

TETRAGON

TETRAGON FINANCIAL GROUP LIMITED (TFG) PERFORMANCE REPORT FOR PERIOD ENDED 30 SEPTEMBER 2011

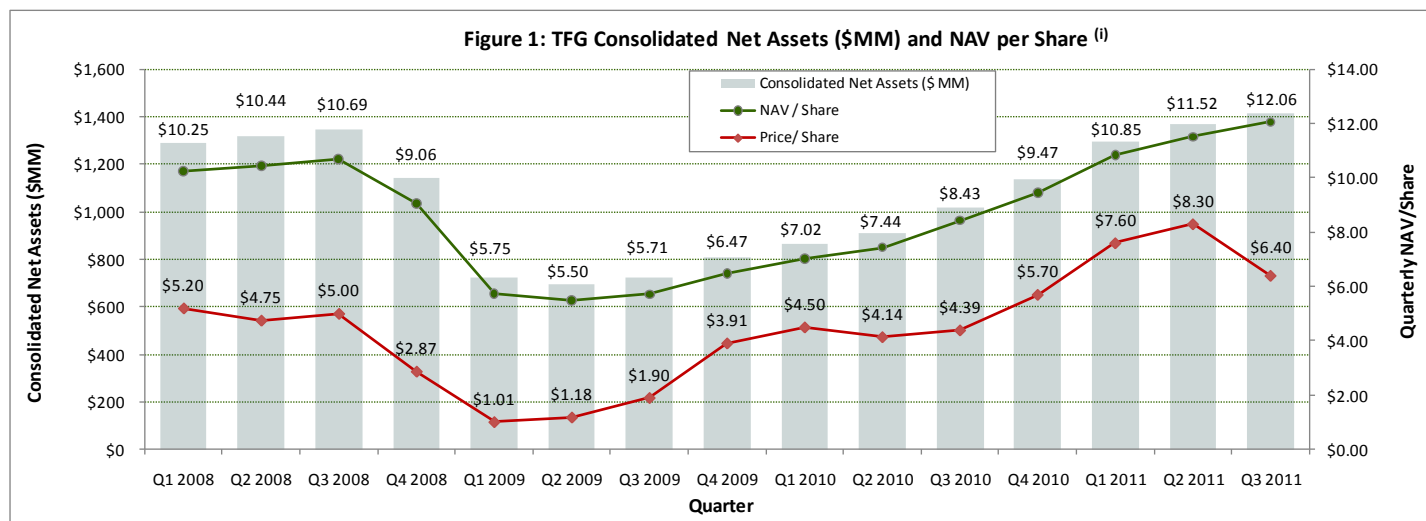
October 28, 2011

Tetragon Financial Group Limited (“TFG”) is a Guernsey closed-ended investment company traded on Euronext Amsterdam by NYSE Euronext under the ticker symbol “TFG.” ⁽¹⁾ In this report we provide an update on TFG’s results of operations for the period ending September 30, 2011. ⁽²⁾

❖ Executive Summary:

Corporate-Level Results

- **Operating Results:** TFG’s investment portfolio performed well in the third quarter of 2011. The company produced EPS of \$0.57 (Q2 2011: \$0.74) and consolidated net income of \$67.3 million (Q2 2011: \$88.1 million). Please see the Statement of Operations on page 18 for further details. Consolidated net assets grew to \$1,413.6 million or \$12.06 per share (Q2 2011: \$1,368.3 million or \$11.52 per share). Improvements in the credit quality and structural strength of TFG’s CLO investments, as well as nominal spread increases and the continuing benefit of LIBOR floors within the U.S. CLO portfolio, remain main drivers of TFG’s positive results. Please refer to Figure 1 below for a historical summary of TFG’s Consolidated Net Assets, NAV per share and share price.



(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 NAV per share reported as of each quarter-end date excludes any shares held in treasury as of that date.

- **Cash Receipts and Balances:** TFG’s CLO investments continued to generate significant cash flows in the quarter. During Q3 2011, the CLO portfolio produced \$105.1 million of gross cash from investments (Q2 2011: \$102.4 million). The ending cash balance for the third quarter was \$155.6 million, up from \$67.7 million as of the end of the prior quarter. The majority of this increase is attributable to the receipt of payment on certain direct loan sales cited in the last quarterly update. In addition, as of the end of Q3 2011, TFG held approximately \$110.3 million in market value of liquid U.S. leveraged loans, up from \$96.7 million at the end of Q2 2011.

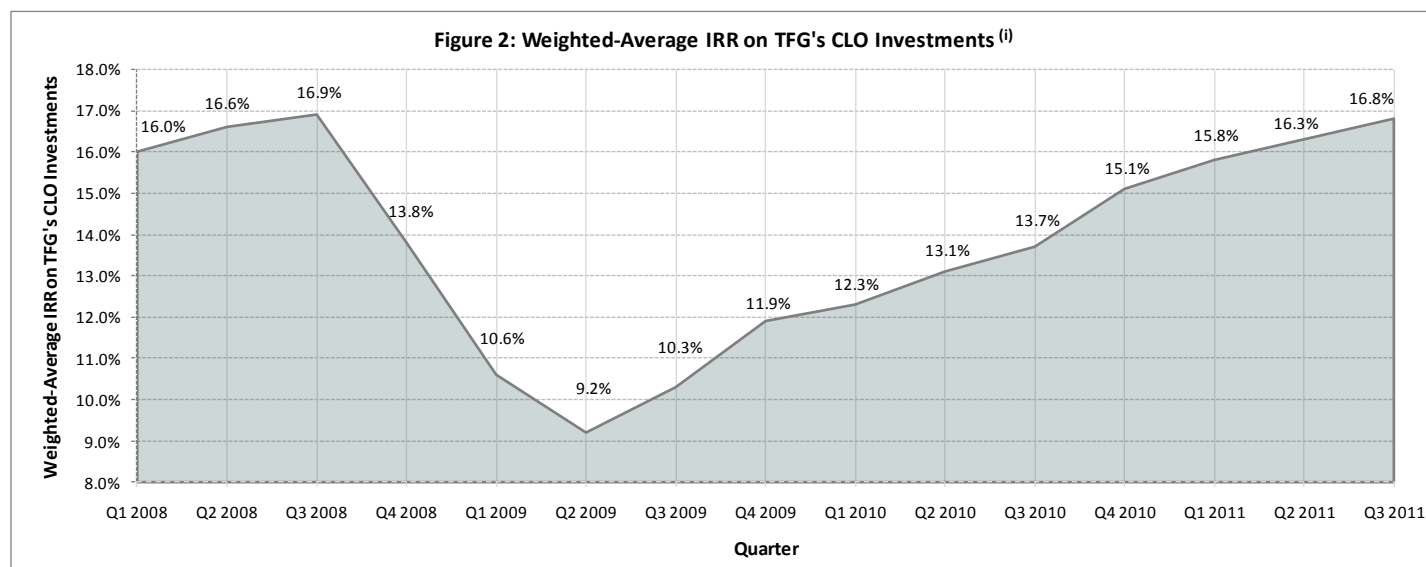
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❖ Executive Summary (continued):

Investment Portfolio Performance Highlights

- CLO Collateral Performance: The amount of underlying loan defaults and CCC-asset holdings in TFG's CLO portfolio continued to decline throughout the quarter, largely in line with market-wide averages.
- CLO IRRs: The weighted-average IRR of TFG's CLO portfolio ended Q3 2011 at 16.8%, up from 16.3% at the end of the previous quarter. This reflected, among other factors, continued gains in the credit quality and increased excess interest availability among certain of TFG's CLO investments. Please refer to Figure 2 below for a historical summary of the weighted-average IRR on TFG's CLO investments.



(i) Source: TFG as of the outlined quarter-end date.

- New CLO Investments: TFG made no CLO purchases during the quarter. We continue to explore the possibility of making new CLO investments, whether managed by LCM Asset Management LLC ("LCM") or by an unaffiliated third party.
- Direct Loan Investments: TFG's direct holdings of bank loans increased to a fair value of approximately \$110.3 million as of the end of Q3 2011, up from \$96.7 million as of the end of the prior quarter. The increase in fair value was primarily the result of additional investments, as market prices generally declined during the quarter. The direct loan portfolio nevertheless continued to perform well during this period, experiencing no defaults.

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❖ Executive Summary (continued):

Asset Management Platform

- LCM: LCM performance was strong during Q3 2011, with all LCM Cash Flow CLOs continuing to pay senior and subordinated management fees.⁽³⁾ As of the end of the third quarter, total loan assets under management were approximately \$3.4 billion, down from \$3.5 billion at the end of Q2 2011. The reduction in AUM was a result of the continuing amortization of LCM I and LCM II. As of the end of the quarter, total assets under management remaining in each of the two currently amortizing deals were approximately \$104.0 million and \$250.4 million, respectively.
- GreenOak: GreenOak continues to build its team and execute on its business growth strategy.

Performance Fee

A performance fee of \$19.2 million was accrued in Q3 2011 in accordance with TFG's investment management agreement and based on a "Reference NAV" with respect to Q2 2011. The hurdle rate for the Q4 2011 incentive fee has been reset at 3.0255% (Q3 2011: 2.8936%) as per the process outlined in TFG's 2010 Audited Financial Statements and in accordance with TFG's investment management agreement.⁽⁴⁾

❖ Corporate-Level Performance Details:

- **Capital Distributions:** TFG's Board approved a dividend of \$0.10 per share with respect to Q3 2011. Since its public listing, TFG has distributed approximately \$1.68 per share via quarterly dividends.⁽⁵⁾ In addition, TFG's NAV per share, as reported each quarter, among other things, reflects value created for shareholders via the repurchase of shares below NAV. Through the first nine months of 2011, the company repurchased a total of 3,643,506 shares at an aggregate cost of approximately \$26.3 million, or \$7.22 per share. Since inception of the buy-back program, the company has repurchased a total of 14,668,668 shares, or over 11% of the total shares outstanding, at an aggregate cost of approximately \$73.0 million, or \$4.98 per share. TFG has also announced a continuation of its share repurchase program, which will continue up to October 31, 2012, until 5% of the company's shares have been repurchased under the updated program, or until terminated by the Board.⁽⁶⁾ Please refer to *Figure 3* and *Figure 4* for a summary of TFG's historical NAV per share, dividend distributions, and share buy-back program.

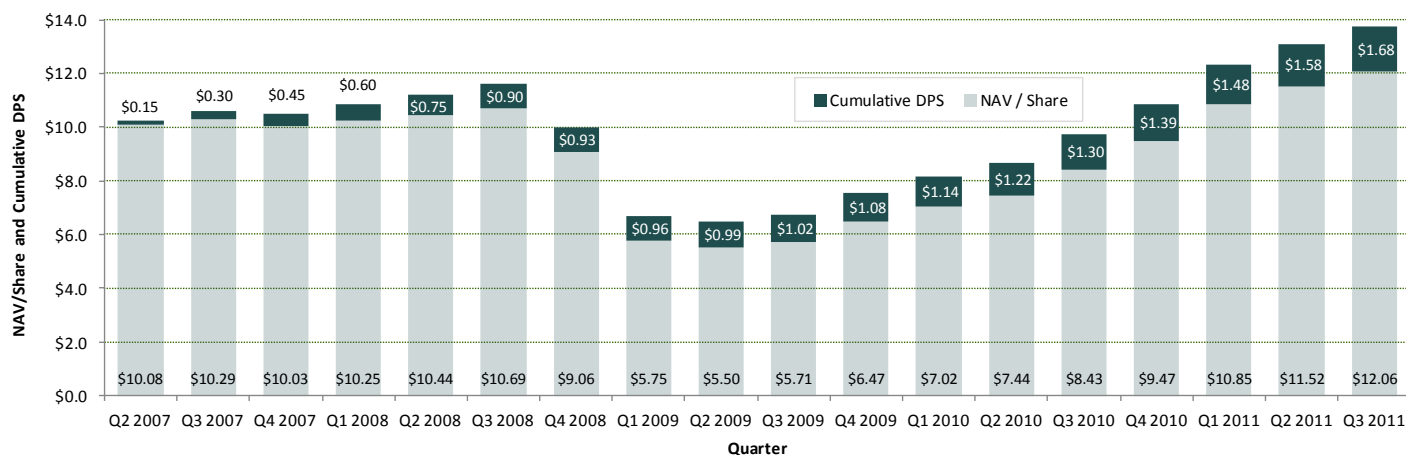
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❖ Corporate-Level Performance Details (continued):

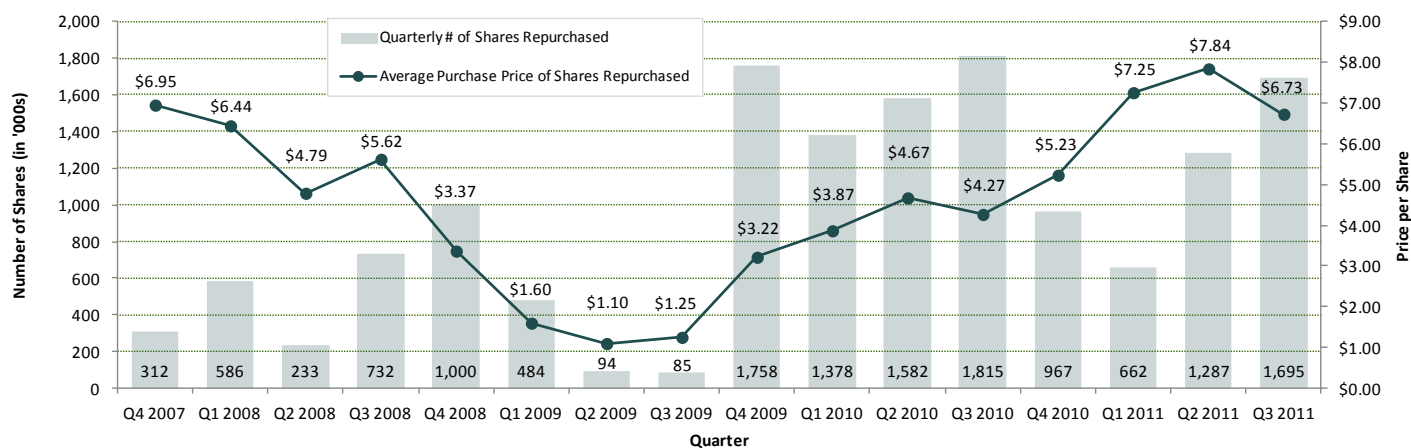
▪ Capital Distributions (continued):

Figure 3: Quarterly TFG NAV per Share and Cumulative Dividends per Share (DPS) (\$) ⁽ⁱ⁾



(i) Source: NAV per share and Cumulative DPS as per TFG's financial disclosures for each relevant quarter-end date. The cumulative dividends per share reflect dividends announced but not necessarily paid with respect to each relevant quarter (as well as prior quarters). Please note that the NAV per share reported as of each quarter-end date excludes any shares held in treasury as of that date.

Figure 4: Quarterly TFG Share Repurchases (in '000s) ⁽ⁱ⁾



(i) The Average Purchase Price of Shares Repurchased is a weighted-average using the number of shares repurchased each quarter and including commissions.

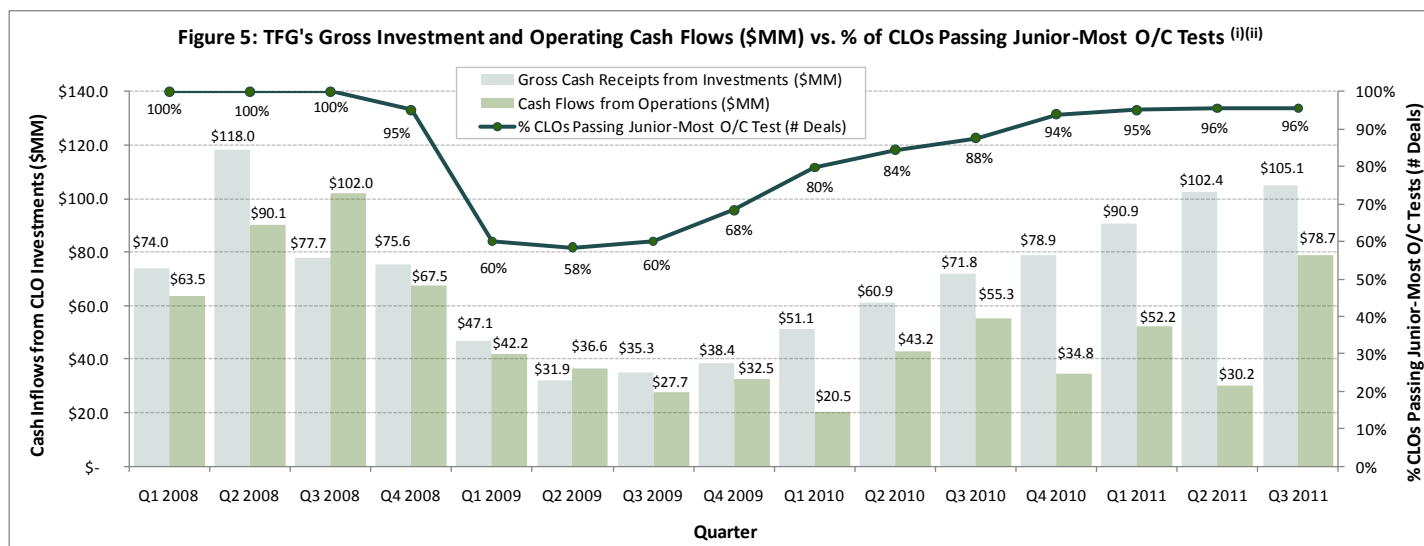
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❖ Investment Portfolio Performance Details:

- **CLO Portfolio Size:** As of the end of Q3 2011, the estimated total fair value of TFG's CLO investment portfolio was approximately \$1,138.6 million, down from approximately \$1,149.7 million as of the end of the prior quarter. This reduction in the total fair value primarily reflects the return of principal and not a loss of value. Please refer to the Outlook Summary section for a further discussion of amortization within TFG's CLO portfolio. TFG's total indirect leveraged loan exposure through its CLO portfolio was approximately \$18.3 billion as of the end of Q3 2011.⁽⁷⁾
- **CLO Portfolio Composition:** The number of transactions remained unchanged at 75 as of the end of Q3 2011. The total number of deals in the portfolio was 67,⁽⁸⁾ while the number of external CLO managers was 27.⁽⁹⁾
- **CLO Collateral Performance:** As of the end of Q3 2011, approximately 98% of TFG's CLO investments were passing their junior-most O/C tests, weighted by fair value.⁽¹⁰⁾ Similarly, 64 or approximately 96% were passing when weighted by the number of deals. Both of the foregoing statistics were unchanged from the end of the prior quarter.

TFG's U.S. CLOs continued to perform well, with 100% of such deals passing their junior-most O/C tests (note that U.S. CLOs represented approximately 86% of the total fair value of TFG's CLO investment portfolio as of September 30, 2011).⁽¹¹⁾⁽¹²⁾ In comparison, the market-wide average of U.S. CLOs estimated to be passing their junior O/C tests as of the end of Q3 2011 was approximately 94.1% (when measured on a percentage of deals basis).⁽¹³⁾ Please refer to *Figure 5* below for a summary of TFG's investments' historical junior O/C test performance.



(i) The percentage of TFG's CLOs passing their junior-most O/C tests has been calculated as the ratio of the number of deals passing their junior O/C tests to the total number of CLO deals held by TFG as of the applicable quarter-end date.

(ii) Gross Cash Receipts from Investments refer to the actual cash receipts collected during each quarter from TFG's CLO investments. Cash Flows from Operations refer to cash inflows from investments less expenses and net cash settlements on FX and credit hedges.

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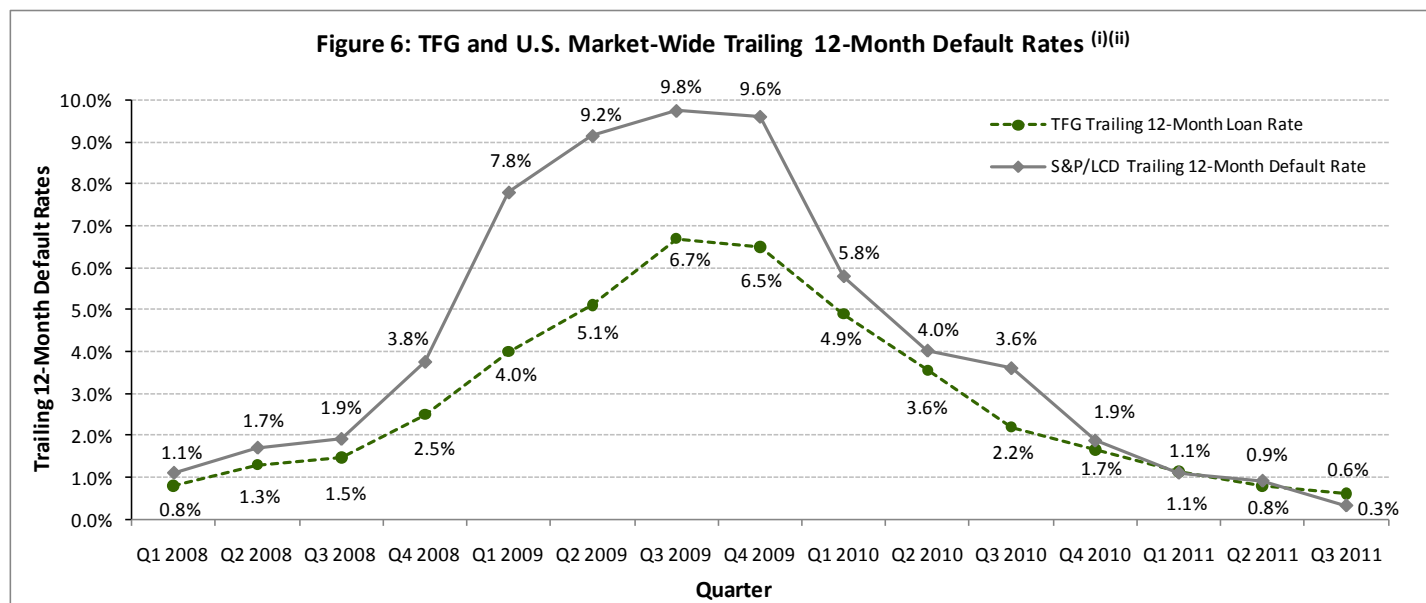
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❖ Investment Portfolio Performance Details (continued):

- **CLO Portfolio Credit Quality:** As of September 30, 2011, the weighted-average percentage of corporate obligors rated Caa1/CCC+ or below in TFG's 75 CLO transactions was 7.0% compared to an approximate 7.8% weighted-average maximum level permitted under the terms of the investments.⁽¹⁴⁾ By comparison, the market-wide median CCC asset holdings of U.S. CLOs was estimated to be approximately 7.4% as of the end of Q3 2011.⁽¹⁵⁾ TFG's weighted-average WARF stood at approximately 2,614 as of the end of Q3 2011. Each of these foregoing statistics represents a weighted-average summary of all of our 75 CLO transactions.⁽¹⁶⁾ Each individual investment's metrics will differ from this average and vary across the portfolio.

TFG Investment Weighted-Average Summary													
	Q3 2011	Q2 2011	Q1 2011	Q4 2010	Q3 2010	Q2 2010	Q1 2010	Q4 2009	Q3 2009	Q2 2009	Q1 2009	Q4 2008	Q3 2008
Caa1/CCC+ or Below Obligor:	7.0%	7.2%	7.6%	8.3%	9.6%	10.5%	11.1%	12.0%	12.6%	11.6%	11.4%	7.6%	4.9%
WARF:	2,614	2,642	2,664	2,671	2,658	2,706	2,762	2,809	2,813	2,800	2,758	2,577	2,490

- **TFG and Market Default Rates:** TFG's lagging 12-month corporate loan default rate, which includes European CLO investments, fell to 0.6% at the end of Q3 2011 from 0.8% as of the end of Q2 2011.⁽¹⁷⁾ The lagging 12-month U.S. institutional loan default rate, by comparison, declined to 0.3% by principal amount as of September 30, 2011.⁽¹⁸⁾ Please refer to Figure 6 below for a summary of TFG's CLO investments' historical default performance.



(i) Source: TFG as of the outlined quarter-end date. 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 investment portfolio includes approximately 14% 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.

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❖ Investment Portfolio Performance Details (continued):

- **Direct Loan Investments:** As of September 30, 2011, TFG owned liquid U.S. bank loans with an aggregate par amount of approximately \$117.1 million and total fair value of \$110.3 million. Although we believe the underlying businesses performed well during the quarter, the loan portfolio traded down alongside the overall loan market. No defaults were registered in the portfolio during the period. For the quarter, no net realized gains were generated by the portfolio, leaving the year-to-date net realized gains at approximately \$0.6 million. From inception through the end of Q3 2011, the portfolio generated approximately \$1.7 million of net realized gains. In addition, the portfolio earned \$1.3 million of interest income and discount premium during the third quarter, bringing this year's total to \$4.3 million. Since inception, the portfolio has earned \$7.0 million of interest income and discount premium.

❖ Asset Management Platform Details:

- **LCM Developments:** LCM's operating results and financial performance remained strong throughout Q3 2011, with all senior and subordinated CLO management fees on LCM Cash Flow CLOs current as of September 30, 2011. Taking into account all LCM-managed vehicles, the gross income for Q3 2011 for LCM totaled \$4.4 million, compared to an average quarterly income in 2010 of approximately \$3.2 million. Pre-tax profit for the entire LCM business, of which TFG owns 75%, was approximately \$2.2 million as of the same period (2010 quarterly average of \$1.4 million). TFG continues to leverage and benefit from the LCM team's expertise in the ongoing management of the company's direct loan investment portfolio.

LCM Asset Management Performance Snapshot							
	Q3 2011	Q2 2011	Q1 2011	Q4 2010	Q3 2010	Q2 2010	Q1 2010
Gross Fee Income (\$MM)	\$4.4	\$3.9	\$3.8	\$3.4	\$3.0	\$2.9	\$3.3
Pre-tax Income (\$MM)	\$2.2	\$1.9	\$1.9	\$1.1	\$1.4	\$1.4	\$1.9

- **GORE Real Estate Developments:** GreenOak continues to build its team and execute on its business growth strategy, including investment management and advisory engagements. TFG has funded a small portion of its investment capital commitments, approximately \$1.5 million through quarter end in total for recent investments in Japan and the U.S.

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❖ Loan and CLO Market Developments:

- **Secondary loan market prices decline despite strong credit performance:** Secondary loan prices fell during Q3 2011, in the midst of weakening technical market conditions and a deteriorating global macroeconomic outlook. The average price of the U.S. LCD's Flow-Name Composite declined to approximately \$91.8 at the end of Q3 2011, down from \$96.8 as of the end of Q2 2011.⁽¹⁹⁾ As a result, year-to-date returns for the S&P/LSTA U.S. Leveraged Loan Index turned negative as of the end of Q3 2011, falling to -1.34%.⁽²⁰⁾ In Europe, the average bid for LCD's European Flow-Name Composite fell nearly six points from the prior quarter to €92.7 as of the end of Q3 2011,⁽²¹⁾ and the year-to-date total return of the S&P European Leveraged Loan Index ("ELLI") was also in negative territory totaling -1.54% (including currency effects) as of September 30, 2011.⁽²²⁾ Generally, better-rated and shorter duration credits were better bid during the quarter than lower rated and longer maturity loans, potentially highlighting rising forward-looking liquidity or default concerns.⁽²³⁾
- **U.S. leveraged loan default rate declines:** The U.S. lagged 12-month loan default rate fell to 0.32% by principal amount as of September 30, 2011,⁽²⁴⁾ down from 0.91% as of Q2 2011.⁽²⁵⁾ This low level of defaults stood in contrast to deteriorating loan market prices and widening spreads as current default rates remained well below the historical average annual default rate of 3.57%.⁽²⁶⁾ In contrast, the average spread to maturity of the S&P/LSTA Index stood at 668 bps of the end of the quarter, implying a 7.4% annual default rate according to S&P/LCD.⁽²⁷⁾ Furthermore, near-term U.S. default and credit distress indicators remained benign as of the end of Q3 2011 as the share of the S&P/LSTA Index that S&P downgraded to CCC+ or lower during the quarter remained below 1.0% and the percentage of performing S&P/LSTA Index loans trading at \$70 or below moved up slightly to 2.1% in September, up from 1.2% in June 2011.⁽²⁸⁾ While this apparent disconnect between fundamentals and price appears stark given strong corporate performance, certain market participants believe that a portion of this quarter's price declines may reflect heightened forward-looking default and loss expectations in light of reduced global growth expectations, remaining unresolved loan maturities of 2013-2014, as well as increased prospects for financial market disruption and liquidity concerns.⁽²⁹⁾ Additionally, the floating rate nature of the loan asset class may have become relatively less attractive during the quarter given, among other things, the U.S. Federal Reserve's August announcement that it currently intends to keep interest rates low through at least 2013.⁽³⁰⁾
- **European leveraged loan default rates and distress metrics remain elevated:** The lagging 12-month default rate (by par amount) for the S&P European Leveraged Loan Index (ELLI) stood at 3.8% as of the end of Q3 2011, a level significantly above the 2010 year-end level of 2.0%.⁽³¹⁾ Similarly, the percentage of performing loans trading below €80 rose to 28% at the end of Q3 2011, compared with 17.6% as of the end of 2010.⁽³²⁾ We believe that these relatively higher distress readings in Europe reflected, among other factors, the fundamental weakness of certain European economies, elevated concerns about systemic risks in the context of multiple sovereign and bank downgrades and the ongoing Greek debt crisis, as well as certain structural characteristics of the European loan market, such as its relatively small size, limited liquidity and less diversified investor base.

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❖ Loan and CLO Market Developments (continued):

- **U.S. loan prepayments slow:** During Q3 2011, the U.S. S&P/LSTA Leveraged Loan Index quarterly prepayment rate declined to 7.0% from 10.9% during the prior quarter.⁽³³⁾ Despite a slow-down in refinancings and high yield bond take-outs during Q3 2011, the third quarter repayment rate remained robust by historical standards as a result of significant paydowns from pro-rata takeouts and corporate cash flows.⁽³⁴⁾
- **Primary loan issuance volumes decline in the U.S. and Europe:** Q3 2011 U.S. institutional loan issuance totaled \$28.0 billion, down approximately 63% from the end of Q2 2011.⁽³⁵⁾ This quarter-on-quarter deceleration reflected, among other things, declines in re-financings and new issuance activity, both of which became less attractive as secondary spreads and new issue clearing levels widened.⁽³⁶⁾ Despite this third quarter deceleration, U.S. institutional new issuance volume was up approximately 92% year-over-year to \$206.0 billion – the largest level on record since the all time high reached in 2007.⁽³⁷⁾ European primary loan issuance volumes also fell during Q3 2011 to €9.3 billion, down from approximately €16.7 billion during Q2 2011.⁽³⁸⁾
- **“Maturity cliff” erosion continues albeit at a reduced pace:** Difficult macroeconomic and financial market conditions during Q3 2011 also resulted in a reduction of the pace at which corporate borrowers were able to reduce the size of the so-called “maturity cliff.” During the third quarter, issuers paid down or extended approximately \$22.9 billion of U.S. S&P/LSTA Index loan maturities due by year-end 2014, down significantly from \$47.0 billion during Q2 2011.⁽³⁹⁾ Lower volumes of high yield bond takeouts and amend-to-extend transactions were key drivers of this decline. Nonetheless, repayments from balance sheet cash holdings and acquisitions remained strong during the quarter totaling \$25.8 billion during Q3 2011 (including visible transactions that have yet to be executed) versus \$26.7 billion during Q2 2011.⁽⁴⁰⁾ As of September 30, 2011, year-to-date S&P/LSTA Index issuers reduced the amount of loans due before 2015 by \$112.6 billion, or 43%, pro forma for announced repayments.⁽⁴¹⁾
- **U.S. loan re-pricing activity slows as new issue spreads widen:** During Q3 2011, U.S. loan re-pricing volumes fell significantly to \$225.0 million, down from \$14.7 billion during Q2 2011, as loan spreads widened.⁽⁴²⁾ As of the end of September 2011, the average new issue clearing yield to maturity reached 7.82%, up from the 5.0-6.0% range seen in the first half of 2011.⁽⁴³⁾ Loan investors were also often able to extract better original issue discounts (“OIDs”) during the third quarter as well as improved deal terms such as stricter covenants, prepayment fees, and credit statistics, among other features.⁽⁴⁴⁾ We believe that these investor-friendly features may continue to find their way into transactions until market conditions, macroeconomic expectations and/or liquidity improve.
- **O/C ratios improve in both the U.S. and Europe but CCC asset holdings begin to show weakness:** During Q3 2011, O/C ratios of U.S. and European CLOs strengthened on average. According to Morgan Stanley, the median junior O/C test cushion for U.S. CLOs increased to 3.75% as of September 30, 2011, up from 3.47% as of the end of the prior quarter.⁽⁴⁵⁾⁽⁴⁶⁾ The median junior O/C test cushion for European CLOs also increased, ending Q3 2011 at 1.79%, up from 1.68% as of the end of Q2 2011.⁽⁴⁷⁾⁽⁴⁸⁾

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❖ Loan and CLO Market Developments (continued):

- However, the end of Q3 2011 began to see a reversal of positive credit trends as the number of downgrades into the CCC category exceeded the upgrades from the CCC level.⁽⁴⁹⁾ Furthermore, median CCC asset holdings in U.S. CLOs (based on the lower of Moody's and S&P rating), increased slightly during the last month of the quarter ending Q3 2011 at 7.4%, down slightly from 7.5% as of the end of the prior quarter.⁽⁵⁰⁾⁽⁵¹⁾
- **CLO new issuance slows:** Year-to-date U.S. arbitrage-driven CLO issuance reached \$8.3 billion as of the end of Q3 2011 as seven transactions totaling \$2.6 billion priced during the third quarter.⁽⁵²⁾ This quarter's issuance volume, however, fell below the \$4.1 billion issued during Q2 2011 as CLO investors generally remained on the sidelines in the face of elevated market volatility and macroeconomic uncertainty.⁽⁵³⁾⁽⁵⁴⁾ Looking forward toward the remainder of 2011, U.S. arbitrage cash flow primary issuance levels may likely remain below earlier expectations as key drivers of market volatility and economic uncertainty, such as the European sovereign debt crisis and U.S. budget negotiations, are likely to remain unresolved.
- **CLO secondary prices decline:** Secondary CLO debt prices on average declined during the third quarter, with mezzanine tranches, originally rated BBB and BB, registering the larger quarter-on-quarter declines than AAA-rated tranches.⁽⁵⁵⁾
- **Moody's CLO liability upgrades continue:** At the time of its announcement of certain CLO rating methodology changes in June 2011, Moody's also placed approximately 80% of all of all outstanding cash-flow CLO tranches on watch for upgrade. Since then, Moody's has upgraded 2,837 CLO tranches including upgrades of 340 tranches originally rated Aaa, and previously downgraded below that level, back to their original Aaa rating.⁽⁵⁶⁾ Certain market participants believe that Moody's may upgrade the bulk of remaining tranches currently on positive watch review over the next 3-6 months.⁽⁵⁷⁾ As noted in our previous reports, we believe that these upgrade actions may have a positive effect on TFG's CLO investments, by allowing certain of our CLO managers to continue to reinvest unscheduled repayments post their reinvestment periods, thus extending the benefit of historically tight liabilities in the context of wide asset spreads and LIBOR floors.
- **Securitization regulatory changes clarified:** As noted in earlier reports, European risk retention rules Article 122a of the Capital Requirements Directive have been effective for new securitizations since January 2011, but are in early stages of implementation. At the end of Q3 2011, the European Banking Authority ("EBA") published a Q&A document on its implementation guidelines to Article 122a addressing certain aspects of its risk retention requirements with respect to managed CLOs. The EBA clarified, among other things, that existing CLOs will be able to continue to invest prepayment and recovery cash flows as per deal documents even after December 2013.⁽⁵⁸⁾ However, the Q&A response did not address many questions, including those regarding the nature and terms of originator SPV/sponsor requirements, leaving a substantial amount of uncertainty about the nature and impact of these regulations on the CLO market unresolved.

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❖ **Fair Value Determination for TFG's CLO Investments:**

- In accordance with the company's valuation policies as set forth on the company's website, the values of TFG's CLO 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 historic, current and potential market developments on the performance of TFG's CLO 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 our inputs and resulting outputs to observable market data when available and appropriate. Fundamentally, the valuation process involves two stages. In stage one, future cash flows for each transaction in the CLO portfolio are modeled, using our base case assumptions. In stage two, a discount rate reflecting the perceived level of risk is applied to those future cash flows to generate a fair value for each transaction. Prior to the financial crisis, with TFG's CLO portfolio performing well in a generally benign credit environment, the IRRs on TFG's CLO investments were considered to adequately reflect the relative risk to their applicable cash flows and therefore, amortized cost reflected fair value. Due to elevated market risk premia over the last couple of years, among other factors, this effective discount rate used to derive fair value has typically been higher than each transaction's IRR since the financial crisis and therefore, in such instances, has resulted in a fair value which is lower than the transaction's amortized cost. The difference between these two figures, on an aggregate basis across the CLO portfolio, has been characterized as the "ALR Fair Value Adjustment" or "ALR."

❖ **Forward-looking Cash Flow Modeling Assumptions Unchanged vs. Q2 2011:**

- The Investment Manager reviews, and adjusts in consultation with the company's audit committee, as appropriate the CLO investment portfolio's modeling assumptions to factor in historic, current and potential market developments on the performance of TFG's CLO investments. At the end of Q4 2010, certain assumptions were recalibrated, focusing in particular on improvements in near-term projections for default rates. As we have moved through 2011, rating agency and investment bank research reports, as well as observable market data continued to indicate that the default environment for U.S. and European loans would remain benign.
- Although these data points suggest that TFG's near-term assumptions may potentially be viewed to be at the conservative end of the range, we have continued to hold the assumptions unchanged vs. Q4 2010. The key assumption variables have been summarized in the table and discussion on the following page.

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❖ Forward-looking Cash Flow Modeling Assumptions Unchanged vs. Q2 2011 (continued):

Variable	Year	Assumptions as of September 30, 2011
CADR		
	2011	1.0x WARF-implied default rate (2.2%)
	2012-2014	1.5x WARF-implied default rate (3.2%)
	Thereafter	1.0x WARF-implied default rate (2.2%)
Recovery Rate		
	Until deal maturity	71%
Prepayment Rate		
	Until deal maturity	20.0% p.a. on loans; 0.0% on bonds
Reinvestment Price		
	2011	99%
	Thereafter	100%

- **Constant Annual Default Rate (“CADR”):** The CADR for 2011 is equivalent to 1.0x the WARF-implied default rate or approximately 2.2%. Consensus market expectations continue to be that defaults will remain significantly below their long-term average over the remainder of the year and into next year. That has continued to be the experience during Q3 2011, with the U.S. lagged 12-month loan default rate falling to 0.32% as of September 30, 2011.⁽⁵⁹⁾ Beyond 2011, TFG’s default assumption remains elevated at 1.5x the WARF-implied default rate for 2012-2014, followed by 1.0x the WARF-implied default rate thereafter, reflecting, among other things, heightened risks in the mid-term as a result of macro-economic uncertainty and the so-called “maturity cliff.” As mentioned earlier in the report, progress is being made in tackling near and mid-term maturities and we will continue to monitor our medium-term assumptions in light of these developments.
- **Recovery Rate:** We retain our long-term assumption of an average recovery rate of approximately 71% for the life of each CLO transaction.
- **Prepayment Rate:** Observable loan prepayment rates remained above average historical levels in the third quarter of 2011, as detailed earlier in the report. However, mindful of the fact that prepayment rates can experience significant volatility, we have maintained our long-term prepayment rate assumption of 20% p.a. on loans and 0% p.a. on bonds, throughout the life of each CLO transaction.
- **Reinvestment Price and Spread:** The reinvestment price assumption is 99% for the remainder of 2011, which generates an effective spread over LIBOR of approximately 303 bps on broadly syndicated U.S. loans, 320 bps on European loans, and 374 bps on middle market loans. From 2012, the reinvestment price assumption remains at 100% of par until the maturity of each of our investments.

TETRAGON

TETRAGON FINANCIAL GROUP LIMITED (TFG) **PERFORMANCE REPORT FOR PERIOD ENDED 30 SEPTEMBER 2011**

❖ **Application of Discount Rates to Projected Cash Flows and ALR:**

- In determining the applicable discount rates to use, an analysis of observable risk premium data points is undertaken. The third quarter witnessed a continuation of the widening of spreads in CLO tranches (including BB and BBB rated notes), a trend which had started in the second part of Q2. However, various investment bank research reports indicate that whilst spreads of the mezzanine tranches saw a meaningful increase, the impact on the risk premium on CLO equity was much less marked. The combination of high cash coupons and a low yield environment may support the view that CLO equity has weathered the recent market volatility better than the mezzanine tranches and we would, therefore, not see the risk premium on CLO equity increasing significantly at this time. TFG's discount rates have therefore been maintained at 20% for the stronger deals and 25% for the remainder of the portfolio, with a weighted average discount rate of approximately 21%. We will continue to monitor these as well as other evidence of changes in risk premium as we move forward into Q4 2011.
- In addition to the level of discount rates, the split of transactions between the two discount rate categories may also change in the context of each deal's actual structural strength measured by actual O/C ratios compared to expected O/C ratios for performing transactions. During the course of the quarter, a net figure of four deals migrated into the stronger deal category. This migration had the effect of increasing the fair value of the CLO portfolio by approximately \$2.7 million, which reflects the continued structural quality improvements referred to in the investment portfolio section.
- Through the valuation process described above, as of the end of Q3 2011, the ALR has been reduced to approximately \$118.0 million as compared to \$133.8 million at the end of Q2 2011.
- The average carrying value of TFG's U.S. CLOs, which accounted for approximately 86% of the investment portfolio by fair value, was approximately 76% of par as of the end of Q3 2011, unchanged from the end of Q2 2011.
- As discussed in the last quarterly report, the applicable discount rate for the new vintage deals (post 2010) is determined with reference to the deal 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 Q3 2011, the weighted average discount rate (and IRR) on these deals was 12.8%, which represented approximately 4.6% of the CLO portfolio by Fair Value. We will continue to monitor observable data on these newer vintage transactions to determine whether the IRR remains the appropriate discount rate.
- With no recalibration of the modeling assumptions during Q3 2011 and the effective discount rate broadly unchanged, the key driver in the increase in fair value, which forms part of the \$50.5 million of quarterly unrealized appreciation in investments was, therefore, the result of improvements in expected cash flows as deals strengthened, as described earlier in the report.

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TETRAGON FINANCIAL GROUP LIMITED (TFG) **PERFORMANCE REPORT FOR PERIOD ENDED 30 SEPTEMBER 2011**

❖ **Hedging Activity:**

As of September 30, 2011, TFG had no direct credit hedges in place, 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 on-going basis as we seek to address identified risks to the extent practicable and in a cost-effective manner. In the future, our hedging strategy may include the use of single name or index credit hedges, foreign exchange rate hedges, and interest rate hedges, among others.

TETRAGON

TETRAGON FINANCIAL GROUP LIMITED (TFG) **PERFORMANCE REPORT FOR PERIOD ENDED 30 SEPTEMBER 2011**

❖ **Outlook Summary:**

A theme of Q3 2011 was elevated market uncertainty and volatility, stemming from, among other things, the continuation of the Greek sovereign debt crisis, multiple sovereign credit downgrades (including the United States), and concerns about the health of several key global economies. Prices of most financial assets, including leveraged loans, fell during the quarter amidst fears of a renewed global macroeconomic downturn. Despite these price declines, TFG's CLO and direct loan portfolios continued to generate significant cash flows and to perform well. The U.S. CLO portfolio, in particular, may potentially, all other things being equal, benefit from the current loan price declines. As we have previously noted, one may view CLO equity as a means of gaining leveraged exposure, via long-term matched CLO liabilities, to the bank loan asset class. Given CLOs long-term matched funding cost, an increase in the yield of a CLO's underlying assets, without a corresponding increase in credit losses, absent other events, will result in incremental cash flows to CLO equity holders. Although we remain concerned about the potential for negative macroeconomic and financial shocks, we do not currently believe that near-term U.S. loan defaults will reach the high levels implied by current loan spreads. We, therefore, view the current loan spread widening, in the absence of a significant pick-up in credit losses, as a potential net positive for the future performance of TFG's CLO equity investments.

CLO security prices were generally depressed during the quarter, as CLO spreads widened across all tranches. With widening CLO liability spreads, we may be less inclined to invest in new issue CLOs, whether managed by LCM or a third-party, until the sustainability of the equity arbitrage improves. Additionally, reduced levels of new issuance, may impact the near-term ability of LCM to continue to grow its CLO platform and lead it to further explore other loan asset management opportunities. Finally, key regulatory requirements are yet to be resolved, bringing further uncertainty to the CLO new issue market.

The ability to invest in CLO securities and issue new CLOs has implications for the reinvestment of our capital, which will become increasingly important over the next few years. CLOs are amortizing instruments with reinvestment periods typically ending six to seven years before their legal final maturities. As such, the total size of the current investment portfolio will fall over time, holding all other factors constant. Generally speaking, although we would expect the final payment for a CLO equity security to be significantly larger than a "normal" quarterly payment (due to the net liquidation proceeds from the underlying loan assets), cash flows should naturally decline as a CLO amortizes its liabilities and equity leverage is reduced. Given TFG's majority ownership stakes in the greater part of our portfolio, we would expect to play an important role in determining the optimal time to exercise optional redemption rights in order to bring the value of that final payment forward. With a significant number of investments in the CLO portfolio reaching the end of their reinvestment periods over the next few years (see the first chart on page 23), we are mindful of the need to redeploy the company's capital in order to maintain healthy returns for our shareholders. We expect to seek to do so by, among other things, investing in CLOs and loans as well as other asset classes across multiple geographies and growing our asset management businesses. We believe that the purchases of interests in LCM and GreenOak have opened new avenues for investment for the company. As always, market conditions, opportunities and potential returns will inform how and where we invest TFG's capital as we seek to continue to transition the company to a broadly diversified financial services firm. We continue to believe that such a transition will strengthen and diversify TFG's income streams and redound to the benefit of the company's shareholders.

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TETRAGON FINANCIAL GROUP LIMITED (TFG) PERFORMANCE REPORT FOR PERIOD ENDED 30 SEPTEMBER 2011

❖ Quarterly Investor Call

We will host a conference call for investors on November 4, 2011 at 15:00 GMT/16:00 CET/11:00 EDT to discuss Q3 2011 results and to provide a company update.

The conference call may be accessed by dialing +44 (0)20 7162 0025 and +1 (334) 323-6201 (a passcode is not required). Participants may also register for the conference call in advance via the following link:

<https://eventregl.conferencing.com/webportal3/reg.html?Acc=247751&Conf=180052>

A replay of the call will be available for 30 days by dialing +44 (0) 20 7031 4064 and +1 954 334 0342, access code 903974 and as an MP3 recording on the TFG website.

For further information, please contact:

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Press Inquiries:

Brunswick Group
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Expected Upcoming Events	Date
Q3 Dividend Record Date	November 1, 2011
Quarterly Investor Call	November 4, 2011
October 2011 Monthly Report	November 18, 2011 (approx)
Q3 Dividend Payment Date	November 22, 2011

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TETRAGON FINANCIAL GROUP LIMITED (TFG) PERFORMANCE REPORT FOR PERIOD ENDED 30 SEPTEMBER 2011

TETRAGON FINANCIAL GROUP							
Financial Highlights							
	Q3 2011	Q2 2011	Q1 2011	Q4 2010	Q3 2010	Q2 2010	Quarterly Average
Net income (\$MM)	\$67.3	\$88.1	\$174.7	\$132.0	\$125.0	\$55.6	\$107.1
EPS (\$)	\$0.57	\$0.74	\$1.46	\$1.09	\$1.03	\$0.45	\$0.89
CLO Cash receipts (\$MM) ⁽¹⁾	\$105.1	\$102.4	\$90.9	\$78.9	\$71.8	\$60.9	\$85.0
CLO Cash receipts per share (\$)	\$0.89	\$0.86	\$0.76	\$0.66	\$0.59	\$0.50	\$0.71
Net Cash Balance (\$MM)	\$155.6	\$67.7	\$147.0	\$140.6	\$187.9	\$156.2	\$142.5
Net Assets (\$MM)	\$1,413.6	\$1,368.3	\$1,298.0	\$1,137.5	\$1,018.6	\$909.3	\$1,190.9
Number of Shares Outstanding (million)	117.2	118.8	119.6	120.1	120.8	122.2	119.8
NAV per Share (\$)	\$12.06	\$11.52	\$10.85	\$9.47	\$8.43	\$7.44	\$9.96
DPS (\$)	\$0.10	\$0.10	\$0.09	\$0.09	\$0.08	\$0.08	\$0.09
Weighted Average IRR on Completed Transactions (%)	16.8%	16.3%	15.8%	15.1%	13.7%	13.1%	15.1%
Number of CLO Investments ⁽²⁾	75	75	74	70	68	68	72
ALR Fair Value Adjustment (\$MM)	(\$118.0)	(\$133.8)	(\$155.7)	(\$258.0)	(\$274.7)	(\$330.7)	(\$211.8)

⁽¹⁾ Gross cash receipts from CLO portfolio.

⁽²⁾ Excludes CDO-squared and ABS CDO transactions written off in October 2007. TFG continues to hold the economic rights to 3 of these written-off transactions.

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TETRAGON FINANCIAL GROUP LIMITED (TFG) PERFORMANCE REPORT FOR PERIOD ENDED 30 SEPTEMBER 2011

TETRAGON FINANCIAL GROUP				
Quarterly Statement of Operations as at 30 September 2011				
Statement of Operations	Q3 2011 (\$MM)	Q2 2011 (\$MM)	Q1 2011 (\$MM)	Q4 2010 (\$MM)
Interest income	53.6	52.0	48.4	46.5
CLO management fee income	4.4	3.9	3.8	3.4
Other income	0.8	1.5	1.5	1.4
Investment income	58.8	57.4	53.7	51.3
Management and performance fees	(24.3)	(31.2)	(59.9)	(45.6)
Admin / custody and other fees	(9.0)	(4.1)	(5.7)	(3.5)
Total operating expenses	(33.3)	(35.3)	(65.6)	(49.1)
Net investment income	25.5	22.1	(11.9)	2.2
Net change in unrealised appreciation/(depreciation) in investments	50.5	65.0	184.5	128.8
Realised gain/(loss) on investments	-	-	0.6	0.5
Realised and unrealised gains/(losses) from hedging and FX	(7.1)	2.4	2.9	1.2
Net realised and unrealised gains/(losses) from investments and FX	43.4	67.4	188.0	130.5
Income taxes	(1.1)	(1.0)	(1.0)	(0.4)
Noncontrolling interest	(0.5)	(0.4)	(0.5)	(0.3)
Net increase/(decrease) in net assets from operations	67.3	88.1	174.7	132.0

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TETRAGON FINANCIAL GROUP LIMITED (TFG) PERFORMANCE REPORT FOR PERIOD ENDED 30 SEPTEMBER 2011

TETRAGON FINANCIAL GROUP	
Balance Sheet as at 30 September 2011	
	Sep-11 \$MM
Assets	
Investments in securities, at fair value	1,256.0
Intangible assets - CLO management contracts	0.1
Cash and cash equivalents	155.6
Amounts due from brokers	11.2
Derivative financial assets - interest rate swaptions	10.8
Derivative financial assets - forward contracts	10.2
Other receivables	2.7
Total Assets	1,446.6
Liabilities	
Other payables and accruals	29.3
Amounts payable to Guernsey Feeder	0.5
Amounts payable on Share Options	1.6
Income and deferred tax payable	1.4
Total Liabilities	32.8
Net Assets Before Noncontrolling Interest	1,413.8
Non-controlling interest	0.2
Total Equity Attributable to TFG	1,413.6

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TETRAGON FINANCIAL GROUP LIMITED (TFG) PERFORMANCE REPORT FOR PERIOD ENDED 30 SEPTEMBER 2011

TETRAGON FINANCIAL GROUP	
Statement of Cash Flows for the period ended 30 September 2011	
	Sep-11 \$MM (YTD)
Operating Activities	
Operating cash flows before movements in working capital after dividends paid to Guernsey feeder	155.1
Increase / (decrease) in payables	6.0
Cash flows from operating activities	161.1
Investment Activities	
<u>Proceeds on sales of investments</u>	
- Proceeds from the sale of bank loans	92.4
<u>Purchase of investments</u>	
- Purchase of CLOs	(46.6)
- Purchase of bank loans	(129.2)
- Purchase derivatives - swaptions	(17.8)
- Other purchases	(1.4)
Maturity and prepayment of investments	20.0
Cash flows from operating and investing activities	78.5
Amounts due from broker	(6.9)
Net Purchase of shares	(20.6)
Dividends paid to shareholders	(33.4)
Distributions paid to noncontrolling interest	(2.6)
Cash flows from financing activities	(63.5)
Net decrease in cash and cash equivalents	15.0
Cash and cash equivalents at beginning of period	140.6
Cash and cash equivalents at end of period	155.6

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TETRAGON FINANCIAL GROUP LIMITED (TFG) PERFORMANCE REPORT FOR PERIOD ENDED 30 SEPTEMBER 2011

CLO PORTFOLIO DETAILS AS OF SEPTEMBER 30, 2011

Transaction	Deal Type	Original Invest. Cost (\$MM USD) ⁽¹⁾	Year of Maturity	End of Reinv Period	Wtd Avg Spread (bps) ⁽²⁾	Wtd Avg Funding Cost (bps) ⁽³⁾	Current Jr-Most O/C Cushion ⁽⁴⁾	Jr-Most O/C Cushion at Close ⁽⁵⁾	Annualized (Loss) Gain of Cushion ⁽⁶⁾	IRR ⁽⁷⁾	ITD Cash Received as % of Cost ⁽⁸⁾
Transaction 1	EUR CLO	37.5	2024	2014	300	55	(3.07%)	3.86%	(1.63%)	1.0%	29.6%
Transaction 2	EUR CLO	29.7	2023	2013	339	52	1.46%	3.60%	(0.44%)	9.7%	46.8%
Transaction 3	EUR CLO	22.2	2022	2012	353	58	5.26%	5.14%	0.02%	13.6%	84.4%
Transaction 4	EUR CLO	33.0	2023	2013	344	48	4.02%	5.76%	(0.38%)	13.3%	52.5%
Transaction 5	EUR CLO	36.9	2021	2012	333	60	3.17%	5.74%	(0.62%)	8.1%	32.6%
Transaction 6	EUR CLO	33.3	2022	2012	332	51	(0.55%)	4.70%	(0.98%)	5.8%	49.7%
Transaction 7	EUR CLO	38.5	2023	2013	328	46	(1.40%)	3.64%	(1.12%)	5.3%	31.9%
Transaction 8	EUR CLO	26.9	2021	2011	325	53	1.27%	4.98%	(0.60%)	12.7%	73.4%
Transaction 9	EUR CLO	41.3	2023	2013	341	50	0.75%	6.27%	(1.23%)	7.4%	32.7%
Transaction 10	EUR CLO	27.0	2022	2012	334	50	1.49%	4.54%	(0.59%)	8.9%	32.7%
EUR CLO Subtotal:		326.3			332	52	1.00%	4.84%	(0.82%)		44.1%
Transaction 11	US CLO	20.5	2018	2012	351	45	5.25%	4.55%	0.14%	19.4%	115.3%
Transaction 12	US CLO	22.8	2019	2013	355	46	5.58%	4.45%	0.23%	20.1%	108.2%
Transaction 13	US CLO	15.2	2018	2012	340	47	6.26%	4.82%	0.28%	19.5%	117.8%
Transaction 14	US CLO	26.0	2021	2014	338	49	4.03%	5.63%	(0.35%)	16.1%	82.3%
Transaction 15	US CLO	28.1	2021	2014	388	52	2.61%	4.21%	(0.38%)	25.9%	125.1%
Transaction 16	US CLO	23.5	2020	2013	408	46	2.82%	4.44%	(0.31%)	19.7%	110.8%
Transaction 17	US CLO	26.0	2021	2014	337	40	4.14%	4.24%	(0.02%)	21.6%	107.1%
Transaction 18	US CLO	16.7	2017	2011	329	45	4.46%	4.77%	(0.05%)	18.2%	132.3%
Transaction 19	US CLO	1.2	2017	2011	329	45	4.46%	4.77%	(0.05%)	21.8%	126.5%
Transaction 20	US CLO	26.6	2020	2012	403	52	3.24%	5.28%	(0.41%)	20.2%	131.4%
Transaction 21	US CLO	20.7	2020	2012	386	53	2.77%	4.76%	(0.39%)	17.1%	105.7%
Transaction 22	US CLO	37.4	2019	2013	417	53	3.07%	5.00%	(0.43%)	18.8%	95.4%
Transaction 23	US CLO	19.9	2021	2013	342	66	3.38%	4.98%	(0.37%)	17.6%	102.8%
Transaction 24	US CLO	16.9	2018	2012	370	46	4.59%	4.17%	0.08%	16.5%	85.5%
Transaction 25	US CLO	20.9	2018	2013	373	46	5.45%	4.13%	0.28%	21.0%	110.3%
Transaction 26	US CLO	27.9	2019	2013	366	43	3.31%	4.05%	(0.17%)	17.1%	83.3%
Transaction 27	US CLO	23.9	2021	2014	481	51	9.42%	6.11%	0.70%	30.2%	151.4%
Transaction 28	US CLO	7.6	2021	2014	481	51	9.42%	6.11%	0.70%	36.0%	65.7%
Transaction 29	US CLO	19.1	2018	2011	431	66	3.64%	4.82%	(0.20%)	17.9%	118.2%
Transaction 30	US CLO	12.4	2018	2012	434	67	1.99%	5.16%	(0.60%)	16.0%	92.4%
Transaction 31	US CLO	9.3	2017	2012	328	52	2.98%	5.02%	(0.32%)	15.3%	125.8%
Transaction 32	US CLO	24.0	2021	2014	314	59	4.17%	5.57%	(0.34%)	18.3%	87.7%
Transaction 33	US CLO	16.2	2020	2012	352	56	4.15%	6.99%	(0.51%)	13.2%	97.1%
Transaction 34	US CLO	22.2	2020	2012	350	50	4.55%	6.66%	(0.44%)	16.3%	96.3%
Transaction 35	US CLO	23.6	2018	2012	443	52	2.75%	5.00%	(0.43%)	21.7%	123.7%
Transaction 36	US CLO	28.4	2021	2013	422	46	2.70%	5.18%	(0.55%)	19.3%	94.0%
Transaction 37	US CLO	9.3	2017	2011	311	50	3.39%	4.34%	(0.16%)	15.2%	110.4%
Transaction 38	US CLO	23.7	2021	2013	322	42	3.91%	5.07%	(0.25%)	25.4%	140.1%
Transaction 39	US CLO	7.8	2017	2011	357	70	3.02%	3.15%	(0.02%)	7.3%	70.6%
Transaction 40	US CLO	13.0	2020	2011	371	39	N/A	N/A	N/A	20.4%	119.7%
Transaction 41	US CLO	22.5	2020	2013	360	48	6.01%	4.71%	0.26%	21.0%	112.2%

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TETRAGON FINANCIAL GROUP LIMITED (TFG) PERFORMANCE REPORT FOR PERIOD ENDED 30 SEPTEMBER 2011

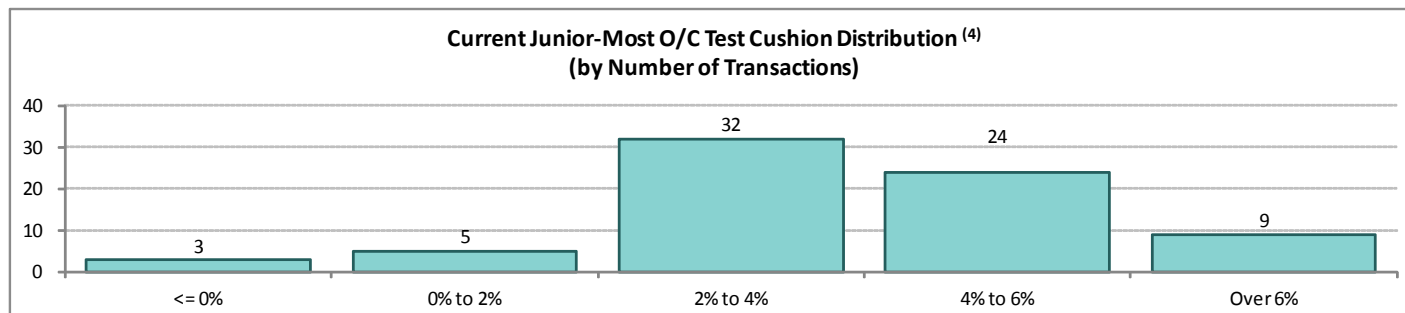
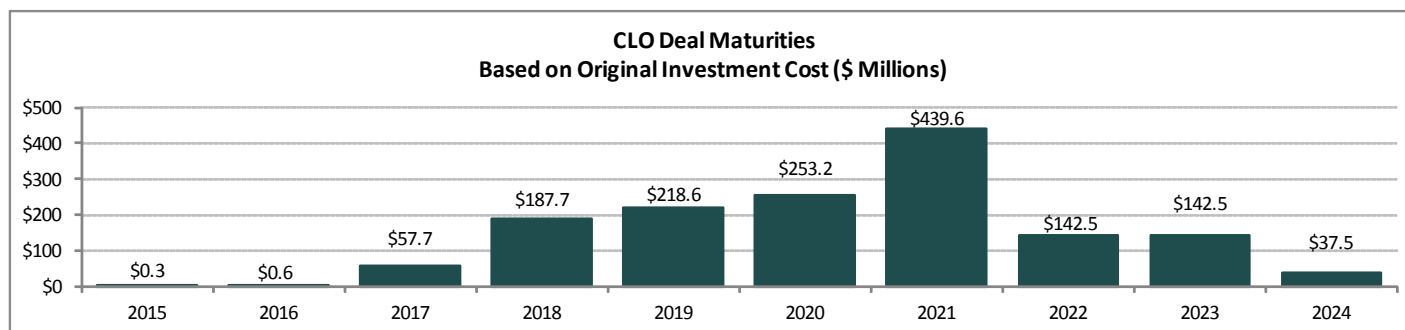
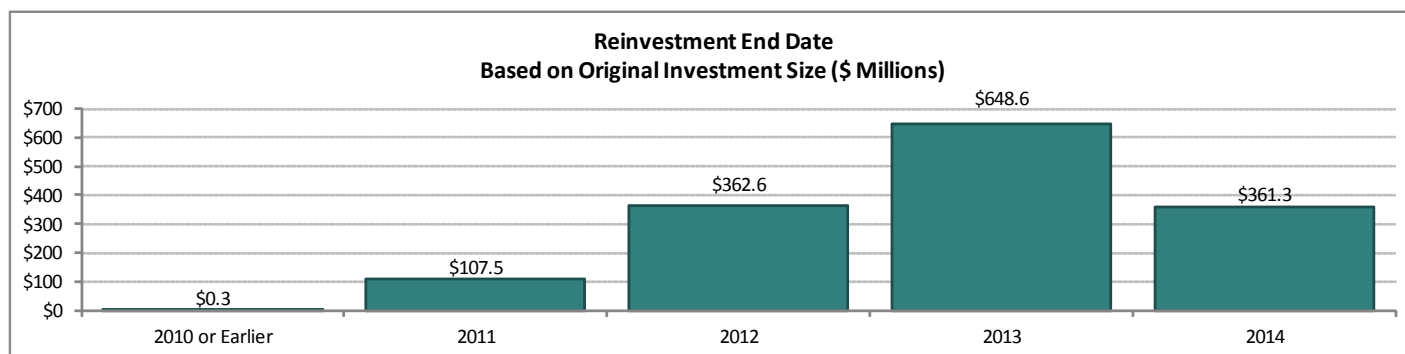
CLO PORTFOLIO DETAILS (CONTINUED) AS OF SEPTEMBER 30, 2011

Transaction	Deal Type	Original Invest. Cost (\$MM USD) ⁽¹⁾	Year of Maturity	End of Reinv Period	Wtd Avg Spread (bps) ⁽²⁾	Wtd Avg Funding Cost (bps) ⁽³⁾	Current Jr-Most O/C Cushion ⁽⁴⁾	Jr-Most O/C Cushion at Close ⁽⁵⁾	Annualized (Loss) Gain of Cushion ⁽⁶⁾	IRR ⁽⁷⁾	ITD Cash Received as % of Cost ⁽⁸⁾
Transaction 42	US CLO	22.4	2021	2014	358	47	6.02%	3.92%	0.47%	19.3%	91.4%
Transaction 43	US CLO	0.2	2021	2014	357	54	4.78%	3.75%	0.25%	22.1%	21.7%
Transaction 44	US CLO	22.3	2018	2012	313	54	2.03%	4.16%	(0.39%)	11.3%	85.1%
Transaction 45	US CLO	23.0	2018	2012	317	46	2.19%	4.46%	(0.47%)	9.7%	61.5%
Transaction 46	US CLO	21.3	2019	2013	320	51	2.43%	4.33%	(0.44%)	6.8%	45.2%
Transaction 47	US CLO	28.3	2021	2013	324	47	3.46%	4.34%	(0.18%)	19.8%	113.5%
Transaction 48	US CLO	23.0	2019	2013	353	46	2.69%	5.71%	(0.62%)	16.3%	77.3%
Transaction 49	US CLO	12.6	2017	2011	330	40	2.11%	3.94%	(0.31%)	11.0%	77.4%
Transaction 50	US CLO	12.3	2018	2012	340	40	2.42%	4.25%	(0.34%)	12.1%	73.4%
Transaction 51	US CLO	18.0	2020	2013	369	53	3.75%	4.47%	(0.16%)	20.0%	99.1%
Transaction 52	US CLO	0.3	2015	2008	283	93	4.81%	3.20%	0.19%	278.6%	681.4%
Transaction 53	US CLO	0.6	2016	2011	301	61	9.82%	4.00%	0.84%	37.6%	208.3%
Transaction 54	US CLO	0.5	2017	2012	328	56	4.66%	3.69%	0.15%	57.3%	457.1%
Transaction 55	US CLO	0.3	2017	2011	328	39	4.23%	3.59%	0.10%	60.8%	409.2%
Transaction 56	US CLO	23.0	2019	2014	361	42	4.50%	4.53%	(0.01%)	21.6%	111.2%
Transaction 57	US CLO	0.6	2019	2014	361	42	4.50%	4.53%	(0.01%)	46.1%	428.3%
Transaction 58	US CLO	21.8	2019	2014	356	49	3.43%	4.04%	(0.14%)	23.6%	112.8%
Transaction 59	US CLO	0.4	2019	2014	356	49	3.43%	4.04%	(0.14%)	49.3%	584.4%
Transaction 60	US CLO	18.8	2021	2014	414	198	4.60%	4.50%	0.12%	10.1%	8.1%
Transaction 61	US CLO	29.1	2021	2014	316	45	2.70%	4.04%	(0.30%)	15.8%	71.8%
Transaction 62	US CLO	25.3	2020	2013	349	42	3.58%	5.20%	(0.36%)	19.1%	105.3%
Transaction 63	US CLO	27.3	2021	2013	337	53	2.66%	4.78%	(0.50%)	16.4%	86.0%
Transaction 64	US CLO	15.4	2021	2013	419	38	N/A	N/A	N/A	19.6%	67.7%
Transaction 65	US CLO	26.9	2021	2013	337	47	2.84%	4.96%	(0.44%)	12.2%	63.4%
Transaction 66	US CLO	21.3	2020	2013	321	49	3.45%	4.05%	(0.12%)	19.8%	113.3%
Transaction 67	US CLO	27.3	2022	2014	320	46	4.20%	4.38%	(0.04%)	18.1%	87.9%
Transaction 68	US CLO	19.3	2020	2013	405	48	6.06%	4.41%	0.34%	25.7%	132.6%
Transaction 69	US CLO	28.2	2019	2013	398	44	7.05%	5.61%	0.32%	24.2%	114.5%
Transaction 70	US CLO	24.6	2020	2013	294	52	6.50%	6.21%	0.06%	17.6%	92.8%
Transaction 71	US CLO	1.7	2018	2012	340	40	2.42%	4.25%	(0.34%)	23.2%	19.0%
Transaction 72	US CLO	4.8	2019	2014	361	42	4.50%	4.53%	(0.01%)	15.8%	15.8%
Transaction 73	US CLO	1.9	2019	2014	361	42	4.50%	4.53%	(0.01%)	15.8%	15.8%
Transaction 74	US CLO	5.5	2019	2014	356	49	3.43%	4.04%	(0.14%)	16.7%	16.5%
Transaction 75	US CLO	32.7	2022	2014	416	168	4.58%	4.05%	1.94%	13.9%	0.0%
US CLO Subtotal:		1,154.0			364	55	3.91%	4.66%	(0.10%)		96.0%
Total CLO Portfolio:		1,480.3			357	54	3.27%	4.70%	(0.26%)		84.6%

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TETRAGON FINANCIAL GROUP LIMITED (TFG) PERFORMANCE REPORT FOR PERIOD ENDED 30 SEPTEMBER 2011

CLO PORTFOLIO DETAILS (CONTINUED) AS OF SEPTEMBER 30, 2011

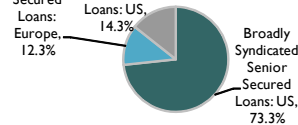

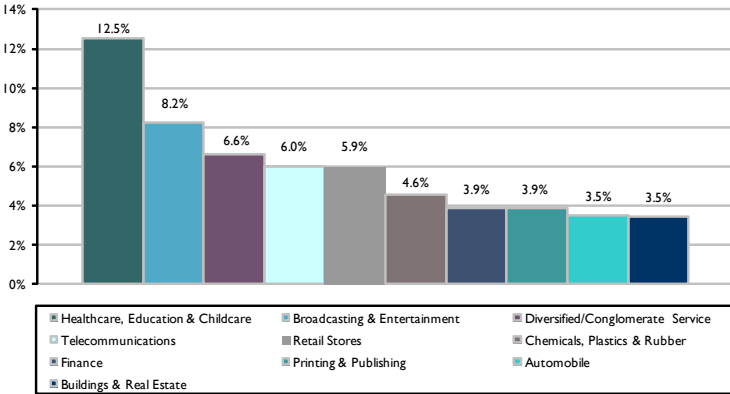


Notes

- (1) The USD investment cost fixes the USD-EUR exchange rate of European CLOs at the same rate to avoid the impact of skewed weightings and FX volatility.
- (2) Par weighted average spread over LIBOR or EURIBOR (as appropriate) of the underlying loan assets in each CLO's portfolio.
- (3) 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.
- (4) 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.
- (5) 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.
- (6) Calculated by annualizing the change from the expected closing date junior-most O/C cushion to the current junior-most O/C cushion.
- (7) 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.
- (8) Inception to report date cash flow received on each transaction as a percentage of its original cost.

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TETRAGON FINANCIAL GROUP LIMITED (TFG) PORTFOLIO COMPOSITION PORTFOLIO HELD BY TETRAGON FINANCIAL GROUP MASTER FUND LIMITED (UNLESS OTHERWISE STATED) AS OF SEPTEMBER 30, 2011

Report Date	TFG Share Price (\$)	TFG group Net Market Cap (\$MM) ⁽¹⁾	TFG group Net Assets (\$MM)	No. of Closed CLO Transactions			
30 September 2011	\$6.40	\$750.3	\$1,413.6	75 ⁽²⁾			
Capital Allocation by Asset Class			Risk Capital Allocation	Investment Fair Value (\$MM) ⁽³⁾⁽⁴⁾	Asset Class Allocation		
Broadly Syndicated Senior Secured Loans: US			73.3%	\$915.8			
Broadly Syndicated Senior Secured Loans: Europe			12.3%	\$154.0			
Middle Market Senior Secured Loans: US			14.3%	\$179.1			
CDOs Squared: US			0.0%	\$0.0			
ABS and Structured Finance: US			0.0%	\$0.0			
Total			100.0%	\$1,248.9			
Geographic Allocation by Asset Class			USA	Europe	Asia Pacific	Total	Geographic Allocation
Broadly Syndicated Senior Secured Loans			85.6%	14.4%	0.0%	100.0%	
Middle Market Senior Secured Loans			100.0%	0.0%	0.0%	100.0%	
CDOs Squared			0.0%	0.0%	0.0%	0.0%	
ABS and Structured Finance			0.0%	0.0%	0.0%	0.0%	
			87.7%	12.3%	0.0%	100.0%	
Top 15 Underlying Bank Loan Credits		Bank Loan Exposure ⁽⁵⁾	Top 10 Bank Loan Industry Exposures ⁽⁵⁾				
Univision Communications	0.93%						
HCA Inc	0.81%						
Community Health	0.80%						
First Data Corp	0.79%						
SunGard Data Systems Inc	0.73%						
UPC Broadband	0.72%						
Cablevision Systems Corp	0.71%						
Federal-Mogul	0.70%						
Charter Communications	0.69%						
Aramark Corp	0.67%						
Las Vegas Sands	0.65%						
Sabre Holdings Corp	0.64%						
Huntsman ICI	0.62%						
TXU Corp	0.61%						
Nielsen Company	0.59%						
EUR-USD FX: 1.34							

⁽¹⁾ Calculated using TFG shares outstanding (net of 10.3 million shares held in treasury and 3.91 million shares held by a subsidiary) and month end exchange price.

⁽²⁾ Excludes CDO-squared and ABS CDO transactions which were written off in October 2007. TFG continues to hold the economic rights to 3 of these written-off transactions.

⁽³⁾ Excludes TFG's investments in LCM Asset Management LLC, GreenOak Real Estate LP and GreenOak related funds or investments.

⁽⁴⁾ Equivalent to Investment in Securities at Fair Value in the US GAAP Financial Statements.

⁽⁵⁾ Includes par amount of loans held directly by TFG and also loan exposures via TFG's investments in CLOs. With respect to CLO investments, calculated as a percentage of total corporate loan assets that TFG has exposure to based on its equity-based pro-rata share of each CLO's total portfolio. All calculations are net of any single name CDS hedges held against that credit.

EUR-USD FX: 1.34

⁽¹⁾ Calculated using TFG shares outstanding (net of 10.3 million shares held in treasury and 3.91 million shares held by a subsidiary) and month end exchange price.

⁽²⁾ Excludes CDO-squared and ABS CDO transactions which were written off in October 2007. TFG continues to hold the economic rights to 3 of these written-off transactions.

⁽³⁾ Excludes TFG's investments in LCM Asset Management LLC, GreenOak Real Estate LP and GreenOak related funds or investments.

⁽⁴⁾ Equivalent to Investment in Securities at Fair Value in the US GAAP Financial Statements.

⁽⁵⁾ Includes par amount of loans held directly by TFG and also loan exposures via TFG's investments in CLOs. With respect to CLO investments, calculated as a percentage of total corporate loan assets that TFG has exposure to based on its equity-based pro-rata share of each CLO's total portfolio. All calculations are net of any single name CDS hedges held against that credit.

An investment in TFG involves substantial risks. Please refer to the Company's website at www.tetragoninv.com for a description of the risks and uncertainties pertaining to an investment in TFG.

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

TETRAGON

BOARD OF DIRECTORS

Paddy Dear
Rupert Dorey*

Reade Griffith
David Jeffreys*

Byron Knief*
Greville Ward*

**Independent Director*

SHAREHOLDER INFORMATION

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Channel Islands GY1 6HJ

Investment Manager

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New York, NY 10022
United States of America

General Partner of Investment Manager

Tetragon Financial Management GP LLC
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New York, NY 10022
United States of America

Investor Relations

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Channel Islands GY1 4AN

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New York, NY 10286
United States of America

Issuing Agent, Dutch Paying and Transfer Agent

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1012 VT Amsterdam, The Netherlands

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United Kingdom

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Channel Islands GY1 IWA

Legal Advisor (as to Dutch law)

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Claude Debussylaan 80
1082 MD Amsterdam, The Netherlands

Stock Listing

Euronext Amsterdam by NYSE Euronext

Administrator and Registrar

State Street Guernsey Limited
1st Floor Dorey Court
Admiral Park
St. Peter Port, Guernsey
Channel Islands GY1 6HJ

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ENDNOTES

(1) TFG invests substantially all of 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) This Performance Report constitutes TFG's interim management statement as required pursuant to Section 5:25e 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).

(3) The LCM I, LCM II, LCM III, LCM IV, LCM V, LCM VI, LCM VIII, and LCM IX 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. 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.

(4) The hurdle rate is reset each quarter using 3M USD LIBOR plus a spread of 2.647858% in accordance with TFG's investment management agreement. Please visit <http://www.tetragoninv.com/tfg/about/investmentmanagerima/> for more details of the calculation of the hurdle rate and the performance fee.

(5) This figure includes the dividend of \$0.10 per share announced on October 27, 2011 with respect to Q3 2011.

(6) Please refer to the TFG press release from October 28, 2010, "Tetragon Financial Group Limited ("TFG") Announces Continuation of its Share Repurchase Program."

(7) Includes only look-through loan exposures through TFG's CLO investments.

(8) The number of deals refers to the number of unique CLO vehicles to which TFG has investment exposure. The number of transactions refers to the number of trades, which may involve multiple investments in the same CLO vehicle and tranche but which occurred at different points in time and/or at different acquisition prices.

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

(10) Based on the most recent trustee reports available for both our U.S. and European CLO investments as of September 30, 2011.

(11) As of September 30, 2011, European CLOs represented approximately 14% of TFG's investment portfolio; approximately 85% of the fair value of TFG's European CLOs and 70%, when measured as a percentage of the total number of European deals, were passing their junior-most O/C tests.

(12) As O/C tests are breached, CLO structures may divert excess interest cash flows away from the equity tranche holders, such as TFG, to pay down the CLO's debt thereby curing the O/C breach via deleveraging. Accordingly, the affected investments ceased to generate cash flows to TFG or are expected to cease generating cash flows on the next applicable payment date. Once enough debt has been repaid to cure the O/C test breach, distributions of excess interest cash to equity holders may resume to the extent not precluded by the investments' realized or unrealized losses.

(13) Morgan Stanley CDO Market Tracker, October 5, 2011; based on a sample of 471 U.S. CLO transactions.

(14) Excess Caa/CCC+ or below rated assets above transaction-specific permitted maximum holding levels are generally haircut in our transactions at market value in U.S. CLOs and recovery rate in European CLOs for purposes of the O/C or interest reinvestment test ratios.

(15) Morgan Stanley CDO Market Tracker, October 5, 2011; based on the lower of Moody's and S&P rating. Furthermore, TFG's investment portfolio includes approximately 14% CLOs with primary exposure to European senior secured loans and such loans are included in the calculation of TFG's average CCC asset holdings.

(16) Weighted by the original USD cost of each transaction.

(17) 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 in the S&P/LCD lagging 12-month U.S. institutional loan default rate discussed in this report. Additionally, TFG recognizes defaults as they are reflected as such within each of TFG's CLO investments. This methodology may result in disparities in the timing of default recognition as compared with the S&P/LCD index, the recognition of names which are not captured as defaults by the S&P/LCD index, and vice versa. Furthermore, TFG's investment portfolio includes approximately 14% of CLOs with primary exposure to European senior secured loans and approximately 16% of CLOs with primary exposure to U.S. Middle Market Loans and the assets of such CLOs are included in the calculation of TFG's corporate default rate, while being largely excluded from the calculation of the S&P/LCD lagging 12-month U.S. institutional loan default rate. As a result of the aforementioned differences, the S&P/LCD index statistics cited herein may not be perfectly comparable to TFG's portfolio.

(18) S&P/LCD News, "Leveraged loan default rate falls in September, but anxiety returns," October 3, 2011.

(19) S&P/LCD News, "Loan prices slide in listless secondary despite burst of repayments," September 29, 2011.

(20) S&P/LSTA Leveraged Lending Review 3Q 2011.

(21) S&P/LCD News, "(EUR) Volatility returns in 3Q11, loan issuance at €9.3B," October 5, 2011.

(22) S&P/LCD News, "(EUR) S&P ELLI posts negative return in September," October 6, 2011.

(23) S&P/LSTA Leveraged Lending Review 3Q 2011.

(24) S&P/LCD News, "Leveraged loan default rate falls in September, but anxiety returns," October 3, 2011.

(25) S&P/LSTA Leveraged Lending Review 2Q 2011.

(26) S&P/LCD News, "Leveraged loan default rate falls in September, but anxiety returns," October 3, 2011.

(27) S&P/LCD News, "Leveraged loan default rate falls in September, but anxiety returns," October 3, 2011.

(28) S&P/LSTA Leveraged Lending Review 3Q 2011.

(29) S&P/LSTA Leveraged Lending Review 3Q 2011.

(30) S&P/LCD News, "Leveraged loan default rate falls in September, but anxiety returns," October 3, 2011.

(31) S&P/LCD News, "(EUR) S&P ELLI: Default rate unchanged at 3.8%," October 10, 2011.

(32) S&P/LCD News, "(EUR) S&P ELLI: Default rate unchanged at 3.8%," October 10, 2011.

(33) S&P/LSTA Leveraged Lending Review 3Q 2011; repayments are estimated for the last week of September 2011.

(34) S&P/LSTA Leveraged Lending Review 3Q 2011.

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- (35) S&P/LSTA Leveraged Lending Review 3Q 2011.
 - (36) S&P/LSTA Leveraged Lending Review 3Q 2011.
 - (37) S&P/LSTA Leveraged Lending Review 3Q 2011.
 - (38) S&P/LSTA Leveraged Lending Review 3Q 2011.
 - (39) S&P/LSTA Leveraged Lending Review 3Q 2011.
 - (40) S&P/LSTA Leveraged Lending Review 3Q 2011.
 - (41) S&P/LSTA Leveraged Lending Review 3Q 2011.
 - (42) S&P/LSTA Leveraged Lending Review 3Q 2011.
 - (43) S&P/LSTA Leveraged Lending Review 3Q 2011.
 - (44) S&P/LSTA Leveraged Lending Review 3Q 2011.
 - (45) Morgan Stanley CDO Market Tracker, October 5, 2011; based on a sample of 471 U.S. CLO transactions.
 - (46) Morgan Stanley CDO Market Tracker, July 5, 2011; based on a sample of 475 U.S. CLO transactions.
 - (47) Morgan Stanley CDO Market Tracker, October 5, 2011; based on a sample of 195 Euro CLO transactions.
 - (48) Morgan Stanley CDO Market Tracker, July 5, 2011; based on a sample of 475 U.S. CLO transactions.
 - (49) Morgan Stanley CDO Market Tracker, October 5, 2011.
 - (50) Morgan Stanley CDO Market Tracker, October 5, 2011.
 - (51) Morgan Stanley CDO Market Tracker, July 5, 2011.
 - (52) Morgan Stanley CDO Market Tracker, October 5, 2011.
 - (53) Morgan Stanley CDO Market Tracker, October 5, 2011.
 - (54) Morgan Stanley CDO Market Tracker, July 5, 2011.
 - (55) Morgan Stanley CDO Market Tracker, October 5, 2011.
 - (56) Morgan Stanley CDO Market Tracker, October 5, 2011.
 - (57) Morgan Stanley CDO Market Tracker, October 5, 2011.
 - (58) Morgan Stanley CDO Market Tracker, October 5, 2011.
 - (59) S&P/LCD News, "Leveraged loan default rate falls in September, but anxiety returns," October 3, 2011.

UNAUDITED CONSOLIDATED QUARTERLY REPORT

TETRAGON FINANCIAL GROUP LIMITED

**FOR THE PERIOD ENDED 30 SEPTEMBER 2011 AND FOR THE PERIOD
ENDED 30 SEPTEMBER 2010**

TETRAGON FINANCIAL GROUP LIMITED
UNAUDITED CONSOLIDATED QUARTERLY REPORT
FOR THE PERIOD ENDED 30 SEPTEMBER 2011 AND FOR THE PERIOD
ENDED 30 SEPTEMBER 2010

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TETRAGON FINANCIAL GROUP LIMITED
CONSOLIDATED STATEMENTS OF ASSETS AND LIABILITIES
As at 30 September 2011 (unaudited)

	30 Sep 2011 US\$	31 Dec 2010 US\$
Assets		
Investment in Master Fund	1,434,334,569	1,180,537,381
Amounts receivable from Master Fund	475,322	-
Total assets	<u>1,434,809,891</u>	<u>1,180,537,381</u>
Liabilities		
Accrued incentive fee	19,162,342	41,532,519
Amounts payable on Share options	1,575,185	1,458,368
Amounts payable on Treasury Shares	475,322	-
Total liabilities	<u>21,212,849</u>	<u>42,990,887</u>
Net assets	<u><u>1,413,597,042</u></u>	<u><u>1,137,546,494</u></u>
Equity		
Share capital	117,234	120,134
Share premium	1,136,422,225	1,157,051,372
Capital reserve in respect of Share options	11,789,336	11,789,336
Earnings	265,268,247	(31,414,348)
	<u>1,413,597,042</u>	<u>1,137,546,494</u>
Shares outstanding	Number	Number
Shares	117,234,071	120,133,690
Net asset value per Share		
Shares	US\$12.06	US\$9.47

TETRAGON FINANCIAL GROUP LIMITED
CONSOLIDATED STATEMENTS OF OPERATIONS
For the period ended 31 September 2011 and for the period
ended 30 September 2010 (unaudited)

	Quarter Ended 30 Sept 2011 US\$	Quarter Ended 30 Sep 2010 US\$	9 Months Ended 30 Sep 2011 US\$	9 Months Ended 30 Sep 2010 US\$
Investment income allocated from the Master Fund				
Interest income	53,559,215	45,808,353	153,964,520	132,473,343
CLO management fee income	4,438,414	3,064,101	12,093,806	9,242,906
Other income	818,633	537,232	3,839,895	1,116,590
Investment income allocated from the Master Fund	58,816,262	49,409,686	169,898,221	142,832,839
Direct expenses				
Incentive fee	(19,162,343)	(39,280,873)	(100,889,954)	(78,005,136)
Total direct expenses	(19,162,343)	(39,280,873)	(100,889,954)	(78,005,136)
Operating expenses allocated from the Master Fund				
Management fees	(5,184,223)	(3,508,998)	(14,578,700)	(10,016,961)
Legal and professional fees	(6,135,317)	(443,667)	(10,844,176)	(1,142,382)
Employee costs	(1,684,849)	(1,615,778)	(4,743,890)	(4,470,302)
Administration and custodian fees	(253,716)	(185,737)	(754,999)	(573,951)
Directors' fees	(75,000)	(50,000)	(225,000)	(150,000)
Audit fees	(60,350)	(60,350)	(181,050)	(181,050)
Market data fees	(61,896)	-	(141,777)	-
Other operating and administrative expenses	(724,826)	(359,449)	(1,899,473)	(696,322)
Total operating expenses allocated from the Master Fund	(14,180,177)	(6,223,979)	(33,369,065)	(17,230,968)
Total operating expenses	(33,342,520)	(45,504,852)	(134,259,019)	(95,236,104)
Net investment income	25,473,742	3,904,834	35,639,202	47,596,735
Net increase/(decrease) in unrealized depreciation on:				
Share options	2,084,721	-	(116,817)	-
Net increase/(decrease) in unrealized depreciation arising from direct operations	2,084,721	-	(116,817)	-

TETRAGON FINANCIAL GROUP LIMITED
CONSOLIDATED STATEMENTS OF OPERATIONS (continued)
For the period ended 30 September 2011 and for the period
ended 30 September 2010 (unaudited)

	Quarter Ended 30 Sep 2011 US\$	Quarter Ended 30 Sep 2010 US\$	9 Months Ended 30 Sep 2011 US\$	9 Months Ended 30 Sep 2010 US\$
Net realized and unrealized gain / (loss) from investments and foreign currency allocated from the Master Fund				
Net realized gain/(loss) from:				
Investments	11,710	259,322	564,311	520,626
Foreign currency transactions	1,299,813	3,305,021	(3,783,520)	7,656,715
	<u>1,311,523</u>	<u>3,564,343</u>	<u>(3,219,209)</u>	<u>8,177,341</u>
Net increase / (decrease) in unrealized (depreciation) / appreciation on:				
Investments	48,479,176	124,489,521	300,208,465	207,170,572
Forward foreign exchange contracts	11,496,683	(10,122,026)	7,321,326	(6,350,576)
Interest rate swaptions	(8,122,620)	-	(7,050,012)	-
Translation of assets and liabilities in foreign currencies	(11,783,416)	3,860,540	1,769,198	(309,436)
	<u>40,069,823</u>	<u>118,228,035</u>	<u>302,248,977</u>	<u>200,510,560</u>
Net realized and unrealized gain from investments and foreign currencies allocated from the Master Fund	<u>41,381,346</u>	<u>121,792,378</u>	<u>299,029,768</u>	<u>208,687,901</u>
Net increase in net assets resulting from operations before income tax	<u>68,939,809</u>	<u>125,697,212</u>	<u>334,552,153</u>	<u>256,284,636</u>
Income and deferred tax expense	(1,088,848)	(347,770)	(3,031,490)	(2,029,530)
Net income	<u>67,850,961</u>	<u>125,349,442</u>	<u>331,520,663</u>	<u>254,255,106</u>
Less net income attributable to noncontrolling interest	(544,790)	(341,541)	(1,446,522)	(1,129,274)
Net increase in net assets resulting from operations	<u>67,306,171</u>	<u>125,007,901</u>	<u>330,074,141</u>	<u>253,125,832</u>
Earnings per Share				
Basic	US\$ 0.57	US\$1.03	US\$ 2.77	US\$ 2.06
Diluted	US\$ 0.57	US\$1.03	US\$ 2.77	US\$ 2.06
Weighted average Shares outstanding				
Basic	118,044,502	121,506,094	119,060,822	122,761,831
Diluted	118,044,502	121,506,094	119,060,822	122,761,831

TETRAGON FINANCIAL GROUP LIMITED
CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
For the period ended 30 September 2011 and for the period
ended 30 September 2010 (unaudited)

	9 Months ended 30 Sep 2011 US\$	9 Months ended 30 Sep 2010 US\$
Investment income	169,898,221	142,832,839
Operating expenses	(134,259,019)	(95,236,104)
Net unrealized depreciation on Share options	(116,817)	-
Net realized (loss)/gain from investments and foreign currencies allocated from the Master Fund	(3,219,209)	8,177,341
Net unrealized gain from investments and foreign currencies allocated from the Master Fund	302,248,977	200,510,560
Income and deferred tax expense	(3,031,490)	(2,029,530)
Income attributable to noncontrolling interest	(1,446,522)	(1,129,274)
Net increase in net assets resulting from operations	330,074,141	253,125,832
Dividends paid to shareholders	(33,391,546)	(24,547,631)
Issue of Shares	5,657,952	3,665,805
Treasury Shares	(26,289,999)	(20,464,939)
Decrease in net assets resulting from net Share transactions	(20,632,047)	(16,799,134)
Total increase in net assets	276,050,548	211,779,067
Net assets at start of period	1,137,546,494	806,846,805
Net assets at end of period	1,413,597,042	1,018,625,872

TETRAGON FINANCIAL GROUP LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the period ended 30 September 2011 and for the period
ended 30 September 2010 (unaudited)

	9 months ended 30 Sep 2011 US\$	9 months ended 30 Sep 2010 US\$
Operating activities		
Net increase in net assets resulting from operations	330,074,141	253,125,832
Adjustments for:		
Net unrealized depreciation on Share options	116,817	-
Net unrealized appreciation on investments in Master Fund	(253,797,188)	(221,278,068)
Operating cash flows before movements in working capital	76,393,770	31,847,764
Increase in receivables	(475,322)	(98,561)
(Decrease)/ increase in payables	(21,894,855)	9,597,562
Net cash provided by operating activities	54,023,593	41,346,765
Financing activities		
Issue of Shares	5,657,952	3,665,805
Treasury Shares	(26,289,999)	(20,464,939)
Dividends paid to shareholders	(33,391,546)	(24,547,631)
Net cash used in financing activities	(54,023,593)	(41,346,765)
Net increase in cash and cash equivalents	-	-
Cash and cash equivalents at beginning of period	-	-
Cash and cash equivalents at end of period	-	-

UNAUDITED CONSOLIDATED QUARTERLY REPORT

TETRAGON FINANCIAL GROUP MASTER FUND LIMITED

**FOR THE PERIOD ENDED 30 SEPTEMBER 2011 AND FOR THE PERIOD
ENDED 30 SEPTEMBER 2010**

TETRAGON FINANCIAL GROUP MASTER FUND LIMITED
UNAUDITED CONSOLIDATED QUARTERLY REPORT
FOR THE PERIOD ENDED 30 SEPTEMBER 2011 AND FOR THE PERIOD
ENDED 30 SEPTEMBER 2010

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TETRAGON FINANCIAL GROUP MASTER FUND LIMITED
CONSOLIDATED STATEMENTS OF ASSETS AND LIABILITIES
As at 30 September 2011 (unaudited)

	30 Sep 2011 US\$	31 Dec 2010 US\$
Assets		
Investments, at fair value	1,256,031,962	1,035,278,679
Intangible assets – CLO management contracts	135,083	210,301
Cash and cash equivalents	155,610,099	140,625,333
Amounts due from brokers	11,195,118	4,285,552
Derivative financial assets – forward contracts	10,205,305	2,883,979
Derivative financial assets – interest rate swaptions	10,769,988	-
Amounts receivable on sale of investments	-	8,848,210
Other receivables	2,666,992	1,737,490
Total assets	<u>1,446,614,547</u>	<u>1,193,869,544</u>
Liabilities		
Amounts payable for purchase of investments	-	7,422,999
Amounts payable to Feeder	475,322	-
Other payables and accrued expenses	10,126,707	4,150,673
Income tax payable	742,292	296,854
Deferred tax liability	655,880	92,995
Total liabilities	<u>12,000,201</u>	<u>11,963,521</u>
Net assets	<u>1,434,614,346</u>	<u>1,181,906,023</u>
Equity		
Share capital	117,234	120,134
Share premium	1,095,645,309	1,116,274,456
Earnings	338,572,026	64,142,791
Total equity attributable to Master Fund	<u>1,434,334,569</u>	<u>1,180,537,381</u>
Noncontrolling interest	279,777	1,368,642
Total shareholders equity	<u>1,434,614,346</u>	<u>1,181,906,023</u>
Shares outstanding	Number	Number
Shares	117,234,071	120,133,690
Net asset value per Share*		
Shares	US\$12.23	US\$9.83

*calculated by dividing Total equity attributable to Master Fund by Shares outstanding.

TETRAGON FINANCIAL GROUP MASTER FUND LIMITED
CONSOLIDATED STATEMENTS OF OPERATIONS
For the period ended 30 September 2011 and for the period
ended 30 September 2010 (unaudited)

	Quarter ended 30 Sep 2011 US\$	Quarter ended 30 Sep 2010 US\$	9 Months ended 30 Sep 2011 US\$	9 Months ended 30 Sep 2010 US\$
Interest income	53,559,215	45,808,353	153,964,520	132,473,343
CLO management fee income	4,438,414	3,064,101	12,093,806	9,242,906
Other income	818,633	537,232	3,839,895	1,116,590
Investment income	58,816,262	49,409,686	169,898,221	142,832,839
Management fees	(5,184,223)	(3,508,998)	(14,578,700)	(10,016,961)
Legal and professional fees	(6,135,317)	(443,667)	(10,844,176)	(1,142,382)
Employee costs	(1,684,849)	(1,615,778)	(4,743,890)	(4,470,302)
Administration and custodian fees	(253,716)	(185,737)	(754,999)	(573,951)
Directors' fees	(75,000)	(50,000)	(225,000)	(150,000)
Audit fees	(60,350)	(60,350)	(181,050)	(181,050)
Market data fees	(61,896)	-	(141,777)	-
Other operating and administrative expenses	(724,826)	(359,449)	(1,899,473)	(696,322)
Operating expenses	(14,180,177)	(6,223,979)	(33,369,065)	(17,230,968)
Net investment income	44,636,085	43,185,707	136,529,156	125,601,871
Net realized and unrealized gain / (loss) from investments and foreign currency				
Net realized gain/(loss) from:				
Investments	11,710	259,322	564,311	520,626
Foreign currency transactions	1,299,813	3,305,021	(3,783,520)	7,656,715
	1,311,523	3,564,343	(3,219,209)	8,177,341
Net increase / (decrease) in unrealized appreciation / (depreciation) on:				
Investments	48,479,176	121,286,739	300,208,465	207,170,572
Forward foreign exchange contracts	11,496,683	(10,122,026)	7,321,326	(6,350,576)
Interest rate swaptions	(8,122,620)	-	(7,050,012)	-
Translation of assets and liabilities in foreign currencies	(11,783,416)	7,063,322	1,769,198	(309,436)
	40,069,823	118,228,035	302,248,977	200,510,560
Net realized and unrealized gain from investments and foreign currency	41,381,346	121,792,378	299,029,768	208,687,901

TETRAGON FINANCIAL GROUP MASTER FUND LIMITED
CONSOLIDATED STATEMENTS OF OPERATIONS (continued)
For the period ended 30 September 2011 and for the period
ended 30 September 2010 (unaudited)

	Quarter ended 30 Sep 2011 US\$	Quarter ended 30 Sep 2010 US\$	9 Months ended 30 Sep 2011 US\$	9 Months ended 30 Sep 2010 US\$
Net increase in net assets resulting from operations before tax	86,017,431	164,978,085	435,558,924	334,289,772
Income and deferred tax expense	(1,088,848)	(347,770)	(3,031,490)	(2,029,530)
Net income	84,928,583	164,630,315	432,527,434	332,260,242
Less net income attributable to noncontrolling interest	(544,790)	(341,541)	(1,446,522)	(1,129,274)
Net increase in net assets resulting from operations	84,383,793	164,288,774	431,080,912	331,130,968

TETRAGON FINANCIAL GROUP MASTER FUND LIMITED
CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

**For the period ended 30 September 2011 and for the period
ended 30 September 2010 (unaudited)**

	9 Months ended 30 Sep 2011 US\$	9 Months ended 30 Sep 2010 US\$
Investment income	169,898,221	142,832,839
Operating expenses	(33,369,065)	(17,230,968)
Net realized (loss)/gain from investments and foreign currency	(3,219,209)	8,177,341
Net unrealized appreciation on investments and translation of assets and liabilities in foreign currencies	302,248,977	200,510,560
Income and deferred tax expense	(3,031,490)	(2,029,530)
Income attributable to noncontrolling interests	(1,446,522)	(1,129,274)
Net increase in net assets resulting from operations	<u>431,080,912</u>	<u>331,130,968</u>
Dividends paid to Feeder	(123,260,131)	(68,506,135)
Dividends paid to shareholders	(33,391,546)	(24,547,631)
Decrease in net assets resulting from dividends	<u>(156,651,677)</u>	<u>(93,053,766)</u>
Issue of Shares	5,657,952	3,665,805
Treasury Shares	(26,289,999)	(20,464,939)
Decrease in net assets resulting from net Share transactions	<u>(20,632,047)</u>	<u>(16,799,134)</u>
Total increase in net assets	253,797,188	221,278,068
Net assets at start of period	1,181,906,023	836,628,677
Net assets before noncontrolling interest	<u>1,435,703,211</u>	<u>1,057,906,745</u>
Net (decrease)/increase in noncontrolling interest	(1,088,865)	1,109,484
Net assets at end of period after noncontrolling interest	<u>1,434,614,346</u>	<u>1,059,016,229</u>

TETRAGON FINANCIAL GROUP MASTER FUND LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the period ended 30 September 2011 and for the period
ended 30 September 2010 (unaudited)

	9 months ended 30 Sep 2011 US\$	9 months ended 30 Sep 2010 US\$
Operating activities		
Net income	432,527,434	332,260,242
Adjustments for:		
Realized gain on investments	(564,311)	(520,626)
Cash received on investments in excess of interest income	148,086,426	54,806,606
Accumulated amortization on intangible assets	75,709	67,296
Unrealized gains	(302,248,977)	(200,510,560)
Deferred tax	562,885	249,430
Operating cash flows before movements in working capital	278,439,166	186,352,388
Increase in receivables	(929,502)	(1,281,257)
Increase in payables	6,896,794	2,420,867
Cash flows from operations	284,406,458	187,491,998
Proceeds from sale/prepayment/maturity of investments	112,501,365	15,694,824
Purchase of investments	(195,130,307)	(77,222,920)
Purchase of CLO management contracts	-	(302,834)
Net cash provided by operating activities	201,777,516	125,661,068
Financing activities		
Amounts due from brokers	(6,909,566)	(2,411,650)
Proceeds from issue of Shares	5,657,952	3,665,805
Treasury Shares	(26,289,999)	(20,464,939)
Dividends paid to shareholders	(33,391,546)	(24,547,631)
Dividends paid to Feeder	(123,260,131)	(68,506,135)
Distributions paid to noncontrolling interest	(2,535,151)	-
Net cash used in financing activities	(186,728,441)	(112,264,550)
Net increase in cash and cash equivalents	15,049,075	13,396,518
Cash and cash equivalents at beginning of period	140,625,333	174,352,827
Effect of exchange rate fluctuations on cash and cash equivalents	(64,309)	114,269
Cash and cash equivalents at end of period	155,610,099	187,863,614