TETRAGON

TETRAGON FINANCIAL GROUP LIMITED (TFG)

PERFORMANCE REPORT FOR PERIOD ENDED 31 DECEMBER 2010

January 31, 2011

Tetragon Financial Group Limited (TFG) is a Guernsey closed-ended investment company traded on Euronext Amsterdam by NYSE Euronext under the ticker symbol "TFG." (1) In this report we provide an update on TFG's results of operations for the period ending December 31, 2010. Please note that the Q4 2010 dividend announcement and accompanying capital distributions data, among other information, will be disclosed in the 2010 Annual Report expected to be published along with 2010 annual audited financial statements on or around March 2, 2011.

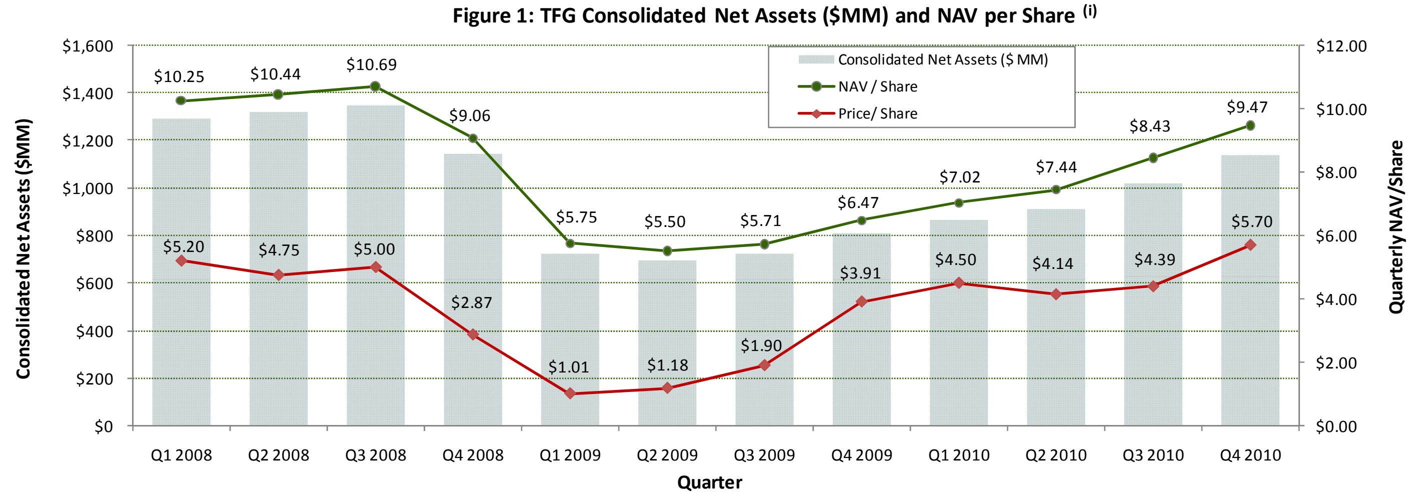
Investors will also note that in this report we have endeavored to provide more granular performance as well as structural and credit quality details on TFG's CLO investment portfolio in response to feedback from certain of our investors. We welcome any further suggestions as we continue to seek to better meet investors' reporting needs.

❖ **<u>Executive Summary</u>**:

Corporate-Level Results

- <u>Operating Results</u>: Through strong portfolio performance and against a backdrop of improving outlook for CLOs, during the fourth quarter of 2010, TFG recorded its best quarter to date. The company generated EPS of $1.09 (Q3 2010: $1.03 EPS), consolidated net income of $132.0 million (Q3 2010: consolidated net income of $125.0 million) and grew consolidated net assets to $1,137.5 million or $9.47 per share (Q3 2010: consolidated net assets of $1,018.6 million or $8.43 per share). Certain modeling assumption changes, which are described in more detail later in the document, contributed approximately $24.5 million to net income, or EPS of $0.20. Please refer to *Figure 1* below for a historical summary of TFG's Net Assets, NAV per share and share price.

Figure 1: TFG Consolidated Net Assets ($MM) and NAV per Share (i)



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

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❖ **Executive Summary (continued)**:

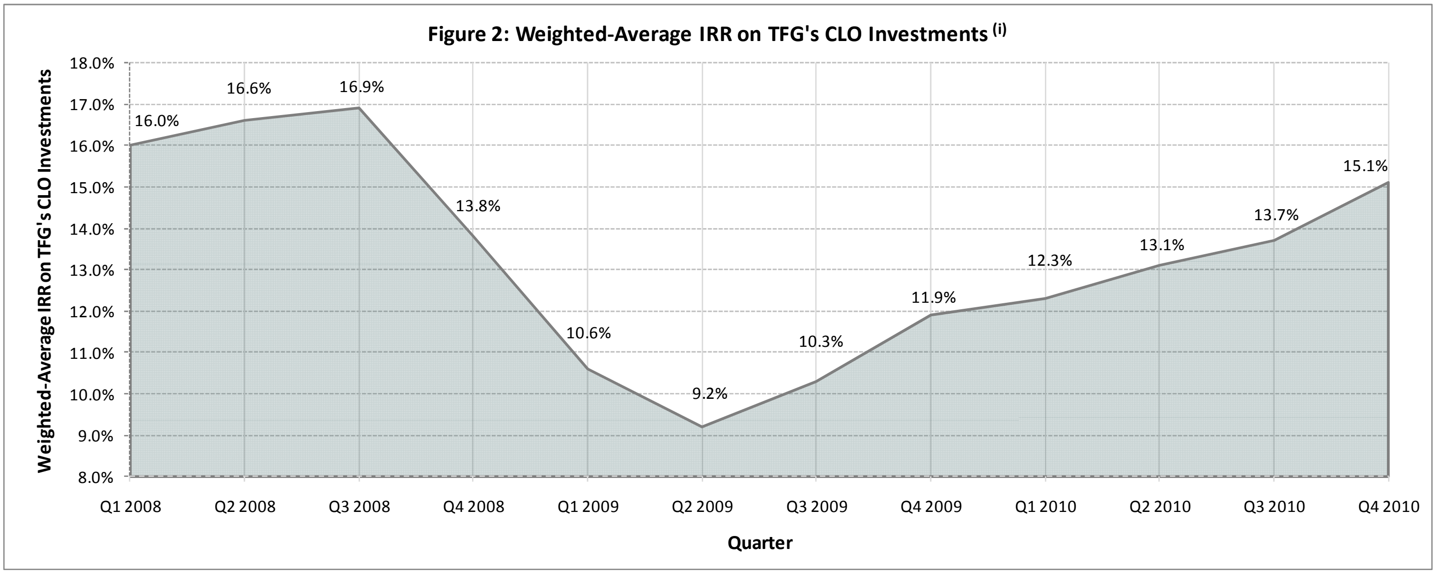
Corporate-Level Results

- Cash Receipts and Balances: Cash flows from TFG's CLO investments continued to grow in Q4 2010, totaling $78.9 million (Q3 2010: $71.8 million). The cash balance on December 31, 2010 was $140.6 million, down from $187.9 million as of the end of the prior quarter, reflecting the settlement of new loan and CLO transactions, with approximately $45.9 million earmarked to pay certain short-term liabilities. In addition, TFG held approximately $97.6 million in market value of liquid U.S. leveraged loans as of the end of the year, up from $72.7 million as of the end of Q3 2010.

Investment Portfolio Performance Highlights

- CLO Collateral Performance: TFG's CLO average portfolio statistics continued to outperform market-wide default and CCC-asset holding averages, as credit fundamentals improved during the quarter.

- CLO IRRs: The weighted-average IRR of TFG's CLO investments rose to 15.1% at the end of Q4 2010, up from 13.7% at the end of Q3 2010. This reflected, among other factors, certain changes in TFG's modeling assumptions (please refer to pages 8-9 of this document for additional information) and improvements in the credit quality of certain of our CLOs' underlying investments. Please refer to *Figure 2* below for a historical summary of the weighted-average IRR on TFG's CLO investments.



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

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❖ **Executive Summary (continued)**:

Investment Portfolio Performance Highlights (continued)

- New CLO Investments: During Q4 2010, we invested approximately $18.8 million in the equity tranche of a new issue CLO to be managed by LCM Asset Management LLC ("LCM"), LCM VIII, which, consistent with our investment strategy, represented a majority of the tranche. This transaction added approximately $300.0 million of capital to LCM's asset management platform. In addition to being one of the few CLOs that was successfully issued during the year, we believe that LCM VIII was the only arbitrage CLO completed in 2010 that sold a significant portion of the equity tranche to investors that were unaffiliated with the collateral manager. In addition, we made a small secondary investment of approximately $0.2 million in the equity tranche of another U.S. CLO during the quarter.

- Direct Loan Investments: TFG's direct holdings of bank loans increased to a fair value of approximately $97.6 million as of the end of Q4 2010, up from $72.7 million as of the end of the prior quarter, as the company made additional purchases. The direct loan portfolio performed well during this period, experiencing no defaults or downgrades and benefiting from market value gains.

Asset Management Platform

- LCM: LCM continued to perform well during Q4 2010, with all of LCM Cash Flow CLOs (2) continuing to pay senior and subordinated management fees. As of the end of the year, total loan assets under management were approximately $3.0 billion, up from $2.7 billion in the prior quarter, reflecting the addition of a new issue CLO - LCM VIII.

- GreenOak: As reported previously, TFG expanded its asset management platform early in Q3 2010 through the acquisition of a 10% interest in the GreenOak real estate venture. GreenOak continues to build its team and execute on its business strategy in-line with expectations.

❖ **Investment Portfolio Performance Details:**

- **CLO Portfolio Size:** As of the end of Q4 2010, the estimated total fair value of TFG's CLO investment portfolio was approximately $932.7 million, up from approximately $820.4 million as of the end of the prior quarter. TFG's indirect exposure to leveraged loans through its CLO investments was approximately $17.5 billion as of the end of Q4 2010.(3)

- **CLO Portfolio Composition:** With the addition of LCM VIII and a secondary CLO equity purchase, the CLO portfolio increased to 70 investments during the fourth quarter from 68 as of the end of Q3 2010. The number of external CLO managers fell to 28, owing to certain manager consolidations that were announced during Q4 2010.(4)

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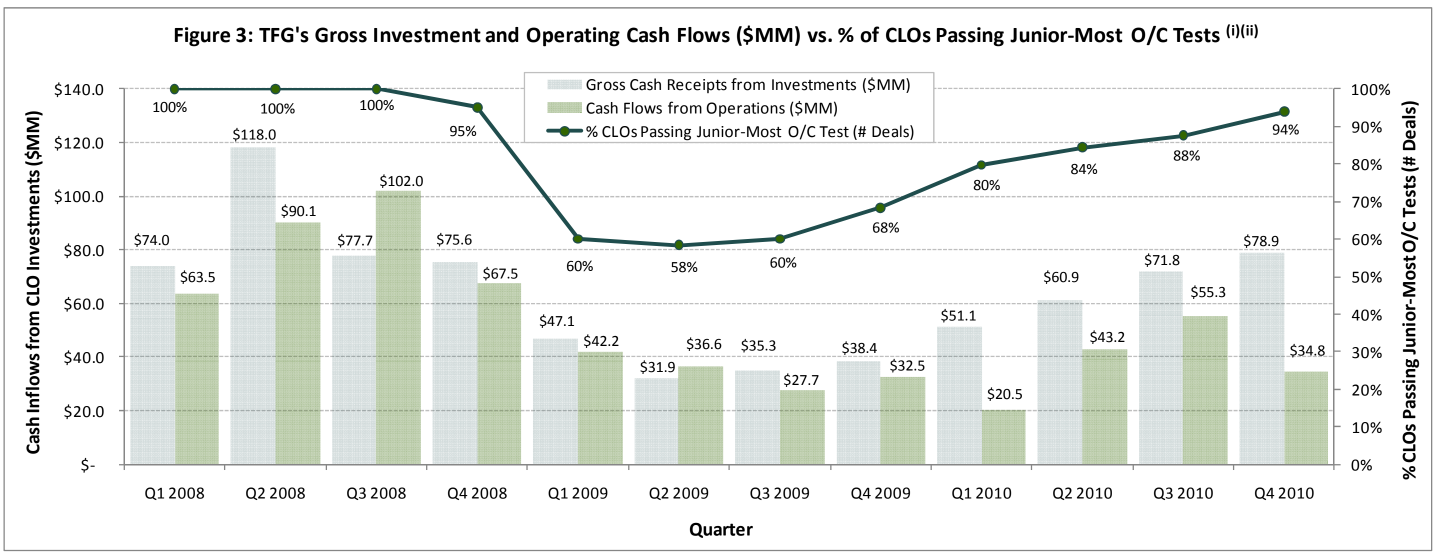
❖ **Investment Portfolio Performance Details (continued):**

- **CLO Collateral Performance:** As of the end of Q4 2010, approximately 98% of TFG's CLO investments were passing their junior-most O/C tests, weighted by fair value, up from approximately 96% at the end of Q3 2010.[5] When measured on a number of transactions basis, 62, or approximately 94%, of the company's CLO investments were passing their junior-most O/C tests, an increase from approximately 56, or 88%, at the end of Q3 2010.

  TFG's U.S. CLOs performed well during the quarter with 100% of them by fair value and by number passing their junior-most O/C tests (note that U.S. CLOs represented approximately 89.4% of the total fair value of TFG's investment portfolio as of December 31, 2010).[6][7] In comparison, the market-wide average of U.S. CLOs estimated to be passing their junior O/C tests as of the end of Q4 2010 was approximately 91.8% (when measured on a percentage of transactions basis).[8] Please refer to *Figure 3* below for a historical summary of TFG's investments' junior O/C test performance.



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

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

- **CLO Portfolio Credit Quality:** As of December 31, 2010, the weighted-average percentage of corporate obligors rated Caa1/CCC+ or below in TFG's 70 CLO investments was 8.3% compared to an approximate 7.9% weighted-average maximum level permitted under the terms of our investments.[9] In comparison, the market-wide median CCC asset holdings of U.S. CLOs was estimated to be approximately 8.6% as of the end of Q4 2010.[10] TFG's weighted-average WARF stood at approximately 2,671 as of the end of Q4 2010. Each of these foregoing statistics represents a weighted-average summary of all of our 70 investments.[11] Each individual investment's metrics will differ from this average and vary across the portfolio.

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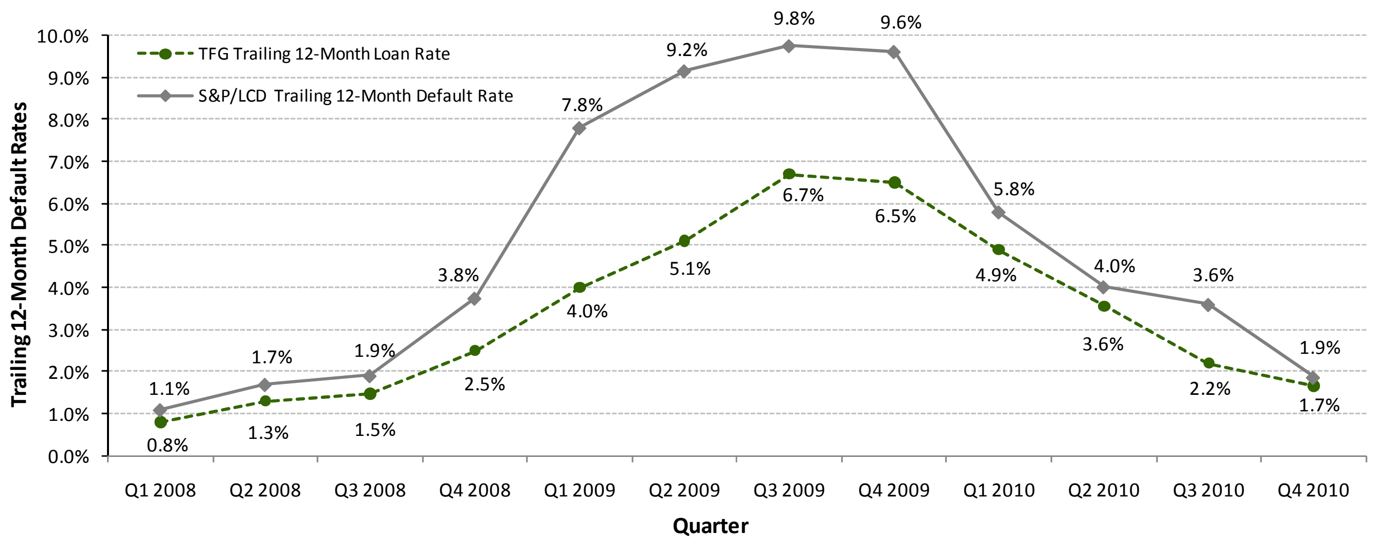
❖ **Investment Portfolio Performance Details (continued):**

TFG Investment Weighted-Average Summary												
	Q1 2008	Q2 2008	Q3 2008	Q4 2008	Q1 2009	Q2 2009	Q3 2009	Q4 2009	Q1 2010	Q2 2010	Q3 2010	Q4 2010
Caa1/CCC+ or Below Obligors:	3.4%	4.4%	4.9%	7.6%	11.4%	11.6%	12.6%	12.0%	11.1%	10.5%	9.6%	8.3%
WARF:	2,443	2,472	2,490	2,577	2,758	2,800	2,813	2,809	2,762	2,706	2,658	2,671

- **TFG and Market Default Rates:** TFG's lagging 12-month corporate loan default rate decreased to 1.7% during the fourth quarter.[12] The lagging 12-month U.S. institutional loan default rate, by comparison, fell to 1.9% by principal amount as of December 31, 2010, according to S&P/LCD, down from approximately 3.6% during the prior quarter.[13] Please refer to *Figure 4* below for a historical summary of TFG's CLO investments' default performance.

Figure 4: TFG and U.S. Market-Wide Trailing 12-Month Default Rates [i][ii]



(i) Source: TFG as of the outlined quarter-end date. The calculation of TFG's lagging 12-month corporate loan default rate does not include certain underlying investment collateral that was assigned a "Selective Default" rating by one or more of the applicable rating agencies. Such Selected Defaults are included the S&P/LCD lagging 12-month U.S. institutional loan default rate discussed above. Furthermore, TFG's investment portfolio includes approximately 8.3% CLOs with primary exposure to European senior secured loans and such loans are included in the calculation of TFG's corporate default rate.

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

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❖ **Investment Portfolio Performance Details (continued):**

- **Direct Loan Investments:** As of December 31, 2010, TFG owned liquid U.S. bank loans with an aggregate par amount of approximately $100.0 million and total fair value of $97.6 million. This portfolio continued to perform well during the quarter, benefitting from early prepayments, spread increases as well as an overall improvement in loan prices. No defaults or downgrades were registered in the portfolio. From inception through the end of Q4 2010, the portfolio made approximately $1.1 million of net realized gains. In addition, the portfolio earned $2.7 million of interest income and discount premium over the same period.

❖ **Asset Management Platform Details:**

- **LCM Developments**: LCM's strong operating and financial performance continued during Q4 2010. As of December 31, 2010, all senior and subordinated CLO management fees on LCM Cash Flow CLOs (14) were current and taking into account all LCM-managed vehicles, the gross income year-to-date for LCM totaled $12.6 million. Pre-tax profit for the entire LCM business, of which TFG owns 75%, reached approximately $5.8 million as of the same period. On October 8, 2010, LCM assumed the management of a U.S. CLO with the consent of TFG (as a majority equity holder) and certain other debt investors (see "CLO Corporate Actions" for details). As mentioned earlier, LCM also closed a new issue CLO, LCM VIII, on November 23, 2010. TFG also continues to leverage and benefit from the LCM team's expertise in the ongoing support of the company's direct loan investments.

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

❖ **Loan and CLO Market Developments:**

- **U.S. leveraged loan default rates decline:** The U.S. lagged 12-month loan default rate fell to 1.9% by principal amount as of December 31, 2010, down from 3.6% in the prior quarter and a high of 10.8% reached in November 2009, as credit fundamentals and capital market conditions recovered.(15)

- **U.S. loan prepayments increase significantly:** During Q4 2010, the U.S. S&P/LSTA Leveraged Loan Index quarterly prepayment rate increased to 9.5% from 5.3% the prior quarter, with repayment financing largely driven by bond-for-loan take-outs.(16)

- **Secondary loan market prices rise:** Secondary loan prices continued to increase in Q4 2010, during which the U.S. S&P/LSTA Leveraged Loan Index returned 3.09% as the average index price reached approximately $93.6. (17)

- **Maturity extensions continue apace:** Approximately $17.7 billion of U.S. loans extensions were executed during Q4 2010, up from $6.5 billion during Q3 2010, as issuers took advantage of strong market conditions to diminish the size the so called "maturity cliff." (18)

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- **Loan and CLO Market Developments (continued):**

  - **Primary loan issuance volumes remain strong in the U.S. and Europe:** Institutional U.S. loan issuance during the fourth quarter totaled $50.7 billion, compared with approximately $35.1 billion in Q3 2010.[19] European primary loan issuance also increased quarter-over-quarter, with €15 billion leveraged loans issued in Q3 2010, compared with €11.5 billion during Q3 2010.[20]

  - **O/C ratios improve in both the U.S. and Europe:** During Q4 2010, O/C ratios of U.S. CLOs strengthened on average. According to Morgan Stanley, the median junior O/C test cushion for U.S. CLOs increased to 2.89% as of December 31, 2010, up from 2.55% as of the end of the prior quarter.[21][22] The median junior O/C test cushion for European CLOs increased to 0.37% as of the end of Q4 2010, up from (0.18)% as of the end of Q3 2010. [23]

  - **CLO new issuance market sees return of arbitrage-driven transactions:** Global CLO issuance totaled approximately $89.0 billion in 2010 with over 50% of this volume consisting of European balance sheet CLOs.[24] Nonetheless, several U.S. arbitrage CLOs totaling $3.3 billion were priced during the year.[25]

  - **Mezzanine CLO debt and equity tranche prices continue to post gains**: Secondary mezzanine debt and equity tranche prices posted multiple point price gains during Q4 2010.[26] These gains occurred in the context of a significant increase in traded volumes and liquidity with traded BWIC ("Bid Wanted in Comp") volume reportedly increasing by roughly 50% to $18.0 billion versus 2009. [27]

- **Fair Value Determination for TFG's CLO Investments**:

  - In accordance with the company's valuation policies as set forth on the company's website, the values of TFG's CLO investments are determined using a third-party cash flow modeling tool. The model contains certain assumption inputs that are reviewed and adjusted as appropriate to factor in historic, current and potential market developments on the performance of TFG's CLO investments. Since this involves modeling, among other things, forward projections over multiple years, this is not an exercise in recalibrating future assumptions to the latest quarter's historical data.

  - Subject to the foregoing, when determining the U.S. GAAP-compliant fair value of TFG's portfolio, the company seeks to derive a value at which market participants could transact in an orderly market and also seeks to benchmark our inputs and resulting outputs to observable market data when available and appropriate. Fundamentally, the valuation process involves two stages. In stage one, future cash flows for each deal in the CLO portfolio are modeled, using our base case assumptions. This generates both the investment IRRs, which are used to drive the recognition of income, and the associated amortized cost. In stage two, a discount rate reflecting the perceived level of risk is applied to those future cash flows to generate a fair value for each investment. Due to elevated market risk premiums over the last two years, among other factors, this effective discount rate has typically been higher than the deal's IRR and therefore, in such instances, has resulted in a fair value which is lower than the deal's amortized cost. The difference between these two figures, on an aggregate basis across the CLO portfolio, has been characterized as the "ALR Fair Value Adjustment" or "ALR".[28]

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❖ Forward-looking Cash Flow Modeling Assumptions Recalibrated in Q4 2010

- The Investment Manager reviews, and adjusts as appropriate the CLO investment portfolio's future modeling assumptions to factor in historic, current and potential market developments on the performance of TFG's CLO investments. When we reported at the end of Q3 2010, we noted strong deal performance but mixed economic and corporate data reported year-to-date with a continuing uncertain outlook. Consequently, we held off on recalibrating TFG's modeling assumptions pending, among other things, further evidence and consensus on the sustainability of such improvements.

- Various Q4 2010 economic indicators, such as continued GDP growth, stabilization of employment and declining defaults provided comfort around the sustainability of the recovery which began earlier in 2010. In addition, various research reports from rating agencies and investment banks have given greater consistency over the outlook for some of the projected model inputs over the next 12 months, in particular in relation to defaults. As a result of these and other factors, we have recalibrated certain of our assumptions for 2011, as indicated in the table below.

Variable	Year	Recalibrated Assumptions	Prior Assumptions
CADR			
	2011	1.0x WARF-implied default rate (2.2%)	2.0x WARF-implied default rate (4.3%)
	2012-2014	1.5x WARF-implied default rate (3.2%)	1.5x WARF-implied default rate (3.2%)
	Thereafter	1.0x WARF-implied default rate (2.2%)	1.0x WARF-implied default rate (2.2%)
Recovery Rate			
	2011	71%	55%
	Thereafter	71%	71%
Prepayment Rate			
	2011	20.0% p.a. on loans; 0.0% on bonds	17.5% p.a. on loans; 0.0% on bonds
	Thereafter	20.0% p.a. on loans; 0.0% on bonds	20.0% p.a. on loans; 0.0% on bonds
Reinvestment Price			
	2011	99%	95%
	Thereafter	100%	100%

- **Constant Annual Default Rate ("CADR"):** The CADR for 2011 was reduced to 1.0x the WARF-implied default rate or approximately 2.2%. As mentioned previously, throughout the latter half of 2010, multiple research sources expressed a view that defaults would continue to fall through 2011 to levels significantly below the long-term average. In light of these consensus market expectations and the increasing confidence with which they were expressed, we believe that adjusting TFG's default assumptions in 2011 to 1.0x the long-term WARF-implied average was appropriate. Beyond 2011 the default assumption remains unchanged, reflecting, among other things, heightened risks in the mid-term as a result of both macro-economic uncertainty and the so-called "maturity cliff" between 2012 and 2014 (although progress continues to be made in addressing the maturity schedule).

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- **Forward-looking cash flow modeling assumptions recalibrated in Q4 2010 (continued):**

  - **Recovery Rate:** Consistent with a 2011 default assumption of 1.0x the long-term WARF-implied average default rate, the recovery rate assumption has been recalibrated to reflect its long-term average. Historically, defaults and recoveries have been inversely related, therefore a continued decline in defaults would be expected to be accompanied by relatively high recovery rates.

  - **Prepayment Rate:** Observable loan prepayment rates continued the pick-up during 2010 reaching a peak in Q4 2010 to a level significantly above the long-term average. Since prepayment rates can experience significant volatility, we increased the assumption for 2011, but only up to 20% per annum which was already being applied for 2012 and beyond. As in the prior set of assumptions, we have assumed a 0% prepayment rate on bonds throughout the life of each transaction.

  - **Reinvestment Price and Spread:** In order to better reflect recently observable reinvestment prices the assumed reinvestment price for 2011 has been increased to 99% (from 95%), a level that generates an effective spread over LIBOR of approximately 285 bps on broadly syndicated U.S. loans, 316 bps on European loans, and 355 bps on middle market loans. From 2012 the reinvestment price assumption remains at par until the maturity of our investments.

  - **Effect of Assumption Changes on Fair Value:** The four assumption changes outlined above had the impact of increasing future projected cash flows on an aggregate portfolio level, which when discounted at the TFG discount rates (see below), resulted in an increase in fair value of approximately $32.7 million relative to the immediately preceding assumptions utilized.

- **Application of Discount Rate to Projected Cash Flows and ALR**

  - At the end of Q3 2010 discount rates applied to projected cash flows were reduced to 23% for the stronger portion of TFG's investment portfolio. Whilst this represented a significant spread over observable yields on BB-rated CLO tranches, it reflected a recognition that the risk premium demanded on CLO equity had fallen from the peak levels reached during the financial crisis. For the remainder of the portfolio we maintained the application of a 30% discount rate.

  - Over the course of Q4 2010 and into early 2011 certain observable data and research suggested that this risk premium has been declining further, as evidenced by significant tightening of credit and CLO debt spreads. From a valuation perspective, however, we are mindful of potential volatility, and have therefore maintained the existing discount rates for the purposes of the Q4 2010 valuation. Going forward, if, among other things, the observable risk premium data demonstrates sustainability at these reduced levels it is likely that the aforementioned discount rates will be reduced.

  - In addition to reviewing the level of discount rates, the split of deals between the two discount rate categories is also reviewed in the context of each deal's structural strength and credit quality. During the course of the quarter, four deals migrated from the 30% to the 23% category, increasing total portfolio fair value by approximately $7.0 million.

  - Through the valuation process described above, as of the end of Q4 2010, the ALR has been reduced to approximately $258.0 million as compared to $274.7 million at the end of Q3 2010.

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❖ Certain Company Information

A performance fee of $41.5 million was accrued in Q4 2010 in accordance with TFG's investment management agreement and based on a "Reference NAV" of Q3 2010. The hurdle rate for Q1 2011 incentive fee has been reset at 2.9507% (Q3 2010: 2.9385%) as per the process outlined in TFG's 2009 Audited Financial Statements and in accordance with TFG's investment management agreement.(29)

❖ Quarterly Investor Call

We will host a conference call for investors on March 7, 2011 at 15:00 GMT/16:00 CET/11:00 EDST to discuss Q4 2010 results and to provide a company update.

The conference call may be accessed by dialing +44 (0)20 7162 0025 and +1 334 323 6201 (a passcode is not required). Participants may also register for the conference call in advance via the following link https://eventreg1.conferencing.com/webportal3/reg.html?Acc=247751&Conf=176930.

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

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Expected Upcoming Events	Date
January 2011 Monthly Report	February 18, 2011 (approx)
2010 Annual Report and audited financial statements	March 2, 2011
Q4 2010 dividend (ex- date)	March 2, 2011
Q4 2010 dividend record date	March 4, 2011
Quarterly investor call	March 7, 2011
February 2011 Monthly Report	March 17, 2011 (approx)
Q4 2010 dividend payment date	March 25, 2011

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TETRAGON FINANCIAL GROUP Financial Highlights								
	Q4 2010	Q3 2010	Q2 2010	Q1 2010	Q4 2009	Q3 2009	Q2 2009	Q1 2009
Net income ($MM)	$132.0	$125.0	$55.6	$72.5	$94.7	$31.2	($26.7)	($414.3)
EPS ($)	$1.09	$1.03	$0.45	$0.58	$0.76	$0.25	($0.21)	($3.29)
CLO Cash receipts ($MM) [(1)]	$78.9	$71.8	$60.9	$51.1	$38.4	$35.3	$31.9	$47.1
CLO Cash receipts per share ($)	$0.66	$0.59	$0.50	$0.41	$0.31	$0.28	$0.25	$0.37
Net cash balance ($MM)	$140.6	$187.9	$156.2	$172.6	$174.4	$149.7	$123.8	$94.3
Net assets ($MM)	$1,138	$1,019	$909	$867	$807	$721	$693	$723
Number of shares outstanding (million)	120.1	120.8	122.2	123.6	124.8	126.2	125.9	125.7
NAV per share ($)	$9.47	$8.43	$7.44	$7.02	$6.47	$5.71	$5.50	$5.75
DPS ($)	-	$0.08	$0.08	$0.06	$0.06	$0.03	$0.03	$0.03
Weighted average IRR on completed transactions (%)	15.1%	13.7%	13.1%	12.3%	11.9%	10.3%	9.2%	10.6%
Number of CLO investments [(2)]	70	68	68	68	61	61	61	61
ALR Fair Value Adjustment ($MM)	($258.0)	($274.7)	($330.7)	($339.5)	($349.0)	($333.8)	($254.1)	($315.0)

[(1)] Gross cash receipts from CLO portfolio.

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

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TFG Quarterly Statement of Operations				
Statement of Operations	**Q4 2010 ($MM)**	**Q3 2010 ($MM)**	**Q2 2010 ($MM)**	**Q1 2010 ($MM)**
Interest income	46.5	45.8	43.4	43.2
CLO management fee income	3.3	3.0	2.9	3.3
Other income	1.3	0.5	0.3	0.3
Investment income	**51.1**	**49.3**	**46.6**	**46.8**
Management and performance fees	(45.5)	(42.7)	(19.8)	(25.4)
Admin/ custody and other fees	(3.4)	(2.6)	(2.6)	(1.9)
Total operating expenses	**(48.9)**	**(45.3)**	**(22.4)**	**(27.3)**
Net investment income	**2.2**	**4.0**	**24.2**	**19.5**
Net change in unrealised appreciation/(depreciation) in investments	128.7	121.3	31.4	54.5
Realised gain/(loss) on investments	0.6	0.3	0.3	-
Realised and unrealised gains/(losses) from hedging and fx	1.2	0.3	0.8	-
Net realised and unrealised gains/(losses) from investments and fx	**130.5**	**121.9**	**32.4**	**54.5**
Income taxes	(0.4)	(0.4)	(0.4)	(1.3)
Noncontrolling interest	(0.3)	(0.3)	(0.6)	(0.2)
Net increase/(decrease) in net assets from operations	**132.0**	**125.2**	**55.6**	**72.5**

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TETRAGON FINANCIAL GROUP Balance Sheet as at 31 December 2010	Dec-10 $MM
Assets	
Investments in securities, at fair value	1,030.8
Intangible assets - CLO management contracts	0.2
Cash and cash equivalents	140.6
Amounts due from brokers	4.3
Accrued fee income	1.5
Loans to Green Oak Real Estate	4.5
Amounts receivable on sale of investments	8.8
Unrealised gain on forward contracts	2.9
Other receivables	0.3
Total Assets	**1,193.9**
Liabilities	
Amounts payable for purchase of investments	7.4
Other payables and accrued expenses	45.7
Amounts payable on Share Options	1.5
Income taxes payables	0.4
Total Liabilities	**55.0**
Net Assets Before Noncontrolling Interest	**1,138.9**
Noncontrolling Interest	1.4
Total Equity Attributable to TFG	**1,137.5**

TETRAGON

TETRAGON FINANCIAL GROUP LIMITED (TFG)
PERFORMANCE REPORT FOR PERIOD ENDED 31 DECEMBER 2010

CLO PORTFOLIO DETAILS
AS OF DECEMBER 31, 2010

Investment	Deal Type	Original Invest. Cost ($MM USD)(1)	Year of Maturity	End of Reinv Period	Wtd Avg Spread (bps) (2)	Wtd Avg Funding Cost (bps) (3)	Current Jr-Most O/C Cushion (4)	Jr-Most O/C Cushion at Close (5)	Annualized (Loss) Gain of Cushion (6)	IRR (7)	ITD Cash Received as % of Cost (8)
Investment 1	EUR CLO	37.5	2024	2014	295	55	(5.64%)	3.86%	(2.71%)	2.6%	29.6%
Investment 2	EUR CLO	29.7	2023	2013	312	52	0.90%	3.60%	(0.65%)	7.3%	30.6%
Investment 3	EUR CLO	22.2	2022	2012	317	58	3.09%	5.14%	(0.41%)	12.2%	69.2%
Investment 4	EUR CLO	33.0	2023	2013	318	48	2.54%	5.76%	(0.85%)	10.9%	43.3%
Investment 5	EUR CLO	36.9	2021	2012	293	60	1.51%	5.74%	(1.24%)	5.0%	25.7%
Investment 6	EUR CLO	33.3	2022	2012	304	51	(8.01%)	4.70%	(2.75%)	0.7%	49.7%
Investment 7	EUR CLO	38.5	2023	2013	292	46	(8.18%)	3.64%	(3.15%)	1.8%	31.9%
Investment 8	EUR CLO	26.9	2021	2011	328	53	1.47%	4.98%	(0.65%)	12.1%	66.8%
Investment 9	EUR CLO	41.3	2023	2013	319	50	0.69%	6.27%	(1.49%)	7.7%	23.9%
Investment 10	EUR CLO	27.0	2022	2012	299	50	(1.80%)	4.54%	(1.44%)	6.4%	31.5%
EUR CLO Subtotal:		**326.3**			**307**	**52**	**(1.65%)**	**4.84%**	**(1.64%)**		**38.2%**
Investment 11	US CLO	20.5	2018	2012	315	45	4.79%	4.55%	0.05%	18.1%	90.3%
Investment 12	US CLO	22.8	2019	2013	319	46	5.14%	4.45%	0.17%	18.1%	82.2%
Investment 13	US CLO	15.2	2018	2012	315	47	5.97%	4.82%	0.26%	17.8%	91.1%
Investment 14	US CLO	26.0	2021	2014	298	49	4.13%	5.63%	(0.39%)	14.3%	59.2%
Investment 15	US CLO	28.1	2021	2014	333	52	2.07%	4.21%	(0.61%)	23.1%	92.8%
Investment 16	US CLO	23.5	2020	2013	329	46	2.25%	4.44%	(0.48%)	16.5%	82.4%
Investment 17	US CLO	26.0	2021	2014	317	40	3.52%	4.24%	(0.19%)	19.7%	79.1%
Investment 18	US CLO	16.7	2017	2011	329	45	3.86%	4.77%	(0.18%)	17.3%	106.6%
Investment 19	US CLO	1.2	2017	2011	329	45	3.86%	4.77%	(0.18%)	20.7%	100.8%
Investment 20	US CLO	26.6	2020	2012	420	52	2.78%	5.28%	(0.59%)	20.8%	106.3%
Investment 21	US CLO	20.7	2020	2012	354	53	2.54%	4.76%	(0.50%)	15.8%	85.6%
Investment 22	US CLO	37.4	2019	2013	405	53	3.07%	5.00%	(0.51%)	17.9%	71.6%
Investment 23	US CLO	19.9	2021	2013	334	66	3.19%	4.98%	(0.50%)	16.4%	78.6%
Investment 24	US CLO	16.9	2018	2012	300	46	2.84%	4.17%	(0.30%)	12.2%	60.5%
Investment 25	US CLO	20.9	2018	2013	310	46	3.83%	4.13%	(0.07%)	18.1%	84.1%
Investment 26	US CLO	27.9	2019	2013	300	43	2.21%	4.05%	(0.49%)	14.1%	58.9%
Investment 27	US CLO	23.9	2021	2014	403	51	6.09%	6.11%	(0.01%)	29.0%	125.1%
Investment 28	US CLO	7.6	2021	2014	403	51	6.09%	6.11%	(0.01%)	31.9%	35.6%
Investment 29	US CLO	19.1	2018	2011	461	66	3.41%	4.82%	(0.27%)	19.1%	95.0%
Investment 30	US CLO	12.4	2018	2012	457	67	3.33%	5.16%	(0.40%)	16.7%	73.1%
Investment 31	US CLO	9.3	2017	2012	346	52	2.51%	5.02%	(0.45%)	14.8%	97.8%
Investment 32	US CLO	24.0	2021	2014	308	59	4.20%	5.57%	(0.41%)	17.0%	60.0%
Investment 33	US CLO	16.2	2020	2012	346	56	4.95%	6.99%	(0.42%)	13.1%	70.2%
Investment 34	US CLO	22.2	2020	2012	345	50	4.26%	6.66%	(0.59%)	14.8%	71.3%
Investment 35	US CLO	23.6	2018	2012	407	52	2.10%	5.00%	(0.64%)	17.5%	100.4%
Investment 36	US CLO	28.4	2021	2013	373	46	2.35%	5.18%	(0.75%)	14.9%	71.7%
Investment 37	US CLO	9.3	2017	2011	303	50	1.81%	4.34%	(0.48%)	13.6%	87.3%
Investment 38	US CLO	23.7	2021	2013	308	42	1.47%	5.07%	(0.94%)	23.8%	109.6%
Investment 39	US CLO	7.8	2017	2011	372	70	1.15%	3.15%	(0.38%)	8.3%	60.1%
Investment 40	US CLO	13.0	2020	2011	366	39	N/A	N/A	N/A	17.9%	79.1%
Investment 41	US CLO	22.5	2020	2013	324	48	4.51%	4.71%	(0.05%)	18.9%	84.1%

TETRAGON

TETRAGON FINANCIAL GROUP LIMITED (TFG)

PERFORMANCE REPORT FOR PERIOD ENDED 31 DECEMBER 2010

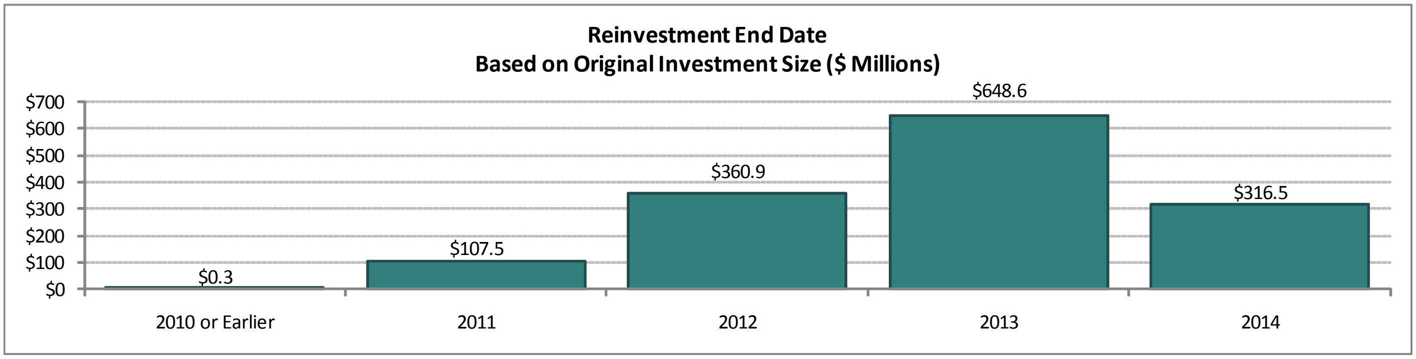
CLO PORTFOLIO DETAILS (CONTINUED)
AS OF DECEMBER 31, 2010

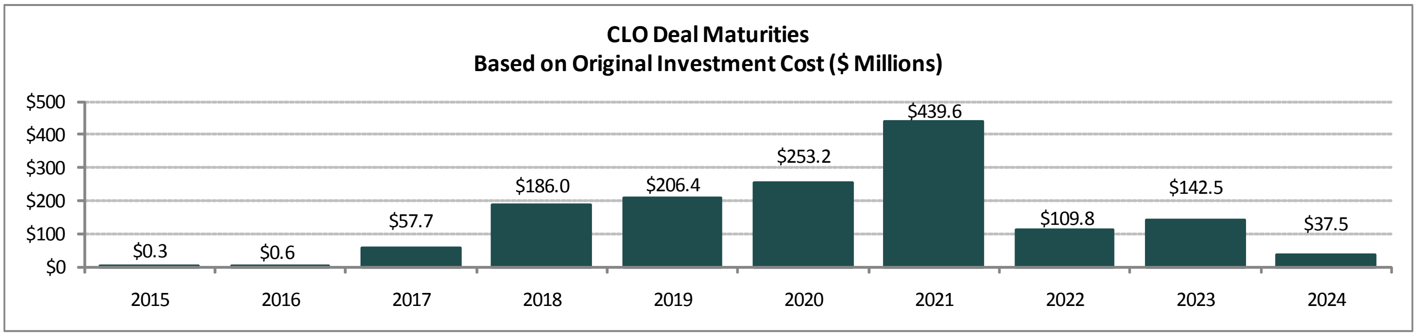
Investment	Deal Type	Original Invest. Cost ($MM USD)(1)	Year of Maturity	End of Reinv Period	Wtd Avg Spread (bps) (2)	Wtd Avg Funding Cost (bps) (3)	Current Jr-Most O/C Cushion (4)	Jr-Most O/C Cushion at Close (5)	Annualized (Loss) Gain of Cushion (6)	IRR (7)	ITD Cash Received as % of Cost (8)
Investment 42	US CLO	22.4	2021	2014	344	47	3.95%	3.92%	0.01%	18.2%	64.3%
Investment 43	US CLO	0.2	2021	2014	325	54	3.63%	3.75%	(0.04%)	18.7%	41.4%
Investment 44	US CLO	22.3	2018	2012	303	54	1.79%	4.16%	(0.51%)	9.4%	66.6%
Investment 45	US CLO	23.0	2018	2012	292	46	1.09%	4.46%	(0.83%)	7.0%	46.2%
Investment 46	US CLO	21.3	2019	2013	289	51	1.77%	4.33%	(0.71%)	4.2%	27.4%
Investment 47	US CLO	28.3	2021	2013	324	47	2.72%	4.34%	(0.39%)	18.2%	86.3%
Investment 48	US CLO	23.0	2019	2013	322	46	2.01%	5.71%	(0.89%)	14.2%	56.2%
Investment 49	US CLO	12.6	2017	2011	312	40	0.27%	3.94%	(0.72%)	5.9%	60.9%
Investment 50	US CLO	12.3	2018	2012	312	40	0.84%	4.25%	(0.75%)	7.8%	52.9%
Investment 51	US CLO	18.0	2020	2013	344	53	3.49%	4.47%	(0.27%)	18.8%	75.3%
Investment 52	US CLO	0.3	2015	2008	260	93	1.17%	3.20%	(0.27%)	278.6%	511.3%
Investment 53	US CLO	0.6	2016	2011	295	61	4.67%	4.00%	0.11%	42.1%	105.6%
Investment 54	US CLO	0.5	2017	2012	323	56	4.24%	3.69%	0.10%	50.1%	235.2%
Investment 55	US CLO	0.3	2017	2011	304	39	3.82%	3.59%	0.04%	51.6%	187.0%
Investment 56	US CLO	23.0	2019	2014	324	42	4.33%	4.53%	(0.05%)	19.9%	86.1%
Investment 57	US CLO	0.6	2019	2014	324	42	4.33%	4.53%	(0.05%)	40.0%	219.4%
Investment 58	US CLO	21.8	2019	2014	327	49	3.32%	4.04%	(0.20%)	21.1%	86.1%
Investment 59	US CLO	0.4	2019	2014	327	49	3.32%	4.04%	(0.20%)	40.4%	297.8%
Investment 60	US CLO	18.8	2021	2014	403	198	4.46%	4.46%	0.00%	10.1%	0.00%
Investment 61	US CLO	29.1	2021	2014	294	45	2.19%	4.04%	(0.50%)	13.6%	52.8%
Investment 62	US CLO	25.3	2020	2013	339	42	3.89%	5.20%	(0.35%)	17.7%	77.0%
Investment 63	US CLO	27.3	2021	2013	313	53	2.14%	4.78%	(0.76%)	14.0%	61.5%
Investment 64	US CLO	15.4	2021	2013	355	38	N/A	N/A	N/A	16.6%	34.4%
Investment 65	US CLO	26.9	2021	2013	300	47	2.57%	4.96%	(0.58%)	9.1%	44.1%
Investment 66	US CLO	21.3	2020	2013	316	49	3.31%	4.05%	(0.18%)	18.1%	85.6%
Investment 67	US CLO	27.3	2022	2014	320	46	3.20%	4.38%	(0.31%)	16.2%	61.1%
Investment 68	US CLO	19.3	2020	2013	357	48	5.08%	4.41%	0.16%	23.2%	98.1%
Investment 69	US CLO	28.2	2019	2013	347	44	5.36%	5.61%	(0.07%)	20.9%	81.2%
Investment 70	US CLO	24.6	2020	2013	284	52	6.01%	6.21%	(0.05%)	14.9%	75.6%
US CLO Subtotal:		**1,107.5**			**337**	**51**	**3.21%**	**4.68%**	**(0.36%)**		**74.6%**
Total CLO Portfolio:		**1,433.8**			**330**	**52**	**2.10%**	**4.72%**	**(0.65%)**		**66.3%**

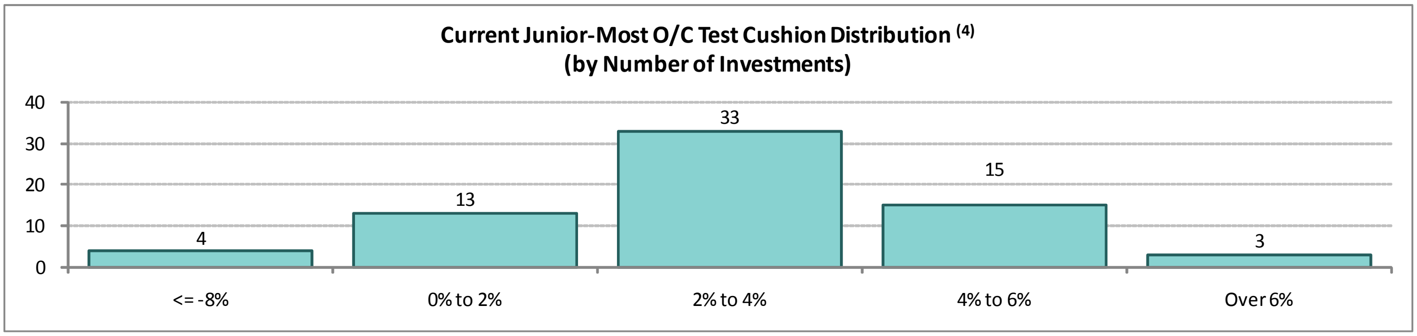
TETRAGON

TETRAGON FINANCIAL GROUP LIMITED (TFG)
PERFORMANCE REPORT FOR PERIOD ENDED 31 DECEMBER 2010

CLO PORTFOLIO DETAILS (CONTINUED)
AS OF DECEMBER 31, 2010







Notes

(1) The original investment cost reflects USD-EUR exchange rates paid as of the settlement date of each non-USD investment.

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

(3) Notional weighted-average spread over LIBOR or EURIBOR (as appropriate) of the debt tranches issued by each CLO, as of the closing date of each investment.

(4) The current junior-most O/C cushion is the excess (or deficit) of the junior-most O/C test ratio over the test requirement, as of the latest trustee report available as of 12/31/2010.

(5) The junior-most O/C cushion at close is the excess (or deficit) of the junior-most O/C test ratio over the test requirement that was expected on each deal's closing date. Please note that two of TFG's investments are so so called "par structures" which don't include a junior O/C test. They have been marked by an "N/A" in the relevant junior-most O/C test columns.

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

(7) Calculated from TFG's investment date. Includes both historical cash flows received to-date and prospective cash flows expected to be received, based on TFG's base case modeling assumptions.

(8) Inception to Date (as of 12/31/2010) cash flow received on each investment as a percentage of its original investment cost.

TETRAGON

TETRAGON FINANCIAL GROUP LIMITED (TFG)

PORTFOLIO COMPOSITION

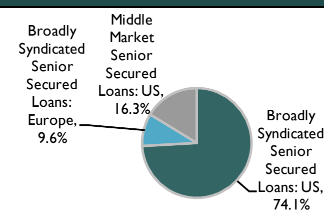
PORTFOLIO HELD BY TETRAGON FINANCIAL GROUP MASTER FUND LIMITED (UNLESS OTHERWISE STATED)

AS OF DECEMBER 31, 2010

Report Date	TFG Share Price ($)	TFG group Market Cap ($MM)[(1)]	TFG group Net Assets ($MM)	No. of Closed CLO Transactions
31 December 2010	$5.70	$747.6	$1,137.5	70[(2)]

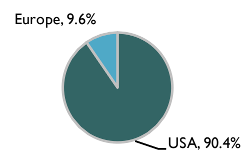
Capital Allocation by Asset Class	Risk Capital Allocation	Investment - Fair Value ($MM)[(3)(4)]
Broadly Syndicated Senior Secured Loans: US	74.1%	$763.6
Broadly Syndicated Senior Secured Loans: Europe	9.6%	$99.0
Middle Market Senior Secured Loans: US	16.3%	$167.7
CDOs Squared: US	0.0%	$0.0
ABS and Structured Finance: US	0.0%	$0.0
Total	100.0%	$1,030.3

Asset Class Allocation



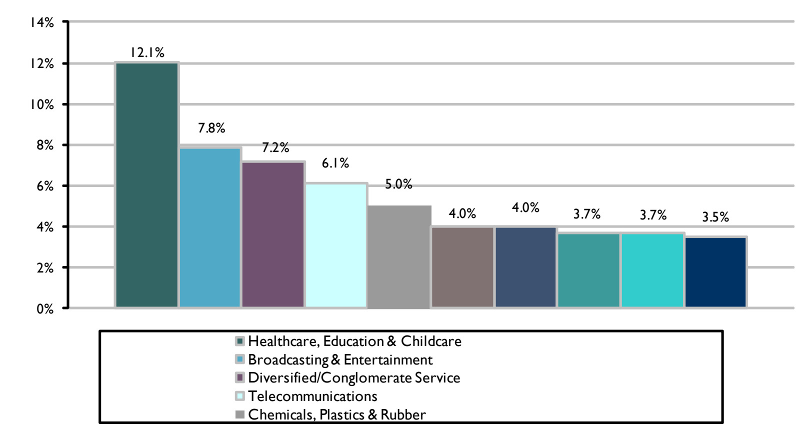
Geographic Allocation by Asset Class	USA	Europe	Asia Pacific	Total
Broadly Syndicated Senior Secured Loans	88.5%	11.5%	0.0%	100.0%
Middle Market Senior Secured Loans	100.0%	0.0%	0.0%	100.0%
CDOs Squared	0.0%	0.0%	0.0%	0.0%
ABS and Structured Finance	0.0%	0.0%	0.0%	0.0%
	90.4%	9.6%	0.0%	100.0%

Geographic Allocation



Top 15 Underlying Bank Loan Credits	Bank Loan Exposure [(5)]
Community Health	0.98%
Charter Communications	0.88%
TXU Corp	0.88%
Univision Communications	0.84%
HCA Inc	0.79%
First Data Corp	0.73%
Cablevision Systems Corp	0.71%
Aramark Corp	0.68%
SunGard Data Systems Inc	0.67%
Sabre Holdings Corp	0.65%
UPC Broadband	0.65%
Federal-Mogul	0.60%
Georgia Pacific Corp	0.60%
Nielsen Company	0.59%
Health Management Associates	0.58%

Top 10 Bank Loan Industry Exposures [(5)]



EUR-USD FX: 1.34

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

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

(3) Excludes TFG's investment in LCM Asset Management LLC.

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

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

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

TETRAGON

BOARD OF DIRECTORS

Paddy Dear	Reade Griffith	Byron Knief*
Rupert Dorey*	David Jeffreys*	Greville Ward*

***Independent Director**

SHAREHOLDER INFORMATION

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Tetragon Financial Group Master Fund Limited
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United States of America

General Partner of Investment Manager
Tetragon Financial Management GP LLC
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Stock Listing
Euronext Amsterdam by NYSE Euronext

Administrator and Registrar
State Street Fund Services (Guernsey) Limited
Tudor House
Le Bordage
St. Peter Port, Guernsey
Channel Islands GY1 3PF

TETRAGON

ENDNOTES

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(1) TFG invests substantially all its capital through a master fund, Tetragon Financial Group Master Fund Limited ("TFGMF"), in which it holds 100% of the issued shares. In this report, unless otherwise stated, we report on the consolidated business incorporating TFG and TFGMF. References to "we" are to Tetragon Financial Management LP, TFG's investment manager.
(2) The LCM I, LCM II, LCM III, LCM IV, LCM V, LCM VI, and LCM VIII CLOs are referred to as the "LCM Cash Flow CLOs." The LCM VII CLO was a market value CLO previously managed by LCM, which was liquidated commencing in 2008, and is not included in the mentioned statistics. In addition, these statistics do not include the performance of certain transactions that were developed and previously managed by a third-party prior to being assigned to LCM, some of which continue to be managed by LCM.
(3) Includes only look-through loan exposures through TFG's CLO investments.
(4) Excludes CDO-squared and ABS CDO transactions which were written off in October 2007. TFG continues to hold the economic rights to three of these written-off transactions.
(5) Based on the most recent trustee reports available for both our U.S. and European CLO investments as of December 31, 2010.
(6) As of December 31, 2010, European CLOs represented approximately 9.6% of TFG's investment portfolio; approximately 83% of the fair value of TFG's European CLOs and 60%, when measured on a percentage of European transactions basis, were passing their junior-most O/C tests.
(7) As O/C tests are breached, CLO structures may divert excess interest cash flows away from the equity tranche holders, such as TFG, to pay down the CLO's debt thereby curing the O/C breach via deleveraging. Accordingly, the affected investments ceased to generate cash flows to TFG or are expected to cease generating cash flows on the next applicable payment date. Once enough debt has been repaid to cure the O/C test breach, distributions of excess interest cash to equity holders may resume to the extent not precluded by the investments' realized or unrealized losses.
(8) Morgan Stanley CDO Market Tracker, January 5, 2011; based on a sample of 477 U.S. CLO transactions.
(9) Excess Caa/CCC+ or below rated assets above transaction-specific permitted maximum holding levels are generally haircut in our transactions at market value in U.S. CLOs and recovery rate in European CLOs for purposes of the O/C or interest reinvestment test ratios.
(10) Morgan Stanley CDO Market Tracker, January 5, 2011; based on the lower of Moody's and S&P rating. Furthermore, TFG's investment portfolio includes approximately 9.6% CLOs with primary exposure to European senior secured loans and such loans are included in the calculation of TFG's average CCC asset holdings.
(11) Weighted by the original USD cost of each investment.
(12) The calculation of TFG's lagging 12-month corporate loan default rate does not include certain underlying investment collateral that was assigned a "Selective Default" rating by one or more of the applicable rating agencies. Such Selected Defaults are included the S&P/LCD lagging 12-month U.S. institutional loan default rate discussed above. Furthermore, TFG's investment portfolio includes approximately 9.6% CLOs with primary exposure to European senior secured loans and such loans are included in the calculation of TFG's corporate default rate.
(13) S&P/LCD News, "With no December defaults 2010 rate falls to 5-year low of 1.87," January 3, 2011.
(14) The LCM I, LCM II, LCM III, LCM IV, LCM V, LCM VI, and LCM VIII CLOs are referred to as the "LCM Cash Flow CLOs." The LCM VII CLO was a market value CLO previously managed by LCM, which was liquidated commencing in 2008, and is not included in the mentioned statistics. In addition, these statistics do not include the performance of certain transactions that were developed and previously managed by a third-party prior to being assigned to LCM, some of which continue to be managed by LCM.
(15) S&P/LCD News, "With no December defaults 2010 rate falls to 5-year low of 1.87," January 3, 2011.
(16) S&P/LSTA Leveraged Lending Review 4Q 2010.
(17) S&P/LCD News, "Full Index Analysis: Loans return 10.13% in no-drama 2010," January 4, 2011.
(18) S&P/LCD Quarterly Review, Fourth Quarter 2010.
(19) S&P/LSTA Leveraged Lending Review 4Q 2010.
(20) S&P/LCD Quarterly Review, Third Quarter 2010.
(21) Morgan Stanley CDO Market Tracker, January 5, 2011; based on a sample of 477 U.S. CLO transactions.
(22) Morgan Stanley CDO Market Tracker, October 8, 2010; based on a sample of 478 U.S. CLO transactions.
(23) Morgan Stanley CDO Market Tracker, January 5, 2011; based on a sample of 196 European CLO transactions.
(24) Morgan Stanley CDO Market Tracker, January 5, 2011.
(25) Morgan Stanley CDO Market Tracker, January 5, 2011.
(26) Morgan Stanley CDO Market Tracker, January 5, 2011.
(27) Morgan Stanley CDO Market Tracker, January 5, 2011.
(28) The Accelerated Loss Reserve is transaction specific. The Accelerated Loss Reserve is a direct adjustment to the fair value of an investment to account for the potential impact of certain potential losses and the cumulative value of such adjustments is evidenced in TFG's financial statements.
(29)The hurdle rate is reset each quarter using 3M USD LIBOR plus a spread of 2.647858% accordance with TFG's investment management agreement. Please see the TFG website, www.tetragoninv.com, for more details.