2018 Annual Report

TETRAGON FINANCIAL GROUP LIMITED

Contents

STEVE STREIT
POLYGON

TETRAGON[1] is a closed-ended investment company that invests in a broad range of assets, including bank loans, real estate, equities, credit, convertible bonds, 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. References to "we" are to Tetragon Financial Management LP, Tetragon's investment manager.

YUKO THOMAS
INVESTOR RELATIONS

Delivering Results Since 2005[1]

NAV PER SHARE TOTAL RETURN[2]

10.3%	10.3%	13.2%	11.2%	247%
2018 FULL YEAR	**FIVE YEARS ANNUALISED**	**TEN YEARS ANNUALISED**	**SINCE IPO ANNUALISED**	**SINCE IPO**

INVESTMENT RETURNS/RETURN ON EQUITY[3]

12.1%	10-15%	12.4%
2018 ROE	**ROE TARGET**	**ANNUAL AVERAGE SINCE IPO**

DIVIDENDS

\$0.1825	\$0.7200	6.2%	3.7x	5.0%
Q4 2018 DIVIDEND	**2018 DIVIDENDS**	**DIVIDEND YIELD**	**DIVIDEND COVER[4]**	**DIVIDEND 5-YEAR CAGR**

NET ASSET VALUE

$2.2 billion

31 DECEMBER 2018

OWNERSHIP[5]

26%

PRINCIPAL & EMPLOYEE OWNERSHIP AT 31 DECEMBER 2018

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

2018 Snapshot

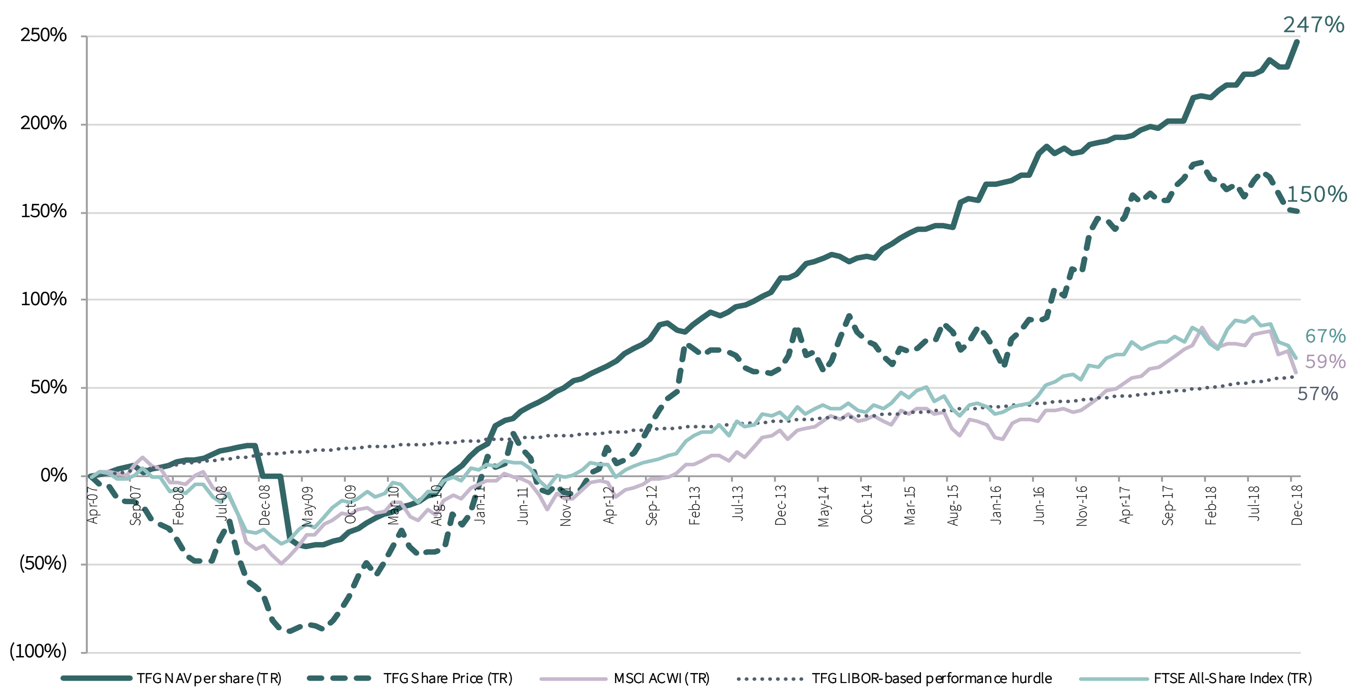
Tetragon aims to provide stable returns to investors across various credit, equity, interest rate, inflation and real estate cycles.

FIGURE 1

Tetragon Financial Group - Performance Summary			
	31 December 2018	31 December 2017	Change
Net Assets	$2,189.4m	$1,994.5m	$194.9m
Fully Diluted NAV Per Share	$22.48	$21.08	$1.40
Share Price[1]	$11.65	$13.55	$(1.90)
Dividend	**$0.7200**	**$0.7000**	**$0.0200**
Ongoing Charges[2]	1.73%	1.74%	
Investment Returns/Return on Equity[3]			**12.1%**
NAV Per Share Total Return[4]			**10.3%**
Share Price Total Return[5]			(9.0%)
Tetragon Hurdle: LIBOR +2.65%[6]			4.9%
MSCI ACWI Index Total Return[7]			(9.0%)
FTSE All-Share Index Total Return[7]			(9.5%)

FIGURE 2

Tetragon's NAV Per Share Total Return and Share Price Since IPO to 31 December 2018



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

Notes

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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 2018, for the last year, the last five years, the last ten years, and since Tetragon's initial public offering in April 2007. In previous reports, we reported annualised NAV Total Return figures for period-to-date, five years, three years, and since IPO. On a go-forward basis, we will no longer report annualised NAV Total Return figures for three years, and will report a 10 years annualised number given that 10 full calendar years have elapsed since Tetragon's IPO. At 31 December 2018, the three years annualised NAV Total Return was 9.3%. 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 54 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 2018.

(5) Shareholdings at 31 December 2018 of the principals of Tetragon's investment manager and employees of TFG Asset Management, including all deferred compensation arrangements. Please refer to the 2018 Audited Tetragon Financial Group 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 2018. 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) 2018 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 over 2,700 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 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

CHRIS D'AURIA
LCM

Letter to Our Shareholders

In 2018, Tetragon delivered an investment return on equity (RoE) of 12.1%, a NAV Per Share total return of 10.3%, and a share price total return of -9.0%. It also declared 72 cents of dividends per share for the year – a yield of 6.2%. Whilst we are pleased with the company's performance against our stated target of a 10-15% RoE, we were particularly pleased to have generated attractive returns in a challenging market.

"We believe that Tetragon's investment manager has constructed a portfolio that can generate positive returns in a variety of economic environments and across various credit, equity, interest rate, inflation and real estate cycles."

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

2018 was a difficult year for investors, with negative performance in most markets and in most asset classes. As the Wall Street Journal reported, by mid-November, nearly 90% of investible assets (stocks, bonds, commodities, etc.) had produced negative returns for the year.[1] In equity markets in the United States, the S&P 500 Index was down 4.2% for the year and markets were particularly trying in the fourth quarter. In fact, the U.S. equity market had its worst December since 1931. Equity markets in Europe fell between 7% and 26% and many emerging market equities indices fell by double digits.

We believe that Tetragon's investment manager has constructed a portfolio that can generate positive returns in a variety of economic environments and across various credit, equity, interest rate, inflation and real estate cycles. Tetragon's ability to invest in a broad range of asset classes and strategies, partner and invest with what we believe are superior asset managers, make investments directly on its balance sheet, adjust its cash holdings as appropriate to market cycles and maintain a long-term view, contributed to Tetragon's performance in 2018 and we believe will continue to do so over the long-term.

We also believe that Tetragon's investing benefits from a repeatable process – in particular around the sourcing of compelling and differentiated investment ideas. As Tetragon has grown and evolved, so too has the breadth of its sourcing capabilities. Key contributors to Tetragon's ability to source investments are the managers on the TFG Asset Management platform as well as third-party managers with whom it invests.

"We also believe that Tetragon's investing benefits from a repeatable process – in particular around the sourcing of compelling and differentiated investment ideas. As Tetragon has grown and evolved, so too has the breadth of its sourcing capabilities."

– Reade Griffith, Co-Founder of Tetragon's investment manager

2018 performance gains and losses

All of the portfolio's asset classes and investment strategies produced performance gains for the year, with the main exception of Tetragon's allocation to hedge funds managed by Polygon[2], where Tetragon saw performance gains from its allocations to convertible bonds, absolute return European equities and global equities strategies and losses from its distressed and long-bias European equities strategies.

70% (or approximately $231 million) of the portfolio's gains during the year were generated within TFG Asset Management, driven primarily by GreenOak[3] and Equitix[4]. The remaining gains in the portfolio were broad-based, coming from the company's allocations to bank loans (through CLOs), real estate (primarily through private equity-style funds), private equity and other equities and credit.

TFG Asset Management

Tetragon's largest gain during the year was from TFG Asset Management's GreenOak joint venture. The performance gains in GreenOak were the product of eight years of partnership with the GreenOak Founders, with the announcement in December of the merger of GreenOak with Bentall Kennedy, Sun Life Financial Inc.'s leading North American real estate and property management firm, to form Bentall GreenOak. Please see page 23 for further details of this transaction, which is expected to close in the first half of 2019. We are particularly proud of the growth and performance of the GreenOak business and are pleased to have found in Bentall GreenOak a strong strategic platform to fuel the next generation of business growth while also delivering an attractive return to Tetragon's shareholders. TFG Asset Management will continue to hold its key investment in Bentall GreenOak, will serve on its Board of Directors, will participate in investment committees for funds in which TFG Asset Management will hold carried interest and expects to invest in new Bentall GreenOak funds.

The performance to date of the GreenOak joint venture reflects Tetragon's overall investment strategy. Having identified real estate – post financial crisis – as an attractive asset class and investment strategy, Tetragon partnered with the GreenOak Founders on the launch of GreenOak, providing working capital, co-investment capital and operating infrastructure to the joint venture. The GreenOak joint venture has yielded attractive returns on two levels: first, on Tetragon's investments in GreenOak products and, second, through TFG Asset Management's ownership stake in GreenOak. Since the inception of the GreenOak joint venture, Tetragon has committed more than $410 million to the GreenOak investment programs. As an investor in these programs, Tetragon has seen what we believe are compelling realised returns and a relatively swift return of investment capital. At the same time, the joint venture itself has performed at a high level. The announced merger has seen the fair value of TFG Asset Management's stake in GreenOak increase by just under $100 million to approximately $210 million[5] – all from a business launched in 2011. As part of an active pre-merger restructuring of its non-dilutable 23% interest[6] in the joint venture, TFG Asset Management will hold a 29% interest in GreenOak going into the merger with Bentall Kennedy, making it the largest pre-merger owner in the joint venture.

Equitix generated the second-highest investment gains ($66.1 million) in 2018 for Tetragon through TFG Asset Management. Over the past four years, Equitix has nearly tripled its assets under management (AUM), and has established itself as one of the leading infrastructure managers in Europe. One of the larger contributors to Equitix's increase in value in 2018 was its successful take-private of the John Laing Infrastructure Fund (JLIF) with Dalmore Capital in July 2018. We believe that taking JLIF private was an attractive opportunity for Equitix and Tetragon, both through TFG Asset Management and directly through its balance sheet. JLIF's depressed share price was influenced by a slight strategy shift as well as political and construction risks. However, Equitix believed that most of the assets were highly attractive and were trading (even at a take-over premium) at a more attractive valuation than single asset secondary deals. From Equitix's perspective, acquiring JLIF is enabling an earlier deployment of its investors' capital, providing co-investment opportunities for Equitix investors, and offering the opportunity for attractive returns through improved management of the JLIF assets. From TFG Asset Management's perspective, acquiring the JLIF assets is accelerating Equitix's business plan, which has already resulted in a positive impact on Equitix's fair value. We believe that this deal highlights some of the strengths of TFG Asset

Management's structure coupled with Tetragon's balance sheet. Equitix's management team knew the JLIF assets well, the financing of those assets, and the disconnect between public and private market values, but was also able to leverage the experience of the TFG Asset Management investment team in mergers and acquisitions in the United Kingdom and specifically its strategic advice in take-private transactions. Tetragon, through its balance sheet, was able to provide Equitix balance sheet capital for the JLIF assets that were non-core. This combination helped to achieve positive 2018 performance.

> "Tetragon's largest gain during the year was from TFG Asset Management's GreenOak joint venture. The performance gains in GreenOak were the product of eight years of partnership with the GreenOak Founders, with the announcement in December of the merger of GreenOak with Bentall Kennedy, Sun Life Financial Inc.'s North American real estate and property management firm, to form Bentall GreenOak."
>
> – Stephen Prince, Head of TFG Asset Management

The GreenOak and Equitix growth stories echo that of LCM.[7]

– As noted above, in the case of GreenOak, Tetragon, through TFG Asset Management, leveraged infrastructure, strategic guidance and management and working capital loans and, through its balance sheet, working capital loans and co-investment capital, into a holding with a fair value of approximately $210 million in under eight years. GreenOak's AUM now stands at $10.6 billion (from zero at inception).

– In the case of Equitix, Tetragon acquired it in early 2015 and added it to the TFG Asset Management platform. Under the management, oversight and supervision of TFG Asset Management, Equitix's fair value has increased from its acquisition cost of $133.1 million in 2015 to approximately $230 million as at 31 December 2018[8]; in addition, net loan repayment receipts during that period totaled in excess of $60 million. Its AUM has grown from approximately £1.3 billion in early 2015 to approximately £3.9 billion as at 31 December 2018.

– In the case of LCM, it was acquired in 2010 for approximately $1 million and a commitment to provide operating infrastructure. LCM had approximately $2.5 billion of AUM at the time. In the interim, Tetragon, through TFG Asset Management, has leveraged infrastructure and strategic guidance and management and, through its balance sheet, investment capital, into a $155 million[9] business. LCM's AUM now stands at $8.3 billion.

During the year, TFG Asset Management added to the senior ranks of its structured credit team with the expectation of offering additional investment products in 2019. Its TCIP[10] business's Tetragon Credit Income III L.P. (TCI III) final 2018 close in December brought TCI III AUM to $400 million, with Tetragon Credit Income II L.P. (TCI II) having raised just under $350 million through its final close in 2017.

Bank loans through CLOs

Tetragon's various investments in bank loans through CLOs produced the third-largest performance gains.[11] In some cases, these gains were driven by CLO liquidation values being above the estimated fair values of the portfolio's holdings. In other cases, gains were driven by the active management of certain CLOs where the team refinanced various debt tranches, taking advantage of the lower liability pricing in the market.

Real estate

Real estate as an asset class delivered the next largest performance gains.[12] Real estate gains were driven from all of the GreenOak investments – European, U.S. and Asian fund allocations – as well as from Tetragon's investments in Paraguayan farmland.

Private equity and other equities and credit

Remaining performance gains were from private equity (with one direct private equity investment driving the bulk of these gains), and other equities and credit, where the portfolio's allocations to biotechnology positions and one event-driven investment drove the gains of $31.6 million. Tetragon began making investments in other equities and credit following the formation of TFG Asset Management. As we wrote above with respect to sourcing of compelling and differentiated investment ideas, we believe that the sourcing of these investments has been facilitated by the managers on the TFG Asset Management platform as well as third-party managers with whom Tetragon invests.

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

The investment manager views the hedge fund sector, in general, as somewhat saturated, with many strategies competing for increasingly diminishing opportunities for intrinsic *alpha*. As such, it has come to believe that capacity-constrained, niche and targeted approaches – such as the event-driven equities and convertible bond strategies managed by Polygon – are more likely to be good investments. During 2018, Tetragon's performance losses from its investments in hedge funds were approximately $17 million, of which $12 million was from the Polygon Distressed Opportunities Fund, which closed in the first quarter of 2018, as previously reported. During 2018, the Polygon Convertible Opportunity Fund's net return was 1.8%, and the Polygon European Equity Opportunity Fund - Absolute Return was down less than one percent[13], whereas the HFRX Global Hedge Fund Index was down 6.7%. The portfolio's investment in an external quantitative manager generated positive returns, compared to the negative returns generated by the HFRI Equity Market Neutral Index.[14] Although this approach to hedge fund investing did not generate performance gains for the portfolio in 2018, we believe that it had the effect of protecting capital, with only modest losses from the company's hedge fund investments. Furthermore, Tetragon's hedge fund investments are generally more liquid than its private equity and CLO investments.

Other 2018 Events

Tetragon's share price fell by 14.0% during the year despite Tetragon's NAV per share increasing by 6.6%. The company's shares ended the year at a 48% discount to its NAV per share, which compares to a discount of 36% at the end of 2017. 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. At the end of 2018, principal and employee ownership was 26% of the company's shares, which continues to place insider ownership amongst the highest of U.K.-listed investment companies.

In the fourth quarter of 2018, the company announced its intention to repurchase $50 million of its non-voting shares. The share repurchase was completed after the end of the year, with a repurchase of approximately 4.3 million shares at a purchase price of $11.50 per share.

At the end of the year, net cash balances were $271.3 million, or 12.4% of the company's NAV. Tetragon's investment manager currently expects the following investment commitments, including: GreenOak - $97.0 million; TCI III - $77.6 million; Hawke's Point[15] - $54.9 million; and six private equity commitments totaling $18.8 million. The investment manager also maintains these cash levels to fund new businesses and opportunistic investments and acquisitions, and pay dividends and fees. The company has a $150 million revolver, of which $38.0 million has been drawn. Whilst a high cash balance can mute investment returns, the investment manager believes that in the current environment, the portfolio's cash provides useful flexibility.

The fourth quarter dividend was announced at 18.25 cents per share, bringing the full-year 2018 dividend to 72.0 cents per share, which is a 2.9% increase on 2017. Using the year-end share price of $11.65, this gives a yield of 6.2%. Dividend coverage at the end of the year was 3.7x.

At the end of the year, Tetragon announced three new Independent Directors, whose biographies are featured in this report. The Independent Directors bring extensive private equity and asset management expertise as well as considerable operational and administrative experience. These backgrounds and experiences, as well as the overall composition of the Board of Directors, should be valuable as Tetragon continues to diversify its alternative asset portfolio and looks to continue to grow TFG Asset Management.

We look forward to continuing our engagement with both long-term and new shareholders during 2019. Tetragon's next annual investor day is scheduled to be held in London during April 2020, where we hope to see many of you.

Outlook

Despite increasing negativity in the leveraged loan market, the investment manager continues to be optimistic about its allocations to bank loans through CLO equity. Covenant deterioration in the leveraged loan market as well as increasing levels of debt generally should be of concern to long holders of corporate debt; however, CLO equity remains an attractive investment due to a number of factors, including that it may provide investors with optionality on spread widening. With fixed liabilities and floating-rate assets, CLO equity can benefit from spread widening, provided that loan defaults are well managed.

In addition, and as evidenced by 2018 performance, the portfolio benefits from TFG Asset Management's management of its private equity investments in asset managers. TFG Asset Management will seek to grow a number of its existing businesses in 2019. There are a number of businesses, where over time, TFG Asset Management will have the opportunity to expand either geographically or with product offerings (and in some cases, both). In addition, TFG Asset Management is focused on building out new businesses over the short to medium-term, in some cases with support from Tetragon's balance sheet.

There are many risks in the markets – market volatility and returns in 2018 exemplified these risks. With quantitative easing seemingly nearing an end (the pace and timing of which is still to be determined), global sovereign debt levels at historic highs and heightened political risks, Tetragon's investment manager remains cautious. On the other hand, achieving attractive absolute investment returns over time requires not just an acknowledgement of market risks, but a view on market pricing. Eventually, these risks become priced-in (and in some cases more than priced-in). As we wrote above, we believe that Tetragon's ability to invest in a broad range of asset classes and strategies, partner and invest with superior asset managers, make investments directly on its balance sheet, adjust its cash holdings as appropriate to market cycles and maintain a long-term view, will contribute to Tetragon's performance in 2019 and over the long term.

With Regards,

THE BOARD OF DIRECTORS

28 February 2019

Notes:

(1) Otani, A and Wursthorn, M (2018), 'No Refuge for Investors as 2018 Rout Sends Stocks, Bonds, Oil Lower'. *The Wall Street Journal* (online), 25 November 2018.

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

(3) GreenOak Real Estate, LP is referred to in this report as "GreenOak". TFG Asset Management owns a 23% interest in GreenOak.

(4) Equitix Holdings Limited, referred to in this report as "Equitix". TFG Asset Management owns 75% of the business.

(5) The fair value of GreenOak as at 31 December 2018 was $208.5 million. See Figure 10 in this report.

(6) TFG Asset Management's interest is non-dilutable as to carried interests in GreenOak-managed investment programs.

(7) LCM Asset Management LLC is referred to in this report as "LCM". TFG Asset Management owns a 100% interest in LCM.

(8) See Figure 10 in this report.

(9) The fair value of LCM as at 31 December 2018 was $154.9 million. See Figure 10 in this report.

(10) 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. TFG Asset Management owns a 100% interest in TCIP.

(11) See Figure 10 in this report.

(12) See Figure 10 in this report.

(13) The Absolute Return Class A shares returned -0.94% net during 2018, based on final values as calculated by the Fund's administrator. The Long-Bias L-A share class was launched on 1 October 2018; on a *pro forma* basis, this class returned -7.72% net for 2018. Tetragon invested in the L-A share class on 1 October 2018.

(14) The indices shown here have not been selected to represent appropriate benchmarks to compare an investor's performance, but rather are disclosed to allow for comparison of the investor's performance to that of certain well-known and widely-recognised indices. The volatility of the indices may be materially different from the individual performance attained by a specific investor. In addition, the Fund's holdings may differ significantly from the securities that comprise the indices. You cannot invest directly in an index. The HFRX Global Hedge Fund Index (Bloomberg Code: HFRXGL) and the HFRI Equity Market Neutral Index (Bloomberg Code: HFRIEMNI) are compiled by HFR Hedge Fund Research Inc. Further information relating to index constituents and calculation methodology can be found at www.hedgefundresearch.com.

(15) Hawke's Point Manager LP, an asset management company focused on mining finance, referred to in this report as "Hawke's Point". TFG Asset Management owns a 100% interest in Hawke's Point.

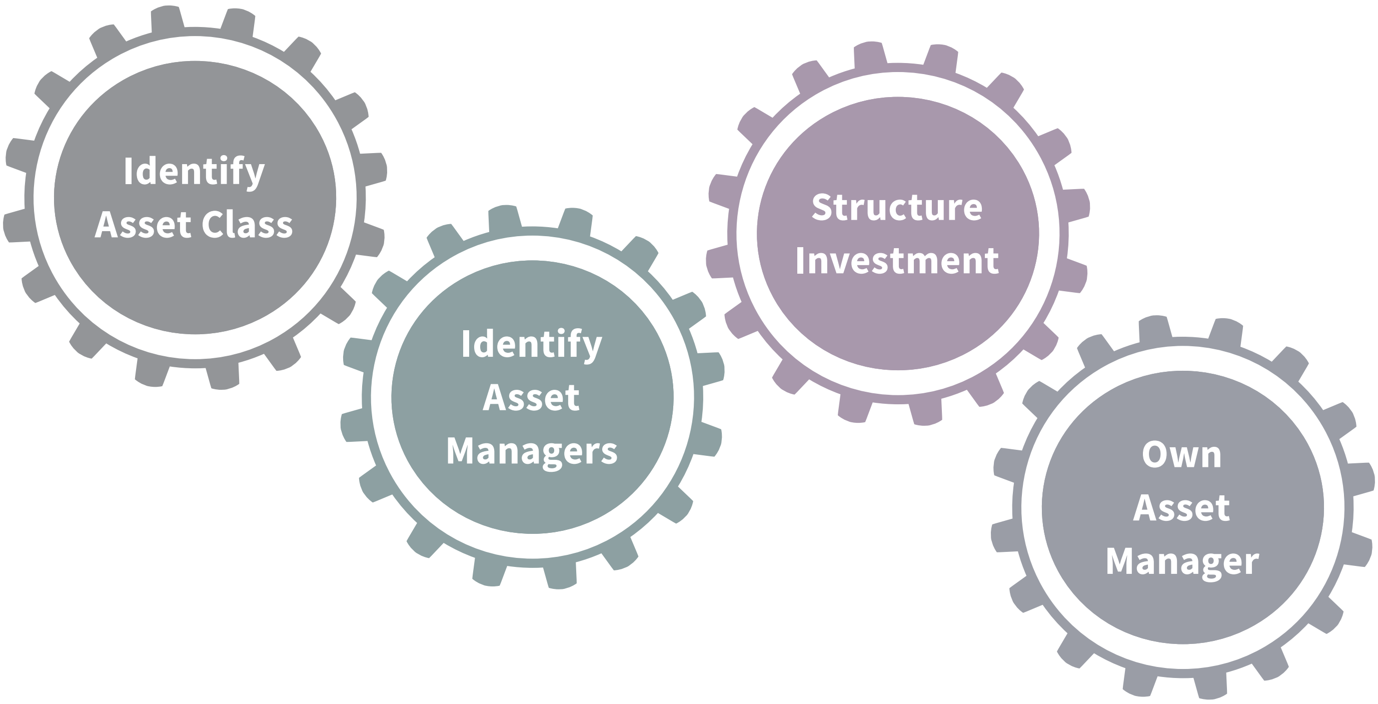
INVESTMENT WEEK
INVESTMENT COMPANY OF THE YEAR AWARDS 2018
FINALIST

INVESTMENT WEEK
INVESTMENT COMPANY OF THE YEAR AWARDS 2017
FINALIST

Tetragon was nominated for the 2018 and 2017 Investment Company of the Year Award in the "Flexible" category. There were four other nominees for these awards in 2018, and five other nominees in 2017. It was 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.

Investment Objective & Strategy (continued)

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 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.

Following Tetragon's acquisition of Polygon Management L.P. in 2012, Tetragon's Board of Directors and its investment manager determined that it was in the best interests of Tetragon and its shareholders to have TFG Asset Management manage, oversee and supervise Tetragon's private equity investments in asset management companies. TFG Asset Management, as a unified business, could enhance the value of each individual investment and the entity as a whole through a shared strategic direction and operating infrastructure – encompassing critical business management functions such as risk management, investor relations, financial control, technology, and compliance/legal matters – while at the same time giving entrepreneurial independence to the managers of the underlying businesses. In light of the strategy to continue to grow TFG Asset Management with a view to a possible initial public offering and listing of its shares, the combination of a number of relatively uncorrelated businesses across different asset classes and at different stages of development under TFG Asset Management is also intended to create a collectively more robust and diversified business and income stream.

Key Performance Metrics

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

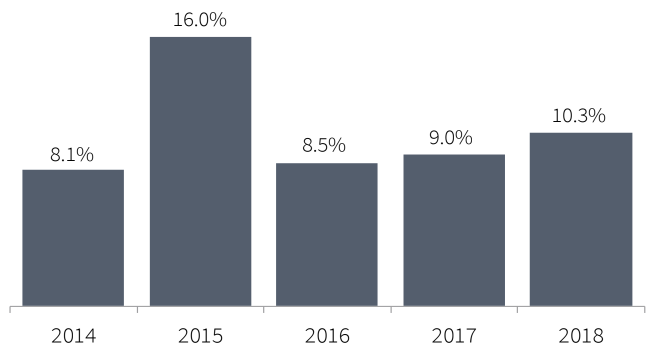
- **NAV Per Share**
- **Investment Returns/Return on Equity**
- **Dividends**

Fully Diluted NAV Per Share

Fully Diluted NAV per share (NAV per share) was $22.48 at 31 December 2018. NAV per share total return was 10.3% for 2018.

FIGURE 3

NAV Per Share Total Return 2014-2018



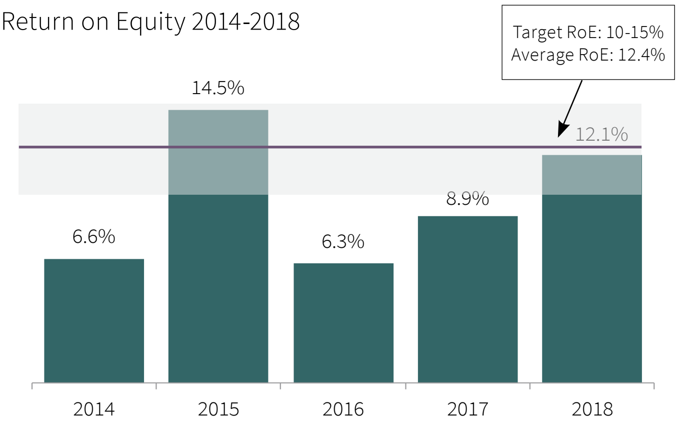
Investment Returns/Return on Equity*

RoE for 2018 was 12.1%. Earnings Per Share (EPS) for 2018 was $2.65.

*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 2014-2018

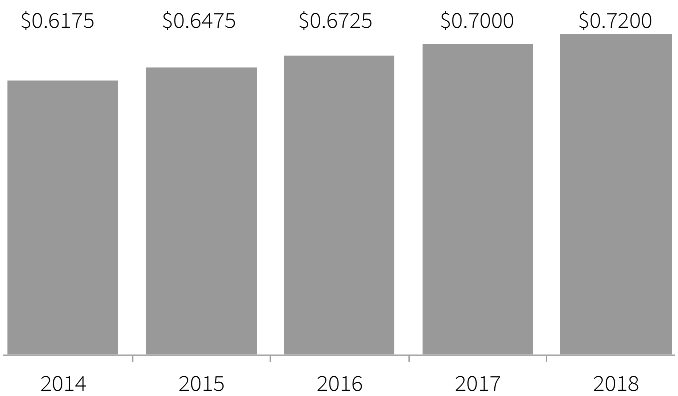


Dividends Per Share (DPS)

Tetragon declared a Q4 2018 dividend of $0.1825 per share, for a full year dividend payout of $0.7200 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 $6.1775.

FIGURE 5

Dividend Per Share Comparison 2014-2018 (USD)



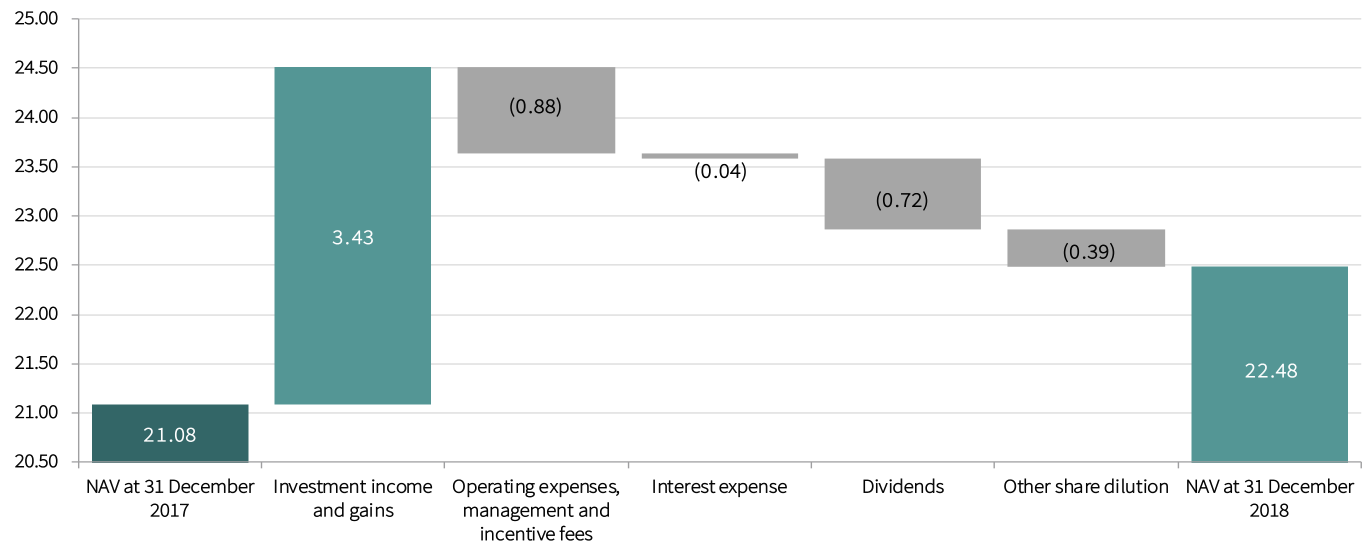
Investment Review

NAV Per Share

Tetragon's Fully Diluted NAV Per Share increased from $21.08 per share as at 31 December 2017 to $22.48 per share as at 31 December 2018. 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 2017 to 31 December 2018 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. The impact of the share repurchase in January 2019 is 52 cents of accretion.

Net Asset Breakdown Summary

The table shows a breakdown of the composition of Tetragon's NAV at 31 December 2017 and 31 December 2018, 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	NAV at 31 Dec 2017	Additions[i]	Disposals/ Receipts[i]	Gains/ Losses	NAV at 31 Dec 2018
Private equity in asset management companies	430.7	26.7	(26.2)	230.9	662.1
Event-driven equities, distressed opportunities, convertible bonds and quantitative strategies	449.8	199.7	(202.6)	(16.8)	430.1
Bank loans	374.4	27.1	(115.3)	40.5	326.7
Real estate	162.3	53.8	(40.4)	37.1	212.8
Private equity	78.8	83.0	(32.6)	16.7	145.9
Other equities and credit[ii]	141.3	55.7	(71.4)	14.9	140.5
Net cash[iii]	357.2	-	(93.7)	7.8	271.3
Total	**1,994.5**	**446.0**	**(582.2)**	**331.1**	**2,189.4**

(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. Payments and receipts on the CFDs have been netted off against each other.

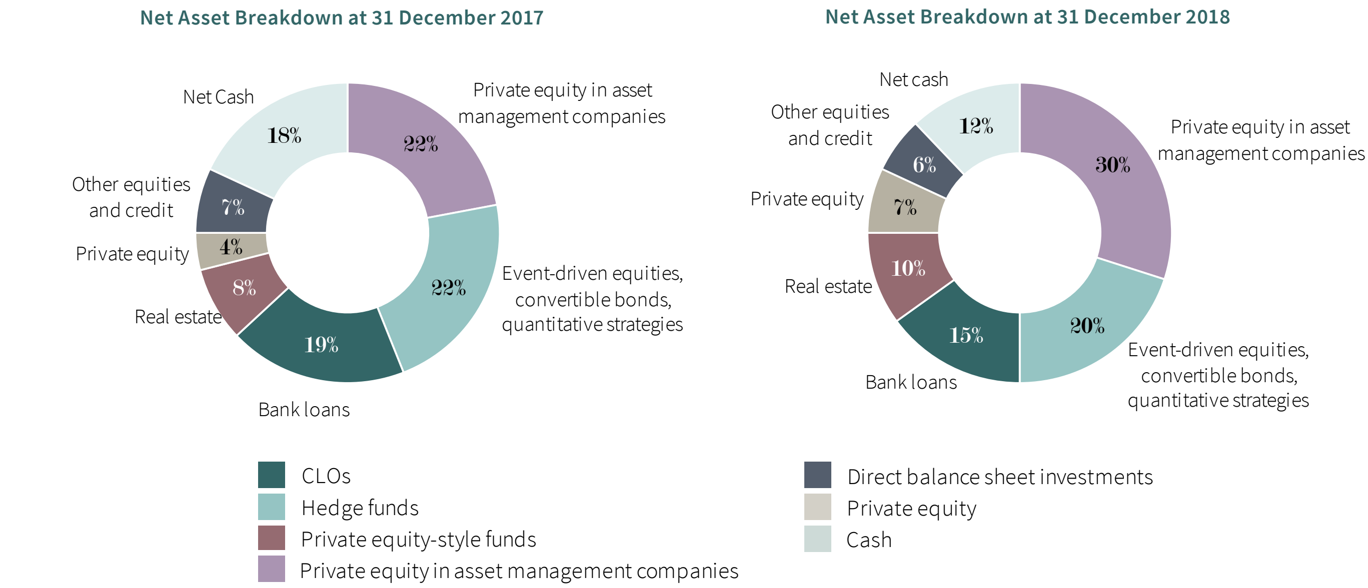
(iii) Net cash consists of: (1) cash held directly by Tetragon, (2) excess margin held by brokers associated with assets held directly by Tetragon and (3) cash held in certain designated accounts related to Tetragon's investments, some of which may only be used for designated purposes without incurring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

Net Asset Composition Summary

As can be seen from Figure 8 below, Tetragon's asset class allocation changed during the year, with a significant increase in private equity in asset management companies, notable decreases in cash and bank loans, an increase in private equity and marginal decreases in other asset classes. These changes are described in the 'Detailed Investment Review'.

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



Top 10 Holdings by Value as of 31 December 2018

FIGURE 9

	Holding	Asset Class	Value ($millions)	% of NAV
1	Equitix	Private equity in asset management company	230.9	10.5%
2	GreenOak Real Estate	Private equity in asset management company	208.5	9.5%
3	Polygon European Equity Opportunity Fund Absolute Return(i)	Event-driven equities	190.7	8.7%
4	LCM	Private equity in asset management company	154.9	7.1%
5	Polygon European Equity Opportunity Fund Long Bias(i)	Event-driven equities	91.0	4.2%
6	Polygon Convertible Opportunity Fund	Convertible bonds	76.8	3.5%
7	TCI II	Bank loans	65.3	3.0%
8	Private investment	Private equity	55.5	2.5%
9	Polygon	Private equity in asset management company	55.1	2.5%
10	QT Fund Ltd	Quantitative strategies	50.2	2.3%
	TOTAL			**53.8%**

(i) On 1 October 2018, Polygon introduced "Long Bias" share classes in the European Equity Opportunity Fund. The original share classes have been renamed "Absolute Return". As the share classes have different return profiles, the position previously called "Polygon European Equity Opportunity Fund" has been split into the two different positions. Please refer to the section "event-driven equities" for further information. Tetragon invested in this share class on 1 October 2018.

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 2018; more detailed commentary for each asset class follows.

FIGURE 10

Asset Class	NAV at 31 Dec 2017 ($ millions)	Additions(i)	Disposals/ Receipts(i)	Gains/ Losses	NAV at 31 Dec 2018 ($ millions)	% of NAV
Private equity in asset management companies						
Equitix	152.2	26.3	(13.7)	66.1	230.9	10.5%
GreenOak	69.6	0.4	(10.9)	149.4	208.5	9.5%
LCM	144.3	-	(1.6)	12.2	154.9	7.1%
Polygon	56.0	-	-	(0.9)	55.1	2.5%
TCIP	7.8	-	-	3.2	11.0	0.5%
Hawke's Point	0.8	-	-	0.9	1.7	0.1%
Event-driven equities						
Polygon European Equity Opportunity Fund Absolute Return(ii)	234.8	55.0	(100.0)	0.9	190.7	8.7%
Polygon European Equity Opportunity Fund Long Bias(ii)	-	100.0	-	(9.0)	91.0	4.2%
Polygon Global Equities Fund	19.6	-	-	1.8	21.4	1.0%
Convertible bonds						
Polygon Convertible Opportunity Fund	55.3	20.0	-	1.5	76.8	3.5%
Quantitative strategies						
QT Fund Ltd	25.5	24.7	-	-	50.2	2.3%
Distressed opportunities						
Polygon Distressed Opportunities Fund	114.6	-	(102.6)	(12.0)	-	0.0%
Bank Loans						
U.S. CLOs (LCM)	191.9	23.3	(30.3)	18.0	202.9	9.3%
TCI II	68.1	-	(8.3)	5.5	65.3	3.0%
U.S. CLOs (non-LCM)	107.1	-	(69.4)	16.3	54.0	2.5%
TCI III	-	3.8	-	0.4	4.2	0.2%
European CLOs	7.3	-	(7.3)	0.3	0.3	0.0%
Real estate						
GreenOak Europe funds & co-investments	47.7	29.0	(16.8)	8.0	67.9	3.1%
GreenOak U.S. funds & co-investments	55.1	6.7	(8.7)	4.4	57.5	2.6%
GreenOak Asia funds & co-investments	23.9	15.0	(10.4)	12.6	41.1	1.9%
GreenOak debt funds	6.2	2.6	(4.5)	0.3	4.6	0.2%
Other real estate	29.4	0.5	-	11.8	41.7	1.9%
Private equity						
Direct	43.6	40.0	(0.5)	14.0	97.1	4.4%
Funds & co-investments	35.2	43.0	(32.1)	2.7	48.8	2.2%
Other equities & credit(iii)						
Other equities	107.3	52.8	(67.1)	23.7	116.7	5.3%
Other credit	34.0	2.9	(4.3)	(8.8)	23.8	1.1%
Cash						
Net cash(iv)	357.2	-	(93.7)	7.8	271.3	12.4%
Total	**1,994.5**	**446.0**	**(582.2)**	**331.1**	**2,189.4**	**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) Please see note (i) on page 21.

(iii) 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.

(iv) Net cash consists of: (1) cash held directly by Tetragon, (2) excess margin held by brokers associated with assets held directly by Tetragon 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.”

Private equity investments in asset management companies

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. TFG Asset Management, as a unified business, is intended to enhance the value of each individual investment and the entity as a whole through a shared strategic direction and operating infrastructure – encompassing critical business management functions such as risk management, investor relations, financial control, technology, and compliance/legal matters – while at the same time giving entrepreneurial independence to the managers of the underlying businesses. In light of the strategy to continue to grow TFG Asset Management with a view to a possible initial public offering and listing of its shares, the combination of a number of relatively uncorrelated businesses across different asset classes and at different stages of development under TFG Asset Management is also intended to create a collectively more robust and diversified business and income stream. As at 31 December 2018, TFG Asset Management investments comprised Equitix, the GreenOak joint venture, LCM, Polygon, TCIP, TCICM and Hawke's Point. TFG Asset Management recorded an investment gain of $230.9 million during 2018, with positive contributions from all but one of the businesses.

- **Equitix:** TFG Asset Management's investment in Equitix made a significant positive contribution of $66.1 million, reflecting increased capital raised and the impact of the acquisition of John Laing Infrastructure Fund (JLIF) on its business model in the third quarter of 2018. From Equitix's perspective, acquiring JLIF is enabling an earlier deployment of its investors' capital, providing co-investment opportunities for Equitix investors, and offering the opportunity for attractive returns through improved management of the JLIF assets. Fund V was launched in January 2018 and is expected to reach its £1 billion capital raising target in its final close in the first quarter of 2019, with Fund VI to follow once Fund V has been sufficiently invested. Equitix also continued its structural evolution from variable primary fee income to more stable asset management fee income.
- **GreenOak:** In December 2018, GreenOak announced a merger with Bentall Kennedy, Sun Life Financial Inc.'s North American real estate and property management firm, to form Bentall GreenOak. The merger is expected to close by the end of the first half of 2019, and TFG Asset Management will continue to own nearly 13% of the combined entity. There are a number of cashflow elements to the transaction, including TFG Asset Management's receipt of: approximately $42.3 million upon closing of the transaction; and a series of fixed quarterly payments and a portion of Bentall GreenOak's earnings over the next seven years. As part of the transaction, Sun Life will have an option to acquire the remaining interest in Bentall GreenOak approximately seven years from the close of the transaction. The transaction includes a put option that entitles TFG Asset Management and the other minority owners of Bentall GreenOak to sell their interest to Sun Life approximately eight and a half years from the close of the transaction. Alongside other GreenOak owners and team members, TFG Asset Management will retain its current ownership of carried interest in existing GreenOak funds and will participate in carried interest in new Bentall GreenOak funds.

  A gain of $149.4 million in TFG Asset Management's investment in GreenOak was recorded for 2018. During the first three quarters of the year, the receipt of carried interest, the first non-carry distribution and meaningful valuation gains flowed through, the latter due to strong GreenOak performance as increased AUM (particularly in U.S. Fund III and Europe Fund II) led to a much higher than previously expected full year 2018 EBITDA and thus an increase in the budgeted profitability for the year. During the fourth quarter, GreenOak was valued based on the cashflows arising out of Bentall GreenOak merger, leading to a valuation gain of $98.4 million. Please see pages 62 and 63 for further information.

  With respect to how AUM at the new Bentall GreenOak entity will be calculated in the future, we expect to assume a *pro rata* share of group AUM consistent with the percentage of the group owned by TFG Asset Management. Therefore, since TFG Asset Management will continue to own nearly 13% of the combined entity, its share of Bentall GreenOak's $47 billion AUM would equate to approximately $6.1 billion; this methodology will be adopted once the transaction closes.
- **LCM:** A performance gain of $12.2 million was recorded with respect to LCM, primarily attributable to the growth in AUM from $6.5 billion to $8.3 billion. The business continued to perform well, with zero outstanding loans in payment default or bankruptcy at 31 December 2018, compared to 1.31% for the LSTA universe[1]; whilst applicable market multiples decreased in the fourth quarter of 2018, there was an overall increase year-on-year in the multiple of AUM from 2.10% to 2.35%.

(1) Sources: LCD Quarterly Review 4Q 2018, "Percent of Outstanding Loans in Default or Bankruptcy", and LCM.

- **Polygon:** Tetragon's investment in Polygon recorded a loss of $0.9 million, reflecting lower than budgeted performance and capital raising.
- **TCIP:** TFG Asset Management's investment in TCIP recorded a gain of $3.2 million for the period, driven by capital raising for TCI III, which had a close in December, ending the year at $400.0 million.
- **Hawke's Point:** The NAV of this business remains small.

Please see Note 5 in the 2018 Tetragon Financial Group financial statements for further details on the basis for determining the fair value of TFG Asset Management. 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.

Event-driven equities, convertible bonds and quantitative strategies

Tetragon invests in event-driven equities, convertible bonds and quantitative strategies through hedge funds. At 31 December 2018, these investments are primarily through Polygon-managed hedge funds.

Event-driven equities

- **Polygon European Equity Opportunity Fund:** This fund focuses on event-driven European equity strategies. Tetragon's investment in 2018 recorded a loss of $8.1 million. Against a backdrop of poor performance in European equity markets in 2018 (STOXX Europe 600 Index down -10.5%), and for hedge funds (HFRX Global Hedge Fund Index down -6.7%), the performance of the Absolute Return share class was down -0.94% net. Corporate restructuring and dislocation trades were the main detractors in the portfolio during 2018, offsetting positive performance from the M&A book. In October, Polygon introduced a new "Long Bias" share class in the fund. Both share classes have the same portfolio of 35-40 positions and low portfolio leverage (maximum 1.5x), however, the Long Bias share class targets 75% net exposure and has a hurdle of 75% to the STOXX Europe 600 Index, compared to net exposure of approximately 20% for the Absolute Return share class. In October, Tetragon invested in the Long Bias share class which now represents approximately one-third of its investment in the fund, which remains Tetragon's largest allocation.
- **Polygon Global Equities Fund:** Tetragon's investment generated a gain of $1.8 million in 2018. The fund was up 14.3% net. Tetragon's allocation to this strategy remains small in relation to its other hedge fund investments.

Convertible bonds

- **Polygon Convertible Opportunity Fund:** This fund invests in securities across the capital structure of issuers primarily in Europe and North America, and seeks to identify relative value opportunities leveraging Polygon's event-driven and convertible expertise in a concentrated and heavily-researched portfolio. Tetragon's investment generated a gain of $1.5 million in 2018. Net performance in the fund was +1.83% for its flagship share class, compared to the HFR RV Fixed Income-Convertible Arbitrage Index which was down -2.7%. The fund was nominated for the eighth time for the 2018 Eurohedge Award in the Convertibles and Volatility category; it has won the award five times, including in 2017.[2] The fund, which had been closed to new investment for several years, temporarily reopened to accept new capital in early 2018; Tetragon increased its investment by $20 million during this window.

Quantitative strategies

- **QT Fund Ltd:** Tetragon's investment in this third party-managed quantitative hedge fund was flat during 2018. Tetragon added $24.7 million to its position during the year. 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.

Bank loans

Tetragon continues to invest in bank loans through CLOs by taking majority positions in the equity tranches. Tetragon's CLO portfolio performed well in 2018, despite significant volatility in the U.S. credit markets towards the end of the year. Tetragon exercised optional redemption and refinance rights on certain CLO transactions during the year, and made new U.S. CLO investments both directly and via the TCIP platform. We continue to view CLOs as attractive vehicles for obtaining long-term exposure to the leveraged loan asset class. All segments in this category generated gains in 2018.

(2) The Polygon Convertible Opportunity Fund was nominated for the 2018 EuroHedge Award in the "Convertibles & Volatility" category. There were four other nominees for this award. The EuroHedge Award is organised by EuroHedge magazine, a publication of Hedge Fund Intelligence. To be considered for an award, funds must submit performance data to the Hedge Fund Intelligence Database and have at least a 12-month track record history. Winners are decided using an established methodology based upon a combination of Sharpe ratios and returns over the relevant time period. Nominations are decided by those funds in each peer group that achieve the strongest Sharpe ratios over 12 months, so long as they also beat the median returns in their relevant peer groups and are within 10% of their high-water marks. The eventual winners will be the funds that have the best returns, as long as they also have Sharpe ratios within 25% of the best Sharpe of the nominees in their relevant peer groups. Further information about the award, including nomination and winning criteria, is available at www.hedgefundintelligence.com.

- **U.S. CLOs (LCM):** LCM CLOs produced $18.0 million of income in 2018 and the fair value of this segment increased by 6%. All LCM CLO transactions were compliant with their junior-most overcollateralization O/C) tests as of the end of 2018.[3]

  During 2018, Tetragon made add-on investments in the equity tranches of three LCM-managed CLOs that were "reset" (a restructuring of an existing CLO that refinances its liabilities and increases the duration of the reinvestment period, maximum weighted average life and stated maturity), as well as a small minority investment in one LCM-managed CLO.

  Tetragon expects to make most of its new issue LCM CLO equity investments via the TCIP platform, but continues 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.

- **TCI II[4] and TCI III[5]:** TCI II is the CLO investment vehicle established by TCIP, a 100% owned subsidiary of TFG Asset Management. As of 31 December 2018, Tetragon's commitment to TCI II was $70.0 million, which was fully funded. During 2018, Tetragon's investment in TCI II generated $5.5 million in income.

  During 2018, TCI II successfully refinanced certain debt tranches in four CLOs, as CLO liability spreads tightened during the first three quarters of the year relative to the transactions' pre-refinancing levels.

  On 18 December 2018, TCIP's other CLO investment vehicle, TCI III, had a third close, bringing total capital commitments to $400.0 million. Tetragon's commitment to TCI III is $81.4 million. Including a capital call notice that was delivered in January 2019, Tetragon had funded $7.4 million of its total commitment.

  As of the end of 2018, TCI III had made four investments and an additional commitment to purchase a majority of the equity tranche of a CLO that closed in January 2019. We will continue to provide updates as TCI III ramps its portfolio over the remainder of its investment period.

(3) Based on the most recent trustee reports available as of 31 December 2018. 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) Tetragon Credit Income II L.P.

(5) Tetragon Credit Income III L.P.

- **U.S. CLOs (non-LCM):** Non-LCM-managed CLOs generated $16.3 million of income in 2018, driven primarily by the monetisation of loan price gains that resulted in CLO liquidation values above our estimated fair values. The fair value of this segment declined by 50% from the prior year-end, as deals continued to naturally amortise and we exercised optional redemption rights. As of the end of 2018, all non-LCM CLOs were compliant with their junior-most O/C tests.[6]

  We continue to expect the fair value of this segment to decline further in the near term. No new non-LCM investments or "reset" transactions were made by Tetragon directly in 2018, although we may selectively choose to "reset" or refinance certain non-LCM investments when appropriate. As with LCM CLOs, we expect to make the majority of our new issue non-LCM equity investments via the TCIP platform, rather than directly by Tetragon.

- **European CLOs:** European CLOs had income of $0.3 million in 2018. At the end of the year, the total fair value of this segment stood at $0.3 million, as substantially all of our exposure to this segment has been monetised.

Real estate

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. All segments in this category generated gains in 2018.

- **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. In 2018, these investments generated gains of $8.0 million, primarily driven by the successful refinancing of a Madrid-based commercial property, along with upward revaluations of assets in the Europe II fund as well as a standalone U.K. property investment.

(6) Based on the most recent trustee reports available as of 31 December 2018.

- **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 2018, these investments generated net income of $4.4 million for Tetragon, driven by realised and unrealised gains on certain investment properties in U.S. Fund II.
- **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 gains of $12.6 million, Asia-based investments were the most significant drivers of Tetragon's investment gains in GreenOak funds during 2018. Upward revaluations of Razorback and GreenOak Asia II were the main contributors.
- **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; $0.3 million of gains were generated in 2018.
- **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 managed by Scimitar, a specialist manager in South American farmland. During 2018, the farmlands were valued by an independent valuation specialist, with a gain of $11.8 million reflecting the first stage of the execution of the strategy to transform cattle farms into crop farms with a higher value per hectare.

Private equity

Tetragon's private equity investments are split into sub-categories of "direct", comprising investments on the balance sheet, and "fund investments" where Tetragon invests in a fund as a limited partner or in a special purpose vehicle as a co-investor.

- **Direct:** Investments in direct private equity stakes generated net income of $14.0 million in 2018. This category currently comprises several investments in growth companies in North America, some of which have had positive developments in progressing their business strategies during 2018. This segment now represents 4.4% of NAV.
- **Funds:** At 31 December 2018, Tetragon had a 2.2% allocation to investments in private equity funds and co-investment vehicles in Europe and North America. This category generated a gain of $2.7 million in 2018.

Other equities and credit

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 an investment via TFG Asset Management vehicles. These investments tend to be opportunistic and with a catalyst. We believe that the sourcing of these investments has been facilitated by the managers on the TFG Asset Management platform as well as third-party managers with whom Tetragon invests. We also believe this ability to invest flexibly is a benefit of Tetragon's structure.

- **Other equities:** This segment generated gains of $23.7 million; these investments comprised European and U.S.-listed public equities. Biotechnology positions and one event-driven investment drove the gains.
- **Other credit:** This generated a loss of $8.8 million during 2018, with one of the two investments in the segment giving back all of the gains that it had made in 2017. This position, a distressed credit trade, has been sold as of February 2019.

Cash

Tetragon's net cash balance, which is cash adjusted for net liabilities, was $271.3 million at 31 December 2018. Approximately 44% 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 the period, the company used $446.0 million of cash to make investments and $47.5 million to pay dividends. Future cash commitments are approximately $252.8 million, comprising: hard and soft investment commitments (GreenOak $97.0 million, TCI III $77.6 million, Hawke's Point $59.4 million, and private equity funds $18.8 million).

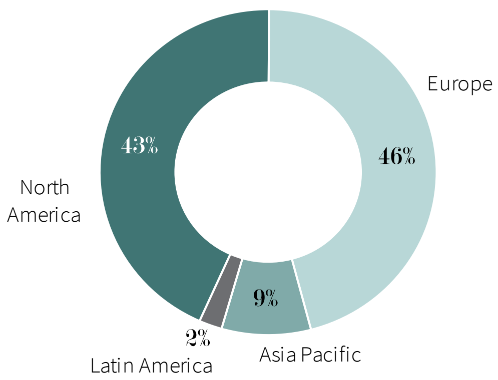
Tetragon currently has a $150.0 million revolving credit facility in place, of which $38.0 million has been drawn.

Further Portfolio Metrics

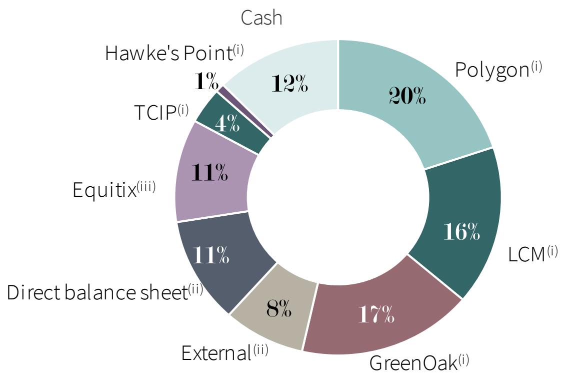
Exposures at 31 December 2018

FIGURE 11

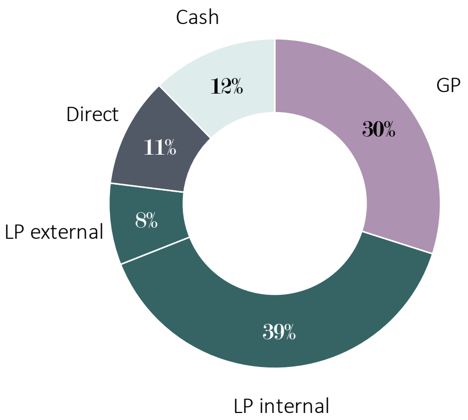
BY GEOGRAPHY[1]



BY EXPOSURE[2]



BY INVESTMENT



Tetragon's investments comprise:

- GP – private equity in asset management companies
- LP internal – investments in funds/accounts on the TFG Asset Management platform
- LP external – investments in external funds/accounts
- Direct – direct balance sheet investments
- Cash

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.

(1) Assumptions:

- Event-driven equities, 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, TCI II and TCI III are 100% North America
- European CLOs are 100% Europe.
- GreenOak (TFG Asset Management) is treated as 1/3 Europe, 1/3 North America., 1/3 Asia.
- Polygon (TFG Asset Management) is treated as 80% Europe, 20% North America.
- LCM (TFG Asset Management) is treated as 100% North America.
- Equitix (TFG Asset Management) is treated as 100% Europe.
- TCIP (TFG Asset Management) is treated as 100% North America.

(2)(i) Exposure represents the net asset value of (1) the private equity position in the relevant asset management company and (2) investments in funds/accounts managed by that asset management company.
(ii) Exposure represents the net asset value of investments.
(iii) Exposure represents the net asset value of the private equity position in the asset management company. Source: Tetragon

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 investments in asset management businesses. These include:

- The asset management business is intensely competitive.
- The performance of TFG Asset Management may be negatively influenced by various factors, including the performance of managed funds and vehicles and its ability to raise capital from third-party clients.
- TFG Asset Management is highly dependent on its investment professionals for the management of its investment funds and vehicles and on other employees for management, oversight and supervision of its asset management businesses. If and when such persons cease to participate in the management of TFG Asset Management or its investment funds and vehicles, the consequence could be material and adverse.
- 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. private equity, through fund investments and direct investments.
6. infrastructure projects through Equitix Holdings Limited;
7. mining-industry related equity securities and instruments, including through Hawke's Point.

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

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

Tetragon's ability to pay its expenses and dividends will depend on its earnings, financial condition, fair value of its assets and such other factors that may be relevant from time to time, including limitations under the Companies (Guernsey) Law, 2008, as amended.

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

CHRISTOPHER M. GRAY
LEGAL, REGULATORY &
COMPLIANCE

Tetragon's Board of Directors

The Board of Directors currently comprises five directors, of which three are Independent Directors.

DERON J. HALEY
Independent Director

Deron Haley, also known as D.J., is a founding Partner and Chief Operating Officer at Durational Capital Management, LP, a New York-based private equity firm that specialises in consumer buy-outs. Prior to Durational Capital Management, Mr. Haley was the Chief Operating Officer of Hound Partners, LLC, a New York-based global equity fund. Prior thereto, he was a senior executive of Ziff Brothers Investments, LLC, a global, single-family office that invested directly in private and public equities, fixed income, global-macro, and commodities, and led firm-wide operational and management initiatives. Mr. Haley began his finance career as an equity research analyst, and later a registered trader before taking on senior managerial roles. Prior to finance, Mr. Haley served five years active duty in the United States Navy. He is a founding Director of the Navy SEAL Foundation and is a member of the Governance and Investment Committees. Mr. Haley is a Director of Ibis Tek, Inc, a small-business defense contractor, and also sits on the Investment Committee of The Heinz Endowments. Mr. Haley recently served as an independent director on the Boards of Directors of several funds managed by TFG Asset Management. He holds a B.S. degree in Mechanical Engineering from Carnegie Mellon University in Pittsburgh and a M.B.A. degree from Harvard Business School.

STEVEN W. HART
Independent Director

Steven Hart serves as president of Hart Capital LLC, which he founded in 1998 as a family office to invest in a diversified portfolio of assets with a strong education industry focus. He also co-founded Florian Education Investors LLC in May 2013, which now includes an ACCSC accredited postsecondary vocational education company offering on ground and online diploma and degree programs to the allied health community. Mr. Hart was the co-owner (1999-2010) and member of the Board of Directors (1999-2007) of Lincoln Educational Services Corporation. From 1983 to 1997, he was co-founder of a family-owned conglomerate where he acquired and managed manufacturing and distribution companies involved in automotive, printing, apparel and industrial textiles, electronics, synthetic foam, and home furnishing industries. Mr. Hart served as chairman of the State of Connecticut Investment Advisory Council from 1995 to 2003, which oversees the State of Connecticut Retirement Plans and Trust Funds, and, as a trustee (1996-2003), and chairman (2003) of the Stanford University Graduate School of Business Endowment Trust. He also served as a member of Golden Seeds, an angel stage investment firm focused on empowerment of women entrepreneurs. Since 2011, Mr. Hart has been a member of the Boards of Directors of several funds connected with Blue Harbour Group, L.P., a hedge fund based in Greenwich, Connecticut. He earned an M.B.A. degree from Stanford University Graduate School of Business and a B.A. degree in mathematics and economics from Wesleyan University.

DAVID C. O'LEARY
Independent Director

David O'Leary retired from State Street Corporation in Boston, Massachusetts in 2012, where he was Executive Vice President - Chief Administrative Officer (2010-2012) and Executive Vice President - Global Head of Human Resources (2005-2010). At State Street, he managed a global team of 325 staff across 15 countries, was a member of its 10-person Operating Group and Management Committee, reporting directly to its Chief Executive Officer. From 1985 to 2004, Mr. O'Leary was at Credit Suisse First Boston, serving as Managing Director, Global Head of Human Resources from 1988 to 2003, where he managed a global team of 250 staff in 13 countries responsible for all aspects of Human Resources in the Americas, Europe, and Asia. Mr. O'Leary began his career in financial services at Merrill Lynch & Company in New York, where he was Vice President - Executive Compensation from 1981 to 1985. He earned a M.B.A. degree from the University of Massachusetts, where he graduated first in his class, a M.S. degree from the State University of New York and a B.S. degree from Union College.

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, the Chief Investment Officer of TFG Asset Management and the Chief Investment Officer 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

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

Tetragon has five 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

Each member of Tetragon's Board 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

The Board of Directors of Tetragon 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 both of the Directors affiliated with the holder of Tetragon's voting shares.

The Directors are responsible for the management of Tetragon. 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 in which Tetragon 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 in which Tetragon is otherwise interested; and (c) shall not be accountable to Tetragon 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 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 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 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 $125,000, in compensation for service on the Board of Directors of Tetragon. 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. None of the Directors has a contract with Tetragon providing for benefits upon termination of employment.

Certain Corporate Governance Rules

Tetragon is required to comply with all provisions of the Companies (Guernsey) Law, 2008, as amended, 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". Tetragon reports against the AIC Corporate Governance Guide for Investment Companies and, as such, is deemed to meet the provisions of the Code of Corporate Governance issued by the Guernsey Financial Services Commission. No formal corporate governance code applies to Tetragon under Dutch law.

Indemnity

Each present and former Director or officer of Tetragon 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. In addition, the Directors may authorise the purchase or maintenance by Tetragon for any Director or officer or former Director or officer of Tetragon 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 three 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 independent auditor, the audit and non-audit fees charged by the independent auditor and the adequacy of Tetragon's internal accounting controls.

The Investment Manager

Tetragon Financial Management LP has been appointed the investment manager of Tetragon 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 its portfolio and currently consists of Reade Griffith, Paddy Dear, Michael Rosenberg, David Wishnow and Stephen Prince. The Investment Committee determines the investment strategy of Tetragon and approves each significant investment by it.

The investment manager's Risk Committee is responsible for the risk management of Tetragon and its 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, 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 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 giving notice to the investment manager or the investment manager giving notice to Tetragon 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 Tetragon or any investor in 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, in the absence of fraud or wilful misconduct on the part of an indemnified party, and Tetragon has 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 are not materially impaired thereby, and need not disclose to Tetragon 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 for any loss suffered in connection with the investment

The investment manager (continued)

manager's decision to offer investments to any other person, or failure to offer investments to Tetragon.

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 of aggregate investment, the investment manager obtains either (i) the approval of a majority of the Directors 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 from a financial point of view.

Management and Incentive Fees; Expenses

All fees and expenses of Tetragon, except for the incentive fees for the investment manager (as described below), will be paid by Tetragon, 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 Tetragon.

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 Tetragon.

An incentive fee of $17.5 million was accrued in the fourth quarter of 2018 in accordance with Tetragon's investment management agreement. The hurdle rate for the first quarter of 2019 incentive fee has been reset at 5.441738% (Q4 2018: 5.045988%) as per the process outlined above and in accordance with Tetragon's investment management agreement.

The NAV determined in accordance with IFRS includes carrying investments in TFG Asset Management businesses at fair value rather than being consolidated, which was how they were previously treated under U.S. GAAP. The result of the foregoing was an increase in NAV and an incentive fee payable of $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 certain of the 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 generally bears all costs and expenses directly related to its investments or prospective investments, such as brokerage commissions, interest on debit balances or borrowings, custodial fees and legal and consultant fees. Tetragon also generally bears 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 include, *inter alia*:

- investing and reinvesting the assets of Tetragon in securities, derivatives and other financial instruments and other investments of whatever nature and committing the assets of Tetragon 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, 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;
- 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 Tetragon, and, as such, the investment manager is responsible for exercising any of Tetragon's voting or similar rights with respect to TFG Asset Management as an investment and is responsible for the management, oversight and/or supervision of such investment. As with any other category of investments, the investment manager is also responsible for decisions with respect to acquisitions of asset management businesses to be added to TFG Asset Management using Tetragon's cash (which may include minority interests in asset management businesses, joint ventures or other similar arrangements) – as investment decisions with respect to Tetragon's cash or other assets. Following the acquisition of an asset management business, that business then becomes a part of TFG Asset Management and TFG Asset Management is responsible for the management, oversight and/or supervision of such business, including amendments to or modifications of the terms or arrangements of its ownership of such business (except, where relevant, to the extent of decisions with respect to Tetragon's cash), and any decision to sell or otherwise dispose of all or any portion of such business.

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 management, oversight and/or supervision of its various asset management businesses as they form and grow the funds and vehicles that they manage, and is responsible for its own costs.

Tetragon 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 and is also responsible for decisions regarding financial support for TFG Asset Management.

In connection with the management, oversight and/or supervision of asset management businesses within TFG Asset Management, TFG Asset Management (rather than the investment manager) is responsible for, *inter alia*, business development, marketing, legal and compliance, risk management and governance, as well as guidance on business issues faced by a new fund or vehicle and the strategic direction of such businesses. As such, TFG Asset Management is responsible for any restructuring or reorganisation of these asset management businesses from time to time (to the extent that such arrangements do not involve the acquisition of asset management businesses using Tetragon's cash), any disputes or litigation with respect to the ownership arrangements of such businesses and any decision to sell or otherwise dispose of all or any portion of such businesses.

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[1] for a broad range of services to support its activities.[2]

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.[3]

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 2018 the total amount recharged to the investment manager was $17.6 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.[4]

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[5], 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, an FTE is derived, subject to adjustments for items determined by contractual arrangements. 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 Board of Directors has adopted procedures for related-party transactions that require approval of a majority of disinterested Directors. Accordingly, Tetragon's Independent Directors 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. 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.

Notes:

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

(2) 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.

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

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

(5) Amounts paid by TFG Asset Management to Messrs. Griffith and Dear in connection with services provided by them to TFG Asset Management are not allocated to the investment manager.

TETRAGON FINANCIAL GROUP LIMITED
DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

The Directors present to the shareholders their report together with the audited financial statements for the year ended 31 December 2018.

TETRAGON 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 symbols: TFG.LN and TFGS.LN). Tetragon has historically invested all its capital through Tetragon Financial Group Master Fund Limited. Effective 31 December 2018, Tetragon and the Tetragon Master Fund were amalgamated, with the amalgamated company continuing as Tetragon Financial Group 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. 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 at 31 December 2018, TFG Asset Management's 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, TCI Capital Management LLC 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 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 3 of the Tetragon 2018 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 of Tetragon.

DIRECTORS

The Directors who held office during the year were:

Paddy Dear
Rupert Dorey*
Reade Griffith
Frederic Hervouet* (until 5 July 2018)
David Jeffreys*
William Rogers Jr.*

Effective upon the amalgamation, the following individuals were appointed members of the Tetragon Board of Directors:

Paddy Dear
Reade Griffith
Deron J. Haley*
Steven Hart*
David O'Leary*

* Independent Directors

The remuneration for Directors is determined by resolution of the holder of Tetragon's voting shares. Each Director's annual fee is US$ 125,000 (2017: US$ 100,000) as compensation for service on the Board of Directors of both Tetragon and the Tetragon Master Fund and was 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. During the year, Frederic Hervouet and William Rogers received 1,912 and 5,179 shares respectively (2017: 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 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 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, 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 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 Board of Directors declared the following dividends during the year:

Dividend period	Dividend per share
Quarter ended 31 December 2017	$0.1775
Quarter ended 31 March 2018	$0.1775
Quarter ended 30 June 2018	$0.1800
Quarter ended 30 September 2018	$0.1800

On 26 February 2019, the Board of Directors declared a dividend amounting to US$ 0.1825 per share for the Quarter Ended 31 December 2018. The total dividend declared for the year ended 31 December 2018 amounted to US$ 0.7200 per share (31 December 2017: US$ 0.7000 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, as amended, 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 of the profit or loss of Tetragon 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 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 Tetragon's financial position and to enable them to ensure that the financial statements comply with the Companies (Guernsey) Law, 2008, as amended. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard Tetragon's assets 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". Tetragon reports against the Association of Investment Companies 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 gives 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 respectively require, *inter alia*, (i) an indication of important events that have occurred since the end of the financial year and the likely future development of the Fund and (ii) 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 is the appointed independent auditor of Tetragon and it has 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:

David O'Leary, Director

Steven Hart, Director

Date: 26 February 2019

Directors' Statements

The Directors of Tetragon confirm that (i) this Annual Report constitutes the Tetragon management review for the year ended 31 December 2018 and contains a fair review of that period and (ii) the 2018 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 400 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 2016 AIC Code is also set out on Tetragon's website at www.tetragoninv.com/site-services/aic/aic-code. Note that the AIC has published the 2019 AIC Code that will apply to accounting periods beginning on or after 1 January 2019, which Tetragon will report against for its 2019 annual report.

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 more than a majority of the Board of Directors (three out of five) 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 three 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 three Independent Directors. 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 46 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". As Tetragon reports against the AIC Code it is deemed to meet the provisions of the Code of Corporate Governance issued by the Guernsey Financial Services Commission. No formal corporate governance code applies to Tetragon under Dutch law.
6. The board should aim to have a balance of skills, experience, length of service and knowledge of the company.	The Board of Directors has an appropriate balance of skills, experience, length of service and knowledge of the company. 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.
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 $125,000, in compensation for service on the Board of Directors. 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 36 of this report and under the headings Governance: Board of Directors: Compensation/ Indemnity on Tetragon's website.

Corporate Governance Report (continued)

AIC Code Principle	Compliance Statement
9. The independent directors should take the lead in the appointment of new directors and the process should be disclosed in the annual report.	Deron J. Haley, Steven Hart and David O'Leary were appointed to the Board of Directors on 31 December 2018. 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 35 of this report. The Board of Directors has determined that each of the three 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 its 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, 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 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 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 38 and 39 of this report.

Corporate Governance Report (continued)

AIC Code Principle	Compliance Statement
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 17 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)..
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.

Corporate Governance Report (continued)

AIC Code Principle	Compliance Statement
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 independent auditor.
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 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 has the authority to declare dividend payments, based upon the recommendation of the investment manager, subject to the approval of the voting shares of Tetragon and adherence to applicable law, including the satisfaction of a solvency test as 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.

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 Tetragon's investments; a general statement of the composition of Tetragon's investments; and the number of its legal issued and outstanding shares.

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 U.K. 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.

2018 Financial Review

KAREN HEROLD
RESEARCH

2018 Financial Review

This section shows consolidated financial data for Tetragon and the Tetragon Master Fund.

FIGURE 12

Financial Highlights

Tetragon Financial Group Financial Highlights Through 2016 - 2018	2018	2017	2016
Reported GAAP Net income ($MM)	$241.5	$167.8	$116.8
Fair Value Net income ($MM)	$241.5	$171.3	$125.9
Reported GAAP EPS	$2.65	$1.86	$1.26
Fair Value EPS	$2.65	$1.90	$1.37
Fair Value Return on equity	12.1%	8.9%	6.3%
Net Assets ($MM)	$2,189.4	$1,994.5	$1,934.9
GAAP number of shares outstanding (MM)	92.4	90.1	87.1
NAV per share	$23.70	$22.13	$22.21
Fully diluted shares outstanding (MM)	97.4	94.6	96.7
Fully diluted NAV per share	$22.48	$21.08	$20.01
NAV per share total return	10.3%	9.0%	8.5%
DPS	$0.7200	$0.7000	$0.6725

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

- **Net Income ($241.5 million):** Please see Figure 13 for more details and a breakdown of the net income.
- **Return on Equity (12.1%):** Net Income ($241.5 million) divided by Net Assets at the start of the year ($1,994.5 million).
- **Fully Diluted Shares Outstanding (97.4 million):** Adjusts the IFRS shares outstanding (92.4 million) for various dilutive factors (5.0 million shares). Please see Figure 30 for more details.
- **EPS ($2.65):** Calculated as Net Income ($241.5 million) divided by the time-weighted average IFRS or GAAP shares during the period (91.1 million).
- **Fully Diluted NAV Per Share ($22.48):** Calculated as Net Assets ($2,189.4 million) divided by Fully Diluted Shares Outstanding (97.4 million).

Consolidated Statement of Comprehensive Income

FIGURE 13

Tetragon Financial Group Consolidated Statement of Comprehensive Income Total Year 2017 - Total Year 2018		
	2018 ($millions)	**2017 ($millions)**
Net gain on financial assets at fair value through profit or loss	292.6	247.9
Net (loss) / gain on derivative financial assets and liabilities	30.7	(11.0)
Other income	7.8	5.7
Investment income	**331.1**	**242.6**
Management and incentive fees	(78.3)	(61.8)
Other operating and administrative expenses	(7.8)	(6.4)
Interest expense	(3.5)	(3.1)
Total operating expenses	**(89.6)**	**(71.3)**
Net income	**241.5**	**171.3**

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.

During the period, an incentive fee of $47.6 million was expensed, of which $17.5 million remains outstanding at 31 December 2018.

Consolidated Statement of Financial Position

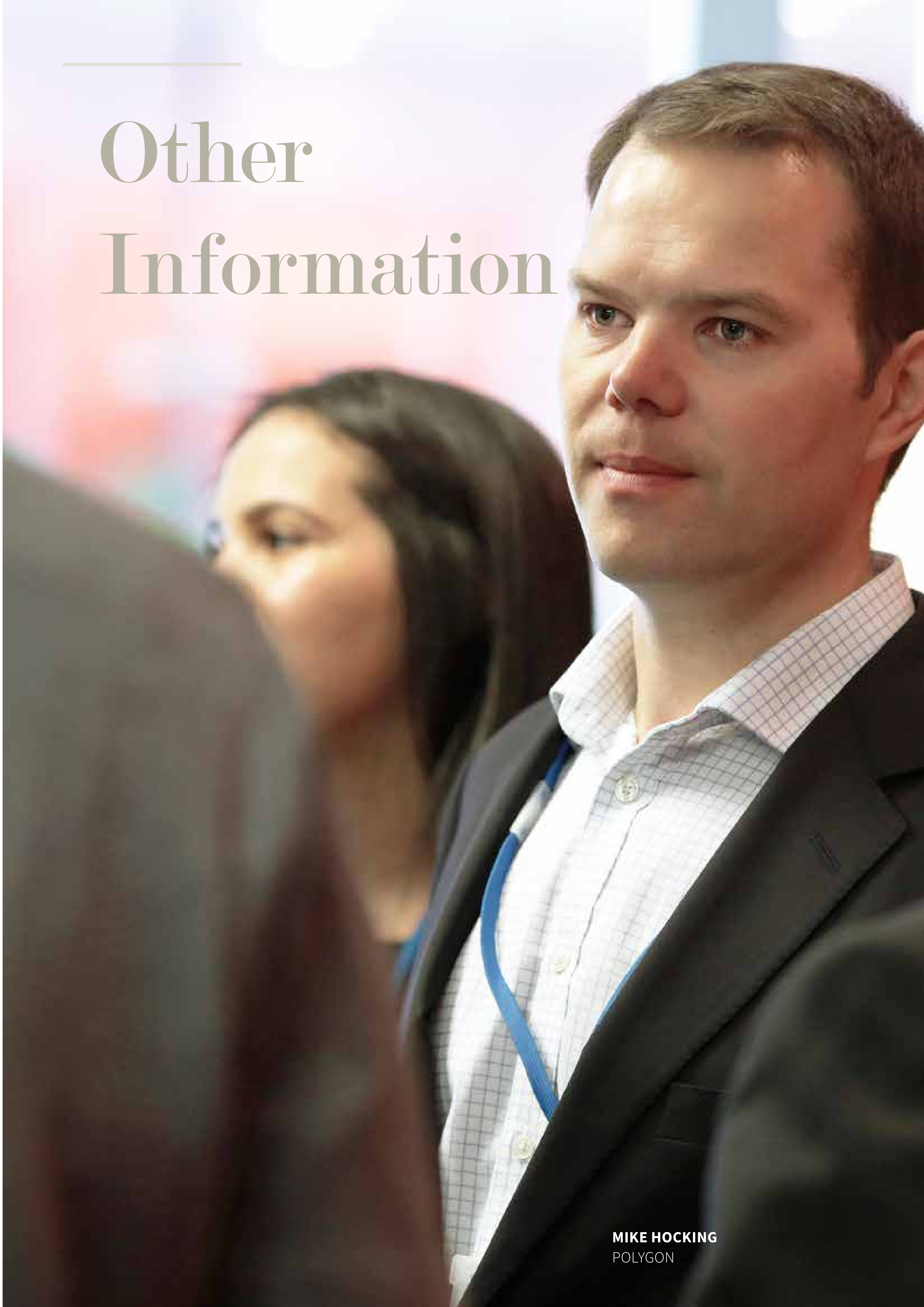
FIGURE 14

Tetragon Financial Group Consolidated Statement of Financial Position as at 31 December 2017 and 31 December 2018	**2018 ($millions)**	**2017 ($millions)**
ASSETS		
Investments	1,905.6	1,583.4
Cash and cash equivalents	301.3	395.5
Amounts due from brokers	35.3	57.2
Derivative financial assets	3.5	17.4
Other receivables	8.0	2.1
Total assets	**2,253.7**	**2,055.6**
LIABILITIES		
Other payables and accrued expenses	(19.5)	(16.5)
Loans and borrowings	(38.0)	(38.0)
Derivative financial liabilities	(6.8)	(6.6)
Total Liabilities	**(64.3)**	**(61.1)**
NET ASSETS	**2,189.4**	**1,994.5**

This table shows Tetragon at the end of 2018 and the consolidated view of Tetragon and the Tetragon Master Fund at the end of 2017. Although the consolidated net assets are identical to the IFRS net assets reported by Tetragon, 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 $31.5 million (2017: $30.0 million) and decreasing investments by $31.5 million (2017: $30.0 million). This treatment is consistent with how Tetragon has reported these investments in prior periods. The net assets of $2,189.4 million are after accruing for an incentive fee of $17.5 million.

Other Information



MIKE HOCKING
POLYGON

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. TFG Asset Management, as a unified business, is intended to enhance the value of each individual investment and the entity as a whole through a shared strategic direction and operating infrastructure – encompassing critical business management functions such as risk management, investor relations, financial control, technology, and compliance/legal matters – while at the same time giving entrepreneurial independence to the managers of the underlying businesses. In light of the strategy to continue to grow TFG Asset Management with a view to a possible initial public offering and listing of its shares, the combination of a number of relatively uncorrelated businesses across different asset classes and at different stages of development under TFG Asset Management is also intended to create a collectively more robust and diversified business and income stream. As at 31 December 2018, TFG Asset Management comprised LCM, the GreenOak joint venture, Polygon, Equitix, Hawke's Point, TCIP and TCICM. TFG Asset Management has approximately $28.1 billion of AUM[1] and approximately 370 employees globally. Each of the asset managers on the platform is privately held.

FIGURE 15

TFG Asset Management at a glance

	LCM	GREENOAK	POLYGON	equitix
Established	2001	2010	2002	2007
Joined Tetragon	2009	2010	2012	2015
Asset class	A CLO asset management company.	A joint venture with a real estate-focused principal investing, lending and advisory firm.	A manager of open-ended hedge fund and private equity vehicles across a number of strategies.	An integrated core infrastructure asset management and primary project platform.
AUM at 31 Dec 2018 ($Bn)	$8.3	$10.6	$1.4	$5.0
Percentage Tetragon Ownership	100%	23%[4]	100%	75%
Valuation at 31 Dec 2018 ($m)	$154.9	$ 208.5	$55.1	$230.9
Valuation at 31 Dec 2017 ($m)	$144.3	$69.6	$56.0	$152.2
Year-on-year change	7.3%	199.6%	-1.6%	51.7%
Products	16 CLOs	12 funds focused across the United States, Europe, and Asia, in addition to co-investment vehicles.	Four hedge funds	Eight funds and managed accounts
Average fund duration	10-12 years[2]	7-10 years	Quarterly liquidity	25 years
Valuation Methodology[3]	DCF and market multiples	DCF (sum-of-parts)	DCF, discount for illiquidity	DCF, debt at par + accrued interest, discount for illiquidity
Significant unobservable inputs	Discount rate 11.5%, P/AUM multiple 2.3%, DLOL 15% *(31 Dec 17: Discount rate 11.0%, P/AUM multiple 2.1%, DLOL 15%)*	Discount rate ranges from 5% to 25% for different cash flows with a base discount rate of 11% *(31 Dec 2017: Blended EBITDA multiple 11.1x)*	Discount rate 12.5%, DLOL 20% *(31 Dec 2017: Discount rate 12.5%, EBITDA multiple 7.0x, DLOL 20%)*	Discount rate 9.75%, DLOL 15% *(31 Dec 2017: Discount rate 8.75%, EBITDA multiple 6.75x, DLOL 15%)*

(1) 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, Equitix, TCI II, TCI III and TCICM as calculated by the applicable administrators for value date 31 December 2018. Includes, where relevant, investments by Tetragon and TCI II (in the case of LCM and TCICM). TFG Asset Management AUM as used in this report includes the AUM of several investment advisers, including TFG 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) 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.

(3) Please see Note 5 of the 2018 Audited Financial Statements for more information.

(4) The GreenOak Real Estate joint venture has agreed to merge with Bentall Kennedy, Sun Life Financial Inc.'s leading North American real estate and property management firm. The combined Bentall Kennedy and GreenOak entity will be named Bentall GreenOak and will be part of Sun Life Investment Management. Bentall GreenOak will remain a key strategic investment of TFG Asset Management.

OFFICE LOCATIONS
London | New York
Plus GreenOak locations

370
APPROX HEADCOUNT
Including GreenOak

GLOBAL OPERATING PLATFORM

FIGURE 15 (CONTINUED)

TFG Asset Management at a glance

	HAWKE'S POINT	TCIP	TCICM
Established	2014	2015	2015
Joined Tetragon	2014	2015	2015
Asset class	An asset management company focused on mining finance that seeks to provide capital to companies in the mining and resource sectors.	The holding company of the general partner entities of two private equity vehicles focusing on CLO investments, including majority stakes in CLO equity tranches.	A CLO loan management business.(5)
AUM at 31 Dec 2018 ($Bn)	$0.02	$0.7	$2.1
Percentage Tetragon Ownership	100%	100%	100%
Valuation at 31 Dec 2018 ($m)	$1.7	$11.0	not applicable
Valuation at 31 Dec 2017 ($m)	$0.8	$7.8	not applicable
Year-on-year change	112.5%	41.0%	
Products	Two investments in early stage gold miners	Two private equity vehicles	Six CLOs
Average fund duration	Not applicable	10 years	CLOs are long-term, multi-year investment vehicles
Valuation Methodology	Replacement cost	DCF	Not applicable
Significant unobservable inputs		Discount rate 11.5%, DLOL 15% *(31 Dec 2017: Discount rate 11.0%)*	

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

$28.1B
TOTAL ASSETS UNDER MANAGEMENT(1)
31 December 2018

$662.1M
TOTAL VALUATION
31 December 2018

53.7%
YEAR-ON-YEAR CHANGE
31 December 2018

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 2018 totalled approximately $28.1 billion.(i)

FIGURE 16(i)
TFG Asset Management AUM by Business
at 31 December 2018 ($billions)

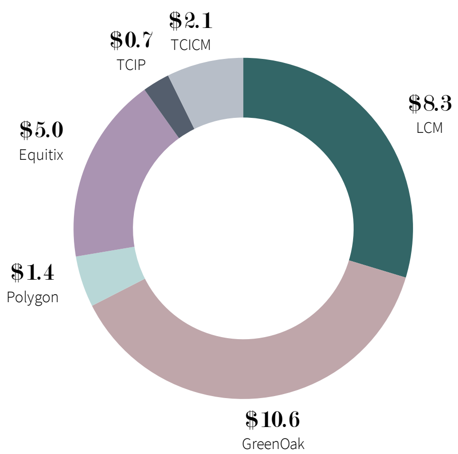


FIGURE 17(i)
TFG Asset Management AUM
at 31 December 2014-2018 ($billions)

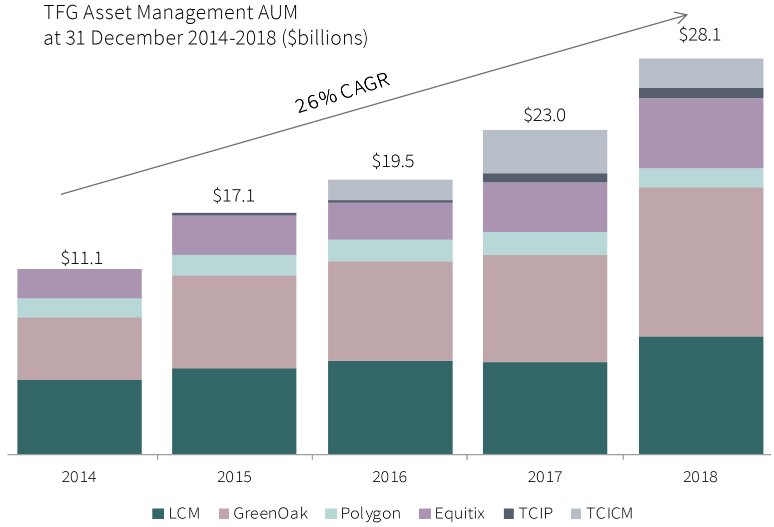


FIGURE 18

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

	2018 ($millions)	2017 ($millions)	2016 ($millions)
Management fee income	85.7	74.8	64.9
Performance and success fees(iii)	24.0	45.8	55.1
Other fee income	13.0	12.4	16.3
Distributions from GreenOak	13.2	8.4	3.8
Interest income	3.6	4.1	2.7
Total income	**139.5**	**145.5**	**142.8**
Operating, employee and administrative expenses	(93.9)	(83.5)	(83.3)
Minority interest	(6.3)	(7.4)	(8.7)
Net income - "EBITDA equivalent"	**39.3**	**54.6**	**50.8**

(i) Please see Note 1 on page 58.

(ii) This table includes the income and expenses attributable to TFG Asset Management's majority owned businesses, Polygon, LCM, Equitix, Hawke's Point and TCIP during that period. Although TFG Asset Management currently has an 85% effective economic share of its business, 100% of Equitix's income and expenses are reflected above; 15% of Equitix's income and expenses are reversed out through the minority interest line, being the proportion not attributable to Tetragon. GreenOak EBITDA is not included, but distributions relating to ordinary income and carried interest are 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.

(iii) 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. The reported fee income includes some amounts which were earned on capital invested in certain funds by Tetragon. During 2018, this included $7.3 million of management fees and $1.0 million of performance and success fees. For the first time, GreenOak's contribution has been captured by including the distributions that it has made to Tetragon and, for comparative purposes, prior periods have been updated accordingly.

- **EBITDA:** In 2018, TFG Asset Management's EBITDA was $39.3 million, which was down on the previous two years. Whilst management fee income continued to grow, a significant reduction in performance and success fees were the primary reason for the overall EBITDA reduction.
- **Management fee income:** Management fee income continued to grow, increasing by $10.9 million or 15% year-on-year. Of note, Equitix management fee income increased by $8.2 million, or 28.6%, as AUM continued to grow. TCIP added $1.9 million in management fees as TCI II became fully invested and TCI III started putting capital to work, thus triggering management fees. LCM also added $2.3 million as AUM was increased. Polygon was broadly unchanged, as was Hawke's Point.
- **Performance and success fees:** Unlike management fee income, performance and success fees can be quite volatile in nature and subject to timing differences. Overall, this category was down $21.8 million on the prior year and was a significant driver of the overall EBITDA reduction year-on-year. Equitix primary fee income declined by $12.5 million to $14.0 million, which reflects partly timing and partly a reduction in the number of closed transactions. Performance fee income was down $9.4 million, as the Polygon funds, like the rest of the hedge fund industry, had a tough 2018. This was slightly cushioned by an increase in Equitix performance fees/ carried interest.
- **Other fee income:** This category includes three different buckets of fees: (i) income generated by Equitix on management services contracts which is known as the EMS business (ii) third-party CLO management fee income relating to certain U.S. CLO 1.0 transactions and (iii) certain cost recoveries from Tetragon relating to seeded Polygon hedge funds. EMS fee income continued to grow, increasing from $7.4 million to $9.9 million year-on-year. This was partially offset by a reduction in cost recoveries on the Polygon funds with the Global Equities fund now the only fund which operates with the cost recovery arrangement in place.
- **Distributions from GreenOak:** Distributions from GreenOak reflect (i) distributions from ongoing operations and (ii) distributions from carried interest. To date, carried interest has made up nearly 80% of these distributions with the first distribution from ongoing operations of $5.2 million being made in 2018. Carried interest from Asia II and U.S. Fund II contributed most of the rest of 2018's distributions. Going forward, post the Bentall GreenOak merger, we would expect to see carried interest distributions being supplemented by the fixed and variable payments agreed as part of that deal.
- **Operating expenses:** Operating expenses increased by $10.4 million year-on-year, with over 90% of this coming from Equitix as this business added headcount and continued to scale up. TCIP also saw an increase in costs reflecting an increased allocation of resource to this business line with the launch and successful raise of TCI III as well as to support new business lines. We view the increase in expenses as an investment to support greater AUM in the future.

Overview of the Bentall GreenOak merger

In December 2018, GreenOak announced a merger with Bentall Kennedy, Sun Life Financial Inc.'s North American real estate and property management firm, to form Bentall GreenOak. The merger is expected to close by the end of the first half of 2019. Sun Life will own 56% of Bentall GreenOak, with the GreenOak owners holding 44%. As part of a pre-merger restructuring of its non-dilutable 23% interest in the joint venture, TFG Asset Management will hold a 29% interest in GreenOak going into the merger with Bentall Kennedy.

As part of the proposed business combination, TFG Asset Management will receive the following cash flows:

- an initial upfront cash payment of $42.3 million;
- a series of fixed quarterly payments, commencing from deal close up to the fourth quarter of 2026;
- a series of variable distributions based on the performance of Bentall GreenOak during 2019 to 2026;
- carried interest based on the performance of existing GreenOak funds;
- carried interest based on the performance of Bentall GreenOak's new funds; and
- a final cash payment in the form of a call option payout to be exercised by Sun Life in 2026 (or a put option payout to be exercised by TFG Asset Management in 2027). The exercise price will be determined based on the average EBITDA of Bentall GreenOak during the two years prior to exercising the option.

The Q3 2018 GreenOak valuation versus its value going into the merger

In the third quarter of 2018, TFG Asset Management's 23% interest in GreenOak was valued at $110.1 million. The valuation was based on the following:

- maintainable EBITDA for the business of $32.0 million;
- expected carried interest of $11.3 million; and
- a market multiple of 11.1x.

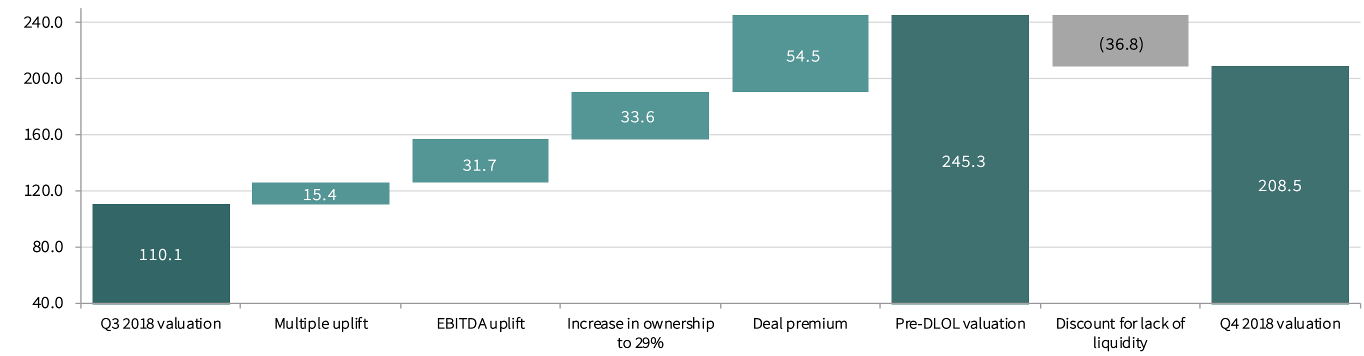
GreenOak's value going into the merger is $560 million on a standalone basis. This excludes the carried interest from existing funds, and is based on a multiple of 13.2x on a projected 2018 EBITDA of $42.4 million. This implies a valuation of $157.7 million, including carried interest, for Tetragon's 23% original share in the business, and a 43% increase in value compared to the third quarter of valuation. As noted above, as part of a pre-merger restructuring of its non-dilutable 23% interest in the joint venture, TFG Asset Management will hold a 29% interest in GreenOak going into the merger with Bentall Kennedy.

We set out the impact of each of the components in the chart below:

Quarterly NAV progression:

FIGURE 19

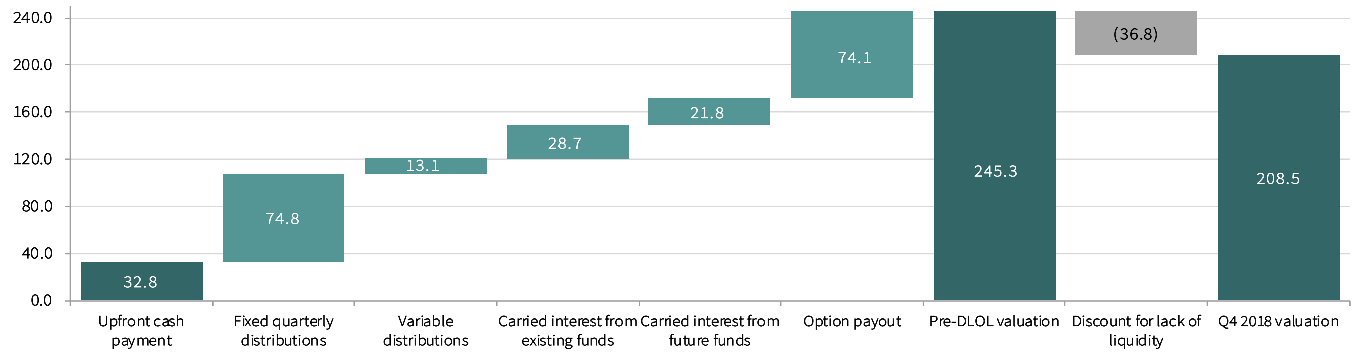
All figures below are in millions of U.S. dollars.



Sum of the parts valuation:

FIGURE 20

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



Upfront cash payment:
Sun Life will pay an initial upfront cash payment of $146 million to the GreenOak owners in order for Sun Life to have a majority equity interest of 56% in Bentall GreenOak.

Tetragon's share of the upfront payment, net of tax, is estimated to be $32.8 million.

Fixed Quarterly Distributions:
Sun Life will acquire from GreenOak's owners their respective rights to 75% of the distributions of operating income from Bentall GreenOak (based on the business plan of the combined entity prepared by Sun Life and GreenOak). In return, Sun Life will make a series of equal quarterly fixed payments to the GreenOak Founders and Tetragon for the next seven years, commencing the first quarter post the closing of the transaction. These payments will be obligations of Sun Life and have been discounted at 5% on a post-tax basis.

Variable Distributions:
Tetragon will be entitled to its share of 25% of Bentall GreenOak's cumulative distributable earnings on a quarterly basis (whilst the remaining 75% would be exchanged for fixed payments as described above). These post-tax distributions are based on the Bentall GreenOak business plan and have been discounted at 11%.

Carried interest from existing funds:
Tetragon's share of carried interest in existing funds has been valued at $28.7 million.

Carried interest from future funds:
This covers Tetragon's projected share of estimated carried interest payments accruing on funds launched by the new merged entity. A discount rate of 25% has been applied to post-tax cash flows.

Option Pay-out:
Sun Life will have the option to buy out the GreenOak Founders' and Tetragon's equity interests in Bentall GreenOak after the finalisation of the financial statements of Bentall GreenOak for the calendar year December 2025. If Sun Life does not exercise the call in 2026, the GreenOak Founders and Tetragon will have the option to sell their equity interest in Bentall GreenOak to Sun Life during the following financial year.

For the purpose of the valuation exercise, the post-tax receipts have been discounted at 11%.

Discount for lack of liquidity:
A discount for the lack of liquidity of 15% has been applied to reflect the fact that the interests in Bentall GreenOak are not as easily tradeable as those in a publicly-listed company.

TFG Asset Management Company Overviews

The following pages provide a summary of each of TFG Asset Management's asset management companies and a review of AUM growth and underlying strategies and investment vehicles.

All data is at 31 December 2018, unless otherwise stated. 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.

Description of Business

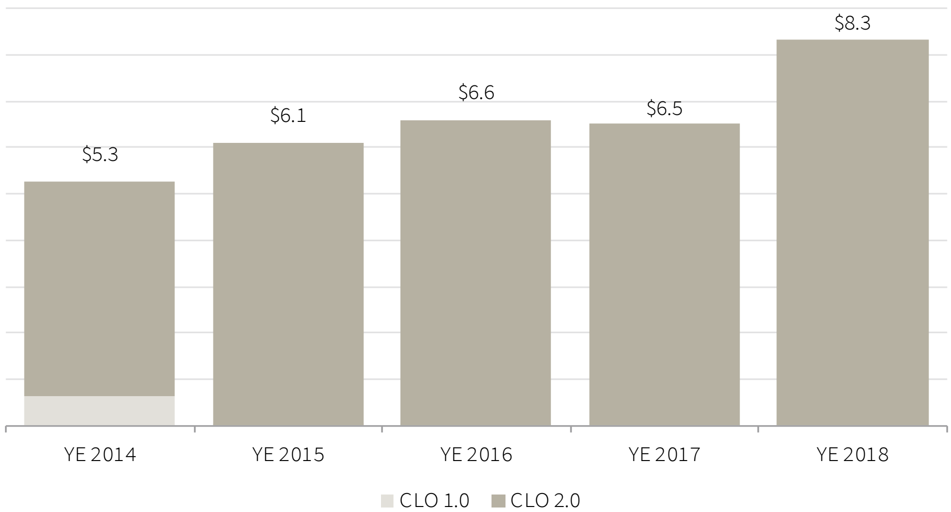
LCM™

- 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.
- TFG Asset Management 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 21

LCM AUM History[i] ($billions)

LCM's AUM was $8.3 billion at 31 December 2018.



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

Products

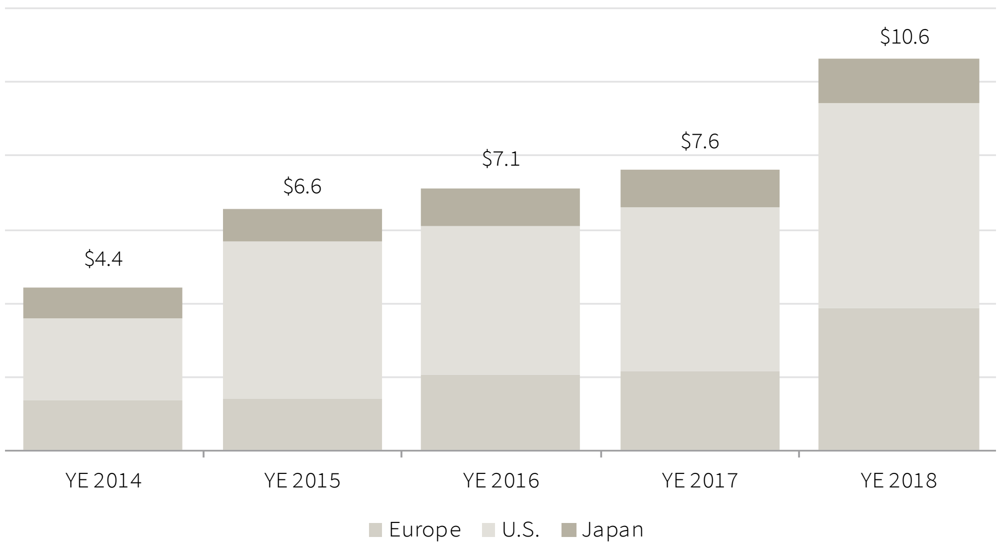
- LCM currently manages 16 CLOs.

Description of Business

– GreenOak is a real estate-focused principal investing, lending and advisory firm that seeks to create long-term value for its investors and provide strategic advice to its clients.
– The business was established in 2010 as a joint venture with Tetragon and has a presence in New York, London, Tokyo, Los Angeles, Madrid, Luxembourg, Milan, Paris, Seoul and Mumbai.
– TFG Asset Management owns 23% of the joint venture. In December 2018, GreenOak announced a merger with Bentall Kennedy, Sun Life Financial Inc.'s North American real estate and property management firm; the merged entity will be named Bentall GreenOak. The merger is expected to close by the end of the first half of 2019, and TFG Asset Management will continue to own nearly 13% of the combined entity.
– 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 22
GreenOak AUM History[i] ($billions)

GreenOak's AUM was $10.6 billion at 31 December 2018.



(i) Includes investment funds and advisory assets managed by GreenOak at 31 December 2018. 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

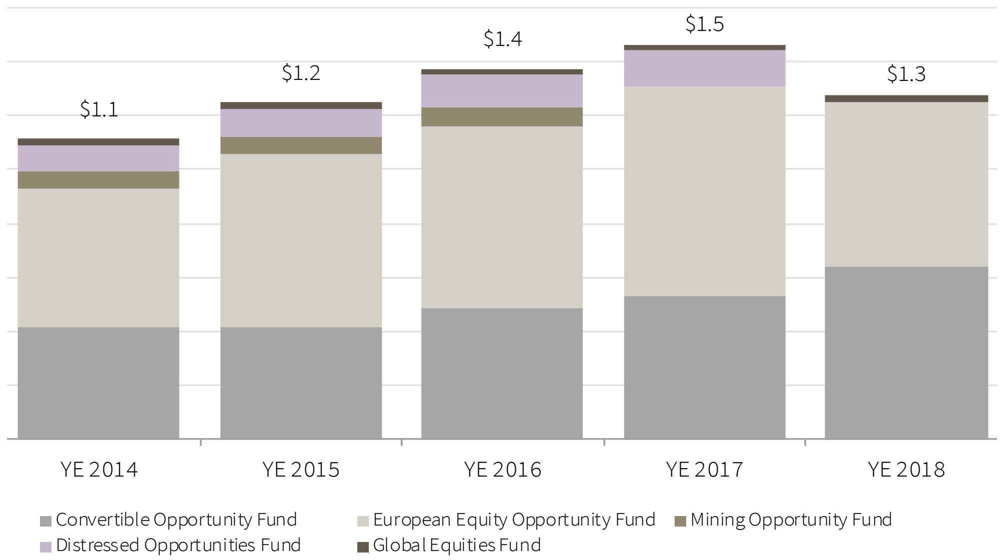
Description of Business

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

FIGURE 23

Polygon AUM History(i) ($billions)

Polygon's AUM was $1.4 billion for all funds and $1.3 billion for open strategies at 31 December 2018.



(i) Includes AUM for Polygon Convertible Opportunity Master Fund, Polygon European Equity Opportunity Master Fund and associated managed account, Polygon Mining Opportunity Master Fund, Polygon Global Equities Master Fund and Polygon Distressed Opportunities Master Fund, as calculated by the applicable fund administrator at 31 December 2014, 2015, 2016, 2017 and 2018. Includes, where relevant, investments by Tetragon. The Polygon Mining Opportunity Fund was closed in the fourth quarter of 2017 and the Polygon Distressed Opportunities Fund was closed in the third quarter of 2018.

FIGURE 24

Polygon Funds Summary*

Fund	AUM at 31 Dec 2018 ($millions)(1)	2018 Net Performance	Annualised Net LTD Performance
Convertible Opportunity Fund(2)	642.8	1.8%	13.9%
European Equity Opportunity Fund - Absolute Return(3)	298.8	(0.9%)	8.8%
European Equity Opportunity Fund - Long Bias(4)	312.2	(7.7%)	11.4%
Distressed Opportunities Fund(5)	-	(26.3%)	0.2%
Global Equities Fund(6)	25.0	14.3%	12.7%
Total AUM - Open Funds	**1,278.7**		**Estimated approx. LTD multiple**
Recovery Fund(7)	84.1	NA	1.83x
TOTAL AUM	**1,362.8**		

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

Notes - Figure 24

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.

(1) The AUM noted includes investments in the relevant strategies by Tetragon, other than in respect of the Polygon Recovery Fund, where there is no such investment. The Polygon Recovery Fund, at the time of the Polygon transaction and currently, remains a closed investment strategy.

(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 2018 and returns from inception through June 2018 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 - Absolute Return 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 European Equity Opportunity Fund - Long Bias began trading on 1 October 2018. Returns for the managed account following the Strategy are calculated by the manager and are *pro forma* adjusted based on performance data provided by the independent administrator of a managed account advised by Polygon which is managed according to the European Long Bias Strategy, adjusted to reflect a management fee of 1.5% and a performance fee of 20% above a hurdle rate equal to 75% of the total return of the STOXX Europe 600 Index, which is the hurdle rate benchmark for the managed account following the Strategy.

(5) The Polygon Distressed Opportunities Fund began trading on 2 September 2013. Returns shown are for offshore Class A shares, reflecting the terms set forth in the Offering Memorandum (2.0% management fee, 20% incentive fee and other items, in each case). This fund was closed in the third quarter of 2018.

(6) The Polygon Global Equities Fund began trading with Class B/B1 shares, which carry no incentive fees, on 12 September 2011. Returns shown from inception through August 2013 have been *pro forma* adjusted to account for a 2.0% management fee and a 20% incentive fee, in each case, as 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.

(7) The manager of the Polygon Recovery Fund L.P. is a subsidiary of Tetragon. The management fees earned in respect of the Polygon Recovery Fund are included in the TFG Asset Management business segment described herein. The Polygon Recovery Fund is a limited-life vehicle seeking to dispose of its portfolio securities prior to the expiration of its term. In February 2019, the Polygon Recovery Fund'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. The Polygon Recovery Fund's P&L for 2018 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. The Polygon Recovery Fund 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.

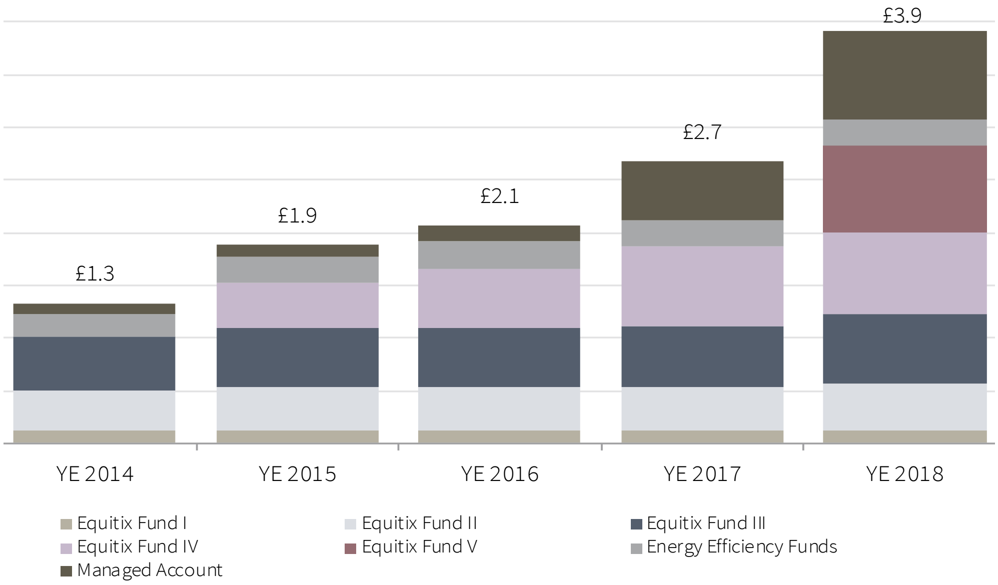
Description of Business

- Equitix is an integrated core infrastructure asset management and primary project platform.
- Equitix was established in 2007 and is based in London.
- TFG Asset Management owns 75% of the business.
- 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 25

Equitix AUM History (£billions)

Equitix's AUM was £3.9 billion ($5.0 billion) at 31 December 2018.(i)



(i) USD-GBP exchange rate at 31 December 2018.

Products

- Fund I
- Fund II
- Fund III
- Fund IV
- Energy Efficiency Funds
- Fund V
- Euro Fund I
- Managed accounts
- Energy Saving Investments

Description of Business

HAWKE'S POINT™

- 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.
- TFG Asset Management owns 100% of the business.
- To date, Hawke's Point has two investments in early stage gold miners.

Hawke's Point AUM

Hawke's Point's AUM was $17.9 million at 31 December 2018.

Description of Business

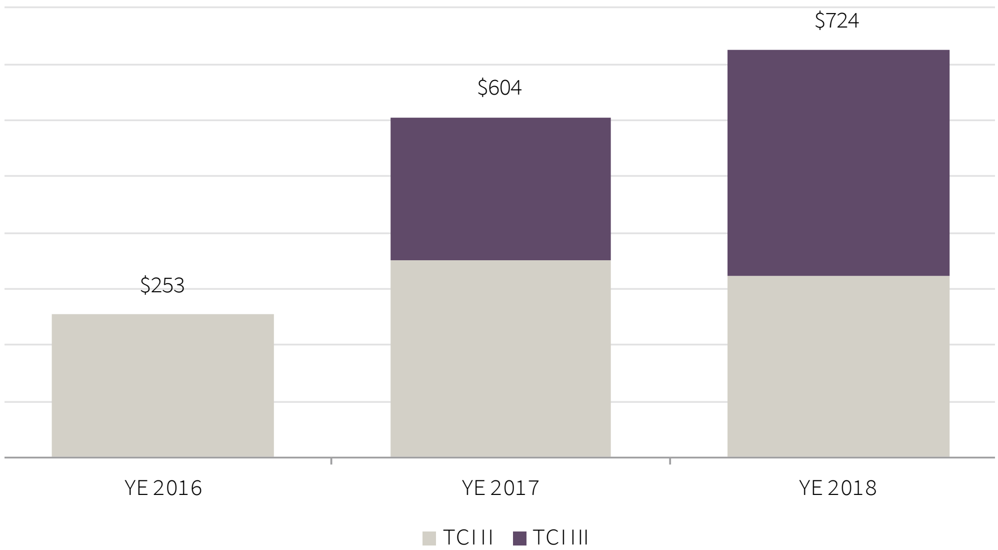
TCIP™

- 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.
- TFG Asset Management 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 a 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 www.tetragoninv.com/portfolio/bank-loans-via-clos.

FIGURE 26
TCIP Committed Capital History ($millions)

TCI II and TCI III's total committed capital was $724.0 million in aggregate at 31 December 2018.



Products

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

Description of Business

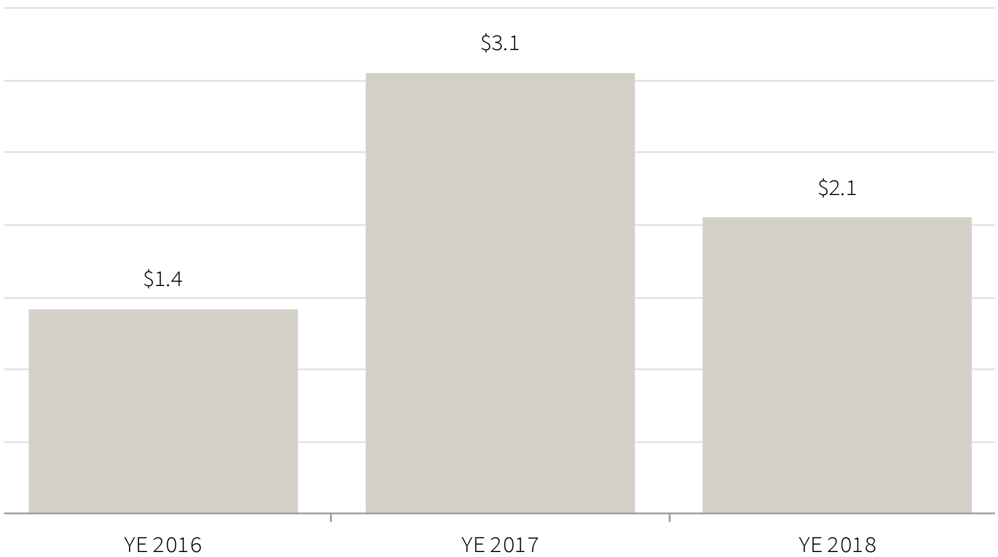
TCICM™

- 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.
- TFG Asset Management 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 27

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

As of 31 December 2018, TCICM had AUM of approximately $2.1 billion.[(i)] During 2018, the management contract for a CLO was assigned from TCICM to PGIM, Inc., accounting for the reduction in AUM.



(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 contributor to Syncona Limited, a U.K.-based charitable investment vehicle, by charging no fees on Syncona investments into TFG Asset Management products.[1] Syncona is a leading FTSE 250 healthcare 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 nine investee companies in life science and a range of fund investments, with the statement, "We have a range of actively managed fund investments in leading long-only and alternative funds, across a variety of strategies and geographies. This represents a productively deployed pool of capital to draw down to invest in life sciences over the long term." Syncona is aligned with two of the premium charitable funders in U.K. 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.

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 SBAI, formerly known as the HFSB or 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.

(1) As of Syncona's Interim Results Report, 21 November 2018.

Share Repurchases & Distributions

Tetragon Share Repurchase History

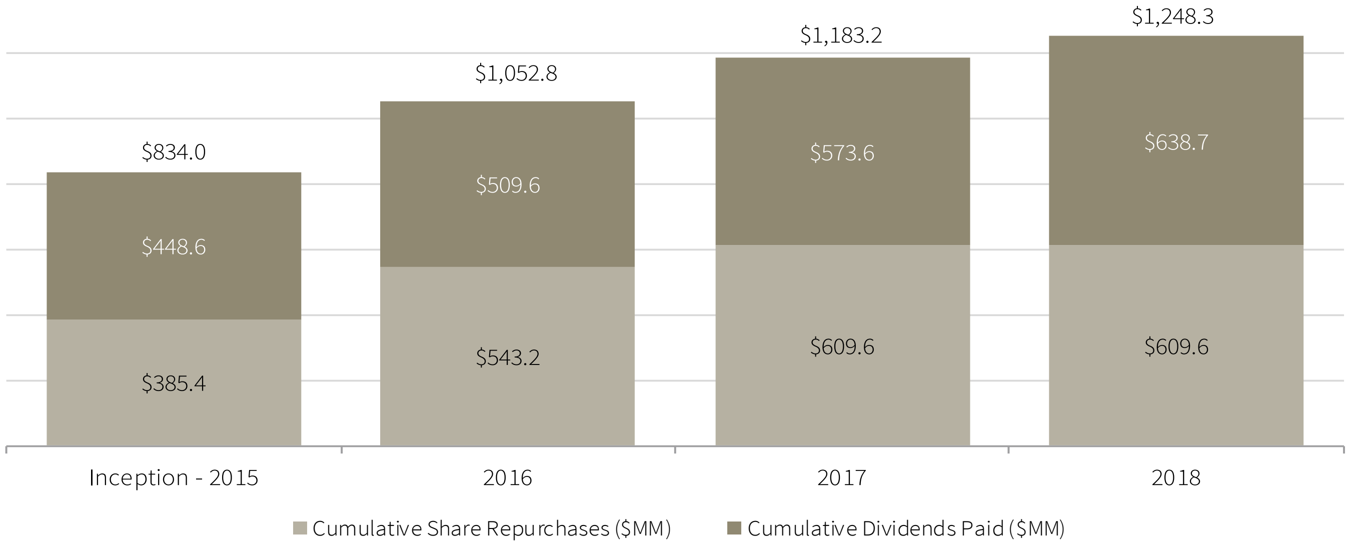
FIGURE 28

Tetragon Financial Group Share Repurchase and Dividend History ($millions)				
Year	**Amount repurchased**	**Cumulative amount**	**Dividends paid**	**Cumulative dividends paid**
2007	$2.2	$2.2	$56.5	$56.5
2008	$12.4	$14.5	$60.4	$117.0
2009	$6.6	$21.2	$18.8	$135.7
2010	$25.5	$46.7	$37.5	$173.3
2011	$35.2	$81.9	$46.4	$219.6
2012	$175.6	$257.5	$51.5	$271.1
2013	$16.1	$273.6	$55.5	$326.6
2014	$50.9	$324.5	$58.7	$385.3
2015	$60.9	$385.4	$63.3	$448.6
2016	$157.8	$543.2	$61.0	$509.6
2017	$66.4	$609.6	$64.0	$573.6
2018	-	$609.6	$65.1	$638.7
TOTAL	**$609.6**		**$638.7**	

Share Repurchases and Dividend Distributions(1)

The below graph shows cumulative historical share repurchases and dividends distributed by Tetragon from inception to 31 December 2018 in millions of U.S. dollars. In addition, Tetragon repurchased $50 million of its shares in January 2019.

FIGURE 29



(1) Tetragon has engaged, and may continue to engage, in share repurchases in the market from time to time. Such purchases may, at appropriate price levels below NAV, represent an attractive use of Tetragon's excess cash and an efficient means to return such cash to shareholders. Any decision to engage in share repurchases will be made by the investment manager, upon consideration of relevant factors, and will be subject to, among other things, applicable law and profits at the time. Tetragon also continues to explore other methods of improving the liquidity of its shares. 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 30[1]

IFRS to Fully Diluted Shares Reconciliation	Shares at 31 December 2018 (millions)
Legal Shares Issued and Outstanding	**139.7**
Less: Shares Held in Treasury	38.7
Less: Total Escrow Shares[1.i]	8.6
IFRS Shares Outstanding	**92.4**
Add: Certain Escrow Shares[1.ii]	2.3
Add: Dilution for equity-based awards[1.iii]	2.7
Fully Diluted Shares Outstanding	**97.4**

Shareholdings

Persons affiliated with Tetragon maintain significant interests in Tetragon shares. For example, as of 31 December 2018, the following persons own (directly or indirectly) interests in shares in Tetragon in the amounts set forth below:

FIGURE 31

Individual	Shareholding at 31 December 2018
Mr. Reade Griffith	12,553,797
Mr. Paddy Dear	4,210,182
Mr. David Wishnow	749,144
Mr. Michael Rosenberg	575,080
Other Tetragon/Polygon Employees	2,803,004
Equity-based awards[2]	5,107,040

(1) (i) The Total Escrow Shares of 8.6 million consists of 6.3 million shares held in a separate escrow account in relation to equity-based compensation and 2.3 million shares held in a separate escrow account relating to deferred incentive fees payable to the manager.

(ii) This comprises 2.3 million shares held in a separate escrow account relating to deferred incentive fees payable to the manager.

(iii) Dilution in relation to equity-based awards by TFG Asset Management for certain senior employees. At the reporting date, this was 2.7 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 78 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) 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 78 for further details.

Additional CLO Portfolio Statistics

FIGURE 32

Tetragon's CLO Portfolio Details at 31 December 2018

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 47	U.S. CLO	Called	Primary	28.3	2006	2021	2013	NA	47	NA	NA	4.3%	NA	23.7%	273.0%
Transaction 61	U.S. CLO	Called	Primary	29.1	2007	2021	2014	NA	45	NA	NA	4.0%	NA	16.5%	230.6%
Transaction 68	U.S. CLO	Wound Down	Primary	19.3	2006	2020	2013	NA	48	NA	NA	4.4%	NA	30.4%	338.7%
Transaction 69	U.S. CLO	Wound Down	Primary	28.2	2007	2019	2013	NA	44	NA	NA	5.6%	NA	28.7%	319.5%
Transaction 78	U.S. CLO	Called	Primary	22.9	2012	2023	2015	NA	217	NA	NA	4.0%	NA	17.2%	123.3%
Transaction 81	U.S. CLO	Called	Primary	21.7	2012	2024	2016	NA	216	NA	NA	4.0%	NA	12.1%	156.2%
Transaction 83	U.S. CLO	Outstanding	Primary	20.8	2013	2029	2021	334	193	215	4.8%	6.2%	(0.2%)	12.3%	94.6%
Transaction 84	U.S. CLO	Outstanding	Primary	24.6	2013	2027	2021	314	183	199	3.4%	4.0%	(0.1%)	18.2%	113.1%
Transaction 85	U.S. CLO	Outstanding	Primary	1.0	2013	2031	2023	320	170	162	4.9%	5.0%	(0.0%)	9.9%	95.9%
Transaction 87	U.S. CLO	Outstanding	Primary	23.0	2013	2026	2018	324	199	202	4.2%	4.0%	0.0%	(0.8%)	77.5%
Transaction 88	U.S. CLO	Outstanding	Primary	30.1	2014	2030	2022	307	199	178	3.1%	4.0%	(0.2%)	13.1%	83.4%
Transaction 89	U.S. CLO	Outstanding	Primary	33.6	2014	2031	2023	311	195	166	4.6%	4.0%	0.1%	14.0%	90.5%
Transaction 90	U.S. CLO	Outstanding	Primary	20.7	2014	2031	2023	328	203	158	4.4%	4.0%	0.1%	12.9%	73.7%
Transaction 91	U.S. CLO	Outstanding	Primary	27.8	2015	2031	2023	309	215	148	4.5%	4.0%	0.1%	12.2%	66.2%
Transaction 92	U.S. CLO	Outstanding	Primary	34.6	2015	2027	2020	308	199	199	2.8%	4.0%	(0.3%)	10.3%	60.7%
Transaction 93	U.S. CLO	Outstanding	Secondary	6.1	2016	2031	2023	309	215	148	4.5%	3.6%	0.3%	16.2%	49.3%
Transaction 94	U.S. CLO	Outstanding	Secondary	6.6	2016	2031	2023	311	195	166	4.6%	3.3%	0.5%	16.4%	54.3%
Transaction 95	U.S. CLO	Outstanding	Primary	2.6	2016	2029	2022	321	194	194	3.7%	4.4%	(0.4%)	9.0%	23.3%
Transaction 96	U.S. CLO	Outstanding	Secondary	2.7	2017	2030	2022	307	199	178	3.1%	3.0%	0.1%	7.2%	18.6%
Transaction 97	U.S. CLO	Outstanding	Primary	9.9	2017	2030	2022	307	178	178	3.1%	3.9%	(0.5%)	9.8%	19.0%
Transaction 98	U.S. CLO	Outstanding	Primary	33.2	2017	2030	2022	310	178	178	4.1%	4.5%	(0.2%)	10.3%	26.0%
Transaction 99	U.S. CLO	Outstanding	Primary	8.3	2017	2030	2022	330	164	164	4.4%	4.5%	(0.1%)	9.4%	13.5%
Transaction 100	U.S. CLO	Outstanding	Primary	2.6	2018	2031	2023	331	111	111	7.9%	7.8%	0.2%	26.9%	15.9%
Transaction 101	U.S. CLO	Outstanding	Primary	0.2	2018	2031	2023	320	163	162	4.9%	4.9%	(0.1%)	10.9%	10.0%
Transaction 102	U.S. CLO	Outstanding	Primary	5.0	2018	2031	2023	309	148	148	4.5%	4.5%	0.0%	18.5%	9.2%
Transaction 103	U.S. CLO	Outstanding	Primary	5.6	2018	2031	2023	328	159	158	4.4%	4.5%	(0.5%)	18.0%	0.0%
Transaction 104	U.S. CLO	Outstanding	Primary	9.8	2018	2031	2023	311	166	166	4.6%	4.5%	1.2%	15.6%	0.0%
Total CLO Portfolio:				**458.4**				**315**	**161**	**178**	**4.0%**	**4.3%**	**(0.0%)**	**15.1%**	**122.0%**

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 any European CLOs that may be 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 O/C test. They have been marked by an "N/A" in the relevant junior-most O/C test columns.

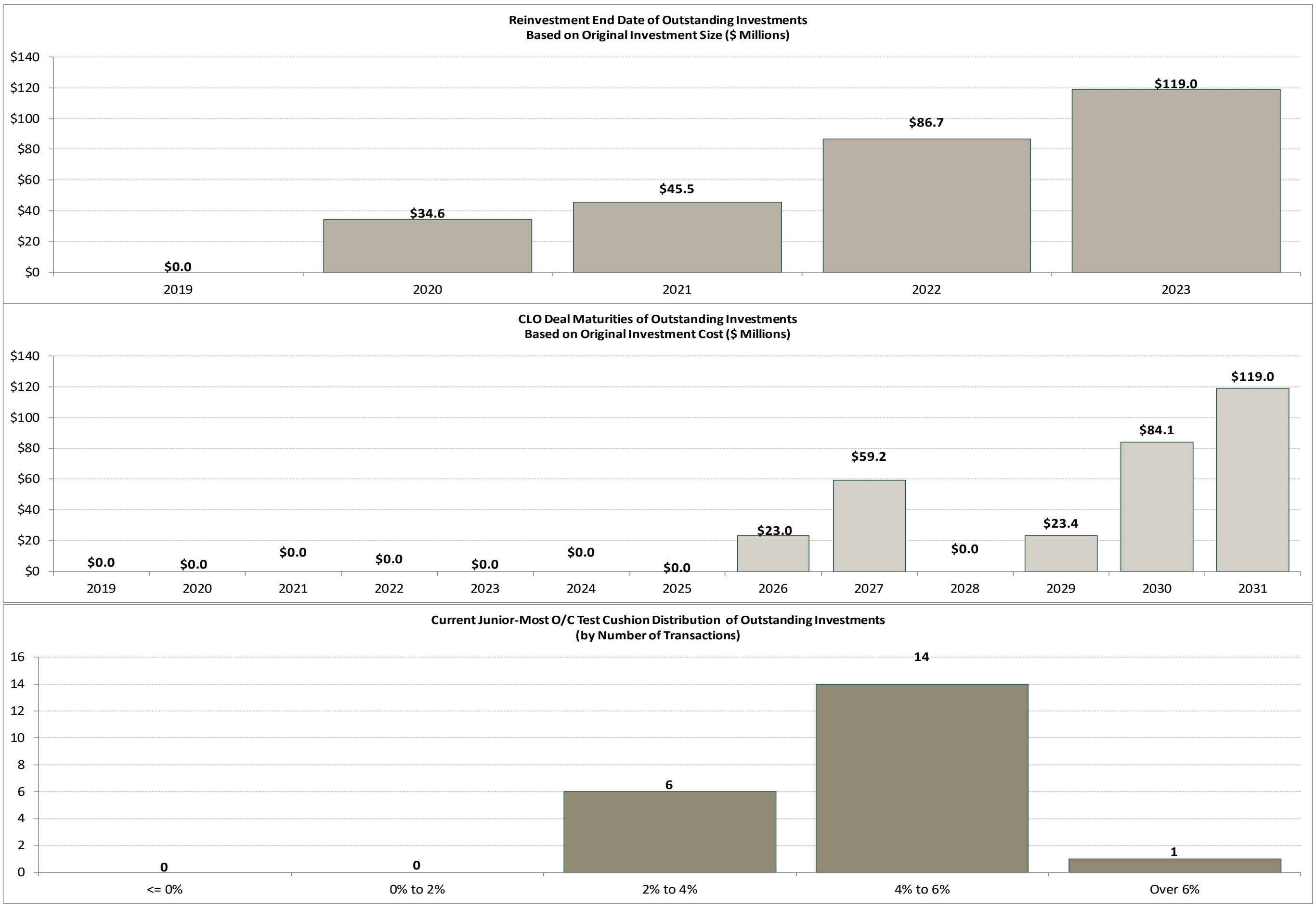
(x) Calculated by annualizing the change from the expected closing date junior-most O/C cushion to the current junior-most O/C cushion.

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

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

Additional CLO Portfolio Statistics (continued)

FIGURE 33



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 the investment manager).

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

As Tetragon has contributed these shares, under IFRS TFG Asset Management is considered to be the settling entity and as a result in Tetragon's 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 2018, approximately 2.7 million shares were included in the fully diluted share count.

Shareholder Information

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

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

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

Investor Relations
Yuko Thomas
ir@tetragoninv.com

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

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

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

Legal Advisor (as to U.S. law)
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 (Guernsey) LLP
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

QUENTIN NASON
TETRAGON

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 2018, 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 2018, 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)

(continued)

The key audit matter	Our response
Valuation of Non-derivative financial assets at fair value through profit or loss classified as Level 3 $1,377.2 Million (2017: $1,074.2 Million) (Refer to Note 3 for accounting policy and Notes 4 & 5 for disclosures)	
Basis: As at 31 December 2018, the Company held level 3 financial assets at fair value through profit or loss representing 62.9% of the Company's net asset value. These financial assets include 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, recently available data points; – TFG Asset Management investments, a combination of marked to 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 comprising Unlisted Stock and TFG Asset Management investments. **Risk:** The valuation of the Company's level 3 investments is considered a significant area of our audit in view of the significance of the estimates and judgements that may be involved in the determination of their fair value and given that it represents the majority of the net assets of the Company.	Our audit procedures included: **Control Evaluation:** We have obtained an understanding of the valuation process and tested the design and implementation of the valuation process controls. **Challenging managements' assumptions and inputs including use of KPMG Specialists:** For CLO Equity Tranches held by the Company, with the support of a KPMG valuation specialist, we performed a peer group benchmark analysis on model inputs. For a risk based selection of CLO investments, with the support of a KPMG valuation specialist, 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, with the support of a KPMG valuation specialist we: – assessed the objectivity, capabilities and competence of the Valuation Agents engaged to provide valuation services to the Company; – assessed the methodology applied by the Valuation Agents in developing fair value of the Unlisted Stock, and TFG Asset Management investments; and – critically assessed the valuations provided by the Valuation Agents and challenged the valuation inputs and techniques based on market available information. For Investment funds & vehicles, we obtained net asset value per share confirmations or partner capital statements directly from the administrators of the underlying funds and vehicles and reconciled these confirmations/statements to the investment value recorded by the Company. For a statistical sample, we reviewed the latest audited financial statements 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 Company's investments. **Assessing disclosures:** We considered the adequacy of the disclosures made in the Financial Statements (see Notes 3, 4 & 5) 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 $63.6 Million, determined with reference to a benchmark of Net Assets of $2,189.4 Million, of which it represents approximately 3% (2017: 3%).

We reported to the Audit Committee any corrected or uncorrected identified misstatements exceeding $3.2 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 44 and 45, 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

February 2019

FINANCIAL STATEMENTS

TETRAGON FINANCIAL GROUP LIMITED

FOR THE YEAR ENDED 31 DECEMBER 2018

TETRAGON FINANCIAL GROUP LIMITED

FINANCIAL STATEMENTS
For the year ended 31 December 2018

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TETRAGON FINANCIAL GROUP LIMITED

STATEMENT OF FINANCIAL POSITION
As at 31 December 2018

	Note	31 Dec 2018 US$ MM	31 Dec 2017 US$ MM
Assets			
Non-derivative financial assets at fair value through profit or loss	5	1,937.1	2,008.4
Derivative financial assets	5	3.5	-
Other receivables and prepayments	8	8.0	-
Amounts due from brokers	7	35.3	-
Cash and cash equivalents	9	269.8	-
Total assets		2,253.7	2,008.4
Liabilities			
Loans and borrowings	11	38.0	-
Derivative financial liabilities	5	6.8	-
Other payables and accrued expenses	10	19.5	13.9
Total liabilities		64.3	13.9
Net assets		2,189.4	1,994.5
Equity			
Share capital	13	0.1	0.1
Other equity		829.7	808.9
Capital reserve in respect of share options		-	0.1
Share-based compensation reserve	13	79.0	80.7
Retained earnings		1,280.6	1,104.7
		2,189.4	1,994.5
Shares outstanding		Millions	Millions
Number of shares	13	92.4	90.1
Net Asset Value per share		US$ 23.70	US$ 22.13

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

Signed on behalf of the Board of Directors by:

David O'Leary
Director

Steven Hart
Director

Date: 26 February 2019

TETRAGON FINANCIAL GROUP LIMITED

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2018

	Note	Year ended 31 Dec 2018 US$ MM	Year ended 31 Dec 2017 US$ MM
Net gain on non-derivative financial assets at fair value through profit or loss	3	289.1	200.0
Total income		289.1	200.0
Incentive fee	12	(47.6)	(32.2)
Operating expenses		(47.6)	(32.2)
Profit and total comprehensive income for the year		241.5	167.8
Earnings per share			
Basic	18	US$ 2.65	US$ 1.86
Diluted	18	US$ 2.42	US$ 1.70
Weighted average shares outstanding		Millions	Millions
Basic	18	91.1	90.0
Diluted	18	99.7	98.9

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 2018

	Share capital US$ MM	Other equity US$ MM	Retained earnings US$ MM	Capital reserve US$ MM	Share-based compensation 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
As at 31 December 2017	0.1	808.9	1,104.7	0.1	80.7	1,994.5
Profit and total comprehensive income for the year	-	-	241.5	-	-	241.5
Transactions with owners recognised directly in equity						
Shares released from escrow	-	1.7	-	-	(1.7)	-
Dividends on shares released from escrow	-	0.5	(0.5)	-	-	-
Cash dividends	-	-	(47.5)	-	-	(47.5)
Stock dividends	-	17.6	(17.6)	-	-	-
Issue of shares	-	0.1	-	-	-	0.1
Purchase of treasury shares	-	(1.0)	-	-	-	(1.0)
Capital reserve in respect of share options	-	1.9	-	(0.1)	-	1.8
As at 31 December 2018	0.1	829.7	1,280.6	-	79.0	2,189.4

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 2018

	Year ended 31 Dec 2018 US$ MM	Year ended 31 Dec 2017 US$ MM
Operating activities		
Dividend received from Master Fund to finance the dividend liability to shareholders	47.5	47.2
Dividend received from Master Fund to settle the incentive fee liability	43.9	25.4
Incentive fee paid	(43.9)	(25.4)
	47.5	47.2
Investing activities		
Cash from the Master Fund on amalgamation**	269.8	-
Proceeds from buyback of shares by Master Fund	1.0	66.4
	270.8	66.4
Financing activities		
Proceeds from issue of shares	1.9	1.9
Purchase of Master Fund shares	(1.9)	(1.9)
Purchase of treasury shares	(1.0)	(66.4)
Dividends paid to shareholders*	(47.5)	(47.2)
	(48.5)	(113.6)
Net increase in cash and cash equivalents	269.8	-
Cash and cash equivalents at beginning of year	-	-
Cash and cash equivalents at end of year**	269.8	-

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

* The gross dividend payable to shareholders was US$ 65.1 million (31 December 2017: US$ 63.0 million) with a value equivalent to US$ 17.6 million (31 December 2017: US$ 15.8 million) elected to be taken by the dividend recipient in shares rather than cash.

** Up to 31 December 2018, the Fund did not maintain any bank accounts or cash balances. All cash transactions took place within the Master Fund. Please refer to Note 2 for the details of amalgamation and cash flow statement for the Master Fund.

Note 1 Corporate Information

Tetragon Financial Group Limited ("Tetragon" or the "Fund") was registered in Guernsey on 23 June 2005 as a company limited by shares, with registered number 43321. All voting shares of the Fund are held by Polygon Credit Holdings II Limited (the "Voting Shareholder"). The Fund continues to be registered and domiciled in Guernsey, and the Fund's non-voting shares (the "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 symbols: TFG.LN and TFGS.LN). The registered office of the Fund is 1st Floor Dorey Court, Admiral Park, St. Peter Port, Guernsey, Channel Islands, GY1 6HJ.

Since its inception to 31 December 2018, the Fund acted 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"). With effect from 31 December 2018, the Master Fund was amalgamated under Part VI of the Companies (Guernsey) Law, 2008 (as amended) with its parent company, the Fund. There was no change in beneficial ownership as a result of amalgamation.

Note 2 Legal Amalgamation of the Master Fund with the Fund

During Q3 2018, the Board of Directors approved the amalgamation of the Master Fund with its parent company, the Fund, under Part VI of the Companies (Guernsey) Law, 2008 (as amended) with effect from 31 December 2018.

Prior to the amalgamation on 31 December 2018, the Fund fair valued its investment in the Master Fund and recognized the gain in the Statement of Comprehensive Income. The Master Fund also fair valued its assets and liabilities. Post amalgamation, the investment in Master Fund was replaced by the assets and liabilities of the Master Fund on a no-profit-or-loss basis.

The Master Fund's statement of financial position, statement of comprehensive income and the statement of cash flows for the year ended 31 December 2018 are presented below. These pro-forma statements are prepared in accordance with International Financial Reporting Standards as adopted by the European Union. The accounting policies and judgments applicable to the Fund also apply to these statements.

Note 2 Legal Amalgamation of the Master Fund with the Fund (continued)

Pro-forma statement of financial position of the Master Fund:

	31 Dec 2018 US$ MM	31 Dec 2017 US$ MM
Assets		
Non-derivative financial assets at fair value through profit or loss	-	1,613.6
Derivative financial assets	-	17.4
Other receivables and prepayments	-	1.9
Amounts due from brokers	-	57.2
Cash and cash equivalents	-	365.5
Total assets	-	2,055.6
Liabilities		
Loans and borrowings	-	38.0
Derivative financial liabilities	-	6.6
Other payables and accrued expenses	-	2.6
Total liabilities	-	47.2
Net assets	-	2,008.4
Equity		
Share capital	-	0.1
Other equity	-	754.2
Retained earnings	-	1,254.1
	-	2,008.4
Shares outstanding		**Millions**
Number of shares	-	90.1
Net Asset Value per share	-	US$ 22.28

Note 2 Legal Amalgamation of the Master Fund with the Fund (continued)

Pro-forma statement of comprehensive income of the Master Fund:

	Year ended 31 Dec 2018 US$ MM	Year ended 31 Dec 2017 US$ MM
Net gain on non-derivative financial assets at fair value through profit or loss	292.6	247.9
Net gain / (loss) on derivative financial assets and liabilities	30.7	(11.0)
Interest income	7.8	5.8
Net foreign exchange loss	-	(0.1)
Total revenue	331.1	242.6
Management fees	(30.7)	(29.5)
Share-based employee compensation	-	(3.5)
Legal and professional fees	(4.6)	(3.3)
Audit fees	(0.4)	(0.4)
Other operating and administrative expenses	(2.8)	(2.8)
Operating expenses	(38.5)	(39.5)
Operating profit before finance costs	292.6	203.1
Finance costs	(3.5)	(3.1)
Profit and total comprehensive income for the year	289.1	200.0

Note 2 Legal Amalgamation of the Master Fund with the Fund (continued)

Pro-forma statement of cash flows of the Master Fund:

	Year ended 31 Dec 2018 US$ MM	Year ended 31 Dec 2017 US$ MM
Operating activities		
Profit for the period	289.1	200.0
Adjustments for:		
Gains on investments and derivatives	(249.5)	(194.8)
Amortisation of CLOs	72.8	191.2
Share-based employee compensation	-	3.5
Operating cash flows before movements in working capital	112.4	199.9
Decrease / (Increase) in receivables	(5.1)	0.1
(Decrease) / Increase in payables	(0.7)	0.3
Decrease / (Increase) in amounts due from brokers	21.8	(6.2)
Cash generated from operating activities	128.4	194.1
Investing activities		
Proceeds from sale / prepayment / maturity of investments	283.6	217.2
Net proceeds on derivative financial instruments	26.4	10.4
Purchase of investments	(443.6)	(311.7)
Net cash used in investing activities	(133.6)	(84.1)
Financing activities		
Proceeds from issue of shares	1.9	1.9
Repurchase of shares	(1.0)	(66.4)
Dividends paid to shareholders	(47.5)	(47.2)
Dividends paid to the Fund to settle incentive fee liability	(43.9)	(25.4)
Net cash used in financing activities	(90.5)	(137.1)
Net decrease in cash and cash equivalents	(95.7)	(27.1)
Cash to the Fund on legal amalgamation	(269.8)	-
Cash and cash equivalents at beginning of year	365.5	392.6
Cash and cash equivalents at end of year	-	365.5

Note 3 Significant Accounting Policies

Basis of Preparation

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.

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 Consolidated Financial Statements, 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.

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.

New standards and amendments to existing standards

The Fund has adopted all standards and amendments effective in 2018. IFRS 9 Financial Instruments ("IFRS 9") and IFRS 15 Revenue from Contracts with Customers ("IFRS 15") became effective for the periods beginning on or after 1 January 2018. IFRS 9 largely retains the existing requirements in IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39") for the classification and measurement of the financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables and available for sale.

The adoption of IFRS 9 has not had a significant effect on the Fund's accounting policies related to financial assets, liabilities and derivative financial instruments. Under IFRS 9, on initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income ("FVOCI") or FVTPL. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Since the Investment Manager manages and evaluates the performance of all of the Fund's financial instruments on a fair value basis, it must classify its financial assets and financial liabilities as FVTPL. Therefore, there is no change to classifications when compared to prior years.

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model . The new impairment model applies to financial assets measured at amortised cost and debt investments at FVOCI, but not to investments in equity instruments. Due to the nature of assets that the Fund holds at amortised cost as at 1 January 2018, the change in impairment model has no impact on the net assets or profits.

The Fund's income and assets are outside the scope of IFRS 15.

Note 3 Significant Accounting Policies (continued)

New standards and amendments to existing standards (continued)

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. IFRS 16 Leases and IFRS 17 Insurance Contracts will be applicable to the financial year ending 31 December 2019 and 31 December 2021 respectively. These standards are not relevant to the Fund's activities.

Foreign Currency Translation

Transactions in foreign currencies are translated to the Fund's functional currency at the foreign currency exchange rate ruling at the date of the transaction. All assets and liabilities denominated in foreign currencies are translated to USD at the foreign currency closing exchange rate ruling at the reporting date.

Foreign currency exchange differences arising on translation and 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 IFRS 9.

Financial assets at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest outstanding.

The Fund includes in this category cash and cash equivalents, amounts due from brokers, receivable for securities sold and other sundry receivables. These assets are held with an intention to collect the principal and interest payments.

Financial assets and liabilities at FVTPL

All financial assets not classified as measured at amortised cost are measured at FVTPL. Financial liabilities attached to derivatives are also measured at FVTPL.

Investments in derivatives, CLOs, loans and corporate bonds, listed and unlisted stock, investment funds and vehicles and private equity in asset management companies are included in this category.

Note 3 Significant Accounting Policies (continued)

Financial Instruments (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 at FVTPL are initially recognised 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.

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.

Note 3 Significant Accounting Policies (continued)

Financial Instruments (continued)
(v) Derecognition (continued)

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.

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

(vi) Impairment

The Fund recognises loss allowances for expected credit losses ("ECL") on financial assets at amortised cost.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Fund considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Fund's historical experience and informed credit assessment and including forward-looking information.

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.

Note 3 Significant Accounting Policies (continued)

Fair value measurement (continued)

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 financial instruments for recognition and measurement.

Cash and cash equivalents

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

Net gain or loss on financial assets and liabilities at FVTPL

Net gains or losses on financial assets and liabilities at FVTPL are changes in the fair value of financial assets and liabilities at FVTPL and include 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 2017: GBP 1,200).

Note 3 Significant Accounting Policies (continued)

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.

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 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.

Share Options

The fair value of options issued to certain founding partners of GreenOak are recognised through the capital reserve in respect of share options.

If and when the share options are exercised there is a transfer from the capital reserve to other equity based on the fair value of options at grant date.

Other equity

Other equity contains the share premium and treasury shares balances.

Amalgamation of entities under common control

As a result of amalgamation, assets and liabilities are transferred to the surviving entity at fair value on the effective date of amalgamation.

Operating Segments

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

Note 4 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.

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

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. The Fund has a documented exit strategy for all of its investments.

The Fund meets the definition of an investment entity as per IFRS 10. 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.

Estimates and assumptions

Measurement of fair values

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 and circumstances arising beyond the control of the Fund. Such changes are reflected in the assumptions when they occur.

For detailed information on the estimates and assumptions used to determine the fair value of financial instruments, please refer to Note 5.

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

Recurring fair value measurement of assets and liabilities

The following table shows financial instruments measured at fair value by the level in fair value hierarchy as of 31 December 2018:

Non-derivative financial assets at FVTPL	Level 1 US$ MM	Level 2 US$ MM	Level 3 US$ MM	Total Fair Value US$ MM
CLO equity tranches	-	-	257.1	257.1
Loans and corporate bonds	-	23.8	-	23.8
Listed stock	106.0	-	-	106.0
Unlisted stock	-	-	96.1	96.1
Investment funds and vehicles	-	430.1	361.9	792.0
TFG Asset Management	-	-	662.1	662.1
Total non-derivative financial assets at FVTPL	106.0	453.9	1,377.2	1,937.1
Derivative financial assets				
Contracts for difference (asset)	-	0.8	-	0.8
Forward foreign exchange contracts (asset)	-	2.7	-	2.7
Total derivative financial assets	-	3.5	-	3.5
Derivative financial liabilities				
Contracts for difference (liability)	-	-	(5.5)	(5.5)
Forward foreign exchange contracts (liability)	-	(1.3)	-	(1.3)
Total derivative financial liabilities	-	(1.3)	(5.5)	(6.8)

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

Recurring fair value measurement of assets and liabilities (continued)

As at 31 December 2017, the only asset of the Fund was its investment in the Master Fund, US$ 2,008.4 million, which was held at Level 3. The following table shows financial instruments measured at fair value by the level in fair value hierarchy as of 31 December 2017 for the Master Fund:

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	-	-	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)

Transfers between levels

During the year ended 31 December 2017, an unlisted stock held at level 2 of US$ 18.3 million in the Master Fund at 31 December 2016 was transferred to level 1 following its listing, and then remained quoted on an active market. There were no transfers between levels in 2018.

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, loans and borrowings, and other payables.

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

Level 3 reconciliation

The following is a reconciliation of the Fund's assets in which significant unobservable inputs (Level 3) were used in determining fair value at 31 December 2018.

	CLO Equity Tranches US$ MM	Unlisted Stock US$ MM	Investment Funds and Vehicles US$ MM	TFG Asset Management US$ MM	Master Fund US$ MM	Total US$ MM
Balance at start of year	-	-	-	-	2,008.4	2,008.4
Additions	-	-	-	-	19.5	19.5
Proceeds	-	-	-	-	(1.0)	(1.0)
Gain on investments	-	-	-	-	179.9	179.9
Transfer from the Master Fund on amalgamation	257.1	96.1	361.9	662.1	(2,206.8)	(829.6)
Balance at end of year	257.1	96.1	361.9	662.1	-	1,377.2

On 31 December 2017, the Fund's only asset was its investment in the Master Fund. The following is a reconciliation of that asset as at 31 December 2017.

	Master Fund US$ MM
Balance at start of year	1,942.0
Additions	21.2
Proceeds	(66.4)
Gain on investment in the Master Fund	111.6
Balance at end of year	2,008.4
Unrealised gains and losses for the period included in profit or loss for assets held at the end of the reporting period	111.6

Dividend income from the Master Fund amounted to US$ 109.1 million (31 December 2017: US$ 88.4 million). Total net gain on the Master Fund investment, including dividend income, amounted to US$ 289.1 million (31 December 2017: US$ 200.0 million).

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.

For certain investments, such as TFG Asset Management, a third party valuation agent is also used. However, the Board of Directors is responsible for the valuations and may, at its discretion, permit any other method of valuation to be used if it considers that such method of valuation better reflects value and is in accordance with IFRS.

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

Valuation techniques

All comparatives, in the note below, relate to the Master Fund's investments.

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 2018, key modelling assumptions used are disclosed below. The modelling assumptions disclosed below are a weighted average (by USD amount) of the individual deal assumptions. Each individual deal's assumptions may differ from this average and vary across the portfolio.

Constant Annual Default Rate ("CADR")	Approximately 2.35% (31 December 2017: 2.2%), which is 1.0x of the original Weighted Average Rating Factor ("WARF") derived base-case default rate for the life of the transaction.
Recovery Rate	74% (31 December 2017: 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 2017: 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 348 bps (31 December 2017: 310 bps) on broadly U.S. syndicated loan deals which are still in their reinvestment periods.

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 2018, a discount rate of 10% for U.S. 1.0 deals and European deals (31 December 2017: 10%) has been utilised. At 31 December 2018, for U.S. 2.0 deals the discount rate applied is 11% (31 December 2017: 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 10.1% (31 December 2017: 12.4%).

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

Valuation techniques (continued)
CLO equity tranches (continued)

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 2018 US$ MM	31 Dec 2017 US$ MM
-1% discount rate	7.4	7.6
+1% discount rate	(6.9)	(7.2)

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. LCM is valued using combination of DCF Approach and quoted market multiples ("Market Multiple Approach") based on comparable companies to determine an appropriate valuation range. Equitix, Polygon and TCIP are valued using DCF Approach.

During 2018, the Fund announced the merger of GreenOak with Bentall Kennedy, Sun Life Financial Inc.'s real estate and property management firm. The Fund will receive US$ 42.5 million upon the closing of the merger. TFG Asset Management will continue to hold approximately 13% interest in the combined entity and will receive a series of fixed and variable profit distributions. Sun Life will have an option to acquire the remaining interest in the merged entity approximately seven years from the closing. TFG Asset Management and other minority owners are entitled to sell their interest to Sun Life approximately eight and a half years from the close of the transaction. The Fund's investment in GreenOak, as at 31 December 2018, is valued using DCF Approach on expected cash flows from the merged entity.

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 Fund (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.

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

Valuation techniques (continued)
Private equity in asset management companies (continued)

The following table shows the unobservable inputs used by third party valuation specialist in valuing various investments within TFG Asset Management.

31 December 2018

Investment	Fair Value US$ MM	Valuation methodology	Significant unobservable inputs
Equitix	230.9	DCF, Debt at par + accrued interest	Discount rate 9.75%, DLOL 15%
GreenOak	208.5	DCF (sum-of-the-parts)	Discount rate ranges from 5% to 25% for different types of cash flows with a base discount rate of 11.0%, DLOL 15%
LCM	154.9	DCF and Market Multiples	Discount rate 11.5%, P/AUM multiple 2.3%, DLOL 15%
Polygon	55.1	DCF	Discount rate 12.5%, DLOL 20%
TCIP	11.0	DCF	Discount rate 11.5%, DLOL 15%
Hawke's Point	1.7	Replacement cost	

31 December 2017

Investment	Fair Value US$ MM	Valuation methodology	Significant unobservable inputs
Equitix	152.2	DCF and Market Multiples Debt at par + accrued interest	Discount rate 8.75%, EBITDA multiple 6.75x, DLOL 15%
GreenOak	69.6	Market Multiples	Blended EBITDA multiple 11.1x
LCM	144.3	DCF and Market Multiples	Discount rate 11.0%, P/AUM multiple 2.1%, DLOL 15%
Polygon	56.0	DCF and Market Multiples	Discount rate 12.5%, EBITDA multiple 7.0x, DLOL 20%
TCIP	7.8	DCF	Discount rate 11.0%, DLOL 15%
Hawke's Point	0.8	Replacement cost	

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

Valuation techniques (continued)
Private equity in asset management companies (continued)

Sensitivity Analysis:

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

31 December 2018

Investment	Favorable	Unfavorable
Equitix	US$ 31.7 MM Discount rate 8.75%	(US$ 24.8 MM) Discount rate 10.75%
GreenOak	US$ 5.0 MM Discount rate 10.0%	(US$ 4.6 MM) Discount rate 12.0%
LCM	US$ 19.3 MM Discount rate 10.5%, P/AUM multiple 2.75%	(US$ 19.3 MM) Discount rate 12.5%, P/AUM multiple 2.0%
Polygon	US$ 5.6 MM Discount rate 11.5%	(US$ 5.6 MM) Discount rate 13.5%
TCIP	US$ 0.6 MM Discount factor 10.5%	(US$ 0.6 MM) Discount factor 12.5%

31 December 2017

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

Note 5 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. Management's assessment is that 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.

The Fund has an investment in an externally managed investment vehicle that holds farmlands in Paraguay. In 2018, these farmlands were valued by an independent third party valuation agent.

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$ 3.6 million (31 December 2017: US$ 3.0 million). A decrease in net asset value of the funds will have an equal and opposite effect.

Unlisted stock

The unlisted stock investment includes three 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 latest funding round adjusted for expected IPO in near future. For the second investment, this includes fair value of an earn-out option based on forecast revenues. For the third investment, cost is judged to be equal to fair value as it is the latest data point.

Sensitivity analysis:

A 1% increase in the value of unlisted stock included in level 3 will increase net assets and profits of the Fund by US$ 1.0 million (31 December 2017: US$ 0.4 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.

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

Valuation techniques (continued)

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.

Contracts for difference

The Fund enters into contracts for difference ("CFD") 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 is generally on equity positions.

Fair values are based on quoted market prices of the underlying security, contract price, and valuation techniques including expected value models, as appropriate.

Note 6 Interest in Other Entities

Investment in unconsolidated structured entities

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

The Fund holds various investments in CLOs and investment funds. The fair value of the CLOs and investment funds is recorded in the "Non-derivative 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 and, if applicable, unfunded commitments. 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.

Note 6 Interest in Other Entities (continued)

Investment in unconsolidated structured entities (continued)

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.

As at 31 December 2018:	No. of invest-ments	Range of nominal US$ MM	Average nominal US$ MM	Carrying value US$ MM	Percentage of NAV
CLO Equity					
U.S. CLOs[1]	10	245.6 - 748.9	535.6	202.9	9.3 %
Investment Funds					
Equities		Total GAV US$ MM			
Polygon European Equity Opportunity Fund[2]	1	399.0	n/a	281.7	12.9%
Polygon Global Equities Fund[2]	1	25.0	n/a	21.4	1.0%
Credit					
Polygon Convertible Opportunity Fund[2]	1	642.8	n/a	76.8	3.5%
Tetragon Credit Income II[3]	1	324.0	n/a	65.3	3.0%
Tetragon Credit Income III[3]	1	17.3		4.2	0.2%
Real Estate					
Other Real Estate[4]	4	41.7	n/a	41.7	1.9%
Other					
Hawke's Point Holdings LP[3]	1	17.9	n/a	17.9	0.8%

[1] This includes all U.S. CLOs deemed to be controlled by the Fund. U.S. CLOs are domiciled in the 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, Tetragon Credit Income II ("TCI II") and Tetragon Credit Income III ("TCI III") are domiciled in the Cayman Islands. These are private-equity style investment funds. Please refer to Note 16 for details of unfunded capital commitments.

[4] The Fund has investments in commercial farmland in Paraguay, via individual managed accounts managed by Scimitar, a specialist manager in South American farmland. The Fund's investment can only be redeemed when the underlying real estate assets are sold.

Note 6 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	Percentage of NAV
CLO Equity					
U.S. CLOs[1]	11	39.5 - 721.1	454.5	192.2	9.6 %
Investment Funds					
		Total GAV			
Equities		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%

[1] This includes all U.S. CLOs deemed to be controlled by the Fund. U.S. CLOs are domiciled in the 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, Tetragon Credit Income II (“TCI II”) and Tetragon Credit Income III ("TCI III") are domiciled in the Cayman Islands. These are private-equity style investment funds. Please refer to Note 16 for details of unfunded capital commitments.

Note 6 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 2018:	No. of invest-ments	Range of nominal US$ MM	Average nominal US$ MM	Carrying value US$ MM	Percentage of NAV
CLO Equity					
U.S. CLOs[1]	12	31.0 - 1,550.1	257.2	54.2	2.5%
European CLOs[1]	1	24.0	24.0	0.3	0.0%
		Total AUM US$ MM			
Real Estate					
GreenOak – U.S.[2]	6	5,551.3	n/a	89.1	4.1%
GreenOak – Europe[2]	12	3,881.7	n/a	71.7	3.3%
GreenOak – Asia[2]	3	1,191.1	n/a	41.1	1.9%
		Total NAV US$ MM			
Other					
QT Fund	1	629.0	n/a	50.2	2.3%
Private Equity Funds[3]	10	277.9	n/a	30.9	2.2%

As at 31 December 2017:	No. of invest-ments	Range of nominal US$ MM	Average nominal US$ MM	Carrying value US$ MM	Percentage 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	84.9	4.2%
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%
		Total NAV US$ MM			
Other					
QT Fund	1	612.0	n/a	25.5	1.3%
Private Equity Funds[3]	4	551.0	n/a	27.8	1.4%

[1] Includes all externally managed CLOs that are outside the Fund's control. U.S. CLOs are domiciled in the Cayman Islands. The European CLO is domiciled in Ireland.

[2] GreenOak funds hold real estate investments in the United States, 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 the Cayman Islands, Luxembourg and the United States.

Note 6 Interest in Other Entities (continued)

TFG Asset Management

The Fund owns 100% holdings and voting rights in TFG Asset Management LP. As at 31 December 2018, TFG Asset Management's investments were comprised of the following:

Investment	Principal place of business	Ownership interest	Carrying value US$ MM	Percentage of NAV
Equitix	London	75%	230.9	10.5%
GreenOak	Global[1]	23%	208.5	9.5%
LCM	New York and London	100%	154.9	7.1%
Polygon	New York and London	100%	55.1	2.5%
TCIP	New York and London	100%	11.0	0.5%
Hawke's Point	New York and London	100%	1.7	0.1%

[1] GreenOak has a presence in New York, London, Tokyo, Los Angeles, Madrid, Luxembourg, Milan, Paris, Seoul and Mumbai.

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

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. All comparatives relates to the Master Fund as, prior to the amalgamation, the Fund was exposed to these risks through the Master Fund.

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

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

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

Note 7 Financial Risks Review (continued)

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 with 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 and unfunded commitments 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 and note 16, represents the Fund's maximum credit exposure, hence, no separate disclosure is provided.

i. Analysis of Credit Quality

Cash and cash equivalents

The cash and cash equivalents, including reverse sale and repurchase agreements, are held with six (31 December 2017: five) financial institutions with credit ratings between AA- and A- (S&P). The Investment Manager monitors these credit ratings and spreads of credit default swaps on a daily basis and actively moves balances between counterparties when deemed appropriate.

Amounts due from brokers

Balances due from brokers represent margin accounts, cash collateral for borrowed securities and sales transactions awaiting settlement.

Credit risk relating to unsettled transactions is considered small due to the short settlement period involved and the high quality of the brokers used. As at the reporting date, the balance was concentrated among three brokers (31 December 2017: three) with S&P's credit ratings between A+ and A- (31 December 2017: A and A-). The following table details the amounts held by brokers.

	31 Dec 2018 US$ MM	31 Dec 2017 US$ MM
UBS AG	19.1	27.7
BNP Paribas	15.6	3.5
Bank of America Merrill Lynch	0.6	26.0
	35.3	57.2

Note 7 Financial Risks Review (continued)

A) Credit risk (continued)
i. Analysis of Credit Quality (continued)

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 5.

Loans and bonds portfolio

The Fund has investments in debt securities of US$ 23.7 million (31 December 2017: US$ 25.8 million) with Moody's credit rating of Caa2 (31 December 2017: B2 and Caa2). Corporate bonds of US$ 0.1 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 5. 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 2018 US$ MM	31 Dec 2017 US$ MM
United States (including TCI II & III)	326.3	367.1
Europe	0.3	7.3
	326.6	374.4

Manager	31 Dec 2018 US$ MM	31 Dec 2017 US$ MM
LCM	202.9	191.9
TCIP	69.5	68.1
Other managers	54.2	114.4
	326.6	374.4

Note 7 Financial Risks Review (continued)

A) Credit risk (continued)
i. Analysis of Credit Quality (continued)

Derivatives

The table below shows an analysis of derivative financial assets and liabilities outstanding at 31 December 2018.

	Derivative assets		Derivative liabilities	
	Fair Value US$ MM	Notional	Fair Value US$ MM	Notional
31 December 2018	3.5	115.9	(6.8)	522.1
31 December 2017	17.4	389.7	(6.6)	583.6

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 2018	31 Dec 2017
CLOs	43%	41%
Cash and cash equivalents	36%	40%
Equitix loan	12%	7%
Loans and bonds	3%	4%
Amount due from brokers	5%	6%
Other loans and derivatives	1%	2%
Total	100%	100%

None of the Fund's financial assets were considered to be past due or impaired on 31 December 2018 and 31 December 2017.

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

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

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

Note 7 Financial Risks Review (continued)

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

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

	31 Dec 2018 US$ MM	31 Dec 2017 US$ MM
Receivables from reverse sale and repurchase agreements	133.0	246.5

No individual trades are under-collaterised. The fair value of collateral as at 31 December 2018 was US$ 139.5 million (31 December 2017: US$ 256.0 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.

31 December 2018

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	2.7	-	2.7	(1.3)	-	1.4
BNP Paribas	0.8	-	0.8	(0.8)	-	-
Total	3.5	-	3.5	(2.1)		1.4
Liabilities						
UBS AG	1.3	-	1.3	(1.3)	-	-
BNP Paribas	5.5	-	5.5	(0.8)	(4.7)	-
Total	6.8	-	6.8	(2.1)	(4.7)	-

Note 7 Financial Risks Review (continued)

A) Credit risk (continued)
iv. Offsetting financial assets and liabilities (continued)

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
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)	-

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.

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 2017: US$ 150.0 million). Details of the facility and the undrawn and drawn balance are disclosed in Note 11.

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.

Note 7 Financial Risks Review (continued)

B) Liquidity risk (continued)

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

31 December 2018

	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	2.0	17.5	-	-	-	19.5
	2.3	18.1	2.4	50.4	-	73.2

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	13.9	-	-	-	16.5
	2.9	14.5	2.4	50.4	-	70.2

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 2018	-	426.1	-	-	-	(424.7)	-	-
31 Dec 2017	12.3	211.8	356.5	-	(12.4)	(212.8)	(357.4)	-

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 2018	31 Dec 2017
Cash and cash equivalents (US$ MM)	269.8	365.5
Percentage of NAV	12.32%	18.20%

Note 7 Financial Risks Review (continued)

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 of the Fund's investments may be significantly affected by changes in interest rates. The Fund's investments in leveraged loans through CLOs 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"). 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 2018	Fair Value as at 31 Dec 2018 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	19.7	-	(0.1)
U.S. CLOs 2.0	237.2	6.6	(14.2)
European CLOs	0.3	-	-
TCI II	65.3	3.5	(3.5)
TCI III	4.2	0.3	(0.3)
PCOF	76.8	(1.3)	1.4
	403.5	9.1	(16.7)

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	-	-
TCI II	68.1	1.4	(1.5)
PCOF	55.3	3.7	(2.7)
PDOF	114.6	(1.5)	1.5
	544.5	18.8	(10.8)

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.

Note 7 Financial Risks Review (continued)

C) Market Risk (continued)
ii. Currency Risk (continued)

Exposure:
At the reporting date, the carrying amount of the Fund's net financial assets and financial liabilities held in individual foreign currencies, expressed in USD and as a percentage of its net assets, were as follows.

The sensitivity analysis sets out the effect on the net assets and profit for the year of reasonably possible weakening of USD against EUR, GBP, NOK and JPY by 5%. The analysis assumes that all other variables, in particular interest rates, remain constant.

31 December 2018

	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	78.5	(80.3)	(1.8)	(0.1)
GBP	310.9	(282.6)	28.3*	1.3
NOK	19.2	(19.7)	(0.5)	-
JPY	23.4	(23.6)	(0.2)	-
	432.0	(406.2)	25.8	1.2

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

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.

Note 7 Financial Risks Review (continued)

C) Market Risk (continued)
iii. Other Price Risk (continued)

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.

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 2018	% of net assets as at 31 Dec 2017
CLO Equity Tranches	11.7%	15.2%
Contracts for difference	0.0%	0.7%
Credit default swaps	(0.2)%	(0.1)%
Foreign exchange forwards and options	0.1%	(0.1)%
Loans and Corporate Bonds	1.1%	1.7%
Listed Stock	4.8%	2.7%
Unlisted Stock	4.4%	2.1%
Investment funds and vehicles	36.2%	37.1%
TFG Asset Management	30.2%	21.4%

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 2018 US$ MM	31 Dec 2017 US$ MM
CLO Equity Tranches	2.5	3.1
Contracts for difference	-	1.2
Credit default swaps	-	-
Foreign exchange forwards and options	-	-
Loans and Corporate Bonds	0.2	0.3
Listed Stock	1.1	0.5
Unlisted Stock	1.0	0.4
Investment funds and vehicles	7.9	7.5
TFG Asset Management	6.6	4.3

Note 8 Other Receivables and Prepayments

	31 Dec 2018 US$ MM	31 Dec 2017 US$ MM
Prepayments	0.7	-
Interest receivables	1.0	-
Other receivables	6.3	-
	8.0	-

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

Note 9 Cash and Cash Equivalents

	31 Dec 2018 US$ MM	31 Dec 2017 US$ MM
Cash and cash equivalents	269.8	-
	269.8	-

All cash and cash equivalents were held by the Master Fund before the legal amalgamation. The cash and cash equivalents balance as at 31 December 2017 in the Master Fund was US $365.5 million.

Certain controlled subsidiaries, related to real estate investments owned by the Fund, contain cash and cash equivalents balance of US$ 31.5 million as at 31 December 2018 (Master Fund, 31 December 2017: US$ 30.0 million). This cash balance is included in the fair value of these subsidiaries.

Note 10 Other Payables and Accrued Expenses

	31 Dec 2018 US$ MM	31 Dec 2017 US$ MM
Accrued expenses	19.5	13.9
	19.5	13.9

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

Note 11 Credit Facility

The Fund has an unsecured US$ 150.0 million revolving credit facility (the "Revolving Credit Facility") with a stated maturity date of 1 October 2021. 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 2018, the drawn balance of the credit facility was US$ 38.0 million (Master Fund, 31 December 2017: US$ 38.0 million) while US$ 112.0 million of the facility remained undrawn (Master Fund, 31 December 2017: US$ 112.0 million).

Note 12 Incentive Fee

The Fund 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 Fund during the Calculation Period (before deduction of any dividend paid or the amount of any redemptions or repurchases of the shares (or other relevant capital adjustments) during such Calculation Period) above the Reference NAV (as defined below) plus the Hurdle (as defined below) for the Calculation Period.

If the Hurdle is not met in any Calculation Period (and no incentive fee is paid), the shortfall will not carry forward to any subsequent Calculation Period.

Note 12 Incentive Fee (continued)

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 2019 is 5.441738%.

The ‘‘Reference NAV’’ is the greater of (i) the 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, the 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 2018 was US$ 47.6 million (31 December 2017: US$ 32.2 million). As at 31 December 2018, US$ 17.5 million was outstanding (31 December 2017: US$ 13.9 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.

Note 13 Share Capital (continued)

Share Transactions

	Voting Shares No.	Non-Voting Shares* No. MM	Treasury Shares No. MM	Shares held in Escrow No. MM
Shares in issue at 1 January 2017	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
Stock dividends	-	1.5	(2.0)	0.5
Issued through release of tranche of escrow shares	-	0.2	-	(0.2)
Issue through exercise of GreenOak options	-	0.7	(0.7)	-
Shares purchased during the year	-	(0.1)	0.1	-
Shares in issue at 31 December 2018	10.0	92.4	38.7	8.6

* Non-voting shares do not include the treasury shares or the shares held in escrow.

Optional Stock Dividend

The Fund 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$ 65.1 million (31 December 2017: US$ 63.0 million) was declared, of which US$ 47.5 million was paid out as a cash dividend (31 December 2017: US$ 47.2 million), and the remaining US$ 17.6 million (31 December 2017: US$ 15.8 million) was reinvested under the Optional Stock Dividend Plan.

Treasury Shares and Share Repurchases

Treasury shares consist of shares that have been bought-back by the Fund from its investors through various tender offers and plans. 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 Fund purchased 4.8 million non-voting shares at an aggregate cost of US$ 65.4 million, including fees and expenses of US$ 0.4 million.

In December 2018, the Fund announced, under the terms of a "modified Dutch auction”, the commencement of a tender offer to purchase non-voting shares for a maximum aggregate payment of US$ 50.0 million in cash. This tender offer is not recorded in these financial statements as the tender offer closed and settled in January 2019.

During 2018, the Fund purchased 0.1 million shares (31 December 2017: 0.1 million) for US$ 1.0 million (31 December 2017: US$ 1.0 million) from TFG Asset Management LP using the then-current share price of US$ 12.10 (31 December 2017: US$ 13.12).

Note 13 Share Capital (continued)

Escrow Shares

Acquisition of TFG Asset Management

As part of the acquisition of TFG Asset Management, the aggregate consideration of 11.7 million shares was moved to an escrow account, where they were to be held before being released in conjunction with the agreed vesting schedule, subject to certain forfeiture conditions. During 2017, the last tranche of 3.3 million shares was released from the escrow. Of these approximately 2.5 million shares were deemed to be in relation to the original Feeder escrow shares, and a value of US$ 21.1 million was debited against Capital Contribution, using the transaction share price of US$ 8.43. In addition, approximately 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 was released against Retained Earnings, based on the stock reference price at each applicable dividend date. This escrow was closed in 2017.

Equity-based awards

In the fourth quarter of 2015, the Fund 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 Fund'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.

As the Fund has contributed these shares, under IFRS 2, TFG Asset Management is considered to be the settling entity and as a result the Fund 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 TFG Asset Management.

6.3 million (31 December 2017: 6.2 million) shares related to TFG Asset Management's employee reward schemes are held in escrow. During the year, 0.2 million shares (31 December 2017: 0.2 million) 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$ 0.5 million (31 December 2017: US$ 0.4 million) 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, 0.4 million (31 December 2017: 0.3 million) shares were allocated to this account.

Note 13 Share Capital (continued)

Escrow Shares (continued)

Deferred Incentive fees

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 are 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 2018, the Fund holds 2.3 million (31 December 2017: 2.1 million) shares in an escrow account related to deferred incentive fees.

Capital Reserve

The capital reserve is in relation to the GreenOak options. Please see Note 14 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 2018 US$ MM	31 Dec 2017 US$ MM
Share-based employee compensation - equity based awards	53.9	55.6
Deferred incentive fee	25.1	25.1
	79.0	80.7

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. 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 Share Options

On 21 April 2017, the Investment Manager exercised the 12,545,330 options it received from the Fund 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 Fund's IPO offer price of US$ 10.00. During 2017, these options were settled by the Fund 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.

Note 14 Share Options (continued)

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 Fund granted to the GreenOak founding partners options to purchase 3.9 million shares (vesting after five 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 and the remaining 25% during 2018.

During the year ended 31 December 2018, 0.7 million (31 December 2017: 0.7 million) shares with fair value at grant date of US$ 0.1 million (31 December 2017: US$ 0.2 million), were issued as a result of options being exercised. The weighted average price of the Fund's shares was US$ 12.75 per share during 2018 (31 December 2017: US$ 12.72).

Note 15 Dividends

	31 Dec 2018 US$ MM	31 Dec 2017 US$ MM
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
Quarter ended 31 December 2017 of US$ 0.1775 per share	16.1	-
Quarter ended 31 March 2018 of US$ 0.1775 per share	16.1	-
Quarter ended 30 June 2018 of US$ 0.1800 per share	16.4	-
Quarter ended 30 September 2018 of US$ 0.1800 per share	16.5	-
	65.1	63.0

The fourth quarter dividend of US$ 0.1825 per share was approved by the Directors on 26 February 2019 and has not been included as a liability in these financial statements.

Note 16 Contingencies and Commitments

The Fund has the following unfunded commitments:	Fund 31 Dec 2018 US$ MM	Fund 31 Dec 2017 US$ MM
GreenOak investment vehicles	97.0	126.0
TCI III	77.6	65.0
Private equity funds	18.8	8.6
	193.4	199.6

Note 17 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 Fund payable monthly in advance prior to the deduction of any accrued incentive fee. Up to 31 December 2018, all fees and expenses of the Fund including the management and administration fees, but excluding incentive fees from the Investment Manager, were paid by the Master Fund and allocated fully to the Fund. An incentive fee may be paid to the Investment Manager as disclosed in Note 12.

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 Fund, in 2007 the Fund granted to the Investment Manager options (the "Investment Management Options") to purchase approximately 12.5 million of the Fund'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 2017. Please refer to Note 14 for details.

The remuneration for Directors shall be determined by resolution of the Voting Shareholder. Each of the Directors' annual fee is US$ 125,000 (31 December 2017: US$ 100,000) as compensation for service on the Boards of Directors of the Fund. The Directors have the option to elect to receive shares in the Fund instead of the quarterly fee.

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 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 providing for benefits upon termination of employment.

With respect to the year ended 31 December 2018, Frederic Hervouet elected to receive shares in lieu of his full compensation as director. William Rogers elected to receive shares in lieu of half of his compensation. During the year, Frederic Hervouet and William Rogers received 1,912 and 5,179 shares respectively (31 December 2017: 7,879 and 2,938 shares respectively).

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 Fund'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.

Reade Griffith and Paddy Dear maintained (directly or indirectly) interests in shares of the Fund as at 31 December 2018, with interests of 12,553,797 and 4,210,182 shares respectively (31 December 2017: 11,868,998 and 4,044,303).

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.

Note 17 Related-Party Transactions (continued)

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 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 their employment with the Fund and its subsidiaries 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 2018 total compensation paid to them each in aggregate was US$ 100,000 (31 December 2017: US$ 100,000).

The Fund has entered into share-based employee reward schemes with its subsidiary, TFG Asset Management LP. See Note 13 for details.

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 and administrative services to Polygon Private Investment Partners LP, an affiliate of the Voting Shareholder, pursuant to applicable separate services agreements. Infrastructure services were provided to GreenOak up to March 2018 by the Service Providers.

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$ 17.6 million (31 December 2017: US$ 17.3 million), GreenOak US$ 0.1 million (31 December 2017: US$ 0.5 million) and Polygon Private Investment Partners LP US$ 0.1 million (31 December 2017: US$ 0.2 million). During 2018, the Fund purchased 0.1 million shares (31 December 2017: 0.1 million) from TFG Asset Management for US$ 1.0 million (31 December 2017: US$ 1.0 million) using then-current share price of US$ 12.10 (31 December 2017: 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 2018, it held CLO equity tranche investments in 10 CLOs managed by LCM with a fair value of US$ 202.9 million (Master Fund, 31 December 2017: US$ 191.9 million).

At 31 December 2018, 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 2018, the fair value of these investments was US$ 379.9 million (Master Fund, 31 December 2017: US$ 424.3 million).

Note 17 Related-Party Transactions (continued)

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 2018, these investments referenced real estate in the United States, Japan and Europe with a combined net asset value of US$ 170.3 million (Master Fund, 31 December 2017: US$ 132.9 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 2018, the Fund's investments in TCI II and TCI III are fair valued at US$ 69.5 million and US$ 4.2 million respectively (Master Fund, 31 December 2017: US$ 68.1 million and nil respectively). 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 2018, the Fund's investment in Hawke's Point Holdings LP is fair valued at US$ 17.9 million (Master Fund, 31 December 2017: US$ 7.4 million).

Note 18 Earnings per share

The calculation of the basic and diluted earnings per share is based on the following data:	Year ended 31 Dec 2018 US$ MM	Year ended 31 Dec 2017 US$ MM
Earnings for the purposes of basic earnings per share being net profit attributable to shareholders for the year	241.5	167.8
Weighted average number of shares for the purposes of basic earnings per share	91.1	90.0
Effect of dilutive potential shares:		
Share-based employee compensation – equity based awards	6.3	6.2
Share options	-	0.6
Deferred incentive fee shares	2.3	2.1
Weighted average number of shares for the purposes of diluted earnings per share	99.7	98.9

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 Fund'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 19 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 Fund 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 Fund's investment activities are all determined by the Investment Manager in accordance with the Fund's investment objective.

All of the Fund's activities are interrelated, and each activity is dependent on the others.

Accordingly, all significant operating decisions are based upon analysis of the Fund as one segment. The financial results from this segment are equivalent to the financial statements of the Fund as a whole.

The shares in issue are in US Dollars. The Fund's investment geographical exposure is as follows (31 December 2017, the Fund's investment was in the Master Fund whose geographical exposure is detailed below for comparative purposes):

Region	31 Dec 2018	31 Dec 2017
North America	43.4%	49.5%
Europe	45.8%	42.8%
Asia	8.6%	5.9%
Latin America	2.2%	1.8%

Note 20 Subsequent Events

The Directors have evaluated the period up to 26 February 2019, which is the date that the financial statements were approved. Apart from the tender offer described in note 13, the Directors have concluded that there are no material events that require disclosure or adjustment to the financial statement.

Note 21 Approval of Financial Statements

The Directors approved and authorised for issue the financial statements on 26 February 2019.

TETRAGON FINANCIAL GROUP LIMITED

UNAUDITED CONDENSED SCHEDULE OF INVESTMENTS
As at 31 December 2018

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	730.7	620.1	256.7	11.72%
Middle Market Senior Secured Loans	36.1	31.5	0.1	0.01%
	766.8	651.6	256.8	11.73%
European CLO Equity				
Ireland				
Broadly Syndicated Senior Secured Loans	20.0	24.0	0.3	0.01%
	20.0	24.0	0.3	0.01%
Listed Stock				
United Kingdom - Equity Investments		33.9	48.0	2.20%
United States - Equity Investments		34.5	39.1	1.78%
Norway - Equity Investments		10.8	18.9	0.86%
		79.2	106.0	4.84%
Unlisted Stock				
United States – Private Equity		65.0	96.1	4.39%
		65.0	96.1	4.39%
Corporate Bonds				
Portugal – Corporate Bond		15.2	23.7	1.08%
United States – Corporate Bond		0.3	0.1	0.01%
		15.5	23.8	1.09%
Investment Funds and Vehicles				
United States – Real Estate		56.8	89.1	4.07%
Japan – Real Estate		34.2	41.1	1.88%
Latin America – Real Estate		32.7	41.7	1.90%
Europe - Real Estate		68.9	71.7	3.27%
Cayman Islands – CLO Equity Fund		73.8	69.5	3.17%
United Kingdom – Private Equity		16.1	17.7	0.81%
United States – Private Equity		12.7	13.2	0.60%
Global – Hedge Funds – Equities		64.7	71.6	3.27%
Global - Mining Finance Fund		40.6	17.9	0.82%
Polygon European Equity Opportunity Fund		237.0	281.7	12.88%
Global – Hedge Funds – Credit and Convertible Bonds		55.0	76.8	3.51%
		692.5	792.0	36.18%

TETRAGON FINANCIAL GROUP LIMITED

UNAUDITED CONDENSED SCHEDULE OF INVESTMENTS – (continued)
As at 31 December 2018

	Nominal MM	Cost US$ MM	Fair Value US$ MM	% of Net Assets
TFG Asset Management				
United Kingdom Infrastructure Asset Management Business		99.9	230.9	10.55%
Global Financial Real Estate Manager		10.7	208.5	9.52%
Global Hedge Fund Manager		49.0	55.1	2.52%
United States CLO Manager		44.0	154.9	7.07%
Other		-	12.7	0.58%
		203.6	662.1	30.24%
Total Investments		1,731.4	1,937.1	88.48%
Financial Derivative Instruments				
Forward Foreign Currency Exchange Contracts			1.4	0.06%
Equity Total Return Swaps			(4.7)	(0.21)%
Total Financial Derivative Instruments			(3.3)	(0.15)%
Cash and Cash Equivalents			269.8	12.32%
Other Assets and Liabilities			(14.2)	(0.65)%
Net Assets			2,189.4	100.00%

TETRAGON FINANCIAL GROUP MASTER FUND LIMITED

UNAUDITED CONDENSED SCHEDULE OF INVESTMENTS – (continued)
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		182.0	234.7	11.69%
Polygon Distressed Opportunities Fund		97.7	114.5	5.70%
Global – Hedge Funds – Credit and Convertible Bonds		35.0	55.3	2.76%
		624.8	745.2	37.11%

TETRAGON FINANCIAL GROUP MASTER FUND LIMITED

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	7.59%
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		1,848.1	1,613.6	80.34%
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%