TETRAGON

TETRAGON FINANCIAL GROUP LIMITED (TFG)

PERFORMANCE REPORT FOR PERIOD ENDED 31 DECEMBER 2011

January 31, 2012

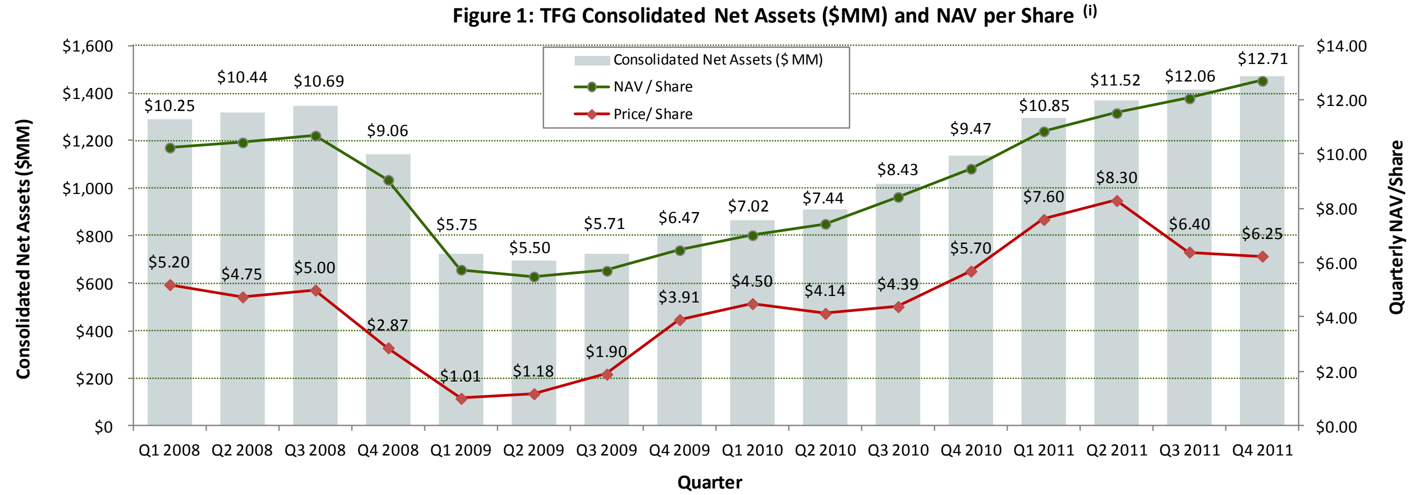
Tetragon Financial Group Limited (TFG) is a Guernsey closed-ended investment company traded on Euronext Amsterdam by NYSE Euronext under the ticker symbol "TFG." (1) In this report we provide an update on TFG's results of operations for the period ending December 31, 2011. Please note that the Q4 2011 dividend announcement and accompanying capital distributions data, among other information, will be disclosed in the 2011 Annual Report expected to be published along with 2011 annual audited financial statements on or around March 6, 2012.

❖ **Executive Summary**:

Corporate-Level Results

- Operating Results: The company generated EPS of $0.69 (Q3 2011: $0.57 EPS), consolidated net income of $80.3 million (Q3 2011: consolidated net income of $67.3 million) and grew consolidated net assets to $1,474.4 million or $12.71 per share (Q3 2011: consolidated net assets of $1,413.6 million or $12.06 per share). Certain modeling assumption and discount rate changes, which are described in more detail later in this document, contributed approximately $11.7 million to net income, or EPS of $0.10. Please refer to *Figure 1* below for a historical summary of TFG's Net Assets, NAV per share and share price.

Figure 1: TFG Consolidated Net Assets ($MM) and NAV per Share (i)



(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: Cash flows from TFG's CLO investments continued to grow in Q4 2011, totaling $113.2 million (Q3 2011: $105.1 million). The cash balance on December 31, 2011 was $211.5 million, up from $155.6 million as of the end of the prior quarter. In addition, TFG held approximately $107.1 million in market value of liquid U.S. leveraged loans as of the end of the year, down slightly from $110.3 million as of the end of Q3 2011.

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❖ <u>**Executive Summary (continued)**</u>:

Investment Portfolio Performance Highlights

- <u>CLO Collateral Performance</u>: TFG's CLO average portfolio statistics continued to outperform market-wide default and CCC-asset holding averages, as credit quality improved during the quarter.

- <u>CLO IRRs</u>: The weighted-average IRR of TFG's CLO equity investments rose to 17.6% at the end of Q4 2011, up from 16.8% at the end of Q3 2011. This reflected, among other factors, certain changes in TFG's modeling assumptions (please refer to pages 9-13 of this document for additional information) as well as continued structural strength and improving excess interest margins of certain of our CLOs' underlying investments. Please refer to *Figure 2* below for a historical summary of the weighted-average IRR on TFG's CLO equity investments.

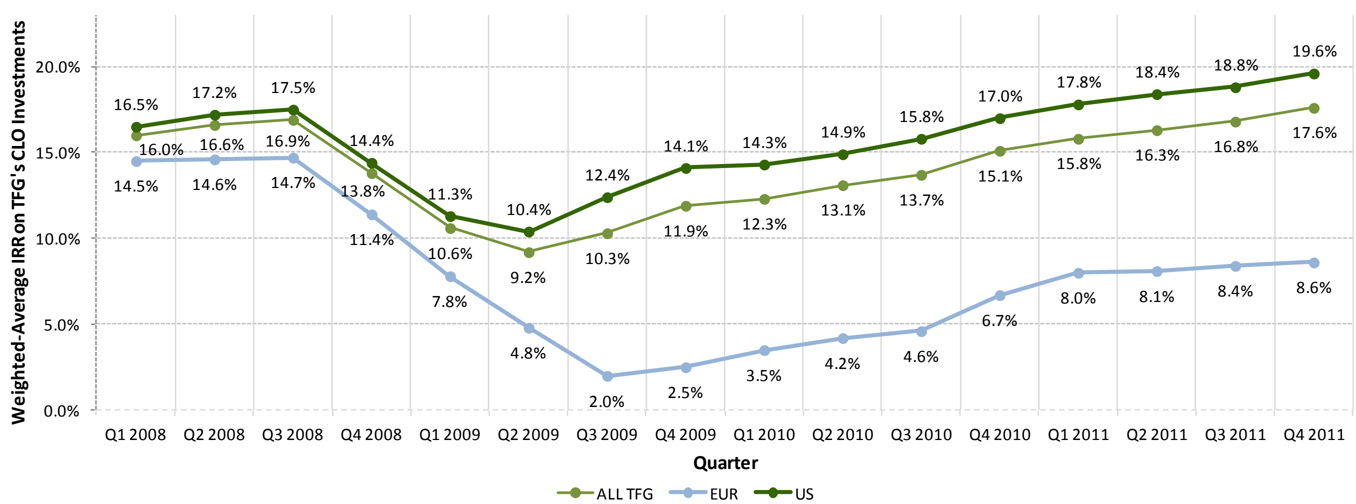

Figure 2: Weighted-Average IRR on TFG's CLO Investments (i)

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

- <u>New CLO Equity Investments</u>: During Q4 2011, we invested approximately $14.5 million in the equity tranche of a new issue CLO managed by a third-party investment manager already represented within TFG's existing CLO portfolio. Consistent with aspects of our current investment strategy, this investment represented a majority of the CLO equity tranche. During the course of Q4 2011 we also made a secondary add-on purchase of approximately $1.9 million of an equity tranche of an existing TFG U.S. CLO.

- <u>New CLO Mezzanine Debt Investments</u>: Early in Q1 2012, we invested approximately $1.1 million in a mezzanine debt tranche of a U.S. CLO already represented within TFG's CLO equity portfolio.(2) We believe that certain mezzanine debt tranches may offer attractive risk-adjusted returns given their credit enhancement levels, potential for price appreciation in light of improving credit quality, end of CLOs' reinvestment periods, and rating upgrades, as well as the favorable impact of early optional redemptions. While historically we have focused exclusively on the equity tranches of CLOs, we may seek to make similar opportunistic mezzanine debt investments if and when appropriate.

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- **Executive Summary (continued)**:

  - Direct Loan Investments: TFG held direct loans with a fair value of $107.1 million at the end of Q4 2011, down from $110.3 million as of the end of the prior quarter, as the company realized some positions. The direct loan portfolio performed well during this period, experiencing no defaults or downgrades and benefiting from market value gains.

Asset Management Platform

- LCM: LCM continued to perform well during Q4 2011, with all of LCM Cash Flow CLOs [3] continuing to pay senior and subordinated management fees. As of the end of the year, total loan assets under management were approximately $3.4 billion, unchanged from the prior quarter.

- GreenOak: GreenOak continues to build its team and execute on its business growth strategy.

Performance Fee

A performance fee of $23.2 million was accrued in Q4 2011 in accordance with TFG's investment management agreement and based on a "Reference NAV" of Q3 2011. The hurdle rate for Q1 2012 incentive fee has been reset at 3.2304% (Q4 2011: 3.0255%) as per the process outlined in TFG's 2010 Audited Financial Statements and in accordance with TFG's investment management agreement.[4]

- **Investment Portfolio Performance Details**:

  - **CLO Portfolio Size:** As of the end of Q4 2011, the estimated total fair value of TFG's CLO equity investment portfolio was approximately $1,147.4 million (consisting of $1,024.0 million of U.S. investments and $123.4 million of European investments), up from approximately $1,138.6 million as of the end of the prior quarter ($984.6 million of U.S. investments and $154.0 million of European investments). TFG's total indirect exposure to leveraged loans through its CLO equity investments was approximately $18.4 billion as of the end of Q4 2011.[5]

  - **CLO Portfolio Composition:** With the additional investments made during the fourth quarter, the CLO equity portfolio increased to 77 transactions as of the end of Q4 2011, up from 75 as of the end of the prior quarter. For the same period, the number of deals in the portfolio increased to 68 from 67 as of the end of the prior quarter. The number of external CLO managers remained unchanged from Q3 2011, at 27.[6]

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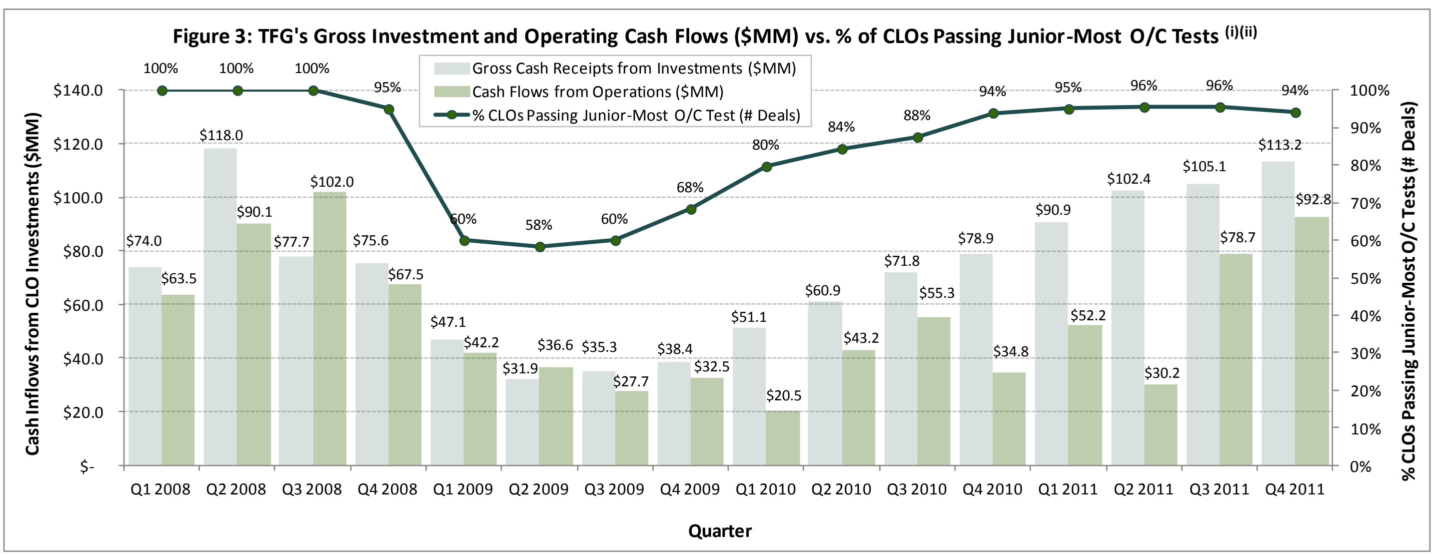
❖ **Investment Portfolio Performance Details (continued):**

- **CLO Collateral Performance:** As of the end of Q4 2011, approximately 97% of TFG's CLO equity investments were passing their junior-most O/C tests, weighted by fair value, down from 98% as of the end of Q3 2011.(7) Similarly, 64, or approximately 94%, of the company's CLO equity investments were passing their junior-most O/C tests as of the end of Q4 2011, compared to 64, or approximately 96% as of the end of Q3 2011. (8)

  TFG's U.S. CLOs performed well during the quarter with 100% of them by fair value and 100% by number passing their junior-most O/C tests (note that U.S. CLOs represented approximately 89.2% of the total fair value of TFG's CLO equity investment portfolio as of December 31, 2011).(9)(10) In comparison, the market-wide average of U.S. CLOs estimated to be passing their junior O/C tests as of the end of Q4 2011 was approximately 93.9% (when measured on a percentage of transactions basis).(11) Please refer to *Figure 3* below for a historical summary of TFG's investments' 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 transactions 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.

- **CLO Portfolio Credit Quality:** As of December 31, 2011, the weighted-average percentage of corporate obligors rated Caa1/CCC+ or below across all of TFG's CLO equity investments was 7.0% compared to an approximate 7.8% weighted-average maximum level permitted under the terms of our investments.(12) For TFG's U.S. CLO equity investments, the weighted-average percentage of CCC assets was 5.5%, with a weighted-average maximum permitted level of 8.4%. In comparison, the market-wide median CCC asset holdings of U.S. CLOs was estimated to be approximately 7.7% as of the end of Q4 2011.(13) TFG's European CLO equity investments saw average CCC holdings of 12.3% as of the end of 2011, against a 5.7% weighted-average permitted level.

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❖ **Investment Portfolio Performance Details (continued):**

- **CLO Portfolio Credit Quality (continued):** The weighted-average WARF across all of TFG's CLO equity investments stood at approximately 2,624 as of the end of Q4 2011. Weighted-average WARF levels for U.S. and European deals were 2,533 and 2,948 respectively. Each of these foregoing statistics represents a weighted-average summary of all of our 68 deals.[14] Each individual deal's metrics will differ from these averages and vary across the portfolio.

ALL CLOs	Q4 2011	Q3 2011	Q2 2011	Q1 2011	Q4 2010	Q3 2010	Q2 2010	Q1 2010	Q4 2009	Q3 2009	Q2 2009	Q1 2009	Q4 2008
Caa1/CCC+ or Below Obligors:	7.0%	7.0%	7.2%	7.6%	8.3%	9.6%	10.5%	11.1%	12.0%	12.6%	11.6%	11.4%	7.6%
WARF:	2,624	2,614	2,642	2,664	2,671	2,658	2,706	2,762	2,809	2,813	2,800	2,758	2,577

US CLOs	Q4 2011	Q3 2011	Q2 2011	Q1 2011	Q4 2010	Q3 2010	Q2 2010	Q1 2010	Q4 2009	Q3 2009	Q2 2009	Q1 2009	Q4 2008
Caa1/CCC+ or Below Obligors:	5.5%	5.5%	5.8%	6.5%	6.9%	7.9%	8.4%	9.4%	12.0%	12.8%	11.9%	12.1%	8.6%
WARF:	2,533	2,522	2,542	2,591	2,622	2,610	2,648	2,719	2,799	2,824	2,831	2,810	2,630

EUR CLOs	Q4 2011	Q3 2011	Q2 2011	Q1 2011	Q4 2010	Q3 2010	Q2 2010	Q1 2010	Q4 2009	Q3 2009	Q2 2009	Q1 2009	Q4 2008
Caa1/CCC+ or Below Obligors:	12.3%	12.0%	12.3%	11.4%	13.1%	15.3%	17.4%	16.8%	15.6%	12.0%	10.8%	8.8%	4.1%
WARF:	2,948	2,941	2,997	2,914	2,837	2,817	2,898	2,907	2,845	2,779	2,696	2,587	2,403

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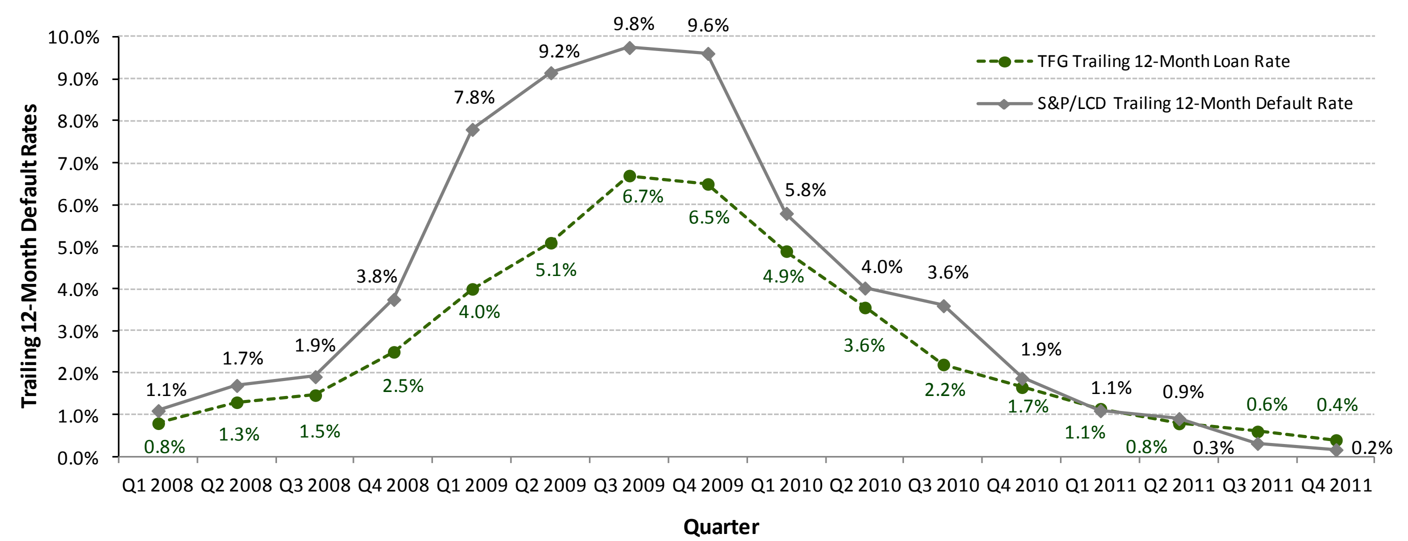
❖ **Investment Portfolio Performance Details (continued):**

- **TFG and Market Default Rates:** TFG's lagging 12-month corporate loan default rate decreased to 0.4% during the fourth quarter.[15] Drilling down by geography, TFG's U.S. CLO equity investments registered a lagging 12-month default rate of 0.3%, with European CLO equity investments at 1.0%. By comparison, the lagging 12-month U.S. institutional loan default rate fell to 0.2% by principal amount as of December 31, 2011, according to S&P/LCD, down from approximately 0.3% during the prior quarter. [16] The lagging 12-month default rate for the S&P European Leveraged Loan Index (ELLI) stood at 4.1% as of the end of December 31, 2011. [17] Please refer to *Figure 4* below for a historical summary of TFG's CLO equity investments' default performance.

Figure 4: TFG and U.S. Market-Wide Trailing 12-Month Default Rates (i)(ii)



(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 CLO equity investment portfolio includes approximately 10.8% 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.

- **Direct Loan Investments:** As of December 31, 2011, TFG owned liquid U.S. bank loans with an aggregate par amount of approximately \$111.1 million and total fair value of \$107.1 million. The underlying businesses performed well during the quarter, with the loan portfolio trading up to approximately 96% of par from an average price of 94% of par, and with no defaults registered in the portfolio. For the quarter, there were net realized gains of approximately \$0.3 million bringing the year-to-date net realized gains to approximately \$0.9 million. In addition, the portfolio earned \$1.5 million of interest income and discount premium during the fourth quarter, bringing this year's total to \$5.8 million.

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❖ **Investment Portfolio Performance Details (continued):**

- **Real Estate Investments:** TFG has funded a small portion of its investment capital commitments to GreenOak's investment projects, totaling approximately $2.4 million from inception through the end of Q4 2011 to finance recent investments in Japan and the U.S.

❖ **Asset Management Platform Details:**

- **LCM Developments**: LCM's operating results and financial performance remained strong throughout Q4 2011, with all senior and subordinated CLO management fees on LCM Cash Flow CLOs current as of December 31, 2011. Taking into account all LCM-managed vehicles, the gross income for Q4 2011 for LCM totaled $4.3 million, compared to an average quarterly fee 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								
	Q4 2011	Q3 2011	Q2 2011	Q1 2011	Q4 2010	Q3 2010	Q2 2010	Q1 2010
Gross Fee Income ($MM)	$4.3	$4.4	$3.9	$3.8	$3.4	$3.0	$2.9	$3.3
Pre-tax Income ($MM)	$2.2	$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. The company has had its first closing of a U.S. fund and expects a closing in a Japanese fund in Q1 2012.

  We continue to seek to grow and expand our asset management businesses and capabilities as we further our efforts to transition the company to a broadly diversified financial services firm that benefits from diverse income streams. We continue to review potential market opportunities in this regard and would seek to potentially make significant progress in these efforts in 2012.

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❖ <u>**Loan and CLO Market Developments**</u>:

- **U.S. leveraged loan default rate remains near historical lows:** The U.S. lagged 12-month loan default rate fell to 0.17% by principal amount as of December 31, 2011, down from 0.32% in the prior quarter and down from 1.87% as of the end of Q4 2010.(18)
- **U.S. and European loan prepayments return toward historical averages:** During Q4 2011, the U.S. S&P/LSTA Leveraged Loan Index quarterly repayment rate declined to 4.1% from 7.0% during the prior quarter, on the heels of reduced loan and bond take-out activity.(19) In Europe, the Q4 2011 S&P European Leveraged Loan Index quarterly repayment rate also declined to €7.8 billion, down from an average of approximately €10.0 billion repaid in each of the preceding three quarters. (20)
- **Loan indices register positive returns despite intra-period volatility:** U.S. secondary loan prices rose at the end of Q4 2011 resulting in a 1.52% U.S. S&P/LSTA Leveraged Loan Index return for 2011.(21) In Europe, the weighted-average bid of the S&P European Leveraged Loan Index ("ELLI") declined approximately 66 bps to €84.3 at the end of Q4 2011 vs. Q3 2011, although the ELLI returned a modest 0.36% for the year (excluding currency effects). (22)
- **"Maturity wall" reduction continues albeit at a reduced pace:** During Q4 2011, U.S. S&P/LSTA Index issuers reduced or extended approximately $15.8 billion or 10.2% of loan maturities due by the end of 2014, down from approximately $23.0 billion or 12.9% in Q3 2011. (23)
- **Primary loan issuance volumes significant but below Q3 2011:** Institutional U.S. loan issuance during Q4 2011 totaled $26.0 billion, down from approximately $28.0 billion in Q3 2011.(24) European primary loan issuance also decreased quarter-over-quarter, with €6.4 billion of leveraged loans issued in Q4 2011, compared with €9.5 billion during Q3 2011.(25)
- **O/C ratios improve in the U.S. but decline slightly in Europe:** During Q4 2011, O/C ratios of U.S. CLOs strengthened on average. According to Morgan Stanley, the median junior O/C test cushion for U.S. CLOs increased to 3.88% as of December 31, 2011, (26) up from 3.75% as of the end of the prior quarter.(27) The median junior O/C test cushion for European CLOs, however, decreased to 1.76% as of the end of Q4 2011, (28) down from 1.79% as of the end of Q3 2011. (29)
- **Arbitrage CLO new issuance market activity picks up:** U.S. arbitrage-driven CLO issuance accelerated during Q4 2011 as ten transactions totaling $4.3 billion were priced, up from six deals totaling $2.4 billion issued during Q3 2011. (30)
- **U.S. CLO equity continues strong performance:** U.S. CLO equity tranches saw continued robust distributions, as CLOs benefitted from low defaults, the increasing prevalence of LIBOR floors, and the ability of managers to build excess spread and par via below-par reinvestments, among other factors.
- **CLO debt prices post quarter-on-quarter gains**: Average secondary U.S. CLO debt prices rose at the end of Q4 2011 versus the prior quarter with the exception of originally AA-rated bonds which declined $2-3 points.(31)

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

- In accordance with the company's valuation policies as 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.

- Fundamentally, the valuation process involves two stages:

  (1) In stage one, future cash flows for each transaction in the CLO equity portfolio are modeled, using a market-standard modeling tool into which the applicable latest transaction details are loaded, and to which the base case assumptions are added.

  (2) 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 equity portfolio performing well in a generally benign credit environment, the IRRs on TFG's CLO equity 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 observable in the marketplace during and since the financial crisis, among other factors, this effective discount rate used to derive fair value has typically been higher than each transaction's IRR 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 equity portfolio, has been characterized as the "ALR Fair Value Adjustment" or "ALR."

- During Q4 2011, evidence of widening differences in expectations for performance outcomes of U.S. and European CLOs continued to mount, reflecting, among other factors, diverging economic outlooks for the U.S. and Europe, elevated market volatility and corresponding differences in investor appetite with respect to certain investment risks. As a result, it was deemed appropriate to reflect these differences via:

  (1) Adjustments to certain of the forward looking average modeling assumptions for U.S. CLO deals, and

  (2) Adjustments to the discount rates applied to the modeled cash flows for European deals.

  These recalibrations are described in more detail below.

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❖ **Forward-looking CLO Equity Cash Flow Modeling Assumptions Recalibrated in Q4 2011:**

- The Investment Manager reviews, and adjusts in consultation with the company's audit committee, as appropriate, the CLO equity investment portfolio's modeling assumptions to factor in historic, current and potential market developments on the performance of TFG's CLO equity investments as described above. At the end of Q4 2011, certain assumptions for U.S. deals were recalibrated, based on, among other factors, certain observable data with respect to defaults and reinvestment prices.

  The key average assumption variables have been summarized in the table below and discussed on the following pages. 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. Previously, these modeling assumptions had been shown on an average aggregated portfolio level (again with individual deals varying across the portfolio).

U.S. CLOs – Default and Reinvestment Prices Recalibrated

Variable	Year	Current Assumptions	Prior Assumptions
CADR			
	2012-2013	1.0x WARF-implied default rate (2.2%)	1.5x WARF-implied default rate (3.3%)
	2014	1.5x WARF-implied default rate (3.3%)	1.5x WARF-implied default rate (3.3%)
	2015-2016	1.5x WARF-implied default rate (3.3%)	1.0x WARF-implied default rate (2.2%)
	Thereafter	1.0x WARF-implied default rate (2.2%)	1.0x WARF-implied default rate (2.2%)
Recovery Rate			
	Until deal maturity	72%	72%
Prepayment Rate			
	Until deal maturity	20.0% p.a. on loans; 0.0% on bonds	20.0% p.a. on loans; 0.0% on bonds
Reinvestment Price			
	2012	98%	100%
	Thereafter	100%	100%

❖ Forward-looking CLO Equity Cash Flow Modeling Assumptions Recalibrated in Q4 2011 (continued):

European CLOs - Unchanged

Variable	Year	Current Assumptions	Prior Assumptions
CADR			
	2012-2014	1.5x WARF-implied default rate (3.1%)	1.5x WARF-implied default rate (3.1%)
	Thereafter	1.0x WARF-implied default rate (2.1%)	1.0x WARF-implied default rate (2.1%)
Recovery Rate			
	Until deal maturity	68%	68%
Prepayment Rate			
	Until deal maturity	20.0% p.a. on loans; 0.0% on bonds	20.0% p.a. on loans; 0.0% on bonds
Reinvestment Price			
	Until deal maturity	100%	100%

- **Constant Annual Default Rate ("CADR"):**
  - *U.S. CLOs:* The average CADR applied to U.S. CLOs for 2012 and 2013 was reduced to 1.0x the WARF-implied default rate or approximately 2.2%, down from 1.5x or 3.3% under the previous assumption set. During the course of 2011, multiple research sources expressed the view that near-term defaults would remain at levels well-below the long-term average. In light of these market expectations, as well as low realized 2011 U.S. defaults, we believe that adjusting TFG's default assumptions in 2012-2013 to 1.0x the long-term WARF-implied average was appropriate. Beyond 2013 through 2016, the default assumption of 1.5x the WARF-implied default rate has been applied to reflect, among other factors, continued significant macro-economic and systemic risks as well as the remaining size of the "maturity wall" between 2014 and 2016.
  - *European CLOs:* The average CADR applied to European CLOs for 2012-2014 has remained unchanged at 1.5x the WARF-implied default rate or approximately 3.1%. Beyond 2014, the default assumption has also remained unchanged at a reduced rate of 1.0x the WARF-implied default rate. These levels reflect, among other things, observable market data regarding the significant level of near-term uncertainty surrounding Euro-zone economies.
- **Recovery Rate:** The U.S. and European average recovery rates remain unchanged at their long-term average for the life of each CLO transaction.

❖ **Forward-looking CLO Equity Cash Flow Modeling Assumptions Recalibrated in Q4 2011 (continued):**

- **Prepayment Rate:** While observable loan prepayment rates remained elevated during 2011, the pace of repayments decelerated during the second half of 2011, as described earlier in this letter. In light of the significant inter-period volatility of observed quarterly prepayment rates, we have therefore maintained our long-term assumption of a 20% p.a. prepayment rate on loans and 0% p.a. on bonds throughout the life of each transaction.

- **Reinvestment Price and Spread:** In order to better reflect recently observable reinvestment prices the assumed reinvestment price for U.S. CLOs in 2012 has been reduced to 98%, a level that generates an effective spread over LIBOR of approximately 343 bps on broadly syndicated U.S. loans, and 417 bps on middle market loans. From 2013, the reinvestment price assumption remains at par until the maturity of the investment. For European CLOs an assumed reinvestment price of 100% has been maintained for the life of each of these deals.

- **Effect of Assumption Changes on Fair Value:** The input assumption recalibrations for U.S. CLO equity investments outlined above, had the impact of increasing future projected cash flows on an aggregate portfolio level, which when discounted at TFG's applicable discount rates (see below), resulted in an increase in fair value of approximately $39.4 million or 4.0% relative to the immediately preceding assumptions utilized.

❖ **Application of Discount Rate to Projected CLO Equity Cash Flows and ALR:**

- In determining the applicable discount rates to use, an analysis of observable risk premium data is undertaken. The second half of 2011 saw a notable divergence in the way that spreads on BB and BBB originally rated tranches performed, depending on whether they referenced U.S. or European CLOs. For example, U.S. BBs as reflected by Citibank, tightened during Q4 2011 to end the year at approximately 11.5%. By contrast European BBs moved significantly wider to 23.5%, ending the year approximately 10.0% wider than where they had been six months earlier.

- This growing disparity between U.S. and European mezzanine CLO spreads is also reflected, we believe, in the risk premium attached by investors to U.S. and European CLO equity. Various investment bank research reports, for example, indicate that for the United States, strong current cash flows provide support for CLO equity prices and we believe that our previous discount rates of 20% for strong deals, and 25% for the rest of the U.S. CLO portfolio, remain appropriate as of year-end. By contrast, for European deals we believe that the widening of mezzanine spreads is also indicative of changing attitudes to the European risk premium in general and in particular, higher discount rates and lower carrying values on European CLO equity. In order to better reflect this, we have increased the discount rate for all European deals to 30%, which restores a reasonable spread over European BB CLO spreads and reflects the divergence from the risk premium on U.S. deals.

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❖ **Application of Discount Rate to Projected CLO Equity Cash Flows and ALR (continued):**

- As a direct result of the increase in their discount rates, the fair value of TFG's European CLO equity investments decreased by $23.8 million when converted into U.S. dollars compared to the immediately preceding utilized discount rates.

- Through the process described above, as of the end of Q4 2011, the total ALR stands at $128.7 million, consisting of $20.4 million for U.S. deals and $108.3 million for European deals, as compared to $118.0 million at the end of Q3 2011 (split $32.2 million for U.S. deals and $85.8 million for European deals).

- The average carrying value of TFG's U.S. CLO equity investments, which accounted for approximately 89.2% of the CLO equity investment portfolio by fair value, was approximately $0.78 on the dollar at end of Q4 2011, up from $0.76 on the dollar at the end of Q3 2011. By contrast the average carrying value of the European deals fell from €0.53 per Euro as of the end of Q3 2011 to €0.44 per Euro as of the end of Q4 2011. It is important to note, however, that significant dispersion of carrying values exists across transactions within each geographic grouping, particularly in the case of Europe, with a range of carrying values of €0.09 to €0.62 per Euro.

- As discussed in the last quarterly report, the applicable discount rate for the new vintage deals (issued after 2010) 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 Q4 2011, the weighted average discount rate (and IRR) on these deals was 13.2%. Such deals represented approximately 5.7% of the CLO equity 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.

- Overall, the net impact of the recalibration of certain modeling assumptions and discount rates led to an overall increase in fair value of the total CLO equity portfolio of approximately $15.6 million, or $11.7 million in bottom line net income, which compares to overall consolidated net income of $80.3 million for the quarter.

Selected CLO Equity Portfolio Metrics
As of December 31, 2011

	U.S. CLO	European CLO	CLO Portfolio
IRR (W.A.)	19.6%	8.6%	17.6%
Discount Rate (W.A.)	20.2%	30.0%	21.3%
Fair Value ($MM)	$1,024.0	$123.4	$1,147.4
ALR ($MM)	$20.4	$108.3	$128.7

TETRAGON FINANCIAL GROUP LIMITED (TFG)

PERFORMANCE REPORT FOR PERIOD ENDED 31 DECEMBER 2011

❖ **Hedging Activity:**

As of December 31, 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.

❖ **Further Notice**

Please be advised that the Investment Manager currently expects to file for registration as an investment adviser under U.S. Investment Advisers Act of 1940 in February 2012.

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TETRAGON FINANCIAL GROUP LIMITED (TFG)

PERFORMANCE REPORT FOR PERIOD ENDED 31 DECEMBER 2011

❖ Quarterly Investor Call

We will host a conference call for investors on March 9, 2012 at 15:00 GMT/16:00 CET/10:00 EST to discuss Q4 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://eventreg1.conferencing.com/webportal3/reg.html?Acc=247751&Conf=182336.

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 911333 and as an MP3 recording on the TFG website.

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Brunswick Group
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Expected Upcoming Events	Date
January 2012 Monthly Report	February 20, 2012 (approx)
2011 Audited Financial Statements Reported	March 6, 2012 (approx)
Q4 2011 Dividend (Ex- date)	March 6, 2012
Q4 2011 Dividend Record Date	March 8, 2012
Quarterly Investor Call	March 9, 2012
February 2012 Monthly Report	March 20, 2012 (approx)
Q4 2011 Dividend Payment Date	March 28, 2012

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TETRAGON FINANCIAL GROUP LIMITED (TFG)

PERFORMANCE REPORT FOR PERIOD ENDED 31 DECEMBER 2011

TETRAGON FINANCIAL GROUP

Financial Highlights

	Q4 2011	Q3 2011	Q2 2011	Q1 2011	Q4 2010	Q3 2010	Quarterly Average
Net income ($MM)	$80.3	$67.3	$88.1	$174.7	$132.0	$125.0	$111.2
EPS ($)	$0.69	$0.57	$0.74	$1.46	$1.09	$1.03	$0.93
CLO Cash receipts ($MM) (1)	$113.2	$105.1	$102.4	$90.9	$78.9	$71.8	$93.7
CLO Cash receipts per share ($)	$0.97	$0.89	$0.86	$0.76	$0.66	$0.59	$0.79
Net cash balance ($MM)	$211.5	$155.6	$67.7	$147.0	$140.6	$187.9	$151.7
Net assets ($MM)	$1,474.4	$1,413.6	$1,368.3	$1,298.0	$1,137.5	$1,018.6	$1,285.1
Number of shares outstanding (million) (2)	116.0	117.2	118.8	119.6	120.1	120.8	118.8
NAV per share ($)	$12.71	$12.06	$11.52	$10.85	$9.47	$8.43	$10.84
NAV per share movement (% from prior quarter)	5.4%	4.7%	6.2%	14.6%	12.3%	13.3%	9.4%
DPS ($)	TBC	$0.10	$0.10	$0.09	$0.09	$0.08	$0.09
Weighted average IRR on completed transactions (%)	17.6%	16.8%	16.3%	15.8%	15.1%	13.7%	15.9%
Number of CLO investments (3)	77	75	75	74	70	68	73
ALR Fair Value Adjustment ($MM)	($128.7)	($118.0)	($133.8)	($155.7)	($258.0)	($274.7)	($178.1)

(1) Gross cash receipts from CLO portfolio.

(2) Excludes shares held in treasury.

(3) 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.

TETRAGON FINANCIAL GROUP LIMITED (TFG)

PERFORMANCE REPORT FOR PERIOD ENDED 31 DECEMBER 2011

TETRAGON FINANCIAL GROUP Quarterly Statement of Operations as at 31 December 2011				
Statement of Operations	**Q4 2011 ($MM)**	**Q3 2011 ($MM)**	**Q2 2011 ($MM)**	**Q1 2011 ($MM)**
Interest income	55.1	53.6	52.0	48.4
CLO management fee income	4.3	4.4	3.9	3.8
Other income	2.9	0.8	1.5	1.5
Investment income	**62.3**	**58.8**	**57.4**	**53.7**
Management and performance fees	(28.6)	(24.3)	(31.2)	(59.9)
Admin/ custody and other fees	(7.6)	(9.0)	(4.1)	(5.7)
Total operating expenses	**(36.2)**	**(33.3)**	**(35.3)**	**(65.6)**
Net investment income	**26.1**	**25.5**	**22.1**	**(11.9)**
Net change in unrealised appreciation/(depreciation) in investments	58.5	50.5	65.0	184.5
Realised gain/(loss) on investments	0.3	-	-	0.6
Realised and unrealised gains/(losses) from hedging and fx	(3.3)	(7.1)	2.4	2.9
Net realised and unrealised gains/(losses) from investments and fx	**55.5**	**43.4**	**67.4**	**188.0**
Income taxes	(0.7)	(1.1)	(1.0)	(1.0)
Noncontrolling interest	(0.6)	(0.5)	(0.4)	(0.5)
Net increase/(decrease) in net assets from operations	**80.3**	**67.3**	**88.1**	**174.7**

TETRAGON FINANCIAL GROUP LIMITED (TFG)

PERFORMANCE REPORT FOR PERIOD ENDED 31 DECEMBER 2011

TETRAGON FINANCIAL GROUP Balance Sheet as at 31 December 2011	
	Dec-11 **$MM**
Assets	
Investments in securities, at fair value	1,264.4
Intangible assets - CLO management contracts	0.1
Cash and cash equivalents	211.5
Amounts due from brokers	15.8
Derivative financial assets - interest rate swaptions	7.2
Derivative financial assets - forward contracts	6.7
Coupons receivable on CLOs	0.2
Other receivables	2.7
Total Assets	**1,508.6**
Liabilities	
Other payables and accruals	30.2
Amounts payable to Guernsey Feeder	0.5
Amounts payable on Share Options	1.6
Income and deferred tax payable	1.8
Total Liabilities	**34.1**
Net Assets Before Noncontrolling Interest	**1,474.5**
Noncontrolling interest	0.1
Total Equity Attributable to TFG	**1,474.4**

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TETRAGON FINANCIAL GROUP LIMITED (TFG)
PERFORMANCE REPORT FOR PERIOD ENDED 31 DECEMBER 2011

TETRAGON FINANCIAL GROUP Statement of Cash Flows for the period ended 31 December 2011	Dec-11 $MM (YTD)
Operating Activities	
Operating cash flows before movements in working capital after dividends paid to Guernsey feeder	251.3
Change in payables/receivables	2.6
Cash flows from operating activities	**253.9**
Investment Activities	
Proceeds on sales of investments	
- Proceeds from the sale of bank loans	102.3
Purchase of investments	
- Purchase of CLO's	(63.0)
- Purchase of bank loans	(131.7)
- Purchase derivatives - swaptions	(17.8)
- Investments in GORE Funds and Manager	(4.8)
Maturity and prepayment of investments	20.0
Cash flows from operating and investing activities	**158.9**
Amounts due from broker	(11.6)
Net Purchase of shares	(28.0)
Dividends paid to shareholders	(45.1)
Distributions paid to noncontrolling interest	(3.2)
Cash flows from financing activities	**(87.9)**
Net increase in cash and cash equivalents	70.9
Cash and cash equivalents at beginning of period	140.6
Cash and cash equivalents at end of period	**211.5**

TETRAGON FINANCIAL GROUP LIMITED (TFG)

PERFORMANCE REPORT FOR PERIOD ENDED 31 DECEMBER 2011

CLO EQUITY PORTFOLIO DETAILS
AS OF DECEMBER 31, 2011

Transaction	Deal Type	Original Invest. Cost ($MM USD)[1]	Deal Closing Date	Year of Maturity	End of Reinv Period	Wtd Avg Spread (bps)[2]	Original Cost of Funds (bps)[3]	Current Cost of Funds (bps)[4]	Current Jr-Most O/C Cushion[5]	Jr-Most O/C Cushion at Close[6]	Annualized (Loss) Gain of Cushion[7]	IRR[8]	ITD Cash Received as % of Cost[9]
Transaction 1	EUR CLO	37.5	2007	2024	2014	301	55	58	(3.83%)	3.86%	(1.71%)	-	29.6%
Transaction 2	EUR CLO	29.7	2006	2023	2013	338	52	53	0.75%	3.60%	(0.56%)	9.6%	46.8%
Transaction 3	EUR CLO	22.2	2006	2022	2012	354	58	61	4.53%	5.14%	(0.10%)	13.7%	84.4%
Transaction 4	EUR CLO	33.0	2007	2023	2013	347	48	48	3.91%	5.76%	(0.39%)	13.5%	63.4%
Transaction 5	EUR CLO	36.9	2007	2021	2012	334	60	60	3.57%	5.74%	(0.49%)	8.4%	41.5%
Transaction 6	EUR CLO	33.3	2006	2022	2012	331	51	59	(0.41%)	4.70%	(0.91%)	6.5%	49.7%
Transaction 7	EUR CLO	38.5	2007	2023	2013	330	46	48	(0.31%)	3.64%	(0.83%)	5.9%	31.9%
Transaction 8	EUR CLO	26.9	2005	2021	2011	332	53	55	1.00%	4.98%	(0.62%)	13.4%	87.1%
Transaction 9	EUR CLO	41.3	2007	2023	2013	341	50	46	0.35%	6.27%	(1.25%)	7.7%	32.7%
Transaction 10	EUR CLO	27.0	2006	2022	2012	333	50	52	(0.62%)	4.54%	(0.96%)	8.8%	32.7%
EUR CLO Subtotal:		**326.3**				**333**	**52**	**53**	**0.73%**	**4.84%**	**(0.83%)**		**47.4%**
Transaction 11	US CLO	20.5	2006	2018	2012	363	45	45	5.44%	4.55%	0.17%	20.3%	124.0%
Transaction 12	US CLO	22.8	2006	2019	2013	359	46	46	5.74%	4.45%	0.25%	20.3%	117.2%
Transaction 13	US CLO	15.2	2006	2018	2012	348	47	47	6.23%	4.82%	0.26%	20.0%	127.5%
Transaction 14	US CLO	26.0	2007	2021	2014	346	49	50	4.18%	5.63%	(0.30%)	17.1%	91.6%
Transaction 15	US CLO	28.1	2007	2021	2014	401	52	48	3.27%	4.21%	(0.21%)	27.2%	135.8%
Transaction 16	US CLO	23.5	2006	2020	2013	418	46	45	3.15%	4.44%	(0.23%)	20.5%	121.5%
Transaction 17	US CLO	26.0	2007	2021	2014	346	40	40	4.46%	4.24%	0.05%	22.3%	117.0%
Transaction 18	US CLO	16.7	2005	2017	2011	332	45	45	4.87%	4.77%	0.02%	18.5%	140.8%
Transaction 19	US CLO	1.2	2005	2017	2011	332	45	45	4.87%	4.77%	0.02%	22.1%	135.0%
Transaction 20	US CLO	26.6	2006	2020	2012	402	52	52	3.44%	5.28%	(0.35%)	21.0%	139.6%
Transaction 21	US CLO	20.7	2006	2020	2012	390	53	52	3.10%	4.76%	(0.31%)	18.8%	113.5%
Transaction 22	US CLO	37.4	2007	2019	2013	419	53	53	3.59%	5.00%	(0.30%)	19.9%	104.3%
Transaction 23	US CLO	19.9	2007	2021	2013	357	66	66	3.52%	4.98%	(0.32%)	19.5%	111.5%
Transaction 24	US CLO	16.9	2006	2018	2012	368	46	47	4.80%	4.17%	0.12%	17.0%	93.7%
Transaction 25	US CLO	20.9	2006	2018	2013	373	46	46	5.65%	4.13%	0.30%	21.6%	119.5%
Transaction 26	US CLO	27.9	2007	2019	2013	367	43	44	3.40%	4.05%	(0.14%)	17.8%	92.0%
Transaction 27	US CLO	23.9	2007	2021	2014	493	51	51	10.04%	6.11%	0.79%	31.3%	160.2%
Transaction 28	US CLO	7.6	2007	2021	2014	493	51	51	10.04%	6.11%	0.79%	39.5%	75.7%
Transaction 29	US CLO	19.1	2005	2018	2011	440	66	78	3.60%	4.82%	(0.20%)	19.6%	127.3%
Transaction 30	US CLO	12.4	2006	2018	2012	444	67	68	2.19%	5.16%	(0.54%)	17.7%	101.4%
Transaction 31	US CLO	9.3	2005	2017	2012	329	52	50	3.38%	5.02%	(0.25%)	16.0%	135.0%
Transaction 32	US CLO	24.0	2007	2021	2014	320	59	59	4.32%	5.57%	(0.29%)	18.7%	97.1%
Transaction 33	US CLO	16.2	2006	2020	2012	355	56	71	4.08%	6.99%	(0.50%)	13.9%	106.0%
Transaction 34	US CLO	22.2	2006	2020	2012	355	50	50	4.48%	6.66%	(0.43%)	17.6%	104.7%
Transaction 35	US CLO	23.6	2006	2018	2012	443	52	52	2.17%	5.00%	(0.51%)	20.8%	131.9%
Transaction 36	US CLO	28.4	2007	2021	2013	424	46	55	2.66%	5.18%	(0.53%)	20.0%	101.8%
Transaction 37	US CLO	9.3	2005	2017	2011	311	50	50	3.56%	4.34%	(0.13%)	15.7%	119.5%
Transaction 38	US CLO	23.7	2007	2021	2013	323	42	42	3.93%	5.07%	(0.24%)	25.9%	152.3%
Transaction 39	US CLO	7.8	2005	2017	2011	357	70	84	3.64%	3.15%	0.08%	8.8%	73.6%
Transaction 40	US CLO	13.0	2006	2020	2011	422	39	39	N/A	N/A	N/A	22.1%	132.0%
Transaction 41	US CLO	22.5	2006	2020	2013	365	48	49	5.87%	4.71%	0.22%	21.3%	121.6%

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TETRAGON FINANCIAL GROUP LIMITED (TFG)

PERFORMANCE REPORT FOR PERIOD ENDED 31 DECEMBER 2011

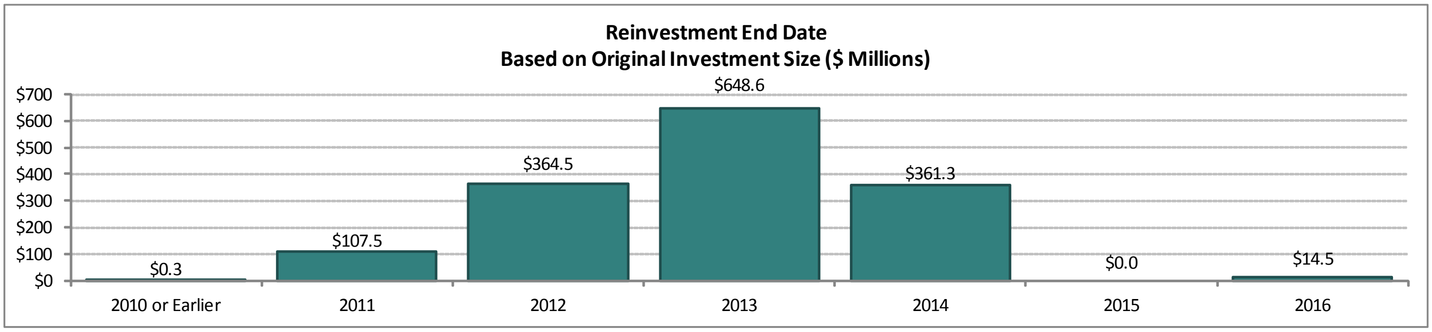
CLO EQUITY PORTFOLIO DETAILS (CONTINUED)
AS OF DECEMBER 31, 2011

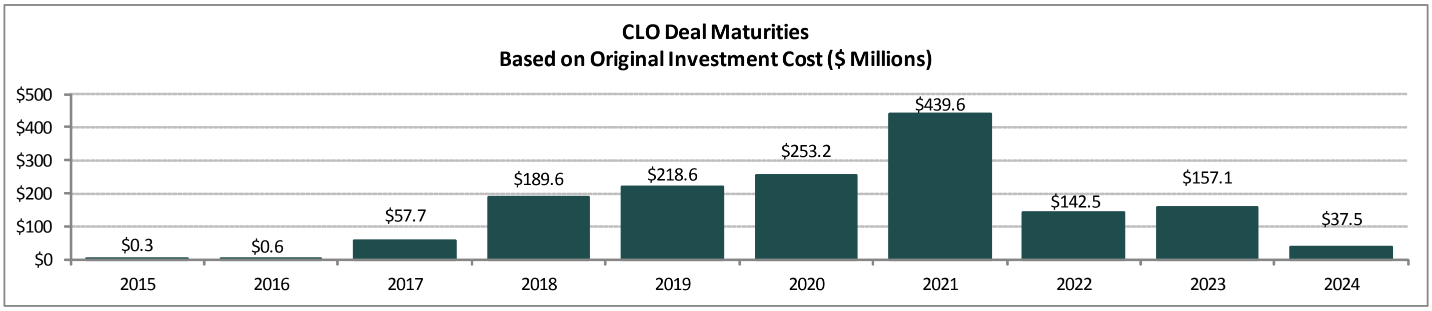
Transaction	Deal Type	Original Invest. Cost ($MM USD)[1]	Deal Closing Date	Year of Maturity	End of Reinv Period	Wtd Avg Spread (bps)[2]	Original Cost of Funds (bps)[3]	Current Cost of Funds (bps)[4]	Current Jr-Most O/C Cushion[5]	Jr-Most O/C Cushion at Close[6]	Annualized (Loss) Gain of Cushion[7]	IRR[8]	ITD Cash Received as % of Cost[9]
Transaction 42	US CLO	22.4	2007	2021	2014	360	47	48	5.44%	3.92%	0.32%	19.7%	100.9%
Transaction 43	US CLO	0.2	2007	2021	2014	370	54	54	4.25%	3.75%	0.12%	23.3%	29.2%
Transaction 44	US CLO	22.3	2006	2018	2012	309	54	59	1.99%	4.16%	(0.38%)	12.0%	91.4%
Transaction 45	US CLO	23.0	2006	2018	2012	318	46	46	2.43%	4.46%	(0.40%)	10.5%	68.6%
Transaction 46	US CLO	21.3	2007	2019	2013	327	51	51	2.56%	4.33%	(0.38%)	8.5%	52.3%
Transaction 47	US CLO	28.3	2006	2021	2013	327	47	43	3.65%	4.34%	(0.14%)	20.3%	122.6%
Transaction 48	US CLO	23.0	2006	2019	2013	352	46	46	2.88%	5.71%	(0.55%)	16.6%	85.5%
Transaction 49	US CLO	12.6	2005	2017	2011	320	40	39	3.08%	3.94%	(0.14%)	12.0%	84.8%
Transaction 50	US CLO	12.3	2006	2018	2012	337	40	39	2.60%	4.25%	(0.30%)	12.7%	81.1%
Transaction 51	US CLO	18.0	2007	2020	2013	363	53	53	4.07%	4.47%	(0.09%)	20.2%	108.2%
Transaction 52	US CLO	0.3	2003	2015	2008	293	93	269	7.96%	3.20%	0.55%	278.6%	681.4%
Transaction 53	US CLO	0.6	2004	2016	2011	300	61	67	8.80%	4.00%	0.67%	37.2%	233.0%
Transaction 54	US CLO	0.5	2005	2017	2012	326	56	56	4.73%	3.69%	0.16%	57.9%	529.6%
Transaction 55	US CLO	0.3	2005	2017	2011	327	39	39	4.26%	3.59%	0.11%	61.2%	483.0%
Transaction 56	US CLO	23.0	2007	2019	2014	362	42	42	4.57%	4.53%	0.01%	22.2%	119.7%
Transaction 57	US CLO	0.6	2007	2019	2014	362	42	42	4.57%	4.53%	0.01%	47.2%	498.7%
Transaction 58	US CLO	21.8	2007	2019	2014	357	49	49	3.46%	4.04%	(0.13%)	24.0%	122.1%
Transaction 59	US CLO	0.4	2007	2019	2014	357	49	49	3.46%	4.04%	(0.13%)	49.9%	684.2%
Transaction 60	US CLO	18.8	2010	2021	2014	408	198	198	4.43%	4.50%	-0.07%	9.6%	12.3%
Transaction 61	US CLO	29.1	2007	2021	2014	326	45	45	2.88%	4.04%	(0.25%)	16.3%	79.2%
Transaction 62	US CLO	25.3	2007	2020	2013	358	42	42	4.07%	5.20%	(0.24%)	20.1%	114.7%
Transaction 63	US CLO	27.3	2007	2021	2013	342	53	53	3.10%	4.78%	(0.38%)	17.7%	94.2%
Transaction 64	US CLO	15.4	2007	2021	2013	415	38	38	N/A	N/A	N/A	20.2%	79.0%
Transaction 65	US CLO	26.9	2006	2021	2013	341	47	48	3.01%	4.96%	(0.38%)	12.8%	70.1%
Transaction 66	US CLO	21.3	2006	2020	2013	329	49	49	3.67%	4.05%	(0.07%)	20.6%	123.1%
Transaction 67	US CLO	27.3	2007	2022	2014	325	46	45	4.63%	4.38%	0.05%	18.9%	97.8%
Transaction 68	US CLO	19.3	2006	2020	2013	428	48	48	5.97%	4.41%	0.31%	26.6%	145.7%
Transaction 69	US CLO	28.2	2007	2019	2013	416	44	44	7.18%	5.61%	0.33%	25.3%	127.8%
Transaction 70	US CLO	24.6	2006	2020	2013	303	52	52	6.51%	6.21%	0.06%	18.2%	99.6%
Transaction 71	US CLO	1.7	2006	2018	2012	337	40	39	2.60%	4.25%	(0.30%)	24.7%	29.6%
Transaction 72	US CLO	4.8	2007	2019	2014	362	42	42	4.57%	4.53%	0.01%	18.1%	23.9%
Transaction 73	US CLO	1.9	2007	2019	2014	362	42	42	4.57%	4.53%	0.01%	18.1%	23.9%
Transaction 74	US CLO	5.5	2007	2019	2014	357	49	49	3.46%	4.04%	(0.13%)	18.1%	25.2%
Transaction 75	US CLO	32.7	2011	2022	2014	409	168	168	4.20%	4.05%	0.28%	15.1%	8.6%
Transaction 76	US CLO	1.9	2006	2018	2012	318	46	46	2.43%	2.43%	-	43.6%	0.0%
Transaction 77	US CLO	14.5	2011	2023	2016	359	212	212	4.01%	4.01%	-	13.5%	0.0%
US CLO Subtotal:		**1,170.4**				**369**	**57**	**57**	**4.06%**	**4.65%**	**(0.11%)**		**103.5%**
Total CLO Portfolio:		**1,496.7**				**361**	**56**	**56**	**3.34%**	**4.69%**	**(0.27%)**		**91.3%**

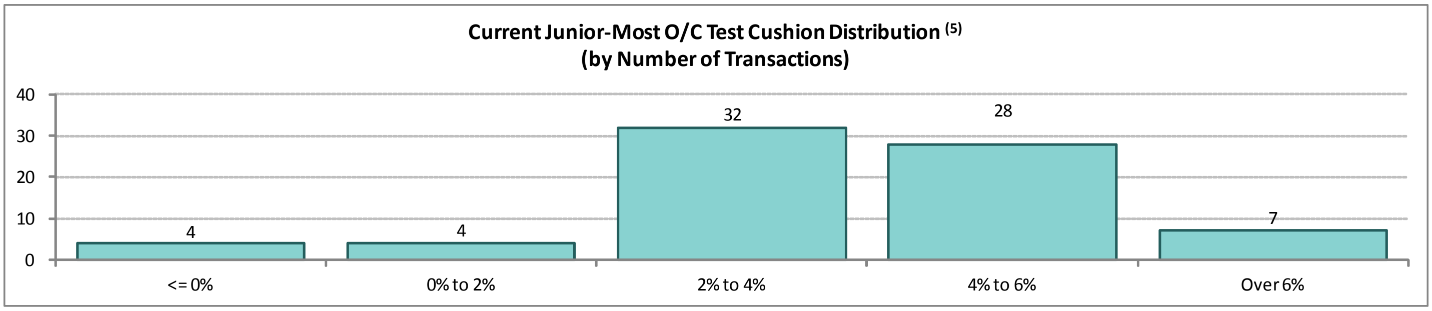
Tetragon Financial Group Limited (TFG)

Performance Report for Period Ended 31 December 2011

CLO Equity Portfolio Details (continued)
As of December 31, 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 approproate) 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) 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.

(5) 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.

(6) 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.

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

(8) 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.

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

TETRAGON

Tetragon Financial Group Limited (TFG)

Portfolio Composition

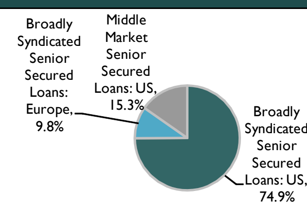
Portfolio Held by Tetragon Financial Group Master Fund Limited (Unless Otherwise Stated)

As of December 31, 2011

Report Date	TFG Share Price ($)	TFG group Net Market Cap ($MM) [1]	TFG group Net Assets ($MM)	No. of Closed CLO Transactions
31 December 2011	$6.25	$724.8	$1,474.4	77 [2]

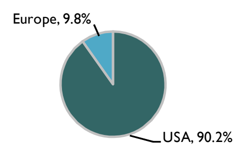
Capital Allocation by Asset Class	Risk Capital Allocation	Investment Fair Value ($MM) [3][4]
Broadly Syndicated Senior Secured Loans: US	74.9%	$939.7
Broadly Syndicated Senior Secured Loans: Europe	9.8%	$123.4
Middle Market Senior Secured Loans: US	15.3%	$191.4
CDOs Squared: US	0.0%	$0.0
ABS and Structured Finance: US	0.0%	$0.0
Total	100.0%	$1,254.5

Asset Class Allocation



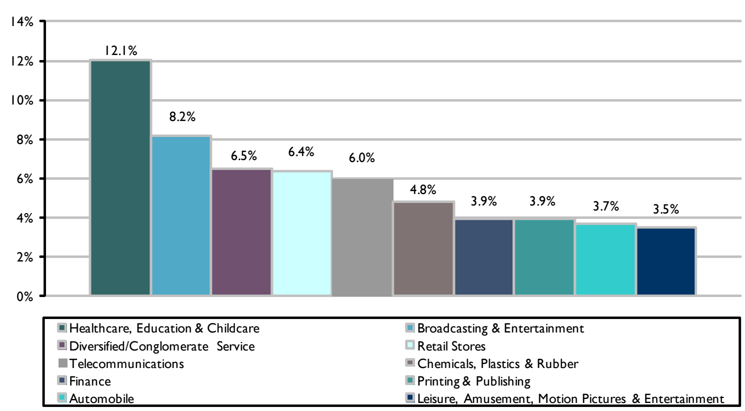
Geographic Allocation by Asset Class	USA	Europe	Asia Pacific	Total
Broadly Syndicated Senior Secured Loans	88.4%	11.6%	0.0%	100.0%
Middle Market Senior Secured Loans	100.0%	0.0%	0.0%	100.0%
CDOs Squared	0.0%	0.0%	0.0%	0.0%
ABS and Structured Finance	0.0%	0.0%	0.0%	0.0%
	90.2%	9.8%	0.0%	100.0%

Geographic Allocation



Top 15 Underlying Bank Loan Credits	Bank Loan Exposure [5]
Univision Communications	0.92%
Community Health	0.84%
HCA Inc	0.82%
First Data Corp	0.80%
SunGard Data Systems Inc	0.76%
Charter Communications	0.75%
UPC Broadband	0.74%
Aramark Corp	0.70%
Federal-Mogul	0.68%
Cablevision Systems Corp	0.66%
Las Vegas Sands	0.66%
Sabre Holdings Corp	0.64%
Huntsman ICI	0.64%
Nielsen Company	0.63%
TXU Corp	0.61%

Top 10 Bank Loan Industry Exposures [5]



EUR-USD FX: 1.29

[1] Calculated using TFG shares outstanding (net of 7.6 million shares held in treasury and 8.5 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.

TETRAGON

BOARD OF DIRECTORS

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

***Independent Director**

SHAREHOLDER INFORMATION

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1st Floor Dorey Court
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St. Peter Port, Guernsey
Channel Islands GYI 6HJ

ENDNOTES

(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) Please note that the TFG portfolio-wide statistics presented in this report do not reflect the purchase of this mezzanine tranche as it was acquired after December 31, 2011.
(3) The LCM I, LCM II, LCM III, LCM IV, LCM V, LCM VI, LCM VIII, and LXM 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 see the TFG website, www.tetragoninv.com, for more details.
(5) Includes only look-through loan exposures through TFG's CLO investments.
(6) 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.
(7) Based on the most recent trustee reports available for both our U.S. and European CLO investments as of December 31, 2011.
(8) While the number of investments passing their junior-most O/C test has remained unchanged at 64 versus the prior quarter the percentage of deals passing, by number, declined as result of an additional European transaction breaching a junior O/C test during Q4 2011 while the denominator was increased by one additional CLO investment.
(9) As of December 31, 2011, European CLOs represented approximately 10.8% of TFG's CLO equity investment portfolio; approximately 75% of the fair value of TFG's European CLOs and 60%, when measured on a percentage of European transactions basis, were passing their junior-most O/C tests.
(10) 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.
(11) Morgan Stanley CDO Market Tracker, January 9, 2012; based on a sample of 461 U.S. CLO transactions.
(12) 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.
(13) Morgan Stanley CDO Market Tracker, January 9, 2012; based on the lower of Moody's and S&P rating. Furthermore, TFG's CLO equity investment portfolio includes approximately 10.8% CLOs with primary exposure to European senior secured loans and such loans are included in the calculation of TFG's average CCC asset holdings.
(14) Weighted by the original USD cost of each investment.
(15) 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 investment portfolio includes approximately 10.8% CLOs with primary exposure to European senior secured loans and such loans are included in the calculation of TFG's corporate default rate.
(16) S&P/LCD News, "Leveraged loan default rate holds near all-time low in December," January 3, 2012.
(17) S&P/LCD News, "EUR) S&P ELLI: Default rate rises to 4.1% in December," January 6, 2012. The ELLI default rate is calculated by defining "default" as (a) an event of default, such as a D public rating, a D credit estimate, a missed interest or principal payment, or a bankruptcy filing; or (b) the beginning stages of formal restructuring, such as the start of negotiations between the company and lenders, or hiring of financial advisors. The lagging 12-month default rate for the S&P European Leveraged Loan Index (ELLI) reached 4.48% in July 2011 as Eircom, one of the largest issuers in the Index, began undergoing a restructuring process.
(18) S&P/LCD News, "Leveraged loan default rate holds near all-time low in December," January 3, 2012.
(19) S&P/LSTA Leveraged Lending Review 4Q 2011.
(20) S&P/LCD News, "(EUR) ELLI repayments slip to €1.4B in December," January 10, 2012.
(21) S&P/LCD News, "Leveraged loans return 0.51% in December, 1.52% in 2011," January 3, 2012.
(22) S&P/LCD News, "EUR) S&P ELLI: 2011 – The good, the bad and the flat," January 10, 2012.
(23) S&P/LSTA Leveraged Lending Review 4Q 2011.
(24) S&P/LCD News,"2011 snapshot: Index returns, volume, default rates at a glance," January 3, 2012.
(25) S&P/LCD Quarterly Review, Fourth Quarter 2011.
(26) Morgan Stanley CDO Market Tracker, January 9, 2012; based on a sample of 461 U.S. CLO transactions.
(27) Morgan Stanley CDO Market Tracker, October 5, 2011; based on a sample of 471 U.S. CLO transactions.
(28) Morgan Stanley CDO Market Tracker, January 9, 2012; based on a sample of 195 European CLO transactions.
(29) Morgan Stanley CDO Market Tracker, October 5, 2012; based on a sample of 195 European CLO transactions.
(30) Wells Fargo Securities, "The CLO Salmagundi: Senior Note Victory," January 6, 2012.
(31) Morgan Stanley CDO Market Tracker, January 9, 2012.