TETRAGON FINANCIAL GROUP LIMITED (TFG)

PERFORMANCE REPORT FOR PERIOD ENDED 30 JUNE 2013

31 July 2013

Tetragon Financial Group Limited (TFG) is a Guernsey closed-ended investment company traded on NYSE Euronext in Amsterdam under the ticker symbol "TFG."(1) In this report we provide an update on TFG's results of operations for the period ending 30 June 2013.

EXECUTIVE SUMMARY AND OUTLOOK

OVERVIEW

TFG achieved positive operating and financial performance in H1 2013, with an annualised Return on Equity ("RoE") of 12.3% in line with our over-the-cycle target of 10-15% *per annum*.(2) Annualised RoE for Q2 alone was 7.3%. As anticipated, and as discussed in the company's Q1 2013 performance report, the rate of earnings growth has slowed from previous quarters due to, among other things, credit spread tightening. Credit spreads have been tightening for several months and for TFG's CLO portfolios this is a double-edged sword. Tighter credit markets are a positive in that they potentially reduce the discount rate on future cash flows; also, tighter credits tend to be caused by a relatively benign default environment which in itself is good for the company's CLOs. However, these conditions also mean that borrowers tend to prepay their loans and reissue at lower spreads, thus reducing the net interest margin in each CLO. These two counterbalancing factors have been the dominant themes in TFG's U.S. CLO portfolio during the first half of the year.

In H1 2013, TFG made $146.4 million of new investments into all of its existing asset classes: loans (via CLO equity); real estate; equities; and credit. We expect to continue to invest in these asset classes in the second half of the year.

TFG's asset management business ("TFG Asset Management") had good financial performance during H1 2013.

GOALS

Looking at the company's goals for 2013 expressed in the 2012 Annual Report:

1. **To deliver 10-15% RoE *per annum* to shareholders.(2)**

   The company met its RoE target of 10-15% during H1 2013 with annualised RoE of 12.3%.

2. **To manage more of TFG's assets on the TFG Asset Management platform.**
   The amount of TFG's capital that was externally managed as of the end of Q2 2013 was 56.6%, down from 60.9% at the end of Q1 2013 and 63.2% at the end of 2012.(3)

3. **To grow client AUM and fee income.**
   TFG Asset Management's assets under management ("AUM") at 30 June 2013 stood at $8.7 billion, compared to $7.7 billion at 2012 year-end.(4)

4. **To add further asset management businesses to the TFG Asset Management platform.**
   During Q2 2013, a senior distressed credit portfolio manager joined the TFG Asset Management platform to build a team, establish a distressed credit fund, and build a performance track record in the strategy.

EXECUTIVE SUMMARY AND OUTLOOK

OUTLOOK

We expect that the current environment of central bank involvement in the financial markets is likely to continue for some time. This implies that financial asset prices may be significantly impacted by factors other than their fundamental value, leading to volatility across asset classes. We believe that the increased diversification of TFG's investments may prove valuable in such conditions.

We remain cautiously positive about the outlook for the second half of 2013 with respect to both our existing investment portfolio and potential new investments. It is important to note, however, that with LIBOR at record lows our *ex ante* expected returns on each investment, and therefore our expected RoE for the company, are likely to be at the low end of our long-term target range of 10-15%.

We remain focused on managing the de-leveraging of our Pre-Crisis CLO portfolio and expect to continue to evaluate the exercise of our refinancing and call options against our available reinvestment opportunities to seek to optimize the return on both individual investments and the overall portfolio.

Finally, we expect that our asset management brands, GreenOak, LCM and Polygon, will continue to successfully navigate risks and opportunities within their respective markets.

TFG INVESTOR DAY

As previously announced, TFG will host an investor day in London on 30 September 2013 starting at 1:00 p.m. BST. The event will also be webcast live. The presentations are expected to cover reviews of TFG's business model, its investment portfolio and its asset management businesses. Further details regarding registration and agenda will be published closer to the date of the event.

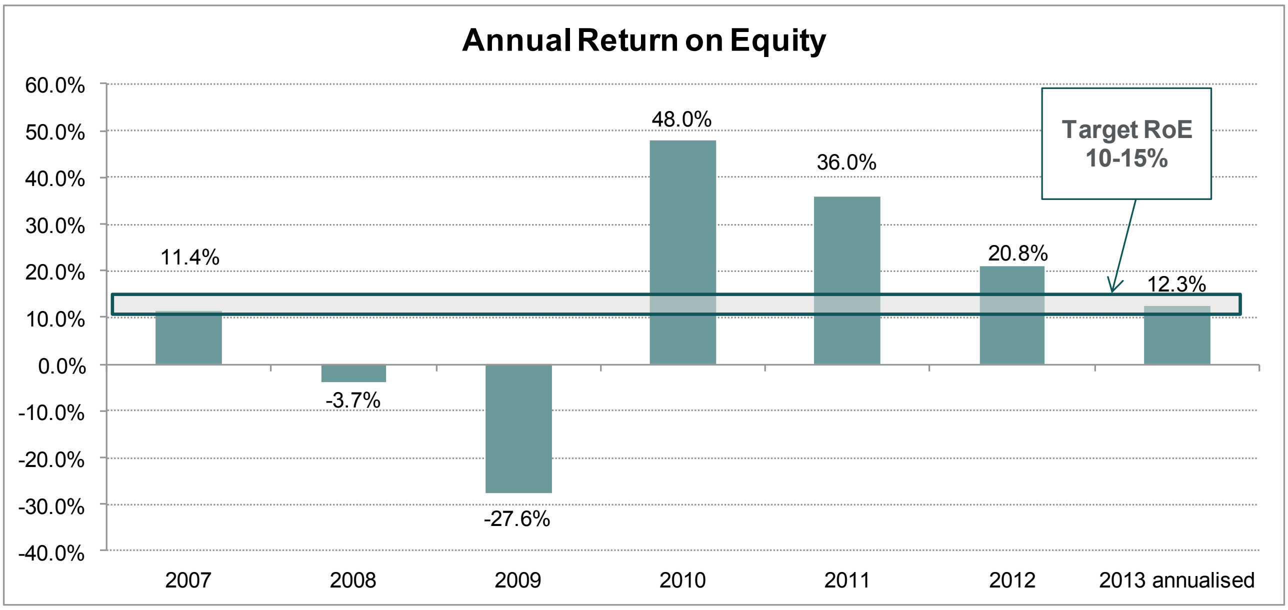
KEY METRICS

We continue to focus on three key metrics when assessing how value is being created for and delivered to TFG shareholders: Earnings, Net Asset Value ("NAV") per share and Dividends.

EARNINGS - RETURN ON EQUITY ("RoE")

- TFG generated Net Economic Income(5) of $99.6 million in H1 2013, a fall of 24.9% versus the same period in 2012.
- H1 2013 RoE(6) of 6.1% (12.3% annualised) brought the year-to-date performance within TFG's over-the-cycle target of 10-15% *per annum*.(7)
- While results for Q1 2013 were improved by the sustained re-rating of the CLO portfolio, as we anticipated in TFG's Q1 2013 report, there was a decline in the cash flows generated by CLOs during the second quarter. This arose primarily from a combination of loan spread compression and elevated levels of prepayments, reflecting borrowers taking the opportunity to refinance at lower spreads. This was also one of the main drivers behind the decline of TFG's RoE for Q2 2013 versus recent quarters to an annualised equivalent of 7.3%.
- An improving outlook for Euro-denominated CLO deals resulted in a reduction of the discount rate that TFG applied to their projected cash flows, which added approximately $8.1 million to the fair value of this part of the CLO portfolio.
- The TFG Asset Management segment contributed approximately $10.6 million of "EBITDA equivalent"(8) in the quarter and an EBITDA equivalent of $15.9 million for H1 2013.

Figure 1

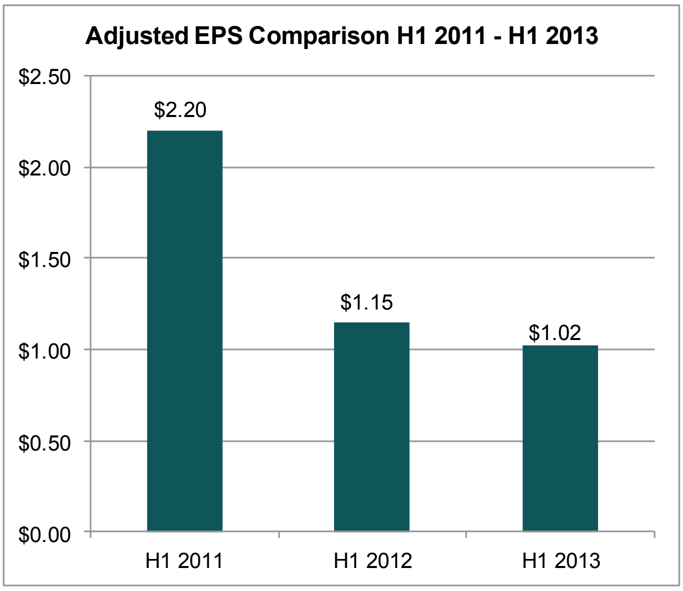


KEY METRICS

EARNINGS PER SHARE ("EPS")

- TFG generated an Adjusted EPS(9) of \$0.32 during Q2 2013 resulting in a H1 2013 EPS of \$1.02 (H1 2012: \$1.15).
- The recalibration of discount rates used in modelling the fair value of the European CLO portfolio, largely in response to sustained reductions in observed risk premia, added approximately \$0.06 of earnings per share after fees (please see page 26 for further detail).

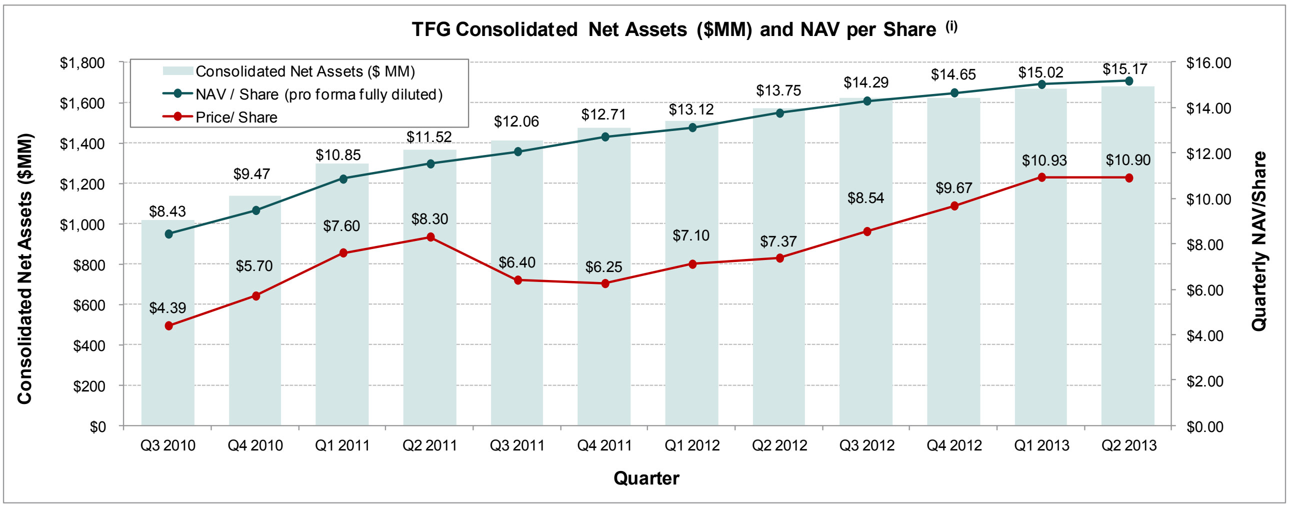
Figure 2



NAV PER SHARE

Total NAV increased to \$1,680.3 million which equated to Pro Forma Fully Diluted NAV per Share(10) of \$15.17.

Figure 3



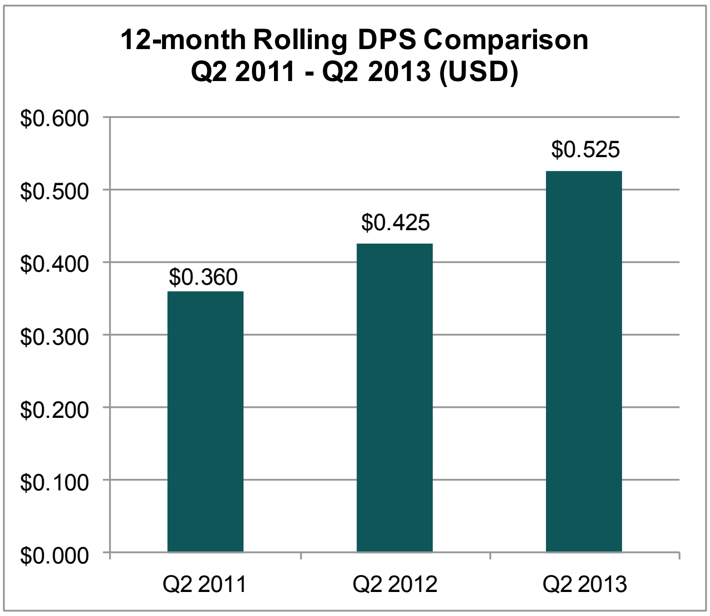
(i) Source: NAV per share based on TFG's financial statements as of the relevant quarter-end date; TFG's closing share price data as per Bloomberg as of the last trading day of each quarter. Please note that the *pro forma* fully diluted NAV per share reported as of each quarter end date excludes any shares held in treasury or in a subsidiary as of that date, but includes shares held in escrow which are expected to be released and incorporated into the U.S. GAAP NAV per Share over a five-year period and the number of shares corresponding to the applicable intrinsic value of the options issued to the Investment Manager at the time of the company's IPO.

KEY METRICS

DIVIDENDS

- Dividends per Share ("DPS"): TFG declared a Q2 2013 DPS of $0.14 up from $0.135 in Q1 2013. On a rolling 12-month basis, the dividend of $0.525 represents a 24.0% increase over the previous four quarters.
- TFG continues to pursue a progressive dividend policy with a target payout ratio of 30-50% of normalized earnings, recognizing the long-term sustainable RoE of 10-15% per annum. The Q2 2013 DPS of $0.14 brings the cumulative DPS since TFG's IPO to $2.535.

Figure 4



CASH FLOW & USES OF CASH

CASH FLOW AND USES OF CASH

TFG's cash flows from operations increased by 6.5% in H1 2013 compared with the same period of 2012, to $183.9 million. Cash flows generated by the CLO portfolio continued to be the primary source of cash and increased by 11.9% in H1 2013 to $237.9 million compared with H1 2012. CLO cash flows are discussed in more detail in the Investment Portfolio section of this report.

TFG invested $45.5 million into the equity tranches of new CLO issues in H1 2013, all of it in the first quarter as the new issue CLO market slowed and proved to be less attractive in the second quarter. TFG continued to add to its investments in equities, credit and convertible bonds primarily via Polygon branded in-house managed funds and in real estate vehicles managed by GreenOak.

The reduction in TFG's direct loan portfolio continued into Q2 2013, bringing the H1 2013 net cash flows from net sales of loans to $71.0 million. TFG utilised $26.4 million to pay dividends in H1 2013 compared with $24.2 million in H1 2012, and $16.1 million to repurchase its shares during H1 2013.

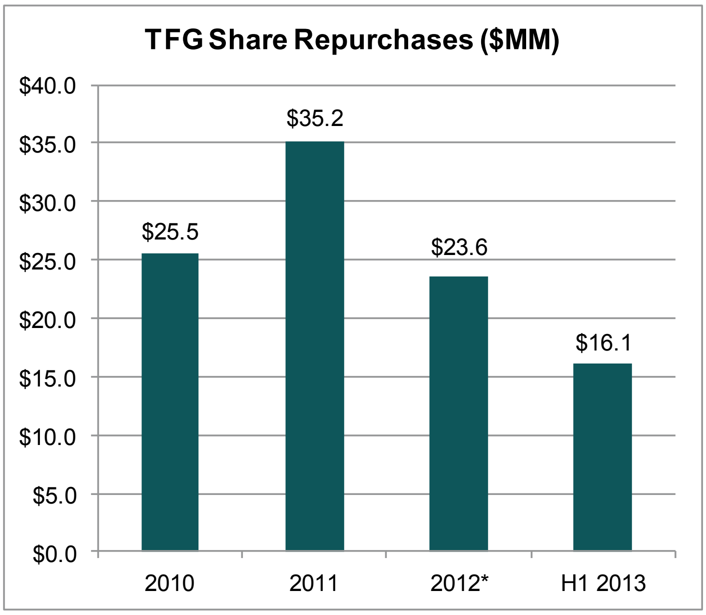
At the end of Q2 2013, TFG's investible cash balance was $217.8 million, approximately 13.0% of net assets.

SHARE REPURCHASES

Prior to the expiration of the share repurchase program on 30 April 2013, TFG purchased $16.1 million worth of TFG shares at a discount to NAV in H1 2013.

Since its launch in 2007 to the end of H1 2013, TFG's share repurchase program has resulted in the repurchase of approximately 36.2 million shares at an aggregate cost of $273.6 million (including the 2012 tender offer).

Figure 5



*2012 figure excludes $150.0 million of shares repurchased in a tender offer in Q4 2012.

TFG'S BUSINESS SEGMENTS:

INVESTMENT PORTFOLIO AND ASSET MANAGEMENT PLATFORM (TFG ASSET MANAGEMENT)

INVESTMENT PORTFOLIO

INVESTMENT PORTFOLIO OVERVIEW

During Q2 2013, TFG continued to expand its investment portfolio beyond the leveraged loan asset class, by investing in equities, credit and convertible bonds (primarily through incremental investments in Polygon-managed funds) and real estate through GreenOak-managed vehicles.

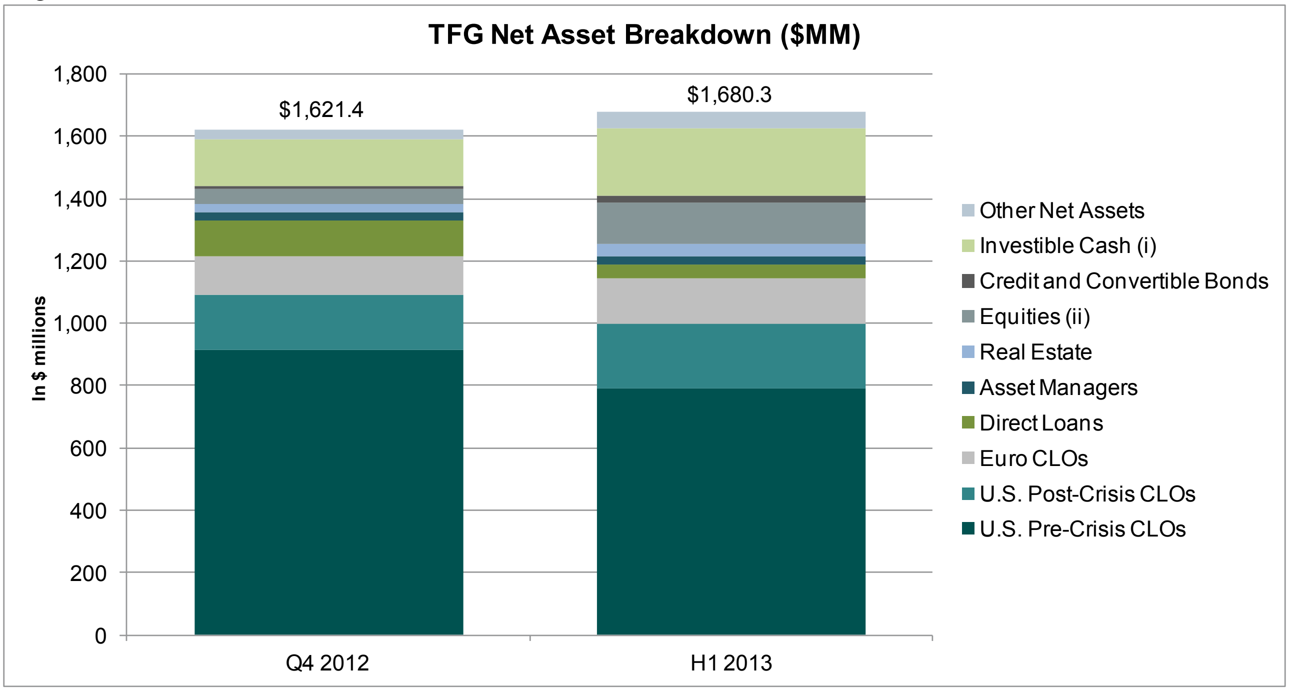
U.S. corporate loans accessed via CLO equity, which constitute the majority of TFG's investment assets, continued to perform well during Q2 2013, with credit quality, structural strength, and cash flow generation remaining strong despite declining from recent highs. The fair value of the U.S. CLO equity portfolio, however, was negatively impacted by the rapid pace of loan spread tightening, which reduced the expected future cash flows of such investments.

TFG's real estate, equity, credit and convertible bond investments performed well during Q2 2013.

PORTFOLIO COMPOSITION AND OUTLOOK

The following chart shows the composition of net assets by asset class for H1 2013 and Q4 2012.

Figure 6



(i) Investible Cash consists of: (1) cash held directly by TFG Master Fund Ltd., (2) excess margin held by brokers associated with assets held directly by TFG Master Fund Ltd., and (3) cash held in certain designated accounts related to TFG's investments, which may only be used for designated purposes without incurring significant tax and transfer costs.

(ii) Assets characterized as "Equities" consist of the fair value of investments in Polygon-managed equity funds as well as the fair value of, or capital committed to, equity assets (as applicable) held directly on the balance sheet.

INVESTMENT PORTFOLIO

TFG's net assets, which totalled $1,680.3 million at the end of H1 2013, consisted mainly of:

- Corporate loans, both directly owned and indirectly owned through CLO investments;
- equity, credit, and convertible bonds, primarily owned through Polygon fund investments;
- real estate (GreenOak investments); and
- cash.

The following chart summarizes certain performance metrics for each asset class in TFG's investment portfolio.

Figure 7

Asset Type	June 2013 Net Assets (in $MM)	LTM Performance [(ii)]
U.S. Pre-Crisis CLOs [(i)]	$787.3	29.3%
U.S. Post-Crisis CLOs [(i)]	$209.0	11.6%[(v)]
U.S. Direct Loans	$43.2	6.0%
European CLOs	$145.4	49.6%
Equities[(iv)]	$133.7	2.7%[(iii)]
Convertible Bonds	$20.8	4.2%[(iii)]
Real Estate	$37.5	N/A

(i) "U.S. Pre-Crisis CLOs" and "U.S. Post-Crisis CLOs" refers to U.S. CLOs issued before and after 2008, respectively. TFG owns $1.75 million notional in a CLO debt tranche. Such investment is excluded from these performance metrics.

(ii) For CLOs and direct loans, calculated as the total return. The total return is calculated as the sum of the aggregate ending period fair values and aggregate cash flows received during the year, divided by the aggregate beginning period fair values for all such investments. LTM performance for U.S. Post-Crisis CLO is weighted by the end of Q2 2013 fair values. U.S. Post-Crisis CLO equity investments which were made during the year, and which therefore lack a full year of performance, are annualised. The LTM performance for European CLOs excludes the impact of any changes in the EUR-USD exchange rate on TFG's fair values and cash flows received for such investments.

(iii) Note that for Polygon-managed funds (Equities and Convertible Bonds), LTM returns are presented as the actual return for TFG's period of investment from 1 December to 30 June 2013. TFG invests in Polygon-managed funds on a preferred fee-basis.

(iv) Assets characterized as "Equities" consist of the fair value of investments in Polygon-managed equity funds as well as the fair value of, or capital committed to, equity assets (as applicable) held directly on the balance sheet.

(v) This figure was amended after the initial publication date of this Q2 report.

CORPORATE LOANS

TFG's exposure to the corporate loan asset class (whether held directly or indirectly via CLO equity investments) totalled $1,184.9 million at the end of Q2 2013 ($1,269.9 million at the end of Q1 2013) and remained diversified, with 75.2% in U.S. broadly-syndicated senior secured loans, 12.5% in U.S. middle-market senior secured loans and 12.3% in European senior secured loans.[(11)]

TFG's CLO equity investments, which comprise the majority of its exposure to corporate loan assets, represented indirect exposure of approximately $16.9 billion par value of leveraged loans.

When reporting on our corporate loan exposures, we find it useful to further segment such investments into the following classes:

- U.S. Pre-Crisis CLOs
- U.S. Post-Crisis CLOs
- European CLOs
- Direct U.S. Loans

INVESTMENT PORTFOLIO

U.S. PRE-CRISIS CLOs

As of the end of Q2 2013, TFG had equity investments in 52 U.S. Pre-Crisis CLOs and one investment in the debt tranche of a U.S. Pre-Crisis CLO.(12) The U.S. Pre-Crisis CLO equity investments had total fair value of $787.3 million as of 30 June 2013, compared with $872.8 million at the end of the prior quarter.

During Q2 2013, TFG's U.S. Pre-Crisis CLO investments produced cash flows of $89.5 million ($0.92 per average outstanding share), compared with $110.0 million ($1.12 per average outstanding share) generated during Q1 2013.(13)

TFG's investments in U.S. Pre-Crisis CLO equity continued to perform well during Q2 2013, although U.S. loan spread tightening and structural de-leveraging of certain deals reduced their expected future cash generation capacity. Although cash flows remained robust during the second quarter of 2013, we expect the U.S. Pre-Crisis CLO equity portfolio to continue to wind down over the medium term as these transactions move further beyond their reinvestment periods rendering reinvestment increasingly difficult as a result of weighted-average life ("WAL") and maturity constraints, among other factors. Additionally, as well-performing transactions see their equity tranches realize predetermined incentive fee IRR hurdles (typically an IRR of 12.0%), 20-25% of available excess interest proceeds may be diverted to the CLOs' managers as a performance fee, reducing distributions versus earlier levels.

U.S. POST-CRISIS CLOs

As of the end of Q2 2013, TFG held 10 equity investments in U.S. Post-Crisis CLOs with a total fair value of $209.0 million compared to $214.1 million at the end of Q2 2013. Although no U.S. Post-Crisis CLO investments closed during Q2 2013, in July 2013 the company made a minority investment in the equity tranche of an LCM-managed U.S. Post-Crisis CLO totaling approximately $1.0 million at cost.

TFG's U.S. Post-Crisis CLOs performed well during the quarter with all O/C tests remaining in compliance within each deal.(14) During Q2 2013, TFG's U.S. Post-Crisis CLO investments produced cash flows of $12.6 million ($0.13 per average outstanding share), as compared with $8.9 million ($0.09 per average outstanding share) in the prior quarter.(15)

INVESTMENT PORTFOLIO

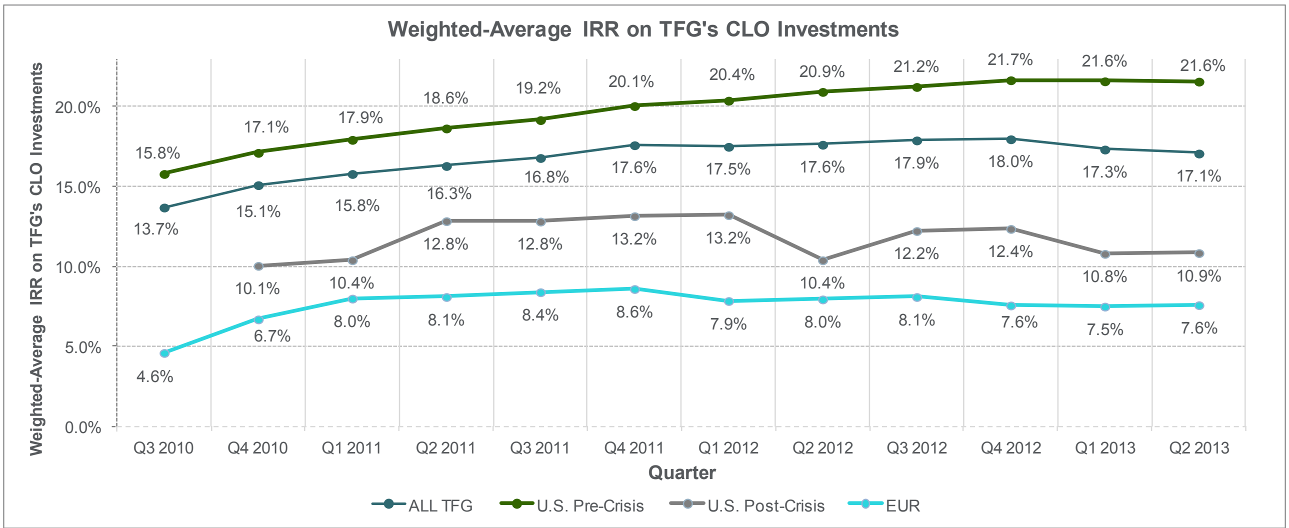
EUROPEAN CLOs

As of the end of Q2 2013, TFG held equity investments in 10 European CLOs with a total fair value of $145.4 million, up from $132.0 million as of the end of Q1 2013. The increase in fair value was driven primarily by a change in the discount rate applied to the projected cash flows of TFG's European CLOs (please see page 26 for more details).

Despite the improvement in the performance of TFG's European CLO equity investments in Q2 2013, we continue to expect that performance may remain volatile. During Q2 2013, TFG's European CLO investments generated cash flow of €7.9 million (€0.08 per average outstanding share), compared with €5.0 million (€0.05 per average outstanding share) in the prior quarter.[16] As of the end of Q2 2013, 94.1% of all of TFG's European CLO investments were passing their junior-most O/C tests, weighted by fair value, and 90% were passing when weighted by number of deals.

The following graph shows the evolution of TFG's CLO equity investment IRRs over the past three years.

Figure 8



CLO SUMMARY AND OUTLOOK

As we look forward to the remainder of 2013, a number of offsetting forces are likely to impact the performance of TFG's CLO portfolio. On the positive side, we anticipate that near-term loan default rates are likely to remain below their historical average in both the United States and Europe. Secondly, we currently expect that loan spreads are likely to stabilize near current levels, following the widening witnessed in late May and June 2013, potentially benefitting CLO net interest margins. Additionally, a deceleration in the loan repayment rate from recent highs is possible given recent spread widening, which would be expected to slow the pace of deleveraging of TFG's CLOs, all else being equal.

On the negative side, despite market-wide loan spread widening, the weighted-average spread of TFG's CLOs may continue to decline as a result of certain weighted-average life, maturity, and other collateral quality constraints of these transactions, limiting their reinvestment pool to shorter duration assets which tend to carry lower spreads. These constraints may also lead to rising cash balances as CLO managers may not be able to find suitable investments, which could in turn

CLO SUMMARY AND OUTLOOK (continued)

reduce the amount of net interest margin distributable to CLO equity holders, such as TFG. Additionally, although rising LIBOR rates would generally be a positive for CLO equity returns, given the significant presence of LIBOR floors within the underlying U.S. CLO loan portfolios, some of the initial increase in LIBOR may be a negative drag on U.S. CLO equity returns since LIBOR floors effectively transform these loans into fixed-paying instruments until LIBOR rises above specified floor levels while CLO liabilities remain floating in nature.

Despite significant uncertainty around the multiple factors affecting the performance of the CLO portfolio, our outlook remains positive near to mid-term. As noted elsewhere, as a majority equity holder in these transactions, we may have the ability to monetize the value of early redemption options of these CLOs when appropriate.

DIRECT LOANS

As of the end of Q2 2013, TFG held Direct U.S. Loan investments with a total fair value of $43.2 million and par value of $43.4 million, down from $51.0 million in fair value and $50.5 million in par amount as of the end of Q1 2013. This modest decline in the size of the portfolio was primarily driven by repayments. The direct bank loan portfolio performed well during Q2 2013, experiencing no defaults.

EQUITIES

As of the end of Q2 2013, TFG held $133.7 million in equities, primarily via in-house managed Polygon-branded equity funds and equity assets held directly on the balance sheet, up from $89.2 million as of the end of Q1 2013.(17) The equity investment strategies are generally focused on European event-driven equity, global equities and mining equities-related investments. Equity investments were first made on 1 December 2012, and through the end of Q2 2013 had returned 2.7% to TFG. The blended, weighted-average IRR generated by the equity assets from the date of each investment through the end of Q2 2013 totalled approximately 6.6%.(18)

CREDIT AND CONVERTIBLE BONDS

As of the end of Q2 2013, TFG held $20.8 million of investments (at fair value) in credit and convertibles, primarily via an in-house managed Polygon-branded credit and convertibles fund, up from $10.5 million at the end of Q1 2013. The initial fund investment was made on 1 December 2012 and through the end of Q2 2013 had returned 4.2% to TFG. The blended, weighted-average IRR generated by credit and convertible assets from the date of each investment through the end of Q2 2013 totalled approximately 13.0%.(19)

REAL ESTATE

As of the end of Q2 2013, TFG held $37.5 million of investments (at fair value) in GreenOak-managed real estate funds and vehicles, up from $29.2 million as of the end of Q1 2013. Such investments include numerous commercial and residential properties in Japan, the United States and Europe. The company will continue to fund investment capital commitments into GreenOak projects in 2013.

INVESTMENT PORTFOLIO

FINANCING SOURCES, HEDGING ACTIVITY AND OTHER MATTERS

As of the end of Q2 2013, TFG had no outstanding debt and the net consolidated cash on its balance sheet stood at $243.8 million, compared to $225.0 million at the end of Q1 2013. The balance of TFG's "investible cash," which excludes certain amounts consolidated for U.S. GAAP purposes but which are restricted to specific uses or otherwise unavailable to be invested, was $217.8 million, up from $197.5 million at the end of Q1 2013.

TFG had no direct credit hedges in place at the end of Q2 2013, but employed certain foreign exchange rate and "tail risk" interest rate hedges to seek to mitigate its exposure to Euro-USD foreign exchange risk and a potential significant increase in U.S. inflation and/or nominal interest rates, respectively. We review our hedging strategy on an ongoing basis as we seek to address identified risks to the extent practicable and in a cost-effective manner.

TFG ASSET MANAGEMENT

TFG Asset Management comprises the fee income-generating areas of TFG: management and performance fees from internal and external asset managers. The three internal asset management brands, LCM, GreenOak and Polygon, continued to perform well through the end of June 2013.

UPDATE ON KEY METRICS

- **Performance of the underlying funds:** notwithstanding a challenging market environment for certain asset classes, performance of the various funds managed by TFG Asset Management's brands remained strong in the first half of 2013.
- **Gross revenues:** composed primarily of management and performance fees from clients, totalled $30.8 million in H1 2013. We believe that Q2 2013 revenues are higher than normal due to the seasonality and periodic receipt of certain performance and management fees through the year.
- **"EBITDA equivalent":** totalled $15.9 million in H1 2013.

Figure 9

TETRAGON FINANCIAL GROUP TFG Asset Management Statement of Operations H1 2013		
	U.S. GAAP $MM	Net Economic income $MM
Fee income(i)	30.7	30.7
Unrealised Polygon performance fees(ii)	-	1.5
Interest income	0.1	0.1
Total income	**30.8**	**32.3**
Operating, employee and administrative expenses(i)	(16.4)	(16.4)
Net income - "EBITDA equivalent"	**14.4**	**15.9**
Performance fee allocation to TFM	(1.7)	(2.0)
Amortisation expense on management contracts	(3.4)	(3.4)
Net income before taxes	**9.3**	**10.5**
Income taxes	(2.3)	(2.8)
Net income	**7.0**	**7.7**

(i) Nets off cost of recovery on "Other fee income" against this cost contained in "operating, employee, and administrative expenses." Operating costs also removes amortisation from the U.S. GAAP segmental report.

(ii) Unrealised Polygon performance fees represent the fees calculated by the applicable administrator of the relevant Polygon funds, in accordance with the applicable fund constitutional documents, when determining net asset value at quarter end, less certain assumed costs. Similar amounts, if any, from LCM and GreenOak are excluded from this line item. Such fees would typically not be realised or recognised under U.S. GAAP until calendar year end, and are therefore subject to change based on fund performance during the remainder of the year. There can be no assurance that the company will realise all or any portion of such amounts. For H1 2013, this amount equalled $1.5 million before (1) an assumed imputed tax charge and (2) estimated TFM performance fees reduced the net contribution to $0.7 million as shown in Figure 9 and further represented in Figures 16 and 17 of this report.

TFG ASSET MANAGEMENT

ASSET MANAGEMENT BRANDS

AUM for LCM, GreenOak and Polygon are shown below at 30 June 2013.

Figure 10

Summary of Asset Management AUM ($BN)		
Brand	**30 June 2013**	**31 March 2013**
LCM	**$ 4.3**	**$ 4.5**
GreenOak [(i)]	**$ 3.2**	**$ 3.0**
Polygon [(ii)]	**$ 1.1**	**$ 1.2**
Total	**$ 8.7**	**$ 8.7**

(i) Includes funds and advisory assets.

(ii) AUM for Polygon Recovery Fund LP, Polygon Convertible Opportunity Master Fund, Polygon European Equity Opportunity Master Fund and associated managed account, Polygon Mining Opportunity Master Fund and Polygon Global Equities Master Fund, as calculated by the applicable fund administrator. Includes, where relevant, investments by Tetragon Financial Group Master Fund Limited.

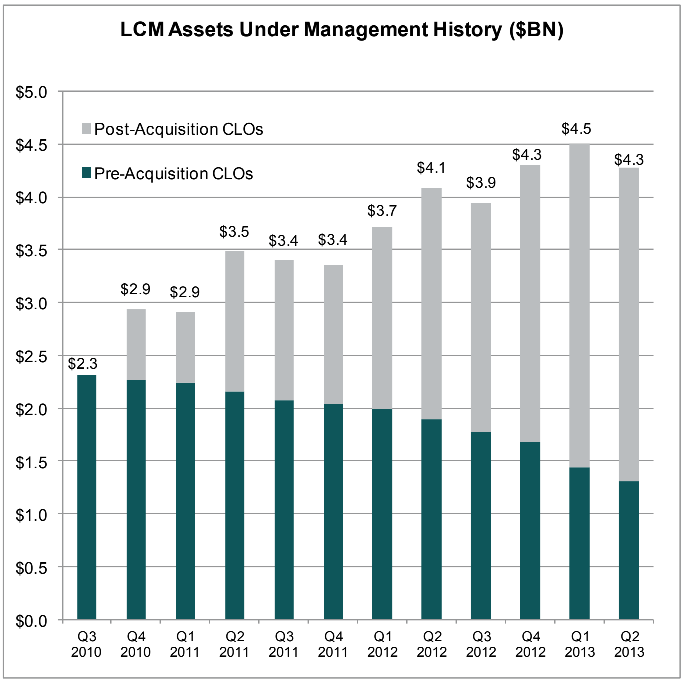
LCM

LCM is a specialist in below investment-grade U.S. broadly-syndicated leveraged loans that was established in 2001. Farboud Tavangar is the senior portfolio manager.

LCM continued to perform well in Q2 2013, with all of LCM's Cash Flow CLOs[20] that were still within their reinvestment periods continuing to pay senior and subordinated management fees.

At 30 June 2013, LCM's total CLO loan assets under management stood at approximately $4.3 billion. LCM II was fully amortized in April 2013, bringing the total number of CLOs under management to 11 at 30 June 2013. It is worth noting that in early Q3 2013, LCM successfully raised LCM XIV, a $400.0 million asset CLO which closed on 11 July 2013, while LCM VIII, with assets totalling approximately $300.0 million, was called in mid-July 2013.

Figure 11



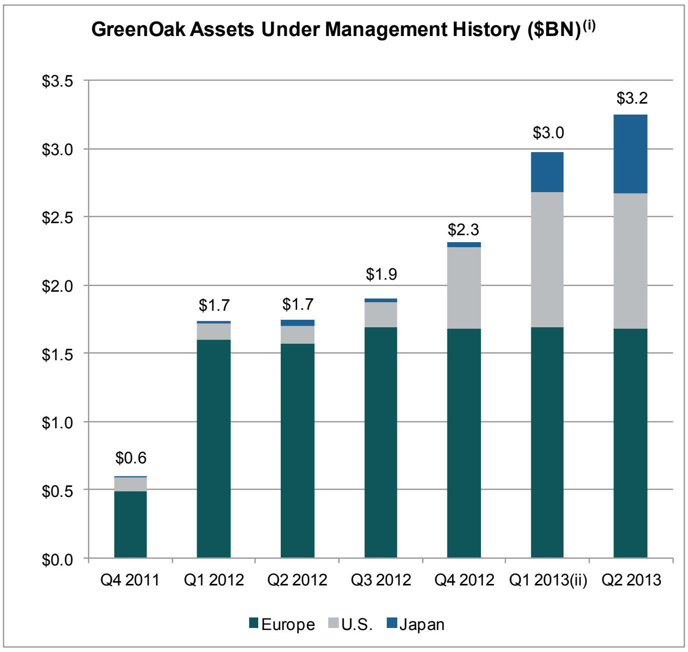
TFG ASSET MANAGEMENT

GREENOAK

GreenOak is a real estate-focused principal investing and advisory firm established in 2010. The Principals and Founders are John Carrafiell, Sonny Kalsi and Fred Schmidt.

During H1 2013, GreenOak continued to execute on its strategy with respect to its funds and its advisory assignments on behalf of select strategic clients with mandates in Europe, Japan and the United States. In particular, Asia Fund I had capital closings of $200.0 million through the end of June 2013. At 30 June 2013, assets under management totalled approximately $3.2 billion. U.S. Fund II had a first closing in July 2013 of $225.0 million.

Figure 12



(i) Assets under management include all third-party interests and total projected capital investment costs.

(ii) AUM for Q1 2013 was restated from $2.4 billion to $3.0 billion due to a change in the calculation methodology for the accounting of certain development deals in the U.S. to include total projected capital costs rather than current all-in cost. Additional projected capital costs included in the total above will be funded through debt and equity which has already been committed.

TFG ASSET MANAGEMENT

POLYGON FUNDS

Total AUM for the Polygon funds was approximately $1.1 billion at 30 June 2013.

Figure 13

Summary of Polygon Funds Assets Under Management ($ MM)			
Fund	**30 June 2013**	**2013 Net Performance**	**Annualised LTD Performance**
European Event-Driven Equity (i)	**$ 264**	**4.7%**	**12.6%**
Convertibles (ii)	**$ 297**	**4.7%**	**22.2%**
Mining Equities (iii)	**$ 47**	**-5.7%**	**-1.7%**
Private Equity Vehicle (iv)	**$ 521**	**2.0%**	**7.9%**
Other Equity (v)	**$ 16**	**10.1%**	**11.8%**
Polygon Funds' Total AUM (vi)	**$1,145**		

(i) The fund began trading 8 July 2009 with Class B shares which carry no incentive fee. Class A shares commenced trading on 1 December 2009. Returns from inception through November 2009 for Class A shares have been *pro forma* adjusted to match the fund's Class A share terms as set forth in the Offering Memorandum (1.5% management fee, 20% incentive fee and other items, in each case, as set forth in the offering Memorandum). From December 2009 to February 2011, the table reflects actual Class A share performance on the terms set forth in the Offering Memorandum. From March 2011, forward, the table reflects actual Class A1 share performance on the terms set forth in the Offering Memorandum. Class A1 share performance is equivalent to Class A share performance for prior periods.

(ii) The fund began trading with Class B shares, which carry no incentive fees, on 20 May 2009. Class A shares of the fund were first issued on 1 April 2010 and returns from inception through March 2010 have been *pro forma* adjusted to match the fund's Class A share terms as set forth in the Offering Memorandum (1.5% management fee, 20% incentive fee over a hurdle and other items, in each case, as set forth in the Offering Memorandum).

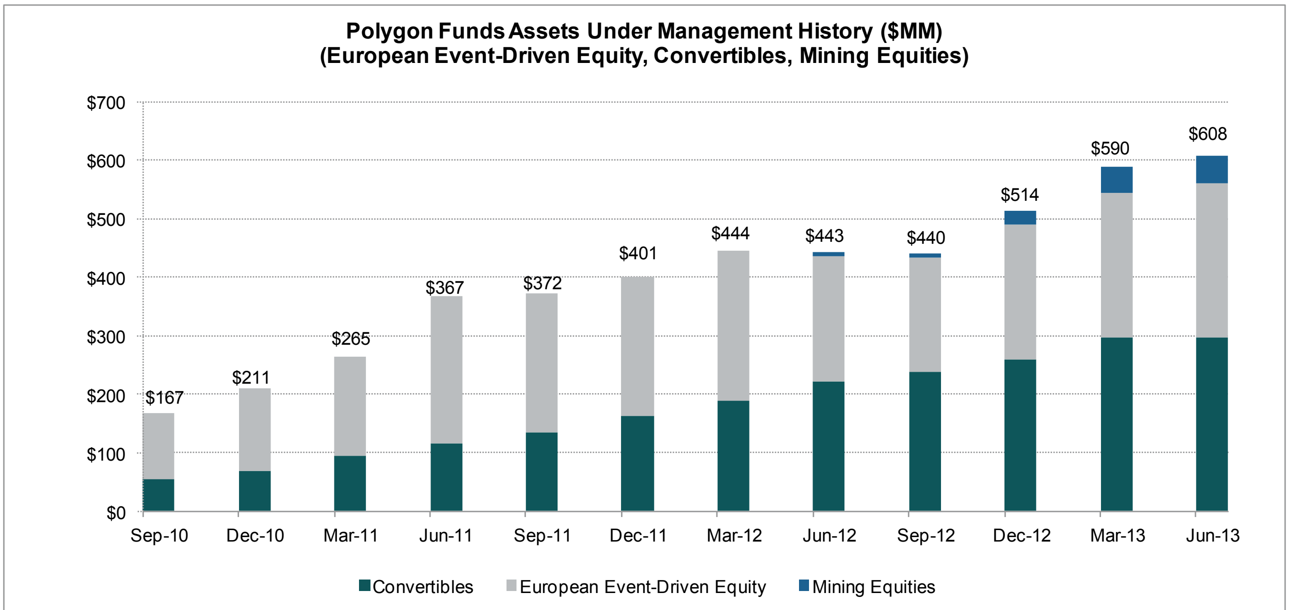
(iii) The fund began trading with Class B1 shares, which carry no incentive fees, on 1 June 2012. Returns shown here have been *pro forma* adjusted to account for a 2.0% management fee, a 20% incentive fee, and non trading expenses capped at 1%, in each case, as set forth in the Offering Memorandum.

(iv) The fund's inception was on 8 March 2011. Individual investor performance will vary based on their high water mark. Currently the majority of Class C share class investors have not reached their high water mark, so their performance is the same as their gross performance.

(v) The fund began trading with Class B/B1 shares, which carry no incentive fees, on 12 September 2011. Returns shown here have been *pro forma* adjusted to account for a 2.0% management fee and a 20% incentive fee, in each case, as to be set forth in further definitive documents.

(vi) The AUM noted above includes investments in the relevant strategies by TFG, other than in respect of the Private Equity Vehicle, where there is no such investment. The Private Equity vehicle, at the time of the Polygon transaction and currently, remains a closed investment strategy.

Figure 14



POLYGON FUNDS (continued)

Convertibles: Polygon's convertible fund invests primarily in convertible securities in Europe and North America and is led by CIO Mike Humphries. During the first half of 2013, the portfolio continued to perform well with annualised performance since inception in May 2009 at 22.2% and year-to-date performance through the end of June 2013 at 4.7%.

A strong new issue calendar helped create opportunities, and a focus on shorter-dated credits and carefully considered hedges allowed the strategy to perform consistently through what was at times a volatile period.

Assets under management in this strategy were $296.8 million at 30 June 2013.

European Event-Driven Equities: This fund invests primarily in the major European equity markets, with an Event-Driven focus. Reade Griffith is the CIO.

The strategy has enjoyed much better performance since Q4 2012 with the stabilisation of European markets. An increase in the number of M&A opportunities has also been helpful for sourcing interesting opportunities. Year-to-date through 30 June 2013, the strategy has returned 4.7%; annualised performance from inception in July 2009 is 12.6%.

Assets under management for the strategy were $263.7 million at 30 June 2013.

Mining Equities: This strategy is led by Mike Humphries and Peter Bell, and focuses primarily in the equities of global mining companies, many of them based on gold. The fund was launched in June 2012.

Despite a difficult market environment for gold-related equities and junior miners, the strategy has significantly outperformed its peers, posting returns of -5.7% year-to-date through 30 June 2013, compared to the GDXJ index return of -23.8% over the same time period. The portfolio is constructed to be long exploration and resource growth-oriented names and short producers of lower-quality gold deposits.

Assets under management for the strategy at the end of June 2013 were $47.2 million. Annualised performance from inception through to the end of June 2013 was -1.7%.

Private Equity: Polygon’s portfolio of private and less-liquid public assets which are being sold in a closed-ended investment vehicle had AUM of approximately $520.8 million at 30 June 2013. The fund has returned $315.0 million of cash to its partners since inception in March 2011, including $50.0 million during Q2 2013. Year-to-date performance through the end of June was 2.0%. TFG has not invested directly in this product; however, it is the beneficiary of certain contracted management fee income.

THIRD-PARTY FEE INCOME

In addition to the fee income generated by the three asset management brands, TFG also currently receives asset management fee income derived from a number of one-off and long-term fee sharing arrangements with third parties.

FINANCIAL TABLES

FINANCIAL HIGHLIGHTS

Figure 15

TETRAGON FINANCIAL GROUP Financial Highlights			
	H1 2013	H1 2012	H1 2011
U.S. GAAP net income ($MM)	$87.4	$132.6	$262.8
Net economic income ($MM)	$99.6	$132.6	$262.8
U.S. GAAP EPS	$0.89	$1.15	$2.20
Adjusted EPS	$1.02	$1.15	$2.20
Return on equity	6.1%	8.2%	23.1%
Net assets ($MM)	$1,680.3	$1,570.3	$1,368.3
U.S. GAAP number of shares outstanding (MM)	97.6	115.0	118.8
U.S. GAAP NAV per share	$17.22	$13.75	$11.52
Pro Forma number of shares outstanding (MM)	110.7	115.0	118.8
Pro Forma fully diluted NAV per share	$15.17	$13.75	$11.52
DPS	$0.140	$0.115	$0.100

In this section, we present consolidated financial data incorporating TFG and its 100% subsidiary, Tetragon Financial Group Master Fund Limited.

We believe the following metrics may be helpful in understanding the progress and performance of the company:

- **Return on Equity (6.1%):** Net Economic Income ($99.6 million) divided by Net Assets at the start of the year ($1,621.4 million).
- **Net Economic Income (+$99.6 million):** adds back to the U.S. GAAP net income (+$87.4 million) the imputed H1 2013 share based employee compensation (+$11.5 million), which is generated on an ongoing basis resulting from the Polygon transaction and also includes unrealized Polygon performance fees[21] (+$0.7 million).
- **Pro Forma Fully Diluted Shares (110.7 million):** adjusts the U.S. GAAP shares outstanding (97.6 million) for the impact of escrow shares used as consideration in the Polygon transaction and associated stock dividends (+12.1 million) and for the potential impact of options issued to TFG's investment manager at the time of TFG's IPO (+1.0 million).
- **Adjusted EPS ($1.02):** calculated as Net Economic Income ($99.6 million) divided by weighted-average U.S. GAAP shares outstanding (98.0 million).
- **Pro Forma Fully Diluted NAV per Share ($15.17):** calculated as Net Assets ($1,680.3 million) divided by Pro Forma Fully Diluted shares (110.7 million).[22]

FINANCIAL TABLES

STATEMENT OF OPERATIONS

Figure 16

TETRAGON FINANCIAL GROUP Statement of Operations			
Statement of Operations	**H1 2013 ($MM)**	**H1 2012 ($MM)**	**H1 2011 ($MM)**
Interest income	109.8	115.8	100.4
Fee income	30.7	11.9	10.7
Other income - cost recovery	10.3	-	-
Investment income	**150.8**	**127.7**	**111.1**
Management and performance fees	(36.7)	(47.8)	(91.1)
Other operating and administrative expenses	(44.8)	(9.4)	(9.8)
Total operating expenses	**(81.5)**	**(57.2)**	**(100.9)**
Net investment income	**69.3**	**70.5**	**10.2**
Net change in unrealised appreciation in investments	9.4	68.2	249.5
Realised gain on investments	5.0	0.1	0.6
Realised and unrealised gains/(losses) from hedging and fx	6.0	(3.6)	5.3
Net realised and unrealised gains from investments and fx	**20.4**	**64.7**	**255.4**
Income taxes	(2.3)	(1.6)	(1.9)
Noncontrolling interest	-	(1.0)	(0.9)
U.S. GAAP net income	**87.4**	**132.6**	**262.8**
Add back share based employee compensation	11.5	-	-
Net unrealised Polygon performance fees	0.7	-	-
Net Economic Income	**99.6**	**132.6**	**262.8**

Performance Fee

A performance fee of $5.7 million was accrued in Q2 2013 in accordance with TFG's investment management agreement and based on a "Reference NAV" of Q1 2013. The total performance fee accrued in H1 2013 was $24.4 million. The hurdle rate for the Q3 2013 incentive fee has been reset at 2.920958% (Q2 2013: 2.929958%) as per the process outlined in TFG's 2012 audited financial statements and in accordance with TFG's investment management agreement.

Please see TFG's website, www.tetragoninv.com, and the 2012 TFG audited financial statements for more details on the calculation of this fee.

FINANCIAL TABLES

STATEMENT OF OPERATIONS BY SEGMENT

Figure 17

TETRAGON FINANCIAL GROUP Statement of Operations by Segment H1 2013			
	Investment Portfolio $MM	TFG AM $MM	Total $MM
Interest income	109.7	0.1	109.8
Fee income	-	30.7	30.7
Other income - cost recovery	-	10.3	10.3
Investment and management fee income	**109.7**	**41.1**	**150.8**
Management and performance fees	(35.0)	(1.7)	(36.7)
Other operating and administrative expenses	(3.2)	(30.1)	(33.3)
Share based employee compensation	-	-	(11.5)
Total operating expenses	**(38.2)**	**(31.8)**	**(81.5)**
Net investment income	**71.5**	**9.3**	**69.3**
Net change in unrealised appreciation in investments	9.4	-	9.4
Realised gain on investments	5.0	-	5.0
Realised and unrealised gains from hedging and fx	6.0	-	6.0
Net realised and unrealised gains from investments and fx	**20.4**	**-**	**20.4**
Income taxes	-	(2.3)	(2.3)
U.S. GAAP net income	**91.9**	**7.0**	**87.4**
Share based employee compensation	-	-	11.5
Net unrealised Polygon performance fees	-	0.7	0.7
Net economic income	**91.9**	**7.7**	**99.6**

FINANCIAL TABLES

BALANCE SHEET

Figure 18

TETRAGON FINANCIAL GROUP Balance Sheet as at 30 June 2013 and 31 December 2012		
	Jun-13 $MM	Dec-12 $MM
Assets		
Investments, at fair value	1,381.6	1,440.4
Management contracts	40.0	43.4
Cash and cash equivalents	243.8	175.9
Amounts due from brokers	33.1	13.1
Derivative financial assets	13.1	7.6
Property, plant and equipment	0.2	-
Deferred tax asset	1.2	-
Other receivables	15.0	15.8
Total assets	**1,728.0**	**1,696.2**
Liabilities		
Other payables and accrued expenses	36.6	61.7
Amounts payable on share options	9.3	6.6
Income and deferred tax payable	1.6	4.3
Derivative financial liabilities	0.2	2.2
Total liabilities	**47.7**	**74.8**
Net assets	**1,680.3**	**1,621.4**

FINANCIAL TABLES

STATEMENT OF CASH FLOWS

Figure 19

TETRAGON FINANCIAL GROUP Statement of Cash Flows	H1 2013 $MM	H1 2012 $MM	H1 2011 $MM
Operating Activities			
Operating cash flows after incentive fees and before movements in working capital	183.9	172.6	83.8
Purchase of fixed assets	(0.3)	-	-
Change in payables/receivables	(0.2)	(2.3)	(1.4)
Cash flows from operating activities	**183.4**	**170.3**	**82.4**
Investment Activities			
<u>Proceeds on sales of investments</u>			
- Proceeds sale of bank loans and maturity and prepayment of investments	84.9	54.0	56.5
- Proceeds sale of real estate investments	6.8	-	-
- Proceeds sale of CLOs	-	0.2	-
<u>Purchase of investments</u>			
- Purchase of CLOs	(45.5)	(66.1)	(46.6)
- Purchase of bank loans	(13.9)	(34.3)	(107.9)
- Purchase of real estate investments	(17.0)	(5.8)	(0.7)
- Purchase of interest rate swaptions	-	-	(17.8)
- Investments in asset managers	(0.5)	(2.7)	-
- Investments in equities	(60.0)	-	-
- Investments in credit and convertible bonds	(10.0)	-	-
Cash flows from operating and investing activities	**128.2**	**115.6**	**(34.1)**
Amounts due from broker	(20.0)	9.3	(6.9)
Net purchase of shares	(13.7)	(12.3)	(10.4)
Dividends paid to shareholders	(26.4)	(24.2)	(21.5)
Distributions paid to noncontrolling interest	-	(0.7)	-
Cash flows from financing activities	**(60.1)**	**(27.9)**	**(38.8)**
Net increase in cash and cash equivalents	68.1	87.8	(72.9)
Cash and cash equivalents at beginning of period	175.9	211.5	140.6
Effect of exchange rate fluctuations on cash and cash equivalents	(0.2)	(0.2)	-
Cash and cash equivalents at end of period	**243.8**	**299.1**	**67.7**

FINANCIAL TABLES

U.S. GAAP TO FULLY DILUTED SHARES RECONCILATION

Figure 20

U.S. GAAP to Fully Diluted Shares Reconciliation	
	30 Jun 2013 **Shares (MM)**
Legal Shares Issued and Outstanding	**134.25**
Less: Shares Held In Subsidiary	16.60
Less: Shares Held In Treasury	7.95
Less: Escrow Shares(i)	12.13
U.S. GAAP Shares Outstanding	**97.57**
Add: Manager (IPO) Share Options(ii)	1.03
Add: Escrow Shares(i)	12.13
Pro Forma Fully Diluted Shares	**110.73**

(i) Shares which have been used as consideration for the acquisition of Polygon and applicable stock dividends relating thereto, and which are held in escrow and are expected to be released and incorporated into the U.S. GAAP NAV per Share over a five-year period.

(ii) The number of shares corresponding to the applicable intrinsic value of the options issued to the Investment Manager at the time of the company's IPO with a strike price of $10.00, to the extent such options are in the money at period end. The intrinsic value of the manager (IPO) share options is calculated as the excess of (x) the closing price of the shares as of the final trading day in the relevant period over (y) $10.00 (being the exercise price per share) times (z) 12,545,330 (being a number of shares subject to the options before the application of potential anti-dilution). The terms of exercise under the options allow for exercise using cash, as well as, with the consent of the board of the Company, certain forms of cashless exercise. Each of these prescribed methods of exercise may give rise to the issuance of a different number of shares than the approach described herein. If the options were to be surrendered for their intrinsic value with the board's consent, rather than exercised, the number of shares issued would equal the intrinsic value divided by the closing price of the shares as of the final trading day in the relevant period. This approach has been selected because we currently believe it is more reasonably illustrative of a likely outcome if the options are exercised. The options are exercisable until 26 April 2017.

APPENDICES

APPENDIX I

CERTAIN REGULATORY INFORMATION

This Performance Report constitutes TFG's half-yearly financial report as required pursuant to Section 5:25d of the FMSA. Pursuant to Section 5:25d and 5:25m of the FMSA, this report is made public by means of a press release and has been filed with the Netherlands Authority for the Financial Markets (Autoriteit Financiële Markten) and also made available to the public by way of publication on the TFG website (www.tetragoninv.com).

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 U.S. Securities Act of 1933 (the "Securities Act"), as amended, and may not be offered or sold in the United States or to U.S. 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 U.S. 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 informative") within the meaning of Section 1:1 of the FMSA.

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 2013 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 2013 for TFG have been prepared in accordance with applicable laws and in conformity with accounting principles generally accepted in the United States of America.

APPENDICES

APPENDIX II

FAIR VALUE DETERMINATION OF TFG'S CLO EQUITY INVESTMENTS

In accordance with the valuation policies set forth on the company's website, the values of TFG's CLO equity investments are determined using a third-party cash flow modeling tool. The model contains certain assumption inputs that are reviewed and adjusted as appropriate to factor in how historic, current and potential market developments (examined through, for example, forward-looking observable data) might potentially impact the performance of TFG's CLO equity investments. Since this involves modeling, among other things, forward projections over multiple years, this is not an exercise in recalibrating future assumptions to the latest quarter's historical data.

Subject to the foregoing, when determining the U.S. GAAP-compliant fair value of TFG's portfolio, the company seeks to derive a value at which market participants could transact in an orderly market and also seeks to benchmark the model inputs and resulting outputs to observable market data when available and appropriate.

Forward-looking CLO Equity Cash Flow Modeling Assumptions Unchanged in Q2 2013:

The Investment Manager reviews and, when appropriate, adjusts in consultation with TFG's audit committee, the CLO equity investment portfolio's modeling assumptions as described above. At the end of Q2 2013, key assumptions relating to defaults, recoveries, prepayments and reinvestment prices were unchanged from the previous quarter. This was the case across both U.S. and European deals.

Figure 21

U.S. Deals

Variable	Year	Current Assumptions
CADR		
	2013-2014	1.0x WARF-implied default rate (2.2%)
	2015-2017	1.25x WARF-implied default rate (2.7%)
	Thereafter	1.0x WARF-implied default rate (2.2%)
Recovery Rate		
	Until deal maturity	73%
Prepayment Rate		
	Until deal maturity	20.0% p.a. on loans; 0.0% on bonds
Reinvestment Price		
	Until deal maturity	100%

APPENDIX II (Continued)

Figure 22

European Deals

Variable	Year	Current Assumptions
CADR		
	2013-2014	1.5x WARF-implied default rate (3.1%)
	2015-2017	1.25x WARF-implied default rate (2.6%)
	Thereafter	1.0x WARF-implied default rate (2.1%)
Recovery Rate		
	Until deal maturity	68%
Prepayment Rate		
	Until deal maturity	20.0% p.a. on loans; 0.0% on bonds
Reinvestment Price		
	Until deal maturity	100%

These key average assumption variables include the modeling assumptions disclosed as a weighted-average (by U.S. dollar amount) of the individual deal assumptions, aggregated by geography (i.e. U.S. and European). Such weighted-averages may change from month to month due to movements in the amortized costs of the deals, even without changes to the underlying assumptions. Each individual deal's assumptions may differ from this geographical average and vary across the portfolio.

The reinvestment price, assumptions about reinvestment spread and reinvestment life are also input into the model to generate an effective spread over LIBOR. Newer vintage CLOs may have a higher weighted-average reinvestment spread over LIBOR or shorter reinvestment life assumptions than older deals. Across the entire CLO portfolio, the reinvestment price assumption of 100% for U.S. deals and European deals with their respective assumed weighted-average reinvestment spreads, generates an effective spread over LIBOR of approximately 288 bps on broadly syndicated U.S. loans, 272 bps on European loans, and 328 bps on middle market loans.

Application of Discount Rate to Projected U.S. Pre-Crisis CLO Equity Cash Flows: European Discount Rates Recalibrated; U.S. Discount Rates Unchanged

In determining the applicable rates to use to discount projected cash flows, an analysis of observable risk premium data is undertaken. For U.S. CLOs, observable risk premia such as BB and BBB CLO tranche spreads maintained reductions which had been observed in previous quarters. For example, according to Citibank research, BB spreads, which were 6.3% at the end of Q1 2013, increased slightly to 6.5% by the end of Q2 2013, whilst BBB spreads marginally decreased quarter on quarter.(23) As a result of this, and considering other market and deal related factors, the discount rates for the U.S. deals have been maintained at 15.0% for strong deals and 20.0% for other deals.

As noted in the Q1 2013 performance report, European CLOs had seen spread reductions in recent quarters. For example, per Citibank research, European originally BB-rated tranche yields declined from 22.0% at the end of Q2 2012 to 12.0% at the end of Q1 2013.(24) As a result of this reduction in risk premia, European discount rates were reduced from 30.0% to 25.0% in preceding quarters, but remained higher than applied U.S. discount rates reflecting, in part, the ongoing uncertainty surrounding Europe and other differences in deal performance.

APPENDICES

APPENDIX II (Continued)

There remain several factors supporting a differential between European and U.S. discount rates, including (a) distinctions between certain deal metrics, such as the CCC cushions and O/C ratios in European deals and (b) potentially greater macro-economic risks in Europe. Notwithstanding the foregoing, the further sustained reduction in European credit spreads and improvements in certain European deal metrics support a reduction of the spread between U.S. and European discount rates utilized. Consequently, the discount rate applied to European deal projected cash flows has been reduced to 22.5% and we will continue to monitor observable factors in determining the appropriate discount rates to be used in these two geographies.

Historically, we have characterized the difference arising where fair value is lower than the amortized cost for the portfolio, which can occur when the discount rates used to discount future cash flows when determining fair value are higher than the modeled IRRs, as the “ALR Fair Value Adjustment” or “ALR”. For European deals, at the end of Q2 2013 the ALR was $56.4 million compared to $71.1 million at the end of Q1 2013. As explained in prior reports, the ALR is now zero for U.S. deals.

U.S. Post-Crisis CLOs – Discount Rates Remain at Deal IRRs

The applicable discount rate for U.S. Post-Crisis CLOs is determined with reference to each deal's specific IRR, which, in the absence of other observable data points, is deemed to be the most appropriate indication of the current risk premium on these structures. At the end of Q2 2013, the weighted-average discount rate (and IRR) on these deals was 10.9%. Such deals represented approximately 18.3% of the CLO equity portfolio by fair value (up from 17.6% at the end of Q1 2013). We will continue to monitor observable data on these newer vintage transactions to determine whether the IRR remains the appropriate discount rate.

Effect on Fair Value and Net Income of Recalibration of Certain Discount Rates

Overall, the net impact of the recalibration of European discount rates described above led to an overall increase in fair value of the total CLO equity portfolio of approximately $8.1 million, or $6.1 million in bottom line net income.

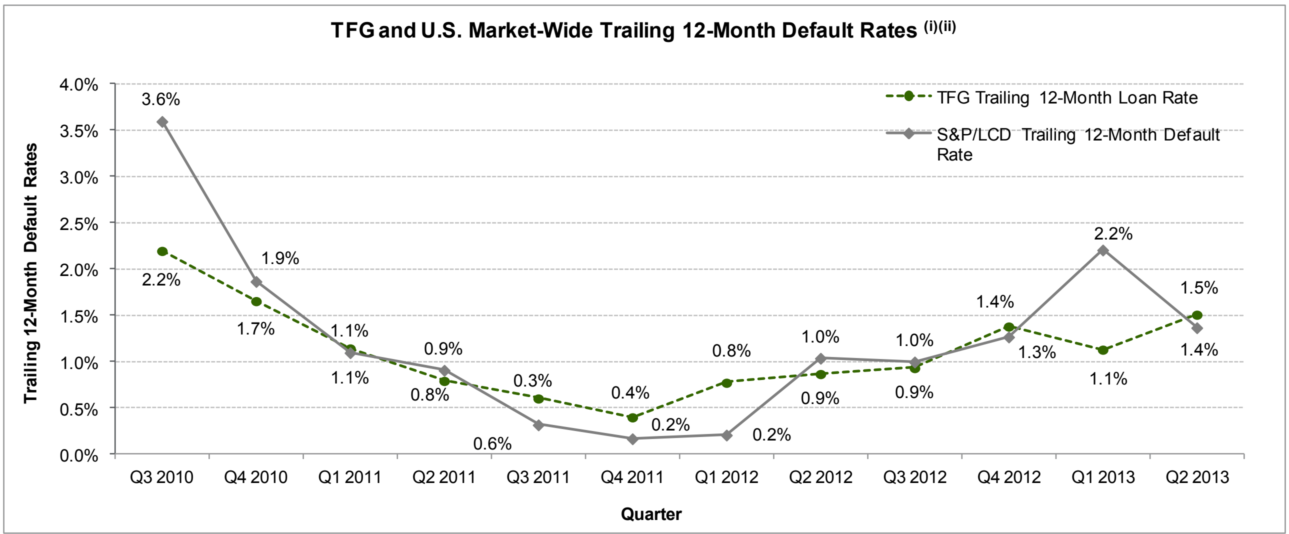
APPENDICES

APPENDIX III

CLO MARKET COMMENTARY

- **U.S. leveraged loan defaults fall, after prior quarter's up-tick:** The U.S. lagged 12-month loan default rate declined to 1.37% by principal amount at the end of Q2 2013, down from 2.21% at the end of Q1 2013.(25) TFG's lagging 12-month loan default rate increased slightly to 1.5% as of the end of Q2 2013, up from 1.1% as of the end of Q1 2013.(26) Both the U.S. market-wide and TFG default levels remained below long-term historical averages. The graph below illustrates the three-year history for TFG and U.S. market-wide loan default rates.

Figure 23



(i) The calculation of TFG's lagging 12-month corporate loan default rate does not include certain underlying investment collateral that was assigned a "Selective Default" rating by one or more of the applicable rating agencies. Such Selected Defaults are included the S&P/LCD lagging 12-month U.S. institutional loan default rate discussed above. Furthermore, TFG's CLO equity and direct loan investment portfolio includes approximately 10.4% CLOs with primary exposure to European senior secured loans and such loans are included in the calculation of TFG's corporate default rate.

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

- **U.S. primary loan issuance declines while European volumes rise vs. Q1 2013:** Institutional U.S. loan issuance volumes declined during Q2 2013 versus the first quarter, with volumes reaching approximately $118.2 billion during Q2 2013, down from the record high of $150.0 billion in Q1 2013.(27) The decline in issuance was driven primarily by selling pressure from high-yield accounts facing redemptions, declining CLO issuance, and an oversupply of new issues. Unlike in the U.S., European institutional loan volumes rose to €15.2 billion in Q2 2013, up from €7.8 billion in Q1 2013, reflecting the execution of a number of large M&A transactions as well as continued recapitalization activity.(28)
- **U.S. loan refinancing and recap activity slows:** U.S. loan refinancing activity slowed from the previous quarter's record highs, with $71.5 billion of repricings executed during Q2 2013.(29) On the year, issuers have repriced $191.0 billion of institutional loans, 36% of the S&P/LSTA Index, which allowed a reduction in spread of 123 bps over the six-month period.(30)
- **U.S. and European loan prices fall at the end of the quarter:** U.S. secondary loan prices fell sharply during June 2013, leaving the second quarter of 2013 with only a marginal gain of approximately 0.20% on the U.S. S&P/LSTA Leveraged Loan Index.(31) Similarly, the S&P European Leveraged Loan Index ("ELLI") lost 0.31% in June, though it returned a much more robust 1.68% during Q2 2013 (ex. currency effects), owing to a strong April.(32)

APPENDIX III (Continued)

- **U.S. repayments fall slightly, while Europe repayments rise:** The U.S. S&P/LSTA Leveraged Loan Index repayment rate fell to 14.0% during Q2 2013, down from 17.5% in Q1 2013.[(33)]

  On the other hand, European loan repayments, though still lagging the U.S., rose to €10.5 billion in Q2 2013, a quarterly repayment rate of 10% and the highest level since May 2011.[(34)] The largest portion of repayment activity came from bond-for-loan takeouts, which accounted for 28% of the activity in Q2 2013.[(35)] Despite the strong primary market activity, the total par amount of loans outstanding in the ELLI Index continued to fall, ending the second quarter of 2013 at €110.6 billion, 32% lower than the peak size in September 2008.[(36)]
- **"Maturity wall" erosion continues:** At the end of Q2 2013, the amount of S&P/LSTA Index loans maturing in 2013-2015 declined to $29.3 billion, with merely $1.2 billion due to mature in 2013. This compares to $67.0 billion at the end of 2012 and $177.0 billion at the end of 2011.[(37)]
- **U.S. and European CLO junior O/C ratios improve:** In Q2 2013, average O/C ratios of U.S. and European CLOs continued to improve from the prior quarter. According to Morgan Stanley, the median junior O/C test cushion for U.S. CLOs rose to 5.12% at the end of Q2 2013[(38)] up from 4.74% as of the end of Q1 2013.[(39)] Similarly, the median junior O/C test cushion for Euro CLOs rose to 0.86% at the end of Q2 2013[(40)] vs. 0.63% at the end of the first quarter.[(41)]
- **U.S. and European CLO debt spreads widen:** Average secondary U.S. and European CLO debt spreads widened across the capital structure at the end of Q2 2013 vs. Q1 2013, with mezzanine tranches registering the greatest declines.[(42)]
- **U.S. arbitrage CLO issuance pace decelerates vs. prior quarter:** During Q2 2013, the aggregate volume of arbitrage cash flow CLOs priced was $16.1 billion, a decrease from the prior quarter.[(43)] U.S. loan spread tightening (and concurrently, rising loan prices) combined with the widening of CLO debt tranches reduced the attractiveness of CLO equity arbitrage levels and, we believe, drove the decrease in new issuance on the quarter. Despite these headwinds, the forward pipeline remains full, with approximately $16.3 billion slated for launch, according to S&P.[(44)]

APPENDICES

APPENDIX IV

ADDITIONAL CLO PORTFOLIO STATISTICS

- **CLO Portfolio Credit Quality:** The weighted-average WARF across all of TFG's CLO equity investments stood at approximately 2,568 as of the end of Q2 2013. Each of these foregoing statistics represents a weighted-average summary (weighted by initial cost) of all of our deals. Each individual deal's metrics will differ from these averages and vary across the portfolio.

Figure 24

ALL CLOs	Q2 2013	Q1 2013	Q4 2012	Q3 2012	Q2 2012	Q1 2012	Q4 2011	Q3 2011	Q2 2011	Q1 2011	Q4 2010	Q3 2010
Caa1/CCC+ or Below Obligors:	5.0%	5.1%	6.0%	6.4%	5.7%	6.2%	7.0%	7.0%	7.2%	7.6%	8.3%	9.6%
WARF:	2,568	2,541	2,599	2,605	2,578	2,588	2,624	2,614	2,642	2,664	2,671	2,658

U.S. CLOs	Q2 2013	Q1 2013	Q4 2012	Q3 2012	Q2 2012	Q1 2012	Q4 2011	Q3 2011	Q2 2011	Q1 2011	Q4 2010	Q3 2010
Caa1/CCC+ or Below Obligors:	4.1%	4.0%	4.5%	4.9%	4.2%	4.8%	5.5%	5.5%	5.8%	6.5%	6.9%	7.9%
WARF:	2,550	2,510	2,524	2,528	2,491	2,504	2,533	2,522	2,542	2,591	2,622	2,610

EUR CLOs	Q2 2013	Q1 2013	Q4 2012	Q3 2012	Q2 2012	Q1 2012	Q4 2011	Q3 2011	Q2 2011	Q1 2011	Q4 2010	Q3 2010
Caa1/CCC+ or Below Obligors:	8.7%	9.7%	11.7%	12.2%	11.6%	11.1%	12.3%	12.0%	12.3%	11.4%	13.1%	15.3%
WARF:	2,642	2,670	2,896	2,903	2,910	2,900	2,948	2,941	2,997	2,914	2,837	2,817

APPENDICES

APPENDIX IV (Continued)

CLO EQUITY PORTFOLIO DETAILS
AS OF 30 JUNE 2013

Figure 25

Transaction(i)	Deal Type	Original Invest. Cost ($MM USD)(ii)	Deal Closing Date	Year of Maturity	End of Reinv Period	Wtd Avg Spread (bps)(iii)	Original Cost of Funds (bps)(iv)	Current Cost of Funds (bps)(v)	Current Jr-Most O/C Cushion(vi)	Jr-Most O/C Cushion at Close(vii)	Annualized (Loss) Gain of Cushion(viii)	IRR(ix)	ITD Cash Received as % of Cost(x)
Transaction 1	EUR CLO	37.5	2007	2024	2014	359	55	59	(0.01%)	3.86%	(0.65%)	-	29.6%
Transaction 2	EUR CLO	29.7	2006	2023	2013	384	52	53	0.13%	3.60%	(0.53%)	9.8%	78.1%
Transaction 3	EUR CLO	22.2	2006	2022	2012	394	58	71	3.11%	5.14%	(0.27%)	12.3%	112.1%
Transaction 4	EUR CLO	33.0	2007	2023	2013	423	48	47	5.57%	5.76%	(0.03%)	15.6%	107.8%
Transaction 5	EUR CLO	36.9	2007	2022	2014	394	60	59	1.43%	5.74%	(0.73%)	8.5%	74.8%
Transaction 6	EUR CLO	33.3	2006	2022	2012	375	51	60	0.16%	4.70%	(0.64%)	6.3%	49.7%
Transaction 7	EUR CLO	38.5	2007	2023	2013	402	46	45	0.82%	3.64%	(0.45%)	6.0%	31.9%
Transaction 8	EUR CLO	26.9	2005	2021	2011	381	53	58	1.43%	4.98%	(0.45%)	9.0%	90.6%
Transaction 9	EUR CLO	41.3	2007	2023	2013	415	50	45	1.37%	6.27%	(0.79%)	6.7%	48.4%
Transaction 10	EUR CLO	27.0	2006	2022	2012	370	50	57	0.96%	4.54%	(0.52%)	4.0%	32.7%
EUR CLO Subtotal:		**326.3**				**391**	**52**	**55**	**1.43%**	**4.84%**	**(0.52%)**		**62.6%**
Transaction 11	US CLO	20.5	2006	2018	2012	329	45	48	6.40%	4.55%	0.27%	20.4%	172.2%
Transaction 12	US CLO	22.8	2006	2019	2013	351	46	49	6.52%	4.45%	0.31%	20.2%	169.7%
Transaction 13	US CLO	15.2	2006	2018	2012	347	47	49	5.03%	4.82%	0.03%	21.2%	183.8%
Transaction 14	US CLO	26.0	2007	2021	2014	370	49	50	3.73%	5.63%	(0.30%)	19.0%	156.4%
Transaction 15	US CLO	28.1	2007	2021	2014	427	52	48	3.71%	4.21%	(0.08%)	29.2%	203.6%
Transaction 16	US CLO	23.5	2006	2020	2013	407	46	45	3.51%	4.44%	(0.13%)	21.1%	180.9%
Transaction 17	US CLO	26.0	2007	2021	2014	337	40	40	4.68%	4.24%	0.07%	23.4%	173.1%
Transaction 18	US CLO	16.7	2005	2017	2011	317	45	53	10.30%	4.77%	0.72%	19.8%	183.5%
Transaction 19	US CLO	1.2	2005	2017	2011	317	45	53	10.30%	4.77%	0.72%	23.6%	177.8%
Transaction 20	US CLO	26.6	2006	2020	2012	435	52	54	4.30%	5.28%	(0.15%)	22.4%	185.7%
Transaction 21	US CLO	20.7	2006	2020	2012	426	53	61	4.51%	4.76%	(0.04%)	18.9%	165.0%
Transaction 22	US CLO	37.4	2007	2021	2014	429	53	53	3.47%	5.00%	(0.24%)	21.5%	159.7%
Transaction 23	US CLO	19.9	2007	2021	2013	327	66	66	3.18%	4.98%	(0.29%)	20.1%	165.3%
Transaction 24	US CLO	16.9	2006	2018	2012	422	46	48	5.90%	4.17%	0.25%	17.9%	148.7%
Transaction 25	US CLO	20.9	2006	2018	2013	414	46	47	6.79%	4.13%	0.41%	22.6%	174.5%
Transaction 26	US CLO	27.9	2007	2019	2013	437	43	44	4.55%	4.05%	0.08%	19.7%	152.1%
Transaction 27	US CLO	23.9	2007	2021	2014	561	51	51	10.94%	6.11%	0.75%	32.5%	220.2%
Transaction 28	US CLO	7.6	2007	2021	2014	561	51	51	10.94%	6.11%	0.75%	43.6%	144.4%
Transaction 29	US CLO	19.1	2005	2018	2011	414	66	169	14.33%	4.82%	1.23%	17.8%	169.2%
Transaction 30	US CLO	12.4	2006	2018	2012	445	67	86	2.88%	5.16%	(0.33%)	18.6%	156.3%
Transaction 31	US CLO	9.5	2005	2017	2012	315	52	62	4.77%	5.02%	(0.03%)	16.3%	180.9%
Transaction 32	US CLO	24.0	2007	2021	2014	321	59	59	3.86%	5.57%	(0.29%)	20.9%	156.1%
Transaction 33	US CLO	16.2	2006	2020	2012	368	56	98	6.74%	6.99%	(0.03%)	13.9%	149.6%
Transaction 34	US CLO	22.2	2006	2020	2012	370	50	54	5.17%	6.66%	(0.23%)	18.8%	165.6%
Transaction 35	US CLO	23.6	2006	2018	2012	461	52	82	6.05%	5.00%	0.15%	19.0%	171.9%
Transaction 36	US CLO	28.4	2007	2021	2013	426	46	56	2.40%	5.18%	(0.44%)	20.1%	157.3%
Transaction 37	US CLO	9.3	2005	2017	2011	318	50	104	13.88%	4.34%	1.23%	15.0%	160.7%
Transaction 38	US CLO	23.7	2007	2021	2013	338	42	42	4.50%	5.07%	(0.09%)	28.2%	196.7%
Transaction 39	US CLO	7.8	2005	2017	2011	433	70	293	39.57%	3.15%	4.74%	9.3%	89.6%
Transaction 40	US CLO	13.0	2006	2020	2011	387	39	49	N/A	N/A	N/A	21.5%	177.4%
Transaction 41	US CLO	22.5	2006	2020	2013	371	48	49	4.57%	4.71%	(0.02%)	21.7%	175.3%

APPENDICES

APPENDIX IV (Continued)

CLO EQUITY PORTFOLIO DETAILS (CONTINUED)
AS OF 30 JUNE 2013

Figure 25 (continued)

Transaction(i)	Deal Type	Original Invest. Cost ($MM USD)(ii)	Deal Closing Date	Year of Maturity	End of Reinv Period	Wtd Avg Spread (bps)(iii)	Original Cost of Funds (bps)(iv)	Current Cost of Funds (bps)(v)	Current Jr-Most O/C Cushion(vi)	Jr-Most O/C Cushion at Close(vii)	Annualized (Loss) Gain of Cushion(viii)	IRR(ix)	ITD Cash Received as % of Cost(x)
Transaction 42	US CLO	22.4	2007	2021	2014	374	47	48	4.22%	3.92%	0.05%	21.8%	164.5%
Transaction 44	US CLO	22.3	2006	2018	2012	326	54	119	6.60%	4.16%	0.34%	9.9%	123.2%
Transaction 45	US CLO	23.0	2006	2018	2012	320	46	62	2.21%	4.46%	(0.34%)	9.3%	107.8%
Transaction 46	US CLO	21.3	2007	2019	2013	316	51	51	2.20%	4.33%	(0.35%)	8.0%	96.4%
Transaction 47	US CLO	28.3	2006	2021	2013	317	47	43	3.19%	4.34%	(0.17%)	21.3%	175.7%
Transaction 48	US CLO	23.0	2006	2019	2013	344	46	50	3.31%	5.71%	(0.36%)	16.0%	136.1%
Transaction 49	US CLO	12.6	2005	2017	2011	360	40	49	6.08%	3.94%	0.28%	12.4%	121.5%
Transaction 50	US CLO	12.3	2006	2018	2012	356	40	44	4.79%	4.25%	0.08%	13.5%	123.5%
Transaction 51	US CLO	18.0	2007	2020	2013	373	53	53	5.21%	4.47%	0.12%	21.3%	166.0%
Transaction 54	US CLO	0.5	2005	2017	2012	336	56	126	18.35%	3.69%	1.79%	55.1%	903.0%
Transaction 55	US CLO	0.3	2005	2017	2011	351	39	64	13.56%	3.59%	1.26%	58.8%	859.2%
Transaction 56	US CLO	23.0	2007	2019	2014	380	42	42	4.66%	4.53%	0.02%	22.8%	174.8%
Transaction 57	US CLO	0.6	2007	2019	2014	380	42	42	4.66%	4.53%	0.02%	49.0%	956.1%
Transaction 58	US CLO	21.8	2007	2019	2014	388	49	49	3.67%	4.04%	(0.06%)	25.3%	181.4%
Transaction 59	US CLO	0.4	2007	2019	2014	388	49	49	3.67%	4.04%	(0.06%)	53.1%	1320.6%
Transaction 60	US CLO	18.8	2010	2021	2014	436	198	198	4.58%	4.50%	0.03%	17.5%	35.5%
Transaction 61	US CLO	29.1	2007	2021	2014	358	45	45	3.44%	4.04%	(0.10%)	18.2%	131.8%
Transaction 62	US CLO	25.3	2007	2020	2013	345	42	42	4.31%	5.20%	(0.14%)	22.0%	175.9%
Transaction 63	US CLO	27.3	2007	2021	2013	388	53	53	2.99%	4.78%	(0.30%)	19.7%	153.1%
Transaction 64	US CLO	15.4	2007	2021	2013	422	38	43	N/A	N/A	N/A	22.8%	166.0%
Transaction 65	US CLO	26.9	2006	2021	2013	353	47	51	3.91%	4.96%	(0.16%)	14.5%	120.9%
Transaction 66	US CLO	21.3	2006	2020	2013	319	49	49	3.47%	4.05%	(0.09%)	22.2%	179.1%
Transaction 67	US CLO	27.3	2007	2022	2014	323	46	45	4.33%	4.38%	(0.01%)	20.3%	157.3%
Transaction 68	US CLO	19.3	2006	2020	2013	355	48	48	5.62%	4.41%	0.18%	26.9%	216.5%
Transaction 69	US CLO	28.2	2007	2019	2013	384	44	44	7.10%	5.61%	0.24%	26.6%	199.4%
Transaction 70	US CLO	24.6	2006	2020	2013	296	52	52	5.13%	6.21%	(0.17%)	18.9%	155.1%
Transaction 71	US CLO	1.7	2006	2018	2012	356	40	44	4.79%	4.25%	0.08%	26.8%	87.7%
Transaction 72	US CLO	4.8	2007	2019	2014	380	42	42	4.66%	4.53%	0.02%	20.7%	77.1%
Transaction 73	US CLO	1.9	2007	2019	2014	380	42	42	4.66%	4.53%	0.02%	20.7%	77.1%
Transaction 74	US CLO	5.5	2007	2019	2014	388	49	49	3.67%	4.04%	(0.06%)	23.2%	80.5%
Transaction 75	US CLO	32.7	2011	2022	2014	404	168	168	4.62%	4.05%	0.28%	12.0%	41.6%
Transaction 76	US CLO	1.9	2006	2018	2012	320	46	62	2.21%	2.43%	(0.03%)	38.5%	92.4%
Transaction 77	US CLO	14.5	2011	2023	2016	406	212	213	5.59%	5.04%	0.36%	12.7%	23.5%
Transaction 78	US CLO	22.9	2012	2023	2015	485	217	217	5.42%	4.00%	0.99%	14.4%	34.8%
Transaction 79	US CLO	19.4	2012	2022	2015	423	215	215	4.25%	4.00%	0.18%	7.1%	24.4%
Transaction 80	US CLO	22.7	2012	2022	2016	424	185	185	4.35%	4.17%	0.16%	11.2%	21.3%
Transaction 81	US CLO	21.7	2012	2024	2016	454	216	217	4.77%	4.00%	0.98%	7.8%	11.7%
Transaction 82	US CLO	25.4	2012	2022	2016	433	206	207	4.22%	4.00%	0.30%	8.4%	11.1%
Transaction 83	US CLO	20.8	2013	2025	2017	475	193	193	5.76%	4.02%	4.94%	10.4%	0.0%
Transaction 84	US CLO	24.6	2013	2023	2017	421	183	184	4.22%	4.02%	0.60%	8.0%	0.0%
US CLO Subtotal:		**1,327.1**				**386**	**74**	**81**	**5.03%**	**4.59%**	**0.18%**		**139.8%**
Total CLO Portfolio:		**1,653.3**				**387**	**70**	**76**	**4.32%**	**4.64%**	**0.04%**		**124.6%**

Notes

(i) Transactions are investments made on a particular investment date. Multiple transactions may be associated with the same tranche of the same CLO deal.

(ii) The USD investment cost reflects a USD-EUR exchange rate fixed at a single historical rate to avoid the impact of skewed weightings and FX volatility over time. As such, the investment costs of European CLOs as shown in this table may not be comparable to the investments costs as shown in TFG's financial statements.

(iii) Par weighted average spread over LIBOR or EURIBOR (as appropriate) of the underlying loan assets in each CLO's portfolio.

(iv) Notional weighted average spread over LIBOR or EURIBOR (as appropriate) of the debt tranches issued by each CLO, as of the closing date of each transaction.

(v) Notional weighted average spread over LIBOR or EURIBOR (as appropriate) of the debt tranches issued by each CLO, as of the most recent trustee report date.

(vi) The current junior-most O/C cushion is the excess (or deficit) of the junior-most O/C test ratio over the test requirement, as of the latest trustee report available as of the report date.

(vii) The junior-most O/C cushion at close is the excess (or deficit) of the junior-most O/C test ratio over the test requirement that was expected on each deal's closing date. Please note that two of TFG's investments are so called "par structures" which don't include a junior O/C test. They have been marked by an "N/A" in the relevant junior-most O/C test columns.

(viii) Calculated by annualizing the change from the expected closing date junior-most O/C cushion to the current junior-most O/C cushion.

(ix) Calculated from TFG's investment date. Includes both historical cash flows received to-date and prospective cash flows expected to be received, based on TFG's base case modeling assumptions.

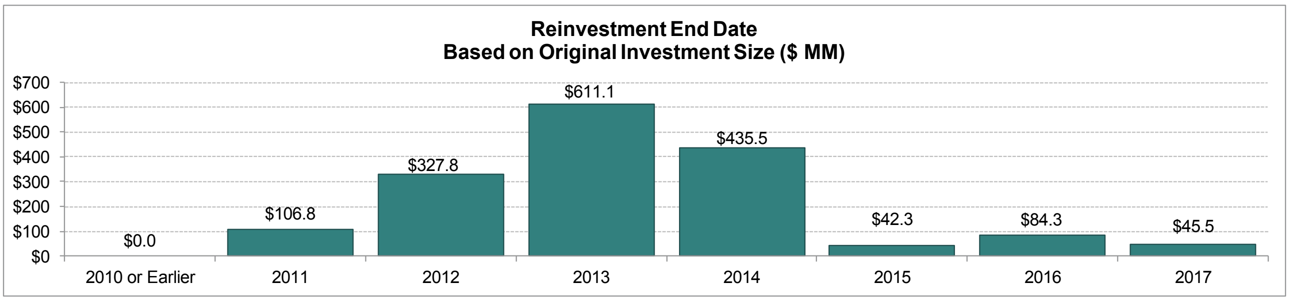
(x) Inception to report date cash flow received on each transaction as a percentage of its original cost.

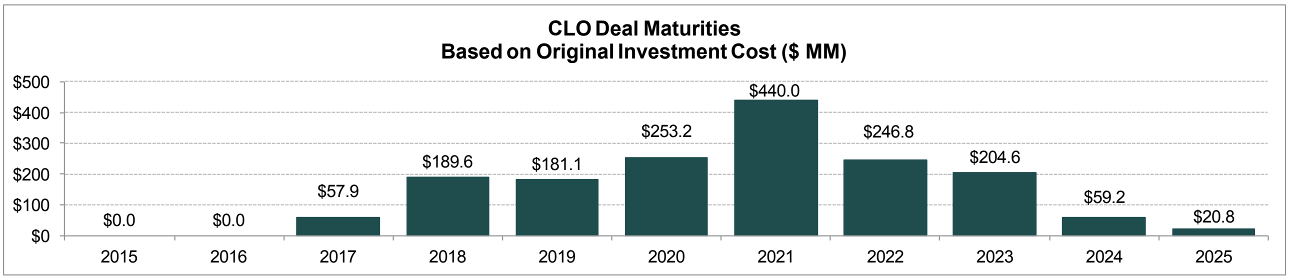
APPENDICES

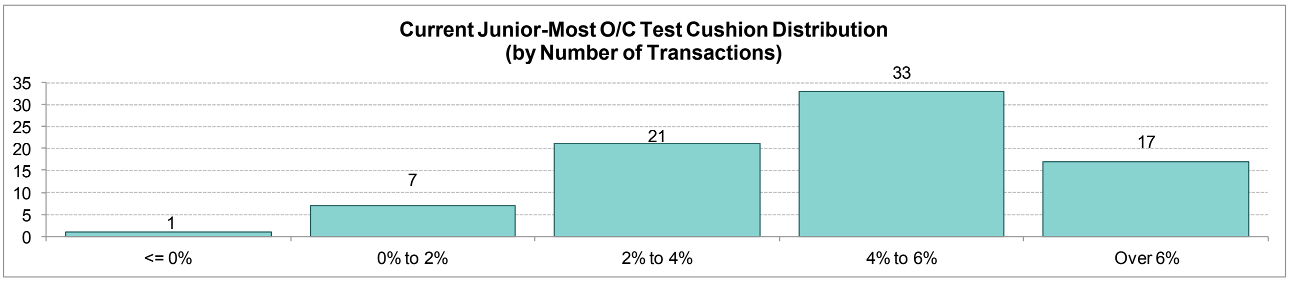
APPENDIX IV (Continued)

CLO EQUITY PORTFOLIO DETAILS (CONTINUED)
AS OF 30 JUNE 2013

Figure 26







APPENDICES

BOARD OF DIRECTORS

Paddy Dear	**Reade Griffith**	**Byron Knief***
Rupert Dorey*	**David Jeffreys***	**Greville Ward***

*Independent Director

SHAREHOLDER INFORMATION

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ENDNOTES

Executive Summary and Outlook

(1) TFG invests substantially all its capital through a master fund, Tetragon Financial Group Master Fund Limited ("TFGMF"), in which it holds 100% of the issued shares. In this report, unless otherwise stated, we report on the consolidated business incorporating TFG and TFGMF. References to "we" are to Tetragon Financial Management LP, TFG's investment manager.

(2) TFG's returns will most likely fluctuate with LIBOR. LIBOR directly flows through some of TFG's investments and, as it can be seen as the risk-free short-term rate, it should affect all of TFG's investments. In high-LIBOR environments, TFG should achieve higher sustainable returns; in low-LIBOR environments, TFG should achieve lower sustainable returns.

(3) The percentage of TFG's capital that is externally managed is calculated by dividing the sum of the U.S. GAAP fair value of all investment assets managed by parties other than TFG or its affiliates, by the total Net Asset Value of the company.

(4) Includes GreenOak funds and advisory assets, AUM for Polygon Recovery Fund LP, Polygon Convertible Opportunity Master Fund, Polygon European Equity Opportunity Master Fund and associated managed account, Polygon Mining Opportunity Master Fund, and Polygon Global Equities Master Fund, as calculated by the applicable administrator. Includes, where relevant, investments by Tetragon Financial Group Master Fund Limited.

Key Metrics

(5) Please refer to Financial Highlights on page 18 of this report for the definition of Net Economic Income.

(6) Please refer to Financial Highlights on page 18 of this report for the definition of Return on Equity.

(7) Please see endnote 2 above.

(8) Please see Figure 9 "TFG Asset Management Statement of Operations H1 2013" on page 13 for the determination of TFG Asset Management EBITDA.

(9) Please refer to Financial Highlights on page 18 of this report for the definition of Adjusted EPS.

(10) Please refer to Financial Highlights on page 18 of this report for the definition of Pro Forma Fully Diluted Shares and Pro Forma Fully Diluted NAV per Share.

Investment Portfolio

(11) The CLO asset characterizations referenced above reflect the primary asset focus of the vehicles. These transactions, however, may allow for limited exposure to other asset classes including unsecured loans, high yield bonds, or structured finance securities.

(12) Please note that TFG may hold more than one investment in any CLO transaction within its portfolio.

(13) U.S. GAAP average shares outstanding was 98.0 million for Q2 2013 and 98.4 million for Q1 2013.

(14) Based on the most recent trustee reports available as of 30 June 2013.

(15) U.S. GAAP average shares outstanding was 98.0 million for Q2 2013 and 98.4 million for Q1 2013.

(16) U.S. GAAP average shares outstanding was 98.0 million for Q2 2013 and 98.4 million for Q1 2013.

(17) Assets characterized as "Equities" consist of the fair value of investments in Polygon-managed equity funds as well as the fair value of, or capital committed to, equity assets (as applicable) held directly on the balance sheet.

(18) Internal rate of return calculated using the XIRR function, reflecting the timing of all investments made through the end of Q2 2013 and the fair value of the funds as of 30 June 2013.

(19) Internal rate of return calculated using the XIRR function, reflecting the timing of all investments made through the end of Q2 2013 and the fair value of the fund as of 30 June 2013.

TFG Asset Management

(20) The LCM III, LCM IV, LCM V, LCM VI, LCM VIII, LCM IX, LCM X, LCM XI, LCM XII, and LCM XIII CLOs are referred to as the "LCM Cash Flow CLOs." The LCM VII CLO was a market value CLO previously managed by LCM, which was liquidated commencing in 2008, and is not included in the mentioned statistics. LCM I CLO has sold all of its assets and repaid all of its liabilities with excess proceeds distributed to equity holders as of 31 December 2012, and is therefore not included in the mentioned statistics. In addition, these statistics do not include the performance of certain transactions that were developed and previously managed by a third-party prior to being assigned to LCM, some of which continue to be managed by LCM. LCM II CLO has sold all of its assets and repaid all of its liabilities with excess proceeds distributed to equity holders as of 30 April 2013. LCM V and LCM VI CLOs both paid incentive fees to the manager during Q2 2013 of the amounts $454,000 and $354,000 respectively.

ENDNOTES (Continued)

Financial Tables

(21) Unrealised Polygon performance fees represent the fees calculated by the applicable administrator of the relevant Polygon funds, in accordance with the applicable fund constitutional documents, when determining net asset value at quarter end, less certain assumed costs. Similar amounts, if any, from LCM and GreenOak are excluded from this line item. Such fees would typically not be realised or recognised under U.S. GAAP until calendar year end, and are therefore subject to change based on fund performance during the remainder of the year. There are can be no assurance that the company will realise all or any portion of such amounts. For H1 2013, this amount equaled $1.5 million before (1) an assumed imputed tax charge and (2) estimated TFM performance fees reduced the net contribution to $0.7 million as shown in Figure 9 and further represented in Figures 16 and 17 of this report.

(22) Pro Forma Fully Diluted NAV per Share seeks to reflect certain potential changes to the total non-voting shares over the next few years, which may be utilized in the calculation of NAV per Share. Specifically, the number of shares used to calculate U.S. GAAP NAV per Share has been adjusted to incorporate:

(i) Shares which have been used as consideration for the acquisition of Polygon and applicable stock dividends relating thereto, and which are held in escrow and are expected to be released and incorporated into the U.S. GAAP NAV per Share over a five-year period.

(ii) The number of shares corresponding to the applicable intrinsic value of the options issued to the Investment Manager at the time of the company's IPO with a strike price of $10.00, to the extent such options are in the money at period end. The intrinsic value of the manager (IPO) share options is calculated as the excess of (x) the closing price of the shares as of the final trading day in the relevant period over (y) $10.00 (being the exercise price per share) times (z) 12,545,330 (being a number of shares subject to the options before the application of potential anti-dilution). The terms of exercise under the options allow for exercise using cash, as well as, with the consent of the board of the Company, certain forms of cashless exercise. Each of these prescribed methods of exercise may give rise to the issuance of a different number of shares than the approach described herein. If the options were to be surrendered for their intrinsic value with the board's consent, rather than exercised, the number of shares issued would equal the intrinsic value divided by the closing price of the shares as of the final trading day in the relevant period. This approach has been selected because we currently believe it is more reasonably illustrative of a likely outcome if the options are exercised. The options are exercisable until 26 April 2017.

Appendix II

(23) Citi Research – "Global Structured Credit Strategy" – 16 July 2013

(24) Citi Research – "Global Structured Credit Strategy" – 9 April 2013

Appendix III

(25) S&P/LCD News, "Loan default rate jumps in March as directory specters return," 1 April 2013.

(26) The calculation of TFG's lagging 12-month corporate loan default rate does not include certain underlying investment collateral that was assigned a "Selective Default" rating by one or more of the applicable rating agencies. Such Selected Defaults are included the S&P/LCD lagging 12-month U.S. institutional loan default rate discussed above. Furthermore, TFG's CLO equity and direct loan investment portfolio includes approximately 10.4% of CLOs with primary exposure to European senior secured loans and such loans are included in the calculation of TFG's corporate default rate.

(27) S&P/LCD Quarterly Review, Q2 2013.

(28) S&P/LCD Quarterly Review, Q2 2013.

(29) S&P/LCD News, "2Q Leveraged Loan Market Review: Volume booms before late-June swoon," 28 June 2013.

(30) S&P/LCD News, "2Q Leveraged Loan Market Review: Volume booms before late-June swoon," 28 June 2013.

(31) S&P/LCD News, "Leveraged loans lose 0.59% in June; YTD return is 2.31%," 1 July 2013.

(32) S&P/LCD News, "(EUR) ELLI lose 0.31%; returns 3.73 YTD," 11 July 2013.

(33) S&P/LCD LCD Leveraged Lending Review – 2Q13, Q2 2013.

(34) S&P/LCD News, "ELLI repayments rise to €2.4B in June as refinancing abound," 11 July 2013.

(35) S&P/LCD News, "ELLI repayments rise to €2.4B in June as refinancing abound," 11 July 2013.

(36) S&P/LCD News, "ELLI repayments rise to €2.4B in June as refinancing abound," 11 July 2013.

ENDNOTES (Continued)

(37) S&P/LCD Quarterly Review, Q2 2013.

(38) Morgan Stanley CLO Market Tracker, 9 July 2013; based on a surveillance universe of 420 USD-denominated CLOs and 184 Euro-denominated CLOs.

(39) Morgan Stanley CLO Market Tracker, 8 April 2013; based on a surveillance universe of 440 USD-denominated CLOs and 184 Euro-denominated CLOs.

(40) Morgan Stanley CLO Market Tracker, 9 July 2013; based on a surveillance universe of 420 USD-denominated CLOs and 184 Euro-denominated CLOs.

(41) Morgan Stanley CLO Market Tracker, 8 April 2013; based on a surveillance universe of 440 USD-denominated CLOs and 184 Euro-denominated CLOs.

(42) Morgan Stanley CLO Market Tracker, 9 July 2013.

(43) Morgan Stanley CLO Market Tracker, 9 July 2013.

(44) Morgan Stanley CLO Market Tracker, 9 July 2013.

UNAUDITED FINANCIAL STATEMENTS

TETRAGON FINANCIAL GROUP LIMITED

FOR THE PERIOD ENDED 30 JUNE 2013

TETRAGON FINANCIAL GROUP LIMITED

UNAUDITED FINANCIAL STATEMENTS
For the period ended 30 June 2013

CONTENTS

TETRAGON FINANCIAL GROUP LIMITED

STATEMENTS OF ASSETS AND LIABILITIES
As at 30 June 2013 (unaudited)

	Note	30 Jun 2013 US$ '000	31 Dec 2012 US$ '000
Assets			
Investment in the Master Fund*	3	1,695,244	1,658,276
Total assets		1,695,244	1,658,276
Liabilities			
Accrued incentive fee	6	5,661	30,227
Amounts payable on share options	5	9,319	6,601
Total liabilities		14,980	36,828
Net assets		1,680,264	1,621,448
Equity			
Share capital	7	98	99
Share premium	8	951,264	964,966
Capital reserve in respect of share options	9	11,789	11,789
Share based employee compensation reserve	4	15,397	3,849
Earnings	12	701,716	640,745
		1,680,264	1,621,448
Shares outstanding		**Number '000**	**Number '000**
Shares	7	97,573	98,805
Net Asset Value per share		US$ 17.22	US$ 16.41

* Tetragon Financial Group Master Fund Limited

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 2013

TETRAGON FINANCIAL GROUP LIMITED

STATEMENTS OF OPERATIONS
For the period ended 30 June 2013 (unaudited)

	Note	Period ended 30 Jun 2013 US$ '000	Period ended 30 Jun 2012 US$ '000
Investment income allocated from the Master Fund			
Interest income		109,872	115,773
Fee income		30,635	11,950
Other income – cost recovery		10,314	-
Total investment income allocated from the Master Fund		150,821	127,723
Direct expenses			
Incentive fee	6	(24,354)	(36,443)
Total direct expenses		(24,354)	(36,443)
Operating expenses allocated from the Master Fund			
Employee costs		(17,771)	(3,828)
Management fees	9	(12,343)	(11,314)
Share based employee compensation	4	(11,548)	-
Legal and professional fees		(2,772)	(3,723)
Audit fees		(159)	(110)
Other operating and administrative expenses		(12,565)	(1,781)
Total operating expenses allocated from the Master Fund		(57,158)	(20,756)
Total operating expenses		(81,512)	(57,199)
Net investment income		69,309	70,524
Net increase in unrealized depreciation on:			
Share options		(2,718)	(1,086)
Net increase in unrealized depreciation arising from direct operations		(2,718)	(1,086)
Net realized and unrealized gain from investments and foreign currency allocated from the Master Fund			
Net realized gain from:			
Investments		5,026	69
Foreign currency transactions		219	4,801
		5,245	4,870

TETRAGON FINANCIAL GROUP LIMITED

STATEMENTS OF OPERATIONS (continued)
For the period ended 30 June 2013 (unaudited)

	Note	Period ended 30 Jun 2013 US$ '000	Period ended 30 Jun 2012 US$ '000
Net increase / (decrease) in unrealized appreciation / (depreciation) on:			
Investments		12,290	69,246
Derivative financial instruments		7,500	(5,338)
Translation of assets and liabilities in foreign currencies		(1,914)	(3,020)
		17,876	60,888
Net realized and unrealized gain from investments and foreign currencies allocated from the Master Fund		23,121	65,758
Net increase from operations before tax		89,712	135,196
Income and deferred tax expense		(2,316)	(1,622)
Net income after tax		87,396	133,574
Attributed to noncontrolling interest		-	(993)
Net income		87,396	132,581
Earnings per share			
Basic	11	US$ 0.89	US$ 1.15
Diluted	11	US$ 0.79	US$ 1.15
Weighted average shares outstanding		**Number '000**	**Number '000**
Basic	11	97,979	115,024
Diluted	11	111,141	115,024

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 2013 (unaudited)

	Note	Period ended 30 Jun 2013 US$ '000	Period ended 30 Jun 2012 US$ '000
Total investment income		150,821	127,723
Total operating expenses		(81,512)	(57,199)
Net unrealized depreciation on share options		(2,718)	(1,086)
Net realized gain from investments and foreign currency allocated from the Master Fund		5,245	4,870
Net unrealized gain from investments and foreign currency allocated from the Master Fund		17,876	60,888
Income and deferred tax expense		(2,316)	(1,622)
Attributed to noncontrolling interest		-	(993)
Net income		87,396	132,581
Share based employee compensation	4	11,548	-
Net increase in net assets resulting from operations		98,944	132,581
Dividends paid to shareholders	10	(26,425)	(24,152)
Issue of shares	7	2,369	4,441
Purchase of Treasury shares	7	(16,072)	(16,952)
Decrease in net assets resulting from net share transactions		(13,703)	(12,511)
Total increase in net assets		58,816	95,918
Net assets at start of period		1,621,448	1,474,355
Net assets at end of period		1,680,264	1,570,273

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 2013 (unaudited)

	Period ended 30 Jun 2013 US$ '000	Period ended 30 Jun 2012 US$ '000
Operating activities		
Net increase in net assets resulting from operations	87,396	132,581
Adjustments for:		
Net unrealized depreciation on share options	2,718	1,086
Share based employee compensation reserve	11,548	-
Net unrealized appreciation on investments in the Master Fund	(36,969)	(96,329)
Operating cash flows before movements in working capital	64,693	37,338
Increase in receivables	-	(248)
Decrease in payables	(24,565)	(676)
Net cash provided by operating activities	40,128	36,414
Financing activities		
Issue of shares	2,369	4,441
Purchase of Treasury shares	(16,072)	(16,703)
Dividends paid to shareholders	(26,425)	(24,152)
Net cash used in financing activities	(40,128)	36,414
Net 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.

TETRAGON FINANCIAL GROUP LIMITED

FINANCIAL HIGHLIGHTS
For the period ended 30 June 2013 (unaudited) and the year ended 31 December 2012

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 2013 and the year ended 31 December 2012.

	30 Jun 2013*	31 Dec 2012
	US$	US$
Per Share operating performance		
Net Asset Value at the start of the period/year	16.41	12.71
Net investment income (excluding incentive fee)	0.95	1.88
Incentive fee	(0.25)	(0.76)
Net realized and unrealized gain from investments and foreign currencies	0.21	1.63
Bargain purchase	-	0.48
Share based employee compensation reserve	0.12	0.03
Dividends paid to shareholders	(0.27)	(0.44)
Income and deferred tax expense and noncontrolling interest	(0.02)	(0.04)
Other capital transactions	0.07	0.92
Net Asset Value at the end of the period/year	17.22	16.41
Pro Forma Fully Diluted NAV per Share	**Shares '000**	**Shares '000**
Shares outstanding	97,573	98,805
Shares held in escrow	12,126	11,836
Dilutive effect of Share options granted to Investment Manager	1,036	-
Pro Forma Fully Diluted Shares	110,735	110,641
Pro Forma Fully Diluted Net Asset Value per Share	US$ 15.17	US$ 14.65
Total return (NAV change excluding dividends and other capital transactions) before incentive fee	7.67%	38.61%
Incentive fee	(1.52%)	(6.00%)
Total return (NAV change excluding dividends and other capital transactions) after incentive fee	6.15%	32.61%
Ratios and supplemental data		
Ratio to average net assets:		
Operating expenses allocated from the Master Fund	2.76%	3.95%
Total operating expenses	2.76%	3.95%
Incentive fee	1.47%	5.46%
Net investment income	4.19%	8.03%

* The ratios and returns have not been annualized.

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

Note 1 General Information

Tetragon Financial Group Limited ("the Company") was registered in Guernsey on 23 June 2005 as a company limited by shares with registered number 43321. All voting shares of the Company are held by Polygon Credit Holdings II Limited (the "Voting Shareholder"). The Company continues to be registered and domiciled in Guernsey, and the Company's shares are listed on the NYSE Euronext Amsterdam Exchange.

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").

The registered office of the Company is 1st Floor Dorey Court, Admiral Park, St. Peter Port, Guernsey, Channel Islands, GY1 6HJ.

The Company's non-voting shares (referred to herein as the "Shares") are listed on the NYSE Euronext in Amsterdam Exchange.

The Company's investment objective is to generate distributable income and capital appreciation. To achieve this objective, Tetragon Financial Management LP (the "Investment Manager") seeks to identify opportunities, assets and asset classes it believes to be attractive and asset managers it believes to be superior based on their track record and expertise. It also seeks to use the market experience of the Investment Manager to negotiate favourable transactions and terms for its investments in asset classes and in asset managers. As part of this current investment strategy, the Investment Manager may employ hedging strategies and leverage in seeking to provide attractive returns while managing risk.

The Company maintains two key business segments: an investment portfolio and an asset-management platform. Both segments cover a broad range of assets including bank loans, real estate, equities, credit and convertible bonds. The Company currently invests primarily through long-term funding vehicles such as collateralized loan obligations.

TFG's asset-management platform ("TFG Asset Management") currently consists of Polygon Global Partners, LCM Asset Management LLC ("LCM") and GreenOak Real Estate, LP ("GreenOak"). TFG Asset Management L.P. is registered as an investment adviser under the U.S. Investment Advisers Act of 1940 and one of its investment management entities, Polygon Global Partners LLP, is authorised and regulated by the United Kingdom Financial Services Authority.

Note 2 Significant Accounting Policies

Basis of Presentation

The financial statements give a true and fair view, are prepared in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") and comply with The Companies (Guernsey) Law, 2008.

The Company's investment in the Master Fund is valued based on the Net Asset Value per share obtained from the Master Fund's Administrator, which is the Company's interest in the Net Assets of the Master Fund. The performance of the Company is directly affected by the performance of the Master Fund.

Note 2 Significant Accounting Policies (continued)

Basis of Presentation (continued)

The Company's Statements of Operations includes its allocated share of each type of gain, loss, income and expense of the Master Fund's Statements of Operations. Attached are the unaudited consolidated financial statements of the Master Fund, which are an integral part of these financial statements. As at 30 June 2013, the Company had 100% (31 December 2012: 100%) ownership interest in the Master Fund. As the Company owns 100% of the Master Fund and the audited consolidated financial statements of the Master Fund are attached, a separate Schedule of Investments for the Company has not been included.

For financial statement reporting purposes, the Company is an investment company and follows the measurement guidance set out in ASC 946, Financial Services – Investment Companies.

Except for new standards adopted, the accounting policies have been consistently applied by the Company during the period ended 30 June 2013 and are consistent with those used in the previous year.

The financial statements are presented in United States Dollars and rounded to the nearest thousand.

Use of Estimates

The preparation of financial statements in conformity with U.S. 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. Actual results could differ materially from these estimates.

Valuation of Investments

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

Expenses

Expenses 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 GBP 600 per annum.

In accordance with ASC Subtopic 740-10 – Income Taxes – Overall, the Company recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. There were no uncertain tax positions recognized at 30 June 2013.

Note 2 Significant Accounting Policies (continued)

Share Options

The fair value of options granted to the Investment Manager was recognized 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, on 26 April 2007 and remain exercisable for ten years.

The fair value of options issued to GreenOak were recognized as a liability in the Statements of Assets and Liabilities, as the options contain certain other performance conditions. Any subsequent change in the fair value is recognized through the Statements of Operations.

Dividend expense

Dividend expense from shares are recognized in the Statements of Changes in Net Assets.

Share Based Payments

Share-based compensation expense for all share-based payment awards granted is determined based on the grant-date fair value. The Company recognizes these compensation costs net of an estimated forfeiture rate, and recognizes compensation cost only for those shares expected to meet the service and performance vesting conditions, on a straightline basis over the requisite service period of the award. These compensation costs are determined at the aggregate grant level for service-based awards and at the individual vesting tranche level for awards with performance conditions.

Treasury Shares

When share capital recognized as equity is repurchased the amount of the consideration paid, which includes directly attributable costs, is recognized as a deduction from equity. Repurchased shares may be classified as treasury shares from an accounting perspective and are presented as a deduction from total equity. When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase in equity, and the resulting surplus or deficit on the transaction is transferred to or from retained earnings. Shares may also be transferred out of the Treasury Account and into a wholly owned subsidiary. Where this occurs the status of the Shares is unchanged from an accounting perspective and they are not included in the Shares outstanding on the Statements of Assets and Liabilities.

Note 3 Investment in Master Fund

At the period end, the Master Fund held investments at fair value, cash and cash equivalents, derivatives and other receivables and payables.

As at 30 June 2013, the Company had an investment of US$ 1,695.2 million in the Master Fund (31 December 2012: US$ 1,658.3 million).

Note 4 Share based payments

Polygon Management L.P. and certain of its affiliates (collectively, "Polygon"), including Polygon's asset management businesses and infrastructure platform, along with Polygon's interests in LCM and GreenOak, were acquired on 28 October 2012 (the "Acquisition"), in exchange for consideration of approximately 11.7 million non-voting Shares to the sellers subject to certain vesting and forfeiture conditions (the "Aggregate Consideration"). The Aggregate Consideration shall be held in escrow (along with accrued stock dividends) until it is released over the period 2013 to 2017.

Under ASC 805 these shares are treated as payment for post combination services rather than upfront consideration, hence the initial consideration is determined to be nil, resulting in a bargain purchase. The expense is recognized in the Master Fund through the Statement of Operations, as well as reflecting the assets acquired and a reserve to reflect the capital contribution of the Shares from the Company. The Company has a share based compensation reserve and recognizes the expense indirectly as allocated from the Master Fund. The charge for the period ended 30 June 2013 amounted to US$ 11.5 million.

Note 5 Share options issued to GreenOak

On 16 September 2010, the Master Fund entered into a transaction with GreenOak whereby it received a 10% equity interest in GreenOak and agreed to provide, among other things, a working capital loan of up to US$ 10.0 million and a US$ 100.0 million co-investment commitment that is expected to fund up to a limited fixed percentage of any GreenOak sponsored investment program with the Master Fund retaining the option to invest further amounts.

Under the terms of the transaction, the Company granted to the GreenOak founders options to purchase 3.9 million Shares (exercisable after 5 years and subject to further conditions) at a strike price of US$ 5.50. The aggregate fair value of the options granted at the transaction date was US$ 0.5 million. In order to reflect some key vesting requirements of the options which are not captured by the Black-Scholes model a 50% haircut was applied to the initial calculated valuation. This was derived as follows: restriction on transferability – 25%; requirement to repay working capital loan – 10%; exclusivity of founders – 15%. These have been reviewed on a regular basis and as at 30 June 2013, the restriction on transferability is 15%, reflecting the fact that the options are closer to their exercise dates. After this adjustment the haircut stands at 40%.

The options are split approximately as follows: 50% exercisable 5 years after transaction date and expiring a year later; 25% exercisable 6 years after transaction date and expiring a year later; 25% exercisable 7 years after transaction date and expiring a year later.

At 30 June 2013, the fair value of the options was US$ 9.3 million (31 December 2012: US$ 6.6 million).

Note 6 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 or as otherwise determined by the Directors) equal to 25% of the increase in the Net Asset Value ("NAV") 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 NAV (as defined below) plus the Hurdle (as defined below) for the Calculation Period. If the Hurdle is not met in any Calculation Period (and no incentive fee is paid), the shortfall will not carry forward to any subsequent Calculation Period.

The "Hurdle" for any Calculation Period will equal the Reference NAV multiplied by the Hurdle Rate (as defined below). The Hurdle Rate for any Calculation Period equals 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% in each case multiplied by the actual number of days in the Calculation Period divided by 365.

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 the Reference NAV at the end of a Calculation Period, NAV shall be adjusted by the 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.

The incentive fee in respect of each Calculation Period is calculated by reference to the NAV 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 2013 was US$ 24.4 million (30 June 2012: US$ 36.4 million). As at 30 June 2013, US$ 5.7 million was outstanding (31 December 2012: US$ 30.2 million).

Note 7 Share Capital

Authorized

The Company has an authorized share capital of US$ 1.0 million 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. Shares are issuable either as certificated shares or uncertificated shares, and in both cases as registered shares in accordance with applicable law.

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.

Note 7 Share Capital (continued)

Voting Shares (continued)

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 Shares are subject to certain transfer restrictions as set out in the Company's Memorandum and Articles of Incorporation.

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 such repurchased Shares as Treasury Shares.

Share Transactions

	Voting Shares No.	Shares No. '000	Shares US$ '000
Shares in issue at 31 December 2011	10	115,968	116
Issued	-	1,530	2
Treasury Shares	-	(18,693)	(19)
Shares in issue at 31 December 2012	10	98,805	99
Issued	-	213	-
Treasury Shares	-	(1,445)	(1)
Shares in issue at 30 June 2013	10	97,573	98

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$ 26.4 million (30 June 2012: US$ 24.2 million) was declared, of which US$ 24.1 million was paid out as a cash dividend (30 June 2012: US$ 19.7 million), and the remaining US$ 2.3 million (30 June 2012: US$ 4.5 million) was reinvested under the Optional Stock Dividend Plan.

Note 7 Share Capital (continued)

Treasury Shares

The Company owns a subsidiary, TFG Holdings I, to which it may transfer, and has transferred, Shares previously held in a Treasury Account. Where this occurs the status of the Shares is unchanged from an accounting perspective and they are not included in the Shares outstanding on the Statements of Assets and Liabilities.

On 30 November 2007, the Company announced the implementation of a share repurchase program of their outstanding Shares. This was renewed on several occasions, most recently on 14 January 2013 running until 30 April 2013 when it expired. As at 30 June 2013 there was no share repurchase program in place.

When the program was in operation, the Master Fund had undertaken to repurchase an identical number of its own Shares from the Company as and when it made these repurchases in the open market.

The Master Fund matched the price per share paid by the Company. The Shares are held in a Treasury Account or in a subsidiary allowing them to potentially be resold back to the Company if it resells its own shares back into the market at a later date. Whilst they are held by the Master Fund (whether directly or via a subsidiary), the Shares are neither eligible to receive dividends nor are they included in the Shares outstanding on the Statements of Assets and Liabilities.

As at 30 June 2013, 16.6 million Shares are held in TFG Holdings I (31 December 2012: 16.6 million) and 7.9 million Shares in the Treasury Account (31 December 2011: 6.5 million).

	Treasury Shares Shares No. '000	Shares held in subsidiary Shares No. '000
Shares brought forward at 31 December 2011	7,577	8,523
Treasury shares purchased during the year	18,693	-
Shares transferred to subsidiary	(15,385)	15,385
Shares contributed in connection with the Acquisition	(4,382)	(7,304)
Treasury shares at 31 December 2012	6,503	16,604
Treasury shares purchased during the period	1,445	-
Treasury shares at 30 June 2013	7,948	16,604

Note 8 Share Premium

	30 Jun 2013 US$ '000	31 Dec 2012 US$ '000
Balance at start of period/year	964,966	1,128,567
Premium arising on issuance of shares	2,369	11,992
Discount arising from purchase of shares	(16,071)	(175,593)
Balance at end of period/year	951,264	964,966

Note 9 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 payable monthly in advance prior to the deduction of any accrued incentive fee. 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 6.

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, in 2007 the Company granted to the Investment Manager options (the "Investment Management Options") to purchase approximately 12.5 million of the Company's non-voting shares (before any application of potential anti-dilution) 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 in 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$ 11.8 million. 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%.

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. Each of the Directors' annual fee is US$ 75,000 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. Paddy Dear and Reade Griffith have waived their entitlement to a fee in respect of their services as Directors. 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 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 (subject to applicable law). Affiliates of the Voting Shareholder also control the Investment Manager and, accordingly, control the Company's business and affairs.

Paddy Dear, Reade Griffith, and Rupert Dorey all Directors of the Company and the Master Fund, were shareholders in the Company as at 30 June 2013, with holdings of 317,798, 1,036,209 and 91,112 Shares respectively (31 December 2012: 310,218, 1,036,209 and 88,940 Shares respectively). Messrs. Griffith and Dear also have an interest in the Escrow Shares (as defined below).

As described in Note 4, Polygon including Polygon's asset management businesses and infrastructure platform, and interests in LCM and GreenOak, were acquired on 28 October, 2012. The Shares issued in consideration are subject to vesting and forfeiture conditions and will be held in escrow until they vest over the period 2013 to 2017. These escrow shares are eligible to participate in the optional stock dividend program, and as part of the Q3 2012 dividend further Shares were added to the relevant escrow accounts. As part of the Acquisition, Messrs. Griffith and Dear, as founders of Polygon, were awarded consideration in Shares which would vest between 2015 and 2017.

Note 9 Related Party Transactions (continued)

In particular, Messrs. Griffith and Dear, were allocated 5,539,954 and 1,955,291 Shares, respectively, and these are currently held in escrow pending release between 2015 and 2017. As at 30 June 2013, 5,748,433 Shares were held in escrow on behalf of Mr. Griffith and 2,028,869 on behalf of Mr. Dear. It was also contractually agreed at the time that they would be entitled to total annual compensation in respect of their employment with the Company and its subsidiaries totaling not more than US$ 100,000 each. During the period ended 30 June 2013 total compensation paid to them each in this capacity by the Master Fund in aggregate was US$ 50,000.

The Master Fund owns a 23% equity interest in GreenOak. As part of the original transaction to acquire a share in GreenOak, the Master Fund provided a US$ 100.0 million coinvestment commitment and a US$ 10.0 million working capital loan commitment to GreenOak, with the Company issuing 3.9 million share options to the GreenOak founders. As a result of the Polygon Acquisition the Master Fund increased its working capital loan commitment by an additional US$ 0.5 million by assuming Polygon's remaining unfunded commitment.

Note 10 Dividends

	30 Jun 2013 US$ '000	30 Jun 2012 US$ '000
Quarter ended 31 December 2011 of US$ 0.105 per share	-	12,080
Quarter ended 31 March 2012 of US$ 0.105 per share	-	12,072
Quarter ended 31 December 2012 of US$ 0.135 per share	13,266	-
Quarter ended 31 March 2013 of US$ 0.135 per share	13,159	-
	26,425	24,152

The second quarter dividend of US$ 0.14 per share was approved by the Directors on 29 July 2013 and has not been included as a liability in these financial statements.

Note 11 Earnings per Share

	Period ended 30 Jun 2013 US$ '000	Period ended 30 Jun 2012 US$ '000
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 profit attributable to shareholders for the period	87,396	132,581
Weighted average number of Shares for the purposes of basic earnings per share	97,979	115,024
Effect of dilutive potential Shares:		
Share based employee compensation	12,126	-
Share options	1,036	-
Weighted average number of Shares for the purposes of diluted earnings per share	111,141	115,024

Note 11 Earnings per Share (continued)

Diluted earnings per share is calculated by adjusting the weighted average number of Shares outstanding assuming conversion of all potential dilutive Shares. Share options and share based employee compensation are potential dilutive Shares.

In respect of share based employee compensation, it is assumed that all of the shares currently held in escrow will be released, thereby increasing the weighted average number of Shares. This includes Shares which are scheduled to vest and be released between 2013 and 2017.

In respect of share options, the intrinsic value of the shares issued to the Investment Manager in connection with the global offering in 2007 (see Note 9) is calculated using the Company's quoted share price on the last business day prior to the period end. This is then converted back into Shares using that same quoted price for the purposes of inclusion in the diluted Shares calculation.

In respect of share options issued to GreenOak, there was no dilution as the conditions on these options at the date of these financial statements have not been met.

Note 12 Earnings

	30 June 2013 US$ '000	31 Dec 2012 US$ '000
Balance at start of period/year	640,745	333,883
Net increase in net assets resulting from operations for the period/year	87,396	357,158
Dividends paid	(26,425)	(50,296)
Balance at end of period/year	701,716	640,745

Note 13 Other Matters

On 18 June 2013, a shareholder derivative action was filed in United States District Court – Southern District of New York – against the six directors of the Company and the Master Fund, the Investment Manager, the principals of the Investment Manager and other affiliated entities by a purported shareholder of the Company (the "Action").

The Action makes a series of allegations including with respect to the Acquisition (see Note 4) and asks, amongst other things, for money damages and equitable relief against the defendants, including the termination of the investment management agreement among the Company, the Master Fund and the Investment Manager.

The Company, the Master Fund and their Board of Directors have stated that they believe that the Action is factually and legally without merit and intend to seek to have the Action dismissed as quickly as possible.

Note 13 Other Matters

On 22 February 2011, the Company and the Master Fund and their six directors were served with proceedings in the Royal Court of Guernsey (the "Guernsey Proceedings") instigated by one of the Company's former directors, Alexander Jackson, seeking to impugn the Fund's decision to enter into a joint venture with GreenOak. On March 26, 2013, Lieutenant Bailiff Patrick Talbot of the Royal Court of Guernsey rendered his decision and dismissed the Guernsey Proceedings having determined that the entire claim should be struck out as an abuse of process as no aspect of it satisfied the standard for bringing such a derivative action in Guernsey. Lieutenant Bailiff Talbot also awarded costs against Mr. Jackson. On 12 July 2013, Mr. Jackson wrote to the Royal Court of Guernsey to advise that he no longer wishes to prosecute his appeal of the Guernsey Proceedings and to request its withdrawal forthwith.

On 1 March 2013, the English Court of Appeal dismissed in its entirety a claim filed by Mr. Jackson against Paddy Dear and Reade Griffith in the High Court in London (the "English Proceedings") regarding Mr. Jackson's removal in January 2011 from the Board of Directors of the Company and the Master and awarded costs against Mr. Jackson.

Note 14 Subsequent Events

The Directors have evaluated subsequent events up to 29 July 2013, which is the date that the financial statements were approved, and have concluded that there are not any material events, other than described above under Note 13, that require disclosure or adjustment to the financial statements.

Note 15 Recent Changes to U.S. GAAP

In December 2011, the FASB issued ASU 2011-11, "Disclosures about Offsetting Assets and Liabilities". ASU 2011-11 requires entities to disclose both gross and net information about financial instruments and derivative instruments that are either (i) offset in the statement of assets and liabilities, or (ii) subject to an enforceable master netting arrangement or similar arrangement, irrespective of whether they are offset in the statement of assets and liabilities. In addition, ASU 2011-11 requires disclosure of collateral received and posted in connection with master netting agreements or similar arrangements.

The requirements of ASU 2011-11 are effective for interim and annual reporting periods beginning on or after 1 January 2013. The guidance requires retrospective application for all comparative periods presented.

The adoption of ASU 2011-11 has not had any impact on the Company's financial net position or results of operations.

Note 16 Approval of Financial Statements

The Directors approved the financial statements on 29 July 2013.

UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

TETRAGON FINANCIAL GROUP MASTER FUND LIMITED

FOR THE PERIOD ENDED 30 JUNE 2013

TETRAGON FINANCIAL GROUP MASTER FUND LIMITED

UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
For the period ended 30 June 2013

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TETRAGON FINANCIAL GROUP MASTER FUND LIMITED

CONSOLIDATED STATEMENTS OF ASSETS AND LIABILITIES
As at 30 June 2013 (unaudited)

	Note	30 Jun 2013 US$ '000	31 Dec 2012 US$ '000
Assets			
Investments, at fair value	2, 3	1,381,628	1,440,437
Management contracts	2, 4	39,966	43,395
Cash and cash equivalents	6	243,786	175,941
Amounts due from brokers	8	33,121	13,112
Derivative financial assets	3, 7	13,107	7,620
Property, plant and equipment	2	234	30
Deferred tax asset	15	1,188	-
Other receivables	9	14,939	15,620
Total assets		1,727,969	1,696,155
Liabilities			
Derivative financial liabilities	3, 7	169	2,180
Other payables and accrued expenses	10	30,910	31,361
Income tax payable	15	1,646	2,094
Deferred tax liability	15	-	2,244
Total liabilities		32,725	37,879
Net assets		1,695,244	1,658,276
Equity			
Share capital	11	98	99
Share premium	12	910,487	924,189
Earnings	14	769,262	730,139
Capital contribution	19	15,397	3,849
		1,695,244	1,658,276
Shares outstanding		**Number '000**	**Number '000**
Shares	11	97,573	98,805
Net Asset Value per share		US$ 17.37	US$ 16.78

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

Signed on behalf of the Board of Directors by:

Rupert Dorey, Director
David Jeffreys, Director

29 July 2013

TETRAGON FINANCIAL GROUP MASTER FUND LIMITED

CONSOLIDATED STATEMENTS OF OPERATIONS
For the period ended 30 June 2013 (unaudited)

	Note	Period ended 30 June 2013 US$ '000	Period ended 30 June 2012 US$ '000
Interest income	16	109,872	115,773
Fee income	17	30,635	11,950
Other income – cost recovery	2, 21	10,314	-
Investment income		150,821	127,723
Employee costs	21	(17,771)	(3,828)
Management fees	21	(12,343)	(11,314)
Share based employee compensation	19	(11,548)	-
Legal and professional fees	22	(2,772)	(3,723)
Audit fees		(159)	(110)
Other operating and administrative expenses	21	(12,565)	(1,781)
Operating expenses		(57,158)	(20,756)
Net investment income		93,663	106,967
Net realized and unrealized gain from investments and foreign currency			
Net realized gain from:			
Investments		5,026	69
Foreign currency transactions		219	4,801
		5,245	4,870
Net increase / (decrease) in unrealized appreciation / (depreciation) on:			
Investments		12,290	69,246
Derivative financial instruments		7,500	(5,338)
Translation of assets and liabilities in foreign currencies		(1,914)	(3,020)
		17,876	60,888
Net realized and unrealized gain from investments and foreign currency		23,121	65,758
Net increase from operations before tax		116,784	172,725
Income and deferred tax expense	15	(2,316)	(1,622)
Net income after tax		114,468	171,103
Attributed to noncontrolling interest	11	-	(993)
Net income		114,468	170,110

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

TETRAGON FINANCIAL GROUP MASTER FUND LIMITED

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
For the period ended 30 June 2013 (unaudited)

	Note	Period ended 30 June 2013 US$ '000	Period ended 30 June 2012 US$ '000
Net investment income		93,663	106,967
Net realized gain from investments and foreign currency		5,245	4,870
Net increase in unrealized appreciation on investments and translation of assets and liabilities in foreign currencies		17,876	60,888
Income and deferred tax expense	15	(2,316)	(1,622)
Net income after tax		114,468	171,103
Share based employee compensation		11,548	-
Net increase in net assets resulting from operations		126,016	171,103
Dividends paid to TFG Limited in lieu of incentive fee liability	13	(48,920)	(37,119)
Dividends paid to other shareholders	13	(26,425)	(24,152)
Distributions paid to noncontrolling interest	11	-	(734)
Total distributions		(75,345)	(62,005)
Issue of shares	11	2,369	4,441
Purchase of Treasury shares	11	(16,072)	(16,952)
Decrease in net assets resulting from capital transactions		(13,703)	(12,511)
Total increase in net assets		36,968	96,587
Net assets at start of period		1,658,276	1,499,313
Net assets at end of period		1,695,244	1,595,900

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

TETRAGON FINANCIAL GROUP MASTER FUND LIMITED

CONSOLIDATED STATEMENTS OF CASH FLOWS
For the period ended 30 June 2013 (unaudited)

	Period ended 30 June 2013 US$ '000	Period ended 30 June 2012 US$ '000
Operating activities		
Net income after tax	114,468	171,103
Adjustments for:		
Realized gain on investments	(5,026)	(69)
Cash received on investments in excess of interest income	129,630	99,516
Amortization on intangible assets	3,429	50
Depreciation on tangible assets	95	-
Share based employee compensation	11,548	-
Unrealized gains	(17,876)	(60,888)
Deferred tax	(3,432)	42
Operating cash flows before movements in working capital	232,836	209,754
Decrease / (increase) in receivables	681	(222)
Decrease in payables	(899)	(2,066)
Cash flows from operations	232,618	207,466
Purchase of fixed assets	(299)	-
Proceeds from sale / prepayment / maturity of investments	91,655	54,224
Purchase of investments	(146,867)	(108,892)
Net cash provided by operating activities	177,107	152,798
Financing activities		
Amounts due (to) / from brokers	(20,009)	9,294
Proceeds from issue of shares	2,369	4,441
Treasury shares	(16,072)	(16,703)
Dividends paid to shareholders	(26,425)	(24,152)
Dividends paid to TFG Limited in lieu of incentive fee liability	(48,920)	(37,119)
Distributions to noncontrolling interest	-	(735)
Net cash used in financing activities	(109,057)	(64,974)
Net increase in cash and cash equivalents	68,050	87,824
Cash and cash equivalents at beginning of period	175,941	211,513
Effect of exchange rate fluctuations on cash and cash equivalents	(205)	(194)
Cash and cash equivalents at end of period	243,786	299,143

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

TETRAGON FINANCIAL GROUP MASTER FUND LIMITED

CONSOLIDATED SCHEDULE OF INVESTMENTS
As at 30 June 2013 (unaudited)

Security Description	Nominal '000	Cost US$ '000	Fair Value US$ '000	% of Net Assets
US Dollar				
Cayman Islands – CLO equity				
ABS and Structured Finance	18,400	17,572	-	-
Broadly Syndicated Senior Secured Loans	1,221,872	1,102,486	847,684	49.99%
CDOs Squared	17,250	16,640	-	-
Middle Market Senior Secured Loans	245,249	227,357	148,603	8.77%
Cayman Islands – CLO Mezzanine				
Broadly Syndicated Senior Secured Loans	1,750	1,103	1,618	0.10%
	1,504,521	1,365,158	997,905	58.86%
Euro				
Ireland – CLO equity				
Broadly Syndicated Senior Secured Loans	127,400	155,917	87,449	5.16%
	127,400	155,917	87,449	5.16%
Luxembourg – CLO equity				
Broadly Syndicated Senior Secured Loans	65,100	80,652	41,893	2.47%
	65,100	80,652	41,893	2.47%
Netherlands – CLO equity				
Broadly Syndicated Senior Secured Loans	24,000	31,759	16,029	0.95%
	24,000	31,759	16,029	0.95%
US Dollar – Loans				
Broadly Syndicated Senior Secured Loans	43,185	42,761	43,211	2.55%
Unsecured Loan	10,000	10,000	10,822	0.64%
	53,185	52,761	54,033	3.19%
US Dollar – Unlisted Stock				
Financial Real Estate Manager		10,728	18,126	1.07%
		10,728	18,126	1.07%
US Dollar – Investment Funds				
Real Estate – United States		20,270	19,022	1.12%
Real Estate – Japan		12,502	12,744	0.75%
Real Estate – United Kingdom		6,038	5,766	0.34%
Hedge Funds – Equities - Global		105,000	107,778	6.36%
Hedge Funds – Credit and convertible bonds - Global		20,000	20,839	1.23%
		163,810	166,149	9.80%
Germany – Listed Stock				
Equity Investments		45	44	0.00%
		45	44	0.00%
Total Investments		**1,860,830**	**1,381,628**	**81.50%**

Financial Derivative Instruments	**Fair Value US$ '000**	**% of Net Assets**
Interest rate swaptions	12,720	0.75%
Forward foreign currency exchange contracts	387	0.02%
Equity swap	(169)	(0.01%)
Total Financial Derivative Instruments	12,938	0.76%
Cash and Cash Equivalents	243,786	14.38%
Other Assets and Liabilities	56,892	3.36%
Net Assets	1,695,244	100.00%

TETRAGON FINANCIAL GROUP MASTER FUND LIMITED

CONSOLIDATED SCHEDULE OF INVESTMENTS (continued)
As at 31 December 2012 (audited)

Security Description	**Nominal '000**	**Cost US$ '000**	**Fair Value US$ '000**	**% of Net Assets**
US Dollar				
Cayman Islands – CLO equity				
ABS and Structured Finance	18,400	17,572	-	-
Broadly Syndicated Senior Secured Loans	1,172,872	1,057,015	908,707	54.80%
CDOs Squared	17,250	16,640	-	-
Middle Market Senior Secured Loans	245,249	227,357	180,079	10.86%
Cayman Islands – CLO Mezzanine				
Broadly Syndicated Senior Secured Loans	1,750	1,103	1,569	0.09%
	1,455,521	1,319,687	1,090,355	65.75%
Euro				
Ireland – CLO equity				
Broadly Syndicated Senior Secured Loans	127,400	155,917	75,069	4.53%
	127,400	155,917	75,069	4.53%
Luxembourg – CLO equity				
Broadly Syndicated Senior Secured Loans	65,100	80,652	32,233	1.94%
	65,100	80,652	32,233	1.94%
Netherlands – CLO equity				
Broadly Syndicated Senior Secured Loans	24,000	31,759	18,323	1.10%
	24,000	31,759	18,323	1.10%
US Dollar – Loans				
Broadly Syndicated Senior Secured Loans	114,253	112,231	114,057	6.88%
Unsecured Loan	9,500	9,500	10,091	0.61%
	123,753	121,731	124,148	7.49%
US Dollar – Unlisted Stock				
Financial Real Estate Manager		10,728	18,126	1.09%
		10,728	18,126	1.09%
US Dollar – Investment Funds				
Real Estate – United States		14,863	14,789	0.89%
Real Estate – Japan		3,847	3,821	0.23%
Real Estate – United Kingdom		7,036	7,074	0.43%
Hedge Funds – Equities - Global		45,000	46,429	2.80%
Hedge Funds – Credit and convertible bonds - Global		10,000	10,070	0.61%
		80,746	82,183	4.96%
Total Investments		**1,801,220**	**1,440,437**	**86.86%**

Financial Derivative Instruments

	Fair Value US$ '000	**% of Net Assets**
Interest rate swaptions	7,620	0.46%
Forward foreign currency exchange contracts	(2,180)	(0.13)%
Total Financial Derivative Instruments	5,440	0.33%
Cash and Cash Equivalents	175,941	10.61%
Other Assets and Liabilities	36,458	2.20%
Net Assets	1,658,276	100.00%

TETRAGON FINANCIAL GROUP MASTER FUND LIMITED

FINANCIAL HIGHLIGHTS
For the period ended 30 June 2013 (unaudited) and 31 December 2012 (audited)

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 2013 and the year ended 31 December 2012.

	1 Jan 2013 to 30 June 2013*	1 Jan 2012 to 31 Dec 2012
	US$	US$
Per Share operating performance		
Net Asset Value at start of period / year	16.78	12.93
Net investment income	0.96	1.85
Net realized and unrealized gain from investments, derivatives and foreign currencies	0.24	1.68
Bargain purchase	-	0.48
Share based employee compensation	0.12	0.03
Dividends paid to shareholders	(0.77)	(1.15)
Income and deferred tax expense and noncontrolling interest	(0.02)	(0.04)
Other capital transactions	0.06	1.00
Net Asset Value at the end of the period / year	17.37	16.78
Pro Forma Fully Diluted NAV per Share		
	Shares '000	Shares '000
Shares outstanding	97,573	98,805
Shares held in escrow	12,126	11,836
Dilutive effect of Share options granted to Investment Manager	1,036	-
Pro Forma Fully Diluted Shares	110,735	110,641
Pro Forma Fully Diluted Net Asset Value per Share	US$ 15.31	US$ 14.99
Return (NAV change excluding dividends and other capital transactions)	7.75%	38.66%
Ratios and supplemental data		
Ratio to average net assets:		
Total operating expenses	(2.72%)	(3.90%)
Net investment income	5.60%	13.34%

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.

Note 1 General Information

Tetragon Financial Group Master Fund Limited (the "Fund") was registered in Guernsey on 23 June 2005 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"). The Fund continues to be registered and domiciled in Guernsey.

The Fund owns a number of operating business subsidiaries, including those resulting from the acquisition of Polygon Management L.P. (the "Acquisition") and certain of its affiliates (collectively, "Polygon") and its asset management businesses. The Fund consolidates in these financial statements, the income and expense and assets and liabilities of entities where appropriate, and in accordance with the accounting policy on consolidation detailed in Note 2.

The registered office of the Fund is 1st Floor Dorey Court, Admiral Park, St. Peter Port, Guernsey, Channel Islands GY1 6HJ.

The Fund's investment objective is to generate distributable income and capital appreciation. To achieve this objective, Tetragon Financial Management LP (the "Investment Manager") seeks to identify opportunities, assets and asset classes it believes to be attractive and asset managers it believes to be superior based on their track record and expertise. It also seeks to use the market experience of the Investment Manager to negotiate favourable transactions and terms for its investments in asset classes and in asset managers. As part of this current investment strategy, the Investment Manager may employ hedging strategies and leverage in seeking to provide attractive returns while managing risk.

The Fund maintains two key business segments: an investment portfolio and an asset-management platform. Both segments cover a broad range of assets including bank loans, real estate, equities, credit and convertible bonds. The Fund currently invests primarily through long-term funding vehicles such as collateralized loan obligations.

TFG's asset-management platform ("TFG Asset Management") currently consists of Polygon Global Partners, LCM Asset Management LLC ("LCM") and GreenOak Real Estate LP ("GreenOak"). TFG Asset Management L.P. is registered as an investment adviser under the U.S. Investment Advisers Act of 1940 and one of its investment management entities, Polygon Global Partners LLP, is authorized and regulated by the United Kingdom Financial Services Authority.

Note 2 Significant Accounting Policies

Basis of Presentation

The consolidated financial statements give a true and fair view, are prepared in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") and comply with The Companies (Guernsey) Law, 2008.

For financial statement reporting purposes, the Fund is an investment company and follows Financial Services – Investment Companies (ASC 946).

Except for new standards adopted, the accounting policies have been consistently applied by the Fund during the period ended 30 June 2013 and are consistent with those used in the previous year.

The financial statements are presented in United States Dollars rounded to the nearest thousand.

Use of Estimates

The preparation of financial statements in conformity with U.S. 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.

Note 2 Significant Accounting Policies (continued)

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 U.S. Dollars at the foreign currency closing exchange rate ruling at the reporting 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 Consolidated Statements of Operations.

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 Consolidated 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 Consolidated 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 CLO equity and mezzanine securities, leveraged loans, forwards, swaptions, investment funds, swaps, contracts for difference, listed stock and unlisted stock are calculated on the identified historical cost basis. Interest income is recognized on an effective interest rate basis.

Financial Instruments

Investments in CLO equity tranche investments ("CLO equity"), 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 Tetragon Financial Management LP (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 well as to calculate fair value. As cash 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 amongst other things, defaults and recovery rates. The default rate, recovery rate and other assumptions are determined by reference to a variety of observable 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. A different set of forward looking assumptions is applied according to whether the security is characterized as being U.S. or European.

The Fund recognizes interest income and any impairment pursuant to "Recognition of Interest Income and Impairment on Purchased and Retained Beneficial Interests in Securitized Financial Assets" (ASC 325). ASC 325 sets forth rules for recognizing interest income and determining when an investment is impaired.

Note 2 Significant Accounting Policies (continued)

Financial Instruments (continued)

Investments in CLO equity tranche investments ("CLO equity"), at fair value (continued)

In accordance with ASC 325, 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 ASC 325 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 investment with unrealized loss is tested for permanent impairment as required by ASC 325.

Investments in leveraged loans, at fair value

To the extent that the Fund's leveraged loans are exchange traded and are priced or have sufficient bid price indications from normal course trading at or around the valuation date (financial reporting date), such bid pricing will determine fair value. Pricing service marks from third party pricing services may be used as an indication of fair value, depending on the volume and reliability of the marks, sufficient and reasonable correlation of bid and ask quotes, and, most importantly, the level of actual trading activity.

Investments in CLO mezzanine tranche investments, at fair value

Investments in CLO mezzanine tranches are carried at fair value using the latest broker indicative bid prices. As the mezzanine tranches are marked-to-market, changes in the fair value are recognized immediately in the Consolidated Statements of Operations.

Investments in securities, listed stock, unlisted common stock and unsecured loans, at fair value

Investments in listed stock, unlisted common stock and unsecured loans are carried at fair value. Where applicable their cost price, the price at which any recent transaction in the security may have been effected and any other relevant factors may be considered, as well as valuation techniques which may be used by market participants.

Investments in unlisted investment funds, at fair value

Investments in unlisted investment funds are valued utilizing the net asset valuations provided by the managers of the underlying funds and / or their administrators. This approach is known as the "practical expedient" and has been applied in accordance with the Accounting Standards Update No. 2009-12.

Forward currency contracts, at fair value

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 Consolidated Statements of Operations.

Note 2 Significant Accounting Policies (continued)

Financial Instruments (continued)

Interest rate swaptions, at fair value

This instrument combines the features of two other financial instruments, namely an option and an interest rate swap. A swaption involves writing / purchasing options to enter into a swap.

When the Fund purchases a swaption, a premium is paid by the Fund and the swaption is initially recognized at the amount of the premium. The swaption is subsequently marked-to-market to reflect the fair value of the swaption purchased, which is reported as an asset on the Consolidated Statements of Assets and Liabilities, and changes in the fair value are recognized immediately in the Consolidated Statements of Operations.

Swaps and Contracts for difference

The Fund enters into swaps and contracts for difference ("CFDs") arrangements with financial institutions. Swaps and CFDs are traded on the OTC market. The arrangement involves an agreement by the Fund and a counterparty to exchange the difference between the opening and closing price of the position underlying the contract, which are generally on equity positions.

The fair value of the swap or CFD is derived by taking the difference between the quoted price of the underlying security and the contract price. Realized and unrealized gains and losses are included in the Consolidated Statements of Operations.

Fixed assets

Fixed assets (including property, plant and equipment) are stated at cost and depreciated on a straight-line basis over their estimated useful lives.

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.

Management contracts

Management contracts providing investment management services to investment funds, accounts and other vehicles are amortized over their useful lives. Management contracts are stated at cost less accumulated amortization and impairment. The Fund reviews purchased intangible assets for impairment where there are events or changes in circumstance that indicate the carrying value of an asset may not be recoverable.

Amortization is recognized through profit or loss in the Consolidated Statements of Operations on a straight-line basis over the useful life of the agreements. The estimated useful life for the purposes of amortizing management contracts ranges from three to ten years.

Principles of Consolidation

The consolidated financial statements include the accounts of the Fund and its majority owned subsidiaries (collectively, the "Group"). All significant intercompany balances and transactions have been eliminated on consolidation.

Note 2 Significant Accounting Policies (continued)

Principles of Consolidation (continued)

The Fund consolidates all entities where it has an economic interest in excess of 50% and is deemed to have control over the significant operational and financial decisions. Where the Fund owns an interest which is less than 50% but more than 20%, consideration is made as to the level of control exercised. The Fund owns 23% of GreenOak, a real estate investment manager and certain of its affiliates. It has determined that it does not exhibit significant control over GreenOak and is therefore carrying this investment at fair value.

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 and has determined that it does not have control over the significant operational and financial decisions of these securities, consolidation of these entities is not required. At 30 June 2013 the fair value of these VIEs is approximately US$ 1,307.8 million (31 December 2012: US$ 1,296.6 million). These are non-recourse securities with no contingent liabilities where the Fund's maximum loss exposure is capped at the current carrying value.

Acquisitions of non-controlling interest

Acquisitions of non-controlling interests are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognized as a result.

Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date – i.e. when control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

The excess of the fair value of purchase consideration over the fair values of these identifiable assets and liabilities is recorded as goodwill. When the excess is negative, a bargain purchase gain is recognized immediately in the Consolidated Statements of Operations.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Share based employee compensation

Share-based compensation expense for all share-based payment awards granted is determined based on the grant-date fair value. The Fund recognizes these compensation costs net of an estimated forfeiture rate, and recognizes compensation cost only for those shares expected to meet the service and performance vesting conditions, on a straightline basis over the requisite service period of the award. These compensation costs are determined at the aggregate grant level for service-based awards and at the individual vesting tranche level for awards with performance conditions.

Tetragon Financial Group Limited (the "Feeder") issues the shares to Polygon's owners on behalf of the Fund and consequently the Share Based Payments expense is recognized as a Capital Contribution.

Note 2 Significant Accounting Policies (continued)

Fee income

Fee income from management contracts is usually derived from either a base management fee, which is typically based on assets under management, or an incentive or performance fee which is linked to the performance of the applicable investment fund, account or vehicle. Base management fees are recognized on an accruals basis. Incentive or performance fees are recognized only when they have crystalized, which is usually on an annual or otherwise defined basis.

Other income

Where investment management, operating, infrastructure and administrative services are contractually provided to external entities outside of the consolidated Group, these services, along with any associated direct costs are invoiced and recorded as other income. This income is recognized on an accruals basis.

Expenses

Expenses are recognized in the Consolidated Statements of Operations on an accrual basis.

Taxation

Income taxes, Fund

The Fund is exempt from Guernsey income tax under the Income Tax (Exempt Bodies) (Guernsey) Ordinance 1989 and is charged GBP 600 per annum. The Fund has consolidated U.S. and UK operating businesses which are subject to federal and local taxes as applicable.

Income taxes, Corporate Entities

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

In accordance with ASC Subtopic 740-10 – Income Taxes – Overall, the Fund recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. There were no uncertain tax positions recognized at 30 June 2013.

Dividend Expense

Dividend expense from shares are recognized in the Consolidated Statements of Changes in Net Assets.

Note 3 ASC 820, fair value measurements

The Fund adopted the provisions of "Fair Value Measurements" (ASC 820). ASC 820 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.

ASC 820 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.

Note 3 ASC 820, fair value measurements (continued)

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 2013 in valuing the Fund's assets carried at fair value:

	Level 1 US$ '000	Level 2 US$ '000	Level 3 US$ '000	Total Fair Value US$ '000
CLO Equity Tranches	-	-	1,141,658	1,141,658
CLO Mezzanine	-	1,618	-	1,618
Broadly Syndicated Senior Secured Loans	-	43,211	-	43,211
Unsecured Loan	-	-	10,822	10,822
Common Stock	-	-	18,126	18,126
Listed Stock	44	-	-	44
Collective Investment Schemes	-	128,617	37,532	166,149
Interest rate swaptions	-	12,720	-	12,720
Forward foreign exchange contracts	-	387	-	387
Equity swap	-	(169)	-	(169)
	44	186,384	1,208,138	1,394,566

There were no transfers of the Fund's assets between Level 1 and 2 during the period ended 30 June 2013 or during the year ended 31 December 2012.

The following is a summary of the inputs used as of 31 December 2012 in valuing the Fund's assets carried at fair value:

	Level 1 US$ '000	Level 2 US$ '000	Level 3 US$ '000	Total Fair Value US$ '000
CLO Equity Tranches	-	-	1,214,411	1,214,411
CLO Mezzanine	-	1,569	-	1,569
Broadly Syndicated Senior Secured Loans	-	114,057	-	114,057
Unsecured Loan	-	-	10,091	10,091
Common Stock	-	-	18,126	18,126
Collective Investment Schemes	-	56,499	25,684	82,183
Interest rate swaptions	-	7,620	-	7,620
Forward foreign exchange contracts	-	(2,180)	-	(2,180)
	-	177,565	1,268,312	1,445,877

Note 3 ASC 820, fair value measurements (continued)

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 2013.

	CLO Equity Tranches US$ '000	Unsecured Loan US$ '000	Common Stock US$ '000	Collective Investment Scheme US$ '000	Total US$ '000
Balance at start of period	1,214,411	10,091	18,126	25,684	1,268,312
Purchases of investments	45,471	500	-	16,885	62,856
Proceeds from sale of investments	-	-	-	(6,812)	(6,812)
Realized gain /change in unrealized appreciation / (depreciation)	11,406	231	-	1,775	13,412
Amortization	(129,630)	-	-	-	(129,630)
Balance at end of period	1,141,658	10,822	18,126	37,532	1,208,138

The following is a reconciliation of the Fund's assets in which significant unobservable inputs (Level 3) were used in determining fair value at 31 December 2012.

	CLO Equity Tranches US$ '000	Unsecured Loan US$ '000	Common Stock US$ '000	Collective Investment Scheme US$ '000	Total US$ '000
Balance at start of year	1,147,381	7,051	482	2,408	1,157,322
Purchases of investments	112,082	2,625	10,246	25,045	149,998
Proceeds from sale of investments	(198)	-	-	(2,293)	(2,491)
Realized gain /change in unrealized appreciation / (depreciation)	184,765	415	7,398	524	193,102
Amortization	(229,619)	-	-	-	(229,619)
Balance at end of year	1,214,411	10,091	18,126	25,684	1,268,312

Quantitative information about Level 3 Fair Value Measurements

Investments in securities	Balance at 30 June 2013 US$ '000	Valuation methodology	Unobservable inputs	Range
CLO Equity Tranches	1,141,658	Market standard model	See investments in CLO equity tranche investments	(1)
Unsecured Loan	10,822	Market standard model	Cost of financing for loan counterparty	3-6%
Common Stock	18,126	Market standard model	% of assets under management	2-5%
			Discounted cash flow analysis	25-30%
Collective Investment Schemes	37,532	Net asset value of underlying investment companies	Lock up period	N/A

The fair value of the level 3 investments are sensitive to the inputs used in the valuation process. The CLO equity valuations are sensitive to a number of different inputs to the third party model. For example, if the default rate assumption inputs were increased, assuming all other inputs were held constant, then the fair value would decrease. Equally, if the discount rates applied to projected cash flows were increased, and similarly all other inputs were held constant, then the fair value would also decrease.

Note 3 ASC 820, fair value measurements (continued)

The unsecured loan is valued with reference to an implied yield or cost of financing for the company. If the implied yield were increased then the fair value of the loan would be reduced.

The common stock investment referenced in the table above is a 23% stake in GreenOak. At the current stage of its development, valuation methodologies such as calculating value as a percentage of assets under management and discounted cash flow analysis are considered to be most applicable, although as the business matures it is expected that income multiples may also become relevant. If the percentage of assets under management input value was reduced, or the discount rate applied increased, then the fair value of the investment would be reduced.

The collective investment schemes are valued using the net asset value of the underlying investment companies using the approach known as the "practical expedient". This is in accordance with ASU2009-12.

(1) CLO equity tranche investments

As disclosed in Note 2, a mark to model approach has been adopted to determine the valuation of the equity tranche CLO investments. As at 30 June 2013, some of the modeling assumptions used are disclosed below.

U.S. CLO equity tranche investments –

The modeling assumptions disclosed below are a weighted average (by U.S. Dollar amount) of the individual deal assumptions, aggregated by geography (i.e. U.S. and European). Each individual deal's assumptions may differ from this geographical average and vary across the portfolio.

- Constant Annual Default Rate ("CADR"): This is approximately 2.2%, which is 1.0x the original Weighted Average Rating Factor ("WARF") derived base-case default rate for 2013-14 before changing to 2.75% or 1.25x the original base-case for 2015-17 and returning to 1.0x the base case thereafter.

- Recovery Rate: The assumed recovery rate is 73%, or 1.0x of the original base-case assumed weighted-average recovery rate, for the life of the transaction.

- Prepayment Rate: Loan prepayments are assumed to be 20% p.a., the original base-case prepayment rate with a 0% prepayment rate on bonds throughout the life of the transaction.

- Reinvestment Price and Spread: The assumed reinvestment price is par for the life of the transaction, with an effective spread over LIBOR of approximately 288 bps on broadly U.S. syndicated loans and 328 bps on middle market loans for the life of the transaction.

European CLO equity tranche investments -

- Constant Annual Default Rate ("CADR"): This is approximately 3.1%, which is 1.5x the original WARF derived base-case default rate for 2013-14, changing to 2.6% or 1.25x the original base-case for 2015-17, changing to the original base-case thereafter.

- Recovery Rate: The assumed recovery rate is 68%, or 1.0x of the original base-case assumed weighted-average recovery rate, for the life of the transaction.

- Prepayment Rate: Loan prepayments are assumed to be 20% p.a., the original base-case prepayment rate with a 0% prepayment rate on bonds throughout the life of the transaction.

- Reinvestment Price and Spread: The assumed reinvestment price is par for the life of the transaction with an effective spread over LIBOR of approximately 272 bps.

Note 3 ASC 820, fair value measurements (continued)

When determining the fair value of the equity tranches a discount rate is applied to the expected future cash flows derived from the third party valuation model. The discount rate applied to those future cash flows reflects the perceived level of risk that would be used by another market participant in determining fair value. In determining the discount rates to use an analysis of the observable risk premium data as well as the individual deal's structural strength and credit quality is undertaken.

As at 30 June 2013, for the pre-2010 vintage U.S. equity tranches, the Fund applies a 15.0% discount rate to those equity tranches determined to be relatively stronger in terms of structure and credit quality and 20.0% to the remainder. The European equity tranches are all discounted at 22.5%. For both U.S. and European deals the aforementioned discount rates represent a significant spread over observed yields on the applicable BB-rated CLO tranches for each geographical region at that date.

For the post-2010 vintage U.S. equity tranches the applicable discount rate is determined with reference to each deal's specific IRR, which, in the absence of other observable data points, is deemed to be the most appropriate indication of the current risk premium on these structures. At the period end, the discount rate applied to these deals ranged from 7.1% to 17.5% with a weighted average of 10.9%. Such deals represented approximately 18.3% of the CLO equity portfolio by fair value.

Note 4 Management contracts

During 2012 the Fund acquired Polygon. Of the assets that were purchased, intangible assets consisting of management contracts for hedge funds and private equity funds were identified. These are tested for impairment on a regular basis and are amortized over an estimated useful life as detailed below.

30 June 2013

	Weighted average amortization period	**Gross carrying amount US$ '000**	**Weighted average outstanding amortization period**	**Accumulated amortization US$ '000**	**Net carrying amount US$ '000**
Amortizing intangible assets:					
Management contracts – hedge funds	10 years	34,282	9 years 4 months	2,285	31,997
Management contracts – private equity funds	3 years	10,246	2 years 4 months	2,277	7,969
CLO Management contracts	3 years	303	-	303	-
Total		44,831		4,865	39,966

31 December 2012

	Weighted average amortization period	**Gross carrying amount US$ '000**	**Weighted average outstanding amortization period**	**Accumulated amortization US$ '000**	**Net carrying amount US$ '000**
Amortizing intangible assets:					
Management contracts – hedge funds	10 years	34,282	9 years 10 months	571	33,711
Management contracts – private equity funds	3 years	10,246	2 years 10 months	570	9,676
CLO Management contracts	3 years	303	1 month	295	8
Total		44,831		1,436	43,395

Note 4 Management contracts (continued)

Aggregate amortization expense for amortizing intangible assets was US$ 3.4 million for the period ended 30 June 2013. Estimated amortization expense for the next nine years is US$ 3.4 million in the second half of 2013, US$ 6.8 million in 2014, US$ 6.3 million in 2015, US$ 3.4 million in years 2016 to 2021 and US$ 2.9 million in 2022.

Note 5 GreenOak

The Fund owns a 23% interest in GreenOak. It has determined that it does not have control over the significant operational and financial decisions of GreenOak and is carrying both the investment in GreenOak and working capital loan at fair value.

The following table outlines the movement in fair value of the GreenOak financial real estate manager:

	30 Jun 2013 US$ '000	31 Dec 2012 US$ '000
Opening fair value	18,126	482
Purchase of 13% stake	-	10,246
Change in unrealized appreciation	-	7,398
Closing fair value	18,126	18,126

The Fund has provided GreenOak with working capital of up to US$ 10.0 million in the form of a seven year non-recourse loan facility. Under the terms of this facility, the first US$ 5.0 million will earn an annual interest rate of 3% and the balance will earn an annual interest rate of 6%. As part of the Acquisition, the Fund increased its working capital commitment by an additional US$ 0.5 million by assuming Polygon's remaining unfunded commitment. This additional commitment earns an annual interest rate of 6% once funded.

The following table outlines the movement in the fair value of the unsecured working capital facility provided by the Fund to GreenOak.

	30 Jun 2013 US$ '000	31 Dec 2012 US$ '000
Opening fair value	10,091	7,051
Working capital advanced to GreenOak	500	2,625
Unrealized appreciation	231	415
Closing fair value	10,822	10,091

Note 6 Cash and Cash Equivalents

	30 Jun 2013 US$ '000	31 Dec 2012 US$ '000
Cash and current deposits with banks	241,357	164,895
Foreign currency cash with banks (cost: US$ 2.4 million (31 December 2012: US$ 10.8 million))	2,429	11,046
	243,786	175,941

Of this cash balance, approximately US$ 4.5 million was held with respect to certain capital requirements in regulated entities.

Note 7 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 the CLO equity tranche investments is determined using a third-party cash flow modeling tool.

The model contains certain assumption inputs that are reviewed and adjusted as appropriate to factor in how historic, current and potential market developments (examined through, for example, forward-looking observable data) might potentially impact the performance of these CLO equity investments. Since this involves modeling, among other things, forward projections over multiple years, this is not an exercise in recalibrating future assumptions to the latest quarter's historical data.

Subject to the foregoing, when determining the U.S. GAAP-compliant fair value of the CLO equity investments, the Fund seeks to derive a value at which market participants could transact in an orderly market and also seeks to benchmark the model inputs and resulting outputs to observable market data when available and appropriate. Although seeking to utilize, where possible, observable market data, for certain assumptions the Investment Manager may be required to make subjective judgements and forward-looking determinations, and its 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.

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 and interest rate swaptions. 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 2013 and 31 December 2012 there were no credit hedges in place.

The Fund's investments in leveraged loans through equity tranche investments in securitization vehicles generate LIBOR plus returns and are sensitive to interest rate levels and volatility. Although these vehicles are structured to hedge interest rate risk through the use of matched funding, there may be some difference between the timing of LIBOR resets on the liabilities and assets, which could have a negative effect on the amount of funds distributed to equity tranche holders.

Note 7 Financial Instruments with Off-Balance Sheet Risk and Concentration of Credit Risk (continued)

Furthermore, in the event of a significant rising interest rate environment and / or economic downturn, loan defaults may increase and result in credit losses that may be expected to affect the Fund's cash flow, fair value of its assets and operating results adversely. The Fund may utilize hedging instruments, such as interest rate swaptions, to try and mitigate interest rate tail risks.

The Fund did not have a significant concentration of credit risk exposure to leveraged loans at 30 June 2013 or 31 December 2012. No individual investment in leveraged loans exceeded 0.25% of the net assets at 30 June 2013 or 31 December 2012.

The Fund is exposed to credit risk through its investment in GreenOak investment funds and the working capital it has provided to GreenOak through a seven year non-recourse loan facility. Bankruptcy or insolvency of GreenOak may cause the Fund's rights with respect to the investment funds to be delayed or limited. The maximum exposure to GreenOak at 30 June 2013 and 31 December 2012 is disclosed on the Consolidated Schedule of Investments.

The Fund has made investments into certain collective investment schemes. These include real estate investment vehicles and hedge funds which have exposure to securities including equities, convertible bonds and derivatives. These underlying investments may be in securities or assets which are illiquid and / or in different geographies around the world. These investments may be subject to counterparty risk. Capital invested in to the investment vehicles may be subject to lock ups and gates, or subject to the realization of the underlying investments and assets.

The Fund enters into swaps and CFDs with financial institutions. The Fund utilizes these swap or CFD agreements as an efficient means of hedging or of obtaining exposure to certain underlying investments. The Fund is subject to the risk of the inability or refusal to perform with respect to such contracts on the part of counterparties trading with it, as well as risks relating to the creditworthiness of the swap counterparty, market risk, liquidity risk and operations risk. Through swaps or CFDs the Fund can in effect be exposed to increases or decreases in the value of an equity or index to decreases or increases in the value of a related equity or index. Depending on how they are used, the agreements may increase or decrease the overall volatility of the portfolio and performance of the Fund.

The Fund's investments that are denominated in currencies other than U.S. Dollar 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 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) is reviewed on an on-going basis. Details of the Fund's investment portfolio at the reporting date are disclosed in the Consolidated Schedule of Investments on pages 6 and 7.

Note 8 Amounts Due From Brokers

The amounts due from brokers is cash pledged as collateral on the forward contracts and equity swaps. At 30 June 2013 the collateral cash balance with UBS AG was US$ 33.1 million (31 December 2012: US$ 13.1 million).

Note 9 Other Receivables

	30 Jun 2013	31 Dec 2012
	US$ '000	US$ '000
Accrued income	10,118	9,645
Rent deposits on properties	1,611	1,708
Amounts receivable on sale of investments	-	510
Other receivables	3,210	3,757
	14,939	15,620

Note 10 Other Payables and Accrued Expenses

	30 Jun 2013 US$ '000	31 Dec 2012 US$ '000
Employee costs	18,975	22,234
Amounts owing to former Polygon Partners (see Note 21)	6,753	6,982
Other operating and administrative expenses	5,182	2,145
	30,910	31,361

Note 11 Share Capital

Authorized

The Fund has an authorized share capital of US$ 1.0 million 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.

Voting Shares

All of the Fund's voting shares are issued at par and are beneficially owned by the Voting Shareholder, a non-U.S. affiliate of the Investment Manager. 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, subject to the limited rights of the Shares described below. The voting shares are not entitled to receive dividends.

Non-Voting Shares

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

Dividend Rights

Dividends may be paid to the holders of Shares at the sole and at the absolute discretion of the Directors. The voting shares carry no rights to dividends.

Share Transactions

	Voting Shares No.	Shares No. '000	Shares US$ '000
Shares in issue at 31 December 2011	10	115,968	116
Issued*	-	1,530	2
Treasury Shares	-	(18,693)	(19)
Shares in issue at 31 December 2012	10	98,805	99
Issued*	-	213	-
Treasury Shares	-	(1,445)	(1)
Shares in issue at 30 June 2013	10	97,573	98

* Issued in lieu of stock dividend

Treasury shares

The Fund owns a subsidiary, TFG Holdings I, to which it may transfer, and has transferred, Shares previously held in a Treasury Account. Where this occurs the status of the Shares is unchanged from an accounting perspective and they are not included in the Shares outstanding on the Consolidated Statements of Assets and Liabilities.

Note 11 Share Capital (continued)

Treasury shares (continued)

On 30 November 2007, the Feeder announced the implementation of a share repurchase program of their outstanding Shares. This was renewed on several occasions, most recently on 14 January 2013 running until 30 April 2013 when it expired. As at 30 June 2013 there was no share repurchase program in place.

When the program was in operation, the Fund undertook to repurchase an identical number of its own Shares from the Feeder as and when it made these repurchases in the open market.

The Fund matched the price per Share paid by the Feeder. The Shares are held in a Treasury Account or in a subsidiary allowing them to potentially be resold back to the Feeder if it resells its own shares back into the market at a later date. Whilst they are held by the Fund (whether directly or via a subsidiary), the Shares are neither eligible to receive dividends nor are they included in the Shares outstanding on the Statements of Assets and Liabilities.

As at 30 June 2013, 16.6 million Shares are held in TFG Holdings I (31 December 2012: 16.6 million) and 7.9 million Shares in the Treasury Account (31 December 2012: 6.5 million).

Treasury Share Transactions

	Treasury Shares Shares No. '000	Shares held in subsidiary Shares No. '000
Shares brought forward at 31 December 2011	7,577	8,523
Treasury shares purchased during the year	18,693	-
Shares transferred to subsidiary	(15,385)	15,385
Shares transferred to Feeder in connection with Polygon acquisition	(4,382)	(7,304)
Treasury shares at 31 December 2012	6,503	16,604
Treasury shares purchased during the period	1,445	-
Treasury shares at 30 June 2013	7,948	16,604

Noncontrolling Interest

The Fund adopted "Noncontrolling Interests in Consolidated Financial Statements" (ASC 810) which requires noncontrolling interests to be classified in the Consolidated Statements of Operations as part of consolidated net earnings and to include the accumulated amount of noncontrolling interests in the Consolidated Statements of Assets and Liabilities as part of shareowners' equity. Any distributions to the noncontrolling interest are recorded in the Consolidated Statements of Cash Flows.

The table below shows a reconciliation in the movement in noncontrolling interest for the periods ending 30 June 2013 and 31 December 2012.

	30 Jun 2013 US$ '000	31 Dec 2012 US$ '000
Balance at start of period / year	-	154
Attributed to noncontrolling interest	-	1,691
Distributions paid to noncontrolling interest	-	(1,845)
Balance at end of period / year	-	-

Note 12 Share Premium

	30 Jun 2013 US$ '000	31 Dec 2012 US$ '000
Balance at start of period / year	924,189	1,087,790
Premium arising from issuance of Shares	2,369	11,992
Discount arising from purchase of Shares	(16,071)	(175,593)
Balance at end of period / year	910,487	924,189

Note 13 Dividends

	30 Jun 2013 US$ '000	30 Jun 2012 US$ '000
Quarter ended 31 December 2011 of US$ 0.105 per share	-	12,080
Quarter ended 31 March 2012 of US$ 0.105 per share	-	12,072
Quarter ended 31 December 2012 of US$ 0.135 per share	13,266	-
Quarter ended 31 March 2013 of US$ 0.135 per share	13,159	-
	26,425	24,152

The second quarter dividend of US$ 0.14 per share was approved by the Directors on 29 July 2013 and has not been included as a liability in these financial statements.

The Fund also pays a dividend to the Feeder that is sufficient to pay their incentive fee liability which in the period ended 30 June 2013 was US$ 48.9 million (31 December 2012: US$ 79.2 million).

Note 14 Earnings

	30 Jun 2013 US$ '000	31 Dec 2012 US$ '000
Balance at start of period / year	730,139	411,253
Net income resulting from operations for the period / year	114,468	448,399
Dividends paid to shareholders	(26,425)	(50,296)
Dividends paid to Feeder	(48,920)	(79,217)
Balance at end of period / year	769,262	730,139

Note 15 Income and deferred tax expense

Income tax for the periods ended 30 June 2013 and 30 June 2012 consists of:

Period ended 30 June 2013:	Current US$ '000	Deferred US$ '000	Total US$ '000
U.S. federal	3,640	(2,852)	788
U.S. State and local	2,108	(580)	1,528
	5,748	(3,432)	2,316

Note 15 Income and deferred tax expense (continued)

Period ended 30 June 2012:	Current US$ '000	Deferred US$ '000	Total US$ '000
U.S. federal	1,046	42	1,088
State and local	534	-	534
	1,580	42	1,622

US$ 1.6 million of current tax was outstanding at the end of the period (31 December 2012: US$ 2.1 million).

Tax Rate Reconciliation

Income tax expense was US$ 2.3 million for the period ended 30 June 2013 (30 June 2012: US$ 1.6 million), and differed from the amounts computed by applying the U.S. federal income tax of 34% to pretax increase in the net assets as a result of the following:

	30 Jun 2013 US$ '000	30 Jun 2012 US$ '000
Net increase in operations before tax	116,784	172,725
Computed "expected" tax expense at 34%	39,707	58,727
Deduction in income taxes resulting from:		
Income not subject to U.S. tax	(34,110)	(57,680)
State and local income taxes	152	534
Change in deferred tax liability	(3,432)	42
Other exemptions net	(1)	(1)
Total income and deferred tax expense	2,316	1,622

Deferred Tax

	30 Jun 2013 US$ '000	31 Dec 2012 US$ '000
Deferred tax liability brought forward at start of period	2,244	686
Change in deferred tax asset / liability	(3,432)	1,558
Deferred tax (asset) / liability carried forward at end of period	(1,188)	2,244

The deferred tax liability has been recognized with respect to applicable undistributed earnings at a withholding rate of 30%.

Note 16 Interest Income

	30 Jun 2013 US$ '000	30 Jun 2012 US$ '000
Debt securities – CLO equity tranches and mezzanine tranches	108,064	112,522
Debt securities – Leveraged loans	1,458	2,944
Cash and short – term funds	119	112
Debt securities – Unsecured loans	231	195
	109,872	115,773

Note 17 Fee income

	30 Jun 2013 US$ '000	30 Jun 2012 US$ '000
Management fees		
CLO	20,289	11,950
Hedge Funds	4,908	-
Private equity	4,352	-
Performance fees	1,086	-
	30,635	11,950

CLO management fee income generally comprises senior and subordinated fees. Senior fees range from 0 bps to 20 bps per annum of collateral under management and subordinated fees range from 30 bps to 50 bps per annum of collateral under management.

Hedge fund management fees range from 150 bps to 200 bps of net assets under management depending upon the applicable fund and share class. Management fees paid in connection with the private equity style vehicle are either 200 bps of net assets under management or a fixed declining management fee depending on the applicable class.

Performance or incentive fees may be earned on a hedge fund vehicles contingent upon the terms of each vehicle and the share class where applicable. They may also be earned through management of CLO vehicles once the vehicle has generated a specified return for the equity or subordinated tranche. During the period, such fees totaling US$ 1.1 million were earned (30 June 2012: US$ Nil).

Note 18 Segmental reporting

Description of segments

In pursuit of the Fund's investment objective to generate distributable income and capital appreciation, it currently maintains two key business segments: an investment portfolio and an asset-management platform.

Both business segments cover a broad range of assets including bank loans, real estate, equities, credit and convertible bonds. TFG currently invests primarily through long-term funding vehicles such as collateralized loan obligations.

The asset management platform segment contains investment manager brands: Polygon, LCM and GreenOak. These three businesses provide investment management and other services to a number of investment fund, accounts and vehicles and other managers, including CLOs, hedge funds, real estate funds and a private equity vehicle. The Polygon asset management business also has agreements to provide certain infrastructure and other services to the Investment Manager and certain affiliates as detailed in note 21. Some fee income is earned through certain short and long-term fee agreements with third parties.

Segment Data

The results for the period ended 30 June 2013 are presented to show the split of revenues, income and net income across the two business segments. The asset management segment incorporates the consolidated results of Polygon and LCM. The Fund owns 23% of GreenOak and is carrying this as an investment at fair value; consequently any unrealized gain or loss is being reflected through the investment portfolio segment.

In October 2012, the Fund acquired Polygon. Comparative segmental data for 30 June 2012 is not included as up to October 2012 there was only one segment for the purposes of financial reporting.

In arriving at the net income split between the two segments a number of assumptions have been made as to how the expenses of the consolidated business should be split. Expenses of the asset management segment include amortization of management contracts.

Note 18 Segmental reporting (continued)

Period ended 30 June 2013:	Investment portfolio US$ '000	Asset-management platform US$ '000	Total US$ '000
Interest income	109,737	135	109,872
Fee and other income	-	40,949	40,949
Total segment income	109,737	41,084	150,821
Management fees and operating expenses	(15,589)	(30,021)	(45,610)
Realized and unrealized gains and losses	23,121	-	23,121
Net income before taxes	117,269	11,063	128,332

This includes only Fund income and expenses and does not include income and expenses earned or incurred at the Feeder.

Reconciliation of net income before noncontrolling interest and taxes to net income per the Consolidated Statements of Operations.

	Period ended 30 Jun 2013 US$ '000
Total segment net income before noncontrolling interest and taxes	128,332
Income and deferred tax expense	(2,316)
Share based employee compensation	(11,548)
Net income	114,468

Note 19 Share based employee compensation

On 28 October 2012 Polygon was acquired in exchange for consideration of approximately 11.7 million non-voting Shares of the Feeder to the sellers (the "Aggregate Consideration"). The Aggregate Consideration will be held in escrow (along with accrued stock dividends), by the escrow agent pursuant to the terms of the escrow agreement, until it is released over the period from 2013 to 2017.

Such non-voting shares are subject to vesting and forfeiture conditions: in particular, all of the consideration due to Reade Griffith and Paddy Dear, Founders of Polygon, will vest between 2015 and 2017.

As the consideration is treated as share based payments under ASC 805, the Fund recognizes the individual compensation costs on a straight line basis over the relevant service period of each award if the vesting performance conditions are met. These are reflected in the Statements of Operations as share based employee compensation and through Equity as a separate reserve. The charge for the period ended 30 June 2013 amounted to US$ 11.5 million (30 June 2012: US$ Nil).

Note 19 Share based employee compensation (compensation)

The table below, which shows the compensation for the whole of 2013, does not include any dividends awarded subsequent to the Polygon Acquisition.

Vesting Schedule - Shares

	Shares '000	US$ '000
2013	1,241	23,096
2014	1,241	23,096
2015	3,739	23,097
2016	2,967	16,586
2017	2,498	12,637
	11,686	98,512

Note 20 Contingencies and commitments

The Fund committed to provide a co-investment commitment of up to US$ 100.0 million into GreenOak investment vehicles. As at 30 June 2013, it had funded US$ 18.1 million of this commitment, (31 December 2012: US$ 13.4 million). The Fund has made investment commitments in several existing vehicles where only a partial capital drawdown has occurred to date. The Fund has estimated unfunded commitments of up to US$ 38.2 million in this respect (31 December 2012: US$ 36.9 million).

Note 21 Related Party Transactions

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

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

The remuneration for Directors shall be determined by resolution of the Voting Shareholder. Each of the Directors' annual fee is US$ 75,000 in compensation for service on the Boards of Directors of both the Feeder and the Fund. The Fund will pay the Directors' fees. Paddy Dear and Reade Griffith have waived their entitlement to a fee in respect of their services as Directors. 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 Feeder or the Fund providing for benefits upon termination of employment.

The Voting Shareholder, which holds all of the voting shares, was an affiliate of Polygon and continues to be an affiliate of the Investment Manager. 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 Fund and Feeder's Directors (subject to applicable law). Affiliates of the Voting Shareholder also control the Investment Manager and, accordingly, control the Fund's business and affairs.

Polygon, including Polygon's asset management businesses and infrastructure platform and interests in LCM and GreenOak, were acquired on 28 October 2012. As part of the Acquisition, Reade Griffith and Paddy Dear, as founders of Polygon, were awarded consideration in non-voting shares of the Feeder, which would vest between 2015 and 2017. It was contractually agreed as part of the Acquisition that to the extent any annual compensation actually paid to each of Mr. Griffith and Mr. Dear in respect of his employment with the Fund exceeds an annual base salary of US$ 100,000, they would promptly return such excess amount to the Fund. During the period ended 30 June 2013 total compensation paid to them each in aggregate was US$ 50,000.

Note 21 Related Party Transactions (continued)

As at 30 June 2013, in connection to the Acquisition, US$ 6.8 million in aggregate is owed to Reade Griffith and Paddy Dear, directly or via an entity to which they may direct payment (31 December 2012, US$ 7.0 million). This payable primarily relates to the repayment of certain rent deposits and other working capital funded through Polygon entities by Messrs Griffith and Dear before the Acquisition. Under the terms of the sale and purchase agreement relating to the Acquisition, Messrs Griffith and Dear retained the economic rights to such deposits.

Reade Griffith and Paddy Dear continue to hold membership interests in Polygon Global Partners LLP (the "U.K. Investment Manager") which collectively entitle them to exercise all of the voting rights in respect of the U.K. Investment Manager. As part of the Acquisition, each of Mr. Griffith and Mr. Dear have agreed that he will (i) exercise his voting rights in a manner that is consistent with the best interests of the Fund and (ii) upon the request of the Fund, for nominal consideration, sell, transfer and deliver his membership interests in the U.K. Investment Manager to the Fund.

Polygon Global Partners LLP and Polygon Global Partners LP (the "Service Providers") provide operational, financial control, trading, marketing and investor relations, legal, compliance, administrative, payroll and employee benefits and other services to the Investment Manager in exchange for fees payable by the Investment Manager to the Services Providers. In addition, the Services Providers also provide certain operating, infrastructure and administrative services to GreenOak and Polygon Private Investment Partners LP, an affiliate of the Voting Shareholder, pursuant to applicable separate services agreements. PGP LLP is authorised and regulated by the United Kingdom Financial Conduct Authority. In the period the amount recharged to these entities was US$ 9.3 million. As at 30 June 2013, the amount receivable relating to these recharges was US$ 2.0 million (31 December 2012, US$ 2.2 million).

The Fund holds CLO equity investments in CLOs which are managed by LCM. During the period it purchased a portion of the equity tranche in LCM XIII at a total cost of US$ 24.6 million. In total, as at 30 June 2013, it held CLO equity tranche investments in 11 CLOs managed by LCM with a fair value of US$ 192.3 million (31 December 2012, US$ 190.2 million).

For the period ended 30 June 2013, the Fund made investments totaling US$ 70.0 million across four hedge funds managed by Polygon. These hedge funds employ investment strategies involving investing in equities, convertible bonds and derivatives. As at 30 June 2012, the fair value of these investments was US$ 128.6 million (31 December 2012, US$ 56.5 million).

The Fund owns a 23% equity interest in GreenOak. As part of the original transaction to acquire a share in GreenOak, the Fund provided a US$ 100.0 million coinvestment commitment and a US$ 10.0 million working capital loan commitment to GreenOak, with the Feeder issuing 3.9 million share options to the GreenOak founders. As a result of the Polygon Acquisition the Fund increased its working capital loan commitment by an additional US$ 0.5 million by assuming Polygon's remaining unfunded commitment.

The Fund has made investments across several real estate investment vehicles managed by GreenOak. As at 30 June 2013, these investments referenced real estate in the United States, Japan and United Kingdom with a net asset value of US$ 35.7 million (31 December 2012: US$ 25.7 million). These investments are typically illiquid where the Fund will only receive distributions on liquidation of the investment vehicle's underlying assets and in some cases this may not be for several years. In addition, based on projected capital raised (subject to change), the Fund had estimated unfunded commitments of up to US$ 38.2 million with respect to the investment vehicles (31 December 2012: US$ 36.9 million).

Note 22 Other Matters

On 18 June 2013, a shareholder derivative action was filed in United States District Court – Southern District of New York – against the six directors of the Fund and the Feeder, the Investment Manager, the principals of the Investment Manager and other affiliated entities by a purported shareholder of the Feeder (the "Action").

The Action makes a series of allegations including with respect to the Acquisition (see Note 21) and asks, amongst other things, for money damages and equitable relief against the defendants, including the termination of the investment management agreement among the Fund, the Feeder and the Investment Manager.

Note 22 Other Matters (continued)

The Feeder, the Fund and their Board of Directors have stated that they believe that the Action is factually and legally without merit and intend to seek to have the Action dismissed as quickly as possible.

On 22 February 2011, the Fund and the Feeder and their six directors were served with proceedings in the Royal Court of Guernsey (the "Guernsey Proceedings") instigated by one of the Fund's former directors, Alexander Jackson, seeking to impugn the Fund's decision to enter into a joint venture with GreenOak. On March 26, 2013, Lieutenant Bailiff Patrick Talbot of the Royal Court of Guernsey rendered his decision and dismissed the Guernsey Proceedings having determined that the entire claim should be struck out as an abuse of process as no aspect of it satisfied the standard for bringing such a derivative action in Guernsey. Lieutenant Bailiff Talbot also awarded costs against Mr. Jackson. On 12 July 2013, Mr. Jackson wrote to the Royal Court of Guernsey to advise that he no longer wishes to prosecute his appeal of the Guernsey Proceedings and to request its withdrawal forthwith.

On 1 March 2013, the English Court of Appeal dismissed in its entirety a claim filed by Mr. Jackson against Paddy Dear and Reade Griffith in the High Court in London (the "English Proceedings") regarding Mr. Jackson's removal in January 2011 from the Board of Directors of the Fund and the Feeder and awarded costs against Mr. Jackson.

During the period, the Fund incurred legal expenses of US$ 1.6 million in connection with the aforementioned Guernsey Proceedings, English Proceedings and Action, which includes amounts paid under applicable indemnification provisions with respect to the Directors, the Investment Manager and principals of the Investment Manager. No adjustment has been made for amounts that may be recoverable, including from Mr. Jackson. At 30 June 2013 US$ 0.8 million (31 December 2012: US$ 0.1 million) was accrued in the Consolidated Statements of Assets and Liabilities.

Note 23 Subsequent Events

The Directors have evaluated subsequent events up to 29 July 2013, which is the date that the financial statements were approved, and have concluded that there are not any material events that require disclosure or adjustment to the financial statements.

Note 24 Recent changes to U.S. GAAP

In December 2011, the FASB issued ASU 2011-11, "Disclosures about Offsetting Assets and Liabilities". ASU 2011-11 requires entities to disclose both gross and net information about financial instruments and derivative instruments that are either (i) offset in the statement of assets and liabilities, or (ii) subject to an enforceable master netting arrangement or similar arrangement, irrespective of whether they are offset in the statement of assets and liabilities. In addition, ASU 2011-11 requires disclosure of collateral received and posted in connection with master netting agreements or similar arrangements.

The requirements of ASU 2011-11 are effective for interim and annual reporting periods beginning on or after 1 January 2013. The guidance requires retrospective application for all comparative periods presented.

The adoption of ASU 2011-11 has not had any impact on the Fund's financial net position or results of operations, as ASU 2011-11 only affects disclosures about offsetting. Management is currently evaluating the implications of ASU 2011-11 and its impact on the financial statements and disclosures.

Note 25 Approval of Financial Statements

The Directors approved the financial statements on 29 July 2013.