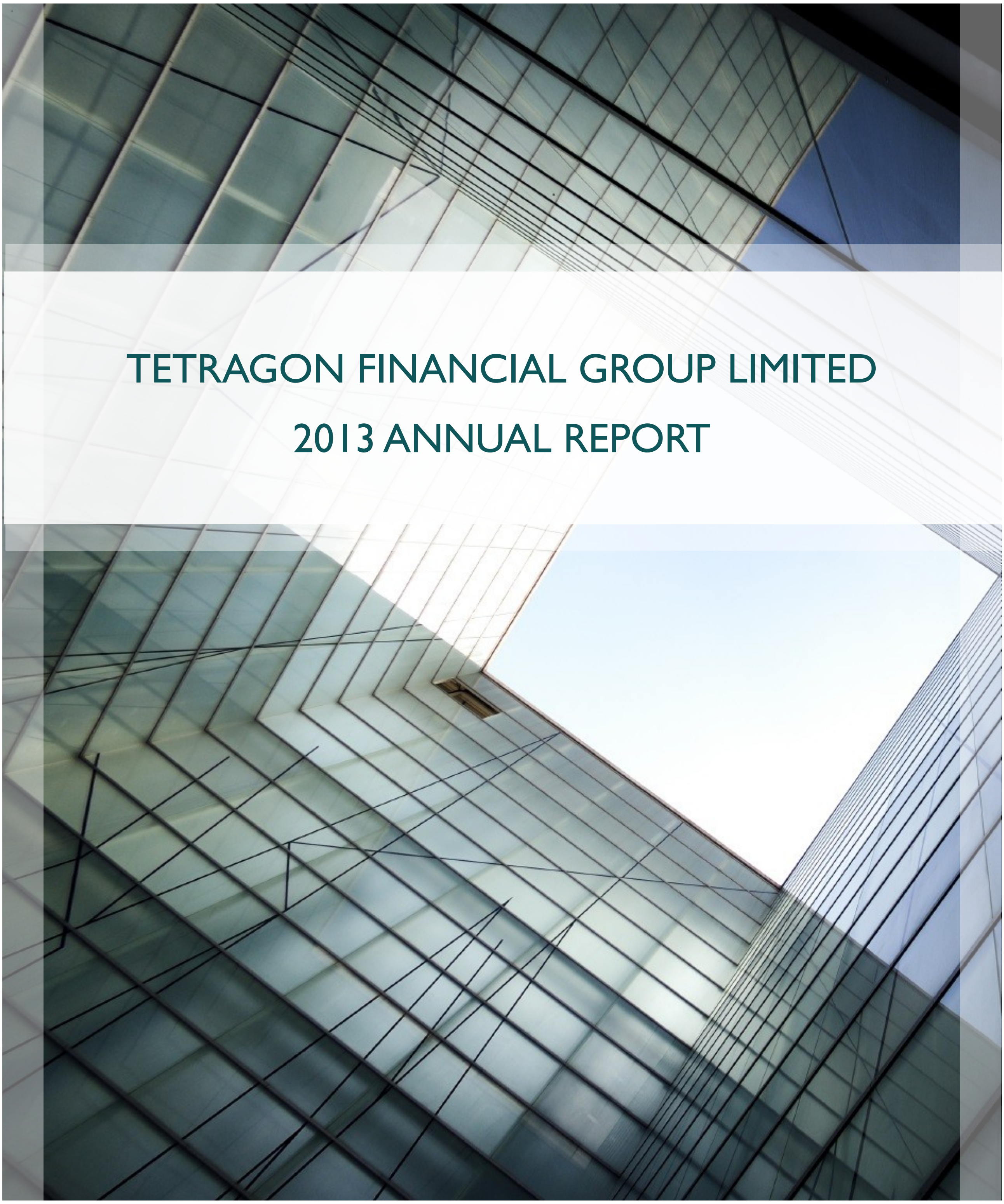
TETRAGON



TETRAGON FINANCIAL GROUP LIMITED

2013 ANNUAL REPORT

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TFG SHAREHOLDER LETTER

DEAR SHAREHOLDERS,

We are pleased to report that Tetragon Financial Group Limited ("TFG" or the "company") achieved positive operating and financial performance in 2013, with net income of $247.4 million and a return on equity ("RoE") for the year of 15.3%, just above our over-the-cycle target of 10-15% per annum.(1)

Dividends declared with respect to the year were 56.5 cents per share, up 20.2% on 2012.

TFG's financial investments, comprising U.S. broadly syndicated loan CLOs (both U.S. CLO 1.0 and U.S. CLO 2.0 transactions)(2), U.S. middle market CLOs, European CLOs, corporate loans, event-driven European equities, global mining equities, convertible bonds, distressed credit and equities and real estate (across Japan, the United Kingdom and the United States), all performed well during the year. Particularly strong performance came from European CLOs and event-driven European equities.

TFG's asset management business segment ("TFG Asset Management") also had a good year, contributing $27.5 million to the company's EBITDA.

During 2013, TFG made $335.4 million of gross additional investments across the majority of the above asset classes, further diversifying the investment portfolio which we believe is important in the long term, given the uncertainties and fluctuations in financial markets.

GOALS

We have written previously about why we believe TFG's structure provides for better risk-adjusted returns for its investors, compared to traditional banking models and other asset management vehicles. The 2013 results, we think, are supportive of our belief and therefore we intend to focus on the same goals for 2014.

Below, we compare the company's goals for 2013 as expressed a year ago in the 2012 Annual Report with the actual outcomes:

1. To deliver 10-15% RoE per annum to shareholders.(3)

The company exceeded its RoE target with annualised RoE of 15.3%.

2. To manage more of TFG's assets on the TFG Asset Management platform.

The amount of TFG's capital that was paying fees to external managers as of the end of 2013 was 53.4%, down from 63.2% at the end of 2012.(4)

3. To grow client AUM and fee income.

TFG Asset Management's assets under management ("AUM") at 31 December 2013 was $9.2 billion, 19.5% higher than the 2012 year-end total of $7.7 billion.(5) Fee income grew by 102.5% year-on-year, although 2012 only reflected a partial year of the enlarged TFG Asset Management business.

4. To add further asset management businesses to the TFG Asset Management platform.

As mentioned in our Q3 report, TFG added a distressed opportunity business in 2013, which is currently building its portfolio and team.

OUTLOOK

Notwithstanding the challenging combination of circumstances surrounding global financial markets (deflationary fears, inflationary fears, near-zero interest rates and quantitative easing to name a few), we remain cautiously positive about the outlook for 2014 with respect to both the company's existing investment portfolio and potential new investments. Many of TFG's investments (and our asset managers' strategies) are designed to take on specific risks as opposed to being exposed to the general movements of markets. CLO equity, for example, is highly sensitive to defaults and recovery rates, amongst other things. Event-driven equities are highly dependent on corporate activity and the specific idiosyncratic risks associated with each corporate restructuring. Real estate is obviously dependent on the real estate cycle in any given region. We believe that increased diversification, whilst not making TFG immune to a downturn, should make it less susceptible to any single risk, which may prove valuable over the long term.

As we have said before, with LIBOR at record lows, our *ex ante* expected returns on each investment, and therefore our expected RoE for the company, are likely to be at the low end of our long-term target range of 10-15%.

Of particular focus in 2014 will be managing the de-leveraging of our U.S. CLO 1.0 portfolio and new opportunities in real estate. The growth of GreenOak Real Estate, LP's ("GreenOak") business means they are looking at an increasing number of potential transactions, which we think bodes very well for GreenOak and its investors, but also increases the opportunities TFG sees for co-investment.

We hope for and expect continued growth in TFG Asset Management's businesses: GreenOak, LCM[i] and Polygon[ii]. The underlying funds are each focused on specific opportunities, are capacity constrained to focus on returns and are constructed with investor liquidity matched to their underlying asset liquidity. In 2014, each of these businesses will continue to seek to raise assets and see investors put their trust in these individual managers alongside TFG's capital.

We were pleased with the success of TFG's first Investor and Analyst Day held in September 2013. As a result, we expect to repeat this event later this year.

Finally, we feel that it is worth mentioning that TFG's directors, along with principals and employees of TFG's investment manager and TFG Asset Management, are collectively significantly invested alongside the company's shareholders. At the end of 2013, this group of people held interests in approximately 10.8% of the shares (including those held in escrow)[6], further aligning them with shareholders and the long-term value of the company and its shares.[iii]

With regards,

The Board of Directors

27 February 2014

(i) LCM Asset Management LLC, hereinafter referred to in this report as "LCM."

(ii) Polygon Global Partners LP and Polygon Global Partners LLP, hereinafter referred to in this report as "Polygon."

(iii) Please refer to page Appendix V on page 43 for further details.

KEY METRICS

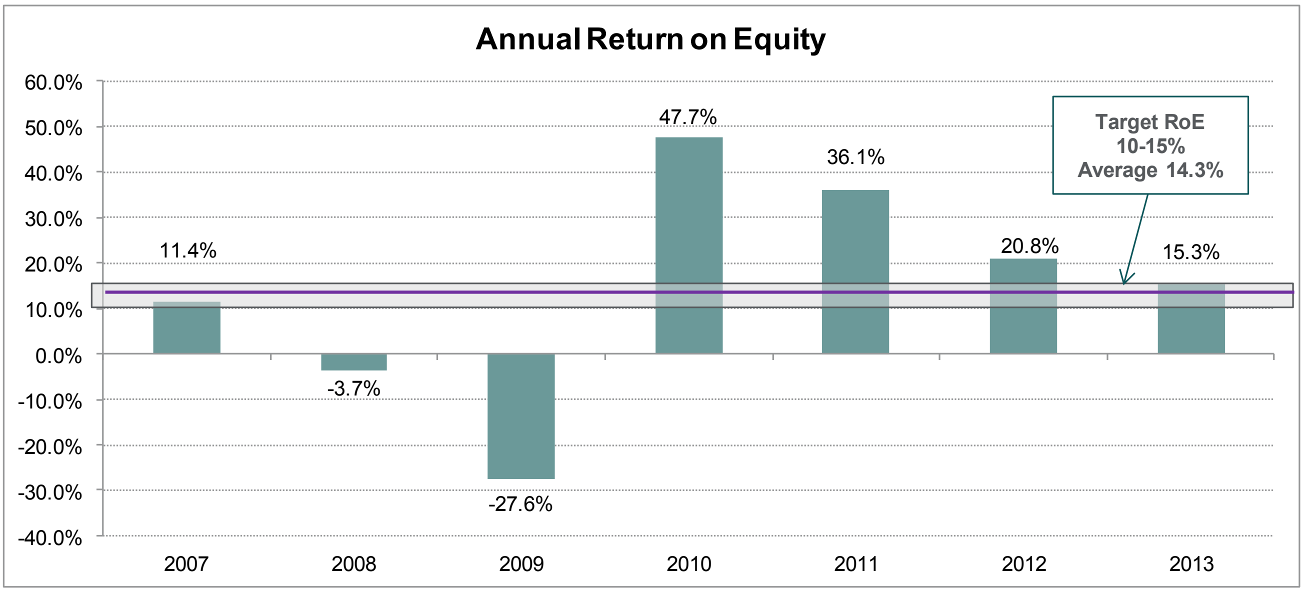
KEY METRICS

TFG continued to benefit from the ongoing successful performance of its CLO portfolio while diversifying into other strongly-performing asset classes and continuing to build the TFG Asset Management business.

RETURN ON EQUITY

- The company targets a long-term RoE in the range of 10-15% per annum net to shareholders.[7]
- 2013's RoE of 15.3% reflected a continuation of above-target returns for TFG, primarily driven by the ongoing strength of the U.S. CLO portfolio, supplemented by the steady recovery of the European CLO portfolio, and supported by strong performance in other elements of the investment portfolio and a good year for TFG Asset Management. Please refer to page 26 in the Financial Review section for details on the calculation of the RoE figure.

Figure 1



The Investment Manager[8] continues to focus on three important metrics when assessing how value is being created for, and delivered to, shareholders:

- Earnings per share – a reflection of the operating performance of TFG.
- Net Asset Value ("NAV") per share – reflecting how value is being built within the business.
- Distributions – reflecting how value has been returned to shareholders.

Each of these measures is set out in more detail on the following pages.

KEY METRICS

EARNINGS PER SHARE

- TFG ended the year strongly, generating Adjusted EPS of $1.13 during Q4 2013 to give a full year Adjusted EPS of $2.52 (2012: $2.70). Please refer to page 26 in the Financial Review section for details on how this figure is calculated.
- Adjusted EPS continued to be primarily driven by the strength of TFG's U.S. CLO portfolio, helped by the continuation of benign credit conditions in the United States, which supported a recalibration of certain modelling assumptions (which are covered later in this report). European CLOs also recovered strongly in 2013, especially during the fourth quarter.
- That said, the level of EPS generated in 2013 by the CLO portfolio was 21.6% lower than in 2012, as its performance continued to move towards more normalised levels. The decline was partially compensated for by a growth in other income, including gains on investments in other aspects of the investment portfolio and GreenOak, which together added $0.40 of Adjusted EPS.
- At the end of 2013, both the forward default curves and discount rates used in modelling the fair value of the CLO portfolio were recalibrated, in response to changes in observable data, which added approximately $0.52 of EPS after fees (please see Appendix II for further details).
- The TFG Asset Management business segment made a positive contribution to TFG's performance, generating $0.21 per share of net income in 2013, an increase of 75.0% year-on-year.

Figure 2

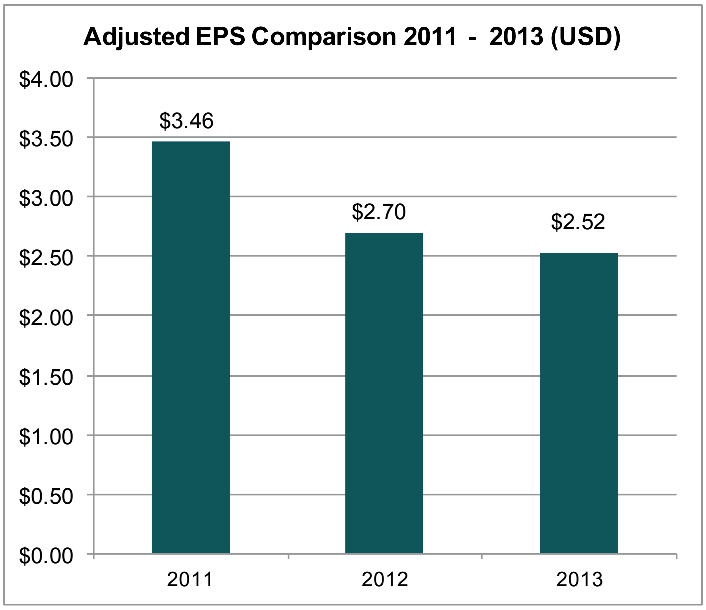


Figure 3

TETRAGON FINANCIAL GROUP TFG Earnings per Share Analysis (2011-2013)			
	2013	**2012**	**2011**
Investment portfolio segment			
CLOs	$2.86	$3.65	$4.76
Equities	$0.30	$0.01	-
Credit and Convertible Bonds	$0.04	-	-
Direct Loans	$0.03	$0.07	$0.03
Real Estate	$0.03	-	-
Other Income	$0.01	$0.01	-
Hedging FX and Derivatives	$0.10	($0.06)	($0.04)
Expenses	($0.97)	($1.07)	($1.37)
Net EPS investment portfolio	**$2.40**	**$2.61**	**$3.38**
Asset Management Segment - TFG AM	**$0.21**	**$0.12**	**$0.11**
Corporate Income taxes	($0.09)	($0.03)	($0.03)
Net Economic Income EPS	**$2.52**	**$2.70**	**$3.46**
Weighted Average Shares (millions)[(i)]	98.0	113.3	118.4

(i) The time-weighted average daily U.S. GAAP Shares outstanding during the applicable year.

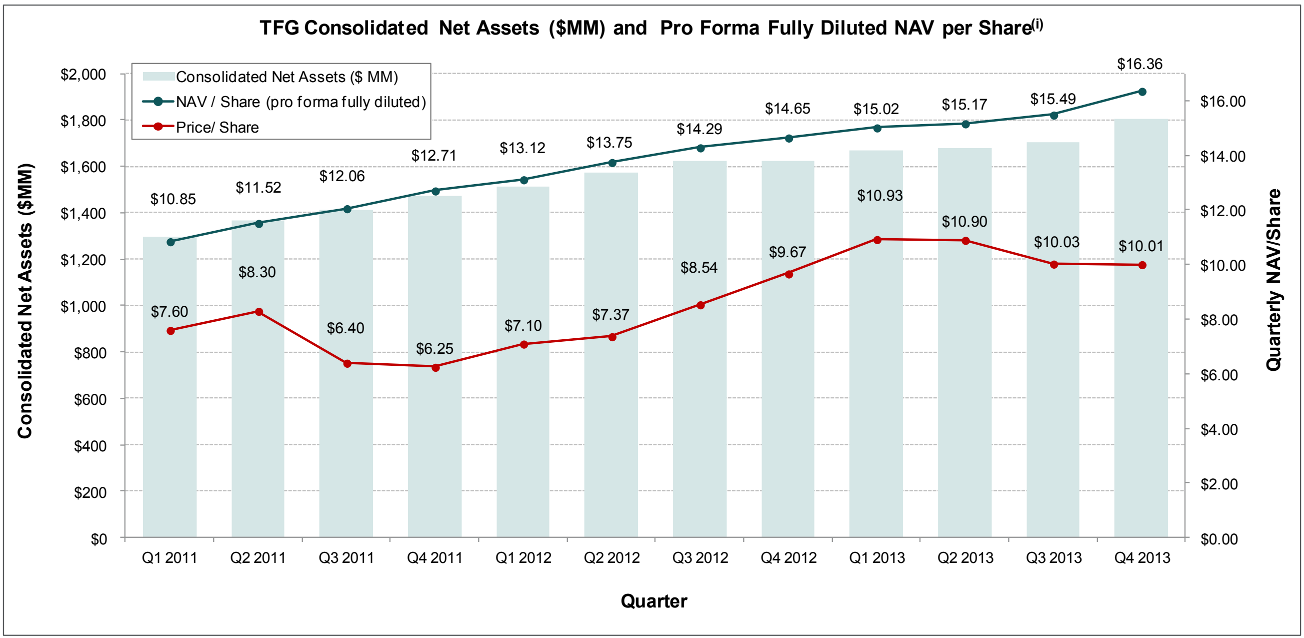
KEY METRICS

NAV PER SHARE

Pro Forma Fully Diluted NAV per Share ended the year at $16.36, up 11.7% on the year.

- Total NAV increased to $1,803.2 million by the end of 2013, which equated to Pro Forma Fully Diluted NAV per share of $16.36. Please refer to page 26 in the Financial Review section for details on how this figure is calculated.
- In early 2014, TFG announced a tender offer for up to $50.0 million of its non-voting shares, which is expected to be accretive to the Pro Forma Fully Diluted NAV per share.

Figure 4



(i) NAV per share based on TFG's financial statements as of the relevant quarter-end date; TFG's closing share price data as per Bloomberg as of the last trading day of each quarter. Please note that the Pro Forma Fully Diluted NAV per Share reported as of each quarter-end date excludes any shares held in treasury or in a subsidiary as of that date, but includes (1) shares held in escrow, which are expected to be released and incorporated into the U.S. GAAP NAV per Share over a five-year period, and (2) the number of shares corresponding to the applicable intrinsic value of the options issued to the Investment Manager at the time of the company's IPO.

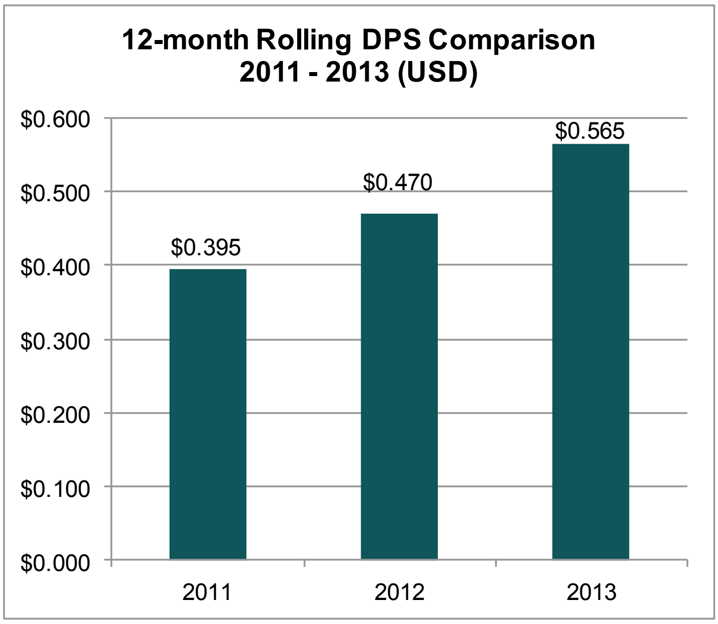
KEY METRICS

DISTRIBUTIONS

Dividends per Share ("DPS"): TFG declared dividends for 2013 totalling $0.565 per share, a 20.2% increase on 2012.

- TFG continues to pursue a progressive dividend policy with a target payout ratio of 30-50% of normalised earnings, recognising the long-term target RoE of 10-15%. The Q4 2013 dividend of $0.15 per share brings the cumulative DPS since TFG's IPO to $2.825 per share. Please see "Dividends and other Distributions" in Appendix VI of this Annual Report.
- Of the $53.9 million (2012: $50.3 million) of dividends paid in 2013, approximately 8.0% of shareholders elected to take shares rather than cash pursuant to the company's optional stock dividend program.(9) In addition, holders of escrow shares also receive dividends on such shares in the form of TFG stock in lieu of cash dividends.

Figure 5



CASH FLOWS & USES OF CASH

CASH FLOWS & USES OF CASH

CASH FLOW AND USES OF CASH

2013 was another strong year for TFG from a cash generation perspective, with the CLO portfolio generating $95.3 million in Q4 2013, bringing the 2013 total to $456.8 million (2012: $459.6 million). As described in more detail in the Investment Portfolio section, the main source of these strong cash flows was the U.S. CLO portfolio, with the year-on-year decline primarily due to the amortisation of U.S. CLO 1.0 transactions and tightening loan spreads on the underlying collateral held by both U.S. CLO 1.0 and U.S. CLO 2.0 deals.

With the new issue market for U.S. CLOs reaching post-crisis highs, TFG invested $69.5 million into the equity tranches of four new CLO issues, managed by LCM as well as by third-party managers. TFG continued to diversify its investment portfolio beyond CLOs, with allocations of capital totalling $195.9 million into equities, credit and convertibles, both through various Polygon-managed hedge fund vehicles and directly. TFG also invested $43.5 million (2012: $23.5 million) of cash into real estate opportunities managed by GreenOak during the year.

As TFG deployed additional cash into a more diverse set of asset classes, the size of the direct loan portfolio was reduced, which generated a net $80.2 million of cash inflows.

Finally, as described in the Distributions section, TFG used approximately $49.5 million to pay cash dividends during 2013 (2012: $38.3 million) and $16.1 million to repurchase its shares during the same period.

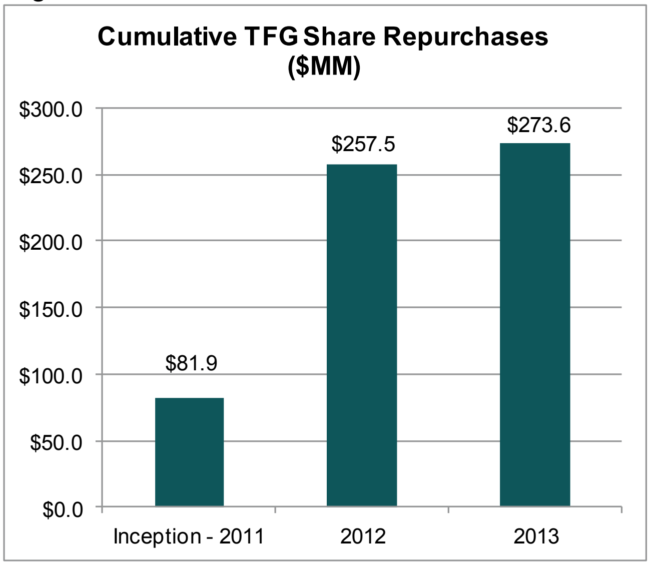
At 2013 year-end, TFG's investible cash balance was $218.8 million or approximately 12.1% of net assets.

SHARE REPURCHASES

Share repurchases: During 2013, TFG used $16.1 million of cash to repurchase shares at a discount to NAV.

- Life-to-date through the end of 2013, TFG's share repurchase program resulted in the repurchase of approximately 36.2 million shares at an aggregate cost of $273.6 million (including the 2012 tender offer, the results of which TFG announced on 7 December 2012).
- Prior to the expiration of the regular share repurchase program on 30 April 2013, TFG bought back approximately 1.45 million shares in 2013 for a total value of $16.1 million.
- In early 2014, TFG announced its intention to repurchase TFG non-voting shares up to a maximum value of $50.0 million in a tender offer managed by Deutsche Bank AG, London branch. Further details are available at www.tetragoninv.com.

Figure 6



TFG’S BUSINESS SEGMENTS

INVESTMENT PORTFOLIO

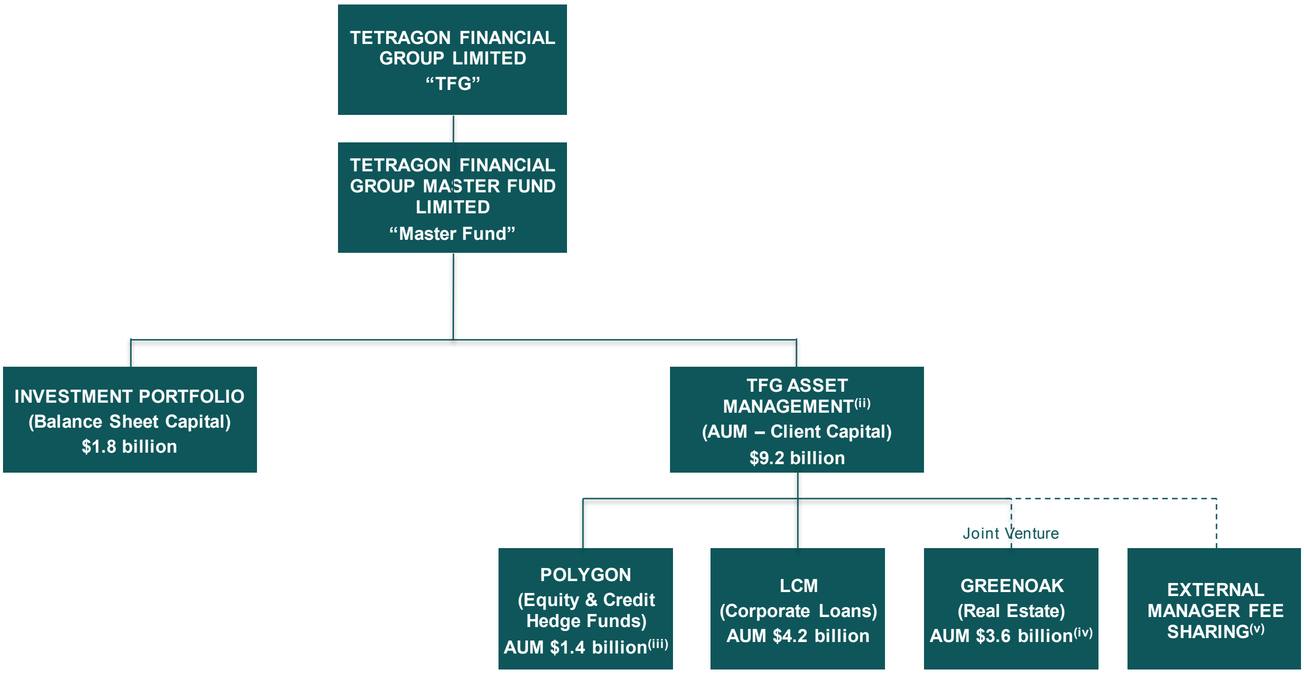
&

TFG ASSET MANAGEMENT

TFG STRUCTURE OVERVIEW

TFG owns (1) an investment portfolio of $1.8 billion of financial assets and (2) TFG Asset Management, a global alternative asset management business with $9.2 billion of client assets under management. Investors may find the below chart useful to better understand the company's structure.

Figure 7(i)



(i) This chart is a simplification of TFG's corporate structure and governance. Further information on the organisational structure and corporate governance of TFG can be found at www.tetragoninv.com.

(ii) AUM for TFG Asset Management includes, where relevant, investments by Tetragon Financial Group Master Fund Limited.

(iii) AUM for Polygon Recovery Fund LP, Polygon Convertible Opportunity Master Fund, Polygon European Equity Opportunity Master Fund and associated managed account, Polygon Mining Opportunity Master Fund, Polygon Distressed Opportunities Master Fund and Polygon Global Equities Master Fund, as calculated by the applicable fund administrator at 31 December 2013. Includes, where relevant, investments by Tetragon Financial Group Master Fund Limited.

(iv) Includes investment funds and advisory assets managed by GreenOak at 31 December 2013. TFG owns a 23% stake in GreenOak.

(v) TFG currently receives asset management fee income derived from a number of one-off and long-term fee sharing arrangements with third-parties.

INVESTMENT PORTFOLIO

INVESTMENT PORTFOLIO OVERVIEW

The assets and asset classes in TFG's portfolio are selected with the aim of achieving superior and sustainable returns. TFG chooses its managers, where applicable, and creates structures for its investments to further this goal. TFG also strives, where possible, to own some or all of the asset managers in order to generate fee income in addition to the asset level returns.

In order to help achieve sustainable returns, TFG looks to diversify its risks within the investment portfolio, taking into account the duration of each investment, correlations across strategies and asset classes, expected cash flows and other relevant factors.

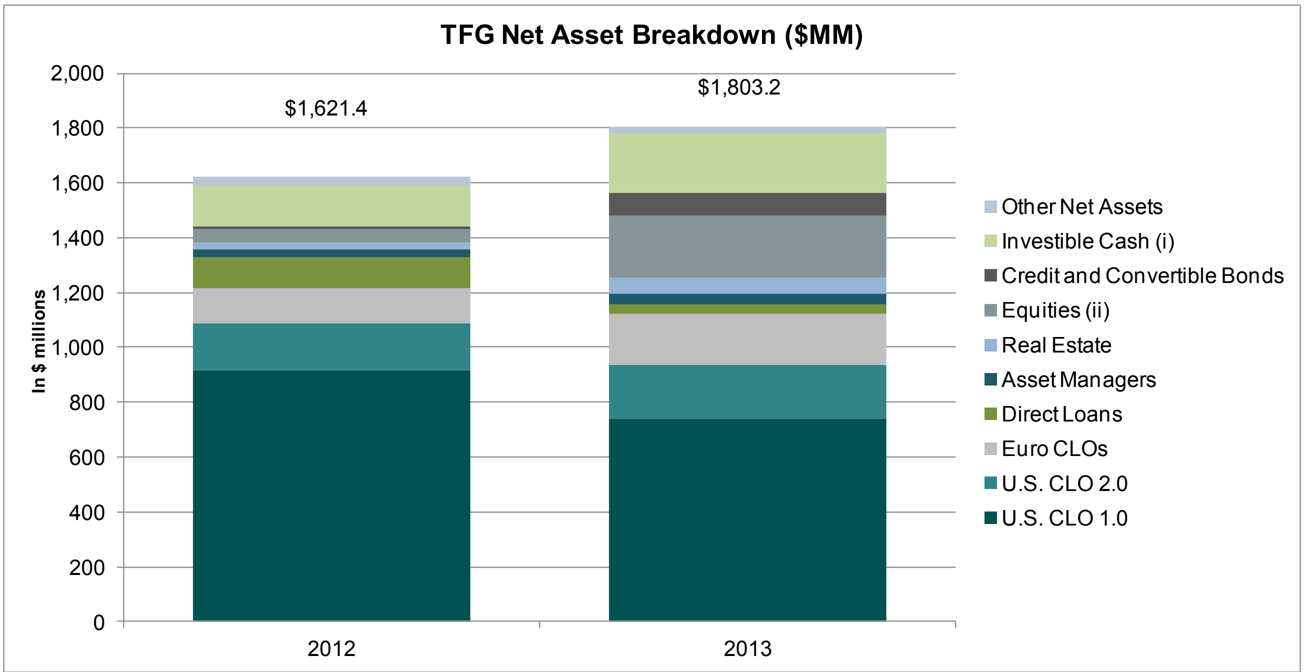
In 2013, TFG continued to expand the size and breadth of its investment portfolio by investing in U.S. corporate loans (accessed through the equity tranches of new issue U.S. CLOs managed by LCM and third-party managers), real estate (via GreenOak-managed vehicles), as well as credit, convertible bonds and equities (both directly and through investments in Polygon-managed hedge funds).

As of the end of 2013, U.S. corporate loans accessed through CLO equity were the largest asset class within TFG's investment portfolio, although the size of this segment declined year-on-year as a result of the continued amortisation of the U.S. CLO 1.0 portfolio and capital allocations into other asset classes. Overall, the U.S. and European CLO portfolios registered strong performance in 2013, with European CLOs benefitting from notable gains in credit quality and structural strength. TFG's real estate, equity, credit and convertible bond investments also performed well during the year, and the company expects to continue to add to TFG's exposure to these asset classes in the coming year.

PORTFOLIO COMPOSITION AND OUTLOOK

The following chart shows the composition of net assets by asset class at the end of 2013 and 2012.

Figure 8



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

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

INVESTMENT PORTFOLIO

TFG's net assets, which totalled $1,803.2 million at the end of 2013, consisted mainly of:

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

The following tables summarize certain performance metrics for various asset classes in TFG's investment portfolio.

Figure 9a

Asset Type	December 2013 Net Assets (in $MM)	LTM Performance
U.S. CLO 1.0(i)	$738.1	18.7%(ii)
U.S. CLO 2.0(i)	$198.1	11.3%(ii)
U.S. Direct Loans	$34.0	4.1%
European CLOs	$184.3	72.8%

(i) The asset class called "U.S. Pre-Crisis CLO" in previous reports is now termed "U.S. CLO 1.0" and refers to U.S. CLOs issued before or during 2008; similarly, "U.S. Post-Crisis CLO" is now called "U.S. CLO 2.0" and refers to U.S. CLOs issued after 2008. TFG owns $1.75 million notional in a CLO debt tranche. Such investment is excluded from these performance metrics.

(ii) For CLOs and direct loans, calculated as the total return. The total return is calculated as the sum of the aggregate ending period fair values and aggregate cash flows received during the year, divided by the aggregate beginning period fair values for all such investments. LTM performance for U.S. CLO 2.0 transactions is weighted by the beginning-of-period fair values or cost if the investment was made less than 12 months before the current quarter-end. U.S. CLO 2.0 equity investments, which were made during the year and therefore lack a full year of performance, are annualised. The LTM performance for European CLOs excludes the impact of any changes in the EUR-USD exchange rate on TFG's fair values and cash flows received for such investments.

Figure 9b

Asset Type	December 2013 Net Assets (in $MM)	LTM Return on Time-Weighted Average Capital Invested (ii)
Equities(i)	$221.7	23.8%
Credit and Convertible Bonds	$84.2	12.8%

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

(ii) Returns presented reflect the cumulative annualised performance for each asset type over the 12 months ending 31 December 2013 against the time-weighted average capital invested. Returns for directly-held equities are calculated on the basis of investment-to-date performance over the 12-month period and the time-weighted average required amount of margin posted with all relevant counterparties over the analysis period. Time-weighted average capital invested in each asset type is calculated for each investment through 31 December 2013, based on the actual number of days and assuming a 365-day year. TFG invests in Polygon-managed funds on a preferred fee-basis.

INVESTMENT PORTFOLIO

CORPORATE LOANS

TFG's exposure to the corporate loan asset class (whether held indirectly via CLO equity investments or directly) totalled $1,154.5 million at the end of Q4 2013 ($1,104.4 million at the end of Q3 2013) and remained diversified, with 72.1% in U.S. broadly-syndicated senior secured loans, 11.9% in U.S. middle-market senior secured loans and 16.0% in European senior secured loans.[10]

TFG's CLO equity investments, which comprise the majority of its exposure to corporate loan assets, represented indirect exposure to approximately $16.4 billion in par value of leveraged loans.

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

- U.S. CLO 1.0
- U.S. CLO 2.0
- European CLOs
- Direct U.S. Loans

U.S. CLO 1.0

As of the end of 2013, TFG held 52 U.S. CLO 1.0 equity investments and one investment in the debt tranche of a U.S. CLO 1.0 deal.[11] U.S. CLO 1.0 equity investments had total fair value of $738.1 million as of 31 December 2013, compared with $914.8 million at the end of 2012. As of the end of 2013, all U.S. CLO 1.0 holdings were passing their junior-most O/C tests.[12]

During 2013, the performance of the U.S. CLO 1.0 portfolio was characterised by a continuation of the key themes highlighted in earlier reports, namely: a benign credit environment; post-reinvestment period structural de-leveraging of an increasing share of the portfolio; excess interest margin pressure from declining loan spreads; and challenging reinvestment conditions given tighter weighted average life and maturity constraints, among other factors.

TFG's U.S. CLO 1.0 investments produced cash flows of $347.5 million in 2013, down from $415.6 million in 2012, reflecting the impact of the structural amortisation and excess interest margin compression trends noted above.

With defaults expected to remain low in the near-term, we believe that the wind-down path of TFG's U.S. CLO 1.0 transactions will remain an important driver of their future performance. In addition, we believe that the trading behaviour of TFG's CLO managers with respect to finding attractive reinvestment opportunities (if permitted) and managing the timing and liquidation value of all portfolio asset sales will become an increasingly important factor in U.S. CLO 1.0 returns. We believe that the historically low cost of U.S. CLO 1.0 liabilities may serve as a cushion against potential further declines in underlying asset spreads, allowing them to continue to generate cash flows for longer than other vintages. We expect to continue to evaluate the benefits of early optional redemptions and reinvestment opportunities against expected de-leveraging cash flows.

INVESTMENT PORTFOLIO

U.S. CLO 2.0

As of the end of 2013, TFG held 11 equity investments in U.S. CLO 2.0 deals with a total fair value of $198.1 million, up from $174.0 million in eight equity investments at the end of 2012. This increase in fair value was primarily the result of investments in the equity tranches of two third-party managed and two LCM-managed new issue CLOs (all majority positions with the exception of a minority investment in one LCM-managed CLO), totalling $69.5 million.

In addition, one U.S. CLO 2.0 was “called” pursuant to an optional redemption during Q3 2013, resulting in a net increase of three U.S. CLO 2.0 holdings at the end of 2013 vs. 2012.

TFG’s U.S. CLO 2.0 deals performed in line with expectations during 2013, benefitting from low credit losses but subject to the negative impact of continued loan spread tightening and rapid repayments within the U.S. institutional leveraged loan market. All U.S. CLO 2.0 investments in the portfolio remained in compliance with their O/C tests as of the end of 2013.(13) During 2013, TFG’s U.S. CLO 2.0 investments produced cash flows of $68.8 million, up from $19.9 million in 2012.

This increase in cash collections primarily reflects the seasoning of the portfolio, with more transactions reaching their first payment dates, as well as the one-time impact of the early redemption of a U.S. CLO 2.0 transaction in Q3 2013.

We expect that TFG’s U.S. CLO 2.0 investments will continue to remain sensitive to incremental loan spread tightening (given their relatively high cost of funds compared to U.S. CLO 1.0 investments) as well as to any acceleration in underlying loan defaults and credit losses. Whilst these transactions tend to be less exposed to the highly-leveraged, pre-crisis LBO transactions than earlier vintages, they remain at risk for a broad-based cyclical pick-up in leveraged loan defaults given their longer duration, lower level of excess spread cushion and shorter reinvestment periods as compared with U.S. CLO 1.0 deals. As a result of these factors, we expect that TFG’s early call or refinancing options are likely to be more valuable for this segment of the portfolio and will look to utilise these tools when appropriate in order to seek to optimise the return profile of TFG’s investments.

EUROPEAN CLOs

At the end of 2013, TFG held equity investments in 10 European CLOs with a total fair value of $184.3 million, up from $125.6 million as of the end of 2012. The increase in fair value was primarily driven by: (1) credit quality and overcollateralization test improvements of these transactions, which allowed for greater distributions to their equity tranches, which was reflected in certain changes in discount rate and modelling assumptions described later in this Annual Report; and (2) the purchase of a secondary add-on investment in the equity tranche of a European CLO.

TFG’s European CLO investments generated cash flows of €30.5 million in 2013, up from €18.7 million in 2012. This increase was due primarily to the aforementioned gains in CLO O/C coverage tests and credit quality. As of the end of 2013, 100% of TFG’s European CLO investments were passing their junior-most O/C tests, compared with 65% of all of such investments passing their junior-most O/C tests when weighted by fair value and 60% when weighted by number of deals as of the end of 2012.(14)

Despite the progress made to date, we continue to monitor TFG’s European CLOs closely and anticipate that their performance may remain volatile given their tight structural collateral quality test cushions and high obligor concentrations, among other factors.

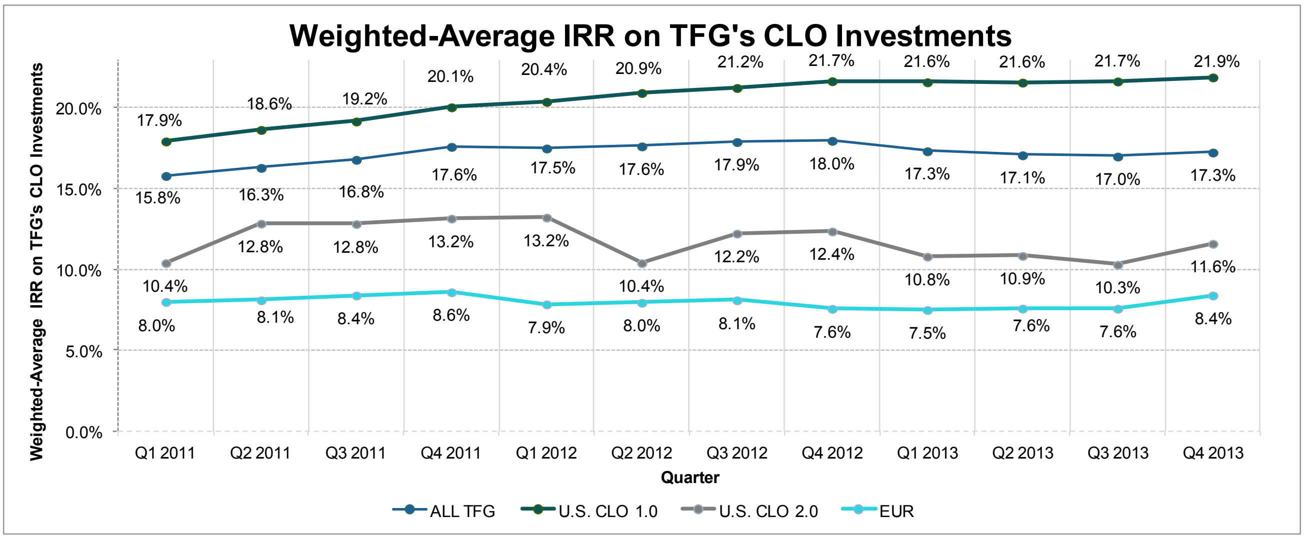
INVESTMENT PORTFOLIO

EUROPEAN CLOs (continued)

We are cautiously optimistic that European economies will continue to improve, albeit with unequal gains achieved across the various Euro-zone jurisdictions, and therefore remain constructive on our European CLOs. We believe that certain of our CLO managers are also encouraged by the prospect of continued macro-economic recovery in Europe and expect that this environment will be one in which fundamental credit-selection skills may add significant value to CLO performance.

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

Figure 10



DIRECT LOANS

As of the end of 2013, TFG held U.S. direct loan investments with a total fair value of $34.0 million ($33.9 million in par amount), down from $114.1 million in fair value ($114.3 million in par amount) at the end of 2012. As mentioned in earlier reports, TFG significantly reduced its directly-held loan exposure in early 2013, as we believed that the spread compression experienced by U.S. leveraged loans during the year reduced the relative attractiveness of their returns when held on an unleveraged basis.

During 2013, the direct loan portfolio generated $0.5 million of net realised and unrealised gains and earned $2.4 million of interest income and discount premium. The fundamental credit metrics of this portfolio remained stable during the year and there continued to be no defaults. We continue to find bank loans an attractive asset class, but currently prefer to own these assets on a leveraged basis through our CLO investments.

EQUITIES

As of the end of 2013, TFG held $221.7 million of investments (at fair value) in equities via Polygon-managed funds and directly-owned equity assets, up from $46.4 million at the end of 2012, reflecting additional investments made during the year as well as their performance.[15] These investments seek to capture the idiosyncratic risk surrounding specific corporate events and are structured to be broadly hedged to equity indices. As of 31 December 2013, TFG's equity investments were primarily focused on: European event-driven equity (a portfolio of liquid M&A transactions, mid-cap dislocation trades with potential re-rating catalysts and trades accessed via equity issues or other ECM events); and a long-short strategy focused on global mining companies where mispricings are sought through fundamental research.

INVESTMENT PORTFOLIO

EQUITIES (continued)

During 2013, TFG's investments in equities (including both fund and directly held investments) returned an annualised 23.8% to TFG on a time-weighted average capital basis.(16)

We continue to believe that TFG may benefit from owning equities directly, in addition to investing indirectly via Polygon-managed funds. Therefore, we expect that TFG will continue to look to allocate additional capital into appropriate direct equity investment opportunities.

CREDIT AND CONVERTIBLE BONDS

As of the end of 2013, TFG held $84.2 million of investments (at fair value) in Polygon-managed credit and convertible bond funds, up from $10.1 million at the end of 2012, reflecting investments made during the year and their performance.

The convertible bond fund primarily comprises convertible securities in Europe and North America, which aim to capitalize on a favourable competitive landscape and a differentiated approach to investing in the asset class. The resulting portfolio has had consistent, low volatility returns and low correlation to other funds and indices. TFG also made an initial investment into the new distressed opportunities strategy, which launched in September 2013.

During 2013, TFG's investments in credit and convertible bonds generated an annualised return on time-weighted average capital of 12.8%.(17)

REAL ESTATE

As of the end of 2013, TFG held $60.8 million of investments (at fair value) in GreenOak-managed real estate funds and vehicles, compared to $25.7 million at the end of 2012. Such investments include numerous commercial and residential properties across Japan, the United States and Europe.

During the year, TFG received distributions of approximately $11.5 million from various GreenOak-managed funds.

Though the pace of investment into real estate has been measured, we expect to continue to fund capital commitments into GreenOak projects throughout 2014.

FINANCING SOURCES, HEDGING ACTIVITY AND OTHER MATTERS

As of the end of 2013, TFG had no outstanding debt and the net cash on its balance sheet stood at $245.9 million, compared to $175.9 million at the end of 2012.

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

TFG ASSET MANAGEMENT

OVERVIEW

TFG Asset Management comprises the fee income-generating business segment of TFG: management and performance fees from internal and external asset managers.

All of TFG Asset Management's businesses (LCM, the GreenOak joint venture, and Polygon) performed well in 2013, with all raising AUM from new and existing clients. TFG continues its commitment to invest in and grow the asset management business as a key way to achieve the best returns on the company's investments.

UPDATE ON KEY METRICS IN 2013

- **Performance of the underlying strategies:** notwithstanding a challenging market environment for certain asset classes during the year, performance of the various strategies managed by TFG Asset Management's businesses was strong, with all of them ending the year with net positive returns.
- **Gross revenues:** composed primarily of management and performance fees from clients, totalled \$74.6 million in 2013, compared to \$36.9 million in 2012.
- **"EBITDA equivalent":** totalled \$27.5 million in 2013, compared to \$15.1 million in 2012 (as shown below).
- **AUM:** totalled \$9.2 billion at 31 December 2013, up from \$7.7 billion at the end of 2012.

Figure 11

TETRAGON FINANCIAL GROUP TFG Asset Management Statement of Operations 2012-2013		
	2013 \$MM	**2012(ii) \$MM**
Fee income(i)	74.3	36.7
Interest income	0.3	0.2
Total income	**74.6**	**36.9**
Operating, employee and administrative expenses (i)	(47.1)	(20.1)
Noncontrolling interest	-	(1.7)
Net income - "EBITDA equivalent"	**27.5**	**15.1**
Unrealised gain on asset management stake	6.2	2.4
Performance fee allocation to TFM	(6.7)	(2.3)
Amortisation expense on management contracts	(6.8)	(1.2)
Net economic income before taxes(iii)	**20.2**	**14.0**

(i) Nets off cost of recovery on "Other fee income" against this cost contained in "Operating, employee, and administrative expenses." Operating costs also removes amortisation from the U.S. GAAP segmental report. Fee income includes amounts earned through third-party fee sharing arrangements. It also includes any fees earned through fees paid on investments made by TFG in Polygon hedge funds or other investment vehicles. TFG is able to invest at a preferred level of fees.

(ii) The 2012 comparative has been restated in a comparable format to the current year, which includes recognizing unrealized gains on the investment in the GreenOak Manager in TFG Asset Management rather than in the investment portfolio segment.

(iii) For full year 2013 and 2012, net economic income before taxes is equivalent to U.S. GAAP income before taxes.

TFG ASSET MANAGEMENT

ASSET MANAGEMENT BUSINESSES

TFG Asset Management remains focused on certain key principles for its and its clients' investments, which we feel are worth reiterating:

- **Focus:** funds are generally dedicated to specific opportunities.
- **Liquidity:** Product liquidity is designed to match the liquidity of the underlying assets in each fund.
- **Capacity:** Capacity is carefully managed to seek to ensure that performance and liquidity are not compromised.
- **Performance:** Leading investment teams provide products that are very competitive and offer returns across various market cycles.
- **Transparency and client communication:** The managers work closely with clients to ensure that they understand each fund, its returns and risks.
- **Trust:** The goal is a strong alignment of interest between clients and investment managers.

AUM for LCM, GreenOak and Polygon are shown below at 31 December 2013.

Figure 12

Summary of TFG Asset Management AUM ($BN)		
Business	**31 December 2013**	**31 December 2012**
LCM	**$ 4.2**	**$ 4.3**
GreenOak (i)	**$ 3.6**	**$ 2.3**
Polygon (ii)	**$ 1.4**	**$ 1.1**
Total	**$ 9.2**	**$ 7.7**

(i) Includes funds and advisory assets managed by GreenOak Real Estate, LP.

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

On the following pages are some brief updates on each of TFG Asset Management's businesses.

TFG ASSET MANAGEMENT

LCM

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

LCM performed well in 2013, with all of LCM's Cash Flow CLOs[18] that were still within their reinvestment periods continuing to pay senior and subordinated management fees. During the year, LCM received incentive fees on certain CLOs totalling $3.7 million.

At 31 December 2013, LCM's total CLO loan assets under management stood at approximately $4.2 billion, with 11 CLOs under management.

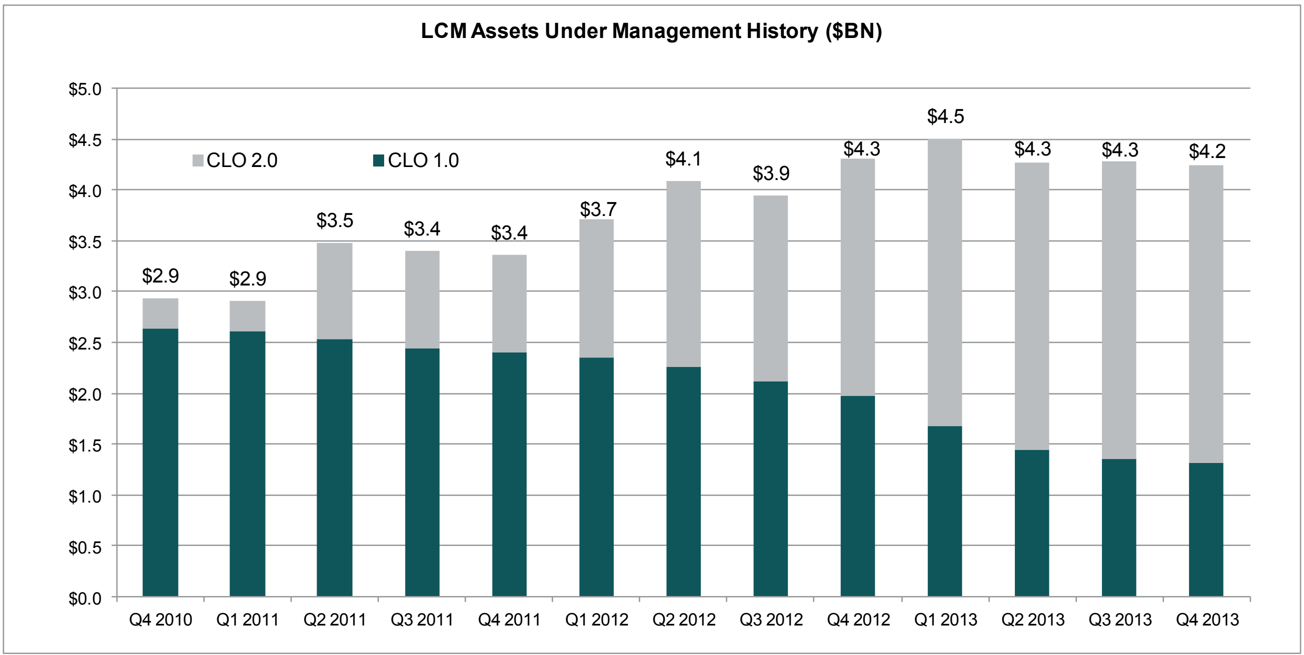
During the year, LCM issued the following new CLOs:

- LCM XIII, $519.0 million, 26 February 2013; and
- LCM XIV, $417.8 million, 11 July 2013

LCM VIII was called in mid-July 2013 and had total assets of approximately $300.0 million. LCM XV, a $600.0 million CLO, priced on 27 January 2014 and closed on 25 February 2014, bringing LCM's total number of CLOs under management to 12.

On occasion, LCM may manage loan assets held on the balance sheet of a third-party financial institution or other entity (a "CLO Warehouse") in anticipation of a potential issuance of an LCM-managed CLO. The financial institution, a third-party investor, or TFG may provide "first loss" capital for such a CLO Warehouse. As of year-end 2013, TFG did not maintain any such "first loss" position in a CLO Warehouse. We currently expect LCM to utilize warehouse arrangements in 2014 in connection with potential new LCM-managed CLOs.

Figure 13



TFG ASSET MANAGEMENT

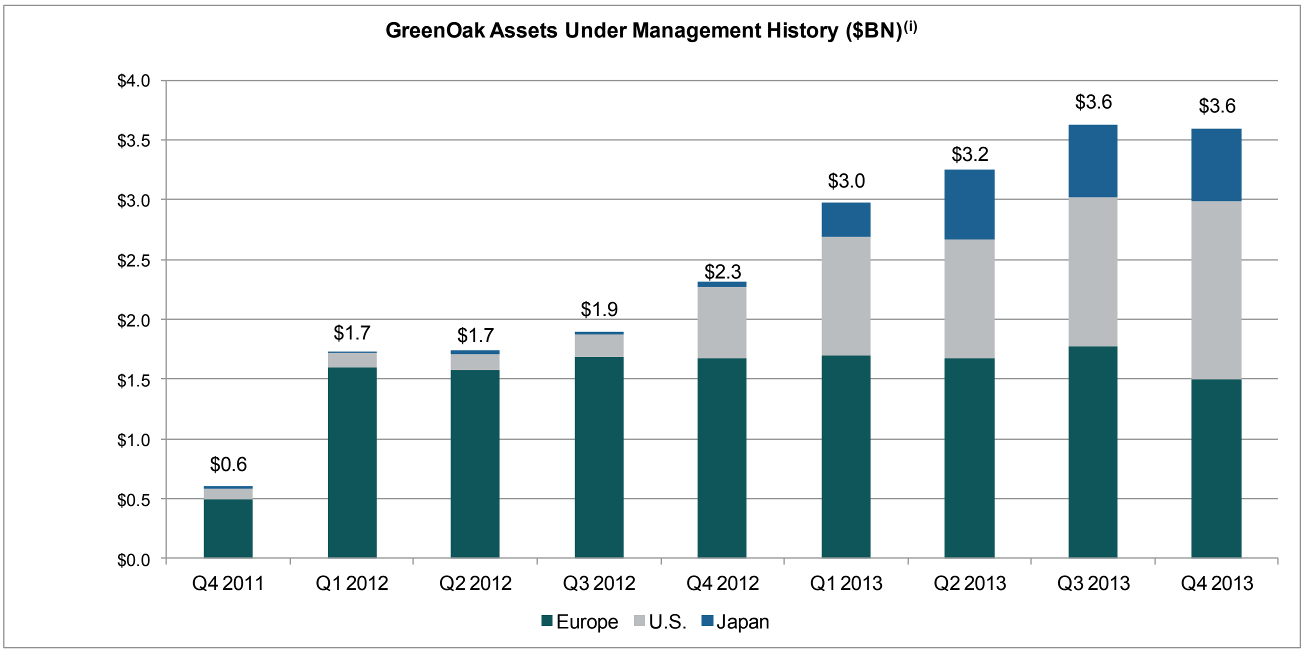
GREENOAK JOINT VENTURE

GreenOak is a real estate-focused principal investing and advisory firm established in 2010. The Principals and Founders are John Carrafiell, Sonny Kalsi and Fred Schmidt. At the end of 2013, assets under management totalled approximately $3.6 billion.

GreenOak continued to execute on its business growth strategy during 2013. Highlights for the year include:

- GreenOak completed the final closing for Japan Fund I on 26 July 2013, with total capital commitments of $260.0 million.
- Also in Japan, GreenOak invested and committed approximately $100.0 million of equity and has acquired 10 office buildings to date in addition to a CMBS loan position secured by an office building.
- In the United States, GreenOak has initiated the fundraising and investing for GreenOak U.S. Fund II. As of September 2013, the fund has closed a total of $251.0 million of capital commitments with a targeted $500.0 million total raise, and expects to continue its investment strategy from U.S. Fund I, which was fully invested as of August 2013.
- In Europe, GreenOak launched a U.K.-focused debt fund, which held a first closing in December 2013 with £130.0 million of capital commitments and a targeted £300.0 million total raise.

Figure 14



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

TFG ASSET MANAGEMENT

POLYGON

Total AUM for the Polygon funds was approximately $1.3 billion at 31 December 2013.

Figure 15

Summary of Polygon Funds Assets Under Management ($ MM)			
Fund	**31 Dec 2013**	**2013 Net Performance**	**Annualised Net LTD Performance**
European Event-Driven Equity(i)	**$ 397**	**21.5%**	**14.9%**
Convertibles(ii)	**$ 310**	**9.2%**	**20.7%**
Mining Equities(iii)	**$ 67**	**0.1%**	**2.6%**
Private Equity Vehicle(iv)	**$ 483**	**2.5%**	**6.6%**
Distressed Opportunities(v)	**$ 62**	**4.0%**	**12.6%**
Other Equity(vi)	**$ 18**	**28.8%**	**16.7%**
Polygon Funds' Total AUM(vii)	**$1,338**		

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

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

(iii) The fund began trading Class B1 shares, which carry no incentive fees, on June 1, 2012. Returns shown here through October 2013 have been *pro forma* adjusted to account for a 2.0% management fee, a 20% incentive fee, and non trading expenses capped at 1%, in each case, as set forth in the Offering Memorandum. Class A1 shares of the Fund were first issued on 1 November 2013. From November 2013, forward, the table reflects actual Class A1 share performance on the terms set forth in the Offering Memorandum. AUM figure is for the Polygon Mining Opportunity Master Fund as calculated by the applicable fund administrator.

(iv) The fund's inception was on 8 March 2011. Individual investor performance will vary based on their high water mark. Currently the majority of Class C share class investors have not reached their high water mark, so their performance is the same as their gross performance. AUM figure is for the Polygon Recovery Fund LP as calculated by the applicable fund administrator.

(v) The strategy's inception was on 1 September 2013. Returns shown are for Class A shares reflecting the terms set forth in the offering documents (2.0% management fee, 20% incentive fee and other items, in each case, as set forth in the offering documents). AUM figure is for the Polygon Distressed Opportunities Master Fund as calculated by the applicable fund administrator.

(vi) The fund began trading with Class B/B1 shares, which carry no incentive fees, on 12 September 2011. Returns shown here have been *pro forma* adjusted to account for a 2.0% management fee and a 20% incentive fee, in each case, as to be set forth in further definitive documents. AUM figure is for the Polygon Global Equities Master Fund as calculated by the applicable fund administrator.

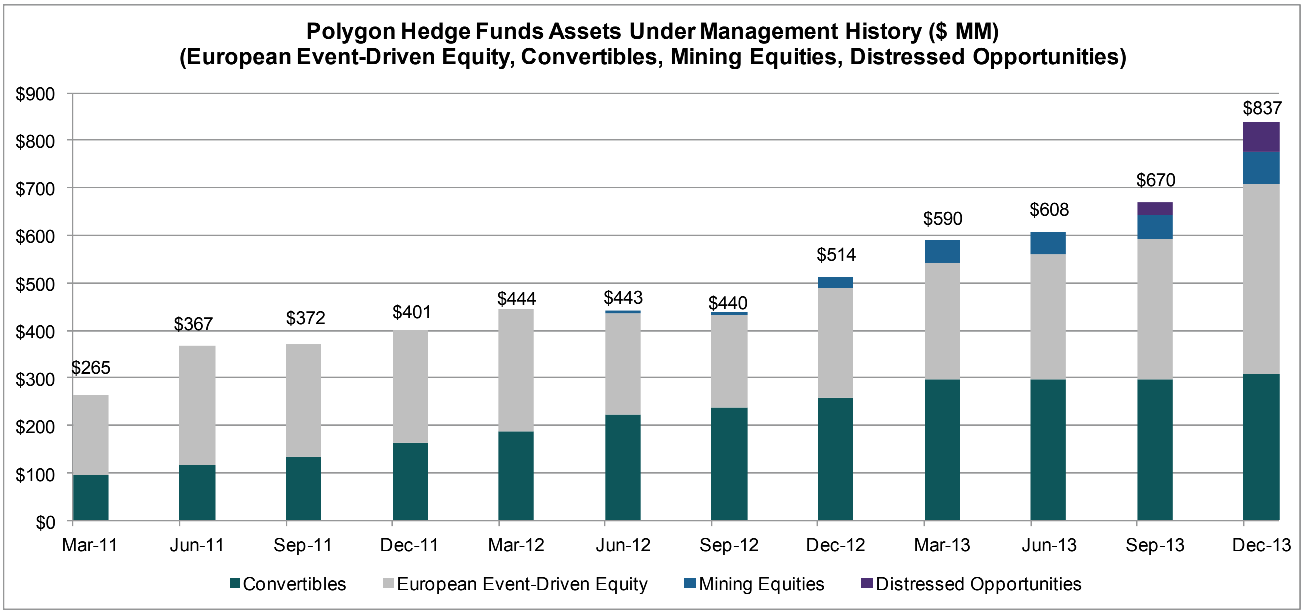
(vii) The AUM noted above includes investments in the relevant strategies by TFG, other than in respect of the Private Equity Vehicle, where there is no such investment. The Private Equity vehicle, at the time of the Polygon transaction and currently, remains a closed investment strategy.

Note: Past performance or experience (actual or simulated) does not necessarily give a guide for the future and no representation is being made that the funds listed will or are likely to achieve profits or losses similar to those shown.

TFG ASSET MANAGEMENT

POLYGON (continued)

Figure 16(i)



(i) All values are as calculated by the applicable fund administrators for value date 31 December 2013.

Convertibles: Polygon's convertible fund invests primarily in convertible securities in Europe and North America and is led by CIO Mike Humphries. During 2013, the portfolio continued to perform well with annualised performance since inception in May 2009 at 20.7% and net year-to-date performance through the end of 2013 at 9.2%. The fund won the 2013 EuroHedge Award in the Convertibles & Volatility Category.(19)

A number of events in European financials, and a strong issuance calendar throughout the year, helped the team to source interesting ideas. The portfolio managers believe the backdrop remains favourable, with continued positive flows into long-only convertible funds, and that the environment remains conducive to further new bond issuance.

Assets under management in this strategy were $310.2 million at 31 December 2013.

European Event-Driven Equities: This fund invests primarily in the major European equity markets, with an event-driven focus. Reade Griffith is the CIO. Net performance through 31 December 2013 was 21.5%; the fund's annualised performance from inception in July 2009 is 14.9%. The fund was nominated for a 2013 EuroHedge Award in the Event Driven & Distressed category.(20)

We believe that 2013 may be a turning point in sentiment towards European equities, with positive year-over-year inflows for the first time since 2006. The event-driven team believes that the trend has a long way to continue before getting back to pre-crisis levels. The strategy benefitted from opportunities arising from continued stabilisation of European economies and associated inflows into European equity markets. An increase in M&A activity has also been helpful for sourcing interesting trades.

Assets under management for the strategy were $397.4 million at 31 December 2013.

TFG ASSET MANAGEMENT

POLYGON (continued)

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

Despite an exceptionally difficult market environment for gold-related equities and junior miners throughout 2013, the strategy outperformed its benchmarks, posting a net return of 0.10% for 2013. This compares to the Market Vectors Junior Gold Index (GDXJ) which fell by over 60% during the year.(21) The portfolio is constructed to be long exploration and resource growth-oriented names and short producers of lower-quality gold deposits.

Assets under management for the strategy were $67.2 million at 31 December 2013.

Distressed Opportunities: This strategy is led by Olivier Blechner, and focuses on opportunities in companies undergoing, or about to undergo, balance sheet restructuring. The strategy was launched in September 2013. The team is currently building its portfolio and performance track record.

Assets under management for the strategy were $62.3 million at 31 December 2013 .

Other Equities: This strategy focuses on opportunities derived from equity capital markets ("ECM") activity such as IPOs. The fund returned 28.8% net performance in 2013, benefitting from an increase in the types of transactions in which the fund invests, with global ECM activity at its highest level since 2010, and global IPO volumes up 40% compared to 2012.(22)

Assets under management for the strategy were $17.7 million at 31 December 2013.

Private Equity: Polygon's portfolio of private and less-liquid public assets which are being sold down in a closed-ended investment vehicle had AUM of approximately $483.0 million at 31 December 2013. The fund has returned $355.0 million of cash to its partners since inception in March 2011, including $90.0 million in 2013. Performance for the year was 2.5%. TFG has not invested directly in this product; however, it is the beneficiary of certain contracted management fee income.

THIRD-PARTY FEE INCOME

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

2013 FINANCIAL REVIEW

FINANCIAL REVIEW

In this section we present consolidated financial data incorporating TFG and its 100% subsidiary, Tetragon Financial Group Master Fund Limited (the "Master Fund"), and provide comparative data for 2012 and 2011.

FINANCIAL HIGHLIGHTS

Figure 17

TETRAGON FINANCIAL GROUP Financial Highlights 2011-2013			
	2013	2012	2011
U.S. GAAP net income ($MM)	$224.3	$357.2	$410.4
Net economic income ($MM)	$247.4	$306.2	$410.4
U.S. GAAP EPS	$2.29	$3.15	$3.46
Adjusted EPS	$2.52	$2.70	$3.46
Return on equity	15.3%	20.8%	36.1%
Net assets ($MM)	$1,803.2	$1,621.4	$1,474.4
U.S. GAAP number of shares outstanding (MM)	98.9	98.8	116.0
U.S. GAAP NAV per share	$18.23	$16.41	$12.71
Pro Forma number of shares outstanding (MM)	110.2	110.6	116.0
Pro Forma fully diluted NAV per share	$16.36	$14.65	$12.71
DPS	$0.565	$0.470	$0.395

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

- **Return on Equity (15.3%):** Net Economic Income ($247.4 million) divided by Net Assets at the start of the year ($1,621.4 million).
- **Net Economic Income (+$247.4 million):** adds back to the U.S. GAAP net income (+$224.3 million) the imputed 2013 share based employee compensation (+$23.1 million), which is generated on an ongoing basis resulting from the Polygon transaction.
- **Pro Forma Fully Diluted Shares (110.2 million):** adjusts the U.S. GAAP shares outstanding (98.9 million) for the impact of escrow shares used as consideration in the Polygon transaction and associated stock dividends (the "**Escrow Shares**") (+11.3 million) and for the potential impact of options issued to TFG's investment manager at the time of TFG's IPO (0.0 million).
- **Adjusted EPS ($2.52):** calculated as Net Economic Income ($247.4 million) divided by weighted-average U.S. GAAP shares outstanding (98.0 million).
- **Pro Forma Fully Diluted NAV per Share ($16.36):** calculated as Net Assets ($1,803.2 million) divided by Pro Forma Fully Diluted shares (110.2 million).[23]

FINANCIAL TABLES

STATEMENT OF OPERATIONS

Figure 18

TETRAGON FINANCIAL GROUP Annual Statement of Operations 2011-2013			
	2013 $MM	2012 $MM	2011 $MM
Interest income	204.8	235.6	209.1
Fee income	74.3	36.7	23.1
Other income - cost recovery	21.1	6.8	-
Dividend income	0.1	-	-
Investment income	**300.3**	**279.1**	**232.2**
Management and performance fees	(90.0)	(109.8)	(144.0)
Other operating and administrative expenses	(84.8)	(42.6)	(26.4)
Total operating expenses	**(174.8)**	**(152.4)**	**(170.4)**
Net investment income	**125.5**	**126.7**	**61.8**
Net change in unrealised appreciation in investments	105.1	186.3	358.6
Realised gain on investments	16.0	5.3	0.9
Realised and unrealised gains/(losses) from hedging and fx	9.6	(6.8)	(5.1)
Net realised and unrealised gains from investments and fx	**130.7**	**184.8**	**354.4**
Net economic income before tax and noncontrolling interest	**256.2**	**311.5**	**416.2**
Income tax	(8.8)	(3.6)	(3.8)
Noncontrolling interest	-	(1.7)	(2.0)
Net economic income	**247.4**	**306.2**	**410.4**

Performance Fee

A performance fee of $32.9 million was accrued in Q4 2013 in accordance with TFG's investment management agreement. Year to date, the Investment Manager has earned performance fees of $64.9 million. The hurdle rate for the Q1 2014 incentive fee has been reset at 2.890708% (Q4 2013: 2.893708%) as per the process outlined in TFG's 2013 audited financial statements and in accordance with TFG's investment management agreement. Please see TFG's website, www.tetragoninv.com, and the 2013 TFG audited financial statements for more details on the calculation of this fee.

FINANCIAL TABLES

STATEMENT OF OPERATIONS BY BUSINESS SEGMENT

Figure 19

TETRAGON FINANCIAL GROUP Statement of Operations by Segment 2013			
	Investment Portfolio $MM	TFG AM $MM	Total $MM
Interest income	204.5	0.3	204.8
Fee income	-	74.3	74.3
Other income - cost recovery	-	21.1	21.1
Dividend income	0.1	-	0.1
Investment and management fee income	**204.6**	**95.7**	**300.3**
Management and performance fees	(83.3)	(6.7)	(90.0)
Other operating and administrative expenses	(9.8)	(75.0)	(84.8)
Total operating expenses	**(93.1)**	**(81.7)**	**(174.8)**
Net change in unrealised appreciation in investments	98.9	6.2	105.1
Realised gain on investments	16.0	-	16.0
Realised and unrealised gains from hedging and fx	9.6	-	9.6
Net realised and unrealised gains from investments and fx	**124.5**	**6.2**	**130.7**
Net economic income before tax	**236.0**	**20.2**	**256.2**

FINANCIAL TABLES

BALANCE SHEET

Figure 20

TETRAGON FINANCIAL GROUP Balance Sheet as at 31 December 2013 and 31 December 2012		
	2013 **$MM**	**2012** **$MM**
Assets		
Investments, at fair value	1,533.0	1,440.4
Management contracts	36.5	43.4
Cash and cash equivalents	245.9	175.9
Amounts due from brokers	42.0	13.1
Derivative financial assets	15.2	7.6
Property, plant and equipment	0.3	-
Deferred tax asset and income tax receivable	8.3	-
Other receivables	26.5	15.8
Total assets	**1,907.7**	**1,696.2**
Liabilities		
Other payables and accrued expenses	79.8	61.7
Amounts payable on share options	10.7	6.6
Deferred tax liability and income tax payable	10.7	4.3
Derivative financial liabilities	3.3	2.2
Total liabilities	**104.5**	**74.8**
Net assets	**1,803.2**	**1,621.4**

FINANCIAL TABLES

STATEMENT OF CASH FLOWS

Figure 21

TETRAGON FINANCIAL GROUP Statement of Cash Flows Through 2011-2013			
	2013 $MM	2012 $MM	2011 $MM
Operating Activities			
Operating cash flows after incentive fees and before movements in working capital	375.6	368.2	251.3
Purchase of fixed assets	(0.4)	-	-
Change in payables / receivables	2.7	13.0	2.6
Cash flows from operating activities	**377.9**	**381.2**	**253.9**
Investment Activities			
Proceeds on sales of investments			
- Net proceeds from swap resets	5.5	-	-
- Proceeds sale of bank loans and maturity and prepayment of investments	102.6	84.6	122.3
- Proceeds on realisation of real estate investments	11.5	2.3	-
- Proceeds sale of derivatives - swaptions	2.6	2.0	-
- Proceeds sale of CLOs	-	0.2	-
Purchase of investments			
- Purchase of CLOs	(73.1)	(113.2)	(63.0)
- Purchase of bank loans	(22.4)	(90.1)	(131.8)
- Purchase of real estate investments	(43.5)	(23.5)	(2.4)
- Purchase of interest rate swaptions	-	(8.3)	(17.8)
- Investments in asset managers	(0.5)	(2.7)	(2.4)
- Investments in equities	(125.9)	(45.0)	-
- Investments in credit and convertible bonds	(70.0)	(10.0)	-
Cash flows from operating and investing activities	**164.7**	**177.5**	**158.8**
Amounts due from broker	(28.9)	2.7	(11.6)
Net purchase of shares	(11.7)	(164.1)	(28.0)
Dividends paid to shareholders	(53.9)	(50.3)	(45.1)
Distributions paid to noncontrolling interest	-	(1.8)	(3.2)
Cash flows from financing activities	**(94.5)**	**(213.5)**	**(87.9)**
Net increase in cash and cash equivalents	70.2	(36.0)	70.9
Cash and cash equivalents at beginning of period	175.9	211.5	140.6
Effect of exchange rate fluctuations on cash and cash equivalents	(0.2)	0.4	-
Cash and cash equivalents at end of period	**245.9**	**175.9**	**211.5**

FINANCIAL TABLES

NET ECONOMIC INCOME TO U.S. GAAP RECONCILIATION

Figure 22

Net Economic Income to U.S. GAAP Reconciliation	
	31 Dec 2013 $MM
Net economic income	**247.4**
Share based employee compensation	-23.1
U.S. GAAP net income	**224.3**

TFG is primarily reporting earnings through a non-GAAP measurement called Net Economic Income.

The reconciliation on the table above shows the adjustment required to get from this measure of earnings to U.S. GAAP net income.

For the year ended 31 December 2013, the only adjusting line item is share-based employee compensation of $23.1 million.

Under ASC 805, TFG is recognizing the value of the shares given in consideration for the Polygon Transaction as employee compensation over the period in which they are vesting. This mechanic and future vesting schedule are described in more detail in the Master Fund audited financial statements for the year ended 31 December 2013.

APPENDICES

APPENDICES

APPENDIX I

DIRECTORS' STATEMENTS

The Directors of TFG confirm that (i) this Annual Report constitutes the TFG management review for the year ended 31 December 2013 and contains a fair review of that period and (ii) the 2013 audited financial statements accompanying this Annual Report for TFG have been prepared in accordance with applicable laws and in conformity with U.S. generally accepted accounting principles.

APPENDICES

APPENDIX II

FAIR VALUE DETERMINATION OF TFG'S CLO EQUITY INVESTMENTS

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

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

Forward-looking CLO Equity Cash Flow Modelling Assumptions Recalibrated at the end of 2013

The Investment Manager reviews and, when appropriate, adjusts in consultation with TFG's audit committee the CLO equity investment portfolio's modelling assumptions as described above. At the end of 2013, certain key assumptions relating to defaults were recalibrated. Those relating to recoveries, prepayments and reinvestment prices were unchanged from the previous quarter.

U.S. CLOs – Default Assumptions Recalibrated

For the U.S. deals, near-term default assumptions were unchanged but medium-term default multiples were reduced to base case to reflect, among other things, the effective resolution of the so-called "maturity wall" issue as well as the perceived return to a more normalised credit cycle after the financial crisis. These changes, which are detailed in the table below, result in base case default assumptions being applied for all future periods. This had a positive impact on the undiscounted future projected cash flows of the U.S. deals.

Figure 23

U.S. CLOs

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

APPENDICES

APPENDIX II (continued)

European CLOs – Default Assumptions Recalibrated

For the European deals, elevated default multiples were previously maintained in the near and medium term. In light of some positive developments, such as more optimistic default projections by rating agencies and the perception of progress towards a more normalised credit cycle in Europe, the medium term multiple was reduced to base case and the very near term multiple to 1.25x base case. This had a positive impact on the undiscounted future projected cash flows of the European deals.

Figure 24

European CLOs

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

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

The reinvestment price, assumptions about reinvestment spread and reinvestment life are also input into the model to generate an effective spread over LIBOR. Newer-vintage CLOs may have a higher weighted-average reinvestment spread over LIBOR or shorter reinvestment life assumptions than older deals. Across the entire CLO portfolio, the reinvestment price assumption of 100% for U.S. deals and European deals with their respective assumed weighted-average reinvestment spreads, generates an effective spread over LIBOR of approximately 289 bps on broadly syndicated U.S. loans, 272 bps on European loans, and 328 bps on middle market loans.

APPENDICES

APPENDIX II (continued)

Application of Discount Rate to Projected CLO Equity Cash Flows

U.S. CLO 1.0 Equity – discount rates reduced from 15% to 13%

In determining the applicable rates to use to discount projected cash flows, an analysis of observable risk premium data is undertaken. As had been noted over a number of prior quarters, observable risk premia such as BB and BBB CLO tranche spreads have been reducing with BB spreads on U.S. deals, for example, edging down to 5.3% in December 2013.(24)

Since the end of Q1 2013, BB and BBB spreads on U.S. deals have both reduced by approximately 1.0%(25) and have exhibited a relatively low level of volatility at these lower levels. Accordingly, TFG's discount rates on U.S. CLO 1.0 equity deals have been reduced to 13% from 15%, also reflecting compression of equity discount rates over mezzanine tranches as well as other observable factors. The future movement of mezzanine tranche spreads as well as the likely range of spreads of equity discount rates over such spreads, among other factors, will continue to be monitored in coming quarters.

European CLO Equity – discount rates reduced from 20% to 17%

European BB-rated tranche yields have also continued to follow a downward trajectory, reaching approximately 7.5% in December 2013.(26) This is now just over 2% higher than the U.S. equivalent (see above), and notwithstanding the potential higher risks connected with the ongoing Eurozone issues, is reflective of certain other observable data (such as improving deal performance) and anecdotal evidence pointing to a reduction in the differential between discount rates in the two geographies. Consequently, the discount rate applied to European deal projected cash flows has been reduced to 17% from 20%. As a result, the differential between the discount rates used on U.S. pre-crisis deals and European deals has fallen from 4% to 3%. The observable range of European risk premia over the U.S. equivalent, among other factors, will continue to be monitored in coming quarters.

Historically, we have characterized the difference arising where fair value is lower than the amortised cost for the portfolio, which can occur when the discount rates used to discount future cash flows when determining fair value are higher than the modelled IRRs, as the "ALR Fair Value Adjustment" or "ALR". For European deals at the end of Q4 2013, the ALR stood at $38.9 million, compared to $51.0 million at the end of Q3 2013. As explained in prior releases, the ALR is now zero for U.S. deals.

U.S. CLO 2.0 Equity – discounted using deal IRR

The applicable discount rate for newer vintage deals is determined with reference to each deal's specific IRR, which, in the absence of other observable data points, is deemed to be the most appropriate indication of the current risk premium on these structures. At the end of Q4 2013, the weighted-average discount rate (and IRR) on these deals was 11.6%. Such deals represented approximately 17.7% of the CLO equity portfolio by fair value (up from 16.9% at the end of Q3 2013). We will continue to monitor observable data on these newer vintage transactions to determine whether the IRR remains the appropriate discount rate.

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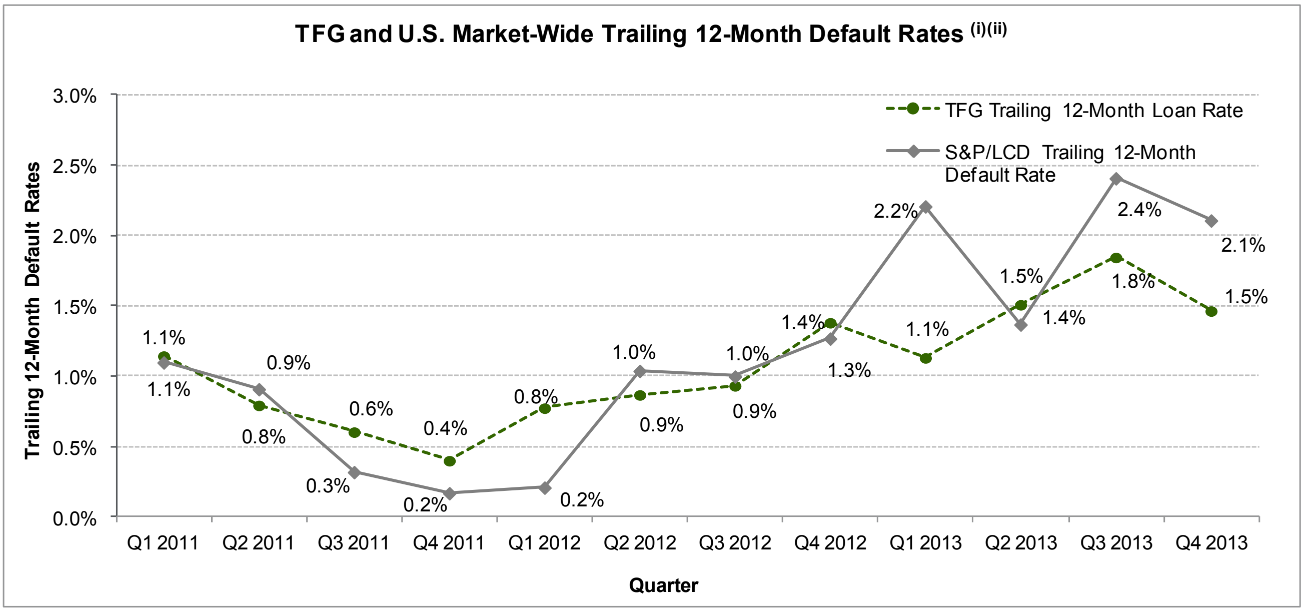
APPENDIX III

CLO MARKET COMMENTARY

- **U.S. leveraged loan defaults pick-up vs. 2012 but decline in Europe:** The U.S. lagged 12-month loan default rate stood at 2.11% by principal amount at the end of Q4 2013, down from 2.41% in Q3 2013, but up from 1.27% at the end of 2012.(27) In Europe, the lagged 12-month default rate for the S&P European Leveraged Loan Index ("ELLI") ended 2013 at 2.9% by principal amount,(28) down substantially from 6.6% at the end of 2012 and the lowest level since June 2011.(29)

  TFG's lagging 12-month loan default rate decreased to 1.5% at the end of Q4 2013, down from 18% at the end of Q3 2013, but up slightly from 1.4% at the end of 2012.(30) The graph below summarizes the three-year history of TFG and U.S. market-wide loan default rates.

Figure 25



(i) The calculation of TFG's lagging 12-month corporate loan default rate does not include certain underlying investment collateral that was assigned a "Selective Default" rating by one or more of the applicable rating agencies. Such Selected Defaults are included the S&P/LCD lagging 12-month U.S. institutional loan default rate discussed above. Furthermore, TFG's CLO equity and direct loan investment portfolio includes approximately 16.0% CLOs with primary exposure to European senior secured loans and such loans are included in the calculation of TFG's corporate default rate.

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

- **U.S. and European primary loan issuance volumes surge in 2013:** Institutional U.S. loan issuance reached a record of $455.0 billion in 2013, up from $295.0 billion in 2012, and exceeding the previous high of $387.0 billion in 2007, fuelled by strong investor demand from both institutional and retail investors.(31) New issue volume was dominated by opportunistic refinancing and recapitalization activity, with M&A-driven or LBO financings representing a smaller share of new issue volumes.(32) European leveraged loan issuance also rose in 2013, reaching a five-year high of €67.4 billion in 2013, up 136.0% from 2012.(33) European M&A-related loan issuance totalled €27.5 billion in 2013, up 81.0% from 2012.(34)

APPENDIX III (continued)

- **U.S. loan refinancing activity reaches new highs:** U.S. institutional leveraged loan issuers executed $212.6 billion of refinancings in 2013, up from $133.4 billion in 2012.[35] In addition, issuers re-priced $280.0 billion of institutional loans in 2013 (approximately 42.0% of the universe) by 115 bps on average, a significant increase from the prior record of $140.2 billion of re-pricings executed in 2007.[36]

- **"Maturity wall" erosion continues:** During 2013, U.S. and European leveraged loan borrowers continued to address near-term maturities. In the U.S., the amount of S&P/LSTA Leveraged Loan Index loans maturing prior to 2016 declined to $17.1 billion or 2.6% of the Index as of the end of 2013, down from $67.0 billion or 12.5% at the end of 2012.[37] European borrowers also took advantage of strong market conditions to reduce their maturities primarily via repayments and high yield take-outs, with the share of S&P European Leveraged Loan Index ("ELLI") institutional loans maturing in 2015 declining by approximately 67.0% to €12.0 billion and those due through the end of 2016 falling by 56.0% to €28.0 billion.[38]

- **U.S. and European loan repayments pick-up:** The U.S. S&P/LSTA Leveraged Loan Index repayment rate rose to 9.1% in Q4 2013, up from 4.5% in Q3 2013 and bringing the 2013 total to approximately 45.0%, up from 38.0% in 2012.[39] Repayments within the S&P European Leveraged Loan Index ("ELLI") rose to 29.0% during 2013, up from approximately 15.0% in 2012.[40]

- **2013 loan returns positive in both the U.S. and Europe:** The U.S. S&P/LSTA Leveraged Loan Index returned 5.29% during 2013, with the market-value component representing 0.33% of the total return and majority of performance reflecting coupon income.[41] Total returns on the S&P European Leveraged Loan Index ("ELLI") stood at 9.09% in 2013 (excluding currency effects), outperforming the U.S. market and reflecting strong European loan market conditions.[42]

- **U.S. and European junior O/C ratios improve year-over-year:** During 2013, median junior O/C ratios of both U.S. and European CLOs improved from their 2012 year-end levels. According to Morgan Stanley, the median junior O/C test cushion for U.S. CLOs was 5.10% at the end of 2013[43] vs. 4.63% at the end of 2012.[44] The median junior O/C test cushion for European CLOs rose to 0.84% at the end of 2013[45] up from 0.26% at the end of 2012.[46]

- **Global arbitrage CLO issuance reaches post-crisis high:** U.S. arbitrage cash flow CLO issuance rose to $81.8 billion in 2013, up from $54.3 billion in 2012.[47] The European arbitrage cash flow CLO market also re-opened following a multi-year post-crisis hiatus, with new issue volumes totalling $9.6 billion in 2013, up from a base of $0.0 in 2012.[48] Market participants anticipate that 2014 U.S. arbitrage cash flow CLO issuance will fall in the $65-$75 billion range while European issuance will total €8-€10 billion, with challenging arbitrage conditions and continued regulatory uncertainty persisting as the key expected headwinds for these markets.[49]

- **Secondary CLO spreads tighten year-over-year:** Average generic secondary CLO 1.0 spreads tightened during 2013 vs. 2012 for both U.S. and European CLOs, with the greatest appreciation occurring in Europe and within mezzanine tranches.[50] Debt spreads of U.S. CLO 2.0 structures tightened vs. the beginning of the year, with the notable exception of senior, AAA-rated liabilities which widened by approximately 10 bps during 2013, ending the year at an average of approximately 150 bps.[51]

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APPENDIX IV

ADDITIONAL CLO PORTFOLIO STATISTICS

- **CLO Portfolio Credit Quality:** The weighted-average WARF across all of TFG's CLO equity investments stood at approximately 2,542 as of the end of 2013. Each of these foregoing statistics represents a weighted-average summary (weighted by initial cost) of all of our deals. Each individual deal's metrics will differ from these averages and vary across the portfolio.

Figure 26

ALL CLOs	Q4 2013	Q3 2013	Q2 2013	Q1 2013	Q4 2012	Q3 2012	Q2 2012	Q1 2012	Q4 2011	Q3 2011	Q2 2011	Q1 2011
Caa1/CCC+ or Below Obligors:	5.4%	4.9%	5.0%	5.1%	6.0%	6.4%	5.7%	6.2%	7.0%	7.0%	7.2%	7.6%
WARF:	2,542	2,553	2,568	2,541	2,599	2,605	2,578	2,588	2,624	2,614	2,642	2,664

U.S. CLOs	Q4 2013	Q3 2013	Q2 2013	Q1 2013	Q4 2012	Q3 2012	Q2 2012	Q1 2012	Q4 2011	Q3 2011	Q2 2011	Q1 2011
Caa1/CCC+ or Below Obligors:	3.8%	3.9%	4.1%	4.0%	4.5%	4.9%	4.2%	4.8%	5.5%	5.5%	5.8%	6.5%
WARF:	2,513	2,534	2,550	2,510	2,524	2,528	2,491	2,504	2,533	2,522	2,542	2,591

EUR CLOs	Q4 2013	Q3 2013	Q2 2013	Q1 2013	Q4 2012	Q3 2012	Q2 2012	Q1 2012	Q4 2011	Q3 2011	Q2 2011	Q1 2011
Caa1/CCC+ or Below Obligors:	11.8%	9.1%	8.7%	9.7%	11.7%	12.2%	11.6%	11.1%	12.3%	12.0%	12.3%	11.4%
WARF:	2,658	2,631	2,642	2,670	2,896	2,903	2,910	2,900	2,948	2,941	2,997	2,914

APPENDICES

APPENDIX IV (continued)

CLO EQUITY PORTFOLIO DETAILS
AS OF 31 DECEMBER 2013

Figure 27

Transaction(i)	Deal Type	Original Invest. Cost ($MM USD)(ii)	Deal Closing Date	Year of Maturity	End of Reinv Period	Wtd Avg Spread (bps)(iii)	Original Cost of Funds (bps)(iv)	Current Cost of Funds (bps)(v)	Current Jr-Most O/C Cushion(vi)	Jr-Most O/C Cushion at Close(vii)	Annualized (Loss) Gain of Cushion(viii)	IRR(ix)	ITD Cash Received as % of Cost(x)
Transaction 1	EUR CLO	37.5	2007	2024	2014	381	55	57	0.92%	3.86%	(0.45%)	1.4%	29.6%
Transaction 2	EUR CLO	29.7	2006	2023	2013	418	52	60	0.90%	3.60%	(0.38%)	10.5%	96.1%
Transaction 3	EUR CLO	22.2	2006	2022	2012	419	58	81	3.66%	5.14%	(0.19%)	12.4%	121.4%
Transaction 4	EUR CLO	33.0	2007	2023	2013	422	48	49	5.93%	5.76%	0.02%	15.9%	124.0%
Transaction 5	EUR CLO	36.9	2007	2022	2014	427	60	59	1.55%	5.74%	(0.65%)	10.6%	87.6%
Transaction 6	EUR CLO	33.3	2006	2022	2012	394	51	60	0.16%	4.70%	(0.59%)	5.8%	49.7%
Transaction 7	EUR CLO	38.5	2007	2023	2013	412	46	49	2.29%	3.64%	(0.20%)	6.6%	31.9%
Transaction 8	EUR CLO	26.9	2005	2021	2011	422	53	75	4.21%	4.98%	(0.09%)	9.3%	102.8%
Transaction 9	EUR CLO	41.3	2007	2023	2013	436	50	49	1.17%	6.27%	(0.76%)	7.6%	62.9%
Transaction 10	EUR CLO	27.0	2006	2022	2012	388	50	67	3.65%	4.54%	(0.12%)	4.2%	36.6%
Transaction 86	EUR CLO	3.6	2006	2022	2012	388	50	67	3.65%	3.11%	0.07%	22.6%	0.0%
EUR CLO Subtotal:		**329.9**				**412**	**52**	**59**	**2.31%**	**4.82%**	**(0.36%)**		**70.4%**
Transaction 11	US CLO	20.5	2006	2018	2012	305	45	52	7.97%	4.55%	0.47%	20.5%	182.0%
Transaction 12	US CLO	22.8	2006	2019	2013	338	46	54	8.95%	4.45%	0.63%	20.3%	179.9%
Transaction 13	US CLO	15.2	2006	2018	2012	330	47	50	5.29%	4.82%	0.06%	21.3%	196.9%
Transaction 14	US CLO	26.0	2007	2021	2014	344	49	50	2.88%	5.63%	(0.40%)	18.9%	175.7%
Transaction 15	US CLO	28.1	2007	2021	2014	419	52	48	3.60%	4.21%	(0.09%)	29.4%	222.7%
Transaction 16	US CLO	23.5	2006	2020	2013	393	46	46	3.56%	4.44%	(0.12%)	21.3%	196.1%
Transaction 17	US CLO	26.0	2007	2021	2014	334	40	40	4.60%	4.24%	0.05%	23.8%	189.4%
Transaction 18	US CLO	16.7	2005	2017	2011	304	45	54	11.36%	4.77%	0.81%	19.9%	192.3%
Transaction 19	US CLO	1.2	2005	2017	2011	304	45	54	11.36%	4.77%	0.81%	23.7%	186.6%
Transaction 20	US CLO	26.6	2006	2020	2012	410	52	70	5.89%	5.28%	0.08%	22.1%	195.2%
Transaction 21	US CLO	20.7	2006	2020	2012	397	53	73	6.18%	4.76%	0.19%	18.4%	174.4%
Transaction 22	US CLO	37.4	2007	2021	2014	416	53	53	2.71%	5.00%	(0.34%)	21.4%	175.9%
Transaction 23	US CLO	19.9	2007	2021	2013	321	66	100	6.26%	4.98%	0.19%	19.9%	173.6%
Transaction 24	US CLO	16.9	2006	2018	2012	415	46	50	5.73%	4.17%	0.21%	18.3%	166.2%
Transaction 25	US CLO	20.9	2006	2018	2013	403	46	49	7.52%	4.13%	0.48%	22.8%	188.2%
Transaction 26	US CLO	27.9	2007	2019	2013	427	43	49	2.13%	4.05%	(0.28%)	19.6%	170.0%
Transaction 27	US CLO	23.9	2007	2021	2014	548	51	51	10.90%	6.11%	0.69%	32.7%	241.1%
Transaction 28	US CLO	7.6	2007	2021	2014	548	51	51	10.90%	6.11%	0.69%	43.9%	168.3%
Transaction 29	US CLO	19.1	2005	2018	2011	370	66	287	37.13%	4.82%	3.93%	17.9%	172.1%
Transaction 30	US CLO	12.4	2006	2018	2012	432	67	108	5.94%	5.16%	0.10%	18.8%	169.9%
Transaction 31	US CLO	9.5	2005	2017	2012	309	52	94	9.10%	5.02%	0.48%	16.0%	187.5%
Transaction 32	US CLO	24.0	2007	2021	2014	315	59	59	4.11%	5.57%	(0.23%)	21.3%	173.7%
Transaction 33	US CLO	16.2	2006	2020	2012	364	56	133	8.45%	6.99%	0.19%	13.8%	157.1%
Transaction 34	US CLO	22.2	2006	2020	2012	361	50	64	5.96%	6.66%	(0.10%)	18.8%	180.6%
Transaction 35	US CLO	23.6	2006	2018	2012	455	52	147	14.85%	5.00%	1.31%	18.7%	173.6%
Transaction 36	US CLO	28.4	2007	2021	2013	413	46	63	3.01%	5.18%	(0.32%)	19.5%	163.6%
Transaction 37	US CLO	9.3	2005	2017	2011	289	50	163	25.25%	4.34%	2.53%	14.6%	165.1%
Transaction 38	US CLO	23.7	2007	2021	2013	327	42	45	5.36%	5.07%	0.04%	27.6%	216.4%
Transaction 39	US CLO	7.8	2005	2017	2011	441	70	466	83.46%	3.15%	9.80%	9.3%	89.9%
Transaction 40	US CLO	13.0	2006	2020	2011	372	39	56	N/A	N/A	N/A	21.2%	183.5%
Transaction 41	US CLO	22.5	2006	2020	2013	377	48	49	4.25%	4.71%	(0.06%)	22.2%	186.5%
Transaction 42	US CLO	22.4	2007	2021	2014	376	47	48	5.08%	3.92%	0.17%	22.3%	181.3%

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APPENDIX IV (continued)

CLO EQUITY PORTFOLIO DETAILS (CONTINUED)
AS OF 31 DECEMBER 2013

Figure 27 (continued)

Transaction(i)	Deal Type	Original Invest. Cost ($MM USD)(ii)	Deal Closing Date	Year of Maturity	End of Reinv Period	Wtd Avg Spread (bps)(iii)	Original Cost of Funds (bps)(iv)	Current Cost of Funds (bps)(v)	Current Jr-Most O/C Cushion(vi)	Jr-Most O/C Cushion at Close(vii)	Annualized (Loss) Gain of Cushion(viii)	IRR(ix)	ITD Cash Received as % of Cost(x)
Transaction 44	US CLO	22.3	2006	2018	2012	311	54	156	10.53%	4.16%	0.83%	9.4%	125.2%
Transaction 45	US CLO	23.0	2006	2018	2012	292	46	78	3.92%	4.46%	(0.08%)	8.1%	114.2%
Transaction 46	US CLO	21.3	2007	2019	2013	296	51	76	3.70%	4.33%	(0.10%)	7.2%	103.5%
Transaction 47	US CLO	28.3	2006	2021	2013	338	47	43	2.89%	4.34%	(0.20%)	22.0%	189.3%
Transaction 48	US CLO	23.0	2006	2019	2013	325	46	58	3.30%	5.71%	(0.34%)	15.2%	149.0%
Transaction 49	US CLO	12.6	2005	2017	2011	351	40	62	7.16%	3.94%	0.40%	11.6%	126.6%
Transaction 50	US CLO	12.3	2006	2018	2012	340	40	55	6.41%	4.25%	0.29%	12.8%	130.3%
Transaction 51	US CLO	18.0	2007	2020	2013	353	53	57	5.05%	4.47%	0.09%	21.4%	180.4%
Transaction 54	US CLO	0.5	2005	2017	2012	336	56	166	26.02%	3.69%	2.57%	54.7%	934.4%
Transaction 55	US CLO	0.3	2005	2017	2011	336	39	98	26.49%	3.59%	2.72%	58.2%	888.1%
Transaction 56	US CLO	23.0	2007	2019	2014	345	42	42	4.57%	4.53%	0.01%	22.8%	185.6%
Transaction 57	US CLO	0.6	2007	2019	2014	345	42	42	4.57%	4.53%	0.01%	48.7%	1046.4%
Transaction 58	US CLO	21.8	2007	2019	2014	350	49	49	3.57%	4.04%	(0.07%)	25.2%	194.5%
Transaction 59	US CLO	0.4	2007	2019	2014	350	49	49	3.57%	4.04%	(0.07%)	52.8%	1461.1%
Transaction 61	US CLO	29.1	2007	2021	2014	340	45	45	2.76%	4.04%	(0.19%)	17.7%	147.5%
Transaction 62	US CLO	25.3	2007	2020	2013	327	42	44	4.45%	5.20%	-0.11%	22.3%	192.0%
Transaction 63	US CLO	27.3	2007	2021	2013	367	53	55	2.38%	4.78%	(0.37%)	19.7%	172.5%
Transaction 64	US CLO	15.4	2007	2021	2013	400	38	45	N/A	N/A	N/A	23.0%	188.6%
Transaction 65	US CLO	26.9	2006	2021	2013	377	47	59	5.30%	4.96%	0.05%	14.8%	138.0%
Transaction 66	US CLO	21.3	2006	2020	2013	309	49	49	3.45%	4.05%	(0.08%)	22.6%	195.2%
Transaction 67	US CLO	27.3	2007	2022	2014	331	46	45	4.19%	4.38%	(0.03%)	21.0%	175.3%
Transaction 68	US CLO	19.3	2006	2020	2013	356	48	48	5.89%	4.41%	0.21%	27.6%	234.4%
Transaction 69	US CLO	28.2	2007	2019	2013	351	44	45	7.24%	5.61%	0.24%	26.7%	219.9%
Transaction 70	US CLO	24.6	2006	2020	2013	294	52	53	4.99%	6.21%	(0.17%)	19.3%	170.5%
Transaction 71	US CLO	1.7	2006	2018	2012	340	40	55	6.41%	4.25%	0.29%	24.2%	97.1%
Transaction 72	US CLO	4.8	2007	2019	2014	345	42	42	4.57%	4.53%	0.01%	20.5%	87.6%
Transaction 73	US CLO	1.9	2007	2019	2014	345	42	42	4.57%	4.53%	0.01%	20.5%	87.6%
Transaction 74	US CLO	5.5	2007	2019	2014	350	49	49	3.57%	4.04%	(0.07%)	23.0%	92.7%
Transaction 75	US CLO	32.7	2011	2022	2014	388	168	168	4.55%	4.05%	0.20%	12.1%	52.7%
Transaction 76	US CLO	1.9	2006	2018	2012	292	46	78	3.92%	2.43%	0.21%	31.9%	107.4%
Transaction 77	US CLO	14.5	2011	2023	2016	399	212	213	5.71%	5.04%	0.33%	13.4%	34.8%
Transaction 78	US CLO	22.9	2012	2023	2015	492	217	217	5.62%	4.00%	0.83%	16.1%	49.4%
Transaction 79	US CLO	19.4	2012	2022	2015	402	215	215	4.20%	4.00%	0.11%	7.3%	34.3%
Transaction 80	US CLO	22.7	2012	2022	2016	405	185	185	4.21%	4.17%	0.02%	11.2%	32.5%
Transaction 81	US CLO	21.7	2012	2024	2016	449	216	217	4.68%	4.00%	0.53%	8.8%	22.0%
Transaction 82	US CLO	25.4	2012	2022	2016	409	206	207	4.13%	4.00%	0.11%	8.4%	21.7%
Transaction 83	US CLO	20.8	2013	2025	2017	480	193	193	6.35%	6.17%	0.21%	13.5%	13.2%
Transaction 84	US CLO	24.6	2013	2023	2017	404	183	184	4.12%	4.02%	0.13%	16.0%	22.9%
Transaction 85	US CLO	1.0	2013	2025	2017	400	170	170	5.08%	5.01%	0.15%	8.5%	6.0%
Transaction 87	US CLO	23.0	2013	2026	2018	362	199	199	4.00%	4.00%	(0.01%)	10.0%	0.0%
US CLO Subtotal:		**1,332.3**				**373**	**74**	**90**	**6.23%**	**4.56%**	**0.51%**		**151.9%**
Total CLO Portfolio:		**1,662.2**				**381**	**70**	**84**	**5.45%**	**4.61%**	**0.34%**		**135.7%**

Notes

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

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

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

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

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

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

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

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

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

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

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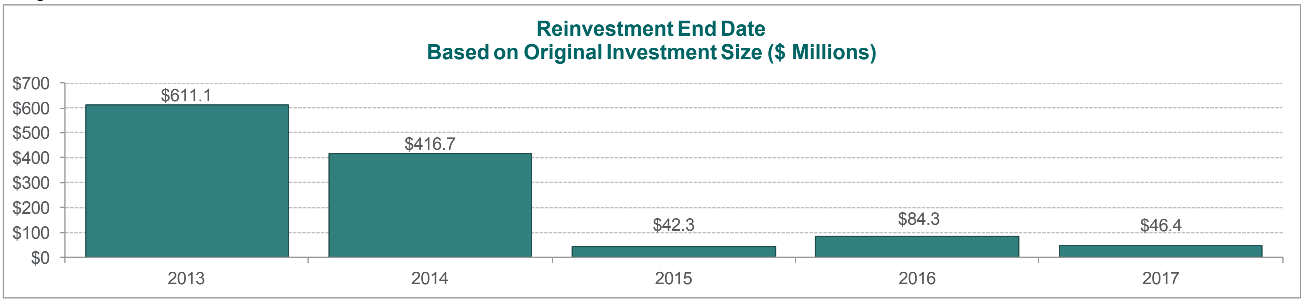
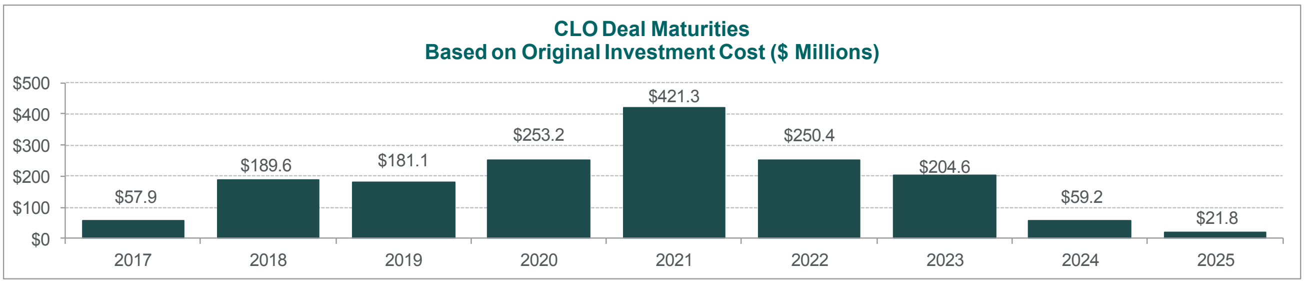
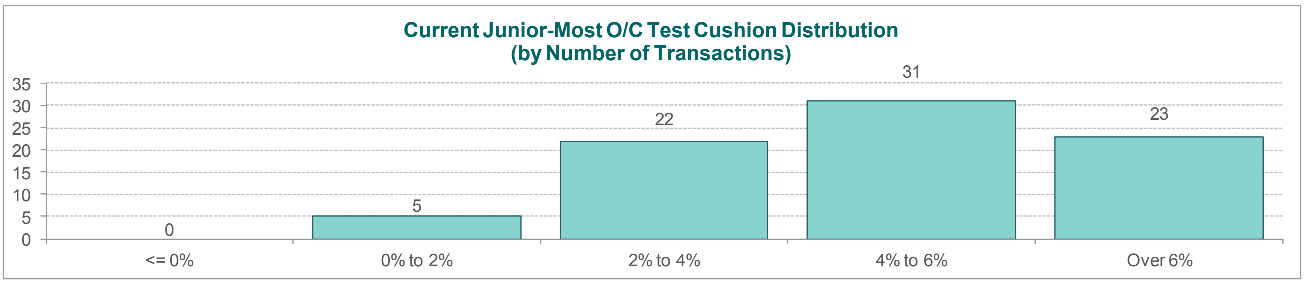
APPENDIX IV (continued)

CLO EQUITY PORTFOLIO DETAILS (CONTINUED) AS OF 31 DECEMBER 2013

Figure 28







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APPENDIX V

SHARE RECONCILIATION AND SHAREHOLDINGS

U.S. GAAP TO FULLY DILUTED SHARES RECONCILIATION

Figure 29

U.S. GAAP to Fully Diluted Shares Reconciliation	
	31 Dec 2013 Shares (MM)
Legal Shares Issued and Outstanding	**134.77**
Less: Shares Held In Subsidiary	16.60
Less: Shares Held In Treasury	7.95
Less: Escrow Shares(52.i)	11.28
U.S. GAAP Shares Outstanding	**98.94**
Add: Manager (IPO) Share Options(52.ii)	0.01
Add: Escrow Shares(52.i)	11.28
Pro Forma Fully Diluted Shares	**110.23**

SHAREHOLDINGS

Persons affiliated with TFG maintain significant interests in TFG shares. For example, as of 31 December 2013, the following persons own (directly or indirectly) interests in shares in TFG in the amounts set forth below:

Mr. Reade Griffith*	7,094,407
Mr. Paddy Dear*	2,471,667
Mr. David Wishnow	346,262
Mr. Jeff Herlyn	273,652
Mr. Michael Rosenberg	118,628
Mr. Rupert Dorey	92,311

*The amounts set forth above in regards to Messrs. Griffith and Dear include their interests with respect to the Escrow Shares(52.i).

In addition to the foregoing, as of 31 December 2013, certain employees of subsidiaries of TFG and other affiliated persons own in the aggregate approximately 4.1 million shares, including interests with respect to the Escrow Shares(52.i).

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APPENDIX VI

ADDITIONAL CORPORATE INFORMATION

DESCRIPTION OF BUSINESS

TFG (company number 43321) is a Guernsey company traded on NYSE Euronext in Amsterdam under the ticker symbol "TFG" that aims to provide stable returns to investors across various credit, equity, interest rate and real estate cycles. The company maintains two key business segments: an investment portfolio and an asset-management platform. Both business segments cover a broad range of assets including bank loans, real estate, equities, credit and convertible bonds. TFG currently invests primarily through long-term funding vehicles, such as collateralized loan obligations.

TFG's asset-management platform ("TFG Asset Management") currently consists of Polygon Global Partners ("Polygon"), LCM Asset Management LLC ("LCM") and GreenOak Real Estate L.P. ("GreenOak"). TFG Asset Management L.P. is registered as an investment adviser under the U.S. Investment Advisers Act of 1940 and one of its investment management entities, Polygon Global Partners LLP, is authorised and regulated by the United Kingdom Financial Services Authority. The company is seeking to realise the benefits of building and integrating existing and potentially new asset management businesses into the platform. In turn, the company will continue to advance this effort throughout 2014, including by evaluating other asset managers.

TFG is registered in the public register of the Netherlands Authority for the Financial Markets ("AFM") under section 1:107 of the Netherlands Financial Markets Supervision Act ("FMSA") as a collective investment scheme from a designated country.

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

INVESTMENT MANAGEMENT

Tetragon Financial Management LP has been appointed the investment manager of TFG and the Master Fund pursuant to an investment management agreement dated 26 April 2007 (the "Investment Management Agreement"). The management and control of the Investment Manager is vested in its general partner, Tetragon Financial Management GP LLC (the "General Partner"), which is responsible for all actions of the Investment Manager. The General Partner is directly or indirectly controlled by Reade Griffith, Alexander Jackson and Paddy Dear, who also control TFG's voting shareholder. As the General Partner is responsible for all actions of the Investment Manager, any references to the Investment Manager in this Annual Report or in any of our disclosure shall be deemed to include a reference to the General Partner to the extent applicable. Mr. Griffith acts as the authorized representative of the General Partner and the Investment Manager.

The Investment Manager is registered as an investment adviser under the U.S. Investment Advisers Act of 1940.

APPENDIX VI (continued)

The investment committee of the Investment Manager (the "Investment Committee") currently consists of Jeffrey Herlyn, Michael Rosenberg, David Wishnow, Reade Griffith and Paddy Dear and is responsible for the investment management of the portfolio and the business. The Investment Committee currently sets forth the investment strategy and approves each significant investment by the Master Fund.

The risk committee of the Investment Manager (the "Risk Committee") has the same composition as the Investment Committee. The Risk Committee is currently responsible for the risk management of the portfolio and the business and performs active and regular oversight and risk monitoring.

Polygon Global Partners LLP and Polygon Global Partners LP (together, the "Service Providers") provide the Investment Manager with certain services in relation to the company pursuant to a Services Agreement dated 30 April 2012. The Service Providers have been indirect subsidiaries of TFG since 28 October 2012, when TFG acquired TFG Asset Management L.P. (f/k/a Polygon Management L.P.) and certain of its affiliates. The Service Providers also provide operating, infrastructure and administrative services to LCM and GreenOak and to various Polygon managers pursuant to applicable services agreements. Polygon Global Partners LLP is authorised and regulated by the United Kingdom Financial Services Authority.

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, TFG granted to the Investment Manager options (the "Investment Management Options") to purchase 12,545,330 of TFG's Non-Voting Shares (before the application of potential anti-dilution) at an exercise price per share equal to the IPO offer price (U.S. $10). The Investment Management Options are fully vested and immediately exercisable on the date of admission to NYSE Euronext in Amsterdam and will remain exercisable until the 10th anniversary of that date (*i.e.*, 26 April 2017).

For more information on TFG's investment manager, including a summary of key terms of the Investment Management Agreement, please refer to TFG's website at www.tetragoninv.com.

CLO BUY-AND-HOLD STRATEGY

The emphasis of the Investment Manager's current CLO investment strategy for the company has been on the selection and structuring of investment positions that are then intended to be held for returns based on cash flows and other revenues to provide a stable stream of income for the company. The Investment Manager believes, for example, that its buy-and-hold strategy has allowed the company to take a long-term view on the expected cash flows from a CLO or other securitization vehicle. Market developments, however, have and may continue to, impact the fair value of a securitization vehicle and/or its underlying assets.

The company believes the Investment Manager's asset liability management and its strategy of taking majority (or substantial) positions in its CLO investments has made a CLO buy-and-hold strategy more attractive, as the Investment Manager may in certain cases influence the performance of a CLO investment through, among other things, the support of amendments to the CLO structure or the collateral management agreement.

APPENDICES

APPENDIX VI (continued)

VALUATION

State Street (Guernsey) Limited serves as the company's independent administrator and values the investments of the Master Fund on an ongoing basis. The NAV per Share is expected to fluctuate over time with the performance of TFG's investments. The NAV of TFG and the Master Fund and the NAV per Share are determined as at the close of business on the last business day of each fiscal quarter for purposes of calculating incentive fees. As TFG makes all of its investments through the Master Fund, TFG's NAV will equal the NAV of the Master Fund before any TFG specific liabilities, such as incentive fees. The company's valuation policies are set forth on the company's website at www.tetragoninv.com. The information on the "Valuation" page of the website supersedes any other disclosure by the company with respect to such information. Subject to the foregoing, additional information with respect to TFG's or the Master Fund's valuation policies may be found in each company's annual audited financial statements accompanying this Annual Report.

CERTAIN CORPORATE AND LISTING BACKGROUND

Shares of TFG (the "Shares") are publicly traded solely on NYSE Euronext in Amsterdam under the ticker symbol "TFG". The Shares do not carry any voting rights other than limited voting rights in respect of variation of their class rights. The voting shares of TFG are owned by Polygon Credit Holdings II Limited, which is a non-U.S. affiliate of the Investment Manager. Polygon Credit Holdings II Limited is controlled by Reade Griffith, Alexander Jackson and Paddy Dear. The voting shares are not entitled to receive dividends.

The current exchange listing, corporate structure and governance and investment management arrangements of TFG were established to help foster the achievement of the company's investment objective. In particular, at the time of its initial public offering and in consultation with the company's underwriters and its legal and financial advisors, the Investment Manager concluded that NYSE Euronext in Amsterdam is favourably suited to facilitate the company's pursuit of its investment objective and to address relevant legal, regulatory, liquidity and other commercial considerations. Similarly, TFG's corporate structure and governance were designed to seek to position the company to best serve its investment objective as well as to address a variety of relevant considerations, including applicable legal requirements. For example, the TFG corporate structure and governance combined with the Investment Manager's actions in addressing financing risk helped the company effectively execute a buy-and-hold strategy that yielded positive results for the company's investment performance. The expansion of TFG's asset management platform may help facilitate a potential listing in the United States over the longer term, which TFG continues to explore. U.S. markets tend to offer better research coverage, liquidity and valuations.

APPENDIX VI (continued)

DIVIDENDS AND OTHER DISTRIBUTIONS

The company has sought to continue to return value to its shareholders, including through dividends and share repurchases.

Dividends:

TFG continues to pursue a progressive dividend policy with a target payout ratio of 30-50% of normalised earnings, based on the long-term target RoE of 10-15%.[53]

The Board of Directors will have the authority to declare dividend payments, based upon the recommendation of the Investment Manager, subject to the approval of the voting shares of TFG and adherence to applicable law, including the satisfaction of a solvency test as required pursuant to the Companies (Guernsey) Law, 2008, as amended.

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.

TFG has and may continue to also pay scrip dividends currently conducted through an optional dividend reinvestment program. If the Board of Directors declares a cash dividend payable by TFG, they will also (in their capacity as directors of the Master Fund) declare an equal dividend per share payable concurrently by the Master Fund.

Share Repurchases:

TFG has and may also continue to engage in share repurchases in the market from time to time. Such purchases may at appropriate price levels below NAV represent an attractive use of TFG's excess cash and an efficient means to return cash to Shareholders. Any decision to engage in share repurchases will be made by the Investment Manager, upon consideration of relevant factors, and will be subject to, among other things, applicable law and profits at the time. The company also continues to explore other methods of improving the liquidity of its shares.

REPORTING

In accordance with applicable regulations under Dutch law, TFG publishes monthly statements on its website for the benefit of its investors containing the following information: the total value of the investments of the Master Fund; a general statement of the composition of the investments of the Master Fund; and the number of legal issued and outstanding shares of TFG.

In addition, in accordance with the requirements of NYSE Euronext in Amsterdam and applicable regulations under Dutch law, TFG provides annual and semi-annual reports to its shareholders, including year-end financial statements, which in the case of the financial statements provided in its annual reports, will be reported in accordance with U.S. GAAP and audited in accordance with international auditing standards as well as U.S. GAAS for regulatory purposes, if applicable. TFG also provides interim management statements to investors in accordance with section 5:25e of the FMSA. The NAV of TFG is available to investors on a monthly basis on the company's website at www.tetragoninv.com.

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OTHER LEGAL MATTERS

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

The Action makes a series of allegations including with respect to the October 2012 acquisition by TFG of Polygon Management L.P. and asks, amongst other things, for money damages and equitable relief against the defendants, including the termination of the investment management agreement among TFG and its Investment Manager.

TFG and its Board of Directors have stated that they believe that the Action is factually and legally without merit and intend to seek to have the Action dismissed as quickly as possible. On 13 January 2014, all defendants filed a motion to dismiss the Action in its entirety.

On 22 February 2011, TFG and the Master Fund and their six directors were served with proceedings in the Royal Court of Guernsey (the “Guernsey Proceedings”) instigated by one of TFG’s former directors, Alexander Jackson, seeking to impugn TFG’s and the Master Fund’s decision to enter into a joint venture with GreenOak. On 26 March 2013, Lieutenant Bailiff Patrick Talbot of the Royal Court of Guernsey dismissed the Guernsey Proceedings having determined that the entire claim should be struck out as an abuse of process as no aspect of it satisfied the standard for bringing such a derivative action in Guernsey. Lieutenant Bailiff Talbot also awarded costs against Mr. Jackson. On 10 September 2013, the Court of Appeal of the Island of Guernsey ordered the discontinuance of Mr. Jackson’s appeal of the Guernsey Proceedings, Mr. Jackson having paid costs of such appeal.

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

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APPENDIX VIII

RISK FACTORS

An investment in TFG (together with the Master Fund, the “company”) involves substantial risks and uncertainties. Investors may review a more detailed description of these risks and uncertainties and others to which the company is subject on TFG's website at www.tetragoninv.com.

These risks and uncertainties include, among others, those listed below.

Risks Relating to the Company’s Investment Portfolio

- Many of the company's investments are in the form of highly subordinated securities, which are susceptible to losses of up to 100% of the initial investments, including losses resulting from changes in the financial rating ascribed to, or changes in the market value or fair value of, the underlying assets of an investment.
- CLO vehicles, which make up the majority of the company's current investment portfolio generally invest in fixed income securities rated lower than Baa by Moody's or lower than BBB by S&P (or, if not rated, of comparable quality) and may be regarded as predominantly speculative with respect to the issuer's continuing ability to meet principal and interest payments. Moreover, market developments (including, without limitation, deteriorating economic outlook, rising defaults and rating agency downgrades) may impact the fair value of an investment and/or its underlying assets, as we experienced during the period from the third quarter of 2008 through the first half of 2009.
- Defaults, their resulting losses and other losses on underlying assets (including bank loans) may have a negative impact on the value of the company's portfolio and cash flows received. In addition, bank loans may require substantial workout negotiations or restructuring in the event of a default or liquidation which could result in a substantial reduction in the interest rate and/or principal.
- The modelled cash flow predictions and assumptions used to calculate the IRR and fair value of each CLO investment may prove to be inaccurate and require adjustment. Factors affecting the accuracy of such modelled cash flow predictions include: (1) uncertainty in predicting future market values of certain distressed asset types, (2) the inability to accurately model collateral manager behaviour and (3) the divergence of assumed variables from realized levels over the period covered by the model.
- Bank loans are generally subject to liquidity risks and, consequently, there may be limited liquidity if a Securitization Vehicle is required to sell or otherwise dispose of such bank loans.
- Many of the company's investments in securitization vehicles are and will be illiquid and have values that are susceptible to changes in the ratings and market values of such vehicles' underlying assets, which may make it difficult for the company to sell such holdings.
- The company may be exposed to counterparty risk, which could make it difficult for the company to collect on the obligations represented by investments and result in significant losses.
- The performance of many of the company's investments may depend to a significant extent upon the performance of its asset managers (internal and external).
- The company is subject to concentration risk in its investment portfolio, which may increase the risk of an investment in TFG.

APPENDICES

APPENDIX VIII (continued)

- The company's CLO investments are subject to (i) interest rate risk, which could cause the company's cash flow, fair value of its assets and operating results to decrease and (ii) currency risk, which could cause the value of the company's CLO investments in U.S. Dollars to decrease regardless of the inherent value of the underlying investments.
- The Investment Manager may not be successful in the utilization of hedging and risk management transactions, which could subject the company's investment portfolio to increased risk or lower returns on its investments and in turn cause a decrease in the fair value of the company's assets.
- The ability of securitization vehicles in which the company invests to sell assets and reinvest the proceeds may be restricted, which may reduce the yield from the company's investment in those Securitization Vehicles.
- In connection with the transaction with GreenOak, the company will invest its capital, directly and indirectly, in certain real estate investments. Real estate investments are subject to various risks and fluctuations and cycles in value and demand, many of which are beyond the company's control.
- The real estate investments made, and to be made, by GreenOak are relatively difficult to sell quickly. Return of capital and realization of gains, if any, from an investment generally will occur upon disposition or refinance of the underlying property. GreenOak may be unable to realize its investment objectives by sale, other disposition or refinance at attractive prices within any given period of time or may otherwise be unable to complete any exit strategy.
- The company invests a portion of its capital, directly and indirectly, in certain European-listed equity securities. Such investments are subject to various risks, many of which are beyond the company's control. Risks or events which could negatively affect such equity security investments include, but are not limited to: increased volatility in the market price and with respect to trading volume of the equity securities and increased uncertainty and government intervention in global financial markets.
- The company invests a portion of its capital, directly and indirectly, in certain mining-industry related equity securities. Such investments are subject to various risks, many of which are beyond the company's control. In addition to the risks discussed above associated with equity investments generally, risks or events which could negatively affect mining-industry related equity investments include, but are not limited to: exploration, developmental and operational risks.
- The company invests a portion of its capital, directly and indirectly, in certain convertible securities, mainly in the form of debt securities that can be exchanged for equity interests. Such investments are subject to various risks, many of which are beyond the company's control. Risks or events which could negatively affect convertible security investments include, but are not limited to: declining credit quality of issuers of the convertible securities and increased volatility in the market price and with respect to trading volume of the underlying equity into which the convertible securities are convertible.
- The company invests a portion of its capital, directly and indirectly, in certain distressed opportunities. Such investments are subject to various risks, many of which are beyond the company's control. Risks or events which could negatively affect distressed opportunity investments include, but are not limited to: difficulty in obtaining information as to the true condition of the issuer; potential for abrupt and erratic market movements and above average price volatility of the securities; and potential for litigation.

APPENDICES

APPENDIX VIII (continued)

- Direct investments in asset managers will expose the company's business to additional risks, including: a decline in the price of securities, a more complex regulatory environment and competition.

Risks Relating to the Company’s Asset Management Platform

- As the company becomes more of a financial services firm that functions as a company that owns operating companies, it may face difficulties as it invests in asset classes in which it does not have substantial experience.
- The asset management business is intensely competitive, with competition based on a variety of factors, including investment performance, the quality of service provided to clients, investor liquidity and willingness to invest, fund terms (including fees), brand recognition and business reputation. Our asset management business competes with a number of private equity funds, specialized investment funds, hedge funds, funds of hedge funds and other sponsors managing pools of capital, as well as corporate buyers, traditional asset managers, commercial banks, investment banks and other financial institutions (including sovereign wealth funds).
- Asset management and financial advisory businesses are subject to extensive regulation, which affects the company's activities and creates the potential for significant liabilities and penalties. The possibility of increased regulatory focus could result in additional burdens on the company's business. Recent legislative and regulatory changes in the United States, such as the Dodd-Frank Act, and the European Union, such as the Alternative Investment Fund Managers Directive and the European Market Infrastructure Regulation, could adversely affect the company's business.
- As we have expanded and as we continue to expand the number and scope of our businesses, we increasingly confront potential conflicts of interest relating to our activities. Certain of our funds may have overlapping investment objectives, including funds that have different fee structures, and potential conflicts may arise with respect to our decisions regarding how to allocate investment opportunities among those funds. To the extent we fail to appropriately deal with any such conflicts, it could negatively impact our reputation and ability to raise additional funds or result in potential litigation against us.
- Poor performance of our managed investment funds and vehicles would cause a decline in our asset management revenue, income and cash flow, and could adversely affect our ability to raise capital for future investment funds.
- Our asset management business depends in part on our ability to raise capital from third-party clients. If we are unable to raise capital from third-party clients, we would be unable to collect management fees or deploy their capital into investments and potentially collect transaction fees or incentive fees, which would materially reduce our asset management revenue and cash flow.
- Misconduct of our employees or at the companies in which we have invested could harm us by impairing our ability to attract and retain clients and subjecting us to significant legal liability and reputational harm.

APPENDIX VIII (continued)

- The performance of LCM and, in turn, the company's operating results, may be negatively influenced by various factors, including the (i) performance of LCM-managed CLOs, which in general are subject to the same risks as the company's CLO investments and are currently the primary source of LCM's revenues and (ii) ability of LCM to retain key personnel, the loss of whom may negatively affect LCM's ability to provide asset and collateral management services in a fashion, and of a quality, consistent with its prior practice. Furthermore, the company's ownership of LCM may negatively impact certain aspects of the company's CLO investment strategy and as a result the company's performance as well as the company's ability to diversify its investments across multiple asset managers.
- The performance of Polygon and, in turn, the company's operating results, may be negatively influenced by various factors, including the (i) performance of Polygon-managed funds, and (ii) ability of Polygon to retain key personnel, the loss of whom may negatively affect Polygon's ability to provide asset management services in a fashion, and of a quality, consistent with its prior practice.
- GreenOak has a limited operating history and it may be unable to successfully operate its business or achieve its investment objectives.
- As the company invests in new asset classes and as its asset mix changes, its revenues and profitability could be reduced.

Risks Relating to TFG and the Master Fund

- TFG's principal source of cash will be the investments that it makes through the Master Fund. TFG's ability to pay dividends will depend on it receiving distributions from the Master Fund.
- Shareholders will not be able to terminate the company's investment management agreement. None of the Investment Manager or the Service Providers owe fiduciary duties to the shareholders of TFG.
- The shares of TFG may continue to trade below NAV. The NAV per Share will change over time with the performance of the company's investments and will be determined by the company's valuation principles. The fees payable to the Investment Manager will be based on NAV and changes in NAV, which will not necessarily correlate to changes in the market value of the shares of TFG.
- TFG and the Master Fund have approved a very broad investment objective and the Investment Manager will have substantial discretion when making investment decisions. In addition, the Investment Manager's strategies may not achieve the company's investment objective.
- TFG is an investment company that has been registered under the laws of Guernsey. The rights of its Shareholders and the fiduciary duties that the Board of Directors owes to TFG and the Shareholders are governed by Guernsey law and TFG's articles of incorporation. As a result, the rights of the Shareholders and the fiduciary duties that are owed to them and TFG may differ in material respects from the rights and duties that would be applicable if TFG were organized under the laws of a different jurisdiction or if it were not permitted to vary such rights and duties in its articles of incorporation.
- The liability of the Investment Manager is limited under the company's arrangements with it, and the company has agreed to indemnify the Investment Manager against claims that it may face in connection with such arrangements, which may lead the Investment Manager to assume greater risks when making investment related decisions than it otherwise would if investments were being made solely for its own account.

APPENDIX VIII (continued)

- TFG is not, and does not intend to become, regulated as an investment company under the Investment Company Act and related rules.
- The company may become involved in litigation that adversely affects the company's business, investments and results of operations.
- No formal corporate governance code applies to TFG under Dutch law and TFG will not be bound to comply with the U.K. Combined Code other than as set forth in its articles of incorporation.

Risks Relating to the Investment Manager and Services Providers and Affiliated Relationships

- The company's organizational, ownership and investment structure may create significant conflicts of interest that may be resolved in a manner which is not always in the best interests of the company or the shareholders of TFG.
- The company's success depends on its continued relationship with the Investment Manager and its principals. If this relationship were to end or the principals or other key professionals were to depart, it could have a material adverse effect on the company's business, investments and results of operations.
- The Investment Manager's compensation structure may encourage the Investment Manager to invest in high-risk investments.
- The liability of the Investment Manager to the company is limited and the company's indemnity of the Investment Manager may lead the Investment Manager to assume greater risks when making investment related decisions than it otherwise would.
- The Investment Manager may devote time and commitment to other activities.

Risks Relating to Taxation

- U.S. investors may suffer adverse tax consequences because TFG will be treated as a passive foreign investment company (a "PFIC") for U.S. federal income tax purposes.
- Investors may suffer adverse tax consequences if TFG or the Master Fund is treated as resident in the U.K. or the U.S. for tax purposes.

Risks Relating to the Shares

- Shares of TFG (the "Shares") do not carry any voting rights other than limited voting rights in respect of variation of their class rights. The holder of the voting shares of TFG will be able to control the composition of the Board of Directors and exercise extensive influence over TFG's and the Master Fund's business and affairs. Additional information on the organizational structure and corporate governance of TFG may be found on TFG's website at www.tetragoninv.com.
- The Shares are subject to legal and other restrictions on resale and the NYSE Euronext in Amsterdam trading market is less liquid than other major exchanges, which could affect the price of the Shares. TFG may decide in the future to list the Shares on a stock exchange other than NYSE Euronext in Amsterdam. There can be no assurance that an active trading market would develop on such an exchange.

APPENDIX VIII (continued)

- There are additional restrictions on the resale of Shares by Shareholders who are located in the United States or who are U.S. persons and on the resale of Shares by any Shareholder to any person who is located in the United States or is a U.S. person. These restrictions include that each Shareholder who is located in the United States or who is a U.S. person must be a "Qualified Purchaser" or a "Knowledgeable Employee" (each as defined in the Investment Company Act), and, accordingly, that Shares may be resold to a person located in the United States or who is a U.S. person only if such person is a "Qualified Purchaser" or a "Knowledgeable Employee" under the Investment Company Act. These restrictions may adversely affect overall liquidity of the Shares.
- Your ability to invest in the Shares or to transfer any Shares that you hold may be limited by restrictions imposed by ERISA regulations, TFG's articles of incorporation and other tax considerations.
- The company may issue additional securities that dilute existing holders of Shares, including as a result of the exercise of the Investment Management Options.

The foregoing is not a comprehensive list of the risks and uncertainties to which the company is subject.

BOARD OF DIRECTORS

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

*Independent Director

SHAREHOLDER INFORMATION

Registered Office of TFG and the Master Fund
Tetragon Financial Group Limited
Tetragon Financial Group Master Fund Limited
1st Floor Dorey Court
Admiral Park
St. Peter Port, Guernsey
Channel Islands GY1 6HJ

Investment Manager
Tetragon Financial Management LP
399 Park Avenue, 22nd Floor
New York, NY 10022
United States of America

General Partner of Investment Manager
Tetragon Financial Management GP LLC
399 Park Avenue, 22nd Floor
New York, NY 10022
United States of America

Investor Relations
David Wishnow / Greg Wadsworth
ir@tetragoninv.com

Press Inquiries
Brunswick Group
Andrew Garfield
tetragon@brunswickgroup.com

Auditors
KPMG Channel Islands Ltd.
20 New Street
St. Peter Port, Guernsey
Channel Islands GY1 4AN

Sub-Registrar and Transfer Agent
Computershare
One Wall Street
New York, NY 10286
United States of America

Issuing Agent, Dutch Paying and Transfer Agent
Kas Bank N.V.
Spuistraat 172
1012 VT Amsterdam
The Netherlands

Legal Advisor (as to U.S. law)
Cravath, Swaine & Moore LLP
Worldwide Plaza
825 Eighth Avenue
New York, NY 10019
United States of America

Legal Advisor (as to Guernsey law)
Ogier
Ogier House
St. Julian's Avenue
St. Peter Port, Guernsey
Channel Islands GY1 1WA

Legal Advisor (as to Dutch law)
De Brauw Blackstone Westbroek N.V.
Claude Debussylaan 80
1082 MD Amsterdam
The Netherlands

Stock Listing
NYSE Euronext in Amsterdam

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

ENDNOTES

Shareholder Letter

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

(2) The asset class called "U.S. Pre-Crisis CLO" in previous reports is now termed "U.S. CLO 1.0" and refers to U.S. CLOs issued before or during 2008; similarly, "U.S. Post-Crisis CLO" is now called "U.S. CLO 2.0" and refers to U.S. CLOs issued after 2008.

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

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

(5) Includes GreenOak Real Estate, LP funds and advisory assets, AUM for Polygon Recovery Fund LP, Polygon Convertible Opportunity Master Fund, Polygon European Equity Opportunity Master Fund and associated managed account, Polygon Mining Opportunity Master Fund, Polygon Global Equities Master Fund and Polygon Distressed Opportunities Master Fund, as calculated by the applicable administrators for value date 31 December 2013. Includes, where relevant, investments by Tetragon Financial Group Master Fund Limited. TFG Asset Management AUM as used in this report includes the assets under management of several investment advisers, including Tetragon Asset Management L.P., and GreenOak Real Estate, LP, each of which is an investment manager registered under the U.S. Investment Advisers Act of 1940.

(6) The sum of the holdings of TFG affiliates as defined in Appendix V of this report (14.5 million shares including those held in Escrow), divided by the number of Legal Shares Issued and Outstanding (134.77 million).

Key Metrics

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

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

(9) Measured against a weighted average of U.S. GAAP shares outstanding on each dividend record date.

Investment Portfolio

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

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

(12) Based on the most recent trustee reports available as of 31 December 2013.

(13) Based on the most recent trustee reports available as of 31 December 2013.

(14) Based on the most recent trustee reports available as of 31 December 2013.

(15) The net assets attributable to directly owned equities consist of collateral posted (or otherwise held) by TFG in margin accounts with financial institutions and the fair value of equity securities directly held by TFG.

(16) Returns presented reflect the cumulative annualised performance for each asset type over the 12 months ending 31 December 2013 against the time-weighted average capital invested. Returns for directly-held equities are calculated on the basis of investment-to-date performance over the 12 month period and the time-weighted average required amount of margin posted with all relevant counterparties over the analysis period. Time-weighted average capital invested in each asset type is calculated for each investment through 31 December 2013, based on the actual number of days and assuming a 365-day year. TFG invests in Polygon-managed funds on a preferred fee-basis.

ENDNOTES (continued)

(17) Returns presented reflect the cumulative annualised performance for each asset type over the 12 months ending 31 December 2013 against the time-weighted average capital invested. Returns for directly-held equities are calculated on the basis of investment-to-date performance over the 12 month period and the time-weighted average required amount of margin posted with all relevant counterparties over the analysis period. Time-weighted average capital invested in each asset type is calculated for each investment through 31 December 2013, based on the actual number of days and assuming a 365-day year. TFG invests in Polygon-managed funds on a preferred fee-basis.

TFG Asset Management

(18) The LCM III, LCM IV, LCM V, LCM VI, LCM VIII, LCM IX, LCM X, LCM XI, LCM XII, LCM XIII and LCM XIV CLOs are referred to as the "LCM Cash Flow CLOs." The LCM VII CLO was a market value CLO previously managed by LCM, which was liquidated commencing in 2008, and is not included in the mentioned statistics. LCM I CLO has sold all of its assets and repaid all of its liabilities with excess proceeds distributed to equity holders as of 31 December 2012, and is therefore not included in the mentioned statistics. In addition, these statistics do not include the performance of certain transactions that were developed and previously managed by a third-party prior to being assigned to LCM, some of which continue to be managed by LCM. LCM II CLO has sold all of its assets and repaid all of its liabilities with excess proceeds distributed to equity holders as of 30 April 2013. LCM VIII CLO has sold all of its assets and repaid all of its liabilities with excess proceeds distributed to equity holders as of 31 July 2013. The following CLOs paid incentive fees to the manager during 2013 as follows: LCM IV: $0.1 million; LCM V: $1.7 million; LCM VI: $1.4 million; LCM VIII: $0.5 million.

(19) The Polygon Convertible Opportunity Fund won the 2013 EuroHedge Award in the Convertible & Volatility category. There were five other nominees for this award. The EuroHedge Award is compiled by EuroHedge magazine, a publication of HedgeFund Intelligence. To be considered for an award, funds were required to submit performance data to the HedgeFund Intelligence Database and required at least a 12-month track record history. The only exception to this rule was for new fund awards where a minimum seven-month track record was required; for these awards, the funds' whole performance history to date was taken into account. Winners were decided using an established methodology based upon a combination of Sharpe ratios and returns over the relevant time period. Nominations were decided by those funds in each peer group that achieved the strongest Sharpe ratios over 12 months, so long as they also beat the median returns in their relevant peer groups and were within 10% of their high-water marks. The eventual winners were the funds that had the best returns, as long as they also had Sharpe ratios within 25% of the best Sharpe of the nominees in their relevant peer groups. Most of the award categories required a minimum asset level of at least $100 million. The only exceptions were the Emerging Manager & Smaller Fund and the New Fund of the Year awards, where the minimum was set at $30 million, and the Long-Term Performance awards, where the minimum asset level was $500 million. Further information about the award is available at www.hedgefundintelligence.com.

(20) The Polygon European Equity Opportunity Fund was nominated for a 2013 EuroHedge Award in the Event Driven & Distressed category. There were seven other nominees for this award. The EuroHedge Award is compiled by EuroHedge magazine, a publication of HedgeFund Intelligence. To be considered for an award, funds were required to submit performance data to the HedgeFund Intelligence Database and had to have at least a 12-month track record history. The only exception to this rule was for new fund awards where a minimum seven-month track record was required; for these awards, the funds' whole performance history to date was taken into account. Winners were decided using an established methodology based upon a combination of Sharpe ratios and returns over the relevant time period. Nominations were decided by those funds in each peer group that achieved the strongest Sharpe ratios over 12 months, so long as they also beat the median returns in their relevant peer groups and were within 10% of their high-water marks. The eventual winners were the funds that had the best returns, as long as they also had Sharpe ratios within 25% of the best Sharpe of the nominees in their relevant peer groups. Most of the award categories required a minimum asset level of at least $100 million. The only exceptions were the Emerging Manager & Smaller Fund and the New Fund of the Year awards, where the minimum was set at $30 million, and the Long-Term Performance awards, where the minimum asset level was $500 million. Further information about the award is available at www.hedgefundintelligence.com.

(21) The index shown here has not been selected to represent an appropriate benchmark to compare an investor's performance, but rather is disclosed to allow for comparison of an investor's performance to that of a well-known and widely-recognised index. The volatility of the index may be materially different from the individual performance attained by a specific investor. In addition, the Fund's holdings may differ significantly from the securities that comprise the index. You cannot invest directly in an index. The Market Vectors Junior Gold Miners Index (Bloomberg Code: GDXJ) is compiled by Market Vectors Index Solutions, a subsidiary of Van Eck. Further information relating to index constituents and calculation methodology can be found at www.marketvectorsindices.com.

(22) Source: *Thomson Reuters Global Equity Capital Markets Review, Managing Underwriters* for full year 2013.

ENDNOTES (continued)

Financial Review

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

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

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

Appendix II

(24) *Citi Global Structured Credit Strategy* – 13 December 2013.

(25) *Citi Global Structured Credit Strategy* – 9 April 2013.

(26) *Citi Global Structured Credit Strategy* – 13 December 2013.

Appendix III

(27) *S&P/LCD News*, "With one default in December, leveraged loan default rate inches up," 2 January 2014.

(28) *S&P/LCD News*, "(EUR) ELLI default rate falls to 2.9% in December," 9 January 2014.

(29) *S&P/LCD News*, "(EUR) S&P ELLI: Default rate rises to 6.6% in December," 9 January 2013.

(30) The calculation of TFG's lagging 12-month corporate loan default rate does not include certain underlying investment collateral that was assigned a "Selective Default" rating by one or more of the applicable rating agencies. Such Selected Defaults are included the S&P/LCD lagging 12-month U.S. institutional loan default rate discussed above. Furthermore, TFG's CLO equity and direct loan investment portfolio includes approximately 14.1% CLOs with primary exposure to European senior secured loans and such loans are included in the calculation of TFG's corporate default rate.

(31) *S&P/LCD Quarterly Review*, Q4 2013.

(32) *S&P/LCD News*, "Flying high: Refinancing, recaps drive record loan volume in 2013," 23 December 2013.

(33) *S&P/LCD News*, "(EUR) 2013 new-issue loan volume hits five-year high," 6 January 2014.

(34) *S&P/LCD News*, "(EUR) 2013 new-issue loan volume hits five-year high," 6 January 2014.

(35) *S&P/LCD Quarterly Review*, Q4 2013.

(36) *S&P/LCD Quarterly Review*, Q4 2013.

(37) *S&P/LCD Quarterly Review*, Q4 2013.

(38) *S&P/LCD News*, "(EUR) ELLI repayments push maturity wall to 2017-2018," 9 January 2014.

(39) *S&P/LCD Leveraged Lending Review*, Q4 2013.

(40) *S&P/LCD News*, "(EUR) ELLI repayments push maturity wall to 2017-2018," 9 January 2014.

(41) *S&P/LCD News*, "Leveraged loans return 0.47% in December; 2013 return is 5.29%," 2 January 2014.

(42) *S&P/LCD News*, "(EUR) ELLI returns 0.37% in December, 9.09% in 2013," 8 January 2014.

(43) *Morgan Stanley CLO Market Tracker*, 9 January 2014; based on a surveillance universe of 388 USD-denominated CLOs and 183 Euro-denominated CLOs.

ENDNOTES (continued)

(44) *Morgan Stanley CLO Market Tracker*, 4 January 2013; based on a surveillance universe of 451 USD-denominated CLOs and 187 Euro-denominated CLOs.

(45) *Morgan Stanley CLO Market Tracker*, 9 January 2014; based on a surveillance universe of 388 USD-denominated CLOs and 183 Euro-denominated CLOs.

(46) *Morgan Stanley CLO Market Tracker*, 4 January 2013; based on a surveillance universe of 451 USD-denominated CLOs and 187 Euro-denominated CLOs.

(47) *Morgan Stanley CLO Market Tracker*, 9 January 2014.

(48) *Morgan Stanley CLO Market Tracker*, 9 January 2014.

(49) *Morgan Stanley CLO Market Tracker*, 9 January 2014.

(50) *Morgan Stanley CLO Market Tracker*, 9 January 2014.

(51) *Morgan Stanley CLO Market Tracker*, 9 January 2014.

Appendix V

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

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

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

Appendix VI

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

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

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

AUDITED FINANCIAL STATEMENTS

TETRAGON FINANCIAL GROUP LIMITED

FOR THE YEAR ENDED 31 DECEMBER 2013

TETRAGON FINANCIAL GROUP LIMITED

AUDITED FINANCIAL STATEMENTS
For the year ended 31 December 2013

CONTENTS

DIRECTORS' REPORT
For the year ended 31 December 2013

The Directors present to the shareholders their report together with the audited financial statements for the year ended 31 December 2013.

THE COMPANY

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

The Company acts as a feeder fund in a "master feeder structure" investing substantially all of its assets in Tetragon Financial Group Master Fund Limited (the "Master Fund").

The Company aims to provide stable returns to investors across various credit, equity, interest rate and real estate cycles, and maintains two key business segments: an investment portfolio and an asset-management platform. Both segments cover a broad range of assets including bank loans, real estate, equities, credit and convertible bonds. The Company currently invests primarily through long-term funding vehicles such as collateralized loan obligations.

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

INVESTMENT OBJECTIVE

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

RESULTS, ACTIVITIES AND FUTURE DEVELOPMENTS

The results of operations are set out on pages 9 to 10. A detailed review of activities and future developments is contained in the Investment Manager's Report issued with these financial statements to the Shareholders.

DIRECTORS

The Directors who held office during the year and up to the date of this report were:

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

* Independent non-executive Directors

The remuneration for Directors is determined by resolution of the Voting Shareholder. Each of the Directors' annual fee is US$ 75,000 in compensation for service on the Boards of Directors of both the Company and the Master Fund, which is paid by the Master Fund. 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 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 shares 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$ 0.135 per share for the Quarter Ended 31 December 2012, US$ 0.135 per share for the Quarter Ended 31 March 2013, US$ 0.14 for the Quarter Ended 30 June 2013 and US$ 0.14 for the Quarter Ended 30 September 2013. The total dividend declared during the year ended 31 December 2013 amounted to US$ 53.9 million or US$ 0.55 per share (31 December 2012: US$ 50.3 million or US$ 0.44 per share). On 26 February, the Directors have declared a dividend US$ 0.15 for the Quarter Ended 31 December 2013.

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. Under that law they have elected to prepare the financial statements in conformity with U.S. generally accepted accounting principles ("U.S. GAAP") 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 that 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 Company will continue in business.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

The Directors are responsible for 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 Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website.

The Guernsey Financial Services Commission ("GFSC") has issued a Code of Corporate Governance (the "Code") which provides a framework that applies to all entities licensed by the GFSC or which are registered or authorised as a collective investment scheme under the Protection of Investors (Bailiwick of Guernsey) Law, 1987. In conformity with the Code, the Company has prepared a self-assessment reflecting its nature, scale and complexity in order to assist the Directors in their annual consideration of the Code.

STATEMENT OF DIRECTORS' RESPONSIBILITIES (continued)

The Directors confirm that we have complied with the above requirements in preparing the financial statements and that to the best of our knowledge and belief:

- This annual report includes a fair review of the development and performance of the business and the position of the Company together with a description of the principal risks and uncertainties that the Company faces; and
- The financial statements, prepared in conformity with U.S. GAAP give a true and fair view of the assets, liabilities, financial position, results and cash flows of the Company.

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.

AUDITORS

KPMG Channel Islands Limited has been appointed as the 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:

Rupert Dorey, Director
David Jeffreys, Director

Date: 26 February 2014

Independent auditor's report to the members of Tetragon Financial Group Limited

We have audited the financial statements of Tetragon Financial Group Limited (the "Company") for the year ended 31 December 2013 which comprise the Statements of Assets and Liabilities, the Statements of Operations, the Statements of Changes in Net Assets, the Statements of Cash Flows, the Financial Highlights and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and U.S. generally accepted accounting principles.

This report is made solely to the Company's members, as a body, in accordance with section 262 of the Companies (Guernsey) Law, 2008. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' Responsibilities set out on pages 4 and 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Board of Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2013 and of its net income for the year then ended;
- are in conformity with U.S. generally accepted accounting principles; and
- comply with the Companies (Guernsey) Law, 2008.

Independent auditor's report to the members of Tetragon Financial Group Limited (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies (Guernsey) Law, 2008 requires us to report to you if, in our opinion:

- the Company has not kept proper accounting records; or
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations, which to the best of our knowledge and belief are necessary for the purpose of our audit.

Dermot A Dempsey
for and on behalf of KPMG Channel Islands Limited
Chartered Accountants and Recognised Auditors

Date: 26 February 2014
Address: 20 New Street, St Peter Port Guernsey, GY1 4AN

TETRAGON FINANCIAL GROUP LIMITED

STATEMENTS OF ASSETS AND LIABILITIES
As at 31 December 2013

	Note	31 Dec 2013 US$ '000	31 Dec 2012 US$ '000
Assets			
Investment in the Master Fund	3	1,846,731	1,658,276
Total assets		1,846,731	1,658,276
Liabilities			
Accrued incentive fee	6	32,850	30,227
Amounts payable on share options	5	10,669	6,601
Total liabilities		43,519	36,828
Net assets		1,803,212	1,621,448
Equity			
Share capital	7	99	99
Share premium	8	963,224	964,966
Capital reserve in respect of share options	9	11,789	11,789
Share based employee compensation reserve	4	17,602	3,849
Retained earnings	12	810,498	640,745
		1,803,212	1,621,448
Shares outstanding		**Number '000**	**Number '000**
Shares	7	98,938	98,805
Net Asset Value per share		US$ 18.23	US$ 16.41

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

Signed on behalf of the Board of Directors by:

Rupert Dorey, Director
David Jeffreys, Director

Date: 26 February 2014

TETRAGON FINANCIAL GROUP LIMITED

STATEMENTS OF OPERATIONS
For the year ended 31 December 2013

	Note	Year ended 31 Dec 2013 US$ '000	Year ended 31 Dec 2012 US$ '000
Investment income allocated from the Master Fund			
Interest income		204,779	235,596
Fee income		74,336	36,704
Dividend income		80	-
Other income – cost recovery		21,101	6,773
Total investment income allocated from the Master Fund		300,296	279,073
Direct expenses			
Incentive fee	6	(64,893)	(86,219)
Total direct expenses		(64,893)	(86,219)
Operating expenses allocated from the Master Fund			
Employee costs		(49,942)	(23,564)
Management fees	9	(25,124)	(21,022)
Share based employee compensation	4	(23,096)	(3,849)
Legal and professional fees		(9,148)	(12,369)
Audit fees		(374)	(376)
Other operating and administrative expenses		(25,339)	(8,791)
Total operating expenses allocated from the Master Fund		(133,023)	(69,971)
Total operating expenses		(197,916)	(156,190)
Net investment income		102,380	122,883
Net increase in unrealized depreciation on:			
Share options	5	(4,068)	(5,022)
Net increase in unrealized depreciation arising from direct operations		(4,068)	(5,022)
Net realized and unrealized gain from investments and foreign currency allocated from the Master Fund			
Net realized gain / (loss) from:			
Investments		10,451	5,334
Derivative financial instruments		6,728	(15,820)
Foreign currency transactions		(5,259)	5,561
		11,920	(4,925)

STATEMENTS OF OPERATIONS (continued)
For the year ended 31 December 2013

	Note	Year ended 31 Dec 2013 US$ '000	Year ended 31 Dec 2012 US$ '000
Net increase in unrealized appreciation on:			
Investments		106,137	191,275
Derivative financial instruments		7,838	1,079
Translation of assets and liabilities in foreign currencies		8,856	2,359
		122,831	194,713
Net realized and unrealized gain from investments and foreign currencies allocated from the Master Fund		134,751	189,788
Bargain purchase		-	54,774
Net increase from operations before tax		233,063	362,423
Income and deferred tax expense		(8,796)	(3,574)
Net income		224,267	358,849
Net income attributable to:			
Owners of the Company		224,267	357,158
Noncontrolling interest		-	1,691
		224,267	358,849
Earnings per share			
Basic	11	US$ 2.29	US$ 3.15
Diluted	11	US$ 2.05	US$ 2.85
Weighted average Shares outstanding		**Number '000**	**Number '000**
Basic	11	98,017	113,347
Diluted	11	109,311	125,183

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

TETRAGON FINANCIAL GROUP LIMITED

STATEMENTS OF CHANGES IN NET ASSETS
For the year ended 31 December 2013

	Note	Year ended 31 Dec 2013 US$ '000	Year ended 31 Dec 2012 US$ '000
From operations:			
Total investment income		300,296	279,073
Total operating expenses		(197,916)	(156,190)
Net unrealized depreciation on share options		(4,068)	(5,022)
Net realized gain / (loss) from investments and foreign currency allocated from the Master Fund		11,920	(4,925)
Net unrealized gain from investments and foreign currency allocated from the Master Fund		122,831	194,713
Bargain purchase		-	54,774
Income and deferred tax expense		(8,796)	(3,574)
Attributed to noncontrolling interest		-	(1,691)
Net income		224,267	357,158
Share based employee compensation	4	23,096	3,849
Net increase in net assets resulting from operations		247,363	361,007
Dividends paid to shareholders	10	(53,922)	(50,296)
Issue of Shares	7	4,395	11,994
Purchase of Treasury Shares	7	(16,072)	(175,612)
Decrease in net assets resulting from net share transactions		(11,677)	(163,618)
Total increase in net assets		181,764	147,093
Net assets at start of year		1,621,448	1,474,355
Net assets at end of year		1,803,212	1,621,448

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

TETRAGON FINANCIAL GROUP LIMITED

STATEMENTS OF CASH FLOWS
For the year ended 31 December 2013

	Year ended 31 Dec 2013 US$ '000	Year ended 31 Dec 2012 US$ '000
Operating activities		
Net income	224,267	357,158
Adjustments for:		
Net unrealized depreciation on share options	4,068	5,022
Share based employee compensation reserve	23,096	3,849
Net unrealized appreciation on investments in the Master Fund	(188,455)	(159,117)
Operating cash flows before movements in working capital	62,976	206,912
Decrease in receivables	-	460
Increase in payables	2,623	7,002
Net cash provided by operating activities	65,599	214,374
Financing activities		
Issue of Shares	4,395	11,994
Purchase of Treasury Shares	(16,072)	(176,072)
Dividends paid to shareholders	(53,922)	(50,296)
Net cash used in financing activities	(65,599)	(214,374)
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.

TETRAGON FINANCIAL GROUP LIMITED

FINANCIAL HIGHLIGHTS
For the year ended 31 December 2013

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 2013 and the year ended 31 December 2012.

	31 Dec 2013	31 Dec 2012
	US$	US$
Per Share operating performance		
Net Asset Value at the start of the year	16.41	12.71
Net investment income (excluding incentive fee)	1.71	1.88
Incentive fee	(0.66)	(0.76)
Net realized and unrealized gain from investments and foreign currencies	1.33	1.63
Bargain purchase	-	0.48
Share based employee compensation	0.24	0.03
Dividends paid to shareholders	(0.55)	(0.44)
Income and deferred tax expense and noncontrolling interest	(0.09)	(0.04)
Other capital transactions	(0.16)	0.92
Net Asset Value at the end of the year	18.23	16.41
Pro Forma Fully Diluted NAV per Share	**Shares '000**	**Shares '000**
Shares outstanding	98,938	98,805
Shares held in escrow	11,281	11,836
Dilutive effect of Share options granted to Investment Manager	13	-
Pro Forma Fully Diluted Shares	110,232	110,641
Pro Forma Fully Diluted Net Asset Value per Share	US$ 16.36	US$ 14.65
Total return (NAV change excluding dividends and other capital transactions) before incentive fee	19.40%	38.61%
Incentive fee	(4.03%)	(6.00%)
Total return (NAV change excluding dividends and other capital transactions) after incentive fee	15.37%	32.61%
Ratios and supplemental data		
Ratio to average net assets:		
Operating expenses allocated from the Master Fund	6.52%	3.95%
Total operating expenses	6.52%	3.95%
Incentive fee	3.85%	5.46%
Net investment income	6.07%	8.03%

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

Note 1 General Information

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

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

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

Note 2 Significant Accounting Policies

Basis of Presentation

The financial statements give a true and fair view, are prepared in conformity with U.S. GAAP and comply with The Companies (Guernsey) Law, 2008.

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

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

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

Except for new standards adopted, the accounting policies have been consistently applied by the Company during the year ended 31 December 2013 and are consistent with those used in the previous year.

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

Note 2 Significant Accounting Policies (continued)

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and the accompanying notes, including the valuation of investments. The Company's management believes that the estimates utilized in preparing the financial statements are reasonable and prudent. Actual results could differ materially from these estimates.

Valuation of Investments

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

Expenses

Expenses are recognized in the Statements of Operations 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 600 per annum.

In accordance with ASC Subtopic 740-10 – Income Taxes – Overall, the Company recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. There were no uncertain tax positions recognized at 31 December 2013.

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 a reserve in respect of the share options, over the year in which the Investment Manager became unconditionally entitled to the options. The options were fully vested and immediately exercisable from the date of the grant, on 26 April 2007 and remain exercisable for ten years.

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

Dividend Expense

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

Note 2 Significant Accounting Policies (continued)

Share Based Payments

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

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. Any associated stock dividends accrued on the original award are debited against retained earnings and credited to share capital and share premium using the value determined by the stock reference price at the date of each applicable dividend.

Treasury Shares

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

Note 3 Investment in Master Fund

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

As at 31 December 2013, the Company had an investment of US$ 1,846.7 million in the Master Fund (31 December 2012: US$ 1,658.3 million).

Note 4 Share Based Payments

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

Note 4 Share Based Payments (continued)

Under ASC 805 - Business Combinations ("ASC 805") these Shares are treated as payment for post combination services rather than upfront consideration, hence the initial consideration is determined to be nil, resulting in a bargain purchase. The expense is recognized in the Master Fund through the Statements of Operations, as well as reflecting the assets acquired and a reserve to reflect the capital contribution of the Shares from the Company. The Company has a share based compensation reserve and recognizes the expense indirectly as allocated from the Master Fund. The charge for the year ended 31 December 2013 amounted to US$ 23.1million (31 December 2012: US$ 3.8 million).

Note 5 Share Options Issued to GreenOak

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

Under the terms of the transaction, the Company granted to the GreenOak founding partners ("Founders") options to purchase 3.9 million Shares (exercisable after 5 years and subject to further conditions) at a strike price of US$ 5.50. The aggregate fair value of the options granted at the transaction date was US$ 0.5 million. In order to reflect some key vesting requirements of the options which are not captured by the Black-Scholes model a 50% haircut was applied to the initial calculated valuation. This was derived as follows: restriction on transferability – 25%; requirement to repay working capital loan – 10%; exclusivity of Founders – 15%. These have been reviewed on a regular basis and as at 31 December 2013, the restriction on transferability is 10%, the requirement to repay the working capital loan is 5% and the exclusivity of Founders is 5%, reflecting the fact that the options are closer to their exercise dates. After this adjustment the haircut stands at 20%.

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

At 31 December 2013, the fair value of the options was US$ 10.7 million (31 December 2012: US$ 6.6 million).

Note 6 Incentive Fee

The Company pays the Investment Manager an incentive fee for each Calculation Period (a period of three months ending on 31 March, 30 June, 30 September and 31 December in each year or as otherwise determined by the Directors) equal to 25% of the increase in the 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.

Note 6 Incentive Fee (continued)

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

The "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 incentive fee for the year ended 31 December 2013 was US$ 64.9 million (31 December 2012: US$ 86.2 million). As at 31 December 2013, US$ 32.9 million was outstanding (31 December 2012: US$ 30.2 million).

Note 7 Share Capital

Authorized

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

Voting Shares

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

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.

Note 7 Share Capital (continued)

Shares (continued)

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

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

Share Transactions

	Voting Shares No.	Shares No. '000	Shares US$ '000
Shares in issue at 31 December 2011	10	115,968	116
Issued in lieu of stock dividend	-	1,530	2
Treasury Shares purchased during the year	-	(18,693)	(19)
Shares in issue at 31 December 2012	10	98,805	99
Issued in lieu of stock dividend	-	413	-
Issued through release of tranche of Escrow Shares	-	1,165	1
Treasury Shares purchased during the year	-	(1,445)	(1)
Shares in issue at 31 December 2013	10	98,938	99

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$ 53.9 million (31 December 2012: US$ 50.3 million) was declared, of which US$ 49.5 million was paid out as a cash dividend (31 December 2012: US$ 38.3 million), and the remaining US$ 4.4 million (31 December 2012: US$ 12.0 million) was reinvested under the Optional Stock Dividend Plan.

Treasury Shares

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

On 30 November 2007, the Company announced the implementation of a share repurchase program ("Program") of their outstanding Shares. This was renewed on several occasions, most recently on 14 January 2013 running until 30 April 2013 when it expired. As at 31 December 2013 there was no share repurchase program in place.

Note 7 Share Capital (continued)

Treasury Shares (continued)

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

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

As at 31 December 2013, 16.6 million Shares are held in TFG Holdings I (31 December 2012: 16.6 million) and 7.9 million Shares in the Treasury Account (31 December 2012: 6.5 million), with an aggregate attributed cost of US$ 210.1 million (31 December 2012: US$ 194.0 million).

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

Note 8 Share Premium

	31 Dec 2013 US$ '000	31 Dec 2012 US$ '000
Balance at start of year	964,966	1,128,567
Premium arising on issuance of Shares	14,329	11,992
Discount arising from purchase of Shares	(16,071)	(175,593)
Balance at end of year	963,224	964,966

Note 9 Related Party Transactions

The Investment Manager is entitled to receive management fees equal to 1.5% per annum of the Net Asset Value of the Company payable monthly in advance prior to the deduction of any accrued incentive fee. All fees and expenses of the Company including the Management and Administration fees, but excluding incentive fees from the Investment Manager, are paid by the Master Fund and allocated fully to the Company. An incentive fee may be paid to the Investment Manager as disclosed in Note 6.

Note 9 Related Party Transactions (continued)

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 the NYSE Euronext in Amsterdam exchange and will remain exercisable until the 10th anniversary of that date. The aggregate fair value of the options granted at the time of the global offering was US$ 11.8 million. The fair value of each option granted during 2007 was US$ 0.94 on the date of grant using the Binomial-pricing model with the following average assumptions: expected dividend yield 8%, risk-free interest rate of 5.306%, an expected life of 5 years and a volatility of 17.5%.

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

The remuneration for Directors shall be determined by resolution of the Voting Shareholder. Each of the Directors' annual fee is US$ 75,000 in compensation for service on the Boards of Directors of both the Company and the Master Fund. The Master Fund will pay the Directors' fees. Paddy Dear and Reade Griffith have waived their entitlement to a fee in respect of their services as Directors. The Directors are entitled to be repaid by the Company all travel, hotel and other expenses reasonably incurred by them in the discharge of their duties. None of the Directors has a contract with the Company or the Master Fund providing for benefits upon termination of employment.

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

Paddy Dear, Reade Griffith, and Rupert Dorey - all Directors of the Company and the Master Fund – maintained (directly or indirectly) interests in Shares of the Company as at 31 December 2013, with interests of 386,413, 1,186,209 and 92,311 Shares respectively (31 December 2012: 310,218, 1,036,209 and 88,940 Shares respectively). Messrs, Griffith and Dear also have a (direct or indirect) interest in the Escrow Shares (as defined below).

As described in Note 4 Polygon Management L.P. (now known as TFG Asset Management L.P.), 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 will be held in escrow until they vest over the period 2013 to 2017. These escrow Shares are eligible to participate in the optional stock dividend program, and as a result of subsequent dividends, further Shares were added to the relevant escrow accounts. As part of the Acquisition, Messrs. Griffith and Dear, as founders of Polygon, were awarded consideration in Shares which would vest between 2015 and 2017.

In particular, Messrs. Griffith and Dear, were initially allocated 5,539,954 and 1,955,291 Shares, respectively, and these are currently held in escrow pending release between 2015 and 2017. As at 31 December 2013, 5,908,198 Shares were held in escrow on behalf of Mr. Griffith and 2,085,254 on behalf of Mr. Dear.

Note 9 Related Party Transactions (continued)

It was also contractually agreed at the time of the Acquisition that they would be entitled to total annual compensation in respect of their executive role with the Company and its subsidiaries totaling not more than US$ 100,000 each. During the year ended 31 December 2013 total compensation paid to them each in this capacity by the Master Fund in aggregate was US$ 100,000.

Note 10 Dividends

	31 Dec 2013 US$ '000	31 Dec 2012 US$ '000
Quarter ended 31 December 2011 of US$ 0.105 per share	-	12,080
Quarter ended 31 March 2012 of US$ 0.105 per share	-	12,073
Quarter ended 30 June 2012 of US$ 0.115 per share	-	13,079
Quarter ended 30 September 2012 of US$ 0.115 per share	-	13,064
Quarter ended 31 December 2012 of US$ 0.135 per share	13,266	-
Quarter ended 31 March 2013 of US$ 0.135 per share	13,159	-
Quarter ended 30 June 2013 of US$ 0.14 per share	13,661	-
Quarter ended 30 September 2013 of US$ 0.14 per share	13,836	-
	53,922	50,296

The fourth quarter dividend of US$ 0.15 per share was approved by the Directors on 26 February 2014 and has not been included as a liability in these financial statements.

Note 11 Earnings per Share

	Year ended 31 Dec 2013 US$ '000	Year ended 31 Dec 2012 US$ '000
The calculation of the basic and diluted earnings per share is based on the following data:		
Earnings for the purposes of basic earnings per share being net profit attributable to shareholders for the year	224,265	357,158
Weighted average number of Shares for the purposes of basic earnings per share	98,017	113,347
Effect of dilutive potential Shares:		
Share based employee compensation	11,281	11,836
Share options	13	-
Weighted average number of Shares for the purposes of diluted earnings per share	109,311	125,183

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.

Note 11 Earnings per Share (continued)

In respect of share based employee compensation, it is assumed that all of the Shares currently held in escrow will be released, thereby increasing the weighted average number of Shares. This includes Shares which are scheduled to vest and be released between 2014 and 2017.

In respect of share options, the intrinsic value of the Shares issued to the Investment Manager in connection with the global offering in 2007 (see Note 9) is calculated using the Company's quoted Share price on the last business day prior to the 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.

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

Note 12 Retained Earnings

	31 Dec 2013 US$ '000	31 Dec 2012 US$ '000
Balance at start of year	640,745	333,883
Net increase in net assets resulting from operations for the year	224,267	357,158
Dividends paid	(53,922)	(50,296)
Stock dividends on Shares released from Escrow	(592)	-
Balance at end of year	810,498	640,745

Note 13 Other Matters

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

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

The Company, the Master Fund and their Boards of Directors have stated that they believe that the Action is factually and legally without merit and intend to seek to have the Action dismissed as quickly as possible. On 13 January 2014, all defendants filed a motion to dismiss the Action in its entirety.

On 22 February 2011, the Company and the Master Fund and their six directors were served with proceedings in the Royal Court of Guernsey (the "Guernsey Proceedings") instigated by one of the Company's former directors, Alexander Jackson, seeking to impugn the Company's decision to enter into a joint venture with GreenOak.

Note 13 Other Matters (continued)

On 26 March 2013, Lieutenant Bailiff Patrick Talbot of the Royal Court of Guernsey dismissed the Guernsey Proceedings having determined that the entire claim should be struck out as an abuse of process as no aspect of it satisfied the standard for bringing such a derivative action in Guernsey. Lieutenant Bailiff Talbot also awarded costs against Mr. Jackson. On 10 September 2013, the Court of Appeal of the Island of Guernsey ordered the discontinuance of Mr. Jackson's appeal of the Guernsey Proceedings, Mr. Jackson having paid costs of such appeal.

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

Note 14 Subsequent Events

On 10 February 2014 the Company and the Master Fund announced the commencement of a tender offer (the "Offer") to purchase a portion of the Shares of the Company for a maximum aggregate payment of US$50.0 million in cash. The Offer will be conducted as a "modified Dutch auction" with Shareholders able to tender their Shares at prices ranging from US$ 10.30 up to and including US$ 11.50 per share (in increments of US$0.10). The Offer is expected to expire at 11:59 p.m. Eastern Daylight Time on 10 March 2014, unless terminated earlier, is more fully described in the Offer to Purchase, which may be found on the Company's Website.

Note 15 Recent Changes to U.S. GAAP

In June 2013, the FASB issued ASU No. 2013-08, "Financial Services - Investment Companies (Topic 946) - Amendments to the Scope, Measurement, and Disclosure Requirements." ASU No. 2013-08 clarifies the approach to be used for determining whether an entity is an investment company and provides new measurement and disclosure requirements. ASU No. 2013-08 is effective for interim and annual reporting periods in fiscal years that begin after 15 December 2013. Earlier application is prohibited. Adoption of ASU No. 2013-08 is not expected to materially affect the Company's financial condition, results of operations, or cash flows.

Note 16 Approval of Financial Statements

The Directors approved the financial statements on 26 February 2014.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

TETRAGON FINANCIAL GROUP MASTER FUND LIMITED

FOR THE YEAR ENDED 31 DECEMBER 2013

TETRAGON FINANCIAL GROUP MASTER FUND LIMITED

AUDITED CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2013

CONTENTS

TETRAGON FINANCIAL GROUP MASTER FUND LIMITED

DIRECTORS' REPORT
For the year ended 31 December 2013

The Directors present to the shareholders their report together with the audited consolidated financial statements for the year ended 31 December 2013.

THE FUND

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

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

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

INVESTMENT OBJECTIVE

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

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 consolidated financial statements to the Shareholders of Tetragon Financial Group Limited (the "Feeder").

DIRECTORS

The Directors who held office during the year were:

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

* Independent non-executive Directors

The remuneration for Directors is determined by resolution of the Voting Shareholder. Each of the Directors' annual fee is US$ 75,000 in compensation for service on the Board of Directors of both the Fund and the Feeder and is paid by the Fund. Paddy Dear and Reade Griffith have waived their entitlement to a fee.

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 shares 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$ 0.135 per share for the Quarter Ended 31 December 2012, US$ 0.135 per share for the Quarter Ended 31 March 2013, US$ 0.14 for the Quarter Ended 30 June 2013 and US$ 0.14 for the Quarter Ended 30 September 2013. The total dividend declared during the year ended 31 December 2013 amounted to US$ 53.9 million or US$ 0.55 per share (31 December 2012: US$ 50.3 million or US$ 0.44 per share). On 26 February, the Directors have declared a dividend US$ 0.15 for the Quarter Ended 31 December 2013.

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. Under that law, they have elected to prepare the financial statements in conformity with U.S. generally accepted accounting principles ("U.S. GAAP") 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 that 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 confirm that they have complied with the above requirements in preparing the financial statements.

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.

STATEMENT OF DIRECTORS' RESPONSIBILITIES (continued)

The Directors confirm that they have complied with the above requirements in preparing the financial statements and that to the best of our knowledge and belief:

- This annual report includes a fair review of the development and performance of the businesses and the position of the Fund together with a description of the principal risks and uncertainties that the Fund faces; and
- The financial statements, prepared in conformity with U.S. GAAP give a true and fair view of the assets, liabilities, financial position and results of the Fund.

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 has been appointed as the 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:

Rupert Dorey, Director
David Jeffreys, Director

Date: 26 February 2014

Independent auditor's report to the members of Tetragon Financial Group Master Fund Limited

We have audited the consolidated financial statements (the "financial statements") of Tetragon Financial Group Master Fund Limited (the "Fund" or "Group") for the year ended 31 December 2013 which comprise the Consolidated Statements of Assets and Liabilities, the Consolidated Statements of Operations, the Consolidated Statements of Changes in Net Assets, the Consolidated Statements of Cash Flows, the Consolidated Condensed Schedule of Investments, the Financial Highlights and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and U.S. generally accepted accounting principles.

This report is made solely to the Fund's members, as a body, in accordance with section 262 of the Companies (Guernsey) Law, 2008. Our audit work has been undertaken so that we might state to the Fund's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Fund and the Fund's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' Responsibilities set out on page 3 and 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Board of Directors; and the overall presentation of the financial statements. In addition, we read all the financial and nonfinancial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 December 2013 and of its net income for the year then ended;
- are in conformity with U.S. generally accepted accounting principles; and
- comply with the Companies (Guernsey) Law, 2008.

Independent auditor's report to the members of Tetragon Financial Group Master Fund Limited (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies (Guernsey) Law, 2008 requires us to report to you if, in our opinion:

- the Fund has not kept proper accounting records; or
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations, which to the best of our knowledge and belief are necessary for the purpose of our audit.

Chartered Accountants
Guernsey

Date: 26 February 2014
Address: 20 New Street, St Peter Port Guernsey, GY1 4AN

TETRAGON FINANCIAL GROUP MASTER FUND LIMITED

CONSOLIDATED STATEMENTS OF ASSETS AND LIABILITIES
As at 31 December 2013

	Note	31 Dec 2013 US$ '000	31 Dec 2012 US$ '000
Assets			
Investments, at fair value	2, 3	1,532,980	1,440,437
Management contracts	2, 4	36,544	43,395
Cash and cash equivalents	6	245,912	175,941
Amounts due from brokers	8	41,975	13,112
Derivative financial assets	7	15,159	7,620
Property, plant and equipment	2	276	30
Deferred tax asset	15	7,711	-
Prepaid income tax		562	-
Other receivables	9	26,588	15,620
Total assets		1,907,707	1,696,155
Liabilities			
Derivative financial liabilities	7	3,261	2,180
Other payables and accrued expenses	10	46,998	31,361
Income tax payable	15	600	2,094
Deferred tax liability	15	10,117	2,244
Total liabilities		60,976	37,879
Net assets		1,846,731	1,658,276
Equity			
Share capital	11	99	99
Share premium	12	922,447	924,189
Retained earnings	14	906,583	730,139
Capital contribution	19	17,602	3,849
		1,846,731	1,658,276
Shares outstanding		**Number '000**	**Number '000**
Shares	11	98,938	98,805
Net Asset Value per share		US$ 18.67	US$ 16.78

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

Signed on behalf of the Board of Directors by:

Rupert Dorey, Director
David Jeffreys, Director

26 February 2014

TETRAGON FINANCIAL GROUP MASTER FUND LIMITED

CONSOLIDATED STATEMENTS OF OPERATIONS
For the year ended 31 December 2013

	Note	Year ended 31 Dec 2013 US$ '000	Year ended 31 Dec 2012 US$ '000
Interest income	16	204,779	235,596
Fee income	17	74,336	36,704
Dividend income		80	-
Other income – cost recovery	2, 21	21,101	6,773
Investment income		300,296	279,073
Employee costs	21	(49,942)	(21,022)
Management fees	21	(25,124)	(23,564)
Share based employee compensation	19	(23,096)	(3,849)
Legal and professional fees	22	(9,148)	(12,369)
Audit fees		(374)	(376)
Other operating and administrative expenses		(25,339)	(8,791)
Operating expenses		(133,023)	(69,971)
Net investment income		167,273	209,102
Net realized and unrealized gain from investments and foreign currency			
Net realized gain / (loss) from:			
Investments		10,451	5,334
Derivative financial instruments		6,728	(15,820)
Foreign currency transactions		(5,259)	5,561
		11,920	(4,925)
Net increase in unrealized appreciation on:			
Investments		106,137	191,275
Derivative financial instruments		7,838	1,079
Translation of assets and liabilities in foreign currencies		8,856	2,359
		122,831	194,713
Net realized and unrealized gain from investments and foreign currency		134,751	189,788
Bargain purchase	19	-	54,774
Net increase from operations before tax		302,024	453,664
Income and deferred tax expense	15	(8,796)	(3,574)
Net income		293,228	450,090
Net income attributable to:			
Owners of the Company		293,228	448,399
Noncontrolling interest	11	-	1,691
		293,228	450,090

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

TETRAGON FINANCIAL GROUP MASTER FUND LIMITED

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
For the year ended 31 December 2013

	Note	Year ended 31 Dec 2013 US$ '000	Year ended 31 Dec 2012 US$ '000
From operations:			
Net investment income		167,273	209,102
Net realized gain / (loss) from investments and foreign currency		11,920	(4,925)
Net increase in unrealized appreciation on investments and translation of assets and liabilities in foreign currencies		122,831	194,713
Bargain purchase		-	54,774
Income and deferred tax expense	15	(8,796)	(3,574)
Net income after tax		293,228	450,090
Share based employee compensation		23,096	3,849
Net increase in net assets resulting from operations		316,324	453,939
Dividends paid to Feeder	13	(62,270)	(79,217)
Dividends paid to other shareholders	13	(53,922)	(50,296)
Distributions paid to noncontrolling interest	11	-	(1,845)
Total distributions		(116,192)	(131,358)
Issue of Shares	11	4,395	11,994
Purchase of Treasury Shares	11	(16,072)	(175,612)
Decrease in net assets resulting from capital transactions		(11,677)	(163,618)
Total increase in net assets		188,455	158,963
Net assets at start of year		1,658,276	1,499,313
Net assets at end of year		1,846,731	1,658,276

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

TETRAGON FINANCIAL GROUP MASTER FUND LIMITED

CONSOLIDATED STATEMENTS OF CASH FLOWS
For the year ended 31 December 2013

	Year ended 31 Dec 2013 US$ '000	Year ended 31 Dec 2012 US$ '000
Operating activities		
Net income	293,228	450,090
Adjustments for:		
Realized (gains) / losses on investments and derivatives	(17,179)	10,486
Cash received on investments in excess of interest income	254,350	229,619
Amortization on intangible assets	6,851	1,242
Depreciation on fixed assets	190	-
Bargain purchase	-	(54,774)
Share based employee compensation	23,096	3,849
Unrealized gains	(122,831)	(194,713)
Deferred tax	162	1,558
Operating cash flows before movements in working capital	437,867	447,357
Increase in receivables	(11,530)	(12,866)
Increase in payables	14,143	25,344
Cash flows from operations	440,480	459,835
Purchase of fixed assets	(436)	-
Proceeds from sale / prepayment / maturity of investments	116,739	89,626
Net proceeds from swap resets	5,528	-
Purchase of investments	(335,423)	(292,782)
Net cash provided by operating activities	226,888	256,679
Financing activities		
Amounts due from brokers	(28,863)	2,736
Proceeds from issue of Shares	4,395	11,994
Treasury Shares	(16,072)	(176,072)
Dividends paid to shareholders	(53,922)	(50,296)
Dividends paid to Feeder in lieu of incentive fee liability	(62,270)	(79,217)
Distributions to noncontrolling interest	-	(1,845)
Net cash used in financing activities	(156,732)	(292,700)
Net increase / (decrease) in cash and cash equivalents	70,156	(36,021)
Cash and cash equivalents at beginning of year	175,941	211,513
Effect of exchange rate fluctuations on cash and cash equivalents	(185)	449
Cash and cash equivalents at end of year	245,912	175,941

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

TETRAGON FINANCIAL GROUP MASTER FUND LIMITED

CONSOLIDATED CONDENSED SCHEDULE OF INVESTMENTS
As at 31 December 2013

Security Description	**Nominal '000**	**Cost US$ '000**	**Fair Value US$ '000**	**% of Net Assets**
United States CLO Equity				
Cayman Islands				
ABS and Structured Finance	18,400	17,572	-	-
Broadly Syndicated Senior Secured Loans	1,221,034	1,104,937	798,620	43.25%
CDOs Squared	17,250	16,640	-	-
Middle Market Senior Secured Loans	245,249	227,357	137,524	7.45%
	1,501,933	1,366,506	936,144	50.70%
European CLO Equity				
Ireland				
Broadly Syndicated Senior Secured Loans	127,400	155,917	101,771	5.51%
	127,400	155,917	101,771	5.51%
Luxembourg				
Broadly Syndicated Senior Secured Loans	71,100	84,317	59,916	3.24%
	71,100	84,317	59,916	3.24%
Netherlands				
Broadly Syndicated Senior Secured Loans	24,000	31,759	22,656	1.23%
	24,000	31,759	22,656	1.23%
United States CLO Mezzanine				
Cayman Islands				
Broadly Syndicated Senior Secured Loans	1,750	1,103	1,699	0.09%
	1,750	1,103	1,699	0.09%
Loans				
United States Broadly Syndicated Senior Secured Loans	33,816	33,482	34,017	1.84%
Global Unsecured Loan	10,000	10,000	11,069	0.60%
	43,816	43,482	45,086	2.44%
Listed Stock				
Germany – Equity Investments		45	49	0.00%
United Kingdom – Equity Investments		10,812	11,158	0.61%
		10,857	11,207	0.61%
Unlisted Stock				
Global Financial Real Estate Investment Manager		10,728	28,400	1.54%
		10,728	28,400	1.54%
Investment Funds				
United States – Real Estate		26,658	26,791	1.45%
Japan – Real Estate		12,296	10,820	0.59%
United Kingdom – Real Estate		22,148	23,159	1.25%
Global – Hedge Funds – Equities		55,000	56,554	3.06%
Polygon European Equity Opportunity Fund*		105,000	124,570	6.74%
Global – Hedge Funds – Credit and Convertible Bonds		80,000	84,207	4.57%
		301,102	326,101	17.66%
Total Investments		**2,005,771**	**1,532,980**	**83.02%**

*The investment in the Polygon European Equity Opportunity Fund consists of 515,988 units in Class A, 355,786 units in Class B and 154,838 units in Class C as at 31 December 2013.

TETRAGON FINANCIAL GROUP MASTER FUND LIMITED

CONSOLIDATED CONDENSED SCHEDULE OF INVESTMENTS (continued)
As at 31 December 2013

Financial Derivative Instruments	**Fair Value US$ '000**	**% of Net Assets**
Interest Rate Swaptions	12,050	0.65%
Forward Foreign Currency Exchange Contracts	(3,183)	(0.17)%
Equity Total Return Swaps	3,031	0.16%
Total Financial Derivative Instruments	11,898	0.64%
Cash and Cash Equivalents	245,912	13.31%
Other Assets and Liabilities	55,941	3.03%
Net Assets	1,846,731	100.00%

TETRAGON FINANCIAL GROUP MASTER FUND LIMITED

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

Security Description	Nominal '000	Cost US$ '000	Fair Value US$ '000	% of Net Assets
United States CLO Equity				
Cayman Islands				
ABS and Structured Finance	18,400	17,572	-	-
Broadly Syndicated Senior Secured Loans	1,172,872	1,057,015	908,707	54.80%
CDOs Squared	17,250	16,640	-	-
Middle Market Senior Secured Loans	245,249	227,357	180,079	10.86%
	1,453,771	1,318,584	1,088,786	65.66%
European CLO Equity				
Ireland				
Broadly Syndicated Senior Secured Loans	127,400	155,917	75,069	4.53%
	127,400	155,917	75,069	4.53%
Luxembourg				
Broadly Syndicated Senior Secured Loans	65,100	80,652	32,233	1.94%
	65,100	80,652	32,233	1.94%
Netherlands				
Broadly Syndicated Senior Secured Loans	24,000	31,759	18,323	1.10%
	24,000	31,759	18,323	1.10%
United States CLO Mezzanine				
Cayman Islands				
Broadly Syndicated Senior Secured Loans	1,750	1,103	1,569	0.09%
	1,750	1,103	1,569	0.09%
Loans				
United States Broadly Syndicated Senior Secured Loans	114,253	112,231	114,057	6.88%
Global Unsecured Loan	9,500	9,500	10,091	0.61%
	123,753	121,731	124,148	7.49%
Unlisted Stock				
Global Financial Real Estate Manager		10,728	18,126	1.09%
		10,728	18,126	1.09%
Investment Funds				
United States – Real Estate		14,863	14,789	0.89%
Japan – Real Estate		3,847	3,821	0.23%
United Kingdom – Real Estate		7,036	7,074	0.43%
Global – Hedge Funds – Equities		45,000	46,429	2.80%
Global – Hedge Funds – Credit and Convertible Bonds		10,000	10,070	0.61%
		80,746	82,183	4.96%
Total Investments		**1,801,220**	**1,440,437**	**86.86%**

Financial Derivative Instruments

	Fair Value US$ '000	% of Net Assets
Interest Rate Swaptions	7,620	0.46%
Forward Foreign Currency Exchange Contracts	(2,180)	(0.13)%
Total Financial Derivative Instruments	5,440	0.33%
Cash and Cash Equivalents	175,941	10.61%
Other Assets and Liabilities	36,458	2.20%
Net Assets	1,658,276	100.00%

TETRAGON FINANCIAL GROUP MASTER FUND LIMITED

FINANCIAL HIGHLIGHTS
For the year ended 31 December 2013

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 2013 and the year ended 31 December 2012.

	31 Dec 2013 US$	31 Dec 2012 US$
Per Share operating performance		
Net Asset Value at start of year	16.78	12.93
Net investment income	1.71	1.85
Net realized and unrealized gain from investments, derivatives and foreign currencies	1.37	1.68
Bargain purchase	-	0.48
Share based employee compensation	0.24	0.03
Dividends paid to shareholders	(1.19)	(1.15)
Income and deferred tax expense and noncontrolling interest	(0.09)	(0.04)
Other capital transactions	(0.15)	1.00
Net Asset Value at the end of the year	18.67	16.78

Pro Forma Fully Diluted NAV per Share	Shares '000	Shares '000
Shares outstanding	98,938	98,805
Shares held in escrow	11,281	11,836
Pro Forma Fully Diluted Shares	110,219	110,641
Pro Forma Fully Diluted Net Asset Value per Share	US$ 16.76	US$ 14.99
Return (NAV change excluding dividends and other capital transactions)	19.25%	38.66%

Ratios and supplemental data		
Ratio to average net assets:		
Total operating expenses	(6.44%)	(3.90%)
Net investment income	9.80%	13.34%

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

Note 1 General Information

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 Fund continues to be registered and domiciled in Guernsey.

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

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

Note 2 Significant Accounting Policies

Basis of Presentation

The consolidated financial statements give a true and fair view, are prepared in conformity with U.S. GAAP and comply with The Companies (Guernsey) Law, 2008.

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

Except for new standards adopted, the accounting policies have been consistently applied by the Fund during the year ended 31 December 2013 and are consistent with those used in the previous year.

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

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and the accompanying notes, including the valuation of investments. The Fund's management believes that the estimates utilized in preparing the consolidated financial statements are reasonable and prudent, however actual results could differ materially from these estimates.

Foreign Currency Translation

Transactions in foreign currencies are translated at the foreign currency exchange rate ruling at the date of the transaction. All assets and liabilities denominated in foreign currencies are translated to U.S. Dollars at the foreign currency closing exchange rate ruling at the reporting date. Foreign currency exchange differences arising on translation and realized gains and losses on disposals or settlements of monetary assets and liabilities are recognized in the Consolidated Statements of Operations.

Foreign currency exchange differences relating to derivative financial instruments are included in foreign currency transactions and translation of assets and liabilities in foreign currencies in the Consolidated Statements of Operations. All other foreign currency exchange differences relating to monetary items, including cash and cash equivalents and investments, are included in the foreign currency transactions and translation of assets and liabilities in foreign currencies in the Consolidated Statements of Operations.

Note 2 Significant Accounting Policies (continued)

Investment Transactions and Investment Income

Investment transactions are recorded on a trade date basis (the trade date is the date that an entity commits to purchase or sell an asset). Realized gains and losses from CLO equity and mezzanine securities, leveraged loans, forwards, swaptions, investment funds, swaps, contracts for difference, listed stock and unlisted stock are calculated on the identified historical cost basis. Interest income is recognized on an effective interest rate basis.

Financial Instruments

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

In the absence of an active market for the equity tranche investments in securitization vehicles, a mark to model approach has been adopted to determine their valuation. A third party valuation model that is used by the Investment Manager and the Administrator has been selected for this purpose. The model contains characteristics of the securitization vehicle structure, including current assets and liabilities and inception to date performance, based upon information derived by a specialist firm, from data sources such as the trustee reports. Key model inputs include asset spreads, expected defaults and expected recovery rates for the relevant category of underlying collateral held in the securitization vehicle. These inputs are derived by reference to a variety of market sources, which are used by both the Investment Manager and the Administrator. The model is used to project performance ("Expected IRR") for each investment, based on performance to date and expected future cash flows as well as to calculate fair value. As cash is received from the securitization vehicle, only the Expected IRR is recognized as income and any difference is treated as an adjustment of principal.

The fair value calculations for the equity tranches are sensitive to the key model inputs, including amongst other things, defaults and recovery rates. The default rate, recovery rate and other assumptions are determined by reference to a variety of observable market sources and applied according to the quality and asset class mix of the underlying collateral.

The model assumptions are reviewed on a regular basis and adjusted as appropriate to factor in historic, current and potential market developments. A different set of forward looking assumptions is applied according to whether the security is characterized as being U.S. or European.

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

In accordance with ASC 325, the excess of the estimated future cash flows over the initial investment is the accretable yield which is recognized as interest income over the life of the investment using the effective yield method. Cash distributions received from investments under ASC 325 may not necessarily equal the income earned during any given year or period. The amortized cost of each investment is equal to the initial investment plus the yield accrued to date less all cash received to date less any write downs for impairment.

Investments are evaluated for impairment as of each month end or more frequently if the Fund becomes aware of any material information that would lead it to believe an investment may be impaired. Unrealized gains and losses occur when actual cash receipts differ from the amounts initially estimated, discount rates and / or assumptions included in the fair valuation models (such as estimated default rates, prepayment or recovery rates) have changed. Any investment with unrealized loss is tested for permanent impairment as required by ASC 325.

Note 2 Significant Accounting Policies (continued)

Financial Instruments (continued)

Investments in leveraged loans, at fair value

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

Investments in CLO mezzanine tranche investments, at fair value

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

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

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

Investments in unlisted investment funds, at fair value

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

Forward currency contracts, at fair value

Forward currency contracts are recognized at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models, as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

The best evidence of fair value of a forward contract at initial recognition is the transaction price. Subsequent changes in the fair value of any forward contract are recognized immediately in the Consolidated Statements of Operations.

Interest rate swaptions, at fair value

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

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

Note 2 Significant Accounting Policies (continued)

Financial Instruments (continued)

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. Realized and unrealized gains and losses are included in the Consolidated Statements of Operations.

Property, Plant and Equipment

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

Cash and Cash Equivalents

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

Management Contracts

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

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

Principles of Consolidation

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

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

The Fund is the primary beneficiary of some securities which are considered variable interest entities ("VIE"). As the Fund is accounting for its investments at fair value in accordance with the accounting guidance in the AICPA Audit and Accounting Guide: Investment Companies and has determined that it does not have control over the significant operational and financial decisions of these securities, consolidation of these entities is not required. At 31 December 2013, the fair value of these VIEs is approximately US$ 1,446.6 million (31 December 2012: US$ 1,296.6 million).

Note 2 Significant Accounting Policies (continued)

Principles of Consolidation (continued)

These are non-recourse securities with no contingent liabilities where the Fund's maximum loss exposure is capped at the current carrying value.

Business Combinations

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

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

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

Share Based Employee Compensation

Share-based compensation expense for all 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 performance vesting conditions, on a straightline basis over the requisite service period of the award. These compensation costs are determined at the aggregate grant level for service-based awards and at the individual vesting tranche level for awards with performance conditions.

The Feeder issues the shares to the employees or providers of employment like services whereas the Fund receives the related services, and consequently the share based payments expense is recognized as a capital contribution. When the shares are actually issued the fair value of the shares, as determined at the time of the award, is debited against capital contribution. Any associated stock dividends accrued on the original award are debited against retained earnings and credited to share capital and share premium using the value determined by the stock reference price at the date of each applicable dividend.

Fee Income

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

Dividend Income

Dividend income is recorded on the ex-dividend date, or when the information becomes available to the Fund.

Other Income

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

Note 2 Significant Accounting Policies (continued)

Expenses

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

Taxation

Income taxes, Fund

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

Income taxes, Corporate Entities

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Deferred tax assets are recognized for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that is no longer probable that the related tax benefit will be realized.

In accordance with ASC Subtopic 740-10 – Income Taxes – Overall, the Fund recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. There were no uncertain tax positions recognized at 31 December 2013.

Dividend Expense

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

Note 3 ASC 820, Fair Value Measurements

The Fund adopted the provisions of "Fair Value Measurements" (ASC 820). ASC 820 defines fair value as the price that the Fund would receive to sell an asset or pay to transfer a liability in an orderly transaction between market participants at the measurement date.

ASC 820 also establishes a framework for measuring fair value and a three level hierarchy for fair value measurement based upon the transparency of inputs to the valuation of an asset or liability. Inputs may be observable or unobservable and refer broadly to the assumptions that market participants would use in pricing the asset or liability.

The three levels of the fair value hierarchy are described below:

- Level 1 - Quoted in active markets for identical investments.
- Level 2 - Prices determined using other significant observable inputs. These may include quoted prices for similar securities, interest rates, prepayments speeds, credit risk and others.
- Level 3 - Unobservable inputs. Unobservable inputs reflect assumptions market participants would be expected to use in pricing the asset or liability.

Note 3 ASC 820, Fair Value Measurements (continued)

The following is a summary of investments by asset class and level as of 31 December 2013 in valuing the Fund's assets carried at fair value:

	Level 1 US$ '000	Level 2 US$ '000	Level 3 US$ '000	Total Fair Value US$ '000
CLO Equity Tranches	-	-	1,120,487	1,120,487
CLO Mezzanine	-	1,699	-	1,699
Broadly Syndicated Senior Secured Loans	-	34,017	-	34,017
Unsecured Loan	-	-	11,069	11,069
Unlisted Stock	-	-	28,400	28,400
Listed Stock	11,207	-	-	11,207
Collective Investment Schemes	-	265,331	60,770	326,101
Interest rate swaptions	-	12,050	-	12,050
Forward foreign exchange contracts	-	(3,183)	-	(3,183)
Equity total return swaps	-	3,031	-	3,031
	11,207	312,945	1,220,726	1,544,878

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

The following is a summary of investments by asset class and level as of 31 December 2012 in valuing the Fund's assets carried at fair value:

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

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 2013.

	CLO Equity Tranches US$ '000	Unsecured Loan US$ '000	Unlisted Stock US$ '000	Collective Investment Scheme US$ '000	Total US$ '000
Balance at start of year	1,214,411	10,091	18,126	25,684	1,268,312
Purchases of investments	73,145	500	-	43,516	117,161
Proceeds from sale of investments	-	-	-	(11,461)	(11,461)
Realized gain / change in unrealized appreciation	87,281	478	10,274	3,031	101,064
Amortization	(254,350)	-	-	-	(254,350)
Balance at end of year	1,120,487	11,069	28,400	60,770	1,220,726

Note 3 ASC 820, Fair Value Measurements (continued)

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

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

Quantitative information about Level 3 Fair Value Measurements

Investments in securities	Balance at 31 December 2013 US$ '000	Valuation methodology	Unobservable inputs	Range
CLO Equity Tranches	1,120,487	Market standard model	See investments in CLO equity tranche investments	(I)
Unsecured Loan	11,069	Market standard model	Cost of financing for loan counterparty	3-6%
Common Stock	28,400	Market standard model	Price / earnings ratios Valuation as % of assets under management	6.5x - 10.5x 3-5%
Collective Investment Scheme	60,770	Net asset value of underlying investment companies	Lock up period	N/A

Investments in securities	Balance at 31 December 2012 US$ '000	Valuation methodology	Unobservable inputs	Range
CLO Equity Tranches	1,214,411	Market standard model	See investments in CLO equity tranche investments	(I)
Unsecured Loan	10,091	Market standard model	Cost of financing for loan counterparty	3-6%
Common Stock	18,126	Market standard model	Valuation as % of assets under management	2-5%
Collective Investment Scheme	25,684	Net asset value of underlying investment companies	Lock up period	N/A

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

Note 3 ASC 820, Fair Value Measurements (continued)

Quantitative information about Level 3 Fair Value Measurements (continued)

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

The common stock investment referenced in the table above is a 23% stake in GreenOak. As the GreenOak business has developed certain market metrics such as multiples of earnings have become more relevant than others such as discounted cash flows. As at 31 December 2013 the primary market metric utilised were price / earnings multiples (as indicated in the table above). A range of market derived multiples were applied to projected profitability of GreenOak and a valuation was selected from the range of fair values calculated. Given the greater inherent uncertainty in an early stage business a fair value in the 75th percentile was selected (i.e. in the lower half of the range). If the multiples applied to the projected profitability were decreased then the fair value range would also be decreased.

The collective investment schemes are valued using the net asset value of the underlying investment companies using the approach known as the "practical expedient". This is in accordance with ASU 2009-12.

(1) CLO equity tranche investments

As disclosed in Note 2, a mark to model approach has been adopted to determine the valuation of the equity tranche CLO investments. As at 31 December 2013, some of the modeling assumptions used are disclosed below.

U.S. CLO equity tranche investments –

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

	31 December 2013	**31 December 2012**
Constant Annual Default Rate ("CADR")	Approximately 2.2%, which is 1.0x the original Weighted Average Rating Factor ("WARF") derived base-case default rate for the life of the transaction.	Approximately 2.2%, which is 1.0x the original Weighted Average Rating Factor ("WARF") derived base-case default rate for 2013-14 before changing to 2.75% or 1.25x the original base-case for 2015-17 and returning to 1.0x the base case thereafter.
Recovery Rate	73%, which is 1.0x of the original base-case assumed weighted-average recovery rate, for the life of the transaction.	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., the original base-case prepayment rate with a 0% prepayment rate on bonds throughout the life of the transaction.	20% p.a., the original base-case prepayment rate with a 0% prepayment rate on bonds throughout the life of the transaction.
Reinvestment Price and Spread	Assumed reinvestment price is par for the life of the transaction, with an effective spread over LIBOR of approximately 289 bps on broadly U.S. syndicated loans and 328 bps on middle market loans for the life of the transaction.	Assumed reinvestment price is par for the life of the transaction, with an effective spread over LIBOR of approximately 284 bps on broadly U.S. syndicated loans and 328 bps on middle market loans for the life of the transaction.

Note 3 ASC 820, Fair Value Measurements (continued)

European CLO equity tranche investments -

	31 December 2013	31 December 2012
Constant Annual Default Rate ("CADR")	Approximately 2.6%, which is 1.25x the original WARF derived base-case default rate for 2013-14, changing to 2.1% or 1.0x the original base-case thereafter.	Approximately 3.1%, which is 1.5x the original WARF derived base-case default rate for 2013-14, changing to 2.6% or 1.25x the original base-case for 2015-17, changing to the original base-case thereafter.
Recovery Rate	68%, which is 1.0x of the original base-case assumed weighted-average recovery rate, for the life of the transaction.	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., the original base-case prepayment rate with a 0% prepayment rate on bonds throughout the life of the transaction.	20% p.a., the original base-case prepayment rate with a 0% prepayment rate on bonds throughout the life of the transaction.
Reinvestment Price and Spread	The assumed reinvestment price is par for the life of the transaction with an effective spread over LIBOR of approximately 272 bps.	The assumed reinvestment price is par for the life of the transaction with an effective spread over LIBOR of approximately 272 bps.

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

As at 31 December 2013, for the pre-2010 vintage U.S. equity tranches, the Fund applies a 13.0% discount rate to the expected future cashflows (31 December 2012: 17.5% discount rate to those equity tranches determined to be relatively stronger in terms of structure and credit quality and 22.5% to remainder). The European equity tranches are all discounted at 17.0% (31 December 2012: 27.5%). For both U.S. and European deals the aforementioned discount rates represent a significant spread over observed yields on the applicable BB-rated CLO tranches for each geographical region at that date.

For the post-2010 vintage U.S. equity tranches the applicable discount rate is determined with reference to each deal's specific IRR, which, in the absence of other observable data points, is deemed to be the most appropriate indication of the current risk premium on these structures. At the year end, the discount rate applied to these deals ranged from 7.3% to 16.1% with a weighted average of 11.6% (31 December 2012: 9.7% to 15.1% with a weighted average of 12.4%). Such deals represented approximately 17.7% (31 December 2012: 14.3%) of the CLO equity portfolio by fair value.

Note 4 Management Contracts

During 2012, the Fund acquired TFG Asset Management L.P. (formerly known as Polygon Management L.P.) and certain of its affiliates. Of the assets that were purchased, intangible assets consisting of management contracts for hedge funds and private equity funds were identified. These are tested for impairment on a regular basis and are amortized over an estimated useful life as detailed below.

31 December 2013

	Weighted average amortization period	Gross carrying amount US$ '000	Weighted average outstanding amortization period	Accumulated amortization US$ '000	Net carrying amount US$ '000
Amortizing intangible assets:					
Management contracts – hedge funds	10 years	34,282	8 years 10 months	4,000	30,282
Management contracts – private equity	3 years	10,246	1 year 10 months	3,984	6,262
CLO Management contracts	3 years	303	-	303	-
Total		44,831		8,287	36,544

31 December 2012

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

Aggregate amortization expense for amortizing intangible assets was US$ 6.9 million for the year ended 31 December 2013 (31 December 2012: US$ 1.2 million). Estimated amortization expense for the next nine years is US$ 6.8 million in 2014, US$ 6.3 million in 2015, US$ 3.4 million in years 2016 to 2021 and US$ 3.0 million in 2022.

Note 5 GreenOak

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

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

	31 Dec 2013 US$ '000	31 Dec 2012 US$ '000
Opening fair value	18,126	482
Purchase	-	10,246
Change in unrealized appreciation	10,274	7,398
Closing fair value	28,400	18,126

Note 5 GreenOak (continued)

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

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

	31 Dec 2013 US$ '000	31 Dec 2012 US$ '000
Opening fair value	10,091	7,051
Working capital contributed	500	2,625
Unrealized appreciation	478	415
Closing fair value	11,069	10,091

Note 6 Cash and Cash Equivalents

	31 Dec 2013 US$ '000	31 Dec 2012 US$ '000
Cash and current deposits with banks	237,899	164,895
Foreign currency cash with banks (cost: US$ 7.9 million (31 December 2012: US$ 10.8 million))	8,013	11,046
	245,912	175,941

Of this cash balance, approximately US$ 4.5 million was held with respect to certain capital requirements in regulated entities (31 December 2012: US$ 4.5 million).

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

To the extent prices may be obtained on some or all of the Fund's assets, those prices may be extremely volatile, and will generally fluctuate due to a variety of factors that are inherently difficult to predict, including, but not limited to, changes in interest rates, prevailing credit spreads, general economic conditions, financial market conditions, domestic and international economic or political events, developments or trends in any particular industry, and the financial condition of the obligors of the Fund's assets.

The Fund's assets include securities or other financial instruments or obligations which are very thinly traded or for which no market exists or which are restricted as to their transferability under applicable securities laws. The valuation of the CLO equity tranche investments is determined using a third-party cash flow modeling tool.

The model contains certain assumption inputs that are reviewed and adjusted as appropriate to factor in how historic, current and potential market developments (examined through, for example, forward-looking observable data) might potentially impact the performance of these CLO equity investments.

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

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

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

Further, because of overall size or concentration in particular markets of positions held by the Fund, the value at which its investments can be liquidated may differ, sometimes significantly, from the interim valuations arrived at.

The majority of the Fund's investments consist of interests in and / or economic exposures to limited recourse securities that are subordinated in right of payment and ranked junior to other securities that are secured by the same pool of assets. In the event of default by an issuer in relation to such investments holders of the issuer's more senior securities will be entitled to payments in priority to the Fund.

Some of the Fund's investments may also have structural features that divert payments of interest and / or principal to more senior classes secured by the same pool of assets when the delinquency or loss experience of the pool exceeds certain levels. This may lead to interruptions in the income stream that the Fund anticipates receiving from its investment portfolio. To the extent that actual losses on the underlying collateral exceed the level of assumed losses used to determine the fair value of the investment, the value of the investment may be reduced.

Some of the Fund's assets are held by a custodian and the Fund is exposed to the credit risk of this counterparty. The Fund has also entered into derivative transactions which results in exposure to counterparty credit risk. The counterparties to these derivative transactions are major financial institutions.

As part of the Fund's current investment strategy it may employ hedging strategies and leverage in seeking to provide attractive returns from the portfolio while managing risk. The hedging strategy may include the use of single name or index credit hedges when and where appropriate as well as foreign exchange rate hedges and interest rate swaptions. This is reviewed on an on-going basis in order to seek to address identified risks to the extent practicable and in a cost effective manner. As at 31 December 2013 and 31 December 2012 there were no credit hedges in place.

As at 31 December 2013, the Fund has one long interest rate swaption contract with an out-of-the-money strike and a notional of US$ 500 million (31 December 2012: US$ 600 million). The primary purpose of this position is to act as a hedge in a rising interest rate environment, particularly with reference to the CLO portfolio.

As at 31 December 2013, the Fund had several forward foreign exchange contracts in place with original maturities ranging from three months to approximately four years. The Fund typically agrees to sell foreign currency and buy USD in order to hedge long non-USD investment positions. The total open balance as the end of the year was net long US$ 186.4 million, having executed 17 transactions during the year at an average notional of US$ 34.8 million.

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

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

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

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

The Fund is exposed to credit risk through its investment in GreenOak investment funds and the working capital it has provided to GreenOak through a seven year non-recourse loan facility, maturing on 16 September 2017. Bankruptcy or insolvency of GreenOak may cause the Fund's rights with respect to the investment funds to be delayed or limited. The maximum exposure to GreenOak at 31 December 2013 and 31 December 2012 is disclosed on the Consolidated Condensed Schedule of Investments.

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

The Fund enters into swaps and CFDs with financial institutions. The Fund utilizes these swap or CFD agreements as an efficient means of hedging or of obtaining exposure to certain underlying investments. The Fund is subject to the risk of the inability or refusal to perform with respect to such contracts on the part of counterparties trading with it, as well as risks relating to the creditworthiness of the swap counterparty, market risk, liquidity risk and operations risk. Through swaps or CFDs the Fund can in effect be exposed to increases or decreases in the value of an equity or index or to decreases or increases in the value of a related equity or index. Depending on how they are used, the agreements may increase or decrease the overall volatility of the portfolio and performance of the Fund. During the period from June to December 2013 the Fund had a weighted average notional exposure of US$ 165.5 million through swaps referencing underlying individual equity positions. Prior to June 2013 the Fund did not have any open equity swap positions.

The Fund's investments that are denominated in currencies other than U.S. Dollar are subject to the risk that the value of such currency will decrease in relation to the U.S. Dollar. The Fund currently uses foreign exchange rate forwards to seek to hedge this currency risk in whole or in part, to the extent practicable and in a cost effective manner. As described above, the hedging strategy (including these currency hedges) is reviewed on an on-going basis. Details of the Fund's investment portfolio at the reporting date are disclosed in the Consolidated Condensed Schedule of Investments on pages 11 and 12.

The Fund is required to disclose the impact of offsetting assets and liabilities represented in the statements of assets liabilities to enable evaluation of the effect or potential effect of netting arrangements on its financial position for recognized assets and liabilities.

As of December 31 2013, the Fund holds financial instruments and derivative instruments that are eligible for offset in the statements of assets and liabilities and are subject to a master netting arrangement. The master netting arrangement allows the counterparty to net any collateral held on behalf of the Fund or liabilities or payment obligations of the counterparty against any liabilities or payment obligations of the Fund to the counterparty.

The following table provides disclosure regarding the potential effect of offsetting of recognized assets presented in the statement of assets and liabilities:

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

			31 December 2013			
	Gross Amount of Recognized Assets	Gross Amounts Offset in the Statements of Assets and Liabilities	Net Amounts Presented in the Statements of Assets and Liabilities	Financial instruments eligible for netting	Cash Collateral received/ Posted	Net Amount
Description	**US$ '000**	**US$ '000**	**US$ '000**	**US$ '000**	**US$ '000**	**US$ '000**
Assets						
Derivatives	15,159	0	15,159	(16)	0	15,143
Total	15,159	0	15,159	(16)	0	15,143
Liabilities						
Derivatives	3,261	0	3,261	(16)	(3,183)	62
Total	3,261	0	3,261	(16)	(3,183)	62

			31 December 2012			
	Gross Amount of Recognized Assets	Gross Amounts Offset in the Statements of Assets and Liabilities	Net Amounts Presented in the Statements of Assets and Liabilities	Financial instruments eligible for netting	Cash Collateral received/ Posted	Net Amount
Description	**US$ '000**	**US$ '000**	**US$ '000**	**US$ '000**	**US$ '000**	**US$ '000**
Assets						
Derivatives	7,620	0	7,620	0	0	7,620
Total	7,620	0	7,620	0	0	7,620
Liabilities						
Derivatives	2,180	0	2,180	0	(2,180)	-
Total	2,180	0	2,180	0	(2,180)	-

Note 8 Amounts Due From Brokers

The amounts due from brokers is cash pledged as collateral on the forward contracts and equity swaps. At 31 December 2013 the collateral cash balance with UBS AG was US$ 29.0 million (31 December 2012: US$ 13.1 million) and Bank of America Merrill Lynch was US$ 13.0 million (31 December 2012: US$ Nil).

Note 9 Other Receivables

	31 Dec 2013	31 Dec 2012
	US$ '000	US$ '000
Accrued fee income	21,355	9,645
Rent deposits on properties	1,754	1,708
Amounts receivable on sale of investments	-	510
Other receivables	3,479	3,757
	26,588	15,620

Note 10 Other Payables and Accrued Expenses

	31 Dec 2013 US$ '000	31 Dec 2012 US$ '000
Employee costs	33,866	22,234
Amounts owing to former Polygon partners (see Note 21)	6,907	6,982
Other operating and administrative expenses	6,225	2,145
	46,998	31,361

Note 11 Share Capital

Authorized

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

Voting Shares

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

Non-Voting Shares

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

Dividend Rights

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

Share Transactions

	Voting Shares No.	Shares No. '000	Shares US$ '000
Shares in issue at 31 December 2011	10	115,968	116
Issued in lieu of stock dividend	-	1,530	2
Treasury Shares purchased during the year	-	(18,693)	(19)
Shares in issue at 31 December 2012	10	98,805	99
Issued in lieu of stock dividend	-	413	-
Issued through release of tranche of Escrow Shares	-	1,165	1
Treasury Shares purchased during the year	-	(1,445)	(1)
Shares in issue at 31 December 2013	10	98,938	99

Treasury Shares

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

Note 11 Share Capital (continued)

Treasury Shares (continued)

On 30 November 2007, the Feeder announced the implementation of a share repurchase program of their outstanding Shares. This was renewed on several occasions, most recently on 14 January 2013 running until 30 April 2013 when it expired. As at 31 December 2013 there was no share repurchase program in place.

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

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

As at 31 December 2013, 16.6 million Shares are held in TFG Holdings I (31 December 2012: 16.6 million) and 7.9 million Shares in the Treasury Account (31 December 2012: 6.5 million) with an aggregate attributed cost of US$ 210.1 million (31 December 2012: US$ 194.0 million).

Treasury Share Transactions

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

Noncontrolling Interest

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

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

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

Note 12 Share Premium

	31 Dec 2013 US$ '000	31 Dec 2012 US$ '000
Balance at start of year	924,189	1,087,790
Premium arising from issuance of Shares	14,329	11,992
Discount arising from purchase of Shares	(16,071)	(175,593)
Balance at end of year	922,447	924,189

Note 13 Dividends

	31 Dec 2013 US$ '000	31 Dec 2012 US$ '000
Quarter ended 31 December 2011 of US$ 0.105 per share	-	12,080
Quarter ended 31 March 2012 of US$ 0.105 per share	-	12,073
Quarter ended 30 June 2012 of US$ 0.115 per share	-	13,079
Quarter ended 30 September 2012 of US$ 0.115 per share	-	13,064
Quarter ended 31 December 2012 of US$ 0.135 per share	13,266	-
Quarter ended 31 March 2013 of US$ 0.135 per share	13,159	-
Quarter ended 30 June 2013 of US$ 0.14 per share	13,661	-
Quarter ended 30 September 2013 of US$ 0.14 per share	13,836	-
	53,922	50,296

The fourth quarter dividend of US$ 0.15 per share was approved by the Directors on 26 February 2014 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 their incentive fee liability which in the year ended 31 December 2013 was US$ 62.3 million (31 December 2012: US$ 79.2 million).

Note 14 Retained Earnings

	31 Dec 2013 US$ '000	31 Dec 2012 US$ '000
Balance at start of year	730,139	411,253
Net income resulting from operations for the year	293,228	448,399
Dividends paid to shareholders	(53,922)	(50,296)
Stock dividends on Shares released from Escrow	(592)	-
Dividends paid to Feeder	(62,270)	(79,217)
Balance at end of year	906,583	730,139

Note 15 Income and Deferred Tax Expense

Income tax for the years ended 31 December 2013 and 31 December 2012 consists of:

Year ended 31 December 2013:	Current US$ '000	Deferred US$ '000	Total US$ '000
U.S. Federal and local	8,634	(6,602)	2,032
UK	-	6,764	6,764
	8,634	162	8,796

Note 15 Income and Deferred Tax Expense (continued)

Year ended 31 December 2012:	Current US$ '000	Deferred US$ '000	Total US$ '000
U.S. federal	1,279	1,558	2,837
U.S. State and local	737	-	737
	2,016	1,558	3,574

US$ 0.6 million of current tax was payable at the end of the year (31 December 2012: US$ 2.1 million) with US$ 0.6 million receivable (31 December 2012: US$ Nil).

Tax Rate Reconciliation

Income tax expense was US$ 8.8 million for the year ended 31 December 2013, and differed from the amounts computed by applying the U.S. federal income tax of 34% to pretax increase in the net assets as a result of the following:

	31 Dec 2013 US$ '000	31 Dec 2012 US$ '000
Net increase in operations before tax	302,024	453,664
Computed "expected" tax expense at 34%	102,688	154,245
Deduction in income taxes resulting from:		
Income not subject to U.S. tax	(96,931)	(151,407)
State and local income taxes	3,039	737
Other exemptions net	-	(1)
Total income and deferred tax expense	8,796	3,574

Deferred Tax

	31 Dec 2013 US$ '000	31 Dec 2012 US$ '000
Deferred tax assets		
Employee compensation payments	7,115	-
Loss carried forward	596	-
Total deferred tax assets	7,711	-
Deferred tax liabilities		
Undistributed earnings	622	2,244
Amortisation of intangible assets	9,495	-
Total deferred tax liabilities	10,117	2,244
Net deferred tax (liabilities)	(2,406)	(2,244)

Deferred tax assets include US$ 7.1 million relating to amounts accrued for employee compensation in 2013 which will only be an allowable expense in 2014 for tax purposes, and US$ 0.6 million relating to losses carried forward.

US$ 9.5 million is being recognized as a deferred tax liability due to the amortisation on management contracts being a disallowable expense for tax purposes. This will be released over time as the management contracts are amortized. US$ 0.6 million has also been recognized as a liability with respect to applicable undistributed earnings at a withholding rate of 5%.

Note 16 Interest Income

	31 Dec 2013 US$ '000	31 Dec 2012 US$ '000
Debt securities – CLO equity tranches and mezzanine tranches	201,514	229,286
Debt securities – Leveraged loans	2,429	5,633
Cash and other	358	264
Debt securities – Unsecured loans	478	413
	204,779	235,596

Note 17 Fee Income

	31 Dec 2013 US$ '000	31 Dec 2012 US$ '000
Management fees		
CLO	41,464	28,299
Hedge Funds	18,729	3,677
Private equity	1,357	2,639
Performance fees	12,786	2,089
	74,336	36,704

CLO management fee income generally comprises senior and subordinated fees and in aggregate these fees currently range from 25 bps to 50 bps per annum of collateral under management. In addition to fee income earned on CLOs directly managed it also includes fee income derived from a number of one-off and long-term fee sharing arrangements with third parties. In 2013 these third party fees generated US$ 20.3 million (31 December 2012: US$ 8.2 million).

Hedge fund management fees charged to external investors are typically 150 bps of net assets under management and depending upon the applicable fund and share class certain other expenses may also be recovered. Management fees paid in connection with the private equity style vehicle are either 200 bps of net assets under management or a fixed declining management fee depending on the applicable class.

Performance or incentive fees may be earned on a hedge fund vehicles contingent upon the terms of each vehicle and the share class where applicable. They may also be earned through management of CLO vehicles once the vehicle has generated a specified return for the equity or subordinated tranche. During the year, such fees totaling US$ 12.8 million were earned (31 December 2012: US$ 2.1 million).

Where the Fund invests in Polygon hedge fund or other investment vehicles, it is able to invest at a preferred level of fees. The fees received by such affiliated managers from the Fund's investment are included and recognized in fee income reported in the Fund's consolidated statements of operations. During the year, these fee income amounts were US$ 0.6 million of management fees (31 December 2012: US$ nil) and US$ 0.9 million of performance fees (2012: US$ nil). The Fund also invests on preferred fee terms with its other affiliated asset managers (i.e. LCM and GreenOak).

Note 18 Segmental Reporting

Description of Segments

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

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

Note 18 Segmental Reporting (continued)

Segment Data

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

The results for the year ended 31 December 2013 are presented to show the split of revenues, income and net income across the two business segments. The asset management segment incorporates the consolidated results of Polygon and LCM. The Fund owns 23% of GreenOak and is carrying this as an investment at fair value; consequently any unrealized gain or loss is being reflected through the investment portfolio segment.

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

Year ended 31 December 2013:	**Investment portfolio US$ '000**	**Asset-management platform US$ '000**	**Total US$ '000**
Interest income	204,477	302	204,779
Fee income	-	74,336	74,336
Dividend income	80	-	80
Other income – cost recovery	-	21,101	21,101
Total segment income	204,557	95,739	300,296
Management fees and operating expenses	(93,066)	(81,756)	(174,822)
Realized and unrealized gains	124,477	6,206	130,683
Total segment net income before taxes	235,968	20,189	256,157

Year ended 31 December 2012:	**Investment portfolio US$ '000**	**Asset-management platform US$ '000**	**Total US$ '000**
Interest income	235,395	201	235,596
Fee income	-	36,704	36,704
Other income – cost recovery	-	6,773	6,773
Total segment income	235,395	43,678	279,073
Management fees and operating expenses	(121,943)	(30,398)	(152,341)
Realized and unrealized gains	182,390	2,376	184,766
Total segment net income before taxes	295,842	15,656	311,498

The prior year has been restated in a comparable format to the current year. This includes recognizing net unrealized gains on the investment in GreenOak in the Asset Management segment rather than the Investment Portfolio segment and certain expenses of the Feeder in both segments. A full reconciliation to U.S. GAAP net income is included below.

Note 18 Segmental Reporting (continued)

Segment Data (continued)
Reconciliation of segment net income before taxes to net income per the Consolidated Statements of Operations.

	Year ended 31 Dec 2013 US$ '000	Year ended 31 Dec 2012 US$ '000
Total segment net income before noncontrolling interest and taxes	256,157	311,498
Bargain purchase	-	54,774
Income and deferred tax expense	(8,796)	(3,574)
Share based employee compensation	(23,096)	(3,849)
Add back certain expenses of the Feeder	68,963	91,241
Net income	293,228	450,090

Geographical Split of Revenues

The Fund does not formally monitor, for the purposes of controlling the business, the geographical split of income for either of the two segments. A geographical split of the fee income generated by the asset management can generally, however, be derived, by considering where the primary investment management service was provided. This is a subjective exercise and involves, in some cases, making determinations that the Fund has only made purely for the purpose of completing this table.

Asset Management Segment	UK US$ '000	U.S. US$ '000	Total US$ '000
Fee income	36,158	59,279	95,437

The 2012 comparison for the short period after the Acquisition has not been included.

A geographical split of income for the Investment Portfolio has not been provided, although certain geographical information has been provided in the Consolidated Condensed Schedule of Investments on pages 11 and 12 and a geographic split of the investment portfolio is reported on a monthly basis on the Feeder's website.

Net Assets Split by Business Segment

The Fund also does not formally monitor or report internally on net assets split by business segment. For the purposes of compiling a split for this segmental note the Asset Management segment net assets are deemed to consist of the consolidated net assets of TFG Asset Management L.P. calculated in accordance with U.S. GAAP, the current carrying value of the management contracts and the fair value of the investment in GreenOak, with the remaining net assets being attributed to the Investment Portfolio segment.

	31 Dec 2013 US$ '000	31 Dec 2012 US$ '000
Investment Portfolio	1,760,538	1,584,247
Asset Management	86,193	74,029
Total	1,846,731	1,658,276

Note 19 Share Based Employee Compensation and Bargain Purchase

On 28 October 2012, TFG Asset Management L.P. (formerly known as Polygon Management L.P.) and certain of its affiliates, were acquired in exchange for consideration of approximately 11.7 million non-voting shares of the Feeder to the sellers (the "Aggregate Consideration"). The Aggregate Consideration will be held in escrow (along with accrued stock dividends), by the escrow agent pursuant to the terms of the escrow agreement, until it is released over the period from 2013 to 2017.

Under ASC 805 - Business Combinations ("ASC 805") these shares were treated as payment for post combination services rather than upfront consideration, hence the initial consideration was determined to be nil, resulting in a bargain purchase.

The assets and liabilities purchased were separately identified and an estimated fair value was calculated as at the acquisition date. The management contracts were classified as either Hedge Funds or Private Equity and an estimated fair value for these intangible assets was calculated by reference to applicable market methodologies such as percentage of assets under management, discounted cash flow analysis and price-earnings ratios. The 13% interest in GreenOak was not consolidated, but classified as an investment to be held at fair value. This was also valued by reference to similar applicable market methodologies. As part of the transaction, the noncontrolling interest in LCM was treated as a transaction with the Fund in its capacity as owners and therefore no separate asset or goodwill is recognised as a result. The following table summarizes the estimated fair value of the assets acquired against the consideration recognized:

	US$ '000
Assets	
Management contracts – Hedge Funds	34,282
Management contracts – Private Equity	10,246
13% interest in GreenOak	10,246
LCM noncontrolling interest	-
	54,774
Net liabilities	-
Total identifiable net assets assumed	54,774
Consideration	-
Bargain purchase recognized in the consolidated statement of operation	54,774

The overall value of the Aggregate Consideration delivered to the escrow account for the sellers amounted to US$ 98.5 million based on a share price of US$ 8.43 at the close on the last business day prior to the transaction date. Polygon was acquired free of cash and debt.

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

As the consideration is treated as share based payments under ASC 805, the Fund recognizes the individual compensation costs on a straight line basis over the relevant service period of each award if the vesting performance conditions are met. These are reflected in the Statements of Operations as share based employee compensation and through Equity as a separate reserve. The charge for the year ended 31 December 2013 amounted to US$ 23.1 million (31 December 2012: US$ 3.8 million).

The table below shows the number of Feeder shares which are currently expected to vest over the period to 2017, including accrued stock dividends up to the end of 2013. 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. During the year 1,165,012 Feeder shares were released from escrow and the same number of Shares were issued from the Fund to the Feeder.

Note 19 Share Based Employee Compensation and Bargain Purchase (continued)

Of the Shares released, 1,108,219 were Shares originally granted, and 56,793 were accrued stock dividends. In relation to the release of the aforementioned original Shares, a value of US$ 9.3 million has been debited to the applicable reserve in Equity and the imputed value of the stock dividends of US$ 0.6 million has been debited to retained earnings.

Vesting Schedule - Shares

	Shares '000	US$ '000
2014	1,464	23,096
2015	3,988	23,097
2016	3,164	16,586
2017	2,665	12,637
	11,281	75,416

Note 20 Contingencies and Commitments

The Fund committed to provide a co-investment commitment of up to US$ 100.0 million into GreenOak investment vehicles. As at 31 December 2013, it had funded US$ 26.3 million of this commitment, (31 December 2012: US$ 13.4 million).The Fund has made investment commitments in several existing vehicles where only a partial capital drawdown has occurred to date. The Fund has estimated unfunded commitments of up to US$ 31.8 million in this respect (31 December 2012: US$ 36.9 million).

Future minimum lease payments under noncancelable operating leases as of 31 December 2013 are:

Year ending 31 December:	US$'000
2014	5,714
2015	5,714
2016	5,714
2017	4,953
2018	208
	22,303

During 2013, the amount paid with respect to such leases was US$ 5.1 million.

Note 21 Related Party Transactions

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

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

The remuneration for Directors shall be determined by resolution of the Voting Shareholder. Each of the Directors' annual fee is US$ 75,000 in compensation for service on the Boards of Directors of both the Feeder and the Fund. The Fund will pay the Directors' fees. Paddy Dear and Reade Griffith have waived their entitlement to a fee in respect of their services as Directors. The Directors are entitled to be repaid by the Fund for all travel, hotel and other expenses reasonably incurred by them in the discharge of their duties. None of the Directors has a contract with the Feeder or the Fund providing for benefits upon termination of employment.

Note 21 Related Party Transactions (continued)

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

As described in Note 1, Polygon Management L.P. (now known as TFG Asset Management L.P.), including Polygon's asset management businesses and infrastructure platform and interests in LCM and GreenOak, were acquired on 28 October 2012. As part of the Acquisition, Reade Griffith and Paddy Dear, as founders of Polygon, were awarded consideration in non-voting shares of the Feeder, which vest between 2015 and 2017.

It was contractually agreed as part of the Acquisition that to the extent any annual compensation actually paid to each of Mr. Griffith and Mr. Dear in respect of his employment with the Fund exceeds an annual base salary of US$ 100,000, they would promptly return such excess amount to the Fund. During the year ended 31 December 2013 total compensation paid to them each in aggregate was US$ 100,000.

As at 31 December 2013, in connection to the Acquisition, US$ 6.9 million in aggregate is owed to Reade Griffith and Paddy Dear, directly or via an entity to which they may direct payment (31 December 2012: US$ 7.0 million). This payable primarily relates to the repayment of certain rent deposits and other working capital funded through Polygon entities by Messrs Griffith and Dear before the Acquisition. Under the terms of the sale and purchase agreement relating to the Acquisition, Messrs Griffith and Dear retained the economic rights to such deposits.

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

Polygon Global Partners LLP and Polygon Global Partners LP (the "Service Providers") provide operational, financial control, trading, marketing and investor relations, legal, compliance, administrative, payroll and employee benefits and other services to the Investment Manager in exchange for fees payable by the Investment Manager to the Services Providers. In addition, the Services Providers also provide certain operating, infrastructure and administrative services to LCM, GreenOak and Polygon Private Investment Partners LP, an affiliate of the Voting Shareholder, pursuant to applicable separate services agreements. PGP LLP is authorized and regulated by the United Kingdom Financial Conduct Authority. In the period the amount recharged to these entities was US$ 19.4 million (31 December 2012: US$ 6.7 million). As at 31 December 2013, the amount receivable relating to these recharges was US$ 1.9 million (31 December 2012: US$ 2.2 million).

The Fund holds CLO equity investments in CLOs which are managed by LCM. During the year it purchased a portion of the equity tranche in LCM XIII at a total cost of US$ 24.6 million and a portion of equity tranche in LCM XIV at a total cost of US$ 1.0 million. In total, as at 31 December 2013, it held CLO equity tranche investments in 11 CLOs managed by LCM with a fair value of US$ 159.6 million (31 December 2012: US$ 190.2 million).

At 31 December 2013, 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 2013, the fair value of these investments was US$ 265.3 million (31 December 2012: US$ 56.5 million). The fees paid on these investments are disclosed as per Note 17.

The Fund owns a 23% equity interest in GreenOak. As part of the original transaction to acquire a share in GreenOak, the Fund provided a US$ 100.0 million coinvestment commitment and a US$ 10.0 million working capital loan commitment to GreenOak, with the Feeder issuing 3.9 million share options to the GreenOak founders. 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.

Note 21 Related Party Transactions (continued)

The Fund has made investments across several real estate investment vehicles managed by GreenOak. As at 31 December 2013, these investments referenced real estate in the United States, Japan and United Kingdom with a net asset value of US$ 60.8 million (31 December 2012: US$ 25.7 million). These investments are typically illiquid where the Fund will only receive distributions on liquidation of the investment vehicle's underlying assets and in some cases this may not be for several years. In addition, based on projected capital raised (subject to change), the Fund had estimated unfunded commitments of up to US$ 31.8 million with respect to the investment vehicles (31 December 2012: US$ 36.9 million).

Note 22 Other Matters

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

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

The Feeder, the Fund and their Board of Directors have stated that they believe that the Action is factually and legally without merit and intend to seek to have the Action dismissed as quickly as possible. On 13 January 2014, all defendants filed a motion to dismiss the Action in its entirety.

On 22 February 2011, the Fund and the Feeder and their six directors were served with proceedings in the Royal Court of Guernsey (the "Guernsey Proceedings") instigated by one of the Fund's former directors, Alexander Jackson, seeking to impugn the Fund's decision to enter into a joint venture with GreenOak. On 26 March 2013, Lieutenant Bailiff Patrick Talbot of the Royal Court of Guernsey dismissed the Guernsey Proceedings having determined that the entire claim should be struck out as an abuse of process as no aspect of it satisfied the standard for bringing such a derivative action in Guernsey. Lieutenant Bailiff Talbot also awarded costs against Mr. Jackson. On 10 September 2013, the Court of Appeal of the Island of Guernsey ordered the discontinuance of Mr. Jackson's appeal of the Guernsey Proceedings, Mr. Jackson having paid costs of such appeal.

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

During the year, the Fund incurred gross legal expenses of US$ 11.6 million in connection with the aforementioned Guernsey Proceedings, English Proceedings and Action, which includes amounts paid under applicable indemnification provisions with respect to the Directors, the Investment Manager and principals of the Investment Manager. Against these gross expenses US$ 4.9 million was received from Mr. Jackson and US$ 2.1 million was reclaimed from the insurers, resulting in a net expense for the year of US$ 4.6 million. At 31 December 2013, US$ 1.4 million (31 December 2012: US$ 0.1 million) was accrued as payable in the Consolidated Statements of Assets and Liabilities.

The Fund is seeking to recover from insurers costs relating to a previous shareholder derivative action, details of which were referred to in the 2011 and 2012 Fund consolidated financial statements. Currently significant uncertainty remains as to what will be recoverable from these efforts and therefore a receivable has not been recognized in the statements of assets and liabilities.

The Directors have evaluated subsequent events up to 26 February 2014, which is the date that the consolidated financial statements were approved, and have concluded that there are not any material events that require disclosure or adjustment to the consolidated financial statements.

Note 23 Subsequent Events

On 10 February 2014, the Fund and the Feeder announced the commencement of a tender offer (the "Offer") to purchase a portion of the non-voting shares of the Feeder for a maximum aggregate payment of US$50.0 million in cash. The Offer will be conducted as a "modified Dutch auction" with Shareholders able to tender their shares at prices ranging from US$ 10.30 up to and including US$ 11.50 per share (in increments of US$0.10). The Offer, which is expected to expire at 11:59 p.m. Eastern Daylight Time on 10 March 2014, unless terminated earlier, is more fully described in the Offer to Purchase, which may be found on the Feeder's website.

Note 24 Recent Changes to U.S. GAAP

In June 2013, the FASB issued ASU No. 2013-08, "Financial Services - Investment Companies (Topic 946) - Amendments to the Scope, Measurement, and Disclosure Requirements." ASU No. 2013-08 clarifies the approach to be used for determining whether an entity is an investment company and provides new measurement and disclosure requirements. ASU No. 2013-08 is effective for interim and annual reporting periods in fiscal years that begin after 15 December 2013. Earlier application is prohibited. Adoption of ASU No. 2013-08 is not expected to materially affect the Company's financial condition, results of operations, or cash flows.

Note 25 Approval of Financial Statements

The Directors approved the consolidated financial statements on 26 February 2014.