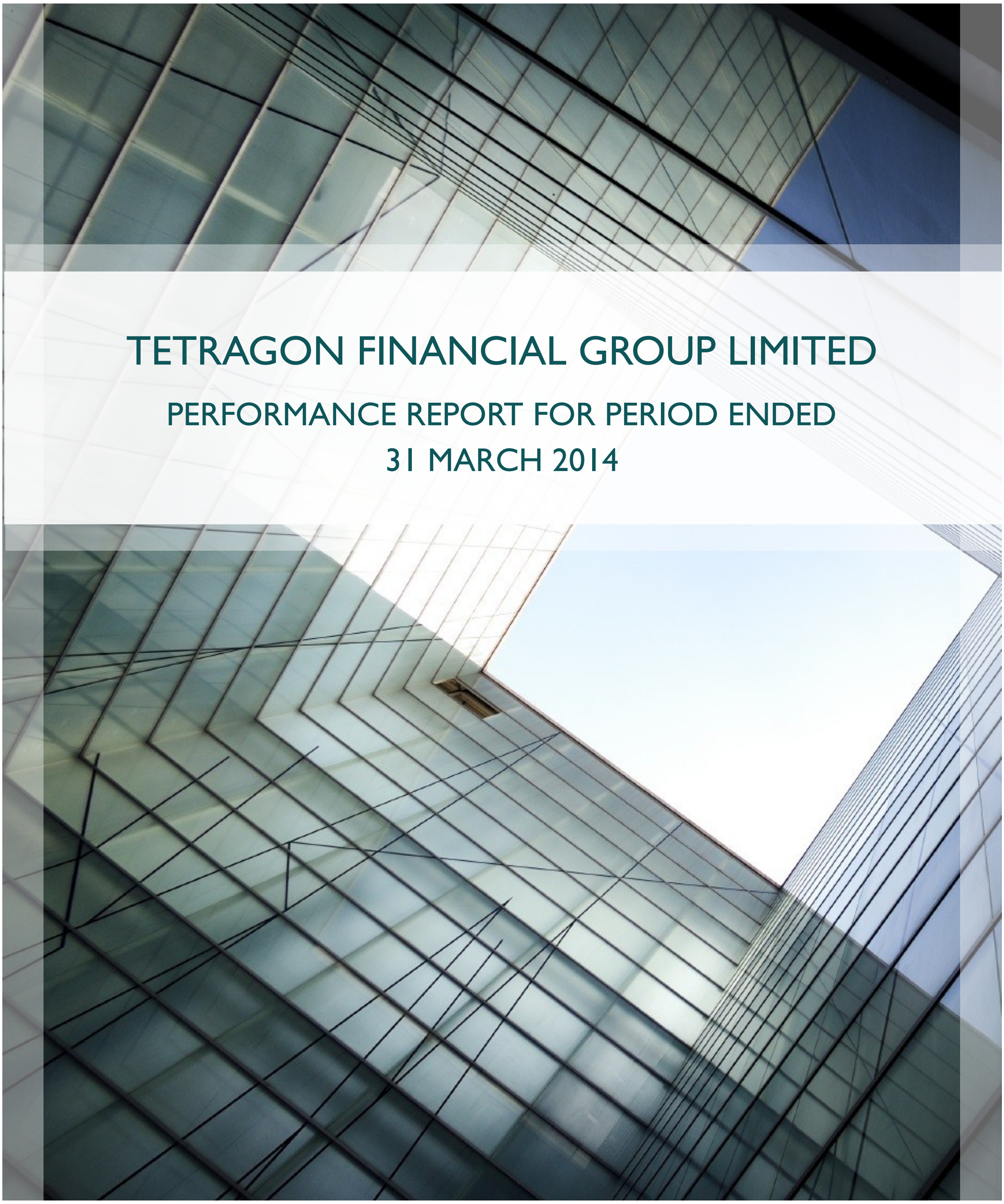
TETRAGON



TETRAGON FINANCIAL GROUP LIMITED

PERFORMANCE REPORT FOR PERIOD ENDED 31 MARCH 2014

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TETRAGON FINANCIAL GROUP LIMITED (TFG)
PERFORMANCE REPORT FOR PERIOD ENDED 31 MARCH 2014

30 April 2014

Tetragon Financial Group Limited (TFG) is a Guernsey closed-ended investment company traded on NYSE Euronext in Amsterdam under the ticker symbol "TFG."(1) In this report we provide an update on TFG's results of operations for the period ending 31 March 2014.

EXECUTIVE SUMMARY AND OUTLOOK

OVERVIEW

Tetragon Financial Group Limited ("TFG" or the "company") achieved a positive operating and financial performance in the first quarter of 2014 with an annualised return on equity of 10.5%, in line with the company's over-the-cycle target of 10-15% *per annum*.(2) Performance was positive in both the investment portfolio asset returns and the fee income from the asset management business.

The Q1 2014 dividend was declared at 15 cents per share, giving a rolling 12-month dividend increase of 16.0%.

In this report, we have added a table to give investors more clarity on the breakdown of the investment portfolio segment income, ("IP income")(3) (Figure 9). In the first quarter, the company's CLOs in general performed below expectations due to, amongst other things, a reduction in net interest margins caused by credit spread tightening. In fact, nearly 70% of the IP income for the quarter was from non-CLO investments. The Polygon funds and other balance sheet trades in equities, credit and convertibles generated $42.4 million of income, which was 60.4% of IP income for the quarter, and real estate was 8.1%. Additionally, the TFG Asset Management business segment ("TFG Asset Management") generated $6.3 million of EBITDA equivalent for the quarter (see Figure 11 for details). The first quarter breakdown of income illustrates how the company is realizing the benefits of the Polygon acquisition and the diversification of investments made over the last 18 months.

Approximately $108.5 million of net new investments were made in Q1 2014.

GOALS

Looking at the company's goals:

1. To deliver 10-15% RoE *per annum* to shareholders.(4)

The annualised RoE in the first quarter was 10.5%.

2. To manage more of TFG's assets on the TFG Asset Management platform in order to reduce the proportion of TFG's capital that pays away fees to third-party managers.

The amount of TFG's capital that paid fees to external managers as of the end of Q1 2014 was 50.4% vs. 53.4% at the end of 2013.(5)

EXECUTIVE SUMMARY & OUTLOOK (continued)

3. To grow client AUM and fee income in TFG Asset Management.

Assets under management ("AUM") at 31 March 2014 stood at $10.4 billion, up 19.9% from Q1 2013, and compared to $9.2 billion at 2013 year-end.(6) TFG Asset Management's fee income (including hedge fund performance fees that don't crystallise until year end) was $16.1 million, up 28.8% on the same period last year.(7)

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

No new businesses were added in Q1 2014, but many continue to be under active consideration.

OUTLOOK

We remain cautiously optimistic for all of our businesses, in spite of the continued pressure on CLO net interest margins caused by credit spread tightening.

KEY METRICS

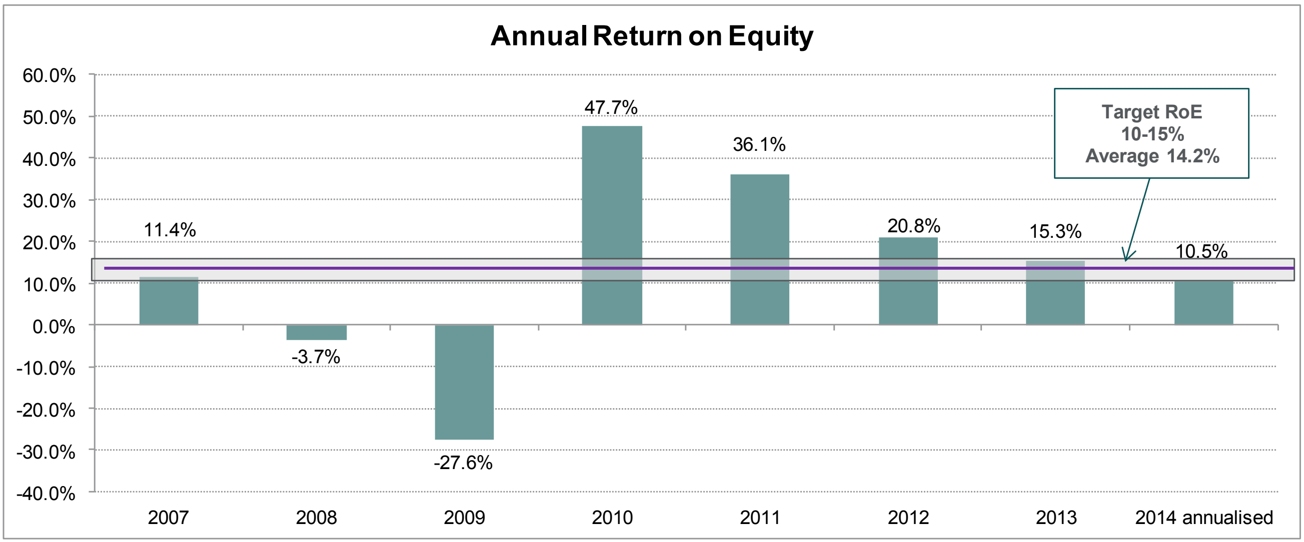
KEY METRICS

TFG continues to focus on three key metrics when assessing how value is being created for, and delivered to, TFG shareholders: Earnings, Net Asset Value ("NAV") per share and Dividends.

EARNINGS - RETURN ON EQUITY ("RoE")

- The company targets a long-term RoE in the range of 10-15% *per annum* to shareholders.(8)
- The annualised RoE in Q1 2014 of 10.5% was within the target range and reflected positive returns across all of the asset classes in the investment portfolio segment as well as TFG Asset Management. Please refer to page 25 in the Financial Review section for details on the calculation of the RoE figure.

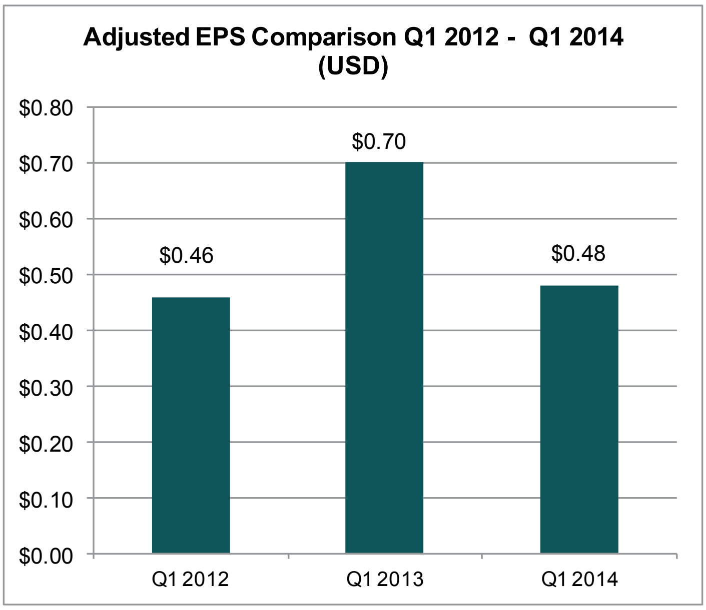
Figure 1



EARNINGS PER SHARE

- TFG generated an Adjusted EPS of $0.48 during the first quarter of 2014 (Q1 2013: $0.70). This was marginally higher than the equivalent quarter in 2012 and whilst it was lower than the EPS posted in Q1 2013, that particular quarter was significantly boosted by a rerating of the CLO portfolio. Please refer to page 25 in the Financial Review Section for details on how this figure is calculated.
- Looking at the EPS on a more detailed level, there was a significant shift in how EPS was generated this quarter compared to a year ago.

Figure 2



KEY METRICS

EARNINGS PER SHARE (continued)

- In Q1 2013, approximately 94.8% of the investment portfolio EPS (before expenses and taxes) was generated by the CLO equity portfolio, including associated hedges, whereas in the current quarter this was 31.5%.
- Reflecting the benefits of an increasingly diversified portfolio, investments in Polygon equity funds yielded $0.16 of EPS from strong returns, and $0.23 of EPS was contributed from other stand-alone investments across equities, convertibles and distressed opportunities. Further discussion of these investments may be found in the Investment Portfolio section of this report.
- The TFG Asset Management segment also made a positive contribution to performance, generating $0.04 per share of net economic income (please see Figure 17) before taxes, up one-third on Q1 2013.

Figure 3

TETRAGON FINANCIAL GROUP

TFG Earnings per Share Analysis (Q1 2013 - Q1 2014)

	Q1 2014	Q1 2013
Investment portfolio segment		
U.S. CLO 1.0	$0.19	$0.69
U.S. CLO 2.0	$0.05	$0.04
European CLOs	$0.05	$0.17
U.S. Direct Loans	$0.00	$0.02
Hedges	($0.06)	$0.01
Polygon Equity Funds	$0.16	$0.03
Polygon Credit, Convertibles & Distressed Funds	$0.04	$0.00
Other Equities, Credit Convertibles, Distressed	$0.23	N/A
Real Estate	$0.06	$0.02
FX and Options	($0.01)	($0.02)
Expenses	($0.24)	($0.27)
Net EPS investment portfolio	**$0.47**	**$0.69**
Asset Management Segment - TFG AM	**$0.04**	**$0.03**
Corporate Income taxes	($0.03)	($0.02)
Net Economic Income EPS	**$0.48**	**$0.70**
Weighted Average Shares (millions)(i)	97.8	98.4

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

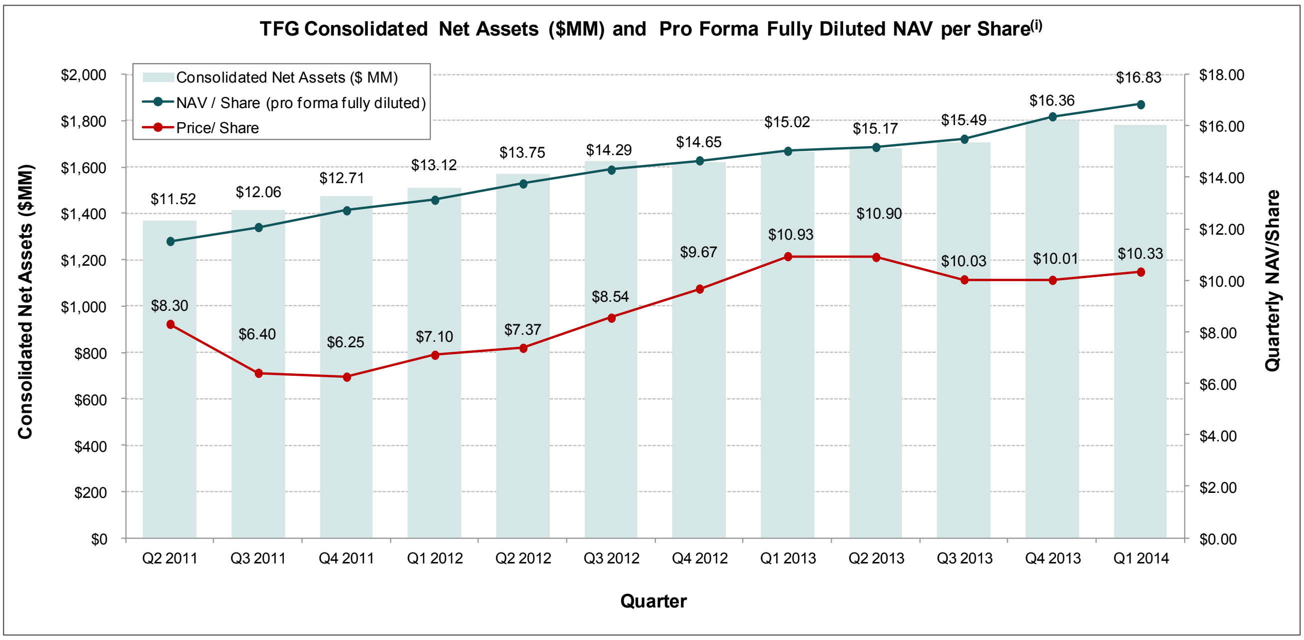
KEY METRICS

NAV PER SHARE

Pro Forma Fully Diluted NAV per Share ended the quarter at $16.83, up 2.9% on the quarter.

- In March 2014, TFG (through the Master Fund) repurchased approximately $50.0 million of its shares at a price of $10.30 per share via a company tender offer. This had a positive impact on Pro Forma Fully Diluted NAV per share of approximately $0.28. Please refer to page 25 in the Financial Review section for details on how the Pro Forma Fully Diluted NAV per Share is calculated.
- Reflecting, among other things, dividends paid during Q1 2014 and the above tender offer, TFG's net assets declined to $1,783.6 million, down from $1,803.2 million at the end of 2013.

Figure 4



(i) Pro Forma Fully Diluted 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.

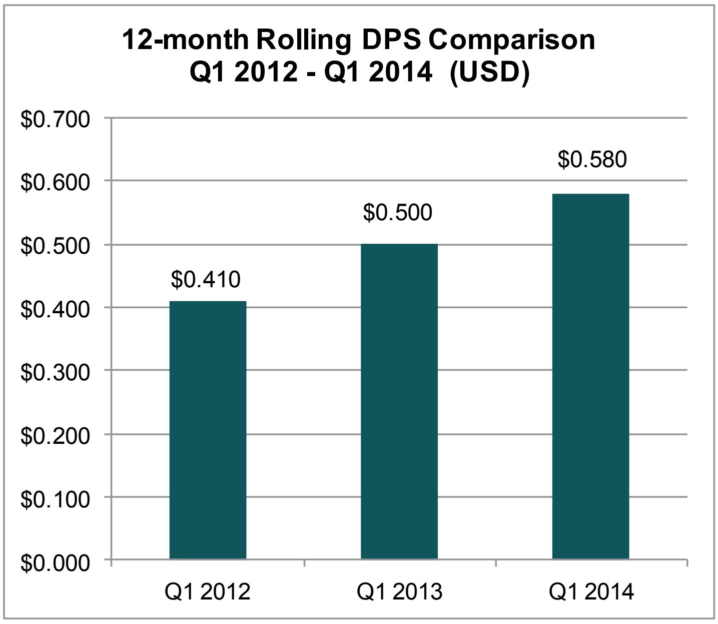
KEY METRICS

DISTRIBUTIONS

Dividends per Share ("DPS"): At the end of Q1 2014, TFG declared a dividend of $0.15 per share for the quarter, generating a total of $0.58 per share for the last 12 months, a 16.0% increase over the comparable period to Q1 2013.

- 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%.[9] The Q1 2014 dividend of $0.15 per share brings the cumulative DPS since TFG's IPO to $2.975 per share.
- In the most recent quarterly dividend paid, approximately 4.7% of shareholders elected to take shares rather than cash, pursuant to the company's optional stock dividend program. In addition, holders of escrow shares received in connection with the Polygon transaction 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 FLOWS AND USES OF CASH

Cash flow generation from the CLO portfolio in Q1 2014 was $99.8 million (Q4 2013: $95.3 million). Whilst this was a positive quarter-on-quarter performance, the longer term picture is one of reducing CLO cash flows, which are 20.6% lower than the equivalent quarter a year ago.

New investments in Q1 2014 comprised: $30.1 million to purchase a new CLO 2.0 majority equity position managed by LCM Asset Management LLC ("LCM"); a net amount of $31.8 million was invested into GreenOak Real Estate, LP ("GreenOak") vehicles; $25.0 million was invested into Polygon funds, and $23.6 million was used to purchase directly-held investments in the other equities, credit and convertibles, and distressed securities.

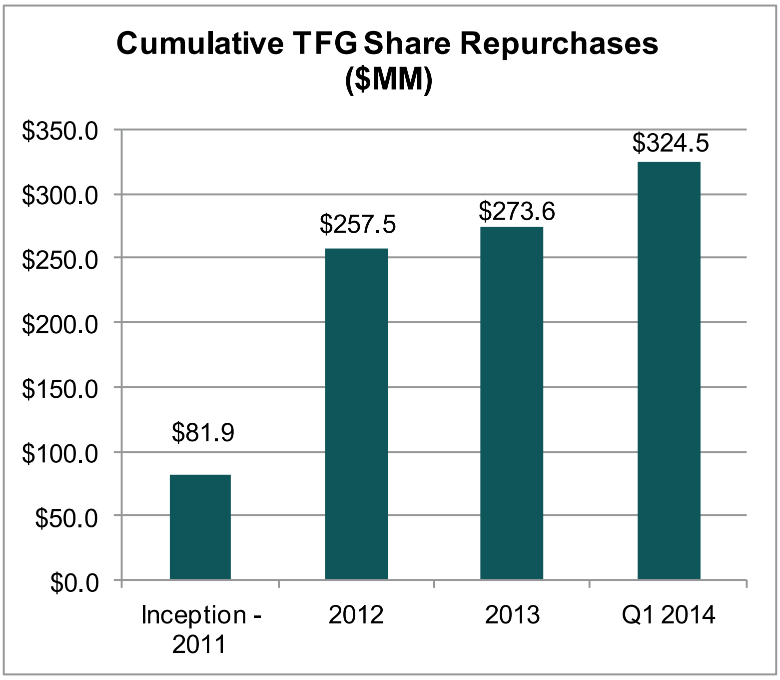
There was a net outflow of $50.2 million with respect to share transactions (i.e., the tender offer) and an outflow of $14.8 million to pay dividends to shareholders.

At the end of the period, the cash and cash equivalents as measured by U.S. GAAP was $117.8 million. We believe that investible cash is an another helpful metric on which to focus, and this makes certain adjustments to the U.S. GAAP figure, including removing cash held within TFG Asset Management for regulatory and other purposes, and assuming that certain positions held on swap are fully funded. This investible cash figure was $59.3 million or 3.3% of net assets at the end of Q1 2014.

SHARE REPURCHASES

- During Q1 2014, TFG repurchased approximately 4.9 million shares at a price of $10.30 per share through a tender offer.
- Life-to-date through the end of Q1 2014, TFG's share repurchase program resulted in the repurchase of approximately 41.1 million shares at an aggregate cost of $324.5 million (including the 2012 and 2014 tender offers).

Figure 6



TFG'S BUSINESS SEGMENTS

INVESTMENT PORTFOLIO

&

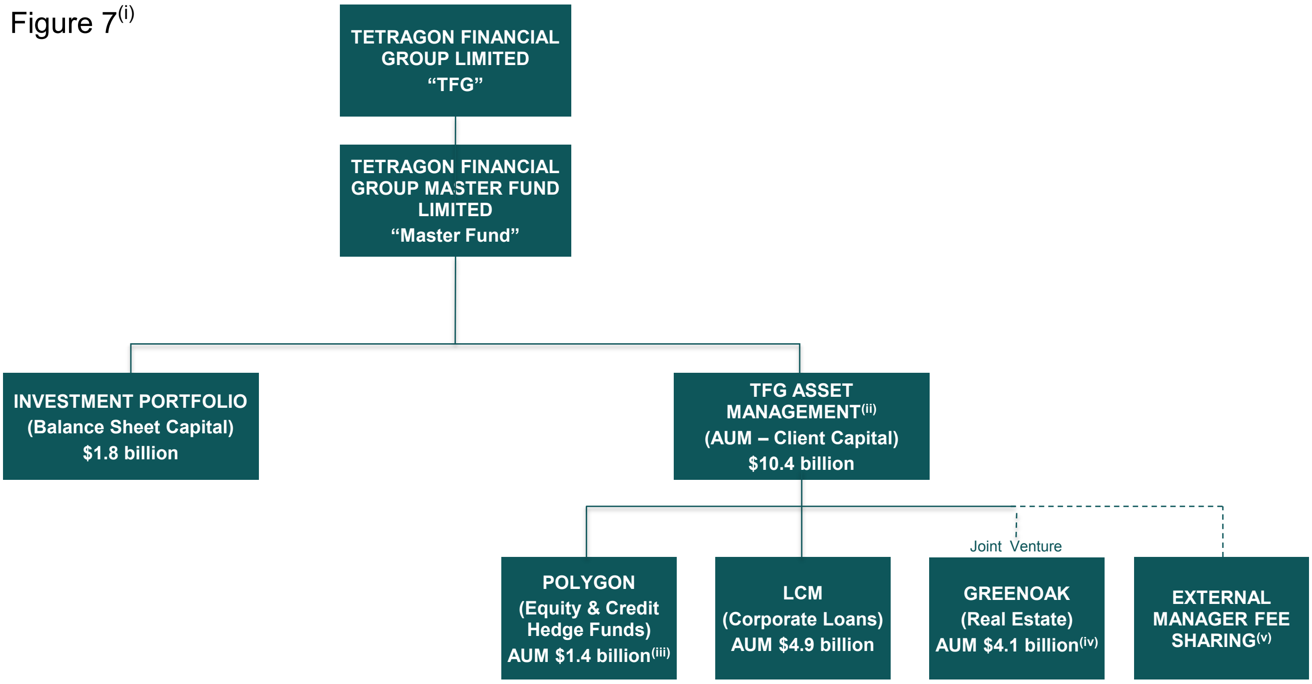
TFG ASSET MANAGEMENT

TFG'S BUSINESS SEGMENTS

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 $10.4 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 March 2014. Includes, where relevant, investments by Tetragon Financial Group Master Fund Limited.

(iv) Includes investment funds and advisory assets managed by GreenOak at 31 March 2014. 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

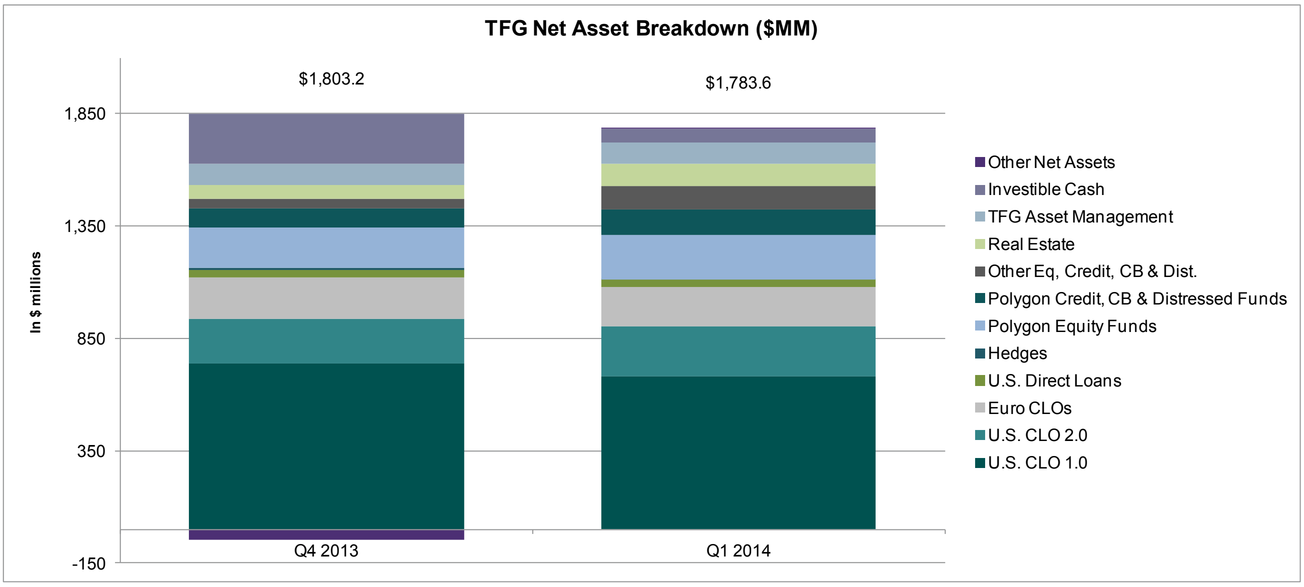
All segments of TFG's investment portfolio registered positive performance during Q1 2014, (details in Figure 9) with the equities, credit and convertible bond assets (whether owned directly on TFG's balance sheet or indirectly through investments in Polygon-managed hedge funds) posting particularly strong results during the quarter. U.S. corporate loans accessed via CLO equity, which represent the majority of TFG's investment assets, continued to be negatively impacted by declining excess net interest margins due to increasingly tight loan spreads, the de-leveraging of certain CLO 1.0 transactions and, in certain cases, losses on underlying loans, among other factors. TFG's real estate asset portfolio performed well during the quarter as a number of investments were exited and gains realized.

The investment portfolio has become increasingly diversified as shown in Figure 8. During Q1 2014, TFG made investments in U.S. corporate loans (by investing in the equity tranche of a new issue U.S. CLO managed by LCM), real estate (via GreenOak-managed vehicles), as well as credit, convertible bonds and equities, both directly and via investments in Polygon-managed hedge funds.

PORTFOLIO COMPOSITION AND OUTLOOK

TFG's net assets totalled $1,783.6 million at the end of Q1 2014. The following chart shows the composition of TFG's net assets by asset class for Q1 2014 and Q4 2013. Note that the net assets are post the repurchase of $50.0 million of shares through the tender offer.

Figure 8



(i) Investible Cash consists of: (1) cash held directly by Tetragon Financial Group Master Fund Limited, (2) excess margin held by brokers associated with assets held directly by Tetragon Financial Group 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 "Other Equities, Credit, Convertibles, and Distressed" consist of the fair value of, or capital committed to, investment assets held directly on the balance sheet.

INVESTMENT PORTFOLIO

The following table summarizes certain performance metrics for each asset class in TFG's investment portfolio.

Figure 9

Asset Type	31 Mar 2014 Net Assets (in $MM)	Income[(iv)] in Q1 2014 (in $MM)
U.S. CLO 1.0[(i)]	$681.2	$17.9
U.S. CLO 2.0[(i)]	$222.3	$5.2
European CLOs	$177.4	$4.9
U.S. Direct Loans	$32.1	$0.3
Hedges[(ii)]	$5.9	-$6.2
Polygon Equity Funds	$196.7	$15.6
Polygon Credit, Convertibles & Distressed Funds	$113.0	$3.8
Other Equities, Credit, Convertibles & Distressed[(iii)]	$104.5	$23.0
Real Estate	$98.5	$5.7

(i) "U.S. CLO 1.0" refers to U.S. CLOs issued before or during 2008. "U.S. CLO 2.0" refers to U.S. CLOs issued after 2008.

(ii) "Hedges" refers to interest rate swaption hedges put in place in relation to certain interest rate risks relating to the CLO portfolio.

(iii) Assets characterized as "Other Equities, Credit, Convertibles, Distressed" consist of the fair value of, or capital committed to, investment assets held directly on the balance sheet.

(iv) "Income" refers to the total income generated by each category in the quarter including where applicable, realized and unrealized gains and losses as well interest income, dividends and certain associated direct expenses such as interest expense on swaps.

INVESTMENT PORTFOLIO

CORPORATE LOANS

TFG's exposure to the corporate loan asset class (whether held directly or indirectly via CLO equity investments) remained diversified during Q1 2014, with 72.8% in U.S. broadly-syndicated senior secured loans, 11.2% 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 $15.6 billion par value of underlying CLO assets.[(11)]

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

U.S. CLO 1.0

As of the end of Q1 2014, TFG held 52 U.S. CLO 1.0 equity investments and one investment in the debt tranche of a U.S. CLO 1.0 transaction.[(12)] All U.S. CLO 1.0 holdings were passing their junior-most O/C tests as of the end of the quarter.[(13)]

During Q1 2014, the performance of TFG's U.S. CLO 1.0 portfolio was negatively impacted by, among other factors, continued loan spread tightening, a brisk pace of loan repayments and challenging reinvestment requirements for transactions nearing the end of their reinvestment periods. These negative factors, as well as realised and unrealised credit losses on certain underlying assets, contributed to the decline of cash flows generated by this segment of the portfolio versus the comparable quarter in 2013. Although U.S loan repayment and refinancing rates appear to have stabilized during Q1 2014, especially as compared with the pace of the first half of 2013, the repayment rate remained above the historical average. Additionally, material U.S. CLO 1.0 amortization within TFG's portfolio has occurred in certain cases as a result of the applicable managers' inability to reinvest all permitted principal proceeds in the face of the continued step-down of weighted-average life constraints and limited availability of appropriately-priced shorter duration loan assets, among other factors.

Assuming market consensus on low near-term defaults materializes, we currently expect that the future performance of TFG's U.S. CLO 1.0 transactions will be highly correlated with their unwind paths and the CLO managers' ability to maximise the liquidation value of remaining portfolio assets. As deals move further out of their respective reinvestment periods, a greater share of TFG's future CLO equity returns will become a function of the residual value of the underlying assets as opposed to ongoing excess interest cash flows. Additionally, as underlying portfolios amortise and the diversification of underlying portfolio assets naturally decreases, CLO equity returns may become increasingly exposed to the credit quality and repayment behaviour of individual credits and may therefore become increasingly idiosyncratic.

Given these factors, and the bespoke nature of U.S. CLO 1.0 transaction documents, which allow for varying post-reinvestment period reinvestment flexibility, we believe that the value of TFG's optional redemption call rights may become increasingly valuable as the liquidation amount of underlying assets may in some circumstances exceed the expected future value of excess interest cash flows.

INVESTMENT PORTFOLIO

U.S. CLO 2.0

As of the end of Q1 2014, TFG held 12 equity investments in U.S. CLO 2.0 deals, up from 11 investments at the end of 2013, reflecting a majority equity investment in an LCM-managed new issue CLO. Despite the challenging CLO equity arbitrage environment, characterised by sticky CLO AAA liability spreads in the context of tightening loan spreads, we have found that CLO 2.0 equity investments in deals managed by LCM offer an attractive risk-adjusted return as fees generated by LCM on third-party capital managed within the CLOs increase TFG's blended return on invested capital. All of TFG's U.S. CLO 2.0 transactions were in compliance with their junior-most O/C tests as of the end of Q1 2014.(14)

TFG's U.S. CLO 2.0 deals also faced significant loan spread tightening headwinds during Q1 2014, leading to reduced quarterly equity distributions, notwithstanding the fact that life-to-date credit losses within this segment of the portfolio have tracked below the U.S. loan historical average. CLO 2.0 transactions are generally characterised by a higher cost of funds and shorter reinvestment periods than CLO 1.0 transactions and may therefore be more sensitive to liability costs, loan pricing and fundamental credit trends prevalent at the time of their closing and active investment period.

In April 2014, TFG as majority equity holder, in coordination with LCM as the CLO manager, successfully utilised its optional refinancing option and completed the refinancing of the entire liability structure of LCM X. As a result of the refinancing, the transaction's liability costs will be reduced by approximately 36 bps *per annum* (par-weighted), improving the excess interest available for distribution to all equity holders, including TFG.

We continue to evaluate the value of exercising TFG's refinancing options within the remainder of its U.S. CLO 2.0 portfolio and may execute additional refinancing transactions in instances where we believe that the expected duration-adjusted liability cost savings exceed upfront expenses. Alternatively, we may choose to exercise our redemption call rights in certain CLO 2.0 transactions, particularly in deals where refinancing is not a viable option due to short remaining reinvestment periods and/or limited post-reinvestment period reinvestment flexibility.

EUROPEAN CLOs

As of the end of Q1 2014, TFG held equity investments in 10 European CLOs, unchanged versus the prior quarter.

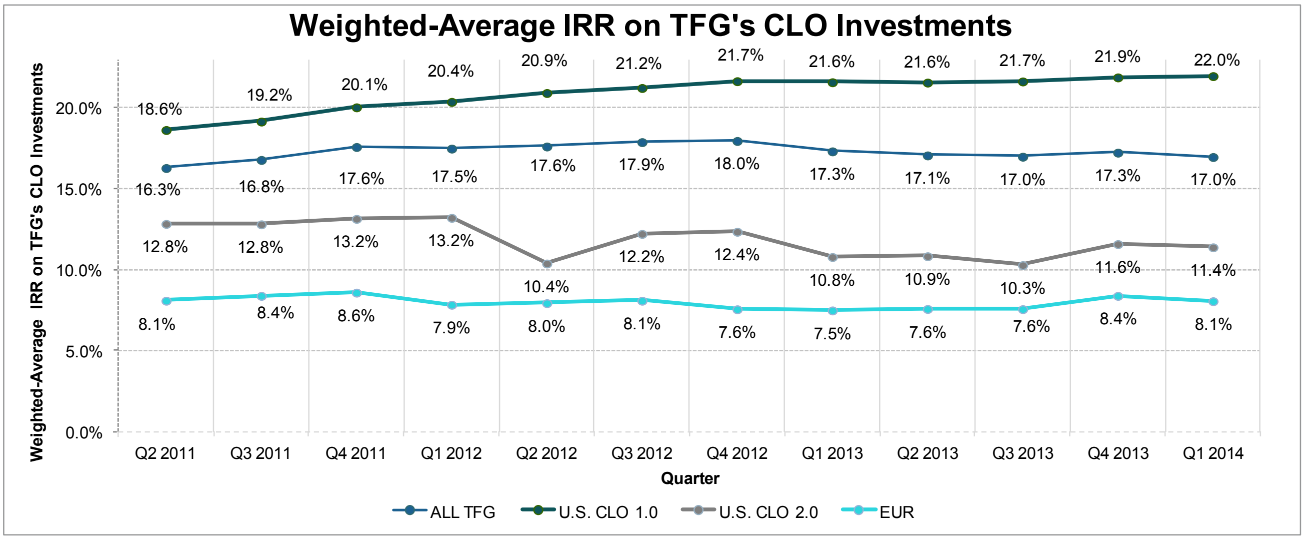
Notwithstanding the broad European CLO mezzanine tranche spread tightening and strong loan market conditions registered during this quarter, the performance of TFG's European CLO equity investments was adversely affected by the default of a pre-crisis credit held across all of TFG's European CLO transactions. As we've noted in the past, the relatively high obligor concentrations of European CLOs render those transactions more exposed to the credit risk of individual positions and our caution on this front was illustrated this quarter as a single issuer default caused collateral losses across the company's European transactions. As of the end of Q1 2014, all of TFG's European CLO investments were passing their junior-most O/C tests.(15)

Despite robust European CLO new issue activity during Q1 2014 and relatively attractive European CLO AAA liability pricing versus the United States, TFG has not invested in any European CLO 2.0 transactions since the crisis. This decision reflects our current view that European CLO equity returns may not adequately compensate investors for associated risks. These risks include relatively low diversification of European CLOs, reliance on large non-senior secured asset baskets to ensure sufficient excess funding gap arbitrage (e.g. mezzanine loans, high yield bonds), limited underlying asset rating visibility and transparency (i.e. private ratings), and the need to access assets denominated in multiple currencies with imperfect structural FX matching and hedging, among other factors.

INVESTMENT PORTFOLIO

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

Figure 10



DIRECT LOANS

TFG's direct loan portfolio performed well during Q1 2014, although its size was reduced to $32.1 million as a number of underlying loans were repaid or refinanced. The credit quality of this portfolio remained stable during the quarter and there continued to be no defaults. In the short term, we do not expect to allocate additional capital to this strategy due to more attractive alternative uses of company funds.

POLYGON EQUITY FUNDS

As of the end of Q1 2014, TFG had $196.7 million invested in Polygon-managed equity hedge fund products. The most significant investment is in the Polygon European Equity Opportunity Fund, which invests primarily in the major European equity markets with an event-driven focus. The fund has a diversified, catalyst-driven portfolio that has exhibited a low correlation to European equity markets. It has benefited from a wide range of re-rating events across its portfolio in Q1 2014 and delivered net performance of 10.2% in its A1 share class.[16] The investment team believes that the opportunity set for the fund is particularly attractive by historical standards.

POLYGON CREDIT, CONVERTIBLE & DISTRESSED FUNDS

All investments delivered positive returns for the quarter. Of note was the performance of the Polygon Convertible Opportunity Fund whose performance benefited from its more idiosyncratic return profile. During the quarter, the fund was +5.9% net in its A share class.[17]

INVESTMENT PORTFOLIO

OTHER EQUITY, CREDIT, CONVERTIBLE AND DISTRESSED

Over the last 18 months TFG has added various trades directly on its balance sheet in equities, convertible bonds and credit instruments. Some of these opportunities have arisen in part from TFG's ownership of Polygon and resulting access to new opportunities. TFG may invest in opportunities directly from its balance sheet rather than through, for example, investments in other funds or collective investment schemes, when it sees an opportunity that fits its investment criteria, particularly where our structuring ability and the company's long duration capital may give it a potential investment advantage. In some cases, TFG may also have exposure to the investment indirectly through fund investments.

REAL ESTATE

During the first quarter of 2014, TFG continued to make investments into GreenOak-managed real estate funds and vehicles, with net $31.8 million invested over the period. To date, the majority of the underlying real estate investments have been concentrated in the United States (primarily New York and California), Europe (primarily the United Kingdom and Spain) and Japan (Tokyo). Although the GreenOak investment program has yet to reach its full capacity, certain of the earliest vintage funds are already beginning to mature and have produced attractive returns, in some cases more than doubling the company's initial capital investments.

We believe that the company's real estate investments with GreenOak will continue to accrue significant value (and similarly, the value of TFG's 23% ownership stake in the GreenOak business). We expect this growth to be reflected slowly given the lengthy investing cycle of real estate and often long lag times before revaluation and/or monetization of assets.

HEDGING ACTIVITY AND OTHER MATTERS

TFG had no direct credit hedges in place at the end of Q1 2014, 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 areas of TFG's portfolio: management and performance fees from internal and external asset managers.(18)

UPDATE ON KEY METRICS

- **Performance of the underlying strategies:** All of the various strategies managed by TFG Asset Management's business segments had positive net performance through the end of Q1 2014, with particularly strong performance from the Polygon hedge funds (see Figure 15).
- **Gross revenues:** Composed primarily of management and performance fees from clients, gross revenues were $12.7 million for Q1 2014, up 9.5% from last year. If one includes the unrealized performance fees within the Polygon hedge funds (which only crystallize at year end) then this revenue is $16.1 million, an increase of 28.8% on last year.
- **"EBITDA equivalent":** $6.3 million for Q1 2014, up 18.9% on last year (as shown below).
- **AUM:** $10.4 billion as of 31 March 2014: up 28.4% on last year and compared to $9.2 billion at 2013 year end.

Figure 11

TETRAGON FINANCIAL GROUP TFG Asset Management Statement of Operations Q1 2014 vs. Q1 2013		
	Q1 2014 $MM	Q1 2013 $MM
Fee income(i)	12.7	11.6
Unrealised Polygon performance fees	3.4	0.9
Interest income	0.1	0.1
Total income	**16.2**	**12.6**
Operating, employee and administrative expenses (i)	(9.9)	(7.3)
Net income - "EBITDA equivalent"	**6.3**	**5.3**
Performance fee allocation to TFM	(0.4)	(0.5)
Amortisation expense on management contracts	(1.7)	(1.7)
Net economic income before taxes	**4.2**	**3.1**

(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.

TFG ASSET MANAGEMENT

ASSET MANAGEMENT BUSINESSES

AUM for LCM, GreenOak and Polygon are shown below at 31 March 2014.

Figure 12

Summary of TFG Asset Management AUM ($BN)		
Business	**31 March 2014**	**31 December 2013**
LCM	**$ 4.9**	**$ 4.2**
GreenOak (i)	**$ 4.1**	**$ 3.6**
Polygon (ii)	**$ 1.4**	**$ 1.4**
Total	**$ 10.4**	**$ 9.2**

(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

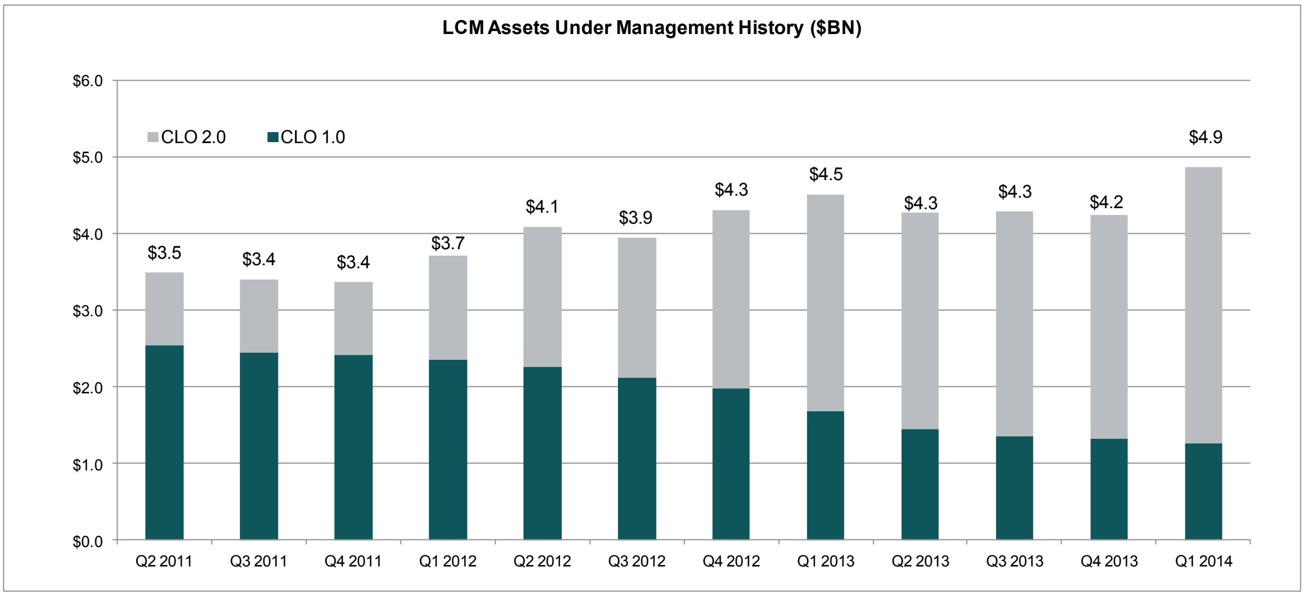
LCM is a specialist in below investment-grade, U.S. broadly-syndicated leveraged loans that was established in 2001. Farboud Tavangar is the senior portfolio manager.

LCM continued to perform well in Q1 2014, with all of LCM's Cash Flow CLOs[19] that were still within their reinvestment periods continuing to pay senior and subordinated management fees.

At 31 March 2014, LCM's total CLO loan assets under management stood at approximately $4.9 billion. LCM XV, a $624.0 million CLO, closed on 25 February 2014. LCM currently manages 13 CLOs.

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 the end of Q1 2014, LCM had one such active warehouse arrangement in place; TFG did not take any risk in this warehouse. We currently expect LCM to utilize additional warehouse arrangements in 2014 in connection with potential new LCM-managed CLOs.

Figure 13



TFG ASSET MANAGEMENT

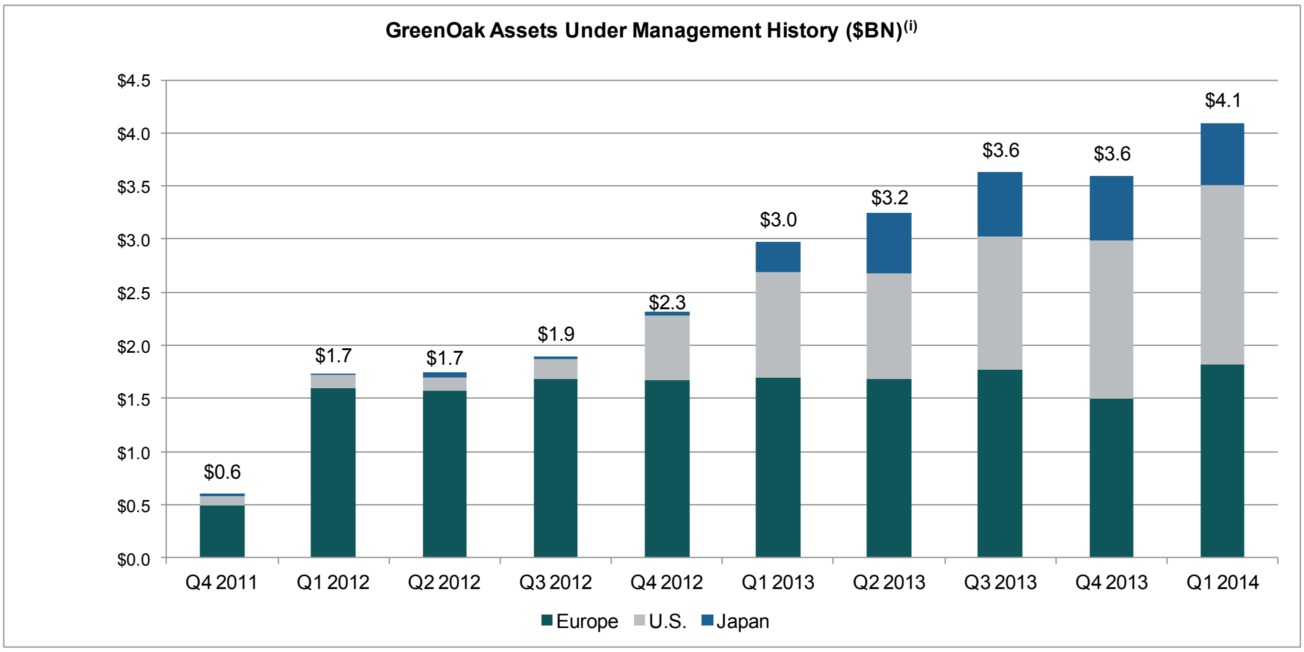
GREENOAK JOINT VENTURE

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.

During Q1 2014, GreenOak continued to execute on its strategy with respect to its funds and its advisory assignments on behalf of select strategic clients with mandates in Europe, Japan, and the United States.

At 31 March 2014, assets under management were approximately $4.1 billion.

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 $1.4 billion at 31 March 2014. The funds continued to perform well through Q1 2014.

Figure 15

Summary of Polygon Funds Assets Under Management ($ MM)			
Fund	**31 Mar 2014**	**2014 Net Performance**	**Annualised Net LTD Performance**
European Event-Driven Equity(i)	**$ 452.3**	**10.2%**	**16.4%**
Convertibles(ii)	**$ 315.3**	**5.9%**	**20.9%**
Mining Equities(iii)	**$ 68.3**	**2.0%**	**3.3%**
Private Equity Vehicle(iv)	**$ 472.2**	**1.7%**	**6.6%**
Distressed Opportunities(v)	**$ 74.2**	**2.3%**	**11.2%**
Other Equity(vi)	**$ 20.3**	**6.9%**	**17.9%**
Polygon Funds' Total AUM(vii)	**$ 1,402.6**		

(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 Private Equity Vehicle noted above is the Polygon Recovery Fund L.P. ("PRF"). The manager of the PRF is a subsidiary of TFG having been acquired in the Polygon transaction. The management fees earned in respect of PRF are included in the TFG Asset Management business segment described herein. PRF is a limited-life vehicle seeking to dispose of its portfolio securities prior to its initial term expiring in the first half of 2015 – with two additional one-year terms based on performance or investor approval. 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 PRF 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.

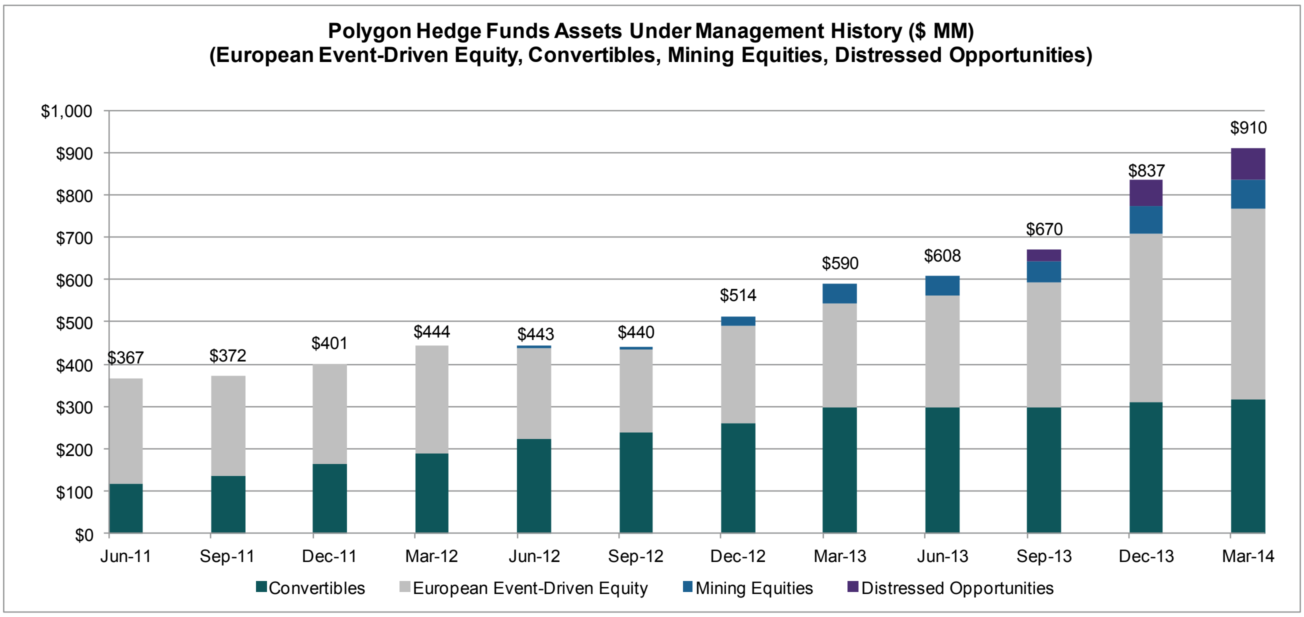
(vi) The fund began trading with Class B/B1 shares, which carry no incentive fees, on 12 September 2011. Returns shown here have been *pro forma* adjusted to account for a 2.0% management fee and a 20% incentive fee, in each case, as to be set forth in further definitive documents. AUM figure is for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

Note: 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. 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 March 2014.

Q1 2014

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 relevant periods.

FINANCIAL HIGHLIGHTS

Figure 17

TETRAGON FINANCIAL GROUP Financial Highlights			
	Q1 2014	Q1 2013	Q1 2012
U.S. GAAP net income ($MM)	$39.7	$63.0	$53.4
Net economic income ($MM)	$47.2	$69.3	$53.4
U.S. GAAP EPS	$0.41	$0.64	$0.46
Adjusted EPS	$0.48	$0.70	$0.46
Return on equity	2.6%	4.3%	3.6%
Net assets ($MM)	$1,783.6	$1,666.9	$1,510.1
U.S. GAAP number of shares outstanding (MM)	94.1	97.9	115.1
U.S. GAAP NAV per share	$18.94	$17.03	$13.12
Pro Forma number of shares outstanding (MM)	106.0	110.9	115.1
Pro Forma fully diluted NAV per share	$16.83	$15.02	$13.12
DPS	$0.150	$0.135	$0.105

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

- **Net Economic Income** ($47.2 million): adds back to the U.S. GAAP net income ($39.7 million) the imputed Q1 2014 share based employee compensation ($5.8 million), which is generated on an ongoing basis resulting from the Polygon transaction and also includes unrealized Polygon performance fees[20] ($1.8 million).
- **Return on Equity (2.6%)**: Net Economic Income ($47.2 million) divided by Net Assets at the start of the year ($1,803.2 million).
- **Pro Forma Fully Diluted Shares (106.0 million)**: adjusts the U.S. GAAP shares outstanding (94.1 million) for the impact of escrow shares used as consideration in the Polygon transaction and associated stock dividends (11.4 million) and for the potential impact of options issued to TFG's investment manager at the time of TFG's IPO (0.4 million).
- **Adjusted EPS ($0.48)**: calculated as Net Economic Income ($47.2 million) divided by weighted-average U.S. GAAP shares outstanding (97.8 million).
- **Pro Forma Fully Diluted NAV per Share ($16.83)**: calculated as Net Assets ($1,783.6 million) divided by Pro Forma Fully Diluted shares (106.0 million).[21]

FINANCIAL REVIEW

STATEMENT OF OPERATIONS

TETRAGON FINANCIAL GROUP Statement of Operations			
	Q1 2014 $MM	Q1 2013 $MM	Q1 2012 $MM
Interest income	45.0	56.6	57.5
Fee income	12.7	11.6	5.7
Unrealised Polygon performance fees	3.4	0.9	-
Other income - cost recovery	5.6	5.8	-
Investment income	**66.7**	**74.9**	**63.2**
Management and performance fees	(18.1)	(25.0)	(19.5)
Other operating and administrative expenses	(23.5)	(16.4)	(4.8)
Total operating expenses	**(41.6)**	**(41.4)**	**(24.3)**
Net investment income	**25.1**	**33.5**	**38.9**
Net change in unrealised appreciation in investments	16.8	35.2	17.0
Realised gain on investments	15.2	3.0	0.1
Realised and unrealised gains/(losses) from hedging, fx and options	(7.8)	(0.8)	(1.5)
Net realised and unrealised gains from investments and fx	**24.2**	**37.4**	**15.6**
Net economic income before tax and noncontrolling interest	**49.3**	**70.9**	**54.5**
Income tax	(2.1)	(1.6)	(0.6)
Noncontrolling interest	-	-	(0.5)
Net economic income	**47.2**	**69.3**	**53.4**

Performance Fee

A performance fee of $10.7 million was accrued in Q1 2014 in accordance with TFG's investment management agreement and based on a "Reference NAV" of Q4 2014. The hurdle rate for the Q2 2014 incentive fee has been reset at 2.875958% (Q1 2014: 2.890708%) 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 REVIEW

STATEMENT OF OPERATIONS BY BUSINESS SEGMENT

Figure 19

TETRAGON FINANCIAL GROUP Statement of Operations by Segment Q1 2014			
	Investment Portfolio $MM	TFG AM $MM	Total $MM
Interest income	44.9	0.1	45.0
Fee income	-	12.7	12.7
Unrealized Polygon performance fees	-	3.4	3.4
Other income - cost recovery	-	5.6	5.6
Investment and management fee income	**44.9**	**21.8**	**66.7**
Management and performance fees	(17.7)	(0.4)	(18.1)
Other operating and administrative expenses	(6.3)	(17.2)	(23.5)
Total operating expenses	**(24.0)**	**(17.6)**	**(41.6)**
Net change in unrealised appreciation in investments	16.8	-	16.8
Realised gain on investments	15.2	-	15.2
Realised and unrealised gains/(losses) from hedging, fx and options	(7.8)	-	(7.8)
Net realised and unrealised gains from investments and fx	**24.2**	**-**	**24.2**
Net economic income before tax	**45.1**	**4.2**	**49.3**

FINANCIAL REVIEW

BALANCE SHEET

Figure 20

TETRAGON FINANCIAL GROUP Balance Sheet as at 31 March 2014 and 31 December 2013		
	Q1 2014 $MM	Q4 2013 $MM
Assets		
Investments, at fair value	1,599.1	1,533.0
Management contracts	34.8	36.5
Cash and cash equivalents	117.8	245.9
Amounts due from brokers	63.4	42.0
Derivative financial assets	17.3	15.2
Property, plant and equipment	0.3	0.3
Deferred tax asset and income tax receivable	8.4	8.3
Other receivables	14.3	26.5
Total assets	**1,855.4**	**1,907.7**
Liabilities		
Other payables and accrued expenses	45.8	79.8
Amounts payable on share options	11.8	10.7
Deferred tax liability and income tax payable	9.7	10.7
Derivative financial liabilities	4.5	3.3
Total liabilities	**71.8**	**104.5**
Net assets	**1,783.6**	**1,803.2**

FINANCIAL REVIEW

STATEMENT OF CASH FLOWS

Figure 21

TETRAGON FINANCIAL GROUP Statement of Cash Flows			
	Q1 2014 $MM	Q1 2013 $MM	Q1 2012 $MM
Operating Activities			
Operating cash flows after incentive fees and before movements in working capital	53.4	89.6	83.2
Change in payables / receivables	0.1	(3.3)	(2.5)
Cash flows from operating activities	**53.5**	**86.3**	**80.7**
Investment Activities			
Proceeds on sales of investments			
- Net proceeds from swap resets	13.4	-	-
- Proceeds sale of bank loans and maturity and prepayment of investments	3.4	69.5	14.8
- Proceeds on realisation of real estate investments	4.2	4.5	-
- Proceeds sale of CLOs	-	-	0.2
Purchase of investments			
- Purchase of CLOs	(30.1)	(45.5)	(43.4)
- Purchase of bank loans	(1.4)	(5.7)	(17.5)
- Purchase of real estate investments	(36.0)	(6.3)	(5.1)
- Investments in asset managers	-	(0.5)	(2.4)
- Investments in Polygon Equity Funds	-	(40.0)	-
- Investments in Polygon Credit, Convertibles and Distressed Funds	(25.0)	-	-
- Investments in Other Equities, Credit, Convertibles and Distressed	(23.6)	-	-
Cash flows from operating and investing activities	**(41.6)**	**62.3**	**27.3**
Amounts due from broker	(21.5)	9.4	3.3
Net purchase of shares	(50.2)	(9.0)	(5.5)
Dividends paid to shareholders	(14.8)	(13.3)	(12.1)
Cash flows from financing activities	**(86.5)**	**(12.9)**	**(14.3)**
Net increase in cash and cash equivalents	(128.1)	49.4	13.0
Cash and cash equivalents at beginning of period	245.9	175.9	211.5
Effect of exchange rate fluctuations on cash and cash equivalents	-	(0.3)	0.3
Cash and cash equivalents at end of period	**117.8**	**225.0**	**224.8**

FINANCIAL REVIEW

NET ECONOMIC INCOME TO U.S. GAAP RECONCILIATION

Figure 22

Net Economic Income to U.S. GAAP Reconciliation	
	31 Mar 2014 $MM
Net economic income	**47.2**
Share based employee compensation	(5.8)
Unrealised Polygon performance fees	(3.4)
Imputed tax charge on unrealised Polygon performance fees	1.0
Estimated TFM incentive fee on unrealised Polygon performance fees	0.6
U.S. GAAP net income	**39.7**

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.

There are currently two adjusting items: share-based employee compensation of $5.8 million and performance fee earned but not accrued of $1.8 million.

In relation to the share-based compensation, 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.

Unrealised Polygon performance fees represent the fees calculated by the applicable administrator of the relevant Polygon funds, in accordance with the applicable fund constitutional documents, when determining net asset value at quarter end, less certain assumed costs. Similar amounts, if any, from LCM and GreenOak are excluded from this line item. Such fees would typically not be realised or recognised under U.S. GAAP until calendar year end, and are therefore subject to change based on fund performance during the remainder of the year. There are can be no assurance that the company will realise all or any portion of such amounts. Through 31 March 2014, this amount equalled $3.4 million before (1) an assumed imputed tax charge and (2) estimated TFM performance fees reduced the net contribution to $1.8 million as shown in Figure 11 and further represented in Figures 18 and 19 of this report.

APPENDICES

APPENDICES

APPENDIX I

CERTAIN REGULATORY INFORMATION

This Performance Report constitutes TFG's interim management statement as required pursuant to Section 5:25e of the Dutch Financial Markets Supervision Act ("FMSA"). Pursuant to Section 5:25e and 5:25m of the FMSA, this report is made public by means of a press release and has been filed with the Netherlands Authority for the Financial Markets (Autoriteit Financiële Markten) and also made available to the public by way of publication on the TFG website (www.tetragoninv.com).

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.

TFG shares (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.

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 of 1940), 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 of 1940. These restrictions may adversely affect overall liquidity of the Shares.

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 Unchanged at the end of Q1 2014:

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 Q1 2014, certain key assumptions relating to defaults, recoveries, prepayments and reinvestment prices were unchanged from the previous quarter. This was the case across both U.S. and European deals.

Figure 23
U.S. CLOs

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

Figure 24
European CLOs

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

APPENDICES

APPENDIX II (continued)

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 290 bps on broadly syndicated U.S. loans, 272 bps on European loans, and 328 bps on middle market loans.

Application of Discount Rate to Projected CLO Equity Cash Flows:

U.S. CLO 1.0 Equity – discount rates unchanged at 13%

In determining the applicable rates to use to discount projected cash flows, an analysis of observable risk premium data is undertaken. For U.S. CLOs, observable risk premia such as BB and BBB CLO tranche spreads maintained reductions since in previous quarters, and edges slightly lower. For example, according to Citibank research, BB spreads which were 5.3% at the end of Q4 2013, ended Q1 2014 at 5.0%, whilst BBB spreads marginally decreased quarter on quarter.(22)

Taking the mezzanine spread levels into account, whilst also considering other market and deal related factors, this discount rate has for now been maintained at 13%. 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 17% to 16%

European BB-rated tranche yields have continued to follow a downward trajectory, reaching approximately 6.9% in March 2014.(23) This is now less than 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 continued 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 16% from 17%. As a result, the differential between the discount rates used on U.S. pre-crisis deals and European deals is now 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 Q1 2014, the ALR stood at $31.6 million, compared to $38.9 million at the end of Q4 2013. As explained in prior releases, the ALR is now zero for U.S. deals.

APPENDICES

APPENDIX II (continued)

<u>U.S. CLO 2.0 Equity – discounted using deal IRR</u>

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 Q1 2014, the weighted-average discount rate (and IRR) on these deals was 11.4%. Such deals represented approximately 20.6% of the CLO equity portfolio by fair value (up from 17.7% at the end of Q4 2013). We will continue to monitor observable data on these newer vintage transactions to determine whether the IRR remains the appropriate discount rate.

Effect on fair value and net income of recalibration of certain inputs into the CLO model:

Overall, the net impact of the recalibration of certain forward-looking default assumptions and discount rates described above led to an overall increase in fair value of the total CLO equity portfolio of approximately $4.6 million, or $3.4 million in bottom line net income.

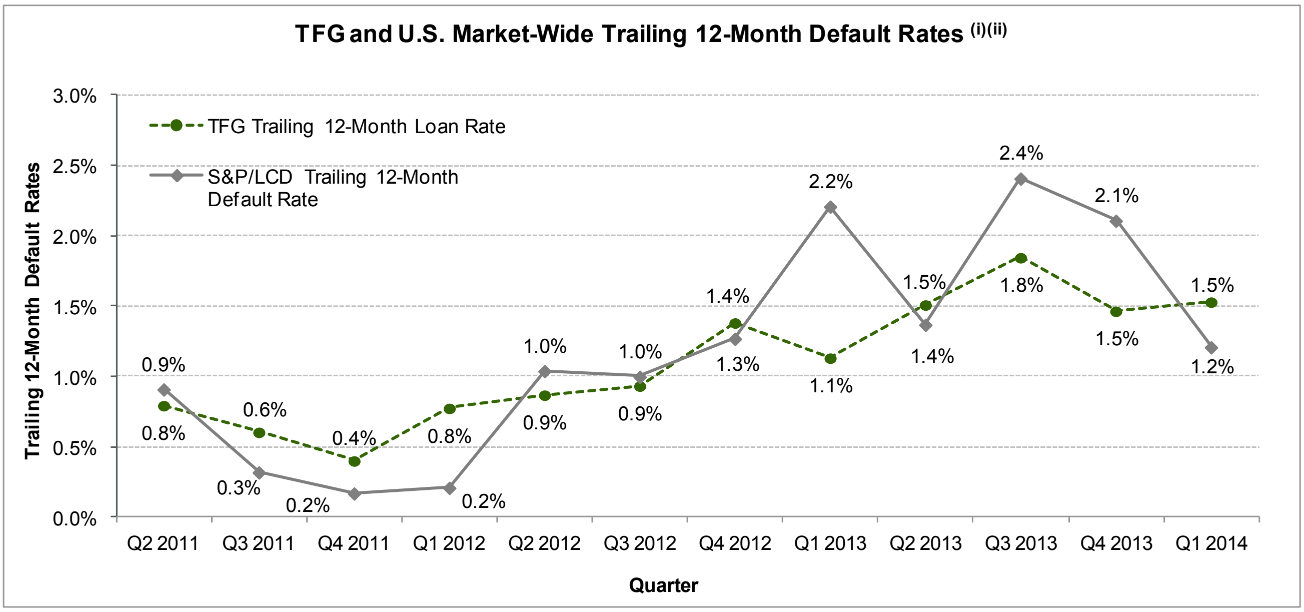
APPENDICES

APPENDIX III

ADDITIONAL CLO PORTFOLIO STATISTICS

Each individual deal's metrics used in the calculation of the figures below will differ from the overall averages and vary across the portfolio.

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.

Figure 26

ALL CLOs	Q1 2014	Q4 2013	Q3 2013	Q2 2013	Q1 2013	Q4 2012	Q3 2012	Q2 2012	Q1 2012	Q4 2011	Q3 2011	Q2 2011
Caa1/CCC+ or Below Obligors:	4.6%	5.4%	4.9%	5.0%	5.1%	6.0%	6.4%	5.7%	6.2%	7.0%	7.0%	7.2%
WARF:	2,565	2,542	2,553	2,568	2,541	2,599	2,605	2,578	2,588	2,624	2,614	2,642

U.S. CLOs	Q1 2014	Q4 2013	Q3 2013	Q2 2013	Q1 2013	Q4 2012	Q3 2012	Q2 2012	Q1 2012	Q4 2011	Q3 2011	Q2 2011
Caa1/CCC+ or Below Obligors:	3.4%	3.8%	3.9%	4.1%	4.0%	4.5%	4.9%	4.2%	4.8%	5.5%	5.5%	5.8%
WARF:	2,544	2,513	2,534	2,550	2,510	2,524	2,528	2,491	2,504	2,533	2,522	2,542

EUR CLOs	Q1 2014	Q4 2013	Q3 2013	Q2 2013	Q1 2013	Q4 2012	Q3 2012	Q2 2012	Q1 2012	Q4 2011	Q3 2011	Q2 2011
Caa1/CCC+ or Below Obligors:	9.4%	11.8%	9.1%	8.7%	9.7%	11.7%	12.2%	11.6%	11.1%	12.3%	12.0%	12.3%
WARF:	2,650	2,658	2,631	2,642	2,670	2,896	2,903	2,910	2,900	2,948	2,941	2,997

APPENDICES

APPENDIX III (continued)

CLO EQUITY PORTFOLIO DETAILS
AS OF 31 MARCH 2014

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)(1v)	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	388	55	58	0.99%	3.86%	(0.43%)	1.6%	29.6%
Transaction 2	EUR CLO	29.7	2006	2023	2013	418	52	66	0.61%	3.60%	(0.41%)	10.1%	108.3%
Transaction 3	EUR CLO	22.2	2006	2022	2012	417	58	92	3.82%	5.14%	(0.16%)	11.4%	129.2%
Transaction 4	EUR CLO	33.0	2007	2023	2013	421	48	49	5.60%	5.76%	(0.02%)	15.5%	124.0%
Transaction 5	EUR CLO	36.9	2007	2022	2014	418	60	59	0.45%	5.74%	(0.79%)	10.6%	87.6%
Transaction 6	EUR CLO	33.3	2006	2022	2012	384	51	64	2.81%	4.70%	(0.24%)	5.0%	49.7%
Transaction 7	EUR CLO	38.5	2007	2023	2013	403	46	49	3.61%	3.64%	(0.00%)	6.3%	31.9%
Transaction 8	EUR CLO	26.9	2005	2021	2011	391	53	75	6.27%	4.98%	0.15%	9.1%	102.8%
Transaction 9	EUR CLO	41.3	2007	2023	2013	423	50	53	1.94%	6.27%	(0.62%)	7.6%	76.7%
Transaction 10	EUR CLO	27.0	2006	2022	2012	387	50	73	1.76%	4.54%	(0.36%)	3.9%	44.1%
Transaction 86	EUR CLO	3.6	2006	2022	2012	387	50	73	1.76%	3.11%	(0.18%)	22.1%	15.9%
EUR CLO Subtotal:		**329.9**				**405**	**52**	**62**	**2.66%**	**4.82%**	**(0.31%)**		**74.5%**
Transaction 11	US CLO	20.5	2006	2018	2012	302	45	54	8.98%	4.55%	0.59%	20.4%	186.3%
Transaction 12	US CLO	22.8	2006	2019	2013	327	46	56	9.95%	4.45%	0.74%	20.4%	184.5%
Transaction 13	US CLO	15.2	2006	2018	2012	324	47	50	5.48%	4.82%	0.09%	21.5%	203.3%
Transaction 14	US CLO	26.0	2007	2021	2014	335	49	50	2.87%	5.63%	(0.39%)	18.8%	183.9%
Transaction 15	US CLO	28.1	2007	2021	2014	405	52	48	3.64%	4.21%	(0.09%)	29.5%	233.7%
Transaction 16	US CLO	23.5	2006	2020	2013	387	46	48	4.06%	4.44%	(0.05%)	21.1%	203.9%
Transaction 17	US CLO	26.0	2007	2021	2014	332	40	40	5.12%	4.24%	0.12%	24.0%	197.8%
Transaction 18	US CLO	16.7	2005	2017	2011	303	45	54	12.04%	4.77%	0.87%	20.0%	196.7%
Transaction 19	US CLO	1.2	2005	2017	2011	303	45	54	12.04%	4.77%	0.87%	23.9%	191.0%
Transaction 20	US CLO	26.6	2006	2020	2012	398	52	77	5.55%	5.28%	0.04%	21.9%	199.1%
Transaction 21	US CLO	20.7	2006	2020	2012	328	53	81	6.38%	4.76%	0.21%	18.1%	177.4%
Transaction 22	US CLO	37.4	2007	2021	2014	405	53	53	2.75%	5.00%	(0.32%)	21.6%	183.7%
Transaction 23	US CLO	19.9	2007	2021	2013	328	66	127	8.38%	4.98%	0.50%	20.1%	176.4%
Transaction 24	US CLO	16.9	2006	2018	2012	408	46	52	6.93%	4.17%	0.36%	18.2%	174.2%
Transaction 25	US CLO	20.9	2006	2018	2013	392	46	52	9.23%	4.13%	0.70%	22.6%	194.7%
Transaction 26	US CLO	27.9	2007	2019	2013	416	43	53	8.86%	4.05%	0.68%	19.4%	176.8%
Transaction 27	US CLO	23.9	2007	2021	2014	525	51	51	10.25%	6.11%	0.57%	32.6%	251.6%
Transaction 28	US CLO	7.6	2007	2021	2014	525	51	51	10.25%	6.11%	0.57%	43.7%	180.4%
Transaction 29	US CLO	19.1	2005	2018	2011	435	66	360	51.99%	4.82%	5.57%	18.2%	172.8%
Transaction 30	US CLO	12.4	2006	2018	2012	424	67	123	7.10%	5.16%	0.25%	18.3%	174.7%
Transaction 31	US CLO	9.5	2005	2017	2012	320	52	94	10.60%	5.02%	0.63%	16.1%	190.7%
Transaction 32	US CLO	24.0	2007	2021	2014	311	59	59	4.32%	5.57%	(0.19%)	21.6%	181.1%
Transaction 33	US CLO	16.2	2006	2020	2012	347	56	140	9.40%	6.99%	0.30%	13.8%	160.9%
Transaction 34	US CLO	22.2	2006	2020	2012	347	50	68	6.41%	6.66%	(0.03%)	18.8%	185.9%
Transaction 35	US CLO	23.6	2006	2018	2012	486	52	190	21.24%	5.00%	2.09%	18.6%	174.8%
Transaction 36	US CLO	28.4	2007	2021	2013	385	46	64	2.82%	5.18%	(0.33%)	19.3%	169.9%
Transaction 38	US CLO	23.7	2007	2021	2013	315	42	55	7.51%	5.07%	0.35%	27.6%	225.7%
Transaction 39	US CLO	7.8	2005	2017	2011	450	70	N/A	-	3.15%	(0.37%)	8.9%	111.5%
Transaction 40	US CLO	13.0	2006	2020	2011	366	39	61	N/A	N/A	N/A	21.2%	187.2%
Transaction 41	US CLO	22.5	2006	2020	2013	377	48	52	4.27%	4.71%	(0.06%)	22.1%	195.3%
Transaction 42	US CLO	22.4	2007	2021	2014	370	47	48	4.92%	3.92%	0.14%	22.5%	191.1%
Transaction 44	US CLO	22.3	2006	2018	2012	319	54	210	13.98%	4.16%	1.24%	9.3%	125.8%
Transaction 45	US CLO	23.0	2006	2018	2012	291	46	78	4.72%	4.46%	0.04%	7.9%	115.9%
Transaction 46	US CLO	21.3	2007	2019	2013	288	51	76	4.12%	4.33%	(0.03%)	7.1%	106.8%
Transaction 47	US CLO	28.3	2006	2021	2013	330	47	44	3.65%	4.34%	(0.09%)	22.4%	197.5%
Transaction 48	US CLO	23.0	2006	2019	2013	327	46	63	4.04%	5.71%	(0.23%)	15.2%	153.7%
Transaction 49	US CLO	12.6	2005	2017	2011	363	40	66	8.60%	3.94%	0.56%	11.3%	128.5%
Transaction 50	US CLO	12.3	2006	2018	2012	361	40	59	7.53%	4.25%	0.42%	12.4%	133.1%

(Continued on next page)

APPENDICES

APPENDIX III (continued)

CLO EQUITY PORTFOLIO DETAILS (CONTINUED)
AS OF 31 MARCH 2014

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)(1v)	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 51	US CLO	18.0	2007	2020	2013	342	53	60	5.30%	4.47%	0.12%	20.8%	186.2%
Transaction 54	US CLO	0.5	2005	2017	2012	343	56	228	39.92%	3.69%	4.05%	54.5%	945.5%
Transaction 55	US CLO	0.3	2005	2017	2011	341	39	117	34.80%	3.59%	3.60%	57.7%	900.3%
Transaction 56	US CLO	23.0	2007	2019	2014	338	42	42	4.48%	4.53%	(0.01%)	22.3%	191.1%
Transaction 57	US CLO	0.6	2007	2019	2014	338	42	42	4.48%	4.53%	(0.01%)	47.6%	1091.9%
Transaction 58	US CLO	21.8	2007	2019	2014	343	49	49	3.56%	4.04%	(0.07%)	25.1%	201.5%
Transaction 59	US CLO	0.4	2007	2019	2014	343	49	49	3.56%	4.04%	(0.07%)	52.7%	1536.3%
Transaction 61	US CLO	29.1	2007	2021	2014	343	45	45	2.84%	4.04%	(0.17%)	18.0%	154.9%
Transaction 62	US CLO	25.3	2007	2020	2013	325	42	47	5.11%	5.20%	(0.01%)	22.4%	199.2%
Transaction 63	US CLO	27.3	2007	2021	2013	360	53	59	2.73%	4.78%	(0.30%)	19.5%	180.3%
Transaction 64	US CLO	15.4	2007	2021	2013	380	38	45	N/A	N/A	N/A	23.0%	197.8%
Transaction 65	US CLO	26.9	2006	2021	2013	360	47	62	6.09%	4.96%	0.15%	14.6%	145.7%
Transaction 66	US CLO	21.3	2006	2020	2013	299	49	50	3.36%	4.05%	(0.09%)	22.5%	202.8%
Transaction 67	US CLO	27.3	2007	2022	2014	332	46	45	4.82%	4.38%	0.06%	21.5%	184.0%
Transaction 68	US CLO	19.3	2006	2020	2013	348	48	50	6.55%	4.41%	0.29%	27.6%	244.1%
Transaction 69	US CLO	28.2	2007	2019	2013	333	44	45	7.23%	5.61%	0.23%	26.8%	228.7%
Transaction 70	US CLO	24.6	2006	2020	2013	296	52	53	5.02%	6.21%	(0.16%)	19.4%	179.3%
Transaction 71	US CLO	1.7	2006	2018	2012	361	40	59	7.53%	4.25%	0.42%	22.9%	100.8%
Transaction 72	US CLO	4.8	2007	2019	2014	338	42	42	4.48%	4.53%	(0.01%)	18.5%	92.9%
Transaction 73	US CLO	1.9	2007	2019	2014	338	42	42	4.48%	4.53%	(0.01%)	18.5%	92.9%
Transaction 74	US CLO	5.5	2007	2019	2014	343	49	49	3.56%	4.04%	(0.07%)	22.7%	99.2%
Transaction 75	US CLO	32.7	2011	2022	2014	382	168	168	4.53%	4.05%	0.17%	12.0%	58.0%
Transaction 76	US CLO	1.9	2006	2018	2012	291	46	78	4.72%	2.43%	0.31%	30.6%	111.4%
Transaction 77	US CLO	14.5	2011	2023	2016	397	212	213	5.73%	5.04%	0.30%	13.4%	40.1%
Transaction 78	US CLO	22.9	2012	2023	2015	484	217	217	5.73%	4.00%	0.79%	16.1%	55.2%
Transaction 79	US CLO	19.4	2012	2022	2015	399	215	215	4.18%	4.00%	0.08%	7.2%	39.2%
Transaction 80	US CLO	22.7	2012	2022	2016	403	185	185	4.17%	4.17%	(0.00%)	11.1%	37.9%
Transaction 81	US CLO	21.7	2012	2024	2016	426	216	217	4.72%	4.00%	0.47%	8.3%	26.1%
Transaction 82	US CLO	25.4	2012	2022	2016	404	206	207	4.13%	4.00%	0.08%	8.2%	26.4%
Transaction 83	US CLO	20.8	2013	2025	2017	464	193	193	6.58%	6.17%	0.37%	13.4%	19.1%
Transaction 84	US CLO	24.6	2013	2023	2017	401	183	184	4.13%	4.02%	0.10%	16.0%	29.5%
Transaction 85	US CLO	1.0	2013	2025	2017	402	170	171	5.09%	5.01%	0.11%	9.1%	12.3%
Transaction 87	US CLO	23.0	2013	2026	2018	417	199	199	4.12%	4.00%	0.37%	6.0%	0.0%
Transaction 88	US CLO	30.1	2014	2024	2018	431	199	199	4.03%	4.02%	0.13%	13.8%	0.0%
US CLO Subtotal:		**1,353.0**				**370**	**77**	**94**	**6.42%**	**4.60%**	**0.26%**		**154.5%**
Total CLO Portfolio:		**1,683.0**				**377**	**72**	**88**	**5.68%**	**4.65%**	**0.15%**		**138.8%**

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.

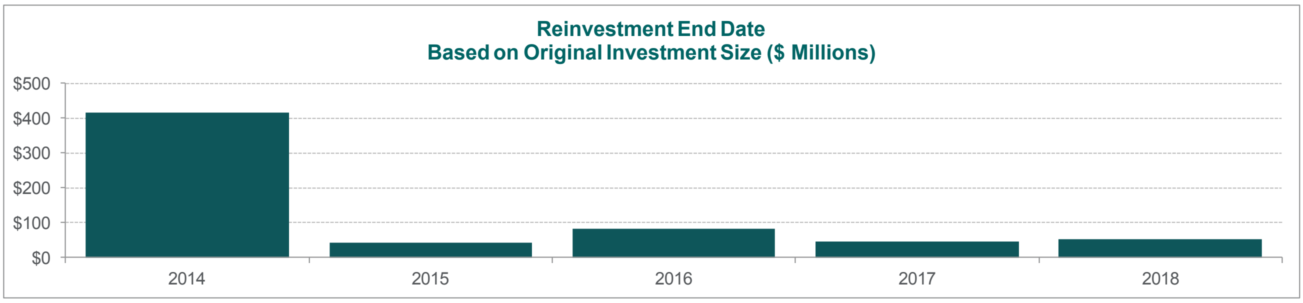
(x) Inception to report date cash flow received on each transaction as a percentage of its original cost.

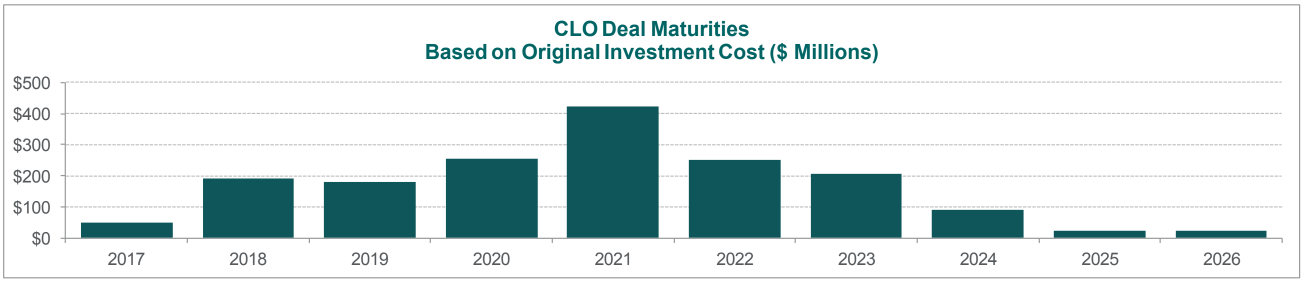
APPENDICES

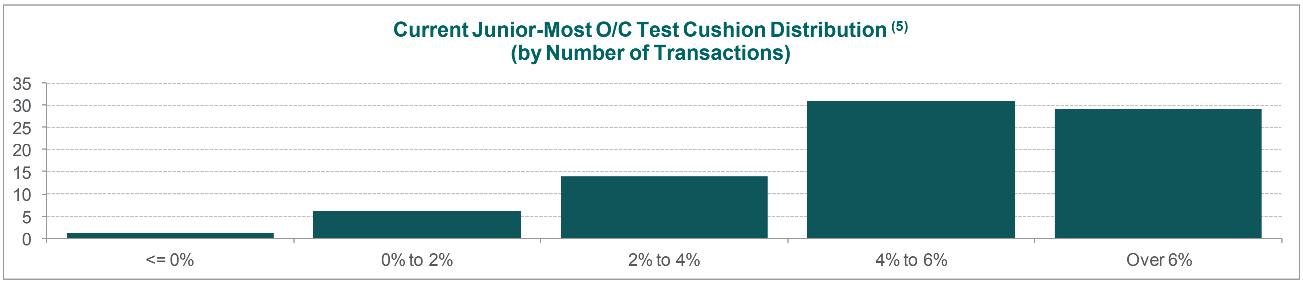
APPENDIX III (continued)

CLO EQUITY PORTFOLIO DETAILS (CONTINUED)
AS OF 31 MARCH 2014

Figure 28







APPENDICES

APPENDIX IV

SHARE RECONCILIATION AND SHAREHOLDINGS

U.S. GAAP TO FULLY DILUTED SHARES RECONCILIATION

Figure 29[24]

U.S. GAAP to Fully Diluted Shares Reconciliation	
	31 Mar 2014 Shares (MM)
Legal Shares Issued and Outstanding	**134.99**
Less: Shares Held In Subsidiary	(16.60)
Less: Shares Held In Treasury	(12.80)
Less: Escrow Shares[24.i]	(11.44)
U.S. GAAP Shares Outstanding	**94.15**
Add: Manager (IPO) Share Options[24.ii]	0.39
Add: Escrow Shares[24.i]	11.44
Pro Forma Fully Diluted Shares	**105.98**

As previously disclosed, on 28 October 2013, approximately 1.2 million non-voting shares of TFG (together with accrued dividends, the "Vested Shares") that were issued pursuant to TFG's acquisition in October 2012 of Polygon Management L.P. and certain of its affiliates (the "Polygon Transaction") vested with certain persons (other than Messrs. Griffith and Dear) (such persons, the "Employees"), all of whom are employees of TFG, pursuant to the Polygon Transaction.

For additional information regarding the Polygon Transaction and the future vesting schedule for shares issued thereunder, see Note 19 to the 2013 Tetragon Financial Group Master Fund Limited audited financial statements, included in the TFG 2013 Annual Report.

One Employee is agreeing to sell to Messrs. Griffith and Dear and another Employee on 7 May 2014 an aggregate of approximately 61,180 Vested Shares at a price equal to the volume-weighted average trading price of the TFG shares over the period from 10 April through 25 April 2014 (adjusted for the Q1 2014 dividend). Messrs. Griffith and Dear have advised TFG that they have no plans to dispose of these shares.

BOARD OF DIRECTORS

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

*Independent Director

SHAREHOLDER INFORMATION

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United States of America

General Partner of Investment Manager
Tetragon Financial Management GP LLC
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Legal Advisor (as to Dutch law)
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The Netherlands

Stock Listing
NYSE Euronext in Amsterdam

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

ENDNOTES

Executive Summary and Outlook

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

(2) 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.

(3) Investment Portfolio segment income or "IP income" reflects the income in the period attributable to specific asset classes or types as detailed in Figure 9. This breakdown of categories reflects all investments in the Investment Portfolio segment and, where applicable, associated hedges. It excludes expenses related to this segment as well as P&L on TFG options.

(4) Please see endnote (2).

(5) 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.

(6) Includes GreenOak 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 administrator for value date 31 March 2014. 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.

(7) Fee income 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.

Key Metrics

(8) Please see endnote (2).

(9) Please see endnote (2).

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) For each CLO, TFG's indirect exposure to the underlying assets is calculated by multiplying the total par amount of the CLO's assets by the percentage of the equity tranche owned by TFG. Each CLO's data is as of the date of the latest available trustee report.

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

(13) Based on the most recent trustee reports available as of 31 March 2014.

(14) Based on the most recent trustee reports available as of 31 March 2014.

(15) Based on the most recent trustee reports available as of 31 March 2014.

(16) 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 invests in Polygon-managed funds on a preferred fee-basis.

(17) 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 invests in Polygon-managed funds on a preferred fee-basis.

ENDNOTES (continued)

TFG Asset Management

(18) TFG owns a 23% stake in GreenOak and for accounting purposes treats this stake as an investment rather than consolidating the underlying net assets and net income of this business. Any change in the calculated fair value of the 23% stake in GreenOak will be reflected through the TFG Asset Management segment below the EBITDA equivalent line. During Q1 2014 there was no change in the calculated fair value of the aforementioned stake in GreenOak and consequently no value recognised in the TFG Asset Management Statement of Operations.

(19) The LCM III, LCM IV, LCM V, LCM VI, LCM IX, LCM X, LCM XI, LCM XII, LCM XIII, LCM XIV, and LCM XV CLOs are referred to as the "LCM Cash Flow CLOs." 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.

Financial Review

(20) Unrealised Polygon performance fees represent the fees calculated by the applicable administrator of the relevant Polygon funds, in accordance with the applicable fund constitutional documents, when determining net asset value at quarter end, less certain assumed costs. Similar amounts, if any, from LCM and GreenOak are excluded from this line item. Such fees would typically not be realised or recognised under U.S. GAAP until calendar year end, and are therefore subject to change based on fund performance during the remainder of the year. There are can be no assurance that the company will realise all or any portion of such amounts. Through 31 March 2014, this amount equalled $3.4 million before (1) an assumed imputed tax charge and (2) estimated TFM performance fees reduced the net contribution to $1.8 million as shown in Figure 11 and further represented in Figures 18 and 19 of this report.

(21) 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

(22) *Citi Global Structured Credit Strategy* – 17 April 2014.

(23) *Citi Global Structured Credit Strategy* – 17 April 2014.

ENDNOTES (continued)

Appendix IV

(24) 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.

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.

UNAUDITED QUARTERLY REPORT

TETRAGON FINANCIAL GROUP LIMITED

FOR THE QUARTER ENDED 31 MARCH 2014 AND FOR THE QUARTER ENDED 31 MARCH 2013

TETRAGON FINANCIAL GROUP LIMITED

UNAUDITED QUARTERLY REPORT
FOR THE QUARTER ENDED 31 MARCH 2014 AND FOR THE QUARTER ENDED 31 MARCH 2013

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TETRAGON FINANCIAL GROUP LIMITED

STATEMENTS OF ASSETS AND LIABILITIES
As at 31 March 2014 (unaudited)

	31 Mar 2014 US$ '000	31 Dec 2013 US$ '000
Assets		
Investment in the Master Fund*	1,806,053	1,846,731
Total assets	1,806,053	1,846,731
Liabilities		
Accrued incentive fee	10,655	32,850
Amounts payable on share options	11,804	10,669
Total liabilities	22,459	43,519
Net assets	1,783,594	1,803,212
Equity		
Share capital	94	99
Share premium	912,412	963,224
Capital reserve in respect of share options	11,789	11,789
Share based employee compensation reserve	23,377	17,602
Retained earnings	835,922	810,498
	1,783,594	1,803,212
Shares outstanding		**Number '000**
Shares	94,147	98,938
Net Asset Value per share	US$18.94	US$18.23

* Tetragon Financial Group Master Fund Limited

TETRAGON FINANCIAL GROUP LIMITED

STATEMENTS OF OPERATIONS

For the quarter ended 31 March 2014 and for the quarter ended 31 March 2013 (unaudited)

	Quarter Ended 31 Mar 2014 US$ '000	Quarter Ended 31 Mar 2013 US$ '000
Investment income allocated from the Master Fund		
Interest income	45,034	56,650
Fee income	12,690	11,570
Other income – cost recovery	5,604	5,792
Investment income allocated from the Master Fund	63,328	74,012
Direct expenses		
Incentive fee	(10,655)	(18,694)
Total direct expenses	(10,655)	(18,694)
Operating expenses allocated from the Master Fund		
Employee costs	(10,408)	(8,552)
Management fees	(6,812)	(6,106)
Legal and professional fees	(6,175)	(1,069)
Share based employee compensation	(5,774)	(5,774)
Audit fees	(101)	(74)
Other operating and administrative expenses	(6,901)	(6,749)
Total operating expenses allocated from the Master Fund	(36,171)	(28,324)
Total operating expenses	(46,826)	(47,018)
Net investment income	16,502	26,994
Net increase in unrealized depreciation on:		
Share options	(1,136)	(2,472)
Net increase in unrealized depreciation arising from direct operations	(1,136)	(2,472)
Net realized and unrealized gain / (loss) from investments and foreign currency allocated from the Master Fund		
Net realized gain / (loss) from:		
Investments	2,127	3,031
Derivative financial instruments	13,083	-
Foreign currency transactions	1,166	(637)
	16,376	2,394

TETRAGON FINANCIAL GROUP LIMITED

STATEMENTS OF OPERATIONS (continued)
For the quarter ended 31 March 2014 and for the quarter ended 31 March 2013 (unaudited)

	Quarter Ended 31 Mar 2014 US$ '000	Quarter Ended 31 Mar 2013 US$ '000
Net increase / (decrease) in unrealized appreciation / (depreciation) on:		
Investments	8,400	35,175
Derivative financial instruments	892	6,477
Translation of assets and liabilities in foreign currencies	(310)	(4,158)
	8,982	37,494
Net realized and unrealized gain from investments and foreign currency allocated from the Master Fund	25,358	39,888
Net increase from operations before tax	40,724	64,410
Income and deferred tax expense	(1,051)	(1,369)
Net income	39,673	63,041
Earnings per share		
Basic	US$ 0.41	US$ 0.64
Diluted	US$ 0.36	US$ 0.57
	Number '000	**Number '000**
Weighted average shares outstanding		
Basic	97,813	98,394
Diluted	109,650	110,373

TETRAGON FINANCIAL GROUP LIMITED

STATEMENTS OF CHANGES IN NET ASSETS

For the quarter ended 31 March 2014 and for the quarter ended 31 March 2013 (unaudited)

	Quarter Ended 31 Mar 2014 US$ '000	Quarter Ended 31 Mar 2013 US$ '000
From operations :		
Total investment income	63,328	74,012
Total operating expenses	(46,826)	(47,018)
Net unrealized depreciation on share options	(1,136)	(2,472)
Net realized gain from investments and foreign currency allocated from the Master Fund	16,376	2,394
Net unrealized appreciation from investments and translation of assets and liabilities in foreign currencies allocated from the Master Fund	8,982	37,494
Income and deferred tax expense	(1,051)	(1,369)
Net income	39,673	63,041
Share based employee compensation	5,774	5,774
Net increase in net assets resulting from operations	45,447	68,815
Dividends paid to shareholders	(14,841)	(13,265)
Issue of shares	691	1,276
Purchase of Treasury shares	(50,915)	(11,402)
Decrease in net assets resulting from net share transactions	(50,224)	(10,126)
Total (decrease) / increase in net assets	(19,618)	45,424
Net assets at start of year	1,803,212	1,621,448
Net assets at end of year	1,783,594	1,666,872

TETRAGON FINANCIAL GROUP LIMITED

STATEMENTS OF CASH FLOWS

For the quarter ended 31 March 2014 and for the quarter ended 31 March 2013 (unaudited)

	Quarter Ended 31 Mar 2014 US$ '000	Quarter Ended 31 Mar 2013 US$ '000
Operating activities		
Net income	39,673	63,041
Adjustments for:		
Net unrealized depreciation on share options	1,136	2,472
Share based employee compensation reserve	5,774	5,774
Net unrealized appreciation / (depreciation) on investments in the Master Fund	40,677	(36,364)
Operating cash flows before movements in working capital	87,260	34,923
Increase in receivables	-	(1,113)
Decrease in payables	(22,195)	(11,532)
Net cash provided by operating activities	65,065	22,278
Financing activities		
Issue of shares	691	1,276
Purchase of Treasury shares	(50,915)	(10,289)
Dividends paid to shareholders	(14,841)	(13,265)
Net cash used in financing activities	(65,065)	(22,278)
Net increase in cash and cash equivalents	-	-
Cash and cash equivalents at beginning of year	-	-
Cash and cash equivalents at end of year	-	-

UNAUDITED CONSOLIDATED QUARTERLY REPORT

TETRAGON FINANCIAL GROUP MASTER FUND LIMITED

FOR THE QUARTER ENDED 31 MARCH 2014 AND FOR THE QUARTER ENDED 31 MARCH 2013

TETRAGON FINANCIAL GROUP MASTER FUND LIMITED

UNAUDITED CONSOLIDATED QUARTERLY REPORT

FOR THE QUARTER ENDED 31 MARCH 2014 AND FOR THE QUARTER ENDED 31 MARCH 2013

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TETRAGON FINANCIAL GROUP MASTER FUND LIMITED
CONSOLIDATED STATEMENTS OF ASSETS AND LIABILITIES
As at 31 March 2014 (unaudited)

	31 Mar 2014 US$ '000	31 Dec 2013 US$ '000
Assets		
Investments, at fair value	1,599,060	1,532,980
Management contracts	34,833	36,544
Cash and cash equivalents	117,762	245,912
Amounts due from brokers	63,392	41,975
Derivative financial assets	17,299	15,159
Property, plant and equipment	289	276
Deferred tax asset	8,403	7,711
Prepaid income tax	562	562
Other receivables	13,815	26,588
Total assets	1,855,415	1,907,707
Liabilities		
Payable for investments purchased	25	-
Derivative financial liabilities	4,509	3,261
Other payables and accrued expenses	35,135	46,998
Income tax payable	-	600
Deferred tax liability	9,693	10,117
Total liabilities	49,362	60,976
Net assets	1,806,053	1,846,731
Equity		
Share capital	94	99
Share premium	872,228	922,447
Retained earnings	910,354	906,583
Capital contribution	23,377	17,602
	1,806,053	1,846,731
Shares outstanding	**Number '000**	**Number '000**
Shares	94,147	98,938
Net asset value per share	US$ 19.18	US$ 18.67

TETRAGON FINANCIAL GROUP MASTER FUND LIMITED
CONSOLIDATED STATEMENTS OF OPERATIONS
For the quarter ended 31 March 2014 and for the quarter ended 31 March 2013 (unaudited)

	Quarter ended 31 Mar 2014 US$ '000	Quarter ended 31 Mar 2013 US$ '000
Interest income	45,034	56,650
Fee income	12,690	11,570
Other income – cost recovery	5,604	5,792
Investment income	63,328	74,012
Employee costs	(10,408)	(8,552)
Management fees	(6,812)	(6,106)
Legal and professional fees	(6,175)	(1,069)
Share based employee compensation	(5,774)	(5,774)
Audit fees	(101)	(74)
Other operating and administrative expenses	(6,901)	(6,749)
Operating expenses	(36,171)	(28,324)
Net investment income	27,157	45,688
Net realized and unrealized gain / (loss) from investments and foreign currency		
Net realized gain / (loss) from:		
Investments	2,127	3,031
Derivative financial instruments	13,083	-
Foreign currency transactions	1,166	(637)
	16,376	2,394
Net increase / (decrease) in unrealized appreciation / (depreciation) on:		
Investments	8,400	35,175
Derivative financial instruments	892	6,477
Translation of assets and liabilities in foreign currencies	(310)	(4,158)
	8,982	37,494
Net realized and unrealized gain from investments and foreign currency	25,358	39,888
Net increase from operations before tax	52,515	85,576
Income and deferred tax expense	(1,051)	(1,369)
Net income	51,464	84,207

TETRAGON FINANCIAL GROUP MASTER FUND LIMITED
CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
For the quarter ended 31 March 2014 and for the quarter ended 31 March 2013 (unaudited)

	Quarter ended 31 Mar 2014 US$ '000	Quarter ended 31 Mar 2013 US$ '000
From operations:		
Net investment income	27,157	45,688
Net realized gain from investments and foreign currency	16,376	2,394
Net unrealized appreciation on investments and translation of assets and liabilities in foreign currencies	8,982	37,494
Income and deferred tax expense	(1,051)	(1,369)
Net income after tax	51,464	84,207
Share based employee compensation	5,774	5,774
Net increase in net assets resulting from operations	57,238	89,981
Dividends paid to TFG Limited in lieu of incentive fee liability	(32,851)	(30,226)
Dividends paid to shareholders	(14,841)	(13,265)
Total distributions	(47,692)	(43,491)
Issue of shares	691	1,276
Purchase of Treasury shares	(50,915)	(11,402)
Decrease in net assets resulting from capital transactions	(50,224)	(10,126)
Total increase in net assets	(40,678)	36,364
Net assets at start of period	1,846,731	1,658,276
Net assets at end of period	1,806,053	1,694,640

TETRAGON FINANCIAL GROUP MASTER FUND LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the quarter ended 31 March 2014 and for the quarter ended 31 March 2013 (unaudited)

	Quarter ended 31 Mar 2014 US$ '000	Quarter ended 31 Mar 2013 US$ '000
Operating activities		
Net income	51,464	84,207
Adjustments for:		
Realized gains on investments and derivatives	(15,210)	(3,031)
Cash received on investments in excess of interest income	52,567	69,543
Amortization on intangible assets	1,711	1,749
Amortization of fixed assets	38	-
Share based employee compensation	5,774	5,774
Unrealized gains	(8,982)	(37,494)
Deferred tax	(1,116)	(955)
Operating cash flows before movements in working capital	86,246	119,793
Decrease / (increase) in receivables	12,773	(1,307)
Decrease in payables	(12,716)	(2,016)
Cash flows from operations	86,303	116,470
Proceeds from sale / prepayment / maturity of investments	7,606	73,987
Net proceeds from swap resets	13,361	-
Purchase of investments	(116,042)	(97,948)
Net cash provided by operating activities	(8,772)	92,509
Financing activities		
Amounts due from brokers	(21,416)	9,373
Proceeds from issue of shares	691	1,276
Treasury shares	(50,915)	(10,289)
Dividends paid to shareholders	(14,841)	(13,265)
Dividends paid to Feeder in lieu of incentive fee liability	(32,851)	(30,226)
Net cash used in financing activities	(119,332)	(43,131)
Net (decrease) / increase in cash and cash equivalents	(128,104)	49,378
Cash and cash equivalents at beginning of year	245,912	175,941
Effect of exchange rate fluctuations on cash and cash equivalents	(46)	(326)
Cash and cash equivalents at end of period	117,762	224,993