TETRAGON

2020 ANNUAL REPORT

TETRAGON FINANCIAL GROUP

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TETRAGON[1] is a closed-ended investment company that invests in a broad range of assets, including public and private equities and credit (including distressed securities and structured credit), convertible bonds, real estate, venture capital, infrastructure, bank loans and TFG Asset Management, a diversified alternative asset management business. Where appropriate, through TFG Asset Management, Tetragon seeks to own all, or a portion, of asset management companies with which it invests in order to enhance the returns achieved on its capital. Tetragon's investment objective is to generate distributable income and capital appreciation. It aims to provide stable returns to investors across various credit, equity, interest rate, inflation and real estate cycles. The company is traded on Euronext in Amsterdam N.V. and on the Specialist Fund Segment of the main market of the London Stock Exchange.

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To view company updates visit: **www.tetragoninv.com**

Tetragon's shares are subject to restrictions on ownership by U.S. persons and are not intended for European retail investors. These are described on our website. Tetragon anticipates that its typical investors will be institutional and professional investors who wish to invest for the long term in a capital appreciation and income-producing investment. These investors should have experience in investing in financial markets and collective investment undertakings and be capable themselves of evaluating the merits and risks of Tetragon shares and they should have sufficient resources both to invest in potentially illiquid securities and to be able to bear any losses (which may equal the whole amount invested) that may result from the investment.

(1) Tetragon Financial Group Limited is referred to in this report as Tetragon. References to "we" are to Tetragon Financial Management LP, Tetragon's investment manager.

Delivering Results Since 2005[1]

NAV per Share Total Return[2]

9.5%	10.2%	14.6%	11.3%	332%
2020 Full Year	5 Years Annualised	10 Years Annualised	Since IPO Annualised	Since IPO

Investment Returns / Return on Equity[3]

7.6%	10-15%	12.1%
2020 Return on Equity	RoE Target	Annual Average Since IPO

Dividends[4]

$0.10	$0.40	4.2%	(9.2)%
Q4 2020 Dividend	2020 Dividends	Dividend Yield[5]	Dividend 5-Year CAGR[6]

Net Asset Value

$2.5 billion

31 December 2020

Ownership[7]

32.7%

Principal & Employee Ownership
at 31 December 2020

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

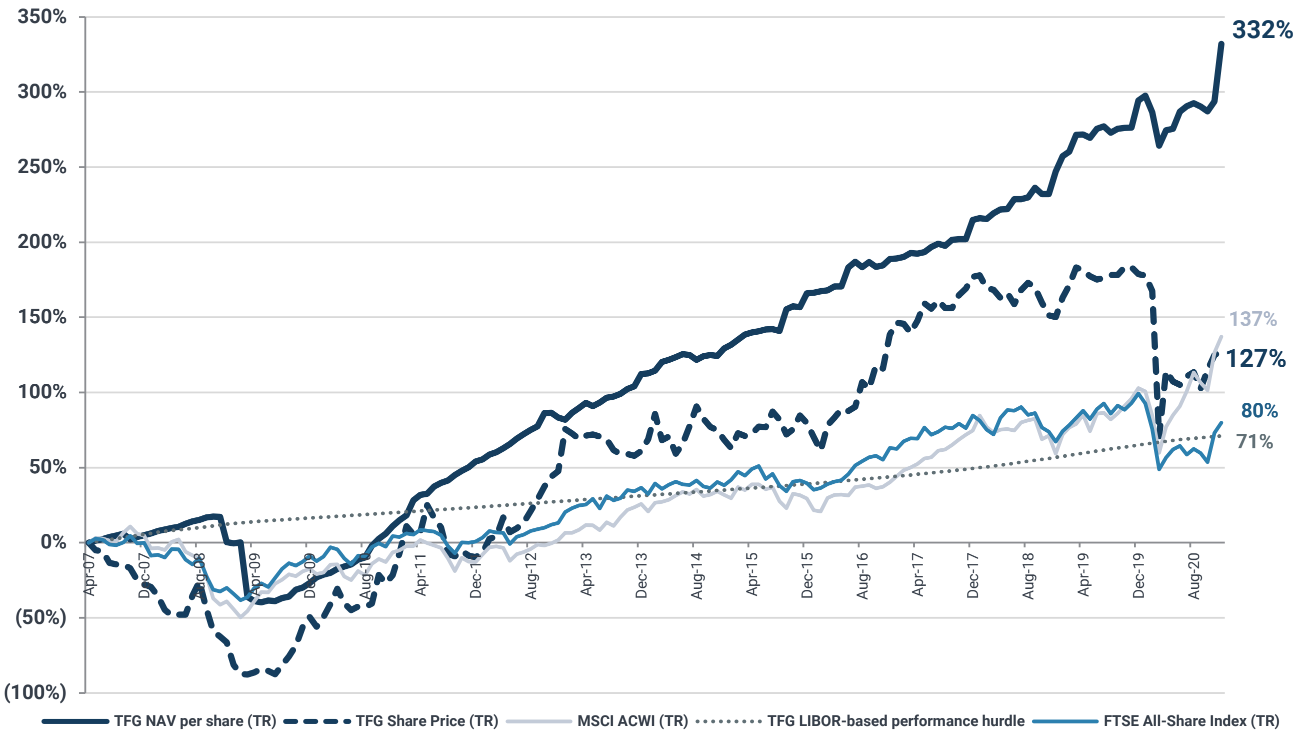
2020 Snapshot

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

Figure 1

Tetragon Financial Group - Performance Summary			
	31 December 2020	31 December 2019	Change
Net Assets	$2,474.4m	$2,386.1m	$88.3m
Fully Diluted NAV Per Share	$26.57	$24.76	$1.81
Share Price(1)	$9.50	$12.25	$(2.75)
Dividend	**$0.40**	**$0.74**	**$(0.34)**
Dividend Yield	4.2%	6.0%	
Ongoing Charges(2)	1.70%	1.73%	
Principal & Employee Ownership	32.7%	30.8%	
	2020	2019	
Investment Returns/Return on Equity(3)	**7.6%**	**13.4%**	
NAV Per Share Total Return(4)	**9.5%**	**13.6%**	
Share Price Total Return(5)	(18.5%)	11.5%	
Tetragon Hurdle: LIBOR +2.65%(6)	3.7%	5.2%	
MSCI ACWI Index Total Return(7)	16.8%	27.3%	
FTSE All-Share Index Total Return(7)	(9.7%)	19.1%	

Figure 2
Tetragon's NAV Per Share Total Return and Share Price Since IPO to 31 December 2020



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

Notes

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

(2) NAV per share total return (NAV Total Return) to 31 December 2020, for the last year, the last five years, the last ten years, and since Tetragon's initial public offering in April 2007. NAV Total Return is determined in accordance with the "NAV total return performance" calculation as set forth on the Association of Investment Companies (AIC) website. Tetragon's NAV Total Return is determined for any period by calculating, as a percentage return on the Fully Diluted NAV per Share (NAV per share) at the start of such period, (i) the change in NAV per share over such period, plus (ii) the aggregate amount of any dividends per share paid during such period, with any dividend deemed reinvested at the NAV per share at the month end date closest to the applicable ex-dividend date (i.e. so that the amount of any dividend is increased or decreased by the same percentage increase or decrease in NAV per share from such ex-dividend date through to the end of the applicable period). NAV per share is calculated as Net Assets divided by Fully Diluted Shares Outstanding. Please refer to page 64 for further details.

(3) Tetragon seeks to deliver 10-15% Return on Equity (RoE) *per annum* to shareholders. Please refer to page 64 for the calculation of RoE. Tetragon's returns will most likely fluctuate with LIBOR. LIBOR directly flows through some of Tetragon's investments and, as it can be seen as the risk-free short-term rate, it should affect all of Tetragon's investments. In high-LIBOR environments, Tetragon should achieve higher sustainable returns; in low-LIBOR environments, Tetragon should achieve lower sustainable returns.

(4) Following the modification to Tetragon's Dividend and Capital Return Policy in 2020 to remove of any specific dividend target payout ratio referenced to normalised earnings, Tetragon will no longer report a dividend cover as a relevant means of analysing the sustainability of the dividend.

(5) The dividend yield represents the last four quarterly dividends divided by the TFG NA share price at 31 December 2020. The latest declared dividend is included in the calculation.

(6) The five-year Compound Annual Growth Rate (CAGR) figure is at 31 December 2020.

(7) Shareholdings at 31 December 2020 of the principals of Tetragon's investment manager and employees of TFG Asset Management, including all deferred compensation arrangements (other than with respect to shares that are subject to performance criteria). Please refer to the Tetragon Financial Group Limited 2020 Audited Financial Statements for more details of these arrangements.

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(1) Based on TFG.NA.

(2) Annual calculation as at 31 December 2020. The ongoing charges figure is calculated as defined by the AIC, and comprises all direct recurring expenses to Tetragon expressed as a percentage of average Net Assets, and includes the annual management fee of 1.5%.

(3) Please see Note 3 for Page 6.

(4) Please see Note 2 for Page 6.

(5) 2020 total shareholder return, defined as share price appreciation including dividends reinvested, as sourced from Bloomberg.

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

(7) Any indices and other financial benchmarks are provided for illustrative purposes only. Comparisons to indices have limitations because, for example, indices have volatility and other material characteristics that may differ from the fund. Any index information contained herein is included to show general trends in the markets in the periods indicated, is not meant to imply that these indices are the only relevant indices, and is not intended to imply that the portfolio or investment was similar to any particular index either in composition or element of risk. The indices shown here have not been selected to represent an appropriate benchmark to compare an investor's performance, but rather is disclosed to allow for comparison of the investor's performance to that of certain well-known and widely-recognised indices. The volatility of the indices may be materially different from the individual performance attained by a specific investor. In addition, the fund's holdings may differ significantly from the securities that comprise the indices. The MSCI ACWI captures large and mid-cap representation across 23 developed markets and 27 emerging markets countries. With over 3,000 constituents, the index covers approximately 85% of the global investable equity opportunity set. Further information relating to the index constituents and calculation methodology can be found at www.msci.com/acwi. The FTSE All-Share Index represents 98-99% of U.K. market capitalisation and is the aggregate of the FTSE 100, FTSE 250 and FTSE Small Cap indices. Further information relating to the index constituents and calculation methodology can be found at www.ftserussell.com/products/indices/uk.

Strategic Review

Letter to Our Shareholders

Tetragon delivered an investment return on equity (RoE) of 7.6%, a NAV per share total return of 9.5% and a share price total return of -18.5% in 2020. Tetragon also declared 40.0 cents of dividends per share for the year – a yield of 4.2%.

Tetragon's NAV per share total return has averaged 10.2% over the past five years which compares to annualised performance of 12.9% for the MSCI ACWI Index.[1]

2020 presented one of the most challenging investment environments since the global financial crisis in 2008. During the year, market participants witnessed both the fastest bear market in the history of the S&P 500 followed by one of the quickest recoveries. Many asset classes ultimately had positive performance for the year, with the notable exceptions of some commodities and real estate. Initially, businesses that benefitted from the quarantine performed well; eventually, more economically-sensitive businesses rallied as investors focused on companies and industries that would benefit in an economic recovery.

2020 performance gains and losses

Four of the portfolio's asset classes produced performance gains for the year with two producing losses. Nearly 60% of the portfolio's gains were generated within TFG Asset Management (which holds private equity investments in asset management companies). The company's allocation to private equity and venture capital also delivered strong returns, generating over 20% of the company's gains. Remaining gains were within the portfolio's investments in event-driven equities, convertible bonds, and other equities and credit. The company's allocations to bank loans (via CLOs) and real estate generated small losses during the year.

Four of the portfolio's asset classes produced performance gains for the year with two producing losses. Nearly 60% of the portfolio's gains were generated within TFG Asset Management.

All eight of the TFG Asset Management businesses were able to perform well in spite of the challenges of 2020. The largest gain within TFG Asset Management was from Equitix.[2] Equitix raised over £1.4 billion of investment capital during 2020 and its assets under management have now more than trebled in the last four years. During the year, Equitix refinanced its £125 million of existing debt with £187 million of new debt, enhancing its cost of borrowing and maturity. Despite the challenges of COVID-19, BentallGreenOak[3] grew assets by $3.6 billion and the company's EBITDA exceeded its initial 2020 business plan. The BentallGreenOak management team remains focused on prudently deploying its "dry powder," sourcing accretive acquisitions for the business, and further optimizing its global footprint. Despite the slight pause in CLO issuance, LCM[4] priced LCM 31 in late 2020. The AAA notes in this structure were priced at 120 basis points over LIBOR, which matched only two other managers for the tightest print on a three-year structure post-COVID.

Tetragon's investments in hedge funds managed by Polygon[5] generated strong performance in 2020. Its investment in the Polygon Convertible Opportunity Fund gained $15 million and its allocations to the European Equity Opportunity Fund generated $32.5 million in gains. During the year, the Polygon Convertible Opportunity Fund was nominated for the tenth time since its inception in 2009 for the 2020 EuroHedge Award in the Convertibles and Volatility category; it has won the award five times. Tetragon Credit Partners[6] launched an open-ended hedge fund in May 2020 to take advantage of dislocations in CLO debt. In addition, Tetragon Credit Partners' TCI III vehicle deployed the remaining 17% of its uninvested capital during the first half of 2020. Although the value of Hawke's Point[7] remains small, the Hawke's Point team experienced strong results in their two investments during the year, which are discussed below. Hawke's Point aims to raise third party capital during 2021. Banyan Square Partners, an investment management business focused on providing non-control structured and common equity solutions to financial sponsors, deployed more than $24 million during the year.

Tetragon's investments in hedge funds managed by Polygon generated strong performance in 2020.

Private equity and venture capital investments generated $73.0 million in gains in 2020. Within this category, there were a few developments of note during the year. Hawke's Point produced the largest gains within the private equity and venture capital category with Tetragon's investment in Hawke's Point Fund 1 generating over $53 million of net income, driven by project development and corporate progress in its two Australian gold projects; favourable gold prices also served as a tail-wind. Directly, and through Banyan Square Partners, Tetragon has sought to partner with leading private equity managers in the United States and in Europe and intends for these allocations to be a source of differentiated returns. During the year, Tetragon and Banyan Square created five new investment relationships. As of 31 December 2020, Tetragon's investment in Ripple Labs Series C Preferred stock was valued at $174.6 million. At the point of making its investment in Ripple Labs in 2019, Tetragon bargained for the option to redeem its investment earlier if the SEC determined that XRP is a security on a going-forward basis. Given recent actions by the SEC, Tetragon has exercised that right, which Ripple Labs is contesting in Delaware Chancery Court.

The other equities and credit category is diversified across sectors, geographies and managers. Within this category, there were nine positions at year-end, with a focus on biotechnology and growth equity. These positions generated gains of more than $45 million during the year.

As noted above, two categories of Tetragon's portfolio recorded losses for the year – investments in bank loans (via CLOs) and real estate investments. Tetragon's CLO portfolio recorded a loss during 2020 as corporate credit fundamentals deteriorated during the year because of the pandemic. Tetragon's real estate investments lost $12.4 million during the year.

Other

Tetragon's net cash balance, which is cash adjusted for known accruals and liabilities (short and long-dated), was -$13.0 million as at 31 December 2020. In July 2020, Tetragon obtained a 10-year $250 million revolving credit facility, which replaced the previous shorter-dated facility of $150 million and also lowered its annual cost as a result. As at 31 December 2020, $100 million of this facility was drawn and this liability has been incorporated into the net cash balance calculation. Historically, Tetragon hedged back to dollars the entirety of its Equitix position. Going forward, Tetragon expects that it will leave some of this exposure unhedged.

The fourth quarter 2020 dividend was announced at 10.00 cents per share, bringing the full-year 2020 dividend to 40.00 cents per share, which is a 46% decrease on 2019. During the first half of the year, Tetragon modified its Dividend and Capital Return Policy to remove any specific dividend target payout ratio referenced to normalised earnings. During year, the manager took advantage of the fund's widened discount to NAV to repurchase $50.3 million of shares which was accretive to NAV per share by 92 cents. Tetragon also returned $36.4 million to shareholders in the form of dividends. We are pleased that the company has returned approximately $1.45 billion to investors through dividends and share repurchases since its initial public offering in 2007. Tetragon will continue to seek to return value to its shareholders, including through dividends and share repurchases.

Principal and employee ownership increased during 2020 to 32.7% of the company's shares.

Principal and employee ownership increased during 2020 to 32.7% of the company's shares. We believe that this ownership creates an alignment of interest between the investment manager, TFG Asset Management, and Tetragon shareholders.

We look forward to continuing our engagement with both long-term and new shareholders during 2021. Tetragon's next annual investor day is currently in the process of being planned, and due to the COVID-19 pandemic we will be holding this event virtually.

During the year, we have also made a number of key hires. Since the onset of COVID-19, employees have been able to work effectively in remote locations, as well as in our New York and London offices as necessary.

Finally, despite the challenges of consummating deals and launching businesses in a remote-work environment, TFG Asset Management and Brandon Baer launched Contingency Capital, a multi-product global asset management business that will sponsor and manage litigation finance related investment funds, on 1 November 2020. Mr. Baer formerly worked at Fortress Investment Group where he was the Co-Founder and Co-Head of its Legal Assets group.

Outlook

There are several macro-economic and pandemic-related externalities which will likely be important drivers of returns across many asset classes in 2021. As has been the case in the last several years, global monetary policies remain highly accommodative. Furthermore, as exemplified by some of the Biden administration's fiscal proposals which include large COVID-19 relief bills, we believe that we remain in a period of relatively "cheap" money. In addition to macro-inputs, we believe that the path of the COVID-19 pandemic could also influence economic health. If, as seems to be the case as of this writing, the pandemic is shorter-lived (*i.e.*, a return to more normalcy in the second half of 2021), then it is likely that global economies will experience an economic expansion due – in part – to inventory restocking and a return of consumer demand. If that is the case, we believe that the three-year forward return for risk assets could be substantial. Offsetting this, however, are questions of how much of a "return to normal" is priced into risk assets and how global monetary authorities will respond to inflation (should it emerge).

Although Tetragon's investment manager takes note of the current interest rate environment and these potentially offsetting positive and negative economic indicators, it has generally not sought to forecast the path of financial markets in implementing its investment strategy. Instead, it has built a portfolio diversified across asset classes, geographies and duration. The purpose of this diversification is twofold. First, it may increase the likelihood that the portfolio will exhibit a muted correlation to macro factors. Second, with multiple "return drivers", it may increase the possibility that in any given year the company will generate attractive risk adjusted returns. In addition to its approach to diversification, the investment manager also incorporates focused risk management into its capital allocation decisions. Incremental investments are considered not just for their return potential, but also for their risk reducing (or increasing) attributes. Tetragon's investment manager is focused on not only Tetragon's balance sheet's asset and liability mix, but also the asset and liability mix of the managers with whom it invests. The investment manager also believes that Tetragon's permanent capital structure helps it to better manage its risks across extended market cycles.

The manager remains focused on continuing to capitalize on opportunities, regardless of the path of the broader markets.

With Regards,

The Board of Directors

24 February 2021

Notes:

(1) Please see Note 7 for page 7 on page 8.

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

(3) BentallGreenOak, a manager of global real estate funds, was formed in July 2019 upon the merger of the GreenOak Real Estate joint venture with Bentall Kennedy, an affiliate of SLC Management, a global institutional asset management arm of Sun Life Financial Inc. Tetragon owns approximately 13% of the combined entity.

(4) LCM Asset Management LLC, a specialist in below-investment grade U.S. broadly-syndicated leveraged loans, is referred to in this report as "LCM". TFG Asset Management owns 100% of the business.

(5) Polygon Global Partners LP and Polygon Global Partners LLP (and certain of their affiliates), managers of open-ended hedge fund and private equity vehicles across a number of strategies that are part of TFG Asset Management, referred to in this report as "Polygon". Polygon Global Partners LLP is authorised and regulated by the United Kingdom Financial Conduct Authority. Tetragon owns 100% of the business.

(6) Tetragon Credit Partners is the holding company of the general partner entities for the TCI II, TCI III and Tetragon Credit Partners Opportunity Fund investment vehicles. Tetragon owns 100% of the business.

(7) Hawke's Point Manager LP, an asset management company focused on mining finance, referred to in this report as "Hawke's Point". Tetragon owns 100% of the business.

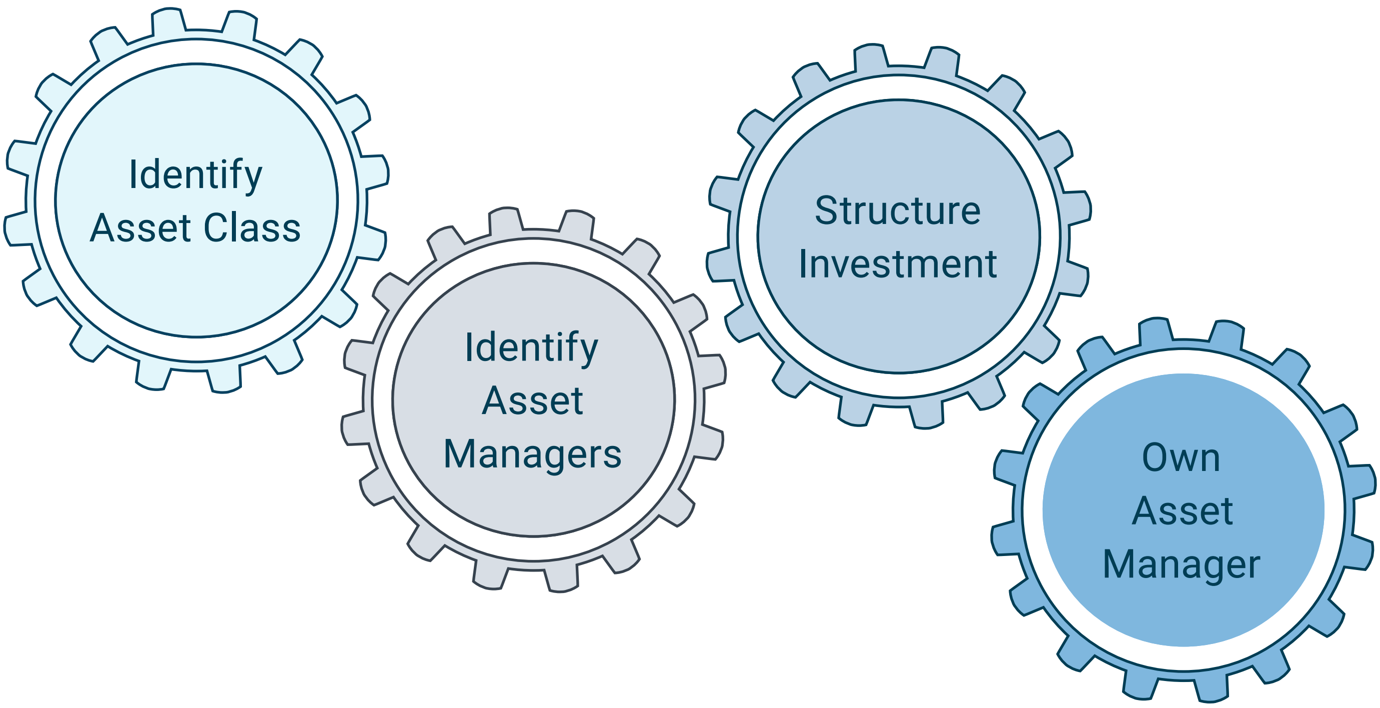
Tetragon was nominated for the 2018 and 2017 Investment Company of the Year Award in the "Flexible" category. There were four other nominees for these awards in 2018, and five other nominees in 2017. The Investment Company of the Year Award is organised by *Investment Week* magazine, a publication of Incisive Media, in association with the AIC (Association of Investment Companies). Investment companies are nominated by the award organisers using performance data provided by the AIC, using Morningstar Data, and FE Limited. Shortlists are constructed using a mixture of AIC data/research as well as from the submissions made by managers in the sector categories. As with the sector categories, winners are decided during the qualitative judging process. Submission for consideration for this category is by invitation only. Full details of the award methodology are available at www.investmentcompanyawards.com/static/methodology.

INVESTMENT WEEK
INVESTMENT COMPANY
OF THE YEAR AWARDS 2018
FINALIST

INVESTMENT WEEK
INVESTMENT COMPANY
OF THE YEAR AWARDS 2017
FINALIST

Investment Objective & Strategy

Tetragon is a closed-ended investment company that invests in a broad range of assets, including public and private equities and credit (including distressed securities and structured credit), convertible bonds, real estate, venture capital, infrastructure, bank loans and TFG Asset Management, a diversified alternative asset management business. Where appropriate, through TFG Asset Management, Tetragon seeks to own all, or a portion, of asset management companies with which it invests in order to enhance the returns achieved on its capital. Tetragon's investment objective is to generate distributable income and capital appreciation. It aims to provide stable returns to investors across various credit, equity, interest rate, inflation and real estate cycles. The company is traded on Euronext in Amsterdam N.V.(1) and on the Specialist Fund Segment(2) of the main market of the London Stock Exchange. For more information please visit the company's website at www.tetragoninv.com.



(1) Euronext in Amsterdam is a regulated market of Euronext Amsterdam N.V. (Euronext Amsterdam).
(2) Tetragon's 'Home Member State' for the purposes of the EU Transparency Directive (Directive 2004/109/EC) is the Netherlands.

Investment Objective & Strategy (continued)

To achieve Tetragon's investment objective of generating distributable income and capital appreciation, the company's current investment strategy is:

- To identify attractive asset classes and investment strategies.
- To identify asset managers it believes to be superior.
- To use the market experience of Tetragon's investment manager to negotiate favourable terms for its investments.
- To own, where appropriate, all, or a portion of, asset management companies with which it invests in order to enhance the returns achieved on its capital.

In addition, the current investment strategy is to continue to grow TFG Asset Management – as Tetragon's diversified alternative asset management business – with a view to a possible initial public offering and listing of its shares.

As part of its investment strategy, Tetragon's investment manager may employ hedging strategies and leverage in seeking to provide attractive returns while managing risk.

The investment manager seeks to identify asset classes that offer excess returns relative to their investment risk, or "intrinsic *alpha*". It analyses the risk/reward, correlation, duration and liquidity characteristics of each potential capital use to gauge its attractiveness and incremental impact on the company.

The investment manager then seeks to find high-quality managers who invest in these asset classes; selects or structures suitable investment vehicles that optimise risk-adjusted returns for Tetragon's capital; and/or seeks for Tetragon (via TFG Asset Management) to own a share of the asset management company. Tetragon aims to not only produce asset level returns, but also aims to enhance these returns with capital appreciation and investment income from its investments in asset management businesses that derive income from external investors.

Certain considerations when evaluating the viability of a potential asset manager typically include performance track records, reputation, regulatory requirements, infrastructure needs and asset gathering capacity. Potential profitability and scalability of the asset management business are also important considerations. Additionally, the core capabilities, investment focus and strategy of any new business should offer a complementary operating income stream to TFG Asset Management's existing businesses. Tetragon looks to mitigate potential correlated risks across TFG Asset Management's investment managers by diversifying its exposure across asset classes, investment vehicles, durations and investor types, among other factors.

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

Key Performance Metrics

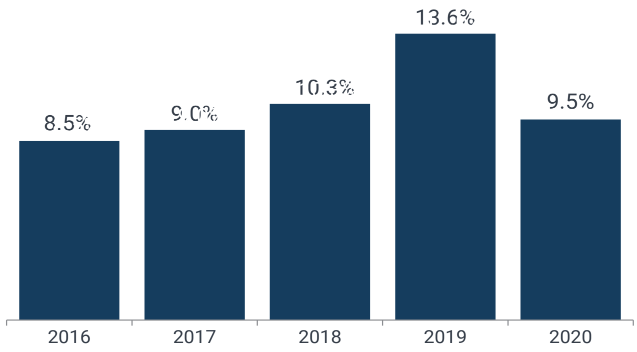
Tetragon focuses on the following key metrics when assessing how value is being created for, and delivered to, Tetragon shareholders:

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

Fully Diluted NAV Per Share

Fully Diluted NAV per share (NAV per share) was $26.57 at 31 December 2020. NAV per share total return was 9.5% for 2020.

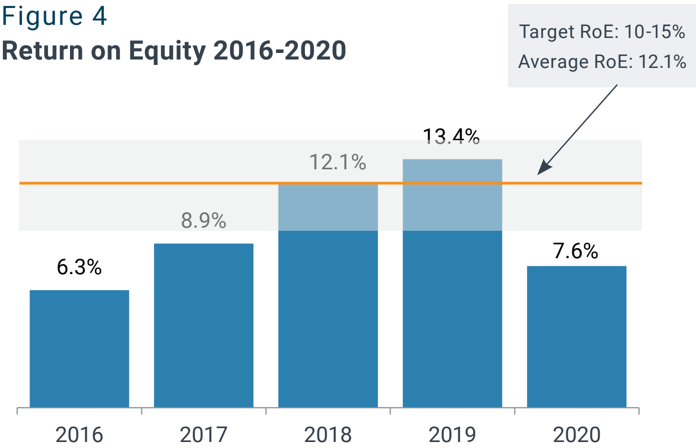
Figure 3
NAV Per Share Total Return 2016-2020



Investment Returns/Return on Equity[1]

RoE for 2020 was 7.6%. Earnings Per Share (EPS) for 2020 was $1.99.

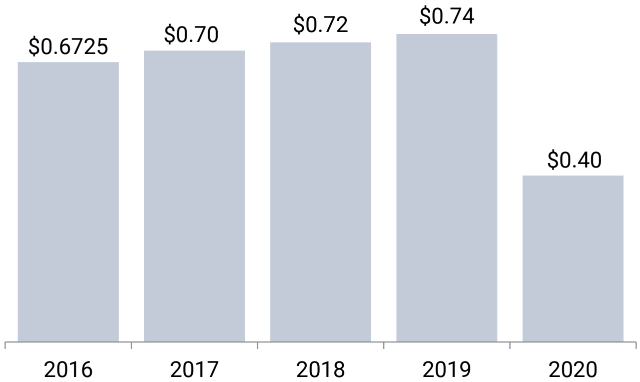
Figure 4
Return on Equity 2016-2020



Dividends Per Share (DPS)

Tetragon declared a Q4 2020 dividend of $0.10 per share, for a full year dividend payout of $0.40 per share. The cumulative DPS declared since Tetragon's IPO is $7.3175.

Figure 5
Dividend Per Share Comparison 2016-2020 (USD)



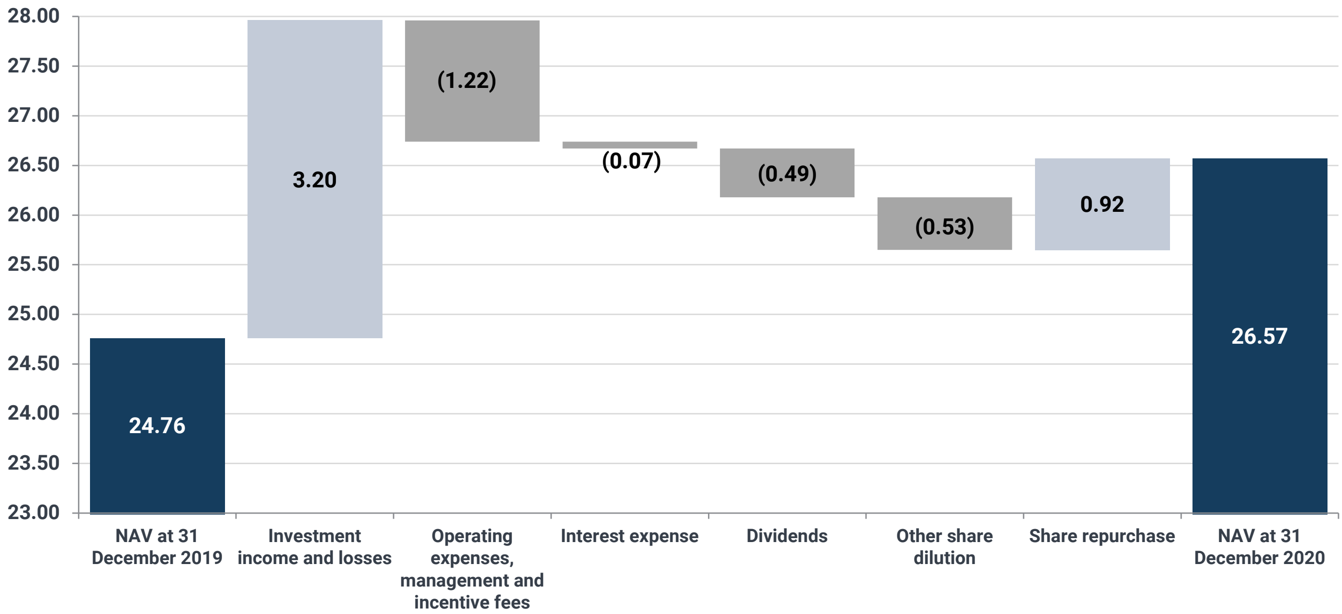
(1) Average RoE is calculated from Tetragon's IPO in 2007. Tetragon seeks to deliver 10-15% RoE per annum to shareholders. Tetragon's returns will most likely fluctuate with LIBOR. LIBOR directly flows through some of Tetragon's investments and, as it can be seen as the risk-free short-term rate, it should affect all of Tetragon's investments. In high-LIBOR environments, Tetragon should achieve higher sustainable returns; in low-LIBOR environments, Tetragon should achieve lower sustainable returns. In the current environment characterised by continued and sustained low risk-free interest rates, reduced sustainable returns across Tetragon's investments, including outside of Tetragon's target return rate, are to be expected.

Investment Review

NAV Per Share

Tetragon's Fully Diluted NAV Per Share increased from $24.76 per share as at 31 December 2019 to $26.57 per share as at 31 December 2020. Figure 6 below shows the contributions to that performance.

Figure 6
Year-on-Year NAV Per Share Progression (USD)(i)



(i) Progression from 31 December 2019 to 31 December 2020 is an aggregate of each of the 12 months' NAV progressions. With the exception of share repurchases, all of the aggregate monthly Fully Diluted NAV Per Share movements in the table are determined by reference to the fully diluted share count at the start of each month.

Net Asset Breakdown Summary

The table shows a breakdown of the composition of Tetragon's NAV at 31 December 2019 and 31 December 2020, and the factors contributing to the changes in NAV over the period.

Figure 7
All figures below are in millions of U.S. dollars.

Asset Classes	NAV at 31 Dec 2019	Additions(i)	Disposals/ Receipts(i)	Gains/ Losses	NAV at 31 Dec 2020
Private equity in asset management companies	747.5	12.6	(106.2)	179.6	833.5
Event-driven equities, convertible bonds and other hedge funds	532.0	54.0	(61.3)	43.5	568.2
Bank loans	339.9	19.1	(55.0)	(25.2)	278.8
Real estate	206.9	22.9	(65.0)	(12.4)	152.4
Private equity and venture capital	289.8	48.4	(15.1)	73.0	396.1
Other equities and credit(ii)	214.6	37.8	(39.8)	45.8	258.4
Net cash(iii)	55.4	-	(70.5)	2.1	(13.0)
Total	**2,386.1**	**194.8**	**(412.9)**	**306.4**	**2,474.4**

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

(ii) Assets characterised as "other equities & credit" consist of investment assets held directly on the balance sheet. For certain contracts for difference (CFD), gross value or required margin is used. Under IFRS, these CFDs are held at fair value which is the unrealised gain or loss at the reporting date. Payments and receipts on the same investments have been netted off against each other.

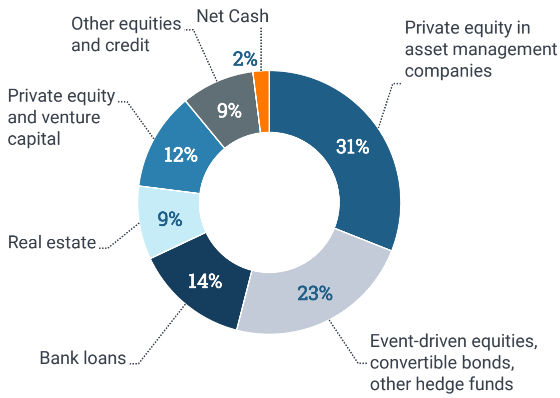
(iii) Net cash consists of: (1) cash held directly by Tetragon, (2) excess margin held by brokers associated with assets held directly by Tetragon, and (3) cash held in certain designated accounts related to Tetragon's investments, some of which may only be used for designated purposes without incurring significant tax and transfer costs, and (4) adjusted for all other assets and liabilities at the reporting date including any drawn amounts on the revolving credit facility.

Net Asset Composition Summary

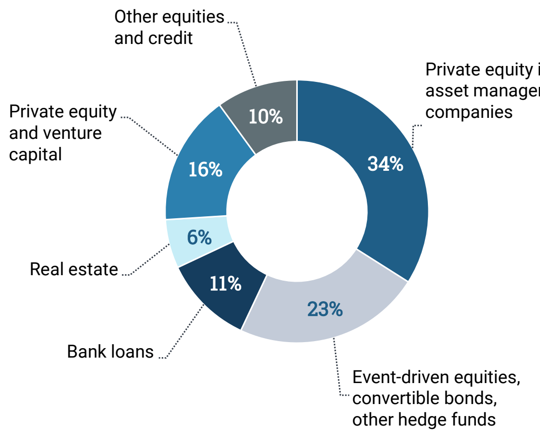
Net Asset Breakdown at 31 December 2019 and 31 December 2020

Figure 8

31 December 2019



31 December 2020



Top 10 Holdings by Value as of 31 December 2020

Figure 9

	Holding	Asset Class	Value ($millions)	% of NAV
1	Equitix	Private equity in asset management company	386.1	15.6%
2	Polygon European Equity Opportunity Fund Absolute Return	Event-driven equities	299.9	12.1%
3	BentallGreenOak	Private equity in asset management company	195.7	7.9%
4	LCM	Private equity in asset management company	176.9	7.1%
5	Ripple Labs Inc. - Series C Preferred Stock	Private equity and venture capital	174.6	7.1%
6	Polygon European Equity Opportunity Fund Long Bias	Event-driven equities	140.9	5.7%
7	Hawke's Point Fund 1	Private equity and venture capital	131.0	5.3%
8	Polygon Convertible Opportunity Fund	Convertible bonds	116.7	4.7%
9	TCI III	Bank loans	76.0	3.1%
10	Polygon	Private equity in asset management company	57.4	2.3%
	Total			**70.9%**

Detailed Investment Review

Figure 10

Figure 10 breaks out more detail showing the effect of capital flows and performance gains and losses on the NAV of each asset class during 2020; more detailed commentary for each asset class follows.

Asset Class	NAV at 31 Dec 2019 ($m)	Additions(i)	Disposals/ Receipts(i)	Gains/ Losses	NAV at 31 Dec 2020 ($m)	% of NAV
Private equity in asset management companies						
Equitix	301.1	9.0	(90.7)	166.7	386.1	15.6%
BentallGreenOak	190.8	3.1	(15.5)	17.3	195.7	7.9%
LCM	186.0	0.3	-	(9.4)	176.9	7.1%
Polygon	48.1	0.1	-	9.2	57.4	2.3%
Tetragon Credit Partners	19.7	0.1	-	(6.1)	13.7	0.6%
Hawke's Point	1.8	-	-	1.1	2.9	0.1%
Banyan Square Partners	-	-	-	0.8	0.8	0.0%
Contingency Capital(ii)	-	-	-	-	-	0.0%
Event-driven equities						
Polygon European Equity Opportunity Fund Absolute Return	258.7	18.4	(0.4)	23.2	299.9	12.1%
Polygon European Equity Opportunity Fund Long Bias	119.0	12.6	-	9.3	140.9	5.7%
Polygon Global Equities Fund	20.9	-	(16.0)	2.8	7.7	0.3%
Convertible bonds						
Polygon Convertible Opportunity Fund	81.7	20.0	-	15.0	116.7	4.7%
Other hedge funds						
Other hedge funds	51.7	3.0	(44.9)	(6.8)	3.0	0.1%
Bank Loans						
U.S. CLOs (LCM)	190.5	-	(31.5)	(24.2)	134.8	5.4%
TCI III	70.4	14.1	(12.4)	3.9	76.0	3.1%
TCI II	59.0	-	(7.4)	(3.2)	48.4	2.0%
U.S. CLOs (non-LCM)	20.0	-	(3.7)	(2.0)	14.3	0.6%
Tetragon Credit Partners Opportunity Fund	-	5.0	-	0.3	5.3	0.2%
Real estate						
BentallGreenOak Europe funds & co-investments	69.0	5.7	(46.1)	9.8	38.4	1.6%
BentallGreenOak U.S. funds & co-investments	64.0	8.0	(1.5)	(24.8)	45.7	1.8%
BentallGreenOak Asia funds & co-investments	29.9	5.4	(15.2)	6.1	26.2	1.1%
BentallGreenOak debt funds	5.2	3.1	(2.2)	0.3	6.4	0.3%
Other real estate	38.8	0.7	-	(3.8)	35.7	1.4%
Private equity and venture capital						
Hawke's Point Fund 1	81.1	7.7	(11.0)	53.2	131.0	5.3%
Banyan Square Fund 1	15.0	24.1	(2.9)	(4.8)	31.4	1.3%
Other funds and co-investments	43.1	16.6	(0.6)	-	59.1	2.4%
Direct	150.6	-	(0.6)	24.6	174.6	7.1%
Other equities and credit(iii)						
Other equities	185.5	36.6	(29.4)	47.8	240.5	9.7%
Other credit	29.1	1.2	(10.4)	(2.0)	17.9	0.7%
Cash						
Net cash(iv)	55.4	-	(70.5)	2.1	(13.0)	(0.5)%
Total	**2,386.1**	**194.8**	**(412.9)**	**306.4**	**2,474.4**	**100.0%**

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

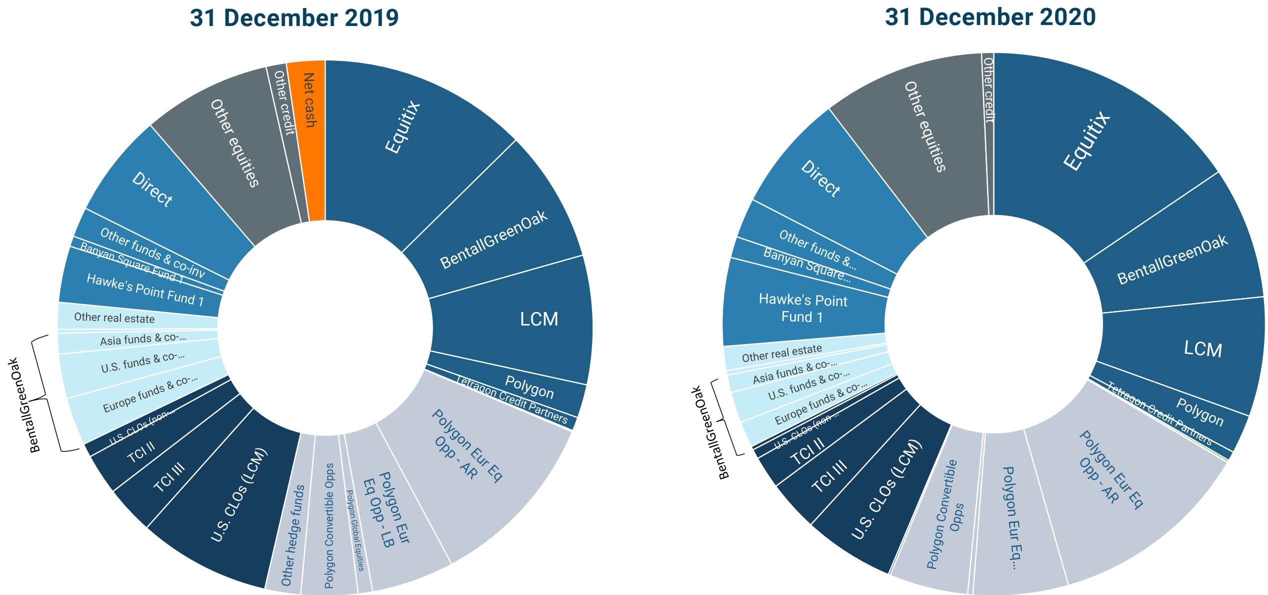
(ii) Contingency Capital has not yet been valued by a third-party valuation specialist.

(iii) Assets characterised as "other equities & credit" consist of investment assets held directly on the balance sheet. For certain contracts for difference (CFD), gross value or required margin is used. Under IFRS, these CFDs are held at fair value which is the unrealised gain or loss at the reporting date. Payments and receipts on the same investment have been netted off against each other.

(iv) Net cash consists of: (1) cash held directly by Tetragon, (2) excess margin held by brokers associated with assets held directly by Tetragon, and (3) cash held in certain designated accounts related to Tetragon's investments, some of which may only be used for designated purposes without incurring significant tax and transfer costs, and (4) adjusted for all other assets and liabilities at the reporting date including any drawn amounts on the revolving credit facility.

Detailed Investment Review (continued)

Detailed Net Asset Breakdown at 31 December 2019 and 31 December 2020



Private equity investments in asset management companies

One of Tetragon's significant investments is TFG Asset Management, a diversified alternative asset manager that owns majority and minority private equity stakes in asset management companies. TFG Asset Management, as a unified business, is intended to enhance the value of each individual investment and the entity as a whole through a shared strategic direction and operating infrastructure – encompassing critical business management functions such as risk management, investor relations, financial control, technology, and compliance/legal matters – while at the same time giving entrepreneurial independence to the managers of the underlying businesses. In light of the strategy to continue to grow TFG Asset Management with a view to a possible initial public offering and listing of its shares, the combination of a number of relatively uncorrelated businesses across different asset classes and at different stages of development under TFG Asset Management is also intended to create a collectively more robust and diversified business and income stream. As at 31 December 2020, TFG Asset Management comprised LCM, BentallGreenOak, Polygon, Equitix, Hawke's Point, Tetragon Credit Partners, Banyan Square Partners and Contingency Capital. TFG Asset Management recorded an investment gain of $179.6 million during 2020.

- **Equitix**: Equitix is an integrated core infrastructure asset management and primary project platform. Tetragon's investment generated gains of $166.7 million, making it the most significant contributor during 2020. This gain was primarily driven by the rate at which Equitix has continued to increase capital raised and deployed which in turn flows into the business model. Assets under management increased by £1.4 billion during 2020 and has now more than trebled in the last four years. More specifically, during 2020, Euro Fund I reached a final close at €580 million; Fund VI was launched along with associated managed accounts raising approximately £660 million of capital and anticipated to raise further capital by Q2 2021; and the Rakiza joint venture with Oman Infrastructure Investment Management had its first close at approximately $400 million. During 2020, Equitix paid a dividend of £30.4 million and repaid the remaining £39.3 million of loan notes (including accrued interest) to Tetragon.
- **BentallGreenOak:** BentallGreenOak is a manager of real estate investment strategies. During 2020, this investment made a gain of $17.3 million. Despite the challenges of COVID-19, the business performed well, with assets growing by $3.6 billion (7%) and net income exceeding its original merger business plan. There were net distributions to Tetragon totalling $15.5 million reflecting a combination of fixed quarterly contractual payments, variable payments

Detailed Investment Review (continued)

and carried interest. This investment is valued using the present value of the various cash flow elements of the GreenOak/Bentall Kennedy merger deal, which comprises those three elements plus a put/call option in 2026/27, as well as Tetragon's share of co-investments made. Each of those elements contributed to the gain posted this year.

- LCM: LCM is a specialist in below-investment grade U.S. broadly-syndicated leveraged loans; currently, it manages loan assets exclusively through CLOs. TFG Asset Management's investment in LCM lost $9.4 million in 2020. The factors contributing to the loss were (a) delay in launching new CLO deals during the year due to disruption caused by COVID-19, (b) 0.5% increase in the discount rate applied to the discounted cash flow model, and (c) 5% lower market multiple utilised in the P/AUM valuation approach. LCM's AUM decreased slightly during the year to $8.9 billion, although this does not include LCM 31 which priced in 2020 but closed in February 2021.
- Polygon: Polygon manages open-ended hedge fund and private equity vehicles across a number of strategies. The investment in Polygon recorded a gain of $9.2 million, and an overall valuation of $57.4 million, which reflects the positive performance generated by the two main hedge funds.
- Tetragon Credit Partners: Tetragon Credit Partners is TFG Asset Management's structured credit investing business. The value of Tetragon Credit Partners decreased by $6.1 million in 2020, mainly due to a decrease in the projected carry payable by TCI II and III. This was largely the result of a change during the year in the modelled assumptions for the underlying deals during the year assuming a higher default rate in the near term because of the COVID-19 induced uncertainty. The Tetragon Credit Partners Opportunity Fund, an open-ended fund investing primarily in CLO debt securities, launched on 1 May 2020. In addition, Tetragon Credit Partners' TCI III vehicle deployed the remaining 17% of its uninvested capital during H1 2020.
- Hawke's Point: Hawke's Point is an asset management company focused on mining finance that provides capital to companies in the mining and resource sectors. Tetragon's investment recorded a gain of $1.1 million during 2020. The AUM of Hawke's Point was approximately $144 million at the end of 2020.
- Banyan Square Partners: Banyan Square Partners is an investment management business focused on providing non-control structured and common equity solutions to financial sponsors, founded by TFG Asset Management in 2019. Tetragon's investment was valued for the first time as of 31 December 2020, at $0.8 million.
- Contingency Capital: Contingency Capital is a global asset management business that will sponsor and manage litigation finance related investment funds that launched on 1 November 2020. Tetragon's investment in Contingency Capital has not yet been valued by a third-party valuation specialist.

Please see Note 4 in the 2020 Tetragon Financial Group Audited Financial Statements for further details on the basis for determining the fair value of TFG Asset Management. Additionally, for further colour on the underlying performance of the asset managers, please see Figure 18 for TFG Asset Management's *pro forma* operating results and associated commentary.

Event-driven equities, convertible bonds and other hedge funds

Tetragon invests in event-driven equities and convertible bonds through hedge funds. At 31 December 2020, these investments are primarily through hedge funds managed by Polygon. Investments in these funds generated a gain of $43.5 million during 2020. An investment in quantitative strategies through a third-party managed fund was redeemed during 2020 and a small new investment was made in an externally-managed hedge fund.

Event-driven Equities

- Polygon European Equity Opportunity Fund: This fund focuses on event-driven European equity strategies with catalysts, particularly in mergers and acquisitions, deep-value dislocation trades, and capital markets special situations. Tetragon's investments in these funds in 2020 recorded a gain of $32.5 million. During the fourth quarter, the fund recovered from mark-to-market losses related to pandemic-related volatility early in the year, and both share classes in which Tetragon is invested finished 2020 in positive territory; the Absolute Return class had net performance of 7.25% and the Long-Bias share class returned 3.7%. Tetragon invested a further $30.0 million in 2020.

- **Polygon Global Equities Fund:** Tetragon's investment gained $2.8 million during 2020; Tetragon reduced its holding in this fund by $16.0 million in 2020; the position remains relatively small. Tetragon is the only investor in this fund.

Convertible Bonds

- **Polygon Convertible Opportunity Fund:** This fund invests in securities across the capital structure of issuers primarily in Europe and North America and seeks to identify relative value opportunities leveraging Polygon's event-driven and convertible expertise in a concentrated and heavily-researched portfolio. Tetragon's investment generated a gain of $15.0 million for the year. Net performance in the fund was +15.1% for its flagship share class, amid a backdrop of strong performance across convertible hedge funds helped by record global convertible bond issuance (the HFR RV Fixed Income-Convertible Arbitrage Index returned +15.7%).(1) The fund was nominated for the tenth time since its inception in 2009 for the 2020 EuroHedge Award in the Convertibles and Volatility category; it has won the award five times.(2) Tetragon subscribed for $20.0 million of capital during the year.

Other hedge funds

- The position in QT Fund Limited, a quantitative strategy, was redeemed during 2020; Tetragon received $44.9 million in proceeds as a result. Tetragon made an initial investment of $3.0 million into a third-party managed hedge fund.

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

(2) The Polygon Convertible Opportunity Fund was nominated for the 2020 EuroHedge Award in the Convertibles & Volatility category; there were five other nominees for this award. The EuroHedge Award is organised by EuroHedge magazine, a publication of Hedge Fund Intelligence. To be considered for an award, funds must submit performance data to the Hedge Fund Intelligence Database and have at least a 12-month track record history. Winners are decided using an established methodology based upon a combination of Sharpe ratios and returns over the relevant time period. Nominations are decided by those funds in each peer group that achieve the strongest Sharpe ratios over 12 months, so long as they also beat the median returns in their relevant peer groups and are within 10% of their high-water marks. The eventual winners will be the funds that have the best returns, as long as they also have Sharpe ratios within 25% of the best Sharpe of the nominees in their relevant peer groups. For the Management Firm of the Year award, nominees and winners are judged on additional comparative criteria as well as absolute returns and Sharpe ratios. Further information about the award, including nomination and winning criteria, is available at https://eurohedgeawards.awardstage.com/#Criteria.

Bank Loans

Tetragon continues to invest in bank loans through CLOs by taking majority positions in the equity tranches. Tetragon's CLO portfolio recorded a loss during 2020 as corporate credit fundamentals deteriorated during the year as a result of the pandemic. Tetragon made new U.S. CLO investments indirectly via the Tetragon Credit Partners platform as well as committed to the purchase of one new investment directly. We continue to view CLOs as attractive vehicles for obtaining long-term exposure to the leveraged loan asset class.

- **U.S. CLOs (LCM):** Directly-owned LCM CLOs lost $24.2 million during 2020, driven by changes in fair value which were primarily a result of the erosion of certain CLO test cushions and loan collateral quality as well as a recalibration of certain model assumptions and discount rates used to value the positions. During the year, investments in this segment generated $31.5 million in cash distributions, with the total fair value ending 2020 at $134.8 million. As of the end of 2020, all LCM CLO transactions were compliant with their junior-most overcollateralization (O/C) tests.(3)

  In December 2020, Tetragon committed to the purchase of a majority stake in the equity tranche of LCM 31 Ltd, for a cost of $15.6 million. We believe this transaction offered the potential for attractive returns over a three to five-year duration. The CLO closed on 3 February 2021. Tetragon currently expects to make most of its new issue LCM CLO equity investments via the Tetragon Credit Partners platform but may choose to make opportunistic investments directly when appropriate.

- **TCI II(4) and TCI III(5):** TCI II is a CLO investment vehicle established by Tetragon Credit Partners, a 100% owned subsidiary of TFG Asset Management. As of the end of 2020, Tetragon's commitment to TCI II was $70.0 million, which was fully funded. During the year, Tetragon's investment in TCI II generated $7.4 million in cash distributions but incurred a $3.2 million loss reflecting changes in fair value which were primarily a result of the erosion of

(3) Based on the most recent trustee reports available as of 31 December 2020. Throughout this report, we refer to overcollateralisation or "O/C" tests, which are CLO-specific tests that measure the par amount of underlying CLO collateral (adjusted in certain cases for defaults or other "stressed" asset types) against the par value of the rated CLO debt tranches. The failure of an overcollateralisation test generally results in the temporary cessation of cash flows to the CLO's equity tranche.

(4) Tetragon Credit Income II L.P.

(5) Tetragon Credit Income III L.P.

Detailed Investment Review (continued)

certain CLO test cushions and loan collateral quality in the CLOs held, as well as a result of a recalibration of certain model assumptions and discount rates used to value these positions. During the year, TCI II recycled capital into three existing transactions and closed a debt refinancing early in 2020 for one CLO.

As of the end of December 2020, Tetragon's commitment to TCI III was $85.9 million, which was fully funded by the end of Q1 2020. As of the end of the year, TCI III was fully invested and all investments had reached their first payment dates and were making full distributions. A total of $12.4 million was distributed from the vehicle to Tetragon and a gain of $3.9 million was made during the year on this investment. There were no debt refinancings in the portfolio during 2020, although the manager expects that there may be opportunities to pursue refinancings in 2021.

All CLOs held by TCI II and TCI III were compliant with their junior-most O/C tests as of the end of December 2020.(6)

- **U.S. CLOs (non-LCM):** The non-LCM-managed CLO segment posted a loss of $2.0 million during 2020, reflecting changes in fair value which were primarily a result of the erosion of certain CLO test cushions and loan collateral quality as well as a recalibration of certain model assumptions and discount rates used to value the positions. Investments in this segment generated $3.7 million in cash distributions during 2020. Tetragon did not add any direct non-LCM-managed CLO investments, and as of the end of 2020, the fair value of this segment stood at $14.3 million. As of the end of 2020, all non-LCM CLOs were compliant with their junior-most O/C tests.(7)

  Tetragon currently expects to make most of its new issue non-LCM equity investments indirectly via the Tetragon Credit Partners platform.

- **Tetragon Credit Partners Opportunity Fund:** The Tetragon Credit Partners Opportunity Fund was launched in May 2020 and seeks to invest in U.S. CLO mezzanine tranches. During the year, Tetragon's investment in the fund generated a return of $0.3 million, bringing its total fair value as of the end of the year to $5.3 million.

(6) Based on the most recent trustee reports available as of 31 December 2020.
(7) Based on the most recent trustee reports available as of 31 December 2020.

Real Estate

Tetragon holds most of its investments in real estate through BentallGreenOak-managed funds and co-investment vehicles. The majority of these vehicles are private equity-style funds concentrating on opportunistic investments targeting middle-market opportunities in the United States, Europe and Asia, where BentallGreenOak believes it can increase value and produce positive unlevered returns by sourcing off-market opportunities where it sees pricing discounts and market inefficiencies. This segment lost $12.4 million during 2020, mainly from the BentallGreenOak U.S. fund investments. Aggregate additions related to capital calls on new and existing investments were $22.9 million and $65.0 million of distributions from these vehicles were received during the year.

- **BentallGreenOak Europe funds and co-investments:** BentallGreenOak's Europe-focused products primarily target distressed opportunities and deep value acquisitions in markets with solid underlying fundamentals. The majority of assets acquired by the firm's European team since inception are concentrated in London, Madrid, Barcelona and Milan, with the remaining assets located in other established cities throughout Spain and the United Kingdom. Many of the investments focus on office space and logistics. Tetragon is invested in three funds and seven co-investments in Europe. In 2020, these investments generated gains of $9.8 million, primarily driven by realised gains following the disposal of assets in Spain and Italy.

- **BentallGreenOak U.S. funds and co-investments:** In the United States, BentallGreenOak seeks to identify market dislocation and inefficiencies in major coastal gateway cities where it can acquire underperforming assets in dynamic submarkets. Property types have included office, multifamily, retail and hotel properties in New York, Los Angeles, Boston, San Francisco, Washington, D.C. and Miami. Tetragon is invested in three funds and three co-investments in the United States. In 2020, these investments generated a net loss of $24.8 million for Tetragon, primarily driven by revaluation in a property held in US Fund II and a co-investment vehicle.

- **BentallGreenOak Asia funds and co-investments:** The Asia-focused investments primarily target investment opportunities in Tokyo and other major urban markets in Japan, focusing on balance sheet restructurings and other distress-related factors that motivate sellers. Tetragon is invested in three funds in Asia. During 2020, these investments contributed a gain of $6.1 million.

- **BentallGreenOak debt funds:** BentallGreenOak provides loans secured by commercial real estate throughout the United Kingdom and Europe and focuses on transitional assets or locations; repositioning or redeveloping plays; rapid reaction debt; higher leverage loans and subordinated loans. Tetragon's investments in this segment are currently small relative to its other real estate investments; $0.3 million of gains were generated in 2020.

- **Other real estate:** In addition to the commercial real estate investments through BentallGreenOak-managed real estate funds, Tetragon also has investments in commercial farmland in Paraguay managed by Scimitar, a specialist manager in South American farmland. During 2020, the farmlands were revalued by an independent valuation specialist, with a reduction in the current market value of $3.8 million reflecting assumptions around current market conditions in Paraguay.

Private equity and venture capital

Tetragon's private equity and venture capital investments comprise several types of investments: (1) Tetragon's investment in Hawke's Point Fund 1; (2) investment in Banyan Square Partners Fund 1; (3) private equity investments with third-party managers; and (4) direct private equity investments, including venture capital investments. This segment generated gains of $73.0 million during 2020.

- **Hawke's Point:** Tetragon's investment into mining finance via Hawke's Point Fund 1 generated $53.2 million of net income in 2020, driven by substantial project development and corporate progress in two Australian gold projects in which Hawke's Point is a cornerstone investor. One of these projects commenced production subsequent to year end, and the other is anticipated to come online later in 2021. Hawke's Point continues to actively seek and progress new opportunities in what it believes to be a favourable market environment. Tetragon's investment in this fund decreased on a net basis during 2020 due to a partial realisation of one of the investments.

- **Banyan Square Partners:** The investment in Banyan Square Partners Fund 1 had an unrealised loss of $4.8 million in 2020 against a challenging macro backdrop and exposure to an investment in the travel industry. At 31 December 2020, the fund held four positions. Capital called by the fund was $24.1 million.

- **Other funds and co-investments:** At 31 December 2020, Tetragon had a 2% allocation to investments in private equity funds and co-investment vehicles in Europe and North America. Net capital called by these investments during 2020 totalled $16.0 million.

- **Direct:** This category currently holds the investment in the Ripple Labs Series C preferred stock. During 2020, it generated gains of $24.6 million, reflecting the accretion during the year of the Series C preferred stock dividend.

Other equities and credit

Tetragon also makes investments directly on its balance sheet reflecting single strategy ideas: either co-investing with some of its underlying managers or simply idiosyncratic investments which it believes are attractive but may be unsuitable for an investment via TFG Asset Management vehicles. These investments tend to be opportunistic and with a catalyst. We believe that the sourcing of these investments has been facilitated by the managers on the TFG Asset Management platform as well as third-party managers with whom Tetragon invests. We also believe this ability to invest flexibly is a benefit of Tetragon's structure.

- **Other equities:** This segment generated gains of $47.8 million during the year; these investments comprised European and U.S.-listed public equities in technology, biotechnology, and financial services sectors.

- **Other credit:** This segment generated a loss of $2.0 million during 2020, driven by corporate bonds.

Detailed Investment Review (continued)

Cash

Tetragon's net cash balance, which is cash adjusted for known accruals and liabilities (short and long-dated), was -$13.0 million as at 31 December 2020. In July 2020, Tetragon obtained a 10-year $250 million revolving credit facility, which replaced the previous shorter dated facility of $150 million and also lowered its annual cost as a result. As at 31 December 2020, $100 million of this facility was drawn and this liability has been incorporated into the net cash balance calculation.

The company actively manages its cash levels to cover future commitments and to enable it to capitalise on opportunistic investments and new business opportunities. During 2020, Tetragon used $194.8 million of cash to make investments, $63.5(8) million to repurchase its shares and $30.7 million to pay dividends. $342.4 million of cash was received as distributions and proceeds from the sale of investments. Future cash commitments are approximately $218.9 million, comprising hard investment commitments (BentallGreenOak funds $62.9 million, private equity funds $29.7 million and Contingency Capital loan $12.5 million) and soft investment commitments (Banyan Square Fund 1 $63.8 million and the Contingency Capital fund $50.0 million).

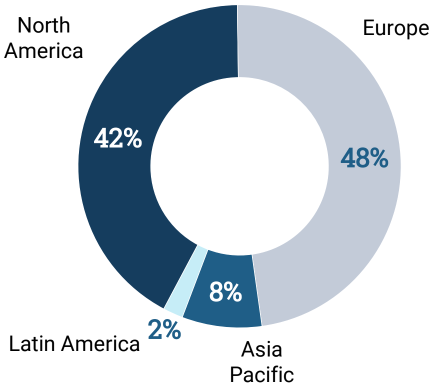
(8) $63.5 million includes $50.3 million of shares purchased through the tender offer in June and December 2020 and $13.2 million of shares purchased from subsidiaries or affiliates to facilitate the payment of withholding taxes on equity-based share payments.

Further Portfolio Metrics

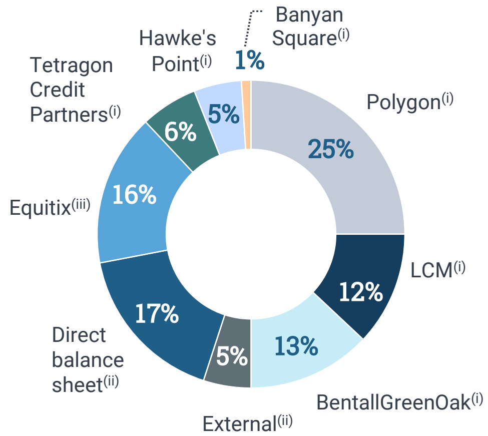
Exposures at 31 December 2020

Figure 11

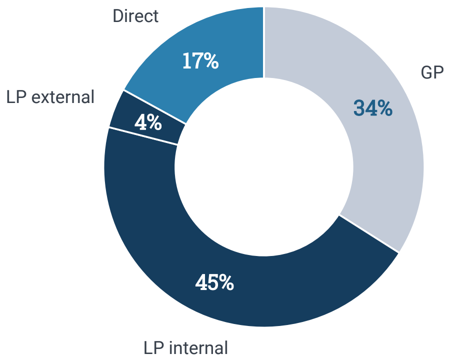
By Geography[(1)]



By Exposure[(2)]



By Investment



Tetragon's investments comprise:

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

Currency Exposure:

Tetragon is a U.S. dollar-based fund and reports all of its metrics in U.S. dollars. During 2020, all investments denominated in other currencies were hedged to U.S. dollars. Going forward, it is anticipated that some of the GBP exposure generated by the investment in Equitix will be left unhedged.

(1) Assumptions for "By Geography":

- Event-driven equities, convertible bonds, other hedge funds, ‘private equity and venture capital’ and ‘other equities and credit’ investments are based on the geographies of the underlying portfolio assets.
- U.S. CLOs, TCI II, TCI III and Tetragon Credit Partners Opportunity Fund; and LCM, Tetragon Credit Partners, and Banyan Square Partners (TFG Asset Management) are treated as 100% North America.
- BentallGreenOak (TFG Asset Management) is treated as 20% Europe, 67% North America, 13% Asia.
- Polygon (TFG Asset Management) is treated as 80% Europe, 20% North America.
- Equitix (TFG Asset Management) is treated as 100% Europe.

(2) Assumptions for "By Exposure":

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

(ii) Exposure represents the net asset value of investments.

(iii) Exposure represents the net asset value of the private equity position in the asset management company. Source: Tetragon

Risk Management

Below are certain factors that Tetragon monitors with respect to portfolio risk management.(i)

Performance Review

- Key financial highlights
- NAV bridge
- Investment P&L by asset class
- Valuation

Market Risk

- Concentration Limits
- Equity Exposure
- Risk Limits
- CLO Credit Metrics
- FX exposure
- Scenario analysis
- Interest Rate Sensitivity
- Tail Hedge Monitor

Liquidity Risk

- Portfolio forecast
- Duration Profile
- TFG Cash vs. Debt
- Leverage Facilities
- Review Borrowing covenants
- Short term cash management

Operational Risk

- Trades done in the month
- Settlement
- Counterparty
- Legal
- Regulatory / Compliance
- Finance / Tax

(i) These are some of the key risk management functions. However, they may not be the only risk management factors or functions that are considered.

Risk Factors

Principal Risks

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

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

Financial Risks

Risks Relating to Investing in Tetragon's Shares

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

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

Risks Relating to Tetragon's Investment Portfolio

Tetragon's investment portfolio comprises a broad range of assets, including public and private equities and credit (including distressed securities and structured credit), convertible bonds, real estate, venture capital, infrastructure, bank loans and TFG Asset Management, a diversified alternative asset management business. As a general matter, the portfolio is exposed to the risk that the fair value of these investments will fluctuate.

Risks Relating to TFG Asset Management

TFG Asset Management, as one of Tetragon's investments, has risks particular to private equity investments in asset management businesses. These include:

- The asset management business is intensely competitive.
- The performance of TFG Asset Management may be negatively influenced by various factors, including the performance of managed funds and vehicles and its ability to raise capital from third-party clients.
- TFG Asset Management is highly dependent on its investment professionals for the management of its investment funds and vehicles and on other employees for management, oversight and supervision of its asset management businesses. If and when such persons cease to participate in the management of TFG Asset Management or its investment funds and vehicles, the consequence could be material and adverse.

Risk Factors (continued)

- Certain of TFG Asset Management's businesses have a limited or no operating history.
- The asset management business is subject to extensive regulation.
- Misconduct of TFG Asset Management employees or at the companies in which TFG Asset Management has invested could harm TFG Asset Management by impairing its ability to attract and retain clients and subjecting it to significant legal liability and reputational harm.
- Failure by TFG Asset Management to deal appropriately with conflicts of interest in its investment business could damage its reputation and adversely affect its businesses.
- Tetragon's investment in TFG Asset Management is illiquid.

Risks Relating to Other Tetragon Portfolio Investments

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

1. bank loans, generally through subordinated, residual tranches of CLOs;
2. real estate, generally through private equity-style funds managed by BentallGreenOak;
3. public and private equity securities, particularly in event-driven strategies, generally through the Polygon European Equity Opportunity Fund;
4. convertible securities, mainly in the form of debt securities that can be exchanged for equity interests, including through the Polygon Convertible Opportunity Fund;
5. credit securities (including distressed securities and structured credit), including through Tetragon Credit Partners;
6. private equity and venture capital through direct investments and fund investments, including through Banyan Square Partners;
7. infrastructure projects through Equitix Holdings Limited;
8. quantitative strategies; and
9. mining-industry related equity securities and instruments, including through Hawke's Point.

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

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

(continued)

Risk Factors (continued)

Operational Risks

Risks Relating to Organisational Structure

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

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

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

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

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

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

Risks Relating to Tetragon's Investment Manager

Tetragon's success depends on its continued relationship with its investment manager and its principals. If this relationship were to end or the principals or other key professionals were to depart, it could have a material adverse effect on Tetragon's business, investments and results of operations.

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

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

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

The liability of Tetragon's investment manager is limited under Tetragon's arrangements with it, and Tetragon has agreed to indemnify the investment manager against claims that it may face in connection with such arrangements, which may lead the investment manager to assume greater risks when making investment related decisions than it otherwise would if investments were being made solely for its own account.

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

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

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

Tetragon's compensation structure with its investment manager may encourage the investment manager to

Risk Factors (continued)

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

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

Tetragon's investment manager relies on two entities that are part of TFG Asset Management for a broad range of services to support its activities. The services include (i) infrastructure services such as operations, financial control, trading, marketing and investor relations, legal, compliance, office administration, payroll and employee benefits and (ii) services relating to the dealing in and management of investments, arrangement of deals and advising on investments. TFG Asset Management has implemented a cost-allocation methodology with the objective of allocating service-related costs, including to Tetragon's investment manager, in a consistent, fair, transparent and commercially based manner. TFG Asset Management then charges fees to Tetragon's investment manager for the services allocated to it on a cost-recovery basis that is designed to achieve full recovery of the allocated costs. Tetragon's Independent Directors, who are specifically mandated to approve, among other things, related-party transactions, are required to approve the methodology for allocating costs and in their sole discretion the application of that methodology as part of their oversight processes. As such, the annual cost allocation methodology update and the actual annual cost allocations that result based on these cost methodology policies and procedures are separately approved by the Independent Directors.

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

Risks Relating to Tetragon's Legal Environment and Regulation

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

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

No formal corporate governance code applies to Tetragon under Dutch law and Tetragon reports against the AIC Corporate Governance Guide for Investment Companies (which incorporates the UK Corporate Governance Code) on a voluntary basis only.

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

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

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

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

Risks Relating to Taxation

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

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

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

(continued)

Risk Factors (continued)

Coronavirus Outbreak Risks

The global outbreak of the 2019 novel coronavirus, or COVID-19, together with resulting voluntary and U.S. federal and state and non-U.S. governmental actions, including, without limitation, mandatory business closures, public gathering limitations, restrictions on travel and quarantines, has meaningfully disrupted the global economy and markets. COVID-19 has and is expected to continue to have ongoing material adverse effects across many, if not all, aspects of the regional, national and global economy. In particular, the COVID-19 outbreak has already, and will continue to, adversely affect a number of Tetragon's investments and the industries in which they operate. Furthermore, the investment manager's ability to operate effectively, including the ability of its personnel or its service providers and other contractors to function, communicate and travel to the extent necessary to carry out Tetragon's investment strategy and the investment manager's business and to satisfy its obligations to Tetragon, and pursuant to applicable law, has been, and will continue to be, impaired. The spread of COVID-19 among the investment manager's personnel and its service providers would also significantly affect the investment manager's ability to properly oversee the affairs of Tetragon (particularly to the extent such impacted personnel include key investment professionals or other members of senior management), which could result in a temporary or permanent suspension of Tetragon's investment activities or operations. The full effects, duration and costs of the COVID-19 pandemic are impossible to predict, and the circumstances surrounding the COVID-19 pandemic will continue to evolve.

Risks Resulting from the United Kingdom's Exit from the European Union

The United Kingdom left the European Union on January 31, 2020 – commonly referred to as Brexit. During an 11 month transition period, the United Kingdom and the European Union agreed to a Trade and Cooperation Agreement which sets out the agreement for certain parts of the future relationship between the European Union and the United Kingdom from January 1, 2021. The Trade and Cooperation Agreement does not provide the United Kingdom with the same level of rights or access to all goods and services in the European Union as the United Kingdom previously maintained as a member of the European Union and during the transition period. In particular the Trade and Cooperation Agreement does not include an agreement on financial services, which is yet to be agreed. Accordingly, uncertainty remains in certain areas as to the future relationship between the United Kingdom and the European Union.

From January 1, 2021, European Union laws ceased to apply in the United Kingdom. However, many European Union laws have been transposed into English law and these transposed laws will continue to apply until such time that they are repealed, replaced or amended. Depending on the terms of any future agreement between the European Union and the United Kingdom on financial services, substantial amendments to English law may occur, and it is impossible to predict the consequences on Tetragon and its investments. Such changes could be materially detrimental to Tetragon.

Although one cannot predict the full effect of Brexit, it could have a significant adverse impact on the United Kingdom, European and global macroeconomic conditions and could lead to prolonged political, legal, regulatory, tax and economic uncertainty. This uncertainty is likely to continue to impact the global economic climate and may impact opportunities, pricing, availability and cost of bank financing, regulation, values or exit opportunities of companies or assets based, doing business, or having service or other significant relationships in, the United Kingdom or the European Union, including companies or assets held or considered for prospective investment by Tetragon.

The future application of European Union-based legislation to the private fund industry in the United Kingdom and the European Union will ultimately depend on how the United Kingdom renegotiates the regulation of the provision of financial services within and to persons in the European Union. There can be no assurance that any renegotiated terms or regulations will not have an adverse impact on Tetragon and its investments, including the ability of Tetragon to achieve its investment objective. Brexit may result in significant market dislocation, heightened counterparty risk, an adverse effect on the management of market risk and, in particular, asset and liability management due in part to redenomination of financial assets and liabilities, an adverse effect on the ability of investment manager to manage and operate and increased legal, regulatory or compliance burden for the investment manager and/or Tetragon, each of which may have a negative impact on the operations, financial condition, returns or prospects of Tetragon.

(continued)

Risk Factors (continued)

Areas where the uncertainty created by the United Kingdom's withdrawal from the European Union is relevant include, but are not limited to, trade within Europe, foreign direct investment in Europe, the scope and functioning of European regulatory frameworks (including with respect to the regulation of alternative investment fund managers and the distribution and marketing of alternative investment funds), industrial policy pursued within European countries, immigration policy pursued within European Union countries, the regulation of the provision of financial services within and to persons in Europe and trade policy within European countries and internationally. The volatility and uncertainty caused by the withdrawal may adversely affect the value of Tetragon's investments.

Governance

Tetragon's Board of Directors

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

DERON J. HALEY
Independent Director

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

STEVEN W. HART
Independent Director

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

DAVID C. O'LEARY
Independent Director

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

The Board of Directors (continued)

READE GRIFFITH

Reade Griffith co-founded the investment manager of Tetragon in 2005 and Polygon in 2002. He is a member of Tetragon's Board of Directors, the head of the investment manager's Investment Committee and Risk Committee, the Chief Investment Officer of TFG Asset Management and the Chief Investment Officer of Polygon's European Event-Driven Equities strategy, in addition to other roles. Mr. Griffith was previously the founder and chief executive officer of the European office of Citadel Investment Group, a multi-strategy hedge fund that he joined in 1998. He was a partner and senior managing director responsible for running the Global Event-Driven arbitrage team in Tokyo, London and Chicago for the firm. Prior to that, he was with Baker, Nye, where he was an analyst working on an arbitrage and special situations portfolio. Mr. Griffith holds an A.B. degree in Economics from Harvard College and a J.D. degree from Harvard Law School. Mr. Griffith is currently a member of the Dean's Advisory Board at Harvard Law School and was a member of the Financial Sector Forum at the Bank of England from 2017 - 2020. Mr. Griffith also served as an officer in the U.S. Marine Corps and left as a Captain following the 1991 Gulf War. He is based in London.

PADDY DEAR

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

The Board of Directors (continued)

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

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

Tetragon has five directors (referred to herein as the Directors). Subject as set out below and as elsewhere described in the risk factors found on Tetragon's website at www.tetragoninv.com/investors/risk-factors.aspx, not less than a majority of the Directors are independent. A Director will be an "Independent Director" if the Board of Directors determines that the person satisfies the standards for independence contained in the U.K. Combined Code in all material respects. If the death, resignation or removal of an Independent Director results in the Board of Directors having less than a majority of Independent Directors, the vacancy must be filled promptly. Pending the filling of such vacancy, the Board of Directors may temporarily consist of less than a majority of Independent Directors and those Directors who do not meet the standards for independence may continue to hold office. A Director who is not an Independent Director will not be required to resign as a Director as a result of an Independent Director's death, resignation or removal. In addition, Tetragon's Memorandum and Articles of Incorporation prohibit the Board of Directors from consisting of a majority of Directors who are resident in the United Kingdom.

Election and Removal of Directors of Tetragon

Each member of Tetragon's Board of Directors is elected annually by the holder of Tetragon's voting shares. All vacancies on the Board of Directors including by reason of death or resignation may be filled, and additional Directors may be appointed, by a resolution of the holder of Tetragon's voting shares.

A Director may be removed from office for any reason by notice requesting resignation signed by all other Directors then holding office, if the Director is absent from four successive meetings without leave expressed by a resolution of the Directors or for any reason by a resolution of the holder of Tetragon's voting shares. A Director will also be removed from the Board of Directors if he becomes bankrupt, if he becomes of unsound mind, if he becomes a resident of the United Kingdom and such residency results in a majority of the Board of Directors being residents of the United Kingdom or if he becomes prohibited by law from acting as a Director. A Director is not required to retire upon reaching a certain age.

Action by the Board of Directors of Tetragon

The Board of Directors of Tetragon may take action in a duly convened meeting, for which a quorum is five Directors, or by a written resolution signed by at least five Directors. When action is to be taken by the Board of Directors, the affirmative vote of five of the Directors then holding office is required for any action to be taken. As a result, the Board of Directors will not be able to act without the affirmative vote of both of the Directors affiliated with the holder of Tetragon's voting shares.

The Directors are responsible for the management of Tetragon. They have delegated to the investment manager certain functions, including broad discretion to adopt an investment strategy to implement Tetragon's investment objective. However, certain matters are specifically reserved for the Board of Directors under the Memorandum and Articles of Incorporation.

Transactions in which a Director has an Interest

Provided that a Director has disclosed to the other Directors the nature and extent of any of such Director's interests in accordance with the Companies (Guernsey) Law, 2008, as amended, a Director, notwithstanding his office: (a) may be a party to, or otherwise interested in, any transaction or arrangement with Tetragon or in which Tetragon is otherwise interested; (b) may be a director or other officer of, or employed by, or a party to any transaction or arrangement with, or otherwise interested in, any body corporate promoted by Tetragon or in which Tetragon is otherwise interested; and (c) shall not be accountable to

Tetragon for any benefit derived from any such transaction or arrangement or from any interest in any such body corporate, and no such transaction or arrangement shall be void or voidable on the ground of any such interest or benefit or because such Director is present at or participates in the meeting of the Directors that approves such transaction or arrangement, provided that (i) the material facts as to the interest of such Director in such transaction or arrangement have been disclosed or are known to the Directors and the Directors in good faith authorise the transaction or arrangement and (ii) the approval of such transaction or arrangement includes the votes of a majority of the Directors that are not interested in such transaction or such transaction is otherwise found by the Directors (before or after the fact) to be fair to Tetragon as of the time it is authorised. Under the Investment Management Agreement, the Directors have authorised the investment manager to enter into transactions on behalf of Tetragon with persons who are affiliates of the investment manager, provided that in connection with any such transaction that exceeds $5 million of aggregate investment the investment manager informs the Directors of such transaction and obtains either (i) the approval of a majority of the Directors that do not have a material interest in such transaction or (ii) an opinion from a recognised investment bank, auditing firm or other appropriate professional firm substantively to the effect that the financial terms of the transaction are fair to Tetragon from a financial point of view.

Compensation

The remuneration for Directors is determined by resolution of the holder of Tetragon's voting shares. Currently, the Directors' annual fee is $125,000, in compensation for service on the Board of Directors of Tetragon. The Directors affiliated with the holder of Tetragon's voting shares have waived their entitlement to a fee. The Directors are entitled to be repaid by Tetragon for all travel, hotel and other expenses reasonably incurred by them in the discharge of their duties. None of the Directors has a contract with Tetragon providing for benefits upon termination of employment.

On 1 January 2020, the Independent Directors were awarded shares in Tetragon which vest on 31 December 2022 and are subject to forfeiture provisions. The fair value of the award, as determined by the share price on grant date of US$ 12.25 per share, is US$ 300,000 for each Independent Director.

Certain Corporate Governance Rules

Tetragon is required to comply with all provisions of the Companies (Guernsey) Law, 2008, as amended, relating to corporate governance to the extent the same are applicable and relevant to Tetragon's activities. In particular, each Director must seek to act in accordance with the "Code of Practice - Company Directors". Tetragon reports against the AIC Code of Corporate Governance (AIC Code). The 2019 AIC Code has been endorsed by, amongst others, the Financial Reporting Council and the Guernsey Financial Services Commission (GFSC). This means that Tetragon may make a statement that by reporting against the AIC Code it is meeting its applicable obligations under the UK Corporate Governance Code 2018, the 2011 GFSC Finance Sector Code of Corporate Governance and any associated disclosure requirements under paragraph 9.8.6 of the London Stock Exchange's Listing Rules. No formal corporate governance code applies to Tetragon under Dutch law.

Indemnity

Each present and former Director or officer of Tetragon is indemnified against any loss or liability incurred by the Director or officer by reason of being or having been a Director or officer of Tetragon. In addition, the Directors may authorise the purchase or maintenance by Tetragon for any Director or officer or former Director or officer of Tetragon of any insurance, in respect of any liability which would otherwise attach to the Director or officer or former Director or officer.

The Audit Committee

The Audit Committee of Tetragon currently comprises the three Independent Directors and is responsible for, among other items, assisting and advising Tetragon's Board of Directors with matters relating to Tetragon's accounting and financial reporting processes and the integrity and audits of Tetragon's financial statements. The Audit Committee is also responsible for reviewing and making recommendations with respect to the plans and results of each audit engagement with Tetragon's independent auditor, the audit and non-audit fees charged by the independent auditor and the adequacy of Tetragon's internal accounting controls.

The Investment Manager

Tetragon Financial Management LP has been appointed the investment manager of Tetragon pursuant to an investment management agreement dated 26 April 2007. The investment manager's general partner, Tetragon Financial Management GP LLC, is responsible for all actions of the investment manager. The general partner is ultimately controlled by Reade Griffith and Paddy Dear, who also control the holder of Tetragon's voting shares and are the voting members of the investment manager's Investment and Risk Committees. Reade Griffith acts as the authorised representative of the general partner and the investment manager.

Its Investment Committee is responsible for the investment management of Tetragon and its portfolio and currently consists of Reade Griffith, Paddy Dear and Stephen Prince. The Investment Committee determines the investment strategy of Tetragon and approves each significant investment by it.

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

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

Summary of Key Terms of Tetragon's Investment Management Agreement

Under the terms of the Investment Management Agreement, the investment manager has full discretion to invest the assets of Tetragon in a manner consistent with the investment objective of Tetragon. The investment manager has the authority to determine the investment strategy to be pursued in furtherance of the investment objective, which strategy may be changed from time to time by the investment manager in its discretion. The investment manager is authorised to delegate its functions under the Investment Management Agreement.

The Investment Management Agreement continues in full force and effect unless terminated (i) by the investment manager at any time upon 60 days' notice or (ii) immediately upon Tetragon giving notice to the investment manager or the investment manager giving notice to Tetragon in relation to such entity in the event of (a) the party in respect of which notice has been given becoming insolvent or going into liquidation (other than a voluntary liquidation for the purpose of reconstruction or amalgamation upon terms previously approved in writing by the other party) or a receiver being appointed over all or a substantial part or of its assets or it becoming the subject of any petition for the appointment of an administrator, trustee or similar officer, (b) a party committing a material breach of the Investment Management Agreement which causes a material adverse effect to the non-breaching party and (if such breach shall be capable of remedy) not making good such breach within 30 days of service upon the party in breach of notice requiring the remedy of such breach or (c) fraud or wilful misconduct in the performance of a party's duties under the Investment Management Agreement.

The Investment Management Agreement provides that none of the investment manager, its affiliates or their respective members, managers, partners, shareholders, directors, officers and employees (including their respective executors, heirs, assigns, successors or other legal representatives) (each, as an indemnified party) will be liable to Tetragon or any investor in Tetragon for any liabilities, obligations, losses (including, without limitation, losses arising out of delay, mis-delivery or error in the transmission of any letter, cable, telephonic communication, telephone, facsimile transmission or other electronic transmission in a readable form), damages, actions, proceedings, suits, costs, expenses (including, without limitation, legal expenses), claims and demands suffered in connection with the performance by the investment manager of its obligations under the Investment Management Agreement or otherwise in connection with the business and operations of Tetragon, in the absence of fraud or wilful misconduct on the part of an indemnified party, and Tetragon has agreed to indemnify each indemnified party against any such liabilities, obligations, losses, damages, actions, proceedings, suits, costs, expenses, claims and demands, except as may be due to the fraud or wilful misconduct of the indemnified party.

The investment manager may act as investment manager or advisor to any other person, so long as its services to Tetragon are not materially impaired thereby, and need not disclose to Tetragon anything that comes to its attention in the course of its business in any other capacity than as investment manager. The investment manager is not liable to account for any profit earned or benefit derived from advice given by the investment manager to other persons. The investment manager will not be liable to Tetragon for any loss suffered in connection with the investment manager's decision to offer investments to any other person, or failure to offer investments to Tetragon.

The investment manager is authorised to enter into transactions on behalf of Tetragon with persons who are affiliates of the investment manager, provided that in connection with any such transaction that exceeds $5 million of aggregate investment, the investment manager obtains either (i) the approval of a majority of the Directors that do not have a material interest in such transaction (whether as part of a Board of Directors resolution or otherwise) or (ii) an opinion from a recognised investment bank, auditing firm or other appropriate professional firm substantively to the effect that the financial terms of the transaction are fair to Tetragon from a financial point of view.

Management and Incentive Fees; Expenses

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

The investment manager is entitled to receive management fees equal to one and one-half percent (1.5%) *per annum* of the NAV of Tetragon payable monthly in advance prior to the deduction of any accrued incentive fees. No separate management fees are payable with respect to the NAV of Tetragon.

Tetragon will also pay to the investment manager an incentive fee for each Calculation Period (as defined below) equal to 25% of the increase in the NAV of Tetragon during the Calculation Period (before deduction of any dividend paid or the amount of any redemptions or repurchases of shares (or other relevant capital adjustments) during such Calculation Period) above (i) the Reference NAV (as defined below) plus (ii) the Hurdle (as defined below) for the Calculation Period. If the Hurdle is not met in any Calculation Period (and no incentive fee is paid), the shortfall will not carry forward to any subsequent Calculation Period.

A "Calculation Period" is a period of three months ending on March 31, June 30, September 30 and December 31 of each year, or as otherwise determined by the Board of Directors of Tetragon.

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

The "Hurdle" for any Calculation Period will equal (i) the Reference NAV multiplied by (ii) the Hurdle Rate (defined below).

The "Hurdle Rate" for any Calculation Period equals 3-month U.S. Dollar LIBOR determined as of 11:00 a.m. London time on the first London business day of the then-current Calculation Period plus the hurdle spread of 2.647858%, in each case multiplied by (x) the actual number of days in the Calculation Period divided by (y) 365. (In Tetragon's initial public offering in April 2007, the Hurdle Rate was fixed at 8% *per annum* for the 12-month period following IPO with it then being adjusted as specified above. The referenced hurdle spread of 2.647858% is the difference between 8% and the average three-month U.S. Dollar LIBOR at 11:00 a.m. London time on the 20 London business days preceding the IPO pricing date.)

The incentive fee in respect of each Calculation Period is calculated by reference to the increase in NAV of the shares before deduction of any accrued incentive fee. The incentive fee is normally payable in arrears within 14 calendar days of the end of the Calculation Period. If the Investment Management Agreement is terminated other than at the end of a Calculation Period, the date of termination will be deemed to be the end of the Calculation Period. The investment manager does not charge separate fees based on the NAV of Tetragon.

An incentive fee of $66.0 million was accrued in the fourth quarter of 2020 in accordance with Tetragon's investment management agreement. The hurdle rate for the first quarter of 2021 incentive fee has been reset at 2.885108% (Q4 2020: 2.881858%) as per the process outlined above and in accordance with Tetragon's investment management agreement.

Tetragon generally bears all costs and expenses directly related to its investments or prospective investments, such as brokerage commissions, interest on debit balances or borrowings, custodial fees and legal and consultant fees. Tetragon also generally bears all out-of-pocket costs of administration including accounting, audit, administrator and legal expenses, costs of any litigation or investigation involving their activities, costs associated with reporting and providing information to existing and prospective investors and the costs of liability insurance.

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

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

- investing and reinvesting the assets of Tetragon in securities, derivatives and other financial instruments and other investments of whatever nature and committing the assets of Tetragon in relation to agreements with entities, issuers and counterparties;
- holding cash balances or investing them directly in any short-term investments, and reinvesting any income earned thereon in accordance Tetragon's investment strategy;
- purchasing, holding, selling, transferring, exchanging, mortgaging, pledging, hypothecating and otherwise acting to acquire and dispose of and exercise all rights, powers, privileges and other incidents of ownership or possession with respect to investments held or owned by Tetragon, with the objective of the preservation, protection and increase in value thereof;
- exercising any voting or similar rights attaching to investments purchased on behalf of Tetragon;
- borrowing or raising monies from time to time without limit as to amount or manner and time of repayment;
- engaging consultants, attorneys, independent accountants or such other persons as the investment manager may deem necessary or advisable; and
- entering into any other contracts or agreements in connection with any of the foregoing activities.

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

TFG Asset Management seeks to generate income and value from its asset management businesses by having these businesses manage third-party investor capital. TFG Asset Management has an internal management team that is responsible for the TFG Asset Management business as a whole, including the management, oversight and/or supervision of its various asset management businesses as they form and grow the funds and vehicles that they manage, and is responsible for its own costs.

Tetragon may invest in the various funds and other vehicles managed by a TFG Asset Management business. It may also provide financial support to any fund managed by a TFG Asset Management business (such as a "seeding" arrangement), or provide equity, loans or other financial support to TFG Asset Management or its asset management businesses. The investment manager is responsible for any decision to invest cash into any fund or other vehicle managed by a TFG Asset Management business and is also responsible for decisions regarding financial support for TFG Asset Management.

The investment manager (continued)

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

Services Agreement between the Investment Manager and Certain Subsidiaries of TFG Asset Management

The investment manager has, since its inception, relied on two Polygon entities(1) for a broad range of services to support its activities.(2)

Following Tetragon's 28 October 2012 acquisition of Polygon Management L.P., these entities have been part of TFG Asset Management. The services provided to the investment manager under a Services Agreement by TFG Asset Management, through these entities, include infrastructure services such as operations, financial control, trading, marketing and investor relations, legal, compliance, office administration, payroll and employee benefits. One of those entities, Polygon Global Partners LLP, which is authorised and regulated by the United Kingdom Financial Conduct Authority, also provides services relating to the dealing in and management of investments, arrangement of deals and advising on investments.

(1) These Polygon entities, now TFG Asset Management subsidiaries, also provide infrastructure services to LCM and Contingency Capital, infrastructure and investment management services to Hawke's Point, the TCI General Partner and Banyan Square Partners, and oversight services with respect to Equitix.

(2) Polygon Private Investment Partners LP, an investment management entity in which Reade Griffith and Paddy Dear had an interest and that was not included in Tetragon's 28 October 2012 acquisition of Polygon Management L.P., also relied on TFG Asset Management for certain services to support its activities until its liquidation in December 2020. TFG Asset Management employed a cost allocation and recovery methodology from Polygon Private Investment Partners LP that was the same as the cost allocation and recovery methodology applied to the investment manager.

Cost Recovery by TFG Asset Management for Services Provided to Tetragon's Investment Manager

TFG Asset Management, through its Polygon subsidiaries, has implemented a cost-allocation methodology with the objective of allocating service-related costs, including to the investment manager, in a consistent, fair, transparent and commercially based manner.(3)

TFG Asset Management then charges fees to the investment manager for the services allocated to the investment manager on a cost-recovery basis designed to achieve full recovery of the allocated costs. In 2020 the total amount recharged to the investment manager, excluding direct expenses, was $18.1 million.

Most of the costs related to these services are directly or indirectly attributable to personnel or "human capital", with compensation typically being the largest single cost.(4)

Consequently, one of the most critical cost allocations relates to professionals' time, which is commonly expressed as Full Time Equivalents or "FTEs". On a monthly basis, each TFG Asset Management employee(5), directly or via their team head, provides a breakdown of the approximate percentage of time spent supporting the various businesses for the previous month (this excludes certain functions such as office management and technology that are charged to business users on a standard basis (e.g., space used or global headcount) which removes any need on the part of those teams to allocate their FTEs to business lines). TFG Asset Management employees should not be incentivised to either over- or under-allocate to any business, as their time allocation is not a consideration in the determination of their overall compensation. Once allocated percentages are determined and agreed, an FTE is derived, subject to adjustments for items determined by contractual arrangements. Personnel costs (excluding bonuses) of each function are calculated using a standard costing methodology, which includes a standard add-on for employment taxes and standard employee benefits. Bonuses are

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

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

(5) Amounts paid by TFG Asset Management to Mr. Griffith in connection with services provided by him to TFG Asset Management are not allocated to the investment manager.

charged to each business line (including the investment manager) based on the FTE allocation described above.

In addition to FTE costs, there are a number of other costs that reflect the use of resources by TFG Asset Management personnel on behalf of the investment manager (in addition to the other TFG Asset Management businesses), including real property costs, technology, travel and entertainment and market data. A standard cost methodology is used to allocate these costs across the various business lines that are supported, including the investment manager. The setting of standard costs is designed to reflect what those costs would be on an arm's-length basis. The methodology is designed to create consistency in order to provide a fair allocation of resource costs to all businesses.

Employee FTE data is collated and used to process monthly cost allocations. Such allocations are invoiced monthly to users of the TFG Asset Management platform that are not owned by TFG Asset Management, including the investment manager, or allocated within the TFG Asset Management general ledger for businesses owned by TFG Asset Management.

TFG Asset Management's cost allocation methodology is documented and updated annually by TFG Asset Management's finance team in consultation with its legal and compliance teams and is approved each year by TFG Asset Management's executive committee.

KPMG LLP, reporting directly to Tetragon's Audit Committee, are currently engaged to periodically test that the costs allocated to (and therefore recovered from) the investment manager have been properly calculated in accordance with the approved cost-allocation methodology. Tetragon's Board of Directors has adopted procedures for related-party transactions that require approval of a majority of disinterested Directors. Accordingly, Tetragon's Independent Directors are required to approve the methodology for allocating costs and in their sole discretion the application of that methodology as part of their oversight processes. The annual cost allocation methodology update and the actual annual cost allocations that result based on these cost methodology policies and procedures are separately approved by the Independent Directors.

Tetragon Financial Group Limited
Directors' Report for the Year Ended 31 December 2020

The Directors present to the shareholders their report together with the audited financial statements for the year ended 31 December 2020.

The Fund and its Investment Objective

Tetragon Financial Group Limited ("Tetragon" or the "Fund") was registered in Guernsey on 23 June 2005 as a company limited by shares, with registered number 43321. All voting shares of Tetragon are held by Polygon Credit Holdings II Limited (the "Voting Shareholder"). Tetragon continues to be registered and domiciled in Guernsey, Tetragon's non-voting shares are listed on Euronext in Amsterdam, a regulated market of Euronext Amsterdam N.V. (ticker symbol: TFG.NA) and on the Specialist Fund Segment of the London Stock Exchange plc (ticker symbols: TFG.LN and TFGS.LN).

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

As at 31 December 2020, TFG Asset Management's investments consisted of LCM, BentallGreenOak, Polygon, Equitix, Hawke's Point, Tetragon Credit Partners, Banyan Square Partners and Contingency Capital.

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

Results, Activities and Future Developments

The results of operations are set out on page 3 of the Audited Financial Statements. A detailed review of activities and future developments is contained in the Annual Report issued with these consolidated financial statements to the shareholders of Tetragon.

Directors

The Directors who held office during the year were:

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

* Independent Directors

The remuneration for Directors is determined by resolution of Polygon Credit Holdings II Limited (the "Voting Shareholder"). Each Director's annual fee is US$ 125,000 (2019: US$ 125,000) as compensation for service on the Board of Directors of the Fund and is paid in quarterly instalments by the Fund. Paddy Dear and Reade Griffith have waived their entitlement to a Director's fee.

The Directors have the option to elect to receive shares in the Fund instead of their quarterly Director's fee. During the year, David O'Leary received 6,626 shares (2019: 3,752).

On 1 January 2020, the Independent Directors were awarded shares in Tetragon which vest on 31 December 2022 and are subject to forfeiture provisions. The fair value of the award, as determined by the share price on grant date of US$ 12.25 per share, is US$ 300,000 for each Independent Director.

The Directors are entitled to be repaid by the Fund for all travel, hotel and other expenses reasonably incurred by them in the discharge of their duties. None of the Directors has a contract with the Fund providing for benefits upon termination of employment.

Dividends

The Directors have the authority to declare dividend payments, based upon the recommendation of the Investment Manager, subject to the approval of the Voting Shareholder of the Fund and adherence to applicable law including the satisfaction of a solvency test as stated under the Companies (Guernsey) Law, 2008. The Investment Manager's recommendation with respect to the declaration of dividends (and other capital distributions) may be informed by a variety of considerations, including (i) the expected sustainability of the Fund's cash generation capacity in the short and medium term, (ii) the current and anticipated performance of the Fund, (iii) the current and anticipated operating and economic environment and (iv) other potential uses of cash ranging from preservation of the Fund's investments and financial position to other investment opportunities.

The Directors declared the following dividends during the year:

Dividend period	Dividend per share
Quarter ended 31 December 2019	$0.1825
Quarter ended 31 March 2020	$0.1000
Quarter ended 30 June 2020	$0.1000
Quarter ended 30 September 2020	$0.1000

On 24 February 2021, the Directors declared a dividend amounting to US$ 0.1000 per share for the quarter ended 31 December 2020. The total dividend declared for the year ended 31 December 2020 amounted to US$ 0.4000 per share (2019: US$ 0.7400 per share).

Statement of Directors' Responsibilities

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

The Companies (Guernsey) Law, 2008, requires the Directors to prepare financial statements for each financial year. Accordingly, the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") and applicable law.

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

In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Fund or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for the keeping of proper accounting records which disclose with reasonable accuracy at any time the financial position of the Fund and to enable them to ensure that the financial statements comply with the Companies (Guernsey) Law, 2008. They are responsible for such internal control as they determine

Directors' Report (continued)

is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Fund and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Fund's website, and for the preparation and dissemination of the financial statements. Legislation in Guernsey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Fund is required to comply with all provisions of Guernsey Company Law relating to corporate governance to the extent the same are applicable and relevant to its activities. In particular, each Director must seek to act in accordance with the "Code of Practice – Company Directors". The Fund reports against the Association of Investment Companies ("AIC") Corporate Governance Guide for Investment Companies and, as such, is deemed to meet the provisions of the Code of Corporate Governance issued by the Guernsey Financial Services Commission.

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

The annual report gives a fair review of the information required by DTR 4.1.8R and DTR 4.1.11R of the Disclosure Guidance and Transparency Rules and the Financial Supervision Act of the Netherlands, which respectively require, inter alia, (i) an indication of important events that have occurred since the end of the financial year and the likely future development of the Fund and (ii) a description of principal risks and uncertainties during the year.

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

Disclosure of information to the auditor

So far as each of the Directors is aware, there is no relevant audit information of which the Fund's auditor is unaware, and each has taken all the steps he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Fund's auditor is aware of that information.

Auditor

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

Signed on behalf of the Board of Directors by:

David O'Leary
Director

Steven Hart
Director

Date: 24 February 2021

Directors' Statements

The Directors of Tetragon confirm that (i) this Annual Report constitutes the Tetragon management review for the year ended 31 December 2020 and contains a fair review of that period and (ii) the 2020 audited financial statements accompanying this Annual Report for Tetragon have been prepared in accordance with applicable laws and in accordance with IFRS as adopted by the European Union.

The AIC Code of Corporate Governance

In September 2016, Tetragon became a member of The Association of Investment Companies (AIC), the trade body for closed-ended investment companies. Founded in 1932, the AIC represents approximately 400 members across a broad range of closed-ended investment companies, incorporating investment trusts and other closed-ended investment companies. Tetragon is classified by the AIC in its Flexible Investment sector as a company whose policy allows it to invest in a range of asset types. The AIC has indicated that the sector may assist investors and advisers to more easily find and compare those investment companies which have the ability to invest in a range of assets and allow investors to compare investment companies with similar open-ended funds.

The AIC has a Code of Corporate Governance (AIC Code) which sets out a framework of best practice in respect of the governance of investment companies. The 2019 AIC Code applies to accounting periods beginning on or after 1 January 2019. The 2019 AIC Code has been endorsed by, amongst others, the Financial Reporting Council and the Guernsey Financial Services Commission (GFSC). This means that Tetragon, as an AIC member company, may make a statement that by reporting against the AIC Code, it is meeting its applicable obligations under the United Kingdom Corporate Governance Code 2018 (UK Code), the GFSC Finance Sector Code of Corporate Governance 2016 and any associated disclosure requirements under paragraph 9.8.6 of the Listing Rules. The Board of Directors of Tetragon considers that reporting against the principles and provisions of the 2019 AIC Code will provide better information to shareholders. Tetragon's reporting against the principles and provisions of the 2019 AIC Code is also set out on Tetragon's website at www.tetragoninv.com/site-services/aic/aic-code.

The 2019 AIC Code Principles and Provisions

Board leadership and purpose

Principles

A. A successful company is led by an effective board, whose role is to promote the long-term sustainable success of the company, generating value for shareholders and contributing to wider society. *(Incorporates relevant content from UK Code Principle A)*

B. The board should establish the company's purpose, values and strategy, and satisfy itself that these and its culture are aligned. All directors must act with integrity, lead by example and promote the desired culture. *(UK Code Principle B)*

C. The board should ensure that the necessary resources are in place for the company to meet its objectives and measure performance against them. The board should also establish a framework of prudent and effective controls, which enable risk to be assessed and managed. *(UK Code Principle C)*

D. In order for the company to meet its responsibilities to shareholders and stakeholders, the board should ensure effective engagement with, and encourage participation from, these parties. *(UK Code Principle D)*

Provisions

1. The board should assess the basis on which the company generates and preserves value over the long-term. It should describe in the annual report how opportunities and risks to the future success of the business have been considered and addressed, the sustainability of the company's business model and how its governance contributes to the delivery of its strategy. For an investment company, the annual report should also include the company's investment objective and investment policy. *(Incorporates relevant content from UK Code Provision 1)*

   Tetragon Compliance Statement

   Tetragon's investment objective is to generate distributable income and capital appreciation. Tetragon's investment strategy to achieve that investment objective is stated in this Annual Report (page 16) and on its website (under the heading Investment Strategy).

   The Board of Directors does not hold separate strategy meetings, but overall strategy is discussed in detail at quarterly meetings of the Board of Directors and at ad hoc *board meetings when required. Directors also have the opportunity to discuss these and any other matters with the investment manager outside of meetings of the Board of Directors as appropriate.*

The investment manager provides a detailed investment report to the Board of Directors at quarterly board meetings across all key investment matrices including performance and allocation. The investment manager also provides a risk management update to the Board of Directors at quarterly meetings. Industry issues are raised and discussed.

2. The board should assess and monitor its own culture, including its policies, practices and behaviour to ensure it is aligned with the company's purpose, values and strategy. *(Incorporates relevant content from UK Code Provision 2)*

   Tetragon Compliance Statement

   The Board of Directors is made up of a broad range of professionally qualified or industry experienced personnel with relevant and suitable academic and professional backgrounds including a majority being Independent Directors. The Board of Directors believes this is an appropriate balance of skills, experience and knowledge that is relevant to Tetragon's activities.

3. In addition to formal general meetings, the chair should seek regular engagement with major shareholders in order to understand their views on governance and performance against the company's investment objective and investment policy. Committee chairs should seek engagement with shareholders on significant matters related to their areas of responsibility. The chair should ensure that the board as a whole has a clear understanding of the views of shareholders. *(Incorporates relevant content from UK Code Provision 3)*

   Tetragon Compliance Statement

   The investment manager has been delegated responsibility for monitoring the shareholder profile of Tetragon and has in place a system for canvassing shareholder views and communicating views to the shareholders. The investment manager holds regular investor calls and an annual investor day. The investment manager provides the Board of Directors with comprehensive shareholder reports and corporate broker updates and analysis at meetings of the Board of Directors.

   All major corporate communications are reviewed and approved by the Board of Directors.

4. When 20 per cent or more of votes have been cast against the board recommendation for a resolution, the company should explain, when announcing voting results, what actions it intends to take to consult shareholders in order to understand the reasons behind the result. An update on the views received from shareholders and actions taken should be published no later than six months after the shareholder meeting. The board should then provide a final summary in the annual report and, if applicable, in the explanatory notes to resolutions at the next shareholder meeting, on what impact the feedback has had on the decisions the board has taken and any actions or resolutions now proposed. *(UK Code Provision 4)*

   Tetragon Compliance Statement

   Tetragon has 10 voting shares in issue, which were issued at par and are owned by Polygon Credit Holdings II Limited (the Voting Shareholder). The Voting Shareholder is a non-U.S. affiliate of Tetragon's investment manager.

   Tetragon's voting shares are the only shares of Tetragon entitled to vote for the election of Tetragon's board of directors and on all other matters, subject to the limited rights of the ordinary shares as described in Tetragon's Memorandum and Articles of Incorporation.

   Should the Voting Shareholder vote against a resolution proposed by the Board of Directors, the Board of Directors would engage with the Voting Shareholder to understand any concerns it may have.

5. The board should understand the views of the company's other key stakeholders and describe in the annual report how their interests and the matters set out in section 172 of the United Kingdom's Companies Act 2006 have been considered in board discussions and decision-making. The board should keep engagement mechanisms under review so that they remain effective. *(Incorporates relevant content from UK Code Provision 5)*

   Tetragon Compliance Statement

   The Board of Directors have considered the matters set out in section 172 of the United Kingdom's Companies Act 2006 insofar as Guernsey law requires consideration of the same. Tetragon has delegated the monitoring of and engagement with Tetragon's key stakeholders to the investment manager. The investment manager engages regularly with key stakeholders by means of investor calls and on annual investor day. The investment manager provides comprehensive reports and updates on these matters at meetings of the Board of Directors.

The AIC Code of Corporate Governance (continued)

6. The board should take action to identify and manage conflicts of interest, including those resulting from significant shareholdings, and ensure that the influence of third parties does not compromise or override independent judgement. *(UK Code Provision 7)*

   Tetragon Compliance Statement

   Tetragon's Articles of Incorporation require the members of the Board of Directors to disclose any conflicts of interest that they may have in relation to the company or a transaction upon becoming aware of such a conflict of interest. A member of the Board of Directors is not entitled to vote on a matter relating to a transaction, attend the relevant Board of Directors meeting, count in the quorum for any such meeting, sign any transactional document on behalf of Tetragon and do any other thing in his capacity as a director in relation to a transaction that they may be interested unless they have disclosed the nature and extent of their interest.

7. Where directors have concerns about the operation of the board or the company that cannot be resolved, their concerns should be recorded in the board minutes. On resignation, a non-executive director should provide a written statement to the chair, for circulation to the board, if they have any such concerns. *(Incorporates relevant content from UK Code Provision 8)*

   Tetragon's Compliance Statement

   The minutes of meetings of the Board of Directors of Tetragon record a summary of any concerns raised by members of the Board of Directors about the operation of the Board of Directors that cannot be resolved. To date, no written statement of concern has been provided by any retiring member of the Board of Directors.

Divisions of responsibilities

Principles

F. The chair leads the board and is responsible for its overall effectiveness in directing the company. They should demonstrate objective judgement throughout their tenure and promote a culture of openness and debate. In addition, the chair facilitates constructive board relations and the effective contribution of all non-executive directors, and ensures that directors receive accurate, timely and clear information. *(UK Code Principle F)*

G. The board should consist of an appropriate combination of directors (and, in particular, independent non-executive directors) such that no one individual or small group of individuals dominates the board's decision making. *(Incorporates relevant content from UK Code Principle G)*

H. Non-executive directors should have sufficient time to meet their board responsibilities. They should provide constructive challenge, strategic guidance, offer specialist advice and hold third party service providers to account. *(Incorporates relevant content from UK Code Principle H)*

I. The board, supported by the company secretary, should ensure that it has the policies, processes, information, time and resources it needs in order to function effectively and efficiently. *(UK Code Principle I)*

Provisions

8. The responsibilities of the chair, senior independent director, board and committees should be clear, set out in writing, agreed by the board and made publicly available. The annual report should set out the number of meetings of the board and its committees, and the individual attendance by directors. *(Incorporates relevant content from UK Code Provision 14)*

   Tetragon's Compliance Statement

   The responsibilities of the members of the Board of Directors and Audit Committee are set out in the Corporate Governance section of the Tetragon website. Details of the number of meetings of the Board of Directors and Audit Committee is set out in Tetragon's Compliance Statement for Provision 1. Tetragon has not appointed a senior independent director (see Provision 14 for additional information).

9. When making new appointments, the board should take into account other demands on directors' time. Prior to appointment, significant commitments should be disclosed with an indication of the time involved. Additional external appointments should not be undertaken without prior approval of the board, with the reasons for permitting significant appointments explained in the annual report. *(Incorporates relevant content from UK Code Provision 15)*

Tetragon's Compliance Statement

Each Director is appointed annually by the Voting Shareholder in accordance with the process disclosed on Tetragon's website and on page 39 of this Annual Report.

10. At least half the board, excluding the chair, should be non-executive directors whom the board considers to be independent. The majority of the board should be independent of the manager. There should be a clear division of responsibilities between the board and the manager. *(Incorporates relevant content from UK Code Provision 11)*

    Tetragon's Compliance Statement

    Tetragon's Articles of Incorporation require not less than a majority of the Directors to be Independent Directors. Currently more than a majority of the Board of Directors (three out of five) are Independent Directors. A member of the Board of Directors will be an "Independent Director" if the Board of Directors determines that the person satisfies the standards for independence contained in the UK Code in all material respects. The Board of Directors has undertaken an evaluation of the independence of each of the three Independent Directors.

    The Board of Directors has delegated to the investment manager certain functions, including broad discretion to adopt an investment strategy and key operational issues. However, certain matters are specifically reserved for the Board of Directors under Tetragon's Articles of Incorporation.

11. The chair should be independent on appointment when assessed against the circumstances set out in Provision 13. *(Incorporates relevant content from UK Code Provision 9)*

    Tetragon's Compliance Statement

    Tetragon has not appointed a permanent Chairman, but a chairman is elected for each meeting of the Board of Directors. An experienced Independent Director typically performs the role of chairman. All Directors have the opportunity to declare conflicts of interest at each meeting of the Board of Directors; such conflicts or potential conflicts are recorded in the relevant board minutes.

12. On appointment, and throughout the chair's tenure, the chair should have no relationships that may create a conflict of interest between the chair's interest and those of shareholders, including:

    - being an employee of the manager or an ex-employee who has left the employment of the manager within the last five years;
    - being a professional adviser who has provided services to the manager or the board within the last three years; or
    - serving on any other boards of an investment company managed by the same manager.

    Tetragon's Compliance Statement

    As noted above, Tetragon has not appointed a permanent Chairman. Instead a chairman is elected for each meeting of the Board of Directors. All members of the Board of Directors have the opportunity to declare any conflicts of interest that they may have at each meeting of the Board of Directors and the chairman is elected accordingly taking into account Provision 12.

13. The board should identify in the annual report each non-executive director it considers to be independent. Circumstances which are likely to impair, or could appear to impair, a non-executive director's independence include, but are not limited to, whether a director:

    - has, or has had within the last three years, a material business relationship with the company or the manager, either directly or as a partner, shareholder, director or senior employee of a body that has such a relationship with the company or the manager;
    - has received or receives additional remuneration from the company apart from a directors' fee;
    - has close family ties with any of the company's advisers, directors or the manager;
    - holds cross-directorships or has significant links with other directors through involvement in other companies or bodies. Directors who sit on the boards of more than one company managed by the same manager are entitled to

serve as directors; however, they will not be regarded as independent for the purposes of fulfilling the requirement that there must be an independent majority;

- represents a significant shareholder; or
- has served on the board for more than nine years from the date of their first appointment.

Where any of these or other relevant circumstances apply, and the board nonetheless considers that the non-executive director is independent, a clear explanation should be provided. *(Incorporates relevant content from UK Code Provision 10)*

<u>Tetragon's Compliance Statement</u>

The Independent Directors have been identified on page 37 of this Annual Report (see Provision 10 for additional information).

14. The board should appoint one of the independent non-executive directors to be the senior independent director to provide a sounding board for the chair and serve as an intermediary for the other directors and shareholders. Led by the senior independent director, the non-executive directors should meet without the chair present at least annually to appraise the chair's performance, and on other occasions as necessary. *(UK Code Provision 12)*

<u>Tetragon's Compliance Statement</u>

Tetragon has not appointed a senior independent director. The Board of Directors evaluates Tetragon's and its own performance by means of open discussion at meetings of the Board of Directors or as otherwise required. The absence of a permanent chairman means that there is no need for the Independent Directors to meet separately to evaluate the chairman's performance.

15. The primary focus at regular board meetings should be a review of investment performance and associated matters such as gearing, asset allocation, attribution analysis, marketing/investor relations, peer group information and industry issues.

<u>Tetragon's Compliance Statement</u>

The Board of Directors meets regularly to review and discuss the reports of the investment manager and to deal with any other corporate governance matters that may arise from time to time. The Board of Directors discussions include, as appropriate and necessary, those matters referenced by Provision 15.

16. The board should explain in the annual report the areas of decision making reserved for the board and those over which the manager has discretion. Disclosure should include:

- a discussion of the manager's overall performance, for example, investment performance, portfolio risk, operational issues such as compliance etc.;
- the manager's remit regarding stewardship, for example voting and shareholder engagement, and environmental, social and corporate governance issues in respect of holdings in the company's portfolio.

The board should also agree policies with the manager covering key operational issues.

<u>Tetragon's Compliance Statement</u>

Tetragon has delegated management of Tetragon's investment portfolio, determination of Tetragon's investment strategy, approval of all significant investments by Tetragon, oversight of Tetragon's risk monitoring, responsibility for portfolio risk management and oversight of key non-investment and risk activities to the investment manager.

Those roles and responsibilities not delegated to the investment manager are retained by the Board of Directors, along with general oversight of the activities of the investment manager. The Board of Directors oversees the performance by the investment manager of its duties through regular consideration of reports and presentations from the investment manager at quarterly meetings.

Tetragon's administrator, TMF Group Fund Administration (Guernsey) Limited, circulates ad hoc *updates from Tetragon's regulator, the GFSC, and TMF's compliance function monitors performance within the relevant Guernsey laws and GFSC rules and advises the Board of Directors of any issues or likely issues (generally on a quarterly basis).*

Full details of the role and responsibilities of the Board, the investment manager, the administrator and other relevant service providers are detailed on Tetragon's website.

17. Non-executive directors should review at least annually the contractual relationships with, and scrutinise and hold to account the performance of, the manager.

    Either the whole board or a management engagement committee consisting solely of directors independent of the manager (or executives) should perform this review at least annually with its decisions and rationale described in the annual report. If the whole board carries out this review, it should explain in the annual report why it has done so rather than establish a separate management engagement committee.

    The company chair may be a member of, and may chair, the management engagement committee, provided that they are independent of the manager. *(Incorporates relevant content from UK Code Provision 13)*

    Tetragon's Compliance Statement

    The Board of Directors has not deemed it necessary to appoint a separate management engagement committee. The Independent Directors undertake such functions as necessary on an ongoing basis.

18. The board should monitor and evaluate other service providers (such as the company secretary, custodian, depositary, registrar and broker).

    The board should establish procedures by which other service providers, should report back and the methods by which these providers are monitored and evaluated.

    Tetragon's Compliance Statement

    Tetragon has delegated the monitoring and evaluation of its service providers to the investment manager. The investment manager raises relevant issues with the Board of Directors as appropriate.

19. All directors should have access to the advice of the company secretary, who is responsible for advising the board on all governance matters. Both the appointment and removal of the company secretary should be a matter for the whole board. *(UK Code Provision 16)*

    Tetragon's Compliance Statement

    The investment manager makes recommendations to the Board of Directors in relation to relevant governance matters. These recommendations are considered by the Board of Directors during the course of regular meetings.

20. The directors should have access to independent professional advice at the company's expense where they judge it necessary to discharge their responsibilities properly.

    Tetragon's Compliance Statement

    All Directors have access to independent professional advice to enable them to properly discharge their responsibilities.

21. Where a new company has been created by the manager, sponsor or other third party, the chair and the board should be selected and bought into the process of structuring a new launch at an early stage.

    Tetragon's Compliance Statement

    Tetragon was established in 2005. Accordingly, this Provision is not applicable to Tetragon.

Composition, succession and evaluation

Principles

J. Appointments to the board should be subject to a formal, rigorous and transparent procedure, and an effective succession plan should be maintained. Both appointments and succession plans should be based on merit and objective criteria and, within this context, should promote diversity of gender, social and ethnic backgrounds, cognitive and personal strengths. *(Incorporates relevant content from UK Code Principle J)*

K. The board and its committees should have a combination of skills, experience and knowledge. Consideration should be given to the length of service of the board as a whole and membership regularly refreshed. *(UK Code Principle K)*

The AIC Code of Corporate Governance (continued)

L. Annual evaluation of the board should consider its composition, diversity and how effectively members work together to achieve objectives. Individual evaluation should demonstrate whether each director continues to contribute effectively. *(UK Code Principle L)*

Provisions

22. The board should establish a nomination committee to lead the process for appointments, ensure plans are in place for orderly succession to the board and oversee the development of a diverse pipeline for succession. A majority of members of the committee should be independent non-executive directors. If the board has decided that the entire board should fulfil the role of the nomination committee, it will need to explain why it has done so in the annual report. The chair of the board should not chair the committee when it is dealing with the appointment of their successor. *(Incorporates relevant content from UK Code Provision 17)*

    Tetragon's Compliance Statement

    The Board of Directors has not deemed it necessary to appoint a nomination committee and undertakes any such functions collectively or it is undertaken by the Voting Shareholder.

23. All directors should be subject to annual re-election. The board should set out in the papers accompanying the resolutions to elect each director the specific reasons why their contribution is, and continues to be, important to the company's long-term sustainable success. *(UK Code Provision 18)*

    Tetragon's Compliance Statement

    Directors are submitted for re-election by the Voting Shareholder at the Annual General Meeting and the procedures for re-election are disclosed in Tetragon's Annual Report and on the Tetragon website.

24. Each board should determine and disclose a policy on the tenure of the chair. A clear rationale for the expected tenure should be provided, and the policy should explain how this is consistent with the need for regular refreshment and diversity. *(Incorporates relevant content from UK Code Provision 19)*

    Tetragon's Compliance Statement

    Tetragon does not operate a maximum threshold for tenure, nor any guaranteed tenure. As such, the Board of Directors has not deemed it necessary to prepare such a policy.

25. Open advertising and/or an external search consultancy should generally be used for the appointment of the chair and non-executive directors. If an external search consultancy is engaged it should be identified in the annual report alongside a statement about any other connection it has with the company or individual directors. *(UK Code Provision 20)*

    Tetragon's Compliance Statement

    All vacancies on the Board of Directors may be filled, and additional members may be appointed, by resolution of the Voting Shareholder.

26. There should be a formal and rigorous annual evaluation of the performance of the board, its committees, the chair and individual directors. The chair should consider having a regular externally facilitated board evaluation. In FTSE 350 companies this should happen at least every three years. The external evaluator should be identified in the annual report and a statement made about any other connection it has with the company or individual directors. *(UK Code Provision 21)*

    Tetragon's Compliance Statement

    The Board of Directors evaluates its own performance and effectiveness, including of individual members of the Board of Directors and committees, by open discussion in Board of Directors meetings.

27. The chair should act on the results of the evaluation by recognising the strengths and addressing any weaknesses of the board. Each director should engage with the process and take appropriate action when development needs have been identified. *(UK Code Provision 22)*

    Tetragon's Compliance Statement

    All members of the Board of Directors engage in the evaluation process and take appropriate action when developmental needs have been identified.

28. The annual report should describe the work of the nomination committee, (including where the whole board is acting as the nomination committee) including:

- the process used in relation to appointments, its approach to succession planning and how both support developing a diverse pipeline;
- how the board evaluation has been conducted, the nature and extent of an external evaluator's contact with the board and individual directors, the outcomes and actions taken, and how it has or will influence board composition; and
- the policy on diversity and inclusion, its objectives and linkage to company strategy, how it has been implemented and progress on achieving the objectives. *(Incorporates relevant content from UK Code Provision 23)*

Tetragon's Compliance Statement

As noted in relation to Provision 22, the Board of Directors has not deemed it necessary to appoint a nomination committee. The Board of Directors are collectively responsible for ensuring that the provisions of Tetragon's Articles of Incorporation and of the relevant legislation, regulations and policies are followed in relation to the appointment and evaluation of the Directors.

Audit, risk and internal control

Principles

M. The board should establish formal and transparent policies and procedures to ensure the independence and effectiveness of external audit functions and satisfy itself on the integrity of financial and narrative statements. *(Incorporates relevant content from UK Code Principle M)*

N. The board should present a fair, balanced and understandable assessment of the company's position and prospects. *(UK Code Principle N)*

O. The board should establish procedures to manage risk, oversee the internal control framework, and determine the nature and extent of the principal risks the company is willing to take in order to achieve its long-term strategic objectives. *(UK Code Principle O)*

Provisions

29. The board should establish an audit committee of independent non-executive directors, with a minimum membership of three, or in the case of smaller companies two. The chair of the board should not chair the committee but can be a member if they were independent on appointment. If the chair of the board is a member of the audit committee, the board should explain in the annual report why it believes this is appropriate. The board should satisfy itself that at least one member has recent and relevant financial experience. The committee as a whole shall have competence relevant to the sector in which the company operates. *(Incorporates relevant content from UK Code Provision 24)*

Tetragon's Compliance Statement

The Board of Directors has established an Audit Committee comprised of the three Independent Directors. The Audit Committee has recent and relevant financial experience. As noted in Provision 11, there is no permanent chairman for Tetragon. Similarly, there is no permanent chairman of the Audit Committee.

30. The main roles and responsibilities of the audit committee should include:

- monitoring the integrity of the financial statements of the company and any formal announcements relating to the company's financial performance, and reviewing significant financial reporting judgements contained in them;
- providing advice (where requested by the board) on whether the annual report and accounts, taken as a whole, is fair, balanced and understandable, and provides the information necessary for shareholders to assess the company's position and performance, business model and strategy;
- reviewing the company's internal financial controls and internal control and risk management systems, unless expressly addressed by a separate board risk committee composed of independent non-executive directors, or by the board itself;

The AIC Code of Corporate Governance (continued)

- conducting the tender process and making recommendations to the board, about the appointment, reappointment and removal of the external auditor, and approving the remuneration and terms of engagement of the external auditor;
- reviewing and monitoring the external auditor's independence and objectivity;
- reviewing the effectiveness of the external audit process, taking into consideration relevant UK professional and regulatory requirements;
- developing and implementing policy on the engagement of the external auditor to supply non-audit services, ensuring there is prior approval of non-audit services, considering the impact this may have on independence, taking into account the relevant regulations and ethical guidance in this regard, and reporting to the board on any improvement or action required; and
- reporting to the board on how it has discharged its responsibilities. *(Incorporates relevant content from UK Code Provision 25)*

Tetragon's Compliance Statement

The Audit Committee's remit covers those matters identified by Provision 30. More specifically, the Audit Committee is responsible for, among other items, assisting and advising the Board of Directors with matters relating to Tetragon's accounting and financial reporting processes and the integrity and audits of Tetragon's financial statements. The Audit Committee is also responsible for reviewing and making recommendations with respect to the plans and results of each audit engagement with Tetragon's independent auditor, the audit and non-audit fees charged by the independent auditor and the adequacy of internal accounting controls.

31. The annual report should describe the work of the audit committee including:

- the significant issues that the audit committee considered relating to the financial statements, and how these issues were addressed;
- an explanation of how it has assessed the independence and effectiveness of the external audit process and the approach taken to the appointment or reappointment of the external auditor, information on the length of tenure of the current audit firm, when a tender was last conducted and advance notice of any retendering plans;
- in the case of a board not accepting the audit committee's recommendation on the external auditor appointment, reappointment or removal, a statement from the audit committee explaining its recommendation and the reasons why the board has taken a different position (this should also be supplied in any papers recommending appointment or reappointment); and
- an explanation of how auditor independence and objectivity are safeguarded, if the external auditor provides non-audit services. *(Incorporates relevant content from UK Code Provision 26)*

Tetragon's Compliance Statement

The Audit Committee's Statement can be found on page 41 of this Annual Report.

32. The directors should explain in the annual report their responsibility for preparing the annual report and accounts, and state that they consider the annual report and accounts, taken as a whole, is fair, balanced and understandable, and provides the information necessary for shareholders to assess the company's position, performance, business model and strategy. *(UK Code Provision 27)*

Tetragon's Compliance Statement

Please refer to the Directors' Report at page 47 of this Annual Report.

33. The board should carry out a robust assessment of the company's emerging and principal risks. The board should confirm in the annual report that it has completed this assessment, including a description of its principal risks, what procedures are in place to identify emerging risks, and an explanation of how these are being managed or mitigated. *(UK Code Provision 28)*

Tetragon's Compliance Statement

Tetragon has delegated the key responsibilities in relation to the assessment of Tetragon's emerging and principal risks to the investment manager. Details of these risks are set out at page 30 of this Annual Report and on its website (under the heading Risk Factors).

34. The board should monitor the company's risk management and internal control systems and, at least annually, carry out a review of their effectiveness and report on that review in the annual report. The monitoring and review should cover all material controls, including financial, operational and compliance controls. *(UK Code Provision 29)*

 Tetragon's Compliance Statement

 Tetragon has delegated the key responsibilities in relation to the management of Tetragon's risk management and internal control systems to the investment manager. Details of the investment manager's review is included at page 42 of this Annual Report.

35. In annual and half-yearly financial statements, the board should state whether it considers it appropriate to adopt the going concern basis of accounting in preparing them, and identify any material uncertainties to the company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements. *(UK Code Provision 30)*

 Tetragon's Compliance Statement

 The Board of Directors complies with this provision as detailed in the Directors' Report and Financial Statements at pages 47 and 94 respectively of this Annual Report.

36. Taking account of the company's current position and principal risks, the board should explain in the annual report how it has assessed the prospects of the company, over what period it has done so and why it considers that period to be appropriate. The board should state whether it has a reasonable expectation that the company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, drawing attention to any qualifications or assumptions as necessary. *(UK Code Provision 31)*

 Tetragon's Compliance Statement

 The Board of Directors complies with this provision as detailed in the Directors' Report and Key Performance Metrics at pages 47 and 17 respectively of this Annual Report.

Remuneration

Principles

P. Remuneration policies and practices should be designed to support strategy and promote long-term sustainable success. *(Incorporates relevant content from UK Code Principle P)*

Q. A formal and transparent procedure for developing policy remuneration should be established. No director should be involved in deciding their own remuneration outcome. *(Incorporates relevant content from UK Code Principle Q)*

R. Directors should exercise independent judgement and discretion when authorising remuneration outcomes, taking account of company and individual performance, and wider circumstances. *(UK Code Principle R)*

Provisions

37. The board should establish a remuneration committee of independent non-executive directors with a minimum membership of three, or in the case of smaller companies, two. In addition, the chair of the board can only be a member if they were independent on appointment and cannot chair the committee. Before appointment as chair of the remuneration committee, the board should satisfy itself that the appointee has relevant experience and understanding of the company. If the board has decided that the entire board should fulfil the role of the remuneration committee, it will need to explain why it has done so in the annual report. *(Incorporates relevant content from UK Code Provision 32)*

 Tetragon's Compliance Statement

 The Board of Directors has not deemed it necessary to establish a remuneration committee. To the extent necessary the members of the Board of Directors collectively fulfil the role of a remuneration committee.

The AIC Code of Corporate Governance (continued)

38. The remuneration committee should have delegated responsibility for determining the policy and setting the remuneration for the chair. *(Incorporates relevant content from UK Code Provision 33)*

    Tetragon's Compliance Statement

    See above in relation to Provision 37.

39. The remuneration of non-executive directors should be determined in accordance with the Articles of Association or, alternatively, by the board. Levels of remuneration for the chair and all non-executive directors should reflect the time commitment and responsibilities of the role. Remuneration for all non-executive directors should not include share options or other performance-related elements. Provision should be made for additional directors' fees where directors are involved in duties beyond those normally expected as part of the director's appointment. In such instances the board should provide details of the events, duties and responsibilities that gave rise to any additional directors' fees in the annual report. *(Incorporates relevant content from UK Code Provision 34)*

    Tetragon's Compliance Statement

    The remuneration of Tetragon's Independent Directors has been determined by the Board of Directors. The remuneration of the Independent Directors reflects a number of factors, including the time commitment and responsibilities of the role. The remuneration currently includes restricted Tetragon share grants.

40. Where a remuneration consultant is appointed, this should be the responsibility of the remuneration committee. The consultant should be identified in the annual report alongside a statement about any other connection it has with the company or individual directors. Independent judgement should be exercised when evaluating the advice of external third parties. *(Incorporates relevant content from UK Code Provision 35)*

    Tetragon's Compliance Statement

    Tetragon has not appointed a remuneration consultant.

41. The main role and responsibilities of the remuneration committee should include:

    - in conjunction with the chair, setting the directors' remuneration levels; and
    - considering the need to appoint external remuneration consultants.

    Tetragon's Compliance Statement

    See above in relation to Provision 37.

42. There should be a description of the work of the remuneration committee in the annual report. *(Incorporates relevant content from UK Code Provision 41)*

    Tetragon's Compliance Statement

    See above in relation to Provision 37.

Additional Information

Dividend and Capital Return Policy

Tetragon seeks to return value to its shareholders, including through dividends and share repurchases.

Tetragon's Board of Directors has the authority to declare dividend payments, based upon the recommendation of Tetragon's investment manager, subject to the approval of Tetragon's voting shareholder and adherence to applicable law, including the satisfaction of a solvency test as required pursuant to the Companies (Guernsey) Law, 2008, as amended. In addition to making dividend recommendations to the Board of Directors, Tetragon's investment manager may authorise share repurchases.

Decisions with respect to declaration of dividends and share repurchases may be informed by a variety of considerations, including (i) the expected sustainability of the company's cash generation capacity in the short and medium term, (ii) the current and anticipated performance of the company, (iii) the current and anticipated operating and economic environment, (iv) other potential uses of cash ranging from preservation of the company's investments and financial position to other investment opportunities and (v) Tetragon's share price.

Tetragon may also pay scrip dividends, which payments are currently conducted through an optional dividend reinvestment program.

Reporting

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

In addition, in accordance with the requirements of Euronext Amsterdam and applicable regulations under Dutch law, Tetragon provides annual and semi-annual reports to its shareholders, including year-end financial statements, which in the case of the financial statements provided in its annual reports, will be reported in accordance with IFRS and audited in accordance with international auditing standards as well as U.S. GAAS for regulatory purposes, if applicable. The NAV of Tetragon is available to investors on a monthly basis on the company's website at www.tetragoninv.com.

Statement Regarding Non-Mainstream Pooled Investments (NMPI)

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

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

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

2020 Financial Review

2020 Financial Review

Financial Highlights

Figure 12

Tetragon Financial Group Financial Highlights Through 2018 - 2020			
	2020	**2019**	**2018**
Reported GAAP Net Income ($MM)	$171.1	$288.0	$241.5
Fair Value Net Income ($MM)	$182.5	$293.5	$241.5
Reported GAAP EPS	$1.87	$3.22	$2.65
Fair Value EPS	$1.99	$3.28	$2.65
Return on equity	7.6%	13.4%	12.1%
Net Assets ($MM)	$2,474.4	$2,386.1	$2,189.4
GAAP number of shares outstanding (MM)	88.8	92.2	92.4
NAV per share	$27.87	$25.88	$23.70
Fully diluted shares outstanding (MM)	93.1	96.4	97.4
Fully diluted NAV per share	$26.57	$24.76	$22.48
NAV per share total return	9.5%	13.6%	10.3%
DPS	$0.40	$0.74	$0.72

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

- **Fair Value Net Income ($182.5 million):** Please see Figure 13 for more details and a breakdown of the Fair Value Net Income.
- **Return on Equity (7.6%):** Fair Value Net Income ($182.5 million) divided by Net Assets at the start of the year ($2,386.1 million).
- **Fully Diluted Shares Outstanding (93.1 million):** Adjusts the IFRS shares outstanding (88.8 million) for various dilutive factors (4.3 million shares). Please see Figure 26 for more details.
- **Fair Value EPS ($1.99):** Calculated as Fair Value Net Income ($182.5 million) divided by the time-weighted average IFRS or GAAP shares during the period (91.7 million).
- **Fully Diluted NAV Per Share ($26.57):** Calculated as Net Assets ($2,474.4 million) divided by Fully Diluted Shares Outstanding (93.1 million).

Pro Forma Statement of Comprehensive Income

Figure 13

Tetragon Financial Group Pro Forma Statement of Comprehensive Income 2019 - 2020		
	2020 ($millions)	**2019 ($millions)**
Net gain on financial assets at fair value through profit or loss	304.4	402.6
Net loss on derivative financial assets and liabilities	(0.2)	(6.9)
Other income	2.2	6.8
Investment income	**306.4**	**402.5**
Management and incentive fees	(107.1)	(96.9)
Other operating and administrative expenses	(10.6)	(8.6)
Interest expense	(6.2)	(3.5)
Total operating expenses	**(123.9)**	**(109.0)**
Fair Value Net Income	**182.5**	**293.5**

For 2020, the difference between Fair Value Net Income as shown here and IFRS profit and total comprehensive income is an adjustment to remove share-based compensation expense of $11.4 million (2019: $5.7 million). This adjustment is consistent with how Fair Value Net Income has been determined in prior periods.

During the year, $72.7 million incentive fee was expensed and $66.0 million remains outstanding at 31 December 2020.

Pro Forma Statement of Financial Position

Figure 14

Tetragon Financial Group
Pro Forma Statement of Financial Position as at 31 December 2019 and 31 December 2020

	31 December 2020 ($millions)	31 December 2019 ($millions)
ASSETS		
Investments	2,417.6	2,416.3
Derivative financial assets	8.6	11.4
Other receivables	3.3	1.0
Amounts due from brokers	44.4	47.1
Cash and cash equivalents	194.6	134.3
Total assets	**2,668.5**	**2,610.1**
LIABILITIES		
Loans and borrowings	(100.0)	(150.0)
Derivative financial liabilities	(25.2)	(37.2)
Other payables and accrued expenses	(68.9)	(36.8)
Total liabilities	**(194.1)**	**(224.0)**
NET ASSETS	**2,474.4**	**2,386.1**

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

Instead, this table looks through to the underlying investments and cash, and accounts for each separately, at fair value. This approach has the impact of increasing cash by $2.9 million (2019: $0.8 million) and decreasing investments by $2.9 million (2019: $0.8 million). This treatment is consistent with how Tetragon has reported these investments in prior periods.

Other Information

TFG Asset Management

One of Tetragon's significant investments is TFG Asset Management, a diversified alternative asset manager that owns majority and minority private equity stakes in asset management companies. TFG Asset Management, as a unified business, is intended to enhance the value of each individual investment and the entity as a whole through a shared strategic direction and operating infrastructure – encompassing critical business management functions such as risk management, investor relations, financial control, technology, and compliance/legal matters – while at the same time giving entrepreneurial independence to the managers of the underlying businesses. In light of the strategy to continue to grow TFG Asset Management with a view to a possible initial public offering and listing of its shares, the combination of a number of relatively uncorrelated businesses across different asset classes and at different stages of development under TFG Asset Management is also intended to create a collectively more robust and diversified business and income stream. As at 31 December 2020, TFG Asset Management comprised LCM, BentallGreenOak, Polygon, Equitix, Hawke's Point, Tetragon Credit Partners, Banyan Square Partners and Contingency Capital. TFG Asset Management has approximately $30.1 billion of AUM(1) and approximately 380 employees globally (excluding BentallGreenOak). Each of the asset managers on the platform is privately held.

Figure 15

TFG Asset Management at a glance

	LCM	BentallGreenOak	POLYGON	equitix
Established	2001	2010	2002	2007
Joined Tetragon	2009	2010	2012	2015
Asset class	A bank loan asset management company.	A real-estate focused principal investing, lending and advisory firm.	A manager of open-ended hedge fund and private equity vehicles across a number of strategies.	An integrated core infrastructure asset management and primary project platform.
AUM at 31 Dec 2020 ($Bn)	$8.9	$6.8	$1.6	$9.3
Percentage Tetragon Ownership	100%	13%	100%(2)	75%
Valuation at 31 Dec 2020 ($m)	$176.9	$195.7	$57.4	$386.1
Products	U.S. CLOs	Real estate investment strategies	Hedge funds and managed accounts	Infrastructure and renewable funds and managed accounts
Average fund duration	10-12 years(3)	7-10 years	Quarterly liquidity	25 years
Valuation Methodology(4)	DCF and market multiples	DCF (sum-of-parts)	DCF	DCF
Significant unobservable inputs(5)	Discount rate 12%, P/AUM multiple 2.5%, DLOL 15%	Discount rate 11%, DLOL 15%	Discount rate 12.75%, DLOL 20%	Discount rate 9.5%, DLOL 15%

(1) Includes AUM of LCM, BentallGreenOak, Polygon, Equitix, Hawke's Point, Tetragon Credit Partners, Banyan Square Partners and TCICM, as calculated by the applicable fund administrators at 31 December 2020 (AUM of Tetragon Credit Partners represents committed capital). TCICM (which comprises TCI Capital Management II LLC and TCI Capital Management LLC) acts as a CLO collateral manager for certain CLO investments. It had AUM of $2.6 billion at 31 December 2020. Includes, where relevant, investments by Tetragon Financial Group Limited. The AUM for BentallGreenOak represents Tetragon's *pro rata* share (12.86%) of BentallGreenOak AUM at 31 December 2020 ($52.7 billion).

(2) During 2020, an agreement was made with Mike Humphries, the CIO of the Polygon Convertible Opportunity Fund, whereby, in order to further align interests, he would take a controlling stake in the Manager, Polygon CB LP. This fund continues to operate on the TFG Asset Management platform.

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

(4) "DCF" stands for "Discounted Cash Flow". Please see Note 4 of the 2020 Audited Financial Statements for more information.

(5) "DLOL" stands for "Discount for Lack Of Liquidity". Please see Note 4 of the 2020 Audited Financial Statements for more details on significant unobservable inputs.

Primary Offices
London – New York

380
Headcount
Excluding BentallGreenOak

Global
Operating Platform

$30.1B
Total AUM[8]
31 December 2020

$833.5m
Total Valuation
31 December 2020

Figure 15 (continued)

TFG Asset Management at a glance

	HAWKE'S POINT MINING FINANCE	TETRAGON CREDIT PARTNERS	BANYAN SQUARE	Contingency Capital
Established	2014	2015	2019	2020
Joined Tetragon	2014	2015	2019	2020
Asset class	An asset management company focused on mining finance.	A structured credit investing business.	A private equity firm focused on non-control structured and common equity investment opportunities.	A global asset management business that will sponsor and manage litigation finance related investment funds.
AUM at 31 Dec 2020 ($Bn)	$0.14	$0.8	$0.03	$0.0
Percentage Tetragon Ownership	100%	100%	100%	Non-controlling interest[6]
Valuation at 31 Dec 2020 ($m)	$2.9	$13.7	$0.8	Not applicable[7]
Products	Private equity-style fund	Two private equity vehicles and one hedge fund	Private equity fund	
Average fund duration	Not applicable	10 years	Not applicable	Not applicable
Valuation Methodology	Intrinsic value	DCF	Replacement cost	Not applicable[7]
Significant unobservable inputs		Discount rate 11.25%; DLOL 15%		Not applicable[7]

(6) TFG Asset Management owns a non-controlling interest in this manager as well as providing all infrastructure services to this manager. Brandon Baer owns a controlling stake.

(7) Contingency Capital has not yet been valued by a third-party valuation specialist.

(8) Please see Note 1 on page 68.

TFG Asset Management Overview

Figure 16 shows the breakdown of the AUM by business and Figure 17 depicts the growth of that AUM over the last five years. AUM for TFG Asset Management as of 31 December 2020 totalled $30.1 billion.(i)

Figure 16(i)

TFG Asset Management AUM by Business at 31 December 2020 ($billions)

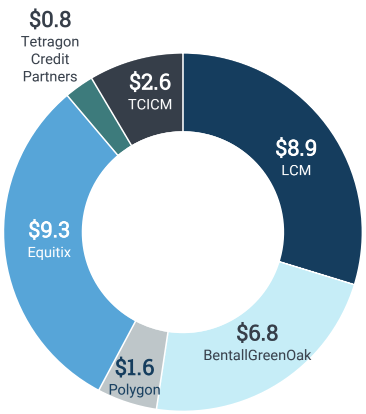


Figure 17(i)

TFG Asset Management AUM at 31 December 2016-2020 ($billions)

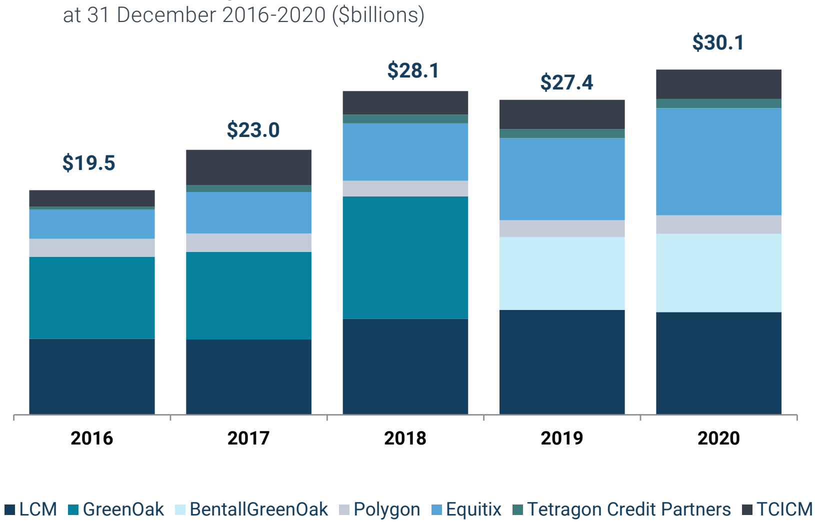


Figure 18

Tetragon Financial Group TFG Asset Management Pro Forma Statement of Operations(ii)			
	2020 ($millions)	2019 ($millions)	2018 ($millions)
Management fee income	125.8	111.2	85.7
Performance and success fees(iii)	81.6	51.8	24.0
Other fee income	18.9	15.5	13.0
Distributions from BentallGreenOak	18.1	10.8	13.2
Interest income	4.1	3.8	3.6
Total income	**248.5**	**193.1**	**139.5**
Operating, employee and administrative expenses	(145.8)	(124.3)	(93.9)
Non-TFG Asset Management owned interest	(27.5)	(9.3)	(6.3)
Net income - "EBITDA equivalent"	**75.2**	**59.5**	**39.3**

(i) Please see Note 1 on page 68. The 2019 and 2020 AUM for BentallGreenOak represents Tetragon's *pro rata* share (12.86%) of BentallGreenOak AUM at 31 December 2020 ($52.7 billion) and 100% of the AUM of the GreenOak joint venture for prior years.

(ii) This table includes the income and expenses attributable to TFG Asset Management's businesses, (with the exception of BentallGreenOak) during that period. During 2020, Equitix repaid all of its shareholder loans and, as a result, TFG Asset Management's rights to distributable income reduced from 85% to 75%. In the table above, 100% of Equitix's income and expenses are reflected and 25% of Equitix's income and expenses are reversed out through the Non-TFG Asset Management-owned interest line, being the proportion not attributable to Tetragon (2019: 15% of Equitix's income and expenses were reversed out through the Non-TFG Asset Management owned interest line). Similarly, 100% of the income and expenses from the Polygon Convertible Opportunities Fund's manager, in which TFG Asset Management has a non-controlling interest, are reflected above with the percentage not owned by TFG Asset Management reversed out through the Non-TFG Asset Management owned interest line. BentallGreenOak EBITDA is not included, but distributions relating to ordinary income and carried interest are included. The EBITDA equivalent is a non-GAAP measure and is designed to reflect the operating performance of the TFG Asset Management businesses rather than is or what was reflected in Tetragon's financial statements.

(iii) The performance and success fees include some realised and unrealised Polygon performance fees. These represent the fees calculated by the applicable administrator of the relevant Polygon funds, in accordance with the applicable fund constitutional documents, when determining NAV at the reporting date. Similar amounts, if any, from LCM are recognised when received. Tetragon pays a mix of full and preferred fees on its investments in TFG Asset Management-managed investment vehicles. Tetragon pays full management and performance fees on its investments in the open Polygon funds. Success fees also include fees earned by Equitix on successfully completing certain primary projects and delivering de-risked investments into their secondary funds; these are recognised once Equitix is entitled to recover them.

TFG Asset Management Overview (continued)

Overview: Figure 18 shows a *pro forma* statement of operations that reflects the operating performance of the majority-owned asset management companies within TFG Asset Management. The reported fee income includes some amounts which were earned on capital invested in certain funds by Tetragon. During 2020, this included $9.4 million of management fees and $12.7 million of performance and success fees. BentallGreenOak's contribution has been captured by including the distributions that it has made to Tetragon.

- **EBITDA:** In 2020, TFG Asset Management's EBITDA was $75.2 million, 26% higher from 2019. Higher management fees due to continued AUM growth and higher performance and success fees due to better performance by the funds were the driving factors for the increase.
- **Management fee income:** Management fee income continued to grow, increasing by $14.6 million or 13% year-on-year. Of note, Equitix management fee income increased by $12.6 million, or 23%, as AUM continued to grow. Tetragon Credit Partners added $1.2 million in management fees as TCI III deployed more capital. LCM also added $1.1 million as average AUM was higher than last year. Polygon was broadly unchanged, as was Hawke's Point.
- **Performance and success fees:** Unlike management fee income, performance and success fees can be quite volatile in nature and subject to timing differences. Overall, this category was up $29.8 million on the prior year, driven primarily by increases in performance fee income earned by the Polygon funds as well as increased performance and success fees at Equitix.
- **Other fee income:** This category includes two different buckets of fees: (i) income generated by Equitix on management services contracts, which is known as the EMS business and (ii) certain cost recoveries from Tetragon relating to seeded Polygon hedge funds. An increase in EMS fee income was behind the growth in this category of income and accounts for 89% of this bucket.
- **Distributions from BentallGreenOak:** Distributions from BentallGreenOak reflect (i) distributions from ongoing operations and (ii) distributions from carried interest. Up to 2018, carried interest made up nearly 80% of these distributions. Following the BentallGreenOak merger, carried interest distributions are supplemented by the fixed and variable payments agreed as part of that deal. For 2020, fixed payments contributed $14.1 million with variable payments of $1.9 million and carried interest accounting for the remainder.
- **Operating expenses:** Operating expenses increased by $21.5 million year-on-year, with $12.6 million coming from Equitix as this business added headcount and continued to scale up. As expected, bonus expenses also increased in those business lines where performance fees increased significantly. We continue to view the increase in expenses as an investment to support greater AUM in the future.

TFG Asset Management Company Overviews

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

All data is at 31 December 2020, unless otherwise stated. Products/mandates listed are not necessarily open for new investment and are not an offer to sell or a solicitation of an offer to purchase securities in the United States or any other jurisdiction, but to illustrate the TFG Asset Management platform strategy.

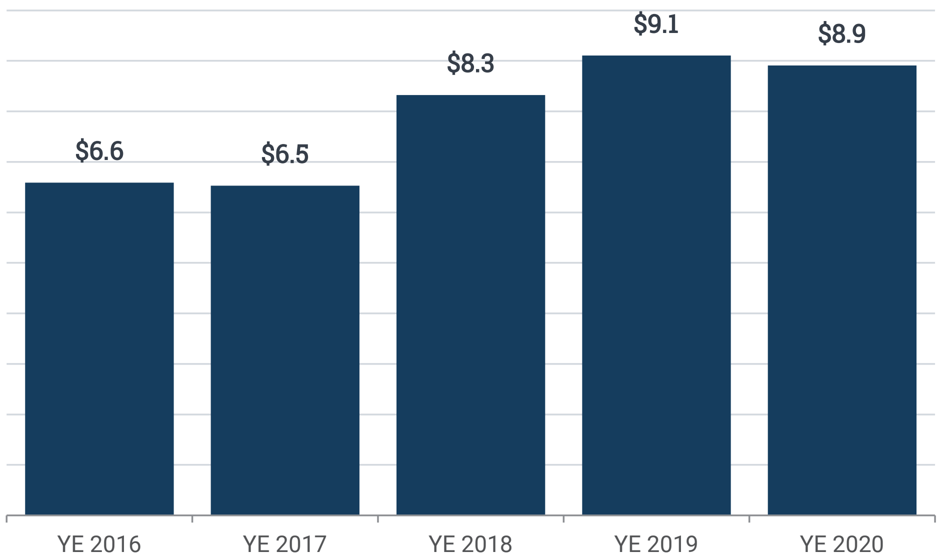
Description of Business

LCM™

- LCM is a specialist in below-investment grade U.S. broadly-syndicated leveraged loans.
- The business was established in 2001 and has offices in New York and London.
- TFG Asset Management owns 100% of LCM.
- Currently, LCM manages loan assets exclusively through CLOs, which are long-term, multi-year investment vehicles. The typical duration of a CLO, and thus LCM's management fee stream, depends on, among other things, the term of its reinvestment period (currently typically four to five years for a new issue CLO), the prepayment rate of the underlying loan assets, as well as post-reinvestment period reinvestment flexibility and weighted average life constraints.
- Further information on LCM is available at www.lcmam.com.

Figure 19
LCM AUM History ($billions)

LCM's AUM was $8.9 billion at 31 December 2020.(i)



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

Products

- LCM currently manages 19 CLOs.

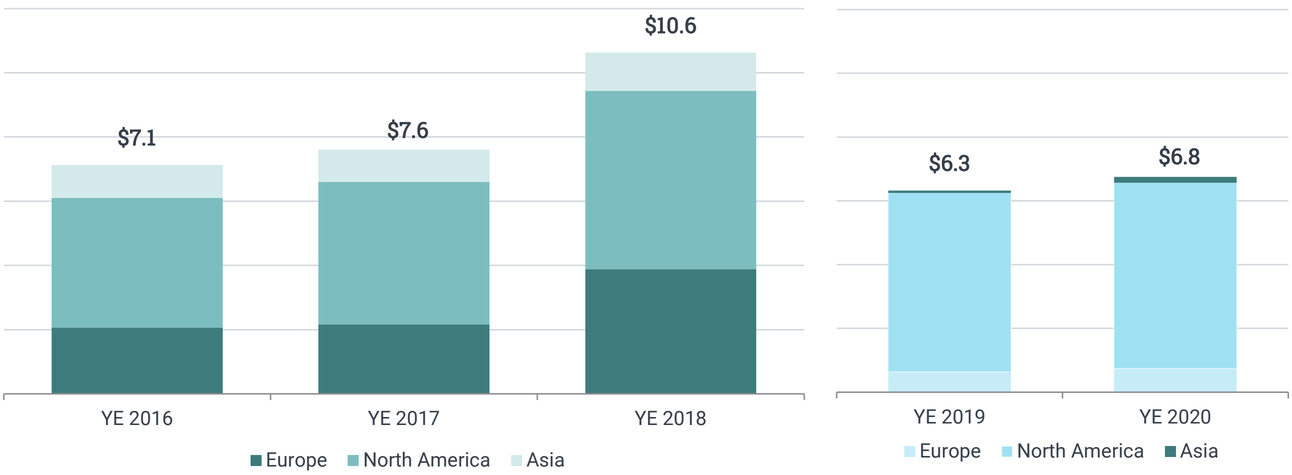
TFG Asset Management Company Overviews (continued)

Description of Business

- BentallGreenOak is a real-estate focused principal investing, lending and advisory firm.
- BentallGreenOak was formed in July 2019 upon the merger of the GreenOak Real Estate joint venture with Bentall Kennedy, an affiliate of SLC Management, a global institutional asset management arm of Sun Life Financial Inc. Tetragon owns approximately 13% of the combined entity. GreenOak Real Estate was founded in 2010.
- The BentallGreenOak investment platform serves over 750 institutional clients with approximately $52.7 billion in assets under management.
- With investment professionals based in 24 global offices, BentallGreenOak has deep local knowledge and strong, long-standing investment track records across the United States, Canada, Europe and Asia.
- Further information on BentallGreenOak is available at www.bentallgreenoak.com.

Figure 20
BentallGreenOak AUM History[(i)] ($billions)

Tetragon's *pro rata* share (12.86%) of BentallGreenOak's AUM at 31 December 2020 ($52.7 billion) was $6.8 billion. The AUM data for 2016-2018 shows the historical AUM progression for the GreenOak joint venture.



(i) Includes investment funds and advisory assets managed by BentallGreenOak at 31 December 2020.

Products

- BentallGreenOak offers a broad range of complementary real estate investment strategies that include Core, Core Plus and Value Added equity investment strategies as well as senior and mezzanine real estate debt strategies.

Description of Business

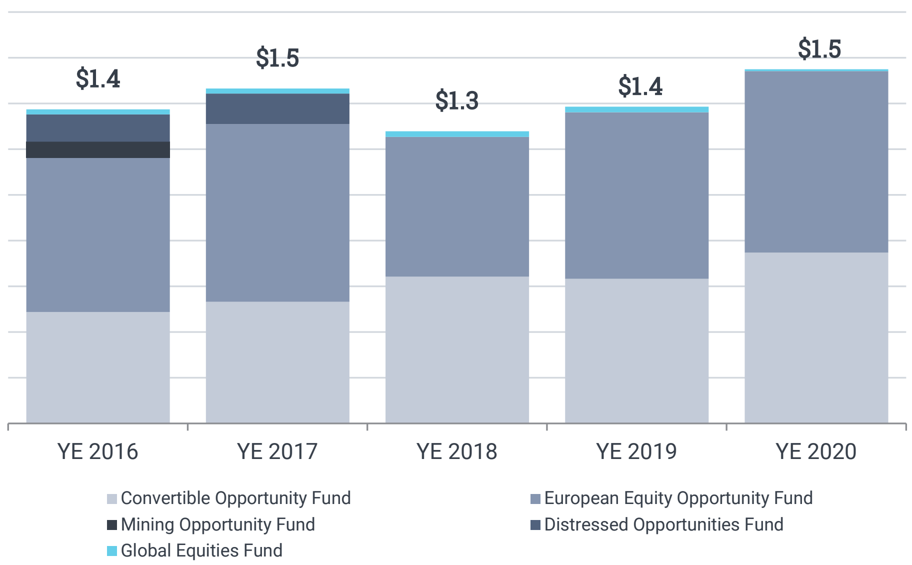
POLYGON™

- Polygon manages open-ended hedge fund and private equity vehicles across a number of strategies.
- Polygon was established in 2002 and has offices in New York and London.
- TFG Asset Management owns 100% of the business.(i)
- Further information on Polygon is available at www.polygoninv.com.

(i) During 2020, an agreement was made with Mike Humphries, the CIO of the Polygon Convertible Opportunity Fund, whereby, in order to further align interests, he would take a controlling stake in the Manager, Polygon CB LP. This fund continues to operate on the TFG Asset Management platform.

Figure 21
Polygon Products and AUM History ($billions)

Polygon's AUM was $1.6 billion for all funds and $1.5 billion for open strategies at 31 December 2020.



(ii) Includes AUM for Polygon Convertible Opportunity Master Fund, Polygon European Equity Opportunity Master Fund and associated managed account, Polygon Mining Opportunity Master Fund, Polygon Global Equities Master Fund and Polygon Distressed Opportunities Master Fund, as calculated by the applicable fund administrator at 31 December 2016, 2017, 2018, 2019 and 2020. Includes, where relevant, investments by Tetragon. The Polygon Mining Opportunity Fund was closed in the fourth quarter of 2017 and the Polygon Distressed Opportunities Fund was closed in the third quarter of 2018.

Products

- Polygon manages open-ended hedge fund and private equity vehicles across a number of strategies, including the Polygon Convertible Opportunity Fund, the Polygon European Equity Opportunity Fund and associated managed account, and the Polygon Global Equities Fund.

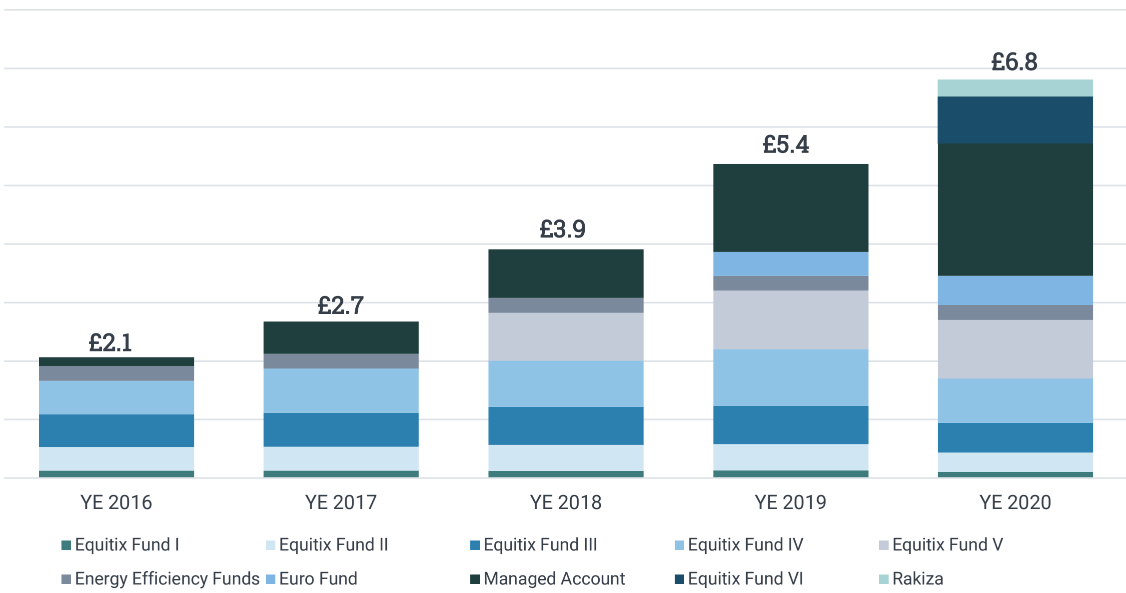
TFG Asset Management Company Overviews (continued)

Description of Business

- Equitix is an integrated core infrastructure asset management and primary project platform.
- Equitix was established in 2007 and is headquartered in London.
- TFG Asset Management owns 75% of the business.
- Equitix typically invests in infrastructure projects in the United Kingdom and Europe with long-term revenue streams across the healthcare, education, social housing, highways and street lighting, offshore transmission and renewable and waste sectors.
- Further information on Equitix is available at www.equitix.co.uk.

Figure 22
Equitix Products and AUM History (£billions)

Equitix's AUM was £6.8 billion ($9.3 billion) at 31 December 2020.(i)



(i) USD-GBP exchange rate at 31 December 2020.

Products

- Equitix manages a number of infrastructure and renewable funds and managed accounts.

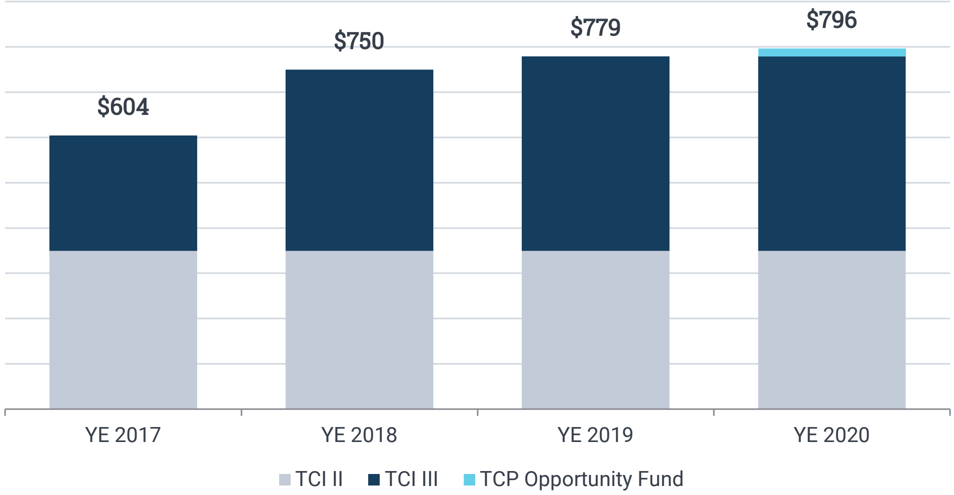
Description of Business[i]

- Tetragon Credit Partners is TFG Asset Management's structured credit investing business. The business has evolved from a historic focus on primary CLO control equity to a broader series of offerings across the CLO capital structure.
- The business was originally established at the end of 2015 and is managed out of New York and London.
- TFG Asset Management owns 100% of the business.
- Further information on Tetragon Credit Partners is available at www.tetragoninv.com.

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

Figure 23
Tetragon Credit Partners Products and Committed Capital / AUM History ($millions)

The sum of total committed capital for TCI II and TCI III and the AUM for Tetragon Credit Partners Opportunity Fund was $796.3 million at 31 December 2020.



Products

- Tetragon Credit Partners' income-focused products are currently Tetragon Credit Income II, or TCI II, and Tetragon Credit Income III, or TCI III, which are predominantly control-stake CLO equity vehicles. It also manages the Tetragon Credit Partners Opportunity Fund, which seeks to monetise dislocation opportunities in U.S. CLO mezzanine tranches.

TFG Asset Management Company Overviews (continued)

Description of Business

HAWKE'S POINT MINING FINANCE ™

- Hawke's Point is an asset management company focused on mining finance that provides capital to companies in the mining and resource sectors.
- Hawke's Point was established in 2014 and is based in London and New York.
- TFG Asset Management owns 100% of the business.
- Hawke's Point manages Hawke's Point Fund 1, which currently has two investments in early-stage gold miners.
- Hawke's Point's AUM was $143.9 million at 31 December 2020.

Description of Business

BANYAN SQUARE ™

- Banyan Square Partners is a private equity firm focused on non-control structured and common equity investment opportunities. The firm seeks to support private equity acquisition financing, growth initiatives and liquidity events.
- Banyan Square Partners was founded in 2019 and is based in New York.
- TFG Asset Management owns 100% of the business.
- Banyan Square Partners manages Banyan Square Fund 1, which currently has four investments.
- Banyan Square Partners' AUM was $31.4 million at 31 December 2020.

Description of Business

Contingency Capital ™

- Contingency Capital is a multi-product global asset management business that will sponsor and manage litigation finance related investment funds.
- The business was founded in November 2020 and is based in New York.
- TFG Asset Management owns a non-controlling interest in this business as well as providing infrastructure services.

Environmental, Social and Governance (ESG) Policy

TFM, as the investment manager of Tetragon, is responsible for Tetragon's ESG policy.

Purpose and Scope of the Policy

This ESG policy aims to provide transparency around TFM's ESG beliefs and outlines its commitment to integrate material environmental, social, and governance issues into its investment process. The policy is applicable to Tetragon and its investments.

ESG Investment Criteria

ESG refers to a broad range of issues that may be considered in the investment process. Below are some examples of ESG issues under each category:

E - Environmental	S - Social	G - Governance
• Greenhouse gas (GHG) emissions • Energy management • Water and wastewater management	• Human rights • Data security • Workplace health and safety • Workforce diversity	• Minority shareholder rights • Board independence • Board diversity • Legal, regulatory and judicial environment

ESG-related risks and opportunities vary depending on multiple factors such as the industry, geography and individual firm characteristics. Potential risks from poor ESG performance include governance failures, inefficiencies, operational disruption, reputational damage, liabilities and low employee engagement. Potential opportunities include access to new and high-growth markets, better relationships with key external stakeholders and competitive advantage.

ESG Beliefs

TFM believes that ESG considerations could influence the risk-return profile of Tetragon's investments. TFM employs an ESG integration strategy, which is defined as the inclusion of material ESG information into the investment process. It is TFM's view that ESG integration is fully consistent with Tetragon's overall investment strategy. Additionally, given the evidence (both from academic and practitioner studies) demonstrating the link between ESG performance and financial performance, TFM believes that Tetragon's shareholders should understand how stronger ESG integration may help deliver sustainable value over the long-term.

ESG Integration

TFM integrates ESG information into its investment process to help identify drivers of risk and return. It is worth noting that ESG information is not the only consideration in TFM's investment decision making but rather expands the total information available to it when evaluating an investment. As part of its investment evaluation, TFM assesses ESG information alongside a wide variety of economic metrics and financial data, making investment decisions on a case-by-case basis.

Responsibility for Implementation

TFM's Investment Committee and Risk Committee are responsible for overseeing ESG integration. The ESG policy will be reviewed annually.

Relevant Commitments and Policies

TFM and Tetragon have adopted a number of policies and commitments that are complementary to the ESG integration approach, including the following:

- the Code of Ethics Policy and Proxy Voting Policy as found in the Compliance Manual; and
- a Statement on the UK Modern Slavery Act.

Tetragon also reports against the Code of Corporate Governance of the Association of Investment Companies (AIC).

Share Repurchases & Distributions[1]

Figure 24

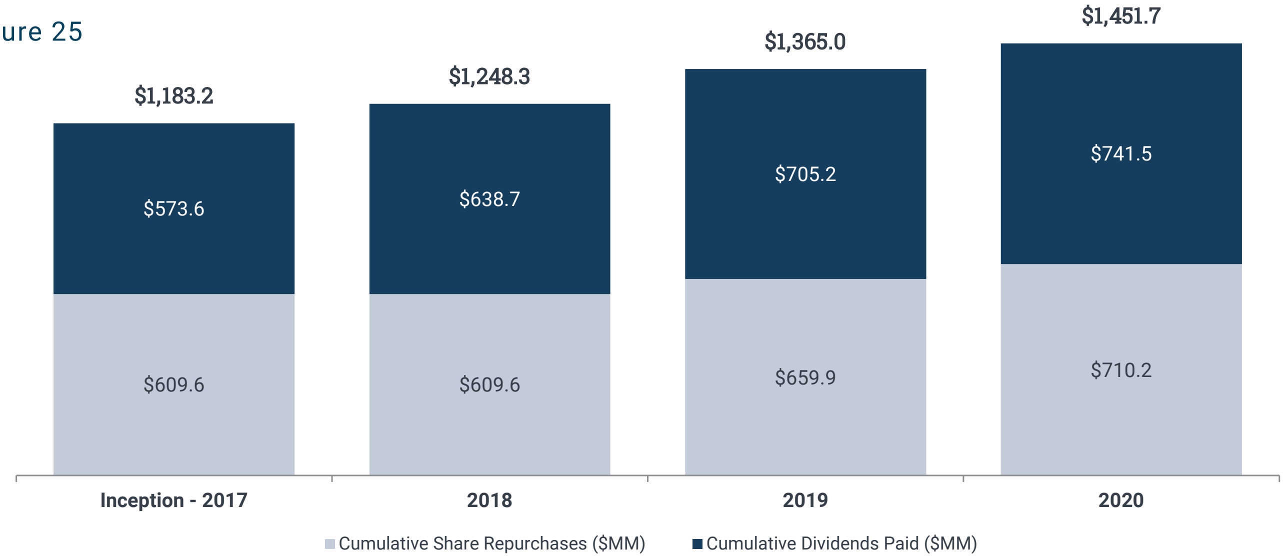
Tetragon Financial Group

Share Repurchase and Dividend History ($millions)

Year	Amount repurchased	Cumulative amount	Dividends paid	Cumulative dividends paid
2007	$2.2	$2.2	$56.5	$56.5
2008	$12.4	$14.5	$60.4	$117.0
2009	$6.6	$21.2	$18.8	$135.7
2010	$25.5	$46.7	$37.5	$173.3
2011	$35.2	$81.9	$46.4	$219.6
2012	$175.6	$257.5	$51.5	$271.1
2013	$16.1	$273.6	$55.5	$326.6
2014	$50.9	$324.5	$58.7	$385.3
2015	$60.9	$385.4	$63.3	$448.6
2016	$157.8	$543.2	$61.0	$509.6
2017	$66.4	$609.6	$64.0	$573.6
2018	-	$609.6	$65.1	$638.7
2019	$50.3	$659.9	$66.5	$705.2
2020	$50.3	$710.2	$36.4	$741.5
TOTAL	**$710.2**		**$741.5**	

The below graph shows cumulative historical share repurchases and dividends distributed by Tetragon from inception to 31 December 2020 in millions of U.S. dollars.

Figure 25



(1) Tetragon seeks to return value to its shareholders, including through dividends and share repurchases. Decisions with respect to declaration of dividends and share repurchases may be informed by a variety of considerations, including (i) the expected sustainability of the company's cash generation capacity in the short and medium term, (ii) the current and anticipated performance of the company, (iii) the current and anticipated operating and economic environment, (iv) other potential uses of cash ranging from preservation of the company's investments and financial position to other investment opportunities and (v) Tetragon's share price. Cumulative dividends paid includes the cash and stock dividends paid to shareholders, but excludes dividends declared on shares held in escrow.

Share Reconciliation and Shareholdings

Figure 26

IFRS to Fully Diluted Shares Reconciliation	
	Shares at 31 December 2020 (millions)
Legal Shares Issued and Outstanding	**139.7**
Less: Shares Held in Treasury	40.0
Less: Total Escrow Shares(1.i)	10.9
IFRS Shares Outstanding	**88.8**
Add: Dilution for equity-based awards(1.ii)	4.3
Fully Diluted Shares Outstanding	**93.1**

Shareholdings

Persons affiliated with Tetragon maintain significant interests in Tetragon shares. For example, as of 31 December 2020, the following persons own (directly or indirectly) interests in shares in Tetragon in the amounts set forth below:

Figure 27

Individual	Shareholding at 31 December 2020
Mr. Reade Griffith(2.i)	17,103,868
Mr. Paddy Dear	4,976,960
Mr. David O'Leary	10,378
Other Tetragon/Polygon Employees	5,928,409
Equity-based awards(2.ii)	3,509,016

(1)(i) The Total Escrow Shares of 10.9 million consists of shares held in separate escrow accounts in relation to equity-based compensation.

(ii) Dilution in relation to equity-based awards by TFG Asset Management for certain senior employees. At the reporting date, this was 4.3 million. The basis and pace of recognition is expected to match the rate at which service is being provided to TFG Asset Management in relation to these shares. Please see Equity-Based Compensation Plans on page 84 for more details. Certain of these persons may from time to time enter into purchases or sales trading plans (each a, "Fixed Trading Plan") providing for the sale of Vested Shares or the purchase of Tetragon shares in the market, or may otherwise sell their Vested Shares or purchase Tetragon shares, subject to applicable compliance policies. Applicable brokerage firms may be authorised to purchase or sell Tetragon shares under the relevant Fixed Trading Plan pursuant to certain irrevocable instructions. Each Fixed Trading Plan is intended to comply with Rule 10b5-1 under the United States Securities Exchange Act of 1934, as amended. Each Fixed Trading Plan has been or will be approved by Tetragon in accordance with its applicable compliance policies.

Rule 10b5-1 provides a "safe harbor" that is designed to permit individuals to establish a pre-arranged plan to buy or sell company stock if, at the time such plan is adopted, the individuals are not in possession of material, non-public information.

(2)(i) Includes approximately 2.6 million incentive shares held in escrow with respect to Mr. Griffith's employment agreement vesting between July 2021 and June 2024 that are not subject to performance criteria *per se*. The remaining incentive shares covered by Mr. Griffith's employment agreement are subject to agreed-upon investment performance criteria and are excluded from this figure. Please see page 84 for further details.

(ii) Equity-based awards are intended to give certain senior employees of TFG Asset Management long-term exposure to Tetragon stock (with vesting subject to forfeiture and certain restrictions). Where shares have vested but not yet been released, they have been removed from this line and included in shares owned by "Other Tetragon/Polygon employees". Please see page 84 for further details.

Additional CLO Portfolio Statistics

Figure 28

Tetragon's CLO Portfolio Details at 31 December 2020

Transaction[i]	Status[ii]	Primary or Secondary Investment[iii]	Original Invest. Cost ($m USD)	Deal Closing Date	Year of Maturity	End of Reinv. Period	Wtd Avg Spread (bps)[iv]	Original Cost of Funds (bps)[v]	Current Cost of Funds (bps)[vi]	Current Jr-most O/C Cushion[vii]	Jr-Most O/C Cushion at Close[viii]	Annualised (Loss) Gain of Cushion[ix]	IRR[x]	ITD Cash Received as % of Cost[xi]
Transaction 83	Outstanding	Primary	20.8	2013	2029	2021	378	193	183	1.3%	6.2%	(0.6%)	11.3%	115.6%
Transaction 84	Outstanding	Primary	24.6	2013	2027	2021	348	183	179	0.5%	4.0%	(0.4%)	17.0%	138.6%
Transaction 85	Outstanding	Primary	1.0	2013	2031	2023	356	170	163	1.7%	5.0%	(0.4%)	8.7%	107.0%
Transaction 88	Outstanding	Primary	30.1	2014	2030	2022	343	199	179	0.6%	4.0%	(0.5%)	11.3%	104.2%
Transaction 89	Outstanding	Primary	33.6	2014	2031	2023	347	195	167	1.8%	4.0%	(0.3%)	12.9%	105.0%
Transaction 90	Outstanding	Primary	20.7	2014	2031	2023	355	203	159	1.3%	4.0%	(0.4%)	11.2%	94.6%
Transaction 91	Outstanding	Primary	27.8	2015	2031	2023	350	215	148	1.4%	4.0%	(0.5%)	11.1%	90.6%
Transaction 92	Outstanding	Primary	34.6	2015	2027	2020	343	199	183	0.0%	4.0%	(0.7%)	7.8%	86.8%
Transaction 93	Outstanding	Secondary	6.1	2016	2031	2023	350	215	148	1.4%	3.6%	(0.4%)	15.0%	86.2%
Transaction 94	Outstanding	Secondary	6.6	2016	2031	2023	347	195	167	1.8%	3.3%	(0.2%)	14.6%	78.4%
Transaction 95	Outstanding	Primary	2.6	2016	2029	2022	359	194	162	0.7%	4.4%	(0.9%)	5.1%	49.9%
Transaction 96	Outstanding	Secondary	2.7	2017	2030	2022	343	199	179	0.6%	3.0%	(0.3%)	2.7%	40.4%
Transaction 97	Outstanding	Primary	9.9	2017	2030	2022	343	178	179	0.6%	3.9%	(0.5%)	5.6%	45.5%
Transaction 98	Outstanding	Primary	33.2	2017	2030	2022	347	178	178	0.9%	4.5%	(1.0%)	6.3%	55.2%
Transaction 99	Outstanding	Primary	8.3	2017	2030	2022	361	164	164	4.2%	4.5%	(0.1%)	10.4%	44.3%
Transaction 100	Outstanding	Primary	2.6	2018	2031	2023	366	111	111	4.1%	7.8%	(1.3%)	24.1%	68.0%
Transaction 101	Outstanding	Primary	0.2	2018	2031	2023	356	163	163	1.7%	4.9%	(0.4%)	7.6%	40.7%
Transaction 102	Outstanding	Primary	5.0	2018	2031	2023	350	148	148	1.4%	4.5%	(0.5%)	16.5%	54.2%
Transaction 103	Outstanding	Primary	5.6	2018	2031	2023	355	159	159	1.3%	4.5%	(0.5%)	13.5%	38.3%
Transaction 104	Outstanding	Primary	9.8	2018	2031	2023	347	166	167	1.8%	4.5%	(0.4%)	12.2%	29.1%
Total CLO Portfolio:			285.7				350	191	170	1.1%	4.3%	(0.5%)	11.0%	87.3%

Notes

(i) Transactions are investments made on a particular investment date. Multiple transactions may be associated with the same tranche of the same CLO deal. Note that certain transactions may have been removed from the table above, as the remaining value of the assets of those CLOs is immaterial. The transactions continue to be held as of the date of this report.

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

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

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

(v) 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.

(vi) Notional weighted average spread over LIBOR or EURIBOR (as appropriate) of the debt tranches issued by each CLO, as of the most recent trustee report date.

(vii) 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.

(viii) The junior-most O/C cushion at close is the excess (or deficit) of the junior-most O/C test ratio over the test requirement that was expected on each deal's closing date (or date of purchase, if later).

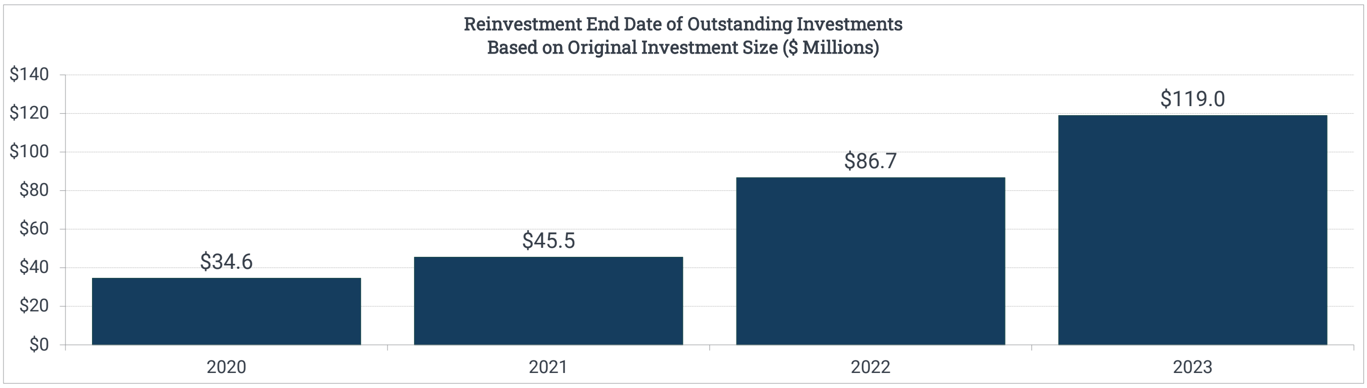
(ix) Calculated by annualizing the change from the expected closing date junior-most O/C cushion to the current junior-most O/C cushion.

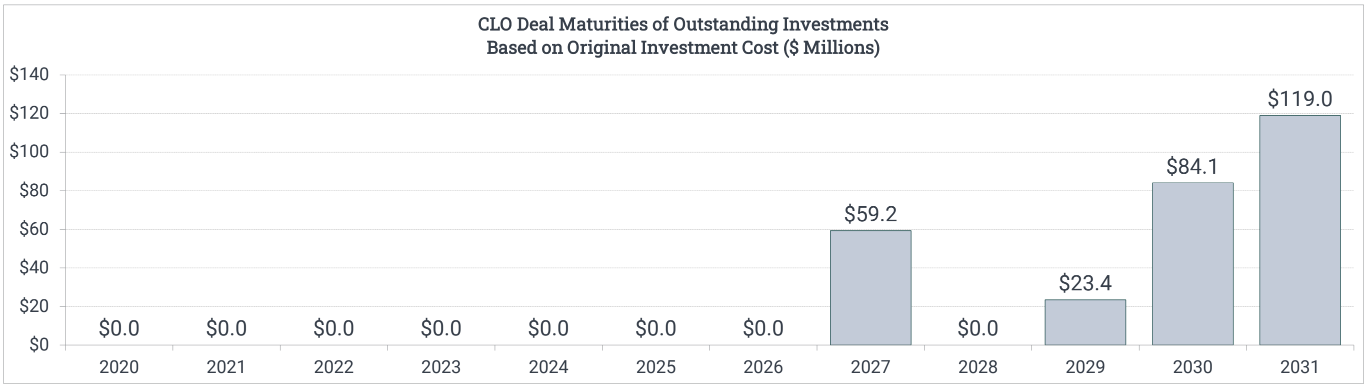
(x) Calculated from Tetragon's investment date. For outstanding investments, includes both historical cash flows received to-date and prospective cash flows expected to be received, based on Tetragon's base case modelling assumptions. Refer to www.tetragoninv.com for more information on Tetragon's modelling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

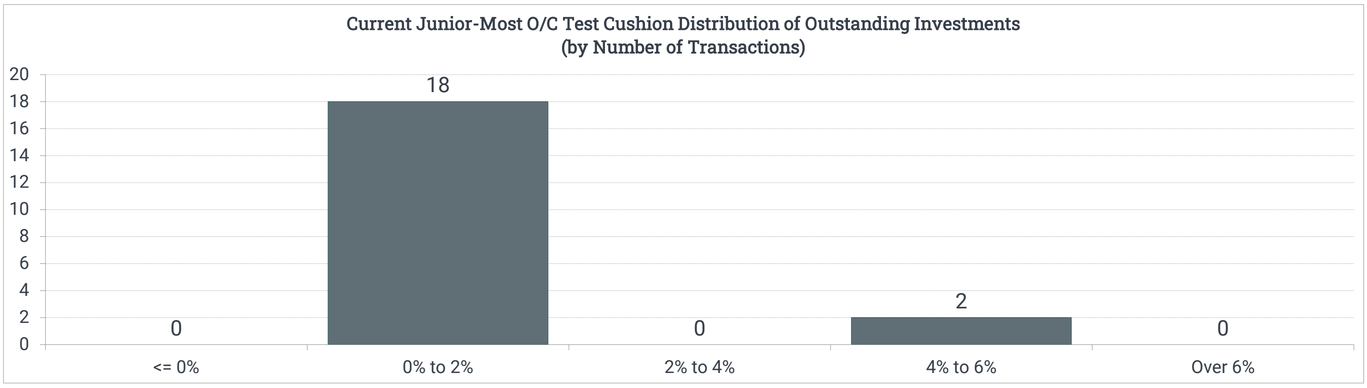
(xi) Inception to report date cash flow received on each transaction as a percentage of its original cost.

Additional CLO Portfolio Statistics (continued)

Figure 29







Certain Regulatory Information

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

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

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

Tetragon shares are subject to legal and other restrictions on resale and the Euronext Amsterdam and SFS trading markets are less liquid than other major exchanges, which could affect the price of the shares.

There are additional restrictions on the resale of Tetragon shares by shareholders who are located in the United States or who are U.S. persons and on the resale of shares by any shareholder to any person who is located in the United States or is a U.S. person. These restrictions include that each shareholder who is located in the United States or who is a U.S. person must be a "Qualified Purchaser" or a "Knowledgeable Employee" (each as defined in the Investment Company Act of 1940), and, accordingly, that shares may be resold to a person located in the United States or who is a U.S. person only if such person is a "Qualified Purchaser" or a "Knowledgeable Employee" under the Investment Company Act of 1940. These restrictions may adversely affect overall liquidity of the shares.

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

Equity-Based Compensation Plans

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

These awards under the long-term incentive plan, along with other equity-based awards, are typically spread over multiple vesting dates up to 2024 which may vary for each employee and are subject to forfeiture provisions. The arrangements may also include additional periods, beyond the vesting dates, during which employees gain exposure to the performance of the Tetragon shares, but the shares are not issued to the employees. Such periods may range from one to five years beyond the vesting dates.

In February 2021, further awards to certain senior TFG Asset Management employees (excluding the principals of the investment manager) were made covering vesting and release periods out to 2032. 3.05 million shares acquired during the buybacks made in 2020 will be used to hedge against (or otherwise offset the future impact of) these awards.

The shares underlying these equity-based incentive programs typically will be held in escrow until they vest and will be eligible to receive shares under the Tetragon Optional Stock Dividend Plan (DRIP Shares).

In July 2019, TFG Asset Management entered into an employment agreement with Mr. Reade Griffith, Director of Tetragon, that covers his services to TFG Asset Management for the period through to 30 June 2024. Mr. Griffith is currently the Chief Investment Officer of TFG Asset Management as well as the Chief Investment Officer of its Polygon event-driven European equity strategies (in addition to other roles). Under the terms of this agreement, Mr. Griffith received $9.5 million in cash in July 2019, $3.75 million in cash in July 2020 and will receive the following:

- 0.3 million Tetragon non-voting shares in July 2021;
- 2.1 million Tetragon non-voting shares in June 2024; and
- between zero and an additional 3.15 million Tetragon non-voting shares – with the number of shares based on agreed-upon investment performance criteria – vesting in years 5, 6 and 7.

All of the Tetragon non-voting shares covered by Mr. Griffith's employment agreement are subject to forfeiture conditions. The shares are held in escrow for release upon vesting and are eligible to participate in the optional stock dividend program, and as a result of subsequent dividends, further shares will be added to the escrow. Of the shares held in escrow with respect to Mr. Griffith's employment agreement, the 2.4 million shares (plus dividend shares) vesting between July 2021 and June 2024 are not subject to performance criteria per se and are included in Figure 27. The remaining shares are subject to agreed-upon investment performance criteria and are excluded from Figure 27.

For the purposes of determining the fully diluted NAV per Share, the dilutive effect of the equity-based compensation plans will be reflected in the fully diluted share count over the life of the plans. Such dilution will include, among other things and in addition to the award shares, any DRIP Shares and shares that will be required to cover employer taxes. At 31 December 2020, approximately 4.3 million shares were included in the fully diluted share count.

On 1 January 2020, the Independent Directors were awarded shares in Tetragon which vest on 31 December 2022 and are subject to forfeiture provisions. The fair value of the award, as determined by the share price on grant date of $12.25 per share, is $300,000 per Independent Director.

Shareholder Information

Registered Office of Tetragon
Tetragon Financial Group Limited
Mill Court, La Charroterie
St. Peter Port
Guernsey GY1 1EJ
Channel Islands

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United States of America

General Partner of Investment Manager
Tetragon Financial Management GP LLC
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Glategny Esplanade
St. Peter Port, Guernsey
Channel Islands GY1 1WR

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

Legal Advisor (as to U.S. law)
Covington & Burling LLP
The New York times Building
620 Eighth Avenue
New York, NY 10018-1405
United States of America

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

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

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

Administrator and Registrar
TMF Group Fund Administration (Guernsey) Limited(1)
Mill Court, La Charroterie
St. Peter Port
Guernsey GY1 1EJ
Channel Islands

(1) TMF Group acquired State Street (Guernsey) Limited in October 2019.

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

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

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

Audited Financial Statements

Our opinion is unmodified

We have audited the consolidated financial statements of Tetragon Financial Group Limited (the “Company”) and its subsidiary (together, the "Group"), which comprise the consolidated statement of financial position as at 31 December 2020, the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements:

- give a true and fair view of the financial position of the Company as at 31 December 2020, and of the Company’s financial performance and cash flows for the year then ended;
- are prepared in accordance with International Financial Reporting Standards as adopted by the EU; and
- comply with the Companies (Guernsey) Law, 2008.

Basis for opinion

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

Key audit matters: our assessment of the risks of material misstatement

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the consolidated financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In arriving at our audit opinion above, the key audit matter was as follows (unchanged from 2019):

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The risk	Our response
Valuation of non-derivative level 3 financial assets at fair value through profit or loss	
$1,530.9 Million; (2019 $1,625.9 Million) *Refer to note 2 accounting policy and note 3 and 4 disclosures*	
Basis: As at 31 December 2020, the Group held non-derivative level 3 financial assets at fair value through profit or loss representing 61.8% of the Group's net asset value. These financial assets include CLO Equity Tranches, Unlisted Stock, TFG Asset Management and other Investment Funds & Vehicles. The fair value of these investments is based on the following valuation methodologies: ◆ for CLO Equity Tranches, a marked to model approach; ◆ for Unlisted Stock, a discounted cash flow approach; ◆ for TFG Asset Management, a sum of parts valuation, using a combination of marked to model and market multiple approaches; and ◆ for the remaining level 3 investments, partner capital or net asset value statements provided by independent administrators. In addition, independent third party valuation providers (the "Valuation Agents") have been engaged to assist in the valuation process for level 3 investments comprising Unlisted Stock and TFG Asset Management. **Risk:** The valuation of the Group's level 3 investments is considered a significant area of our audit in view of the significance of the estimates and judgements that may be involved in the determination of their fair value and given that it represents the majority of the net assets of the Group. The effect of these matters is that, as part of our risk assessment, we determined that the fair value of non-derivative level 3 financial assets at fair value through profit or loss has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole. The financial statements (note 4) disclose the sensitivity estimated by the Group.	Our audit procedures included: **Internal Control:** We have obtained an understanding of the valuation process and tested the design and implementation of the valuation process control. **Challenging managements' assumptions and inputs including use of KPMG Specialists:** For 100% of CLO Equity Tranches, with the support of a KPMG valuation specialist, we independently tested reference prices through the use of fundamental cash flow modelling, sourcing key inputs and assumptions used, such as default rates, prepayment rates, discount rates and recovery rates, to observable market data. For investments valued using the assistance of the Valuation Agents, with the support of a KPMG valuation specialist we: ◆ assessed the objectivity, capabilities and competence of the Valuation Agents engaged to provide valuation services to the Group; ◆ assessed the reasonableness of the methodology applied by the Valuation Agents in developing the fair value of the Unlisted Stock and TFG Asset Management; and ◆ critically assessed the valuations provided by the Valuation Agents and challenged and corroborated material valuation inputs and assumptions to supporting documentation or market available information. For Investment Funds & Vehicles valued using net asset values ("NAVs") we obtained independent confirmations from the third party administrators of these investment values as at 31 December 2020 (or latest available date). Where coterminous statements were not available we reconciled these confirmations and subsequent capital movements to the valuations recorded by the Group. For a statistical sample, we inspected the latest audited financial statements of Investment Funds & Vehicles in order to consider the nature of the investments held by those funds, the financial reporting standards applied in the preparation of the financial statements, any modification to the auditors' reports and other disclosures which may have been relevant to the valuation. **Assessing disclosures:** We considered the adequacy of the disclosures made in the financial statements (see notes 2, 3 and 4) in relation to the use of estimates and judgements regarding the fair value of investments, the valuation estimation techniques inherent therein and fair value disclosures for compliance with IFRS as adopted by the EU.

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

Materiality for the consolidated financial statements as a whole was set at $49.4 million, determined with reference to a benchmark of Group net assets of $2,474.4 million, of which it represents approximately 2.0% (2019: 2.0%).

In line with our audit methodology, our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level the risk that individually immaterial misstatements in individual account balances add up to a material amount across the financial statements as a whole. Performance materiality for the group was set at 75% (2019: 75%) of materiality for the financial statements as a whole, which equates to $37 million (2019 : $33.6 million). We applied this percentage in our determination of performance materiality because we did not identify any factors indicating an elevated level of risk.

We reported to the Audit Committee any corrected or uncorrected identified misstatements exceeding $2.4 million, in addition to other identified misstatements that warranted reporting on qualitative grounds.

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

The group team performed the audit of the Group as if it was a single aggregated set of financial information. The audit was performed using the materiality level set out above and covered 100% of total group revenue, total group profit before tax, and total group assets and liabilities.

Going concern

The directors have prepared the consolidated financial statements on the going concern basis as they do not intend to liquidate the Group or the Company or to cease their operations, and as they have concluded that the Group and the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the consolidated financial statements (the "going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the Group and the Company's business model and analysed how those risks might affect the Group and the Company's financial resources or ability to continue operations over the going concern period. The risks that we considered most likely to affect the Group and the Company's financial resources or ability to continue operations over this period were:

- Availability of capital to meet operating costs and other financial commitments; and
- The ability to successfully refinance or repay debt which is due to mature

We considered whether these risks could plausibly affect the liquidity in the going concern period by comparing severe, but plausible downside scenarios that could arise from these risks individually and collectively against the level of available financial resources indicated by the Group and the Company's financial forecasts.

We considered whether the going concern disclosure in note 2 to the consolidated financial statements gives a full and accurate description of the directors' assessment of going concern.

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Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the consolidated financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group and the Company's ability to continue as a going concern for the going concern period; and
- we found the going concern disclosure in the notes to the consolidated financial statements to be acceptable.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Group and the Company will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- enquiring of management as to the Group's policies and procedures to prevent and detect fraud as well as enquiring whether management have knowledge of any actual, suspected or alleged fraud;
- reading minutes of meetings of those charged with governance; and
- using analytical procedures to identify any unusual or unexpected relationships.

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition because the Group's revenue streams are simple in nature with respect to accounting policy choice, and are easily verifiable to external data sources or agreements with little or no requirement for estimation from management. We did not identify any additional fraud risks.

We performed procedures including:

- Identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation; and
- incorporating an element of unpredictability in our audit procedures.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the consolidated financial statements from our general commercial and sector experience and through discussion with management (as required by auditing standards), and from inspection of the Company's regulatory and legal correspondence, and discussed with management the policies and procedures regarding compliance with laws and regulations. As the Company is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

The Group and the Company are subject to laws and regulations that directly affect the consolidated financial statements including financial reporting legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

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The Group and the Company are subject to other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the consolidated financial statements, for instance through the imposition of fines or litigation or impacts on the Group's and of the Company's ability to operate. We identified financial services regulation as being the area most likely to have such an effect, recognising the regulated nature of the Group and the Company's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the consolidated financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the consolidated financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remains a higher risk of non-detection of fraud, as this may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Other information

The directors are responsible for the other information. The other information comprises the information included in the financial report but does not include the consolidated financial statements and our auditor's report thereon. Our opinion on the consolidated financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on pages 48 and 49, the directors are responsible for: the preparation of the consolidated financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

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

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

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

DEBORAH SMITH

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

24 February 2021

FINANCIAL STATEMENTS

TETRAGON FINANCIAL GROUP LIMITED

FOR THE YEAR ENDED 31 DECEMBER 2020

TETRAGON FINANCIAL GROUP LIMITED

FINANCIAL STATEMENTS
For the year ended 31 December 2020

CONTENTS

TETRAGON FINANCIAL GROUP LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2020

	Note	31 Dec 2020 US$ MM	31 Dec 2019 US$ MM
Assets			
Non-derivative financial assets at fair value through profit or loss	4	2,420.6	2,417.1
Derivative financial assets	4	8.6	11.4
Other receivables and prepayments	7	3.3	1.0
Amounts due from brokers	6	44.4	47.1
Cash and cash equivalents	8	191.6	133.5
Total assets		2,668.5	2,610.1
Liabilities			
Loans and borrowings	10	100.0	150.0
Derivative financial liabilities	4	25.2	37.2
Other payables and accrued expenses	9	68.9	36.8
Total liabilities		194.1	224.0
Net assets		2,474.4	2,386.1
Equity			
Share capital	12	0.1	0.1
Other equity		799.6	830.9
Share-based compensation reserve	12	54.6	57.1
Retained earnings		1,620.1	1,498.0
		2,474.4	2,386.1
Shares outstanding		Million	Million
Number of shares	12	88.8	92.2
Net Asset Value per share		US$ 27.87	US$ 25.88

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

Signed on behalf of the Board of Directors by:

David O'Leary
Director

Steven Hart
Director

Date: 24 February 2021

TETRAGON FINANCIAL GROUP LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2020

	Note	Year ended 31 Dec 2020 US$ MM	Year ended 31 Dec 2019 US$ MM
Net gain on non-derivative financial assets at fair value through profit or loss	2	304.4	402.6
Net loss on derivative financial assets and liabilities	2	(0.2)	(6.9)
Interest income		2.2	6.8
Total income		306.4	402.5
Management fees	15	(34.4)	(33.5)
Incentive fee	11	(72.7)	(63.4)
Legal and professional fees		(7.7)	(5.3)
Share based employee compensation	12	(11.4)	(5.5)
Audit fees		(0.5)	(0.5)
Other operating expenses and administrative expenses		(2.4)	(2.8)
Operating expenses		(129.1)	(111.0)
Operating profit before finance costs		177.3	291.5
Finance costs	10	(6.2)	(3.5)
Profit and total comprehensive income for the year		171.1	288.0
Earnings per share			
Basic	16	US$ 1.87	US$ 3.22
Diluted	16	US$ 1.67	US$ 2.86
Weighted average shares outstanding		Million	Million
Basic	16	91.7	89.5
Diluted	16	102.6	100.8

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

TETRAGON FINANCIAL GROUP LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2020

	Share capital US$ MM	Other equity US$ MM	Retained earnings US$ MM	Share-based compensation reserve US$ MM	Total US$ MM
As at 1 January 2019	0.1	829.7	1,280.6	79.0	2,189.4
Profit and total comprehensive income for the year	-	-	288.0	-	288.0
Transactions with owners recognised directly in equity					
Shares released from escrow	-	27.4	-	(27.4)	-
Dividends on shares released from escrow	-	5.4	(5.4)	-	-
Share-based compensation	-	-	-	5.5	5.5
Cash dividends	-	-	(44.8)	-	(44.8)
Stock dividends	-	20.4	(20.4)	-	-
Purchase of treasury shares	-	(52.0)	-	-	(52.0)
As at 31 December 2019	0.1	830.9	1,498.0	57.1	2,386.1
Profit and total comprehensive income for the year	-	-	171.1	-	171.1
Transactions with owners recognised directly in equity					
Shares released from escrow	-	13.9	-	(13.9)	-
Dividends on shares released from escrow	-	4.2	(4.2)	-	-
Share-based compensation	-	-	-	11.4	11.4
Cash dividends	-	-	(30.7)	-	(30.7)
Stock dividends	-	14.1	(14.1)	-	-
Purchase of treasury shares	-	(63.5)	-	-	(63.5)
As at 31 December 2020	0.1	799.6	1,620.1	54.6	2,474.4

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

TETRAGON FINANCIAL GROUP LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2020

	Year ended 31 Dec 2020 US$ MM	Year ended 31 Dec 2019 US$ MM
Operating activities		
Profit for the year	171.1	288.0
Adjustments for:		
Gains on investments and derivatives	(304.2)	(395.7)
Share based compensation	11.4	5.5
Interest income	(2.2)	(6.8)
Finance costs	6.2	3.5
Operating cash flows before movements in working capital	(117.7)	(105.5)
(Increase)/decrease in receivables	(2.6)	6.7
Increase in payables	31.7	17.3
Decrease/(increase) in amounts due from brokers	2.7	(11.8)
Cash flows from operations	(85.9)	(93.3)
Proceeds from sale/prepayment/maturity of investments	540.5	397.7
Net proceeds from derivative financial instruments	(9.5)	15.6
Purchase of investments	(238.8)	(474.8)
Cash interest received	2.2	6.8
Net cash generated from / (used in) operating activities	208.5	(148.0)
Financing activities		
Repayment of loans and borrowings	(150.0)	-
Proceeds from loans and borrowings	100.0	112.0
Finance costs paid	(6.2)	(3.5)
Purchase of treasury shares	(63.5)	(52.0)
Dividends paid to shareholders*	(30.7)	(44.8)
Net cash (used in) / generated from financing activities	(150.4)	11.7
Net increase / (decrease) in cash and cash equivalents	58.1	(136.3)
Cash and cash equivalents at beginning of year	133.5	269.8
Cash and cash equivalents at end of year	191.6	133.5

* The gross dividend payable to shareholders was US$ 44.8 million (2019: US$ 65.2 million) with a value equivalent to US$ 14.1 million (2019: US$ 20.4 million) elected to be taken by the dividend recipient in shares rather than cash.

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

Note 1 Corporate Information

Tetragon Financial Group Limited ("Tetragon" or the "Fund") was registered in Guernsey on 23 June 2005 as a company limited by shares, with registered number 43321. All voting shares of the Fund are held by Polygon Credit Holdings II Limited (the "Voting Shareholder"). The Fund continues to be registered and domiciled in Guernsey, and the Fund's non-voting shares (the "Shares") are listed on Euronext in Amsterdam, a regulated market of Euronext Amsterdam N.V. (ticker symbol: TFG.NA) and on the Specialist Fund Segment of the London Stock Exchange plc (ticker symbols: TFG.LN and TFGS.LN). The registered office of the Fund is Mill Court, La Charroterie, St. Peter Port, Guernsey, GY1 1EJ, Channel Islands.

Note 2 Significant Accounting Policies

Basis of Preparation

The consolidated financial statements of the Fund (the "Financial Statements") have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") and comply with the Companies (Guernsey) Law, 2008 and give a true and fair view.

The financial statements have been prepared on a historical cost basis, except for derivative financial instruments and certain non-derivative financial assets and financial liabilities held at fair value through profit or loss ("FVTPL") that have been measured at fair value. The accounting policies have been consistently applied to all periods presented in these financial statements.

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

In accordance with IFRS 10 *Consolidated Financial Statements* ("IFRS 10"), the Fund is an investment entity and, as such, does not consolidate the entities it controls where they are deemed to be subsidiaries except for Tetragon Financial Group (Delaware) LLC. Tetragon Financial Group (Delaware) LLC was formed in July 2020 to hold the collateral for the revolving credit facility. This subsidiary's main purpose and activity is to provide a service to the Fund, as such, it is consolidated on a line-by-line basis with balances between the Fund and this subsidiary eliminated. The financial statements for this subsidiary are prepared at the same reporting date using the same accounting policies. All other interests in subsidiaries are classified as FVTPL. Investments in associates are also classified as FVTPL. Subsidiaries are consolidated from the date control is established by Tetragon and cease to be consolidated on the date control is transferred from Tetragon.

The Directors are satisfied that it is appropriate to continue to adopt the going concern basis in preparing these financial statements and that the Fund will be able to continue to meet its liabilities for at least twelve months from the date of approval of the financial statements. In making this determination, the Directors have considered the cash flow and liquidity projections for the next 12 months, the nature of the Fund's capital (including readily available resources such as cash, undrawn credit facility and liquid equities) and the applicable covenants on the revolving credit facility.

The Directors have also considered the impact of the COVID-19 global pandemic, which resulted in unprecedented risks and significant levels of volatility and significant changes to asset prices in global equity, bond and property markets. Due to the nature of the Fund and the resources available to it, COVID-19 has not significantly impacted the going concern assessment.

Note 2 Significant Accounting Policies (continued)

New standards and amendments to existing standards

The Fund has considered all the standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Fund's financial statements. These standards and interpretations are not relevant to the Fund's activities or their effects are not expected to be material.

Foreign Currency Translation

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

Foreign currency exchange differences arising on translation and realised gains and losses on disposals or settlements of monetary assets and liabilities are recognised as net foreign exchange gain/(loss) in the Consolidated Statement of Comprehensive Income except for those arising on financial instruments at FVTPL which are recognised as components of net gain on non-derivative financial assets at FVTPL and derivative instruments which are recognised as components of net gain/(loss) on derivative financial assets and financial liabilities.

Financial Instruments

(i) Classification
The Fund classifies its financial assets and financial liabilities at initial recognition into the following categories, in accordance with IFRS 9 *Financial Instruments* ("IFRS 9").

Financial assets at amortised cost
A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:
- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest outstanding.

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

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

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

Other financial liabilities at amortised cost
This category includes all financial liabilities, other than those classified as at FVTPL. The Fund includes in this category loans and borrowings and other payables and accrued expenses.

Note 2 Significant Accounting Policies (continued)

Financial Instruments (continued)

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

(iii) Initial measurement
Financial assets and financial liabilities at FVTPL are initially recognised in the Consolidated Statement of Financial Position at fair value. All transaction costs for such instruments are recognised immediately through profit or loss.

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

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

Receivables are carried at amortised cost less any allowance for impairment with any impairment losses arising being included in profit or loss.

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

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

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

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

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

Note 2 Significant Accounting Policies (continued)

Financial Instruments (continued)

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

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

Offsetting of financial instruments

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

Fair value measurement

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

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

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted price without any deduction for transaction costs. A market is regarded as "active" if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

For all other financial instruments not traded in an active market, the fair value is determined by using observable inputs where available and valuation techniques deemed to be appropriate in the circumstances. Refer to Note 4 for the valuation techniques used.

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

Amounts due from/to brokers

Amounts due from/to brokers include margin accounts which represent cash pledged as collateral on the forward foreign exchange contracts, credit default swaps and contracts for difference. Refer to the accounting policy for financial instruments for recognition and measurement.

Note 2 Significant Accounting Policies (continued)

Cash and cash equivalents

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

Net gain or loss on non-derivative financial assets and liabilities at FVTPL

Net gains or losses on non-derivative financial assets at FVTPL are changes in the fair value of financial assets and financial liabilities at FVTPL and include related interest, dividends and foreign exchange gains or losses.

Interest income

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

Finance costs

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

Expenses

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

Taxation

The Fund is exempt from Guernsey income tax under the Income Tax (Exempt Bodies) (Guernsey) Ordinance 1989 and is charged GBP 1,200 per annum (2019: GBP 1,200).

Dividend distribution

Dividend distributions are recognised in the Consolidated Statement of Changes in Equity, when the shareholders' right to receive the payment is established.

Share-based payment transactions

Share-based compensation expense for all equity settled share-based payment awards granted is determined based on the grant-date fair value. The Fund recognises these compensation costs net of an estimated forfeiture rate, and recognises compensation cost only for those shares expected to meet the service and non-market performance vesting conditions, on a graded vesting basis over the requisite service period of the award. These compensation costs are determined at the individual vesting tranche level for serviced-based awards.

When the shares are issued, the fair value of the shares, as determined at the time of the award, is debited against the share-based compensation reserve and credited to other equity. Any associated stock dividends accrued on the original award are debited against retained earnings and credited to other equity using the value determined by the stock reference price at the date of each applicable dividend.

Note 2 Significant Accounting Policies (continued)

Other equity

Other equity contains the share premium and treasury shares balances.

Operating segments

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

Note 3 Significant Accounting Judgments, Estimates and Assumptions

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

Judgments

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

Investment entity status

The Board of Directors have determined that the Fund meets the definition of an investment entity as per IFRS 10. Entities that meet the definition of an investment entity within IFRS 10 are generally required to measure their subsidiaries at FVTPL rather than consolidate them. The Fund consolidates Tetragon Financial Group (Delaware) LLC as this subsidiary's main purpose and activity is to provide a service to the Fund, as such it is consolidated on a line-by-line basis with balances between the Fund and this subsidiary eliminated.

The Fund's investment objective is to generate distributable income and capital appreciation. The Fund reports to its investors via monthly, semi-annual and annual investor information, and to its management, via internal management reports, on a fair value basis. The Fund has a documented exit strategy for all of its investments.

Estimates and assumptions

Measurement of fair values
The Fund based its assumptions and estimates on parameters available when the financial statements were prepared; however, existing circumstances and assumptions about future developments may change due to market changes and circumstances arising beyond the control of the Fund. Such changes are reflected in the assumptions when they occur.

For detailed information on the estimates and assumptions used to determine the fair value of financial instruments, please refer to Note 4.

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

Fair value hierarchy

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

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

Recurring fair value measurement of assets and liabilities

The following table shows financial instruments measured at fair value by the level in fair value hierarchy as of 31 December 2020:

Non-derivative financial assets at FVTPL	Level 1 US$ MM	Level 2 US$ MM	Level 3 US$ MM	Total Fair Value US$ MM
Investment funds and vehicles	-	701.2	371.5	1,072.7
TFG Asset Management	-	-	833.5	833.5
CLO equity tranches	-	-	151.3	151.3
Unlisted stock	-	-	174.6	174.6
Listed stock	170.6	-	-	170.6
Corporate bonds	-	17.9	-	17.9
Total non-derivative financial assets at FVTPL	170.6	719.1	1530.9	2,420.6
Derivative financial assets				
Contracts for difference (asset)	-	7.0	-	7.0
Forward foreign exchange contracts (asset)	-	1.6	-	1.6
Total derivative financial assets	-	8.6	-	8.6
Derivative financial liabilities				
Contracts for difference (liability)	-	(0.2)	(7.0)	(7.2)
Forward foreign exchange contracts (liability)	-	(18.0)	-	(18.0)
Total derivative financial liabilities	-	(18.2)	(7.0)	(25.2)

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

Recurring fair value measurement of assets and liabilities (continued)

The following table shows financial instruments measured at fair value by the level in fair value hierarchy as of 31 December 2019:

Non-derivative financial assets at FVTPL	Level 1 US$ MM	Level 2 US$ MM	Level 3 US$ MM	Total Fair Value US$ MM
Investment funds and vehicles	-	612.8	394.5	1,007.3
TFG Asset Management	-	-	747.5	747.5
CLO equity tranches	-	-	210.9	210.9
Unlisted stock	-	5.4	273.0	278.4
Listed stock	149.3	-	-	149.3
Corporate bonds	-	23.7	-	23.7
Total non-derivative financial assets at FVTPL	149.3	641.9	1,625.9	2,417.1
Derivative financial assets				
Contracts for difference (asset)	-	11.2	-	11.2
Forward foreign exchange contracts (asset)	-	0.2	-	0.2
Total derivative financial assets	-	11.4	-	11.4
Derivative financial liabilities				
Contracts for difference (liability)	-	(1.3)	(14.3)	(15.6)
Forward foreign exchange contracts (liability)	-	(21.6)	-	(21.6)
Total derivative financial liabilities	-	(22.9)	(14.3)	(37.2)

Transfers between levels

There were no transfers between levels during the year ended 31 December 2020. During the year ended 31 December 2019, an unlisted stock held at Level 3 of US$ 25.8 million at 31 December 2019 was transferred to Level 1 following its listing, and then remained quoted on an active market. An investment included in 'Investment funds and vehicles', held at Level 3 of US$ 81.1 million at 31 December 2019, was transferred to Level 2 as the underlying Level 3 assets in the fund moved from Level 3 to Level 1.

Other financial assets and liabilities

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

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

Level 3 reconciliation

The following is a reconciliation of the Fund's assets in which significant unobservable inputs (Level 3) were used in determining fair value at 31 December 2020.

	CLO Equity Tranches US$ MM	Unlisted Stock US$ MM	Investment Funds and Vehicles US$ MM	TFG Asset Management US$ MM	Total US$ MM
Balance at start of year	210.9	273.0	394.5	747.5	1,625.9
Additions	-	-	78.1	4.1	82.2
Proceeds	(33.4)	(123.0)	(88.3)	(106.2)	(350.9)
Net gains/(losses) through profit or loss	(26.2)	24.6	(12.8)	188.1	173.7
Balance at end of year	151.3	174.6	371.5	833.5	1,530.9
Change in unrealised gains/(losses) through profit or loss for assets held at year end	(33.6)	24.6	(33.9)	123.8	80.9

The following is a reconciliation of the Fund's assets in which significant unobservable inputs (Level 3) were used in determining fair value at 31 December 2019.

	CLO Equity Tranches US$ MM	Unlisted Stock US$ MM	Investment Funds and Vehicles US$ MM	TFG Asset Management US$ MM	Total US$ MM
Balance at start of year	257.1	96.1	361.9	662.1	1,377.2
Additions	-	157.7	159.2	9.5	326.4
Proceeds	(71.9)	(35.7)	(120.2)	(89.1)	(316.9)
Net gains/(losses) through profit or loss	25.7	80.7	74.7	165.0	346.1
Transfer between levels	-	(25.8)	(81.1)	-	(106.9)
Balance at end of year	210.9	273.0	394.5	747.5	1,625.9
Change in unrealised gains through profit or loss for assets held at year end	5.7	88.0	8.4	116.3	218.4

Valuation process (framework)

TMF Group Fund Administration (Guernsey) Limited (the "Administrator") serves as the Fund's independent administrator and values the investments of the Fund on an ongoing basis in accordance with the valuation principles and methodologies approved by the Audit Committee, which comprises of independent directors, from time to time.

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

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

Valuation techniques

CLO equity tranches

A mark to model approach using discounted cash flow analysis ("DCF Approach") has been adopted to determine the value of the equity tranche CLO investments. The model contains certain assumption inputs that are reviewed and adjusted as appropriate to factor in how historic, current, and potential market developments (examined through, for example, forward-looking observable data) might potentially impact the performance of these CLO equity investments. Since this involves modelling, among other things, forward projections over multiple years, this is not an exercise in recalibrating future assumptions to the latest quarter's historical data.

Subject to the foregoing, the Fund seeks to derive a value at which market participants could transact in an orderly market and also seeks to benchmark the model inputs and resulting outputs to observable market data when available and appropriate. Although seeking to utilise, where possible, observable market data, for certain assumptions the Investment Manager may be required to make subjective judgments and forward-looking determinations, and its experience and knowledge is instrumental in the valuation process.

As at 31 December 2020, key modelling assumptions used are disclosed below. The modelling assumptions disclosed below are a weighted average (by USD amount) of the individual deal assumptions. Each individual deal's assumptions may differ from this average and vary across the portfolio.

Constant Annual Default Rate ("CADR")	5% up to 30 June 2021, 2.39% thereafter (2019: 2.38%), which is 1.0x of the original Weighted Average Rating Factor ("WARF") derived base-case default rate for the life of the transaction.
Recovery Rate	60% up to 30 June 2021, 70% thereafter (2019: 74%)
Prepayment Rate	7.5% p.a. up to 30 June 2021, 20% p.a. thereafter (2019: 20%), the original base-case prepayment rate with a 0% prepayment rate on bonds throughout the life of the transaction.
Reinvestment Price and Spread	Assumed reinvestment price is par for the life of the transaction, with an effective spread over LIBOR of 400 basis points ("bps") up to 30 June 2021, 349 bps thereafter (2019: 345 bps) on broadly U.S. syndicated loan deals which are still in their reinvestment periods.

When determining the fair value of the equity tranches, a discount rate is applied to the expected future cash flows derived from the third-party valuation model. The discount rate applied to those future cash flows reflects the perceived level of risk that would be used by another market participant in determining fair value. In determining the discount rates to use an analysis of the observable risk premium data as well as the individual deal's structural strength and credit quality is undertaken. At 31 December 2020, a discount rate of 12% is utilised for all deals. At 31 December 2019, for U.S. 2.0 deals the discount rate applied was 11% unless the deal was within its non-refinancing period, in which case the deal internal rates of return ("IRR") was utilised as the discount rate. For deals in this category the weighted average IRR or discount rate was 9.9%.

Sensitivity Analysis:

The discount rate used has a significant impact on the fair value of CLO equity tranches. A reasonable possible alternative assumption is to change the discount rate by 1%. Changing the discount rate and keeping all other variables constant would have the following effects on net assets and profits:

	31 Dec 2020 US$ MM	31 Dec 2019 US$ MM
-1% discount rate	4.5	5.5
+1% discount rate	(4.3)	(5.0)

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

Valuation techniques (continued)

Private equity in asset management companies

The Fund owns a 100% interest in TFG Asset Management which holds majority and minority private equity stakes in asset management companies. The valuation calculation for TFG Asset Management was prepared by a third-party valuation specialist engaged by the Fund's Audit Committee. Although TFG Asset Management is valued as a single investment, a sum of the parts approach, valuing each business separately has been utilised. This approach aggregates the fair value of all asset managers held by TFG Asset Management overlaying the central costs and net assets at TFG Asset Management level. Currently, no premium has been attributed to the valuation of TFG Asset Management in respect of diversification or synergies between different income streams. Any benefit from operating on the TFG Asset Management platform has been captured in the valuation of the individual asset managers by incorporating it in the business plans used in the DCF and Market Multiple Approaches.

LCM is valued using a combination of DCF Approach and quoted market multiples (“Market Multiple Approach”) based on comparable companies to determine an appropriate valuation range. Equitix, Polygon and Tetragon Credit Partners are valued using DCF Approach.

During 2019, GreenOak merged with Bentall Kennedy, Sun Life Financial Inc.'s real estate and property management firm to form BentallGreenOak. TFG Asset Management continues to hold approximately 13% interest in the combined entity and will receive a series of fixed and variable profit distributions. Sun Life will have an option to acquire the remaining interest in the merged entity in 2026. TFG Asset Management and other minority owners are entitled to sell their interest to Sun Life in 2027. The Fund's investment in BentallGreenOak, as at 31 December 2020, is valued using the DCF Approach on expected cash flows from the merged entity.

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

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

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

Valuation techniques (continued)

Private equity in asset management companies (continued)

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

31 December 2020

Investment	Fair Value US$ MM	Valuation methodology	Significant unobservable inputs
Equitix	386.1	DCF	Discount rate 9.75%, DLOL 15%
BentallGreenOak	195.7	DCF (sum-of-the-parts)	Discount rate of 11.0%, DLOL 15%
LCM	176.9	DCF and Market Multiples	Discount rate 12.0%, P/AUM multiple 2.5%, DLOL 15%
Polygon	57.4	DCF	Discount rate 12.75%, DLOL 20%
Tetragon Credit Partners	13.7	DCF	Discount rate 11.25%, DLOL 15%
Other	3.7		

31 December 2019

Investment	Fair Value US$ MM	Valuation methodology	Significant unobservable inputs
Equitix	301.1	DCF, Debt at par + accrued interest	Discount rate 9.50%, DLOL 15%
BentallGreenOak	190.8	DCF (sum-of-the-parts)	Discount rate of 11.25%, DLOL 15%
LCM	186.0	DCF and Market Multiples	Discount rate 11.50%, P/AUM multiple 2.7%, DLOL 15%
Polygon	48.1	DCF	Discount rate 12.25%, DLOL 20%
Tetragon Credit Partners	19.7	DCF	Discount rate 11.50%, DLOL 15%
Other	1.8		

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

Valuation techniques (continued)

Private equity in asset management companies (continued)

Sensitivity Analysis:
For TFG Asset Management, changing assumptions of discount rate and market multiples to a reasonably possible alternative would have the following effects on the net assets and profits:

31 December 2020

Investment	Favourable	Unfavourable
Equitix	US$ 66.0 MM Discount rate 8.75%	(US$ 51.2 MM) Discount rate 10.75%
BentallGreenOak	US$ 4.3 MM Discount rate 10.0%	(US$ 4.0 MM) Discount rate 12.0%
LCM	US$ 22.2 MM Discount rate 11.0%, P/AUM 2.87%	(US$ 22.2 MM) Discount rate 13.0%, P/AUM 2.12%
Polygon	US$ 5.6 MM Discount rate 11.75%	(US$ 5.6 MM) Discount rate 13.75%
Tetragon Credit Partners	US$ 0.5 MM Discount rate 10.25%	(US$ 0.5 MM) Discount rate 12.25%

31 December 2019

Investment	Favourable	Unfavourable
Equitix	US$ 43.2 MM Discount rate 8.50%	(US$ 33.4 MM) Discount rate 10.50%
BentallGreenOak	US$ 4.8 MM Base discount rate 10.25%	(US$ 4.5 MM) Base discount rate 12.25%
LCM	US$ 23.7 MM Discount rate 10.5%, P/AUM multiple 3.0%	(US$ 23.7 MM) Discount rate 12.5%, P/AUM multiple 2.3%
Polygon	US$ 5.1 MM Discount rate 11.25%	(US$ 5.1 MM) Discount rate 13.25%
Tetragon Credit Partners	US$ 0.9 MM Discount rate 10.5%	(US$ 0.8 MM) Discount rate 12.5%

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

Valuation techniques (continued)

Private equity in asset management companies (continued)

The table below presents the effects of -5% change in the discount for lack of liquidity on profits and NAV of the Fund. A +5% change will have an equal and opposite effect.

	31 Dec 2020 US$ MM	31 Dec 2019 US$ MM
Equitix	22.7	15.1
BentallGreenOak	11.7	11.4
LCM	10.6	11.1
Polygon	3.4	2.9
Tetragon Credit Partners	0.8	1.2

Investment funds and vehicles

Investments in unlisted investment funds, classified as level 2 and level 3 in the fair value hierarchy, are valued utilising the net asset valuations provided by the managers of the underlying funds and/or their administrators. Management's assessment is that these valuations are the fair value of these investments. In determining any adjustments necessary to the net asset valuations, management has considered the date of the valuation provided. No adjustment was deemed material following this review.

The Fund has an investment in an externally managed investment vehicle that holds farmlands in Paraguay. These farmlands are valued utilising inputs from an independent third-party valuation agent.

Sensitivity analysis:

A 1% increase in net asset value ("NAV") of the unlisted investment funds included in Level 3 will increase net assets and profits of the Fund by US$ 3.7 million (2019: US$ 3.9 million). A decrease in the NAV of the unlisted investment funds will have an equal and opposite effect.

Unlisted stock

At 31 December 2020, the level 3 unlisted stock is an investment in a private company. The investment is valued using DCF approach. The discount rate applied to the expected future cash flows is 15.5%. At 31 December 2019, this investment was valued using the transaction price from the last financing round in the fourth quarter of 2019.

Sensitivity analysis:

A 3% increase in the discount rate will decrease the net assets and profits of the Fund by US$ 14.3 million. A 3% decrease in the discount rate will increase it by US$ 16.1 million.

Listed stock

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

Corporate bonds

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

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

Valuation techniques (continued)

Forward foreign exchange contracts and currency options

Forward foreign exchange contracts and currency options are recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value. Fair values are based on observable foreign currency forward rates, recent market transactions, and valuation techniques, including discounted cash flow models, as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

The best evidence of fair value of a forward foreign exchange contract at initial recognition is the transaction price. The currency options are recognised initially at the amount of premium paid or received.

Contracts for difference

The Fund enters into contracts for difference ("CFD") arrangements with financial institutions. CFDs are typically traded on the over the counter ("OTC") market. The arrangement generally involves an agreement by the Fund and a counterparty to exchange the difference between the opening and closing price of the position underlying the contract, which are generally on equity positions.

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

Note 5 Interest in Other Entities

Investment in unconsolidated structured entities

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

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

Note 5 Interest in Other Entities (continued)

Investment in unconsolidated structured entities (continued)

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

As at 31 December 2020:	No. of invest-ments	Range of nominal US$ MM	Average nominal US$ MM	Carrying value US$ MM	Percentage of NAV
CLO Equity					
U.S. CLOs[1]	10	245.6 - 743.7	531.9	134.8	5.4%
Investment Funds		Total NAV US$ MM			
Polygon European Equity Opportunity Fund[2]	1	492.3	n/a	440.4	17.8%
Polygon Global Equities Fund[2]	1	7.7	n/a	7.7	0.3%
Polygon Convertible Opportunity Fund[2] ("PCOF")	1	725.8	n/a	116.7	4.7%
Tetragon Credit Income II[3]	1	236.3	n/a	48.4	2.0%
Tetragon Credit Income III[3]	1	377.6	n/a	76.0	3.1%
Hawke's Point Holdings LP[3]	1	131.2	n/a	131.0	5.3%
Banyan Square Capital Partners LP	1	31.4	n/a	31.4	1.3%
Other Real Estate[4]	4	35.7	n/a	35.7	1.4%

As at 31 December 2019:	No. of invest-ments	Range of nominal US$ MM	Average nominal US$ MM	Carrying value US$ MM	Percentage of NAV
CLO Equity					
U.S. CLOs[1]	10	245.6 - 748.9	534.8	190.8	8.0%
Investment Funds		Total NAV US$ MM			
Polygon European Equity Opportunity Fund[2]	1	448.8	n/a	377.5	15.8%
Polygon Global Equities Fund[2]	1	24.7	n/a	20.9	0.9%
Polygon Convertible Opportunity Fund[2]	1	632.7	n/a	81.7	3.4%
Tetragon Credit Income II[3]	1	290.5	n/a	59.0	2.5%
Tetragon Credit Income III[3]	1	351.9	n/a	70.4	3.0%
Hawke's Point Holdings LP[3]	1	81.3	n/a	81.1	3.4%
Banyan Square Capital Partners LP	1	15.0	n/a	15.0	0.6%
Other Real Estate[4]	4	38.8	n/a	38.8	1.6%

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

[2] Polygon hedge funds are domiciled in the Cayman Islands. Given the applicable notice, liquidity up to 25% of the investment in Polygon hedge funds is available on a quarterly basis (subject to certain conditions), and the entire investment could be liquidated over four consecutive quarters.

[3] Hawke's Point Holdings LP, Banyan Square Capital Partners LP, Tetragon Credit Income II LP ("TCI II") and Tetragon Credit Income III LP ("TCI III") are domiciled in the Cayman Islands. These are private-equity style investment funds. Please refer to Note 14 for details of unfunded commitments.

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

Note 5 Interest in Other Entities (continued)

Investment in unconsolidated structured entities (continued)

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

As at 31 December 2020:	No. of invest-ments	Range of nominal US$ MM	Average nominal US$ MM	Carrying value US$ MM	Percentage of NAV
CLO Equity					
U.S. CLOs[1]	2	417.2 - 510.9	464.0	14.3	0.6%
		Total AUM			
Real Estate		US$ MM			
BentallGreenOak – U.S.[2]	7	25,597	n/a	45.7	1.8%
BentallGreenOak – Europe[2]	13	5,807	n/a	44.6	1.8%
BentallGreenOak – Asia[2]	3	1,445	n/a	26.2	1.1%
		Total NAV			
Other Funds		US$ MM			
Private Equity Funds[3]	18	5,616.7	n/a	59.1	2.4%

As at 31 December 2019:	No. of invest-ments	Range of nominal US$ MM	Average nominal US$ MM	Carrying value US$ MM	Percentage of NAV
CLO Equity					
U.S. CLOs[1]	6	31.5 - 1,685.4	453.2	20.0	0.8%
European CLOs[1]	1	17.5	17.5	-	-
		Total AUM			
Real Estate		US$ MM			
BentallGreenOak – U.S.[2]	6	24,000	n/a	64.5	2.7%
BentallGreenOak – Europe[2]	12	4,800	n/a	73.9	3.1%
BentallGreenOak – Asia[2]	2	500	n/a	29.9	1.3%
		Total NAV			
Other Funds		US$ MM			
QT Fund[3]	1	660.0	n/a	51.7	2.2%
Private Equity Funds[3]	14	2,067.4	n/a	43.0	1.8%

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

[2] BentallGreenOak funds hold real estate investments in the United States, Japan and various countries in Europe. Total assets under management ("AUM") reflects 100% of BentallGreenOak AUM in structured entities. The number of investments indicates the Fund's investments in each region. The Fund's investment in these funds can only be redeemed in the form of capital distributions when the underlying real estate assets are sold.

[3] Private equity funds are domiciled in the Cayman Islands, Luxembourg and the United States. QT Fund is domiciled in the Cayman Islands.

Note 5 Interest in Other Entities (continued)

TFG Asset Management

The Fund owns 100% holdings and voting rights in TFG Asset Management LP. In addition, the Fund has a direct interest of 20% in TFG Asset Management UK Limited, which is one of the UK service providers to the TFG Asset Management LP managers. The other 80% is owned by TFG Asset Management LP. As at 31 December 2020 and 31 December 2019, TFG Asset Management LP's investments were comprised of the following:

Investment	Principal place of business	Ownership interest		Carrying value US$ MM		Percentage of NAV	
		2020	2019	2020	2019	2020	2019
Equitix	Europe	75%	75%	386.1	301.1	15.6%	12.6%
BentallGreenOak	Global[1]	13%	13%	195.7	190.8	7.9%	8.0%
LCM	U.S. and UK	100%	100%	176.9	186.0	7.1%	7.8%
Polygon	U.S. and UK	100%[2]	100%	57.4	48.1	2.3%	2.0%
Tetragon Credit Partners	U.S. and UK	100%	100%	13.7	19.7	0.6%	0.8%
Hawke's Point	U.S. and UK	100%	100%	2.9	1.8	0.1%	0.1%
Banyan Square Partners	U.S. and UK	100%	100%	0.8	-	0.0%	-
Contingency Capital	U.S. and UK	NCI[3]	-	-	-	-	-

[1] BentallGreenOak has a presence in North America, Europe and Asia.
[2] During 2020, an agreement was made with Mike Humphries, the CIO of PCOF, whereby in order to further align interests, he would take a controlling stake in PCOF's manager, Polygon CB LP. PCOF continues to operate on the TFG Asset Management platform.
[3] TFG Asset Management owns a non-controlling interest ("NCI") as well as providing infrastructure services to this manager. The CIO of Contingency Capital owns a controlling stake.

Please refer to Note 14 for details of unfunded commitments.

Tetragon Financial Group Holdings LLC and Tetragon Financial Group (Delaware) LLC

Since July 2020, the Fund has held a 100% ownership interest in Tetragon Financial Group Holdings LLC which is a holding company for a 100% ownership interest in Tetragon Financial Group (Delaware) LLC. Both companies are domiciled in Delaware. The purpose of Tetragon Financial Group (Delaware) LLC is to hold the collateral and liabilities related to the revolving credit facility (see Note 10).

The fair value of the assets held by Tetragon Financial Group (Delaware) LLC as at 31 December 2020 is US$ 866.1million. The outstanding balance on the credit facility as at 31 December 2020 is US$ 100 million. In case of non-payment of principal or interest, the provider of the credit facility has a lien over the assets held by Tetragon Financial Group (Delaware) LLC. There is no recourse to the Fund.

Note 6 Financial Risks Review

Financial Risk Review:

This note presents information about the Fund's objectives, policies and processes for measuring and managing risk. The Fund has exposure to the following risks from financial instruments:

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

Note 6 Financial Risks Review (continued)

Risk Management Framework:

The Fund's portfolio comprises a broad range of assets, including a diversified alternative asset management business, TFG Asset Management, and covers bank loans, real estate, equities, credit, convertible bonds, private equity and infrastructure. The Fund's investment strategy is to seek to identify asset classes that offer excess returns relative to their investment risk, or 'intrinsic alpha'.

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

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

a) Credit risk

'Credit risk' is the risk that a counterparty/issuer to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund, resulting in a financial loss to the Fund. It arises principally from the CLO portfolio held, and also from derivative financial assets, cash and cash equivalents, corporate bonds, other receivables and balances due from brokers. Credit risk is monitored on an ongoing basis by the Investment Manager in accordance with the policies and procedures in place.

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

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

The carrying value and unfunded commitments of financial assets at fair value through profit or loss, derivatives, other receivables, amounts due from brokers and cash and cash equivalents, as disclosed in the Consolidated Statement of Financial Position and Note 14, represents the Fund's maximum credit exposure, hence, no separate disclosure is provided.

i. Analysis of Credit Quality

Cash and cash equivalents
The cash and cash equivalents, including reverse sale and repurchase agreements, are held with three (2019: three) financial institutions with credit ratings between AA- and A+ (S&P) (2019: A- and A). The Investment Manager monitors these credit ratings and spreads of credit default swaps on a daily basis and actively moves balances between counterparties when deemed appropriate.

Note 6 Financial Risks Review (continued)

a) Credit risk (continued)

i. Analysis of Credit Quality (continued)

Amounts due from brokers

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

Credit risk relating to unsettled transactions is considered small due to the short settlement period involved and the credit quality of the brokers used. As at the reporting date, the balance was concentrated among four brokers (2019: four) with S&P's credit ratings between A- and A+ (2019: between A- and A+). Due to the high credit rating of the brokers, the expected credit losses on these balances are immaterial. The following table details the amounts held by brokers.

	31 Dec 2020 US$ MM	31 Dec 2019 US$ MM
BNP Paribas	21.1	18.4
ING	12.7	16.9
UBS AG	10.5	11.7
Bank of America Merrill Lynch	0.1	0.1
	44.4	47.1

Corporate bonds

The Fund has investments in debt securities of US$ 17.9 million (2019: US$ 23.7 million) with Moody's credit rating of Caa2 (2019: Caa2).

CLOs

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

The Investment Manager assesses the credit risk of the CLOs on a look-through basis to the underlying loans in each CLO investment. The Investment Manager seeks to provide diversification in terms of underlying assets, geography and CLO managers. The maximum loss that the Fund can incur on CLOs is limited to the fair value of these CLOs as disclosed below. The underlying loans are made up of a variety of credit ratings including investment grade and non-investment grade.

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

Region	31 Dec 2020 US$ MM	31 Dec 2019 US$ MM
United States (including TCI II & III)	275.7	339.9
	275.7	339.9

Manager	31 Dec 2020	31 Dec 2019
LCM	61%	68%
Other managers	39%	32%
	100%	100%

Note 6 Financial Risks Review (continued)

a) Credit risk (continued)

i. Analysis of Credit Quality (continued)

Derivatives

The table below shows an analysis of derivative financial assets and liabilities outstanding at 31 December 2020 and 31 December 2019.

	Derivative assets		Derivative liabilities	
	Fair Value US$ MM	Notional	Fair Value US$ MM	Notional
31 December 2020	8.6	254.5	(25.2)	745.0
31 December 2019	11.4	176.7	(37.2)	663.0

ii. Concentration of credit risk

The Fund's credit risk is concentrated in CLOs, and cash and cash equivalents. The table below shows a breakdown of credit risk per investment type:

Investment Type	31 Dec 2020	31 Dec 2019
CLOs	37%	44%
Cash and cash equivalents	46%	29%
Equitix loan	-	10%
Corporate bonds	4%	5%
Amount due from brokers	11%	10%
Other loans and derivatives	2%	2%
Total	100%	100%

None of the Fund's financial assets were considered to be past due or impaired on 31 December 2020 or 31 December 2019.

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

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

Derivative transactions are either transacted on an exchange, or entered into under International Derivative Swaps and Dealers Association ("ISDA") master netting agreements. Under ISDA master netting agreements in certain circumstances, for example, when a credit event such as a default occurs, all outstanding transactions under the agreement are terminated, the termination value is assessed and only a single net amount is due or payable in settlement of all transactions. The amount of collateral accepted in respect of derivative assets is shown in Note 6(iv).

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

Note 6 Financial Risks Review (continued)

a) Credit risk (continued)

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

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

	31 Dec 2020 US$ MM	31 Dec 2019 US$ MM
Receivables from reverse sale and repurchase agreements	65.0	-

No individual trades are under-collaterised. The fair value of collateral as at 31 December 2020 was $66.4 million (2019: nil).

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

iv. Offsetting financial assets and liabilities

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

31 December 2020

Description	Gross Amount of Recognised Assets/ Liabilities US$ MM	Gross Amounts Offset in the Consolidated Statement of Financial Position US$ MM	Net Amounts Presented in the Consolidated Statement of Financial Position US$ MM	Financial instruments eligible for netting US$ MM	Cash collateral held by brokers US$ MM	Net Amount US$ MM
Assets						
ING	1.6	-	1.6	(1.6)	-	-
UBS AG	0.5	-	0.5	(0.1)	-	0.4
BNP Paribas	6.5	-	6.5	(6.5)	-	-
Total	8.6	-	8.6	(8.2)	-	0.4
Liabilities						
ING	18.0	-	18.0	(1.6)	(12.7)	3.7
UBS AG	0.1	-	0.1	(0.1)	-	-
BNP Paribas	7.1	-	7.1	(6.5)	(0.5)	0.1
Total	25.2	-	25.2	(8.2)	(13.2)	3.8

Note 6 Financial Risks Review (continued)

a) Credit risk (continued)

iv. Offsetting financial assets and liabilities (continued)

31 December 2019

Description	Gross Amount of Recognised Assets/ Liabilities US$ MM	Gross Amounts Offset in the Consolidated Statement of Financial Position US$ MM	Net Amounts Presented in the Consolidated Statement of Financial Position US$ MM	Financial instruments eligible for netting US$ MM	Cash collateral held by brokers US$ MM	Net Amount US$ MM
Assets						
ING	0.2	-	0.2	(0.2)	-	-
UBS AG	0.3	-	0.3	(0.3)	-	-
BNP Paribas	10.9	-	10.9	(10.9)	-	-
Total	11.4	-	11.4	(11.4)	-	-
Liabilities						
ING	21.6	-	21.6	(0.2)	(16.9)	4.5
UBS AG	1.3	-	1.3	(0.3)	(1.0)	-
BNP Paribas	14.3	-	14.3	(10.9)	(3.4)	-
Total	37.2	-	37.2	(11.4)	(21.3)	4.5

b) Liquidity risk

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

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

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

The Fund's liquidity risk is managed on a daily basis by the Investment Manager in accordance with the policies and procedures in place. The Fund also has access to a revolving credit facility of US$ 250.0 million (2019: US$ 150.0 million). Details of the facility are disclosed in Note 10.

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

Note 6 Financial Risks Review (continued)

b) Liquidity risk (continued)

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

31 December 2020	Within 1 month US$ MM	1 – 3 months US$ MM	3 months – 1 year US$ MM	1 – 5 years US$ MM	Greater than 5 years US$ MM	Total US$ MM
Finance costs on borrowings	0.4	0.7	3.3	17.6	20.0	42.0
Loans and borrowings	-	-	-	-	100.0	100.0
Expenses payable	2.9	66.0	-	-	-	68.9
	3.3	66.7	3.3	17.6	120.0	210.9
31 December 2019						
Finance costs on borrowings	0.7	1.4	5.8	34.6	-	42.5
Loans and borrowings	-	-	-	150.0	-	150.0
Expenses payable	2.8	34.0	-	-	-	36.8
	3.5	35.4	5.8	184.6	-	229.3

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

	Inflows				Outflows			
	Within 1 month US$ MM	1 – 3 months US$ MM	3 months – 1 year US$ MM	1 – 5 years US$ MM	Within 1 month US$ MM	1 – 3 months US$ MM	3 months – 1 year US$ MM	1 – 5 years US$ MM
31 Dec 2020	46.3	22.7	543.3	-	(47.3)	(22.9)	(558.5)	-
31 Dec 2019	-	488.0	3.3	-	-	(509.3)	(3.4)	-

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

	31 Dec 2020	31 Dec 2019
Cash and cash equivalents (US$ MM)	191.6	133.5
Percentage of NAV	7.7%	5.6%

c) Market Risk

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

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

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

Note 6 Financial Risks Review (continued)

c) Market Risk (continued)

i. Interest Rate Risk

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

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

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

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

31 December 2020	Fair Value US$ MM	Effects of +100bps change in interest rate on net assets US$ MM	Effects of -100bps change in interest rate on net assets US$ MM
U.S. CLOs	151.3	(20.0)	6.1
TCI II	48.4	(4.5)	(3.8)
TCI III	76.0	(5.6)	1.3
PCOF	116.7	(3.5)	3.6
	392.4	(33.6)	7.2
31 December 2019			
U.S. CLOs	210.5	10.5	14.7
TCI II	59.0	3.2	2.8
TCI III	70.4	4.6	3.0
PCOF	81.7	(1.5)	1.6
	421.6	16.8	22.1

Note 6 Financial Risks Review (continued)

c) Market Risk (continued)

ii. Currency Risk

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

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

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

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

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

31 December 2020	Net Monetary and Non-Monetary Assets and Liabilities US$ MM	Forward foreign exchange hedging US$ MM	Net exposure US$ MM	Effect of 5% on exchange rate US$ MM
EUR	53.6	(54.9)	(1.3)	(0.1)
GBP	548.9	(422.5)	126.4*	6.3
NOK	18.1	(16.8)	1.3	0.1
	620.6	(494.2)	126.4	6.3
31 December 2019				
EUR	83.0	(84.3)	(1.3)	(0.1)
GBP	419.6	(369.2)	50.4*	2.5
NOK	21.4	(21.3)	0.1	-
	524.0	(474.8)	49.2	2.4

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

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

Note 6 Financial Risks Review (continued)

c) Market Risk (continued)

iii. Other Price Risk

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

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

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

Asset Class	% of net assets as at 31 Dec 2020	% of net assets as at 31 Dec 2019
Investment funds and vehicles	43.3%	42.2%
TFG Asset Management	33.7%	31.3%
CLO equity tranches	6.1%	8.8%
Unlisted stock	7.1%	11.7%
Listed stock	6.9%	6.3%
Corporate bonds	0.7%	1.0%
Contracts for difference	0.0%	(0.2)%
Forward foreign exchange contracts and options	(0.7)%	(0.9)%

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

Asset Class	31 Dec 2020 US$ MM	31 Dec 2019 US$ MM
Investment funds and vehicles	10.7	10.1
TFG Asset Management	8.3	7.5
CLO equity tranches	1.5	2.1
Unlisted stock	1.8	2.8
Listed stock	1.7	1.5
Corporate bonds	0.2	0.2
Contracts for difference	-	-
Forward foreign exchange contracts and options	(0.2)	(0.2)

Note 7 Other Receivables and Prepayments

	31 Dec 2020	31 Dec 2019
	US$ MM	US$ MM
Other receivables	0.3	0.6
Prepayments	2.9	0.2
Interest receivables	0.1	0.2
	3.3	1.0

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

Note 8 Cash and Cash Equivalents

	31 Dec 2020	31 Dec 2019
	US$ MM	US$ MM
Cash and cash equivalents	191.6	133.5
	191.6	133.5

Note 9 Other Payables and Accrued Expenses

	31 Dec 2020	31 Dec 2019
	US$ MM	US$ MM
Accrued expenses	68.9	36.8
	68.9	36.8

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

Note 10 Credit Facility

In July 2020, the Fund obtained a 10-year US$ 250.0 million revolving credit facility, replacing its existing US$ 150.0 million facility.

The facility is subject to a non-usage fee of 0.5% (2019: 1%) which is applied to the undrawn notional amount and a servicing fee of 0.015% (2019: nil) of the total size of the facility. Any drawn portion will incur interest at a rate of 3M U.S. LIBOR plus a spread of 3.25% (2019: 1M U.S. LIBOR plus a spread of 4%). For the year ended 31 December 2020, the total finance cost expensed and paid for the facility was US$ 6.2 million (2019: US$ 3.5 million). The Fund paid US$ 2.5 million in fee directly associated with the facility. This fee is included in Prepayments balance and is amortised over the life of the facility. This expense, US$ 0.1 million (2019: nil), is included in the finance costs.

During 2020, US$ 150.0 million was paid in connection with terminating the Fund's previous credit facility and US$ 100.0 million was drawn from the new revolving credit facility. As at 31 December 2020, the drawn balance of the revolving credit facility was US$ 100.0 million (2019: US$ 150.0 million).

Note 11 Incentive Fee

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

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

Note 11 Incentive Fee (continued)

The Hurdle for any Calculation Period will equal the Reference NAV (as defined below) multiplied by the Hurdle Rate (as defined below). The Hurdle Rate for any Calculation Period equals 3-month USD LIBOR determined as of 11:00 a.m. London time on the first London business day of the then current Calculation Period, plus the Hurdle Spread of 2.647858% in each case multiplied by the actual number of days in the Calculation Period divided by 365. The Hurdle Rate for Q1 2021 is 2.885108%.

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

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

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

The incentive fee for the year ended 31 December 2020 was US$ 72.7 million (2019: US$ 63.4 million). As at 31 December 2020, US$ 66.0 million was outstanding (2019: US$ 34.0 million).

Note 12 Share Capital

Authorised

The Fund has an authorised share capital of US$ 1.0 million divided into 10 voting shares, having a par value of US$ 0.001 each and 999,999,990 non-voting shares (which are the "shares" referred to herein), having a par value of US$ 0.001 each.

Voting Shares

All of the Fund's voting shares are issued at par and are beneficially owned by the Voting Shareholder, a non-U.S. affiliate of the Investment Manager.

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

Non-Voting Shares

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

Dividend Rights

Dividends may be paid to the holders of shares at the sole and absolute discretion of the Directors. The voting shares carry no rights to dividends.

Note 12 Share Capital (continued)

Share Transactions

	Voting Shares No.	Non-Voting Shares* No. MM	Treasury Shares No. MM	Shares held in Escrow No. MM
Shares in issue at 1 January 2019	10.0	92.4	38.7	8.6
Stock dividends	-	1.6	(2.2)	0.6
Issued through release of tranche of escrow shares	-	2.7	-	(2.7)
Shares transferred to escrow	-	-	(5.6)	5.6
Shares purchased during the year	-	(4.5)	4.5	
Shares in issue at 31 December 2019	10.0	92.2	35.4	12.1
Stock dividends	-	1.5	(2.0)	0.5
Issued through release of tranche of escrow shares	-	1.7	-	(1.7)
Shares purchased during the year	-	(6.6)	6.6	-
Shares in issue at 31 December 2020	10.0	88.8	40.0	10.9

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

Optional Stock Dividend

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

During the year, a total dividend of US$ 44.8 million (2019: US$ 65.2 million) was declared, of which US$ 30.7 million was paid out as a cash dividend (2019: US$ 44.8 million), and the remaining US$ 14.1 million (2019: US$ 20.4 million) was reinvested under the Optional Stock Dividend Plan.

Treasury Shares and Share Repurchases

Treasury shares consist of shares that have been bought-back by the Fund from its investors through various tender offers and plans. Whilst they are held by the Fund, the shares are neither eligible to receive dividends nor are they included in the shares outstanding in the Consolidated Statement of Financial Position.

During 2020, under the terms of "modified Dutch auctions”, the Fund accepted for purchase approximately 5.5 million (2019: 4.3 million) non-voting shares at an aggregate cost of US$ 50.2 million (2019: US$ 50.3 million), including applicable fees and expenses of US$ 0.2 million (2019: US$ 0.3 million).

In January 2020, the Fund purchased 691,921 of its own shares for US$ 8.5 million from TFG Asset Management LP using the then-current share price of US$ 12.25. The Fund also purchased 287,153 of its own shares for US$ 3.5 million from Tetragon Financial Management LP using the then-current share price of US$ 12.25.

In October 2020, the Fund purchased 142,240 of its own shares (2019: 145,496) for US$ 1.2 million (2019: US$ 1.8 million) from TFG Asset Management LP using the then-current share price of US$ 8.74 (2019: US$ 12.35).

Note 12 Share Capital (continued)

Escrow Shares

Equity-based awards
In the fourth quarter of 2015, the Fund bought back approximately 5.6 million of its non-voting shares in a tender offer for US$ 57.4 million (including fees and expenses) to hedge against (or otherwise offset the future impact of) grants of shares under an equity-based long-term incentive plan and other equity awards by TFG Asset Management for certain of its senior employees (excluding the principals of the Investment Manager).

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

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

In July 2019, TFG Asset Management entered into an employment agreement with Reade Griffith, Director of the Fund, that covers his services to TFG Asset Management for the period through to 30 June 2024. Mr. Griffith is currently the Chief Investment Officer of TFG Asset Management as well as the Chief Investment Officer of its Polygon event-driven European equity strategies (in addition to other roles). Under the terms of this agreement, Mr. Griffith received US$ 9.5 million in July 2019 and US$ 3.75 million in July 2020 in cash and will receive the following:

- 0.3 million Tetragon non-voting shares in June 2024;
- 2.1 million Tetragon non-voting shares in June 2024; and
- between zero and an additional 3.15 million Tetragon non-voting shares – with the number of shares based on agreed-upon investment performance criteria – vesting in years 5, 6 and 7.

All of the Tetragon non-voting shares, as well as the July 2020 payment, covered by Mr. Griffith's employment agreement are subject to forfeiture conditions. The shares are held in escrow for release upon vesting and are eligible to participate in the optional stock dividend program, and as a result of subsequent dividends, further shares will be added to the escrow.

As the Fund has the obligation to settle the shares, this award is treated as equity-settled. The fair value of the share award is determined using the share price at grant date of US$ 12.50 (ticker symbol: TFG.NA). The total expense is determined by multiplying the share price at grant date and the estimated number of shares that will vest. The expense is recognised in Consolidated Statement of Comprehensive Income on a straight-line basis over the vesting period. A corresponding entry is made to the share-based compensation reserve. The following table shows the expense for each tranche up to the year ending 31 December 2024.

Note 12 Share Capital (continued)

Escrow Shares (continued)

Equity-based awards (continued)

Shares estimated to vest (MM)	Vesting date	2019 US$ MM	2020 US$ MM	2021 US$ MM	2022 US$ MM	2023 US$ MM	2024 US$ MM
0.3	30 Jun 2021	0.9	1.9	0.9	-	-	-
2.1	30 Jun 2024	2.6	5.3	5.3	5.3	5.3	2.6
1.575*	30 Jun 2024*	2.0	3.9	3.9	3.9	3.9	2.0
		5.5	11.1	10.1	9.2	9.2	4.6

*As at 31 December 2020, it is estimated that 1.575 million (2019: 1.575 million) of the maximum 3.15 million shares will vest according to the agreed-upon investment performance criteria at the end of year 5 with no shares vesting in years 6 and 7. This estimate will be revised at each reporting date and as a result, future expense may be different from the expense presented in the table above.

As at 31 December 2020, 10.9 million (2019: 12.1 million) shares related to TFG Asset Management's employee reward schemes are held in escrow. During the year, 1.7 million shares (2019: 0.3 million) were released from escrow including stock dividends awarded on the original shares. US$ 13.9 million (2019: US$ 2.3 million) was transferred from share-based compensation reserve to other equity in relation to the original shares. An amount of US$ 4.2 million (2019: US$ 0.7 million) was released against retained earnings, based on the stock reference price at each applicable dividend date. These shares are eligible for stock dividends and during the year, 0.5 million (2019: 0.5 million) shares were allocated to this account.

On 1 January 2020, the Independent Directors were awarded shares in Tetragon which vest on 31 December 2022 and are subject to forfeiture provisions. The fair value of the aggregate awards, as determined by the share price on grant date of US$ 12.25 per share, is US$ 0.9 million. The expense is recognised on a straight-line basis in Consolidated Statement of Comprehensive Income over the vesting period starting from 1 January 2020. A corresponding entry is made to the share-based compensation reserve.

Share-Based Compensation Reserve

The balance, US$ 54.6 million (2019: US$ 57.1 million) in share-based compensation reserve is related to Equity-based awards as described above.

Capital Management

The Fund's capital is represented by the ordinary share capital, other equity, and accumulated retained earnings, as disclosed in the Consolidated Statement of Financial Position. The Fund's capital is managed in accordance with its investment objective. The Fund is not subject to externally imposed capital requirements and has no legal restrictions on the issue, repurchase or resale of its shares.

Note 13 Dividends

	31 Dec 2020 US$ MM	31 Dec 2019 US$ MM
Quarter ended 31 December 2018 of US$ 0.1825 per share	-	16.1
Quarter ended 31 March 2019 of US$ 0.1825 per share	-	16.1
Quarter ended 30 June 2019 of US$ 0.1850 per share	-	16.4
Quarter ended 30 September 2019 of US$ 0.1850 per share	-	16.6
Quarter ended 31 December 2019 of US$ 0.1875 per share	17.4	-
Quarter ended 31 March 2020 of US$ 0.1000 per share	9.3	-
Quarter ended 30 June 2020 of US$ 0.1000 per share	9.0	-
Quarter ended 30 September 2020 of US$ 0.1000 per share	9.1	-
	44.8	65.2

The fourth quarter dividend of US$ 0.1000 per share was approved by the Directors on 24 February 2021 and has not been included as a liability in these financial statements.

Note 14 Contingencies and Commitments

The Fund has the following unfunded commitments:

	31 Dec 2020 US$ MM	31 Dec 2019 US$ MM
BentallGreenOak investment vehicles	62.9	54.9
Private equity funds	29.7	31.1
Contingency Capital loan	12.5	-
TCI III	-	14.1
	105.1	100.1

Note 15 Related-Party Transactions

Investment Manager

The Investment Manager is entitled to receive management fees equal to 1.5% per annum of the NAV of the Fund payable monthly in advance prior to the deduction of any accrued incentive fee. An incentive fee may be paid to the Investment Manager as disclosed in Note 11. During the year ended 31 December 2020, the Fund purchased its own shares from the Investment Manager. See Note 12 for details.

Voting Shareholder

The Voting Shareholder is an affiliate of the Investment Manager and holds all of the voting shares. As a result of its ownership and the degree of control that it exercises, the Voting Shareholder will be able to control the appointment and removal of the Fund's Directors (subject to applicable law). Affiliates of the Voting Shareholder also control the Investment Manager and, accordingly, control the Fund's business and affairs.

Directors

The remuneration for Directors shall be determined by resolution of the Voting Shareholder. Each of the Directors' annual fee is US$ 125,000 (2019: US$ 125,000) as compensation for service as Directors of the Fund. As at 31 December 2020, US$ 93,750 (2019: US$ 93,750) was outstanding in relation to Directors' remuneration. The Directors have the option to elect to receive shares in the Fund instead of the quarterly fee. With respect to the year ended 31 December 2020, David O'Leary elected to receive shares in lieu of half of his compensation and received 6,626 shares (2019: 3,752).

Note 15 Related-Party Transactions (continued)

Directors (continued)
On 1 January 2020, the Independent Directors were awarded shares in Tetragon which vest on 31 December 2022 and are subject to forfeiture provisions. The fair value of the award, as determined by the share price on grant date of US$ 12.25 per share, is US$ 300,000 per Independent Director.

Reade Griffith and Paddy Dear have waived their entitlement to a fee in respect of their services as Directors. The Directors are entitled to be repaid by the Fund all travel, hotel and other expenses reasonably incurred by them in the discharge of their duties. None of the Directors have a contract with the Fund providing for benefits upon termination of employment.

Reade Griffith, Paddy Dear and David O'Leary – all Directors of the Fund during the year - maintained (directly or indirectly) interests in shares of the Fund as at 31 December 2020, with interests of 14,505,324, 4,976,960 and 10,378 shares, respectively (2019: 13,810,679, 4,750,294 and 3,752 shares respectively).

Mr. Griffith has an employment agreement with TFG Asset Management as described in Note 12.

Subsidiaries
The Fund has entered into share-based employee reward schemes with its subsidiary, TFG Asset Management LP. See Note 12 for details.

Polygon Global Partners LLP and Polygon Global Partners LP (together the "Service Providers") provide operational, financial control, trading, marketing and investor relations, legal, compliance, administrative, payroll and employee benefits and other services to the Investment Manager in exchange for fees payable by the Investment Manager to the Service Providers. One of these entities, the U.K. Investment Manager, which is authorised and regulated by the United Kingdom Financial Conduct Authority, also provides services to the Investment Manager relating to the dealing in and management of investments, arranging of deals and advising on investments. In addition, the Service Providers also provided infrastructure services and administrative services to Polygon Private Investment Partners LP ("PPIP LP"), an affiliate of the Voting Shareholder, pursuant to applicable separate services agreements. PPIP LP was liquidated in December 2020.

TFG Asset Management, through the Service Providers, has implemented a cost-allocation methodology with the objective of allocating service-related costs, including to the Investment Manager. TFG Asset Management then charges fees for the services allocated on a cost-recovery basis that is designed to achieve full recovery of the allocated costs. In the year, the amount recharged to the Investment Manager was US$ 18.1 million (2019: US$ 19.4 million) and PPIP LP US$ 0.02 million (2019: US$ 0.2 million). As at 31 December 2020, the outstanding balance due from the Investment Manager was US$ 2.5 million (2019: US$ 2.7 million) and nil from PPIP LP (2019: US$ 0.03 million). During the year ended 31 December 2020, the Fund purchased its own shares from TFG Asset Management LP. See Note 12 for details.

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

As part of the acquisition of TFG Asset Management in 2012, Mr. Griffith and Mr. Dear have agreed that they will (i) exercise their voting rights in a manner that is consistent with the best interests of the Fund and (ii) upon the request of the Fund, for nominal consideration, sell, transfer, and deliver their membership interests in the U.K. Investment Manager to the Fund.

Note 15 Related-Party Transactions (continued)

Subsidiaries (continued)
Reade Griffith and Paddy Dear also hold membership interests in Pace Cayman Holdco Limited ("Pace Holdco"), an entity through which the Fund ultimately owns its equity stake in Equitix. These membership interests collectively entitle them to exercise all of the voting rights in respect of Pace Holdco. Mr. Griffith and Mr. Dear have agreed that they will (i) exercise their voting rights in a manner that is consistent with the best interests of the Fund and (ii) upon the request of the Fund, for nominal consideration, sell, transfer, and deliver their membership interests in the Pace Holdco to the Fund.

Investments in internally managed funds
The Fund holds various investments in funds managed within TFG Asset Management business. Please see Note 5 for details of these investments and Note 14 for the unfunded commitments related to these funds.

Note 16 Earnings per share

The calculation of the basic and diluted earnings per share is based on the following data:	Year ended 31 Dec 2020 US$ MM	Year ended 31 Dec 2019 US$ MM
Earnings for the purposes of basic earnings per share being net profit attributable to shareholders for the year	171.1	288.0
Weighted average number of shares for the purposes of basic earnings per share	91.7	89.5
Effect of dilutive potential shares:		
Share-based employee compensation – equity-based awards	10.9	9.3
Deferred incentive fee shares	-	2.0
Weighted average number of shares for the purposes of diluted earnings per share	102.6	100.8

Diluted earnings per share is calculated by adjusting the weighted average number of shares outstanding assuming conversion of all dilutive potential shares. Share-based employee compensation and deferred incentive fee shares are dilutive potential shares.

In respect of share-based employee compensation – equity-based awards, it is assumed that all of the time-based shares currently held in escrow will be released, thereby increasing the weighted average number of shares. The number of dilutive performance-based shares is based on the number of shares that would be issuable if the end of the period were the end of the performance period.

Note 17 Segment information

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

For management purposes, the Fund is organised into one main operating segment – its investment portfolio - which invests, either directly or via fund vehicles, in a range of alternative asset classes including equity securities, debt instruments, real estate, infrastructure, loans and related derivatives. The Fund's investment activities are all determined by the Investment Manager in accordance with the Fund's investment objective.

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

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

The shares in issue are in US Dollars. The Fund's investment geographical exposure is as follows:

Region	31 Dec 2020	31 Dec 2019
North America	42%	46%
Europe	48%	45%
Asia Pacific	8%	7%
Latin America	2%	2%

Note 18 Subsequent Events

In February 2021, TFG Asset Management made commitments to make awards of 3.05 million shares to certain senior employees (excluding the Principals of the Investment Manager) under an equity-based long-term incentive plan. The vesting and delivery are spread over multiple vesting and settlement dates out to 2032. It is expected that shares repurchased in 2020 will be transferred and held in escrow to facilitate the future settlement of these awards. The shares held in escrow will be eligible to receive shares under the Optional Stock Dividend Plan.

The Directors have evaluated the period up to 24 February 2021, which is the date that the financial statements were approved. The Directors have concluded that there are no material events that require disclosure or adjustment to the financial statement other than the one mentioned above.

Note 19 Approval of Financial Statements

The Directors approved and authorised for issue the financial statements on 24 February 2021.