

TETRAGON

TETRAGON FINANCIAL GROUP LIMITED (TFG) PERFORMANCE REPORT FOR PERIOD ENDED 30 SEPTEMBER 2012

October 29, 2012

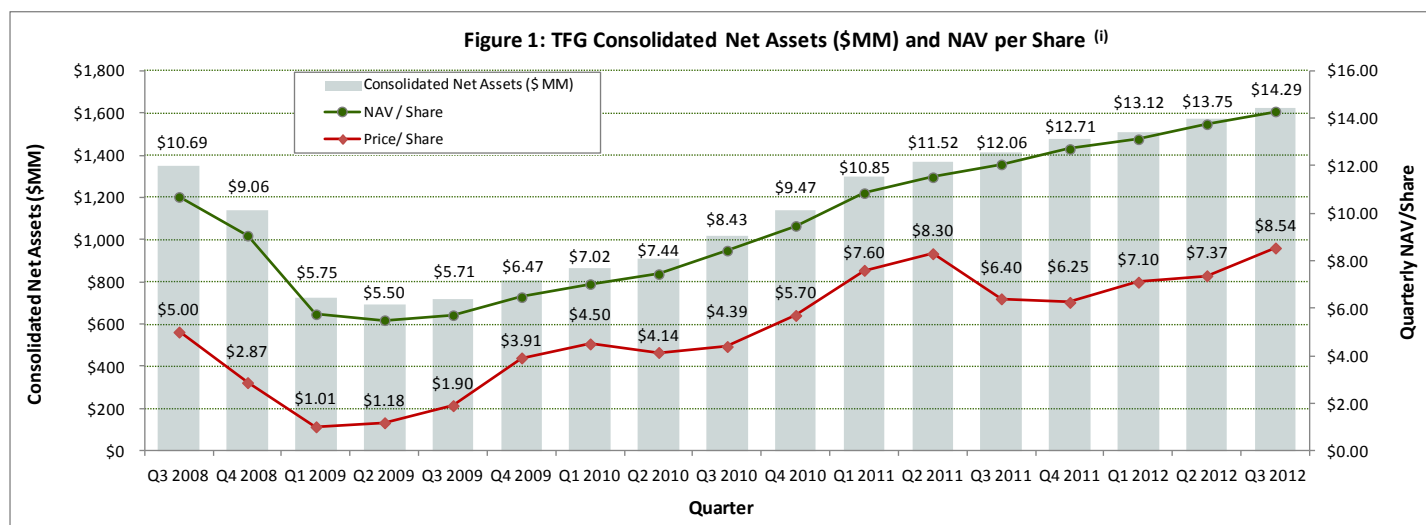
Tetragon Financial Group Limited ("TFG") is a Guernsey closed-ended investment company traded on NYSE Euronext in Amsterdam under the ticker symbol "TFG." ⁽ⁱ⁾ In this report we provide an update on TFG's results of operations for the period ending September 30, 2012.

❖ Executive Summary:

Q3 2012 results reflect continued strength of the U.S. CLO portfolio

- ❖ **Earnings per Share:** TFG generated EPS of \$0.62 during Q3 2012 (Q2 2012: \$0.69).
- ❖ **Distributions:** TFG declared a Q3 2012 dividend of \$0.115 per share, unchanged from Q2 2012. Inclusive of the Q3 dividend, the rolling 12-month dividend growth rate (year-on-year) was 15.8%. TFG also used over \$6.7 million to buy back shares below NAV during the quarter.
- ❖ **Net Asset Value ("NAV"):** Rose to \$1,623.6 million or \$14.29 per share at the end of Q3 2012, the highest level to date, and an increase of 3.9%, on a per share basis, from Q2 2012.

Figure 1 below shows an 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 or in a subsidiary as of that date.

- **Net Income:** Consolidated net income of \$70.8 million for Q3 2012 (Q2 2012: consolidated net income of \$79.2 million).

This Performance Report constitutes TFG's interim management statement as required pursuant to Section 5:25e 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).

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❖ Executive Summary (continued):

- ❖ **Asset Breakdown:** The figures below illustrate the split of net assets by asset class at the end of Q3 2012 (\$1,623,626,806) and Q2 2012 (\$1,570,273,629), respectively.

Figure 2a: Q3 2012 TFG's Net Asset Breakdown

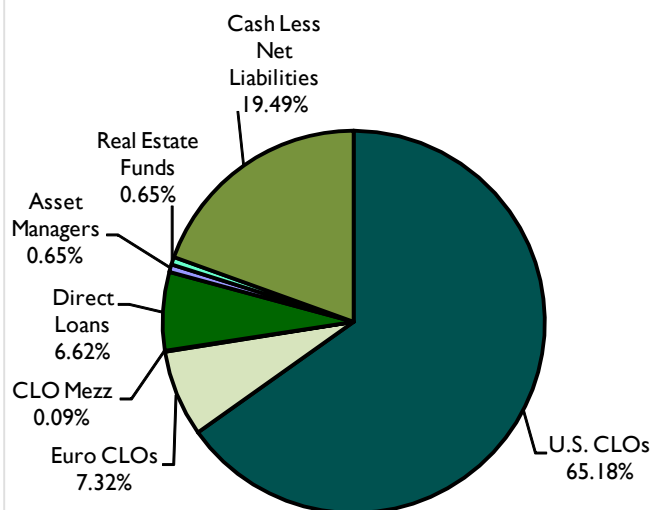
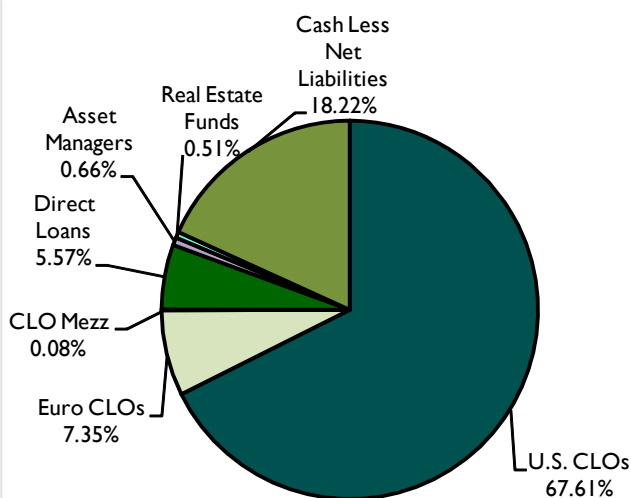


Figure 2b: Q2 2012 TFG's Net Asset Breakdown



Investment Portfolio Performance Highlights

TFG's underlying U.S. CLO collateral performance remains robust, supporting strong Q3 2012 results.

- ❖ **Cash Flows:** TFG generated \$119.1 million of cash flows from its CLO equity investment portfolio in Q3 2012 (Q2 2012: \$110.0 million).
- ❖ **Collateral Performance:** TFG's average CLO portfolio statistics remained strong during Q3 2012, despite registering a modest pick-up in CCC+/Caal or below rated asset holdings.
- ❖ **CLO Returns:** Weighted-average IRRs on CLO equity investments rose to 17.9% (Q2 2012: 17.6%) with the U.S. CLO average IRR at 20.0% (Q2 2012: 19.7%) while the average IRR of TFG's European CLOs increased to 8.1% (Q2 2012: 8.0%).

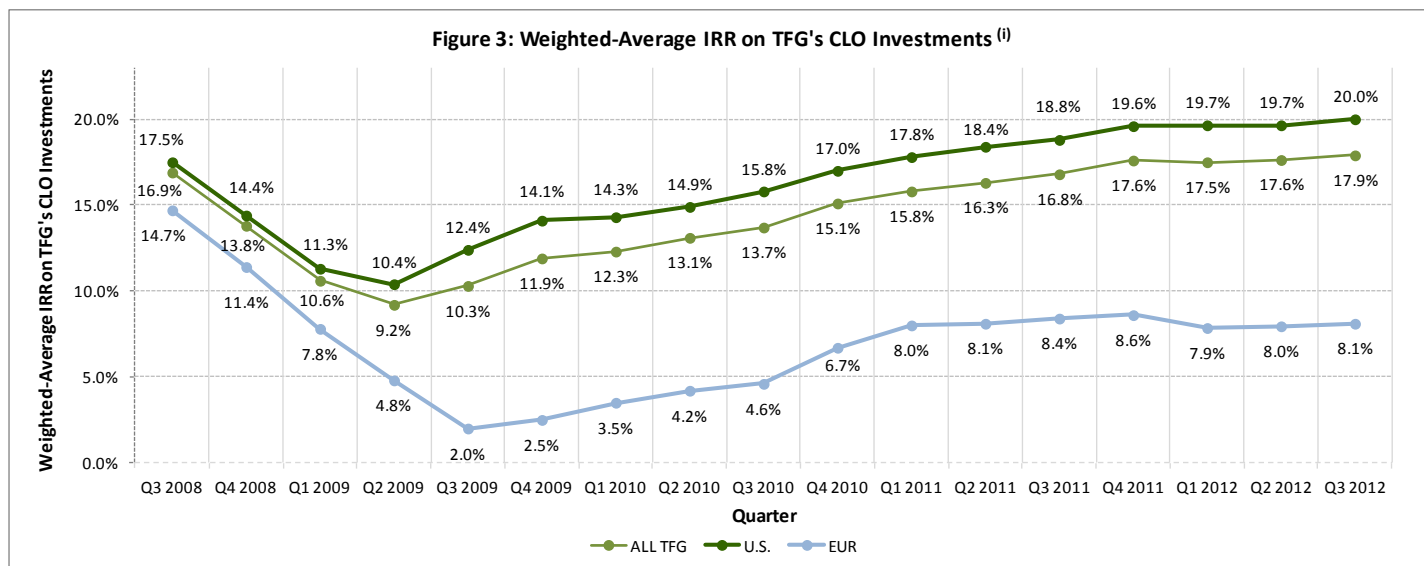
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❖ Executive Summary (continued):

Investment Portfolio Performance Highlights (continued):

Figure 3 below shows a historical summary of the weighted-average IRR on TFG's CLO equity investments.



- **New CLO Equity Investments:** During Q3 2012, TFG invested \$21.7 million in a majority stake in the equity tranche of a new issue CLO transaction to be managed by a third-party manager previously represented within TFG's CLO portfolio. Additionally, on October 4, 2012, LCM successfully closed LCM XII, a \$518.25 million new issue CLO.⁽²⁾ TFG invested \$25.4 million in the equity tranche of LCM XII, representing a majority position of the tranche.
- **Direct Loans:** TFG held direct loans with a fair value of \$107.6 million at the end of Q3 2012, up from \$87.4 million as of the end of Q2 2012. Overall, the direct loan portfolio performed in-line with expectations during this period experiencing no defaults.
- **Real Estate Investments:** During Q3 2012, TFG invested a further \$1.5 million into GreenOak-managed real estate. The total amount of capital invested in GreenOak-managed real estate since inception is approximately \$9.7 million as of the end of Q3 2012.

We continue to seek to diversify the investment portfolio across asset classes and types, industries, geographies and investment duration.

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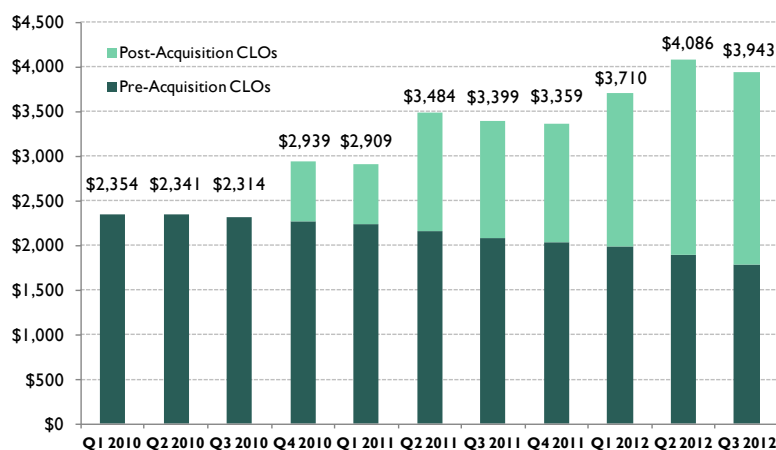
❖ Executive Summary (continued):

Asset Management Segment: Third-party AUM continues to grow.

We believe that TFG owning or having stakes in asset management businesses may provide repeatable income streams and reduce fees paid to third-party managers.

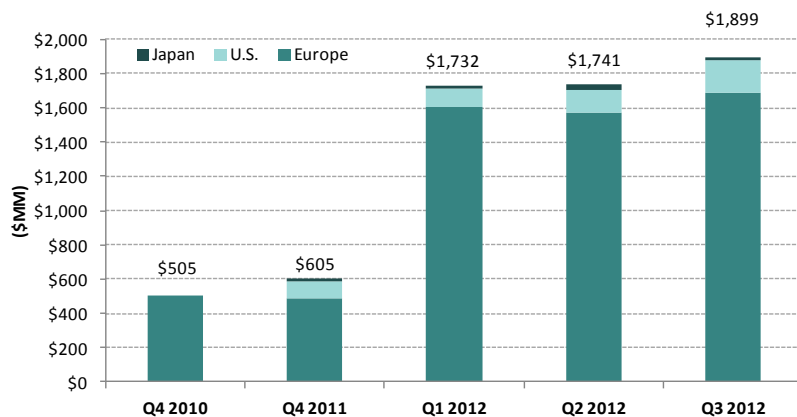
LCM: LCM continued to perform well during Q3 2012, with all LCM Cash Flow CLOs ⁽³⁾ continuing to pay senior and subordinated management fees. As of the end of Q3 2012 LCM's total loan assets under management stood at \$3.9 billion (Q2 2012: \$4.1 billion). With the closing of LCM XII CLO in early October 2012, LCM's assets under management stood at \$4.4 billion as of October 5, 2012.

Figure 4: LCM Assets Under Management History (\$MM)



GreenOak: GreenOak continued to execute on its business growth strategy, including increasing investor commitments to its funds.

Figure 5: GreenOak: Assets Under Management History (\$MM)



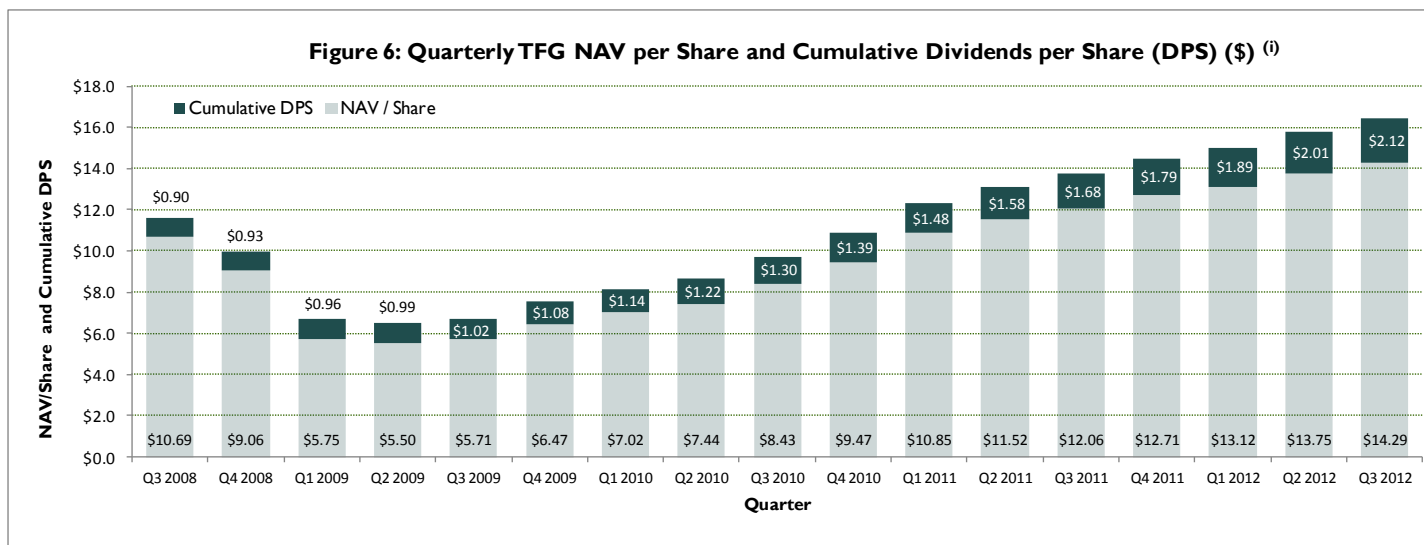
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❖ Corporate-Level Performance Details:

- **Capital Distributions:** TFG's Board approved a dividend of \$0.115 per share with respect to Q3 2012, unchanged from the prior quarter. As of September 30, 2012, inclusive of the dividend declared with respect to Q3 2012, the rolling 12-month dividend growth rate (year-on-year) was 15.8%.⁽⁴⁾

Since its public listing TFG has distributed or declared a cumulative amount of approximately \$2.12 per share via quarterly dividends. 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. During Q3 2012, TFG repurchased a total of 886,721 shares at an aggregate cost of approximately \$6.7 million, at an average price of \$7.51 per share. Since the inception of the buy-back program, TFG has repurchased a total of 19.4 million shares, at an aggregate cost of approximately \$105.5 million, at an average price of \$5.44 per share. Please refer to *Figure 6* and *Figure 7* for a summary of TFG's historical NAV per share, dividend distributions, and share buy-back program.



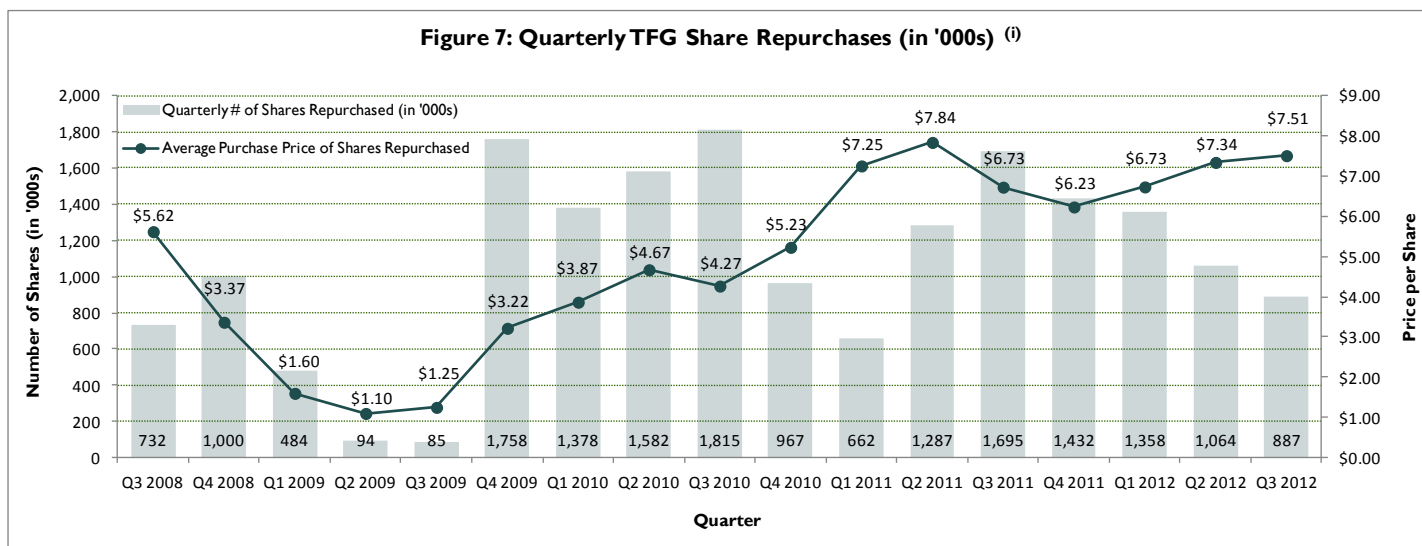
- (i) Source: NAV per share and Cumulative DPS as per TFG's financial disclosures for each relevant quarter-end date. The cumulative DPS reflect dividends announced with respect to each relevant quarter. Please note that dividends announced with respect to each quarter are typically not distributed to shareholders until the beginning of the following quarter. Please note further that the NAV per share reported as of each quarter-end date excludes any shares held in treasury as of that date.

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❖ Corporate-Level Performance Details (continued):

▪ Capital Distributions (continued):



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

❖ Performance Fee

A performance fee of \$19.5 million was accrued in Q3 2012 in accordance with TFG's investment management agreement and based on a "Reference NAV" of Q2 2012. The hurdle rate for the Q4 2012 incentive fee has been reset at 3.0031% (Q3 2012: 3.1085%) as per the process outlined in TFG's 2011 Audited Financial Statements and in accordance with TFG's investment management agreement.⁽⁵⁾

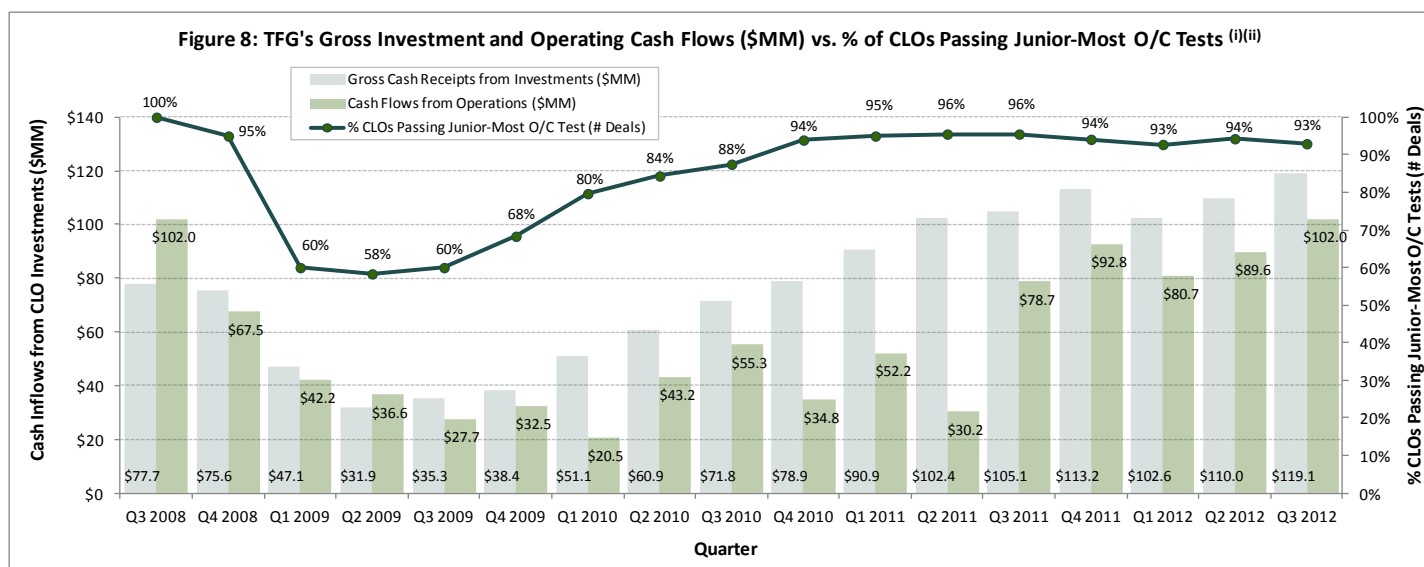
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❖ Investment Portfolio Performance Details:

- **CLO Portfolio Size:** At the end of Q3 2012, the estimated total fair value of TFG's CLO equity investment portfolio was approximately \$1,177.0 million (\$1,058.2 million of U.S. and \$118.8 million of European investments), broadly unchanged from \$1,177.0 million (\$1,061.6 million of U.S. and \$115.4 million of European investments) at the end of Q2 2012. TFG's total indirect exposure to leveraged loans through its CLO equity investments was approximately \$18.7 billion as of the end of Q3 2012.⁽⁶⁾
- **CLO Portfolio Composition:** 80 transactions as of the end of Q3 2012, up from 79 as of the end of the prior quarter, reflecting the closing of one new issue CLO equity investment. The number of deals in the portfolio increased to 71 from 70 as of the end of the prior quarter. The number of external CLO managers remained unchanged from Q2 2012, at 27.⁽⁷⁾
- **CLO Collateral Performance:** At the end of Q3 2012, approximately 97% of TFG's CLO investments were passing their junior-most O/C tests, weighted by fair value.⁽⁸⁾ Similarly, 66 or approximately 93% were passing when weighted by the number of deals. At the end of the previous quarter, 98% of TFG's CLO investments were passing their junior-most O/C tests, weighted by fair value, or 66 and 94% when weighted by the number of deals.

100% of TFG's U.S. CLOs were passing their junior-most O/C tests as of September 30, 2012 (note that U.S. CLOs represented approximately 90.0% of the total fair value of TFG's CLO equity investment portfolio).⁽⁹⁾⁽¹⁰⁾ In comparison, the market-wide average of U.S. CLOs estimated to be passing their junior O/C tests as of the end of Q3 2012 was approximately 96.3% (when measured on a percentage of deals basis).⁽¹¹⁾ Please refer to Figure 8 below for a summary of TFG's investments' historical junior O/C test performance.



- (i) The percentage of TFG's CLOs passing their junior-most O/C tests has been calculated as the ratio of the number of deals passing their junior O/C tests to the total number of CLO deals held by TFG as of the applicable quarter-end date.
- (ii) Gross Cash Receipts from Investments refer to the actual cash receipts collected during each quarter from TFG's CLO investments. Cash Flows from Operations refer to cash inflows from investments less expenses and net cash settlements on FX and credit hedges.

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❖ Investment Portfolio Performance Details (continued):

- **CLO Portfolio Credit Quality:** The weighted-average WARF across all of TFG's CLO equity investments stood at approximately 2,605 as of the end of Q3 2012. Each of these foregoing statistics represents a weighted-average summary of all of our 71 deals.⁽¹²⁾ Each individual deal's metrics will differ from these averages and vary across the portfolio.

ALL CLOs	Q3 2012	Q2 2012	Q1 2012	Q4 2011	Q3 2011	Q2 2011	Q1 2011	Q4 2010	Q3 2010	Q2 2010	Q1 2010	Q4 2009	Q3 2009
Caa/CCC+ or Below Obligors:	6.4%	5.7%	6.2%	7.0%	7.0%	7.2%	7.6%	8.3%	9.6%	10.5%	11.1%	12.0%	12.6%
WARF:	2,605	2,578	2,588	2,624	2,614	2,642	2,664	2,671	2,658	2,706	2,762	2,809	2,813

US CLOs	Q3 2012	Q2 2012	Q1 2012	Q4 2011	Q3 2011	Q2 2011	Q1 2011	Q4 2010	Q3 2010	Q2 2010	Q1 2010	Q4 2009	Q3 2009
Caa/CCC+ or Below Obligors:	4.9%	4.2%	4.8%	5.5%	5.5%	5.8%	6.5%	6.9%	7.9%	8.4%	9.4%	12.0%	12.8%
WARF:	2,528	2,491	2,504	2,533	2,522	2,542	2,591	2,622	2,610	2,648	2,719	2,799	2,824

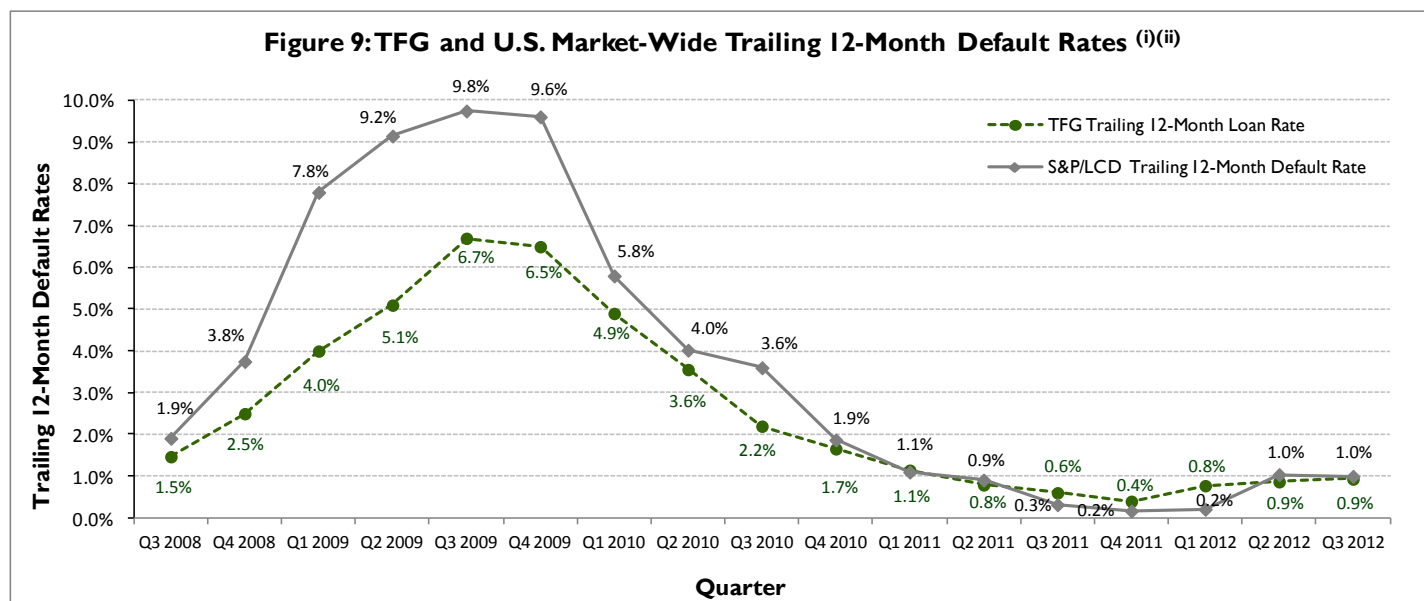
EUR CLOs	Q3 2012	Q2 2012	Q1 2012	Q4 2011	Q3 2011	Q2 2011	Q1 2011	Q4 2010	Q3 2010	Q2 2010	Q1 2010	Q4 2009	Q3 2009
Caa/CCC+ or Below Obligors:	12.2%	11.6%	11.1%	12.3%	12.0%	12.3%	11.4%	13.1%	15.3%	17.4%	16.8%	15.6%	12.0%
WARF:	2,903	2,910	2,900	2,948	2,941	2,997	2,914	2,837	2,817	2,898	2,907	2,845	2,779

- **TFG and Market Default Rates:** TFG's lagging 12-month corporate loan default rate was broadly unchanged from the prior quarter, ending Q3 2012 at 0.9%.⁽¹³⁾ By geography, TFG's U.S. CLO equity and direct loan investments registered a lagging 12-month default rate of 0.6%, with European CLO equity investments at 3.3%. By comparison, the lagging 12-month U.S. institutional loan default rate fell slightly to 1.00% by principal amount as of September 30, 2012, according to S&P/LCD, down from approximately 1.04% as of the end of Q2 2012.⁽¹⁴⁾ The lagging 12-month default rate for the S&P European Leveraged Loan Index ("ELLI"), however, rose to 6.2% as of the end of Q3 2012,⁽¹⁵⁾ up from 5.5% as of the end of Q2 2012.⁽¹⁶⁾ Please refer to *Figure 9* on the following page for a summary of TFG's historical CLO equity and direct loan investments' default performance.

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❖ Investment Portfolio Performance Details (continued):



(i) Source: TFG as of the outlined quarter-end date. The calculation of TFG's lagging 12-month corporate loan default rate does not include certain underlying investment collateral that was assigned a "Selective Default" rating by one or more of the applicable rating agencies. Such Selected Defaults are included in the S&P/LCD lagging 12-month U.S. institutional loan default rate discussed above. Furthermore, TFG's CLO equity and direct loan investment portfolio includes approximately 9.1% CLOs with primary exposure to European senior secured loans and such loans are included in the calculation of TFG's corporate default rate.

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

- **Direct Loan Investments:** As of September 30, 2012, TFG owned liquid U.S. bank loans with an aggregate par amount of approximately \$107.8 million and total fair value of \$107.6 million. For the quarter, there were net realized gains of approximately \$0.1 million. In addition, the portfolio earned \$1.2 million of interest income and discount premium during the third quarter.
- **Real Estate Investments:** An early Japanese investment vehicle made its first distribution of approximately \$0.8 million to TFG for a realized IRR of approximately 70%. Another \$0.1 million is expected to be distributed in early 2013, which would result in a total projected return on this investment in the region of 116%. TFG has continued to fund its investment capital commitments to GreenOak's investment projects, and has now funded approximately \$9.7 million from inception through the end of Q3 2012 to finance investments in Japan, the United States and Europe.

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❖ Asset Management Platform Details:

- **LCM Developments:** LCM's operating results and financial performance remained strong throughout Q3 2012, with all LCM Cash Flow CLOs remaining current on their senior and subordinated management fees as of September 30, 2012. Taking into account all LCM-managed vehicles, the gross income for Q3 2012 for LCM totaled \$5.4 million. Pre-tax profit for the entire LCM business, of which TFG owns 75%, was approximately \$2.9 million as of the same period (2011 quarterly average of \$2.1 million). TFG continues to leverage and benefit from the LCM team's expertise in the ongoing management of the company's direct loan investment portfolio.

LCM Asset Management Performance Snapshot										
	Q3 2012	Q2 2012	Q1 2012	Q4 2011	Q3 2011	Q2 2011	Q1 2011	Q4 2010	Q3 2010	Q2 2010
Gross Fee Income (\$MM)	\$5.4	\$4.4	\$4.4	\$4.3	\$4.4	\$3.9	\$3.8	\$3.4	\$3.0	\$2.9
Pre-tax Income (\$MM)	\$2.9	\$2.1	\$2.0	\$2.2	\$2.2	\$1.9	\$1.9	\$1.1	\$1.4	\$1.4

- **GreenOak Real Estate Developments:** GreenOak continued to execute on its business growth strategy, including increasing investor commitments to its funds. GreenOak's investment team is actively building a pipeline of interesting opportunities in the United States, Japan, and Europe, which we expect to continue to materialize over the next several quarters.

We continue to seek to grow and expand our asset management businesses and capabilities as we further our efforts to transition the company to a broadly diversified financial services firm that benefits from diverse income streams. We continue to review potential market opportunities in this regard.

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❖ Loan and CLO Market Developments:

- **Q3 2012 U.S. leveraged loan default rate eases as near-term outlook remains benign:** The U.S. lagged 12-month loan default rate stood at 1.00% by principal amount as of Q3 2012, down slightly from 1.04% as of the end of Q2 2012.⁽¹⁷⁾ Various loan managers believe that, absent a macro-economic shock, near-term U.S. loan default rates may remain below the historical average, as a number of near-term default catalysts, such as near-term maturities, have been addressed and the list of potential default risks remains concentrated in a few credits.⁽¹⁸⁾
- **U.S. and European repayments decline:** The U.S. S&P/LSTA Leveraged Loan Index repayment rate averaged 7.4% during Q3 2012, down from 8.3% in Q2 2012.⁽¹⁹⁾ Repayments within the S&P European Leveraged Loan Index (“ELLI”) fell to €3.4 billion, down from €6.0 billion in Q2 2012.⁽²⁰⁾
- **“Maturity wall” erosion continues:** During Q3 2012, U.S. S&P/LSTA Index issuers took advantage of strong high yield bond and loan market conditions to repay or extend approximately \$20.0 billion or 17% of loan maturities due by the end of 2015.⁽²¹⁾ High yield bond take-outs were a significant driver of this activity rising to \$9.7 billion during Q3 2012 vs. \$3.8 billion in Q2 2012.⁽²²⁾
- **U.S. and Euro loan prices rise:** U.S. secondary loan prices rose during Q3 2012, as the U.S. S&P/LSTA Leveraged Loan Index returned 3.43% for the quarter.⁽²³⁾ Similarly, the S&P European Leveraged Loan Index (“ELLI”) returned 2.28% during Q3 2012 (ex. currency effects).⁽²⁴⁾ We believe that strong technical market conditions, reduced uncertainty around the Euro sovereign debt crisis, and the Fed’s announcement of QE3, among other factors, contributed to this demand-driven rally.
- **U.S. new issue loan volumes rise, European volumes decline:** Institutional U.S. loan issuance rose to \$81.0 billion in Q3 2012, up from approximately \$52.0 billion in Q2 2012.⁽²⁵⁾ European primary loan issuance declined to €5.2 billion in Q3 2012 from €7.5 billion in Q2 2012, with sponsored transactions representing only €4.0 billion of Q3 2012 volume, the lowest level since Q4 2011.⁽²⁶⁾
- **U.S. CLO and European O/C ratios improve quarter-on-quarter:** During Q3 2012, O/C ratios of both U.S. and European CLOs improved on average. According to Morgan Stanley, the median junior O/C test cushion for U.S. CLOs rose to 4.54% at end of Q3 2012⁽²⁷⁾ up from 4.37% in Q2 2012⁽²⁸⁾ while the median junior O/C test cushion for Euro CLOs rose to 0.91%⁽²⁹⁾ vs. 0.77% in Q2 2012.⁽³⁰⁾
- **U.S. CLO debt spreads tighten:** Average secondary U.S. CLO debt spreads tightened across the capital structure at the end of Q3 2012 vs. the prior quarter reflecting increased investor risk appetite, among other factors.⁽³¹⁾ CLO new issue spreads also tightened during the quarter. Although CLO AAA prices have been stickier than mezzanine tranches, market participants anticipate that AAA spreads will continue to tighten as they converge with the spread compression experienced by comparable securitized asset classes, such as CMBS, particularly in light of anticipated QE3 asset purchases.⁽³²⁾
- **Q3 2012 new issue arbitrage CLO volumes pick-up:** U.S. arbitrage CLO issuance rose during Q3 2012 as 33 deals totaling \$14.3 billion were priced during the quarter, up from \$12.4 billion and 28 vehicles priced during Q2 2012, bringing the YTD volume to \$32.5 billion via 76 deals.⁽³³⁾ This pick-up in issuance was accompanied by continued expansion of the CLO buyer base and growing diversification of CLO managers, as the number of managers issuing deals rose from 24 in 2011 to 50 YTD 2012, including nine first-time CLO managers.⁽³⁴⁾

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❖ **Fair Value Determination for TFG's CLO Equity Investments:**

- In accordance with the valuation policies as set forth on the company's website, the values of TFG's CLO equity investments are determined using a third-party cash flow modeling tool. The model contains certain assumption inputs that are reviewed and adjusted as appropriate to factor in how historic, current and potential market developments (examined through, for example, forward-looking observable data) might potentially impact the performance of TFG's CLO equity investments. Since this involves modeling, among other things, forward projections over multiple years, this is not an exercise in recalibrating future assumptions to the latest quarter's historical data.
- Subject to the foregoing, when determining the U.S. GAAP-compliant fair value of TFG's portfolio, the company seeks to derive a value at which market participants could transact in an orderly market and also seeks to benchmark the model inputs and resulting outputs to observable market data when available and appropriate. Please refer to the 2011 Annual Report for a more detailed description of the cash flow projection and discounting process.

❖ **Forward-looking CLO Equity Cash Flow Modeling Assumptions:**

- The Investment Manager reviews, and adjusts in consultation with TFG's audit committee, as appropriate, the CLO equity investment portfolio's modeling assumptions as described above. At the end of Q3 2012, key assumptions relating to defaults, recoveries, prepayments and reinvestment prices were unchanged from the previous quarter.
- These key average assumption variables have been summarized in the table below. The modeling assumptions disclosed below are a weighted average (by U.S. dollar amount) of the individual deal assumptions, aggregated by geography (i.e. U.S. and European). Such weighted averages may change from month to month due to movements in the amortized costs of the deals, even without changes to the underlying assumptions. Each individual deal's assumptions may differ from this geographical average and vary across the portfolio.
- In addition to the reinvestment price, reinvestment spread and reinvestment life assumptions are also input into the model to generate an effective spread over LIBOR. Newer vintage CLOs may have a higher weighted average reinvestment spread over LIBOR (as of the end of Q3 2012 387 bps for newer vintage CLOs and 274 bps for older vintage CLOs) or shorter reinvestment life assumptions than older deals. Across the entire CLO portfolio, the reinvestment price assumption of 98% for the remainder of 2012 for U.S. deals and 100% for European deals with their respective assumed weighted-average reinvestment spreads, generates an effective spread over LIBOR of approximately 344 bps on broadly syndicated U.S. loans, 272 bps on European loans, and 394 bps on middle market loans.⁽³⁵⁾

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❖ Forward-looking CLO Equity Cash Flow Modeling Assumptions (continued):

U.S. CLOs – Unchanged

Variable	Year	Current Assumptions
CADR		
	2012-2013	1.0x WARF-implied default rate (2.2%)
	2014-2016	1.5x WARF-implied default rate (3.3%)
	Thereafter	1.0x WARF-implied default rate (2.2%)
Recovery Rate		
	Until deal maturity	73%
Prepayment Rate		
	Until deal maturity	20.0% p.a. on loans; 0.0% on bonds
Reinvestment Price		
	2012	98%
	Thereafter	100%

European CLOs - Unchanged

Variable	Year	Current Assumptions
CADR		
	2012-2014	1.5x WARF-implied default rate (3.1%)
	Thereafter	1.0x WARF-implied default rate (2.1%)
Recovery Rate		
	Until deal maturity	68%
Prepayment Rate		
	Until deal maturity	20.0% p.a. on loans; 0.0% on bonds
Reinvestment Price		
	Until deal maturity	100%

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❖ **Application of Discount Rate to Projected CLO Equity Cash Flows and ALR:**

- In determining the applicable rates to use to discount projected cash flows, an analysis of observable risk premium data is undertaken. During Q3 2012 certain observable data and research, covering both CLO equity and debt tranches (including originally BB and BBB-rated debt tranches), suggested that risk premia on U.S. CLO equity decreased. For example, according to Citibank research, the spread on originally BB-rated tranches decreased from approximately 11% at the end of Q2 2012 to 8% as of the end of September 2012.⁽³⁶⁾
- Although the aforementioned spreads decreased over the quarter, they have, until recently, fluctuated within a relatively narrow range, which we believe supports the maintenance of TFG's discount rates for U.S. CLOs of 20% for strong deals, and 25% for the others, as an appropriate spread over mezzanine tranches. As we look forward, we will continue to monitor the spreads on mezzanine tranches, as well as other publicly available data points, for evidence of any sustained shifts in risk premia. If recent trends continue we may consider a reduction in certain of the applicable discount rates in Q4 2012. Currently, all of the applicable U.S. deals are considered to be strong and are discounted at 20%.
- Per Citibank research, European originally BB-rated tranche yields decreased significantly to 16% from 22% as of September 2012, which is lower than the yield of 24% at the end of 2011.⁽³⁷⁾ These spreads are still significantly above the equivalent U.S. CLO debt tranches and given the ongoing uncertainty surrounding Europe, we believe that there is sufficient support to maintain TFG's differentiated discount rate for all European deals at 30%.
- As a general rule, where the discount rate being applied to the future cash flows is greater than the IRR on a particular deal, the fair value for that deal will be lower than its amortized cost. The difference between these two figures, on an aggregate basis across the CLO equity portfolio, has been characterized as the "ALR Fair Value Adjustment" or "ALR". Through the process described above, as of the end of Q3 2012, the total ALR stands at \$107.0 million, consisting of \$9.1 million for U.S. deals and \$97.9 million for European deals, as compared to \$109.3 million at the end of Q2 2012 (\$11.7 million for U.S. deals and \$97.6 million for European deals).
- The average carrying value of TFG's U.S. CLO equity investments, which accounted for approximately 90.0% of the CLO equity investment portfolio by fair value, was approximately \$0.75 on the dollar at the end of Q3 2012, down from \$0.77 the end of Q2 2012.
- The average carrying value of the European deals rose from €0.42 per Euro as of the end of Q2 2012 to €0.43 per Euro as of the end of Q3 2012. This reflected, among other things, a recovery in the O/C cushions of some European deals, which all else being equal increase the value of future projected cash flows. It is important to note, however, that significant dispersion of carrying values exists across transactions within each geographic grouping, particularly in the case of Europe, with a range of carrying values of €0.09 to €0.67 per Euro.

TETRAGON

TETRAGON FINANCIAL GROUP LIMITED (TFG) **PERFORMANCE REPORT FOR PERIOD ENDED 30 SEPTEMBER 2012**

❖ **Application of Discount Rate to Projected CLO Equity Cash Flows and ALR (continued):**

- As discussed in the 2011 Annual Report, the applicable discount rate for the new vintage deals is determined with reference to each deal's specific IRR, which, in the absence of other observable data points, is deemed to be the most appropriate indication of the current risk premium on these structures. At the end of Q3 2012, the weighted average discount rate (and IRR) on these deals was 12.2%. Such deals represented approximately 12.8% of the CLO equity portfolio by fair value (up from 11.3% at the end of Q2 2012). We will continue to monitor observable data on these newer vintage transactions to determine whether the IRR remains the appropriate discount rate.

❖ **Hedging Activity:**

- As of September 30, 2012, TFG had no direct credit hedges in place, but employed certain foreign exchange rate and "tail risk" interest rate hedges to seek to mitigate its exposure to foreign exchange risk and a potential significant increase in U.S. inflation and/or nominal interest rates, respectively. We review our hedging strategy on an on-going basis as we seek to address identified risks to the extent practicable and in a cost-effective manner.

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TETRAGON FINANCIAL GROUP LIMITED (TFG) **PERFORMANCE REPORT FOR PERIOD ENDED 30 SEPTEMBER 2012**

❖ **Summary and Outlook:**

TFG saw strong operating and financial results during Q3 2012, driven primarily by the performance of its U.S. CLO portfolio. During the quarter, TFG's U.S. CLO portfolio benefitted from widening loan spreads and low defaults as well as the continued prevalence of LIBOR floors, which became increasingly valuable as realized and forward LIBOR rates declined. As in prior quarters, TFG's European CLOs remained under pressure and faced difficult macro-economic conditions and a challenging reinvestment environment given the rally in quality secondary loan prices and limited supply of new issue European loans. Overall, however, cash flows from TFG's CLO equity investments remained healthy, permitting continued capital distributions to TFG's shareholders during the quarter.

TFG's asset management businesses also performed well during the third quarter. Including the recently closed LCM XII deal, both LCM and GreenOak grew their assets under management from the end of the second quarter and saw positive investment portfolio quality trends. We seek to grow our asset management businesses by, among other things, providing capital to our management segments, either directly or via seed or equity investments in the funds that they may manage. We believe that doing so may help attract significant third-party fee-paying capital onto our management platforms and increase the income streams available to TFG. The successful closing of the \$518.25 million LCM XII transaction in early October 2012 (priced during Q3 2012) exemplifies this strategy, as TFG took a majority equity position in the deal by investing \$25.4 million, with the remainder of the deal's capital coming from third-party investors. GreenOak also added assets in the U.S. and Europe, with total AUM rising to \$1.9 billion at the end of Q3 2012, up from \$1.7 billion at the end of Q2 2012.

Our outlook for the near-term performance of TFG remains constructive, as we anticipate that the recent stabilization of capital market conditions may continue to provide a favorable environment for TFG's U.S. CLO investment portfolio and asset management platform. On the investment portfolio front, we remain focused on maximizing the returns of our older vintage CLO transactions as they exit their reinvestment periods and on identifying attractive risk-adjusted returns in the new issue and secondary CLO markets. Despite the recent improvement in market sentiment, we are mindful of a number of unresolved systemic risks ranging from slow growth in Europe and the fiscal cliff in the United States to geopolitical instability in the Middle East. We, therefore, seek to remain selective and opportunistic in the timing of our investments with the goal of obtaining attractive risk-adjusted returns while preserving the ability to mitigate certain downside risks.

We anticipate that LCM and GreenOak will look to grow their AUM during the remainder of the year and to continue to capitalize on their current momentum and increased investor appetite. As we have stated in the past, we remain focused on growing the company's asset management business as we believe this may create value for the company's shareholders by strengthening and diversifying TFG's income streams.

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TETRAGON FINANCIAL GROUP LIMITED (TFG) **PERFORMANCE REPORT FOR PERIOD ENDED 30 SEPTEMBER 2012**

❖ **Quarterly Investor Call:**

We will host a conference call for investors on November 5, 2012 at 15:00 GMT/16:00 CET/10:00 EST to discuss Q3 2012 results and to provide an update on TFG.

The conference call may be accessed by dialing +44 (0)20 7162 0125 and +1 334 323 6203 (a passcode is not required). Participants may also register for the conference call in advance via the following link <https://eventreg2.conferencing.com/webportal3/reg.html?Acc=515826&Conf=209349>

Additional call details are as follows:

Event title: Tetragon Investor Call
Conference ID: 923889
Moderator: David Wishnow

A replay of the call will be available for 30 days by dialing +44 (0) 20 7031 4064 and +1 954 334 0342, conference ID 923889 and as an MP3 recording on the TFG website.

For further information, please contact:

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Press Inquiries:
Brunswick Group
Andrew Garfield/Gill Ackers/ Pip Green
tetragon@brunswickgroup.com

Expected Upcoming Events	Date
Q3 Dividend Record Date	October 31, 2012
Quarterly Investor Call	November 5, 2012
October 2012 Monthly Report	November 20, 2012 (approx)
Q3 Dividend Payment Date	November 20, 2012

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TETRAGON FINANCIAL GROUP LIMITED (TFG) PERFORMANCE REPORT FOR PERIOD ENDED 30 SEPTEMBER 2012

TETRAGON FINANCIAL GROUP							
Financial Highlights							
	Q3 2012	Q2 2012	Q1 2012	Q4 2011	Q3 2011	Q2 2011	Quarterly Average
Net income (\$MM)	\$70.8	\$79.2	\$53.4	\$80.3	\$67.3	\$88.1	\$73.2
EPS (\$)	\$0.62	\$0.69	\$0.46	\$0.69	\$0.57	\$0.74	\$0.63
CLO Cash receipts (\$MM) ⁽¹⁾	\$119.1	\$110.0	\$102.6	\$113.2	\$105.1	\$102.4	\$108.7
CLO Cash receipts per share (\$)	\$1.05	\$0.96	\$0.89	\$0.97	\$0.89	\$0.86	\$0.94
Net cash balance (\$MM)	\$353.1	\$299.1	\$224.8	\$211.5	\$155.6	\$67.7	\$218.6
Net assets (\$MM)	\$1,623.6	\$1,570.3	\$1,510.1	\$1,474.4	\$1,413.6	\$1,368.3	\$1,493.4
Number of shares outstanding (million) ⁽²⁾	113.6	114.2	115.1	116.0	117.2	118.8	115.8
NAV per share (\$)	\$14.29	\$13.75	\$13.12	\$12.71	\$12.06	\$11.52	\$12.91
DPS (\$)	\$0.115	\$0.115	\$0.105	\$0.105	\$0.10	\$0.10	\$0.11
Weighted average IRR on completed transactions (%)	17.9%	17.6%	17.5%	17.6%	16.8%	16.3%	17.3%
Number of CLO investments ⁽³⁾	80	79	78	77	75	75	77
ALR Fair Value Adjustment (\$MM)	(\$107.0)	(\$109.3)	(\$120.7)	(\$128.7)	(\$118.0)	(\$133.8)	(\$119.7)

⁽¹⁾ Gross cash receipts from CLO portfolio.

⁽²⁾ Excludes shares held in treasury and in a subsidiary.

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

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TETRAGON FINANCIAL GROUP LIMITED (TFG) PERFORMANCE REPORT FOR PERIOD ENDED 30 SEPTEMBER 2012

TETRAGON FINANCIAL GROUP Quarterly Statement of Operations as at 30 Sep 2012				
Statement of Operations	Q3 2012 (\$MM)	Q2 2012 (\$MM)	Q1 2012 (\$MM)	Q4 2011 (\$MM)
Interest income	59.4	58.3	57.5	55.1
CLO management fee income	5.4	4.4	4.4	4.3
Other income	1.4	1.8	1.3	2.9
Investment income	66.2	64.5	63.2	62.3
Management and performance fees	(25.5)	(28.3)	(19.5)	(28.6)
Admin / custody and other fees	(5.5)	(4.6)	(4.8)	(7.6)
Total operating expenses	(31.0)	(32.9)	(24.3)	(36.2)
Net investment income	35.2	31.6	38.9	26.1
Net change in unrealised appreciation in investments	38.3	52.1	16.2	58.5
Realised gain / (loss) on investments	0.5	(0.1)	0.1	0.3
Realised and unrealised losses from hedging and fx	(1.7)	(2.9)	(0.7)	(3.3)
Net realised and unrealised gains from investments and fx	37.1	49.1	15.6	55.5
Income taxes	(0.8)	(1.0)	(0.6)	(0.7)
Noncontrolling interest	(0.7)	(0.5)	(0.5)	(0.6)
Net increase in net assets from operations	70.8	79.2	53.4	80.3

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TETRAGON FINANCIAL GROUP LIMITED (TFG) PERFORMANCE REPORT FOR PERIOD ENDED 30 SEPTEMBER 2012

TETRAGON FINANCIAL GROUP Balance Sheet as at 30 Sep 2012	
	Sep-12 \$MM
Assets	
Investments in securities, at fair value	1,307.1
Cash and cash equivalents	353.1
Amounts due from brokers	13.1
Derivative financial assets - interest rate swaptions	3.1
Other receivables	3.2
Total Assets	1,679.6
Liabilities	
Amounts payable for purchase of investments	16.9
Other payables and accruals	26.6
Amounts payable on Share Options	4.2
Income and deferred tax payable	2.5
Derivative financial assets - forward contracts	4.8
Total Liabilities	55.0
Net Assets Before Noncontrolling Interest	1,624.6
Noncontrolling interest	1.0
Total Equity Attributable to TFG	1,623.6

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TETRAGON FINANCIAL GROUP LIMITED (TFG) PERFORMANCE REPORT FOR PERIOD ENDED 30 SEPTEMBER 2012

TETRAGON FINANCIAL GROUP Statement of Cash Flows for the period ended 30 Sep 2012	
	Sep-12 \$MM (YTD)
Operating Activities	
Operating cash flows before movements in working capital after dividends paid to Guernsey feeder	272.6
Change in payables/receivables	(0.3)
Cash flows from operating activities	272.3
Investment Activities	
<u>Proceeds on sales of investments</u>	
- Proceeds sale of CLOs	0.2
- Proceeds from the sale of Bank Loans	43.0
- Proceeds from Real Estate	0.8
<u>Purchase of investments</u>	
- Purchase of CLO Equity	(86.7)
- Purchase of CLO Mezz	(1.1)
- Purchase of Bank Loans	(44.6)
- Investments in Real Estate	(9.8)
- Investments in Asset Managers	(2.7)
Maturity and prepayment of investments	22.6
Cash flows from operating and investing activities	194.0
Amounts due from broker	2.8
Net purchase of shares	(17.3)
Dividends paid to shareholders	(37.3)
Distributions paid to noncontrolling interest	(0.8)
Cash flows from financing activities	(52.6)
Net increase in cash and cash equivalents	141.4
Cash and cash equivalents at beginning of period	211.5
Effect of exchange rate fluctuations on cash and cash equivalents	0.2
Cash and cash equivalents at end of period	353.1

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TETRAGON FINANCIAL GROUP LIMITED (TFG) PERFORMANCE REPORT FOR PERIOD ENDED 30 SEPTEMBER 2012

CLO EQUITY PORTFOLIO DETAILS AS OF SEPTEMBER 30, 2012

Transaction	Deal Type	Original Invest. Cost (\$MM USD) ⁽¹⁾	Deal Closing Date	Year of Maturity	End of Reinv Period	Wtd Avg Spread (bps) ⁽²⁾	Original Cost of Funds (bps) ⁽³⁾	Current Cost of Funds (bps) ⁽⁴⁾	Current Jr-Most O/C Cushion ⁽⁵⁾	Jr-Most O/C Cushion at Close ⁽⁶⁾	Annualized (Loss) Gain of Cushion ⁽⁷⁾	ITD Cash Received as IRR ⁽⁸⁾	% of Cost ⁽⁹⁾
Transaction 1	EUR CLO	37.5	2007	2024	2014	354	55	59	(2.87%)	3.86%	(1.28%)	-	29.6%
Transaction 2	EUR CLO	29.7	2006	2023	2013	387	52	53	0.25%	3.60%	(0.57%)	10.0%	65.1%
Transaction 3	EUR CLO	22.2	2006	2022	2012	386	58	67	1.76%	5.14%	(0.50%)	12.3%	103.1%
Transaction 4	EUR CLO	33.0	2007	2023	2013	402	48	47	3.17%	5.76%	(0.47%)	14.0%	74.1%
Transaction 5	EUR CLO	36.9	2007	2022	2014	395	60	60	3.03%	5.74%	(0.52%)	9.8%	50.8%
Transaction 6	EUR CLO	33.3	2006	2022	2012	367	51	60	(0.60%)	4.70%	(0.83%)	6.3%	49.7%
Transaction 7	EUR CLO	38.5	2007	2023	2013	374	46	46	(1.24%)	3.64%	(0.89%)	5.0%	31.9%
Transaction 8	EUR CLO	26.9	2005	2021	2011	359	53	56	(1.67%)	4.98%	(0.93%)	10.4%	87.1%
Transaction 9	EUR CLO	41.3	2007	2023	2013	384	50	45	0.94%	6.27%	(0.97%)	7.6%	43.4%
Transaction 10	EUR CLO	27.0	2006	2022	2012	354	50	52	(1.11%)	4.54%	(0.92%)	7.1%	32.7%
EUR CLO Subtotal:		326.3				377	52	54	0.16%	4.84%	(0.81%)		53.8%
Transaction 11	US CLO	20.5	2006	2018	2012	362	45	45	5.51%	4.55%	0.16%	20.9%	149.2%
Transaction 12	US CLO	22.8	2006	2019	2013	369	46	46	5.72%	4.45%	0.21%	21.0%	144.7%
Transaction 13	US CLO	15.2	2006	2018	2012	405	47	47	6.24%	4.82%	0.23%	21.5%	157.7%
Transaction 14	US CLO	26.0	2007	2021	2014	410	49	50	4.35%	5.63%	(0.23%)	18.9%	122.1%
Transaction 15	US CLO	28.1	2007	2021	2014	439	52	48	3.71%	4.21%	(0.09%)	28.7%	170.3%
Transaction 16	US CLO	23.5	2006	2020	2013	421	46	45	3.62%	4.44%	(0.13%)	20.9%	152.7%
Transaction 17	US CLO	26.0	2007	2021	2014	364	40	40	9.48%	4.24%	0.94%	23.0%	146.6%
Transaction 18	US CLO	16.7	2005	2017	2011	351	45	48	8.44%	4.77%	0.53%	19.9%	166.2%
Transaction 19	US CLO	1.2	2005	2017	2011	351	45	48	8.44%	4.77%	0.53%	23.7%	160.5%
Transaction 20	US CLO	26.6	2006	2020	2012	452	52	52	4.14%	5.28%	(0.19%)	22.3%	163.1%
Transaction 21	US CLO	20.7	2006	2020	2012	445	53	52	3.51%	4.76%	(0.20%)	19.4%	138.7%
Transaction 22	US CLO	37.4	2007	2021	2014	456	53	53	3.39%	5.00%	(0.29%)	21.3%	130.9%
Transaction 23	US CLO	19.9	2007	2021	2013	383	66	66	3.20%	4.98%	(0.33%)	20.7%	140.4%
Transaction 24	US CLO	16.9	2006	2018	2012	410	46	47	5.21%	4.17%	0.17%	17.4%	120.6%
Transaction 25	US CLO	20.9	2006	2018	2013	428	46	46	6.12%	4.13%	0.35%	22.5%	147.9%
Transaction 26	US CLO	27.9	2007	2019	2013	433	43	44	4.09%	4.05%	0.01%	19.2%	120.7%
Transaction 27	US CLO	23.9	2007	2021	2014	547	51	51	11.35%	6.11%	0.92%	32.2%	188.9%
Transaction 28	US CLO	7.6	2007	2021	2014	547	51	51	11.35%	6.11%	0.92%	42.4%	108.6%
Transaction 29	US CLO	19.1	2005	2018	2011	443	66	93	5.52%	4.82%	0.10%	18.7%	154.9%
Transaction 30	US CLO	12.4	2006	2018	2012	480	67	68	2.19%	5.16%	(0.47%)	19.3%	127.4%
Transaction 31	US CLO	9.3	2005	2017	2012	338	52	52	3.32%	5.02%	(0.23%)	16.5%	159.7%
Transaction 32	US CLO	24.0	2007	2021	2014	349	59	59	4.21%	5.57%	(0.27%)	20.4%	125.0%
Transaction 33	US CLO	16.2	2006	2020	2012	369	56	80	5.06%	6.99%	(0.29%)	14.3%	130.7%
Transaction 34	US CLO	22.2	2006	2020	2012	388	50	50	5.01%	6.66%	(0.28%)	18.8%	133.3%
Transaction 35	US CLO	23.6	2006	2018	2012	441	52	52	1.97%	5.00%	(0.48%)	20.9%	156.0%
Transaction 36	US CLO	28.4	2007	2021	2013	457	46	56	2.30%	5.18%	(0.52%)	20.2%	128.1%
Transaction 37	US CLO	9.3	2005	2017	2011	345	50	61	4.59%	4.34%	0.04%	15.9%	143.9%
Transaction 38	US CLO	23.7	2007	2021	2013	353	42	42	3.98%	5.07%	(0.20%)	27.4%	163.8%
Transaction 39	US CLO	7.8	2005	2017	2011	331	70	88	4.02%	3.15%	0.13%	9.8%	84.4%
Transaction 40	US CLO	13.0	2006	2020	2011	419	39	41	N/A	N/A	N/A	22.5%	162.6%
Transaction 41	US CLO	22.5	2006	2020	2013	371	48	49	4.69%	4.71%	(0.00%)	21.6%	151.0%

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TETRAGON FINANCIAL GROUP LIMITED (TFG) PERFORMANCE REPORT FOR PERIOD ENDED 30 SEPTEMBER 2012

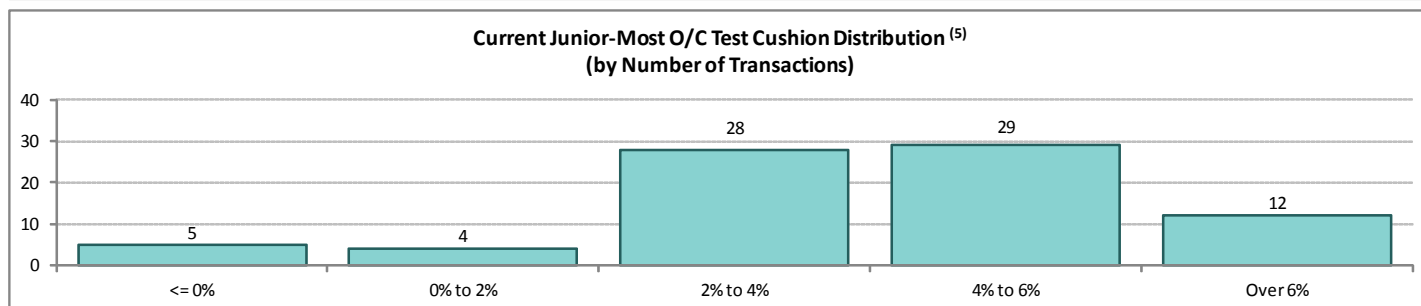
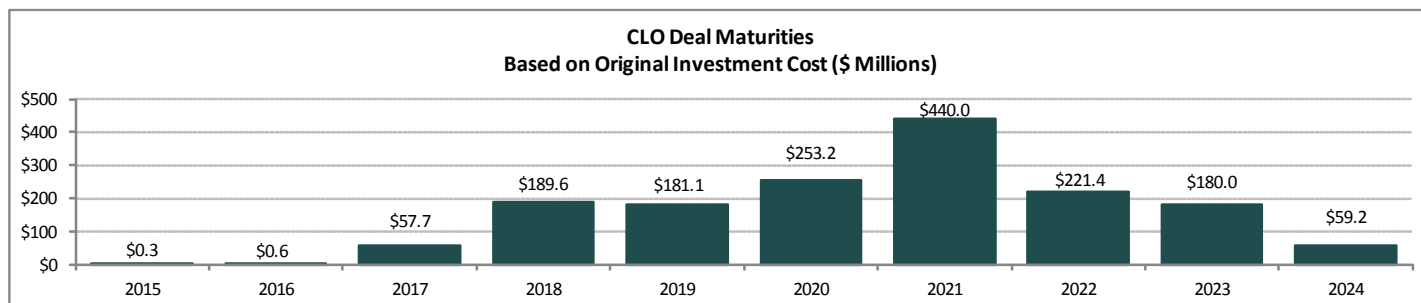
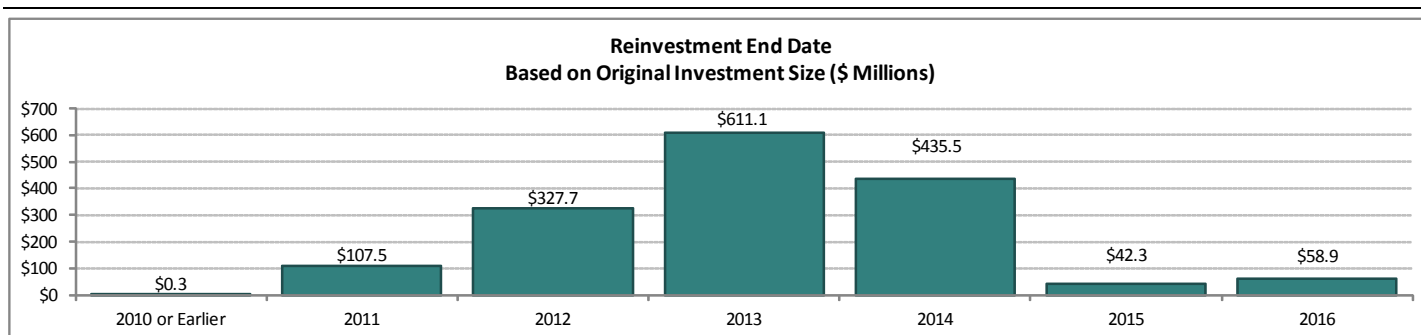
CLO EQUITY PORTFOLIO DETAILS (CONTINUED) AS OF SEPTEMBER 30, 2012

Transaction	Deal Type	Original Invest. Cost (\$MM USD) ⁽¹⁾	Deal Closing Date	Year of Maturity	End of Reinv Period	Wtd Avg Spread (bps) ⁽²⁾	Original Cost of Funds (bps) ⁽³⁾	Current Cost of Funds (bps) ⁽⁴⁾	Current Jr-Most O/C Cushion ⁽⁵⁾	Jr-Most O/C Cushion at Close ⁽⁶⁾	Annualized (Loss) Gain of Cushion ⁽⁷⁾	IRR ⁽⁸⁾	ITD Cash Received as % of Cost ⁽⁹⁾
Transaction 42	US CLO	22.4	2007	2021	2014	411	47	48	5.12%	3.92%	0.22%	21.3%	127.3%
Transaction 44	US CLO	22.3	2006	2018	2012	328	54	62	2.38%	4.16%	(0.28%)	12.5%	109.5%
Transaction 45	US CLO	23.0	2006	2018	2012	315	46	46	2.65%	4.46%	(0.31%)	10.7%	88.9%
Transaction 46	US CLO	21.3	2007	2019	2013	344	51	51	2.95%	4.33%	(0.26%)	10.2%	75.0%
Transaction 47	US CLO	28.3	2006	2021	2013	346	47	43	3.69%	4.34%	(0.11%)	21.3%	149.9%
Transaction 48	US CLO	23.0	2006	2019	2013	365	46	46	2.79%	5.71%	(0.49%)	16.9%	109.6%
Transaction 49	US CLO	12.6	2005	2017	2011	358	40	42	3.32%	3.94%	(0.09%)	12.9%	105.7%
Transaction 50	US CLO	12.3	2006	2018	2012	362	40	39	2.90%	4.25%	(0.21%)	13.6%	103.1%
Transaction 51	US CLO	18.0	2007	2020	2013	402	53	53	4.37%	4.47%	(0.02%)	21.4%	135.8%
Transaction 52	US CLO	0.3	2003	2015	2008	442	93	N/A	30.64%	3.20%	2.94%	278.6%	974.4%
Transaction 53	US CLO	0.6	2004	2016	2011	312	61	84	17.47%	4.00%	1.71%	36.1%	287.8%
Transaction 54	US CLO	0.5	2005	2017	2012	341	56	59	5.68%	3.69%	0.27%	59.7%	745.4%
Transaction 55	US CLO	0.3	2005	2017	2011	352	39	43	5.97%	3.59%	0.33%	62.8%	700.9%
Transaction 56	US CLO	23.0	2007	2019	2014	383	42	42	4.76%	4.53%	0.04%	22.9%	146.5%
Transaction 57	US CLO	0.6	2007	2019	2014	383	42	42	4.76%	4.53%	0.04%	49.4%	721.6%
Transaction 58	US CLO	21.8	2007	2019	2014	388	49	49	3.72%	4.04%	(0.06%)	25.1%	150.8%
Transaction 59	US CLO	0.4	2007	2019	2014	388	49	49	3.72%	4.04%	(0.06%)	52.9%	992.4%
Transaction 60	US CLO	18.8	2010	2021	2014	424	198	198	4.52%	4.50%	0.01%	11.3%	23.4%
Transaction 61	US CLO	29.1	2007	2021	2014	351	45	45	3.00%	4.04%	(0.19%)	17.2%	104.1%
Transaction 62	US CLO	25.3	2007	2020	2013	389	42	42	4.35%	5.20%	(0.15%)	21.9%	145.4%
Transaction 63	US CLO	27.3	2007	2021	2013	400	53	53	2.85%	4.78%	(0.37%)	19.3%	119.6%
Transaction 64	US CLO	15.4	2007	2021	2013	454	38	38	N/A	N/A	N/A	22.4%	116.2%
Transaction 65	US CLO	26.9	2006	2021	2013	378	47	48	2.88%	4.96%	(0.35%)	14.2%	93.0%
Transaction 66	US CLO	21.3	2006	2020	2013	351	49	49	3.67%	4.05%	(0.06%)	21.7%	152.3%
Transaction 67	US CLO	27.3	2007	2022	2014	352	46	45	4.61%	4.38%	0.04%	20.1%	126.0%
Transaction 68	US CLO	19.3	2006	2020	2013	436	48	48	6.30%	4.41%	0.32%	27.3%	181.7%
Transaction 69	US CLO	28.2	2007	2019	2013	416	44	44	7.51%	5.61%	0.35%	26.0%	165.6%
Transaction 70	US CLO	24.6	2006	2020	2013	322	52	52	6.22%	6.21%	0.00%	18.8%	126.3%
Transaction 71	US CLO	1.7	2006	2018	2012	362	40	39	2.90%	4.25%	(0.21%)	28.2%	59.7%
Transaction 72	US CLO	4.8	2007	2019	2014	383	42	42	4.76%	4.53%	0.04%	21.0%	49.9%
Transaction 73	US CLO	1.9	2007	2019	2014	383	42	42	4.76%	4.53%	0.04%	21.0%	49.9%
Transaction 74	US CLO	5.5	2007	2019	2014	388	49	49	3.72%	4.04%	(0.06%)	22.6%	52.0%
Transaction 75	US CLO	32.7	2011	2022	2014	421	168	168	4.43%	4.05%	0.30%	13.1%	24.1%
Transaction 76	US CLO	1.9	2006	2018	2012	315	46	46	2.65%	2.43%	0.04%	46.0%	47.9%
Transaction 77	US CLO	14.5	2011	2023	2016	424	212	213	5.38%	5.04%	0.43%	13.3%	5.0%
Transaction 78	US CLO	22.9	2012	2023	2015	518	217	217	4.45%	4.00%	0.64%	13.2%	10.7%
Transaction 79	US CLO	19.4	2012	2022	2015	465	215	215	4.13%	4.00%	0.20%	9.4%	6.4%
Transaction 80	US CLO	22.7	2012	2022	2016	468	185	185	4.17%	4.17%	(0.00%)	13.2%	0.0%
Transaction 81	US CLO	21.7	2012	2024	2016	462	216	217	4.00%	4.00%	-	11.6%	0.0%
US CLO Subtotal:		1,257.0				402	67	68	4.42%	4.62%	(0.01%)		121.4%
Total CLO Portfolio:		1,583.3				397	64	65	3.54%	4.67%	(0.18%)		107.5%

TETRAGON

TETRAGON FINANCIAL GROUP LIMITED (TFG) PERFORMANCE REPORT FOR PERIOD ENDED 30 SEPTEMBER 2012

CLO EQUITY PORTFOLIO DETAILS (CONTINUED) AS OF SEPTEMBER 30, 2012



Notes

- (1) The USD investment cost fixes the USD-EUR exchange rate of European CLOs at the same rate to avoid the impact of skewed weightings and FX volatility.
- (2) Par weighted average spread over LIBOR or EURIBOR (as appropriate) of the underlying loan assets in each CLO's portfolio.
- (3) Notional weighted average spread over LIBOR or EURIBOR (as appropriate) of the debt tranches issued by each CLO, as of the closing date of each transaction.
- (4) Notional weighted average spread over LIBOR or EURIBOR (as appropriate) of the debt tranches issued by each CLO, as of the most recent trustee report date.
- (5) The current junior-most O/C cushion is the excess (or deficit) of the junior-most O/C test ratio over the test requirement, as of the latest trustee report available as of the report date.
- (6) The junior-most O/C cushion at close is the excess (or deficit) of the junior-most O/C test ratio over the test requirement that was expected on each deal's closing date. Please note that two of TFG's investments are so called "par structures" which don't include a junior O/C test. They have been marked by an "N/A" in the relevant junior-most O/C test columns.
- (7) Calculated by annualizing the change from the expected closing date junior-most O/C cushion to the current junior-most O/C cushion.
- (8) Calculated from TFG's investment date. Includes both historical cash flows received to-date and prospective cash flows expected to be received, based on TFG's base case modeling assumptions.
- (9) Inception to report date cash flow received on each transaction as a percentage of its original cost.

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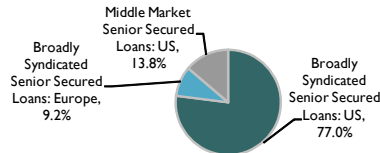

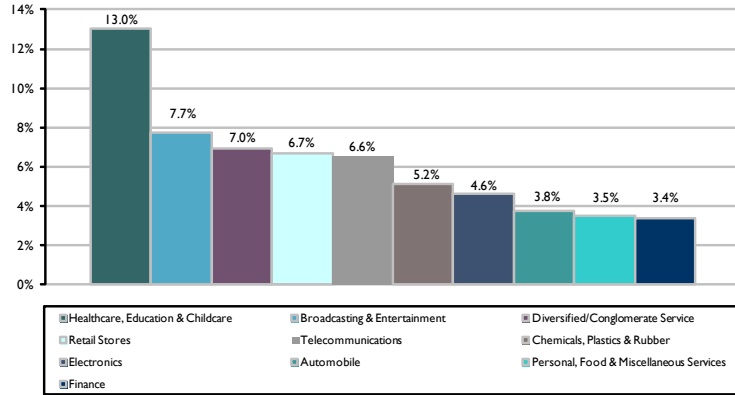
TETRAGON FINANCIAL GROUP LIMITED (TFG)

PORTFOLIO COMPOSITION

PORTFOLIO HELD BY TETRAGON FINANCIAL GROUP MASTER FUND LIMITED

(UNLESS OTHERWISE STATED)

AS OF SEPTEMBER 30, 2012

Report Date	TFG Share Price (\$)	TFG group Net Market Cap (\$MM) ⁽¹⁾	TFG group Net Assets (\$MM)	No. of Closed CLO Equity Transactions		
30 September 2012	\$8.54	\$970.2	\$1,623.6	80 ⁽²⁾		
Capital Allocation by Asset Class		Risk Capital Allocation	Investment Fair Value (\$MM) ^(2,3,4)	Asset Class Allocation		
Broadly Syndicated Senior Secured Loans: US		77.0%	\$989.1			
Broadly Syndicated Senior Secured Loans: Europe		9.2%	\$118.8			
Middle Market Senior Secured Loans: US		13.8%	\$176.6			
Total		100.0%	\$1,284.6			
Geographic Allocation by Asset Class		USA	Europe	Asia Pacific	Total	Geographic Allocation
Broadly Syndicated Senior Secured Loans		89.3%	10.7%	0.0%	100.0%	
Middle Market Senior Secured Loans		100.0%	0.0%	0.0%	100.0%	
		90.8%	9.2%	0.0%	100.0%	
Top 15 Underlying Bank Loan Credits		Bank Loan Exposure ⁽⁵⁾	Top 10 Bank Loan Industry Exposures ⁽⁵⁾			
HCA Inc	0.88%					
Univision Communications	0.86%					
First Data Corp	0.80%					
UPC Broadband	0.74%					
Federal-Mogul	0.73%					
Aramark Corp	0.73%					
Charter Communications	0.72%					
Cablevision Systems Corp	0.70%					
Asurion Corp	0.65%					
Las Vegas Sands	0.62%					
Sabre Holdings Corp	0.62%					
Reynolds Group	0.61%					
Bausch & Lomb Inc	0.60%					
SunGard Data Systems Inc	0.60%					
Huntsman ICI	0.60%					

EUR-USD FX: 1.29

⁽¹⁾ Calculated using TFG shares outstanding (net of 10.9 million shares held in treasury and 8.5 million shares held by a subsidiary) 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. Excludes TFG's investments in CLO mezzanine tranches.

⁽³⁾ Excludes TFG's investments in LCM Asset Management LLC, GreenOak Real Estate LP and GreenOak related funds or investments, and CLO mezzanine tranches.

⁽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 CLO equity tranche investments. With respect to CLO equity tranche 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.

EUR-USD FX: 1.29

⁽¹⁾ Calculated using TFG shares outstanding (net of 10.9 million shares held in treasury and 8.5 million shares held by a subsidiary) 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. Excludes TFG's investments in CLO mezzanine tranches.

⁽³⁾ Excludes TFG's investments in LCM Asset Management LLC, GreenOak Real Estate LP and GreenOak related funds or investments, and CLO mezzanine tranches.

⁽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 CLO equity tranche investments. With respect to CLO equity tranche 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 TFG's website at www.tetragoninv.com for a description of the risks and uncertainties pertaining to an investment in TFG.

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

TETRAGON

BOARD OF DIRECTORS

Paddy Dear
Rupert Dorey*

Reade Griffith
David Jeffreys*

Byron Knief*
Greville Ward*

**Independent Director*

SHAREHOLDER INFORMATION

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Tetragon Financial Group Master Fund Limited
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Channel Islands GY1 6HJ

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United States of America

General Partner of Investment Manager

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United States of America

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Channel Islands GY1 4AN

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United States of America

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United Kingdom

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St. Peter Port, Guernsey
Channel Islands GY1 IWA

Legal Advisor (as to Dutch law)

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1082 MD Amsterdam, The Netherlands

Stock Listing

NYSE Euronext in Amsterdam

Administrator and Registrar

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1st Floor Dorey Court
Admiral Park
St. Peter Port, Guernsey
Channel Islands GY1 6HJ

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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 Tetragon Financial Management LP, TFG's investment manager.
- (2) \$518.25 million of total securities were issued in LCM XII CLO with a corresponding \$500.0 million target asset par amount.
- (3) The LCM I, LCM II, LCM III, LCM IV, LCM V, LCM VI, LCM VIII, LCM IX, LCM X, and LCM XI CLOs are referred to as the "LCM Cash Flow CLOs." The LCM VII CLO was a market value CLO previously managed by LCM, which was liquidated commencing in 2008, and is not included in the mentioned statistics. In addition, these statistics do not include the performance of certain transactions that were developed and previously managed by a third-party prior to being assigned to LCM, some of which continue to be managed by LCM.
- (4) The rolling 12-month dividend growth rate is calculated by dividing the sum of the dividends per share distributed or declared over the last 12 months by the dividends per share distributed or declared over the prior 12 months, less one.
- (5) The hurdle rate is reset each quarter using 3M USD LIBOR plus a spread of 2.647858% in accordance with TFG's investment management agreement. Please see the TFG website, www.tetragoninv.com, for more details.
- (6) Includes only look-through loan exposures through TFG's CLO equity 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 September 30, 2012.
- (9) As of September 30, 2012, European CLOs represented approximately 10% of TFG's CLO equity investment portfolio; approximately 66% of the fair value of TFG's European CLOs and 50%, when measured as a percentage of the total number of European deals, were passing their junior-most O/C tests.
- (10) As O/C tests are breached, CLO structures may divert excess interest cash flows away from the equity tranche holders, such as TFG, to pay down the CLO's debt thereby curing the O/C breach via deleveraging. Accordingly, the affected investments ceased to generate cash flows to TFG or are expected to cease generating cash flows on the next applicable payment date. Once enough debt has been repaid to cure the O/C test breach, distributions of excess interest cash to equity holders may resume to the extent not precluded by the investments' realized or unrealized losses.
- (11) Morgan Stanley CLO Market Tracker, October 5, 2012; based on a sample of 462 U.S. CLO transactions.
- (12) Weighted by the original USD cost of each investment.
- (13) 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 CLO equity and direct loan investment portfolio includes approximately 9.2% CLOs with primary exposure to European senior secured loans and such loans are included in the calculation of TFG's corporate default rate.
- (14) S&P/LCD News, "With no defaults in September, leveraged loan default rate eases," October 1, 2012.
- (15) S&P/LCD News, "(EUR) S&P ELLI: Default rate climbs to 6.2% in September." The ELLI default rate is calculated by defining "default" as (a) an event of default, such as a D public rating, a D credit estimate, a missed interest or principal payment, or a bankruptcy filing; or (b) the beginning stages of formal restructuring, such as the start of negotiations between the company and lenders, or hiring of financial advisors.
- (16) S&P/LCD News, "(EUR) S&P ELLI: Default rate climbs to 5.5% in June," July 9, 2012.
- (17) S&P/LCD News, "With no defaults in September, leveraged loan default rate eases," October 1, 2012.
- (18) S&P/LCD News, "With no defaults in September, leveraged loan default rate eases," October 1, 2012.
- (19) S&P/LSTA Leveraged Lending Review 3Q 2012.
- (20) S&P/LCD News, "(EUR) ELLI repayments fall to two-year low," October 10, 2012.
- (21) S&P/LCD Quarterly Review, Third Quarter 2012.
- (22) S&P/LCD Quarterly Review, Third Quarter 2012.
- (23) S&P/LCD Quarterly Review, Third Quarter 2012.
- (24) S&P/LCD News, "(EUR) S&P ELLI gains 0.63% in September," October 8, 2012.
- (25) S&P/LCD Quarterly Review, Third Quarter 2012.
- (26) S&P/LCD News, "(EUR) (EUR) Topical: Loan volume lags 2011 despite strong technicals," October 3, 2012.
- (27) Morgan Stanley CLO Market Tracker, October 5, 2012; based on a sample of 462 U.S. CLO transactions.
- (28) Morgan Stanley CLO Market Tracker, July 10, 2012; based on a sample of 481 U.S. CLO transactions.
- (29) Morgan Stanley CLO Market Tracker, October 5, 2012; based on a sample of 194 European CLO transactions.
- (30) Morgan Stanley CLO Market Tracker, July 10, 2012; based on a sample of 195 European CLO transactions.
- (31) Wells Fargo Structured Products Research – CLOs. "The CLO Salmagundi: New Capital Rules May Benefit CLO Issuers," June 28, 2012.
- (32) J.P. Morgan U.S. Fixed Income Markets Weekly, September 21, 2012.
- (33) Wells Fargo Structured Products Research – CLOs. "The CLO Salmagundi: WAL Tests," September 28, 2012. Issuance volumes based on transactions priced, but not necessarily closed with the applicable time frame.
- (34) Morgan Stanley CLO Market Tracker, October 5, 2012.
- (35) For U.S. broadly syndicated CLOs, and in particular deals issued post-2010, the assumed reinvestment effective spread may receive an additional benefit from LIBOR floors, with such benefit dependant on future LIBOR rates.
- (36) Citi Global Structured Credit Strategy, October 4, 2012.
- (37) Citi Global Structured Credit Strategy, October 4, 2012.

UNAUDITED CONSOLIDATED QUARTERLY REPORT

TETRAGON FINANCIAL GROUP LIMITED

**FOR THE PERIOD ENDED 30 SEPTEMBER 2012 AND FOR THE PERIOD
ENDED 30 SEPTEMBER 2011**

TETRAGON FINANCIAL GROUP LIMITED
UNAUDITED CONSOLIDATED QUARTERLY REPORT
FOR THE PERIOD ENDED 30 SEPTEMBER 2012 AND FOR THE PERIOD
ENDED 30 SEPTEMBER 2011

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TETRAGON FINANCIAL GROUP LIMITED
CONSOLIDATED STATEMENTS OF ASSETS AND LIABILITIES
As at 30 September 2012 (unaudited)

	30 Sep 2012 US\$	31 Dec 2011 US\$
Assets		
Investment in Master Fund	1,647,399,820	1,499,159,218
Amounts receivable from Master Fund	-	460,009
Total assets	<u>1,647,399,820</u>	<u>1,499,619,227</u>
Liabilities		
Accrued incentive fee	19,549,476	23,224,939
Amounts payable on Share options	4,223,538	1,579,030
Amounts payable on Treasury Shares	-	460,009
Total liabilities	<u>23,773,014</u>	<u>25,263,978</u>
Net assets	<u><u>1,623,626,806</u></u>	<u><u>1,474,355,249</u></u>
Equity		
Share capital	113,603	115,968
Share premium	1,111,709,590	1,128,567,096
Capital reserve in respect of Share options	11,789,336	11,789,336
Earnings	500,014,277	333,882,849
	<u>1,623,626,806</u>	<u>1,474,355,249</u>
Shares outstanding		
Shares	113,602,613	115,967,737
Net asset value per Share		
Shares	US\$ 14.29	US\$ 12.71

TETRAGON FINANCIAL GROUP LIMITED
CONSOLIDATED STATEMENTS OF OPERATIONS
For the period ended 31 September 2012 and for the period
ended 30 September 2011 (unaudited)

	Quarter Ended 30 Sep 2012 US\$	Quarter Ended 30 Sep 2011 US\$	9 Months Ended 30 Sep 2012 US\$	9 Months Ended 30 Sep 2011 US\$
Investment income allocated from the Master Fund				
Interest income	59,361,917	53,559,215	175,135,139	153,964,520
CLO management fee income	5,406,187	4,438,414	14,235,816	12,093,806
Other income	1,396,134	818,633	4,516,706	3,839,895
Investment income allocated from the Master Fund	66,164,238	58,816,262	193,887,661	169,898,221
Direct expenses				
Incentive fee	(19,549,476)	(19,162,343)	(55,992,437)	(100,889,954)
Total direct expenses	(19,549,476)	(19,162,343)	(55,992,437)	(100,889,954)
Operating expenses allocated from the Master Fund				
Management fees	(5,962,464)	(5,184,223)	(17,276,481)	(14,578,700)
Legal and professional fees	(2,225,637)	(6,135,317)	(5,905,307)	(10,844,176)
Employee costs	(2,077,075)	(1,684,849)	(5,949,115)	(4,743,890)
Administration and custodian fees	(274,364)	(253,716)	(811,862)	(754,999)
Directors' fees	(75,000)	(75,000)	(225,000)	(225,000)
Audit fees	(55,006)	(60,350)	(165,017)	(181,050)
Market data fees	(39,009)	(61,896)	(191,811)	(141,777)
Other operating and administrative expenses	(662,179)	(724,826)	(1,601,984)	(1,899,473)
Total operating expenses allocated from the Master Fund	(11,370,734)	(14,180,177)	(32,126,577)	(33,369,065)
Total operating expenses	(30,920,210)	(33,342,520)	(88,119,014)	(134,259,019)
Net investment income	35,244,028	25,473,742	105,768,647	35,639,202
Net (decrease) / increase in unrealized depreciation on:				
Share options	(1,558,031)	2,084,721	(2,644,508)	(116,817)
Net (decrease) / increase in unrealized depreciation arising from direct operations	(1,558,031)	2,084,721	(2,644,508)	(116,817)

TETRAGON FINANCIAL GROUP LIMITED
CONSOLIDATED STATEMENTS OF OPERATIONS (continued)
For the period ended 30 September 2012 and for the period
ended 30 September 2011 (unaudited)

	Quarter Ended 30 Sep 2012 US\$	Quarter Ended 30 Sep 2011 US\$	9 Months Ended 30 Sep 2012 US\$	9 Months Ended 30 Sep 2011 US\$
Net realized and unrealized gain / (loss) from investments and foreign currency allocated from the Master Fund				
Net realized gain / (loss) from:				
Investments	540,894	11,710	609,791	564,311
Foreign currency transactions	6,676,179	1,299,813	11,477,553	(3,783,520)
	<u>7,217,073</u>	<u>1,311,523</u>	<u>12,087,344</u>	<u>(3,219,209)</u>
Net increase / (decrease) in unrealized (depreciation) / appreciation on:				
Investments	39,864,205	48,479,176	109,110,232	300,208,465
Forward foreign exchange contracts	(9,218,920)	11,496,683	(11,453,001)	7,321,326
Interest rate swaptions	(968,788)	(8,122,620)	(4,072,566)	(7,050,012)
Translation of assets and liabilities in foreign currencies	1,767,441	(11,783,416)	(1,253,157)	1,769,198
	<u>31,443,938</u>	<u>40,069,823</u>	<u>92,331,508</u>	<u>302,248,977</u>
Net realized and unrealized gain from investments and foreign currencies allocated from the Master Fund	<u>38,661,011</u>	<u>41,381,346</u>	<u>104,418,852</u>	<u>299,029,768</u>
Net increase in net assets resulting from operations before income tax	<u>72,347,008</u>	<u>68,939,809</u>	<u>207,542,991</u>	<u>334,552,153</u>
Income and deferred tax expense	(867,171)	(1,088,848)	(2,488,996)	(3,031,490)
Net income	<u>71,479,837</u>	<u>67,850,961</u>	<u>205,053,995</u>	<u>331,520,663</u>
Less net income attributable to noncontrolling interest	(698,080)	(544,790)	(1,691,314)	(1,446,522)
Net increase in net assets resulting from operations	<u>70,781,757</u>	<u>67,306,171</u>	<u>203,362,681</u>	<u>330,074,141</u>
Earnings per Share				
Basic	US\$ 0.62	US\$ 0.57	US\$ 1.77	US\$ 2.77
Diluted	US\$ 0.62	US\$ 0.57	US\$ 1.77	US\$ 2.77
Weighted average Shares outstanding				
Basic	113,679,598	118,044,502	114,572,417	119,060,822
Diluted	113,679,598	118,044,502	114,572,417	119,060,822

TETRAGON FINANCIAL GROUP LIMITED
CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
For the period ended 30 September 2012 and for the period
ended 30 September 2011 (unaudited)

	9 Months ended 30 Sep 2012 US\$	9 Months ended 30 Sep 2011 US\$
Total investment income	193,887,661	169,898,221
Total operating expenses	(88,119,014)	(134,259,019)
Net unrealized depreciation on Share options	(2,644,508)	(116,817)
Net realized gain / (loss) from investments and foreign currencies allocated from the Master Fund	12,087,344	(3,219,209)
Net unrealized gain from investments and foreign currencies allocated from the Master Fund	92,331,508	302,248,977
Income and deferred tax expense	(2,488,996)	(3,031,490)
Income attributable to noncontrolling interest	(1,691,314)	(1,446,522)
Net increase in net assets resulting from operations	203,362,681	330,074,141
Dividends paid to shareholders	(37,231,253)	(33,391,546)
Issue of Shares	6,752,335	5,657,952
Purchase of Treasury Shares	(23,612,206)	(26,289,999)
Decrease in net assets resulting from net Share transactions	(16,859,871)	(20,632,047)
Total increase in net assets	149,271,557	276,050,548
Net assets at start of period	1,474,355,249	1,137,546,494
Net assets at end of period	1,623,626,806	1,413,597,042

TETRAGON FINANCIAL GROUP LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the period ended 30 September 2012 and for the period
ended 30 September 2011 (unaudited)

	9 months ended 30 Sep 2012 US\$	9 months ended 30 Sep 2011 US\$
Operating activities		
Net income	203,362,681	330,074,141
Adjustments for:		
Net unrealized depreciation on Share options	2,644,508	116,817
Net unrealized appreciation on investments in Master Fund	(148,240,602)	(253,797,188)
Operating cash flows before movements in working capital	57,766,587	76,393,770
Decrease / (increase) in receivables	460,009	(475,322)
Decrease in payables	(3,675,463)	(21,894,855)
Net cash provided by operating activities	54,551,133	54,023,593
Financing activities		
Issue of Shares	6,752,335	5,657,952
Purchase of Treasury Shares	(24,072,215)	(26,289,999)
Dividends paid to shareholders	(37,231,253)	(33,391,546)
Net cash used in financing activities	(54,551,113)	(54,023,593)
Net increase in cash and cash equivalents	-	-
Cash and cash equivalents at beginning of period	-	-
Cash and cash equivalents at end of period	-	-

UNAUDITED CONSOLIDATED QUARTERLY REPORT

TETRAGON FINANCIAL GROUP MASTER FUND LIMITED

**FOR THE PERIOD ENDED 30 SEPTEMBER 2012 AND FOR THE PERIOD
ENDED 30 SEPTEMBER 2011**

TETRAGON FINANCIAL GROUP MASTER FUND LIMITED
UNAUDITED CONSOLIDATED QUARTERLY REPORT
FOR THE PERIOD ENDED 30 SEPTEMBER 2012 AND FOR THE PERIOD
ENDED 30 SEPTEMBER 2011

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TETRAGON FINANCIAL GROUP MASTER FUND LIMITED
CONSOLIDATED STATEMENTS OF ASSETS AND LIABILITIES
As at 30 September 2012 (unaudited)

	30 Sep 2012 US\$	31 Dec 2011 US\$
Assets		
Investments, at fair value	1,307,067,442	1,264,444,768
Intangible assets – CLO management contracts	33,648	109,357
Cash and cash equivalents	353,112,461	211,513,043
Amounts due from brokers	13,106,863	15,847,630
Derivative financial assets – forward contracts	-	6,693,494
Derivative financial assets – interest rate swaptions	3,135,320	7,207,886
Other receivables	3,175,390	2,753,856
Total assets	<u>1,679,631,124</u>	<u>1,508,570,034</u>
Liabilities		
Amounts payable for purchase of investments	16,895,000	-
Derivative financial liabilities – forward contracts	4,759,507	-
Amounts payable to Feeder	-	460,009
Other payables and accrued expenses	7,061,705	6,999,100
Income tax payable	1,200,593	1,112,347
Deferred tax liability	1,326,361	686,036
Total liabilities	<u>31,243,166</u>	<u>9,257,492</u>
Net assets	<u>1,648,387,958</u>	<u>1,499,312,542</u>
Equity		
Share capital	113,603	115,968
Share premium	1,070,932,674	1,087,790,180
Earnings	576,353,543	411,253,070
Total equity attributable to Master Fund	<u>1,647,399,820</u>	<u>1,499,159,218</u>
Noncontrolling interest	988,138	153,324
Total shareholders equity	<u>1,648,387,958</u>	<u>1,499,312,542</u>
Shares outstanding		
Shares	113,602,613	115,967,737
Net asset value per Share*		
Shares	US\$ 14.50	US\$ 12.93

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

TETRAGON FINANCIAL GROUP MASTER FUND LIMITED
CONSOLIDATED STATEMENTS OF OPERATIONS
For the period ended 30 September 2012 and for the period
ended 30 September 2011 (unaudited)

	Quarter ended 30 Sep 2012 US\$	Quarter ended 30 Sep 2011 US\$	9 Months ended 30 Sep 2012 US\$	9 Months ended 30 Sep 2011 US\$
Interest income	59,361,917	53,559,215	175,135,139	153,964,520
CLO management fee income	5,406,187	4,438,414	14,235,816	12,093,806
Other income	1,396,134	818,633	4,516,706	3,839,895
Investment income	66,164,238	58,816,262	193,887,661	169,898,221
Management fees	(5,962,464)	(5,184,223)	(17,276,481)	(14,578,700)
Legal and professional fees	(2,225,637)	(6,135,317)	(5,949,115)	(10,844,176)
Employee costs	(2,077,075)	(1,684,849)	(5,905,307)	(4,743,890)
Administration and custodian fees	(274,364)	(253,716)	(811,862)	(754,999)
Directors' fees	(75,000)	(75,000)	(225,000)	(225,000)
Audit fees	(55,006)	(60,350)	(165,017)	(181,050)
Market data fees	(39,009)	(61,896)	(191,811)	(141,777)
Other operating and administrative expenses	(662,179)	(724,826)	(1,601,984)	(1,899,473)
Operating expenses	(11,370,734)	(14,180,177)	(32,126,577)	(33,369,065)
Net investment income	54,793,504	44,636,085	161,761,084	136,529,156
Net realized and unrealized gain / (loss) from investments and foreign currency				
Net realized gain / (loss) from:				
Investments	540,894	11,710	609,791	564,311
Foreign currency transactions	6,676,179	1,299,813	11,477,553	(3,783,520)
	7,217,073	1,311,523	12,087,344	(3,219,209)
Net increase / (decrease) in unrealized appreciation / (depreciation) on:				
Investments	39,864,205	48,479,176	109,110,232	300,208,465
Forward foreign exchange contracts	(9,218,920)	11,496,683	(11,453,001)	7,321,326
Interest rate swaptions	(968,788)	(8,122,620)	(4,072,566)	(7,050,012)
Translation of assets and liabilities in foreign currencies	1,767,441	(11,783,416)	(1,253,157)	1,769,198
	31,443,938	40,069,823	92,331,508	302,248,977
Net realized and unrealized gain from investments and foreign currency	38,661,011	41,381,346	104,418,852	299,029,768

TETRAGON FINANCIAL GROUP MASTER FUND LIMITED
CONSOLIDATED STATEMENTS OF OPERATIONS (continued)
For the period ended 30 September 2012 and for the period
ended 30 September 2011 (unaudited)

	Quarter ended 30 Sep 2012 US\$	Quarter ended 30 Sep 2011 US\$	9 Months ended 30 Sep 2012 US\$	9 Months ended 30 Sep 2011 US\$
Net increase in net assets resulting from operations before tax	93,454,515	86,017,431	266,179,936	435,558,924
Income and deferred tax expense	(867,171)	(1,088,848)	(2,488,996)	(3,031,490)
Net income	92,587,344	84,928,583	263,690,940	432,527,434
Less net income attributable to noncontrolling interest	(698,080)	(544,790)	(1,691,314)	(1,446,522)
Net increase in net assets resulting from operations	91,889,264	84,383,793	261,999,626	431,080,912

TETRAGON FINANCIAL GROUP MASTER FUND LIMITED
CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
For the period ended 30 September 2012 and for the period
ended 30 September 2011 (unaudited)

	9 Months ended 30 Sep 2012 US\$	9 Months ended 30 Sep 2011 US\$
Net investment income	161,761,084	136,529,156
Net realized gain / (loss) from investments and foreign currency	12,087,344	(3,219,209)
Net unrealized appreciation on investments and translation of assets and liabilities in foreign currencies	92,331,508	302,248,977
Income and deferred tax expense	(2,488,996)	(3,031,490)
Income attributable to noncontrolling interests	(1,691,314)	(1,446,522)
Net increase in net assets resulting from operations	261,999,626	431,080,912
Dividends paid to Feeder	(59,667,900)	(123,260,131)
Dividends paid to other shareholders	(37,231,253)	(33,391,546)
Total distributions	(96,899,153)	(156,651,677)
Issue of Shares	6,752,335	5,657,952
Purchase of Treasury Shares	(23,612,206)	(26,289,999)
Decrease in net assets resulting from capital transactions	(16,859,871)	(20,632,047)
Total increase in net assets	148,240,602	253,797,188
Net assets at start of period	1,499,312,542	1,181,906,023
Net assets before noncontrolling interest	1,647,553,144	1,435,703,211
Net increase / (decrease) in noncontrolling interest	834,814	(1,088,865)
Net assets at end of period	1,648,387,958	1,434,614,346

TETRAGON FINANCIAL GROUP MASTER FUND LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the period ended 30 September 2012 and for the period
ended 30 September 2011 (unaudited)

	9 months ended 30 Sep 2012 US\$	9 months ended 30 Sep 2011 US\$
Operating activities		
Net income	263,690,940	432,527,434
Adjustments for:		
Realized gains on investments	(609,791)	(564,311)
Cash received on investments in excess of interest income	160,798,280	148,086,426
Amortization on intangible assets	75,709	75,709
Unrealized gains	(92,331,508)	(302,248,977)
Deferred tax	640,325	562,885
Operating cash flows before movements in working capital	332,263,955	278,439,166
Increase in receivables	(421,534)	(929,502)
Increase in payables	150,851	6,896,794
Cash flows from operations	331,993,272	284,406,458
Proceeds from sale / prepayment / maturity of investments	66,635,908	112,501,365
Purchase of investments	(144,924,606)	(195,130,307)
Net cash provided by operating activities	253,704,574	201,777,516
Financing activities		
Amounts due from brokers	2,740,767	(6,909,566)
Proceeds from issue of Shares	6,752,335	5,657,952
Treasury Shares	(24,072,215)	(26,289,999)
Dividends paid to shareholders	(37,231,253)	(33,391,546)
Dividends paid to Feeder	(59,667,900)	(123,260,131)
Distributions paid to noncontrolling interest	(856,500)	(2,535,151)
Net cash used in financing activities	(112,334,766)	(186,728,441)
Net increase in cash and cash equivalents	141,369,808	15,049,075
Cash and cash equivalents at beginning of period	211,513,043	140,625,333
Effect of exchange rate fluctuations on cash and cash equivalents	229,610	(64,309)
Cash and cash equivalents at end of period	353,112,461	155,610,099