FINANCIAL STATEMENTS

TETRAGON FINANCIAL GROUP LIMITED

FOR THE YEAR ENDED 31 DECEMBER 2018

TETRAGON FINANCIAL GROUP LIMITED

FINANCIAL STATEMENTS
For the year ended 31 December 2018

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DIRECTORS' REPORT
For the year ended 31 December 2018

The Directors present to the shareholders their report together with the audited financial statements for the year ended 31 December 2018.

The Fund and its Investment Objective

Tetragon Financial Group Limited ("Tetragon" or the "Fund") was registered in Guernsey on 23 June 2005 as a company limited by shares, with registered number 43321. All voting shares of Tetragon are held by Polygon Credit Holdings II Limited (the "Voting Shareholder"). Tetragon continues to be registered and domiciled in Guernsey, and Tetragon's non-voting shares are listed on Euronext in Amsterdam, a regulated market of Euronext Amsterdam N.V. (ticker symbol: TFG.NA) and on the Specialist Fund Segment of the London Stock Exchange plc (ticker symbols: TFG.LN and TFGS.LN). Tetragon has historically invested all its capital through Tetragon Financial Group Master Fund Limited (the "Master Fund"). Effective 31 December 2018, Tetragon and the Master Fund were amalgamated, with the amalgamated company continuing as Tetragon Financial Group Limited. The registered office of Tetragon is 1st Floor Dorey Court, Admiral Park, St. Peter Port, Guernsey, Channel Islands, GY1 6HJ.

Tetragon's investment objective is to generate distributable income and capital appreciation. It aims to provide stable returns to investors across various credit, equity, interest rate, inflation and real estate cycles. Tetragon's investment portfolio comprises a broad range of assets, including bank loans, real estate, equities, credit, convertible bonds, private equity, infrastructure and TFG Asset Management, a diversified alternative asset management business.

As at 31 December 2018, TFG Asset Management's investments consisted of Polygon Global Partners LP and Polygon Global Partners LLP (collectively with certain affiliates, "Polygon") LCM Asset Management LLC ("LCM"), Equitix Holdings Limited ("Equitix"), Hawke's Point Manager LP ("Hawke's Point"), Tetragon Credit Income Partners Limited ("TCIP") and GreenOak Real Estate LP ("GreenOak").

TFG Asset Management LP and Tetragon Financial Management LP, Tetragon's investment manager (the "Investment Manager"), are both registered as investment advisers under the U.S. Investment Advisers Act of 1940, and two of TFG Asset Management's investment management entities, Polygon Global Partners LLP and Equitix Investment Management Limited, are authorised and regulated by the United Kingdom Financial Conduct Authority.

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

The Companies (Guernsey) Law, 2008, requires the Directors to prepare financial statements for each financial year. Accordingly, the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the EU and applicable law.

The financial statements are required by law to give a true and fair view of the state of affairs of the Fund and of the profit or loss of the Fund for the relevant financial period.

In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Fund or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for the keeping of proper accounting records which disclose with reasonable accuracy at any time the financial position of the Fund and to enable them to ensure that the financial statements comply with the Companies (Guernsey) Law, 2008. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Fund and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Fund's website, and for the preparation and dissemination of the financial statements. Legislation in Guernsey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Fund is required to comply with all provisions of Guernsey company law relating to corporate governance to the extent the same are applicable and relevant to its activities. In particular, each Director must seek to act in accordance with the "Code of Practice – Company Directors". The Fund reports against the Association of Investment Companies ("AIC") Corporate Governance Guide for Investment Companies and, as such, is deemed to meet the provisions of the Code of Corporate Governance issued by the Guernsey Financial Services Commission.

Signed on behalf of the Board of Directors by:

David O'Leary	Steven Hart
Director	Director
Date 24 April 2019	

TETRAGON FINANCIAL GROUP LIMITED

INDEPENDENT AUDITOR'S REPORT
For the year ended 31 December 2018

The Board of Directors and the Members
Tetragon Financial Group Limited

Report on the Financial Statements

We have audited the accompanying financial statements of Tetragon Financial Group Limited (the "Company"), which comprise the statement of financial position as of December 31, 2018, and the related statements of comprehensive income, changes in equity, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the 2018 financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Other Matter

The accompanying statement of financial position of the Company as of December 31, 2017, and the related statements of comprehensive income and cash flows for the year then ended were not audited, reviewed, or compiled by us and, accordingly, we do not express an opinion or any other form of assurance on them.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Board of Directors and the members of the Company as a body in accordance with the terms of our engagement. Our audit work has been undertaken so that we might state to the members those matters we are required to state to them in this report and to facilitate the Company's compliance with the requirements of the US Investment Advisors Act of 1940 relating to reporting by independent auditors to the Company's members, and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members as a body, for our audit work, for this report, or for the opinions we have formed.

KPMG LLP
Chartered Accountants
15 Canada Square
London
E14 5GL
24 April 2019

TETRAGON FINANCIAL GROUP LIMITED

STATEMENT OF FINANCIAL POSITION
As at 31 December 2018

	Note	31 Dec 2018 US$ MM	31 Dec 2017 US$ MM
Assets			
Non-derivative financial assets at fair value through profit or loss	5	1,937.1	2,008.4
Derivative financial assets	5	3.5	-
Other receivables and prepayments	8	8.0	-
Amounts due from brokers	7	35.3	-
Cash and cash equivalents	9	269.8	-
Total assets		2,253.7	2,008.4
Liabilities			
Loans and borrowings	11	38.0	-
Derivative financial liabilities	5	6.8	-
Other payables and accrued expenses	10	19.5	13.9
Total liabilities		64.3	13.9
Net assets		2,189.4	1,994.5
Equity			
Share capital	13	0.1	0.1
Other equity		829.7	808.9
Capital reserve in respect of share options		-	0.1
Share-based compensation reserve	13	79.0	80.7
Retained earnings		1,280.6	1,104.7
		2,189.4	1,994.5
Shares outstanding		Millions	Millions
Number of shares	13	92.4	90.1
Net Asset Value per share		US$ 23.70	US$ 22.13

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

Signed on behalf of the Board of Directors by:

David O'Leary
Director

Steven Hart
Director

Date: 24 April 2019

TETRAGON FINANCIAL GROUP LIMITED

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2018

	Note	Year ended 31 Dec 2018 US$ MM	Year ended 31 Dec 2017 US$ MM
Net gain on non-derivative financial assets at fair value through profit or loss	3	289.1	200.0
Total income		289.1	200.0
Incentive fee	12	(47.6)	(32.2)
Operating expenses		(47.6)	(32.2)
Profit and total comprehensive income for the year		241.5	167.8
Earnings per share			
Basic	18	US$ 2.65	US$ 1.86
Diluted	18	US$ 2.42	US$ 1.70
Weighted average shares outstanding		Millions	Millions
Basic	18	91.1	90.0
Diluted	18	99.7	98.9

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

TETRAGON FINANCIAL GROUP LIMITED

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2018

	Share capital US$ MM	Other equity US$ MM	Retained earnings US$ MM	Capital reserve US$ MM	Share-based compensation reserve US$ MM	Total US$ MM
As at 1 January 2017	0.1	813.5	1,009.3	12.0	100.0	1,934.9
Profit and total comprehensive income for the year	-	-	167.8	-	-	167.8
Transactions with owners recognised directly in equity						
Shares released from escrow	-	22.8	-	-	(22.8)	-
Dividends on shares released from escrow	-	9.4	(9.4)	-	-	-
Share-based employee compensation	-	-	-	-	3.5	3.5
Cash dividends	-		(47.2)	-	-	(47.2)
Stock dividends	-	15.8	(15.8)	-	-	-
Issue of shares		0.1	-	-	-	0.1
Purchase of treasury shares	-	(66.4)	-	-	-	(66.4)
Capital reserve in respect of share options	-	13.7	-	(11.9)	-	1.8
As at 31 December 2017	0.1	808.9	1,104.7	0.1	80.7	1,994.5
Profit and total comprehensive income for the year	-	-	241.5	-	-	241.5
Transactions with owners recognised directly in equity						
Shares released from escrow	-	1.7	-	-	(1.7)	-
Dividends on shares released from escrow	-	0.5	(0.5)	-	-	-
Cash dividends	-	-	(47.5)	-	-	(47.5)
Stock dividends	-	17.6	(17.6)	-	-	-
Issue of shares	-	0.1	-	-	-	0.1
Purchase of treasury shares	-	(1.0)	-	-	-	(1.0)
Capital reserve in respect of share options	-	1.9	-	(0.1)	-	1.8
As at 31 December 2018	0.1	829.7	1,280.6	-	79.0	2,189.4

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

TETRAGON FINANCIAL GROUP LIMITED

STATEMENT OF CASH FLOWS
For the year ended 31 December 2018

	Year ended 31 Dec 2018 US$ MM	Year ended 31 Dec 2017 US$ MM
Operating activities		
Dividend received from Master Fund to finance the dividend liability to shareholders	47.5	47.2
Dividend received from Master Fund to settle the incentive fee liability	43.9	25.4
Incentive fee paid	(43.9)	(25.4)
	47.5	47.2
Investing activities		
Cash from the Master Fund on amalgamation**	269.8	-
Proceeds from buyback of shares by Master Fund	1.0	66.4
	270.8	66.4
Financing activities		
Proceeds from issue of shares	1.9	1.9
Purchase of Master Fund shares	(1.9)	(1.9)
Purchase of treasury shares	(1.0)	(66.4)
Dividends paid to shareholders*	(47.5)	(47.2)
	(48.5)	(113.6)
Net increase in cash and cash equivalents	269.8	-
Cash and cash equivalents at beginning of year	-	-
Cash and cash equivalents at end of year**	269.8	-

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

* The gross dividend payable to shareholders was US$ 65.1 million (31 December 2017: US$ 63.0 million) with a value equivalent to US$ 17.6 million (31 December 2017: US$ 15.8 million) elected to be taken by the dividend recipient in shares rather than cash.

** Up to 31 December 2018, the Fund did not maintain any bank accounts or cash balances. All cash transactions took place within the Master Fund. Please refer to Note 2 for the details of amalgamation and cash flow statement for the Master Fund.

Note 1 Corporate Information

Tetragon Financial Group Limited ("Tetragon" or the "Fund") was registered in Guernsey on 23 June 2005 as a company limited by shares, with registered number 43321. All voting shares of the Fund are held by Polygon Credit Holdings II Limited (the "Voting Shareholder"). The Fund continues to be registered and domiciled in Guernsey, and the Fund's non-voting shares (the "Shares") are listed on Euronext in Amsterdam, a regulated market of Euronext Amsterdam N.V. (ticker symbol: TFG.NA) and on the Specialist Fund Segment of the London Stock Exchange plc (ticker symbols: TFG.LN and TFGS.LN). The registered office of the Fund is 1st Floor Dorey Court, Admiral Park, St. Peter Port, Guernsey, Channel Islands, GY1 6HJ.

Since its inception to 31 December 2018, the Fund acted as a feeder fund in a "master feeder structure" investing substantially all of its assets in Tetragon Financial Group Master Fund Limited (the "Master Fund"). With effect from 31 December 2018, the Master Fund was amalgamated under Part VI of the Companies (Guernsey) Law, 2008 (as amended) with its parent company, the Fund. There was no change in beneficial ownership as a result of amalgamation.

Note 2 Legal Amalgamation of the Master Fund with the Fund

During Q3 2018, the Board of Directors approved the amalgamation of the Master Fund with its parent company, the Fund, under Part VI of the Companies (Guernsey) Law, 2008 (as amended) with effect from 31 December 2018.

Prior to the amalgamation on 31 December 2018, the Fund fair valued its investment in the Master Fund and recognized the gain in the Statement of Comprehensive Income. The Master Fund also fair valued its assets and liabilities. Post amalgamation, the investment in Master Fund was replaced by the assets and liabilities of the Master Fund on a no-profit-or-loss basis.

The Master Fund's statement of financial position, statement of comprehensive income and the statement of cash flows for the year ended 31 December 2018 are presented below. These pro-forma statements are prepared in accordance with International Financial Reporting Standards as adopted by the European Union. The accounting policies and judgments applicable to the Fund also apply to these statements.

Note 2 Legal Amalgamation of the Master Fund with the Fund (continued)

Pro-forma statement of financial position of the Master Fund:

	31 Dec 2018 US$ MM	31 Dec 2017 US$ MM
Assets		
Non-derivative financial assets at fair value through profit or loss	-	1,613.6
Derivative financial assets	-	17.4
Other receivables and prepayments	-	1.9
Amounts due from brokers	-	57.2
Cash and cash equivalents	-	365.5
Total assets	-	2,055.6
Liabilities		
Loans and borrowings	-	38.0
Derivative financial liabilities	-	6.6
Other payables and accrued expenses	-	2.6
Total liabilities	-	47.2
Net assets	-	2,008.4
Equity		
Share capital	-	0.1
Other equity	-	754.2
Retained earnings	-	1,254.1
	-	2,008.4
Shares outstanding		Millions
Number of shares	-	90.1
Net Asset Value per share	-	US$ 22.28

Note 2 Legal Amalgamation of the Master Fund with the Fund (continued)

Pro-forma statement of comprehensive income of the Master Fund:

	Year ended 31 Dec 2018 US$ MM	Year ended 31 Dec 2017 US$ MM
Net gain on non-derivative financial assets at fair value through profit or loss	292.6	247.9
Net gain / (loss) on derivative financial assets and liabilities	30.7	(11.0)
Interest income	7.8	5.8
Net foreign exchange loss	-	(0.1)
Total revenue	331.1	242.6
Management fees	(30.7)	(29.5)
Share-based employee compensation	-	(3.5)
Legal and professional fees	(4.6)	(3.3)
Audit fees	(0.4)	(0.4)
Other operating and administrative expenses	(2.8)	(2.8)
Operating expenses	(38.5)	(39.5)
Operating profit before finance costs	292.6	203.1
Finance costs	(3.5)	(3.1)
Profit and total comprehensive income for the year	289.1	200.0

Note 2 Legal Amalgamation of the Master Fund with the Fund (continued)

Pro-forma statement of cash flows of the Master Fund:

	Year ended 31 Dec 2018 US$ MM	Year ended 31 Dec 2017 US$ MM
Operating activities		
Profit for the period	289.1	200.0
Adjustments for:		
Gains on investments and derivatives	(249.5)	(194.8)
Amortisation of CLOs	72.8	191.2
Share-based employee compensation	-	3.5
Operating cash flows before movements in working capital	112.4	199.9
Decrease / (Increase) in receivables	(5.1)	0.1
(Decrease) / Increase in payables	(0.7)	0.3
Decrease / (Increase) in amounts due from brokers	21.8	(6.2)
Cash generated from operating activities	128.4	194.1
Investing activities		
Proceeds from sale / prepayment / maturity of investments	283.6	217.2
Net proceeds on derivative financial instruments	26.4	10.4
Purchase of investments	(443.6)	(311.7)
Net cash used in investing activities	(133.6)	(84.1)
Financing activities		
Proceeds from issue of shares	1.9	1.9
Repurchase of shares	(1.0)	(66.4)
Dividends paid to shareholders	(47.5)	(47.2)
Dividends paid to the Fund to settle incentive fee liability	(43.9)	(25.4)
Net cash used in financing activities	(90.5)	(137.1)
Net decrease in cash and cash equivalents	(95.7)	(27.1)
Cash to the Fund on legal amalgamation	(269.8)	-
Cash and cash equivalents at beginning of year	365.5	392.6
Cash and cash equivalents at end of year	-	365.5

Note 3 Significant Accounting Policies

Basis of Preparation

The financial statements of the Fund have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS") and comply with the Companies (Guernsey) Law, 2008 and give a true and fair view.

The financial statements have been prepared on a historical cost basis, except for derivative financial instruments and certain non-derivative financial assets and financial liabilities held at fair value through profit or loss ("FVTPL") that have been measured at fair value. The accounting policies have been consistently applied to all periods presented in these financial statements.

The financial statements are presented in United States Dollars ("USD" or "US$"), which is the functional currency of the Fund, expressed in USD millions (unless otherwise noted). The share capital of the Fund and the majority of its investments are denominated in USD. Most of the expenses and fees paid by the Fund are in USD. Hence, the Board of Directors determined that USD as functional and presentational currency reflects the Fund's primary economic environment.

In accordance with IFRS 10 Consolidated Financial Statements, the Fund is an investment entity and, as such, does not consolidate the entities it controls where they are deemed to be subsidiaries. Instead, interests in subsidiaries are classified as FVTPL. Investments in associates are also classified as FVTPL.

After making enquiries and given the nature of the Fund and its investments, the Directors are satisfied that it is appropriate to continue to adopt the going concern basis in preparing these Financial Statements and, after due consideration, the Directors consider that the Fund is able to continue for the foreseeable future and at least twelve months from the date of this report.

New standards and amendments to existing standards

The Fund has adopted all standards and amendments effective in 2018. IFRS 9 Financial Instruments ("IFRS 9") and IFRS 15 Revenue from Contracts with Customers ("IFRS 15") became effective for the periods beginning on or after 1 January 2018. IFRS 9 largely retains the existing requirements in IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39") for the classification and measurement of the financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables and available for sale.

The adoption of IFRS 9 has not had a significant effect on the Fund's accounting policies related to financial assets, liabilities and derivative financial instruments. Under IFRS 9, on initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income ("FVOCI") or FVTPL. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Since the Investment Manager manages and evaluates the performance of all of the Fund's financial instruments on a fair value basis, it must classify its financial assets and financial liabilities as FVTPL. Therefore, there is no change to classifications when compared to prior years.

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model . The new impairment model applies to financial assets measured at amortised cost and debt investments at FVOCI, but not to investments in equity instruments. Due to the nature of assets that the Fund holds at amortised cost as at 1 January 2018, the change in impairment model has no impact on the net assets or profits.

The Fund's income and assets are outside the scope of IFRS 15.

Note 3 Significant Accounting Policies (continued)

New standards and amendments to existing standards (continued)

The Fund has considered all the standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Fund's financial statements. IFRS 16 Leases and IFRS 17 Insurance Contracts will be applicable to the financial year ending 31 December 2019 and 31 December 2021 respectively. These standards are not relevant to the Fund's activities.

Foreign Currency Translation

Transactions in foreign currencies are translated to the Fund's functional currency at the foreign currency exchange rate ruling at the date of the transaction. All assets and liabilities denominated in foreign currencies are translated to USD at the foreign currency closing exchange rate ruling at the reporting date.

Foreign currency exchange differences arising on translation and realised gains and losses on disposals or settlements of monetary assets and liabilities are recognised as net foreign exchange gain / (loss) in the Statement of Comprehensive Income except for those arising on financial instruments at FVTPL and derivative instruments which are recognised as components of net gain or loss on financial assets and liabilities at FVTPL.

Financial Instruments

(i) Classification

The Fund classifies its financial assets and financial liabilities at initial recognition into the following categories, in accordance with IFRS 9.

Financial assets at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest outstanding.

The Fund includes in this category cash and cash equivalents, amounts due from brokers, receivable for securities sold and other sundry receivables. These assets are held with an intention to collect the principal and interest payments.

Financial assets and liabilities at FVTPL

All financial assets not classified as measured at amortised cost are measured at FVTPL. Financial liabilities attached to derivatives are also measured at FVTPL.

Investments in derivatives, CLOs, loans and corporate bonds, listed and unlisted stock, investment funds and vehicles and private equity in asset management companies are included in this category.

Note 3 Significant Accounting Policies (continued)

Financial Instruments (continued)

Other financial liabilities at amortised cost

This category includes all financial liabilities, other than those classified as at FVTPL. The Fund includes in this category loans and borrowings and other short-term payables.

(ii) Recognition

The Fund recognises a financial asset or a financial liability when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place (regular way trades) are recognised on the trade date (i.e. the date that the Fund commits to purchase or sell the asset).

(iii) Initial measurement

Financial assets and financial liabilities at FVTPL are initially recognised in the Statement of Financial Position at fair value. All transaction costs for such instruments are recognised immediately through profit or loss.

Financial assets and liabilities (other than those classified as at FVTPL) are measured initially at their fair value adjusted for any directly attributable incremental costs of acquisition or issue.

(iv) Subsequent measurement

After initial measurement, the Fund re-measures financial instruments which are classified as at FVTPL at fair value. Subsequent changes in the fair value of those financial instruments are recorded in net gain or loss on financial assets and liabilities at FVTPL in the Statement of Comprehensive Income.

Receivables are carried at amortised cost less any allowance for impairment with any impairment losses arising being included in profit or loss.

Financial liabilities, other than those classified as at FVTPL, are measured at amortised cost using the effective interest method.

(v) Derecognition

A financial asset (or, where applicable, a part of a financial asset or a part of a group of similar financial assets) is derecognised where (i) the rights to receive cash flows from the asset have expired, or (ii) the Fund has either transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a pass-through arrangement and in either cases in (ii):
(a) the Fund has transferred substantially all of the risks and rewards of the asset; or
(b) the Fund has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Note 3 Significant Accounting Policies (continued)

Financial Instruments (continued)
(v) Derecognition (continued)

When the Fund has transferred its right to receive cash flows from an asset (or has entered into a pass-through arrangement), and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Fund's continuing involvement in the asset. In that case, the Fund also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Fund has retained.

The Fund derecognises a financial liability when the obligation under the liability is discharged, cancelled or expired.

(vi) Impairment

The Fund recognises loss allowances for expected credit losses ("ECL") on financial assets at amortised cost.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Fund considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Fund's historical experience and informed credit assessment and including forward-looking information.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Fair value measurement

The Fund measures all its investments and derivatives, at fair value at each reporting date.

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or, in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to the Fund. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted price without any deduction for transaction costs. A market is regarded as "active" if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Note 3 Significant Accounting Policies (continued)

Fair value measurement (continued)

For all other financial instruments not traded in an active market, the fair value is determined by using observable inputs where available and valuation techniques deemed to be appropriate in the circumstances. Valuation techniques include using recent arm's length market transactions adjusted as necessary, and reference to the current market value of another instrument that is substantially the same, discounted cash flow analysis making as much use of available and supportable market data as possible and third party valuation models.

For assets and liabilities that are measured at fair value on a recurring basis, the Fund identifies transfers between levels in the hierarchy by re-assessing the categorisation (based on the lowest level input that is significant to the fair value measurement as a whole), and deems transfers to have occurred at the end of each reporting period.

Amounts due from brokers

Amounts due from brokers include margin accounts which represent cash pledged as collateral on the forward contracts, credit default swaps and contracts for difference. Refer to the accounting policy for financial instruments for recognition and measurement.

Cash and cash equivalents

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

Net gain or loss on financial assets and liabilities at FVTPL

Net gains or losses on financial assets and liabilities at FVTPL are changes in the fair value of financial assets and liabilities at FVTPL and include related interest, dividends and foreign exchange gains or losses.

Interest Income

Interest income arising on cash balances and tri-party repurchase agreements are recognised in the Statement of Comprehensive Income using the effective interest method.

Finance Costs

Interest and fees charged on borrowings are recognised through profit or loss in the Statement of Comprehensive Income using the effective interest method.

Expenses

Expenses and fees, including Directors' fees, are recognised through profit or loss in the Statement of Comprehensive Income on an accruals basis.

Taxation

The Fund is exempt from Guernsey income tax under the Income Tax (Exempt Bodies) (Guernsey) Ordinance 1989 and is charged GBP 1,200 per annum (31 December 2017: GBP 1,200).

Note 3 Significant Accounting Policies (continued)

Dividend distribution

Dividend distributions are recognised in the Statement of Changes in Equity, when the shareholders' right to receive the payment is established.

Share-based payment transactions

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

When the shares are actually issued the fair value of the shares, as determined at the time of the award, is debited against the share-based compensation reserve and credited to other equity. Any associated stock dividends accrued on the original award are debited against retained earnings and credited to other equity using the value determined by the stock reference price at the date of each applicable dividend.

Share Options

The fair value of options issued to certain founding partners of GreenOak are recognised through the capital reserve in respect of share options.

If and when the share options are exercised there is a transfer from the capital reserve to other equity based on the fair value of options at grant date.

Other equity

Other equity contains the share premium and treasury shares balances.

Amalgamation of entities under common control

As a result of amalgamation, assets and liabilities are transferred to the surviving entity at fair value on the effective date of amalgamation.

Operating Segments

An operating segment is a component of the Fund that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the Fund's chief operating decision makers and for which discrete financial information is available. The chief operating decision makers for the Fund are the Investment Manager and the Directors. The Fund has considered the information reviewed by the Fund's chief operating decision makers and determined that there is only one operating segment in existence.

Note 4 Significant Accounting Judgments, Estimates and Assumptions

The preparation of the Fund’s financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts recognised in the financial statements and disclosure of contingent liabilities. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Judgments

In the process of applying the Fund’s accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognised in the financial statements:

Investment entity status

The Fund's investment objective is to generate distributable income and capital appreciation. The Fund reports to its investors via monthly, semi-annual and annual investor information, and to its management, via internal management reports, on a fair value basis. The Fund has a documented exit strategy for all of its investments.

The Fund meets the definition of an investment entity as per IFRS 10. Entities that meet the definition of an investment entity within IFRS 10 are generally required to measure their subsidiaries at FVTPL rather than consolidate them.

Estimates and assumptions

Measurement of fair values

The Fund based its assumptions and estimates on parameters available when the financial statements were prepared; however, existing circumstances and assumptions about future developments may change due to market changes and circumstances arising beyond the control of the Fund. Such changes are reflected in the assumptions when they occur.

For detailed information on the estimates and assumptions used to determine the fair value of financial instruments, please refer to Note 5.

Note 5 Financial Assets and Liabilities at Fair Value through Profit or Loss

Fair value hierarchy

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows:

Level 1 - Quoted in active markets for identical instruments.

Level 2 - Prices determined using other significant observable inputs. These may include quoted prices for similar securities, interest rates, prepayments spreads, credit risk and others.

Level 3 - Unobservable inputs. Unobservable inputs reflect assumptions market participants would be expected to use in pricing the asset or liability.

Note 5 Financial Assets and Liabilities at Fair Value through Profit or Loss (continued)

Recurring fair value measurement of assets and liabilities

The following table shows financial instruments measured at fair value by the level in fair value hierarchy as of 31 December 2018:

Non-derivative financial assets at FVTPL	Level 1 US$ MM	Level 2 US$ MM	Level 3 US$ MM	Total Fair Value US$ MM
CLO equity tranches	-	-	257.1	257.1
Loans and corporate bonds	-	23.8	-	23.8
Listed stock	106.0	-	-	106.0
Unlisted stock	-	-	96.1	96.1
Investment funds and vehicles	-	430.1	361.9	792.0
TFG Asset Management	-	-	662.1	662.1
Total non-derivative financial assets at FVTPL	106.0	453.9	1,377.2	1,937.1
Derivative financial assets				
Contracts for difference (asset)	-	0.8	-	0.8
Forward foreign exchange contracts (asset)	-	2.7	-	2.7
Total derivative financial assets	-	3.5	-	3.5
Derivative financial liabilities				
Contracts for difference (liability)	-	-	(5.5)	(5.5)
Forward foreign exchange contracts (liability)	-	(1.3)	-	(1.3)
Total derivative financial liabilities	-	(1.3)	(5.5)	(6.8)

Note 5 Financial Assets and Liabilities at Fair Value through Profit or Loss (continued)

Recurring fair value measurement of assets and liabilities (continued)

As at 31 December 2017, the only asset of the Fund was its investment in the Master Fund, US$ 2,008.4 million, which was held at Level 3. The following table shows financial instruments measured at fair value by the level in fair value hierarchy as of 31 December 2017 for the Master Fund:

Non-derivative financial assets designated at FVTPL	Level 1 US$ MM	Level 2 US$ MM	Level 3 US$ MM	Total Fair Value US$ MM
CLO equity tranches	-	-	305.9	305.9
CLO Mezzanine	-	0.7	-	0.7
Loans and corporate bonds	-	34.0	-	34.0
Listed stock	54.9	-	-	54.9
Unlisted stock	-	-	42.2	42.2
Investment funds and vehicles	-	449.8	295.4	745.2
TFG Asset Management	-	-	430.7	430.7
Total non-derivative financial assets designated at FVTPL	54.9	484.5	1,074.2	1,613.6
Derivative financial assets held for trading				
Contracts for difference (asset)	-	14.2	-	14.2
Foreign exchange option (asset)	-	0.1	-	0.1
Forward foreign exchange contracts (asset)	-	3.1	-	3.1
Total derivative financial assets held for trading	-	17.4	-	17.4
Derivative financial liabilities held for trading				
Foreign exchange option (liability)	-	(0.1)	-	(0.1)
Forward foreign exchange contracts (liability)	-	(5.1)	-	(5.1)
Credit default swaps (liability)	-	(1.4)	-	(1.4)
Total derivative financial liabilities held for trading	-	(6.6)	-	(6.6)

Transfers between levels

During the year ended 31 December 2017, an unlisted stock held at level 2 of US$ 18.3 million in the Master Fund at 31 December 2016 was transferred to level 1 following its listing, and then remained quoted on an active market. There were no transfers between levels in 2018.

Other financial assets and liabilities

For all other financial assets and liabilities, the carrying value is an approximation of fair value, including other receivables, amounts due from brokers, cash and cash equivalents, loans and borrowings, and other payables.

Note 5 Financial Assets and Liabilities at Fair Value through Profit or Loss (continued)

Level 3 reconciliation

The following is a reconciliation of the Fund's assets in which significant unobservable inputs (Level 3) were used in determining fair value at 31 December 2018.

	CLO Equity Tranches US$ MM	Unlisted Stock US$ MM	Investment Funds and Vehicles US$ MM	TFG Asset Management US$ MM	Master Fund US$ MM	Total US$ MM
Balance at start of year	-	-	-	-	2,008.4	2,008.4
Additions	-	-	-	-	19.5	19.5
Proceeds	-	-	-	-	(1.0)	(1.0)
Gain on investments	-	-	-	-	179.9	179.9
Transfer from the Master Fund on amalgamation	257.1	96.1	361.9	662.1	(2,206.8)	(829.6)
Balance at end of year	257.1	96.1	361.9	662.1	-	1,377.2

On 31 December 2017, the Fund's only asset was its investment in the Master Fund. The following is a reconciliation of that asset as at 31 December 2017.

	Master Fund US$ MM
Balance at start of year	1,942.0
Additions	21.2
Proceeds	(66.4)
Gain on investment in the Master Fund	111.6
Balance at end of year	2,008.4
Unrealised gains and losses for the period included in profit or loss for assets held at the end of the reporting period	111.6

Dividend income from the Master Fund amounted to US$ 109.1 million (31 December 2017: US$ 88.4 million). Total net gain on the Master Fund investment, including dividend income, amounted to US$ 289.1 million (31 December 2017: US$ 200.0 million).

Valuation process (framework)

State Street (Guernsey) Limited serves as the Fund's independent administrator and values the investments of the Fund on an ongoing basis in accordance with the valuation principles and methodologies approved by the Audit Committee of independent directors from time to time.

For certain investments, such as TFG Asset Management, a third party valuation agent is also used. However, the Board of Directors is responsible for the valuations and may, at its discretion, permit any other method of valuation to be used if it considers that such method of valuation better reflects value and is in accordance with IFRS.

Note 5 Financial Assets and Liabilities at Fair Value through Profit or Loss (continued)

Valuation techniques

All comparatives, in the note below, relate to the Master Fund's investments.

CLO equity tranches

A mark to model approach using discounted cash flow analysis ("DCF Approach") has been adopted to determine the value of the equity tranche CLO investments. The model contains certain assumption inputs that are reviewed and adjusted as appropriate to factor in how historic, current and potential market developments (examined through, for example, forward-looking observable data) might potentially impact the performance of these CLO equity investments. Since this involves modelling, 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, the Fund seeks to derive a value at which market participants could transact in an orderly market and also seeks to benchmark the model inputs and resulting outputs to observable market data when available and appropriate. Although seeking to utilise, where possible, observable market data, for certain assumptions the Investment Manager may be required to make subjective judgments and forward-looking determinations, and its experience and knowledge is instrumental in the valuation process.

As at 31 December 2018, key modelling assumptions used are disclosed below. The modelling assumptions disclosed below are a weighted average (by USD amount) of the individual deal assumptions. Each individual deal's assumptions may differ from this average and vary across the portfolio.

Constant Annual Default Rate ("CADR")	Approximately 2.35% (31 December 2017: 2.2%), which is 1.0x of the original Weighted Average Rating Factor ("WARF") derived base-case default rate for the life of the transaction.
Recovery Rate	74% (31 December 2017: 73%), which is 1.0x of the original base-case assumed weighted-average recovery rate, for the life of the transaction.
Prepayment Rate	20% p.a. (31 December 2017: 20%), the original base-case prepayment rate with a 0% prepayment rate on bonds throughout the life of the transaction.
Reinvestment Price and Spread	Assumed reinvestment price is par for the life of the transaction, with an effective spread over LIBOR of approximately 348 bps (31 December 2017: 310 bps) on broadly U.S. syndicated loan deals which are still in their reinvestment periods.

When determining the fair value of the equity tranches, a discount rate is applied to the expected future cash flows derived from the third party valuation model. The discount rate applied to those future cash flows reflects the perceived level of risk that would be used by another market participant in determining fair value. In determining the discount rates to use an analysis of the observable risk premium data as well as the individual deal's structural strength and credit quality is undertaken. At 31 December 2018, a discount rate of 10% for U.S. 1.0 deals and European deals (31 December 2017: 10%) has been utilised. At 31 December 2018, for U.S. 2.0 deals the discount rate applied is 11% (31 December 2017: 11%) unless the deal is within its non-refinancing period, in which case the deal IRR is utilised as the discount rate. For deals in this category the weighted average IRR or discount rate is 10.1% (31 December 2017: 12.4%).

Note 5 Financial Assets and Liabilities at Fair Value through Profit or Loss (continued)

Valuation techniques (continued)
CLO equity tranches (continued)

Sensitivity Analysis:

The discount rate used has a significant impact on the fair value of CLO equity tranches. A reasonable possible alternative assumption is to change the discount rate by 1%. Changing the discount rate and keeping all other variables constant would have the following effects on net assets and profits:

	31 Dec 2018 US$ MM	31 Dec 2017 US$ MM
-1% discount rate	7.4	7.6
+1% discount rate	(6.9)	(7.2)

Private equity in asset management companies

The Fund holds majority and minority private equity stakes in asset management companies that are part of TFG Asset Management. The valuation calculation for these investments was prepared by a third party valuation specialist engaged by the Fund's Audit Committee. LCM is valued using combination of DCF Approach and quoted market multiples ("Market Multiple Approach") based on comparable companies to determine an appropriate valuation range. Equitix, Polygon and TCIP are valued using DCF Approach.

During 2018, the Fund announced the merger of GreenOak with Bentall Kennedy, Sun Life Financial Inc.'s real estate and property management firm. The Fund will receive US$ 42.5 million upon the closing of the merger. TFG Asset Management will continue to hold approximately 13% interest in the combined entity and will receive a series of fixed and variable profit distributions. Sun Life will have an option to acquire the remaining interest in the merged entity approximately seven years from the closing. TFG Asset Management and other minority owners are entitled to sell their interest to Sun Life approximately eight and a half years from the close of the transaction. The Fund's investment in GreenOak, as at 31 December 2018, is valued using DCF Approach on expected cash flows from the merged entity.

The DCF Approach estimates the value of each business based on the value of the cash flows the business is expected to generate in the future. The DCF Approach estimates the enterprise value of the investments by discounting estimates of expected future free cash flows to the Fund (to both equity and debt holders), and the terminal value, at a weighted average cost of capital ("WACC") that captures the risk inherent in the projections. From the enterprise value derived by the DCF Approach, net debt is deducted to arrive at the equity value. An adjustment is made to account for a discount for lack of liquidity ("DLOL"), generally in range of 15% to 20%.

The Market Multiple Approach applies a multiple considered to be an appropriate and reasonable indicator of value to certain metrics of the business, such as earnings or asset under management, to derive the equity value. The multiple applied in each case is derived by considering the multiples of quoted comparable companies. The multiple is then adjusted to ensure that it appropriately reflects the specific business being valued, considering its business activities, geography, size, competitive position in the market, risk profile, and earnings growth prospects of the business. The valuation specialist considered a multiple of price-to-assets under management, and / or a multiple of earnings such as EBITDA, to perform this analysis.

Note 5 Financial Assets and Liabilities at Fair Value through Profit or Loss (continued)

Valuation techniques (continued)
Private equity in asset management companies (continued)

The following table shows the unobservable inputs used by third party valuation specialist in valuing various investments within TFG Asset Management.

31 December 2018

Investment	Fair Value US$ MM	Valuation methodology	Significant unobservable inputs
Equitix	230.9	DCF, Debt at par + accrued interest	Discount rate 9.75%, DLOL 15%
GreenOak	208.5	DCF (sum-of-the-parts)	Discount rate ranges from 5% to 25% for different types of cash flows with a base discount rate of 11.0%, DLOL 15%
LCM	154.9	DCF and Market Multiples	Discount rate 11.5%, P/AUM multiple 2.3%, DLOL 15%
Polygon	55.1	DCF	Discount rate 12.5%, DLOL 20%
TCIP	11.0	DCF	Discount rate 11.5%, DLOL 15%
Hawke's Point	1.7	Replacement cost	

31 December 2017

Investment	Fair Value US$ MM	Valuation methodology	Significant unobservable inputs
Equitix	152.2	DCF and Market Multiples Debt at par + accrued interest	Discount rate 8.75%, EBITDA multiple 6.75x, DLOL 15%
GreenOak	69.6	Market Multiples	Blended EBITDA multiple 11.1x
LCM	144.3	DCF and Market Multiples	Discount rate 11.0%, P/AUM multiple 2.1%, DLOL 15%
Polygon	56.0	DCF and Market Multiples	Discount rate 12.5%, EBITDA multiple 7.0x, DLOL 20%
TCIP	7.8	DCF	Discount rate 11.0%, DLOL 15%
Hawke's Point	0.8	Replacement cost	

Note 5 Financial Assets and Liabilities at Fair Value through Profit or Loss (continued)

Valuation techniques (continued)
Private equity in asset management companies (continued)

Sensitivity Analysis:

For the investments listed above, changing one or more of the assumptions to a reasonably possible alternative would have the following effects on the net assets and profits:

31 December 2018

Investment	Favorable	Unfavorable
Equitix	US$ 31.7 MM Discount rate 8.75%	(US$ 24.8 MM) Discount rate 10.75%
GreenOak	US$ 5.0 MM Discount rate 10.0%	(US$ 4.6 MM) Discount rate 12.0%
LCM	US$ 19.3 MM Discount rate 10.5%, P/AUM multiple 2.75%	(US$ 19.3 MM) Discount rate 12.5%, P/AUM multiple 2.0%
Polygon	US$ 5.6 MM Discount rate 11.5%	(US$ 5.6 MM) Discount rate 13.5%
TCIP	US$ 0.6 MM Discount factor 10.5%	(US$ 0.6 MM) Discount factor 12.5%

31 December 2017

Investment	Favorable	Unfavorable
Equitix	US$ 14.6 MM EBITDA multiple 7.25x, Discount rate 8.25%	(US$ 15.9 MM) EBITDA multiple 6.25x, Discount rate 9.25%
GreenOak	US$ 4.0 MM EBITDA multiple 11.7x	(US$ 3.4 MM) EBITDA multiple 10.5x
LCM	US$ 18.4 MM P/AUM multiple 2.4%, Discount rate 10.0%	(US$ 18.4 MM) P/AUM multiple 1.8%, Discount rate 12.0%
Polygon	US$ 4.0 MM EBITDA multiple 7.4x , Discount rate 11.5%	(US$ 4.3 MM) EBITDA multiple 6.6x , Discount rate 13.5%
TCIP	US$ 2.0 MM Discount factor 10.0%	(US$ 2.0 MM) Discount factor 12.0%

Note 5 Financial Assets and Liabilities at Fair Value through Profit or Loss (continued)

Valuation techniques (continued)

Investment funds and vehicles

Investments in unlisted investment funds, classified as level 2 and level 3 in the fair value hierarchy, are valued utilising the net asset valuations provided by the managers of the underlying funds and / or their administrators. Management's assessment is that these valuations are the fair value of these investments. In determining any adjustments necessary to the net asset valuations, management has considered the date of the valuation provided. No adjustment was deemed material following this review.

The Fund has an investment in an externally managed investment vehicle that holds farmlands in Paraguay. In 2018, these farmlands were valued by an independent third party valuation agent.

Sensitivity analysis:

A 1% increase in net asset value of the funds included in level 3 will increase net assets and profits of the Fund by US$ 3.6 million (31 December 2017: US$ 3.0 million). A decrease in net asset value of the funds will have an equal and opposite effect.

Unlisted stock

The unlisted stock investment includes three private equity investments and these have been valued by reference to recently available data points. For the first investment, this includes an implied valuation by reference to latest funding round adjusted for expected IPO in near future. For the second investment, this includes fair value of an earn-out option based on forecast revenues. For the third investment, cost is judged to be equal to fair value as it is the latest data point.

Sensitivity analysis:

A 1% increase in the value of unlisted stock included in level 3 will increase net assets and profits of the Fund by US$ 1.0 million (31 December 2017: US$ 0.4 million).

Listed stock

For listed stock in an active market, the closing exchange price is utilised as the fair value price.

Loans and corporate bonds

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

The corporate bonds held by the Fund are valued using the broker quotes obtained at the valuation date.

Note 5 Financial Assets and Liabilities at Fair Value through Profit or Loss (continued)

Valuation techniques (continued)

Forward currency contracts and currency options

Forward currency contracts and currency options are recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value. Fair values are based on observable foreign currency forward rates, recent market transactions, and valuation techniques, including discounted cash flow models, as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

The best evidence of fair value of a forward contract at initial recognition is the transaction price. The currency options are recognised initially at the amount of premium paid or received.

Contracts for difference

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

Fair values are based on quoted market prices of the underlying security, contract price, and valuation techniques including expected value models, as appropriate.

Note 6 Interest in Other Entities

Investment in unconsolidated structured entities

IFRS 12 defines a structured entity as an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to the administrative tasks only and the relevant activities are directed by means of contractual agreements.

The Fund holds various investments in CLOs and investment funds. The fair value of the CLOs and investment funds is recorded in the "Non-derivative financial assets at fair value through profit or loss" line in the Statement of Financial Position. The Fund's maximum exposure to loss from these investments is equal to their total fair value and, if applicable, unfunded commitments. Once the Fund has disposed of its holding in any of these investments, the Fund ceases to be exposed to any risk from that investment. The Fund has not provided, and would not be required to provide any financial support to these investees. The investments are non-recourse.

Note 6 Interest in Other Entities (continued)

Investment in unconsolidated structured entities (continued)

Below is a summary of the Fund's holdings in subsidiary unconsolidated structured entities. The gross asset value ("GAV") is the net asset value of the fund before deducting performance fees.

As at 31 December 2018:	No. of invest-ments	Range of nominal US$ MM	Average nominal US$ MM	Carrying value US$ MM	Percentage of NAV
CLO Equity					
U.S. CLOs[1]	10	245.6 - 748.9	535.6	202.9	9.3 %
Investment Funds					
		Total GAV			
Equities		US$ MM			
Polygon European Equity Opportunity Fund[2]	1	399.0	n/a	281.7	12.9%
Polygon Global Equities Fund[2]	1	25.0	n/a	21.4	1.0%
Credit					
Polygon Convertible Opportunity Fund[2]	1	642.8	n/a	76.8	3.5%
Tetragon Credit Income II[3]	1	324.0	n/a	65.3	3.0%
Tetragon Credit Income III[3]	1	17.3		4.2	0.2%
Real Estate					
Other Real Estate[4]	4	41.7	n/a	41.7	1.9%
Other					
Hawke's Point Holdings LP[3]	1	17.9	n/a	17.9	0.8%

[1] This includes all U.S. CLOs deemed to be controlled by the Fund. U.S. CLOs are domiciled in the Cayman Islands.

[2] Polygon hedge funds are domiciled in the Cayman Islands. Given the applicable notice, liquidity up to 25% of the investment in Polygon hedge funds is available on a quarterly basis (subject to certain conditions), and the entire investment could be liquidated over four consecutive quarters.

[3] Hawke's Point Holdings LP, Tetragon Credit Income II ("TCI II") and Tetragon Credit Income III ("TCI III") are domiciled in the Cayman Islands. These are private-equity style investment funds. Please refer to Note 16 for details of unfunded capital commitments.

[4] The Fund has investments in commercial farmland in Paraguay, via individual managed accounts managed by Scimitar, a specialist manager in South American farmland. The Fund's investment can only be redeemed when the underlying real estate assets are sold.

Note 6 Interest in Other Entities (continued)

Investment in unconsolidated structured entities (continued)

As at 31 December 2017:	No. of invest-ments	Range of nominal US$ MM	Average nominal US$ MM	Carrying value US$ MM	Percentage of NAV
CLO Equity					
U.S. CLOs[1]	11	39.5 - 721.1	454.5	192.2	9.6 %
Investment Funds					
		Total GAV US$ MM			
Equities					
Polygon European Equity Opportunity Fund[2]	1	525.3	n/a	234.8	11.8%
Polygon Global Equities Fund[2]	1	22.4	n/a	19.6	1.0%
Credit					
Polygon Distressed Opportunities Fund[2]	1	133.1	n/a	114.6	5.7%
Polygon Convertible Opportunity Fund[2]	1	532.5	n/a	55.3	2.8%
Tetragon Credit Income II[3]	1	340.0	n/a	68.1	3.4%
Other					
Hawke's Point Holdings LP[3]	1	7.5	n/a	7.4	0.4%
Other Real Estate	4	29.4	n/a	29.4	1.5%

[1] This includes all U.S. CLOs deemed to be controlled by the Fund. U.S. CLOs are domiciled in the Cayman Islands.

[2] Polygon hedge funds are domiciled in the Cayman Islands. Given the applicable notice, liquidity up to 25% of the investment in Polygon hedge funds is available on a quarterly basis (subject to certain conditions), and the entire investment could be liquidated over four consecutive quarters.

[3] Hawke's Point Holdings LP, Tetragon Credit Income II (“TCI II”) and Tetragon Credit Income III ("TCI III") are domiciled in the Cayman Islands. These are private-equity style investment funds. Please refer to Note 16 for details of unfunded capital commitments.

Note 6 Interest in Other Entities (continued)

Investment in unconsolidated structured entities (continued)

Below is a summary of the Fund's holding in non-subsidiary unconsolidated structured entities:

As at 31 December 2018:	No. of invest-ments	Range of nominal US$ MM	Average nominal US$ MM	Carrying value US$ MM	Percentage of NAV
CLO Equity					
U.S. CLOs[1]	12	31.0 - 1,550.1	257.2	54.2	2.5%
European CLOs[1]	1	24.0	24.0	0.3	0.0%
		Total AUM US$ MM			
Real Estate					
GreenOak – U.S.[2]	6	5,551.3	n/a	89.1	4.1%
GreenOak – Europe[2]	12	3,881.7	n/a	71.7	3.3%
GreenOak – Asia[2]	3	1,191.1	n/a	41.1	1.9%
		Total NAV US$ MM			
Other					
QT Fund	1	629.0	n/a	50.2	2.3%
Private Equity Funds[3]	10	277.9	n/a	30.9	2.2%

As at 31 December 2017:	No. of invest-ments	Range of nominal US$ MM	Average nominal US$ MM	Carrying value US$ MM	Percentage of NAV
CLO Equity					
U.S. CLOs[1]	19	31.0 – 512.3	148.7	107.1	5.4%
European CLOs[1]	2	38.0 – 52.2	45.1	7.3	0.4%
Real Estate		Total AUM US$ MM			
GreenOak – U.S.[2]	5	4,445.6	n/a	84.9	4.2%
GreenOak – Europe [2]	13	2,157.9	n/a	53.9	2.7%
GreenOak – Asia[2]	4	1,001.8	n/a	23.9	1.2%
		Total NAV US$ MM			
Other					
QT Fund	1	612.0	n/a	25.5	1.3%
Private Equity Funds[3]	4	551.0	n/a	27.8	1.4%

[1] Includes all externally managed CLOs that are outside the Fund's control. U.S. CLOs are domiciled in the Cayman Islands. The European CLO is domiciled in Ireland.

[2] GreenOak funds hold real estate investments in the United States, Japan and various countries in Europe. The full scale of the region presented above contains all assets under management ("AUM") in structured entities. The number of vehicles where the Fund has investments is listed above. The Fund's investment in these funds can only be redeemed in the form of capital distributions when the underlying real estate assets are sold.

[3] Private equity funds are domiciled in the Cayman Islands, Luxembourg and the United States.

Note 6 Interest in Other Entities (continued)

TFG Asset Management

The Fund owns 100% holdings and voting rights in TFG Asset Management LP. As at 31 December 2018, TFG Asset Management's investments were comprised of the following:

Investment	Principal place of business	Ownership interest	Carrying value US$ MM	Percentage of NAV
Equitix	London	75%	230.9	10.5%
GreenOak	Global[1]	23%	208.5	9.5%
LCM	New York and London	100%	154.9	7.1%
Polygon	New York and London	100%	55.1	2.5%
TCIP	New York and London	100%	11.0	0.5%
Hawke's Point	New York and London	100%	1.7	0.1%

[1] GreenOak has a presence in New York, London, Tokyo, Los Angeles, Madrid, Luxembourg, Milan, Paris, Seoul and Mumbai.

Please refer to Note 16 for details of unfunded capital commitments.

Note 7 Financial Risks Review

Financial Risk Review:

The Fund has exposure to the following risks from financial instruments:
- Credit risk;
- Liquidity risk; and
- Market risks

This note presents information about the Fund’s objectives, policies and processes for measuring and managing risk. All comparatives relates to the Master Fund as, prior to the amalgamation, the Fund was exposed to these risks through the Master Fund.

Risk Management Framework:

The Fund’s portfolio comprises a broad range of assets, including a diversified alternative asset management business, TFG Asset Management, and covers bank loans, real estate, equities, credit, convertible bonds, private equity and infrastructure. The Fund’s investment strategy is to seek to identify asset classes that offer excess returns relative to their investment risk, or ‘intrinsic alpha’.

The Investment Manager analyses the risk/reward, correlation, duration and liquidity characteristics of each potential capital use to gauge its attractiveness and increment impact on the Fund. As part of the Fund’s investment strategy, the Investment Manager may employ hedging strategies and leverage in seeking to provide attractive returns while managing risk.

The Investment Manager’s risk committee is responsible for risk management of the Fund and performs active and regular oversight and risk monitoring.

Note 7 Financial Risks Review (continued)

A) Credit risk

'Credit risk' is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund, resulting in a financial loss to the Fund. It arises principally from the CLO portfolio held, and also from derivative financial assets, cash and cash equivalents and balances due from brokers. Credit risk is monitored on an ongoing basis by the Investment Manager in accordance with the policies and procedures in place.

The Fund's activities may give rise to settlement risk. 'Settlement risk' is the risk of loss due to the failure of an entity to honour its obligations to deliver cash, securities or other assets as contractually agreed.

For the majority of transactions, the Fund mitigates this risk by conducting settlements through a broker to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations. The Fund conducts diligence on its brokers and financing counterparties before entering into trading or financing relationships. The Fund also actively monitors and manages settlement risk by diversifying across counterparties and by monitoring developments in the perceived creditworthiness of financing counterparties.

The carrying value and unfunded commitments of financial assets through profit or loss, derivatives, other receivables, amounts due from brokers and cash and cash equivalents, as disclosed in the Statement of Financial Position and note 16, represents the Fund's maximum credit exposure, hence, no separate disclosure is provided.

i. Analysis of Credit Quality

Cash and cash equivalents

The cash and cash equivalents, including reverse sale and repurchase agreements, are held with six (31 December 2017: five) financial institutions with credit ratings between AA- and A- (S&P). The Investment Manager monitors these credit ratings and spreads of credit default swaps on a daily basis and actively moves balances between counterparties when deemed appropriate.

Amounts due from brokers

Balances due from brokers represent margin accounts, cash collateral for borrowed securities and sales transactions awaiting settlement.

Credit risk relating to unsettled transactions is considered small due to the short settlement period involved and the high quality of the brokers used. As at the reporting date, the balance was concentrated among three brokers (31 December 2017: three) with S&P's credit ratings between A+ and A- (31 December 2017: A and A-). The following table details the amounts held by brokers.

	31 Dec 2018	31 Dec 2017
	US$ MM	US$ MM
UBS AG	19.1	27.7
BNP Paribas	15.6	3.5
Bank of America Merrill Lynch	0.6	26.0
	35.3	57.2

Note 7 Financial Risks Review (continued)

A) Credit risk (continued)
i. Analysis of Credit Quality (continued)

Equitix

The Fund is exposed to Equitix through a combination of loan notes and equity investment that it holds with respect to this entity. The loans are subordinated to another third party loan and in the event of bankruptcy or insolvency of Equitix, this may impact the amount that is recoverable with respect to these loans. The maximum aggregate exposure to Equitix is disclosed in Note 5.

Loans and bonds portfolio

The Fund has investments in debt securities of US$ 23.7 million (31 December 2017: US$ 25.8 million) with Moody's credit rating of Caa2 (31 December 2017: B2 and Caa2). Corporate bonds of US$ 0.1 million are high yield bonds and are not rated.

CLOs

The Fund's portfolio is partly invested in CLO equity tranches which are subject to potential non-payment risk. The Fund will be in a first loss position with respect to realised losses on the collateral in each CLO investment.

The Investment Manager assesses the credit risk of the CLOs on a look-through basis to the underlying loans in each CLO investment. The Investment Manager seeks to provide diversification in terms of underlying assets, geography and CLO managers. The maximum loss that the Fund can incur on CLOs is limited to the fair value of these CLOs as disclosed in Note 5. The underlying loans are made up of a variety of credit ratings including investment grade, non-investment grade and junk status.

The following tables show the concentration of CLOs by region and by manager.

Region	31 Dec 2018 US$ MM	31 Dec 2017 US$ MM
United States (including TCI II & III)	326.3	367.1
Europe	0.3	7.3
	326.6	374.4

Manager	31 Dec 2018 US$ MM	31 Dec 2017 US$ MM
LCM	202.9	191.9
TCIP	69.5	68.1
Other managers	54.2	114.4
	326.6	374.4

Note 7 Financial Risks Review (continued)

A) Credit risk (continued)
i. Analysis of Credit Quality (continued)

Derivatives

The table below shows an analysis of derivative financial assets and liabilities outstanding at 31 December 2018.

	Derivative assets		Derivative liabilities	
	Fair Value US$ MM	Notional	Fair Value US$ MM	Notional
31 December 2018	3.5	115.9	(6.8)	522.1
31 December 2017	17.4	389.7	(6.6)	583.6

ii. Concentration of credit risk

The Fund's credit risk is concentrated in CLOs, cash and cash equivalents and Equitix through the loan that it has made to that entity. The table below shows a breakdown of credit risk per investment type:

Investment Type	31 Dec 2018	31 Dec 2017
CLOs	43%	41%
Cash and cash equivalents	36%	40%
Equitix loan	12%	7%
Loans and bonds	3%	4%
Amount due from brokers	5%	6%
Other loans and derivatives	1%	2%
Total	100%	100%

None of the Fund's financial assets were considered to be past due or impaired on 31 December 2018 and 31 December 2017.

iii. Collateral and other credit enhancements, and their financial effects

The Fund mitigates the credit risk of derivatives and reverse sale and repurchase agreements through collateral management including master netting agreements.

Derivative transactions are either transacted on an exchange, or entered into under International Derivative Swaps and Dealers Association ("ISDA") master netting agreements. Under ISDA master netting agreements in certain circumstances, for example, when a credit event such as a default occurs, all outstanding transactions under the agreement are terminated, the termination value is assessed and only a single net amount is due or payable in settlement of all transactions. The amount of collateral accepted in respect of derivative assets is shown in Note 7(iv).

The Fund's reverse sale and repurchase transactions are covered by master agreements with netting terms similar to those of ISDA master netting agreements.

Note 7 Financial Risks Review (continued)

A) Credit risk (continued)
iii. Collateral and other credit enhancements, and their financial effects (continued)

The table below shows the amount of reverse sale and repurchase agreements.

	31 Dec 2018 US$ MM	31 Dec 2017 US$ MM
Receivables from reverse sale and repurchase agreements	133.0	246.5

No individual trades are under-collaterised. The fair value of collateral as at 31 December 2018 was US$ 139.5 million (31 December 2017: US$ 256.0 million).

Collateral accepted includes investment-grade securities that the Fund is permitted to sell or repledge. The Fund has not recognised these securities in the Statement of Financial Position.

iv. Offsetting financial assets and liabilities

The Fund has not offset any financial assets and financial liabilities in the Statement of Financial Position. The disclosures set out in the tables below include financial assets and financial liabilities that are subject to an enforceable master netting or similar agreement that covers financial instruments.

31 December 2018

Description	Gross Amount of Recognised Assets / Liabilities US$ MM	Gross Amounts Offset in the Statement of Financial Position US$ MM	Net Amounts Presented in the Statement of Financial Position US$ MM	Financial instruments eligible for netting US$ MM	Cash collateral held by brokers US$ MM	Net Amount US$ MM
Assets						
UBS AG	2.7	-	2.7	(1.3)	-	1.4
BNP Paribas	0.8	-	0.8	(0.8)	-	-
Total	3.5	-	3.5	(2.1)		1.4
Liabilities						
UBS AG	1.3	-	1.3	(1.3)	-	-
BNP Paribas	5.5	-	5.5	(0.8)	(4.7)	-
Total	6.8	-	6.8	(2.1)	(4.7)	-

Note 7 Financial Risks Review (continued)

A) Credit risk (continued)
iv. Offsetting financial assets and liabilities (continued)

31 December 2017

Description	Gross Amount of Recognised Assets / Liabilities US$ MM	Gross Amounts Offset in the Statement of Financial Position US$ MM	Net Amounts Presented in the Statement of Financial Position US$ MM	Financial instruments eligible for netting US$ MM	Cash collateral held by brokers US$ MM	Net Amount US$ MM
Assets						
UBS AG	3.1	-	3.1	(3.1)	-	-
BNP Paribas	0.1	-	0.1	(0.1)	-	-
Bank of America Merrill Lynch	14.2	-	14.2	(0.9)	-	13.3
Total	17.4	-	17.4	(4.1)	-	13.3
Liabilities						
UBS AG	5.1	-	5.1	(3.1)	(2.0)	-
BNP Paribas	0.6	-	0.6	(0.1)	(0.5)	-
Bank of America Merrill Lynch	0.9	-	0.9	(0.9)	-	-
Total	6.6	-	6.6	(4.1)	(2.5)	-

B) Liquidity risk

'Liquidity risk' is the risk that the Fund will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or other financial assets.

The Fund's policy and the Investment Manager's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due.

The Fund's financial assets include some investments which are considered illiquid. These investments include TFG Asset Management, CLO Equity tranches, real estate funds and vehicles and unlisted equities. The Fund also holds investments in hedge funds and private equity funds, which are subject to redemption restrictions such as notice periods and, in certain circumstances, redemption gates. As a result, the Fund may not be able to liquidate these investments readily.

The Fund's liquidity risk is managed on a daily basis by the Investment Manager in accordance with the policies and procedures in place. The Fund also has access to a revolving credit facility of US$ 150.0 million (31 December 2017: US$ 150.0 million). Details of the facility and the undrawn and drawn balance are disclosed in Note 11.

The Fund is not exposed to the liquidity risk of meeting shareholder redemptions as the Fund's capital is in the form of non-redeemable shares.

Note 7 Financial Risks Review (continued)

B) Liquidity risk (continued)

The following were the contractual maturities of non-derivative financial liabilities at the reporting date. The amounts are gross and undiscounted.

31 December 2018

	Within 1 month US$ MM	1 – 3 months US$ MM	3 months – 1 year US$ MM	1 – 5 years US$ MM	Greater than 5 years US$ MM	Total US$ MM
Finance costs on borrowings	0.3	0.6	2.4	12.4	-	15.7
Loans and borrowings	-	-	-	38.0	-	38.0
Expenses payable	2.0	17.5	-	-	-	19.5
	2.3	18.1	2.4	50.4	-	73.2

31 December 2017

	Within 1 month US$ MM	1 – 3 months US$ MM	3 months – 1 year US$ MM	1 – 5 years US$ MM	Greater than 5 years US$ MM	Total US$ MM
Finance costs on borrowings	0.3	0.6	2.4	12.4	-	15.7
Loans and borrowings	-	-	-	38.0	-	38.0
Expenses payable	2.6	13.9	-	-	-	16.5
	2.9	14.5	2.4	50.4	-	70.2

The tables below analyse the Fund's financial derivative instruments that will be settled on a gross basis into relevant maturity groupings based on the remaining period at the financial year end date to the contractual maturity date.

	Inflows				Outflows			
	Within 1 month US$ MM	1 – 3 months US$ MM	3 months – 1 year US$ MM	1 – 5 years US$ MM	Within 1 month US$ MM	1 – 3 months US$ MM	3 months – 1 year US$ MM	1 – 5 years US$ MM
31 Dec 2018	-	426.1	-	-	-	(424.7)	-	-
31 Dec 2017	12.3	211.8	356.5	-	(12.4)	(212.8)	(357.4)	-

The Fund manages its liquidity risk by holding sufficient cash and cash equivalents to meet its financial liabilities. Cash and cash equivalents balance as at reporting date and as percentage of NAV is disclosed in the table below:

	31 Dec 2018	31 Dec 2017
Cash and cash equivalents (US$ MM)	269.8	365.5
Percentage of NAV	12.32%	18.20%

Note 7 Financial Risks Review (continued)

C) Market Risk

'Market risk' is the risk that changes in market prices, such as interest rates, foreign exchange rates, equity prices and credit spreads, will affect the Fund's income or the fair value of its holdings of financial instruments.

The Fund's strategy for the management of market risk is driven by the Fund's investment objective of generating distributable income and capital appreciation.

The Fund employs hedging strategies, from time to time as deemed necessary, to manage its exposure to foreign currency, interest rate and other price risks. The Fund does not apply hedge accounting.

i. Interest Rate Risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments.

The fair value of certain of the Fund's investments may be significantly affected by changes in interest rates. The Fund's investments in leveraged loans through CLOs generate LIBOR plus returns and are sensitive to interest rate levels and volatility. Although CLOs are structured to hedge interest rate risk to some degree through the use of matched funding, there may be some difference between the timing of LIBOR resets on the liabilities and assets of a CLO, which could have a negative effect on the amount of funds distributed to residual tranche holders. In addition, many obligors have the ability to choose their loan base from among various terms of LIBOR and the Prime Rate thereby generating an additional source of potential mismatch. Furthermore, in the event of a significant rising interest rate environment and / or economic downturn, loan defaults may increase and result in credit losses that may be expected to affect Fund's cash flow, fair value of its assets and operating results adversely.

Change in interest rates may also affect the value of the Fund's investment in Polygon Convertible Opportunity Fund ("PCOF"). Generally, the value of convertible bonds and other fixed rate instruments will change inversely with changes in interest rates. The investment managers of the Polygon Funds manage interest rate risk by, among other things, entering into interest rate swaps and other derivatives as and when required.

Note 7 Financial Risks Review (continued)

C) Market Risk (continued)
i. Interest Rate Risk (continued)

The table below shows the sensitivity analysis for interest rates movement on the investment portfolio held by the Fund.

31 December 2018	Fair Value as at 31 Dec 2018 US$ MM	Effects of +100bps Change in Interest rate on net assets US$ MM	Effects of -100bps Change in Interest rate on net assets US$ MM
U.S. CLOs 1.0	19.7	-	(0.1)
U.S. CLOs 2.0	237.2	12.7	(11.8)
European CLOs	0.3	-	-
TCI II	65.3	3.5	(3.5)
TCI III	4.2	0.3	(0.3)
PCOF	76.8	(1.3)	1.4
	403.5	15.2	(14.3)

31 December 2017	Fair Value as at 31 Dec 2017 US$ MM	Effects of +100bps Change in Interest rate on net assets US$ MM	Effects of -100bps Change in Interest rate on net assets US$ MM
U.S. CLOs 1.0	57.5	0.2	(1.3)
U.S. CLOs 2.0	241.7	15.0	(6.8)
European CLOs	7.3	-	-
TCI II	68.1	1.4	(1.5)
PCOF	55.3	3.7	(2.7)
PDOF	114.6	(1.5)	1.5
	544.5	18.8	(10.8)

ii. Currency Risk

The Fund invests in financial instruments and enters into transactions that are denominated in currencies other than its functional currency, primarily in Euro (“EUR”), Sterling (“GBP”), Norwegian Krone (“NOK”) and Japanese Yen (“JPY”).

Consequently, the Fund is exposed to risk that the exchange rate of its currency relative to other foreign currencies may change in a manner that has an adverse effect on the fair value or future cash flows of the Fund’s financial assets or financial liabilities denominated in currencies other than USD.

The Fund hedges against its currency risk, mainly by employing forward currency contracts. The currency exposure is monitored and managed on a daily basis.

Note 7 Financial Risks Review (continued)

C) Market Risk (continued)
ii. Currency Risk (continued)

Exposure:
At the reporting date, the carrying amount of the Fund's net financial assets and financial liabilities held in individual foreign currencies, expressed in USD and as a percentage of its net assets, were as follows.

The sensitivity analysis sets out the effect on the net assets and profit for the year of reasonably possible weakening of USD against EUR, GBP, NOK and JPY by 5%. The analysis assumes that all other variables, in particular interest rates, remain constant.

31 December 2018

	Net Monetary and Non-Monetary Assets and Liabilities US$ MM	Forward foreign currency exchange hedging US$ MM	Net exposure US$ MM	Effect of +/- 5% on exchange rate US$ MM
EUR	78.5	(80.3)	(1.8)	(0.1)
GBP	310.9	(282.6)	28.3*	1.3
NOK	19.2	(19.7)	(0.5)	-
JPY	23.4	(23.6)	(0.2)	-
	432.0	(406.2)	25.8	1.2

31 December 2017

	Net Monetary and Non-Monetary Assets and Liabilities US$ MM	Forward foreign currency exchange hedging US$ MM	Net exposure US$ MM	Effect of +/- 5% on exchange rate US$ MM
EUR	79.8	(79.5)	0.3	-
GBP	215.6	(208.4)	7.2*	0.3
NOK	25.0	(25.0)	-	-
JPY	16.0	(16.2)	(0.2)	-
	336.4	(329.1)	7.3	0.3

A strengthening of the USD against the above currencies would have resulted in an equal but opposite effect to the amounts shown above.

*These exposures have arisen primarily due to a delay in timing between determining the year end value of level 3 investments and executing the relevant currency hedge.

iii. Other Price Risk

'Other price risk' is the risk that the fair value of the financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether caused by factors specific to an individual investment or its issuer or by factors affecting all instruments traded in the market.

Note 7 Financial Risks Review (continued)

C) Market Risk (continued)
iii. Other Price Risk (continued)

The Investment Manager manages the Fund's price risk and monitors its overall market positions on a regular basis in accordance with Fund's investment objectives and policies.

The following table sets out the concentration of the investment assets and liabilities, including derivatives held by the Fund as at the reporting date.

Asset Class	% of net assets as at 31 Dec 2018	% of net assets as at 31 Dec 2017
CLO Equity Tranches	11.7%	15.2%
Contracts for difference	0.0%	0.7%
Credit default swaps	(0.2)%	(0.1)%
Foreign exchange forwards and options	0.1%	(0.1)%
Loans and Corporate Bonds	1.1%	1.7%
Listed Stock	4.8%	2.7%
Unlisted Stock	4.4%	2.1%
Investment funds and vehicles	36.2%	37.1%
TFG Asset Management	30.2%	21.4%

The Investment Manager reviews the above percentages on a monthly basis against the limits which are set and reviewed periodically. The table below shows the impact of a positive 1% movement in the price of these investments on the NAV and profits of the Fund. A negative 1% movement will have an equal and opposite effect.

Asset Class	31 Dec 2018 US$ MM	31 Dec 2017 US$ MM
CLO Equity Tranches	2.5	3.1
Contracts for difference	-	1.2
Credit default swaps	-	-
Foreign exchange forwards and options	-	-
Loans and Corporate Bonds	0.2	0.3
Listed Stock	1.1	0.5
Unlisted Stock	1.0	0.4
Investment funds and vehicles	7.9	7.5
TFG Asset Management	6.6	4.3

Note 8 Other Receivables and Prepayments

	31 Dec 2018 US$ MM	31 Dec 2017 US$ MM
Prepayments	0.7	-
Interest receivables	1.0	-
Other receivables	6.3	-
	8.0	-

Other receivables and interest receivables are expected to be settled within 12 months.

Note 9 Cash and Cash Equivalents

	31 Dec 2018 US$ MM	31 Dec 2017 US$ MM
Cash and cash equivalents	269.8	-
	269.8	-

All cash and cash equivalents were held by the Master Fund before the legal amalgamation. The cash and cash equivalents balance as at 31 December 2017 in the Master Fund was US $365.5 million.

Certain controlled subsidiaries, related to real estate investments owned by the Fund, contain cash and cash equivalents balance of US$ 31.5 million as at 31 December 2018 (Master Fund, 31 December 2017: US$ 30.0 million). This cash balance is included in the fair value of these subsidiaries.

Note 10 Other Payables and Accrued Expenses

	31 Dec 2018 US$ MM	31 Dec 2017 US$ MM
Accrued expenses	19.5	13.9
	19.5	13.9

All other payables and accrued expenses are due within one year.

Note 11 Credit Facility

The Fund has an unsecured US$ 150.0 million revolving credit facility (the "Revolving Credit Facility") with a stated maturity date of 1 October 2021. This stated maturity date will automatically be extended by six months on 1 April and 1 October in each year unless the lender provides a written notice to the Fund withholding consent to such an extension.

The facility is subject to a minimum usage fee which is equivalent to a 4% coupon on 25% of the total notional amount of the facility. In addition, there is a non-usage fee of 1% which is applied to the undrawn notional amount, excluding the notional amount which is subject to the minimum usage fee. Any drawn portion will incur interest at a rate of 1M U.S. LIBOR plus a spread of 4%.

As at 31 December 2018, the drawn balance of the credit facility was US$ 38.0 million (Master Fund, 31 December 2017: US$ 38.0 million) while US$ 112.0 million of the facility remained undrawn (Master Fund, 31 December 2017: US$ 112.0 million).

Note 12 Incentive Fee

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

If the Hurdle is not met in any Calculation Period (and no incentive fee is paid), the shortfall will not carry forward to any subsequent Calculation Period.

Note 12 Incentive Fee (continued)

The Hurdle for any Calculation Period will equal the Reference NAV multiplied by the Hurdle Rate (as defined below). The Hurdle Rate for any Calculation Period equals 3-month USD LIBOR determined as of 11:00 a.m. London time on the first London business day of the then current Calculation Period, plus the Hurdle Spread of 2.647858% in each case multiplied by the actual number of days in the Calculation Period divided by 365. The Hurdle for Q1 2019 is 5.441738%.

The ‘‘Reference NAV’’ is the greater of (i) the NAV at the end of the Calculation Period immediately preceding the current Calculation Period and (ii) the NAV as of the end of the Calculation Period immediately preceding the Calculation Period referred to in clause (i).

For the purpose of determining the Reference NAV at the end of a Calculation Period, the NAV shall be adjusted by the amount of accrued dividends and the amounts of any redemptions or repurchase of the shares (or other relevant capital adjustments) and incentive fees to be paid with respect to that Calculation Period.

The incentive fee in respect of each Calculation Period is calculated by reference to the NAV before deduction of any accrued incentive fee. If the Investment Management Agreement is terminated other than at the end of a Calculation Period, the date of termination will be deemed to be the end of the Calculation Period. The incentive fee is normally payable in arrears after the end of the Calculation Period.

The incentive fee for the year ended 31 December 2018 was US$ 47.6 million (31 December 2017: US$ 32.2 million). As at 31 December 2018, US$ 17.5 million was outstanding (31 December 2017: US$ 13.9 million).

Note 13 Share Capital

Authorised

The Fund has an authorised share capital of US$ 1.0 million divided into 10 voting shares, having a par value of US$ 0.001 each and 999,999,990 non-voting shares (which are the “shares” referred to herein), having a par value of US$ 0.001 each.

Voting Shares

All of the Fund’s voting shares are issued at par and are beneficially owned by the Voting Shareholder, a non-U.S. affiliate of the Investment Manager.

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

Non-Voting Shares

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

Dividend Rights

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

Note 13 Share Capital (continued)

Share Transactions

	Voting Shares No.	Non-Voting Shares* No. MM	Treasury Shares No. MM	Shares held in Escrow No. MM
Shares in issue at 1 January 2017	10.0	87.1	43.3	9.3
Stock dividends	-	1.4	(1.8)	0.4
Issued through release of tranche of escrow shares	-	3.4	-	(3.4)
Issue through exercise of TFM options	-	2.4	(2.4)	-
Issue through exercise of GreenOak options	-	0.7	(0.7)	-
Shares transferred to escrow for deferred incentive fee	-	-	(2.0)	2.0
Shares purchased during the year	-	(4.9)	4.9	-
Shares in issue at 31 December 2017	10.0	90.1	41.3	8.3
Stock dividends	-	1.5	(2.0)	0.5
Issued through release of tranche of escrow shares	-	0.2	-	(0.2)
Issue through exercise of GreenOak options	-	0.7	(0.7)	-
Shares purchased during the year	-	(0.1)	0.1	-
Shares in issue at 31 December 2018	10.0	92.4	38.7	8.6

* Non-voting shares do not include the treasury shares or the shares held in escrow.

Optional Stock Dividend

The Fund has an Optional Stock Dividend Plan which offers investors an opportunity to elect to receive any declared dividend in the form of dividend shares at a reference price determined by calculating the five-day weighted average price post ex-dividend date.

During the year a total dividend of US$ 65.1 million (31 December 2017: US$ 63.0 million) was declared, of which US$ 47.5 million was paid out as a cash dividend (31 December 2017: US$ 47.2 million), and the remaining US$ 17.6 million (31 December 2017: US$ 15.8 million) was reinvested under the Optional Stock Dividend Plan.

Treasury Shares and Share Repurchases

Treasury shares consist of shares that have been bought-back by the Fund from its investors through various tender offers and plans. Whilst they are held by the Fund, the shares are neither eligible to receive dividends nor are they included in the shares outstanding on the Statement of Financial Position.

During 2017, the Fund purchased 4.8 million non-voting shares at an aggregate cost of US$ 65.4 million, including fees and expenses of US$ 0.4 million.

In December 2018, the Fund announced, under the terms of a "modified Dutch auction”, the commencement of a tender offer to purchase non-voting shares for a maximum aggregate payment of US$ 50.0 million in cash. This tender offer is not recorded in these financial statements as the tender offer closed and settled in January 2019.

During 2018, the Fund purchased 0.1 million shares (31 December 2017: 0.1 million) for US$ 1.0 million (31 December 2017: US$ 1.0 million) from TFG Asset Management LP using the then-current share price of US$ 12.10 (31 December 2017: US$ 13.12).

Note 13 Share Capital (continued)

Escrow Shares

Acquisition of TFG Asset Management

As part of the acquisition of TFG Asset Management, the aggregate consideration of 11.7 million shares was moved to an escrow account, where they were to be held before being released in conjunction with the agreed vesting schedule, subject to certain forfeiture conditions. During 2017, the last tranche of 3.3 million shares was released from the escrow. Of these approximately 2.5 million shares were deemed to be in relation to the original Feeder escrow shares, and a value of US$ 21.1 million was debited against Capital Contribution, using the transaction share price of US$ 8.43. In addition, approximately 0.8 million shares were deemed to be related to the stock dividends awarded on the original shares released and an amount of US$ 9.0 million was released against Retained Earnings, based on the stock reference price at each applicable dividend date. This escrow was closed in 2017.

Equity-based awards

In the fourth quarter of 2015, the Fund bought back approximately 5.6 million of its non-voting shares in a tender offer for US$ 57.4 million (including fees and expenses) to hedge against (or otherwise offset the future impact of) grants of shares under an equity-based long-term incentive plan and other equity awards by TFG Asset Management for certain senior employees (excluding the principals of the Investment Manager).

Awards under the long-term incentive plan, along with other equity-based awards, are typically spread over multiple vesting dates up to 2024 which may vary for each employee and are subject to forfeiture provisions. The arrangements may also include additional periods, beyond the vesting dates, during which employees gain exposure to the performance of the Fund's shares, but the shares are not issued to the employees. Such periods may range from one to five years beyond the vesting dates. The shares underlying these equity-based incentive programs typically will be held in escrow until they vest and will be eligible to receive shares under the Tetragon Optional Stock Dividend Plan.

As the Fund has contributed these shares, under IFRS 2, TFG Asset Management is considered to be the settling entity and as a result the Fund recorded the imputed value of the shares contributed to escrow as credit to share-based compensation reserve in the year in which the shares were acquired for this purpose, with a corresponding debit to the cost of investment in TFG Asset Management.

6.3 million (31 December 2017: 6.2 million) shares related to TFG Asset Management's employee reward schemes are held in escrow. During the year, 0.2 million shares (31 December 2017: 0.2 million) were released from escrow including shares that were deemed to be related to the stock dividends awarded on the original shares. An amount of US$ 0.5 million (31 December 2017: US$ 0.4 million) was released against Retained Earnings, based on the stock reference price at each applicable dividend date. These shares are eligible for stock dividends and during the year, 0.4 million (31 December 2017: 0.3 million) shares were allocated to this account.

Note 13 Share Capital (continued)

Escrow Shares (continued)

Deferred Incentive fees

The NAV determined in accordance with IFRS includes carrying certain investments in TFG Asset Management businesses at fair value rather than being consolidated, which was how they were previously treated under U.S. GAAP prior to transitioning to IFRS on 1 January 2015. The result of the foregoing was an increase in NAV and an incentive fee payable of US$ 25.1 million, previously recognised.

The Investment Manager agreed to accept payment of this portion of the incentive fee in the form of shares, which are held in escrow until 31 December 2021 or, at the Manager's option, the earlier occurrence of a realisation event with respect to these TFG Asset Management businesses, and subject to a "clawback" mechanism should the NAV of the TFG Asset Management businesses decline at the end of the escrow period or the investment management agreement is terminated. The expense has been recognised in full in the year in which the NAV event occurred through equity and the share-based compensation reserve. As at 31 December 2018, the Fund holds 2.3 million (31 December 2017: 2.1 million) shares in an escrow account related to deferred incentive fees.

Capital Reserve

The capital reserve is in relation to the GreenOak options. Please see Note 14 for details regarding these share options.

Share-Based Compensation Reserve

The balance in share-based compensation reserve is related to the following transactions.

	31 Dec 2018 US$ MM	31 Dec 2017 US$ MM
Share-based employee compensation - equity based awards	53.9	55.6
Deferred incentive fee	25.1	25.1
	79.0	80.7

Capital Management

The Fund's capital is represented by the ordinary share capital, other equity, and accumulated retained earnings, as disclosed in the Statement of Financial Position. The Fund's capital is managed in accordance with its investment objective. The Fund is not subject to externally imposed capital requirements and has no legal restrictions on the issue, repurchase or resale of its shares.

Note 14 Share Options

On 21 April 2017, the Investment Manager exercised the 12,545,330 options it received from the Fund in recognition of the work it performed in successfully arranging its 2007 global offering and the associated raising of new capital.

The exercise price per share for the options was set at the Fund's IPO offer price of US$ 10.00. During 2017, these options were settled by the Fund on a cashless basis, and the Investment Manager received 2,382,395 non-voting shares – the net shares resulting from the exercise of the options based on the then-current price of US$ 12.3442 per non-voting share.

Note 14 Share Options (continued)

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

Under the terms of the transaction, the Fund granted to the GreenOak founding partners options to purchase 3.9 million shares (vesting after five years and subject to further conditions) at a strike price of US$ 5.50. The aggregate fair value of the options granted at the transaction date was US$ 0.5 million. On 15 September 2015 the options vested, and as a result of vesting, all contingent elements to the options, other than market price, were removed.

Under IAS 32 *Financial Instruments: Presentation*, the share options issued are classified as equity as capital reserve in respect of share options.

The options are split approximately as follows: 50% were exercised during 2016; 25% during 2017 and the remaining 25% during 2018.

During the year ended 31 December 2018, 0.7 million (31 December 2017: 0.7 million) shares with fair value at grant date of US$ 0.1 million (31 December 2017: US$ 0.2 million), were issued as a result of options being exercised. The weighted average price of the Fund's shares was US$ 12.75 per share during 2018 (31 December 2017: US$ 12.72).

Note 15 Dividends

	31 Dec 2018 US$ MM	31 Dec 2017 US$ MM
Quarter ended 31 December 2016 of US$ 0.1725 per share	-	15.1
Quarter ended 31 March 2017 of US$ 0.1725 per share	-	15.6
Quarter ended 30 June 2017 of US$ 0.1750 per share	-	15.8
Quarter ended 30 September 2017 of US$ 0.1750 per share	-	16.5
Quarter ended 31 December 2017 of US$ 0.1775 per share	16.1	-
Quarter ended 31 March 2018 of US$ 0.1775 per share	16.1	-
Quarter ended 30 June 2018 of US$ 0.1800 per share	16.4	-
Quarter ended 30 September 2018 of US$ 0.1800 per share	16.5	-
	65.1	63.0

The fourth quarter dividend of US$ 0.1825 per share was approved by the Directors on 26 February 2019 and has not been included as a liability in these financial statements.

Note 16 Contingencies and Commitments

The Fund has the following unfunded commitments:	Fund 31 Dec 2018 US$ MM	Fund 31 Dec 2017 US$ MM
GreenOak investment vehicles	97.0	126.0
TCI III	77.6	65.0
Private equity funds	18.8	8.6
	193.4	199.6

Note 17 Related-Party Transactions

The Investment Manager is entitled to receive management fees equal to 1.5% per annum of the Net Asset Value of the Fund payable monthly in advance prior to the deduction of any accrued incentive fee. Up to 31 December 2018, all fees and expenses of the Fund including the management and administration fees, but excluding incentive fees from the Investment Manager, were paid by the Master Fund and allocated fully to the Fund. An incentive fee may be paid to the Investment Manager as disclosed in Note 12.

In recognition of the work performed by the Investment Manager in successfully arranging the global offering and the associated raising of new capital for the Fund, in 2007 the Fund granted to the Investment Manager options (the "Investment Management Options") to purchase approximately 12.5 million of the Fund's shares (before any application of potential anti-dilution) at an exercise price per share equal to the Offer Price (US$ 10.00). The options were exercised during 2017. Please refer to Note 14 for details.

The remuneration for Directors shall be determined by resolution of the Voting Shareholder. Each of the Directors' annual fee is US$ 125,000 (31 December 2017: US$ 100,000) as compensation for service on the Boards of Directors of the Fund. The Directors have the option to elect to receive shares in the Fund instead of the quarterly fee.

Paddy Dear and Reade Griffith have waived their entitlement to a fee in respect of their services as Directors. The Directors are entitled to be repaid by the Fund all travel, hotel and other expenses reasonably incurred by them in the discharge of their duties. None of the Directors has a contract with the Fund providing for benefits upon termination of employment.

With respect to the year ended 31 December 2018, Frederic Hervouet elected to receive shares in lieu of his full compensation as director. William Rogers elected to receive shares in lieu of half of his compensation. During the year, Frederic Hervouet and William Rogers received 1,912 and 5,179 shares respectively (31 December 2017: 7,879 and 2,938 shares respectively).

The Voting Shareholder is an affiliate of the Investment Manager and holds all of the voting shares. As a result of its ownership and the degree of control that it exercises, the Voting Shareholder will be able to control the appointment and removal of the Fund's Directors (subject to applicable law). Affiliates of the Voting Shareholder also control the Investment Manager and, accordingly, control the Fund's business and affairs.

Reade Griffith and Paddy Dear maintained (directly or indirectly) interests in shares of the Fund as at 31 December 2018, with interests of 12,553,797 and 4,210,182 shares respectively (31 December 2017: 11,868,998 and 4,044,303).

TFG Asset Management, including Polygon's asset management businesses and infrastructure platform, and interests in LCM and GreenOak, were acquired on 28 October 2012. The shares issued in consideration were held in escrow for release over the period 2013 to 2017.

Note 17 Related-Party Transactions (continued)

Reade Griffith and Paddy Dear were initially allocated 5,539,954 and 1,955,291 shares, respectively. During 2017, Reade Griffith and Paddy Dear received 2,474,887 and 873,487 shares respectively in relation to this transaction as the final tranche was released.

It was contractually agreed as part of the acquisition that to the extent any annual compensation actually paid to each of Reade Griffith and Paddy Dear in respect of their employment with the Fund and its subsidiaries exceeds an annual base salary of US$ 100,000, they would promptly return such excess amount to the Fund. During the year ended 31 December 2018 total compensation paid to them each in aggregate was US$ 100,000 (31 December 2017: US$ 100,000).

The Fund has entered into share-based employee reward schemes with its subsidiary, TFG Asset Management LP. See Note 13 for details.

The U.K. investment manager and Polygon Global Partners LP (together the "Service Providers") provide operational, financial control, trading, marketing and investor relations, legal, compliance, administrative, payroll and employee benefits and other services to the Investment Manager in exchange for fees payable by the Investment Manager to the Service Providers. One of these entities, the U.K. Investment Manager, which is authorised and regulated by the United Kingdom Financial Conduct Authority, also provides services to the Investment Manager relating to the dealing in and management of investments, arranging of deals and advising on investments. In addition, the Service Providers also provide infrastructure services and administrative services to Polygon Private Investment Partners LP, an affiliate of the Voting Shareholder, pursuant to applicable separate services agreements. Infrastructure services were provided to GreenOak up to March 2018 by the Service Providers.

TFG Asset Management, through the Service Providers, has implemented a cost-allocation methodology with the objective of allocating service-related costs, including to the Investment Manager. TFG Asset Management then charges fees for the services allocated on a cost-recovery basis that is designed to achieve full recovery of the allocated costs. In the year, the amount recharged to the Investment Manager was US$ 17.6 million (31 December 2017: US$ 17.3 million), GreenOak US$ 0.1 million (31 December 2017: US$ 0.5 million) and Polygon Private Investment Partners LP US$ 0.1 million (31 December 2017: US$ 0.2 million). During 2018, the Fund purchased 0.1 million shares (31 December 2017: 0.1 million) from TFG Asset Management for US$ 1.0 million (31 December 2017: US$ 1.0 million) using then-current share price of US$ 12.10 (31 December 2017: US$ 13.12).

Reade Griffith and Paddy Dear also hold membership interests in Pace Cayman Holdco Limited ("Pace Holdco"), an entity through which the Fund ultimately owns its equity stake in Equitix. These membership interests collectively entitle them to exercise all of the voting rights in respect of Pace Holdco. Each of Mr. Griffith and Mr. Dear has agreed that he will (i) exercise his voting rights in a manner that is consistent with the best interests of the Fund and (ii) upon the request of the Fund, for nominal consideration, sell, transfer and deliver his membership interests in the Pace Holdco to the Fund.

The Fund holds CLO equity investments in CLOs which are managed by LCM. In total, as at 31 December 2018, it held CLO equity tranche investments in 10 CLOs managed by LCM with a fair value of US$ 202.9 million (Master Fund, 31 December 2017: US$ 191.9 million).

At 31 December 2018, the Fund held investments across several hedge funds managed by Polygon. These hedge funds employ investment strategies involving investing in equities, convertible bonds, credit and derivatives. As at 31 December 2018, the fair value of these investments was US$ 379.9 million (Master Fund, 31 December 2017: US$ 424.3 million).

Note 17 Related-Party Transactions (continued)

The Fund owns a 23% equity interest in GreenOak. The Fund has made investments across several real estate investment vehicles managed by GreenOak. As at 31 December 2018, these investments referenced real estate in the United States, Japan and Europe with a combined net asset value of US$ 170.3 million (Master Fund, 31 December 2017: US$ 132.9 million). These investments are typically illiquid, and the Fund will only receive distributions on liquidation of the investment vehicle's underlying assets, which in some cases may not be for several years.

TCIP II and TCIP III are general partners of TCI II and TCI III respectively. The Fund owns 100% of TCIP II and TCIP III. As at 31 December 2018, the Fund's investments in TCI II and TCI III are fair valued at US$ 69.5 million and US$ 4.2 million respectively (Master Fund, 31 December 2017: US$ 68.1 million and nil respectively). Please refer to Note 16 for details of unfunded commitments related to GreenOak, TCI II and TCI III funds.

Hawke's Point Manager LP is the manager of Hawke's Point Holdings LP. The Fund owns 100% of Hawke's Point Manager LP through its ownership of TFG Asset Management. As at 31 December 2018, the Fund's investment in Hawke's Point Holdings LP is fair valued at US$ 17.9 million (Master Fund, 31 December 2017: US$ 7.4 million).

Note 18 Earnings per share

The calculation of the basic and diluted earnings per share is based on the following data:	Year ended 31 Dec 2018 US$ MM	Year ended 31 Dec 2017 US$ MM
Earnings for the purposes of basic earnings per share being net profit attributable to shareholders for the year	241.5	167.8
Weighted average number of shares for the purposes of basic earnings per share	91.1	90.0
Effect of dilutive potential shares:		
Share-based employee compensation – equity based awards	6.3	6.2
Share options	-	0.6
Deferred incentive fee shares	2.3	2.1
Weighted average number of shares for the purposes of diluted earnings per share	99.7	98.9

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

In respect of share-based employee compensation – equity based awards and deferred incentive fee shares, it is assumed that all of the shares currently held in escrow will be released, thereby increasing the weighted average number of shares.

In respect of share options, the intrinsic value of the options is calculated using the Fund's quoted share price on the last business day prior to the year end. This is then converted into a number of shares by dividing the aforementioned intrinsic value by the aforementioned quoted share price. This will yield the number of shares to include in the dilution calculation.

Note 19 Segment information

IFRS 8 *Operating Segments* requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes.

For management purposes, the Fund is organised into one main operating segment – its investment portfolio - which invests, either directly or via fund vehicles, in a range of alternative asset classes including equity securities, debt instruments, real estate, infrastructure, loans and related derivatives. The Fund's investment activities are all determined by the Investment Manager in accordance with the Fund's investment objective.

All of the Fund's activities are interrelated, and each activity is dependent on the others.

Accordingly, all significant operating decisions are based upon analysis of the Fund as one segment. The financial results from this segment are equivalent to the financial statements of the Fund as a whole.

The shares in issue are in US Dollars. The Fund's investment geographical exposure is as follows (31 December 2017, the Fund's investment was in the Master Fund whose geographical exposure is detailed below for comparative purposes):

Region	31 Dec 2018	31 Dec 2017
North America	43.4%	49.5%
Europe	45.8%	42.8%
Asia	8.6%	5.9%
Latin America	2.2%	1.8%

Note 20 Subsequent Events

The Directors have evaluated the period up to 24 April 2019, which is the date that the financial statements were approved. Apart from the tender offer described in note 13, the Directors have concluded that there are no material events that require disclosure or adjustment to the financial statement.

Note 21 Approval of Financial Statements

The Directors approved and authorised for issue the financial statements on 24 April 2019.

Note 22 IFRS to U.S. GAAP Reconciliation

As outlined in Note 3, the financial statements are prepared in accordance with IFRS, which differs in certain respects from the basis of accounting in conformity with accounting principles generally accepted in the United States of America ("US GAAP"). As required by the Dodd Frank Act for a registered investment advisor, this note sets out the reconciling material differences between IFRS and US GAAP for the Tetragon Financial Group Limited financial statements. Comprehensive disclosure under US GAAP is not required for this purpose, only certain disclosures have been included which are considered material differences.

On 31 December 2018 and 2017, the net assets presented in the IFRS Statement of Financial Position is the same as would have been presented under US GAAP. The profit and total comprehensive income in the IFRS Statement of Comprehensive Income is the same as would have been presented under US GAAP. The amounts of cash flows for operating and investing activities presented in the Statement of Cash Flows under IFRS is not the same as would be presented under US GAAP, as the investment related activity under US GAAP would be classified as Operating activities whereas under IFRS it is classified as Investing activities.

Note 22 IFRS to U.S. GAAP Reconciliation (continued)

Investments in private investment companies under US GAAP which do not have a readily determinable fair value are valued at their Net Asset Value as a practical expedient. Private investment companies valued at Net Asset Value under US GAAP are not leveled in the fair value hierarchy, and accordingly the Level 3 disclosure requirements do not apply under US GAAP to these investments. Under IFRS, no such practical expedient exists and therefore private investment companies valued at their Net Asset Value are considered Level 3 investments and have additional disclosure requirements.

Additional disclosures required for an Investment Company under US GAAP which are not required under IFRS include Schedule of Investments and Financial Highlights.

TETRAGON FINANCIAL GROUP LIMITED

CONDENSED SCHEDULE OF INVESTMENTS
As at 31 December 2018

Security Description	Nominal MM	Cost US$ MM	Fair Value US$ MM	% of Net Assets
United States CLO Equity				
Cayman Islands				
Broadly Syndicated Senior Secured Loans	730.7	620.1	256.7	11.72%
Middle Market Senior Secured Loans	36.1	31.5	0.1	0.01%
	766.8	651.6	256.8	11.73%
European CLO Equity				
Ireland				
Broadly Syndicated Senior Secured Loans	20.0	24.0	0.3	0.01%
	20.0	24.0	0.3	0.01%
Listed Stock				
United Kingdom - Equity Investments		33.9	48.0	2.20%
United States - Equity Investments		34.5	39.1	1.78%
Norway - Equity Investments		10.8	18.9	0.86%
		79.2	106.0	4.84%
Unlisted Stock				
United States – Private Equity		65.0	96.1	4.39%
		65.0	96.1	4.39%
Corporate Bonds				
Portugal – Corporate Bond		15.2	23.7	1.08%
United States – Corporate Bond		0.3	0.1	0.01%
		15.5	23.8	1.09%
Investment Funds and Vehicles				
United States – Real Estate		56.8	89.1	4.07%
Japan – Real Estate		34.2	41.1	1.88%
Latin America – Real Estate		32.7	41.7	1.90%
Europe - Real Estate		68.9	71.7	3.27%
Cayman Islands – CLO Equity Fund		73.8	69.5	3.17%
United Kingdom – Private Equity		16.1	17.7	0.81%
United States – Private Equity		12.7	13.2	0.60%
Global – Hedge Funds – Equities		64.7	71.6	3.27%
Global - Mining Finance Fund		40.6	17.9	0.82%
Polygon European Equity Opportunity Fund		237.0	281.7	12.88%
Global – Hedge Funds – Credit and Convertible Bonds		55.0	76.8	3.51%
		692.5	792.0	36.18%

CONDENSED SCHEDULE OF INVESTMENTS – (continued)
As at 31 December 2018

	Nominal MM	Cost US$ MM	Fair Value US$ MM	% of Net Assets
TFG Asset Management				
United Kingdom Infrastructure Asset Management Business		99.9	230.9	10.55%
Global Financial Real Estate Manager		10.7	208.5	9.52%
Global Hedge Fund Manager		49.0	55.1	2.52%
United States CLO Manager		44.0	154.9	7.07%
Other		-	12.7	0.58%
		203.6	662.1	30.24%
Total Investments		1,731.4	1,937.1	88.48%
Financial Derivative Instruments				
Forward Foreign Currency Exchange Contracts			1.4	0.06%
Equity Total Return Swaps			(4.7)	(0.21)%
Total Financial Derivative Instruments			(3.3)	(0.15)%
Cash and Cash Equivalents			269.8	12.32%
Other Assets and Liabilities			(14.2)	(0.65)%
Net Assets			2,189.4	100.00%

TETRAGON FINANCIAL GROUP MASTER FUND LIMITED

CONDENSED SCHEDULE OF INVESTMENTS
As at 31 December 2017

Security Description	Nominal MM	Cost US$ MM	Fair Value US$ MM	% of Net Assets
United States CLO Equity				
Cayman Islands				
Broadly Syndicated Senior Secured Loans	861.0	766.5	297.0	14.79%
Middle Market Senior Secured Loans	133.2	123.9	1.5	0.07%
	994.2	890.4	298.5	14.86%
European CLO Equity				
Ireland				
Broadly Syndicated Senior Secured Loans	35.0	40.9	6.9	0.34%
	35.0	40.9	6.9	0.34%
Netherlands				
Broadly Syndicated Senior Secured Loans	24.0	31.8	0.5	0.02%
	24.0	31.8	0.5	0.02%
United States CLO Mezzanine				
Cayman Islands				
Broadly Syndicated Senior Secured Loans	0.7	0.4	0.7	0.03%
	0.7	0.4	0.7	0.03%
Loans				
United States Broadly Syndicated Senior Secured Loans	1.9	1.4	1.6	0.08%
	1.9	1.4	1.6	0.08%
Listed Stock				
Norway – Equity Investments		6.8	24.9	1.24%
United Kingdom – Equity Investments		20.5	30.0	1.49%
		27.3	54.9	2.73%
Unlisted Stock				
United States – Private Equity		35.0	42.2	2.10%
		35.0	42.2	2.10%
Corporate Bonds				
Portugal – Corporate Bond		15.2	24.2	1.21%
United States – Corporate Bond		3.0	8.2	0.40%
		18.2	32.4	1.61%
Investment Funds and Vehicles				
United States – Real Estate		52.0	84.9	4.23%
Japan – Real Estate		22.6	24.1	1.20%
Latin America – Real Estate		32.2	29.4	1.46%
Europe - Real Estate		52.9	53.9	2.68%
Cayman Islands – CLO Equity Fund		70.0	68.1	3.39%
United Kingdom – Private Equity		11.2	11.5	0.57%
United States – Private Equity		16.4	16.2	0.81%
Global – Hedge Funds – Equities		40.0	45.2	2.25%
Global - Mining Finance Fund		12.8	7.4	0.37%
Polygon European Equity Opportunity Fund		182.0	234.7	11.69%
Polygon Distressed Opportunities Fund		97.7	114.5	5.70%
Global – Hedge Funds – Credit and Convertible Bonds		35.0	55.3	2.76%
		624.8	745.2	37.11%

CONDENSED SCHEDULE OF INVESTMENTS – (continued)
As at 31 December 2017

	Nominal MM	Cost US$ MM	Fair Value US$ MM	% of Net Assets
TFG Asset Management				
United Kingdom Infrastructure Asset Management Business		73.3	152.2	7.59%
Global Financial Real Estate Manager		10.7	69.6	3.46%
Global Hedge Fund Manager		49.9	56.0	2.79%
United States CLO Manager		44.0	144.3	7.19%
Other		-	8.6	0.43%
		177.9	430.7	21.46%
Total Investments		1,848.1	1,613.6	80.34%
Financial Derivative Instruments				
Forward Foreign Currency Exchange Contracts			(2.0)	(0.10)%
Credit Default Swaps			(1.4)	(0.07)%
Contract for Difference			14.2	0.71%
Total Financial Derivative Instruments			10.8	0.54%
Cash and Cash Equivalents			365.5	18.20%
Other Assets and Liabilities			18.5	0.92%
Net Assets			2,008.4	100.00%

TETRAGON FINANCIAL GROUP LIMITED

FINANCIAL HIGHLIGHTS
For the year ended 31 December 2018

The following represents selected per Share operating performance of the Fund, ratios to average net assets and total return information for the year ended 31 December 2018 and the year ended 31 December 2017.

	31-Dec-18 US$	31-Dec-17 US$
Per Share operating performance		
Net Asset Value at start of year	22.13	22.21
Net investment income (before incentive fee)	3.17	2.22
Incentive fee	(0.52)	(0.36)
Share based compensation	-	0.04
Cash dividends paid to shareholders	(0.52)	(0.52)
Other capital transactions	(0.56)	(1.46)
Net Asset Value at the end of the year	23.70	22.13
Ratios and supplemental data		
Total return (NAV change before dividend payments and other capital transactions) before incentive fee	14.33%	10.18%
Incentive fee	(2.35)%	(1.67)%
Total return (NAV change before dividend payments and other capital transactions) after incentive fee	11.98%	8.51%
Ratio to average net assets:		
Incentive fee	(2.31)%	(1.63)%
Net investment income	11.71%	8.50%

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