

# TETRAGON

## TETRAGON FINANCIAL GROUP LIMITED (TFG)

### PERFORMANCE REPORT FOR PERIOD ENDED 30 SEPTEMBER 2009

October 23, 2009

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

In this quarterly update, unless otherwise stated, we report on the consolidated business incorporating TFG and Tetragon Financial Group Master Fund Limited.<sup>(1)</sup> References to “we” are to Polygon Credit Management LP, TFG’s investment manager.

#### **Portfolio and Market Developments – Executive Summary and Outlook:**

- ❖ **Financial Overview:** The third quarter of 2009 saw a return to profitability, driven in part by improvements in the O/C cushions of certain U.S. portfolio deals. The quarter witnessed positive earnings as well as an increase in the Accelerated Loss Reserves due to the restoration of certain previously released amounts. Improved portfolio performance also saw cash receipts from investments increase quarter-on-quarter, pushing cash balances higher.
- ❖ **Collateral Performance:** The third quarter was characterized by a notable improvement in secondary loan prices as the U.S. high yield capital markets and fundamental credit conditions showed signs of continued stabilization.
- ❖ **Key Drivers of Collateral Performance:** Although defaults continued at a material level during the third quarter, annualized quarterly and monthly default rates declined significantly from the highs reached during Q1 2009. Similarly, the pace of U.S. CCC downgrades decelerated during the quarter. As a result, while total CCC and defaulted asset holdings of many CLOs remained high, the net increases in such holdings were largely offset by market value and/or trading gains driving improvements in U.S. CLO O/C levels, on an aggregate basis. European CLOs, however, generally continued to see O/C deterioration due to, among other factors, continuing realized and unrealized losses and certain transaction-specific haircut requirements.
- ❖ **CLO Market Developments:** Secondary CLO prices posted strong gains as underlying loan prices rallied during the quarter and signs of fundamental stabilization emerged. Global arbitrage cash flow CLO issuance, however, remained subdued with new transactions dominated by balance sheet securitizations and restructurings of older-vintage CLOs.

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This Performance Report constitutes TFG’s interim management statement as required pursuant to Section 5:25e of the Netherlands Financial Markets Supervision Act (*Wet op het financieel toezicht*, “FMSA”). Pursuant to Section 5:25e 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](http://www.tetragoninv.com)).

**An investment in TFG involves substantial risks. Please refer to TFG’s website at [www.tetragoninv.com](http://www.tetragoninv.com) for a description of the risks and uncertainties pertaining to an investment in TFG.**

(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. Tetragon Financial Group LP (TFGLP), a U.S. “feeder fund”, has previously held an interest in TFGMF and accordingly, received a pro-rata allocation of the performance of TFGMF.

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#### Portfolio and Market Developments – Executive Summary and Outlook (continued):

- ❖ **Outlook:** We expect that the remainder of 2009 may present challenges to the continued improvement of TFG's portfolio as additional downgrades and defaults, among other factors, may exert negative pressures on TFG's investments.

As we assess potential uses of our cash, we intend to continue to evaluate new secondary CLO debt or equity investments, both as add-ons to existing portfolio positions or in new transactions which meet our investment criteria. Additionally, we continue to explore strategic opportunities in the leveraged loan asset management space as a means of potentially diversifying TFG's revenue base and benefitting from the anticipated recovery in the credit markets.

#### Q3 2009 Financial Results at a Glance:

- ❖ **Net Income:** Q3 2009 saw a consolidated net profit of \$31.2 million, compared to a loss of \$(26.7) million in Q2 2009 and a profit of \$48.8 million in the corresponding quarter in 2008.
- ❖ **Cash Receipts:** The investment portfolio generated \$35.3 million of cash during Q3 2009, or approximately \$0.28 per share (calculated using the average number of shares outstanding in TFGMF during the period based on quarter-end holdings). This compares to \$31.9 million of cash generated during Q2 2009.
- ❖ **Earnings per Share:** EPS for Q3 2009 was approximately \$0.25 per share resulting in a consolidated EPS of approximately \$(3.25) for the first three quarters of 2009, compared to a positive EPS of \$1.11 in the same period of 2008.
- ❖ **Net Assets and NAV per Share:** Consolidated net assets were \$720.8 million, or \$5.71 per share, as of September 30, 2009, up from \$693.1 million as of June 30, 2009, or \$5.50 per share.
- ❖ **Cash Balance:** Cash holdings increased during Q3 to \$149.7 million at September 30, 2009, or approximately \$1.19 per outstanding share, compared to \$123.8 million at the end of Q2 2009. TFG continued to have no outstanding borrowings.
- ❖ **Dividend:** On October 21, 2009, the Board of TFG declared a dividend of \$0.03 per share in respect of Q3 2009, which will be payable on November 18, 2009. Please refer to the website ([www.tetragoninv.com](http://www.tetragoninv.com)) for additional information regarding the dividend, including the Optional Stock Dividend Plan.
- ❖ **IRRs:** The weighted-average IRR ended the quarter at 10.3%, up from 9.2% at the end of Q2 2009. This reflected, among other factors, improvements in the prices of distressed, excess CCCs and defaulted assets, which in certain investments outweighed the negative effect of continued increases in the amount of such assets on O/C cushions.

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## TETRAGON FINANCIAL GROUP LIMITED (TFG)

### PERFORMANCE REPORT FOR PERIOD ENDED 30 SEPTEMBER 2009

#### Financial Results at a Glance (continued):

- ❖ **Life-to-Date Net Loss Reserves:** <sup>(2)</sup> Excess loss reserves increased in Q3 2009, with approximately \$95.4 million of excess loss reserves having been factored into our IRR calculations as of September 30, 2009. At the end of Q2 2009, excess loss reserves were approximately \$38.9 million.
- ❖ **Accelerated Loss Reserve:** <sup>(3)</sup> As of the end of Q3 2009, the Accelerated Loss Reserve totaled \$333.8 million, compared to \$254.1 million at the end of the prior quarter.
- ❖ **Hurdle Rate:** The hurdle rate for Q4 2009 incentive fee has been reset at 2.9329% (Q3: 3.2354%) as per the process outlined in TFG's 2008 Audited Financial Statements and in accordance with TFG's investment management agreement.<sup>(4)</sup> No incentive fee was paid for Q1, Q2, or Q3 2009.

#### Portfolio Detail:

- ❖ **Portfolio Size:** As of the end of Q3 2009, the estimated fair value of the investment portfolio totaled \$567.4 million, with look-through exposure to over \$17.0 billion of leveraged loans. No new collateralized loan obligation ("CLO") investments were made during the quarter.
- ❖ **Portfolio Composition:** The portfolio currently consists of 61 CLO investments managed by 32 CLO managers.<sup>(5)</sup>
- ❖ **Collateral Performance:** As of the end of Q3 2009, 24 or approximately 40.0% of our CLO investments were failing their most junior O/C test,<sup>(6)</sup> a decrease from 25 investments or 41.7% at the end of Q2. 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 aforementioned 24 investments have 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, however, distributions of excess interest cash flows to equity tranche holders could resume to the extent not precluded due to the investments' realized or unrealized losses.

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(2) The life-to-date net loss reserve is transaction-specific. It is calculated by subtracting the actual collateral loss for each transaction from the expected collateral loss, where the expected loss is a function of expected collateral size, TFG's loss assumptions and the length of time the investment has been held.

(3) The Accelerated Loss Reserve, like the life-to-date net loss reserve, is transaction specific. Whereas the life-to-date net loss reserve is an adjustment embedded in TFG's modeling assumptions, the Accelerated Loss Reserve is a direct adjustment to the fair value of an investment to account for the potential impact of certain losses and the cumulative value of such adjustments will be and is evidenced in TFG's financial statements.

(4) 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](http://www.tetragoninv.com), for more details.

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

(6) Based on the most recent trustee reports available for our investments as of September 30, 2009.

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## TETRAGON FINANCIAL GROUP LIMITED (TFG)

### PERFORMANCE REPORT FOR PERIOD ENDED 30 SEPTEMBER 2009

#### Portfolio Detail (continued):

- ❖ **Portfolio Credit Quality:** As of September 30, 2009, the weighted-average percentage of corporate obligors rated Caa1/CCC+ or below in our 61 CLO investments was 12.6% compared to an approximate 7.8% weighted-average maximum level permitted under the terms of our investments.<sup>(7)</sup> The weighted-average WARF stood at approximately 2,813. Each of these foregoing statistics represents a weighted-average summary of all of our 61 investments.<sup>(8)</sup> Each individual investment's metrics will differ from this average and vary across the portfolio.

TFG Investment Weighted-Average Summary	Q3 2009	Q2 2009	Q1 2009	Q4 2008	Q3 2008	Q2 2008	Q1 2008
Caa1/CCC+ or Below Obligators:	12.6%	11.6%	11.4%	7.6%	4.9%	4.4%	3.4%
WARF:	2,813	2,800	2,758	2,577	2,490	2,472	2,443

- ❖ **TFG and Market Default Rate:** The lagging 12-month U.S. institutional loan default rate increased to 9.75% by principal amount as of September 30, 2009, according to S&P/LCD, up from approximately 9.15% during the prior quarter.<sup>(9)</sup> Although this rolling 12-month average default rate remains high, we believe a quarterly view may point to a turn-around in the pace of defaults (by par amount). For example, the annualized Q3 2009 default rate fell to 4.76% by principal amount from 8.7% in the second quarter and from a high of 19.5% during Q1 2009.<sup>(9)</sup> Furthermore, September 2009 was the slowest month for loan defaults since November 2008.<sup>(9)</sup> We believe that this deceleration in the notional amount of defaults may be partially attributable to the relative scarcity of large defaults, as the default rate by number of loans declined at a slower pace – to 8.0% in Q3 2009 from 9.3% in the second quarter.<sup>(9)</sup> TFG's lagging 12-month corporate loan default rate increased to 6.7% during the third quarter.<sup>(10)</sup>

	Q3 2009	Q2 2009	Q1 2009	Q4 2008	Q3 2008	Q2 2008	Q1 2008
TFG Trailing 12-Month Default Rate:	6.7%	5.1%	4.0%	2.5%	1.5%	1.3%	0.8%

(7) Excess Caa/CCC+ or below rated assets above the transaction specific permitted maximum holding levels are generally haircut in our transactions at market value for purposes of the over-collateralization and/or interest reinvestment test ratios.

(8) Weighted by the original USD cost of each investment.

(9) Source: S&P / LSTA Leveraged Commentary and Data, "Loan defaults hit record 9.75%; outlook continues to brighten," October 1, 2009.

(10) Please note that the calculation of TFG's lagging 12-month corporate loan default rate does not include certain underlying investment collateral that due to, among other things, the occurrence of an applicable issuer debt repurchase or exchange 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 15.6% CLOs with primary exposure to European broadly syndicated senior secured loans and such loans are included in the calculation of TFG's corporate default rate.

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#### Market Detail:

- ❖ **Secondary loan market rally:** September marked the end of a strong third quarter for leveraged loans in the U.S., as the S&P/LSTA Leveraged Loan Index gained 46.1% YTD. <sup>(11)</sup> Distressed and lower-rated credits gained the most during the rally with CCC-rated credits returning 76% YTD, as compared with 55% for B-rated loans and 34% for BB-rated credits. <sup>(12)</sup> We believe that this positive momentum was attributable to both technical and fundamental factors. From a technical perspective, the secondary loan market benefitted from a pick-up in prepayments financed largely via high yield bond issuance. During Q3 2009, \$12.7 billion of such bond-for-loan take outs were issued totaling approximately 73% of the \$17.5 billion notional repaid during the quarter. <sup>(13)</sup> This repayment volume outpaced institutional new issuance, which totaled only \$7.8 billion during the quarter, reducing the size of the institutional loan market by 2.5% during Q3 2009 and 7.0% YTD, the biggest decline on record according to S&P. <sup>(14)</sup>
- ❖ **U.S. fundamentals and credit quality stabilize; European recovery lags U.S.:** We believe that U.S. fundamental conditions also began to reveal signs of stabilization during Q3 2009 providing further support for the increase in loan prices. The operating results of certain leveraged loan borrowers registered modest improvements in earnings and revenue trends. S&P reported that of the 100 largest S&P/LSTA Index issuers, of which approximately 50% reported Q2 2009 results as of the date of the article, average EBITDA was up 9.6% and revenues increased by 4.9% sequentially vs. Q1 2009. <sup>(15)</sup> Although these results are promising, year-over-year revenue trends are still generally negative and financial performance continues to vary across industries and issuers. Furthermore, cost-cutting and rationalization measures may have run their course and we believe that continued top-line growth will likely require meaningful macro-economic recovery.

The European loan market, however, remained strained during Q3 2009. Although the S&P European Leveraged Loan Index posted a 35.0% gain for the year, a weak primary market, as well as continuing downgrades and defaults continued to weigh on the space. <sup>(16)</sup> European new issue loan volume totaled only €1.5 billion during Q3 2009, <sup>(17)</sup> down from €9.6 billion issued during Q2 (dominated by the €8.9 billion Heidelberg Cement pro-rata loan) and up slightly from €1.2 billion in the first quarter. <sup>(18)</sup> The market also continued to work through a series of restructurings and amendments, which proved more challenging to resolve than many similar situations in the U.S. due to limited liquidity and unique European legal as well as institutional loan market dynamics. As many European borrowers continue to see earnings contraction we expect that European credit recovery is likely to continue to trail the U.S.

(11) Source: S&P / LSTA Leveraged Commentary and Data, "Behind Sept. loan returns (3.20%) Index hits new high of 1807," October 1, 2009.

(12) Source: S&P / LCD Quarterly Review, "Third Quarter 2009."

(13) Source: S&P / LCD Quarterly Review, "Third Quarter 2009."

(14) Source: S&P / LCD Quarterly Review, "Third Quarter 2009."

(15) Source: S&P / LSTA Leveraged Commentary and Data, "Loan defaults hit record 9.75%; outlook continues to brighten," October 1, 2009.

(16) Source: S&P / LCD Quarterly Review, "Third Quarter 2009."

(17) Source: S&P / LCD Quarterly Review, "Third Quarter 2009."

(18) Source: S&P / LSTA Leveraged Commentary and Data, "(EUR) IH09 primary volume sporadic; maturity management in focus," July 10, 2009.



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## TETRAGON FINANCIAL GROUP LIMITED (TFG)

### PERFORMANCE REPORT FOR PERIOD ENDED 30 SEPTEMBER 2009

#### Market Detail (continued):

- ❖ **Balance sheet restructurings continue:** The third quarter continued to see amendment, distressed exchange, and below-par buy-back activity, albeit at a slower pace than in prior quarters. During Q3 2009, only 30 borrowers sought covenant relief vs. 58 in the second quarter. <sup>(19)</sup> Companies also responded to the contraction in the capital markets by increasing their cash balances by an average of 22% year-over-year to increase in liquidity. <sup>(20)</sup> Additionally, leveraged loan borrowers were also able to extinguish or extend approximately \$20 billion of pre-2009 maturities during Q3 2009, bringing the YTD total to \$124 billion. <sup>(21)</sup>
- ❖ **Loan and high yield bond issuance volumes increase, providing much needed liquidity:** Q3 2009 saw a pick-up in the new issuance volumes of both loans and high yield bonds. U.S. institutional loan issuance totaled \$7.8 billion during the third quarter vs. \$6.2 billion in the prior quarter, bringing the YTD total to \$19.1 billion. <sup>(22)</sup> Furthermore, Q3 2009 issuance shifted away from rescue loans and DIPs toward transactions motivated by general corporate purposes. As a result institutional loans accounted for 54% of Q3 2009 new issue volume, excluding DIPs, as compared with 28% during IH 2009. <sup>(23)</sup> Additionally, the end of the third quarter saw the re-emergence of M&A-driven institutional loan issuance, which market participants expect to continue in 2010, capital market conditions permitting. Q3 2009 high yield bond issuance exceeded new issue loan volumes, totaling approximately \$12.7 billion during the quarter and \$41.2 billion YTD, \$23.6 billion or 57% of which was used to refinance loans. <sup>(24)</sup>
- ❖ **U.S. CLO O/C ratios improve while European CLOs continue to face O/C pressures:** The third quarter of 2009 witnessed a general improvement in the level of U.S. CLO O/C coverage levels. These gains were the result of a combination of factors, including a moderation of default rates and CCC downgrades, broad increases in loan prices (with material gains in CCC-rated credits), waterfall-prescribed reinvestment and/or de-leveraging, as well as manager trading strategies designed to improve O/C cushions. Based on a surveillance universe consisting of 485 USD-denominated CLOs issued during 2000-2008, Morgan Stanley estimated that 247 or approximately 51% were failing their junior O/C test as of trustee reports available at the end of September 2009 <sup>(25)</sup> as compared with 280 out of 521 or approximately 54% at the end of Q2 2009. <sup>(26)</sup> Unfortunately, European CLOs continued to see O/C deterioration during the quarter.

(19) Source: S&P / LCD Quarterly Review, "Third Quarter 2009."

(20) Source: Morgan Stanley High Yield Strategy Research, "Back to School High Yield Outlook," September 2009.

(21) Source: S&P / LCD Quarterly Review, "Third Quarter 2009."

(22) Source: S&P / LCD Quarterly Review, "Third Quarter 2009."

(23) Source: S&P / LCD Quarterly Review, "Third Quarter 2009."

(24) Source: S&P / LCD Quarterly Review, "Third Quarter 2009," M&A transactions e.g.: Warner Chilcott (\$1.5 billion) and Skype (\$600 million).

(25) Source: Morgan Stanley CDO Market Update, October 3, 2009.

(26) Source: Morgan Stanley CDO Market Update, July 10, 2009.

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## TETRAGON FINANCIAL GROUP LIMITED (TFG)

### PERFORMANCE REPORT FOR PERIOD ENDED 30 SEPTEMBER 2009

- ❖ **Secondary CLO debt prices increase:** Paralleling the pick-up in underlying loan prices, stabilizing fundamentals, as well as the broader credit market recovery, CLO prices increased at the end of the third quarter with mezzanine tranches posting the biggest relative gains. Although structural, collateral quality and documentation characteristics, among other factors, continue to generate price differences across individual CLO tranches, generic CLO spreads are currently at their tightest levels since the collapse of the credit markets. Despite these gains, however, CLO debt continues to offer a lower-cost alternative to accessing leveraged loan exposure and may therefore represent an interesting investment opportunity for certain investors. <sup>(27)</sup>
- ❖ **CLO issuance volumes remain subdued:** Global CLO issuance remained subdued in Q3 2009, totaling \$28.5 billion and bringing the YTD total to \$124.5 billion. <sup>(28)</sup> As in prior quarters, new issuance continued to be driven by European balance sheet and Small and Medium Enterprise (“SME”) CLOs.

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(27) Source: Morgan Stanley CDO Market Insights, “Revisiting CLO Value Proposition,” September 18, 2009.

(28) Source: JP Morgan Global CDO Weekly Snapshot, October 5, 2009.

# TETRAGON

## TETRAGON FINANCIAL GROUP LIMITED (TFG) PERFORMANCE REPORT FOR PERIOD ENDED 30 SEPTEMBER 2009

### Share Repurchase Program

As noted in the Share Repurchase Program press release of today, TFG will continue with its share repurchase program on the same material terms as currently in effect with the exception of the program's daily trading volume limitation, which will be increased substantially. TFG's maximum daily trading volume for such purchases under the updated program will be based on the average daily volume traded in September 2009 compared with March 2009 under the current version of the program. The Board of TFG continues to be confident in the long-term prospects of TFG. The Board also believes that the purchase of shares in the market may at appropriate price levels below Net Asset Value represent an attractive use of TFG's excess cash and an efficient means to return cash to its shareholders.

### Quarterly Investor Call

We will host a conference call for investors on October 23, 2009 at 15:00 BST/16:00 CET/10:00 EDT to discuss Q3 2009 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://eventregl.conferencing.com/webportal3/reg.html?Acc=084793&Conf=168433> or by going to the TFG website, [www.tetragoninv.com](http://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
Q3 Record Date	October 27, 2009
October 2009 Monthly Report	November 17, 2009 (approx)
Q3 Dividend Payment Date	November 18, 2009



# TETRAGON

## TETRAGON FINANCIAL GROUP LIMITED (TFG) PERFORMANCE REPORT FOR PERIOD ENDED 30 SEPTEMBER 2009

TETRAGON FINANCIAL GROUP								
Financial Highlights								
	Q3 2009	Q2 2009	Q1 2009	Q4 2008	Q3 2008	Q2 2008	Q1 2008	Q4 2007
Net income (\$MM)	\$31.2	(\$26.7)	(\$414.3)	(\$187.1)	\$48.8	\$45.8	\$45.9	(\$13.8)
EPS (\$)	\$0.25	(\$0.21)	(\$3.29)	(\$1.48)	\$0.39	\$0.36	\$0.36	(\$0.11)
Cash receipts (\$MM)	\$35.3	\$31.9	\$47.1	\$75.3	\$77.7	\$118.0	\$74.0	\$76.3
Cash receipts per share (\$)	\$0.28	\$0.25	\$0.37	\$0.60	\$0.62	\$0.94	\$0.59	\$0.61
Net cash balance (\$MM)	\$149.7	\$123.8	\$94.3	\$59.9	\$13.4	(\$69.4)	(\$152.9)	(\$186.0)
Net assets (\$MM)	\$721	\$693	\$723	\$1,142	\$1,348	\$1,319	\$1,289	\$1,264
Number of shares outstanding (million)	126.2	125.9	125.7	126.0	126.2	126.3	125.7	126.1
NAV per share (\$)	\$5.71	\$5.50	\$5.75	\$9.06	\$10.69	\$10.44	\$10.25	\$10.02
DPS (\$)	\$0.03	\$0.03	\$0.03	\$0.03	\$0.15	\$0.15	\$0.15	\$0.15
Weighted average IRR on completed transactions (%)	10.3%	9.2%	10.6%	13.8%	16.9%	16.6%	16.0%	16.6%
Number of investments <sup>(1)</sup>	61	61	61	61	61	61	61	61
Net excess life-to-date loss accruals (\$MM) <sup>(2)</sup>	(\$95.0)	(\$39.0)	(\$50.0)	(\$115.0)	(\$158.0)	(\$137.0)	(\$116.0)	(\$106.0)
Accelerated loss reserve (\$MM)	(\$333.8)	(\$254.1)	(\$315.0)	(\$141.0)	\$0.0	\$0.0	\$0.0	\$0.0

<sup>(1)</sup> Excludes CDO-squared and ABS CDO transactions written off in October 2007. TFG continues to hold the economic rights to 4 of these written-off transactions.

<sup>(2)</sup> Net excess life-to-date loss accrual is deal specific. It subtracts the actual collateral loss from the expected loss, where the expected loss is a function of expected collateral size, TFG's loss assumption and length of time the investment has been held.

# TETRAGON

## TETRAGON FINANCIAL GROUP LIMITED (TFG) PERFORMANCE REPORT FOR PERIOD ENDED 30 SEPTEMBER 2009

Consolidated Performance				
Statement of Operations	Q3 2009	Q2 2009	Q1 2009	Q4 2008
	(\$MM)	(\$MM)	(\$MM)	(\$MM)
Interest Income from Investments	39.6	49.6	47.6	53.1
Interest Income from Cash	0.0	0.0	0.1	0.1
Other Income	0.3	0.2	0.5	0.0
<b>Investment Income</b>	<b>39.9</b>	<b>49.8</b>	<b>48.2</b>	<b>53.2</b>
Management Fees	(2.6)	(2.7)	(4.2)	(5.0)
Admin/ Custody and Other Fees	(0.5)	(0.5)	(0.6)	(1.0)
Interest Expense	-	-	(0.6)	(1.3)
<b>Total Operating Expenses Excluding Performance Fee</b>	<b>(3.1)</b>	<b>(3.2)</b>	<b>(5.4)</b>	<b>(7.3)</b>
<b>Net Investment Income</b>	<b>36.8</b>	<b>46.6</b>	<b>42.8</b>	<b>45.9</b>
Realised and Unrealised Gains/(Losses) From Hedging	(2.1)	(2.1)	0.1	2.0
Net Increase/(Decrease) in Unrealised Appreciation/(Depreciation) in Investments	(3.5)	(71.2)	(457.2)	(235.0)
<b>Net Realised and Unrealised Gains/(Losses) from Investments and FX</b>	<b>(5.6)</b>	<b>(73.3)</b>	<b>(457.1)</b>	<b>(233.0)</b>
<b>Net Increase/(Decrease) in Net Assets From Operation Before Performance Fees</b>	<b>31.2</b>	<b>(26.7)</b>	<b>(414.3)</b>	<b>(187.1)</b>
Performance Fees	0.0	0.0	0.0	0.0
<b>Net Increase/(Decrease) in Net Assets from Operations</b>	<b>31.2</b>	<b>(26.7)</b>	<b>(414.3)</b>	<b>(187.1)</b>

# TETRAGON

**TETRAGON FINANCIAL GROUP LIMITED (TFG)**  
**PERFORMANCE REPORT FOR PERIOD ENDED 30 SEPTEMBER 2009**

## TETRAGON FINANCIAL GROUP

Unaudited Balance Sheet as at 30 September 2009

	TFG Master Fund (\$MM)	TFG (\$MM)	TFG Total (\$MM)
<b>Assets</b>			
Investments in securities, at fair value	567.4		567.4
Cash and cash equivalents	149.7		149.7
Amounts due from brokers	6.7		6.7
Other receivables	0.2		0.2
<b>Total Assets</b>	724.0	0.0	724.0
<b>Liabilities</b>			
Unrealised loss on forward contracts	2.8		2.8
Other payables and accrued expenses	0.3		0.3
<b>Total Liabilities</b>	3.2	0.0	3.2
<b>Net Assets</b>	720.8	0.0	720.8

# TETRAGON

## TETRAGON FINANCIAL GROUP LIMITED (TFG) PORTFOLIO COMPOSITION PORTFOLIO HELD BY TETRAGON FINANCIAL GROUP MASTER FUND LIMITED (UNLESS OTHERWISE STATED) AS OF SEPTEMBER 30, 2009

Report Date	TFG Share Price (\$)	TFG group Market Cap (\$MM) <sup>(1)</sup>	TFG group Net Assets (\$MM)	No. of Closed CLO Transactions
30 September 2009	\$1.90	\$246.5	\$720.8	61 <sup>(2)</sup>

  

Capital Allocation by Asset Class	Risk Capital Allocation	Investment - Fair Value (\$MM) <sup>(3)</sup>	Investment - Amortized Cost B/Fwd (\$MM) <sup>(4)</sup>	Overall Leverage <sup>(5)</sup>	Asset Class Allocation
Broadly Syndicated Senior Secured Loans: US	61.2%	\$347.3	\$674.2		
Broadly Syndicated Senior Secured Loans: Europe	15.6%	\$88.5	\$208.4		
Middle Market Senior Secured Loans: US	23.2%	\$131.6	\$170.1		
CDOs Squared: US	0.0%	\$0.0	\$0.0		
ABS and Structured Finance: US	0.0%	\$0.0	\$0.0		
<b>Total</b>	<b>100.0%</b>	<b>\$567.4</b>	<b>\$1,052.8</b>	<b>0.79</b>	

  

Geographic Allocation by Asset Class	USA	Europe	Asia Pacific	Total	Geographic Allocation
Broadly Syndicated Senior Secured Loans	79.7%	20.3%	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%	
<b>Total</b>	<b>84.4%</b>	<b>15.6%</b>	<b>0.0%</b>	<b>100.0%</b>	

  

Top 15 Underlying Bank Loan Credits	Bank Loan Exposure <sup>(6)</sup>	Top 10 Bank Loan Industry Exposures
Community Health	0.89%	
TXU Corp	0.83%	
HCA Inc	0.80%	
Georgia Pacific Corp	0.76%	
Univision Communications	0.75%	
Cablevision Systems Corp	0.61%	
SunGard Data Systems Inc	0.61%	
First Data Corp	0.60%	
Aramark Corp	0.58%	
Nielsen Company	0.54%	
Calpine Corp	0.53%	Healthcare, Education & Childcare
Celanese US Holdings LLC	0.52%	Diversified/Conglomerate Service
Idearc	0.52%	Chemicals, Plastics & Rubber
Mylan Laboratories	0.52%	Buildings & Real Estate
Sabre Holdings Corp	0.50%	Utilities
		Broadcasting & Entertainment
		Telecommunications
		Printing & Publishing
		Finance
		Oil & Gas

  

EUR-USD FX: 1.46

<sup>(1)</sup> Calculated using TFG shares outstanding and month end exchange price.  
<sup>(2)</sup> Excludes CDO-squared and ABS CDO transactions which were written off in October 2007. TFG continues to hold the economic rights to 4 of these written-off transactions.  
<sup>(3)</sup> Equivalent to Investment in Securities at Fair Value in the US GAAP Financial Statements.  
<sup>(4)</sup> Investments at Amortized Cost less interest accrued since last payment date. Internal Rate of Return (IRR) x Amortized Cost B/Fwd determines CDO income.  
<sup>(5)</sup> Equals CDO Amortized Cost B/Fwd / Book Value.  
<sup>(6)</sup> 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 (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](http://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  
Alex Jackson

David Jeffreys\*  
Byron Knief\*

Lee Olesky\*

*\*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 GYI 3PF

### Investment Manager

Polygon Credit Management LP  
399 Park Avenue, 22<sup>nd</sup> Floor  
New York, NY 10022  
United States of America

### General Partner of Investment Manager

Polygon Credit Management GP LLC  
399 Park Avenue, 22<sup>nd</sup> Floor  
New York, NY 10022  
United States of America

### Investor Relations

David Wishnow / Yuko Thomas  
ir@polygoninv.com

### Press Inquiries

Finsbury  
Charles Chichester/Talia Druker/Rollo Head  
+44 20 7251 3801

### Auditors

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

### Administrator and Registrar

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

### 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 GYI IWA

### Legal Advisor (as to Dutch law)

De Brauw Blackstone Westbroek N.V.  
Tripolis  
Burgerweeshuispad 301  
1076 HR Amsterdam, The Netherlands

### Stock Listing

NYSE EuroNext

**UNAUDITED QUARTERLY REPORT**

**TETRAGON FINANCIAL GROUP LIMITED**

**FOR THE PERIOD ENDED 30 SEPTEMBER 2009 AND FOR THE PERIOD  
ENDED 30 SEPTEMBER 2008**



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**TETRAGON FINANCIAL GROUP LIMITED**  
**UNAUDITED QUARTERLY REPORT**  
**FOR THE PERIOD ENDED 30 SEPTEMBER 2009 AND FOR THE PERIOD**  
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**TETRAGON FINANCIAL GROUP LIMITED**  
**STATEMENTS OF ASSETS AND LIABILITIES**  
as at 30 September 2009 (unaudited)

	<b>30 Sep 2009</b>	<b>31 Dec 2008</b>
	<b>US\$</b>	<b>US\$</b>
<b>Assets</b>		
Investment in Master Fund	720,846,408	1,141,950,194
Amounts receivable from Master Fund	44,603	74,366
<b>Total assets</b>	<u>720,891,011</u>	<u>1,142,024,560</u>
<b>Liabilities</b>		
Amounts payable on treasury shares	44,603	74,366
<b>Total liabilities</b>	<u>44,603</u>	<u>74,366</u>
<b>Net assets</b>	<u>720,846,408</u>	<u>1,141,950,194</u>
<b>Equity</b>		
Share capital	126,195	125,980
Share Premium	1,182,157,534	1,182,232,455
Capital Reserve in respect of share options	11,789,336	11,789,336
Earnings	(473,226,657)	(52,197,577)
	<u>720,846,408</u>	<u>1,141,950,194</u>
<b>Shares outstanding</b>		
	Number	Number
Participating shares	126,195,146	125,979,883
<b>Net asset value per share</b>		
Participating shares	US\$5.71	US\$9.06

**TETRAGON FINANCIAL GROUP LIMITED**  
**STATEMENTS OF OPERATIONS**  
For the period ended 30 September 2009 and for the period  
ended 30 September 2008 (unaudited)

	Quarter Ended 30 Sep 2009 US\$	Quarter Ended 30 Sep 2008 US\$	9 Months Ended 30 Sep 2009 US\$	9 Months Ended 30 Sep 2008 US\$
<b>Investment income allocated from the Master Fund</b>				
Interest income	39,660,355	54,472,877	136,955,255	162,688,641
Other income	281,815	-	963,552	-
<b>Investment income allocated from the Master Fund</b>	<b>39,942,170</b>	<b>54,472,877</b>	<b>137,918,807</b>	<b>162,688,641</b>
<b>Direct expenses</b>				
Incentive fee	-	(10,329,924)	-	(21,930,546)
<b>Direct expenses</b>	<b>-</b>	<b>(10,329,924)</b>	<b>-</b>	<b>(21,930,546)</b>
<b>Operating expenses allocated from the Master Fund</b>				
Management fees	(2,607,033)	(4,974,128)	(9,473,344)	(14,123,548)
Administration fees	(132,004)	(200,333)	(457,861)	(518,406)
Custodian fees	(16,734)	-	(42,104)	-
Legal and professional fees	(44,653)	(112,479)	(113,099)	(413,039)
Audit fees	(90,292)	(92,447)	(228,456)	(238,688)
Directors' fees	(50,000)	(50,000)	(150,004)	(145,175)
Transfer agent fees	(28,739)	(33,158)	(89,916)	(109,249)
Other operating expenses	(163,100)	(336,409)	(501,485)	(605,164)
Interest expense	-	(3,017,787)	(592,021)	(11,388,798)
<b>Operating expenses allocated from the Master Fund</b>	<b>(3,132,555)</b>	<b>(8,816,741)</b>	<b>(11,648,290)</b>	<b>(27,542,067)</b>
<b>Total operating expenses</b>	<b>(3,132,555)</b>	<b>(19,146,665)</b>	<b>(11,648,290)</b>	<b>(49,472,613)</b>
<b>Net investment income</b>	<b>36,809,615</b>	<b>35,326,212</b>	<b>126,270,517</b>	<b>113,216,028</b>

**TETRAGON FINANCIAL GROUP LIMITED**  
**STATEMENTS OF OPERATIONS (continued)**  
For the period ended 30 September 2009 and for the period  
ended 30 September 2008 (unaudited)

	Quarter Ended 30 Sep 2009 US\$	Quarter Ended 30 Sep 2008 US\$	9 Months Ended 30 Sep 2009 US\$	9 Months Ended 30 Sep 2008 US\$
<b>Net realized and unrealized (loss)/gain from investments and foreign currencies allocated from the Master Fund</b>				
Net realized gain/(loss) from:				
Investments	-	-	-	303,684
Foreign currency transactions	(4,250,644)	19,409,958	6,158,675	(1,104,697)
Credit default swaps	-	14,499,885	-	19,731,448
	<u>(4,250,644)</u>	<u>33,909,843</u>	<u>6,158,675</u>	<u>18,930,435</u>
<b>Net (decrease)/increase in unrealized (depreciation)/appreciation on:</b>				
Investments	(3,499,523)	10,009,579	(531,855,631)	11,168,452
Forward foreign exchange contracts	1,693,573	4,355,043	2,031,931	2,477,163
Credit default swaps	-	(10,931,088)	-	(9,606,673)
Foreign Exchange Options	(595,500)	-	(5,475,600)	-
Translation of assets and liabilities in foreign currencies	1,090,691	(23,918,958)	(6,841,244)	177,213
	<u>(1,310,759)</u>	<u>(20,485,424)</u>	<u>(542,140,544)</u>	<u>4,216,155</u>
<b>Net realized and unrealized (loss)/gain from investments and foreign currencies allocated from the Master Fund</b>	(5,561,403)	13,424,419	(535,981,869)	23,146,590
<b>Net increase/(decrease) in net assets resulting from operations</b>	<u>31,248,212</u>	<u>48,750,631</u>	<u>(409,711,352)</u>	<u>136,362,618</u>

**TETRAGON FINANCIAL GROUP LIMITED**  
**STATEMENTS OF CHANGES IN NET ASSETS**  
For the period ended 30 September 2009 and for the period  
ended 30 September 2008 (unaudited)

	<b>9 Months Ended 30 Sep 2009 US\$</b>	<b>9 Months Ended 30 Sep 2008 US\$</b>
Total investment income	137,918,807	162,688,641
Total operating expenses	(11,648,290)	(49,472,613)
Net realized gain from investments and foreign currencies allocated from the Master Fund	6,158,675	18,930,435
Net unrealized (loss)/gain from investments and foreign currencies allocated from the Master Fund	(542,140,544)	4,216,155
Net (decrease)/increase in net assets resulting from operations	<u>(409,711,352)</u>	<u>136,362,618</u>
Dividends paid to shareholders	(11,317,728)	(54,342,978)
Issue of shares	909,146	87,244,339
Treasury shares	(983,852)	(8,999,699)
(Decrease)/increase in net assets resulting from net share transactions	<u>(74,706)</u>	<u>78,244,640</u>
<b>Total (decrease)/increase in net assets</b>	<b>(421,103,786)</b>	<b>160,264,280</b>
Net assets at start of period	1,141,950,194	1,188,220,992
<b>Net assets at end of period</b>	<u><b>720,846,408</b></u>	<u><b>1,348,485,272</b></u>

**TETRAGON FINANCIAL GROUP LIMITED**  
**STATEMENTS OF CASH FLOWS**  
For the period ended 30 September 2009 and for the period  
ended 30 September 2008 (unaudited)

	<b>9 Months Ended 30 Sep 2009 US\$</b>	<b>9 Months Ended 30 Sep 2008 US\$</b>
<b>Operating and investing activities</b>		
Net (decrease)/increase in net assets resulting from operations	(409,711,352)	136,362,618
Adjustments for:		
Net unrealized depreciation/(appreciation) on investments in Master Fund	421,103,786	(170,594,204)
Operating cash flows before movements in working capital	<u>11,392,434</u>	<u>(34,231,586)</u>
Decrease in receivables	29,763	110,984
(Decrease)/increase in payables	(29,763)	10,218,940
Cash flows from operations	<u>11,392,434</u>	<u>(23,901,662)</u>
<b>Cash inflows/(outflows) from operating and investing activities</b>	<u>11,392,434</u>	<u>(23,901,662)</u>
<b>Financing activities</b>		
Issue of shares	909,146	87,244,339
Treasury shares	(983,852)	(8,999,699)
Dividends paid to shareholders	(11,317,728)	(54,342,978)
<b>Cash (outflows)/inflows from financing activities</b>	<u>(11,392,434)</u>	<u>23,901,662</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>	-	-
Cash and cash equivalents at beginning of period	-	-
<b>Cash and cash equivalents at end of period</b>	<u>-</u>	<u>-</u>



**UNAUDITED QUARTERLY REPORT**

**TETRAGON FINANCIAL GROUP MASTER FUND LIMITED**

**FOR THE PERIOD ENDED 30 SEPTEMBER 2009 AND FOR THE PERIOD  
ENDED 30 SEPTEMBER 2008**

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**TETRAGON FINANCIAL GROUP MASTER FUND LIMITED**  
**UNAUDITED QUARTERLY REPORT**  
**FOR THE PERIOD ENDED 30 SEPTEMBER 2009 AND FOR THE PERIOD**  
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**TETRAGON FINANCIAL GROUP MASTER FUND LIMITED**

**STATEMENTS OF ASSETS AND LIABILITIES**

as at 30 SEPTEMBER 2009 (unaudited)

	<b>30 Sep 2009</b>	<b>31 Dec 2008</b>
	<b>US\$</b>	<b>US\$</b>
<b>Assets</b>		
Investments in securities, at fair value	567,432,382	1,082,495,071
Cash and cash equivalents	149,699,437	63,042,822
Amounts due from brokers	6,675,770	114,374,113
Derivative financial assets - foreign exchange options	2,000	5,477,600
Other receivables	225,737	176,192
<b>Total assets</b>	<b>724,035,326</b>	<b>1,265,565,798</b>
<b>Liabilities</b>		
Payables under repurchase and swap agreements	-	117,557,492
Derivative financial liabilities – forward contracts	2,809,645	4,841,576
Amounts payable to feeder fund	44,603	74,366
Interest payable	-	665,976
Other payables and accrued expenses	334,670	476,194
<b>Total liabilities</b>	<b>3,188,918</b>	<b>123,615,604</b>
<b>Net assets</b>	<b>720,846,408</b>	<b>1,141,950,194</b>
<b>Equity</b>		
Share capital	126,195	125,980
Share premium	1,141,380,618	1,141,455,539
Earnings	(420,660,405)	368,675
	<b>720,846,408</b>	<b>1,141,950,194</b>
<b>Shares outstanding</b>		
Shares	<b>Number</b> 126,195,146	<b>Number</b> 125,979,883
<b>Net asset value per share</b>		
Shares	US\$5.71	US\$9.06

**TETRAGON FINANCIAL GROUP MASTER FUND LIMITED**

**STATEMENTS OF OPERATIONS**

**For the period ended 30 SEPTEMBER 2009 and for the period  
ended 30 SEPTEMBER 2008 (unaudited)**

	Quarter Ended 30 Sep 2009 US\$	Quarter Ended 30 Sep 2008 US\$	9 Months Ended 30 Sep 2009 US\$	9 Months Ended 30 Sep 2008 US\$
Interest income	39,660,355	54,472,877	136,955,255	168,254,245
Other income	281,815	-	963,552	-
<b>Investment income</b>	<b>39,942,170</b>	<b>54,472,877</b>	<b>137,918,807</b>	<b>168,254,245</b>
Management fees	(2,607,033)	(4,974,128)	(9,473,344)	(14,585,744)
Administration fees	(132,004)	(200,333)	(457,861)	(534,511)
Custodian fees	(16,734)	-	(42,104)	-
Legal and professional fees	(44,653)	(112,479)	(113,099)	(431,283)
Audit fees	(90,292)	(92,447)	(228,456)	(246,261)
Directors' fees	(50,000)	(50,000)	(150,004)	(150,000)
Transfer agent fees	(28,739)	(33,158)	(89,916)	(112,943)
Other operating expenses	(163,100)	(336,409)	(501,485)	(621,414)
Interest expense	-	(3,017,787)	(592,021)	(11,835,507)
<b>Operating expenses</b>	<b>(3,132,555)</b>	<b>(8,816,741)</b>	<b>(11,648,290)</b>	<b>(28,517,663)</b>
<b>Net investment income</b>	<b>36,809,615</b>	<b>45,656,136</b>	<b>126,270,517</b>	<b>139,736,582</b>
<b>Realized and unrealized (loss)/gain from investments and foreign currency</b>				
Net realized gain/(loss) from:				
Investments	-	-	-	322,349
Foreign currency transactions	(4,250,644)	19,409,958	6,158,675	(2,385,457)
Credit default swaps	-	14,499,885	-	20,119,865
	<b>(4,250,644)</b>	<b>33,909,843</b>	<b>6,158,675</b>	<b>18,056,757</b>
<b>Net (decrease)/increase in unrealized (depreciation)/appreciation on:</b>				
Investments	(3,499,523)	10,009,579	(531,855,631)	10,806,962
Forward foreign exchange contracts	1,693,573	4,355,043	2,031,931	2,526,799
Credit Default Swaps	-	(10,931,088)	-	(9,786,587)
Foreign Exchange Options	(595,500)	-	(5,475,600)	-
Translation of assets and liabilities in foreign currencies	1,090,691	(23,918,958)	(6,841,244)	1,471,054
	<b>(1,310,759)</b>	<b>(20,485,424)</b>	<b>(542,140,544)</b>	<b>5,018,228</b>
<b>Net realized and unrealized (loss)/ gain from investments and foreign currencies</b>	<b>(5,561,403)</b>	<b>13,424,419</b>	<b>(535,981,869)</b>	<b>23,074,985</b>
<b>Net increase/(decrease) in net assets resulting from operations</b>	<b>31,248,212</b>	<b>59,080,555</b>	<b>(409,711,352)</b>	<b>162,811,567</b>

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**TETRAGON FINANCIAL GROUP MASTER FUND LIMITED**  
**STATEMENTS OF CHANGES IN NET ASSETS**  
For the period ended 30 SEPTEMBER 2009 and for the period  
ended 30 SEPTEMBER 2008 (unaudited)

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	<b>9 Months Ended 30 Sep 2009 US\$</b>	<b>9 Months Ended 30 Sep 2008 US\$</b>
Investment income	137,918,807	168,254,245
Operating expenses	(11,648,290)	(28,517,663)
Net realized gain from investments and foreign currency	6,158,675	18,056,757
Net unrealized (depreciation) / appreciation on investments and translation of assets and liabilities in foreign currencies	(542,140,544)	5,018,228
Net (decrease) / increase in net assets resulting from operations	<u>(409,711,352)</u>	<u>162,811,567</u>
Dividends paid to shareholders	(11,317,728)	(68,622,012)
Issue of shares	909,146	9,187,384
Treasury shares	(983,852)	(8,999,699)
(Decrease) / increase in net assets resulting from net share transactions	<u>(74,706)</u>	<u>187,685</u>
<b>Total (decrease) / increase in net assets</b>	<b>(421,103,786)</b>	<b>94,377,240</b>
<b>Net assets at start of period</b>	<b>1,141,950,194</b>	<b>1,264,437,956</b>
<b>Net assets at end of period</b>	<b><u>720,846,408</u></b>	<b><u>1,358,815,196</u></b>

**TETRAGON FINANCIAL GROUP MASTER FUND LIMITED**

**STATEMENTS OF CASH FLOWS**

**For the period ended 30 SEPTEMBER 2009 and for the period  
ended 30 SEPTEMBER 2008 (unaudited)**

	<b>9 Months ended 30 Sep 2009 US\$</b>	<b>9 Months ended 30 Sep 2008 US\$</b>
<b>Operating and investing activities</b>		
Net (decrease) / increase in net assets resulting from operations	(409,711,352)	162,811,567
Adjustments for:		
Realized gain on investments	-	(322,349)
Non cash interest income on investments	(25,070,302)	105,585,526
Unrealized losses/(gains)	542,140,544	(5,018,229)
Operating cash flows before movements in working capital	107,358,890	263,056,515
(Increase) / Decrease in receivables	(49,545)	11,665,717
Decrease in payables	(837,263)	(7,205,678)
Cash flows from operations	106,472,082	267,516,554
Proceeds from repayments on investments	-	322,349
<b>Cash inflows from operating and investing activities</b>	<b>106,472,082</b>	<b>267,838,903</b>
<b>Financing activities</b>		
Amounts due from brokers	107,698,343	(20,163,549)
Proceeds from issue of shares	909,146	9,187,384
Treasury shares	(983,852)	(8,999,699)
Dividends paid to shareholders	(11,317,728)	(68,622,012)
Repayment on repurchase and swap agreements	(117,557,492)	(274,621,701)
Bank overdraft	-	252,826,526
<b>Cash outflows from financing activities</b>	<b>(21,251,583)</b>	<b>(110,393,051)</b>
<b>Net increase in cash and cash equivalents</b>	<b>85,220,499</b>	<b>157,445,852</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>63,042,822</b>	<b>209,237,922</b>
<b>Effect of exchange rate fluctuations on cash and cash equivalents</b>	<b>1,436,116</b>	<b>24,928</b>
<b>Cash and cash equivalents at end of period</b>	<b>149,699,437</b>	<b>366,708,702</b>