

TETRAGON

TETRAGON FINANCIAL GROUP LIMITED (TFG) PERFORMANCE REPORT FOR PERIOD ENDED 30 JUNE 2011

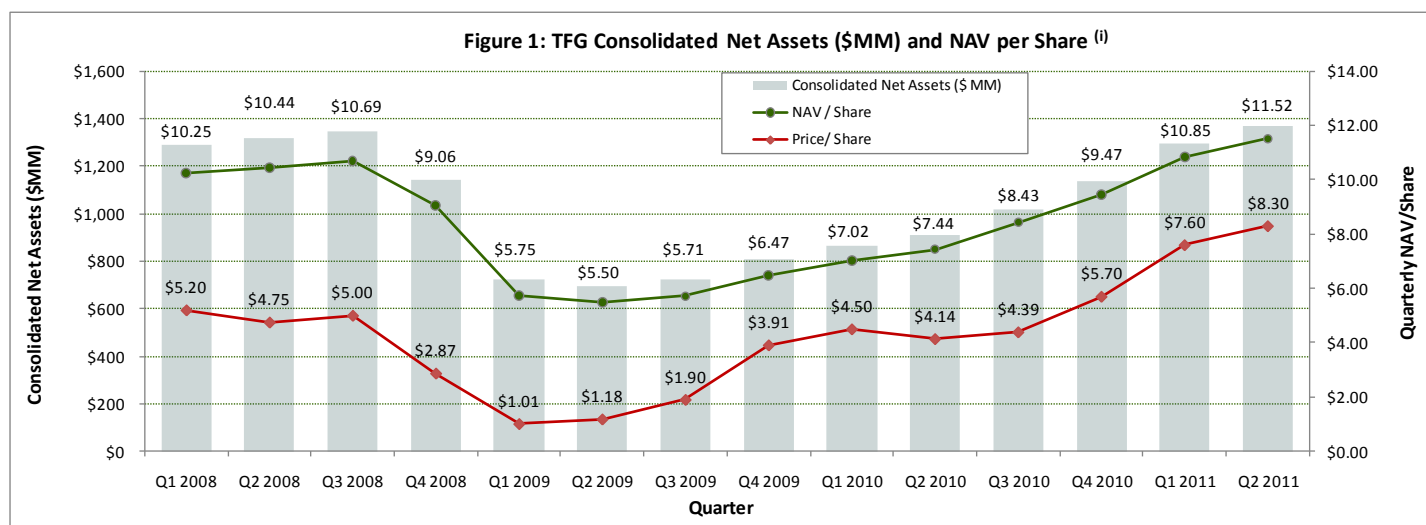
August 1, 2011

Tetragon Financial Group Limited (TFG) is a Guernsey closed-ended investment company traded on Euronext Amsterdam by NYSE Euronext under the ticker symbol "TFG." ⁽¹⁾ In this report we provide an update on TFG's results of operations for the period ending June 30, 2011.⁽²⁾

❖ Executive Summary:

Corporate-Level Results

- Operating Results:** TFG's investment portfolio continued to perform well in the second quarter of 2011. The company produced EPS of \$0.74 (Q1 2011: \$1.46) and consolidated net income of \$88.1 million (Q1 2011: \$174.7 million). Please see the Statement of Operations on page 17 for further detail. Consolidated net assets grew to \$1,368.3 million or \$11.52 per share (Q1 2011: \$1,298.0 million or \$10.85 per share). These results were driven mainly by continued improvements in the credit quality and structural strength of TFG's CLO investments, as well as nominal spread increases and a growing share of LIBOR floors within the U.S. CLO portfolio. Please refer to Figure 1 below for a historical summary of TFG's Consolidated Net Assets, NAV per share and share price.



⁽ⁱ⁾ Source: NAV per share based on TFG's financial statements as of the relevant quarter-end date; TFG's closing share price data as per Bloomberg as of the last trading day of each quarter. Please note that the NAV per share reported as of each quarter-end date excludes any shares held in treasury as of that date.

- Cash Receipts and Balances:** TFG's CLO investments continued to generate meaningful cash flows in the quarter. In Q2 2011, the CLO portfolio produced \$102.4 million of gross cash from investments (Q1 2011: \$90.9 million). The ending cash balance for the second quarter was \$67.7 million, down from \$147.0 million as of the end of the prior quarter, although as of June 30, 2011 the Company had \$53.9 million of pending receivables from the sales of certain direct loans, all of which had been received as of July 31, 2011. In addition, as of the end of Q2 2011, TFG held approximately \$96.7 million in market value of liquid U.S. leveraged loans, down from \$103.2 million at the end of Q1 2011.

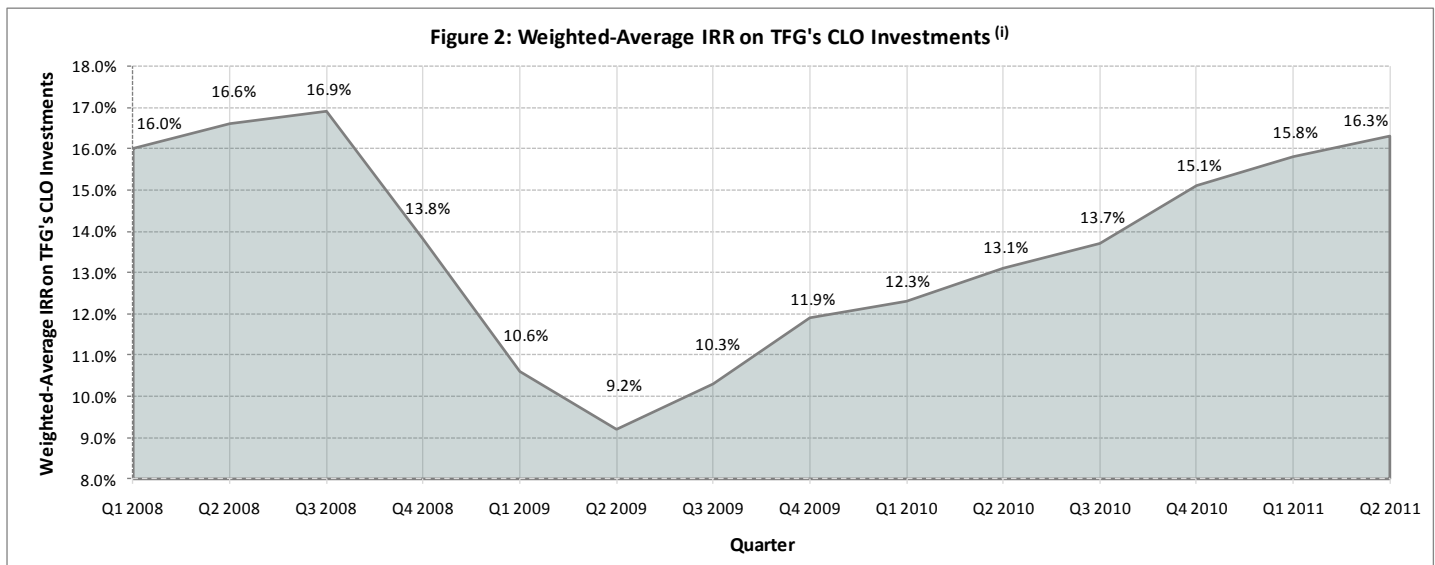
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❖ Executive Summary (continued):

Investment Portfolio Performance Highlights

- CLO Collateral Performance: In the context of improving fundamental credit conditions, TFG's CLO portfolio's underlying loan defaults and CCC-asset holdings continued to outperform market-wide averages.
- CLO IRRs: The weighted-average IRR of TFG's CLO portfolio ended Q2 2011 at 16.3%, up from 15.8% at the end of the previous quarter. This reflected, among other factors, continued gains in the credit quality and increased excess interest availability among certain of TFG's CLO investments. Please refer to *Figure 2* below for a historical summary of the weighted-average IRR on TFG's CLO investments.



(i) Source: TFG as of the outlined quarter-end date.

- New CLO Investments: During Q2 2011, the company invested approximately \$32.7 million in a majority equity stake of a new issue CLO, LCM IX. The deal is managed by LCM Asset Management LLC ("LCM") and closed at the end of June 2011.
- Direct Loan Investments: TFG's direct holdings of bank loans decreased to a fair value of approximately \$96.7 million as of the end of Q2 2011, down from \$103.2 million as of the end of the prior quarter. The reduction in fair value was primarily the result of principal pay downs. The direct loan portfolio continued to perform well during this period, experiencing no defaults or downgrades.

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❖ Executive Summary (continued):

Asset Management Platform

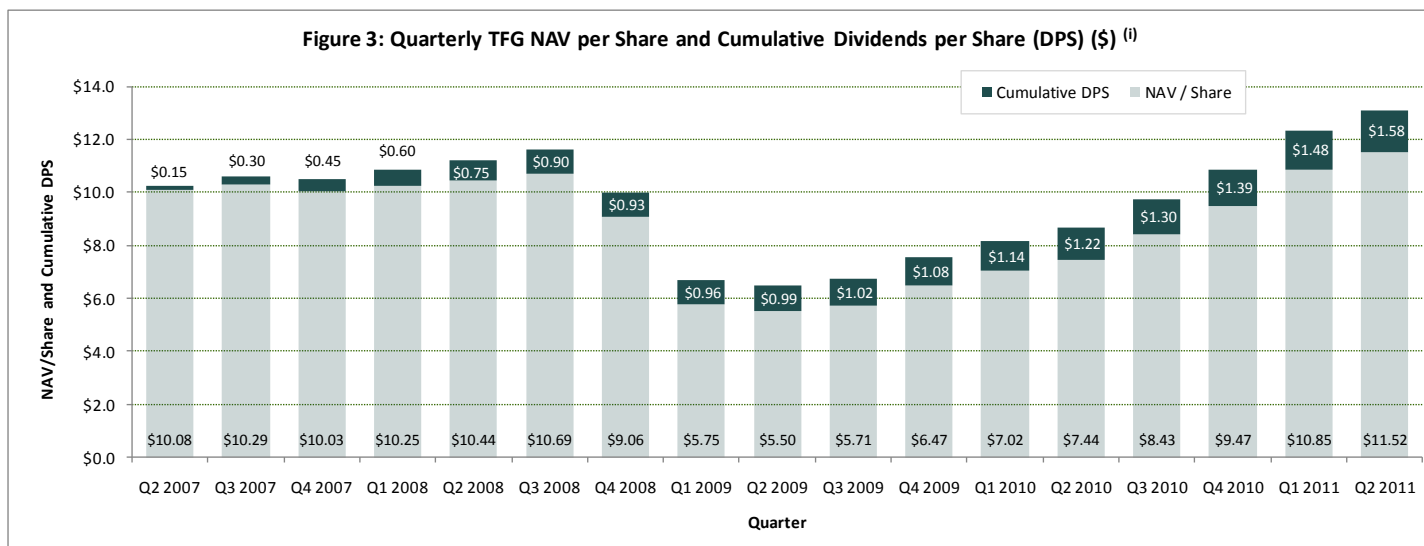
- **LCM:** LCM performance was strong during Q2 2011, with all LCM Cash Flow CLOs continuing to pay senior and subordinated management fees.⁽³⁾ As of the end of the second quarter, total loan assets under management were approximately \$3.5 billion, up from \$2.9 billion at the end of Q1 2011. This increase was driven by the issuance of LCM IX, which added approximately \$650.0 million in managed assets. The increase in assets under management resulting from the issuance of LCM IX was partially offset by the continued amortization of LCM I, which is currently past its reinvestment period.
- **GreenOak:** GreenOak continues to build its team and execute on its business growth strategy.

Performance Fee

A performance fee of \$26.2 million was accrued in Q2 2011 in accordance with TFG's investment management agreement and based on a "Reference NAV" with respect to Q1 2011. The hurdle rate for the Q3 2011 incentive fee has been reset at 2.8936% (Q2 2011: 2.9489%) as per the process outlined in TFG's 2010 Audited Financial Statements and in accordance with TFG's investment management agreement.⁽⁴⁾

❖ Corporate-Level Performance Details:

- **Capital Distributions:** TFG's Board approved a dividend of \$0.10 per share with respect to Q2 2011. Since its public listing, TFG has distributed approximately \$1.58 per share via quarterly dividends.⁽⁵⁾ In addition, TFG's NAV per share, as reported each quarter, among other things, reflects value created for shareholders via the repurchase of shares below NAV. Through the first six months of 2011, the Company repurchased a total of 1,948,814 shares at an aggregate cost of approximately \$14.9 million. Please refer to *Figure 3* and *Figure 4* below for a historical summary of TFG's NAV per share, dividend distributions, and share buy-back program.



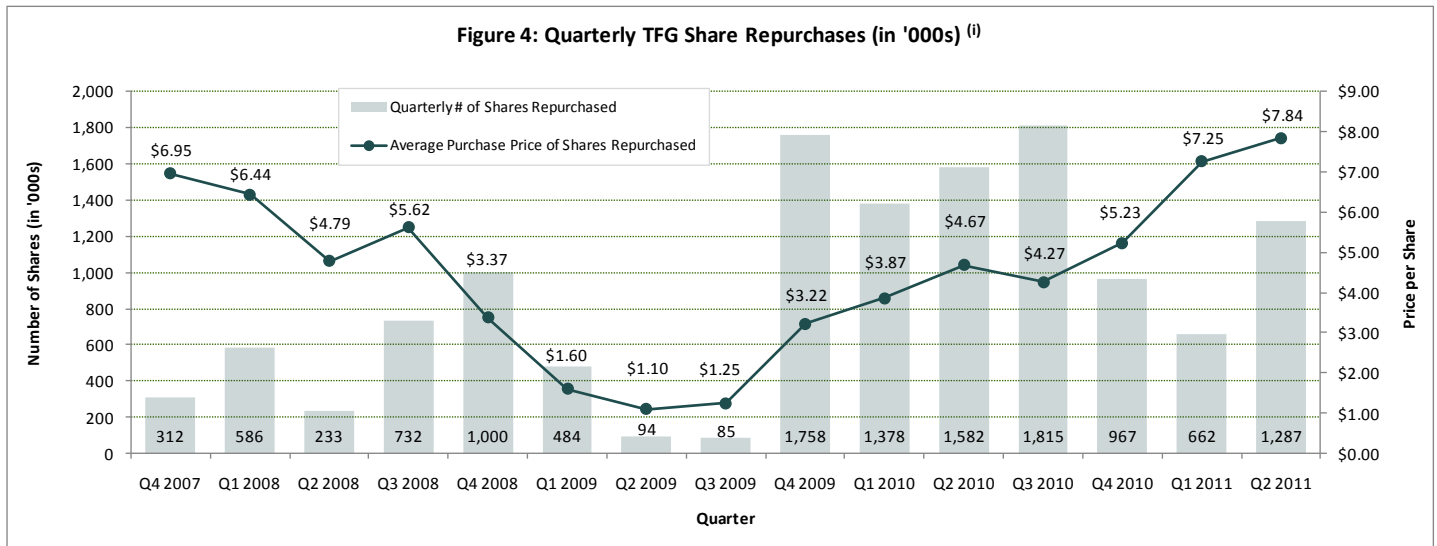
(i) Source: NAV per share and Cumulative DPS as per TFG's financial disclosures for each relevant quarter-end date. The cumulative dividends per share reflect dividends announced but not necessarily paid with respect to each relevant quarter (as well as prior quarters). Please note that the NAV per share reported as of each quarter-end date excludes any shares held in treasury as of that date.

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❖ Corporate-Level Performance Details (continued):

▪ Capital Distributions (continued):



(i) The Average Purchase Price of Shares Repurchased is a weighted-average using the number of shares repurchased each quarter and including commissions.

❖ Investment Portfolio Performance Details:

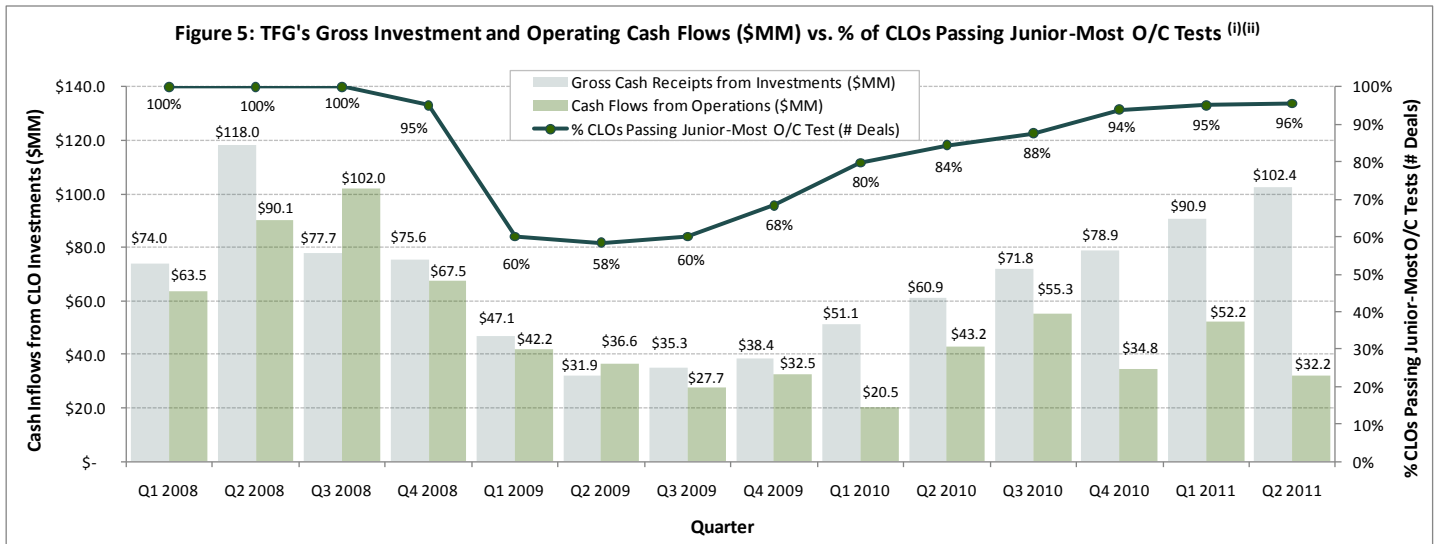
- **CLO Portfolio Size:** As of the end of Q2 2011, the estimated total fair value of TFG's CLO investment portfolio was approximately \$1,149.7 million, up from approximately \$1,098.5 million as of the end of the prior quarter. TFG's total indirect leveraged loan exposure through its CLO portfolio was approximately \$18.4 billion as of the end of Q2 2011.⁽⁶⁾
- **CLO Portfolio Composition:** With the addition of one primary U.S. CLO equity investment, LCM IX, the CLO portfolio increased to 75 transactions during Q2 2011, up from 74 as of the end of Q1 2011. The total number of deals in the portfolio increased to 67 (up from 66 as of Q1 2011), while the number of external CLO managers declined to 27 as a result of further manager consolidation.⁽⁷⁾
- **CLO Collateral Performance:** As of the end of Q2 2011, approximately 98% of TFG's CLO investments were passing their junior-most O/C tests, weighted by fair value.⁽⁸⁾ Similarly, 64, or approximately 96%, were passing when weighted by the number of deals. As a comparison, at the end of Q1 2011, 98% of TFG's CLO investments were passing their junior-most O/C tests by fair value, and 63, or approximately 95%, were passing based on the number of deals. The increase in the percentage of transactions passing their junior-most O/C tests based on the number of deals reflected the acquisition of LCM IX CLO at the end of Q2 2011.

The performance of TFG's U.S. CLOs continued to be strong, with 100% of U.S. CLOs by fair value and by number passing their junior-most O/C tests (note that U.S. CLOs represented approximately 87% of the total fair value of TFG's CLO investment portfolio as of June 30, 2011).⁽⁹⁾⁽¹⁰⁾ In comparison, the market-wide average of U.S. CLOs estimated to be passing their junior O/C tests as of the end of Q2 2011 was approximately 94.0% (when measured on a percentage of deals basis).⁽¹¹⁾ Please refer to Figure 5 below for a historical summary of TFG's investments' junior O/C test performance.

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❖ Investment Portfolio Performance Details (continued):



(i) The percentage of TFG's CLOs passing their junior-most O/C tests has been calculated as the ratio of the number of deals passing their junior O/C tests to the total number of CLO deals held by TFG as of the applicable quarter-end date.

(ii) Gross Cash Receipts from Investments refer to the actual cash receipts collected during each quarter from TFG's CLO investments. Cash Flows from Operations refer to cash inflows from investments less expenses and net cash settlements on FX and credit hedges.

- **CLO Portfolio Credit Quality:** As of June 30, 2011, the weighted-average percentage of corporate obligors rated Caa1/CCC+ or below in TFG's 75 CLO transactions was 7.2% compared to an approximate 7.8% weighted-average maximum level permitted under the terms of the investments.⁽¹²⁾ By comparison, the market-wide median CCC asset holdings of U.S. CLOs was estimated to be approximately 7.5% as of the end of Q2 2011.⁽¹³⁾ TFG's weighted-average WARF stood at approximately 2,642 as of the end of Q2 2011. Each of these foregoing statistics represents a weighted-average summary of all of our 75 CLO transactions.⁽¹⁴⁾ Each individual investment's metrics will differ from this average and vary across the portfolio.

TFG Investment Weighted-Average Summary

	Q2 2011	Q1 2011	Q4 2010	Q3 2010	Q2 2010	Q1 2010	Q4 2009	Q3 2009	Q2 2009	Q1 2009	Q4 2008	Q3 2008	Q2 2008
Caa1/CCC+ or Below Obligor:	7.2%	7.6%	8.3%	9.6%	10.5%	11.1%	12.0%	12.6%	11.6%	11.4%	7.6%	4.9%	4.4%
WARF:	2,642	2,664	2,671	2,658	2,706	2,762	2,809	2,813	2,800	2,758	2,577	2,490	2,472

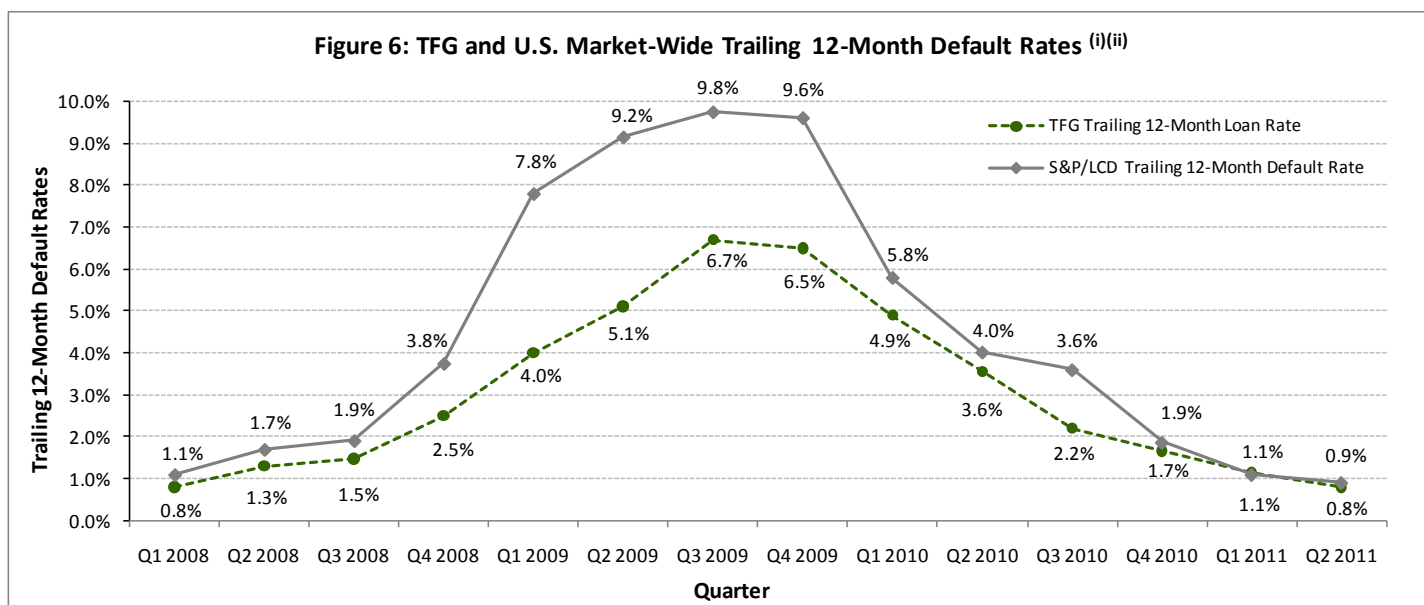
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❖ Investment Portfolio Performance Details (continued):

- **TFG and Market Default Rates:** TFG's lagging 12-month corporate loan default rate fell to 0.8% at the end of Q2 2011 from 1.1% as of the end of Q1 2011.⁽¹⁵⁾ The lagging 12-month U.S. institutional loan default rate, by comparison, declined to 0.91% by principal amount as of June 30, 2011.⁽¹⁶⁾ Please refer to Figure 6 below for a historical summary of TFG's CLO investments' default performance.



(i) Source: TFG as of the outlined quarter-end date. The calculation of TFG's lagging 12-month corporate loan default rate does not include certain underlying investment collateral that was assigned a "Selective Default" rating by one or more of the applicable rating agencies. Such Selected Defaults are included in the S&P/LCD lagging 12-month U.S. institutional loan default rate discussed above. Furthermore, TFG's investment portfolio includes approximately 13% CLOs with primary exposure to European senior secured loans and such loans are included in the calculation of TFG's corporate default rate.

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

- **Direct Loan Investments:** As of June 30, 2011, TFG owned liquid U.S. bank loans with an aggregate par amount of approximately \$98.4 million and total fair value of \$96.7 million. This portfolio continued to perform well during the quarter, benefiting from improvements in credit quality as well as strong technical loan market conditions. No defaults or downgrades were registered in the portfolio during the period. From inception through the end of Q2 2011, the portfolio generated approximately \$1.7 million of net realized gains. In addition, the portfolio earned \$5.7 million of interest income and discount premium over the same time period.

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Asset Management Platform Details:

- **LCM Developments:** LCM's operating results and financial performance remained strong throughout Q2 2011, with all senior and subordinated CLO management fees on LCM Cash Flow CLOs current as of June 30, 2011.⁽¹⁷⁾ The team was also able to successfully close the LCM IX CLO, which was upsized from \$410.0 million to \$666.25 million on the heels of strong investor demand. Taking into account all LCM-managed vehicles, the gross income for Q2 2011 for LCM totaled \$3.9 million, compared to an average quarterly income in 2010 of approximately \$3.2 million. Pre-tax profit for the entire LCM business, of which TFG owns 75%, was approximately \$1.9 million as of the same period (2010 quarterly average of \$1.4 million). TFG continues to leverage and benefit from the LCM team's expertise in the ongoing management of the company's direct loan investment portfolio.

LCM Asset Management Performance Snapshot						
	Q2 2011	Q1 2011	Q4 2010	Q3 2010	Q2 2010	Q1 2010
Gross Fee Income (\$MM)	\$3.9	\$3.8	\$3.4	\$3.0	\$2.9	\$3.3
Pre-tax Income (\$MM)	\$1.9	\$1.9	\$1.1	\$1.4	\$1.4	\$1.9

- **GORE Developments:** GreenOak continues to build its team and execute on its business growth strategy, including the first closing for its U.S. investment program, the launch of a Japanese investment program, and advisory work. TFG has recently funded a relatively small portion of its capital commitments to the U.S. fund in Q2 2011 and more recently an acquisition of a Japanese asset in July 2011.

❖ Loan and CLO Market Developments:

- **U.S. leveraged loan default rate continues to decline:** The U.S. lagged 12-month loan default rate fell to 0.91% by principal amount as of June 30, 2011, down from 1.1% as of Q1 2011, a level well-below the historical average of 3.62%.⁽¹⁸⁾ This continued decline in the volume of defaults can be attributed to, among other things, strong EBITDA growth among certain leveraged loan borrowers, the successful execution of de-leveraging and restructuring programs to mitigate near-term default catalysts, as well as the fact that the weakest companies have already defaulted in the midst of the recent recession and credit crisis (so called "survivor bias"). While we believe that the aforementioned decline in defaults is mainly grounded in solid fundamental underpinnings, such as earnings growth and strong corporate balance sheets, many market participants remain cautious in their mid-term default outlook given the sluggish pace of economic recovery in the United States, presence of significant macroeconomic and geopolitical downside risks, and dependence of leveraged loan borrowers on continued access to well-functioning capital markets.
- **U.S. loan prepayments remain strong:** During Q2 2011, the U.S. S&P/LSTA Leveraged Loan Index quarterly prepayment rate declined to 10.6% from 17.7% the prior quarter.⁽¹⁹⁾ Whilst this level remains above historical average levels, the quarter-on-quarter reduction in repayment rate primarily reflects a slower pace of refinancing activity during Q2 2011 versus the first quarter.

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❖ Loan and CLO Market Developments (continued):

- **Secondary loan market prices retreat:** Secondary loan prices declined at the end of Q2 2011, reflecting broader negative market trends in the context of the Greek sovereign debt crisis and disappointing U.S. economic indicator readings. The average price of the U.S. S&P/LSTA Leveraged Loan Index declined approximately \$1.3 to \$96.8 from the end of Q1 2011.⁽²⁰⁾ Nonetheless, year-to-date returns for the S&P/LSTA U.S. Leveraged Loan Index were positive, reaching 2.66% as of June 30, 2011.⁽²¹⁾ Similarly, the S&P European Leveraged Loan Index (ELLI), lost 1.51% for the month of June, while remaining in positive territory for the year with a total year-to-date return of 2.83%.⁽²²⁾
- **“Maturity cliff” erosion continues:** During Q2 2011, corporate borrowers continued to reduce the size of the so-called “maturity cliff” via a mix of amendments, pay downs and high-yield bond take-outs. During Q2 2011, issuers paid down or extended approximately \$49.3 billion of S&P/LSTA Index loan maturities due by year-end 2014, up from \$39.6 billion during Q1 2011, bringing the total reduction to approximately \$89.9 billion for the year.⁽²³⁾ As the high yield markets cooled during the second quarter, maturity reductions were accomplished primarily via amendments as well as traditional, “straight repayments” from companies’ existing cash reserves, as opposed to bond-for-loan take-outs, reflecting the strong cash flows profiles of these borrowers.⁽²⁴⁾
- **Primary loan issuance volumes decline in the U.S. but rise in Europe:** Q2 2011 U.S. institutional loan issuance totaled \$76.5 billion, down approximately 26% from the end of Q1 2011.⁽²⁵⁾ This quarter-on-quarter deceleration reflected a notable decline in re-pricing activity during Q2 2011, which became less attractive and feasible as secondary loan prices and new issue clearing levels widened.⁽²⁶⁾ Nonetheless, excluding re-pricings, arrangers launched \$61.8 billion of new issue loans, which is the highest level recorded since Lehman’s bankruptcy.⁽²⁷⁾ Similarly, the volume of U.S. M&A-related issuance rose to \$35.0 billion, the highest total since the final three months of 2007.⁽²⁸⁾ European primary loan issuance volumes, where re-pricing activity never reached the pace of the United States, also rose to €16.0 billion during Q2 2011, up from approximately €11.8 billion in Q1 2011.⁽²⁹⁾
- **U.S. loan re-pricing activity slows:** The elevated fundamental uncertainty and financial market volatility which characterized the second quarter translated to a marked reduction in the Q2 2011 volume of institutional loan re-pricings in the United States, as loan issuers reduced spreads on only \$14.8 billion of loans during the quarter versus approximately \$61.1 billion during Q1 2011.⁽³⁰⁾ Amend-to-extend activity, however, picked-up with maturities pushed-out on \$23.4 billion of U.S. loans during Q2 2011.⁽³¹⁾ With the supply of loans exceeding demand, overall market conditions became more favorable to loan investors during this quarter and many market participants anticipate that the tone of the market will remain more balanced in the near-term.⁽³²⁾
- **O/C ratios improve in both the U.S. and Europe:** During Q2 2011, O/C ratios of U.S. CLOs strengthened on average. According to Morgan Stanley, the median junior O/C test cushion for U.S. CLOs increased to 3.47% as of June 30, 2011, up from 3.25% as of the end of the prior quarter.⁽³³⁾⁽³⁴⁾ The median junior O/C test cushion for European CLOs also increased, ending Q2 2011 at 1.68%, up from 1.32% as of the end of Q1 2011.⁽³⁵⁾⁽³⁶⁾

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❖ Loan and CLO Market Developments (continued):

- **CLO new issuance market gains momentum:** U.S. arbitrage-driven CLO issuance reached \$5.7 billion as of the end of Q2 2011 as twelve transactions were priced during the quarter, including four in June alone.⁽³⁷⁾ In addition to this growth in issuance volumes, AAA-rated new issue liability spreads continued to tighten throughout the quarter (to LIBOR+ 120-125 bps) providing further evidence of increased investor appetite for CLO credit risk.⁽³⁸⁾ The combination of tighter senior liability pricing, widening asset spreads, rating agency methodology changes, and increased mezzanine demand has allowed for greater CLO leverage, and thereby potentially improving expected CLO equity economics. Market participants continue to expect that 2011 arbitrage-driven CLO volumes are on track to reach \$10-15 billion.⁽³⁹⁾
- **CLO secondary price rally cools amidst greater volatility:** Despite continued improvements in the structural and credit quality of U.S. and European CLOs, evidenced by improving O/C ratios and declining CCC-asset holdings, CLO debt spreads widened at the end of Q2 2011 in the context of poor macroeconomic news, the Greek sovereign debt crisis and elevated financial market volatility. Originally AAA-rated CLO tranches lost approximately one point in the last month of the quarter, while mezzanine tranches declined by approximately \$2-\$5 points.⁽⁴⁰⁾ BWIC (“Bid Wanted in Comp”) volume, however, remained substantial, with approximately \$15.0 billion trading year-to-date versus \$10.0 billion over the same period in 2010.⁽⁴¹⁾
- **Moody’s new CLO rating methodology:** In June 2011, Moody’s finalized changes to its modeling framework for global CLOs. According to Moody’s, the key changes were: (1) the removal of a temporary 30% macro stress to default probabilities, (2) higher liability stress factors, and (3) an increase in assumed first-lien loan recovery rates.⁽⁴²⁾ Following the publication of the revised methodology, Moody’s placed on review for possible upgrade 4,220 tranches then rated Aa1 or below, with an outstanding balance totaling \$237.0 billion, representing 782 separate transactions or approximately 80% of all outstanding cash-flow CLO tranches.⁽⁴³⁾ Moody’s estimates that these changes will result in upgrades to “nearly all of these tranches,” ranging from 1-3 notches on the senior tranches and 1-5 notches on the mezzanine tranches.⁽⁴⁴⁾ The review process is expected to be completed within the next six months.⁽⁴⁵⁾

Based on a preliminary analysis, RBS estimates that Moody’s upgrades may permit approximately 42% of outstanding CLOs to continue to reinvest prepayments post their reinvestment periods by turning-off the so called “restricted trading conditions” triggered by prior downgrades.⁽⁴⁶⁾ While “restricted trading condition” provisions vary across CLOs, they typically require that senior tranches maintain their original ratings and mezzanine tranches remain within 1-2 notches of original ratings, by Moody’s and/or S&P. CLOs with Moody’s-only based rating requirements and those with the greatest permitted rating differentials between original and current ratings will benefit the most from Moody’s upgrades. As noted in our Q1 2011 report, we continue to believe that Moody’s upgrade actions may have a positive effect on TFG’s CLO investments, by allowing certain of our CLO managers to continue to reinvest unscheduled repayments post their reinvestment periods, thus slowing the process of deleveraging and potentially extending the benefit of historically tight liabilities in the context of wide asset spreads and LIBOR floors.

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❖ Loan and CLO Market Developments (continued):

- **Securitization regulatory changes:** In the U.S., the Notice of Proposed Rulemaking (“NPR”) period during which regulations are expected to clarify risk-retention requirements applicable to CLOs pursuant to the Dodd-Frank Act is expected to conclude in August 2011.⁽⁴⁷⁾ As noted in our Q1 2011 report, European risk retention rules Article 122a of the Capital Requirements Directive have been effective for new securitizations since January 2011, but are in early stages of implementation. Market participants believe that the current regulatory uncertainty may have a dampening effect on the new issue CLO market, permitting only large, well-capitalized CLO managers to issue new transactions and providing impetus for further CLO manager consolidation.

❖ Fair Value Determination for TFG’s CLO Investments:

- In accordance with the company’s valuation policies as set forth on the company’s website, the values of TFG’s CLO investments are determined using a third-party cash flow modeling tool. The model contains certain assumption inputs that are reviewed and adjusted as appropriate to factor in historic, current and potential market developments on the performance of TFG’s CLO investments. Since this involves modeling, among other things, forward projections over multiple years, this is not an exercise in recalibrating future assumptions to the latest quarter’s historical data.
- Subject to the foregoing, when determining the U.S. GAAP-compliant fair value of TFG’s portfolio, the company seeks to derive a value at which market participants could transact in an orderly market and also seeks to benchmark our inputs and resulting outputs to observable market data when available and appropriate. Fundamentally, the valuation process involves two stages. In stage one, future cash flows for each transaction in the CLO portfolio are modeled, using our base case assumptions. In stage two, a discount rate reflecting the perceived level of risk is applied to those future cash flows to generate a fair value for each transaction. Prior to the financial crisis, with TFG’s CLO portfolio performing well in a generally benign credit environment, the IRRs on TFG’s CLO investments were considered to adequately reflect the relative risk to their applicable cash flows and therefore, amortized cost reflected fair value. Due to elevated market risk premia over the last couple of years, among other factors, this effective discount rate used to derive fair value has typically been higher than each transaction’s IRR since the financial crisis and therefore, in such instances, has resulted in a fair value which is lower than the transaction’s amortized cost. The difference between these two figures, on an aggregate basis across the CLO portfolio, has been characterized as the “ALR Fair Value Adjustment” or “ALR.”

❖ Forward-looking Cash Flow Modeling Assumptions Unchanged vs. Q1 2011

- The Investment Manager reviews, and adjusts in consultation with the Company’s audit committee, as appropriate the CLO investment portfolio’s modeling assumptions to factor in historic, current and potential market developments on the performance of TFG’s CLO investments. At the end of Q4 2010, certain assumptions were recalibrated, focusing in particular on improvements in near-term projections for default rates. As we have moved through Q2 2011, rating agency and investment bank research reports, as well as observable market data continued to indicate that the default environment for U.S. loans would remain benign.

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Forward-looking Cash Flow Modeling Assumptions Unchanged vs. Q1 2011

- Although these data points suggest that TFG's near-term assumptions may potentially be viewed to be at the conservative end of the range, we have continued to hold the assumptions unchanged vs. Q4 2010. The key assumption variables have been summarized on the following page and are discussed below the assumptions table.

Variable	Year	Assumptions as of June 30, 2011
CADR		
	2011	1.0x WARF-implied default rate (2.2%)
	2012-2014	1.5x WARF-implied default rate (3.2%)
	Thereafter	1.0x WARF-implied default rate (2.2%)
Recovery Rate		
	Until deal maturity	71%
Prepayment Rate		
	Until deal maturity	20.0% p.a. on loans; 0.0% on bonds
Reinvestment Price		
	2011	99%
	Thereafter	100%

- Constant Annual Default Rate (“CADR”):** The CADR for 2011 is equivalent to 1.0x the WARF-implied default rate or approximately 2.2%. Consensus market expectations continue to be that defaults will remain significantly below their long-term average over the remainder of the year. That has continued to be the experience during Q2 2011, with the U.S. lagged 12-month loan default rate falling to 0.91% as of June 30, 2011.⁽⁴⁸⁾ Beyond 2011, the default assumption remains elevated at 1.5x the WARF-implied default rate for 2012-2014, followed by 1.0x the WARF-implied default rate thereafter, reflecting, among other things, heightened risks in the mid-term as a result of macro-economic uncertainty and the so-called “maturity cliff.” As mentioned earlier in the report, progress is being made in tackling near and mid-term maturities and we will continue to monitor our medium-term assumptions in light of these developments.
- Recovery Rate:** We retain our long-term assumption of an average recovery rate of approximately 71% for the life of each CLO transaction.
- Prepayment Rate:** Observable loan prepayment rates remained above average historical levels in the second quarter of 2011, as detailed earlier in the report. However, mindful of the fact that prepayment rates can experience significant volatility, we have maintained our long-term prepayment rate assumption of 20% p.a. on loans and 0% p.a. on bonds, throughout the life of each CLO transaction.
- Reinvestment Price and Spread:** The reinvestment price assumption is 99% for the remainder of 2011, which generates an effective spread over LIBOR of approximately 289 bps on broadly syndicated U.S. loans, 329 bps on European loans, and 358 bps on middle market loans. From 2012, the reinvestment price assumption remains at 100% of par until the maturity of each of our investments.

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❖ Application of Discount Rate to Projected Cash Flows and ALR

- We have noted in the 2010 TFG Annual Report and other reports that over the course of the second half of 2010 and beginning of 2011, certain observable data and research, covering both CLO equity and more senior tranches (including BB and BBB-rated notes), suggested that the risk premium for CLOs in general and CLO equity in particular has been declining. In response to this evidence TFG's discount rates were reduced at the end of Q1 2011 to 20% for the stronger deals and 25% for the remainder of the portfolio, giving a weighted-average discount rate of approximately 21%, which still represented a significant spread over the aforementioned BB and BBB – rated CLO liability spreads. Although over the course of this last quarter BB and BBB- spreads fluctuated and ended the period slightly wider than at the end of Q1 2011, TFG's discount rate levels were unchanged. We will continue to monitor these as well as other evidence of changes in risk premium as we move forward into Q3 2011.
- In addition to the level of discount rates, the split of transactions between the two discount rate categories can also change in the context of each deal's actual structural strength measured by actual O/C ratios compared to expected O/C ratios for performing transactions. During the course of the quarter, six deals migrated into the stronger deal category, which had the effect of increasing the fair value of the CLO portfolio by approximately \$8.4 million. This reflected the continued structural quality improvements referred to in the investment portfolio section.
- Through the valuation process described above, as of the end of Q2 2011, the ALR has been reduced to approximately \$133.8 million as compared to \$155.7 million at the end of Q1 2011.
- The average carrying value of TFG's U.S. CLOs, which accounted for approximately 86% of the investment portfolio by fair value, was approximately 76% of par as of the end of Q1 2011, up marginally from approximately 75% of par at the end of Q1 2011.
- We believe that TFG has played a leading role in the re-opening of the primary CLO market with the launch of LCM VIII in Q4 2010 and LCM IX in Q2 2011. Such post-crisis CLO transactions differ from pre-crisis transactions in several ways, including, among other features, generally having potentially better quality pools of collateral, shorter non-call periods, shorter maturities and lower leverage. An important relevant observable piece of data when assessing the perceived risk of such new issue transactions is the price of the CLO equity position and resultant IRR at the time of acquisition. Consequently, the IRR is in these cases a more appropriate discount rate to use in discounting the applicable cash flows and therefore, amortised cost reflects fair value. In sum, for post-crisis vintage CLOs, such as LCM VIII and LCM IX, the application of the 20% or 25% discount rates described above is unwarranted. We will continue to monitor observable data on such post-crisis transactions to determine whether the IRR remains the appropriate effective discount rate.
- With no recalibration of the modeling assumptions during Q2 and the effective discount rate broadly unchanged, the key driver in the increase in fair value which forms part of the \$65.0 million of quarterly unrealized appreciation in investments and Net Income of \$88.1 million per the Statement of Operations, was, therefore, the result of improvements in expected cash flows as deals strengthened, as described earlier in the report.

TETRAGON

TETRAGON FINANCIAL GROUP LIMITED (TFG)

PERFORMANCE REPORT FOR PERIOD ENDED 30 JUNE 2011

❖ **Hedging Activity**

As of June 30, 2011, the Company had no direct credit hedges in place, but employed certain foreign exchange rate and “tail risk” interest rate hedges to seek to mitigate its exposure to Euro-USD foreign exchange risk and a potential significant increase in U.S. inflation and/or nominal interest rates, respectively. Any potential losses on the above-mentioned interest rate hedges would be limited to the loss of premium paid, totaling approximately \$17.8 million as of the end of Q2 2011. We review our hedging strategy on an on-going basis as we seek to address identified risks to the extent practicable and in a cost-effective manner. In the future, our hedging strategy may include the use of single name or index credit hedges, foreign exchange rate hedges, and interest rate hedges, among others.

TETRAGON

TETRAGON FINANCIAL GROUP LIMITED (TFG)

PERFORMANCE REPORT FOR PERIOD ENDED 30 JUNE 2011

❖ Outlook Summary:

Q2 2011 witnessed incremental improvements in CLO credit fundamentals and structural strength, realized despite heightened asset price volatility and macroeconomic uncertainty. During this quarter, TFG's CLO and direct loan portfolios continued to generate significant cash flows, benefiting from wide loan spreads, LIBOR floors, and low credit losses and downgrades to Caa1/CCC+ or below. Given the progress achieved to date in shoring up both corporate balance sheets and CLO O/C test cushions, we remain constructive in our near-term outlook for the performance of the company's investments. While we remain concerned about a number of potential negative shocks, including among others, sovereign credit distress, geopolitical unrest, and rising commodity prices, we believe that the headroom achieved by underlying leveraged loan borrowers and the structural cushion built by CLO managers to date, may allow TFG's investments to withstand a greater amount of stress than may have been possible only a few quarters before.

We also believe that ratings upgrades, driven by Moody's methodology changes, improving credit quality, and the structural robustness of CLOs, may create further positive tail-winds for TFG's CLO portfolio by allowing certain of our CLOs to potentially extend the benefits of their historically-tight liabilities beyond their reinvestment periods. Furthermore, Moody's rating upgrades may help broaden the CLO investor base by reducing the regulatory capital holding requirements of these investments for certain investors, thus potentially providing support for CLO debt demand and prices. On the new issue CLO front, we are encouraged by the pick-up in issuance volumes this quarter, as well as the accompanying tightening of AAA-rated liability spreads and the return of structural leverage closer to levels achievable before the credit crisis. We anticipate that these developments bode well for our ability to continue to invest in new issue CLO equity with attractive risk-adjusted returns and structural characteristics, managed by LCM as well as select third-party managers. While uncertainty around the implementation of risk-retention regulations in the U.S. and Europe remains significant, we continue to believe that TFG's strong financial position and permanent capital base, may allow the company to weather any adverse changes more easily than other participants in the CLO market.

As we look toward the remainder of the year, we expect to focus on taking advantage of attractive investment opportunities in varied asset classes, including the CLO and leveraged loan markets, and expanding our burgeoning asset management business. We believe that the successful issuances of LCM VIII and LCM IX demonstrate LCM's ability to attract investment capital. The other component of our asset management platform, GreenOak, also continues to make progress in executing on its business growth strategy. We expect GreenOak to continue to look for attractive real estate investments around the world and we will report on any future developments. Over the long-term, we expect to continue the company's transition to a broadly diversified financial services firm. We believe that doing so will strengthen TFG's income streams and ultimately create value for TFG shareholders.

TETRAGON

TETRAGON FINANCIAL GROUP LIMITED (TFG) PERFORMANCE REPORT FOR PERIOD ENDED 30 JUNE 2011

Directors' Statements:

The Directors of TFG confirm that (i) this Performance Report constitutes the TFG management review for the six month period ended 30 June 2011 and contains a fair review of that period and (ii) the financial statements in the accompanying unaudited interim report for the six month period ended 30 June 2011 for TFG have been prepared in accordance with applicable laws and in conformity with accounting principles generally accepted in the United States of America.

❖ Quarterly Investor Call

We will host a conference call for investors on August 4, 2011 at 15:00 GMT/16:00 CET/10:00 EDST to discuss Q2 2011 results and to provide a company update.

The conference call may be accessed by dialing +44 (0)20 7162 0025 and +1 (877) 491-0064 (a passcode is not required). Participants may also register for the conference call in advance via the following link:

<https://eventregl.conferencing.com/webportal3/reg.html?Acc=247751&Conf=179214>

A replay of the call will be available for 30 days by dialing +44 (0) 20 7031 4064 and +1 954 334 0342, access code 876111 and as an MP3 recording on the TFG website.

For further information, please contact:

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Expected Upcoming Events	Date
Q2 Dividend Record Date	August 03, 2011
Quarterly Investor Call	August 04, 2011
July 2011 Monthly Report	August 18, 2011 (approx)
Q2 Dividend Payment Date	August 26, 2011

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TETRAGON FINANCIAL GROUP LIMITED (TFG) PERFORMANCE REPORT FOR PERIOD ENDED 30 JUNE 2011

TETRAGON FINANCIAL GROUP Financial Highlights							
	Q2 2011	Q1 2011	Q4 2010	Q3 2010	Q2 2010	Q1 2010	Quarterly Average
Net Income (\$MM)	\$88.1	\$174.7	\$132.0	\$125.0	\$55.6	\$72.5	\$108.0
EPS (\$)	\$0.74	\$1.46	\$1.09	\$1.03	\$0.45	\$0.58	\$0.89
CLO Cash Receipts (\$MM) ⁽¹⁾	\$102.4	\$90.9	\$78.9	\$71.8	\$60.9	\$51.1	\$76.0
CLO Cash Receipts per Share (\$)	\$0.86	\$0.76	\$0.66	\$0.59	\$0.50	\$0.41	\$0.63
Net Cash Balance (\$MM)	\$67.7	\$147.0	\$140.6	\$187.9	\$156.2	\$172.6	\$145.3
Net Assets (\$MM)	\$1,368	\$1,298	\$1,138	\$1,019	\$909	\$867	\$1,100
Number of Shares Outstanding (million)	118.8	119.6	120.1	120.8	122.2	123.6	120.9
NAV per Share (\$)	\$11.52	\$10.85	\$9.47	\$8.43	\$7.44	\$7.02	\$9.12
DPS (\$)	\$0.10	\$0.09	\$0.09	\$0.08	\$0.08	\$0.06	\$0.08
Weighted Average IRR on Completed Transactions (%)	16.3%	15.8%	15.1%	13.7%	13.1%	12.3%	14.4%
Number of CLO Investments ⁽²⁾	75	74	70	68	68	68	71
ALR Fair Value Adjustment (\$MM)	(\$133.8)	(\$155.7)	(\$258.0)	(\$274.7)	(\$330.7)	(\$339.5)	(\$248.7)

⁽¹⁾ Gross cash receipts from CLO portfolio.

⁽²⁾ Excludes CDO-squared and ABS CDO transactions written off in October 2007. TFG continues to hold the economic rights to 3 of these written-off transactions.

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TETRAGON FINANCIAL GROUP LIMITED (TFG) PERFORMANCE REPORT FOR PERIOD ENDED 30 JUNE 2011

TETRAGON FINANCIAL GROUP				
Quarterly Statement of Operations as at 30 June 2011				
Statement of Operations	Q2 2011 (\$MM)	Q1 2011 (\$MM)	Q4 2010 (\$MM)	Q3 2010 (\$MM)
Interest income	52.0	48.4	46.5	45.8
CLO management fee income	3.9	3.8	3.4	3.0
Other income	1.5	1.5	1.4	0.5
Investment income	57.4	53.7	51.3	49.3
Management and performance fees	(31.2)	(59.9)	(45.6)	(42.7)
Admin/ custody and other fees	(4.1)	(5.7)	(3.5)	(2.7)
Total operating expenses	(35.3)	(65.6)	(49.1)	(45.4)
Net investment income	22.1	(11.9)	2.2	3.9
Net change in unrealised appreciation/(depreciation) in investments	65.0	184.5	128.8	121.3
Realised gain/(loss) on investments	-	0.6	0.5	0.3
Realised and unrealised gains/(losses) from hedging and fx	2.4	2.9	1.2	0.2
Net realised and unrealised gains/(losses) from investments and fx	67.4	188.0	130.5	121.8
Income taxes	(1.0)	(1.0)	(0.4)	(0.4)
Noncontrolling interest	(0.4)	(0.5)	(0.3)	(0.3)
Net increase/(decrease) in net assets from operations	88.1	174.7	132.0	125.0

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TETRAGON FINANCIAL GROUP LIMITED (TFG) PERFORMANCE REPORT FOR PERIOD ENDED 30 JUNE 2011

TETRAGON FINANCIAL GROUP	
Balance Sheet as at 30 June 2011	
	Jun-11 \$MM
Assets	
Investments in securities, at fair value	1,252.1
Intangible assets - CLO management contracts	0.2
Cash and cash equivalents	67.7
Amounts due from brokers	11.2
Derivative financial assets - interest rate swaptions	18.9
Amounts receivable on sale of investments	53.9
Coupons receivable on CLOs	2.0
Other receivables	2.0
Total Assets	1,408.0
Liabilities	
Other payables and accruals	30.7
Amounts payable to Guernsey Feeder	0.5
Amounts payable on Share Options	3.7
Income and deferred tax payable	1.2
Derivative financial assets - forward contracts	1.3
Total Liabilities	37.4
Net Assets Before Noncontrolling Interest	1,370.6
Noncontrolling interest	2.3
Total Equity Attributable to TFG	1,368.3

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TETRAGON FINANCIAL GROUP LIMITED (TFG) PERFORMANCE REPORT FOR PERIOD ENDED 30 JUNE 2011

TETRAGON FINANCIAL GROUP	
Statement of Cash Flows for the Period Ended 30 June 2011	
	Jun-11 \$MM (YTD)
Operating Activities	
Operating cash flows before movements in working capital after dividends paid to Guernsey feeder	83.8
Increase / (decrease) in payables	(1.4)
Cash flows from operating activities	82.4
Investment Activities	
<u>Proceeds on sales of investments</u>	
- Proceeds from the sale of bank loans	36.5
<u>Purchase of investments</u>	
- Purchase of CLOs	(46.6)
- Purchase of bank loans	(107.9)
- Purchase derivatives - swaptions	(17.8)
- Other purchases	(0.7)
Maturity and prepayment of investments	20.0
Cash flows from operating and investing activities	(34.1)
Amounts due from broker	(6.9)
Net Purchase of shares	(10.4)
Dividends paid to shareholders	(21.5)
Cash flows from financing activities	(38.8)
Net decrease in cash and cash equivalents	(72.9)
Cash and cash equivalents at beginning of period	140.6
Cash and cash equivalents at end of period	67.7

TETRAGON

TETRAGON FINANCIAL GROUP LIMITED (TFG) PERFORMANCE REPORT FOR PERIOD ENDED 30 JUNE 2011

CLO PORTFOLIO DETAILS AS OF JUNE 30, 2011

Transaction	Deal Type	Original Invest. Cost (\$MM USD) ⁽¹⁾	Year of Maturity	End of Reinv Period	Wtd Avg Spread (bps) ⁽²⁾	Wtd Avg Funding Cost (bps) ⁽³⁾	Current Jr-Most O/C Cushion ⁽⁴⁾	Jr-Most O/C Cushion at Close ⁽⁵⁾	Annualized (Loss) Gain of Cushion ⁽⁶⁾	IRR ⁽⁷⁾	ITD Cash Received as % of Cost ⁽⁸⁾
Transaction 1	EUR CLO	37.5	2024	2014	290	55	(2.80%)	3.86%	(1.66%)	3.0%	29.6%
Transaction 2	EUR CLO	29.7	2023	2013	326	52	1.76%	3.60%	(0.40%)	9.4%	35.7%
Transaction 3	EUR CLO	22.2	2022	2012	338	58	3.53%	5.14%	(0.29%)	13.2%	76.3%
Transaction 4	EUR CLO	33.0	2023	2013	334	48	4.25%	5.76%	(0.35%)	12.6%	52.5%
Transaction 5	EUR CLO	36.9	2021	2012	314	60	3.45%	5.74%	(0.58%)	8.0%	32.6%
Transaction 6	EUR CLO	33.3	2022	2012	315	51	(3.63%)	4.70%	(1.63%)	2.6%	49.7%
Transaction 7	EUR CLO	38.5	2023	2013	305	46	(3.69%)	3.64%	(1.72%)	3.0%	31.9%
Transaction 8	EUR CLO	26.9	2021	2011	319	53	2.72%	4.98%	(0.38%)	12.7%	73.4%
Transaction 9	EUR CLO	41.3	2023	2013	323	50	1.50%	6.27%	(1.13%)	7.7%	24.1%
Transaction 10	EUR CLO	27.0	2022	2012	322	50	0.93%	4.54%	(0.74%)	8.7%	31.5%
EUR CLO Subtotal:		326.3			317	52	0.58%	4.84%	(0.95%)		41.4%
Transaction 11	US CLO	20.5	2018	2012	343	45	5.24%	4.55%	0.14%	19.6%	106.9%
Transaction 12	US CLO	22.8	2019	2013	341	46	5.55%	4.45%	0.24%	19.7%	99.8%
Transaction 13	US CLO	15.2	2018	2012	328	47	6.12%	4.82%	0.26%	19.0%	109.2%
Transaction 14	US CLO	26.0	2021	2014	326	49	4.26%	5.63%	(0.32%)	15.5%	74.5%
Transaction 15	US CLO	28.1	2021	2014	377	52	2.46%	4.21%	(0.44%)	25.4%	114.9%
Transaction 16	US CLO	23.5	2020	2013	392	46	2.74%	4.44%	(0.34%)	19.2%	101.1%
Transaction 17	US CLO	26.0	2021	2014	332	40	3.86%	4.24%	(0.09%)	21.1%	97.4%
Transaction 18	US CLO	16.7	2017	2011	319	45	4.09%	4.77%	(0.12%)	17.8%	124.1%
Transaction 19	US CLO	1.2	2017	2011	319	45	4.09%	4.77%	(0.12%)	21.3%	118.3%
Transaction 20	US CLO	26.6	2020	2012	396	52	3.13%	5.28%	(0.46%)	20.1%	122.5%
Transaction 21	US CLO	20.7	2020	2012	373	53	2.93%	4.76%	(0.37%)	16.5%	98.9%
Transaction 22	US CLO	37.4	2019	2013	405	53	3.48%	5.00%	(0.36%)	18.7%	87.1%
Transaction 23	US CLO	19.9	2021	2013	343	66	3.28%	4.98%	(0.41%)	17.5%	94.7%
Transaction 24	US CLO	16.9	2018	2012	353	46	4.57%	4.17%	0.08%	15.8%	76.7%
Transaction 25	US CLO	20.9	2018	2013	358	46	5.44%	4.13%	0.29%	20.7%	101.0%
Transaction 26	US CLO	27.9	2019	2013	348	43	3.23%	4.05%	(0.19%)	16.6%	75.1%
Transaction 27	US CLO	23.9	2021	2014	412	51	9.03%	6.11%	0.65%	29.9%	142.1%
Transaction 28	US CLO	7.6	2021	2014	412	51	9.03%	6.11%	0.65%	34.8%	55.1%
Transaction 29	US CLO	19.1	2018	2011	447	66	3.62%	4.82%	(0.21%)	19.0%	110.5%
Transaction 30	US CLO	12.4	2018	2012	447	67	2.41%	5.16%	(0.55%)	16.8%	83.8%
Transaction 31	US CLO	9.3	2017	2012	334	52	2.79%	5.02%	(0.37%)	15.2%	116.9%
Transaction 32	US CLO	24.0	2021	2014	307	59	4.03%	5.57%	(0.40%)	17.5%	77.9%
Transaction 33	US CLO	16.2	2020	2012	351	56	4.45%	6.99%	(0.48%)	13.6%	88.6%
Transaction 34	US CLO	22.2	2020	2012	348	50	4.59%	6.66%	(0.45%)	16.1%	87.9%
Transaction 35	US CLO	23.6	2018	2012	423	52	2.55%	5.00%	(0.49%)	19.9%	115.2%
Transaction 36	US CLO	28.4	2021	2013	389	46	2.44%	5.18%	(0.64%)	17.8%	85.8%
Transaction 37	US CLO	9.3	2017	2011	302	50	2.80%	4.34%	(0.27%)	14.5%	102.2%
Transaction 38	US CLO	23.7	2021	2013	311	42	3.65%	5.07%	(0.33%)	24.7%	129.4%
Transaction 39	US CLO	7.8	2017	2011	356	70	1.96%	3.15%	(0.21%)	6.9%	66.0%
Transaction 40	US CLO	13.0	2020	2011	373	39	N/A	N/A	N/A	20.2%	107.1%
Transaction 41	US CLO	22.5	2020	2013	330	48	5.80%	4.71%	0.23%	20.4%	102.2%

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TETRAGON FINANCIAL GROUP LIMITED (TFG)

PERFORMANCE REPORT FOR PERIOD ENDED 30 JUNE 2011

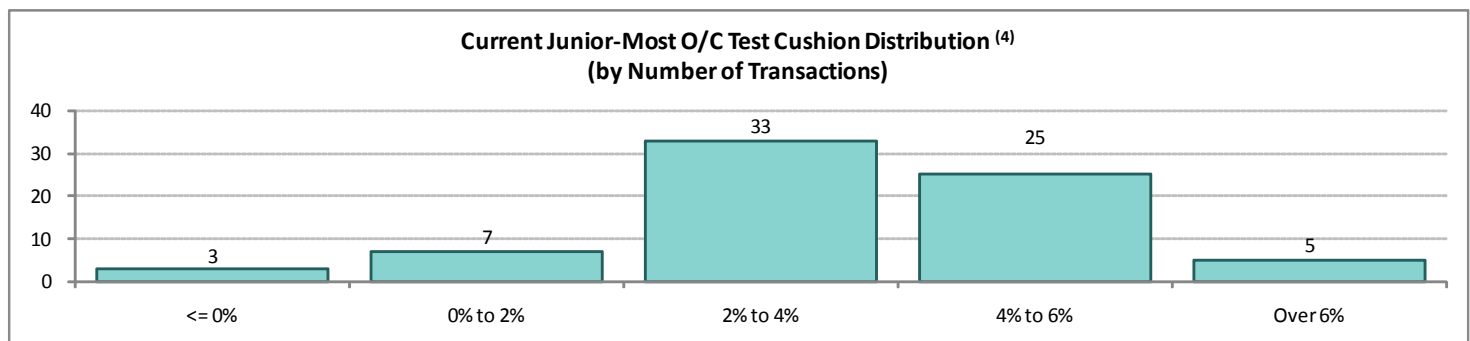
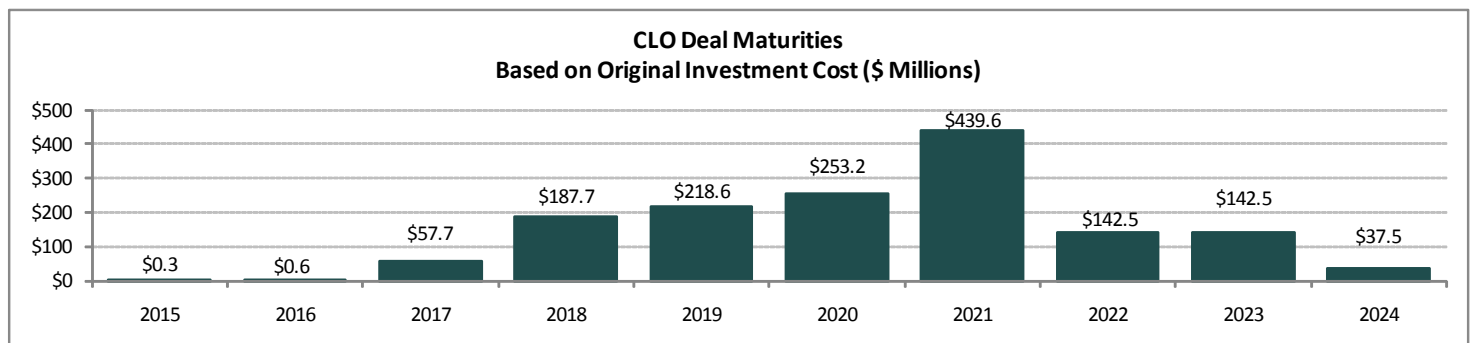
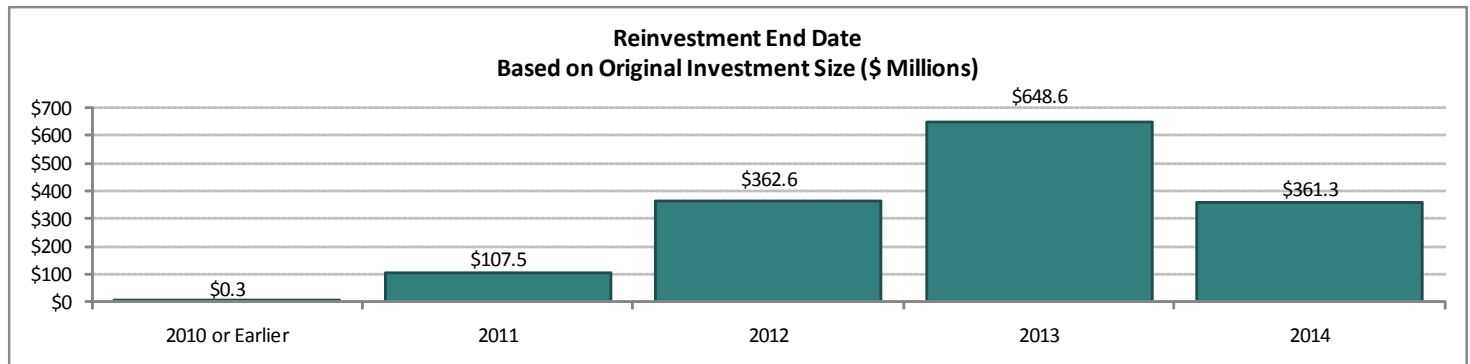
CLO PORTFOLIO DETAILS (CONTINUED) AS OF JUNE 30, 2011

Transaction	Deal Type	Original Invest. Cost (\$MM USD) ⁽¹⁾	Year of Maturity	End of Reinv Period	Wtd Avg Spread (bps) ⁽²⁾	Wtd Avg Funding Cost (bps) ⁽³⁾	Current Jr-Most O/C Cushion ⁽⁴⁾	Jr-Most O/C Cushion at Close ⁽⁵⁾	Annualized (Loss) Gain of Cushion ⁽⁶⁾	IRR ⁽⁷⁾	ITD Cash Received as % of Cost ⁽⁸⁾
Transaction 42	US CLO	22.4	2021	2014	338	47	5.76%	3.92%	0.44%	19.3%	81.5%
Transaction 43	US CLO	0.2	2021	2014	340	54	4.44%	3.75%	0.18%	20.6%	13.6%
Transaction 44	US CLO	22.3	2018	2012	312	54	1.96%	4.16%	(0.43%)	10.5%	78.9%
Transaction 45	US CLO	23.0	2018	2012	306	46	2.06%	4.46%	(0.53%)	8.4%	55.6%
Transaction 46	US CLO	21.3	2019	2013	309	51	2.30%	4.33%	(0.50%)	6.4%	39.2%
Transaction 47	US CLO	28.3	2021	2013	316	47	3.39%	4.34%	(0.20%)	19.3%	105.1%
Transaction 48	US CLO	23.0	2019	2013	330	46	2.63%	5.71%	(0.66%)	15.5%	69.6%
Transaction 49	US CLO	12.6	2017	2011	328	40	2.18%	3.94%	(0.31%)	10.9%	69.8%
Transaction 50	US CLO	12.3	2018	2012	332	40	2.00%	4.25%	(0.44%)	11.2%	66.4%
Transaction 51	US CLO	18.0	2020	2013	350	53	3.72%	4.47%	(0.18%)	19.2%	90.9%
Transaction 52	US CLO	0.3	2015	2008	265	93	2.98%	3.20%	(0.03%)	278.6%	635.5%
Transaction 53	US CLO	0.6	2016	2011	292	61	7.61%	4.00%	0.54%	38.5%	177.1%
Transaction 54	US CLO	0.5	2017	2012	327	56	4.46%	3.69%	0.12%	56.7%	383.9%
Transaction 55	US CLO	0.3	2017	2011	320	39	4.08%	3.59%	0.08%	58.5%	334.5%
Transaction 56	US CLO	23.0	2019	2014	345	42	4.48%	4.53%	(0.01%)	21.2%	102.7%
Transaction 57	US CLO	0.6	2019	2014	345	42	4.48%	4.53%	(0.01%)	44.7%	357.7%
Transaction 58	US CLO	21.8	2019	2014	342	49	3.43%	4.04%	(0.15%)	23.2%	103.9%
Transaction 59	US CLO	0.4	2019	2014	342	49	3.43%	4.04%	(0.15%)	47.8%	488.8%
Transaction 60	US CLO	18.8	2021	2014	414	198	4.74%	4.50%	0.39%	11.1%	4.0%
Transaction 61	US CLO	29.1	2021	2014	305	45	2.54%	4.04%	(0.36%)	15.0%	64.5%
Transaction 62	US CLO	25.3	2020	2013	332	42	3.84%	5.20%	(0.32%)	18.7%	96.3%
Transaction 63	US CLO	27.3	2021	2013	324	53	2.65%	4.78%	(0.54%)	16.1%	78.9%
Transaction 64	US CLO	15.4	2021	2013	406	38	N/A	N/A	N/A	19.2%	59.6%
Transaction 65	US CLO	26.9	2021	2013	320	47	2.66%	4.96%	(0.50%)	11.6%	56.5%
Transaction 66	US CLO	21.3	2020	2013	315	49	3.40%	4.05%	(0.14%)	19.0%	103.3%
Transaction 67	US CLO	27.3	2022	2014	309	46	4.03%	4.38%	(0.08%)	17.3%	78.8%
Transaction 68	US CLO	19.3	2020	2013	397	48	5.29%	4.41%	0.19%	25.4%	119.6%
Transaction 69	US CLO	28.2	2019	2013	388	44	5.88%	5.61%	0.06%	23.6%	102.2%
Transaction 70	US CLO	24.6	2020	2013	292	52	6.20%	6.21%	(0.00%)	17.4%	87.0%
Transaction 71	US CLO	1.7	2018	2012	332	40	2.00%	4.25%	(0.44%)	20.0%	9.4%
Transaction 72	US CLO	4.8	2019	2014	345	42	4.48%	4.53%	(0.01%)	14.6%	7.6%
Transaction 73	US CLO	1.9	2019	2014	345	42	4.48%	4.53%	(0.01%)	14.6%	7.6%
Transaction 74	US CLO	5.5	2019	2014	342	49	3.43%	4.04%	(0.15%)	15.2%	8.2%
Transaction 75	US CLO	32.7	2022	2014	416	168	4.05%	4.05%	-	13.9%	0.0%
US CLO Subtotal:		1,154.0			352	55	3.78%	4.66%	(0.19%)		87.6%
Total CLO Portfolio:		1,480.3			345	54	3.07%	4.70%	(0.36%)		77.4%

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TETRAGON FINANCIAL GROUP LIMITED (TFG) PERFORMANCE REPORT FOR PERIOD ENDED 30 JUNE 2011

CLO PORTFOLIO DETAILS (CONTINUED) AS OF JUNE 30, 2011



Notes

- (1) The USD investment cost fixes the USD-EUR exchange rate of European CLOs at the same rate to avoid the impact of skewed weightings and FX volatility.
- (2) Par weighted average spread over LIBOR or EURIBOR (as appropriate) of the underlying loan assets in each CLO's portfolio.
- (3) 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.
- (4) 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.
- (5) The junior-most O/C cushion at close is the excess (or deficit) of the junior-most O/C test ratio over the test requirement that was expected on each deal's closing date. Please note that two of TFG's investments are so 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.
- (6) Calculated by annualizing the change from the expected closing date junior-most O/C cushion to the current junior-most O/C cushion.
- (7) Calculated from TFG's investment date. Includes both historical cash flows received to-date and prospective cash flows expected to be received, based on TFG's base case modeling assumptions.
- (8) Inception to report date cash flow received on each transaction as a percentage of its original cost.

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TETRAGON FINANCIAL GROUP LIMITED (TFG) PORTFOLIO COMPOSITION PORTFOLIO HELD BY TETRAGON FINANCIAL GROUP MASTER FUND LIMITED (UNLESS OTHERWISE STATED) AS OF JUNE 30, 2011

Report Date	TFG Share Price (\$)	TFG group Market Cap (\$MM) ⁽¹⁾	TFG group Net Assets (\$MM)	No. of Closed CLO Transactions		
30 June 2011	\$8.30	\$1,093.4	\$1,368.3	75 ⁽²⁾		
Capital Allocation by Asset Class		Risk Capital Allocation	Investment - Fair Value (\$MM) ⁽³⁾⁽⁴⁾	Asset Class Allocation		
Broadly Syndicated Senior Secured Loans: US		72.5%	\$903.7			
Broadly Syndicated Senior Secured Loans: Europe		12.8%	\$159.8			
Middle Market Senior Secured Loans: US		14.7%	\$182.8			
CDOs Squared: US		0.0%	\$0.0			
ABS and Structured Finance: US		0.0%	\$0.0			
Total		100.0%	\$1,246.4			
Geographic Allocation by Asset Class		USA	Europe	Asia Pacific	Total	Geographic Allocation
Broadly Syndicated Senior Secured Loans		85.0%	15.0%	0.0%	100.0%	
Middle Market Senior Secured Loans		100.0%	0.0%	0.0%	100.0%	
CDOs Squared		0.0%	0.0%	0.0%	0.0%	
ABS and Structured Finance		0.0%	0.0%	0.0%	0.0%	
		87.2%	12.8%	0.0%	100.0%	
Top 15 Underlying Bank Loan Credits		Bank Loan Exposure ⁽⁵⁾	Top 10 Bank Loan Industry Exposures ⁽⁵⁾			
Univision Communications	0.91%					
HCA Inc	0.83%					
Community Health	0.81%					
First Data Corp	0.77%					
SunGard Data Systems Inc	0.72%					
Aramark Corp	0.71%					
Cablevision Systems Corp	0.70%					
TXU Corp	0.67%					
Las Vegas Sands	0.65%					
Federal-Mogul	0.64%					
Charter Communications	0.63%					
Sabre Holdings Corp	0.63%					
Nielsen Company	0.61%					
UPC Broadband	0.60%					
Health Management Associates	0.56%					

EUR-USD FX: 1.45

⁽¹⁾ Calculated using TFG shares outstanding and month end exchange price.

⁽²⁾ Excludes CDO-squared and ABS CDO transactions which were written off in October 2007. TFG continues to hold the economic rights to 3 of these written-off transactions.

⁽³⁾ Excludes TFG's investments in LCM Asset Management LLC and GreenOak Real Estate LP

⁽⁴⁾ Equivalent to Investment in Securities at Fair Value in the US GAAP Financial Statements.

⁽⁵⁾ Includes par amount of loans held directly by TFG and also loan exposures via TFG's investments in CLOs. With respect to CLO investments, calculated as a percentage of total corporate loan assets that TFG has exposure to based on its equity-based pro-rata share of each CLO's total portfolio. All calculations are net of any single name CDS hedges held against that credit.

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

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

TETRAGON

BOARD OF DIRECTORS

Paddy Dear
Rupert Dorey*

Reade Griffith
David Jeffreys*

Byron Knief*
Greville Ward*

**Independent Director*

SHAREHOLDER INFORMATION

Registered Office of TFG and the Master Fund

Tetragon Financial Group Limited
Tetragon Financial Group Master Fund Limited
1st Floor Dorey Court
Admiral Park
St. Peter Port, Guernsey
Channel Islands GYI 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

David Wishnow / Yuko Thomas
ir@tetragoninv.com

Press Inquiries

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polygon@brunswickgroup.com

Auditors

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20 New Street
St. Peter Port, Guernsey
Channel Islands GYI 4AN

Sub-Registrar and Transfer Agent

BNY Mellon
One Wall Street
New York, NY 10286
United States of America

Issuing Agent, Dutch Paying and Transfer Agent

Kas Bank N.V.
Spuistraat 172
1012 VT Amsterdam, The Netherlands

Legal Advisor (as to U.S. law)

Cravath, Swaine & Moore LLP
One Ropemaker Street
London EC2Y 9HR
United Kingdom

Legal Advisor (as to Guernsey law)

Ogier
Ogier House
St. Julian's Avenue
St. Peter Port, Guernsey
Channel Islands GYI IWA

Legal Advisor (as to Dutch law)

De Brauw Blackstone Westbroek N.V.
Claude Debussylaan 80
1082 MD Amsterdam, The Netherlands

Stock Listing

Euronext Amsterdam by NYSE Euronext

Administrator and Registrar

State Street Guernsey Limited
First Floor Dorey Court
Admiral Park
St. Peter Port, Guernsey
Channel Islands GYI 6HJ

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ENDNOTES

- (1) TFG invests substantially all of its capital through a master fund, Tetragon Financial Group Master Fund Limited (“TFGMF”), in which it holds 100% of the issued shares. In this report, unless otherwise stated, we report on the consolidated business incorporating TFG and TFGMF. References to “we” are to Tetragon Financial Management LP, TFG’s investment manager.
- (2) This Performance Report constitutes TFG’s half-yearly financial report as required pursuant to Section 5:25d of the FMSA. Pursuant to Section 5:25d and 5:25m of the FMSA, this report is made public by means of a press release and has been filed with the Netherlands Authority for the Financial Markets (Autoriteit Financiële Markten) and also made available to the public by way of publication on the TFG website (www.tetragoninv.com).
- (3) The LCM I, LCM II, LCM III, LCM IV, LCM V, LCM VI, LCM VIII, and LCM IX CLOs are referred to as the “LCM Cash Flow CLOs.” The LCM VII CLO was a market value CLO previously managed by LCM, which was liquidated commencing in 2008, and is not included in the mentioned statistics. In addition, these statistics do not include the performance of certain transactions that were developed and previously managed by a third-party prior to being assigned to LCM, some of which continue to be managed by LCM.
- (4) The hurdle rate is reset each quarter using 3M USD LIBOR plus a spread of 2.647858% in accordance with TFG’s investment management agreement. Please visit <http://www.tetragoninv.com/tfg/about/investmentmanagerima/> for more details of the calculation of the hurdle rate and the performance fee.
- (5) This figure includes the dividend of \$0.10 per share announced on July 29, 2011 with respect to Q2 2011.
- (6) Includes only look-through loan exposures through TFG’s CLO investments.
- (7) Excludes CDO-squared and ABS CDO transactions which were written off in October 2007. TFG continues to hold the economic rights to three of these written-off transactions.
- (8) Based on the most recent trustee reports available for both our U.S. and European CLO investments as of June 30, 2011.
- (9) As of June 30, 2011, European CLOs represented approximately 13% of TFG’s investment portfolio; approximately 88% of the fair value of TFG’s European CLOs and 70%, when measured as a percentage of the total number of European deals, were passing their junior-most O/C tests.
- (10) As O/C tests are breached, CLO structures may divert excess interest cash flows away from the equity tranche holders, such as TFG, to pay down the CLO’s debt thereby curing the O/C breach via deleveraging. Accordingly, the affected investments ceased to generate cash flows to TFG or are expected to cease generating cash flows on the next applicable payment date. Once enough debt has been repaid to cure the O/C test breach, distributions of excess interest cash to equity holders may resume to the extent not precluded by the investments’ realized or unrealized losses.
- (11) Morgan Stanley CDO Market Tracker, July 5, 2011; based on a sample of 475 U.S. CLO transactions.
- (12) Excess Caa/CCC+ or below rated assets above transaction-specific permitted maximum holding levels are generally haircut in our transactions at market value in U.S. CLOs and recovery rate in European CLOs for purposes of the O/C or interest reinvestment test ratios.
- (13) Morgan Stanley CDO Market Tracker, July 5, 2011; based on the lower of Moody’s and S&P rating. Furthermore, TFG’s investment portfolio includes approximately 13% CLOs with primary exposure to European senior secured loans and such loans are included in the calculation of TFG’s average CCC asset holdings.
- (14) Weighted by the original USD cost of each transaction.
- (15) The calculation of TFG’s lagging 12-month corporate loan default rate does not include certain underlying investment collateral that was assigned a “Selective Default” rating by one or more of the applicable rating agencies. Such Selected Defaults are included the S&P/LCD lagging 12-month U.S. institutional loan default rate discussed above. Furthermore, TFG’s investment portfolio includes approximately 13% CLOs with primary exposure to European senior secured loans and such loans are included in the calculation of TFG’s corporate default rate.
- (16) S&P/LCD News, “With no Defaults in June, Rate Holds at Historical Low,” July 5, 2011.
- (17) The LCM I, LCM II, LCM III, LCM IV, LCM V, LCM VI, LCM VIII, and LCM IX CLOs are referred to as the “LCM Cash Flow CLOs.” The LCM VII CLO was a market value CLO previously managed by LCM, which was liquidated commencing in 2008, and is not included in the mentioned statistics. In addition, these statistics do not include the performance of certain transactions that were developed and previously managed by a third-party prior to being assigned to LCM, some of which continue to be managed by LCM.
- (18) S&P/LCD News, “With no Defaults in June, Rate Holds at Historical Low,” July 5, 2011.
- (19) S&P/LSTA Leveraged Lending Review 2Q 2011.
- (20) S&P/LCD News, “Loan prices rise with stocks & HY, but end month & quarter in red,” June 30, 2011.
- (21) S&P/LCD News, “LCD Loan Index: Loans gain 0.04%; YTD return is 2.66%,” July 1, 2011.
- (22) S&P/LCD News, “S&P ELLI: Loans lose 0.39%; YTD return is 2.83%,” July 7, 2011.
- (23) S&P/LSTA Leveraged Lending Review 2Q 2011, as of June 24, 2011.
- (24) S&P/LSTA Leveraged Lending Review 2Q 2011.
- (25) S&P/LSTA Leveraged Lending Review 2Q 2011.
- (26) S&P/LSTA Leveraged Lending Review 2Q 2011.
- (27) S&P/LSTA Leveraged Lending Review 2Q 2011.
- (28) S&P/LSTA Leveraged Lending Review 2Q 2011.
- (29) S&P/LSTA Leveraged Lending Review 2Q 2011.
- (30) S&P/LSTA Leveraged Lending Review 2Q 2011.
- (31) S&P/LSTA Leveraged Lending Review 2Q 2011.
- (32) S&P/LSTA Leveraged Lending Review 2Q 2011.
- (33) Morgan Stanley CDO Market Tracker, July 5, 2011; based on a sample of 475 U.S. CLO transactions.
- (34) Morgan Stanley CDO Market Tracker, April 6, 2011; based on a sample of 477 U.S. CLO transactions.
- (35) Morgan Stanley CDO Market Tracker, July 5, 2011; based on a sample of 195 Euro CLO transactions.
- (36) Morgan Stanley CDO Market Tracker, April 6, 2011; based on a sample of 196 Euro CLO transactions.
- (37) RBS CLO Market Review – July 2011, July 8, 2011.
- (38) RBS CLO Market Review – July 2011, July 8, 2011.

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- (39) S&P/LSTA Leveraged Lending Review 2Q 2011.
- (40) Morgan Stanley CDO Market Tracker, July 5, 2011.
- (41) Morgan Stanley CDO Market Tracker, July 5, 2011.
- (42) "Moody's Approach to Rating Collateralized Loan Obligations," June 2011.
- (43) Moody's CLO Interest, June 30, 2011.
- (44) Moody's CLO Interest, June 30, 2011.
- (45) Moody's CLO Interest, June 30, 2011.
- (46) RBS CLO Market Review – July 2011, July 8, 2011.
- (47) J.P. Morgan US Fixed Income Markets Weekly, "Collateralized Debt Obligations," July 8, 2011.
- (48) S&P/LCD News, "With no Defaults in June, Rate Holds at Historical Low," July 5, 2011

UNAUDITED CONSOLIDATED INTERIM REPORT

TETRAGON FINANCIAL GROUP LIMITED

FOR THE PERIOD ENDED 30 JUNE 2011

TETRAGON FINANCIAL GROUP LIMITED
UNAUDITED CONSOLIDATED INTERIM REPORT
For the period ended 30 June 2011

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TETRAGON FINANCIAL GROUP LIMITED

CONSOLIDATED STATEMENTS OF ASSETS AND LIABILITIES
as at 30 June 2011 (unaudited)

	Note	30 Jun 2011 US\$	31 Dec 2010 US\$
Assets			
Investment in Master Fund	3	1,398,216,541	1,180,537,381
Amounts receivable from Master Fund		546,412	-
Total assets		<u>1,398,762,953</u>	<u>1,180,537,381</u>
Liabilities			
Accrued incentive fee	5	26,223,323	41,532,519
Amounts payable on Share options	4	3,659,906	1,458,368
Amounts payable on Treasury Shares	6	546,412	-
Total liabilities		<u>30,429,641</u>	<u>42,990,887</u>
Net assets		<u>1,368,333,312</u>	<u>1,137,546,494</u>
Equity			
Share capital	6	118,762	120,134
Share premium	7	1,146,616,513	1,157,051,372
Capital reserve in respect of share options	8	11,789,336	11,789,336
Earnings	11	209,808,701	(31,414,348)
		<u>1,368,333,312</u>	<u>1,137,546,494</u>
Shares outstanding			
Shares	6	Number 118,762,225	Number 120,133,690
Net asset value per Share			
Shares		US\$ 11.52	US\$ 9.47

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

Signed on behalf of the Board of Directors by:

Rupert Dorey, Director

David Jeffreys, Director

28 July 2011

TETRAGON FINANCIAL GROUP LIMITED

CONSOLIDATED STATEMENTS OF OPERATIONS

For the period ended 30 June 2011 (unaudited)

	Note	Period ended 30 Jun 2011 US\$	Period ended 30 Jun 2010 US\$
Investment income allocated from the Master Fund			
Interest income		100,405,305	86,664,990
CLO management fee income		7,655,392	6,178,805
Other income		3,021,262	579,358
Investment income allocated from the Master Fund		<u>111,081,959</u>	<u>93,423,153</u>
Direct expenses			
Incentive fee	5	(81,727,611)	(38,724,263)
Total direct expenses		<u>(81,727,611)</u>	<u>(38,724,263)</u>
Operating expenses allocated from the Master Fund			
Management fees	8	(9,394,477)	(6,507,963)
Legal and professional fees		(4,708,859)	(316,539)
Employee costs	8	(3,059,041)	(2,854,524)
Administration and custodian fees		(501,283)	(388,214)
Directors' fees	8	(150,000)	(100,000)
Audit fees		(120,700)	(120,700)
Market data fees		(79,881)	-
Other operating and administrative expenses		(1,174,647)	(719,049)
Total operating expenses allocated from the Master Fund		<u>(19,188,888)</u>	<u>(11,006,989)</u>
Total operating expenses		(100,916,499)	(49,731,252)
Net investment income		<u>10,165,460</u>	<u>43,691,901</u>
Net increase in unrealized depreciation on:			
Share options		(2,201,538)	-
Net increase in unrealized depreciation arising from direct operations		<u>(2,201,538)</u>	<u>-</u>

TETRAGON FINANCIAL GROUP LIMITED

CONSOLIDATED STATEMENTS OF OPERATIONS (continued)
For the period ended 30 June 2011 (unaudited)

	Note	Period ended 30 Jun 2011 US\$	Period ended 30 Jun 2010 US\$
Net realized and unrealized gain from investments and foreign currency allocated from the Master Fund			
Net realized (loss) / gain from:			
Investments		552,601	261,304
Foreign currency transactions		(5,083,333)	4,351,694
		(4,530,732)	4,612,998
Net increase / (decrease) in unrealized appreciation / (depreciation) on:			
Investments		251,729,289	85,883,833
Forward foreign exchange contracts		(4,175,357)	3,771,450
Interest rate swaptions		1,072,608	-
Translation of assets and liabilities in foreign currencies		13,552,614	(7,372,758)
		262,179,154	82,282,525
Net realized and unrealized gain from investments and foreign currencies allocated from the Master Fund		257,648,422	86,895,523
Net increase in net assets resulting from operations before tax		265,612,344	130,587,424
Income and deferred tax expense		(1,942,642)	(1,681,760)
Net income		263,669,702	128,905,664
Less net income attributable to noncontrolling interest		(901,732)	(787,733)
Net increase in net assets resulting from operations		262,767,970	128,117,931
Earnings per Share			
Basic	10	US\$ 2.20	US\$ 1.04
Diluted	10	US\$ 2.20	US\$ 1.04
Weighted average Shares outstanding			
Basic	10	119,577,405	123,400,107
Diluted	10	119,577,405	123,400,107

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

TETRAGON FINANCIAL GROUP LIMITED

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
For the period ended 30 June 2011 (unaudited)

	Period ended 30 Jun 2011 US\$	Period ended 30 Jun 2010 US\$
Total investment income	111,081,959	93,423,153
Total operating expenses	(100,916,499)	(49,731,252)
Net unrealized depreciation on share options	(2,201,538)	-
Net realized (loss) / gain from investments and foreign currency allocated from the Master Fund	(4,530,732)	4,612,998
Net unrealized gain from investments and foreign currency allocated from the Master Fund	262,179,154	82,282,525
Income and deferred tax expense	(1,942,642)	(1,681,760)
Income attributable to noncontrolling interest	(901,732)	(787,733)
Net increase in net assets resulting from operations	<u>262,767,970</u>	<u>128,117,931</u>
Dividends paid to shareholders	(21,544,921)	(14,816,214)
Issue of Shares	4,453,883	1,927,715
Treasury Shares	(14,890,114)	(12,720,152)
Decrease in net assets resulting from net Share transactions	<u>(10,436,231)</u>	<u>(10,792,437)</u>
Total increase in net assets	230,786,818	102,509,280
Net assets at start of period	1,137,546,494	806,846,805
Net assets at end of period	<u>1,368,333,312</u>	<u>909,356,085</u>

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

TETRAGON FINANCIAL GROUP LIMITED

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the period ended 30 June 2010 (unaudited)

	Period ended 30 Jun 2011 US\$	Period ended 30 Jun 2010 US\$
Operating activities		
Net increase in net assets resulting from operations	262,767,970	128,117,931
Adjustments for:		
Net unrealized depreciation on share options	2,201,538	-
Net unrealized appreciation on investments in Master Fund	(217,679,160)	(89,185,647)
Operating cash flows before movements in working capital	47,290,348	38,932,284
(Increase) / decrease in receivables	(546,412)	111,011
Decrease in payables	(14,762,784)	(13,434,644)
Net cash provided by operating activities	31,981,152	25,608,651
Financing activities		
Issue of Shares	4,453,883	1,927,715
Treasury Shares	(14,890,114)	(12,720,152)
Dividends paid to shareholders	(21,544,921)	(14,816,214)
Net cash used in financing activities	(31,981,152)	(25,608,651)
Net increase in cash and cash equivalents	-	-
Cash and cash equivalents at beginning of period	-	-
Cash and cash equivalents at end of period	-	-

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

TETRAGON FINANCIAL GROUP LIMITED

FINANCIAL HIGHLIGHTS

For the period ended 30 June 2011 (unaudited) and the year ended 31 December 2010

The following represents selected per Share operating performance of the Company, ratios to average net assets and total return information for the period ended 30 June 2011 and year ended 31 December 2010.

	I Jan 2011 to 30 Jun 2011*	I Jan 2010 to 31 Dec 2010
	US\$	US\$
Per Share operating performance		
Net Asset Value at the start of the period/year	9.47	6.47
Net investment income (excluding performance fee)	0.82	1.54
Performance fee	(0.73)	(1.09)
Net realized and unrealized gain from investments, derivatives and foreign currencies	2.27	3.08
Dividends paid to shareholders	(0.19)	(0.31)
Income and deferred tax expense and noncontrolling interest	(0.03)	(0.04)
Other capital transactions	(0.09)	(0.18)
Net Asset Value at the end of the period/year	<u>11.52</u>	<u>9.47</u>
Total return (NAV change excluding dividends and other capital transactions) before performance fee	32.31%	70.79%
Performance fee	(7.71)%	(16.85)%
Total return (NAV change excluding dividends and other capital transactions) after performance fee	<u>24.60%</u>	<u>53.94%</u>

Ratios and supplemental data

Ratio to average net assets:

Operating expenses allocated from the Master Fund	<u>(1.50%)</u>	<u>(2.59%)</u>
Total operating expenses	(1.50%)	(2.59%)
Performance fee	6.38%	12.56%
Net investment income	0.79%	5.24%

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

*The ratios and returns have not been annualized.

TETRAGON FINANCIAL GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 30 June 2011 (unaudited)

Note 1 General Information

Tetragon Financial Group Limited (the "Company") was registered in Guernsey on 23 June 2005 as a company limited by shares with registered number 43321. All Voting Shares of the Company are held by Polygon Credit Holdings II Limited (the "Voting Shareholder").

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

The Company acts as a feeder fund in a "master feeder structure" investing substantially all of its assets in Tetragon Financial Group Master Fund Limited (the "Master Fund"). The Company's shares are listed on the NYSE Euronext Amsterdam Exchange.

Note 2 Significant Accounting Policies

Basis of Presentation

The financial statements give a true and fair view, are prepared in conformity with accounting principles generally accepted in the United States of America ("US GAAP") and comply with the Companies (Guernsey) Law, 2008.

The Company's investment in the Master Fund is valued based on the accounting Net Asset Value per share obtained from the Master Fund's Administrator, which is the Company's proportionate interest in the Net Assets of the Master Fund. The performance of the Company is directly affected by the performance of the Master Fund. The Company's Statements of Operations includes its pro-rata share of each type of gain, loss, income and expense of the Master Fund's Statements of Operations. Attached are the unaudited consolidated financial statements of the Master Fund, which are an integral part of these consolidated financial statements. As at 30 June 2011, the Company had 100% (31 December 2010: 100%) ownership interest in the Master Fund. As the Company owns 100% of the Fund and the consolidated financial statements of the Fund are attached, a separate Consolidated Schedule of Investments for the Company has not been included.

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

The accounting policies have been consistently applied by the Company during the period ended 30 June 2011 and are consistent with those used in the previous year. The financial statements are presented in United States Dollars.

Use of Estimates

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

TETRAGON FINANCIAL GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued) For the period ended 30 June 2011 (unaudited)

Note 2 Significant Accounting Policies (continued)

Valuation of Investments

The value of the investment in the Master Fund is based on the accounting Net Asset Value per share obtained from the Master Fund's administrator.

Expenses

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

Taxation

The Company is exempt from Guernsey income tax under the Income Tax (Exempt Bodies) (Guernsey) Ordinance 1989 and is charged GBP600 per annum.

Share Options

The fair value of options granted to the Investment Manager was recognized as a charge to the share premium account, with a corresponding increase in equity, over the period in which the Investment Manager became unconditionally entitled to the options. The options were fully vested and immediately exercisable from the date of the grant, on 26 April 2007 and remain exercisable for ten years.

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

Dividend expense

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

Treasury Shares

When share capital recognized as equity is repurchased the amount of the consideration paid, which includes directly attributable costs, is recognized as a deduction from equity. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity. When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase in equity, and the resulting surplus or deficit on the transaction is transferred to or from retained earnings.

Shares may also be transferred out of the Treasury Account and into a wholly owned subsidiary. Where this occurs the status of the Shares is unchanged from an accounting perspective and they are not included in the Shares outstanding on the Statements of Assets and Liabilities.

TETRAGON FINANCIAL GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued) For the period ended 30 June 2011 (unaudited)

Note 3 Investment in Master Fund

At the period end, the Master Fund held investments at fair value, cash and cash equivalents, forward contracts, swaptions and other receivables and payables.

As at 30 June 2011, the Company had an investment of US\$ 1,398,216,541 in the Master Fund (31 December 2010: US\$ 1,180,537,381).

Note 4 Share options issued to GreenOak

On 16 September 2010, the Master Fund entered into a transaction with GreenOak Real Estate ("GreenOak") whereby it received a 10% equity interest in GreenOak and agreed to provide, among other things, a working capital loan of up to US\$ 10 million and a US\$ 100 million co-investment commitment that is expected to fund up to a limited fixed percentage of any GreenOak sponsored investment program with the Master Fund retaining the option to invest further amounts.

Under the terms of the transaction, the Company granted to the GreenOak founders options to purchase 3,908,241 Shares (exercisable after 5 years and subject to further conditions) at a strike price of US\$ 5.50. The aggregate fair value of the options granted at the transaction date was US\$ 482,285. A discrete-dividend Black Scholes model was used to calculate the fair value with some of the following assumptions used: expected dividend yield 6%, volatility of 20% and the US yield curve as per Bloomberg. In order to fully reflect some key vesting requirements of the options which are not captured by Black-Scholes a 50% haircut has been applied to the valuation calculated. This has been derived as follows: restriction on transferability – 25%; requirement to repay working capital loan – 10%; exclusivity of founders – 15%. These haircut percentages will be reviewed on a regular basis.

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

At 30 June 2011, the fair value of the options was US\$ 3,659,906 (31 December 2010: US\$ 1,458,368).

As the Company owns 100% of the Master Fund, and therefore receives the benefit of the investments held by the Master Fund, no consideration was transferred to the Company in lieu of the options issued.

Note 5 Incentive Fee

The Company pays the Investment Manager an incentive fee for each Calculation Period (a period of three months ending on 31 March, 30 June, 30 September and 31 December in each year or as otherwise determined by the Directors) equal to 25% of the increase in the Net Asset Value of the Company during the Calculation Period (before deduction of any dividend paid or the amount of any redemptions or repurchases of the shares (or other relevant capital adjustments) during such Calculation Period) above the Reference Net Asset Value (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.

TETRAGON FINANCIAL GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued) For the period ended 30 June 2011 (unaudited)

Note 5 Incentive fee (continued)

The “Hurdle” for any Calculation Period will equal (i) the Reference NAV multiplied by (ii) 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 (x) the actual number of days in the Calculation Period divided by 365.

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

The incentive fee in respect of each Calculation Period is calculated by reference to the Net Asset Value 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 within 14 calendar days of the end of the Calculation Period.

The incentive fee for the period ended 30 June 2011 was US\$ 81,727,611 (30 June 2010: US\$ 38,724,263). As at 30 June 2011 US\$ 26,223,323 was outstanding (31 December 2010: US\$ 41,532,519).

Note 6 Share Capital

Authorized

The Company has an authorized share capital of US\$ 1,000,000 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. Shares are issuable either as certificated shares or uncertificated shares, and in both cases as registered shares. Shares are only transferable pursuant to regulations that the Directors may adopt in their discretion.

Voting Shares

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

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

Shares

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

TETRAGON FINANCIAL GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period ended 30 June 2011 (unaudited)

Note 6 Share Capital (continued)

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

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

Share transactions

	Voting Shares No.	Shares No.	Shares US\$
Shares in issue at 31 December 2009	10	124,768,684	124,769
Issued	-	1,107,125	1,107
Treasury Shares	-	(5,742,119)	(5,742)
Shares in issue at 31 December 2010	10	120,133,690	120,134
Issued	-	577,349	577
Treasury Shares	-	(1,948,814)	(1,949)
Shares in issue at 30 June 2011	10	118,762,225	118,762

Optional Stock Dividend

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

During the period a total dividend of US\$ 21,544,921 (30 June 2010: US\$ 14,816,214) was declared, of which US\$ 17,091,038 (30 June 2010: US\$ 12,888,499) was paid out as a cash dividend, and the remaining US\$ 4,453,883 (30 June 2010: US\$ 1,927,715) reinvested under the Optional Stock Dividend Plan.

Treasury Shares

On 30 November 2007, the Company announced the implementation of a share repurchase program of their outstanding Shares. This program was subsequently updated and will now continue from 4 October 2010 until 31 October 2011 or until 5% of the Company's outstanding Shares have been repurchased under the updated program or until terminated by the Board. The Company purchases its Shares in the open market which are then held in a Treasury Account allowing them to be resold in the market at a later date. Whilst they are held in the Treasury Account the Shares are neither eligible to receive dividends nor are they included in the Shares outstanding on the Statements of Assets and Liabilities.

On 15 November 2010, the Company transferred 3,908,241 shares from the Treasury Account to a wholly owned subsidiary, TFG Holdings I. These Shares are neither eligible to receive dividends nor are they included in the Shares outstanding on the Statements of Assets and Liabilities. After giving effect to this transfer as at 30 June 2011, the Company held 9,065,735 shares in the Treasury Account (31 December 2010: 7,116,921).

TETRAGON FINANCIAL GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period ended 30 June 2011 (unaudited)

Note 7 Share Premium

	30 Jun 2011	31 Dec 2010
	US\$	US\$
Balance at start of period/year	1,157,051,372	1,177,331,614
Discount arising from transaction of shares	(10,434,859)	(20,280,242)
Balance at end of period/year	<u>1,146,616,513</u>	<u>1,157,051,372</u>

Note 8 Related Party Transactions

The Investment Manager is entitled to receive management fees equal to 1.5% per annum of the Net Asset Value of the Company payable monthly in advance prior to the deduction of any accrued incentive fee. All fees and expenses of the Company including the Management and Administration fees, but excluding incentive fees from the Investment Manager, are paid by the Master Fund and allocated fully to the Company. An incentive fee may be paid to the Investment Manager as disclosed in Note 5.

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

The remuneration for Directors shall be determined by resolution of the Voting Shareholder. The Directors' annual fee is US\$ 75,000 in compensation for service on the Boards of Directors of both the Company and the Master Fund. The Master Fund will pay the Directors' fees. Patrick Dear and Reade Griffith have waived their entitlement to a fee. The Directors are entitled to be repaid by the Company all travel, hotel and other expenses reasonably incurred by them in the discharge of their duties. None of the Directors has a contract with the Company or the Master Fund providing for benefits upon termination of employment.

The Voting Shareholder is an affiliate of Polygon Investment Partners LLP and Polygon Investment Partners LP (the "Service Providers") and the Investment Manager and holds all of the Voting Shares. As a result of its ownership and the degree of control that it exercises, the Voting Shareholder will be able to control the appointment and removal of the Company's Directors. Affiliates of the Service Providers also control the Investment Manager and, accordingly, control the Company's business and affairs.

In recognition of the work performed by the Investment Manager in successfully arranging the global offering and the associated raising of new capital for the Company, the Company granted to Polygon Credit Management LP options (the "Investment Management Options") to purchase 12,545,330 of the Company's Non-Voting Shares at an exercise price per share equal to the Offer Price (US\$ 10). The Investment Management Options are fully vested and immediately exercisable on the date of admission to the NYSE Euronext Amsterdam Exchange and will remain exercisable until the 10th anniversary of that date. The aggregate fair value of the options granted at the time of the global offering was US\$ 11,789,336. The fair value of each option granted during 2007 was US\$ 0.94 on the date of grant using the Binomial-pricing model with the following average assumptions: expected dividend yield 8%, risk-free interest rate of 5.306%, an expected life of 5 years and a volatility of 17.5%.

TETRAGON FINANCIAL GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued) For the period ended 30 June 2011 (unaudited)

Note 8 Related party transactions (continued)

Byron Knief, Paddy Dear, Reade Griffith and Rupert Dorey, all Directors of the Company and Master Fund, were shareholders in the Company as at 30 June 2011, with holdings of 110,000, 288,395, 1,036,209 and 81,633 shares, respectively (31 December 2010: 110,000, 285,195, 1,036,209 and 79,778 shares respectively).

The Master Fund owns a 10% equity interest in GreenOak Real Estate ("GreenOak"), a multi-jurisdictional real estate venture, in which it also provides a US\$ 10.0 million working capital loan and a US\$100.0 million co-investment commitment. PM, an affiliate of the Voting Shareholder, also owns a noncontrolling equity interest, as well as provides a similar working capital loan. The Service Providers have an agreement with GreenOak to provide certain operating, infrastructure and administrative services to the business. As part of the transaction the Company has issued 3,908,241 share options to the GreenOak founders.

Note 9 Dividends

	30 Jun 2011	31 Dec 2010
	US\$	US\$
Quarter ended 31 December 2009 of US\$ 0.06 per share	-	7,442,348
Quarter ended 31 March 2010 of US\$ 0.06 per share	-	7,373,866
Quarter ended 30 June 2010 of US\$ 0.08 per share	-	9,731,417
Quarter ended 30 September 2010 of US\$ 0.08 per share	-	9,638,540
Quarter ended 31 December 2010 of US\$ 0.09 per share	10,792,152	-
Quarter ended 31 March 2011 of US\$ 0.09 share	10,752,769	-
	<u>21,544,921</u>	<u>34,186,171</u>

The second quarter dividend of US\$ 0.10 cents was proposed by directors on 28 July 2011 and has not been included as a liability in these consolidated financial statements.

TETRAGON FINANCIAL GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period ended 30 June 2011 (unaudited)

Note 10 Earnings per Share

	Period ended 30 Jun 2011 US\$	Period ended 30 Jun 2010 US\$
The calculation of the basic and diluted earnings per share is based on the following data:		
Earnings for the purposes of basic earnings per share being net profit attributable to shareholders for the period	262,767,970	128,117,931
Weighted average number of Shares for the purposes of basic earnings per share	119,577,405	123,400,107
Effect of dilutive potential Shares:		
Share options	-	-
Weighted average number of Shares for the purposes of diluted earnings per share	119,577,405	123,400,107

There is no dilution as at 30 June 2011, as for both sets of options issued, the average share price under the “Treasury Stock Method” was below the option strike price for the purposes of the calculation.

Note 11 Earnings

	30 Jun 2011 US\$	31 Dec 2010 US\$
Balance at start of period/year	(31,414,348)	(382,398,914)
Net increase in net assets resulting from operations for the period/year	262,767,970	385,170,737
Dividends paid	(21,544,921)	(34,186,171)
Balance at end of period/year	209,808,701	(31,414,348)

Note 12 Other Matters

On 22 February 2011, the Company and the Master Fund and their six Directors were served with proceedings in the Royal Court of Guernsey (the “Proceedings”) instigated by one of the Company’s former Directors, Alexander Jackson. Mr. Jackson was given notice to vacate office as a Director on 24 January 2011. By the Proceedings, Mr. Jackson seeks to impugn the Company’s decision of 29 July 2010, announced on 2 August 2010, to enter into a joint venture with GreenOak Real Estate (the “GreenOak Transaction”). The Proceedings are confined to claims for damages and other relief against the Company and the Master Fund’s Directors, and do not seek to reverse or interfere with the GreenOak Transaction, which was implemented in the third quarter of 2010.

TETRAGON FINANCIAL GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued) For the period ended 30 June 2011 (unaudited)

Note 12 Other Matters (continued)

The Company and the Master Fund have issued a public statement stating that they and their Directors believe that there is no merit whatsoever in the Proceedings and will take all necessary steps to ensure the Proceedings are dismissed as quickly as possible. The Investment Manager has concluded that it is untenable for Mr. Jackson to continue in his current role as a consultant with respect to investment and risk matters relating to the Fund and the Feeder and, therefore, is taking steps to ensure that he will no longer continue in that capacity, although he remains a shareholder of the Investment Manager.

Note 13 Subsequent Events

The Directors have evaluated subsequent events up to 28 July 2011, which is the date that the financial statements were approved, and have concluded that there are not any material events that require disclosure or adjustment to the financial statements other than disclosed below.

On July 12, 2011, a shareholder derivative action was filed in United States District Court – Southern District of New York – against the current and former Directors of the Company and the Master Fund (together, “TFG”), TFG’s Investment Manager, the principals of TFG’s Investment Manager and an affiliated entity by a purported shareholder of the Company (the “Action”).

The Action makes a series of allegations specifically with respect to performance fees charged by TFG’s Investment Manager and asks, amongst other things, for money damages and equitable relief against the defendants, including the amendment and/or termination of the Investment Management Agreement among TFG and its Investment Manager.

TFG and its Board of Directors believe that the Action is factually and legally without merit and intend to seek to have the Action dismissed as quickly as possible.

Note 14 Recent Changes to US GAAP

Reconsideration of Effective Control for Repurchase Agreements. In April 2011, the FASB issued ASU No. 2011-03, “Transfers and Servicing (Topic 860) - Reconsideration of Effective Control for Repurchase Agreements.” ASU No. 2011-03 changes the assessment of effective control by removing (i) the criterion that requires the transferor to have the ability to repurchase or redeem financial assets on substantially the agreed terms, even in the event of default by the transferee, and (ii) the collateral maintenance implementation guidance related to that criterion. ASU No. 2011-03 is effective for periods beginning after December 15, 2011. The adoption of ASU No. 2011-03 will not affect the Fund’s financial condition, results of operations or cash flows.

Note 15 Approval of Financial Statements

The Directors approved the financial statements on 28 July 2011.

UNAUDITED CONSOLIDATED INTERIM REPORT

TETRAGON FINANCIAL GROUP MASTER FUND LIMITED

FOR THE PERIOD ENDED 30 JUNE 2011

TETRAGON FINANCIAL GROUP MASTER FUND LIMITED

UNAUDITED CONSOLIDATED INTERIM REPORT

For the period ended 30 June 2011

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TETRAGON FINANCIAL GROUP MASTER FUND LIMITED
CONSOLIDATED STATEMENTS OF ASSETS AND LIABILITIES
as at 30 June 2011 (unaudited)

	Note	30 Jun 2011 US\$	31 Dec 2010 US\$
Assets			
Investments, at fair value (cost US\$ 1,557,382,633 (31 Dec 2010: US\$ 1,510,475,221))	2	1,252,138,155	1,035,278,679
Intangible assets – CLO management contracts	4	159,829	210,301
Cash and cash equivalents	5	67,681,118	140,625,333
Amounts due from brokers	7	11,192,652	4,285,552
Amounts receivable on sale of investments		53,857,938	8,848,210
Derivative financial assets – forward contracts	6	-	2,883,979
Derivative financial assets – interest rate swaptions	6	18,892,608	-
Other receivables	8	4,029,538	1,737,490
Total assets		<u>1,407,951,838</u>	<u>1,193,869,544</u>
Liabilities			
Amounts payable for purchase of investments		-	7,422,999
Amounts payable to Feeder		546,412	-
Derivative financial liabilities – forward contracts	6	1,291,378	-
Other payables and accrued expenses	9	4,468,837	4,150,673
Income tax payable	14	662,659	296,854
Deferred tax liability	14	495,637	92,995
Total liabilities		<u>7,464,923</u>	<u>11,963,521</u>
Net assets		<u>1,400,486,915</u>	<u>1,181,906,023</u>
Equity			
Share capital	10	118,762	120,134
Share premium	11	1,105,839,597	1,116,274,456
Earnings	13	292,258,182	64,142,791
Total equity attributable to Master Fund		<u>1,398,216,541</u>	<u>1,180,537,381</u>
Noncontrolling interest	10	2,270,374	1,368,642
Total shareholders equity		<u>1,400,486,915</u>	<u>1,181,906,023</u>
Shares outstanding			
Shares	10	118,762,225	120,133,690
Net asset value per share*			
Shares		US\$ 11.77	US\$ 9.83

*calculated by dividing Total equity attributable to Master Fund by Shares outstanding.

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

Signed on behalf of the Board of Directors by:

Rupert Dorey, Director
David Jeffreys, Director

28 July 2011

TETRAGON FINANCIAL GROUP MASTER FUND LIMITED

CONSOLIDATED STATEMENTS OF OPERATIONS

For the period ended 30 June 2011 (unaudited)

	Note	Period ended 30 Jun 2011 US\$	Period ended 30 Jun 2010 US\$
Interest income	15	100,405,305	86,664,990
CLO management fee income	16	7,655,392	6,178,805
Other income	17	3,021,262	579,358
Investment income		111,081,959	93,423,153
Management fees	18	(9,394,477)	(6,507,963)
Legal and professional fees		(4,708,859)	(316,539)
Employee costs	18	(3,059,041)	(2,854,524)
Administration and custodian fees		(501,283)	(388,214)
Directors' fees	18	(150,000)	(100,000)
Audit fees		(120,700)	(120,700)
Market data fees		(79,881)	-
Other operating expenses		(1,174,647)	(719,049)
Operating expenses		(19,188,888)	(11,006,989)
Net investment income		91,893,071	82,416,164
Net realized and unrealized gain from investments and foreign currency			
Net realized (loss) / gain from:			
Investments		552,601	261,304
Foreign currency transactions		(5,083,333)	4,351,694
		(4,530,732)	4,612,998
Net increase / (decrease) in unrealized appreciation / (depreciation) on:			
Investments		251,729,289	85,883,833
Forward foreign exchange contracts		(4,175,357)	3,771,450
Interest rate swaptions		1,072,608	-
Translation of assets and liabilities in foreign currencies		13,552,614	(7,372,758)
		262,179,154	82,282,525
Net realized and unrealized gain from investments and foreign currency		257,648,422	86,895,523

TETRAGON FINANCIAL GROUP MASTER FUND LIMITED
CONSOLIDATED STATEMENTS OF OPERATIONS (continued)
For the period ended 30 June 2011 (unaudited)

	Note	Period ended 30 Jun 2011 US\$	Period ended 30 Jun 2010 US\$
Net increase in net assets resulting from operations before tax		349,541,493	169,311,687
Income and deferred tax expense	14	(1,942,642)	(1,681,760)
Net income		347,598,851	167,629,927
Less net income attributable to noncontrolling interest	10	(901,732)	(787,733)
Net increase in net assets resulting from operations		346,697,119	166,842,194

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

TETRAGON FINANCIAL GROUP MASTER FUND LIMITED
CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
For the period ended 30 June 2011 (unaudited)

	Note	Period ended 30 Jun 2011 US\$	Period ended 30 Jun 2010 US\$
Investment income		111,081,959	93,423,153
Operating expenses		(19,188,888)	(11,006,989)
Net realized (loss) / gain from investments and foreign currency		(4,530,732)	4,612,998
Net unrealized appreciation on investments and translation of assets and liabilities in foreign currencies		262,179,154	82,282,525
Income and deferred tax expense		(1,942,642)	(1,681,760)
Income attributable to noncontrolling interest		(901,732)	(787,733)
Net increase in net assets resulting from operations		<u>346,697,119</u>	<u>166,842,194</u>
Dividends paid to Feeder	12	(97,036,807)	(52,047,896)
Dividends paid to shareholders	12	(21,544,921)	(14,816,214)
Decrease in net assets resulting from dividends		<u>(118,581,728)</u>	<u>(66,864,110)</u>
Issue of Shares		4,453,883	1,927,715
Treasury Shares		(14,890,114)	(12,720,152)
Decrease in net assets resulting from net Share transactions		<u>(10,436,231)</u>	<u>(10,792,437)</u>
Total increase in net assets		217,679,160	89,185,647
Net assets at start of period		1,181,906,023	836,628,677
Net assets before noncontrolling interest		<u>1,399,585,183</u>	<u>925,814,324</u>
Noncontrolling interest		901,732	809,442
Net assets at end of period after noncontrolling interest		<u><u>1,400,486,915</u></u>	<u><u>926,623,766</u></u>

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

TETRAGON FINANCIAL GROUP MASTER FUND LIMITED

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the period ended 30 June 2011 (unaudited)

	Period ended 30 Jun 2011 US\$	Period ended 30 Jun 2010 US\$
Operating activities		
Net income	347,598,851	167,629,927
Adjustments for:		
Realized gains on investments	(552,601)	(261,304)
Cash received on investments in excess of interest income	95,218,812	29,389,698
Accumulated amortization on intangible assets	50,472	42,060
Unrealized gains	(262,179,154)	(82,282,525)
Deferred tax	402,642	784,660
Operating cash flows before movements in working capital	<u>180,539,022</u>	<u>115,302,516</u>
Increase in receivables	(2,292,048)	(1,004,542)
Increase in payables	1,230,381	1,416,657
Cash flows from operations	<u>179,477,355</u>	<u>115,714,631</u>
Proceeds from sale/prepayment/maturity of investments	56,512,782	10,886,894
Purchase of investments	(173,023,280)	(70,732,910)
Purchase of CLO management contracts	-	(302,834)
Net cash provided by operating activities	<u>62,966,857</u>	<u>55,565,781</u>
Financing activities		
Amounts due (to) / from brokers	(6,907,100)	3,989,940
Proceeds from issue of Shares	4,453,883	1,927,715
Treasury Shares	(14,890,114)	(12,720,152)
Dividends paid to shareholders	(21,544,921)	(14,816,214)
Dividends paid to Feeder	(97,036,807)	(52,047,896)
Net cash used in financing activities	<u>(135,925,059)</u>	<u>(73,666,607)</u>
Net decrease in cash and cash equivalents	(72,958,202)	(18,100,826)
Cash and cash equivalents at beginning of period	140,625,333	174,352,827
Effect of exchange rate fluctuations on cash and cash equivalents	13,987	(63,588)
Cash and cash equivalents at end of period	<u>67,681,118</u>	<u>156,188,413</u>

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

TETRAGON FINANCIAL GROUP MASTER FUND LIMITED

CONSOLIDATED SCHEDULE OF INVESTMENTS

As at 30 June 2011 (unaudited)

Security Description	Nominal	Cost US\$	Fair Value US\$	% of Net Assets
<i>US Dollar</i>				
<i>Cayman Islands – CLO debt equity security</i>				
ABS and Structured Finance	18,400,000	17,572,000	-	0.00%
Broadly Syndicated Senior Secured Loans	1,048,920,746	926,832,446	807,071,806	57.65%
CDOs Squared	17,250,000	16,640,250	-	0.00%
Middle Market Senior Secured Loans	245,249,000	227,357,145	182,827,862	13.05%
	<u>1,329,819,746</u>	<u>1,188,401,841</u>	<u>989,899,668</u>	<u>70.70%</u>
<i>Euro</i>				
<i>Ireland – CLO debt equity security</i>				
Broadly Syndicated Senior Secured Loans	127,400,000	155,916,581	110,451,503	7.89%
	<u>127,400,000</u>	<u>155,916,581</u>	<u>110,451,503</u>	<u>7.89%</u>
<i>Luxembourg – CLO debt equity security</i>				
Broadly Syndicated Senior Secured Loans	65,100,000	80,651,697	25,983,606	1.84%
	<u>65,100,000</u>	<u>80,651,697</u>	<u>25,983,606</u>	<u>1.84%</u>
<i>Netherlands – CLO debt equity security</i>				
Broadly Syndicated Senior Secured Loans	24,000,000	31,758,532	23,374,103	1.67%
	<u>24,000,000</u>	<u>31,758,532</u>	<u>23,374,103</u>	<u>1.67%</u>
<i>US Dollar – Loans</i>				
Broadly Syndicated Senior Secured Loans	98,379,464	94,972,681	96,660,171	6.90%
Unsecured Loan	4,500,000	4,500,000	4,587,803	0.33%
	<u>102,879,464</u>	<u>99,472,681</u>	<u>101,247,974</u>	<u>7.23%</u>
<i>US Dollar – Unlisted Stock</i>				
Financial Real Estate		482,285	482,285	0.03%
		<u>482,285</u>	<u>482,285</u>	<u>0.03%</u>
<i>US Dollar – Investment Funds</i>				
Real Estate		699,016	699,016	0.05%
		<u>699,016</u>	<u>699,016</u>	<u>0.05%</u>
Total Investments		<u>1,557,382,633</u>	<u>1,252,138,155</u>	<u>89.41%</u>
Financial Derivative Instruments				
			Fair Value US\$	% of Net Assets
Interest rate swaptions			18,892,608	1.35%
Forward foreign currency exchange contracts			(1,291,378)	(0.09%)
Total Financial Derivative Instruments			<u>17,601,230</u>	<u>1.26%</u>
Cash and Cash Equivalents			67,681,118	4.83%
Other Assets and Liabilities			63,066,412	4.50%
Net Assets			<u>1,400,486,915</u>	<u>100.00%</u>

TETRAGON FINANCIAL GROUP MASTER FUND LIMITED

CONSOLIDATED SCHEDULE OF INVESTMENTS (continued)

As at 31 December 2010 (audited)

Security Description	Nominal	Cost US\$	Fair Value US\$	% of Net Assets
<i>US Dollar</i>				
<i>Cayman Islands – CLO debt equity security</i>				
ABS and Structured Finance	18,400,000	17,572,000	-	-
Broadly Syndicated Senior Secured Loans	999,942,986	880,357,435	665,982,025	56.34%
CDOs Squared	17,250,000	16,640,250	-	-
Middle Market Senior Secured Loans	245,249,000	227,357,145	167,713,294	14.19%
	<u>1,280,841,986</u>	<u>1,141,926,830</u>	<u>833,695,319</u>	<u>70.53%</u>
<i>Euro</i>				
<i>Ireland – CLO debt equity security</i>				
Broadly Syndicated Senior Secured Loans	127,400,000	155,916,581	73,832,615	6.25%
	<u>127,400,000</u>	<u>155,916,581</u>	<u>73,832,615</u>	<u>6.25%</u>
<i>Luxembourg – CLO debt equity security</i>				
Broadly Syndicated Senior Secured Loans	65,100,000	80,651,697	12,974,610	1.10%
	<u>65,100,000</u>	<u>80,651,697</u>	<u>12,974,610</u>	<u>1.10%</u>
<i>Netherlands – CLO debt equity security</i>				
Broadly Syndicated Senior Secured Loans	24,000,000	31,758,532	12,174,195	1.03%
	<u>24,000,000</u>	<u>31,758,532</u>	<u>12,174,195</u>	<u>1.03%</u>
<i>US Dollar – Loans</i>				
Broadly Syndicated Senior Secured Loans	99,976,284	95,239,296	97,598,898	8.26%
Unsecured Loans	4,500,000	4,500,000	4,520,757	0.38%
	<u>104,476,284</u>	<u>99,739,296</u>	<u>102,119,655</u>	<u>8.64%</u>
<i>US Dollar – Unlisted Stock</i>				
Financial Real Estate		482,285	482,285	0.04%
		<u>482,285</u>	<u>482,285</u>	<u>0.04%</u>
Total Investments		<u>1,510,475,221</u>	<u>1,035,278,679</u>	<u>87.59%</u>
Financial Derivative Instruments				
			Unrealized Gain US\$	% of Net Assets
Forward foreign currency exchange contracts			2,883,979	0.25%
Total Financial Derivative Instruments			<u>2,883,979</u>	<u>0.25%</u>
Cash and Cash Equivalents			140,625,333	11.90%
Other Assets and Liabilities			3,118,032	0.26%
Net Assets			<u>1,181,906,023</u>	<u>100.00%</u>

TETRAGON FINANCIAL GROUP MASTER FUND LIMITED

FINANCIAL HIGHLIGHTS

For the period ended 30 June 2011 (unaudited) and 31 December 2010 (audited)

The following represents selected per Share operating performance of the Fund, ratios to average net assets and total return information for the period ended 30 June 2011 and the year ended 31 December 2010.

	I Jan 2011 to 30 Jun 2011*	I Jan 2010 to 31 Dec 2010
	US\$	US\$
Per Share operating performance		
Net asset value at start of period/year	9.83	6.71
Net investment income	0.82	1.53
Net realized and unrealized gain from investments, derivatives and foreign currencies	2.30	3.09
Dividends paid to shareholders	(1.06)	(1.29)
Income and deferred tax expense and noncontrolling interest	(0.03)	(0.03)
Other capital transactions	(0.09)	(0.18)
Net Asset Value at the end of the period/year	<u>11.77</u>	<u>9.83</u>
Return (NAV change excluding dividends and other capital transactions)	<u>31.43%</u>	<u>68.55%</u>

Ratios and supplemental data

Ratio to average net assets:		
Total operating expenses	(1.46%)	(2.54%)
Net investment income	7.01%	17.41%

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

*The ratios and returns have not been annualized.

TETRAGON FINANCIAL GROUP MASTER FUND LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the period ended 30 June 2011 (unaudited)

Note 1 General Information

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

The Fund currently owns 75% of LCM Asset Management LLC (“LCM”) through a 100% owned U.S. subsidiary, Tetragon Capital Management LLC (“TCM”) and consolidates the income and expenses and assets and liabilities of that entity in these accounts.

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

Note 2 Significant Accounting Policies

Basis of Presentation

The consolidated financial statements give a true and fair view, are prepared in conformity with accounting principles generally accepted in the United States of America (“US GAAP”) and comply with the Companies (Guernsey) Law, 2008.

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

The accounting policies have been consistently applied by the Fund during the period ended 30 June 2011 and are consistent with those used in the previous year.

The financial statements are presented in United States Dollars.

Use of Estimates

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

Foreign Currency Translation

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

TETRAGON FINANCIAL GROUP MASTER FUND LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued) For the period ended 30 June 2011 (unaudited)

Note 2 Significant Accounting Policies (continued)

Foreign Currency Translation (continued)

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

Investment Transactions and Investment Income

Investment transactions are recorded on a trade date basis (the trade date is the date that an entity commits to purchase or sell an asset). Realized gains and losses from equity “tranche” investments, leveraged loans, forwards, swaptions, investment funds and unlisted stock are calculated on the identified cost basis. Interest income is recognized on an effective interest rate basis.

Financial Instruments

Investments in CLO debt equity securities, at fair value

In the absence of an active market for the equity tranche investments in securitization vehicles, a mark to model approach has been adopted to determine their valuation. A third party valuation model that is used by the Investment Manager and the administrator has been selected for this purpose. The model contains characteristics of the securitization vehicle structure, including current assets and liabilities and inception to date performance, based upon information derived by a specialist firm, from data sources such as the trustee reports. Key model inputs include asset spreads, expected defaults and expected recovery rates for the relevant category of underlying collateral held in the securitization vehicle. These inputs are derived by reference to a variety of market sources, which are used by both the Investment Manager and the Administrator. The model is used to project performance (“Expected IRR”) for each investment, based on performance to date and expected future cash flows as well as calculate fair value. As cash is received from the securitization vehicle, only the Expected IRR is recognized as income and any difference is treated as an adjustment of principal.

The fair value calculations for the equity tranches are sensitive to the key model inputs, including defaults and recovery rates. The default rate, recovery rate and other assumptions are determined by reference to a variety of market sources and applied according to the quality and asset class mix of the underlying collateral.

The model assumptions are reviewed on a regular basis and adjusted as appropriate to factor in historic, current and potential market developments.

As at 30 June 2011 some of the modeling assumptions used, are as follows:

- Constant Annual Default Rate (“CADR”): This is approximately 2.2%, which is 1.0x the original Weighted Average Rating Factor (“WARF”) derived base-case default rate, until the end of 2011 and approximately 3.2% or 1.5x the original base-case for 2012-14 before returning to 2.2% or 1.0x the original base-case thereafter.

TETRAGON FINANCIAL GROUP MASTER FUND LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued) For the period ended 30 June 2011 (unaudited)

Note 2 Significant Accounting Policies (continued)

Financial Instruments (continued)

Investments in CLO debt equity securities, at fair value (continued)

- **Recovery Rate:** The assumed recovery rate is 71%, or 1.0x of the original base-case assumed weighted-average recovery rate, for the life of the transaction.
- **Prepayment Rate:** Loan prepayments are assumed to be 20% p.a., the original base-case prepayment rate with a 0% prepayment rate on bonds throughout the life of the transaction.
- **Reinvestment Price and Spread:** The assumed reinvestment price is 99% of par, a level that generates an effective spread over LIBOR of approximately 289 bps on broadly U.S. syndicated loans, 329 bps on European loans, and 358 bps on middle market loans, until the end of 2011, followed by a return to par reinvestment price the original base case reinvestment price thereafter until maturity.

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 the Investment Manager reviews, among other things, the observable yield on mezzanine CLO tranches as well as the individual deal's structural strength and credit quality.

As at 30 June 2011, the Fund applies a 20% discount rate to those equity tranches adjudged to be relatively stronger in terms of structure and credit quality and 25% to the remainder. These discount rates represent a significant spread over observed yields on BB-rated CLO tranches at that date.

Due to, among other factors, the elevated market risk premiums since the financial crisis, this effective discount rate has typically been higher than the deal's IRR and therefore in such instances, has resulted in a fair value which is lower than the deal's amortized cost. The difference between these two figures, on an aggregate basis across the CLO portfolio, has been characterized as the "ALR Fair Value Adjustment" or "ALR". At 30 June 2011, the ALR totaled approximately US\$ 133.8 million (31 December 2010: US\$ 258.0 million).

The Fund recognizes interest income and any impairment pursuant to "Recognition of Interest Income and Impairment on Purchased and Retained Beneficial Interests in Securitized Financial Assets" (ASC 325). Recognition of Interest Income as impairment on purchased and Retained Beneficial Interest in Securitized Financial Assets sets forth rules for recognizing interest income and determining when an investment's amortized cost must be written down to fair value because of other than temporary impairments.

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

Investments are evaluated for impairment as of each month end or more frequently if the Fund becomes aware of any material information that would lead it to believe an investment may be impaired. Unrealized gains and losses occur when actual cash receipts differ from the amounts initially estimated, discount rates and/or assumptions included in the fair valuation models (such as estimated default rates, prepayment or recovery rates) have changed. Any unrealized loss is tested for permanent impairment as required by ASC 325.

TETRAGON FINANCIAL GROUP MASTER FUND LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued) For the period ended 30 June 2011 (unaudited)

Note 2 Significant Accounting Policies (continued)

Financial Instruments (continued)

Investments in leveraged loans, at fair value

To the extent that the Fund's leveraged loan's 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.

Interest income on leveraged loans, including amortization of premium and accretion of discount, is recorded on an effective interest rate basis to the extent that such amounts are expected to be collected.

Investments in securities, unlisted common stock, at fair value

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

Investments in unlisted investment funds, at fair value

Investments in unlisted investment funds are valued utilizing the net asset valuations provided by the managers of the underlying funds and/or their administrators. The valuation also considers liquidity risk in determining fair value.

Forward currency contracts, at fair value

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

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

Interest rate swaptions, at fair value

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

The Fund records an unrealized gain or loss for the amount expected to be received or paid under the swaption agreement if the agreement was terminated on the reporting date and is recorded as swaptions at fair value on the Consolidated Statement of Assets and Liabilities and the Consolidated Schedule of Investments.

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

TETRAGON FINANCIAL GROUP MASTER FUND LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued) For the period ended 30 June 2011 (unaudited)

Note 2 Significant Accounting Policies (continued)

Financial Instruments (continued)

Interest rate swaptions, at fair value (continued)

When a swaption which the Fund holds is exercised, the amount of the premium originally paid will offset the cost of the swap upon exercise of the option in arriving at the movement in unrealized gain or loss to be included in the Consolidated Statement of Operations. Premiums paid on the purchase of swaptions which expire unexercised are treated as realized losses.

ASC 820, Fair Value Measurements

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

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

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

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

The following is a summary of the inputs used as of 30 June 2011 in valuing the Fund's assets carried at fair value:

	Level 1 US\$	Level 2 US\$	Level 3 US\$	Total US\$
CLO Debt Equity Securities	-	-	1,149,708,880	1,149,708,880
Broadly Syndicated Senior Secured Loans	-	96,660,171	-	96,660,171
Unsecured Loan	-	-	4,587,803	4,587,803
Interest rate swaptions	-	18,892,608	-	18,892,608
Net unrealized depreciation on forward foreign exchange contracts	-	(1,291,378)	-	(1,291,378)
Common Stock	-	-	482,285	482,285
Collective Investment Schemes	-	-	699,016	699,016
	-	114,261,401	1,155,477,984	1,269,739,385

The following is a summary of the inputs used as of 31 December 2010 in valuing the Fund's assets carried at fair value:

	Level 1 US\$	Level 2 US\$	Level 3 US\$	Total US\$
CLO Debt Equity Securities	-	-	932,676,739	932,676,739
Broadly Syndicated Senior Secured Loans	-	97,598,898	-	97,598,898
Unsecured Loan	-	-	4,520,757	4,520,757
Net unrealized appreciation on forward foreign exchange contracts	-	2,883,979	-	2,883,979
Common Stock	-	-	482,285	482,285
	-	100,482,877	937,679,781	1,038,162,658

TETRAGON FINANCIAL GROUP MASTER FUND LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued) For the period ended 30 June 2011 (unaudited)

Note 2 Significant Accounting Policies (continued)

Financial Instruments (continued)

ASC 820, Fair Value Measurements (continued)

The following is a reconciliation of the Fund's assets in which significant unobservable inputs (Level 3) were used in determining fair value at 30 June 2011.

	30 Jun 2011 US\$	31 Dec 2010 US\$
Balance at start of period/year	937,679,781	655,234,320
Purchases of investments	46,638,136	34,071,852
Change in unrealized appreciation	266,378,879	338,465,221
Amortisation	(95,218,812)	(90,091,612)
Balance at end of period/year	<u>1,155,477,984</u>	<u>937,679,781</u>

Cash and cash equivalents

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

Intangible assets, CLO management agreements

Intangible assets represent CLO management agreements and are amortized over its useful life. Intangible assets are stated at cost less accumulated amortisation and impairment.

Amortisation is recognized in profit or loss on a straight-line basis over the useful life of the agreements. The estimated useful life for the purposes of amortization is three years.

Income from CLO Management

Income from CLO management comprises discretionary portfolio management fees of senior management fees and subordinated management fees. Senior management fee income is recognized on an accruals basis. For the subordinated management fee income, the Fund makes estimated interim accruals of such subordinated income based on recent historical distributions and the CLO's performance and adjusts such accruals on a quarterly basis to reflect actual distributions.

Other income

Other income, such as income and fees derived from consent given in connection with corporate actions in CLO vehicles in which the Fund has an investment, are recognized on an accruals basis.

Expenses

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

TETRAGON FINANCIAL GROUP MASTER FUND LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued) For the period ended 30 June 2011 (unaudited)

Note 2 Significant Accounting Policies (continued)

Taxation

Income taxes, Fund

The Fund is exempt from Guernsey income tax under the Income Tax (Exempt Bodies) (Guernsey) Ordinance 1989 and is charged GBP 600 per annum. The Fund has however consolidated a US operating business which is subject to US federal, state and city taxes.

Income taxes, LCM and TCM

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

Following the adoption of FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes, (included in FASB ASC Subtopic 740-10 – Income Taxes – Overall), the Fund recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. There are no uncertain tax positions recognized at 30 June 2011.

Dividend Expense

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

Principles of Consolidation

The Fund owns 100% of a US subsidiary, TCM which owns 75% of an asset manager, LCM. The Fund has determined that it has control over LCM for the purposes of consolidation and therefore consolidates 100% of the income and expenses and assets and liabilities on a line by line basis. The remaining 25% is reflected through the Noncontrolling interest line.

The Fund owns 100% of a US subsidiary, TFG RE 1 LLC, through which it holds an investment in GreenOak US, LP, an alternative investment vehicle focusing on US Real Estate. The subsidiary is consolidated by the Fund.

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

The Fund is the primary beneficiary of some securities which are considered variable interest entities (“VIE”). As the Fund is accounting for its investments at fair value in accordance with the accounting guidance in the AICPA Audit and Accounting Guide: Investment Companies and has determined that it does not have control over the significant operational and financial decisions of these securities, consolidation of these entities is not required. At 30 June, 2011 the Fair value of these VIEs is approximately \$1,149,708,880. These are non-recourse securities with no contingent liabilities where the Fund’s maximum loss exposure is capped at the current carrying value.

Note 3 GreenOak Loan

TCM LLC has provided GreenOak Real Estate (“GreenOak”) with working capital of up to US\$10.0 million in the form of a seven year non-recourse loan facility. Under the terms of this facility, the first US\$ 5.0 million will earn an annual interest rate of 3% and the balance will earn an annual interest rate of 6%.

TETRAGON FINANCIAL GROUP MASTER FUND LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the period ended 30 June 2011 (unaudited)

Note 3 GreenOak Loan (continued)

	30 June 2011	31 Dec 2010
	US\$	US\$
Working capital advanced to GreenOak	4,500,000	4,500,000
Interest receivable on facility	87,803	20,757
	4,587,803	4,520,757

Note 4 Intangible Assets

	30 June 2011	
	Weighted average	Accumulated
	outstanding	amortization
	amortization period	US\$
	US\$	US\$
CLO management contracts	159,829	1 year 7 months
Total	159,829	(143,005)
		(143,005)

Aggregate amortization expense for amortizing intangible assets was US\$ 50,472 for the period ended 30 June 2011. Estimated amortization expense for the next three years is US\$ 50,473 in 2011, US\$ 100,945 in 2012, US\$ 8,411 in 2013.

Note 5 Cash and Cash Equivalents

	30 Jun 2011	31 Dec 2010
	US\$	US\$
Cash and current deposits with banks	62,658,881	140,405,829
Foreign currency cash with banks (cost: US\$ 4,994,874 (31 December 2010: US\$ 206,128))	5,022,237	219,504
	67,681,118	140,625,333

Note 6 Financial Instruments with Off-Balance Sheet Risk and Concentration of Credit Risk

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

The Fund's assets include securities or other financial instruments or obligations which are very thinly traded or for which no market exists or which are restricted as to their transferability under applicable securities laws. The valuation of equity tranche investments in securitization vehicles is determined utilizing a financial model that reflects numerous variables including, among other things, the Investment Manager's assessment of the nature of the investment and the relevant collateral, security position, risk profile, expected default rates and the originator and servicer of the position.

As each of these factors involves subjective judgments and forward-looking determinations by the Investment Manager, the Investment Manager's experience and knowledge is instrumental in the valuation process. Further, because of overall size or concentration in particular markets of positions held by the Fund, the value at which its investments can be liquidated may differ, sometimes significantly, from the interim valuations arrived at.

TETRAGON FINANCIAL GROUP MASTER FUND LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued) For the period ended 30 June 2011 (unaudited)

Note 6 Financial Instruments with Off-Balance Sheet Risk and Concentration of Credit Risk (continued)

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

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

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

As part of the Fund's current investment strategy it may employ hedging strategies and leverage in seeking to provide attractive returns from the portfolio while managing risk. The hedging strategy may include the use of single name or index credit hedges when and where appropriate as well as foreign exchange rate hedges and interest rate swaptions. This is reviewed on an on-going basis in order to seek to address identified risks to the extent practicable and in a cost effective manner. As at 30 June 2011 and 31 December 2010 there were no credit hedges in place.

The Fund's investments in leveraged loans through equity tranche investments in securitization vehicles generate LIBOR plus returns and are sensitive to interest rate levels and volatility. Although these vehicles are structured to hedge interest rate risk through the use of matched funding, there may be some difference between the timing of LIBOR resets on the liabilities and assets, which could have a negative effect on the amount of funds distributed to equity tranche holders. Furthermore, in the event of a significant rising interest rate environment and/or economic downturn, loan defaults may increase and result in credit losses that may be expected to affect the Fund's cash flow, fair value of its assets and operating results adversely. The Fund may utilise hedging instruments, such as interest rate swaptions, to try and mitigate interest rate tail risks.

The Fund's investments that are denominated in currencies other than US Dollars are subject to the risk that the value of such currency will decrease in relation to the US Dollar. The Fund currently uses foreign exchange rate forwards to seek to hedge this currency risk, in whole or in part, to the extent practicable and in a cost effective manner. As described above, the hedging strategy (including, these currency hedges) are reviewed on an on-going basis.

Details of the Fund's investment portfolio at the reporting date are disclosed in the Schedule of Investments on pages 7 and 8.

Note 7 Amounts Due From Brokers

The amounts due from brokers is cash pledged as collateral on the forward contracts. At 30 June 2011 the collateral cash balance with UBS AG was US\$ 11,192,652 (31 December 2010: US\$ 4,285,552).

TETRAGON FINANCIAL GROUP MASTER FUND LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the period ended 30 June 2011 (unaudited)

Note 8 Other Receivables

	30 Jun 2011	31 Dec 2010
	US\$	US\$
Accrued CLO management fee income	1,849,747	1,460,150
CLO coupon receivable	2,005,293	-
Bank interest receivable	858	802
Prepaid insurance	12,557	163,239
Other receivables	161,083	113,299
	4,029,538	1,737,490

Note 9 Other Payables and Accrued Expenses

	30 Jun 2011	31 Dec 2010
	US\$	US\$
Employee costs	3,141,308	3,452,051
Legal and professional fees accrual	760,779	67,000
Audit fee accrual	152,516	283,473
Directors' fee accrual	75,000	75,000
Custodian fee accrual	10,000	10,000
Other operating and administrative expenses	329,234	263,149
	4,468,837	4,150,673

Note 10 Share Capital

Authorized

The Fund has an authorized share capital of US\$ 1,000,000 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 Funds 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 at the absolute discretion of the Directors. The Voting Shares carry no rights to dividends. Through the Optional Stock Dividend Plan, shareholders can elect to receive dividends in the form of new Shares in the Fund instead of cash dividends. The new Shares are of the same class and type and will rank equally with the existing issued Shares in all respects.

TETRAGON FINANCIAL GROUP MASTER FUND LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the period ended 30 June 2011 (unaudited)

Note 10 Share Capital (continued)

Share Transactions

	Voting Shares No.	Shares No.	Shares US\$
Shares in issue at 31 December 2009	10	124,768,684	124,769
Issued	-	1,107,125	1,107
Treasury shares	-	(5,742,119)	(5,742)
Shares in issue at 31 December 2010	10	120,133,690	120,134
Issued	-	577,349	577
Treasury shares	-	(1,948,814)	(1,949)
Shares in issue at 30 June 2011	10	118,762,225	118,762

Treasury shares

On 30 November 2007, Tetragon Financial Group Limited (the “Feeder”), an investor in the Fund, announced the implementation of a share repurchase program of their outstanding Shares. This program was subsequently updated and will now continue from 4 October 2010 until 31 October 2011 or until 5% of the Feeder’s outstanding shares have been repurchased under the updated program or until terminated by the Board. In conjunction with this, the Fund has undertaken to repurchase an identical number of its own Shares from the Feeder as and when it makes these repurchases in the open market. The Fund will match the price per share paid by the Feeder. The Shares are held in a Treasury Account which allows them to be resold back to the Feeder if it resells its own shares back into the market at a later date. Whilst they are held in the Treasury Account the Shares are neither eligible to receive dividends nor are they included in the Shares outstanding on the Consolidated Statements of Assets and Liabilities.

On 15 November 2010, the Fund transferred 3,908,241 shares from the Treasury Account to a wholly owned subsidiary, TFG Holdings I. These Shares are neither eligible to receive dividends nor are they included in the Shares outstanding on the Statements of Assets and Liabilities. After giving effect to this transfer as at 30 June 2011, the Fund held 9,065,735 shares in the Treasury Account (31 December 2010: 7,116,921)

Noncontrolling Interest relating to LCM

The Fund adopted “Noncontrolling Interests in Consolidated Financial Statements” which requires noncontrolling interests to be classified in the consolidated statements of operations as part of consolidated net earnings (US\$ 901,967 for the period ended 30 June 2011, US\$ 787,733 for the period ended 30 June 2010) and to include the accumulated amount of noncontrolling interests in the consolidated statements of assets and liabilities as part of shareowners’ equity (US\$ 2,270,374 at 30 June 2011, US\$ 1,368,642 at 31 December 2010). If a change in ownership of a consolidated subsidiary results in loss of control and deconsolidation, any retained ownership interests are remeasured with the gain or loss reported in net earnings.

Note 11 Share Premium

	30 Jun 2011 US\$	31 Dec 2010 US\$
Balance at start of period/year	1,116,274,456	1,136,554,698
Discount arising from net transactions of Shares	(10,434,859)	(20,280,242)
Balance at end of period/year	1,105,839,597	1,116,274,456

TETRAGON FINANCIAL GROUP MASTER FUND LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the period ended 30 June 2011 (unaudited)

Note 12 Dividends

	30 Jun 2011	31 Dec 2010
	US\$	US\$
Quarter ended 31 December 2009 of US\$ 0.06 per share	-	7,442,348
Quarter ended 31 March 2010 of US\$ 0.06 per share	-	7,373,866
Quarter ended 30 June 2010 of US\$ 0.08 per share	-	9,731,417
Quarter ended 30 September 2010 of US\$ 0.08 per share	-	9,638,540
Quarter ended 31 December 2010 of US\$ 0.09 per share	10,792,152	-
Quarter ended 31 March 2011 of US\$ 0.09 per share	10,752,769	-
	21,544,921	34,186,171

The second quarter dividend of US\$ 0.10 cents was proposed by the Directors on 28 July 2011 and has not been included as a liability in these financial statements.

The Fund also pays a dividend to the Guernsey Feeder that is sufficient to pay their incentive fee liability which in the period to 30 June 2011 was US\$ 97,036,807 (period to 30 June 2010: US\$ 52,047,896).

Note 13 Earnings

	30 Jun 2011	31 Dec 2010
	US\$	US\$
Balance at start of period/year	64,142,791	(300,050,790)
Net increase in net assets resulting from operations for the period /year	346,697,119	506,166,760
Dividends paid to shareholders	(21,544,921)	(34,186,171)
Dividends paid to Feeder	(97,036,807)	(107,787,008)
Balance at end of period/year	292,258,182	64,142,791

Note 14 Income and deferred tax expense

Income tax for the period ended 30 June 2011:

	Current	Deferred	Total
	US\$	US\$	US\$
Period ended 30 June 2011:			
US federal (TCM)	928,816	402,642	1,331,458
State and local (TCM)	460,857	-	460,857
State (LCM)	150,327	-	150,327
	1,540,000	402,642	1,942,642
Period ended 30 June 2010:			
US federal (TCM)	803,488	348,312	1,151,800
State and local (TCM)	398,671	-	398,671
State (LCM)	131,289	-	131,289
	1,333,448	348,312	1,681,760

LCM is a partnership for US tax purposes and it only incurs certain state taxes. TCM is a corporation for US tax purposes and has federal, state and city taxes levied upon its taxable income.

US\$ 662,659 of current tax was outstanding at the end of the period (31 December 2010: US\$ 296,854).

TETRAGON FINANCIAL GROUP MASTER FUND LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the period ended 30 June 2011 (unaudited)

Note 14 Income and deferred tax expense (continued)

Tax Rate Reconciliation

Income tax expense was US\$ 1,942,642 for the period ended 30 June 2011, and differed from the amounts computed by applying the U.S. federal income tax of 34% to pretax increase in the net assets as a result of the following:

	30 Jun 2011 US\$
Net increase in net assets resulting from operations before tax	349,541,493
Computed "expected" tax expense at 34%	118,844,108
<i>Increase (reduction) in income taxes resulting from:</i>	
Income not subject to US tax	(117,914,293)
Deferred tax provision	402,642
State and local income taxes	611,185
Other exemptions net	(1,000)
Total income and deferred tax expense	1,942,642

Deferred Tax

A deferred tax liability of \$402,642 for the period ended 30 June 2011 (31 December 2010: US\$ 92,995) has been recognized with respect to undistributed earnings of TCM of US\$ 1,342,140 at withholding tax rate of 30%.

Note 15 Interest Income

	30 Jun 2011 US\$	30 Jun 2010 US\$
Debt securities – CLO equity tranches	97,245,451	85,935,736
Debt securities – Leveraged loans	3,053,500	621,069
Cash and short-term funds	80,449	108,185
Debt securities – Unsecured loans	25,905	-
	100,405,305	86,664,990

Note 16 CLO management fee income

	30 Jun 2011 US\$	30 Jun 2010 US\$
Senior fees	2,379,125	1,935,784
Subordinated fees	5,276,267	4,243,021
	7,655,392	6,178,805

Senior fees range from 0 bps to 20 bps per annum of collateral under management and subordinated fees range from 30bps to 50 bps per annum of collateral under management.

Note 17 Other income

	30 Jun 2011 US\$	30 Jun 2010 US\$
Fee and fee sharing from consent on CLO corporate actions	3,021,262	579,358
	3,021,262	579,358

TETRAGON FINANCIAL GROUP MASTER FUND LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued) For the period ended 30 June 2011 (unaudited)

Note 18 Related Party Transactions

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

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

The remuneration for Directors shall be determined by resolution of the Voting Shareholder. The Directors' annual fee is US\$ 75,000 in compensation for service on the Boards of Directors of both the Feeder and the Fund. The Fund will pay the Directors' fees. Patrick Dear and Reade Griffith have waived their entitlement to a fee. The Directors are entitled to be repaid by the Fund for all travel, hotel and other expenses reasonably incurred by them in the discharge of their duties. None of the Directors has a contract with the Feeder or the Fund providing for benefits upon termination of employment.

The Voting Shareholder is an affiliate of Polygon Investment Partners LLP and Polygon Investment Partners LP (the "Service Providers") and 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 Feeder's Directors. Affiliates of the Service Providers also control the Investment Manager and, accordingly, control the Fund's business and affairs.

The Service Providers have an agreement to provide certain operating, infrastructure and administrative services to LCM. In the period ended 30 June 2011, the Service Providers recharged LCM US\$ 4,126,727 (period to 30 June 2010, US\$ 2,854,524). This includes invoices from third parties with respect to services such as market data. At 30 June 2011 US\$ 3,432,316 was payable (31 December 2010 US\$ 3,659,245).

On 22 June 2011, LCM IX (the "Issuer"), a US\$ 666.3 million CLO managed by LCM, was issued, in which the Fund purchased US\$ 33.5 million equity tranche at a cost of US\$ 32.7 million. Prior to the closure of this transaction, the Fund purchased and warehoused broadly syndicated US leveraged loans with a notional of US\$ 65.7 million and a cost of US\$ 65.4 million for the Issuer. These loans were purchased at market prices at the direction of the Issuer's manager, LCM, and subsequently sold to the Issuer at original cost. The Fund earned interest of these loans during the relevant period.

The Fund owns a 10% equity interest in GreenOak Real Estate ("GreenOak"), a multi-jurisdictional real estate venture, in which it also provides a US\$ 10.0 million working capital loan and a US\$ 100.0 million co-investment commitment. PM, an affiliate of the Voting Shareholder, also owns a noncontrolling equity interest, as well as provides a similar working capital loan. The Service Providers have an agreement with GreenOak to provide certain operating, infrastructure and administrative services to the business. As part of the transaction the Feeder has issued 3,908,241 share options to the GreenOak founders.

On 28 June 2011, the Fund paid a first capital drawdown request on an investment in GreenOak US, LP, an alternative investment vehicle focused on US real estate and managed by GreenOak. The Fund has made a commitment to fund 6% of the total capital commitments in GreenOak US, LP, subject to a cap of US\$ 25.0 million.

Note 19 Other Matters

On 22 February 2011, the Fund and the Feeder and their six Directors were served with proceedings in the Royal Court of Guernsey (the "Proceedings") instigated by one of the Fund's former Directors, Alexander Jackson. Mr. Jackson was given notice to vacate office as a Director on 24 January 2011. By the Proceedings, Mr. Jackson seeks to impugn the Fund's decision of 29 July 2010, announced on 2 August 2010, to enter into a joint venture with GreenOak Real Estate (the "GreenOak Transaction"). The Proceedings are confined to claims for damages and other relief against the Fund and the Feeder's Directors, and do not seek to reverse or interfere with the GreenOak Transaction, which was implemented in the third quarter of 2010.

TETRAGON FINANCIAL GROUP MASTER FUND LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued) For the period ended 30 June 2011 (unaudited)

Note 19 Other Matters (continued)

The Fund and the Feeder have issued a public statement stating that they and their Directors believe that there is no merit whatsoever in the Proceedings and will take all necessary steps to ensure the Proceedings are dismissed as quickly as possible. The Investment Manager has concluded that it is untenable for Mr. Jackson to continue in his current role as a consultant with respect to investment and risk matters relating to the Fund and the Feeder and, therefore, is taking steps to ensure that he will no longer continue in that capacity, although he remains a shareholder of the Investment Manager.

Note 20 Subsequent Events

The Directors have evaluated subsequent events up to 28 July 2011, which is the date that the financial statements were approved, and have concluded that there are not any material events that require disclosure or adjustment to the financial statements other than disclosed below.

On July 12, 2011, a shareholder derivative action was filed in United States District Court – Southern District of New York – against the current and former Directors of the Fund and the Feeder (together, “TFG”), TFG’s investment manager, the principals of TFG’s investment manager and an affiliated entity by a purported shareholder of the Feeder (the “Action”).

The Action makes a series of allegations specifically with respect to performance fees charged by TFG’s Investment Manager and asks, amongst other things, for money damages and equitable relief against the defendants, including the amendment and/or termination of the Investment Management Agreement among TFG and its Investment Manager.

TFG and its Board of Directors believe that the Action is factually and legally without merit and intend to seek to have the Action dismissed as quickly as possible.

Note 21 Recent changes to US GAAP

Reconsideration of Effective Control for Repurchase Agreements. In April 2011, the FASB issued ASU No. 2011-03, “Transfers and Servicing (Topic 860) — Reconsideration of Effective Control for Repurchase Agreements.” ASU No. 2011-03 changes the assessment of effective control by removing (i) the criterion that requires the transferor to have the ability to repurchase or redeem financial assets on substantially the agreed terms, even in the event of default by the transferee, and (ii) the collateral maintenance implementation guidance related to that criterion. ASU No. 2011-03 is effective for periods beginning after December 15, 2011. The adoption of ASU No. 2011-03 will not affect the Fund’s financial condition, results of operations or cash flows.

Note 22 Approval of Financial Statements

The Directors approved the financial statements on 28 July 2011.