TETRAGON

TETRAGON FINANCIAL GROUP LIMITED (TFG)

PERFORMANCE REPORT FOR PERIOD ENDED 30 JUNE 2009

August 03, 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.(1) References to "we" are to Polygon Credit Management LP, TFG's investment manager.

Q2 2009 results at a glance:

- **Overview:** The second quarter was generally characterized by continued pressure on TFG's investment portfolio emanating from, among other factors, underlying collateral losses. The pace of underlying collateral deterioration, however, was slower than in the previous quarter, which is reflected in both a reduced earnings loss and reduced utilization of the Accelerated Loss Reserve in Q2 2009 as compared to Q1 2009. Against this challenging backdrop, TFG continued to focus on the preservation of its existing investment portfolio and mainly used cash receipts to help strengthen its balance sheet.

Financial Results:

- **Net Income:** Q2 2009 saw a reduced consolidated net loss of \$(26.7) million, compared to a loss of \$(414.3) million in Q1 2009.
- **Cash Receipts:** The investment portfolio generated \$31.9 million of cash during Q2 2009, or approximately \$0.25 per share (calculated using the average number of shares outstanding in TFGMF during the period based on quarter-end holdings). This compares to \$47.1 million of cash generated during Q1 2009.
- **Earnings per Share:** EPS for Q2 2009 was approximately \$(0.21) per share resulting in a consolidated EPS of approximately \$(3.51) for the first half of 2009.
- **Net Assets and NAV per Share:** Consolidated net assets were \$693.1 million, or \$5.50 per share, as of June 30, 2009, down from \$723.4 million as of March 31, 2009, or \$5.75 per share.

This Performance Report constitutes TFG's half-yearly financial report as required pursuant to Section 5:25d of the Netherlands Financial Markets Supervision Act (*Wet op het financieel toezicht*, "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 Financiele Marketen*) and also made available to the public by way of publication on the TFG website (www.tetragoninv.com).

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.

(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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Financial Results (continued):

- **Cash Balance:** Cash holdings increased during Q2 to $123.8 million at June 30, 2009, or approximately $0.98 per outstanding share, compared to $94.3 million at the end of Q1 2009. TFG continued to have no outstanding borrowings.

- **Dividend:** On July 29, 2009, the Board of TFG declared a dividend of $0.03 per share in respect of Q2 2009, which will be payable on August 24, 2009. Please refer to the website (www.tetragoninv.com) for additional information regarding the dividend, including the Optional Stock Dividend Plan.

- **IRRs:** The weighted-average IRR ended the quarter at 9.2%, down 1.4% from the end of Q1 2009. This reflected, among other factors, continued downward pressure from collateral losses on O/C cushions in certain investments.

- **Life-to-Date Net Loss Reserves:**(2) Excess loss reserves fell in Q2 2009, with approximately $38.9 million of excess loss reserves having been factored into our IRR calculations as of June 30, 2009. At the end of Q1 2009, excess loss reserves were approximately $50.3 million.

- **Accelerated Loss Reserve:**(3) As of the end of Q2 2009, the Accelerated Loss Reserve totaled $254.1 million, compared to $315.0 million at the end of the prior quarter. Overall, Accelerated Loss Reserves of approximately $60.9 million were released against certain investments in the portfolio due to, among other factors, collateral losses.

- **Hurdle Rate:** The hurdle rate for Q3 2009 incentive fee has been reset at 3.2354% (Q2: 3.8247%) as per the process outlined in TFG's 2008 Audited Financial Statements and in accordance with TFG's investment management agreement.(4) No incentive fee was paid for Q1 or Q2 2009.

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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%.

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Portfolio Summary:

- **Portfolio Size:** As of the end of Q2 2009, the estimated fair value of the investment portfolio totaled $565.0 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.(5)

- **Collateral Performance:** As of the end of Q2 2009, 25 or approximately 41.7% of our CLO investments were failing their most junior O/C test.(6) This was an increase from 24 investments or 40.0% at the end of the prior quarter. 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 through deleveraging. Accordingly, the aforementioned 25 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.

- **Portfolio Credit Quality:** As of June 30, 2009, the weighted-average percentage of corporate obligors rated Caa1/CCC+ or below in our 61 CLO investments was 11.6% compared to an approximate 7.8% weighted-average maximum level permitted under the terms of our investments.(7) The weighted-average WARF stood at approximately 2,800. Each of these foregoing statistics represents a weighted-average summary of all of our 61 investments.(8) Each individual investment's metrics will differ from this average and vary across the portfolio.

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

(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 June 30, 2009.

(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.

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Portfolio Summary (continued):

- **TFG and Market Default Rate:** The lagging 12-month U.S. institutional loan default rate increased to 9.15% by principal amount as of June 30, 2009,[9] according to S&P/LCD, up from approximately 8.0% during the prior quarter.[10] TFG's lagging 12-month corporate loan default rate increased to 5.1% during the second quarter.[11]

	Q2 2009	Q1 2009	Q4 2008	Q3 2008	Q2 2008	Q1 2008
TFG Trailing 12-Month Default Rate: [10]	5.1%	4.0%	2.5%	1.5%	1.3%	0.8%

Market Summary:

- **Broad-based secondary loan price improvement:** The second quarter of 2009 saw continued improvement in secondary loan market conditions. The S&P/LSTA Index rose 26% during the first half of 2009 as the average bid price of Index loans increased to approximately $77.8, up $16.2 from year-end.[12] Furthermore, compared to the first quarter, the gains recorded during Q2 2009 were more broad-based, reaching across the credit spectrum to Caa1/CCC+ or below rated credits, second-liens and covenant-lite loans. We believe that investors were likely attracted to these lower-quality credits given their potential for greater upside, inflows from high yield funds and hedge funds, as well as CLOs.

- **Refinancing activity drives primary loan issuance:** The U.S. primary institutional loan market held its ground relative to the first quarter of 2009, with institutional new issue volumes increasing to $7.0 billion during Q2 2009, up from $5.1 billion in Q1 2009 and $3.3 billion during Q4 2008.[13] In Europe, Q2 2009 new issue volume registered at approximately €9.6 billion, up from €1.2 billion during Q1 2009, however, this figure was dominated by the €8.9 billion all pro-rata Heidelberg Cement loan.[14] We believe that the majority of both U.S. and European loan issuance was motivated by refinancing. Transactions brought to market tended to be highly rated and, in our view, attractively priced and structured, with features such as LIBOR floors.

(9) Source: S&P / LSTA Leveraged Commentary and Data, "Panolam cut to D; lender restructuring discussions continue," July 6, 2009.
(10) Source: S&P / LSTA Leveraged Commentary and Data, "2Q09 Summary: Record returns (19.9%), slack volume ($14.8B)," June 29, 2009.
(11) 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 22.9% 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.
(12) Source: S&P / LSTA Leveraged Commentary and Data, "Index Preview: Loans Return 4.38% in June," July 1, 2009.
(13) Source: S&P / LSTA Leveraged Commentary and Data, "2Q09 Summary: Record returns (19.9%), slack volume ($14.8B)," July 1, 2009.
(14) Source: S&P / LSTA Leveraged Commentary and Data, "(EUR) 1H09 primary volume sporadic; maturity management in focus," July 10, 2009.

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Market Summary (continued):

- **Bond refinancing swaps and amendments contribute to improved loan performance:** We believe two themes of Q2 2009 were the continued strength of the high yield bond markets and significant volume of refinancing swaps, maturity extensions and other amendments. In our view, high yield bond take-outs of institutional loans represented a key driver of loan performance during the second quarter. During Q2 2009, 10 obligors issued a total of $5.6 billion of bonds and used those proceeds to repay institutional loans.(15) Additionally, amendments to extend upcoming debt maturities were a prevalent feature in restructuring activity. Amendment activity was accompanied by significant pay-down and re-pricing activity; of the 206 amendments completed in the U.S. during 1H 2009, 20 or approximately 10% offered partial pay-downs in an average amount of 16% of the loan outstanding.(16) Finally, due to among other factors, the continued rally in secondary loan prices and increased corporate borrower access to high yield bond take-outs, the pace of below-par loan buybacks slowed noticeably during the second quarter with a volume of only $1.3 billion as compared with $5.1 billion during Q1 2009.(17)
- **Loan repayments increase in Europe:** Repayments for issuers represented in the S&P European Loan Index rose to €1.6 billion during Q2 2009, up from a low of €412 million during Q1 2009. This level translated to a quarterly repayment rate of 1.1% (as of July 2, 2009), up from 0.3% at the end of Q1 2009. Q2 2009 U.S. institutional loan prepayments on the other hand, decreased to $16.0 billion, down from $21.2 billion during Q1 2009, amounting to a repayment rate of 2.8% for Q2 2009 based on the S&P/LSTA Leveraged Loan Index, versus 3.65% during Q1 2009.(18)
- **Key loan market challenges remain:** Despite these positive loan market developments, we believe key challenges continue to loom on the horizon for the loan market. Firstly, to-date, high yield bond and broader capital markets access has generally been limited to the stronger, "blue-chip" leveraged loan issuers. Lower-tier companies, therefore, continue to face tight covenants and liquidity pressures, which could leave them vulnerable to future earnings volatility. Secondly, overall market leverage has increased 0.7x as of Q1 2009 to 3.9x, or as high as 5.0x adjusting for private names, as quarterly EBITDA fell by over 20%.(19) Finally, we believe margin contraction may continue to outpace cost-reduction activities leading to further interest coverage and leverage cushion erosion. These and other factors can be expected to have a negative effect on obligor and facility ratings, leading in turn to potential incremental O/C coverage erosion inside CLOs, including those in TFG's investment portfolio.

(15) Source: S&P / LSTA Leveraged Commentary and Data, "2Q09 Summary: Record returns (19.9%), slack volume ($14.8B)," July 1, 2009.
(16) Source: S&P / LSTA Leveraged Commentary and Data, "Amendments ease in June; fewer loans left to fix," July 1, 2009.
(17) Source: S&P / LSTA Leveraged Commentary and Data, "Amendments ease in June; fewer loans left to fix," July 1, 2009.
(18) Source: S&P / LSTA Leveraged Commentary and Data, "(EUR) Repayments Jump in 2Q, Boosted by Partial Paydowns," July 15, 2009.
(19) Source: Morgan Stanley Leveraged Finance Strategy Insights, June 19, 2009.

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Market Summary (continued):

- **CLO issuance volumes driven mainly by balance sheet securitizations:** New issue CLO volumes remained weak during the second quarter of 2009, totaling approximately $22.8 billion in the U.S. and $95.6 billion in Europe, largely in balance sheet and Small and Medium Enterprise ("SME") CLOs.(20) We believe that this trend will continue as in our view current financing costs may render arbitrage-driven transactions uneconomical.

- **Secondary CLO market may signal potential stabilization:** The secondary CLO market, particularly in the U.S., experienced a positive trend shift during Q2 2009, on the heels of improved underlying loan prices, spread tightening in comparable asset classes, and increased risk appetite among market participants. JP Morgan estimates that more than $2.8 billion of CLO bid lists were announced since early May 2009 with $1.5 billion in the last two weeks of June.(19) Although the pick-up in traded volumes and price improvements in CLO debt may signal some near-term stabilization in the secondary CLO market, participants will likely pay close attention to the effect of senior CLO debt ratings downgrades and collateral performance on CLO market dynamics going forward.

TFG Outlook:

- **We anticipate that the remainder of 2009 will continue to be challenging for TFG** and also characterized by significant potential performance volatility. Although a number of CLO performance drivers or metrics are stabilizing or improving (such as loan prices and O/C cushions), other drivers and metrics (such as defaults and losses) may continue to exert negative pressure on TFG's investments. Furthermore, the interaction of the multiple factors affecting CLO performance, such as the size and carrying value of excess CCC and default baskets as well as LIBOR levels and volatility, may lead to material performance variation. We intend to continue to focus on the preservation of our existing investments during the remainder of the year and expect to evaluate any potential secondary CLO debt and/or equity investments on an opportunistic basis, as we seek to weigh their potential costs and benefits against our near-term goals.

Directors' Statements:

- The Directors of TFG confirm that (i) this Performance Report constitutes the TFG management review for the six month period ended 30 June 2009 and contains a fair review of that period and (ii) the financial statements in the accompanying unaudited interim report for the six month period ended 30 June 2009 for TFG have been prepared in accordance with applicable laws and in conformity with accounting principles generally accepted in the United States of America.

(20) Source: JP Morgan US Fixed Income Markets Weekly, "Collateralized Debt Obligations," June 26, 2009. SME CLOs refer to CLOs backed by loans to small and medium enterprises.

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Quarterly Investor Call

We will host a conference call for investors on August 3, 2009 at 15:00 BST/16:00 CET/10:00 EDT to discuss Q2 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://eventreg1.conferencing.com/webportal3/reg.html?Acc=084793&Conf=167129 or by going to the TFG website, www.tetragoninv.com.

A replay of the call will be available for 30 days by dialing +44 (0)20 7031 4064 and +1 954 334 0342, access code 839335 and as an MP3 recording on the TFG website.

For further information, please contact:

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Expected Upcoming Events	Date
Q2 Dividend Record Date	August 04, 2009
July 2009 Monthly Report	August 18, 2009 (approximate)
Q2 Dividend Payment Date	August 24, 2009

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TETRAGON FINANCIAL GROUP Performance Metrics and Drivers				
Performance Metrics	**Q3 2008**	**Q4 2008**	**Q1 2009**	**Q2 2009**
EPS ($) [1]	$0.39	($1.48)	($3.29)	($0.21)
DPS ($)	$0.15	$0.03	$0.03	$0.03
Operating cost - income ratio	35.0%	13.6%	11.2%	6.2%
Performance Drivers	**Q3 2008**	**Q4 2008**	**Q1 2009**	**Q2 2009**
Number of investments [2]	61	61	61	61
Weighted Average IRR on completed transactions	16.9%	13.8%	10.6%	9.2%
Net assets ($MM)	$1,348	$1,142	$723	$693
Number of shares outstanding (million)	126.2	126.0	125.7	125.9
Net excess life-to-date loss accruals ($MM) [3]	($158.0)	($114.6)	($50.0)	($39.0)

[1] 1H 2009 EPS was $3.51 (difference due to rounding).

[2] 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.

[3] 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 FINANCIAL GROUP LIMITED (TFG)

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Consolidated Performance

Statement of Operations	Q3 2008 ($MM)	Q4 2008 ($MM)	Q1 2009 ($MM)	Q2 2009 ($MM)
Interest Income from Investments	53.5	53.1	47.6	49.6
Interest Income from Cash	1.0	0.1	0.1	0.0
Other Income	0.0	0.0	0.5	0.2
Investment Income	**54.5**	**53.2**	**48.2**	**49.8**
Management Fees	(5.0)	(5.0)	(4.2)	(2.7)
Admin/ Custody and Other Fees	(0.8)	(1.0)	(0.6)	(0.5)
Interest Expense	(3.0)	(1.3)	(0.6)	-
Total Operating Expenses Excluding Performance Fee	**(8.8)**	**(7.3)**	**(5.4)**	**(3.2)**
Net Investment Income	**45.7**	**45.9**	**42.8**	**46.6**
Realised and Unrealised Gains/(Losses) From Hedging	3.4	2.0	0.1	(2.1)
Net Increase/(Decrease) in Unrealised Appreciation/(Depreciation) in Investments	10.0	(235.0)	(457.2)	(71.2)
Net Realised and Unrealised Gains/(Losses) from Investments and FX	**13.4**	**(233.0)**	**(457.1)**	**(73.3)**
Net Increase/(Decrease) in Net Assets From Operation Before Performance Fees	**59.1**	**(187.1)**	**(414.3)**	**(26.7)**
Performance Fees	(10.3)	0.0	0.0	0.0
Net Increase/(Decrease) in Net Assets from Operations	**48.8**	**(187.1)**	**(414.3)**	**(26.7)**

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TETRAGON FINANCIAL GROUP Unaudited Balance Sheet as at 30 June 2009			
	TFG Master Fund ($MM)	TFG ($MM)	TFG Total ($MM)
Assets			
Investments in securities, at fair value	565.0		565.0
Cash and cash equivalents	123.8		123.8
Amounts due from brokers	8.4		8.4
Unrealised gain on forward contracts	4.0		4.0
Derivative Financial Assets - Call Options	0.6		0.6
Other receivables	0.0		0.0
Total Assets	701.8	0.0	701.8
Liabilities			
Unrealised loss on forward contracts	8.5		8.5
Other payables and accrued expenses	0.2		0.2
Total Liabilities	8.7	0.0	8.7
Net Assets	693.1	0.0	693.1

TETRAGON FINANCIAL GROUP LIMITED (TFG)

PORTFOLIO COMPOSITION

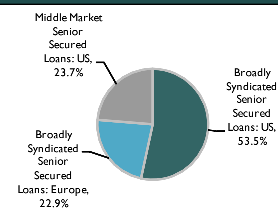
PORTFOLIO HELD BY TETRAGON FINANCIAL GROUP MASTER FUND LIMITED (UNLESS OTHERWISE STATED)

AS OF JUNE 30, 2009

Report Date	TFG Share Price ($)	TFG group Market Cap ($MM)[1]	TFG group Net Assets ($MM)	No. of Closed CLO Transactions
30 June 2009	$1.18	$152.6	$693.1	61[2]

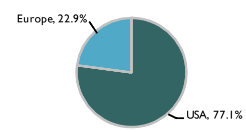
Capital Allocation by Asset Class	Risk Capital Allocation	Investment - Fair Value ($MM)[3]	Investment - Amortized Cost B/Fwd ($MM)[4]	Overall Leverage[5]
Broadly Syndicated Senior Secured Loans: US	53.5%	$302.0	$627.5	
Broadly Syndicated Senior Secured Loans: Europe	22.9%	$129.2	$215.2	
Middle Market Senior Secured Loans: US	23.7%	$133.8	$177.0	
CDOs Squared: US	0.0%	$0.0	$0.0	
ABS and Structured Finance: US	0.0%	$0.0	$0.0	
Total	100.0%	$565.0	$1,019.7	0.82

Asset Class Allocation



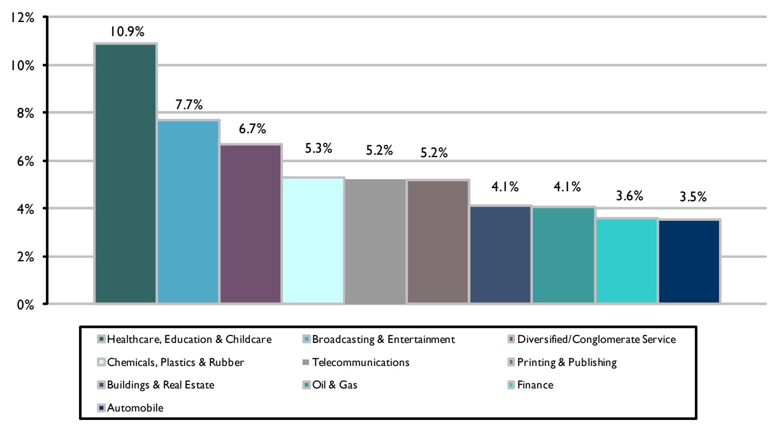
Geographic Allocation by Asset Class	USA	Europe	Asia Pacific	Total
Broadly Syndicated Senior Secured Loans	70.0%	30.0%	0.0%	100.0%
Middle Market Senior Secured Loans	100.0%	0.0%	0.0%	100.0%
CDOs Squared	0.0%	0.0%	0.0%	0.0%
ABS and Structured Finance	0.0%	0.0%	0.0%	0.0%
	77.1%	22.9%	0.0%	100.0%

Geographic Allocation



Top 15 Underlying Bank Loan Credits	Bank Loan Exposure[6]
Community Health	0.89%
HCA Inc	0.84%
TXU Corp	0.83%
Georgia Pacific Corp	0.82%
Univision Communications	0.74%
Cablevision Systems Corp	0.62%
Idearc	0.61%
SunGard Data Systems Inc	0.61%
Aramark Corp	0.57%
Nielsen Company	0.56%
First Data Corp	0.55%
Ineos Group Plc	0.52%
Calpine Corp	0.52%
Mylan Laboratories	0.49%
Celanese US Holdings LLC	0.49%

Top 10 Bank Loan Industry Exposures



EUR-USD FX: 1.40

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

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

TETRAGON

BOARD OF DIRECTORS

Paddy Dear
Rupert Dorey*
Reade Griffith
Alex Jackson
David Jeffreys*
Byron Knief*
Lee Olesky*

Independent Director

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Stock Listing
NYSE EuroNext

UNAUDITED INTERIM REPORT

TETRAGON FINANCIAL GROUP LIMITED

FOR THE PERIOD ENDED 30 JUNE 2009

TETRAGON FINANCIAL GROUP LIMITED

UNAUDITED INTERIM REPORT
FOR THE PERIOD ENDED 30 JUNE 2009

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TETRAGON FINANCIAL GROUP LIMITED

STATEMENTS OF ASSETS AND LIABILITIES
as at 30 June 2009 (unaudited)

	Note	30 Jun 2009 US$	31 Dec 2008 US$
Assets			
Investment in Master Fund	3	693,081,080	1,141,950,194
Amounts receivable from Master Fund		-	74,366
Total assets		693,081,080	1,142,024,560
Liabilities			
Amounts payable on treasury shares	5	-	74,366
Total liabilities		-	74,366
Net assets		693,081,080	1,141,950,194
Equity			
Share capital	5	125,914	125,980
Share premium	6	1,181,865,081	1,182,232,455
Capital reserve in respect of share options	7	11,789,336	11,789,336
Earnings	10	(500,699,251)	(52,197,577)
		693,081,080	1,141,950,194
Shares outstanding		Number	Number
Participating shares	5	125,913,965	125,979,883
Net asset value per share			
Participating shares		US$ 5.50	US$ 9.06

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

Signed on behalf of the Board of Directors by:

Rupert Dorey, Director

David Jeffreys, Director

29 July 2009

TETRAGON FINANCIAL GROUP LIMITED

STATEMENTS OF OPERATIONS
For the period ended 30 June 2009 (unaudited)

	Note	Period ended 30 Jun 2009 US$	Period ended 30 Jun 2008 US$
Investment income allocated from the Master Fund			
Interest income		97,294,900	108,215,764
Other income		681,737	-
Investment income allocated from the Master Fund		97,976,637	108,215,764
Direct expenses			
Incentive fee	4	-	(11,600,622)
Direct expenses		-	(11,600,622)
Operating expenses allocated from the Master Fund			
Management fees	7	(6,866,311)	(9,149,420)
Administration fees		(325,857)	(318,073)
Legal and professional fees		(68,446)	(300,560)
Audit fees		(138,164)	(146,241)
Directors' fees	7	(100,004)	(95,175)
Transfer agent fees		(61,177)	(76,091)
Other operating expenses		(363,755)	(268,755)
Interest expense		(592,021)	(8,371,011)
Operating expenses allocated from the Master Fund		(8,515,735)	(18,725,326)
Total operating expenses		(8,515,735)	(30,325,948)
Net investment income		89,460,902	77,889,816

TETRAGON FINANCIAL GROUP LIMITED

STATEMENTS OF OPERATIONS (continued)
For the period ended 30 June 2009 (unaudited)

	Note	Period ended 30 Jun 2009 US$	Period ended 30 Jun 2008 US$
Net realized and unrealized gain / (loss) from investments and foreign currencies allocated from the Master Fund			
Net realized gain / (loss) from:			
Investments		-	303,684
Foreign currency transactions		10,409,319	(20,514,655)
Credit default swaps		-	5,231,564
		10,409,319	(14,979,407)
Net (decrease) / increase in unrealized (depreciation) / appreciation on:			
Investments		(528,356,108)	1,158,873
Forward foreign exchange contracts		338,358	(1,877,880)
Credit default swaps		-	1,324,415
Foreign exchange options		(4,880,100)	-
Translation of assets and liabilities in foreign currencies		(7,931,935)	24,096,170
		(540,829,785)	24,701,578
Net realized and unrealized (loss) / gain from investments and foreign currencies allocated from the Master Fund		(530,420,466)	9,722,171
Net (decrease) / increase in net assets resulting from operations		(440,959,564)	87,611,987
Earnings per Share			
Basic	9	US$ (3.51)	US$ 0.73
Diluted	9	US$ (3.51)	US$ 0.73
Weighted average Shares outstanding		**Number**	**Number**
Basic	9	125,780,174	119,615,666
Diluted	9	125,780,174	119,615,666

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

TETRAGON FINANCIAL GROUP LIMITED

STATEMENTS OF CHANGES IN NET ASSETS
For the period ended 30 June 2009 (unaudited)

	Period ended 30 Jun 2008 US$	Period ended 30 Jun 2008 US$
Total investment income	97,976,637	108,215,764
Total operating expenses	(8,515,735)	(30,325,948)
Net realized gain / (loss) from investments and foreign currencies allocated from the Master Fund	10,409,319	(14,979,407)
Net unrealized (loss) / gain from investments and foreign currencies allocated from the Master Fund	(540,829,785)	24,701,578
Net (decrease) / increase in net assets resulting from operations	(440,959,564)	87,611,987
Dividends paid to shareholders	(7,542,110)	(35,425,297)
Issue of shares	509,939	83,530,113
Treasury shares	(877,379)	(4,887,377)
(Decrease) / increase in net assets resulting from net share transactions	(367,440)	78,642,736
Total (decrease) / increase in net assets	(448,869,114)	130,829,426
Net assets at start of period	1,141,950,194	1,188,220,992
Net assets at end of period	693,081,080	1,319,050,418

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

TETRAGON FINANCIAL GROUP LIMITED

STATEMENTS OF CASH FLOWS
For the period ended 30 June 2009 (unaudited)

	Period ended 30 Jun 2009 US$	Period ended 30 Jun 2008 US$
Operating and investing activities		
Net (decrease) / increase in net assets resulting from operations	(440,959,564)	87,611,987
Adjustments for:		
Net unrealized depreciation / (appreciation) on investments in Master Fund	448,869,114	(61,864,822)
Operating cash flows before movements in working capital	7,909,550	25,747,165
Decrease in receivables	74,366	249,930
(Decrease) / Increase in payables	(74,366)	9,388,213
Cash flows from operations	7,909,550	35,385,308
Cash inflows from operating and investing activities	7,909,950	35,385,308
Financing activities		
Issue of shares	509,939	-
Treasury shares	(877,379)	(4,887,377)
Dividends paid to shareholders	(7,542,110)	(30,497,931)
Cash outflows from financing activities	(7,909,550)	(35,385,308)
Net (decrease) / increase in cash and cash equivalents	-	-
Cash and cash equivalents at beginning of period	-	-
Cash and cash equivalents at end of period	-	-

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

Note 1 General Information

Tetragon Financial Group Limited (the "Company") was registered in Guernsey on 23 June 2005 as a company limited by shares under the provisions of The Companies (Guernsey) Law, 1994, as amended, with registered number 43321. All Voting Shares of the Company are held by Polygon Credit Holdings II Limited (the "Voting Shareholder").

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

The Company acts as a feeder fund in a "master feeder structure" investing substantially all of its assets in Tetragon Financial Group Master Fund Limited (the "Master Fund"). Following the global offering the Company's shares were listed on the NYSE Euronext Amsterdam Exchange on 19 April 2007, with shares being paid for and delivered on 26 April 2007.

The Company's investment objective is to generate distributable income and capital appreciation by investing substantially all of its assets in the Master Fund. To achieve this investment objective, and to provide stable returns to investors across various interest rate and credit cycles, Polygon Credit Management LP (the "Investment Manager") seeks to identify asset classes it believes to be attractive and asset managers it believes to be superior based on experience and expertise, and to use its market experience to negotiate favourable transaction terms for vehicles in which the Master Fund invests. As part of this current investment strategy, the Master Fund may employ hedging strategies and leverage in seeking to provide attractive returns from the portfolio while managing risk.

Note 2 Significant Accounting Policies

Basis of Presentation

The financial statements are prepared in conformity with United States generally accepted accounting principles ("US GAAP").

The Company's investment in the Master Fund is valued based on the accounting Net Asset Value per share obtained from the Master Fund's administrator, which is the Company's proportionate interest in the Net Assets of the Master Fund. The performance of the Company is directly affected by the performance of the Master Fund. The Company's Statements of Operations includes its pro-rata share of each type of gain, loss, income and expense of the Master Fund's Statements of Operations. Attached are the unaudited financial statements of the Master Fund, which are an integral part of these financial statements. As at 30 June 2009, the Company had 100% (31 December 2008: 100%) ownership interest in the Master Fund.

For financial statement reporting purposes, the Company is an investment company and follows the American Institute of Certified Public Accountants Audit and Accounting Guide for Investment Companies (the "Guide").

The accounting policies have been consistently applied by the Company during the period ended 30 June 2009 and are consistent with those used in the previous year. The financial statements are presented in United States Dollars.

Note 2 Significant Accounting Policies (continued)

Use of Estimates

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

Valuation of Investments

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

Expenses

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

Taxation

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

Capital expenses

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

Share Options

The fair value of options granted to the Investment Manager was recognised as a charge to the share premium account, with a corresponding increase in equity, over the period in which the Investment Manager became unconditionally entitled to the options. The options were fully vested and immediately exercisable from the date of the grant and remained exercisable until the tenth anniversary of admission and listing.

Dividends payable

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

Note 2 Significant Accounting Policies (continued)

Treasury shares

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

Note 3 Investment in Master Fund

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

As at 30 June 2009, the Company had an investment of US$ 693,081,080 in the Master Fund (31 December 2008: US$ 1,141,950,194).

Note 4 Incentive fee

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

The Hurdle for any Calculation Period will equal (i) the Reference NAV multiplied by (ii) the Hurdle Rate. For Calculation Periods ending prior to 25 April 2008 the Hurdle Rate was equal to 8% per annum multiplied by the actual number of days in the Calculation Period divided by 365. Subsequently, the Hurdle Rate is determined by 3-month USD LIBOR determined as of 11:00 a.m. London time on the first London business day of the then current Calculation Period, plus the Hurdle Spread of 2.647858%.

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

Note 4 Incentive fee (continued)

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

The Incentive Fee for the period ended 30 June 2009 was US$ Nil (30 June 2008: US$ 11,600,622).

Note 5 Share Capital

Authorized

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

Voting Shares

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

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

Shares

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

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

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

Note 5 Share Capital (continued)

Share transactions

	Voting Shares No.	Shares No.	Shares US$
Shares in issue at 31 December 2007	10	118,455,430	118,455
Issued	-	10,074,959	10,075
Treasury Shares	-	(2,550,506)	(2,550)
Shares in issue at 31 December 2008	10	125,979,883	125,980
Issued	-	511,631	512
Treasury Shares	-	(577,549)	(578)
Shares in issue at 30 June 2009	10	125,913,965	125,914

Optional Stock Dividend

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

During the period a total dividend of US$ 7,542,110 was declared, of which US$ 7,032,171 was paid out as a cash dividend, and the remaining US$ 509,939 reinvested under the Optional Stock Dividend Plan.

Treasury Shares

On 30 November 2007, the Company announced the implementation of a share repurchase program of up to 5% of their outstanding Non-Voting Shares over the following 12 months. This program was subsequently updated twice and will now continue from 1 May, 2009 for a period of up to eighteen months, until 5% of the Company's outstanding shares have been repurchased under the updated program or until terminated by the Board. The Company purchases its shares in the open market which are then held in a Treasury Account allowing them to be resold in the market at a later date. Whilst they are held in the Treasury Account the shares are neither eligible to receive dividends nor are they included in the shares outstanding on the Statements of Assets and Liabilities.

Note 6 Share Premium

	30 Jun 2009 US$	31 Dec 2008 US$
Balance at start of period/year	1,182,232,455	1,104,465,395
Discount arising from transaction of shares	(367,374)	77,767,060
Balance at end of period/year	1,181,865,081	1,182,232,455

Note 7 Related party transactions

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

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

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

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

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

Note 7 Related party transactions (continued)

Lee Olesky, Byron Knief, Paddy Dear, Reade Griffith, Alex Jackson and Rupert Dorey, all Directors of the Company and Master Fund, were shareholders in the Company as at 30 June 2009, with holdings of 57,273, 110,000, 274,161, 1,036,209, 440,458 and 23,660 shares, respectively.

Note 8 Dividends

	30 Jun 2009 US$	31 Dec 2008 US$
Quarter ended 31 December 2007 of US$ 0.15 per share	-	17,768,315
Quarter ended 31 March 2008 of US$ 0.15 per share	-	17,656,982
Quarter ended 30 June 2008 of US$ 0.15 per share	-	18,917,681
Quarter ended 30 September 2008 of US$ 0.15 per share	-	18,902,643
Quarter ended 31 December 2008 of US$ 0.03 per share	3,770,136	-
Quarter ended 31 March 2009 of US$ 0.03 share	3,771,974	-
	7,542,110	73,245,621

The second quarter dividend of US$ 0.03 cents was proposed by directors on 29 July 2009 and has not been included as a liability in these financial statements.

Note 9 Earnings per share

	30 Jun 2009 US$	30 Jun 2008 US$
The calculation of the basic and diluted earnings per share is based on the following data:		
Earnings for the purposes of basic earnings per share being net (loss) / profit attributable to shareholders for the period	(440,959,564)	87,611,987
Weighted average number of shares for the purposes of basic earnings per share	125,780,174	119,615,666
Effect of dilutive potential shares:		
Share options	-	-
Weighted average number of shares for the purposes of diluted earnings per share	125,780,174	119,615,666

Note 10 Earnings

	30 Jun 2009 US$	31 Dec 2008 US$
Balance at start of period/year	(52,197,577)	71,847,806
Net decrease in net assets resulting from operations for the period	(440,959,564)	(50,799,762)
Dividends paid	(7,542,110)	(73,245,621)
Balance at end of period/year	(500,699,251)	(52,197,577)

Note 11 Recent changes to US GAAP

In March 2008, the FASB issued SFAS No. 161, "Disclosures about Derivative Instruments and Hedging Activities— an amendment of FASB Statement No. 133." SFAS No. 161 requires enhanced disclosures about an entity's derivative and hedging activities, and is effective for financial statements issued for reporting periods beginning after November 15, 2008, with early application encouraged. This has not resulted in additional disclosure for the Company.

In September 2008, the FASB issued FSP No. FAS 133-1 and FIN 45-4, "Disclosures about Credit Derivatives and Certain Guarantees: An Amendment of FASB Statement No. 133 and FASB Interpretation No. 45; and Clarification of the Effective Date of FASB Statement No. 161." FSP No. FAS 133-1 and FIN 45-4 requires enhanced disclosures about credit derivatives and guarantees and amends FIN 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others" to exclude credit derivative instruments accounted for at fair value under SFAS No. 133. The FSP is effective for financial statements issued for reporting periods ending after November 15, 2008. The Company is not currently party to any relevant transactions.

In December 2008, the FASB issued FSP No. FAS 140-4 and FIN 46(R)-8, "Disclosures by Public Entities (Enterprises) about Transfers of Financial Assets and Interests in Variable Interest Entities." FSP No. FAS 140-4 and FIN 46(R)-8 requires enhanced disclosures about transfers of financial assets and interests in variable interest entities. The FSP is effective for interim and annual periods ending after December 15, 2008. This has not resulted in additional disclosure for the Company.

In April 2009, the FASB issued FSP No. FAS 157-4, "Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly." The FSP provides guidance for estimating fair value when the volume and level of activity for an asset or liability have decreased significantly. Specifically, the FSP lists factors which should be evaluated to determine whether a transaction is orderly, clarifies that adjustments to transactions or quoted prices may be necessary when the volume and level of activity for an asset or liability have decreased significantly, and provides guidance for determining the concurrent weighting of the transaction price relative to fair value indications from other valuation techniques when estimating fair value. The FSP is effective for periods ending after June 15, 2009. This has not had an impact on the Company's financial position and results of operations.

Note 11 Recent changes to US GAAP (continued)

In April 2009, the FASB issued FSP No. FAS 115-2 and FAS 124-2, "Recognition and Presentation of Other-Than-Temporary Impairments." Under the FSP, only the portion of an other-than-temporary impairment on a debt security related to credit loss is recognized in current period earnings, with the remainder recognized in other comprehensive income, if the holder does not intend to sell the security and it is more likely than not that the holder will not be required to sell the security prior to recovery. Currently, the entire other-than-temporary impairment is recognized in current period earnings. The FSP is effective for periods ending after June 15, 2009. This has not had an impact on the Company's financial position and results of operations.

In April 2009, the FASB issued FSP No. FAS 107-1 and APB 28-1, "Interim Disclosures about Fair Value of Financial Instruments." The FSP requires that the fair value disclosures prescribed by FASB Statement No. 107, "Disclosures about Fair Value of Financial Instruments" be included in financial statements prepared for interim periods. The FSP is effective for periods ending after June 15, 2009. This has not resulted in additional disclosure for the Company.

Note 12 Approval of financial statements

The Directors approved the financial statements on 29 July 2009.

TETRAGON FINANCIAL GROUP LIMITED

FINANCIAL HIGHLIGHTS
For the period ended 30 June 2009 (unaudited) and 31 December 2008 (audited)

The following represents selected per share operating performance of the Company, ratios to average net assets and total return information for the period ended 30 June 2009 and year ended 31 December 2008.

	30 Jun 2009 Shares* US$	31 Dec 2008 Shares* US$
Per share operating performance		
Net asset value at the start of the period / year	9.06	10.03
Net investment income (excl performance fee)	0.71	1.41
Performance fee	-	(0.17)
Net realized and unrealized gain from investments in foreign currencies	(4.21)	(1.64)
Dividends paid to shareholders	(0.06)	(0.57)
Net asset value at the end of the period / year	5.50	9.06
Total return (NAV excluding dividends) before performance fee	(38.63%)	(2.19%)
Performance fee	-	(1.69%)
Total return (NAV excluding dividends) after performance fee	(38.63%)	(3.88%)
Ratios and supplemental data		
Ratio to average net assets:		
Operating expenses allocated from the Master Fund	(1.01%)	2.74%
Total operating expenses	(1.01%)	2.74%
Performance fee	-	1.74%
Net investment income	10.64%	12.60%

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

*The ratios and returns have not been annualized.

TETRAGON FINANCIAL GROUP LIMITED

SCHEDULE OF INVESTMENTS
as at 30 June 2009 (unaudited)

Security Description	**Nominal /Shares**	**Cost US$**	**Fair Value US$**	**% of Net Assets**
Investment Funds - Guernsey				
Tetragon Financial Group Master Fund Limited – shares	125,913,965	1,113,464,521	693,081,080	100.00%
Total Investments			693,081,080	100.00%
Other Assets and Liabilities			-	-
Net Assets			693,081,080	100.00%

TETRAGON FINANCIAL GROUP LIMITED

SCHEDULE OF INVESTMENTS (continued)
as at 31 December 2008 (audited)

Security Description	**Nominal /Shares**	**Cost US$**	**Fair Value US$**	**% of Net Assets**
Investment Funds - Guernsey				
Tetragon Financial Group Master Fund Limited – shares	125,979,883	1,113,464,521	1,141,950,194	100.00%
Total Investments			1,141,950,194	100.00%
Other Assets and Liabilities			-	-
Net Assets			1,141,950,194	100.00%

UNAUDITED INTERIM REPORT

TETRAGON FINANCIAL GROUP MASTER FUND LIMITED

FOR THE PERIOD ENDED 30 JUNE 2009

TETRAGON FINANCIAL GROUP MASTER FUND LIMITED

UNAUDITED INTERIM REPORT
For the period ended 30 June 2009

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TETRAGON FINANCIAL GROUP MASTER FUND LIMITED

STATEMENTS OF ASSETS AND LIABILITIES
as at 30 June 2009 (unaudited)

	Note	30 Jun 2009 US$	31 Dec 2008 US$
Assets			
Investments in securities, at fair value* (cost US$1,391,473,527 (2008: US$1,416,516,946))		565,041,818	1,082,495,071
Cash and cash equivalents	3	123,795,258	63,042,822
Amounts due from brokers	5	8,374,162	114,374,113
Derivative financial assets - foreign exchange options	4	597,500	5,477,600
Derivative financial assets – forward contracts	4	3,972,513	-
Other receivables	6	6,923	176,192
Total assets		701,788,174	1,265,565,798
Liabilities			
Payables under repurchase and swap agreements	7	-	117,557,492
Derivative financial liabilities - forward contracts	4	8,475,731	4,841,576
Amounts payable to feeder fund		-	74,366
Interest payable		-	665,976
Other payables and accrued expenses	8	231,363	476,194
Total liabilities		8,707,094	123,615,604
Net assets		693,081,080	1,141,950,194
Equity			
Share capital	9	125,914	125,980
Share premium	10	1,141,088,165	1,141,455,539
Earnings	12	(448,132,999)	368,675
		693,081,080	1,141,950,194
Shares outstanding		Number	Number
Shares	9	125,913,965	125,979,883
Net asset value per share			
Shares		US$ 5.50	US$ 9.06

* None of the investments are pledged as collateral under repurchase and swap agreements (31 December 2008: US$ 242,616,706).

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

Signed on behalf of the Board of Directors by:

Rupert Dorey, Director

David Jeffreys, Director

29 July 2009

TETRAGON FINANCIAL GROUP MASTER FUND LIMITED

STATEMENTS OF OPERATIONS
For the period ended 30 June 2009 (unaudited)

	Note	Period ended 30 Jun 2009 US$	Period ended 30 Jun 2008 US$
Interest income	13	97,294,900	113,781,368
Other income		681,737	-
Investment income		97,976,637	113,781,368
Management fees	14	(6,866,311)	(9,611,616)
Administration fees		(325,857)	(334,178)
Legal and professional fees		(68,446)	(318,804)
Audit fees		(138,164)	(153,814)
Directors' fees	14	(100,004)	(100,000)
Transfer agent fees		(61,177)	(79,785)
Other operating expenses		(363,755)	(285,005)
Interest expense		(592,021)	(8,817,720)
Operating expenses		(8,515,735)	(19,700,922)
Net investment income		89,460,902	94,080,446
Realized and unrealized gain/(loss) from investments and foreign currency			
Net realized gain/(loss) from:			
Investments		-	322,349
Foreign currency transactions		10,409,319	(21,795,415)
Credit default swaps		-	5,619,980
		10,409,319	(15,853,086)
Net (decrease) / increase in unrealized (depreciation) / appreciation on:			
Investments		(528,356,108)	797,383
Forward foreign exchange contracts		338,358	(1,828,244)
Credit default swaps		-	1,144,501
Foreign exchange options		(4,880,100)	-
Translation of assets and liabilities in foreign currencies		(7,931,935)	25,390,012
		(540,829,785)	25,503,652
Net realized and unrealized (loss) / gain from investments and foreign currencies		(530,420,466)	9,650,566
Net (decrease) / increase in net assets resulting from operations		(440,959,564)	103,731,012

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

TETRAGON FINANCIAL GROUP MASTER FUND LIMITED

STATEMENTS OF CHANGES IN NET ASSETS
For the period ended 30 June 2009 (unaudited)

	Period ended 30 Jun 2009 US$	Period ended 30 Jun 2008 US$
Investment income	97,976,637	113,781,368
Operating expenses	(8,515,735)	(19,700,922)
Net realized gain / (loss) from investments and foreign currency	10,409,319	(15,853,086)
Net unrealized (depreciation) / appreciation on investments and translation of assets and liabilities in foreign currencies	(540,829,785)	25,503,652
Net (decrease) / increase in net assets resulting from operations	(440,959,564)	103,731,012
Dividends paid to shareholders	(7,542,110)	(40,066,189)
Issue of shares	509,939	5,473,159
Treasury shares	(877,379)	(4,887,377)
(Decrease) / increase in net assets resulting from net share transactions	(367,440)	585,782
Total (decrease) / increase in net assets	(448,869,114)	64,250,605
Net assets at start of period	1,141,950,194	1,264,437,956
Net assets at end of period	693,081,080	1,328,688,561

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

TETRAGON FINANCIAL GROUP MASTER FUND LIMITED

STATEMENTS OF CASH FLOWS
For the period ended 30 June 2009 (unaudited)

	Period ended 30 Jun 2009 US$	Period ended 30 Jun 2008 US$
Operating and investing activities		
Net (decrease) / increase in net assets resulting from operations	(440,959,564)	103,731,012
Adjustments for:		
Realized losses / (gains) on investments	-	(322,349)
Non cash interest income on investments	(20,286,416)	79,797,477
Unrealized losses / (gains)	540,829,785	(25,503,652)
Operating cash flows before movements in working capital	79,583,805	157,702,488
Decrease in receivables	169,269	591,980
Decrease in payables	(985,173)	(2,376,441)
Cash flows from operations	78,767,901	155,918,027
Proceeds from repayments on investments	-	322,349
Cash inflows from operating and investing activities	78,767,901	156,240,376
Financing activities		
Amounts due from brokers	105,999,951	(19,931,502)
Proceeds from issue of shares	509,939	-
Treasury shares	(877,379)	(4,887,377)
Dividends paid to shareholders	(7,542,110)	(34,593,030)
Repayments on repurchase and swap agreements	(117,557,492)	(118,034,237)
Bank overdraft	-	(1,901,295)
Cash outflows from financing activities	(19,467,091)	(179,347,441)
Net increase / (decrease) in cash and cash equivalents	59,300,810	(23,107,065)
Cash and cash equivalents at beginning of period	63,042,822	209,237,922
Effect of exchange rate fluctuations on cash and cash equivalents	1,451,626	(180,615)
Cash and cash equivalents at end of period	123,795,258	185,950,242

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

Note 1 General Information

Tetragon Financial Group Master Fund Limited (the "Fund") was registered in Guernsey on 23 June 2005 under the provisions of The Companies (Guernsey) Law, 1994, as amended, as a company limited by shares, with registered number 43322. All Voting Shares of the Fund are held by Polygon Credit Holdings II Limited (the "Voting Shareholder"). On 22 March 2007, the shareholders of the Fund passed a resolution, amending its articles of association to modify, among other things, its capital structure. Such amendment to the Fund's articles of association converted the Fund into a closed-ended fund by eliminating redemption rights of investors. The Fund continues to be registered and domiciled in Guernsey.

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

The Fund's investment objective is to generate distributable income and capital appreciation. To achieve this investment objective, and to provide stable returns to investors across various interest rate and credit cycles, the Polygon Credit Management LP (the "Investment Manager") seeks to identify asset classes it believes to be attractive and asset managers it believes to be superior based on experience and expertise, and to use its market experience to negotiate favorable transaction terms for vehicles in which the Fund invests. As part of this current investment strategy, the Fund may employ hedging strategies and leverage in seeking to provide attractive returns from the portfolio while managing risk.

Note 2 Significant Accounting Policies

Basis of Presentation

The financial statements are prepared in conformity with United States generally accepted accounting principles ("US GAAP").

For financial statement reporting purposes, the Fund is an investment company and follows the American Institute of Certified Public Accountants Audit and Accounting Guide for Investment Companies (the "Guide").

The accounting policies have been consistently applied by the Fund during the period ended 30 June 2009 and are consistent with those used in the previous year.

The financial statements are presented in United States Dollars.

Use of Estimates

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

Foreign Currency Translation

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

Note 2 Significant Accounting Policies (continued)

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

Investment Transactions and Investment Income

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

Financial Instruments

Investments in securities, at fair value

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

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

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

As at 30 June, 2009 some of the modeling assumptions used are as follows:

• Constant Annual Default Rate: This is approximately 6.4%, which is 3.0x the original base-case default rate, until the end of 2011, followed by a return to 1.0x the original base-case default level thereafter. This amount has been determined by reference to the underlying collateral and rating agencies research.

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

• Prepayment Rate: Loan prepayments are assumed to be 7.5% p.a. until the end of 2011, followed by 20% p.a. the original base-case prepayment rate thereafter; a 0% prepayment rate on bonds has been assumed throughout the life of the transaction.

Note 2 Significant Accounting Policies (continued)

Investments in securities, at fair value (continued)

• Reinvestment Price and Spread: The assumed reinvestment price is 87%, a level that generates an effective spread over LIBOR of approximately 735 bps on broadly U.S. syndicated loans, 745 bps on European loans, and 805 bps on middle market loans, until the end of 2011, followed by a return to par reinvestment price the original base case reinvestment price thereafter until maturity.

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

The Fund recognizes interest income and any impairment pursuant to FASB Staff Position Emerging Issues Task Force Issue No. 99-20-1 (" FSP EITF 99-20-1"), "Recognition of Interest Income and Impairment on Purchased and Retained Beneficial Interests in Securitized Financial Assets" effective for reporting periods ending after 15 December 2008. FSP EITF 99-20-1 sets forth rules for recognizing interest income and determining when an investment's amortized cost must be written down to fair value because of other than temporary impairments.

The Fund determines periodic interest income based on the principles of FSP EITF 99-20-1. The excess of the estimated future cash flows over the initial investment is the accretable yield which is recognized as interest income over the life of the investment using the effective yield method. Cash distributions received from investments under FSP EITF 99-20-1 may not necessarily equal the income earned during any given year or period. The amortized cost of each investment is equal to the initial investment plus the yield accrued to date less all cash received to date less any write downs for impairment.

Investments are evaluated for impairment as of each month end or more frequently if the Fund becomes aware of any material information that would lead it to believe an investment may be impaired. Unrealized gains and losses occur when actual cash receipts differ from the amounts initially estimated, discount rates and/or assumptions included in the fair valuation models (such as estimated default rates, prepayment or recovery rates) have changed. Any unrealized loss is tested for permanent impairment as required by FSP EITF 99-20-1.

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

The Fund adopted the provisions of Statement of Financial Accounting Standards No. 157, "Fair Value Measurements" (FAS 157). FAS 157 defines fair value as the price that the Fund would receive to sell an asset or pay to transfer a liability in an orderly transaction between market participants at the measurement date.

In October 2008, the FASB issued FASB Staff Position FAS 157-3, "Determining the Fair Value of a Financial Asset When the Market for That Asset is Not Active," which was effective immediately. FSP FAS 157-3 clarifies the application of Statement 157 in cases where the market for a financial instrument is not active and provides an example to illustrate key considerations in determining fair value in those circumstances. The Fund has considered the guidance provided by FSP FAS 157-3 in its determination of estimated fair values during the period.

Note 2 Significant Accounting Policies (continued)

Investments in securities, at fair value (continued)

FAS 157 also establishes a framework for measuring fair value and a three level hierarchy for fair value measurement based upon the transparency of inputs to the valuation of an asset or liability. Inputs may be observable or unobservable and refer broadly to the assumptions that market participants would use in pricing the asset or liability.

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

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

The following is a summary of the inputs used as of 30 June, 2009 in valuing the Fund's assets carried at fair value:

	CLO Debt Equity Securities US$	Net Unrealised Appreciation / (Depreciation) on other financial instruments* US$
Level 1 – Quoted prices	-	-
Level 2 – Other significant observable inputs	-	(3,905,718)
Level 3 – Significant unobservable inputs	565,041,818	-
	565,041,818	(3,905,718)

* Other financial instruments are derivative instruments not reflected in the Schedule of Investments, such as forward foreign currency contracts and fx call options, which are valued at the unrealized appreciation/depreciation of the instrument.

The following is a reconciliation of the Fund's assets in which significant unobservable inputs (Level 3) were used in determining fair value at 30 June 2009.

	US$
Balance at 31 December 2008	1,082,495,071
Change in unrealized depreciation	(424,689,749)
Change in Accelerated Loss Fair Value adjustment	(113,049,920)
Accretion	20,286,416
Balance at 30 June 2009	565,041,818

At the end of 2008 the Fund established a balance sheet fair value adjustment calculated on a deal-by-deal basis against potential losses arising from, among other things, rating agency downgrades to the Fund's investments' underlying collateral (the " Accelerated Loss Fair Value Adjustment"). The Investment Manager believes that negative loan migration, specifically migration to Caa1/CCC+ or below, may place pressure on the performance of certain of the Fund's investments. Caa1/CCC+ or below rated asset exposure over pre-defined limits in such investments may temporarily cause cash diversion away from CLO equity tranches (the Fund's investments) and into the reinvestment of new collateral, and, if significant enough, potential deleveraging of the security.

Note 2 Significant Accounting Policies (continued)

Investments in securities, at fair value (continued)

The Accelerated Loss Fair Value Adjustment seeks to address the impact this risk and other potential losses may have on the fair value of the Fund's investments. At 30 June, 2009 the Accelerated Loss Fair Value Adjustment totalled approximately US$ 254.1 million (2008: US$141.1 million).

Credit default swaps

Credit default swaps are contracts in which the Fund pays or receives premium flows in return for the counterparty accepting or selling all or part of the risk of default or failure to pay of a reference entity on which the swap is written. Where the Fund has bought protection the maximum potential loss is the value of the premium flows the Fund is contracted to pay until maturity of the contract. Where the Fund has sold protection the maximum potential loss is the nominal value of the protection sold.

Credit default swaps are stated at fair value. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models, as appropriate. The net income or expense on the swap agreements entered into by the Fund is reflected in the Statements of Operations. Unrealized gains are reported as an asset and unrealized losses are reported as a liability in the Statements of Assets and Liabilities. Changes in the fair value are reflected in the Statements of Operations in the period in which they occur.

Forward currency contracts

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

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

Options

When the Fund purchases or writes an option, an amount equal to the premium paid or received by the Fund is reflected as an asset or an equivalent liability. The amount of the asset or liability is subsequently marked-to-market to reflect the current market value of the option. When a security is purchased or sold through the exercise of an option, the related premium paid (or received) is added to (or deducted from) the cost of the security acquired or deducted from (or added to) the proceeds of the security sold.

When an option expires (or the Fund enters into a closing transaction), the Fund realises a gain or loss on the option to the extent of the premiums received or paid (or gain or loss to the extent the cost of the closing transaction exceeds the premium paid or received).

The best evidence of fair value of an option at initial recognition is the transaction price. Subsequent changes in the fair value of an option are recognized immediately in the statement of operations.

Note 2 Significant Accounting Policies (continued)

Repurchase agreements reverse repurchase agreements and swap agreements

Securities sold subject to a simultaneous agreement to repurchase those securities at a certain later date at a fixed price (repurchase agreements) are retained in the financial statements and are measured in accordance with their original measurement principles. The proceeds of the sale are reported as liabilities and are carried at amortized cost.

Interest earned on reverse repurchase agreements and swap agreements and interest incurred on repurchase agreements and swap agreements is recognized as interest income or interest expense, over the life of each agreement using the effective interest method.

Cash and cash equivalents

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

Expenses

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

Taxation

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

Dividends payable

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

Principles of Consolidation

The Fund has determined that it does not have control over the significant operating, financial and investing decisions of the securities that it invests in, or over the investment managers of those securities.

The Fund is the primary beneficiary of some securities which are considered variable interest entities ("VIE"). As the Fund is accounting for its investments at fair value in accordance with the accounting guidance in the AICPA Audit and Accounting Guide: Investment Companies, consolidation of these entities is not required. At 30 June, 2009 the Fair value of these VIEs is $565.0 million. These are non-recourse securities with no contingent liabilities where the Fund's maximum loss exposure is capped at the current carrying value.

Note 3 Cash and Cash Equivalents

	30 Jun 2009 US$	31 Dec 2008 US$
Cash and current deposits with banks	121,564,115	42,821,107
Foreign currency cash (cost: US$2,159,173 (2008: US$18,926,293))	2,231,143	20,221,715
	123,795,258	63,042,822

Note 4 Financial Instruments with Off-Balance Sheet Risk and Concentration of Credit Risk

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

The Fund's assets include securities or other financial instruments or obligations which are very thinly traded or for which no market exists or which are restricted as to their transferability under applicable securities laws. The valuation of equity tranche investments in securitization vehicles is determined utilizing a financial model that reflects numerous variables including, among other things, the Investment Manager's assessment of the nature of the investment and the relevant collateral, security position, risk profile, expected default rates and the originator and servicer of the position. As each of these factors involves subjective judgments and forward-looking determinations by the Investment Manager, the Investment Manager's experience and knowledge is instrumental in the valuation process. Further, because of overall size or concentration in particular markets of positions held by the Fund, the value at which its investments can be liquidated may differ, sometimes significantly, from the interim valuations arrived at.

The majority of the Fund's investments consist of interests in and/or economic exposures to limited recourse securities that are subordinated in right of payment and ranked junior to other securities that are secured by the same pool of assets. In the event of default by an issuer in relation to such investments holders of the issuer's more senior securities will be entitled to payments in priority to the Fund. Some of the Fund's investments may also have structural features that divert payments of interest and/or principal to more senior classes secured by the same pool of assets when the delinquency or loss experience of the pool exceeds certain levels.

This may lead to interruptions in the income stream that the Fund anticipates receiving from its investment portfolio.

To the extent that actual losses on the underlying collateral exceed the level of assumed losses used to determine the fair value of the investment, the value of the investment may be reduced.

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

The Fund adopted Financial Accounting Standards Board ("FASB") Statement of Financial Accounting Standards No. 161 "Disclosures about Derivative Instruments and Hedging Activities" ("SFAS 161"), effective December 1, 2008.

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

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

Details of the Fund's investment portfolio at the balance sheet date are disclosed in the Schedule of Investments on pages 20 to 21.

Note 4 Financial Instruments with Off-Balance Sheet Risk and Concentration of Credit Risk (continued)

Forward contracts

The following foreign exchange forward contracts were unsettled at 30 June 2009.

Maturity Date	Amount Bought	Amount Sold	Unrealized Loss US$
09 July 2009	EUR30,000,000	US$38,740,400	2,345,338
09 July 2009	EUR10,000,000	US$12,911,500	1,117,080
09 July 2009	EUR12,000,000	US$16,324,200	510,095
09 July 2009	US$147,241,500	EUR111,000,000	(8,475,731)
			(4,503,218)

The following foreign exchange forward contracts were unsettled at 31 December 2008.

Maturity Date	Amount Bought	Amount Sold	Unrealized Loss US$
09 January 2009	US$ 260,609,950	EUR 191,000,000	(4,841,576)
			(4,841,576)

Options

The following foreign exchange options were unsettled at 30 June 2009.

Maturity Date	Description	Notional EUR	Fair Value US$
06 October 2009	Call EUR / USD Option	91,000,000	227,500
22 October 2009	Call EUR / USD Option	100,000,00	370,000
			597,500

The following foreign exchange options were unsettled at 31 December 2008.

Maturity Date	Description	Notional EUR	Fair Value US$
06 October 2009	Call EUR / USD Option	91,000,000	2,602,600
22 October 2009	Call EUR / USD Option	100,000,00	2,875,000
			5,477,600

Note 5 Amounts Due From Brokers

The amounts due from brokers is cash pledged as collateral on the forward contracts and has previously included cash pledged as collateral on repurchase and swap agreements as well as coupons not yet received from repurchase agreement counterparties. At 30 June 2009 the collateral cash balance with UBS AG was US$ 8,374,162 (31 December 2008: US$ 17,362,861) and Deutsche Bank AG was US$ Nil (31 December 2008: US$ 94,230,566). There were no coupons receivable (31 December 2008: US$ 2,780,686).

Note 6 Other Receivables

	30 Jun 2009 US$	31 Dec 2008 US$
Bank interest receivable	690	42,559
Prepaid insurance	6,233	133,633
	6,923	176,192

Note 7 Payables under Repurchase and Swap Agreements

	30 Jun 2009 US$	31 Dec 2008 US$
Payable under repurchase agreement – JP Morgan	-	9,548,264
Payable under swap agreement – Deutsche Bank	-	108,009,228
	-	117,557,492

The average interest rate payable during the period was 2.62% (31 December 2008: 4.92%). The average amount of borrowings under repurchase and swap agreements during the period was US$ 45,597,998 (31 December 2008: US$ 267,356,029). Securities sold under repurchase agreements were included in investments in securities, at fair value.

The fair value of these securities held under repurchase agreements at 30 June 2009 was US$ Nil (31 December 2008: US$ 108,006,367). The outstanding repurchase agreement terminated on 7 April 2009. The Fund had entered into a Structured Total Return Swap agreement with Deutsche Bank AG. This was terminated on 2 March, 2009. During the term of the Contract interest was paid to Deutsche Bank AG on the amount borrowed at a floating rate of the 3 month USD-LIBOR-BBA plus a spread of 0.85% on a quarterly basis and the Fund received all cash payments received by Deutsche Bank AG from the underlying securities. The fair value of securities held under the swap agreements at 30 June 2009 was US$ Nil (31 December 2008: US$ 134,610,339).

Note 8 Other Payables and Accrued Expenses

	30 Jun 2009 US$	31 Dec 2008 US$
Audit fee accrual	173,064	276,328
Legal and professional fees accrual	2,524	106,120
Directors' fee accrual	50,000	49,996
Custodian fee accrual	5,775	43,750
	231,363	476,194

Note 9 Share Capital

Authorized

The Fund has an authorized share capital of US$ 1,000,000 divided into 10 Voting Shares, having a par value of US$ 0.001 each and 999,999,990 Non-Voting Shares, having a par value of US$ 0.001 each.

Note 9 Share Capital (continued)

Voting Shares and Non-Voting Shares

All of the Funds Voting Shares are issued at par and are beneficially owned by the Voting Shareholder, a non-U.S. affiliate of the Investment Manager. During the period the Fund's Non-Voting Shares were beneficially owned by Tetragon Financial Group Limited (the "Guernsey Feeder"). All shares are in registered form and no share certificates will be issued. The Voting Shares will be the only shares entitled to vote for the election of Directors and on all other matters put to a vote of shareholders.

Dividend Rights

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

Share transactions

	Voting Shares No.	Non-Voting Shares No.	Non-Voting Shares US$
Shares in issue at 31 December 2007	10	126,053,607	126,054
Issued	-	2,476,782	2,477
Treasury shares	-	(2,550,506)	(2,551)
Shares in issue at 31 December 2008	10	125,979,883	125,980
Issued	-	511,631	512
Treasury shares	-	(577,549)	(578)
Shares in issue at 30 June 2009	10	125,913,965	125,914

Treasury shares

On 30 November 2007, the Guernsey Feeder, an investor in the Fund, announced the implementation of a share repurchase program of up to 5% of their outstanding Non-Voting Shares over the following 12 months. This program was subsequently updated twice and will now continue from May 1, 2009 for a period of up to eighteen months, until 5% of the Guernsey Feeder's outstanding shares have been repurchased under the updated program or until terminated by the Board. In conjunction with this the Fund has undertaken to repurchase an identical number of its own shares from the Guernsey Feeder as and when it makes these repurchases in the open market. The Fund will match the price per share paid by the Guernsey Feeder. The shares are held in a Treasury Account which allows them to be resold back to the Guernsey Feeder if it resells its own shares back into the market at a later date. Whilst they are held in the Treasury Account the shares are neither eligible to receive dividends nor are they included in the shares outstanding on the Statements of Assets and Liabilities.

Note 10 Share Premium

	30 Jun 2009 US$	31 Dec 2008 US$
Balance at start of period/year	1,141,455,539	1,141,737,834
Discount arising from net transactions of shares	(367,374)	(282,295)
Balance at end of period/year	1,141,088,165	1,141,455,539

Note 11 Dividends

	30 Jun 2009 US$	31 Dec 2008 US$
Quarter ended 31 December 2007 of US$ 0.15 per share	-	18,833,387
Quarter ended 31 March 2008 of US$ 0.17 per share	-	21,232,802
Quarter ended 30 June 2008 of US$ 0.23 per share	-	28,552,822
Quarter ended 30 September 2008 of US$ 0.23 per share	-	29,235,568
Quarter ended 31 December 2008 of US$ 0.03 per share	3,770,136	-
Quarter ended 31 March 2009 of US$ 0.03 per share	3,771,974	-
	7,542,110	97,854,579

The second quarter dividend of US$ 0.03 cents was proposed by directors on 29 July 2009 and has not been included as a liability in these financial statements.

The Fund pays a dividend to the Guernsey Feeder that is sufficient to pay their incentive fee liability and also to cover their dividend liability.

Note 12 Earnings

	30 Jun 2009 US$	31 Dec 2008 US$
Balance at start of period/year	368,675	122,574,068
Net decrease in net assets resulting from operations for the period /year	(440,959,564)	(24,350,814)
Dividends paid	(7,542,110)	(97,854,579)
Balance at end of period/year	(448,132,999)	368,675

Note 13 Interest Income

	30 Jun 2009 US$	30 Jun 2008 US$
Debt securities	97,185,834	110,555,065
Cash and short-term funds	109,066	3,226,303
	97,294,900	113,781,368

Note 14 Related Party Transactions

Tetragon Financial Group Limited (the "Guernsey Feeder"), a Guernsey based closed-ended investment company, invests substantially all of its assets in the Fund. The Guernsey Feeder has the same Investment Manager as the Fund.

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

Note 14 Related Party Transactions (continued)

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

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

Note 15 Recent changes to US GAAP

In March 2008, the FASB issued SFAS No. 161, "Disclosures about Derivative Instruments and Hedging Activities— an amendment of FASB Statement No. 133." SFAS No. 161 requires enhanced disclosures about an entity's derivative and hedging activities, and is effective for financial statements issued for reporting periods beginning after November 15, 2008, with early application encouraged. These disclosures have been made in Note 4.

In September 2008, the FASB issued FSP No. FAS 133-1 and FIN 45-4, "Disclosures about Credit Derivatives and Certain Guarantees: An Amendment of FASB Statement No. 133 and FASB Interpretation No. 45; and Clarification of the Effective Date of FASB Statement No. 161." FSP No. FAS 133-1 and FIN 45-4 requires enhanced disclosures about credit derivatives and guarantees and amends FIN 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others" to exclude credit derivative instruments accounted for at fair value under SFAS No. 133. The FSP is effective for financial statements issued for reporting periods ending after November 15, 2008. The Fund is not currently party to any relevant transactions.

In December 2008, the FASB issued FSP No. FAS 140-4 and FIN 46(R)-8, "Disclosures by Public Entities (Enterprises) about Transfers of Financial Assets and Interests in Variable Interest Entities." FSP No. FAS 140-4 and FIN 46(R)-8 requires enhanced disclosures about transfers of financial assets and interests in variable interest entities. The FSP is effective for interim and annual periods ending after December 15, 2008. These disclosures have been made in Note 2.

In April 2009, the FASB issued FSP No. FAS 157-4, "Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly." The FSP provides guidance for estimating fair value when the volume and level of activity for an asset or liability have decreased significantly. Specifically, the FSP lists factors which should be evaluated to determine whether a transaction is orderly, clarifies that adjustments to transactions or quoted prices may be necessary when the volume and level of activity for an asset or liability have decreased significantly, and provides guidance for determining the concurrent weighting of the transaction price relative to fair value indications from other valuation techniques when estimating fair value. The FSP is effective for periods ending after June 15, 2009. These disclosures have been made in Note 2.

In April 2009, the FASB issued FSP No. FAS 115-2 and FAS 124-2, "Recognition and Presentation of Other-Than-Temporary Impairments." Under the FSP, only the portion of an other-than-temporary impairment on a debt security related to credit loss is recognized in current period earnings, with the remainder recognized in other comprehensive income, if the holder does not intend to sell the security and it is more likely than not that the holder will not be required to sell the security prior to recovery. Currently, the entire other-than-temporary impairment is recognized in current period earnings. The FSP is effective for periods ending after June 15, 2009. This has not had a material impact on the Fund's financial position and results of operations.

Note 15 Recent changes to US GAAP (continued)

In April 2009, the FASB issued FSP No. FAS 107-1 and APB 28-1, "Interim Disclosures about Fair Value of Financial Instruments." The FSP requires that the fair value disclosures prescribed by FASB Statement No. 107, "Disclosures about Fair Value of Financial Instruments" be included in financial statements prepared for interim periods. The FSP is effective for periods ending after June 15, 2009. These disclosures have been made in Note 2.

Note 16 Approval of Financial Statements

The Directors approved the financial statements on 29 July 2009.

TETRAGON FINANCIAL GROUP MASTER FUND LIMITED

FINANCIAL HIGHLIGHTS
For the period ended 30 June 2009 (unaudited)

The following represents selected per share operating performance of the Fund, ratios to average net assets and total return information for the period ended 30 June 2009 and the year ended 31 December 2008.

	Participating Shares*	Participating Shares
	1 Jan 2009 to 30 Jun 2009	1 Jan 2008 to 31 Dec 2008
	US$	US$
Per share operating performance		
Net asset value at start of period	9.06	10.03
Net investment income	0.71	1.46
Net realized and unrealized loss from investments and foreign currencies	(4.21)	(1.66)
Dividends paid to shareholders	(0.06)	(0.77)
Net asset value at the end of the period	5.50	9.06
Return (NAV change excluding dividends)	(38.63%)	(1.99%)
Ratios and supplemental data		
Ratio to average net assets:		
Total operating expenses	(1.01%)	(2.74%)
Net investment income	10.64%	14.3%

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

*The ratios and returns have not been annualized.

TETRAGON FINANCIAL GROUP MASTER FUND LIMITED

SCHEDULE OF INVESTMENTS
As at 30 June 2009 (unaudited)

Security Description	Nominal	Cost US$	Fair Value US$	% of Net Assets
US Dollar				
Cayman Islands – CLO debt equity security				
ABS and Structured Finance	18,400,000	17,572,000	-	-
Broadly Syndicated Senior Secured Loans	940,375,986	858,664,741	302,030,055	43.58%
CDOs Squared	28,250,000	27,112,831	-	-
Middle Market Senior Secured Loans	236,249,000	219,797,145	133,808,528	19.31%
	1,223,274,986	1,123,146,717	435,838,583	62.89%
Euro				
Ireland – CLO debt equity security				
Broadly Syndicated Senior Secured Loans	127,400,000	155,916,581	69,552,792	10.04%
	127,400,000	155,916,581	69,552,792	10.04%
Luxembourg – CLO debt equity security				
Broadly Syndicated Senior Secured Loans	65,100,000	80,651,697	34,600,145	4.99%
	65,100,000	80,651,697	34,600,145	4.99%
Netherlands – CLO debt equity security				
Broadly Syndicated Senior Secured Loans	24,020,000	31,758,532	25,050,298	3.61%
	24,020,000	31,758,532	25,050,298	3.61%
Total Investments			565,041,818	81.53%
Cash and Cash Equivalents			123,795,258	17.86%
Bank overdraft			-	-
Other Assets and Liabilities			4,244,004	0.61%
Net Assets			693,081,080	100.00%

TETRAGON FINANCIAL GROUP MASTER FUND LIMITED

SCHEDULE OF INVESTMENTS (continued)
As at 31 December 2008 (audited)

Security Description	Nominal	Cost US$	Fair Value US$	% of Net Assets
US Dollar				
Cayman Islands – CLO debt equity security				
ABS and Structured Finance	18,400,000	17,572,000	-	-
Broadly Syndicated Senior Secured Loans	940,375,986	858,664,741	643,866,418	56.39%
CDOs Squared	62,250,000	52,156,250	-	-
Middle Market Senior Secured Loans	236,249,000	219,797,145	179,546,952	15.72%
	1,257,274,986	1,148,190,136	823,413,370	72.11%
Euro				
Ireland – CLO debt equity security				
Broadly Syndicated Senior Secured Loans	127,400,000	155,916,581	150,227,269	13.16%
	127,400,000	155,916,581	150,227,269	13.16%
Luxembourg – CLO debt equity security				
Broadly Syndicated Senior Secured Loans	65,100,000	80,651,697	76,880,132	6.73%
	65,100,000	80,651,697	76,880,132	6.73%
Netherlands – CLO debt equity security				
Broadly Syndicated Senior Secured Loans	24,000,000	31,758,532	31,974,300	2.80%
	24,000,000	31,758,532	31,974,300	2.80%
Total Investments			1,082,495,071	94.80%
Cash and Cash Equivalents			63,042,822	5.52%
Other Assets and Liabilities			(3,587,699)	(0.32%)
Net Assets			1,141,950,194	100.00%