

# TETRAGON

## TETRAGON FINANCIAL GROUP LIMITED (TFG) MONTHLY UPDATE FOR OCTOBER 2012

**November 20, 2012**

Tetragon Financial Group Limited (TFG) is a Guernsey closed-ended investment company traded on the NYSE Euronext in Amsterdam under the ticker symbol "TFG".

In this monthly update, unless otherwise stated, we report on the consolidated business incorporating TFG and Tetragon Financial Group Master Fund Limited. <sup>(1)</sup>

### **Net Asset Value Estimates as of October 31 2012**

*(Amounts provided are unaudited and subject to change)*

		<i>(in millions except per share data)</i>
Estimated Fair Value of Investments:		\$1,324.7
Cash and Cash Equivalents:		\$352.1
Net Other Assets / (Liabilities):		\$13.2
Estimated Net Asset Value:		\$1,690.0
TFG Shares Outstanding:		133.0
Net Asset Value per Share: <sup>(2)(3)</sup>		\$14.88

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<b>Expected Upcoming Events</b>	<b>Date</b>
November 2012 Monthly Report	December 20, 2012 (approx)

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.

(1) TFG invests substantially all its capital through a master fund, Tetragon Financial Group Master Fund Limited ("TFGMF") in which it holds a 100% share.

(2) Excludes 6.5 million shares held in treasury, 1.2 million shares held by a subsidiary and 11.7 million shares held in escrow.

(3) NAV per share was reduced by \$0.115 in October 2012 to reflect the approval of the quarterly dividend relating to Q3 2012.

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### INVESTMENT COMPOSITION:

As of the end of October 2012, the majority of the net assets of the company were invested in the equity tranches of U.S. CLOs. The remainder of net assets was invested in cash or equivalents less certain net liabilities, U.S. senior secured loans, equity tranches of European CLOs, asset management businesses, real estate funds, and CLO mezzanine tranches.

The geographical allocation of TFG's CLO equity, direct loan, and real estate fund investments was weighted primarily towards the United States, at 90.9% of such assets as of the end of October 2012. European exposure was approximately 8.9% and Asia was approximately 0.2%. TFG's ownership of asset managers is excluded from the geographic allocation above as such managers are global in nature.

### ADDITIONAL INFORMATION:

Net Asset Value per Share for TFG as at October 31, 2012 was \$14.88, up from \$14.29 as at September 30, 2012.<sup>(4)</sup>

As announced on October 29, 2012, TFG acquired Polygon Management L.P. and certain of its affiliates (collectively, "Polygon"), an alternative asset manager, for approximately 11.7 million TFG non-voting shares (the "Escrow Shares") in an all share deal on October 28, 2012 (the "Polygon Transaction"). For further information on the transaction, please see the applicable press release and investor presentation on the company's website ([www.tetragoninv.com](http://www.tetragoninv.com)).

TFG financial reporting is based on U.S. generally accepted accounting principles ("US GAAP"). With respect to the Polygon Transaction, certain US GAAP rules applicable to the acquisition of management contracts and investments, the purchase of minority interests, and the use of deferred shares in business combinations, resulted in, among other things, the recognition of the value of certain of the acquired Polygon assets on the company's balance sheet as at October 31, 2012 and the Escrow Shares not being recognized as issued in terms of the calculation of NAV per Share until such shares fully vest.

Accordingly, the acquisition of Polygon had the effect of increasing NAV per Share by \$0.482 as at October 31, 2012. No incentive fees were earned or paid as a result of the Polygon Transaction as the transaction was treated as a capital adjustment for the applicable calculations.

The table below shows the main elements of the movement in the NAV per Share in October 2012:

	<b>\$ per Share</b>
NAV per share as at September 30, 2012	14.292
Add: EPS per Share for October 2012	0.217
Less: Payment of Q3 2012 dividend	(0.115)
NAV per Share before Polygon Transaction	<b>14.394</b>
Increase due to Polygon Transaction	0.482
NAV per Share as at October 31, 2012	<b>14.876</b>

(4) Excludes 6.5 million shares held in treasury, 1.2 million shares held by a subsidiary and 11.7 million shares held in escrow.