TETRAGON

TETRAGON FINANCIAL GROUP LIMITED (TFG)

PERFORMANCE REPORT FOR PERIOD ENDED 30 JUNE 2010

August 2, 2010

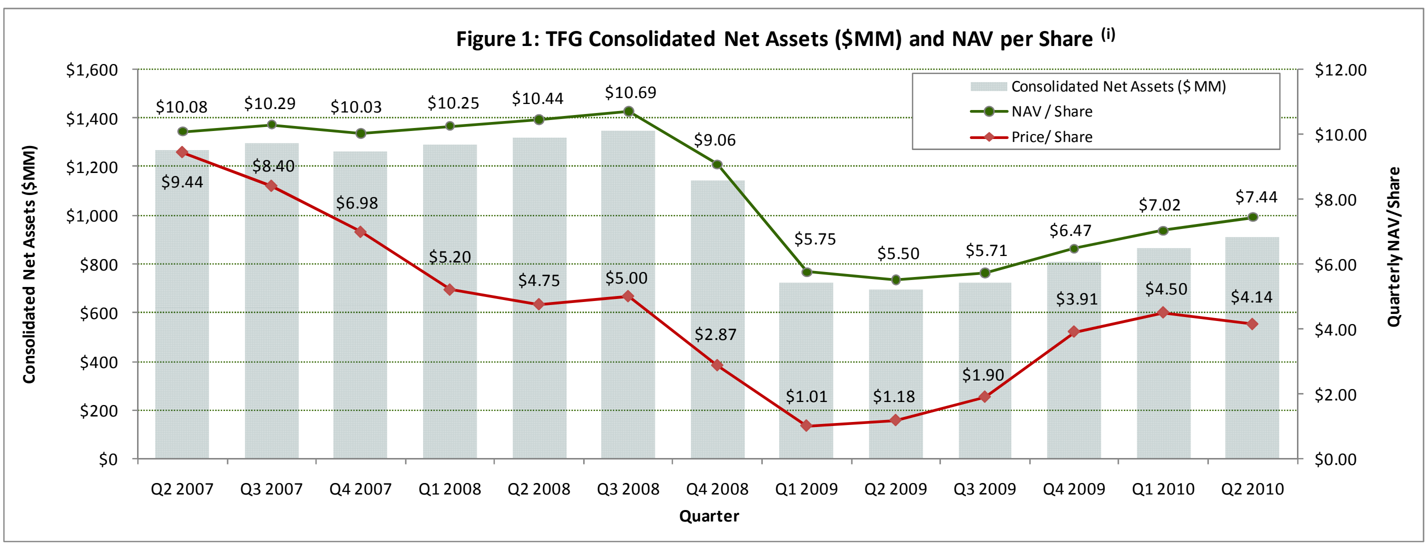
Tetragon Financial Group Limited (TFG) is a Guernsey closed-ended investment company traded on Euronext Amsterdam by NYSE Euronext under the ticker symbol "TFG." (1) In this report we provide an update on TFG's results of operations for the period ending June 30, 2010.(2)

Investors will note that in this update we have endeavored to simplify the presentation of certain of TFG's financial and portfolio performance metrics 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.

❖ **Executive Summary**:

Corporate-Level Results

- Strong Operating Results: TFG produced solid operating results during Q2 2010, with EPS of $0.45, (Q1 2010: $0.58 EPS), consolidated net income of $55.6 million (Q1 2010: consolidated net income of $72.5 million) and with consolidated net assets increasing to $909.4 million or $7.44 per share. Please refer to *Figure 1* below for a historical summary of TFG's Net Assets, NAV per share and share price.



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

- Cash Receipts and Balances: Cash flows from CLO investments were strong during the quarter totaling $60.9 million (Q1 2010: $51.1). As a result, the cash balance grew to $156.2 million as of June 30, 2010, of which approximately $19.3 million was earmarked to pay certain short-term liabilities. Additionally, TFG held approximately $50.0 million of liquid U.S. leveraged loans as of the end of Q2 2010.

- Capital Distributions: On July 29, 2010, the Board approved a dividend of $0.08 per share, with respect to Q2 2010, an increase from $0.06 per share in Q1 2010, reflecting the company's strong cash generation during the quarter. Additionally, TFG repurchased 1,581,669 shares during the quarter for approximately $7.4 million.

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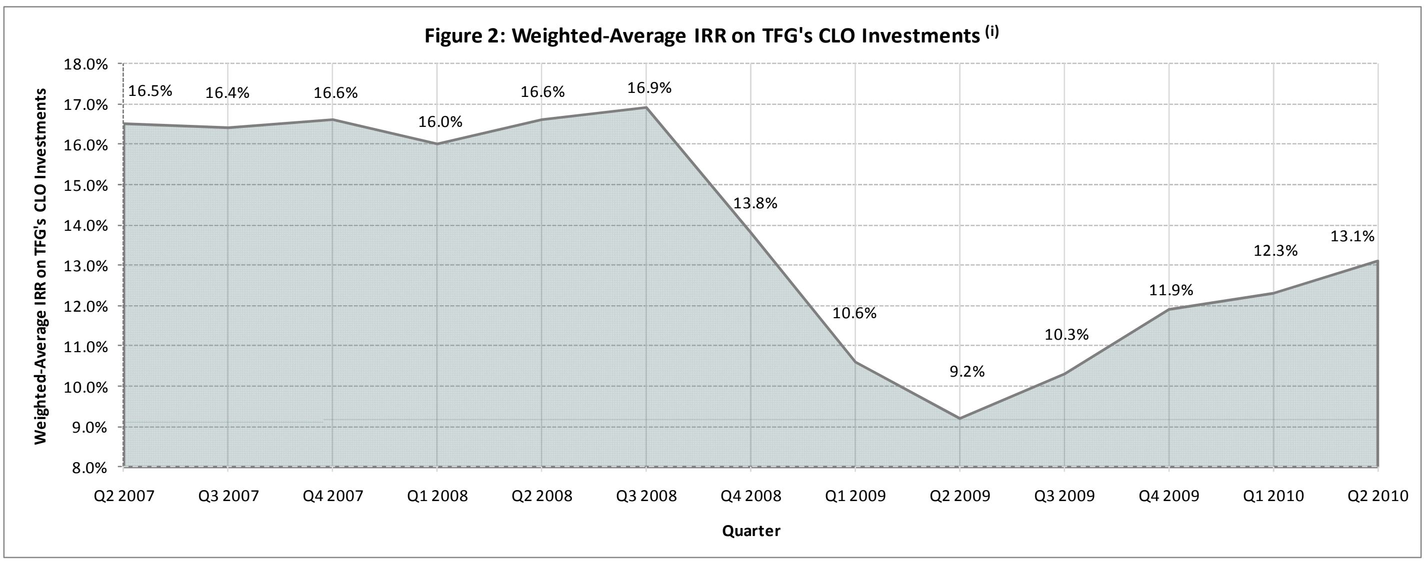
❖ **Executive Summary (continued)**:

Investment Portfolio Performance Highlights

- CLO Collateral Performance: TFG's strong operating performance was achieved in the context of generally stabilizing fundamental credit conditions, despite quarter-end secondary loan price declines and pick-up in volatility. TFG's CLO investment portfolio on average continued to outperform market-wide default and CCC-asset holding averages.

- CLO IRRs: The weighted-average IRR of TFG's CLO investments ended the quarter at 13.1%, up from 12.3% at the end of Q1 2010. This reflected, among other factors, continued declines in the amount of distressed, excess-CCC and defaulted assets in certain of our CLO investments, which were sufficient enough to offset any quarter-end declines in the prices of such stressed assets. 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.

- Direct Loan Investments: TFG's directly held loan portfolio with a market value of approximately $44.3 million continued to perform well, with no defaults or downgrades and stable to moderately improving fundamentals.

Asset Management Platform

❖ LCM: LCM continued to perform in-line with expectations during Q2 2010, with all of LCM Cash Flow CLOs (3) under management continuing to pay senior and subordinated management fees.

❖ GreenOak: We are also pleased to have expanded our asset management platform early in the third quarter through our 10% interest in the GreenOak real estate venture. (4)

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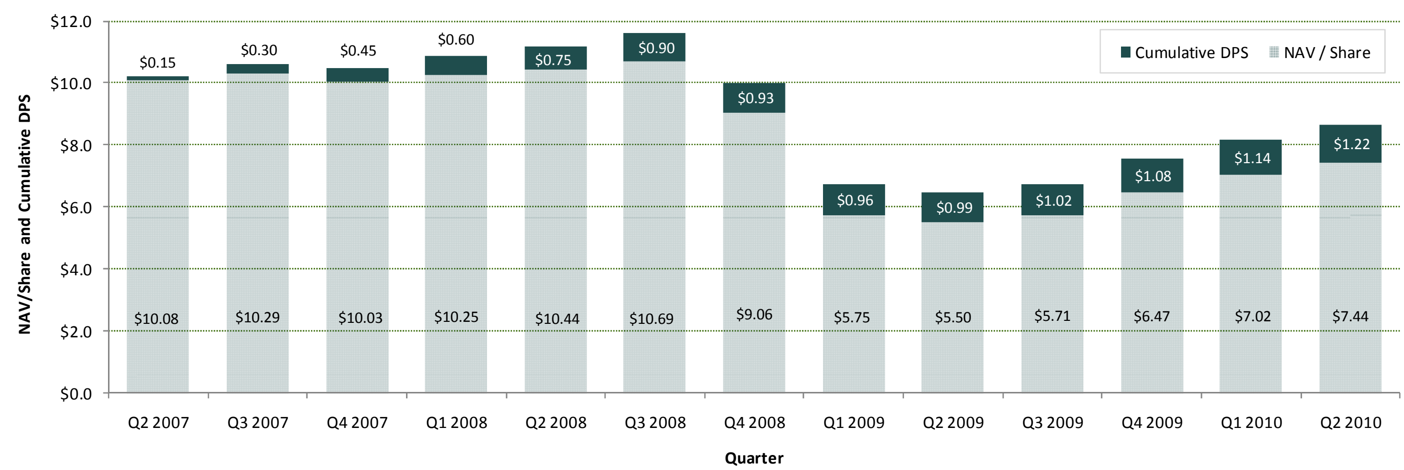
Corporate-Level Performance Details:

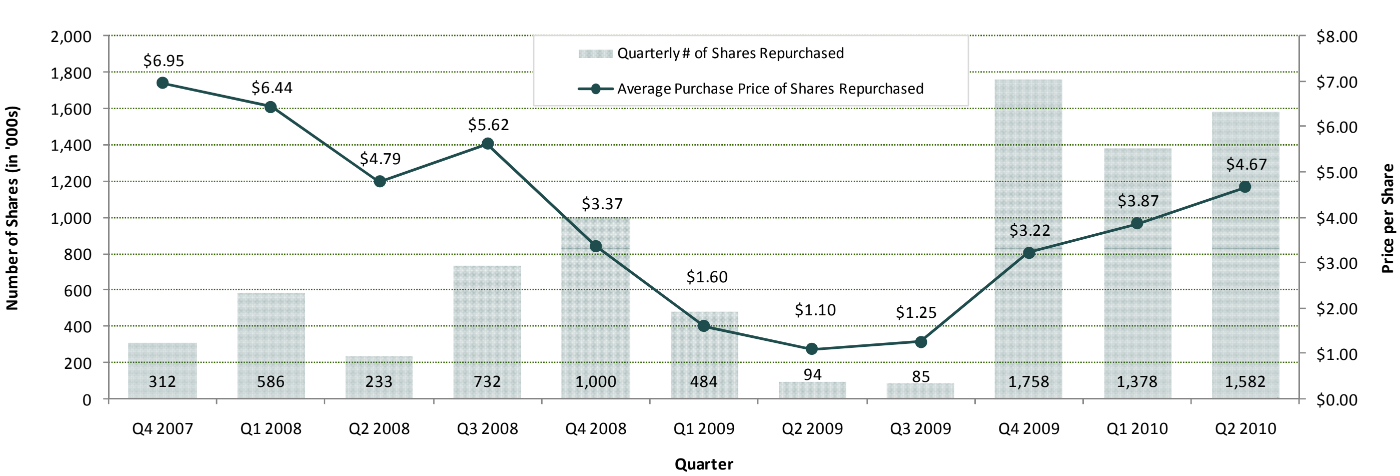
- **Capital Distributions**: TFG's Board approved a dividend of $0.08 per share with respect to Q2 2010, an increase from $0.06 per share in the prior quarter. This dividend increase reflects both our commitment to returning value to shareholders and our confidence in the continued performance of the Company's investment portfolio. Since its public listing, TFG has distributed approximately $1.22 per share via quarterly dividends. (5) In addition, TFG's NAV per share, as reported each quarter, among other things, reflects value created for shareholders via the repurchase of shares below NAV. Please refer to *Figures 3 and 4* below for a historical summary of TFG's NAV per share, dividend distributions, and share buy-back program details.

Figure 3: Quarterly TFG NAV per Share and Cumulative Dividends per Share (DPS) ($) (i)



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

Figure 4: Quarterly TFG Share Repurchases (in '000s) (i)



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

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Investment Portfolio Performance Details:

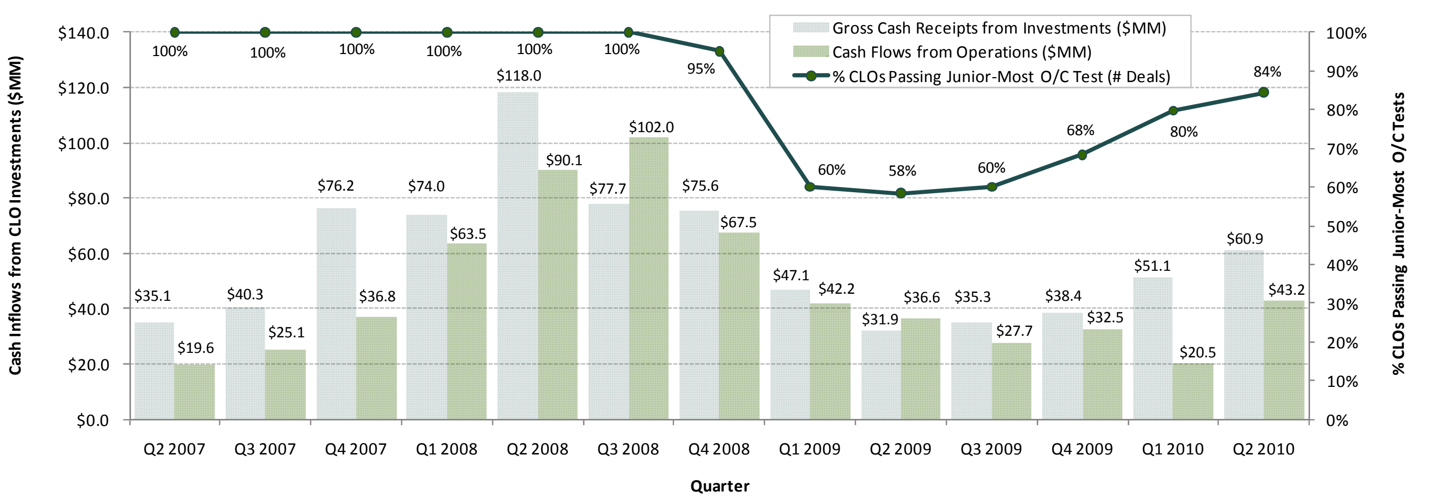
- **CLO Portfolio Size:** As of the end of Q2 2010, the estimated total fair value of TFG's CLO investment portfolio totaled approximately $720.2 million. TFG's indirect exposure to leveraged loans totaled approximately $17.5 billion as of the end of Q2 2010.(6)

- **CLO Portfolio Composition:** During Q2 2010, the CLO portfolio remained stable with 68 investments managed by 31 external CLO managers.(7)

- **CLO Collateral Performance:** As of the end of Q2 2010, approximately 95% of TFG's CLO investments were passing their junior-most O/C tests weighted by fair value (8) – an increase from approximately 94% at the end of Q1 2010. When measured on a percentage of transactions basis, 54 or approximately 84% of the Company's CLO investments were passing their junior-most O/C tests, an increase from approximately 80% at the end of Q1 2010.

  TFG's U.S. CLOs, which represented approximately 93.1% of the fair value of TFG's investment portfolio as of the end of June 30, 2010, continued to perform well during Q2 2010 with approximately 98% of TFG's U.S. CLOs by fair value and 94% by number passing their junior-most O/C tests. (9)(10) This compared favorably with the market-wide average as approximately 85.4% of U.S. CLOs were estimated to be passing their junior O/C tests as of the end of Q2 2010 (when measured on a percentage of transactions basis).(11) Please refer to *Figure 5* below for a historical summary of TFG's investments' junior O/C test performance.

Figure 5: TFG's Gross Investment and Operating Cash Flows ($MM) vs. % of CLOs Passing Junior-Most O/C Tests (i)(ii)



(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.

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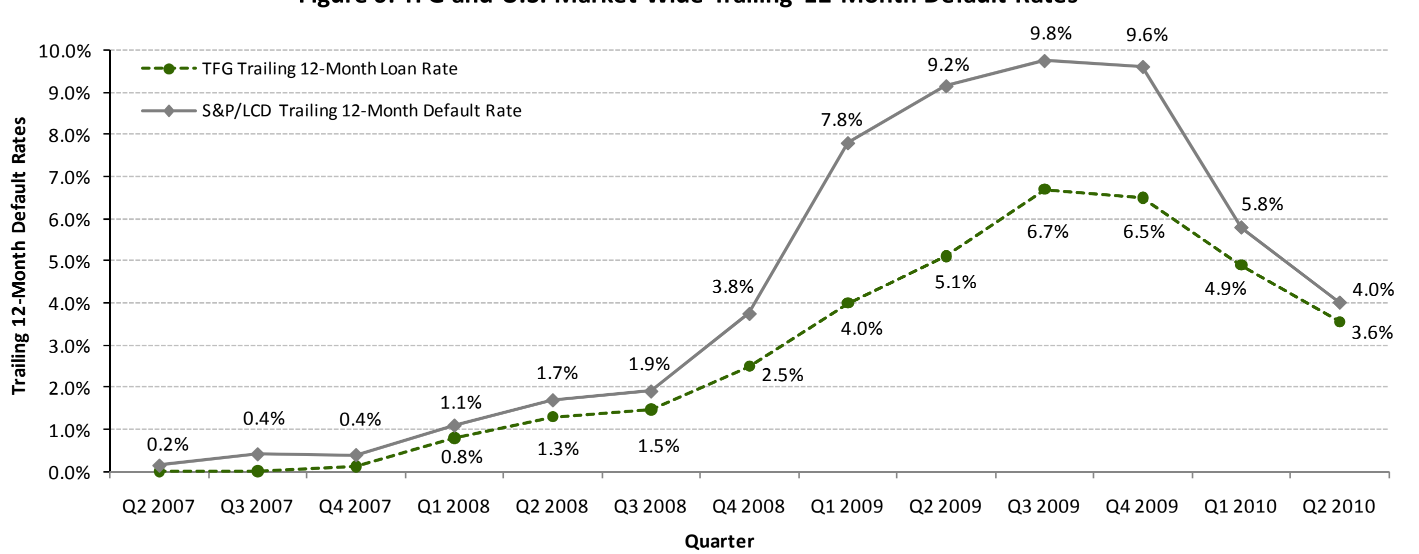
Investment Portfolio Performance Details (continued):

- **CLO Portfolio Credit Quality:** As of June 30, 2010, the weighted-average percentage of corporate obligors rated Caa1/CCC+ or below in TFG's 68 CLO investments was 10.5% compared to an approximate 7.8% weighted-average maximum level permitted under the terms of our investments.(12) This compared favorably with median CCC asset holdings of U.S. CLOs estimated to be approximately 10.7% as of June 30, 2010. (13) TFG's weighted-average WARF stood at approximately 2,706. Each of these foregoing statistics represents a weighted-average summary of all of our 68 investments.(14) Each individual investment's metrics will differ from this average and vary across the portfolio.

TFG Investment Weighted-Average Summary	Q2 2007	Q3 2007	Q4 2007	Q1 2008	Q2 2008	Q3 2008	Q4 2008	Q1 2009	Q2 2009	Q3 2009	Q4 2009	Q1 2010	Q2 2010
Caa1/CCC+ or Below Obligors:	2.8%	2.8%	3.0%	3.4%	4.4%	4.9%	7.6%	11.4%	11.6%	12.6%	12.0%	11.1%	10.5%
WARF:	2,415	2,237	2,439	2,443	2,472	2,490	2,577	2,758	2,800	2,813	2,809	2,762	2,706

- **TFG and Market Default Rates:** The lagging 12-month U.S. institutional loan default rate fell to 4.02% by principal amount as of June 30, 2010, according to S&P/LCD, down from approximately 5.8% during the prior quarter.(15) TFG's lagging 12-month corporate loan default rate decreased to 3.6% during the first quarter.(16) Please refer to *Figure 6* below for a historical summary of TFG's CLO investments' default performance.

Figure 6: 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 6.9% 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):

- **CLO Corporate Actions:** During the first half of the year, we sought to provide support for certain CLO management changes within TFG's CLO investment portfolio, in particular with respect to three underperforming European CLOs. We believe that TFG's majority position strategy may help improve its investment economics by, for example, allowing us to negotiate long-term fee sharing arrangements for the benefit of TFG shareholders in the context of various corporate actions. In cases like the aforementioned European CLOs, this additional source of income may allow TFG to maintain the profitability of underperforming investments, which we believe to be an advantage over other investors who may not be able to enact such a strategy.

- **Direct Loan Investments:** As of June 30, 2010, TFG owned approximately $50.0 million in par amount of liquid U.S. bank loans with a total fair value of approximately $44.3 million. This direct loan investment portfolio was selected to seek to take advantage of positive credit migration events as well as amend-and-extend activity. We believe that these investments have been successful to date, as the overall credit quality has performed as expected, with no defaults or downgrades and stable to moderately improving fundamentals. From inception through the end of June 2010, we have realized approximately $0.3 million of trading gains despite price declines in the general loan market. In addition, the portfolio earned $0.4 million of interest proceeds over that period. We expect to continue to opportunistically deploy TFG's capital into direct loan investments when appropriate.

Asset Management Platform Details:

- **LCM Developments**: LCM's strong operating and financial performance continued during Q2 2010. As of June 30, 2010, all senior and subordinated CLO management fees on LCM Cash Flow CLOs [17] were current, generating approximately $6.2 million of gross fees during the first half of 2010. These results translated into a $0.8 million *post-tax* profit attributable to TFG for Q1 and Q2 2010, compared with an acquisition cost of approximately $0.2 million.[18] We continue to explore the possibility of LCM serving as manager to a new, arbitrage cash flow CLO as well as to existing CLO transactions that could be transitioned to the LCM platform.

LCM Asset Management Performance Snapshot		
	Q2 2010	**Q1 2010**
Assets Under Management:	Approx. $2.5 billion	Approx. $2.5 billion
Gross Fee Income ($MM)	$2.9	$3.3
Net Income After Tax ($MM)	$0.3	$0.5

Loan and CLO Market Developments:

- **U.S. leveraged loan default rates decline:** During Q2 2010, the U.S. leveraged loan market saw continued recovery in credit fundamentals amid scarce defaults. The U.S. lagged 12-month loan default rate fell to 4.02% by principal amount as of June 30, 2010, down from 5.8% in the prior quarter and a high of 10.8% recorded in November 2009.[19] We believe that improving credit quality of certain of our CLOs insulated them the impact of quarter-end secondary loan price declines, thus benefiting TFG's equity investments. It is important to note, however, that key downside risks remain and we expect that our CLO managers will remain focused on positioning their portfolios accordingly.

- **U.S. CLO O/C ratios improve while European CLO O/C recovery remains sluggish:** During Q2 2010, U.S. CLOs saw continued gains in the strength of their O/C ratios. According to Morgan Stanley, the median junior O/C test cushion for U.S. CLOs increased to 2.25% as of June 30, 2010,[20] up from 1.49% as of the end of Q1 2010.[21] However, the share of European CLOs passing their junior-most O/C tests improved only slightly to approximately 50% as of the end of Q2 2010.[22]

- **Secondary loan market volatility increases as loan prices decline:** Q2 2010 witnessed secondary loan price declines and an escalation in volatility as we believe the global financial markets reacted to, among other factors, concerns related to increased sovereign-default risks and reduced global GDP growth expectations. As a result, the U.S. S&P/LSTA Leveraged Loan Index ended the quarter down approximately 1.24% while continuing to register a gain of 3.34% for the year.[23]

- **U.S. loan prepayments rise in Q2 2010:** The Q2 2010 U.S. S&P/LSTA Leveraged Loan Index quarterly prepayment rate rose to approximately 6.7%, up from approximately 6.0% as of Q1 2010 and only 2.9% during Q2 2009.[24] Market participants generally anticipate, however, that this repayment rate may slow during the remainder of the year, particularly if the Q2 2010 quarter-end high yield bond market softening persists, weakening an important source of corporate repayment proceeds. [25]

- **Primary loan issuance volumes increase in the U.S., stall in Europe:** Institutional U.S. loan issuance picked-up pace during Q2 2010 on the heels of improving fundamentals. During Q2 2010, approximately $44.0 billion of U.S. institutional loans were issued, up from approximately $31.0 billion in Q1 2010.[26] In Europe, however, primary institutional loan issuance remained subdued during Q2 with only €1.2 billion institutional loans issued, down from approximately €3.0 billion in Q1 2010.[27]

- **Amend-to-extend and high-yield bond take-outs reduce "maturity wall":** Approximately $46.6 billion of U.S. loans due through 2010 were either extended, repaid or went into default during Q2 2010.[28] Nonetheless, significant outstanding maturities remain. We, therefore, expect to see amend-to-extend activity continue during the remainder of the year, particularly in the event of a persistent softening in the high yield bond markets.

- **CLO new issuance momentum building:** Global CLO issuance totaled approximately $22.1 billion during the first half of 2010 [29] with the majority of this volume dominated by balance sheet CLOs. This total, however, included two new U.S. cash flow CLOs – the $325 million ALM Funding 2010-1 CLO and $450 million Doral CLO 1. We believe that this positive momentum may continue through the second half of 2010, so long as, among other factors, fundamental CLO conditions continue to improve rendering CLO debt and equity tranches more attractive to investors.

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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 by reference to a third-party valuation model. The model contains certain assumption inputs that we review and adjust as appropriate to factor in historic, current and potential market developments on the performance of TFG's CLO investments. As we are 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 we seek to derive a value at which market participants could transact in an orderly market. Fundamentally, this determination may also be viewed as an exercise in: (1) projecting future cash flows and (2) adjusting them at an appropriate discount rate to reflect the perceived level of risk. Under this view, we use a modeling approach which involves two main steps: firstly, we model future cash flows for each deal in the CLO portfolio, using our base case assumptions. This generates both our investment IRRs, which are used to drive the recognition of income, and the base case investment fair values. Secondly, we reduce the investment fair value through what we call an "Accelerated Loss Reserve Fair Value Adjustment", or "ALR" (30) which has the effect of applying a higher discount rate than the deals' IRRs to their respective cash flows.

- **Modeling assumptions unchanged in Q2 2010**

  - When we recalibrated certain modeling assumptions at the end of Q1 2010, we noted that, despite significant improvements in several metrics relevant to TFG, there remained heightened risks in the mid-term around, among other things, the so-called "maturity cliff" between 2012 and 2014 and the possibility of a double-dip recession in the European and U.S. economies.

  - We are pleased that Q1 2010 improvements have generally continued into Q2 2010, as reflected in TFG's strong Q2 2010 results and described earlier in this report. We are also pleased that the "maturity cliff" issue appears to be improving. However, with mixed economic and corporate results in Q2 2010 and a continuing uncertain outlook, we have not recalibrated our forward looking assumptions at June 30, 2010 pending, among other things, further sustained evidence of ongoing improvements. Note 2 to the Financial Statements of TFG Master Fund sets out the results of the latest recalibration with respect to certain IRR modeling assumptions.(31)

- **ALR / effective discount rate also broadly unchanged**

  - The ALR was initially determined by applying a more pessimistic set of short-term assumptions to the portfolio. As at Q2 2010, the effective discount rate applied to our cash flows projections, after taking into account the ALR, was close to 30%, on a portfolio-wide basis, representing a significant spread over BB-rated CLO debt tranches. (32) The discount rate applied during Q2 2010 was broadly unchanged from Q1 2010 and has decreased slightly from the level utilized at the end of 2009. The ALR expressed in dollar terms as of the end of Q2 2010 was $330.7 million. (33)

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Fair Value Determination for TFG's CLO Investments (continued):

- **Conclusion**
  - With no recalibration of the modeling assumptions announced in connection with the Q1 2010 performance report and the ALR / effective discount rate broadly unchanged, the key driver in the increase in fair value which forms part of the $31.4 million of unrealized appreciation in investments per the Statement of Operations, was, therefore, the result of improvements in expected cash flows as deals strengthened, as described earlier in the report.

Outlook Summary:

- **Outlook:** Although the latter half of Q2 2010 witnessed a return of loan price declines as well as heightened volatility and risk aversion in the global financial markets, we believe that gradual fundamental recovery and positive, albeit modest, GDP growth in the U.S. are likely to continue to translate into stabilizing and improving performance of TFG's investments. The progress made on this front year-to-date, as reflected in, among other things, higher junior O/C test cushions, overall reductions in distressed-asset holdings, and a greater percentage of transactions achieving compliance with excess-CCC test limits, has already positively affected the performance of certain of TFG's CLO investments allowing them to better weather declines in the market values of distressed assets which are typically haircut for O/C test purposes.

  Nonetheless, we are mindful of the potential downside risks to continued economic recovery, particularly as fiscal restraint measures, potential monetary policy tightening in the U.S. and Europe, and continued weakness in the capital markets may derail the global economy from its current growth trajectory. We, therefore, expect to continue to focus on risk-management and seek to pursue investment opportunities, which we believe may offer attractive expected risk-adjusted returns and are appropriately structured for the current market environment.

  We continue to believe that TFG may have significant potential to become more of a financial services firm that functions not only as an investment holding company, but also as an operating company capable of pursuing attractive investment opportunities across multiple asset classes. In particular, with respect to our asset management platform, we expect to continue to focus on supporting the expansion of LCM's asset management business. We are pleased to have expanded our asset management platform early in the third quarter through our 10% interest in the GreenOak real estate venture. We expect to continue to explore other strategic opportunities in asset management both within and beyond the leveraged loan market.

  Finally and importantly, we intend to continue to serve our aim of returning capital to TFG shareholders (including through dividends, share repurchases and other means).

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Certain Company Information

A performance fee of $16.5 million was accrued in Q2 2010 in accordance with TFG's investment management agreement and based on a "Reference NAV" of Q1 2010. The hurdle rate for Q3 2010 incentive fee has been reset at 3.1812% (Q2: 2.9394%) as per the process outlined in TFG's 2009 Audited Financial Statements and in accordance with TFG's investment management agreement. (34)

Capital Distributions

The dividend of $0.08 per share with respect to Q2 2010 will be payable on August 25, 2010. Please refer to the website (www.tetragoninv.com) for additional information regarding the dividend, including the Optional Stock Dividend Plan.

Directors' Statements:

The Directors of TFG confirm that (i) this Performance Report constitutes the TFG management review for the six month period ended 30 June 2010 and contains a fair review of that period and (ii) the financial statements in the accompanying unaudited interim report for the six month period ended 30 June 2010 for TFG have been prepared in accordance with applicable laws and in conformity with accounting principles generally accepted in the United States of America.

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Quarterly Investor Call

We will host a conference call for investors on August 9, 2010 at 15:00 BST/16:00 CET/10:00 EDT to discuss Q2 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 by going to: https://eventreg1.conferencing.com/webportal3/reg.html?Acc=084793&Conf=173917 or by going to the TFG website, www.tetragoninv.com.

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 846047 and as an MP3 recording on the TFG website.

For further information, please contact:

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Expected Upcoming Events	Date
Q2 Ex-Dividend Date	August 3, 2010
July 2010 Monthly Report	August 19, 2010 (approx.)
Q2 Dividend Payment Date	August 26, 2010
August 2010 Monthly Report	September 20, 2010 (approx.)

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TETRAGON FINANCIAL GROUP Financial Highlights	Q2 2010	Q1 2010	Q4 2009	Q3 2009	Q2 2009	Q1 2009	Q4 2008	Q3 2008	Q2 2008
Net income ($MM)	$55.6	$72.5	$94.7	$31.2	($26.7)	($414.3)	($187.1)	$48.8	$45.8
EPS ($)	$0.45	$0.58	$0.76	$0.25	($0.21)	($3.29)	($1.48)	$0.39	$0.36
Cash receipts ($MM) (1)	$60.9	$51.1	$38.4	$35.3	$31.9	$47.1	$75.3	$77.7	$118.0
Cash receipts per share ($)	$0.50	$0.41	$0.31	$0.28	$0.25	$0.37	$0.60	$0.62	$0.93
Net cash balance ($MM)	$156.2	$172.6	$174.4	$149.7	$123.8	$94.3	$59.9	$13.4	($69.4)
Net assets ($MM)	$909	$867	$807	$721	$693	$723	$1,142	$1,348	$1,319
Number of shares outstanding (million)	122.2	123.6	124.8	126.2	125.9	125.7	126.0	126.2	126.3
NAV per share ($)	$7.44	$7.02	$6.47	$5.71	$5.50	$5.75	$9.06	$10.69	$10.44
DPS ($)	$0.08	$0.06	$0.06	$0.03	$0.03	$0.03	$0.03	$0.15	$0.15
Weighted average IRR on completed transactions (%)	13.1%	12.3%	11.9%	10.3%	9.2%	10.6%	13.8%	16.9%	16.6%
Number of investments (2)	68	68	61	61	61	61	61	61	61
ALR Fair Value Adjustment ($MM)	($330.7)	($339.5)	($349.0)	($333.8)	($254.1)	($315.0)	($141.0)	$0.0	$0.0

(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	Q2 2010 ($MM)	Q1 2010 ($MM)	Q4 2009 ($MM)	Q3 2009 ($MM)
Interest income	43.4	43.2	41.1	33.1
CLO management fee income	2.9	3.3	-	-
Other income	0.3	0.3	0.3	0.3
Investment income	**46.6**	**46.8**	**41.4**	**33.4**
Management and performance fees	(19.8)	(25.4)	(32.7)	(2.6)
Admin/ custody and other fees	(2.6)	(1.9)	(0.8)	(0.5)
Total operating expenses	**(22.4)**	**(27.3)**	**(33.5)**	**(3.1)**
Net investment income	**24.2**	**19.5**	**7.9**	**30.3**
Net change in in unrealised appreciation/(depreciation) in investments	31.4	54.5	91.8	3.0
Realised gain/(loss) on investments	0.3	-	-	-
Realised and unrealised gains/(losses) from hedging and fx	0.8	-	(5.0)	(2.1)
Net realised and unrealised gains/(losses) from investments and fx	**32.4**	**54.5**	**86.8**	**0.9**
Income taxes	(0.4)	(1.3)	-	-
Noncontrolling interest	(0.6)	(0.2)	-	-
Net increase/(decrease) in net assets from operations	**55.6**	**72.5**	**94.7**	**31.2**

TETRAGON FINANCIAL GROUP Balance Sheet as at 30 June 2010	TFG Total ($MM)
Assets	
Investments in securities, at fair value	764.5
Intangible assets - CLO management contracts	0.2
Cash and cash equivalents	156.2
Amounts due from brokers	1.9
Accrued fee income	1.1
Unrealised gain on forward contracts	5.4
Other receivables	0.1
Total Assets	**929.4**
Liabilities	
Amounts payable to feeder fund	0.1
Income taxes payables	0.8
Other payables and accrued expenses	18.4
Total Liabilities	**19.3**
Net Assets Before Noncontrolling Interest	**910.1**
Noncontrolling Interest	0.8
Total Equity Attributable to TFG	**909.4**

TETRAGON FINANCIAL GROUP LIMITED (TFG)

PORTFOLIO COMPOSITION

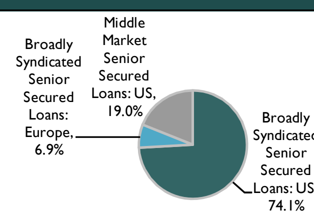
PORTFOLIO HELD BY TETRAGON FINANCIAL GROUP MASTER FUND LIMITED (UNLESS OTHERWISE STATED)

AS OF JUNE 30, 2010

Report Date	TFG Share Price ($)	TFG group Market Cap ($MM)(1)	TFG group Net Assets ($MM)	No. of Closed CLO Transactions
30 June 2010	$4.14	$540.2	$909.4	68(2)

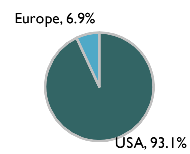
Capital Allocation by Asset Class	Risk Capital Allocation	Investment - Fair Value ($MM)(3)(4)
Broadly Syndicated Senior Secured Loans: US	74.1%	$566.5
Broadly Syndicated Senior Secured Loans: Europe	6.9%	$53.1
Middle Market Senior Secured Loans: US	19.0%	$144.9
CDOs Squared: US	0.0%	$0.0
ABS and Structured Finance: US	0.0%	$0.0
Total	100.0%	$764.5

Asset Class Allocation



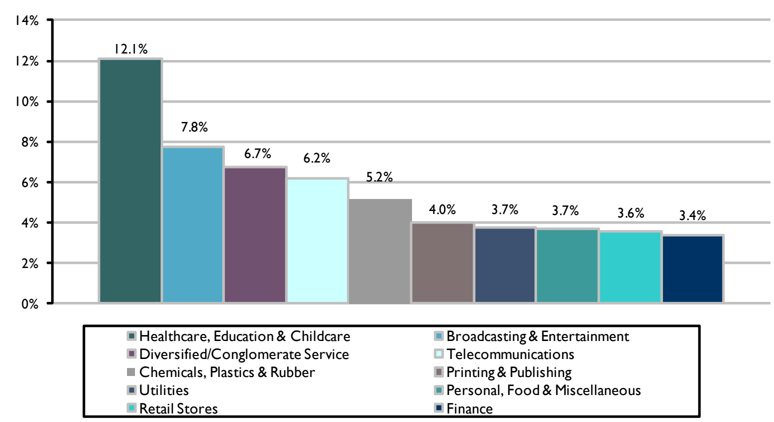
Geographic Allocation by Asset Class	USA	Europe	Asia Pacific	Total
Broadly Syndicated Senior Secured Loans	91.4%	8.6%	0.0%	100.0%
Middle Market Senior Secured Loans	100.0%	0.0%	0.0%	100.0%
CDOs Squared	0.0%	0.0%	0.0%	0.0%
ABS and Structured Finance	0.0%	0.0%	0.0%	0.0%
	93.1%	6.9%	0.0%	100.0%

Geographic Allocation



Top 15 Underlying Bank Loan Credits	Bank Loan Exposure (5)
Community Health	0.97%
Charter Communications	0.90%
TXU Corp	0.87%
Univision Communications	0.86%
HCA Inc	0.84%
Georgia Pacific Corp	0.78%
First Data Corp	0.73%
Aramark Corp	0.69%
SunGard Data Systems Inc	0.65%
Cablevision Systems Corp	0.63%
Calpine Corp	0.62%
Celanese US Holdings LLC	0.62%
Sabre Holdings Corp	0.62%
Las Vegas Sands	0.59%
Nielsen Company	0.59%

Top 10 Bank Loan Industry Exposures (5)



EUR-USD FX: 1.22

(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.

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

TETRAGON

BOARD OF DIRECTORS

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

***Independent Director**

SHAREHOLDER INFORMATION

Registered Office of TFG and the Master Fund
Tetragon Financial Group Limited
Tetragon Financial Group Master Fund Limited
Tudor House
Le Bordage
St. Peter Port, Guernsey
Channel Islands GY1 3PF

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

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

Investor Relations
David Wishnow / Yuko Thomas
ir@tetragoninv.com

Press Inquiries
Citigate Dewe Rogerson
Michael Berkeley/Justin Griffiths/Clare Simonds
tetragon@citigatedr.co.uk

Auditors
KPMG Channel Islands Ltd
20 New Street
St. Peter Port, Guernsey
Channel Islands GY1 4AN

Sub-Registrar and Transfer Agent
The Bank of New York
One Wall Street
New York, NY 10286
United States of America

Issuing Agent, Dutch Paying and Transfer Agent
Kas Bank N.V.
Spuistraat 172
1012 VT Amsterdam, The Netherlands

Legal Advisor (as to U.S. law)
Cravath, Swaine & Moore LLP
One Ropemaker Street
London EC2Y 9HR
United Kingdom

Legal Advisor (as to Guernsey law)
Ogier
Ogier House
St. Julian's Avenue
St. Peter Port, Guernsey
Channel Islands 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 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

ENDNOTES

(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 Polygon Credit Management LP, TFG's investment manager.
(2) This Performance Report constitutes TFG's half-yearly financial report as required pursuant to Section 5:25d of the FMSA. Pursuant to Section 5:25d and 5:25m of the FMSA, this report is made public by means of a press release and has been filed with the Netherlands Authority for the Financial Markets (*Autoriteit Financiële Markten*) and also made available to the public by way of publication on the TFG website (www.tetragoninv.com).
(3) The LCM I, LCM II, LCM III, LCM IV, LCM V, and LCM VI CLOs are referred to as the "LCM Cash Flow CLOs." The LCM VII CLO was a market value CLO previously managed by LCM, which was liquidated commencing in 2008, and is not included in the mentioned statistics. In addition, these statistics do not include the performance of certain transactions that were developed and previously managed by a third-party prior to being assigned to LCM, some of which continue to be managed by LCM.
(4) Please see the TFG press release of even date herewith, "Tetragon Financial Group Limited ("TFG") To Pursue Real Estate Venture."
(5) This figure includes the dividend of $0.08 per share announced on July 29, 2010 with respect to Q2 2010.
(6) Includes only look-through loan exposures through TFG's CLO investments.
(7) Excludes CDO-squared and ABS CDO transactions which were written off in October 2007. TFG continues to hold the economic rights to three of these written-off transactions.
(8) Based on the most recent trustee reports available for both our U.S. and European CLO investments as of June 30, 2010.
(9) As of June 30, 2010, European CLOs represented approximately 6.9% of TFG's investment portfolio; approximately 50% of the fair value of TFG's European CLOs and 30%, when measured on a percentage of European transactions basis, were passing their junior-most O/C tests.
(10) As O/C tests are breached, CLO structures may divert excess interest cash flows away from the equity tranche holders, such as TFG, to pay down the CLO's debt thereby curing the O/C breach via deleveraging. Accordingly, the affected investments ceased to generate cash flows to TFG or are expected to cease generating cash flows on the next applicable payment date. Once enough debt has been repaid to cure the O/C test breach, distributions of excess interest cash to equity holders may resume to the extent not precluded by the investments' realized or unrealized losses.
(11) Morgan Stanley CDO Market Tracker, July 1, 2010; based on a sample of 478 U.S. CLO transactions.
(12) Excess Caa/CCC+ or below rated assets above transaction-specific permitted maximum holding levels are generally haircut in our transactions at market value in U.S. CLOs and recovery rate in European CLOs for purposes of the O/C or interest reinvestment test ratios.
(13) Morgan Stanley CDO Market Tracker, July 1, 2010; based on the lower of Moody's and S&P rating. Furthermore, TFG's investment portfolio includes approximately 6.9% CLOs with primary exposure to European senior secured loans and such loans are included in the calculation of TFG's average CCC asset holdings.
(14) Weighted by the original USD cost of each investment.
(15) S&P/LCD News, "With No Defaults in June, Rate Falls to 18-Month Low," July 13, 2010.
(16) 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 6.9% CLOs with primary exposure to European senior secured loans and such loans are included in the calculation of TFG's corporate default rate.
(17) The LCM I, LCM II, LCM III, LCM IV, LCM V, and LCM VI CLOs are referred to as the "LCM Cash Flow CLOs." The LCM VII CLO was a market value CLO previously managed by LCM, which was liquidated commencing in 2008, and is not included in the mentioned statistics. In addition, these statistics do not include the performance of certain transactions that were developed and previously managed by a third-party prior to being assigned to LCM, some of which continue to be managed by LCM.
(18) The $0.2 million figure represents TFG's acquisition cost after the sale of 25% of LCM to Polygon Management LP.
(19) S&P/LCD News, "With no Defaults in June, Rate Falls to 18-Month Low," July 1, 2010.
(20) Morgan Stanley CDO Market Tracker, July 1, 2010; based on a sample of 478 U.S. CLO transactions.
(21) Morgan Stanley CDO Market Tracker, April 1, 2010; based on a sample of 479 U.S. CLO transactions.
(22) Morgan Stanley CDO Market Tracker, July 1, 2010; based on a sample of 206 European CLO transactions.
(23) S&P/LCD News, "Full Index Analysis: Loans Lose 0.44% in June, 1.24% during Quarter," July 2, 2010.
(24) S&P/LSTA Leveraged Lending Review 2Q 2010.
(25) S&P/LSTA Leveraged Lending Review 2Q 2010.
(26) S&P/LCD Quarterly Review, Second Quarter 2010.
(27) S&P/LCD Quarterly Review, Second Quarter 2010.
(28) S&P/LCD Quarterly Review, Second Quarter 2010.
(29) Morgan Stanley CDO Market Tracker, July 1, 2010.
(30) 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.
(31) TFG undertakes no obligation to update public disclosure with respect to its modeling assumptions, except as required by law.
(32) Please note that the BB tranche ratings refer to original ratings; current ratings of such CLO tranches may be different.
(33) Approximately $8.8 million of the ALR was utilized during Q2 2010.
(34)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.

UNAUDITED CONSOLIDATED INTERIM REPORT

TETRAGON FINANCIAL GROUP LIMITED

FOR THE PERIOD ENDED 30 JUNE 2010

TETRAGON FINANCIAL GROUP LIMITED

UNAUDITED CONSOLIDATED INTERIM REPORT
For the period ended 30 June 2010

CONTENTS

TETRAGON FINANCIAL GROUP LIMITED

CONSOLIDATED STATEMENTS OF ASSETS AND LIABILITIES
as at 30 June 2010 (unaudited)

	Note	30 Jun 2010 US$	31 Dec 2009 US$
Assets			
Investment in Master Fund	3	925,814,324	836,628,677
Amounts receivable from Master Fund		101,624	212,635
Total assets		925,915,948	836,841,312
Liabilities			
Accrued incentive fee	4	16,458,239	29,781,872
Amounts payable on Treasury Shares	5	101,624	212,635
Total liabilities		16,559,863	29,994,507
Net assets		909,356,085	806,846,805
Equity			
Share capital	5	122,234	124,769
Share premium	6	1,166,541,712	1,177,331,614
Capital reserve in respect of share options	7	11,789,336	11,789,336
Earnings	10	(269,097,197)	(382,398,914)
		909,356,085	806,846,805
Shares outstanding		Number	Number
Shares	5	122,234,136	124,768,684
Net asset value per Share			
Shares		US$ 7.44	US$ 6.47

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

Signed on behalf of the Board of Directors by:

Rupert Dorey, Director
David Jeffreys, Director

29 July 2010

TETRAGON FINANCIAL GROUP LIMITED

CONSOLIDATED STATEMENTS OF OPERATIONS
For the period ended 30 June 2010 (unaudited)

	Note	Period ended 30 Jun 2010 US$	Period ended 30 Jun 2009 US$
Investment income allocated from the Master Fund			
Interest income		86,664,990	97,294,900
CLO management fee income		6,178,805	-
Other income		579,358	681,737
Investment income allocated from the Master Fund		93,423,153	97,976,637
Direct expenses			
Incentive fee	4	(38,724,263)	-
Total direct expenses		(38,724,263)	-
Operating expenses allocated from the Master Fund			
Management fees	7	(6,507,963)	(6,866,311)
CLO loan manager operating expenses	7	(2,854,524)	-
Administration fees		(336,073)	(325,857)
Custodian fees		(52,141)	(25,370)
Legal and professional fees		(316,539)	(68,446)
Audit fees		(120,700)	(138,164)
Directors' fees	7	(100,000)	(100,004)
Transfer agent fees		(63,120)	(61,177)
Accumulated amortization on intangible assets		(42,060)	-
Other operating expenses		(613,869)	(363,755)
Interest expense		-	(566,651)
Total operating expenses allocated from the Master Fund		(11,006,989)	(8,515,735)
Total operating expenses		(49,731,252)	(8,515,735)
Net investment income		43,691,901	89,460,902

TETRAGON FINANCIAL GROUP LIMITED

CONSOLIDATED STATEMENTS OF OPERATIONS (continued)
For the period ended 30 June 2010 (unaudited)

	Note	Period ended 30 Jun 2010 US$	Period ended 30 Jun 2009 US$
Net realized and unrealized gain / (loss) from investments and foreign currency allocated from the Master Fund			
Net realized gain from:			
Investments		261,304	-
Foreign currency transactions		4,351,694	10,409,319
		4,612,998	10,409,319
Net increase / (decrease) in unrealized appreciation / (depreciation) on:			
Investments		85,883,833	(528,356,108)
Forward foreign exchange contracts		3,771,450	338,358
Foreign exchange options		-	(4,880,100)
Translation of assets and liabilities in foreign currencies		(7,372,758)	(7,931,935)
		82,282,525	(540,829,785)
Net realized and unrealized gain / (loss) from investments and foreign currencies allocated from the Master Fund		86,895,523	(530,420,466)
Net increase / (decrease) in net assets resulting from operations before income tax		130,587,424	(440,959,564)
Income and deferred tax		(1,681,760)	-
Net income		128,905,664	(440,959,564)
Less net income attributable to noncontrolling interest		(787,733)	-
Net increase / (decrease) in net assets resulting from operations		128,117,931	(440,959,564)
Earnings per Share			
Basic	9	US$ 1.04	US$ (3.51)
Diluted	9	US$ 1.04	US$ (3.51)
Weighted average Shares outstanding		**Number**	**Number**
Basic	9	123,400,107	125,780,174
Diluted	9	123,400,107	125,780,174

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

TETRAGON FINANCIAL GROUP LIMITED

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
For the period ended 30 June 2010 (unaudited)

	Period ended 30 Jun 2010 US$	Period ended 30 Jun 2009 US$
Total investment income	93,423,153	97,976,637
Total operating expenses	(49,731,252)	(8,515,735)
Net realized gain from investments and foreign currencies allocated from the Master Fund	4,612,998	10,409,319
Net unrealized gain / (loss) from investments and foreign currencies allocated from the Master Fund	82,282,525	(540,829,785)
Income taxes	(1,681,760)	-
Income attributable to noncontrolling interest	(787,733)	-
Net increase / (decrease) in net assets resulting from operations	128,117,931	(440,959,564)
Dividends paid to shareholders	(14,816,214)	(7,542,110)
Issue of shares	1,927,715	509,939
Treasury shares	(12,720,152)	(877,379)
Decrease in net assets resulting from net share transactions	(10,792,437)	(367,440)
Total increase / (decrease) in net assets	102,509,280	(448,869,114)
Net assets at start of period	806,846,805	1,141,950,194
Net assets at end of period	909,356,085	693,081,080

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

TETRAGON FINANCIAL GROUP LIMITED

CONSOLIDATED STATEMENTS OF CASH FLOWS
For the period ended 30 June 2010 (unaudited)

	Period ended 30 Jun 2010 US$	Period ended 30 Jun 2009 US$
Operating and investing activities		
Net increase / (decrease) in net assets resulting from operations	128,117,931	(440,959,564)
Adjustments for:		
Net unrealized (appreciation) / depreciation on investments in Master Fund	(89,185,647)	448,869,114
Operating cash flows before movements in working capital	38,932,284	7,909,550
Decrease in receivables	111,011	74,366
Decrease in payables	(13,434,644)	(74,366)
Cash inflows from operating and investing activities	25,608,651	7,909,950
Financing activities		
Issue of shares	1,927,715	509,939
Treasury shares	(12,720,152)	(877,379)
Dividends paid to shareholders	(14,816,214)	(7,542,110)
Cash outflows from financing activities	(25,608,651)	(7,909,550)
Net increase / (decrease) in cash and cash equivalents	-	-
Cash and cash equivalents at beginning of period	-	-
Cash and cash equivalents at end of period	-	-

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

TETRAGON FINANCIAL GROUP LIMITED

SCHEDULE OF INVESTMENTS
as at 30 June 2010 (unaudited)

Security Description	Nominal /Shares	Cost US$	Fair Value US$	% of Net Assets
Investment Funds - Guernsey				
Tetragon Financial Group Master Fund Limited – shares	122,234,136	1,090,845,630	925,814,324	101.81%
Total Investments			925,814,324	101.81%
Other Assets and Liabilities			(16,458,239)	(1.81%)
Net Assets			909,356,085	100.00%

TETRAGON FINANCIAL GROUP LIMITED

SCHEDULE OF INVESTMENTS (continued)
as at 31 December 2009 (audited)

Security Description	Nominal /Shares	Cost US$	Fair Value US$	% of Net Assets
Investment Funds - Guernsey				
Tetragon Financial Group Master Fund Limited – shares	124,768,684	1,113,464,521	836,628,677	103.69%
Total Investments			836,628,677	103.69%
Other Assets and Liabilities			(29,781,872)	(3.69)%
Net Assets			806,846,805	100.00%

TETRAGON FINANCIAL GROUP LIMITED

FINANCIAL HIGHLIGHTS
For the period ended 30 June 2010 (unaudited) and 31 December 2009 (audited)

The following represents selected per Share operating performance of the Company, ratios to average net assets and total return information for the period ended 30 June 2010 and year ended 31 December 2009.

	30 Jun 2010 Shares* US$	31 Dec 2009 Shares US$
Per Share operating performance		
Net Asset Value at the start of the period/year	6.47	9.06
Net investment income (excl performance fee)	0.78	1.17
Performance fee	(0.37)	(0.23)
Net realized and unrealized gain from investments, options and foreign currencies	0.83	(3.38)
Dividends paid to shareholders	(0.14)	(0.12)
Income taxes paid	(0.02)	-
Noncontrolling interest	(0.01)	-
Other capital transactions	(0.10)	(0.03)
Net Asset Value at the end of the period/year	7.44	6.47
Total return (NAV excluding dividends) before performance fee	24.88%	(24.72)%
Performance fee	(5.72%)	(2.54)%
Total return (NAV excluding dividends) after performance fee	19.16%	(27.26)%
Ratios and supplemental data		
Ratio to average net assets:		
Operating expenses allocated from the Master Fund	1.25%	1.95%
Total operating expenses	1.25%	1.95%
Performance fee	4.41%	3.76%
Net investment income	4.98%	15.36%

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

*The ratios and returns have not been annualized.

Note 1 General Information

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

The registered office of the Company is Tudor House, Le Bordage, St. Peter Port, Guernsey, Channel Islands, GY1 3PF.

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

Note 2 Significant Accounting Policies

Basis of Presentation

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

The Company's investment in the Master Fund is valued based on the accounting Net Asset Value per share obtained from the Master Fund's Administrator, which is the Company's proportionate interest in the Net Assets of the Master Fund. The performance of the Company is directly affected by the performance of the Master Fund. The Company's Consolidated Statements of Operations includes its pro-rata share of each type of gain, loss, income and expense of the Master Fund's Consolidated Statements of Operations. Attached are the unaudited consolidated financial statements of the Master Fund, which are an integral part of these consolidated financial statements. As at 30 June 2010, the Company had 100% (31 December 2009: 100%) ownership interest in the Master Fund.

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

The accounting policies have been consistently applied by the Company during the period ended 30 June 2010 and are consistent with those used in the previous year. The consolidated financial statements are presented in United States Dollars.

Use of Estimates

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

Note 2 Significant Accounting Policies (continued)

Valuation of Investments

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

Expenses

Expenses, including management fees, incentive fees, administration fees and custodian fees, are recognized in the Consolidated Statements of Operations on an accrual basis.

Taxation

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

Capital expenses

Share options granted to the Investment Manager were treated as a capital expense on the basis that they were granted by the Company as a fee for the Investment Manager's work in successfully arranging the 2007 global offering and the associated issuance of new capital for the Company.

Share Options

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

Dividends payable

Dividends payable on shares are recognised in the Consolidated Statements of Changes in Net Assets.

Treasury shares

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

Note 3 Investment in Master Fund

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

As at 30 June 2010, the Company had an investment of US$ 925,814,324 in the Master Fund (31 December 2009: US$ 836,628,677).

Note 4 Incentive fee

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

The Hurdle for any Calculation Period will equal (i) the Reference NAV multiplied by (ii) the Hurdle Rate (as defined below). For Calculation Periods ending prior to 25 April, 2008 the Hurdle Rate was equal to 8% per annum multiplied by the actual number of days in the Calculation Period divided by 365. Subsequently, 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 date of the then current Calculation Period, plus the Hurdle Spread of 2.647858% in each case multiplied by (x) the actual number of days in the Calculation Period divided by 365.

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

The incentive fee in respect of each Calculation Period is calculated by reference to the Net Asset Value before deduction of any accrued incentive fee. If the Investment Management Agreement is terminated other than at the end of a Calculation Period, the date of termination will be deemed to be the end of the Calculation Period. The incentive fee is normally payable in arrears within 14 calendar days of the end of the Calculation Period.

The Incentive Fee for the period ended 30 June 2010 was US$ 38,724,263 (30 June 2009: US$ Nil). As at 30 June 2010 US$ 16,458,239 was outstanding (31 December 2009: US$ 29,781,872).

Note 5 Share Capital

Authorized

The Company has an authorized share capital of US$1,000,000 divided into 10 Voting Shares, having a par value of US$ 0.001 each and 999,999,990 Non-Voting Shares (which are the "Shares" referred to herein), having a par value of US$ 0.001 each. Shares are issuable either as certificated shares or uncertificated shares, and in both cases as registered shares. Shares are only transferable pursuant to regulations that the Directors may adopt in their discretion.

Voting Shares

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

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

Shares

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

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

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

Share transactions

	Voting Shares No.	Shares No.	Shares US$
Shares in issue at 31 December 2008	10	125,979,883	125,980
Issued	-	1,209,442	1,210
Treasury Shares	-	(2,420,641)	(2,421)
Shares in issue at 31 December 2009	10	124,768,684	124,769
Issued	-	425,211	425
Treasury Shares	-	(2,959,759)	(2,960)
Shares in issue at 30 June 2010	10	122,234,136	122,234

Note 5 Share Capital (continued)

Optional Stock Dividend

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

During the period a total dividend of US$ 14,816,214 (30 June 2009: US$ 7,542,110) was declared, of which US$ 12,888,499 (30 June 2009: US$ 7,032,171) was paid out as a cash dividend, and the remaining US$ 1,927,715 (30 June 2009: US$ 509,939) reinvested under the Optional Stock Dividend Plan.

Treasury Shares

On 30 November 2007, the Company announced the implementation of a share repurchase program of their outstanding Shares. This program was subsequently updated and will now continue from 26 October, 2009 until 31 October 2010 or until 5% of the Company's outstanding shares have been repurchased under the updated program or until terminated by the Board. The Company purchases its Shares in the open market which are then held in a Treasury Account allowing them to be resold in the market at a later date. Whilst they are held in the Treasury Account the Shares are neither eligible to receive dividends nor are they included in the Shares outstanding on the Consolidated Statements of Assets and Liabilities.

Note 6 Share Premium

	30 Jun 2010 US$	31 Dec 2009 US$
Balance at start of period/year	1,177,331,614	1,182,232,455
Discount arising from transaction of shares	(10,789,902)	(4,900,841)
Balance at end of period/year	1,166,541,712	1,177,331,614

Note 7 Related party transactions

The Investment Manager is entitled to receive management fees equal to 1.5% per annum of the Net Asset Value of the Company payable monthly in advance prior to the deduction of any accrued incentive fee. All fees and expenses of the Company including the Management and Administration fees, but excluding incentive fees from the Investment Manager, are paid by the Master Fund and allocated fully to the Company. An incentive fee may be paid to the Investment Manager as disclosed in Note 4.

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

Note 7 Related party transactions (continued)

The remuneration for Directors shall be determined by resolution of the Voting Shareholder. The Directors' annual fee shall be US$ 50,000 in compensation for service on the Boards of Directors of both the Company and the Master Fund. The Master Fund will pay the Directors' fees. Patrick Dear, Reade Griffith and Alex Jackson have waived their entitlement to a fee. The Directors are entitled to be repaid by the Company all travel, hotel and other expenses reasonably incurred by them in the discharge of their duties. None of the Directors has a contract with the Company or the Master Fund providing for benefits upon termination of employment.

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

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

Byron Knief, Paddy Dear, Reade Griffith, Alex Jackson and Rupert Dorey, all Directors of the Company and Master Fund, were shareholders in the Company as at 30 June 2010, with holdings of 110,000, 276,092, 1,036,209, 417,458 and 77,232 shares, respectively (31 December 2009: 110,000, 276,092, 1,036,209, 417,458 and 75,203 shares respectively).

Note 8 Dividends

	30 Jun 2010	31 Dec 2009
	US$	US$
Quarter ended 31 December 2008 of US$ 0.03 per share	-	3,770,136
Quarter ended 31 March 2009 of US$ 0.03 share	-	3,771,974
Quarter ended 30 June 2009 of US$ 0.03 per share	-	3,775,617
Quarter ended 30 September 2009 of US$ 0.03 per share	-	3,781,939
Quarter ended 31 December 2009 of US$ 0.06 per share	7,442,348	-
Quarter ended 31 March 2010 of US$ 0.06 share	7,373,866	-
	14,816,214	15,099,666

The second quarter dividend of US$ 0.08 cents was proposed by directors on 29 July 2010 and has not been included as a liability in these consolidated financial statements.

Note 9 Earnings per share

	30 Jun 2010 US$	30 Jun 2009 US$
The calculation of the basic and diluted earnings per share is based on the following data:		
Earnings for the purposes of basic earnings per share being net profit/(loss)attributable to shareholders for the period	128,117,931	(440,959,564)
Weighted average number of Shares for the purposes of basic earnings per share	123,400,107	125,780,174
Effect of dilutive potential Shares:		
Share options	-	-
Weighted average number of Shares for the purposes of diluted earnings per share	123,400,107	125,780,174

Note 10 Earnings

	30 Jun 2010 US$	31 Dec 2009 US$
Balance at start of period/year	(382,398,914)	(52,197,577)
Net increase/(decrease) in net assets resulting from operations for the period/year	128,117,931	(315,101,671)
Dividends paid	(14,816,214)	(15,099,666)
Balance at end of period/year	(269,097,197)	(382,398,914)

Note 11 Recent changes to US GAAP

Improving Disclosures about Fair Value Measurements (ASC 820). In January 2010, the FASB issued ASU No. 2010-06, "Fair Value Measurements and Disclosures (Topic 820)— Improving Disclosures about Fair Value Measurements." ASU No. 2010-06 provides amended disclosure requirements related to fair value measurements. Certain disclosure requirements of ASU No. 2010-06 were effective for the Company beginning in the first half of 2010, while other disclosure requirements of the ASU are effective for financial statements issued for reporting periods beginning after December 15, 2010. Since these amended principles require only additional disclosures concerning fair value measurements, adoption did not and will not affect the Company's financial condition, results of operations or cash flows.

Note 12 Approval of financial statements

The Directors approved the financial statements on 29 July 2010.

UNAUDITED CONSOLIDATED INTERIM REPORT

TETRAGON FINANCIAL GROUP MASTER FUND LIMITED

FOR THE PERIOD ENDED 30 JUNE 2010

TETRAGON FINANCIAL GROUP MASTER FUND LIMITED

UNAUDITED CONSOLIDATED INTERIM REPORT
For the period ended 30 June 2010

CONTENTS

TETRAGON FINANCIAL GROUP MASTER FUND LIMITED

CONSOLIDATED STATEMENTS OF ASSETS AND LIABILITIES
as at 30 June 2010 (unaudited)

	Note	30 Jun 2010 US$	31 Dec 2009 US$
Assets			
Investments in securities, at fair value (cost US$ 1,445,633,824 (31 Dec 2009: US$ 1,389,420,696))	2	764,548,314	655,234,320
Intangible assets – CLO Management Contracts	3,15	260,774	-
Cash and cash equivalents	4	156,188,413	174,352,827
Amounts due from brokers	6	1,880,657	5,870,597
Accrued fee income	2	1,106,628	-
Derivative financial assets – forward contracts	5	5,367,051	1,595,601
Other receivables	7	84,307	186,393
Total assets		929,436,144	837,239,738
Liabilities			
Amounts payable to Guernsey Feeder		101,624	212,635
Other payables and accrued expenses	8	1,926,094	398,426
Income and deferred tax payable		784,660	-
Total liabilities		2,812,378	611,061
Net assets		926,623,766	836,628,677
Equity			
Share capital	9	122,234	124,769
Share premium	10	1,125,764,796	1,136,554,698
Earnings	12	(200,072,706)	(300,050,790)
Total equity attributable to TFG Master Fund Limited		925,814,324	836,628,677
Noncontrolling interest		809,442	-
Total shareholders equity		926,623,766	836,628,677
Shares outstanding		Number	Number
Shares	9	122,234,136	124,768,684
Net asset value per share*			
Shares		US$ 7.57	US$ 6.71

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

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

Signed on behalf of the Board of Directors by:

Rupert Dorey, Director
David Jeffreys, Director

29 July 2010

TETRAGON FINANCIAL GROUP MASTER FUND LIMITED

CONSOLIDATED STATEMENTS OF OPERATIONS
For the period ended 30 June 2010 (unaudited)

	Note	Period ended 30 Jun 2010 US$	Period ended 30 Jun 2009 US$
Interest income	14	86,664,990	97,294,900
CLO management fee income		6,178,805	-
Other income		579,358	681,737
Investment income		93,423,153	97,976,637
Management fees	16	(6,507,963)	(6,866,311)
CLO loan manager operating expenses	16	(2,854,524)	-
Administration fees		(336,073)	(325,857)
Custodian fees		(52,141)	(25,370)
Legal and professional fees		(316,539)	(68,446)
Audit fees		(120,700)	(138,164)
Directors' fees	16	(100,000)	(100,004)
Transfer agent fees		(63,120)	(61,177)
Accumulated amortization on intangible assets	3	(42,060)	-
Other operating expenses		(613,869)	(338,385)
Interest expense		-	(592,021)
Operating expenses		(11,006,989)	(8,515,735)
Net investment income		82,416,164	89,460,902
Net realized and unrealized gain/(loss) from investments and foreign currency			
Net realized gain from:			
Investments		261,304	-
Foreign currency transactions		4,351,694	10,409,319
		4,612,998	10,409,319
Net increase / (decrease) in unrealized appreciation /(depreciation) on:			
Investments		85,883,833	(528,356,108)
Forward foreign exchange contracts		3,771,450	338,358
Foreign exchange options		-	(4,880,100)
Translation of assets and liabilities in foreign currencies		(7,372,758)	(7,931,935)
		82,282,525	(540,829,785)
Net realized and unrealized gain / (loss) from investments and foreign currency		86,895,523	(530,420,466)

TETRAGON FINANCIAL GROUP MASTER FUND LIMITED

CONSOLIDATED STATEMENTS OF OPERATIONS (continued)
For the period ended 30 June 2010 (unaudited)

	Note	Period ended 30 Jun 2010 US$	Period ended 30 Jun 2009 US$
Net increase / (decrease) in net assets resulting from operations before tax		169,311,687	(440,959,564)
Income and deferred tax	13	(1,681,760)	-
Net income		167,629,927	(440,959,564)
Less net income attributable to noncontrolling interest	9	(787,733)	-
Net increase / (decrease) in net assets resulting from operations		166,842,194	(440,959,564)

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

TETRAGON FINANCIAL GROUP MASTER FUND LIMITED

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
For the period ended 30 June 2010 (unaudited)

	Note	Period ended 30 Jun 2010 US$	Period ended 30 Jun 2009 US$
Investment income		93,423,153	97,976,637
Operating expenses		(11,006,989)	(8,515,735)
Net realized gain from investments and foreign currency		4,612,998	10,409,319
Net unrealized (depreciation) / appreciation on investments and translation of assets and liabilities in foreign currencies		82,282,525	(540,829,785)
Income and deferred tax		(1,681,760)	-
Income attributable to noncontrolling interest		(787,733)	-
Net increase / (decrease) in net assets resulting from operations		166,842,194	(440,959,564)
Dividends paid to Guernsey Feeder		(52,047,896)	-
Dividends paid to shareholders	11	(14,816,214)	(7,542,110)
Decrease in net assets resulting from dividends		(66,864,110)	(7,542,110)
Issue of Shares		1,927,715	509,939
Treasury Shares		(12,720,152)	(877,379)
(Decrease) / increase in net assets resulting from net Share transactions		(10,792,437)	(367,440)
Total increase / (decrease) in net assets		89,185,647	(448,869,114)
Net assets at start of period		836,628,677	1,141,950,194
Net assets before noncontrolling interest		925,814,324	693,081,080
Noncontrolling interest		809,442	-
Net assets at end of period after non controlling interest		926,623,766	693,081,080

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

TETRAGON FINANCIAL GROUP MASTER FUND LIMITED

CONSOLIDATED STATEMENTS OF CASH FLOWS
For the period ended 30 June 2010 (unaudited)

	Period ended 30 Jun 2010 US$	Period ended 30 Jun 2009 US$
Operating and investing activities		
Net increase / (decrease) in net assets resulting from operations	166,842,194	(440,959,564)
Adjustments for:		
Realized gains on investments	(261,304)	-
Non cash interest income on investments	29,389,698	(20,286,416)
Net income attributable to non controlling interest	787,733	-
Accumulate amortization on intangible assets	42,060	-
Unrealized (gains) / losses	(82,282,525)	540,829,785
Operating cash flows before movements in working capital	114,517,856	79,583,805
(Increase) / decrease in receivables	(1,004,542)	169,269
Increase / (decrease) in payables	1,416,657	(985,173)
Increase in income and deferred tax payable	784,660	-
Cash flows from operations	115,714,631	78,767,901
Proceeds from sale on investments	10,886,894	-
Purchase of investments	(70,732,910)	-
Purchase of asset manager	(302,834)	-
Cash inflows from operating and investing activities	55,565,781	78,767,901
Financing activities		
Amounts due from brokers	3,989,940	105,999,951
Proceeds from issue of Shares	1,927,715	509,939
Treasury Shares	(12,720,152)	(877,379)
Dividends paid to shareholders	(14,816,214)	(7,542,110)
Dividends paid to Guernsey Feeder	(52,047,896)	-
Repayments on repurchase and swap agreements	-	(117,557,492)
Cash outflows from financing activities	(73,666,607)	(19,467,091)
Net (decrease) / increase in cash and cash equivalents	(18,100,826)	59,300,810
Cash and cash equivalents at beginning of period	174,352,827	63,042,822
Effect of exchange rate fluctuations on cash and cash equivalents	(63,588)	1,451,626
Cash and cash equivalents at end of period	156,188,413	123,795,258

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

TETRAGON FINANCIAL GROUP MASTER FUND LIMITED

CONSOLIDATED SCHEDULE OF INVESTMENTS
As at 30 June 2010 (unaudited)

Security Description	**Nominal**	**Cost**	**Fair Value**	**% of Net Assets**
		US$	**US$**	
US Dollar				
Cayman Islands – CLO debt equity security				
ABS and Structured Finance	18,400,000	17,572,000	-	-
Broadly Syndicated Senior Secured Loans	979,292,986	861,426,308	522,151,084	56.35%
CDOs Squared	28,250,000	25,060,000	-	-
Middle Market Senior Secured Loans	245,249,000	227,357,145	144,905,302	15.64%
	1,271,191,986	1,131,415,453	667,056,386	71.99%
Euro				
Ireland – CLO debt equity security				
Broadly Syndicated Senior Secured Loans	127,400,000	155,916,581	37,486,006	4.04%
	127,400,000	155,916,581	37,486,006	4.04%
Luxembourg – CLO debt equity security				
Broadly Syndicated Senior Secured Loans	65,100,000	80,651,697	7,035,579	0.76%
	65,100,000	80,651,697	7,035,579	0.76%
Netherlands – CLO debt equity security				
Broadly Syndicated Senior Secured Loans	24,000,000	31,758,532	8,583,482	0.93%
	24,000,000	31,578,532	8,583,482	0.93%
United States – Leveraged Loans				
Broadly Syndicated Senior Secured Loans	49,950,296	45,891,561	44,386,861	4.79%
	49,950,296	45,891,561	44,386,861	4.79%
Total Investments			764,548,314	82.51%
Cash and Cash Equivalents			156,188,413	16.85%
Other Assets and Liabilities			5,887,039	0.64%
Net Assets			926,623,766	100.00%

TETRAGON FINANCIAL GROUP MASTER FUND LIMITED

CONSOLIDATED SCHEDULE OF INVESTMENTS (continued)
As at 31 December 2009 (audited)

Security Description	**Nominal**	**Cost** US$	**Fair Value** US$	**% of Net Assets**
US Dollar				
Cayman Islands – CLO debt equity security				
ABS and Structured Finance	18,400,000	17,572,000	-	-
Broadly Syndicated Senior Secured Loans	940,375,986	858,664,741	473,608,932	56.61%
CDOs Squared	28,250,000	25,060,000	-	-
Middle Market Senior Secured Loans	236,249,000	219,797,145	137,793,706	16.47%
	1,223,274,986	1,121,093,886	611,402,638	73.08%
Euro				
Ireland – CLO debt equity security				
Broadly Syndicated Senior Secured Loans	127,400,000	155,916,581	27,855,736	3.33%
	127,400,000	155,916,581	27,855,736	3.33%
Luxembourg – CLO debt equity security				
Broadly Syndicated Senior Secured Loans	65,100,000	80,651,697	6,394,500	0.76%
	65,100,000	80,651,697	6,394,500	0.76%
Netherlands – CLO debt equity security				
Broadly Syndicated Senior Secured Loans	24,000,000	31,758,532	9,581,446	1.15%
	24,000,000	31,758,532	9,581,446	1.15%
Total Investments			655,234,320	78.32%
Cash and Cash Equivalents			174,352,827	20.84%
Other Assets and Liabilities			7,041,530	0.84%
Net Assets			836,628,677	100.00%

FINANCIAL HIGHLIGHTS
For the period ended 30 June 2010 (unaudited) and 31 December 2009 (audited)

The following represents selected per share operating performance of the Fund, ratios to average net assets and total return information for the period ended 30 June 2010 and the year ended 31 December 2009.

	Shares*	Shares
	1 Jan 2010 to 30 Jun 2010	1 Jan 2009 to 31 Dec 2009
	US$	US$
Per Share operating performance		
Net asset value at start of period/year	6.71	9.06
Net investment income	0.79	1.17
Net realized and unrealized gain / (loss) from investments, options and foreign currencies	0.84	(3.37)
Dividends paid to shareholders	(0.64)	(0.12)
Income tax	(0.02)	-
Noncontrolling interest	(0.01)	-
Other capital transactions	(0.10)	(0.03)
Net Asset Value at the end of the period/year	7.57	6.71
Return (NAV change excluding dividends)	23.99%	(24.28%)
Ratios and supplemental data		
Ratio to average net assets:		
Total operating expenses	(1.24%)	(1.93%)
Net investment income	9.34%	18.99%

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

*The ratios and returns have not been annualized.

Note 1 General Information

Tetragon Financial Group Master Fund Limited (the "Fund") was registered in Guernsey on 23 June 2005 as a company limited by shares, with registered number 43322. All Voting Shares of the Fund are held by Polygon Credit Holdings II Limited (the "Voting Shareholder"). The Fund continues to be registered and domiciled in Guernsey. On 29 January 2010, the Fund closed a transaction with Calyon and certain of its affiliates to acquire Lyon Capital Management LLC ("LCM"), and certain CLO securities. LCM was subsequently renamed LCM Asset Management LLC. The Fund currently owns 75% of LCM through a 100% owned U.S. subsidiary, Tetragon Capital Management LLC ("TCM") and consolidates the income and expenses and assets and liabilities of that entity in these accounts.

The registered office of the Fund is Tudor House, Le Bordage, St. Peter Port, Guernsey, Channel Islands GY1 3PF.

Note 2 Significant Accounting Policies

Basis of Presentation

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

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

The accounting policies have been consistently applied by the Fund during the period ended 30 June 2010 and are consistent with those used in the previous year.

The financial statements are presented in United States Dollars.

Use of Estimates

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

Foreign Currency Translation

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

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

Note 2 Significant Accounting Policies (continued)

Investment Transactions and Investment Income

Investment transactions are recorded on a trade date basis (the trade date is the date that an entity commits to purchase or sell an asset). Realized gains and losses from equity "tranche" investments, leveraged loans, forwards and options, are calculated on the identified cost basis. Interest income and expense is recognized in the Consolidated Statements of Operations as it accrues. Interest income is recognized on an effective interest rate basis.

Financial Instruments

Investments in CLO debt equity securities, at fair value

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

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

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

As at 30 June 2010 some of the modeling assumptions used, which were effective as of 31 March 2010 valuation, are as follows:

- Constant Annual Default Rate ("CADR"): This is approximately 5.4%, which is 2.5x the original Weighted Average Rating Factor ("WARF") derived base-case default rate, until the end of 2010 and approximately 4.3% or 2.0x the original base-case in 2011. The CADR is approximately 3.2% or 1.5x the original base-case for 2012-14 and approximately 2.2% or 1.0x the original base-case thereafter. This amount has been determined by reference to the underlying collateral and rating agencies research.

- Recovery Rate: The assumed recovery rate is 55%, or approximately 0.8x of the original base-case assumed weighted-average recovery rate, until the end of 2011, followed by a return to approximately 71% the original base-case recovery rate thereafter.

- Prepayment Rate: Loan prepayments are assumed to be 17.5% p.a. until the end of 2011, followed by 20% p.a. the original base-case prepayment rate thereafter; a 0% prepayment rate on bonds has been assumed throughout the life of the transaction.

- Reinvestment Price and Spread: The assumed reinvestment price is 95%, a level that generates an effective spread over LIBOR of approximately 440 bps on broadly U.S. syndicated loans, 469 bps on European loans, and 515 bps on middle market loans, until the end of 2011, followed by a return to par reinvestment price the original base case reinvestment price thereafter until maturity.

Note 2 Significant Accounting Policies (continued)

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

If over the lifetime of an individual deal, collateral losses diverge from the levels assumed in the model, then the actual returns may differ from the current levels projected by the model, which would impact the Net Asset Value of the Fund.

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

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

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

In determining permanent impairment, the present value of the future estimated remaining cash flows discounted at the last rate used to recognize the accretable yield on the investment is compared with the present value of the previously estimated remaining cash flows discounted at the last rate used to recognize accretable yield on the investment adjusted for the cash received during the intervening period. If the present value of the newly estimated cash flows has decreased then an adverse change and a temporary impairment has occurred. When an impairment is other than temporary, the investment is written down to fair value as of the reporting date and any previously unrealized loss is realized in the period such a determination is made. The Fund evaluates its impairment for investments on an investment by investment basis, not on an overall portfolio basis.

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

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

The following is a summary of the inputs used as of 30 June 2010 in valuing the Fund's assets carried at fair value:

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

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

Note 2 Significant Accounting Policies (continued)

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

	CLO Debt Equity Securities US$	Broadly Syndicated Senior Secured Loans US$	Net Unrealised Appreciation / (Depreciation) on forward foreign exchange contracts US$	Total US$
Level 1 – Quoted prices	-	-	-	-
Level 2 – Other significant observable inputs	-	44,386,861	5,367,051	49,753,912
Level 3 – Significant unobservable inputs	720,161,453	-	-	720,161,453
	720,161,453	44,386,861	5,367,051	769,915,365

The following is a reconciliation of the Fund's assets in which significant unobservable inputs (Level 3) were used in determining fair value at 30 June 2010.

	30 Jun 2010 US$	31 Dec 2009 US$
Balance at start of period/year	655,234,320	1,082,495,071
Purchases of investments	10,321,567	-
Change in unrealized appreciation / (depreciation)	61,208,246	(234,373,996)
Change in ALR Fair Value adjustment	18,179,507	(207,945,924)
(Amortisation)/ Accretion	(24,782,187)	15,059,169
Balance at end of period/year	720,161,453	655,234,320

In determining fair value of the portfolio the Fund has applied, on a deal by deal basis, a Statement of Assets and Liabilities fair value adjustment (the "Accelerated Loss Reserve Fair Value Adjustment" or "ALR").

The ALR was initially determined by applying a more pessimistic set of short term assumptions to the portfolio and sought to reflect, among other things, potential losses which in each case may not be appropriate for inclusion in the Fund's base case IRR modeling assumptions, but which may have an impact on the fair value of its investments. The current impact of the ALR is to have the effect of applying a higher discount rate than the deals IRRs to their respective cash flows.

When assessing the reasonableness of the fair value of the Fund's portfolio after taking into account the ALR, the Investment Manager uses several benchmarks, including the effective discount rate implied by the ALR and the change in the value of the Fund's investments relative to other CLO tranches. As at 30 June 2010, TFG's portfolio fair value, which is the sum of the base case fair value plus the ALR, was the equivalent of applying a discount rate that was a significant spread above BB tranches of CLO equity to the base cash flows. At 30 June 2010, the ALR totaled approximately US$ 330.8 million (31 December 2009: US$ 349.0 million).

Investments in leveraged loans, at fair value

To the extent that the Fund's leveraged loans are exchange traded and are priced or have sufficient bid price indications from normal course trading at or around the valuation date (financial reporting date), such pricing will determine fair value. Pricing service marks from third party pricing services may be used as an indication of fair value, depending on the volume and reliability of the marks, sufficient and reasonable correlation of bid and ask quotes, and, most importantly, the level of actual trading activity.

Note 2 Significant Accounting Policies (continued)

Investments in leveraged loans, at fair value (continued)

Interest income on leverage loans, including amortization of premium and accretion of discount, is recorded on an effective interest rate basis to the extent that such amounts are expected to be collected. As of 30 June 2010, no issuers were considered in default.

Forward currency contracts

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

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

Cash and cash equivalents

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

Acquired intangible assets, CLO management agreements

Acquired intangible assets represent CLO management agreements and are amortised over its useful life. Acquired intangible assets are stated at cost less accumulated amortisation and impairment.

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

Income from CLO Management

Income from CLO management comprises discretionary portfolio management fees of senior management fee and subordinated management fee. Senior management fee income is recognised on an accruals basis. For the subordinated management fee income, the Fund makes estimate interim accruals of such subordinated income based on recent historical distributions and CLO's performance and adjusts such accruals on a quarterly basis to reflect actual distributions. Senior management fees range from 0 bps to 20 bps and subordinated management fees range from 30 bps to 50 bps.

Expenses

Expenses, including management fees, incentive fees, administration fees, custodian fees and CLO loan manager operating expenses are recognized in the Consolidated Statements of Operations on an accrual basis.

Taxation

Income taxes, Fund

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

Note 2 Significant Accounting Policies (continued)

Taxation (continued)

Income taxes, CLO manager

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

Following the adoption of FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes, (included in FASB ASC Subtopic 740-10 – Income Taxes – Overall), the Fund recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. There are no uncertain tax positions recognized at 30 June 2010.

Dividends payable

Dividends payable on shares are recognized in the Consolidated Statements of Changes in Net Assets.

Principles of Consolidation

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

The Fund also invests in certain securities which are managed by LCM or other CLO managers and has determined that it does not have control over the significant operational and financial decisions of these securities.

The Fund is the primary beneficiary of some securities which are considered variable interest entities ("VIE"). As the Fund is accounting for its investments at fair value in accordance with the accounting guidance in the AICPA Audit and Accounting Guide: Investment Companies, consolidation of these entities is not required. At 30 June, 2010 the Fair value of these VIEs is approximately $720.2 million. These are non-recourse securities with no contingent liabilities where the Fund's maximum loss exposure is capped at the current carrying value.

Note 3 Acquired intangible assets

	30 June 2010		
	Gross carrying amount	**Weighted average outstanding amortization period**	**Accumulated amortization**
	$		**$**
Amortizing intangible assets			
CLO Management contracts	260,774	2 years 7 months	(42,060)
Total	260,774		(42,060)

Note 3 Acquired intangible assets (continued)

Aggregate amortization expense for amortizing intangible assets was US$ 42,060 for the period ended 30 June 2010. Estimated amortization expense for the next four years is US$ 92,532 in 2010, US$ 100,945 in 2011, US$ 100,945 in 2012 and US$ 8,412 in 2013.

Note 4 Cash and Cash Equivalents

	30 Jun 2010 US$	31 Dec 2009 US$
Cash and current deposits with banks	155,363,128	174,282,168
Foreign currency cash (cost: US$ 873,595 (31 December 2009: US$ 55,380))	825,285	70,659
	156,188,413	174,352,827

Note 5 Financial Instruments with Off-Balance Sheet Risk and Concentration of Credit Risk

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

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

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

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

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

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

Note 5 Financial Instruments with Off-Balance Sheet Risk and Concentration of Credit Risk (continued)

As part of the Fund's current investment strategy it may employ hedging strategies and leverage in seeking to provide attractive returns from the portfolio while managing risk. The hedging strategy may include the use of single name or index credit hedges when and where appropriate as well as foreign exchange rate hedges. This is reviewed on an on-going basis in order to seek to address identified risks to the extent practicable and in a cost effective manner. As at 30 June 2010 and 31 December 2009 there were no credit hedges in place.

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

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

Forward contracts

The following foreign exchange forward contracts were unsettled at 30 June 2010:

Maturity Date	Amount Bought	Amount Sold	Unrealized Gain US$
12 July 2010	US$ 47,944,800	EUR 36,000,000	3,920,122
12 July 2010	US$ 10,881,480	EUR 8,000,000	1,098,218
12 July 2010	US$ 6,463,250	EUR 5,000,000	348,711
			5,367,051

The following foreign exchange forward contracts were unsettled at 31 December 2009:

Maturity Date	Amount Bought	Amount Sold	Unrealized Gain US$
11 January 2010	US$ 66,105,000	EUR 45,000,000	1,595,601
			1,595,601

Note 6 Amounts Due From Brokers

The amounts due from brokers is cash pledged as collateral on the forward contracts. At 30 June 2010 the collateral cash balance with UBS AG was US$ 1,880,657 (31 December 2009: US$ 5,677,691). US$ Nil is due to coupons not yet received as at 30 June 2010 (31 December 2009: US$ 192,906).

Note 7 Other Receivables

	30 Jun 2010 US$	31 Dec 2009 US$
Bank interest receivable	1,844	1,097
Prepaid insurance	6,754	185,296
Other receivables	75,709	-
	84,307	186,393

Note 8 Other Payables and Accrued Expenses

	30 Jun 2010 US$	31 Dec 2009 US$
CLO loan manager operating expense accrual	1,278,411	-
Audit fee accrual	182,506	311,228
Legal and professional fees accrual	390,377	20,398
Directors' fee accrual	50,000	50,000
Custodian fee accrual	16,800	16,800
Miscellaneous fee accrual	8,000	-
	1,926,094	398,426

Note 9 Share Capital

Authorized

The Fund has an authorized share capital of US$ 1,000,000 divided into 10 Voting Shares, having a par value of US$ 0.001 each and 999,999,990 Non-Voting Shares (which are the "Shares" referred to herein), having a par value of US$ 0.001 each.

Voting Shares

All of the Funds Voting Shares are issued at par and are beneficially owned by the Voting Shareholder, a non-U.S. affiliate of the Investment Manager. The Voting Shares will be the only shares entitled to vote for the election of Directors and on all other matters put to a vote of shareholders, subject to the limited rights of the Shares described below. The Voting Shares are not entitled to receive dividends.

Non-Voting Shares

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

Dividend Rights

Dividends may be paid to the holders of Shares at the sole and at the absolute discretion of the Directors. The Voting Shares carry no rights to dividends. Through the Optional Stock Dividend Plan, shareholders can elect to receive dividends in the form of new Shares in the Fund instead of cash dividends. The new Shares are of the same class and type and will rank equally with the existing issued Shares in all respects.

Share transactions

	Voting Shares No.	Non-Voting Shares No.	Non-Voting Shares US$
Shares in issue at 31 December 2008	10	125,979,883	125,980
Issued	-	1,209,442	1,210
Treasury shares	-	(2,420,641)	(2,421)
Shares in issue at 31 December 2009	10	124,768,684	124,769
Issued	-	425,211	425
Treasury shares	-	(2,959,759)	(2,960)
Shares in issue at 30 June 2010	10	122,234,136	122,234

Note 9 Share Capital (continued)

Treasury shares

On 30 November 2007, the Guernsey Feeder, an investor in the Fund, announced the implementation of a share repurchase program of their outstanding Shares. This program was subsequently updated and will now continue from 26 October 2009 until 31 October 2010 or until 5% of the Guernsey Feeder's outstanding shares have been repurchased under the updated program or until terminated by the Board. In conjunction with this the Fund has undertaken to repurchase an identical number of its own Shares from the Guernsey Feeder as and when it makes these repurchases in the open market. The Fund will match the price per share paid by the Guernsey Feeder. The shares are held in a Treasury Account which allows them to be resold back to the Guernsey Feeder if it resells its own shares back into the market at a later date. Whilst they are held in the Treasury Account the shares are neither eligible to receive dividends nor are they included in the Shares outstanding on the Consolidated Statements of Assets and Liabilities.

Noncontrolling Interest

The Fund adopted "Noncontrolling Interests in Consolidated Financial Statements" which requires noncontrolling interests to be classified in the consolidated statements of income as part of consolidated net earnings ($787,733 for the period ended 30 June 2010) and to include the accumulated amount of noncontrolling interests in the consolidated balance sheets as part of shareowners' equity ($809,442 at 30 June 2010). If a change in ownership of a consolidated subsidiary results in loss of control and deconsolidation, any retained ownership interests are remeasured with the gain or loss reported in net earnings.

Note 10 Share Premium

	30 Jun 2010 US$	31 Dec 2009 US$
Balance at start of period/year	1,136,554,698	1,141,455,539
Discount arising from net transactions of Shares	(10,789,902)	(4,900,841)
Balance at end of period/year	1,125,764,796	1,136,554,698

Note 11 Dividends

	30 Jun 2010 US$	31 Dec 2009 US$
Quarter ended 31 December 2008 of US$ 0.03 per share	-	3,770,136
Quarter ended 31 March 2009 of US$ 0.03 per share	-	3,771,974
Quarter ended 30 June 2009 of US$ 0.03 per share	-	3,775,617
Quarter ended 30 September 2009 of US$ 0.03 per share	-	3,781,939
Quarter ended 31 December 2009 of US$ 0.06 per share	7,442,348	-
Quarter ended 31 March 2010 of US$ 0.06 per share	7,373,866	-
	14,816,214	15,099,666

The second quarter dividend of US$ 0.08 cents was proposed by the Directors on 29 July 2010 and has not been included as a liability in these financial statements.

The Fund also pays a dividend to the Guernsey Feeder that is sufficient to pay their incentive fee liability which in the period to 30 June 2010 was US$ 52,047,896 (period to 30 June 2009: US$ Nil).

Note 12 Earnings

	30 Jun 2010 US$	31 Dec 2009 US$
Balance at start of period/year	(300,050,790)	368,675
Net increase / (decrease) in net assets resulting from operations for the period /year	166,842,194	(285,319,799)
Dividends paid to shareholders	(14,816,214)	(15,099,666)
Dividends paid to Feeder Fund	(52,047,896)	-
Balance at end of period/year	(200,072,706)	(300,050,790)

Note 13 Income Tax

Income tax attributable to income from continuing operations consists of:

	Current	Deferred	Total
Period ended 30 June 2010:			
US federal (TCM)	803,488	348,312	1,151,800
State and local (TCM)	398,671	-	398,671
State (LCM)	131,289	-	131,289
	1,333,448	348,312	1,681,760

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

A deferred tax liability of $348,312 has been recognized with respect to undistributed earnings of TCM.

Note 14 Interest Income

	30 Jun 2010 US$	30 Jun 2009 US$
Debt securities – CLO debt equity	85,935,736	97,185,834
Debt securities – Leveraged loans	621,069	-
Cash and short-term funds	108,185	109,066
	86,664,990	97,294,900

Note 15 Acquisition

On 31 January 2010, after giving effect to the transaction, the Fund held 75% of the outstanding membership interests of LCM. The results of LCM's operations have been included in the consolidated financial statements since that date. LCM is a US based asset manager which currently manages six performing CLO vehicles for which it receives management fees. LCM was purchased for cash consideration of $302,834.

The following table summarizes the consideration paid for LCM and the amounts of estimated fair value of the assets acquired and liabilities assumed at the acquisition date.

Note 15 Acquisition (continued)

	30 Jun 2010 US$
Consideration	
Cash	
Fair value of total consideration transferred	302,834
	302,834
Recognized amounts of identifiable assets acquired	
Intangible assets - CLO management contracts	302,834
Total identifiable net assets assumed	302,834

The acquired intangible assets, which are CLO management agreements, are being amortized over a period of three years.

Note 16 Related Party Transactions

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

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

The remuneration for Directors shall be determined by resolution of the Voting Shareholder. The Directors' annual fee should be US$ 50,000 in compensation for service on the Boards of Directors of both the Guernsey Feeder and the Fund. The Fund will pay the Directors' fees. Patrick Dear, Reade Griffith and Alex Jackson have waived their entitlement to a fee.

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

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

The Fund, through its 100% owned U.S. subsidiary TCM, purchased from CLCM Limited Partnership, an affiliate of Calyon New York Branch, 100% of LCM on 29 January 2010. As of the same date it subsequently sold 25% of LCM at cost to Polygon Management L.P. ("PM"), an affiliate of the Voting Shareholder. The Service Providers have an agreement to provide certain operating, infrastructure and administrative services to LCM.

Note 17 Recent changes to US GAAP

Improving Disclosures about Fair Value Measurements (ASC 820). In January 2010, the FASB issued ASU No. 2010-06, "Fair Value Measurements and Disclosures (Topic 820)— Improving Disclosures about Fair Value Measurements." ASU No. 2010-06 provides amended disclosure requirements related to fair value measurements. Certain disclosure requirements of ASU No. 2010-06 were effective for the Fund beginning in the first half of 2010, while other disclosure requirements of the ASU are effective for financial statements issued for reporting periods beginning after December 15, 2010. Since these amended principles require only additional disclosures concerning fair value measurements, adoption did not and will not affect the Fund's financial condition, results of operations or cash flows.

Transfers of Financial Assets and Interests in Variable Interest Entities (ASC 860 and 810). In June 2009, the FASB issued amended accounting principles that changed the accounting for securitizations and VIEs. These principles were codified as ASU No. 2009-16, "Transfers and Servicing (Topic 860)—Accounting for Transfers of Financial Assets" and ASU No. 2009-17, "Consolidations (Topic 810)—Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities" in December 2009. ASU No. 2009-16 eliminates the concept of a qualifying special-purpose entity (QSPE), changes the requirements for derecognizing financial assets, and requires additional disclosures about transfers of financial assets, including securitization transactions and continuing involvement with transferred financial assets. ASU No. 2009-17 changes the accounting and requires additional disclosures for VIEs. Under ASU No. 2009-17, the determination of whether to consolidate a VIE is based on the power to direct the activities of the VIE that most significantly impact the VIE's economic performance together with either the obligation to absorb losses or the right to receive benefits that could be significant to the VIE, as well as the VIE's purpose and design. Additionally, entities previously classified as QSPEs are now required to be evaluated for consolidation and disclosure as VIEs. Previously, QSPEs were not consolidated and not considered for disclosure as VIEs and the determination of whether to consolidate a VIE was based on whether an enterprise had a variable interest, or combination of variable interests, that would absorb a majority of the VIE's expected losses, receive a majority of the VIE's expected residual returns, or both. ASU Nos. 2009-16 and 2009-17 were effective for fiscal years beginning after November 15, 2009. In February 2010, the FASB issued ASU No. 2010-10, "Consolidations (Topic 810) — Amendments For Certain Investment Funds," which defers the requirements of ASU No. 2009-17 for certain interests in investment funds and certain similar entities.

The Fund adopted ASU Nos. 2009-16 and 2009-17 as of 1 January 2010 and reassessed whether it was the primary beneficiary of any VIEs in which it had variable interests (including VIEs that were formerly QSPEs) as of that date. Adoption did not have a material impact on the Company's results of operations or cash flows as all investments are carried at fair value in accordance Financial Services – Investment Companies (ASC 946) and as the Fund has determined that it does not have control over the significant operating, financial and investing decisions of the CLO securities that it invests.

Note 18 Approval of Financial Statements

The Directors approved the financial statements on 29 July 2010.