

# TETRAGON

## TETRAGON ANNOUNCEMENT

**October 30, 2007**

Since Tetragon Financial Group Limited (TFG) announced its Q3 2007 results, Moody's and Standard & Poor's have published significant downgrades arising from their latest review of investment vehicles with exposure to US residential mortgage-backed securities ("RMBS"). As a result, TFG has taken the decision to write off its exposure to this asset class.

- ❖ As previously outlined in TFG's monthly reports, TFG's exposure to RMBS is through CDO-squared transactions and one ABS CDO transaction. The carrying value of the transactions affected by the downgrades was \$68 million at October 29, 2007, which amounts to 4.5% of the portfolio and represents approximately 5.3% of net assets as of September 30, 2007.
- ❖ To the end of Q3 2007, TFG's residual tranches have been receiving cash flows from these RMBS transactions. However, given the market impact of the recent downgrades on these investments, the current RMBS market dislocation and uncertain future performance, TFG believes it is prudent to write down the value of its deals with RMBS and ABS exposure to zero. This will eliminate any future negative earnings impact with respect to these investments. Should future cash flows be forthcoming on the transactions they would result in a subsequent write-up.
- ❖ Although these write-offs will result in a loss for October, cash flows on the remainder of TFG's portfolio remain strong. Therefore it is currently anticipated that there should be no impact on TFG's ability to pay a dividend in line with previous guidance for Q4 2007 and onwards. Despite this month's write-off, TFG remains profitable on a year-to-date basis and expects to return to continuing profitability at historic levels on a monthly basis in November 2007.

Post the write-down, TFG has 100% of its portfolio in collateralized loan obligations ("CLOs") with underlying exposure to senior secured loans, which remain attractive. Importantly, in contrast to the RMBS market, CLOs are required to have a much higher level of diversification both in terms of industry and individual obligors. Accordingly, TFG believes CLO investments are unlikely to be exposed to similar, highly correlated loan collateral actions by the rating agencies. Corporate credit continues to perform well, defaults are still well below historic norms and TFG's CLO portfolio is outperforming the market.

TFG will publish its full October operating results on November 20<sup>th</sup> as previously announced on its website.

TFG is hosting a brief conference call on this topic today at 18:30 GMT/19:30 CET/14:30 EST. The call can be accessed by dialling +44 (0)20 7162 0025 or +1 334 323 6201. No password is required. The replay numbers are +1 954 334 0342 and +44 (0)20 7031 4064, access code 772476.

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## About Tetragon:

Tetragon Financial Group Limited (TFG) is a Guernsey closed-ended investment company traded on the Euronext Amsterdam Exchange under the ticker symbol “TFG.” TFG currently invests through long-term funding vehicles such as collateralized debt obligations (CDOs) and collateralized loan obligations (CLOs) in selected securitized asset classes and aims to provide stable returns to investors across various interest rate and credit cycles.

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