



# TETRAGON

TFGLP is allocated its pro-rata share of the performance of TFGMF. Prior to the IPO of TFG, when there were different classes of partnership interest paying different management and performance fees, TFGLP paid various expenses directly as well as being allocated its pro-rata share of TFGMF's expenses. Post-IPO, all expenses other than performance fees (paid via an incentive allocation to the General Partner) are paid by TFGMF and allocated pro-rata to TFGLP.

The Financial Statements of TFG, TFGMF and TFGLP are all prepared under US GAAP.

## **Profit and Loss presentation**

To present the P&L of Tetragon as a whole, we have added together the results of TFG and TFGLP. This results in a consolidation of the total performance of TFGMF with the costs paid directly by TFG and TFGLP. To show a consistent view across the entities, we have treated the performance fee (\$330,116) paid by investors in TFGLP, which is accounted for as an incentive allocation in the Financial Statements of TFGLP, as an expense when looking at performance on a consolidated basis.

## **Balance sheet**

To present a comprehensive picture of the Balance Sheet of Tetragon, we have added to the TFGMF balance sheet the following items:

1. The small cash balances held by TFG and TFGLP
2. The accrued expenses on the balance sheets of TFG and TFGLP

At the end of Q1 2007 we have treated the unpaid incentive allocation of \$330,089 in TFGLP as an accrued expense when showing consolidated results.

# TETRAGON

## TETRAGON FINANCIAL GROUP

Consolidated Business Income Statement (1)

Quarter ended March 31, 2007

	TFG	TFGLP	Sum of Feeder Funds
<b>Investment Income:</b>			
Interest Income	31,853,324	9,076,399	40,929,724
<b>Total Investment Income</b>	<b>31,853,324</b>	<b>9,076,399</b>	<b>40,929,724</b>
<b>Operating Expenses Allocated from the Master Fund and Paid Directly:</b>			
Management Fees	(3,001,346)	(828,861)	(3,830,207)
Administration Fees	(100,690)	(28,683)	(129,373)
Custodian Fees	(28,045)	0	(28,045)
Legal and Professional Fees	(15,853)	(14,017)	(29,870)
Audit Fees	(32,335)	(11,464)	(43,799)
Directors' Fees	(26,145)	(3,259)	(29,404)
Other Operating Expenses	(15,914)	(3,350)	(19,264)
Interest Expense	(3,090,031)	(880,253)	(3,970,284)
<b>Total Operating Expenses Allocated from the Master Fund and Paid Directly</b>	<b>(6,310,360)</b>	<b>(1,769,887)</b>	<b>(8,080,247)</b>
<b>Net Investment Income</b>	<b>25,542,964</b>	<b>7,306,512</b>	<b>32,849,476</b>
<b>Net Realized and Unrealized Gain (Loss) from Investments and Foreign Currencies Allocated from the Master Fund:</b>			
Net Realized Gain (Loss) from:			
Investments	642,096	182,913	825,009
Foreign Currency Transactions	(1,693,778)	(482,504)	(2,176,282)
Swap Agreements	(42,004)	(11,966)	(53,970)
<b>Total Net Realized Gain (Loss) Investments and Foreign Currencies Allocated from the Master Fund</b>	<b>(1,093,686)</b>	<b>(311,557)</b>	<b>(1,405,243)</b>
<b>Net Increase (Decrease) in Unrealized Appreciation (Depreciation) on:</b>			
Forward Contracts	391,854	111,627	503,481
Swap Agreements	(965,419)	(275,017)	(1,240,436)
Translation of Assets and Liabilities in Foreign Currencies	1,511,450	430,565	1,942,015
<b>Total Net Increase (Decrease) in Unrealized Appreciation (Depreciation)</b>	<b>937,886</b>	<b>267,174</b>	<b>1,205,060</b>
<b>Net Realized and Unrealized Gain (Loss) from Investments and Foreign Currencies Allocated from the Master Fund</b>	<b>(155,800)</b>	<b>(44,383)</b>	<b>(200,183)</b>
<b>Net Increase in Net Assets Resulting from Operations (Pre Performance Fee)</b>	<b>25,387,164</b>	<b>7,262,129</b>	<b>32,649,293</b>
Incentive Fee or Incentive allocation (2)	(4,712,136)	(330,116)	(5,042,252)
<b>Net Increase in Net Assets Resulting from Operations</b>	<b>20,675,028</b>	<b>6,932,013</b>	<b>27,607,041</b>
<b>Average Number of Shares in Issue in Quarter (illustrative) (3)</b>	<b>63,471,862</b>	<b>16,481,435</b>	<b>79,953,296</b>
<b>Earnings per share (\$)</b>	<b>0.326</b>	<b>0.421</b>	<b>0.345</b>

(1) The format of the above income statement uses US GAAP and has been provided by IBT, the sub-administrators of TFG, TFGMF and TFGLP. Certain expenses were paid for directly by TFG and TFGLP during the quarter and certain expenses were paid for by TFGMF and allocated pro rata to TFG and TFGLP. For the purposes of the above table we have consolidated like costs together.

(2) Under US GAAP the incentive allocation due on performance generated in TFGLP is accounted for as an allocation to the General Partner. In order to show this on a comparative basis with the incentive fee paid in TFG, we have shown the incentive allocation as an expense in the table above. Incentive fees prior to the IPO varied according to the class of share or partnership interest held by an investor. Certain share classes attracted no incentive fees. Post-IPO there is only one share class which pays incentive fees based on income generated. The rate of fees is 25% over a hurdle rate of 8% (annualised).

(3) The average number of shares is illustrative because TFG was not listed until after the quarter end and there were three share classes in existence until the IPO closing date of 26 April 2007. In addition there were subscriptions and redemptions during Q1, 2007 when TFG was an open ended company. The illustrative shares were calculated by taking the number of \$10 shares issued to pre IPO investors at the IPO closing date, then adjusting for subscriptions and redemptions at each month end during the quarter.

# TETRAGON

## TETRAGON FINANCIAL GROUP

Unaudited Balance sheet as at 31 March 2007

	TFG Master Fund	TFG	TFGLP	TFG Total
<b>Assets</b>				
Cash and cash equivalents	174,036,104	1,371	13,509	174,050,984
Investments in securities, at fair value	1,206,601,916			1,206,601,916
Other receivables	1,391,499			1,391,499
<b>Total Assets</b>	<b>1,382,029,519</b>	<b>1,371</b>	<b>13,509</b>	<b>1,382,044,399</b>
<b>Liabilities</b>				
Amounts payable for purchase of investments	57,421,992			57,421,992
Payables under repurchase and swap agreements	321,513,340			321,513,340
Derivative Financial Liabilities - Credit Default Swaps	2,727,693			2,727,693
Unrealised loss on forward contracts	2,056,490			2,056,490
Interest payable	3,075,016			3,075,016
Other payables and accrued expenses (Note 1)	259,883	5,865,276	345,839	6,470,998
<b>Total Liabilities</b>	<b>387,054,414</b>	<b>5,865,276</b>	<b>345,839</b>	<b>393,265,529</b>
<b>Net Assets</b>	<b>994,975,105</b>	<b>(5,863,905)</b>	<b>(332,330)</b>	<b>988,778,870</b>
<b>Allocation of Net Assets to Feeders</b>	<b>(994,975,105)</b>	<b>788,656,624</b>	<b>206,318,481</b>	<b>0</b>
<b>Net Assets after Allocation to Feeders</b>	<b>0</b>	<b>782,792,719</b>	<b>205,986,151</b>	<b>988,778,870</b>
			<b>Note 1</b>	

(1) For the purposes of consolidating the results for all of the TFG entities, we have shown the incentive allocation due to the General Partner of TFGLP as an expense. For US GAAP purposes this will shown as an allocation of capital in the Statement of changes in net assets for TFGLP's stand alone accounts.

## TETRAGON FINANCIAL GROUP

Unaudited Statement of change in net assets, Quarter ended 31 March 2007

	TFG Master Fund
Investment income	40,926,531
Operating expenses	(4,183,377)
Net realized gain from investments and foreign currency	(1,405,228)
Unrealized appreciation/(depreciation) on investments and translation of assets and liabilities in foreign currencies	1,205,047
<b>Net Increase in Net Assets Resulting from Operations</b>	<b>36,542,973</b>
Issue of redeemable shares during the period	407,625,000
Redemption of redeemable shares during the period	(55,316,108)
	352,308,892
<b>Total Increase (Decrease) in Net Assets</b>	<b>388,851,865</b>
<b>Net Assets at Start of Year</b>	<b>606,123,240</b>
<b>Net Assets at End of Year</b>	<b>994,975,105</b>