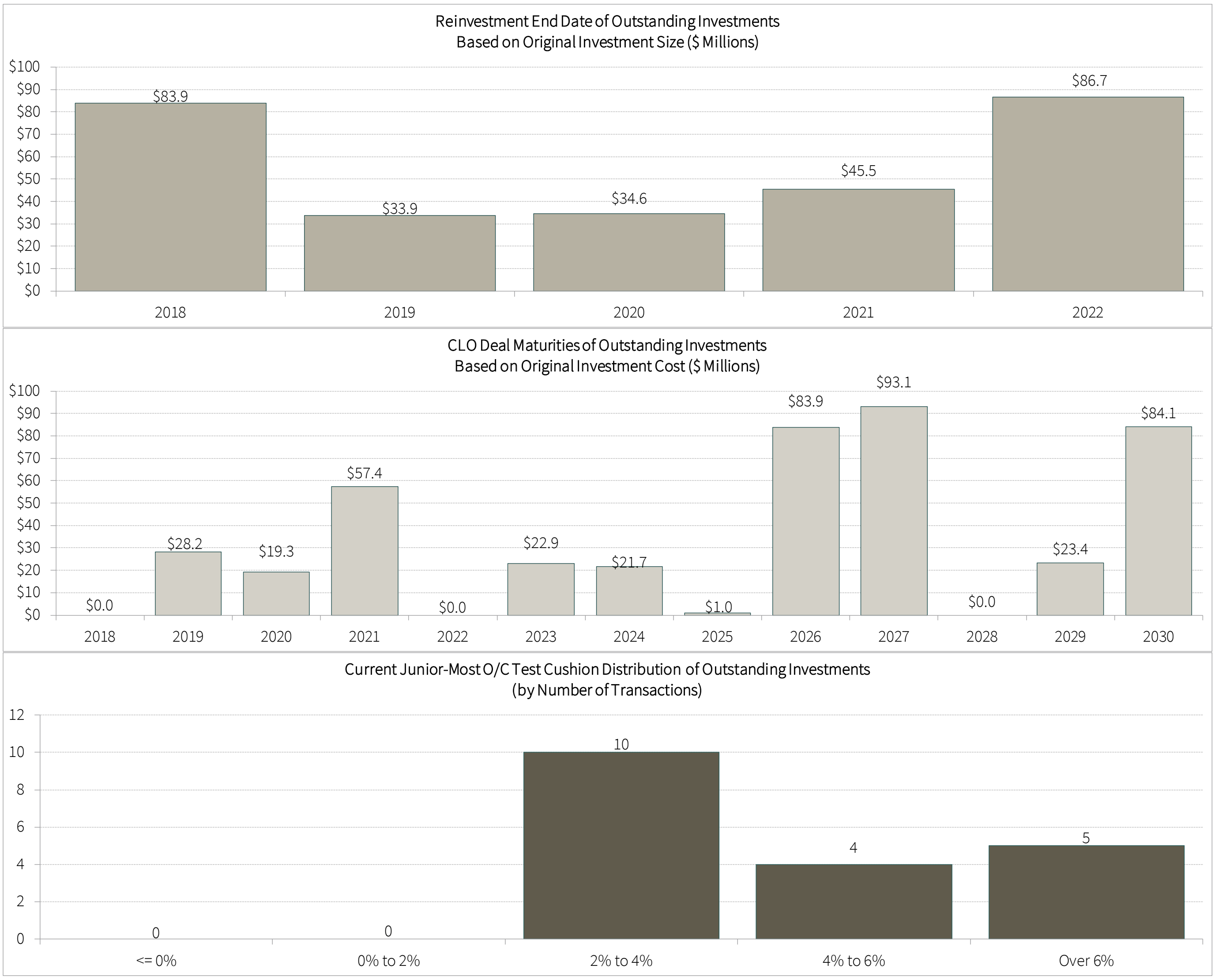
(ix) The junior-most O/C cushion at close is the excess (or deficit) of the junior-most O/C test ratio over the test requirement that was expected on each deal's closing date (or date of purchase, if later). Please note that two of Tetragon's investments are so called "par structures" which don't include 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.

FIGURE 31


Reinvestment End Date of Outstanding Investments
Based on Original Investment Size ($ Millions)
$100
$90
$80
$70
$60
$50
$40
$30
$20
$10
$0
$83.9
$33.9
$34.6
$45.5
$86.7
2018
2019
2020
2021
2022
CLO Deal Maturities of Outstanding Investments
Based on Original Investment Cost ($ Millions)
$0.0
$28.2
$19.3
$57.4
$0.0
$22.9
$21.7
$1.0
$83.9
$93.1
$0.0
$23.4
$84.1
2018
2019
2020
2021
2022
2023
2024
2025
2026
2027
2028
2029
2030
Current Junior-Most O/C Test Cushion Distribution of Outstanding Investments
(by Number of Transactions)
12
10
8
6
4
2
0
0
0
10
4
5
<= 0%
0% to 2%
2% to 4%
4% to 6%
Over 6%

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.

Tetragon's shares are not intended for European retail investors. Tetragon anticipates that its typical investors will be institutional and professional investors who wish to invest for the long term in a predominantly income-producing investment and who have experience in investing in financial markets and collective investment undertakings and are capable themselves of evaluating the merits and risks of Tetragon shares and who have sufficient resources both to invest in potentially illiquid securities and to be able to bear any losses (which may equal the whole amount invested) that may result from the investment.

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 TFM).

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 2017, approximately 1.8 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
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Auditors
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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)
Covington & Burling LLP
The New York times Building
620 Eighth Avenue
New York, NY 10018-1405
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

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.

Audited Financial Statements

ASEEM GARG
RISK MANAGEMENT

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

Our opinion is unmodified

We have audited the financial statements (the "Financial Statements") of Tetragon Financial Group Limited (the "Company"), which comprise the Statement of Financial Position as at 31 December 2017, the Statement of Comprehensive Income, the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements:

- give a true and fair view of the financial position of the Company as at 31 December 2017, and of the Company's financial performance and the Company's cash flows for the year then ended;
- are prepared in accordance with International Financial Reporting Standards as adopted by the EU ("IFRS"); and
- comply with the Companies (Guernsey) Law, 2008.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including FRC Ethical Standards as applied to listed entities. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Key Audit Matters: our assessment of the risks of material misstatement

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

(continued on next page)

The key audit matter	Our response
Valuation of Financial Asset at fair value through profit or loss classified as Level 3 $2,008.4 Million (2016: $1,942.0 Million) (Refer to Note 2 for accounting policy and Notes 3 & 4 for disclosures)	
Basis: The Company's investment in Tetragon Financial Group Master Fund Limited (the "Master Fund") forms 100% of its financial asset at fair value through profit or loss and is classified as a Level 3 investment in the fair value hierarchy. The carrying value of the Master Fund is calculated by assessing the fair value of the Master Fund which reflects its net asset value incorporating the fair value of the Master Fund's underlying portfolio of investments. 53.5% (2016: 57.1%) of the Master Fund's net asset value comprises of Level 3 financial assets at fair value through profit or loss including CLO Equity Tranches, Unlisted Stock, Investment funds & vehicles and TFG Asset Management investments. The fair value of these investments is based on: • for CLO Equity Tranches, a marked to model approach; • for Unlisted Stock, based on recent transactions; • TFG Asset Management investments, a combination of marked model and market multiple approach; and • for the remaining level 3 investments, partner capital or net asset value statements provided by independent administrators. In addition, independent third party valuation providers (the "Valuation Agents") have been engaged to assist in the valuation process for Level 3 investments including Unlisted Stock and TFG Asset Management investments. **Risk:** The Company's investment in the Master Fund represents the majority of its net assets and in view of the estimates and judgements that may be involved in the determination of the fair value of the underlying level 3 investments held by the Master Fund, the valuation of the Company's investment in the Master Fund is a significant area of our audit.	Our audit procedures included: **Control Evaluation:** We have obtained and documented our understanding of the valuation process, and assessed and tested the adequacy of design and implementation of controls in place in relation to the valuation process. **Challenging managements' assumptions and inputs including use of KPMG Specialists:** We agreed the Company's investment in the Master Fund to the net asset value per Master Fund's financial statements for the year ended 31 December 2017. For CLO Equity Tranches held by the Master Fund, with the support of our KPMG valuation specialists, we performed a peer group benchmark analysis on model inputs. For a risk based selection of CLO investments, with the support of our KPMG valuation specialists, we independently tested reference prices through the use of fundamental cash flow modelling sourcing key inputs and assumptions used, such as default rates, prepayment rates, discount rates and recovery rates, to observable market data. For investments valued using the assistance of the Valuation Agents and with the assistance of our KPMG valuation specialists: • we assessed the objectivity, capabilities and competence of the Valuation Agents engaged to provide valuations services to the Master Fund; • we assessed the methodology applied by the Valuation Agents in developing fair value of the Unlisted Stock, and TFG Asset Management investments; and • we critically assessed the valuations provided by the Valuation Agents and we challenged the valuation inputs and techniques based on market available information. For Investment funds & vehicles, we obtained net asset value per share confirmation or partner capital statements directly from the administrators of the underlying funds and vehicles and reconciled to the investment value recorded by the Master Fund. We reviewed the latest available audited financial statements of a selection of Investment funds & vehicles in order to consider the nature of the investments held by those funds, the financial reporting standards applied in the preparation of the financial statements, any modification to the auditors' reports and other disclosures which may have been relevant to the valuation of the Master Fund's investments. **Assessing disclosures:** We considered the adequacy of the disclosures made in the financial statements (see Notes 2, 3 & 4) in relation to the use of estimates and judgements regarding the fair value of investments, the valuation estimation techniques inherent therein and fair value disclosures for compliance with IFRS.

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

Materiality for the Financial Statements as a whole was set at $59.8 Million, determined with reference to a benchmark of Net Assets of $1,994.5 Million, of which it represents 3% (2016: 3%).

We reported to the Audit Committee any corrected or uncorrected identified misstatements exceeding $3 Million, in addition to other identified misstatements that warranted reporting on qualitative grounds.

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

We have nothing to report on going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

We have nothing to report on the other information in the Annual Report

The Directors are responsible for the other information presented in the Annual Report together with the Financial Statements. Our opinion on the Financial Statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our Financial Statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

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

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

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

Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on pages 43 and 44, the Directors are responsible for: the preparation of the Financial Statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

(continued on next page)

(continued)

Auditor's responsibilities

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

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

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

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

DEBORAH J SMITH

For and on behalf of KPMG Channel Islands Limited
Chartered Accountants and Recognised Auditors, Guernsey

26 February 2018

FINANCIAL STATEMENTS

TETRAGON FINANCIAL GROUP LIMITED

FOR THE YEAR ENDED 31 DECEMBER 2017

TETRAGON FINANCIAL GROUP LIMITED

STATEMENT OF FINANCIAL POSITION
As at 31 December 2017

	Note	31 Dec 2017 US$ MM	31 Dec 2016 US$ MM
Assets			
Financial asset at fair value through profit or loss	4	2,008.4	1,942.0
Total assets		2,008.4	1,942.0
Liabilities			
Accrued incentive fee	8	13.9	7.1
Total liabilities		13.9	7.1
Net assets		1,994.5	1,934.9
Equity			
Share capital	9	0.1	0.1
Other equity		808.9	813.5
Capital reserve in respect of share options		0.1	12.0
Share-based employee compensation reserve	9	80.7	100.0
Retained earnings		1,104.7	1,009.3
		1,994.5	1,934.9
Shares outstanding		Millions	Millions
Number of shares	9	90.1	87.1
Net Asset Value per share		US$ 22.13	US$ 22.21

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

Signed on behalf of the Board of Directors by:

Rupert Dorey,
Director

David Jeffreys,
Director

Date: 26 February 2018

TETRAGON FINANCIAL GROUP LIMITED

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2017

	Note	Year ended 31 Dec 2017 US$ MM	Year ended 31 Dec 2016 US$ MM
Net gain on financial asset at fair value through profit or loss	4	200.0	138.5
Total revenue		200.0	138.5
Incentive fee	8	(32.2)	(22.0)
Total operating expenses		(32.2)	(22.0)
Profit and total comprehensive income for the year		167.8	116.5
Earnings per share			
Basic	12	US$ 1.86	US$ 1.26
Diluted	12	US$ 1.70	US$ 1.09
Weighted average shares outstanding		Millions	Millions
Basic	12	90.0	92.1
Diluted	12	98.9	106.8

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 2017

	Share capital US$ MM	Other equity US$ MM	Retained earnings US$ MM	Capital reserve US$ MM	Share-based reserve US$ MM	Total US$ MM
As at 1 January 2016	**0.1**	**921.8**	**962.7**	**12.3**	**90.5**	**1,987.4**
Profit and total comprehensive income for the year	-	-	116.5	-	-	116.5
Transactions with owners recognised 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	-	16.0	(16.0)	-	-	-
Issue of shares	-	0.1	-	-	-	0.1
Purchase of treasury shares	-	(157.8)	-	-	-	(157.8)
Capital reserve in respect of share options	-	0.3	-	(0.3)	-	-
Total	-	(108.3)	(69.9)	(0.3)	9.5	(169.0)
As at 31 December 2016	**0.1**	**813.5**	**1,009.3**	**12.0**	**100.0**	**1,934.9**

	Share capital US$ MM	Other equity US$ MM	Retained earnings US$ MM	Capital reserve US$ MM	Share-based reserve US$ MM	Total US$ MM
As at 1 January 2017	**0.1**	**813.5**	**1,009.3**	**12.0**	**100.0**	**1,934.9**
Profit and total comprehensive income for the year	-	-	167.8	-	-	167.8
Transactions with owners recognised directly in equity						
Shares released from escrow	-	22.8	-	-	(22.8)	-
Dividends on shares released from escrow	-	9.4	(9.4)	-	-	-
Share-based employee compensation	-	-	-	-	3.5	3.5
Cash dividends	-		(47.2)	-	-	(47.2)
Stock dividends	-	15.8	(15.8)	-	-	-
Issue of shares		0.1	-	-	-	0.1
Purchase of treasury shares	-	(66.4)	-	-	-	(66.4)
Capital reserve in respect of share options	-	13.7	-	(11.9)	-	1.8
Total	-	(4.6)	(72.4)	(11.9)	(19.3)	(108.2)
As at 31 December 2017	**0.1**	**808.9**	**1,104.7**	**0.1**	**80.7**	**1,994.5**

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 2017

	Year ended 31 Dec 2017 US$ MM	Year ended 31 Dec 2016 US$ MM
Operating activities		
Dividend received from Master Fund to finance the dividend liability to shareholders	47.2	45.9
Dividend received from Master Fund to settle the incentive fee liability	25.4	22.6
Incentive fee paid	(25.4)	(22.6)
	47.2	45.9
Investing activities		
Proceeds from buyback of shares by Master Fund	66.4	157.8
	66.4	157.8
Financing activities		
Proceeds from issue of shares	1.9	-
Purchase of Master Fund shares	(1.9)	-
Purchase of treasury shares	(66.4)	(157.8)
Dividends paid to shareholders*	(47.2)	(45.9)
	(113.6)	(203.7)
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$ 63.0 million (31 December 2016: US$ 61.9 million) with a value equivalent to US$ 15.8 million (31 December 2016: US$ 16.0 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

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

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

As at 31 December 2017, 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 Manager LP ("Hawke's Point"), Tetragon Credit Income Partners Limited ("TCIP") and GreenOak Real Estate LP ("GreenOak").

TFG Asset Management LP and Tetragon Financial Management LP, the Company'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.

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 International Financial Reporting Standards as adopted by the European Union ("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" or "US$"), which is the functional currency of the Company, expressed in USD millions (unless otherwise stated). The share capital of the Company and its only investment are denominated in USD. All of the expenses and fees paid by the Company are in USD. Hence, the Board of Directors determined that USD as functional and presentational currency reflects the Company's primary economic environment.

Note 2 Significant Accounting Policies (continued)

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. 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 2017, the Company had 100% (31 December 2016: 100%) economic ownership interest in the Master Fund.

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 recognised 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 (31 December 2016: GBP 1,200).

Dividend distributions

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

Note 2 Significant Accounting Policies (continued)

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 recognised 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. These options were fully exercised during 2017.

The fair value of options issued to certain founding partners of GreenOak are also recognised 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 other equity based on the fair value of options at grant date.

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 recognises these compensation costs net of an estimated forfeiture rate, and recognises 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. The Company recognises these awards in the cost of the investment with an equivalent credit in share-based compensation reserve.

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 other equity. Any associated stock dividends accrued on the original award are debited against retained earnings and credited to other equity using the value determined by the stock reference price at the date of each applicable dividend.

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 certain of their own shares previously held by each as treasury shares to TFG Holdings I. Where this occurred, the status of the shares was unchanged from an accounting perspective and they were 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.

Note 2 Significant Accounting Policies (continued)

Other equity

The share premium and treasury shares columns, previously shown separately in the Statement of Changes in Equity, have been merged together in a more meaningful presentation under other equity.

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 potentially relevant to the Company are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

IFRS 9 *Financial instruments*

IFRS 9, 'Financial instruments', (effective for annual periods beginning on or after 1 January 2018), specifies how an entity should classify and measure financial assets and liabilities, including some hybrid contracts. The standard improves and simplifies the approach for classification and measurement of financial assets compared with the requirements of IAS 39. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged.

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 its only financial asset currently held at fair value as required by IFRS 10.

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 recognised 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 Company's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognised in the financial statements:

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

Judgments (continued)

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 2017 is included in Note 4.

Note 4 Fair value measurement

Fair value hierarchy

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised 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.

The Company's investment in the Master Fund is classified as Level 3 (31 December 2016: Level 3) due to the fact that the NAV of the Master Fund was not observable on the market.

Note 4 Fair value measurement (continued)

Fair value hierarchy (continued)

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 2017 and 31 December 2016.

	31 Dec 2017 US$ MM	31 Dec 2016 US$ MM
Balance at start of year	1,942.0	2,020.2
Additions	21.2	25.5
Proceeds	(66.4)	(157.8)
Gain on investment in the Master Fund	111.6	54.1
Balance at end of year	2,008.4	1,942.0
Gain for the period included in profit or loss for assets held at the end of the reporting period	111.6	54.1

Dividend income from the Master Fund amounted to US$ 88.4 million (31 December 2016: US$ 84.5 million). Total net gain on the Master Fund investment, including dividend income, amounted to US$ 200.0 million (31 December 2016: US$ 138.5 million).

Valuation technique

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

The determination of what constitutes observable requires significant judgment 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 the Master Fund does not have any redemption restriction.

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. Please refer to Note 4 of the Master Fund's financial statements for more information on valuation techniques and assumptions used to value the investments held by the Master Fund.

Note 4 Fair value measurement (continued)

Valuation technique (continued)

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$ 20.1 million (2016: 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 5 Financial Risk Review

All of the Company's financial assets are invested in the shares of Master Fund. The Master Fund can buyback its shares from the Company 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:

Credit Risk

"Credit risk" is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Company, resulting in a financial loss to the Company. The Company is exposed to credit risk through investments made by the Master Fund.

Management of credit risk in the Master Fund is detailed in Note 7 of the Master Fund's financial statements.

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 7 of the Master Fund's financial statements.

(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 financial assets denominated in Euro, Sterling, Norwegian Krone and Japanese Yen in addition to US Dollars. The Master Fund's exposure to currency risk rate risk is detailed in Note 7 of the Master Fund's financial statements.

Note 5 Financial Risk Review (continued)

(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 2017 was US$ 2,008.4 million (31 December 2016: US$ 1,942.0 million).

As at 31 December 2017, 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$ 20.1 million for (31 December 2016: US$ 19.4 million). A weakening of price by 1% will have an equal but opposite effect.

Other price risk in the Master Fund is detailed in Note 7 of the Master Fund's financial statements.

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 the Master Fund is detailed in Note 7 of the Master Fund's financial statements.

Note 6 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 was held in escrow (along with accrued stock dividends), by the escrow agent pursuant to the terms of the escrow agreement. The tranches were released in 2013 to 2016 with the final tranche released in 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 Payment ("IFRS 2"). The Master Fund recognises 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 recognises this as an equity settled transaction through the share-based employee compensation reserve with a corresponding entry in its investment in Master Fund. The charge for the year ended 31 December 2017 amounted to US$ 3.5 million (31 December 2016: US$ 9.4 million). Please refer to Note 9 for the movements during the year.

In the fourth quarter of 2015, the Company bought back approximately 5.6 million of its non-voting shares in a tender offer for US$ 57.4 million (including fees and expenses) 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 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 Tetragon Optional Stock Dividend Plan (See Note 9).

Note 6 Share-Based Payments (continued)

As the Company has contributed these shares, under IFRS 2, TFG Asset Management is considered to be the settling entity and as a result the Company recorded the imputed value of the shares contributed to escrow as credit to share-based compensation reserve in the year in which the shares were acquired for this purpose, with a corresponding debit to the cost of investment in Master Fund

The Company also holds 2.1 million shares in an escrow account related to deferred incentive scheme. Please refer to Note 8 for details of this arrangement.

Note 7 Share Options

On 21 April 2017, the Investment Manager exercised the 12,545,330 options it received from the Company in recognition of the work it performed in successfully arranging its 2007 global offering and the associated raising of new capital.

The exercise price per share for the options was set at the Company's IPO offer price of US$ 10.00. These options were settled by the Company on a cashless basis, and the Investment Manager received 2,382,395 non-voting shares – the net shares resulting from the exercise of the options based on the then-current price of US$ 12.3442 per non-voting share.

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% during 2017, 25% are exercisable from 1 January 2018, expiring a year later.

During the year ended 31 December 2017, US$ 0.7 million (31 December 2016: US$ 0.8 million) shares with fair value at grant date of US$ 0.2 million (31 December 2016: US$ 0.3 million), were issued as a result of options being exercised. The weighted average price of the Company's shares was US$ 12.72 per share during 2017 (31 December 2016: US$ 12.34).

Note 8 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.

Note 8 Incentive Fee (continued)

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 Hurdle for Q1 2018 is 4.344788%.

The ''Reference NAV'' is the greater of (i) NAV at the end of the Calculation Period immediately preceding the current Calculation Period and (ii) the NAV as of the end of the Calculation Period immediately preceding the Calculation Period referred to in clause (i).

For the purpose of determining the Reference NAV at the end of a Calculation Period, NAV shall be adjusted by the amount of accrued dividends and the amounts of any redemptions or repurchase of the shares (or other relevant capital adjustments) and incentive fees to be paid with respect to that Calculation Period.

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

The incentive fee for the year ended 31 December 2017 was US$ 32.2 million (31 December 2016: US$ 22.0 million). As at 31 December 2017, US$ 13.9 million was outstanding (31 December 2016: US$ 7.1 million).

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 prior to transitioning to IFRS on 1 January 2015. The result of the foregoing was an increase in NAV and an incentive fee payable of US$ 25.1 million, previously recognised.

The Investment Manager agreed to accept payment of this portion of the incentive fee in the form of shares, which is 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 businesses, and subject to a "clawback" mechanism should the NAV of the TFG Asset Management businesses decline at the end of the escrow period or the investment management agreement is terminated. The expense has been recognised in full in the year in which the NAV event occurred through equity and the share-based compensation reserve. As at 31 December 2017, 2.1 million shares (31 December 2016: nil) are held in escrow in relation to deferred incentive fees.

Note 9 Share Capital

Authorised

The Company has an authorised 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.

Note 9 Share Capital (continued)

Voting shares

The 10 voting shares in issue were issued at par and are owned by the Voting Shareholder, which is a non-U.S. affiliate of the Investment Manager. The voting shares are the only shares of the Company entitled to vote for the election of Directors and on all other matters put to a vote of shareholders, subject to the limited rights of the shares described below. The voting shares are not entitled to receive dividends.

Shares

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

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

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

Share Transactions

	Voting Shares No.	Non-Voting Shares No. MM	Treasury Shares No. MM	Shares held in TFG Holdings I* No. MM	Shares held in Escrow No. MM
Shares in issue at 1 January 2016	10	95.9	12.8	17.0	12.3
Stock dividend	-	1.6	(0.7)	-	0.8
Issued through release of tranche of escrow shares	-	3.2	0.6	-	(3.8)
Issue through exercise of GreenOak options	-	0.7	(0.7)	-	-
Shares purchased during the year	-	(14.3)	4.3	10.0	-
Shares transferred to Treasury	-	-	27.0	(27.0)	-
Shares in issue at 31 December 2016	10	87.1	43.3	-	9.3
Stock dividend	-	1.4	(1.8)	-	0.4
Issued through release of tranche of escrow shares	-	3.4	-	-	(3.4)
Issue through exercise of TFM options	-	2.4	(2.4)	-	-
Issue through exercise of GreenOak options	-	0.7	(0.7)	-	-
Shares transferred to escrow for deferred incentive fee	-	-	(2.0)	-	2.0
Shares purchased during the year	-	(4.9)	4.9	-	-
Shares in issue at 31 December 2017	10	90.1	41.3	-	8.3

* TFG Holdings I was closed during 2016.

Note 9 Share Capital (continued)

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$ 63.0 million (31 December 2016: US$ 61.9 million) was declared, of which US$ 47.2 million was paid out as a cash dividend (31 December 2016: US$ 45.9 million), and the remaining US$ 15.8 million (31 December 2016: US$ 16.0 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 2017, there was no share repurchase program in place.

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 2017, the Company and the Master Fund announced that under the terms of a "modified Dutch auction", the Company had accepted for purchase approximately 4.8 million (31 December 2016: 14.3 million) Company non-voting shares at an aggregate cost of US$ 65.4 million (31 December 2016: US$ 151.1 million), including applicable fees and expenses of US$ 0.4 million (31 December 2016: US$ 1.1 million). Additionally during 2017, the Master Fund agreed to purchase 0.1 million shares for US$ 1.0 million from TFG Asset Management LP. The Company purchased the shares from the Master Fund.

During 2016, the Company 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.

Escrow shares

As part of the acquisition of TFG Asset Management, the Aggregate Consideration of 11.7 million Feeder shares were 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 3.3 million shares (31 December 2016: 3.8 million shares) were issued to the Company as a result of an equivalent number of shares being released from escrow.

Note 9 Share Capital (continued)

Escrow shares (continued)

Of these approximately 2.5 million (31 December 2016: 3.0 million) shares were deemed to be in relation to the original Company escrow shares, and a value of US$ 21.1 million (31 December 2016: US$ 25.0 million) was debited against share-based compensation reserves, using the transaction share price of US$ 8.43.

In addition, approximately 0.8 million shares (31 December 2016: 0.4 million shares) were deemed to be related to the stock dividends awarded on the original shares released and an amount of US$ 9.0 million (31 December 2016: US$ 8.1 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 forms 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 (2016: 0.3 million) shares were allocated to this account. During 2017, 0.2 million shares were released from escrow. As a result, US$ 0.4 million (31 December 2016: nil) was released from Retained Earnings relating to the dividend shares released during the year using the stock reference price at each applicable dividend date. US$ 1.7 million (31 December 2016: nil) was transferred from share-based compensation reserve to other equity, using the original transaction price of US$ 10.00.

During 2017, 2.0 million shares related to deferred incentive fees were transferred to an escrow account. These shares are eligible for stock dividends and 0.1 million shares were allocated as dividends.

Capital Reserve

The capital reserve is in relation to the GreenOak and Investment Manager options. Please see Note 7 for details regarding these share options.

Share-Based Compensation Reserve

The balance in share-based compensation reserve is related to the following transactions.

	31 Dec 2017 US$ MM	31 Dec 2016 US$ MM
Share-based employee compensation - TFG Asset Management acquisition	-	17.5
Share-based employee compensation - equity based awards	55.6	57.4
Deferred incentive fee	25.1	25.1
	80.7	100.0

Note 10 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 8.

Note 10 Related-Party Transactions (continued)

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 options were exercised during the period, please refer to Note 7 for details.

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

The remuneration for Directors shall be determined by resolution of the Voting Shareholder. Each of the Directors' annual fee is US$ 100,000 as compensation for service on the Boards of Directors of both the Company and the Master Fund. The Directors have the option to elect to receive shares in the Company instead of the quarterly fee.

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 2017, Frederic Hervouet has elected to receive shares in lieu of his full compensation as director. William Rogers has elected to receive shares in lieu of half of his compensation from Q1 2017.

During the year, Frederic Hervouet and William Rogers received 7,879 and 2,938 shares respectively (31 December 2016: 10,157 and nil shares respectively). The number of shares to be issued instead of the fee for the fourth quarter will be determined as part of the fourth quarter 2017 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.

During 2017, the Master Fund purchased 0.1 million (31 December 2016: nil) shares from TFG Asset Management LP for US$ 1.0 million using the then-current share price of US$ 13.12. The Company purchased an identical number of shares from Master Fund in exchange of shares held in the Master Fund. During 2016, the Company purchased 0.6 million shares from Michael Humphries, a manager of certain Polygon funds. Please see Note 9 for details.

Reade Griffith, Paddy Dear, 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 2017, with interests of 11,868,998, 4,044,303, 160,812, 50,574 and 3,938 shares respectively (31 December 2016: 8,411,075, 2,756,801, 144,410, 30,419 and 1,000 shares respectively).

As described in Note 6, TFG Asset Management, including Polygon's asset management businesses and infrastructure platform, and interests in LCM and GreenOak, were acquired on 28 October 2012. The shares issued in consideration were held in escrow for release over the period 2013 to 2017.

Reade Griffith and Paddy Dear were initially allocated 5,539,954 and 1,955,291 shares, respectively. During 2017, Reade Griffith and Paddy Dear received 2,474,887 and 873,487 share respectively in relation to this transaction as the final tranche was released.

Note 10 Related-Party Transactions (continued)

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 their employment with the 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 2017 total compensation paid to them each in aggregate was US$ 100,000 (31 December 2016: US$ 100,000).

The Company has entered into share-based employee reward schemes with TFG Asset Management LP, a subsidiary of the Master Fund. See Note 6 and Note 9 for details. For related party transactions at the Master Fund level, please refer to Note 17 of the Master Fund financial statements.

Note 11 Dividends

	31 Dec 2017 US$ MM	31 Dec 2016 US$ MM
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
Quarter ended 31 December 2016 of US$ 0.1725 per share	15.1	-
Quarter ended 31 March 2017 of US$ 0.1725 per share	15.6	-
Quarter ended 30 June 2017 of US$ 0.1750 per share	15.8	
Quarter ended 30 September 2017 of US$ 0.1750 per share	16.5	
	63.0	61.9

The fourth quarter dividend of US$ 0.1775 per share was approved by the Directors on 26 February 2018.

Note 12 Earnings per share

	Year ended 31 Dec 2017 US$ MM	Year ended 31 Dec 2016 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	167.8	116.5
Weighted average number of shares for the purposes of basic earnings per share	90.0	92.1
Effect of dilutive potential shares:		
Share-based employee compensation – TFG Asset Management acquisition	-	3.2
Share-based employee compensation – equity based awards	6.2	6.0
Share options	0.6	3.5
Deferred incentive fee shares	2.1	2.0
Weighted average number of shares for the purposes of diluted earnings per share	98.9	106.8

Note 12 Earnings per share (continued)

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 – equity based awards and deferred incentive fee shares, it is assumed that all of the shares currently held in escrow will be released, thereby increasing the weighted average number of shares.

In respect of share options, the intrinsic value of the options 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 Segment information

IFRS 8 *Operating Segments* 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 organised 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 US Dollars. The Company's only investment is in the Master Fund which is domiciled in Guernsey. The Master Fund's investment geographical exposure is as follows:

Region	31 Dec 2017	31 Dec 2016
North America	49.6%	51.6%
Europe	42.8%	40.8%
Asia	5.9%	5.0%
Latin America	1.8%	2.6%

Note 14 Subsequent Events

The Directors have evaluated the period up to 26 February 2018, 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 Approvals of Financial Statements

The Directors approved and authorised for issue the financial statements on 26 February 2018.

FINANCIAL STATEMENTS

TETRAGON FINANCIAL GROUP MASTER FUND LIMITED

FOR THE YEAR ENDED 31 DECEMBER 2017

TETRAGON FINANCIAL GROUP MASTER FUND LIMITED

FINANCIAL STATEMENTS
For the year ended 31 December 2017

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TETRAGON FINANCIAL GROUP MASTER FUND LIMITED

DIRECTORS' REPORT
For the year ended 31 December 2017

The Directors present to the shareholders their report together with the audited financial statements for the year ended 31 December 2017.

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"). All non-voting shares are held by Tetragon Financial Group Limited (the "Feeder"). The Fund continues to be registered and domiciled in Guernsey.The registered office of the Fund is 1st Floor Dorey Court, Admiral Park, St. Peter Port, Guernsey, Channel Islands, GY1 6HJ.

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

As at 31 December 2017, 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 Manager LP ("Hawke's Point"), Tetragon Credit Income Partners Limited ("TCIP") and GreenOak Real Estate LP ("GreenOak").

TFG Asset Management LP and Tetragon Financial Management LP., 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 8. 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.

DIRECTORS

The Directors who held office during the year were:

Paddy Dear
Rupert Dorey*
Reade Griffith
Frederic Hervouet*
David Jeffreys*
William Rogers Jr.*
* 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 2017, Frederic Hervouet has elected to receive shares in lieu of his full compensation as director. William Rogers has elected to receive shares in lieu of half of his compensation from Q1 2017. During the year, Frederic Hervouet and William Rogers received 7,879 and 2,938 shares respectively (31 December 2016: 10,157 and nil shares respectively). 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$ 0.1725 per share for the Quarter Ended 31 December 2016, US$ 0.1725 per share for the Quarter Ended 31 March 2017, US$ 0.1750 per share for the Quarter Ended 30 June 2017 and US$ 0.1750 per share for the Quarter Ended 30 September 2017. On 26 February 2018, the Directors have declared a dividend amounting to US$ 0.1775 per share for the Quarter Ended 31 December 2017. The total dividend declared for the year ended 31 December 2017 amounted to US$ US$ 0.7000 per share (31 December 2016: US$ 0.6725 per share).

The Fund also paid a dividend of US$ 25.4 million (31 December 2016: US$ 22.6 million) to the Feeder to fund the Feeder's 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.

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 International Financial Reporting Standards as adopted by the EU 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;
- assess the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Fund or to cease operations, or have no realistic alternative but to do so.

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 are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Fund 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 Fund's website, and for the preparation and dissemination of the financial statements. Legislation in Guernsey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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. The Feeder reports against the Association of Investment Companies ("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.

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

DISCLOSURE OF INFORMATION TO THE 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.

STATEMENT OF DIRECTORS' RESPONSIBILITIES (continued)

AUDITOR

KPMG Channel Islands Limited are the appointed independent auditor 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 auditor of the Fund is to be proposed at the forthcoming Annual General Meeting.

Signed on behalf of the Board of Directors by:

Rupert Dorey,
Director
Date: 26 February 2018

David Jeffreys,
Director

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

Our opinion is unmodified

We have audited the financial statements (the "Financial Statements") of Tetragon Financial Group Master Fund Limited (the "Fund"), which comprise the statement of financial position as at 31 December 2017, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements:

- give a true and fair view of the financial position of the Fund as at 31 December 2017, and of the Fund's financial performance and the Fund's cash flows for the year then ended;
- are prepared in accordance with International Financial Reporting Standards as adopted by the EU; and
- comply with The Companies (Guernsey) Law, 2008

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Fund in accordance with, UK ethical requirements including FRC Ethical Standards. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

We have nothing to report on going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the Financial Statements. We have nothing to report in these respects.

We have nothing to report on the other information in the Annual Report

The Directors are responsible for the other information presented in the Annual Report together with the Financial Statements. Our opinion on the Financial Statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the Financial Statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

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

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

- the 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.

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

Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on pages 3 and 4, the Directors are responsible for: the preparation of the Financial Statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Fund or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

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

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

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.

KPMG Channel Islands Limited
Chartered Accountants, Guernsey

26 February 2018

TETRAGON FINANCIAL GROUP MASTER FUND LIMITED

STATEMENT OF FINANCIAL POSITION
As at 31 December 2017

	Note	31 Dec 2017 US$ MM	31 Dec 2016 US$ MM
Assets			
Non-derivative financial assets at fair value through profit or loss	4	1,613.6	1,520.0
Derivative financial assets	7	17.4	22.2
Other receivables and prepayments	8	1.9	0.6
Amounts due from brokers	9	57.2	51.0
Cash and cash equivalents	10	365.5	392.6
Total assets		2,055.6	1,986.4
Liabilities			
Loans and borrowings	12	38.0	38.0
Derivative financial liabilities	7	6.6	4.1
Other payables and accrued expenses	11	2.6	2.3
Total liabilities		47.2	44.4
Net assets		2,008.4	1,942.0
Equity			
Share capital		0.1	0.1
Other equity		754.2	772.5
Retained earnings		1,254.1	1,151.9
Capital contribution		-	17.5
		2,008.4	1,942.0
Shares outstanding		Millions	Millions
Number of shares	13	90.1	87.1
Net Asset Value per share		US$ 22.28	US$ 22.29

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

Signed on behalf of the Board of Directors by:

Rupert Dorey,
Director

David Jeffreys,
Director

Date: 26 February 2018

TETRAGON FINANCIAL GROUP MASTER FUND LIMITED

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2017

	Note	Year ended 31 Dec 2017 US$ MM	Year ended 31 Dec 2016 US$ MM
Net gain on non-derivative financial assets at fair value through profit or loss	2	247.9	167.5
Net (loss)/gain on derivative financial assets and liabilities	2	(11.0)	14.9
Interest income		5.8	1.7
Net foreign exchange loss		(0.1)	-
Total revenue		242.6	184.1
Management fees	17	(29.5)	(27.8)
Share-based employee compensation	15	(3.5)	(9.4)
Legal and professional fees		(3.3)	(4.0)
Audit fees		(0.4)	(0.3)
Other operating and administrative expenses	17	(2.8)	(2.6)
Operating expenses		(39.5)	(44.1)
Operating profit before finance costs		203.1	140.0
Finance costs	12	(3.1)	(1.5)
Profit and total comprehensive income for the year		200.0	138.5

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 2017

	Share capital US$ MM	Other equity US$ MM	Retained earnings US$ MM	Capital contribution US$ MM	Total US$ MM
As at 1 January 2016	0.1	881.1	1,105.9	33.1	2,020.2
Profit and total comprehensive income for the year	-	-	138.5	-	138.5
Transactions with owners recognised directly in equity					
Stock dividends	-	16.0	(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	-	(108.6)	(92.5)	(15.6)	(216.7)
As at 31 December 2016	0.1	772.5	1,151.9	17.5	1,942.0

	Share capital US$ MM	Other equity US$ MM	Retained earnings US$ MM	Capital contribution US$ MM	Total US$ MM
As at 1 January 2017	0.1	772.5	1,151.9	17.5	1,942.0
Profit and total comprehensive income for the year	-	-	200.0	-	200.0
Transactions with owners recognised directly in equity					
Stock dividends	-	15.8	(15.8)	-	-
Shares released from escrow	-	21.0	-	(21.0)	-
Dividends on shares released from escrow	-	9.4	(9.4)	-	-
Shares issued to settle share options	-	1.8	-	-	1.8
Share-based compensation	-	-	-	3.5	3.5
Dividends paid to shareholder	-	-	(47.2)	-	(47.2)
Dividends paid to Feeder to settle incentive fee liability	-	-	(25.4)	-	(25.4)
Issue of shares	-	0.1	-	-	0.1
Purchase of treasury shares	-	(66.4)	-	-	(66.4)
Total		(18.3)	(97.8)	(17.5)	(133.6)
As at 31 December 2017	0.1	754.2	1,254.1	-	2,008.4

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 2017

	Year ended 31 Dec 2017 US$ MM	Year ended 31 Dec 2016 US$ MM
Operating activities		
Profit for the year	200.0	138.5
Adjustments for:		
Gains on investments and derivatives	(194.8)	(37.3)
Amortisation of CLOs	191.2	132.7
Share-based employee compensation	3.5	9.4
Operating cash flows before movements in working capital	199.9	243.3
(Increase) / decrease in receivables	0.1	(0.4)
Increase / (decrease) in payables	0.3	(0.7)
(Increase) / decrease in amounts due from brokers	(6.2)	8.9
Cash generated from operating activities	194.1	251.1
Investing activities		
Proceeds from sale / prepayment / maturity of investments	217.2	87.0
Net proceeds on derivative financial instruments	10.4	14.2
Purchase of investments	(311.7)	(131.8)
Net cash used in investing activities	(84.1)	(30.6)
Financing activities		
Proceeds from loans and borrowings	-	38.0
Proceeds from issue of shares	1.9	0.1
Repurchase of shares	(66.4)	(157.8)
Dividends paid to shareholders*	(47.2)	(45.9)
Dividends paid to Feeder to fund the Feeder's incentive fee liability	(25.4)	(22.6)
Net cash used in financing activities	(137.1)	(188.2)
Net increase in cash and cash equivalents	(27.1)	32.3
Cash and cash equivalents at beginning of year	392.6	360.3
Cash and cash equivalents at end of year	365.5	392.6
Cash interest received	5.8	1.7
Cash interest paid	(3.1)	(1.5)

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

* The gross dividend payable to shareholders was US$ 63.0 million (31 December 2016: US$ 61.9 million) with a value equivalent to US$ 15.8 million (31 December 2016: US$ 16.0 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 17, Related-Party Disclosures.

Note 2 Significant Accounting Policies

Statement of Compliance

The financial statements of the Fund have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("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" or "US$"), 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 accordance with IFRS 10, the Fund is an investment entity and, as such, does not consolidate the entities it controls where they are deemed to be subsidiaries. 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.

After making enquiries and given the nature of the Fund and its investments, 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 Fund is able to continue for the foreseeable future and at least twelve months from the date of this report.

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.

Note 2 Significant Accounting Policies (continued)

Foreign Currency Translation (continued)

Foreign currency exchange differences arising on translation and realised gains and losses on disposals or settlements of monetary assets and liabilities are recognised 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 recognised as components of net gain or loss on financial assets and liabilities at FVTPL.

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 also includes derivatives. 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, corporate bonds 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 amortised 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.

Note 2 Significant Accounting Policies (continued)

Other financial liabilities at amortised 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 recognises 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 recognised on the trade date (i.e. the date that the Fund commits to purchase or sell the asset).

(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 recognised 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 amortised 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 amortised 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 derecognised 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 recognised to the extent of the Fund's continuing involvement in the asset. In that case, the Fund also recognises 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.

Note 2 Significant Accounting Policies (continued)

The Fund derecognises 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 recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

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 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 ongoing basis.

For all other financial instruments not traded in an active market, the fair value is determined by using observable inputs where available and 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 categorisation (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, credit default swaps and contracts for difference. Refer to the accounting policy for loans and receivables for recognition and measurement.

Note 2 Significant Accounting Policies (continued)

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 related interest, dividends 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.

Finance Costs

Interest and fees charged on borrowings are recognised through profit or loss in the Statement of Comprehensive Income using the effective interest method.

Expenses

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

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 (31 December 2016: GBP 1,200).

Dividend distribution

Dividend distributions are recognised 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 recognises these compensation costs net of an estimated forfeiture rate, and recognises 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 recognises share-based payments expense in the Statement of Comprehensive Income and corresponding capital contribution in equity.

Note 2 Significant Accounting Policies (continued)

Joint arrangements

The Fund entered into an arrangement with the Feeder through the establishment of TFG Holdings I. The Fund and the Feeder transferred certain of their own shares previously held by each of them as treasury shares to TFG Holdings I. Where this occurred, the status of the shares was unchanged from an accounting perspective and they were 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.

Other equity

The share premium and treasury shares columns, previously shown separately in the Statement of Changes in Equity, have been merged together in a more meaningful presentation under other equity.

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 recognised as interest income in the Statement of Comprehensive Income.

New standards issued but not yet effective

The Fund has considered all the standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Fund's financial statements. Standards and interpretations that are relevant to the Fund are disclosed below. The Fund 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 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.

Note 2 Significant Accounting Policies (continued)

IFRS 9 Financial instruments (continued)

(a) Classification and measurement

Based on the Fund's initial assessment, this standard is not expected to have a material impact on the classification of financial assets and financial liabilities of the Fund. This is because:

- the financial instruments classified as held-for-trading under IAS 39 (derivatives) will continue to be classified as such under IFRS 9;

- other financial instruments currently measured at FVTPL under IAS 39 are designated into this category because they are managed on a fair value basis in accordance with a documented business model. Accordingly, these financial instruments will be mandatorily measured at FVTPL under IFRS 9; and

- financial instruments currently measured at amortised cost are: cash balances and receivables. These instruments meet the solely principal and interest criterion and are held in a held-to-collect business model. Accordingly, they will continue to be measured at amortised cost under IFRS 9.

- Payables and borrowings are held at amortised cost and will continue to be held on this basis under IFRS 9.

(b) Impairment

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model. The new impairment model also applies to certain loan commitments and financial guarantee contracts but not to equity investments. Under IFRS 9, credit losses are recognised earlier than under IAS 39.

Based on the Fund's initial assessment, changes to the impairment model are not expected to have a material impact on the financial assets of the Fund. This is because:

- the majority of the financial assets are measured at FVTPL and the impairment requirements do not apply to such instruments; and

- the financial assets at amortised cost are short-term (i.e. no longer than 12 months), of high credit quality and/or highly collateralised. Accordingly, the expected credit losses on such assets are expected to be small.

(c) Hedge accounting

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

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 recognised 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 Fund's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognised in the financial statements:

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 the 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.

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

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

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.

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 levelling please refer to Note 4.

Note 4 Financial Assets and Liabilities at Fair Value through Profit or Loss

Fair value hierarchy

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised 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 4 Financial Assets and Liabilities at Fair Value through Profit or Loss (continued)

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 2017:

Recurring fair value measurement of assets and liabilities

Non-derivative financial assets designated at FVTPL	Level 1 US$ MM	Level 2 US$ MM	Level 3 US$ MM	Total Fair Value US$ MM
CLO Equity Tranches	-	-	305.9	305.9
CLO Mezzanine	-	0.7	-	0.7
Loans and Corporate Bonds	-	34.0	-	34.0
Listed Stock	54.9	-	-	54.9
Unlisted Stock	-	-	42.2	42.2
Investment funds and vehicles	-	449.8	295.4	745.2
TFG Asset Management (Note 6)	-	-	430.7	430.7
Total non-derivative financial assets designated at FVTPL	54.9	484.5	1,074.2	1,613.6
Derivative financial assets held for trading				
Contracts for difference (asset)	-	14.2	-	14.2
Foreign exchange option (asset)	-	0.1	-	0.1
Forward foreign exchange contracts (asset)	-	3.1	-	3.1
Total derivative financial assets held for trading	-	17.4	-	17.4
Derivative financial liabilities held for trading				
Foreign exchange option (liability)	-	(0.1)	-	(0.1)
Forward foreign exchange contracts (liability)	-	(5.1)	-	(5.1)
Credit default swaps (liability)	-	(1.4)	-	(1.4)
Total derivative financial liabilities held for trading	-	(6.6)	-	(6.6)

Note 4 Financial Assets and Liabilities at Fair Value through Profit or Loss (continued)

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

Non-derivative financial assets designated 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 6)	-	-	407.8	407.8
Total non-derivative financial assets designated at FVTPL	12.7	396.6	1,110.7	1,520.0
Derivative financial assets held for trading				
Forward foreign exchange contracts (asset)	-	11.1	-	11.1
Contracts for difference (asset)	-	11.1	-	11.1
Total derivative financial assets held for trading	-	22.2	-	22.2
Derivative financial liabilities held for trading				
Forward foreign exchange contracts (liability)	-	(3.2)	-	(3.2)
Credit default swaps	-	(0.9)	-	(0.9)
Total derivative financial liabilities held for trading	-	(4.1)	-	(4.1)

Transfers between levels

During the year ended 31 December 2017, an unlisted stock held at level 2 of US$ 18.3 million at 31 December 2016 was transferred to level 1 following its listing, and then remaining quoted on an active market. There were no transfers between levels in 2016.

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 the Fund'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.

Note 4 Financial Assets and Liabilities at Fair Value through Profit or Loss (continued)

Valuation process (framework) (continued)

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.

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 2017.

	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	443.7	25.0	234.2	407.8	1,110.7
Purchases of investments	54.0	15.2	149.2	-	218.4
Proceeds from sale of investments	-	(13.2)	(103.5)	(87.4)	(204.1)
Realised (loss) / gain and change in unrealised (depreciation) / appreciation	(0.6)	15.2	15.5	110.3	140.4
Amortisation*	(191.2)	-	-	-	(191.2)
Balance at end of year	305.9	42.2	295.4	430.7	1,074.2
Unrealised gains and losses for the period included in profit or loss for assets held at the end of the reporting period	51.7	10.9	(0.1)	101.4	163.9

The following is a reconciliation of the Fund's assets in which significant unobservable inputs (Level 3) were used in determining fair value at 31 December 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)
Realised (loss) / gain and change in unrealised (depreciation) / appreciation	(5.0)	3.5	2.4	(14.4)	(13.5)
Amortisation*	(132.7)	-	-	-	(132.7)
Balance at end of year	443.7	25.0	234.2	407.8	1,110.7
Unrealised 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

* Amortisation for CLOs is the deemed repayment of principal

Note 4 Financial Assets and Liabilities at Fair Value through Profit or Loss (continued)

Level 3 reconciliation (continued)

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

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 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, 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 utilise, 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 2017, key modelling assumptions used are disclosed below. The modelling 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 2.2% (31 December 2016: 2.3%), 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% (31 December 2016: 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. (31 December 2016: 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 310 bps (31 December 2016: 365 bps) on broadly U.S. syndicated loan deals which are still in their reinvestment periods. Middle Market loan deals are all through their reinvestment period.

Note 4 Financial Assets and Liabilities at Fair Value through Profit or Loss (continued)

Valuation techniques (continued)

CLO equity tranches (continued)

European CLO equity tranche investments –

Constant Annual Default Rate ("CADR")	Approximately 2.1% (31 December 2016: 2.1%), which is 1.0x the original WARF-derived base-case default rate for the life of the transaction.
Recovery Rate	69% (31 December 2016: 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. (31 December 2016: 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.

When determining the fair value of the equity tranches, a discount rate is applied to the expected future cash flows derived from the third party valuation model. The discount rate applied to those future cash flows reflects the perceived level of risk that would be used by another market participant in determining fair value. In determining the discount rates to use an analysis of the observable risk premium data as well as the individual deal's structural strength and credit quality is undertaken. At 31 December 2017, a discount rate of 10% for U.S. 1.0 deals and European deals (31 December 2016: 11%) has been utilised. At 31 December 2017, for U.S. 2.0 deals the discount rate applied is 11% (31 December 2016: 11%) unless the deal is within its non-refinancing period, in which case the deal IRR is utilised as the discount rate. For deals in this category the weighted average IRR or discount rate is 12.4% (31 December 2016: 13.4%).

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 change the discount rate by 1%. Changing the discount rate and keeping all other variables constant would have the following effects on net assets and profits:

	31 Dec 2017 US$ MM	31 Dec 2016 US$ MM
-1% discount rate	7.6	12.2
+1% discount rate	(7.2)	(14.3)

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. TCIP is valued using DCF approach.

Note 4 Financial Assets and Liabilities at Fair Value through Profit or Loss (continued)

Valuation techniques (continued)

TFG Asset Management (private equity in asset management companies) (continued)

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%.

The Market Multiple Approach applies a multiple considered to be 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 6 for more information on these investments.

Investment	Valuation methodology	Significant unobservable inputs
Equitix	DCF and Market Multiples, Debt at par + accrued interest	Discount rate 8.75%, EBITDA multiple 6.75x, DLOL 15% (31 December 2016: 9.5%, 6.0x, 15%)
LCM	DCF and Market Multiples	Discount rate 11.0%, P/AUM multiple 2.1%, DLOL 15% (31 December 2016: 11.5%, 1.6%, 15%)
Polygon	DCF and Market Multiples	Discount rate 12.5%, EBITDA multiple 7.0x, DLOL 20 % (31 December 2016: 12.5%, 7.0x, 20%)
GreenOak	Market Multiples	Blended EBITDA multiple 11.1x (31 December 2016: 11.7x)
TCIP	DCF	Discount rate 11.0% (31 December 2016: 12.5%)

Note 4 Financial Assets and Liabilities at Fair Value through Profit or 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:

31 December 2017

Investment	Favorable	Unfavorable
Equitix	US$ 14.6m EBITDA multiple 7.25x, Discount rate 8.25%	(US$ 15.9m) EBITDA multiple 6.25x, Discount rate 9.25%
LCM	US$ 18.4m P/AUM multiple 2.4%, Discount rate 10.0%	(US$ 18.4m) P/AUM multiple 1.8%, Discount rate 12.0%
Polygon	US$ 4.0m EBITDA multiple 7.4x , Discount rate 11.5%	(US$ 4.3m) EBITDA multiple 6.6x , Discount rate 13.5%
GreenOak	US$ 4.0m EBITDA multiple 11.7x	(US$ 3.4m) EBITDA multiple 10.5x
TCIP	US$ 2.0m Discount factor 10.0%	(US$ 2.0m) Discount factor 12.0%

31 December 2016

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%

Note 4 Financial Assets and Liabilities at Fair Value through Profit or Loss (continued)

Valuation techniques (continued)

Investment funds and vehicles

Investments in unlisted investment funds, classified as level 2 and level 3 in the fair value hierarchy, are valued utilising 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. 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$ 3.0 million (31 December 2016: 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 fair value of an earn-out option based on forecast revenues.

A 1% increase in the value of unlisted stock included in level 3 will increase net assets and profits of the Fund by US$ 0.4 million (31 December 2016: US$ 0.2 million).

Listed stock

For listed stock in an active market, the closing exchange price is utilised as the fair value price.

Loans and corporate bonds

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.

The corporate bonds held by the Fund are valued using the broker quotes obtained at the valuation date.

Forward currency contracts and currency options

Forward currency contracts and currency options are recognised 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. The currency options are recognised initially at the amount of premium paid or received.

Note 4 Financial Assets and Liabilities at Fair Value through Profit or Loss (continued)

Valuation techniques (continued)

Contracts for difference

The Fund enters into contracts for difference ("CFDs") arrangements with financial institutions. 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 market prices 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. Unrealised gains are reported as an asset and unrealised losses are reported as a liability in the Statement of Financial Position.

Note 5 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 3, 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. The gross asset value ("GAV") is the net asset value of the fund before deducting performance fees.

Note 5 Interest in Other Entities (continued)

Investment in unconsolidated structured entities (continued)

As at 31 December 2017:	No. of invest-ments	Range of nominal US$ MM	Average nominal US$ MM	Carrying value US$ MM	% average of NAV
CLO Equity					
U.S. CLOs[1]	11	39.5 - 721.1	454.5	192.2	9.6 %
Investment Funds					
Equities		Total GAV US$ MM			
Polygon European Equity Opportunity Fund[2]	1	525.3	n/a	234.8	11.8%
Polygon Global Equities Fund[2]	1	22.4	n/a	19.6	1.0%
Credit					
Polygon Distressed Opportunities Fund[2]	1	133.1	n/a	114.6	5.7%
Polygon Convertible Opportunity Fund[2]	1	532.5	n/a	55.3	2.8%
Tetragon Credit Income II[3]	1	340.0	n/a	68.1	3.4%
Other					
Hawke's Point Holdings LP[3]	1	7.5	n/a	7.4	0.4%
Other Real Estate	4	29.4	n/a	29.4	1.5%

As at 31 December 2016:	No. of invest-ments	Range of nominal US$ MM	Average nominal US$ MM	Carrying value US$ MM	% average of NAV
CLO Equity					
U.S. CLOs[1]	15	33.0 - 721.1	457.6	202.0	10.4%
Investment Funds					
Equities		Total GAV US$ MM			
Polygon European Equity Opportunity Fund[2]	1	455.3	n/a	192.9	9.9%
Polygon Mining Opportunity Fund[2]	1	69.6	n/a	36.6	1.9%
Polygon Global Equities Fund[2]	1	22.3	n/a	19.5	1.0%
Credit					
Polygon Distressed Opportunities Fund[2]	1	119.6	n/a	106.5	5.5%
Polygon Convertible Opportunity Fund[2]	1	487.5	n/a	50.9	2.6%
Tetragon Credit Income II[3]	1	66.0	n/a	16.1	0.8%
Other					
Other Real Estate	4	27.7	n/a	27.7	1.4%

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

[2] Polygon Hedge Funds 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.

[3] Hawke's Point Holdings LP and Tetragon Credit Income II ("TCI II") are domiciled in Cayman Islands. These are private-equity style investment funds. Please refer to Note 16 for details of unfunded capital commitments.

Note 5 Interest in Other Entities (continued)

Investment in unconsolidated structured entities (continued)

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

As at 31 December 2017:

	No. of invest-ments	Range of nominal US$ MM	Average nominal US$ MM	Carrying value US$ MM	% average of NAV
CLO Equity					
U.S. CLOs[1]	19	31.0 – 512.3	148.7	107.1	5.4%
European CLOs[1]	2	38.0 – 52.2	45.1	7.3	0.4%
Real Estate		Total AUM US$ MM			
GreenOak – U.S.[2]	5	4,445.6	n/a	55.1	2.8%
GreenOak – Europe [2]	13	2,157.9	n/a	53.9	2.7%
GreenOak – Asia[2]	4	1,001.8	n/a	23.9	1.2%
Other		Total NAV US$ MM			
QT Fund	1	612.0	n/a	25.5	1.3%
Private Equity Funds[3]	4	551.0	n/a	27.8	1.4%

As at 31 December 2016:

	No. of invest-ments	Range of nominal US$ MM	Average nominal US$ MM	Carrying value US$ MM	% average of NAV
CLO Equity					
U.S. CLOs[1]	27	22.2 - 417.2	153.8	208.5	10.7%
European CLOs[1]	6	36.4 - 213.0	103.8	31.6	1.6%
Real Estate		Total AUM US$ MM			
GreenOak – U.S.[2]	5	4,037.0	n/a	52.3	2.7%
GreenOak – Europe [2]	9	2,062.6	n/a	35.8	1.8%
GreenOak – Asia[2]	4	1,029.2	n/a	28.8	1.5%

[1] 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.

[2] 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 ("AUM") 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.

[3] Private equity funds are domiciled in Cayman Islands and United States.

Please refer to Note 16 for details of unfunded capital commitments.

Note 6 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% (31 December 2016: 100%) holdings and voting rights in TFG Asset Management. As at 31 December 2017, TFG Asset Management investments were comprised of LCM, Polygon, Equitix, Hawke's Point, TCIP and a minority stake in GreenOak.

	31 Dec 2017	31 Dec 2016
	US$ MM	US$ MM
Equitix	152.2	172.5
LCM	144.3	106.2
GreenOak	69.6	67.0
Polygon	56.0	59.7
TCIP	7.8	1.6
Hawke's Point	0.8	0.8
Investments in TFG Asset Management	430.7	407.8

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, Equitix was acquired 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 was structured through the holding of a mezzanine loan, 12% 'A' loan notes and an equity stake. Although the Fund currently effectively receives 85% (31 December 2016: 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.

Equitix completed the refinancing of its existing debt facilities in 2017, resulting in US$ 87.4 million of proceeds to the Fund.

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 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% (31 December 2016: 100%) of LCM through its investment in TFG Asset Management.

Note 6 TFG Asset Management (continued)

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 (31 December 2016: 23%) in GreenOak.

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% (31 December 2016: 100%) of the Polygon business through its investment in TFG Asset Management.

TCIP

Tetragon Credit Income Partners II Limited (“TCIP II”) and Tetragon Credit Income Partners III Limited (“TCIP III”) act as general partners of TCI II and TCI III respectively. These are private equity vehicles that, among other things, make 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. TCIP is the holding company containing TCIP II and TCIP III.

The Fund owns 100% (31 December 2016: 100%) of TCIP through its investment in TFG Asset Management.

Hawke’s Point

Hawke’s Point is a mining finance business 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% (31 December 2016: 100%) of Hawke’s Point through its investment in TFG Asset Management.

Note 7 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’.

Note 7 Financial Risks Review (continued)

Risk Management Framework (continued):

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.

A) Credit risk

'Credit risk' is the risk that 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 CLO portfolio held, and also from derivative financial assets, cash and cash equivalents and balances due from brokers.

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 five (31 December 2016: five) 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.

Note 7 Financial Risks Review (continued)

A) Credit risk (continued)

i. Analysis of Credit Quality (continued)

Amounts due from brokers (continued)

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 (31 December 2016: three) with S&P's credit ratings between A and A- (31 December 2016: A and BBB+). Please refer to Note 9 for a breakdown of balances held with each broker.

Equitix

The Fund is exposed to Equitix through a combination of 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 6.

Loans and bonds portfolio

The Fund has investments in debt securities of US$ 25.8 million (31 December 2016: US$ 6.6 million) with Moody's credit ratings between B2 and Caa2 (31 December 2016: B2 and Caa1). Corporate bonds of US$ 8.2 million are high yield bonds and are not rated.

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 realised losses on the collateral in each CLO investment.

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. The maximum loss that the Fund can incur on CLOs is limited to the fair value of these CLOs as disclosed in Note 4. The underlying loans are made up of a variety of credit ratings including investment grade, non-investment grade and junk status.

The following tables show the concentration of CLOs by region and by manager.

Region	31 Dec 2017 US$ MM	31 Dec 2016 US$ MM
United States (including TCI II)	367.1	428.4
Europe	7.3	31.6
	374.4	460.0

Note 7 Financial Risks Review (continued)

A) Credit risk (continued)

i. Analysis of Credit Quality (continued)

CLOs (continued)

Manager	31 Dec 2017 US$ MM	31 Dec 2016 US$ MM
LCM	191.9	202.0
TCIP II	68.1	16.1
Other managers	114.4	241.9
	374.4	460.0

Derivatives

The table below shows an analysis of derivative financial assets and liabilities outstanding at 31 December 2017.

	Derivative assets		Derivative liabilities	
	Fair Value US$ MM	Notional	Fair Value US$ MM	Notional
31 December 2017	17.4	389.7	(6.6)	583.6
31 December 2016	22.2	411.5	(4.1)	363.5

ii. Concentration of credit risk

The Fund's credit risk is concentrated in CLOs, 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 2017	31 Dec 2016
CLOs	41%	43%
Cash and cash equivalents	40%	37%
Equitix loan	7%	12%
Loans and bonds	4%	1%
Amount due from brokers	6%	5%
Other loans and derivatives	2%	2%
Total	100%	100%

None of the Fund's financial assets were considered to be past due or impaired in 31 December 2017 and 31 December 2016.

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.

Note 7 Financial Risks Review (continued)

A) Credit risk (continued)

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

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 7(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.

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

	31 Dec 2017 US$ MM	31 Dec 2016 US$ MM
Receivables from reverse sale and repurchase agreements	246.5	201.0

No individual trades are under-collaterised. The fair value of collateral as at 31 December 2017 was US$ 256.0 million (31 December 2016: US$ 209.6 million).

Collateral accepted includes investment-grade securities that the Fund is permitted to sell or repledge. The Fund has not recognised 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.

As at 31 December 2017

Description	Gross Amount of Recognised 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 held by brokers US$ MM	Net Amount US$ MM
Assets						
UBS AG	3.1	-	3.1	(3.1)	-	-
BNP Paribas	0.1	-	0.1	(0.1)	-	-
Bank of America Merrill Lynch	14.2	-	14.2	(0.9)	-	13.3
Total	17.4	-	17.4	(4.1)	-	13.3

Note 7 Financial Risks Review (continued)

A) Credit risk (continued)

iv. Offsetting financial assets and liabilities (continued)

Description	Gross Amount of Recognised 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 held by brokers US$ MM	Net Amount US$ MM
Liabilities						
UBS AG	5.1	-	5.1	(3.1)	(2.0)	-
BNP Paribas	0.6	-	0.6	(0.1)	(0.5)	-
Bank of America Merrill Lynch	0.9	-	0.9	(0.9)	-	-
Total	6.6	-	6.6	(4.1)	(2.5)	-

31 December 2016

Description	Gross Amount of Recognised 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 held by brokers US$ MM	Net Amount US$ MM
Assets						
UBS AG	11.3	-	11.3	(3.2)	-	8.1
BNP Paribas	0.3	-	0.3	(0.3)	-	-
Bank of America Merrill Lynch	10.6	-	10.6	(0.4)	-	10.2
Total	22.2	-	22.2	(3.9)	-	18.3
Liabilities						
UBS AG	3.2	-	3.2	(3.2)	-	-
BNP Paribas	0.5	-	0.5	(0.3)	(0.3)	-
Bank of America Merrill Lynch	0.4	-	0.4	(0.4)	-	-
Total	4.1	-	4.1	(3.9)	(0.3)	-

B) 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.

Note 7 Financial Risks Review (continued)

B) Liquidity risk (continued)

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.

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 (31 December 2016: US$ 150.0 million). Details of the facility and the undrawn and drawn balance are disclosed in Note 12.

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 non-derivative financial liabilities at the reporting date. The amounts are gross and undiscounted.

31 December 2017

	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
Finance costs on borrowings	0.3	0.6	2.4	12.4	-	15.7
Loans and borrowings	-	-	-	38.0	-	38.0
Expenses payable	2.6	-	-	-	-	2.6
	2.9	0.6	2.4	50.4	-	56.3

31 December 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
Finance costs on borrowings	0.3	0.6	2.4	12.4	-	15.7
Loans and borrowings	-	-	-	38.0	-	38.0
Expenses payable	2.3	-	-	-	-	2.3
	2.6	0.6	2.4	50.4	-	56.0

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 2017	12.3	211.8	356.5	-	(12.4)	(212.8)	(357.4)	-
31 Dec 2016	92.6	87.0	236.2	-	(90.7)	(84.7)	(232.5)	-

Note 7 Financial Risks Review (continued)

B) Liquidity risk (continued)

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 2017	31 Dec 2016
Cash and cash equivalents (US$ MM)	365.5	392.6
Percentage of NAV	18.20%	20.22%

C) 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 Fund'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 7 Financial Risks Review (continued)

C) Market Risk (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.

31 December 2017	Fair Value as at 31 Dec 2017 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	57.5	0.2	(1.3)
U.S. CLOs 2.0	241.7	15.0	(6.8)
European CLOs	7.3	-	-
PCOF	55.3	3.7	(2.7)
PDOF	114.6	(1.5)	1.5
TCI II	68.1	1.4	(1.5)
	544.5	18.8	(10.8)

31 December 2016	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.

Note 7 Financial Risks Review (continued)

C) Market Risk (continued)

ii. Currency Risk (continued)

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 December 2017

	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	79.8	(79.5)	0.3	-
GBP	215.6	(208.4)	7.2*	0.3
NOK	25.0	(25.0)	-	-
JPY	16.0	(16.2)	(0.2)	-
	336.4	(329.1)	7.3	0.3

31 December 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

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 delay 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 7 Financial Risks Review (continued)

C) Market Risk (continued)

iii. Other Price Risk (continued)

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

Asset Class	% of net assets as at 31 Dec 2017	% of net assets as at 31 Dec 2016
CLO Equity Tranches	15.2%	22.8%
CLO Mezzanine	0.0%	0.1%
Contracts for difference	0.7%	0.6%
Credit default swaps	(0.1)%	0.0%
Foreign exchange forwards and options	(0.1)%	0.4%
Loans and Corporate Bonds	1.7%	0.3%
Listed Stock	2.7%	0.7%
Unlisted Stock	2.1%	2.2%
Investment funds and vehicles	37.1%	31.1%
TFG Asset Management	21.4%	21.0%

The Investment Manager reviews the above percentages on a monthly basis against the limits which are set and reviewed periodically. The table below shows the impact of a positive 1% movement in the price of these investments on the NAV and profits of the Fund. A negative 1% movement will have an equal and opposite effect.

Asset Class	31 Dec 2017 US$ MM	31 Dec 2016 US$ MM
CLO Equity Tranches	3.1	4.4
CLO Mezzanine	-	-
Contracts for difference	1.2	1.2
Credit default swaps	-	-
Foreign exchange forwards and options	-	-
Loans and Corporate Bonds	0.3	0.1
Listed Stock	0.5	0.1
Unlisted Stock	0.4	0.4
Investment funds and vehicles	7.5	6.0
TFG Asset Management	4.3	4.1

Note 8 Other Receivables and Prepayments

	31 Dec 2017 US$ MM	31 Dec 2016 US$ MM
Prepayments	0.3	0.1
Interest receivables	0.2	0.1
Other receivables	1.4	0.4
	1.9	0.6

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

Note 9 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 2017	31 Dec 2016
	US$ MM	US$ MM
UBS AG	27.7	11.2
BNP Paribas	3.5	8.8
Bank of America Merrill Lynch	26.0	31.0
	57.2	51.0

Note 10 Cash and Cash Equivalents

	31 Dec 2017	31 Dec 2016
	US$ MM	US$MM
Cash and cash equivalents	365.5	392.6
	365.5	392.6

Of this cash balance, US$ 246.5 million relates to amounts loaned to counterparties and secured against collateral through tri-party agreements (31 December 2016: US$ 201.0 million). 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$ 30.0 million as at 31 December 2017 (31 December 2016: US$ 32.6 million). This cash balance is included in the fair value of these subsidiaries.

Note 11 Other Payables and Accrued Expenses

	31 Dec 2017	31 Dec 2016
	US$ MM	US$ MM
Accrued expenses	2.6	2.3
	2.6	2.3

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

Note 12 Credit Facility

During 2016, the Fund obtained an unsecured US$ 150.0 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.

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 U.S. LIBOR plus a spread of 4%.

As at 31 December 2017, the drawn balance of the credit facility was US$ 38.0 million (31 December 2016: US$ 38.0 million) while US$ 112.0 million of the facility remained undrawn (31 December 2016: US$ 112.0 million).

Note 13 Share Capital

Authorised

The Fund has an authorised 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	Treasury Shares No. MM	Shares held in TFG Holdings I** No. MM	Shares held in Escrow No. MM
Shares in issue at 1 January 2016	10.0	95.9	12.8	17.0	12.3
Stock dividend	-	1.6	(0.7)	-	0.8
Issued through release of tranche of escrow shares	-	3.2	0.6	-	(3.8)
Issue through exercise of GreenOak options	-	0.7	(0.7)	-	-
Shares purchased during the year	-	(14.3)	4.3	10.0	-
Shares transferred to Treasury	-	-	27.0	(27.0)	-
Shares in issue at 31 December 2016	10.0	87.1	43.3	-	9.3
Stock dividends	-	1.4	(1.8)	-	0.4
Issued through release of tranche of escrow shares	-	3.4	-	-	(3.4)
Issue through exercise of TFM options	-	2.4	(2.4)	-	-
Issue through exercise of GreenOak options	-	0.7	(0.7)	-	-
Shares transferred to escrow for deferred incentive fee	-	-	(2.0)	-	2.0
Shares purchased during the year	-	(4.9)	4.9	-	-
Shares in issue at 31 December 2017	10.0	90.1	41.3	-	8.3

* Non-voting shares do not include the treasury shares or the shares held in escrow.
** TFG Holdings I was closed during 2016.

Note 13 Share Capital (continued)

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 2017, there was no share repurchase program in place.

When the program was in operation, the Fund undertook to repurchase an identical number of its own shares from the Feeder as and when 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 2017, the Feeder and the Fund announced that under the terms of a “modified Dutch auction” tender offer, the Fund had accepted for purchase approximately 4.8 million (31 December 2016: 14.3 million) Feeder non-voting shares at an aggregate cost of US$ 65.4 million (31 December 2016: US$ 151.1 million), including applicable fees and expenses of US$ 0.4 million (31 December 2016: US$ 1.1 million). Additionally during 2017, the Master Fund agreed to purchase 0.1 million shares for US$ 1.0 million from TFG Asset Management LP using the then-current share price of US$ 13.12.

During 2016, 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 15) 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 3.3 million shares (31 December 2016: 3.8 million shares) were issued to the Feeder as a result of an equivalent number of Feeder shares being released from escrow.

Of these approximately 2.5 million shares (31 December 2016: 3.0 million shares) were deemed to be in relation to the original Feeder escrow shares, and a value of US$ 21.1 million (31 December 2016: US$ 25.0 million) was debited against Capital Contribution, using the transaction share price of US$ 8.43. In addition, approximately 0.8 million shares (31 December 2016: 0.8 million shares) were deemed to be related to the stock dividends awarded on the original shares released and an amount of US$ 9.0 million (31 December 2016: US$ 8.1 million) was released against Retained Earnings, based on the stock reference price at each applicable dividend date. All shares related to this transaction were released from escrow before 31 December 2017.

6.2 million (31 December 2016: 6.0 million) shares related to TFG Asset Management’s employee reward schemes are held in escrow.

Note 13 Share Capital (continued)

Escrow Shares (continued)

During the year, 0.2 million shares (31 December 2016: nil) were released from escrow including shares that were deemed to be related to the stock dividends awarded on the original shares. An amount of US$ 0.4 million (31 December 2016: nil) was released against Retained Earnings, based on the stock reference price at each applicable dividend date. These shares are eligible for stock dividends and during the year, 0.3 million (31 December 2016: 0.3 million) shares were allocated to this account.

The Fund also holds 2.1 million (31 December 2016: nil) in escrow in relation to deferred incentive fees of the Feeder. These shares are deemed to be within treasury shares for the purposes of Statement of Changes in Equity.

Capital Management

The Fund's capital is represented by the ordinary share capital, other equity, 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 14 Dividends

	31 Dec 2017 US$ MM	31 Dec 2016 US$ MM
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
Quarter ended 31 December 2016 of US$ 0.1725 per share	15.1	-
Quarter ended 31 March 2017 of US$ 0.1725 per share	15.6	-
Quarter ended 30 June 2017 of US$ 0.1750 per share	15.8	-
Quarter ended 30 September 2017 of US$ 0.1750 per share	16.5	-
	63.0	61.9

The fourth quarter dividend of US$ 0.1775 per share was approved by the Directors on 26 February 2018 and has not been included as a liability in these 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 2017, US$ 25.4 million (31 December 2016: US$ 22.6 million) was paid.

Note 15 Share-based Payment Plan

On 28 October 2012, TFG Asset Management LP 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").

Note 15 Share-based Payment Plan (continued)

The Aggregate Consideration was held in escrow (along with accrued stock dividends), by the escrow agent pursuant to the terms of the escrow agreement. The tranches were released in 2013 to 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 *Sharebased Payments*. The Fund, as receiver of benefits, recognises 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 2017 amounted to US$ 3.5 million (31 December 2016: US$ 9.4 million).

	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 2017 Shares MM	31 Dec 2016 Shares MM
Balance at 1 January 2017	3.2	6.6
New awards	-	-
Vested during the period	(3.3)	(3.8)
Stock dividends	0.1	0.4
Balance at 31 December 2017	-	3.2

All shares related to this transaction have been released from escrow.

The Fund also pays two of its directors in the form of shares in the Feeder. Please refer to Note 17 for details of this payment.

Note 16 Contingencies and Commitments

The fund has the following unfunded commitments:

	31 Dec 2017	31 Dec 2016
	US$ MM	US$ MM
GreenOak investment vehicles	126.0	90.9
TCI II	-	46.1
TCI III	65.0	-
Private equity funds	8.6	-
	199.6	137.0

Note 17 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 non-voting 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 2017, US$ 32.2 million (31 December 2016: US$ 22.0 million) was paid as incentive fees.

The Investment Manager is considered key personnel and is entitled to receive management fees calculated as 1.5% of the Fund's NAV. During the year ended 31 December 2017, US$ 29.5 million (31 December 2016: US$ 27.8 million) was paid as management fees to the Investment Manager.

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 2017, Frederic Hervouet has elected to receive shares in lieu of his full compensation as director. William Rogers has elected to receive shares in lieu of half of his compensation from Q1 2017. During the year, Frederic Hervouet and William Rogers received 7,879 and 2,938 shares respectively (31 December 2016: 10,157 and nil shares respectively). The number of shares issued instead of the fee for the fourth quarter will be determined as part of the fourth quarter 2017 dividend process.

The Voting Shareholder acting as agent, holds all of the voting shares of the Fund. It 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.

Note 17 Related-Party Transactions (continued)

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 vested between 2015 and 2017. During the year ended 31 December 2017, Reade Griffith and Paddy Dear received 2,474,887 and 873,487 shares respectively in relation to this transaction as the final tranche was released.

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 2017 total compensation paid to them each in aggregate was US$ 100,000 (31 December 2016: 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.

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 authorised 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.

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$ 17.3 million (31 December 2016: US$ 14.0 million), GreenOak US$ 0.5 million (31 December 2016: US$ 0.6 million) and Polygon Private Investment Partners LP US$ 0.2 million (31 December 2016: US$ 0.2 million). During 2017, the Fund purchased 0.1 million shares from TFG Asset Management for US$ 1.0 million using then-current share price of US$ 13.12.

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 2017, it held CLO equity tranche investments in 11 CLOs managed by LCM with a fair value of US$ 191.9 million (31 December 2016: US$ 202.0 million).

Note 17 Related-Party Transactions (continued)

At 31 December 2017, 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 2017, the fair value of these investments was US$ 424.3 million (31 December 2016: US$ 406.4 million).

The Fund owns a 23% equity interest in GreenOak. The Fund has made investments across several real estate investment vehicles managed by GreenOak. As at 31 December 2017, these investments referenced real estate in the United States, Japan and Europe with a combined net asset value of US$ 132.9 million (31 December 2016: US$ 116.7 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.

TCIP II and TCIP III are general partners of TCI II and TCI III respectively. The Fund owns 100% of TCIP II and TCIP III. As at 31 December 2017, the Fund's investment in TCI II is fair valued at US$ 68.1 million (31 December 2016: US$ 16.1 million). TCI III has not called any capital as at 31 December 2017 (31 December 2016: nil). Please refer to Note 16 for details of unfunded commitments related to GreenOak, TCI II and TCI III funds.

Hawke's Point Manager LP is the manager of Hawke's Point Holdings LP. The Fund owns 100% of Hawke's Point Manager LP through its ownership of TFG Asset Management. As at 31 December 2017, the Fund's investment in Hawke's Point Holdings LP is fair valued at US$ 7.4 million (31 December 2016: nil).

Note 18 Subsequent Events

The Directors have evaluated the period up to 26 February 2018, 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 19 Approval of Financial Statements

The Directors approved and authorised for issue the financial statements on 26 February 2018.

TETRAGON FINANCIAL GROUP MASTER FUND LIMITED

UNAUDITED CONDENSED SCHEDULE OF INVESTMENTS
As at 31 December 2017

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	861.0	766.5	297.0	14.79%
Middle Market Senior Secured Loans	133.2	123.9	1.5	0.07%
	994.2	890.4	298.5	14.86%
European CLO Equity				
Ireland				
Broadly Syndicated Senior Secured Loans	35.0	40.9	6.9	0.34%
	35.0	40.9	6.9	0.34%
Netherlands				
Broadly Syndicated Senior Secured Loans	24.0	31.8	0.5	0.02%
	24.0	31.8	0.5	0.02%
United States CLO Mezzanine				
Cayman Islands				
Broadly Syndicated Senior Secured Loans	0.7	0.4	0.7	0.03%
	0.7	0.4	0.7	0.03%
Loans				
United States Broadly Syndicated Senior Secured Loans	1.9	1.4	1.6	0.08%
	1.9	1.4	1.6	0.08%
Listed Stock				
Norway – Equity Investments		6.8	24.9	1.24%
United Kingdom – Equity Investments		20.5	30.0	1.49%
		27.3	54.9	2.73%
Unlisted Stock				
United States – Private Equity		35.0	42.2	2.10%
		35.0	42.2	2.10%
Corporate Bonds				
Portugal – Corporate Bond		15.2	24.2	1.21%
United States – Corporate Bond		3.0	8.2	0.40%
		18.2	32.4	1.61%
Investment Funds and Vehicles				
United States – Real Estate		52.0	84.9	4.23%
Japan – Real Estate		22.6	24.1	1.20%
Latin America – Real Estate		32.2	29.4	1.46%
Europe - Real Estate		52.9	53.9	2.68%
Cayman Islands – CLO Equity Fund		70.0	68.1	3.39%
United Kingdom – Private Equity		11.2	11.5	0.57%
United States – Private Equity		16.4	16.2	0.81%
Global – Hedge Funds – Equities		40.0	45.2	2.25%
Global - Mining Finance Fund		12.8	7.4	0.37%
Polygon European Equity Opportunity Fund		222.0	234.7	11.69%
Polygon Distressed Opportunities Fund		97.6	114.5	5.70%
Global – Hedge Funds – Credit and Convertible Bonds		46.0	55.3	2.76%
		675.7	745.2	37.11%

UNAUDITED CONDENSED SCHEDULE OF INVESTMENTS – (continued)
As at 31 December 2017

	Nominal MM	Cost US$ MM	Fair Value US$ MM	% of Net Assets
TFG Asset Management				
United Kingdom Infrastructure Asset Management Business		73.3	152.2	7.58%
Global Financial Real Estate Manager		10.7	69.6	3.46%
Global Hedge Fund Manager		49.9	56.0	2.79%
United States CLO Manager		44.0	144.3	7.19%
Other		-	8.6	0.43%
		177.9	430.7	21.46%
Total Investments		1,899.1	1,613.6	80.34%

	Fair Value US$ MM	% of Net Assets
Financial Derivative Instruments		
Forward Foreign Currency Exchange Contracts	(2.0)	(0.10)%
Credit Default Swaps	(1.4)	(0.07)%
Contract for Difference	14.2	0.71%
Total Financial Derivative Instruments	10.8	0.54%
Cash and Cash Equivalents	365.5	18.20%
Other Assets and Liabilities	18.5	0.92%
Net Assets	2,008.4	100.00%

TETRAGON FINANCIAL GROUP MASTER FUND LIMITED

UNAUDITED CONDENSED SCHEDULE OF INVESTMENTS – (continued)
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%

TETRAGON FINANCIAL GROUP MASTER FUND LIMITED

UNAUDITED CONDENSED SCHEDULE OF INVESTMENTS – (continued)
As at 31 December 2016

	Nominal MM	Cost US$ MM	Fair Value US$ MM	% of Net Assets
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%
Financial Derivative Instruments				
Forward Foreign Currency Exchange Contracts			7.9	0.41%
Credit Default Swaps			(0.9)	(0.04%)
Contract for Difference			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%