AUDITED FINANCIAL STATEMENTS

TETRAGON FINANCIAL GROUP LIMITED

FOR THE YEAR ENDED 31 DECEMBER 2016

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For the year ended 31 December 2016

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TETRAGON FINANCIAL GROUP LIMITED

DIRECTORS' REPORT
For the year ended 31 December 2016

The Directors present to the shareholders their report together with the audited financial statements for the year ended 31 December 2016.

THE COMPANY AND ITS INVESTMENT OBJECTIVE

Tetragon Financial Group Limited (the "Company" or "Feeder") was registered in Guernsey on 23 June 2005 as a company limited by shares, with registered number 43321. All voting shares of the Company are held by Polygon Credit Holdings II Limited (the "Voting Shareholder"). The Company continues to be registered and domiciled in Guernsey, and the Company's 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 ("SFM") (ticker symbol: TFG.LN). The Company acts as a feeder fund in a "master feeder structure" investing substantially all of its assets in Tetragon Financial Group Master Fund Limited (the "Master Fund").

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

The Company is a closed-ended investment company that invests in a broad range of assets, including bank loans, real estate, equities, credit, convertible bonds and infrastructure and TFG Asset Management ("TFG Asset Management"), a diversified alternative asset management business. Where sensible, through TFG Asset Management, the Company seeks to own all, or a portion, of asset management companies with which it invests in order to enhance the returns achieved on its capital. The Company'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.

As at 31 December 2016, TFG Asset Management 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, Tetragon Credit Income Partners ("TCIP") and the GreenOak Real Estate ("GreenOak").

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

RESULTS, ACTIVITIES AND FUTURE DEVELOPMENTS

The results of operations are set out on page 8. A detailed review of activities and future developments is contained in the Annual Report issued with these financial statements to the shareholders.

On 28 September 2016, the Company became a member of the Association of Investment Companies (the "AIC"), the trade body for closed ended investment companies.

On 23 December 2016, the Company announced that, for its 31 December 2016 Financial Statements and subsequently, the Company would for the first time adopt International Financial Reporting Standards as adopted by the European Union ("IFRS") as the accounting framework for preparing the Company and the Master Fund's respective financial statements and to calculate the Net Asset Value of the Company for the purposes of determining the fees payable to the Investment Manager. Further information regarding this change in accounting framework can be found in Notes 2 and 4 of these financial statements.

DIRECTORS

The Directors who held office during the year were:

Paddy Dear
Rupert Dorey*
Reade Griffith
Frederic Hervouet*
David Jeffreys*
Byron Knief* (resigned 14 June 2016)
William Rogers Jr.* (appointed 14 June 2016)

* Independent Directors

The remuneration for Directors is determined by resolution of the Voting Shareholder. Each of the Director's annual fee is US$ 100,000 as compensation for service on the Board of Directors of both the Company and the Master Fund and is paid by the Master Fund. Paddy Dear and Reade Griffith have waived their entitlement to a Director's fee.

The Directors have the option to elect to receive Shares in the Company instead of their quarterly Director's fee. With respect to the year ended 31 December 2016, Frederic Hervouet has elected to receive Shares and he received 2,538 Shares in relation to the first quarter's fee, 2,472 Shares in relation to the second quarter's fee and 2,254 Shares in relation to the third quarter's fee. The number of Shares issued instead of the fee for the fourth quarter will be determined as part of the fourth quarter dividend process.

The Directors are entitled to be repaid by the Company for all travel, hotel and other expenses reasonably incurred by them in the discharge of their duties. None of the Directors has a contract with the Company or the Master Fund providing for benefits upon termination of employment.

SECRETARY

State Street (Guernsey) Limited held the office of Secretary throughout the year and up to the date of this report.

DIVIDENDS

The Board of Directors has the authority to declare dividend payments, based upon the recommendation of the Investment Manager, subject to the approval of the Voting Shareholder of the Company and adherence to applicable law including the satisfaction of a solvency test as stated under The Companies (Guernsey) Law, 2008. The Investment Manager's recommendation with respect to the declaration of dividends (and other capital distributions) may be informed by a variety of considerations, including (i) the expected sustainability of the Company's cash generation capacity in the short and medium term, (ii) the current and anticipated performance of the Company, (iii) the current and anticipated operating and economic environment and (iv) other potential uses of cash ranging from preservation of the Company's investments and financial position to other investment opportunities.

The Directors declared a dividend amounting to US$ 0.1650 per Share for the Quarter Ended 31 December 2015, US$ 0.1650 per Share for the Quarter Ended 31 March 2016, US$ 0.1675 per Share for the Quarter Ended 30 June 2016 and US$ 0.1675 per Share for the Quarter Ended 30 September 2016. The total dividend declared during the year ended 31 December 2016 amounted to US$ 61.9 million or US$ 0.6650 per Share (31 December 2015: US$ 62.5 million or US$ 0.6400 per Share). On 28 February 2017, the Directors have declared a dividend amounting to US$ 0.1725 per Share for the Quarter Ended 31 December 2016.

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 conformity with IFRS and applicable law.

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

In preparing these 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; and
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for the keeping of proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with The Companies (Guernsey) Law, 2008. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The Company 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" and the Company must seek to apply the "Code of Corporate Governance" issued by the Guernsey Financial Services Commission. The Company reports against the 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. No formal corporate governance code applies to the Master Fund under Dutch Law.

The Directors confirm that they have complied with the above requirements.

DISCLOSURE OF INFORMATION TO AUDITOR

So far as each of the Directors is aware, there is no relevant audit information of which the Company's auditor is unaware, and each has taken all the steps he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

AUDITOR

KPMG Channel Islands Limited are the appointed independent auditors of the Company and they have expressed their willingness to continue in office. A resolution for the re-appointment of KPMG Channel Islands Limited as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

Signed on behalf of the Board of Directors by:

Frederic Hervouet, Director	David Jeffreys, Director

Date: 28 February 2017

Independent Auditors' Report

The Board of Directors
Tetragon Financial Group Limited

Report on the Financial Statements

We have audited the accompanying financial statements of Tetragon Financial Group Limited (the "Fund" or "Company"), which comprise the Statements of Financial Position as of December 31, 2016, 2015 and 2014, and the related Statements of Comprehensive Income, Statements of Changes in Equity, Statements of Cash Flows, and Financial Highlights for the years ended December 31, 2016 and 2015, 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 EU; 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 audits. We conducted our audits 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 audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Tetragon Financial Group Limited as of December 31, 2016, 2015 and 2014, and the results of its operations and its cash flows for the years ended December 31, 2016 and 2015 in accordance with International Financial Reporting Standards as adopted by the EU.

KPMG
Dublin, Ireland
February 28, 2017

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TETRAGON FINANCIAL GROUP LIMITED

STATEMENT OF FINANCIAL POSITION
As at 31 December 2016

	Note	31 Dec 2016 US$ MM	31 Dec 2015 US$ MM	1 Jan 2015 US$ MM
Assets				
Financial asset at fair value through profit or loss	5	1,942.0	2,020.2	1,959.2
Total assets		1,942.0	2,020.2	1,959.2
Liabilities				
Accrued incentive fee	9	7.1	32.8	28.7
Total liabilities		7.1	32.8	28.7
Net assets		1,934.9	1,987.4	1,930.5
Equity				
Share capital	10	0.1	0.1	0.1
Share premium		1,344.0	1,307.2	1,253.8
Treasury shares		(530.5)	(385.4)	(324.5)
Capital reserve in respect of share options		12.0	12.3	12.3
Share based employee compensation reserve	7	100.0	90.5	47.6
Retained earnings		1,009.3	962.7	941.2
		1,934.9	1,987.4	1,930.5
Shares outstanding		**Millions**	**Millions**	**Millions**
Number of Shares	10	87.1	95.9	95.9
Net Asset Value per share		US$ 22.21	US$ 20.72	US$ 20.13

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

Signed on behalf of the Board of Directors by:

Frederic Hervouet,
Director

David Jeffreys,
Director

Date: 28 February 2017

TETRAGON FINANCIAL GROUP LIMITED

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2016

	Note	Year ended 31 Dec 2016 US$ MM	Year ended 31 Dec 2015 US$ MM
Net gain on financial asset at fair value through profit or loss	5	138.5	130.9
Total revenue		138.5	130.9
Incentive fee	9	(22.0)	(39.4)
Total operating expenses		(22.0)	(39.4)
Profit and total comprehensive income for the year		**116.5**	**91.5**
Earnings per Share			
Basic	13	US$ 1.26	US$ 0.94
Diluted	13	US$ 1.09	US$ 0.87
Weighted average Shares outstanding		**Millions**	**Millions**
Basic	13	92.1	97.1
Diluted	13	106.8	105.5

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 2016

	Issued shares US$ MM	Share premium US$ MM	Retained earnings US$ MM	Treasury shares US$ MM	Capital reserve US$ MM	Share based reserve US$ MM	Total US$ MM
As at 1 January 2015	**0.1**	**1,253.8**	**941.2**	**(324.5)**	**12.3**	**47.6**	**1,930.5**
Profit and total comprehensive income for the year	-	-	91.5	-	-	-	91.5
Transactions with owners recognized directly in equity							
Share based employee compensation	-	-	-	-	-	76.6	76.6
Shares released from Escrow	-	33.8	-	-	-	(33.8)	-
Cash dividends	-	-	(50.5)	-	-	-	(50.5)
Stock dividends	-	12.0	(12.0)	-	-	-	-
Dividends on shares released from Escrow	-	7.5	(7.5)	-	-	-	-
Issue of shares	-	0.1	-	-	-	-	0.1
Purchase of treasury shares	-	-	-	(60.9)	-	-	(60.9)
Total	-	53.4	(70.0)	(60.9)	-	42.9	(34.6)
As at 31 December 2015	**0.1**	**1,307.2**	**962.7**	**(385.4)**	**12.3**	**90.5**	**1,987.4**

	Issued shares US$ MM	Share premium US$ MM	Retained earnings US$ MM	Treasury shares US$ MM	Capital reserve US$ MM	Share based reserve US$ MM	Total US$ MM
As at 1 January 2016	**0.1**	**1,307.2**	**962.7**	**(385.4)**	**12.3**	**90.5**	**1,987.4**
Profit and total comprehensive income for the year	-	-	116.5	-	-	-	116.5
Transactions with owners recognized directly in equity							
Deferred incentive fee	-	-	-	-	-	25.1	25.1
Shares released from Escrow	-	25.0	-	-	-	(25.0)	-
Dividends on shares released from Escrow	-	8.1	(8.1)	-	-	-	-
Share based employee compensation	-	-	-	-	-	9.4	9.4
Cash dividends	-	-	(45.9)	-	-	-	(45.9)
Stock dividends	-	11.4	(16.0)	4.6	-	-	-
Issue of shares	-	0.1	-	-	-	-	0.1
Purchase of treasury shares	-	-	-	(157.8)	-	-	(157.8)
Capital reserve in respect of share options	-	(7.8)	-	8.1	(0.3)	-	-
Total	-	36.8	(69.9)	(145.1)	(0.3)	9.5	(169.0)
As at 31 December 2016	**0.1**	**1,344.0**	**1,009.3**	**(530.5)**	**12.0**	**100.0**	**1,934.9**

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 2016

	Year ended 31 Dec 2016 US$ MM	Year ended 31 Dec 2015 US$ MM
Operating activities		
Dividend received from Master Fund to finance the dividend liability to Shareholders	45.9	50.5
Dividend received from Master Fund to settle the incentive fee liability	22.6	35.2
Incentive fee paid	(22.6)	(35.2)
	45.9	50.5
Investing activities		
Proceeds from redemption of shares of Master Fund	157.8	60.9
	157.8	60.9
Financing activities		
Purchase of Treasury Shares	(157.8)	(60.9)
Dividends paid to Shareholders	(45.9)	(50.5)
	(203.7)	(111.4)
Net increase in cash and cash equivalents	-	-
Cash and cash equivalents at beginning of year	-	-
Cash and cash equivalents at end of year	-	-

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

*The gross dividend payable to shareholders was US$ 61.9 million (2015: US$ 62.5 million) with value equivalent to US$ 16.0 million (2015: US$ 12.0 million) being taken by the dividend recipient in Shares rather than cash.

** The Company does not maintain any bank accounts or cash balances. All cash transactions take place within the Master Fund.

Note 1 Corporate Information

The Company was registered and incorporated in Guernsey on 23 June 2005 as a company limited by shares, with registered number 43321. The registered office of the Company is 1st Floor Dorey Court, Admiral Park, St. Peter Port, Guernsey, Channel Islands, GY1 6HJ. The Company continues to be registered and domiciled in Guernsey.

The nature of the Company's operations, its principal activities and Voting Shareholder are detailed in the Directors' Report.

These separate financial statements of the Company are its only financial statements.

Note 2 Significant Accounting Policies

Statement of Compliance

The financial statements of the Company have been prepared in accordance with IFRS and comply with The Companies (Guernsey) Law, 2008 and give a true and fair view.

Basis of Preparation

The financial statements have been prepared on a historical cost basis, except for investments 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"), which is the functional currency of the Company, expressed in USD millions as the Board of Directors determined that this reflects the Company's primary economic environment.

In previous financial years the financial statements of the Company were prepared in accordance with applicable US Generally Accepted Accounting Principles ("US GAAP"). Information on the effect of the transition to IFRS is detailed in Note 4, First Time Adoption of IFRS.

The Company is an investment entity and, as such, does not consolidate the entities it controls where they are deemed to be investments, in accordance with IFRS 10. Instead, interests in subsidiaries are classified as FVTPL. Investments in associates are also classified as FVTPL. Refer to Note 3 Significant Accounting Judgments, Estimates and Assumptions for the judgments and assumptions made in determining that the Company meets the definition of an investment entity.

After making enquiries and given the nature of the Company and its investment, 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 Company is able to continue for the foreseeable future and at least twelve months from the date of this report.

Financial Asset at Fair Value through Profit or Loss

The Company's investment in Tetragon Financial Group Master Fund Limited ("Master Fund") is classified as financial asset at FVTPL and is measured at fair value.

The Company's Statement of Comprehensive Income includes its net gain or loss on investment in the Master Fund. The audited financial statements of the Master Fund are attached. As at 31 December 2016, the Company had 100% (31 December 2015: 100%) economic ownership interest in the Master Fund.

Note 2 Significant Accounting Policies (continued)

Fair Value Measurement

The value of the investment in the Master Fund is based on the net asset value ("NAV") per share obtained from the Master Fund's Administrator, which is the Company's interest in the net assets of the Master Fund. Based on management's assessment, NAV represents the fair value of the investment. The performance of the Company is directly affected by the performance of the Master Fund.

Net Gain / (Loss) on Financial Assets at FVTPL

Net gains or losses on financial assets at FVTPL are changes in the fair value of financial assets at FVTPL.

Expenses

Expenses are recognized in the Statement of Comprehensive Income on an accruals basis.

Taxation

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

Dividend distribution

Dividends from shares are recognized in the statement of changes in equity, when the shareholders' right to receive the payment is established.

Share Options

The fair value of the options granted to the Investment Manager at the time of the Company's initial public offering in 2007, was recognized as a charge to the capital reserve. The options were fully vested and immediately exercisable from the date of the grant, on 26 April 2007, and remain exercisable for ten years.

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

If and when the share options are exercised there will be a transfer from the capital reserve to the share capital and share premium accounts or Treasury Shares.

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 entity receiving the services (e.g., Master Fund) recognizes these compensation costs net of an estimated forfeiture rate, and recognizes compensation cost only for those Shares expected to meet the service and 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 employee compensation reserve and credited to share capital and share premium, or treasury shares, where appropriate. Any associated stock dividends accrued on the original award are debited against retained earnings and credited to share capital and share premium, or treasury shares, where appropriate using the value determined by the stock reference price at the date of each applicable dividend.

Note 2 Significant Accounting Policies (continued)

Joint arrangements

The Master Fund entered into a joint arrangement with the Company through the establishment of TFG Holdings I. The Master Fund and the Company each transferred Shares previously held as treasury shares to TFG Holdings I. Where this occurs, the status of the Shares is unchanged from an accounting perspective and they are not included in the Shares outstanding on the Statement of Financial Position.

During 2016, TFG Holdings I was closed, with all shares held transferred to treasury shares account.

Operating Segments

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

Treasury Shares

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

New standards issued but not yet effective

The Company has considered all the standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements. Standards and interpretations that are relevant to the Company are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

IFRS 9 *Financial instruments*

In July 2014, the IASB issued the final version of IFRS 9 *Financial Instruments* that replaces IAS 39 *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required, but the provision of comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The Company plans to adopt the new standard on the required effective date. The Company expects that this standard will not have a significant impact on the financial statements as it expects to continue measuring at fair value all financial assets currently held at fair value.

Note 3 Significant accounting judgments, estimates and assumptions

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts recognized 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.

Note 3 Significant accounting judgments, estimates and assumptions (continued)

Judgments

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

Assessment as investment entity

Entities that meet the definition of an investment entity within IFRS 10 are required to measure their subsidiaries at fair value through profit or loss rather than consolidate them. The criteria which define an investment entity are, as follows:

- An entity that obtains funds from one or more investors for the purpose of providing those investors with investment management services;
- An entity that commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- An entity that measures and evaluates the performance of substantially all of its investments on a fair value basis.

In determining whether the Company meets the definition of an investment entity, the Company considered the master-feeder structure as a whole. In particular, when assessing the existence of investment exit strategies and whether the Company has more than one investment, the Company takes into consideration the fact that the Master Fund was formed in connection with the Company in order to hold investments on behalf of the Company.

The Company concluded that the Company and the Master Fund each meet the definition of an investment entity. Consequently, the Company concluded that the Company should not consolidate the Master Fund and therefore measures its investment at FVTPL.

Estimates and assumptions

The key estimate is the fair value of the Master Fund. Information about assumptions and estimation uncertainties that have significant risk of resulting in a material adjustment in the year ended 31 December 2016 is included in Note 6.

Note 4 First time adoption of IFRS

These financial statements, for the year ended 31 December 2016, are the first the Company has prepared in accordance with IFRS. For periods up to and including the year ended 31 December 2015, the Company prepared its financial statements in accordance with US GAAP. Accordingly, the Company has prepared financial statements that comply with IFRS applicable as at 31 December 2016, together with the comparative period data for the year ended 31 December 2015, as described in the summary of significant accounting policies. In preparing the financial statements, the Company's opening Statement of Financial Position was prepared as at 1 January 2015, the Company's date of transition to IFRS. This note explains the principal adjustments made by the Company in restating its US GAAP financial statements, including the Statement of Financial Position as at 1 January 2015 and the financial statements for the year ended 31 December 2015.

Exemptions applied

IFRS 1, *First-Time Adoption of International Financial Reporting Standards*, allows first-time adopters exemptions from the retrospective application of certain requirements under IFRS. None of the areas where retrospective revisions are precluded apply to the Company and therefore, the Company has not applied any of these exemptions.

Note 4 First time adoption of IFRS (continued)

Reconciliation of equity

Share Premium and Treasury Shares balances are shown separately on the face of the Statement of Financial Position under IFRS. These balances were netted off in Share Premium account under US GAAP. As a result of Master Fund presenting its financial statements under IFRS, the NAV of the Master Fund and subsequently the carrying value in Company's Statement of Financial Position has increased.

Under US GAAP, share options issued to GreenOak founders were carried in capital reserve at their fair value on vesting date of US$ 16.3 million. Under IFRS, these share options are carried in capital reserve at their fair value at grant date of US$ 0.5 million.

Under US GAAP, the Company recognized share based compensation expense for each award on a straight-line basis whereas IFRS requires the share based compensation expense to be recognized on a graded vesting basis where an award has multiple tranches. Although this does not impact the overall charge or the number of shares awarded, where awards are granted in multiple tranches it does have the effect of accelerating the expense recognition in the early years of the arrangements. In relation to the expense associated with the acquisition of TFG Asset Management, (described in detail in Note 7) US$ 16.3 million of the total value of US$ 98.5 million would have been recognized earlier under IFRS in the period from acquisition to 31 December 2014 with a corresponding increase in the Share Based Compensation Reserve. Furthermore, under IFRS there was a reduction of US$ 2.8 million relating to share based compensation expense in the Master Fund for the year ended 31 December 2015. The Company credits the expense recognized by the Master Fund in share based compensation reserve.

The following table presents the accounting effect by time period arising from the adoption of IFRS on share based employee compensation concerning the acquisition of TFG Asset Management.

	2012 US$MM	2013 US$MM	2014 US$MM	2015 US$MM	2016 US$MM	2017 US$MM	Total US$MM
Share based compensation expense under US GAAP (straight line basis)	3.8	23.1	23.1	22.0	15.9	10.5	98.5
Share based compensation expense under IFRS (graded vesting basis)	6.1	34.9	25.3	19.2	9.4	3.5	98.5
P&L difference by year	2.3	11.8	2.2	(2.8)	(6.5)	(7.0)	-
Cumulative difference	2.3	14.1	16.3	13.5	7.0	-	

Reconciliation of total comprehensive income

Under US GAAP, the statement of comprehensive income presented the income and expense line items allocated from the Master Fund. Under IFRS, these line items were not presented, instead "net gain on financial assets at fair value through profit or loss" from the investment in the Master Fund was recognized. The net gain on Master Fund recognized under IFRS is different from US GAAP due to the change in NAV of the Master Fund on first-time adoption of IFRS in its financial statements.

Under US GAAP ASC 718 *Equity-based Payments to Employees*, Shares granted to TFG Asset Management for equity-based awards were recognized on a straight line basis with nil charge in the year to 31 December 2015. Under IFRS, these awards were treated as contribution to the investment in Master Fund and the full value of award, US$ 57.4 million, debited to investment in Master Fund with a corresponding credit to share based compensation reserve. This resulted in a reduction of profits for the year ended 31 December 2015 of US$ 57.4 million. There was no effect on the NAV.

Note 4 First time adoption of IFRS (continued)

Reconciliation of total comprehensive income (continued)

The change from US GAAP to IFRS also impacted the incentive fees payable to the Investment Manager. Please refer to Note 9 for details of the change in incentive fees.

Reconciliation of statement of cash flows

The transition from US GAAP to IFRS has not had a material impact on the statement of cash flows.

Note 5 Fair value measurement

Fair value hierarchy

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

Level 1 - Quoted in active markets for identical investments.
Level 2 - Prices determined using other significant observable inputs. These may include quoted prices for similar securities, interest rates, prepayments 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.

As at 31 December 2016, 2015, and 1 January 2015, the fair value measurement of shares held by the Company in the Master Fund is categorized in Level 3.

The fair value hierarchy of the Master Fund's financial assets and liabilities are disclosed in the audited financial statements of the Master Fund.

Level 3 reconciliation

The following is a reconciliation of the Company's assets in which significant unobservable inputs (Level 3) were used in determining fair value at 31 December 2016 and 31 December 2015.

	31 December 2016 US$ MM	31 December 2015 US$ MM
Balance at start of year	2,020.2	1,959.2
Additions	9.5	76.7
Redemption of Master Fund's shares	(157.8)	(60.9)
Realized gain and change in unrealized appreciation	70.1	45.2
Balance at end of year	1,942.0	2,020.2
Total gains and losses for the period included in profit or loss for assets held at the end of the reporting period	54.0	33.2

Dividend income from the Master Fund amounted to US$ 84.5 million (2015: US$ 97.7 million).

Note 5 Fair value measurement (continued)

Valuation technique

The level in the fair value hierarchy within which the fair value measurement is categorized in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

The determination of what constitutes observable requires significant judgement by the Company. The Company considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The Company's investment in the Master Fund has been valued on the basis of the NAV of the Master Fund without adjustment, which the Company believes is an appropriate measurement of fair value as at the year end date. The investment in Master Fund does not have any redemption restriction.

The Company's investment in the Master Fund is classified as Level 3 (2015: Level 3) due to the fact that the NAV of the Master Fund was not observable on the market.

The Master Fund prepares its financial statements and NAV under IFRS and the period of the financial statements is co-terminus with the Company. As the value of the Master Fund is not based on a valuation model, no sensitivity analysis in respect of valuation model assumptions can be provided. However, if the NAV of the Master Fund moved up or down by 1%, the NAV of the Company would move up or down by US$ 19.4 million with a corresponding change in the Statement of Comprehensive Income through net gain on financial assets at fair value through profit or loss.

Note 6 Financial Risk Review

All of the Company's financial assets are invested in the shares of Master Fund. The Company can redeem the Master Fund shares without restrictions but subject to approval from the Voting Shareholder which is the same entity for the Company and the Master Fund.

The Company's investment in the Master Fund is subject to the following risks:

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 Company's income or the fair value of its holdings of financial instruments.

(i) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company does not hold any interest bearing securities and as such it is not directly exposed to significant interest rate risk. The Company will incur indirect exposure to interest rate risk, whereby the value of a security may fluctuate as a result of a change in interest rates through its investment in the Master Fund.

The Master Fund's exposure to interest rate risk is detailed in Note 8 of the Master Fund's financial statements.

Note 6 Financial Risk Review (continued)

(ii) Currency Risk

The Company's only investment in the Master Fund is denominated in US Dollars which is also the functional currency of the Company. The Master Fund invests in Euro, Sterling, Norwegian Krone and Japanese Yen in addition to US Dollar. The Master Fund's exposure to currency risk rate risk is detailed in Note 8 of the Master Fund's financial statements.

(iii) Other Price Risk

Other price risk arises in respect of the Company's investment in the shares issued by the Master Fund. The fair value of the investment at 31 December 2016 was US$ 1,942.0 (2015: US$ 2,020.2).

As at 31 December 2016, a reasonably possible strengthening in the price of the shares in Master Fund of 1% will increase the net assets and profit and total comprehensive income by US$ 19.4 million for (31 December 2015: US$ 20.2 million). A weakening of price by 1% will have an equal but opposite effect.

Liquidity Risk

The Company does not maintain a bank account. The Company's only liability is to pay incentive fees to the Investment Manager. The Company receives dividends from the Master Fund to fulfil this liability. The Master Fund holds sufficient cash to pay a dividend to cover this liability.

Management of liquidity risk in Master Fund is detailed in Note 8 of the Master Fund's financial statements.

Note 7 Share Based Payments

On 28 October 2012, TFG Asset Management LP and certain of its affiliates, were acquired by the Master Fund in exchange for consideration of approximately 11.7 million non-voting shares of the Company to the sellers (the "Aggregate Consideration").

The Aggregate Consideration is held in escrow (along with accrued stock dividends), by the escrow agent pursuant to the terms of the escrow agreement. The first tranches were released in 2013 to 2016 with the remainder being released over the period 2017.

Under IFRS 3 Business Combination, these shares were treated as payment for post combination services rather than upfront consideration and have been accounted for under IFRS 2 *Share-based Payments* ("IFRS 2"). The Master Fund recognizes the individual compensation costs on a graded vesting basis over the relevant service period of each award if the vesting performance conditions are met. The Company settles the shares and recognizes this as an equity settled transaction through the share based employee compensation reserve. The charge for the year ended 31 December 2016 amounted to US$ 9.4 million (31 December 2015: US$ 19.2 million).

In December 2015, the Company implemented some equity-based compensation plans for certain senior employees of TFG Asset Management. In aggregate, these awards are spread over multiple vesting dates, up to and including 2024, although they may vary for each employee and are also 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 Company'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 Company's optional stock dividend plan.

Note 7 Share Based Payments (continued)

The Company has accounted for this plan as equity-settled group share-based compensation under IFRS 2. The entities receiving the services, affiliates of TFG Asset Management, recognize the expense in their financial statements. The Company has granted 5.7 million Shares to TFG Asset Management in December 2015 and held them in an escrow account. In 2015, The Company recognized the full value of the award of US$ 57.4 million as increase in investment in Master Fund with a corresponding credit to share based compensation reserve. None of the Shares related to this plan were issued to the employees in the year to 31 December 2016 (31 December 2015: nil).

Please refer to note 10 for movements in Shares held in escrow.

The table below shows the number of non-vesting Company shares which are currently expected to vest over the period to 2017, including accrued stock dividends up to the end of December 2016. These shares are all entitled to any future stock dividends prior to their release from escrow and so the actual amount of shares vesting each year may be higher. Upon the release of the non-vesting Company shares from escrow, the Master Fund will issue an identical number of Shares to the Company.

Vesting Schedule – Shares as at 31 December 2016

	Shares MM	US$ MM
2017	3.2	12.6
	3.2	12.6

Vesting Schedule – Shares as at 31 December 2015

	Shares MM	US$ MM
2016	3.6	16.6
2017	3.0	12.6
	6.6	29.2

Note 8 Share Options Issued to GreenOak Founders

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 Company granted to the GreenOak founding partners options to purchase 3.9 million Shares (vesting after 5 years and subject to further conditions) at a strike price of US$ 5.50. The aggregate fair value of the options granted at the transaction date was US$ 0.5 million. 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% are exercisable from 1 January 2017, expiring a year later; 25% are exercisable from 1 January 2018, expiring a year later.

During the year to 31 December 2016, 0.8 million (31 December 2015: nil) Shares with fair value at grant date of US$ 0.3 million, were issued as a result of options being exercised.

Note 9 Incentive Fee

The Company pays the Investment Manager an incentive fee for each Calculation Period (a period of three months ending on 31 March, 30 June, 30 September and 31 December in each year or as otherwise determined by the Directors) equal to 25% of the increase in the NAV of the Company during the Calculation Period (before deduction of any dividend paid or the amount of any redemptions or repurchases of the Shares (or other relevant capital adjustments) during such Calculation Period) above the Reference NAV (as defined below) plus the Hurdle (as defined below) for the Calculation Period. If the Hurdle is not met in any Calculation Period (and no incentive fee is paid), the shortfall will not carry forward to any subsequent Calculation Period.

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

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

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

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. The result of the foregoing has been an increase in NAV and an incentive fee payable of US$ 25.1 million.

The Investment Manager has agreed to accept payment of this portion of the incentive fee in the form of Shares, which will be held in escrow until 31 December 2021 or, at the Manager's option, the earlier occurrence of a realization event with respect to these TFG Asset Management business, and subject to a "clawback" mechanism should the NAV of the TFG Asset Management businesses decline at the end of the escrow period. The expense has been recognized in full in the year in which the NAV event occurred through equity and the share based compensation reserve.

The incentive fee for the year ended 31 December 2016 was US$ 22.0 million (31 December 2015: US$ 39.4 million). As at 31 December 2016, US$ 7.1 million was outstanding (31 December 2015: US$ 32.8 million).

Note 10 Share Capital

Authorized

The Company has an authorized share capital of US$ 1.0 million divided into 10 voting shares, having a par value of US$ 0.001 each and 999,999,990 non-voting Shares, each having a par value of US$ 0.001. Shares are issuable either as certificated shares or uncertificated shares, and in both cases as registered shares in accordance with applicable law.

Voting Shares

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

Note 10 Share Capital (continued)

Voting Shares (continued)

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

Shares

The Shares are not entitled to vote on any matter other than limited voting rights in respect of variation of their class rights. The Shares carry a right to any dividends or other distributions declared by the Company. The Shares are subject to certain transfer restrictions as set out in the Company's Memorandum and Articles of Incorporation.

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

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

Share Transactions

	Voting Shares No.	Non-Voting Shares No. MM	Shares US$ MM
Shares in issue at 31 December 2014	10	95.9	0.1
Issued in lieu of stock dividend	-	1.2	-
Issued through release of tranche of Escrow Shares	-	4.8	-
Shares purchased during the year	-	(6.0)	-
Shares in issue at 31 December 2015	10	95.9	0.1
Issued in lieu of stock dividend	-	1.5	-
Issued through release of tranche of Escrow Shares	-	3.8	-
Issue through exercise of GreenOak options	-	0.8	-
Shares purchased during the year	-	(14.9)	-
Shares in issue at 31 December 2016	10	87.1	0.1

Optional Stock Dividend

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

During the year a total dividend of US$ 61.9 million (31 December 2015: US$ 62.5 million) was declared, of which US$ 45.9 million was paid out as a cash dividend (31 December 2015: US$ 50.5 million), and the remaining US$ 16.0 million (31 December 2015: US$ 12.0 million) was reinvested under the Optional Stock Dividend Plan.

Treasury Shares and Share Repurchases

On 30 November 2007, the Company announced the implementation of a share repurchase program of their outstanding Shares and this was renewed on several occasions. As at 31 December 2016, there was no share repurchase program in place.

Note 10 Share Capital (continued)

Treasury Shares and Share Repurchases (continued)

When the program was in operation, the Master Fund undertook to repurchase an identical number of its own Shares from the Company as and when the Company repurchased its own shares in the open market. The Master Fund matched the price per Share paid by the Company. The Shares are held in Treasury Shares allowing them to potentially be resold back to the Company if it resells its own shares back into the market at a later date. Although they are held by the Master Fund and the Company, the Shares are neither eligible to receive dividends nor are they included in the Shares outstanding on the Statement of Financial Position.

During 2016, the Company and the Master Fund announced that under the terms of two “modified Dutch auctions”, the Company had accepted for purchase approximately 14.3 million Company non-voting shares at an aggregate cost of US$ 151.1 million, including applicable fees and expenses of US$ 1.1 million. Additionally, the Fund entered into an agreement to repurchase 0.6 million shares for US$ 6.7 million from Michael Humphries, a manager of certain Polygon funds, in connection with the winding up of a swap transaction between him and the Fund with respect to the relative values of the Feeder’s shares and interest in the Polygon funds following the acquisition of Polygon in 2012. The Company exchanged an equivalent number of Master Fund Shares for the Company shares which had been repurchased.

Escrow Shares

As part of the acquisition of TFG Asset Management, the Aggregate Consideration of 11.7 million Feeder 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.

Upon the release of the Company shares, the Master Fund agreed to issue an identical number of Shares to the Company. During the year 3.8 million Shares (31 December 2015: 4.7 million Shares) were issued to the Company as a result of an equivalent number of Shares being released from escrow.

Of these approximately 3.0 million (31 December 2015: 4.0 million) Shares were deemed to be in relation to the original Company escrow shares, and a value of US$ 25.0 million (31 December 2015: US$ 33.8 million) was debited against share based compensation reserves, using the transaction share price of US$ 8.43.

In addition, approximately 0.4 million shares (31 December 2015: 0.7 million shares) were deemed to be related to the stock dividends awarded on the original shares released and an amount of US$ 8.1 million (31 December 2015: US$ 7.5 million) was released against Retained Earnings, based on the stock reference price at each applicable dividend date.

A second escrow account was opened during 2015 to hold Shares which will form part of an equity-based awards program for certain employees of TFG Asset Management. These shares are eligible to participate in the stock dividend and during the period, 0.3 million (2015: nil) shares were allocated to this account, resulting in a total of 6.0 million shares as at 31 December 2016 (31 December 2015: 5.7 million).

Note 10 Share Capital (continued)

Escrow Shares (continued)

	Treasury Shares Shares No. MM	Shares held in TFG Holdings I Shares No. MM	Escrow shares – TFG Asset Management acquisition Shares No. MM	Escrow Shares - LTIP Shares No. MM
Shares brought forward at 31 December 2014	12.8	16.6	10.7	-
Shares purchased during the year	-	0.4	-	5.7
Stock Dividend	-	-	0.6	-
Vested and released	-	-	(4.7)	-
Shares at 31 December 2015	12.8	17.0	6.6	5.7
Shares purchased during the year	4.3	10.0	-	-
Stock Dividend	-	-	0.4	0.3
Transfer to Treasury	27.0	(27.0)	-	-
Other transactions settled from Treasury	(0.8)	-	-	-
Vested and released	-	-	(3.8)	-
Shares at 31 December 2016	43.3	-	3.2	6.0

Capital Reserve

The capital reserve is in relation to the GreenOak and Investment Manager options. Please see note 11 for details regarding these share options.

Share Based Compensation Reserve

The balance in share based compensation reserve is related to the grant of shares related to acquisition of TFG Asset Management and the equity-based compensation plan of TFG Asset Management.

Note 11 Related-Party Transactions

The Investment Manager is entitled to receive management fees equal to 1.5% per annum of the Net Asset Value of the Company payable monthly in advance prior to the deduction of any accrued incentive fee. All fees and expenses of the Company including the Management and Administration fees, but excluding incentive fees from the Investment Manager, are paid by the Master Fund and allocated fully to the Company. An incentive fee may be paid to the Investment Manager as disclosed in Note 9.

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

The Investment Management Options were fully vested and immediately exercisable on the date of admission to Euronext Amsterdam N.V. and will remain exercisable until 26 April 2017. The aggregate fair value of the options granted at the time of the global offering was US$ 11.8 million. The fair value of each option granted during 2007 was US$ 0.94 on the date of grant using the Binomial-pricing model with the following average assumptions: expected dividend yield 8%, risk-free interest rate of 5.306%, an expected life of five years and a volatility of 17.5%.

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

Note 11 Related-Party Transactions (continued)

The remuneration for Directors shall be determined by resolution of the Voting Shareholder. Each of the Directors' annual fee is US$ 100,000 as compensation for service on the Boards of Directors of both the Company and the Master Fund. The Directors have the option to elect to receive Shares in the Company instead of the quarterly fee.

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

With respect to the year ended 31 December 2016, Frederic Hervouet has elected to receive Shares and received 2,538 Shares in relation to the first quarter's fee, 2,472 Shares in relation to the second quarter's fee and 2,254 Shares in relation to the third quarter's fee. The number of Shares issued instead of the fee for the fourth quarter will be determined as part of the fourth quarter 2016 dividend process.

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

Paddy Dear, Reade Griffith, Rupert Dorey, Frederic Hervouet and William Rogers - all Directors of the Company and the Master Fund – maintained (directly or indirectly) interests in Shares of the Company as at 31 December 2016, with interests of 2,576,801, 8,411,075, 144,410, 30,419 and 1,000 Shares respectively (31 December 2015: 1,401,647, 3,752,486, 102,717, 10,133 and Nil Shares respectively). Messrs, Griffith and Dear also have a (direct or indirect) interest in the Escrow Shares (as defined below).

As described in Note 7, TFG Asset Management., including Polygon's asset management businesses and infrastructure platform, and interests in LCM and GreenOak, was acquired on 28 October 2012. The Shares issued in consideration are subject to vesting and forfeiture conditions and are held in escrow for release over the period 2013 to 2017. These escrow Shares are eligible to participate in the optional stock dividend program, and as a result of subsequent dividends, further Shares were added to the relevant escrow accounts. As part of the Acquisition, Reade Griffith and Paddy Dear, as founders of Polygon, were awarded consideration in Shares which vest between 2015 and 2017.

In particular, Reade Griffith and Paddy Dear were initially allocated 5,539,954 and 1,955,291 Shares, respectively, and these are held in escrow pending release between 2015 and 2017. As at 31 December 2016, 2,375,526 Shares were held in escrow on behalf of Reade Griffith (31 December 2015: 4,443,375 Shares) and 838,419 on behalf of Paddy Dear (31 December 2015: 1,568,250 Shares).

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 his employment with Master Fund and its subsidiaries exceeds an annual base salary of US$ 100,000, they would promptly return such excess amount to the Master Fund. During the year ended 31 December 2016 total compensation paid to them each in aggregate was US$ 100,000 (31 December 2015: US$ 100,000).

Note 12 Dividends

	31 Dec 2016 US$ MM	31 Dec 2015 US$ MM
Quarter ended 31 December 2014 of US$ 0.1575 per share	-	15.1
Quarter ended 31 March 2015 of US$ 0.1575 per share	-	15.2
Quarter ended 30 June 2015 of US$ 0.1625 per share	-	15.7
Quarter ended 30 September 2015 of US$ 0.1625 per share	-	16.5
Quarter ended 31 December 2015 of US$ 0.165 per share	15.9	-
Quarter ended 31 March 2016 of US$ 0.165 per share	16.1	-
Quarter ended 30 June 2016 of US$ 0.1675 per share	14.6	-
Quarter ended 30 September 2016 of US$ 0.1675 per share	15.3	-
	61.9	62.5

The fourth quarter dividend of US$ 0.1725 per share was approved by the Directors on 28 February 2017.

Note 13 Earnings per Share

	Year ended 31 Dec 2016 US$ MM	Year ended 31 Dec 2015 US$ MM
The calculation of the basic and diluted earnings per share is based on the following data:		
Earnings for the purposes of basic earnings per share being net profit attributable to shareholders for the year	116.5	91.5
Weighted average number of Shares for the purposes of basic earnings per share	92.1	97.1
Effect of dilutive potential Shares:		
Share-based employee compensation – TFG Asset Management acquisition	3.2	6.6
Share based employee compensation – equity based awards	6.0	-
Share options	3.5	1.7
Deferred incentive fee shares	2.0	-
Weighted average number of Shares for the purposes of diluted earnings per share	106.8	105.5

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 – TFG Asset Management acquisition, it is assumed that all of the Shares currently held in escrow will be released, thereby increasing the weighted average number of Shares. This includes Shares which are scheduled to vest and be released in 2017.

In respect of share options, the intrinsic value of the options issued to the Investment Manager in connection with the global offering in 2007 (see Note 8) is calculated using the Company'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 13 Earnings per Share (continued)

In respect of share options issued to GreenOak, (see Note 8) a similar intrinsic value calculation is used to determine the number of Shares to include in the dilution calculation.

Note 14 Segment information

The Company has adopted IFRS 8 *Operating Segments*. The standard 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 Company is organized 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 Company's investment activities are all determined by the Investment Manager in accordance with the Company's investment objective. All of the Company's activities are interrelated, and each activity is dependent on the others. Accordingly, all significant operating decisions are based upon analysis of the Company as one segment. The financial results from this segment are equivalent to the financial statements of the Company as a whole.

The shares in issue are in the US Dollar. The Company's only investment is in Master Fund which is domiciled in Guernsey. The Master Fund's investment geographical exposure is as follows:

Region	31 Dec 2016	31 Dec 2015
North America	51.6%	56.0%
Europe	40.8%	36.8%
Asia	5.0%	4.8%
Latin America	2.6%	2.4%

Note 14 Subsequent Events

The Directors have evaluated the period up to 28 February 2017, which is the date that the financial statements were approved, and have concluded that there are no material events that require disclosure or adjustment to the financial statements.

Note 15 Approval of Financial Statements

The Directors approved and authorized for issue the financial statements on 28 February 2017.

FINANCIAL HIGHLIGHTS

For the year ended 31 December 2016

The following represents selected per Share operating performance of the Company, ratios to average net assets and total return information for the year ended 31 December 2016 and the year ended 31 December 2015.

	31 Dec 2016	31 Dec 2015
	US$	US$
Per Share operating performance		
Net Asset Value at the start of the year	20.72	20.00
Net investment income (before incentive fee)	1.50	2.00
Incentive fee	(0.24)	(0.43)
Share based employee compensation	0.37	0.21
Dividends paid to shareholders	(0.50)	(0.55)
Other capital transactions	0.36	(0.51)
Net Asset Value at the end of the year	22.21	20.72
Ratios and supplemental data		
Total return (NAV change before dividend payments and other capital transactions) before incentive fee	7.87%	8.90%
Incentive fee	(1.16%)	(2.15%)
Total return (NAV change before dividend payments and other capital transactions) after incentive fee	6.71%	6.75%
Ratio to average net assets:		
Incentive fee	(1.12%)	(2.01%)
Net investment income	5.96%	7.43%

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

AUDITED FINANCIAL STATEMENTS

TETRAGON FINANCIAL GROUP MASTER FUND LIMITED

FOR THE YEAR ENDED 31 DECEMBER 2016

TETRAGON FINANCIAL GROUP MASTER FUND LIMITED

AUDITED FINANCIAL STATEMENTS
For the year ended 31 December 2016

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TETRAGON FINANCIAL GROUP MASTER FUND LIMITED

DIRECTORS' REPORT
For the year ended 31 December 2016

The Directors present to the shareholders their report together with the audited financial statements for the year ended 31 December 2016.

THE FUND AND ITS INVESTMENT OBJECTIVE

Tetragon Financial Group Master Fund Limited (the "Fund") was registered in Guernsey on 23 June 2005 as a company limited by shares, with registered number 43322. All voting shares of the Fund are held by Polygon Credit Holdings II Limited (the "Voting Shareholder"). The Fund continues to be registered and domiciled in Guernsey.

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

The Fund is a closed-ended investment company that invests in a broad range of assets, including bank loans, real estate, equities, credit, convertible bonds and infrastructure and TFG Asset Management ("TFG Asset Management"), a diversified alternative asset management business. Where sensible, through TFG Asset Management, the Fund seeks to own all, or a portion, of asset management companies with which it invests in order to enhance the returns achieved on its capital. The Fund'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.

As at 31 December 2016, 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, Tetragon Credit Income Partners ("TCIP") and the GreenOak Real Estate ("GreenOak").

TFG Asset Management and Tetragon Financial Management L.P., the Fund'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.

RESULTS, ACTIVITIES AND FUTURE DEVELOPMENTS

The results of operations are set out on page 7. A detailed review of activities and future developments is contained in the Annual Report issued with these financial statements to the shareholders of Tetragon Financial Group Limited (the "Feeder").

On 28 September 2016, the Feeder became a member of the Association of Investment Companies (the "AIC"), the trade body for closed ended investment companies.

On 23 December 2016, the Fund announced that, for its 31 December 2016 Financial Statements and subsequently, the Fund would for the first time adopt International Financial Reporting Standards as adopted by the European Union ("IFRS") as the accounting framework for preparing the Fund and the Feeder's respective financial statements and the Fund would calculate the Net Asset Value of the Feeder on the basis of IFRS, as applied to the Feeder for the purposes of determining the fees payable to the Investment Manager. Further information regarding this change in accounting framework can be found in Notes 2 and 4 of these financial statements.

DIRECTORS

The Directors who held office during the year were:

Paddy Dear
Rupert Dorey*
Reade Griffith
Frederic Hervouet*
David Jeffreys*
Byron Knief* (resigned 14 June 2016)
William Rogers Jr.* (appointed 14 June 2016)
* Independent Directors

The remuneration for Directors is determined by resolution of the Voting Shareholder. Each Director's annual fee is US$ 100,000 as compensation for service on the Board of Directors of both the Fund and the Feeder and is paid in quarterly instalments by the Fund. Paddy Dear and Reade Griffith have waived their entitlement to a Director's fee.

The Directors have the option to elect to receive Shares in the Feeder instead of their quarterly Director's fee. With respect to the year ended 31 December 2016, Frederic Hervouet has elected to receive Shares and he received 2,538 Shares in relation to the first quarter's fee, 2,472 Shares in relation to the second quarter's fee and 2,254 Shares in relation to the third quarter's fee. The number of Shares issued instead of the fee for the fourth quarter will be determined as part of the fourth quarter dividend process.

The Directors are entitled to be repaid by the Fund for all travel, hotel and other expenses reasonably incurred by them in the discharge of their duties. None of the Directors has a contract with the Fund or the Feeder providing for benefits upon termination of employment.

DIVIDENDS

The Board of Directors has the authority to declare dividend payments, based upon the recommendation of the Investment Manager, subject to the approval of the Voting Shareholder of the Fund and adherence to applicable law including the satisfaction of a solvency test as stated under The Companies (Guernsey) Law, 2008. The Investment Manager's recommendation with respect to the declaration of dividends (and other capital distributions) may be informed by a variety of considerations, including (i) the expected sustainability of the Fund's cash generation capacity in the short and medium term, (ii) the current and anticipated performance of the Fund, (iii) the current and anticipated operating and economic environment and (iv) other potential uses of cash ranging from preservation of the Fund's investments and financial position to other investment opportunities. The Directors declared a dividend amounting to US$ 0.1650 per Share for the Quarter Ended 31 December 2015, US$ 0.1650 per Share for the Quarter Ended 31 March 2016, US$ 0.1675 per Share for the Quarter Ended 30 June 2016 and US$ 0.1675 per Share for the Quarter Ended 30 September 2016. The total dividend declared during the year ended 31 December 2016 amounted to US$ 61.9 million or US$ 0.6650 per Share (31 December 2015: US$ 62.5 million or US$ 0.6400 per Share). On 28 February 2017, the Directors have declared a dividend amounting to US$ 0.1725 per Share for the Quarter Ended 31 December 2016.

The Fund paid a dividend of US$ 22.6 million (31 December 2015: US$ 35.2 million) to the Feeder in lieu of incentive fees liability.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

STATEMENT OF DIRECTORS' RESPONSIBILITIES (continued)

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 conformity with IFRS 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; and
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Fund will continue in business.

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 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 Master 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" and the Master Fund must seek to apply the "Code of Corporate Governance" issued by the Guernsey Financial Services Commission. Tetragon reports against the 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. No formal corporate governance code applies to the Master Fund under Dutch Law.

The Directors confirm that they have complied with the above requirements.

DISCLOSURE OF INFORMATION TO AUDITOR

So far as each of the Directors is aware, there is no relevant audit information of which the Fund's auditor is unaware, and each has taken all the steps he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Fund's auditor is aware of that information.

AUDITORS

KPMG Channel Islands Limited are the appointed independent auditors of the Fund and they have expressed their willingness to continue in office. A resolution for the re-appointment of KPMG Channel Islands Limited as auditors of the Fund is to be proposed at the forthcoming Annual General Meeting.

Signed on behalf of the Board of Directors by:

Frederic Hervouet,
Director

David Jeffreys,
Director

Date: 28 February 2017

Independent Auditors' Report

The Board of Directors
Tetragon Financial Group Master Fund Limited

Report on the Financial Statements

We have audited the accompanying financial statements of Tetragon Financial Group Master Fund Limited (the "Fund"), which comprise the Statements of Financial Position and the Condensed Schedules of Investments as of December 31, 2016, 2015 and 2014, and the related Statements of Comprehensive Income, Statements of Changes in Equity, Statements of Cash Flows, Financial Highlights for the years ended 31 December 2016 and 2015 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 EU; 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 audits. We conducted our audits 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 audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Tetragon Financial Group Master Fund Limited as of December 31, 2016, 2015 and 2014, and the results of their operations and their cash flows for the years ended December 31, 2016 and 2015 in accordance with International Financial Reporting Standards as adopted by the EU.

KPMG

Dublin, Ireland
February 28, 2017

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TETRAGON FINANCIAL GROUP MASTER FUND LIMITED

STATEMENT OF FINANCIAL POSITION
As at 31 December 2016

	Note	31 Dec 2016 US$ MM	31 Dec 2015 US$ MM	1 Jan 2015 US$ MM
Assets				
Financial assets at fair value through profit or loss	5	1,520.0	1,584.1	1,532.0
Derivative financial assets	8	22.2	19.4	19.2
Other receivables and prepayments	9	0.6	0.2	6.9
Amounts due from brokers	10	51.0	59.9	52.1
Cash and cash equivalents	11	392.6	360.3	359.8
Total assets		1,986.4	2,023.9	1,970.0
Liabilities				
Loans and borrowings	13	38.0	-	-
Derivative financial liabilities	8	4.1	0.7	5.8
Other payables and accrued expenses	12	2.3	3.0	5.0
Total liabilities		44.4	3.7	10.8
Net assets		1,942.0	2,020.2	1,959.2
Equity				
Share capital	14	0.1	0.1	0.1
Share premium		1,311.1	1,266.5	1,213.1
Treasury shares	14	(538.6)	(385.4)	(324.5)
Retained earnings		1,151.9	1,105.9	1,022.9
Capital contribution		17.5	33.1	47.6
		1,942.0	2,020.2	1,959.2
Shares outstanding		**Millions**	**Millions**	**Millions**
Number of Shares	14	87.1	95.9	95.9
Net Asset Value per share		US$ 22.29	US$ 21.07	US$ 20.43

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

Signed on behalf of the Board of Directors by:

Frederic Hervouet,
Director

David Jeffreys,
Director

Date: 28 February 2017

TETRAGON FINANCIAL GROUP MASTER FUND LIMITED

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2016

	Note	Year ended 31 Dec 2016 US$ MM	Year ended 31 Dec 2015 US$ MM
Net gain on non-derivative financial assets at fair value through profit or loss	2	167.5	223.8
Net gain on derivative financial assets and liabilities	2	14.9	10.7
Insurance recovery	19	-	9.8
Interest income		1.7	0.3
Net foreign exchange gain		-	0.5
Total revenue		184.1	245.1
Management fees	18	(27.8)	(28.3)
Share-based employee compensation	16	(9.4)	(19.2)
Legal and professional fees		(4.0)	(5.5)
Audit fees		(0.3)	(0.4)
Other operating and administrative expenses	18	(2.6)	(3.4)
Operating expenses		(44.1)	(56.8)
Operating profit before finance costs		140.0	188.3
Finance costs	13	(1.5)	-
Profit and total comprehensive income for the year		138.5	188.3

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

TETRAGON FINANCIAL GROUP MASTER FUND LIMITED

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2016

	Share capital US$ MM	Share premium US$ MM	Treasury shares US$ MM	Retained earnings US$ MM	Capital contribution US$ MM	Total US$ MM
As at 1 January 2015	**0.1**	**1,213.1**	**(324.5)**	**1,022.9**	**47.6**	**1,959.2**
Profit and total comprehensive income for the year	-	-	-	188.3	-	188.3
Transactions with owners recognized directly in equity						
Stock dividends	-	12.0	-	(12.0)	-	-
Shares released from Escrow	-	33.8	-	-	(33.8)	-
Dividends on shares released from Escrow	-	7.5	-	(7.5)	-	-
Share-based compensation	-	-	-	-	19.2	19.2
Dividends paid to shareholders	-	-	-	(50.5)	-	(50.5)
Dividends paid to Feeder in lieu of incentive fee liability	-	-	-	(35.2)	-	(35.2)
Issue of shares		0.1				0.1
Purchase of treasury shares	-	-	(60.9)	-	-	(60.9)
Total	**-**	**53.4**	**(60.9)**	**(105.3)**	**(14.5)**	**(127.3)**
As at 31 December 2015	**0.1**	**1,266.5**	**(385.4)**	**1,105.9**	**33.1**	**2,020.2**

	Share capital US$ MM	Share premium US$ MM	Treasury shares US$ MM	Retained earnings US$ MM	Capital contribution US$ MM	Total US$ MM
As at 1 January 2016	**0.1**	**1,266.5**	**(385.4)**	**1,105.9**	**33.1**	**2,020.2**
Profit and total comprehensive income for the year	-	-	-	138.5	-	138.5
Transactions with owners recognized directly in equity						
Stock dividends	-	11.4	4.6	(16.0)	-	-
Shares released from Escrow	-	25.0	-	-	(25.0)	-
Dividends on shares released from Escrow	-	8.1	-	(8.1)	-	-
Share-based compensation	-	-	-	-	9.4	9.4
Dividends paid to shareholders	-	-	-	(45.9)	-	(45.9)
Dividends paid to Feeder in lieu of incentive fee liability	-	-	-	(22.6)	-	(22.6)
Issue of shares	-	0.1	-	-	-	0.1
Purchase of treasury shares	-	-	(157.8)	-	-	(157.8)
Total	-	44.6	(153.2)	(92.5)	(15.6)	(216.7)
As at 31 December 2016	**0.1**	**1,311.1**	**(538.6)**	**1,151.9**	**17.5**	**1,942.0**

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

STATEMENT OF CASH FLOWS
For the year ended 31 December 2016

	Year ended 31 Dec 2016 US$ MM	Year ended 31 Dec 2015 US$ MM
Operating activities		
Profit for the year	138.5	188.3
Adjustments for:		
Gains on investments and derivatives	(37.3)	(71.3)
Amortization of CLOs	132.7	220.9
Share based employee compensation	9.4	19.2
Operating cash flows before movements in working capital	243.3	357.1
(Increase) / decrease in receivables	(0.4)	6.8
Decrease in payables	(0.7)	(2.0)
Decrease / (increase) in amounts due from brokers	8.9	(7.8)
Cash generated from operating activities	251.1	354.1
Investing activities		
Proceeds from sale / prepayment / maturity of investments	87.0	93.2
Net proceeds on derivative financial instruments	14.2	7.6
Purchase of investments	(131.8)	(307.9)
Net cash used in investing activities	(30.6)	(207.1)
Financing activities		
Proceeds from loans and borrowings	38.0	-
Proceeds from issue of shares	0.1	0.1
Repurchase of shares	(157.8)	(60.9)
Dividends paid to shareholders*	(45.9)	(50.5)
Dividends paid to Feeder in lieu of incentive fee liability	(22.6)	(35.2)
Net cash used in financing activities	(188.2)	(146.5)
Net increase in cash and cash equivalents	32.3	0.5
Cash and cash equivalents at beginning of year	360.3	359.8
Cash and cash equivalents at end of year	392.6	360.3

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

* The gross dividend payable to shareholders was US$ 61.9 million (2015: US$ 62.5 million) with a value equivalent to US$ 16.0 million (2015: US$ 12.0 million) elected to be taken by the dividend recipient in Shares rather than cash.

Note 1 Corporate Information

The Fund was registered and incorporated in Guernsey on 23 June 2005 as a company limited by shares, with registered number 43322. The registered office of the Fund is 1st Floor Dorey Court, Admiral Park, St. Peter Port, Guernsey, Channel Islands, GY1 6HJ. The Fund continues to be registered and domiciled in Guernsey.

The nature of the Fund's operations, its principal activities and voting shareholder are detailed in the Directors' Report.

Information on the Feeder, the Fund's ultimate parent company, is presented in Note 18, Related-Party Disclosures.

Note 2 Significant Accounting Policies

Statement of Compliance

The financial statements of the Fund have been prepared in accordance with IFRS and comply with The Companies (Guernsey) Law, 2008 and give a true and fair view.

Basis of Preparation

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"), 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 previous financial years the financial statements of the Fund were prepared in accordance with applicable US Generally Accepted Accounting Principles ("US GAAP"). Information on the effect of the transition to IFRS is detailed in Note 4, First Time Adoption of IFRS.

The Fund is an investment entity and, as such, does not consolidate the entities it controls where they are deemed to be investments, in accordance with IFRS 10. Instead, interests in subsidiaries are classified as FVTPL. Investments in associates are also classified as FVTPL. Refer to Note 3 Significant Accounting Judgments, Estimates and Assumptions for the judgments and assumptions made in determining that the Fund meets the definition of an investment entity.

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 realized gains and losses on disposals or settlements of monetary assets and liabilities are recognized 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 recognized as component of net gain or loss on financial assets and liabilities at FVTPL.

Note 2 Significant Accounting Policies (continued)

Financial Instruments

(i) Classification

The Fund classifies its financial assets and financial liabilities at initial recognition into the following categories, in accordance with IAS 39 *Financial Instruments: Recognition and Measurement* ("IAS 39") and other relevant standards.

Financial assets and liabilities at FVTPL

The category of financial assets and liabilities at FVTPL is sub-divided into:

- **Financial assets and liabilities held for trading under IAS 39**: financial assets are classified as held for trading if they are acquired with the expectation of being sold and / or re-purchased in the near term. This category includes derivatives. Financial liabilities attached to derivative instruments are classified as held for trading. The Fund's policy is not to apply hedge accounting.

- **Financial instruments designated as at FVTPL upon initial recognition under IAS 39**: investments in CLOs, loans, unlisted stock and investment funds and vehicles. These financial assets and liabilities are designated upon initial recognition on the basis that they are part of a group of financial assets that are managed and have their performance evaluated on a fair value basis, in accordance with the risk management and investment strategies of the Fund.

- **Other financial instruments at FVTPL**:

  - Investment in subsidiaries: In accordance with the exemption under IFRS 10 *Consolidated Financial Statements*, as an investment entity the Fund does not consolidate subsidiaries which are managed as investments in the financial statements. Investments in subsidiaries are accounted for as financial instruments at FVTPL.

  - Investment in associates: In accordance with the exemption within IAS 28 *Investments in Associates and Joint Ventures*, the Fund does not account for its investments in associates using the equity method. Instead, the Fund has determined that it qualifies to elect to measure its investments in associates at FVTPL.

Financial assets at amortized cost

- **Loans and receivables:** loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Fund includes in this category cash and cash equivalents, amounts due from broker, receivable for securities sold and other sundry receivables.

Other financial liabilities at amortized 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 recognizes 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 recognized on the trade date (i.e., the date that the Fund commits to purchase or sell the asset).

Note 2 Significant Accounting Policies (continued)

(iii) Initial measurement

Financial assets and financial liabilities, for subsequent measurement at FVTPL, are recorded in the Statement of Financial Position at fair value. All transaction costs for such instruments are recognized 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.

Loans and receivables are carried at amortized 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 amortized 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 derecognized 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.

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 recognized to the extent of the Fund's continuing involvement in the asset. In that case, the Fund also recognizes 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 derecognizes a financial liability when the obligation under the liability is discharged, cancelled or expired.

(vi) Impairment

The Fund assesses at each reporting date whether a financial asset, except those classified as FVTPL, is impaired. A financial asset is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred loss event) and that loss event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated.

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 recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Note 2 Significant Accounting Policies (continued)

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 (bid price for long positions and ask price for short positions), 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 on-going basis.

For all other financial instruments not traded in an active market, the fair value is determined by using 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 categorization (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 and equity swaps. Refer to the accounting policy for loans and receivables 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 interest 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.

Expenses

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

Note 2 Significant Accounting Policies (continued)

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.

Dividend distribution

Dividends from shares are recognized 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 recognizes these compensation costs net of an estimated forfeiture rate, and recognizes 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.

Where the Feeder issues the shares to the employees or providers of employment like services and the Fund is deemed to receive the related services, the Fund recognizes share based payments expense in the Statement of Comprehensive Income and corresponding capital contribution in equity.

The Feeder has entered into share-based employee reward schemes with the Fund's subsidiary, TFG Asset Management L.P. The Fund has accounted for this in TFG Asset Management where the service is being provided.

Joint arrangements

The Fund entered into an arrangement with the Feeder through the establishment of TFG Holdings I. The Fund and the Feeder transferred Shares previously held as treasury shares to TFG Holdings I. Where this occurs, the status of the Shares is unchanged from an accounting perspective and they are not included in the Shares outstanding on the Statement of Financial Position.

During 2016, TFG Holdings I was closed, with all shares held transferred to treasury shares account.

New standards issued but not yet effective

A number of new standards and amendments to the standards are effective for annual periods beginning after 1 January 2017 and earlier adoption is permitted; however the Fund has not early applied the new or amended standards in preparing these financial statements. The standards potentially relevant to the Fund are discussed below. The Fund does not plan to adopt these standards early.

IFRS 9 *Financial instruments*

In July 2014, the IASB issued the final version of IFRS 9 *Financial Instruments* that replaces IAS 39 *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required, but the provision of comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

Note 2 Significant Accounting Policies (continued)

New standards issued but not yet effective (continued)

The Fund plans to adopt the new standard on the required effective date. Given the majority of the Fund's assets are classified as FVTPL, the Fund expects no significant impact on its Statement of Financial Position and Statement of Comprehensive Income.

(a) Classification and measurement

The Fund does not expect a significant impact on its balance sheet from applying the classification and measurement requirements of IFRS 9. It expects to continue measuring at fair value all financial assets currently held at fair value.

Other receivables are held to collect contractual cash flows. Thus, the Fund expects that these will continue to be measured at amortized cost under IFRS 9. However, the Fund will analyze the contractual cash flow characteristics of those instruments in more detail before concluding whether all those instruments meet the criteria for amortized cost measurement under IFRS 9.

(b) Impairment

IFRS 9 requires the Fund to record expected credit losses on financial assets not measured at FVTPL, either on a 12-month or lifetime basis. Given the limited exposure of the fund to credit risk on such financial assets, this amendment is not expected to have a significant impact on the financial statements.

(c) Hedge accounting

The Fund has not applied hedge accounting under IAS 39 and will not apply hedge accounting under IFRS 9 either.

IAS 7 Disclosure Initiative – Amendments to IAS 7

The amendments to IAS 7 *Statement of Cash Flows* are part of the IASB's Disclosure Initiative and require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On initial application of the amendment, entities are not required to provide comparative information for preceding periods.

These amendments are effective for annual periods beginning on or after 1 January 2017, with early application permitted. Application of amendments will result in additional disclosure provided by the Fund.

Note 3 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 recognized 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 recognized in the financial statements:

Note 3 Significant Accounting Judgments, Estimates and Assumptions (continued)

Investment entity status

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. IFRS 10.27 defines an investment entity as an entity that:

- obtains funds from one or more investors for the purpose of providing those investors with investment management services;

- commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and

- measures and evaluates the performance of substantially all of its investments on a fair value basis.

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. All investments are reported at fair value to the extent allowed by IFRS in the Fund's annual reports. The Fund has a documented exit strategy for all of its investments.

The Fund was formed as part of a Master-Feeder structure and therefore, referencing IFRS 10.IE15, the Fund considers itself and the Feeder together when evaluating its status under IFRS 10. The Fund has also concluded that it meets certain additional characteristics of an investment entity, either directly or indirectly through the Master-Feeder structure, in that it has more than one investment; the Fund's ownership interests are predominantly in the form of equities or similar securities; the Feeder has more than one investor; and it has investors who are not related parties. The Fund has therefore concluded that it meets the definition of an investment entity. These conclusions will be reassessed on an annual basis.

Assessment of investment funds and CLOs as structured entities

The Fund has also assessed whether the funds in which it invests should be classified as structured entities. The Fund has considered the voting rights and other similar rights afforded to investors in these funds, including, among other things, the rights to remove the fund manager or to redeem holdings. The Fund has concluded as to whether these rights are the dominant factor in controlling the funds, or whether the contractual agreement with the fund manager is the dominant factor in controlling these funds. The Fund has concluded that investment funds are structured entities because the relevant activities are directed by means of the contractual agreement rather than the voting rights or other similar rights.

The Fund has concluded that CLOs in which it invests, meet the definition of structured entities because:

- the voting rights in the CLOs are not the dominant rights in deciding who controls them, as they relate to administrative tasks only;

- each CLO's activities are restricted by its prospectus; and

- the CLOs have narrow and well-defined objectives to provide investment opportunities to investors.

Note 3 Significant Accounting Judgments, Estimates and Assumptions (continued)

Assessment of investment funds and CLOs as structured entities (continued)

The Fund also assessed whether the structured entities should be considered as subsidiaries. To meet the definition of a subsidiary under IFRS 10, the investor has to control the investee within the meaning of IFRS 10. The Fund controls an investee if it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. As all investments are measured at FVTPL, the assessment is only of relevance to the disclosures arising under IFRS 12 *Disclosure of Interest in Other Entities*.

The Fund has concluded that certain CLOs and investment funds in which it is invested are considered to be subsidiaries since the Fund has control over the decisions made by the managers of such investments. However, such subsidiary undertakings are still deemed to be part of the overall investment pool and are therefore measured at FVTPL.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below. 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 or circumstances arising beyond the control of the Fund. Such changes are reflected in the assumptions when they occur.

Measurement of fair values

For detailed information on the fair value of financial instruments including information on their leveling please refer to Note 5.

Note 4 First Time Adoption of IFRS

These financial statements, for the year ended 31 December 2016, are the first the Fund has prepared in accordance with IFRS. For periods up to and including the year ended 31 December 2015, the Fund prepared its financial statements in accordance with US GAAP. Accordingly, the Fund has prepared financial statements that comply with IFRS applicable as at 31 December 2016, together with the comparative period data for the year ended 31 December 2015, as described in the summary of significant accounting policies. In preparing the financial statements, the Fund's opening Statement of Financial Position was prepared as at 1 January 2015, the Fund's date of transition to IFRS. This note explains the principal adjustments made by the Fund in restating its US GAAP financial statements, including the Statement of Financial Position as at 1 January 2015 and the financial statements for the year ended 31 December 2015.

Exemptions applied

IFRS 1, *First-Time Adoption of International Financial Reporting Standards*, allows first-time adopters exemptions from the retrospective application of certain requirements under IFRS. None of the areas where retrospective revisions are precluded apply to the Fund and therefore, the Fund has not applied any of these exemptions.

Note 4 First Time Adoption of IFRS (continued)

Reconciliation of equity as at 1 January 2015 (date of transition to IFRS)

	Note	US GAAP as at 1 Jan 2015 US$ MM	IFRS Adjustments US$ MM	IFRS as at 1 Jan 2015 US$ MM
Assets				
Investments, at fair value	A	1,356.2	175.8	1,532.0
Management contracts	A	29.7	(29.7)	-
Cash and cash equivalents	E	402.0	(42.2)	359.8
Amounts due from brokers		52.1	-	52.1
Derivative financial assets		19.2	-	19.2
Fixed assets	A	0.1	(0.1)	-
Deferred tax asset	A	10.0	(10.0)	-
Prepaid income tax	A	0.6	(0.6)	-
Other receivables	A	32.8	(25.9)	6.9
Total assets		1,902.7		1,970.0
Liabilities				
Derivative financial liabilities		5.8	-	5.8
Other payables and accrued expenses	A	50.5	(45.5)	5.0
Income tax payable	A	2.9	(2.9)	-
Deferred tax liability	A	8.6	(8.6)	-
Total liabilities		67.8		10.8
Net assets		1,834.9		1,959.2
Equity				
Share capital		0.1	-	0.1
Share premium		1,213.1	-	1,213.1
Treasury shares		(324.5)	-	(324.5)
Retained earnings		914.8	108.1	1,022.9
Capital contribution	C	31.4	16.2	47.6
		1,834.9		1,959.2

Note 4 First Time Adoption of IFRS (continued)

Reconciliation of equity as at 31 December 2015

	Note	US GAAP as at 31 Dec 2015 US$ MM	IFRS Adjustments US$ MM	IFRS as at 31 Dec 2015 US$ MM
Assets				
Investments, at fair value	A	1,364.7	219.4	1,584.1
Management contracts	A	23.4	(23.4)	-
Cash and cash equivalents	E	440.4	(80.1)	360.3
Amounts due from brokers		59.9	-	59.9
Derivative financial assets		19.4	-	19.4
Fixed assets	A	0.5	(0.5)	-
Deferred tax asset	A	9.2	(9.2)	-
Prepaid income tax	A	-	-	-
Other receivables	A	21.5	(21.3)	0.2
Total assets		1,939.0		2,023.9
Liabilities				
Derivative financial liabilities		0.7	-	0.7
Other payables and accrued expenses	A	48.5	(45.5)	3.0
Income tax payable	A	5.8	(5.8)	-
Deferred tax liability	A	6.6	(6.6)	-
Total liabilities		61.6		3.7
Net assets		1,877.4		2,020.2
Equity				
Share capital		0.1	-	0.1
Share premium		1,266.5	-	1,266.5
Treasury shares		(385.4)	-	(385.4)
Retained earnings		976.6	129.3	1,105.9
Capital contribution	C	19.6	13.5	33.1
		1,877.4		2,020.2

Note 4 First Time Adoption of IFRS (continued)

Reconciliation of total comprehensive income for the year ended 31 December 2015

	Note	US GAAP for the year ended 31 Dec 2015 US$ MM	IFRS Adjustments US$ MM	IFRS for the year ended 31 Dec 2015 US$ MM
Net gain on non-derivative financial assets at FVTPL	B	-	223.8	223.8
Net gain on derivative financial assets and liabilities	B	-	10.7	10.7
Interest income	D	134.7	(134.4)	0.3
Fee income		70.2	(70.2)	-
Other income – cost recovery	A	17.3	(17.3)	-
Other income		0.1	(0.1)	-
Insurance recovery	A	9.8	-	9.8
Net foreign exchange gain		-	0.5	0.5
Investment income		232.1		245.1
Employee costs	A	(58.6)	58.6	-
Management fees		(28.3)	-	(28.3)
Share based employee compensation	C	(22.0)	2.8	(19.2)
Legal and professional fees		(7.2)	1.7	(5.5)
Amortization on intangible assets	A	(6.3)	6.3	-
Audit fees		(0.4)	-	(0.4)
Other operating and administrative expenses		(21.2)	17.8	(3.4)
Operating expenses		(144.0)		(56.8)
Net realized and unrealized gain / (loss) from investments and foreign currency				
Net realized gain / (loss) from:				
Investments	B	82.7	(82.7)	-
Derivative financial instruments	B	4.8	(4.8)	-
Foreign currency transactions	B	4.9	(4.9)	-
Net (decrease) / increase in unrealized (depreciation) / appreciation on:				
Investments	B	(0.3)	0.3	-
Derivative financial instruments	B	8.0	(8.0)	-
Translation of assets and liabilities in foreign currencies	B	(11.1)	11.1	-
Net realized and unrealized gain from investments and foreign currency		89.0		-
Net increase from operations before tax		177.1		188.3
Income and deferred tax expense		(10.1)	10.1	-
Total comprehensive income		167.0		188.3

Note 4 First Time Adoption of IFRS (continued)

Notes to the reconciliation of equity as at 1 January 2015 and 31 December 2015 and total comprehensive income for the year ended 31 December 2015

A Investment entity

When the Fund reported under US GAAP, certain controlled subsidiaries were deemed to be "service providers" to the Fund as they were managing investments of the Fund. Such controlled subsidiary service providers were therefore consolidated, despite both the Fund's status as an investment company under US GAAP and the fact that such subsidiaries were considered to be investments by the Investment Manager. This accounting treatment was applied to Polygon, LCM, Hawke's Point and TCIP. As a result the operating expenses and income from such businesses were included in the Statement of Operations under US GAAP.

IFRS 10.31 requires an investment entity that has subsidiaries (i.e., a parent investment entity ("Parent IE")) to generally measure its investments in subsidiaries at FVTPL. Generally, the Parent IE does not consolidate its subsidiaries, with one limited exception specified in paragraph 32 of IFRS 10. IFRS 10.32 specifies that a Parent IE consolidates subsidiaries (a) that are not investment entities; and (b) whose main purpose and activities are providing services that relate to the Parent IE's investment activities. The formerly consolidated entities within TFG Asset Management are managed as investments and their main purpose and activities are not to provide services to the Fund's investment activities. Consequently they are accounted for at fair value under IFRS 10.31. Therefore the various adjustments marked "A" relate to the de-consolidation of subsidiaries and their measurement instead at FVTPL.

B Gain or loss on investments at FVTPL and derivative transactions

Under US GAAP, the realized and unrealized portion of gain or loss from investments and foreign currency transaction were shown separately. Under IFRS, a separate disclosure of realized and unrealized gains and losses and related foreign exchange movements from financial instruments measured at FTVPL is not required. Therefore, the Fund now does not present these separately and presents them together under two lines being net gain / (loss) on financial assets at FVTPL and net gain / (loss) on derivative financial assets and liabilities in the Statement of Comprehensive Income.

C Share based employee compensation

Under US GAAP, the Fund recognized share-based compensation expense for each award on a straight-line basis, whereas IFRS requires the share based compensation expense to be recognized on a graded vesting basis where an award has multiple tranches. Although this does not impact the overall charge or the number of shares awarded, where awards are granted in multiple tranches it does have the effect of accelerating the expense recognition in the early years of the arrangements. In relation to the expense associated with the acquisition of TFG Asset Management (described in detail in Note 16), US$16.3 million of the total value of US$ 98.5 million would have been recognized earlier under IFRS in the period from acquisition to 31 December 2014 with a corresponding increase in the Share Based Compensation Reserve. Furthermore, under IFRS there was a reduction of US$ 2.8 million relating to share based compensation in the Statement of Comprehensive Income for the year ended 31 December 2015.

The following table presents the accounting effect by time period arising from the adoption of IFRS on share based employee compensation concerning the acquisition of TFG Asset Management.

Note 4 First Time Adoption of IFRS (continued)

C Share based employee compensation (continued)

	2012 US$MM	2013 US$MM	2014 US$MM	2015 US$MM	2016 US$MM	2017 US$MM	Total US$MM
Share based compensation expense under US GAAP (straight line basis)	3.8	23.1	23.1	22.0	15.9	10.5	98.5
Share based compensation expense under IFRS (graded vesting basis)	6.1	34.9	25.3	19.2	9.4	3.5	98.5
P&L difference by year	2.3	11.8	2.2	(2.8)	(6.5)	(7.0)	-
Cumulative difference	2.3	14.1	16.3	13.5	7.0	-	

D Interest Income

Under US GAAP, in accordance with ASC 325, an effective yield was determined for each CLO investment, based on the IRR of each such investment. At each coupon date, such IRRs were recalculated and the new IRR was used to recognize interest income on each investment until the following coupon date using the effective yield method. Other returns on each CLO investment were then reported as a realized or unrealized gain or loss on investments.

Under IFRS, no such effective yield is calculated on CLO equity investments and therefore no interest income is reported separately. Instead the total return for each CLO investment is reported under "Net gain / (loss) on financial assets and financial liabilities at fair value through profit or loss".

E Statement of Cash Flows

Following de-consolidation of subsidiaries as discussed in Note A above, the IFRS Statement of Cash Flows no longer presents the related cash flows from previously consolidated subsidiaries.

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

Fair value hierarchy

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized 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 and Loss

Fair value hierarchy (continued)

The following table shows financial instruments measured at fair value by the level in fair value hierarchy as of 31 December 2016:

Recurring fair value measurement of assets and liabilities

Financial assets at FVTPL	Level 1 US$ MM	Level 2 US$ MM	Level 3 US$ MM	Total Fair Value US$ MM
CLO Equity Tranches	-	-	443.7	443.7
CLO Mezzanine	-	1.8	-	1.8
Loans	-	6.6	-	6.6
Listed Stock	12.7	-	-	12.7
Unlisted Stock	-	18.3	25.0	43.3
Investment funds and vehicles	-	369.9	234.2	604.1
TFG Asset Management (note 7)	-	-	407.8	407.8
Total financial assets at FVTPL	12.7	396.6	1,110.7	1,520.0
Financial assets held for trading				
Forward foreign exchange contracts (asset)	-	11.1	-	11.1
Equity total return swaps (asset)	-	11.1	-	11.1
Total financial assets held for trading	-	22.2	-	22.2
Financial liabilities held for trading				
Forward foreign exchange contracts (liability)	-	(3.2)	-	(3.2)
Credit default swaps	-	(0.9)	-	(0.9)
Total financial liabilities held for trading	-	(4.1)	-	(4.1)

The following table shows financial instruments measured at fair value by the level in fair value hierarchy as of 31 December 2015:

Recurring fair value measurement of assets and liabilities

Financial assets at FVTPL	Level 1 US$ MM	Level 2 US$ MM	Level 3 US$ MM	Total Fair Value US$ MM
CLO Equity Tranches	-	-	599.1	599.1
CLO Mezzanine	-	1.7	-	1.7
Loans	-	3.0	-	3.0
Unlisted Stock	-	10.0	21.5	31.5
Investment funds and vehicles	-	299.7	226.9	526.6
TFG Asset Management	-	-	422.2	422.2
Total financial assets at FVTPL	-	314.4	1,269.7	1,584.1
Financial assets held for trading				
Forward foreign exchange contracts (asset)	-	10.8	-	10.8
Credit default swaps	-	1.0	-	1.0
Equity total return swaps (asset)	-	7.6	-	7.6
Total financial assets held for trading		19.4	-	19.4
Financial liabilities held for trading				
Forward foreign exchange contracts (liability)	-	(0.7)	-	(0.7)
Total financial liabilities held for trading	-	(0.7)	-	(0.7)

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

The following table shows financial instruments measured at fair value by the level in fair value hierarchy as of 1 January 2015:

Recurring fair value measurement of assets and liabilities

Financial assets at FVTPL	**Level 1 US$ MM**	**Level 2 US$ MM**	**Level 3 US$ MM**	**Total Fair Value US$ MM**
CLO Equity Tranches	-	-	816.9	816.9
CLO Mezzanine	-	1.7	-	1.7
Loans	-	22.1	-	22.1
Unlisted Stock	-	2.8	-	2.8
Listed Stock	29.4	-	-	29.4
Investment funds and vehicles	-	278.3	142.6	420.9
TFG Asset Management		-	238.2	238.2
Total financial assets at FVTPL	29.4	304.9	1,197.7	1,532.0
Financial assets held for trading				
Interest rate swaptions	-	0.6	-	0.6
Forward foreign exchange contracts (asset)	-	11.5	-	11.5
Equity total return swaps (asset)	-	7.1	-	7.1
Total financial assets held for trading	-	19.2		19.2
Financial liabilities held for trading				
Forward foreign exchange contracts (liability)	-	(1.5)	-	(1.5)
Credit default swaps	-	(4.1)	-	(4.1)
Equity total return swaps (liability)	-	(0.2)	-	(0.2)
Total financial liabilities held for trading	-	(5.8)	-	(5.8)

Transfers between levels

During the year ended 31 December 2015, an unlisted stock valued at US$ 10 million transferred from level 3 to level 2 as a result of a regularly observable price becoming available. The transfer between levels is reflected at the end of the period.

There were no transfers between level 1 and level 2 during the years 2016, 2015 and 2014.

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 and other payables.

Valuation process (framework)

State Street (Guernsey) Limited serves as the TFG'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 and 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 2016.

	CLO Equity Tranches US$ MM	Unlisted Stock US$ MM	Investment Funds and Vehicles US$ MM	TFG Asset Management US$ MM	Total US$ MM
Balance at start of year	599.1	21.5	226.9	422.2	1,269.7
Purchases of investments	15.3	-	52.9	-	68.2
Proceeds from sale of investments	(33.0)	-	(48.0)	-	(81.0)
Realized (loss) / gain and change in unrealized (depreciation) / appreciation	(5.0)	3.5	2.4	(14.4)	(13.5)
Amortization*	(132.7)	-	-	-	(132.7)
Balance at end of year	443.7	25.0	234.2	407.8	1,110.7
Total gains and losses for the period included in profit or loss for assets held at the end of the reporting period	99.9	3.5	2.4	(14.4)	91.4

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 2015.

	CLO Equity Tranches US$ MM	Unlisted Stock US$ MM	Investment Funds and Vehicles US$ MM	TFG Asset Management US$ MM	Total US$ MM
Balance at start of year	816.9	-	142.6	238.2	1,197.7
Purchases of investments	62.4	20.2	76.7	133.1	292.4
Proceeds from sale of investments	(6.5)	-	(10.1)	(3.3)	(19.9)
Realized (loss) / gain and change in unrealized (depreciation) / appreciation	(40.2)	1.3	17.7	54.2	33.0
Amortization*	(233.5)	-	-	-	(233.5)
Balance at end of year	599.1	21.5	226.9	422.2	1,269.7
Total gains and losses for the period included in profit or loss for assets held at the end of the reporting period	91.9	1.3	11.5	54.2	158.9

* Amortization for CLOs is the deemed repayment of principal

Unrealised gains / losses arising on level 3 assets are included in net gains on financial assets at fair value through profit or loss.

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

Valuation techniques

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 modeling, among other things, forward projections over multiple years, this is not an exercise in recalibrating future assumptions to the latest quarter's historical data.

Subject to the foregoing, the Fund seeks to derive a value at which market participants could transact in an orderly market and also seeks to benchmark the model inputs and resulting outputs to observable market data when available and appropriate. Although seeking to utilize, where possible, observable market data, for certain assumptions the Investment Manager may be required to make subjective judgments and forward-looking determinations, and its experience and knowledge is instrumental in the valuation process.

As at 31 December 2016, key modeling assumptions used are disclosed below. The modeling assumptions disclosed below are a weighted average (by USD amount) of the individual deal assumptions, aggregated by geography (i.e., U.S. and European). Each individual deal's assumptions may differ from this geographical average and vary across the portfolio.

U.S. CLO equity tranche investments –

Constant Annual Default Rate ("CADR")	Approximately 2.3% (2015: 2.2%, 2014: 2.2%), which is 1.0x the original Weighted Average Rating Factor ("WARF") derived base-case default rate for the life of the transaction.
Recovery Rate	73% (2015: 73%, 2014: 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. (2015: 20%, 2014: 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 365 bps (2015: 375, 2014: 294) on broadly U.S. syndicated loan deals which are still in their reinvestment periods. Middle Market loan deals are all through their reinvestment period.

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

Valuation techniques (continued)

CLO equity tranches (continued)

European CLO equity tranche investments –

Constant Annual Default Rate ("CADR")	Approximately 2.1% (2015: 2.1%, 2014: 2.1%), which is 1.0x the original WARF-derived base-case default rate for the life of the transaction.
Recovery Rate	68% (2015: 68%, 2014: 68%), 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. (2015: 20%, 2014: 20%), the original base-case prepayment rate with a 0% prepayment rate on bonds throughout the life of the transaction.
Reinvestment Price and Spread	All European deals are through their reinvestment period.

At 31 December 2016, when determining the fair value of the equity tranches, a discount rate of 11% (or the deal IRR if the deal was less than 12 months old for U.S. 2.0 CLOs) 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 2015 and 1 January 2015, the Fund applied 12.0%, 11.0% (or the deal IRR if the deal was less than 12 months old for U.S. 2.0 CLOs) and 13.0% for the U.S. 1.0 CLO, the U.S. 2.0 CLO and the European equity tranches, respectively.

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 use a discount rate of 10% and 12%. Changing the discount rate to 10% and keeping all other variables constant would increase the net assets and profits by US$ 12.2 million. An increase of the discount rate to 12% would result in a reduction of NAV and profits by US$ 14.3 million.

TFG Asset Management (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. Equitix, LCM and Polygon are valued using combination of DCF approach and quoted market multiples ("Market Multiple Approach") based on comparable companies to determine an appropriate valuation range. GreenOak is valued using Market Multiple Approach and cross-checked using blended EBITDA.

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 company (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%.

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

Valuation techniques (continued)

TFG Asset Management (continued)

The Market Multiple Approach applies a multiple considered to 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.

Certain business lines in TFG Asset Management are in an early stage of their development and therefore they have low levels of assets under management and a limited record of profitability. In these cases, the valuation specialist has determined that, while a low or zero value might be applied to such a business due to the level of uncertainty, a market participant might also ascribe value to the existence of a functioning team with infrastructure and they might be willing to pay the cost incurred in establishing the team.

The following table shows the unobservable inputs used by third party valuation specialist in valuing various investments within TFG Asset Management. Please see note 7 for more information on these investments.

Investment	Valuation methodology	Significant unobservable inputs
Equitix	DCF and Market Multiples, Debt at par + accrued interest	Discount rate 9.5%, EBITDA multiple 6.0x, DLOL 15% (2015: 9.5%, 5.8x, 15%; 2014: 9.5%, 5.8x, 15%)
LCM	DCF and Market Multiples	Discount rate 11.5%, P/AUM multiple 1.6%, DLOL 15% (2015: 12.5%, 1.7%, 15%; 2014: 12.5%, 1.7%, 15%)
Polygon	DCF and Market Multiples	Discount rate 12.5%, EBITDA multiple 7.0x, DLOL 20% (2015: 13%, 7.7x, 20%; 2014: 13%, 7.7x, 20%)
GreenOak	Market Multiples	Blended EBITDA multiple 11.7x (2015: 12.0x, 2014: 12.0x)

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

Valuation techniques (continued)

Sensitivity Analysis:

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

Investment	Favorable	Unfavorable
Equitix	US$ 17.5m EBITDA multiple 6.5x , 40% primary unsecured revenues, 75% fund management unsecured revenues	(US$ 17.5m) EBITDA multiple 5.5x , 30% primary unsecured revenues, 50% fund management unsecured revenues
LCM	US$ 15.8m P/AUM multiple 1.9%, Discount rate 10.5%	(US$ 15.8m) P/AUM multiple 1.4%, Discount rate 12.5%
Polygon	US$ 4.1m EBITDA multiple 7.4x , Discount rate 12%	(US$ 4.1m) EBITDA multiple 6.6x , Discount rate 13%
GreenOak	US$ 2.0m Carry revenue multiple 1.5x and probability of recurrence of carry 20%	(US$ 2.0m) Carry revenue multiple 1.0x and probability of recurrence of carry 15%

Investment Funds and Vehicles

Investments in unlisted investment funds are valued utilizing the net asset valuations provided by the managers of the underlying funds and / or their administrators, where based on management assessment 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, evidence of trading for open ended funds and redemption restrictions. No adjustment was deemed material following this review.

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$ 2.4 million. A decrease in net asset value of the funds will have an equal and opposite effect.

Unlisted stock

The unlisted stock investment includes two 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 a new round of funding. For the second investment, this includes a valuation document produced for the company by an investment bank.

Listed stock

For listed stock, the closing exchange price is utilized as the fair value price.

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

Valuation techniques (continued)

Leveraged loans, at fair value

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

Forward currency contracts, at fair value

Forward currency contracts are recognized at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value. Fair values are 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.

Swaptions

This instrument combines the features of two other financial instruments, namely an option and an interest rate swap. A "swaption" involves writing / purchasing options to enter into a swap. When the Fund purchases a swaption, a premium is paid by the Fund and the swaption is initially recognized at the amount of the premium. The swaption is subsequently marked-to-market to reflect the fair value of the swaption purchased.

Swaps and Contracts for difference

The Fund enters into swaps and contracts for difference ("CFDs") arrangements with financial institutions. Swaps and 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.

The fair value of the swap or CFD is derived by taking the difference between the quoted price of the underlying security and the contract price.

Credit default swaps

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

Credit default swaps are stated at fair value. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including the DCF Approach, as appropriate. Unrealized gains are reported as an asset and unrealized losses are reported as a liability in the Statement of Financial Position.

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

Valuation techniques (continued)

Tri-Party repurchase agreements

In a tri-party repurchase agreement, the Fund lends cash to a third party secured against collateral posted by the borrower to a collateral agent.

At any point, the Fund can recall the loan with twenty-four hours' notice. Failure to deliver the cash will be considered an event of default, enabling the Fund to take delivery of the collateral posted with the collateral agent.

Due to the highly liquid nature of these instruments, the amount being lent through these tri-party repurchase agreements is recorded as cash and cash equivalents in the Statement of Financial Position, with interest receivable accrued and recognized as interest income in the Statement of Comprehensive Income.

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. Disclosures are required where an interest is held in a structured entity and where, for example, the investor has been involved in the setting up of the structured entity and the investor would have exposure to potential losses or costs over and above the amount actually invested.

As explained in note 2, the Fund considers the fund investments and its investments in CLOs to meet the definition of a structured entity.

The Fund holds various investments in CLOs and investment funds. The fair value of the CLOs and investment funds is recorded in the "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. 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.

Below is a summary of the Fund's holdings in subsidiary unconsolidated structured entities:

As at 31 December 2016:

	No. of invest-ments	Range of nominal US$ MM	Average nominal US$ MM	Fair value of Fund's Holding US$ MM
CLO Equity				
U.S. CLOs*	15	33.0 - 721.1	457.6	202.0
Investment Funds				
		Total GAV US$ MM		
Equities				
Polygon European Equity Opportunities Fund**	1	455.3	n/a	192.9
Polygon Mining Opportunities Fund**	1	69.6	n/a	36.6
Polygon Global Equities Fund**	1	22.3	n/a	19.5
Credit				
Polygon Distressed Opportunities Fund**	1	119.6	n/a	106.5
Polygon Convertible Opportunity Fund**	1	487.5	n/a	50.9
Tetragon Credit Income II**	1	66.0	n/a	16.1

Note 6 Interest in Other Entities (continued)

As at 31 December 2015:

	No. of invest-ments	Range of nominal US$ MM	Average nominal US$ MM	Fair value of Fund's Holding US$ MM
CLO Equity				
U.S. CLOs*	19	33.0 - 721.1	320.1	224.1
Investment Funds				
		Total GAV		
Equities		**US$ MM**		
Polygon European Equity Opportunities Fund**	1	443.9	n/a	139.9
Polygon Mining Opportunities Fund**	1	70.0	n/a	38.1
Polygon Global Equities Fund**	1	23.2	n/a	20.3
Credit				
Polygon Distressed Opportunities Fund**	1	100.0	n/a	95.1
Polygon Convertible Opportunity Fund**	1	417.9	n/a	44.8

As at 1 January 2015:

	No. of invest-ments	Range of nominal US$ MM	Average nominal US$ MM	Fair value of Fund's Holding US$ MM
CLO Equity				
U.S. CLOs*	19	10.2 - 721.1	376.4	208.3
Investment Funds				
		Total GAV		
Equities		**US$ MM**		
Polygon European Equity Opportunities Fund**	1	350.2	n/a	120.8
Polygon Mining Opportunities Fund**	1	66.7	n/a	37.6
Polygon Global Equities Fund**	1	22.4	n/a	19.5
Credit				
Polygon Distressed Opportunities Fund**	1	96.3	n/a	95.5
Polygon Convertible Opportunity Fund**	1	413.0	n/a	42.5

*This includes all US CLOs deemed to be controlled by the Fund. US CLOs are domiciled in Cayman Islands.

** Polygon Hedge Funds and Tetragon Credit Income II ("TCI II") 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.

Please refer to Note 17 for details of unfunded capital commitments.

Note 6 Interest in Other Entities (continued)

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

As at 31 December 2016:

	No. of invest-ments	Range of nominal US$ MM	Average nominal US$ MM	Fair value of Fund's Holding US$ MM
CLO Equity				
U.S. CLOs*	27	22.2 - 417.2	153.8	208.5
European CLOs*	6	36.4 - 213.0	103.8	31.6
Real Estate		**Total AUM US$ MM**		
GreenOak – U.S.**	5	4,037.0	n/a	52.3
GreenOak – Europe **	9	2,062.6	n/a	35.8
GreenOak – Asia**	3	1,029.2	n/a	28.8
Other Real Estate	4	27.7	n/a	27.7

As at 31 December 2015:

	No. of invest-ments	Range of nominal US$ MM	Average nominal US$ MM	Fair value of Fund's Holding US$ MM
CLO Equity				
U.S. CLOs*	33	22.2 - 483.1	209.3	316.6
European CLOs*	8	36.4 - 296.7	121.9	58.5
Real Estate		**Total AUM US$ MM**		
GreenOak – U.S.**	6	4,252.5	n/a	47.4
GreenOak – Europe **	8	1,408.0	n/a	38.2
GreenOak – Asia**	4	905.1	n/a	29.9
Other Real Estate	4	26.3	n/a	26.3

As at 1 January 2015:

	No. of invest-ments	Range of nominal US$ MM	Average nominal US$ MM	Fair value of Fund's Holding US$ MM
CLO Equity				
U.S. CLOs*	47	18.2 - 513.7	231.9	486.5
European CLOs*	10	118.8 - 486.3	242.1	120.1
Real Estate		**Total AUM US$ MM**		
GreenOak – U.S.**	7	2,239.8	n/a	46.1
GreenOak – Europe **	6	1,359.5	n/a	21.9
GreenOak – Asia**	4	805.9	n/a	20.3

* Includes all externally managed CLOs that are outside the Fund's control. U.S. CLOs are domiciled in Cayman Islands. European CLOs are domiciled in Ireland, Luxembourg and Netherlands.

** GreenOak funds hold real estate investments in the U.S., Japan and various countries in Europe. The full scale of the region presented above contains all assets under management 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.

Please refer to Note 17 for details of unfunded capital commitments

Note 7 TFG Asset Management

TFG Asset Management is a diversified alternative asset management business that owns majority and minority private equity stakes in asset management companies. The Fund owns 100% holdings and voting rights in TFG Asset Management. As at 31 December 2016, TFG Asset Management investments were comprised of LCM, Polygon, Equitix, Hawke's Point, TCIP and a minority stake in GreenOak.

	31 Dec 2016	31 Dec 2015	1 Jan 2015
	US$ MM	US$ MM	US$ MM
Equitix	172.5	173.9	-
LCM	106.2	110.2	99.8
Polygon	59.7	67.0	68.6
GreenOak	67.0	70.0	69.8
TCIP	1.6	0.3	-
Hawke's Point	0.8	0.8	-
Investments in TFG Asset Management	**407.8**	**422.1**	**238.2**

LCM

LCM is a specialist in below-investment grade U.S. broadly-syndicated leveraged loans. The business was established in 2001 and has offices in New York and London. Currently, LCM manages loan assets exclusively through CLOs, which are long-term, multi-year investment vehicles. The typical duration of a CLO, and thus LCM's management fee stream, depends on, among other things, the term of its reinvestment period (currently typically four to five years for a new issue CLO) and the prepayment rate of the underlying loan assets, as well as post-reinvestment period reinvestment flexibility and weighted average life constraints.

The Fund owns 100% of LCM through its investment in TFG Asset Management.

Polygon

Polygon manages open-ended hedge fund and private equity vehicles across a number of strategies. Polygon was established in 2002 and has offices in New York and London.

The Fund owns 100% of the Polygon business through its investment in TFG Asset Management.

Equitix

Equitix is an integrated core infrastructure asset management and primary project platform. Equitix was established in 2007 and is based in London. On 2 February 2015, the Fund completed the acquisition of Equitix for a total enterprise value of £159.5 million (US$ 239.9 million). After giving effect to all aspects of the sale and purchase agreement, the total consideration was £160.4 million (US$ 241.2 million) with the Fund directly funding £88.3 million (US$ 132.8 million) and the remainder being funded through an external loan of £60.0 million (US$ 92.3 million) before fees and a rollover of certain purchase consideration by the Equitix management team.

The Fund's investment is structured through the holding of a mezzanine loan, 12% 'A' loan notes and an equity stake. Although the Fund currently effectively receives 85% of the economics through the percentage of loan notes that it holds, upon repayment of the loan notes its effective economic equity share would be expected to decline to 74.8%, with the Equitix management team owning the balance.

Note 7 TFG Asset Management (continued)

Hawke's Point

Hawke's Point is a mining finance company which seeks to provide capital to companies in the mining and resource sectors. TFG Asset Management established Hawke's Point in the fourth quarter of 2014 and the Fund owns 100% of Hawke's Point through its investment in TFG Asset Management.

TCIP

TCIP acts as a general partner of a private equity vehicle that, among other things, makes investments in CLOs relating to risk retention rules. The business was established at the end of 2015 and is managed out of New York and London.

The Fund owns 100% of TCIP through its investment in TFG Asset Management.

GreenOak

GreenOak is a real estate-focused principal investing, lending and advisory firm that seeks to create long-term value for its investors and provide strategic advice to its clients . The business was established in 2010 and has a presence in New York, London, Tokyo, Los Angeles, Madrid and Seoul. The Fund, through its investment in TFG Asset Management, owns a 23% interest (2015: 23%) in GreenOak.

Note 8 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.

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 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.

Credit risk

'Credit risk' is the risk with a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into the Fund, resulting in a financial loss to the Fund. It arises principally from the loan portfolio held, and also from derivative financial assets, cash and cash equivalents and balances due from brokers.

Note 8 Financial Risks Review (continued)

Credit risk (continued)

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 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, represents the Fund's maximum credit exposure, hence, no separate disclosure is provided.

i. Analysis of Credit Quality

The Fund's exposure to credit risk arises in respect of the following financial instruments:

Cash and cash equivalents

The cash and cash equivalents, including reverse sale and repurchase agreements, are held with three (2015: one) financial institutions with credit ratings between A and BBB+ (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 (2015: three) with S&P's credit ratings between A and BBB+ (2015: A and BBB+). Please refer to Note 10 for a breakdown of balances held with each broker.

Loans portfolio

The Fund is exposed to Equitix through a combination of a mezzanine loan, 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 7.

The Fund also has investments in debt securities of US$ 6.6 million (2015: US$ 3.0 million) with Moody's credit ratings between B2 and Caa1 (2015: B2 and Caa1).

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 realized losses on the collateral in each CLO investment.

Note 8 Financial Risks Review (continued)

i. Analysis of Credit Quality (continued)

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.

Derivatives

The table below shows an analysis of derivative financial assets and liabilities outstanding at 31 December 2016.

	Derivative assets		Derivative liabilities	
	Fair Value US$ MM	Notional	Fair Value US$ MM	Notional
OTC	22.2	411.5	(4.1)	363.5

The table below shows an analysis of derivative financial assets and liabilities outstanding at 31 December 2015.

	Derivative assets		Derivative liabilities	
	Fair Value US$ MM	Notional	Fair Value US$ MM	Notional
OTC	19.4	695.4	(0.7)	30.1

The table below shows an analysis of derivative financial assets and liabilities outstanding at 1 January 2015.

	Derivative assets		Derivative liabilities	
	Fair Value US$ MM	Notional	Fair Value US$ MM	Notional
OTC	19.2	685.8	(5.8)	187.6

ii. Concentration of credit risk

The Fund's credit risk is concentrated in 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 2016	31 Dec 2015
CLOs	45%	54%
Cash and cash equivalents	40%	33%
Equitix loan	14%	13%
Other loans	1%	-%
Total	100%	100%

None of the Fund's financial assets were considered to be past due or impaired in 2016, 2015 and 2014.

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 8(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 8 Financial Risks Review (continued)

iii. Collateral and other credit enhancements, and their financial effect (continued)

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

	31 Dec 2016 US$ MM	31 Dec 2015 US$ MM
Receivables from reverse sale and repurchase agreements	201.0	225.0

No individual trades are under-collaterized.

Collateral accepted includes investment-grade securities that the Fund is permitted to sell or repledge. The Fund has not recognized 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 Dec 2016

Description	Gross Amount of Recognized 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 received/ posted US$ MM	Net Amount US$ MM
Assets						
Derivatives	22.2	-	22.2	(4.1)	-	18.1
Total	22.2	-	22.2	(4.1)	-	18.1
Liabilities						
Derivatives	4.1	-	4.1	(4.1)	-	-
Total	4.1	-	4.1	(4.1)	-	-

Note 8 Financial Risks Review (continued)

iv. Offsetting financial assets and liabilities (continued)

31 Dec 2015

Description	Gross Amount of Recognized 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 received/ posted US$ MM	Net Amount US$ MM
Assets						
Derivatives	19.4	-	19.4	(0.7)	-	18.7
Total	19.4	-	19.4	(0.7)	-	18.7
Liabilities						
Derivatives	0.7	-	0.7	(0.7)	-	-
Total	0.7	-	0.7	(0.7)	-	-

1 Jan 2015

Description	Gross Amount of Recognized 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 received/ posted US$ MM	Net Amount US$ MM
Assets						
Derivatives	19.2	-	19.2	(2.1)	-	17.1
Total	19.2	-	19.2	(2.1)	-	17.1
Derivatives	5.8	-	5.8	(2.1)	(3.7)	-
Total	5.8	-	5.8	(2.1)	(3.7)	-

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.

Note 8 Financial Risks Review (continued)

Liquidity risk (continued)

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. Details of the facility and the undrawn and drawn balance are disclosed in Note 13.

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.

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

31 Dec 2016	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
Derivative financial liabilities – Credit default swaps	-	-	-	0.9	-	0.9
Derivative financial liabilities – Forward foreign currency exchange contracts	0.2	1.3	1.7	-	-	3.2
Loans and borrowings	-	-	-	38.0	-	38.0
Expenses payable	2.3	-	-	-	-	2.3
	2.5	1.3	1.7	38.9	-	44.4

31 Dec 2015	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
Derivative financial liabilities – Forward foreign currency exchange contracts	-	0.7	-	-	-	0.7
Expenses payable	3.0	-	-	-	-	3.0
	3.0	0.7	-	-	-	3.7

1 Jan 2015	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
Derivative financial liabilities – Credit default swaps	-	-	-	-	4.1	4.1
Derivative financial liabilities – Total return equity swaps	0.2	-	-	-	-	0.2
Derivative financial liabilities – Forward foreign currency exchange contracts	-	0.7	0.8	-	-	1.5
Expenses payable	5.0	-	-	-	-	5.0
	5.2	0.7	0.8	-	4.1	10.8

Note 8 Financial Risks Review (continued)

Liquidity risk (continued)

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 2016	92.6	87.0	236.2	-	(90.7)	(84.7)	(232.5)	-
31 Dec 2015	244.0	74.7	36.3	9.4	(236.3)	(73.7)	(35.4)	(8.9)
1 Jan 2015	140.1	77.8	29.3	10.4	(133.7)	(74.4)	(29.2)	(10.3)

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 2016	31 Dec 2015	1 Jan 2015
Cash and cash equivalents (U.S.$ MM)	392.6	360.3	359.8
Percentage of NAV	20.22%	17.83%	18.36%

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 Fund's investments may be significantly affected by changes in interest rates. The Fund's investments in leveraged loans through CLOs and TCI II 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 TFG'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 Convertibles Opportunities Fund ("PCOF") and the Polygon Distressed Opportunities Fund ("PDOF", together the "Polygon Funds"). 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 8 Financial Risks Review (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.

	Fair Value as at 31 Dec 2016 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
US CLOs 1.0	151.8	4.6	2.4
US CLOs 2.0	260.6	10.9	18.2
European CLOs	31.6	(0.9)	(0.2)
PCOF	51.0	(0.8)	0.9
PDOF	106.5	(2.1)	2.7
TCI II	16.1	1.1	0.7
	617.6	12.8	24.7

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.

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 Dec 2016			
	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	61.9	(61.9)	-	-
GBP	263.0	(242.3)	20.7*	(1.0)
NOK	18.3	(19.9)	(1.6)	0.1
JPY	16.0	(16.3)	(0.3)	-
	359.2	(340.4)	18.8	0.9

Note 8 Financial Risks Review (continued)

ii. Currency Risk (continued)

	31 Dec 2015			
	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	97.9	(97.7)	0.2	-
GBP	202.7	(188.9)	13.8*	(0.7)
NOK	10.9	(9.8)	1.1	(0.1)
JPY	15.4	(16.5)	(1.1)	0.1
	326.9	(312.9)	14.0	(0.7)

	1 Jan 2015			
	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	151.4	(144.0)	7.4*	0.4
GBP	44.7	(44.3)	0.4	-
NOK	2.8	(2.8)	-	-
JPY	4.2	(4.3)	(0.1)	-
	203.1	(195.4)	7.7	0.4

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 difference 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.

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.

Note 8 Financial Risks Review (continued)

iii. Other Price Risk (continued)

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

Asset Class	% of net assets as at 31 Dec 2016	% of net assets as at 31 Dec 2015	% of net assets as at 1 Jan 2015
CLO Equity Tranches	22.8%	29.7%	41.7%
CLO Mezzanine	0.1%	0.1%	0.1%
Loans	0.3%	0.2%	1.1%
Listed Stock	0.7%	-	1.5%
Unlisted Stock	2.2%	1.6%	0.1%
Investment funds and vehicles	31.1%	26.1%	21.5%
TFG Asset Management	21.0%	20.9%	12.2%

The Investment Manager reviews the above percentages on a monthly basis against the limits which are set and reviewed periodically. Please refer to Note 5 for a sensitivity analysis of fair value of investments.

Note 9 Other Receivables and Prepayments

	31 Dec 2016 US$ MM	31 Dec 2015 US$ MM	1 Jan 2015 US$ MM
Prepayments	0.1	0.1	0.1
Interest receivables	0.1	0.1	0.5
Other receivables	0.4	-	6.3
	0.6	0.2	6.9

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

Note 10 Amounts Due From Brokers

The amounts due from brokers is cash pledged as collateral on the forward contracts and equity swaps. The following table details amount held by brokers.

	31 Dec 2016 US$ MM	31 Dec 2015 US$ MM	1 Jan 2015 US$ MM
UBS AG	11.2	10.7	2.0
BNP Paribas	8.8	10.3	13.3
Morgan Stanley	-	1.4	1.4
Bank of America Merrill Lynch	31.0	37.5	35.4
	51.0	59.9	52.1

Note 11 Cash and Cash Equivalents

	31 Dec 2016 US$MM	31 Dec 2015 US$ MM	1 Jan 2015 US$ MM
Cash and current deposits with banks	392.6	360.3	359.8
	392.6	360.3	359.8

Note 11 Cash and Cash Equivalents (continued)

Of this cash balance, US$ 201.0 million relates to amounts loaned to counterparties and secured against collateral through tri-party agreements (31 December 2015: US$ 225.0 million; 1 January 2015: US$ Nil). These all have at least overnight liquidity.

Certain controlled subsidiaries, related to real estate investments, owned by the Fund contain cash and cash equivalents balance of US$ 32.6 million as at 31 December 2016 (31 December 2015: US$ 42.4 million; 1 January 2015: US$ 12.1 million). This cash balance is included in the fair value of these subsidiaries.

Note 12 Other Payables and Accrued Expenses

	31 Dec 2016	31 Dec 2015	1 Jan 2015
	US$ MM	US$ MM	US$ MM
Accrued expenses	2.3	3.0	5.0
	2.3	3.0	5.0

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

Note 13 Credit Facility

On 5 April 2016, the Fund obtained an unsecured US$ 75.0 million revolving credit facility (the "Revolving Credit Facility") with a stated maturity date of 1 October 2019. 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.

During the third quarter, the Fund increased the size of its Revolving Credit Facility from US$ 75.0 million to US$150.0 million with the addition of a second lender to the facility.

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 US LIBOR plus a spread of 4%.

During the year, the Fund utilised US$ 38.0 million of the credit facility. As at 31 December 2016, US$ 112.0 million of the facility remained undrawn.

Note 14 Share Capital

Authorized

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

Voting Shares

All of the Fund's voting shares are issued at par and are beneficially owned by the Voting Shareholder, a non-U.S. affiliate of the Investment Manager. The voting shares will be the only shares entitled to vote for the election of Directors and on all other matters put to a vote of shareholders, subject to the limited rights of the Shares described below. The voting shares are not entitled to receive dividends.

Non-Voting Shares

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

Dividend Rights

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

Share Transactions

	Voting Shares No.	Non-Voting Shares No. MM	Shares US$ MM
Shares in issue at 1 January 2015	10	95.9	0.1
Issued in lieu of stock dividend	-	1.2	-
Issued through release of tranche of Escrow Shares	-	4.8	-
Shares purchased during the year	-	(6.0)	-
Shares in issue at 31 December 2015	10	95.9	0.1
Issued in lieu of stock dividend	-	1.6	-
Issued through release of tranche of Escrow Shares	-	3.2	-
Issue through exercise of GreenOak options	-	0.7	-
Shares purchased during the year	-	(14.3)	-
Shares in issue at 31 December 2016	10	87.1	0.1

Treasury Shares

On 30 November 2007, the Feeder announced the implementation of a share repurchase program of their outstanding Shares and this was renewed on several occasions. As at 31 December 2016, there was no share repurchase program in place.

Note 14 Share Capital (continued)

Treasury Shares (continued)

When the program was in operation, the Fund undertook to repurchase an identical number of its own Shares from the Feeder as and when the Feeder repurchased its own shares in the open market. The Fund matched the price per Share paid by the Feeder. The Shares are held in Treasury Shares allowing them to potentially be resold back to the Feeder if it resells its own shares back into the market at a later date. Whilst they are held by the Fund, the Shares are neither eligible to receive dividends nor are they included in the Shares outstanding on the Statement of Financial Position.

During 2016, the Feeder and the Fund announced that under the terms of two "modified Dutch auction" tender offers (the "Tender Offers"), the Fund had accepted for purchase approximately 14.3 million Feeder non-voting shares at an aggregate cost of US$ 151.1 million, including applicable fees and expenses of US$ 1.1 million. Additionally, the Fund entered into an agreement to repurchase 0.6 million shares for US$ 6.7 million from Michael Humphries, a manager of certain Polygon funds, in connection with the winding up of a swap transaction between him and the Fund with respect to the relative values of the Feeder's shares and interest in the Polygon funds following the acquisition of Polygon in 2012. The Feeder exchanged an equivalent number of Fund Shares for the Feeder shares which had been repurchased.

Escrow Shares

As part of the acquisition of TFG Asset Management, the Aggregate Consideration (as defined in Note 16) of 11.7 million Feeder 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. Upon the release of the Feeder shares, the Fund agreed to issue an identical number of Shares to the Feeder. During the year 3.8 million Shares (31 December 2015: 4.7 million Shares) were issued to the Feeder as a result of an equivalent number of Feeder Shares being released from escrow. Of these approximately 3.0 million Shares (31 December 2015: 4.0 million Shares) were deemed to be in relation to the original Feeder escrow shares, and a value of US$ 25.0 million (31 December 2015: US$ 33.8 million) was debited against Capital Contribution, using the transaction share price of US$ 8.43.

In addition, approximately 0.8 million shares (31 December 2015: 0.7 million shares) were deemed to be related to the stock dividends awarded on the original shares released and an amount of US$ 8.1 million (31 December 2015: US$ 7.5 million) was released against Retained Earnings, based on the stock reference price at each applicable dividend date.

Other Share Transactions

	Treasury Shares Shares No. MM	**Shares held in TFG Holdings I* Shares No. MM**
Shares at 31 December 2014	12.8	16.6
Shares purchased during the year	-	0.4
Shares at 31 December 2015	12.8	17.0
Shares purchased during the year	4.3	10.0
Shares transferred to Treasury	27.0	(27.0)
Other transactions settled from Treasury	(0.8)	-
Shares at 31 December 2016	**43.3**	**-**

* TFG Holdings I was closed during 2016.

Note 14 Share Capital (continued)

Capital Management

The Fund's capital is represented by the ordinary share capital, share premium, and accumulated retained earnings, as disclosed in the Statement of Financial Position. The Fund's capital is managed in accordance with its investment objective of generating distributable income and capital appreciation which aims to provide stable returns to investors across various credit, equity, interest rate, inflation and real estate cycles.

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 15 Dividends

	31 Dec 2016 US$ MM	31 Dec 2015 US$ MM
Quarter ended 31 December 2014 of US$ 0.1575 per share	-	15.1
Quarter ended 31 March 2015 of US$ 0.1575 per share	-	15.2
Quarter ended 30 June 2015 of US$ 0.1625 per share	-	15.7
Quarter ended 30 September 2015 of US$ 0.1625 per share	-	16.5
Quarter ended 31 December 2015 of US$ 0.165 per share	15.9	-
Quarter ended 31 March 2016 of US$ 0.165 per share	16.1	-
Quarter ended 30 June 2016 of US$ 0.1675 per share	14.6	-
Quarter ended 30 September 2016 of US$ 0.1675 per share	15.2	-
	61.9	62.5

The fourth quarter dividend of US$ 0.1725 per share was approved by the Directors on 28 February 2017 and has not been included as a liability in these consolidated financial statements.

The Fund also pays a dividend to the Feeder that is sufficient to pay its incentive fee liability. In the year ended 31 December 2016, US$ 22.6 million (31 December 2015: US$ 35.2 million) was paid.

Note 16 Share-based Payment Plan

On 28 October 2012, TFG Asset Management L.P.and certain of its affiliates, were acquired by the Fund in exchange for consideration of approximately 11.7 million non-voting shares of the Feeder, with an aggregate fair value at grant date of US$ 98.5 million, to the sellers (the "Aggregate Consideration").

The Aggregate Consideration is held in escrow (along with accrued stock dividends), by the escrow agent pursuant to the terms of the escrow agreement. The first tranches were released in 2013 to 2016 with the remainder to be released in 2017, as set out in the following table.

	2012	2013	2014	2015	2016	2017	Total
Vesting schedule of Aggregate Consideration escrow shares (million shares)	0	1.2	1.2	3.7	3.0	2.5	11.7

These shares were treated as payment for post combination services rather than upfront consideration and have been accounted for under IFRS 2 *Share-based Payments*. The Fund recognizes the individual compensation costs on a graded vesting basis over the relevant service period of each award. These are reflected in the Statement of Comprehensive Income as share based employee compensation and through Equity as a capital contribution. The charge for the year ended 31 December 2016 amounted to US$ 9.4 million (31 December 2015: US$ 19.2 million).

Note 16 Share-based Payment Plan (continued)

	2012	2013	2014	2015	2016	2017	Total
Share based compensation expense under IFRS (graded vesting basis) (US$ mm)	6.1	34.9	25.3	19.2	9.4	3.5	98.5

Movements during the year
The following tables illustrate the movements in shares during the year:

	31 Dec 2016 Shares MM	31 Dec 2015 Shares MM
Balance at 1 January	6.6	10.7
New awards	-	-
Vested during the period	(3.8)	(4.7)
Stock dividends	0.4	0.6
Balance at 31 December	3.2	6.6

The table below shows the number of Feeder shares which are currently expected to vest over the next year, including accrued stock dividends up to the end of December 2016. These shares are all entitled to any future stock dividends prior to their release from escrow and so the actual amount of shares vesting each year may be higher. Upon the release of the Feeder shares from escrow, the Fund will issue an identical number of Shares to the Feeder.

Vesting Schedule – Shares as at 31 Dec 2016

	Shares MM	US$ MM
2017	3.2	12.6
	3.2	12.6

Vesting Schedule – Shares as at 31 Dec 2015

	Shares MM	US$ MM
2016	3.6	16.6
2017	3.0	12.6
	6.6	29.2

The Fund also pays one of its directors in the form of shares in the Feeder. Please refer to the Director's report and Note 18 for details of this payment.

Note 17 Contingencies and Commitments

On 16 September 2010, the Fund committed to GreenOak to provide a co-investment commitment of up to US$ 100.0 million into GreenOak investment vehicles. As at 31 December 2016, in relation to this particular co-investment commitment, GreenOak had given the Fund notice totaling US$ 101.4 million across multiple investment vehicles, of which US$ 60.6 million had actually been drawn down and funded (31 December 2015: US$ 51.2 million). In certain cases, the Fund has also made additional commitments outside of the co-investment agreement and in aggregate, the Fund has estimated total unfunded commitments of US$ 90.9 million in respect of GreenOak investment vehicles (31 December 2015: US$ 103.8 million). The total actual amount ultimately drawn may be lower than this estimated maximum amount.

Note 17 Contingencies and Commitments (continued)

The Fund has committed capital to Tetragon Credit Income II LP. As at 31 December 2016, total committed capital by the Fund is US$ 62.0 million (31 December 2015: US$ 35.0 million, 1 January 2015: US$ Nil). As at 31 December 2016, the Fund has total unfunded commitments of US$ 46.1 million (31 December 2015: US$ 35.0 million, 1 January 2015: US$ Nil).

Note 18 Related-Party Transactions

The Feeder, a Guernsey based closed-ended investment company, invests substantially all of its assets in the Fund, and has the same Investment Manager as the Fund. The Feeder is the parent company of the Fund, as it owns 100% of the Fund's Shares.

All fees and expenses of the Feeder and the Fund (including management fees paid to the Investment Manager), except for the incentive fees, are paid by the Fund and allocated to the Feeder. Any incentives fees are paid to the Investment Manager by the Feeder. During year ended 31 December 2016, US$ 22.0 million (31 December 2015: US$ 39.6 million) was paid as incentive fees.

The remuneration for Directors shall be determined by resolution of the Voting Shareholder. Each of the Directors' annual fee is US$ 100,000 as compensation for service on the Boards of Directors of both the Feeder and the Fund. The Directors have the option to elect to receive non-voting shares in the Feeder instead of the quarterly fee.

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

With respect to the year ended 31 December 2016, Frederic Hervouet has elected to receive Shares and received 2,538 Shares in relation to the first quarter's fee, 2,472 Shares in relation to the second quarter's fee and 2,254 Shares in relation to the third quarter's fee. The number of Shares issued instead of the fee for the fourth quarter will be determined as part of the fourth quarter 2016 dividend process.

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

TFG Asset Management which owns Polygon's asset management businesses and infrastructure platform and interests in LCM and GreenOak, was acquired on 28 October 2012 (the "Acquisition"). As part of the Acquisition, Reade Griffith and Paddy Dear, as founders of Polygon, were awarded consideration in non-voting shares of the Feeder, which vest between 2015 and 2017.

It was contractually agreed as part of the Acquisition that to the extent any annual compensation actually paid to each of Reade Griffith and Paddy Dear in respect of his employment with the Fund exceeds an annual base salary of US$ 100,000, they would promptly return such excess amount to the Fund. During the year ended 31 December 2016 total compensation paid to them each in aggregate was US$ 100,000 (31 December 2015: US$ 100,000).

Reade Griffith and Paddy Dear continue to hold membership interests in Polygon Global Partners LLP (the "U.K. Investment Manager") which collectively entitle them to exercise all of the voting rights in respect of the U.K. Investment Manager. As part of the Acquisition, each of Mr. Griffith and Mr. Dear 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 U.K. Investment Manager to the Fund.

Note 18 Related-Party Transactions (continued)

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 authorized 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 to GreenOak and operating, infrastructure and administrative services to Polygon Private Investment Partners LP, an affiliate of the Voting Shareholder, pursuant to applicable separate services agreements. The Service Providers are held at fair value.

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$ 14.0 million (31 December 2015: US$ 13.9 million), GreenOak US$ 0.6 million (31 December 2015: US$ 2.4 million) and Polygon Private Investment Partners LP US$ 0.2 million (31 December 2015: US$ 0.1 million).

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 2016, it held CLO equity tranche investments in 14 CLOs managed by LCM with a fair value of US$ 202.0 million (31 December 2015: US$ 208.3 million).

At 31 December 2016, 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 2015, the fair value of these investments was US$ 406.4 million (31 December 2015: US$ 338.1 million).

The Fund owns a 23% equity interest in GreenOak. As part of the original transaction to acquire an ownership stake in GreenOak, the Fund provided a US$ 100.0 million co-investment commitment and a US$ 10.0 million working capital loan commitment to GreenOak, with the Feeder issuing 3.9 million share options to the GreenOak founders. On 28 October 2012, as a result of the Acquisition the Fund increased its working capital loan commitment by an additional US$ 0.5 million by assuming the acquiree's remaining unfunded commitment. During 2015, the working capital loan was fully repaid.

The Fund has made investments across several real estate investment vehicles managed by GreenOak. As at 31 December 2016, these investments referenced real estate in the United States, Japan and Europe with a combined net asset value of US$ 116.7 million (31 December 2015: US$ 115.4 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. In addition, based on projected capital raised (subject to change), the Fund had estimated unfunded commitments of up to US$ 90.9 million with respect to the investment vehicles (31 December 2015: US$ 103.8 million).

TCIP is the general partner of TCI II. The Fund owns 100% of TCIP. As at 31 December, the Fund's investment in TCI II is fair valued at US$ 16.1 million (31 December 2015: nil). Please refer to note 17 for details of unfunded commitment related to TCI II.

Note 19 Other Matters

The Fund has recovered from insurers costs relating to shareholder derivative actions, details of which were referred to in Note 25 of the 2014 Fund's audited financial statements. During the year to 31 December 2015, US$ 9.8 million was received. The Fund did not receive any amount in the year to 31 December 2016 and does not expect to recover any further costs in relation to these actions.

Note 20 Subsequent Events

The Directors have evaluated the period up to 28 February 2017, which is the date that the financial statements were approved, and 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 authorized for issue the financial statements on 28 February 2017.

TETRAGON FINANCIAL GROUP MASTER FUND LIMITED

CONDENSED SCHEDULE OF INVESTMENTS
As at 31 December 2016

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	1,004.5	917.9	390.9	20.13%
Middle Market Senior Secured Loans	133.2	123.9	21.2	1.09%
	1,137.7	1,041.8	412.1	21.22%
European CLO Equity				
Ireland				
Broadly Syndicated Senior Secured Loans	78.3	94.0	13.8	0.71%
	78.3	94.0	13.8	0.71%
Luxembourg				
Broadly Syndicated Senior Secured Loans	71.1	84.2	7.5	0.38%
	71.1	84.2	7.5	0.38%
Netherlands				
Broadly Syndicated Senior Secured Loans	24.0	31.8	10.3	0.53%
	24.0	31.8	10.3	0.53%
United States CLO Mezzanine				
Cayman Islands				
Broadly Syndicated Senior Secured Loans	1.8	1.1	1.8	0.09%
	1.8	1.1	1.8	0.09%
Loans				
United States Broadly Syndicated Senior Secured Loans	6.4	6.6	6.6	0.34%
	6.4	6.6	6.6	0.34%
Listed Stock				
United Kingdom – Equity Investments		12.5	12.7	0.65%
		12.5	12.7	0.65%
Unlisted Stock				
Norway – Equity Investments		5.3	18.3	0.94%
United States – Private Equity		20.0	25.0	1.30%
		25.3	43.3	2.24%
Investment Funds and Vehicles				
United States – Real Estate		42.9	90.3	4.66%
Japan – Real Estate		19.8	30.7	1.58%
Latin America – Real Estate		30.0	27.7	1.43%
Spain – Real Estate		8.5	9.4	0.48%
United Kingdom – Real Estate		20.8	18.5	0.95%
Cayman Islands – CLO Equity Fund		15.9	16.1	0.83%
United Kingdom – Private Equity		5.2	4.9	0.25%
Global – Hedge Funds – Equities		55.0	56.1	2.89%
Polygon European Equity Opportunity Fund		181.2	192.9	9.93%
Polygon Distressed Opportunities Fund		95.0	106.5	5.48%
Global – Hedge Funds – Credit and Convertible Bonds		35.0	51.0	2.63%
		509.3	604.1	31.11%
TFG Asset Management				
United Kingdom Infrastructure Asset Management Business		132.9	172.5	8.89%
Global Financial Real Estate Manager		10.7	67.0	3.45%
Global Hedge Fund Manager		49.9	59.7	3.07%
United States CLO Manager		44.0	106.2	5.47%
Other		-	2.4	0.12%
		237.5	407.8	21.00%
Total Investments		**2,044.1**	**1,520.0**	**78.27%**

CONDENSED SCHEDULE OF INVESTMENTS
As at 31 December 2016

Financial Derivative Instruments

Forward Foreign Currency Exchange Contracts	7.9	0.41%
Credit default swaps	(0.9)	(0.04%)
Equity Total Return Swaps	11.1	0.57%
Total Financial Derivative Instruments	18.1	0.94%
Cash and Cash Equivalents	392.6	20.22%
Other Assets and Liabilities	11.3	0.57%
Net Assets	**1,942.0**	**100.00%**

TETRAGON FINANCIAL GROUP MASTER FUND LIMITED

CONDENSED SCHEDULE OF INVESTMENTS – (continued)
As at 31 December 2015

Security Description	Nominal MM	Cost US$ MM	Fair Value US$ MM	% of Net Assets
United States CLO Equity				
Cayman Islands				
ABS and Structured Finance	18.4	17.6	-	0.00%
Broadly Syndicated Senior Secured Loans	1,125.1	1,028.8	510.8	25.34%
CDOs Squared	17.3	16.6	-	0.00%
Middle Market Senior Secured Loans	133.2	123.9	29.8	1.48%
	1,294.0	1,186.9	540.6	26.82%
European CLO Equity				
Ireland				
Broadly Syndicated Senior Secured Loans	100.4	121.5	20.3	1.01%
	100.4	121.5	20.3	1.01%
Luxembourg				
Broadly Syndicated Senior Secured Loans	71.1	84.3	23.3	1.16%
	71.1	84.3	23.3	1.16%
Netherlands				
Broadly Syndicated Senior Secured Loans	24.0	31.8	14.9	0.74%
	24.0	31.8	14.9	0.74%
United States CLO Mezzanine				
Cayman Islands				
Broadly Syndicated Senior Secured Loans	1.8	1.1	1.7	0.08%
	1.8	1.1	1.7	0.08%
Loans				
United States Broadly Syndicated Senior Secured Loans	3.4	3.4	3.0	0.15%
	3.4	3.4	3.0	0.15%
Unlisted Stock				
Norway – Equity Investments		3.7	10.0	0.49%
United States – Equity Investments		20.2	21.5	1.07%
		23.9	31.5	1.56%
Investment Funds and Vehicles				
United States – Real Estate		43.7	68.3	3.39%
Japan – Real Estate		31.3	50.4	2.50%
Latin America – Real Estate		28.1	26.2	1.30%
Spain – Real Estate		12.8	12.5	0.62%
United Kingdom – Real Estate		27.6	25.7	1.27%
Global – Hedge Funds – Equities		60.9	64.0	3.18%
Polygon European Equity Opportunity Fund		139.2	139.7	6.94%
Polygon Distressed Opportunities Fund		95.0	95.1	4.72%
Global – Hedge Funds – Credit and Convertible Bonds		35.0	44.7	2.22%
		473.6	526.6	26.14%
TFG Asset Management				
United Kingdom Infrastructure Asset Management Business		132.8	173.9	8.61%
Global Financial Real Estate Manager		10.7	70.0	3.46%
Global Hedge Fund Manager		49.9	67.0	3.32%
United States CLO Manager		44.0	110.2	5.45%
Other		-	1.1	0.05%
		237.4	422.2	20.89%
Total Investments		**2,163.9**	**1,584.1**	**78.41%**

CONDENSED SCHEDULE OF INVESTMENTS – (continued)
As at 31 December 2015

Financial Derivative Instruments	**Fair Value US$ MM**	**% of Net Assets**
Forward Foreign Currency Exchange Contracts	10.1	0.50%
Credit default swaps	7.6	0.38%
Equity Total Return Swaps	1.0	0.05%
Total Financial Derivative Instruments	18.7	0.93%
Cash and Cash Equivalents	360.3	17.83%
Other Assets and Liabilities	57.1	2.83%
Net Assets	2,020.2	100.00%

CONDENSED SCHEDULE OF INVESTMENTS (continued)
As at 1 January 2015

Security Description	Nominal MM	Cost US$ MM	Fair Value US$ MM	% of Net Assets
United States CLO Equity				
Cayman Islands				
ABS and Structured Finance	18.4	17.6	-	-
Broadly Syndicated Senior Secured Loans	1,107.6	1,006.8	639.7	32.65%
CDOs Squared	17.3	16.6	-	-
Middle Market Senior Secured Loans	163.0	152.5	57.1	2.91%
	1,306.3	1,193.5	696.8	35.56%
European CLO Equity				
Ireland				
Broadly Syndicated Senior Secured Loans	100.4	121.5	53.0	2.71%
	100.4	121.5	53.0	2.71%
Luxembourg				
Broadly Syndicated Senior Secured Loans	71.1	84.3	46.8	2.39%
	71.1	84.3	46.8	2.39%
Netherlands				
Broadly Syndicated Senior Secured Loans	24.0	31.8	20.3	1.04%
	24.0	31.8	20.3	1.04%
United States CLO Mezzanine				
Cayman Islands				
Broadly Syndicated Senior Secured Loans	1.8	1.1	1.7	0.09%
	1.8	1.1	1.7	0.09%
Loans				
United States Broadly Syndicated Senior Secured Loans	22.4	22.0	22.1	1.13%
	22.4	22.0	22.1	1.13%
Listed Stock				
United Kingdom – Equity Investments		33.3	29.4	1.50%
		33.3	29.4	1.50%
Unlisted Stock				
Norway – Equity Investments		2.4	2.8	0.14%
		2.4	2.8	0.14%
Investment Funds and Vehicles				
United States – Real Estate		44.9	49.5	2.53%
Japan – Real Estate		21.4	27.5	1.40%
Spain – Real Estate		10.9	9.5	0.48%
United Kingdom – Real Estate		12.7	12.3	0.63%
Global – Hedge Funds – Equities		61.0	63.3	3.23%
Polygon European Equity Opportunity Fund		134.2	120.8	6.17%
Polygon Distressed Opportunities Fund		90.0	95.5	4.87%
Global – Hedge Funds – Credit and Convertible Bonds		35.0	42.5	2.17%
		410.1	420.9	21.48%
TFG Asset Management				
Global Financial Real Estate Manager		14.0	69.8	3.56%
Global Hedge Fund Manager		49.9	68.6	3.50%
United States CLO Manager		44.0	99.8	5.10%
		107.9	238.2	12.16%
Total Investments		**2,007.9**	**1,532.0**	**78.20%**

CONDENSED SCHEDULE OF INVESTMENTS (continued)
As at 1 January 2015

Financial Derivative Instruments	**Fair Value US$ MM**	**% of Net Assets**
Interest Rate Swaptions	0.6	0.03%
Forward Foreign Currency Exchange Contracts	10.0	0.51%
Credit Default Swaps	(4.1)	(0.21)%
Equity Total Return Swaps	6.9	0.35%
Total Financial Derivative Instruments	13.4	0.68%
Cash and Cash Equivalents	359.8	18.36%
Other Assets and Liabilities	54.0	2.76%
Net Assets	1,959.2	100.00%

TETRAGON FINANCIAL GROUP MASTER FUND LIMITED

FINANCIAL HIGHLIGHTS
For the year ended 31 December 2016

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 2016 and 31 December 2015.

	31 Dec 2016 US $	**31 Dec 2015 US$**
Per Share operating performance		
Net Asset Value at start of year	21.07	20.43
Net investment income	1.52	2.04
Finance Costs	(0.02)	-
Dividends paid to shareholders	(0.74)	(0.93)
Share based compensation	0.10	0.21
Other capital transactions	0.36	(0.68)
Net Asset Value at the end of the year	22.29	21.07
Ratios and supplemental data		
Return (NAV change before dividend payments and other capital transactions)	7.59%	11.01%
Ratio to average net assets:		
Total operating expenses	(1.77%)	(1.89%)
Net investment income	7.16%	9.46%

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

TETRAGON FINANCIAL GROUP IFRS Consolidated Statement of Financial Position to U.S. GAAP Consolidated Statement of Assets and Liabilities Reconciliation* as at 31 December 2016			
	IFRS $MM	Adjustment $MM	U.S. GAAP $MM
Assets			
Investments	1,520.0	(201.8)	1,318.2
Intangible assets	-	20.0	20.0
Cash and cash equivalents	392.6	65.6	458.2
Amounts due from brokers	51.0	-	51.0
Derivative financial assets	22.2	-	22.2
Fixed assets	-	0.6	0.6
Deferred tax assets and income tax receivable	-	7.9	7.9
Other receivables	0.6	31.7	32.3
Total assets	**1,986.4**	**(76.0)**	**1,910.4**
Liabilities			
Other payables and accrued expenses	9.4	42.3	51.7
Loans and Borrowings	38.0	-	38.0
Deferred tax liability and income tax payable	-	7.7	7.7
Derivative financial liabilities	4.1	-	4.1
Total liabilities	**51.5**	**50.0**	**101.5**
Net assets	**1,934.9**	**(126.0)**	**1,808.9**

This table reconciles Tetragon's IFRS Consolidated Statement of Financial Position to the Tetragon's 2016 U.S. GAAP Consolidated Statement of Assets and Liabilities

The consolidated U.S. GAAP Statement of Assets and Liabilities have been prepared on the assumption that (i) Tetragon and Tetragon Master Fund are investment companies and (ii) that the Polygon, LCM, Hawkes Point and TCIP businesses are all considered "service providers" and have been consolidated rather than fair valued. This basis of presentation is consistent with the basis of presentation in the 2015 Audited Financial Statements.

*The 2016 U.S. GAAP assumptions, assets and liabilities are unaudited

TETRAGON FINANCIAL GROUP IFRS Consolidated Comprehensive Statement of Income to U.S. GAAP Consolidated Statement of Operations Reconciliation* 2016			
	IFRS $MM	Adjustments $MM	U.S. GAAP $MM
Net gain on financial assets at fair value through profit or loss	167.5	(167.5)	-
Net gain on derivative financial assets and liabilities	14.9	(14.9)	-
Interest income	1.7	105.0	106.7
Fee income	-	72.7	72.7
Other income - cost recovery	-	15.4	15.4
Dividend income	-	4.1	4.1
Investment income	**184.1**	**14.8**	**198.9**
Management and performance fees	(49.8)	(3.1)	(52.9)
Other operating and administrative expenses	(6.9)	(80.2)	(87.1)
Share based employee compensation	(9.4)	(13.6)	(23.0)
Interest expense	(1.5)	-	(1.5)
Amortisation of intangible assets	-	(3.4)	(3.4)
Total operating expenses	**(67.6)**	**(100.3)**	**(167.9)**
Net Investment income	**116.5**	**(85.5)**	**31.0**
Net change in unrealised appreciation in investments	-	43.7	43.7
Realised gain on investments	-	44.2	44.2
Realised and unrealised losses from hedging and fx	-	(2.9)	(2.9)
Net realised and unrealised gains from investments and fx	**-**	**85.0**	**85.0**
Net income before tax	**116.5**	**(0.5)**	**116.0**
Income tax	-	0.8	0.8
Net income	**116.5**	**0.3**	**116.8**

This table reconciles Tetragon's IFRS Consolidated Comprehensive Statement of Income to Tetragon's 2016 U.S. GAAP Consolidated Statement of Operations.

The IFRS net income is derived from an aggregation of the net income of Tetragon and Tetragon Master Fund.

The consolidated U.S. GAAP net income has been prepared on the assumption that (i) Tetragon and Tetragon Master Fund are investment companies and (ii) that the Polygon, LCM, Hawkes Point and TCIP businesses are all considered "service providers" and have been consolidated rather than fair valued. This basis of presentation is consistent with the basis of presentation in the 2015 Audited Financial Statements.

*The 2016 U.S. GAAP assumptions, assets and liabilities are unaudited